PERFORMANCE AUDIT REPORT
ON
RURAL TELECOMMUNICATION
PROGRAMME
BY
UNIVERSAL SERVICE FUND COMPANY

AUDIT YEAR 2013-14

AUDITOR-GENERAL OF PAKISTAN

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ABBREVIATIONS & ACRONYMS

BOQ	:	Bill of Quantity
BTS	:	Base Transmission Station
BSS	:	Base Sub Station
BSC	:	Base Station Center
CEO	:	Chief Executive Officer
CGA	:	Controller General of Accounts
DT log	:	Drive Test log
EC	:	Environmental Controller
ECNEC	:	Executive Committee of Nation Economic Council
EMF	:	Environmental Management Framework
EIA	:	Environmental Impact Assessment
EPA	:	Environmental Protection Act
GFR	:	General Financial Rules
GM	:	General Manager
GoP	:	Government of Pakistan
GPRS	:	General Packet Radio Service
GSM	:	Global System for Mobiles
HR	:	Human Resources
HLR’s	:	Home Location Registers
HRGC	:	Human Resource Governance Committee
IFRS	:	International Financial Reporting Standards
IN’s	:	Intelligent Networks
IEE	:	Initial Environmental Examination
KPI	:	Key Performance Indicators
KVA	:	Kilo Volt Ampere
Lot	:	Geographical area
MoIT	:	Ministry of Information Technology
MoF	:	Ministry of Finance
MSS	:	Media Switching System
MGW	:	Media Gateway
NGO	:	Non Governmental Organization
OMC	:	Operation Maintenance Centre
PCO	:	Public Call Office
PD	:	Project Director
PM	:	Prime Minister
PTA	:	Pakistan Telecommunication Authority
PMCL	:	Pakistan Mobile Communication Limited

PTCL	:	Pakistan Telecommunication Company Limited
RFP	:	Request for Proposal
RTE’s	:	Rural Telecom and E-Services
SSA	:	Service and Subsidy Agreement
SP	:	Service Provider
TA	:	Technical Auditor
Teledensity	:	Number of telephone connections for every 100 individuals living within an area
Telecentre	:	A public place where people can access computers & internet
TRX	:	Trans receivers
TOR	:	Terms of Reference
USF	:	Universal Service Fund
USFCGL	:	Universal Service Fund Company Guarantee Limited

Preface

Articles 169 & 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with Sections 8 and 12 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001, require the Auditor General of Pakistan to conduct audit of receipts and expenditure out of the Federal Consolidated Fund and Public Account.

The Directorate General PT&T audit conducted performance audit of the Rural Telecommunication Programme under USF company during the month of March/April 2013 with a view to report significant findings to stakeholders. Audit examined the economy, efficiency, and effectiveness aspects of the programme. In addition, Audit also assessed, whether the management complied with applicable laws, rules, and regulations in managing the programme. The Audit Report indicates specific actions that, if taken, will help the management in future in planning, execution and monitoring of such projects.

The Audit Report is submitted to the President of Pakistan in pursuance to the Article 171 of the constitution of the Islamic Republic of Pakistan 1973, for causing it to be laid before both houses of Majlis-e-Shoora (Parliament).

Dated: 28th March, 2014 MUHAMMAD AKHTAR BULAND RANA
Auditor-General of Pakistan

EXECUTIVE SUMMARY

Rural Telecommunication Programme by USF

Director General of Audit PT&T conducted an audit of Rural Telecommunication and E-Services programme in March/ April, 2013 at USF Company Islamabad. Universal fund was created vide section 33 of the Telecommunication (Re-organization) Act 1996, (amended 2006). Federal Government established a company (USF Company) under Rule 10 of the USF Rules 2006 notified vide SRO 1129(1) dated 11.11.2006. The company is managed by a Board and headed by a CEO. Minister of IT is the chairman of the Board with 8 other members (3 from GOP, 1 consumer representative and 4 from the telecom industry). The Board has full powers to administer the affairs of the Company. CEO is the head of the Company appointed by the Federal Government and enjoys powers with the approval of the Board. Budget of the Company is prepared by the Company and approved by the Board and Federal Government. Funds are released on quarterly basis by the Federal Government.

Rural Telecom and E-Services Programme was launched in 2007 with the objectives to provide basic telephony and data services to the people of un-served areas. In the 1st and 2nd phase, USF Company auctioned the 10 geographic areas for provision of services to a population of 6,824,898 of 6,118 Muzas. USF achieved 65 % of its targets and provided network access to a population of 4,419,809 in 3760 Muzas only. It was observed that Project Appraisal Committee was not formed by the Board in the light of section 6.7.4 of the Administrative Structure therefore the appraisal of the lots was not got done by the committee before the approval of the Board.

According to Rule 26(6) USF Rules 2006 notified by MoIT vide SRO No. 1132(1)/2006 dated 01.11.2006 “All the assets procured for the implementation of the project from the funded amount shall be deemed to be the property of the Federal Government”. This rule was amended vide notification dated 05.06.2007 as “All assets procured by the contractor for the implementation of the project from the subsidy amount shall be subject to lien exercisable by the Federal Government”. This amendment was not approved by the competent forum (Law & Finance Divisions), who had approved the original rules of 2006. Due to this amendment in the rule, Government was deprived from the ownership of the assets procured from the government money. As per amended rule 26(6), the subsidy receiver had to execute a lien of the equipment to the extent of the amount of subsidy. It was however, observed that a subsidy of Rs 4,217.577 million was agreed but the lien was less executed amounting to Rs 2,333.200 million.

It was also observed that there were major deviation in observance of rules & regulation with regard to hiring of employees. Monitoring aspect was totally ignored by the Company which had given the service provider free hand in maintaining the services in the USF areas. Due to non observance of reserve price as stated in the USF rules, the service providers demanded the subsidies ranging from 9% to 89% of the capital cost of the lots. If the subsidy had been paid @9% of the capital cost then saving of Rs 3,421 million could have been made whereas if the subsidy had been paid @ 20 % of the capital cost then the saving could have been Rs 2,565 million.

Furthermore the technical auditors demanded different prices for technical audit of the Muzas BTS, Telecenters and PCOs of the same terrain which shows that bids were not evaluated properly. Cost of technical audit carried out ranged from Rs 3.375 million to Rs 12.594 million whereas the cost of technical audit of one lot conducted by USF team was only Rs 543,107.

Service providers did not fulfill the contract obligations regarding provision/ installation of equipment as quoted in the technical bids. Regarding Malakand and Mansehra lots, management of USF failed to safeguard the interest of the Company as well as that of the GOP by not deducting proportionate amount of non-delivered items from the performance bond and by not imposing penalty on the Service Provider due to delayed work respectively.

Moreover the quality of service parameters set out by PTA and agreed by the Service Providers in their Technical bid was not followed by all the service providers. The data regarding ‘Net Work down Time' and' Cell-site Down Time' was neither obtained by USF from the service providers nor from technical auditors which was a basic parameter to judge the service quality of the service providers.

Moreover, the Service Providers did not follow the provisions of Environmental Act 1997. Internal Audit was ineffective as no Internal Audit report was produced during the currency of the programme.

Audit requested for DAC meeting to the Administrative Ministry twice but it could not be held.

INTRODUCTION

The Director General of Audit PT&T conducted a performance audit of the Rural Telecommunication and E- Services programme in March/ April 2013. The focus of audit was to ascertain whether the objectives defined in the USF Policy issued by the Federal Government and the targets set for the programme were achieved or not.

USF Policy objective was to provide telecommunication services country-wide & increasing teledensity. The USF would finance network coverage and services to previously un-served or under-served areas and would make it possible for operators to supply individual service on normal commercial terms.

Rural Telecommunication & E-services Programme was designed to meet the objectives of USF Policy issued by the Federal Government to achieve the 85% teledensity with 5% teledensity in rural areas upto 2010. Pakistan was divided into 26 geographical areas called lots. Each lot was selected by consulting the geographical and demographic data of the Survey of Pakistan, SUPARCO and Census Organization of Pakistan. The lots of the programme were prepared by the Manager Projects & Technology and approved by the Board. However, the Board had not got evaluated the lots from the Project Appraisal Committee which was necessary as per provisions of USF Rules. The programme was to be completed by 2010 with the completion period for each lot of 12 months. Lots were to be auctioned in a competitive manner and each service provider was consequently bound to accomplish the task in 12 months period.

Programme budget for the years 2007-08 to 2012-13 was Rs 17,669 million out of which Rs 4,868 million was released by the MoIT. An amount of Rs 3,040 million was disbursed to the telecom operators (service providers) as subsidy (**Annex-A**).

1. AUDIT OBJECTIVES

The major objectives of the audit were;

1. To assess whether the targets set in the programme were achieved.
2. To evaluate the project monitoring system.
3. To check the process of award of contracts, subsidies, hiring of consultants, technical auditors, etc.
4. To assess the environmental impact of the programme.

2. AUDIT SCOPE AND METHODOLOGY

Audit of the programme was taken in hand from 18-03-2013 and field work completed on 26.04.2013 at USF Company Islamabad. The audit was conducted by consulting the records i.e. Lot files, Board Minutes, USF rules-2006 and Policy, etc. The documents consulted during the performance audit related to the following areas;

1. Geographic and Demographic data for the preparation of a lot.
2. Tender advertisement and issuance of Request for Application (RFA) & Service and Subsidy Agreement (SSA) to the bidders.
3. Technical and financial proposals evaluations.
4. Issuance of letter of intent, award of contracts, contract agreements, etc.
5. Milestone achievement certification by the Technical Auditors.
6. Snags lists and their removal by the service providers.
7. Technical Auditors contracts including scope of work.
8. Monitoring data.
9. Final reports of completion of lots.
10. Field visit of Mirpur Khas lot.
11. Discussions with the Project Manager and his team.
12. Consultation from the Regularity audit reports of the previous years.

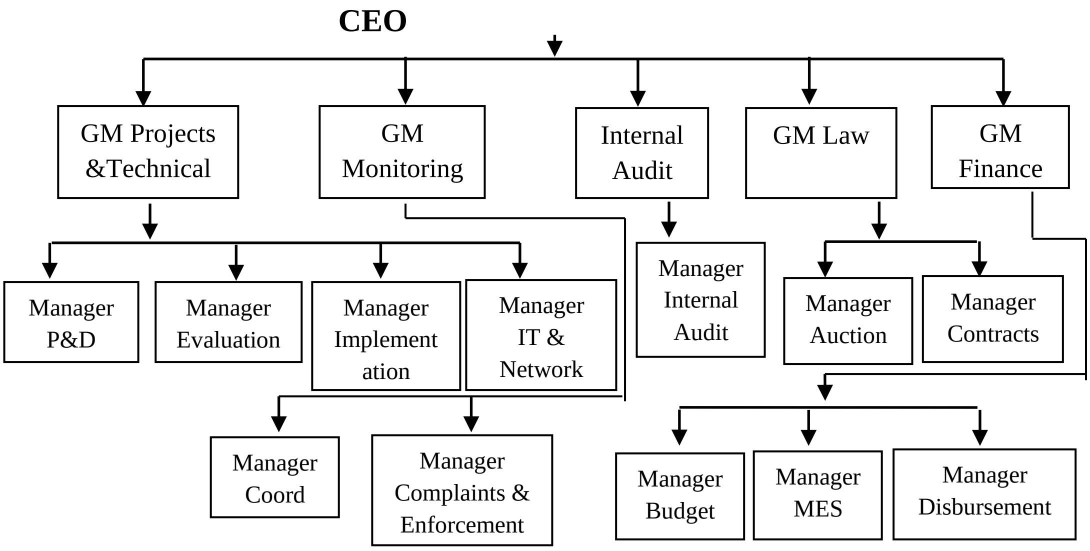
4. AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Organization and Management

4.1.1 According to section 6 of the USF administrative structure, the following departments are made responsible for the projects preparation, evaluation, approval, implementation and monitoring of the projects.

a. Projects and Technology
b. Monitoring
c. Law
d. Finance & Internal audit

The organogram of Company for the departments concerned with the management of the programme is as under;



4.1.2 General Manager Projects & Technology had been working since the launch of the Company and the Rural Telecom Programme. GM Law & Finance had left the Company in the years 2008 and 2012 respectively. No G.M Monitoring was appointed till the year 2012.

4.1.3 As per rule 23 of USF rules-2006, General Manager Projects &

Technology is responsible for preparation of detailed plans of the projects/programmes. After approval of the Board, the project is advertised for open bidding. General Manager Law and the Managers are responsible for the preparation of contract agreements for the service providers and technical auditors. Finance arranges the funds through the approved budget whereas internal audit plays a vital role throughout the project till its completion.

4.1.4 According to section 8 of the Administrative Structure, qualifications and job descriptions have been laid down for each post of the project/ Company which are included in the HR manual. However, the criteria were not followed in the cases tabulated below;

S.No	Name of Post	Qualification & experience of post as per Administrative structure	Deficiencies of hired employee
1	CEO	Post Graduate Professional Degree in Business, Administration, Finance or Engineering (Electrical, Telecom, Electronics) with 12 years experience	The candidate was only B.E Electrical and having no experience but was appointed
2	GM Finance	Advanced degree in Economics, commerce, finance, accounting, MBA/ACMA/ACA in finance and management with 10 years experience in telecom sector	The candidate was only Commerce graduate and deficient of requisite experience
3	Manager Audit	Advance degree in economics, finance, accounting, MBA/ACMA/ACA in finance and management	The candidate was deficient of requisite qualification & experience and only commerce graduate with CA (foundation)
4	Manager Auction	Advanced degree in law and advocate of high court	He had only LLB with MA Political Science
5	Manager Communications	Advanced degree in Journalism Or Mass communication	The candidate was only MBA Marketing
6	Dy Manager Technical Coordination	Master degree in electronics, electrical, Telecom Eng, with 7 years experience	The candidate was deficient of requisite qualification & experience and only MBA Marketing
7	Dy. Manager Coordination	MBA, Degree in social sciences or public administration with 5 years experience	The candidate was only Graduate and deficient in experience

Due to non observance of the qualifications and experience criteria, the appointments are considered irregular.

Recommendation:

Board and Management of Company as well as Human Resource Governance Committee (HRGC) should observe the criteria for appointments for all the posts for fair and transparent appointments.

4.1.5 According to section 7 of the Administrative structure and USF HR Manual, the recruitment shall be made for the projects and admin staff after the approval of hiring policies and procedures including the interview process. Jobs will be advertised widely in the print media. The positions of G.M and above are finalized by the HRGC and the Board and the positions below the G.M are finalized by the CEO after interview by the committees nominated for the purposes.

It was observed during the regularity audit for the years 2006-10 that there were 44 approved positions by the Board. Eleven (11) positions were approved through budget of 2011-12 out of which nine (9) positions were filled. Thus the total approved head count was fifty one (51) upto the end of June 2012. But in January 2012, new CEO took the charge of the company and made recruitment of thirty six (36) new employees from January 2012 to June 2012 by violating all the codified procedures and principles laid down in the manuals of the Company. Even the approval of the Board was not obtained for these appointments The Company had hired the employees without advertisement in the print media and non- observance of the criteria laid down for the posts. In some case the ads were posted on Rozee PK website without mentioning the name of the organization. Thus the appointments were made in an unfair and non transparent manner.

Recommendation:

Board and Management of the Company with HRGC should follow the provisions of the rules. Board should also take action for irregular appointments and rectify the wrong doings by the concerned.

4.1.6 According to section 8 of the Manual of Operating Procedures, The USF administration would undertake a range of targeted activities such as to ensure that the citizens of Pakistan are aware of the activities and of their rights. The responsibility should rest with the Manager Publications/Communications. The Companies external communications activities should concentrate on matters pertaining to Universal Service. The communication plan should define the general scope and pattern of the scheduled communications activities. The plan should be supported by an itemized budget for the activities and renewed annually. The communications include publications, advertisements and media features.

The manager Communications had not provided response to the audit requirements made during the audit process. However, GM Projects responded with reference to the project.

In this regard, USF objective for establishment of communication channel is to ensure that the process undergoes in a transparent manner in which stakeholders are kept informed adequately. Depending upon the type of activity different modes of communications is used from voice calls to formal written letters/notices/documents.

Recommendation:

Management of the Company and Board should take notice of the non response to audit query and ensure the communications plans be made as provided in the manual.

4.1.7 According to section 8.3.8 of USF Administrative structure, Manager IT & Networking responsibilities have been provided. Manager IT is working in the Company but no system like Oracle. SAP or ERP is in place in the USF. No response to audit query made during the audit process was provided by the relevant IT persons. However, the Manager P&T responded that “no specific IT system is being used for projects purposes. Data is compiled on excel sheets which i.e kept on a network location available to specific people”.

Recommendation:

Management of the Company should adopt an appropriate IT system for the Company.

4.2 Financial Management

4.2.1 Quality and timelines of submission and approval of cash plans

According to rule 16 of USF rules 2006, the Board shall, in respect of each year, prepare and approve the budget. The Board shall also prepare budget of the fund and submit it for approval of the Federal Government. The budget is approved by the Board in the beginning of the financial year in case the meeting of the Board is convened. In case the Board meeting is not convened then the budget is approved whenever the meeting is held. Further as per rule 3(5) (d) of USF rules, the Federal Government shall make quarterly release to the Company as per the approved budget not less than fourteen days before the commencement of each quarter. It was observed that the releases were made late because the Board had not approved the budget.

Recommendation:

Federal Government and Board should approve the budget in time and ensure release in time so that the functioning of the Company with respect to its mandate may not suffer.

4.2.2 Detail of release requests and lead time for release

According to the information provided by the company, there was a time lag upto 78 days in the request and release of funds. Due to which the payments were not made to the service providers in time which resulted in delay of completion of the certain segment of the project (**Annex-B**).

Recommendation:

The Federal government should release the funds within the minimum possible time so that the project works could not suffer due to non payments.

4.2.3 Format of Financial Reports

According to rule 8 of USF rules, the accounts of the fund shall be prepared and maintained in accordance with the guidelines laid down by the CGA and as per rule 17 (2) of the rules, the accounts of the Company shall be maintained in accordance with the provisions of the Companies Ordinance 1984 and shall be audited annually in accordance with the provisions of the said Ordinance.

The fund had not got approved the Accounting Procedure from CGA/AGP till date. The annual accounts of the Fund and the Company are prepared on IFRS and certified by a Chartered Accountant firm. The Company also carries out bi-annual audit of the accounts.

Recommendation:

Federal Government should approach CGA for approval of form and format of its accounts and the accounts of the Company should also be test in conformity with the same as the budget of the Company is part and parcel of Public Fund, which is maintained and operated by the Federal Government under the provisions of section 33 of the Telecom Re-Organization Act 1996 and USF rules 2006.

4.2.4 **Detail of project bank accounts**

There is no separate account for the project. The bank account is maintained with NBP and the payments to the service providers, contractors, Technical Auditors, Admin expenses etc are drawn from the same main bank account.

4.2.5 **Non safeguarding the interest of USF/GOP due to contradictory clauses in the agreements**

The whole of Pakistan was divided into 26 geographical areas (Lots). In the first phase 10 lots were auctioned and work awarded to the auction winning service providers. Mobilization Advance equal to 20% of the total subsidy amount of each lot against 40 % bank guarantee valid for 5 years was paid to the service providers (**Annex-C**).

According to Rule 19 (i) & (iv) of GFR Vol-I, the terms of a contract must be precise and definite and there must be no room or ambiguity or misconstruction therein. No contract involving an uncertain or indefinite liability or any condition of an unusual character should be entered into without the previous consent of MoF.

It was observed that there was a performance bond for 40 % of the subsidy amount valid for 5 years in accordance with clause 6.01 (a&b) of Service and Subsidy agreements of all the Lots of RTE's programme. As per clause 15.01 the term of the agreement for provision of services was for 10 years period. Due to the two different periods of performance guarantee and service provision clause, the service provider had an edge to withdraw the guarantee after 5 years. There was no safety in the agreement that the SP will not close the services beyond 5 years as no check & balance system was invoked in the contract. This contradiction had put the Company at stake. The management was requested to explain how the provision of services was safeguarded in case the SP failed to provide services after 5 years period. Thus in these lots the interest of GOP/ USF was not safeguarded. No response was provided by the management.

Recommendation:

Management should devise a mechanism to safeguard the interest of the Company.

4.2.6 Violations of terms and conditions of contract agreements

4.2.6.1 <u>Non accomplishment of tasks by M/S Warid in DG Khan lot and poor performance</u>

A contract agreement was made with M/s Warid Telecom for provision of services in four (4) Districts of i.e. Layyah, Muzaffargarh, D.G Khan and Rajanpur. The service provider had to provide the services to an un-served population of 650856 living in 539 un-served Muzas as described in schedule (c) of agreement (**Annex-D**). To accomplish the task, M/s Warid had to deploy 76 BTS sites. The T.A report upto 3rd milestone proved that service provider had deployed 34 BTS sites covering 245 mandatory Muzas. Balance 42 BTS sites were not deployed till that time resulting in non provision of services to the remaining un-served Muzas. T.A had reported that all the 71 PCO's and 7 Telecenters were rejected due to non-compliant to USF rules.

But it was noticed in the reports that all were of PCOs shown as completed

M/s Tel-e-Com (T.A) for D.G Khan Lot areas reported the deficiencies and other observations in the technical audit report as under:

1. M/s Warid located BTS at convenient places and drew DT log file without visiting the Muzas, not even those following at periphery of the footage of a BTS.
2. M/s Warid had created PCO's in Muzas for convenience and for commercial activity against the contract clause. Serious departure was noted in the establishment of PCO's.
3. BTS sites were not properly planned. Some BTS sites were deployed in served areas and some in a separate region which was not USF planned area and did not serve a single Muza.
4. No commercial activity (advertisement through banners, bill boards etc) was on scene from Warid as none was aware about the availability of services. Public was unaware about the facility of PCO and Telecenters.

USF had made the payments to service provider irrespective of the fact of poor performance and non accomplishment of tasks as pointed out by the TA in its report given above. Management was enquired about the final report and action by the USF for non accomplishment of tasks and deviation from contract items but no response was provided.

Recommendation:

Management may take appropriate steps so that service providers abide by the agreement clauses and get the needful done before making any further payment or releasing the performance bond.

4.2.6.2 **<u>Non penalization to PTCL for Mansehra lot</u>**

M/s PTCL was awarded a contract agreement for Mansehra Lot on 24.06.2008 with a completion period of 12 months i.e. 23.06.2009

(**Annex-E**). M/s PTCL failed to accomplish the task of all the 4 milestones. M/s PTCL reported that 1st and 2nd milestones had been accomplished. Technical Auditor M/s Optiwave conducted the audit of both the milestones and reported the progress as under:

S.No	Description	Total job	Task accomplished
1.	Muzas	1479	630
2.	PCOs	113	60
3.	Telecenters	1	1
4.	BTS Sites	59	16

M/s PTCL reported the completion of 1st milestone on 24.07.2009 and 2nd milestone on 24.05.2010 which were beyond the completion date of project. Technical Auditor visited the areas on 29.12.2009 and 03.06.2010 and revisited on 25.03.2011 for removal of snags. M/s PTCL claimed 2 force majeure which were not proved as the legal opinion and T.A did not agree with the PTCL plea.

According to clause 4 of the contract penalty @ 0.5% of USF subsidy amount payable for the work that was delayed per week was required to be recovered alongwith forfeiture of performance bond and termination of contract as per termination clause. M/s PTCL failed to accomplish the task within the stipulated time period therefore, penalty should have been imposed alongwith forfeiture of performance bond but no action was on record.

Management was requested to provide the reasons for not penalizing the service provider as per terms of the agreement but no reply was provided.

Recommendation:

Management is requested to take action in the light of terms of the contract.

4.2.6.3 **<u>Non observance of BOQ by PTCL in Mansehra lot and Dadu lot</u>**

M/s Pakistan Telecom Company Limited (PTCL) was awarded the tasks of Mansehra lot and Dadu lot at subsidy of Rs 300 million &

Rs 250 million respectively. The service provider did not accomplish the tasks as agreed in BOQ and service subsidy agreement (SSA) as detailed in the table below:

Mansehra Lot					Dadu Lot		
S. No	**Description**	**Qty as per BOQ**	**Qty deployed by SP**	**Less Quantity**	**Qty as per BOQ**	**Qty deployed by SP**	**Less Quantity**
01	Basic Service Center (BSC) at Abbottabad	1	--	1	--	--	--
02	AC for 59 BTS Sites (2x2 Tons)	118	32	86	66	02	64
03	DG Sets 25 kva	59	16 (20kva)	43	21	21	--
04	DC Generators	50	16	34	--	--	--
05	Commercial Powers	11	--	11	--	--	--
06	DC Power System with Battery Backup	104	--	104	33	18	15
07	Solar Pannels	109	--	109	--	--	--
08	BTS Sites	59	16	43	21	18	03
09	DG Sets 5 kva	--	--	--	12	--	12
10	Towers 30m, 40m & 50m	--	--	--	33	18	15
11	Huts	--	--	--	33	18	15
12	Piece of Land	--	--	--	33	--	33

The technical auditors M/s Optiwave & Myson Engineering Services (MES) reported that 100 % jobs were completed by the service provider. Due to the wrong certification by the technical auditors, the management of USF made the payments to the service provider over & above the actual jobs carried out by the service provider. This resulted into excess payments and non-receipt of lien of the equipment as per the amended rules. Moreover, the management had paid the agreed amount of technical audit fee to the T.A despite the fact that the reporting was poor and incorrect which led to payment to service provider for the non- delivered part of equipment.

Management was enquired about the non observance of the contract clauses and action for wrong certification against TA but no response was received.

Recommendation:

Management should adhere to the terms of the agreement and disqualify the TA for other works of audit. The overpaid amount to the service provider and technical auditor may be recovered and responsibility be fixed for non-verification of facts before making payment.

4.2.7 **Non observance of rules**

4.2.7.1 **Loss due to non observance of provisions of USF rules - Rs 2,333.200 million**

USF Rules 2006 approved by Law and Finance Divisions were notified by MoIT vide SRO No. 1132(1)/2006 dated 01.11.2006. Rule 26(6) provides that "All the assets procured for the implementation of the project from the funded amount shall be deemed to be the property of the Federal Government". This rule was amended vide notification dated 05.06.2007 as "All assets procured by the contractor for the implementation of the project from the subsidy amount shall be subject to lien exercisable by the Federal Government in accordance with sub rule (3) of rules 29 and terms of the contract and contractor shall execute documents to substantiate the lien or support its enforceability". This amendment was not approved by the competent forum (Law &Finance Divisions).

According to USF amended rule 26(6), the subsidy receiver had to execute a lien of the equipment to the extent of the amount of subsidy. It was however, observed from the record of lots of RTE programme that the lien was not executed upto the amount of subsidy or no lien was executed which resulted in less amount of lien Rs 2,333.200 million. Detail is as under:

(Rs in million)

S.No	Name of lot	Name of Service Provider	Amount of subsidy	Amount of lien due	Amount less lien
01	Malakand	M/S Teneor	310.149	Nil	310.149
02	Sukkur	M/S Mobilink	112.300	Nil	112.300
03	DG Khan	M/S Warid	91.000	Nil	91.000
04	Pishin	M/S PTCL	175.000	175.000	Nil

05	Mansehra	M/S PTCL	300.000	300.000	Nil
06	Dadu	M/S PTCL	250.000	250.000	Nil
07	Bahawalpur	M/S Telenor	248.382	233.859	14.523
08	MirpurKhas	M/S Telenor	930.000	697.517	232.483
09	Larkana	M/S PTCL	228.000	228.000	Nil
10	Nasirabad	M/S CM Pak	1,572.746	Nil	1,572.746
		TOTAL	**4,217.577**	**1,884.376**	**2,333.200**

Management was requested to intimate the reasons for non compliance of rules but no reply was received.

Recommendation:

MoIT should look into the issue of amendment in the rule without the approval of the competent forum. Further, the management should adhere to the provisions of rules in true spirit and obtain the liens.

4.2.8 Irregular and unjustified payments

4.2.8.1 Political Media Campaign by USF - Rs 147.245 million

According to Rule 97 of GFR Vol-I, expenditure for which no provision has been made in the original budget estimate of the current financial year should not be incurred. Furthermore, as per Finance Division's O.M No. F.15 (13) R-14/82 dated 05.09.1982, the funds provided, acquired or generated by the autonomous/semi-autonomous bodies and corporations are public funds which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and caution strictly in accordance with the prescribed rule or specific orders of the Government.

It was observed from the news clipping printed in daily "The News" of 9^{th} May, 2012 that Rs 120 million was incurred on political Media Campaigns by USF. The examination of record revealed that USF Company issued two orders to M/s Midas for advertisement in Electronic and Print media. The advertising agency submitted claim of Rs 113,570,871 for Electronic Media campaign and Rs 14,502,066 for Print Media. Thus a total claim was Rs 128,072,937 was received in the Company. Furthermore, an amount of Rs 19.172 million was paid as print media campaign for political promotion of the Government which had no concern with USF mandate, thus a total Rs 147.245 was incurred on political media campaign irregularly. The campaign was against the USF Rules and Policy. Further, the expenditure was not approved in the budget estimates and not within the competency of CEO. The matter was being probed by NAB but record of NAB was not provided despite repeated written & verbal requests.

4.2.8.2 **Unjustified procurement of non-entitled vehicle - Rs 18.286 million**

According to Finance Division (Regulation Wing) O.M No. f.397)-R-4/98 dated 18.08.1998, the professionals from private sector to be appointed on a contract against the position of Chief Executives are entitled for 1600cc capacity vehicle. Furthermore, clause 8.6 of Administrative Structure USF also provides that the entitled vehicle for CEO will be of 1600 cc.

It was observed that a vehicle, Toyota Land Cruiser Prado VXL, 3000 cc capacity was procured from Toyota Capital Motors. An amount of Rs 16,934,500 was paid as advance to Indus Motor Company Karachi on 09.03.2012 for vehicle and advance payment of Rs 739,878 was made to Toyota Capital Motors for registration of vehicle vide on 18.05.2012 and insurance amount Rs 611,742 to NICL for the period 08.08.2012 to 30.06.2013. Thus the total expenditure Rs 18,286,120 was incurred on the procurement of such a costly imported vehicle which was not covered under any rule. Further, the Company CEO already had Prado vehicle which was procured at a cost of Rs 4.950 million in 2007. In the presence of a vehicle for CEO, the procurement of such a costly vehicle was not justified. The CEO was competent to incur expenditure upto one million rupees with in approved budget as per Rule 22(c) of USF Rules 2006, whereas this expenditure was neither approved/released in the budget nor in the competency of CEO.

4.2.8.3 **Excess payment to M/S Optiwave for Mansehra lot - Rs 2.013 million**

A contract agreement was signed with M/s Optiwave Technologies for the Technical audit services for Mansehra lot of RTE programme. The total price agreed was Rs 8,773,400 for the total tasks.

Detail is as under:

S. No	Description	Units	Unit Price	Total price	Actual units audited	Actual amount due
01	Muza	1479	4,700	6,951,300	630	2,961,000
02	BTS	59	27,000	1,593,000	16	432,000
03	Telecentre	1	14,400	14,400	1	14,400
04	Payphones	113	1,900	214,700	60	114,000
			TOTAL	**8,773,400**		**3,521,400**

The details of payment made to the TA proved that an amount of Rs 5,264,040 was paid during 2009-10 to 2011-12. Thus an excess payment of Rs 2.012,640 (5,264,040-3,251,400) was made by USF. This payment was against the agreed terms and conditions of the agreement.

Management was asked to justify the excess payment over and above the work done by TA but no response was received.

Recommendation:

Management should observe the terms of the contract originally executed and excess payment be got recovered from the TA.

4.2.8.4 **<u>Unjustified amendment in the agreement and irregular payment - Rs 5 million</u>**

A contract agreement was signed with M/s Tel-e-Com on 02.08.2008 for Technical Audit services of Malakand Lot. These services were described in appendix-A of the contract. The total value of the contract was Rs 28.550 million which were to be disbursed as per schedule B of the contract. Service provider M/s Telenor could not implement the project milestones as per contractual obligations because of Law & Order situation and the work remained suspended from 19.11.2007 (the start date was 04.10.2007). Ultimately the service provider reported on 26.09.2008 that there was a continuous "Force Majeure" in the entire Malakand. USF Company issued an amendment on 04.11.2008 in the agreement of Technical Audit wherein an amount of Rs 5.00 million was shown as 100% payment on account of developing audit certification papers. The payment of Rs 5 million was made during 2008-09 to M/s Tel-e-Com for the job. The amendment and payment was not in order because the job for development of audit methodology was not part of original bid. If the same was required then the separate tendering should have been made with separate BOQ/TOR etc but not done in this case. Furthermore, when there was a continuous “Force Majeure” from 2007, there was no need/justification for appointment of Technical Auditor for Malakand Lot in August 2008. As no technical audit work was carried out, therefore, no payment was due but payment of Rs 5 million was made only to oblige the Technical Auditor by inserting an amendment without following the codified procedures.

Management was enquired about the facts of the case but no response was received.

Recommendation:

Management should not make an amendment in the agreement without following the rules and ensure that no payment is made.

4.2.8.5 **<u>Excess payment to M/S PTCL in Pishin lot Rs 32 million</u>**

USF Company signed a contract agreement with M/s PTCL for Peshin Lot on May 29, 2008. The technical and financial proposals of the Company revealed that 32 Solar panels will be installed as an alternate arrangement for power supply because of non availability of commercial power in the lot areas. The cost included in the financial bid was Rs 32 million. The technical auditor report and lien letter of SSA revealed that no Solar Panel T&S/SW-035/1 was installed by the service provider. USF Company had to deduct the amount of solar panels from the subsidy payment whereas no deduction was made.

Management was requested to provide the justification for the payment of non delivered work but no response was received.

Recommendation:

Management should not make payments for the jobs not executed by the service provider.

4.3 Contract Management

4.3.1 Un-realistic demand and payment of subsidy to the service providers

According to USF Rule 24(1), the project after its approval by the Board shall be advertised for reverse auction. Furthermore, Rule 24(6) stipulates that before the start of auction for a Lot, the Head of the Auction Committee shall inform the participants about the Lot, Project and reserve price. All registered Licensees shall then be asked to offer their bids lower than the reserve price.

It was observed that 10 Lots of Rural Telecommunication and E-services were auctioned on reverse auction basis during 2007-10. These auctions were made without fixing any reserve price or any other yardstick to measure the subsidy demanded by the bidders. Each bidder had quoted different Capital Cost for the same project and quoted/demanded subsidy on that basis. The subsidy paid ranges from 9% to 89% of the Capital Cost as detailed in **Annex-F**. The capital costs and subsidy demands by the operators were different from each other because they quoted different capital costs for similar project. The data showed that the service providers had demanded the different subsidy amounts on the basis of the same technology and for the same type of terrain. The analysis of the subsidy amounts agreed with the subsidy receiving operators proved that the subsidy in terms of per person in Malakand was Rs 183 which reached to Rs 3,228 in Nasirabad, per Muza ranged from Rs 203 to Rs 2,427 and per BTS site Rs 1,197 to Rs 35,769 as detailed in **Annex-F-1**. This trend showed that there was no rationale in the subsidy demands and payments. This had made the process questionable. Due to non fixing of reserve prices the fairness of the demands of subsidies on the basis of capital costs was not verifiable.

Management was requested to provide the justification for this wide disparity but no response was received.

Recommendation:

The USF administration should observe the provisions of rule and reserve prices formula be adopted in future auctioning of the lots.

4.3.2 Loss due to non-rational payment of subsidies

Due to non- observance of the provisions of USF rules, non-fixation of reserve price of the bid and non- evaluation of capital costs of the same technology by the auction committee of the project, the service providers demanded different subsidy for the same kind of terrain & technology. This resulted into a loss of millions of rupees as tabulated below:

(Rs in millions)

S.No	Lot/Project Name	Capital cost	Subsidy	% Subsidy of capital cost paid	In case of 9% subsidy	In case of 20% subsidy	Saving in case of 9% subsidy	Saving in case of 20% subsidy
1	Malakand	1,550	310	20%	140	310	171	-
2	Sukkur	565	112	20%	51	113	61	-
3	DG Khan	1,006	91	9%	91	201	0	-
4	Pishin	324	175	54%	29	65	146	110
5	Mansera	1,319	300	23%	119	264	181	36
6	Dadu	280	250	89%	25	56	225	194
7	Bahawalpur	311	248	79%	28	62	216	182
8	Mirpur Khas	1,164	930	80%	105	233	825	697
9	Larkana	285	228	80%	26	57	202	171
10	Nasirabad	1,991	1,573	79%	179	398	1,394	1,175
		TOTAL	**4,217**				**3,421**	**2,565**

This showed that the management failed to safe guard the interest of the company as well as government.

4.3.3 Loss of Rs 62 million due to non-safeguarding the interest of GOP/USF

According to the clauses of the contract agreement for Malakand lot of RTE programme M/s Telenor submitted a performance guarantee of Rs 124,059,490 which was equal to the 40 % of the contract value. USF Company was paid 20 % mobilization advance of Rs 62,029,745 as per the contract clauses. Due to worse law & order situation the job was not accomplished by the service provider and the work remained suspended for 5 years time from 2008 to 2013. After getting legal opinion the termination of the project was approved by the Board in its 24th meeting. Since performance guarantee was valid for 5 years and was going expired on 27.9.2012, therefore, CEO USF approved the encashment of performance guarantee. However, it was not en-cashed by the concerned officers of the Company. The contract termination was made effective from 11-03-2013 and M/s Telenor was allowed to withdraw the performance guarantee. The Board while approving the termination of the contract did not safeguard the interest of the Company as the refund of Mobilization was not demanded from M/s Telenor. The action was against the rules and considered a loss to the Company as well Public account.

Management was requested to provide the justification for non recovery of mobilization advance before the withdrawal of guarantee by the service provider but no reply was received.

Recommendation:

The USF administration should take appropriate steps to recover the mobilization advance amount from Telenor.

4.3.4 Weak Internal Controls in selection of Technical Audit service providers

It was observed from the Technical Auditors contract agreements that the prices per unit agreed between USF and Technical Auditor for the same type of terrain did not match. The same Technical Auditor for the same type of lots i.e. Mirpur Khas and Bahawalpur, Mansehra and D.G Khan etc had quoted audit fee for Muza, BTS, Telecentre and PCO with a great difference as in detailed in **Annex-G.**

The prices should have been realistic and close to each other for the same type of areas. But the same were entirely different. Bid Evaluation teams should have analyzed the rates of the same job for the same type of area before accepting the rates but no such action was on record. Due to loose weak internal controls, the Company had to pay more money for the same type of jobs which was considered non realistic.

Management was requested to justify the vast variation in the rates of technical audit services for the same type of terrain and the fairness of the evaluation process of bids but no response was received.

Recommendation:

The Administration of USF should investigate the matter for facts finding.

4.3.5 Un-realistic expenditure on Technical Audits of RTEs programme

USF Company auctioned 10 lots of RTE's Programme to different service providers during the year 2007-08 to 2009-10. To assess and evaluate the technical performance of the service provider, USF Company engaged technical auditors for nine (9) lots except Larkana lot. The technical audit of Malakand lot could not be taken in hand by the technical auditor due to non accomplishment of task by the service provider M/s Telenor because of adverse Law & Order situation in the area. For the remaining eight (8) lots contract agreements of sixty (60) million rupees ranging Rs 3.375 million to Rs 12.594 million were made which came to Rs 8 million at an average for each lot. The technical audit of Larkana lot was conducted by USF Company itself deploying its staff. The expenditure incurred for the lot audit was Rs 543,107 which was only 6% of the average technical audit expenditure of one lot incurred on the technical auditor (**Annex-H, H-1**). In case USF had performed the technical audit of all the lots by deploying its staff, a huge amount could have been saved.

Management was requested to justify the expenditure on technical audit by engaging the consultants instead of deploying its own technical staff but no response was received.

Recommendation:

The administration of USF should analyze the performance of consultants and its staff and vast difference of costs for future audits of its different programmes.

4.3.6 Irregularities in the technical and financial bids evaluation

It was observed that M/S PMCL and Telenor submitted their technical proposals for the Mirpur Khas lot. Both the operators proposed the deployment of GSM technology for the networking with frequency band of 900/1800. The technical details tabulated by the evaluation committee revealed that M/s PMCL was not fully compliant in all the requirements but the company was declared technically qualified. M/S Telenor proposed that 26 BTS would be essential for USF area with already existing 8 BTS sites of the company. M/S PMCL proposed 96 BTS sites with 6 already existing sites. USF management should have enquired about the difference of BTS count for the same coverage of un-served Muzas but nothing was on record. Further in the financial bid M/S Telenor demanded Rs 1,158.083 million subsidy against their Capex calculation of Rs 1,163.969 million whereas M/s PMCL demanded Rs 1,232 million against the Capital cost of Rs 1,296.778 million. Both were claiming the GSM technology but there was a great difference in the Capital cost. No reason was enquired by the USF in this regard from both the operators. The financial evaluation was made on 13-01-2009 and on 02-02-2009. M/S Telenor abruptly offered a discount of Rs 222,083,462 and restricted its subsidy demand to Rs 930.00 million. This process of evaluation was considered not fair.

Management was requested to provide the justification for the non-fair evaluations but no response was received.

Recommendation:

Administration of USF should focus on the fair and transparent evaluation processes in future for the further programmes.

4.3.7 Improper bidding and Technical audit of Sukkur lot

As a result of advertisement for bids with regard to Sukkur Lot, M/s PMCL, Telenor, Warid and PTCL submitted the Technical proposals. The technical proposals of all the bidders except PMCL had a summary of BOQ of equipment such as Access Pact, Transmission, Power Supply, Civil Works, Unforeseen & Misc and Land acquisition etc. PMCL bid had no such data but the technical evaluation team declared the PMCL qualified. Financial bids of all the 4 bidders were opened and M/s PMCL was declared lowest with respect to subsidy amount of Rs 112.300 million. The basis for demanding the subsidy was not on record.

M/s Optiwave Technology was awarded the job of Technical Audit on 01.01.2009 at a cost of Rs 11.328 million (Rs 11,327,700). The Technical Auditor had to submit Technical Audit Report in the format approved but the Technical Audit Reports revealed that these were not as per requirements. The Technical Audit Work with regard to Muza audit, BTS audit was not in proper format. The sample was attached wherein the Technical Auditor had reported against each item "Please refer to RF report". USF had made the payment to Technical Auditor without proper reporting.

Management was requested to provide the justification for improper evaluation and award of work with the subsidy demanded having no basis and no action taken against the TA for improper monitoring. No response was however received.

Recommendation:

The USF administration should take appropriate steps for future bidding and TA reports.

4.3.8 Non accomplishment of tasks of Nasirabad lot Rs 1,572.746 million

M/S CM Pak quoted the capital cost of Rs 1,990.817 million for the equipment and networks. This was the only bid received for the lot and demanded a subsidy of Rs 1,572.746 million. A contract agreement was signed between USF and CM Pak on 28th July, 2009 at a subsidy cost of Rs 1,572.746 million for providing telecom services in Nasirabad Lot consisting of four (04) Districts i.e. Bolan, Jaffarabad, JhalMagsi and Nasirabad. The period for completion of the programme was 01 year i.e. July 27, 2010. The work could not be completed till date despite the fact that the extended period of contract expired on June 30, 2012. No action was taken against M/s CM Pak in the light of section 4.01 (iii) of the agreement.

M/s Technology at Work was appointed as Technical Auditor for certification of achievement of targets fixed in the agreement. Total 648 un-served Muzas had to be provided coverage for an un-served population of 4872777. 1st milestone report proved that 150 Muzas were provided coverage instead of 162 Muzas. M/s CM Pak had proposed in its original bid that Solar Power solution with 72 hrs battery backup time would be provided for the coverage of areas uninterruptedly. The Technical Audit Report proved that not a single Solar System was installed by CM Pak at 15 BTS stations installed in the 1st milestone. However, M/s CM Pak was made 25% payment of the 1st milestone achievement as per Schedule-D without removing the snags pointed out by Technical Auditor.

Management was requested to provide the justification and reasons for poor performance by the service provider and action by the company but no response was received.

Recommendation:

The USF administration should take action against the service provider in the light of provisions of the agreement.

4.4 Asset Management

4.4.1 It was not ascertained that USF Company was maintaining the proper record of its assets purchased for the project as well as for the company office since the establishment of the Company and whether all assets were tagged properly because no record was provided to audit. It was also not known that the company had assets coding and identification of custodian.

4.4.2 The management of the Company was requested to provide the policy for acquisition, use, replacement, depreciation of assets. It was also enquired to provide the mechanism of need assessment of the end users carried out before the procurement and the basis of preparation of annual plan for procurements but the management did not provide any response despite repeated requests in this regard.

4.4.3 Periodical physical stocktaking was carried out by the Internal Auditor and reports were prepared for company office only and not for the project.

4.4.4 The controls in place to safeguard and maintain assets procured for the project by the service provider by receiving subsidy and company office were not provided to audit therefore, no comments were issued.

Recommendation:

The Administration of the USF Company should devise a proper mechanism for need assessment, annual procurement plan & mechanism for safeguarding the assets. The records/data not provided to audit be provided.

4.5 Monitoring and Evaluation

4.5.1 M&E Mechanism/framework

According to the manual of operating procedures and USF Regulatory changes framework the following mechanism has been laid down for the monitoring.

a. Contractors shall, on a quarterly basis, submit a written report to the CEO of the Company, to be received not more than 30 days after the end of the quarter, as set out in Schedule VII of the Contract.

b. Contractors shall, for the term of validity of the contract, submit an annual consolidated progress report to the CEO of the Company, to be received not later than 60 days after the end of the relevant Financial Year. Such reports must include financial statements, including at a minimum statements of assets and liabilities for the Contract Area.

c. All quarterly and annual progress reports must be signed and dated by an authorized official of the Contractor and bearing their company seal.

d. The Company will acknowledge receipt of completed progress reports within five working days. Issue of such a receipt does not confer the Company acceptance or approval of the progress report's contents, only acknowledgement that the document has been received.

e. The General Manager monitoring will assess all progress reports for completeness, compliance with reporting requirements.

f. The Contractor shall submit to the CEO, quarterly progress reports, in connection with establishment of telecommunication system and provision of telecommunication services under this Contract.

g. The Contractor, in addition to quarterly reports, shall also furnish an annual consolidated progress report, to the CEO during the validity of the Contract.

h. The Contractor shall allow full access to the GM Monitoring or his nominee to inspect and monitor the Telecommunication System and Services to make sure that the Contract Amount is being utilized in accordance with the Contract and Telecommunication Services are being provided to the residents of the Contract Area.

i. The Contractor shall also provide anonymous call records and Internet logs of the Contract Area to show usage of Telecommunication Services by the residents of the Contract Area.

j. If it is found that performance of the Contractor is not satisfactory, the GM Monitoring may serve it with a Notice, identifying the areas of non-compliance, requiring it to remedy the same within 30 days of the receipt of the Notice, or such extended time as approved by the CEO.

k. On failure on the part of the Contractor to remedy the above-referred breach, the GM Monitoring may recommend to the BoD for the termination of the Agreement through CEO, confiscation of Telecommunication System and/or encashment of the bank guarantee furnished by the Contractor.

4.5.2 Key monitoring indicators developed for monitoring

Monitoring was a weak area of the USF till date as the monitoring mechanism was not developed. In January 2013, the draft procedure was prepared and approval of the competent forum was still to be obtained.

In the said mechanism the USF monitoring team would evaluate and audit the USF Service Provider (SP) deployed Network and the service quality. In order to carry out the Monitoring of the Network the Methodology is divided into 4 sections.

1. Field Test
2. Service Provider NOC Data
3. Operation Maintenance Center (OMC) Verification
4. Friendly Users

The field visit would be conducted in five parts i.e. Civil & Infrastructure, Base Station Subsystem (BSS), Transmission, Radio

Frequency (RF) and PCO & Tele-center. Upon completion of Audit, assessment and Tests, the TA & USF shall meet; TA would present the status of the testing, e.g. test cases passed, failed, not executed, zapped, prioritized list of issues and snags, Force Majeure existence or otherwise etc. USF would then acknowledge the results by the issuance of an acknowledgement certificate.

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In the Service Provider NOC Data, the SP would provide BSS Network Performance Statistics on quarterly basis of the USF Network to USF Co. USF would examine the KPIs related to service quality and availability. Below mentioned Key Performance Indicators (KPIs) would be shared with USF.

a) External Alarms
b) Internal Alarms
c) OMC Performance Stats

For OMC Verification USF monitoring team would visit OMC of the SP on random basis, to:

a) Understand the reporting methodology of Network KPI's
b) Check the real time alarm management system
c) Real time Performance statistics

A pool of 'friendly users' would give feedback to USF Co related to the service quality of the SP. These friendly users would be the customers of that area. USF could choose randomly customers falling under the USF Lot and could acquire generic details about the network quality and availability. In case of complaints, the company would conduct field tests to examine the issue, and prepare a monitoring report to be shared with the SP for rectification of any outstanding issue. The friendly user group would also provide the information related to customer support provided by the SP. USF would share the feedback from friendly user group with the SP, and would assist SP in improvement of sales and marketing in USF areas.

The process given above defined USF monitoring for on-going as well as already executed USF RTS projects. Monitoring activities would be performed as per USF monitoring methodology and related checklists for the monitoring of network infrastructure and deployed services. This audit/monitoring plan & travel schedule would be needed by Admin department for calculation of logistical support costs. Moreover the audit plan would also be needed for preparation of TA subsidy disbursement plan by Finance Department

4.5.3 Periodic reports, follow-up, reviews carried out

No periodic reports were prepared by the monitoring wing of USF. Therefore, neither follow-up nor any review was carried out till date.

4.5.4 Major issues highlighted through audit observations

4.5.4.1 <u>Poor performance of Internal Auditor</u>

According to Para 8.3.4.2 of Administrative Manual, the Manager Internal Audit will be responsible as under:

1. Review records of USF to assure compliance with USF Rules and contract.

2. Apply professional auditing standards, methods and procedures to analyze and make recommendations concerning accuracy of accounting systems, managerial controls and operating procedures.
3. Write clear, complete and concise audit reports, which include audit observations, findings and recommendations for corrective action.

As per International practice, the internal auditor role is as under:

a. An independent and objective appraisal service within an organization.
b. Internal Audit primarily provides an independent and objective opinion to the management on risk management, control and governance, by measuring and evaluating their effectiveness in achieving the organization's agreed

c. Internal Audit also provides and independent and objective consultancy service specially to help line management to improve the organization's risk management and controls and governance.

It was observed that USF Company engaged Manager Internal Audit since 2008. The officer had neither acted as required by the Administrative Manual nor advised/assisted CEO/ Project Appraisal Committee regarding viability of launching of any lot. He had neither given any input on the credibility of Technical Auditors before the selection of the Technical Auditors nor analyzed the reports submitted by the TA before releasing the payments to the auditors as well as service providers. Not a single Audit Report was developed since the launch of the Rural Telecom & E-services programme. No concrete findings were developed whether the contracts were awarded as per rules, payments made after fulfilling codal formalities, and so on.

Management was requested to provide the justification but no response was provided.

Recommendation:

The USF administration should follow the provisions of rules in true spirit and direct the Internal Auditor to act as per rules.

4.5.4.2 **<u>Non credible role of Technical Auditor resulting into losses</u>**

TORs for the Technical Auditors appointment & tasks to be carried out by the TA prepared by the USF Co. were issued to the Technical Auditors before entering into contracts for the defined services. Following deliverables were to be provided by the Technical Auditors;

1. An inspection report at the end of the first month of the assignment detailing the monitoring, evaluation and certification methodology. The inspection report should also include a training plan.

2. TA will ensure that USF develops its institutional capacity to effectively implement USF service provider certification. He will provide hands on training to USF staff deployed for monitoring with the TA team in an effort to transfer skills and knowledge to make certain that USF Company has the capacity to develop and implement the certification process for other services in future.

3. Certification that the milestones described in the Service Subsidy Agreement (SSA) are met as each milestone becomes due.

4. Certification that the Service Quality Criteria is being met and availability & service obligations have been completed.

5. A completion report, and

6. Certify that the USF Service Provider has met its obligations prior to the release of subsidy payments by the USF as and when the SP, claims as defined in schedule D, of SSA are forwarded.

The Technical Auditors appointed for the programme failed to comply with the terms of reference accepted by them. Sample based observations are reported below to prove that the TA had completely failed in performing the required services. Audit had also reported the poor performance of all the Technical Auditors appointed for this programme and for all other programmes of the Company where TA services were hired. The training part was totally ignored by all the Technical Auditors which had also been reported in the Regularity Audit Report of the previous years. Due to this lapse USF had to hire the services of TA at a huge cost which could be minimized by deploying USF staff.

4.5.4.3 <u>Non-transparent monitoring system/Technical audit reports</u>

According to Rule 29 of USF Rules 2006, an officer of USF Company nominated for monitoring shall arrange for onsite and offsite monitoring of projects to make sure that the funding is being utilized in accordance with the contract. For the purpose of monitoring, independent consultants may be engaged. Clause 6 of the Manual of Operating procedures of the USF Company clearly defined the detailed procedures of the reporting and monitoring procedures.

It was observed that USF had hired services of Technical Auditors for audit of RTE's project. The contract for the Technical Audits was concluded with the Technical Auditors for Rs 64.279 million out of which payment of Rs 60,565 million was made uptill now as per data provided for audit. The reports revealed that the same were not as per the approved procedure and lacking in many areas. These reports were neither signed by the Service provider nor by the Technical Auditors. All technical Auditors had to certify and issue a lot closure report but not a single certificate was issued. Furthermore, the USF representatives had also not made any comments on the reports and reported material. It was not fair to release payments to the TA and service providers until and unless the monitoring was as per the approved procedure. However, the payments were released without observing the rules.

Management was requested to provide the justification but no response was provided.

Recommendation:

The USF administration should follow the provisions of rules in true spirit and make the monitoring fruitful.

4.5.4.4 **<u>Non submission of reports by service providers and non causing audit on the accounts of service providers</u>**

According to clause-8 of the Universal Service Fund Regulatory rules and contract documents issued by MoIT, the USF subsidy receiving service providers were required to furnish the following periodical reports to the company. The company was required to audit accounts of service provider also.

Furthermore, company had to know & evaluate the Telecom system installed, Telecom services being provided, Number of outgoing calls made during the specific period, Number of new connections with pre/post paid with pending requests, statement of accounts showing the amount spent out of contract amount, Number of residents employed of contract area etc. The SP was to maintain the following:

1. The Contractor shall keep separate true accounts for the Contract Area and shall make available such accounts to (the Universal Service Fund Company Guarantee Limited (USFCGL) as and when required.
2. The Contractor shall also maintain such books and records as the USFCGL may require. The USFCGL shall give the Contractor a reasonable period of time, not exceeding 90 days, to implement appropriate routines and systems to comply with any such requirement imposed by the USFCGL. Upon requirement by the USFCGL, the Contractor shall make its books and records available for inspection by the USFCGL.
3. The Contractor shall submit audited financial statements, including at a minimum statements of profit and loss and assets and liabilities for the Contract Area, to USFCGL within 60 days of the closing date of Financial Year.

4. The USFCGL may appoint any qualified auditor to audit the accounts of the Contractor from time to time to make sure that the contract amount is being spent on the Project.

It was observed that the provisions were neither observed by the service providers nor the USF management asked the SP to fulfill the requirements.

Management of the company was requested to provide justification for non observance of provisions of rules but no response was received.

Recommendation:

The USF administration should observe the provisions of rules in true spirit.

4.5.4.5 <u>**Non verification by TA regarding compliance by SP**</u>

According to the original proposals submitted by M/S Telenor for MirpurKhas and Bahawalpur and by Warid for DG Khan it was observed that the technical proposals had certain commitments that were to be fulfilled by the service provider. The TA had to verify the fulfillment of these commitments. However, the reports prepared did not indicate if these commitments were fulfilled. Audit selected a sample of three lots where the SP had to provide a given power back up time. The verification done by TA for these areas was missing from the reports.

S. No	Name of Lot	Name of SP	Work to be done	Verification by TA
1	MirpurKhas	M/s Telenor	8 hours battery backup time	Nil
2	Bahawalpur	Do	-- do --	Nil
3	DG Khan	M/S Warid	16 hours battery backup time	Nil

Furthermore, M/s Warid had quoted in the proposal that dual generators with auto transfer switch would also be provided for continuous running of the system. From the BTS reports it was transpired that in most of the cases single DG sets were installed as verified by the TA. All this showed that the monitoring by the TA was very poor and virtually non-existent by the USF Company despite the fact that billion of rupees had been expended for subsidy payments to SP and millions to TA.

Management was requested to provide justification for non compliance and poor monitoring by TA but no response was received.

Recommendation:

The USF administration should perform the monitoring as required in the rules and procedures.

4.5.4.6 **Non-observance of quality of service parameters by service providers**

Service parameters defined by PTA and also given in the original proposals by all the service providers, parameters are as under:

S. No	Indicator	Short term (< 3 years)	Long term(> 3 years)
1	Call completion rate	➢ 96 %	➢ 98 %
2	Network down time	< 2 % in any given month < 1% in a rolling year	< 1% over period of 1 month period
3	Cell-site down time	No longer than 48 hours	No longer than 24 hours

As a sample the cases of two lots were test checked. M/S Telenor for Mirpur Khas and Bahawalpur lots and M/S Warid for DG Khan lot the CSSR (call success rate)/call completion rate were not upto the required parameters (**Annex-I,I-1, I-2**) The Drive Test results verified by the TA showed that the quality of services were very poor and below the required parameter. The details of the poor quality service of the three lots were picked from the reports of the TA and are annexed (as stated above) attached for ready reference. As SPs failed to achieve the quality tasks, the payments should have not been made till the quality standards were met and verified by the TA.

As regards the Network down time and Cell-site down time, no data was provided despite repeated requests by the USF Company;

therefore, no assessment could be made.

Management was requested to provide valid reasoning for lack of monitoring and release of payments to SP before fulfillment of the requisite condition. It was also asked to provide reasons for non production of record but no response was provided.

Recommendation:

The USF administration should provide the reasoning for non invoking the contract conditions and justify the non-provision of record.

4.5.4.7 <u>**Deficiency in Mirpur khas and DG Khan PCOs**</u>

According to Annexure-C of the SSA a specific number of PCOs and Telecenters had to be deployed as per the agreed terms and conditions of the agreement and the offer made by the SP through its proposal. It was observed that the PCOs were deficient in the provision of required handsets and solar chargers as detailed in the attached **Annex-J, J-1 & J-2**. In some cases the owners were not available but PCO was shown operational.

Management was enquired about the deficiencies but no response was received.

Recommendation:

The USF administration should focus on the provisions of the agreements.

4.6 Compliance towards Objectives

4.6.1 Non achievement of targets of coverage and teledensity

MoIT issued Universal service Policy in 2005 according to which the following targets for the end of year 2010 were fixed;

- 85% of country population to have coverage and therefore access to service if desired
- Teledensity: 5% in rural areas (fixed and/or mobile)
- Broadband: 1% penetration (nation-wide average)
- Telecentres; (a public place where people can access computers & internet etc) preferably one for every 5,000 people, but at least one for every 10,000 people in USF contract areas.
- USF will ensure cost-effective optimal coverage
- USF contractors will be required to achieve 5% teledensity in their coverage areas within three-four years of contract commencement, depending on the nature of the area

In the light of the policy USF designed a programme in the name of Rural Telecom and E-Services in the un-served areas of Pakistan. The whole of the country was divided into 26 geographical areas (Lots) with one pilot lot.The pilot lot i.e.Malakand was auctioned in 2007 but due to worse law & order situation the work could not be started and area remained uncovered. Under this programme, USF auctioned 10 lots for completion till 2010.In quantitative terms the service was made available in 3,760 Muzas out of 6,118 Muzas i.e. (61 %), 560 PCOs, installed out of 844 i.e. (66%) and 47 Telecenters established out of 60 i.e. (78%) respectively of the planned in the programme. An un-served population of 6,826,898 of the areas was to be provided with the coverage out of which population of 4,419,809 i.e. (65%) was covered (**Annex-K, K-1**).

Management was requested to provide the reasons for the poor achievement but no response was received.

Recommendation:

The USF administration should focus on the policy as well as project objectives and devise a proper strategy to achieve the objectives of the policy.

4.6.2 Delay in completion of RTE's programme

USF Company awarded contracts of 10 lots to various service providers from 2007 to 2010. The timeline for completion of each lot was fixed 12 months from the effective date of each contract. The data revealed that one lot i.e. Malakand failed due to Law and Order situation. The remaining lots were not accomplished in the given time schedule. In case of Mansehra, only 50% job was accomplished. The details are enclosed at **Annex-L**. Non accomplishment of tasks in the given timelines resulted into non achievement of targets set for the programme.

Management was requested to intimate the reasons for non achievement of objectives but no response was received.

Recommendation:

The USF administration should take appropriate steps for future lots.

4.6.3 Non achievement of complete objectives of RTE's programme

Rural Telecom and E-Services Programme was launched in 2007 with the objectives to provide basic telephony and data services to the people of un-served areas. In the 1^{st} and 2^{nd} phase, USF Company auctioned the 10 geographic areas (lots) and awarded the works to different service providers. The details provided by USF revealed that 6,118Muzas had to be served with a population of 6,816,977 people. USF achieved to provide network access in 3760Muzasuptill now i.e. 61% (**Annex-L**). There was no data about how many number of connections were provided to the residents of the un-served areas from the USF areas. Thus it could not be ascertained that upto how many people/beneficiaries actually benefitted out of this USF Programme.

Management was requested to provide the reasons and justification for non quantification of beneficiaries but no response was received.

Recommendation:

The USF administration should review the weaknesses of the programme and take necessary steps to achieve the objectives.

4.7 Environmental impact

4.7.1 Compliance with Pakistan environmental protection Act 1997

USF Company appended an annex-G with all the contracts of RTE's programme according to which the service providers were required to implement the environmental Act provisions in the areas of the service but the compliance to the provisions of Act were not monitored by the Company as well as TA as required in the agreements of the TA.

Non –implementation of Environment Act 1997

Under the Pakistan Environmental Protection Act, 1997, no development project can be undertaken unless an initial environmental examination (IEE) or an environmental impact assessment (EIA) is conducted, and approval is received from the Federal or relevant Provincial EPA.

USF Company included schedule G with each contract agreement of Rural Telecommunications and E-services programme for environmental assessment and implementation of Environmental Act. According to section 4 of the annexure an Environmental Management Framework (EMF) would have to be made an integral part of the bidding documents and included in the performance criteria of the contractors. This aspect was not observed by USF Company.

Furthermore, the overall responsibility of EMF implementation would rest with USF Company. USF Company would nominate an Environmental Coordinator (EC) who would be focal point for all matters relating to environmental issues during the project. Compliance to EMF would be made a contractual requirement for all the contractors engaged for the proposed activities. The EC would facilitate compliance to the EMF, within USF Company, with the contractors and the community for the implementation of the EMF. The EC will also coordinate with other stake holders such as PTA, EPA, or any NGO as and when required. However, USF Company did not implement this section during the RTE, s programme.

The environmental monitoring was required to be carried out to see that guidelines are being adequately followed during the project execution. The on-site monitoring was to be conducted by the contractor's Environment Managers (EM), whereas periodic monitoring was to be carried out by the USF Company staff visiting the site to check the technical/contractual aspects. This aspect had not been done by the USF Company.

Further, environmental trainings were to be provided by USF Company. The training programme would have been finalized during the design stage of the project and training should have been provided to USF Company staff and contractor staff. The scope of training should have covered environmental guidelines, general environmental and social awareness in order to minimize the environmental problems as well as social concerns of the project. The company had not implemented this aspect.

Management was requested to provide the implementation status of the Environmental Act but no reply was received.

Recommendation:

The USF administration should observe the provisions of the Environmental Act and get implemented by the service providers.

4.7.2 Environment impact assessment

No assessment was carried out at the start of the programme by the Company as well as on the service providers.

4.7.3 Environment monitoring data compilation

USF had not done any monitoring till date and no data was compiled.

5. CONCLUSION

The aim of the universal service policy of 2005 was to make available modern facilities of telecommunication to the population of Pakistan residing in the remote and rural areas. The services on Mobile & Fixed line are available in the cities and large towns while the people residing in the villages are deprived from its benefits. The policy objective was to provide coverage & access to 85 % population of country at the end of year 2010 with 5 % teledencity in rural areas with 1 % broad band penetration. To achieve the targets & goals the Rural Telecom & E-services Program was designed for the provision of infrastructure in the rural areas so that long term economic benefits could be available to the un-served areas. The served areas had improved education, health, communication, access to government services, information, commercial services, markets and better employment opportunities whereas the population of un-served & under-served areas were being deprived from these facilities. Due to non-achievement of the targets of the program whole of the population of the targeted areas was not able to reap the benefits envisioned in the program.

It was observed that though the objectives of the program were very clear and directly beneficial for the residents of the un-served population of the country yet the impact of the program could have been much better if program monitoring had been done properly. The objective was to provide services to the population of 6,816,977 residing in 6,118 Muzas but the programme could achieve only 65% of its target by serving population of 4,419,809 residing in 3,760 Muzas only.

Due to poor performance of the internal auditor, undue payments were made to the service providers and technical auditors. Asset management was not in place for the program.

In the end, it is imperative to mention here that, there is a dire need especially in the newly formed state organizations to invest in their Human Resource capital, both in terms of recruitment and trainings, as this asset alone can turn around the fate of many programs which may otherwise fail.

6. ACKNOWLEDGEMENT

We wish to express our appreciation to the Management of USF Company and staff for the assistance and cooperation extended to the auditors during this assignment.

Annex-A

STATEMENT SHOWING THE DETAIL OF RTeS BUDGET, GRANTS, RELEASED

Financial year	Budget for RTeS	RTeS grants	RTeS payments
2006-07		-	-
2007-08	1,800,000,000	197,600,000	197,689,745
2008-09	1,855,758,980	512,426,963	512,272,746
2009-10	4,438,348,609	1,339,900,000	1,339,898,262
2010-11	2,407,601,526	764,800,000	686,549,142
2011-12	2,382,595,078	170,000,000	-
2012-13	4,784,247,428	1,883,138,239	303,638,412
TOTAL	**17,668,551,621**	**4,867,865,202**	**3,040,048,307**

Annex-B

STATEMENT SHOWING THE DETAIL OF FUNDS REQUESTED AND RELEASED

S. No	Funds Requested on	Requested Amount	Funds released on	Released Amount	No. of Days
1	Friday, February 23, 2007	50,000,000	Friday, February 23, 2007	50,000,000	0
2	Wednesday, July 04, 2007	35,754,271	Thursday, July 26, 2007	35,754,271	22
3	Monday, October 29, 2007	112,286,728	Tuesday, October 30, 2007	112,286,728	1
4	Wednesday, February 20, 2008	40,600,000	Tuesday, April 01, 2008	40,600,000	41
5	Thursday, June 05, 2008	140,000,000	Tuesday, June 17, 2008	100,000,000	12
6	Thursday, June 05, 2008	140,000,000	Wednesday, July 02, 2008	40,000,000	27
7	Tuesday, July 22, 2008	36,500,000	Tuesday, July 29, 2008	36,500,000	7
8	Friday, August 08, 2008	72,947,583	Monday, August 25, 2008	73,000,000	17
9	Tuesday, January 06, 2009	228,900,000	Tuesday, January 13, 2009	228,500,000	7
10	Tuesday, March 17, 2009	57,460,000	Friday, March 20, 2009	57,460,000	3
11	Friday, April 17, 2009	450,000,000	Wednesday, April 22, 2009	450,000,000	5
12	Friday, May 15, 2009	132,000,000	Monday, May 25, 2009	132,000,000	10
13	Tuesday, May 26, 2009	51,000,000	Thursday, May 28, 2009	51,000,000	2
14	Friday, June 19, 2009	790,000,000	Tuesday, June 23, 2009	790,000,000	4
15	Tuesday, July 07, 2009	425,000,000	Thursday, July 23, 2009	425,000,000	16
16	Wednesday, July 29, 2009	615,844,000	Saturday, August 08, 2009	538,940,000	10
17	Saturday, November 14, 2009	190,000,000	Saturday, November 14, 2009	190,000,000	0
18	Friday, December 18, 2009	217,000,000	Saturday, December 19, 2009	217,000,000	1
19	Friday, January 22, 2010	467,000,000	Monday, January 25, 2010	467,000,000	3
20	Thursday, February 18, 2010	75,000,000	Monday, February 22, 2010	75,000,000	4
21	Wednesday, March 17, 2010	105,658,000	Thursday, March 18, 2010	105,658,000	1
22	Friday, March 26, 2010	99,480,000	Wednesday, March 31, 2010	100,000,000	5

23	Thursday, April 08, 2010	123,775,000	Saturday, April 10, 2010	123,775,000	2
24	Friday, April 16, 2010	37,000,000	Tuesday, April 27, 2010	37,000,000	11
25	Monday, May 24, 2010	15,000,000	Wednesday, May 26, 2010	15,000,000	2
26	Tuesday, June 29, 2010	25,000,000	Tuesday, June 29, 2010	24,000,000	0
27	Thursday, February 03, 2011	3,035,000,000	Thursday, February 03, 2011	3,034,059,000	0
28	Tuesday, June 21, 2011	1,085,000,000	Wednesday, June 22, 2011	1,087,941,000	1
29	Wednesday, October 12, 2011	1,159,751,000	Thursday, October 13, 2011	1,159,751,000	1
30	Wednesday, October 17, 2012	3,615,000,000	Thursday, January 03, 2013	3,615,000,000	78

Annex-C

STATEMENT SHOWING THE DETAIL OF SUBSIDY PAYMENT WITH MOBILIZATION ADVANCE

S. No	Lot Name	BoD Approval for Project Launch		BoD Approval for Contract Award		Service Provider	Contract Signing Date	Contracted Subsidy Amounts	Mobilization Advance 20% against 40% Unconditional Bank Guarantee valid for 5 Year
		BoD Meeting	Held on	BoD Meeting	Held on				
1	Malakand	3rd	3-May-07	5th	17-Aug-07	Telenor	4-Oct-07	310,148,725	62,029,745
2	Sukkur	6th	19-Oct-07	7th	3-Jan-08	Mobilink	15-Jan-08	112,300,000	22,460,000
3	DG Khan	6th	19-Oct-07	8th	8-Feb-08	Warid	7-Feb-08	91,000,000	18,200,000
4	Pishin	9th	6-Mar-08	10th	9-May-08	PTCL	29-May-08	175,000,000	35,000,000
5	Mansehra	9th	6-Mar-08	11th	12-Jun-08	PTCL	24-Jun-08	300,000,000	60,000,000
6	Dadu	9th	6-Mar-08	12th	12-Jul-08	PTCL	25-Jul-08	250,000,000	50,000,000
7	Bahawalpur	9th	6-Mar-08	13th	28-Aug-08	Telenor	22-Sep-08	248,381,865	49,676,373
8	Mirpur Khas	12th	12-Jul-08	15th	2-Feb-09	Telenor	13-Mar-09	930,000,000	186,000,000
9	Larkana	15th	2-Feb-09	16th	13-May-09	PTCL	17-May-09	228,000,000	45,600,000
10	Nasirabad	15th	2-Feb-09	18th	15-Jul-09	CMPak	28-Jul-09	1,572,745,714	314,549,143
							TOTAL	**4,217,576,304**	**843,515,261**

Annex-D

Table - 1

Dera Ghazi Khan Lot

Summary Sheet

The Served and Un-served columns do not include muza with population = 0. Total, under Muza, is the sum of Last 4 columns

		Population				Area			Muza				
S No	District	Total	Rural	Served	Un-served	Total	Served	Un-served	Total	Served	Un-served	Served with 0s	Un-served with 0s
1	Leiah	1,431,054	1,246,875	1,156,370	90,505	6,291	4,965	1,327	720	625	83	12	0
2	Muzaffargarh	3,438,917	2,830,804	2,701,507	129,297	8,249	7,383	866	975	896	44	21	14
3	DG Khan	2,132,100	1,834,853	1,538,262	296,591	11,922	5,554	6,368	826	455	308	42	21
4	Rajanpur	1,427,619	1,224,670	1,090,207	134,463	12,318	5,468	6,851	532	428	104	0	0
Total		**8,429,689**	**7,137,202**	**6,486,346**	**650,856**	**38,780**	**23,369**	**15,411**	**3,053**	**2,404**	**539**	**75**	**35**

Source: Pakistan Census Projected Population 2007

Annex-E

SCHEDULE C to SSA - MANSEHRA Lot

Universal Service Fund
Telecom for all

Table - 1

Mansehra Lot

Un-served Population, Muza, Payphones and Tele-centers Requirements

* Population Census Organization reported population of some muzas as 0 or - in 1998 census

** A muza will be elligible for a Pay Phone if its population is >= 2,000

*** A muza will be elligible for a Telecenter if its population is >= 10,000

Optional muza counts are part of total un-served muza counts

District	Population				Muzas						
	Un-served	Served	Rural	Total	Un-served	Served	Optional with Pop. = 0*	Optional with Pop. (1 - 100)	Requiring Pay Phones**	Requiring Telecenters***	Total = Served + Un-served
Batagram	130,915	190,914	321,829	321,829	48	55	-	-	32	-	103
Haripur	62,433	662,397	724,830	823,221	60	300	1	5	9	-	360
Kohistan	447,216	28,767	475,983	475,983	1,269	73	71	255	14	-	1,342
Mansehra	280,609	1,038,889	1,319,498	1,393,697	102	366	-	1	58	1	468
Total	921,173	1,920,966	2,842,139	3,014,729	1,479	794	72	261	113	1	1,805
Abbottabad	-	834,949	834,949	1,017,363	-	347	-	-	-	-	347
Total (Including Abbottabad)	921,173	2,755,915	3,677,088	4,032,093	1,479	1,141	72	261	113	1	2,152

Annex-F

UNREALISTIC DEMAND AND PAYMENT OF SUBSIDY

S. No	Lot/ Project Name	Allotted to	Project Cost (Rs)	USF Subsidy (Rs)	%age
1	Sukkur	Pakistan Mobile Communications Limited (PMCL)	565,546,000	112,300,000	19.86
2	DG Khan	Warid Telecom (Private) Limited (Warid)	1,006,500,004	91,000,000	9.04
3	Pishin	Pakistan Telecommunication Company Limited (PTCL)	324,000,000	175,000,000	54.01
4	Mansera	Pakistan Telecommunication Company Limited (PTCL)	1,318,950,000	300,000,000	22.75
5	Dadu	Pakistan Telecommunication Company Limited (PTCL)	280,000,000	250,000,000	89.29
6	Bahawalpur	Telenor Pakistan (Private) Limited (Telenor)	310,477,332	248,381,865	80.00
7	Mirpur Khas	Telenor Pakistan (Private) Limited (Telenor)	1,163,969,021	930,000,000	79.90
8	Larkana	Pakistan Telecommunication Company Limited (PTCL)	284,970,000	228,000,000	80.01
9	Nasirabad	CM Pak Limited	1,990,817,359	1,572,745,714	79.00
10	Malakand	Telenor Pakistan (Private) Limited (Telenor)	1,550,000,000	310,000,000	20.00
		TOTAL	**8,795,229,716**	**4,217,427,579**	

Annex-F.1

COMPARISON OF LOTS

	Malakand	Sukkur	DG Khan	Pishin	Mansera	Dadu	Bahawalpur	Mirpur Khas	Larkana	Sibbi
Un-served Pop. (x1000)	1693	658	651	229	921	648	242	1129	165	453
Un-served Muzas	1283	252	539	312	1479	427	900	218	72	554
Terrain	Moun-tains	Plain	Mixed	Moun-tains	Moun-tains	Plain	Plain	Irregular Plain	Plain	Mount -ains
Tech.	GSM	GSM	GSM	CDMA	CDMA	CDMA	GSM	GSM	CDMA	CDMA
BTS	175	42	76	25	64	21	20	26	10	126
T'center	11	8	7	9	1	4	0	27	0	2
PCOs	1283	106	71	200	113	96	15	127	38	47
Awarded to	Tele-nor	PMCL	Warid	PTCL	PTCL	PTCL	Tele-nor	Tele-nor	PTCL	PTCL
Subsidy (Mill PKR)	310	112.3	91	175	300	250	244	930	228	4400
Project value (Mill PKR)	1550	565	1006	324	1319	280	310.5	1164	285	5627
% Subsidy	20%	20%	9%	54%	23%	89%	79%	80%	80%	78%
Subsidy per person (PKR)	183	177	140	765	326	386	1025	823	1379	9713
Subsidy per Muza (000 PKR)	242	446	169	561	203	585	271	4266	3167	7942
Subsidy per BTS (000 PKR)	1771	2674	1197	7000	4688	11905	12200	35769	22800	34921

Annex-G

STATEMENT SHOWING THE DETAIL OF DIFFERENCE IN PER UNIT RATE OF TECHNICAL AUDIT

Desert Area						
S. No	**Lot name**	**Technical auditor name**	**Muza**	**BTS**	**Tele-centre**	**Payphones**
1	**Bahawalpur**	Telecom Services and Consultants	4,305	250,000	-	6,700
2	**MirPur Khas**	Telecom Services and Consultants	1,290	95,503	2,120	1,350
		Difference	**3,015**	**154,497**	**-**	**5,350**
Mountain Area						
S.No	**Lot Name**	**Technical Auditor name**	**Muza**	**BTS**	**Tele-centre**	**Payphones**
1	**D.G Khan**	Telecom Services and Consultants	8,525	97,677	13,713	6,760
2	**Mansehra**	M/s Optiwave Technologies	4,700	27,000	14,400	1,900
		Difference	**3,825**	**70,677**	**(687)**	**4,860**
Plain and Desert Area						
S.No	**Lot Name**	**Technical Auditor name**	**Muza**	**BTS**	**Tele-centre**	**Payphones**
1	**Dadu**	Myson Engineering Systems	4,750	182,750	16,500	4,875
2	**Pishin**	Myson Engineering Systems	4,600	170,092	12,500	4,500
		Difference	**150**	**12,658**	**4,000**	**375**
Plain and Desert Area						
S.No	**Lot Name**	**Technical Auditor name**	**Muza**	**BTS**	**Tele-centre**	**Payphones**
1	**Sukkur**	M/s Optiwave Technologies	29,103	78,215	16,182	5,553
2	**Nasirabad**	Technology at Work	3,444	39,234	10,000	2,150
		Difference	**25,659**	**38,981**	**6,182**	**3,403**

Annex-H

STATEMENT SHOWING THE DETAIL OF TECHNICAL AUDITORS PAYMENTS

S. No	Lot	Allotted to	Contract Dated
1	Malakand	Telecom Services & Consultants (Private) Limited- Tel-e-Com	August 2, 08
2	DG Khan	Telecom Services & Consultants (Private) Limited- Tel-e-Com	January 1, 09
3	Sukkur	Optiwave Technologies (Pvt.) Ltd.	January 1, 09
4	Bahawalpur	Telecom Services & Consultants (Private) Limited- Tel-e-Com	March 26, 09
5	Dadu	Myson Engineering	April 15, 09
6	Pishin	Myson Engineering	April 15, 09
7	Mansehra	Optiwave Technologies (Pvt.) Ltd.	December 9, 09
8	MirpurKhas	Telecom Services & Consultants (Private) Limited- Tel-e-Com	December 30, 09
9	Nasirabad	Technology at Work	February 8, 10

Lot	Total Cost	Payment					
		2008-09	2009-10	2010-11	2011-12	Total	Balance
Malakand	5,000,000	5,000,000	-	-	-	5,000,000	-
DG Khan	12,594,400	6,549,088	1,007,552	5,037,760	-	12,594,400	-
Sukkur	11,327,700	5,890,404	5,437,296	-	-	11,327,700	-
Bahawalpur	8,975,000	3,231,000	5,744,000	-	-	8,975,000	-
Dadu	6,400,000	1,280,000	3,840,000	1,280,000	-	6,400,000	-
Pishin	6,700,000	-	5,360,000	1,340,000	-	6,700,000	-
Mansehra	5,264,040	-	1,754,680	1,754,680	1,754,680	5,264,040	-
MirpurKhas	3,375,000	-	2,025,000	1,350,000	-	3,375,000	-
Nasirabad	4,642,650	-	-	928,530	-	928,530	3,714,120
SUB-TOTAL	**64,278,790**	**21,950,492**	**25,168,528**	**11,690,970**	**1,754,680**	**60,564,670**	**3,714,120**

Annex-H.1

Larkana Technical Audit Expense Details

Date	Vr No. & date	Description	Exp. on TA/DA
16/11/2009	BR006 11/09	Shoaib Javed TA/DA advance for Technical Audit Larkana Lot adjusted & charged to respective accounts (Balance amount Rs 27,053 refunded and deposited in USF account vide Ch#3348653	81,947
2/3/2010	B021 03/10	Myson Engineering Systems Payment of rental for provision of Driver test tool version 8.0.2 CDMA supported with RF Engineer for TA RTeS Larkana Ch#6209540	60,000
16/06/2011	BR010 06/11	Shoaib Javed Refund after adjustment of TA/DA (DA, Fuel, Daewoo Fair, Car Rental & Toll) advance for official visit for TA Larkana Lot Rs 97,560 refunded	120,040
24/06/2011	B078 06/11	Myson Engineering Systems Payment of Services of Civil Engineer with Tools for TA Larkana Lot Ch#9238578	92,000
24/06/2011	B090 06/11	Muhammad Younas Khan Payment of TA/DA (DA, Car Rental Fuel&Toll) for official visit for TA RTeS Larkana Lot. Balance Rs 7,420 paid Ch#9238589	140,620
21/07/2011	B043 07/11	Younas Khan Re-imbursement of TA/DA (Car Rent, Fuel, DA) for official travel to Sukkur for TA of Larkana Lot Ch#9238683	48,500
		TOTAL	**543,107**

Annex-I

MIRPUR KHAS QUALITY OF SERVICE OF MAUZAS

S. No	Serving BTS	Number of Muza Covered	CSSR/Call Completion Ratio %	DCR %	HSR%
1	KMUS33-19	6	66.66	10.00	8.10
2	KMSU31-30	5	59.90	0.00	100.00
3	KMSU21-20	5	70.83	0.00	100.00
4	KMSU17-15	5	100.00	0.00	100.00
5	KMSU29-14	4	37.83	11.76	42%
6	KMSU26-02	3	90.90	0.00	33.33
7	KMSU16	7	32.60	6.67	82.45
8	KMSU 08	3	71.43	0.00	100.00
9	KMSU 18	4	78.57	0.00	81.81
10	KKH103	2	50.00	0.00	0.00
11	KNGP 01	1	75.00	0.00	0.00
12	KATO 01	1	100.00	0.00	0.00
13	KMSU 28	1	100.00	0.00	0.00
14	KMSU 10	1	80.00	0.00	0.00
15	KTMK 01	1	0.00	0.00	0.00
16	KCHO 03	2	100.00	0.00	0.00
17	KMSU 27	1	18.75	0.00	0.00
18	KMSU 34	1	66.66	0.00	0.00
19	KMSU 09	3	71.43	0.00	100.00
20	KMSU 24	3	44.62	6.90	66.15
21	KMSU 25	3	44.62	6.90	66.15
22	KMSU 23	5	74.07	0.00	100.00
23	KMSU 34	2	82.35	0.00	100.00
24	KMSU 35	5	82.35	0.00	100.00
25	KMSU 12	7	44.71	5.26	100.00
26	KMSU 27	4	44.71	5.26	100.00
27	KLMH 11	6	61.90	19.23	84.95
28	KTMK 011	3	61.90	19.23	84.95
29	KMUS 11	2	85.71	0.00	100.00
30	KMUS 05	21	96.50	0.00	92.33
31	KKH101	14	96.00	1.04	97.19
32	KKUR 01	9	96.50	0.00	92.33
33	KNSR 01	4	90.47	3.75	88.35

34	KSAM 01	5	90.97	0.82	92.78
35	KTMK 01	7	97.45	0.00	96.82
36	KUK 102	1	97.45	0.00	96.82
37	KUKR 01	1	90.97	0.82	92.78
38	KDGR 01	3	90.97	0.82	92.78
39	KKUN 01	21	97.45	0.00	96.82
40	KDUJ 01	7	90.97	0.82	92.78
41	KDEH 01	16	90.47	3.75	88.35
42	KCHT 01	5	96.50	0.00	92.33

Annex-I.1

BAHAWALPUR QUALITY OF SERVICE OF MAUZAS

S. No	Serving BTS	Number of Muza Covered	CSSR/Call Completion Ratio %	DCR %	HSR%
1	MUSF 02	19	93.75	2.22	100.00
2	MBNR 37	38	87.87	2.75	85.82
3	MKPR 23	3	100.00	6.90	90.24
4	MUSF 07	24	65.97	13,68	89.28
5	MDH 001	19	92.06	0.00	85.00
6	MFD 001	13	90.00	2.22	92.85
7	MYZR 14	6	100.00	0.00	100.00
8	MYZR 25	5	92.00	0.00	66.66
9	MYZR 15	4	89.47	0.00	100.00
10	MYZR 21	1	100.00	0.00	100.00
11	MYZR 32	12	92.18	1.69	84.78
12	MUSF 04	10	88.17	0.00	96.61
13	MYZR 36	8	75.30	4.92	80.55
14	MUSF 03	13	64.84	7.22	91.89
15	MUSF 06	15	75.30	4.92	80.55
16	MUSF 15	17	77.61	1.92	98.68
17	MYZR 17	7	55.23	12.06	30.43
18	MUSF 09	18	98.36	1.66	97.50
19	MSQR 12	8	61.53	2.50	98.41
20	MRYR 11	11	81.81	1.38	81.39
21	MUSF 18	9	71.42	7.20	84.53
22	MLG 001	13	61.97	4.54	71.42
23	MCMR 28	2	93.33	0.00	100.00
24	MYZR 33	15	94.31	2.40	64.86
25	MUSF 17	26	68.78	5.38	91.92
26	MUSF 20	20	84.55	0.96	96.00
27	MUSF 16	21	72.51	6.45	76.92
28	MUSF 14	36	44.12	14.20	86.59
29	MUSF 09	(23) Optional	26.05	24.78	94.11
30	MUSF 08	74(63Optional)	46.09	7.10	61.76
31	MUSF 05	144 (123optional)	31.43	15.24	58.33
32	MUSF 10	46 (39	32.83	11.03	84.94

		optional)			
33	MUSF 13	45 (38 optional)	49.70	13.04	91.61
34	MUSF 11	36 (28 optional)	25.67	16.26	68.00
35	MUSF 01	7 (5 optional)	79.68	11.76	97.95
36	MUSF 12	19 (11 optional)	90.24	2.70	86.27
37	MUSF 19	17	18.96	22.72	96.66
38	MCP 001	42	90.66	0.73	98.52
39	MHSA 01	22	58.76	1.75	75.00

Annex-I.2

DG KHAN QUALITY OF SERVICE OF MAUZAS

S.No	Serving BTS ID `	No. of Mauzas	CSSR/Call Completion Ratio %	DCR %	HSR%
1	MDXY 6673	6	84.61	0	86.48
2	MDXY 6681	3	82.89	3.17	95.23
3	MDXY 6682	15	79.41	8.64	92.06
4	MDXY 6688	18	59.06	5.68	94.36
5	MDXY 6704	7	85.93	0	100
6	MDXY 6717	38	85.81	4.34	75
7	MDXY 6718	2	79.44	0	96.66
8	MDXY 6726	18	55.48	4.65	84.53
9	MDXY 6727	5	54.54	0	97.61
10	MDXY 6733	6	74.66	1.78	92.85
11	MDXY 6744	13	65	5.49	75.29
12	XY 6705	8	85.36	0	75.96
13	XY 6693	7	77.04	0	100
14	XY 6699	12	71.12	0	98.68
15	XY 6730	4	67.57	0	100
16	XY 6684	Shown 100 % but details show different			
17	XY 6733	7	77.78	14.28	100
18	MDXY 6737	9	39.56	2.77	97.22
19	MDXY 6671	8	79.31	4.35	100

Annex-J

STATEMENT SHOWING THE DETAIL OF SHORTCOMINGS

MIRPUR KHAS LOT PCOs				
PCO #	**Name of Muza**	**Shortcomings in Quality**	**Missing Eqipments**	**Others**
4	Tugsuar/Tharparkar	Out of 500 houses only 25 houses are coverd.PCO is in poor covering range.		
6	Jindo Dars		Solar charger	
9	Sidhoi		Solar charger	
11	Thohar Chaho		No owner of PCO	
12	Mitahro Chuto Samo		Solar charger	
14	Uthdaho		Solar charger	
15	Kharik	Poor coverage		
16	Marad Lashari	Service is not consistent due to signal fluctuation		
17	Bolahari		Solar charger	
19	Chapan Har		Solar charger	
28	Girancho	Low coverage		
30&31				Both are shown in muza Mamchero
52	Koali		Solar charger	
54	Deh 337/MP Khas		Solar charger	
Note: Out of 61 PCO,s 3 are in MP Khas District ie 53-55& 56,57 in Umar Kot Districts and remaining in Tharparkar District.				
Mile stone 1&2 report				
PCO #	**Name of Muza**	**Shortcomings in Quality**	**Missing Eqipments**	**Others**
1	Tando Mitha Khan		Solar charger	
SANGHAR				
2	Nawan Kot		solar charger	
3	Siran Wari		solar charger	
4	Khajni		solar charger& hand set	
5	Kairo		solar charger & hand set	
6	Muthom		solar charger &	

			hand set	
7	Bhito Bhaiti		solar charger & hand set	
8	Khai		solar charger & hand set	
9	Daulat abad		Solar charger	
10	Bhano Sar		Solar charger	
11	Bhityani		Solar charger	
12	Sarhal		solar charger& hand set	
13	Rato Jhokhio		solar charger& hand set	
14	Girot sharif		solar charger& hand set	
15	Chalion		solar charger& hand set	
16	Mathom		solar charger& hand set	
17	Sakhio khas khelly	Poor signals	solar charger& hand set	
18	Tobham wari		solar charger& hand set	
MIRPUR KHAS				
19	Kinjheli		solar charger& hand set	
20	Jalal Khaskhelly		solar charger& hand set	
	Umar Kot			
21	Goth Shah Faam		solar charger& hand set	
22	Goth Madad Ali Chandio		solar charger& hand set	
23	Khushi Muhammad		solar charger& hand set	
24	Mir Kadir Talpur		solar charger& hand set	
25	Deh 311		solar charger& hand set	
26	Goth Nawab Ali Aziz		solar charger& hand set	
3rd. Milestone				
1	Char/Umar Kot		Solar charger	
2	Jhinjhi		solar charger	
3	Darleo		solar charger	

4	Deh 331/MP Khas		solar charger	
5	Ghara Karingi		solar charger	
6	Shakh Darleo/Umarkot		solar charger	
7	Rindiki		solar charger	
8	Shirki		solar charger	
9	Dhabho		solar charger	
10	Khosinji wai		solar charger	
11	No information			
12	Deh 351/Mirpur		solar charger	
13	Deh 352/Mirpur		solar charger	
14	Deh 344A		solar charger	
15	Deh355		solar charger	
16	Deh342		solar charger	
17	Deh Athala		solar charger	
18	Deh 359	There is no need of solar panel		
19	Chanesari/Sanghar		solar charger	
20	Sigh		solar charger	
21	Dingh		solar charger	
22	Dhoro Janib		solar charger	
23	Baqar		solar charger	
24	Sahir pir		solar charger	
25	RAR		Hand set & solar charger	
26	Chotiaryoon		Hand set & solar charger	
27	Dakhana		solar charger	

Annex-J.1

DG KHAN LOT PCO

PCO No.	Name of PCO	Shortcomings
33	Goth paka naich	Hand set,Solar charger & ownwer
34	Goth Tibba Barah	Hand set,Solar charger & ownwer
35	Goth Sheikhani Mohallah	Hand set,Solar charger & ownwer
37	Goth Ghari Sultan pur	Hand set,Solar charger & ownwer
38	Goth Nauabad	Hand set,Solar charger & ownwer
40	Goth Rampur-2	Solar charger
41	Gothe Bhinda Meharban	Solar charger
42	Goth Rampur-3	Solar charger
43	Goth Bet Daryai	Solar charger
47	Goth Dalna patti	Solar charger & owner
48	Goth Berand basti	Owner not available
49	Goth Bathi	Solar charger & owner
50	Goth Mithy wali	Hand set,Solar charger & ownwer
51	Goth Chak Manguri	Hand set,Solar charger & ownwer
52	Goth Rakh pir wala	Owner & PCO shop
55	Goth noorpur	Ownwr & PCO shop
57	Goth Rakh Mari Basti	Solar charger
59	Goth Bait Soontra	Owner not available
61	Goth Brues abad	Owner available
63	Goth Gabbar arien	Solar charger

Annex-J.2

STATEMENT SHOWING THE DETAIL OF DEFICIENCIES IN TELECENTERS/PCOs

S. No	Muza Name	Telecenter/PCO	Deficiencies pointed out by Technical Auditor
1	Bhorti No.1	Telecenter & PCO	Telecenter and PCO not operational
2	Ghairabad Kahkat	Telecenter & PCO	Telecenter and PCO not operational
3	Shekhani	Telecenter & PCO	Telecenter and PCO not operational
4	Kundariwalo	Telecenter & PCO	Telecenter and PCO not operational
5	Suhailo Chak No.3	Telecenter & PCO	Telecenter and PCO not operational
6	UC Obhari Sawari	Telecenter & PCO	Telecenter and PCO not operational
7	Faqeer Peer Bux Gaho	Telecenter & PCO	Telecenter and PCO not operational
8	Turiyoon	PCO	Incoming/outgoing local/international call facility not available
9	Waseyo Chachar	PCO	.-- do --.
10	Satabobhayo	PCO	.-- do --.
11	Shah Pur	PCO	.-- do --.
12	Sutiaro Chak No.4	PCO	.-- do --.
13	Therato	PCO	.-- do --.
14	Mubarak Pur	PCO	.-- do --.
15	Peer Bux Aradin	PCO	.-- do --.
16	Roopher	PCO	.-- do --.
17	Duhalwaro	PCO	.-- do --.
18	Essa Wali	PCO	.-- do --.
19	Garkno	PCO	.-- do --.
20	Gandahoo	PCO	.-- do --.
21	Ghundi	PCO	.-- do --.
22	Jenuji	PCO	.-- do --.
23	Kandlo	PCO	.-- do --.
24	Khabribhit	PCO	.-- do --.
25	Kotlobulo	PCO	.-- do --.
26	Lahwari	PCO	.-- do --.
27	Lohi	PCO	.-- do --.
28	Dadu	PCO	.-- do --.
29	Dring Chachar	PCO	.-- do --.
30	Dubo	PCO	.-- do --.
31	Sahita	PCO	.-- do --.
32	Shahwali	PCO	.-- do --.
33	Bhorti	PCO	.-- do --.
34	Dehat	PCO	.-- do --.

35	Dingri	PCO	.-- do --.
36	Jari	PCO	.-- do --.
37	Khambra	PCO	.-- do --.
38	Dil Waro	PCO	.-- do --.
39	Kiriri	PCO	.-- do --.
40	Peer Bux Aradin	PCO	.-- do --.
41	Ranwati	PCO	.-- do --.
42	Manjuth	PCO	.-- do --.
43	Got Adhoi	PCO	.-- do --.
44	Detha	PCO	.-- do --.
45	Bori	PCO	.-- do --.
46	Sona Bandi	PCO	.-- do --.
47	Saleh Pat	PCO	.-- do --.
48	Chand	PCO	.-- do --.
49	Bhetoor	PCO	.-- do --.
50	Gagro	PCO	.-- do --.

Annex-K

STATEMENT SHOWING THE DETAIL OF POPULATION COVERED

S.No.	Name of Lot	Total Population	Population covered
1	Malakand	1,693,060	-
2	Sukkur	657,953	657,953
3	DG Khan	650,856	600,000
4	Pishin	228,829	228,829
5	Mansehra	921,173	460,000
6	Dadu	648,361	648,361
7	Bahawalpur	242,144	242,144
8	Mirpur Khas	1,129,857	1,129,857
9	Larkana	165,388	165,388
10	Nasirabad	487,277	287,277
	TOTAL	**6,824,898**	**4,419,809**

Annex-K.1

STATEMENT SHOWING THE DETAIL OF COVERAGE

S. No.	Name of Lot	Muzas		PCOs		Telecenters	
		Total	Covered	Total	Installed	Total	Installed
1	Malakand	1,283	-	200	-	11	-
2	Sukkur	253	253	102	102	7	7
3	DG Khan	539	501	71	71	7	7
4	Pishin	312	312	29	29	-	-
5	Mansehra	1,479	631	113	57	1	1
6	Dadu	426	426	96	96	4	4
7	Bahawalpur	888	888	15	15	-	-
8	Mirpur Khas	218	213	127	127	27	27
9	Larkana	72	72	38	38	-	-
10	Nasirabad	648	464	53	25	3	1
TOTAL		**6,118**	**3,760**	**844**	**560**	**60**	**47**

Annex-L

STATUS OF ACHIEVEMENT OF RTE PROJECT AND OBJECTIVES

S. No	Lot Name	Operator	Contract signed	Date of completion as per contract	Actual date of completion	Total Un-served population	Total Un-served Muzas	Population served	Muzas served
1	**Malakand**	Telenor	4-Oct-07	3-Oct-08	Terminated	1,693,060	1,283	-	-
2	**Sukkur**	PMCL	15-Jan-08	14-Jan-09	15-Dec-09	657,953	253	657,953	253
3	**DGKhan**	Warid	7-Feb-08	6-Feb-09	31-Dec-09	650,856	539	600,000	501
4	**Pishin**	PTCL	29-May-08	28-May-09	15-Apr-10	228,829	312	228,829	312
5	**Mansehra**	PTCL	24-Jun-08	23-Jun-09	8-Dec-10	921,173	1,479	460,000	631
6	**Dadu**	PTCL	25-Jul-08	24-Jul-09	13-Nov-09	648,361	426	648,361	426
7	**Bahawalpur**	Telenor	22-Sep-08	21-Sep-09	12-Sep-09	242,144	888	242,144	888
8	**Mir Pur Khas**	Telenor	13-Mar-09	12-Mar-10	15th May 10	1,129,857	218	1,129,857	213
9	**Larkana**	PTCL	17-May-09	16-May-10	16-May-10	165,388	72	165,388	72
10	**Nasirabad**	ZONG	28-Jul-09	27-Jul-10	Under Progress	487,277	648	287,277	464
					TOTAL	**6,824,898**	**6,118**	**4,419,809**	**3,760**