



PAKISTAN TELECOMMUNICATION AUTHORITY  
HEADQUARTERS, F-5/1, ISLAMABAD

Enforcement Order under Section 23 of the Pakistan Telecommunication (Re-Organization) Act, 1996 Against Worldcall Telecom Limited For Non-Provision Of License-Wise Auditors Certified Breakups Of Revenue & Inter-Operator Costs And Non-Payment Of Annual License Fee And Contributions For The Year Ended 31<sup>st</sup> December, 2018

No. PTA/Finance/LDI/Worldcall Telecom/134/2006/2

Show Cause Notice: 9<sup>th</sup> May, 2023  
Venue of Hearing: PTA HQs, Islamabad  
Hearings Date: 21<sup>st</sup> August, 2023 & 7<sup>th</sup> March, 2024

Hearings Pannel:

Maj. Gen. Hafeez Ur Rehman (R): Chairman  
Dr. Khawar Siddique Khokhar: Member (Compliance & Enforcement)  
Muhammad Naveed: Member (Finance)

Issue:

“Non-Submission of license-wise Auditors Certified breakups of revenue and inter-operator costs and Non-Payment of Annual Regulatory Dues and Contributions for the year ended 31<sup>st</sup> December, 2018

DECISION OF THE AUTHORITY

I. Brief Facts of the Case:

1.1 WorldCall Telecom Limited (the “licensee”) is engaged in the business of operating telecommunication system as Long Distance and International (LDI) operator pursuant to non-exclusive license No. LDI-02(01)-2004 dated 14<sup>th</sup> July 2004 and Fixed Local Loop (FLL) operator pursuant to non-exclusive Fixed Local Loop License No. LL 10-2004 dated 16<sup>th</sup> July 2004 and Fixed Local Loop License No. LL 09-2004 dated 16<sup>th</sup> July 2004 (the “license”) granted by Pakistan Telecommunication Authority (the “Authority”) to establish, maintain and operate a Telecommunication System, subject to the terms and conditions contained in the licenses

1.2 By virtue of the license conditions No. 4.1.2 (a), 4.1.3, 4.2.1, 4.2.2 and 4.2.3 read with clause 3.3, 3.4 and 3.6 and sub-regulation (6) and (7) of regulation 23 of the Pakistan Telecommunication Authority (Functions and Powers) Regulations, 2006 (the “Regulations”) it is obligatory upon the licensee to deposit Annual Regulatory Dues (“ARDs”) comprised of Annual License Fee (“ALF”), Research and Development Fund

Contribution ("R&D") and Universal Service Fund Contribution ("USF") within 120 days of the end of financial year to which such fees and contributions relate. Moreover, license conditions 4.2.4 and 6.4.3 of the license, also require the licensee to submit Annual Audited Accounts ("AAAs") within 120 days of the close of financial year in support of its calculation of ARDs payable pursuant to Article 3 and 4 of the licenses and the Authority shall have the right to audit such statements at any time.

1.3 The licensee vide letters dated 1<sup>st</sup> April, 2019 followed by reminders dated 22<sup>nd</sup> April, 2019 and 29<sup>th</sup> April, 2019 was required to submit AAAs and make payment of ARDs for the year ended 31<sup>st</sup> December, 2018. In response, licensee vide letter No. WTL/05/1-1/1344 dated 8<sup>th</sup> May, 2019 submitted AAAs for the year 2018 and vide letter No. WTL-05/1-11347 dated 27<sup>th</sup> June, 2019 provided Auditors Certificate without providing sufficient information therein to finalize the demand note. Based on the available information as furnished by the licensee provided from time to time, provisional demand notes dated 5<sup>th</sup> July, 2019, 11<sup>th</sup> July, 2019 and 5<sup>th</sup> August, 2019 were issued. Considering that annual filing requirement and deposit of ARDs was already delayed on part of the licensee, therefore, it was directed to make payment of outstanding dues immediately and also required to provide auditors certified information regarding allowable deductions for finalizing the demand.

1.4 However, the licensee neither provided requisite information nor deposited any amount against the demand within in the stipulated time. However, the licensee vide letter No. WTL-05/4-1/1404 dated 2<sup>nd</sup> September 2022 itself calculated an amount of ARDs against PTA demand and requested for payment thereof in instalments without providing its basis of such calculation. In response, the licensee vide letter dated 21<sup>st</sup> September, 2022 was informed that in absence of underlying complete basis and auditors' certificate with regard to calculation of ARDs, the demand of payable amount cannot be finalized. Thus said request for payment of ARDs in installments was not acceded by the Authority. Further, the licensee was again directed to submit the Auditors Certificate along with payment of ARDs and related Late Payment Additional Fee (LPAF) latest by 26<sup>th</sup> September, 2022; however the same was not complied.

1.5 Later on, the licensee vide letter No. WTL-05/4-1/1405 dated 13<sup>th</sup> October, 2022 submitted AAAs and provided another copy of Auditors Certificate having reclassified various significant information compared to previously provided auditors' certificate. It was observed that the auditors certificate still didn't contain required information to substantiate and corroborate with licensee's calculation. In order to provide the licensee another opportunity to provide complete information as required for finalization of demand, final reminder dated 21<sup>st</sup> February, 2023 was again sent requiring it to provide complete information in Auditors Certificate latest by 2<sup>nd</sup> March, 2023. In response, the licensee vide letter dated 2<sup>nd</sup> March, 2023 requested for further extension in time for 30 days and subsequently through letter No. WTL-05/1-1/1414 dated 7<sup>th</sup> April, 2023 provided another Auditors' certificate having revised and reclassified the information therein for the 3<sup>rd</sup> time. The same was reviewed and it was observed that the called up information was still not available therein.

1.6 As a consequence thereof, a Show Cause Notice (SCN) dated 9<sup>th</sup> May, 2023 was issued under section 23 of the Act read with aforementioned licenses conditions and applicable regulations, wherein the licensee was required to remedy the contravention by submitting Auditors Certified breakups of revenue and inter-operator costs and make payment of outstanding dues for the year 2018 within seven (07) days of issuance of show cause notice and also to explain in writing within thirty (30) days, as to why any enforcement order should not be passed under section 23 of the Act.

1.7 The licensee vide email dated 15<sup>th</sup> May, 2023 replied to the SCN stating that auditors certificate for the year 2018 has already been provided vide its letter No. WTL-05/1-1/1414 dated 7<sup>th</sup> April, 2023. Subsequently, licensee vide letter dated 8<sup>th</sup> June, 2023 submitted its response which is reproduced below;

*"This is with reference to the subject Show Cause Notice regarding ARDs for the year ending 2018, reply to which is as follows subject to our right of personal hearing before the Authority:*

- 1. We firstly vide our letter dated 27-06-2019 provided the auditor's certificate along with the AAAs containing complete details of the annual revenue and the allowable deductions.*
- 2. Thereafter a provisional demand note dated 05-07-2019 was issued to the tune of Rs. 5,362,108/- by PTA which was followed by another revised demand of Rs. 16,973,432/- vide PTA letter dated 11-07-2019. Please note that no basis was provided for increasing the demand from the previous one.*
- 3. A third demand was raised vide letter dated 05-08-2019 to the tune of Rs. 102,004,903/-. In this third demand unilaterally allowable deductions were disallowed contrary to the previous demand and the amount was inflated multiple times without any basis We are constrained to say that this demand appears to be arbitrary because a major allowable deduction of interconnect cost was not allowed for no given reasons whatsoever.*
- 4. We vide our letter dated 02-09-2022 conveyed our calculation for the year 2018 amounting to Rs. 11,180,274/- which we have already paid. Evidence of payment is enclosed.*
- 5. We thereafter vide our letters dated 13-10-2022 and 07-04-2023 again provide auditors certificate with complete details, which was in conformity with the previous certificate.*

6. *In the show cause notice and altogether a new demand of Rs. 92,803,933/- has been raised without any basis whatsoever for refusing the allowable deductions. We therefore, deny the demand raised in the show cause notice and respectfully submit that we have already paid the dues as per auditor's certificate which has not been controverted by PTA. Please note that the first two demands raised by PTA were almost in conformity with our calculation. There appears to be some shift within PTA otherwise there cannot be such huge difference between PTA's own calculations.*

*In view of the above, we humbly request that the show cause notice may please be withdrawn and matter be closed as we have already made the payments."*

1.8 In response, the working of ARDs demanded in SCN was shared with licensee vide letter dated 23<sup>rd</sup> June, 2023.

1.9 The matter was fixed for hearing before the Authority on 21<sup>st</sup> August, 2023. Mr. Muhammad Ashfaq (Head of Financial Planning), Mr. Shahzad Saleem (CFO) and Mr. Abdul Bari Rasheed (Legal Counsel) attended the hearing on the said date on the behalf of licensee. During hearing, the licensee re-iterated its stance as mentioned in the above referred letter that PTA has not provided any basis of calculation and it has already submitted all the requisite information. The underlying issues were discussed at length and multiple discrepancies noted in the auditor's certificates and the fact that the same do not contain complete information was highlighted. In light of the discussion, the Authority directed the licensee to furnish complete information as required by PTA vide letter dated 21<sup>st</sup> February, 2023.

1.10 In order to facilitate the licensee, itemized list of requisite information compared with compliance status thereof was shared vide letter dated 25<sup>th</sup> August, 2023 with direction to complete the pending information latest by 5<sup>th</sup> September, 2023. The licensee vide letter dated WTL-05/4-1/1433 dated 7<sup>th</sup> September, 2023 submitted its response by responding in context of another matter involving ARDs for the year 2020 stating that since the underlying issues in both the years are similar, therefore, requested to consider the same response for the year 2018 as well.

1.11 It was observed that the response of licensee was yet again incomplete, therefore, a meeting was held between PTA and licensee on 21<sup>st</sup> September, 2023 to discuss the licensee's response and to assist the licensee in completing the information. PTA's stance with regard to revenue and cost items included in the calculation were discussed in detail providing references from the applicable regulatory framework along with clarification as to reasons of inclusion of certain revenue items and disallowance of certain costs in the calculation. Pursuant to the discussion, updated list of pending items was shared with the licensee vide letter dated 20<sup>th</sup> October, 2023 with direction to complete the remaining information latest by 26<sup>th</sup> October, 2023.

1.12 In response, licensee vide email dated 26<sup>th</sup> October, 2023 requested for extension in time by 2 weeks. The request of the licensee was acceded to by the Authority that was communicated to the licensee vide letter dated 31<sup>st</sup> October, 2023. However, it was requested that readily available information with the licensee e.g. copy of general ledgers etc. be shared within 2 days. The licensee submitted its response vide email dated 14<sup>th</sup> November, 2023 again by responding in context of another matter involving ARDs for the year 2020 stating that since the underlying issues in both the years are similar, therefore, requested to consider the same response for the year 2018 as well. The response of licensee has been reviewed. It has been observed that same stance provided earlier has been reiterated, therefore, the compliance status as attached in “**Annex-A**” (*part of this order*) was updated based on the information furnished by the licensee from time to time and the same has been shared with the licensee.

1.13 To proceed further and to conclude the matter, another hearing was held on 7<sup>th</sup> March, 2024. Mr. Abdul Bari (Counsel), Mr. Saeb Zaidi (Director Regulatory), Mr. Gul Ahmed (Adviser), Mr. Muhammad Ashfaq (Head of Financial Planning) and Mr. Sami Alam (Manager Regulatory) attended the hearing on the said date on the behalf of licensee. During hearing the licensee re-iterated its stance as already shared through email dated 14<sup>th</sup> November, 2023 and related correspondence as mentioned hereinabove.

## **2. Findings of the Authority**

2.1 Response to licensee’s stance in its letter dated 8<sup>th</sup> June, 2023 is provided hereunder:

1. The auditors certificate provided by licensee vide letter dated 27<sup>th</sup> June, 2019 was incomplete and inconsistent with other financial information reported in AAAs. The licensee clubbed all revenue streams under the head “Long Distance and International & Broadband” in the auditors certificate, having annexed 2x additional documents containing its own calculation of ARDs under voice services and non-voice services. The ARDs on revenue categorized under non-voice services amounting to Rs. 644 million were calculated @ 0.66% applicable under NVCNS license that was already expired in previous year i.e. 2017. Therefore the auditors’ certificate couldn’t be considered complete and correct. Besides that, the licensee also shared its own calculation of ARDs based on above alleged incorrect categorization of revenue and inter-operator costs. however, it didn’t deposit any amount on account of ARDs even based on its own calculation despite the fact that it was already overdue.
2. As regard licensee’s point of view that two demand notes in which ARDs vide demand note dated 5<sup>th</sup> July, 2019 were revised vide demand note dated 11<sup>th</sup> July, 2019, licensee’s understanding in this regard is not correct. Further, its stance that no detailed calculation of the two demand notes was shared is also factually incorrect. The Provisional Demand Note (PDN) dated 5<sup>th</sup> July, 2019 was issued containing calculation of ARDs payable under LDI license based on information provided by the licensee. In order to raise demand related to other licenses it

holds. another PDN dated 11<sup>th</sup> July, 2019 was issued for the remaining revenues and inter-operator costs for the year based on information separately provided by the licensee. Further, the detailed calculation was annexed and provided with both PDNs that clearly explains ARDs payable under two different licenses.

3. In context of licensee's stance that the demand of ARDs raised vide letter dated 5<sup>th</sup> August 2019 was inflated compared to the previous demand by disallowing various allowable deductible expenses, scrutiny of the AAAs and auditors' certificate revealed that certain costs were clubbed and claimed under single head e.g. interconnect cost, discount and commissions etc., wherein part of the said costs was not claimable as deduction in calculation of ARDs (i.e. costs paid to foreign carriers, commission paid to sales team etc.). Further, it was observed that certain components of liabilities were written back during the year which may have been claimed in the previous years as deduction while calculating ARDs. Therefore, licensee was again requested to provide information vide PDN dated 5<sup>th</sup> August, 2019 having breakup of inter-connect cost relating to local operators and foreign carriers, breakup of discount and commission and nature of written back liabilities for claiming the allowable costs only. It has been noted that the licensee has not provided the required information until significant delay until 7<sup>th</sup> April 2023.
4. As regard licensee's claim that it has shared the calculation of ARDs amounting to Rs. 11 Million vide letter dated 2<sup>nd</sup> September, 2022 which has already been paid as per instalment plan, it has been observed that no such calculation of ARDs has been shared nor the Authority has approved the instalment plan. Since the amount of ARDs could not be finalized in the absence of complete information required to finalize the demand, the licensee may not assume that it has settled the outstanding ARDs paid on the basis of its own calculation and instalment plan. However, any amount paid on account of said year shall be considered while calculating ARDs for the year 2018 subject to final calculation of ARDs based on complete information.
5. The licensee has mentioned that subsequently it provided another 2x auditors certificate vide letters dated 13<sup>th</sup> October, 2022 and 7<sup>th</sup> April, 2023 which were in conformity with the previous certificate. However, it is observed that revenue reporting in the 3x certificates was inconsistent and not in conformity with the previous certificates. In 1<sup>st</sup> auditor certificate, the revenue amounting to Rs 1.624 Billion categorized under NVCNS was changed and reported under WLL license in 2<sup>nd</sup> and 3<sup>rd</sup> certificate. Additionally, a component of revenue amounting to Rs. 905 million was reported under Wireless Local License ("WLL"), however, reporting of the same amount has been changed in third certificate by reporting it against the caption "Fixed Local Loop". Therefore, it is apparent that all 3x certificates were different from each other and information provided by licensee from time to time was inconsistent.

6. The license has claimed that a new demand was raised in show cause notice without any basis for refusing allowable deductions and it has paid the dues as per auditors' certificate which has not been controverted by PTA. The SCN dated 9th May, 2023 was self-explanatory in nature and the amount of ARDs demanded in SCN was derived from the information furnished by the licensee vide latest auditors certificate furnished by the licensee. The demand raised vide Show Cause Notice was calculated after allowing all eligible deductions mentioned the auditors certificate. However, in order to facilitate, the calculation of ARDs for 2018 was shared with the licensee vide letter dated 23rd June, 2023. Therefore, the claim of licensee regarding disallowance of deductions without providing justification is not maintainable.

2.2 Findings on response received from licensee from time to time pursuant to hearing dated 21<sup>st</sup> August, 2023 are given below:

2.2.1 Licensee could not justify the basis of categorization of revenue amounting to Rs. 905 million under WLL license. In the latest auditors' certificate dated 7<sup>th</sup> April, 2023, the said revenue has been reported with caption "Fixed Local Loop" yet it is categorized under WLL license. Further, such categorization is inconsistent with licensee's own representation on record that it has discontinued the wireless local loop operations long time back. Moreover, licensee kept changing the categorization of said revenue under different licenses in various years as evident in following table. Foregoing in view, it is considered that said amount of revenue derived from should be categorized under Fixed Local Loop license to which such services relate to for correct reporting. Further, corresponding sales tax amounting to Rs. 92 Million being allowable deductions as per license conditions shall be reduced under the same license in calculation of ARDs.

The evolution of reported numbers of Rs. 905 Million is depicted in the following table.

Nature of Revenue	Auditor Certificate		
	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>
	NVCNS	WLL	WLL
Dark Fiber Sale	1,141	720	720
Internet over cable	133		
P2P	341		
EVDO	9		
Fixed Local Loop services			905
Wireless Local Loop		905	
	1.624	1.626	1.626

2.2.2 Licensee has reported revenue amounting to Rs. 720 million related to Indefeasible Right of Use (IRU) of metro fiber for 20 years in AAAs. Same revenue has been reported as sale of dark fiber in auditors certificate under WLL license and is

claimed as non-licensed revenue. The IRU arrangement and sale of asset are two different transactions in nature, hence, the said term cannot be used interchangeably for sale of asset. Further, the claim of licensee that the said revenue is non-licensed is also not maintainable on the grounds that one can't establish, maintain or operate any such system or render any such services without having PTA license. Further, licensee has categorized such revenue under Wireless Local Loop license, whereas the same is allowed only under the ambit of Fixed Local Loop license. Therefore, the related revenue amounting to Rs. 720 million should be categorized under FLL license for calculation of ARDs.

2.2.3 The revenue amounting to Rs. 323 Million on account of CATV and advertisement as per auditors certified breakup being non-licensed revenue in nature shall be excluded for calculation of ARDs, hence, no ARDs are payable on said amount.

2.2.4 Inter-operator costs as mentioned in the auditors' certificate and PTA/FAB mandated payments made during the year 2018 are allowable deductions from licensee's gross revenue from licensed services for the year. Therefore, it is an admitted fact that interconnect cost and bandwidth charges paid to local operators (PTA licensees) amounting to Rs. 1.9 billion and Rs. 241 million respectively, as certified by the auditors are eligible inter-operator costs against revenue.

2.2.5 As regard, licensee claim for deduction on account of Web Monitoring Services (WMS), the licensee was requested to share any reference from applicable regulatory framework that allows such amount being an eligible cost as deduction that it couldn't provide. It is considered that installation of WMS was individual responsibility of the LDI operators. The fact that PTA has allowed to deploy centralized WMS and share its cost among LDI operator does not render it to be categorized as PTA/FAB mandated payment. Foregoing in view, deduction claimed on account of WMS cost is not maintainable.

2.2.6 As regard written back liabilities amounting to Rs. 205 Million recorded in prior years, the same amount has been recorded as income for the year 2018 in note 41 of the financial statements. The auditors certificate submitted by licensee only contains a statement that "Unclaimed liabilities written back don't include any inter-operator cost". Licensee was requested to provide party-wise breakup of such amount to review whether it includes any inter-operator cost which was previously allowed as deduction in previous years while calculating ARDs. However, despite multiple reminders, licensee failed to provide the same. Therefore, write back of said liabilities amounting to Rs. 204 million being no longer payable have been added back in revenue for calculation of ARDs.

2.2.7 Licensee's stance regarding "Unwinding impact of long-term receivable" amounting to Rs. 19 Million in note No. 41.4 in its financial statements pertains to a

long term contract in which the contract amount was recoverable over the period of 20 years. Further, as stated by the licensee, full amount of related revenue for that contract was booked upfront in prior years. The licensee couldn't provide any reference from the applicable accounting framework and applicable laws governing preparation of financial statements that allows such treatment in financial statements for upfront recording of revenues for the full amount. Further, in order to substantiate licensee's claim through an alternate procedure, the licensee was required to provide end to end transaction flow with related balances. However, licensee failed to provide the same. Foregoing in view, it is considered that the unwinding of receivable in this case is in fact revenue earned from licensed services that the licensee has otherwise recorded under the head other income, therefore, said amount i.e. Rs. 19 Million should accordingly be considered revenue earned from licensed services for calculation of ARDs.

2.2.8 As regard the licensee's claim of deductions amounting to Rs. 30 Million qua provision for doubtful debt, it has been explained that the head of accounts for which such expense would have been incurred don't correspond to head of accounts allowed as deductions as provided in the license. Foregoing in view, considering that all allowable deductions are explicitly mentioned in the license condition and applicable regulations, therefore, licensee's claim being inconsistent with terms and conditions and applicable regulatory framework is not maintainable.

2.2.9 As regard licensee's claim for deduction of discount amounting to Rs.29 Million, it has been observed that the said amount has been reported in note 38 to the financial statements includes commission on sales. The licensee was required to provide breakup of discount and commission cost, however, the licensee failed to provide the same. As per regulation 23 of Pakistan Telecommunication Authority (Functions & Powers) Regulations, 2006 read with regulation 2 of Pakistan Telecommunication Authority (Functions & Powers) (Amendment) Regulation, 2017 and license terms and conditions, commission on sales is not an allowable deduction. Therefore, the licensee's claim of deduction on account of commission for sales team etc. being inconsistency with the applicable laws and license terms and conditions is disallowed.

2.3 In light of available record and findings as mentioned herein above, calculation of ARDs under FLL and LDI licenses is attached as "**Annex-B**" (as part of this order).

### 3. ORDER:

Keeping in view the above-mentioned facts coupled with the available record, the Authority hereby decides as under:

3.1 Since the licensee has failed to provide any cogent reason and justification to substantiate its claim, therefore, the licensee is hereby directed to make payment of

outstanding ARDs amounting to Rs. 101,987,623/- (Rupees One Hundred One Million, Nine Hundred Eighty-Seven Thousand, Six Hundred and Twenty-Three Only) (LPAF calculated till 13<sup>th</sup> July, 2024) within three (03) days from the date of receipt of this order.

3.2 In case of con-compliance of direction as mentioned at para 3.1 above, further legal action will be initiated against the licensee as per applicable law without any further notice.

**Maj. Gen. HāfeeZ Ur Rehman (R)**

Chairman

**Muhammad Naveed**

Member (Finance)

**Dr. Khawar Siddique Khokhar**

Member (Compliance & Enforcement)

Signed on 19<sup>th</sup> August, 2024 and comprised of (10) pages only.