Auditor-General of Pakistan

February 2026

Audit Report on

NATIONAL RADIO & TELECOMMUNICATION CORPORATION (NRTC) HARIPUR

Report No: DGA P&TS 26-002

Audit Year 2025-26
Financial Year 2024-25

PREFACE

Articles 169 & 170 of the Constitution of the Islamic Republic of Pakistan, 1973, read with Sections 8 & 12 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001, require the Auditor-General of Pakistan to conduct the audit of receipts and expenditure of the Federation and the Provinces or the accounts of any authority or body established by or under the control of the Federal or a Provincial government.

The report is based on the audit of National Radio Telecommunication Corporation (NRTC) for the financial year 2024-25. The Directorate General Audit Postal & Telecommunication Services conducted the audit during Audit Year 2025-26 on a test check basis with a view to making an independent assessment of the entity and provide reliable information to the stakeholders for making sound decision-making. The report also aims at improving the internal controls of the entity, thereby allowing the management to take corrective action and improve operational efficiency.

The Audit Report includes key facts about the entity, audit snapshot, findings on systemic issues, conclusion and recommendations for executive action. Audit findings indicate a number of matters related to stated roles & responsibilities of the entity, financial management, human resources management, procurement, operational processes, achievements of targets/KPIs and digitization.

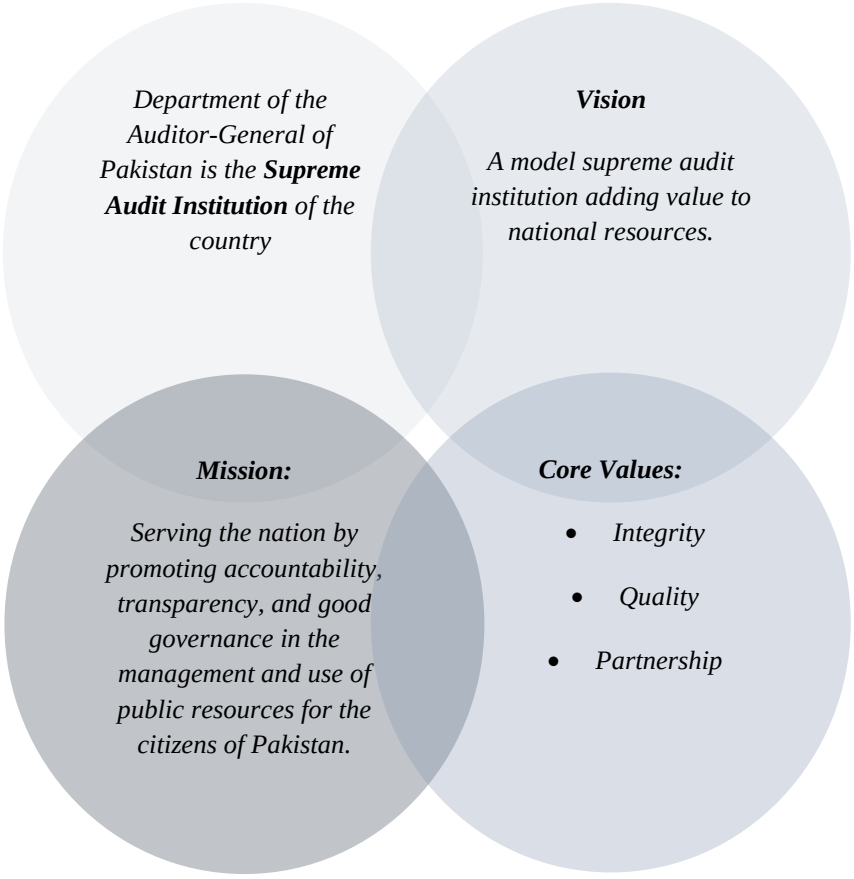
The observations were shared with the entity as well as the Principal Accounting Officer (PAO) and executive responses were evaluated before finalization of this report. The observations were discussed with the PAO in the Departmental Accounts Committee (DAC) meeting held on 18.12.2025 and the outcomes of the meeting have been incorporated in the report.

The Audit Report is submitted to the President of Pakistan in pursuance of 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)

Islamabad
Dated: February, 2026

(Maqbool Ahmad Gondal)
Auditor-General of Pakistan

Department of the Auditor-General of Pakistan



The Auditor-General's organization is the Supreme Audit Institution (SAI) in the country, ensuring public accountability and fiscal transparency in governmental operations. The organization is expected to bring about improvements in the financial discipline and internal control environment across the executive departments for minimizing the possibility of waste and fraud.

The Auditor-General of Pakistan is appointed under the Constitution of the Islamic Republic of Pakistan. His reports are laid before the legislature and are discussed in the Public Accounts Committees of the respective legislative assemblies. His mandate enables the office to strengthen the legislative oversight by providing an independent and objective assessment of the governance process at the federal, provincial, and local level.

AUDIT SNAPSHOT

Why did we conduct this audit?

The audit was initiated to assess NRTC's financial sustainability, compliance with applicable laws, rules, and prescribed procedures. The purpose of the audit was to evaluate internal controls, verify adherence to procurement and financial regulations, and identify any gaps that may expose the organization to operational or financial risks.

What did we find?

- NRTC was given 100% shareholding, control and possession of the Telephone Industries of Pakistan (TIP) as its subsidiary for its revival. It took control of TIP's multi-storey production lines, warehouses of total covered area of 309 Kanal alongwith vast area at Haripur and its regional offices at Islamabad and Lahore; however, it did not conduct any due diligence for determining the value of assets and liabilities of TIP and preparation of consolidated group financial statements despite a lapse of considerable time since its acquisition in 2021.
- NRTC having its stated objective of carrying out aggressive scenario-based R&D, was incurring minimal expenditure just equal to 1.46% of annual revenue which was far less than the threshold of 5% of international firms lime Aselsan of Türkiye.
- Outstanding receivables highlight financial mismanagement, adversely affecting NRTC's liquidity and working capital position.
- Non-compliance with EPAD and PPRA Regulations undermines the transparency and exposes procurement to risks of inefficiency and reduced competition.
- NRTC is engaged in making unsecured advance payments to the suppliers which resulted into non-receipt of stores against the advance payments.
- Non-inclusion of a fluctuation clause in contracts to cover foreign exchange transaction risks.
- Significant gap in foreign remittance and

export sale reconciliation figures.

- Withdrawals from Service End Benefits funds without staff-wise details, trustee approvals, or proper reconciliation with recorded liabilities.

Key Assessments

FINANCIAL SUSTAINABILITY - Moderately Stable

FY2024-25 Net Profit: Rs 3,133 million

Revenue Base: Rs 47,018 million

Net Margin: Positive (6.7%) but volatile.

Particulars	2023-24 (Rs in Million)	2024-25 (Rs in Million)	Movement
Revenue	22,841	47,018	**105.84%** ↑
Cost of Sales	18,555	40,416	**117.817%** ↑
Gross Profit	4,286	6,603	**54.60%**↑
Gross Profit Ratio	18.76%	14.04%	-
Admin Expenses	998	1,257	**25.95%**↑
Selling &Distribution	920	1,240	**25.95%**↑
Other Income	2,002	872	**129.59%**↓
Net Profit after Tax	2,421	3,133	**29.41%**↑
Net Profit Ratio	10.59%	6.67%	-

Note: *Detailed analysis of five years data has been conducted in paras 2.1to 2.7*

Despite an 105% increase in revenue, the substantial rise 118% in cost of sales indicates structural inefficiencies, weak expenditure control, and continued reliance on project-based revenues transferred to NRTC. Additionally, Other Income declined significantly 129.59% in 2025.

⚠ **RISK SIGNAL** — Receivable dependence andpersistent high trade receivables indicate slow receivables collections creating liquidity and working-capital pressure.

⚠ **OPERATIONAL RISK** — Project-level inefficiencies reflect delays in execution and completion, adversely impacting profit margins.

What did we Recommend?

- Audit recommends that the required due diligence for determining the value of assets and liabilities of the TIP be carried out and shared with the audit besides preparation of consolidated group financial statements.
- Audit recommends that NRTC should improve the expenditure on R&D to match the minimum threshold of international industry benchmark.
- Establish a strong receivables recovery unit to prioritize collection of outstanding dues and advances and diversify the client base.
- Implement the EPADs to ensure transparency in procurements.
- Mandate the use of Letters of Credit (LC) for all foreign procurements. Implement strict controls on advance payments using bank guarantees and strengthen contract monitoring with timely reconciliations and accountability for delays in outstanding stores.
- Negotiate with customers to include exchange rate fluctuation clauses as a hedging policy in all contracts.
- Conduct an urgent independent reconciliation of export remittances and cash outflows, including a forensic examination of transactions and contracts to verify SBP compliance, to mitigate risks of regulatory

penalties and financial reporting distortions as highlighted in the audit.

- Enforce strict controls over Service End Benefit Funds by requiring trustee/Board approvals for all transactions, staff-wise disbursement details, complete narrations, and regular independent reconciliations with recorded liabilities to address unexplained withdrawals additionally, mandate a full ledger review for the past five years, actuarial valuation mapping, and forensic examination of fund movements to align with IAS-19 requirements and prevent potential understatements of liabilities.

HIGHLIGHTS

ENTITY SUMMARY SHEET — NRTC (FY 2024-25)

Description	Details (*Figures in Rs Million)*
Legal Framework of Entity	The NRTC was established on 16th February, 1966 and registered under the Companies Ordinance, 1984 (now the Companies Act, 2017) as a Private Limited Company. NRTC falls under the administrative control of the Ministry of Defence Production (MoDP)
Key Responsibilities / Mandate & Objectives	The objective of creation of NRTC was to design, develop and manufacture military and commercial telecommunication equipment, electronic systems and IT solutions for marketing to local and international customers. Further, to meet the challenges of new technologies by adopting latest and challenging technological advancements with the prime focus for indigenization of highly sophisticated equipment. NRTC's R&D focuses on developing innovative defence and commercial products, optimizing production processes, and adopting emerging technologies to enhance efficiency and quality. It also aims to diversify revenue streams, strengthen technical expertise, and support timely delivery of projects while maintaining compliance with industry standards.
Total Assets (Current / Non-Current)	**Total Assets:** Rs 62,064.189 m **Current Asset:** Rs 57,753.689 m **Non-Current Asset**: Rs 4,310.501 m
Total Liabilities (Current / Non-Current)	**Total Liabilities:** Rs 43,387.476 m **Current Liability**: Rs 42,229.711 m **Non-Current Liability:** Rs 1,157.767 m
Income / Revenue	Revenue: Rs 47,018.826 m
Expenditure	Cost of Sale: Rs 40,415.986 m Operating and Administrative expenses: Rs 3,100.338 m Finance Cost: Rs 187.195 m
Receipts	Receipts consist of revenue from three streams i.e. local sale to Government Organizations, receipts from Commercial Sales &export sales etc.
Cash Balances	Rs 1,496.842 m
Total Investments	Short terms Investment: Rs 9,788.465 m Long Term investment: Rs 171.209 m
Funding Sources	NRTC is a Self-Financed entity and receives no Public Funds and generates its own revenue.
Total Allocations	Nil.
Accounting Policy	IFRS-compliant; Financial statements are prepared under Companies Act, 2017
Status of Financial Statements	Audited and initialed up to FY 2024-25
Composite Risk Rating	Based on cumulative audit findings, the entity has been assigned a Composite Risk Rating of "M – Medium Risk", indicating material weaknesses in governance, financial management, and compliance that adversely affect overall performance and integrity.
Compliance Status of Audit Recommendations	Partial Compliance/ Weak Implementation Pastaudit recommendations largely unimplemented; consistent issue of non/delayedrecovery of receivables; Consistent issuesnon-compliance of PPRs; and issues of non-receipts of inventory against the unsecured advance payments.

TABLE OF CONTENTS

Description		Page No
ABBREVIATIONS		1
OVERVIEW OF THE ENTITY		2
AUDIT FINDINGS		3
1. Stated Mandate, Role and Responsibilities		3
2. Financial Performance Analysis		6
3. Financial Management		11
4. Human Resource Management		22
5. Procurement		25
6. Operational Processes, Targets & KPIs		29
CONCLUSION		32
RECOMMENDATIONS		34
APPENDICES		
Appendix-I.	A. Audit Objective	35
	B. Audit Scope	35
	C. Audit Methodology	35
Appendix -II	Index of Findings	36
Appendix -III	Financial Analysis	38
Appendix -IV	List of Figures	39

ABBREVIATIONS

AGP	Auditor-General of Pakistan
AI	Artificial Intelligence
AML	Anti-Money Laundering
BoD	Board of Directors
BG	Bank Guarantee
CCTV	Closed-Circuit Television
CFT	Countering the Financing of Terrorism
CRV	Certified Receipt Voucher
DAC	Departmental Accounts Committee
DAGP	Department of Auditor-General of Pakistan
DGP	Director General Procurement
DMCC	Dubai Multi Commodity Center
EPAD	e-Pak Acquisition & Disposal System
GFR	General Financial Rule
GOP	Government of Pakistan
GST	General Sales Tax
IAS	International Auditing Standard
ICT	Information Communication Technology
IT	Information Technology
KPIs	Key Performance Indicators
KPK	Khyber Pakhtunkhwa
KSA	Kingdom of Saudi Arabia
LC	Letter of Credit
MoDP	Ministry of Defence Production
MoITT	Ministry of Information Technology and Telecommunication
NBP	National Bank of Pakistan
NRTC	National Radio Telecommunication Corporation Pvt. Ltd.
NSTZ	NRTC Specialized Technology Zone
NTN	National Tax Number
P&TS	Postal & Telecommunication Services
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PAT	Profit After Tax
PPRA	Public Procurement Regulatory Authority
PPRs	Public Procurement Rules
RBR	Retirement Benefit Reserve
R&D	Research & Technology
SEB	Service End Benefit
SDAR	Software Defined Advance Radio
SDR	Software Defined Radio
SECP	Security and Exchange Commission of Pakistan
SID	Surveillance Intrusion Detection System (SIDs)
SLA	Service Level Agreement
SND	Special Notice Deposit
STZ	Specialized Technology Zone
STZA	Specialized Technology Zone Authority

OVERVIEW OF THE ENTITY

The National Radio Telecommunication Corporation (NRTC) was established on February 16, 1966 and registered as a private limited company under the Companies Ordinance, 1984 (now the Companies Act, 2017). It operates under the administrative control of the Ministry of Defence Production (MoDP), with its shares held by the MoDP (67%) and the Ministry of Information Technology (33%), represented through nominee directors.

NRTC is governed by an independent Board of Directors, chaired by the Secretary of the MoDP, which provides strategic direction and oversees management performance. NRTC generates its own revenue without reliance on government budgetary allocations and prepares financial statements in accordance with the Companies Act, 2017 and applicable International Financial Reporting Standards (IFRS).

NRTC's mandate is to design, develop, and manufacture military and commercial telecommunication equipment, electronic systems and IT solutions for local and international markets with a primary focus on indigenization of sophisticated technologies to achieve self-reliance. Its core functions encompass research and development in areas such as secure communication equipment, surveillance systems, artificial intelligence-based robotics; assembly and testing of radio and jamming solutions; provision of maintenance and upgradation services; and support for government agencies in advancing technological capabilities.

Strategically, NRTC aims to diversify revenue streams beyond traditional defence projects, by adopting emerging technologies for efficiency and quality and ensure timely project delivery while adhering to industry standards and regulatory requirements. Recent initiatives include expansion into public-sector commercial activities, such as solar energy through its subsidiary NRTC Energies (Pvt) Limited (75% ownership), software development and IT consultancy via NRTC Smartec (Pvt) Limited, and establishment of the NRTC Special Technology Zone (NSTZ) under the Specialized Technology Zones Authority Act, 2021, to promote innovation in technology transfer, export growth and import substitution. Internationally, NRTC exports products to markets in the Middle East and Africa and is pursuing a branch office in the Dubai Multi Commodities Centre free zone and a wholly owned subsidiary in Saudi Arabia to capitalize on defence localization opportunities.

As a public-sector entity accountable to the MoDP and Parliament, NRTC's operations are subject to federal laws, Public Procurement Regulatory Authority (PPRA) rules and other financial regulations. This framework underscores the need for robust governance, effective internal controls and compliance to manage the complexities of its diverse activities and ensure prudent use of resources in fulfilling its mandate.

AUDIT FINDINGS

1. STATED MANDATE, ROLE AND RESPONSIBILITIES

As per Memorandum of Association (MoA), as amended from time to time, the core functions of the National Radio Telecommunication Corporation (NRTC) are designing, developing, assembling, manufacturing, testing and supplying various kinds of radio equipment and jamming solutions to the defence and law enforcement agencies of Pakistan. It also carries out R&D for manufacturing of surveillance equipment, Artificial Intelligence (AI) based robotic and IT solutions to supply its customers. In order to perform the stated mandate, there is a need for a more transparent and proactive governance approach by those charged with governance and management.

1.1 Governance Issues in NRTC

Audit identified certain governance issues in NRTC which included the management failure to take concrete steps of conducting due diligence for revival of Telephone Industries of Pakistan (TIP), preparing the consolidated financial statements after valuation of Assets and Liabilities of the TIP and ensuring adequate representation of independent directors in NRTC Board for transparent and informed decision making. Audit identified the following governance issues during audit.

1.1.1 Ineffective strategic decision making and failure in revival of TIP

The Cabinet Division vide O.M No. 32/CM/2021-D dated 1st October, 2021, communicated the decision of the Federal Cabinet regarding transfer of TIP to the NRTC. According to para 3(d)&(f) of the recommendations of the Inter-Ministerial Board, to revitalize and modernize the TIP into a profit-making entity, NRTC was required to invest an amount of Rs 5-6 billion in the next five years out of its own resources and Government of Pakistan was to extend a bridge finance to the tune of Rs 2.50 billion (whether grant or soft loan) over the next five years.

Audit observed that the NRTC could not implement the strategic intent of the Federal Government and its Board to revive TIP due to following reasons:

i. NRTC was given 100% shareholding, control and possession of the TIP as its subsidiary for its revival. It took control of TIP's multi-storey production lines, warehouses of total covered area of 309 Kanal alongwith vast area at Haripur and its regional offices at Islamabad and Lahore; however, it did not conduct any due diligence for determining the value of assets and liabilities of TIP despite a lapse of considerable time since its acquisition. Due to non-carrying out the due-diligence for valuation of TIP's assets and liabilities, NRTC failed to prepare a business plan for revival of

TIP and preparing the consolidated financial statements as well.

ii. In 113th Board meeting held on 14th June, 2023 the chairman BoD NRTC, directed to prepare five years business/investment plan for TIP and submit it for approval in the next board meeting but the Board's direction was not complied with.

iii. The bridge finance of Rs 2.50 billion from the Federal Government was also not received; however, the NRTC was managing the TIP by transferring its own projects to the TIP on ad-hoc basis.

Audit contends that the NRTC not only failed to revive the TIP but also bore the financial burden of its operating expenses, besides affecting its own business activities in terms of productive inefficiency and delay in projects completion.

Audit reported the matter to the management during May, 2024. It was replied that immediately after taking over the charge of TIP, NRTC management engaged a specialized firm to carry out revaluation of TIP. As TIP was out of business since year 2004 and machinery/plants were outdated, pay of existing staff was being managed through grant of Rs 500 million. The NRTC assumed all liabilities of TIP including pay & pension of existing employees, therefore, Cabinet approved grant/bridge finance of Rs. 2.5 billion which was not received. Further to revitalize the TIP Rs 5-6 billion for next five years are required.

The reply was not tenable as the NRTC did not produce any documentary evidence in support of its reply. Further, no business plan was prepared as the Board in its meeting held in June, 2023 directed the management to submit the business plan for revival of TIP.

The matter was discussed in the DAC meeting held on 13th September, 2024. The DAC directed the NRTC management that requisite due diligence for assets and liabilities of TIP alongwith proper proposal be submitted to the NRTC Board for policy decision and submission to the Federal Government. The DAC also directed NRTC management that the Consolidated Financial Statements be finalized and approved by the Board, and shared with the audit for verification.

Audit recommends the implementation of DAC directives.

(Audit Para 2.1.9.1 of PAR NRTC 2023-24)

1.1.2 Non-representation of Independent Directors in NRTC Board

According to the Rule 3(1) of the Public Sector Companies Corporate Governance Rules, 2013, the Board shall consist of executive and non-executive directors, including independent directors those representing minority interests with the requisite range of skills, competence, knowledge, experience and approach so that the Board as a group includes core competencies and diversity considered relevant in the context of the Public Sector Company's operations.

The NRTC under the Ministry of Defence Production, Rawalpindi did not have the representation of independent directors on its Board for effective and transparent governance. The Chairman, Board of Directors, during the 56th Board Meeting held on 25th October, 2022 also directed the NRTC management to obtain

necessary clarification and present a detailed viability of requirement and criteria for appointment of independent directors. However, no tangible progress was made in this regard.

Audit contends that the non-appointment of independent directors on the NRTC Board showed ineffective governance of the company.

Audit reported the matter to the management during May, 2024. It was replied that by virtue of nature of objects of the company, exemption from certain provisions of Public Sector Companies (Corporate Governance Rules), 2013 was obtained.

The reply was not tenable as no exemption was granted by SECP to the NRTC from appointment of independent directors.

The matter was discussed in the DAC meeting held on 13th September, 2024. The DAC directed the NRTC management that case may be forwarded to the Federal Government for appointment of Independent Directors".

Audit recommends the implementation of DAC directives.

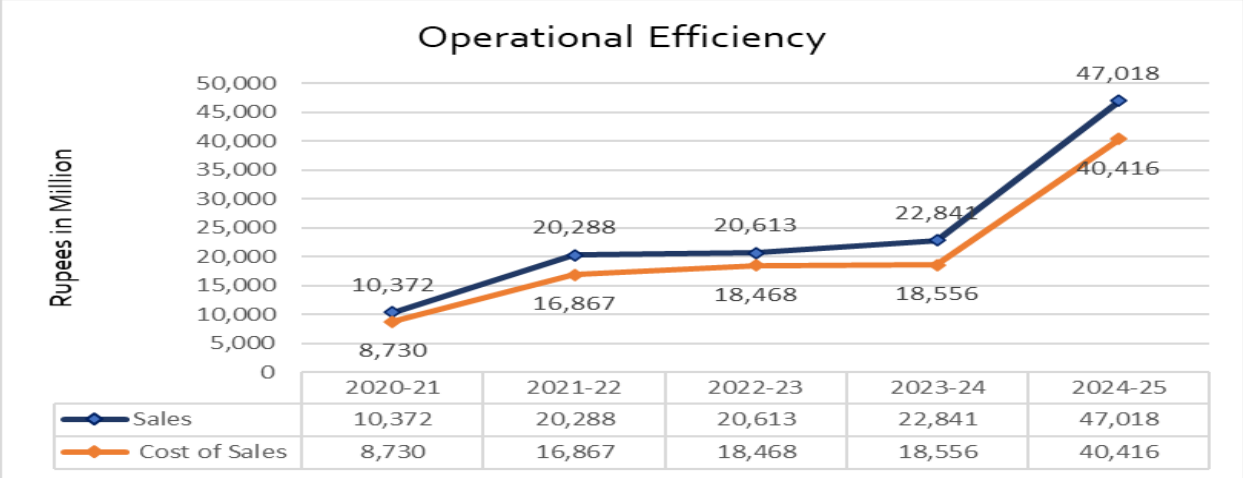
(Para 2.1.9.2 of PAR NRTC 2023-24)

2. FINANCIAL PERFORMANCE ANALYSIS

The audit conducted financial review of revenue growth, profitability trends, liquidity position, research and development proportionate to revenue, and trade liabilities over the five-year period from 2021 to 2025 to report significant findings to the stakeholders. NRTC has achieved notable revenue growth and profitability; however, the financial analysis reveals significant operational and liquidity concerns. Rising receivables, delays in project execution, and a sharp increase in the cost of sales between 2021 and 2025 portrayed inefficient resource utilization and weaknesses in collections and project management. These factors collectively pose a challenge to cash flow sustainability and underscore the need for strengthened financial oversight and operational controls.

2.1 Operational Efficiency

The analysis of operational efficiency and profitabilityof NRTC is critical for evaluating of its ability to generate sufficient profits to meet its expenses and other operationalcosts. It will help stakeholders to review and analyze the financial health and performance of the company. A performance review of the company's operational efficiency is presented in **Figure-I** below:



	2020-21	2021-22	2022-23	2023-24	2024-25
Sales	10,372	20,288	20,613	22,841	47,018
Cost of Sales	8,730	16,867	18,468	18,556	40,416

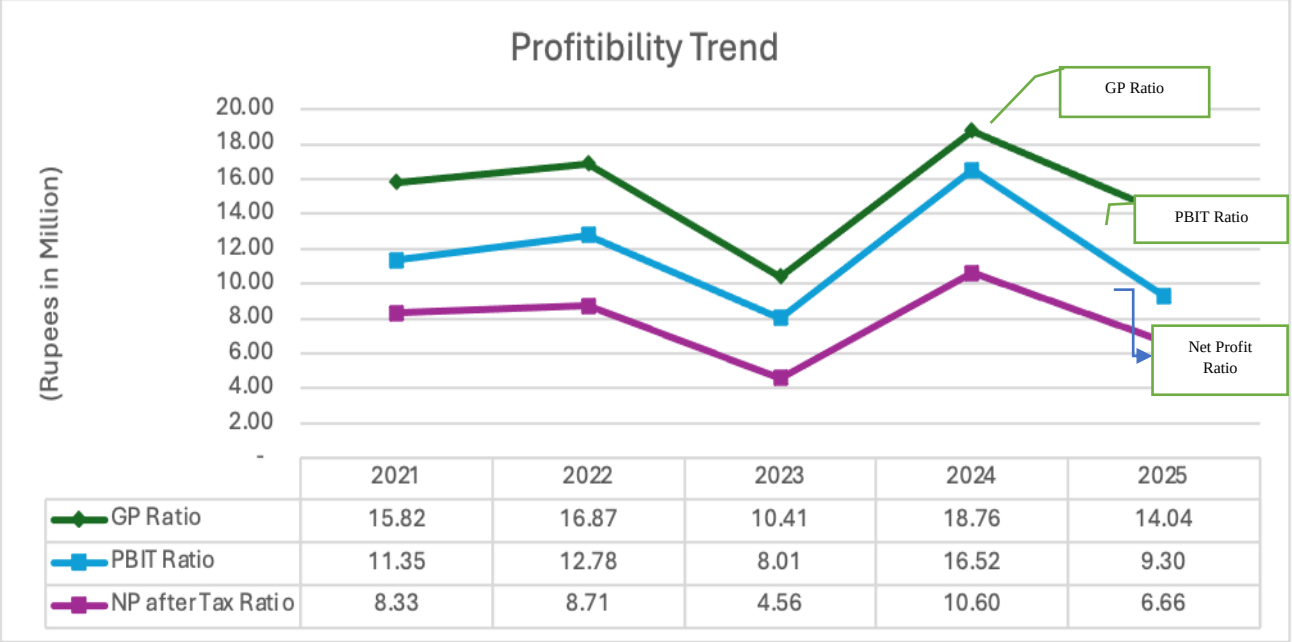
(Source: Audited Financial Statements)

The review of financial data revealed that despite significant increase in revenues from Rs 22,841.46 million in 2023-24 to Rs 47,018.826 million (353%), the cost of sales of the company also increased from Rs 18,555.78 million to Rs 40,415.985 million (363%), a rate higher than the rate of increase in sales. This indicates that NRTC could not control its cost. This sharp increase was mainly due to higher raw material costs and increased administrative expenses during the FYs 2024-25. The major cost element was material purchases during the FY 2024-25 which increased from Rs 19,157.213 million to Rs 42,609.869 million showing an increase of 122.42% as compared to preceding year.

Since the rate of increase in the cost of sales was higher than the rate of increase in revenue therefore, theoperating ratio also increased from 90.4% to 92% which transpires contracting operational efficiency resulting into decreasing gross profit margin.

2.2 Profitability

The company's profitability was evaluated against the key performance metrics of Gross Profit Margin, Net Profit Margin, Return on Assets (ROA) and Return on Capital Employed (ROCE)/Return on Equity (ROE). The increase in cost of sales at a higher rate than that of increase in revenue has impacted the profitability. Therefore, the gross profit and net profit percentages have been declined from 18.7% to 14% and from 10.6% to 6.7% respectively in FY 2024-25 as compared to FY 2023-24 as presented in **Figure-II:**



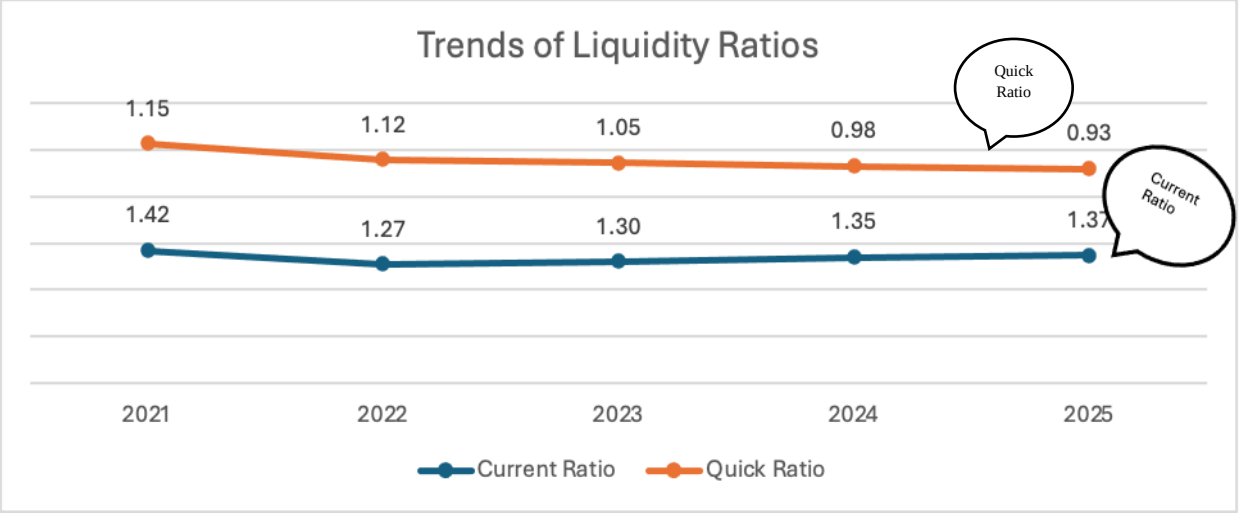
	2021	2022	2023	2024	2025
GP Ratio	15.82	16.87	10.41	18.76	14.04
PBIT Ratio	11.35	12.78	8.01	16.52	9.30
NP after Tax Ratio	8.33	8.71	4.56	10.60	6.66

While the Return on Assets (ROA) was at a healthy threshold >8.13%, during 2023-24, however, it slightly declined to 7.05% in 2024-25 but was still well above the benchmark threshold of 5% which means that the company has utilized the assets more efficiently. As a fully equity-financed entity with no long-term debt, the company's Return on Capital Employed (ROCE) mirrors its Return on Equity (ROE). The ROE of the company has improved from 17% in 2023-24 to 19% in 2024-25 which indicates an increase in shareholders wealth. However, the NRTC did not pay any dividend to its share-holders i.e. the Federal Government.

2.3 Liquidity

A liquidity analysis was conducted to assess NRTC's ability to meet its short-term financial obligations promptly and efficiently without causing significant financial strain or resorting to external financing. The emphasis was on evaluating the company's ability to convert its assets into cash and manage its current liabilities effectively. The current ratios and quick ratios over the period under review were worked out as under:

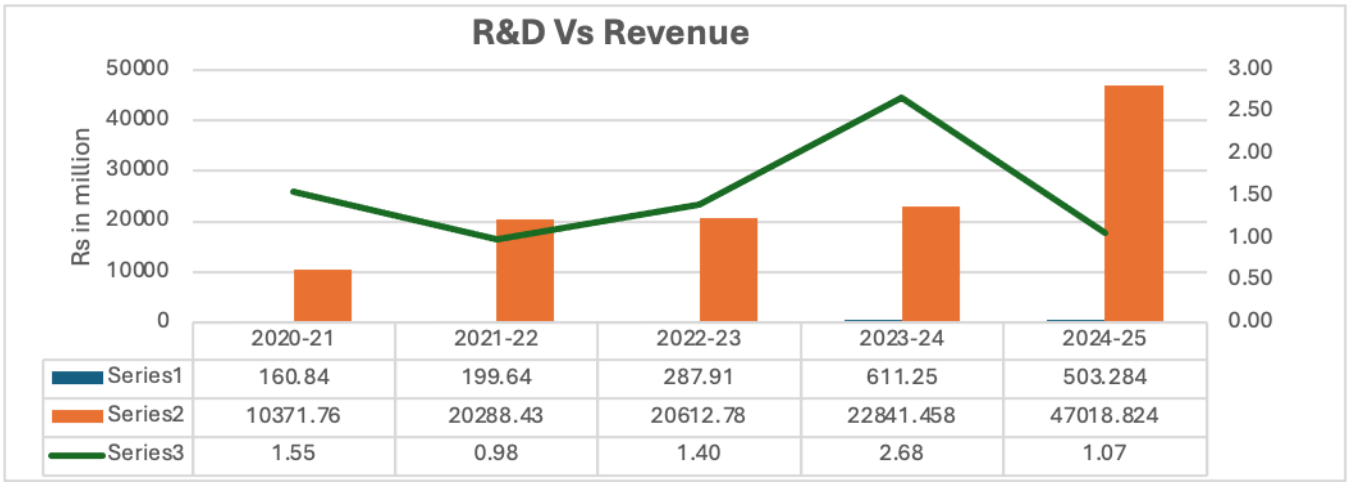
The liquidity position of NRTC over the period under review indicated moderate to weak short-term solvency as current assets were largely tied up in receivables, advances, and inventories rather than readily realizable cash and cash equivalents. The current ratio, while remaining above the safety threshold of 1.0, increased from 1.35 in 2023-24 to 1.37 in 2024-25. More critically, the quick ratio, which measures immediate liquidity position showed a deterioration from 0.98 to 0.93 suggesting a growing commitment of resources to less liquid assets such as stock-in-trade, advances to suppliers, and prepayments. The company's position remained marginally above the 0.5 benchmark, but the drop in the quick ratio highlights increasing pressure from the rising obligation. Proactive working capital management is necessary to improve short-term liquidity buffer, the same presented in **Figure-III** below:



2.4 Research & Development

One of the main objectives of NRTC is to pursue a business strategy that encompasses aggressive, forward-looking marketing and scenario-based R&D for exploring new technologies. NRTC maintained a relatively low R&D investment compared to its revenue, averaging just 1.46% over the past five years (2020-2025). Despite steady growth in R&D spending from Rs 160.84 million in FY2020-21 to Rs 503.28 million in FY 2024-25, the percentage of revenue allocated to R&D has been 1.07% even the revenue surged from

Rs 10.37 billion to Rs 47.02 billion, the same is presented in **Figure-IV**:

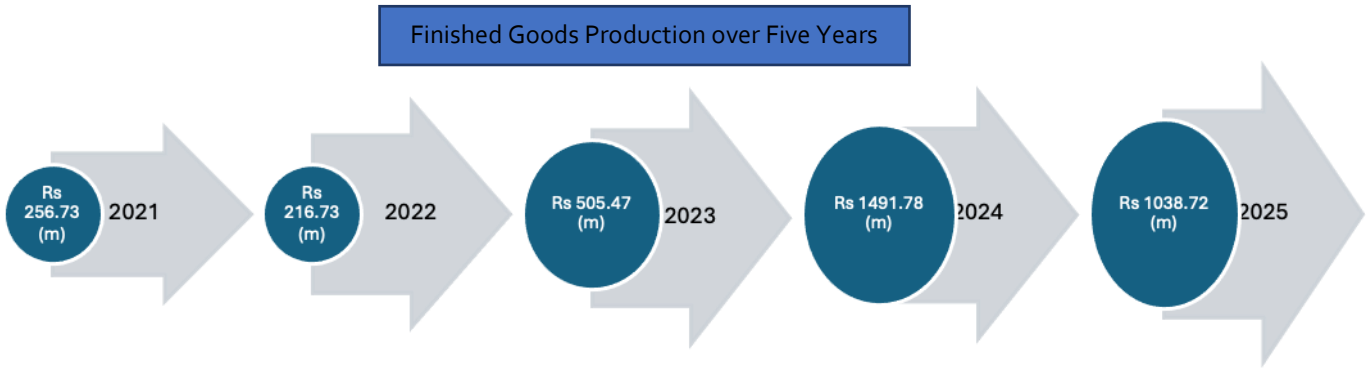


	2020-21	2021-22	2022-23	2023-24	2024-25
Series1	160.84	199.64	287.91	611.25	503.284
Series2	10371.76	20288.43	20612.78	22841.458	47018.824
Series3	1.55	0.98	1.40	2.68	1.07

This suggests that while the NRTC is scaling its operations but its R&D lagged behind the leading international defence and RF Electronic firms such as Turkey's ASELSAN which invests 10–12% of revenue in R&D to advanced electronic warfare (EW) and radar systems. Even commercial distributors like DigiKey spends around 3–5% of its revenue on R&D.

2.5 Productive efficiency

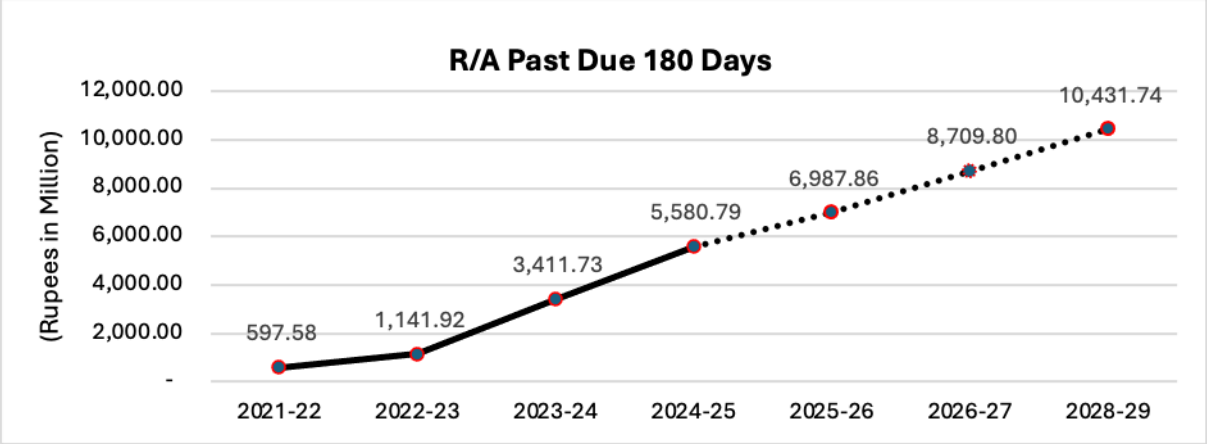
Audit analysis revealed that there was an increase in finished goods from Rs 256.73 million in 2020-21 to Rs 1,038.720 million in 2024-25, reflecting a better level of conversion of stock-in-trade and work in process into finished output during the period under review, the same is presented in **Figure-V:**



The increase in finished goods inventory with corresponding decrease in work-in-process inventory reflects the improvement in productive efficiency of converting the WIP into finished goods which is a positive indicator of operational efficiency.

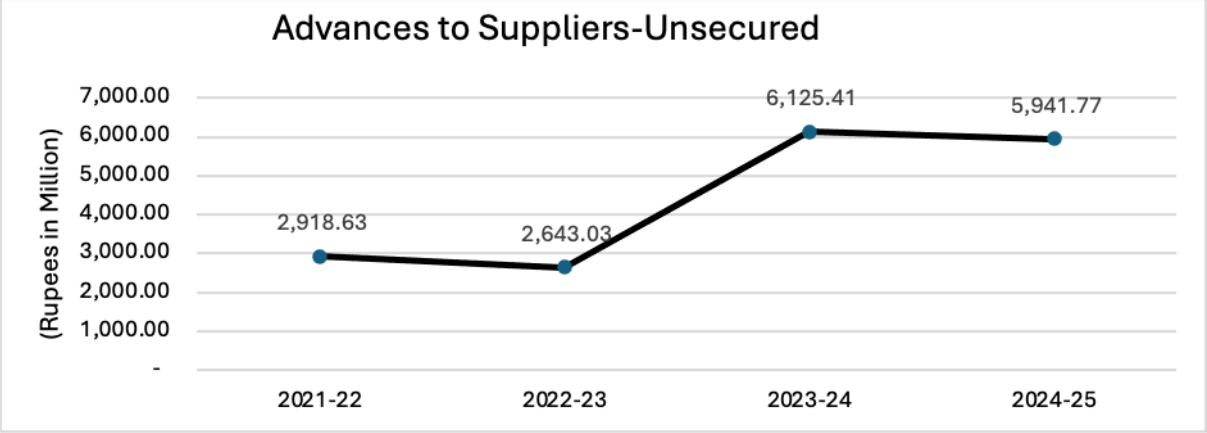
2.6 Significant Credit Risk arising from persistent Overdue Receivables

The review of the Financial Statements for the period from FY 2021-22 to 2024-25, revealed that the receivables management of the NRTC further deteriorated during the last four financial years. The receivables past due 180 days grew from Rs 597.582 million in 2022 to Rs 5,580.787 million in 2025 (833.9% increase). The current level of receivables past due 180 days is 11.87% of the current year's revenue which material amount in indicates significant credit default risk. A forecast developed in this regard indicates that, if the receivables management is not improved then the receivable past due 180 days will cross the level of Rs 10,431.74 million by FY 2028-29. as presented in **Figure-VI:**



2.7 Growing unsecured supplier advances and risk of default

The review of the Financial Statements for the period from 2021-22 to 2024-25, revealed that M/s NRTC made advance payments to its suppliers without any security. Audit noticed that the unsecured advances to suppliers increased by 104% from Rs 2,918.63 million (2022) to Rs 5,941.77 million in (2025). The increase in unsecured advances to suppliers without proper collaterals has increase the risk of default from the foreign suppliers. During audit, on a test check basis audit also raised the issue of non-receipt of stores against the advance payment in Para 2.3 of this report. A historical trend in increase in advances to suppliers is given in **Figure-VII:**



3. FINANCIAL MANAGEMENT

Effective financial management is essential for promoting sustainability, transparency, and the prudent utilization of resources in public sector entities. It involves robust financial planning, effective debt oversight, appropriate authorization of expenditures, precise cost accounting, and adherence to relevant financial and regulatory standards. Deficiencies in these areas can lead to financial losses, liquidity constraints, and heightened exposure to operational and compliance risks.

The audit identified significant weaknesses in NRTC's financial management, including persistent non-recovery of outstanding dues, delays in receiving stores against advance payments and failure to replace rejected items, all of which indicate inadequate debt and contract management as well as cash flow vulnerabilities. The omission of currency fluctuation clauses in foreign contracts exposed the entity to substantial escalation losses, while unhedged delivery delays compounded exchange rate risks. Broader governance issues were evident in material unreconciled gaps in export remittances, misaligned cash flows with bank records, and unexplained withdrawals from employee benefit funds, collectively signaling the need for enhanced controls, reconciliations, and remedial measures to safeguard financial integrity.

3.1 Non-recovery of outstanding dues

According to Para 8 of the agreements, payment shall be made after inspection and issuance of the Certified Receipt Voucher (CRV). Para 5 ibid, stipulates that 50% advance payment will be made to NRTC, and the remaining 50% will be released after physical inspection of the store by the SPD officer. Clause 5.2 of the SLA agreement states that 10% and 11.25% per annum of the original contract value will be charged as SLA and paid to the OEM upon commencement of the contract.

The National Radio and Telecommunication Corporation (NRTC) under the Ministry of Defence Production, Rawalpindi, entered into contracts with a defence organization for the supply of stores/equipment. Service Level Agreements (SLAs) were also executed with the Home Department, Government of Punjab, and the Inspector General of Prisons for the repair and maintenance of the CCTV Surveillance and Security System and Jamming Solution for 14 Prisons of Punjab.

Audit observed that NRTC did not recover an amount of Rs 42.724 million despite delivery of stores, equipment and services during 2024-25.

The audit contents that non-recovery of the outstanding dues reflects weak receivable and contract management.

The audit reported the matter to the management during November 2025. It was replied that the payment is in process, that a reminder had been issued to accelerate the payment and that efforts were being made to recover the amount at the earliest.

The reply is not tenable. NRTC failed to execute the terms and conditions of the agreements to

recover the dues despite delivery of stores, services and other equipment.

The matter was discussed in the DAC meeting held on 18th December 2025. The DAC directed the management to expedite the recovery of the balance amount and get it verified from the audit. The DAC further directed that a mechanism be developed to ensure timely receipt of amounts, effective monitoring and strict enforcement of contract terms to prevent recurrence of such issues and that the same be shared with the audit.

The audit recommends implementation of the DAC directives.

(DP No 21-2026)

3.2 Non-inclusion of fluctuation clause to cover dollar escalation

As per Clause 1.8 of agreement with a defence organization dated 02.06.2022 pertaining to Project Vigilance-II, the total contract value was fixed at US$ 315,000, equivalent to Rs 160 per US$. Further, Annex−G (Scope of Work) specifically in the notes describes that the prices were worked out on the basis of US$. Further, Annex-G (Scope of Work) specifically in the notes describes that the prices were worked out on the basis of US$ 1 = Rs 160.

The National Radio and Telecommunication Corporation (NRTC), under the Ministry of Defence Production, Rawalpindi, entered into contracts with the defence organization via contract dated 02.06.2022.

The audit observed that at the time of sending the proposal for the contract, the rate of US$ was Rs 160, but at the signing of the contract, the prevailing exchange rate had escalated to US$ 1 = Rs 198.5; however, the agreement was finalized on the previous rate without incorporating any adjustment clause for exchange rate variation. Neither was the contract revised, nor was the corresponding amount of Rs 397,296,900 recovered on account of dollar escalation, resulting in exposure to exchange rate risk. This occurred due to weak financial oversight and inadequate coordination between the finance and contract management sections, resulting in failure to update the contract terms in line with prevailing exchange rates and absence of a mechanism to safeguard against currency fluctuation risk.

This reflects weak financial safeguards in contract formulation, as exchange rate volatility was not adequately accounted for, exposing the organization to foreign currency risks and avoidable financial strain.

The audit reported the matter to the management and the PAO during November 2025. The management replied that the observation pertains to the second phase of the surveillance projects, which was planned alongside Phase-I to achieve cost efficiency and avoid currency fluctuation losses. Procurement for both phases was made in bulk, resulting in no fluctuation loss, and NRTC still earned a substantial profit margin of 26.3%.

The reply is not acceptable, as finalizing the contract at an outdated rate of Rs 160 per US$, instead of the prevailing Rs 198.5, caused a significant financial loss to the organization. The justification of bulk procurement and profit margin fails to address this core issue, reflecting

weak financial prudence and contract management.

The matter was discussed in the DAC meeting held on 18th December 2025. The DAC directed the management to recover the amount from the MI Directorate and ensure that in future, a fluctuation clause be included in every foreign contract in order to safeguard the financial interests of the organization.

The audit recommends that the matter be taken up with the concerned agency for payment of the amount due and that it be verified by the audit. The management should review all similar contracts to ensure the inclusion of exchange rate adjustment mechanisms to prevent recurrence of such financial exposure in future procurements

(DP No 32-2026)

3.3 Non-receipt of stores against advance payment

According to Clause 16 of foreign purchase orders, the time frame for delivery of stores was fixed at (22-24 weeks, 14-16 weeks, or 6 months) against different purchase orders. Further, Regulation 7 (a) of the Financial Management and Powers of Principal Accounting Officers Regulations, 2021, states that the PAO shall be responsible for adhering to and enforcing the principles of financial propriety, including compliance with laws, rules, and regulations, and for maintaining a high standard of prudence, vigilance, and due diligence, and ensuring value for money while incurring expenditure and collecting government receipts.

The National Radio and Telecommunication Corporation (NRTC), under the Ministry of Defence Production, Rawalpindi, placed purchase orders with different foreign vendors for the supply of stores and equipment during FY 2024-25.

The audit observed that advance payments of Rs 366,015,027 were made to vendors against various foreign purchase orders, but the related equipment and stores were not received within the stipulated delivery schedule of the purchase orders.

The audit contents that non-receipt of stores and equipment even after making advance payments reflects weak contract and inventory management. The audit further contents that supply chain issues caused a delay in the supply of stores and equipment and also affected the cash flows.

The audit reported the matter to the management during November 2025. The management replied that after receipt of the stores, inspection and testing takes time due to the technicalities involved, and that efforts for early receipt of the stores are being pursued and that they will be received shortly.

The reply is not tenable. NRTC does not have any mechanism to ensure timely receipt of stores against advance payments, such as bank or performance guarantees. In addition, no justification for the late receipt of stores was available on record.

The matter was discussed in the DAC meeting held on 18th December, 2025. The DAC directed the management to recover the balance amount/stores and get it verified by the audit.

The audit recommends implementation of the DAC directives.

(DP No 22-2026)

3.4 Loss due to exchange rate fluctuations

According to Regulation 7 (a) of Financial and Powers of PAO, 2021, the PAO shall be responsible to adhere to and enforce the principles of financial propriety, including the compliance of laws, rules, regulations, maintaining high standard of prudence, vigilance, due diligence and ensuring value for money while incurring expenditure and collecting government receipts.

The National Radio and Telecommunication Corporation (NRTC), under the Ministry of Defence Production, Rawalpindi, issued a purchase order and made an agreement for the supply of different stores during 2024-25

The audit observed that payments were either made at the prevailing exchange rate or booking at spot rate through provisions at the close of each quarter as a liability. Subsequently, upon receipt of the stores, the transactions were recorded at the actual rate of exchange as required under IAS-21. Due to delays in supply and the absence of adequate foreign exchange risk management measures, NRTC incurred significant exchange losses due to the difference between the two rates. Hence, NRTC sustained a loss of Rs 85,210,658 during FY 2024-25.

The audit observes that weak procurement planning, delayed vendor deliveries, and non-adoption of foreign exchange risk management practices resulted in financial loss to the Corporation. This reflects weak planning and ineffective contract management, resulting in an avoidable financial burden on NRTC.

The audit reported the matter to the management and the PAO during November 2025. The management replied that there is no financial loss; instead, there is a difference in the rate where the stores are booked before payment and the actual payment is made. It is a currency translation, and according to IAS-21, the actual payment date and rate are beyond the control of NRTC.

The reply is not acceptable. While IAS-21 governs the accounting treatment of foreign currency transactions, it does not absolve management from instituting effective foreign exchange risk management controls. Further, the losses can be minimized by taking measures like forward contracts and hedging.

The matter was discussed in the DAC meeting held on 18th December 2025. The DAC directed the management to provide the State Bank of Pakistan policy in this regard to the audit in order to ascertain NRTC's position/stance.

The audit recommends implementation of the DAC directives.

(DP No 27-2026)

3.5 Non-recovery against delivered stores and non-safeguarding NRTC's financial interests

As per Article 2 of the agreement, the total cost for the supply, installation, commissioning, and training of the D3x Systems US$ 350,000. The payment is to be made to the second party through a Letter of Credit (LC). Further, Clause 2 of the same article stipulates that 90% of the total contract cost shall be paid after successful supply, installation, commissioning, testing, and issuance of the initial acceptance Certificate. Further, the second party is required to deliver the material within 180 days, inclusive of weekends and official holidays, with the final delivery deadline being 18th January 2025.

The National Radio and Telecommunication Corporation (NRTC) under the Ministry of Defence Production, Rawalpindi, entered into agreements (SLAs) to the tune of US$ 350,000 with the export customer for the supply, installation, and commissioning of a (D3X System) with Training via contract No. 5 dated 19.07.2024.

The audit observed the following:

i. NRTC supplied all the requisite stores/equipment, but failed to recover Rs 99,242,500 (US$ 350,000 x Rs 283.55), as required under the agreed terms and conditions.

ii. The requisite stores were required to be delivered within 180 days, i.e., 17.01.2025, which were delivered on 25.06.2025 with a delay of 158 days.

iii. The equipment was delivered without opening the required LC, in violation of contract terms, thereby exposing NRTC to financial and contractual risk.

iv. The Performance Bank Guarantee was extended twice without any justifiable reason.

The audit observes that non-recovery of outstanding dues despite the provision of stores in certain cases indicates weak receivable management.

The audit reported the matter to the management during November 2025. The management replied that an LC has been opened by the customer on 7 October 2025, that the stores have been delivered and are under commissioning. The stores got delayed due to Pak-India escalation and Operation Bunyan-ul-Marsoos. The BG was required to be extended to avoid its encashment because, as per the contract, the retained BG letter as a performance bond shall be forfeited upon withdrawal of work due to non-compliance, and payment will be received after commissioning of the stores as per the contractual terms, please.

The reply is not acceptable as the management failed to recover the amount of delivered stores. Further, delivery was required to be completed up to 17.01.2025 and escalation was made in May 2025, which fails to substantiate the management's response. Moreover, delivery of equipment prior to the opening of the LC exposed NRTC to financial and contractual risks.

The matter was discussed in the DAC meeting held on 18th December 2025. The DAC directed the management to provide the complete documents along with details of the recovered amount to the audit for verification.

The audit recommends that NRTC take immediate action to recover the outstanding

balance from the concerned organization and get it verified by the audit. Furthermore, a mechanism should be devised for timely monitoring and enforcement of contract terms to avoid recurrence of such instances in the future.

(DP No 29-2026)

3.6 Irregular large cash deposit into NIDA NBP Account

Regulation 8 of the State Bank of Pakistan's AML/CFT Regulations mandates that financial institutions and reporting entities monitor and report all cash transactions exceeding Rs 2 million, with mandatory verification of source, purpose, and customer identity to mitigate risks of money laundering, terrorist financing, and concealment of funds.

The National Radio and Telecommunication Corporation (NRTC) under Ministry of Defence Production received a cash deposit of Rs 58.577 million into its NBP NIDA Account without supporting documentation, verification of source and reconciliation with recorded sales or receipts. The transaction also deviated from NRTC's normal practice of conducting business through traceable instruments such as cheques or IBFT. This unexplained and undocumented cash inflow violated applicable SBP AML/CFT requirements, increasing the risks of embezzlement, regulatory non-compliance, tax evasion, and material misstatement in the financial statements.

Audit contends that management failed to enforce mandatory financial controls, due diligence and compliance checks required under SBP AML/CFT regulations. Weak oversight and lack of documentation protocols allowed a significant cash transaction to be processed without proper verification, approval, or audit trail.

The Audit reported the matter to the management during November, 2025. It was replied that NRTC is a private limited company registered with SECP, regulated under its Memorandum & Articles of Association.The Section 8 of the Anti-Money Laundering Act, 2010 (AML Act) referred by audit applies to the SBP regulated entities (REs) i.e. Banks, Financial Institutions etc. Framing observation on NRTC for non-compliance to this provision doesn't seem applicable in the instant case.

The reply is not tenable as NRTC is a public sector entity and AML/CFT Regulations are equally applicable to both NRTC and NBP. NRTC Management asserted that a defence organization paid cash but it did not provide contract agreement, sale invoices, GST/KST documentation etc. Ministry of Defence Production and its formations cannot execute cash transactions then how the cash was accepted by NRTC. Further, the NBP was under obligation to report the issue of cash transaction under AML/CFT Regulation but it did not act accordingly. Accepting the cash from the customer is a serious financial violation.

The matter was discussed in the DAC meeting held on 18th December 2025. After detailed deliberation, DAC accepted the management's view point and settled the para. Additionally, DAC directed that a mechanism be developed in future to ensure the prohibition of cash deposits to the organization.

The audit recommends that matter be inquired to substantiate the source and purpose of the cash transaction. Further, the complete record i.e. contract agreement, verifiable documentary evidence of payment of applicable taxes, delivery of goods etc be shared with the audit. Furthermore, it shall be ensured that all future

transactions are executed through banking instruments andmechanism be developed to ensure the prohibition of cash deposits to the organization.

. (DP No 74-2026)

3.7 Non-delivery of stores

According to Clause 10 of the agreement, the stores should be delivered by the firm to the consignees up to 11 June 2025 subject to the conditions contained therein. Clause 11 further states that in case of failure, liquidated damages of a minimum of 2% per month of the total value of the stores, which shall not exceed 10% of the total value, shall be imposed. Further, Clause 11 ibid describes the terms and date of delivery; the firm will provide the required share of depots within the DP; a) if the stores are not delivered, they shall be delivered elsewhere at the supplier's risk and expense to the supplier, without any Notice or b) to recover from the supplier liquidated damages (LD) of a minimum of 2% per month of the total value of the stores, which it has failed to deliver, provided that the damages shall not exceed 10% of the total value of the demand payment under the contract.

The National Radio and Telecommunication Corporation (NRTC) under the Ministry of Defence Production executed an agreement with the Defence Organization, for the supply of 349 Head Set Microphones amounting to Rs 9,883,690 dated 12.06.2024.

The audit observed that the NRTC did not fulfill the contractual obligation to supply equipment worth Rs 9,883,690 to the Defence Organization by the stipulated date of 11.06.2025. The Performance Bank Guarantee of Rs 837,600 expired on 30.07.2025 and was not extended, while the cost of its extension was borne by NRTC. Due to non-delivery within the agreed timeline, liquidated damages amounting to Rs 988,389 are liable to be imposed under the contract terms.

The audit observes that the lapse exposed NRTC to financial risk, including the imposition of liquidated damages of Rs 0.984 million and loss of credibility with the client (DGP Army).

The audit reported the matter to the management during November 2025. The management replied that the stores were not delivered to the customer; therefore, revenue cannot be recorded. As regards the extension of the Performance Bank Guarantee, it is clarified that the same has been extended for six months, convertible to a BG against the warranty period. The question of LD imposition doesn't arise as the customer is aware of the R&D based project and an extension will be sought before delivery of the stores.

The reply is not acceptable as the management failed to deliver the equipment within the contractual timeline. Moreover, non-extension of the Performance Bank Guarantee after expiry reflects weak contract management and exposes NRTC to potential financial and reputational risk. The justification regarding the R&D nature of the project does not exempt the entity from compliance with agreed contractual terms, including timely delivery and liquidated damages provisions.

The matter was discussed in the DAC meeting held on 18th December 2025. The DAC directed the management to provide the audit with complete documents regarding the inspection/testing of the stores, delivery of the

stores, and DP extension granted by Defence Organizationfor verification.

The audit recommends that:

i. Responsibility for non-delivery of equipment within the stipulated time period and non-recovery of theamount be fixed on those at fault.

ii Management should ensure strict compliance with contractual obligations through timely delivery and proper documentation.

iii. Management should also seek prior exemption from the DGP (Army) regarding liquidated damages to ensure accountability and prevent recurrence and get it verified by the audit.

(DP No 30-2026)

3.8 Foreign Remittances and Export Sales Reconciliation Gap

In terms of Paragraph 4.2 of the NRTC Financial Regulations, export proceeds shall be realized through authorized banking channels and fully reconciled with the general ledger, with any discrepancies promptly investigated to prevent misstatement of accounts. Additionally, as per International Financial Reporting Standard (IFRS) 15, revenue from contracts with customers, including export sales, must be recognized only when control of goods is transferred and collection is probable, supported by verifiable evidence such as bank remittance advice and shipment records.

The National Radio and Telecommunication Corporation (NRTC) under the Ministry of Defence Production received foreign remittances amounting to Rs 754 million in the NBP against export sales.

The audit observed that the management of NRTC disclosed export sales amounting to Rs 2,692 million during the 122ndBoard of Directors meeting, resulting in an unexplained reconciliation gap of Rs 1,937 million, indicating that export proceeds were not fully realized or evidenced through banking channels. This discrepancy arises from inadequate internal controls over export realizations and non-compliance with State Bank of Pakistan (SBP) foreign exchange regulations. The absence of underlying documentation, including contracts, shipment records, bank reconciliations, and general ledger entries, further exacerbated the issue, rendering the reported export sales unverifiable. Consequently, there exists a grave risk of material misstatement in the financial statements concerning revenue and cash flows, potential violation of anti-money laundering provisions under the Anti-Money Laundering Act, 2010, and exposure to allegations of fund diversion or concealment, which could undermine the entity's credibility and invite regulatory penalties.

The audit reported the matter to the management during November 2025. The management replied that NRTC, being a private limited company registered with the SECP, is fully cognizant of the requirements of the International Financial Reporting Standards and recognizes revenue based on the laid-down five-step criteria under IFRS-15. The revenue and proceeds mentioned by the audit are incorrect. NRTC has realized proceeds of Rs 1,227.963 million, through a proper banking

channel against sales revenue of Rs 1,720.234 million. Characterizing the receipts and revenue gap as non-compliance or inadequate internal control is not in line with the factual position and is against the double-entry accrual-based accounting system. In view of the above, it is evident that the IAS and IFRS have been complied with in the true letter and spirit and are duly ratified by A.F. Ferguson.

The reply is not acceptable as the management has responded only to revenue recognition principles (IFRS-15), but the audit objection is about foreign remittances versus the amount actually received as export sales under the SBP regulation which have overriding effect. Audit observed a material and unexplained variance of Rs 1,937 million between export sales of Rs 2,692 million disclosed to the Board and foreign remittances of Rs 754 million realized through authorized banking channels. Management's subsequent response citing revised figures of Rs 1,720.234 million in sales and Rs 1,227.963 million in realizations was neither reconciled with the Board-disclosed amounts nor supported by complete documentary evidence, leaving the variance unexplained and raising concerns regarding the accuracy and completeness of reported export revenue. Further, under the State Bank of Pakistan's Foreign Exchange Manual (Chapter 12- Exports), exporters are required to realize and repatriate export proceeds through authorized dealers within the prescribed period (generally 180 days from shipment, unless formally extended), supported by shipping documents, bank realization advices, and Form-E realization certificates. Recent SBP directives further emphasize timely submission of export documents to banks and close monitoring of outstanding export proceeds. In the absence of contract-wise reconciliations, shipment evidence, relevant ledgers, bank-verified remittance advices, and Form-E certifications, compliance with these requirements could not be established, indicating weaknesses in export proceeds monitoring and revenue controls. Furthermore, SBP regulations have overriding effect against IFRS. According to management reply the sales revenue was reported as Rs 1720.234 million whereas during verification it revealed revised figures of sales revenue of Rs 744.116 million the resulting difference of Rs 975.884 million requires complete supporting documentation.

The matter was discussed in the DAC meeting held on 18th December 2025. The DAC directed the management to provide complete documentary evidence of export sales, export sales receipts and receivables, along with the Annual Audited Financial Statements duly approved by the BoD for verification.

The audit recommends that management is required to submit complete contract-wise reconciliations linking export sales to realized remittances, supported by shipment documents, bank confirmations, Form-E realization certificates, general ledger entries, actual export sales and bank reconciliations, along with a clear explanation of differences between original and revised disclosures**.**

(DP No 75-2026)

3.9 Misalignment of Cash Flows, Expenses and Bank Statements

The Public Procurement Rules, 2004 (PPRA Rules), under Rule 4, require transparent and auditable records for all procurement-related expenses, including those reflected in production

costs, administration, and selling and distribution heads, to ensure compliance with principles of economy, efficiency, and accountability. According to Rule 89 (1) of the GFR Volume-I, the head of the department and his Controlling Officers must further take steps to maintain a careful watch over expenditure incurred from time to time on important non-recurring objects. Further, International Accounting Standard (IAS) 7 - Statement of Cash Flows, as adopted in Pakistan's financial reporting framework for public sector entities, mandates that entities present a reconciliation of cash and cash equivalents in their financial statements, ensuring faithful representation of operating, investing, and financing activities, with all outflows supported by verifiable documentation, including cheque details and ledger entries.

The audit scrutiny of the financial records for FY 2024-2025 revealed a significant misalignment between reported expenses and actual bank outflows at the National Radio and Telecommunication Corporation (NRTC). The bank statements indicated total outflows of Rs 76,696 million, while the reported production, administrative, and selling and distribution expenses amounted to approximately Rs 40,000 million, and statutory and finance outflows (including tax, Workers' Profit Participation Fund, finance costs, gratuity, and leave encashment) totaled Rs 4,588 million. This left an unreconciled outflow of Rs 32,107 million, representing a material portion of the entity's financial activity that could not be traced to legitimate expenditures. Frequent cash transactions running into billions were observed in the bank statements, yet these lacked essential cheque number details, with only vague standard instructions provided. Despite repeated requisitions, the management failed to furnish the cash book, general ledger, and supporting bank reconciliation statements, thereby obstructing the establishment of a proper audit trail and raising serious concerns over the integrity of financial reporting.

This discrepancy stems from deficient internal controls, non-adherence to prescribed accounting procedures, and a blatant disregard for transparency in cash management, in direct contravention of GFR provisions and IAS 7 requirements. The absence of verifiable records not only undermines the reliability of the financial statements but also exposes public funds to high risks of misappropriation, embezzlement, and unauthorized diversion, potentially compromising NRTC's operational mandate in national telecommunication security.

The audit reported the matter to the management during November 2025. The management replied that the GFR is not applicable to NRTC as NRTC receives no public funds and is managed by the Board of Directors, under the Companies Act, and Corporate Governance Rules, 2013. Furthermore, the referred rule contradicts the essence of the observation and is not relevant. NRTC follows the accrual-based accounting system and accounts are prepared and presented in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), audited by A.F. Ferguson, one of the big four chartered accountancy firms, ratifying the true applicability of IAS/IFRS in the independent auditor's report. The instant comparison of bank statement figures with the company's profit and loss is against the basic principles of accrual-based accounting. Every outflow doesn't indicate an expense but includes investments made, payments for the acquisition of inventories, purchase of plant and machinery, and legitimate transactions accounted for in the

accounts as per the applicable IASs. In view of the above, it is evident that NRTC follows an accrual-based accounting system and all expenditures are recorded and presented in accordance with IAS and IFRS, duly ratified by A.F. Ferguson via the independent auditor's report along with the BoD-approved upcoming sales for the year 2025-26.

The reply is not acceptable as the GFR governs the general financial management in Public Sector Entities; NRTC cannot reject the GFR when public contracts, and government oversight are applied and the GFR is equally applicable on public entities under the PFM Act, 2019. The audit did not compare bank statements to the P&L account; rather, the audit compared Bank outflows versus Booked outflows (cash + accrual entries). NRTC did not submit any reconciliation, and without submitting any reconciliation or document. The audit identified an un-reconciled outflow of Rs 32,107 million, where total bank outflows of Rs 76,696 million could only be traced to Rs 40,000 million in recorded production, administrative, and selling expenses and Rs 4,588 million in statutory payments. The remaining variance lacked supporting documentation, with several high-value cash transactions missing cheque numbers, authorizations, or reconciliations. This lack of transparency is inconsistent with PPRA Rule 4 (2004), which requires fair and transparent procurement and value for money, and with GFR Volume-I Rule 89(1), which obligates effective control and monitoring of significant expenditures. In addition, IAS 7 requires proper reconciliation and classification of cash flows, which could not be verified due to the non-availability of cash books, ledgers, and bank statements. Reliance on accrual-based accounting and external audit certification does not replace the requirement to reconcile bank outflows with recorded transactions, particularly where the audit examined cash movements rather than profit and loss figures. Repeated requests for reconciliations and supporting records remained un-complied with.

The matter was discussed in the DAC meeting held on 18th December 2025. The DAC directed the management to provide the complete record relating to the Annual Audited Financial Statements duly approved by the BoD to the audit for verification.

The audit recommends that the management should submit Board-approved audited financial statements supported by IAS-7-compliant cash flow reconciliations, along with complete cash books, general ledgers, and bank statements showing transaction-wise details, cheque numbers, and authorizations. A comprehensive breakdown reconciling bank outflows with expenses, statutory payments, investments, and other uses of funds should be provided, supported by relevant documents, in line with DAC directives.

(DP No 77-2026)

4. HUMAN RESOURCE MANAGEMENT

Effective human resource management is critical for ensuring organizational efficiency, continuity of operations, and optimal utilization of human capital in public sector entities. It encompasses transparent recruitment practices, merit-based promotions, capacity building, performance management, and compliance with applicable service rules and labor regulations. Weaknesses in these areas may lead to skill gaps, low productivity, governance issues, and increased operational and compliance risks for the organization.

The audit highlighted serious weaknesses in NRTC's human resource management, particularly in the governance and financial controls over employee benefit funds. Significant unexplained withdrawals from the Retirement Benefit Reserve (RBR) and Service End Benefit (SEB) bank accounts amounting to Rs 235.277 million and Rs 2,150.235 million, respectively, indicate inadequate oversight, weak authorization controls, and poor fund management. Such lapses expose employee welfare funds to misuse and undermine trust in institutional arrangements. The absence of clear accountability and timely reconciliation reflects systemic HR and governance deficiencies. These issues warrant immediate investigation, strengthening of controls, and corrective action to safeguard employees' long-term benefits.

4.1 Unexplained withdrawals from the Retirement Benefit Reserve (RBR) and Service End Benefit (SEB) Bank Accounts

According to Rule 11 of the General Financial Rules (GFR), Volume-I, each head of a department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers. Further, under IAS 19, Employee Benefits, assets held in trust for post-employment benefits, such as retirement reserves and staff end-service funds, must be segregated, used exclusively for settling employee obligations, and accounted for with full transparency to reflect the true liability position in the financial statements, preventing any unauthorized diversions or misstatements.

The audit observed that substantial unexplained withdrawals aggregating Rs 235.277 million were effected from the Retirement Benefit Reserve (RBR) bank account through standing instructions and transfers on 31 July 2024 (Rs 125.277 million) and 26 May 2025 (Rs 110 million), without furnishing employee-wise benefit disbursement schedules, approvals from trustees or the Board, cheque references, or reconciliations with the corresponding liability accounts in the general ledger, rendering the transactions unverifiable and in direct contravention of the stipulated controls. Similarly, unexplained bulk withdrawals totaling Rs 2,150.235 million were noted from the SEB bank account via standing instructions on 30 June 2024 (Rs 659.794 million), 1 August 2024 (Rs 670.441 million), and 30 June 2025 (Rs 820 million), devoid of staff-level payment details, trustee endorsements, explanatory narrations, or linkages to recorded Service End Benefit (SEB) liabilities, thereby exposing the funds to potential misuse. This serious lapse stems from

deficient internal controls, the absence of robust governance mechanisms over earmarked employee benefit reserves, and non-adherence to mandatory reconciliation procedures, raising grave concerns over possible siphoning of trust funds for extraneous or concealed objectives in violation of fiduciary responsibilities.

Consequently, there exists a heightened risk of embezzlement of resources held in trust for employee welfare, blatant infringement of statutory fiduciary duties under the GFR and IAS 19, potential understatement of benefit liabilities leading to distorted financial reporting, and substantial vulnerability to employee grievances, regulatory sanctions, and reputational damage to the Corporation.

The audit contends that the lapse occurred due to ineffective governance over employee benefit funds, including the absence of trustee/Board oversight and approval mechanisms. Additionally, the failure to perform mandatory reconciliations and maintain employee-wise records allowed unauthorized and unverifiable transactions to be processed.

The audit reported the matter to the management during November 2025. The management replied that the GFR is not applicable to NRTC as NRTC receives no public funds and is managed by the Board of Directors, the Companies Act, and Corporate Governance Rules, 2013. The transactions highlighted by the audit are not unexplained withdrawals; instead, they are re-investments of funds upon maturity of already invested funds for optimum returns. During the course of the audit, the matter was explained to the satisfaction of the audit team. Standing instructions for fund encashment and re-investment are supported by dual-signatory authorization from NRTC, ensuring that transactions are executed with approvals. Investments were made at 19% p.a. for optimal returns, and supporting documents, including approval letters, bank statements, and Special Notice Deposits (SNDs), verify proper reinvestment rather than withdrawals. Further, it was replied that fund transfers and reinvestments were executed with dual-signatory authorization by NRTC management at 19% p.a., the best available SND rates, to optimize returns. Supporting documents, including approvals, bank letters, statements, and SNDs, confirm that these were reinvestments of matured funds, not withdrawals. In view of the above, it is clarified that complete evidence is attached, which shows that the mentioned entries are not withdrawals; instead, they are re-investments of funds to grow the funds and are duly authorized by the competent authority. Accounts of RBR and SEB were also provided to the audit, which are as per IAS-19.

The management reply has been reviewed and found inadequate, non-responsive, and technically incorrect, failing to address fiduciary fund management under IAS-19. No evidence was provided to justify the withdrawal of Rs 2.38 billion as ledger entries, employee-wise benefits liability schedule, cash book, trustee approvals, reconciliation statements, and mapping of withdrawals to actuarial liabilities were not provided to the audit. Re-investment cannot replace the accounting and documentation requirements.

The matter was discussed in the DAC meeting held on 18th December 2025. The DAC directed the management to provide the complete record of the employee-wise benefit liability schedule along with the cost center, actuarial valuation

mapping, trustee notification, reconciliation of how much liability exists versus how much liability is invested, cash book, and reconciliation statements to the audit for verification.

The audit recommends that the complete ledger of RBR and SEB funds for the last five years be provided to the audit along with the employee-
.

wise liability schedule and reconciliation, trustee approvals, and investment policies, along with the bank reconciliation statement for all fund accounts, and to facilitate a forensic examination of RBR/SEB fund movements.

(DP No 78-2026)

5. PROCUREMENT

Robust procurement practices are crucial for maintaining transparency, competition, economy, and value for money in the use of public funds. Public sector organizations must strictly comply with the Public Procurement Rules by conducting open and competitive bidding, ensuring impartial evaluation, and enforcing contractual obligations. Deviations from these standards compromise transparency and increase the risk of mis-procurement and misuse of public resources. Effective contract management is critical to safeguard organizational resources and ensure financial discipline. Poor contract practices can lead to significant losses, inefficiencies, and risk of obsolescence. This underscores the need for prudent contract negotiations and emphasizes the importance of incorporating protective clauses, securing formal agreements, and avoiding anticipatory spending to prevent such losses. A five-year snapshot of contract progression has been presented to assess procurement activities.



Further, the audit observed irregular expenditure of Rs 60.568 million incurred on various procurements without adherence to prescribed tendering procedures and competitive bidding requirements. Moreover, mis-procurement amounting to Rs 12.629 million was noted due to execution of construction services without utilizing the mandatory EPADS system. Additionally, rejected stores valued at Rs 65.808 million supplied by a foreign vendor were not replaced, reflecting weak contract management and non-enforcement of contractual safeguards. These lapses indicate serious non-compliance with procurement rules and poor financial discipline.

5.I Irregular expenditure on procurements

According to Rule 12 (2) of the Public Procurement Rules, 2004 (amended 2021), all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. Rule 20 ibid states that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services, and works. Rule 2 (c) ibid stipulates that "competitive bidding" means a procedure leading to the award of a contract whereby all the interested persons, firms, companies, or organizations may bid for the contract and includes both national competitive bidding and international competitive bidding.

The National Radio and Telecommunication Corporation (NRTC), under the Ministry of Defence Production, Rawalpindi, entered into

contracts with foreign vendor on 22nd March 2023 for procurement of equipment.

The audit observed that NRTC incurred an expenditure of Rs 50,568,200 (US$ 181,900 x 278) for procurement of stores by obtaining rates / quotations through emails from foreign vendors instead of open competitive bidding in violation of the above during 2024.25. Therefore, the expenditure was held irregular.

The audit holds that incurrence of expenditure in violation of the PPRs resulted in weak contract management.

The audit reported the matter to the management during November 2025. The management replied that procurement of solid-state power amplifier for testing of jammers at high frequency, calibration of HF / VHF SDR was carried out from the Original Equipment Manufacturer which is covered in Rule 42 (c) of the Public Procurement Rules 2004.

The reply is not acceptable as the management's justification of OEM procurement was not substantiated, as similar testing equipment is available internationally. Furthermore, under Rule 42(c)(ii) of the Public Procurement Rules (PPR), direct contracting is permissible only when a single manufacturer or supplier exists for the required procurement. The rule also requires procuring agencies to obtain authorization from the appropriate fora after due diligence for proprietary items. However, no documentary evidence of such approval from the competent authority was provided.

The matter was discussed in the DAC meeting held on 18th December 2025. The DAC directed the management to provide complete record relating to the OEM certificate and approval from the Appropriate Fora to the audit for scrutiny and verification.

The audit recommends implementation of the DAC directives.

(DP No 23-2026)

5.2 Mis-procurement on account of execution of construction services without utilizing EPADS

As per paragraph 3(i) of the PPRA Regulations issued vide SRO No. 296(I)/2023 dated 08.03.2023, all procuring agencies and bidders, including prospective bidders, shall use the system starting from planning to the close out of contracts in case of public procurement of goods, works, services, and commercial transactions. Further, clarification from PPRA was sought by SCO regarding implementation of procurement activities through EPADS; PPRA categorically clarified vide its letter dated 02 October 2025, "it is reiterated that all the procurement activities are essentially to be conducted through EPADS and manual bids shall not be accepted". Further, in paragraph No. 4 it was clarified that all procurement activities be carried out through EPADS as per regulations notified by PPRA. Any unauthorized breach of these regulations is tantamount to mis-procurement.

The National Radio and Telecommunication Corporation (NRTC), under the Ministry of Defence Production, Rawalpindi, incurred an expenditure of Rs 12,629,127 on civil works including construction of parking shed etc. during FY 2024-25.

The audit observed that NRTC failed to obtain and operationalize an EPADS account, despite the promulgation of SRO 296(I)/2023 dated 08.03.2023, which introduced the E-Pak

Procurement Regulations, 2023. These regulations categorically mandate that procuring agencies must conduct their procurement activities (including goods, works, services, commercial transactions, and disposal) through the EPADS platform in the prescribed manner. Although the procurements were advertised on the PPRA website and in newspapers, these were required to be processed through EPADS (E-Pak Assets and Disposal System). However, the mandatory procedure prescribed under the E-Pak Procurement Regulations for public procurements was not followed. An amount of Rs 12,629,127 was incurred on the Civil Works/construction of parking etc.

The audit contends that this non-compliance reflects weak adherence to PPRA's regulatory framework, undermines transparency, and exposes procurement to risks of inefficiency, reduced competition, and lack of audit trail.

The audit reported the matter to the management and PAO during November 2025. The management replied that PPRA allows publication of tender on website without requirement of EPADS in year 2024-25 and all procurements made in accordance with rules. PPRA has mandated it for year 2025-26 onwards to advertise on EPADS as well and NRTC has started following the same.

The reply is not tenable as the PPRA Regulations issued vide SRO No. 296(I)/2023 dated 08.03.2023 and subsequent clarification dated 02.10.2025 clearly stipulated that all procuring agencies must use the EPADS system for procurement activities from planning to contract closeout. Hence, non-utilization of EPADS during 2024-25 constitutes a violation of the prescribed regulatory framework. The argument that EPADS was not mandatory during the year is contrary to the explicit provisions of the said regulations and PPRA's clarification.

The matter was discussed in the DAC meeting held on 18th December 2025. The DAC directed the management to refer the matter to PPRA through a formal letter along with the PDP for clarification and the outcome may be shared with the audit.

The audit recommends implementation of the DAC directives.

(DP No 24-2026)

5.3 Non-replacement of rejected stores from the foreign supplier

According to Clause 22 of the purchase order, the supplier shall replace any store not found in accordance with the purchase data, drawings, or specifications within 30 days of intimation or upon return of the defective store. Clause 16 ibid further stipulates that the supplier is required to replace, free of cost including freight charges, any item found defective upon receipt during the warranty period, provided it is reported within twelve months from the receipt of the last consignment.

The National Radio and Telecommunication Corporation (NRTC), under the Ministry of Defence Production, Rawalpindi, placed various purchase orders for procurement of various stores during FY 2024-25.

The audit observed that certain store items received were rejected fully/partially due to non-conforming to the standard requirements and failure in functionality test. As per terms and conditions of the supply order, the rejected

stores were required to be replaced by the supplier or the same were to be returned at the risk and cost of the supplier but neither the stores were returned nor replaced by the supplier. However, stores amounting to Rs 65,807,961 were not received against the rejected stores during 2024-25.

The audit contends that non-replacement of the rejected inventory resulted in imprudent expenditure on faulty inventory which affected the economy of the purchase order.

The audit reported the matter to the management during November 2025. The management replied that efforts are made for early receipt of remaining stores.

The management has accepted the audit contention; however, NRTC did not make efforts to recover the captioned amount.

The matter was discussed in the DAC meeting held on 18th December 2025. The DAC directed the management to recover the balance amount / stores and get it verified from the audit.

The audit recommends that the remaining balance of rejected stores be replaced or the cost recovered from the supplier and get it verified from theaudit. The management should also review similar contracts and establish a robust mechanism to ensure timely receipt of equipment to avoid recurrence of such financial irregularities in future procurements.

(DP No 26-2026)

6. OPERATIONAL PROCESSES, TARGETS AND KPIS

Efficient operational processes, well-defined targets, and measurable KPIs are critical for ensuring timely project delivery, regulatory compliance, and the attainment of desired outcomes. Public sector entities are expected to plan operations realistically, track progress against established timelines, and execute activities in a manner that is transparent, efficient, and fully compliant with relevant laws and regulations.

The audit observed weaknesses in NRTC's operational planning and execution, as delays and non-receipt of expected deliverables were noticed. Additionally, failure to fulfill contractual obligations reflects weak project monitoring, inadequate enforcement of agreements, and poor accountability mechanisms. These lapses undermine operational efficiency and risk compromising the achievement of project objectives, highlighting the need for stricter oversight and effective contract management.

6.1 Non-compliance of project timelines resulted in non-receipt of dues

As per Schedule of Deliveries Appendix B-1 of the contract, the delivery schedule was structured in batches. The 1st Article was to be delivered within 30 days of Tentative Estimates (TE) and accepted within 45 days, followed by Factory Acceptance Test (FAT) within 50 days. Subsequent deliveries and installations were planned batch-wise, with final acceptance of the first batch by 70 days and installation/training up to 105 days. The second and third batches were also tied to specific timelines ranging from 65 to 95 days for Final Acceptance Test (FAT), delivery, and acceptance.

The National Radio and Telecommunication Corporation (NRTC) under the Ministry of Defence Production, Rawalpindi, entered into agreements with foreign vendor amounting to Rs 121,948,000 (US$ 430,000 x 283.6). The work was awarded to NRTC on 29th January 2025 for supply of Rugged Military Terminal, IP Cameras, GP Receiver Module, Camera Monitor LCD, VSS Main Box, Power Cable, VSS-LCD Monitor Cable, VSS Military Terminal Cable, Military Terminal-GPS Cable, IP Camera Cable & Maps.

The audit observed that the agreed timelines for deliverables were not adhered to in letter and spirit. Neither the equipment was delivered nor the advance bank guarantee submitted up to 30.06.2025. Non-delivery of equipment within the stipulated timeframe exposes the project to the risk of liquidated damages as well as reputational loss. Furthermore, the contract contained no provision for issuance of a Letter of Credit (LC). Execution of business without opening an LC poses a significant risk of non-payment. Accordingly, an amount of Rs 121,948,000 (US$ 430,000 x Rs 283.6) remains unrealized to date.

The audit holds that such lapses not only compromise financial discipline but also reflect inefficiency in adhering to agreed project deliverables, thereby undermining organizational credibility and future business opportunities.

The audit reported the matter to the management and PAO during November 2025. The management replied that the unrealized amount is to be paid against the issuance of BG. The same has been issued which was delayed earlier due to additional requirement by the Bank. Since the BG has been issued and claim has been lodged and as regards non-provision of LC, it is clarified that the amount will be received in T.T / wire transfer.

The reply is not acceptable as in the absence of a Letter of Credit (LC) in a high-value international contract, it significantly increases the risk of non-payment and financial exposure. Further, the delay in realizing Rs 121.948 million (US$ 430,000) and non-delivery of equipment within the stipulated period not only undermines contractual compliance but also exposes NRTC to the risk of liquidated damages and loss of goodwill in the market.

The matter was discussed in the DAC meeting held on 18th December 2025. The DAC directed the management to provide the complete record relating to extension of delivery period, delivery of stores, BG extension, invoice issued and receipt of amount to the audit for verification.

The auditrecommends implementation of the DAC directives.

(DP No 28-2026)

6.2 Non-fulfillment of contractual obligations

According to Regulation 7 (a) of the Financial Management and Powers of Principal Accounting Officers Regulations, 2021, the PAO shall be responsible to adhere to and enforce the principles of financial propriety, including the compliance of laws, rules, regulations, maintaining high standard of prudence, vigilance, due diligence and ensuring value for money while incurring expenditure and collecting government receipts.

The National Radio and Telecommunication Corporation (NRTC) under the Ministry of Defence Production made an agreement with Military organization amounting to Rs 59,867,637 for development, produce and supply the stores on 27th June 2024 with a stipulated completion period of 12 months.

The audit observed that as per the agreement, NRTC was required to complete 05 Milestones but only the 1st milestone i.e. advance payment was achieved; however, the management failed to achieve milestones 02, 03, 04, and 05 The payment was interlinked with the completion of each milestone, which was not achieved. Consequently, the company failed to fulfill the contractual obligations within the stipulated timeframe. The detail of mile stone is narrated below:

Milestone	Duration for completion	Amount involved	Deliverables	Completed stage
Mile Stone-I 20% advance payment	within 1 month of work order	Rs 10.147	Signing of contract and advance payment. **Note:** Milestone-I payment shall be immediately due for payment just after signing of contract for quick mobilization of resources and associated tasks for in time initiation of project.	100%
MS-2 30% payment	Within 7 months	Rs 17.960	Design and Development of Antenna and Procurement & Simulations.	Nil
MS-3 30%-part	Within 10 months	Rs 17.960	GUI Development & Integration	Nil
MS-4 20%-part	Within 11 months	Rs 11.960	Factory Acceptance Test and Training	Nil
MS-5	Within 11 months Pending GST of Mile stone-1	Rs 1.826	Documents required for release of payment	Nil

The audit contends that delays in deliverables and the failure to achieve timelines are indicative of weak internal controls, resulting in delayed revenue recognition and adversely impacting NRTC's credibility. This failure also undermines its credibility in securing future defence and technology contracts.

The audit reported the matter to the management during November 2025. Themanagementreplied that the second milestone has been completed, and invoices have been issued. The remaining milestones are under process and will be completed shortly. The project is sensitive and development in nature and extensive Research & Development is involved. The design & development as per first milestone was offered on 16th December 2024 however approval/ acceptance in this respect was received in September 2025 which shows that the delay is attributable to the customer.

The reply is not acceptable as no documentary evidence regarding acceptance of the 2nd milestone was provided which led to imposition of LD. NRTC failed to demonstrate proactive project management, timely coordination, and documentation of extensions or revised timelines.

The matter was discussed in the DAC meeting held on 18th December 2025. The DAC directed the management to provide complete documents/invoices issued, inspection/testing of stores, approval of testing, delivery of stores and DP extension granted by DG RDE Rawalpindi to the audit for verification.

The audit recommends that the remaining milestones be completed and delivered to the organization without further delay. Further, complete documents may be provided to the audit for verification. Moreover, NRTC should strengthen its project monitoring by deploying trained staff to prevent recurrence of such lapses in future.

(DP No 31-2026)

CONCLUSION

The audit of the National Radio and Telecommunication Corporation (NRTC) for the financial year 2024-25 reveals that it has demonstrated notable operational expansion and revenue growth through diversification into commercial sectors and international markets, consistent with its mandate to advance indigenous technological capabilities. NRTC has certain preferential institutional and financial advantages, including public sector contracts, Government Guarantees, foreign currency bank payments, opening of LCs etc. However, this progress is overshadowed by pervasive weaknesses in internal controls, governance, and compliance that undermine financial sustainability and expose the entity to significant risks. The analysis of financial performance over the period 2021-2025 indicates robust top-line increases, yet these are not matched by commensurate improvements in profitability or liquidity, largely due to inefficiencies in cost management, persistent delays in project execution, and inadequate handling of trade liabilities and receivables.

NRTC did not carry out the required due-diligence for revaluation of assets and liabilities of TIP and preparation of consolidated group financial statements despite pointed out by audit in the Performance Audit Report 2023-24. Further, the NRTC was not undertaking the R&D activities to match the international threshold/benchmark of RF Equipment manufacturing industry.

Central to the audit's concerns are deficiencies in financial management, where failures in contract enforcement, receivables collection, and foreign exchange risk mitigation have resulted in substantial unrealized revenues, avoidable losses, and untraceable cash movements. Additionally, the audit observed significant financial control weaknesses, including unreconciled foreign remittances of Rs 1,937 million reflecting inadequate oversight and documentation. Failure to incorporate exchange rate fluctuation clauses in key contracts caused avoidable losses of Rs 397.296 million, highlighting deficiencies in financial risk management. Misalignment of cash flows, bank statements, and reported expenses of RS 32,107 million underscores deficiencies in internal controls, traceability, and transparency in financial reporting. Management responses were largely unsubstantiated or lacked documentary evidence, demonstrating the need for stronger monitoring, enforcement of contractual terms, and financial safeguards**.** These issues are interconnected with governance lapses, including insufficient oversight of employee benefit funds and export realizations, which compromise the reliability of financial reporting and heighten vulnerability to non-compliance with regulatory standards. The absence of robust reconciliation processes and documentation further exacerbates these risks, as evidenced by management's responses that frequently lacked verifiable support, pointing to systemic gaps in accountability and transparency.

Procurement and operational processes exhibit similar patterns of non-adherence to established rules and timelines, leading to mis-procurements, unrecovered advances, and unfulfilled contractual obligations. These shortcomings not only impair efficiency and value for money but also reflect broader challenges in risk management and performance

monitoring, potentially eroding NRTC's credibility in securing future projects and partnerships. Collectively, the findings underscore a control environment that, while enabling growth, requires urgent strengthening to align with public-sector accountability expectations.

In conclusion, NRTC's strategic initiatives position it for long-term viability, but the identified weaknesses in financial discipline, compliance, and governance necessitate comprehensive corrective measures. Effective implementation of enhanced controls, targeted recoveries, and regulatory alignment will be critical to mitigating these risks and ensuring the prudent stewardship of resources in support of the entity's mandate.

RECOMMENDATIONS

- The required due diligence for determining the value of assets and liabilities of the TIP be carried out and shared with the audit besides preparation of consolidated group financial statements besides ensuring adequate representation of independent directors.
- NRTC should improve the expenditure on R&D to match the minimum threshold of international industry benchmark.
- To address persistent non-recovery of outstanding dues and advances, management should institute a centralized receivables monitoring system with defined escalation procedures, ensure strict enforcement of contractual terms, and provide periodic status reporting to the Board for effective oversight.
- In view of the foreign exchange losses and exposure identified, NRTC should adopt standardized contract templates incorporating appropriate exchange rate fluctuation clauses and risk mitigation provisions, with compliance subject to periodic internal audit review.
- Management should carry out comprehensive reconciliations of unreconciled export remittances and identified cash flow misalignments, supported by complete and verifiable documentation, ensuring adherence to applicable State Bank of Pakistan requirements, and submit reconciled records for audit verification.
- To address governance weaknesses in employee benefit funds, enhanced controls should be implemented, including mandatory trustee and competent authority approvals, independent reconciliations, and maintenance of complete supporting records for audit review in accordance with applicable standards.
- To rectify procurement irregularities and non-compliance, management should ensure strict adherence to PPRA Rules, including mandatory use of EPAD, and institute regular procurement compliance assessments to be reviewed by the Audit Committee.
- In response to operational delays, non-achievement of milestones, and broader performance inefficiencies, management should establish integrated project monitoring mechanisms supported by defined key performance indicators, aligned with strategic objectives and subject to periodic Board-level evaluation.

APPENDIX-I

A. Audit Objectives

The audit aimed to evaluate NRTC's financial sustainability, governance practices, and compliance with statutory and regulatory frameworks. It assessed the effectiveness of internal controls, financial management systems, HR deployment**,** and procurement processes. The audit further sought to determine whether NRTC utilized public resources economically, efficiently, and effectively in delivering projects. It also examined receivable management, billing discipline, overseas operations, and project execution to identify systemic risks, governance lapses, and operational inefficiencies requiring corrective measures.

B. Audit Scope

The audit covered NRTC Headquarters and relevant domestic and overseas operations for FY 2024–25, with multi-year financial trend analysis for FY 2021–FY 2025. It examined financial statements, project documents, procurement files, HR records, receivable aging, cash flow data, and governance frameworks. Procurement, HR management, project billing**,** and contract administration were reviewed for compliance with PPRA, SOE Act, Companies Act, and internal SOPs. Overseas activities were reviewed on a selective, risk-based basis.

C. Audit Methodology

The audit followed ISSAI standards and a risk-based approach. It included examination of financial statements, trend and ratio analysis, verification of transactions, procurement reviews, HR utilization assessment, and receivable reconciliation. Interviews and walkthroughs were conducted with finance, HR, project, and procurement teams. Compliance was evaluated against PPRA, SOE Act, Companies Act, Board decisions, and internal SOPs. Analytical procedures covered cash flow sustainability, project billing cycles, staffing efficiency, and cost impacts. Findings were structured using AGP format (Criterion, Condition, Cause, Effect, Recommendation).

APPENDIX-II

Index of Findings

Finding No	PDP No	Finding title (As in the Audit Report)
1. Stated Mandate, Role and Responsibilities		
1.1.1	2.1.9.1 PAR NRTC 2023-24	Ineffective strategic decision making and failure in revival of TIP
1.1.2	2.1.9.2 PAR NRTC 2023-24	Non-representation of Independent Directors in NRTC Board
2. Financial Performance Review		
2.1	-	Operational Efficiency
2.2	-	Profitability
2.3	-	Liquidity
2.4	-	Research and Development
2.5	-	Productive Efficiency
2.6	-	Significant credit risk arising from persistent overdue receivables
2.7	-	Growing unsecured suppliers advances and risk of default
3. Financial Management		
3.1	21-2026	Non-recovery of outstanding dues-Rs 42.724 million
3.2	32-2026	Non-inclusion of fluctuation clause to cover dollar escalation and loss of Rs 397.296 million.
3.3	22-2026	Non-receipt of stores against advance payment- Rs 366.015 million
3.4	27-2026	Loss due to exchange rate fluctuations – Rs 85.210 million
3.5	29-2026	Non-recovery against delivered store and non-safeguarding of NRTC's Financial Interests– Rs 99.242 million ($350,000)
3.6	74-2026	Irregular Large Cash Deposit into NIDA NBP Account- Rs. 58.557 million
3.7	30-2026	Non-delivery of stores-Rs 9.884 million and proposed penalty thereof-Rs 0.984 million
3.8	75-2026	Foreign Remittances and Export Sales Reconciliation Gap – Rs 1,937 million
3.9	77-2026	Misalignment of Cash Flows, Expenses, and Bank Statements - Rs 32,107 million
4. HUMAN RESOURCE MANAGEMENT		
4.1	78-2026	Unexplained withdrawals from Retirement Benefit Reserve (RBR) and Service End Benefit (SEB) Bank Accounts – Rs 235.277 million and Rs 2,150.235 million
5. PROCUREMENT		
5.1	23-2026	Irregular expenditure on procurements – Rs 50.568 million

5.2	24-20026	Mis-procurement on account of execution of construction services without utilizing EPADS –Rs 12.629 million
5.3	26-2026	Non-replacement of rejected stores from the foreign supplier
6. OPERATIONAL PROCESSES, TARGETS AND KPIS		
6.1	28-2026	Non-compliance of project timelines resulted in non-receipt - Rs 121.948 million
6.2	31-2026	Non-fulfillment of contractual obligations - Rs 59.867 million

APPENDIX-III

Financial Analysis

Description	2020-21	2021-22	2022-23	2023-24	2024-25
Sales	10,371.76	20,288.44	20,612.77	22,841.46	47,018.00
Cost of Sales	(8,730.46)	(16,866.53)	(18,467.91)	(18,555.78)	(40,415.99)
Operating Ratio	(84.18)	(83.13)	(89.59)	(81.24)	(85.96)
Operating Cost	(9,542.52)	(17,893.40)	(19,851.63)	(20,665.77)	(42,165.36)
Operating Ratio	(92.00)	(88.20)	(96.31)	(90.47)	(89.68)
Gross Profit	1,641.31	3,421.91	2,144.87	4,285.68	6,602.02
GP Ratio	15.82	16.87	10.41	18.76	14.04
Admin Exp	(497.12)	(553.65)	(733.68)	(997.79)	(1,217.00)
Dist Cost	(255.24)	(341.14)	(569.46)	(920.13)	(312.00)
Workers Profit Par Fund	(59.70)	(132.08)	(80.58)	(192.06)	(220.38)
Other Income	347.80	431.55	1,342.95	2,001.83	871.857
PBIT	1,177.04	2,593.02	1,651.18	3,772.38	4374.359
Operating Profit Ratio	11.35	12.78	8.01	16.52	9.30
Finance Cost	(42.73)	(83.58)	(120.11)	(123.16)	187.195
PBT	1,134.31	2,509.44	1,531.07	3,649.22	4187.164
Provision for Tax	(270.48)	(743.29)	(590.74)	(1,209.36)	(722.79)
PAT	863.83	1,766.15	940.33	2,420.80	3,133.0
PAT Ratio	8.33	8.71	4.56	10.60	6.66
Export Sale	1,857.00	1,622.75	127.13	690.93	1720.234
Raw Material Consumed	(7,704.07)	(15,349.50)	(13,900.18)	(15,222.08)	(41,781.84)
Raw Material Purchased	(8,397.16)	(15,218.83)	(15,193.69)	(18,835.98)	(42,609.87)
R&D Cost	(160.84)	(199.64)	(287.91)	(611.25)	(503.28)
COGM	(8,727.91)	(16,826.11)	(18,757.06)	(19,542.09)	(39,962.93)
Exchange Loss	(0.83)	(302.92)	(508.94)	(108.74)	(74.34)
Stock in Trade	4,301.90	4,430.31	6,850.48	11,682.07	18,168.82
Trade Debts	2,747.08	2,347.14	4,305.77	4,601.52	7,418.23
Loans and Advances-Assets	2,523.52	3,116.18	2,741.58	6,336.09	6,150.84
Advances to Suppliers	2,478.78	2,918.63	2,643.03	6,125.41	5,941.77
Short Term Investments	9,052.67	21,177.32	11,340.12	11,244.11	9,788.47
Cash and Bank Balance	825.89	838.33	4,354.76	4,503.43	1,496.84
Current Assets	22,213.62	37,791.17	35,787.78	42,657.22	57,753.69
Current Liabilities	15,616.14	29,694.48	27,432.67	31,620.47	42,229.71
LDs Recoverable	40.06	62.72	62.72	191.12	312.52
Equity (Cap,GRF,	8,850.20	10,609.67	11,493.17	13,846.65	16,780.88
Un appropriated Profits	6,852.60	8,290.07	9,032.57	11,386.05	14,006.28
Trade and Other Payables	6,201.31	8,817.68	8,334.99	9,536.10	16,099.26
Inc in Stock in Trade	1,338.41	128.40	2,420.18	4,382.59	6486.747
Inc in Trade Debts	436.38	(266.79)	2,384.25	572.58	3070.537
Finance Cost Paid	(42.73)	(83.58)	120.11	123.16	187.95
Inc in Trad P/A	1,202.54	2,566.23	(997.75)	996.09	6.094

APPENDIX-IV

List of Figures		
Figure No.	**Detail**	**Page No.**
Figure-I	Operational Efficiency Profitability.	6
Figure-II	Profitibility	7
Figure-III	Liquidity	8
Figure-IV	Research & Development.	9
Figure-V	Productive Efficiency.	9
Figure-VI	Significant Credit Risk arising from persistent Overdue Receivables.	10
Figure-VII	Growing Unsecured Supplier Advances and Default Risk.	10