**Auditor-General of Pakistan**

**February 2026**

# Audit Report on

# TELEPHONE INDUSTRIES OF PAKISTAN (TIP) HARIPUR

## Report No: DGA P&TS 26-003

## Audit Year 2025-26
## Financial Year 2024-25

# PREFACE

Article 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973, read with Sections 8 and 12 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, requires the Auditor-General of Pakistan to audit the receipts and expenditure of the Federation and the Provinces as well as 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 Telephone Industries of Pakistan (TIP) for the financial year 2024-25. The Director General Audit P&TS conducted 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 sound decision-making. The report also aims to improve the internal controls of the entity, thereby enabling the management to take corrective action and enhance operational efficiency.

The audit report includes key facts about the entity, an audit snapshot, findings on systemic issues, conclusions and recommendations for executive action. The audit findings indicate several matters related to the stated roles and responsibilities of the entity, financial management, human resource management, procurement, operational processes, achievement of targets/KPIs, and digitization.

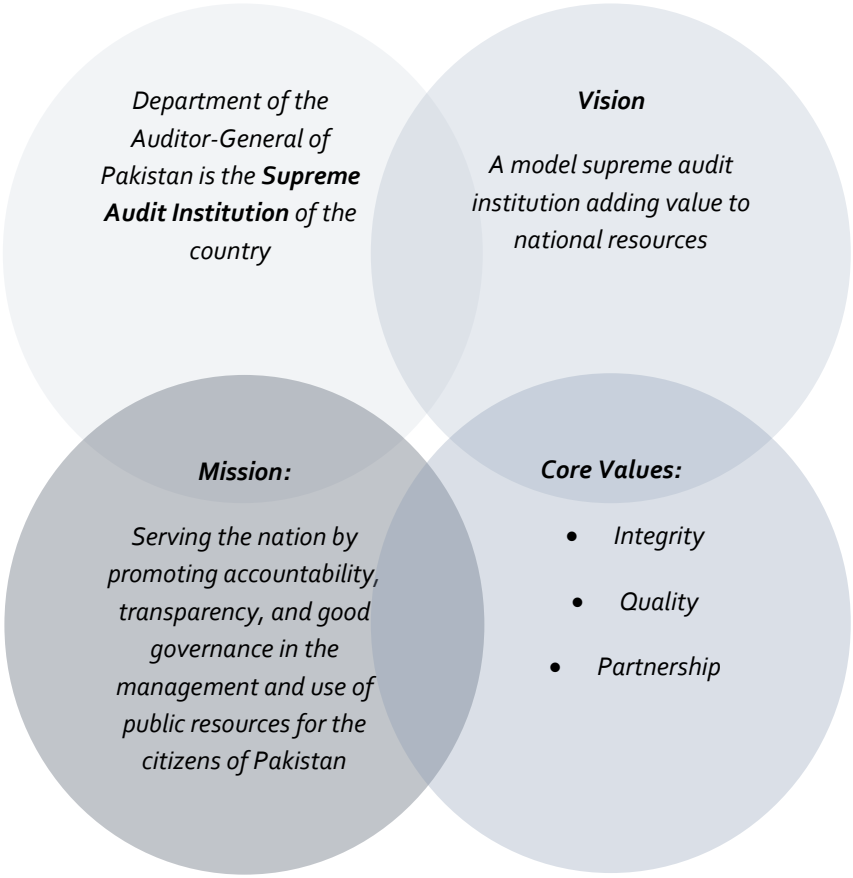
The audit observations were shared with the entity as well as the Principal Accounting Officer (PAO) and the responses received were evaluated before finalization of this report. The report was discussed with the PAO in the Departmental Accounts Committee (DAC) meeting held on 18 December 2025, and the outcome of the meeting has 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 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 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, thereby 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 legislative oversight by providing an independent and objective assessment of the governance process at the federal, provincial, and local levels.

# AUDIT SNAPSHOT

## Why did we conduct this audit?

The audit of Telephone Industries of Pakistan (TIP) was conducted in accordance with the guidelines issued by the Auditor General of Pakistan. The audit was undertaken to assess the company's viability, its business outlook and whether TIP's financial and operational activities complied with applicable laws, rules, and prescribed procedures. The audit also evaluated whether procurement, payment mechanisms, and financial commitments under the deferred payment model were duly authorized, properly documented, and fully in line with prescribed procedures.

## What did we find?

The audit of Telephone Industries of Pakistan (TIP) revealed deficiencies in financial management, procurement processes, contract administration, and internal controls. These weaknesses indicate systemic governance issues, non-compliance with applicable rules and regulations, and ineffective oversight mechanisms. Key audit findings are summarized below:

- Composition of the Board not in accordance with requirements of the Companies Act, 2017 and Corporate Governance Rules (CGRs).
- Persistent non-repayment of bank loans, leading to escalating financial liabilities.
- Violations of PPRA Rules.
- Unauthorized subcontracting under Government-to-Government (G2G) projects.
- Charging inflated tariff on electricity.
- Practices suggestive of tax evasion and non-compliance with tax laws.
- Weak contract enforcement and inadequate monitoring of contractual obligations.
- Delays in project execution, affecting timelines and intended outcomes.
- Poor asset management, including encroachment on TIP-owned land.

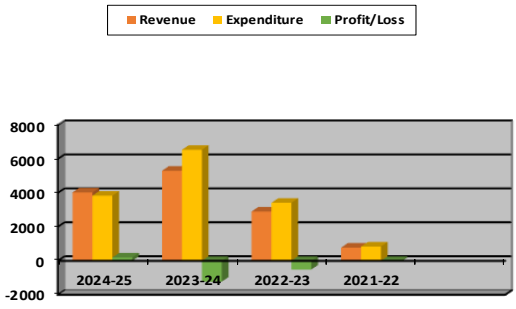
## Key Assessments

TIP has been incurring continuous losses since long due prolong non-functionality, lack of production & revenue, escalating liabilities and dependence on Government support raising serious implications about its going concern status. Further, TIP has not finalized its audited financial statements for the years 2023–24 and 2024–25. However, based on the provided information (drafts/provisional for FY 2023-24/2024-25), a tabulated/graphical representation of the entity's profits and losses over

## What did we Recommend?

- TIP shall refocus exclusively on its primary telecom manufacturing functions, and all non-core engagements shall cease to avoid dilution of capacity and inefficient use of public resources. Any future participation in projects beyond TIP's core functions shall not be permitted without demonstrable technical capability and explicit prior authorization.
- TIP should strictly adhere to Government-to-Government (G2G) arrangements by executing

the last four years is presented as under:




**(Rs in Million)**

| Years | 2024-25 | 2023-24 | 2022-23 | 2021-22 |
|---|---|---|---|---|
| **Revenue** | 4034.029 | 5310.756 | 2,905.91 | 778.357 |
| **Expenditure** | 3839.089 | 6541.849 | 3,422.15 | 842.462 |
| **Profit/Loss** | 194.93 | -1,231.09 | -516.238 | -64.104 |

*(Financial Statements Data)*

Despite intermittent revenue surges, TIP's financial performance over the last four years reflects structural inefficiencies, weak expenditure control, and over-reliance on project-based revenues transferred from the National Radio and Telecommunication Corporation (NRTC). The marginal profit reported in FY 2024–25, which was merely attributable to the TIP-CDA buses project, does not indicate a sustainable turnaround and remains insufficient to neutralize the accumulated losses or address the underlying financial vulnerabilities.

Furthermore, this persistent dependence on non-core, one-off project revenues underscore the urgent need for TIP to diversify its revenue streams, enhance cost management, and revitalize its core manufacturing and operational capabilities to achieve long-term financial stability.

projects through its own resources and refrain from unauthorized subcontracting in violation of procurement rules besides fixing responsibility against responsible.

- The Board of Directors of TIP should be reconstituted on a priority basis in compliance with the Corporate Governance Rules and the Companies Act, 2017 by appointing the requisite number of independent directors and ensuring mandatory female representation, with proper disclosure.
- TIP should formulate and implement a time-bound loan repayment and restructuring plan to control mounting liabilities and prevent further financial losses besides fixing responsibility for default escalation.
- Ensure timely finalization and submission of the audited accounts.
- Refer all evasion cases to FBR/SBP for recovery and penalties, with personal liability under Public Finance Management Act 2019

# HIGHLIGHTS

## ENTITY SUMMARY SHEET — Telephone Industries of Pakistan (TIP)(Draft Accounts 2023-24)

| Description | Details *(Rs in Million)* |
|---|---|
| **Legal Framework of Entity** | Telephone Industries of Pakistan (TIP) is a private limited company incorporated in 1953 under the Companies Act, 1913 (now the Companies Act, 2017). TIP is currently operating under the control of the Ministry of Defence Production as a wholly owned subsidiary of the National Radio Telecommunication Corporation (NRTC). In pursuance of a Federal Cabinet decision, NRTC acquired TIP in December 2021. The company is governed by an independent Board of Directors headed by the Managing Director NRTC. |
| **Key Responsibilities / Mandate & Objectives** | **Responsibility and mandate of TIP are to:**<br>➢ Design, research & development, manufacture, assembly, testing, installation, operation, and maintenance of telecommunications, electronic, electrical, and information & communication technology (ICT) equipment for commercial, public-sector, and defence use.<br>➢ Manufacture, supply, and integration of communication systems, inter-communication equipment, networking infrastructure, security surveillance systems, and allied electronic and electrical apparatus in support of national communication and strategic requirements.<br>➢ Undertake mechanical and electrical engineering activities strictly ancillary to the manufacture, installation, repair, overhaul, and maintenance of telecom, electronic, and ICT equipment connected with the Company's principal business.<br>➢ Manufacture and deal in testing, diagnostic, and allied equipment; develop or procure software, applications, and hardware required for the operation, monitoring, and integration of systems supplied by the Company.<br>➢ Import, export, establish factories and workshops, train engineers and technicians, and carry out financial, contractual, and administrative activities solely to facilitate achievement of the above objectives.<br>➢ Acquire, provide, and construct residential accommodation for persons engaged in the Company's business.<br>**Objectives of TIP are to:**<br>➢ Be a leading provider of quality electronic, mechanical, and ICT products and services that meet or exceed customer expectations.<br>➢ Become a reliable and preferred solutions provider in precision engineering, telecommunications, and ICT systems, both domestically and globally.<br>➢ Commit to quality, innovation, sustainable growth, and national technological self-reliance, thereby advancing Pakistan's communication infrastructure and strategic capabilities. |
| **Total Assets (2023-24)** | Rs 3,981.178 m<br>(Current Assets = Rs 3,845.785 m)<br>(Non-current Assets = Rs 135.392 m)<br>(The figures of non-current assets (Property Plan & Equipment) have been reported at Historical Costs) |

| Description | Details *(Rs in Million)* |
|---|---|
| **Total Liabilities (2023-24)** | Rs 10,684.150 m<br><br>(Current Liabilities = Rs 5,440.267 m)<br>(Non-current Liabilities = Rs 5,243.883 m) |
| **Revenue (2023-24)** | Rs 5,310.756 m |
| **Government Grants** | TIP is a self-financed entity and receives no grants |
| **Expenditure) (2023-24)** | Rs 6,541.849 m |
| **Receipt (2023-24)** | Receipts consist of revenues earned by TIP from different projects received from NRTC, interest income from investment in TDRs and rental income |
| **Cash Balances) (2023-24)** | Rs 1,591.683 m |
| **Total Investments) (2023-24)** | Rs 70.000 m |
| **Funding Sources** | Nil |
| **(Total Allocations) (2023-24)** | Nil |
| **Accounting Policy** | IFRS-compliant; Financial statements prepared under Companies Act 2017. The company is using Average Cost Valuation method for costing purpose. |
| **Status of Financial Statements** | Audited and approved upto FY 2022-23 only. Audited Financial Statements for the years 2023-24 and 2024-25 was not finalized and provided to Audit. |
| **Composite Risk Rating** | **D (Critical Risk) (Detail in Annex –II)** |
| **Compliance Status of Audit Recommendations** | Partial Compliance/Weak Implementation<br><br>Past recommendations largely unimplemented; consistent issue of procurements and chronic default in re-payment of principal amount of loan along with mark up and non-preparation of financial statements. |

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# ABBREVIATIONS

| | |
|---|---|
| AGP | Auditor-General of Pakistan |
| BoD | Board of Directors |
| CDA | Capital Development Authority |
| CEO | Chief Executive Officer |
| GFR | General Financial Rule |
| GOP | Government of Pakistan |
| GST | General Sales Tax |
| G2G | Government to Government |
| ITS | Intelligent Transport System |
| LC | Letter of Credit |
| LD | Liquidity Damage |
| MoDP | Ministry of Defence Production |
| MoF | Ministry of Finance |
| MoITT | Ministry of Information Technology and Telecommunication |
| NBP | National Bank of Pakistan |
| NEECA | National Energy Efficiency and Conservation Authority |
| NRTC | National Radio Telecommunication Corporation Pvt. Ltd. |
| NTN | National Tax Number |
| OEM | Original Equipment Manufacturer |
| P&TS | Postal & Telecommunication Services |
| PAC | Public Accounts Committee |
| PAO | Principal Accounting Officer |
| PPRA | Public Procurement Regulatory Authority |
| PPRs | Public Procurement Rules |
| PSEB | Pakistan Software Export Board |
| RFP | Request for Proposal |
| R&D | Research & Technology |
| SECP | Security and Exchange Commission of Pakistan |
| SOE | State Owned Enterprise |
| TIP | Telephone Industries of Pakistan |

# OVERVIEW OF THE ENTITY

Telephone Industries of Pakistan (TIP), Haripur was established in 1953 as a private limited company with the primary objective of manufacturing telecommunications equipment for Pakistan's public sector. For several decades, TIP played a significant role in supplying telephones, switching equipment, energy meters, fire alarm systems, and related products, particularly to PTCL and other government organizations. The manufacturing facility is located at Haripur, with administrative offices maintained in Islamabad and regional presence in major cities.

Following the privatization of Pakistan Telecommunication Company Limited (PTCL), TIP experienced an operational decline and has remained largely non-functional since 2004, with no meaningful production or revenue stream, which has significantly increased its total liabilities, leading to negative equity, impaired solvency, and continued reliance on government support. Challenges are detailed in the Findings section.

Pursuant to a Federal Cabinet decision in November 2021, TIP was transferred to the Ministry of Defence Production (MoDP) and placed under the ownership and managerial control of NRTC as its wholly owned subsidiary. At the time of transfer, TIP was facing severe financial and operational distress, including obsolete machinery, halted production, accumulated losses, significant pension liabilities and a defaulted NBP loan. The outstanding principal of Rs. 1,177 million had escalated to over Rs. 2.3 billion due to accrued mark-up, increasing by approximately Rs. 100 million annually. The loan default has restricted TIP's ability to obtain Letters of Credit and Bank Guarantees, thereby impeding its operational and commercial activities. The transfer aimed to rehabilitate TIP through NRTC's technical, financial, and managerial support.

After the takeover, TIP was repositioned as a revival and expansion platform under NRTC's oversight. The revitalization strategy envisaged optimal utilization of TIP's existing land, infrastructure, and industrial footprint, combined with gradual diversification into new sectors aligned with national priorities. NRTC assumed responsibility for providing managerial guidance, financial support and strategic direction to enable TIP's reintegration into productive activities.

One of TIP's most significant engagements is its participation in the urban transport and mobility project with the Capital Development Authority (CDA) since 2024 in Islamabad. Under the TIP–CDA Electric Buses Project, TIP/NRTC was assigned responsibilities for procurement, system integration, operation and maintenance of approximately 160 electric feeder buses along with associated charging and intelligent transport systems with the participation of multiple sub-contractors.

The Company is governed through a Board of Directors and managed by executive management responsible for day-to-day operations. The TIP is a self sustainable public sector company as it receives no budgetary allocation from the Government of Pakistan. The company has adopted average cost valuation model for preparation of financial statement which is vetted by Chartered Accountant.

As a public entity, TIP is accountable to the MoDP, and its operations are governed by federal laws, PPRA Rules, financial regulations, and strategic policies of the Government of Pakistan. Its financial and compliance activities are subject to independent oversight and audit by the Auditor General of Pakistan, ensuring transparency, strong internal controls, and responsible use of public resources.

# AUDIT FINDINGS

## 1. STATED MANDATE, ROLE AND RESPONSIBILITIES

As per the Memorandum of Association (MoA), Telephone Industries of Pakistan (TIP) is mandated to design, manufacture, assembly, installation, and maintenance of telecommunications and ICT equipment for commercial, public-sector and defence organizations. TIP is also responsible for the supply and integration of communication systems, networking infrastructure and related technical solutions in support of national communication requirements. However, Audit observed that TIP was engaged in various projects like TIP-CDA Transport service operation business which were not its core business area. Audit contends that TIPs entrance in such business beyond its core mandate reflects weak oversight by those charged with governance and management. Audit noticed the following governance issues in TIP's strategic governance.

### 1.1 Non-conformance of composition of Board of Directors with CGRs

According to Rule 03(02) of the Corporate Governance Rules, the Board shall have at least one-third of its total members as independent directors. The Public Sector Company shall disclose in the annual report non-executive, executive, and independent directors. Section 154(1)(d) of the Companies Act, 2017 provides that public interest companies shall be required to have female representation on their board as may be specified by the Securities and Exchange Commission of Pakistan (SECP).

Audit noted that the Board of Telephone Industries of Pakistan (TIP), reconstituted under the Ministry of Defence Production in its 210$^{th}$ meeting held on 26 January 2024, did not comply with the above requirements. Despite reconstitution, the Board lacked the required number of independent directors, and no female director was appointed, in violation of the Companies Act, 2017 and the Corporate Governance Rules. Audit further observed that independent directors were not appointed on the Board prior to 26$^{th}$ January 2024 as well.

The matter was reported to the management in October 2025. It was replied by the management that the matter had already been placed before the Board of Directors in its 214th meeting, wherein it was resolved to initiate the process for identification of suitable candidates for appointment as independent and female directors. Management further informed that the process has been initiated and the proposed candidates will be submitted for consideration and approval in the next meeting of the Board of Directors.

Audit recommends that the Board of Directors of TIP should be reconstituted within three months in compliance with the Corporate Governance Rules and the Companies Act, 2017 by appointing the required number of independent directors and ensuring mandatory female representation, with timely completion and proper disclosure.

(OM NO. 29)

# 2. FINANCIAL PERFORMANCE

TIP has not finalized its financial statements for the FY 2023–24 and 2024–25 and does not constitute audit assurance on financial statements. However, based on approved financial statements for the years 2021-22, 2022-23 and draft financial statements for the years 2023–24 and 2024–25 the financial position of the organization is as under:

***(Rupees in Millions)***

| FY | Revenue | Expenditure | Profit/(loss) | % inc / (Dec) in P/ (L) | Status of Financial Statements |
|---|---|---|---|---|---|
| 2021-22 | 778.360 | 842.460 | (64.10) | - | Audited & Approved |
| 2022-23 | 2,905.910 | 3,422.150 | (516.240) | (705.50%) | |
| 2023-24 | 5,310.760 | 6,541.850 | (1,231.090) | (138.50%) | Draft Financial Statements |
| 2024-25 | 4,034.030 | 3,839.090 | 194.930 | 115.900% | |

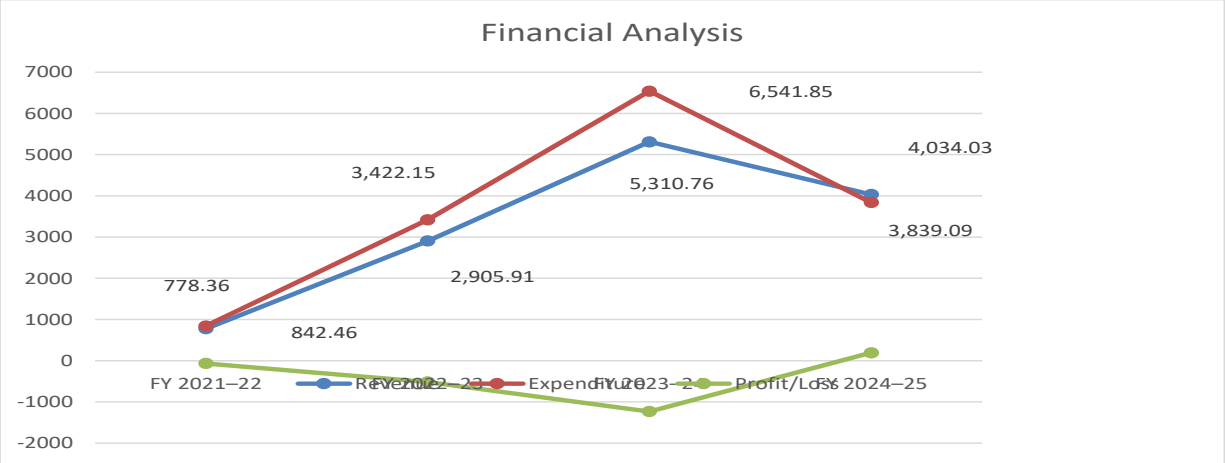
The above table showed that the financial performance of the entity over the period FY 2021–22 to FY 2024–25 reflects instability and persistent financial stress, as evidenced by wide year-on-year fluctuations in profit/(loss). In FY 2021–22, the entity reported low revenue levels, which were insufficient to cover operating expenditures, resulting in a loss.

In FY 2022–23, although revenue increased significantly, expenditures continued to exceed income, leading to a loss of Rs 516.24 million. This represented a 705.5 % deterioration compared to the previous year, highlighting pronounced structural inefficiencies in cost management and weak expenditure control.

In FY 2023–24, revenue increased further; however, expenditures rose at a faster pace, resulting in a substantial loss of Rs 1,231.09 million. The loss increased by 138.5 % over the preceding year, indicating weak financial discipline and limited alignment between revenue generation and cost containment measures.

During FY 2024–25, the entity reported a marginal surplus of Rs 194.93 million, reflecting a 115.9 % positive turnaround compared to FY 2023–24. This improvement was primarily attributable to relatively controlled expenditures and higher revenue. However, the surplus appears temporary and non-structural, as it does not offset the accumulated losses of previous years.

Overall, despite the reported surplus in FY 2024–25, the entity’s financial performance remains fragile, with sharp year-on-year volatility and limited evidence of a sustained financial turnaround.




TIP continues to operate with negative equity arising from accumulated losses, indicating sustained financial distress. Persistent losses and weak cash flows have undermined financial sustainability and heightened dependence on external support. Consequently, these conditions cast significant doubt on TIP's ability to continue as a going concern.

# 3. FINANCIAL MANAGEMENT

Effective financial management is fundamental to ensuring sustainability, transparency, and prudent use of public resources in public sector entities. It encompasses sound financial planning, efficient debt management, proper authorization of expenditures, accurate cost recognition, and compliance with applicable financial and regulatory frameworks. Any weaknesses in these areas expose the entity to financial losses, fiscal stress, and increased risk to public funds.

The audit identified significant deficiencies in TIP's financial management, including recurring losses arising from the accumulation of interest due to loan defaults, indicating weak debt and cash flow management. Unauthorized payments were made for an ITS software solution without proper contractual and regulatory backing, reflecting lapses in expenditure controls. In addition, unjustified escalation of the electricity cost component led to overcharging, demonstrating inflated cost claims and inadequate financial scrutiny. Collectively, these issues point to weak financial discipline, ineffective internal controls, and exposure of public resources to avoidable financial risk.

## 3.1 Recurring Loss due to accumulation of interest

According to National Bank of Pakistan (NBP) letter No. BR TIP: Renewal dated 25.09.2007, the NBP approved renewal of credit facilities with the condition that disbursement would be permissible on payment of upto date mark-up; quarterly review of financial accounts of the company; and a registered charge on company's assets in line with total exposure of credit facilities. Furthermore, clause 8.04 of the agreement dated 14.09.2009 states that if the customer fails to pay the amounts as demanded, NBP shall have the right to enforce and realize the securities without limitation the guarantee, the demand promissory note, the hypothecated goods/mortgaged property(s) without intervention of court and to file suit(s) for the recovery.

TIP under the Ministry of Defence Production, Rawalpindi obtained two loans (demand finance facility) from National Bank of Pakistan amounting to Rs 1,177 million against Government Guarantees.

Audit observed that TIP management failed to pay any installment or interest on the loan obtained from the National Bank of Pakistan, resulting in recurring losses due to the continuous accumulation of loan principal and interest. An additional amount of Rs 104.900 million was accumulated on account of interest during 2024–25; consequently, the total outstanding loan along with interest increased to Rs 2,371.001 million as of 30.06.2025.

Audit opines that due to non-payment of loan, the interest amount is being compounded with each passing day having serious financial and legal repercussions for TIP.

The matter was reported to the management in October, 2025.It was replied that management

has taken up the case with NBP management for settlement of the long outstanding issue. Moreover, MoDP and MoF are also being engaged for an amicable settlement between parties.

The matter was discussed in the DAC meeting held on 18th December, 2025. The DAC directed the management to follow up the case with NBP and Ministry of Finance for better negotiation on loan settlement under intimation to audit.

Audit recommends implementation of DAC directives.

*(PDP No 112-2026)*

### 3.2 Unjustified increase in electricity tariff causing overcharging

According to Rule 4 of PPRs 2004, Procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. Further, rule 19(i) of GFR Volume-I stipulate that the terms of a contract must be precise and definite and there must be no room for ambiguity or misconstruction therein. Moreover, according to Para-C and D of Terms and Conditions of Financial Proposal of TIP, the quoted prices are calculated at Rs 31 per electricity unit. Any increase / decrease in electricity price and other related components of O&M will be adjusted as per price adjustment factor given in the Annex-B of the proposal.

M/s Telephone Industries of Pakistan (TIP) and the Capital Development Authority (CDA) entered into a Government-to-Government (G2G) agreement for the procurement, supply, operation, and maintenance of 160 electric buses in Islamabad, with a total contract value of Rs. 27.507 billion over an eight-year period. Under this arrangement, capital and operational expenditures were initially incurred by TIP and are recoverable from CDA through a deferred payment model at a base rate of Rs. 307 per kilometer. The agreement further provides that any adjustment or increase in variable cost components, including electricity, tyres, maintenance, and salaries, shall be made strictly in accordance with the price adjustment formulae prescribed in Annex-B. TIP claimed total mileage of 8,267,671 kilometers during FY 2024-25.

Audit examined the relevant record and observed that the electricity prices were increased up to 46.94% during FY 2024-25. TIP was required to calculate the electricity tariff increase on the quoted rate of Rs. 31 per unit (actual weighted of electricity in the base price) but increases/adjustments were made at a rate of Rs 108.99 per unit throughout the year. Resultantly, TIP charged excess amount of Rs. 297.636 million during FY 2024-25 on account of increase in electricity tariff due to misapplication of prescribed formulae given in the Annex-B of the agreement.

The detail is as under:

| Description | Amounts | Calculations |
|---|---|---|
| Total quoted Price per KM | Rs 307 | |
| Quoted rate of electricity per unit | Rs 31 | = 307 x 10.10% = Rs 31 |
| Charged rate of electricity per unit by TIP | Rs 108.99 | = 307 x 35.5% = 108.99 |
| Increase in electricity tariff during FY 2024-25 | 46.55% | |
| Due price after increase in electricity prices per KM | Say Rs 322 | = 31 x 46.55% = 14.43<br>= 307 + 14.43 = 321.4305 |
| Actual price charged by TIP after increase in electricity prices per KM | Say Rs 358 | = 108.99 x 46.55% = 50.73<br>= 307 + 50.73 = 357.73 |
| Per K.M Over-charging after electricity increase | Rs 36 | Rs 358- Rs 322= Rs 36 |
| Total mileage in KMs covered during the year | 8,267,671 | |
| **Total Overcharged Amount** | **297,636,156** | |

*Costing sheet & price adjustment formula given in the relevant agreement

The excess amount charged due to wrong application of the prescribed formulae reflecting weak compliance with contractual provisions at part of TIP management.

Audit reported the matter to the management during November, 2025. It was replied that the escalation formula and the factors specified therein were derived from the RFP submitted by TIP to CDA, which was based on practices adopted in ongoing BRT projects nationwide. Management further stated that TIP has been strictly adhering to the agreed and signed formula for all invoicing and payment processes.

The reply was not acceptable, as the escalation formula was required to reflect the actual cost components included in the approved base rate rather than practices followed in other ongoing projects. As a result, the escalation was misaligned with actual electricity costs, leading to unjustified overcharging. Moreover, no feasibility study or detailed Opex and Capex costing were provided to audit for verification.

The matter was discussed in the DAC meeting held on 18th December, 2025. The DAC directed the management to submit a revised reply and records showing components of Opex and Capex for the procurement, running and maintenance of the TIP-CDA buses project for audit verification.

Audit recommends that the matter may be investigated at higher level with a view to ascertain the factual position and responsibility be fixed on those held responsible for causing loss to the national exchequer.

(PDP No 114-2026)

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## 3.3 Unauthorized software payment Involving SBP and tax violations

According to Rule 4 of the Public Procurement Rules, 2004, all procurements shall be conducted in a fair, equitable, transparent, economical, and efficient manner ensuring best value for money. Moreover, as per Clause-4(4.5) of the contract, TIP will make monthly payments to service provider (M/s Matrix Technologies) as per the quoted value. Further, according to the Pakistan Software Export Board Registration Regulations, 2016 and the National IT Policy & Telecom Framework, all entities providing software

development, maintenance, or IT-enabled services are required to obtain registration from the Pakistan Software Export Board (PSEB) prior to commencing operations. Furthermore, Para 14 of Chapter 14 of Foreign Exchange Manual of the State Bank of Pakistan (SBP) stipulates that prior registration and approval of the underlying contract before remittance of any royalty or technical-service fee abroad is required from SBP. Moreover, according to Section 152(1)(b) of the Income Tax Ordinance 2001, every person paying to a non-resident a sum for royalty or fee for technical services shall deduct tax at fifteen (15) percent of the gross amount.

M/s Telephone Industries of Pakistan (TIP) entered into a back-to-back agreement with M/s Kentkart through its authorized partner M/s Matrix Technologies on 15.09.2023 for supply, installation, services supervision and remote maintenance of Intelligent Transport System (ITS) hardware and software for buses. Total price of the contract was Rs. 123,850,000 per year and an amount of Rs 23,912,762 was paid during FY 2024-25. It also includes Annual Software User License Fee @ US $ 149,000 per year for 7.5 years accumulating total payment of US $ 1,117,500 (1,117,500*285=318,487,500)

Audit observed that:

i. M/s Matrix Technologies engaged M/s Minerva Enterprises (SMC-Private) Limited, incorporated with SECP on 14.01.2024, to execute the same project on its behalf. An amount of Rs. 23,912,762 was paid to M/s Minerva Enterprises during FY 2024-25 despite the fact that it was not a signatory to the original contract. It was further noted that neither M/s Matrix Technologies nor M/s Minerva Enterprises (SMC-Private) Limited was registered with the Pakistan Software Export Board (PSEB).

ii. The payments were made to a locally incorporated firm, M/s Minerva Enterprises (SMC-Private) Limited, based solely on invoices, without obtaining any principal invoice or declaration. The local entity appeared to be used as an intermediary to route cross-border technical service payments, thereby bypassing SBP approval for foreign-exchange remittance and avoiding withholding tax. This resulted in irregular foreign-exchange remittance and loss of government revenue amounting to US$ 22,350 per annum (Rs. 47.77 million).

Audit contends that the subletting of contract to M/s Minerva Enterprises Pvt. Ltd. and subsequent payments to it were irregular and in violation of PPRA framework. Non-registration of both entities with PSEB was non-compliance with national IT sector regulatory requirements and lack of due diligence by the contracting agency while engaging an unregistered service provider.

Audit reported the matter to management and PAO during November, 2025. It was replied that M/s TIP had an agreement with Kentkart (OEM) and its financial partner, M/s Matrix Technologies FZCO, a UAE-based firm, under which TIP have to pay certain payments in US$ on account of maintenance and licensing through foreign remittances. To avoid SBP restrictions M/s Matrix appointed a local representative M/s Minerva Enterprises to receive the payments. It was further explained that PSEB Registration Regulations, 2016 apply only to entities operating or providing IT services within Pakistan. The vendor is a foreign company with

no office or establishment in Pakistan and only supplies software licenses and related support. Hence, it is not required to obtain PSEB registration. Further, due to financial constraints and default status of TIP, payments are being made to local rep of the vendor on deferred payment basis which also include the payment of software USD 149,000. This arrangement reduced the financial burden on TIP as well as it saved foreign reserve outflow which is beneficial to national economy.

The management's reply is self-contradictory and untenable, as routing payments through a local entity (M/s Minerva) to circumvent SBP remittance restrictions effectively localized the transaction and operations in Pakistan, thereby making PSEB registration mandatory under the 2016 Regulations, irrespective of foreign origin. Claiming PSEB inapplicability while deliberately using a local intermediary constitutes violations of SBP foreign exchange guidelines and PSEB requirements for unregistered IT services and also amounts to irregular subletting in contravention of Contract Clause 4.5 and PPRA Rule 4 due to payments made to a non-signatory without due diligence. Accordingly, the reply is not acceptable, and audit reiterates the need for investigation, recovery of Rs. 23.912 million and fixation of responsibility.

The matter was discussed in the DAC meeting held on 18th December, 2025. The DAC directed the management to produce record regarding payment arrangements to M/s Minerva Enterprises and registration from PSEB for audit verification. DAC further directed the management to compare both payment methods to determine the most beneficial one and to share the report with the Board of Directors and audit.

Audit recommends that the matter be immediately referred to FBR and SBP for investigation, recovery of evaded withholding tax and imposition of applicable penalties; TIP be directed to make full disclosure of all onward remittances made through M/s Minerva; responsibility be fixed on the officers involved, including consideration of personal liability under the Public Finance Management Act, 2019; and the TIP Board be directed to formulate a policy prohibiting such payment structures in future foreign IT/software contracts.

(PDP No 107 & 122-2026)

# 4. PROCUREMENT

Sound procurement practices are essential to ensure transparency, competition, economy, and value for money in the utilization of public funds. Public sector entities are required to strictly adhere to the Public Procurement Rules by adopting open and competitive bidding processes, ensuring fair evaluation, and enforcing contractual provisions. Any deviation from these principles undermines transparency and exposes public resources to the risk of mis-procurement.

The audit observed widespread procurement irregularities, including mis-procurement arising from unauthorized sub-contracting by TIP for the provision and operation of electric buses and the Intelligent Transport System under a G2G arrangement. Unjustified expenditures were incurred on the procurement of stabilizer parts without observing tendering requirements, along with non-enforcement of liquidated damages. Furthermore, multiple works were irregularly awarded on a quotation basis or without open competitive bidding, including bus surveillance solutions, logistics-related works, commissioning of EV charging units, and other procurements. These practices reflect non-compliance with procurement rules, weak planning and controls, and a failure to ensure transparency, competition, and value for money in procurement activities.

## 4.1 Mis-procurement by sub-contracting by TIP for provision and running of electric buses and Intelligent Transport System

According to Rule 42(f)(i) and (ii) of the Public Procurement Rules, 2004, direct contracting may be undertaken with State-Owned Entities (SOEs), or autonomous and semi-autonomous bodies of the Federal or Provincial Governments, for works and services including consultancy services that are time-sensitive and in the public interest. Such direct contracting is permissible only where the selected organization is fully eligible and capable of performing the required works or services exclusively through its own resources, without engaging the private sector in any form, whether as a joint-venture partner, collaborator, or subcontractor. Further, the Rule 50 states that any unauthorized breach of these rules shall amount to mis-procurement.

M/s Telephone Industries of Pakistan (TIP) executed two contracts with Capital Development Authority (CDA) under the Government-to-Government (G2G) arrangement for supply, maintenance and running of 160 electric buses and for provision, establishment and maintenance of the Intelligent Transport System (ITS) in Islamabad against running of 180 electric buses of TIP-CDA transport project. The total value of the contracts for the said project is Rs 27.507 &Rs 3.528 billion respectively for the contractual period of eight years. However, TIP entered into contracts amounting to Rs 7.095 billion by sub-contracting to private firms as detailed below:

| Sl. No. | Sub-contractor's Name | Type of Work | Contract Amount for eight Years |
|---|---|---|---|
| **For supply, maintenance and running of buses** | | | |
| 1 | M/s Hundal Logistics & Leather Company | Hiring and management of human-resource staff for the project | 1,884,887,552 |
| 2 | M/s Universal Auto Engineering | Repair and maintenance of buses including replacement of parts | 2,307,200,000 |
| **For provision, establishment and maintenance of the ITS against running of buses** | | | |
| 3 | M/s Matrix | Supply, installation, and maintenance of ITS equipment | 1,330,584,000 |
| 4 | M/s Access Bridge | Maintenance of the ITS & establishment of Data Centre | 1,427,328,000 |
| 5 | M/s ESCO | Installation, commissioning, testing, and configuration of bus-vehicle surveillance solutions | 145,352,293 |
| | | **Total:** | **7,095,351,845** |

Audit observed that TIP failed to execute the project through its own resources as required under the Government-to-Government (G2G) arrangements and outsourced all major components to private firms in contravention of G2G requirements.

Audit contends that subcontracting of human resource, running & maintenance work and ITS work under the G2G arrangement was irregular and constitutes mis-procurement as the TIP outsourced the work instead of managing through its own resources.

The matter was reported to the management in October, 2025.It was replied that CDA floated a tender regarding project for operation of busses and TIP submitted a proposal directly under the Government-to-Government (G2G) provisions of PPRs of tender which was accepted by the CDA and the contract was awarded to TIP after thorough deliberation. Hence, tendering prerequisites rests with CDA not with TIP. Further, TIP engaged the vendors with the consent of the CDA.

The reply is untenable and evasive. While the G2G contract was awarded to TIP, PPRA Rule 42(f)(i–ii) requires SOEs to execute works through their own resources, whereas TIP sub-contracted all major components constituting mis-procurement under Rule 50. The plea of CDA consent is unsupported and cannot override mandatory PPRA provisions. Further, TIP lacks independent execution capacity, as evidenced by its default status, negative equity, and long operational dormancy which is particularly serious given its mandated telecom/ICT expertise under its Memorandum of Association; yet even ITS-related components within this core domain were fully outsourced to private firms, thereby bypassing competition and exposing the exchequer to fiscal risk and diluted value for money.

The matter was discussed in the DAC meeting held on 18th December, 2025. The DAC pended the para and directed TIP to submit a revised reply, while audit reiterated its stance in accordance with the original observation.

Audit recommends that matter be inquired at MoDP level for fixing responsibility for executing subcontracting arrangements, circumventing procurement rules, and securing the contract without possessing the requisite capability.

(PDP No 105&106-2026)

## 4.2 Irregular award of works on quotation basis

According to Rule 42(c)(i), direct contracting or quotation-based procurement may be undertaken only in cases of urgent and unforeseen circumstances where open competitive bidding is impracticable, provided that such urgency is not attributable to any delay or omission of the procuring agency. Moreover, in light of Regulation 30 of the Financial Management and Powers of Principal Accounting Officers (FM&PAO) Regulations, 2021, and Section 16 of the Public Finance Management Act, 2019, the Principal Accounting Officer (PAO) is responsible for ensuring that all procurements comply with PPRA Rules; hence, any procurement under the urgency clause requires prior written approval of the PAO, duly supported by documentary justification and evidence of unforeseen circumstances.

M/s Telephone Industries of Pakistan (TIP) awarded two separate works on turnkey basis at H-9 Depot, Islamabad without open tendering by invoking the "urgency". The first work pertained to supply, installation and fixing of LV network, MV network cable and transformer awarded to M/s Tariq Electric amounting to Rs 194,651,825, and the second related to supply, installation and fixing of civil services awarded to M/s Prestige Developers & Engineering amounting to Rs 55,748,592.

Audit examination of relevant record revealed that both works having value of Rs 250,400,417 were carried out on quotation basis without open advertisement or competitive bidding, solely on the approval of the Chief Executive Officer (CEO) of TIP, who declared the works as "urgent." The works, however, were of civil and electrical nature, being routine and foreseeable activities that required proper planning and scheduling. Therefore, the urgency claimed by TIP was self-created and invoked merely to bypass the open-tendering process and expedite the award of contracts to pre-selected firms, in violation of the principles of transparency, competition, and economy prescribed under the Public Procurement Rules, 2004.

Audit holds that the award of works on quotation basis by declaring unjustified urgency, thereby denying calling open tenders and without obtaining prior approval of the Principal Accounting Officer (PAO) was irregular and contrary to the prescribed procurement and financial management framework.

The matter was reported to the management in October, 2025.It was replied that customer provided a contract for execution on urgent basis (i.e delivery within 45 days) and TIP accepted the project being connected with the execution of Bus operations project. As only 45 days were given by the customer, urgency is totally justified and contract / work was awarded after due approvals as per rules.

The reply is not acceptable as emergency certified from PAO was not obtained before awarding work on quotation basis.

The matter was discussed in the DAC meeting held on 18th December, 2025. The DAC directed the management to constitute appropriate FORA including Ministry representatives duly approved by the Board and to regularize the expenditure from the competent authority under report to audit.

Audit recommends that the matter may be investigated to fix responsibility for incurring

expenditure without tendering under intimation to Audit. (PDP No 115-2026)

## 4.3 Irregular award of commissioning of EV charging units without declaration as sole proprietorship

According to Section 13(2)(a) of Defence Purchase procedure, 2017, Single Tender system will be adopted only when the Competent Purchase Officer is satisfied that not more than one firm is in a position to quote and that where deviation(s) in specification(s) are not acceptable and for strictly "Proprietary" articles with a sole agency. Similarly, according to Rule 42(c)(i) & (ii) of the Public Procurement Rules, 2004, a procuring agency may resort to direct contracting only when the procurement pertains to the acquisition of spare parts or supplementary services from the original manufacturer or supplier, provided such items or services are not available from alternative sources, and where only one manufacturer or supplier exists for the required procurement.

According to Section 5(1) of the National Energy Efficiency and Conservation Authority's (NEECA) (Registration of EV Charging Infrastructure) Regulations 2023, it is mandatory to obtain prior registration or permission from NEECA before constructing or developing any public or private EV charging station or battery swapping station.

During audit of TIP for the financial years 2024-25, it was observed that an agreement for supply, installation, commissioning, testing, and maintenance of Electric Vehicle (EV) Charging Units for 160 buses was executed between TIP and Universal Auto Engineering (UAE), which claimed to be a sole proprietorship in Pakistan for power equipment, amounting to Rs. 204.00 million.

However, it was noted that several other companies (as tabulated below) were also authorized and approved by NEECA as well as were capable of undertaking the same work. Despite this, the contract was awarded to M/S UAE as a sole proprietorship, overriding the principles of fair and open competition, which are essential to achieving the most advantageous rates.

| Name of Company | FBR Status | SECP | Regulator (EV/Install) |
|---|---|---|---|
| Malik Enterprises Pvt. Ltd. | Registered | Yes | NEECA/NEPRA |
| Multiline | Registered | Yes | NEECA |
| EV Electric Car Chargers Pakistan | Registered | Private | NEECA/NEPRA |

The matter was reported to the management in October, 2025.It was replied that the procurement in question was executed strictly in accordance with the signed contract between the Capital Development Authority (CDA) and Telephone Industries of Pakistan (TIP), under the umbrella of the CDA Intra-City Electric Bus Service Project. As per the signed agreement, Loubinsen brand chargers were specifically approved in the contract for installation and commissioning. To ensure compliance with OEM warranty, system integrity, and to avoid any breach of warranty conditions, TIP was required to procure the chargers and associated services directly from the OEM or its authorized representative/distributor. The OEM, nominated M/s Universal Auto Engineering (UAE) as its sole authorized distributor and service partner in Pakistan for the Loubinsen charging systems.

Furthermore, since the activity involved OEM-authorized installation of pre-approved equipment, the requirement for separate prior approval or registration under the National Energy Efficiency and Conservation Authority (NEECA) Regulations, 2023 does not apply.

The management's reply is untenable and contradicts market reality. While the contract specifies Loubinsen brand chargers (approved in CDA agreement), PPRA Rule 42(c)(ii) and Defence Purchase Procedure 2017 Section 13(2)(a) permit direct contracting only when no alternative suppliers exist and the item is strictly proprietary with sole agency. Audit evidence shows multiple NEECA-authorized/registered firms capable of supplying and installing equivalent or compatible chargers (e.g. Multiline, Malik Enterprises Pvt. Ltd., EV Electric Car Chargers Pakistan – all with FBR/SECP/NEPRA/NEECA credentials). Claiming 'sole distributor' status for M/s Universal Auto Engineering is unsubstantiated. No documentary proof of exclusive OEM nomination or market exclusivity was provided, and the firm itself lacks NEECA registration under Regulations 2023 Section 5(1) for EV charging infrastructure installation.

This direct award bypassed open competitive bidding, depriving the government of potentially more economical rates and violating transparency principles. Warranty concerns do not override PPRA/Defence rules; competitive procurement could include warranty-equivalent bids. TIP's reliance on brand-specific justification, despite available alternatives in Pakistan's growing EV ecosystem confirms procurement irregularity.

The matter was discussed in the DAC meeting held on 18th December, 2025. The DAC directed the management to provide records regarding the sole distributor status of the OEM for audit verification.

Audit recommend that procurements conducted without open competitive bidding resulted in mis-procurement and deprived the government of competitive and most economical rates. Audit further recommends that the matter be investigated and responsibility be fixed under intimation to audit.

(PDP No 117-2026)

## 4.4 Irregular award of work to M/s Hundal Logistics & Leather Company

According to Rule 4 of the Public Procurement Rules, 2004, all procurements shall be conducted in a fair, equitable, transparent, economical, and efficient manner, ensuring best value for money. Further, Rule 42(c)(ii) permits direct contracting on OEM (Original Equipment Manufacturer) basis only when the required goods or services are proprietary in nature and can be supplied exclusively by the original manufacturer or its authorized agent, subject to prior approval of the competent authority. Moreover, Rule 20 of the Public Procurement Rules, 2004 also stipulates that procuring agencies are required to invite bids through advertisement in print and electronic media to ensure open competition, transparency, and value for money.

M/s Telephone Industries of Pakistan (TIP) and Capital Development Authority (CDA) signed a contract under the Government-to-Government

(G2G) arrangement for procurement, operation and maintenance of 160 electric buses in Islamabad. TIP outsourced the provision of human-resource staff including drivers, cleaners, and operational support personnel to M/s Hundal Logistics & Leather Company.

Audit observed that the engagement was made without any open competitive bidding or advertisement and TIP treated the firm as an Original Equipment Manufacturer (OEM) to justify direct contracting. However, outsourcing of manpower services does not constitute proprietary or OEM-based work; rather, it is a generic, market-available service which must be procured through open competition under the relevant PPRA rules.

Audit holds that the expenditure of Rs. 102.199 million incurred on outsourcing of human-resource services during 2024-25 without following the prescribed tendering procedure was irregular and unjustified.

The matter was reported to the management in October, 2025.It was replied that as per the contract signed between TIP and CDA, TIP is responsible for operating the buses in a manner that ensures no breach of warranty terms. In this context, NRTC consulted the OEM for the training of EV bus operational staff. The OEM subsequently recommended M/s Hundal, whose personnel have been trained and certified by the OEM, for EV bus operations. Considering the contractual obligations and the technical sensitivity of the project, the OEM's recommendation was adopted to ensure smooth operations and to prevent potential penalties arising from mishandling.

The reply is not acceptable because TIP arranged the private hiring for generic services under the cover of an OEM exemption.

The matter was discussed in the DAC meeting held on 18th December, 2025. The DAC pended the para and directed TIP to submit a revised reply along with documentary evidence, while audit reiterated its stance in accordance with the original observation.

Audit recommends that the matter may be investigated to fix the responsibility for violation of PPRs under intimation to audit.

(PDP No 109-2026)

## 4.5 Irregular award of work for Bus Vehicle Surveillance Solution

According to Rule 4 of the Public Procurement Rules, 2004, all procurements shall be conducted in a fair, equitable, transparent, economical, and efficient manner, ensuring best value for money. Rule 42(c)(ii) ibid states that the procuring agency shall engage in direct contracting if only one manufacturer or supplier exists for the required procurement. Rule 20 further stipulates that procuring agencies are required to invite bids through advertisement in print and electronic media to ensure open competition, transparency, and value for money.

M/s Telephone Industries of Pakistan (TIP) executed a contract agreement with M/s Hik Vision on the basis of Original Equipment Manufacturer (OEC) for installation, commissioning, testing and configuration of Bus Vehicle Surveillance Solution (BVSS) for 180 buses of the feeder routes network in Islamabad. The vendor informed TIP that M/s Electronic Security Company (ESCO) is the authorized

distributor in Pakistan. Resultantly, TIP executed triparty agreement and incurred an expenditure of Rs 25,725,915 during2024-25.

Audit observed that TIP selected M/s HikVision China for installation, commissioning, testing, and configuration of Bus Vehicle Surveillance Solution (BVSS) for the above said project. Audit further observed that despite the presence of several authorized dealers of M/s HikVision China in Pakistan i.e M/s Maga Plus Pakistan, M/s Intexco, M/s MB Communication & M/s NET Pac, , the work was awarded directly to M/s ESCO (one of authorized dealer of M/s HikVision) by TIP management without allowing competition among the authorized dealers. The procurement undertaken under the aforesaid circumstances was in violation of the Public Procurement Rules, thereby rendering the entire process irregular and resulting in mis-procurement.

Audit holds that procurement in violation of the PPRs indicated weak procurement as well as contract management.

The matter was reported to the management in October, 2025.It was replied that M/s TIP entered into an agreement with CDA for the implementation of an ITS solution in 180 buses, based on a proposal that clearly specified all brands and OEMs, and the contract was signed accordingly on the basis of the approved technical solution. Furthermore, Hikvision officially nominated ESCO as its authorized partner for this project. It is also pertinent to mention that TIP awarded this project under a deferred payment arrangement, and apart from ESCO, no other distributor was willing to undertake it under these terms

The reply is not acceptable as several authorized dealers of OEM exist. Hence, there should be open competitive bidding among the authorized dealers.

The matter was discussed in the DAC meeting held on 18th December, 2025. The DAC directed the management to present the case before the Board of Directors for further clarification from PPRA under report to audit.

Audit recommends that the matter be investigated to fix responsibility on those found responsible for violation of rules under report to audit.

(PDP No 108-2026)

### 4.6 Unjustified expenditure on procurement of stabilizer parts without tender and non-deduction of LD charges

According to Rule 12 of PPRs 2004 (Amended 2021), procurement over five hundred thousand Rupees and upto the limit of three million Rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency. Furthermore, according to clause 14 of the purchase order, in case of delay in supply of store, penalty @2% of the value of the consignment in default for 30 days of part thereof, subject to the maximum 10% of the amount of that consignment will be imposed accordingly.

TIP management under MoDP hired the services of M/s Ashfaq Enterprise Rawalpindi for procurement of stabilizer parts and components against PEDO project on 14th November 2023 having value of Rs 14,830,789.

Audit observed that TIP management incurred an expenditure of Rs 14,292,890 against the said work during 2023-24 & 2024-25 on two quotation basis without calling open tender which was held irregular and unjustified. Further, the vendor supplied the store on 10.01.2024 instead of the scheduled delivery date of 28.12.2023, resulting in a delay of approximately one month; however, liquidated damages) amounting to Rs. 296,615 (2% of Rs. 14,830,789) were not recovered from the payment made.

The matter was reported to the management in October, 2025.It was replied that tender was floated and opened on 31 Jul 2023. Two vendors were participated and not quoted main component /part of the stabilizer due to non-availability in market. The management decided /carryout market survey for availability and prices of required parts. After survey it found that the market available prices very low as compared to offered prices in tender. In this regards TEC/FORA was held in CEO TIP Office and approved for adapting alternate procurement process. Further, due to customized requirements and indigenous development, some components were rejected and require for replacement. The delay of one-month period was occurred during the replacement.

The reply was not acceptable as re-tendering was required after rejection of bids. Further, LD cannot be waived off due to supply of faulty store as it was mandatory for supplier to provide store as per required conditions & specifications. The matter was discussed in the DAC meeting held on 18th December, 2025. The DAC directed the management to constitute appropriate FORA including Ministry representatives duly approved by the Board and to regularize the expenditure from the competent authority under report to audit.

Audit recommends that the matter may be investigated to fix responsibility for incurring expenditure without tendering under intimation to Audit.

(PDP No 110-2026)

## 4.7 Irregular expenditure without tendering

According to Rule 12 of PPRs 2004 (Amended 2021), procurement over five hundred thousand Rupees and up to the limit of three million Rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency.

TIP management under MoDP made contracts with M/s V3 Engineers Private Limited, Gilgit for installation of 5KVA Solor Systems at 106 schools of Gilgit Baltistan and .M/s Salman Traders for supply and installation of hydraulic road blockers and iron boom barriers respectively. The detail is as under:-

| Sl No. | Name of Contractor | Nature of work | Amount Rs |
|---|---|---|---|
| 01 | M/s V3 Engineering Private Ltd | Installation of solar systems at GB | 4,505,000 |
| 02 | M/s Salman Traders | Supply and installation of hydraulic road blockers | 5,943,700 |
| **Total:** | | | **10,448,700** |

Audit observed that the said works were executed by the TIP on quotation basis without open tendering. An amount of Rs 10,448,700 was paid to both the contractors during 2023 to 2025 which was held irregular.

Audit holds that procurement in violation of the PPRs indicated weak procurement as well as contract management.

The matter was reported to the management in October, 2025.It is replied that local firm of GB was hired for execution of project due to urgency and non-availability of funds from customer side. Further, open tendering is not feasible being a hard area far away from main stations of GB. It was further replied that Tender was called but no bidder has provided quotation for Hydraulic Road Blockers and boom barriers, further IG Punjab, Lahore vide its letter dated 02-09-2022 directed to complete the project on war footing basis. Due to urgency, procurement of material was made on 3 x sealed quotation bases.

The reply is not acceptable as no documentary evidence in support of reply was provided. Further, emergency certificate from PAO is also not obtained for ignoring tendering process. Moreover, the material was provided after the lapse of long period of about two years which shows that there is no urgency in the matter.

The matter was discussed in the DAC meeting held on 18th December, 2025. The DAC directed the management to constitute appropriate FORA including Ministry representatives duly approved by the Board and to regularize the expenditure from the competent authority under report to audit.

Audit recommends that the matter may be investigated to fix responsibility for incurring expenditure without tendering under intimation to Audit.

(PDP No 116-2026)

# 5. OPERATIONAL PROCESSES, TARGETS & KPIS

Effective operational processes, clearly defined targets, and measurable KPIs are essential to ensure timely project execution, regulatory compliance, and achievement of intended outcomes. Public sector entities are expected to plan operations realistically, monitor progress against agreed timelines, and conduct activities in a manner that is efficient, transparent, and compliant with applicable laws and regulations.

The audit observed weaknesses in TIP's operational planning and performance management, as projects were not completed within the stipulated timelines despite incurring expenditure, indicating ineffective scheduling, monitoring, and control mechanisms. These issues demonstrate deficiencies in operational governance, inadequate adherence to performance targets, and the absence of robust KPIs to ensure lawful, timely, and efficient execution of operations.

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## 5.1 – Delay in completion of the project and expenditure thereon

According to Sl. No. 7 of purchase order dated 20th April 2023 given by NTDC, the delivery of the material shall be made within 120 days for 220 KV towers and within 240 days for 500 KV towers from the date of approval of technical data/drawings.

An education order No. 871 for the procurement of twenty four (24) 220 KV & twelve (12) 500 KV transmission lines towers having value of Rs 503,191,524 was given by NTDC to TIP on 20th April 2023.

Audit observed that an expenditure of Rs 46,547,856 was incurred on the procurement of angle iron and wires for the said project; however, despite the stipulated completion period of 240 days, the work has not been completed to date. The delay in project completion despite incurring substantial expenditure has led to idle utilization of public funds and risk of deterioration of materials, indicating a suspected loss to the Government.

Audit contends that non-completion of project timely indicates inefficiency / ineffective project management.

Audit reported the matter to management and PAO during November, 2025. It was replied that completion of the project was linked with release of grant / financing for TIP as committed by the government was not provided yet. TIP stated the project from its own resource with a view that meanwhile grant will be released but the same has not been provided yet. However, management is putting in all out efforts to complete the project as early as possible.

The reply is not plausible as the delay was not attributable to release of Government grant. Further, the project completion date was 20th December, 2023, however, the same was not

completed till date despite incurring huge expenditure of Rs 46.548 million in this regard.

The matter was discussed in the DAC meeting held on 18th December, 2025. The DAC directed the management to make vigorous efforts to complete the project under intimation to audit.

Audit recommends that strenuous efforts be made to complete the project in order to revive the goodwill of the organization and adjustment of expenditure incurred so far.

(PDP No 120-2026)

# 6. ASSET MANAGEMENT

Effective asset management is critical to safeguarding public assets, ensuring their optimal utilization, and securing due financial returns. Public sector entities are required to maintain proper records, enforce ownership and usage rights, and take timely action against unauthorized occupation or misuse of assets.

The audit observed weak asset management practices, as TIP land was illegally encroached upon by Police Station Haripur without any formal lease or rental agreement, resulting in non-recovery of rent and utility charges. The failure to regularize the occupation or initiate recovery action reflects inadequate safeguarding of assets, poor monitoring, and ineffective enforcement of asset management controls, leading to loss of public revenue and inefficient utilization of public property.

## 6.1 Illegal encroachment on TIP land by Police Station Haripur and non-recovery of rent & utility charges

According to Regulation-7 (1)(o) of Financial Management and Powers of PAOs Regulations, 2021, the Principal Accounting Officer (PAO) shall be responsible for safe custody of assets including maintenance of assets and inventory registers. PAO shall ensure that the maximum possible returns are achieved on each and every asset falling under the oversight of the Ministry or Division, department, sub-ordinate office.

TIP allocated a piece of land to Haripur Police for security of its premises since its inception and also paid salaries and allied expenses of police guards up to 1998. Later on TIP discontinued the payment of the said expenditure due to financial constraints w.e.f 01.01.1999.

Audit observed that Haripur Police encroached upon TIP land measuring 6,000 sq. ft. by constructing a police station and boundary wall. TIP neither vacated the premises nor entered into any rental agreement, resulting in a loss of Rs 4.104 million during 2024–25 due to non-claiming of rent. Furthermore, electricity and water charges amounting to Rs 0.624 million were not recovered.

Audit contends that non-recovery of rent & utility charges of building from Haripur Police Department reflects poor administrative and financial control of TIP's management, which resulted into non-realization of its dues.

Audit reported the matter to management during November, 2025. It was replied that TIP has filed a court case for recovery of outstanding amount payable by Police Station & for signing of rent agreement and update will be provided once the case is decided by the Hon Court.

The matter was discussed in the DAC meeting held on 18th December, 2025. The DAC directed the management to pursue the court case vigorously under report to audit.

Audit recommends that hectic efforts be made to recover the pointed out amount and get it verified from audit.

(PDP No 111-2026)

# CONCLUSION

The audit of Telephone Industries of Pakistan (TIP) reveals persistent and systemic deficiencies in governance, financial management, procurement, operational processes, and asset management, which collectively undermine the entity's sustainability, transparency, and alignment with its core mandate of telecommunications manufacturing, research, and ICT equipment provision. Despite its historical role in supporting national communication infrastructure, TIP has remained largely non-functional since 2004, burdened by accumulated losses, negative equity, and defaulted loans exceeding Rs. 2.3 billion, rendering it financially and operationally incapable of independently executing high-value projects. The 2021 transfer to the National Radio Telecommunication Corporation (NRTC) aimed at revival has instead perpetuated dependency, enabling TIP to secure contracts beyond its demonstrated capacity, such as the TIP–CDA electric bus project, thereby exposing public resources to elevated fiscal risks and contingent liabilities.

Governance remains compromised by non-compliance with the Corporate Governance Rules and the Companies Act, 2017, including inadequate independent and female representation on the Board, which has weakened oversight and strategic decision-making. Financial management exhibits structural weaknesses, evidenced by recurring losses from unpaid loan interest, unjustified overcharging through escalated electricity costs, and unauthorized payments for ITS software that circumvented SBP approvals and evaded withholding taxes. Procurement practices demonstrate widespread non-compliance with PPRA Rules, including unauthorized subcontracting under G2G arrangements, direct contracting without competitive bidding, and awards on quotation basis absent genuine urgency, resulting in mis-procurement and diminished value for money. This practice diluted value for money, facilitated overcharging and cost escalation, and undermined transparency, resulting in fiscal exposure exceeding Rs 8.25 billion. Non-compliance with applicable regulatory frameworks, including PSEB and NEECA requirements, further weakened accountability and public confidence. Operational inefficiencies are apparent in project delays despite substantial expenditures, inadequate performance monitoring, and deliberate manipulation of payment structures to bypass regulatory requirements. Asset management controls are similarly deficient, as illegal encroachment on TIP land has led to unrecovered rent and utility charges, reflecting poor safeguarding of public property.

These interlinked issues highlight a fundamental misalignment between TIP's approved mandate and its engagement in non-core activities, amplifying financial vulnerabilities and eroding public accountability. Without comprehensive reforms to enforce regulatory compliance, restrict participation in projects exceeding internal capabilities, and revitalize core functions, TIP will continue to pose risks to public funds and fail to contribute effectively to national technological self-reliance and economic objectives.

# RECOMMENDATIONS

i. Enforce strict mandate alignment for SOEs, prohibiting TIP and similar entities from engaging in non-core activities (e.g., urban transport projects) without prior demonstration of independent technical, financial, and operational capacity. This includes ceasing all ongoing non-telecom engagements and requiring explicit approval for any diversification, ensuring no dilution of core functions and safeguarding public funds from inefficient resource allocation.
ii. Amend or enforce PPRA Rules to explicitly bar the award of Government-to-Government (G2G) contracts to SOEs lacking requisite expertise and execution capacity, mandating that such awards be limited to entities capable of performing works exclusively through their own resources without subcontracting. Fix responsibility for any circumvention, with mandatory pre-award capacity audits to prevent fiscal exposure and ensure competitive value for money.
iii. Reconstitute the Board of Directors of TIP on a priority basis in line with the requirements of the Companies Act, 2017 and the Corporate Governance Rules, through appointment of the prescribed number of independent directors and inclusion of mandatory female representation, along with appropriate disclosures, to strengthen governance and oversight.
iv. TIP should formulate and implement a time-bound loan repayment and restructuring plan to control mounting liabilities and prevent further financial losses besides fixing responsibility for default escalation.
v. TIP should strictly adhere to Government-to-Government (G2G) arrangements by executing projects through its own resources and refrain from unauthorized subcontracting in violation of procurement rules besides fixing responsibility against responsible.
vi. TIP should ensure that procurement of EV charging infrastructure is conducted through open competitive bidding and only from firms duly registered with NEECA.
vii. TIP should prohibit unauthorized subletting and ensure that payments are made strictly to contractual and duly registered entities in accordance with PPRA rules.
viii. TIP should ensure full compliance with SBP regulations and tax laws by routing all foreign payments through approved channels with requisite approvals and statutory tax deductions.
ix. TIP should review and rationalize pricing and escalation mechanisms to ensure that operational costs reflect actual consumption and prevent overcharging of clients and fix responsibility for formula manipulation.
x. TIP should enforce strict compliance with Public Procurement Rules by avoiding misuse of urgency/OEM provisions for non-proprietary services (e.g., HR outsourcing), obtaining mandatory PAO approvals, and ensuring enforcement of contractual terms.TIP should avoid brand-specific and non-competitive procurements and ensure open competition to achieve transparency and value for money.
xi. TIP should strengthen project planning, financing arrangements, and monitoring mechanisms to ensure timely completion of projects and effective performance management besides fixing responsibility for inefficiencies.

xii. TIP should safeguard its land and other assets by formalizing agreements, recovering outstanding dues, and taking timely legal and administrative action to prevent encroachments.
xiii. Refer all evasion cases to FBR/SBP for recovery and penalties, with personal liability under Public Finance Management Act 2019.

# APPENDICES

# APPENDIX-I AUDIT OBJECTIVES, SCOPE, METHODOLOGY

## A. Audit Objectives

The audit aims to assess the financial sustainability of Telephone Industries Pakistan (TIP), its governance practices, and compliance with applicable statutory, regulatory, and policy frameworks. It is designed to evaluate the effectiveness of internal control systems, financial management arrangements, and accounting transactions. The audit further seeks to examine administrative and financial decisions taken by management, as well as decisions of the Board of Directors, to assess their alignment with delegated authority and organizational objectives. In addition, the audit seeks to determine whether public resources are utilized economically, efficiently, and effectively, and to identify potential systemic risks, governance deficiencies, and operational inefficiencies requiring corrective measures.

## B. Audit Scope

The audit covered review of financial data of TIP for the FY 2024–25 on a test-check basis and analysis of draft financial statements for the year 2023-24 & 2024-25 and approved financial statements of 2021-22 & 2022-23. Field audit procedures were conducted at TIP Headquarters, Haripur, in October 2025. The audit examined financial statements, accounting records, procurement and HR files, internal controls, and related documentation, and reviews procurement, financial management, and human resource deployment for compliance with applicable laws, PPRA regulations, SOE Act provisions, and internal policies, using a selective, risk-based approach.

## C. Audit Methodology

The audit followed ISSIA standard and a risk-based approach. It included examination of financial statements, trend and ratio analysis, verification of transactions, procurement reviews, HR utilization assessment and SOPs. Analytical procedures covered cash-flow sustainability, accounting & billing systems, staffing efficiency and cost impacts. Findings were structured using AGP format (Criterion, Condition, Cause, Effect and Recommendation).

# APPENDIX-II
# COMPOSITE (RISK) RATING OF TELEPHONE INDUSTRIES OF PAKISTAN (TIP)

**A–D Rating Model (**A=Low Risk, B=Moderate Risk, C=High Risk, D=Critical Risk)

| Area of Assessment | Audit Criteria | Key Audit Observations (TIP) | Risk Level |
|---|---|---|---|
| Governance & Oversight | Effective Board oversight, transparent decision-making, sound internal controls | Severely weak governance oversight; strategic and financial decisions taken without documented risk assessment; ineffective internal control environment; delayed or absent corrective actions by management and Board | Critical/D |
| Financial Management & Sustainability | Financial stability, debt servicing capacity, cost recovery, IPSAS-aligned reporting | Persistent and escalating operational losses; inability to service principal and interest on loans; mounting liabilities; severe liquidity stress; weak cash-flow forecasting; heightened going-concern risks | Critical/D |
| Operational Efficiency | Efficient use of resources, productivity, cost control | Excessive dependence on outsourcing and subcontracting; underutilization of core assets; cost overruns and inefficiencies in execution of major projects adversely affecting financial outcomes | High/C |
| Compliance & Regulatory Adherence | Compliance with G2G framework, procurement rules, contractual obligations | Repeated deviations from G2G principles; procurement and contract management deficiencies; instances of regulatory non-compliance exposing the entity to legal, financial, and reputational risks | Critical/D |
| Strategic Alignment & Public Value | Alignment with mandate, contribution to public value | Inadequate achievement of core mandate; erosion of public value due to sustained financial distress, operational weaknesses, and governance failures | High/C |