



**AUDIT REPORT
ON
THE ACCOUNTS OF
POWER DIVISION, ITS ATTACHED
ENTITIES AND NEPRA
AUDIT YEAR 2024-25**

AUDITOR-GENERAL OF PAKISTAN

SERVING THE NATION BY PROMOTING ACCOUNTABILITY, TRANSPARENCY AND GOOD GOVERNANCE
IN THE MANAGEMENT AND USE OF PUBLIC RESOURCES
FOR THE CITIZENS OF PAKISTAN

PREFACE

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with Sections 8, 12 and 15 of the Auditor-General's (Functions, Powers, Terms and Conditions of Service) Ordinance, 2001 require the Auditor-General of Pakistan to conduct audit of receipts and expenditure out of the Federal Consolidated Fund and Public Accounts and that of Government commercial undertakings and of any authority or body established by the Federation.

The report is based on audit of the accounts of Power Division, its attached entities and NEPRA for the financial year 2023-24. It also contains audit paras pertaining to the previous financial years. The Directorate General Audit (Power) Lahore conducted audit during 2024-25, on test check basis with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes only systemic issues and significant audit findings. Relatively less significant findings, given in Annex-A, shall be pursued with the Principal Accounting Officers (PAOs) at the DAC level and any lack of appropriate action will warrant their inclusion in next year's Audit Report.

Impact Audit of Anti-theft campaign initiative in LESCO and HESCO has been made part of this report. Thematic Audit of Material Management in SEPCO is also included in the report. Moreover, significant findings of Performance / Information Systems / Special Audit Reports and Special Study Reports have also been included in the report.

Audit findings indicate the need for adherence to the regularity framework besides strengthening internal controls to avoid recurrence of similar violations and irregularities.

The observations included in this report have been finalized in the light of discussions in the Departmental Accounts Committee (DAC) meetings.

There are certain issues which were also reported in the Audit Reports for financial years 2022-23 and 2023-24. Recurrence of such irregularities is a matter of concern and needs to be addressed.

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

Islamabad

Dated:

(Muhammad Ajmal Gondal)

Auditor-General of Pakistan

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ABBREVIATIONS AND ACRONYMS

ABC	Ariel Bundle Cable
ACT	Available Capacity Test
ACT	Annual Capacity Test
ADB	Asian Development Bank
ADCT	Annual Dependable Capacity Test
AEDB	Alternative Energy Development Board
AMI	Advanced Metering Infrastructure
AMR	Automatic Meter Reading
AT&C	Aggregate Technical & Commercial
BoD	Board of Directors
BoQ	Bill of Quantities
CCI	Counsel of Common Interest
CCMS	Customers Complaint Management System
CCoE	Cabinet Committee on Energy
CCP	Competitive Commission of Pakistan
CDP	Common Distribution Point
CDWP	Central Development Working Party
COD	Commercial Operation Date
CPP	Capacity Purchase Price
CPPA-G	Central Power Purchasing Agency Guaranteed
CRC	Circle Review Committee
CSM	Consumer Service Manual
DAC	Departmental Accounts Committee
DDO	Drawing & Disbursing Officer
DISCOs	Distribution Companies
DSS	Debt Servicing Surcharge
DPE	Departmental Promotion Examination
DPO	District Police Officer
ECC	Economic Coordination Committee
EDEIP	Electricity Distribution Efficiency Improvement Project
ELR	Energy Loss Reduction
EOT	Extension of Time
EPP	Energy Purchase Price
ETPB	Evacuee Trust Property Board
FAC	Factory Acceptance Test
FBR	Federal Board of Revenue
FCF	Federal Consolidated Fund
FESCO	Faisalabad Electric Supply Company
FIA	Federal Investigation Agency

FIR	First Information Report
FPA	Fuel Price Adjustment
GCC	General Condition of contract
GENCOs	Generation Companies
GHCL	GENCO Holding Company Limited
GPO	Grid System Operation
GPPs	Govt. Power Plants
GRN	Goods Receipt Note
GSA	Gas Supply Agreement
GSC	Grid System Construction
GWh	Giga Watt Hours
HESCO	Hyderabad Electric Supply Company
HRM	Human Resource Management
HT	High Tension
HV&SC	High Voltage and Short Circuit
HVAC	Heating, Ventilation, and Air Conditioning
IAA	Independent Auction Administrator
IAS	International Accounting Standards
IBRD	International Bank for Reconstruction and Development
IEC	International Electro technical Commission
IEEE	Institute of Electrical and Electronics Engineers
IESCO	Islamabad Electric Supply Company
IPPs	Independent Power Producers
JPGCL	Jamshoro Power Generation Company Limited
KAPCO	Kot Addu Power Company
KIBOR	Karachi Inter Bank Offer Rates
KPI	Key Performance Indicators
KPRA	Khyber Pakhtunkhwa Revenue Authority
kVA	Kilo Volt Amps
kW	Kilo Watt
LD	Liquidated Damages
LESCO	Lahore Electric Supply Company
LOI	Letter of Intent
LOS	Letter of Support
LPGCL	Lakhra Power Generation Company Limited
LPS	Ledger Posting Summary
LT	Low Tension
M&T	Metering and Testing
MDI	Maximum Demand Indicator
MEPCO	Multan Electric Power Company
MIRAD	Market Implementation & Regulatory Affairs Department

MoE	Ministry of Energy
MSR	Material at Site Register
MYT	Multi Year Tariff
NADRA	National Database & Registration Authority
NEECA	National Energy Efficiency & Conservation Authority
NEPRA	National Electric Power Regulatory Authority
NOA	Notification of Award
NPCC	National Power Control Centre
NPMV	Non-Project Missed Volume
NPPMCL	National Power Parks Management Company Private Limited
NTDC	National Transmission and Despatch Company
NTP	Notice to Proceed
O&M	Operation and Maintenance
OFME	Other Forced Majeure Event
P-Disc.	Permanently Disconnected
PEPCO	Pakistan Electric Power Company
PERF	Pakistan Energy Revolving Fund
PESCO	Peshawar Electric Supply Company
PHL	Power Holding Limited
PID	Press Information Department
PITC	Power Information Technology Company
PMLTC	Pak-Matiari Lahore Transmission Company
PMU	Project Management Unit
PNSC	Pakistan National Shipping Corporation
PPA	Power Purchase Agreement
PPAA	Power Procurement Agency Agreement
PPE	Personal Protective Equipment
PPIW	Power Purchaser's Interconnection Works
PPMC	Power Planning & Monitoring Company
PPP	Power Purchase Price
PPRA	Public Procurement Regulatory Authority
PTW	Permits to Work
QA&I	Quality Assurance & Inspection
QESCO	Quetta Electric Supply Company
RE	Renewable Energy
RFP	Request for Proposal
RLNG	Re-gasified Liquefied Natural Gas
RRC	Regional Review Committee
S&I	Surveillance & Intelligence
SAP	System Application and Products
SAP	System Augmentation Program

SDC	Scheduling and Dispatch Code
SDGs	Sustainable Development Goals
SEPCO	Sukkur Electric Power Company
SMEs	Small and Medium Enterprises
SNGPL	Sui Northern Gas Pipelines
SOE Act	State-owned Enterprises Act
SSGCL	Sui Southern Gas Company Limited
T&D	Transmission & Distribution
T&P	Tools and Plants
TDS	Tariff Differential Subsidy
TESCO	Tribal Areas Electric Supply Company
ToR	Terms of Reference
TRW	Transformer Reclamation Workshop
USPS	Uniform Seasonal Pricing Structure
WAPDA	Water and Power Development Authority
WCSR	WAPDA Composite Schedule Rates
ZRI	Zero Rates Industry

EXECUTIVE SUMMARY

The Directorate General Audit (Power) carries out the audit of Power Division, its attached entities and NEPRA on behalf of the Auditor-General of Pakistan as envisaged in Article 170(2) and further elaborated in Sections 8, 12 and 15 of Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001. The Directorate General Audit (Power) has the mandate to conduct audit of 153 formations, out of which 152 are under the administrative control of Power Division while NEPRA reports to Cabinet Division. During audit year 2024-25, the Directorate General carried out compliance audit of 66 formations while audit of 13 formations was conducted during the audit year 2023-24 (Phase-II). The report highlights significant issues including status of compliance with applicable laws, rules and procedures. The report also contains comments on the annual audited financial statements of 12 entities out of 17 planned entities. Audit comments on financial statements of remaining 05 entities could not be reported as the management failed to submit their annual audited accounts to this office by December 31, 2024.

a. Sectoral Analysis

➤ Ministry of Energy, Power Division

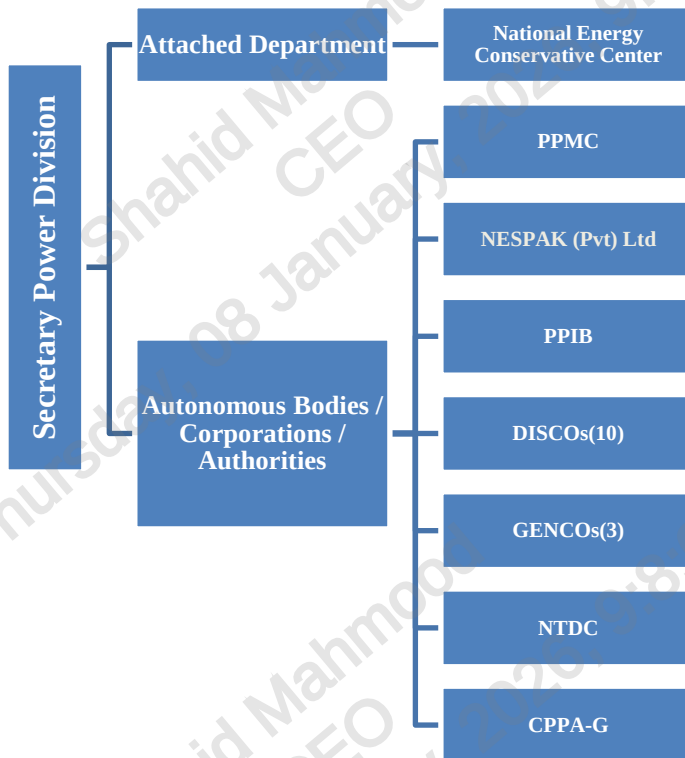
The Ministry of Energy (Power Division) was established in August 2017 following the bifurcation of the Ministry of Water and Power. Under this reorganization, the Water Division was integrated into the newly created Ministry of Water Resources, while the Power Division became part of the newly formed Ministry of Energy, which comprises two divisions: the Power Division and the Petroleum Division.

The Power Division is primarily responsible for formulating policies and supervising all matters related to electricity, including its generation, transmission and distribution functions. Currently, the division manages the operations and governance of 22 public sector companies and 2 statutory bodies, addressing their policy, financial, operational, and administrative matters.

To meet growing energy demands, the Power Division formulates comprehensive strategies focusing on enhancing electricity generation. Priority is given to alternative and renewable energy sources, thermal and coal power

projects, as well as the development of indigenous hydel resources. These initiatives aim to transform Pakistan into an energy-sufficient country, driving sustainable economic growth and social development.

Figure-1: Organizational Structure of Power Sector



[Source: Ministry of Energy (Power Division)]

Note: GENCO-IV had been closed being non-operational power plant in the light of Cabinet decision dated September 10, 2020.

➤ **National Electricity Policy**

Council of Common Interests approved the National Electricity Policy on February 03, 2021, in pursuance to the stipulations under Section 14A (1) of Regulation of Generation, Transmission and Distribution of Electric Power Act 1997 (NEPRA Act), to serve as an over-arching umbrella for development, reforms, improvement and sustainability of the power sector. Section 14A (4) of the NEPRA Act, further, requires development of National Electricity Plan.

The approved National Electricity Policy stipulates that the National Electricity Plan shall provide guidelines, implementation mechanisms and tools for the realization of the policy goals for the power sector. Further, National Electricity Policy entails inclusion of high-level tasks, timelines and responsibilities of respective entities in National Electricity Plan to meet policy directives.

National Electricity Policy identifies three over-arching goals for the power sector, namely:

- Access to Affordable Energy,
- Energy Security
- Sustainability

Further, nine areas have been identified under the said policy wherein the policy directions are aimed for the attainment of aforesaid goals.

1. Integrated Energy Planning
2. Generation Expansion
3. Distributed Energy Resources
4. Cross-border Trade of Electricity
5. Transmission Network Expansion
6. Robust Distribution Infrastructure
7. System & Market Operations
8. Electrification
9. Risk Assessment & Management

➤ **National Electricity Plan**

As per National Electricity Policy, there will be a five-year National Electricity Plan with fifteen years perspective. Subject plan was approved on

September 25, 2023 which consists of Six (6) broad objectives which have been set forth in the strategic architecture, namely:

- Diversification
- Resilience & Accessibility
- Self-Sufficiency
- Affordability
- Financial Viability
- Sustainability

Accordingly, twenty (20) distinct priority areas have been identified & mapped under the objectives provided above, wherein all the strategic directives shall be monitored and evaluated to achieve overarching policy.

➤ **Sectoral Analysis Methodology**

In order to achieve above cited goals, power sector took different steps which directly or indirectly affected ultimate consumers of power sector. This sectoral analysis reviewed the players of power sector at macro-level. The activities of power sector are reviewed against its KPIs with brief recommendatory submissions. This analysis captures and presents the status and performance of various segments of the sector. It also provides a snapshot of developments, delivery of sectoral players, identifies weaknesses of the sector, and suggests improvements in each segment.

➤ **Budget profile of Power Division**

The budget estimates and utilization for the Power Division during the last two financial years remained as follows:

Table-1

Demand No. 033	Financial Years	Budget Estimates	Revised Budget	Variation
Main Secretariat	2022-23	355,367 million	704,800 million	198.33%
	2023-24	450,565 million	769,706 million	170.83%

[Source: Ministry of Energy (Power Division) Budget Statement]

Budget is an important tool to gauge the efficiency and effectiveness of the entity. Planning, budgeting and optimum utilization of resources are all linked with sound management and utilization of budget. Budget Estimates for the Financial

Year 2023-24 of Power Division under Demand No. 033 were Rs.450.5 billion¹ and the Revised Budget Estimates were Rs.769.7 billion after taking effect of additional financial allocations of Rs.310.075 billion under the sub-head “Investments” to fulfill the requirement of Pakistan Energy Revolving Fund (PERF) and IPPs/GPPs. The payment made to PERF was Rs.48.00 billion whereas the payment made to IPPs/GPPs was Rs.262.075 billion.

➤ **Role of major players in power sector**

The power sector is a complex network of organizations including companies, regulatory bodies, private sector businesses etc., all inter-linked with each other based on different nature of business operations.

Brief profile of the main power players is as follows:

Table-2

Sr. No	Name of Entity	Functional Role
1.	Water and Power Development Authority (WAPDA)	WAPDA is responsible for the development and management of water and hydropower resources in Pakistan. Its primary functions include the construction and operation of dams, reservoirs, canals, and hydropower plants to ensure water storage, irrigation, flood control, and renewable energy generation to meet the country’s energy and agricultural needs.
2.	Central Power Purchasing Agency-Guarantee (CPPA-G)	It is the power-sector’s market operator. It purchases electricity on behalf of distribution companies and sells it on behalf of power generation companies. It bills the distribution companies for sold electricity and makes payments to the power generating units.
3.	National Transmission and	NTDC controls the transmission network (i.e. power lines of 220 kV and above); its role is to pick (i.e.

¹ Information provided by MoE (Power Division)

	Dispatch Company (NTDC)	evacuate) the electricity from the power generation companies and ensure its transmission to the concerned DISCOs.
4.	National Control Centre (NPCC)	It is a subordinate office of NTDC. It is responsible for real time monitoring of electricity demand and supply, power balancing and formulation of Economic Merit Order, ensuring that adequate supply of electricity from cheapest available sources is made available to DISCOs.
5.	Distribution Companies (DISCOs)	DISCOs are supplying, distributing and selling power (electricity) in their designated areas. These companies receive electricity from power producing units and distribute among consumers and charge them as per NEPRA tariffs, notified by the Government of Pakistan.
6.	Power Holding Limited (PHL)	It is responsible for arranging bridge financing/other financial instruments for repayment of liabilities of DISCOs in order to settle the circular debt of Power Sector on the terms and conditions approved by the Government from time to time.
7.	National Electric Power Regulatory Authority (NEPRA)	NEPRA is a regulator of the power sector of Pakistan, it provides the basis for sale and purchase of electricity i.e. determination of tariffs.
8.	Power Planning & Monitoring Company (PPMC)	PPMC is the management company of the power sector distribution companies (DISCOs).
9.	Generation Companies GENCOs	These are government owned power producing units operating mostly on furnace oil and natural gas basis.

10.	Private Power Infrastructure Board (PPIB)	The Private Power and Infrastructure Board (PPIB) operate at the federal level as one-window facilitator for investment in the power sector, in alignment with the relevant government policies. In order to create synergy in Power Sector, GOP has merged Alternative Energy Development Board (AEDB) with PPIB w.e.f. June 10, 2023.
11.	Independent Power Producers (IPPs)	These are private entities having sovereign contracts with the GoP for the sale of electricity being produced by them.
12.	Bank Consortiums	These banks provide loans to PHL to pay-off CPPA-G liability.
13.	Natural Gas Utility Companies (SNGPL&SSGCL)	These companies supply natural gas to domestic consumers and procure LNG for the GENCOs and IPPs.
14.	Pakistan State Oil Company (PSO)	It supplies HSD oil to fuel based GENCOs and IPPs.

➤ **Installed Capacity of CPPA-G System**

Installed capacity represents the maximum output a power plant can achieve under ideal conditions; In contrast, de-rated or dependable capacity provides a more realistic assessment by considering operational limitations, such as ageing equipment and environmental factors. Currently, a significant portion of power sector's generation capacity is on two-part tariff structure basis. This arrangement, given under their respective Power Purchase Agreement (PPA), guarantees that power plants receive capacity payments for their de-rated capacity, regardless of their actual electricity output. Additionally, CPPA-G, under respective PPA, is bound to purchase all electricity from Renewable Energy (RE) power plants, regardless of the demand. In case of failure to evacuate energy due to system limitations or low demand, CPPA-G is contractually bound to pay NPMV to such RE power plants.

As of June 30, 2024, total installed capacity of CPPA-G system stands at 42,515 MW. The detailed breakdown of this capacity according to energy sources is provided in the following table:

Table-3: Installed Capacity (CPPA-G-System)

Source	As on	As on	Variation	
	30.06.2023	30.06.2024	(MW)	(%)
WAPDA HYDEL	9,389	9,389	0	0
IPPs Hydel	1,246	1246	0	0
Total Hydel	10,635	10,635	0	0
GENCOs	4587	4587	0	0
IPPs	20563	20563	0	0
PPs/CPPs	340	340	0	0
Total Thermal	25490	25490	0	0
Nuclear	3620	3620	0	0
Wind	1838	1838	0	0
Solar	530	680	150	28.30
Bagasse/Biomass	249	249	0	0
Total Renewable	2617	2767	150	5.73
Total CPPA-G System	42,362	42,512	150	0.35

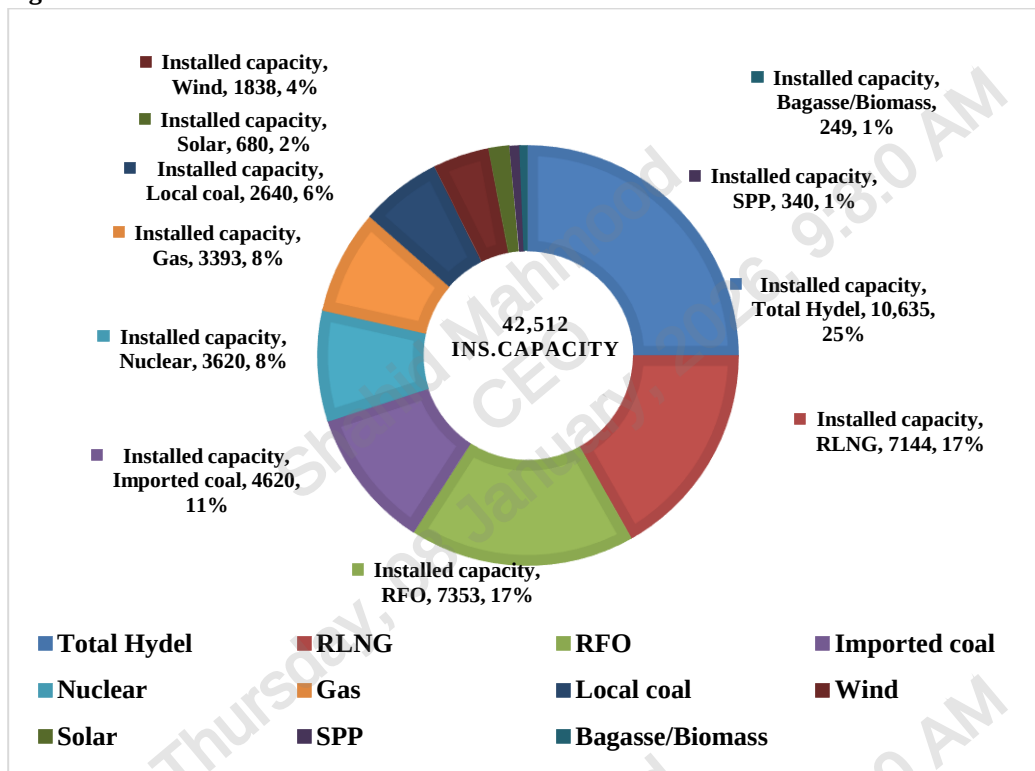
(Source: NEPRA State of Industry Report-2024)

The energy generation capacity is distributed across diverse sources: thermal generation accounts for 25,490 MW, nuclear power contributes 3,620 MW, hydroelectric power provides 10,635 MW, wind power generates 1,838 MW, solar power adds 680 MW, and bagasse/biomass contributes 249 MW.

➤ **Capacity Mix**

Capacity Mix refers to the proportionate distribution of a power system's total installed generation capacity across various energy sources. It illustrates the share of each energy source, such as thermal, nuclear, hydropower, wind, solar, and biomass, in the overall capacity of the system. The power sector's capacity mix is crucial for cost-effectiveness and energy security, reflecting the distribution of installed capacity across hydropower, coal (imported and local), gas, RLNG, nuclear, RFO, HSD, and renewables. It defines electricity generation potential, with the CPPA-G's system capacity mix as of June 30, 2024 as illustrated:

Figure-2

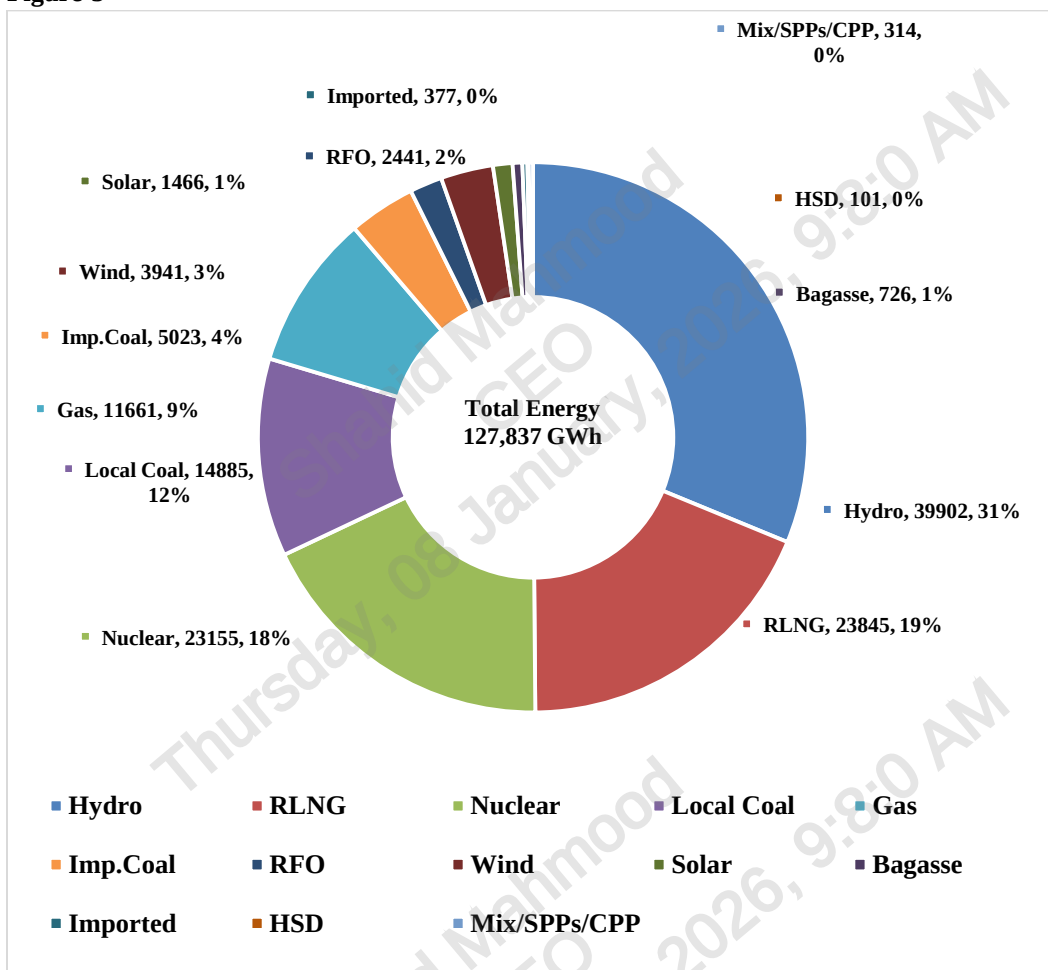


(Source: NEPRA-State of Industry Report 2024)

➤ **Generation Mix**

It refers to the actual contribution of different energy sources to the total electricity generated within a power system over a specific period. Unlike the capacity mix, which focuses on installed capacity, the generation mix reflects the real-time utilization of energy sources based on factors like demand, fuel availability, operational costs, and weather conditions. This mix represents the actual contribution of various energy sources, such as hydropower, thermal, nuclear, and renewables, to the total electricity generation. It is influenced by multiple factors, including electricity demand patterns, fuel availability, operational efficiency, and prevailing weather conditions.

Figure-3

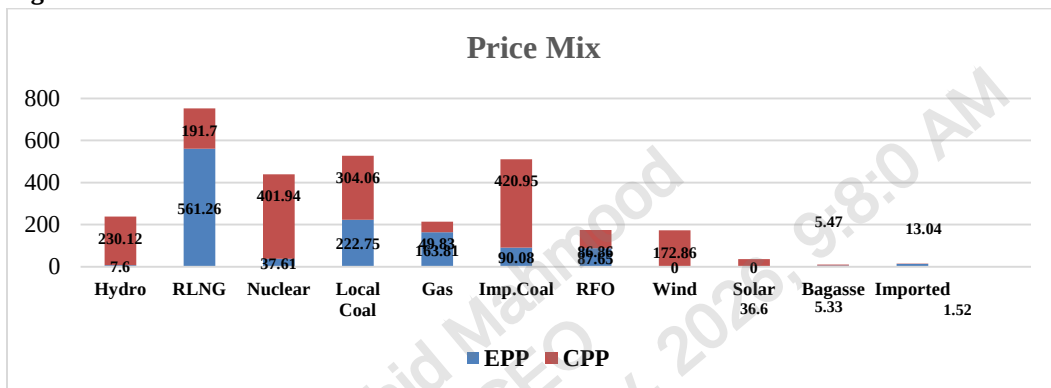


(Source: NEPRA-State of Industry Report 2024)

➤ **Energy and Capacity Purchase Price**

The Energy Purchase Price (EPP) and Capacity Purchase Price (CPP) are main cost components in the Power Purchase Price (PPP). The EPP represents the cost associated with the actual consumption of electricity, fuel usage and variable operational costs. On the other hand, the CPP accounts for the cost of securing and maintaining generation capacity, regardless of whether the capacity is fully utilized.

Figure-4

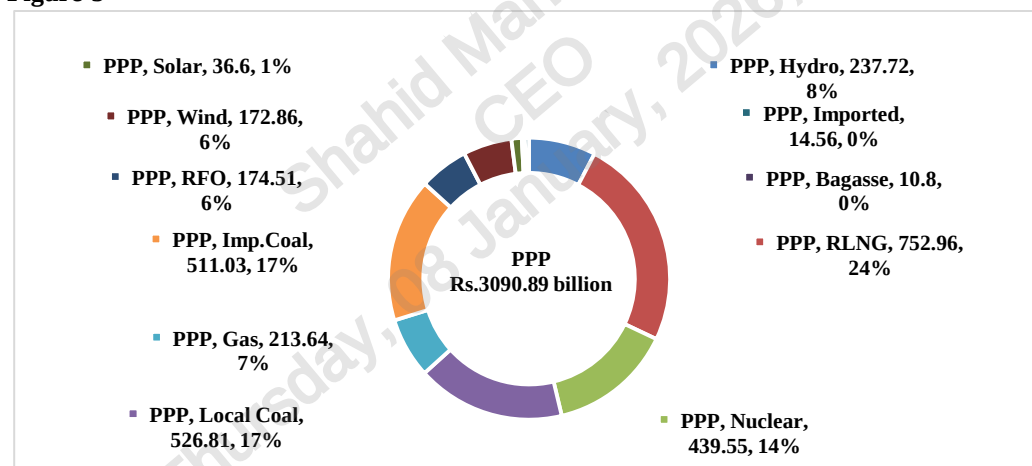


(Source: NEPRA-State of Industry Report 2024)

➤ Price Mix of CPPA-G System

Price Mix in the power sector refers to the proportionate contribution of different energy sources or cost components to the overall cost of electricity generation and supply. It accounts for factors such as EPP and CPP. The price mix of power generation comprises essential cost components that significantly impact electricity pricing and the economic sustainability of the power sector. These components include the EPP and CPP. This mix directly influences the final price for consumers and the economic sustainability of the sector. The following graphs illustrate the price mix of Pakistan's power sector for financial year 2023-24:

Figure-5



(Source: NEPRA-State of Industry Report 2024)

The following table shows the share of capacity, generation, EPP, CPP and PPP for each type of fuel during the financial year 2023-24:

Table-4: Fuel wise Power Purchase Price break-down

Fuel	Capacity		Generation		EPP		CPP		PPP	
	MW	%	GWh	%	Rs.in billion	%	Rs.in billion	%	Rs.in billion	%
Hydro	10635	25.02%	39902	31.21%	7.6	0.64%	230.12	12.10%	237.72	7.69%
RLNG	7144	16.80%	23845	18.65%	561.26	47.21%	191.7	10.08%	752.96	24.36%
Nuclear	3620	8.52%	23155	18.11%	37.61	3.16%	401.94	21.13%	439.55	14.22%
Local Coal	2640	6.21%	14885	11.64%	222.75	18.73%	304.06	15.99%	526.81	17.04%
Gas	3393	7.98%	11661	9.12%	163.81	13.78%	49.83	2.62%	213.64	6.91%
Imp.Coal	4620	10.87%	5023	3.93%	90.08	7.58%	420.95	22.13%	511.03	16.53%
RFO	7353	17.30%	2441	1.91%	87.65	7.37%	86.86	4.57%	174.51	5.65%
Wind	1838	4.32%	3941	3.08%	0	0.00%	172.86	9.09%	172.86	5.59%
Solar	680	1.60%	1466	1.15%	0	0.00%	36.6	1.92%	36.6	1.18%
Bagasse	249	0.59%	726	0.57%	5.47	0.46%	5.33	0.28%	10.8	0.35%
Imported			377	0.29%	13.04	1.10%	1.52	0.08%	14.56	0.47%
HSD			101	0.08%					0	
Mix/SPPs/CPP	340	0.80%	314	0.25%	-0.31	-0.03%	0.16	0.01%	-0.15	0.00%
Total	42512	100%	127837	100%	1188.96	100%	1901.93	100%	3090.89	100%

(Source: Annual Report 2024 CPPA-G)

The table illustrates that in financial year 2023-24, hydropower holds a significant share in both the capacity mix (25.22%) and generation mix (31.41%), but its contribution to the price mix is comparatively low (7.69%). Conversely, RLNG power, with lower shares in capacity (16.94%) and generation (18.88%), accounts for a higher price mix (24.36%). This trend is attributed to the relatively low-capacity costs of older hydropower plants compared to newer plants which often have higher per-unit costs than thermal plants.

The analysis highlighted challenges in thermal power generation due to high costs associated with EPPs and CPPs as available capacity remained underutilized. Despite this, thermal plants remain essential for ensuring base-load power and stabilizing fluctuations from RE sources. It is pertinent to mention that RE plants don't involve EPP, they face intermittency, leading to low capacity factors due to fluctuations in their primary energy sources.

➤ **Electricity generation and consumption**

During the financial year 2023-24, electricity generation reached 127,837 GWh, slightly down from 129,134 GWh in the financial year 2022-23. Electricity

imports from Iran also declined to 377.58 GWh from 478.62 GWh. Despite an increase in new electricity consumers, overall consumption decreased, with significant declines in the industrial and agricultural sectors. High electricity costs, the rise of distributed generation (e.g. rooftop solar), demand-suppressive tariffs for large consumers, AT&C losses, and unreliable supply from DISCOs have driven this trend.

It is pertinent to mention that to reverse this trend, a multifaceted approach is required which comprises of sustainable generation planning that integrates distributed generation, cost-reducing tariff structures to boost demand, infrastructure upgrades, improved system efficiency, and stronger governance. Addressing high electricity costs, enhancing reliability, and boosting customer-centric practices are essential for rebuilding trust in the national grid, increasing consumption, and ensuring a sustainable energy future. Following table highlights energy generation during the financial year 2023-24:

Table-5: Energy generation

As on 30th June, 2024	financial year 2022-23	financial year 2023-24	Variation	
			(GWh)	(%)
WAPDA Hydel	31,399.16	35,032.87	3,633.71	11.57%
IPPs Hydel	4,863.15	4,869.47	6.32	0.13%
Total Hydel	36,262.31	39,902.34	3,640.03	10.04%
GENCOs	5,957.03	3,489.59	- 2,467.44	-41.42%
IPPs	56,208.19	54,464.00	- 1,744.19	-3.10%
SPPs/CPPs	150.02	314.19	164.17	109.43%
Import from Iran	478.62	377.58	- 101.04	-21.11%
Total Thermal	62,793.86	58,645.36	-4,148.50	-6.61%
Nuclear	24,054.56	23,154.81	- 899.75	-3.74%
Wind	4,086.05	3,941.07	- 144.98	-3.55%
Solar	908.83	1,028.90	120.07	13.21%
Net-metering import	183.04	438.46	255.42	139.54%
Bagasse/Biomass	845.36	726.85	- 118.51	-14.02%
Total Renewable	6,023.28	6,135.28	112.00	1.86%
Total CPPA-G System	129,134.01	127,837.79	-1,296.22	100.00%

(Source: NEPRA-State of Industry Report 2024)

Analysis based on above table indicates a decrease in total electricity generation by 1,296.24 GWh (-1.00%). This includes a significant decline in thermal generation by 4,148.51 GWh (-6.61%) and an increase in RE generation by 111.99 GWh (+1.86%). Hydropower showed a notable rise of 3,640.04 GWh (+10.04%). The reduction in thermal generation, coupled with the growth in RE generation, positively impacts on the Energy Purchase Price (EPP) by lowering overall costs. However, this shift may adversely affect the per-unit Capacity Purchase Price (CPP), particularly due to underutilized excess generation capacity.

➤ **Electricity Consumption**

During financial year 2023-24, total electricity consumption was 94,683 million kWh. The household sector is the largest consumer of electricity, consuming 47,143 million kWh (49.79 percent), followed by the industrial sector with 22,532 million kWh (23.80 percent). Moreover, agriculture and commercial sectors consume 8,559 million kWh (9.04 percent) and 7,253 million kWh (7.66 percent), respectively, whereas the electricity consumption in other sectors (include general services, residential colonies, railway traction & co-generation) is 9,196 million kWh (9.71 percent).

Table-6: Energy consumption

Sector	No of Consumers	Units Consumed (MkWh)	Percentage
Total Domestic	31,868,378	47,143	49.79%
Total Commercial	3,678,978	7,253	7.66%
Total Industrial	379,455	22,532	23.80%
Total Agri	380,964	8,559	9.04%
Others*	249,415	9,196	9.71%
Total	36,557,190	94,683	100.00%

(Source: PPMC DISCOs performance statistics year 2023-24)

➤ **Transmission & Distribution losses of DISCOs**

The performance of DISCOs significantly affects the financial stability of the power sector. However, DISCOs continue to face challenges such as high Transmission and Distribution (T&D) losses and low recovery rates, which exert financial pressure on the sector and contribute substantially to the circular debt. During financial year 2023-24, DISCOs failed to achieve the T&D loss targets set by the NEPRA. It is pertinent to mention that DISCO's reported T&D losses

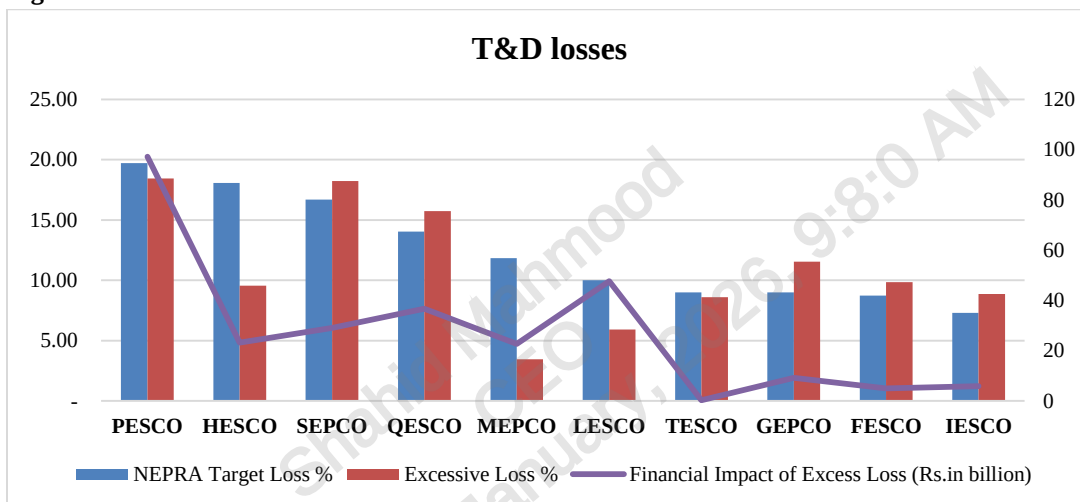
are not an accurate reflection of their operational performance due to the lack of proper metering and billing systems, along with substantial subsidies received from the Government of Pakistan (GOP). This shortfall has added a significant Rs.276.35 billion to the circular debt as detailed below:

Table-7: Financial impact of excess Transmission & Distribution Losses

DISCOs	NEPRA Target Loss %	Excess losses%	Financial Impact of Excess Loss (Rs.in billion)
PESCO	19.71	18.43	97.17
HESCO	18.06	9.56	23.18
SEPCO	16.68	18.23	29.06
QESCO	14.04	15.73	36.75
MEPCO	11.83	3.45	22.66
LESCO	10.00	5.92	47.63
TESCO	9.01	8.59	0.23
GEPCO	9.00	11.54	9.22
FESCO	8.74	9.86	5.04
IESCO	7.31	8.86	5.87
Financial impact of excess T&D losses			276.81

(Source: NEPRA-State of Industry Report 2024)

The following graph offers a comprehensive overview of each DISCO's performance during financial year 2023 24. It displays the units purchased at the top of each bar, while the units sold, and units lost are represented within the bars.

Figure-6

(Source: NEPRA-State of Industry Report 2024)

The aggregate Transmission and Distribution (T&D) losses of all DISCOs combined increased to 18.31% during financial year 2023-24, compared to 16.84% in financial year 2022-23. The NEPRA's allowed average T&D loss target for financial year 2023-24 was 11.77%, resulting in a 6.54% deviation from the target. This excess contributed Rs.276 billion to the circular debt for financial year 2023-24. This occurred despite an approved investment of Rs.163.10 billion for DISCOs² during the fiscal year, intended to enhance their network performance and reduce losses.

➤ **Revenue Shortfall of DISCOs**

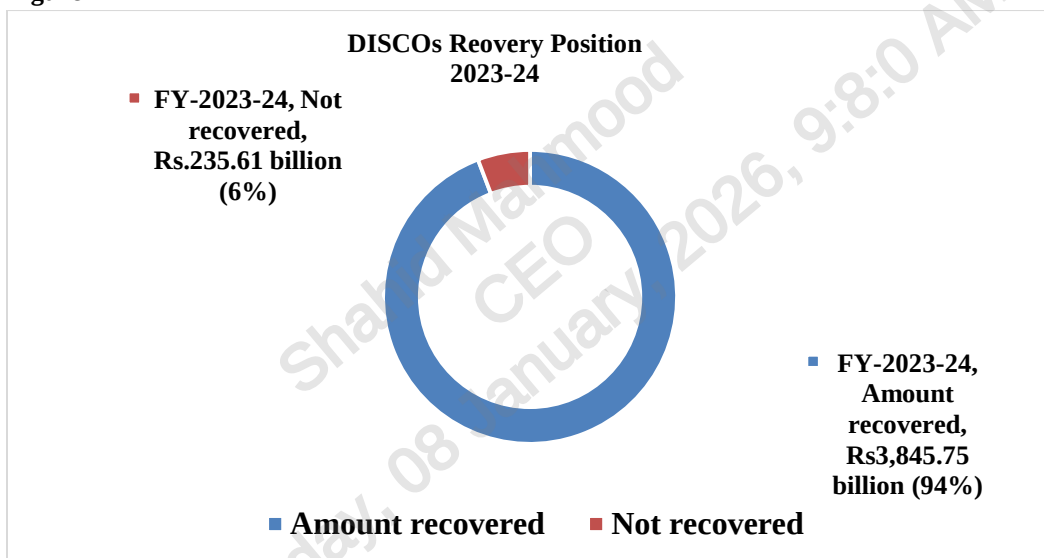
NEPRA sets consumer-end tariffs for DISCOs based on the assumption of 100% receivables. However, despite the stringent recovery target set by the regulator, the combined recovery rate across all DISCOs for financial year 2023-24 remained approximately 94.23%, as against last year's recovery of 94.05%. This recovery shortfall contributed an additional Rs.235.61 billion³ to the circular debt during financial year 2023-24, intensifying the financial pressure on the power sector.

² Para-1.4.3 and 1.4.48

³ Para-1.14.71

The following graph provides a recovery percentage and shortfall amounts (Rs.in billion) for all DISCOs.

Figure-7



(Source: NEPRA-State of Industry Report 2024)

Low recovery rate within DISCOs highlighted governance issues and need for accountability reforms. As the owner of DISCOs, the Government should focus on enhancing recovery efficiency through targeted interventions rather than imposing Debt Servicing Surcharges (DSS) or implementing disruptive measures like feeder shutdowns, which exacerbate revenue losses.

➤ **Load shedding based on Aggregate Technical & Commercial Losses**

The practice of load-shedding based on Aggregated Technical and Commercial (AT&C) losses was introduced in financial year 2014-15 to address high-loss areas with significant technical losses (energy lost during transmission and distribution) and commercial losses (theft and non-payment). By reducing supply to these areas, the policy aimed to minimize losses and promote improved electricity distribution management. The following table outlines load-shedding hours assigned to different AT&C loss categories, correlating loss percentages with load-shedding durations:

Table-8

Category	I	II	III	IV	V	VI	VII
AT&C Losses (%)	0-10	10.1-20	20.1-30	30.1-40	40.1-60	60.1-80	80.1 and above
Load-Shedding (Hours)	0	0	2	4	8	12	16

(Source: NEPRA-State of Industry Report 2024)

The load-shedding policy based on AT&C losses has proven flawed, unfairly penalizing well-paying consumers who pay their bills on time. Rather than addressing root causes like infrastructure upgrades, governance improvements, and system inefficiencies, DISCOs have used load-shedding as an easy solution, often shutting off feeders for over 12 hours in high-loss areas. This practice resulted in significant inconvenience to well consumers and leads to underutilization of generation capacity. A sustainable solution requires investing in distribution infrastructure, reducing technical losses, and enhancing governance and accountability within DISCOs. These measures will combat electricity theft, improve revenue collection, and ensure equitable and reliable power supply for all consumers.

➤ **Financial burden due to payment of Capacity Transfer Price to CPPA-G on account of Load Management**

Total 155,176,800 kW was allocated by National Power Control Centre (NPCC) against demand of the Companies. However, DISCOs utilized only 136,536,320 kW which was 87.99% of the total allocated quota. DISCOs in violation of NEPRA's directive conducted AT&C based load management which was 29,277,480 kW⁴. The DISCOs did not utilize fully allocated electricity quota due to load management. An additional financial burden on account of Capacity Transfer Price (CTP) payments to CPPA-G, without billing for the surplus electricity available in the system was passed on to consumers.

➤ **Huge receivables of DISCOs**

The huge receivables at DISCOs remained a major concern as ever. At the end of financial year 2023-24, receivables reached Rs.2,017.065 billion, up

⁴ Para-1.4.1

from Rs.1,727.104 billion in financial year 2022-23. A detailed breakup of receivables for each DISCO over the past four years is as under:

Table-9: Receivables position of DISCOs

DISCOs	Financial Year 2020-21	Financial Year 2021-22	Financial Year 2022-23	Financial Year 2023-24
PESCO	146,612.08	194,892.99	215,062.85	246,106.62
HESCO	63,224.75	79,423.48	86,569.74	83,962.09
SEPCO	82,098.00	100,748.83	73,957.67	89,447.32
QESCO	32,906.00	45,392.99	43,030.67	60,497.06
MEPCO	129,561.00	163,129.72	213,235.22	224,648.67
LESCO	54,222.48	73,157.60	71,285.76	86,116.63
TESCO	69,343.48	100,753.45	109,598.79	128,871.11
GEPCO	116,567.57	139,809.13	172,759.43	209,340.28
FESCO	148,059.00	172,235.71	198,343.90	235,265.61
IESCO	346,905.69	460,955.69	543,260.44	652,809.99
Total	1,189,500.05	1,530,499.59	1,727,104.47	2,017,065.38

(Source CPPA-G & NEPRA)

The huge receivable requires urgent need for a robust recovery strategy as it is critical for the financial health of power sector.

➤ **Private Power and Infrastructure Board (PPIB)**

PPIB acts as a one-window facilitator on behalf of GoP and its ministries to promote, encourage and facilitate private investment in power sector and perform function which inter alia include execution of Implementation Agreements on behalf of President of Pakistan, issuance of GoP guarantees under PPA, coordination and facilitation of sponsors in obtaining consents from various federal, provincial and AJ&K and local governments. The merger of PPIB and AEDB is aimed at streamlining processes, one window facilitation for power sector investments, aligning goals and improving coordination for a stronger and unified power sector in Pakistan.

Previously, PPIB and AEDB being the relevant entities (under their respective mandates i.e. AEDB for renewable technologies and PPIB for the remaining technologies), filed separate applications under Section-25A of the NEPRA Act for registration as IAA. The applications of AEDB and PPIB remained in parallel till an advanced stage of processing. However, upon

promulgation of the PPIB (Amendment) Act, 2023 notified on June 10, 2023, AEDB merged with PPIB. Eventually, the services of AEDB were entrusted to PPIB by virtue of the operation of law. Accordingly, the Authority closed further proceedings on the application of AEDB and granted a single registration to PPIB on January 12, 2024, to act as IAA. Pursuant to PPIB's registration as IAA in January, 2024 under CTBCM, PPIB formally assumed the role of IAA.

➤ **Fast Track Solar Initiatives**

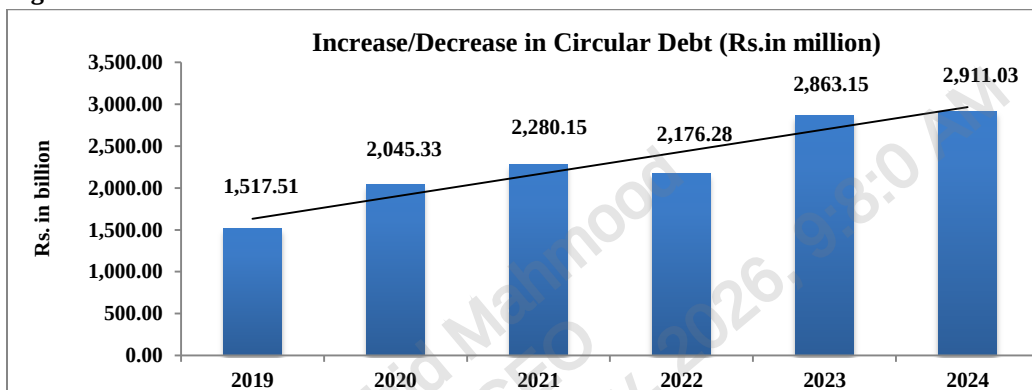
In order to reduce the impact of prevailing high prices of Oil and LNG in the international markets resulting in high electricity tariffs and drain of precious foreign exchange, the Government has approved the Framework Guidelines for Fast-Track Solar PV Initiatives 2022 for fast-track deployment of solar PV. In this regard, as a first step, a 600 MWp solar project is planned to be developed at Kot Addu/ Muzaffargarh on G2G mode and the same has been offered to Government of Kingdom of Saudi Arabia

➤ **Circular Debt—Stock, Flow and Accumulation**

The phenomenon of Circular Debt arises, when one party in a supply chain faces cash flow inadequacies to discharge its obligations to its suppliers affecting the entire supply chain and causing liquidity crunch. Being circular in nature, the debt accumulation has a snowballing effect, and more supply chain iterations causes increased debt burden.

Circular debt remains a primary challenge for power sector hindering economic development and impacting investors and consumers alike. As of June 30, 2024, circular debt of the power sector reached to Rs.2,911.03 billion, reflecting an increase of Rs.47.88 billion from Rs.2,863.15 billion at the end of financial year 2022-23. The rising trend indicated escalating financial distress in Pakistan's power sector. Persistent circular debt, driven by financial mismanagement and operational inefficiencies, requires the urgent need for targeted interventions to address root causes. The accompanying graph illustrates this growth.

Figure-8



(Source: CPPA-G & PHPL)

In financial year 2023-24, due to T&D losses across all DISCOs in excess of regulator-approved levels, the sector faced an additional financial burden of approximately Rs.276.35 billion. Moreover, shortfalls in the recovery of billed amounts added Rs.235.614 billion to the circular debt.

➤ **Outstanding Late Payment Surcharge (LPS)**

Power generation firms as per contract provision of Power Purchase Agreements had the facility to levy late payment surcharge on CPPA-G for non-timely payment of their dues. CPPA-G through DISCOs could not, however, transfer LPS to consumers directly. This made the clearance of LPS complicated and led to cyclic increase in the circular debt. LPS increased from Rs.218,228 million in the financial year 2022-23 to Rs.373,133 million in the financial year 2023-24 registering an increase of Rs.154,905 million or 70.98 %.

b. Scope of Audit

The Directorate General Audit Power is mandated to conduct audit of 152 formations working under Ministry of Energy (Power Division) and NEPRA. Total expenditure for the financial year 2023-24 and actual receipt from July, 2023 to June, 2024 of these formations were Rs.1,106.98 billion and Rs.3,769.24 billion respectively.

Audit coverage relating to expenditure for the audit years 2023-24 (lean period) and 2024-25 comprises 79 formations of the Ministry of Energy (Power Division) and NEPRA having a total expenditure of Rs.538.32 billion for

financial years 2022-23 and 2023-24. In terms of percentage, the audit coverage for expenditure is 16.94% of auditable expenditure. Detail is as under:

Table-10

Financial Year	Audit Year	No. of Formations	Expenditure (Rs.in billion)	Audited Expenditure (Rs.in billion)	Audit Coverage (%age)
2022-23	2023-24	13	36.89	7.32	19.83%
2023-24	2024-25	66	501.43	83.88	16.73%
TOTAL		79	538.32	91.19	16.94%

In addition to this compliance audit report, the Directorate General Audit, Power, Lahore conducted twenty-one (21) Financial Attest Audits of Foreign Aided Projects (FAPs), one (01) Thematic Audit and one (01) Impact Audit.

c. Recoveries at the instance of audit

As a result of audit, recoveries of Rs.21,634.08 million⁵ were pointed out and reported in this audit report. Recovery effected from January to December, 2024 was Rs.2,725.84 million, which was verified by audit.

d. Audit Methodology

Audit activity started with detailed planning that included the selection of the formations to be audited and the allocation of available human resource in order to achieve optimum and quality output within stipulated timeframe. Desk review of permanent files was carried out to have a prior understanding of the systems, procedures and environment of the auditee organization. High value and high-risk areas were pointed out on professional judgment basis for substantive testing. Field activity included review of financial records and their compliance with applicable laws and regulations, examination of system generated reports, analysis of the internal audit reports of the audited entity, site visits and discussion with management.

e. Audit Impact

As a result of the subject compliance audit, key issues of the sector were highlighted which would facilitate the management in addressing the current woes of the power sector and enhance its performance. The transmission and distribution

⁵Para-1.1.12, 1.1.14, 1.4.6, 1.4.18, 1.4.19, 1.4.20, 1.4.53

infrastructure was being upgraded and with the help of law enforcement agencies initiatives like “Anti-theft campaign” was launched wherein controls were being strengthened through effective monitoring to reduce the losses and pilferage in the DISCOs. Moreover, the identification of audit, system-based control lapses like extension of load, overbilling and misappropriation of material as well as long-outstanding major un-reconciled amounts and undue transfer of expense/charges to the consumers were resolved by the management.

Similarly, on the assertion of audit regarding unsatisfactory utilization of funds, DAC advised the BoD of the companies to address existing inefficiencies, improve planning/supervision and ensure efficient utilization of donor funded initiatives. These initiatives were in consonance with the persistent audit observations flagging the implementation flaws and recommending way-forward.

f. Comments on Internal Controls and Internal Audit Department

An effective internal control mechanism is instrumental in smooth functioning of the organization and helps the management to achieve its objectives. Since, the power sector is diverse in its business activities; hence, the internal controls regulating those activities of power sector are equally diversified. An audit review of the internal controls helps to identify the weaknesses and ineffectiveness of these controls in different fields of activities.

In this context, observations regarding line losses on account of theft, administrative incapacity, wrong billing charged to consumers, mis-management of assets, non-reconciliation of energy dues, non-collection of revenue were highlighted which require attention by the management.

Internal Audit has been set up as a part of internal control system in Power Division and its attached entities. It carries out the audit of accounts, revenue receipts and test audit of expenditure of Power Division and its attached entities in addition to the physical verification of stock kept at various stores. Despite having an internal audit, recurrence of frequent irregularities made its effectiveness questionable.

Audit emphasizes proper implementation of financial reporting mechanism and enforcement of laws and regulations in letter and spirit for improving the internal controls. Moreover, internal controls need to be

strengthened by continuous review and taking measures to stop recurrence of lapses in future.

g. Key Audit Findings:

- i. In 06 cases, theft, embezzlement and misappropriation valuing Rs.2,212.95 million was pointed out. ¹
- ii. In 86 cases, procurement / contractual irregularities involving Rs.156,141.88 million were pointed out. ²
- iii. In 77 cases, violation of internal regulations and SOPs of auditee entities involving Rs.507,242.82 million were pointed out. ³
- iv. In 90 cases, violations of laws and regulations promulgated by constitutional/statutory authorities i.e. Ministry of Energy (Power Division), Finance Division, Cabinet Division, ECNEC, AGP and NEPRA etc., involving Rs.957,751.65 million were highlighted. ⁴

¹Para-1.5.14, 1.8.2, 1.8.3, 1.8.4, 1.8.5, 1.8.6

²Para-1.5.7, 1.5.19, 1.6.2, 1.6.5, 1.6.7, 1.6.8, 1.6.9, 1.6.10, 1.6.11, 1.6.12, 1.6.13, 1.6.14, 1.6.15, 1.6.17, 1.6.18, 1.6.21, 1.6.22, 1.6.23, 1.6.24, 1.6.25, 1.6.26, 1.6.27, 1.6.28, 1.6.29, 1.6.30, 1.6.31, 1.6.33, 1.6.34, 1.6.36, 1.6.38, 1.6.39, 1.6.40, 1.6.42, 1.6.43, 1.6.44, 1.6.45, 1.6.46, 1.6.47, 1.6.48, 1.6.49, 1.6.50, 1.6.51, 1.6.52, 1.6.54, 1.6.55, 1.6.56, 1.6.57, 1.6.58, 1.6.59, 1.6.60, 1.6.61, 1.6.62, 1.6.63, 1.6.64, 1.6.65, 1.6.66, 1.6.68, 1.6.70, 1.6.71, 1.6.72, 1.6.73, 1.6.74, 1.6.75, 1.6.76, 1.6.78, 1.6.79, 1.6.80, 1.6.81, 1.6.84, 1.7.1, 1.7.2, 1.7.7, 1.7.10, 1.10.5, 1.10.11, 1.10.12, 1.14.12, 1.14.53, 3.6.2.3.1, 3.6.2.3.3, 3.6.2.3.6, 3.6.2.3.8, 3.6.2.3.9, 3.6.2.3.10, 3.6.2.3.11, 3.6.2.3.12

³Para-1.1.15, 1.2.2, 1.2.3, 1.2.4, 1.3.1, 1.3.2, 1.3.4, 1.3.5, 1.3.6, 1.3.7, 1.3.8, 1.3.9, 1.3.10, 1.4.3, 1.4.12, 1.4.13, 1.4.14, 1.4.17, 1.4.21, 1.4.27, 1.4.29, 1.4.33, 1.4.34, 1.4.35, 1.4.40, 1.4.42, 1.4.43, 1.4.52, 1.4.57, 1.4.60, 1.4.65, 1.4.67, 1.4.68, 1.4.69, 1.5.3, 1.5.4, 1.5.5, 1.5.8, 1.5.10, 1.5.13, 1.5.15, 1.5.16, 1.5.17, 1.5.18, 1.6.16, 1.6.20, 1.6.37, 1.6.67, 1.6.77, 1.7.9, 1.11.1, 1.11.2, 1.11.3, 1.11.4, 1.11.5, 1.11.6, 1.11.7, 1.11.8, 1.12.2, 1.12.3, 1.12.10, 1.12.15, 1.14.11, 1.14.14, 1.14.15, 1.14.18, 1.14.27, 1.14.31, 1.14.37, 1.14.38, 1.14.42, 1.14.43, 1.14.44, 1.14.57, 1.14.65, 3.6.2.3.5, 4.4.4

⁴Para-1.1.6, 1.1.8, 1.2.1, 1.2.5, 1.3.3, 1.4.1, 1.4.2, 1.4.4, 1.4.7, 1.4.9, 1.4.10, 1.4.15, 1.4.16, 1.4.22, 1.4.23, 1.4.24, 1.4.25, 1.4.26, 1.4.28, 1.4.30, 1.4.31, 1.4.37, 1.4.38, 1.4.39, 1.4.41, 1.4.44, 1.4.45, 1.4.46, 1.4.47, 1.4.49, 1.4.50, 1.4.51, 1.4.54, 1.4.55, 1.4.56, 1.4.59, 1.4.61, 1.4.62, 1.4.63, 1.4.66, 1.4.70, 1.4.71, 1.6.4, 1.6.35, 1.6.41, 1.6.82, 1.6.83, 1.7.3, 1.7.12, 1.10.2, 1.10.3, 1.10.4, 1.10.7, 1.10.13, 1.10.14, 1.10.15, 1.12.5, 1.12.8, 1.12.11, 1.12.12, 1.12.14, 1.12.16, 1.14.1, 1.14.3, 1.14.4, 1.14.5, 1.14.6, 1.14.7, 1.14.9, 1.14.17, 1.14.20, 1.14.21, 1.14.25, 1.14.26, 1.14.32, 1.14.35, 1.14.36, 1.14.46, 1.14.47, 1.14.48, 1.14.52, 1.14.54, 1.14.55, 1.14.56, 1.14.58, 1.14.59, 1.14.60, 1.14.62, 1.14.63, 1.14.64

- v. In a case, irregularities related to non-tagging and non-revaluation of assets in DISCOs and GENCO-I involving Rs.624,470.85 million was highlighted. ⁵
- vi. In 19 cases, power sector receivables of Rs.1,369,053.65 million were highlighted, which significantly included accumulative receivables from consumers as well as receivables of CPPA-G towards DISCOs / K-Electric. ⁶
- vii. In 32 cases, irregularities of Rs.4,470.34 million related to Human Resource Management and Employees benefits were identified. ⁷
- viii. In 07 cases, recoveries of Rs.21,634.08 million were reported by audit. ⁸
- ix. In 10 cases, value for money and service delivery issues involving Rs.22,249.60 million were pointed out. ⁹
- x. In 58 cases, other issues like reconciliation of receivables, blockage of investment, capacity payment claims, supplemental charges and late payment surcharge etc., involving Rs.1,056,808.80 million were highlighted. ¹⁰

Note: 389 cases of Rs.4,728,844.34 million have been reported in this report out of which 95 cases of Rs.2,222,967.65 million are related to receipts of Power Sector.

⁵Para-1.5.1

⁶Para-1.1.1, 1.1.2, 1.1.4, 1.1.5, 1.1.7, 1.1.9, 1.1.10, 1.1.11, 1.1.13, 1.1.16, 1.1.17, 1.1.18, 1.1.19, 1.1.20, 1.4.5, 1.4.8, 1.4.11, 1.8.1, 1.10.9

⁷Para-1.13.1, 1.13.2, 1.13.3, 1.13.4, 1.13.5, 1.13.6, 1.13.7, 1.13.8, 1.13.9, 1.13.10, 1.13.11, 1.13.12, 1.13.13, 1.13.14, 1.13.15, 1.13.16, 1.13.17, 1.13.18, 1.13.19, 1.13.20, 1.13.21, 1.13.22, 1.13.23, 1.13.24, 1.13.25, 1.13.26, 1.13.27, 1.13.28, 1.13.29, 1.13.30, 1.13.31, 4.4.7

⁸Para-1.1.12, 1.1.14, 1.4.6, 1.4.18, 1.4.19, 1.4.20, 1.4.53

⁹Para-1.4.48, 1.4.58, 1.4.64, 1.5.6, 1.5.9, 1.7.11, 1.10.6, 1.10.8, 1.14.24, 3.6.2.3.4

¹⁰Para-1.1.3, 1.4.32, 1.4.36, 1.4.72, 1.4.73, 1.4.74, 1.4.75, 1.4.76, 1.4.77, 1.5.2, 1.5.11, 1.5.12, 1.6.1, 1.6.3, 1.6.6, 1.6.19, 1.6.32, 1.6.53, 1.6.69, 1.7.4, 1.7.5, 1.7.6, 1.7.8, 1.9.1, 1.10.1, 1.10.10, 1.12.1, 1.12.4, 1.12.6, 1.12.7, 1.12.9, 1.14.2, 1.14.8, 1.14.13, 1.14.16, 1.14.22, 1.14.23, 1.14.28, 1.14.29, 1.14.30, 1.14.33, 1.14.34, 1.14.39, 1.14.40, 1.14.41, 1.14.45, 1.14.49, 1.14.50, 1.14.51, 1.14.61, 3.6.2.3.2, 3.6.2.3.7, 4.4.1, 4.4.2, 4.4.3, 4.4.5, 4.4.6, 4.4.8

h. Recommendations

Management may:

- i. ensure strong supervision and improved internal controls in order to minimize theft, embezzlement & misappropriation cases.
- ii. ensure procurements are made in a transparent and efficient manner in line with Public Procurement Rules and specifically, the issue of procurement from longstanding prequalified bidders.
- iii. take necessary measures to rectify the lapses in the internal controls to avoid recurrence of similar irregularities by investigating and fixing responsibility against responsible officers / officials.
- iv. ensure that targets / limits set by NEPRA specifically on the issues of line losses and recoveries are followed in letter and spirit. Moreover, management of DISCOs needs to utilize allocated electricity quota optimally by avoiding load management in order to save the consumers from extra financial burden on account of capacity transfer price.
- v. expedite tagging and revaluation of power sector fixed assets.
- vi. make efforts to ensure recovery of accumulated power sector receivables through involvement of all stakeholders.
- vii. ensure hiring, promotion and payments of emoluments to the employees of the DISCOs/NTDC/NEPRA with due diligence in the light of stipulated rules.
- viii. take action on extension of load cases promptly and ensure recovery of security deposits, capital cost & rehabilitation charges and billing as per NEPRA's approved tariff/Consumer Services Manual.
- ix. ensure timely collection of receipts/receivables to bring about stability in the financial health of the power sector companies.
- x. expedite reconciliation of receivables / settlement of supplemental charges with CPPA-G, and ensure management of GENCO affairs effectively, efficiently and economically.

1. ISSUES OF THE POWER SECTOR

1.1 Piling Up of Energy Receivables

CPPA-G purchases energy from power producers on behalf of the DISCOs using the energy transmission network maintained by NTDC. The energy is then sold to the consumers by the DISCOs. Revenue earned from sale of energy is paid by the DISCOs to the power producers through CPPA-G to clear the energy payment invoices. Thus, recovery of energy charges delivered to the consumers is the central link in the power sector supply chain. Piling up of energy receivables implies that cash-shortfall is faced not only in the DISCOs but also in linked entities including CPPA-G and power generation companies.

CPPA-G's receivables from DISCOs caused the circular debt burden on the power sector. However, the accumulation of liability of CPPA-G is attributed to other factors as well including receivables from the government in lieu of energy subsidy, pending receivables from K-electric and outstanding Late Payment Surcharges levied by the power generation companies on CPPA-G on account of delayed payments.

The piling up of energy receivables at the end of DISCOs can be categorized into different classifications and allied causes. The DISCOs were not successful to recover 100% of the amount billed to the consumers during financial year causing increase in the receivables to the stated extent. Moreover, the DISCOs were maintaining a list of running and dead defaulters (consumers). These consumers of different categories (i.e. industrial, commercial and agriculture etc.) had failed to pay their energy dues over an extended period of time causing cash-shortfall as well as financial loss to the company.

Additionally, theft of energy through kunda connection, meter tempering and wrong reading etc. is also prevalent in the DISCOs. There are other systemic issues such as low recovery of dues from tube-well connections and delays in settlement of subsidy pertaining to AJK resulting in piling up of overall receivables.

On the above lines, audit has analyzed the issue of piling up of energy receivables in the DISCOs from different aspects: broadly at a company level as well

as at operation circle & consumer level, on a sample analysis basis to highlight the piling up of receivables and reported findings in the following paras:

1.1.1 Non-recovery of energy dues from defaulters – Rs.480,558.75 million

According to Para 1.3 of Commercial Procedure, “the Revenue Officer and Assistant Manager are responsible for: i) implementing in conjunction with the Executive Engineer, the commercial policy laid down from time to time by the Authority through the Company ii) efficient application of billing and collection procedure”.

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that an amount of Rs.480,558.75 million was recoverable from 354,515 running and 121,973 permanently disconnected (P-Disc.) energy defaulters (Government and private). In this respect, no efforts were made by the management to accelerate the recovery from defaulters. Moreover, MoE (Power Division) did not appoint the Tehsildar Recovery which also negatively impacted the recovery from the defaulters. Only six (06) Tehsildar Recovery were appointed against sixty (60) sanctioned posts. The detail of outstanding recovery is as under:

Sr. No.	Name of Formation(s)	No. of defaulters		Aging (in months)	Consumers with more than one year of default		Total Amount (Rs. in million)
		Running	Disconnected		No. of consumers	Amount (Rs.in million)	
1.	FESCO	1,294	20,762	3 to 477	6,568	1,499.03	5,737.95
2.	GEPCO	42	50	02 to 343	65	187.69	265.05
3.	HESCO	39,887	33,754	01 to 368	76,966	15,870.30	55,218.86
4.	IESCO	51	670	13 to 258	670	53.19	66.25
5.	LESCO	3,277	4,305	12 to 421	3,730	798.31	5,051.70
6.	MEPCO	0	5,359	01 to 460	1,904	1,287.19	3,836.62
7.	PESCO	9,987	10,578	1 to 412	8,586	951.55	1,944.26
8.	QESCO	44,526	0	3 to 12	0	0	106,698.47
9.	SEPCO	255,451	46,495	3 to 572	132,470	164,495.87	218,047.50
10.	TESCO	0	0	-	0	0	83,692.09
TOTAL		354,515	121,973		230,959	185,143.13	480,558.75

(Source: Progress Report of DISCOs)

Non-adherence to Commercial Procedure resulted in non-recovery of Rs.480,558.75 million from energy defaulters up to the financial year 2023-24.

The matter was taken up with the management during March to November, 2024 and reported to the Ministry during May to November, 2024. The

management replied that in some cases amount was recovered and pending recovery has been expedited. HESCO management replied that list against 28 WAPDA employees had been forwarded to the field formation for recovery and taking legal action.

DAC in its meetings held on November 28-29, December 12-13, 23-24, 26-27, 2024 and January 7-8, 13, 15-16, 20-21, 2025 directed the management to produce the record of completed actions within a week and effect pending recoveries. Further, DAC directed the HESCO management to affect the recovery and take legal actions against defaulters and get the record verified from Audit. DAC also directed the management to finalize the proceedings of inquiry committee and share its outcome with Audit within 45 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was also reported in the Audit Report for Audit Year 2023-24 vide Para No.1.1.2 having financial impact of Rs.877,596.31 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (674, 946, 971, 1103, 1212) (333, 703, 704, 796) (516, 1325, 1331, 1345, 1388, 1389, 1395) (30, 677, 1025) (350, 365, 680, 870, 913) (344, 368, 407, 467, 545, 587, 735) (232) (441, 577, 578, 650, 656, 667) (1185, 1203) (385, 449, 811, 815) (1084)/2024-25]

1.1.2 Non-recovery on account of sale of energy from DISCOs and K-Electric impacting the power sector liquidity and circular debt - Rs.348,186.45 million

According to provision 9.6.2 of Commercial Code, CPPA-G shall communicate the failure of any distribution company to fully pay any monthly invoice issued by CPPA-G to Authority, the Ministry of Water and Power and the Ministry of Finance in order to assure the enforcement of the Market Rules and Commercial Code or to assure that other suitable substitute actions may be taken by these institutions.

During audit of the accounts of CPPA-G for the financial year 2022-23, it was observed that an amount of Rs.348,186.45 million was receivable from all distribution companies including K-Electric on account of sale of energy and markup. Due to this huge blockage of funds, power sector was under stiff financial crunch and payments to power producers were delayed. As a result of delayed payment, power producers charged late payment surcharge ranging from KIBOR + 2% to KIBOR + 4%. Had this huge amount been recovered, it would

have improved liquidity position of power sector, thereby eliminating the burden of late payment surcharge and circular debt.

Inefficient financial management resulted in non-recovery of huge amount of Rs.348,186.45 million up to the financial year 2022-23.

The matter was taken up with the management in March, 2024 and reported to the Ministry in May, 2024. The management replied that an amount of Rs.1,504.81 million and Rs.178,495.026 million had been recovered from DISCOs & K-Electric leaving a balance of Rs.1,150.61 million and Rs.167,036 million respectively. As regards the recovery of markup of Rs.167,036 million from K-Electric, the claim had been filed for Mediator's determination.

DAC in its meeting held on September, 25 2024 directed the management to reconcile the balances with companies and get the recovery record verified from Audit within a week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 135/2024-25)

1.1.3 Non-reconciliation of receivables from CPPA-G - Rs.244,795.88 million

As per IAS 1.15 (International Financial Reporting Standards), the financial statements must "present fairly" the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.

During audit of the accounts of DISCOs, GENCO-III and NTDC for financial years 2022-23 and 2023-24, it was observed that a difference of Rs.244,795.88 million on account of sale of power, supplemental charges /LPS and other differences/accounts were appearing between DISCOs and Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) from 2013-14 to June, 2024. However, neither efforts were made to reconcile the receivables nor any recovery was made against these huge amounts. Hence, financial statements did not reflect true and fair view of financial position to the stated extent. The detail is as under:

<i>(Rs.in million)</i>			
Sr. No.	Name of Company	Aging	Amount
1.	FESCO	July, 2023 to June, 2024	25,941.72
2.	GENCO-III	July, 2022 to June, 2023	29,479.96
3.	NTDC	2013-14 to 2023-24	41,213.38
4.	QESCO	July, 2023 to June, 2024	148,160.82
TOTAL			244,795.88

Non-adherence to authority's instructions resulted in non-reconciliation of receivables of Rs.244,795.88 million from CPPA-G up to the financial year 2023-24.

The matter was taken up with the management during August to October, 2024 and reported to the Ministry in November, 2024. The management of FESCO replied that supplementary charges amounting to Rs.6,186 million up to June 30, 2014 was not recognized being disallowed by NEPRA. GENCO-III management replied that un-reconciled balances were under process with CPPA-G. NTDC management replied that the matter was remanded to NEPRA for decision. QESCO management replied that major amount of reconciliation pertained to supplemental charges, which required policy decision.

DAC in its meetings held during December 12-13, 24, 2024 and January, 09, 16, 2025 directed the management to get the matter reconciled with CPPA-G within one month and share its outcome with Audit accordingly. DAC also directed the NTDC management to pursue the matter with NEPRA and CPPA-G for early reconciliation of receivables amount.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's directives.

[Draft Para Nos. (963) (115) (793) (1239, 1241)/2024-25]

1.1.4 Non-removal of electrical equipment and non-recovery of arrears – Rs.224,690.79 million

According to Para 3 of WAPDA's circular dated April 15, 1998, "disconnections will be effected through removal of meters, transformers, span or any other equipment to ensure that no possibility of loophole is left for unauthorized use of energy during the period of disconnection. The equipment after having been removed from site was required to be returned to store".

During audit of the accounts of DISCOs for financial years 2022-23 and 2023-24, it was observed that 541,053 consumers of all categories defaulted to pay

energy charges of Rs.224,690.79 million. The Equipment Removal Orders (EROs) were issued but not implemented. The detail is as under:

(Rs.in million)

Sr. No.	Name of Company	No. of cases	Aging	Amount
1.	FESCO	4,029	04 to 25 months	4,499.11
2.	GEPCO	679	04 to 211 months	5,093.99
3.	HESCO	119,500	04 to 394 months	48,980.76
4.	IESCO	261	02 to 194 months	19,648.80
5.	LESCO	1,079	04 to 201 months	701.19
6.	MEPCO	15,256	02 to 95 months	3,122.99
7.	PESCO	26,490	12 to 36 months	4,531.98
8.	QESCO	142,681	02 to 118 months	13,463.69
9.	SEPCO	231,078	04 to 355 months	124,648.29
Total		541,053		224,690.79

(Source: CP-114 / Progress Reports of DISCOs)

Non-adherence to instructions resulted in non-removal of electrical equipment and non-recovery of energy charges amounting to Rs.224,690.79 million up to the financial year 2023-24.

The matter was taken up with the management during February to November, 2024 and reported to the Ministry during May to November, 2024. The management replied that efforts were being made for implementation of EROs and recovery of arrears. Moreover, HESCO management replied that inquiry committee had been constituted. However, efforts were being made to recover the receivables from the consumers with the help of local administrations, implementing of ERO, recovery through Mukhtiarkar, Print Media and Anti-Theft Campaign.

DAC in its meetings held during November 28-29, December 12-13, 23, 26-27, 2024 and January 7-8, 13, 15-16, 20-21, 2025 directed the management to implement EROs besides effecting recovery and produce record to Audit for verification within a week. DAC also directed the HESCO management to inquire the matter at CEO level and share its outcomes with Audit within 03 months.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No. 1.4.1 having financial impact of Rs.501,225.19 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (675, 891, 951, 1077) (799) (521, 1398) (646) (411, 610) (160, 164, 381, 405, 481, 740) (548, 591, 1257) (1152) (1240) (175, 387, 770)/2024-25]

1.1.5 Non-recovery of subsidies from Government – Rs.189,076.90 million

As per Clause 9.6.2 of Commercial Code, each Distribution Company will continue to follow up with concerned ministries, authorities for disbursement to CPPA-G against the verified subsidy claims.

During audit of the accounts of DISCOs for financial years 2022-23 and 2023-24, it was observed that an amount of Rs.189,076.90 million was claimed on account of Tariff Differential Subsidy, Agriculture Subsidy, Industrial Subsidy and Zero-Rated Industry Rebate from Federal and Provincial Governments but not received. Subsidy payments by Federal or Provincial Government(s), were necessary to bridge the gap of cost of energy distribution by the DISCOs and its non-payment further escalates the circular debt. The detail is as under:



Sr. No.	Name of Company	Aging	Amount (Rs.in million)
1.	HESCO	July 2023 to June 2024	17,579.49
2.	IESCO	July 2023 to June 2024	50,147.95
3.	LESCO	July 2023 to June 2024	22,812.43
4.	QESCO	July 2023 to June 2024	88,578.03
5.	SEPCO	July 2023 to June 2024	9,959.00
Total			189,076.90

(Source: Subsidy claims of DISCOs)

Non-adherence to Commercial Code resulted in receivables of the Company amounting to Rs.189,076.90 million up to the Financial Year 2023-24.

The matter was taken up with the management during October and November, 2024 and reported to the Ministry in November, 2024. The management of LESCO replied that the subsidy of Rs.22,812.43 million had been

fully adjusted as per debit note issued by CPPA-G. The management of SEPCO replied that efforts were being made to receive the amount of TDS from GoP. The QESCO management replied that the matter had been taken up at every forum of Government of Baluchistan. The IESCO management replied that these amounts would be recovered in due course of time. HESCO management replied that matter has already been taken with Ministry of Energy against pending receivables.

DAC in its meetings held during November 28, December 26-27, 2024 and January 13, 15-16, 20-21, 2025 directed the management of LESCO to get the record of three quarters reconciliations report along with ledger, Trial balance and financial statement verified from Audit within 07 days and directed the management of SEPCO to expedite the matter for recovery of TDS with Ministry of Energy (Power Division). Further DAC directed the QESCO & HESCO management to expedite the matter for recovery of Agricultural Subsidy with Ministry of Energy (Power Division). Moreover, DAC directed the IESCO management to expedite the recovery/adjustment of subsidies from Govt. of Pakistan and get the record verified from Audit accordingly.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

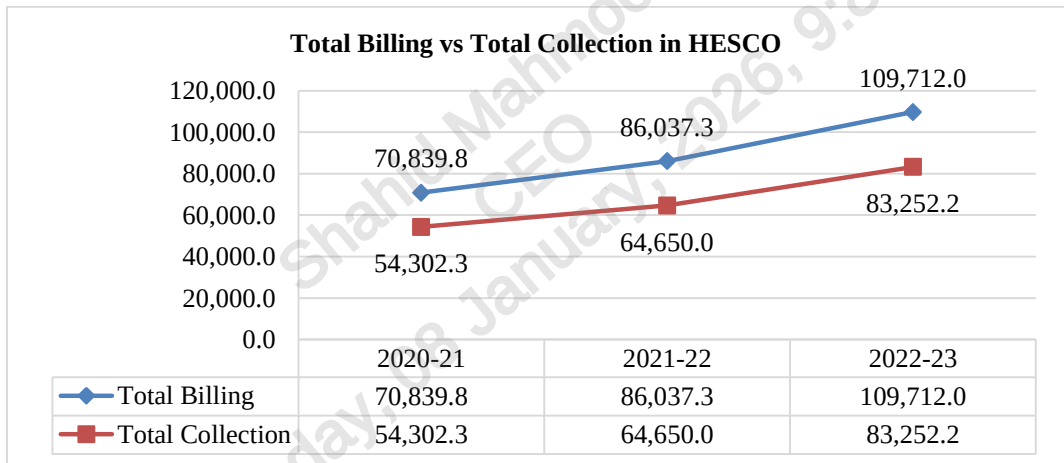
[Draft Para Nos. (1353) (1037) (915) (1186, 1189) (809)/2024-25]

1.1.6 Non-achievement of annual target of revenue realization determined by NEPRA - Rs.102,062.77 million

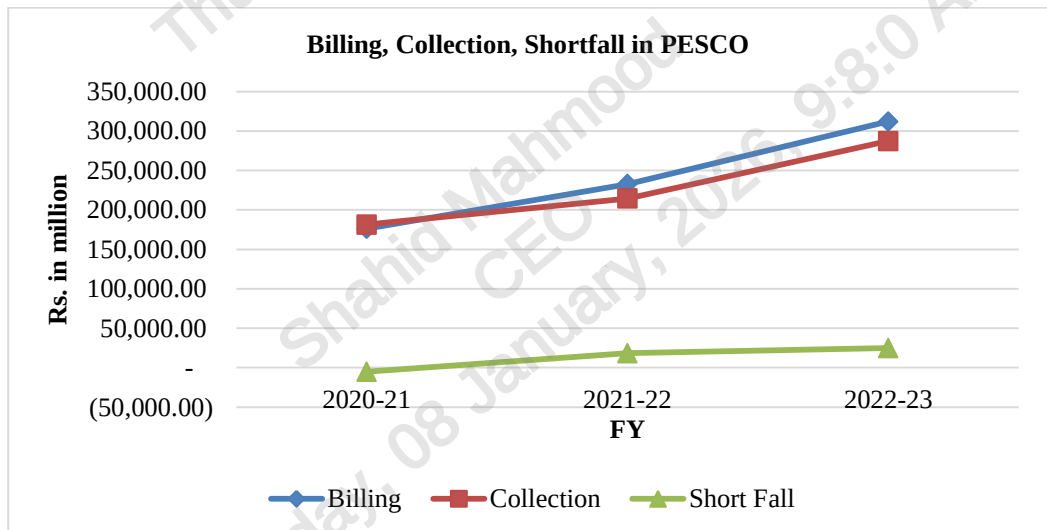
According to the NEPRA's Guidelines for Determination of Consumer End Tariff, Schedule of Tariff will assure full recovery of the revenue requirements based on regulatory targets and distribution licensees and will provide for full payment of the generation licenses that are not subject to rate base/rate-of-return regulation.

During Special Audit of the accounts of HESCO and PESCO for financial years 2020-21 to 2022-23, it was observed that HESCO and PESCO billed consumers an amount of Rs.266,589.10 million and Rs.720,677 million respectively during the period under review. However, HESCO and PESCO only recovered Rs.202,204.50 million and Rs.682,999 million leaving a balance Rs.102,062.77 million (HESCO Rs.64,384.60 million and PESCO Rs.37,678.17 million), which accounted for 75.85% and 94.8% of the billed amount respectively. HESCO and

PESCO did not achieve 100% target of recovery assigned by NEPRA against consumers in any financial year during 2020-21 to 2022-23. This reflected poor performance of the management in achievement of targeted revenue realization resulting in financial loss to the company. The trend analysis of shortfall of recovery in HESCO & PESCO is as under:



(Source: MIS of HESCO)



(Source: MIS of PESCO)

Suboptimal operational performance resulted in non-achievement of annual target of revenue realization determined by NEPRA during financial years 2020-21 to 2022-23.

The matter was taken up with the HESCO's management in January, 2024. The management replied that significant progress in anti-theft campaign was made as 28,822 FIRs were requested against which 3,473 FIRs were registered and 196 arrests were made as of February, 2024. The matter was also taken up with the PESCO management in February, 2024. The management replied that the operational area of PESCO consisted of hard, semi hard and soft areas; D.I. Khan and Bannu Circles were hard areas where recovery percentages remained less which disturbed overall recovery percentage. Further, due to deferred and unpaid amounts, PESCO could not achieve the 100% target. Strenuous efforts are underway to achieve 100 % recovery.

DAC in its meeting held on March 5, 2024 directed the HESCO's management to share recovery plan and its implementation status with Audit within 10 days. DAC also directed the management to take up the matter with NEPRA seeking revision for recovery of 100% target. Further, DAC in its meeting held on February 29, 2024 directed the PESCO's management to take up the matter with NEPRA seeking revision for recovery of 100% targets.

Audit recommends enhancing billing accuracy, streamlining collection process, and implementing effective follow-up mechanism to reduce and recover outstanding payments to improve overall revenue position.

(Special Audit of HESCO Para-3.2 and PESCO Para-3.2)

1.1.7 Non-recovery of detection charges / pending units from consumers – Rs.36,356.27million

According to Para 1.3 of Commercial Procedure, “the Revenue Officer and Assistant Manager are responsible for: i) implementing in conjunction with the Executive Engineer, the commercial policy laid down from time to time by the Authority through the Company ii) efficient application of billing and collection procedure”.

During audit of the accounts of DISCOs for financial years 2018-19 to 2023-24, it was observed that energy meters of domestic, industrial, agricultural and commercial categories were physically checked by the surveillance teams / metering and testing (M&T) of the companies and detection charges of 1,699.318

million units amounting to Rs.36,356.27 million on account of slowness, tempering in meters and pending units etc. were approved for recovery from consumers, however, the same were not recovered. The detail is as under:

Sr. No.	Name of Company	Period	Energy Units detected (in million)	Amount (Rs.in million)
1.	FESCO	July, 2023 to June, 2024	6.411	192.335
2.	GEPCO	July, 2018 to June, 2024	97.521	1,510.41
3.	HESCO	July, 2018 to June, 2024	685.028	19,205.380
4.	IESCO	July, 2022 to June, 2024	1.038	44.390
5.	LESCO	October, 2021 to June, 2024	4.136	646.9
6.	MEPCO	July, 2018 to June, 2024	6.692	149.166
7.	PESCO	July, 2023 to June, 2024	16.453	540.299
8.	QESCO	February to June, 2024	0.305	9.030
9.	SEPCO	July, 2021 to June, 2024	881.734	14,058.357
Total			1699.318	36,356.267

(Source: Progress Report of Detection Bill & Pending Units of DISCOs)

Non-adherence to the Commercial Procedure resulted in non-recovery of Rs.36,356.27 million on account of detection charges and pending units from the consumers up to the financial year 2023-24.

The matter was taken up with the management during February to October, 2024 and reported to the Ministry during May to November, 2024. The management replied that in some cases, detection charges had been recovered from consumers while efforts were being made to recover the amount in remaining cases.

DAC in its meetings held during November 28-29, December 12-13, 23, 26-27, 2024 and January 7-8, 13, 15-16, 20-21, 2025 directed the management to get the recovery record verified from Audit within 15 days and expedite pending recovery.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No.1.1.10 having financial impact of Rs.324.24 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (94) (152, 665, 679) (457, 512, 1351) (76, 78, 1041) (504, 602, 615, 849, 912, 1211) (159, 374, 406, 429, 455) (549, 649) (1190) (172, 517, 547, 807)/2024-25]

1.1.8 Non-achievement of recovery targets set by NEPRA for FESCO – Rs.18,930.00 million

According to Rule 7(2) of NEPRA's Performance Standards (Distribution Rules), 2015, the Annual Performance Report should contain all relevant information with respect to compliance with these Rules based on the data reported by each distribution company for last five years. The analysis will be based on the parameters including achievement of 100% recovery targets.

During Performance Audit of FESCO regarding overbilling for financial years 2020-21 and 2021-22, it was observed that FESCO incurred a financial loss of Rs.18,930.00 million during the period under review. FESCO failed to achieve the 100% recovery target of NEPRA in both financial years i.e., 2020-22 and 2021-22, which resulted in non-achievement of NEPRA targets in the financial years 2020-21 and 2021-22. The percentage of non-recovery due to non-achieving NEPRA target of 100% recovery was 5.24% and 2.51% in financial years 2020-21 and 2021-22 respectively as detailed below:

2020-21								
Billing			Collection			Recovery Percentage (%)		
Govt.	Private	Total	Govt.	Private	Total	Govt.	Private	Total
12,513.30	246,482.21	258,995.51	11,449.36	240,305.21	251,754.57	91.50	97.49	97.20

2021-22								
Billing			Collection			Recovery Percentage (%)		
Govt.	Private	Total	Govt.	Private	Total	Govt.	Private	Total
15,853.89	350,853.34	366,707.23	15,294.91	332,482.32	347,777.23	96.47	94.76	94.84

(Source: FESCO management provided annual progress reports for financial years 2020-21 & 2021-22)

Details of non-achievement of recovery targets by FESCO in the financial year 2020-21 and 2021-22

Sr. No	Financial Year	Amount (Rs in million)			Recovery Percentage (%)		
		Billing	Collection	Loss	Target	Recovery	Loss
1.	2020-21	258,995.51	240,305.21	18,690.30	100	97.49	2.51
2.	2021-22	366,707.23	347,777.23	18,930.00	100	94.76	5.24

(Source: Annual reports of FESCO for financial years 2020-21 & 2021-22)

The above table indicates inefficiency on the part of FESCO management.

Non-adherence to NEPRA target of 100% recovery resulted in non-recovery of Rs.18,930.00 million during financial years 2020-22.

The matter was taken up with the management in March, 2023. The management replied that Audit prepared the para by taking subsidy figures.

DAC in its meeting held on August 4, 2023 directed the management to submit revised reply.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Performance Audit of FESCO Para-4.4.4)

1.1.9 Non-recovery of energy arrears from Government of AJK - Rs.17,794.93 million

According to Para 1.3 of Commercial Procedure, "the Revenue Officer and Assistant Manager are responsible for: i) implementing in conjunction with the Executive Engineer, the commercial policy laid down from time to time by the Authority through the Company ii) efficient application of billing and collection procedure".

During audit of the accounts of IESCO for the financial year 2022-23, it was observed that an amount of Rs.17,794.93 million was recoverable from Government of AJK against thirty five (35) running connections as AJK was making partial payments. No efforts were made by the management for recovery of huge outstanding amount.

Sr. No.	Name of Company	Period	Sanctioned Load (KW)	No. of cases	Amount (Rs.in million)
1	IESCO	2020-21 to 2022-23	750 -1000	7	2,093.29
			501 -1000	28	15,701.64
Total				35	17,794.93

Non-adherence to Commercial Procedure resulted in non-recovery of arrears of Rs.17,794.930 million from Government of AJK up to the financial year 2022-23.

The matter was taken up with the management in February and March, 2024 and reported to Ministry in April and May 2024. The management apprised the DAC about the status of dues pertaining to Government of AJK and that Rs.27,000 million have been recovered from the Government of Pakistan.

DAC in its meeting held on July 3, 2024 directed the management to get the recovery record verified from Audit within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision besides ensuring recovery of remaining amount from AJK government.

(Draft Para Nos. 32 & 85/2024-25)

1.1.10 Non-recovery of electricity dues after court decisions / non-depositing of deferred amount in favour of DISCOs – Rs.17,148.11 million

According to Para 1.3 of Commercial Procedure, “the Revenue Officer and Assistant Manager are responsible for: i) implementing in conjunction with the Executive Engineer, the commercial policy laid down from time to time by the Authority through the Company ii) efficient application of billing and collection procedure”.

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that 8839 court cases involving an amount of Rs.17,148.11 million were decided in favour of the companies which was required to be recovered from consumers, however, the same was not done. The detail is as under:

Sr. No.	Name of Company	No. of Cases	Aging	Amount (Rs.in million)
1.	GEPCO	06	July, 2023 to June, 2024	2.77
2.	HESCO	16	July, 2023 to June, 2024	15.020
3.	LESCO	2968	July, 2023 to June, 2024	430.310
4.	MEPCO	4759	July, 2023 to September, 2024	204.900
5.	QESCO	02	February, 2023 to June, 2024	233.66
6.	TESCO	1088	July, 2023 to June, 2024	16,261.45
Total		8839		17,148.11

(Source: Court Case Files of DISCOs)

Non-adherence to Commercial Procedure resulted in non-recovery of electricity dues of Rs.17,148.11 million from consumers after court decisions in favour of DISCOs up to the financial year 2023-24.

The matter was taken up with the management during September to November, 2024 and reported to the Ministry during October to November, 2024. The management replied that in few cases, recovery had been effected and efforts were being made to recover the remaining amount.

DAC in its meetings held during November 28-29, December 23, 26-27, 2024 and January 7-8, 16, 20-21, 2025 directed the management to get the record

of completed actions verified from Audit within a week and complete the pending actions expeditiously.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No. 1.1.12 having financial impact of Rs.55.01 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (313) (1402) (390, 875, 994) (720) (1243) (1133)/2024-25]

1.1.11 Unnecessary accumulation of arrear against AMR connections – Rs.7,834.49 million

According to Para 7(i) of ECC decision dated November 25, 2016, “it was also agreed that GoS and the DISCOs would not, after full and final payment, raise any outstanding issues, claims or other liabilities, whatsoever, in relation to settlement period, including relation to arrears of electricity bills, late payment surcharge, previously reconciled bills or write offs, electricity duty etc”.

During Special Study on installation of AMR/AMI and ABC in SEPCO for financial years 2019-20 to 2021-22, it was observed that arrears amounting to Rs.7,834.49 million were accumulated from July, 2019 to June, 2022 despite installation of AMR meters on GoS connections as tabulated below.

<i>(Rs.in million)</i>			
Financial Years	Assessment	Payment	Balance
2019-20	5,076.92	2,801.71	2,275.21
2020-21	6,001.21	3,360.13	2,647.08
2021-22	6,861.099	3,948.89	2,912.20
Total	17,939.229	10,110.73	7,834.49

The completion percentage of the project was 58.70% (out of total 15,268 AMR meters, 10,808 have been installed leaving a balance of 4,460 AMR meters). AMR meters were installed to avoid dispute regarding billing and recovery of energy dues from GoS. The accumulation of arrears against AMR connections depicted that full energy dues were not being paid by GoS which negated the very purpose of installation of AMR metering.

Non-adherence to the ECC decision resulted in unnecessary accumulation of arrears against AMR connections of GoS amounting to Rs.7,834.49 million up to the financial year 2021-22.

The matter was taken up with the management in March 2023. The management replied that Energy Department (EM&RC) GoS had reconciled the arrears against them from July, 2019 to June, 2023. Therefore, there was no dispute of billing payment between SEPCO & GoS. Audit contended that accumulation of heavy arrears against GoS connections negated the very purpose of AMR metering which needed to be justified.

DAC in its meeting held on August 04, 2023 directed the management to submit the revise reply and verify it from audit.

Audit recommends implementation of DAC's decision.

(Special Study on installation of AMR/AMI and ABC in SEPCO Para-4.6)

1.1.12 Non-recovery of fuel price adjustment from consumers - Rs.7,414.63 million

According to the Section 31(7)(ii) of the Regulations of Generation, Transmission and Distribution of Electric Power Act, 1997, "the Authority may, on a quarterly basis and not later than a period of fifteen days, make quarterly adjustments in the approved tariff on account of capacity and transmission charges, impact of transmission and distribution losses, variable operation and maintenance and, policy guidelines as the Federal Government may issue and, intimate the tariff so adjusted to the Federal Government prior to its notification in the official Gazette".

During Special Audit of HESCO for financial years 2020-21 to 2022-23, it was observed that the company purchased 16,018.30 million kWh units from CPPA-G. Out of these, 11,613.90 million kWh units were billed to consumers including 2,408.27 million kWh units as detection charged. The company's line losses during financial years 2020-21 to 2022-23 resulted in loss of 1,292.04 million kWh units more than NEPRA's target. However, FPA on units lost and units detected was not recovered causing loss of Rs.7,414.63 million to the company. The detail is given below:

Loss of Recovery of Fuel Price Adjustment from Consumers

financial years	Units detected (MkWh)	Units lost more than NEPRA's target (MkWh)	FPA loss on units detected (Rs.in million)	FPA loss on lost units beyond NEPRA's target (Rs.in million)	Total FPA loss (Rs.in million)
2020-21	891.47	477.09	271.75	87.39	359.14
2021-22	832.88	445.03	3,742.07	1,913.63	5,655.70

2022-23	683.91	369.92	879.81	519.98	1,399.79
TOTAL	2,408.26	1,292.04	4,893.63	2,521.00	7,414.63

(Source: Subsidy claims lodged by HESCO)

Non-adherence to NEPRA's regulations resulted in non-recovery of Rs.7,414.63 million from consumers on account of fuel price adjustment during financial year 2020-21 to 2022-23.

The matter was taken up with the management in January, 2024. The management replied that the Fuel Price Adjustment (FPA) determined by NEPRA and notified by the MoE, was uniformly implemented across DISCOs. There was no provision to impose and recover FPA for lost units. Detection charges were applied to current billing against theft of energy, while FPA was applied on consumed units of previous month due to variation in fuel costs.

The reply of the management was not acceptable as it did not address the core issue of non-recovery of FPA variations from consumers against whom detection was charged, leading to substantial financial loss to HESCO. A clear plan to recover FPA variations from consumers involved in theft was necessary for effective management and financial sustainability.

DAC in its meeting held on March 5, 2024 did not accept the stance of the management and directed to submit revised reply with justification that there is no loss of FPA at the end of the year.

Despite the directions of DAC, no revised reply was produced to Audit till the finalization of the report.

Audit recommends improving the recovery against detection bills charged to consumers involved in theft of electricity. Further, matter may also be taken with NEPRA for way forward in light of regulatory framework.

(Special Audit of HESCO Para-2.4)

1.1.13 Unnecessary accumulation of arrear against AMR Meters – Rs.4,201.18 million

According to ECC decision dated November 25, 2016, Para 7(ii)(a) "An Automatic Meter Reading System (AMR/AMI) would be installed on all connections owned by GoS by December 31, 2016, 50% of the cost of which would be borne by Government of Sindh. Online access would be provided to GoS (Energy Department) by the DISCOs to the AMR system. The Energy Department of the GoS will also prescribe a maximum limit of consumption for each connection/meter to the DISCOs, intimate to the respective DISCO when

such limit is crossed and ask for disconnection of supplies of such consumer. On such intimation, the respective DISCO shall ensure that electricity supply is discontinued to those connections/meters which have so been intimated by the Energy Department.

During audit of the accounts of SEPCO for the financial year 2022-23, it was observed that arrears against 1,214 non-communicated/muted AMR meters accumulated to Rs.4,201.18 million up to June, 2023 due to deduction made out of monthly claims by energy Department of Government of Sindh. The said deduction was made due to exceeding the limit of sanctioned load with respect to connected load but these connections were not disconnected. Further, there were other problems due to which AMR meters became non-communicated/muted.

Non-adherence to the ECC decision resulted in unnecessary accumulation of arrears amounting to Rs.4,201.18 million recoverable from the Government of Sindh up to the financial year 2022-23.

The matter was taken up with the management in March, 2024 and reported to the Ministry in May, 2024. The management replied that as per MoU signed between Government of Sindh and SEPCO, the former would pay Rs.550 million per month to SEPCO, while the latter is bound to bill as per MoU. SEPCO is not able to charge beyond prescribed limit.

DAC in its meeting held on November 28, 2024 directed the management to expedite the recovery process from GoS vigorously and to get the recovery record verified from Audit within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 190/2024-25)

1.1.14 Non-charging/adjustment of Fuel Price Adjustment on units debited/credited to consumers – Rs.4,166.65 million

According to notifications issued by NEPRA in respect of Fuel Price Adjustments (FPA) for F.Ys. 2020-21, 2021-22 & 2022-23, FPA shall be applicable to the respective consumers and shall be shown separately in the consumers' bills on the basis of units billed to consumers. As per Para 1.3 of Commercial Procedure, "the Revenue Officer and Assistant Manager are responsible for; i) implementing in conjunction with the Executive Engineer, the

commercial policy laid down from time to time by the Authority through the Company, ii) efficient application of billing and collection procedures”.

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that 1,203.50 million units were debited to 2.51 million consumers through adjustment notes (CP-52) on account of detection / theft and pending units and similarly, 433.12 million units were credited to 0.93 million consumers. However, FPA was not charged on the units adjusted (Dr./Cr.), which caused revenue loss of Rs.2,880.90 million to DISCOs and also deprived consumers from getting credit of Rs.1,285.75 million. It also appeared that no mechanism existed for charging the FPA on debited / credited units to consumers. The detail is as under:

(in million)

Sr. No.	Name of Company	No. of Consumers	Units Debited	Dr. Amount	No. of Consumers	Units Credited	Cr. Amount	Total Amount
1.	FESCO	0.754	153.573	471.07	0.616	278.112	855.761	1,326.83
2.	HESCO	0.0627	38.92	116.782	0.0146	13.85	41.57	158.35
3.	IESCO	0.0502	47.175	124.921	0.113	27.57	72.86	197.78
4.	MEPCO	0.044	63.9	169.208	0.005	8.44	23.20	192.41
5.	PESCO	0.048	228.785	600.598	0.164	92.423	264.712	865.31
6.	QESCO	0.011	8.13	21.53	0	0	0	21.53
7.	SEPCO	1.54	662.26	1,374.41	0.015	12.72	27.65	1,402.06
8.	TESCO	0.0002	0.76	2.38	0	0	0	2.38
TOTAL		2.5101	1203.503	2,880.899	0.9276	433.115	1,285.753	4,166.65

(Source: DISCOs MIS generated report for the year)

Non-adherence to NEPRA’s notification resulted in non-charging / adjustment of FPA amounting to Rs.4,166.65 million on units debited / credited to consumers up to the financial year 2023-24.

The matter was taken up with the management during August to November, 2024 and reported to the Ministry during October to November, 2024. The management replied that FPA had been debited / credited. HESCO management replied that an inquiry committee has been constituted.

DAC in its meetings held during November 28-29, December 12-13, 2024 and January 7-8, 13, 15-16, 20-21, 2025 directed the management to take up the matter with PITC after getting approval from BoD to define the mechanism for charging of fuel price adjustments on debit / credit given to consumers and get the record verified from Audit within one month. Further, DAC directed the HESCO management to finalize the findings of inquiry committee besides developing mechanism for charging of FPA with the approval of BoD and share the outcome with Audit within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No.1.4.12 having financial impact of Rs.1,384.46 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (949, 1101) (1338) (1001, 1410) (543, 753) (440, 1267) (1174) (448) (1132)/2024-25]

1.1.15 Blockage of recovery of energy charges due to non-decision by CRC and RRC - Rs.4,014.00 million

According to Section 20 of State-Owned Enterprises (Governance and Operations) Act, 2023, “the Board shall ensure the integrity of the systems of internal control and any person who is found liable for a deviation or violation from the company’s code of conduct or other systems of internal control shall be subject to disciplinary proceedings in accordance with the state-owned enterprise’s internal policies.”

During audit of the accounts of DISCOs for financial years 2022-23 and 2023-24, it was observed that energy charges of Rs.4,014.00 million were not recovered from 11,952 consumers due to deferred amounts by DISCO’s Circle Review Committee (CRC) and Regional Review Committee (RRC). The detail is as under:

Sr. No.	Name of Company	No. of cases	Aging	Amount (Rs.in million)
1.	HESCO	7,470	July 2023 to June 2024	2,050.21
2.	IESCO	154	July 2023 to June 2024	71.51
3.	LESCO	125	2019-20 to 2022-23	119.62
4.	MEPCO	3,785	July 2019 to June 2024	1,580.87
5.	PESCO	398	August 2023 to June 2024	165.47
6.	TESCO	20	July 2023 to June 2024	26.32
Total		11,952		4,014

Non-decision by CRC and RRC resulted in non-recovery of energy charges of Rs.4,014.00 million up to the financial year 2023-24.

The matter was taken up with the management during February to November 2024 and reported to the Ministry during April to November 2024. The management replied that in some cases, the amount has been recovered from consumers. Moreover, efforts were being made to effect the recovery from defaulters. HESCO management replied that field formations had been directed to expedite the redressal of consumer complaints.

DAC in its meetings held on July 18, November 28-29, December 26-27, 2024 and January 7-8, 13, 15, 20-21, 2025 directed the management to get the record of completed actions verified from Audit within a week besides completing the pending actions expeditiously. DAC directed the HESCO management to pursue the case deferred in CRC/RRC due to bifurcation of SEPCO & HESCO under intimation to Ministry and share its outcome with Audit within 03 months.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No.1.1.8 having financial impact of Rs.1,897.09 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (1397) (997) (04) (163, 343, 723) (1270) (1134)/2024-25]

1.1.16 Non-recovery of long outstanding fuel price adjustment subsidy - Rs.3,394.75 million

According to Para 11.5 of NEPRA's tariff determination of GEPCO for the year 2012-13, Authority decided to claim the amount of FPA adjustment from Govt. of Pakistan as separate subsidy.

During audit of the accounts of GEPCO for the financial year 2023-24, it was observed that an amount of Rs.3,394.75 million was appearing in the accounts as receivable on account of fuel price adjustment subsidy for the period of August, 2011 to June 2012. On the directions of Honorable Lahore High Court in 2013, the FPA was not billed to domestic consumers having electricity consumptions up to the extent of 350 units per month. NEPRA advised the company to claim the said amount separately from the GoP as subsidy. Upon the directions of Government, the company had requested the NEPRA for adjustment of FPA in tariff redetermination for financial year 2015-16, however, the same could not be decided. The matter was outstanding since 2012-13, hence, non-recovery of claims could result in a significant financial loss to the company.

Non-adherence to NEPRA's determination resulted in non-recovery of long outstanding FPA subsidy of Rs.3,394.75 million up to financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that in

compliance with the Lahore High Court's decision on January 28, 2013, FPA was not charged to domestic consumers using up to 350 units per month. GEPCO sought NEPRA's guidance and was directed to claim the FPA as a separate subsidy from GoP. GEPCO lodged claims amounting to Rs.3,394 million but were returned unsanctioned. GEPCO requested NEPRA to allow the amount as a Prior Years Adjustment, but it was declined. Now the matter was pending with NEPRA and the Ministry of Energy.

DAC in its meeting held on December 23, 2024 directed the management to pursue the matter pending with Ministry of Energy / NEPRA.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 10912024-25)

1.1.17 Non-recovery of long outstanding subsidy claims of Uniform Seasonal Pricing Structure (USPS) from GoP - Rs.1,259.65 million

According to S.R.O 1379(I)/2019 issued by Federal Government on November 12, 2019 in pursuance of Sub-section (7) of Section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997), the Uniform Seasonal Pricing Structure for period of November 2019 to February 2020, for units consumed above consumption made during the same period/month last year. The subjected rates will be applied to the consumers of all Ex-WAPDA DISCOs.

During audit of the accounts of GEPCO for the financial year 2023-24, it was observed that Uniform Seasonal Pricing Structure (USPS) subsidy claims amounting to Rs.1,259.65 million for the period of November 2019 to February 2020 were lodged by GEPCO to Ministry of Finance (Subsidy Cell). These claims were returned un-attended with the remarks that the said SRO did not speak of payments of subsidy by Federal Government against Uniform Seasonal Pricing Structure (USPS). It was advised by the subsidy cell to take up the matter with CPPA-G for necessary action / settlement. Neither these claims were adjusted by CPPA-G nor charged to the consumers for recovery.

Non-acceptance of Uniform Seasonal Pricing Structure (USPS) claims by the Subsidy Cell of Ministry of Energy resulted in non-recovery of Rs.1,259.65 million up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that USPS claims were submitted but the Subsidy Cell clarified that S.R.O 1379(I)/2019 had no mandate for subsidy payments. The matter was being taken up with Ministry of Energy (Power Division) for final decision regarding the recovery.

DAC in its meeting held on December 23, 2024 directed the management to expedite the matter for recovery of TDS with Ministry of Energy (Power Division).

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 908/2024-25)

1.1.18 Non-recovery of energy charges from unregistered / kunda connections - Rs.650.70 million

According to Para 9.1(II) of NEPRA's Consumer Service Manual, all theft cases would be dealt by DISCO strictly in accordance with relevant sections of Pakistan Penal Code, 1860 (Act XLV of 1860) and the Code of Criminal Procedure, 1898 (Act V of 1898). The disconnection of electricity shall be carried out immediately under the supervision of concerned officer of DISCO by removing such facility. As per para 9.1.(III) of NEPRA's Consumer Service Manual, DISCO shall be authorized to recover its loss by raising a detection bill provided that the maximum period of charging in such cases shall be restricted to twelve months for unregistered consumers and up to six months for registered consumers.

During audit of the accounts of DISCOs for financial years 2022-23 and 2023-24, it was observed that an amount of Rs.650.70 million was debited against 17,361 un-registered / kunda connections under Code-888 but neither these illegal unregistered connections were regularized and brought into billing cycle, nor outstanding energy charges recovered. Moreover, legal and departmental action against these persons was also not forthcoming from record. The details are as under:

Sr. No.	Name of Company	Aging	No. of consumers	Amount (Rs.in million)
1.	FESCO	1 to 12 months	573	27.430
2.	GEPCO	1 to 212 months	326	48.10
3.	HESCO	11 to 79 months	967	3.840
4.	IESCO	1 to 76 months	53	3.770
5.	LESCO	1 to 12 months	1,249	163.52

6.	MEPCO	1 to 82 months	8,182	302.44
7.	PESCO	1 to 39 months	2,076	44.76
8.	QESCO	1 to 12 months	3,276	50.50
9.	SEPCO	52 to 290 months	659	6.34
Total			17,361	650.70

(Source: CP-22A & MIS Data of DISCOs 2021-22 & 2022-23)

Non-adherence to Consumer Service Manual resulted in non-recovery of energy charges amounting to Rs.650.70 million from unregistered connections up to the financial year 2023-24.

The matter was taken up with the management during February to November, 2024 and reported to the Ministry during April to November, 2024. The management replied that in some cases, the amount has been recovered from consumers. Moreover, efforts were being made to get the recovery from defaulters.

DAC in its meetings held during July 18, November 28-29, December 12-13, 23, 26-27, 2024 and January 7-8, 13, 15-16, 20-21, 2025 directed the management to get the recovered amount verified from Audit within 15 days besides pursuing the FIRs.

No further progress was intimated till finalization of the report.

Audit recommends implement the DAC directives.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No.1.1.9 having financial impact of Rs.1,015.37 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (942, 1074) (314, 795, 798) (1355) (984) (01, 856) (165, 403, 492, 554, 742, 754) (401, 491, 1219) (1176) (782)/2024-25]

1.1.19 Non-recovery of electricity charges against temporary connections – Rs.220.47 million

According to Special Condition No. E-1(2) of Supply under Tariff-E of NEPRA schedule of electricity tariff, “the supply shall not be given by the Company without obtaining security equal to the anticipated supply and other miscellaneous charges for the period of temporary supply”.

During audit of the accounts of DISCOs for financial years 2022-23 and 2023-24, it was observed that electricity dues of Rs.220.47 million were pending against 2,353 temporary connections aging from 4 to 302 months. In contravention of special condition, the companies did not obtain security equal to the anticipated

supply charges and resultantly, had nothing to adjust against the outstanding dues. The detail is as under:

Sr. No.	Name of Company	No. of Consumers	Aging	Amount (Rs.in million)
1.	FESCO	186	04 to 113 months	45.51
2.	GEPCO	01	More than 2 months	19.55
3.	HESCO	37	38 to 62 months.	4.560
4.	IESCO	593	04 to 143 months	36.57
5.	LESCO	676	13 to 302 months	38.52
6.	MEPCO	422	More than 2 months	33.58
7.	PESCO	438	More than 2 months	42.18
TOTAL		2353		220.47

(Source: CP-120-A of DISCOs)

Non-adherence to tariff condition resulted in loss of Rs.220.47 million due to non-recovery of electricity dues from temporary consumers up to the financial year 2023-24.

The matter was taken up with the management during February to November, 2024 and reported to the Ministry during April to November, 2024. The management replied that in some cases, the amount has been recovered from consumers however, efforts were being made to get the recovery from defaulters. HESCO management replied that inquiry committee had been constituted and Proceedings were underway.

DAC in its meetings held during July 18, November 29, December 12-13, 23, 26-27, 2024 and January 7-8, 13, 15, 20-21, 2025 directed the management to get the recovery record verified from Audit within a week and expedite the pending recovery. Further, DAC directed the HESCO management to finalize the proceedings of inquiry committee besides effecting recovery from consumers and getting the recovery record verified from Audit within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No.1.1.11 having financial impact of Rs.88.91 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (672, 892) (935) (1354, 1384) (22, 1009) (392, 508, 626, 858) (502, 581, 713, 714) (1222)/2024-25]

1.1.20 Non-recovery of cost of electricity supplied to the consumers of Upper Chitral from PEDO

According to GFR Rule 28, “No amount due to Government should be left outstanding without sufficient reason, and where any dues appear to be irrecoverable the orders of competent authority for their adjustment must be sought.”

During audit of the accounts of MoE (Power Division) for the financial year 2022-23, it was observed that cost of 102 million units (kWh) supplied to consumers of Upper Chitral was recoverable from Pakhtunkhwa Energy Development Organization (PEDO). The area was initially fed by PEDO through its 33 KV feeders and subsequently connected through PESCO network on January 24, 2018. However, no payment was for-coming from PEDO on account of 102 million units (kWh) supplied by PESCO uptill February 28, 2022. No concrete steps were taken by the Ministry to resolve the said issue.

Non-adherence to GFR rules resulted in non-recovery from Pakhtunkhwa Energy Development Organization (PEDO) against cost of electricity supplied to the consumers of Upper Chitral up to the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management responded that the reply would be furnished after consulting the record.

DAC meeting was held on September 25, 2024 but the matter could not be discussed due to non-provision of record to Audit for verification by the management, and further schedule of meeting was not conveyed by the Ministry till finalization of the report.

Audit recommends taking up the matter at appropriate forum for early recovery of energy charges from PEDO.

(Draft Para No. 226/2024-25)

Concluding Recommendations

Piling up of receivables is a potential failure for the Generation / Distribution companies. It directly affects their financial viability as a going concern. The issue is complex having multifarious factors as explained above and thus needs a multi-pronged strategy to address it. An efficient billing and collection mechanism is needed to be implemented to ensure greater efficiency in

the recovery process. Furthermore, efforts are needed to expedite identified recoveries / receivable amounts.

1.2 Significant Line Losses in the Power Sector

Power is being delivered to the consumers through a power distribution network being managed by Distribution Companies (DISCOs). Certain volume of energy is lost in the distribution process and not delivered to the end-consumers. In this context, Line losses refer to the losses suffered by a distribution company in delivery of energy across its Transmission (i.e. 132 kV Grid) and distribution network (11 kV Grid). Line Losses reflect the extent of a company's inability to sell energy procured from the power producers causing cash-flow constraints. It is a multi-faceted issue having linkages with different operational and financial activities of the company.

NEPRA has allowed certain percentage of line losses (termed as NEPRA targets), being inevitable and has included them in its tariff determination for the DISCOs. Losses up-to these permissible limits are passed on to the end-consumers in the shape of per-unit tariff. However, losses beyond NEPRA targets convert directly into financial loss of the company, affect its liquidity position and make it unable to payback its liabilities to power producers through CPPA-G.

The Distribution network or grid comprises of cluster of 11 kV feeders. At present there are 9706 feeders spread across the domain of all the DISCOs. Feeders are actually meters through which energy, once received at the grid-station, is distributed along low-tension lines to the consumers. There are two types of feeders i.e. independent feeder and general feeder. The independent feeder is installed for a single high-end commercial / industrial consumer whereas the general feeder provides energy to multiple / thousands of consumers (average varies company to company). Hence, general/mixed-load feeders indicate a specific area or locality to where electricity is being delivered. The information / data of these feeders are also a key point of calculating and analyzing line losses.

Meter reading on the feeders, installed at grid stations, is compared with the energy utilized by the consumer's meters to work out how much energy was dispatched and billed to the consumer of a specific locality. If the energy units delivered through the feeders are more than the billed units, it illustrates that the

line losses have taken place. High percentage of line losses against a feeder is a sound indication of over loading in that specific feeder's locality. Similarly, if feeder units are less than the units billed to the consumers, this indicates that overbilling has been done to the consumers of that locality.

In this backdrop, audit has analyzed the line losses position in the DISCOs: firstly, at company level and then on sample test check basis at operational circle level & feeder level to highlight line losses, high pilferage of energy, high technical losses and operational inefficiencies, which is highlighted in the following paras.

1.2.1 Loss of revenue due to T&D losses beyond NEPRA's targets – Rs.217,552.29 million

NEPRA had fixed targets of energy losses ranging from 9.00%, 18.06%, 11.83%, 19.71%, 14.04%, & 16.68% for the Financial Year 2023-24 in respect of GEPCO, HESCO, MEPCO, PESCO, QESCO & SEPCO respectively.

During audit of DISCOs for financial years 2020-21 to 2023-24, it was observed that the percentage of T&D losses was more than the targets of losses set by the NEPRA. Hence, 6,239.91 million energy units valuing Rs.217,552.29 million were lost beyond NEPRA's target. The detail is as under:

Sr. No.	Name of Company	NEPRA Target (%)	Actual %age of Loss	Units lost beyond NEPRA target (million)	Amount (Rs.in million)
1.	GEPCO	9.00%	11.48%	295.87	6,690.66
2.	HESCO	18.06%	27.15%	1,382.40	41,469.00
3.	MEPCO	11.83%	15.20%	667.09	27,097.72
4.	PESCO	19.71%	36.70%	2,371.00	103,438.08
5.	QESCO	14.04%	28.30%	233.25	6,599.31
6.	SEPCO	16.68%	32.60%	1,290.30	32,257.52
Total				6,239.91	217,552.29

(Source: Progressive CP-22A of DISCOs)

The above illustration shows that DISCOs remained unable to control their line losses causing financial loss not only to the company but also to the sector. In this regard, line losses in HESCO, PESCO, QESCO and SEPCO remained extraordinarily high.

Further analysis was done on sample test check basis which revealed that the percentage of losses on 3,533 general distribution feeders of nine companies ranged from 8.86% to 100%, which was abnormally high. In particular, 271 feeders with

line losses figures ranging between 17.3% to 99.18 %, in MEPCO, PESCO and TESCO require urgent attention of the management. The detail is as under:

Sr. No.	Name of Company	No. of feeders	NEPRA Target	Range of abnormal losses on feeders	Units lost (in million)	Amount (Rs.in million)	Financial Year
1.	FESCO	1142	8.84% to 8.74%	8.86% to 100%	650.39	16,388.74	2021-22 to 2023-24
2.	HESCO	411	18.06% to 19.43%	20.05% to 100%	1,031.60	20,632.01	2020-21 to 2023-24
3.	IESCO	310	7.31% to 7.80%	9.36% to 53.2%	217.76	8959.34	2022-23 to 2023-24
4.	LESCO	445	8% to 11%	11% to 89.49%	1,124.81	28,709.41	2021-22 to 2023-24
5.	MEPCO	126	11.83% to 12.79%	17.3% to 44.8%	112.79	2,948.58	2021-22 to 2023-24
6.	PESCO	143	19.71%	70.02 % to 99.18 %	859.72	37,492.42	2023-24
7.	QESCO	469	14.04%	15% to 93.57%	141.44	4,180.83	2023-24
8.	SEPCO	485	16.68% to 17.89%	18% to 98.70%	2,550.63	64,042.33	2020-21 to 2023-24
9.	TESCO	2	9.01%	50.25% and 80.14%	0.1	4.840	2023-24
		3533		8.86% to 100%	6,689.24	183,358.50	

(Source: Progressive CP-22A of DISCOs)

Non-adherence to NEPRA's targets resulted in loss of revenue amounting to Rs.217,552.29 million due to T&D losses up to the financial year 2023-24.

The matter was taken up with the management during March to October, 2024 and reported to the Ministry during April to November, 2024. The management replied that the line losses were due to over loaded transmission lines, lengthy feeders, law and order situation, difference in reading dates, shifting of load, duplicate source, stealing of energy, wrong coding and unrealistic NEPRA targets etc. Administrative and legal actions were being taken to reduce the line losses. HESCO management replied that NEPRA assigned target of losses at company level. However, HESCO was continuously making efforts to reduce distribution loss despite worst theft condition.

DAC in its meetings held during July 3, 18, September 25, October 11, November 28, December 12-13, 23, 26-27, 2024 and January 7-8, 13, 15-16, 20-21, 2025 directed the management to substantiate the reply by providing feeder wise analysis along with justification, grid log sheet and respective CP-22 & 34-C within 15 days. DAC further directed the management of SEPCO and MEPCO to conduct fact finding inquiry and submit its report to Audit within one month.

DAC directed the HESCO management to inquire the matter at CEO level besides finalizing the third-party study and sharing its outcome with Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No.1.2.1 having financial impact of Rs.196,384.51 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (890, 943, 1106) (883) (522, 1344, 1390) (18, 655, 998) (651, 412, 848, 993) (567, 743) (1231, 1232) (1150) (1169, 1209) (183, 810, 812) (1116)/2024-25]

1.2.2 Losses on independent feeders beyond permissible limit - Rs.16,361.25 million

According to Distribution Rehabilitation Guidelines issued by the General Manager (Operation) WAPDA, Lahore on September 24, 2003, the maximum Annual Energy Losses (AEL) for HT circuit (HT Feeders) is 3% for rural/urban areas.

During audit of the accounts of DISCOs for financial years 2022-23 and 2023-24, it was observed that percentage of annual progressive energy losses on 568 independent feeders remained over & above the permissible limit of 3%, which entailed loss of 1,424.133 million units amounting to Rs.16,361.25 million. The detail is as under:

Sr. No.	Name of Company	No. of feeders	%age of losses	No. of units lost beyond 3% (million)	Amount (Rs.in million)
1.	FESCO	59	3.23% to 100%	18.785	367.75
2.	GEPCO	35	3.2% 100%	10.90	244.73
3.	HESCO	29	7% to 100 %	8.171	163.58
4.	IESCO	47	3.9 % to 44.3 %	9.267	380.01
5.	LESCO	125	3.09 % to 75%	34.014	958.09
6.	MEPCO	102	3.1% to 100%	1188.00	1,0376.81
7.	PESCO	83	3.11% to 100%	131.546	3264.92
8.	QESCO	23	3.36% to 80.89%	2.167	64.06
9.	SEPCO	52	6.8% to 62.8%	18.231	431.92
10.	TESCO	13	3.6% to 50.7%	3.052	109.38
Total		568		1,424.133	16,361.25

(Source: CP-22A of DISCOs for the Financial Year 2023-24)

The above analysis, done on sample selection basis, showed that independent feeder connections were being supervised inadequately by the companies entailing material financial losses. Particularly, abnormal high-end losses ranging between 3.09% to 100% were observed in FESCO, GEPCO,

HESCO and PESCO, which indicated high risk of energy theft or technically incapacitated feeder-system.

Non-adherence to Distribution Rehabilitation Guidelines resulted in energy losses amounting to Rs.16,361.25 million on independent feeders beyond permissible limit up to the financial year 2023-24.

The matter was taken up with the management during February to November, 2024 and reported to the Ministry during April to November, 2024. The management replied that line losses above permissible limit were due to difference in reading dates, shifting of load, duplicate source and wrong coding etc., however, notices had been served to the consumers and the cases would be pursued in the light of revised NEPRA Consumers' Service Manual. HESCO management replied that inquiry committee proceedings were under way.

DAC in its meetings held during July 3, November 28-29, December 12-13, 23, 26-27, 2024 and January 7-8, 13, 15-16, 20-21, 2025 directed the management to substantiate the reply by providing feeder wise analysis with grid log sheet and respective CP-22 (C & D) & 34-C within 15 days. Further, DAC directed the HESCO management to finalize the proceedings of inquiry committee and share its outcome with Audit within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No. 1.2.2 having financial impact of Rs.2,366.42 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (944, 969) (319, 797) (523, 1343) (26, 640, 977) (477, 510, 600, 847) (372, 413, 438, 553, 721) (538, 561, 1217) (1171) (180, 573, 775) (1117)/2024-25]

1.2.3 Excess units charged from various grid stations to 11 KV Feeders - Rs.1,258 million

As per Para 1.3 of Commercial Procedure manual, the company is responsible for the efficient application of billing and collection procedure.

During audit of the accounts of MEPCO for financial years 2019-20 to 2022-23, it was observed that units received on Power Transformers were 58,097.88 million and units sent to 11 KV feeders were 58,160.78 million which depicts a negative difference of 62.90 million units at seventy-nine grid stations. Hence, fictitious supply of power was made to operation divisions and

unjustified load of electricity units amounting to Rs.1,258 million was ultimately transferred to end consumers.

Non-adherence to Commercial Procedure Manual resulted in over-billing of Rs.1,258 million to consumers up to the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management replied that 0.5 class energy meters were installed on 11KV incoming and outgoing panels at the Grid Stations. The normal error (+ or -0.5%) existed in KWH energy meter, which was according to NTDC specifications P-202:2012 6.5.1, therefore, no extra units were charged.

DAC in its meeting held on November 28-29, 2024 directed the management to provide the record in support of reply to Audit for verification within a week.

Audit recommends implementation of DAC's decision.

(Draft Para No. 118/2024-25)

1.2.4 Loss of revenue due to non-billing of electricity on sick feeders - Rs.151.52 million

As per section 1.3 of Commercial Procedure, the Revenue Officer and Assistant Manager are responsible for implementing in conjunction with the executive engineer, the commercial policy laid down from time to time by the authority through the company efficient application of billing and collection procedures.

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that 6.61 million energy units received on ten (10) 11 kV feeders but no unit was billed on these feeders thereby showing 100% unit lost without billing to the consumers. This scenario indicated the theft of electricity on these sick feeders and the company sustained revenue loss amounting Rs.151.52 million.

Sr. No.	Name of Company	No. of 11 KV Feeders	Unit lost (in million)	% of unit lost	Amount (Rs.in million)
1.	HESCO	7	4.61	100%	92.140
2.	QESCO	3	2	100%	59.380
Total		10	6.61		151.52

(Source: CP 22-A)

Non-adherence to commercial procedures resulted in loss of revenue due to non-billing of electricity on sick feeders amounting to Rs.151.52 million during the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. HESCO management replied that directives had been issued to the field formations. QESCO management replied that the feeders were energized in June, 2024 and the allotment was awaited, which has now been made.

DAC in its meeting held on January 16, 20-21, 2025 directed the management to conduct fact finding inquiry with feeder wise justification / analysis and submit its report to Audit within one month. Further, DAC directed the HESCO management to provide analysis of bundling the feeders duly substantiated with documentary evidence to Audit for verification within a week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para Nos. (1342) (1172)/2024-25]

1.2.5 AT&C losses due to suboptimal operational & commercial control / governance

According to Guidelines for enforcing the responsibility for losses sustained by the Authority through fraud or negligence of individual, 1982, "All losses, whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved."

During audit of the accounts of QESCO for the financial year 2023-24, it was observed that the company experienced significant aggregate technical and commercial losses totaling Rs.151,180,347,156/-. Based on the data provided by the Commercial Department, technical losses and revenue recovery were calculated for each operational division for the financial year 2023-24. A correlation coefficient was computed to examine the relationship between technical losses and revenue recovery, which revealed a positive correlation between the percentages of technical losses and recovery. This indicated that when any operational division attempted to reduce its technical losses, its percentage of recovery tended to decrease, and conversely, if a division improved its percentage of recovery, its percentage of technical losses tended to increase.

Furthermore, when excluding Quetta city-based operational divisions, the correlation coefficient between the technical losses and recovery percentages for the remaining divisions increased significantly, reaching 64%.

Naseerabad division and Gawadar division exhibited the highest recovery rates among the operational divisions, achieving 29% and 66.8%, respectively. These divisions also reported the highest technical losses, with figures of 44.5% and 39.8%. Consequently, this combination led to significant Aggregate Technical and Commercial (AT&C) losses of 84% and 60%, respectively, when excluding city-based divisions.

In contrast, Kalat division and Pishin division demonstrated the lowest technical losses at 17.8% and 14.5%, respectively. However, their recovery ratios were notably poor, standing at only 4.5% and 9.9%. This lack of effective recovery strategies resulted in exceptionally high AT&C losses, which reached 96.25% and 91.51%, respectively.

The data indicated that while some divisions may have high recovery rates, they were also experiencing substantial technical losses, highlighting the complex relationship between recovery efforts and technical performance. Conversely, divisions with lower technical losses were not capitalizing on their potential for recovery, resulting in disproportionately high AT&C losses. This underscores the need for targeted strategies to improve both technical performance and revenue recovery across all divisions.

Audit concluded that there may be instances of bogus overbilling in the Kalat, Pishin, Qila Abdullah, and Khuzdar divisions, aimed at reducing reported technical losses. This has led to consumers refusing to pay their electricity bills, resulting in escalated commercial losses. Furthermore, there may be inflated recovery percentages reported in the Gawadar and Naseerabad divisions, achieved by improperly charging electric units to technical losses.

Overall, the AT&C losses reflect the underlying issues within QESCO's governance, indicating a significant lack of control over its operational divisions.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that technical losses were due to lengthy feeders. Simultaneously due to low paying capacity of the people, the recovery was not 100%. Strenuous efforts were being made to improve the AT&C losses.

DAC meeting was held on January 16, 2025 but the matter could not be discussed due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1260/2024-25)

1.3 Overbilling

Accuracy and reliability of consumer's billing-data is the key attribute on which the overall business of the distribution companies is based upon. In fact, the working of the whole power sector, including government subsidy calculations, CPPA-G liability pay-off etc., and all such activities are directly or indirectly linked with the source billing data. In this context, overbilling by the DISCO's represent weak internal check failures and data credibility errors in managing the billing data by the companies resulting in financial loss to the company on one hand and misreporting of facts to the allied power sector players on the other hand.

In the following paras, audit has analyzed the extent and types of overbilling practices found prevalent in the distribution companies:

1.3.1 Concealment of suboptimal performance of the company by overbilling to agricultural tubewells - Rs.148,109.61 million

According to G.M. (C&M) Power memo dated December 01, 2007, Minutes of CEOs DISCOs Conference – 26th November, 2007, MD PEPCO showed his concern over the issues of excessive billing, parking of units and pilferage of electricity. Line losses due to theft of electricity with the collusion of staff are covered by bogus billing. Staff involved in theft of electricity must be imposed punishment to create deterrence.

During audit of the accounts of QESCO for the financial year 2023-24, it was observed that the Company had 720,733 consumers, including 29,456 agricultural consumers, who represent 4% of the total consumer base. However, agricultural consumers account for approximately 64% of the total electricity consumption in Baluchistan during the financial year 2023-24. The receivables associated with agricultural consumers have accumulated, comprising 88% of the

company's total receivables, thus becoming a major contributor to AT&C losses. The high commercial losses attributed to agricultural consumers indicate widespread refusal to pay perceived unjust overbilling. Based on the average duration of electricity supply to agricultural consumers, the annual consumption for agricultural tube-well connections was estimated. It was ascertained that approximately 6.4 times more electricity units were charged to these connections to obscure the actual technical losses. This concerning scenario led to the conclusion that QESCO was employing a non-transparent approach to mask its deficiencies and poor governance under the guise of overbilling to agricultural tube-well connections. Furthermore, the receivables appear to be categorized under the umbrella of agricultural subsidies to agricultural consumers.

Non-adherence to Authority's instructions resulted in concealing the sub-optimal performance of the QESCO on account of overbilling amounting to Rs.148,109.61 million to agricultural tube wells up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that law and order situation was worst in overall Province especially in the areas pointed out by Audit. The units charged to the agricultural consumer on their connected load and no overbilling was carried out.

DAC meeting was held on January 16, 2025 but the matter could not be discussed due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1298/2024-25)

1.3.2 Huge refund to consumers due to revision of wrong reading / detection charges - Rs.47,816.39 million

According to instructions issued by the Managing Director PEPCO vide letter dated December 01, 2010, "strict disciplinary action, without any exception, shall be taken against the officers and staff found involved in the overbilling". As per Memorandum of understanding (MOU) signed between Ministry of Water & Power and DISCOs, "adjustment / bill corrections will be rationalized / minimized to less than 0.01% of total billing".

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that 904.66 million energy units amounting to Rs.47,816.39 million were refunded to 278,649 consumers on account of wrong reading and detection through adjustment notes. This scenario indicated that overbilling was done to consumers in one month and same was refunded in next month on account of wrong reading. Moreover, detection bills were not charged as per detection policy and had to be revised on consumers' complaints. This was done just to conceal the actual line losses and theft of energy. No action was taken against the officers / officials involved in credit adjustments. The detail is as under:

Sr. No.	Name of Company	No. of Consumers	Units refunded (in million)	Amount (Rs.in million)
1.	HESCO	10,885	9.04	558.86
2.	LESCO	96,263	847.50	45,511.41
3.	MEPCO	262	0.36	19.46
4.	PESCO	168,581	44.91	1,566.21
5.	QESCO	2,658	2.85	160.45
	Total	278,649	904.66	47,816.39

(Source: CP-52 (Adjustment) of DISCOs)

Non-adherence to directions resulted in huge refund of Rs.47,816.39 million to the consumers due to revision of reading / detection charges up to the financial year 2023-24.

The matter was taken up with the management during March to October, 2024 and reported to the Ministry during May to November, 2024. The management replied that all the refunds were made after due verification and with the approval of competent authority. In some cases, disciplinary action was also taken against the delinquents. HESCO management replied that inquiry committee had been constituted to investigate the matter and proceeding was under way.

DAC in its meetings held during July 3, November 28-29, December 12-13, 23, 26-27, 2024 and January 7-8, 16, 20-21, 2025 directed the management to provide the record in support of reply to Audit for verification within 15 days and in some cases, also directed to inquire the matter and submit its report to Audit within 30 days. DAC also directed the HESCO management to finalize the proceedings of inquiry committee and share its report to Audit within two months.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No. 1.4.4 having financial impact of Rs.21,546.18 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (498, 1393, 1396) (363, 541, 652, 852) (434, 482) (654, 1292) (1177)/2024-25]

1.3.3 Overbilling to consumers due to charging of excessive load factor beyond permissible limit of NEPRA – Rs.22,175.27 million

As per Annexure-V of NEPRA's Consumer Service Manual, percentage of load factor for different types of connections.

During audit of the accounts of DISCOs for financial years 2022-23 to 2023-24, it was observed that abnormal excessive percentage of load factor beyond the permissible limit of NEPRA was charged to different types of 27,985 consumers. This scenario depicted that the excess percentage of load factor was charged in order to achieve the target of line losses. Due to excessive load factor, 641.76 million units valuing Rs.22,175.27 million were overbilled to the consumers. The detail is as under:

Sr. No.	Name of Company	No. of consumers	Units (in million)	Amount (Rs.in million)
1.	HESCO	1,041	11.28	225.62
2.	IESCO	780	14.91	577.04
3.	LESCO	11,996	225.39	6,089.93
4.	MEPCO	5,435	77.74	2,733.10
5.	PESCO	1,373	219.87	9,774.47
6.	QESCO	6,802	84.58	2,500.10
7.	SEPCO	504	6.41	196.37
8.	TESCO	54	1.58	78.64
Total		27,985	641.76	22,175.27

(Source: DISCOs MIS generated reports)

Non-adherence to Consumer Service Manual resulted in overbilling of Rs.22,175.27 million to the consumers due to charging of excessive load factor up to the financial year 2023-24.

The matter was taken up with the management during February to November, 2024 and reported to the Ministry during April to November, 2024. The management replied that the consumers had used the load beyond their sanctioned load and in some cases inquiry committees had been constituted.

DAC in its meetings held during November 28-29, December 26-27, 2024 and January 7-8, 13, 15-16, 20-21, 2025 directed the management to get

case to case analysis verified from Audit and also directed to initiate/expedite the inquiry and submit its report to Audit within 30 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No.1.3.1 having financial impact of Rs.25,109.21 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (1326) (979) (37, 598) (569) (1294) (1182) (170) (1135)/2024-25]

1.3.4 Undue generation of revenue through overbilling - Rs.18,624.76 million

According to Commercial Procedure, "Revenue Officer is responsible for: i) Implementing in conjunction with the Executive Engineer, the commercial policy laid down from time to time by the Authority through the Company ii) Efficient application of billing and collection procedures".

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that the percentages of energy losses of 1,432 feeders were in negative figures. The negative losses revealed that the 764.10 million energy units were billed in excess of units received on feeders, which indicated overbilling of Rs.18,624.76 million to the consumers. The detail is as under:

Sr. No.	Name of Company	No. of Feeders	Units excess billed (million)	Amount (Rs.in million)
1.	FESCO	125	26.54	605.55
2.	GEPCO	58	86.22	146.63
3.	HESCO	150	86.04	1,720.87
4.	IESCO	221	43.79	1,570.60
5.	LESCO	300	77.08	1,791.38
6.	MEPCO	22	4.78	91.98
7.	PESCO	189	157.60	5,557.51
8.	QESCO	63	6.47	191.190
9.	SEPCO	283	272.26	6,830.17
10.	TESCO	21	3.32	118.88
Total		1432	764.10	18,624.76

(Source: CP-22A for the year 2022-23)

Non-adherence to Commercial Procedure resulted in undue generation of revenue through overbilling amounting to Rs.18,624.76 million up to the financial year 2023-24.

The matter was taken up with the management during February to November, 2024 and reported to the Ministry during April to November, 2024. The management replied that the negative line losses appeared due to difference in reading dates, wrong feeder coding, dual supply and shifting of load etc.

DAC in its meetings held during July 3, November 28-29, December 12-13, 23, 26-27, 2024 and January 7-8, 13, 15-16, 20-21, 2025 directed the management to substantiate the reply by providing feeder wise analysis with grid log sheet and respective CP-22 (A to E) to Audit within one month. DAC also directed the HESCO management to inquire the matter at CEO level besides finalizing the third-party study and sharing its outcome with Audit accordingly.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No. 1.3.2 having financial impact of Rs.2,225.58 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (888, 945) (332, 794) (524, 1385, 1394) (80, 622, 976) (348, 507, 601, 846, 1006) (378, 382) (487, 539, 1218) (1170, 1173) (184, 447, 574, 776, 808) (1118)/2024-25]

1.3.5 Huge refund to consumers on account of wrong reading and detection revised through CP-52 and MIS reports - Rs.5,293.37 million

According to instructions issued by the Managing Director PEPCO vide letter dated December 01, 2010, "strict disciplinary action, without any exception, shall be taken against the officers and staff found involved in the overbilling". As per Memorandum of understanding (MOU) signed between Ministry of Water & Power and DISCOs, "adjustment / bill corrections will be rationalized / minimized to less than 0.01% of total billing". Further, according to Para 1.3 of Commercial Procedures Manual of WAPDA Power Wing, Revenue Officer and Assistant Manager are responsible for: (i) Implementing in conjunction with the Executive Engineer, the commercial policy laid down from time to time by the Authority, through the company. (ii) Efficient application of billing and collection procedures.

During Performance audit of FESCO regarding overbilling for financial years 2020-21 and 2021-22, it was observed that an amount of Rs.4,941.355 million on 168.234 million energy units was refunded to various consumers on account of wrong reading and detection revised through 0.465 million adjustment

notes. This scenario indicated that over billing was made to consumers and same was refunded subsequently on account of wrong reading. Moreover, detection bills were not charged as per detection policy and had to be revised on consumers' complaints. This was done just to conceal the actual line losses and theft of energy. No action was taken against the officers / officials involved in credit adjustments.

Furthermore, it was also observed that an amount of Rs.352.017 million was refunded to domestic, industrial, commercial and tube well consumers on account of wrong billing to consumers in previous years through MIS reports with and without charging units. The detail is as under:

Statement showing amount and unit credited

Sr. No.	year	No of Consumers	units credited	Amount refunded (Rs.)
1	2020-21	2,315,811	3,113,943	59,934,001
2	2021-22	302,531	16,306,706	188,333,494
	Grand total	2,618,342	19,420,649	248,267,495

Statement showing only amount credited

Sr. No.	Year	No. of Consumers	Amount (Rs.)
1	2020-21	3,063	33,289,476
2	2021-22	4,041	70,460,378
	Grand total	7,104	103,749,854

Non-adherence to PEPCO instructions and commercial procedures of WAPDA resulted in huge refund of Rs.5,293.37 million to consumers on account of wrong readings and detection revised during the financial years 2020-21 and 2021-22.

The matter was taken up with the management in March, 2023. The management replied that credited units were as per result of data retrieval cases, revision of detection bills in compliance of various courts order, likewise civil courts, electric inspector, NEPRA, correction of reading where wrongly charged, correction of bills in case of arithmetic error. So, there were so many occasions where bills had to be corrected for smooth and accurate billing as emphasized and desired by NEPRA. The reply of the management was not tenable as credit adjustment in detection bills is only made due to wrong charging of detection bills to consumers.

The DAC in its meeting held on August 04, 2023 directed the management to prepare a fact-finding report of these adjustments within 15 days and to verify the record from audit till 31st August, 2023. Further progress was not intimated till finalization of report.

Audit recommends implementation of DAC's decision.

(Performance Audit of FESCO – Para-4.1.9)

1.3.6 Unjustified multi credit adjustments granted to consumers – Rs.2,184.77 million

According to detection policy, “Since utmost care is to be exercised in the preparation of detection / assessment bill in the first instance there should normally be no occasion to revise it. However, if necessity is felt to revise a detection bill on the representation of the consumer, then the revision of the detection bill be approved by Circle Review Committee in Superintending Engineer office.”

During Special Audit of PESCO for financial years 2020-21 to 2022-23, it was observed that multi credit adjustments of 68.222 million units amounting to Rs.2,184.77 million were allowed to 83,326 consumers. The credit given to consumers ranged from two to nine times. This indicated that either irregular overbilling was done which was later covered by giving credit to the consumers or undue favor was extended. This resulted in an unjustified decrease in receivables and loss to the company. Moreover, the management conducted an inquiry on a similar nature issue however, compliance of the recommendations of the inquiry report could not be verified.

Details of Number of Multi Credits Granted to Consumers

Sr. No.	No. of times	Number of consumers in financial year			Total
		2020-21	2021-22	2022-23	
1	2	22,993	23,196	19,234	65,423
2	3	4,786	5,390	2,512	12,688
3	4	1,333	1,460	876	3,669
4	5	427	427	292	1,146
5	6	102	125	81	308
6	7	16	17	28	61
7	8	8	7	10	25
8	9	5	-	1	6
Number of Consumers		29,670	30,622	23,034	83,326
Units Credited		(26,246,935)	(26,808,445)	(15,166,168)	(68,221,548)
Amount Credited		(804,755,802)	(717,279,389)	(662,735,822)	(2,184,771,013)

(Source: MIS of PESCO)

Non-adherence to the detection policy resulted in loss due to unjustified multi credit adjustments granted to consumers amounting to Rs.2,184.77 million during financial years 2021-23.

The matter was taken up with the management in February, 2024. The management replied that an inquiry committee has been constituted to investigate the matter.

DAC in its meeting held on February 29, 2024 directed the management to complete the inquiry report within 07 days and share the said report with Audit.

Despite directions of DAC, status of inquiry was not shared with Audit till the finalization of the report.

Audit recommends the management needs completion of inquiry regarding unjustified multi credit adjustments promptly and share the same with Audit.

(Special Audit of PESCO-Para-2.7)

1.3.7 Staggeringly abnormal refund of units due to systemic practice of overbilling (wrong reading/detection) – Rs.1,806.86 million

According to instructions issued by the Managing Director PEPCO vide letter dated December 01, 2010, “strict disciplinary action, without any exception, shall be taken against the officers and staff found involved in the over-billing”.

During audit of the accounts of DISCOs for financial years 2019-20 to 2023-24, it was observed that 50.55 million units with amount of Rs.1,806.86 million were refunded / credited to 309,442 private and government consumers as a result of revision of wrong reading and detection charges through adjustment notes during financial years 2019-20 to 2023-24. However, trend analysis of total units credited / adjusted to consumers, showed that A-type adjustment i.e. revision of wrong reading of 29.44 million units with amount of Rs.1,091.15 million was made, however, C, D, E, F & G-Type adjustment i.e. revision of detection bills of 20.76 million units with amount of Rs.715.71 million was also made. The detail is as under:

Sr. No.	Name of Company	Financial Year	No. of consumers	Units Cr.	Amount (Rs.in million)	A-Type (Revision of wrong reading)			C, D, E, F & G (Revision of detection bills)		
						units	Amount	%	units	Amount	%
1.	IESCO	2023-24	102,516	14.48	655.69	14.48	655.69	57.0	0	0	0
2.	MEPCO	2019-24	206,926	36.07	1,151.17	14.96	435.46	19.3 to 71.9	20.76	715.71	28.00 to 75.69
Total			309,442	50.55	1,806.86	29.44	1091.15		20.76	715.71	

(Source: MIS Reports of DISCOs for the year 2019-20 to 2023-24)

The above scenario indicates that overbilling was regular practice and at the same time neither detection nor refund policy was being followed according to the standard procedure / practice. No departmental action was taken against the officers / officials at fault either for overbilling or refund.

Inefficient operational management resulted in staggeringly abnormal refund of units amounting to Rs.1,806.86 million due to systemic practice of wrong reading/detection charged to consumers up to the financial year 2023-24.

The matter was taken up with the management in during March and September to October, 2024 and reported to the Ministry in May and October to November, 2024. The management replied that all the adjustments and corrections were made after obtaining approval from competent authority.

DAC in its meetings held in November 29, 2024 and January 13, 15, 2025 directed the management to prepare a detailed report at CEO level and share the same with Audit within one month along with the reasoning for wrong billing / detection charged to consumers and action taken as per SoPs.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No.1.3.2 having financial impact of Rs.21,673.20 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (981) (370 & 749)/2024-25]

1.3.8 Overbilling to the consumer due to non-replacement of defective meters - Rs.300.61 million

According to Para 6.4.7 of NEPRA's Consumer Service Manual, "DISCO (DISCO to insert its name) may install back-up meter on all industrial connections and other connections having sanctioned load of 50 kW and above on request of the consumer. The cost will be borne by the consumer if backup meter is installed on consumer's request. In case of any defect in the billing meter, the back-up meter will be converted into billing meter and the bills shall be charged on the basis of consumption recorded on the back-up meter. Upon replacement of the impugned meter, the same will be treated as back up meter."

During audit of the accounts of LESCO for financial years 2022-23 to 2023-24, it was observed that overbilling amounting to Rs.300.61 million was made to sixteen (16) offices of Punjab Government due to non-replacement of defective

AMR meters. No serious efforts were made to replace the defective meters. Moreover, back-up meters were not installed for accurate billing for the consumers.

Non-adherence to Consumer Service Manual resulted in overbilling due to non-replacement of defective meters up to the financial year 2023-24.

The matter was taken up with the management on September, 2024 and reported to the Ministry during November, 2024. The management explained that disputed billing of Rs.300.61 million relating to WASA had been reconciled with Director Reconciliation Punjab.

DAC in its meeting held on December 26-27, 2024 directed the management to provide the record comprising snap report, M&T report, Government Billing Ledger, CP-52, CP-88-A & CP-88-L in support of reconciliation statement duly signed by representative of LESCO and Punjab Govt. to audit for verification within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 511/2024-25)

1.3.9 Loss due to multiple credits to consumers in the same billing month – Rs.268.32 million

According to instructions issued by the Managing Director PEPCO vide letter dated December 01, 2007, "Strict disciplinary action, without any exception, shall be taken against the officers and staff found involved in the overbilling". As per Memorandum of understanding (MOU) signed between Ministry of Water & Power and DISCOs, "Adjustment / bill corrections will be rationalized / minimized to less than 0.01% of total billing."

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that multiple credit adjustments amounting to Rs.268.32 million were allowed in the same billing month to consumers. These adjustments ranged from two to five times, indicating that undue favor was extended to consumers at the expense of DISCO, causing significant losses and irregular decreases in receivables. The detail is as under:

Sr. No.	Name of Company	No. of consumers	No. of times of Credit adjustments	Amount (Rs.in million)
1.	FESCO	1515	2 to 5 times	194.240
2.	PESCO	1647	2 to 3 times	74.08
Total		3162		268.32

Non-adherence to rules resulted in loss due to multiple credits in the same billing month to consumers amounting to Rs.268.32 million up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in October and November, 2024. The management of FESCO replied that credit adjustments of 570 cases pertaining to Sargodha-I & III Divisions and 87 cases of Bhalwal Division were made due to wrong readings, defective units, correction of WAPDA employee bill, fuel price and TV fee adjustments. Moreover, an inquiry committee had been constituted by S.E on 04.12.2024 for remaining 858 cases. The management of PESCO stated that reply would be furnished after consulting the record.

DAC in its meetings held during December 12-13, 2024 and January 7-8, 2025 directed the FESCO management to provide the record in support of reply to Audit for verification within a week besides finalizing the inquiry proceedings within a month and share its report with Audit. The matter related to PESCO could not be discussed in DAC meeting due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para Nos. (1083) (442, 1221)/2024-25]

1.3.10 Unjustified billing to dead defaulters - Rs.49.62 million

According to Commercial Procedure Manual, Revenue Officer and Assistant Manager are responsible for Implementing in conjunction with the Executive Engineer, the commercial policy laid down from time to time by the Authority through the company and efficient application of billing and collection procedures.

During audit of the accounts of MEPCO for the financial year 2023-24, it was observed that undue generation of revenue was made through billing to dead defaulters. The units received were zero but 1,221,790 units were billed to dead defaulters amounting to Rs.49.62 million. This was done to conceal line losses only.

Non-adherence to Authority instructions resulted in unjustified billing to dead defaulters amounting to Rs.49.62 million up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in October, 2024. The management replied that billing was made after fulfillment of all departmental formalities along with registration of FIRs.

DAC in its meeting held on November 29, 2024 directed the management to provide the record in support of reply to Audit for verification within a week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No.1.3.5 having financial impact of Rs.43.89 million. Recurrence of same irregularity is a matter of serious concern.

(Draft Para No. 733/2024-25)

Concluding Recommendations

Overbilling is a significant organizational issue for the distribution companies. It negatively reflects the performance of the DISCOs and reduces their credibility as thriving organization. Ministry may make efforts to ensure that overbilling instances are controlled within operations of the respective companies.

1.4 Suboptimal Operational Management by the Distribution Companies

Operational Management involves a comprehensive set of business activities being under taken by the DISCOs aimed at effective maintenance / enhancement and augmentation of its distribution network infrastructure as well as efficient management of its consumer portfolio. The consumers are classified among different categories such as domestic, commercial, industrial, agriculture, bulk-supply etc. The categories have further been classified based on the load being supplied to these consumers. High energy load consumed by a customer necessitates additional charges and additional equipment for independent feeder and grid-station. Thus, due diligence in overall operational activities is necessary to manage the power sector distribution network efficiently.

Weak internal checks and inadequate operational management lead to different anomalies in the distribution network operations, causing loss to the company and adversely affecting the performance of its infrastructure. For

example, cases where the consumers had extended load without regularization meant that on one hand, the electricity network was overloaded and on the other hand, due charges were not being received from the consumers.

Similarly, another grey area, in operational management, was delay in non-replacement of defective meters. This lapse creates space for financial irregularities and companies the transparency of the whole billing process causing material financial loss to the company on account of inaccurate energy bills.

On the above lines, Audit has analyzed the operational management issues in the DISCOs from different aspects: broadly at company level and on sample basis at operation circle/consumer level, to highlight the irregularities, internal check lapses and financial losses being incurred by the companies, which is highlighted in the following paras:

1.4.1 Financial impact shifted to consumers due to payment of Capacity Transfer Price to CPPA-G on account of Load Management - Rs.171,477.30 million

According to Rule 4(f)(v) of NEPRA's Performance Standards (Distribution) Rules, 2005, "a distribution company shall prepare schedules of load disconnection, which demonstrate this priority order and which rotate load disconnections within the (4f)(iv) groups in a non-discriminatory manner".

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that a total 155,176,800 kW energy was allocated against demand of the Companies. However, only 136,536,320 kW energy was utilized which was 87.99% of the total allocated quota. Despite having surplus capacity, DISCOs implemented a load management plan which is illustrated as follows:

(FY-2023-24)						
Sr. No.	Name of Company	Allocated Quota (KW)	Drawn (KW)	Load Management Units (KW)	%age of utilization	Amount (Rs.in million)
1.	FESCO	21,423,000	20,233,000	585,000	94.45	3,231.85
2.	GEPCO	16,610,000	15,275,000	735,000	91.96	4,110.70
3.	HESCO	8,393,000	6,558,000	3,409,000	78.14	19,301.26
4.	IESCO	18,711,000	17,768,000	432,000	94.96	2,319.66
5.	LESCO	34,945,000	32,868,000	2,447,000	94.06	23,194.80
6.	PESCO	1,569,000	1,388,000	181,000	88.46	12,787.02
7.	MEPCO	22,330,800	20,362,320	1,032,480	91.18	8,133.06
8.	SEPCO	22,111,000	15,148,000	11,324,000	68.51	43,444.01
9.	QESCO	9,084,000	6,936,000	9,132,000	76.35	54,954.94
TOTAL		155,176,800	136,536,320	29,277,480		171,477.3

Analysis based on the above table revealed that the companies did not fully utilize their allocated electricity quota due to load management and an additional financial burden on account of Capacity Transfer Price (CTP) payments to CPPA-G was created, which ultimately led to the cost of capacity transfer being passed on to consumers.

Irregular load management resulted in shifting of huge financial impact amounting to Rs.171,477.30 million to consumers due to payment of Capacity Transfer Price to CPPA-G up to the financial year 2023-24.

The matter was taken up with the management during October to November, 2024 and reported to the Ministry in November, 2024. The management replied that less drawl of load was due to load management at only high losses feeders, tripping / break-downs, over and above allocation of quota than demand and solar energy. The management replied that HESCO had properly carried out scheduled load shedding in accordance with the policy of Govt. of Pakistan and complied with the directions issued from time to time by the MoE (Power Division). However, the services of DISCO Support Unit (DSU) would be utilized for the control pilferage of electricity and recovery of outstanding dues.

DAC in its meetings held during November 28-29, December 12-13, 23, 26-27, 2024 and January 7-8, 13, 15-16, 20-21, 2025 directed the management to submit a self-contained case along with Ministry's directions and NEPRA's instructions regarding load management to Audit for review within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para Nos. (956), (940), (1301), (1022), (929), (1297), (709), (761), (1157)/2024-25]

1.4.2 Undue burden on consumers due to payment of Capacity Transfer Price to CPPA-G for non-utilization of allocated quota of power – Rs.37,833.87 million

According to the Standard Operating Procedures of Commercial Transaction: i) The invoices for energy and capacity sold by generation companies, for each billing period, shall be sent to CPPA-G, pursuant to the terms reflected in the Power Purchase Agreements. ii) For each billing period, CPPA-G shall calculate the capacity transfer rate, in accordance with the authority approved

transfer mechanism, for the purposes of invoices against each distribution company for the energy and capacity purchased during the previous month.

During special audit of PESCO for financial years 2020-21 to 2022-23, it was observed that during the last three years PESCO drew less power against its allocated quota. Power drawl remained 68.46% in 2020-21, 70.83% in 2021-22 and 99.87% during 2022-23.

Details of allocated, drawn and utilized quota of Power

FY	Allocated Power Quota (KW)	Drawl (KW)	Less drawl (KW)	% of Utilization	Financial impact of CTP (Rs.)
2020-21	24,804,000	16,980,000	7,824,000	68.46	18,280,376,976
2021-22	24,888,000	17,628,000	7,260,000	70.83	19,461,357,465
2022-23	18,756,000	18,732,000	24,000	99.87	92,136,674
Total	68,448,000	53,340,000	15,108,000	79.72	37,833,871,115

[Source: PESCO Power Dispatch Center (PDC)]

The above illustration showed that PESCO could not utilize its allocated quota substantially during 2020-21 & 2021-22, whereas during 2022-23 its drawl was 99.87% due to reduction in allocated quota by 24.64%. Less utilization of power quota despite having surplus capacity allocated not only showed operational inefficiency but also had financial implications due to capacity payments for non-utilization of the available surplus capacity in the system.

Load Management Plan for the FY 2022-23

AT&C Loss	Category	Interruptions Hours	Domestic	Independent	Industrial	Total
Below 10%	I	0	3	103	186	292
		2	155	30	0	185
10.1% ~20%	II	2	132			132
20.1%~30%	III	6	134			134
30.1% - 40 %	IV	7	95			95
40.1%~60%	V	12	145			145
60.1%~8-%	VI	16	156			156
Above 80.1%	VII	20	159			159
Total						1298

[Source: PESCO Power Dispatch Centre (PDC)]

According to NEPRA's latest State of Industry Report 2023 and earlier Performance Evaluation Reports, "the Authority does not support the approach of DISCOs to shed the load on the pretext of AT&C losses considering it an invalid

justification for load shedding. NEPRA emphasized that forced load-shedding on high loss feeders negatively impacts overall sales growth, even though generation capacity is available on a 'Take or Pay' basis, which inflates per unit cost of electricity". Audit is of the view that despite adopting AT&C loss-based criteria, the management could not achieve NEPRA target of T&D losses and also had to bear financial implications due to payment of capacity charges.

Non-adherence to Performance Standards Rules resulted in non-utilization of allocated power quota during financial years 2020-21 to 2022-23.

The matter was taken up with the management in February, 2024. The management replied that the PESCO's firm demand (Short term Forecasted Demand) intimated to NPCC was 1,440 MW for 2020-21, 1,486 MW for 2021-22 and 1,549 MW for 2022-23. PESCO drew the load against the demand with minimal deviations, i.e. -25MW during 2020-21, -17MW during 2021-22 and +12MW during 2022-23, instead of -622MW, -605MW, and -2MW. The quota allocated by NPCC had not been demanded by PESCO and was being allocated to PESCO independently. PESCO could not draw full load due to vast distribution network mostly consisting of rural & scattered areas, lengthy HT/LT lines and overloading of transmission & distribution system in summer season.

The reply of the management was not acceptable because the justifications given by the management for non-utilization of quota of power were strongly rebutted by NEPRA in its latest State of Industry Report, 2023. It clearly stated that load shedding on AT&C basis was in violation of the NEPRA Performance Standards (Distribution) Rules, 2005.

DAC in its meeting held on February 29, 2024 directed the management to take up the matter with the concerned Authority for rationalization between the firm demand and allocation to PESCO.

Despite directions of DAC, no relevant record was produced to Audit for verification till the finalization of the report.

Audit recommends ensuring compliance with NEPRA regulations to avoid violations and conducting a fact finding to probe the matter under intimation to audit.

(Special Audit of PESCO Para-1.9)

1.4.3 Blockage of funds due to non-completion / capitalization of works - Rs.29,783.08 million

According to Paras 4.1.3 to 4.1.6 of WAPDA Distribution Rehabilitation Guidelines, 2003, "total time for approval of work, execution and preparation of completion report will be restricted to 130 days". As per DISCOs Accounting Manual, A-90 Form (Completion Report) prepared by the Deputy Manager (Construction) / Deputy Manager (GSC) is certified by the Consultants and forwarded to Project Director (Construction) / Project Director (GSC) for capitalization.

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that 13,185 (4,265 + 8,920) electrification works comprising HT/LT proposals, Grid Stations, Transmission Lines, Deposit Works, village electrification, chain augmentation and hazards works worth Rs.29,783.08 million were initiated in various DISCOs since 2007. Out of these, 4,265 works were lying incomplete and 8,920 works were completed but not capitalized. The said works were initiated to reduce distribution losses, improve the efficiency of transmission / operational system and extend the electricity facility to the people of respective areas. Due to non-completion / capitalization of the said works, desired benefits could not be achieved. The detail is as under:

Sr. No.	Name of Company	Period	No. of incomplete works	No. of works not capitalized	Total Amount (Rs.in million)
1.	FESCO	Since 2021-22	283	51	943.31
2.	GEPCO	Since 2020-21	11	0	513.57
3.	HESCO	Since 2020-21	199	130	910.62
4.	IESCO	Since 2019-20	1403	1,046	5,288.48
5.	LESCO	Since 2007	3,670	882	9,346.75
6.	MEPCO	Since 2019-20	2,031	36	1,871.24
7.	PESCO	Since 2011-12	635	473	3206.2
8.	QESCO	Since 2021-22	132	139	1,238.97
9.	SEPCO	Since 2021-22	556	860	4,066.79
10.	TESCO	Since 2021-22	0	648	2,397.15
TOTAL			8,920	4,265	29,783.08

(Source: Progress Reports of DISCOs)

Non-adherence to WAPDA Distribution Rehabilitation Guidelines resulted in blockage of funds amounting to Rs.29,783.08 million due to non-completion / capitalization of works up to the financial year 2023-24.

The matter was taken up with the management during March, 2024 and August to October, 2024 and reported to the Ministry during May, 2024 and October to December, 2024. The management replied that some of the works had been fully/partially completed and remaining portion of the works was pending due to non-availability of material, public hindrance and ROW problems. It was further added that 132 kV Grid station Sakhi Wahab was commissioned with one power transformer and other power transformer would be commissioned as per requirement of load. HESCO management replied that inquiry committee was constituted by competent authority and the final report was awaited.

DAC in its meeting held during July 18, September 25, November 28-29, December 12-13, 23, 26-27, 2024 and January 7-8, 13, 15-16, 20-21, 2025 directed the management to expedite the matter and record of completed action be provided to audit for verification within a month. The matter related to HESCO could not be discussed due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within a week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No.1.4.3 having financial impact of Rs.26,594.19 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (278, 1063) (697) (358, 366, 526) (242, 244, 245, 275, 293, 629, 630, 635, 1053) (41, 349, 380, 391, 479, 839, 842, 844, 866) (261, 279, 341, 373, 393, 394, 568, 739) (322, 596, 648) (347, 402, 534, 583, 1246) (186, 386, 450, 451, 452, 527, 528, 531, 781, 814) (51, 1109)/2024-25]

1.4.4 Undue burden on consumers due to payment of Capacity Transfer Price to CPPA-G on Load Management on High Losses feeders - Rs.24,151.04 million

According to the Standard Operating Procedures of Commercial Transaction devised by CPPA-G: i) The invoices for energy and capacity sold by generation companies, for each billing period, shall be sent to CPPA-G, pursuant to the terms reflected in the Power Purchase Agreements. ii) For each billing period, CPPA-G

shall calculate the capacity transfer rate, in accordance with the authority approved transfer mechanism, for the purposes of invoices against each distribution company for the energy and capacity purchased during the previous month.

During Special Audit HESCO for financial years 2020-21 to 2022-23, it was observed that National Power Control Centre (NPCC) allocated total of 27,857,000 KW of power during the aforementioned period, in response to the Company's demand. However, HESCO utilized only 20,612,000 KW, representing 73.99% of the allocated quota. Notably, HESCO implemented a load management plan despite having surplus capacity allocated.

Financial burden of Capacity Transfer Price (CTP) due to Load Management

FY	Allocated Quota (KW)	Units Drawn (KW)	Load Management Units (KW)	Financial Burden of CTP (Amount in Rs.)
2020-21	10,504,000	7,262,000	2,385,000	5,531,601,010
2021-22	9,618,000	6,972,000	2,739,000	7,293,530,000
2022-23	7,735,000	6,378,000	2,945,000	11,325,905,592
Total	27,857,000	20,612,000	8,069,000	24,151,036,602

(Source: Power Dispatch Centre - HESCO)

The analysis revealed that the underutilization of the allocated electricity quota by HESCO was primarily attributable to high Aggregate Technical and Commercial (AT&C) losses on certain feeders. Consequently, load shedding was implemented on feeders with high losses. This approach resulted in increased financial burden due to CTP payments to CPPA-G, despite availability of surplus electricity within the system.

Load Management Plan

Category	AT&C Losses	No of Hours	Number of feeders
Category-I	Up to 10%	0	127
Category-II	10% to 20%	0	3
Category-III	20% to 30%	2	3
Category-IV	30% to 40%	4	24
Category-V	40% to 60%	6	88
Category-VI	60% to 80%	8	289
Category-VII	Above 80%	12	28
Total			562

(Source: Power Dispatch Centre (PDC)-HESCO)

It is important to mention that the load management plan devised by HESCO did not receive endorsement from the Regulator. NEPRA deemed the plan a clear infringement of its regulations and directed HESCO to adhere to the load management guidelines outlined in the Performance Standard (Distribution) Rules, 2005. Member NEPRA (Tariff) stated in his dissent note in determination of tariff that DISCOs in Pakistan have failed to efficiently use investment funds for infrastructure, causing high losses and a circular debt exceeding Rs.2.5 trillion. Urgent structural reforms, including addressing governance issues and AT&C losses, are crucial to prevent indiscriminate load shedding and alleviate burdens on consumers.

Load management practices resulted in additional financial burden due to Capacity Transfer Price (CTP) payments during financial year 2020-21 to 2022-23. This significantly affected HESCO's financial viability and sustainability.

The matter was taken up with the management in January, 2024. The management replied that AT&C based load management was carried out due to massive theft in the jurisdiction of HESCO and due to poor law and order situation, the theft of the electricity was common. However, the management was trying to overcome the theft of electricity by adopting technical and administrative measures.

The reply of the management was not acceptable because despite the availability of surplus power, the decision to resort to load management resulted in substantial financial losses.

DAC in its meeting held on March 5, 2024 directed the management to submit revised reply along with detailed justification and way forward for future course of action.

Audit recommends reducing AT&C losses and implementing load management plan in line with regulatory guidelines and with prior approval from system operator (NPCC).

(Special Audit of HESCO Para-1.3)

1.4.5 Less recovery of HESCO pertaining to electricity connection of Government of Sindh (GoS Energy Department) – Rs.17,170 million

According to ECC decision dated 25.11.2016, Para 7(iii) of the summary, the agreed outstanding amount i.e. Rs.27.398 billion shall be cleared by GoS in

six equal monthly installment (of Rs.4.566 billion each) starting from September, 2016.

During Special Study on installation of AMR meters / AMI and ABC in HESCO, it was observed that an amount of Rs.27,398 million was recoverable from GoS on account of energy dues. As per ECC decision the agreed outstanding amount i.e. Rs.27,398 million was to be cleared by the GoS in six equal monthly installments. But GoS paid Rs.10,228 million only. Hence, Rs.17,170 million was less paid by GoS with regard to ECC decision.

Non-adherence to ECC decision resulted in less recovery of agreed outstanding amount of Rs.17,170 million since 2016 from GoS up to the financial year 2021-22.

The matter was taken up with the management in December, 2022. The management replied that total amount of Rs.10,228 million was recovered from GoS in six installments. The reply was not tenable as the matter needed to be taken up with GoS for recovery of remaining electricity dues of Rs.17,170 million.

DAC in its meeting held on January 23rd 2023 directed the management to get record verified from Audit within 30 days.

Audit recommends that the management needs to ensure compliance with DAC's decision.

(Special Study on installation of AMR meters / AMI and ABC in HESCO-Para-4.8)

1.4.6 Non-disconnection/regularization of energy supply for unauthorized extended load by the consumers – Rs.8,248.57 million

According to Condition 6 of WAPDA Abridged Conditions of Supply, “in case of non-removal / non-regularization of un-authorized extended load, the supply to the consumer shall be disconnected”.

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that 11,992 consumers of different categories extended the load of their energy connections illegally without approval of competent authority. The field formations neither disconnected the energy connections nor regularized the un-authorized extended load in violation of the above condition. The detail is as under:

(Rs.in million)

Sr. No.	Name of Company	No. of consumers	Amount
1.	FESCO	162	369.67
2.	GEPCO	520	214.23

3.	HESCO	670	1,083.18
4.	IESCO	1,387	976.76
5.	LESCO	1,285	1,382.84
6.	MEPCO	860	361.68
7.	PESCO	4,092	1,340.21
8.	QESCO	1,219	382.84
9.	SEPCO	1,261	1,430.30
10.	TESCO	536	706.86
TOTAL		11,992	8,248.57

(Source: Batch-24, 27, 29 & 46 of DISCOs)

Non-adherence to the WAPDA Abridged Condition of Supply resulted in loss of Rs.8,248.57 million due to non-disconnection / regularization of energy supply for unauthorized extended load by the consumers up to the financial year 2023-24.

The matter was taken up with the management during February to November, 2024 and reported to the Ministry during April to November, 2024. The management replied that extended load had been reduced / regularized after recovery of dues in some cases, while in remaining cases notices had been issued to the consumers.

DAC in its meetings held during July 3, 18, September 25, October 11, November 28-29, December 12-13, 23-24, 26-27, 2024 and January 7-8, 13, 15-16, 20-21, 2025 directed the management to regularize the unauthorized extended load as per SoPs and get the record of completed actions verified from Audit within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No. 1.4.8 having financial impact of Rs.2,463.37 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (660,676, 955, 1068, 1070, 1075 & 1104) (192, 310 & 705) (513, 1352 & 1356) (20, 71, 634, 982 & 983) (05, 353, 476, 609, 872, 874, 974 & 1061) (369, 427, 436, 520, 552, 557 & 565) (486, 562, 973 & 1256) (1193 & 1199) (171, 185, 444, 764 & 820) (1136)/2024-25]

1.4.7 Unjustified refund to running consumers on account of segregation of electricity bills – Rs.7,749.17 million

According to Para 6.4.2 of NEPRA's Consumer Service Manual, in cases where accumulated readings are recorded, segregated bills shall be prepared

keeping in view the number of months for which the readings have accumulated to give slab benefit/relief to the consumers.

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that a huge amount of Rs.16,036.45 million was credited to consumers in different types of adjustments. Total amounts credited to the consumers reflected that major credit of Rs.7,749.17 million was given under adjustment type-B to 496,575 consumers of various categories by segregating their electricity bills in order to provide slab benefit / relief of tariff during financial years 2019-20 to 2023-24. The trend of B-type adjustment against total adjustments remained 2.48% to 72.25%. However, the segregation of bills was only allowed to new connections and RCO cases on their accumulated units. Hence, this indicated that refund of amounts without units on account of segregation of electricity bills was an undue favour extended to running consumers by allowing slab benefit. The detail is as under:

<i>(Rs.in million)</i>					
Sr. No.	Name of Company	Financial Years	Total amount credited without units	No of B-Type Consumers	Amount under B-Type Adjustments
1.	FESCO	2023-2024	8,639.55	116,770	1,718.03
2.	HESCO	2023-2024	-	5,676	183.45
3.	IESCO	2023-2024	1,659.63	61,125	857.89
4.	LESCO	2019-2024	-	157,156	2,311.91
5.	MEPCO	2021-2024	4,770.67	124,924	2159.77
6.	PESCO	2021-2024	966.60	28,105	388.73
7.	QESCO	2023-2024	-	2,819	129.39
Total			16,036.45	496,575	7,749.17

(Source: CP-52 & 75 of DISCOs for the year 2019-2024)

Non-adherence to Consumer Service Manual resulted in unjustified refund of Rs.7,749.17 million given to running consumers on account of segregation of electricity bills up to the financial year 2023-24.

The matter was taken up with the management during February to November, 2024 and reported to the Ministry during April to November, 2024. The management of FESCO replied that an inquiry committee had been constituted by the GM (C&CS) FESCO and progress made in this regard would be intimated to Audit accordingly. The management of MEPCO replied that correction of electricity bills involving credit of units and amount was a routine process which may be a result of human errors etc. HESCO management replied that inquiry had been constituted in the matter.

DAC in its meetings held during November 28-29, December 12-13, 23, 26-27, 2024 and January 7-8, 13, 15-16, 20-21, 2025 directed the management to probe the matter at CEO level and share its outcome with Audit within 15 days. DAC directed the HESCO management to finalize the proceedings of the inquiry committee and share its report with Audit within two months.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No. 1.4.6 having financial impact of Rs.9,142.32 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (948) (1392) (999) (475, 509, 992) (566, 744) (560, 1411) (1175)/2024-25]

1.4.8 Accumulation of arrears against AMR Meters – Rs.6,942.04 million

According to ECC decision dated 25.11.2016, Para 7(ii)(a) "In order to avoid such disputes in future, it was further agreed that, an Automatic Meter Reading System (AMR/AMI) would be installed on all connections owned by GoS by 31.12.2016, 50% of the cost of which would be borne by GoS. Online access would be provided to GoS (Energy Department) by the DISCOs to the AMR system. The Energy Department of the GoS will also prescribe a maximum limit of consumption for each connection/meter to the DISCOs, intimate to the respective DISCO when such limit is crossed and ask for disconnection of supplies of such consumer. On such intimation, the respective DISCO shall ensure that electricity supply is discontinued to those connections/meters which have been intimated by the Energy Department.

During Special Study on installation of AMR meters / AMI and ABC in HESCO, arrears against non-communicated AMR accumulated to Rs.6,942.04 million up to June, 2022 due to deduction made out of monthly claims by energy Department of Govt. of Sindh. The said deduction was made due to crossing limit of sanctioned load with respect to connected load. These connections were not disconnected, as a result there was a difference among the billing data as per AMI server and AMR meters. Further, there were other problems due to which AMR meters became non-communicated category. At present, there were 5,683 AMR non-communicated meters as on June 30, 2022 due to negligence of the operational staff or any other unknown reason.

Non-adherence to the ECC decision resulted in less recovery of agreed outstanding amount of Rs.6,942.04 million since 2016 from GoS up to the financial year 2021-22.

The matter was taken up with the management in December, 2022. The management replied that non-communication of AMR meters was part of AMR project and can't be denied. This fact of non-communication of AMR meters was accepted by GoS and reconciliation of billing of AMR-non-communicated category would be decided through joint survey. The joint survey of sites of connections was in process and will be finalized soon.

DAC in its meeting held on January 23rd, 2023 directed the management to devise SoP in consultation with GoS for reconciliation of billing data and expedite recovery of arrears within 90 days.

Audit recommends that the management needs to ensure compliance with DAC's decision.

(Special Study on installation of AMR meters / AMI and ABC in HESCO-Para-4.13)

1.4.9 Non-earthing / grounding of HT/LT poles / structures of distribution system - Rs.6,431.39 million

According to Para 4 of Distribution Design Code of DISCOs, "the earthing of a distribution transformer, the neutral and body of the transformer should be connected to ground rods as per IEC and PSI Standards Design Specifications. Earthing of Consumer Service and its meter shall be as per design standards adopted by the Licensees; and consistent with IEC, and IEEE Standards". Further, as per Para 12.2.4 of NEPRA's Consumer Service Manual, "the earthing systems installed shall be dimensioned and regularly tested to ensure protection from shock hazards."

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that 469,918 HT / LT poles / Structures installed in distribution system remained without earthing / grounding, which showed suboptimal performance of DISCOs. It was further observed that P&E directorate and field formations were charging contract charges in the estimates of deposit works and HT & LT works but contract works of earthing / grounding were not executed. The un-earthed /grounded HT/LT Poles/Structure was one of the main reasons of increasing of fatal/non-fatal incidents on distribution system. The estimated cost for earthing/grounding of distribution system worked out to be Rs,6,431.39

million. However, its installation was not started and the lives of human and animals remained vulnerable due to the unearthed system. The detail is as under:

<i>(Rs.in million)</i>			
Sr. No.	Company	LT/HT Poles	Amount
1.	FESCO	14,055	303.10
2.	HESCO	380,891	681.43
3.	QESCO	31	5,446.86
4.	TESCO	74,941	0.00
Total		469,918	6,431.39

(Source: Correspondence with NEPRA for the year 2022-23)

Non-adherence to the provisions of NEPRA's Distribution Design Code resulted in non-earthing / grounding of HT/LT poles / structures of distribution system valuing Rs.6,431.39 million up to the financial year 2023-24.

The matter was taken up with the management in October & November, 2024 and reported to the Ministry in November, 2024. The FESCO management replied that earthing budget of Rs.226.380 million was fully utilized for the FY 2023-24 and new tenders had been awarded to different contractors for the year 2024-25. TESCO management replied that the updated status of the earthing/grounding of the distribution system includes 207,895 total HT/LT structures/poles, with 74,941 remaining unearthed. A tender for earthing 5,000 HT structures in densely populated areas was awarded and in progress, another tender for 10,000 HT structures was floated. Additional funds were required for the remaining earthing/grounding, with NEPRA authority approval in process. HESCO management replied that 29 works had been completed. However, remaining 13 cases would be completed at the earliest.

DAC in its meeting held in December 12-13, 2024 and January 7-8, 16, 20-21, 2025 directed the FESCO management to complete the works and get the record verified from Audit within one month. Further DAC directed the TESCO management to share correspondence with NEPRA, BoD resolution, and provide Financial and Execution plan of earthing/ grounding to Audit for verification. Further, DAC directed the HESCO management to get the complete record regarding completion of works along with undertaking/certificate that earth rods have been installed against allocated material of relevant works verified from Audit within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No. 1.4.7 having financial impact of Rs.7,813.25 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (972, 1073) (1348, 1365) (1158) (1119)/2024-25]

1.4.10 Loss due to unjustified waiving off late payment surcharge (LPS) to government / private consumers – Rs.3,417.80 million

According to Rule 6 of NEPRA Licensing (Distribution) Rules 1999, “Unless provided otherwise in the distribution license, the licensee shall charge only such tariff from the consumers, including the bulk-power consumers, as is approved by the Authority pursuant to and in accordance with the NEPRA (Tariff Standards and Procedure) Rules, 1998”.

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that the Late Payment Surcharge (LPS) amounting to Rs.3,417.80 million charged to government and private consumers due to delay in payment of energy dues were waived off by the field formations. DISCOs had to set off the supplementary charges, raised by CPPA-G, on the delayed payments of IPPs against the LPS received from consumers. DISCOs had taken up the matter of supplemental charges with NEPRA, which directed to adjust the same against the LPS received from the consumers. Hence, waiving off LPS was unjustified and loss to the companies. The detail is as under:

<i>(Rs.in million)</i>			
Sr. No.	Name of Company	No. of Consumers	Amount
1.	FESCO	1,196	12.69
2.	GEPCO	125,642	1,189.94
3.	HESCO	19	9.41
4.	IESCO	6,612	902.96
5.	LESCO	2,218	1,008.761
6.	PESCO	68,020	169.88
7.	QESCO	663	20.13
8.	SEPCO	-	104.03
	TOTAL	204,370	3,417.801

(Source: DISCOs MIS generated reports 2023-24)

Non-adherence to Authority's instructions resulted in unjustified waiving off LPS of Rs.3,417.80 million to government and private consumers up to the financial year 2023-24.

The matter was taken up with the management during March to November, 2024 and reported to the Ministry during May to November, 2024. The management replied that late payment surcharge was credited due to correction of wrong readings, final reading revised on replaced meter, units withdrawal on defective meter, correction of WAPDA employee bill, extension of due dates and departmental faults. HESCO management replied that due dates were extended by competent authority and change of dates were not entered in MIS system.

DAC in its meetings held during November 28-29, December 12-13, 23-24, 26-27, 2024 and January 7-8, 13, 15-16, 20-21, 2025 directed the management to submit detailed reply along with justification to Audit within a week. Further, DAC directed the HESCO management to get the complete record i.e. due dates extended letters along with approval verified from Audit within a week

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No. 1.4.9 having financial impact of Rs.1,987.44 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (1080) (882) (1400) (1011) (364, 838, 855) (1224) (1159) (178)/2024-25]

1.4.11 Non-installation of AMR meters against 4,811 connections having arrears – Rs.2,612.79 million

According to Para 7(i) of ECC decision dated November 25, 2016, "it was also agreed that GoS and the DISCOs would not, after full and final payment, raise any outstanding issues, claims or other liabilities, whatsoever, in relation to settlement period, including relation to arrears of electricity bills, late payment surcharge, previously reconciled bills or write offs, electricity duty etc".

During Special Study on installation of Automatic Meter Reading (AMR)/Advance Metering Infrastructure (AMI) and ABC in HESCO and SEPCO, it was noticed that 4,811 connections having arrears amounting to Rs.2,612.79 million were running without AMR meters since 2018 to date. As per the agreement, AMR meters were required to be installed but the same was

not done. Non-installation of AMR meters might result in dispute of billing and jeopardize the recovery of arrears.

Sr. No.	Name of Company	No. of Cases	Aging	Amount (Rs.in million)
1.	HESCO	4,382	Since 2019	469.80
2.	SEPCO	429	Since 2018	2,142.99
Total		4,811		2,612.79

Non-adherence to ECC's decision resulted in non-installation of AMR meters against connections having arrears amounting to Rs.2,612.79 million up to the financial year 2021-22.

The matter was taken up with the HESCO management in December, 2022. The HESCO's management replied that AMR meters were installed on GoS connections after following set-procedures and codal formalities. Prior to installation of AMR meters, those connections were billed in the category of non-AMR meters which was a routine process. During heavy rain and flood various meters burnt or became defective which resulted in shortage of meters and it was the main cause of delay in installation of AMR meters. They also informed that AMR meters were being procured and would be installed accordingly. Further, the matter was taken up with the management of SEPCO in March 2023. The SEPCO's management replied that there was no dispute of billing between GoS and SEPCO. The whole billing from July 2019 to June 2023 had been reconciled including non-AMI connections. The reply of the management was not tenable, as audit observation was regarding non-installation of AMR meters against connections having huge arrears. Hence, the clearance of arrears against these connections was required to be provided besides ensuring the installation of AMR meters.

DAC in its meeting held on January 23, 2023 directed the HESCO's management to inquire the matter of non-installation of meters and submit report within 90 days and DAC in its meeting held on August 4, 2023 directed the SEPCO's management to verify their stance from Audit within 15 days.

Audit recommends implementation of DAC's decision.

(Special Study on installation of AMR/ AMI and ABC in HESCO –Para-4.7 and SEPCO Para-4.5)

1.4.12 Loss to National Exchequer due to Low Power Factor at Common Distribution Points (CDPs) – Rs.2,270.75 million

As per OC 4.9.1 of NEPRA Grid Code, “the DISCOs shall maintain Power Factor at 132 KV connection point/ CDPs within the range of 95% and better, during steady-state operating conditions by installing shunt capacitors and/or other power factor correction facilities.”

During audit of the accounts of PESCO for the financial year 2023-24, it was observed that power factor at 24 Common Distribution Points (CDPs) remained below the permissible limit of 95%. This not only resulted in overloading, low voltage problems in network, less utilization of generation capacity but also caused excess T&T loss of 52.069 MKWh energy units valuing Rs.2,270.75 million to national exchequer.

Violation of provisions of NEPRA Grid Code resulted in loss of 52.069 MKWh energy units valuing Rs.2,270.75 million to national exchequer due low power factor at CDPs up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management stated that reply would be furnished after consulting the record.

DAC meeting was held on January 7-8, 2025 but the matter could not be discussed due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No. 1216/2024-25)

1.4.13 Loss due to sub-standard repair of damaged transformers – Rs.2,103.80 million

According to the instructions issued by WAPDA dated July 17, 1982, “All losses, whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

During audit of the accounts of PESCO for financial years 2020-21 to 2023-24, it was observed that 24,372 transformers repaired at WAPDA and private workshop were jointly inspected/ checked by the M&T during the period.

Out of total quantity, twenty-one thousand thirty-eight (21,038) transformers were damaged due to loose connection on T/F bushing, dirty oil, and weak insulation of winding moisture in oil/carbonized etc. It indicated that proper vigilance was not exercised by the field formations during inspection of repaired transformers. Resultantly, the company sustained a huge loss due to carelessness of field staff. The year wise detail of damage transformers is given as tabulated below:

Sr. No.	Period	T/F damage due to loose connections	T/F damage due to weak insulation	T/F damage due to dirty oil moisture	Total No. of Damaged Transformers
1.	2020-21	56	1,187	1,804	3,047
2.	2021-22	8	1,362	2,381	3,751
3.	2022-23	40	1,275	3,119	4,434
4.	2023-24	0	1,565	8,241	9,806
Total		104	5,389	15,545	21,038

Non-adherence to Authority's instructions resulted in huge loss amounting to Rs.2,103.80 million due to sub-standard repair of transformers up to the financial year 2023-24.

The matter was taken up with the management in September, 2024 and reported to the Ministry in November, 2024. The management replied that after repairs, these transformers were tested under SOP by a committee, including an M&T division member. The repaired transformers were managed and maintained by the concerned field formations, who were responsible for their upkeep and minimizing damages.

DAC in its meeting held on January 7-8, 2025 directed the management to ensure compliance regarding production of record in light of re-audit remarks within three days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1438/2024-25)

1.4.14 Overcharging to consumers by DISCOs due to delayed meter reading – Rs.1,948.00 million

According to Para 6.1.1 of NEPRA's Consumer Service Manual, "meter reading of all the consumers of DISCO is carried out on a routine basis each month to record the consumption of energy consumed by each consumer during a

given period (billing cycle/billing month). The meter reading is generally taken/recorded by the concerned staff of DISCO. For the purpose; the consumers of each sub division are divided into a number of batches and sub- batches. The meter reading program shall be prepared in such a way that the meters of a batch are normally read on the same dates each month.

During audit of the accounts of MoE (Power Division) for the financial year 2022-23, it was observed that the Ministry constituted an inquiry committee on December 06, 2023 to probe the issues of excessive billing and other matters raised by NEPRA. Apart from other findings regarding inefficiency and poor operational management of DISCOs, the said inquiry report disclosed that delayed reading/ extension in billing cycle beyond mandatory monthly billing not only caused change of slab/ status of consumer but also resulted in illegal overcharging of Rs.1,948.00 million to the consumers. However, neither the said overcharged amount was adjusted against the aggrieved consumers nor any actions were taken against the delinquent(s).

Violation of provisions of Consumer Service Manual resulted in illegal overcharging amounting to Rs.1,948.00 million to consumers by DISCOs due to delayed meter reading up to the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management responded that the reply would be furnished after consulting the record.

DAC meeting was held on September 25, 2024 but the matter could not be discussed due to non-provision of record to Audit for verification by the management, and further schedule of meeting was not conveyed by the Ministry till finalization of the report.

Audit recommends implementing the recommendations of inquiry committee besides fixing responsibility and ensuring due credit to the aggrieved consumers.

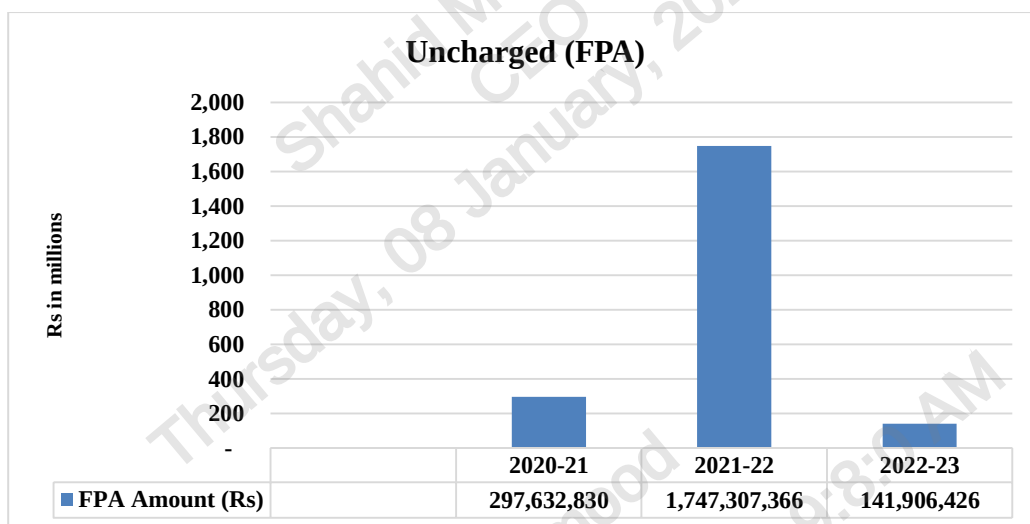
(Draft Para No. 214/2024-25)

1.4.15 Loss due to non-charging of FPA on units charged/debited to consumers through adjustment notes – Rs.1,889.21 million

According to notifications issued by NEPRA in respect of Fuel Price Adjustments (FPA) for financial years 2020-21, 2021-22 & 2022-23, FPA shall

be applicable to the respective consumers and shall be shown separately in the consumers' bills based on units billed to consumers.

During Special Audit of PESCO for financial years 2020-21 to 2022-23, it was observed that 729.93 million units were charged/debited to 1.244 million consumers through adjustment notes on account of theft and pending units. However, FPA was not charged on units debited to consumers, which caused loss of Rs.1,889.21 million to the company. It was also observed that no mechanism existed in PESCO for charging the FPA on debited units to consumers.



Non-existence of mechanism for charging of FPA on units' adjustments (charged/debited) resulted in loss of Rs.1,889.21 million during FYs 2020-21 to 2022-23.

The matter was taken up with the management in February, 2024. The management replied that the observation was related to the changes in the software system as there was no provision of separately charging the FPA in the detection bills. PITC was requested to resolve the issue, which is under process.

The management should resolve the issue with PITC expeditiously to formulate mechanism for charging of FPA in the detection bills charged to consumers.

DAC in its meeting held on February 29, 2024 the management informed that the matter had already been taken up with the PITC for creating provision for charging of FPA in adjustment notes. DAC directed to pursue the matter expeditiously.

Audit recommends resolving the issue with PITC expeditiously to formulate mechanism for charging of FPA in the detection bills and providing a clear time-frame in this regard.

(Special Audit of PESCO – Para-2.4)

1.4.16 Unjustified relief to non-eligible industrial and commercial consumers having multiple connections on the same CNIC – Rs.1,006.93 million

According to Clause 2.3 regarding new connections for industrial and commercial consumers of NEPRA Consumer Manual, documents to be attached with the Application Form for issuance of Demand Notice(s) are, (1) Ownership proof of the premises as determined by DISCO (DISCO to insert its name) where connection is required. Conversely provision of electricity connection does not necessarily constitute proof of ownership of the premises. Further, (2) Attested copies of CNIC of the applicant and a witness. In case of tenancy, attested copy of CNIC of the landlord/owner is also required.

During special audit of ten Power Distribution Companies (DISCOs) regarding COVID-19 Stimulus Economic Package relating to Small and Medium Enterprises (SMEs) for the years 2019-21, it was observed that an amount of Rs.1,006.93 million was given as subsidy to 97,868 industrial consumers having multiple connections by using the same CNICs. The detail is as under:

(Rs.in million)

Sr. No.	Name of DISCO	No. of Consumers	Amount
1.	LESCO	15,575	265.14
2.	GEPCO	299	17.60
3.	SEPCO	720	5.89
4.	HESCO	3,248	28.02
5.	QESCO	17,874	86.79
6.	FESCO	678	6.78
7.	PESCO	4,076	36.86
8.	MEPCO	54,203	542.47
9.	IESCO	1,195	17.38
Total		97,868	1,006.93

The above table indicates that a huge amount of relief was given to non-eligible consumers irregularly without observing the rule regarding approval of new industrial and commercial connections subject to submission of required documents. Contrary to the above, demand notices were issued without proper scrutiny of documents.

Audit is of the view that the payment of Rs.1,006.93 million to 97,868 industrial and commercial consumers without getting required documents for proper scrutiny was unjustified.

The matter was taken up with the management in May, 2022. The management replied that as per Covid-19 (Stimulus Economic Package) eligibility criteria, no such condition i.e., “non-eligible industrial and commercial consumers having illegal multiple connections with same CNIC” was mentioned. The subsidy granted was strictly given in accordance with the SOP/Policy.

DAC in its meeting held on June 09, 2022 directed DISCOs to get the record verified from Audit within two weeks. However, no record along with revised reply was produced to audit for verification till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Special Audit of ten DISCOs regarding COVID-19 SMEs – Para-4.1.3)

1.4.17 Doubtful adjustments of units under category-F “adjustment by Internal Audit” – Rs.910.06 million

As per Data Coding Instructions of DISCOs, ‘F’ category is for adjustment notes by Internal Audit. According to Commercial Procedure Manual, Revenue Officer and Assistant Manager are responsible for Implementing in conjunction with the Executive Engineer, the commercial policy laid down from time to time by the Authority through the company and efficient application of billing and collection procedures.

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that debit adjustments amounting to Rs.850.07 million and credit adjustments amounting to Rs.59.99 million were passed on to consumers through adjustment under category “F”. The said adjustment code was allotted only to adjustments, as pointed out by Internal Audit. On the other hand, Internal Audit FESCO and PESCO were lagging behind in audit of revenue offices by more than one year and one and half year respectively. This reflected that debit and credit entries amounting to Rs.910.06 million (Rs.850.07 million Dr. + Rs.59.99

million Cr.) appearing under category-F was not pointed out by Internal Audit and hence, subsequent adjustment of the same was doubtful. Detail is as under:

(Rs.in million)

Sr. No.	Name of Company	Period	Dr. Adjustments	Cr. Adjustments	Total Adjustments
1.	FESCO	2023-24	420.89	47.54	468.43
2.	PESCO	2023-24	429.18	12.45	441.63
Total			850.07	59.99	910.06

Non-adherence to the Commercial Procedure Manual resulted in doubtful adjustments of units under category-F “adjustment by Internal Audit” amounting to Rs.910.06 million during the Financial Year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. FESCO management replied that GM (C&CS) had constituted an inquiry committee to probe into the matter. Progress achieved in this regard would be intimated to Audit. The management of PESCO replied that all the adjustments were correct and would be shown to Audit for verification.

DAC in its meeting held in December 12-13, 2024 and January 7-8, 2025 directed the FESCO management to finalize the inquiry within one month and share its report with Audit. The matter related to PESCO could not be discussed due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No. 1.4.26 having financial impact of Rs.257.91 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (953) (1261)/2024-25]

1.4.18 Loss of revenue due to application of wrong tariff - Rs.701.86 million

According to Para 1.3 of Commercial Procedure, “the Revenue Officer and Assistant Manager are responsible for: i) implementing in conjunction with the Executive Engineer, the commercial policy laid down from time to time by

the Authority through the Company ii) efficient application of billing and collection procedure”.

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that 1218 Govt. energy connections were running under domestic, commercial and industrial tariff instead of general services tariff. Similarly, fourteen (14) commercial connections were running under wrong tariff code i.e. A-2(b) instead of A-2(c) as per applicable schedule of tariff. Due to application of wrong tariff, a loss of revenue amounting to Rs.701.86 million was sustained by the companies. The detail is as under:

Sr. No.	Name of Company	No. of consumers	Period	Amount (Rs.in million)
1.	GEPCO	11	2022-24	10.090
2.	HESCO	146	2023-24	3.270
3.	IESCO	879	2022-23	319.800
4.	LESCO	14	2022 to 2024	2.230
5.	PESCO	182	2021 to 2024	366.470
	Total	1232		701.86

Non-adherence to Commercial Procedure resulted in loss of revenue amounting to Rs.701.86 million due to application of wrong tariff up to the financial year 2023-24.

The matter was taken up with the management during February to October, 2024 and reported to the Ministry during April to November, 2024. The management replied that change of tariff as A-3 (TC-66) would be fed in the system in next billing cycle. HESCO management replied that inquiry committee had been constituted and proceeding was under way.

DAC in its meeting held in July 3, December 12-13, 23, 26-27, 2024 and January 7-8, 20-21, 2025 directed the management to get the record verified from Audit within a week. The matter related to PESCO could not be discussed due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days. Further, DAC directed the HESCO management to finalize the proceedings of inquiry committee besides effecting recovery and sharing its outcome with Audit within 02 months.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No. 1.4.41 having financial impact of Rs.21.79 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (318) (1403) (29, 33, 74, 81) (505) (579, 1235, 1291)/2024-25]

1.4.19 Non-recovery of fixed charges from consumers due to non-installation of ToU meters - Rs.634.10 million

According to schedule of tariff, domestic and commercial consumers having sanctioned load 5 kW and above would be charged fixed charges and installed ToU meters.

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that 23,700 domestic and commercial consumers having sanctioned load 5 kW and above were running on Single/3-Phase meters instead of ToU meters. As per NEPRA's instructions, connections having sanctioned load 5 kW and above were required to be installed with ToU meters and billing to be made on consumption of peak and off-peak hours, which was not done. Hence, fixed charges amounting to Rs.154.08 million were required to be recovered from consumers. Moreover, regularization of the billing was needed after installation of ToU meters by recovering the cost of Rs.480.02 million from them. The detail is as under:

<i>(Rs.in million)</i>				
Sr. No.	Name of Company	No. of consumers	Period	Amount
1.	GEPCO	128	2020 to 2023	1.92
2.	HESCO	8741	2018 to 20224	214.40
3.	IESCO	6810	2022 to 2024	118.38
4.	LESCO	89	2019 to 2023	2.58
5.	MEPCO	2390	2021 to 2024	33.92
6.	PESCO	3725	2021 to 2024	137.48
7.	QESCO	1907	2023-24	63.95
8.	TESCO	1827	2023-24	61.47
Total		25617		634.10

(Source: MIS data of DISCOs for the year 2023-24)

Non-adherence to schedule of tariff and NEPRA's instructions resulted in non-recovery of fixed charges Rs.154.08 million from commercial consumers due to non-installation of ToU meters involving an amount of Rs.480.02 million up to the financial year 2023-24.

The matter was taken up with the management during February to October, 2024 and reported to the Ministry during April to November, 2024. The

management replied that compliance would be made for installation of ToU meters and further progress would be intimated. HESCO management replied that directives had been imparted to the field formation to verify the connection at site/record and install ToU meters having sanctioned load 5 kW and above on top priority basis and change tariff accordingly and where ToU meters were already installed only tariff be change into ToU Tariff as per rules and procedure.

DAC in its meetings held during July 3, 18, October 11, November 29, December 12-13, 23-24, 26-27, 2024 and January 7-8, 13, 15-16, 20-21, 2025 directed the management to expedite installation of ToU meters and get the record verified from Audit within 60 days. The matter related to PESCO could not be discussed due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days. Further DAC directed the HESCO to inquire the matter at CEO level and share its report with Audit within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No. 1.4.27 having financial impact of Rs.226.46 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (194) (458, 1387, 1401) (28, 86, 995) (43) (582) (490, 1262) (1178) (1087)/2024-25]

1.4.20 Non-recovery of fixed charges from consumers due to wrong application of tariff - Rs.422.75 million

According to NEPRA's tariff conditions, B-I tariff is applicable to the industrial consumers having load up to 25 kW.

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that 11,396 industrial consumers got their load sanctioned under B-I tariff having sanctioned load less than 25 kW, whereas their connections were running illegally under tariff B-II above the load of 25 kW. Due to non-conversion of tariff of consumers from B-I to B-II, an amount of Rs.422.75 million on account of fixed charges applicable to B-II consumers could not be recovered. Resultantly, company sustained revenue loss to the stated extent. The detail is as under:

<i>(Rs.in million)</i>				
Sr. No.	Name of Company	Aging	No. of consumers	Amount
1.	FESCO	September 2023 to August 2024	21	3.13

2.	GEPCO	July 2023 to June 2024	210	111.35
3.	HESCO	July 2023 to June 2024	377	55.58
4.	IESCO	January 2023 to June 2024	148	16.71
5.	LESCO	July 2022 to June 2024	692	78.94
6.	MEPCO	July 2023 to June 2024	9,107	50.40
7.	PESCO	July 2023 to June 2024	469	72.21
8.	QESCO	July 2023 to June 2024	230	18.05
9.	SEPCO	July 2023 to June 2024	131	15.33
10.	TESCO	July 2023 to June 2024	11	1.05
Total			11,396	422.75

(Source: Batch-24, 27 of DISCOs for the years 2023-24)

Non-adherence to NEPRA's tariff conditions resulted in non-recovery of fixed charges amounting to Rs.422.75 million from consumers due to wrong application of tariff up to the financial year 2023-24.

The matter was taken up with the management during February to November, 2024 and reported to the Ministry during April to November, 2024. The management replied that notices had been issued to consumers for regularization of tariff.

DAC in its meetings held during November 28-29, December 12-13, 23-24, 26-27, 2024 and January 7-8, 13, 15-16, 20-21, 2025 directed the management to regularize the tariff as per SoPs by recovering the fixed charges and get the record of completed actions verified from Audit within one month. The matter related to PESCO could not be discussed due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No. 1.4.13 having financial impact of Rs.978.21 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (1071) (312 & 708) (1399) (24, 83, 678, 1000) (02, 506, 611, 871) (162, 404, 483, 499, 570, 716) (489, 627, 1226) (1192) (389, 768) (1138)/2024-25]

1.4.21 Loss due to non-installation of capacitors at the 11 KV feeders - Rs.418.73 million

As per policy / instructions on the planning and designing issued by GM (PE & S) Lahore letter dated 1998 regarding external electrification of housing

societies and commercial plazas, if the existing 11 KV Feeder from which the load is proposed has percentage voltage drops and technical losses already more than the specified value, analysis may be made with the consideration of feeding the proposed load through Augmentation Renovation to bring down the voltage drops and technical losses within the permissible limits. The sponsor shall pay the cost of rehabilitation based on cost sharing basis in a way to bring voltage drop and technical losses within permissible limits. His cost share shall be to compensate for the change in voltage drops and power loss percentages arising out of the simulation of his ultimate load demand from the initial figures. The amount recovered by the sponsoring agency as worked out in the light of analysis elaborated, shall be utilized immediately towards system improvement to the possible extent.

During Special Study on Electrification of Housing Societies and Commercial Plazas in MEPCO for the period 2014-15 to 2018-19, 89 cases of Housing Societies were reviewed on test check basis where more than three (03) capacitors were approved for electrification through general feeders. The percentage of voltage drop and technical losses of these general feeders were already beyond the permissible limit. Thus, the load of the housing societies was approved through these feeders subject to installation of capacitors to maintain the percentage voltage drop and technical losses at the initial figures before simulation of load. In instant cases, more than three capacitors on 11 KV feeders were required to be installed and the cost thereof had already been recovered from the sponsors of the housing societies. But contrary to this, no capacitor was installed on the 11 KV feeders which resulted in low power factor and higher technical losses. The envisaged benefits of 27.915 million units worth Rs.418.72 million ($27.915 \text{ million units} \times \text{Rs.15/- per unit}$) on the installation of capacitors were not achieved but resulted in recurrent increased loss on feeders due to simulation of load of housing societies.

Non-adherence to the policy resulted in loss of Rs.418.73 million due to non-installation of capacitors.

The matter was taken up with the management in August, 2020. It was replied that bifurcation/rehabilitation was a separate program in which comprehensive technical study was carried out on criteria/priority of high loss 11 KV distribution feeders. The reply of the management was not tenable as

comprehensive study was carried out for electrification of housing societies and installation of capacitors were proposed to be installed to maintain voltage drop and losses within technical limits. However, the capacitors were not installed causing recurring energy loss to the company. DAC meeting was not held despite repeated requests to the PAO.

Audit recommends to investigate the matter and fix responsibility for loss besides expediting installation / replacement of capacitors.

(Special Study on Electrification of Housing Societies and Commercial Plazas in MEPCO – Para-5.1)

1.4.22 Irregular electrification of housing societies through court case - Rs.367.45 million

As per Clause 12 (5) Chapter-IV of Punjab Government Cities Act, 1976 regarding preparation and execution of schemes, “No planning or development scheme shall be prepared by any person or local government as defined in the Punjab Local Government Act 2013 (XVIII of 2013) or government agency within the area except with the concurrence of the authority”. Further, as per clause 4 of *ibid*, it was declared that Multan Development Authority (MDA) has been validly established w.e.f. 22nd of October, 1976.

During Special Study on Electrification of Housing Societies and Commercial Plazas in MEPCO for the period 2014-15 to 2018-19, it was observed that external electrification of sixty-three (63) housing societies was approved by the Planning and Engineering Directorate based on court order. Initially, three (03) sponsors of the housing societies i.e. Ahmad City, Al-Riaz Housing Colony & Jinnah Garden filed writ petition in the court for external electrification of the housing societies in which court ordered to pay the demand notices for external electrification. However, on the precedent of these orders of the court, same practice was followed, and other sponsors of the housing societies also approached court for external electrification of the housing societies. No apex court appeal was filed by the Planning and Engineering Department of MEPCO. Thus, undue favour was extended to the sponsors of the housing societies for external electrification valuing Rs.367.45 million at the time of approval of the same without obtaining consent of the MDA.

Non-adherence to the Punjab Government Cities Act, 1976 resulted in irregular approval of external electrification of housing societies valuing

Rs.367.45 million without concurrence of Multan Development Authority (MDA).

The matter was discussed with the management in August 2020. It was replied that cases were processed on the direction of Honorable Lahore High Court, Multan Bench. The reply of the management was not tenable as no appeal was filed initially against the order of the court in apex courts and precedent was established. The approval of MDA was required to be sought before sanction of external electrification of housing schemes. DAC meeting was not held despite repeated requests to the PAO.

Audit recommends to investigate the matter at higher level and fix responsibility for irregular sanction of external electrification of housing societies without approval of Multan Development Authority.

(Special Study on Electrification of Housing Societies and Commercial Plazas in MEPCO – Para-5.4)

1.4.23 Irregular charging of overheads to SDGs’ electrification works - Rs.356.01 million

According to Para viii and Para ix of SDG guidelines issued by Cabinet Division vide dated March 9, 2020 and June 13, 2022 respectively, “no administrative overhead shall be charged by any agency for execution of the SDGs’ schemes”.

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that 1,584 village electrification schemes were executed and capitalized against the funds received from the Federal Government under Sustainable Development Goals (SDGs). The administrative overheads and store handling charges to the tune of Rs.356.01 million were charged to the said capitalized SDGs’ works, which was irregular being contrary to the clear directions of Cabinet Division. The detail is as under:

Sr. No.	Name of Company	No. of Schemes	Period	Amount (Rs.in million)
1	FESCO	63	2023-24	1.510
2.	HESCO	17	2023-24	1.600
3.	IESCO	466	2023-24	123.920
4.	MEPCO	204	2023-24	77.600
5.	MoE	6	2023-24	28.380
6.	PESCO	462	2022-23	111.660

7.	QESCO	68	2023-24	1.040
8.	SEPCO	59	2023-24	2.710
9.	TESCO	239	2018 to 2023	7.590
	Total	1,584		356.01

(Source: Completion and Capitalization Reports)

Non-adherence to the SDG Guidelines issued by Cabinet Division resulted in irregular charging of overheads and store handling charges of Rs.356.01 million to SDGs' electrification works up to the financial year 2023-24.

The matter was taken up with the management during August to September, 2023 and reported to the Ministry during October to November, 2023. The management replied that the schemes under SDGs' program were executed as per approved PC-I by the competent forum and administrative overhead were being charged as per SOPs/rules applicable as well as Accounting Manual of DISCOs.

DAC in its meetings held during September 25, November 28-29, December 12-13, 2024 and January 7-8, 13, 15-16, 20-21, 2025 directed the management to refer the matter to Cabinet Division for regularization otherwise to exclude the cost of overheads from SDGs' works within a month. The matter related to PESCO could not be discussed due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para Nos. (423) (361) (240,249) (283) (207) (496) (494) (818) (52)/2024-25]

1.4.24 Irregular payment of subsidy to commercial consumers of three-phase meters – Rs.354.66 million

According to criteria 1 issued by Power Information Technology Company (PITC) regarding Prime Minister's COVID-19 Stimulus Economic Package for Small and Medium Enterprises (SMEs), "Relief will be given to private commercial consumers (with single phase meter) and connected load up to 5 KW".

During Special Audit of ten DISCOs regarding COVID-19 Stimulus Economic Package relating to Small and Medium Enterprises (SMEs) for the years 2019-21, it was observed that relief amounting to Rs.354.66 million was

given to 16,350 commercial consumers having 3-phase meter connections instead of single-phase meter connections. DISCOs wise detail is as under:

(Rs.in million)

Sr. No.	Name of DISCO	No. of Consumers	Amount
1.	LESCO	955	35.10
2.	GEPCO	33	0.22
3.	SEPCO	825	26.52
4.	HESCO	1,704	57.18
5.	QESCO	16	0.39
6.	MEPCO	2,570	102.71
7.	TESCO	639	2.13
8.	FESCO	16	0.29
9.	IESCO	381	8.76
10.	PESCO	9,211	121.36
Total		16,350	354.66

The above table indicates that irregular subsidy relief was given to commercial consumers having 3-phase connections instead of single-phase connections without observing the SOPs/criteria set by the PITC for the purpose.

Audit is of the view that the payment of Rs.354.66 million to 16,350 commercial consumers without observing the criteria of single-phase meter connection was irregular.

The matter was taken up with the management in May, 2022. The management replied that all the posting of subsidy of Covid-19 stimulus package was processed by PITC through software/ program and there was no involvement of DISCOs in providing irregular subsidy. Furthermore, relief was given only to the customers of Tariff -04 Commercial (Active) Single phase and load up to 5 KW.

DAC in its meeting held on June 9, 2022 decided to constitute a committee under the convenership of Chief Auditor (PPMCL) and CFOs of all ten DISCOs and representative from PITC as members to review and reconcile the data within two weeks and verify the record from Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Special Audit of ten DISCOs regarding COVID-19 SMEs – Para-4.3.3)

1.4.25 Undue favour to consumers utilizing mono-motors on domestic connections - Rs.335.93 million

According to Ministry of Energy (Power Division) Notification No. S.R.O. 06(1)/2019 dated January 01, 2019 Gujranwala Electric Supply Company has to charge tariff as per the Schedule of Electricity Tariffs.

During audit of the accounts of GEPCO for the financial year 2022-23, it was observed that 1,098 domestic connections were running illegally by using mono-motors. The consumers were required to get the tariff changed as per schedule of tariffs but the same was not done. This very act of the management caused loss of Rs.335.93 million to GEPCO which was required to be recovered from consumers.

Non-adherence to instructions resulted in undue favor to the tune of Rs.335.93 million to consumers utilizing mono-motors on domestic connection up to the financial year 2022-23.

The matter was taken up with the management in April, 2024 and reported to the Ministry in May, 2024. The management replied that 385 consumers had submitted an affidavit for no use of mono motors, 434 cases were duplicate, no mono motors existed at site of 129 connections, 39 consumers shifted on solar panel and notices issued to 111 consumers.

DAC in its meeting held on October 11, 2024 directed the management to furnish revised reply to Audit within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 196/2024-25)

1.4.26 Irregular charging of detection units to consumers in violation of provisions of Consumer Service Manual - Rs.324.89 million

According to 9.2.3 (c) (i) of NEPRA's Consumer Service Manual, "the maximum period for charging detection bills shall be restricted to three billing cycles for general supply consumers i.e. A1, A-2 & general services consumers i.e. A-3 and extendable up to a maximum of six months, subject to approval of the Chief Executive Officer (CEO) of DISCO. The CEO may delegate its powers and authorize a committee comprising at least three officers of Chief Engineer / Director level to allow charging of detection bill up to six months to these consumers on case-to-case basis after proper scrutiny so that no injustice is done

with the consumer. In such cases action will also be initiated against the concerned officer for not being vigilant enough”.

During audit of the accounts of PESCO for the financial year 2023-24, it was observed that 12.02 million detection units valuing Rs.324.89 million were debited to A-1, A-2 and A-3 category consumers in 12,485 cases by charging detection bills beyond three billing cycles. Moreover, out of the said total cases, 3,049 cases were found duplicate. The charging of said detection units was irregular as the same were not charged on case-to-case basis by a committee comprising of at least three officers of Chief Engineer/ Director level.

Non-adherence to Consumer Service Manual resulted in irregular charging of 12.02 million detection units to A-1, A-2 and A-3 consumers valuing Rs.324.89 million up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that detections were charged after obtaining approvals from the committee. The reply was not agreed to as neither record of required committee was produced nor multiple detection charged to consumers was justified.

DAC meeting was held on January 7-8, 2025 but the matter could not discussed due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends inquiring the matter for fixing responsibility regarding irregular charging of detection units and implementation of DAC’s decision.

(Draft Para No. 1220/2024-25)

1.4.27 Over-loading of distribution transformers beyond rated capacity due to inadequate maintenance and non-execution of chain-augmentation proposals - Rs.239.61 million

According to the DPC 7 and 8 of Distribution Code, “each licensee shall annually make load flow calculations to determine the loading on distribution feeders, sub-transmission lines, transformers and substations. The load flow calculations shall be analyzed to identify overloaded facilities according to equipment loading criteria for each type of facility. When overloaded facilities are identified the Licensee shall prepare plans either to shift load demand to

relieve overloads or develop upgrading, reinforcement, augmentation and expansion plans for new facilities if the shifting of load is not recommended on permanent basis for a long period”.

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that 1,985 distribution transformers were operating at over 80% of their rated capacity, indicating a high risk of damage and reduced lifespan. According to the Distribution Code, immediate chain-augmentation was necessary to protect these assets. Though augmentation proposals worth Rs.239.61 million were approved but not executed due to budget constraints. The detail is as under:

<i>(Rs.in million)</i>				
Sr. No	Company	No. of Distribution Transformers	Loading Position	Amount
1.	IESCO	135	80% to 99%	211.80
2.	MEPCO	1850	80% to 99%	27.81
Total		1985		239.61

Non-adherence to the guidelines of Distribution Code resulted in over-loading of distribution transformers due to non-execution of chain-augmentation proposals valuing Rs.239.61 up to the financial year 2023-24.

The matter was taken up with the management in September and October, 2024 and reported to the Ministry in October and November, 2024. The management of IESCO reported that out of 135 LV proposals worth Rs.211.80 million, 111 were completed, and 24 worth Rs.34.432 million were under execution. The management of MEPCO stated that the overloaded transformers would be replaced before the next summer season, and materials had been requested from Head quarter Multan for allocation and installation.

DAC in its meetings held on November 28-29, 2024 and January 13-15, 2025 directed the management to expedite the pending actions and provide the record to Audit for verification accordingly.

No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC’s decision.

[Draft Para No. (454) (617)/2024-25]

1.4.28 Irregular grant of Zero-Rated Industrial subsidy to consumers of Sundar Industrial Estate by LESCO – Rs.203.98 million

The Economic Coordination Committee (ECC) vide Case No. ECC-429/42/2021 dated December 10, 2021 considered the summary submitted by Power Division dated November 22, 2021 regarding “mechanism for granting concessionary tariff to the eligible consumers of Zero-Rated Industrial (ZRI) consumers of LIEDA and Sundar Industrial Estate and for prospective Industrial Estates” and did not approve the proposed mechanism particularly the role of Provincial Governments in verification of consumption data/ metering and flow of approved subsidies. Power Division was directed to ask LESCO and KE to install their own meters for verification purpose whereas the subsidy may be provided directly through LESCO & KE.”

During audit of the accounts of MoE (Power Division) for the financial year 2022-23, it was observed that an amount of Rs.203.98 million on account of ZRI subsidy was allowed by LESCO to fourteen (14) consumers of Sundar Industrial Estate without installing its own meters. The electricity to the Sundar Industrial Estate was being provided by LESCO on one point and further distribution of energy to its consumers was the mandate of the Industrial Estate. While allowing ZRI subsidy to these consumers, LESCO relied upon the consumption data provided by the said Industrial Estate instead of installation of its own meters which was against the directions of the ECC and resulted in irregular grant of ZRI amounting to Rs.203.98 million up to November, 2021.

Non-adherence to directions of ECC resulted in irregular grant of Zero-Rated Industrial subsidy amounting to Rs.203.98 million to Sundar Industrial Estate by LESCO.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management responded that the reply would be furnished after consulting the record.

DAC meeting was held on September 25, 2024 but the para could not be discussed due to non-provision of record to Audit for verification.

Audit recommends inquiring the matter for fixing responsibility regarding irregular grant of ZRI subsidy to Sundar Industrial Estate by LESCO.

(Draft Para No. 213/2024-25)

1.4.29 Non-preparation of completion reports and third-party verification of works - Rs.184.05 million

As per paras 4.1.3 to 4.1.6 of Distribution Rehabilitation Guidelines September, 2003, “total time for approval of work, execution and preparation of completion report will be restricted to 130 days.” According to Fixed Assets Management (FAM-4.3) (24) of Accounting Manual, preparation and Receipt of A90 Form from concerned construction Division: a) A-90 Form is prepared and approved by Deputy Manager Construction Division. b) Details of A90 Form are verified at the office of Project Directorate Construction that it is certified by the Consultant. c) The amount of WIP as per A90 Form is capitalized.

During audit of the accounts QESCO for the period 2023-24, it was observed that as per progress reports 161 electrification works worth Rs.184.053 million were shown as physically completed. However, completion reports were not prepared. In the absence of completion reports certified by the third-party consultants, the status of works and expenditure incurred against the works could not be considered authentic.

Non-adherence to guidelines resulted in non-preparation of completion reports of physically completed works amounting to Rs.184.05 million up to the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in October, 2024. The management replied that A-90 of all the 161 works had been prepared and the works capitalized.

DAC meeting was held on January 16, 2025 but the matter could not be discussed due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No. 345/2024-25)

1.4.30 Non/less recovery of grid sharing charges and cost of land from consumers -Rs.183.68 million

According to Para 2.6.3 of NEPRA’s Consumer Service Manual, “50% Grid sharing charges including transmission line charges proportionate to load without cost of land should be recovered from the sponsors of Multi-Story

Building/Commercial Plaza/High Rise Building.” Further, according to Para 2.6.4 of *ibid*, “above 10 MW to 20 MW then Dedicated Grid Station and associated transmission line or DISCO may provide connection from its own grid station subject to availability of capacity/load in its grid and with mutual consent. In such case DISCO shall recover 100% Grid Sharing charges including transmission line charges and a piece of land i.e. minimum 12 Kanal for GIS and 20 Kanal for AIS within the housing scheme/society”.

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that an amount of Rs.183.68 million was not recovered or less recovered from three (3) consumers on account of grid sharing charges and cost of land. The amount was required to be recovered from commercial plazas and the sponsors of housing societies as per provisions of Consumer Service Manual, which was not done. DISCOs wise detail is as under:

<i>(Rs.in million)</i>				
Sr. No.	Name of Company	Aging	No. of cases	Amount
1.	FESCO	Jul-21 to Jun-24	2	0.56
2.	HESCO	Jul-23 to Jun-24	1	183.12
TOTAL			3	183.68

Non-adherence to Consumer Service Manual resulted in undue favour extended to the sponsor due to non-charging of grid sharing cost and cost of land Rs.183.68 million approximately up to the financial year 2023-24.

The matter was taken up with the management in October and November, 2024 and reported to the Ministry in November and December, 2024. The management of FESCO replied that one consumer had paid amount Rs.0.233 million. However, recovery of balance amount was under process. HESCO management replied that gap between approval of layout plans of Bismillah City Housing Scheme and Bismillah Heaven was more than 02 years. However, the load of Bismillah City Extension Housing Scheme had been clubbed with Bismillah City Housing Scheme, as being its extension, which comes out as 9,840 kW.

DAC in its meeting held on December 12-13, 2024 and January 20-21, 2025 directed the FESCO management to get the recovery record verified from Audit within a week and expedite the pending recovery. Further DAC directed

the HESCO management to probe the matter at CEO level and also seek clarification from NEPRA and share its outcome with Audit accordingly.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para Nos. (1067), (1432)/2024-25]

1.4.31 Loss due to illegal electrification of private housing societies – Rs.173.83 million

According to Rule 5(5) of Public Sector Companies (Corporate Governance) Rules, 2013, “the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders”.

During audit of the accounts of DISCO's for the financial year 2023-24, it was observed that five (05) private housing societies were illegally running through temporary connections and were illegally electrified. The management conducted inquiries into the matter. However, the management neither fixed responsibility nor recovered the outstanding amount of Rs.173.83 million from temporary/un-authorized/illegally electrified private housing societies. The detail is as under:

<i>(Rs.in million)</i>			
Sr. No.	Company	No of societies	Amount
1.	FESCO	3	154.00
2.	HESCO	1	10.02
3.	MEPCO	1	9.81
4.	PESCO	2	-
Total		5	173.83

Non-adherence to Corporate Governance Rules resulted in loss of Rs.173.83 million due to illegal electrification of private housing societies during the financial year 2023-24.

The matter was taken up with the management during October to November 2024 and reported to the Ministry in November, 2024. The management replied that in some cases, demand notices were issued but cancelled due to non-depositing of dues. Moreover, in other cases implementation of inquiry recommendations would be made. HESCO

management replied that a letter was issued to DG Admin & HR (HESCO) for providing status of implementation of recommendations of inquiry report.

DAC in its meetings held on during November 28-29 and December 12-13, 2024 and January 7-8, 20-21, 2025 directed the management to implement the recommendations of inquiry committee report, pursue the court case vigorously and get the record of completed actions verified from Audit within one week. The matter related to PESCO could not be discussed due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days. DAC directed the HESCO management to get the record of completed actions regarding MRNs of materials, FIRs against direct supply/running at site along with recovery verified from Audit within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para Nos. (896) (1302) (755) (1296)/2024-25]

1.4.32 Extra benefits given to consumers due to excess average rate per unit credited than average rate per unit debited -Rs.162.32 million

According to Para 1.3 of Commercial Procedure, "the Revenue Officer and Assistant Manager are responsible for; i) implementing in conjunction with the Executive Engineer, the commercial policy laid down from time to time by the Authority through the Company, ii) efficient application of billing and collection procedures".

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that 22.48 million units with amount of Rs.838.49 million were debited and 16.16 million units with amount of Rs.545.20 million were credited to consumers under different tariff categories. Analysis of average per unit rate of debit and credit of each category showed that an amount of Rs.162.32 million was credited to consumers in excess of average per unit rate of debit. This showed that amount per unit rate was less billed to consumers however high average unit rate was credited. The detail is as under:

						<i>(in million)</i>
Name of Company	Period	Avg. Dr. Rate	Avg. Cr. Rate	Excess avg. Cr. Rate	Cr. Units	Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7 = 5*6)
LESCO	Jul-22 to Jun-23	27.18	28.31	1.14	12.91	133.19

MEPCO	Jul-21 to Jun-24	27.94 to 47.99	40.7 to 64.28	12.76 to 16.29	0.4	6.75
QESCO	Jul-23 to Jun-24	48.42	56.28	7.86	2.851	22.38
Total					16.161	162.32

Non-adherence to Consumer Service Manual resulted in extra benefits afforded to consumers due to excess average rate per unit credited than average rate per unit debited amounting to Rs.162.32 million up to the financial year 2023-24.

The matter was taken up with the management during March to October, 2024 and reported to the Ministry during May to November, 2024. The management of MEPCO replied that an inquiry committee had been constituted on November 22, 2024 to dig out the matter thoroughly. LESCO management replied that the consumers against amount debited and credited were not the same. Amounts were debited to the consumers as per different slab rates according to number of units debited and again amounts credited to other consumers with different slab rates according to number of units credited.

DAC in its meetings held during July 18, November 29, 2024 and January 16, 2025 directed the LESCO management to provide the record in support of reply to audit for verification within 15 days and directed the MEPCO management to complete the inquiry process within a month and submit inquiry report to Audit accordingly. The matter related to QESCO could not be discussed due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para Nos. (38) (435) (1242)/2024-25]

1.4.33 Loss due to frequent repair of reclaimed damaged distribution transformers – Rs.149.25 million

According to Section 20 of State-Owned Enterprises (Governance and Operations) Act, 2023, “the Board shall ensure the integrity of the systems of internal control and any person who is found liable for a deviation or violation from the company's code of conduct or other systems of internal control shall be

subject to disciplinary proceedings in accordance with the state-owned enterprise's internal policies.”

During audit of the accounts of PESCO for the financial year 2023-24, it was observed that 30 private pre-qualified reclamation workshops were engaged for repair of damaged distribution transformers and an amount of Rs.703.61 million was paid against repair/reclamation of 9,134 damaged transformers. An analysis of these reclaimed transformers disclosed that 1,670 multiple repair works (ranging from 02 to 05 times) were carried out on 779 damaged reclaimed transformers. The frequent damage of reclaimed distribution transformers raised concerns regarding pre-qualifications of the private reclamation workshops and inspection of reclaimed transformers carried out by M&T. Resultantly, the company suffered loss of Rs.149.25 million due to frequent repair of damaged reclaimed transformers.

Non-adherence to State-Owned Enterprises (Governance and Operations) Act, 2023 resulted in loss due to frequent repair of reclaimed damaged distribution transformers amounting to Rs.149.25 million up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that detailed reply would be furnished after consulting record.

DAC meeting was held on January 7-8, 2025 but the matter could not be discussed due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends inquiring the matter for fixing responsibility.

(Draft Para No. 1234/2024-25)

1.4.34 Extra cost due to delay in completion of bifurcation of 11 KV feeders under ELR/DOP Head - Rs.132.09 million

According to Paras 4.1.3 to 4.1.6 of Distribution Rehabilitation Guidelines September 2003, “total time for approval of work, execution and preparation of completion report will be restricted to 130 days”.

During audit of the accounts of GEPCO for the financial year 2023-24, it was observed that seven (07) estimates costing Rs.183.73 million were approved for area planning and bifurcation of 11 KV feeders works under the head of

ELR/DOP. The works were not completed and delayed from 334 to 1697 days. Therefore, the estimates of these works were revised due to escalation in rate of material and approved with cost of Rs.315.83 million which resulted in extra cost of Rs.132.09 million.

Non-adherence to guidelines resulted in extra cost due to delay in completion of bifurcation of feeders under ELR/DOP amounting to Rs.132.09 million up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that the work had been delayed due to public hindrance and route changes, revised rates for short materials, and NOCs from railway authority and irrigation department.

DAC in its meeting held on December 23, 2024 directed the management to justify the matter for delay within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 706/2024-25)

1.4.35 Blockage of funds due to incomplete works and non-removal of short comings - Rs.124.92 million

According Paras 4.1.3 to 4.1.6 of WAPDA Distribution Rehabilitation Guidelines September 2003, "total time for approval of work, execution and preparation of completion report will be restricted to 130 days".

During audit of the accounts of LESCO for the financial year 2023-24, it was observed that sixteen (16) works were required to be executed during October 16, 2020 to March 11, 2024 but the works were still in progress due to non-removal of shortcomings and technical observations pointed out by the consultant. The envisaged benefits of works had not been received due to noncompliance of consultant recommendation.

Non-adherence to Distribution Rehabilitation Guidelines resulted in non-utilization of executed works of Rs.124.92 million up to the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in November, 2024. The management replied that all the works had been completed and shortcomings removed.

DAC in its meeting held on December 26-27, 2024 directed the management to provide justification for delayed completion of works along with

the record comprising estimates, work orders, SJOs, EMB/Site account, material allocation orders, A-90/completion reports, MRNs, J.Vs, ledger, Fixed Asset Sheet, Trial Balance to Audit for verification within 15 days. In case of no justification for delay, responsibility fixed.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 662/2024-25)

1.4.36 Shifting the burden of capacity purchase price of net metering consumers to non-net metering consumers - Rs.123.56 million

According to Section 7, 31(4) and 31(7) of the NEPRA Act 1997, NEPRA is mandated to determine a uniform consumer and tariff at national level.

During audit of the accounts of the QESCO for the financial year 2023-24, it was observed that the cost of electricity is recovered through sale of energy to end consumers on volumetric basis i.e. the cost of electricity is distributed on units consumed by the consumers. As a result, more the number of units were sold, the lesser will be the per unit rate and vice versa. However, shifting of consumer on net energy metering had increased cost of electricity for consumers without net metering. Capacity charges due to reduced consumption of electricity from the national grid by the net energy metering consumers was allocated by DISCOs across its customer base. Thus, net energy metering increased the marginal cost of capacity charges for the consumers without net energy metering system. In QESCO, net energy metering consumers averted the share of capacity purchase price to the extent of Rs.123.56 million during the year 2023-24 which was shifted on the non-net energy metering consumers resulting in increase of per unit cost to non-net energy metering consumers.

Non-adherence to provisions of NEPRA Act resulted in shifting the burden of capacity purchase price of net metering consumers to non-net metering consumers amounting to Rs.123.56 million up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that the determination of electricity tariffs inclusive of all relevant charges falls under the authority of NEPRA. Being the policy matter, the subject of tariff determination was beyond the scope of QESCO.

DAC meeting was held on January 16, 2025 but the matter could not be discussed due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends taking the matter with the concerned stakeholders to decide in the matter.

(Draft Para No. 1300/2024-25)

1.4.37 Undue favour to consumer by approving independent feeder instead of grid station - Rs.105.73 million

According to NEPRA's amendments in Consumer Service Manual dated December 14, 2022, for the industrial connection above 5 MW to 7.5 MW, (i) dedicated transformer (ii) dedicated 11 kV feeders (iii) dedicated Grid station and associated transmission line would be provided to consumer. The consumers may be allowed extension of load above 5 MW to 7.5 MW from the DISCO's owned grid station subject to availability of load in the grid and capacity in the 11 kV existing dedicated feeder. In such a case the consumer will bear 100% grid sharing charges including transmission line charges and 100 % cost of land proportionate to load above 5 MW to 7.5 MW.

During audit on the accounts of HESCO for the financial year 2023-24, it was observed that extension of load of M/s METCO Textile was sanctioned from 2500 kW to 7500 kW by approving 11 kV independent feeder with a cost of Rs.105.73 million on August 30, 2023. Since the said consumer did not have its independent feeder, hence, it did not qualify the CSM condition that extension of load could be allowed subject to capacity in the existing dedicated feeder. Therefore, instead of providing the dedicated grid station, the approval of independent 11 kV feeder was irregular and the consumer was allowed to avoid bearing the cost of an independent grid station.

Non-adherence to Consumer Service Manual resulted in undue favour to consumer amounting to Rs.105.73 million by approving independent feeder instead of grid station up to the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in October, 2024. The management replied that extension of load from 2500 KW to 7500 KW against industrial connection of

M/S METCO Textile was approved in accordance with policy / guidelines of NEPRA by recovering the cost of 11KV Independent feeder to be emanated from 132KV grid station Nooriabad.

DAC in its meeting held on January 20-21, 2025 directed the management to submit documentary evidence in support of reply to Audit for verification within a week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 460/2024-25)

1.4.38 Undue favour to the commercial plaza due to non-adopting NEPRA criteria of load assessment – Rs.104.12 million

According to Annexure-VI of NEPRA's Consumer Service Manual, "load assessment of commercial plaza should be done according to NEPRA specified criteria."

During audit of the accounts of QESCO for the financial year 2023-24, it was observed that load assessment and cost estimates of the deposit work of Baluchistan Arena (BA) and Quetta Arena (QA) mall was not as per the approved guidelines of Consumer Service Manual (CSM). QESCO authorities assessed its total load as 14,276 KW (ultimate load demand 11,421 KW) instead of total load 19,202 KW (ultimate load demand 15,745 KW) electrifying by three 03 dedicated feeders. Due to incorrect load assessment, undue favour was extended to the deposit work at the cost of QESCO as low cost demand notices were issued to the client based on less load assessment. Resultantly, QESCO was deprived of legitimate security and capital cost amounting to Rs.104.12 million.

Non-adherence to Consumer Service Manual resulted in less recovery of security and capital cost for electrification of commercial plaza amounting to Rs.104.12 million up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that ultimate load was calculated as per CSM on ultimate load instead of total expressed load. The load calculated by audit was twice with AC load and also Centralized HVAC load. Hence, the ultimate load differed from the load assessed by audit.

DAC in its meeting held on January 16, 2025 directed to inquire the matter at CEO level and submit inquiry report to Audit within one month.

No further progress was intimated till finalization of the report.
Audit recommends implementation of DAC's decision.

(Draft Para No. 1181/2024-25)

1.4.39 Unjustified revenue generation through charging meter rentals to consumers - Rs.99.07 million

According to NEPRA's Consumer Service Manual, there is no provision of charging meter rent to consumers.

During Performance audit of Faisalabad Electric Supply Company (FESCO) regarding overbilling for the years 2020-21 and 2021-22, it was observed that meter rent amounting to Rs.99.07 million (Rs.49.765 million in financial year 2021-22 and Rs.49.31 million in financial year 2020-21) was charged to old consumers. Furthermore, it was observed that rate of charging meter rent was not uniform, and consumers were being charged meter rent ranging from Rs.5 to Rs.20. It showed that consumers were being over charged on monthly basis on account of meter rent charges. The detail is as under:

(Rs.in million)				
Sr. No.	Year	Account Code	Description	Amount
1	2021-22	6010200	Meter Rentals	49.76
2	2020-21	6010200	Meter Rentals	49.31
Total				99.07

Non-adherence to the commercial procedure resulted in overbilling of Rs.99.07 million on account of charging meter rent during the financial years 2020-22.

The matter was taken up with the management in March, 2023. The management replied that charging of meter rent policy was very old when free of cost meter was installed and cost recovered in the shape of monthly rent. Meter rent rates varied from Rs.5 to Rs.20 each month. FESCO would cease to recover meter rent from customers after approval from FESCO Board of Directors.

DAC in its meeting held on August 04, 2023 directed the management to verify its stance duly approved by BOD and submit its report to audit till 31st August, 2023.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Performance Audit of FESCO regarding overbilling – Para-4.1.5)

1.4.40 Undue adjustment charged to permanently disconnected consumers - Rs.93.61 million

According to Para 1.3 of Commercial Procedure, “the Revenue Officer and Assistant Manager are responsible for: i) implementing in conjunction with the Executive Engineer, the commercial policy laid down from time to time by the Authority through the Company ii) efficient application of billing and collection procedure”.

During audit of the accounts of IESCO for the financial year 2022-23, it was observed that an amount of Rs.93.61 million was unduly charged to 290 permanent disconnected consumers. These consumers were permanently disconnected and were not part of regular billing cycle of IESCO. Thus, the adjustments charged to these permanent disconnected consumers were held irregular.

Non-adherence to commercial procedure resulted in undue adjustment charged to permanent disconnected consumers amounting to Rs.93.61 million up to the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in April, 2024. The management replied that out of 290 consumers, 108 pertained to Operation Circle Islamabad. An amount of Rs.1.62 million had been recovered from 09 consumers and adjustment record of remaining cases would be consulted for submitting reply with justification.

DAC in its meeting held on July 3, 2024 directed the management to conduct fact finding inquiry headed by CSD and submit its report, dully vetted by CEO, to audit within 30 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No. 34/2024-25)

1.4.41 Irregular charging of design charges to deposit work consumers - Rs.90.24 million

According to NEPRA’s Consumer Service Manual, electrification design vetting fee: 1.5% of cost of material is recoverable from the sponsor.

During audit of the accounts of IESCO for the financial year 2023-24, it was observed that Rs.90.24 million on account of design charges at rate of 2.54% was charged to six deposit work consumers. However, this charging at rate of 2.54% was

inconsistent with the provisions of the Consumer Services Manual. Hence, the design charges imposed were considered irregular.

Non-adherence to the provisions of the Consumer Services Manual resulted in irregular charging of 2.54% design charges from deposit work consumers amounting to Rs.90.24 million up to the financial years 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that Chief Engineer (CSD) requested the NEPRA on December 05, 2024 to consider the incorporation of the proposed amendment in Consumer Service Manual. However, as per approval of the BoD IESCO, the design charges @2.54% were recovered from the Sponsors on the same pattern, as applicable for 7th STG Projects.

DAC in its meeting held on January 13 and 15, 2025 directed the management to pursue the matter of clarification from NEPRA and share it with Audit accordingly.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 987/2024-25)

1.4.42 Wrong revision of units during peak/off peak hours despite correct reading/snapshot – Rs.86.72 million

According to Para 1.3 of Commercial Procedure, the Revenue Officer and Assistant Manager are responsible for; i) implementing in conjunction with the Executive Engineer, the commercial policy laid down from time to time by the Authority through the Company, ii) efficient application of billing and collection procedures.

During performance Audit of FESCO regarding overbilling for financial years 2020-21 and 2021-22, it was observed that undue favor was granted to 36 industrial tariff consumers amounting to Rs.76.35 million by manipulating peak/off peak meter readings despite the already correct reading was recorded as evident from Meter snap accuracy. The reason behind such manipulation in billing of industrial consumers was best known to FESCO management. Further, it was also observed that undue favor was granted to 06 industrial tariff consumers amounting to Rs.10.37 million by manipulating peak/off peak meter readings despite the already correct reading was recorded as evident from Meter

snap accuracy. The reasons behind such manipulation in wrong billing of industrial consumers were best known to FESCO management.

Non-adherence to the Commercial Procedure resulted into wrong revision of industrial consumers energy bills amounting to Rs.86.72 million during the financial year 2020-22.

The matter was taken up with the management in March, 2023. The management replied that there were punching/human errors while posting meter readings over the mobile app and computer system which were detected after generation of bills. Identified clerical mistakes/errors were rectified through Computer Center for revision of bills to ensure accurate billing before delivery of bills.

DAC in its meeting held on August 04, 2023 directed the management to constitute an inquiry committee headed by GM (RCO) PPMCL to fix responsibility on person(s) at fault and submit fact finding report to audit within 30 days.

No further progress was intimated till finalization of the report.

Audit recommends fixing responsibility on persons at fault besides implementation of DAC's decision.

(Performance Audit of FESCO regarding overbilling – Para-4.1.13)

1.4.43 Non-recovery of revised grid sharing cost from the sponsor of housing schemes - Rs.80.55 million

The rates of grid sharing cost have been revised by BoDs MEPCO in its 99th meeting held on 28.11.2014 @ Rs.2,672/- per KW.

During the Special Study on Electrification of Housing Societies and Commercial Plazas in MEPCO for the period 2014-15 to 2018-19, it was observed that the electrification of Seventy-Seven (77) housing societies was pending as on November 30, 2014. The grid sharing cost amounting to Rs.80.55 million at the revised rate Rs.2,672/- per KW was required to be recovered from the non-energized housing societies which were not done.

Non-adherence to BoDs instructions resulted in non-recovery of grid sharing cost amounting to Rs.80.55 million from the sponsors of housing societies.

The matter was discussed with the management in August 2020. It was replied that work orders of these housing societies were issued before 28.11.2014 and revised grid sharing charges were not applicable. Audit held that revised grid

sharing charges were applicable on all pending housing schemes. DAC meeting was not held despite repeated requests to PAO.

Audit recommends the management ensure to recover the amount of grid sharing cost of Rs.80.54 million as per the instructions under intimation to Audit.

(Special Study on Electrification of Housing Societies and Commercial Plazas in MEPCO – Para-5.12)

1.4.44 Suspicious grant of relief to commercial and industrial consumers due to doubtful billing– Rs.74.70 million

According to Para 4(i) of the summary approved by Economic Coordination Committee (ECC) of the Cabinet regarding Prime Minister’s COVID-19 Stimulus Economic Package for Small and Medium Enterprises (SMEs), notified by Ministry of Energy (Power Division) vide No. Tariff-2019, dated: May 8th 2020, “Consumers for which electricity consumption data is not available for the full base period (May, June, July - 2019) appropriate averages will be used. Relief amount will be calculated considering the consumer payable bill amount (current month) for 3 months (i.e., May, June, July - 2019). In case of zero billing amount succeeding month will be considered”.

During Special Audit of ten Power Distribution Companies (DISCOs) regarding COVID-19 Stimulus Economic Package relating to Small and Medium Enterprises (SMEs) for the years 2019-21, it was observed that in FESCO an amount of Rs.74.70 million was given as subsidy to 173 industrial and commercial consumers for which billing for the month of May 2020 was booked exactly Rs.450,000 for industrial consumers and Rs.100,000 for commercial consumers despite the fact that the number of units consumed were different altogether. Furthermore, no further billings were booked to these consumers. Hence, due to doubtful billing, grant of subsidy amounting to Rs.74.70 million given to 173 consumers was considered suspicious. The detail is as under:

(Rs.in million)

Sr. No.	Name of DISCO	No. of Consumers	Amount
1.	FESCO	173	74.70
TOTAL		173	74.70

The matter was taken up with the management in May, 2022. The management replied that audit pointed out that Rs.450,000 for industrial connection & Rs.100,000 for commercial connections were booked despite the fact that units consumed were different was not correct because billing was done

based on meter reading data. The reply of the management was not tenable because billing to consumers was based on subsidy prescribed limit irrespective of the fact that energy consumption was different.

DAC in its meeting held on June 09, 2022 directed FESCO to get the record verified from Audit within two weeks. However, no record along with revised reply was produced to audit for verification till finalization of the report.

Audit recommends implementation of DAC's decision.

(Special Audit of ten DISCOs regarding COVID-19 SMEs – Para-4.1.8)

1.4.45 Misuse of public funds due to illegal electrification of housing colonies – Rs.69.35 million

As per Guidelines for sustainable Development Goals Achievement Program (SAP) issued by Cabinet Division (Development Wing) dated 27th February 2019, 3 (iii)(a), the administrative approval should include that the scheme(s) is/are feasible and in public interest.

During Special Study on Electrification of Housing Societies and Commercial Plazas in MEPCO for the period 2014-15 to 2018-19, it was observed that different private housing colonies/societies were electrified at cost of Rs.69.35 million out of the funds of village electrification scheme, whereas these societies/colonies did not fall under the purview of village electrification.

Non-adherence to the Authority's instruction resulted in misuse of public funds amounting to Rs.69.35 million.

The matter was conveyed to the management in August 2020. No reply was received till the finalization of the report. DAC meeting was not held despite repeated requests to the PAO.

Audit recommends to investigating the matter and cost of electrification of the housing colonies and private schemes may be recovered from the concerned developers under intimation to Audit.

(Special Study on Electrification of Housing Societies and Commercial Plazas in MEPCO – Para-5.17)

1.4.46 Illegal grant of concessionary tariff to zero-rated industrial consumers in GEPCO – Rs.65.71 million

As per mechanism devised among Power Division, Commerce Division and FBR, the DISCOs consumers would be eligible for the concessional tariff. Once notified by the FBR and ratified by the Ministry of Commerce and consequent approval from both the entities, Power Division will issue directions

to the corresponding DISCO to grant concessional tariff to the specified consumer. FBR notification date is being taken as authorization date for granting concessional tariff to the Zero-Rated Industrial Consumer.

During audit of the accounts of MoE (Power Division) for the financial year 2022-23, it observed that GEPCO allowed zero rated industrial concessional tariff subsidy amounting to Rs.65.71 million to two (02) consumers before their authorization. The matter was referred to PPMC by Federal Secretary MoE (Power Division) for further probe and with recommendation of special audit of 518 industrial consumers of GEPCO availing the said subsidy. However, neither special audit was got conducted nor amount of illegal subsidy allowed to these consumers was recovered.

Non-adherence to mechanism devised for Power Division, Commerce Divisions and FBR resulted in illegal grant of concessionary tariff amounting to Rs.65.71 million to zero-rated industrial consumers in GEPCO up to the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management responded that the reply would be furnished after consulting the record.

DAC meeting was held on September 25, 2024 but the matter could not be discussed due to non-provision of record to Audit for verification by the management, and further schedule of meeting was not conveyed by the Ministry till finalization of the report.

Audit recommends inquiring the matter for fixing responsibility besides ensuring implementation of the recommendations of inquiry conducted by PPMC.

(Draft Para No. 212/2024-25)

1.4.47 Non-execution of earthing/grounding of LT structures of distribution system in operation circle under Phase-I - Rs.64.98 million

According to Clause 7.21.2 of NEPRA Power Safety Code, 2021, a licensee is required to install and maintain earthing /grounding system (i.e, equipment, exposed steel structure/pole along with stay wire). Therefore, GEPCO being a distribution licensee is bound to ensure earthing/grounding of each and every pole/structure. Further, Section 12.2.4 of Chapter 12 Safety and Security of

Consumer Service Manual state that; “The earthing systems installed shall be dimensioned and regularly tested to ensure protection from shock hazards.”

During audit of accounts of MEPCO for the financial year 2023-24, it was observed that a tender for execution of earthing of LT Steel Structures was initiated in compliance to NEPRA directions and opened on January 24, 2024. However, the same tender was scrapped / cancelled on technical grounds. The detail is as under:

Multan Circle	Total Structures	Total Structures already earthed	Total Structures to be earthed	No. of structures to be earthed through tendering	Tendering estimated cost in million
	46,033	27,359	18,674	8,123	64.984

Lack of the earthing/ grounding in Poles and Structures in distribution system was one of the major causes of occurrence of fatal accidents in DISCOs and notice of such serious safety hazard was taken by the NEPRA. But, compliance regarding execution of earthing/grounding was not made.

Non-adherence to NEPRA Safety Code, 2021 and Consumer Service Manual resulted in non-execution of earthing/grounding of LT Poles/Structures of Distribution System valuing Rs.64.98 million up to the financial year 2023-24.

The matter was taken up with the management in September, 2024 and reported to the Ministry in October, 2024. The management replied that the work would be awarded after completion of codal formalities.

DAC in its meeting held on November 29, 2024 directed the management to expedite the tendering process and execute the works within three (03) months.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No. 571/2024-25)

1.4.48 Non-achievement of envisaged benefits despite executing ELR works – Rs.63.32 million

As per Para 1.4.1 of USAID Power Distribution Program Planning Guide, “the ELR is an iterative process to reduce the annual energy losses incurred by the distribution company. Major factors affecting energy losses are voltage drop in distribution network are listed below.

- Impedance of line conductor
- Loading of line conductor
- Power maintenance
- Defective/ Sluggish meters
- Theft of electricity

Thus, the distribution network must be constantly monitored to reduce these factors and the cost of rehabilitation should be justified against the benefits”.

During audit of accounts of MEPCO for the financial year 2023-24, it was observed that Energy Load Reduction (ELR) programs were executed on seven (7) feeders to bring down the line losses or to diminish the load on a particular feeder. However, desired results could not be achieved from the execution of these works as energy losses on those feeders increased. Thus, the expenditure of Rs.63.32 million was considered wasteful.

Non-adherence to authority instructions resulted in wasteful expenditure on ELR work valuing Rs.63.32 million up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in October, 2024. The management replied that reduction in loss could be calculated at the end of this financial year i.e. 2024-25 as after completion of works their load had been decreased.

DAC in its meeting held on November 29, 2024 directed the management to analyze the loading position after execution of ELR works and submit the same to Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No. 711/2024-25)

1.4.49 Undue favor to the industrial consumer due to non-installation of independent feeders – Rs.58.78 million

According to Para 2.6 of NEPRA’s Consumer Service Manual, “an Industrial consumer having load above 2.5 MW to 5 MW requires Dedicated Transformer (s) & Dedicated 11 KV Feeder (s)”.

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that two (2) electricity connections were sanctioned from the existing 11 kV feeders instead of dedicated 11 kV feeders. Resultantly, cost of

independent feeders amounting to Rs.58.78 million could not be recovered from the said consumers. The detail is as under:

<i>(Rs.in million)</i>				
Sr. No.	Name of Company	Period	No. of cases	Amount
1.	FESCO	July, 2022 to June, 2024	1	48.78
2.	IESCO	July, 2020 to June, 2023	1	10.00
Total			2	58.78

Non-adherence to Consumer Service Manual resulted in loss of Rs.58.78 million due to undue favor to the industrial consumer and non-installation of independent feeder up to the financial year 2023–24.

The matter was taken up with the management in March and September, 2024 and reported to the Ministry in May and November, 2024. The management of FESCO replied that the capital cost Rs.32.09 million and rehabilitation charges Rs.0.26 million was deposited by the consumer and Bank Guarantee had been submitted. Now, the execution of work was under process. The management of IESCO replied that both the meters were being supplied from two different feeders, which was a serious discrepancy and a demand notice of Rs.0.226 million was served upon the consumers which was paid by him on May 15, 2024.

DAC in its meetings held on July, 3 and December 12-13, 2024 directed the IESCO to conduct fact finding inquiry head by G.M Technical and submit its report, dully vetted by CEO, to audit within 30 days. DAC also directed the FESCO to fix responsibility against the officers/officials for not taking timely action against running of un-authorized load at site from 2018 to 2022 and get the record of regularization of load verified from Audit within a week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para Nos. (673), (73)/2024-25]

1.4.50 Undue benefits due to non-installation of independent transformers - Rs.57.61 million

According to Consumer Services Manual, dedicated transformer is applicable to industrial and commercial consumers having load above 8 kW and 15 kW respectively.

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that 229 industrial and commercial consumers were given connections from the general distribution transformers by avoiding independent

transformers with sanctioned load ranging from 2 to 22 kW. However, the connected load of the consumers was ranging from 13 kW to 102 kW. As such said consumers had been favored to avoid installation of independent transformers with substations resulting in an undue benefit of Rs.57.61 million to the consumers.

(Rs.in million)

Sr. No.	Name of Company	Range of sanctioned load	Range of connected load	No. of consumers	Cost of transformers
1.	HESCO	2 kW to 9 kW	13 kW to 76 kW	11	8.16
2.	IESCO	5 kW to 22 kW	21 kW to 102 kW	218	49.45
Total				229	57.61

Non-adherence to Consumer Service Manual resulted in undue benefits amounting to Rs.57.61 million due to non-installation of independent transformers up to the financial year 2023-24.

The matter was taken up with the management in February to October, 2024 and reported to the Ministry in April, May and November, 2024. The management replied that notices on account of extension of load had been served to the consumers with the direction to get sanction of illegally extended load.

DAC in its meeting held during July 3, 2024 and January 13, 15, 20-21, 2025 directed the management to regularize the unauthorized extended load as per SoPs expeditiously and get the record of completed actions verified from Audit within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para Nos. (514), (25, 79, 636)/2024-25]

1.4.51 Unjustified grant of relief to non-eligible consumers having multiple illegal connections on same premises – Rs.55.73 million

According to Para 2.8.1 of NEPRA's Consumer Service Manual, "Industrial Connections shall not be allowed on the same premises if having same nature of industries and having load above 8 KW shall be provided through an independent transformer".

Further, according to Clause 2.3.2 regarding new connections for industrial and commercial consumers of NEPRA Consumer Manual, documents to be attached with the Application Form for issuance of Demand Notice(s) are as follows: An affidavit by the owner of the premises on non-judicial stamp

paper worth Rs.50/- as per schedule 1 of the Stamp Act 1899 (or as amended through Stamp Act, 1899 from time to time) to the effect that no connection existed previously at the premises for which connection is applied and that he/she shall pay DISCO any outstanding dues in respect of any previous connection which existed at the premises in question, if noticed later on. Further, in the affidavit it will be mentioned that the applicant is not defaulter of any other electricity connection in the DISCO and in any other distribution company, and if found at any stage, his/her connection may be disconnected after issuance of prior seven (07) days' notice.

During Special Audit of ten Power Distribution Companies (DISCOs) regarding COVID-19 Stimulus Economic Package relating to Small and Medium Enterprises (SMEs) for the years 2019-21, it was observed that an amount of Rs.55.73 million was given as subsidy to 588 consumers having multiple illegal connections in the same premises. DISCO wise detail is as under:

<i>(Rs.in million)</i>			
Sr. No.	Name of DISCO	No. of Consumers	Amount
1.	LESCO	43	3.87
2.	GEPCO	58	4.45
3.	FESCO	76	5.63
4.	PESCO	179	20.15
5.	IESCO	183	14.93
6.	HESCO	49	6.70
Total		588	55.73

The above table indicates that a huge amount of relief was given to non-eligible consumers which was unjustified without observing the rule regarding approval of multiple industrial connections on the same premises with different nature of business/industry.

Audit is of the view that the payment of Rs.55.73 million to 588 industrial consumers having multiple connections in the same premises was unjustified.

The matter was taken up with the management in May, 2022. The management replied that as per Covid-19 (Stimulus Economic Package) eligibility criteria, no such condition i.e., “non-eligible consumers having multiple illegal connections on the same premises” was mentioned. The subsidy granted was strictly given in accordance with the SOP/Policy.

DAC in its meeting held on June 09, 2022 decided to constitute a committee under the convenership of Chief Auditor (PPMCL) and CFOs of all ten DISCOs and representative from PITC as members to review and reconcile the data within two weeks and verify the record from Audit. However, no record along with revised reply was produced to audit for verification till finalization of the report.

Audit recommends implementation of DAC's decision.

(Special Audit of ten DISCOs regarding COVID-19 SMEs – Para-4.1.1)

1.4.52 False completion and irregular revision of estimate of HT feeder – Rs.45.99 million

According to Rule-5 (5) of Public Sector Companies (Corporate Governance) Rules, 2013, “the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders”.

During audit of the accounts of MEPCO for the financial year 2023-24, it was observed that 11 kV Rangpur Feeder to be emanating from 132 kV Grid Station Jamal Din Wali was approved on March 12, 2020 under the head of Energy Loss Reduction (ELR) with estimated cost of Rs.24.06 million. The said work was reported 100% completed with cost of Rs.52.27 million on October 31, 2022 by the XEN (Const.) R.Y Khan. However, after one year, letters of explanation were served upon XEN and LS on October 11, 2023 for false reporting of completion as the said feeder was found incomplete. Despite drawing material valuing Rs.10.29 million, the work was still incomplete as on February 14, 2024. Moreover, a revised estimate of Rs.70.05 million of already false completed feeder with a difference of cost of Rs.45.99 million (Rs.70.05 million – Rs.24.06 million) was submitted on June 09, 2023, which made its sanctity questionable. Though the matter of false completion of feeder was very seriously viewed by the management but responsibility was not fixed.

Non-adherence to Public Sector Companies (Corporate Governance) Rules resulted in false completion and irregular revision of estimate of HT feeder amounting to Rs.45.99 million up to the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in October, 2024. The management replied that draft

LOE of the delinquent officers / official i.e. XEN, SDO and LS regarding bogus / false completion report had been submitted to the quarter concerned, which would be finalized and informed to Audit accordingly.

DAC in its meeting held on November 29, 2024 directed the management to inquire the matter at CEO level and submit inquiry report to Audit within a month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 303/2024-25)

1.4.53 Loss due to less recovery of rehabilitation charges from consumers – Rs.45.52 million

According to Para 2.6(xiv) of NEPRA's Consumer Service Manual, the rehabilitation charges are applicable in case of industrial category where connection is given from common 11 kV feeder up to 1000 kW as per following rate:

Description	Rate (Rs. per kW)
15 kW to 40 kW	250
41 kW to 100 kW	400
101 kW to 500 kW	1200
501 kW to 1000 kW	3000

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that the estimates of three hundred and forty-nine (349) new/extension of load of industrial connections were framed by calculating rehabilitation charges on slab basis instead of applied load, hence, undue benefit was given by less calculation of rehabilitation charges. Resultantly, companies sustained loss due to less recovery of rehabilitation charges amounting to Rs.45.52 million. The detail is as under:

Sr. No.	Name of Company	Period	No. of Consumers	Amount (Rs.in million)
1.	FESCO	2020 to 2024	43	3.77
2.	GEPCO	2020 to 2024	24	1.37
3.	HESCO	2020 to 2024	07	11.56
4.	IESCO	2020 to 2024	65	8.44
5.	LESCO	2019 to 2024	89	10.73
6.	MEPCO	2021 to 2024	68	4.81
7.	SEPCO	2020 to 2024	53	4.84
TOTAL			349	45.52

(Source: Consumer Service Files for the FY 2023-24)

Non-adherence to Consumer Service Manual resulted in loss amounting to Rs.45.52 million due to less recovery of rehabilitation charges from consumers up to the financial year 2023-24.

The matter was taken up with the management in April, 2023 and September to October, 2023 and reported to the Ministry in June, 2023 and October to November, 2023. The management replied that rehabilitation charges were calculated slab wise as per NEPRA CSM, 2021 and as per clarification of GM Operation, WAPDA.

DAC in its meetings held during October 11, November 28-29, December 12-13, 23, 26-27, 2024 and January 13, 15, 20-21, 2025 directed the management to seek clarification from NEPRA and share it with Audit expeditiously.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No. 1.4.49 having financial impact of Rs.40.88 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (1062) (204) (1346) (31, 77, 638, 1013) (10, 868) (556) (383, 446)/2024-25]

1.4.54 Non-completion of installation of AMR meters project – Rs.44.60 million

According to Clause 7 of Purchase Order No. 09/44 dated January 12, 2018, (PROJECT COMMISSIONING), the project should be executed and commissioned within thirty-six (36) weeks from the date of “Purchase / Work Order / Signing of Contract / Approval of Prototype whichever is later”.

During Special Study on installation of Automatic Meter Reading (AMR)/Advance Metering Infrastructure (AMI) and ABC in SEPCO, it was observed that a contract was awarded to M/s KBK Electronics (Pvt.) Ltd for design, supply, installation, and commissioning of single phase, three phase TOD and LT ToU AMR meters on 15,268 connections of Govt. of Sindh. However, AMR meters were installed on only 10,808 connections. Hence, 4,460 AMR meters were not installed up to June 2022 (4460 meters* Rs.10,000 per AMR meter). Due to non-completion of project, billing to Government of Sindh (GoS) could not be served.

Non-adherence to Purchase Order clause resulted in non-completion of AMR meters project on GoS connections up to the financial year 2021-22.

The matter was taken up with the management in March 2023. The management replied that the total number of connections of GoS was 15,268 out of which 10,808 had been installed with AMR meters. The remaining meters were available in SEPCO store for installation against burnt / damaged meters of GoS connections. Audit contended that AMR meters on 15,268 connections were required to be installed as per purchase order which was not done.

DAC in its meeting held on August 04, 2023 directed the management to conduct an inquiry for complete stock verification of GoS connections/meters besides fixing responsibility.

Audit recommends implementation of DAC's decision.

(Special Study on installation of AMR/ AMI and ABC in SEPCO – Para-4.9)

1.4.55 Delay in execution of SDGs works - Rs.38.73 million

According to Paras 4.1.3 to 4.1.6 of WAPDA Distribution Rehabilitation Guidelines September 2003, “total time for approval of work, execution and preparation of completion report will be restricted to 130 days”.

During audit of the accounts of HESCO for the financial year 2023-24, it was observed that fourteen (14) SDGs works amounting to Rs.38.73 million were initiated after financial releases on May 29, 2023. The material was allocated and issued in July and August, 2023 against SDGs schemes for execution of works in order to provide efficient, reliable and safe electricity facility but these remained incomplete even after the lapse of 11 to 12 months beyond the stipulated period and desired benefits could not be achieved.

Non-adherence to Distribution Rehabilitation Guidelines resulted in inordinate delay in execution of SDGs works Rs.38.73 million up to the financial year 2023.24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in October, 2024. The management replied that 04 works had been completed with amount of Rs.10.57 million and remaining 10 works with amount of Rs.28.17 million were under process.

DAC in its meeting held on January 20-21, 2025 directed the management to get the record of completed works verified from Audit within a week and expedite the completion of remaining works.

No further progress was intimated till finalization of the report.
Audit recommends implementation of DAC's decision.

(Draft Para No. 357/2024-25)

1.4.56 Unjustified charging of meter rent to consumers - Rs.38.69 million

According to Rule 6 of NEPRA Licensing (Distribution) Rules 1999, "Unless provided otherwise in the distribution license, the licensee shall charge only such tariff from the consumers, including the bulk-power consumers, as is approved by the Authority pursuant to and in accordance with the NEPRA (Tariff Standards and Procedure) Rules, 1998".

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that monthly meter rent amounting to Rs.38.69 million was charged to 312,747 consumers. Furthermore, it was observed that rate of charging of meter rent was not uniform and consumers were being charged from Rs.1/- to Rs.2,964/-. The charging of monthly meter rent to consumers was irregular as there was no such provision in the Consumer Service Manual. The detail is as under:

(Rs.in million)				
Sr. No.	Name of Company	Aging	No. of cases	Amount
1.	PESCO	Jul-23 to Jun-24	312,415	37.24
2.	TESCO	Jul-23 to Jun-24	332	1.45
Total			312,747	38.69

(Source: MIS Data & Trial Balance)

Non-adherence to NEPRA's instructions resulted in unjustified charging of meter rent to consumers amounting to Rs.38.69 million up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The TESCO management replied that TESCO had requested PITC to exclude meter rent from consumer bills, and PITC was seeking directions from MoE for this exclusion. The PESCO management replied that meter rent was correctly charged to the Cable Operators and new connections given through payment of capital cost. All the remaining cases would be checked to credit meter rent to eligible consumers.

DAC in its meeting held on January 7-8, 2025 directed the TESCO management to take up the matter with MoE (Power Division) for necessary direction. The matter related to PESCO could not be discussed due to non-

provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para Nos. (1269), (1126)/2024-25]

1.4.57 Execution of works without sanction of estimates - Rs.36.61 million

According to CPWA Code, Chapter 10 "works manual provisions", "Pre-requisites for execution of works (1) There are four main stages as follows in the execution of a work: (i) Administrative approval (ii) Expenditure sanction (iii) Technical sanction (iv) Availability of funds. No work should normally be commenced or any liability thereon incurred until an administrative approval has been obtained, a properly prepared detailed estimate has been technically sanctioned and where necessary expenditure sanction has been accorded and allotment of funds made.

During audit of the accounts QESCO for the financial year 2023-24, it was observed that the fifty-two (52) works of damaged HT feeder and LT Lines amounting to Rs.36.61 million were completed on emergent basis without preparing and sanctioning of estimate. In the absence of administrative approval and technical sanction of cost estimate of work neither any fund can be allocated against these works nor the cost of works can be accounted for in the books of accounts.

Non-adherence to CPWA Code resulted in execution of works amounting to Rs.36.61 million without sanction of estimates up to the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in October, 2024. The management replied that 52 works were initiated to meet emergency under the head of maintenance, now the estimates of all the works had been received from respective Operation Divisions.

DAC meeting was held on January 16, 2025 but the matter was not discussed due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 323/2024-25)

1.4.58 Wasteful expenditure for removing ABC from LT Feeders - Rs.32.30 million

According to the instructions issued by WAPDA dated July 17, 1982, “All losses, whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

During Special Study on installation of AMR meters / AMI and ABC in HESCO, expenditure amounting to Rs.32.30 million was incurred on eighteen (18) LT lines for rehabilitation. These LT lines were rehabilitated by removing already installed 11,617 meters ABC on the plea for provision of electricity to community through one-point supply. In most of the cases Benefit Cost (BC) Ratio worked out was less than 1. However, in some cases this ratio was ≥ 1 but cannot termed as genuine because the installed ABC was beneficial than barred conductor. Instead of controlling the theft of electricity by the Operational Field Staff, and opportunity for theft of electricity through barred conductor was given to consumer openly.

Non-adherence to Authority’s instructions resulted in wasteful expenditure amounting to Rs.32.30 million for removing ABC from LT feeders up to the financial year 2021-22.

The matter was taken up with the management in December, 2022. The management replied that 18 LT proposals were rehabilitated by removing the installed ABC after approval and without considering BC Ratios being installed ABC were damaged, deteriorated, punctured and short circuit of transformers besides consumers were also involved in theft of electricity etc.

DAC in its meeting held on January 23, 2023 did not accept the view point of management and directed to inquire the matter and fix responsibility within 60 days.

Audit recommends implementation of DAC’s decision.

(Special Study on installation of AMR meters / AMI and ABC in HESCO – Para-4.26)

1.4.59 Non-preparation of estimates/PC-I against SDGs funds - Rs.30.00 million

According to Clause 4(vi) of Revised Guidelines for Sustainable Development Goals Achievement Program (SAP) issued through Notification of Cabinet Division Islamabad dated June 13, 2022, Savings against the schemes completed can be utilized against new schemes under SAP in the same District.

During audit of the accounts of FESCO for the financial year 2023-24, it was observed that funds of Rs.30 million were received against constituency NA-98 without identification of any scheme. As no schemes were proposed or identified due to non-preparation of estimates/approval of PC-I and other codal formalities as per guidelines, an amount of Rs.30.00 million remained unspent. The said funds were neither utilized against any other scheme in the same district nor surrendered up to the financial year 2023-24.

Non-adherence to Cabinet Division guidelines resulted in non-preparation of estimates/PC-I against SDGs funds amounting to Rs.30.00 million up to the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in October, 2024. The management replied that amount was unspent due to non-identification of schemes by the concerned legislator.

DAC in its meeting held on December 12-13, 2024 did not agree with the justification provided by the management and directed the CEO to probe the non-utilization of funds and submit its report along with strategy of utilization of funds to Ministry and Audit within a week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 300/2024-25)

1.4.60 Non-recovery of self-transformer repairing cost from consumers - Rs.29.67 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to January 2014), "all losses whether of public money or of store, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

During audit on the accounts of LESCO for the financial year 2023-24, it was observed that the transformers installed at consumer owned grid stations were got repaired for Rs.29.67 million from PTESU (Power Transformers Engineering Services Unit). Neither the repairing cost was recovered from the consumers nor the same was paid to PTESU on account of repairing charges.

Inefficient management resulted in non-recovery of transformer repairing charges of Rs.29.67 million from consumers up to the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in October, 2024. The management replied that payment of 02 invoices (Rs.0.86 + Rs.0.47 million) at Sr. No. 10 and 11 had been charged and paid to NTDC on account of giving services and the amount at Sr. No. 12 was Rs.1.33 million instead of Rs.13.23 million. However, the payment of ten (10) invoices of Rs.16.45 million were under process.

DAC in its meeting held on December 26-27, 2024 directed the management to recover the amount and get record of completed actions verified from Audit within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 409/2024-25)

1.4.61 Non-installation/finalization of connections - Rs.29.31 million

According to Para 7.1.2 (Annexure - III) of NEPRA's Consumer Service Manual, time frame for new connections is as follows:

CONNECTION CATEGORY-i Load (up to 15 kW) at 400 V	30 days
CONNECTION CATEGORY-2 Load (above 15 kW but not exceeding 70 kW) at 400 V	44 days
CONNECTION CATEGORY-3 Load (above 70 kW but not exceeding 500 kW) at 400 V	58 days
CONNECTION CATEGORY-4 Load (above 500 kW but not exceeding & 5000 kW) at 11kV or 33 kV	106 days

During audit of the accounts of LESCO for the financial year 2023-24, it was observed from connection files that various consumers had paid Rs.29.31 million as capital cost in different banks for installation of industrial connections. After installation of such materials, M&T was required to install ToD/ToU meters at site, which was still pending.

Non-adherence to Consumer Service Manual resulted in non-installation / finalization of connections worth Rs.29.31 million up to the financial year 2023-24.

The matter was taken up with the management in September, 2024 and reported to the Ministry in November, 2024. The management replied that due to non-availability of material connections were not installed.

DAC in its meeting held on December 26-27, 2024 directed the management to ensure installation of connections and produce record of completed actions to Audit for verification within a month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1003/2024-25)

1.4.62 Loss due to non-billing to new connections / pending MCOs – Rs.22.35 million

According to Section 20 of State-Owned Enterprises (Governance and Operations) Act, 2023, "The Board shall ensure the integrity of the systems of internal control and any person who is found liable for a deviation or violation from the company's code of conduct or other systems of internal control shall be subject to disciplinary proceedings in accordance with the state-owned enterprise's internal policies."

During audit of the accounts of PESCO for the financial year 2023-24, it was observed from report of S&I directorate that 558,839 units were pending/unbilled. The inquiry committee recommended disciplinary actions against the delinquents as well as special audit for the last five years of the concerned sub-division. However, neither loss due to pending units valuing Rs.22.35 million (558,839* Rs.40) was recovered from the delinquents nor disciplinary action and special audit of the said formation initiated.

Non-adherence to State-Owned Enterprises (Governance and Operations) Act, 2023, resulted in loss due to non-billing to new connections/ pending MCOs amounting to Rs.22.35 million up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that the total amount of the para is Rs.22.35 million, with Rs.17.01 million already recovered and Rs.5.64 million still under process.

DAC in its meeting held on January 7-8, 2025 directed the management to ensure compliance regarding production of record in light of re-audit remarks within three days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1295/2024-25)

1.4.63 Non-initiating of SDGs'/SAP schemes within the specified financial year of identification - Rs.22.03 million

According to Para ii of letter No.20 (1) PIA-I/PC/2021 dated December 28, 2022 of the Ministry of Planning, Development and Special Initiatives of Government of Pakistan, "If the project does not start functioning within 12 months of its approval or does not achieve financial close, then it will be reconsidered by the approving forum."

During audit of the accounts of FESCO for the financial year 2023-24, it was observed that 23 SDGs'/SAP schemes with an estimated cost of Rs.22.03 million were approved from competent forum. Material was drawn and returned to store due to unknown reasons and hence, physical execution on these works was not initiated. Moreover, the funds were not surrendered to the Federal Government/Cabinet Division.

Non-adherence to guidelines of the Ministry of Planning, Development and Special Initiatives resulted in non-initiating of SDGs'/SAP schemes within the specified financial year of identification up to the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in October, 2024. The management replied that works/schemes were stopped due to escalation of material rates with the request for issuance of additional fund. However, steering committee directed all the DISCOS to prioritize all pending schemes under SAP in consultation with the community and executed the schemes immediately within the available funds.

DAC in its meeting held on December 12-13, 2024 directed the CEO to probe the non-utilization of funds and submit its report along with strategy of utilization of funds to Ministry and Audit within a week.

Audit recommends implementation of DAC's decision.

(Draft Para No. 903/2024-25)

1.4.64 Loss of revenue due to long duration electrical interruptions on feeders - Rs.18.48 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended to date), "all losses whether of public money or of stores, shall be

subjected to preliminary investigation by the officer in whose minute charge they were, to fix the cause of the loss and the amount involved”.

During audit of the accounts of SEPCO for the financial year 2022-23, it was observed that 3,304 electricity interruptions of 1,112,621 minutes was observed on 278 feeders. Due to these interruptions, not only the consumers of the area suffered but also SEPCO sustained loss of Rs.18.48 million on account of revenue. Since, SEPCO was continuously paying capacity purchase price, market operating fees and NTDC UoSC to CPPA-G, hence, non-selling of available energy was a straight loss to Company.

Financial Year	No. of Feeders	No. of Tripping	Total Tripping in minutes	Financial Loss (Rs.)
2020-21	115	1613	595,442	7,458,394
2021-22	125	1029	317,808	4,673,533
2022-23	38	662	199,371	6,345,939
TOTAL	278	3304	1,112,621	18,477,866

(Source: Tripping Data File)

Poor operational performance resulted in revenue loss of Rs.18.48 million due to long duration electrical interruptions up to the financial year 2022-23.

The matter was taken up with the management in March, 2024 and reported to the Ministry in May, 2024. The management replied that efforts had been taken to reduce the interruptions on 11 kV feeders which occurred due to different reasons.

DAC in its meeting held on November 28, 2024 directed the management to inquire the matter at CEO level and submit the inquiry report to Audit within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No. 176/2024-25)

1.4.65 Non-recovery of grid sharing cost from the sponsor of housing scheme (Classic Villas) - Rs.16.99 million

SOPs regarding assessment of load for residential area for external electrification of housing schemes /colonies /societies and commercial buildings were revised and approved by BoDs MEPCO in its 151st meeting held on 26.10.2019.

During the Special Study on Electrification of Housing Societies and Commercial Plazas in MEPCO for the period 2014-15 to 2018-19, it was observed that sponsor of Classic Villa Housing Scheme submitted the layout plan of 4,453 KW load of 944.39 Kanals. The sponsor however, requested partial electrification of 274.53 Kanals with assessed load of 984 KW, which was approved by BoDs. The sponsor paid grid sharing capacity @ Rs.2,672 for 984 KW load amounting to Rs.2.629 million. Meanwhile, the load assessment for residential area was revised causing the load of remaining 669.86 Kanals assessed for 6,357 KW. The grid sharing cost of Rs.16.99 million was required to be recovered for newly assessed 6,357 KW after adjustment of already paid grid sharing cost. The same was not recovered from the sponsor of the housing scheme.

Non-adherence to decision resulted in non-recovery of grid sharing cost amounting to Rs.16.99 million from the sponsor of Classic Villa housing scheme.

The matter was discussed with the management in August 2020. It was replied that as and when sponsor apply for remaining part, ultimate load would be assessed as per revised SoPs and grid sharing cost would be recovered. No further progress was intimated till finalization of the report. DAC meeting was not held despite repeated requests to the PAO.

Audit recommends to recover the amount of grid sharing cost Rs.16.99 million as per the decision under report to Audit.

(Special Study on Electrification of Housing Societies and Commercial Plazas in MEPCO – Para-5.13)

1.4.66 Irregular/unjustified relief to non-eligible domestic consumers – Rs.10.68 million

According to Para 4 (ii) (b) of the summary approved by Economic Coordination Committee (ECC) of the Cabinet regarding Prime Minister's COVID-19 Stimulus Economic Package for Small and Medium Enterprises (SMEs), notified by Ministry of Energy (Power Division) vide No. Tariff-2019, dated: May 8th 2020, "Relief will be given to commercial consumers having connected load up to 5 KW". Further, according to criteria 1 issued by Power Information Technology Company (PITC) regarding COVID-19 Stimulus Economic Package for Small and Medium Enterprises (SMEs), "Relief will be given to private commercial consumers (with single phase meter) and connected load up to 5 KW".

During special audit of ten Power Distribution Companies (DISCOs) regarding COVID-19 Stimulus Economic Package relating to Small and Medium Enterprises (SMEs) for the years 2019-21, it was observed that an amount of Rs.10.68 million was given as relief to 1,115 domestic consumers irregularly. The detail is as under:

(Rs.in million)

Sr. No.	Name of DISCO	No. of domestic consumers	Amount
1.	SEPCO	22	0.05
2.	MEPCO	645	6.23
3.	PESCO	448	4.40
TOTAL		1,115	10.68

The above table indicates that relief was given to domestic consumers irregularly without observing the SOPs/criteria set by the Power Division/PITC for the purpose.

Audit is of the view that payment of Rs.10.68 million to 1,115 domestic consumers without observing the criteria was unjustified and held irregular.

The matter was taken up with the management in May, 2022. The management replied that all the posting of subsidy of Covid-19 stimulus package was processed by PITC through software/ program and there was no involvement of DISCOs in providing irregular subsidy. The tariff of these connections was changed to domestic afterward, while these were running under eligible criteria of the notification.

DAC in its meeting held on June 09, 2022 directed DISCOs to get the record verified from Audit within two weeks. However, no record along with revised reply was produced to Audit for verification till finalization of the report.

Audit recommends implementation of DAC's decision.

(Special Audit of ten DISCOs regarding COVID-19 SMEs – Para-4.3.7)

1.4.67 Loss due to irregular installation of self-purchased distribution transformers having fake/ bogus inspection certificates – Rs.9.37 million

According to PESCO/PPMC's SOPs for issuing NOC for the purchase of own transformers by consumers dated October 29, 2020: i) "The transformer shall be got inspected from the representative of the office of Chief Engineer (Material Inspection), at manufacturer premises for its conformation to PEPCO specification and

shall only be moved from the manufacturer's premises after inspection is carried out. ii) "The applicant shall provide original purchase receipt of transformer along with the manufacturer test/ check results. iii) "Transformer shall also be got tested from concerned XEN (M&T) PESCO at site before installation.

During audit of the accounts of PESCO for the financial year 2023-24, it was observed that fifty three (53) inspection certificates of self-purchased distribution transformers of various capacities installed were sent to Chief Engineer (Material Inspection) PPMC for verification. In response, the inspection certificates of 24 distribution transformers were declared "fake / bogus". The purchase invoices of these transformers were also declared fake by the manufacturers of transformers which showed that stolen/ misappropriated transformers were got installed, resulting in loss of Rs.9.37 million due to irregular installation of transformers.

Non-adherence to PEPCO/PPMC's SOPs resulted in loss of Rs.9.37 million due to irregular installation of self-purchased distribution transformers having fake/ bogus inspection certificates up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that matter was under investigation and inquiry report would be shared with Audit.

DAC meeting was held on January 7-8, 2025 but the matter could not be discussed due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days.

Audit recommends investigating the matter for fixing responsibility of loss besides effecting recovery from the delinquents besides implementation of DAC's decision.

(Draft Para No. 1288/2024-25)

1.4.68 Loss due to frequent replacement of energy meters of selective consumers

According to Section 20 of State-Owned Enterprises (Governance and Operations) Act, 2023, "the Board shall ensure the integrity of the systems of internal control and any person who is found liable for a deviation or violation from the company's code of conduct or other systems of internal control shall be

subject to disciplinary proceedings in accordance with the state-owned enterprise's internal policies.”

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that single and three phase energy meters of the 12,914 selective consumers were changed through multiple Meter Change Orders (MCOs) ranging from 2 times to 19 times within one year. Neither the cost of energy meters was received from the consumers nor the said energy meters were got checked from M&T/ S&I for proper technical analysis.

Sr. No.	Name of Company	Financial Year	Nos. of Consumers
1.	IESCO	2023-24	4,988
2.	PESCO	2019-20 to 2023-24	4,426
3.	SEPCO	2023-24	3,500
TOTAL			12,914

Violation of provision of State-Owned Enterprises (Governance and Operations) Act, 2023 resulted in loss to company due to frequent replacement of energy meters of selective consumers up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management of SEPCO replied that data seemed to be inaccurate as a meter could not be replaced 19 times in one year. However, the list of 3500 consumers may be provided by Audit so that comprehensive reply could be submitted. The IESCO management replied that the list had been forwarded to all SEs for ensuring 100% data retrieval and any fault to the manufacture of all meters from M&T labs.

DAC in its meeting held during November 28, 2024 and January 7-8, 13, 15, 2025 directed IESCO and SEPCO to conduct fact finding inquiry at CEO level and submit its report to Audit within one month. The matter related to PESCO could not be discussed in DAC meeting due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para Nos. (1048), (1223), (785)/2024-25]

1.4.69 Irregular installation of reclaimed distribution transformers by DISCOs against payment of new transformers by Pakistan Railways

According to Section 33 (2) of State-Owned Enterprises (Governance and Operations) Act, 2023, “the Division to which the business of a state-owned enterprise has been allocated under the Rules of Business, 1973 shall co-ordinate with the Board of such state-owned enterprise to monitor compliance with the provisions of this Act, including, without limitation, with respect to the development of the business plan, statements of corporate intent, the annual reports, timely establishment of systems of internal controls of the state-owned enterprise, appointment of the Chief Executive Officer, and reporting to the central monitoring unit”.

During audit of the accounts of MoE (Power Division) for the financial year 2022-23, it was observed that LESCO and FESCO had installed 133 reclaimed distribution transformers at railway colonies against payment of new distribution transformers made by Pakistan Railways. The Power Division referred the matter to CEOs LESCO and MEPCO, however no response had so far been furnished by the concerned companies.

Violation of provisions of State-Owned Enterprise Act resulted in irregular installation of reclaimed distribution transformers by LESCO and MEPCO against payment of new transformers by Pakistan Railways up to the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management responded that the reply would be furnished after consulting the record.

DAC meeting was held on September 25, 2024 but the matter could not be discussed due to non-provision of record to Audit for verification by the management, and further schedule of meeting was not conveyed by the Ministry till finalization of the report.

Audit recommends that the Ministry needs to inquire the matter for fixing responsibility regarding installation of reclaimed transformer by recovering the cost of new ones from Pakistan Railways.

(Draft Para No. 223/2024-25)

1.4.70 Violation of NEPRA instructions regarding meter reading snap accuracy

According to Para 6.1.3 of NEPRA's Consumer Service Manual, taking snapshots of meter readings of all consumer categories is mandatory. Meter readings are taken through mobile snapshots/hand held units to ensure correct readings. DISCO shall make available record of snapshots for twelve months for presenting before NEPRA, Court of Law or any other competent forum if required for settlement of billing dispute, raised by any consumer.

During Performance Audit of FESCO regarding overbilling for the years 2020-21 and 2021-22, it was observed that snap accuracy report for Maximum Demand Indicator (MDI) consumers was not prepared and only snaps on bills were counted for record purpose despite the fact that taking of legible snapshots of meters reading of all consumers is mandatory as per NEPRA instructions. The detail of meter reading snapshots is as under:

Sr. No.	Circle Code	Circle Name	Meter Snap %age 2021-22		Meter Snap %age 2020-21	
			Industrial	Tubewell	Industrial	Tubewell
1.	13100	Faisalabad-I	73	57	90	78
2.	13200	Faisalabad-II	63	54	94	88
3.	13300	Jhang	86	72	96	89
4.	13400	Sargodha	79	72	91	74
5.	13500	Mianwali	90	76	94	75
	13000	FESCO	76	68	92	82

It is clear from the above table that meter reading snap accuracy was reduced from 82% to 68% for tubewell connections during the years 2020-21 and 2021-22 respectively. Likewise, meter reading snap accuracy of MDI consumers was reduced from 92% to 76% for industrial connections during the years 2020-21 and 2021-22 respectively. Furthermore, the quality of snap shots with respect to accuracy was not checked which showed slackness on the part of FESCO.

Non-adherence to authority's instructions/rules resulted in less accuracy in meter reading snapshots during the financial years 2020-22.

The matter was taken up with the management in March, 2023. The management replied that in MDI Industrial meters cases it was not possible to capture the direct meter snap due to glass of ATB meter Box. As far as tube well connections were concerned, the meters were situated in far-flung areas,

accuracy was compromised as day light cast shadow on meters installed on poles. The contention of the management was not tenable because it was the primary responsibility of FESCO to rectify the defective glasses etc.

DAC in its meeting held on August 04, 2023 directed the GM Technical & Billing Chief to conduct sampling that includes 10% of physical portion and the rest in digital format for the month of July, 2023 and submit the result to audit not later than August 31, 2023 duly vetted by PITC. However, no record was provided to audit for verification till finalization of report.

Audit recommends implementation of DAC's decision.

(Performance Audit of FESCO regarding overbilling – Para-4.1.3)

1.4.71 Lackluster progress towards installation/replacement of AMR meters

According to Para 68.6 of Multi-Year Tariff (MYT) determination dated 02.06.2022 which states that “DISCOs claimed that to achieve the proposed reduction in target T&D losses, it has prepared DIIP which includes formation of new grids, conversion of existing grids, revamping of secondary transmission lines, augmentation of HT & LT lines, provision of T&P items, induction of low loss transformers, theft detection by enforcement agencies and replacement of meters, with static meters and upgrade to Automated Meter Reading (AMR) and Advanced Metering Infrastructure (AM1). ”

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that 70,122 AMR meters were not installed/ replaced against NEPRA targets for installation of AMR meters/ defective AMR meters/ muted AMR meters. Non-installation of AMR meters might effected proposed reduction in target of losses. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	Nos. of non-replacement of Defective/ Muted AMR Meters	Nos. of non-installation of New AMR meters	Nos. of non-installation of AMR meters as per NEPRA Targets	Amount involved (Rs.in million)
1.	MEPCO	500/2024-25	0	496	0	24.68
		501/2024-25	18	0	0	0.46
		734/2024-25	0	0	55,107	0
		790/2024-25	0	2769	0	137.76
2.	PESCO	1268/2024-25	0	0	15,015	0
3.	SEPCO	187/2024-25	1214	913	0	95.71
Total			1232	4178	70,122	258.61

Violation of DIIP resulted in lackluster progress towards installation/replacement of AMR meters valuing of Rs.258.61 million up to the financial year 2023-24.

The matter was taken up with the management in March to October, 2024 and reported to the Ministry during May, 2024 & November, 2024. The management of MEPCO replied that AMR meters were being procured and installed/ replaced seamlessly. The management of SEPCO replied that AMR Meters have been installed on Govt. of Sindh Connections and the reading of the AMR Meters was being sent automatically through GMS system chip already installed in the AMR Meters.

DAC in its meetings held on November 28-29, 2024 and January 7-8, 2025 directed MEPCO to get the record of completed actions verified from Audit within 1-4 weeks and expedite the pending actions. DAC directed SEPCO management to submit justification of muted and non-installation of AMR meters and to get the record verified from Audit within one month. The matter related to PESCO could not be discussed due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para Nos. (500, 501, 734, 790), (1268), (187)/2024-25]

1.4.72 Poor application controls allowing active connections to (previously) disconnected consumers

Application controls are controls over input, processing and output functions. These controls help ensure data accuracy, completeness, validity, verifiability and consistency, thus achieving data integrity and data reliability⁶.

During Information Systems (IS) Audit of LESCO for financial years 2018-19 and 2019-20, it was observed that management was maintaining a consumer database of over 5.1 million consumers as of July, 2020. All billing operations and subsequent connections were linked with this consumer-based database. Each consumer was defined by consumer reference number and consumer ID for unique identification and general ledgers maintenance. Strong

⁶ CISA review manual 26th edition by ISACA

application controls mandated that consumer data was kept in a consistent state and complete system trail of a consumer ledger history was available. However, upon analysis of consumer master data it was found that there were no checks exercised on the individuality and consistency of consumer data. Numerous cases were found where disconnected consumers also had multiple active connections simultaneously. A consumer once disconnected had to clear his / her outstanding liabilities to get active status again. Moreover, if the same consumer wanted another connection, then linkage with his / her previous connection was to be maintained. The same was not present in the LESCO system. Any consumer who got disconnected due to any reason could approach LESCO again and get a new connection starting a new consumer history from scratch. Hence due to this lapse recovery from disconnected consumers would significantly suffer.

Audit is of the view that consumers having 17,726 disconnected and active connections in the LESCO database was indicative of poor application checks and showed negligence on part of management.

The matter was taken up with the management in September, 2020. The management replied that the prevailing billing system is incapacitated to cater the audit suggestion. However, IT LESCO is exploring the IT system control to ensure the audit recommendations.

The DAC in its meeting held on September 3, 2021 directed the management to investigate the matter and submit the revised reply within one month.

The management further replied in January 2025, that in light of DAC directed dated September 03, 2024, an inquiry committee under the convenership of Chief Engineer (PIU) LESCO had been constituted on January 17, 2025.

Audit recommends that the management needs to ensure compliance of DAC's direction.

(IS Audit of LESCO - Para-5.3.10)

1.4.73 Splitting of energy load by allowing multiple connections to the same consumers

Effective IT controls required that complete business logic was translated into IT business solutions with such system checks that were based on business logic requirements.

During Information Systems (IS) Audit of LESCO for financial years 2018-19 and 2019-20, it was observed that the company was following a tariff regime according to which as the load of a consumer increased his / her tariff increased apart from other additional requirements such as enhanced security, independent transformer / grid station etc. The consumer load could be transparently assessed if splitting of load through multiple connections was prevented by LESCO systems. However, it was analyzed that same consumers had been allocated multiple connections thereby splitting their energy load in the LESCO system. In the consumer master data of LESCO (dated July, 2020) 5,950 cases were identified where the same consumers had multiple connections ranging from 3 to 42.

Audit is of the view that due to poor IT controls a consumer could have any number of connections thereby denying the government actual payment of energy charges due against the person.

The matter was taken up with the management in September, 2020. The management replied that as per LESCO authority /management policy if any house having two or more story building constructed, all portions are allowed to have separate E-utility connections

The DAC in its meeting held on September 3, 2021 directed the management to investigate the matter and submit the revised reply within 1 month.

The management further replied in January, 2025 that in light of directives of DAC dated September 03, 2024, an inquiry committee under the convenership of Chief Engineer (PIU) LESCO had been constituted on January 17, 2025.

Audit recommends that the management needs to ensure compliance to DAC's direction.

(IS Audit of LESCO - Para-5.3.11)

1.4.74 Non-formulation of IT Policy by LESCO

An IT Policy is an overarching entity wide document pertaining to the sustainability management and growth of IT business solutions in an organization. It lays the framework for daily operations in order to meet the goals set by the governing body. It is supported by procedures and/or processes that define how the work is to be accomplished and controlled. These goals are set by

the senior management to accomplish the organization's mission and at the same time to comply with regulatory and legal requirements.

During Information Systems (IS) Audit of LESCO for financial years 2018-19 and 2019-20, it was observed that LESCO had not formulated any Information Technology (IT) policy. Different IT solutions were managed in a segregated and isolated manner. There was lack of standard IT protocols and procedures for managing the IT Solutions.

An IT policy was the basic document to align the business strategies and targets of the company with its IT interventions. It stated the manner in which IT was to be implemented, sustained, managed and enhanced in the organization. The key responsibilities of the senior management and operational management were to be defined in the policy to ensure proper supervision and responsibility of all IT functions during normal activities as well during contingencies.

Audit is of the view that absence of an IT policy indicated, poor IT management, lack of ownership and supervision over IT interventions by senior management and presence of an environment highly vulnerable to IT lapses.

The matter was taken up with the management in September, 2020. The management replied that LESCO IT policies were designed and drafted by M/s A.F Ferguson. IT directorate was implementing partial IT policies with limited available human resources. For compliance and proper implementation, provision of proper human resource/IT setup was under process.

The DAC in its meeting held on September 3, 2021 directed the management to submit IT policy within three months.

The management further replied in January, 2025 that IT Directorate had proactively taken the initiative to develop comprehensive IT Policies to enhance the organizational governance framework. A draft manual of IT policies was submitted to Strategic Planning and IT Steering Committee of the Board of Directors of LESCO for review and approval vide on January 25, 2024. Subsequently, a follow-up letter was issued on January 06, 2025, requesting for updating the status of approval to proceed further. The reply was not tenable as direction of DAC dated September 03, 2021 regarding submission of IT policy has not yet been complied.

Audit recommends that the management needs to ensure compliance to DAC's direction.

(IS Audit of LESCO - Para-5.1.1)

1.4.75 Non-establishment of Information Security Policy by LESCO

The information security policy is a framework document developed by an organization for the protection of its information and related technology. It outlines the requirement for the protection of information assets and may refer to other procedures or tools. It lists out the broad parameters for system control objectives, risk assessment strategies, information security responsibilities, consequences for security policy violations as well as providing references to standards, rules and procedures needed for specific type of information systems / processes⁷.

Information Security controls mandated that data be duly encrypted before being transmitted over the internet apart from fulfilling other related network security parameters.

During Information Systems (IS) Audit of LESCO for financial years 2018-19 and 2019-20, it was observed that LESCO was maintaining large volumes of financial and allied business critical information in digital form. This included a consumer record base of over 5 million persons, financial information of over 1700 bank branches, material management items worth billions of rupees. A company wide information security policy was quite essential to ensure that this data was populated maintained and stored in a secure and reliable manner, maintaining due confidentiality and privacy and that a standard set of information security practices and procedures were in place to enforce these objectives. However, it was observed that no Information Security policy had been approved by the LESCO Board. Different random data management practices were in-vogue and data was being handled in an arbitrary fashion both inside the company as well as with its third party service providers.

Audit is of the view that in absence of a sound information security policy, there was high risk of information security lapses, data privacy exposure, virus and hacking attacks and numerous other related threats that were present in current IT environment. No responsibility could also be fixed for an information security lapse in the absence of a binding Information Security policy.

The matter was taken up with the management in September, 2020. The management replied that LESCO IT policies were designed and drafted by M/s

⁷ CISA Review Manual 2019 Section 2.3 & WGITA-IDI Handbook on IT audit for supreme audit institutions, Page 21

A.F Ferguson. IT directorate was implementing partial IT policies with limited available human resources. For compliance and proper implementation, provision of proper human resource/IT setup was under process.

The DAC in its meeting held on September 3, 2021 directed the management to submit IT security policy within three months.

The management further replied in January 2025, that IT Directorate had proactively taken the initiative to develop comprehensive IT Policies to enhance the organizational governance framework. A draft manual of IT policies was submitted to Strategic Planning and IT Steering Committee of the Board of Directors of LESCO for review and approval vide on January 25, 2024. Subsequently, a follow-up letter was issued on January 06, 2025, requesting for updating the status of approval to proceed further. The reply was not tenable as direction of DAC dated September 03, 2021 regarding submission of IT policy had not yet been complied.

Audit recommends that the management needs to ensure compliance with DAC's direction.

(IS Audit of LESCO - Para-5.1.2)

1.4.76 High risk IT implementation due to in-secure data transfer between DMRS and Customer Information & Billing System (CIBS)

Insecure data transfer referred to an environment whereby open / modifiable data files were transferred from point A to B without encryption and/or without system-based transfer protocol.

During Information Systems (IS) Audit of LESCO for financial years 2018-19 and 2019-20, it was observed that consumer meter readings were taken by SDO office employees and subsequent data fed into the CIBS system by the relevant RO office. The RO office was the relevant authority to upload and approve the metering data being received. This meter reading file was of critical business value as all revenue to be had by LESCO was based on the metering data present in this file. Sound IT controls mandated that this business data was uploaded into the CIBS system in a secure and encrypted manner so that the information could not be altered or modified fraudulently.

However, it was found that no IT controls were in place on transfer of data from the DMRS (application generating the combined billing batch file) into

CIBS. Rather, modifiable open data files were uploaded into the CIBS solution by the RO manually.

The above practice defeated the very purpose of having digitally populated business information. Handling IT data in a random and insecure manner meant that a host of IT based business risks were added to the operations of the company instead of improving quality of work.

Audit is of the view that current practice of un-encrypted and in-secure data transfer into CIBS showed poor IT implementation in LESCO and indicated vulnerable IT environment in the company.

The matter was taken up with the management in September, 2020. The management replied that matter had been discussed with PITC for improvement of software of DMRS and making the amendments to get the data in encrypted form.

The DAC in its meeting held on October 18, 2021 directed the management to encrypt the data and got verified from audit.

The management further replied in January, 2025 that initial meter reading taken by the meter reader could not be changed due to availability of snap with meter reader name, coordinates date and time. The reply was not acceptable as compliance of DAC's direction dated October 18, 2021 was yet to be complied.

Audit recommends that the management needs to ensure compliance to DAC's direction.

(IS Audit of LESCO - Para-5.5.1)

1.4.77 Abnormal differences between CIBS and Power Despatch Centre (PDC) data

Data consistency aspect required that information being entered into an IT system was consistent with all sources generating that information.

During Information Systems (IS) Audit of LESCO for financial years 2018-19 and 2019-20, it was observed that energy was delivered to the consumers through a network of feeders. There were more than ⁸1900 feeders providing energy to over 5.1 million consumers. AMR (Automatic meter reading) meters were attached with all the feeders and their meter reading, indicating the energy being delivered across the distribution network was being

⁸ Meeting with PDC LESCO staff during field audit August 2020

recorded and updated in CIBS. The feeder metering data was of high business value as it allowed the management to track the flow of energy and subsequently reconcile it with the energy billed to consumers. All line losses reported by the company to the government were based on the values recorded at the feeders. In CIBS there was a dedicated module dealing with line losses reports.

Furthermore, in LESCO's Power Despatch Center (PDC) a USAID based IT solution had been implemented. Under this system energy units being received at the feeder meters were automatically reported to the PDC after every 15 minutes. Thus, real-time feeder energy data was being populated at the PDC.

In this context it was analyzed that there were significant differences between the feeder meter readings maintained in CIBS and those in PDC. On sample basis feeders meter readings of 53 No. of feeders for the month of March, 2020 and June, 2020 were compared. There were no matching figures, in 23 cases the difference between two sets of readings ranged between 10,000 to 100,000 units. Differences beyond 100,000 units are illustrated below:

Feeders showing more than one lac units difference between CP-22 Data & PDC data

(in million)

Sr. No.	NAME	Feeder code	MONTH	Units received as per CP 22	PDC Opening	PDC Closing	Difference / Units received as per PDC	Difference of Units between CP22 & PDC
1.	New Chung	3026	Jun-20	3.006	176.229	178.030	1.801	1.204
2.	Basirpur	26501	Jun-20	2.249	120.450	121.566	1.117	1.132
3.	Bahadar pura	9914	Jun-20	2.918	105.337	107.124	1.787	1.132
4.	Architect AIR Line	50326	Jun-20	1.236	70.463	70.880	0.418	0.818
5.	Bedian Road	78110	Mar-20	1.905	261.273	262.362	1.090	0.816
6.	Kahna City	104402	Mar-20	1.554	52.253	53.022	0.769	0.784
7.	Elah Abad	50605	Mar-20	0.696	95.705	95.785	0.080	0.616
8.	Farooqabad	22102	Jun-20	2.601	115.395	117.634	2.239	0.363
9.	Waris Colony	18408	Mar-20	1.130	154.492	155.470	0.978	0.153
10.	Ravi Rayon	6604	Mar-20	0.282	33.751	34.176	0.425	- 0.143
11.	Gawal Mandi	71008	Mar-20	0.662	108.307	109.220	0.913	- 0.251

The above table illustrated that no system-based controls were in place to ensure accurate meter reading of the feeder even though it was a critical business

process. Abnormal values in the line losses reports indicated apparently doubtful feeder meter readings being reported to the stakeholders.

The matter was taken up with the management in September, 2020. The management replied that currently PDC IT based setup was mainly intended and utilized for monitoring the feeder wise load to have close watch. Practical changes in the meter parameters like CT ratio (multiple factors) etc. were not properly being upgraded in IT setup of PDC. Hence forth, comparison receipts units of PDC which CP-22 could not be meaningful until and unless complete acquisition /implementation of AMR in whole of LESCO which was under process. Updating of meter parameters is under progress.

The DAC in its meeting held on September 3, 2021 directed the management to review the matter and furnish detailed reply to audit.

The management further replied in January, 2025, that PDC LESCO was doing its best to incorporate any change happening in the field. The reply was not tenable as documentary evidence in support of reply was not provided.

Audit recommends that the management needs to ensure compliance with DAC decision.

(IS Audit of LESCO - Para-5.4.2)

Concluding Recommendations

Unsatisfactory operational management constitutes an area of significant internal control lapses in the distribution companies. It entails both financial losses as well as operational in-efficiency in the power sector. Strict adherence to established standards and SoPs for tariff assessment, load management, extension of load and installation of additional equipment are needed to address the issue. Prompt action against all those responsible for the subject operational shortcomings is also required to be taken across the board. Furthermore, efforts are needed to expedite recoveries identified by Audit.

1.5 Unsatisfactory Asset Management

The companies are managing assets worth billions of rupees. Further, every year additional assets are continuously being replaced / upgraded to meet the growing electricity demands of the country. Each entity has a designated Material Management Department to manage the allocation and utilization of electrical equipment for different works and for their record keeping at different

stores. In this context, gaps in the asset management practices are a major grey area and a significant operational challenge for the distribution companies.

The Material Management data is partially automated across the DISCOs/NTDC and use of manual forms and sheets remain entrenched in the companies. There are various anomalies in the manual record keeping processes. For example, there are differences between material issued from stores and those installed at sites. Return of surplus material to stores is commonly found wanting. The final utilization of material is not properly maintained on different occasions. Thus, there is an overall lack of transparency and accuracy in the material management process creating an environment vulnerable to irregular / illegal practices in the DISCOs/NTDC having financial implication thereby leading to organizational in-efficiencies.

Moreover, allied aspects of asset management have entailed timely disposal of unserviceable material as well as rationalization of store items. Unnecessary purchase of material without planning and forecasting has resulted not only in blockage of company funds but also the material is losing its shelf-life and warranty without ever being put to use.

On the above lines, audit has analyzed the asset management issues in the DISCOs/NTDC from different aspects: firstly, at company level and secondly on sample basis at operation / circle level to highlight the in-efficiencies, lack of transparency, irregularities and internal control lapses incurred by the companies in the following paras:

1.5.1 Non-tagging and revaluation of fixed assets - Rs.624,470.85 million

According to Para 30 of IAS-16 Property, Plant, Equipment, “After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which could be determined using fair value at the end of the reporting period.” Furthermore, NEPRA in its MYT tariff determination directed the in Para 25.1 (ix), “to maintain proper record of its assets by way of tagging each asset for its proper tracking”.

During audit of the accounts of DISCOs and GENCO-I for the financial year 2023-24, it was observed that the management did not conduct revaluation of fixed assets valuing Rs.624,470.85 million. The property plant and equipment are the key items of financial statements and misrepresentation in it might distort overall financial position of the company. Moreover, tagging of assets of the companies had also not so far been done which showed negligence on the part of management towards compliance of NEPRA's direction. The detail is as under:

(Rs.in million)			
Sr. No.	Name of Company	Aging	Amount
1.	FESCO	Since 2000	231,179.09
2.	GEPCO	Since 2000	57.50
3.	HESCO	Since 2000	3,149.01
4.	IESCO	Since 2000	155,822.67
5.	LESCO	Since 2000	105,942.88
6.	MEPCO	Since 2000	128,240.00
7.	SEPCO	Since 2000	17.95
8.	TESCO	Since 2000	0.00
9.	GENCO-I	Since 2000	113.50
TOTAL			624,470.85

Non-adherence to IAS standard/NEPRA's directions resulted in non-tagging and non-revaluation of fixed assets valuing Rs.624,470.85 million up to the financial year 2023-24.

The matter was taken up with the management during October to November, 2024 and reported to the Ministry during November, 2024. The management of DISCOs replied that valuation and tagging would be made after hiring of firm. The management of GENCO-I replied that disposal activity had been started for which assets revaluation of TPS Jamshoro, GTPS Kotri and Lakhra Power Plant was being carried through SBP approved evaluators and the technical evaluation in the process before award of contract.

DAC in its meetings held during November 28-29, December 12-13, 23, 26-27, 2024 and January 7-9, 13, 15, 20-21, 2025 directed the management to get the completed actions verified from Audit within one week and expedite the process for tagging / revaluation of full as well as remaining assets. DAC further directed the management of GENCO-I to finalize the process of revaluation of fixed assets within 15 days and get the record verified from Audit accordingly.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para Nos. (961, 962) (933, 936) (1313) (1368) (1033) (916) (710) (762) (1090)/2024-25]

1.5.2 No mechanism for fixation of reserve stock limit - Rs.31,781.30 million

According to NTDC Warehouse Control and Procedure Manual, Job Description-11, the store keeper is responsible for replenishing the materials according to agreed stock limits, organize the collection of materials from works and from other warehouses on receipt of consignee ship or allocation of material respectively, from the authority.

During audit of the accounts of NTDC for the financial year 2023-24, it was observed that instead of fixing proper reserve stock limit, the closing balance of electrical material as on June 30, 2024 lying at warehouses of NTDC worth Rs.31,781.30 million was fixed as reserved stock limit by granting ex-post facto approval. This depicted that there was no pre-defined criterion to ascertain and fix the reserve stock limit in stores. This resulted in overstocking / dumping of electrical material without utilization which implied that the material was procured beyond the requirement. The detail is as under:

(in rupees)

Sr. No	Name of Warehouse	Opening Balance	Receipts	Issues	Closing Balance
1.	New Kot Lakhpat	2,371,491,094.29	4,934,537,593.26	632,788,295.15	6,673,240,392
2.	Gatti Faisalabad	6,354,369,180.24	646,915,584.42	1,650,538,620.27	5,350,746,144
3.	Multan	8,266,731,723.46	325,524,464.09	1,303,099,272.85	7,289,107,292
4.	Jamshoro	11,455,400,218.02	8,301,494,236.60	7,288,676,555.55	12,468,217,899
Total Amount		28,447,992,216.01	14,208,471,878.37	10,875,102,743.82	31,781,311,727

Non-adherence to Warehouse Control and Procedure Manual resulted in overstocking owing to absence of any mechanism for fixation of reserve stock limit for the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that there was no defined procedure for the fixation of the reserve stock limit in the WAPDA/NTDC Warehouse Control and Procedural Manual. Audit contended that necessary directions in this regard already existed in NTDC Warehouse Control and Procedure Manual which needed to be implemented.

DAC in its meeting held on December 24, 2024 directed the management to do needful and get the record verified from Audit within two (02) months.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1522/2024-25)

1.5.3 Loss due to damage of electrical material – Rs.7,709.91 million

According to Rule-5(5) of Public Sector Companies (Corporate Governance) Rules, 2013, “the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders”.

During audit of the accounts of DISCOs for financial years 2022-23 and 2023-24, it was observed that electrical material comprising 14,662 distribution transformers and other items valuing Rs.7,709.91 million were damaged. In most of the cases, the administrative action was neither initiated nor finalized to find out the reasons for fixing responsibility. The detail is as under:

(Rs.in million)					
Sr. No.	Name of Company	Description of material	Period	No. of cases	Amount
1.	FESCO	Transformers 10 KVA to 630 KVA	2021-22 to 2023-24	3,387	1,371.36
2.	GEPCO	along with allied material, 11 KV metering panel,	2020-21 to 2023-24	899	540.97
3.	HESCO	Power Transformers, 11 KV Lightning Arrestors, Capacitor cells, 11 KV CTs,	2019-20 to 2023-24	1,611	2,569.57
4.	IESCO	Test Benches	2019-20 to 2023-24	3,382	887.48
5.	LESCO		2021-22 to 2023-24	398	569.83
6.	MEPCO		2019-20 to 2023-24	2,663	681.06
7.	PESCO		2020-21 to 2023-24	371	89.90
8.	QESCO		2022-23 to 2023-24	1,512	701.62
9.	SEPCO		2020-21 to 2022-23	439	298.12
Total				14,662	7,709.91

(Source: Progress Reports of Damages of DISCOs)

Non-adherence to Public Sector Companies (Corporate Governance) Rules, 2013, resulted in loss of Rs.7,709.91 million due to damage of electrical material up to the financial year 2023-24.

The matter was taken up with the management during February to November, 2024 and reported to the Ministry during July, 2024 and November, 2024. The management replied that in some cases, inquiry committees were concluded, while in other cases, the inquiry committees had been constituted.

DAC in its meetings held during October 11, November 28-29, December 12-13, 23, 26-27, 2024 and January 7-8, 13, 15-16, 20-21, 2025 directed the

management to conduct technical inquiry of the matter at CEO level and submit the inquiry report to Audit within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No. 1.5.2 having financial impact of Rs.9,362.04 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (664, 669, 895, 1078) (203, 696) (515, 1304) (248, 631, 1044) (147, 599, 643, 661, 911, 923) (414, 468, 484, 748) (592, 1233) (1164) (177)/2024-25]

1.5.4 Irregular capitalization of works - Rs.1,728.53 million

As per DISCOs Accounting Manual, after completion, the Assets are transferred to the concerned division of GSO Circle, which in turn capitalize the Asset and Fixed Assets register is updated accordingly.

During audit of the accounts of MEPCO for the financial year 2023-24, it was observed that total expenses of Rs.1,728.53 million against sixty (60) works were showing partially capitalized during the financial year 2023-24. However, neither handing/taking over papers were prepared by the field formations nor built in cost of such works was approved from the consultant. This showed that the capitalization of works was just made to show the financial progress and clearance of work in progress under the said account head in the trial balance. Hence, capitalization of these works was considered irregular.

Non-adherence to DISCO's Accounting Manual resulted in irregular capitalization of works amounting to Rs.1,728.53 million up to the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in October, 2024. The management replied that no partial capitalization was made. However, capitalization was incorporated in books of accounts in three (3) phases as per nature of work and its 100% completion. Hence, the aggregate capitalization for Rs.1,728.53 million was incorporated on 100% completion.

DAC in its meeting held on November 29, 2024 directed the management to provide the record in support of reply to Audit for verification within a week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 258/2024-25)

1.5.5 Non-return of dismantled / healthy electrical material to store – Rs.1,224.33 million

According to Para 3.1 (Section-12) of WAPDA Distribution Stores Manual, it is the responsibility of the SDO to ensure that damaged or otherwise unserviceable material is returned to the stores as soon as possible. Further, as per Para 75 of WAPDA Accounting Manual 1978, on completion of the work, the excess material will be returned to godown or transferred to another work.

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that electrical material valuing Rs.1,224.33 million was dismantled from various works. The dismantled material was required to be returned to store but needful was not done. No departmental action was taken against the quarter concerned for non-return of material to store. The detail is as under:

(Rs.in million)				
Sr. No.	Name of Company	Description of Material	Aging	Amount
1.	FESCO	Power Transformers / Distribution Transformers, Structures, Conductor, Line Hardware & Meters	August-2019 to June-2024	89.64
2.	GEPCO		June-2023 to June-2024	84.49
3.	HESCO		December-2021 to June-2024	174.51
4.	IESCO		July-2020 to June-2024	44.00
5.	LESCO		October-2007 to June-2024	479.27
6.	MEPCO		July-2018 to June-2024	113.66
7.	PESCO		January-2017 to June-2024	72.96
8.	QESCO		June-2021 to June-2024	49.55
9.	SEPCO		August-2020 to June-2024	105.72
10.	TESCO		July-2019 to June-2024	10.53
TOTAL				1,224.33

(Source: Completion Reports / A-90)

Non-adherence to instructions resulted in non-return of dismantled electrical material amounting to Rs.1,224.33 million to store up to the financial year 2023-24.

The matter was taken up with the management in February to March, 2024 and August to November, 2024 and reported to the Ministry in April, 2024 and October to November, 2024. The management replied that in some cases the material had been returned, while in remaining cases the material would be returned to store.

DAC in its meetings held during October 11, 2024, December 12-13, 23, 2024 and January 7-8, 13, 15-16, 20-21, 2025 directed the management to get the

record of completed action verified from Audit within a week and to complete the pending action within a month expeditiously.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No. 1.5.3 having financial impact of Rs.2,126.30 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (671, 1072, 1081, 1082, 1100) (151, 325, 432, 886) (290, 327, 359, 395, 589, 1327, 1433) (241, 243, 292, 321, 628) (351, 399, 473, 597, 653, 859, 860, 865, 920, 924, 1057, 1059) (14, 15, 280, 377, 428, 563, 736, 757) (337, 443, 586, 594, 1284, 1501) (316, 317, 535, 1195) (179, 445, 474, 772) (1115)/2024-25]

1.5.6 Blockage of funds due to unnecessary purchase of electrical material - Rs.398.21 million

According to Para 5 of memorandum dated January 17, 1978, relating to irregularities in purchases of stores and equipment, "purchases should be made only of such items and in such quantities as are required for a specific work. In no case, should these purchases be made for storing an item for an indefinite period."

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that electrical material of different nature valuing Rs.398.21 million were lying spared / unutilized in regional / field stores since period ranging from 2007 to 2024. Thus, DISCO's funds were blocked due to irrational purchase of electrical material. The detail is as under:

(Rs.in million)				
Sr. No.	Name of Company	Detail of Material	Aging	Amount
1.	FESCO	Distribution Transformers,	2023 to 2024	34.97
2.	GENCO-I	LT/HT Structures, Copper scrap,	2023 to 2024	21.12
3.	HESCO	Wooden Scrap, Leather Scrap,	2023 to 2024	120.00
4.	PESCO	Circuit Breaker, Line Hardware,	2007 to 2024	10.93
5.	QESCO	Grid Station Hardware,	2013 to 2024	55.52
6.	SEPCO	Conductor,	2021 to 2024	141.50
7.	TESCO		2023 to 2024	14.170
TOTAL				398.21

(Source: Stock Inventory Report of DISCOs for the year 2023-24)

Non-adherence to authority's instructions resulted in blockage of funds due to unnecessary purchase of electrical material valuing Rs.398.21 million up to the financial year 2023-24.

The matter was taken up with the management during August to November, 2024 and reported to the Ministry during October to December, 2024. The management replied that most of the items were dismantled/ unserviceable which had been returned to stores. The survey reports of dismantled material had been sent to Disposal Directorate for disposal. However, few of newly purchased items had been procured as per requirement of field formation against approved procurement plan which would be issued as per requirement.

DAC in its meetings held during November 28-29, December 12-13, 2024, January 7-9, 16, 20-21, 2025 directed the CEOs to inquire the matter and submit the inquiry report to Ministry and Audit within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No.1.5.7 having financial impact of Rs.282.98 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (901) (1426) (336) (612) (1201) (297, 302) (1141)/2024-25]

1.5.7 Non-return of material from contractor despite completion of transmission line – Rs.294.87 million

According to Project Director EHV-I NTDC, Lahore letter No.5575-80 dated June, 14, 2022, 500 KV transmission line material was allocated to contractor M/s China Electric Power Equipment & Technology Co. on loan basis to be returned within 04 months after allocation”.

During audit of the accounts of NTDC for the financial year 2023-24, it was observed that surplus material as well as material valuing Rs.294.87 million (Euro 1.347 million & CYN 4.655 million) provided on loan basis was not returned by the contractor despite completion of 500KV T/Line Nokhar, Lahore under ADB-301A-2018. However, no action was taken by the management.

Weak project management resulted in non-return of surplus material and material allocated on loan basis by contractor amounting to Rs.294.87 million up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that return of material was in progress and Audit would be informed after return of complete material along with relevant documents.

DAC in its meeting held on December 24, 2024 directed the management to expedite the matter and get the record verified from Audit within one week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1508/2024-25)

1.5.8 Loss due to shortage of stock at Nandipur Power Station - Rs.265.97 million

According to Section 11.11 of WAPDA Accounting Manual, the Procurement Section and Accounts Section will jointly carry out physical verification of the store items by classifying the material into categories under ABC plan. The difference identified by the physical verification committee must be investigated by the authorized officer and adjustment (recovery or write- off) must be made at the end of financial year with the approval of competent authority.

During audit of the accounts of GENCO-III for the financial year 2022-23, it was observed that the stock verification (SV) of Nandipur Power House was conducted by M/s Riaz & Company (RACO). The stock verifier pointed out shortage of material amounting to Rs.265.97 million. Neither any inquiry was conducted to probe into the matter nor any amount recovered from those responsible, which caused loss to the company.

Weak asset management resulted in loss of Rs.265.97 million due to shortage of stock for the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management replied that an inquiry committee report was submitted to audit. The inquiry committee determined that "the inventory shortage was preliminary due to a combination of procedural lapses, inadequate staffing and a failure to adhere to established SOPs considering that procedural lapses and mismanagement, no one personally can be held responsible for the inventory shortage amounting to Rs.73.94 million in the store of CCPP, Nandipur".

DAC in its meeting held on January 9, 2025 did not accept the causes of shortage determined by the committee and directed to conduct a fact finding inquiry at Ministry level within one month and share the report with Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 107/2024-25)

1.5.9 Blockage of funds due to non-utilizing of HSFO at Nandipur Power Plant - Rs.255.87 million

According to Rule 5(5) of Public Sector Companies (Corporate Governance) Rules, 2013, “the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders”.

During audit of the accounts of GENCO-III for the financial year 2022-23, it was observed that 6,688.32 metric ton High Sulphur Furnace Oil (HSFO) amounting to Rs.255.87 million was available at Nandipur for operation of combined cycle plan. The plant was converted from HSFO to Re-gasified Liquid Natural Gas (RLNG) plant and a huge quantity of HSFO was lying at site unused. Neither the HSFO was issued to any other projects nor any efforts were made for early disposal of the same as the quality of oil was deteriorating with the passage of time.

Non-adherence to Public Sector Companies (Corporate Governance) Rules, 2013, resulted in blockage of funds amounting Rs.255.87 million due to non-utilization of HSFO up to the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management replied that consequent upon Gas conversion of Nandipur GTs, HSFO approx. 27,243.88 M. Tons remained as balance and was of no use. Accordingly, 19,765.55 M. Tons of HSFO was shifted to TPS Muzaffargarh for utilization and the remaining quantity of 6,688.32 M. Tons was neither mechanically nor gravitationally possible to shift. It also contained sludge and moisture contents beyond permissible limits.

DAC in its meeting held on January 9, 2025 directed the management to make the strategy for the utilization of HSFO in and outside the company and share the report with Audit and Ministry within two months.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No. 111/2024-25)

1.5.10 Loss due to shortage of electrical material / transformers' parts – Rs.217.29 million

According to Section III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that 3,180 damaged distribution transformers of different capacities were physically checked by the inspection committee and 73,927 KGs shortage of copper winding and 700 liter oil was pointed out. Moreover, shortage of electrical material was also pointed out in two (02) stock verification reports of LESCO and MEPCO. Hence, companies sustained loss of Rs.217.29 million due to shortage of material. Neither any departmental inquiry was conducted nor any action taken against the responsible persons. The detail is as under:

<i>(Rs.in million)</i>				
Sr. No.	Name of Company	No of Transformers Checked	Copper (KG)	Amount
1.	FESCO	360	3,368	3.86
2.	GEPCO	215	6,107	2.74
3.	HESCO	113	-	10.07
4.	IESCO	513	-	6.15
5.	LESCO	466 + 1 SVR	19,808	92.94
6.	MEPCO	1,311+1,700 liters + 1SVR	44,644	99.43
7.	QESCO	160	-	0.92
8.	SEPCO	35	-	1.18
TOTAL		3180	73,927	217.29

(Source: Transformer Reclamation Workshop list of DISCOs)

Inefficient inventory management resulted in loss of Rs.217.29 million due to shortage of electrical material / transformers' parts up to the financial year 2023-24.

The matter was taken up with the management in August, October and November, 2024 and reported to the Ministry during October to December, 2024. The SEPCO management replied that damaged transformers were returned by the concerned LSs in sealed condition and no parts of transformers were missing. Further, mostly transformers damaged after completing their useful life. Moreover, in some cases recovery had been affected and efforts were being made

to recover the balance amount from concerned officials. HESCO management replied that explanations under E&D Rules had been issued against concerned Line Superintendents on account of shortage of copper quantity in damaged transformers.

DAC in its meetings held during October 11, November, 28-29, December 12-13, 23, 26-27, 2024 and January 12-13, 15-16, 20-21, 2025 directed the SEPCO management to inquire the matter at CEO level for fixing responsibility upon the person(s) at fault and submit the inquiry report to Audit within one month. As regards GEPCO, DAC also directed to provide the recovery record to Audit for verification within a week and complete pending actions within two months. The matter related to QESCO could not be discussed in DAC meeting due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days. Further, DAC directed the HESCO management to finalize the proceedings of inquiry committee and get recovery record verified from Audit within one month

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No.1.5.9 having financial impact of Rs.142.37 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (965, 968, 1108) (150) (1340) (633, 1026) (861, 878) (69, 719, 727) (1202) (182)/2024-25]

1.5.11 Non-lifting of NTDC material from the warehouses of DISCOs - Rs.206.24 million

According to Section 20 of State-Owned Enterprises (Governance and Operations) Act, 2023, "the Board shall ensure the integrity of the systems of internal control and any person who is found liable for a deviation or violation from the company's code of conduct or other systems of internal control shall be subject to disciplinary proceedings in accordance with the state-owned enterprise's internal policies."

During audit of the accounts of NTDC for the financial year 2023-24, it was observed that electrical material valuing Rs.206.24 million belonging to NTDC was lying at different warehouses of DISCOs since 2007. Most of the

electrical material was out of design and declared unserviceable which needed to be taken back by NTDC in order to decide its fate. The detail is as under:

(Rs.in million)				
Sr. No.	Name of DISCO	Name of Warehouse	Value of stock (Rs.in million)	Aging
1	LESCO	CHICHOUKI MALLIAN	26.844	Since 2007
2	SEPCO	SUKKUR	71.197	
3	QESCO	QUETTA	6.904	
4	FESCO	NISHATABAD	95.813	
5	PESCO	JAMRUD	5.485	
	Total Amount		206.244	

Inefficient asset management resulted in non-lifting of NTDC material amounting to Rs.206.244 million from the warehouses of DISCOs up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that the said issue has already been taken by audit vide DP No. 1254/2023-24 and 467/2023-24. Audit contended that in DP No. 1254/2023-24, material amounting Rs.42.07 million lying at warehouse of SEPCO and QESCO was highlighted whereas as in the instant audit Para, an amount of Rs.78.10 million pertaining to the said warehouses was pointed out. Further, the issue pointed out in DP-467/2023-24 was quite different.

DAC in its meeting held on December 24, 2024 directed the management to expedite disposal of the said material within six (06) months.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1526/2024-25)

1.5.12 Irregular adjustments in AM&R and assets accounts of distribution transformers – Rs.201.53 million

Accounting Standard (IAS) 01, the financial statement should present fairly the financial position, financial performance and cash flows of the enterprise.

During audit of the accounts of PESCO for the financial year 2023-24, it was observed from comparison of trial balances for the month of May, 2024 and June, 2024 that balances in AM&R under head “530613” relating to 07

Operation Divisions showed decrease of Rs.129.36 million in June, 2024 as compared to figures of May, 2024. Similarly, the balances under head transformers (assets) “010613” relating to 7 Operation Divisions also revealed decrease of Rs.72.17 million in June, 2024 as compared to the figures of May, 2024. Moreover, it was also noted in June 2024 trial balance that cost of AM&R under head “530613” in respect of 10 operation divisions was Rs.348.28 million against the cost of assets amounting to Rs.155.45 million shown under head “010613”. This reflected that excessive AM&R of Rs.192.83 million beyond the cost of assets was charged. The decrease in balances of an expense head and an assets head in the succeeding month as well as charging of excessive AM&R beyond cost of asset was incomprehensible. The adjustments of Rs.201.53 million made in these heads of accounts depicted that final accounts for June, 2024 were adjusted at FD office without any reciprocal effects in the books of accounts. Hence, such adjustment could not be termed as regular.

Violation of provisions of State-Owned Enterprises (Governance and Operations) Act, 2023, International Financial Standards and Accounting Manual of DISCOs resulted in irregular adjustments in AM&R and Assets accounts of Distribution Transformers amounting to Rs.201.53 million up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that the Asset Booking of Rs.129.36 million under code "010613" was capitalized in June, 2024 and transferred to HQ for updating the Asset Register. The details of Rs.192.83 million were still awaited from Operation Divisions.

DAC in its meeting held on January 7-8, 2025 directed the management to ensure compliance regarding production of record in light of re-audit remarks within three days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No. 1238/2024-25)

1.5.13 Bogus capitalization due to excess booking of material in book of accounts - Rs.189.53 million

According to International Accounting Standards (IAS)-1Chapter-3 (3.3), “the financial statements must ‘present fairly’ the financial performance and cash

flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income, and expenses set out in the Framework. The application of IFRS, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation”.

During audit of the accounts of IESCO for the financial year 2020-24, detailed SAP module analysis revealed that that material worth Rs.366.83 million (including 8% installation charges) was issued for new connections, but Rs.536.39 million was capitalized in the trial balances, resulting in an excess capitalization of Rs.189.53 million. This discrepancy, reported to the Finance Directorate, involved bogus material issuance entries that went unnoticed and un-reconciled. Such over-capitalization impacts electricity consumers financially by inflating distribution margin claims submitted to the Regulator.

Non-adherence to International Accounting Standards resulted in excess booking of material valuing Rs.189.53 million in accounts due to bypassing SAP-module up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that the actual capitalization was made during FY-2023-24 amounting to Rs.366.207 million as shown in SAP generated trial balance against capitalization GL 502300 and the credit of same amount issued in 07-2024 to the Finance Director Office IESCO.

DAC in its meeting held on January 13 and 15, 2025 directed the CEO to probe the matter and share its report with Audit within two weeks.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No. 603/2024-25)

1.5.14 Loss due to misappropriation of electrical material – Rs.161.27 million

According to Section-III (1) of WAPDA guidelines for enforcing responsibility for losses due to fraud, theft or negligence of individuals, 1982 (amended up to January 2014), “all losses whether of public money or of stores shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that electrical material amounting to Rs.161.27 million were misappropriated by the officers/officials. In most of the cases, departmental inquiries were concluded and responsibilities / penalties were fixed upon the delinquents. However, neither the material was recovered nor the recovery of penalty amounts was forthcoming from record. The detail is as under:

<i>(Rs.in million)</i>					
Sr. No.	Name of Formation	Description of material	Period of occurrence	No. of Cases	Amount
1.	GEPCO	Transformers, allied material and Tower material	07/2023 to 06/2024	16	3.160
2.	IESCO		07/2022 to 06/2024	49	11.56
3.	LESCO		07/2022 to 06/2024	9	18.34
4.	MEPCO		07/2020 to 06/2024	2	1.83
5.	PESCO		07/2023 to 06/2024	69	125.74
6.	TESCO		07/2023 to 06/2024	1	0.64
Total				146	161.27

(Source: Correspondence files of formation)

Non-adherence to Authority's instruction / guidelines resulted in misappropriation of electrical material amounting to Rs.161.27 million up to the financial year 2023-24.

The matter was taken up with the management in February, 2024 and August to October, 2024 and reported to the Ministry during May, 2024 and October to November, 2024. The management replied that the disciplinary proceedings and charging of penalties were either completed or under process. It was added that in few cases the recovery was effected from the employees.

DAC in its meetings held during November 28-29, December 23, 26-27, 2024 and January 7-8, 13, 15, 2025 directed the management to get the record of completed action verified from Audit, expedite the remaining cases vigorously as per SOPs and finalize the inquiries within 30 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No. 1.8.3 having financial impact of Rs.311.09 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (800) (620) (542, 837 & 853) (166 & 284) (1252 & 1253) (1088)/2024-25]

1.5.15 Non-lifting /receiving back of power transformers after repair – Rs.125 million

According to Section 6(1)(a) of State-Owned Enterprises (Governance and Operations) Act, 2023, “every state-owned enterprise shall under take its operation in accordance with the criteria for sound and prudent management, namely: a) the business of the state-owned enterprise is carried on with integrity, objectivity, due care and professional skills appropriate to the nature and scale of its activities”.

During audit of the accounts of LESCO for the financial year 2023-24, it was observed that six (6) power transformers of different capacities were shifted to Power Transformer Engineering Services Unit (PTESU) Workshop for repair during 2008 to 2024. After repairing, these transformers were required to be received back for installation/utilization in the system but same were not lifted even after elapse of considerable period.

Non-adherence to the provisions of SOE Act resulted in non-lifting /receiving back of power transformers valuing Rs.125 million after repair valuing Rs.125 million from workshop up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that out of 6 T/Fs, two (02) T/Fs had been lifted and installed.

DAC in its meeting held on December 26-27, 2024 directed the management to provide the record of completed actions to Audit for verification within 15 days and expedite the pending actions.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No. 921/2024-25)

1.5.16 Misstatement due to dual capitalization of works – Rs.32.38 million

As per IFRS (International Financial Reporting Standards) frame work, financial reports represent economic phenomena in words and numbers. To be useful, financial information must not only represent relevant phenomena, but it must also faithfully represent the substance of the phenomena that it purports to represent.

During audit of the accounts of TESCO for financial years 2018-19 to 2022-23, it was observed that five electrification works valuing Rs.32.38 million with

same job number were capitalized twice. Each job number should be unique to one work; therefore, using the same job number for different works questions the authenticity of these entries. Furthermore, these works were capitalized once with job cards and once without them. Specifically, one work was capitalized twice, first in June 2022 and then again in June 2023. The audit found the dual capitalization of works and job cards to be suspicious, hence causing misstatement to the stated extent.

Non-adherence to IFRS resulted in misstatement due to dual capitalization of works amounting to Rs.32.38 million up to the financial year 2022-23.

The matter was taken up with the management in March, 2024 and reported to the Ministry in May, 2024. The management replied that the funding source, scheme number along with location were different in each case, therefore, no dual capitalization was reported nor done in any case.

DAC in its meeting held on September 25, 2024 directed the CEO TESCO to inquire the matter and share its report with Audit within a month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 56/2024-25)

1.5.17 Irregular drawl of material after completion of works - Rs.31.72 million

According to Para 2.2 of Distribution Store Manual, the material in excess of requirement must not be drawn.

During audit of the accounts of FESCO for the financial year 2023-24, it was observed that seventeen (17) electrification works under the head deposit, SDG works and LT Proposals were completed and capitalized accordingly. Completion reports (A-90s) of all works had been prepared and vetted by consultants. However, it was noticed that subsequently, electrical material amounting to Rs.31.72 million was drawn through Store Requisition against the said completed works as evident from job cards. Since the said works were completed, hence, drawl of material against them was irregular.

Non-adherence to Distribution Store Manual resulted into irregular drawl of material amounting to Rs.31.72 million after completion of works up to the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in October, 2024. The management replied that partial progress without transformers was submitted by the field offices and these works were 100% completed after allocation of transformers. However, after completion / capitalization, no material was drawn from store and all the material had been capitalized through consultant.

DAC in its meeting held on December 12-13, 2024 directed the management to provide the record showing no material was drawn from store after completion report (A-90) / capitalization to Audit for verification within a week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 276/2024-25)

1.5.18 Recoverable amount on account of shortage of material - Rs.19.83 million

According to Para 11.11(2) of WAPDA Accounting and Financial Reporting Manual, "the difference identified by the physical verification committee must be investigated by the authorized officer and adjustment (recovery or write off) must be made at the end of financial year with the approval of competent authority."

During audit of the accounts of NTDC for the financial year 2023-24, it was observed from stock verification reports that shortage of electrical material amounting to Rs.19.83 million was pointed out. However, neither the short material nor its amount was recovered. The detail is as under:

Sr. No.	Name of Warehouse	Amount of Shortage Material (Rs.)
1.	New Kot Lakhpat	1,500,318
2.	Gatti Faisalabad	18,289,851
3.	Jamshoro	36,730
Total Amount		19,826,899

Non-adherence to the provisions of WAPDA Accounting and Financial Reporting Manual resulted in recoverable amount on account of shortage of material amounting to Rs.19.83 million up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that the matter was under inquiry and audit would be informed in due course of time.

DAC in its meeting held on December 24, 2024 directed the management to expedite the inquiry and get the record verified from Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1523/2024-25)

1.5.19 Non-recovery of T&P rent and equipment allocated to contractor – Rs.19.75 million

According to Section 20 of State-Owned Enterprises (Governance and Operations) Act, 2023, “the Board shall ensure the integrity of the systems of internal control and any person who is found liable for a deviation or violation from the company's code of conduct or other systems of internal control shall be subject to disciplinary proceedings in accordance with the state-owned enterprise's internal policies.”

During audit of the accounts of NTDC for the financial year 2023-24, it was observed that contract for procurement of plant, design, supply, installation, testing & commissioning 500KV double circuit quad bundle transmission line from Suki Kinari Hydro Power Station to interconnection point of existing Neelum Jhelum 500KV Double Circuit Quad Bundle T/L (Approx. 75KM) using “Bunting” conductor was awarded to M/S. CEEC. Due to emergency, 46 T&P items were allocated to the contractor on rental basis. The project was completed on 28.06.2024, yet the allocated T&P items along with rent of 10 T&P items amounting to Rs.19.75 million remained unrecovered from the contractor. Moreover, the determination of rent for the remaining 36 T&P items was still pending.

Non-adherence to provisions of State-Owned Enterprises (Governance and Operations) Act, 2023 resulted in non-recovery of T&P rent amounting to Rs.19.75 million and T&P equipment allocated to contractor up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that the contractor had

returned most of the T&P items and matter of rental charges had been taken up with contractor.

DAC in its meeting held on December 24, 2024 directed the management to effect recovery from the contractor and get the record verified from Audit within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1515/2024-25)

Concluding Recommendations

Unsatisfactory asset management is a significant issue prevailing in the working of the DISCOs and other relevant entities / formations. It has created an environment for mal-practices and irregularities in their business. Practical steps from senior management of entities are required, on a sustainable basis, to ensure real-time and transparent recording of assets and asset management processes. In addition, careful objective planning is needed to avoid over-stocking. Lastly, inquiries for fixing of responsibility and affecting the recoveries may be held against cases highlighted by audit to ensure improvement in the system.

1.6 Mismanagement in Contracts and Procurement

The business process of DISCOs/NTDC entailed undertaking high-value contracts throughout the year. These included large-scale procurements of electrical equipment (transformers, poles etc.), distribution network expansion / repair works, general civil works and IT purchases. Significant donor-funded contracts were also executed. Prudence in contract making was essential to ensure that the contract works were completed within timeline with due regards to desired quality.

Contract mismanagement reflected anomalies and shortcomings present in contract process starting from the bid preparation stage till the work completion point. This included instances where open competition was not observed, the bid evaluation was not transparent, reserve price assessment carried out with little research, and cartelization among contractors was not tackled properly. Once lapses occurred at the contract award stage, it led to further irregularities during work execution.

Some of the issues linked with work execution included abnormal Extension of Time (EOT) approvals and short deduction of LD charges. In such cases the EOT was processed after the completion time of the contract rendering it unjustified. Short deduction of LD charges deprived the companies from due recovery.

Delays in execution of project-works not only resulted in cost overruns but more critically constituted a business failure case for the companies whereby the companies were unable to enhance/improve their business infrastructure from the desired project works. This meant that other activities linked with infrastructure development such as control over line losses also suffered.

Additionally, contract mismanagement also included aspects of unsatisfactory equipment testing and non-renewal/acquiring of performance/bank guarantees, non-adjustment of contractor advances etc. Unsatisfactory testing led to procurement of substandard material suffering from frequent faults. Non-adjustment of advances meant high-risk of overpayment to the contractor while non-renewal of performance guarantee implied that the company had not secured its interest if the contractor defaults against the contract terms.

On the above lines, audit has analyzed the combined issue of contract mismanagement and procurement shortcomings found in the DISCOs/NTDC/GENCOs, on a sample analysis basis to highlight the inefficiencies, lack of transparency, irregularities and internal control lapses which is illustrated in the following paras:

1.6.1 Loss on account of late payment surcharge due to late payment to Pakistan State Oil and SNGPL – Rs.79,257.50 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

During audit of the accounts of GENCO-III for the financial year 2022-23, it was observed that Late Payment Surcharge (LPS) of Rs.79,191.83 million was payable to PSO against outstanding principal amount of Rs.69,302.82 million. Similarly, LPS of Rs.65.67 million against outstanding principal amount of Rs.19,698.923 million was also payable to SNGPL. The detail is as under:

<i>(Rs.in million)</i>				
Sr. No.	Name of Formation	Period	Principal Amount outstanding	LPS outstanding
1.	Pakistan State Oil (PSO)	December, 2005	69,302.82	79,191.83
2.	Sui Northern Gas Pipe Line (SNGPL)	June, 2023	19,698.92	65.67
Total			89,001.74	79,257.50

Weak financial management resulted in loss amounting to Rs.79,257.50 million on account of late payment surcharge due to non/late payment to Pakistan State Oil and SNGPL up to the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management replied that in case of late payment surcharge of M/s SNGPL, the billing cycle difference of SNGPL to NPGCL and NPGCL to CPPA-G created hurdles in managing cash flows for NPGCL. The billing of RLNG by M/s SNGPL was being made on weekly basis. On the other side CPPA-G transferred funds against EPP to this company after almost 60 days. Due to this time gap the markup on the gas charges was being accumulated. Further, accumulation of liability of SNGPL was due to delay in determination of tariff by the NEPRA related to Energy part of CCPP Nandipur; where NEPRA did not allow various components including adjustment in Heat rate, Part Load Adjustments and Efficiency/ Heat rate degradation against the CCPP Nandipur.

DAC in its meeting held on January 9, 2025 directed the management to get the reconciliation with PSO & SNGPL and verify the record from Audit within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 99/2024-25)

1.6.2 Unjustified award of purchase orders to single bidders / manufacturers having longstanding pre-qualifications in violation of PPRA Rules - Rs.69,093.45 million

According to Rule 15(1) of PPRA, "a procuring agency, prior to the floating of tenders, invitation to proposals or offers in procurement proceedings, may engage in pre-qualification of bidders in case of service, civil works, turnkey projects and in case of procurement of expensive and technically complex equipment to ensure that

only technically and financially capable firms having adequate managerial capability are invited to submit bids. Such pre-qualification shall solely base upon the ability of the interested parties to perform that particular work satisfactory.” Further, according to PPRA Rules-38-B, the procuring agencies shall consider single bid in goods, works and service if it has financial conformance in terms of rate reasonability; provided that except unsolicited proposal, in case of pre-qualification proceedings single bid shall not be entertained.

During audit of the accounts of DISCO’s for the financial year 2023-24, it was observed that procurement of various distribution materials valuing Rs.69,093.45 million was made from 335 manufacturers duly pre-qualified / registered. The pre-qualification certificates produced by the manufacturers along with their bids were longstanding for period ranging from 4 to 13 years. Moreover, 129 purchase orders valuing Rs.24,196.70 million were issued to single bidders, which was in contradiction of Public Procurement Rules *(Clarification regarding condition of pre-qualification of supplies placed at Annexure-1)*. The detail is as under:

Name of Company	No. of Purchase Orders issued to single bidders	longstanding pre-qualified Suppliers	Range of year for longstanding prequalification certificates of manufacturers	Procurement made from single bidder	Procurement made from longstanding pre-qualified Suppliers(including single bidders)
FESCO	12	48	2011 to 2020	1,491.64	10,980.22
GEPCO	3	69	2012 to 2015	3,090.59	20,719.13
HESCO	6	9	2011 to 2019	840.28	2,805.16
IESCO	17	44	2012 to 2019	1,674.71	6571.739
LESCO	2	-	-	141.60	-
MEPCO	36	46	2011 to 2015	11,727.46	16,767.01
PESCO	34	69	2011 to 2019	4,247.63	8,805.66
QESCO	8	20	2013 to 2019	757.45	868.71
TESCO	11	30	2011 to 2019	225.34	1,575.82
TOTAL	129	335		24,196.7	69,093.449

Violation of PP Rules resulted in unjustified award of purchase orders valuing Rs.69,093.45 million to longstanding pre-qualified bidders / single bidders up to the financial year 2023-24.

The matter was taken up with the management during July to October, 2024 and reported to the Ministry during November to December, 2024. The management replied that Rule 21 of PP Rules, 2004 allows the procurement from

single bidder if it meets the evaluation criteria expressed in the tender notice. The DISCOS were barred to require a fresh pre-qualification from already pre-qualified vendors as per NAB letter dated January 8, 2024.

DAC in its meetings held during November 29, December 12-13, 23, 26-27, 2024 and January 7-8, 13, 15-16, 20-21, 2025 directed the management to submit the cases in the light of Audit observation to Ministry of Power (Energy Division) for examination within one month and share the outcome with Audit accordingly.

No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para Nos. (950, 957) (909, 1538) (1336, 1363) (990, 1021, 1039, 1040) (1056) (272, 728, 751) (252, 1230, 1378) (1160, 1165, 1308) (1122, 1125)/2024-25]

1.6.3 Piling up of payables to PMLTC due to non-existence of viable mechanism in NTDC- Rs.48,844.99 million

According to Section 9.5 of Payment sub-section (d) of Transmission Service Agreement “Late payments by both parties of amounts due and payable under this agreement shall bear interest at a rate per annum equal to the Delayed payment rate- KIBOR plus two percent (2%) per annum calculated for the actual number of days which the relevant amount remains unpaid on the basis of a three hundred and sixty-five days (365) day year”.

During audit of the accounts of NTDC for the financial year 2023-24, it was observed that PMLTC (Pak Matiari-Lahore Transmission Line Company) submitted its invoices on monthly basis and the due date of the invoices was thirty days from the date of submission of invoice. NTDC did not pay single invoice on or within the due date of thirty days therefore, PMLTC became eligible for delayed payment interest (DPI) @ KIBOR+ 2% on the outstanding balances i.e. Rs.8,894.52 million. Audit concluded that NTDC did not appropriately manage financial matters with PMLTC and piling up of TSP (Transmission Services Payment) along with delayed interest payments ultimately put extra burden on the government exchequer.

Inefficient financial management strategies resulted in payable amount of Rs.48,844.99 million up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that NTDC

released payments to PMLTC after receipt of funds from CPPA-G in line with the mechanism determined by NEPRA. The CPPA-G released funds to NTDC on daily basis against specified invoices and the same were paid to PMLTC without any delay.

DAC in its meeting held on December 24, 2024 directed the management to provide record related to reconciliation of receivable and payables to Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 695/2024-25)

1.6.4 Irregular award of contract without approval of revised PC-I - Rs.12,514.31 million

According to Para 4.05 (ii) of Manual for Development Project December, 2021 of Planning Commission, for smooth implementation of projects, if the cost of the project exceeds 15% of the approved budget at the time the contract is being awarded, PC-I will be revised immediately and should be submitted for approval of the competent forum.

During audit of the account of NTDC for the financial year 2023-24, it was observed that contract for 500/132 KV Grid Station, Allama Iqbal Industrial City/M-3 Faisalabad (under own resources) was awarded to M/s Siemens Consortium valuing Rs.12,514.31 million. The cost estimate of PC-I of the said contract was approved by Central Development Working Party (CDWP) valuing Rs.5,975.81 million whereas, the management of NTDC awarded the contract without the approval of revised PC-I from competent forum. The Ministry of Energy had directed MD NTDC to fix responsibility for awarding contract without approval of ECNEC at 246% of original PC-I cost. Audit was of the view that awarding of contract without the approval of revised PC-I was irregular.

Non-adherence to Planning Commission's Manual resulted in irregular award of contract worth Rs.12,514.31 million without approval of revised PC-I up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that the NTDC had submitted the revised PC-1 after the approval of Board of Director to Planning Commission on March 30, 2023 and the approval from Planning Commission was still waited.

DAC in its meeting held on December 24, 2024 directed to conduct inquiry at Ministry Level within one month and share the outcome with Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 683/2024-25)

1.6.5 Mis-procurement of 200,000 Metric Ton of Sub-Bituminous Coal in violation of PP Rules - Rs.10,148.00 million

According to Rule 38 of Public Procurement Rules, 2004, the bidder with the most advantageous bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government, shall be awarded the procurement contract, within the original or extended period of bid validity.

During audit of the accounts of GENCO-I for financial years 2022-23 and 2023-24, it was observed that a tender for the procurement of 200,000 metric tons of sub-bituminous coal for a 660 MW supercritical Coal Fired Power Plant was opened on October 17, 2023. M/s Awan Trading Company Pvt. Limited was deemed technically responsive by the Technical Evaluation Committee on October 21, 2023. However, on November 03, 2023, the Financial Bid Evaluation Committee concluded in its report that:

“the rate quoted by M/s Awan Trading Company is on the higher side (14.22%) with respect to the rate reasonability criteria set in the bidding documents at ITB No. 35 and section -IV, subsection-5: hence, cannot be declared as the most advantageous bidder”.

The procurement committee recommended rejection or further consideration to the JPCL Board during its 56th meeting on November 10, 2023. In its 153rd meeting on November 22, 2023, the BoD referred the matter back to the Procurement Committee, learning that the bidder had offered a voluntary discount overlooked by the financial evaluation committee. The Procurement Committee in its 57th meeting on December 9, 2023 recommended rejecting the tender and re-tendering or reducing the quantity of coal while complying with PP Rules. However, in 154th BoD meeting on December 16, 2023, the Board accepted the voluntary discount of Rs.5,900 per metric ton and issued a purchase order to M/s Awan Trading at Rs.50,740 per metric ton for 200,000 metric tons of coal. This decision bypassed Public Procurement Rules, as no re-evaluation was done post-discount. The final procurement rate was significantly higher than

NEPRA's approved rate Rs.38,660/- metric ton, leading to an excess procurement cost of Rs.12,080 per metric ton. This resulted in excess cost of Rs.2,416.00 million which raised concerns about transparency and fairness of the procurement process.

Non-adherence to PP Rules resulted in mis-procurement of 200,000 Metric Ton of Sub-Bituminous Coal for 660 MW Coal Fired Power Project amounting to Rs.10,148.00 million up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that as the highest decision-making forum, BoD had decided the procurement unanimously without referring the matter to sub-committee. However, BOD may bypass the committees for urgent or strategic reasons.

DAC in its meeting held on January 9, 2025 directed to inquire the matter at Ministry level within one month and share the inquiry committee report with Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1330/2024-25)

1.6.6 Loss due to negligence on part of NTDC management – Rs.5,879.91 million

As per Section 6.5(b) of Power Purchase Agreement, if NTDC has not completed and energized the NTDC interconnection works by the date required in this section 6.5, as such date may be extended pursuant to this section 6.5, and such delay causes a delay in the commissioning of the complex, the required commercial operations date shall be extended day-for-day. In addition, if NTDC has not completed the NTDC interconnection works by the date which is fifteen (15) days following such date and such delay causes a delay in commissioning of the complex, as certified by the Engineer under Section 8.3, then NTDC shall pay to the company, monthly in arrears (and prorated for any portion of a month) an amount equal to the sum of i) carrying costs, ii) fifty percent (50%) of the "Insurance Component iii) fifty percent (50%) of the fixed O&M (Foreign) Component iv) fifty percent (50%) of the fixed O&M (Local) component and v) subject to clarification by NEPRA (if required), the Return on Equity Component of the Capacity Price as specified in the tariff.

During audit of the accounts of NTDC for the financial year 2020-21, it was observed that “The Power Purchaser” and Lucky Electric Power Company entered into a Power Purchase Agreement regarding construction, commissioning of the interconnection facilities to 660 MW Megawatt Coal-fired plant (LEPCL). As per the contract agreement, the Lucky Electric Power Company was responsible for the complete scope of work related to the complex and NTDC was liable to construct and provide Power Purchaser’s Interconnection Facilities. As per PPA instructions, the Interconnection facility was required to be completed by July 31, 2021. However, NTDC failed to provide the interconnection facility within the stipulated time. The contractor was entitled to claim the liquidated damages at the rate of Rs.61,721,352/- per day for the first 60 days (Rs.3,703, 281,120/-) and thereafter at the rate of Rs.72,554,328/- per day (Rs.2176,629,840/-up to October 2021), which would in turn have an impact on consumer tariff or government exchequer.

Non-adherence to clauses of Power Purchase Agreement and late completion of Power Purchaser’s Interconnection Works (PPIW) before the COD would result in loss of Rs.5,879.91 million in the shape of penalty.

The matter was taken up with the management in September, 2021 and reported to the Ministry in December, 2021. The management replied that the work was delayed due to NOC from government and private entities. No penalty was claimed by LEPCL and hence, no loss was sustained by NTDC.

DAC in its meeting held on July 19, 2024 directed the management to constitute an inquiry committee at Ministry level to probe the matter and submit report and get the record of settlement between NTDC and relevant power house verified from Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No. 403/2021-22)

1.6.7 Non-recovery of liquidated damages from contractors / suppliers – Rs.4,880.66 million

According to Clauses of the Contracts, “the rate of liquidated damages is 0.05% to 0.10% for each day of delay in completion of the works subject to a maximum of 10% of contract price”.

During audit of the accounts of DISCOs, NTDC, GENCOs and PPIB for the financial year 2023-24, it was observed that 99 contracts/purchase orders were issued to contractors/suppliers for execution of different types of works/supply of material. The contractors/suppliers could not complete the works/deliver the material within stipulated period. Hence, they were liable to pay the liquidated damages of Rs.4,880.66 million but the same were not recovered. The detail is as under:

(Rs.in million)

Sr. No.	Name of Company	Period	No. of cases	Amount
1.	FESCO	2023-24	05	1.46
2.	GENCO-I	2022-24	01	2.94
3.	GENCO-III	2021-23	01	348.73
5.	HESCO	2022-24	03	45.79
5.	IESCO	2022-24	09	47.90
6.	LESCO	2023-24	42	357.20
7.	MEPCO	2023-24	04	10.25
8.	NTDC	2023-24	01	269.82
9.	PESCO	2022-24	07	17.46
10.	PPIB	2022-24	01	3,717.27
11.	QESCO	2023-24	10	37.47
12.	SEPCO	2023-24	15	24.37
TOTAL			99	4,880.66

(Source: Contractor Ledger of the Formations)

Non-adherence to the provisions of Purchase Orders resulted in non-recovery of LD charges amounting to Rs.4,880.66 million from supplier during the financial year 2023-24.

The matter was taken up with the management in March to June, 2023 and August to November, 2023 and reported to the Ministry in June, 2023 and October to December, 2023. The management stated that in some cases either the L.D had been recovered or would be recovered while in few cases L.D was not recoverable/EOT granted. The HESCO management replied that 10% LD amounting to Rs.35,676,200 was deducted from the invoice submitted by M/s Siemens Pakistan Engineering Co., Ltd.

DAC in its meetings held during November 28-29, December 12-13, 23-24, 26-27, 2024 and January 7-9, 13, 15-16, 20-21, 2025 directed the

management to get the record of completed action verified from Audit within 15 days and expedite the pending actions. DAC directed the management of MEPCO and PESCO to inquire the matter raised in DP No. 1283/2023-24 & 886/2023-24 and submit its report to Audit within 30 days. DAC also directed to inquire the matter highlighted in DP No. 997/2023-24 (PESCO) at C.E. (MI) PPMC level within 30 days. DAC directed the HESCO management to recover the L.D amount with GST and get the record of completed actions regarding deduction of L.D i.e. GRN, Gate Pass payment vouchers, invoice, contractor ledger, effect into book of accounts, verified from Audit within two weeks.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No. 1.6.2 having financial impact of Rs.16,146.40 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (893) (1322) (100) (286, 463) (295, 647, 991) (408, 862, 869, 930, 932) (658, 788) (692) (497, 625, 1281) (1371) (550, 1168, 1245, 1259) (298, 765)/2024-25]

1.6.8 Irregular payment to Star Hydro Power Limited - Rs.4,577.17 million

According to Para 8 of the decision of Lahore High Court dated January 31, 2024, in view of above, this application is partly allowed and Award is upheld while deducting the amount at clause (d) of para 203 of the Award (The Award Amount). Accordingly, there will be an order as follows: (1) The Award made on May 18, 2022 is hereby recognized partly as a binding and enforceable Award and enforced through this order. (2) Applicant is granted judgment in the award Amount which shall be executed as a decree of this Court. Decree-sheet shall be drawn accordingly.

During audit of the accounts of NTDC for the financial year 2023-24, it was observed that a dispute between NTDC and M/s Star Hydro was resolved by the London Court of International Arbitration, which awarded compensation of Rs.7,373.073 million to Star Hydro Power Limited (SHPL). Subsequently, SHPL filed a petition in the Lahore High Court for the implementation of the arbitration decision. However, the court only allowed payment of liquidated damages amounting to Rs.2,795.90 million. Contrary to the Lahore High Court's decision, NTDC made full payment of Rs.7,373.07 million to SHPL through a negotiation

agreement. This amount included Rs.2,795.90 million for liquidated damages (responsibility of NTDC) and Rs.4,577.17 million (responsibility of SHPL) for principal debt along with interest. It was further noted that NTDC recorded Rs.4,577.17 million as a receivable from CPPA-G in its books of accounts. Subsequently, CPPA-G, through correspondence dated September 18, 2024, made conditional adjustment against NTDC's payable for Use of System Charges subject to NEPRA's approval. As the amount was ultimately expected to be deducted from the project cost of Star Hydro, therefore Audit held that payment of Rs.4,577.17 million by NTDC was an undue favor to SHPL since it was liability of SHPL which was accrued due to delay in Commercial Operation Date (COD). Hence, payment of Rs.4,577.17 million related to capital cost/debt to SHPL could not be considered regular without prior approval from NEPRA.

Non-adherence to Lahore High Court decision resulted in irregular payment of Rs.4,577.17 million to Star Hydro Power Limited.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that the principal debt and interest amount were paid to M/s SHPL through negotiation agreement and CPPA-G had agreed that amount of Rs.4,577.17 million was temporarily adjusted from NTDC Use of System Charges and would be ultimately deducted from SHPL Project Cost after approval of NEPRA.

DAC in its meeting held on December 24, 2024 directed the management to provide adjustment regarding debt amount of Star Hydro Power Limited to Audit within two (02) weeks.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 693/2024-25)

1.6.9 Loss due to extremely high and exorbitant prices quoted by the single bidder - Rs.4,500.00 million

As per Rule 4 (b) of PP Rules, 2004, the procuring agency shall provide equal opportunity for healthy competition to all the eligible bidders and define a credible mechanism for addressing procurement related complaints.

During audit of the accounts of NTDC for the financial year 2020-21, it was observed that a Contract No. ADB-201-2018 amounting to Rs.7,515.23 million was awarded to single bidder M/s SA-RA Energy Construction Trade & Industry Co. Inc. Turkey. The award of contract was challenged by M/s Trident Corp claiming that the other two companies M/s Netracon Consortium and M/s ICC were rejected wrongfully and the single bidder i.e. M/s SA-RA Energy Construction Trade & Industry Co. Inc. Turkey quoted the US\$ 48 million FCC (foreign Currency Components for supplying steel towers, ACSR conductor, insulator & hardware). Moreover, the prices of these materials were not compared with NTDC recent EPC TL Projects and direct purchase. As per the Negotiation Committee Report, the quoted prices offered by M/S SA-RA Energy Construction Trade & Industry Co. Inc. Turkey was on higher side and the bid was seriously unbalanced as almost 74.2% of total of quoted price was attributed to supply of material only. After discussion the bidder M/S SA-RA Energy Construction Trade & Industry Co. Inc. Turkey offered 10% discount on their bid price that came to Rs.6,535.45 million which was accepted. The price was compared with EPC contract No ADB- 68R-2013 opened on December 10, 2013 instead of material recently purchased for other EPC transmission line projects without observing the contents of complaint lodged by M/S Trident. This resulted in award of contract on exorbitant prices causing loss of Rs.4,500.00 million to the company.

Non-adherence to Public Procurement Rules resulted in loss due to award of contract at exorbitant price of Rs.4,500.00 million up to the financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in December, 2021. The management replied that the contract was awarded in accordance with the PP Rules. Further, discount was obtained from the qualified bidder in accordance with ADB guidelines and contract was awarded with the approval of competent authority i.e. BoD (NTDC) and ADB.

DAC in its meeting held on June 24, 2024 directed the management to revise PC-I and present the para to PAC.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 767/2021-22)

1.6.10 Non-recovery of receivables from PMLTC - Rs.2,416.16 million

According to Section 9.5(d) of Transmission Service Agreement, “late payments by both parties of amounts due and payable under this agreement shall bear interest at a rate per annum equal to the Delayed payment rate- KIBOR plus two percent (2%) per annum calculated for the actual number of days which the relevant amount remains unpaid on the basis of a three hundred and sixty-five days (365) day year”.

During audit of the account of NTDC for the financial year 2023-24, it was observed that NTDC was eligible for two type of tariff component for HVDC line i.e. O&M and land lease fee from PMLTC (Pak Matiari-Lahore Transmission Line Company) on monthly basis. However, ledger accounts revealed an outstanding balance of Rs.2,416.16 million against PMLTC. NTDC’s efforts to recover the amount were not forthcoming from the record.

Inefficient financial management resulted in non-recovery of Rs.2,416.16 million from PMLTC up to financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that the receivables from PMLTC was a running balance which changes from time to time. As soon as NTDC fully pays PMLTC’s TSP invoice (inclusive of NTDC’s components), PMLTC reimburses NTDC’s share against the specific invoice.

DAC in its meeting held on December 24, 2024 directed the management to get the record verified from Audit within two (02) days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No. 689/2024-25)

1.6.11 Procurement of material without preparation of National Standard Bidding Documents - Rs.1,575.82 million

According to directions issued by PPRA vide SRO 370 (I)/2022 dated March 2, 2022, “the procuring agencies shall use National Standard Procurement Documents for national/ international competitive bidding.

During audit of the accounts of TESCO for the financial year 2023-24, it was observed that the bidding documents prepared to procure electrical material valuing Rs.1,575.82 million were not in line with the Standard Form of Bidding

Documents for procurement of Goods issued by the Pakistan Engineering Council. The bidding documents prepared by the company were incomplete, and lack significant sections such as instructions to bidders, bidding data, bid forms with appendices, bid schedules, general conditions and particular conditions of the contract. In fact, all the three important documents i.e. Bidding Documents, Letter of Intent and Purchase orders were merely duplicate copies of each other.

Violation of directions of PPRA resulted in procurement of material amounting to Rs.1,575.82 million without preparation of National Standard Bidding Documents up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that TESCO's bidding documents contain all essential aspects and follow the standard format used by all DISCOs. The PPMC has advised all DISCOs to use the PEC Standard Bidding Documents. These documents are approved by DISCOs/PEC and are well-established forms. PPRA bidding documents have been objected to by PEC for technical/engineering usage. Each bid document is adjusted as needed for procurement.

DAC in its meeting held on January 7-8, 2025 directed the management to standardized the Bidding Documents as per National Standard Procurement Documents and get it verified from Audit within three (03) days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1137/2024-25)

1.6.12 Irregular award of purchase orders without obtaining performance guarantees - Rs.1,481.09 million

As per section (B) Special Condition Clause 4 of LOI dated stated that “You are required to furnish Performance Guarantee amounting to Rs.38.47 million in shape of Bank Guarantee or call deposit receipt issued from any scheduled bank of Pakistan equal to 05% of the total value of letter of intent valid for 24 months after completion of supply within 15 days from the date of issue of this letter of intent, otherwise delay will be on your part and delays delay will be deducted from the delivery schedule at the time of issuance of P.O.

During audit of the accounts of GEPCO for the financial year 2023-24, it was observed that two tenders were opened for procurement of single/three phase

meters. Accordingly, a Letter of Intent (LoI) was issued to the lowest evaluated bidders i.e. M/s Creative Electronics and M/s KBK on September 14, 2023 and June 16, 2023. The firms did not provide the required performance guarantees within 15 days and a notice was issued on October 3, 2023 to the firms for submission of requisite performance guarantee. In response to the management letter, the firms stated that they were not in position to submit the required 5% performance guarantee amounting to Rs.74.05 million of subject LoI and requested that purchase order may be issued with the provision that amount of performance guarantee may be withheld from their initial payment until required guarantee was submitted. Eventually, the purchase order was placed on October 26, 2023 without obtaining performance guarantees with the condition to withheld an amount equal to five percent from the initial payment to supplier. Audit held that issuance of purchase orders in violation of bidding conditions in such a manner without obtaining performance guarantees was irregular and unjustified. Thus, undue favor was provided to the suppliers by violating the rules.

Non-adherence to the Special Condition Clause of LOI resulted in irregular issuance of purchase orders amounting to Rs.1,481.09 million without obtaining performance guarantees up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that GEPCO urgently needed material, but the vendor's bank limit had expired. The vendor requested a 5% deduction from the first bill, which was done. Later, the performance guarantee was submitted, and the deducted amount was released.

DAC in its meeting held on December 23, 2024 directed the management to probe the matter at CEO level within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1539/2024-25)

1.6.13 Illegal award of contract to M/s PAN Power – Rs.1,010.90 million

As per Public Procurement Rule 19(b), if the bidder fails to perform contractual obligations during execution or breaches the contract due to his capability to perform or otherwise the bidder can be declared black listed and debarred for participation of public procurement for a period of not more than three years.

During audit of the accounts of HESCO for the financial year 2023-24, it was observed that a Purchase Order No 03-03466 dated April 18, 2023 for 520 distribution transformers of 200 KVA capacity at a total cost of Rs.1,010.90 million was awarded to M/s Pan Power international Pvt. Ltd. Lahore. However, the firm was declared as blacklisted by MEPCO due to non-performance of contractual obligations and was debarred for participation in respective category of public procurement or disposal proceedings for a period of three years from the date of issuance of letter by Director Procurement Distribution MEPCO Multan No. 921-45 dated November 15, 2022. HESCO awarded the contract to the blacklisted / debarred firm M/S Pan Power international Pvt. Ltd., Lahore in violation of the Public Procurement Rules.

Non-adherence to PPRA Rules resulted in illegal award of contract to Rs.1,010.90 million to the debarred firm M/s Pan Power international Pvt. Ltd., Lahore up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that Purchase Order was awarded to the firm after observing all codal formalities and PP Rules. The blacklisting order of the firm had been suspended by the Honorable High Court, Islamabad vide order dated March 07, 2023.

DAC in its meeting held on January 20-21, 2025 directed the management to inquire the matter at Ministry level besides getting the clarification from PPRA in the matter and share its outcome with Audit within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1337/2024-25)

1.6.14 Delayed settlement from SSGCL creating financial constraints of JPCL - Rs.946.00 million

According to the meeting of the Inter-Ministerial Committee comprising Secretary, Petroleum Division and Secretary, Power Division held on 08.05.2023, it was directed to JPCL and the SSGCL to submit data regarding actual loss suffered by the companies.

During audit of the accounts of GENCO-I for the financial year 2022-23 and 2023-24, it was observed that Jamshoro Power Company Limited (JPCL)

and Sui Southern Gas Company Limited (SSGCL) had engaged in a longstanding dispute over the non-supply of the minimum guaranteed gas quantity since September 2010 under the gas supply agreement (GSA) which was signed on 10.04.1995. Upon direction of PAC, Inter Ministerial Committee was constituted and revised claims from both parties were submitted before the committee in its meeting held on 08.05.2023. As a result, a net amount of Rs.946.00 million was deemed recoverable from SSGCL to JPCL. Despite the Committee's recommendation for the payment of Rs.946.00 million, the Petroleum Division and SSGCL had not resolved the recovery issue leaving JPCL unable to access these funds.

Lack of prompt resolution in Government entities resulted in blocked revenue due to the delayed settlement from SSGCL creating financial constraints for JPCL amounting to Rs.946.00 million up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that Ministry of Energy had requested the Petroleum Division vide letter dated 21.08.2024 to instruct SSGCL to settle the outstanding amount, ensuring compliance with the committee's decision and facilitating JPCL's revenue recovery. JPCL had again written letter to Ministry of Energy (Power Division) dated 14.11.2024 for settlement of claim. However, JPCL remains committed for resolving this issue through inter-departmental collaboration and was actively following up with the Ministry of Energy to expedite the Petroleum Division's actions.

DAC in its meeting held on January 9, 2025 directed the management to pursue the matter at ministry level expeditiously and inform the latest status to Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1425/2024-25)

1.6.15 Non-enhancing value of performance security due to increase in contract price through variation orders – Rs.877.33 million

According to Appendix-1 (C-1) of Contract Agreement, Bank Guarantee for full 10% amount by the contractor initially valid till scheduled date of completion of testing and commissioning of the transmission line and its taking over by the Employer and shall be extended from time to time till the actual date

of successful completion of testing and commissioning of line and its taking over by the Employer.

During the audit of the accounts of CASA-1000 NTDC for the financial year 2023-24, it was observed that additional guarantees were to be submitted for the contract as per the contract clauses. The contractor provided enhanced performance security amounting to US\$ 2.901 million and remaining guarantee of enhanced amount i.e. Rs.877.33 million (US\$ 3.152 million x Rs.278.34) was still pending for which the reminder was also sent to M/s NETRACON but needful was not done.

Non-adherence to the contract provisions resulted in non-enhancement in value of performance security amounting to Rs.877.33 million due to increase in contract price up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that the matter was taken up with the Owner Engineer (OE) M/s CESI on the advice of IsDB and opinion of M/s CESI was solicited. The opinion of OE was shared with IsDB wherein it was mentioned that the performance Guarantee can be aligned with the original value of Contract.

DAC in its meeting held on November 8, 2024 directed the management to submit supporting documents for verification within a week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of the DAC's decision.

(Draft Para No. 1484/2024-25)

1.6.16 Non-regularization of PIC services for Jamshoro Coal Power Project due to pending approval of variation order – Rs.870.18 million

According to Rule 5(5) of Public Sector Companies (Corporate Governance) Rules, 2013, “the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders”.

During audit of the accounts of GENCO-I for financial years 2022-23 and 2023-24, it was observed that Board's SP &RM committee in its 36th meeting held on December 28, 2023 recommended the variation order No.11 for extension of time based contract with MML-MMP JV of Project Implementation

Consultancy (PIC) services for the period of twelve month from 1st July, 2023 to 30th June 2024 at cost US\$ 3.032 million (Cumulatively, US\$ 2.044 million + PKR 283.58 million @287 PKR per US\$). The variation order was recommended to regularize the services rendered by MML &MMP and validation of PIC certification/verification of EPC contractor's invoices and invoices would be backed up by MML/MMP or on the field verified by Project Implementation Unit (PIU). Moreover, it has recommended for re-appropriation of US\$ 3.032 million in ADB Loan No.3092 from the head of "capacity development/ un-allocated" to the head "PIC Consultancy Services" to meet the expenses of expert remunerations and contingency payments under variation order No.11. But, BoD in its 155th meeting held on 15.01.2024 had deferred the implementation of VO-11 till the finalization of findings of inquiry committee report by GHCL. However, legitimacy of services rendered by the PIC during the year 2023-24 without approval of Variation order No.11 from BoD and concurrence from ADB could not be ascertained. Although, engagement of PIC till COD and post COD of EPC-Lot-I, 660 MW coal fired power project Jamshoro was required to be rationalized through approval of VO-11. The deferment of VO-11 by the BoD, while awaiting inquiry results, had led to financial uncertainties for the PIC services essential to the project's operational continuity and contractual obligations under the ADB loan agreement.

Inefficient project management resulted into non-regularization of PIC services for Jamshoro Coal Power Project due to pending approval of Variation Order amounting to Rs.870.18 million (US\$ 3.032 million) up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that project activities had never been hampered on account of non-payment to project consultant. The deferred payments would be regularized and released, once the BoD approval and ADB "No Objection Letter (NOL) issued.

DAC in its meeting held on January 9, 2025 directed the management to expedite the approval from BoD and ADB and share the GHCL's inquiry committee report with Audit within one week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1428/2024-25)

1.6.17 Non-finalization of complaint regarding unfair tendering and evaluation by GEPCO against procurement of insulated bucket mounted utility vehicles - Rs.827.01 million

According to Section 33 (2) of State-Owned Enterprises (Governance and Operations) Act, 2023, “the Division to which the business of a state-owned enterprise has been allocated under the Rules of Business, 1973 shall co-ordinate with the Board of such state-owned enterprise to monitor compliance with the provisions of this Act, including, without limitation, with respect to the development of the business plan, statements of corporate intent, the annual reports, timely establishment of systems of internal controls of the state-owned enterprise, appointment of the Chief Executive Officer, and reporting to the central monitoring unit”.

During audit of the accounts of MoE (Power Division) for the financial year 2022-23, it was observed that a complaint regarding unfair tendering and evaluation by GEPCO in Tender No. 141 for procurement of insulated bucket mounted utility vehicles was received in Power Division. The contents of the complaint highlighted certain deficiencies which apparently depicted that the said tender was tailored for award to a choice of supplier. However, no response had so far been received from GEPCO authorities nor any further action was taken by Power Division in this regard. Moreover, audit observed that the NTDC had revised the specification DDS-11:2023 dated 13.04.2023 for insulated bucket mounted utility vehicle, which superseded the previous specifications DDS-11:2019 and applicable immediately from the date of issuance of letter, were not implemented by GEPCO as purchase order dated 20.04.2023 amounting to Rs.827.01 million was issued under previous NTDC specification DDS-11:2019.

Non-adherence to the provisions of State-Owned Enterprise Act-2023 resulted in non-finalization of complaint regarding unfair tendering and evaluation by GEPCO against procurement of insulated bucket mounted utility vehicles amounting to Rs.827.01 million up to the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management responded that the reply would be furnished after consulting the record.

DAC meeting was held on September 25, 2024 but the matter could not be discussed due to non-provision of record to Audit for verification, and further schedule of meeting was not conveyed by the Ministry till finalization of the report.

Audit recommends inquiring the matter for fixing responsibility.

(Draft Para No. 233/2024-25)

1.6.18 Non-forfeiture of bank / performance guarantees / securities – Rs.825.91 million

As per clause 15 A (1) of the Purchase order, if the contractor fails to supply the goods within the time specified the contracting officer have the right to forfeit the security/ performance guarantee.

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that in fifty two (52) cases, the contractors/suppliers failed to complete the works/deliver the material within stipulated time period. Neither the bank / performance guarantees / securities amounting to Rs.825.91 million submitted by the contractors/suppliers were forfeited nor any action was taken against them as per contractual provisions. The detail is as under:

Sr. No.	Name of Company	No of cases	Period	Amount (Rs.in million)
1.	GEPCO	05	July, 2023 to June, 2024	214.96
2.	HESCO	15	July, 2023 to June, 2024	42.53
3.	IESCO	13	July, 2023 to June, 2024	511.47
4.	LESCO	9	July, 2023 to June, 2024	5.53
5.	MEPCO	5	July, 2023 to June, 2024	18.33
6.	PESCO	2	July, 2023 to June, 2024	4.92
7.	QESCO	3	July, 2023 to June, 2024	28.17
	Total	52		825.91

(Source: Purchase Orders of the DISCOs)

Non-adherence to the contract / purchase order clauses resulted in non-forfeiture of bank/performance guarantees/securities amounting to Rs.825.91 million up to the financial year 2023-24.

The matter was taken up with the management during August to November, 2024 and reported to the Ministry during October to November, 2024 and January, 2025. The management replied that in some cases either the performance guarantee would be forfeited or L.D. would be recovered. In few cases the matter was subjudice. HESCO management replied that as per purchase order clause partial material had been delivered. LD would be imposed accordingly.

DAC in its meetings held during November 28-29, December 23, 26-27, 2024 and January 7-8, 13, 15-16, 20-21, 2025 directed the management to take

action as per P.O and get the recovery of LD and forfeiture of performance guarantees verified from Audit within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No. 1.6.9 having financial impact of Rs.4,069.37 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (471, 885, 1541)(1350, 1405, 1435) (307, 466, 986) (836, 879) (259, 263, 715) (256) (551, 1167)/2024-25]

1.6.19 Irregular acceptance of IEC standards instead of NTDC specifications for tubular poles – Rs.701.95 million

According to NTDC specification, P-166:83 requires a holding time not less than 05 minutes for the loading test for each loading step.

During audit of the accounts of MEPCO for the financial year 2023-24, it was observed that a Purchase Order No. 7700000260 dated May 20, 2024 was issued to M/s Umair Industries (SMC Pvt.) Limited for supply of 132Kv Steel Tubular Poles (SPA, SPD and SPG) amounting to Rs.701.95 million. The said contractor submitted IEC standards tests instead of NTDC approved standards in bid evaluation stage. The management accepted that test and awarded the contract on the basis of IEC standards. Audit held that issuance of PO without clarification from NTDC regarding the test of material tantamount to undue favor granted to contractor.

Non-adherence to NTDC specification resulted in irregular award of purchase order Rs.701.95 million up to the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in October, 2024. The management replied that after inspecting type test result as per NTDC type test policy 2023, the evaluation committee declared the firm technically responsive. The NTDC type test policy stated clearly that for the purpose of type testing, latest IEC/other applicable international standards shall be applicable.

DAC in its meeting held on November 29, 2024 directed the management to get the opinion from NTDC regarding the matter highlighted by Audit and provide the same to Audit within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.257/2024-25)

1.6.20 Irregular acceptance of electrical material without mandatory inspection of PPMCL – Rs.687.48 million

According to minutes of meeting between PEPCO & NTDC to discuss the modalities for taking over the DISCOs related functions of material inspection (MI)/ Quality Assurance & Inspection (QA&I) from NTDC to PEPCO, “NTDC principally agreed for the reversion of only the DISCOs related function of QA&I from NTDC to PEPCO i.e. inspection of distribution material (11kV & below) against Mass Production as per Ministry of Energy (Power Division) letter No. 1(2)/2015 NTDC dated July 27, 2020 and for this purpose all regular officers and officials of NTDC presently working in the MI/(QA&I) office shall be granted deputation with PEPCO w.e.f. September 01, 2020. Further the existing manpower of NTDC will assist PEPCO in capacity building of its staff. According to the provisions of Bidding Documents regarding Inspection, “inspection of material will be carried out at manufacturer works by the authorized representative of Chief Executive Officer (CEO) TESCO along with representative of Chief Engineer (CE) Material Inspection (MI), PPMC OR Only by the representative of Chief Engineer Material Inspection (MI), PPMC Lahore.”

During audit of the accounts of TESCO for the financial year 2023-24, it was observed that inspection of electrical material valuing Rs.687.48 million procured under twenty six (26) purchase orders was carried out in violation of the mandatory inspection mechanism established between PEPCO and NTDC for material quality assurance. The bidding documents clearly stipulate that inspections should be conducted by the authorized representative of CEO TESCO along with a representative from CE Material Inspection (PPMCL) or solely by the CE Material Inspection (PPMCL). However, the clause requiring the CE Material Inspection's involvement was excluded while issuing Letters of Intents (LoIs) and Purchase Orders (POs). Resultantly, the inspection of the material was carried out by the representative of CEO TESCO only. The scenario depicted that not only quality of the distribution material was compromised but also undue favour was extended to suppliers/ manufacturers through malafied intentions by gross violation of the mandatory mechanism for inspection of material.

Non-adherence to the agreed mechanism for inspection of material/ provisions of bidding documents resulted into irregular acceptance of electrical

material without inspection of PPMCL amounting to Rs.687.48 million up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that TESCO had made provision of joint inspection in the bidding documents where required. However, PPMC has not enforced joint inspection through any office so far.

DAC in its meeting held on January 7-8, 2025 directed TESCO management to take up matter with PPMC and provide written statement NOC from PPMC that inspection can be done by TESCO alone. Performance certificates of material Inspected by TESCO be provided to Audit for verification within one week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.1086/2024-25)

1.6.21 Irregular procurement of material from debarred manufacturer – Rs.685.82 million

According to Clause 19(4) of PPRA, “a bidder who has been declared blacklisted or debarred by a foreign country, international organization or other foreign institutions shall be treated as blacklisted and debarred from participating in any public procurement proceedings or entering into any public contract for such a period as declared by that foreign country, international organization or other foreign institutions: Provided that in case of public sector entities, the Board shall have the power to review and examine the case on the basis of evaluations made by the Authority, and decide the case accordingly.”

During audit of the accounts of TESCO for the financial year 2023-24, it was observed that two (02) purchase orders bearing No.1084-89 and 1280-85 valuing Rs.685.82 million were awarded to M/s Siddique Sons. The material supplied by the said supplier was manufactured by M/s Sieyuan Electric Co. The said manufacturer was debarred by Asian Development Bank for two years w.e.f. 26.05.2023 due to fraudulent practices involving falsified compliance test certificates. According to Public Procurement Rules, the manufacturer should have been blacklisted and debarred from participating in public procurement but the same was not done. Resultantly, material valuing Rs.685.82 million procured from the debarred manufacturer was termed as irregular.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that documents revealed that the supplier was blacklisted only for ADB-funded projects.

DAC in its meeting held on January 7-8, 2025 directed the management to produce record to Audit whether M/s Siddique Sons is the local authorized agent of M/s Sieyuan Electric Co or otherwise within 03 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.1540/2024-25)

1.6.22 Non-extension of warranty period due to failure of short circuit test – Rs.540.98 million

According to clause 19.4 (i) of Revised NTDC specification No. DDS-84:2020 for oil hermetically sealed distribution transformers, “In case of rejection of lot due to failure in temperature rise, impulse test and short circuit tests, the WARRANTY PERIOD of the subsequent and already supplied transformers during validity period of test, for the failed rating and design against all purchase orders/ contracts shall be DOUBLE from the date of receipt of transformers at consignee's store against period specified in clause “WARRANTY” of the tender/ purchase order. The extended warranty shall be printed by the manufacture on all subsequent transformers.”

During audit of the accounts of PESCO for the financial year 2023-24, it was observed that a purchase order for supply of 566 distribution transformers of 100 KVA capacity amounting Rs.540.98 million was placed to M/s Hammad Engineering Company Pvt. Ltd. 01 transformer offered by the supplier for inspection was sent to HV&SC Lab Rawat for annual short circuit test. The said transformer failed to qualify the required test. Hence, as per provisions of rules the manufacturer was required to extend the warranty of subsequent and already supplied transformers during validity period of test, by doubling the warranty period as stipulated in the purchase order. However, the same was not done.

Non-adherence to the provisions of the revised NTDC specification resulted in non-extension of warranty period of transformers amounting Rs.540.98 million due to failure of short circuit test up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that as per PPMC letter No. 5024-27 dated May 16, 2024 and PESCO letter No. 6967-68 dated May 31, 2024, the warranty has been extended for one year. The firm's written reply is still awaited. Audit will be updated upon receipt of the firm's response.

DAC in its meeting held on January 7-8, 2025 directed the management to ensure compliance regarding production of record in light of re-audit remarks within three days besides initiating action against responsible within two weeks.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.1278/2024-25)

1.6.23 Non-replacement of defective / out-of-order material under warranty period - Rs.530.90 million

According to Clause 9 of Purchase Order, 'the supplier will furnish a warranty certificate, certifying that goods supplied conform exactly to the specifications laid down in the contract and are brand new and that in the event of the material being found defective or not conforming to the specifications / particulars governing supply at the time of delivery and for a period of 12-months from the date of completion of supply, he will be held responsible for all losses and that unacceptable goods shall be substituted with the acceptable at their expense and cost.

During audit of the accounts of DISCOs for the financial year 2023-24, electrical material and equipment comprising 270 distribution transformers, 300,692 single and three phase energy meters and 19 AMI electric meters worth Rs.530.90 million were got defective / damaged under warranty period and not got replaced from the manufacturers / suppliers. The detail is as under:

<i>(Rs.in million)</i>				
Sr. No.	Company	No of Transformers	Aging	Amount
1.	FESCO	23	July, 2023 to June, 2024	21.24
2.	HESCO	102	July, 2023 to June, 2024	62.03
3.	IESCO	0	July, 2023 to June, 2024	0.36
4.	LESCO	55	August, 2022 to June, 2024	222.72
5.	MEPCO	2	March, 2024 to June, 2024	1.25
6.	PESCO	0	July, 2023 to June, 2024	179.74
7.	QESCO	11	July, 2023 to June, 2024	9.19

8.	SEPCO	77	November, 2019 to July, 2022	67.21
	TOTAL	270		563.74

(Source: Purchase Order files)

Non-adherence to warranty clause of purchase order resulted in non-replacement of defective / out of order electrical material worth Rs.530.90 million under warranty period from manufacturers / suppliers up to the financial year 2023-24.

The matter was taken up with the management during September to November, 2024 and reported to the Ministry during October to November, 2024. The management replied that some of the material had been received from suppliers / manufacturers and efforts were being made to receive the remaining material.

DAC in its meetings held during November 28-29, December 12-13, 23, 26-27, 2024 and January 7-8, 13, 15-16, 20-21, 2025 directed the management to get the record of completed actions verified from Audit within a week and complete the pending actions expeditiously.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No. 1.6.46 having financial impact of Rs.97.51 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (902) (1379) (1419) (352, 379, 840, 867, 914) (738) (1258) (1244) (779)/2024-25]

1.6.24 Suboptimal performance of consultants due to non-preparation of completion reports of completed works – Rs.456.63 million

According to Article-4.4 of Consultancy Services Agreement with M/s BARQAB, “the Consultants shall submit to the client monthly progress reports and project completion reports of the works completed shall return after vetting within 15 days from the date of submission and prepare completion report (A-90) within month.”

During audit of the accounts of GEPCO for the financial year 2023-24, it was observed that seventy nine (79) works amounting Rs.456.63 million were completed by the field formations during the financial year 2023-24 but completion reports of these works were neither returned after vetting within 15 days from the date of submission nor the completion reports (A-90) were

prepared by M/s BARQAB up to July 29, 2024. Hence, delay in preparation of completion reports caused non-capitalization of works and expenditure could not be transferred.

Non-adherence to the provisions of Consultancy Services Agreement resulted in poor performance of the consultant and non-capitalization of completed works valuing Rs.456.63 million up to the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in November, 2024. The management replied that 79 works would be capitalized in monthly account of December, 2024 and after capitalization, the record would be produced to Audit for verification.

DAC in its meeting held on December 23, 2024 directed the management to get the record of completed action verified from Audit within a week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 339/2024-25)

1.6.25 Non-execution of works at the risk and cost of defaulted contractor engaged in fraudulent practice by submitting fake performance guarantee – Rs.424.45 million

As per Para no.4 of Integrity Pact of Contract No. XEN-PL-13/2021, "M/s Ibrahim Builders Pvt. Ltd. accepts full responsibility and strict liability for making any false declaration, not making full disclosure, misrepresenting facts and taking any action likely to defeat the purpose of this declaration, representation and warranty. It agrees that any contract, right, interest, privilege or other obligation or benefit obtained or procured as aforesaid, shall without prejudice to any other right and remedies available to GOP/NTDC under any law, contract or other instrument, be voidable at the option of GOP/NTDC.

During audit of the accounts of NTDC for the financial year 2023-24, it was observed that performance guarantee submitted by M/s Ibrahim Builder (Pvt.) Ltd. against Contract No. XEN-PL-13/2021 for construction of residential colony and allied services at 220KV/132KV Grid Station Nowshera, awarded on March 18, 2022, was found fake when its authenticity was confirmed from the concerned bank on April 2, 2024. Resultantly, the contract was terminated, however, necessary punitive actions including execution of works at the risk and cost of contractor had not so far been initiated by the management. It is pertinent

to mention here that previously the said contractor was also involved in fraudulent practice with National Insurance Company Limited (NICL) regarding all risk insurance policy against the said contract as confirmed by NICL letter dated October 13, 2022, but action taken against the said contractor, in this regard, was not forthcoming from the record.

Non-adherence to the provisions of contract agreement resulted in non-execution of works amounting to Rs.424.45 million at the risk and cost of defaulted contractor engaged in fraudulent practices by submitting fake performance guarantee up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that contract would be executed at the risk and cost of the contractor and amount would be recovered from the contractor.

DAC in its meeting held on December 24, 2024 directed the management to initiate action against the bank for provision of fake verification of original performance guarantee and acceptance of the said guarantee by MP&M without ascertaining email confirmation besides expediting punitive action against the defaulted contractor in the light of contractual terms and conditions and PP rules.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1504/2024-25)

1.6.26 Irregular award of contracts due to inclusion of deficient financial eligibility criteria in bidding documents - Rs.422.87 million

According to Financial Competence and Access to financial Resources (Appendix –M) of standard bidding documents for procurement of civil works single stage-Two Envelopes (SSTE) Bidding Procedure, the financial position of the bidder shall be checked as per Appendix-M.

During audit of the accounts of PESCO for the financial year 2023-24, it was observed that 11 contracts, totaling Rs.422.87 million were awarded based solely on average annual turnover, deviating from standard bidding criteria. Standard documents required evaluating financial health through working capital and line of credit in addition to turnover. This discrepancy rendered the award of contracts irregular due to inclusion of deficient financial eligibility criteria.

Non-adherence to standard bidding documents resulted in irregular award of contracts due to inclusion of deficient financial eligibility criteria in bidding documents Rs.422.87 million up to the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in November, 2024. The management replied that the AATO criterion (70%) ensures the bidder's stable and sustainable business through their turnover over the past three years, reflecting financial reliability. Cash flows (30%) demonstrate the bidder's ability to generate liquid funds for project demands without relying solely on advances, ensuring execution continuity. Standard Bidding Documents (SBDs) recommend evaluating a bidder's financial health using AATO, working capital, and cash flows. Future bids will follow standard bidding documents and audit team recommendations, incorporating a holistic evaluation of financial resources for stability and liquidity.

DAC in its meeting held on January 7-8, 2025 directed the management to re-submit the reply in light of Appendix-M of the standard bidding documents and to get the record verified from Audit within three days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.642/2024-25)

1.6.27 Irregular award of contract for Group Health Insurance for NTDC employees due to deficient bid evaluation – Rs.401.27 million

According to Rule 25 of Public Procurement (PP) Rules, 2004, “the procuring agency may require the bidders to furnish a fixed amount of bid security not exceeding five percent of the estimated value of procurement determined by the procuring agency”. Further, according to Rule 31 (1) of IBID, “no bidder shall be allowed to alter or modify his bid after the bids have been opened. However, the procuring agency may seek and accept clarifications to the bid that do not change the substance of the bid.” Further, according to Eligibility Criteria of Request for Proposal (RFP) Clause 3 sub Clause 3.1 of annex 2 (TOR) for firms, “years of business in health insurance in Pakistan (excluding micro health insurance business). Evaluation to be made on the basis of date on Certificate of Registration. A certificate of registration stating ‘Health Insurance’ as class of

business shall be considered valid certificate of Registration and/ or documents mentioned in clause 2 of TOR's”.

During audit of the accounts of NTDC for the financial year 2023-24, it was observed that RFP for Group Health Insurance for NTDC employees was opened on 22.11.2022. According to provision of the bidding documents, the bidder was required to submit 2% of the quoted price as bid security in form of CRD or bank guarantee. In response to RFP, four bidders i.e. M/s Allianz EFU Health Insurance Ltd, M/s Jubilee Life Insurance Corp. Ltd, M/s Adamjee Insurance Company and M/s Askari General Insurance submitted bids. During technical evaluation, the bids of M/s Adamjee Insurance Company and M/s Jubilee Life Insurance Corp. Ltd were declared as non-responsive and subsequently not considered for financial evaluation. Resultantly, the contract was awarded to M/s Askari General Insurance at a cost of Rs.401.27 million for a period of three years. The technical evaluation declaring M/s Adamjee Insurance Company and M/s Jubilee Life Insurance Corp. Ltd was deficient on the following grounds:

a) M/s Adamjee Insurance Company was not considered for technical evaluation and declared as non-responsive due to non-submission of undertaking of bid security along with technical proposal. Audit is of the view that the management had violated the provision of PPRA Rules by requiring bid security of the quoted bid price instead of fixed amount/ percentage of the estimated value of procurement. Secondly, the management had the option to obtain post bid clarification from the bidder as this would in no way change the substance of the bid but the same was not done. Further, M/s Adamjee Insurance extended validity of bid security subsequently on March 20, 2024 and valid bid security was also found submitted along with financial proposal as depicted by release of bid security duly discharged by NTDC dated July 31, 2023. Moreover, bid security furnished by one of the technical responsive bidders i.e. M/s Allianz EFU Health Insurance found incorrect during financial evaluation despite the fact that the bidder had submitted undertaking in this regard along with its technical proposal. Resultantly, the bidder who did not furnish undertaking and had submitted valid bid security with financial proposal was not considered for technically evaluation whereas the bidder who submitted undertaking but had

submitted incorrect bid security in financial proposal was considered for technical evaluation.

b) The bid of M/s Jubilee Life Insurance Corp. Ltd was declared technically non-responsive as the bidder obtained 68.75% marks instead of minimum 70% marks required for technical responsiveness. Audit observed contradiction in determination of marks for years of business in Health in Pakistan (Eligibility Criteria of Request for Proposal (RFP) Clause 3 sub clause 3.1 of annex 2 TORs for firms). As the technical evaluation committee granted 12 marks to the said bidder whereas it was recorded as 07 marks in the final evaluation report approved by MD NTDC/ BoD. Further, audit also observed discriminative evaluation with respect to M/s Jubilee Life Insurance and M/s Askari General Insurance. As M/s Jubilee Life Insurance was granted marks on the basis of Certificate of Registration from SECP but M/s Askari was granted marks on the basis of Annual Report, which was not a prescribed yardstick of the qualification criterion.

Keeping in view the deficiencies in bid evaluation process, the award of contract for Group Health Insurance for NTDC employees to M/s Askari General Insurance Company Ltd. Valuing Rs.401.27 million was termed as irregular.

Non-adherence to the provisions of Public Procurement Rules/ bidding documents resulted in irregular award of contract amounting to Rs.401.27 million due to deficient bid evaluation during the financial year 2023-24.

The matter was taken up with the management in November, 2024 and reported to the Ministry in December, 2024. The management replied that this assignment was undertaken for the very first time, therefore, fixed amount of bid security on the engineer's estimates was not determined. Further, non-submission of undertaking along with technical proposal made the bid of M/s Adamjee Insurance Company incomplete. Moreover, marks were awarded to M/s Jubilee Insurance in accordance with the criteria set forth in the RFP.

DAC in its meeting held on December 24, 2024 directed MD NTDC to probe into the matter and submit its report to Audit within three (03) weeks.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1503/2024-25)

1.6.28 Undue favour to supplier for procurement of Circuit Breakers - Rs.398.96 million

According to Rule-5(5) of Public Sector Companies (Corporate Governance) Rules-2013, “the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders”.

During audit of the accounts of MEPCO for the financial year 2023-24, it was observed that Board of Director of MEPCO approved procurement of 145KV SF-6 Gas Circuit Breakers valuing Rs.398.96 million from single bidder i.e. M/s Siddique Sons (Pvt.) Ltd, despite the firm being engaged in litigation against MEPCO involving Rs.512.139 million. Three enquiry committees were constituted on June 26, 2024 due to non-delivery of materials by the firm. Award of purchase order to the firm already failed to deliver the supply and gone into litigation was undue favor and unjustified.

Non-adherence to Authority’s instructions resulted in undue favour to supplier for procurement of Circuit Breakers amounting to Rs.398.96 million during the financial year 2023-24.

The matter was taken up with the management in October, 2024. The management replied that tender was awarded to M/s Siddique Sons single bidder after fulfilment of all formalities and with approval of BoD. The reply was not tenable as awarding of contract to M/s Siddique Sons who was already engaged in litigation due to non-fulfilment of previous contracts is unjustified.

Audit recommends inquiring the matter for fixing responsibility.

(Draft Para No.1542/2024-25)

1.6.29 Irregular award of contracts in violation of Public Procurement Rules - Rs.391.78 million

According to Rule 38-B(1&2) of Public Procurement (PP) Rules, the procuring agency shall consider single bid in goods, works and services if it: (a) Meets the evaluation criteria, ensures compliance of specifications and other terms and conditions expressed in advertisement or bid solicitation documents; (b) is not in conflict with any provision of the Ordinance; (c) conforms to the technical specifications; and (d) the procuring agency shall make a decision with

due diligence and in compliance with general principles of procurement like economy, efficiency and value for money.

During audit of the accounts of IESCO for the financial year 2023-24, it was observed that three (03) contracts for procurement of electrical material were issued to M/s EMCO Industries (Pvt.) Limited and M/s Specialist Group amounting to Rs.113.136 million, Rs.179.136 million and Rs.99.618 million respectively. Audit observed following discrepancies:

i. M/S EMCO Industries (Pvt.) Limited was awarded contract for supply of 80 KN, 100 KN Disc Insulator and 11Kv Post insulators. During evaluation process, rate analysis was only prepared for Disk insulator 80 KN with GEPCO. Rate analysis for other item i.e. 11-kV Post Insulator & Disc insulator 100KN was not prepared with any other company during evaluation of single bidder.

ii. M/s Specialist Group was awarded contract for supply of 220 KV D/C tower type EA, ED. During technical evaluation process, it was disclosed that the bidder offered weight of 8-meter single leg 726 kg instead of 809 kg, and offered weight of 4 meter single & 6 M single leg extension 462 & 675 kg respectively instead of 453 & 662 kg which was lesser than the standard approved drawing and BoQ of Leg extension for 220KV D/C EG tower.

iii. M/s Specialist Group was awarded contract for procurement of Lattice Steel Tower with a contract price of Rs.116.309 million (Rs.99.618 million + 17% GST amounting to Rs.16.660 million) with the approval of Chief Executive Officer. According to book of financial powers, the approval of the contract was in the competency of the BoD instead of CEO. Audit held that the management intentionally excluded GST amount to keep the contract amount within the financial competency of CEO which was irregular.

Non-adherence to PP Rules resulted in irregular award of contracts amounting to Rs.391.783 million up to the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in November, 2024. The management replied that NCB-103 M/s EMCO Industries Limited – Rs.113.029 million BoD accorded approval of subject procurement after detailed deliberation. NCB-94 M/s Specialist Group - Rs.179.136 million test inspectors conducted Factory acceptance tests as per WAPDA/NTDC specification P-139:80. At site both inspectors checked the

weight which was according to specification. NCB-61-R M/s Specialist Group-Rs.99.618 million. As per SoP of procurement adopted in all DISCOs of Pakistan, bid offers were always demanded excluding GST as government taxes may vary during the course of contract. In invitation of bid, the cost demanded were excluding of GST. According to book of Financial Power, the approval of the contract was in the Competency of CEO i.e., up to 100 million.

DAC in its meeting held on January 13 and 15, 2025 directed the management to submit revised reply and get the record in support of reply verified from Audit within one week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.480/2024-25)

1.6.30 Non-supply of material due to delay in approval of type test - Rs.386.90 million

According to ITB-12.2 (c) "The bidder will submit valid and latest prototype approval of 11Kv switchgear panel (outgoing) as per specification from NTDC at the time of the bid submission. If the bidder does not possess the valid prototype approval, the successful bidder shall have to apply for the same and submit complete drawing and samples for prototype testing to Chief Engineer (S&S) NTDC before mass production within 30 days from the date of issue of Purchase order. Further, as per Clause 5 of Purchase Order "Full quantity shall be delivered within 150 days from the date of prototype approval"

During audit of the accounts of HESCO for the financial year 2023-24, it was observed that a Purchase Order valuing Rs.386.90 million for supply of 11 KV switchgear panels was awarded to M/s Siddique Sons Engineering (Pvt.) Ltd on March 08, 2024, with a delivery period of 150 days. The contractor was required to obtain prototype approval from NTDC within 30 days but failed. Despite reminders, the second prototype was not submitted, leading to the expiry of the scheduled delivery period. The supplier's failure to meet contractual obligations necessitated penal actions, including contract cancellation and forfeiture of the performance guarantee but same was not taken.

Non-adherence to the provisions of bidding documents resulted in non-supply of material amounting to Rs.386.90 million due to delay in approval of type test up to the financial year 2023-24.

The matter was taken up with the management in November, 2024 and reported to the Ministry in December, 2024. The management replied that the prototype approval process was pending at NTDC and it was expected that after the approval, the firm would deliver the 11KV Switchgear Panels Outgoing as per the delivery schedule.

DAC in its meeting held on January 20-21, 2025 directed the management to submit revised reply along with inspection report and get it verified from Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1498/2024-25)

1.6.31 Irregular release of liquidated damages - Rs.304.60 million

According to Section 20 of State-Owned Enterprises (Governance and Operations) Act, 2023, "the Board shall ensure the integrity of the systems of internal control and any person who is found liable for a deviation or violation from the company's code of conduct or other systems of internal control shall be subject to disciplinary proceedings in accordance with the state-owned enterprise's internal policies." Further, as per notification of award of contract conditions, delivery should be made within 150 days from the date of contract signing.

During audit of IESCO and NTDC, it was observed that an amount of Rs.304.60 million was deducted from twenty eight (28) contractors' invoices on account of liquidated damages and subsequently refunded / released to contractors. However, necessary record depicting the circumstances necessitating Extension of Time (EoT) and causes of delay were not made known to Audit. The detail is as under:

<i>(Rs.in million)</i>			
Sr. No.	Name of Company	No. of Cases	Amount
1.	IESCO	03	6.77
2.	NTDC	25	297.83
Total		28	304.6

(Source: Contract Correspondence file)

Non-adherence to provisions of State-Owned Enterprises (Governance and Operations) Act, 2023, resulted in loss due to refund of liquidated damages amounting to Rs.304.60 million up to the financial year 2023-24.

The matter was taken up with the management during August & November, 2024 and reported to the Ministry in October & December, 2024. IESCO management explained that i) M/s Steel Complex (Pvt.) Ltd (NCB-70-R) – Rs.1.150 million: ii) BoD had accorded approval of EOT from September 08, 2022 to September 14, 2022 (06 Days) on recommendation of Standing Committee of EoT. iii) M/s Specialist Group (NCB-61-R) – Rs.4.853 million: EoT granted from August 05, 2022 to October 10, 2022 (i.e. 66 days). iv) M/s Network Services (Pvt.) Limited, Lahore (NCB-81) – Rs.0.769 million.

The Competent Authority accorded approval for extension in delivery period against the subject contract for 42 days due to delay in clearance of raw material from Pakistan Custom. NTDC management replied that LD was refunded to contractors after approval of EOT cases.

DAC in its meetings held on December 24, 2024 and January 13, 15, 2025 directed the IESCO management to get the record in support of reply verified from Audit within two weeks. Further, DAC directed the NTDC management to provide necessary record substantiating justification of EoT cases to audit within one week.

No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para Nos. (465), (1529)/2024-25]

1.6.32 Loss to the PPMC due to irrational extension / renewal of tenancy agreement –Rs.239.69 million

As per the Tenancy agreement made on 31st August, 2021 between Evacuee trust property board (ETPB) & M/s Pakistan Electric Power Company, (PEPCO) clause 1-a “Tenancy period shall be three years, w.e.f. 01.09.2021 to 31.08.2024 with 25% increase after three years.

During audit of the accounts of PPMC for the financial year 2023-24, it was observed that, a tenancy agreement @ Rs.90/SF was signed between the Evacuee Trust Property Board and M/s PEPCO on August 31, 2021, expiring on 31.08.2024. Clause 1(a) of the agreement allowed a 25% rent increase after three years. However, the agreement was renewed for an additional three years at Rs.230/SF giving a 255% increase over the previous rate. Additionally, the management spent Rs.67.37 million renovating the 3rd floor of the building

without securing any rental concessions, resulting in a probable loss of Rs.239.69 million to PPMC.

Non-adherence to the Tenancy agreement resulted in loss to the PPMC due to irrational extension / renewal of tenancy agreement amounting to Rs.239.69 million up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that before expiry of the initial agreement, the case was taken up with Evacuee Trust Board for further renewal of agreement with 25% increase. The ETB offered Rs.230/- per Sqft. per month rent by giving favour to PPMC. Hence, Tenancy Agreement for a period of six years with the said reasonable rate was deemed much more economical than the surrounding commercial buildings.

DAC in its meeting held on January 15, 2025 directed the management to provide the record in support of reply to Audit for verification within a week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1146/2024-25)

1.6.33 Unjustified retendering resulting in inordinate delay in procurement of material - Rs.221.40 million

According to Rule 40(1) of Public Procurement (PP) Rules, 2004, "without changing the cost and scope of work or services, the procuring agency may negotiate with the successful bidder (with a view to streamline the work of task execution, at the time of contract finalization) on methodology, work plan, staffing and special conditions of the contract". Further, as per Rule 31(1) & (2) of ibid, no bidder shall be allowed to alter or modify his bid after the bids have been opened. However, the procuring agency may seek and accept clarifications to the bid that do not change the substance of the bid. Any request for clarification in the bid, made by the procuring agency shall invariably be in writing. The response to such request shall also be in writing.

During audit of the accounts of PESCO for financial years 2022-23 and 2023-24, it was observed that a tender for procurement of 132 kV Bus and Line Isolators was opened on August 28, 2023 wherein M/s EMCO came as a single bidder. The bid of M/s EMCO was declared non-responsive due to non-compliant type test reports by the Evaluation Committee and the tender was

scrapped by the management accordingly. Subsequently, another tender was opened on February 21, 2024 for the same material wherein M/s EMCO was declared responsive bidder. Accordingly, financial bid was opened on May 29, 2024 wherein M/s EMCO quoted lowest rates in the bid than the rates quoted by 2nd lowest bidder M/s Shahzad but the purchase order was not issued to M/s EMCO. The above scenario indicated that first tender was cancelled on the plea of non-submission of type test report by the bidder but the same bidder was declared responsive in second tender. This showed that first tender was cancelled due to ambiguous evaluation process, which caused time and cost overrun.

Non-adherence of Public Procurement Rules, 2004 resulting in unjustified re-tendering due to inordinate delay in procurement of material amounting to Rs.221.400 million up to the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in November, 2024. The management replied that the tender was under process and finalization status would be informed to Audit accordingly.

DAC meeting was held on January 7-8, 2025 but the matter could not be discussed due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days.

Audit recommends probing the matter and justifying the cancellation of first tender and non-issuance of PO in second tender.

(Draft Para No.1423/2024-25)

1.6.34 Irregular payment made on account of repair of damaged transformers without obtaining sample test results- Rs.216.97 million

According to special condition-2(vi) of work order, over and above normal inspection, the regional manager (M&T) and circle Manager (M&T) may carry out all possible and locally available tests, including the routine and sample tests, once during the currency of contract at RTL Faisalabad, HV&SC Testing Lab Rawat Islamabad, manufacturers Lab or any other local independent laboratory approved by the department.

During audit of the accounts of IESCO for the financial year 2023-24, it was observed that payment of Rs.216.97 million was made to the contractors on accounts of repair of various types of damaged transformers. These payments

against invoices/bills submitted by the contractors were made without obtaining test results of repaired transformers. Hence, in the absence of test results of repaired transformers, payment made to the contractors was termed irregular.

Non-adherence to work order clause resulted in irregular payment amounting to Rs.216.97 million to the contractors up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that no specific directives were received from the M&T department for additional sample testing. Thus, there was no deliberate deviation from the clause, and all reclaimed transformers met the specified technical standards. Moreover, only the registered firms participated in the tender of repair of Distt. T/Fs and the same were active taxpayers and registered with federal Board of Revenue/ Sales Tax Department. Prior to issuing the bidding document to the firm/bidder, its Taxpayer certificate was checked in order to ensure that the bidder was registered with federal Board of Revenue and active taxpayer.

DAC in its meeting held on January 13 and 15, 2025 directed the management to provide test results and income tax returns of contractors to Audit for verification within one week and further directed to comply these instructions/ provisions in future work orders in true letter and spirit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1019/2024-25)

1.6.35 Irregularities in award of electrification works under USAID Program – Rs.216.15 million

According to PC-1 of Rehabilitation of 11KV Makeen Feeder & Tiarza Area South Waziristan (USAID): Clause 12 Implementation Schedule: “The duration of the Project has been estimated as 2 years” and Clause 13.3, “Only pre-qualified firms will be allowed to participate in the bidding process.” According to Para 3 of MD PEPCO letter No.2276-80 dated 17.09.2018, “Ex-post-facto approval of TESCO BoD will be obtained upon its reconstitution of the Board of Directors.”

During audit of the accounts of TESCO for financial year 2022-23, it was observed that 15 work orders worth Rs.216.15 million were issued for electrification projects in South Waziristan under USAID program. However,

significant irregularities were observed in the award of these works which include, non-qualified firms received work orders, prequalification was done prematurely, and the project experienced time overruns, tender approvals lacked necessary ex-post-facto endorsements, contractor rates were higher than TESCO rates, and frequent extensions led to delays and undue favor highlighted poor management and internal control lapses.

Non-adherence to clauses of PC-1 resulted in irregularities in award of electrification works of Rs.216.15 million under USAID Program up to the financial year 2022-23.

The matter was taken up with the management in March, 2024 and reported to the Ministry in May, 2024. The management replied that work orders issued to the firms that qualify the pre-qualification criteria issued in “NIT” i.e. experience and required code of PEC, hence, proper compliance to the PPRA rules was made. The area remained under military operation to date, and the situation of law and order was still worst. All approvals were made within the power of the CEO as per financial powers delegated by BoD TESCO. The rates were also analyzed by USAID consultants and donor agency carefully reviewed each job's development before approving it. The project was extended by USAID up to June, 2025.

DAC in its meeting held on September 25, 2024 directed the management to furnish revised reply along with record to Audit within a week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 49/2024-25)

1.6.36 Loss due to irrational procurement decision of Finance & Procurement Committee of Board of Directors - Rs.216.00 million

According to Rule 9 of PP Rules, 2004, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The annual requirements thus determined would be advertised in advance on the Authority's website as well as on the website of the procuring agency in case the procuring agency has its own website.

During Performance Audit of BoD GEPCO for financial years 2021-22 to 2022-23, it was observed that a tender for procurement of six (06) 132/11.5 KV,

31.5/40 MVA 3 Phase Power Transformers was opened on March 08, 2023 in which only M/s Pak Elektron Limited (PEL) participated which quoted price of Rs.230.00 million rate per unit. It is pertinent to mention that a tender for procurement of same transformers was opened on December 29, 2022 in GEPCO (two months ago) in which M/s PEL quoted Rs.194 million/per unit. The six (06) powers transformers could have been procured by enhancing quantity in previous tender opened on December 29, 2022 and loss could have been avoided if proper Procurement Need assessment / procurement planning had been done by the board.

Non-adherence to provisions of PP Rules resulted in irrational procurement decision of Finance & Procurement Committee of the BoD causing loss of Rs.216.00 million during FYs 2021-22 and 2022-23.

The matter was taken up with the management in September, 2024 and reported to the Ministry in October, 2024. The management replied that due to the delayed construction of other proposed grid stations, GEPCO avoided purchasing 6 additional transformers. However, with progress on the transmission line survey for other grid stations, a new tender was floated in March 2023. The increase in rates of second tender was due to rise in prices.

DAC in its meeting held on December 23, 2024 directed the CEO to probe the matter and share report with Audit within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 470/2024-25)

1.6.37 Non-initiation of inquiry regarding non-installation of earthing rods during civil works awarded to contractors resulting in extra procurement - Rs.210.74 million

According to Rule 5(5) of Public Sector Companies (Corporate Governance) Rules, 2013, "the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders".

During audit of the accounts of HESCO for the financial year 2023-24, it was observed from minutes of Board of Directors meeting held on August 17, 2023 that Mr. Imtiaz ul Haq, a Board member, pointed out that civil works and

earthing of Poles were not done properly, especially in the new projects, by the Civil Department, owing to which people and installations were open to any accident/mishap. Moreover, BoD also approved purchase of earth rods amounting to Rs.210.74 million in compliance of NEPRA's decision to avoid fatal accidents. Further, the Board directed the Chief Executive Officer to investigate and fix responsibility for poor civil works and earthing on recently installed poles and to recover the loss so determined from the responsible officers and contractor(s). Neither inquiry nor any recovery from contractors was forthcoming from record. Had the earthing rods been installed by the contractors, the expenditure of Rs.210.74 million could have been avoided.

Non-adherence to Public Sector Companies (Corporate Governance) Rules resulted in non-initiation of inquiry due to non-installation of earthing rods and incidental expenditure on extra procurement of Rs.210.74 million up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that inquiry committee had been constituted, and its proceeding was under way.

DAC in its meeting held on January 20-21, 2025 directed the management to finalize the proceedings of inquiry committee and share its outcomes with Audit within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1347/2024-25)

1.6.38 Mis-procurement due to undue favour granted to supplier - Rs.197.76 million

According to Rule 31(i) of Public Procurement (PP) Rules 2004, "No bidder shall be allowed to alter or modify his bid after the bids have been opened. However, the procuring agency may seek and accept clarifications to the bid that do not change the substance of the bid." Further, according to Rule 30(1) of *ibid* "All bids shall be evaluated in accordance with the evaluation criteria and other terms and conditions set forth in the prescribed bidding documents".

During audit of the accounts of FESCO for the period 2023-24, it was observed that a tender No. 2538 of Lot-II for supply of 22,000 units of 11 KV Steel Cross Arms was issued, which was opened on September 26, 2023. M/s

Black Steel offered rate of Rs.9,445/- per item with bank guarantee valid up to December 24, 2023 and M/s Siddique Sons offered rate of 9,670/- per item with bank guarantee valid up to September 25, 2023. Thus M/s Black Steel's rate was the lowest rate. However, FESCO management issued the Purchase Order vide No. 1550 dated January 12, 2024 to the second-lowest bidder M/s Siddique Sons by accepting a post-bid reduced rate of Rs.8,989/- per item with the remarks that M/s Black Steel Intl. was rejected due to attachment of less validity of bid guarantee. Since the bid validity of M/s Black Steel was more than M/s Siddique Sons, rejecting his bid on the plea of less validity of bid guarantee was unjustified.

Non-adherence to PP Rules resulted in mis-procurement of Rs.197.76 million due to undue favour to the supplier up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that based upon the less validity of bid offered by MS Black Steel, the bid of the firm was rejected by tender evaluation committee which left MS Siddique Sons lowest evaluated responsive bidder.

DAC in its meeting held on December 12-13, 2024 directed to get the matter inquired at Ministry level within one month and share its report with Audit accordingly.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 947/2024-25)

1.6.39 Unjustified award of contracts to contractors due to splitting / grouping - Rs.179.26 million

According to Rule 4 of Public Procurement (PP) Rules 2004, "procuring agencies while engaging in procurement, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value of money to the agency and the procurement process is efficient and economical". According to Rule 9 of *ibid*, save as otherwise provided and subject to the regulation made by the Authority, with the prior approval of the Federal Government, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly

without any splitting or regrouping of the procurements so planned. Further, according to Rule-38A of *ibid*, Bid discount shall be omitted.

During audit of the accounts of IESCO for the financial year 2023-24, it was observed tender numbers 26, 27, 28 and 29/2023-24, relating to the transport of earth rods, steel wire, and related accessories from IESCO regional stores, as well as the installation and testing of earthing rods on HT/LT (11 KV and 0.4 KV) steel structures and PC poles in the Islamabad operation circle, Rawalpindi city and cantonment operation circles, and Jhelum operation circle, were opened on December 13, 2023. Four bidders participated in these tenders, quoting rates from 95% to 200% above the Bill of Quantities (BOQ) cost. Each bidder was subsequently declared lowest in one of the tenders based on their respective percentage quotes. Following this, each bidder reduced their rates by up to 30%, leading to award of contracts amounting to Rs.179.26 million. The initial high quotes followed by substantial reductions suggested possible collusion among the bidders to manipulate the tender process and secure contracts by obstructing fair competition.

Non-compliance with Public Procurement Rules resulted in the unjustified awarding of contracts to contractors amounting to Rs.179.26 million by splitting or grouping tenders up to the financial year 2023-24 financial year.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that inquiry report suggested that the tendering process adopted for said works were complying to the Public Procurement Rules and regulations. However, discount made by the lowest bidders compels one to be convinced that the bidders might have in collusion manipulated the bidding process but, in fact, the discount was made after understanding the actual scope of work which was misunderstood by the bidders. The discounted offer was accepted by the competent authority in the best interest of IESCO.

DAC in its meeting held on January 13 and 15, 2025 directed the management to re-inquire the matter at CEO level and share its report with Audit within two weeks.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1050/2024-25)

1.6.40 Irregular award of contracts despite poor performance of contractors - Rs.171.35 million

According to Rule 19 of Public Procurement Rules, 2004, “The procuring agencies shall specify a mechanism and manner to permanently or temporarily bar, from participating in their respective procurement proceedings, suppliers and contractors who either consistently fail to provide satisfactory performances or are found to be indulging in corrupt or fraudulent practices. Such barring action shall be duly publicized and communicated to the Authority”.

During audit of the accounts of HESCO for the financial year 2023-24, it was observed that two (02) construction works amounting to Rs.19.92 million and Rs.28.08 million were awarded to M/s Aneel Contractors and M/s Ansaries Engineers & Contractor on July 01, 2020 & July 20, 2020 with completion period of 150 days. Both the contractors failed to perform their contractual obligations as the works were not completed within stipulated period and were still in progress even after lapse of 1,460 and 1,441 days respectively. Despite poor performance of the said contractors, they were awarded further seven (07) contracts amounting to Rs.171.35 million, out of which six (06) were still in progress even after expiry of scheduled completion period. The performance of both contractors was unsatisfactory hence, they should not have been awarded further seven (07) works of Rs.171.35 million by debarring / blacklisting them in the light of PP Rules.

Non-adherence to PP Rules resulted in irregular award of contracts of Rs.171.35 million despite poor performance of contractors up to the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in November, 2024. The management replied that earlier works were not executed due to law and order situation and right of way issue. The contractor cannot proceed until the site was provided clear of any right of way issue.

DAC in its meeting held on January 20-21, 2025 directed the management to provide the documentary evidence of right of way issue along with confirmation with Deputy Commissioner to Audit for verification within one week.

No further progress was intimated till finalization of the report.
Audit recommends implementation of DAC's decision.

(Draft Para No. 287/2024-25)

1.6.41 Illegal execution of works by M/s ZAS Engineering Services Sahiwal and ZAS Consulting Services - Rs.170.96 million

According to Para 4 (5) of Pakistan Engineering Council (Conduct and practice of Consulting Engineers) Bye-laws 1986 "No individual consulting engineer or sole proprietor, a partner, Managing Director, Director or an Executive of a consulting engineers firm or company shall have financial interest in any firm or company carrying on any commercial, manufacturing or construction business dealing with the field of work to which his, or its, practice relates.

During audit of the accounts of MEPCO for the financial year 2023-24, it was observed that M/s ZAS consulting services was working as consultant as well as contractor simultaneously with MEPCO. ZAS consulting services was registered with PEC as Engineer Khalid Masood (Partner), consulting engineer and Zahid Sharif (Partner) allied on professional basis, but in most of the cases Mr. Zahid Sharif submitted design books/ drawings for electrical works with his own signatures (without signatures of consulting engineer) which were accepted by P&E department. Moreover, ZAS Engineering Services was working as contracting firm and as a consultant simultaneously, which was in sheer violation of rules. Therefore, the services provided by ZAS consulting firm and engineering services were illegal and works executed by ZAS Consulting Services amounting to Rs.170.962 million were irregular. Furthermore, upon complaint, an inquiry against ZAS Consultant and ZAS Contractor regarding installation of uninspected, substandard, unauthorized, outdated material was finalized on March 12, 2024. The recommendations of the inquiry were not implemented despite lapse of considerable time. Audit holds that the involvement of P&E department MEPCO could not be ruled out in execution of the said illegal works carried out by ZAS consulting and ZAS engineering Services, for which responsibility needed to be fixed.

Non-adherence to Pakistan Engineering Council's by-laws resulted in irregular execution of works amounting to Rs.170.96 million by M/s ZAS Engineering Services Sahiwal and ZAS consulting services up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in October, 2024. The management replied that as per clarification of PEC, both the firms i.e. M/s ZAS Consulting Service and M/s ZAS Engineering Services were registered in PEC with different ownership status and with different engineering staff. Moreover, PPMC Lahore had submitted the required verification of ICs. Hence, the recommendations of inquiry committee had been implemented.

DAC in its meeting held on November 28-29, 2024 directed to inquire the matter at Ministry level within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 787/2024-25)

1.6.42 Non-confiscation of retention money - Rs.169.13 million

According to Rule 5(5) of Public Sector Companies Corporate Governance Rules, 2013, "the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders".

During audit of the accounts of PESCO for the financial year 2023-24, it was observed that an amount of Rs.169.13 million remained payable as retention money to 61 contractors since last three years. The department neither remitted this amount to the respective contractors nor transferred it to the company's main account as income. This situation indicated inefficient financial management and inadequate internal controls.

Inefficient financial management resulted in non-confiscation of retention money amounting to Rs.169.13 million up to the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in November, 2024. The management replied that the matter would be taken up and Audit be informed accordingly.

DAC meeting was held on January 7-8, 2025 but the matter could not be discussed due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days.

Audit recommends confiscating the retention money besides strengthening financial and internal controls.

(Draft Para No. 613/2024-25)

1.6.43 Non-supply of insulated bucket mounted trucks by the contractor - Rs.147.52 million

According to the Contract Agreement No. SAP/MEPCO/WB-1 dated July 10, 2023 for supply of Insulated Bucket Mounted Trucks under Electricity Distribution Efficiency Improvement Project (EDEIP) financed under IBRD Loan-9318-PK Clause – 4 Delivery Period “Delivery Schedule is 270 days from the date of Contract Agreement on FCS basis at 132Kv MEPCO Ware-house, Khanewal Road Multan, as mentioned in Contract Agreement”

During audit of the accounts of MEPCO for the financial year 2023-24, it was observed that Electricity Distribution Efficiency Improvement Project (EDEIP) financed under IBRD Loan-9318-PK amounting to US\$ 58.120 million was initiated in PMU MEPCO. The management issued a purchase order to Al-Meeraj Limited amounting to Rs.163.91 million for supply of eighty (80) Insulated Bucket Mounted Trucks. The contractor was required to deliver the trucks in April, 2024 within 270 days from the issuance of contract agreement. The contractor supplied only eight (08) insulated bucket trucks. Subsequently, the contractor applied for extension of time to MEPCO which was in process. The contractor did not supply remaining quantity of trucks till now. Due to non-delivery of trucks, MEPCO will have to bear financial cost in terms of commitment charges. However, no action was taken against the contractor.

Non-adherence to purchase order clauses resulted in non-supply of insulated bucket mounted trucks amounting Rs.147.52 million by the contractor up to the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in October, 2024. The management replied that the case was being pursued vigorously with supplier for immediate delivery of balance material, however, extension in delivery period was not granted and LD was being deducted on every invoice.

DAC in its meeting held on November 29, 2024 directed the management to provide the record of LD recovered along with its effects in books of accounts to Audit for verification within a week. DAC further directed to pursue the

matter with supplier for getting remaining supply of insulated bucket mounted trucks expeditiously.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.260/2024-25)

1.6.44 Irregular award of work order due to delay in submission of performance guarantee - Rs.141.62 million

According to Rule 39 of Public Procurement Rules, 2004, the procuring agency may ask for performance guarantee from the successful bidder / contractor, which shall not exceed ten (10) percent of the contract amount, as would be specified in an appropriate form and amount, as prescribed by procuring agency in the bidding documents.

During audit of the accounts of MEPCO for the financial year 2023-24 it was observed that a work order No. 151-54 dated January 10, 2024 was issued to M/s I.H Malik & Company (Pvt.) Limited for reconductoring and MID spanning of 132 kV Arifwala HOTA Bahawalnagar Transmission. The letter of intent was issued to said contractor on September 20, 2023 with the direction to submit the performance guarantee of 10% contract amount within 14 days up to October 04, 2023. But the contractor vide dated November 03, 2023 raised queries regarding excluding the tax amount from 10% performance guarantee amount along with site clearance. The matter was referred to PPRA for clarification on November 30, 2023. However, the performance guarantee was submitted on January 02, 2024 with a delay of 89 days and contract was awarded to I.H. Malik without getting the clarification from PPRA. Hence, the award of work amounting to Rs.141.62 million was considered irregular.

Non-adherence to PPRA clarification resulted into irregular award of work order Rs.141.62 million up to the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in October, 2024. The management replied that even after lapse of a year, no response received so far from PPRA. The said T/Line work was included in system constraints, hence, award of work to the contractor was essential to complete this portion of T/Line on urgent basis.

DAC in its meeting held on November 29, 2024 directed the management to justify the award of contract without clarification from PPRA with delayed

receipt of P.G in violation of Public Procurement Rules, 2004. Moreover, also provide the record substantiating that the PG obtained was for 10% of full contractual amount including taxes to Audit within a week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 376/2024-25)

1.6.45 In-ordinate delay in execution of civil works - Rs.137.56 million

According to Clause 7.1 of Contract Agreement, the contractor shall commence the work on the commencement date and shall proceed expeditiously and without delay and shall complete the works subject to Clause 7.3 within the time for completion.

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that nineteen (19) work orders amounting to Rs.137.56 million were issued to various contractors for execution of different civil works. The projects were to be completed within stipulated period but the contractors failed to meet the deadlines. Neither liquidated damages (LD) were charged nor performance guarantees forfeited. The detail is as under:

(Rs.in million)

Sr. No.	Name of Company	Delay in days	No. of works	Amount
1.	HESCO	118 to 1,240	17	48.36
2.	IESCO	1,460	01	8.09
3.	PESCO	3,650	01	81.11
Total			19	137.56

Non-adherence to contract clause resulted in significant delay in completion of civil works amounting to Rs.137.56 million up to financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in November, 2024. The IESCO management replied that inquiry committee decided to approach the head office for blacklisting the firm M/s Sabiz Ali & Co. The final decision was under process and it would be communicated to Audit. HESCO management replied that 08 works had been completed and remaining 09 civil works would be completed shortly. The Liquidated Charges on account of delay in civil work had been deducted.

DAC in its meeting held on January 7-8, 13, 15 and 20-21, 2025 directed the IESCO management to expedite the process of blacklisting the firm and provide the record to Audit for verification within two weeks. The matter related to PESCO could not be discussed due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days. Further, DAC directed the HESCO management to justify the delay in execution of civil works and get the record of completed works verified from Audit within a week and expedite the completion of remaining works.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para No. (1332) (265) (588)/2024-25]

1.6.46 Irregular procurement from 2nd and 3rd lowest bidders – Rs.119.38 million

According to Para 38 Acceptance of bids of PPRA rules, 2004, “The bidder with the lowest evaluated bid shall be awarded the procurement contract.”

During audit of the accounts of DISCOs for the financial year 2022-23 and 2023-24, it was observed that 10 purchase orders/works orders were issued to 2nd and 3rd lowest bidder instead of 1st lowest bidders. Due to non-award of purchase orders to 1st lowest bidders, DISCOs had to bear extra financial burden to the tune of Rs.119.38 million. Detail is as under:

<i>(Rs.in million)</i>				
Sr. No.	Name of Company	Detail of material/ Works	No. of P.Os	Amount
1.	IESCO	Rubber insulating gloves & Lineman uniform	02	63.13
2.	PESCO	132 kV ZM-1 Towers	01	5.280
3.	TESCO	Village electrification/ Rehabilitation, Bifurcation of Feeder, Safety belts & Safety Shoes	07	50.97
Total			10	119.38

Imprudent procurement resulted in loss of Rs.119.38 million due to award of purchase orders to 2nd and 3rd lowest bidder up to the financial year 2023-24.

The matter was taken up with the management in March to October, 2024 and reported to the Ministry in May to November, 2024. TESCO management replied that offer of 1st lowest bidder was rejected due to non-quoting the rates in

words, which were clearly mentioned in the bidding documents. PESCO management responded that the reply would be submitted after consulting the record. The IESCO management replied that M/s Continental Trading Corporation was deemed the most advantageous bidder due to their compliance with technical specifications and evaluation criteria. Moreover, in accordance with the recommendation of Evaluation committee, the gloves were marked with size-9 and other necessary information, as depicted in the provided photographs. Hence, the procurement was carried out strictly in conformity with the rules and regulations.

DAC in its meeting held on September 25, 2024 and January 7-8, 13, 15, 2025 directed TESCO management to inquire the matter and share its findings with Audit within a month. Further DAC directed IESCO management to inquire the matter at CEO level for fixing responsibility and share its report with Audit and Ministry within one month. The matter related to PESCO could not be discussed due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para Nos. (1015, 1028) (255) (55, 65, 1120)/2024-25]

1.6.47 Loss due to delayed payments of demurrage and detention charges - Rs.98.44 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), "all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

During audit of the accounts of PPMC for the financial year 2023-24, it was observed that the payment of demurrage charges and detention charges of Rs.98.44 million had not been made to M/s China Energy Engineering Group Northeast No. 2 Electric Power Construction Co. Ltd China. An inquiry committee investigated the matter and directed NTDC to reimburse Rs.98.44 million to the contractor for the cost already paid. On the other hand, the inquiry committee had also held responsible the banking section, CFO, and DMD

(AD&M) for the delay and recommended to initiate actions under E&D rules against them. Despite that, the loss of Rs.98.44 million had neither been recovered from the responsible nor any disciplinary action taken against the officers/officials involved.

Non-adherence to Authority's instruction resulted in loss due to delayed payments demurrage and detention charges amounting to Rs.98.44 million up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that an inquiry committee was constituted by Ministry with the task to recommend the actual amount to be paid to contractor by NTDC and identifying the responsible officers/officials for delayed payment. Accordingly, the inquiry was conducted and its report along with recommendations was submitted to Deputy Secretary (NTDC) on 18.03.2024. The implementation of the recommendations of inquiry committee was pending on the part of NTDC.

DAC in its meeting held on January 15, 2025 directed the management to pursue the matter with Ministry of Energy (Power Division) expeditiously and share the updated status with Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1154/2024-25)

1.6.48 Unauthentic payments to contractors on account of civil works - Rs.94.62 million

According to instructions for posting of Measurement Book, the measurement book is a most important record being the basis of all accounts of quantities, whether of work done by daily labour or by the piece, or by the contract or of material received which have to be accounted or measured.

During audit of the accounts of HESCO for the financial year 2023-24, it was observed that twenty four (24) civil work orders for repair and maintenance amounting to Rs.143.01 million were issued to the contractors. Out of these, seven (07) works were completed with an amount of Rs.38.82 and remaining seventeen (17) works were not completed despite payment of Rs.55.80 million to the contractors. Moreover, Measurement Books (MBs) to authenticate the

payment of Rs.94.62 million made to contractor were not found with contractor's bills. Hence, the authenticity of payments could not be ascertained.

Non-adherence to instructions resulted in unauthentic payments amounting to Rs.94.62 million to contractors up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that payments were made according to WCSR-2022 and non-scheduled items were purchased on the basis of rate analysis.

DAC in its meeting held on January 20-21, 2025 directed the management to provide the record of sales tax returns to Audit for verification within one week and further directed to comply the instructions of FBR in true letter and spirit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1329/2024-25)

1.6.49 Irregular payment of custom duty and taxes against import of repaired 150 MVA auto transformer damaged during warranty period – Rs.92.84 million

According to Clause 6 of Purchase order No. 796, "the supplier will furnish a warranty certificate certifying that the goods supplied conform exactly to the specifications laid down in the purchase order and are brand new and that, in the event of equipment being found defective or not conforming to the specifications/particulars governing the supply, you will be held responsible for all losses and defect. The warranty period shall be 24 months from the date of delivery or 18 months from the date of installation of equipment whichever is earlier."

During audit of the accounts of NTDC for the financial year 2023-24, it was observed that an amount of Rs.92.84 million was paid on account of custom duty/ taxes against import of repaired single-phase unit 150 MVA was installed during January, 2019 as spare for 450 MVA which was damaged on May 15, 2019 under warranty period. The said unit was procured from M/s ALSTOM High Voltage Equipment (Wuhan) (now M/s GE High Voltage Equipment) during December, 2016 at cost of US\$ 1.595 million. Since the unit procured damaged under warranty period, the supplier was liable for its repair/replacement. Hence, payment of Rs.92.84 million on account of custom duty and

taxes by NTDC was not justified and required to be recovered from the said supplier.

Non-adherence to provisions of the purchase order resulted in irregular payment of custom duty and taxes amounting to Rs.92.84 million against import of repaired 150 MVA auto transformer damaged during warranty period.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that there was dispute over warranty as supplier attributed damage to the external factors. Meanwhile, when the matter was still in dispute, the supplier shipped the said repaired transformer during April, 2024 and NTDC had to pay duties & taxes in order to avoid demurrage charges. Further, any delay could have escalated into an international arbitration dispute, potentially exposing NTDC to greater liabilities, including repair, transport, and legal costs.

DAC in its meeting held on December 24, 2024 directed the management to effect recovery from the contractor expeditiously.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1506/2024-25)

1.6.50 Un-justified addition of hill cutting works in the contract price - Rs.71.46 million

As per GCC Clause -7.2 of the contract Agreement stipulates that, "The contractor shall unless, specifically excluded in the Contract, perform all such work and /or supply all such items and materials not specifically mentioned in the Contract but that can be reasonably inferred from the Contract as being required for attaining completion of the facilities as if such work and/or items and materials were expressly mentioned in the Contract."

During audit of the accounts of NTDC for the financial year 2022-23, it was observed that a contract no. ADB-201-2018 Lot-1 under ADB Loan No. 3577 was awarded for procurement with an aggregated contract price of US\$ 10.083 plus PKR 916.28 million. The contractor was contractually bound to complete all the activities that were required for successful commissioning of the transmission line including hill cutting within quoted cost as evident from Chief Engineer (T/L Design) correspondence. However, an additional amount of Rs.71.46 million was approved in favor of the contractor for hill cutting works on

his unjustified stance that “neither the hill cutting works was mentioned under any BoQ items of the price schedule (s) nor execution of the same was found covered under any of the contract provisions including amendment. The aforementioned situation not only reflected non-vigilance and mis-management of the employer but also an unjustified addition of Rs.71.46 million in contract amount.

Non-adherence to GCC Clause 7.2 resulted in unjustified addition of Rs.71.46 million in contract price and mis-management / non-vigilance of the Employer i.e. NTDCL up to the financial year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in January, 2024. The management replied that the para may be referred to Chief Engineer (PD South/EHV-II) and Chief Engineer (Transmission Lines Design) being Project Manager & Engineer respectively.

DAC in its meeting held on December 02, 2023 directed the management to produce evidence showing approval from concerned competent authority in consultation with ADB for verification within three days.

Audit recommends implementation of DAC’s decision besides fixing responsibility.

(Draft Para No. 1341/2023-24)

1.6.51 Less recovery of PG from IPP on account of extension in validity period of Tri-partite Letter of Support - Rs.70.00 million

As per PPIB in its 144th Board Meeting, PPIB Board has approved the request of ZSPL for extension in validity period of TLOS up to financial closing (FC) date to be determined by NEPRA against the tariff modification petition or a new tariff petition filed by ZSPL subject to submission of: i) an extended performance guarantee in double the amount ii) payment of PPIB fee as per PPIB Fee Rules iii) consent of NEPRA / determination and CPPA-G and iv) concurrence of GoPb / PPDB to the Extended Financial Closing Date.

During audit of the accounts of PPIB for financial years 2022-23 to 2023-24, it was observed that M/s Zorlu Solar Pakistan Limited (ZSPL) requested PPIB to extend tri-partite letter of support (TLOS) validity period till the financial closing (FC) date which was approved by PPIB Board subject to submission of an extended performance guarantee in double amount i.e. US\$ 0.500 million equivalent to Pak Rs.140.00 million (\$0.500 x Rs.280). However,

Zorlu submitted PG of US\$ 0.250 million, and PG of US\$ 0.250 million equivalent to Rs.70.00 million was required to be recovered.

Non-adherence to PPIB Board Minutes of 144th Meeting resulted in less recovery of PG amounting of US\$ 0.250 million equivalent to Rs.70.00 million from IPP on account of extension in validity period of tri-partite letter of support up to the financial year 2023-24

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that PPIB was presently awaiting NEPRA's tariff determination for ZSPL. Upon issuance of the same and establishment of FC date, PPIB would take action to require ZSPL to fulfill all specified conditions including submission of PG amounting to double the original amount with a validity period extending three (03) months beyond the determined FC date.

DAC in its meeting held on January 15, 2025 directed the management to pursue the matter with NEPRA.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1333/2024-25)

1.6.52 Irregular award of purchase orders due to deficient bid evaluations – Rs.69.46 million

According to provisions of bidding documents, "the material shall be strictly according to WAPDA/ PEPCO Standard Specification (amended-to-date). For items necessitating prototype approval, if the bidder does not possess the prototype approval of the offered material within last 3-years (if applicable under PEPCO/WAPDA approved specification), he shall have to obtain the prototype approval from the office of Chief Engineer (Standard & Specifications) NTDC, Lahore, before start of mass production. Drawings and prototype samples for prototype testing shall be offered within 30 days from the date of issue of purchase order to Chief Engineer (Standard & Specifications). The time taken in this regard will not entitle the manufacturer to claim extension in delivery period.

During audit of the accounts of TESCO for the financial year 2023-24, it was observed that Bid Evaluation of three (03) tenders for procurement of 11 KV drop out cut out with fuse links, safety shoes and safety belt with harness were not carried out in the light of evaluation criteria specified in the bidding

documents. The bids of the lowest bidders were rejected due to non-provision of prototype approval/ non-approval of samples and purchase orders amounting to Rs.69.40 million were awarded to 2nd, 4th and 6th lowest bidders respectively. The grounds of rejection of bids of the 1st lowest bidders were not covered under the relevant provisions of bidding documents. Hence, award of purchase orders amounting to Rs.69.46 million could not be termed as regular.

Violation of the provisions of PPRA and bidding documents resulted in irregular award of purchase orders amounting to Rs.69.46 million due to deficient bid evaluations up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that TESCO strictly abides by PPRA rules, ensuring purchases are most advantageous without infringing rules. No prototype approval was provided in tender 33, and samples in tenders 8 and 10 were rejected based on these criteria. PPE (shoes/harness) were selected from the best offers, and drop out cut out was selected by MI (PPMC) through inspection, strictly conforming to NTDC limitations.

DAC in its meeting held on January 7-8, 2025 directed the management to investigate the matter at CEO level for fixing responsibility.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1121/2024-25)

1.6.53 Extra expenditure incurred due to poor scrutiny of tender awarded for construction of towers - Rs.57.46 million

According to Clause 5.2 (c) of Terms of Reference (TORs) of Procurement & Finance Committee of GEPCO, the Procurement Committee shall exercise the oversight over the following key functions of the executive management with reference to the supply chain management of GEPCO: to identify, review and recommend innovative procurement practices/strategies and stock management policies to strengthen, streamline and speedup the procurement process and to ensure that procurement process achieves value for money in delivering the corporate strategy and strategic priorities.

During performance audit of BoD GEPCO for financial years 2021-22 to 2022-23, it was observed that tender No. 08/2022-23 was opened on August 18,

2022 regarding construction of special tower foundation at 132 KV D/C transmission line was awarded to M/s National Contractors against a contract price of Rs.57.46 million. However, it was not properly evaluated that these locations fall under flood zone and soil investigation was required to construct special pile foundation to avoid damages in case of flood. The contractor constructed normal foundations at above locations without conducting soil investigation which damaged the foundations. Resultantly, another tender was issued for construction of special pile foundation as per approved design of NTDC which resulted in extra expenditure of Rs.57.46 million due to poor scrutiny of previous tender by Finance & Procurement Committee of BoD.

Non-adherence to TORs of Finance Procurement Committee resulted in extra expenditure incurred due to poor scrutiny of tender awarded for construction of towers amounting to Rs.57.46 million up to the financial year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in October, 2024. The management replied that serious Soil Erosion started in 2019 towards bank of Nala Daik which reached foundation of tower No.33 and heavy flood resulted in collapse of tower. Moreover, as per recommendation of inquiry committee issued by Chief Engineer Development GEPCO on dated October 13, 2023, this office did not issue any work M/s Munir & Co.

DAC in its meeting held on December 23, 2024 directed the management to submit a revised reply regarding the findings and implementation of the inquiry report for blacklisting the contractor. DAC also directed the management to get the record verified by the Audit within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 419/2024-25)

1.6.54 Unjustified award of contract to single bidder for repair of damaged transformers without confirming to the copper status - Rs.55.00 million

According to PPRA Rules-38-B, the Procuring agencies shall consider single bid in goods, works and service if it has financial conformance in terms of

rate reason ability; provided that except unsolicited proposal, in case of pre-qualification proceedings single bid shall not be entertained.

During audit of the accounts of IESCO for the financial year 2023-24, it was observed that a tender for the repair of two hundred (200) damaged 100 kVA transformers was opened on January 25, 2024. The said tender was floated on the ground that the reclamation workshops in Wah and Rajjar could not meet the demand for reclaimed transformers during the summer season. The contract was awarded to the sole bidder, M/s Transformers Technologies Pvt. Ltd. Peshawar, at a cost of Rs.55 million. Initially, the bidder quoted a repair rate of Rs.286,500 per unit, which was later reduced to Rs.275,000 per unit. The rate of this single bidder was 25.67% lower than that of FESCO's tender dated August 9, 2023. However, this comparison was made based on a 75% copper status, with FESCO's quoted rate for transformers being Rs.370,000. However, IESCO did not conduct any analysis regarding the availability of copper in their transformers.

Furthermore, since the issuance of work orders on March 20, 2024, the contractor had only made inspection calls for 28 damaged transformers. This indicated that a lack of rate analysis and performance evaluation affected the overall efficiency of the repair process. The focus on reducing costs overshadowed important aspects such as the availability of copper in the transformers and the bidder's performance.

Ineffective asset management resulted in unjustified award of contract to single bidder for repair of damaged transformers without confirming the copper status amounting to Rs.55.00 million up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that rate received in IESCO tender was 25.67% less than the FESCO tender rate even if compared with the rate of 75% available copper in damaged T/Fs that was Rs.370,000 per unit, the rate approved by IESCO as Rs.275000 per unit was also justified which shows that no loss was incurred to IESCO by placing the work order to M/s Transformers Technologies Pvt. Ltd. Peshawar.

DAC in its meeting held on January 13 and 15, 2025 directed the management to provide analysis of rates compared with previous tender and reclamation workshop besides justifying the issuance of work order for repair of

transformers of summer season and without conformity of copper status to Audit duly substantiated with the documentary evidence within one week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1017/2024-25)

1.6.55 Loss due to procurement of HT Steel Structure at higher rates - Rs.51.04 million

According to Rule 9 of Public Procurement Rules, 2004, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The annual requirements thus determined would be advertised in advance on the Authority's website as well as on the website of the procuring agency in case the procuring agency has its own website.

During audit of the accounts of QESCO for the financial year 2023-24, it was observed that 7,122 HT Steel Structure were procured in two lots on December 28, 2023 at the rate of Rs.69,666/- per pole. The comparison of these rates with Purchase Order No.1898 dated November 23, 2024 revealed huge difference as this Purchase Order was placed for procurement of 7,122 HT Steel Structure at the rate of Rs.62,500/- per pole for quantity of 2752. There was no change of specification in both POs. This state of affair reflected that procurement of HT Steel Structure was made at the higher rates which had caused loss of Rs.51.04 million to the company.

Non-adherence to Public Procurement Rules resulted in loss of Rs.51.04 million due to procurement of HT Steel Structure at higher rates up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that Audit had made comparison with PO No. 1898 dated November 23, 2023. The linking of companies with the PO Nos. 1933 & 34 with PO No. 1898 dated November, 23, 2023 was beyond comprehension as the PO No 1898 was awarded on LOI issued on February 07, 2023. Moreover, in procurement plan 2023-24, the field demanded was 10,684, but the procurement was made only for 7122 through PO

Nos. 1933 & 34 respectively. If there was any malafide intension, then the QESCO should have also placed work order for the remaining 2752.

DAC in its meeting held on January 16, 2025 directed the management to get the record of completed actions in support of reply verified from Audit within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1166/2024-25)

1.6.56 Non-forfeiture of bank guarantees due to non-completion of work by the contractor – Rs.48.19 million + US\$ 1.115 million

As per contract agreement dated June 25, 2010 between HESCO and M/s Tyco Electronic pursuant to General Conditions of Contract Sub-Clause 27.10, “if the contractor fails to commence the work necessary to remedy such defect or any damage to the facilities caused by such defect within a reasonable time (which shall in no event be considered to be less than fifteen (15) days), the Employer may, following notice to the contractor, proceed to do such work, and the reasonable costs incurred by the employer in connection therewith shall be paid to the employer by the contractor or may be deducted by the employer from any monies due the contractor or claimed under the Performance Security”.

During Special Study on installation of AMR meters / AMI and ABC in HESCO, it was observed that six (06) performance bank guarantees amounting to Rs.48.19 million & US\$ 1.115 million were provided by the contractor M/s Tyco Electronics, Germany. The expiry date of these bank guarantees was May, 2014 and as such the same was to be got revalidated up to the expiry of defect liability period as per condition of contract but the same was not done. The contractor could not complete the project under Lot-I, II & III within stipulated time. Left over jobs of the contractor were 64 out of 1,554 due to shortage of supply of hardware material. In the event of such default the said performance guarantees were to be forfeited as per contract agreement.

Non-adherence to contract clause resulted in non-forfeiture of bank guarantees amounting to Rs.48.19 million + US\$ 1.115 million due to non-completion of work up to the financial year 2021-22.

The matter was taken up with the management in December, 2022. The management replied that an inquiry committee was being constituted to probe into the facts and the outcome would be submitted accordingly.

DAC in its meeting held on January 23, 2023 directed the management to inquire the matter for fixing responsibility and submit report within 30 days.

Audit recommends implementation of DAC's decision.

(Special Study on installation of AMR meters / AMI and ABC in HESCO – Para-4.17)

1.6.57 Blockage of funds due to inordinate delay in non-execution of work by the contractor - Rs.44.89 million

According Paras-4.1.3 to 4.1.6 of WAPDA Distribution Rehabilitation Guidelines September 2003, “total time for approval of work, execution and preparation of completion report will be restricted to 130 days”.

During audit of the accounts of LESCO for the financial year 2023-24, it was observed that two (02) works orders of Rs.44.892 million were placed and material issued to the contractors for installation within completion period of 25 days and 30 days respectively. One project was delayed due to non-collection of twenty eight (28) poles from store and in case of the other project, thirty two (32) PC Poles valuing Rs.1.165 million were collected but installation of said material was not forthcoming from the record. The projects were delayed due to contractors but management did not impose liquidated damages (LD) to contractors.

Non-adherence to Distribution Rehabilitation Guidelines resulted in blockage of funds due to non-completion of work of Rs.44.89 million up to the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in November, 2024. The management replied that one 11 kV Alam Pura (P) Feeder had already been completed during May-2023 and capitalized in Jun-2024 while other Nano Doger (EM) Feeder was under execution and would be completed in Mar-2025.

DAC in its meeting held on December 26-27, 2024 directed the management to provide justification regarding right of way issues caused delayed completion / execution of work and get the record verified from Audit within 15 days. DAC further directed to expedite completion of pending work.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1094/2024-25)

1.6.58 Undue favour to the contractors on account of non-supply of remaining vehicles under the contract – Rs.42.32 million

According to Note to BOQ Item No.M1 (Schedule-4) of the contract for Lot-2, all the vehicles shall be delivered within 45 days after the date of signing of contract agreement.

During audit of the accounts of NTDC under IBRD Loan LN-9076-PK for the financial year 2023-24, it was observed that a contract for design, supply, installation, testing & commissioning of 765 kV Dasu-Islamabad (Lot-II) was awarded to M/s Harbin Electric International Company Limited China on December 22, 2022. As per contract, the contractor was required to supply fifteen (15) vehicles within 45 days of signing of contract agreement. However, nine (09) vehicles amounting to Rs.42.32 million had not so far been supplied by the contractors. Audit held that undue favour was extended to the contractors on account of non-supply of remaining vehicles despite lapse of one and half year.

Non-adherence to the contract provisions resulted in undue favour to the contractors by non-supply of remaining vehicles amounting to Rs.42.32 million under the contracts up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that as per contract, contractor had to provide 15 vehicles. However, he provided only 06 vehicles which was due to non-availability of Suzuki Jimny vehicles in the market due to restriction on import of said vehicles.

DAC in its meeting held on November 8, 2024 directed the management to submit supporting documents for verification within 30 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of the DAC's decision.

(Draft Para No. 1453/2024-25)

1.6.59 Irregular award of work orders due to less/non-recovery of bid securities from bidders – Rs.41.80 million

According to Para 13 of Notice Inviting Tender (NIT), "2% Security of bid price for each tender in the shape of call deposit in favor of XEN FATA (Construction) Division, Peshawar. Furthermore, as per Para 14 of Notice

Inviting Tender (NIT), “The bidders who quote their bids more than 10% below the estimated cost, shall also submit an additional security in the shape of call deposit equal to 8% of Engineer estimate as the time of bid submitted, otherwise their bid will be rejected.”

During audit of the accounts of TESCO for the financial year 2022-23, it was observed that seven (07) work orders amounting to Rs.41.80 million were placed on various bidders. The bidder’s bid was more than 10% below the estimated cost. Therefore, the bidders were required to submit bid security of 2% of the bid amount and additional 8% of the estimate amount as per NIT. However, the record revealed that in six cases less and in one case no bid security was obtained from bidders. Audit was of the view that since bidders did not comply with the tender process; hence, award of work orders stands irregular.

Non-adherence to rules resulted in irregular award of work orders amounting to Rs.41.80 million due to less/non-recovery of bid securities up to the financial year 2022-23.

The matter was taken up with the management in March, 2024 and reported to the Ministry in May, 2024. The management replied that in tender no. 40, 41, 42, 43 and 44, only item-wise rates were required and quoted by the bidders. Hence, only 2% of bid securities was collected accordingly whereas CDR was available in tender No. 57 and 58.

DAC in its meeting held on September 25, 2024 directed the management to provide the record to Audit for verification within a week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No. 57/2024-25)

1.6.60 Loss due to retendering of procurement of Aerial Bundled Cable - Rs.35.65 million

As per Rule 4 of Public Procurement Rules, 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.

During Special Study on installation of Automatic Meter Reading (AMR)/Advance Metering Infrastructure (AMI) and ABC cable in SEPCO, it

was observed that a tender No.1040 for procurement of ABC cable was opened on 09.02.2022. Only the single bidder namely M/s. Fast cable offered a bid price of Rs.268.20 million. However, the tender was cancelled on the pretext of high rates and being a single bidder. The procurement, just after three months of cancellation of above said tender, was subsequently made through six tenders opened on 12.05.2022 and purchased orders issued to M/s Fast Cables Lahore and M/s Universal Cables Karachi at a cost of Rs.303.85 million. Resultantly, the company sustained a loss of Rs.35.65 million (Rs.303.85 million-Rs.268.20 million=Rs.35.65). This situation reflected that imprudent decision of the management caused loss to the company to the extent of Rs.35.65 million.

Non-award of purchase order to the 2nd bidder resulted in excess cost of Rs.35.65 million to the company during the financial year 2021-22.

The matter was taken up with the management in March 2023. The management replied that only one manufacturer participated in bidding and quoted the rates offering the price of Rs.268.20 million. The bid evaluation committee observed that the value quoted by the Single Bidder was not reasonable and high as compared to market rates. Therefore, on recommendation of committee re-tendering was done but due to fluctuation in exchange rate of US\$ dollar, the overall amount of tender increased.

The DAC in its meeting held on August 4, 2023 directed the management to constitute an inquiry at management level and fix responsibility within thirty days.

Audit recommends implementation of DAC's decision.

(Special Study on installation of AMR/ AMI and ABC Cable in SEPCO – Para-4.10)

1.6.61 Undue favor to supplier by amending delivery schedule of material to avoid LD - Rs.32.66 million

According to provisions of contract agreement, the supplier was required to deliver material within 150 days from signing of contract agreement and in case of delayed delivery liquidated damages @ 0.05% of the total contract price of per day (maximum amount of ten (10%) of the total contract price) were to be recovered from the supplier.”

During audit of the accounts of NTDC for the financial year 2023-24, it was observed that a contract for procurement of transmission line material for 220 KV transmission lines associated with 220 KV SEZ Dhabeji Grid Station amounting to CNY 8.52 million was awarded to M/s Qingdao Qiangli Steel

Structure on January 24, 2023. The material was to be delivered within 150 days from the date of signing of Contract Agreement i.e. up to July 22, 2023. However, the management consumed 155 days in nomination of inspectors for inspection of Factory Acceptance Test (FAC) and Prototype Assembly and subsequently amended the delivery period as “within 150 days from the date of opening of Letter of Credit (LC)” instead of “from the date of signing of contract agreement”. Thereafter, the management further spent 255 days in opening of LC despite the fact that State Bank of Pakistan had already withdrawn restrictions on opening Letters of Credit on December 27, 2022. The scenario reflected that undue favour was afforded to the supplier by enabling him to evade liquidated damages amounting to Rs.32.66 million (CNY 851,680 x Rs.38.35).

Non-adherence to provisions of contract agreement resulted in undue favor to supplier by amending delivery schedule of material to avoid L.D amounting to Rs.32.66 million up to the financial year 2023-24.

The matter was taken up with the management in November, 2024 and reported to the Ministry in December, 2024. The management replied that amendment in the contract agreement was made with the approval of competent authority due to delay in arrangement of cash foreign exchange for subsequent opening of Letter of Credit.

DAC in its meeting held on December 24, 2024 directed the management to get its stance verified from Audit within two (02) days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No. 1524/2024-25)

1.6.62 Undue favour to suppliers by conducting late inspection to avoid recovery of liquidated damages – Rs.32.27 million

According to Delivery Period Clause 4 of Purchase Order, “Delivery period is the essence of the contract and delivery must be completed not later than the dates specified. The term ‘Delivery Date’ shall mean the 1st day of inspection or 15th day of Inspection call whichever is earlier, shall be reckoned as date of delivery of Store to WAPDA/FESCO consignee provided the goods accepted for supply have been delivered within 20 days of issue of Inspection Certificate subject to the condition that the supplier/manufacturer offers the

material for Inspection at least 15 days prior to the due date and the offer is not rejected due to being a fake call or material not confirming to the specification.”

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that fourteen (14) purchase orders amounting to Rs.1,203.44 million were placed to various suppliers for the procurement of material. The firms were required to call for inspection 15 days before the due date of supply, which they did. However, in response to the inspection calls, inspection of material was carried out with delays, thereby providing extra time for supply to the suppliers. It is pertinent to mention that, after the issuance of inspection certificates, firms had to supply the material within 20 days to avoid the recovery of liquidated damages. But inspection certificates were issued with delay ranging 8 to 137 days. This shows an undue favor extended to suppliers amounting to Rs.32.27 million by delaying inspection of material.

(Rs.in million)

Sr. No.	Name of Company	No. of Purchase Orders	Delay in inspection call and inspection of material in days	Purchase Order Amount	Amount of LD
1.	FESCO	12	8 to 137	1,064	29.83
2.	HESCO	2	103 to 105	139.44	2.44
Total		14		1,203.44	32.27

Non-adherence to purchase order clauses resulted in undue favour granted to suppliers by conducting late inspection to avoid recovery of liquidated damages amounting to Rs.32.27 million up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that FESCO was consistent in issuing nomination for Inspection soon as Inspection call was received from vendor. However, inspector from PPMC was also the part of inspections being carried for supply of material followed by Tests conducted by RTL and issuance of Inspection Certificate of Chief Engineer (Material Inspection) PPMC, a considerable time was consumed during all these formal proceedings. Nomination of representative by PPMC, transformer type tests by NTDC and issuance of Inspection Certificate by PPMC, supply of material by manufacturer. All this was not in direct control of FESCO. HESCO management replied that it was only procedural delay and no favour was given to supplier. Therefore, after getting approval from CEO HESCO, a letter was sent to Chief

Engineer (SS Design) NTDC on December 20, 2021 for nomination of inspector required for joint Inspection with HESCO Inspector.

DAC in its meeting held on December 12-13 2024 and January 20-21, 2025 directed to FESCO inquire the matter at Ministry level within one month and share its report with Audit accordingly. DAC directed the HESCO management to probe the matter at CEO level and share its report with Audit within two weeks.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para Nos. (905) (461)/2024-25]

1.6.63 Loss due to non-recovery from defaulting contractor - Rs.28.61 million

According to Rule 5(5) of Public Sector Companies Corporate Governance Rules, 2013, "the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders".

During audit of the accounts of MEPCO for the financial year 2023-24, it was observed that in the light of inquiry committee's recommendations, M/s Naveed Brothers Construction Company was blacklisted due to non-execution of seventy seven (77) work orders awarded to it for shifting / erection of HT/LT Spun Poles regarding SDG, ELR and deposit works in Muzaffargarh & D.G Khan. The inquiry committee also recommended for recovery of cost of poles from the said firm. Since 694 HT/LT poles amounting to Rs.28.61 million were not installed. Hence, recovery of the cost needed to be made from the said firm, which was not done.

Non-adherence to Corporate Governance Rules resulted in loss due to non-recovery of Rs.28.61 million from defaulting contractor against non-execution of works up to the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in October, 2024. The management replied that the firm was blacklisted and FIRs lodged against the same.

DAC in its meeting held on November 29, 2024 directed the management to submit revised reply with latest position besides pursuing the matter with Police vigorously.

Audit recommends implementation of DAC's decision.

(Draft Para No. 281/2024-25)

1.6.64 Non-completion of work at risk and cost of contractor due to inordinate delay - Rs.28.08 million

As per Clause 19 of Public Procurement Rules, 2004, blacklisting of suppliers and contractors: "the procuring agencies shall specify a mechanism and manner to permanently or temporarily bar, from participating in their respective procurement proceedings, suppliers and contractors who either consistently fail to provide satisfactory performances or are found to be indulging in corrupt or fraudulent practices. Such barring action shall be duly publicized and communicated to the Authority.

During audit of the accounts of HESCO for the financial year 2023-24, it was observed that a contract amounting to Rs.28.08 million for construction of pile foundation and erection of ZM Type Towers along with stringing work for 132 kV NTPS Hala Road Transmission Line was awarded to M/s Ansaries Engineers & Contractor, Hyderabad on July 20, 2020 with scheduled completion period of 150 days. The contractor failed to complete the work as 1441 days had been elapsed but the work was still in progress. Neither the performance guarantee was forfeited nor proceeding for black-listing of the contractor was initiated. Due to inordinate delay the contract was required to be terminated and got completed at risk and cost of the contractor.

Non-adherence to Corporate Governance Rules resulted in inordinate delay in completion of work amounting to Rs.28.08 million up to the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in November, 2024. The management replied that the work was not executed due to severe right of way problems which converted into law and order situation. However, 45.5% physical progress of work was achieved due to persistent efforts by the management.

DAC in its meeting held on January 20-21, 2025 directed the management to provide the documentary evidence regarding right of way issue to Audit for verification within one week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 288/2024-25)

1.6.65 Unjustified payment to consultant due to poor performance - Rs.26.32 million

According to Appendix-A of Engineering Consultancy Services Contract with M/s BARQAAB for construction supervision of 220/132 kV Quaid-e-Azam Business Park Grid Station, "the consultant was responsible to supervise construction/ installation work to ensure that the project is being constructed/ installed satisfactory and in compliance with the approved drawings and specifications and within the scheduled contract time." According to Clause 4.1 of Engineering Consultancy Services Contract, "the consultants shall employ and provide such qualified and experienced personnel and sub-consultants as are required to carry out the Services."

During audit of the accounts of NTDC for the financial year 2023-24, it was observed that performance of the consultant i.e. M/s BARQAAB, engaged in construction supervision of 220/132 kV Quaid-e-Azam Business Park Grid Station, remained poor as depicted from the displeasure regarding supervision of work issued by Chief Engineer (EHV-I) letter dated October 27, 2023 with remarks "*there appears no supervision of works at all.*" The consultancy services contract was signed on January 24, 2023 at cost of Rs.34.47 million with scheduled completion date of December 02, 2023. An amount of Rs.26.32 million up to January, 2024 was paid to the consultant which, keeping in view the contents of displeasure letter issued to the consultants and physical progress of the project by the contractor, could not be termed as justified.

Non-adherence to provisions of the Consultancy Services Contract resulted in unjustified payment of Rs.26.32 million to consultant due to poor performance up to the financial year 2023-24.

The matter was taken up with the management in November, 2024 and reported to the Ministry in December, 2024. The management replied that

deficiencies pointed out in the displeasure letter had been rectified by the consultants.

DAC in its meeting held on December 24, 2024 directed the management to take punitive action against the consultants expeditiously.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1513/2024-25)

1.6.66 Loss due to non-encashment of performance guarantee – Rs.25.69 million

According to clause 63.1 (g) of contract, the employer can evoke default of contractor if he fails to mobilize at the site in accordance with the program of works and may also refer the case of default of the contractor to Pakistan Engineering Council for punitive action.”

During audit of the accounts of NTDC for the financial year 2023-24, it was observed that a contract valuing Rs.256.882 million was awarded to M/s I.H Malik & Co. (Pvt.) Limited on February 08, 2022 with a scheduled completion period of 395 days (March 20, 2023) from the date of commencement (February 18, 2022). However, the contractor demobilized from the site after completion of 90% works and despite various instructions, the contractor did not resume the works up to June, 2024. Moreover, the NEPRA also issued show cause notice to NTDC by showing its grave concern for non-completion of works at the said grid station despite lapse of more than one year of scheduled completion period. The scenario warranted encashment of performance guarantee amounting to Rs.25.69 million but the same was not done.

Non-adherence to the contract provisions resulted in loss due to non-encashment of performance guarantee valuing Rs.25.69 million up to the financial year 2023-24.

The matter was taken up with the management in November, 2024 and reported to the Ministry in December, 2024. The management replied that the matter had been taken up with the concerned bank for encashment of performance guarantee and progress achieved would be furnished to Audit in due course of time.

DAC in its meeting held on December 24, 2024 directed the management to expedite the matter and get the record verified from Audit with one week.

No further progress was intimated till finalization of the report.
Audit recommends implementation of DAC's decision.

(Draft Para No. 1512/2024-25)

1.6.67 Irregular award of T&P items without obtaining PCSIR Certificate - Rs.24.66 million

As per the minutes of 86th BoD meeting held on September 01, 2023 Addl: Agenda-86(4), the Board accorded the approval for procurement plan Line T&P (including PPE) for the financial year 2023-24 valuing Rs.234.057 million subject to Test Report to be received from the Pakistan Council of Scientific and Industrial Research (PCSIR) under Ministry of Science and Technology.

During audit of the accounts of SEPCO for the financial year 2023-24, it was observed that a purchase order was issued to M/s Al-Amin Enterprises, Lahore amounting to Rs.24.66 million on January 05, 2024 for supply of Rubber Insulating Gloves Novax Malaysia T&P items Personal Protective Equipment (PPE) without obtaining PCSIR certificate.

Non-adherence to BoD directives resulted in un-justified changes made in clause of purchase orders Rs.24.66 million up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that based on the supplier's offer for Foreign Pre-Shipment Inspection, the competent authority the CEO had amended the local inspection to a Foreign Pre-Shipment Inspection. As per the amendment, all protocol tests as specified in specification would be conducted at the foreign manufacturer's premises, hence, there was no need of PCSIR testing. Furthermore, Foreign Pre-Shipment Inspection of Rubber Insulating Gloves was currently under process.

DAC in its meeting held on November 28, 2024 directed the management to obtain and share the PCSIR report with Audit within one month.

Audit recommends implementation of DAC's decision.

(Draft Para No. 778/2024-25)

1.6.68 Loss due to procurement of ABC cables at higher rates - Rs.24.15 million

According to Rule 8 of Public Procurement Rule, "within one year of commencement of these rules, all procuring agencies shall devise a mechanism, for planning in detail for all proposed procurements with the object of

realistically determining the requirements of the procuring agency, within its available resources, delivery time or completion date and benefits that are likely to accrue to the procuring agency in future.”.

During audit of the accounts of IESCO for the financial year 2023-24, it was observed that the Ministry of Energy (Power Division) evaluated IESCO's operational and commercial performance from July, 2022 to March, 2023. Concerns were raised about the company's management and Board of Directors due to poor governance and failure to meet targets, including the installation of 61 km of Aerial Bundled Cable (ABC). Although the procurement of ABC was planned for the financial year 2022-23, but the same could not be made until May, 2023. Two tenders for procurement of ABC cable were opened on June 5, 2023. M/s Fast Cable (Pvt.) Ltd & M/s Newage Cable Lahore submitted the lowest bid at Rs.895,000 and Rs.2,160,000 per unit respectively and purchase orders were issued on July 11, 2023 at total cost of Rs.35.80 million and Rs.54 million (excluding GST). A comparison was made with a similar tender opened in HESCO in December 2022, where bids were Rs.610,000 and Rs.1,650,000 per unit respectively with purchase orders issued in March, 2023. The analysis showed that in IESCO's case the bids were 46.72% and 30.90% higher. The prices of aluminum and the exchange rate of the US dollar were 5.42% lower and 26.50% higher, respectively, compared to the time of HESCO's tender. This indicated that IESCO's delayed tendering resulted in an additional cost of Rs.24.15 million due to purchasing the material at inflated rates.

Inefficient procurement management resulted in loss due to procurement of ABC cable at higher rates of Rs.24.15 million up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that the procurement of ABC cable was carried out transparently, with due diligence, and in response to pressing operational requirements. The rate difference observed was attributable to external market factors, not inefficiency or mismanagement by IESCO.

DAC in its meeting held on January 13 and 15, 2025 directed to inquire the matter at CEO level and share its report with Audit and Ministry within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para Nos. 988 & 989/2024-25)

1.6.69 Loss due to delayed procurement of 3/Phase whole current bi-directional meters - Rs.20.94 million

According to Rule 8 of Public Procurement Rule, "within one year of commencement of these rules, all procuring agencies shall devise a mechanism, for planning in detail for all proposed procurements with the object of realistically determining the requirements of the procuring agency, within its available resources, delivery time or completion date and benefits that are likely to accrue to the procuring agency in future."

During audit of the accounts of IESCO for the financial year 2023-24, it was observed that 10,000 Bi-Directional meters were planned for purchase in the financial year 2022-23. Out of these, 4,000 meters were procured on January 31, 2023, at a unit price of Rs.22,000, 3000 meters were procured on August 16, 2023, at a unit price of Rs.28,980.

The rate analysis of this tender with a tender from LESCO dated October 18, 2022, where purchase order was issued on March 3, 2023, revealed that the bid of M/s Vertex Electronics (Pvt) Ltd was 27.66% higher. However, the remaining 3,000 meters for the 2022-23 year were never procured. This indicated that the management's delay in the tendering process resulted in only 7,000 meters being purchased for that year i.e. 4,000 from the first order and 3,000 from the second order, leading to a significant price difference of Rs.6,980 per unit. Consequently, the Company incurred a loss of Rs.20.94 million due to the delayed procurement of meters.

Poor financial management resulted in loss due to delayed procurement of 3/Phase whole current Bi-Directional meters amounting to Rs.20.940 million up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that the rates quoted in IESCO's tender was 27.66% higher than the rates quoted in LESCO tender but during this time US\$ increased by 30.79% and diesel by 9.65% which contributed to the increased quoted rates. Moreover, the said material was issued on cost deposit basis to consumers therefore, no loss was incurred to IESCO.

DAC in its meeting held on January 13 and 15, 2025 directed to inquire the matter at CEO level and share its report with Audit and Ministry within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1016/2024-25)

1.6.70 Irregular deduction of inspection charges from invoices of suppliers - Rs.18.32 million

As per clause of PO, all reasonable facilities as provided in the specifications or followed by the Industry or Trade in General shall have to be afforded to the inspecting officer at your expenses for carrying out inspection. Provision of all facilities to inspectors will remain the responsibility of the firm.

During the audit of the accounts of PESCO for the financial year 2022-23 and 2023-24, it was observed that inspection charges @ 0.5% amounting to Rs.18.32 million were deducted from the invoices of the suppliers arbitrarily by the management. The supplier was only responsible for providing reasonable facilities at his expense to the inspecting officers nominated by the employer and no inspection charges were specified in purchase order. Hence, charging and deducting the same from the payments made to contractor was irregular.

Non-adherence to P.O Clause resulted in irregular deduction of inspection charges of Rs.18.32 million from the invoices of suppliers up to the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in November, 2024. The management responded that the detailed reply would be submitted after consulting the record.

DAC meeting was held on January 7-8, 2025 but the matter could not be discussed due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 308/2024-25)

1.6.71 Excess payment to contractor on account of price adjustment due to defective clause regarding base rates – Rs.15.02 million

According to Rule 23(1) of Public Procurement Rules, 2004, “procuring agencies shall formulate precise and unambiguous bidding documents”. Further, according to Section 20 of State-Owned Enterprises (Governance and Operations) Act, 2023, “the Board shall ensure the integrity of the systems of internal control and any person who is found liable for a deviation or violation from the company’s code of conduct or other systems of internal control shall be subject to disciplinary proceedings in accordance with the state-owned enterprise’s internal policies.”

During audit of the accounts of NTDC for the financial year 2023-24, it was observed that an amount of Rs.125.12 million on account of price adjustment by applying base rates of Islamabad city was paid to M/s Transmark International (Pvt.) against contract No. NOR-121W3-2022. The said project was located in District Sheikhpura; hence, the most appropriate city for applying base rate should have been District Lahore and the contractor was entitled for payment of Rs.110.10 million. But contrary to this, undue favour was granted to the contractor by allowing base rates for Islamabad city, leading to excess payment of Rs.15.02 to the said contractor.

Non-adherence to Public Procurement Rules and provisions of SOE Act resulted in excess payment of Rs.15.02 million to contractor on account of price adjustment due to defective clause regarding base rates up to the financial year 2023-24.

The matter was taken up with the management in November, 2024 and reported to the Ministry in December, 2024. The management replied that payment was made to the contractor in accordance with the provisions of contract agreement.

DAC in its meeting held on December 24, 2024 directed the management to recover amount in question from the contractor and get the record verified from Audit within two (02) weeks besides ensuring application of base rates of Lahore city for calculation of price adjustments in subsequent invoices of the contractor.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No. 1505/2024-25)

1.6.72 Mis-procurement due to award of contracts in violation of Public Procurement Rules - Rs.14.89 million

According to clause 42-(b) of Public Procurement Rules, A procuring agency shall engage in this method of procurement only if the following conditions exist, namely: (i) Where the value of procurement is more than one hundred thousand Pakistani Rupee but does not exceed five hundred thousand Pakistani Rupee, the procuring agency may engage in procurement through request for three quotations from GST registered firms, original equipment manufacturers or authorized dealers, without resorting to bidding.

During audit of the accounts of GENCO-I for financial years 2022-23 and 2023-24, it was observed that 11 civil works amounting to Rs.6.13 and 15 civil works amounting to Rs.8.76 respectively were issued to the contractors through quotations instead of open competitive bidding. The works exceeding five hundred thousand had required an open tendering process to ensure transparency and competitive pricing while bypassing this process had violated the public procurement rules. Hence, awarding these contracts without open bidding compromised the integrity of the procurement process, likely resulting in reduced competitiveness and value, while violating PPRA Rules.

Non-adherence of Public Procurement Rules resulted in mis-procurement due to irregular award of contracts in violation of PPRA Rules Rs.14.89 million up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that a civil work committee had been constituted to check and ascertain the works requisitioned by the residents of TPS colony, Jamshoro and same carried out through quotations as per requirements.

DAC in its meeting held on January 9, 2025 did not accept the management's reply and directed to submit revised reply and get the supporting evidence verified from Audit within one week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1316/2024-25)

1.6.73 Unjustified payment made to contractor due to variation of rates and splitting of powers - Rs.14.21 million

As per Section –V Clause (5.1) of Book of Financial Power DISCOs, “acceptance of tenders for construction, maintenance and repair works and also for supply of bricks, sand and bajri Competent Authority of SEs/managers is Rs.2 million”.

During audit of accounts of MEPCO for the financial year 2023-24, it was observed that MEPCO awarded various tenders for earthing of transformers, HT/LT Steel Structure/ PCC Poles and Welding of Transformers. But the rates for various awarded contracts were different at a particular date, which put a question mark on reasonability of rates. Audit held that tenders were awarded on same date to different contractors which indicated splitting of power at SE level. The claims of Rs.14.21 million were submitted to Finance Director for pre-audit. FD office passed these claims by taking into consideration all these factors relating to variation of rates and splitting which was unjustified.

Non-adherence to Book of Financial Power for DISCOs resulted in irregular / unjustified payment to contractors due to variation of rates and splitting of power of Rs.14.21 million up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in October, 2024. The management replied that most of the area of MEPCO was rural / scattered which was the reason of variation of rates in different operation circles. Moreover, no splitting of power was observed in tendering process for earthing.

DAC in its meeting held on November 29, 2024 directed the management to inquire the matter at CEO level and share the report to Audit within two weeks accordingly.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No. 712/2024-25)

1.6.74 Wasteful expenditure due to termination of contract - Rs.12.98 million

According to Para 2.2.2 of Capital Development Authority Building Control Regulations, 2020, “no building or structure shall be constructed nor shall any addition/alteration be made thereon except: (a) with the prior approval of the Authority”.

During audit of the accounts of IESCO for the financial year 2023-24, it was observed that a work order amounting to Rs.58.26 million for construction of four (4) No. Cat-IV (double story) flats (two block) boundary wall RCC retaining wall at Nallah side external water supply, sewerage system sui gas fitting overhead tanks & boring etc at 132 KV station G-9/3 Islamabad was awarded to M/s Naeem & Co., Lahore on September 11, 2018 and November 26, 2020. Accordingly, the contractor commenced the work on December 03, 2020. However, on April 27, 2021, CDA halted the construction citing the absence of necessary approvals. Despite efforts by the management to resolve the issue, CDA did not grant the required permission, leading to the termination of the contract at the contractor's request. Consequently, an amount of Rs.12.98 million paid for partially completed work was considered a wasteful expenditure.

Non-adherence to Building Control Regulations of CDA resulted in wasteful expenditure of Rs.12.98 million due to termination of contract up to the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in November, 2024. The management replied that CDA had allotted 2.10 Kanal land for the construction/extension of the Grid Station. This office also submitted the detail drawings along with demand drafts and all other requisites for approval but same was still awaited.

DAC in its meeting held on January 13 and 15, 2025 directed the management to resolve the matter with CDA expeditiously and get the record of completed actions verified from Audit accordingly.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 320/2024-25)

1.6.75 Non-confiscation of bid bond due to submission of deficient performance guarantee by supplier - Rs.12.85 million

According to Clause B(a) of letter of intent/ notification of award for supply of 50 KVA distribution transformers, "Performance Guarantee equal to 5% of the total value of purchase order shall be furnished within 14-days from date of issuance of LOI and non-receipt of performance guarantee within specified period may tantamount to cancellation of LOI/ NOA and confiscation of bid money in favour of PESCO as per WAPDA purchase procedure."

During audit of the accounts of PESCO for the financial year 2023-24, it was observed that Letter of Intent (LOI) for supply of 50 KVA distribution transformers valuing Rs.591.61 million was issued to M/s Siddique Sons Transformers Pvt. Ltd. on August 17, 2023. As per the Special Conditions of the LOI, the supplier was required to submit performance guarantee @ 5% of the contract value amounting to Rs.29.58 million. However, the contractor submitted performance guarantee valuing Rs.25.07 million which was less by Rs.4.58 million than the amount specified in LOI. Since the performance guarantee submitted by the supplier was deficient, the bid bond amounting to Rs.12.85 million was required to be confiscated. But contrary to this, purchase order was awarded to the said bidder which was termed as irregular.

Violation of provisions of the LOI/ NOA resulted in non-confiscation of bid bond amounting to Rs.12.85 million due to submission of deficient performance guarantee by the supplier up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that due to a clerical mistake, the firm submitted an insufficient Performance Guarantee (PG). PESCO issued a directive to the firm to submit the additional PG amount to the MM Directorate, as per office letter No. 3990 dated December 20, 2024. The firm is expected to comply with this instruction.

DAC in its meeting held on January 7-8, 2025 directed the management to ensure compliance regarding production of record in light of re-audit remarks within two weeks.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1279/2024-25)

1.6.76 Non-extension of warranty period of transformers due to failure of short circuit test – Rs.12.52 million

According to Clause 19.4 (i) of revised NTDC specification No. DDS-84:2020 for oil hermetically sealed distribution transformers, “in case of rejection of lot due to failure in temperature rise, impulse test and short circuit tests, the WARRANTY PERIOD of the subsequent and already supplied transformers during validity period of test, for the failed rating and design against all purchase orders/ contracts shall be DOUBLE from the date of receipt of transformers at

consignee's store against period specified in clause "WARRANTY" of the tender/ purchase order. The extended warranty shall be printed by the manufacture on all subsequent transformers."

During audit of the accounts of TESCO for the financial year 2023-24, it was observed that a purchase order dated January 08, 2024 amounting to Rs.12.52 million for supply of twenty (20) 100 KVA distribution transformers was placed on M/s Hammad Engineering Company Pvt. Ltd. One (01) transformer, offered by the supplier for inspection, was sent to HV&SC Lab Rawat for short circuit test which it failed to qualify. Hence, as per NTDC's specifications, the manufacturer was required to extend the warranty of subsequent and already supplied transformers during validity period of test, by doubling the warranty period as stipulated in the purchase order, but the same was not done.

Non-adherence to the provisions of the revised NTDC specification resulted in non-extension of warranty period of transformers amounting to Rs.12.52 million due to failure of short circuit test up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that TESCO ensures all procurement follows the established rules and procedures. As a DISCO, TESCO operates under directives from PPMC, and since no such directives have been received from GM (Technical) PPMC, TESCO cannot implement other directives that may cause grievances to the firms.

DAC in its meeting held on January 7-8, 2025 directed the management to submit revised reply and get the record verified from Audit accordingly.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1130/2024-25)

1.6.77 Unjustified competition due to framing of unrealistic BoQ estimates - Rs.12.46 million

According to Public Procurement Rules, 2004, procuring agencies, while engaging in procurements, shall ensure that the procurement 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.

According to Public Procurement Rules, “value for money” means best returns for each rupee spent in terms of quality, timeliness, reliability, after sales service, up-grade ability, price, source, and the combination of whole-life cost and quality to meet the procuring agency’s requirements.

During audit of the accounts of GENCO-I for the financial year 2022-23 and 2023-24, it was observed that eight (08) work orders were issued to contractors amounting to Rs.12.46 million which had quoted bid price ranging below 5% to 31% of BoQs. In contrast, 03 similar civil works orders had bid prices exceeding BoQ estimates by 14.79% to 40% for 2023-24. The significant price variations indicate a lack of standardized competitive bidding, as the wide range in bid prices could either reflect manipulation and might cut corners to stay within budget, risking lower work quality. This showed that the inconsistencies in BoQ estimates may have inadvertently influenced competitive fairness and the quality of contracted work, underlining the need for more accurate, realistic BoQ framing.

Non-adherence of PP Rules resulted in unjustified competition due to framing of unrealistic BoQ estimates Rs.12.46 million up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that civil works were initiated and completed with utmost care. However, the management had been constituted a civil works check committee to ensure the quality of work carried out through the process and no any breach or violation of rules committed.

DAC in its meeting held on January 9, 2025 did not accept the management’s reply and directed to submit revised reply with detailed analysis and get the supporting documents verified from Audit within one week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No. 1315/2024-25)

1.6.78 Loss due to failure to award purchase order within bid validity period - Rs.11.02 million

As per tender Clause 5, all bids must be accompanied with bid security valuing 2% of total bid price valid for 180 days from the date of opening of Bid.

During audit of the accounts of SEPCO for financial years 2021-22 to 2023-24, it was observed that a tender was opened on January 12, 2022 for procurement of 442 DC E-Lab Relays. After expiry of bid validity period, the bid evaluation committee recommended to issue LOI to M/s EPSOL Lahore for an amount of Rs.10.02 million at Rs.23,200 per unit being responsive bidder on May 16, 2022. However, the supplier refused to extend the bid validity period and consequently, SEPCO management scraped the tender. A fresh tender was floated and opened on January 16, 2024 for procurement of 270 DC E-Lab Relays material and Purchase Order amounting to Rs.17.280 million at Rs.64,000 per unit was awarded to M/s Ittehad Electric Lahore being lowest bidder. Hence, SEPCO sustained a loss of Rs.11.02 million on account of excess rates received in retendering caused by negligence in timely award of earlier P.O within bid validity period.

Inefficient bid evaluation resulted in loss of Rs.11.02 million due to inordinate delay in awarding the P.O within bid validity period up to the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in October, 2024. The management replied that the tender for procurement of DC Supervision Relays was opened on January 12, 2022 under STG head with a bid validity period of 150 days.

DAC in its meeting held on November 28, 2024 directed the management to inquire the matter at CEO level for fixing responsibility upon the person at fault for late procuring and change of tender conditions and submit the inquiry report to Audit within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 431/2024-25)

1.6.79 Undue favor to contractors by enhancing cost of contract without increase in the scope of work – Rs.10.93 million

According to Para 5 of Notice Inviting Tender (NIT), "scope of work can be increased / decreased only up to 15% as per PPRA rules."

During audit of the account of TESCO for the financial year 2022-23, it was observed that in seven (07) work orders, the cost of contract was enhanced by an amount of Rs.10.93 million without increase in the scope of work. Audit is

of the view that undue favor was extended to contractors at the cost of TESCO as the scope of work did not increase but cost of contract was enhanced on the plea that total funds were utilized but some works were pending as scope of work was found more than agreement. Therefore, without an increase in the scope of work mentioned in the work order, the enhancement of cost of contract was irregular and was undue favor to contractors.

Non-adherence to Notice Inviting Tender resulted in undue favor to contractors by enhancing the cost of contract amounting to Rs.10.93 million up to the financial year 2022-23.

The matter was taken up with the management in March, 2024 and reported to the Ministry in May, 2024. The management replied that the scope of work in each case was increased and duly approved by the competent authority as the CEO was competent to accord approval of 25% enhancement under Book of Financial Powers.

DAC in its meeting held on September 25, 2024 directed the management to fix responsibility and inform to Audit within a month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 60/2024-25)

1.6.80 Non-replacement of Universal Relay Test Set damaged during warranty period – Rs.10.72 million

According to Section 20 of State-Owned Enterprises (Governance and Operations) Act, 2023, “the board shall ensure the integrity of the systems of internal control and any person who is found liable for a deviation or violation from the company's code of conduct or other systems of internal control shall be subject to disciplinary proceedings in accordance with the state-owned enterprise's internal policies.”

During audit of the accounts of NTDC for the financial year 2023-24, it was observed that one (01) electrical equipment i.e. Universal Relay Test Set amounting to CNY 0.281 million (equivalent to Rs.10.72 million at conversion rate of Rs.38.15), under Contract ADB 67(R)-2012 became defective during warranty period. However, despite lapse of considerable period of time, neither the said equipment was replaced from the manufacturer nor amount in this regard recovered/ adjusted from the contractor i.e. M/s Chint Electric Company.

Non-adherence to State-Owned Enterprises (Governance and Operations) Act, 2023 resulted in non-replacement of Universal Relay Test Set damaged during warranty period amounting to Rs.10.72 million up to the financial year 2023-24.

The matter was taken up with the management in November, 2024 and reported to the Ministry in December, 2024. The management replied that the contractor had agreed to repair the defective material and in case of failure to repair/ replace, corresponding costs would be deducted from the payments due to the contractor.

DAC in its meeting held on December 24, 2024 directed the management to expedite the matter and get the record verified from Audit within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1510/2024-25)

1.6.81 Non-payment of compensation for fatal accident by contractor – Rs.8.00 million

According to Section 20 of State-Owned Enterprises (Governance and Operations) Act, 2023, “the Board shall ensure the integrity of the systems of internal control and any person who is found liable for a deviation or violation from the company's code of conduct or other systems of internal control shall be subject to disciplinary proceedings in accordance with the state-owned enterprise's internal policies.”

During audit of the accounts of PESCO for the financial year 2023-24, it was observed that a fatal accident claimed lives of 04 contractors' labors working under Construction Sub Division Banuu. The said labors were engaged by contractors M/s SA Construction Company and M/s F&J Construction Company for bifurcation and re-conducting of 11 KV Pezu Feeder. The inquiry committee recommended that compensation would be paid to all the bereaved families by the contractor(s) as per compensation policy within a month. However, payment of Rs.8.00 million (approx.) had not been made by the contractors.

Non-adherence to State-Owned Enterprises (Governance and Operations) Act, 2023 resulted in non-payment of compensation by contractor to bereaved families of labors met with fatal accident amounting to Rs.8.00 million up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that the matter was under process and progress would be intimated to Audit.

DAC meeting was held on January 7-8, 2025 but the matter could not be discussed due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1237/2024-25)

1.6.82 Irregular award of contract beyond the cost estimates of original PC-I without revised approval of ECNEC

According to clause 4.05 (ii) of Manual for Development Project issued by Planning Commission, "if the cost of the project exceeds 15% of the approved budget at the time the contract is being awarded, PC-I will be revised immediately and should be submitted for approval of the competent forum." As per clause 2.46 of *ibid*, "once approved, the executing agency is required to implement the project in accordance with the PC-I provisions. It has no authority to change or modify any approved parameter of the project. If the project executing agency determines (based on detailed justification) that the project cannot be implemented under the approved parameters and it requires revision of scope, physical components or financial allocation, a revised PC-I must be submitted to the competent forum for approval. No expenditure may be incurred beyond the approved scope and cost of the project, and if it is done, it will be considered as an inadmissible and illegal expenditure".

During audit of the accounts of MoE (Power Division) for the financial year 2022-23, it was observed that NTDC awarded a contract for construction of 500/132KV Allama Iqbal Industrial City / M-3 Industrial Grid Station for supply of power to Special Economic Zones in Faisalabad Industrial Estate Development and Management Company (FIEDMC) at 246% increased original PC-I cost without approval of ECNEC. The original PC-I of the project was approved by CDWP in its meeting held on May 25, 2021 at a total cost of Rs.5,975.81 million. Subsequently, NTDC submitted a revised PC-I of Rs.20,704.19 million on March 30, 2023 but before approval of Revised PC-I

from ECNEC, BoD NTDC approved the award of contract on May 05, 2023. The award of contract before approval of Revised PC-I was against the directions of Planning Commission and hence, considered as irregular.

Violation of directions of Planning Commission resulted in irregular award of contract by NTDC beyond the cost estimates of original PC-I without approval of revised PC-I by ECNEC up to the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management responded that reply would be furnished after consulting the record.

DAC meeting was held on September 25, 2024 but the matter could not be discussed due to non-provision of record to Audit for verification by the management, and further schedule of meeting was not conveyed by the Ministry till finalization of the report.

Audit recommends inquiring the matter for fixing responsibility regarding award of contract at 246% more than original cost of PC-I without approval of revised PC-I by ECNEC.

(Draft Para No. 208/2024-25)

1.6.83 Irregular grant of EOT to an EPC Contractor by GENCO-I without approval of Principal Accounting Officer

According to Clause 2.58 (i) & (iii) of Manual for Development Project of Planning Commission, “the PAO of the sponsoring/executing agency may grant time extension in the execution period of the project till the closing of the fiscal year, twice in a project’s life, irrespective of the approving forums and in the case of the federally administered development projects, further extension in the execution period will be granted by the DDWP of the ministry/ division concerned based on reasons of delay in execution, irrespective of the approving forums.”

During audit of the accounts of MoE (Power Division) for the financial year 2022-23, it was observed that Extension of Time (EOT) for executing Lot-I of Jamshoro Coal Fired Power Project-I was granted twice by BoD GENCO-I to an EPC contractor M/s Siemens-Harbin Consortium without approval of Principal Accounting Officer. Though the management of JPCL had admitted its failure/lapse/mistake, however, the matter was not inquired by the Ministry for fixing responsibility.

Violation of directions of Planning Commission resulted in irregular grant of 1st and 2nd EoT to EPC contractor by GENCO-I without approval of Principal Accounting Officer.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management responded that the reply would be furnished after consulting the record.

DAC meeting was held on September 25, 2024 but the matter could not be discussed due to non-provision of record to Audit for verification by the management, and further schedule of meeting was not conveyed by the Ministry till finalization of the report.

Audit recommends inquiring the matter by constituting a high-level inquiry committee for fixing responsibility regarding irregular grant of EOT without approval of PAO/Secretary MOE (Power Division).

(Draft Para No.209/2024-25)

1.6.84 Irregular shipment of consignments being not supplied through Pakistan National Shipping Corporation (PNSC)

According to Contract provision, section-VI, 9 (9.2), “the shipments of all the consignments relating to Goods shall be arranged by the supplier through vessels owned or chartered by the Pakistan National Shipping Corporation (PNSC). In case PNSC is not available to transport the Goods within the time period(s) specified in the contract, the supplier after obtaining Non-Availability Certificate (NAC) from PNSC may arrange for such transportation on other ocean carriers except those carrying Israeli Flag.

During Thematic Audit of procurement and material management in NTDC for the financial year 2022-23, it was observed that shipments of following contracts were organized by the supplier through other than Pakistan National Shipping Corporation (PNSC) in violation of contract provision. Neither supplier got Non-Availability Certificate from PNSC nor management objected the shipments of consignments received through other than PNSC. This very act rendered shipments of consignments irregular.

Contract Nos.			
TLM-10-2020	WPP-11-2016	NOR-70C-2017	CPP-04M(R-2)
ADB-301-E-2019	WPP-10, NOR-70.F-2019	CCP-04-M-R-2	CPP-04-MR-2017
WPP-17-2021	TLM-08-2019		

Non-adherence to contract provision resulted in irregular shipment of consignments being not supplied through Pakistan National Shipping Corporation (PNSC) up to financial year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that the contractor provides advance shipping document after loading the material other than PNSC Vessel. At that time no remedy can be taken except to clear the material from custom to avoid hefty demurrage and detention charges, and there is no financial loss. Moreover, for future the matter would be discussed with the bidder at pre-bid level and before shipment at pre-contract award.

DAC in its meeting held on June 24, 2024 directed the management to probe the matter for fixing responsibility for the lapse and share the report with audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1162/2023-24)

1.7 Unsatisfactory Project Management

The companies undertake different mega projects comprising series of sub-tasks and works. Depending upon the complexity of the project, different works were executed either through company's own project offices or through collaboration with EPC contractors for delivery of specific goods / services. Based on their projected financial outlay, PC-1 form was formally made for these projects and their approval was sought from the relevant government forum. Generally, in DISCOs/NTDC, the projects are aimed at enhancing and improving the electricity transmission / distribution system and allied assets of the companies. These projects represent the strategic milestones which were set by the government for the attainment of desired goals and outcomes in the power sector.

Shortcomings and lapses on account of which the project could not be executed in a timely, transparent and efficient manner result in unsatisfactory project management. Lack of project planning and poor feasibility led to projects getting stuck up during execution. Delays in finalization of project documents, allocation of land, timely arrangement of financial resources etc. led to significant cost overruns for a subject project. On the other hand, unrealistic

growth assessment of the projects led to unnecessary procurement with surplus stock getting piled up in the DISCOs/NTDC.

During the course of completion, as the requirement and cost of a project changed, the revision of the PC-1 was mandated which in many cases was not sought making the project expense irregular and void of due administrative sanction.

Moreover, project completion reports were delayed/not prepared for completed projects which implied that management could not objectively review who well the project had been executed, whether due processes adopted and envisaged benefits materialized or not.

Audit has analyzed the issues of unsatisfactory project management in the DISCOs/NTDC/GENCOs, on a sample analysis basis to highlight the inefficiencies, lack of transparency, irregularities and internal control lapses which are highlighted in the following paras:

1.7.1 Huge loss to the company due to payment of liquidated damages – Rs.2,795.90 million

The NTDC was responsible for the design and construction of the “Power Purchaser Interconnection Facilities” (the “PPIF” as defined in the PPA), which comprised the equipment “on the Power Purchaser’s side of the Interconnection Point”. (The “Interconnection Point” was specified as the point where the Complex and the grid were to be connected). The work required for the PPIF was referred to as the “Power Purchase Interconnection Works” (the “PPIW”, as defined in the PPA).

During audit of the accounts of NTDC for the financial year 2023-24, it was observed that CPPA-G signed a Power Purchase Agreement (PPA) of 147 MW Hydroelectric Power Generation facility/complex with Independent Power Producer (IPP) Star Hydro Power Limited on March 08, 2012 with Scheduled Commercial Operation Date (COD) on March 20, 2017. The project achieved its COD on November 08, 2017. NTDC was responsible for the design and construction of the “Power Purchaser Interconnection Facilities”, (the “PPIF” as defined in the PPA), which was delayed on the part of NTDC. The Star Hydro Power Limited raised invoices for payment to NTDC under (PPA) but the same was disputed by NTDC. The IPP took the matter into London Court of

International Arbitration and Lahore High Court. Consequently, both the courts gave decision in favor of IPP. Hence, NTDC suffered huge loss due to payment of liquidated damages of Rs.2,795.90 million to Star Hydro Power Limited.

Non-adherence to PPA resulted in huge loss to company due to payment of liquidated damages valuing Rs.2,795.90 million up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that the PPIB was delayed because of factors beyond NTDC control including technical issues related to Star Hydro Power Limited.

DAC in its meeting held on December 24, 2024 directed the management to seek clarification from PPIB regarding re-route and change of design of power house without consultation of NTDC.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 681/2024-25)

1.7.2 Loss due to announcement of final awards in London Court of International Arbitrations (LCIA) against NTDC – Rs.2,623.02 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

During audit of the accounts of MoE (Power Division) for the financial year 2022-23, it was observed that in response to arbitrations initiated by M/s Liberty Power Tech. Limited and M/s Nishat Chunian Power Limited, the London Court of International Arbitrations (LICA) announced final awards of Rs.1,718.62 million and Rs.904.09 million respectively against NTDC on October 28, 2019. The said final awards were announced against NTDC on account of payment disputes due to non-adherence to the provisions of Power Purchase Agreements. Later on June 28, 2021, the matter was referred to office of Attorney General of Pakistan on June 26, 2021, being competent to defend/challenge such awards or judicial proceedings, for consideration and further necessary action. No further progress in the matter was forthcoming from record. The recognition and enforcement of said awards would result in loss of

Rs.2,623.02 million to the public exchequer, however, the matter was not inquired for fixing responsibility.

Violation of Authority's instructions resulted into loss of Rs.2,623.02 million due to announcement of final awards in LCIA against NTDC up to the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management responded that reply would be furnished after consulting the record.

DAC meeting was held on September 25, 2024 but the matter could not be discussed due to non-provision of record to Audit for verification by the management, and further schedule of meeting was not conveyed by the Ministry till finalization of the report.

Audit recommends inquiring the matter through high level inquiry committee for fixing responsibility besides perusing the matter with the office of Attorney General of Pakistan vigorously.

(Draft Para No. 215/2024-25)

1.7.3 Non-implementation of AMI Metering Project – Rs.678.00 million

According to Para 3 of PITC letter dated April 29, 2021 regarding implementation of AMI landscape in Pakistan, "FESCO is required to procure IT related hardware necessary to efficiently deploy or expand the roll out of smart devices like smart meters".

During Performance Audit of FESCO regarding overbilling for financial years 2020-21 and 2021-22, it was observed that a procurement plan of Rs.678.00 million was approved by BOD in its 220th/14th meeting held on August 16, 2021. Furthermore, an inquiry was also held in 2021 and report was issued on August 12, 2021 regarding delay in implementation of AMI project in FESCO since 2014. However, the findings of the report were not shared with the audit. Furthermore, BOD in its 235th/29th meeting dated March 25, 2022 approved procurement of 13,831 AMI 3-phase meters and 2,235 LT/HT/TOU AMR meters amounting to Rs.388.579 million. The pace of installation of AMI meters was very slow and its implementation couldn't be done in time i.e., during F.Y. 2022-23. This situation shows management inefficiency in implementing the AMI project timely to avoid wrong reading, over/under billing issues faced by consumers at large.

Non-adherence to the PITC instructions resulted in delay in implementation of AMI project which reflected inefficiency by FESCO.

The matter was taken up with the management in March, 2023. The management replied that a rollout plan of installation of 16,066 AMI meters is prepared and as a 1st Phase, FESCO has planned to install 16,066 Nos. AMI meters during financial year 2022-23 which were not installed.

DAC in its meeting held on August 04, 2023 directed the management to reconcile the record and submit revised reply. Further progress was not intimated till finalization of report.

Audit recommends implementation of DAC's decision besides fixing responsibility regarding inordinate delay in timely implementation of the AMI project.

(Performance Audit of FESCO regarding overbilling – Para-4.3.1)

1.7.4 Non-construction of temporary Ash Pond of 660 MW Coal Power Plant, Jamshoro - US\$ 0.110 million plus PKR 590.56 million

According to Rule-5(5) of Public Sector Companies (Corporate Governance) Rules-2013, “the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders”.

During audit of the accounts GENCO-I for financial years 2022-23 and 2023-24, it was observed that EPC contract for Lot-I of the Jamshoro Coal Fired Power Project was signed between JPCL and Siemens-HEI Consortium (EPC Contractor) on March 29, 2018 at a cost of US\$ 474.309 million and PKR 9,265.34 million under ADB Loan No. 3090-PK. The EPC contractor was required to achieve provisional taking over on or before December 27, 2021. The original plan in the EPC contract specified a 100-acre Ash Pond. However, due to land constraints, this could not be executed as planned. In response, stakeholders, including JPCL, PIC, NESPAK, and the EPC contractor, agreed to construct a temporary Ash Pond with cost US\$ 0.110 million and PKR 590.563 million however, NESPAK was engaged as an independent consultant to evaluate the change proposal at cost of Rs.2.7 million. Despite stakeholder agreement, construction of the temporary Ash Pond was not executed. This pond was essential for handling waste water from the Flue Gas Desulfurization (FGD)

system and industrial waste water, which needed to be pumped to an ash yard for proper disposal. The absence of ash pond facility had contributed to significant delays in the project timeline. Hence, without a proper ash pond, the project may struggle to comply with environmental regulations regarding industrial waste disposal, which could lead to regulatory challenges.

Sub-optimal project management resulted in non-construction of temporary Ash Pond of 660 MW Coal Power Plant, Jamshoro amounting to US\$ 0.110 million plus Pak Rs.590.56 million up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that the case for the entitlement of 100 acres of land for construction of main Ash Pond was still pending with Sindh Government. However, construction of temporary ash storage facility inside the plant premises was under consideration to cope up with emergent situations. The basic engineering/design had been carried out and the execution was expected to be started shortly through EPC contractor.

DAC in its meeting held on January 9, 2025 directed to inquire the matter at Ministry level within one month and share the inquiry committee report with Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1324/2024-25)

1.7.5 Abnormal change order of 550 KV Switchyard installation and civil work contributing time overrun and cost overrun of 660 MW coal Fired Power Plant - US\$ 2.601 million and Rs.390.00 million

According to Rule 5(5) of Public Sector Companies (Corporate Governance) Rules, 2013, "the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders".

During audit of the accounts of GENCO-I for financial years 2022-23 and 2023-24, it was observed that EPC contract for Lot-I of the Jamshoro Coal Fired Power Project was signed between JPCL and Siemens-HEI Consortium (EPC Contractor) on March 29, 2018 at a cost of US\$ 474.309 million and PKR

9,265.340 million. The EPC contractor was required to achieve provisional taking over on or before December 27, 2021. But, the contractor had failed to complete the work in specified time. The four times extension of time were granted for the period up to December 31, 2024. Originally, the EPC contract for the 500 kV switchyard was priced at approximately US\$ 3.265 million, with a one-and-a-half breaker scheme. However, NTDC later required a revised design, changing the breaker configuration to two separate half dia for improved connectivity with step-up transformers. This design change increased the cost by US\$ 2.601 million and civil cost Rs.390.00 million, leading to a total revised cost of US\$ 5.866 million, representing an 80% increase over the original amount. Implementing this design change added an additional 12 months to the project timeline, compounding delays that had already occurred. Hence, cost and time overruns undermined the credibility of the project and the company.

Inefficient project management resulted in abnormal change order of 550 KV Switch yard installation and civil work contributed time overrun and cost overrun of 660 MW coal Fired Power Plant US\$ 2.601 million and Rs.390.00 million up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that NTDC required making two separate bays for each unit. However, in order to avoid construction of two bays, JPCL suggested to connect its second transformer to Hubco-II and Hubco's line be connected to JPCL Bay, but the proposal was not accepted by NTDC. Hence, there was no option but to accept the requirement of NTDC which contributed in cost overrun and time overrun.

DAC in its meeting held on January 9, 2025 directed the management to expedite the revision of PC-I of project besides seeking justification from NTDC regarding the cost and time overrun in construction of 550 kV switchyard as per original PC-I and EPC contract and share the same with Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1429/2024-25)

1.7.6 Non-achieving the milestone specific envisaged benefits of ERP project - Rs.157.51 million

According to RFP, IESCO intends to complete the implementation and rollout in approximately 14 months according to phase wise implementation and rollout plan from the signing of contract.

During audit of the accounts of IESCO for the financial year 2023-24, it was observed that a contract for the implementation of ERP was made with M/s Abacus Consulting Technology at a contract price of Rs.114.26 million, signed on May 5, 2017, for a period of fourteen months. The firm failed to perform the required tasks according to the milestones and deliverables specified in the contract agreement. Despite payments of Rs.105.42 million to M/s Abacus (the Implementer) and Rs.47.88 million to M/s HHC (the Consultant), the time-bound milestones and deliverables outlined in the contract were not achieved, although two time extensions were granted, extending the deadline from July 4, 2018 to May 31, 2023. Moreover, an amount of Rs.157.51 million was recorded as capital work in progress since the project's inception in May, 2017. Due to the failure of M/s Abacus to provide the necessary go-live and support services, the completion and capitalization of the project could not be made.

Weak project implementation resulted in non-achieving the milestone specific envisaged benefits of ERP project despite incurrence of considerable expenditure of Rs.157.51 million up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that remaining payment for both the implementer and consultant would be processed upon completion of support period on March 04, 2025. Hence, the capitalization process for the entire project would be commenced in due course.

DAC in its meeting held on January 13 and 15, 2025 directed the management to expedite the process of capitalization of cost of ERP Project and get the record verified from Audit within three months.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.1034/2024-25)

1.7.7 Loss due to negligence of NTDC Management - Rs.126.27 million

According to contract clause GCC 26.1, “the employer shall give possession to all part of the site to the contractor. If possession of a part is not given by the date stated in PCC, the employer shall be deemed to have delayed the start of relevant activities and this shall be a compensation event”.

During audit of the accounts of NTDC for the financial year 2022-23, it was observed that a contract for Civil Works erection, testing and commissioning of 220/132 Kv Gird Station Lalian was awarded to M/s Transmark during October 2016 at a contract price of Rs.360.77 million with a completion period of 365 days. According to the provisions of contract, land for subject Grid Station was required to be handed over to contractor by NTDC but the land was not acquired by NTDC. Resultantly the project was delayed and land / site was handed over to contractor in May, 2021 with a delay of 5 years. Due to delay in handing over of site contractor demanded compensation cost of Rs.164.59 million (45.62% of total contract price) and NTDC revised the contract price as Rs.487.04 million (35% increase in contract price). The negligence of management resulted into loss of Rs.126.27 million to NTDC as well as public exchequer. Had the land been acquired by NTDC well in time and handed over to the contractor, this loss could have been avoided.

Non-adherence to the provisions of contract resulted in loss of Rs.126.27 million due to the negligence of NTDC management up to the financial year 2022-23.

The matter was taken up with the management in September, 2024 and reported to the Ministry in October, 2024. The management replied that NTDC acquired the land in accordance with the Land Acquisition Act, 1894. The whole process was completed through District management / Commissioner / Board of Revenue.

DAC in its meeting held on July 19, 2024 directed the management to constitute a fact finding committee at PPMC level to investigate the matter under intimation to Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No. 469/2023-24)

1.7.8 Non-financial closure/capitalization of completed civil work (Lot-IV) due to non-approval of variation order - Rs.84.88 million

According to Rule-5(5) of Public Sector Companies (Corporate Governance) Rules-2013, “the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders”.

During audit of the accounts of GENCO-I for financial years 2022-23 and 2023-24, it was observed that a contract agreement for construction of Hazardous Solid Waste Management was signed on March 17, 2018 with contractor M/s ATL-GPL Consortium amounting to Rs.85.66 million which was to be completed within 180 days up to January 06, 2019. JPCL had taken over the work from March, 2021. However, ADB on May 31, 2022 extended completion period up to March 25, 2020 and recommended for revision of scope of contract to include additional hard rock excavation and increase the quantity of hazardous material from 2,000 to 4,800 cubic meters and increased the contract amount by 66.88% i.e. from Rs.85.66 million to Rs.142.95 million. Payment of Rs.84.88 million had been made to the contractor but, despite approval from Project Implementation Consultant and ADB, the financial closure of the work had not been completed. Hence, delay in financial closure was due to the absence of timely BoD approval for the contract’s revised scope and budget, resulting in administrative hold-ups and uncertainty over final project costs.

Inefficient project management resulted in non-financial closure / capitalization of completed civil work (Lot-IV) due to non-approval of variation order amounting to Rs.84.88 million up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that contractor had claimed a variation of 66.88% for Rs.58.780 million which was much higher than the permitted percentage. JPCL management presented the contractor’s variation claim in 119th BoD meeting held on September 16, 2019 but the same was deferred with observations. However, subject work was completed in the month of March, 2021 and taken over on January 28, 2022. The contracted price was fully paid and Performance Security was also released whereas the claimed

amount under variations was pending due to non-approval by the competent authority and consultant.

DAC in its meeting held on January 9, 2025 directed to inquire the matter at Ministry level within one month and share the inquiry committee report with Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1427/2024-25)

1.7.9 Irregular expenditure on additional work without approval of revised estimate from BOD - Rs.33.06 million

As per delegation of NTDC book of financial powers, Chief Executive officer has accorded approval up to maximum of 25% of total amount of the original contract price and BOD has full power.

During audit of the accounts of PESCO for the financial year 2023-24, It was observed that a work order was issued on February 16, 2022 for the construction of infrastructure at the 132 KV Grid Station Kabal Swat with a cost of Rs.24.57 million. The said work was to be completed within 180 days. The work was delayed and the project estimate was later revised to Rs.45.70 million on April 25, 2024. However, neither additional work order was issued nor the revised estimate was approved by the BoD. But an amount of Rs.33.067 million was spent without proper authorization. Moreover, no liquidated damages were recovered from the contractor due to non-completion of work within stipulated period.

Non-adherence to Delegation of Powers resulted in irregular expenditure incurred on additional work without approval of revised estimate from BOD Rs.33.06 million up to the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in November, 2024. The management stated that reply would be submitted after consulting the record.

DAC meeting was held on January 7-8, 2025 but the matter could not be discussed due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 657/2024-25)

1.7.10 Irregular possession and utilization of land for Converter Station Azakhel Nowshera in contradiction to the directions of World Bank and without Notification of Award – Rs.31.37 million

The World Bank Operation Policy OP-4.12 strictly prohibits the Executing Agency (EA) from using of any land prior to the payment of compensation and non-compliance to this policy could lead to stoppage of the loan subsequently halting the project progress. According to Section-28 of the Land Acquisition Act 1984, the acquiring agency is susceptible to penal charges amounting to 8% of the land cost if it takes possession and utilizes the land prior to the Notification of Award as per section 11 of the LAA.

During audit of the accounts of NTDC for the financial year 2023-24, it was observed that land measuring 1,196 Kanals 05 Marla was acquired for the Converter Station Azakhel Nowshera for CASA 1000 Power Project being financed by World Bank. Later on, it was found that the 134 Kanal and 14 Marla of land amounting Rs.31.37 million which fell inside the boundary wall of the project site was un-acquired. The usage of land prior to the payment of compensation and Notification Award could not only lead to stoppage of loan but could also attract 8% penal charges, to be recovered from NTDC under Land Acquisition Act.

Non-adherence to directions of World Bank and provision of Land Acquisition Act resulted in irregular possession and utilization of land amounting to Rs.31.37 million for Converter Station Azakhel Nowshera in contradiction to the directions of World Bank and without Notification of Award up to financial year 2023-24.

The matter was taken up with the management in November, 2024 and reported to the Ministry in December, 2024. The management replied that the Land Acquisition Collector (LAC), NTDC has initiated the process of acquisition of un-acquired land under Land Acquisition Act.

DAC in its meeting held on December 24, 2024 directed the management to pursue the matter expeditiously.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1517/2024-25)

1.7.11 Non-recovery of compensation paid for excess land for Converter Station Azakhel Nowshera (CASA 1000 Power Project) due to non-initiating of de-notification process – Rs.29.04 million

According to Section 20 of State-Owned Enterprises (Governance and Operations) Act, 2023, “The Board shall ensure the integrity of the systems of internal control and any person who is found liable for a deviation or violation from the company’s code of conduct or other systems of internal control shall be subject to disciplinary proceedings in accordance with the state-owned enterprise’s internal policies.”

During audit of the accounts of NTDC for the financial year 2023-24, it was observed that land measuring 124 Kanal 19 Marla amounting to Rs.29.04 million, located outside the boundary wall of the Converter Station Azakhel Nowshera for the CASA 1000 Power Project, was acquired in excess of the requirement. This excess land was needed to be de-notified in order to recover the excess payment made by the Land Acquisition Collector but the same was not done.

Non-adherence to State-Owned Enterprises (Governance and Operations) Act, 2023 resulted in to non-recovery of compensation paid for excess land for Converter Station Azakhel Nowshera (CASA 1000 Power Project) due to non-initiating of de-notification process amounting to Rs.29.04 million up to the financial year 2023-24.

The matter was taken up with the management in November, 2024 and reported to the Ministry in December, 2024. The management replied that the LAC, NTDC has been directed to initiate the process of de-notification for surplus land by ensuring the mechanism to recover the remittances previously paid to the landowners.

DAC in its meeting held on December 24, 2024 directed the management to pursue the matter expeditiously.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No. 1516/2024-25)

1.7.12 Unstable and sub-standard construction of 220 KV Jhimpir Grid Station and Allied Transmission Line causing power evacuation issues from Wind Power Plants - US\$ 43.00 million

According to the section 6.02 of activity agreement of Power Transmission System for Wind Projects in Sindh Wind Corridor, the Parties will undertake rigorous monitoring and evaluation of the Project. The Grantee will be responsible for monitoring and evaluation actions according to its "PC-III" form (Planning Commission standard format for "Annual Targets and Performance Reporting"), as well as quarterly reports and other processes and procedures agreed upon by both Parties. If available, copies of the annually prepared PC-III shall be given to USAID. To the extent that additional staff and resources are required to implement thorough monitoring and evaluation efforts, USAID or its designee may also undertake monitoring and evaluation of the Project directly. The Grantee shall ensure reasonable access by USAID or its designee to all necessary sites, documentation, individuals and information to monitor, evaluate and verify the Project and the use of USAID funding under this Activity Agreement, and will require a provision to this effect in all sub-awards or contracts financed by funds reserved under this Activity Agreement.

During Performance Audit of Power Transmission System for Wind Projects in Sindh Wind Corridor, an activity agreement was made under USAID and NTDC for an amount of US\$ 43 million for construction of double circuit 220/132 KV Jhimpir Grid Station and 220KV Jhimpir-Tando Muhammad Khan Road Transmission Line and other related works. Just after two months of commissioning and energization of transmission lines, frequent tripping in line and grid failure were reported. Due to which the system was not able to evacuate power from connected Wind Power Plant. National Electric Power Regulatory Authority (NEPRA) also took serious notice of instability of 220 KV Grid and Transmission Line and directed to fix the responsibility of sub-standard work and poor workmanship. But the management did not make any enquiry in this context. Installation of sub-standard material and poor evaluation and monitoring during project execution resulted in poor construction of Grid Station and Transmission Line to evacuate power from Wind Power Plants.

Non-adherence to clauses of activity agreement of power transmission system of Wind Project leads toward instability and substandard construction of US \$43.00 million.

The matter was taken up with the management in August, 2020 and reported to Ministry in September, 2020.

DAC meeting held on February 24, 2022, the management replied that most of the Tripping highlighted occurred in 2018 which was mainly due to the failure of Disc Insulators installed on the 220kV Jhampir – Tando Muhammad Khan Transmission Line and the same were replaced by Asset Management/GSO NTDC.

DAC directed to conduct inquiry at PPMC level along with Para 4.1.4. The TORs of inquiry committee would be mutually decided by Audit and PPMCL. TORs were eventually decided by audit and PPMCL but no further progress was received from PPMCL up till finalization of the report.

Audit recommends that the management needs to ensure compliance with DAC's decision.

(Performance Audit of Power Transmission System for Wind Projects in Sindh Wind Corridor – Para-4.2.1)

Concluding Recommendations

Project management is a reflection of the professionalism with which the relevant field experts can carry out mega assignments. The above-mentioned shortcomings in project management reflect poor institutional work of the company and imply that the company's long-term targets envisaged through such projects were not being achieved. It is proposed that the ministry may look into the project-based shortcomings to identify control lapses and facilitate improvements in the project work of the companies.

1.8 Theft / Misappropriation / Fraud

As in any organization, theft, misappropriation or fraud incidents highlight material lapses and failures present in the respective organization. This scenario indicates non-existent or weak internal controls allow such malpractices to flourish in the concerned organizations, causing financial losses as well as being a source of significant operational in-efficiencies.

In the following paras, audit has stated on a sample test check basis its findings on the issue.

1.8.1 Loss due to theft of electricity/energy – Rs.5,784.06 million

According to Guidelines for Policy and Procedure on Detection Bills circulated vide letter dated October 26, 1999, “whoever found to connect his installation appliances and apparatus for the purpose of supply of energy without its (with the work of license) written consent commits an offence to be prosecuted under Section 39 & 39A of Electricity Act, 1910 which requires FIR to be lodged with police. Further to compensate the loss sustained on account of theft, assessment bills were to be served as per laid down procedures to such illegal and unregistered consumers”.

During audit of the accounts of DISCOs for financial years 2022-23 and 2023-24, it was observed that an amount of Rs.5,784.06 million was recoverable from 262,740 consumers involved in theft of electricity through illegal direct connections, tempering in meters and bogus installation of meters. Departmental and legal actions were neither taken nor finalized for fixing responsibility and recovery of the energy charges. The detail is as under:

(Rs.in million)

Sr. No.	Name of Company	No. of Consumers	Amount
1.	FESCO	23,579	567.57
2.	HESCO	107,802	1,619.05
3.	IESCO	2,254	74.68
4.	LESCO	26,949	1,356.67
5.	MEPCO	6,168	162.48
6.	PESCO	75,541	1,845.98
7.	QESCO	16,882	128.67
8.	SEPCO	2,791	15.75
9.	TESCO	774	13.21
TOTAL		262,740	5,784.06

(Source: Monitoring and Testing (M&T) / Surveillance & Investigation (S&I) Reports of DISCOs)

Non-adherence to the instructions resulted in loss of Rs.5,784.06 million due to theft of electricity up to the financial year 2023-24.

The matter was taken up with the management during September to November, 2024 and reported to the Ministry during October to November, 2024. The management replied that efforts were being made for recovery from responsible persons and departmental as well as legal proceedings were under progress. HESCO management replied that matter was under investigation for fixing the responsibility.

DAC in its meetings held during July 18, November 28-29, December 12-13, 26-27, 2024 and January 7-8, 13, 15-16, 20-21, 2025 directed the management to get the record of completed action verified from Audit within 15 days and expedite the pending actions.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No.1.4.8 having financial impact of Rs.1,795.29 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (90, 93, 889, 964, 1069) (525, 1055, 1364) (619) (621, 854, 1004) (342, 519, 747) (1250, 1264, 1289) (1191, 1200) (530) (1131)/2024-25]

1.8.2 Loss due to embezzlement of funds on account of pay & allowances - Rs.1,064.12 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), "all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

During audit of the accounts of HESCO for the financial year 2023-24, it was observed that four (4) FIRs were lodged in FIA, in which an amount of Rs.996.24 million was declared excess drawn or embezzled from pay and allowances head (520100) during the period from financial year 2017-18 to 2022-23 by Divisional Accounts Officers (DAOs)/ Accountants in connivance with the Drawing and Disbursing Officers (DDO)/XENs, as well as CFO office officers/ officials and HESCO auditors causing loss to the Government exchequer. The officers/officials demanded excess salary funds for ghost employees who were either retired, transferred, or deceased, drew double salaries and miscalculated pay bills. As per FIA investigation, the financial loss of Rs.996.24 million sustained due fraudulent payments on account of pay and allowances. However, due to missing record the issue could not be fully investigated. Disciplinary action was recommended against the responsible officers/officials besides recovery of excess amount demanded on salary head besides conducting details investigations of other offices.

HESCO also conducted an inquiry against financial loss of Rs.67.84 million sustained due to fraudulent payment on account of pay and allowances for the period of January 2023 to May 2023. The Board, on the recommendations of inquiry report, directed to initiate disciplinary proceedings against responsible officers/officials besides recovering the loss. However, directions of the Board were not implemented.

Weak internal controls resulted in embezzlement on account Pay & allowances Rs.1,064.12 million up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry during November, 2024. The management replied that a formal inquiry committee under Rule-6 of E&D Rules has been constituted to probe the matter, which was under process. Moreover, case was already under investigation in FIA.

DAC in its meeting held on January 20-21, 2025 directed the management to provide the documentary evidence regarding implementation of recommendations of committee report besides getting recovery record verified from Audit within one month and pursuing the matter with NAB/FIA.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1339 & 1341/2024-25)

1.8.3 Loss due to theft of electrical material - Rs.842.28 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), "all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that electrical material valuing Rs.842.28 million was stolen by unknown culprits in 2,025 cases. Though FIRs were lodged with the concerned police station(s) but no administrative inquiry / action was carried out / finalized for fixing responsibility and deciding the fate of loss. The detail is as under:

Sr. No.	Name of Company	Description of Material	Period	(Rs.in million)	
				No. of cases	Amount
1.	FESCO	Distribution	July 2021 to June 2024	365	102.08
2.	GEPCO	Transformers,	July 2020 to June 2024	158	75.46

3.	HESCO	Structures, Conductor, Line Hardware & Meters	July 2023 to June 2024	21	18.96
4.	IESCO		July 2022 to June 2024	165	94.01
5.	LESCO		July 2021 to June 2024	161	74.40
6.	MEPCO		July 2018 to June 2024	436	248.38
7.	PESCO		July 2021 to June 2024	649	106.06
8.	QESCO		July 2023 to June 2024	42	106.01
9.	SEPCO		July 2021 to June 2024	28	16.92
Total				2,025	842.28

(Source: Progress Reports of Formation)

Non-adherence to rules for safeguarding the companies' assets resulted in loss of Rs.842.28 million up to the financial year 2023-24.

The matter was taken up with management during February to November, 2024 and reported to the Ministry in April to November, 2024. The management replied that FIRs have already been lodged with concerned police stations regarding theft of material against the unworn thieves and the cases are under process. The management of HESCO replied that the proceedings of inquiry committee of stolen Vehicles No. GA-2065 & GP-0126 were under way.

DAC in its meetings held during July 3, October 11, November 28-29, December 12-13, 23, 26-27, 2024 and January 7-8, 13, 15-16, 20-21, 2025 directed the management to pursue the FIRs and inquire / expedite the departmental proceedings and submit its report to Audit within a month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2023-24 vide Para No. 1.8.2 having financial impact of Rs.461.83 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (331, 670, 887, 1102) (193, 311, 707) (328, 1307, 1367) (27, 72, 632, 1024, 1047) (143, 354, 362, 608, 843, 845, 918) (12, 371, 437, 456, 555, 741) (439, 590, 1280) (346, 396, 1163) (169, 356)/2024-25]

1.8.4 Loss due to misappropriation / shortage of huge quantity of transformer oil of power transformer at T&G warehouse - Rs.64.27 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), "all losses whether of public money or of stores, shall be subject to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

During audit of the accounts of QESCO for the financial year 2023-24, it was observed that an inquiry committee was constituted to probe into the matter of misappropriation / shortage of huge quantity of transformer oil of power transformer at T&G warehouse QESCO. The inquiry committee concluded that 128,795 liters transformer oil amounting Rs.64.27 million @ rate of 499 per liter was misused after provision of leakage / seepage / transportation in 13 power transformers. The inquiry committee finalized its report and recommended that the store keeper being custodian of store was responsible for misappropriation of 128,795 liters transformer oil. The CEO QESCO gave remarks on the report that “Scrutinize and pinpoint the list of DDOs remained posted at T&G Warehouse Quetta along with period of postings. Secondly clearly identify the names of DDOs / officers posted at (T&G) warehouse for proceeding further in the matter, as only one official may not be held responsible for misappropriation of 128,795 liters of transformer oil”. However, further action was not forthcoming from the record.

Non-adherence to WAPDA Guidelines resulted in loss due to misappropriation / shortage of huge quantity of transformer oil of power transformer at T&G warehouse QESCO Rs.64.27 million up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that the matter had been re-inquired on the direction of CEO. The report of inquiry committee was awaited.

DAC in its meeting held on January 16, 2025 directed the management to finalize the inquiry proceedings within 15 days and share the report with Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No. 1187/2024-25)

1.8.5 Loss due to irregular/bogus punching of GST number on electricity bills against industrial consumers – Rs.57.92 million

According to Section 20 of State-Owned Enterprises (Governance and Operations) Act, 2023, “The Board shall ensure the integrity of the systems of internal controls and any person who is found liable for a deviation or violation from the company’s code of conduct or other systems of internal controls shall be subject to disciplinary proceedings in accordance with the state-owned enterprise’s internal policies.”

During Special Audit of PESCO for financial years 2020-21 to 2022-23, it was observed that bogus/fictitious GST numbers were punched against industrial consumers related to XEN (Operation), Nowshera City Division excluding these consumers from being charged 'Extra Tax' and 'Further Tax' amounting to Rs.57.92 million. These instances were confirmed from FBR website for sales tax registration. The fraudulent activity resulted in a loss of Rs.57.92 million to public exchequer.

Weak internal controls resulted in loss of Rs.57.92 million due to irregular/bogus punching of GST number on electricity bills against industrial consumers during financial years 2020-21 to 2022-23.

The matter was taken up with the management in February, 2024. The management replied that exemptions of Rs.38.889 million were given to the various consumers and an amount of Rs.1 million was recovered from consumers. The remaining consumers had requested for payment in installments while cases of some consumers were pending in the courts.

The reply of management was not acceptable as no documentary evidence was provided. The occurrence of irregular/bogus punching of GST numbers on electricity bills indicates weakness of internal controls. The management must take serious efforts to strengthen internal controls in the company.

DAC in its meeting held on February 29, 2024 directed the management to conduct the inquiry within 15 days and share with Audit.

Despite directions of DAC, status of the inquiry was not shared with Audit till the finalization of the report.

Audit recommends prompt completion of inquiry regarding irregular/bogus punching of GST numbers on electricity bills and sharing the outcome with Audit.

(Special Audit of PESCO - Para-6.5.2)

1.8.6 Embezzlement of revenue – Rs.23.09 million

According to Section 20 of State-Owned Enterprises (Governance and Operations) Act, 2023, "The Board shall ensure the integrity of the systems of internal controls and any person who is found liable for a deviation or violation from the company's code of conduct, or other systems of internal controls shall

be subject to disciplinary proceedings in accordance with the state-owned enterprise's internal policies.”

During Special Audit of PESCO for financial years 2020-21 to 2022-23, it was observed that embezzlement of Rs.23.09 million (detailed below) in revenue collection occurred in the Night Post Office, Haripur. The record revealed that less amount was remitted by means of making two scrolls. One scroll was submitted to PESCO showing the actual amount paid by consumers, whereas the second scroll was submitted to Post Office high ups where less amount was shown which resulted in monetary loss to PESCO.

In another case, Postmaster of Tarnab Faram Post Office was suspended by Post Office authorities for non-remittance of PESCO revenue for the months of May to July, 2023. No further record was available with PESCO in this regard. The details are as under: Details of PESCO Embezzlement Amount is as under:

Sr. No	Month	Amount (Rs.)
1	May-23	3,158,523
2	Jun-23	6,231,942
3	Jul-23	13,697,716
TOTAL		23,088,181

(Source: PESCO Correspondence)

Weak internal controls resulted in embezzlement of revenue amounting to Rs.23.09 million during financial years 2020-21 to 2022-23.

The matter was taken up with the management in February, 2024. The management replied that a joint inquiry committee of PESCO and GPO under the convenership of Additional Manager Commercial PESCO Hazara Circle, Abbottabad had been constituted to inquire the subject irregularities pointed out by Audit.

The occurrence of embezzlement shows weakness of internal controls. The management must take serious efforts to strengthen internal controls in the company.

DAC in its meeting held on February 29, 2024 directed the management to complete the inquiry report within 07 days and further directed the CEO, PESCO to pursue the case and share it with Audit.

Despite directions of DAC, status of the inquiry was not shared with Audit till the finalization of the report.

Audit recommends prompt completion of inquiry regarding embezzlement cases and sharing the outcome with Audit besides ensuring recovery of the embezzled amount.

(Special Audit of PESCO – Para-6.5.1)

Concluding Recommendations

Audit recommends strict actions against those responsible besides expediting recovery identified in the above paras in pursuance of DACs' decisions.

1.9 Unsatisfactory Management of Foreign-Aided Loan Projects

Despite financial constraints, the Government of Pakistan was actively engaged in making improvements in the working of the power sector enterprises through donor funded programmes. The loans were acquired from the donor agencies (such as the ADB, World Bank, JICA etc.) after detailed working of the tasks to be performed through such funding and envisaged benefits to be attained. In NTDC and GENCOs, key objectives of these programs were enhancement and modernization of the National Transmission Grid and development of new and more efficient power plants respectively.

Under-utilization of loans due to lack of proper planning and delayed execution of projects generally resulted in non-achievement of envisaged benefits from the donor-funded program could not be fully achieved. The project management also could not adequately resolve bottlenecks faced during execution of the projects. Delayed material procurements, design flaws, delays in tendering processes and right of way problems contributed towards the slow execution of projects causing under-utilization of donor funds.

Moreover, overall donor-funded package was linked with commitment charges payable to the donor agency. The borrower i.e. "the power sector entities" committed that they had demand for and would seek a certain amount of loan over a specified period of time from the donor. The donor agency then made arrangements for availability of such loan on defined timelines as agreed with the borrower and commitment charges were raised accordingly. Due to poor

planning and over-estimations, extra funds were sought from the donor which were eventually never drawn and utilized. Resultantly, commitment charges were paid to the donor for the unspent committed loan amount causing extra financial burden on the companies.

Another indicator of unsatisfactory loan-management was non-utilization of material acquired through the donor-funded program. In a few instances, either excessive material was procured or procurement was made well in advance without proper timelines for the utilization of the said material. Warranties of material got lapsed and shelf-life diminished without drawing any benefit from these assets. This indicated poor material management / procurement on the part of the management towards carrying out a donor funded initiative.

On the above lines, audit has analyzed the issue of unsatisfactory management of Foreign-Aided Loan initiatives in NTDCL and GENCOs on a sample basis to highlight shortcomings observed in the following paras:

1.9.1 Un-satisfactory utilization of funds despite granting 4th time extension in ADB Loan No. 3090-PK - Rs.61,142.02 million

According to agreement of ADB Loan No. 3090-PK signed between Islamic Republic of Pakistan and ADB on 12.02.2014, loan amounting to Rs.658.00 was granted for Jamshoro Power Generation Project. A subsidiary loan agreement between the Government of Islamic Republic of Pakistan and Jamshoro Power company Limited/GENCO Holding Company Limited was signed on December 12, 2014 for Jamshoro Power generation Project (Lot-I).

During audit of the accounts of GENCO-I for financial years 2022-23 and 2023-24, it was observed that loan agreement of ADB Loan No. 3090-PK was signed on February 12, 2014 for execution of Jamshoro Power Generation Project. The scheduled period of loan was November 20, 2014 to March 31, 2019. However, 4th time extension up to December 31, 2024 was granted by ADB with the accumulated loan extension of five years and nine months from the original loan closing date. An amount of US\$ 658.00 million was allocated to Jamshoro Power Generation Project under ADB Loan No.3090-PK. Out of the stated amount, an amount of US\$ 440.099 million was withdrawn being 67% of total loan amount. The management was unable to use funds amounting to US\$ 217.901 million equivalent to Rs.61,142.02 million as on June 30, 2024. Due to un-satisfactory utilization of these funds despite grant of 4th time extension in loan, planned

objectives of the loan No. 3090-PK could not be achieved. Resultantly, the management's failure caused time over run in the project.

Un-satisfactory project management resulted in less utilization of funds amounting to US\$ 217.90 million despite grant of 4th extension of time up to the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in November, 2024. The management replied that the disbursement of loan 3090-PK had been carried out in accordance with the scope of work and supplies by EPC contractor as per Schedule of Payments (SOPs) on attainment of milestone as per breakdown list.

DAC in its meeting held on November 8, 2024 directed the management to probe the matter through PPMC.

No further progress was intimated till finalization of the report.

Audit recommends implementation of the DAC's decision.

(Draft Para No. 1467/2024-25)

1.10 Unsatisfactory Management of Power Generation Capacity, Power Purchase Agreements and Allied Infrastructure

The "Power Sector" represents a network of entities linked with one another having key attributes of electricity generation, transmission and utilization. Fuel generation companies (e.g. PSO, SNGPL etc.) provide fuel to power generation companies (e.g. IPPs and GENCOs) for generation of electricity. The "Energy" so generated is transmitted in-bulk over the national grid system and provided to the distribution companies, from where it is sold to the electricity consumers.

Efficient management of the power sector requires that the electricity is generated from cheaper fuel alternatives and adequately utilized. However, audit observed that there was imbalance in the demand and supply of electricity and cheaper fuel sources were not fully utilized by the power sector which negatively impacted the economy.

In-line with power purchase agreements, the power generation companies maintained a certain generation capacity at all times and charged capacity payments to the CPPA-G accordingly. Idle capacity (i.e. surplus power generation capacity) in the system meant that the capacity payments being made could not be off-set with generation of revenue through electricity sale. This also

attributed towards an increase in the overall price of electricity as the price of idle capacity was passed on to the consumers.

Another important aspect was the inadequacy of the power transmission network to efficiently evacuate electricity from the generation facility and deliver it to the power distribution companies. Poor management of the transmission system including its limitation to sustain high electricity loads meant that surplus electricity could not be transmitted through the system.

On the above lines, audit has analyzed the issue of unsatisfactory management of power sector capacity and its allied infrastructure to highlight significant shortcomings in the following paras:

1.10.1 Blockage of huge investment made on Coal Fired Power Plant 660 MW (Lot-I) under ADB Loan No. 3090 due to non-signing of PPA - Rs.194,155.96 million

According to Rule-5(5) of Public Sector Companies (Corporate Governance) Rules-2013, “the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders”.

During audit of the accounts of GENCO-I for financial years 2022-23 and 2023-24, it was observed that loan agreement of ADB Loan No. 3090-PK was signed on February 12, 2014 for 660 MW Coal Fired Power Project, Jamshoro with amount of US\$ 658.00 million. The scheduled period of loan was November 20, 2014 to March 31, 2019. Accordingly, the EPC contract for Lot-I of the Jamshoro Coal Fired Power Project was signed between JPCL and Siemens-HEI Consortium (EPC Contractor) on March 29, 2018 at a cost of US\$ 474.309 million and PKR 9265.340 million under ADB Loan No.3090-PK. The EPC contractor was required to achieve provisional taking over within forty two (42) months of issuance of Notice to proceed (NTP) on June 28, 2018 that was on or before December 27, 2021. But, the contractor failed to complete the work in specified time. The four extensions of time were granted for the period up to December 31, 2024. However, expenditure of Rs.194,155.96 million has been incurred as on June 30, 2024 but neither CoD was achieved nor PPA signed. Since non-signing of Power Purchase Agreement (PPA), failure to do so will

seriously effect the reliability of operation and performance of unit. Hence, failure to complete the project within the planned timeline and lack of a signed PPA jeopardized the unit's reliability, operational efficiency, and cost-effectiveness without a PPA, revenue generation and cash flow stability are also at risk.

Inefficient project management resulted in blockage of huge investment made on Coal Fired Power Plant 660 MW (Lot-I) under ADB Loan No.3090 due to non-signing of PPA valuing Rs.194,155.96 million up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that the Power Division vide its letter dated November 8, 2024 had authorized CPPA-G and JPCL to sign the PPA, which would be signed shortly. Hence, the long stalled PPA had been initialed on December 12, 2024 and hopefully, would be signed within couple of days, as soon as the consent of NEPRA received in CPPA-G.

DAC in its meeting held on January 9, 2025 directed the management to expedite the process of signing of PPA and get it verified with CoD and capitalization cost of project from Audit accordingly.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1417/2024-25)

1.10.2 Irregular payment to KAPCO due to illegitimate extension in Power Purchase Agreement without approval of NEPRA – Rs.151,000.00 million

According to Para 7 (1) of Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, “the Authority (NEPRA) shall be exclusively responsible for regulating the provision of electric power services.”

During audit of the accounts of MoE (Power Division) for the financial year 2022-23, it was observed that Power Purchase Agreement (PPA) with KAPCO was expired in June 2021. The Power Division moved the summary to Cabinet Division for approval in extension of PPA, which was granted to KAPCO up to October, 2022. The matter was discussed in the meetings of Senate Standing Committee on Power wherein NEPRA informed that extension in PPA was illegal as the same was granted without its permission for which a

fine of Rs.10 million was imposed on CPPA-G. It is pertinent to mention that NTDC had planned the retirement of KAPCO by 2023 as per the Indicative Generation Capacity Expansion Plan (IGCEP) 2021-23. Since the extension in PPA without approval of NEPRA was irregular, hence payment of Rs.151,000.00 million made to KAPCO during the extended period cannot be termed as regular.

Violation of provisions of Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 resulted in irregular payment amounting to Rs.151,000.00 million to KAPCO due to unauthorized extension in Power Purchase Agreement up to financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management replied that the reply would be furnished after consulting the record.

DAC meeting was held on September 25, 2024 but the matter could not be discussed due to non-provision of record to Audit for verification by the management, and further schedule of meeting was not conveyed by the Ministry till finalization of the report.

Audit recommends that the Ministry needs to look into the matter.

(Draft Para No. 211/2024-25)

1.10.3 Loss due to deviation from Economic Merit Order – Rs.22,533.59 million

According to Clause 5.1.1 of CPPA-G commercial code 2018, CPPA-G is responsible for the administration, maintenance and implementation of the commercial code, supervision of compliance by market participants and performance of such functions as provided for in Schedule-II of the market rules and the registration granted under rule 03 of the market rule. As per Fuel Cost Adjustment of June, 2023 System Operator shall report to CPPA-G within 24 hours, dispatch of generation plant (s) out of merit order along with reasons thereof. A copy of report shall be sent to NEPRA simultaneously. CPPA-G shall scrutinize the above-mentioned dispatch report in terms of Scheduling and Dispatch Code (SDC) of Grid Code and prepare a report which shall comprise of; a) all dispatch deviation from merit order; b) the plants available but not Justified or Unjustified in terms of SDC of Grid Code along with their financial impact.

During audit of the accounts of CPPA-G for the financial year 2022-23, it was noticed through monthly report on Merit Order Deviation submitted by NPCC

on the direction of the Regulator to CPPA-G that significant deviation from the Economic Merit Order (EMO) (*sample illustration in Annexure-2*) was noted due to system constraints, which caused a loss of Rs.22,533.59 million to public exchequer. The detail is as under:

Sr. No.	Month	No. of violation	Impact of Deviation (Rs.in million)
1.	July, 2022	61	398.49
2.	August, 2022	117	382.63
3.	September, 2022	09	28.17
4.	October, 2022	22	71.40
5.	November, 2022	03	3.37
6.	December, 2022	28	601.51
7.	January, 2023	93	5,752.83
8.	February, 2023	133	6,729.61
9.	March, 2023	94	2,416.00
10.	April, 2023	110	3,194.42
11.	May, 2023	96	1,786.40
12.	June, 2023	83	1,168.76
Total		849	22,533.59

(Source: Monthly Statement of Deviation from Merit Order of CPPA-G)

Non-adherence to Scheduling and Dispatch Code resulted in loss of Rs.22,533.59 million due to deviation from Economic Merit Order during the financial year 2022-23.

The matter was taken up with the management in March, 2024 and reported to the Ministry in May, 2024. The management replied that as per Grid Code, NPCC was mandated to manage overall routine operations of power plants and CPPA-G was responsible to handle the associated commercial obligations. The detail of Economic Merit Order (EMO) deviation duly finalized by CPPA-G was reported to NEPRA for deciding fuel charges adjustment (FCA). In FCA of June 2023, the financial impact on account of deviation from EMO was withheld by the Authority till NTDC provides complete justification and CPPA-G had withheld the same.

DAC in its meeting held on September 25, 2024 directed the management of CPPA-G and NPCC/NTDC to furnish a combined detailed justification to Audit within seven days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 137/2024-25)

1.10.4 Unjustified payment of Capacity Purchase Price (CPP) without conducting Annual Dependable Capacity (ADC) Test - Rs.17,803.05 million

According to Article VI, Para 6.1(a) of Power Purchase Agreement, during each demonstration period a test (the "Annual capacity Test") shall be conducted to determine the tested capacity and heat rate of the Complex.

During audit of the accounts of CPPA-G for the financial year 2022-23, it was observed that payment of Rs.17,803.05 million was made on account of capacity charges to Power Generation Companies without conducting annual dependable capacity test (ADCT) which was unjustified and violation of Power Purchase Agreement (PPA). The annual dependable capacity test is a critical component to calculate capacity payment. In absence of ADCT, payments made on account of capacity charges do not accurately reflect the actual capacity available, for despatch.

Non-adherence to the provision of PPA resulted in unjustified payment amounting to Rs.17,803.05 million on account of capacity purchase price (CPP) without ADCT up to the financial year 2022-23.

The matter was taken up with the management in March, 2024 and reported to the Ministry in May, 2024. The management replied that as per directives of Power Division, a special committee was constituted and certain directives were passed by the committee including the schedule of ACTs of GENCOs, Later on, BoD CPPA-G constituted a special committee, who had directed the GENCOs and NPCC to work together for a plan of ADCT. However, due to constraints of fuel stock, despatch or forced outage of certain units of GENCOs, the plan could not be finalized. Moreover, PPA had no provisions that mandate the suspension of capacity payments in absence of ACT.

DAC in its meeting held on September 25, 2024 directed the management to prepare a detailed technical report and submit it to Ministry and Audit within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 140/2024-25)

1.10.5 Loss on account of LD charged by CPPA-G due to non-achievement of dispatch level - Rs.12,787.00 million

According to Rule-5(5) of Public Sector Companies Corporate Governance Rules-2013, “the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders”.

During audit of the accounts of GENCO-III for the financial year 2022-23, it was observed that an amount of Rs.12,787.00 million was charged by CPPA-G on account of LD due to failure in achieving the dispatch level under section 7A-4(a)i of the PPA. Resultantly, the company sustained financial loss of Rs.12,787.00 million due to mismanagement, which needed to be inquired for fixing of responsibility.

Non-adherence to Corporate Governance Rules resulted in loss of Rs.12,787.00 million on account of LD due to non-achievement of dispatch level up to the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management replied that pursuant to clause 7A-5 (a), the claim of liquidated damages pertaining to excess forced outages in the light of Section 7A.4 (a) can only be raised subject to seller’s review whereas invoices raised by CPPA-G were without seller’s review, which was an essential agreement requirement. The invoices were returned to CPPA-G in original with a request to process in the light of PPA Clauses.

DAC in its meeting held on January 9, 2025 directed the management to reconcile the invoices of L.D. charges with CPPA-G and report the same to Audit and Ministry within 30 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No. 104/2024-25)

1.10.6 Loss due to payment on account of non-project missed volume (NPMV) - Rs.12,200.92 million

According to Operation Code No. 1 (1.1) of NEPRA’s Grid Code 2005, NTDC in the capacity of the System Operator shall be responsible for the safe,

secure, openly-accessible, cost-effective, equitable, environmentally acceptable, reliable and adequate operation and development of the power system.

During audit of the accounts of CPPA-G for the financial year 2022-23, it was observed that an amount of Rs.12,200.92 million was paid to wind and solar power producers on account of Non-Project Missed Volume (NPMV). The said projects were ready to dispatch the energy but Grid Stations were not capable enough to sustain full load of the project due to frequent tripping and instability. Resultantly, due to poor performance of grid stations and allied transmission line, 477,250,227 KWh worth Rs.12,200.92 million were lost which have been claimed by power producers and also admitted by CPPA-G.

Non-adherence to the Energy Purchase Agreement resulted in loss due to non-project missed volume (NPMV) valuing Rs.12,200.92 million up to the financial year 2022-23.

The matter was taken up with the management in March, 2024 and reported to the Ministry in May, 2024. The management replied that the matter was related with NPCC/NTDC NPCC being system operator. Upon asking, the NPCC responded that curtailment of generation from power plants was carried out to avert any untoward situation to maintain system stability, integrity & security and to keep balance between supply and demand situations in light of NEPRA approved Grid Code 2023. Any further clarification might be sought from NPCC, NTDC.

DAC in its meeting held on September 25, 2024 directed the management of CPPA-G and NPCC/NTDC to furnish a combined detailed justification to Audit within seven days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 142/2024-25)

1.10.7 Un-justified claims for capacity payment due to not carrying-out of Net Dependable Capacity tests of power plants - Rs.10,063.00 million

The annual dependable capacity test of the respective units has to be carried out as per the Power Purchase agreement article VI (testing and capacity rating) Schedule-IV (Description of Test) being contractual obligation.

During audit of the accounts of GENCO-III for the financial year 2022-23, it was observed that net dependable capacity tests as required under the

NEPRA's Tariff Determinations were not carried out despite lapse of considerable time period. In the absence of the said tests, the Net Dependable capacity of these plants could not be established. In this regard, claim of GENCO-III on account of capacity payment from CPPA-G amounting to Rs.10,063.00 million was unjustified during the financial year 2022-23.

Violation of NEPRA's directions resulted in unjustified capacity claims amounting to Rs.10,063.00 million due to non-carrying out of Net Dependable Capacity Tests of Power Plants during the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management replied that NPGCL constituted an inquiry committee and findings of inquiry committee are listed below: 1. Capacity payments were not unjustified because they were based on last IDC/CDC conducted. 2. Delay in conducting ADC was due to absence of properly installed meters at CDP points. Additionally, NPGCL had approached MoE for allocation of funds which were Rs.3.9 billion for conducting ADC Test for TPS, Muzaffargarh. A draft SOP for ADC was already shared with CPPA-G and NPGCL would make final schedule of ADC after arrangement of necessary funds and finalization of SOP.

DAC in its meeting held on January 9, 2025 directed the management to submit a comparison of capacity payment received from the date of last test conducted with cost of test in the light of provision of agreement to Audit within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 108/2024-25)

1.10.8 Loss of Non-Project Missed Volume (NPMV) due to Poor Performance of Grid Station and its allied transmission line - Rs.8,648.60 million

As per NEPRA Grid Code CC 4.2(b), the preliminary estimate for connection fee and registration fee, shall be determined and shall be payable on submission of application for connection, and shall cover the reasonable costs of all works anticipate to arise from investigation the application to connect. This should include additional capital cost related to the new connection, and to make the connecting transmission system at par with the system before the connection.

During Performance Audit of Power Transmission System for Wind Projects in Sindh Wind Corridor, it was observed that an amount of Rs.8,648.60 million was paid to Wind Power Producers on account of Non-Project Missed Volume (NPMV). The said projects were ready to dispatch the energy but the 220 KV Jhimpir Grid Station was not capable enough to sustain full load of the project due to frequent tripping and instability. Resultantly, due to poor performance of Grid Station and Allied Transmission Line, energy units 536,401.334 million KWh worth Rs.8,648.60 million were lost and claimed by Wind Power Producers and admitted by Central Power Purchase Agency Limited (CPPA-G). Analysis based on NPMV data showed that 10 of Wind Power Producers achieved commercial operation date after energization of 220 KV and 132 KV Transmission Line but due to continued frequent tripping and instability of Grid Station even after investing huge funds from USAID, these Wind Power Producers submitted NPMV claims worth millions of rupees to CPPA-G which showed poor performance of grid and allied transmission lines.

Non-adherence to NEPRA's grid code resulted in loss of Rs.8,648.60 million due to poor performance of Grid & Transmission lines.

The matter was taken up with the management in August, 2020 and reported to Ministry in September, 2020.

DAC meeting was held on February 24, 2022 wherein the management informed that Double Circuit Transmission line exists for the evacuation of power from Wind Power Plants and there was no failure on evacuation power.

DAC directed the management to provide revised reply and to conduct inquiry at PPMC level. The TORs of inquiry committee would be mutually decided by Audit and PPMC. The committee would finalize its report within one month. TORs were eventually decided by audit and PPMCL but no further progress was received from PPMCL till finalization of the report.

Audit desires updated status of inquiry and action taken thereof.

(Performance Audit of Power Transmission System for Wind Projects in Sindh Wind Corridor – Para-4.3.5)

1.10.9 Huge receivables from independent power producers (IPPs) – Rs.5,171.32 million

As per statutory Notifications (S.R.O.) Ministry of Energy Power Division (PPIB) notification dated March 8, 2019 published in extra ordinary gazette of Pakistan dated March 26, 2019 schedule (under rules 2 & 3) Sr. No. 8

fee and charges payable hereunder in relation to power generation projects upon achievement of commercial operation date (COD) & payable on each anniversary of COD starting from past anniversary (a) is US\$ 300/MW. Moreover, According to Statutory Notifications (S.R.O.) Ministry of Energy Power Division (PPIB) notification dated June 6, 2022 published in extra ordinary gazette of Pakistan dated June 15, 2022 schedule Part-I (under rules 2 & 3) Sr. No. 8 fee and charges payable hereunder in relation to power generation projects upon achievement of commercial operation date (COD) & payable on each anniversary of COD is US\$ 250/MW on gross capacity and US\$ 250/MW on net capacity respectively.

During audit of the accounts of PPIB for financial years 2022-23 to 2023-24, it was observed that a fee of Rs.5,171.32 million (US\$ 18,469,004) payable annually by independent power producers (IPPs) with reference to the commercial operation date (COD), remained outstanding. Furthermore, some of these receivables had been outstanding for over a period of three years. According to the approved annual audited financial statements of PPIB for the financial year 2021-22, the total amount of annual fees levied under the applicable rules since the notification of the levy exceeded Rs.3,000 million against which recovery of only Rs.432.45 million was made till June 30, 2022. This represented about 14% of the total outstanding amount.

Non-adherence to Power Division's instructions PPIB suffered a loss of Rs.5,171.32 million up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that pursuant to "PPIB Fee and Charges Rules, 2018" (amended in 2021), various IPPs formed under the power policies of 1994, 2002 and 2015 approached NEPRA and CPPA-G to allow this fee as a pass-through expense under their respective PPA and tariff. Certain IPP's formed under 2002 power policy had paid their annual fee whereas other IPP's apprised that they were still engaged with NEPRA on the matter. The total receivable balance of annual fee was Rs.3,624.96 million up to June, 2024 instead of Rs.5,171.32 million.

DAC in its meeting held on January 15, 2025 directed the management to pursue the matter and expedite the pending recovery.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1374/2024-25)

1.10.10 Irregular/un-justified capacity payment claims against the closed units of power plants -Rs.3,560.01 million

According to Rule 5(5) of Public Sector Companies Corporate Governance Rules-2013, "the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders".

During audit of the accounts of GENCO-III for the financial year 2022-23, it was observed that Unit-4 and Unit-6 at Muzaffargarh were on forced shut down since long. In the absence of the available capacity against these plants, the claims against capacity could not be established. Hence, the capacity payment claims amounting Rs.3,560.01 million lodged to CPPA-G during financial years 2020-21 to 2022-23 were unjustified and unlawful.

Violation of NEPRA's directions resulted in unjustified capacity payment claims amounting to Rs.3,560.01 million against the closed units of power plants up to the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management replied that claims against the units under force majeure was deemed justifiable in accordance with Clause 7A.1 (b) of the power purchase agreement. This clause stipulates that complex availability should exceed 50% of the declared capacity for capacity payment claims. It is further noted that the total declared dependable capacity of the complex i.e. 1183.32 MW as per the PPA whereas it stands at 737.44 MW due to force majeure events. Despite these circumstances, the declared available capacity of the mentioned units surpasses 50% of the complex's dependable capacity, validating the capacity payment claim.

DAC in its meeting held on January 9, 2025 directed the management to take up the matter being policy issue with MoE (Power Division) and inform the status to Audit accordingly.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 110/2024-25)

1.10.11 Unsettled LD claims with CPPA-G related to forced outages - Rs.1,768.01 million

As per Section 16.1 of PPA, In case issue is not resolved, second option hiring of expert under section 16.3 of PPA by appointing an arbitrator will be invoked.

During audit of the accounts of GENCO-I for financial years 2022-23 and 2023-24, it was observed that CPPA-G raised LD invoices amounting to Rs.1,768.01 million related to forced outages as verified by the NPCC for the period from 2014-15 to 2022-23. These invoices stemmed from claims that the outages negatively impacted power generation and supply obligations. The Jamshoro Power Company Limited (JPCL) disputed these LD claims, as certain conditions or events contributing to the outages were either beyond their control or not adequately accounted for in the claims. To address the disputes, CPPA-G formed a special committee to facilitate negotiations and seek resolution. Despite holding four meetings, the special committee failed to resolve the issues. Hence, failure to resolve the LD claims in accordance with the provision of PPA led to significant financial and operational challenges to the company.

Non-adherence to PPA resulted in unsettled LD claims of Rs.1,768.01 million related to forced outages with CPPA-G up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that once, the special committee of the CPPA-G Board settles the said disputed claim mutually agreed by the parties, it would be informed to Audit accordingly.

DAC in its meeting held on January 9, 2025 directed the management to pursue the matter with Ministry of Energy (Power Division) and CPPA-G's Special Committee of Board vigorously and inform the latest status to Audit accordingly.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1362/2024-25)

1.10.12 Loss due to irregular deduction of import energy claims from EPP/CPP invoices by CPPA-G - Rs.1,310.00 million

Article-16 of the Power Purchase Agreement (PPA) allowed resolving the dispute in first step through Section 16.1 at coordination committee level, if it fails,

and then meeting of both CEOs in good faith to resolve the issue. The second step Section 16.2 or 16.3 through an Expert or an Arbitrator whatever may be adopted first, subject to the conditions agreed by the parties to resolve accordingly.

During audit of the accounts of GENCO-I for financial years 2022-23 and 2023-24, it was observed that CPPA-G issued import energy invoices to JPCL on account of auxiliary services. This billing arose because NPCC had declared the entire plant to be in standby mode and did not issue any dispatch orders due to its low position in the economic merit order. JPCL disputed the invoices, claiming that they should not be held responsible for costs incurred while the plant was not operational and was on standby mode on the direction of NPCC. Despite JPCL's objections, CPPA-G unilaterally deducted an amount of Rs.1,310.00 million from JPCL's pending energy purchase price (EPP) and capacity purchase price (CPP). The issuance of disputed invoices by CPPA-G and the subsequent unilateral deductions, led to significant financial burden and operational challenges for JPCL.

Non-adherence to clause of PPA resulted in loss due to irregular deduction/adjustment of import energy claims from EPP/CPP invoices by CPPA-G amounting to Rs.1,310.00 million up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that despite constitution of special committee, CPPA-G irregularly deducted the amount from EPP/CPP invoices from all GENCOs during the same period. Even at the request of JPCL, MoE advised CPPA-G for the reversal of disputed amount but no response was received. Now, the matter was at the part of CPPA-G's Special Committee of Board including the matter of LDs & ACT. Once, the special committee settles the said disputed matter mutually agreed by the parties, Audit would be informed accordingly.

DAC in its meeting held on January 9, 2025 directed the management to take up the matter with Ministry of Energy (Power Division) besides pursuing the issue with CPPA-G's Special Committee of Board vigorously and informing the latest status to Audit accordingly.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1309/2024-25)

1.10.13 Loss due to power dispersal issues at 220 KV Jhimpir Grid and allied Transmission Lines - Rs.273.50 million

According to the clause 4.9.3.2 of Operation code of NEPRA Grid Code, the system operator shall have available and shall implement when required, generation, re-dispatch plan and schedule for likely contingency event so that, if system moves to an unexpected state, the system operator can follow re-dispatch and return the system to a normal state. The system operator shall make available and implement emergency operating procedures to deal with system contingencies. The system operator shall be available all the time and be in a position to implement system restoration plans for the situation in which the system moves to an islanded state or suffers a cascading break up resulting in a Black-Out condition.

During Performance Audit of Power Transmission System for Wind Projects in Sindh Wind Corridor, it was noticed that the Company had to sustain a loss of Rs.273.50 million due to grid failure and tripping of allied transmission lines as detailed below:

Power dispersal issues	220 KV G/station Jhimpir	220 KV Jhimpir-TMK T/Line	Financial impact (Rs.in million)
Grid failure	12 times		96.461
Tripping		144 times	177.039
		Total loss due to inefficiency	273.5

(Source: Tripping and Grid Data)

Power dispersal issues (frequent grid failure and tripping) at grid and allied transmission lines resulted in disconnection from wind power producers at certain connected load and ultimately a loss to the national exchequer of Rs.273.50 million. Frequent grid failure and tripping of allied transmission line showed that system operator did not implement standard operating procedures to devise re-dispatch plan to avoid Black-Out conditions.

Non-adherence to Grid Operating Code put the company to a loss of Rs.273.50 million.

The matter was taken up with the management in August, 2020 and reported to Ministry in September, 2020.

In DAC meeting held on February 24, 2022, the management informed that the tripping of 220KV D/C Jhampir-Tando Muhammad khan transmission

line and ultimately grid failures were not due to below standard, operation and maintenance by Asset Management department. It was all due to inferior quality disc insulator supplied by M/s EMCO company.

DAC directed the management to furnish revised reply in consultation with NPCC and GSO (Grid System Operator) and submit to Audit within 15 days but no reply was furnished up till finalization of the report.

Audit recommends that the management needs to ensure compliance of DAC's decision

(Performance Audit of Power Transmission System for Wind Projects in Sindh Wind Corridor – Para-4.1.5)

1.10.14 Loss due to excess consumption of fuel against NEPRA heat rate standard - Rs.269.81 million

Heat rates of Power Generation units were fixed by NEPRA for the Northern Power Generation Company Limited (GENCO-III) are reproduced below:

Unit No.	Heat Rate Approved by NEPRA (BTU/kwh)	Heat Rat (BTU/kwh)	Excess Heat Rate (BTU/kwh)	Excess consumption of F.O.M.T	Financial loss
1.	10,491	10,658.02 (21-22)	167	337	37,175,908
2.	10,265	11,257 (22-23)	992	1399	232,638,573
TOTAL					269,814,481

During audit of the accounts of GENCO-III for the financial year 2022-23, it was observed that heat rate was excess than permissible limit fixed by the NEPRA for the financial year 2021-23. Resultantly, excess fuel was consumed valuing Rs269.81 million which was a loss to the company.

Non-observance of NEPRA targets resulted in loss of Rs.269.81 million due to excess consumption of fuel up to the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management replied that NPGCL constituted inquiry committee and inquiry committee concluded in its report that no financial loss regarding unit No.1 for the year 2021-22 and loss for unit No.3 because of the technical factors.

DAC in its meeting held on January 9, 2025 did not agree with the findings of inquiry committee report and directed the management to provide further elaboration of inquiry with the non-availability of gas for Unit No.1 as well as the justification of losses on Unit No.3 to Audit within 03 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 103/2024-25)

1.10.15 Non-conducting of Annual Capacity Test (ACT) for Unit 3 & 4 of TPS Jamshoro-impacting revenue generation

As per section-13.5 of PPA, upon the occurrence of and at any time during the pendency of a force majeure event, either party may request that a test be performed to determine the then available tested capacity in accordance with the provisions of section 6.1; provided, however, that no more than two (02) tests may be requested by a party within any thirty (30) day period during the pendency of the Force Majeure Event. According to section-6.1(b) of PPA, at any time during a demonstration period, the seller may, after running for at least seventy-two (72) consecutive hours during which the Net Electrical Output shall be at least ninety-five percent (95%) of the Despatch Instructions or Revised Despatch Instruction, declare the immediate six (6) hour period thereafter to be the Annual Capacity Test period.

During audit of the accounts of GENCO-I for financial years 2022-23 and 2023-24, it was observed that a fire incident occurred on March 20, 2024 in the battery room and control room of units 1 & 2 of Thermal Power Station (TPS) in Jamshoro. The incident led to a prolonged outage of both units, significantly impacting the operational capacity of the station. As a result, CPPA-G invoked an Other Forced Majeure Event (OFME) under Section 13.1(c) (i) of the Power Purchase Agreement (PPA) and demanded to perform capacity test of remaining unit-3 & 4 of the complex for demonstrating available capacity for capacity payment during the OFME. However, JPCL required Rs.1,500 million for furnace oil to conduct the Available Capacity Test (ACT), but due to lack of funds, the test was not performed. The delay in performing the capacity test hindered JPCL's ability to establish capacity, revenue generation and added to its financial constraints, limiting its capacity to restore full operational efficiency.

Non-adherence to PPA provision resulted in non-conducting of annual capacity test (ACT) for unit 3 & 4 of TPS Jamshoro impacting revenue generation of the company up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that GOP had already discouraged the operation of costlier furnace oil fuel as these plants had zero

utilization since last three years and the GENCOs were already in closure phase as per GOP decision. However, JPCL had already approached MoE for arrangement of funds. Once the funds received, JPCL would procure the furnace oil and performed the tests accordingly.

DAC in its meeting held on January 9, 2025 directed the management to pursue the matter being policy issue with Ministry of Energy (Power Division) and CPPA-G's Special Committee of Board vigorously and inform the latest status to Audit accordingly.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1312/2024-25)

Concluding Recommendations

Unsatisfactory management of power sector capacity and its allied infrastructure was a mega and multi-faceted issue faced by all government stakeholders of the power sector. If not addressed, the same would continue to negatively impact the economy and create further financial bottlenecks for the government. Moreover, highlighted cases of transmission failure and usage of expensive fuel may be looked into for future remedial measures.

1.11 Delay in Finalization / Implementation of Inquiry Cases

In order to achieve desired efficiency in the Power Sector, it was of paramount importance that an effective mechanism of administrative check and balance was implemented i.e. those found involved in negligence, irregularities or fraud should have been promptly and decisively proceeded against. This was necessary to ensure a transparent working environment and to prevent spread of irregular practices. On the identification of irregularity/fraud etc. inquiries were initiated at the level of respective companies. Serious embezzlement / unlawful incidents were probed through inquiries by PEPCO / PPMC which acts as an overall monitoring body over the power sector government entities on behalf of the ministry.

In the context of the above mechanism, it was analyzed that inquiries were not being concluded adequately in the power sector companies, as long delays were found in the processing of subject inquiries. Further even after finalization of inquiries by PEPCO/PPMC, there were cases of delays and inaction on the

findings of the inquiries by the respective companies. This scenario implied that identified miscreants were not timely proceeded against, creating a negative and irregularity prone environment in the subject companies.

On the above lines, audit has analyzed the issue of unsatisfactory inquiry management, on sample basis, and shortcomings found are highlighted in the following paras:

1.11.1 Unjustified payment to contractor without implementation of inquiry committee's recommendations - Rs.95.25 million

According to the recommendation of inquiry committee report vide dated June 11, 2020, any pending payment to the contractor must be withheld immediately and total cost of remedial measure must be charged from the contractor. Any pending payment of consultants must be blocked till suitable remedial measures are executed in full at site on contractor's cost.

During audit of the accounts of NTDC for the financial year 2023-24, it was observed that a contract valuing Rs.478.75 million for civil works, erection, testing and commissioning of 220 KV AIS Grid Station at Jhampir for Evacuation of Power from Wind Power Plant (under NTDC's own resources) was awarded to M/s Usman & Co. and YU & Co (JV), Lahore. Later on, most of the foundations of yard area started settling; posing serious threat to grid itself and Asset Management (South) raised the issue of potential threat and an inquiry committee was constituted by MD (NTDC). The inquiry report submitted by the committee revealed that any pending payment to the contractor must be withheld immediately and total cost of remedial measures must be charged to contractor. However, the management of (NTDC) paid Rs.95.25 million to contractor without implementation of the recommendations of inquiry committee.

Non-adherence to the recommendations of inquiry committee resulted in unjustified payment of Rs.95.25 million to contractor up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that the inquiry report had been sent to Chief Engineer Civil for implementation and the latest status would be communicated to audit within due course of time. Audit did not agree with the reply and emphasized on its stance.

DAC in its meeting held on December 24, 2024 directed to implement the recommendations of inquiry committee within two weeks.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 684/2024-25)

1.11.2 Undue favor to contractor due to non-implementation of inquiry committee recommendations - Rs.12.18 million

According to General Condition of Contract Claus-26 (completion time guarantee) Sub Clause 26.2, wherein it is clarified that if the contractor fails to attain completion of facilities or any part thereof within the time for completion or any extension thereof under GCC clause 40, the contractor shall pay to the employer liquidated damages in the amount specified in the SCC as a percentage rate of contract price or the relevant part thereof.

During audit of the accounts of MEPCO for the financial year 2023-24, it was observed that an inquiry committee was constituted on November 19, 2023 to probe the matter of wrong deduction of LD from China Petroleum Pipelines Limited. As per recommendations of inquiry committee, the management had to deduct Rs.18.56 million on account of LD from LOT II. An amount of Rs.6.37 million had already been deducted whereas the remaining amount of Rs.12.18 million needed to be deducted which was not forthcoming from the record.

Non-adherence to the contractual clauses and non-implementation of the recommendation of inquiry committee resulted in undue favor to the contractor by recovery less LD amounting to Rs.12.18 million up to financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in October, 2024. The management replied that recommendation of inquiry committee had been complied with and complete LD had been deducted.

DAC in its meeting held on November 29, 2024 directed the management to provide the record in support of reply to Audit for verification within a week.

Audit recommends implementation of DAC's decision.

(Draft Para No. 267/2024-25)

1.11.3 Loss due to non-finalization of inquiry regarding illegal ice factory connection - Rs.4.42 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982, all losses whether of public money or of store, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved.

During audit of the accounts of QESCO for the financial year 2023-24, it was observed that an inquiry committee was constituted to probe the matter reported by S.E. Operation Circle QESCO Pishin on May 14, 2024. A joint operation / raid was carried out by a team from QESCO along with FIA and concerned police staff under the jurisdiction of Chaman-II Sub Division QESCO at Ice Factory bearing Reference No. 27-48523-1453801 registered in the name of Haji Nasrullah. In the premises, three (03) transformers were secretly installed the cable connections from these transformers were concealed underground allowing for the illicit operation of the Ice Factory during night hours. All three (03) transformers valuing Rs.4.42 million (3 x Rs.1,473,000/-) were confiscated including the sanctioned 25 kVA Transformer designated for water supply while the name plates of 02 x 200 kVA transformers were tempered. However, Due to non-finalization of the said inquiry, no action was taken against the responsible for the illicit operation of the ice factory.

Non-adherence to Authority's instructions resulted in non-finalization of inquiring regarding illegal running ice factory connection involving Rs.4.42 million during the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that Manager (S&I) QESCO had been nominated as inquiry officer on 21.05.2024 but the inquiry report was awaited.

DAC in its meeting held on January 16, 2025 directed the management to finalize the inquiry proceedings within 15 days and submit its report to Audit accordingly.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1196/2024-25)

1.11.4 Non-implementation of recommendations given by inquiry committee constituted by BoD-GEPCO regarding delay in external electrification of Sunny Garden Housing Scheme, Hafizabad

According to Rule 5 (7) (c) of the Public Sector Companies (Corporate Governance Rules) 2013, The Board shall also formulate significant policies of the Public Sector Company, which may include the identification and monitoring of the principal risks and opportunities of the Public Sector Company and ensuring that appropriate systems are in place to manage these risks and opportunities, including, safeguarding the public reputation of the Public Sector Company.

During Performance Audit of BoD GEPCO for financial years 2021-22 and 2022-23, it was observed that the BoD GEPCO in its 151st meeting held on March 06, 2023 constituted an inquiry committee to probe the reasons of delay in External Electrification of Sunny Garden Housing Scheme, Hafizabad and to fix responsibility on persons at fault. The Board also directed the CLO to keep liaison regarding the complaint filed with FIA on the subject matter. The inquiry committee recommended disciplinary actions against the delinquents of Construction and Planning Divisions staff/officers who failed to timely submit & approve the revised DN and caused undue delay in completion of the electrification of Sunny Garden Housing Scheme. The recommendations of inquiry committee were not implemented yet.

Non-adherence of the Rule resulted into non-implementation of the recommendations of the inquiry committee up to financial year 2022-23.

The matter was taken up with the management in September, 2024 and reported to the Ministry in October, 2024. The management replied that an inquiry was conducted to investigate the delay in the external electrification of the housing scheme. The relevant parties were instructed to implement the recommendations, leading to the issuance of a revised demand notice, which was paid by the sponsor on 25.08.2023. Based on the inquiry committee's recommendations, disciplinary action was initiated, and show cause notices were issued to the responsible officers/officials. The FIA also investigated the matter, closing the inquiry on 25.01.2024. Following the closure of the FIA inquiry, the show cause notices were withdrawn.

DAC in its meeting held on December 23, 2024 directed the management to get the record verified from Audit within two days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 472/2024-25)

1.11.5 Non-finalization of inquiry report regarding illegal installation of electrical material in an unapproved housing colony

According to Section 20 of the State-Owned Enterprises (Governance and Operations) Act, 2023, "The Board shall ensure the integrity of the systems of internal control and any person who is found liable for a deviation or violation from the company's code of conduct or other systems of internal control shall be subject to disciplinary proceedings in accordance with the state-owned enterprise's internal policies".

During audit of the accounts of GEPCO for the financial year 2023-24, it was observed that an inquiry committee was constituted on September 07, 2023 to probe the matter relating to installation of electrical material consisting of 15 to 20 poles, 03 transformers and 15 meters in an unapproved Housing Colony Ghulam Hussain. The inquiry committee was required to submit report within 07 days. A considerable time had elapsed but the requisite inquiry report was not finalized.

Non-adherence to the rules resulted in non-finalization of inquiry report regarding installation of electric material in an unapproved housing colony scheme during the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that matter was investigated by an Inquiry Committee approved by the Chief Executive Officer. Based on the Inquiry Report's recommendations, disciplinary action had been initiated. The outcome of the disciplinary cases would be communicated in due course.

DAC in its meeting held on December 23, 2024 directed the management to implement inquiry committee's recommendations and share with Audit within two weeks.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 802/2024-25)

1.11.6 Non-finalization of report regarding misappropriation of MEPCO material found during raid conducted by FIA at private workshop

According to Section-III (1) of WAPDA Guidelines for enforcing Responsibility for losses due to fraud, theft or negligence of individuals, 1982, All losses whether of public money or of stores shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved.

During audit of the accounts of MEPCO for the financial year 2023-24, it was observed that Superintending Engineer, MEPCO Circle DG Khan, reported the raid conducted by FIA on March 28, 2024 and recovery of 51 transformers of different capacities, 26 electricity meters and miscellaneous items from Jaffar Transformer Workshop, Taunsa Sharif. The matter was still under investigation and persons involved in misappropriation of MEPCO material or unauthorized repair could not be traced even after lapse of considerable time due to negligence of management.

Non-adherence to Authority's instructions resulted in non-finalization of crucial matter relating to misappropriation of MEPCO material.

The matter was taken up with the management in October, 2024 and reported to the Ministry in October, 2024. The management replied that the matter was under inquiry in M&S Directorate MEPCO. As and when inquiry report received, its recommendations would be implemented.

DAC in its meeting held on November 29, 2024 directed the management to finalize the inquiry proceedings within 15 days and share it with Audit besides pursuing the case with FIA vigorously.

Audit recommends implementation of DAC's decision.

(Draft Para No. 758/2024-25)

1.11.7 Non-implementation of recommendations of inquiry committee constituted by Prime Minister Office regarding fire incident at ST-16 (GENCO-II)

The Prime Minister Office vide its letter dated 22.11.2022 directed Power Division to implement recommendations at Sr. Nos. 6 (a) to (d), (g) and 7 of the Inquiry Committee constituted under the chairmanship of Secretary Industries & Production Division.

During audit of the accounts of MoE (Power Division) for the financial year 2022-23, it was observed that on the direction of Prime Minister of Pakistan, an inquiry committee was constituted on July 29, 2022 under the chairmanship of Secretary Industries and Production to probe the fire incident at Guddu Thermal Plant (ST-16). The inquiry report of the said committee was sent to Power Division by Prime Minister Office on November 22, 2022 for implementation of its recommendations but the same were not got implemented by the Power Division so far.

Violation of directions of Prime Minister Office resulted in non-implementation of recommendations of inquiry report regarding fire incident at ST-16 (GENCO-II) up to the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management responded that the reply would be furnished after consulting the record.

DAC meeting was held on September 25, 2024 but the matter could not be discussed due to non-provision of record to Audit for verification by the management, and further schedule of meeting was not conveyed by the Ministry till finalization of the report.

Audit recommends inquiring the matter for fixing responsibility for non-compliance of the directives of Prime Minister Office.

(Draft Para No.218/2024-25)

1.11.8 Non-implementation of recommendations of fact-finding inquiry regarding LESCO BoD

According to Rule 4(2) of Rules of Business, the Secretary shall be the official head of the Division and shall be responsible for its efficient administration and discipline and for the proper conduct of business assigned to the Division under Rule 3(3) and for due execution of the sanctioned policy.

During audit of the accounts of MoE (Power Division) for the financial year 2022-23, it was observed that a fact-finding inquiry committee was constituted by Ministry on May 31, 2023 to probe the complaint lodged by Engr. Mujahid Islam Billah (an independent director of LESCO BoD) regarding proceedings of BoD LESCO and issues relating to procurement and promotion of officers. The said fact-finding report concluded/ recommended that:

i) Board may frame rules/ regulations for conduct of business of the Board and its Committees under Memorandum / Articles of Association of the Company, to cover all proceedings of the meeting of the Board and Committees in detail so that no illegalities/ irregularities may be committed by any one in future.

ii) Illegalities/ irregularities were committed in:

- Up-gradation/ creation of two posts of BS-20 of PIU and MM.
- promotion of Mr. Shahid Mehmood as Manager (MM) against non-existent post, then his up-gradation against that non-existent post and finally his promotion as Sr. Manager (MM).

iii) Orders of promotion of SEs were issued despite the fact that no approval of HR & Admn. Committee existed and responsibility in these illegalities rests with CEO LESCO and Chairman BoD.

iv) Since no approval of HR & Admn. Committee for promotion of SEs were in place, therefore, order of CEs may be withdrawn ab-initio.

v) The Board may frame a policy for in-house induction of Engineers possessing M.Sc/Ph.D Degrees in BS-19 on the basis of policy of competitive process being followed in respect of Graduate Engineers for their induction in BS-17. The Policy may also cover the treatment towards already inducted incumbents.

vi) The board may reconsider the matter of nomination of IB & ISI as Special Vetting Agency for appointment/ promotions of officials of LESCO on the line of Civil Servants.

The above stated conclusion/ recommendations of the fact-finding inquiry committee warranted prompt action by the Power Division however, the same have not so far been implemented.

Violation of the provisions of Rules of Business resulted in non-implementation of recommendations of fact-finding inquiry committee up to the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management concluded that the reply would be furnished after consulting the record.

DAC meeting was held on September 25, 2024 but the matter could not be discussed due to non-provision of record to Audit for verification by the

management, and further schedule of meeting was not conveyed by the Ministry till finalization of the report.

Audit recommends expediting implementation of recommendations of fact-finding report by the Ministry.

(Draft Para No. 220/2024-25)

1.12 Unsatisfactory Maintenance of Accounts

In order to have transparent and efficient business operations it was essential to maintain the accounts in an accurate and timely manner. Accounts represent a key final manifestation of the overall working of an organization and its business outcomes. Lapses in account management practices create an environment highly vulnerable towards financial misappropriations and irregularities.

In this context, audit observed instances of in-ordinate delay in accounts finalization, inaccurate recording of data etc. Comments on the financial statements of the companies are placed in Chapter-2 whereas shortcomings pertaining to accounts management, analyzed on sample basis, are explained in the subsequent paras.

1.12.1 Non-recovery / un-acknowledged supplemental charges – Rs.316,940.47 million

According to IFRS 1.15, “The financial statements must “present fairly” the financial position, financial performance and cash flows of an entity. Fair presentation requires the accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation [IAS 1.15].” As per Schedule-II of Market Operations, “the operations and responsibilities to be performed and discharged by the market operator, shall be include the following in accordance with the grid code and the commercial code: - (e) Collection from DISCOs and settlement to the market participants as per the commercial code”.

During audit of the accounts of CPPA-G for the financial year 2022-23, it was observed that an amount of Rs.316,940.47 million was not recognized in the books of accounts of DISCOs and receivable on account of Supplemental Charges from Distribution Companies (DISCOs) and K-Electric (KE). These

companies had not yet acknowledged Supplemental Charges in their books of accounts despite the fact that CPPA-G acted as an agent in line with Power Purchase Agency Agreement (PPAA) made with DISCOs. Therefore, these charges were required to be parked as liabilities in the books of DISCOs.

Non-adherence to provision of market operation resulted in non-recovery of Rs.316,940.47 million on account of Supplemental Charges from DISCOs up to the financial year up to 2023-24.

The matter was taken up with the management in March, 2024 and reported to Ministry in May, 2024. The management replied that this had already been taken in previous audit paras. DISCOs under booking of expenses was forwarded to MOE-PD to take action as DISCOs book of accounts were not showing true and fair view. MOE-PD acknowledged the reference. CPPA-G was continuously following the matter with Ministry.

DAC in its meetings held during September 25, 2024 directed the management to keep close liaison with Ministry for resolving the matter.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 138/2024-25)

1.12.2 Huge provision for doubtful debts against arrears – Rs.102,952.00 million

According to the clause 2.1.3 of Accounting Manual (Volume-I) of PESCO Trade debts are carried at original billed value less an estimate of provision for doubtful debts. Provision for doubtful debts is created in full against all permanently disconnected consumers and deferred/set aside balances. Provision is created under the following criteria: i) For active consumers, outstanding for 3-6 months, 25% is provided for ii) For active consumers, outstanding for 6 months - 1 year, 50% is provided for iii) iii. Full provision is created against the balances outstanding for more than one year for.

During Special Audit of PESCO for financial years 2020-21 to 2022-23, it was observed that PESCO revised its policy for charging the provision for bad debts during financial year 2021-22 as per proposal of the Commercial Auditors and requirements of International Standards. The analysis of Financial Statements for the last three years showed that provision of doubtful debts reached to the tune of Rs.102,952.00 million up to June 30, 2023. This showed

that the management not only remained unable to improve recovery from defaulters but also added to the accumulated losses of the company.

Position of Trade Debtors and Provision for Doubtful Debts

(Rs.in million)

	2023	% Increase/ (Decrease)	2022	% Inc/ (Dec)	2021
Total trade debtors	200,572.339	17.283	171,015.536	10.743	154,425.755
Provision for the year	10,913.947	35.41	8,060.101	(4.36)	8,427.867
Provision for doubtful debts up to 30 June	(102,952.001)	11.86	(92,038.054)	9.60	(83,977.954)

(Source: Annual Audited Financial statements of PESCO)

The PESCO in its petition of multi-year tariff on the issue of provision for bad debts submitted that it was pursuing the recovery of arrears from its consumers. However, the recovery campaign was affected due to worst law and order situation in Khyber Pakhtunkhwa and non-payment culture of consumers residing in areas adjacent to TESCO. Therefore, the provision for doubtful debts was requested based on ageing formula agreed with the Auditor and approved by the PESCO BoD.

NEPRA in its re-determination decision dated September 18, 2017, allowed an amount of Rs.15,748.00 million to the Petitioner as Write-off on provisional basis subject to fulfillment of the criteria given in MYT 2017. But PESCO failed to write off allowed amounts. PESCO again requested provision of Bad Debts during the MYT control period, without any actual write-off as per the criteria, which NEPRA disallowed.

Non-adherence to the instructions in PESCO's Accounting Manual resulted in huge provision of doubtful debts amounting to Rs.102,952.00 million against company's receivables. Creating a large provision without fulfilling NEPRA's criteria suggests that PESCO may be facing significant financial challenges.

The matter was taken up with the management in February, 2024. The management replied that provision for doubtful debts was created based on IAS-37 provisions. The provision for doubtful debts was a mandatory requirement for the preparation of financial statements. However, NEPRA allowed only those debts that are written off, because allowing the provision upfront over burdens consumers.

The reply of the management was not acceptable as the management did not comment on main reason of accumulation of trade debts and recovery from defaulters. Further, management did not address the core issue of non-compliance with NEPRA's criteria for writing off bad debts, resulting in a provision of doubtful debts of Rs.102,952.00 million.

DAC in its meeting held on February 29, 2024 directed the management to take up the matter with Ministry of Energy (Power Division) Islamabad.

Audit recommends ensuring adherence to NEPRA's criteria for write-off, identifying the areas where PESCO failed to comply and determining the underlying reasons for non-compliance. This may include implementing procedures for timely approval of write-off by the Board of Directors and establishing controls to verify the validity of write-off requests.

(Special Audit of PESCO – Para-5.2)

1.12.3 Loss to the company due to huge provision of doubtful debts against unjustified overbilling due to lines losses and theft of electricity – Rs.93,358.34 million

According to the Clause 2.1.3 of Accounting Manual (Volume-I) of HESCO, trade debts are carried at original billed value less an estimate of provision for doubtful debts. Provision for doubtful debts is created in full against all permanently disconnected consumers and deferred/set aside balances. Provision is created under the following criteria: i) for active consumers, ii) outstanding for 3-6 months, 25% is provided for iii) for active consumers, iv) outstanding for 6 months - 1 year, 50% is provided for. v) Full provision is created against the balances outstanding for more than one year for.

During Special Audit of HESCO for financial years 2020-21 to 2022-23, it was observed that management created provision for doubtful debt amounting to Rs.93,358.34 million up to the financial year 2021-22. Out of this provision, Rs.65,444.94 million was created during financial years 2020-21 to 2021-22 as detailed below:

Provision for Doubtful Debts

(Amount in Rs.)

Financial Years	Increase in Trade Debts	Increase in Provision for doubtful debts
2020-21	13,051,962,902	51,771,580,386
2021-22	24,933,131,257	13,673,358,644
Total increase	37,985,094,159	65,444,939,030

(Source: Financial Statements 2020-21 & 2021-22)

Further scrutiny showed that the management hired M/s BizCon for calculating provision for doubtful debts for financial years 2020-21 & 2021-22. The firm calculated and recommended to raise Rs.43,338.17 million as provision for doubtful debts by assuming Probability of Default (PD) as 87% and Loss Given Default (LGD) as 25.50%. This model was not endorsed by external auditor of HESCO (M/s Crowe Hussian Chaudhry & Co.). The external auditor made assumption of 100% LGD against receivables of private consumers amounting to Rs.104,429.51 million increasing the provision of doubtful debts to Rs.93,358.34 million as June 30, 2022. The huge provision against private consumers showed overbilling to cover line losses and theft.

Furthermore, by keeping significant amount as provision for doubtful debts, neither M/s BizCon nor commercial auditor provided complete trail and computation of provision for doubtful debts.

It is pertinent to mention that in 2018, the company's request to allow provision for bad debts was disallowed by NEPR⁹ as it decided to continue with the practice of actual write-offs rather than allowing provision for doubtful debts. NEPR had not allowed computed provision for doubtful debts amounting to Rs.93,358.34 million so far.

Non-adherence to provisions of Accounting Manual resulted in loss to the company due to huge provision of doubtful debts of Rs.93,358.34 million against unjustified over-billing and theft of electricity up to the financial year 2021-22

The matter was taken up with the management in January, 2024. The management replied and attributed high line losses in HESCO to the poor law and order situation. Moreover, significant progress in anti-theft campaign was made as 28,822 FIRs were requested against which 3,473 FIRs were registered and 196 arrests were made as of February, 2024.

The reply of the management was not acceptable as the management did not comment on main reason of accumulation of trade debts and recovery from defaulters. Furthermore, the management did not address the core issue of non-compliance with NEPR's criteria for writing off bad debts, resulting in a provision of doubtful debts of Rs.93,358.339 million.

⁹Determination of Tariff by NEPR in matter of HESCO; NEPR/TRF/436-HESCO- 2018

DAC in its meeting held on March 5, 2024 directed the management to take up the matter at Board level to formulate trade debt policy. Furthermore, the management was also directed that the matter may also be taken up with NEPRA for allowing provision of doubtful debts amounting to Rs.93,358.339 million.

Audit recommends ensuring adherence to NEPRA's criteria for write-offs, identifying the areas where HESCO failed to comply and determining the underlying reasons for non-compliance. This may include implementing procedures for timely approval of write-offs by the Board of Directors and establishing controls to verify the validity of write-off requests.

(Special Audit of HESCO – Para-5.2)

1.12.4 Irrational booking of staff retirement cost in Profit and Loss account - Rs.10,883.28 million

According to Rule 17 (2) (b) of Public Sector Companies (Corporate Governance) Rules, 2013(b) the financial statements, prepared by the management of the Public Sector Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

During audit of the accounts of IESCO for the financial year 2023-24, it was observed that staff retirement benefits of Rs10,883.28 million were recorded in the profit and loss account. However, the portion of staff retirement benefits for PD (Construction) and PD (GSC) was not allocated to the projects where services were rendered by these formations. Consequently, recording the full amount of Rs.10,883,282 million in the profit and loss account without separating the cost attributable to PD (Construction) and PD (GSC) was irregular. Moreover, the capitalization of projects without including the retirement benefit costs of employees working under these directorates led to an understatement of capitalized project costs. Hence, the financial statements of IESCO did not provide a true and fair view of its financial position to the stated extent.

Financial indiscipline resulted in irrational booking of staff retirement benefits cost in profit and loss account valuing Rs.10,883.28 million for the year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that in order to ensure compliance of international accounting standards-19 (IAS-19) the said exercise is got carried out each year to avoid the Auditors qualification on

IESCO's financials. The figures reflected in the report were made part of Note 23 of the Audited Financial Statements of IESCO.

DAC in its meeting held on January 13 and 15, 2025 directed the management to make the compliance in FY 2024-25 and get the record verified from Audit accordingly.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1439/2024-25)

1.12.5 Over-statement of Trade Debtors in Financial Statements - Rs.8,317.05 million

According to International Accounting Standards (IAS)-1.15, "the financial statements must 'present fairly' the financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. The application of IFRS, with additional disclosure when necessary is presumed to result in financial statements that achieve a fair presentation".

During Special Audit of HESCO for financial years 2020-21 to 2022-23, it was observed that balance of Trade Debtors appearing in CP-41¹⁰ was recorded as Rs.105,357.83 million for the financial year-2021-22 but in financial statements, it was Rs.113,674.88 million. This resulted in overstatement of trade debtors amounting to Rs.8,317.05 million in financial statements. The detail is given below:

Overstatement of Trade Debtors

Particulars	Amount in (Rs.)	Amount in (Rs.)
Total Debtors as per CP-41		139,809,135,275
Detail of Taxes & Duties		
Electricity duty	1,725,028,767	
Neelam Jhelum Surcharge	1,019,060,370	
Tax-235-A	39,721,615	
Financing Cost Surcharge	4,397,391,722	

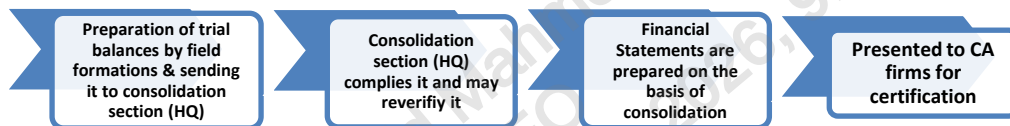
¹⁰ CP-41 is the return of Billing and Collection prepared by Revenue Officer. It includes billing, collection, trade debtors and all taxes applicable on sale of electricity besides amount of security deposits.

General Sales Tax	23,978,765,823	
Extra tax	125,631,414	
TR surcharge	1,051,941,287	
Income Tax	571,722,732	
Further Tax	129,991,475	
EQ surcharge	21,405,803	
TV Fee	1,321,938,182	
Tax 235-B	170,036	
Sales Tax-2014	68,538,943	
		34,451,308,169
Net Debtors as per CP-41		105,357,827,106
Trade Debts as per financial statements 2021-22		113,674,878,165
Difference		8,317,051,059

(Source: CP-41 & Financial Statements-financial year-2021-22)

CP-41 as a source document is forwarded by all field formations to compilation section of Finance Directorate to consolidate the balances of trade debtors. The consolidated balance of trade debt is then reflected in financial statements. Hence, non-reconciliation of balance of trade debtors in CP-41 and financial statements raises concerns over the transparency of financial statements.

Financial Statements Preparation Flow



Weak internal controls resulted in overstatement of Trade Debtors in the financial statements by Rs.8,317.05 million during the financial year 2021-22. This misrepresentation can lead to incorrect assessments of the company's liquidity, solvency, and overall financial health by stakeholders.

The matter was taken up with the management in January, 2024. The management replied that discrepancies in balance of trade debtors of Rs.8,317.05 million were primarily attributed to spill over revenue, Fuel Price Adjustment (FPA), and subsidy. The remaining difference of Rs.635.05 million was due to

discrepancies between bank-recorded revenue collection and MIS data for which reconciliation efforts have been initiated.

The reply of the management was not acceptable as it did not reconcile billing data with data maintained in MIS system which raises concerns over credibility of data of field formations and MIS system. Failure to conduct reconciliation at different levels remains a critical concern, highlighting deficiencies in internal controls.

DAC in its meeting held on March 5, 2024 directed the management to produce records duly reconciled with billing data within ten (10) days.

Despite the directions of DAC, no record was produced to Audit for verification till the finalization of the report.

Audit recommends establishing robust reconciliation procedures to ensure that balances reported in CP-41 are reconciled with those presented in the financial statements. Reconciliations should be performed at various stages of the reporting process to identify and rectify discrepancies promptly.

(Special Audit of HESCO – Para-6.4.3)

1.12.6 Irregular recognition of income from written back liabilities of post-retirement benefits resulting irregular recognition of profit - Rs.7,733.76 million

IAS 19 requires that post-employment benefits, such as pension obligations, must be recognized in the financial statements if the company remains responsible for the liabilities. IAS-37 requires that companies must recognize provisions or liabilities only when there is a present obligation from a past event, and it's probable that an outflow of resources will be required.

During audit of the accounts of GENCO-I for financial years 2022-23 and 2023-24, it was observed that GENCO-I transferred the liabilities of 652 pensioners to DISCOs and WAPDA on accounts of post-retirement benefits amounting to Rs.7,733.76 million. But, actuarial values of these pensioners were not transferred to DISCOs and WAPDA. Hence, recognizing these liabilities as other income without the consent and mutual agreement with WAPDA and DISCOs was irregular. This resulted in misrepresentation of GENCO-I's profitability for financial years 2022-23 and 2023-24, as it effectively showed income that may not be realized if these parties refuse to accept the previous

pension liabilities. GENCO-I's treatment did not align with IAS-19 and IAS-37, raising compliance issues.

Non-adherence to IFRS standards resulted in irregular recognition of income from written back liabilities of post-retirement benefits of Rs.7,733.76 million up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management submitted no written reply but CFO explained that reconciliation of accounts of pensioner liabilities with concerned DISCOs and WAPDA had been made in December 2024 hence, the same would be shared with Audit.

DAC in its meeting held on January 9, 2025 directed the management to share the reconciliation of liabilities of post-retirement benefits besides intimating the status of transfer of funds/credit note to HESCO against future liabilities as calculated by the actuaries of 553 of adjusted pensioners vide HESCO's letter dated November 28, 2024 to Audit within three days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1418/2024-25)

1.12.7 Mis-stated receivables / payables of IESCO due to non-settlement of accounts balances with CPPA-G, WAPDA & NTDC - Rs.6,909.23 million

According to Rule-17 (2)(b) of Public Sector Companies (Corporate Governance) Rules, 2013, the financial statements, prepared by the management of the Public Sector Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

During audit of the accounts of IESCO for the financial year 2023-24, it was observed that reconciliation statement of receivables / payables with CPPA-G, WAPDA & NTDC showed un-reconciled balances of Rs.6,909.23 million as on June, 2024. The detail is as under:

(Amount in Rs.)

Sr. No.	Formations	Payable/ Receivable as per IESCO books	Receivable / Payable as per CPPA-G, NTDC and WAPDA	Difference as on June 30, 2024
1.	CPPA-G	(115,202,271,209)	121,853,072,605	6,650,801,396
2.	WAPDA	593,905,455	(38,9736,649)	204,168,806

3.	NTDC	1,277,179,454	(1,222,918,295)	54,261,159
	TOTAL	1,871,084,909	120,240,417,661	6,909,231,361

The above picture reflected that the receivables / payables balances were not cleared / settled with CPPA-G, WAPDA & NTDC. Therefore, financial statements of IESCO did not reflect true and fair view of its financial health to the stated extent.

Inefficient financial management resulted in mis-stated receivables / payables of IESCO due to non-settlement of accounts balances with CPPA-G, WAPDA and NTDC amounting to Rs.6,909.23 million up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that a reconciliation exercise of Inter-DISCOs receivable/payable had been recently completed under the guidance of CFO PPMC and global entry for knocking off these balances was awaited.

DAC in its meeting held on January 13 and 15, 2025 directed the management to share the global entry for settlement of accounts and get the record verified from Audit within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1045/2024-25)

1.12.8 Non-recognition of annual fee receivable from IPPs in books of accounts - Rs.5,171.32 million

According to International Accounting Standard (1.15), the financial statements must "present fairly" the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework.

During audit of the accounts of PPIB for financial years 2022-23 to 2023-24, it was observed that PPIB annual financial statements presented an amount of Rs.307.815 million on account of income from operation as "Annual Fee". It was revealed that more than 25 IPPs did not pay their annual fee amounting to

Rs.5,171.32 million to PPIB for more than 5 years, however, PPIB's annual financial statements did not show it as accrued income. Hence, financial statements did not present true and fair view.

Non-adherence to International Accounting Standards resulted in non-recognition of annual fee in books of accounts receivable from IPPs amounting to Rs.5,171.32 million up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that external auditors A.F. Ferguson & Co, Chartered Accountants (AFF) in the light of IFRS 15, concluded that the criterion relating to collectability in paragraph 9(e) of IFRS 15 was not fulfilled in respect of annual fee and accordingly revenue from annual fee should be recognized on a receipt basis i.e. cash basis and therefore, not booked as receivable in the books of accounts. Total receivables balance of annual fee was Rs.3,624.96 million up to June 2024 instead of highlighted amount of Rs.5,171.32 million. Furthermore, PPIB was actively pursuing this matter with NEPRA.

DAC in its meeting held on January 15, 2025 directed the management to keep following up the matter for decision by the NEPRA and share the outcome with Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1431/2024-25)

1.12.9 Irregular booking of liquidated damages (LD) recovered as liability – Rs.4,874.21 million

According to Clause 220 of the Companies Act, 2017, “every company shall prepare books of account and other relevant books and papers and financial statements for every financial year which give a true and fair view of the state of affairs of the company.

During audit of the accounts of NTDC for the financial year 2023-24, it was observed that an amount of Rs.4,874.21 million was recorded under the account head 31-24-00-000 Misc. Accounts Payables (LD charges recovered). A significant portion of liquidated damages recorded under this head of account had aging of over three years. The deductions of the LD were part of other income but were being recorded / recognized as liabilities. Resultantly, the financial

statement did not depict true and fair view besides this huge amount could not be reported to NEPRA as income for subsequent adjustment in tariff determination.

Non-adherence to the provisions of the Companies Act, 2017 resulted in irregular booking of liquidated damages recovered as liability amounting to Rs.4,874.21 million up to the financial year 2023-24.

The matter was taken up with the management in November, 2024 and reported to the Ministry in December, 2024. The management replied that liquidated damages recovered were being booked as liability till finalization of extension of time (EOT) cases and cannot be booked as income till rejection of EOT.

DAC in its meeting held on December 24, 2024 directed the management to rectify the accounting treatment by recognizing liquidated damages as income and get the record verified from audit within one week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1518/2024-25)

1.12.10 Non-adjustment of security deposits against the arrears of P-Disc. consumers - Rs.3,902.84 million

According to Para 5 of Commercial Procedure Manual, "When a Permanently Disconnection has been effected and final bill prepared by W.C.C the amount of the Security Deposits held against the consumer is adjusted against his outstanding bill".

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that 204,561 consumer connections had permanently been disconnected due to having arrears. The security amounting to Rs.3,902.84 million was appearing against profile of DISCO's consumers, however, the same was not adjusted against arrears by placing the consumers under dead defaulters Batches-26 & 36. The detail is as under:

Sr. No.	Name of Company	No. of consumers	Aging	Amount (Rs.in million)
1.	FESCO	21,349	07/2021 to 06/2024	118.72
2.	GEPCO	3,430	07/2022 to 06/2024	9.17
3.	HESCO	520	07/2023 to 06/2024	10.20
4.	IESCO	4325	06/2019 to 07/2024	14.15
5.	LESCO	10,411	07/2022 to 06/2024	3,303.53

6.	MEPCO	159	07/2021 to 06/2024	0.37
7.	PESCO	159,928	07/2023 to 06/2024	229.86
8.	SEPCO	3,129	07/2021 to 06/2024	199.12
9.	TESCO	1,310	07/2023 to 06/2024	17.72
TOTAL		204,561		3,902.84

(Source: DISCOs MIS generated report)

Non-adherence to Commercial Procedure resulted in non-adjustment of security deposits of Rs.3,902.84 million against the arrears of P-Disc. consumers up to the financial year 2023-24.

The matter was taken up with the management during September to November, 2024 and reported to the Ministry during October to November, 2024. The management replied that necessary directives had been imparted to the field formations for adjustment of security deposit of P.Disc. consumers after necessary verification.

DAC in its meetings held during July 3, 18, November 28-29, December 12-23, 26-27, 2024 and January 7-8, 13, 15, 2025 directed the management to get the record of completed actions verified from Audit within a week and complete the pending actions expeditiously.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para Nos. (897, 1105) (1008) (1386) (87, 641, 985) (45, 851) (503) (1236) (188, 388, 784) (1139)/2024-25]

1.12.11 Non-preparation of Annual Reports by PPIB & AEDB - Rs.2,384.58 million

As per PPIB Act 2012, Para 21 "Annual Report" of Part-V, 1) As soon as practicable but no later than three month after the end of each financial year, Secretary shall prepare and submit to the Board an annual report concerning its activities during the financial year within three months. The Chairman of the Board shall submit the same before the Council of Common Interests and both Houses of the Majlis-e-Shoora (Parliament). 2) The report referred to in sub-section (1) shall include:- a) activities of PPIB during the financial year; b) an audited statement of income and expenditure; c) an audited balance sheet; and d) any other matter which the PPIB may consider appropriate.

During audit of the accounts of PPIB for financial years 2022-23 to 2023-24, it was observed that the Budget of Rs.2,651.13 million was allocated to

PPIB & AEDB for financial years 2022-23 and 2023-24 and expenditure of Rs.2,384.578 million was incurred. However, Annual Reports for financial years 2022-23 to 2023-24 as annual financial statements for the said financial years had not been prepared, which was violation of PPIB Act, 2012.

Non-adherence PPIB Act resulted in non-preparation of Annual Reports up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that the external audit of PPIB and AEDB was in process and final report would be shared with Audit, if required.

DAC in its meeting held on January 15, 2025 directed the management to expedite the matter and completed Annual Audit Reports be provided to Audit within three (03) months.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1414/2024-25)

1.12.12 Non-settlement of pension receivables from other entities - Rs.2,162.417 million

According to International Accounting Standards (IAS-1), "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The financial reporting framework is a set of criteria used to determine measurement, recognition, presentation, and disclosure of all material items appearing in the financial statements.

During Special Audit of PESCO for financial years 2020-21 to 2022-23, it was observed that an amount of Rs.3,707 million was booked as pension payment to retired employees of WAPDA, NTDC, and other DISCOs up to June 30, 2023. However, the reconciliation of pension receivables with other formations showed that there was a difference of Rs.2,162 million due to overbooking by PESCO as on June 30, 2023. The detail is as under:

(Rs.in million)

Pension Receivables as on 30.06.2023			
Name of entity	Balance as per PESCO book	Balance as per other formations' books	Difference
DISCOs	575,847,839	254,443,630	187,409,521

WAPDA	535,059,192	347,649,671	1,653,603,895
NTDC	2,596,454,084	942,850,189	321,404,209
Total	3,707,361,115	1,544,943,490	2,162,417,625

(Source: Reconciliation Statements of PESCO's Finance Directorate)

Non-adherence to standards resulted in non-settlement of pension receivables of Rs.2,162.417 million from other entities up to financial year 2022-23.

The matter was taken up with the management in February, 2024. The management replied that reconciliation with NTDC, WAPDA and DISCSOs had already been completed up to June 30, 2023 and the reconciliation difference would be cleared in subsequent years.

The reply of the management was not acceptable as PESCO has overstated pension receivables against these entities and non-clearance of balances increases risk of unauthorized / bogus payments.

DAC in its meeting held on February 29, 2024 directed the management to expedite the reconciliation of pension receivables with other entities and get the record verified from Audit.

Despite directions of DAC, no relevant record was produced to Audit for verification till the finalization of the report.

Audit recommends investigating the matter at Ministry level. Furthermore, the existing mechanism of pension disbursements on behalf of other entities may be discontinued and be replaced with Direct Credit System wherein PESCO should pay pension to its own employees only.

(Special Audit of PESCO – Para-6.1.1)

1.12.13 Non-reconciliation/non-clearance of collection/remittance balances of banks – Rs.821.83 million

According to Section 9.12 of Commercial Procedure for collection-Demand Notices for Security Deposits, “Revenue officer is responsible for ensuring correct Bank Reconciliation. He will therefore, take action to correct the errors which give rise to the difference on CP-48-B before the next statement is due”. Under Section 19.9, Divisional Accounts Officer will receive weekly bank statements from the bank branches, check it with the billing cash book for demand notices and also ensure that collection received each week is remitted promptly. In case of any delay, take up with the Bank and pursue till the remittance is made”.

During audit of the accounts of DISCO's for financial years 2022-23 and 2023-24, it was observed that an amount of Rs.821.83 million on account of revenue collection-remittance by banks/GPO was appearing as negative/positive due to non-reconciliation with different banks/GPO despite lapse of a considerable time. No efforts were made to reconcile the long outstanding balances appearing in collection-remittances summary maintained at Revenue Offices. The detail is as under:

Sr. No.	Company Name	Aging	Negative (-) balances	Positive (+) balances	Amount
1.	GEPCO	Since 2022	11,928,959	8,212,961	20.14
2.	IESCO	Since 2012	51,376,184	747,602,516	798.97
3.	PESCO	Since 2023	11,697,563	14,423,238	2.72
Total			75,002,706	770,238,715	821.83

Non-adherence to the commercial procedures resulted in non-reconciliation / non-clearance of collection-remittance balances of banks/GPO amounting to Rs.821.83 million up to the financial year 2023-24.

The matter was taken up with the management during February to September, 2024 and reported to the Ministry during May to November, 2024. GEPCO management replied that the difference or increase in balances due to typing/calculation/double posting mistakes and difference in positing date and bank scroll date which was not an embezzlement and got corrected as per SoP. Moreover, IESCO management replied that the record was badly damaged due to heavy flood and special efforts were being made to trace out the record for reconciliation.

DAC in its meeting held on during July 3, December 23, 2024 and January 7-8, 13, 15, 2025 directed IESCO management to constitute a committee headed by CFO with concerned DCM and XENs as members to complete the record and reconcile the balances and get the completed action verified from Audit within 60 days. Moreover, DAC directed GEPCO management to get the record of completed action verified from Audit within two days and complete the pending action expeditiously. The matter related to PESCO could not be discussed due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para Nos. (334) (19, 82, 84, 605) (666)/2024-25]

1.12.14 Overstatement of TDS receivables from Government due to non-adjustment of net impact of negative FCA – Rs.742.00 million

NEPRA, in its decision in the matter of request filed by PESCO for Adjustment/ Indexation of Tariff for the financial year 2023-24 under the MYT directed to adjust net impact of negative FCA against the overall Tariff Differential Subsidy claims of PESCO.”

During audit of the accounts of PESCO for the financial year 2023-24, it was observed that an amount of Rs.742.00 million on account of net impact of negative FCA was retained by PESCO since 2019-20. As per NEPRA's directions, the said amount was required to be adjusted against overall Tariff Differential Subsidy claims of PESCO but no such adjustment was done. Resultantly, GoPs overall Tariff Differential Subsidy burden could not be reduced and financial statements of PESCO were overstated to the said extent.

Non-adherence to the directions of NEPRA resulted in overstatement of Tariff Differential Subsidy receivable from Government due to non-adjustment of net impact of negative FCA amounting to Rs.742.00 million up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that Rs.742 million pertains specifically to subsidized lifeline, domestic, and agriculture consumers. NEPRA's decision dated July 14, 2023, states that the net negative FCA must be adjusted by the Federal Government against the overall tariff differential subsidy claim, rather than being improperly adjusted against subsidy claims.

DAC in its meeting held on January 7-8, 2025 directed the management to get the record regarding compliance of NEPRA's direction verified within three days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1229/2024-25)

1.12.15 Non-clearance of credited balances of permanently disconnected consumers - Rs.71.61 million

According to Para 1.3 of Commercial Procedure, “the Revenue Officer and Assistant Manager are responsible for: i) implementing in conjunction with the Executive Engineer, the commercial policy laid down from time to time by the Authority through the Company ii) efficient application of billing and collection procedure”.

During audit of the accounts of DISCOs for financial years 2021-22 to 2023-24, it was observed that an amount of Rs.71.61 million was lying in credit balances against 11,782 permanent disconnected consumer (P.Disc.)’s accounts. This showed that credit balances of P.Disc Consumers understated the receivables of circle. However, the longer these credit balances remain unclaimed, the higher the risk of misappropriation. Hence, if credit balances are not properly accounted for, financial statements may not accurately represent the company’s financial health. Detail is as under:

Sr. No.	Name of Company	Period/ageing	Nos. of P. Disc. Consumers	Amount (Rs.in million)
1.	IESCO	01/7/2023 to 30.06.2024	9,609	52.92
2.	MEPCO	01/7/2021 to 30.06.2024	2,173	18.69
		Total	11,782	71.61

Non-adherence to commercial procedure resulted in non-clearance credit balances of P. Disc. consumers amounting to Rs.71.61 million up to the financial year 2023-24.

The matter was taken up with the management in September, 2024 and reported to the Ministry in October, 2024. The management replied that all the credit balances were justified.

DAC in its meeting held on November 28-29, 2024 and January 13, 15, 2025 directed to take the matter to BoD for making policy and share the outcome with Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

[Draft Para Nos. (1012) (760)/2024-25]

1.12.16 Non-preparation/finalization of Annual Financial Statements

Section 223 of Company Act, 2017 states that the board of every company must lay before the company in annual general meeting its financial

statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company. (2) The financial statements must be laid within a period of four months following the close of financial year of a company:

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that financial statements of four DISCOs i.e. LESCO, MEPCO, SEPCO and HESCO were not finalized and approved for financial years 2022-23 to 2023-24 as detailed below. Financial statements were crucial for assessing a company's performance, compliance with regulatory requirements, and maintaining trust with stakeholders.

Sr. No.	Name of Company	Non-finalization of Accounts for the Financial Year
1.	LESCO	2022-23 and 2023-24
2.	MEPCO	2023-24
3.	SEPCO	2022-23 and 2023-24
4.	HESCO	2023-24

Non-adherence to provision of Company Act, 2017 resulted in non-preparation of annual financial statements to Commission and Regulator up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November 2024. The management replied that LESCO's commercial audit for the years 2022-23 and 2023-24 was under process, MEPCO's audited accounts were approved in Annual General Meeting by the Shareholders on October 28, 2024 within stipulated time frame. The management of SEPCO replied that the external auditor M/s Crowe Hussain Chaudhary & Co. Lahore had completed the assignment for the financial year 2022-23, which were under the review by the engagement partners and would be completed in December, 2024. The record for the Annual Accounts for the financial year 2023-24 had been provided to the External Auditors. HESCO management replied that initial draft for the financial year 2022-23 had been audited and was under process for further approval. Furthermore, the primary reason for the non-finalization of annual accounts for the FY 2023-24 was attributable to fraud and irregularities to discovered within the various relevant operation divisions/R.Os

DAC in its meetings held during November 28-29, December 26-27, 2024 and January 20-21, 2025 directed the management to expedite the matter and get the record verified from Audit within two months. DAC directed the HESCO management to submit financial statement for the period 2022-23 along with reply submitted to SECP for the financial years 2022-23 and 2023-24 to Audit within a week besides expediting the process to finalize the accounts of financial year 2023-24.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para Nos. (850) (789) (805) (1391)/2024-25]

1.13 Human Resource Management and Employees Related Issues

The companies employ diverse workforce, with employees engaged in various tasks across departments. The effective management of human resources is critical for operational success. Human resource functions such as recruitment, training, employee performance management, and record-keeping are carried out by dedicated HR departments. However, these processes are often hindered by gaps in HR practices, policies and procedures resulting in undue hiring and promotions, unauthorized payment of allowances / pension.

The audit has analyzed the challenges faced by the HR departments within the DISCOs/NTDC on a sample basis at the operational level, highlighting the inefficiencies, lack of transparency, irregularities, and internal control lapses that have significant implications for the overall performance of the organization and the satisfaction of its employees. These challenges, if not addressed, can lead to long-term financial and operational setbacks.

1.13.1 Pension payment without observance of codal formalities - Rs.2,461.86 million

According to instruction (a to d) issued by Finance Division vide letter dated January 6, 2021 regarding pension payment through direct credit system, a pensioner drawing pension required to undergo biometric verification from any branch of a bank maintaining his pension account, every year in the months of March and October. If the pensioner is unable to undergo biometric verification due to incapacitation by bodily illness, infirmity or if his fingerprints do not exist

due to old or a genetic condition, he will provide a life certificate signed by a person authorized under rule 343 every six months.

During audit of the accounts of NTDC for the financial year 2023-24, it was observed from claims reimbursed by the DISCOs to NTDC that Bar Coded Bio-Metric Certificates verified by NADRA Sahulat Service were not submitted with claims by the DISCOs. Moreover, life certificates submitted by DISCOs were also without date and attesting authority's stamp. In addition to this, the ledgers maintained by NTDC were not updated and the data entered in the registers was not authorized by the competent authority. The audit was of the view that the payment on account of pension amounting to Rs.2,461.86 million without compliance of above referred condition could not be termed as authentic.

Non-adherence to Finance Division instruction resulted in pension payment worth Rs.2,461.86 million with observance of codal formalities up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that DISCOs were making payments through their allied formation after completing codal formalities i.e. receiving monthly bills, in case of widows obtaining widowhood certificate etc. Moreover, payments were made by the designated branches of banks to the pensioners as per the directions of the State Bank of Pakistan for obtaining the bio matric twice in a year i.e.: March and September.

DAC in its meeting held on December 24, 2024 directed the management to get all documents verified from Audit within one week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 691/2024-25)

1.13.2 Irregular grant and payment of different allowances to employees – Rs.1,759.38 million

As per office memorandum Finance Division (Regulation Wing), Government of Pakistan issued vide F. No.4(3)R-4/2011-Revision dated January 23, 2024, paragraph (h) of sub-rule (1) of rule 12 of Rules of Business 1973 provides that no Division shall, without previous consultation with the Finance Division, authorize the issue of any order which will involve a change in the terms and conditions of service of Government Servants on their statutory rights and

privileges which have financial implication. Furthermore, it is binding upon all the administrative Ministries/Divisions to ensure that changes in the pay, allowances and privileges of executives/supervisory staff of autonomous/semi-autonomous bodies and corporations working under their administrative control are processed in accordance with Finance Division O.M.No.F.1(1)Imp/94, dated June 26, 1999. Further, according to Finance Division (Regulation Wing) letter No. F.4(3) R-4/2011-Revision dated August 02, 2023, “Adhoc Relief Allowance-2023 was applicable to the employees of Autonomous/ Semi-Autonomous Bodies and Corporations, which have adopted the Federal Government’s Basic Pay Scales schemes in totality. Further the said relief was not allowed to entities which have adopted different pay scales/allowances.”

During audit of the accounts of DISCOs and PPMC for the financial year 2023-24, it was observed that different types of allowances were granted to the officers/officials without consultation / concurrence of Finance Division (Regulations Wing). The Adhoc Relief Allowance-2023 was also granted to the employees by PESCO and TESCO without adoption of Federal Government Pay and Allowances in totality. In PPMC, officers / officials posted at other locations than head office were drawing “Head Quarter Allowance” in violation of the notification. Hence, the payment of these allowances amounting to Rs.1,759.38 million was irregular. The detail is as under:

Sr. No.	Name of Company	Details of allowances	Amount (Rs.in million)
1.	IESCO	Revision of Head Quarter Allowance, Corporate Planning & Control Cell (CPC Allowance), Special Allowance for company secretary staff, Enterprise Resource Planning (ERP Allowance), AMI Honoraria and DCC Allowance	138.35
2.	MEPCO	Danger Allowance, 20% HQ, Special, WAPDA Relief, Proficiency, 25% CP&C, Company Secretary, MSc Qualification, Special Additional, Planning & Design, Project Construction, Appointment & GSO Allowance	430.23
3.	PESCO	Adhoc Relief Allowance-2023 and Head Quarter Allowance, Performance Allowance, Dislocation allowance & corporatization & commercial allowance etc.	919.82
4.	PPMC	Head Quarter Allowance, Performance Allowance, Dislocation allowance & corporatization & commercial allowance etc.	63.11

	TESCO	Head Quarter Allowance, Performance Allowance, Dislocation allowance & corporatization & commercial allowance etc. and Adhoc Relief Allowance-2023	207.87
Total			1,759.38

(Source: Payroll and Pay voucher)

Violation of directions of Finance Division resulted in irregular grant and payment of allowances to employees amounting to Rs.1,759.38 million up to the financial year 2023-24.

The matter was taken up with the management during October to November, 2024 and reported to the Ministry during November, 2024. The management replied that DISCOs which were incorporated as Public Limited Company. The Government was majority shareholder and BoDs nominated / appointed by the Federal Govt. were authorized to take financial and administrative decisions independently and were not required to take approval from Federal Government. The management of MEPCO replied that BOD had accorded approval to adopt WAPDA Rules and also as per PEPCO Office orders. Some of the allowances had been approved by BOD being competent and empowered under Companies Ordinance, 1984.

DAC in its meeting held on November 28-29, 2024 and January 7-8, 13, 15, 2025 directed the management to submit revised reply with latest clarification of Finance Division to Audit within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para Nos. (1031) (732) (1248, 1272) (1145, 1147) (1127, 1129)/2024-25]

1.13.3 Irregular appointment of Deputy Managing Directors (DMDs) and Chief Law Officer in NTDC – Rs.43.92 million

According to decision/recommendation of the Senate Standing Committee on Power dated August 19, 2022, “the committee unanimously decided and directed Power Division that there was irregularity found by the Committee and action must be taken against officials involved in the continuation of Mr. Manzoor Ahmad as MD NTDC after his retirement and summary sent to the Cabinet for giving charge for six months. The seat of DMD (SO) NTDC, Mr. Ali Zain Banatwala was totally a violation of conflict of interest and must be removed immediately”.

During audit of the accounts of MoE (Power Division) and NTDC for the financial year 2022-23, it was observed that BoD NTDC appointed Mr. Ali Zain Banatwala, an independent director of BoD, as DMD (SO) against a newly created post as the said officer resigned from BoD on April 14, 2022 and joined as DMD (SO) on April 15, 2022. This depicted that Mr. Ali Zain remained part of BoD not only during creation of the said post but also during the process of recruitment, which was a clear conflict of interest. In another case, additional charge of MD NTDC was entrusted to Mr. Manzoor Ahmad, General Manager NTDC for six months beyond the date of retirement i.e. February 28, 2022. The said officer was further appointed by BoD as DMD (AD&M) on contract basis w.e.f. May 16, 2022. The Senate Standing Committee on Power on August 19, 2022, recommended Power Division to remove both officers immediately but the same was not done.

Furthermore, in NTDC two (02) officers were appointed as Deputy Managing Director (DMD) and Chief Law Officer (CLO). The vetting of appointment by Special Vetting Agency (SVA) was not forthcoming from the record and the record related to appointment/recruitment was provided to Audit through “E Office” but it was revealed that incomplete documents were uploaded on “E Office” for the post of CLO. Moreover, the record related to DMD (AD&M) post was neither accessible on “E Office” nor any physical record was provided to Audit. In the absence of complete and linked record, the authenticity of process of appointment could not be ascertained. The appointment of these officers was unlawful, hence monthly pay & allowances amounting to Rs.43.92 million (@ Rs.1.83 million/month) made to them were considered irregular. Moreover, disciplinary action against taken against officials involved in processing the case of continuation of Mr. Manzoor Ahmad as MD NTDC was not forthcoming from the record.

Violation of notification of Establishment Division and Auditor General Ordinance recommendations/decisions resulted in irregular appointment of DMDs and CLO in NTDC and irregular payment of pay & allowances of Rs.43.92 million thereof during the financial year 2022-23.

The matter was taken up with the management in February and October, 2024 and reported to the Ministry in May and November, 2024. The management of MoE (Power Division) responded that the record would be the reply would be

furnished after consulting the record and NTDC management replied the record available with Recruitment & Manpower Planning Section was wholly forwarded to Auditors on e-office

DAC meeting was held on September, 25 and December 24, 2024 but the matter related to MoE (Power Division) could not be discussed due to non-provision of record to Audit for verification by the MoE management, and further schedule of meeting was not conveyed by the Ministry till finalization of the report. Further, DAC directed the NTDC management to conduct inquiry within one month besides sharing all the record regarding appointments with Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para Nos. (216) (686)/2024-25]

1.13.4 Non-implementation of inquiry recommendations related to irregularities in pension disbursements -Rs.28.50 million

According to Section 20 of State-Owned Enterprises (Governance and Operations) Act, 2023, "The Board shall ensure the integrity of the systems of internal controls and any person who is found liable for a deviation or violation from the company's code of conduct, or other systems of internal controls shall be subject to disciplinary proceedings in accordance with the state-owned enterprise's internal policies."

During Special Audit of PESCO for financial years 2020-21 to 2022-23, it was observed that internal audit department of the Company reported serious irregularities pertaining to payment of pension to the retired employees in respect of XEN Cantt. Division, Peshawar. The CEO constituted an inquiry committee on the recommendation of internal audit to probe the matter. The inquiry committee finalized its findings on 26.10.2023 and endorsed the irregularities highlighted by the internal audit. The irregularities were caused due to failures at multiple levels. This situation reflected that the failure of checks or internal controls was not corrected. The inquiry report also recommended certain actions for recovery of financial loss and disciplinary action against the responsible individuals. However, implementation of the recommendations of inquiry committee findings was not forthcoming.

Weak managerial controls resulted in non-implementation of inquiry committee's recommendations regarding irregularities in pension disbursements amounting to Rs.28.504 million up to June, 2023.

The matter was taken up with the management in February, 2024. The management replied that the inquiry report was under process of approval by the CEO. After approval by the competent authority, recommendations would be implemented accordingly.

Implementation of the recommendations proposed in the findings made by the inquiry committee besides fixing responsibility needs to be ensured by the management to avoid such instances in future.

DAC in its meeting held on February 29, 2024 directed the management to finalize the inquiry report within twenty (20) days and share it with audit.

No compliance was reported till finalization of the report.

Audit recommends ensuring prompt and effective implementation of recommendations proposed by the inquiry committee to address identified irregularities.

(Special Audit of PESCO – Para-6.1.3)

1.13.5 Irregular grant of MIRAD Allowance – Rs.25.82 million

According to Para 35 of NEPRA's Multi Year Tariff of GEPCO for the financial year 2020-21 to 2024-25, "the Authority observed that detailed design implementation plan of the Competitive Trading Bilateral Contract Market (CTBCM) has been approved on November 12, 2020 to make a competitive wholesale electricity market functional in near future. The Authority has decided to allow hiring for Market Implementation & Regulatory Affairs Department (MIRAD) in principal and allow the incremental financial impact of the same as part of PYA in the subsequent adjustment requests and would also be made part of reference cost for future indexations. Employees internally transferred to MIRAD had already been largely accounted for while assessing the salaries & wages cost".

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that the management allowed MIRAD allowance to twenty-six (26) employees posted in MIRAD department in addition to their pay & allowances. According to DISCO's Multi Year Tariff (MYT) petition, the MIRAD allowance was admissible to fully equipped market-based staff.

However, the management, contrary to NEPRA's instructions, extended this allowance to internally posted staff. As such, undue benefit of the additional MIRAD allowance of Rs.25.82 million was inappropriately granted to internally posted officers/officials and should be immediately discontinued and recovered from the quarter concerned. The detail is as under:

Sr. No.	Name of Company	No. of Cases	Period of Posting	Amount (Rs.in million)
1.	GEPCO	15	November, 2022 to June 2024	13.060
2.	SEPCO	11	November, 2021 to January, 2024	12.760
Total		26		25.82

(Source: Payment Voucher)

Non-adherence to the Authority's orders resulted in unjustified payment of Rs.25.82 million on account of MIRAD Allowance up to the financial year 2023-24.

The matter was taken up with the management in October 2024 and reported to Ministry in November, 2024. The management replied that due to non-availability of personnel with appropriate expertise, the posts were filled through internal posting in MIRAD to meet the timeline fixed by the Regulator.

DAC in its meeting held during November 28 and December 23, 2024 directed the management to submit a comprehensive reply by justifying the matter with BoD decision and NEPRA's determination within a week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para Nos. (967) (763)/2024-25]

1.13.6 Non-finalization of inquiry regarding illegal appointment of CFO HESCO and unjustified expenditure on BoD HESCO - Rs.24.00 million

According to recommendations/ directions/ decision of meeting of the Senate Standing Committee on Power dated 09.12.2021, "the committee unanimously decided and directed Power Division to refer the matter regarding illegal appointment of CFO HESCO to the FIA for further investigation and action must be taken on former & sitting Chairman & CEO HESCO including other officials of HESCO for this illegal appointment. Further the committee unanimously decided and directed CEO HESCO to hold an inquiry against CFO

HESCO regarding spending of Rs.24 million on BoD as expenditure in less than six months of time from their appointment.”

During audit of the accounts of MoE (Power Division) for the financial year 2022-23, it was observed that the Senate Standing Committee of Power recommended / directed the Power Division to refer the matter of illegal appointment of CFO HESCO to FIA and hold an inquiry by CEO HESCO against CFO for spending an expenditure of Rs.24.00 million on BoD in less than six months of time. Moreover, a complaint stating mal-financial administration in remuneration of BoD HESCO and its committees was also received in Ministry and referred to HESCO for furnishing report thereof. Neither any reference was made to FIA nor CEO HESCO held any inquiry against CFO and no action was taken against HESCO management by Power Division.

Violation of recommendations / directions / decisions of Senate Standing Committee resulted in non-finalization of inquiry regarding illegal appointment of CFO HESCO and unjustified expenditure of Rs.24.00 million on BoD HESCO during the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management responded that the reply would be furnished after consulting the record.

DAC meeting was held on September 25, 2024 but the matter could not be discussed due to non-provision of record to Audit for verification by the management, and further schedule of meeting was not conveyed by the Ministry till finalization of the report.

Audit recommends ensuring the compliance of the directions of the Senate Standing Committee.

(Draft Para No. 217/2024-25)

1.13.7 Irregular payments made to the unverified employees attached with NTDC – Rs.20.58 million

According to Rule 4(3) of Public Sector Companies (Corporate Governance Rules) 2013, the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure

that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of the accounts of GENCO-III for the financial year 2022-23, it was observed that switchyard of TPS Muzaffargarh and NGPS Multan were handed over to NTDC along with attachment of 52 employees deployed at the maintenance of said switchyards. The payment to the said employees was still being made by the company and claim was referred to NTDC for reimbursement. However, NTDC verified only 37 employees. Hence, the payment of Rs.20.58 million made to the 15 unverified employees was unjustified.

Non-adherence to State-Owned Enterprises (Governance and Operations) Act, 2023, resulted in unjustified payment of Rs.20.58 million made to unverified employees up to the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management replied that MOU for handing / taking over of 220 KV switchyard of TPS Muzaffargarh (Phase-I & Phase-II) and NGPS, Piran Ghaib Multan between NTDC and NPGCL was made on October 04, 2021. In the light of said agreement, fifty two (52) employees were agreed to perform duty on these switchyards. Later on, salaries of employees were issued to NTDC through the debit note. NPGCL booked the said debit note's reversals because the said employees were still working at different units of the company.

DAC in its meeting held on January 9, 2025 did not accept the management's reply and directed to conduct a fact-finding inquiry through Ministry of Energy (Power Division) and share the report with Audit within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 106/2024-25)

1.13.8 Irregular determination of remuneration of Chief Executive Officer under MP-I scale without concurrence of Finance Division - Rs.17.59 million

As per office memorandum issued by Finance Division (Regulation Wing) Government of Pakistan issued vide F No.4(3)R-4/2011-Revision dated 23.01.2024, paragraph (h) of sub-rule (1) of rule 12 of Rules of Business 1973 provides that no Division shall, without previous consultation with the Finance

Division, authorize the issue of any order which will involve a change in the terms and conditions of service of Government servants on their statutory rights and privileges which have financial implication. Furthermore, it is binding upon all the administrative Ministries/Divisions to ensure that changes in the pay, allowances and privileges of executives/supervisory staff of autonomous/semi-autonomous bodies and corporations working under their administrative control are processed in accordance with Finance Division O.M. No.F.1(1) Imp/94, dated June 26, 1999.

During audit of the accounts of IESCO for the financial year 2023-24, it was observed that Dr. Muhammad Amjad Khan was appointed as CEO on July 16, 2021, following the Ministry of Energy's guidelines contained in letter No. 10 (02)/2018-DISCO dated December 23, 2020. The terms specified that "salary and allowance as permissible to MP-I Scale (at the initial stage) (Hiring shall not be under MP Scale Policy), MP-I Scale mentioned above is for indicative purpose only". Accordingly, the CEO's monthly salary was set at the initial stage of MP-I Scale i.e. Rs.433,950, with additional allowances for utilities (Rs.19,650), monetization (Rs.95,910), and house rent (Rs.101,000).

However, annual increments based on the Consumer Price Index (24.93% in 2022 and 20.67% in 2023) were granted by the BoD under clause 4.1 of the service agreement. The Ministry's salary guidelines were not approved by the Finance Division, as required by Rule 12(1)(h) of the 1973 Rules of Business and Finance Division instructions dated June 26, 1999. Consequently, the CEO's remuneration and allowances amounting to Rs.17.593 million from October, 2022 to June, 2024 were considered irregular as concurrence from Finance Division was not obtained.

Non-compliance to the directions issued by Finance Division resulted in irregular determination of remuneration of Chief Executive Officer under MP-I scale without concurrence of Finance Division and its payment of Rs.17.59 million up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that Dr. M. Amjad Khan, was appointed as CEO on July 16, 2021. Therefore, the latest O.M. of Finance Division dated 23.01.2024 was not applicable. However, BoD was competent authority for approval of said case.

DAC in its meeting held on January 13 and 15, 2025 directed the management to get the concurrence from Finance Division and share its outcome with Audit accordingly.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1029/2024-25)

1.13.9 Loss of due to fatal accident as a result of negligence of HESCO Staff - Rs.13.02 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended to date), "all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

During audit of the accounts of HESCO for the financial year 2023-24, it was observed that an incident of spillage of oil from transformer was occurred in operation sub-division Rizvi hospital on July 22, 2021 which resulted in fatal accident and 9 persons of general public died and 10 persons were seriously injured. In addition to this, HESCO line staff was also injured. According to preliminary inquiry report, the incident occurred due to negligence of staff of HESCO as they were engaged in illegal repair of faulty transformer at site without getting PTW. Resultantly, when the transformer was energized a blast occurred. HESCO paid Rs.6.750 million against the 9 persons died (@ Rs.750,000 per person) and Rs.5.00 million to 10 persons seriously injured as a compensation. In addition to this, Rs.1,273,138 were also paid for medical treatment of injured persons. Hence, HESCO had to bear a loss of Rs.13.02 million due to negligence of XEN, SDO and line staff of Rizvi Hospital sub-division which was also evident from the report of inquiry committee.

Non-adherence to the instruction resulted into loss of Rs.13.02 million due to negligence of HESCO Staff up to the financial year 2023-24.

The matter was taken up with the management in September, 2024 and reported to the Ministry in November, 2024. The management replied that case was pending in the court of law hence disciplinary actions against responsible persons were pending.

DAC meeting was held on January 20-21, 2025 but the matter could not discuss due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 575/2024-25)

1.13.10 Doubtful pension paid to NTDC employees - Rs.11.40 million

According to Section-III (1) of WAPDA Guidelines for enforcing Responsibility for losses due to fraud, theft or negligence of individuals, 1982, All losses whether of public money or of stores shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved.

During audit of the accounts of SEPCO for the financial year 2023-24, it was observed from the record of the Finance Director SEPCO that, an amount of Rs.130.92 million (Rs.10.91*12) was paid to the employees on behalf of NTDC on account of pension. When Recoupment voucher was claimed from NTDC, it verified Rs.119.52 million and rejected pension of 39 employees'. Record of these employees was not forthcoming from the record of FD SEPCO. Non-identification of these pensioners increased the risk of bogus payments.

Poor financial management resulted in ghost/bogus pension payment of Rs.11.40 million to NTDC employees up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that there was no ghost or bogus payment made to NTDC pensioners as these were actual pensioner of the company.

DAC in its meeting held on November 28, 2024 directed the management to provide the record in support of reply to Audit within 15 days.

Audit recommends implementation of DAC's decision.

(Draft Para No. 786/2024-25)

1.13.11 Non-recovery from retired employees - Rs.10.46 million

According to Para viii, the Pension case forwarded to the office of Manager (A&F) Pension is processed/ finalized on the basis of the documents provided by the formations/retiring offices containing the details of recoveries, if

any. Pension Directorate would issue PPO order containing the amount of commutation worked out as per applicable rates in fresh cases, however any sort of recovery pointed out in the documents provided will rest with employee's retiring formation/office concerned including Pension contribution, audit recovery etc. Any litigation matter raised due to recovery etc. will rest with retiring office.

During audit of the accounts of SEPCO for the year 2023-24, it was observed that four (04) line superintends were retired from their services and management released 80% to 100% monthly pension and withheld 100% commutation till the settlement of the audit paras. It was revealed that an amount of Rs.10.46 million was also outstanding against these four (04) retired employees on account of audit paras pointed out by internal and external auditors. However, the Deputy Manager (HR/Services) issued retirement orders without any recovery/settlement of the said audit paras which needs justification.

Non-adherence to pension rules resulted in non-recovery of Rs.10.46 million from the retired employees up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that officials had been retired from services, however, their 100% commutation was withheld due to pendency of Audit Paras to protect the interest of Company, which would be released after verification / settlement of Audit Paras.

DAC in its meeting held on November 28, 2024 directed the management to inquire the matter at CEO level for fixing responsibility upon persons at fault and submit inquiry report to Audit within one month.

Audit recommends implementation of DAC's decision.

(Draft Para No. 766/2024-25)

1.13.12 Recoverable amounts from employees due to illegally occupied flats/houses, rented-out accommodations - Rs.10.14 million

As per clause of Allotment letters if at any time it is found that anybody other than allottee is in un-authorized occupation of the said quarter/ not only allotment order is liable to be cancelled and the unauthorized occupant ejected at your cost but you will also render yourself liable to disciplinary action. As per clause of Allotment letters, you shall not sublet or permit the quarter or any part thereof to be occupied by any person (s) other than those who are legitimate

members of your family. Failing to do so will tantamount to misconduct and action under E&D rules will be recommended.

During audit of the account of HESCO for the financial year 2023-24, it was observed that 13 government officers/officials illegally occupied flats/houses and did not pay utility expenses. Additionally, six government accommodations were rented out by employees, and 18 officers in a bachelor hostel did not pay room rent and air conditioning charges from July 2021 to September 2024. The management neither vacated the premises from illegal occupants nor recovered Rs.10.14 million in room rent and utility expenses, reflecting a lack of internal control. The detail is as under:-

Sr. No.	Description	No. of cases	Amount (Rs.in million)
1.	Illegal occupation of flats/houses	13	5.88
2.	accommodation but those flats were rented out to other persons	6	1.19
3.	Rooms were occupied in bachelor hostel but room rent did not deposit	18	3.07
		37	10.14

Non-adherence of instructions resulted into recoverable amount Rs.10.14 million from employees due to illegally occupied flats/houses, rented-out accommodations up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that notices/reminders were issued to officers residing in hostel. Efforts were being made to recover the Hostel Charges.

DAC in its meeting held on January 20-21, 2025 directed the management to reconcile the amount and get the record of recovery verified from Audit within a week and expedite the remaining recovery. DAC also directed the management to probe the matter besides finalizing the inquiry report and sharing its outcome with Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para Nos. (1404, 1406, 1407)/2024-25]

1.13.13 Irregular promotion in violation of promotion quota – Rs.9.78 million

According to NEPRA NSR 42 posts of Deputy Director were required to be filed through 40% direct recruitment and 60% through promotion and according to the NSR Chapter-5 Promotion (5) “An employee shall be promoted against a clear vacant post subject to the fulfillment of all conditions laid down in these Regulations”

During audit of the accounts of NEPRA for the financial year 2022-23, it was observed that three employees were promoted from NPG-1 Assistant Director to NPG-2 Deputy Director. As per NEPRA Service Rules (NSR), 42 posts of Deputy Director were required to be filed through 40% direct recruitment and 60% through promotion. However, no post was vacant against promotion quota. The promotion of officers from Assistant Director to Deputy Directors in violation of NSR was consider irregular as no clear vacant post was available under promotion quota.

Non-adherence to NEPRA NSR resulted in irregular promotion in violation of promotion quota.

The matter was taken up with the management in March, 2024 and reported to the Cabinet Division in May, 2024. The management replied that the case was presented before the Authority and it was decided by Authority that the requirement of quota is directory in nature.

DAC in its meeting held on December 19, 2024 directed the management to constitute a fact-finding inquiry committee comprising of Senior JS (RA) and CF&AO to carry out FFI within a month and share the report with Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No. 122/2024-25)

1.13.14 Loss due to provision of free electricity to unverified employees registered in other DISCOs - Rs.8.96 million

According to Code CP-10, Clause 4.7 of WAPDA Commercial Procedure, free electricity supply information with RO/CSO and computer center will be revalidated every year in July by obtaining fresh applications. As per note to Clause 4.8, it would be the responsibility of the concerned Drawings &

Disbursing Officer to ensure that the facility of free electricity is availed by the bona fide WAPDA employee.

During audit of the accounts of PESCO for the financial year 2023-24, it was observed that 121 debit advices amounting Rs.8.96 million were issued on account of free electricity to the employees of different Ex-WPADA formations. However, the said debit advices were reversed due to non-verification of employees. No action for discontinuing the free electricity facility and deciding the fate of the loss of Rs.8.96 million was forthcoming from the record.

Non-adherence to Authority's instructions resulted in loss of Rs.8.96million due to provision of free electricity to bogus employees registered in different Ex-WAPDA formations up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that detailed reply would be furnished after consulting of record.

DAC meeting was held on January 7-8, 2025 but the matter could not be discussed due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1271/2024-25)

1.13.15 Irregular appointment of Media Officer due to deficient minimum requisite qualification and experience - Rs.8.19 million

According to the consolidated advertisement dated January 19, 2020 for the post of Media Officer, "the minimum requisite qualification and requisite experience was sixteen years of education in Mass Communication or equivalent and minimum 15 years relevant experience."

During audit of the accounts of NEPRA for the financial year 2022-23, it was observed that Ms. Sadaf Noreen was recruited as Media Officer. In the light of consolidated advertisement, the minimum requisite qualification for the said post was sixteen years of education in Mass Communication or equivalent. However, the said recruited officer had sixteen years of education in Pakistan Studies which in no way was equivalent to Mass Communication as determined by the Federal Public Service Commission. Moreover, the experience of the said

officer was also not as per the eligibility criteria of the said post. Hence, appointment of said officer as well as grant of pay and allowances amounting to Rs.8.19 million cannot be termed as regular.

Non-adherence to the terms and conditions of consolidated advertisement resulted in irregular appointment of Media Officer as well as grant of pay and allowance amounting to Rs.8.19 million up to the financial year 2022-23.

The matter was taken up with the management in March, 2024 and reported to the Cabinet Division in May, 2024. The NEPRA management explained that Authority already directed inquiry on the reported matter.

DAC in its meeting held on December 19, 2024 directed NEPRA to share findings of the inquiry with Audit within 60 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 124/2024-25)

1.13.16 Irregular grant of annual increment subsequent to the acceptance of contract on lump-sum package - Rs.5.10 million

According to NEPRA Admin Meeting-39-17 held on September 22, 2017, the services of Mr. Irfan Saeed Deputy Director / Financial Advisor was extended for two years on last drawn salary.

During audit of the accounts of NEPRA for the financial year 2022-23, it was observed that Mr. Irfan Saeed accepted the extension of service for a period of two years w.e.f. August 07, 2017 on existing salary (last drawn) in line with the decision of authority with other terms and conditions of his service contract remaining the same. The extension of service contract on terms and conditions decided by authority was accepted by the officer on October 17, 2017. However, subsequent to the acceptance of extension in service contract on lump sum package, 10% annual increments were granted to the officer for the year 2017 and 2018. Audit held that the grant of annual increments, subsequent to the acceptance of service contract was irregular. Thus, the amount of Rs.5.1 million paid on account of annual increments needed to be recovered from the officer.

Non-adherence to NEPRA decision resulted in irregular grant of annual increment subsequent to the acceptance of contract on lump-sum package valuing Rs.5.1 million up to the financial year 2022-23

The matter was taken up with the management in March, 2024 and reported to the Cabinet Division in May, 2024. NEPRA explained that the case of irregular payment was taken up by the Authority in 2022 and a committee was constituted which confirmed the errors in payment. Accordingly, the Authority decided to recover the Rs.1.7 million which has already been recovered from the officer. The relevant record has been shared with the Audit for verification.

DAC in its meeting held on December 19, 2024 directed the management to constitute a fact-finding inquiry committee comprising of Senior JS (RA) and CF&AO and share the report with Audit within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 126/2024-25)

1.13.17 Undue favor extended to employees in violation of NEPRA Service Regulations (NSR) - Rs.4.54 million

According to Clause 16 of NEPRA Service Regulations (NSR), a person appointed to a regular post by initial appointment, shall be on probation for a period of one year. As per Para 4 of the offer letter, Where, in the opinion of the Authority, the performance or conduct of a person on probation has been unsatisfactory or where he/she has failed to pass such examination or test or to complete successfully any mandatory course or training, the services of the employee shall be terminated.

During audit of the accounts of NEPRA for the financial year 2022-23, it was observed that two employees, i.e. Ms. Quair-tul-Ain and Ms. Sidra Inam were appointed in Information Technology Department of NEPRA with a probation period of one year which was further extended for multiple times due to unsatisfactory services of the officers with the remarks to give the officer another opportunity to appear in written test for confirmation of services or otherwise. The officer could not even qualify for the mandatory test in the extended probation period. The services of the officers were required to be terminated as mentioned in the clause ibid of NSR. Contrary to NSR, services of the said officers were regularized resulting in grant of undue favor to failed candidates.

Non-adherence to NSR of NEPRA resulted in loss of Rs.4.54 million due to undue favor extended to employees up to the financial year 2022-23.

The matter was taken up with the management in March, 2024 and reported to the Cabinet Division in May, 2024. The management replied that the probation extension of both Ms. Quair-tul-Ain and Ms. Sidra Inam were in line with provisions of the prevalent / applicable NSR at the time of the consideration. Whereas, the promotion of the both were considered in line with existing / applicable Appendix-4 of the NSR (read with amendments of September 24, 2020).

DAC in its meeting held on December 19, 2024 directed the management to constitute a fact-finding inquiry committee comprising Senior JS (RA) and CF&AO to carry out FFI within a month and share the report with Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 121/2024-25)

1.13.18 Unjustified payment of inadmissible allowances to acting assistant managers operation - Rs.3.04 million

According to Section III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), "all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

During audit of the accounts of HESCO for the financial year 2023-24, it was observed from HRD record that Line Superintendents working as acting Assistant Manager (Operation) in various Sub Divisions of HESCO were enjoying job allowance, headquarter allowance and conveyance allowance. These Line Superintendents were holding the charge of Assistant Manager (Operation) and using the official vehicle of their Sub Divisions, hence, they were not entitled to receive job allowance and conveyance allowance. Similarly, Headquarter allowance was given to an employee who was posted in field. Furthermore, amount of free electricity supply was also not included in taxable income. Hence, the payment of allowances was being made against the rules and undue benefit was being given to such employees.

Non-adherence of the Authority's instructions resulted in loss of Rs.3.04 million on account of inadmissible allowances to acting Assistant Managers Operation up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that matter regarding the inclusion of free electricity supply in the taxable income of affected employees would be reviewed and rectified as per tax rules.

DAC in its meeting held on January 20-21, 2025 directed the management to get complete actions along with recovery verified from Audit within a week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1306/2024-25)

1.13.19 Irregular recruitment for the post of R&D Specialist - Rs.1.65 million

As per advertisement, the required experience for the R&D Specialists as printed in National Dailies was minimum 03 years of total experience.

During the financial attest audit of the "Electricity Distribution Efficiency Improvement Project," the review of the recruitment process revealed that the post of R&D Specialist was advertised in national dailies on August 06, 2023, specifying a minimum requirement of 3 years of relevant experience. Ms. Nimra Shah was shortlisted, issued an offer letter, and subsequently joined the project on March 4, 2024 for a period of one year. The scrutiny of the record revealed that Ms. Nimra Shah had only 2 years and 6 months of professional experience, which did not meet the advertised minimum requirement. However, to make her eligible for the post, her PhD duration was considered as 4 years and 7 months of experience, thereby qualifying her for the position. It is noteworthy that other PhD candidates were not given the additional benefit of experience on the basis of PhD. Moreover, her qualification was mentioned in the scrutiny sheet as MSc and no degree of PhD was attached in her hiring file. The inclusion of her PhD duration as experience gave her an undue advantage over other candidates, which was not disclosed in the initial advertisement. This deviation from the advertised criteria raises concerns about the transparency and fairness of the recruitment process.

Audit is of the view that this action contravenes the principle of merit-based recruitment, potentially compromising the integrity of the selection process.

The matter was taken up with the management in August, 2024 and reported to the Ministry in November, 2024. No further management reply was furnished till finalization of the audit certificate.

DAC in its meeting held on November 08, 2024 directed the management to submit justification of appointment for verification within a week.

Audit recommends implementation of the DAC's decision.

(Draft Para No. 1482/2024-25)

1.13.20 Irregular grant of advance increments in contravention of provisions of NEPRA Service Rule (NSR) – Rs.1.32 million

No Provision existed for grant of advance increments to the employees as per NEPRA Service Rule except initial appointment.

During audit of the accounts of NEPRA for the financial year 2022-23, it was observed that the Authority, in its meeting held on November 23, 2020 regarding promotion cases of NEPRA employees, accorded approval of advance increment to Mr. Anwar Malik, Director General (Admin & HR) with immediate effect. The advance increment was made unduly to the employee of NEPRA as no provision existed in NSR. Moreover, some grave negligence was observed in promotion cases of NSG – 06 to NPG – I as the employees were promoted without fulfilling the eligibility criteria as described in NSR and scales of employees were upgraded against non-sanctioned posts during their probation period. Thus, the services of Mr. Anwar Malik were not up to the mark as head of HR department. Since no provision existed in NSR for grant of advance increment, hence, the advance increment to the said officer was held irregular.

Violation of NEPRA Service Rule resulted in irregular grant of advance increment to officer up to the financial year 2022-23.

The matter was taken up with the management in March, 2024 and reported to the Cabinet Division in May, 2024. NEPRA explained that to retain human resource and incentivize employees, Authority was empowered to make such Decision.

DAC in its meeting held on December 19, 2024 directed the management to constitute a fact-finding inquiry committee comprising of Senior JS (RA) and CF&AO to carry out FFI within a month and share the report with Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 127/2024-25)

1.13.21 Irregular creation of Post of Manager (Security) and irregular grant of additional charge allowance - Rs.1.09 million

According to Office Memorandum issued by Finance Division regarding austerity measures for the financial year 2023-24, there shall be ban on creation of new posts under PSDP / current budget. As per Office Memorandum issued on July 04, 2023 by Finance Division, revised additional charge allowance 20% of Basic Pay subject to maximum Rs.20,000/-PM will be applicable to employees w.e.f July 01, 2023.

During audit of the accounts of GENCO-I for financial years 2022-23 and 2023-24, it was observed that Lt. Col (R), Muhammad Ashraf was appointed as Deputy Manager (Security) on contract basis for a period of two years on lump sum package Rs.200,000/- per month vide office order dated November 03, 2021. Subsequently, the contract was extended for further period of two-year up to November 16, 2025 vide office order dated October 18, 2023. The additional charge of Head of Security of LPGCL was assigned to said officer at 25% of his lump sum pay i.e. Rs.50,000/- per month by BoD whereas Finance Division allowed additional charge allowance up to 20% of basic pay subject to maximum Rs.12,000/- per month which was subsequently revised to maximum Rs.20,000/-PM. It was further added that BoD in its 153rd meeting held on November 22, 2023 created the post of Manager (Security) at JPCL in contrary to the office memorandum issued by Finance Division hence, it was considered irregular. Subsequently, the said officer was appointed as Manager (Security) at lump sum pay Rs.400,000/- and again assigned additional charge with additional amount Rs.50,000/- for a period of three years by BoD in its 166th meeting. Hence, excess additional charge allowance amounting to Rs.1.09 million paid to the officer (from January, 2022 to June, 2024) was consider irregular and hence, recoverable.

Non-compliance of directions by Finance Division resulted in irregular creation of Post of Manager (Security) and irregular grant of additional charge allowance to officer amounting to Rs.1.09 million up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that BoD had created a

post of Manager (Security) in the interest of company's business to manage fool proof security of foreigners working at 660 MW CFPP Jamshoro under section-viii clause 8.2.1 of book of financial powers for generation companies and approved the additional allowance Rs.50000/- per month on assigning additional assignment of head of Security (GENCO-IV) as per powers conferred under the rules of business.

DAC in its meeting held on January 9, 2025 directed the management to take up the matter with Ministry of Energy (Power Division) for seeking necessary clarification from Finance Division regarding creation of post of Manager (Security) and grant of additional allowance Rs.50,000/- per month and share the same with Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1323/2024-25)

1.13.22 Non-implementation of viable lay-off plan for surplus employees by GENCOs

According to Decision of Cabinet Committee on Energy (CCOE) dated September 10, 2020 regarding operational and non-operational plants of GENCOs, the CCOE directed the Power Division to prepare a viable lay-off plan on a fair and just basis in respect of employees of the power plants which are decided to be closed, in consultation with Establishment Division and privatization Division within thirty (30) days and to submit a report thereof to the CCOE for consideration. Further, according Decision of Economic Coordination Committee (ECC) dated April 07, 2021 regarding GENCO-wise/Plant wise pensioners & employee's cost, ECC had expressed no objection on absorption of surplus GENCOs employees in DISCOs. However, proposal regarding provision of funds for the purpose was not approved. Power Division was directed to analyze viable options for resolution of the pension issues of GENCOs employees and submit the same for consideration of the ECC.

During audit of the accounts of GENCO-I for financial years 2022-23 and 2023-24, it was observed that office orders for adjustment of surplus employees of GENCOs in DISCOs were issued on May 20, 2021 by PEPCO/PPMC in pursuance to decision of ECC dated April 7, 2021 without any lay-off plan and consultation of DISCOs/ GENCOs. Due to legal proceedings,

the orders were not implemented, and no effective lay-off or transfer plan was presented to the Cabinet Committee on Energy (CCOE) or ECC. It is further added that some power plants were closed but GENCOs continued to pay salaries to surplus employees from capacity payments. As these funds were insufficient, GENCOs resorted to obtaining Cash Demand Loans (CDL) from the Finance Division, further increasing their financial burden. Hence, non-implementation of absorption plan for surplus GENCO employees resulted in severe financial strain and operational inefficiencies. GENCOs continue to shoulder unnecessary costs, relying on loans to meet these obligations, ultimately undermining their performance, financial health, and long-term stability.

Non-adherence to the decision of ECC resulted in financial and operational impact on GENCOs due to lack of viable lay-off plan for surplus employees up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that matter of declared surplus employees was subjudice under the Honorable High Court of Sindh. However, legal Counsel had filed constitutional miscellaneous applications (CMA) for early hearing and disposal of the case but the same was still under prosecution before the Honorable Sindh High Court, Karachi.

DAC in its meeting held on January 9, 2025 directed the management to take up the matter being policy issue with the Ministry of Energy (Power Division) and GHCL for guidelines in the light of directions issued by Task Force Committee and PM directives dated December 27, 2024 and inform the status to Audit accordingly.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1314/2024-25)

1.13.23 Irregular appointment of Chief Executive Officer GEPCO

As per Ministry of Energy (Power Division) letter dated December 23, 2020, the cabinet approved the terms and conditions for recruitment against the post of the CEOs in DISCOs, "the candidate must possess a bachelor's degree in engineering with a master's degree in engineering or business/ public administration or management or economics or finance with no upper age limit".

During audit of the accounts of GEPCO for the financial year 2023-24, it was observed that an advertisement was made for the post of CEO with eligibility criteria excluding master degree and including limit to upper age up to 60 years. Accordingly, the incumbent CEO who already stood at the verge of superannuation and not having Master degree, became eligible and qualified for the post. The said change in the eligibility criteria was against the directions of the Power Division, hence, appointment of the said officer was irregular.

Violation of directions of Ministry of Energy (Power Division) resulted in irregular appointment of Chief Executive GEPCO up to financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that according to the Ministry of Energy's (Power Division) letter dated December 28, 2021, the BODs of FESCO, GEPCO, HESCO, and MEPCO can set the terms for CEO appointments, adhering to relevant laws and guidelines. Consequently, the BOD-GEPCO established eligibility criteria, including an upper age limit, in its meeting on April 17, 2023. The Audit relied on a previous letter from December 23, 2020, which was superseded by the December 28, 2021 letter based on cabinet directions.

DAC in its meeting held on December 23, 2024 directed the management to get the record verified from Audit within a week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 701/2024-25)

1.13.24 Irregular promotions of officers as General Manager/Chief Engineer/Superintending Engineer

As per notification of Cabinet Secretariat (Establishment Division) published in Gazette of Pakistan vide SRO No. 801(I)/2022 dated June 17, 2022, the Prime Minister is pleased to notify Intelligence Bureau (IB) as Special Vetting Agency (SVA) for officer's category for initial appointment, induction, certain postings abroad and specific promotions.

During audit of the accounts of IESCO for the financial year 2023-24, it was observed that 12 officers were promoted to the positions of General Manager, Chief Engineer, Superintending Engineer, and Director based on

recommendations from the Senior Selection Board and the Human Resource and Nomination Committee. The detail was as under:

Sr. No.	Name of officer	Promoted as
1.	Mr. Imtiaz ur Rehman	GM/Technical Director
2.	Mr. Muhammad Jafer Murtaza	GM/CS Director
3.	Mr. Faisal Sharif	Chief Engineer
4.	Mr. Zubair Akhtar	Chief Engineer
5.	Mr. Kamran Aftab	Chief Engineer
6.	Mr. Waheed Ahmad Abbasi	Superintending Engineer
7.	Mr. Shahzad Faisal	Superintending Engineer
8.	Mr. Imran Shahid Siddique	Director (IT)
9.	Mr. Nasir Hanif	Director (MM)
10.	Mr. Muhammad Ishaq Khokhar	Superintending Engineer
11.	Mr. Waheed Ahmad Murad	Superintending Engineer
12.	Mr. Khuda Bukhsh	Superintending Engineer

However, the promotion working papers were presented to the 74th Human Resource and Nomination Committee without adhering to the notification from the Cabinet Secretariat (Establishment Division), as published in the Gazette of Pakistan under SRO No. 801(I)/2022, dated June 17, 2022. The BoD ratified these promotions in its 226th meeting on September 27, 2023. Consequently, these promotions, carried out without verification of officers from the Intelligence Bureau as required by the notification, were considered irregular.

Non-compliance to instructions of Establishment Division resulted in irregular promotions of officers as General Manager/Chief Engineer / Superintending Engineer up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that a letter had been sent to PPMC for guidance regarding mechanism / procedure for adoption of Establishment Division (Cabinet Secretariat) notification dated June 20, 2022, vide office letter No. 51732-33 dated December 24, 2024.

DAC in its meeting held on January 13 and 15, 2025 directed the management to seek clarification from Establishment Division through Ministry and share its outcome with Audit accordingly.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1030/2024-25)

1.13.25 Unjustified promotion of Chief Engineer by BoD HESCO

According to recommendations/ decision of meeting of the Senate Standing Committee on Power dated September 30, 2022, “the committee unanimously decided and directed Power Division to submit the inquiry report related to the charges against Mr. Tariq Bajari and take action against Chairman and BoD HESCO involved in his illegal promotion. The committee also directed Power Division to remove the Chairman and members of BoD, HESCO from their posts in this regard.”

During audit of the accounts of MoE (Power Division) for the financial year 2022-23, it was observed that Senior Selection Board of HESCO comprising BoD members granted promotion to Mr. Tariq Bajari as Chief Engineer on April 01, 2022 just before two days of his retirement. The said officer had been involved in fourteen (14) departmental inquiries since 2014-15 under the charges of loose control, involvement in overbilling and charging of wrong detection bills, which were not concluded and the officer could not be promoted till 1st April, 2022. However, the disciplinary committee exonerated him from the charges on March 29, 2022 after personal hearing on March 22, 2022 and he was promoted as Chief Engineer on April 01, 2022. The matter was discussed in the meeting of Standing Committee of Senate on September 30, 2022 wherein the committee unanimously decided and directed Power Division to submit inquiry report regarding the charges against the said officer and take action against the chairman and members of BoD, HESCO involved in illegal promotion. However, Power Division neither inquired the matter nor took any action against the delinquent (s).

Violation of recommendations / decisions of the Senate Standing Committee resulted in unjustified promotion of Chief Engineer by BoD HESCO up to the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management responded that the reply would be furnished after consulting the record.

DAC meeting was held on September 25, 2024 but the matter could not be discussed due to non-provision of record to Audit for verification by the management, and further schedule of meeting was not conveyed by the Ministry till finalization of the report.

Audit recommends inquiring the matter at Ministry level for fixing responsibility beside ensuring action against the chairman and member of BoD in compliance to the decision of the Senate Standing Committee.

(Draft Para No. 219/2024-25)

1.13.26 Illegal regularization of daily wages staff by BoD HESCO

According to Section 6(1)(a) of State-Owned Enterprises (Governance and Operations) Act, 2023, “the business of the state-owned enterprise is carried on with integrity, objectivity, due care and professional skills appropriate to the nature and scale of its activities.” Further, according to Section 33 (2) of ibid, “the Division to which the business of a state-owned enterprise has been allocated under the Rules of Business, 1973 shall co-ordinate with the Board of such state-owned enterprise to monitor compliance with the provisions of this Act, including, without limitation, with respect to the development of the business plan, statements of corporate intent, the annual reports, timely establishment of systems of internal controls of the state-owned enterprise, appointment of the Chief Executive Officer, and reporting to the central monitoring unit.”

During audit of the accounts of MoE (Power Division) for the financial year 2022-23, it was observed that BoD HESCO in its 190th BoD meeting dated June 18, 2021 regularized 551 daily wages employees on non-competitive basis. The regularization of employees without competitive process was also not upheld by the BoD members representing Ministry of Finance, Ministry of Energy (Power Division) and Energy Department of GoS. Earlier, BoD HESCO in its 138th meeting decided that these employees may compete with other candidates on advertisement to be published. However, contrary to this, these employees were regularized and orders of regularization were distributed among employees in a politicized special event. The matter was taken up by the Power Division and initially on October 14, 2021 the proposal for removal of HESCO BoD as well as CEO HESCO was put up by Deputy Secretary E&D. But summary for removal of only CEO HESCO was got approved from the Cabinet Division. The said issue was also discussed in meeting of the Senate Standing Committee on Power in its meetings dated December 24, 2021 and January 11, 2022 wherein Power Division was asked to take action against HESCO BoD, CFO and HR department involved in the said illegal appointments. The regularization of the said

employees was also in sheer violation of government directions as recruitment policy of Establishment Division dated May 11, 2017 regarding appointment on regular basis of daily wages staff in companies was not adhered to. The illegal regularization of 551 daily wages employees by HESCO BoD warranted severe action but the same was not taken by Power Division.

Non-adherence to State-Owned Enterprises Act, 2023 resulted in illegal regularization of daily wages staff by BoD HESCO up to the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management responded that the reply would be furnished after consulting the record.

DAC meeting was held on September 25, 2024 but the matter could not be discussed due to non-provision of record to Audit for verification by the management, and further schedule of meeting was not conveyed by the Ministry till finalization of the report.

Audit recommends taking appropriate action on the illegal regularization of daily wages employees by the BoD.

(Draft Para No. 231/2024-25)

1.13.27 Irregular promotion of employees in contravention of eligibility criteria

The eligibility criteria for promotion from NEPRA Service Group (NSG) - 6 to NEPRA Professional Group (NPG) – 01 as enunciated in NEPRA Service Regulations (NSR) is as: i) must include at least 05 years in NSG-06, ii) must obtain 75% marks in AAR, iii) must have a minimum 15 years' service in NEPRA, iv) an incumbent having promoted from the staff must possess relevant bachelor / master and undergo an internal mandatory promotion exam to become eligible for promotion to NPG – 01. Thereafter, an internal interview committee will interview the selected / shortlisted candidates and shall recommend the most suitable candidate for promotion from lower staff, v) Quota for promotion shall be 20%.

During audit of the accounts of NEPRA for the financial year 2022-23, it was observed that twelve (12) incumbents were promoted from NSG – 06 to NPG – I vide Authority's meeting held on November 23, 2020 in contravention of eligibility criteria for promotion as provided in NSR. The factual position of the NSR criteria and any relaxation thereof was not presented before the

Authority as evident from the working papers. The incumbents were promoted in violation of minimum criteria of 05 years in NSG – 06 and ignoring the promotion quota. Moreover, neither internal mandatory exam was conducted nor any interview was conducted for selection of suitable candidates. The other non-eligible candidates, on the same analogy requested for promotion in relaxation of promotion criteria. The Authority in its meeting AM 04-22 held on 06th June, 2022 decided to constitute the Grievance Redressal Committee (GRC). The proceeding of GRC were deficient, misleading and contravention of provisions of NSR which were also contested by HR department of NEPRA. Hence, Audit concluded that promotion of incumbents from NSG – 06 to NPG – I was irregular.

Non-adherence to eligibility criteria of NSR resulted in irregular promotion of employees in contravention of eligibility criteria.

The matter was taken up with the management in March, 2024 and reported to the Cabinet Division in May, 2024. NEPRA explained that the case was presented before the Authority and it had constituted a fact-finding committee to probe the irregularities in the matter. The committee had been provided all documents for examination of the matter in detail and submit report for consideration of the Authority.

DAC in its meeting held on December 19, 2024 pended the Para with the direction to NEPRA to share findings of the inquiry with Audit within forty five (45) days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 239/2024-25)

1.13.28 Non-fixation of responsibility against the persons involved in irregularities in recruitment process

According to the notification of GM HR NTDC dated June 27, 2023, an inquiry committee was constituted to probe into the irregularities in recruitment process of Asset Management South Region. As per TOR of the committee, "to identify the individuals who are at fault, if any, and fix responsibility".

During audit of the accounts of NTDC for the financial year 2022-23, it was observed that the recruitment process was initiated in NTDC and the task was assigned to Assets Management South Region Hyderabad. While processing

of finalization of recruitment some irregularities come into light and NTDC management constituted a committee to inquire the matter for fixation of responsibility. The inquiry committee pointed out irregularities and GM (AM) South and DG HR (Posted in South) were held responsible but no action was initiated against the responsible. This state of affairs showed that an un-due favour was extended to the officers involved in recruitment process.

Non-adherence to the TORs resulted into non-fixation of responsibility against the persons involved in irregularities in recruitment process during the financial year 2022-23.

The matter was taken up with the management in November, 2023 and reported to the Ministry in December, 2023. The management replied that on recommendations of inquiry committee allegation were framed and further progress would be intimated to Audit in due court of time.

DAC in its meeting held on June 24, 2024 directed the management to frame allegation on recommendations of inquiry committee and take action against person at fault within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1024/2023-24)

1.13.29 Irregular promotion of Accounts Officer as Assistant Manager Accounts

According to Sr. No. 5(b) of the Pakistan WAPDA Accounts Service Rules, 1966, 50% by promotion from amongst AB&AOs who have completed 5 years' service in the cadre and have qualified the prescribed DPE. However, in case eligible promotes are not available then by direct recruitment.

During audit of the accounts of NTDC for the financial year 2023-24, it was observed that (11) eleven Accounts Officers (BPS-16) were promoted as Assistant Manager Accounts (BPS-17). However, Chief Financial Officer, NTDC sought clarification from WAPDA regarding the required length of service for promotion from Accounts Officer (BPS-16) to Assistant Manager Accounts (BPS-17). WAPDA vide letter dated September 07, 2023 clarified that each post had its own eligibility requirement/criteria for promotion to next cadre post. It was explicitly clarified by WAPDA that minimum prescribed length of service for promotion from Accounts Officer to Assistant Manager Accounts

(BPS-17) was 05 years mandatory after fulfillment of eligibility criteria, qualifying Departmental Promotion Examination (DPE) and successful completion of mandatory training course to qualify for promotion in (BPS-17). However, in complete disregard to the clarification, the promotion of Accounts Officer to Assistant Manager Accounts (BPS-17) was made while their length of service was less than 05 years. Hence, the promotion was considered irregular.

Non-adherence to clarification of WAPDA resulted in unjustified promotion of Accounts Officers as Assistant Manager Accounts up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that all accounts officers had rightly been promoted as assistant manager accounts under WAPDA Accounts Service Rule, 1966 for service matters of the Accounts cadre.

DAC in its meeting held on December 24, 2024 directed the management to seek clarification from MoE (Power Division) regarding interpretation of cadre / post within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 792/2024-25)

1.13.30 Irregular charge to Line Superintendent as Sub Divisional Officer in violation of PAC directives

The Sub-Committee of the PAC in its meeting dated 09th August, 2021 directed DISCOs to make sure that Line Superintendents shall not be posted as Sub Divisional Officers as one step above and all vacant posts in PPMC/PEPCO, all DISCOs and NTDC may be filled at one.

During audit of the accounts of PESCO for the financial year 2023-24, it was observed that 103 Line Superintendents were posted as Sub Divisional Officer as one step above during July, 2021 to June, 2024 which was in contravention to the directives of PAC.

Non-adherence to PAC directives resulted in irregular acting/current charge to Line Superintendent as Sub Divisional Officers up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that

PESCO is facing a severe shortage of field staff and officers due to continuous retirements and recruitment challenges, with over 45 officers leaving in 2022 for better opportunities. To meet targets and KPIs set by the Ministry of Energy and manage daily operations, the charge of Sub Divisional Officers has been temporarily assigned to Line Superintendents, following the approval of the competent authority and instructions from the Ministry of Energy (Power Division) Islamabad.

DAC in its meeting held on January 7-8, 2025 directed the management to ensure compliance regarding production of record in light of re-audit remarks within three days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. (1274)/2024-25)

1.13.31 Non-implementation of recommendations of inquiry reports regarding fatal accidents

According to PSC-2 of Power Safety Code for Transmission and Distribution Licensees, "The licensee shall adhere to the highest standards in all work practices so as to ensure protection of employees & any other affected by what licensee do. Each Licensee shall ensure in day to day work that PSC 2 Facilities /support programmers are provided to safe guard the health, welfare & well-being of their staff".

During audit of the accounts of SEPCO for the financial year 2023-24, it was observed that six (06) fatal incidents occurred in SEPCO. Inquiries were carried out by Deputy Manager (Safety) SEPCO. The inquiry committee recommended actions against officials/officers at fault but no record was found regarding implementation of recommendations of the inquiry committee. Audit holds that the management of SEPCO failed to implement safety standards as prescribed in performance standards and distribution code and the directions of NEPRA.

Non-adherence to Power Safety Code and recommendations of inquiry report may result in an increase in similar incidents up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that all the

recommendations of inquiry report had been implemented; however, final inquiry was under process in one case.

DAC in its meeting held on November 28, 2024 directed the management to finalize the pending inquiry and share all the inquiry reports with implementation status with Audit within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 777/2024-25)

1.14 Miscellaneous Issues

1.14.1 Loss on account of disallowed/ rejected subsidies claims of DISCOs – Rs.29,842.14 million

According to Section 33 (2) of State-Owned Enterprises (Governance and Operations) Act, 2023, “the Division to which the business of a state-owned enterprise has been allocated under the Rules of Business, 1973 shall co-ordinate with the Board of such state-owned enterprise to monitor compliance with the provisions of this Act, including, without limitation, with respect to the development of the business plan, statements of corporate intent, the annual reports, timely establishment of systems of internal controls of the state-owned enterprise, appointment of the Chief Executive Officer, and reporting to the central monitoring unit”.

During audit of the accounts of MoE and TESCO for financial year 2022-23 to 2023-24, it was observed that a Chartered Accountant firm was hired by the management for pre-audit of different subsidy claims of DISCOSs i.e. tariff differential subsidy, annual quarterly tariff adjustment, zero rated industrial rebate, kisan package subsidy, agricultural tubewell subsidy in Baluchistan etc. The said firm disallowed/ rejected an amount of Rs.29,842.14 million on account of subsidies claims of DISCOs being not covered under the relevant SRO/ SoPs. However, neither any action was taken against these entities for submitting wrong subsidies claims nor these rejected claims were adjusted/ reversed by DISCOs against the respective consumers, which was a straight loss to DISCOs.

Non-adherence to the provisions of State-Owned Enterprise Act-2023 resulted in loss on account of disallowed/rejected subsidies claims of DISCOs amounting to Rs.29,842.14 million during the financial year 2022-23.

The matter was taken up with the management in February & October, 2024 and reported to the Ministry in May & November, 2024. The MOE management responded that the reply would be furnished after consulting the record. TESCO management replied that TESCO has requested PITC to update their processing mechanism to exclude these surcharges. In response, PITC is seeking directions from the Ministry of Energy. Once the Ministry provides formal clarification, the surcharges will be excluded from TESCO's billing mechanism.

DAC meeting was held on September 25, 2024 and January 7-8, 2025 but the matter related to MoE (Power Division) could not be discussed due to non-provision of record to Audit for verification by the management, and further schedule of meeting was not conveyed by the Ministry till finalization of the report. Further, DAC directed the TESCO management to take up the matter with PITC for expeditious resolution of the matter.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para Nos. (234) (1089)/2024-25]

1.14.2 Non-recovery / settlement of pension dues with WAPDA / other power sector entities – Rs.23,586.87 million

According to Rule-5 (1) of Public Sector Companies (Corporate Governance Rules) 2013, that in exercise of powers under Section 183 of the Act and in terms of Section 204 of the Act, the Board of directors of a company shall carry out its fiduciary duties with a sense of objective judgment and in good faith in the best interests of the company and its stakeholders.

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that huge amount of Rs.23,586.87 million stands un-recovered/un-settled between WAPDA and other power sector entities on account of pension and other allowances. However, no efforts were made to recover/settled the outstanding dues. The detail is as under:

Sr. No.	Name of Company	Period/ageing	Amount (Rs.in million)
1.	FESCO	July 1998 to June 2023	8,243.22
2.	HESCO	July 2023 to June 2024	1,995.45
3.	LESCO	July 2023 to June 2024	9,598.20

4.	MEPCO	July 2023 to June 2024	3,750.00
		Total	23,586.87

Non-adherence to Authority's instructions resulted in non-recovery/settlement of pension dues with WAPDA/ other power sector entities amounting to Rs.23,586.87 million up to the financial year 2023-24.

The matter was taken up with the management in September, 2023 and October and November 2024 reported to the Ministry during November, 2024. The management replied that Ministry of Energy (Power Division) had formed a committee during meeting with WAPDA on December 9, 2024 and directed to WAPDA to clean up the balances with all DISCOs. Action would be shared with the Audit as and when completed. MEPCO's management replied that an amount of Rs.452.71 million had been received / reimbursed, however, pension claims were being regularly lodged with concerned formations.

DAC in its meetings held during November 28-29, December 12-13, 26-27, 2024 and January 20-21, 2025 directed the MEPCO management to get the record of completed actions verified from Audit within a week and complete the pending actions expeditiously. DAC directed the FESCO management upheld its earlier decision made in its meeting held on February 15, 2024 i.e. to get the amount reconciled with WAPDA and get the record verified from Audit within 60 days. Further, DAC directed the HESCO management to pursue the matter and get the record verified from Audit within a week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para Nos. (904) (1328) (877) (745)/2024-25]

1.14.3 Non-recovery on account of GST from FBR – Rs.17,081.96 million

According to section 10 Chapter II of Sales Tax Act 1990, "if the input tax paid by a registered person on taxable purchases made during a tax period exceeds the output tax on account of zero-rated local supplies or export made during that tax period, the excess amount of input tax shall be refunded to the registered person not later than forty-five (45) days of filing of refund claim".

During audit of the account of GENCO-III for the financial year 2021-22 & 2022-23, it was observed that an amount of Rs.17,081.96 million was pending as GST receivable under the account head from FBR as per trial balance for the month

of 6/2023. According to standing procedure the refund of GST was required to be received within 45 days of filing of claims but the same was not done.

Non-adherence to Sales Tax Act-1990 resulted in non-recovery of Rs.17,081.96 million on account of GST from FBR up to the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management replied that the matter of refunds with FBR was being pursued vigorously. A recent letter was sent to FBR on 20.06.2024 containing request for early processing of refund claims, and the response from FBR was still awaited.

DAC in its meeting held on January 9, 2025 directed the management to pursue the recovery of GST from FBR vigorously and intimate the latest status to Audit accordingly.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 113/2024-25)

1.14.4 Loss due to disallowed subsidy on Power Purchase Cost by Federal Government against detection charges - Rs.16,793.12 million

As per Clause 2.1.2 of Accounting Manual Volume-I of HESCO, revenue should be recognized by reference to the stage of completion of the transaction at the balance sheet date if all of the following criteria are met: [IAS 18.20]

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits will flow to the seller;
- The stage of completion at the balance sheet date can be measured reliably; and
- The costs incurred, or to be incurred, in respect of the transaction can be measured reliably.

During Special Audit of HESCO for financial years 2020-21 to 2022-23, it was observed that the company submitted Tariff Differential Subsidy (TDS) claims amounting to Rs.78,638.97 million to the subsidy cell of the Ministry of Energy (Power Division). However, MoE accepted TDS claims amounting to Rs.61,845.85 million and claims of Rs.16,793.12 million related to detection bills were not verified due to not meeting the eligibility criteria for TDS.

Consequently, this discrepancy resulted in disallowance of subsidy on Power Purchase Cost by federal government.

Disallowance of Subsidy on Power Purchase Cost

financial years	Submitted TDS claims. (Rs.in million)	Verified TDS claims	Unverified TDS Claims (Rs.in million)	Units detected (MkWh)
2020-21	23,440.790	18,055.068	5,385.722	922.418
2021-22	25,877.633	20,284.381	5,593.253	872.0348
2022-23	29,320.544	23506.399	5,814.145	703.633
TOTAL	78,638.968	61845.847	16,793.121	2,498.086

(Source: Subsidy data from Finance Directorate - HESCO)

It is pertinent to mention that disallowance of subsidy on power purchase cost contributed direct loss to the company because CPPA-G had raised invoices of power purchase cost irrespective of disallowance from government.

Non-adherence to provisions of Accounting Manual resulted in loss of Rs.16,793.121 million due to disallowance of subsidy on Power Purchase Cost by Federal Government against detection units charged to consumers (theft of electricity) up to March, 2023.

The matter was taken up with the management in January, 2024. The management replied that significant progress in anti-theft campaign was made as 28,822 FIRs were requested against which 3,473 FIRs were registered and 196 arrests were made as of February, 2024. The recovery against detection bills improved from 6% in June, 2023 to 41.33% in December, 2023.

The reply of the management is not acceptable as progress in the anti-theft campaign did not directly address the specific issue of loss due to the disallowance of subsidy on Power Purchase Cost against detection units charged. Furthermore, CPPA-G issued invoices to HESCO relating to Power Purchase Price (PPP) irrespective of detection or theft.

DAC in its meeting held on March 5, 2024 did not accept the management's stance and directed the management to rationalize the detection in line with detection policy and submit revised reply.

Despite the directions of DAC, revised reply was not submitted to Audit till the finalization of the report.

Audit recommends implementing robust verification procedures to validate the accuracy and eligibility of units included in TDS claims in order to receive full amount of Power Purchase Cost from government.

(Special Audit of HESCO – Para-2.3)

1.14.5 Sub-optimal performance of Board of Directors HESCO due to non-achievement of Key Performance Indicators resulted in financial loss - Rs.15,640.01 million

According to the responsibilities and commitments made by CEO/BoD as per Performance Agreement Contract signed between the Ministry of Energy (MoE) Power Division and Chief Executive Officer/Board of Directors (BoD) members: 1) The BoD to implement an approved strategic business plan to ensure achievement of the agreed targets set out in this contract at the earliest, in any case maximum within 30 days of the signing of this contract. 2) The board of Director shall create or activate the Strategic Business Unit (SBU) for implementation of the target set out in this contract. SBU shall be served by a full-time secretary working directly with the company secretary to act as the focal person and custodian of the data for the life of this contract.

During Special Audit of HESCO for financial years 2020-21 to 2022-23, it was observed that performance of HESCO against the various key performance indicators was not up to the mark in financial year 2022-23 as detailed below:

Target and Performance of CEO/BoD-HESCO during financial year 2022-23

Key Performance Indicators	Performance of CEO/BoD
Transmission & Distribution losses	Progressive T&D losses increased to 27% which exceeded by 7.07% from the NEPRA's target.
Increase in computed recovery	The progressive computed recovery (without subsidy) against private consumers remained 75.4% against NEPRA's target of 100%
Decrease in receivables	Receivables of the company increased to Rs.172.760 billion during financial year 2022-23 as compared to Rs.139.809 billion (as on 30.06.2022) showing an increase of Rs.32.951 billion
Recovery of detection bills	Company charged Rs.12,191.17 million of detection bills to consumer, however, only Rs.985 million recovered (8.08%).
Bill adjustments (amount credited without units)	Large number of adjustments were processed during the year, only amount was credited (without units). Bills adjustments were required to be processed strictly in accordance with Commercial Procedures/SOPs of the department. In 15,187 cases, the company credited Rs.826.54 million (without units).
%age accuracy of	Mobile meter reading for June, 2023 remained 54%, 83% and 72%

mobile meter reading of general connections	against general, industrial and tubewell connections respectively against target of 100%.
Financial performance (remittances to CPPA-G)	HESCO just remitted only Rs.5,084 million against total invoice of Rs.17,443 million as of June 30, 2023 which indicated 70% less remittances
Non-implementation of EROs	A total of 369,320 EROs amounting to Rs.81.236 billion were pending against private running defaulters
Reduction in AT&C losses of 11kV feeders	Total 138 feeders were required to reduce AT&C losses by 4% but only 18 feeders achieved the target.
AMI/AMR meters to be installed against government connections	Total 6,300 AMR meters were required to be installed against government connections but not a single meter was installed so far.

The above analysis shows that HESCO did not achieve targets set by Ministry of Energy (Power Division). The company suffered loss of Rs.15.640 billion up to March, 2023 (un-audited financial statements) due to poor performance of Board and the management. Lack of oversight by the Board of Directors (BODs) and poor performance of management need to be evaluated by MoE besides taking strict action against responsible.

Poor performance of BoD resulted in non-achievement of targets set by MoE (Power Division) during the financial year 2022-23. The absence of robust performance monitoring and control mechanism prevented timely identification and rectification of performance deficiencies.

The matter was taken up with the management in January, 2024. The management replied that efforts were being made to achieve the KPIs mentioned in performance agreement under the guidelines of BoD.

The reply of the management was not acceptable as it lacked concrete actions by BoD to address the identified performance gaps. Further, in line with provisions of performance agreement, no disciplinary action was taken against officers and officials for not achieving the assigned targets.

DAC in its meeting held on March 5, 2024 directed the management to submit a revised reply after incorporating response from the Board of Directors in light of Corporate Governance Rules and targets set in Performance

Agreement. Furthermore, actions need to be taken to achieve KPIs mentioned in performance agreement may also be included in the response.

Audit recommends establishing robust performance monitoring and control mechanism, including monthly review of progress on the achievement of targets assigned in the performance agreement. Further, in line with provisions of performance agreement, disciplinary actions may be taken against officers and officials for not achieving the targets.

(Special Audit of HESCO – Para-1.12)

1.14.6 Irregular placement of SDGs funds with DISCOs without approved schemes / PC-I - Rs.7,842.76 million

According to procedure adopted for implementation of Sustainable Development Goals Achievement Program contained in the Revised Guidelines for Sustainable Development Goal Achievement Program (SAP) dated 13 June, 2022, “at least, 10 residents of the area, will identify the scheme (s) which shall be forwarded by the residents to the concerned Deputy Commissioners/ federal executing agencies for processing and approval from the approving forum as per rules/ policy/ instructions.

During audit of the accounts of MoE (Power Division) for the financial year 2022-23, it was observed that SDGs funds of Rs.7,842.76 million were placed with DISCOs for executing the electrification works without approved schemes, even PC-Is of the SDGs works were not prepared prior to placement of funds, which defeated the very spirit of SAP and resulted in irregular release of funds. Moreover, the said funds were placed with DISCOs without deciding the proportionate share as per approved schemes amongst them by Steering Committee of SAP. The funds were transferred into non-lapsable deposits accounts of DISCOs instead of assignment accounts, hence, the fate of the interest accrued on unspent funds was also not decided.

Violation of provisions of guidelines of SAP resulted in irregular placement of SDGs funds amounting to Rs.7,842.76 million with DISCOs without approved schemes/PC-I during the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management replied that requisite funds provided by Cabinet Division during F.Y 2022-23 were transferred in the

deposit accounts of DISCOs in compliance with the exemption granted by Finance Division vide letter dated January 17, 2023.

DAC in its meeting held on September 25, 2024 directed the management to provide the record in support of reply to Audit for verification within a week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 206/2024-25)

1.14.7 Non-auditing of pension fund account - Rs.7,576.72 million

As Per NEPRA's determination in the matter of MYT Petition, the amount of Post-Retirement Benefits for the year 2023-24 worked out as Rs.6330 million is allowed for both Distribution and Supply functions. According to the Clause 12 of Pension Fund Trust Deed, the trustees shall end of each accounting year cause to be prepared a statement of accounts and balance sheet of the fund (on generally accepted accounting principles) which shall be audited by Auditors appointed by the trustees and approved by the employer. The Auditors shall have access to all papers, accounts and the result of such audit in writing.

During audit of the accounts of IESCO for the financial year 2023-24, it was observed that post-retirement benefits amounting to Rs.6,330 million were approved by NEPRA to be deposited in the pension fund account for the year 2023-24. However, Rs.6,450 million was actually paid/transferred into the pension fund account during the year 2023-24. As on June, 2024, the pension fund account had a balance of Rs.7,576.72 million, which, under Clause 12 of the Pension Fund, was required to be audited annually, however, the management had not complied with this requirement.

Non-adherence to the provisions of Trust deed resulted in non-auditing of pension fund account having amount of Rs.7,576.72 million during the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that as soon as the process of fresh registration of IESCO Employees Pension Fund Trust would be completed by the legal firm and establishment of independent IESCO Pension Fund Trust Directorate, Audit of Pension Fund Trust Account would be conducted.

DAC in its meeting held on January 13 and 15, 2025 directed the management to expedite the process of audit of pension fund account and get the record verified from Audit within two months.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1023/2024-25)

1.14.8 Blockage of revenue due to litigation cases and deferment of amounts by different Courts of law – Rs.7,332.32 million

According to Rule-5 (7) (c) of Public Sector Companies (Corporate Governance) Rules, 2013, the Board shall also formulate significant policies of the Public Sector Company, which may include the following, namely:- the identification and monitoring of the principal risks and opportunities of the Public Sector Company and ensuring that appropriate systems are in place to manage these risks and opportunities, including, safeguarding the public reputation of the Public Sector Company.

During Special Study on Legal Directorate, LESCO for the financial year 2021-22, it was observed that LESCO's litigation cases predominantly pertained to consumer related issues comprising theft of electricity, overbilling, detection charges and tariff related issues. An amount of Rs.7,332.32 million was outstanding against 54,355 energy consumers, which was deferred by Courts and resulted in blockage of huge revenue of LESCO as of June 2022 in financial year 2022-23. There was a slight decrease in litigation cases but a staggering increase in the deferred amount balance, which inflated to Rs.22,693.28 million as of June, 2023. Non- identification of the root causes of litigations, its area of dominance, operational circle wise increasing trend and remedy to reduce the same exposed the company to the risk of not only blockage of revenue but also increasing litigation expenditure.

DETAIL OF AMOUNT DEFERRED BY COURTS

(Rs.in millions)

Financial Year	No. of Consumers	Amount
2022	54,355	7,332.32
2023	53,488	22,693.28

The matter was taken up with the management on March 26, 2024 and reported to the Ministry on April 26, 2024. The management replied that in-house lawyers had actively participated in 13,000 civil cases and 10,000 criminal cases during current Anti-Theft Campaign, which resulted in recovery of Rs.2.32 billion. The panel lawyers had successfully disposed of 10,623 cases between June, 2021 and July, 2023. The reply was not agreed to as the substantial increase in blockage of revenue from Rs.7,332.32 million to Rs.22,693.28 million in just one year was manifestation of defective follow up by the management.

DAC in its meetings held on June 07, 2024 directed the management to share the disclosures given in financial statement regarding the blocked revenue. DAC also directed to provide opinion of external auditor to include blocked/deferred amount in financial statements and the basis of the opinion.

Audit recommends identifying the causes and taking remedial actions for decreasing the litigation trend by revamping Circle Review Committees for resolving the consumer related issues at Company level besides vigorously pursuing the matter in Courts of law for recovery of legitimate revenue.

(Special Study on Legal Directorate LESCO – Para-5.1)

1.14.9 Irregular retention of TV license fee by DISCOs – Rs.6,289.63 million

According to Rule 4(2) of Rules of Business, the Secretary shall be the official head of the Division and shall be responsible for its efficient administration and discipline and for the proper conduct of business assigned to the Division under Rule-3(3) and for the due execution of the sanctioned policy.

During audit of the accounts of MoE (Power Division) for the financial year 2022-23, it was observed that Ministry of Information & Broadcasting had requested the Power Division to intervene and play its role to get cleared the outstanding liabilities of TV license fee amounting to Rs.6,289.63 million collected by DISCOs. The matter was referred to DISCOs by the Power Division on March 17, 2023, however, no response had so far been furnished by the DISCOs. DISCOs were collecting TV license fee on behalf of Ministry of Information & Broadcasting, hence, retention of said amount by DISCOs was regular.

Non-adherence to Rules of Business resulted in non-payment of TV license fee by DISCOs amounting to Rs.6,289.63 million up to the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management responded that the reply would be furnished after consulting the record.

DAC meeting was held on September 25, 2024 but the matter could not be discussed due to non-provision of record to Audit for verification by the management, and further schedule of meeting was not conveyed by the Ministry till finalization of the report.

Audit recommends ensuring clearance of outstanding liabilities of Ministry of Information and Broadcasting from DISCOs expeditiously.

(Draft Para No. 228/2024-25)

1.14.10 Non-recovery of irregularly retained revenue of DISCOs by post offices – Rs.4,785.67 million

According to Rule 4(2) of Rules of Business, the Secretary shall be the official head of the Division and shall be responsible for its efficient administration and discipline and for the proper conduct of business assigned to the Division under Rule-3(3) and for the due execution of the sanctioned policy.

During audit of the accounts of MoE (Power Division) for the financial year 2022-23, it was observed that electricity revenue of Rs.4,785.67 million of electricity bills as collected by post offices was recoverable since 2021. Hence, retention of electricity revenue collections by post offices was irregular. No concrete efforts were appearing to be made by the Ministry to resolve matter.

Non-adherence to Rules of Business resulted in non-recovery of irregularly retained revenue of DISCOs by post offices amounting to Rs.4,785.67 million up to the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management responded that the reply would be furnished after consulting the record.

DAC meeting was held on September 25, 2024 but the matter could not be discussed due to non-provision of record to Audit for verification by the management, and further schedule of meeting was not conveyed by the Ministry till finalization of the report.

Audit recommends taking up the matter at appropriate forum for recovery of electricity bill collections of DISCOs from post offices expeditiously.

(Draft Para No. 227/2024-25)

1.14.11 Unjustified pension payment to unregistered/unverified pensioners of other formations - Rs.2,587.25 million

According to Section 11.3 of Accounting Manual of HESCO (Processing and payment of pension on retirement), following steps should be taken before making payment to the retired employees:

Sr. No.	Process Activity	Process Description
1.	Submission of application for pension	Administration section of concerned accounting unit submits the pension application of pensioner along with required documents with the approval of concerned DDO.
2.	Review of pension case	The monthly pension and commutation along with all other documents are reviewed and checked by the pension section of Finance Directorate
3.	Verification of case	If the case is valid then a precise (pension summary) is prepared by the pension section of Finance Directorate which is also checked and verified.

During Special Audit of HESCO for financial years 2020-21 to 2022-23, it was observed that there were no authentic and approved procedures in Pension Cell to verify employees from other formations before making payment. Currently, pensions were being disbursed to 2,109 retired employees by HESCO, but the number of pensioners confirmed by concerned formation did not match the number of pensioners receiving payments. Audit selected the data of NTDC on test check basis and found that NTDC only confirmed 393 pensioners whereas HESCO was disbursing pension to 421 pensioners. The pension cell of Finance Directorate did not properly verify pension cases of 28 retired employees of NTDC before approval of the cases. Likewise, 512 employees of GENCO-I, II and III were not confirmed by the concerned companies. The details are as under:

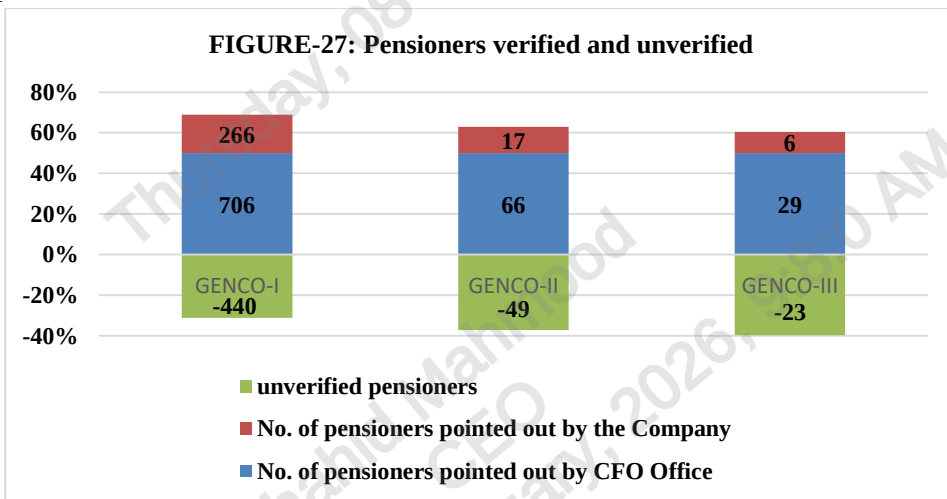
Unverified Pensioners

Sr. No.	Name of Formation/ Company	Number of pensioners verified by CFO Office	Number of pensioners verified by the company	Unverified pensioners
1.	NTDC	421	393	28

2.	GENCO-I	706	266	440
3.	GENCO-II	66	17	49
4.	GENCO-III	29	6	23
		1,222	682	540

(Source: Analysis conducted on data provided by Pension Cell)

The above table indicates that HESCO was making pension payment to 1,222 pensioners but GENCOs and NTDC verified only 682 pensioners and 540 pensioners were not verified. It is pertinent to mention that no reconciliation has been made between HESCO and GENCOs regarding confirmation of retired employees and their payment. A significant amount of Rs.2,587.252 million stood receivable against GENCOs, WAPDA and NTDC due to non-verification of pensioners.



Further, HESCO was disbursing pensions to 586 retired employees of WAPDA and a substantial amount of Rs.1,597.89 million was receivable on account of reimbursement claims as on June 30, 2023. It is pertinent to mention that WAPDA has Centralized Pension Disbursement System (PDS) for its pensioners and directed HESCO to transfer back its pensioners to PDS. However, Finance Directorate did not transfer pensioners of WAPDA to their PDS.

Non-adherence to Accounting Manual of HESCO resulted in unjustified pension payment of Rs.2,587.25 million to unregistered/unverified pensioners of other formations up to June 30, 2023.

The matter was taken up with the management in January, 2024. The management replied that reimbursement claims had been submitted for timely transfer of funds and a considerable amount had been recovered from NTDC and GENCOs. Vigorous efforts were being made for reimbursement of receivable from NTDC and GENCOs on permanent basis.

The reply of the management was not acceptable as reimbursement claims submitted to NTDC & WAPDA remained pending for a long time due to non-reconciliation of pensioner's credentials. Further, NTDC did not own unverified pensioners. Furthermore, WAPDA's pensioners were not transferred to PDS introduced by WAPDA.

DAC in its meeting held on March 5, 2024 directed the management to submit revised reply and get its stance verified within 07 days.

Despite the directions of DAC, no record was produced to Audit for verification till the finalization of the report.

Audit recommends investigating the matter at Ministry level. Furthermore, the existing mechanism of pension disbursements on behalf of other entities may be discontinued and be replaced with Direct Credit System wherein HESCO should pay pension to its own employees only.

(Special Audit of HESCO – Para-6.1.1)

1.14.12 Unjustified claim of O&M operator due to mis-interpretation of indexation - Rs.2,473.05 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), "all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved"

During audit of the accounts of GENCO-III for the financial year 2022-23, it was observed that an amount of Rs.2,473.05 million was excess paid to O&M contractor M/s HEPSEC due to wrong calculation of indexation. Further, the matter of wrong indexation was pointed out in March, 2022 and since then the authority changed its mechanism of payment. The claim of the operator was

received on the dollar indexation basis but the authority was making payment on rupees indexation basis or actual basis as per Schedule-G of O&M contract. The GENCO-III withheld the equal amount of O&M contractor against the excess amount already paid up to February, 2022 till the finalization of the dispute. Further progress in this regard was not forthcoming from the record.

Non-adherence to the authority's instructions resulted in unjustified payment of claim amounting to Rs.2,473.05 million of O&M operator due to mis-interpretation of indexation up to the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management replied that the matter had been taken up with the O&M Operator and it would be dealt under the provision of the O&M Contract.

DAC in its meeting held on January 9, 2025 directed the management to resolve the issue with O&M operator expeditiously and share the status with Audit accordingly.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 102/2024-25)

1.14.13 Non-payment of electric power crossing charges to Pakistan Railways by DISCOs – Rs.2,389.20 million

According to Rule 4(2) of Rules of Business, the Secretary shall be the official head of the Division and shall be responsible for its efficient administration and discipline and for the proper conduct of business assigned to the Division under Rule-3(3) and for the due execution of the sanctioned policy.

During audit of the accounts of MoE (Power Division) for the financial year 2022-23, it was observed that an amount of Rs.2,389.20 million on account of electric power crossing charges was not paid to Pakistan Railways by DISCOs since long. During a meeting held on March 29, 2023 it was decided that a joint survey would be conducted by DISCOs and Pakistan Railways for reconciliation of unauthorized railway crossings. Neither the reconciliation survey report was furnished by DISCOs nor action was taken by the Power Division in this regard.

Non-adherence to Rules of Business resulted in non-payment of electric power crossing charges amounting to Rs.2,389.20 million to Pakistan Railways by DISCOs up to the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management responded that the reply would be furnished after consulting the record.

DAC meeting was held on September 25, 2024 but the matter could not be discussed due to non-provision of record to Audit for verification by the management, and further schedule of meeting was not conveyed by the Ministry till finalization of the report.

Audit recommends inquiring the matter for fixing responsibility of unauthorized railway crossings by DISCOs without payment of electric power crossing charges to Pakistan Railways besides ensuring reconciliation and payment to Railway.

(Draft Para No. 222/2024-25)

1.14.14 Non-disposal of un-serviceable material – Rs.1,989.28 million

According to Clause 1.4 of the WAPDA Disposal Procedure, “unserviceable vehicles and material are to be disposed off timely”.

During audit of the accounts of DISCOs and GENCO-I & GENCO-III for financial years 2022-23 and 2023-24, it was observed that 60 distribution transformers and unserviceable material / equipment comprising line hardware, grid station hardware and conductor worth Rs.1,989.28 million were not disposed-off. The material was kept in the open yards and exposed to the adverse environmental conditions causing deterioration and further decrease in salvage value. The detail is as under:

<i>(Rs.in million)</i>				
Sr. No.	Name of Company	Description of material	Aging	Amount
1.	FESCO	43 transformers and other equipment	2022	4.30
2.	GENCO-I	Unserviceable material and equipment	June, 2024	10.53
3.	GENCO-III	Unserviceable material and equipment	September, 2022	34.85
4.	GEPCO	Unserviceable material and equipment	July, 2023	18.43
5.	HESCO	Unserviceable material and equipment	June, 2024	135.45
6.	LESCO	Unserviceable material and equipment	October, 2019	1,030.16
7.	MEPCO	17 transformers and other unserviceable material/equipment	July, 2021	546.39
8.	PESCO	Unserviceable material and equipment	May, 2020	120.64
9.	QESCO	Unserviceable material and equipment	June, 2022	13.55
10.	SEPCO	Unserviceable material and equipment	2021	74.98
TOTAL				1,989.28

Non-adherence to WAPDA Disposal Procedure resulted in non-disposal of unserviceable material worth Rs.1,989.28 million up to the financial year 2023-24.

The matter was taken up with the management during February to November, 2024 and reported to the Ministry during April to November, 2024. The management replied that disposal process was under way and further progress would be intimated accordingly. HESCO management replied that total value of unserviceable materials was amounting to Rs.133.492 million. Furthermore, most of these unserviceable materials had been returned to regional store HESCO vide MRNs.

DAC in its meetings held during July 18, November 28-29, December 12-13, 23, 26-27, 2024 and January 7-9, 16, 20-21, 2025 directed the management to produce the record of completed actions within a week and expedite completion of pending actions. Further, DAC directed the HESCO management to expedite the disposal of unserviceable material and get the record verified from Audit within four (04) months.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para Nos. (97) (1318) (109) (699) (1409) (149, 863, 922) (11, 13, 16, 264, 737) (614) (536, 1205) (301)/2024-25]

1.14.15 Non-implementation of recommendations of special internal audit report regarding 13 tenders of urgent civil works - Rs.1,862.78 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), "all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

During audit of the accounts of HESCO for the financial year 2023-24, it was observed that a Special Audit was carried out by Internal Audit regarding 13 tenders amounting to Rs.1,862.78 million (**Annexure-3**) in respect of urgent civil works required at Grid Stations. However, no administrative action was forthcoming to implement recommendations of Special Audit Report for fixing responsibility and deciding the fate of loss.

Non-adherence to the Authority's instructions resulted in loss due to non-implementation of recommendations of special internal audit report regarding 13 tenders amounting to Rs.1,862.78 million up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that BoD had further constituted fact finding committee on September 03, 2024.

DAC in its meeting held on January 20-21, 2025 directed the management to finalize the findings of inquiry committee and share its report with Audit within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1303/2024-25)

1.14.16 Non-submission of restoration/rehabilitation plan for damaged unit-I & II of TPS, Jamshoro - Rs.1,700.00 million

According to clause-13.6(f) and 13.7(a) of PPA, JPCL has required to restore & defects within thirty (30) days and a plan/report regarding restoration would be submitted.

During audit of the accounts of GENCO-I for financial years 2022-23 and 2023-24, it was observed that a fire incident occurred on March 20, 2024 in the battery and control rooms of Units I & II at TPS Jamshoro, triggered by a short circuit in a battery cell causing extensive damage. The preliminary report estimated the rehabilitation and restoration costs at Rs.1,700 million, with a projected timeline of 227 days. However, no restoration plan was approved by the BoD or the Ministry of Energy (Power Division), hence, no repair work was initiated despite significant delays. Consequently, CPPA-G declared Other Forced Majeure Event (OFME) under Section 13.1(c)(i) of the power purchase agreement of these units. This forced outage status had caused a recurring monthly financial loss of Rs.148 million in capacity charges, and the company now relied on loans to cover operational costs and asset devaluation.

Sub-optimal Governance resulted in failure to submit restoration / rehabilitation plan for damaged unit-I&II of TPS, Jamshoro amounting to Rs.1,700.00 million up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that Ministry of Energy (Power Division) sent a letter and timeline to dispose of the Assets of JPCL and adjustment of employees in DISCOs. GHCL conveyed the final timeline of first week of January, 2025 for the JPCL employees which would be adjusted in DISCOs. However, JPCL was looking into the matter seriously and ready to submit the new plan.

DAC in its meeting held on January 9, 2025 directed the management to take up the matter being policy issue with Ministry of Energy (Power Division) besides pursuing the case vigorously and informing the latest status to Audit accordingly.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1424/2024-25)

1.14.17 Non-charging of overheads to PSDP Projects - Rs.1,566.71 million

As per DISCOs Accounting Manual, the amounts of Labour and Overheads [8% and 12% respectively] are debited to Labour CWIP and Overhead CWIP and credited to Labour Pool Clearing Accounts respectively.

During audit of the accounts of PESCO for the financial year 2023-24, it was observed that material worth Rs.1,566.71 million was issued to PSDP projects by June, 2024 without applying overhead charges. This led to an understatement of PSDP project capitalization and an understatement of assets in 7th STG works (own source) and deposit works which eventually resulted in a material misstatement in the financial statements.

Non-adherence to DISCOs Accounting Manual resulted in understatement of assets due to non-charging of overheads to PSDP projects valuing Rs.1,566.71 million up to the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in November, 2024. The management replied that PSDP projects were funded through a Cash Development Loan (CDL), making it financially imprudent to charge additional overhead costs, as it would increase PESCO's financial obligations. These projects utilize existing resources and infrastructure allocated for the ongoing 7th STG projects, which were geographically proximate, thus incurring no additional overhead costs. Though

not charging overheads to PSDP projects results in understated capitalization, the impact was mitigated as the same resources were used for both PSDP and STG projects.

DAC in its meeting held on January 7-8, 2025 directed to justify the non-charging of overhead to PSDP projects and produce record to Audit for verification within three days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1436/2024-25)

1.14.18 Non-finalization of inquiry regarding underutilization of energy losses reduction budget for the financial year 2023-24 - Rs.1,542.97 million

The Technical initiatives, Development, Operational Risk Management and Procurement Committee during its 18th meeting held on April 23, 2024 directed to inquire the matter regarding underutilization of ELR Budget for the F.Y 2023-24 in respect of P.D (Construction) and present the progress within three days.

During audit of the accounts of MEPCO for the financial year 2023-24, it was observed that an amount of Rs.2,657.03 million was incurred against allocated budget of Rs.4,200 million under budget head ELR resulting in underutilization of ELR budget. The projects under ELR were of significant nature as these relate to improvement in system and enhancement of revenue of the Company. It was also observed that the target of T&D losses allowed by NEPRA for the financial year 2023-24 was 11.83% and T&D losses of MEPCO were 14.6% and 15.2% for the F.Y 2022-23 and 2023-24 respectively, showing an increasing trend in line losses. Underutilization of ELR budget in this scenario reflects inefficiency of the management. The Technical initiatives, Development, Operational Risk Management and Procurement Committee during its 18th meeting held on April 23, 2024 directed to inquire the matter regarding underutilization of ELR Budget for the F.Y 2023-24 in respect of P.D (Construction). In response, an inquiry was constituted to investigate the causes of underutilization of ELR its impact for fixing responsibility upon delinquents vide office order dated April 26, 2024, which was still not finalized.

Non-adherence to Technical Initiatives, Development, Operational Risk Management and Procurement Committee's directive resulted in non-finalization of inquiry regarding underutilization of ELR budget amounting to Rs.1,542.97 million for the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in October, 2024. The management replied that an inquiry committee had been constituted on April 26, 2024.

DAC in its meeting held on November 29, 2024 directed the management to finalize the inquiry proceedings within 15 days and submit its report to Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 730/2024-25)

1.14.19 Non-finalization of agreement with General Post Office (GPO) for clearance of funds - Rs.1,200.22 million

According to Rule 5 (1) of Public Sector Companies (Corporate Governance Rules), 2013, in exercise of powers under Section 183 of the Act and in terms of Section 204 of the Act, the Board of directors of a company shall carry out its fiduciary duties with a sense of objective judgment and in good faith in the best interests of the company and its stakeholders.

During Performance Audit of BoD GEPCO for financial years 2021-22 to 2022-23, it was observed that an amount of Rs.1,200.22 million was receivable from GPO as of June 30, 2023. The MoE (Power Division) directed on March 17, 2022, to novate the agreement regarding collection and remittance of funds with GPO on the same analogy as being adopted with the commercial banks. The BoD, in its 142nd meeting held on April 13, 2022, directed Chief Financial Officer (CFO) to confirm if it is binding for GEPCO to use the services of Pakistan Post Office (PPO) for collection of utility bills. It is important to mention that in the absence of agreement, GEPCO was not bound to use PPO services. The BoD of GEPCO has not given any directions to finalize collection and remittance agreement with GPO which was mandatory document to streamline collection process and procedure between GPO and GEPCO.

Non-adherence to provision of Corporate Governance Rules, 2013 resulted in non-finalization of agreement with GPO for clearance of funds amounting to Rs.1,200.22 million up to the financial year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in October, 2024. The management replied that an amount of Rs.1,017 million had already been recovered from GPO while Rs.183 million was outstanding. Efforts were being made to recover the remaining amount.

DAC in its meeting held on December 23, 2024 upheld its previous decision dated February 15, 2024 and directed the management to implement the Ministry of Energy's decision within 30 days and report to Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 469/2024-25)

1.14.20 Non-recovery of interconnection/power dispersal cost from NTDC - Rs.832.27 million

NEPRA notification No. NEPRA/TARIFF/NPGCL-2014/5617-5619 Dated; 14.04.2015, declared at Para 4 that the "power dispersal is the responsibility of the power purchaser and the cost should ideally be reflected in the NTDC investment".

During audit of the accounts of GENCO-III for the financial year 2022-23, it was observed that an expenditure of Rs.832.27 million was incurred as a cost on interconnection of transmission line for power dispersal from Nandipur Power House on behalf of NTDC. On completion of the project, NPGCL requested NEPRA to include power dispersal cost in its tariff, which was disallowed by NEPRA. Further, NEPRA vide its decision dated April 11, 2022 directed the NTDC to reimburse the cost of transmission line to GENCO-III and add the same in its tariff petition. The assets had been taken over by NTDC but the cost was not reimbursed.

Violation of NEPRA's directions resulted in non-recovery of inter connection / power dispersal cost amounting Rs.832.27 million from NTDC up to the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management replied that the cost

amounting to Rs.697.10 million instead of Rs.832.27 million was incurred as per provisions of the PC-I before NEPRA declaration, therefore no violation of NEPRA regulations. NEPRA had directed NTDC to reimburse Rs.697.10 million to NPGCL.

DAC in its meeting held on January 9, 2025 directed the management to expedite the recovery from NTDC and get the record verified from Audit within 30 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 105/2024-25)

1.14.21 Irregular procurement of vehicles and durables in violation of austerity measures – Rs.784.62 million

According to Para (i) of Finance Division letter dated February 27, 2023, "There shall be complete ban on purchase of all new durables till June, 2024." According to Para (i) of Finance Division letter dated February 20, 2024, "There shall be a completed ban on purchase of machinery and equipment from current budget, except medical machinery/ equipment."

During audit of the accounts of MoE (Power Division), DISCOs, NEECA and PPIB for financial years 2022-23 to 2023-24, it was observed that vehicles and other durable items amounting to Rs.784.62 million were procured despite imposition of complete ban on procurement of vehicles and durables. Hence, the procurement of vehicles and durables was irregular to the stated extent. The detail is as under:

Sr. No.	Name of Company	Description	Amount (Rs.in million)
1.	MoE	Furniture & fixtures	6.85
2.	NEECA	Vehicle (Honda Civic Turbo)	6.16
3.	PESCO	Printers, computers, Laptops, furniture items	739.30
4.	PPIB	Vehicles (Toyota Fortuner, Toyota Yaris)	25.46
5.	TESCO	Laptops, Desktop computers & Printers	6.85
Total			784.62

(Source: Purchase Order File)

Non-adherence to the memorandum issued by finance division resulted in irregular procurement of vehicles amounting to Rs.784.62 million up to the financial year 2023-24.

The matter was taken up with the management in May to November, 2024 and reported to the Ministry in September to November, 2024. MoE (Power Division) replied that initial budget allocation was Rs.600,000 for plant & machinery and furniture & fixture in financial year 2021-22. The re-appropriation totaling Rs.3.21 million for plant & machinery and Rs.2.17 million for furniture & fixtures were executed following the approval protocols. The minor expenditure of Rs.555,295 and Rs.902,082 was recorded against the budget estimates for financial year 2022-23 due to exhaustion of budgetary allocation for financial year 2021-22 with the approval of competent authority. Hence, no rules violation occurred. PESCO & TESCO management replied that procurement was made after approval of the BoD. NECCA management replied that vehicle was purchased by the approval of the Board and matter was forwarded to the concerned Ministry on May 24, 2024 to take-up the matter with the Austerity committee.

DAC in its meeting held on September 25, 2024, January 7-8, 15, 2025 upon reply and explanation by the MoE management, directed to provide the record substantiating the expenditure incurred before ban period to Audit. DAC also directed to provide the record to Audit for verification within a week if the liability of Rs.1.46 million (Rs.0.56 million + Rs.0.90 million) was carried forward to next financial year. Further DAC directed the management to expedite the matter with Austerity Committee of Finance Division and get the record of completed actions verified from Audit within two month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No.1.6.16 having financial impact of Rs.793.62 million. Recurrence of same irregularity is a matter of serious concern.

[Draft Para Nos. (225) (1097) (1213) (1334) (1143)/2024-25]

1.14.22 Non-reimbursement of funds released to GENCO-IV on loan basis from Finance Division – Rs.558.64 million

As per Minutes of 155th BoD meeting, recoup the loans given by JPCL to LPGCL upon receipt of funds as allocated in the current budget for LPGCL, to be released by the Finance Division.

During audit of the accounts of GENCO-I for financial years 2022-23 and 2023-24, it was observed that funds of Rs.558.64 million were transferred to GENCO-IV on loans basis for payment of salary & pension on the direction of Ministry of Energy (Power Division). The funds were transferred to GENCO-IV from April, 2018 to June, 2024 despite financial constraints faced by GENCO-I. However, funds were not reimbursed despite directions of the BoD due to lack of subsequent follow up to secure reimbursement either directly from MoE (Power Division) or through claims submitted to the Finance Division. The failure to reclaim these funds had strained GENCO-I's finances, impacting its ability to meet its own obligations.

Non-follow up of BoD decision resulted in non-reimbursement of funds released to GENCO-IV on loan basis from Finance Division amounting to Rs.558.639 million up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that JPCL signed the loan agreement on November 11, 2024 as per the directives of Power Division. The Ministry of Energy (Power Division) was being pursued for disposal plan of old plants of GENCO-IV. Once the disposal activity completed, then recovery would be effected.

DAC in its meeting held on January 9, 2025 directed the management to pursue the matter for adjustment of loan with Ministry of Energy (Power Division) and intimate the latest status of reimbursement/adjustment of funds to Audit accordingly.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1317/2024-25)

1.14.23 Recurring loss of capacity charges due to fire incident at unit-I & II of Thermal Power Station Jamshoro - Rs.500.21 million

According to Section-111 (1) of WAPDA guidelines for enforcing responsibility for losses due to fraud, theft or negligence of individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

During audit of the accounts of GENCO-I for financial years 2022-23 and 2023-24, it was observed that a fire incident occurred on March 20, 2024 in the battery room and control room of Units I & II at the Thermal Power Station (TPS) in Jamshoro. The incident led to a prolonged outage of both units, significantly impacting the operational capacity of the station. As a result, CPPA-G invoked Other Forced Majeure Event (OFME) under Section 13.1(c)(i) of the Power Purchase Agreement (PPA). Consequently, the status of these units was formally changed from “standby” to “forced outage,” which resulted in loss of capacity charges amounting to Rs.148 million per month, causing a substantial financial burden on the company. An inquiry committee was constituted by the GHCL to investigate the fire incident and the committee concluded that an internal short circuit within one of the battery cells was the primary cause of the fire. CPPA-G highlighted many gaps and discrepancies in the findings of the inquiry report and advised that issue needed to be substantiated against the OFME claim to succeed.

Inefficient project management resulted in recurring loss of capacity charges amounting to Rs.500.21 million due to fire incident at unit-I & II of TPS Jamshoro up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that CPPA-G acknowledged the claim of OFME and allowed the requested available capacity charges claims of unit-3&4 capacity payments during the forced majeure event period. Regarding the saving of monthly capacity loss, it was to be apprised that GENCOs were already under closure phase as per directions of GOP.

DAC in its meeting held on January 9, 2025 directed the management to share the inquiry committee reports with Audit within one week and get the

record relating to implementation of recommendations of committee reports verified from Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1415/2024-25)

1.14.24 Unjustified expenditure incurred on defunct power plants – Rs.494.65 million

According to Clause F(i) of National Electric Power Regulatory Authority's Notification for Modification in Generation License No.GL/03/2002 of Northern Power Generation Company Limited vide No. NEPRA/R/LAG-03/7134-39, dated May 02, 2018 "the Authority decided to reject the request of NPGCL to grant extension in useful life".

During audit of the accounts of GENCO-III for the financial year 2022-23, it was observed that an amount of Rs.494.65 million was paid on account of pay & allowances to the employees and payment of insurance against the defunct power plant without producing a single unit since long. Non-adjustment of staff caused loss in the shape of pay & allowances and payment of insurance as no capacity charges were being paid by the CPPA-G, Islamabad since the date of de-licensing.

Non-adherence to Authority's instructions resulted in un-justified expenditure amounting to Rs.494.65 million on defunct power plants up to the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management replied that an inquiry was constituted on July 09, 2024 which concluded that: a) The costs incurred for pay and allowances of staff at the closed power plants are unavoidable until surplus staff was adjusted in other operational companies and the assets, including plant, machinery, and inventory, were disposed of. b) The insurance expenses recorded in the accounts pertain to a prior period (2011 to 2019) when the plants were operational. However, as these payments were made in FY 2022-23, they were recorded in the current period.

DAC in its meeting held on January 9, 2025 directed the management to take up the matter being policy issue with the Ministry of Energy (Power Division) and GHCL for guidelines in the light of directions issued by Task

Force Committee and PM directives dated December 27, 2024 and inform the status to Audit accordingly

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 114/2024-25)

1.14.25 Loss due to imposition of penalties by NEPRA - Rs.469.50 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), "all losses whether of public money or of stores, shall be subject to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

During audit of the accounts of DISCOs & GENCO-III for financial years 2022-23 and 2023-24, it was observed that fine of Rs.469.50 million was imposed by NEPRA on account of non-availability of staff at required time, excessive load shedding, increase in AT&C losses, non-observation of safety standards and other regulations. However, the matter was not inquired for fixing responsibility of loss sustained by the Companies due to violation of NEPRA Regulations. The detail is as under:

Sr. No.	Name of Company	Description	Amount (Rs.in million)
1.	GENCO-III	Failure of the company to perform its operations due to non-availability of staff	25.00
2.	HESCO	Fatal/non-fatal accident	67.00
3.	QESCO	i) Non-improvement of technical & financial losses of 11 KV feeders, and carry out load shedding on feeders based on AT&C policy. ii) Fatalities due to non-observance of safety standards	62.50
4.	SEPCO	i) Continuous increase in AT&C losses. ii) Fatal/non-fatal accidents for the period of July, 2022 to June, 2023. iii) Load shedding on the basis of AT&C losses on total 561 Feeders with 80% or above load shedding	315.00
Total			469.50

(Source: NEPRA Correspondence file)

Non-adherence to Authority's instructions resulted in loss of Rs.469.50 million due to imposition of penalty by NEPRA up to the financial year 2023-24.

The matter was taken up with the management during February to November 2024 and reported to the Ministry during May to November 2024. The management replied that SEPCO had filed a review petition before NEPRA Appellate Tribunal Islamabad against the decision and SEPCO management has also taken action against the officers/ officials at fault as per recommendations of inquiry reports. Further, the load management was being carried out as per directions of Ministry of Energy (Power Division) Islamabad on equitable basis under 07 categories on the basis of AT&C Losses. The QESCO management replied that the inquiry was under process and as soon as the inquiry report finalized, the same would be submitted to Audit accordingly. HESCO management replied that appeal had been filed against the decisions of NEPRA before Appellate Tribunal (NEPRA) through HESCO's legal counsel, which was being pursued.

DAC in its meeting held on November 28, 2024 and January 9, 16, 20-21, 2025 directed the management to pursue the matter with NEPRA vigorously and share the review petition with Audit within a week. Further submit a self-contained case along with Ministry's directions and NEPRA's instructions regarding load management to Audit for review within 15 days. Further the DAC directed the GENCO-III management to conduct a fact-finding inquiry with TOR regarding non-posting of professional staff which caused the imposition of fine to the company and share the report with Audit within 15 days. DAC also directed the management to submit a self-contained case along with Ministry's directions and NEPRA's instructions regarding load management to Audit for review within 15 days besides sharing the outcome of inquiry with Audit. Further, directed the HESCO management to provide the record relating to actions taken against responsible in the light of recommendations of departmental inquiries to Audit within one week and pursue the case before Appellate Tribunal vigorously.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para Nos. (98) (1380) (1197, 1206) (572, 769, 780)/2024-25]

1.14.26 Irregular usage of auxiliary consumption by NTDC - Rs.424.08 million

According to Commercial Code, CPPA-G has decided / concluded with NEPRA, "NTDC should arrange this supply from respective DISCOs".

During audit of the account of the NTDC for the financial year 2023-24, it was observed that CPPA-G deducted / withheld an amount of Rs.424.08 million from the payments of wheeling charges of NTDC on account auxiliary consumption of NTDC Grid system. This state of affairs showed that NTDC did not follow directions of NEPRA / CPPA-G and kept using the auxiliary supply from its own grid system instead of arranging this from respective DISCOs. Hence, NTDC sustained loss of Rs.424.08 million on account of deduction of auxiliary consumption.

Non-adherence to the directions of NEPRA / CPPA-G resulted in loss of Rs.424.08 million up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that NTDC had requested to NEPRA to allow NTDC auxiliary consumption but the decision was still awaited.

DAC in its meeting held on December 24, 2024 directed the management to provide analysis regarding auxiliary consumption within two (02) days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 682/2024-25)

1.14.27 Provision of free electricity to bogus employees registered in HESCO as employees of other DISCOs & GENCOs - Rs.217.27 million

According to note Clause 4.7 of WAPDA Commercial Procedure, free electricity supply information with RO/CSO and computer center will be revalidated every year in July by obtaining fresh applications. And as per Clause 4.8 of ibid, it would be the responsibility of the concerned Drawings & Disbursing Officer to ensure that the facility of free electricity is availed by the bonafide employee of WAPDA.

During Special Audit of HESCO for financial years 2020-21 to 2022-23, it was observed that debit advices amounting to Rs.217.27 million for free electricity supply were raised to other DISCOs & GENCOs but were not accepted because the employees mentioned in these advices were not their bonafide employees. However, neither any effort was made by HESCO to get these bogus employees deleted nor matter was got inquired to identify those who

were responsible for certifying bogus employees. Resultantly, HESCO suffered loss of Rs.217.27 million.

Non-adherence to Authority's instructions resulted in loss of Rs.217.27 million due to provision of free electricity to bogus employees during financial years 2020-21 to 2022-23.

The matter was taken up with the management in January, 2024. The management replied that an inquiry committee was constituted to probe the provision of free electricity to bogus employees under the convenership of Manager (S&I) HESCO.

DAC in its meeting held on March 5, 2024 directed the management to finalize the inquiry report within 15 days and submit the report to Audit.

Despite directions of DAC, status of inquiry was not shared with Audit till the finalization of the report.

Audit recommends prompt completion of inquiry and sharing the inquiry report with Audit besides strengthening internal controls.

(Special Audit of HESCO – Para-6.4.10)

1.14.28 Loss due to inadmissible management fee paid to PEPCO/PPMCL – Rs.145.75 million

“NEPRA, vide its MYT regime tariff determination dated June 02, 2022 in respect of PESCO did not admit management fee paid to PEPCO/PPMCL and directed PESCO to provide details of the said fee, if any, claimed previously so that same could be adjusted in the subsequent tariff determinations.”

During audit of the accounts of PESCO for the financial year 2023-24, it was observed that an amount of Rs.145.75 million was paid to PEPCO/PPMCL on account of management fee for financial year 2016-17 to 2018-19. These payments were not admitted by NEPRA while determining Multi Year Tariff dated June 02, 2022. Hence, the payment of management fee to PEPCO/PPMCL amounting to Rs.145.75 million cannot be termed as regular. Further, the directions of NEPRA regarding provision of details of the said fee claimed previously for adjustment in the subsequent tariff determinations had also not been complied.

Non-adherence to the directions of NEPRA resulted in loss due to inadmissible management fee worth Rs.145.75 million paid to PEPCO/PPMCL up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that the management fee for PEPCO was being charged to PESCO via debit advices from CPPA-G and had not been accounted for since the NEPRA decision. An amount of Rs.145.75 million pertains to FY 2016-17 to FY 2018-19, for which accounts had been closed and audited. NEPRA had been requested to reconsider its decision to disallow these charges prospectively rather than retrospectively

DAC in its meeting held on January 7-8, 2025 directed the management to take up the matter with the BoD for necessary corrective action in addition to compliance of re-audit remarks within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1215/2024-25)

1.14.29 Loss due to collapse of towers - Rs.130.31 million

According to Para III (1) of Guidelines for enforcing the responsibility for losses sustained by the authority through fraud or negligence of individuals, 1982, "All losses, whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved."

During audit of the accounts of PESCO for the financial year 2023-24, it was observed that thirty five (35) towers collapsed on May 13, 2024 and six (6) more on June 04, 2024 across various transmission lines. The estimates amounting to Rs.130.31 million of said rehabilitation works were prepared by the GSC Directorate. Accordingly, emergency for a Committee made the decision to execute the works under direct contracting, subject to inquiry to ascertain facts related to collapse of towers in order to fix responsibility. However, no inquiry report or preventive measures were documented to safeguard PESCO from financial losses.

Non-adherence to the guidelines resulted in non-conducting of inquiry related to loss due to collapse of towers amounting to Rs.130.31 million up to the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in November, 2024. The management replied that the

investigation reports would be taken up with the concerned formation of GSO and informed to Audit accordingly.

DAC meeting was held on January 7-8, 2025 but the matter could not be discussed due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 624/2024-25)

1.14.30 Recoverable amount from the resident of colonies regarding electricity and gas dues – Rs.109.88 million

As per allotment issued by HESCO management letters, allottee will be responsible for the payment of all utility bills.

During audit of the accounts of HESCO for the financial year 2023-24, it was observed that quarters had been allocated to employees in Muhammadi Colony and Hussain Abad Colony Hyderabad for accommodation but the residents did not pay their electricity and gas bills since 1999. The management did not make any strenuous efforts to recover the amount as no formal administrative action was initiated against the residents. Neither the management recovered the loss nor connections of the defaulters were disconnected which needs justification.

Non-adherence to instructions resulted in recoverable dues of electricity and gas connection from the residents amounting to Rs.109.88 million up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that amount would be recovered from the concerned and the status of recovery would be informed to audit accordingly.

DAC in its meeting held on January 20-21, 2025 directed the management to effect the recovery from the concerned employees and get the recovery record verified from Audit within two weeks.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1357/2024-25)

1.14.31 Fabricated data maintained and provided by Manager Operation Jhelum Circle relating to detection billing - Rs.87.34 million

According to International Accounting Standards (IAS)-1.15, “the financial statements must ‘present fairly’ the financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income, and expenses set out in the Framework. The application of IFRS, with additional disclosure when necessary is presumed to result in financial statements that achieve a fair presentation”.

During audit of the accounts of IESCO for the financial year 2020-24, it was observed that fabricated data on detection bills charged to consumers was provided to the audit team. The Manager (Operation) Jhelum Circle reported detection bills totaling Rs.166.499 million for 6,489 cases, while data from the Computer Center IESCO, Islamabad, showed Rs.253.842 million for 11,969 cases, revealing a discrepancy of Rs.87.342 million across 5,480 cases. This manipulation raised serious concerns about the reliability of detection billing records, the efficacy of internal controls, and adherence to established billing and recovery procedures.

Non-adherence to International Accounting Standards resulted in fabricated data maintenance of Rs.87.34 million by Manager Operation Jhelum Circle relating to detection billing up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that difference in table No.1 and 2 was due to billing cycles of final years e.g. the detection received in June, 2023 after reading batch, would be fed in July, 2023 and the detection bill received after reading batch of June, 2024 would be fed in July, 2024. So, difference occurred due to reading of detection bill in different billing cycle.

DAC in its meeting held on January 13 and 15, 2025 directed the management to get the reconciliation of adjustment type-C with other types of adjustment in para list and get its stance duly supported with documentary evidence verified from Audit within one week.

No further progress was intimated till finalization of the report.
Audit recommends implementation of DAC's decision.

(Draft Para No. 616/2024-25)

1.14.32 Undue favour to Kohala Hydro Company Limited by granting exemption of extension fee – Rs.83.64 million

According to Statutory Notifications (S.R.O.) Ministry of Energy Power Division (PPIB) notification dated: 6th Jun, 2022 published in extra ordinary gazette of Pakistan dated: Jun 15, 2022 schedule Part-I (under rules 2 &3) Sr. No. 6 fee and charges payable hereunder in relation to power generation projects Extension in Financial Close under LOS (for each extension) US\$ 500/MW, Minimum US\$ 10,000 and Maximum US\$ 300,000.

During audit of the accounts of PPIB for financial year 2022-23 to 2023-24, it was observed that a Letter of Intent (LOI) for installation of 1,124 MW Power Plant was issued to M/s Kohala Hydro Power Company Limited on February 13, 2015 with financial closing date of September 30, 2020. The power purchase agreement (PPA) was signed with the company on June 25, 2020. The company failed to achieve Financial Closing (FC) within scheduled date thus, the same was extended two (02) times up to September 30, 2024. As per PPIB Fees Rules, 2022, an amount of Rs.83.64 million (US\$ 0.300 million) was required to be recovered from the company due to default in achieving FC within timelines. The firm requested PPIB on July 14, 2022 to grant extension in FC date without charging extension fees. Instead of recovering the said fee, BoD PPIB accorded approval for amendment in PPIB (Fee and Charges) Rules in its 137th meeting held on December 13, 2022 against the comments of the MD PPIB. The amendment in rules was to extend undue favour to the power producer by ignoring the interest of the PPIB and hence, unjustified.

Non-adherence to the PPIB (Fee and Charges) Rules, 2022 resulted in undue favour to Kohala Hydro Company Limited by granting exemption of extension fee amounting to Rs.83.64 million (US\$ 0.300 million) up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that draft IGCEP 2024-34 had not included Kohala HPP in the base-case demand scenario because of drastic reduction in demand. It would be unjust in light of common law and

business to penalize investors under the given power sector's demand-supply projection scenario of the recipient side. Hence, the decision of PPIB Board to amend PPIB Fee Rules with regards to extension cases of projects having been issued LOIs and LOSs was fair and within its competence.

DAC in its meeting held on January 15, 2025 directed the management to get the record regarding Rule-3(A) and extension granted verified from Audit within one (01) month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1413/2024-25)

1.14.33 Financial loss due to payment of annual generation license fees for cancelled coal Power Project 660-MW (unit-6) Jamshoro - Rs.78.46 million

As per Para 4 of NEPRA (Fees) regulations 2021, the generation license holder shall pay to the NEPRA annual fee full in advance within 30 days of expiry of financial year that precedes the financial year for which the fee is being paid.

During audit of the accounts of GENCO-I for financial years 2022-23 and 2023-24, it was observed that total payment of Rs.156.92 million was made on account of annual generation license fees to NEPRA for unit 1 to 6 from the period 2021-22 to 2024-25 as per NEPRA's modification-IV of Generation License of JPCL dated February 13, 2020. This payment was based on the total generation capacity of 2200 MW, which includes 880 MW from the Thermal Power units (Unit 1 to 4) and 1320 MW from the Coal Power Plant (Unit 5 & 6) in Jamshoro. However, due to the cancellation of ADB Loan No. 3091 for the Coal Power Generation Project's 660 MW (unit-5), this project no longer contributes to the generation fleet. Despite the loan cancellation, the company continued to pay an annual regulatory fee of Rs.78.46 million to NEPRA based on the initial projected capacity from 2021-22 to 2024-25. This oversight led to unnecessary financial losses due to mismanagement, as these fees were paid for a non-operational project. The continued payment from 2021-22 to 2024-25 without adjusting for the revised fleet size put a burden on company finances.

Financial mismanagement resulted in financial loss due to payment of annual generation license fees for cancelled coal Power Project 660-MW (unit-6) Jamshoro amounting to Rs.78.46 million up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that JPCL and GHCL had requested Power Division to decide the fate/GOP policy on Lot-II since 2019, but the decision was not conveyed so far. Hence, JPCL was not in the position to exit from the Project, and approached NEPRA for cancellation of Lot-II as a modification in already issued Generation License.

DAC in its meeting held on January 9, 2025 directed the management to take up the matter being policy issue with Ministry of Energy (Power Division) besides modify/cancel the license of Lot-II from NEPRA and intimate the latest status to Audit accordingly.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1319/2024-25)

1.14.34 Payment of management fees despite JPCL's financial constraints - Rs.64.02 million

According to Managing Agent Agreement between GHCL and JPCL, the management fee payable by the company to the managing agent shall be a percentage of annual operating budget of the managing agent, calculated in accordance with formula defined in schedule-2.

During audit of the accounts of GENCO-I for financial years 2022-23 and 2023-24, it was observed that NEPRA had de-licensed the GTPS Kotri units due to completion of their useful life. Jamshoro's Steam Turbine (ST-7) and other Thermal Power Units (Unit 1-4) faced operational limitations. Specifically, Units 1 and 2 at TPS Jamshoro were damaged in a fire on March 20, 2024, prompting the CPPA-G to classify them under "forced outage". This change resulted in reduced revenue from capacity payments in financial year 2023-24 compared to financial year 2022-23. Despite operational challenges, the company paid a huge management fee of Rs.64.02 million to GHCL during financial year 2023-24, while Rs.57.73 million were paid in financial year 2022-23. However, the company had to rely on a Cash Demand Loan (CDL) due to financial constraints, yet it did not re-evaluate the management fee in the light of these challenges which led to a significant financial burden on the company.

Weak financial management resulted in non-revaluated management fees amounting to Rs.64.02 million up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that JPCL was bound to pay the fee from the capacity payment charges tariff granted by NEPRA as per formula agreed in schedule-2 of managing agent agreement. Further, JPCL initiated the process of disposal of JPCL's plants. After fulfilling approved timelines codal formalities one by one, the disposal process for scrap of plants would be started w.e.f March 31, 2025 through successful bidder. Hence, the matter of management fee would be no more once disposal process initiated.

DAC in its meeting held on January 9, 2025 directed the management to take up the matter with Ministry of Energy (Power Division) and GHCL and immediately stop the payment in the light of NEPRA's decision which disallowed the management fees and share the status with Audit accordingly.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1321/2024-25)

1.14.35 Irregular payment of legal fee - Rs.58.59 million

According to Rules 14(1)(g) of the Rules of Business, 1973, the Law, Justice, and Human Rights Division shall be consulted before the appointment of a legal adviser in any Division or any office or corporation under its administrative control and the Law, Justice and Human Rights Division will make its recommendations after consultation with the Attorney General. Moreover, according to Rules 5(11) of Public Sector Companies (Corporate Governance) Rules, 2013, the Board shall ensure compliance with policy directions received from Government from time to time.

During performance audit of BoD GEPCO for the financial year 2021-22 to 2022-23, it was observed that the BoD in its 133rd meeting held on August 27, 2021 revised the sanctioned strength of GEPCO panel of advocates. The management appointed/engaged ninety-two (92) advocates /counsels on panel list and made the payments amounting to Rs.58.588 million on account of legal fees/professional charges during the period under audit without consulting the Ministry of Law and Justice. Moreover, it was observed that the management hired the services of advocates/counsels without developing / following any legal policy/SOPs.

Non-adherence to the instructions contained in Rules of Business and Public Sector Companies (Corporate Governance) Rules, 2013 resulted in irregular payment amounting to Rs.58.59 million on hiring the services of advocates/counsels during financial years 2021-22 and 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in October, 2024. The management replied that GEPCO was governed by its BoD under the State-Owned Enterprises Act, 2023 and legal counsels were hired on the basis of 2014 criteria. Following DAC's 2023 directions, BoD GEPCO established SOPs for hiring lawyers and ratified the existing ones. As per DAC direction, an inquiry committee was constituted in December, 2024 to investigate the matter but found no irregularities. Moreover, the matter was regularized by the board.

DAC in its meeting held on December 23, 2024 directed the management to seek clarification on the matter from the Ministry of Law Division duly routed through the Ministry of Energy (Power Division).

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 417/2024-25)

1.14.36 Loss of precious human lives due to non-observance of safety standards – Rs.48.75 million

According to NEPRA Rule PSC-6.1 "Purpose, Scope & Philosophy of Safety Policy" of Power Safety Code for Transmission & Distribution Licensees 2014, each licensee shall elaborate the purpose & scope of overall safety policy, vision of the licensee about safety, fundamentals of the power safety and the issuance of power safety manual to all concerns.

During audit of the accounts of DISCOs for the financial year 2023-24, it was observed that 29 fatal incidents occurred in DISCOs. The key causes of incidents were identified as improper use of live line testers, inadequate isolation, flawed permits to work (PTW) processes and failure to utilize proper personal protective equipment (PPE) and tools and plants (T&P). Non-observance of safety standards not only caused loss of precious human lives but also resulted in financial loss of Rs.48.75 million on account of compensation to the deceased. The detail is as under:

(Rs.in million)			
Sr. No.	Name of Company	No. of fatal accidents	Amount
1.	FESCO	4	0
2.	GEPCO	8	12.75
3.	PESCO	7	28.00
4.	TESCO	3	8.00
5.	QESCO	7	0
Total		29	48.75

Non-observance of NEPRA Power Safety Code resulted in loss of precious human lives and financial loss of Rs.48.75 up to the financial year 2023-24.

The matter was taken up with management in October 2024 and reported to the Ministry in November, 2024. The management replied that DISCOs followed safety protocols rigorously and provided quality PPE and equipment and got outstanding certification upon implementing all necessary Safety standards (distribution) spirit. The fatalities were due to violations of safety protocols by the affected employees. Disciplinary actions were taken against responsible(s) as per recommendations of inquiry committee reports.

DAC in its meetings held during December 12-13, 23, 2024 and January 7-8, 16, 2025 directed the management to provide the record of actual number of reported incidents and actions taken in the light of inquiries to Audit for verification within a week besides reviewing SoPs as per NEPRA standards.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para Nos. (966) (934) (1255) (1111) (1194)/2024-25]

1.14.37 Unauthorized payment to contractor by non-compliance of book of financial powers – Rs.45.00 million

According to Para 4.5 of Book of Financial Power amended 2017, the variation/change orders in original contract/work order, the managing director is competent authority to approve the variation/change maximum up to 30% of total amount of original contract price.

During audit of the accounts of NTDC for the financial year 2023-24, it was observed that a contract for construction of 132 KV Double Circuit Transmission Line including Tower Staking, Installation of Conventional & Pile Foundation, Transportation, Erection, Stringing, Testing and Commissioning

from 147 MW Patrind HPP to 220 KV Mansehra New Grid Station (40 KM) was awarded to M/s MECON Pvt. Ltd valuing Rs.106.83 million. Later on, the contract price was revised to Rs.246.16 million with the variation of 132% from original contract price. The inquiry was conducted on the revision of contract price and it was found that second approval of payment of Rs.45 million (approx. 66% of original contract price) was more than 30% allowed to MD in Book of Financial Power. The inquiry committee concluded that the office of EHV-I, MP&M, CFO, DMD (AD&M), MD (NTDC) were responsible for negligence and directed GM (HR) to highlight the officers who were posted in the said offices during the time of payment of Rs.45.00 million to contractor. However, fixing of responsibility as recommended by inquiry committee was not forthcoming from record.

Non-adherence to Book of Financial Powers resulted in unauthorized payment of Rs.45.00 million to contractor up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that the procurement committee of BoD in its 116th meeting discussed the inquiry report and directed that the recommendations of inquiry committee be referred to HR committee for decision.

DAC in its meeting held on December 24, 2024 directed the management to expedite implementation of recommendations of the inquiry committee besides regularizing the unauthorized payment from the competent forum.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 685/2024-25)

1.14.38 Irregular charging of repair expenditure of under warranty transformers to operation circle by TRW - Rs.36.15 million

As Per SOP of replacement of damaged/ defective distribution transformers, after observing all codal formalities, the damaged transformer will be shifted to MEPCO's own Reclamation Workshop / qualified private transformer repair workshop by Regional / Field Store Management within seven (07) days from receipt of the damaged transformer from sub division. General duty damaged transformers will be repaired and replaced by the MEPCO at their own expenses.

During audit of the accounts of MEPCO for financial years 2021-22 to 2023-24, it was observed that 139 under warranty damaged distribution transformers were shifted to MEPCO's Transformer Reclamation Workshop (TRW) for repair by the field formations of Multan Operation Circle. Since warranty was given by TRW, hence, transformers were required to be repaired free of cost. However, repair charges of Rs.36.15 million was irregularly booked to Multan Operation Circle by the TRW, which caused double loss to MEPCO on account of first repair and further repair charges of damaged transformers.

Financial mis-management resulted in irregular charging of repair expenditure of Rs.36.15 million of under warranty transformers to Multan operation circle by TRW up to the financial year 2023-24.

The matter was taken up with the management in September, 2024 and reported to the Ministry in October, 2024. The management replied that excess amount of under warranty transformers were charged to Operation Divisions by TRW due to frequent increase in price of distribution transformers of different capacities.

DAC in its meeting held on November 29, 2024 directed the management to inquire the matter at CEO level and submit inquiry report to Audit within a month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 558/2024-25)

1.14.39 Loss due to damage of office building - Rs.32.68 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), "all losses whether of public money or of stores, shall. be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

During audit of the accounts of NEECA for financial years 2019-20 to 2023-24, it was observed that a fire incident in the NEECA office building caused damage to the building and furniture valuing Rs.32.68 million. A preliminary investigation concluded that the fire broke out due to negligence of HVAC contractor's labour. However, the inquiry committee had not recommended any action against the contractor nor the fate of the loss decided.

Non-adherences to the rules resulted in loss of Rs.32.68 million due to damage of office building up to the financial year 2023-24.

The matter was taken up with the management in September, 2024 and reported to the Ministry in November, 2024. The management replied that internal inquiry was conducted, loss and damage report also prepared and submitted to the Ministry of Science & Technology. The report from Ministry of Science & Technology was awaited.

DAC in its meeting held on January 15, 2025 directed the management to share the inquiry report / loss and damage report with Audit within a week and pursue the matter with concerned Ministry for making the loss good.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1098/2024-25)

1.14.40 Loss on account of difference of exchange rate due to delayed payment to contractor – Rs.26.62 million

According to item VI in clause 6.1 of article 6 of amendment No. 2(A), “The payment will be made within 30 days through direct disbursement method upon presentation of invoice and supporting documents as mutually agreed. Payment to the contractor shall be done in PKR with freely convertible exchange rate on the date of payment.”

During audit of the accounts of NTDC for the financial year 2023-24, it was observed that an amount of Rs.26.62 million was paid to M/s Sunir Iran, against contract No. SU-NT/2009-101 (Phase One), on account of difference of exchange rate. The scrutiny of the record revealed that NTDC delayed payment for 47 to 169 days and resultantly the contractor lodged claim for exchange rate difference. Had the payments been made in accordance to timelines prescribed in the contract agreement, loss of Rs.26.62 million on account of exchange rate difference could have been avoided.

Non-adherence to timelines for payment to contractor resulted in loss on account of difference of exchange rate amounting to Rs.26.62 million due to delayed payment to contractor during the financial year 2023-24.

The matter was taken up with the management in November 2024 and reported to the Ministry in December, 2024. The management replied that being

deposit work involving GoP / QESCO, the payment was delayed due to unavoidable procedural delay.

DAC in its meeting held on December 24, 2024 directed the management to get its stance verified from Audit within two (02) weeks.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1509/2024-25)

1.14.41 Loss to electrical equipment due to fire incidents – Rs.26.34 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

During audit of the account of DISCOs for the financial year 2023-24, it was observed that fire incidents occurred and electrical equipment valuing Rs.26.34 million was damaged. However, the said fire incidents were neither inquired for fixing of responsibility nor loss was got indemnified from insurer. The detail is as under:

Sr. No.	Name of Company	Date of occurrence of incident	Description of material	Amount (Rs.in million)
1.	MEPCO	i) 09.04.2024	Crane mounted truck M-1996	0.83
		ii) 06.06.2024	Unserviceable material	
2.	IESCO	i) 23.8.2023	500 MCM Cable	25.51
		ii) 19.02.2024	Conductor of 11kv Broken	
TOTAL				26.34

Non-adherence to Authority's guidelines resulted in loss of Rs.26.34 million due to fire incident up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. MEPCO management replied that the inquiry report had not so far been finalized. The IESCO management replied that detailed report to be submitted to BOD by Chief Engineer (O&M) T&G was under progress. Furthermore, disciplinary proceeding had already been initiated against officer at fault as per inquiry recommendation. After completion of all

codal formalities, any progress achieved would be intimated to Audit accordingly.

DAC in its meeting held on November 29, 2024, January 13 and 15, 2025 directed the MEPCO management to finalize the inquiry proceedings within 15 days and submit its report to Audit accordingly. Further DAC directed the IESCO management to re-inquire the matter and submit its report to Audit within two weeks.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

[Draft Para Nos. (729) & (1027)/2024-25]

1.14.42 Irregular payment and grant of extension of time of consultancy service without approval of BoD – Rs.22.78 million

According to Clause 7.2 I of revised book of Financial Powers of IESCO-2018, BoD has full powers for acceptance/ approval of cost of consultancy services exceeding Rs. two million (Rs.2,000,000/-).

During audit of the accounts of IESCO for the financial year 2023-24, it was observed that a contract agreement for consultancy services related to the HT/LT System Augmentation Program (SAP) for Safety Hazards and Rural Electrification was made with M/s Barqab JV and M/s PPI (Pvt) Limited for a period of one year, ending on November 15, 2023, in compliance with BoD resolution 216-BoD-R-08. Subsequently, the Chief Executive Officer, acting as the contract approving authority, granted the first, second, and third extensions of time until August 15, 2024, instead of the Board of Directors (BoD), which was the designated approving authority for this contract. Therefore, payments made beyond the original contract period, amounting to Rs.22.78 million, without the approval of the BoD for the extension of time, was irregular.

Non-adherence to book of financial powers resulted in irregular payment of Rs.22.79 million and grant of extension of time of consultancy service without approval of BOD up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that CEO IESCO had the power for extension of consultancy services time up to one year under clause 7.2 I of Revised Book of Financial Powers IESCO-2018.

DAC in its meeting held on January 13 and 15, 2025 directed the management to regularize the EOT of consultancy services through ex-post facto approval from BoD and get the record verified from Audit within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1035/2024-25)

1.14.43 Irregular expenditure without revised administrative approval – Rs.20.78 million

According to Book of Financial Power IESCO 2018, "If technical sanction involves excess of more than 15 percent over the amount for which a work has been administratively approved or may be deemed to have been approved prior revised administrative approval of the competent authority shall be required."

During audit of the accounts of IESCO for the financial year 2023-24, it was observed that 42 electrification schemes were initiated under DoP/ELR with an estimated cost of Rs.39.94 million whereas an expenditure of Rs.60.72 million was incurred, which exceeded 15% of the original administrative approval. The excess expenditure ranging from 15.79% to 68.82% was beyond the approved cost, which required the revised administrative approval for excess expenditure of Rs.20.78 million, which was not obtained.

Non-adherence to book of Financial Powers resulted in irregular expenditure of Rs.20.78 million without revised administrative approval during the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in November, 2024. The management replied that 25 schemes were within allocated budget and 17 schemes were sent to P&E for revision.

DAC in its meeting held on January 13 and 15, 2025 directed the management to get the revision of administrative approval of works from competent authority and get the record verified from Audit within two weeks.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 247/2024-25)

1.14.44 Irregular parking of overheads to civil works – Rs.19.35 million

As per DISCO's accounting manual, the amounts of Labour and Overheads [8% and 12% respectively] are debited to Labour CWIP and Overhead CWIP and credited to Labour Pool Clearing Accounts respectively.

During audit of the accounts of MEPCO for the financial year 2023-24, it was observed that an amount of Rs.19.35 million on account of overheads was charged/capitalized against ten (10) civil works of repair and extension without mentioning the cost of material. Since, the overheads were limited to 20% of material cost, hence, charging of overheads without material cost was irregular.

Inefficient financial management resulted in irregular parking of overheads of Rs.19.35 million to civil works up to the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in October, 2024. The management replied that estimates and job number of said 10 civil works were sanctioned and approved separately and overhead were booked up to that extent. So, the 10 civil works were capitalized without the material cost, however, after allocation of material and subsequently completion of works, the remaining electrical work would be capitalized accordingly.

DAC in its meeting held on November 29, 2024 directed the management to provide the record in support of reply to Audit for verification within a week.

Audit recommends implementation of DAC's decision.

(Draft Para No. 426/2024-25)

1.14.45 Deferment of core agenda items in BoD meetings – Rs.17.22 million

According to Rule-5(5) of Public Sector Companies (Corporate Governance) Rules-2013, "the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders".

During audit of the accounts of LESCO for the financial year 2023-24, it was observed that various serious issues of the company requiring urgent attention of the BoD including Administration, Human resource, material management procurement of material, P&D and financial matters of the company were placed on the agenda items. However, all these agenda items except procurement were

continuously deferred during the meetings. Hence, no discussion to consider and approve the critical issues like performance agreement/contract between Ministry of Energy and CEO LESCO / BoD members LESCO for financial year 2023-24 and matter regarding overbilling, complaints, specifically overbilling on tube well connections and high loss feeders (T&D losses and amount wise) could take place during 2023-24.

These agenda items had a high impact on performance and recovery of the company but the board deferred the agenda multiple times, which needs justification.

Non-adherence to the Corporate Governance Rules resulted in unjustified payment of board fee of Rs.17.22 million due to deferment of important agenda items multiple times.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. No reply was received from management.

DAC in its meeting held on December 26-27, 2024 reiterated its earlier direction made in its meeting held on February 15, 2024 regarding Performance Audit Report (PAR) on the accounts of BoDs, LESCO, GEPCO, FESCO for Audit Year 2021-22 to 2022-23.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 931/2024-25)

1.14.46 Non-depositing of withheld amount of income and provincial sale tax with FBR – Rs.15.59 million

According to Rule-43 (b) of Income Tax Rules-2002, “where the tax has been collected or deducted by a person other than the federal Government or a Provincial Government shall deposit in an authorized branch of the State Bank of Pakistan or the National Bank of Pakistan within seven days from the end of each week ending on every Sunday”.

During audit of accounts of the PPIB (AFD Grant No. 1039-2 Z) for the financial year 2023-24, it was observed that income tax and provincial sales tax amounting to Rs.15.59 million (Rs.0.99 million and Rs.15.49 million equivalents to Euro 55,383) were deducted from three invoices of the Consultants M/s Tractable Engineering GMBH and National Development Consultants Joint

Venture. As per rules, the said amount was required to be deposited into government treasury within 7 days but needful was not done.

Non-adherence to Income Tax Rules resulted in non-depositing of income tax and provisional sale tax amounting to Rs.15.59 million into Government Treasury up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that that as per PC-II of the project, the Government of Pakistan, in addition to AFD Financing, would provide its contribution through PSDP to make payment of applicable taxes in local currency. The matter was taken up with the Government of Pakistan time and again for release of requisite funds but no amount was released to PPIB up till now.

DAC in its meeting held on November 8, 2024 directed the management to probe the matter through Ministry of Energy and share the results with audit within 30 days.

Audit recommends implementation of the DAC's decision.

(Draft Para No. 1466/2024-25)

1.14.47 Irregular provision of vehicles at written down value instead of market value without approved vehicle buyback policy from Finance Division – Rs.15.03 million

According to Finance Division (Regulations Wing) office memorandum F No.3(37)R-14/2022 dated 01 February 2023, “it is mandatory for every Ministry/ Division/ Department to consult Finance Division while initiating their legislative proposals having financial implications, relating to framing their rules on pay and allowances, retirement benefits, leave benefits as well as other financial terms and conditions of service.”

During audit of the accounts of NEPRA for the financial year 2022-23, it was observed that seven (07) vehicles were repurchased by Authority's employees at written down value amounting to Rs.6.26 million without vetting/ approval of vehicle buyback policy from Finance Division. The market analysis and auction made through competitive bidding of other vehicles of same capacity revealed that the actual worth of these vehicles was Rs.21.30 million. The extravagant / lavish buyback policy of Authority's vehicles adopted by NEPRA

was not vetted /approved by Finance Division and resulted in financial burden of Rs.15.03 million on public exchequer.

Violation of directions of the Finance Division resulted in irregular provision of vehicles at written down value instead of market value amounting to Rs.15.03 million during the financial year 2022-23.

The matter was taken up with the management in March, 2024 and reported to the Cabinet Division in May, 2024. The management replied that there was no irregularity because in terms of “NEPRA Policy for Official Vehicles”, the employees (Additional Director and above or equivalent) are entitled either to opt for an official vehicle or monetization in lieu thereof official vehicle after meeting certain criterion.

DAC in its meeting held on December 19, 2024 directed the NEPRA Authority to review and renationalize vehicle buyback policy in 60 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No. 129/2024-25)

1.14.48 Non-surrendering / utilizing of savings under SAP program – Rs.14.29 million

As per Guidelines for Sustainable Development Goals Achievement Program (SAP) issued by Cabinet Division (Development Wing) dated 27th February 2019, 3(iii), the schemes identified for a specified financial year shall be completed within the same year.

During audit of the accounts of IESCO for the financial year 2023-24, it was observed that 47 electrification schemes in NA-59 & NA-66 were approved with an estimated amount of Rs.109.58 million and funds were released accordingly. The said schemes were completed and capitalized for an amount of Rs.95.29 million. The savings of Rs.14.29 million (Rs.109.58 million – Rs.95.29 million) were required to be surrendered to Government or utilized on other SAP Schemes, which was not done.

Non-adherence to the SDG guidelines resulted in non-surrendering / utilizing the savings of Rs.14.29 million during the financial year 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in November, 2024. The management replied that only 34 schemes had been completed and capitalized with amount Rs.68.80 million.

The remaining 13 schemes amounting to Rs.30.08 million were in progress. It was assured that upon completion of all works, any unspent funds would be surrendered to the government as per guidelines.

DAC in its meeting held on January 13 and 15, 2025 directed the management to intimate the latest status of capitalization amount of works and get the record verified from Audit within three days and expedite the completion of remaining works.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 246/2024-25)

1.14.49 Wasteful expenditure due to non-implementation of report of HR Consultants – Rs.13.56 million

According to Rule 5(5) of Public Sector Companies (Corporate Governance) Rules, 2013 “the board shall establish a system of sound internal control, which will be effectively implemented at all levels within the public sector company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders.

During audit of the accounts of PPIB for financial years 2022-23 to 2023-24, it was observed that a contract was awarded to M/s Abacus Consulting Technology (Pvt.) Limited on June 13, 2023 at a contract price of Rs.13.56 million for development of HRM Plan including organization restructuring for merger of AEDB into the PPIB. The entire task was divided into two phases i.e. Phase-I for restructuring of PPIB and Phase-II regarding preparation of service regulations and HR Policies. The consultants provided their report on Phase-I & II, however, despite lapse of considerable period of time and incurring huge expenditure, the recommendations of the consultants were not implemented so far. Hence, due to non-implementation of HRM plan, expenditure of Rs.13.56 million had gone wasted.

Non-adherence to Corporate Governance Rules resulted in wasteful expenditure of Rs.13.56 million due to non-implementation of report of HR Consultants up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that Phase-I under major

activities had been completed and implemented while work on Phase-II was under process, which would be completed soon. Furthermore, only 60% of the total fee had been paid to the Consultant while remaining 20% would be paid after submission of all assignments mentioned in Phase-II and 20% after approval of Phase-II by the Board as per Contract signed between PPIB and the consultant.

DAC in its meeting held on January 15, 2025 directed the management to provide the record of approval of BoD to Audit for verification.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1375/2024-25)

1.14.50 Non-recovery of rent of land leased out to Pakistan WAPDA Foundation – Rs.13.39 million

“PESCO leased out its land to Pakistan WAPDA Foundation (PWF) for ten (10) year at monthly rent of Rs.83,334/- with 25% increase after every 3 years of completion of lease agreement vide lease agreement dated August 24, 2015”.

During audit of the accounts of PESCO for the financial year 2023-24, it was observed that land measuring 04 Kanals approximately was leased out to Pakistan WAPDA Foundation (PWF) on August 24, 2015. However, since the inception of lease agreement no rent had been paid by PWF. Resultantly, an amount of Rs.13.39 million had not been recovered till June, 2024.

Violation of provisions of the lease agreement resulted in non-recovery of rent of land leased out to Pakistan WAPDA Foundation (PWF) amounting to Rs.13.39 million up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that the matter had been inquired and recovery from the PWF was under process.

DAC meeting was held on January 7-8, 2025 but the matter could not be discussed due to non-provision of record to Audit for verification by the management. DAC directed the management to provide record to Audit for verification within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1214/2024-25)

1.14.51 Loss due to collapse of towers - Rs.12.53 million

According to Section 20 of State-Owned Enterprises (Governance and Operations) Act, 2023, “The Board shall ensure the integrity of the systems of internal control and any person who is found liable for a deviation or violation from the company’s code of conduct or other systems of internal control shall be subject to disciplinary proceedings in accordance with the state-owned enterprise’s internal policies.” According to rule 42(d) of PPRA rules, “provided that any procuring agency desirous of using negotiated tendering as a method of procurement shall record its reasons and justifications in writing for resorting to negotiated tendering and shall place the same on record.”

During audit of the accounts of NTDC for the financial year 2023-24, it was observed that work order amounting to Rs.12.53 million for rehabilitation work of collapsed tower No. 114-118 of 500 KV S/C Quad Bundle T/Line Nokhar-Sheikhupura (Lot-1 Tower No. 114,115&116) was awarded to M/s M.R Electric Concern (Pvt.) on October 24, 2023. However, neither the inquiry report nor documents related to the negotiated tendering were provided to Audit.

Non-adherence to rules resulted in loss of Rs.12.53 million due to collapse of towers during the financial year 2023-24.

The matter was taken up with the management in November, 2024 and reported to the Ministry in December, 2024. The management replied that the matter has been got inquired.

DAC in its meeting held on December 24, 2024 directed the management to implement recommendations of the inquiry committee within one week and get the record verified from Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No. 1527/2024-25)

1.14.52 Irregular hiring of legal counsels without following policy / guidelines - Rs.12.50 million

According to policy/guidelines (V) for nominations/recommendations for appointment of legal advisors and engagement/placement of advocates on the panel of advocates of various departments, issued by Ministry of Law, Justice and Human Rights dated: 3rd June, 2015, every Government Department or Semi Government or Public Corporate Body shall seek concurrence of the Law, Justice

and Human Rights Division for engagement of lawyer where professional fee exceeds Rs.300,000/-. In such a case the concerned Department will send a Panel of at least three Advocates for selection of one of them along with proposed professional fee for approval of the Law, Justice and Human Rights Division. Any failure in doing so will render the engagement of Advocate/Counsel etc, void and no ex-post facto approval will be allowed.

During audit of the accounts of NTDC for the financial year 2023-24, it was observed that an amount of Rs.12.50 million was paid to different legal counsels by NTDC. The company had a Law department headed by the Chief Law Officer to look after its legal cases / matters. However, NTDC also hired legal counsels for further services regarding legal matters without the approval of legal penal from Law Justices & Human Right Division. Hence, hiring and payment of legal fees to counsels were considered irregular.

Non-adherence to policy / guidelines of Ministry of Law and Justice resulted in irregular hiring and payment of fees of legal counsels amounting to Rs.12.50 million up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that there was a special fee procedure that can be reviewed. Moreover, NTDC had curtailed the practice of seeking legal opinions.

DAC in its meeting held on December 24, 2024 directed the management to sought concurrence from Law, Justice and Human Rights Division.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 694/2024-25)

1.14.53 Non-deduction of KPRA tax from contractors – Rs.10.48 million

According to KP Finance Department Notification dated July 31, 2020, “2% KPRA tax will be deducted from construction services.”

During audit of the accounts of TESCO for the financial year 2022-23, it was observed from cash vouchers, a gross amount of Rs.523.95 million was paid to contractors and as per rules 2% KPRA tax amounting to Rs.10.48 million was required to be deducted from the claims of contractors, which was not done. Resultantly Public Exchequer was put into loss up to the stated extent.

Non-adherence to KP Finance Department instructions resulted in non-deduction of KPRA tax amounting to Rs.10.48 million from contractors up to the financial year 2022-23.

The matter was taken up with the management in March, 2024 and reported to the Ministry in May, 2024. The management replied that TESCO had already started KPRA tax deductions when it registered with the provincial tax authority on November 21, 2023.

DAC in its meeting held on September 25, 2024 directed the management to ascertain whether the works were completed and payments made to contractors after promulgation of KPRA or otherwise and furnish the reply along with record to Audit accordingly within a week. DAC also directed to verify the date of contract with KPRA.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 63/2024-25)

1.14.54 Non-appointment of CEO, Company Secretary and CIA

According to Rules-5 & 13(1) of Public Sector Companies (Cooperate governance) Rules, the Board shall appoint a Chief Executive Officer, Chief Financial Officer, a Company Secretary and Chief internal auditor.

During audit of the accounts of GENCO-I for financial years 2022-23 and 2023-24, it was noticed that the Chief Executive Officer, Company Secretary and Chief Internal Auditor had not been appointed. However, charge of CEO, Secretary was given to Chief Operating Officer and Chief Financial officer respectively. Non-apportionment of CEO, Company Secretary and CIA was violation of Public Sector Companies (Corporate Governance) Rules-2013. These appointments were mandatory to ensure proper corporate governance, accountability, and to improve operational effectiveness.

Non-adherence to Public Sector Companies (Cooperate governance) Rules resulted in non-appointment of CEO, Company Secretary and CIA up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that decision of non-appointment of CEO, CIA and Company Secretary was purely prerogative of

BoD as per the SOE Act-2023. The Board was empowered to make the prudent and financially apt decisions.

DAC in its meeting held on January 9, 2025 directed the management to get the BoD's directions regarding non-appointment of CEO, CIA and company secretary verified from Audit within one week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1311/2024-25)

1.14.55 Irregular decision of disposal of old & non-functional power plants of GENCOs without prior approval of CCI

According to Para 9 of the Islamabad High Court Order regarding NEPRA's determination of tariff petition filed by JPCL dated August 27, 2021 clearly describes that only Counsel of Common Interest (CCI) had the mandate to change any policy decision pertaining to the subject of "Electricity".

During audit of the accounts of GENCO-I for financial years 2022-23 and 2023-24, it was observed that BoD in its 160th meeting held on May 29, 2024 endorsed the directives issued by Ministry of Energy (Power Division) dated May 07, 2024 regarding guidelines for disposal of old and non-functional power plants of GENCOs with concurrence of Privatization Commission. BoD authorized GHCL to initiate the process of disposal of old and non-functional power plants of Kotri. However, JPCL challenged NEPRA's determination on take and pay issue in the Islamabad High Court which granted stay with the verdict that the "subject of electricity lies within the domain of Council of Common Interest (CCI), in that, all policy decisions with respect to subject of electricity are to be made by the CCI". Despite the stay order emphasizing CCI's jurisdiction over policy matters in the electricity sector, the BoD proceeded with the directive from the Ministry of Energy, which could be considered non-compliant with the legal ruling. The BoD's decision to move forward with the disposal of Kotri's old and non-functional power plants, without addressing the IHC ruling and CCI's jurisdiction, raised both legal and governance concerns that could have significant implications for GENCO-I and its shareholders, including WAPDA.

Non-compliance of decision of Islamabad High court resulted in irregular decision of disposal of old and non-functional Power Plants of GENCOs without prior approval of CCI up to the financial year 2023-24.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that MoE had endorsed the direction of Prime Minister regarding disposal of all GENCOs power plants. JPCL initiated the process of disposal of GENCO-I plants as per approved timelines which was provided by the Task Force on Power Sector Reforms in compliance of the directive of the Prime Minister. After fulfilling approved timelines codal formalities one by one, the disposal process for scrap of plants would be started w.e.f. March 31, 2025 through successful bidder.

DAC in its meeting held on January 9, 2025 directed the management to take up the matter with Ministry of Energy (Power Division) regarding confirmation of CCI approval/decision of disposal of old and non-functional power plants of GENCOs and inform the status to Audit accordingly.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1416/2024-25)

1.14.56 Irregular hiring of services of external auditors without concurrence of the Auditor-General of Pakistan

According to guidelines / letter dated January 02, 2002 issued by the Auditor General of Pakistan in accordance with the provisions of Section 15(1) of the Auditor General's (Functions, powers and terms and conditions of Service) Ordinance, 2001, the auditors should be appointed in consultation with Auditor General of Pakistan and rotated after every 5 years. Instructions were issued in compliance of Finance Division's letter dated March 25, 1981.

During audit of the accounts of GENCO-III for the financial year 2022-23, it was observed that the services of external auditor were hired for statutory audit of the accounts of the company. However, concurrence for the appointment of Chartered Accountant firm was not obtained from the office of the Auditor-General of Pakistan. Hence, the appointment of the external auditor was considered irregular.

Non-adherence to the guidelines resulted in irregular hiring of services of external auditor without concurrence of the Auditor-General of Pakistan up to the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management replied that the company was hiring the services of auditors with the approval of Board of Directors of the Company and with the approval of shareholders during Annual General Meeting. This selection was made in compliance to Section 21 of Public Sector Companies (Corporate Governance) Rules, 2017, amended from time to time and SOE Act-2023 and did not deviate anything in the selection process.

DAC in its meeting held on January 9, 2025 directed the management to make the compliance in future in the light of guidelines/letter of Auditor General of Pakistan and intimate the status of compliance to Audit accordingly.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 117/2024-25)

1.14.57 Non-implementation of decisions of BoD-GEPCO regarding revamping of customer services department

In its 131st meeting held on August 5, 2021 vide agenda item # 03, the Board directed the management to streamline the customers complaint management system (CCMS) of GEPCO. Further, according to directions of BoD GEPCO in its 141st meeting held on March 14, 2022 vide agenda item # 06, the Board adopted the revised Vision and Mission of GEPCO i.e: "To maintain a level of safety and provide excellent customer services as an Electric Power Utility matching the standards set forth by the regulator, while making profits and ensuring sustaining growth. Infuse contemporary technology into our infrastructure and modernize it regularly."

During performance audit of BoD GEPCO for financial years 2021-22 to 2022-23, it was observed that customers' complaints were not entered in the Customers Complaint Management System (CCMS) of GEPCO maintained by Power Information Technology Company (PITC). As a result, the complaints regarding line fault, tripping, low voltage, replacement of damaged transformers, excess billing were not being attended properly, and inordinate delay was also not recorded in the CCMS. Moreover, it prevented proper analysis as well as

accountability as only 43% customer satisfaction level was recorded regarding these complaints. The BoD in its 131st meeting held on August 05, 2021 advised the management to ensure that a system of checks is put in place to ensure that all such complaints related data is entered in the computer for proper follow-up, analysis, and feedback. It was further observed that BoD in its 147th meeting held on October 06, 2022 directed the management to update all 136 complaint cells of GEPCO in terms of provision of physical facilities and IT equipment. However, the management failed to implement the directions of BoD and the Board did not follow up the matter further.

Non-adherence to the BoD decisions resulted in non-revamping of customer services department to resolve customer complaints satisfactorily during financial years 2021-22 and 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in October, 2024. The management reported that all 136 'Complaint Cells' were equipped with the necessary physical facilities and IT equipment as directed by the BOD in its 147th meeting on October 06, 2022. As a result of the modernization and revamping efforts, the CCMS Portal achieved a 90% complaint resolution rate within the stipulated time frame.

DAC in its meeting held on December 23, 2024 reiterated its earlier decision i.e. to evaluate the BoD Customer Services committee targets with actual achievements as per approved ToRs by BoD Committee and if targets were not achieved whether any penalty was imposed by BoD against the responsible and directed the management to ensure compliance within two weeks

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 420/2024-25)

1.14.58 Selective up-gradation of posts of accounts and audit cadre

According to Finance Division's O.M No. 9(9). REGS-I/2008 dated August 24, 2011, the up-gradation of different posts of Accounts & Audit cadre employees was approved and subsequent Judgment of Honorable Supreme Court of Pakistan dated March 15, 2010 had emphasized in its ruling that discriminatory policies violate fundamental rights under Article 25 of the Constitution and should be avoided.

During audit of the accounts of IESCO for the financial year 2023-24, it was observed that the Director General (HR) upgraded the posts of Divisional Accounts Officers (DAOs) serving in divisions on November 20, 2023 effective from September 12, 2005, on the basis of partial adoption of a Finance Division office memorandum (O.M) approved by the Board of Directors. However, this selective up-gradation limited to DAOs in XEN offices, conflicted with the principles of fair and inclusive up-gradation. According to the Finance Division's O.M, once a post was upgraded, all incumbents in the corresponding pay-scale were entitled to the upgraded scale without restriction. Additionally, most Public Sector Organizations had fully adopted the Finance Division's O.M dated August 24, 2011, thereby upgrading all posts in the relevant pay scales to prevent disparity across similar roles. However, the Board of Directors' partial adoption of the Finance Division's up-gradation policy had led to disparities and anomalies within the Audit and Accounts Department and was also against the spirit of judgment of the Supreme Court of Pakistan.

Non-adherence to Finance Division's O.M resulted in selective up-gradation of posts of accounts and audit cadre up to the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to the Ministry in November, 2024. The management replied that IESCO has constituted a committee to deliberate on the matter and its recommendations shall be submitted in IESCO BoD for suitable decision.

DAC in its meeting held on January 13 and 15, 2025 directed the management to take up the matter with Finance Division through Ministry besides finalizing the proceedings of committee and sharing outcomes with Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1051/2024-25)

1.14.59 Non-submission of PC-IV and V Proformas of completed projects to Planning Commission

According to Clause 6.07 of Manual for Development Project of Planning Commission (December 2021) "at the project closure, submission of the PC-IV to Planning Commission by the sponsoring agency is mandatory without any exception". As per clause 7.06 (i) (xiii) Appendix-A "submission of

PC-IV and subsequently PC-V will be responsibility of PAO of the sponsoring agency”.

During audit of the accounts of MoE (Power Division) for the financial year 2022-23, it was observed that out of 345 PSDP projects completed during 2010-2023, PC-IV of 337 projects and PC-V of 340 projects were not prepared and submitted to Planning Commission by the sponsoring agency. However, the necessary action for fixing of responsibility was not appearing to be taken by the Power Division.

Violation of instructions of Planning Commission resulted in non-submission of PC-IV and V proformas of completed projects to Planning Commission by sponsoring agency up to financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management responded that the reply would be furnished after consulting the record.

DAC meeting held on September 25, 2024 but the matter could not be discussed due to non-provision of record to Audit for verification by the management, and further schedule of meeting was not conveyed by the Ministry till finalization of the report.

Audit recommends justifying the reasons of non-submission of PC-IV and V proformas and ensuring submission of the same without delay.

(Draft Para No. 210/2024-25)

1.14.60 Suboptimal performance of BoDs of DISCOs due to non-achievement of targets set in Performance Agreements / Contracts

According to Preamble of Performance Agreements/ Contracts, the BoDs and management of DISCOs assured Power Division by laying down that the BoDs and management has the required capacity, competence and adequate autonomy to successfully accomplish the agreed targets”.

During audit of the accounts of MoE (Power Division) & PESCO for financial years 2022-23 to 2023-24, it was observed that in compliance to the instructions of the Federal Government, Power Division signed Performance Agreements with BoDs of DISCOs for financial year 2022-23. However, the performance of DISCOs against key performance indicators/ benchmarks was not up to the mark and remained below from the acceptable standards. The suboptimal performance of BoDs DISCOs in achieving targets set in

performance contracts depicted lack of oversight by the Boards and poor performance by the management. It also revealed that BoDs and management did not possess required capacity, competence and adequate autonomy to successfully accomplish the targets agreed in Performance Agreements / Contracts. This scenario warranted corrective actions by Power Division but no action was taken in this regard.

Non-adherence to the provisions of State-Owned Enterprise Act, 2023 resulted in suboptimal performance of BoDs DISCOs due to non-achievement of targets set in Performance Agreement / Contracts during the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. MoE (Power Division) responded that the reply would be furnished after consulting the record. PESCO management replied that the company faces significant challenges, including electricity theft, high distribution losses, non-recovery of bills, outdated infrastructure, and staff shortages, particularly in noncompliant areas. Efforts to address these issues had seen limited success. Receivables rose to Rs.227,506.64 million by June, 2024 due to ongoing defaulters and non-payments. Safety concerns and court orders hinder the removal of defaulters' equipment. Efforts were being made to improve reading accuracy, and address fatal accidents with enhanced safety measures.

DAC meeting held on September 25, 2024 and January 7-8, 2025 but the matter could not be discussed due to non-provision of record to Audit for verification by the management, and further schedule of meeting was not conveyed by the Ministry till finalization of the report. DAC directed the PESCO management to ensure compliance with the re-audit remarks within one week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para Nos. 236 & 1251/2024-25)

1.14.61 Unjustified appointment of Chairman/Independent Directors in BoD of GEPCO, MEPCO, HESCO and SEPCO having irrelevant background to the operations of DISCOs/Power Sector

According to clause 3(1) of Public Sector Companies (Corporate Governance) Rules, the Board shall consist of executive and non-executive directors, including independent directors and 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."

During audit of the accounts of MoE (Power Division) for the financial year 2022-23, it was observed that Chairman/ Independent Directors having no relevance/ background/ experience/ skill to the operations of DISCOs/ Power Sector were appointed in BODs of GEPCO, MEPCO, HESCO and SEPCO. It is pertinent to mention here that most of the BoD members had not undergone the mandatory Director's training as required in SECP SRO 1216 (1)/2017 dated November 22, 2017. Moreover, due diligence in exercising fit and proper criteria in appointment of independent directors was also compromised by non-getting clearance from Intelligence Bureau (IB) as was done during constitution of BoDs during 2018. The matter of irrelevant, inexperienced and un-skilled appointment of BoDs in DISCOs was also discussed in the meetings of Standing Committee of Senate on Power dated October 13, 2022, November 8, 2022, February 14, 2023 & August 3, 2023 wherein Power Division was directed to reconstitute these BoDs. However, no action had so far been taken by Power Division in this regard.

Violation of Public Sector Companies (Corporate Governance) Rules resulted in unjustified appointment of Chairman/ Independent Directors in BoD GEPCO, MEPCO, HESCO and SEPCO having no relevance/ background to the operations of DISCOs/ Power Sector during the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management responded that the reply would be furnished after consulting the record.

DAC meeting held on September 25, 2024 but the matter could not be discussed due to non-provision of record to Audit for verification by the management, and further schedule of meeting was not conveyed by the Ministry till finalization of the report.

Audit recommends justifying the matter besides reconstituting BoDs of DISCOs.

(Draft Para No. 238/2024-25)

1.14.62 Non-carrying out energy audits in violation of NEECA Act, 2016

According to sub-para (S) of Para 7 of National Energy efficiency and conservation Authority Act July, 2016, carry out energy audits either by itself or

direct any person to conduct an energy audit by any certified or designated energy auditor for any facility, enterprise, factory, building or object for the purpose of identification of energy conservation issues and making recommendations for corrective measures. & (x) (ii) that facilitate, manage or designate authority for the appropriate registration of energy auditing firms or individuals and professionals.

During audit of the accounts of NEECA for financial years 2019-20 to 2023-24, it was observed that under the NEECA Act, 2016, NEECA was mandated to conduct energy audits and evaluate energy-consuming projects. This included assessing energy generation, transmission, distribution, and consumption to identify areas of energy waste and opportunities for enhancing energy efficiency, but the same was not done.

Non-adherence of the NEECA's Act resulted to non-conducting energy audit of up to the financial year 2023-24.

The matter was taken up with the management in September, 2024 and reported to the Ministry in November, 2024. The management replied that NEECA had conducted Energy Audit of Captive Power Plants and 10-ICONIC Buildings across ICT. Further, mandatory energy audit rules had been approved by the NEECA Board, which would be submitted to the Cabinet for ratification as per timelines set in NEECA Action Plan 2023-2030.

DAC in its meeting held on January 15, 2025 directed the management to expedite the matter with Cabinet Division and share the outcome with Audit within a week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1422/2024-25)

1.14.63 Weak monitoring / control of PPMC over DISCOs during the financial year 2023-24

According to Para 1.3 of Commercial Procedure, "the Revenue Officer and Assistant Manager are responsible for: i) implementing in conjunction with the Executive Engineer, the commercial policy laid down from time to time by the Authority through the Company; ii) efficient application of billing and collection procedure".

During audit of the accounts of PPMC for the financial year 2023-24, it was observed that, most of the KPIs to gauge the performance of DISCOs were negative as compared to financial year 2022-23.

Transmission and Distribution Line Losses

The trend of T&D losses in DISCOs during the last two years was as follows:

Sr. No.	DISCOs	Transmission Losses (%)	Distribution Losses (%)	Total T&D (%)
1.	LESCO	1.65	14.38	15.80
2.	GEPCO	0.80	10.76	11.48
3.	FESCO	1.16	8.76	9.82
4.	IESCO	0.96	7.88	8.76
5.	MEPCO	1.10	14.24	15.18
6.	PESCO	1.98	36.80	38.05
7.	TESCO	0.75	7.90	8.59
8.	HESCO	2.36	25.82	27.56
9.	SEPCO	2.90	32.95	34.89
10.	QESCO	3.76	28.27	30.96

Revenue Shortfall on the part of DISCOs

In the financial year 2023-24, there was a shortfall in revenue of Rs.235,614 million in all distribution companies which was 5.77% of the total billing. This shortfall indicates less receipt of revenue against billing. The financial impact of short fall was as follows:

<i>(Rs.in million)</i>					
Sr. No.	DISCOs	Computed Billing	Collection	Short Fall	%age Shortfall
1.	LESCO	986,392	975,244	11,148	1.13%
2.	GEPCO	454,998	450,774	4223.84	0.93%
3.	FESCO	606,446	604,291	2,156	0.36%
4.	IESCO	515,925	506,675	9,250	1.79%
5.	MEPCO	676,689	667,364	9,326	1.38%
6.	PESCO	382,582	352,826	29,756	7.78%
7.	TESCO	45,227	48,684	-3,457	-7.64%
8.	HESCO	153,384	119,046	34,338	22.39%
9.	SEPCO	107,632	72,228	35,404	32.89%
10.	QESCO	152,085	48,613	103,471	68.04%
ALL DISCOs		4,081,359	3,845,745	235,614	

The DISCO wise position of line losses was as follows:

Sr. No.	DISCOs	Purchased (inclusive Net-metering units)	Sold	Lost	% Age Losses
1	LESCO	25,415	21,400	4,015	15.80%
2	GEPCO	11,944	10,573	1,371	11.48%
3	FESCO	15,736	14,191	1,546	9.82%
4	IESCO	12,226	11,155	1,071	8.76%
5	MEPCO	19,929	16,904	3,025	15.18%
6	PESCO	14,209	8,803	5,406	38.05%
7	TESCO	1,407	1,286	121	8.59%
8	HESCO	5,121	3,709	1,412	27.56%
9	SEPCO	4,033	2,626	1,407	34.89%
10	QESCO	5,846	4,036	1,810	30.96%
TOTAL DISCOs		115,865	94,683	21,183	18.28%

PESCO, HESCO, SEPCO & QESCO Companies remained the worst performers having excessive % loss of 38.05%, 27.56%, 34.89% and 30.96% respectively.

Huge receivables from running and dead defaulters

Over the years, the volume of receivables from running and dead energy defaulters increased significantly and it had become an important cause for power sector debt accumulation. As on June 30, 2024, the total receivables from running defaulters were Rs.900,821 million which increased to Rs.1,094,936 million. Receivables from dead defaulters were amounting to Rs.143,388 million in financial year 2022-23 which increased to Rs.163,888 million in financial year 2023-24.

DISCOs' receivables

Due to un-resolved power-sector issues of the distribution companies with different government entities, Rs.256,346 million were held up as on June 30, 2024 which were 205,553 million as on June 30, 2023. Distribution companies had huge amount of receivables from private consumers which were Rs.1,760,720 million at the end of financial year 2023-24. The detail of receivables is as under:

Name of Organizations	(Rs.in million)	
	2022-23	2023-24
Federal Government	25,772	47,811
AJ & K Government	61,010	56,771

Provincial Government	118,771	151,763
Private Consumers	1,521,552	1,760,720
Grand Total	1,727,105	2,017,065

These bottlenecks constantly fed into the circular debt trap being faced by the power sector.

Non-adherence to the commercial procedures resulted in non-recovery of Rs.1,265,665 million up to the financial year 2023-24 which had become part of Circular debt.

The matter was taken up with the management and reported to the Ministry in November, 2024. The management replied that PPMC had been performing its duties by ensuring consistent monitoring of DISCOs' performance and conveyed critical insights to DISCOs' management and BODs on key areas such as T&D losses, ERO, and recoveries etc.

DAC in its meeting held on January 15, 2025 directed the management for following up matter with DISCOs.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1156/2024-25)

1.14.64 Non-implementation of ECC decision regarding assessment and disposal of assets of LPGCL

According to decision of Economic Coordination Committee (ECC) of the Cabinet on September 23, 2021, an allocation of Rs.500 million was sanctioned as a supplementary grant for the disbursement of salaries, pensions and operational expenses for LPGCL. This decision was made subsequent to the submission of a summary by Power Division on September 10, 2021, seeking approval for financial assistance to GENCOs. Additionally, the ECC, in its decision, constituted a committee tasked with addressing issues pertaining to dormant power plants, with defined terms of reference (TORs). These determinations were subsequently ratified by the Cabinet on September 28, 2021.

During Special Audit of LPGCL for financial years 2021-22 and 2022-23, it was observed that the ECC of cabinet approved supplementary grant of Rs.500 million for payment of salaries, pensions and overheads of GENCO-IV on September 23, 2021. The ECC also constituted a committee regarding closed power plants under the chairmanship of Secretary, Power Division along with

Senior Joint Secretary, Finance Division and Chairman (NEPRA) as members. The TORs of the committee were as follows:

- i. Justification for the closure and cost savings;
- ii. Assessment of cost incurred on closure;
- iii. Loss of revenue due to closure;
- iv. Broad based impact on books of the government; and
- v. Viable options for disposal of assets pertaining to closed power plants.

The ECC also directed the committee to submit its report to the ECC for consideration within one month. However, the report regarding closed power plants was not submitted by the committee till the finalization of this report.

Non-adherence to the ECC's decision resulted in delay in decision regarding the closure of LPGCL and disposal of its assets. Hence, LPGCL continued to accrue liabilities.

The matter was reported to the management in September, 2023. The management replied that LPGCL had already taken up the matter with GENCO Holding Company Limited (GHCL) office. The reply of the management was not acceptable because the matter was pending for last three years and resultantly, LPGCL was continuously accruing liabilities. Finance Division again provided funds amounting to Rs.136.975 million on May 10, 2023 for the financial year 2022-23 for payment of liabilities relating to salaries, pensions and overheads. Moreover, an amount of Rs.36.116 million was also received from GENCO-I, Jamshoro for meeting expenses of LPGCL from September, 2023 to July, 2024. This expenditure could have been avoided had the decision of ECC been implemented.

DAC in its meeting held on December 2, 2023 did not accept the reply of the management and directed the management to submit revised reply to audit within a week along with compliance regarding submission of report to ECC.

Despite directions of DAC, revised reply was not submitted to Audit till the finalization of the report.

Audit recommends taking up the matter at Ministry level for early submission of report of committee regarding closure of power plants to avoid further expenditure of public funds on the payment of liabilities of LPGCL.

(Special Audit of LPGCL – Para-4.1.1)

1.14.65 Non-finalization of complaint regarding illegal provision of electricity supply in housing society in connivance with GEPCO staff

According to Section 33 (2) of State-Owned Enterprises (Governance and Operations) Act, 2023, “the Division to which the business of a state-owned enterprise has been allocated under the Rules of Business, 1973 shall co-ordinate with the Board of such state-owned enterprise to monitor compliance with the provisions of this Act, including, without limitation, with respect to the development of the business plan, statements of corporate intent, the annual reports, timely establishment of systems of internal controls of the state-owned enterprise, appointment of the Chief Executive Officer, and reporting to the central monitoring unit.”

During audit of the accounts of MoE (Power Division) for the financial year 2022-23, it was observed that a complaint regarding illegal provision of electricity supply in unapproved blocks of Master City Housing Society Gujranwala was received in Power Division and NEPRA. These complaints were referred to the Chief Executive Officer GEPCO for comments, but no response had so far been submitted by GEPCO authorities. No action was taken by Power Division in this regard.

Non-adherence to the provisions of State-Owned Enterprise Act, 2023 resulted in non-finalization of complaint regarding illegal provision of electricity supply to housing society in connivance with GEPCO staff up to the financial year 2022-23.

The matter was taken up with the management in February, 2024 and reported to the Ministry in May, 2024. The management responded that the reply would be furnished after consulting the record.

DAC meeting was held on September 25, 2024 but the matter could not be discussed due to non-provision of record to Audit for verification by the management, and further schedule of meeting was not conveyed by the Ministry till finalization of the report.

Audit recommends that the Ministry needs to get the matter inquired for fixing of responsibility.

(Draft Para No. 230/2024-25)

CHAPTER-2

INTRODUCTION OF ENTITIES AND COMMENTS ON FINANCIAL STATEMENTS

2.1 POWER PLANNING & MONITORING COMPANY (PPMC)

2.1.1 Introduction

Power Planning and Monitoring Company (PPMC) was established for implementation of the Strategic Plan of Power Division. In its defined role, PPMC is responsible for assisting the Power Division, Ministry of Energy, in effective monitoring and oversight of the Distribution Companies (DISCOs) in the following areas:

- Performance monitoring according to specified Key Performance Indicators (KPIs).
- Monitoring & Evaluation of financial performance.
- Monitoring of revenue and commercial operation.
- Effective HR control to boost up efficiency (not limited to promotions on the basis of integrated seniorities of BPS-18 and above officers and inter-Company transfers but include other HR matters).
- Surveillance & Investigation and Federal Complaint Cell
- Timely and uniform implementation of emerging technologies like AMI, Smart Grids, etc.
- Performance-based career progression to replace the present seniority based system to promote and retain high-quality HR and weeding out non-performers
- Standardization of benchmarks across the Companies like financial, management, technical, and HR
- Capacity building of the Companies to cater to future challenges
- Uniform implementation of Government policies and programs
- Evolve the corporate governance structures to ensure compliance with applicable laws/rules.

The detail of formations and expenditure audited is as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2023-24 (Rs.in million)	Expenditure audited FY 2023-24 (Rs.in million)	Revenue / Receipts FY 2023-24 (Rs.in million)
1.	Formations	01	01	530.80	58.69	0
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	N/A	N/A
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	Nil	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.1.2 Comments on Financial Statements

2.1.2.1 Financial Overview

As per audited financial statements for the FY ended on June 30, 2024, the company earned a profit of Rs.352.807 million which was Rs.327.125, last year. During the current FY 2023-24, the company earned an amount of Rs.1,030.516 million on account of Management Fee, Inspection Fee and Other Income which is total revenue for the Company. Out of this generated fund, no short-term investment was made during the FY ended on June 30, 2024. However, bank balance of the Company increased from Rs.392.403 million in the financial year 2023-24 to Rs.1,248.211 million as on June 30, 2024 registering an increase of 218.09%.

2.1.3 Extract of the financial statement

Statement of Financial Position as on June 30, 2024

	2023-24		2022-23	
		(%)		(%)
Assets				
Non-current Assets				
Property and equipment	31.00	167.82%	11.58	1.23%
Right of Use Assets	3.05	-85.71%	21.33	2.27%
	34.05	3.48%	32.91	
CURRENT ASSETS				
Loans, deposits, advances and other receivables	27.18	98.28%	13.71	1.46%
Short term Investments			500.00	53.16%
Accrued profit on bank deposits & investments	3.19	-72.43%	11.57	0.17%

Bank balances	1,248.21	218.09%	392.40	41.72%
	1,278.58	39.33%	917.68	96.50%
TOTAL ASSETS	1,312.63	38.09%	950.59	

EQUITY AND LIABILITIES

SHARE CAPITAL AND RESERVES

Authorized share capital	100.00		100.00	
Issued, subscribed and paid-up capital	7.10	-	7.10	0.75%
Un-appropriated profit	679.93	107.85%	327.12	34.41%
	687.03	105.56%	334.23	35.16%

NON-CURRENT LIABILITIES

Lease liabilities			5.68	0.60%

CURRENT LIABILITIES

Trade and other payables	467.06	-0.11%	467.55	49.19%
Lease liabilities	15.49	-16.54%	18.55	1.95%
Provision for taxation-net	143.05	14.83%	124.58	13.11%
	625.60	2.44%	610.69	64.24%
TOTAL EQUITY AND LIABILITIES	1,312.63	38.09%	950.59	

2.1.4 Statement of Profit and Loss Account For the year ended on June 30, 2024

(Rs.in million)

	2023-24 (Rs)	(%)	2022-23 (Rs)	(%)
Management fee	250.00	19.05%	209.99	
Inspection fee	549.08	10.81%	495.54	
Other income	231.43	32.54%	174.61	
	1,030.52	17.09%	880.14	100%
Operating expenses	412.82	-2.37%	422.86	48%
Finance cost	1.12	-54.36%	2.46	0.28%
	413.94	-2.67%	425.32	
Profit for the year before taxation	616.57	35.56%	454.82	51.68%
Provision for taxation	263.77	106.56%	127.70	
Profit for the year	352.81	7.85%	327.12	
Other comprehensive income				
Total comprehensive income for the year	352.81	7.85%	327.12	37.17%

(Source: Audited Financial Statement of PPMC Financial Year 2023-24)

i) Profitability / Loss of the Company

During the Financial Year ended on June 30, 2024, PPMC earned a profit of Rs.352.807 million which is 34.24% of the total revenue earned by the company. Out of the total revenue earned, company had an operating expense of Rs.412.820 million which is 40.06% of the revenue. There was a nominal finance cost of Rs.1.121 million, which is 0.11% of the total revenue. These two expenses stand at Rs.413.941 million which are 40.17% of the revenue, and make earnings before interest and taxes of Rs.616.575 million which is 59.83% of the revenue.

ii) Sale and Cost of Sale

Total revenue generation for the FY 2023-24 is Rs.1,030.516 million, which was Rs.880.139 million in the previous year. In the current FY 2023-24, company improved its total earning by 150.378 million registering an increase of 17.09%. This revenue in FY 2023-24 comprises of management fee of Rs.250.00 million (2023, Rs.209.989 million), Inspection Fee of Rs.549.085 million (2023, Rs.495.536 million) and other income of Rs.231.274 million (2023, Rs.174.613 million).

iii) Trade Debts and other Receivables

Company had loans, deposits, advances and other receivables of Rs.27.178 million in FY ended on June 30, 2024 which was Rs.13.706 million in the last year. These receivables mainly comprise of loans and advances to employees amounting to Rs.18.240 million, in the previous year 2023 this amount was Rs.5.026 million. Another constituent of loans and deposits is other receivables of Rs.7.03 million which are receivables from WAPDA and GHCL. This amount was Rs.7.093 in the previous year.

iv) Trade and other Payables

Trade and other payables of the company is almost the same to Rs.467.062 million in the financial year ended on June 30, 2024 which was Rs.467.554 million in the previous year. Out of this Rs.467.062 million, an amount of Rs.444.524 million was payable to CPPA-G.

v) Operating Expenses

The operating expenses of the company were reduced from Rs.422.861 million to Rs.412.820 million in the financial year ended on June 30, 2024. Thus, there was decrease of Rs.10.041 million from the previous year. The reason for reduction in operating expenses is reduction in the amount of rent, legal and professional fees and advertisement expenses.

2.1.5 Classified Summary of Audit Observations

Audit observations amounting to Rs.401.24 million were raised in this audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Irregularities	
	A. HR/Employees related irregularities	63.11
	B. Procurement related irregularities	98.44
2.	Others	239.69

2.2 FAISALABAD ELECTRIC SUPPLY COMPANY (FESCO)

2.2.1 Introduction

Faisalabad Electric Supply Company Limited (FESCO) started its operations as a Public Limited Company registered under Companies Ordinance, 1984 in May, 1998. The Company distributes the electricity to power consumers at tariff determined by National Electric Power Regulatory Authority (NEPRA) and notified by the Government of Pakistan. The Company purchases electricity from National Transmission and Despatch Company (NTDC) and sells it to various consumers within its service territory. Geographical service area of FESCO comprises Faisalabad, Jhang, Bhakkar, Sargodha, Mianwali, Toba Tek Singh, Khushab and Chiniot Districts.

FESCO is one of the best electricity distribution companies in Pakistan in terms of operational performance, as it has low degree of distribution losses and a high rate of bill collection.

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2023-24 (Rs.in million)	Expenditure audited FY 2023-24 (Rs.in million)	Revenue / Receipts FY 2023-24 (Rs.in million)
1.	Formations	11	7	53,720.09	14,618.01	604,291.00
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities/ Autonomous Bodies-etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.2.2 Comments on Financial Statements

2.2.2.1 Financial Overview

Faisalabad Electric Supply Company (FESCO) exhibited significant financial improvement in financial year 2023-24, achieving a net profit of Rs.998

million after a significant loss of Rs.11.9 billion in the financial year 2022-23. This turnaround was driven by a 32% increase in sales to Rs.434.8 billion and higher other income, despite persistent accumulated losses, which grew to Rs.91.6 billion during the financial year 2023-24. Total assets increased to Rs.395.1 billion, primarily due to substantial investments in property, plant, and equipment, while both non-current and current liabilities increased, reflecting higher staff retirement benefits and trade payables. FESCO's gross profit improved significantly to Rs.36.4 billion, though operating losses remained at Rs.5.5 billion; however the company has strengthened its financial position, particularly through asset growth and profitability.

2.2.3 Extracts of the Financial Statements

Statement of Financial Position as at June 30, 2024

(Rs.in million)

	2024	Inc/Dec %	2023	Inc/Dec %	2022
Equity and Liabilities					
Share capital and reserves					
Issued, subscribed and paid-up capital	0.01	-	0.01	-	0.01
Accumulated loss	-91,604.74	6.48%	-86,029.74	23.22%	-69,818.91
Surplus on revaluation	95,025.05	106.55%	46,005.10	-1.51%	46,709.17
¹¹ Deposits for the issuance of shares	45,654.62	9.86%	41,556.65	20.53%	34,478.69
TOTAL EQUITY	49,074.94	3103.28%	1,532.02	-86.52%	11,368.96
Non-current liabilities					
Deferred Credit	45,829.62	12.02%	40,910.70	16.24%	35,194.18
Long-term loans	2,785.70	-8.44%	3,042.42	-9.41%	3,358.58
Staff retirement benefits	122,338.84	11.27%	109,949.05	9.61%	100,304.82
Security deposits	12,946.90	8.65%	11,915.86	8.68%	10,963.99
Receipts against Deposit Works	19,837.88	-1.79%	20,199.53	11.60%	18,100.34
Deferred income tax	9,445.56	45.31%	6,500.49	-4.24%	6,788.06
Total Non-Current Liabilities	213,184.49	10.73%	192,518.04	10.19%	174,709.97
Current liabilities					
Trade and other payables	123,578.85	6.05%	116,529.53	-0.12%	116,672.44
taxation and levi	355.91	-32.06%	523.87	-13.43%	605.16

¹¹ This represents credit of Rs.45.654 billion received by the Company from CPPA-G as GoP investment against circular debt of Rs.341 billion and equity injection by the MoE (PD) as mark up on syndicated loans. Hence, this was treated as GoP equity investment in the Company. During the year, the Company has made a non-cash adjustment in the deposit for shares amounting to Rs.4,097.964 million.

Accrued mark-up	6,111.09	16.81%	5,231.51	20.21%	4,351.92
Current maturity of long-term loan	2,755.58	10.27%	2,498.86	14.48%	2,182.70
Total Current Liabilities	132,801.43	6.43%	124,783.77	0.78%	123,812.23
TOTAL LIABILITIES	395,060.85	23.91%	318,833.84	2.89%	309,891.15

Assets

Non-current assets

property plant and Equipment	230,783.05	42.73%	161,693.88	12.25%	144,046.14
Intangible assets	1.37	-25.53%	1.84	-20.34%	2.31
Long term advances	195.62	87.12%	104.54	98.22%	52.74
Long term deposits	52.75	30.08%	40.55	899.31%	4.06
Total Non-Current assets	231,032.79	42.75%	161,840.81	12.31%	144,105.25

Current assets

Stores and spares	6,624.99	32.37%	5,004.93	48.68%	3,366.24
Trade Debts	76,115.81	11.15%	68,479.55	-17.14%	82,644.15
loans and advances	347.03	-7.27%	374.24	412.30%	73.05
Due from Associated Undertakings	34,249.96	10.17%	31,087.15	21.74%	25,535.19
Sales tax receivable	8,304.96	2.59%	8,095.46	-27.80%	11,212.35
Interest accrued	777.89	-10.64%	870.55	251.22%	247.87
Receivable from Government	14,856.29	-15.91%	17,667.31	44.37%	12,237.64
Cash and bank balances	22,751.14	-10.48%	25,413.84	-16.59%	30,469.42
Total Current assets	164,028.07	4.48%	156,993.02	-5.30%	165,785.90
TOTAL ASSETS	395,060.85	23.91%	318,833.84	2.89%	309,891.15

2.2.4 Statement of Profit & Loss Account For the year ended on June 30, 2024

Particulars	(Rs.in million)				
	2024		2023		2022
Sales	434,774.88	31.80%	329,874.27	17.87%	279,867.79
Tariff Differential Subsidies	26,248.96	-48.52%	50,989.97	-12.00%	57,944.69
Total revenue	461,023.84	21.05%	380,864.24	12.74%	337,812.48
Cost of sales	424,588.19	17.75%	360,599.53	14.10%	316,040.28
Gross Profit/(Loss)	36,435.65	79.80%	20,264.71	-6.92%	21,772.21
Amortization of Deferred Credit	2,465.35	11.71%	2,206.90	14.37%	1,929.58
	38,901.01	73.11%	22,471.62	-5.19%	23,701.79
Operating expenses	33,738.85	19.54%	28,222.73	-228.22%	-22,011.44
Other expense	5,984.25	31.55%	4,548.91	-229.75%	-3,505.81
Customer service cost	4,684.17	-24.66%	6,217.75	-341.51%	-2,574.51

	44,407.27	13.90%	38,989.39	-238.79%	-28,091.76
Loss from operations	-5,506.26	-66.66%	-16,517.78	276.26%	-4,389.96
Other income	12,767.45	36.49%	9,354.46	52.74%	6,124.51
Financial cost	-882.30	-0.01%	-882.42	87.61%	-470.35
Profit/(loss) before levy ¹² & taxation	6,378.89	-179.28%	-8,045.74	-736.43%	1,264.19
Levi	-5,677.79	37.02%	-4,143.74		0.00
Profit/(loss) before taxation	701.10	-105.75%	-12,189.48	-1064.21%	1,264.19
Taxation	297.19	5.03%	282.96	-108.71%	-3,249.03
Profit/(loss) after taxation	998.29	-108.38%	-11,906.52	499.87%	-1,984.84

i) Profitability:

The profitability of the Company during FY 2023-24 reflected significant improvement as compared to FY 2022-23, primarily due to 31.8% growth in sales revenue, which increased from Rs.329,874.27 million in FY 2022-23 to Rs.434,774.88 million in FY 2023-24. The gross profit increased by 79.8%, reaching to Rs.36,435.65 million in FY 2023-24 from Rs.20,264.71 million in FY 2022-23 reflecting enhanced cost management and a controlled increase in the cost of sales. Gross profitability also improved by 79.80% as compared to previous year with the Company achieving Rs.36,435.65 million before operating expenses. These results indicated a robust improvement in operational efficiency.

It is pertinent to mention that other income increased by 36.49%, which reached to Rs.12,767.45 million in FY 2023-24 due to reversal of impairment loss of Rs.138.548 million, gain on installation of new connection Rs.733.33 million and recovery of late delivery charges Rs.257.312 million. This additional revenue significantly contributed to the company's ability to offset operating losses. Despite a significant improvement in profitability, accumulated losses remained at Rs.91,604.74 million. The Company needs to focus on further reducing its

¹² Levi represents minimum tax on turnover and tax on other income under relevant provision of the Income Tax Ordinance 2001. However, tariff differential subsidy from Government of Pakistan is excluded from turnover of the Company as it constitutes exempt income

accumulated losses, optimizing its operating cost structure and improving its capital structure.

ii) Impact of Periodic Adjustments allowed by the Regulator on Financial Statements

NEPRA determined 2nd quarter of Financial Year 2023-24 Rs.10,857 million notified on April 01, 2024, out of which Rs.7,902 million recovered during current financial year, remaining Rs.7,417 million will be recovered in financial year 2024-25. Furthermore, Rs.4,674 million determined in the 4th quarter of the financial year 2023-24 (notified on 11th September, 2024) which will be recovered in the financial year 2024-25 in three months from September to November, 2024. Had the remaining amount of Rs.2,955 million of 2nd quarter and Rs.7,517 million of 3rd quarter of FY-2023-24 besides total Rs.4,674 million determined for the 4th quarter of FY 2023-24 were recovered in the financial year 2023-24, the revenue for the financial year 2023-24 would have been increased by Rs.15,146 million. Consequently, accumulated loss for the year ended on 30th June, 2024 would have been reduced by Rs.15,146 million.

iii) Sales and Cost of Sales

Since NEPRA determines the electricity tariff (Generation and Distribution) and the government notifies it, cost structure of the DISCOs is heavily influenced by Power Purchase Agreements (PPAs) and regulated pricing mechanisms. During the financial year 2023-24, the Company showed a significant growth in sales revenue which increased by 31.8% in FY 2023-24 to Rs.434,774.88 million, due to improved operational efficiencies, higher electricity demand, and tariff adjustments by NEPRA. It is pertinent to mention that over the past three-year period, consistent revenue growth and improved operational performance enabled the Company to achieve better profit margins, despite rising input costs and regulated pricing structures. FESCO needs to focus on improving operational

efficiencies further and cost control will be crucial for sustaining growth in the regulated energy sector.

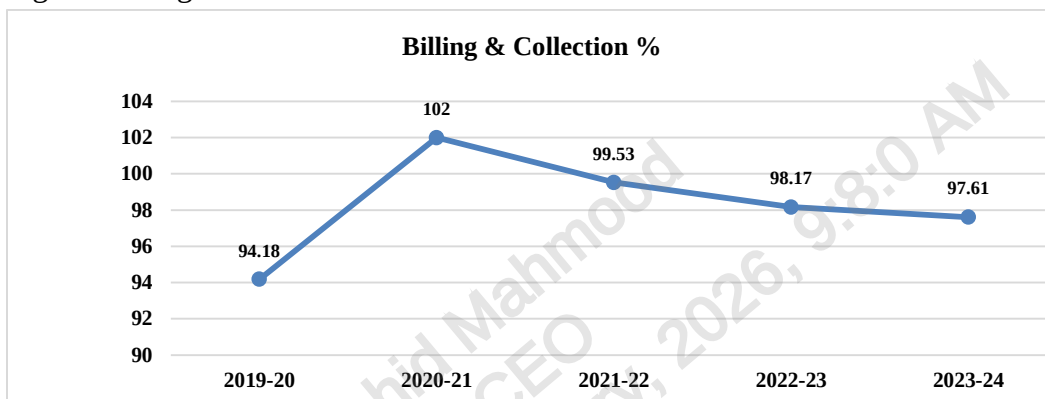
iv) Trade Debts and other Receivables

The receivable position of the Company reflected a mixed trend across different components of receivables during FY 2023-24 as compared to previous years. Trade debts increased by 11.15% during FY 2023-24, highlighted that huge amount was receivable from running and dead defaulters. Although debtors turnover period reduced from 65.63 days in FY 2022-23 to 60.26 days but still indicated that company needs to improve efficiency in collecting receivables within its operating cycle of 30 to 35 days. However, receivables from the government declined significantly by 15.91%, which could impact liquidity if these funds are not recovered promptly.

On the other hand, the creditors turnover period improved to 106.24 days in FY 2024 from 117.95 days in FY 2023, reflecting a more effective management of payables and an extended timeframe to settle obligations with suppliers. While this reduces immediate cash outflows, the faster collection of receivables and a declining debtor turnover period indicate better working capital utilization. Moving forward, FESCO should prioritize recovering dues from the government and maintain the momentum in improving debtor turnover to strengthen liquidity further. Moreover, billing and collection position of the Company against 100% recovery target of the Regular remained as under:

FYs	2019-20	2020-21	2021-22	2022-23	2023-24
Billing & Collection %	94.18	102	99.53	98.17	97.61

Figure - billing and collection



v) **Trade and other Payables**

The trade payable position of the company showed a gradual increase in current liabilities, which increased by 6.43% during FY 2023-24. It is pertinent to mention that trade payable primarily includes Rs.89,103 million payable to CPPA-G on account of purchase of electricity from IPPs which carries huge interest if payment is delayed. The creditor's turnover period improved to 106.24 days during FY 2023-24, down from 117.95 days in FY 2022-23 and 134.75 days in FY 2021-22. This indicates that the company is settling its payables to CPPA-G more quickly compared to previous years, however, it still needs to bring it down to its billing operation cycle to avoid delayed payment charges from IPPs.

vi) **Long term Financing**

The carrying amount of long-term loans decreased to Rs.2,785.70 million with a decrease of Rs.256.72 million at the balance sheet date (8.44%) during the current financial year. The Company charged an amount of Rs.882.30 million as financial cost in the profit and loss account during the current year (2022-23: Rs.882.42 million). The Company was relying on expensive financing to run its operations which ultimately causing burden on the resources of the Company and its liabilities. Reliance on borrowings/loans and payment of huge financial charges need to be justified.

vii) Non-recognition of supplemental charges

The Company has received various invoices from CPPA-G representing late payment charges (supplemental charges) being the share of the Company in the late payment charges charged to CPPA-G by the Independent Power Producers (IPPs) on account of delayed payment aggregating to Rs.16,254.65 million over the years. However, the Company did not book supplemental charges of Rs.16,254.65 million in books of accounts. Had these supplemental charges been charged it would have enhanced the expenditure and declined the current year profit by Rs.16,254.65 million. Similarly, accumulated losses of the Company too would have increased at the balance sheet date. It means that current figure of accumulated losses of Rs.91,604.74 million was understated by an amount of Rs.16,254.65 million. Non-recognition of these charges needed justification in the light of International Accounting Standards.

2.2.5 Classified Summary of Audit Observations

Audit observations amounting to Rs.324,313.46 million were raised in this audit. The amount also includes recoveries of Rs.1,703.40 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Reported cases of fraud, embezzlement, misappropriation and theft	102.07
2.	Irregularities	
	A. Procurement related irregularities	11,230.51
	B. Irregularities pertaining to violation of entity's own regulations / SOPs	9,578.96
	C. Irregularities pertaining to violation of Laws & Regulations	256,408.71
	D. Power Sector receivables	11,069.90
	E. Recoveries pointed out by Audit	1,703.40
3.	Value for money and service delivery issues	34.97
4.	Others	34,184.94

2.3 GUJRANWALA ELECTRIC POWER COMPANY (GEPCO)

2.3.1 Introduction

Gujranwala Electric Power Company (GEPCO) is a subsidiary of PPMC. The Company started its operations as a Public Limited Company registered under Companies Ordinance 1984 (now Companies Act 2017) in May, 1998. The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA-G through NTDC system and sells it to various consumers within Gujranwala, Gujrat, Mandi Bahaudin, Narowal, Hafizabad and Sialkot Districts.

The operational activities are performed through five Operation Circles and Grid System Construction, Project Construction & Grid System Operation Circles.

The detail of formations and expenditure audited was is under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2023-24 (Rs.in million)	Expenditure audited FY 2023-24 (Rs.in million)	Revenue / Receipts FY 2023-24 (Rs.in million)
1.	Formations	11	5	67,455.35	5,406.25	450,774
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.3.2 Comments on Financial Statements

2.3.2.1 Financial Overview

Financial data showed that despite a 10.09% increase in total revenue in FY 2023-24, caused by higher sales and tariff differential subsidies, the gross profit declined sharply by 53.42% due to a substantial rise in the cost of sales during the financial year 2023-24. The company reported an operating loss of

Rs.11,344.68 million in FY 2023-24, reversing a prior operating profit in FY 2022-23. Resultantly, accumulated losses increased significantly to Rs.40,351.41 million which wiped out equity of the Company. Current assets declined by 5.91% in FY 2023-24, primarily due to reduced trade debts, while current liabilities increased by 19.73%, due to higher trade payables. Overall, GEPCO faces mounting losses and liquidity constraints, highlighting the need for cost control and strategic restructuring within corporate and regulatory framework.

2.3.3 Extract of the Financial Statements

Statement of Financial Position as on June 30, 2024

	(Rs.in million)			
	2023-24	% Inc/ Dec	2022-23	% Inc/ Dec
				2021-22
Equity and Liabilities				
Share capital and reserves				
Issued, subscribed and paid-up capital	0.01	0.00%	0.01	0.01
Accumulated loss	-40,351.41	99.59%	-20,217.49	-39,818.90
TOTAL EQUITY	-40,351.40	99.59%	-20,217.48	-39,818.89
Deposits for the issuance of shares	25,684.49	10.00%	23,349.03	19,670.60
Non-current liabilities				
Deferred credit	34,196.73	17.90%	29,003.98	25,464.77
Long term financing	18,306.29	33.55%	13,707.04	12,533.94
Deferred Liabilities	83,145.50	-5.22%	87,725.16	83,425.10
Long term security deposits	9,886.46	9.07%	9,064.58	8,119.27
Total Non-Current Liabilities	145,534.99	4.33%	139,500.76	129,543.09
Current liabilities				
Trade and other payables	109,600.87	24.43%	88,080.04	82,586.94
Current portion of long-term financing	3,521.93	-44.98%	6,400.79	5,903.22
Total Current Liabilities	113,122.80	19.73%	94,480.82	88,490.16
TOTAL LIABILITIES	243,990.88	2.90%	237,113.13	197,884.97
Assets				
Non-current assets				
Property Plant and Equipment	92,423.04	21.61%	75,998.43	64,159.18
Long term loans	425.63	-11.46%	480.70	463.30

Total Non-Current assets	92,848.67	21.40%	76,479.13	18.35%	64,622.48
Current assets					
Stores and Spares	12,979.07	86.48%	6,960.06	95.42%	3,561.68
Trade debts	71,192.19	-22.26%	91,579.30	45.15%	63,093.26
Loans and Advances	165.16	19.71%	137.97	-17.77%	167.79
Tax refunds due from the Government of Pakistan	13,631.93	4.59%	13,034.07	9.24%	11,932.11
Receivables from the Government of Pakistan	23,779.09	0.70%	23,613.98	-22.55%	30,490.66
Short term investments	11,448.84	12.99%	10,132.84	17.28%	8,639.75
Other receivables	7,421.76	15.89%	6,403.87	12.79%	5,677.52
Bank balances	10,524.18	19.98%	8,771.91	-9.57%	9,699.71
Total Current assets	151,142.21	-5.91%	160,634.00	20.54%	133,262.49
TOTAL ASSETS	243,990.88	2.90%	237,113.13	19.82%	197,884.97

2.3.4 Statement of Profit and Loss Account For the year ended on June 30, 2024

	2023-24		2022-23		2021-22	
		% Inc / Dec		% Inc/Dec		
Sales	309,870.42	9.96%	281,803.09	30.10%	216,602.65	
Tariff Differential Subsidies	25,916.07	11.61%	23,219.76	28.96%	18,005.96	
Total revenue	335,786.50	10.09%	305,022.85	30.01%	234,608.61	
Cost of sales	314,174.48	21.48%	258,627.39	13.31%	228,251.64	
Gross Profit/(Loss)	21,612.02	-53.42%	46,395.46	629.84%	6,356.97	
Amortization of Deferred Credit	1,575.43	11.15%	1,417.39	14.20%	1,241.11	
	23,187.45	-51.50%	47,812.85	529.28%	7,598.08	
Distribution Expense	-26,349.63	14.11%	-23,092.28	22.49%	-18,852.26	
Admn Exp	-8,182.50	12.19%	-7,293.70	33.70%	-5,455.14	
	-34,532.13	13.64%	-30,385.98	25.01%	-24,307.41	
Operating Loss	-11,344.68	-165.10%	17,426.87	-204.29%	-16,709.32	
other Expenses	-1,435.45	20.52%	-1,191.03	-122.07%	5,395.43	
Other income	6,935.06	-14.12%	8,075.72	118.93%	3,688.77	
	-5,845.07	-124.04%	24,311.55	-232.01%	-18,415.99	
Financial cost	-1,722.64	2.42%	-1,681.89	-203.43%	1,626.07	

Profit/(loss) before levy & taxation	-7,567.71	-133.44%	22,629.66	-212.91%	-20,042.06
Levy	-1,015.48				
Taxation	0.00	-100.00%	936.96	72.19%	544.13
Profit/(loss) after taxation	-8,583.19	-139.57%	21,692.71	-205.38%	-20,586.19

i) Profitability

The Company faced significant profitability issues during FY 2023-24, reflected by a steep decline in gross profit of 53.42%, despite a 10.09% increase in total revenue. The operating loss expanded drastically by 165.10% as compared to FY 2022-23, primarily due to a 21.48% rise in the cost of sales and increased distribution and administrative expenses. This financial strain resulted in a loss before levy and taxation of Rs. 7,567.71 million, a stark contrast to the profit achieved in FY 2022-23. Overall, the company's deteriorating profitability underscores the critical need for cost management and operational efficiency to stabilize its financial position.

ii) Sales and Cost of Sale

The sales of the Company showed a positive trend, with a 9.96% increase in FY 2023-24, reaching Rs.309,870.42 million, following a 30.10% growth in FY 2022-23. However, this growth in sales was wiped out by a disproportionate 21.48% increase in the cost of sales in FY 2023-24, which escalated to Rs.314,174.48 million over the previous year. The rising cost of sales has significantly impacted the gross profit margin, emphasizing the need for stringent cost controls and improved operational efficiencies to ensure that sales growth translates into sustainable profitability. Furthermore, sales of electricity have been based on the notified rates and included accrual of Rs.6,149 million relating to Fuel Price Adjustments (FPA) for the month of May 2024 and June 2024, third and fourth quarter of quarterly tariff adjustments amounting to Rs.6,796 million and Prior Year Adjustments (PYA) amounting to Rs.2,593 million. The effect of above mentioned FPA, QTA and PYA will be

passed to the consumers after year end in accordance with NEPRA notifications.

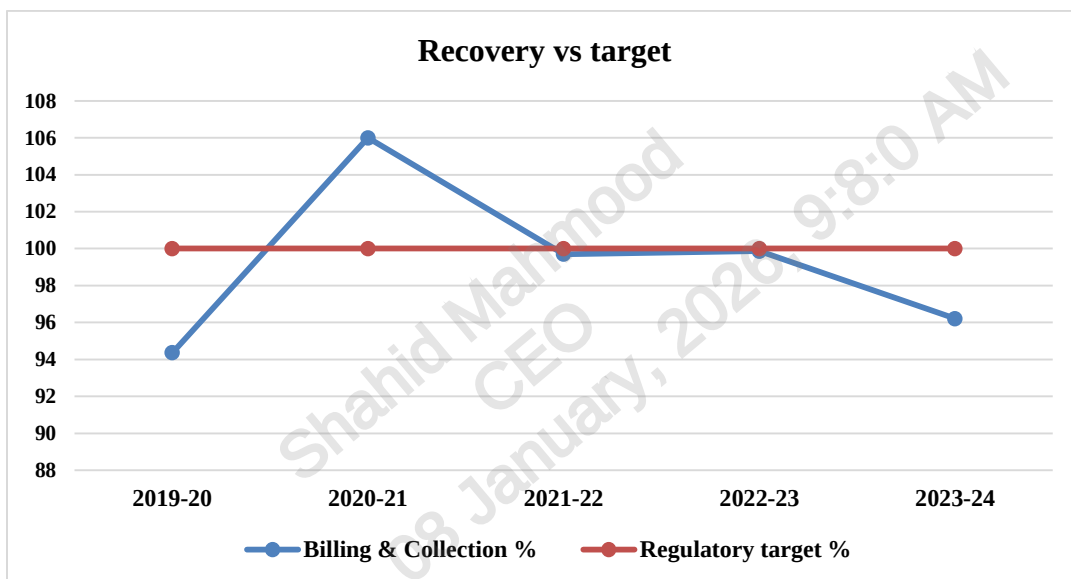
iii) Trade Debts and other Receivables

The receivable position of the Company reflected a mixed trend across different components of receivables during FY 2023-24 as compared to previous years. Trade debts decreased by 22.26% during FY 2023-24, highlighted that better recovery and collection from electricity consumers. Moreover, debtors turnover period reduced from 118 days in FY 2022-23 to 84 days but still indicated that company needs to improve efficiency in collecting receivables within its operating cycle of 30 to 35 days. However, receivables from the government increased marginally by 0.70%, which could impact liquidity if these funds are not recovered promptly.

On the other hand, the creditors turnover period remained 127 days in FY 2024 reflecting a more effective management of payables and an extended timeframe to settle obligations with CPPA-G. While this reduces immediate cash outflows, the faster collection of receivables and a declining debtor turnover period indicate better working capital utilization. Moving forward, GEPCO should prioritize recovering dues from the government and maintain the momentum in improving debtor turnover to strengthen liquidity further. Moreover, billing and collection position of the Company against 100% recovery target of the Regular remained as under:

FYs	2019-20	2020-21	2021-22	2022-23	2023-24
Billing & Collection %	94.36	106	99.7	99.86	96.21

Figure- billing and collection



iv) Trade and other Payables

The trade payable position of the company showed a gradual increase in current liabilities, which increased by 19.73% during FY 2023-24. It is pertinent to mention that Trade Payable primarily includes Rs.67,086.592 million payable to CPPA-G on account of purchase of electricity from IPPs which carries huge interest if payment is delayed. The creditor's turnover period remained 127 days during FY 2023-24, increased from 124 days in FY 2022-23. This indicates that the company is settling its payables to CPPA-G more quickly compared to previous years, however, it still needs to bring it down to its billing operation cycle to avoid delayed payment charges from IPPs.

v) Long term Financing

The carrying amount of long-term loans increased to Rs.18,306.29 million with an increase of Rs.4,599.251 million at the balance sheet date (33.55%) during the current financial year. The Company charged an amount of Rs.1,722.64 million as financial cost in the profit and loss account during the current year (2022-23: Rs.1,681.89 million). The

Company was relying on expensive financing to run its operations which ultimately causing burden on the resources of the Company and its liabilities. Reliance on borrowings/loans and payment of huge financial charges need to be justified.

vi) Non-recognition of supplemental charges

The Company has received various invoices from CPPA-G representing late payment charges (supplemental charges) being the share of the Company in the late payment charges charged to CPPA-G by the Independent Power Producers (IPPs) on account of delayed payment aggregating to Rs.6,710 million over the years. However, the Company did not book supplemental charges in books of accounts. Had these supplemental charges been charged it would have enhanced the expenditure and resulted in decline in the current year profit by Rs.6,710 million. Similarly, accumulated losses of the Company too would have increased at the balance sheet date. Therefore, current figure of accumulated losses of Rs.40,351.41 million was understated by an amount of Rs.6,710 million. Non-recognition of these charges needed justification in the light of International Accounting Standards

2.3.5 Classified Summary of Audit Observations

Audit observations amounting to Rs.50,487.69 million were raised in this audit. The amount also includes recoveries of Rs.338.96 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Reported cases of fraud, embezzlement, misappropriation and theft	78.62
2.	Irregularities	
	A. HR/Employees related irregularities	13.06
	B. Procurement related irregularities	23,087.81
	C. Management of accounts with commercial banks	1,220.36
	D. Irregularities pertaining to violation of entity's own regulations / SOPs	1,692.83

	E. Irregularities pertaining to violation of Laws & Regulations	12,404.32
	F. Power Sector receivables	11,594.27
	G. Recoveries pointed out by Audit	338.96
3.	Others	57.46

2.4 HYDERABAD ELECTRIC SUPPLY COMPANY (HESCO)

2.4.1 Introduction

Hyderabad Electric Supply Company (HESCO) is a subsidiary of PPMC. The Company started its operations as a Public Limited Company in July, 1998 and registered under Companies Ordinance 1984 (now Companies Act 2017) as a public limited company. The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA-G through NTDC system and sells it to various consumers in thirteen districts of Sindh Province.

The operational activities are performed through four (04) Operation Circles and Grid System Construction, Project Construction & Grid System Operation Circles.

The detail of formations and expenditure audited is as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2023-24 (Rs.in million)	Expenditure audited FY 2023-24 (Rs.in million)	Revenue / Receipts FY 2023-24 (Rs.in million)
1.	Formations	10	06	72,213.51	1,949.46	119,046
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	01	01	US\$ 0.67	US\$ 0.67	Nil

2.4.2 Comments on Financial Statements

According to Section 223 of Companies Act 2017, “the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of Financial Year adopted by the company”.

Moreover, Section 223 of Companies Act, 2017 states that every company shall send in the form and manner specified audited financial statements together with the auditors' report, directors' report and in the case of a listed company the chairman's review report to every member of the company and every person who is entitled to receive notice of general meeting, either by post or electronically at least twenty-one days before the date of meeting at which it is to be laid before the members of the company, and shall keep a copy at the registered office of the company for the inspection of the members. It is pertinent to mention that financial statements were not finalized and audited for the FY 2022-23 to 2023-24 which is a significant violation of Company Act, 2017.

Moreover, as per Rule 4(1) of National Electric Power Regulatory Authority (NEPRA) (Uniform System of Accounts) Rules, 2009 (USoA Rules) whereby every licensee of NEPRA is obligated to submit its Annual Regulatory Accounts with the Authority within one month of submission of the Audited Accounts under the Companies Act, 2017. However, accuracy of balances being reported to the Regulator cannot be ascertained as fair and true due to non-finalization of audited financial statements which may result in non-transparency in determination of electricity tariff.

In HESCO, financial statements of the company for the Financial Year 2023-24 could not be finalized by the management up till December 31, 2024.

2.4.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.485,614.84 million were raised in this audit. The amount also includes recoveries of Rs.8,940.97 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Reported cases of fraud, embezzlement, misappropriation and theft	1,083.08
2.	Irregularities	
	A. HR/Employees related irregularities	26.20
	B. Procurement related irregularities	4,746.35
	C. Irregularities pertaining to violation of entity's own regulations / SOPs	106,632.45

	D. Irregularities pertaining to violation of Laws & Regulations	194,719.35
	E. Power Sector receivables	167,208.80
	F. Recoveries pointed out by Audit	8,940.97
3.	Value for money and service delivery issues	152.30
4.	Others	2,105.33

2.5 ISLAMABAD ELECTRIC SUPPLY COMPANY (IESCO)

2.5.1 Introduction

Islamabad Electric Supply Company Limited (IESCO) started its operations as a Public Limited Company registered under Companies Ordinance, 1984 in May, 1998. The Company distributes the electricity to power consumers at tariff determined by National Electric Power Regulatory Authority (NEPRA) and notified by the Government of Pakistan. The Company purchases electricity from National Transmission and Despatch Company (NTDC) and sells it to various consumers within its service territory. Geographical service area of IESCO comprises Islamabad, Rawalpindi, Muree, Jhelum, Chakwal, Attock and Talagang Districts.

IESCO is one of the best electricity distribution companies in Pakistan in terms of operational performance, as it has low degree of distribution losses and a high rate of bill collection.

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2023-24 (Rs.in million)	Expenditure audited FY 2023-24 (Rs.in million)	Revenue / Receipts FY 2023-24 (Rs.in million)
1.	Formations	12	05	43,035.16	8,271.97	506,675
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	02	02	US\$ 19.035	US\$ 19.035	Nil

2.5.2 Comments on Financial Statements

2.5.2.1 Financial Overview

Islamabad Electric Supply Company (IESCO) exhibited significant financial improvement in financial year 2023-24, achieving a net loss of Rs.(15,799.60) million after a significant profit of Rs.177.69 million in the financial year 2022-23. This turnaround was driven by a 24.09% increase in sales to Rs.254039.08 million and higher other income, despite persistent accumulated losses, which grew to Rs.127,019.02 million during the financial year 2023-24.

Total assets increased to Rs.391,031.02 million, primarily due to substantial investments in property, plant, and equipment, while both non-current and current liabilities increased, reflecting higher staff retirement benefits and trade payables. IESCO's gross profit significantly decreased to Rs.23,654.56 million, though operating losses remained at Rs.11,472.46 million, however, the company has strengthened its financial position, particularly through asset growth and profitability.

2.5.3 Extract of the Financial Statements

Statement of Financial Position as on June 30, 2024

	2023-24	% Inc/dec	2022-23	% Inc/dec	(Rs.in million) FY-2021-22
Equity and Liabilities					
Share capital and reserves					
Issued, subscribed and paid-up capital	5,798.25	0.00%	5,798.25	0.00%	5,798.25
Accumulated loss	(127,019.02)	42.87%	(88,906.83)	9.53%	(81,168.40)
Surplus on revaluation	69,442.62	-2.60%	71,299.00	-2.56%	73,174.67
Deposits for the issuance of shares	49,173.39	10.78%	44,386.76	31.37%	33,787.23
TOTAL EQUITY	(8,403.01)	131.38%	26,778.93	3.82%	25,793.50
Non-current liabilities					
Deferred Credit	39,585.25	10.26%	35,900.41	9.08%	32,910.82
Long term loans	13,195.21	55.91%	8,463.42	77.53%	4,767.26
Staff retirement benefits	99,705.76	62.53%	61,346.51	34.61%	45,573.10
Security deposits	10,204.65	9.87%	9,288.14	11.42%	8,336.05
Total Non-Current Liabilities	162,690.87	41.47%	114,998.48	25.56%	91,587.23
Current liabilities					
Trade and other payables	213,034.52	21.37%	175,526.96	-16.58%	210,407.20
Accrued mark-up	12,595.04	21.47%	10,368.75	20.24%	8,623.27
Current maturity of long-term loan	5,315.30	13.05%	4,701.85	18.63%	3,963.36
Total Current Liabilities	230,944.86	21.17%	190,597.56	-14.53%	222,993.83
TOTAL LIABILITIES	391,030.97	15.63%	338,173.22	-2.31%	346,172.81
Assets					
Non-current assets					
Property Plant and Equipment	209,599.59	17.99%	177,635.16	10.04%	161,423.88

Intangible assets	157.51	18.19%	133.27	16.87%	114.03
Long Terms Loans	449.73	32.16%	340.30	2.28%	332.71
Total Non-Current assets	210,206.83	18.02%	178,108.73	10.03%	161,870.62
Current assets					
Stores and spares	2,707.81	85.12%	1,462.73	-20.79%	1,846.54
Trade Debts	69,031.37	65.04%	41,828.08	-17.73%	50,843.42
loans and advances	5,561.97	8.78%	5,112.98	-2.04%	5,219.70
Sales tax receivable	25,242.28	-17.86%	30,729.19	31.28%	23,407.06
Receivable from Government	50,543.11	-5.86%	53,687.25	-34.61%	82,106.29
Cash and bank balances	14,904.76	-16.41%	17,830.01	41.77%	12,577.07
Security Deposit	217.88	128.39%	95.40	29.37%	73.74
Other Receivables	5,552.23	21.67%	4,563.21	-33.70%	6,882.43
Advance Income Tax	2,076.35	55.64%	1,334.04	4.18%	1,280.57
Short Term Investment	4,920.50	46.63%	3,355.70		
Total Current assets	180,758.26	12.97%	159,998.59	-13.16%	184,236.82
Non-current assets held for sale	65.89	0.00%	65.89	0.00%	65.89
	180,824.15	12.97%	160,064.48	-13.15%	184,302.71
TOTAL ASSETS	391,030.98	15.63%	338,173.21	-2.31%	346,173.33

2.5.4 Statement of Profit and Loss Account For the year ended on June 30, 2024

	(Rs.in million)				
PROFIT AND LOSS ACCOUNT	FY-2023-24	%	FY-2022-23	%	FY-2021-22
Sales	254,039.08	24.09%	204,723.50	-3.46%	212,051.66
Subsidy from Govt.	72,313.29	1.14%	71,500.20	156.27%	27,900.05
	326,352.37	18.15%	276,223.70	15.12%	239,951.71
Cost of sales	(302,697.28)	25.46%	(241,263.83)	6.42%	(226,703.93)
Gross Profit/(Loss)	23,655.09	-32.34%	34,959.87	163.89%	13,247.78
Amortization of deferred credit	2,193.44	10.35%	1,987.71	9.61%	1,813.50
	25,848.53	-30.04%	36,947.58	145.32%	15,061.28
Operating expenses					
Administrative expenses	(5,160.86)	-27.62%	(7,129.97)	-9.96%	(7,918.26)
Distribution Cost	(30,337.83)	23.10%	(24,644.18)	22.01%	(20,197.67)

Customer service Cost	(1,821.77)	18.29%	(1,540.03)	23.61%	(1,245.85)
	(37,320.46)	12.03%	(33,314.18)	13.46%	(29,361.78)
Profit/Loss before interest & taxation (EBIT)	(11,471.93)	-415.74%	3,633.40	-125.41%	(14,300.50)
Financial cost	(2,435.62)	3.24%	(2,359.19)	-8.32%	(2,573.21)
Other income	11,246.22	84.25%	6,103.66	98.50%	3,074.86
Profit/loss Before Taxation and Levy	(2,661.33)	-136.07%	7,377.87	-153.47%	(13,798.85)
Levy	(3,266.67)	2.06%	(3,200.73)		
Profit/(loss) before taxation	(5,928.00)	-241.92%	4,177.14	-130.27%	(13,798.85)
Taxation	(9,871.60)	146.82%	(3,999.45)	54.18%	(2,594.06)
Profit/Loss after taxation	(15,799.60)	8991.67%	177.69	-101.08%	(16,392.91)

i) Profitability

The profitability of the Company during FY 2023-24 reflected significant improvement as compared to FY 2022-23, primarily due to 24.09% growth in sales revenue, which increased from Rs.204,723.50 million in FY 2022-23 to Rs.254,039.08 million in FY 2023-24. The gross profit decreased by 32.34%, reaching to Rs.23,654.56 million in FY 2023-24 from Rs.34,959.88 million in FY 2022-23 due to increase in the cost of electricity from 241,263.83 million in 2022-23 to 302,697.82 million in 2023-24. These results indicated a sharp decline in operational efficiency. It is pertinent to mention that other income increased by 84.25%, which reached to Rs.11,246.22 million in FY 2023-24 due to reversal of ¹³impairment loss of Rs.90.418 million, gain on installation of new connection Rs.11,246.226 million and recovery of late delivery charges Rs.5052.946 million. This additional revenue significantly contributed to the company's ability to offset operating losses. Despite a significant improvement in profitability, accumulated losses remained at Rs.127,019.02 million. The Company needs to focus on further reducing its accumulated losses, optimizing its operating cost structure and

¹³ IAS 36 (Impairment of Assets) governs the reversal of impairment loss under International Financial Reporting Standards (IFRS). refers to the process of reinstating the previously reduced value of an asset (due to impairment) when the reasons for the impairment no longer exist, or the asset's recoverable amount has improved. It reflects a recovery in the value of an asset that had been written down in prior accounting periods.

improving its capital structure.

ii) Impact of Periodic Adjustments allowed by the Regulator on Financial Statements

NEPRA determined 2nd quarter of Financial Year 2023-24 Rs.10,857 million notified on April 01, 2024, out of which Rs.7,902 million recovered during current financial year, remaining Rs.7,417 million will be recovered in financial year 2024-25. Furthermore, Rs.4,674 million determined in the for 4th quarter of the financial year 2023-24 (notified on 11th September, 2024) which will be recovered in the financial year 2024-25 in three months from September to November, 2024. Had the remaining amount of Rs.2,955 million of 2nd quarter and Rs.7,517 million of 3rd quarter of FY-2023-24 besides total Rs.4,674 million determined for the 4th quarter of FY 2023-24 were recovered in the financial year 2023-24, the revenue for the financial year 2023-24 would have been increased by Rs.15,146 million. Consequently, accumulated loss for the year ended on 30th June, 2024 would have been reduced by Rs.15,146 million.

iii) Sales and Cost of Sales

Since NEPRA determines the electricity tariff (Generation and Distribution) and the government notifies it, cost structure of the DISCOs is heavily influenced by Power Purchase Agreements (PPAs) and regulated pricing mechanisms. During the financial year 2023-24, the Company showed a significant growth in sales revenue which increased by 24.09% in FY 2023-24 to Rs.254,039.08 million, due to improved operational efficiencies, higher electricity demand, and tariff adjustments by NEPRA. It is pertinent to mention that over the past three-year period, consistent revenue growth and improved operational performance enabled the Company to achieve better profit margins, despite rising input costs and regulated pricing structures. IESCO needs to focus on improving operational efficiencies further and cost control will be crucial for sustaining growth in the regulated energy sector.

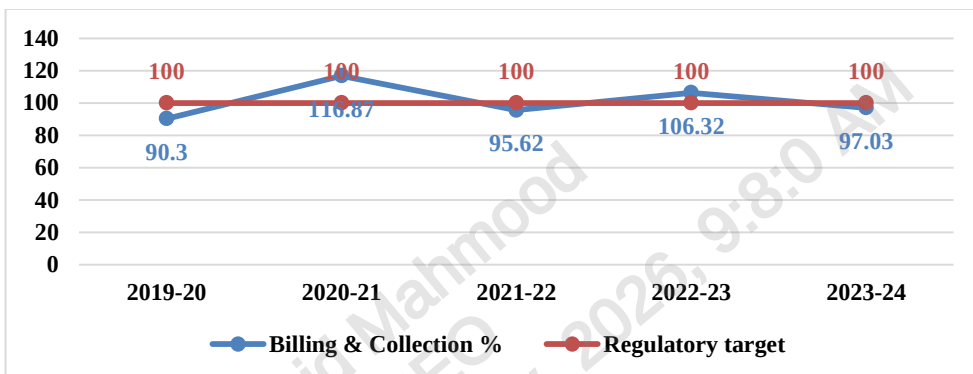
iv) Trade Debts and other Receivables

The receivable position of the Company reflected a mixed trend across different components of receivables during FY 2023-24 as compared to previous years. Trade debts increased by 65.04% during FY 2023-24, highlighted that huge amount was receivable from running and dead defaulters. Furthermore, debtors' turnover period increased from 75 days in FY 2022-23 to 99 days which indicated that company needs to improve efficiency in collecting receivables within its operating cycle of 30 to 35 days. However, receivables from the government declined significantly by 15.91%, which could impact liquidity if these funds are not recovered promptly.

On the other hand, the creditor's turnover period slightly improved to 257 days during FY 2023-24 from 266 days in FY 2022-23, reflecting a more effective management of payables and an extended timeframe to settle obligations with suppliers. While this reduces immediate cash outflows, the faster collection of receivables and a declining debtor turnover period indicate better working capital utilization. Moving forward, IESCO should prioritize recovering dues from the government and maintain the momentum in improving debtor turnover to strengthen liquidity further. Moreover, billing and collection position of the Company against 100% recovery target of the Regular remained as under:

FYs	2019-20	2020-21	2021-22	2022-23	2023-24
Billing & Collection %	90.3	116.87	95.62	106.32	97.03

Figure- billing and collection



v) Trade and other Payables

The trade payable position of the company showed a huge increase in current liabilities, which increased by 21.37% during FY 2023-24. It is pertinent to mention that Trade Payable primarily includes Rs.115,202.27 million payable to CPPA-G on account of purchase of electricity from IPPs which carries huge interest if payment is delayed. The creditor's turnover period slightly improved to 256 days during FY 2023-24, down from 266 days in FY 2022-23 and 338.76 days in FY 2021-22. This indicated that the company was settling its payables to CPPA-G with delays as compared to provision of PPAs. However, it still needs to bring it down to its billing operation cycle to avoid delayed payment charges from IPPs.

vi) Long term Financing

The carrying amount of long-term loans increased to Rs.13195.21 million with an increase of Rs.4,731.79 million at the balance sheet date (55.91%) during the current financial year. The Company charged an amount of Rs.2,435.62 million as financial cost in the profit and loss account during the current year (2022-23: Rs.2,359.19 million). The Company was partially relying on expensive financing to run its operations which ultimately causing burden on the resources of the Company and its liabilities. Reliance on borrowings/loans and payment of huge financial charges need to be justified.

vii) Non-recognition of supplemental charges

The Company has received various invoices from CPPA-G representing late payment charges (supplemental charges) being the share of the Company in the late payment charges charged to CPPA-G by the Independent Power Producers (IPPs) on account of delayed payment aggregating to Rs.6,864.324 million over the years. However, the Company did not book supplemental charges of Rs.6,864.324 million during in books of accounts. Had these supplemental charges been charged it would have enhanced the expenditure and current year loss by Rs 6,864.324 million. Similarly, accumulated losses of the Company too would have increased at the balance sheet date. It means that current figure of accumulated losses of Rs.127,019.02 million was understated by an amount of Rs.6,864.324 million. Non-recognition of these charges needed justification in the light of International Accounting Standards.

2.5.5 Classified Summary of Audit Observations

Audit observations amounting to Rs.294,543.44 million were raised in this audit. The amount also includes recoveries of Rs.1,637.88 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Reported cases of fraud, embezzlement, misappropriation and theft	105.56
2.	Irregularities	
A.	HR/Employees related irregularities	155.94
B.	Procurement related irregularities	8,089.60
C.	Management of accounts with commercial banks	798.97
D.	Irregularities pertaining to violation of entity's own regulations / SOPs	9,596.83
E.	Irregularities pertaining to violation of Laws & Regulations	168,344.84
F.	Power Sector receivables	87,817.34
G.	Recoveries pointed out by Audit	1,637.88
7.	Others	17,996.47

2.6 LAHORE ELECTRIC SUPPLY COMPANY (LESCO)

2.6.1 Introduction

Lahore Electric Supply Company (LESCO) started its operations as a Public Limited Company registered in July, 1998 under Companies Ordinance 1984 (now Companies Act 2017). The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA-G through NTDC system and sells it to various consumers within Kasur, Lahore, Okara, Nankana Sahib and Sheikhpura Districts.

The operational activities are performed through nine Operation Circles, and Grid System Construction, Project Director Construction & Grid System Operation Circles. The detail of formations and expenditure audited is as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2023-24 (Rs.in million)	Expenditure audited FY 2023-24 (Rs.in million)	Revenue / Receipts FY 2023-24 (Rs.in million)
1.	Formations	15	10	97,406.63	13,284.31	975,244
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.6.2 Comments on Financial Statements

According to Section 223 of Companies Act 2017, “the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company”.

Moreover, Section 223 of Companies Act, 2017 states that every company shall send in the form and manner specified audited financial statements together

with the auditors' report, directors' report and in the case of a listed company the chairman's review report to every member of the company and every person who is entitled to receive notice of general meeting, either by post or electronically at least twenty-one days before the date of meeting at which it is to be laid before the members of the company, and shall keep a copy at the registered office of the company for the inspection of the members. It is pertinent to mention that financial statements were not finalized and audited for the FYs 2021-22 to 2023-24 which is a significant violation of Company Act, 2017.

Moreover, as per Rule 4(1) of National Electric Power Regulatory Authority (NEPRA) (Uniform System of Accounts) Rules, 2009 (USoA Rules) whereby every licensee of NEPRA is obligated to submit its Annual Regulatory Accounts with the Authority within one month of submission of the Audited Accounts under the Companies Act, 2017. However, accuracy of balances being reported to the Regulator cannot be ascertained as fair and true due to non-finalization of audited financial statements which may result in non-transparency in determination of electricity tariff.

In LESCO, financial statements of the company for the Financial Year 2023-24 could not be finalized by the management up till December 31, 2024.

2.6.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.252,843.32 million were raised in this audit. The amount also includes recoveries of Rs.1,477.32 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Reported cases of fraud, embezzlement, misappropriation and theft	92.74
2.	Irregularities	
	A. Procurement related irregularities	630.33
	B. Irregularities pertaining to violation of entity's own regulations / SOPs	63,787.22
	C. Irregularities pertaining to violation of Laws & Regulations	138,577.59

	D. Power Sector receivables	31,201.24
	E. Recoveries pointed out by Audit	1,477.32
3.	Others	17,080.93

2.7 MULTAN ELECTRIC POWER COMPANY (MEPCO)

2.7.1 Introduction

Multan Electric Power Company Limited (MEPCO), registered under Companies Ordinance, 1984, started its operations as a Public Limited Company in May, 1998. The registered office of the Company is situated in Multan (Punjab). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company had obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The mission of MEPCO is to provide un-interrupted electric supply and quality service to all customers at the minimum possible cost.

The jurisdiction of MEPCO includes nine Operation Circles, one Project Construction Circle, one Grid System Construction Circle and two Grid System Operation Circles. The Company purchases electricity from NTDC on 220 KV Grid Station Vehari, Kassowal, Yousaf Wala, Garanund Road Faisal Abad, NGPS PerianGhaib, Kot Addu Power Company, Muzzafargarh Power House and Guddu Power House, and sells it to the consumers of Multan, Sahiwal, Khanewal, Vehari, BahawalPur, Lodhran, Bahawal Nagar, Pakpattan, Rahim Yar Khan, D.G Khan, RajanPur, Layyah and MuzzafarGarh districts.

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2023-24 (Rs.in million)	Expenditure audited FY 2023-24 (Rs.in million)	Revenue / Receipts FY 2023-24 (Rs.in million)
1.	Formations	16	09	59,509.64	53,116.60	607,364
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	01	01	US\$ 1.051	US\$ 1.051	Nil

2.7.2 Comments on Financial Statements

2.7.2.1 Financial Overview

MEPCO showed significant financial improvements during FY 2023-24. Sales revenue increased by 40.20%, reaching Rs.522,892.54 million, while its gross profit significantly increased by 482.93% to Rs.71,121.30 million, reflecting improved operational efficiency despite a 20.05% rise in electricity costs. It is important to note that the net profit rebounded strongly to Rs.31,879.07 million, a remarkable turnaround from the Rs.23,373.12 million loss in FY 2022-23. On the balance sheet, MEPCO's total assets increased by 16.48% to Rs.400,872.88 million primarily due to 20.62% increase in current assets, particularly trade debts (up 39.23%) and stores and spares (up 65.59%). However, the company's equity position remained negative due to massive accumulated losses of Rs.173,710.98 million, despite a reduction of 8.97% compared to the previous year. Total liabilities increased by 7.22%, with non-current liabilities increased by 9.98% due to 19.00% rise in staff retirement benefits. Current liabilities also increased by 3.50%, mainly from trade and other payables. MEPCO's operational turnaround was promising, but persistent negative equity and rising liabilities highlight the need for continued focus on financial restructuring and cost control to sustain profitability.

2.7.3 Extracts of the Financial Statements

Statement of Financial Position as on June 30, 2024

	FY-2023-24	% Inc/Dec	FY-2022-23	% Inc/Dec	(Rs.in million) FY-2021-22
Equity and Liabilities					
Share capital and reserves					
Share Capital	10,823.64	0.00%	10,823.64	0.00%	10,823.64
Deposits for shares	67,728.62	10.11%	61,508.55	23.91%	49,639.66
Accumulated loss	(173,710.98)	-8.97%	(190,836.57)	29.66%	(147,180.14)
TOTAL EQUITY	(95,158.72)	-19.70%	(118,504.38)	36.66%	(86,716.84)
Non-current liabilities					
Long-term Financing	5,181.11	-9.92%	5,751.93	-13.29%	6,633.77
Staff retirement benefits	163,919.56	19.00%	137,742.13	26.72%	108,696.74
Long Security deposits	14,604.38	7.43%	13,593.75	9.16%	12,453.36
Contract Liabilities	33,002.57	-14.40%	38,552.74	13.54%	33,955.08
Deferred Credit	74,959.61	7.77%	69,557.82	6.06%	65,581.58

Total Non-Current Liabilities	291,667.23	9.98%	265,198.37	16.66%	227,320.52
Current liabilities					
Trade and other payables	172,766.04	2.28%	168,917.29	-12.17%	192,312.65
Accrued mark-up	11,207.58	8.95%	10,286.74	11.51%	9,225.12
Current portion of long-term financing	9,281.76	9.88%	8,447.14	11.39%	7,583.63
Provision for Taxation	11,108.56	13.39%	9,796.49	10.58%	8,859.43
Total Current Liabilities	204,363.94	3.50%	197,447.66	-9.42%	217,980.84
TOTAL LIABILITIES	496,031.16	7.22%	462,646.02	3.90%	445,301.36
TOTAL LIABILITIES + Equity	400,872.44	16.48%	344,141.64	-4.03%	358,584.52
Assets					
Non-current assets					
Property Plant and Equipment	154,508.45	10.38%	139,984.14	8.17%	129,412.96
Long-term loans to employees	359.75	76.63%	203.67	69.12%	120.43
Long-term deposits	0.49	0.00%	0.49	0.00%	0.49
Total non-current assets	154,868.69	10.47%	140,188.31	8.23%	129,533.88
Current assets					
Stores and spares	14,014.54	65.59%	8,463.44	-3.59%	8,778.30
Trade Debts	90,595.32	39.23%	65,069.31	-31.08%	94,417.54
loans and advances	469.21	47.16%	318.84	9.73%	290.56
Others receivables	83,810.58	6.99%	78,334.21	2.04%	76,767.31
Advance Income Tax	13,680.51	76.36%	7,757.13	146.80%	3,143.06
Sales tax receivable	6,302.53	7.57%	5,858.87	-20.04%	7,327.08
Interest accrued	1,926.00	551.29%	295.72	174.96%	107.55
Short term Investment	14,060.00	7.33%	13,100.00	-52.36%	27,500.00
Bank balances	21,145.51	-14.59%	24,756.25	130.94%	10,719.68
Total Current assets	246,004.19	20.62%	203,953.78	-10.96%	229,051.08
TOTAL ASSETS	400,872.88	16.48%	344,142.09	-4.03%	358,584.96

2.7.4 Statement of Profit & Loss

For the year ended on June 30, 2024

(Rs.in million)

EXTRACTS PROFIT AND LOSS ACCOUNT	FY-2023-24	Inc/Dec	FY-2022-23	Inc/Dec	FY-2021-22
Sales of Electricity		40.20%		7.84%	

	522,892.54		372,963.17		345,843.91
Tariff differential subsidies	74,716.95	-3.98%	77,811.46	10.71%	70,283.94
	597,609.49	32.57%	450,774.62	8.33%	416,127.85
Cost of Electricity	(526,488.19)	20.05%	(438,573.96)	7.78%	(406,934.60)
Gross Profit/(Loss)	71,121.30	482.93%	12,200.67	32.71%	9,193.25
Amortization of deferred credit	3,915.15	6.97%	3,660.01	8.72%	3,366.50
	75,036.45	373.10%	15,860.68	26.28%	12,559.74
Distribution cost excluding depreciation	(47,038.41)	26.76%	(37,109.25)	24.54%	(29,797.60)
Customer service cost	(6,016.53)	19.84%	(5,020.54)	#DIV/0!	
Depreciation on operating fixed assets	(6,609.79)	6.91%	(6,182.41)	8.42%	(5,702.24)
Allowance for expected credit losses	(2,770.02)	-53.08%	(5,903.78)	1303.84%	(420.55)
	(62,434.74)	15.16%	(54,215.99)	50.93%	(35,920.38)
Profit/Loss from operation	12,601.70	132.86%	(38,355.31)	64.19%	(23,360.64)
Other income	21,514.28	26.68%	16,983.60	147.13%	6,872.30
Finance cost	(924.86)	-13.11%	(1,064.36)	-46.74%	(1,998.54)
Profit/loss) before taxation & Levy	33,191.13	247.94%	(22,436.07)	21.36%	(18,486.87)
Minimum tax differential	(1,312.06)	40.02%	(937.06)		
Profit/loss) before income tax	31,879.07	236.39%	(23,373.12)	26.43%	(18,486.87)
Income Tax	-	-	-	100.00%	(4,327.56)
Profit/Loss after taxation	31,879.07	236.39%	(23,373.12)	2.45%	(22,814.43)

i) Profitability

The Company showed significant improvement during FY 2023-24, reflecting a marked turnaround in financial performance. The company's gross profit significantly increased by 482.93% as compared to FY 2022-23, driven by a 40.20% increase in electricity sales and a relatively moderate 20.05% rise in the cost of electricity. It is pertinent to mention that despite an increase in distribution costs and customer service expenses, MEPCO's operating profit shifted from a loss of Rs.38,355.31 million during FY 2022-23 to a profit of Rs.12,601.70 million during FY 2023-24. Moreover, the company's profit before taxation improved

significantly, reaching Rs.31,879.07 million as compared to a loss over the previous year. This recovery reflected effective cost management and revenue growth, positioning MEPCO on a stronger financial footing.

ii) Sales and Cost of sales

The sales of MEPCO have shown robust growth in FY 2023-24, with a 40.20% increase as compared to FY 2022-23, reaching Rs.522,892.54 million. This reflected a significant improvement in revenue generation, likely driven by higher electricity demand, increased tariff rates, and well managed operational efficiencies. On the other hand, the cost of electricity (cost of sales) also increased by 20.05%, amounting to Rs.526,488.19 million. This indicated that MEPCO managed to achieve better cost control relative to its revenue growth, contributing positively to its financial performance.

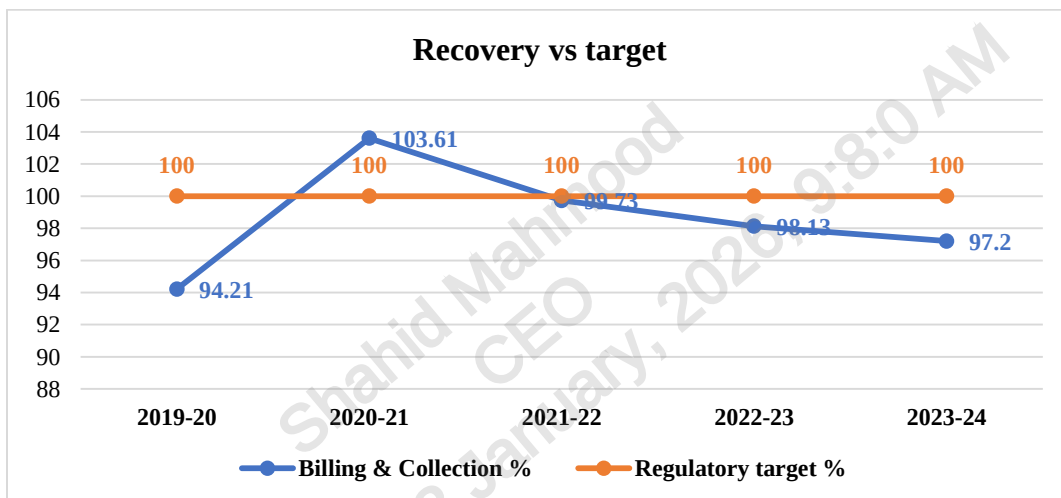
iii) Trade Debts and other Receivables

Trade debts increased significantly by 39.23% in FY 2023-24 as compared to FY 2022-23, reaching Rs.90,595.32 million. However, the debtors' turnover period for FY 2023-24 (63.24 days) remains well above the billing cycle of 35 days. This indicated that MEPCO faced delays in recovering payments from electricity consumers, leading to a higher collection period than expected. While the improvement from FY 2022-23's debtors' turnover period of 64 days was marginal, it still reflected inefficiencies in receivables management.

Other receivables, including loans, advances, and accrued interest, also show mixed trends. For example, "other receivables" increased moderately by 6.99% in FY 2023-24, while advance income tax nearly doubled. Despite these improvements, the mismatch between the billing cycle and trade receivables turnover raises concerns about liquidity and cash flow management. It is recommended to take stronger measures to reduce payment delays and enhance collection efficiency to achieve regulator's recovery target of 100%. Moreover, billing and collection position of the Company against 100% recovery target of the Regular remained as under:

FYs	2019-20	2020-21	2021-22	2022-23	2023-24
Billing & Collection %	94.21	103.61	99.73	98.13	97.2

Figure- billing and collection



iv) Trade and other Payables

The analysis of MEPCO's trade and other payables, in light of the creditors' turnover period revealed serious concerns in payment efficiency. During the FY 2023-24, trade and other payables increased slightly by 2.28% to Rs.172,766.04 million as compared to Rs.168,917.29 million during FY 2022-23. However, the creditors' turnover period reached to 120 days from 141 days during FY 2022-23. Despite this improvement, the extended turnover periods indicated excessive delays in payments to suppliers, particularly CPPA-G, which forwards payments to Independent Power Producers (IPPs). These delays exposed MEPCO to supplemental charges imposed by IPPs, which increase the overall cost of electricity procurement by CPPA-G—being single buyer on behalf of DISCOs. It is pertinent to mention that persistent delays highlighted the need for enhanced cash flow management and prioritization of timely payments to CPPA-G to avoid supplemental charges.

v) Long term Financing

The carrying amount of long-term loans decreased to Rs.5,181.11 million with a decrease of Rs.570.82 million at the balance sheet date (9.92%) during the FY 2023-24. The Company charged an amount of Rs.924.86

million as financial cost in the profit and loss account during the current year (2022-23: Rs.1,064.36 million). The Company was relying on expensive financing to run its operations which ultimately causing burden on the resources of the Company and its liabilities. Reliance on borrowings/loans and payment of huge financial charges need to be justified.

vi) Non-recognition of supplemental charges

The Company has received various invoices from CPPA-G representing late payment charges (supplemental charges) being the share of the Company in the late payment charges charged to CPPA-G by the Independent Power Producers (IPPs) on account of delayed payment aggregating to Rs.30,275.95 million over the years. However, the Company did not book supplemental charges of Rs.30,275.95 million in books of accounts. Had these supplemental charges been charged it would have enhanced the expenditure and declined the current year profit by Rs.30,275.95 million. Similarly, accumulated losses of the Company too would have increased at the balance sheet date. It means that current figure of accumulated losses of Rs.173,710.98 million was understated by an amount of Rs.30,275.95 million. Non-recognition of these charges needed justification in the light of International Accounting Standards.

2.7.5 Classified Summary of Audit Observations

Audit observations amounting to Rs.222,098.21 million were raised in this audit. The amount also includes recoveries of Rs.643.20 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Reported cases of fraud, embezzlement, misappropriation and theft	250.21
2.	Irregularities	
	A. HR/Employees related irregularities	430.23
	B. Procurement related irregularities	17,527.76
	C. Irregularities pertaining to violation of entity's own regulations / SOPs	21,787.99
	D. Irregularities pertaining to violation of	169,123.80

	Laws & Regulations	
	E. Power Sector receivables	7,812.17
	F. Recoveries pointed out by Audit	643.20
3.	Value for money and service delivery issues	63.32
4.	Others	4,459.53

2.8 PESHAWAR ELECTRIC SUPPLY COMPANY (PESCO)

2.8.1 Introduction

Peshawar Electric Supply Company Limited (PESCO) is a subsidiary of PPMC and started its operation in May 1998 as a public limited Company, registered under Companies Ordinance, 1984. The Company has obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The Company purchases electricity from NTDC. The Company sells electricity to whole area of Khyber Pukhtunkhwa (KPK). However, the business of FATA circle, which consists of tribal areas of KPK, was transferred to Tribal Electric Supply Company Limited (TESCO). PESCO receives supply from NTDC on 220 kV Grid Stations at Daud Khel, Domail, Mardan and 500 kV Grid Station at Tarbela and Peshawar. It also receives supply from Warsak Power House, Kot Addu Power House, Dargai Power House, Jagran Power House, AJK Chashma Nuclear Power Plant, and Kurram Garhi Power House.

The jurisdiction of PESCO includes Nine Operation Circles, one Project Director Construction Circle, one Grid System Construction Circle and one Grid System Operation circle.

The detail of formations and expenditure audited is as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2023-24 (Rs.in million)	Expenditure audited FY 2023-24 (Rs.in million)	Revenue / Receipts FY 2023-24 (Rs.in million)
1.	Formations	14	07	35,085.15	12,751.07	352,826
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	01	01	US\$ 0.35	US\$ 0.35	Nil

2.8.2 Comments on Financial Statements

2.8.2.1 Financial Overview

As per the audited Financial Statements for the year 2023-24, the company remained in loss at the year ended dated 30th June, 2024. However, the loss increased from Rs.84,279 million in the financial year 2022-23 to Rs.88,723 million in the financial year 2023-24 registering -5.27% increase. Moreover, the net electricity sale increased from Rs.240,223 million in the financial year 2022-23 to Rs.306,887 million in the financial year 2023-24 registering 27.75% increase.

2.8.3 Extracts of the Financial Statements

Statement of Financial Position as on June 30, 2024

	(Rs.in million)				
	FY-2023-24	% Inc/Dec	FY-2022-23	% Inc/Dec	FY-2021-22
Equity and Liabilities					
Share capital and reserves					
Issued, subscribed and paid-up capital	0.01	0.00%	0.01	0.00%	0.01
Accumulated loss	-665,225.90	-18.58%	-561,007.98	21.79%	-460,632.70
Deposits for the issuance of shares	205,820.92	-57.27%	130,867.73	40.94%	92,855.41
TOTAL EQUITY	-459,404.97	-6.80%	-430,140.24	16.96%	-367,777.28
Non-current liabilities					
Deferred Credit	49,972.68	-14.31%	43,715.38	11.46%	39,221.98
Long term loans	10,146.77	-25.87%	8,061.12	2.46%	7,867.51
Staff retirement benefits	172,770.19	-16.32%	148,528.49	17.49%	126,421.11
Security deposits	7,374.97	-8.56%	6,793.52	8.51%	6,260.82
Liabilities against Government investments	0.00	100.00%	50,187.19	0.00%	50,187.19
Total Non-Current Liabilities	240,264.62	6.62%	257,285.70	11.88%	229,958.61
Current liabilities					
Trade and other payables	614,175.04	-19.09%	515,714.98	11.49%	462,586.37
Accrued mark-up	4,748.16	-25.25%	3,791.06	19.26%	3,178.87
Current maturity of long term loan	3,083.42	13.30%	3,556.62	65.96%	2,143.08
taxation and levi	4,024.34	-27.94%	3,145.52		0.00
provision for taxation	0.00		0.00	-100.00%	2,257.81
Total Current Liabilities	626,030.97	-18.97%	526,208.18	11.92%	470,166.13
TOTAL LIABILITIES	406,890.61	-15.15%	353,353.63	6.32%	332,347.46
Assets					
Non-current assets					
Property Plant and Equipment	128,535.07	-10.79%	116,012.85	13.83%	101,917.29
Longterm advances	0.89	-24.98%	0.71	-60.28%	1.79

Total Non-Current assets	128,535.95	-10.79%	116,013.56	13.83%	101,919.07
Current assets					
Stores and spares	13,136.07	-16.79%	11,247.24	17.40%	9,580.11
Trade Debts	126,241.32	-40.81%	89,652.67	27.23%	70,463.92
loans and advances	4,339.17	-16.26%	3,732.29	49.52%	2,496.25
Other receivable	97,497.59	-1.18%	96,359.98	0.65%	95,734.90
Receivable from Government	27,710.69	-6.21%	26,091.06	-39.18%	42,901.20
Cash and bank balances	9,429.82	8.06%	10,256.84	10.86%	9,252.01
Total Current assets	278,354.66	-17.28%	237,340.07	3.00%	230,428.39
TOTAL ASSETS	406,890.61	-15.15%	353,353.63	6.32%	332,347.46

2.8.4 Statement of Profit & Loss Account For the year ended on June 30, 2024

(Rs.in million)

PROFIT AND LOSS ACCOUNT	FY-2023-24	% Inc/Dec	FY-2022-23	% Inc/Dec	FY-2021-22
Sales	306,887.40	27.75%	240,223.82	-14.17%	279,867.79
Tariff Differential Subsidies	20,595.31	-47.56%	39,271.58	-32.23%	57,944.69
Total revenue	327,482.71	17.17%	279,495.40	-17.26%	337,812.48
Cost of sales	371,678.02	13.92%	326,248.82	3.23%	316,040.28
Gross loss	-44,195.30	-5.47%	-46,753.43	-314.74%	21,772.21
Amortization of Deferred Credit	2,619.66	13.46%	2,308.96	19.66%	1,929.58
	-41,575.65	-6.45%	-44,444.46	-287.52%	23,701.79
Operating expenses	50,902.77	22.42%	41,579.99	-288.90%	-22,011.44
Other expenses	4,594.70	9.13%	4,210.46	-169.25%	-6,080.32
	55,497.47	21.20%	45,790.45	-263.00%	-28,091.76
Loss from operations	-97,073.11	7.58%	-90,234.92	1955.48%	-4,389.96
Rental and Services Income	57.01	8.62%	52.49	#DIV/0!	0.00
Other Income	13,243.91	30.85%	10,121.71	65.27%	6,124.51
	13,300.92	30.73%	10,174.19		
	-83,772.19	4.64%	-80,060.72	1723.72%	-4,389.96
Financial Cost	-922.14	-13.49%	-1,065.90	126.62%	-470.35
Profit/(loss) before levy & taxation	-84,694.33	4.40%	-81,126.62	-6517.28%	1,264.19
Levi	4,024.34	27.94%	3,145.52		0.00
Profit/(loss) before taxation	-88,718.68	5.28%	-84,272.14	-6766.10%	1,264.19
Taxation	4.26	-44.47%	7.67	-100.24%	-3,249.03
Profit/(loss) after taxation	-88,722.93	5.27%	-84,279.81	4146.17%	-1,984.84

i) Profitability

The profitability of PESCO significantly deteriorated, with net losses increased sharply from Rs.1,984.84 million in FY 2021-22 to Rs.88,722.93 million in FY 2023-24, indicating a worsening financial position. This substantial increase in net losses was primarily attributable to a combination of declining tariff differential subsidies, which dropped by 47.56% in FY 2023-24, rising operating expenses, and an increase in the cost of sales by 13.92%. Massive losses have led to a significant rise in accumulated losses, which increased to Rs.665,225.90 million.

ii) Sales and Cost of Sales

The sales have shown a significant increase of 27.75% in FY 2023-24, reaching Rs.306,887.40 million compared to Rs.240,223.82 million in FY 2022-23. However, this recovery follows a significant decline of 14.17% in the prior year, suggesting variability in revenue generation. On the other hand, the cost of sales consistently increased over the years, growing by 13.92% in FY 2023-24 to Rs.371,678.02 million from Rs.326,248.82 million in FY 2022-23. This upward trend in costs, outpacing the increase in sales, has exacerbated the company's gross loss position. It is pertinent to mention that cost of sales includes supplemental charges of Rs.3, 577 million which was primarily due to low remittances to CPPA-G to make onward payment to IPPs.

iii) Trade Debts and other Receivables

The sales increased by 27.75% in FY 2023-24 to Rs.306,887.40 million after a 14.17% decline in FY 2022-23, indicated improved revenue generation. However, cost of sales also increased by 13.92% to Rs.371,678.02 million in FY 2023-24, outpacing the sales growth and leading to continued gross losses over the past years. The debtor turnover period shows inefficiency, with an extended 150 days in FY 2023-24 compared to 136 days in FY 2022-23, indicating poor collections. Meanwhile, the creditor turnover period of 603 days in FY 2023-24 highlighted extended payment cycles to CPPA-G which ultimately resulted in booking of supplemental charges in cost of sales. These factors collectively suggested ongoing inefficiencies in working capital

management and cost controls, exacerbating the company's financial losses.

iv) Trade and other payables

The creditor turnover period was 603 days in FY 2023-24, which is a significant increase, indicating delayed payments to CPPA-G and reliance on extended credit to manage liquidity. These extended periods demonstrated a lack of operational efficiency, contributing to an unsustainable working capital cycle, further compounded by the increasing burden of trade and other payables, which rose by 19.09% to Rs.614,175.04 million. These factors collectively highlight the urgent need for improved receivables management, tighter cost controls, and more effective supplier payment strategies to stabilize the company's financial performance.

v) Non-recognition of supplemental charges

The company has not recorded supplemental charges since 2010 being charged by Central Power Purchasing Agency (CPPA) which are delayed payment charges of Independent Power Producers (IPPs). In our view, had these charges been recorded, trade and other payables and negative equity would have been higher by Rs.146.598 billion (2023: Rs.98.931 billion) and loss for the year would have been higher by Rs.47.667 billion (2023 Rs.10.758 billion).

The Company has received various invoices from CPPA-G representing late payment charges (supplemental charges) being the share of the Company in the late payment charges charged to CPPA-G by the Independent Power Producers (IPPs) on account of delayed payment aggregating to Rs.146.598 billion over the years. However, the Company did not book supplemental charges of Rs.146.598 million in books of accounts. Had these supplemental charges been charged it would have enhanced the expenditure and declined the current year profit by Rs.146.598 billion. Similarly, accumulated losses of the Company too would have increased at the balance sheet date. It means that current figure of accumulated losses of Rs.665.225 billion was understated by an amount of Rs.146.598 billion. Non-recognition of these charges needed justification in the light of International Accounting Standards.

2.8.5 Classified Summary of Audit Observations

Audit observations amounting to Rs.358,180.15 million were raised in this audit. The amount also includes recoveries of Rs.2,781.68 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Reported cases of fraud, embezzlement, misappropriation and theft	312.81
2.	Irregularities	
	A. HR/Employees related irregularities	957.28
	B. Procurement related irregularities	10,487.78
	C. Management of accounts with commercial banks	2.72
	D. Irregularities pertaining to violation of entity's own regulations / SOPs	124,492.38
	E. Irregularities pertaining to violation of Laws & Regulations	209,694.13
	F. Power Sector receivables	8,949.46
	G. Recoveries pointed out by Audit	2,781.68
3.	Value for money and service delivery issues	10.93
4.	Others	490.98

2.9 QUETTA ELECTRIC SUPPLY COMPANY (QESCO)

2.9.1 Introduction

Quetta Electric Supply Company (QESCO) is a subsidiary of PPMC. The Company started its operation as a Public Limited Company registered under Companies Ordinance 1984 (now Companies Act 2017) in July, 1998. The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA-G through NTDC system and sells it to various consumers of Baluchistan Province.

The operational activities are performed through six (06) Operation Circles and Grid System Construction, Project Director Construction & Grid System Operation Circles. The detail of formations and expenditure audited is as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2023-24 (Rs.in million)	Expenditure audited FY 2023-24 (Rs.in million)	Revenue / Receipts FY 2023-24 (Rs.in million)
1.	Formations	12	04	39,983	6,688.39	48,613
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.9.2 Comments on Financial Statements

2.9.2.1 Financial Overview

Quetta Electric Supply Company Limited (QESCO) demonstrated significant financial distress, with accumulated losses increasing by 19.89% in FY 2023-24 to Rs.712,455.63 million. Total liabilities increased by 17.93%, driven by higher deferred credits, long-term financing, and employee benefit obligations, reflecting growing financial commitments. Despite a 34.20% increase in sales revenue to Rs.110,592.00 million, the cost of electricity

increased by 28.55%, resulted in gross loss of Rs.-16,123.09 million, a 403.88% deterioration from the prior year. Operating expenses, including impairments and expected credit losses, further enhanced the operating loss, which ballooned to Rs.97,774.59 million (a 24.76% increase). The overall loss after taxation reached Rs.110,512.26 million.

2.9.3 Extracts of the Financial Statements

Statement of Financial Position as on June 30, 2024

	(Rs.in million)			
	FY 2023-24	% Inc/Dec	FY 2022-23	% Inc/Dec
Equity and Liabilities				
Share capital and reserves				
Issued, subscribed and paid-up capital	0.01	0.00%	0.01	0.00%
Accumulated loss	-712,455.63	19.89%	-594,267.76	20.44%
Surplus on revaluation	30,140.41	1.51%	29,692.99	-7.01%
Deposits for the issuance of shares	186,775.36	15.26%	162,042.47	30.80%
TOTAL EQUITY	-495,539.85	23.11%	-402,532.31	-337,600.09
Non-current liabilities				
Deferred Credit	21,060.91	14.77%	18,351.17	20.87%
Long-term Finance	25,142.79	4.37%	24,090.49	34.00%
Employees benefits obligations	82,233.25	26.92%	64,791.43	41.29%
Consumer Security deposits	1,508.97	7.67%	1,401.48	6.85%
Receipts against Deposit Works	23,985.24	9.57%	21,890.16	29.88%
Total Non-Current Liabilities	153,931.16	17.93%	130,524.72	34.31%
Current liabilities				
Trade and other payables	8,605.92	-2.41%	8,818.42	141.99%
Due to associated undertaking	601,530.12	19.34%	504,065.06	12.40%
Current & Overdue portion of long-term financing	6,866.91	20.21%	5,712.26	17.62%
Accrued mark-up	23,293.47	11.99%	20,799.70	16.71%
Provision for Taxation				-100.00%
Total Current Liabilities	640,296.41	18.71%	539,395.44	13.42%
TOTAL LIABILITIES + EQUITY	298,687.73	11.71%	267,387.86	13.70%
Assets				
Non-current assets				
Property Plant and Equipment	124,461.04	9.39%	113,782.13	12.78%
Long-term Loans	51.58	235.76%	15.36	43.15%
Long-term deposits	2.61	0.00%	2.61	7.26%
Total Non-Current assets	124,515.23	9.42%	113,800.10	12.78%
Current assets				

Stores and spares	14,519.38	6.45%	13,640.17	89.84%	7,185.17
Trade Debts	40,331.61	26.45%	31,895.45	-58.96%	77,708.62
loans and advances	196.50	41.96%	138.41	5.44%	131.28
Due from Associated Undertakings	299.64	-33.85%	452.94	82.22%	248.57
Other receivable	24,271.95	39.56%	17,391.19	-28.92%	24,467.42
Advance Income tax & prepaid Levy	1,636.45	26.69%	1,291.70	-3.09%	1,332.84
Receivable from Government	88,502.83	7.17%	82,583.41	408.59%	16,237.81
Bank balances	4,414.14	-28.74%	6,194.53	-10.87%	6,950.15
Total Current assets	174,172.49	13.40%	153,587.81	14.39%	134,261.86
TOTAL ASSETS	298,687.73	11.71%	267,387.91	13.70%	235,163.67

2.9.4 Statement of Profit & Loss Account For the year ended on June 30, 2024

(Rs.in million)

PROFIT AND LOSS ACCOUNT	FY-2023-24	Inc/Dec	FY-2022-23`	Inc/Dec	FY-2023-24
Sales	110,592.00	34.20%	82,407.54	30.38%	63,205.83
Agricultural Tubewell Subsidy				-100.00%	18,677.83
Subsidy from Govt. of Pakistan	47,241.46	-4.97%	49,711.64	44.81%	34,329.59
	157,833.45	19.46%	132,119.18	13.69%	116,213.25
Cost of Electricity	-173,956.54	28.55%	-135,318.98	12.48%	-120,306.26
Gross Profit/(Loss)	-16,123.09	403.88%	-3,199.81	-21.82%	-4,093.01
Amortization of deferred credit	0.00		0.00	-100.00%	684.78
	-16,123.09	403.88%	-3,199.81	-6.12%	-3,408.23
Operating & Management expenses excluding depreciation	-23,294.16	20.01%	-19,409.95	81.39%	-10,700.72
Depreciation	0.00		0.00	-100.00%	-2,283.87
Impairment on PPE				-100.00%	-3.16
Allowance for expected credit losses against trade debts & other receivables	-74,185.09	16.83%	-63,499.33	11.25%	-57,079.83
Provision/reversal of slow moving and obsolete stock				-100.00%	25.69
Other Income	9,925.63	28.27%	7,737.80	131.92%	3,336.39
Derecognition of financial liability	5,902.11				
	-81,651.51	8.62%	-75,171.48	12.69%	-66,705.51
Operating Loss	-97,774.59	24.76%	-78,371.28	11.78%	-70,113.74
Finance cost	-10,661.95	27.23%	-8,379.90	53.01%	-5,476.62
Loss before Levy & Income Tax	-108,436.55	25.00%	-86,751.19	14.76%	-75,590.35
Levy	-2,075.71	19.61%	-1,735.33		
Loss before Taxation	-110,512.26	24.89%	-88,486.52	17.06%	-75,590.35
Income tax expense				-100.00%	-828.80
Loss after taxation	-110,512.26	24.89%	-88,486.52	15.79%	-76,419.15

i) Profitability/Loss

QESCO showed a consistent decline in profitability over the past years, reflecting significant operational and financial inefficiencies. It is pertinent to mention that despite a 34.20% increase in sales revenue in FY 2023-24, the company incurred a gross loss of Rs.16,123.09 million a significant 403.88% increase as compared to the previous year which was primarily due to increase in electricity costs and growing operational inefficiencies. Operating losses increased by 24.76% to Rs.97,774.59 million, driven by higher operating and management expenses and substantial allowances for expected credit losses. The net loss was massively increased by 24.89% to Rs.110,512.26 million, highlighting the company's inability to control costs, improve revenue generation. This persistent financial deterioration requires the urgent need for strategic restructuring and cost optimization within the corporate and regulatory framework.

NEPRA has allowed 14.04% total line losses as per latest tariff determined for the financial year. However, the line losses exceed by 16.98% of the approved limit as the aggregate annual line losses sustained have been 31.02%. These continuously sustained line losses are one of the prime factors of incurrence of financial / accounting losses over the years. Among others, the reasons of line losses include transmission losses, technical faults and damages to distribution network at various places, aluminum conductor network and metering equipment inefficiencies. The theft of electricity is also one of the prime factors resulting in line losses, which are difficult to be identified and billed. Even where theft is identified, the Company, as per rules, can raise detection billing only for last six months by spreading the total detection units evenly over six months period, due to which the billing falls in lower tariff slabs, therefore, the detection billing also does not contribute considerably to the gross revenue. The continuous line losses have directly affected the profitability of the Company since incorporation. These conditions indicate existence of material uncertainties as to Company's ability to continue as a going concern.

ii) Sales and Cost of Sales

Since NEPRA determines the electricity tariff (Generation and Distribution) and the government notifies it, cost structure of the DISCOs is heavily influenced by Power Purchase Agreements (PPAs) and regulated pricing mechanisms. Financial data showed that sales increased by 34.20% in FY 2023-24, reaching to Rs.110,592 million as compared to Rs.82,408 million in FY 2022-23. Despite this growth, the cost of electricity has risen sharply by 28.55%, from Rs.135,319 million to Rs.173,957 million during the same period. This disproportionate increase in costs relative to revenue resulted in a gross loss of Rs.16,123 million for FY 2023-24. The significant gap between revenue and electricity costs requires the need for cost-control measures and operational efficiency improvements by ensuring achieving regulatory benchmarks.

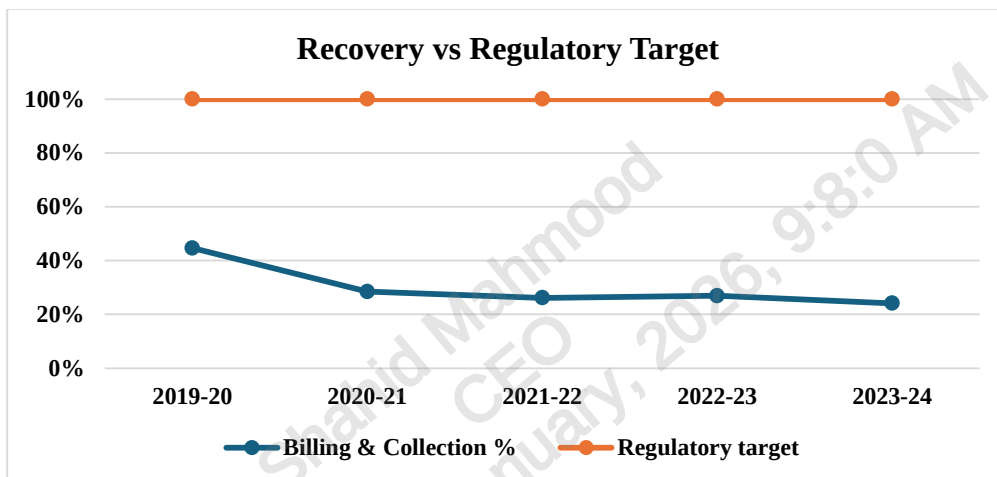
iii) Trade Debts and other Receivables

Trade debts increased by 26.45% in FY 2023-24, reaching Rs.40,331.61 million, after a significant 58.96% decline in FY 2022-23. Despite this recovery, the Debtors Turnover Period remains as high as 297 days, indicating persistent inefficiencies in receivables collection and liquidity management. Similarly, other receivables grew by 39.56% to Rs.24,271.95 million, pointed out difficulties in timely settlements. It is recommended that management needs to bring down the debtors turnover period to one billing cycles i.e. 30 to 40 days in order to improve its receivables position. However, billing and collection ration for the last five years showed the following trend.

Table showing Recovery %

FYs	2019-20	2020-21	2021-22	2022-23	2023-24
Billing & Collection %	80.6	39.8	35.4	36.9	31.79

Figure- billing and collection



iv) Trade and other Payables

The trade and other payables position reflected a 2.41% decline in FY 2023-24, amounting to Rs.8,605.92 million, following a substantial 141.99% increase in FY 2022-23. It is pertinent to mention that the Creditors Turnover Period remains excessively high at 1262 days, marginally lower than previous years (1359 days in FY 2022-23 and 1360 days in FY 2021-22). This indicated prolonged payment delays CPPA-G} can create a cascading effect, where CPPA-G is unable to pay Independent Power Producers (IPPs), prompting IPPs to impose delayed payment charges. This further exacerbates financial strain and increases costs. The rising liabilities, such as the 19.34% increase in dues to associated undertakings and the 20.21% rise in current and overdue portions of long-term financing. This poor financial management showed company's weak liquidity position. It is recommended to take immediate measures to reduce the payment cycle and improve working capital efficiency to avoid supplemental charges and ensure smoother operations within the energy supply chain.

v) Long term Financing

The carrying amount of long-term loans increased to Rs.25,142.791 million with an increase of Rs.1,052.303 million at the balance sheet date (4.36%) during the current financial year. The Company charged an

amount of Rs.10,661.953 million as financial cost in the profit and loss account during the current year (2022-23: Rs.8,379.904 million). The Company was relying on expensive financing to run its operations which ultimately causing burden on the resources of the Company and its liabilities. Reliance on borrowings/loans and payment of huge financial charges need to be justified.

vii) Non-recognition of supplemental charges

The Company has received various invoices from CPPA-G representing late payment charges (supplemental charges) being the share of the Company in the late payment charges charged to CPPA-G by the Independent Power Producers (IPPs) on account of delayed payment aggregating to 104,107.941 million over the years. However, the Company did not book supplemental charges of Rs.104,107.941 million during in books of accounts. Had these supplemental charges been charged it would have enhanced the expenditure and the current year loss increased by Rs.104,107.941 million. Similarly, accumulated losses of the Company too would have increased at the balance sheet date. It means that current figure of accumulated losses of Rs.712,455.625 million was understated by an amount of Rs.104,107.941million. Non-recognition of these charges needed justification in the light of International Accounting Standards.

2.9.5 Classified Summary of Audit Observations

Audit observations amounting to Rs.579,808.33 million were raised in this audit. The amount also includes recoveries of Rs.486.37 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Reported cases of fraud, embezzlement, misappropriation and theft	170.28
2.	Irregularities	
	A. Procurement related irregularities	994.58
	B. Irregularities pertaining to violation of entity's own regulations / SOPs	150,814.38
	C. Irregularities pertaining to violation of	69,818.39

	Laws & Regulations	
	D. Power Sector receivables	209,162.05
	E. Recoveries pointed out by Audit	486.37
3.	Value for money and service delivery issues	55.52
4.	Others	148,306.76

2.10 SUKKUR ELECTRIC POWER COMPANY (SEPCO)

2.10.1 Introduction

Sukkur Electric Power Company (SEPCO) is a subsidiary of PPMC. The Company started its operations as a Public Limited Company in 2011 and registered under Companies Ordinance 1984 (now Companies Act 2017). The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA-G through NTDC system and sells it to various consumers of ten (10) Districts of Sindh Province.

The operational activities are performed through three Operation Circles and Grid System Construction, Project Construction & Grid System Operation Circles. The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2023-24 (Rs.in million)	Expenditure audited FY 2023-24 (Rs.in million)	Revenue / Receipts FY 2023-24 (Rs.in million)
1.	Formations	11	06	11,875.49	6,072.34	72,228
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.10.2 Comments on Financial Statements

According to Section 223 of Companies Act 2017, “the directors of every company shall at some date not later than eighteen months after the incorporation of the company and subsequently once at least in every calendar year lay before the company in annual general meeting a balance-sheet and profit and loss account or in the case of a company not trading for profit an income and expenditure account for the period.

Moreover, Section 223 of Companies Act, 2017 states that every company shall send in the form and manner specified audited financial statements together with the auditors' report, directors' report and in the case of a listed company the chairman's review report to every member of the company and every person who is entitled to receive notice of general meeting, either by post or electronically at least twenty-one days before the date of meeting at which it is to be laid before the members of the company, and shall keep a copy at the registered office of the company for the inspection of the members. It is pertinent to mention that financial statements were not finalized and audited for the FYs 2021-22 to 2023-24 which is a significant violation of Company Act, 2017.

Moreover, as per Rule 4(1) of National Electric Power Regulatory Authority (NEPRA) (Uniform System of Accounts) Rules, 2009 (USoA Rules) whereby every licensee of NEPRA is obligated to submit its Annual Regulatory Accounts with the Authority within one month of submission of the Audited Accounts under the Companies Act, 2017. However, accuracy of balances being reported to the Regulator cannot be ascertained as fair and true due to non-finalization of audited financial statements which may result in non-transparency in determination of electricity tariff.

In SEPCO, the balance sheet and profit & loss account of the Company for the years 2023-24 could not be finalized by the management up till December 31, 2024.

2.10.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.493,835.86 million were raised in this audit. The amount also includes recoveries of Rs.2,852.52 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Reported cases of fraud, embezzlement, misappropriation and theft	16.92
2.	Irregularities	
	A. HR/Employees related irregularities	34.62
	B. Procurement related irregularities	20,830.01
	C. Irregularities pertaining to violation of entity's	12,161.88

	own regulations / SOPs	
	D. Irregularities pertaining to violation of Laws & Regulations	76,382.19
	E. Power Sector receivables	380,913.90
	F. Recoveries pointed out by Audit	2,852.52
3.	Value for money and service delivery issues	268.19
4.	Others	375.64

2.11 TRIBAL AREAS ELECTRIC SUPPLY COMPANY (TESCO)

2.11.1 Introduction

Tribal Areas Electric Supply Company (TESCO) is a State-owned enterprise (SoE) and operates under the administrative control of PEPCO and Ministry of Energy (Power Division) through its Board of Directors. It was established during August 2004. Its area of operation is in the erstwhile tribal Agencies and FRs. It is the only company providing electricity facility to the customers of this area. All the construction work of 11 KV transmission line and 132/66 KV line are being carried out by the staff of TESCO. Moreover, its maintenance is also carried out by SS&TL Division Peshawar of TESCO. It consists of one distribution Circle and five operation divisions, one SS&TL Division, one M&T Division and one Construction Division.

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2023-24 (Rs.in million)	Expenditure audited FY 2023-24 (Rs.in million)	Revenue / Receipts FY 2023-24 (Rs.in million)
1.	Formations	05	01	2,413.96	933.72	48,684
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.11.2 Comments on Financial Statements

2.11.2.1 Financial Overview

As per the audited Financial Statements for the year 2023-24 the company sustained loss of Rs.10,027 million at the year ended dated 30th June, 2024. Whereas, the company was in profit of Rs.5,241 million in the financial year 2022-23. Moreover, the net electricity sale decreased from Rs.62,009 million in the financial year 2022-23 to Rs.57,863 million in the financial year 2023-24 registering 6.69% decrease.

2.11.3 Extract of the Financial Statements

Statement of Financial Position as on June 30, 2024

(Rs.in million)

	FY-2023-24	% Inc/Dec	FY-2022-23	% Inc/Dec	FY-2021-22
Equity and Liabilities					
Share capital and reserves					
Issued, subscribed and paid-up capital	0.001	0.00%	0.001	0.00%	0.001
Share deposit money	427.16	0.00%	427.16	0.00%	427.16
Un-appropriated profit	18,721.63	-34.88%	28,748.67	1.60%	28,296.33
TOTAL EQUITY	19,149	-34.37%	29,175.84	1.57%	28,723.51
Non-current liabilities					
long-term loan from GOP	19,233.23	0.00%	19,233.23	0.00%	19,233.23
Longterm loans	43.37	-27.28%	59.65	-18.16%	72.89
Deferred Credits	11,185.46	31.83%	8,485.06	21.28%	6,996.32
Total Non-Current Liabilities	30,462.06	9.66%	27,777.94	5.61%	26,302.43
Current liabilities					
Consumers security deposit	350.97	-23.38%	458.09	3.13%	444.18
current portion of long-term loans	114.71	16.53%	98.44	15.54%	85.20
Trade and other payables liabilities	155,625.01	2.65%	151,602.68	5.68%	143,448.50
Total Current Liabilities	156,090.69	2.58%	152,159.21	5.68%	143,977.88
TOTAL LIABILITIES	205,701.55	-1.63%	209,113.00	5.08%	199,003.82
Assets					
Non-current assets					
property plant and Equipment	23,042.93	9.31%	21,080.28	13.68%	18,543.44
Longterm advances	20.51	-20.13%	25.67	-18.54%	31.52
Total Non-Current assets	23,063.44	9.27%	21,105.95	13.63%	18,574.96
Current assets					
Stores and spares	4,896.79	-5.61%	5,187.73	46.53%	3,540.49
Trade Debts	75,568.16	-9.09%	83,124.59	9.41%	75,978.35
loans and advances	38,167.38	8.17%	35,285.22	-4.78%	37,054.61
receivable from Govt.	63,057.63	0.00%	63,057.63	2.06%	61,784.88
Cash and bank balances	948.16	-29.86%	1,351.87	-34.71%	2,070.53
Total Current assets	182,638.11	-2.86%	188,007.04	4.20%	180,428.87
TOTAL ASSETS	205,701.55	-1.63%	209,113.00	5.08%	199,003.82

2.11.4 Statement of Profit & Loss Account For the year ended on June 30, 2024

	(Rs.in million)				
	FY-2023-24	% Inc/Dec	FY-2022-23	% Inc/Dec	FY-2021-22
Sales	57,862.98	-6.69%	62,009.24	68.49%	36,803.64
Cost of Electricity	64,771.73	23.05%	52,639.81	11.09%	47,385.76
Gross Profit/(Loss)	- 6,908.75	-173.74%	9,369.43	-188.54%	- 10,582.11
Other Income	702.84	27.11%	552.93	-7.59%	598.37
	- 6,205.92	-162.54%	9,922.36	-199.39%	- 9,983.75
Operating expenses	3,812.73	-16.95%	4,591.03	-11.69%	5,198.72
Financial Charges	8.39	-90.76%	90.83	-59.64%	225.06
	3,821.12	-18.38%	4,681.86	-13.68%	5,423.78
Profit/(loss) after taxation	- 10,027.04	-291.34%	5,240.50	-134.01%	- 15,407.53

i) Profitability

The sales of the Company declined by 6.69% in FY 2023-24, while the cost of electricity increased by 23.05%, resulting in a gross loss of Rs. - 6,908.75 million. This trend, coupled with mounting accumulated losses, led to a sharp decline in un-appropriated profit by 34.88% and an overall equity reduction of 34.37%. The company posted a substantial loss of Rs.10,027.04 million, reversing the previous year's profitability. Although operating expenses and financial charges were reduced by 16.95% and 90.76%, respectively, these efforts were insufficient to offset the gross losses. To address this worse position, the company must implement stringent cost-control measures, improve operational efficiency, enhance revenue through tariff adjustments and achieve regulatory benchmark for operations.

ii) Sales and Cost of sales

The financial performance of TESCO showed poor trend in terms of sales and the cost of electricity. Sales for FY 2023-24 declined by 6.69% as compared to the previous year, reducing from Rs. 62,009.24 million in FY 2022-23 to Rs. 57,862.98 million. Simultaneously, the cost of electricity increased by 23.05% in FY 2023-24, increasing from Rs. 52,639.81 million to Rs. 64,771.73 million. This escalation in costs, combined with declining sales, resulted in gross loss of Rs. 6,908.75

million for FY 2023-24, a significant shift from the gross profit of Rs. 9,369.43 million in FY 2022-23.

iii) Trade Debts and other Receivables

Total receivables of the company were Rs.176,793 million as on June 30, 2024. An amount of Rs.63,058 million was receivable from Government of Pakistan against tariff differential subsidy. Rs.38,167 million was receivables from other Associated companies, tax authorities and other receivables and Rs.38,167 million from various consumers on account of electricity sold. Huge balance of receivables depicts the poor recovery efforts of the company, which needed justification.

Trade Debts	75,568,157,838
Advances and other receivables	38,167,382,893
Receivable from Government	63,057,628,244
Total	176,793,168,975

iv) Trade and other liabilities

Payables of the company substantially increased from Rs.151,603 million during the financial year 2022-23 to Rs.155,625 million during the financial year 2023-24. The major amount of Rs.69,995 million was payable to CPPA-G on account of purchase of electricity and Rs.41,842 million was payable to PESCO on account of wheeling charges which indicated the poor liquidity position of the company and needed justification.

2.11.5 Classified Summary of Audit Observations

Audit observations amounting to Rs.110,737.04 million were raised in this audit. The amount also includes recoveries of Rs.771.76 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Reported cases of fraud, embezzlement, misappropriation and theft	0.64
2.	Irregularities	
	A. HR/Employees related irregularities	207.87

	B. Procurement related irregularities	4,033.62
	C. Irregularities pertaining to violation of entity's own regulations / SOPs	3,399.84
	D. Irregularities pertaining to violation of Laws & Regulations	2,342.39
	E. Power Sector receivables	99,966.75
	F. Recoveries pointed out by Audit	771.76
3.	Value for money and service delivery issues	14.17

2.12 JAMSHORO POWER GENERATION COMPANY (GENCO-I)

2.12.1 Introduction

The Jamshoro Power Generation Company Limited, (JPGCL) was incorporated in August, 1998, under Companies Ordinance 1984 (now Companies Act 2017). It started its business from 1st March, 1999. The Company took over properties, rights, assets, obligations and liabilities of thermal power generation at Jamshoro and Kotri, owned by WAPDA through Business Transfer Agreement.

The principal activity of the Company is to generate electricity (from furnace oil, natural gas) and sell it to CPPA-G. JPGCL was granted Generation License by NEPRA in July, 2002.

The detail of formations and expenditure audited is as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2023-24 (Rs.in million)	Expenditure audited FY 2023-24 (Rs.in million)	Revenue / Receipts FY 2023-24 (Rs.in million)
1.	Formations	01	01	47,503.49	3,903.43	3006.79
2.	Assignment Accounts (excluding FAP)	N/A	N/A	N/A	N/A	N/A
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	03	02	US\$ 10.589	US\$ 10.589	Nil

2.12.2 Comments on Financial Statements

2.12.2.1 Financial Overview

As per the audited Financial Statements for the FY 2023-24, the company remained in profit at the year ended on June 30, 2024. The loss amounting to Rs.910.80 million in the FY 2022-23 turned into profit Rs.4,733.17 million in the FY 2023-24. However, revenue from sale of the net electricity decreased from Rs.4,493.94 million in the FY 2022-23 to Rs.3,006.78 million in the FY 2023-24, registering 33.09% decrease.

2.12.3 Extract of the Financial Statements

Statement of Financial Position as on June 30, 2024

	2023-24	% Incr/ (dec)	2022-23	% Incr/ (dec)	(Rs.in million) 2021-22
Assets					
Non-current assets					
Property, plant and equipment	194,269.47	10.03	176,558.30	56.54	112,787.32
Long term loans	15.18	(38.27)	24.59	(30.55)	35.408
Total Non-current assets	194,284.65	10.02	176,582.89	56.51	112,822.73
Current assets					
Stores, spare parts and loose tools	372.91	(15.36)	440.59	(5.75)	467.47
Fuel Stock	1,350.81	11.23	1,214.47	224.92	373.77
Trade debts	1,446.66	(18.66)	1,778.44	(24.89)	2,367.82
Loans and advances	89.83	(24.61)	119.15	(77.7)	534.27
other receivables	9,683.68	44.89	6,683.64	22.96	5,435.46
Advance income tax	945.49	15.66	817.49	7.38	761.32
Accrued Mark up	399.08	6028.30	6.51	(41.97)	11.22
Bank Balances	7,737.41	34.51	5,752.46	655.84	761.07
Total Current assets	22,025.87	31.01	16,812.74	56.95	10,712.40
Total Assets	216,310.52	11.85	193,395.64	56.55	123,535.12
EQUITY AND LIABILITIES					
Share Capital and Reserves					
Authorized Share Capital	50000.00		50000.00		50000.00
Issued, subscribed and paid-up share capital	8128.54	-	8128.54	-	8128.54
Revenue Reserve					
Accumulated losses	(29,441.65)	(3.86)	-(30,625.01)	22.51	(24,998.18)
Total Equity	(21,313.12)	(5.26)	(22,496.47)	33.35	(16,869.64)
LIABILITIES					
Non-current liabilities					
Long term loans	19,615.02	74.63	11,232.02	368.94	2,395.20
Employees Benifits Obligations	28,058.69	31.83	21,284.32	49.69	14,219.20
Total non-current Liabilities	47,673.72	46.61	32,516.34	95.71	16,614.40
Current liabilities					
Trade and other payables	2,300.68	102.95	1,133.62	(21.9)	1,451.46
Retention Money	27,622.88	(0.31)	27,709.40	46.37	18,930.71
Due to Associated Undertakings	6,628.02	(49.27)	13,066.53	(4.32)	13,656.32
Accrued markup on long term loans	32,775.51	58.54	20,673.08	161.1	7,917.67

Current portion of long-term loans	120,622.82	(0.14)	120,793.15	47.61	81,834.22
Total Current Liabilities	189,949.92	3.59	183,375.77	48.13	123,790.37
TOTAL LIABILITIES	237,623.63	10.07	215,892.11	53.76	140,404.76
Contingencies and Commitments	-	-	-	-	-
Total Equity and liabilities	216,310.52	11.85	193,395.64	56.55	123,535.12

2.12.4 Statement of Profit & Loss Account For the year ended on June 30, 2024

	(Rs.in million)				
	2023-24	% Inc/ (dec)	2022-23	% Inc/(dec)	2021-22
Revenue from contract with customer-net	3,006.78	(33.09)	4,493.94	(58.26)	10,767.76
Cost of revenue	(4,668.04)	(12.36)	(5,326.41)	(55.32)	(11,922.24)
Gross (loss) / profit	(1,661.25)	99.56	(832.47)	(27.89)	(1,154.48)
Administrative and General Expenses	(1625.598)	22.39	(1328.206)	6.66	(1245.243)
Operating loss	(3,286.85)	52.12	(2,160.68)	(9.96)	(2,399.72)
Finance Cost	(3.64)	(61.57)	(9.46)	(99.27)	(1,288.94)
Other income	8356.28	558.85	1268.31	198.86	424.39
other expenses	(332.62)	3606.51	(8.97)	(98.72)	(701.47)
Profit (Loss) before Income Tax	4,733.17	(619.67)	(910.80)	(77.03)	(3,965.74)
Income tax expenses	-	-	-	-	-
Net Profit (Loss) after taxation	4,733.17	(619.67)	(910.80)	(77.03)	(3,965.74)

i) **Profitability** The company remained in profit of Rs.4733.165 million for the financial year ended on June 30, 2024 and at that date, the accumulated losses were Rs.29,441.653 million and negative equity of Rs.21,313.115 million. However, company had remained in loss Rs.910.80 million for the Financial Year on June 30, 2023. The current liabilities exceeded the current assets by Rs.167,924.05 million at the year end. Similarly, Company increased its administrative cost to Rs.1625.598 million in FY 2023-24 from Rs.1328.206 million in the previous year, registering 22.39% increase. These factors indicate the existence of a material uncertainty, which may cast significant doubts on the company's ability to continue as a going concern. The company was suffering from consistent losses over the years which reflected operational inefficiencies as well policy bottlenecks requiring urgent remedial action.

ii) Revenue and Cost of Revenue

The revenue of the Company was 3,006.78 million and cost of revenue stood at Rs.4,668.04 million which was 55.25% of the revenue. This meant that the company was unable to recover the operating expenses for the year.

iii) Trade Debts and other Receivables

Trade debts of the Company have been reduced to Rs.1,446.66 million in the Financial Year ended on June 30, 2024 from Rs.1778.44 million in the previous year, registering 18.66% decrease. However, other receivables Rs.9,683.68 million for the Financial Year June 30, 2024 included major amount Rs.1174.258 million from CPPA-G, Rs.49.616 million from LPGCL and sales tax receivables Rs.7,468.87 million. Total other receivables registered 44.89% increased as compared to previous year. Huge balance of receivables depicts the poor recovery efforts of the company, which needed justification.

iv) Trade and other Payables

Trade and other payables of the Company have been increased to Rs.2,300.68 million in the Financial Year ended on June 30, 2024 from Rs.1,133.62 million in the previous year, registering 102.95% increase. The major amount of Rs.857.117 million was levy payable but not recognized in profit and loss statement which effect the profitability of the company and huge balances of trade and other payables depicted poor liquidity position of the company which needs justification.

v) Other income

Other income of the Company have been increased to Rs.8,356.276 million in the Financial Year ended on June 30, 2024 from Rs.1,268.312 million in the previous year, registering 558.85% increase. The majority of other income included Rs.1419.159 million was return on bank deposit and Rs. 6731.499 million of written back the liabilities of pensioners retirement benefits and recognized as income without the consent and mutual agreement with WAPDA and DISCOs which needs justification.

2.12.5 Classified Summary of Audit Observations

Audit observations amounting to Rs.282,217.23 million were raised in this audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Irregularities	
A.	HR/Employees related irregularities	1.09
B.	Procurement related irregularities	14,189.84
C.	Irregularities pertaining to violation of entity's own regulations / SOPs	893.17
D.	Irregularities pertaining to violation of Laws & Regulations	113.50
2.	Value for money and service delivery issues	21.12
3.	Others	266,998.51

2.13 NORTHERN POWER GENERATION COMPANY (GENCO-III)

2.13.1 Introduction

The Jamshoro Power Generation Company Limited, (JPGCL) was incorporated in August, 1998, under Companies Ordinance 1984 (now Companies Act 2017). It started its business from March 1, 1999. The Company took over properties, rights, assets, obligations and liabilities of thermal power generation at Jamshoro and Kotri, owned by WAPDA through Business Transfer Agreement.

The principal activity of the Company is to generate electricity (from furnace oil, natural gas) and sell it to CPPA-G. JPGCL was granted Generation License by NEPRA in July, 2002.

The detail of formations and expenditure audited is as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2023-24 (Rs.in million)	Expenditure audited FY 2023-24 (Rs.in million)	Revenue / Receipts FY 2023-24 (Rs.in million)
1.	Formations	01	01	112,550.20	2,443.50	50,524.50
2.	Assignment Accounts (excluding FAP)	N/A	N/A	N/A	N/A	N/A
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.13.2 Comments on Financial Statements

2.13.2.1 Financial Overview

As per the audited Financial Statements for the FY 2022-23, the company remained in loss at the year ended on June 30, 2023. The loss Rs.3752.240 million in the FY 2021-22 and Rs.3239.939 million in the FY 2022-23. However, revenue from sale of the net electricity decreased from Rs.58226.124 million in the FY 2021-22 to Rs.50524.521 million in the FY 2022-23, registering 13.22 % decrease.

2.13.3 Extract of the Financial Statements

Statement of Financial Position as on June 30, 2023

	2022-23	% Incr/ (dec)	2021-22	% Incr/ (dec)	(Rs.in million) 2020-21
Assets					
Non-current assets					
Property, plant and equipment	148,818.85	-2.11	152028.1	-2012	155320.582
Long term advances	3.421	-46.25	6.365	-33.19	9.527
Long term deposits	946.511	-33.18	1416.511	-0.1	1416.607
Total Non-current assets	149,768.78	-2.4	153,450.97	-2.1	156,746.72
Current assets					
Stores, spare parts and loose tools	3,653.58	0.08	3,650.59	-2.05	3,727.15
Fuel Stock	2,686.98	22.32	2,196.71	2.26	2,148.19
Trade debts	32,358.18	-30.76	46,734.78	2.26	23,781.33
Loans and advances	3,407.43	-16.83	4,097.18	6.37	3,851.83
other receivables	4,485.44	-0.11	4,490.24	1.99	4,402.73
Advance income tax	2,737.69	24.69	2,195.55	3.05	2,130.60
Accrued Interest	19.38	58.42	12.23	663.67	1.60
Bank Balances	5,582.07	10.21	5,065.12	81.28	2,794.12
Sale tax receivable	17,081.96	5.05	16,260.39	5.91	15,352.59
Total Current assets	72,012.70	-14.98	84,702.79	45.56	58,190.14
Total Assets	221,781.48	-6.87	238,153.76	10.8	214,936.86
EQUITY AND LIABILITIES					
Share Capital and Reserves					
Authorized Share Capital	50000.00		50000.00		50000.00
Issued, subscribed and paid-up share capital	0.50	-	0.50	-	0.50
Deposit for share	17,899.36	-	17,899.36		17,899.36
Surplus of revaluation of land	96,960.24	-	96,960.24		96,960.24
Accumulated losses	-47,507.40	23.12	-38,585.76	13.88	-33,883.04
Total Equity	67,352.20	-11.7	76,273.84	-5.81	80,976.56
LIABILITIES					
Non-current liabilities					
Long term Financing	10,299.08	-21.45	13,112.15	-17.75	15,940.99
Staff retirement benefits	35,581.49	32.45	26,864.54	-7.23	28,958.08
Deferred grant	958.15	-3.72	995.16	-3.83	1,034.79
Total non-current Liabilities	46,838.72	14.32	40,971.84	-10.8	45,933.86

Current liabilities

Trade and other payables

Accrued markup

Current portion of Non-Current Liabilities

Provision for taxation

Total Current Liabilities**TOTAL LIABILITIES***Contingencies and Commitments***Total Equity and liabilities**

98,765.99	-12.26	112,567.01	39	80,982.61
3,194.44	13.2	2,821.96	16.94	2,413.11
3,631.71	3.38	3,512.83	3.68	3,388.25
1,997.84	-7.94	2,005.79	61.5	1,241.97
107,589.98	-11.01	120,907.58	37.35	88,025.94
154,428.70	-4.6	161,879.42	20.84	133,959.81
-	-	-	-	-
221,780.89	-6.87	238,153.26	10.8	214,936.36

2.13.4 Statement of Profit & Loss Account For the year ended on June 30, 2023

	<i>(Rs.in million)</i>				
	2022-23	% Inc/ (dec)	2021-22	% Inc/(dec)	2020-21
Sale	50,524.52	14.26	58,226.12	67.34	34,796.08
Cost of sale	-50,871.45	-1.01	-59,173.52	89.78	-31,180.32
Gross (loss) / profit	-346.93	-1.14	-947.40	-126.20	3,615.76
Administrative and General Expenses	-1016.219	-60.97	-1027.06	15.75	-887.306
other expenses	-144.704	38.36	-770.889	257.90	-215.39
Other income	1498.339	-31.31	1794.044	14.10	1,572.30
Finance Cost	-2598.867	-18.66	-2037.117	4.48	-1,949.68
Loss/Profit before Income Tax	-2,608.38	-4.43	-2,988.42	-239.93	2,135.69
Taxation	-631.556	-67.07	-763.817	57.18	-485.95
Loss/Profit after taxation	-3,239.94	-13.65	-3,752.24	-327.44	1,649.74

i) Profitability

The company suffered loss of Rs.3,239.94 million during the financial year ended on June 30, 2023 and at that date, the accumulated losses were Rs.47,507.40 million. However, company had remained in loss of Rs.619.67 million for the financial year on June 30, 2022. The current liabilities exceeded the current assets by Rs.35,577.362 million at the year end. These factors indicate the existence of a material uncertainty, which may cast significant doubts on the company's ability to continue as a going concern. The company was suffering from consistent losses over

the years which reflected operational inefficiencies as well policy bottlenecks requiring urgent remedial action.

ii) Revenue and Cost of Revenue

The revenue of the Company was Rs.50,524.52 million and cost of revenue stood at Rs.50,871.45 million, which was 100.68% of the revenue and the company was unable to recover the operating expenses for the year.

iii) Trade Debts and other Receivables

Trade debts of the Company have been reduced to Rs.32,358.18 million in the financial year ended on June 30, 2023 from Rs.46,734.78 million in the previous year, registering 30.76% decrease. Furthermore, the balance due from Central Power Purchase Agency Guarantee (CPPA-G) does not reconcile with the balance confirmed by (CPPA-G) and there was difference of Rs.29,479.963 million. These un-reconciled receivable needs justification. However, other receivables of Rs.4,485.44 million for the financial year June 30, 2023 included major amount of Rs.4,210.143 million due from associated companies. Huge balance of receivables depicts poor recovery efforts of the company, which needed justification.

iv) Capital Plant & Assets

In capital plant & Assets, the capital work in progress include an amount of Rs.1,494 million relating to finance cost incurred on Chichouki Mallian Power Project which has been closed by the Ministry of Energy (Power Division) on 21 May, 2015. The expenditure on defunct projects needs justification.

v) Other income

Other income of the Company have been decreased to Rs.1498.34 million in the Financial Year ended on June 30, 2023 from Rs.1794.05 million in the previous year, registering 16.48% decrease. The major decrease of other income is due to decrease in credit balance written back from (CPPA-G). However, the income from Central Gas turbine workshop was reduced to zero in the year 2022-23 from 102.669 million in the year 2021-22.

2.13.5 Classified Summary of Audit Observations

Audit observations amounting to Rs.157,250.21 million were raised in this audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Irregularities	
	A. HR/Employees related irregularities	20.58
	B. Procurement related irregularities	15,608.78
	C. Irregularities pertaining to violation of entity's own regulations / SOPs	300.82
	D. Irregularities pertaining to violation of Laws & Regulations	28,272.04
2.	Value for money and service delivery issues	750.52
3.	Others	112,297.47

2.14 NATIONAL TRANSMISSION AND DESPATCH COMPANY (NTDC)

2.14.1 Introduction

National Transmission and Dispatch Company (NTDC) was incorporated under Companies Ordinance, 1984 in 1998. The Company obtained transmission license from NEPRA for a period of 30 years in December, 2002 for undertaking its obligations. The principal activity of NTDC is to receive electricity from Hydel / Thermal / Nuclear Power Stations, Renewable Energy Plants and IPPs, and transmit it through its 500 kV / 220 kV System to all DISCOs and K-Electric for onward distribution to consumers. NTDC is also responsible for constructing, operating and maintaining 220 kV and 500 kV transmission systems comprising of transmission lines and grid stations.

The Company operates and maintains fourteen (14) 500 kV Grid Stations and thirty-eight (38) 220 kV grid stations along with 5,077 Km long 500 kV transmission lines, and 7,359 Km long 220 kV transmission lines in Pakistan.

The detail of formations and expenditure audited is as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2023-24 (Rs.in million)	Expenditure audited FY 2023-24 (Rs.in million)	Revenue / Receipts FY 2023-24 (Rs.in million)
1.	Formations	22	02	111,812.45	4,398.47	39,289.20
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	21	16	US\$ 238.63 JPY 222.06 EUR 1.160	US\$ 238.63 JPY 222.06 EUR 1.160	Nil

2.14.2 Comments on Financial Statements

According to Section 223 of Companies Act 2017, “the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of Financial Year adopted by the company”.

Moreover, Section 223 of Companies Act, 2017 states that every company shall send in the form and manner specified audited financial statements together with the auditors' report, directors' report and in the case of a listed company the chairman's review report to every member of the company and every person who is entitled to receive notice of general meeting, either by post or electronically at least twenty-one days before the date of meeting at which it is to be laid before the members of the company, and shall keep a copy at the registered office of the company for the inspection of the members. It is pertinent to mention that financial statements were not finalized and audited for the FY 2023-24 which is a significant violation of Company Act, 2017.

Moreover, as per Rule 4(1) of National Electric Power Regulatory Authority (NEPRA) (Uniform System of Accounts) Rules, 2009 (USoA Rules) whereby every licensee of NEPRA is obligated to submit its Annual Regulatory Accounts with the Authority within one month of submission of the Audited Accounts under the Companies Act, 2017. However, accuracy of balances being reported to the Regulator cannot be ascertained as fair and true due to non-finalization of audited financial statements which may result in non-transparency in determination of electricity tariff.

In NTDC, financial statements of the company for the Financial Year 2023-24 could not be finalized by the management up till December 31, 2024.

2.14.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.174,712.38 million were raised in this audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Irregularities	
	A. HR/Employees related irregularities	2,461.86
	B. Procurement related irregularities	17,349.22
	C. Irregularities pertaining to violation of entity's own regulations / SOPs	160.08
	D. Irregularities pertaining to violation of Laws & Regulations	13,224.39
2.	Value for money and service delivery issues	8,677.64
3.	Others	132,839.19

2.15 MINISTRY OF ENERGY (POWER DIVISION)

2.15.1 Introduction

The Ministry of Energy (Power Division) was established on August 4, 2017 after merging of the Ministry of Petroleum and Natural Resources with the power division of the Ministry of Energy, respectively. The ministry has two divisions i.e. petroleum and power. The Power Division is responsible for general monitoring of power generation, transmission and its distribution as well as the power projects in the implementation stages. The following power sector entities come under the supervision of Power Division:-

- Power Planning & Monitoring Company (PPMC) along with its corporate entities
- GENCO Holding Company Limited (GHCL) along with generation companies
- Alternative Energy Development Board (AEDB)
- Private Power Infrastructure Board (PPIB)
- National Energy Efficiency & Conservation Authority (NEECA)
- Central Power Purchasing Agency Guaranteed (CPPA-G)
- Power Holding Limited (PHL)
- National Power Parks Management Company Limited (NPPMCL)

The detail of formations and expenditure audited is as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2022-23 (Rs.in million)	Expenditure audited FY 2022-23 (Rs.in million)	Revenue / Receipts FY 2022-23 (Rs.in million)
1.	Formations	01	01	3,366.10	1,007.50	3,098.25
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	Nil	Nil	Nil	Nil	Nil
4.	Foreign Aided Projects (FAP)	01	01	US\$ 0.02	US\$ 0.02	Nil

2.15.2 Classified Summary of Audit Observations

Audit observations amounting to Rs.205,898.21 million were raised in this audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Irregularities	
A.	HR/Employees related irregularities	69.57
B.	Procurement related irregularities	3,450.03
C.	Management of accounts with commercial banks	4,785.67
D.	Irregularities pertaining to violation of entity's own regulations / SOPs	1,948.00
E.	Irregularities pertaining to violation of Laws & Regulations	193,255.74
2.	Others	2,389.20

2.16 CENTRAL POWER PURCHASING AGENCY GUARANTEED (CPPA-G)

2.16.1 Introduction

The Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) is a key public sector entity in Pakistan's power sector, established in 2015 after the unbundling of the National Transmission and Dispatch Company (NTDC). Operating under the regulatory framework of NEPRA, CPPA-G is tasked with managing power procurement, financial settlements, and market operations to ensure the efficiency and sustainability of the electricity market. As the designated Market Operator, CPPA-G oversees electricity procurement from Independent Power Producers (IPPs) and public sector generation companies, facilitates accurate billing and settlements, manages market data to ensure transparency, and leads the transition to a competitive electricity market under the Competitive Trading Bilateral Contracts Market (CTBCM) framework. By ensuring regulatory compliance and fostering trust among stakeholders, CPPA-G plays a pivotal role in driving a reliable, transparent, and efficient energy system in Pakistan.

The detail of formations and expenditure audited is as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2023-24 (Rs.in million)	Expenditure audited FY 2023-24 (Rs.in million)	Revenue / Receipts FY 2023-24 (Rs.in million)
1.	Formations	01	01	1,400	138.80	2,390.16
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.16.2 Comments on Financial Statements

The financial overview of the CPPA-G for FY 2023-24 showed significant results and shifts. The total assets increased by 17.8% to Rs. 85,640.93 million, driven by increases in restricted escrow deposit accounts and cash at bank deposit accounts. However, equity sharply declined by 66.05% due

to a reduction in the general fund, reflecting a negative trend in the agency's financial stability. Liabilities increased by 18.27%, with current liabilities, particularly accrued liabilities, showing a huge increase of 17.97%. While total income increased by 25.07%, primarily from an 82.81% increase in profit on bank accounts, operating expenses more than doubled, rising by 110.63%. The overall result was a deficit of Rs.55.61 million, reflecting a significant decline from the prior year's surplus of Rs.643.75 million.

2.16.3 Extract of the Financial Statements

Statement of Financial Position as on June 30, 2024

	2023-24	% Inc/Dec	2022-23	% Inc/Dec	Rs.in million 2021-22
Fund and Liabilities					
General Fund	136.45	-66.05%	401.92	-330.57%	-174.31
TOTAL EQUITY	136.45	-66.05%	401.92	-330.57%	-174.31
Non-current liabilities					
Lease Liability	275.65		0.00	-100.00%	23.70
Total Non-Current Liabilities	275.65		0.00	-100.00%	23.70
Current liabilities					
Accrued and other liabilities	85,184.68	17.97%	72,211.58	176.07%	26,156.81
Current portion of lease liability	44.15	86.27%	23.70	-72.69%	86.77
Provision for taxation- net	0.00	-100.00%	61.25		0.00
Total Current Liabilities	85,228.83	17.89%	72,296.53	175.48%	26,243.58
TOTAL LIABILITIES	85,504.47	18.27%	72,296.53	175.23%	26,267.29
Total Fund and Liabilities	85,640.93	17.80%	72,698.44	178.61%	26,092.97
Assets					
Non-current assets					
Property Plant and Equipment	88.74	-32.70%	131.87	41.27%	93.34
Intangible assets	37.25	-28.37%	52.01	13.50%	45.82
Right-of-use asset	288.16	1574.46%	17.21	-80.00%	86.05
Long term Security deposits	21.86	0.00%	21.86	2.82%	21.26
Long-term loans to Employees	99.40	-6.49%	106.30		
Total Non-Current assets	535.42	62.62%	329.25	33.58%	246.48
Current assets					
Taxation recoverable – net	303.97		0.00	-100.00%	82.96
Advances, prepayments and other receivables	5,536.97	-3.00%	5,708.46	7346.08%	76.66

Current portion of long-term loans to employees	31.08	20.36%	25.82		0.00
Balance in escrow deposit accounts- restricted	44,055.64	42.67%	30,878.70	156.44%	12,041.48
Cash at bank- deposit accounts	35,177.85	-1.62%	35,756.22	162.04%	13,645.40
Total Current assets	85,105.51	17.60%	72,369.20	180.00%	25,846.50
TOTAL ASSETS	85,640.93	17.80%	72,698.44	178.61%	26,092.97

2.16.4 Statement of Profit & Loss Account For the year ended on June 30, 2024

PROFIT AND LOSS ACCOUNT

Extracts from Balance Sheet FYs 2022 to 2024

	2023-24	% Inc/Dec	2022-23	% Inc/Dec	(Rs.in million) 2021-22
Market operation fee	625.11	(0.43)	1,092.38	0.73	630.98
Profit on Bank accounts	2,314.83	0.83	1,266.27	1.44	518.12
Finance income	24.43	1.12	11.51		
Total income	2,964.36	0.25	2,370.16	1.06	1,149.10
Expenditure					
Operating expense	-2,907.17	1.11	-1,380.25	0.20	-1,145.92
Finance Cost	-56.54	6.56	-7.47	(0.56)	-16.93
	-2,963.71	1.14	-1,387.73	0.19	-1,162.85
SURPLUS BEFORE LEVY AND TAXATION	0.65	(1.00)	982.44	(72.43)	-13.75
Minimum tax levy	-56.26				
Deficit /Surplus before taxation	-55.61	(1.06)	982.44	(72.43)	-13.75
Taxation Charge	0.00	(1.00)	-338.68	5.71	-50.48
Deficit /Surplus after taxation	-55.61	(1.09)	643.75	(11.02)	-64.23

i) Deficit/Surplus

The deficit and surplus analysis of CPPA-G revealed critical financial dynamics shaped by its reliance on the market operation fee, which is determined by NEPRA and paid by DISCOs. During FY 2023-24, the market operation fee declined significantly by 42.78% to Rs.625.11 million from Rs.1,092.38 million in FY 2022-23. This reduction in revenue, coupled with a substantial increase in operating expenses (110.63%) and finance costs (656.42%), resulted in a sharp decline in surplus before levy and taxation, falling to just Rs.0.65 million as compared to Rs.982.44 million during financial year 2022-23. CPPA-G reported a deficit of Rs.55.61 million in FY 2023-24, marking a

significant shift from the surplus of Rs.643.75 million in FY 2022-23 which needs justification over determination of market operation fee. This financial strain highlighted CPPA-G's dependence on the market operation fee as a primary revenue source and requires the Regulator to reassess its determination of the fee structure to ensure sustainability.

ii) Current Assets

The financial data highlighted a significant increase in both current assets and current liabilities over the past three financial years. Current assets increased by 17.60% in FY 2023-24 to Rs.85,105.51 million, compared to Rs.72,369.20 million in FY 2022-23. This growth was primarily caused by a 42.67% increase in the balance in escrow deposit accounts, which increased to Rs.44,055.64 million. However, it is pertinent to mention that the escrow account balance is restricted for payments to WAPDA Hydel by the Power Holding Company, limiting the liquidity available to CPPA-G for other operational needs.

iii) Current Liabilities

Furthermore, current liabilities increased by 17.89% in FY 2023-24 to Rs.85,228.83 million, largely due to accrued and other liabilities, which increased by 17.97% to Rs.85,184.68 million. The mismatch between current assets' liquidity and the rising obligations under current liabilities, including the restricted escrow funds, indicated financial difficulties for CPPA-G in meeting its short-term commitments.

iv) Accrued and Other Payables

Accrued and payables increased by 39.71% in FY 2023-24, reaching Rs.874.96 million, reflecting ongoing operational and deferred payment obligations during FY 2023-24. However, the provision for taxation marginally declined by 1.47% to Rs.543.75 million. The payable to federal consolidated funds sharply declined by 62.32% to Rs.221.99 million, indicating a reduction in government dues, which showed compliance of the obligatory payment.

2.16.5 Classified Summary of Audit Observations

Audit observations amounting to Rs.717,664.48 million were raised in this audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Irregularities	
	A. Irregularities pertaining to violation of Laws & Regulations	40,336.64
	B. Power Sector receivables	348,186.45
2.	Value for money and service delivery issues	12,200.92
3.	Others	316,940.47

2.17 PRIVATE POWER AND INFRASTRUCTURE BOARD (PPIB)

2.17.1 Introduction

The Private Power and Infrastructure Board (PPIB) was created on August 2, 1994 under Ministry of Water and Power, Islamabad as "One Window Facilitator" to promote private sector participation in the power sector of Pakistan. PPIB facilitates investors in establishing private power projects and related infrastructure, executes Implementation Agreement (IA) with Project Sponsors and issues sovereign guarantees on behalf of Government of Pakistan.

Main functions of PPIB are to implement the power policies, award projects to sponsors or private power companies, prepare all necessary or appropriate documentation, execute any of such documentation with private power companies, their sponsors, lenders and, whenever necessary or appropriate.

PPIB comprises of the following members:

1. Federal Minister for Water & Power	Chairman
2. Secretary, Water & Power/Chairman PEPCO	Member
3. Secretary, Ministry of Finance	Member
4. Secretary, Ministry of Petroleum & Natural Resources	Member
5. Chairman, Federal Board of Revenue	Member
6. Secretary, Planning Commission	Member
7. Chairman, WAPDA	Member
8. Managing Director, PPIB	Member/Secretary
9. Mr. Zahid Rafique, (Private Member)	Member
10. Mr. Amir Naseem (Private Member)	Member

In addition to above Provincial Chief Secretaries and other departmental heads are included as Board Members (as and when required) for such meetings where items/projects pertinent to the particular Province/AJ&K form part of the agenda for board meetings.

Fourteen (14) thermal power projects having 2,898 MW capacities were launched by Independent Power Producers (IPPs) under Power Policy-1994 and twelve (12) IPPs having capacity of 2,409 MW were inducted under Power Policy-2002 by the PPIB.

The detail of formations and expenditure audited is as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2023-24 (Rs.in million)	Expenditure audited FY 2023-24 (Rs.in million)	Revenue / Receipts FY 2023-24 (Rs.in million)
1.	Formations	01	01	2,266.53	224.92	148.73
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	01	01	EUR 1.160	EUR 1.160	Nil

2.17.2 Comments on Financial Statements

According to Section 223 of Companies Act 2017, “the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company”.

Moreover, Section 223 of Companies Act, 2017 states that every company shall send in the form and manner specified audited financial statements together with the auditors’ report, directors’ report and in the case of a listed company the chairman’s review report to every member of the company and every person who is entitled to receive notice of general meeting, either by post or electronically at least twenty-one days before the date of meeting at which it is to be laid before the members of the company, and shall keep a copy at the registered office of the company for the inspection of the members. It is pertinent to mention that financial statements were not finalized and audited for the FYs 2022-23 to 2023-24 which is a significant violation of Company Act, 2017.

In PPIB, financial statements of the company for the financial year 2023-24 could not be finalized by the management up till December 31, 2024.

2.17.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.16,652.75 million were raised in this audit. Summary of the audit observation classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Irregularities	
	A. Procurement related irregularities	3,787.28
	B. Irregularities pertaining to violation of Laws & Regulations	7,680.59
	C. Power Sector receivables	5,171.32
2.	Others	13.56

2.18 NATIONAL ENERGY EFFICIENCY & CONSERVATION AUTHORITY (NEECA)

2.18.1 Introduction

The National Energy Efficiency & Conservation Authority (NEECA) is an Authority established under the Ministry of Energy (Power Division) and serves as a federal focal agency mandated for initiating, catalyzing and coordinating all Energy Conservation activities in different sectors of economy. The authority is mandated to provide for establishment of institutions and enunciation of mechanism and procedures for effective conservation and efficient use of energy. NEECA has been charged with a wide range of responsibilities including:

- To formulate energy conservation programs in all the potential energy consuming sectors.
- Planning and initiating energy conservation actions on nation-wide basis.
- To develop a comprehensive data base on opportunities for energy conservation.
- Supporting training activities on energy conservation applications.
- Undertaking field research and pilot demonstration activities on specific energy conservation options and technologies; and
- Monitoring the implementation of conservation programs by other public and/or private sector entities

Federal Government allocates Revenue budget for NEECA through Assan Assignment Account.

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2023-24 (Rs.in million)	Expenditure audited FY 2023-24 (Rs.in million)	Revenue / Receipts FY 2023-24 (Rs.in million)
1.	Formations	01	01	605	0	0
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies	Nil	Nil	Nil	Nil	Nil

	etc. under the PAO					
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.18.2 Classified Summary of Audit Observations

Audit observations amounting to Rs.38.84 million were raised in this audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Irregularities	
	A. Irregularities pertaining to violation of entity's own regulations / SOPs	6.16
2.	Others	32.68

2.19 NATIONAL ELECTRIC POWER REGULATORY AUTHORITY (NEPRA)

2.19.1 Introduction

The National Electric Power Regulatory Authority (NEPRA) is the regulatory body responsible for overseeing Pakistan's electricity sector. Established under the NEPRA Act of 1997, its primary functions include regulating the generation, transmission, and distribution of electric power, ensuring the provision of reliable, affordable, and sustainable electricity to consumers. NEPRA sets tariffs, issues licenses, monitors compliance, and enforces performance standards to promote efficiency and transparency in the sector. It also protects consumer interests and fosters competition to enhance the electricity market's overall functionality and growth.

The detail of formations and expenditure audited is as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2022-23 (Rs.in million)	Expenditure audited FY 2022-23 (Rs.in million)	Revenue / Receipts FY 2022-23 (Rs.in million)
1.	Formations	01	01	3,366.10	1,007.5	3,098.246
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	N/A	N/A	N/A	N/A	N/A

2.19.2 Comments on Financial Statements

2.19.2.1 Financial Overview

The financial overview of NEPRA for FY 2023-24 reflects a mixed performance. Total liabilities decreased by 4.31% compared to FY 2022-23, primarily due to a 7.18% reduction in current liabilities, despite a slight increase in non-current liabilities. Total assets also declined by 4.64%, driven by a 14.71% decrease in current assets, particularly in tax due from the government and bank balances, offset by growth in deferred taxes and fee receivables. On the income side, fee income rose by 21%, reaching Rs.3,748.98 million, while administrative expenses increased by 25.40%. Notably, other income saw

significant growth of 152.41%, contributing to a surplus before taxation of Rs.1,300.43 million, a 10% increase from the prior year. However, the surplus after taxation dropped to Rs.483.91 million due to higher taxation expenses, which grew by 46%. The financials indicate stability in core operations but highlight areas for improvement, particularly in optimizing liabilities and managing tax obligations.

2.19.3 Extract of the Financial Statements

Statement of Financial Position as on June 30, 2023

					(Rs.in million)
	2023-24	% Inc/Dec	2022-23	% Inc/Dec	2021-22
Share of Government of Pakistan					
Capital contribution of GoP	131.29	0.00%	131.29	0.00%	131.29
Building reserves	1,000.00	0.00%	1,000.00	0.00%	1,000.00
TOTAL	1,131.29	0.00%	1,131.29	0.00%	1,131.29
Non-current liabilities					
Long-term loans	21.77	-1.69%	22.14	-4.84%	23.27
deferred liabilities	7.41	15.54%	6.42	62.09%	3.96
Total Non-Current Liabilities	29.18	2.18%	28.56	4.89%	27.23
Current liabilities					
Accrued and other liabilities	874.96	39.71%	626.26	46.29%	428.10
Provision for taxation	543.75	-1.47%	551.85	235.60%	164.44
Payable to federal consolidated funds	221.99	-62.32%	589.13	4.86%	561.83
Current portion of long-term loans	0.75	-33.33%	1.13	50.00%	0.75
Total Current Liabilities	1,641.45	-7.18%	1,768.37	53.09%	1,155.11
TOTAL LIABILITIES	2,801.92	-4.31%	2,928.21	26.56%	2,313.62
Assets					
Non-current assets					
Property Plant and Equipment	545.26	1.06%	539.55	11.20%	485.20
Intangible assets	0.31	-8.55%	0.34	831.90%	0.04
Advances to employees	1,003.55	7.96%	929.52	13.43%	819.46
Total Non-Current assets	1,549.11	5.42%	1,469.41	12.62%	1,304.69
Current assets					
current portion of long-term advances	107.25	59.53%	67.23	37.35%	48.94
fee receivable	31.22	131.09%	13.51	-63.72%	37.24
advances, deposits, prepayments and other receivables	33.98	-10.78%	38.08	-68.61%	121.33
tax due from government	351.01	-44.58%	633.35	30.08%	486.89
deferred taxes	236.35	135.17%	100.50	42.84%	70.36

bank balances	493.00	-19.99%	616.13	152.34%	244.17
Total Current assets	1,252.81	-14.71%	1,468.81	45.58%	1,008.93
TOTAL ASSETS	2,801.92	-4.64%	2,938.21	27.00%	2,313.62

2.19.4 Statement of Profit & Loss Account For the year ended on June 30, 2023

	(Rs.in million)				
	FY 2023-24	% Inc/Dec	FY 2022-23	% Inc/Dec	FY 2021-22
PROFIT AND LOSS ACCOUNT					
Fee income	3,748.98	21.00%	3,098.25	52.75%	2,028.36
Administrative expense	-2,917.00	33.77%	-2,180.62	25.40%	-1,738.98
Finance cost	-3.41	3.97%	-3.28	-22.94%	-4.25
other income	471.86	76.19%	267.82	152.41%	106.10
Surplus for the year before tax	1,300.43	10.00%	1,182.17	202.17%	391.23
Taxation	-816.52	46.25%	-558.29	829.19%	-60.08
surplus for the year after taxation	483.91	-22.44%	623.88	88.40%	331.14

i) Surplus/Deficit

The profitability analysis for FY 2023-24 showed an increase in operational performance of the Authority, with fee income rising by 21% to Rs.3,748.98 million as compared to FY 2022-23, driven by improved regulatory fee collection process. Other income increased by 152.41%, reflecting effective utilization of resources or additional revenue streams. However, administrative expenses increased by 25.40%, reaching Rs.2,917 million during the year, indicating rising operational costs. Despite these costs, the surplus before taxation increased by 10% to Rs.1,300.43 million during the year. Furthermore, surplus for the year declined to Rs.483 million which was required to be transferred to the consolidated fund of the Government in the light of Section 13(2) of NEPRA Act, 1997.

ii) Obligations of the Authority relating to FEE income

The Authority is under obligation to pay Competitive Commission of Pakistan (CCP) an amount equal to 3% of its income collected on quarterly basis every year. Furthermore, as per the Act, NEPRA is also required to pay surplus to the Federal Consolidated Fund (FCF) as well.

iii) Trade Debts and other Receivables

The fee receivable for FY 2023-24 reflected a significant increase of 131.09%, reaching Rs.31.22 million as compared to Rs.13.51 million in FY 2022-23. It is pertinent to mention that actual license fee receivable from IPPs was Rs.192.269 million, but Rs.161.045 million was provisioned as an allowance for expected credit loss. This high allowance showed poor collection efficiency and the financial health of receivables, which is particularly alarming for NPERA being the Regulatory Authority. The inability to recover substantial dues indicated weaknesses in enforcement mechanisms and credit management practices, requiring urgent attention to mitigate further risks to financial stability.

iv) Accrued and Other Payables

Accrued and payables increased by 39.71% in FY 2023-24, reaching Rs.874.96 million, reflecting ongoing operational and deferred payment obligations during FY 2023-24. However, the provision for taxation marginally declined by 1.47% to Rs.543.75 million. The payable to federal consolidated funds sharply declined by 62.32% to Rs.221.99 million, indicating a reduction in government dues, which showed compliance of the obligatory payment.

2.19.5 Classified Summary of Audit Observations

Audit observations amounting to Rs.43.96 million were raised in this audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Irregularities	
A.	HR/Employees related irregularities	28.93
B.	Irregularities pertaining to violation of Laws & Regulations	15.03

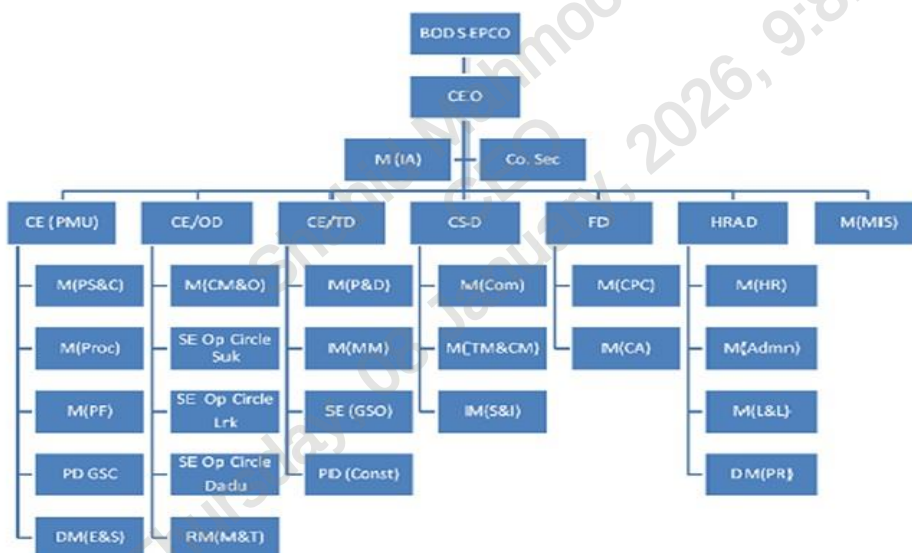
CHAPTER-3

THEMATIC AUDIT OF MATERIAL MANAGEMENT IN SEPCO

3. THEMATIC AUDIT OF MATERIAL MANAGEMENT IN SEPCO

3.1.1 Introduction

Sukkur Electric Power Company (SEPCO) is a public sector company responsible for distributing electricity in the Sukkur region of Pakistan. Its main goal is to provide a reliable power supply to residential, commercial, and industrial consumers. SEPCO operates in several districts of Sindh province and is part of a network regulated by NEPRA. The company focuses on maintaining the electric grid, managing distribution, improving infrastructure, and reducing energy losses to meet growing demand. The Company is committed to transparency, customer satisfaction, and sustainability, playing a vital role in enhancing Pakistan's energy sector. To manage operations effectively, SEPCO depends on a well-structured procurement and material management system that guarantees timely resource availability. Governed by Public Procurement Rules, 2004 and WAPDA procedures. The system encompasses procurement planning, inventory management, and distribution, driving operational excellence and cost reduction.



3.1.2 Background

Sukkur Electric Power Company (SEPCO) was established to address the growing demand for electricity in Sindh by improving operational efficiency and focusing on localized challenges. The company operates under a structured governance framework, with its distribution license No. 21/DL/2011 issued by the National Electric Power Regulatory Authority (NEPRA) on August 18, 2011. The company was formed as part of a strategic reorganization of the Hyderabad Electric Supply Company (HESCO), which bifurcated its operational jurisdiction into two Distribution Companies (DISCOs), HESCO and SEPCO.

SEPCO officially commenced operations following its registration with the Securities and Exchange Commission of Pakistan (SECP) on November 23, 2010. Its jurisdiction covers three critical operational zones, Sukkur, Larkana and Dadu, which are characterized by diverse energy needs. To facilitate operations, SEPCO operates a central warehouse in Sukkur and regional stores in Rohri and Larkana, forming a streamlined supply chain network for material storage, issuance and distribution.

During the financial year 2021-24, SEPCO had set a goal to build six (06) new 132 kV grid stations, upgrade six (06) 66 kV grid stations to 132 kV, and construct 585 km of new 132 kV transmission lines. However, the actual achievements included the construction of one (01) 132 kV grid station, the conversion of six (06) 66 kV grid stations to 132 kV, and the completion of 174 km of 132 kV transmission lines.

3.1.3 Establishing the Audit Theme

3.1.3.1 Reasons of selection

The thematic audit was selected while keeping in view the critical role of public procurement and material management in operations of a distribution company. Moreover, the said theme is in line with SDGs 12.7 wherein sustainable, promotion of public procurement practices in accordance with national policies & practices are emphasized.

- Procurement and material management are pivotal to deliver core services of SEPCO. These functions directly influence the timely

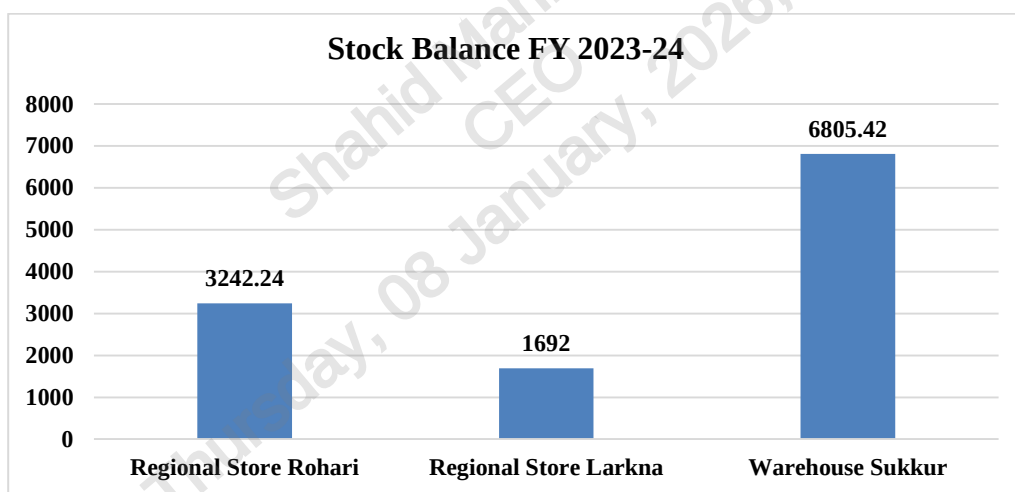
completion of projects, resource utilization, and compliance with regulatory frameworks

- The projects under taken by SEPCO include construction and maintenance of 132 kV transmission lines and grids, require significant quantities of materials. The scale of these operations necessitates robust procurement and material management practices to ensure efficiency and cost-effectiveness.
- The high monetary value of materials and procurement activities involves considerable financial risks. A risk-based review of these operations is essential to identify vulnerabilities, prevent resource wastage, and ensure adherence to best practices and procurement rules.

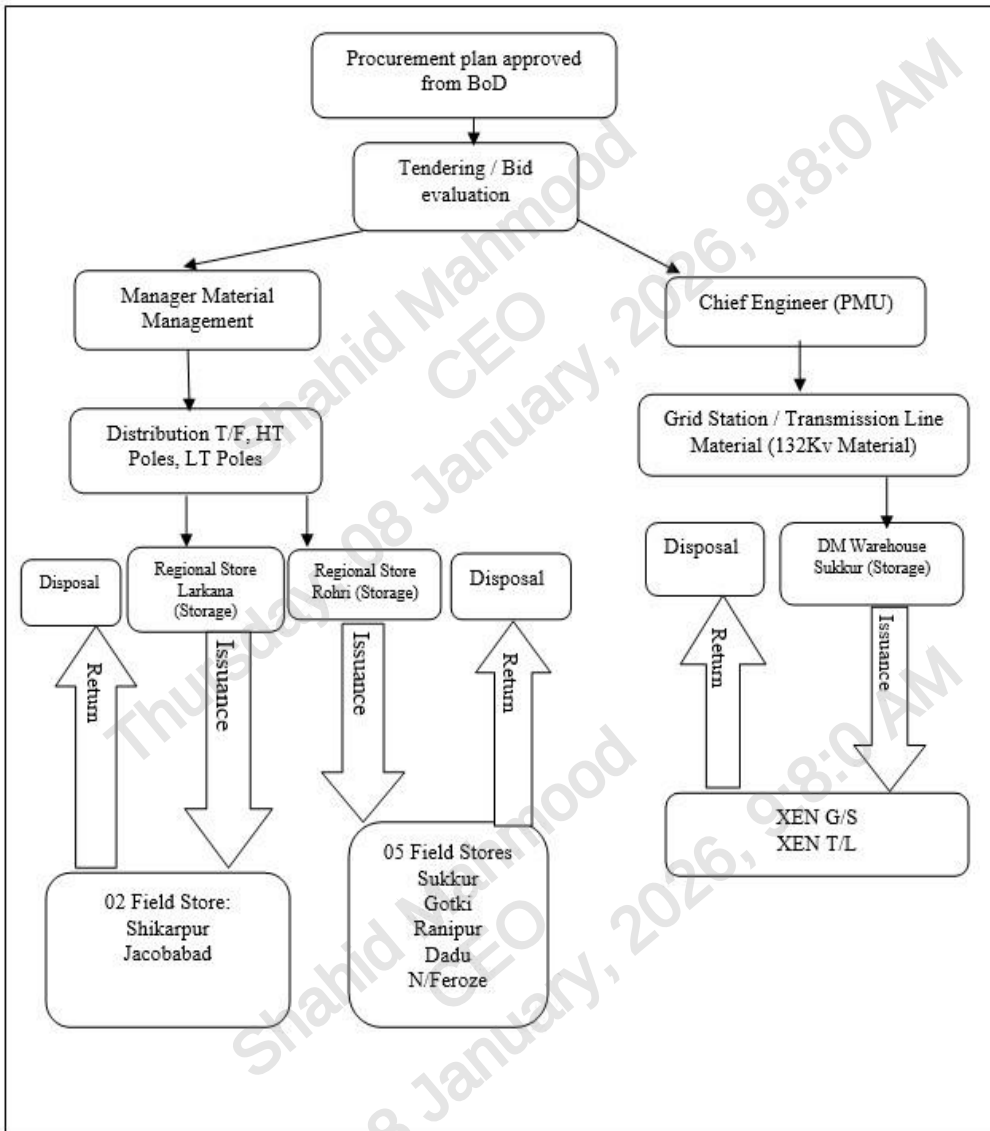
3.1.3.1.1 Position of Stock Balances:

The following statement of stock balances include of (01) warehouse and (02) regional stores at SEPCO:

<i>(Rs.in millions)</i>					
Sr. No.	Regional Store / Warehouse	Opening Balances as on 01.07.2022	Receipts	Issuance	Closing Balances as on 30.06.2022
1.	Regional Store Rohari	2,940.49	444.35	115.05	3242.24
2.	Regional Store Larkna	1,137	2,273	2,198	1692
3.	Warehouse Sukkur	5,244.05	3,309.65	1,748.28	6805.42
Total		9,321.54	6,027	4,061.33	11,739.66



Workflow of material storage, issuance, distribution and disposal



3.1.3.2 Purpose:

Thematic audit of procurement & Material management in SEPCO aims to highlight operational weaknesses based on evaluation of internal controls, identification of gaps to ensure cost-effective procurement, economic utilization of resources and improved operational efficiency.

3.1.3.2.1 Objective:

The objectives of the thematic audit activity include:

1. Whether the procurement planning in SEPCO is based on real time need assessment.
2. Whether the inventory management system is operative in SEPCO and an integrated reporting regarding material management is in vogue.

3.1.3.3 Scope:

The scope of thematic audit included examination of the material management record of the offices of Chief Engineer (PMU) and Manager Material Management SEPCO along with its two major Regional Stores Rohri and Larkana and one Warehouse Sukkur for financial years 2021-22 to 2023-24 to evaluate the status of compliance with stipulated rules/ SoPs while reviewing the following:

- i. assessing the efficacy of existing controls;
- ii. reviewing the procedures followed for distribution of material from regional stores / warehouse to field stores and from field stores to field formations and the return of the material in backward hierarchy;
- iii. reviewing the warehouse inventory management system of the company;
- iv. evaluating the inventory system, as to what extent procurement, stocking and disbursement of material was made in an economical, efficient and transparent manner in accordance with the prevailing rules and regulations;
- v. examining the procedures observed while making cost estimation /analysis of major items of procurement before floating of tenders;
- vi. assessing whether the procurement was made at competitive rates, in time and need based;
- vii. ascertaining if reserve stock limit of inventory was observed in order to avoid unnecessary procurement; and analyzing the mechanism for disposal of unserviceable material.



3.2 Legal Framework Governing the Theme

- **The Public Procurement Regulatory Authority Ordinance, 2004** (as amended up to June 28, 2021) provides for the establishment of a Public Procurement Regulatory Authority (PPRA) for regulating procurement of goods, services, works and disposal of public assets in the public sector and for matters connected therewith. The Authority has been mandated to ensure transparency, economy, efficiency and accountability of the public sector agencies through proper implementation and monitoring of Public Procurement Rules, 2004.
- **State Owned Enterprises (Governance and Operation) Act, 2023** to provide for governance and operation of the management and financial efficiency of state-owned enterprise owned and controlled by the Federal Government.
- **International Accounting Standard (IAS-2)** is an International Financial Reporting Standard (IFRS) that sets out the principles for how companies should account for inventories in their financial statements. It covers the measurement, subsequent recognition of cost, and disclosure of inventories.

3.3 Stakeholders and Governmental Organizations Identified as Directly / Indirectly involved

Several stakeholders and governmental organizations are directly or indirectly involved in SEPCO's material management operations, reflecting the critical nature of these processes within the broader regulatory and operational framework:

- i. Public Accounts Committee (PAC)
- ii. Ministry of Energy (MoE) - Power Division
- iii. Public Procurement Regulatory Authority (PPRA).

3.4 Role of Important Organizations

Several stakeholders and governmental organizations are directly or indirectly involved in SEPCO's material management operations, reflecting the

critical nature of these processes within the broader regulatory and operational framework:

- **Ministry of Energy (MoE) - Power Division:** Provides policy direction, regulatory oversight, and strategic guidance for operations of SEPCO, ensuring alignment with national energy goals.
- **Material Management Department (SEPCO):** The primary departments including offices of (Manager Material Management and Chief Engineer Project Management Unit) are responsible for material management and procurement processes to support its operations, including the construction and maintenance of 132 kV grid stations, transmission lines, and the 11 kV distribution system.

3.5 Organization's Financials

SEPCO prepares budget from its own resources. The position of budget viz a viz expenditure for last (03) three years is as under:

Budget and Expenditure

(Rs in million)

Financial Year	Total Budget	Total Expenditure
2021-22	18,582	14,849
2022-23	23,097	19,999
2023-24	27,827	18261
Grand Total	69,506	53,109

(Source: Finance Directorate)

The overall comparative financial summary of SEPCO fiscal year wise is as under:

(Rs.in millions)

Sr. No.	Particulars	Financial Year 2021-2022	Financial Year 2022-2023	Financial Year 2023-2024
1	Total Assets of SEPCO	148,835	182,496	Not Finalized
2	Total Liabilities	148,835	182,496	
3	Share Capital	10,000	10,000	
5	Loss after tax for the year	(29,484)	(36,824)	
6	Cash and cash equivalents at beginning of the year	2,367	1,726	
7	Cash and cash equivalents at end of the year	2,196	2,392	

(Source: Financial Statements)

3.6 Field Audit Activity

3.6.1 Methodology

The Following quantitative and qualitative audit methodology was adopted during execution of Thematic Audit:

3.6.1.1 Quantitative Methodology

- Comparative analysis of receipt/issuance of material, stock/material reconciliation reports, GRNs/MRNs/SRs, stock verification reports compiled by stock verification committee, cost reports and budgets, records of disposal of scrap / obsolete / unserviceable material

3.6.1.2 Qualitative Methodology

- Discussion with the management
- Evaluated the Tender / Bidding documents, Bid Evaluation Reports
- Evaluated the award of Purchase Orders, Contracts repeat / variation orders, EOT cases, correspondence files of suppliers / contractors

3.6.2 Audit Analysis

3.6.2.1 Review of Internal Controls:

The review of internal controls of material management in SEPCO revealed significant deficiencies in procurement and material management processes, which have contributed to financial losses and operational inefficiencies. Key observations include:

- 1. Preparation of un-realistic Procurement Plan:** The annual procurement plans of SEPCO for the last (03) three years were examined. However, it was observed that the procurement plans were prepared without considering the company's actual requirements (*Observation 3.6.2.3.1*).
- 2. Defective Bid Evaluation:** Due to the negligence in bid evaluation SEPCO had sustained loss of Rs.13.96 million. The supplier did not supply the maintenance kits within schedule time period. However, despite laps of fourteen (14) months another purchase order was

awarded to the same supplier for same material (*Observation 3.6.2.3.9*).

3. **Delay in implementation of Material Management Module (ERP System):** The ERP system, despite an expenditure of Rs.326.30 million, remained non-functional. This has hindered the efficient tracking and reporting of inventory, leading to discrepancies between manual and system-generated records (*Observation 3.6.2.3.2*).
4. **Overstocking and Obsolete Inventory:** Materials worth Rs.108.21 million were found overstocked and unused for prolonged periods. Additionally, unserviceable materials valued at Rs.84.18 million have not been disposed of, causing unnecessary storage costs (*Observation 3.6.2.3.4*).
5. **Failure to Enforce Supplier Contracts:** Liquidated damages amounting to Rs.134.38 million were not recovered from suppliers for delayed delays of supplies (*Observation 3.6.2.3.3*).
6. **Non-Observance of Disposal Manual:** Scrap materials worth Rs.129.23 million have been lying in warehouses since 2007 without auction, resulting in depreciation and potential loss to the exchequer (*Observation 3.6.2.3.5*).
7. **Ineffective Internal Audit:** The Internal Audit has conducted audit up to financial year 2021-22. However, audit for the last two financial years yet to be conducted.

3.6.2.2 Critical Review

The audit identified systemic inefficiencies and non-compliance with procurement regulations, resulting in significant financial losses and operational inefficiencies. Key areas of concern include:

1. Mis-management in bid evaluation led to the procurement of substandard transformers amounting to Rs.56.24 million and irregular contract awards at higher rates amounting to Rs.49.58 million (*Observations 3.12.9 & 3.12.5*).
2. Despite an investment of Rs.326.30 million ERP system of SEPCO remains non-operational. Moreover, the envisioned benefits of go live of ERP System i.e. to establish the main data hub at Manager Material Management after synchronization with

two (02) regional and (07) field stores were forgone, whereas, the live data entry of material receipt and issue be made on daily basis to assess the consumption and creation of new demand of material. (*Observations 3.12.1*).

3. Refunds of 17% GST to contractors amounting to Rs.0.611 million and reduction of earnest money requirements of Rs.11.12 million represent violations of financial rules (*Observations 3.12.14, 3.12.12*).
4. The failure to re-evaluate dismantled material and dispose of it appropriately has resulted in blockage of funds of Rs.27.36 million (*Observation 3.12.10*).
5. Instances of material pilferage, delays in procurement processes, and lack of proper operational vehicles and equipment further emphasize the need for streamlined processes.

3.6.2.2.1 Overall Assessment

SEPCO requires a thorough review of its procurement planning and material management process by implementing the proposed controls, focusing on high risk areas and adopting a risk-based approach, SEPCO can significantly improve its operational efficiency.

3.6.2.2.2 Risk Matrix Analysis

Control Deficiency	Likelihood	Impact	Risk Score	Mitigation Controls
Procurement planning in material acquisition without need assessment	High	High	Very High	Standardized procurement process, inventory review, need assessment to be carried out.
Defective tendering & bid evaluation process	High	High	Very High	Implement the PPRA instructions related to tendering and bid evaluation process in letter & spirit.
Defective implementation of contract clauses	High	High	Very High	The PPRA instructions related to securing earnest money & performance guarantee in the contract agreements to be ensured.

Defective implementation of material management module (ERP) functionality for analysis and decision-making	Medium	Medium	Medium	Implement Material Management Module of ERP to provide better reporting, categorization, and analysis
Lack of minimum /maximum storage levels	Medium	Medium	Medium	Define minimum/maximum storages limits based on usage and lead time
Weak Storage management	Medium	Medium	Medium	Formalize agreement with NTDC regarding shared storage and responsibilities
Non-disposal of un-utilized and unserviceable material	High	High	Very High	Implement disposal mechanisms for obsolete and unserviceable items for timely disposal.

3.6.2.3 Significant Audit Observations

3.6.2.3.1 Un-realistic annual procurement plans - Rs.20,520 million

According to Rule 8 of PP Rules, 2004 within one year of commencement of these rules, all procuring agencies shall devise a mechanism, for planning in detail for all proposed procurements with the object of realistically determining the requirements of the procuring agency, within its available resources, delivery time or completion date and benefits that are likely to accrue to the procuring agency in future.

During Thematic Audit of Material Management in SEPCO for financial years 2021-22 to 2023-24, it was observed that annual procurement plans of electrical material pertaining to distribution network under SEPCO's own resources amounting to Rs.32,473 million for the financial years 2021-2024 were approved by the BoDs. However, SEPCO management procured material amounting to Rs.11,953 million.

(Rs.in million)

Financial Year	Allocation of annual Procurement Plan	Amount of Material Procured	Material Less Procured	Percentage of budget consumed in percentage
2021-22	6,357	3,887	2,470	61%
2022-23	11,730	5,538	6,192	47%
2023-24	14,386	2,528	11,858	18%
Total	32,473	11,953	20,520	37%

Non-adherence to PP Rules resulted in preparation of un-realistic annual procurement plans by SEPCO Rs.20,520 million up to the financial year 2023-24.

Audit recommends preparation of realistic procurement plans after detailed need assessment across the company in future.

(Draft Para No. 821/2024-25)

3.6.2.3.2 Non-achievement of envisioned benefits due to defective implementation of ERP Project - Rs.326.30 million

According to 42nd BoD meeting held on July 11, 2019, implementation of ERP in SEPCO by M/s ABACUS was authorized to ensure ERP Project implementation by January 31st, 2022 with the following envisaged benefits.

- a) Launching the ERP system would ensure setting up a central data hub at the office of Manager of Material Management by syncing with two regional stores and seven field stores.
- b) All material related transactions will be processes on day to day to basis.
- c) All sales transaction will be uploaded on monthly basis.

During Thematic Audit of Material Management in SEPCO for financial years 2021-22 to 2023-24, it was observed that BoD granted approval for implementation of ERP system in SEPCO by M/s ABACUS during its 42nd meeting held on July 11, 2019. Subsequently, the contract was awarded to the firm on July 31, 2019 for implementation of material management module across SEPCO. As per the contract agreement the firm was required to complete ERP implementation by January 31, 2022. A comparison of reports generated through ERP Module of Material Management with the record maintained manually there was significant differences in store balances. Moreover, stores management also acknowledged improper working of ERP system. Despite incurrence of expenditure of Rs.286.38 million and after a lapse of more than two years, the ERP system has not been successfully implemented. Resultantly, the expected benefits of launching the ERP system such as setting up a central data hub at the manager of material management after syncing with two regional stores and seven field stores to enter material receipts and issues into the system on daily basis, in order to track usage and create new material demands could not be achieved.

Moreover, the management procured IT equipment valuing Rs.39.92 million, which remained un-utilized due to defective implementation of MM Module (ERP) and warranty period of IT equipment has expired.

(Rs.in million)

Sr. No.	Description of Material	Amount
1.	ERP software cost and service cost	286.38
2.	IT equipment related to ERP project	39.92
Total		326.3

Non-adherence to BoDs directions resulted in defective implementation of ERP Project and non-achievement of envisioned benefits amounting to Rs.326.30 million up to the financial year 2023-24.

Audit recommends inquiring the matter for fixing responsibility upon officers at fault for non-implementation of ERP in SEPCO in accordance with the decision of BoDs.

(Draft Para No. 827 & 830/2024-25)

3.6.2.3.3 Loss due to non-deduction of Liquidated Damages from suppliers/contractors – Rs.134.38 million

According to Para 18(A) of Purchase order, if you fail to deliver stores or any consignment thereof within the specified delivery period, then SEPCO shall be entitled to one or more of the following options: (i)to recover from you Liquidated Damages (LD) levied @ 2% per month, or part thereof, subject to the maximum up to 10% of the contract price.

During Thematic Audit of Material Management in SEPCO for financial years 2021-22 to 2023-24, it was observed that fourteen (14) contracts were awarded to various suppliers/contractors for the delivery of different type of electrical material. However, the suppliers/contractors failed to deliver the material within scheduled period. Therefore, an amount of Rs.134.38 million was required to be recovered from the suppliers/contractor but the same was not done, details attached as **(Annexure-4)**.

Non-adherence of purchase orders clause resulted in loss due to non-recovery of liquidated damages from suppliers/contractors amounting to Rs.134.38 million up to the financial year 2023-24.

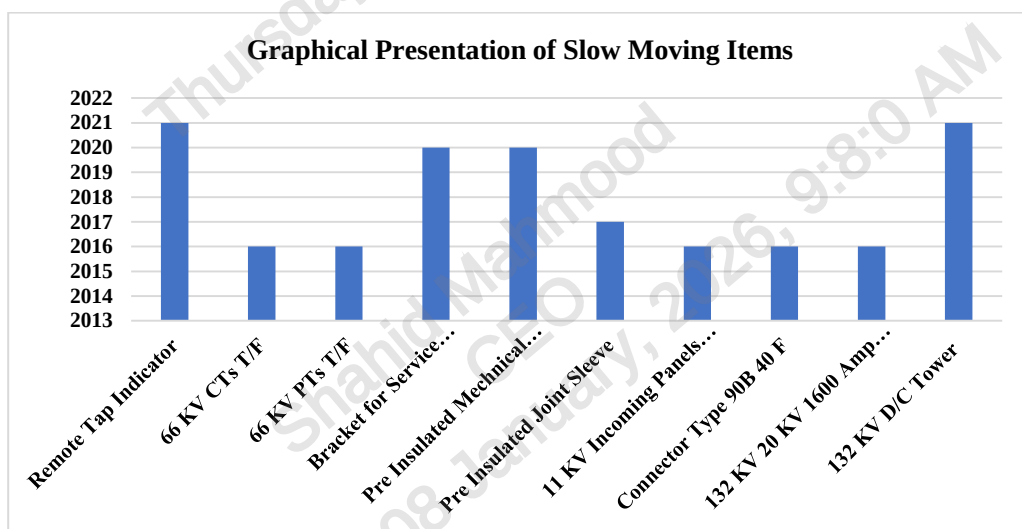
Audit recommends inquiring the matter at appropriate level and fixing responsibility upon officer(s) at fault besides ensuring recovery from the suppliers/contractors.

(Draft Para No. 822/2024-25)

3.6.2.3.4 Blockage of funds due to procurement of material without requirement -Rs.108.21 million

According to Para 5 memorandum dated January 17, 1978 on irregularities of purchases of stores and equipment, “purchases should be made only of such items and in such quantities as are required for a specific work. In no case should these purchases made for storing an item for indefinite period”.

During Thematic Audit of Material Management in SEPCO for financial years 2021-22 to 2023-24, it was observed that various types of electrical material worth Rs.108.21 million was lying in warehouse Sukkur since long and the warranty period had expired because the material was procured without requirement and secondly there exist no SoP for material issuance to the regional stores by the regional store staff (*Annexure-5*). This scenario indicated that the material, in question, was procured without forecasting/assessing the actual demand and caused blockage of funds. Following is the trend of slow-moving items presented graphically.



(Note: There are 91 slow moving items at SEPCO)

The above graph shows that five (05) electrical items were last issued in 2016 while two (02) electrical items were issued in 2020 and two electrical items (remote tap indicator, 132 kv DC Tower material) were issued in 2021.

Non-adherence to Authority's instructions resulted in blockage of funds due to un-necessary purchase and issuance of stores / electrical material without due diligence amounting to Rs.108.21 million up to the financial year 2023-24.

Audit recommends taking necessary action for early utilization of expeditiously.

(Draft Para No. 750/2024-25)

3.6.2.3.5 Non-disposal of un-serviceable/obsolete material - Rs.129.23 million

As per executive order No. 2219-2247 dated July 17, 2007 regarding bifurcation of Sukkur warehouse from NTDC warehouse; (i) The existing material laying in Sukkur warehouse will be allocated by the Chief Engineer (Design) NTDC, WAPDA House Lahore for the period of one year as per existing procedure; (ii) The material including spares which are no longer required by NTDC may be offered to DISCOs during the proposed one year transitional period against cash payment of the price based on prevailing store issue rates. Further, according to Para 1.4.2 (a) of WAPDA Material Disposal Procedure 2006, once declared unserviceable, beyond economical repairs or dead by the competent authority, material should be disposed off with minimum delay. During Thematic Audit of Material Management in SEPCO for the financial year 2021-24, it was observed that different types of electrical material valuing Rs.129.23 million was declared un-serviceable/obsolete being not useful for the company. However, SEPCO management failed either to initiate any process for transfer of said material to DISCOs or dispose it off on its own. The un-necessary retention of un-serviceable/obsolete material without disposal/auction would cause further deterioration and decreasing their salvage value.

(Rs.in millions)

Sr. No.	Detail of Material	Date / Period	Amount	Remarks
1.	Tower material, electrical material related 66 KV and 132 KV. (Annexure-6)	2007	45.045	Non-compliance of Executive order dated July 17, 2007
2.	ACSR conductor, power cables, iron & copper scrap mix (Annexure-7)	2012-2023	84.18	Non-compliance of Stock verification report dated June, 2024
Total			129.225	

Inefficient asset management resulted in non-disposal of un-serviceable/obsolete material worth Rs.129.23 million up to the financial year 2023-24.

Audit recommends ensuring early disposal of unserviceable/obsolete material.

(Draft Para No. 832 & 834/2024-25)

3.6.2.3.6 Irregular award of contract at higher rates - Rs.6.75 million

According to Rule 4 of PP Rules, 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.

During the thematic audit of Material Management in SEPCO for financial years 2021-22 to 2023-24, it was observed that a purchase order for the procurement of transmission line hardware was awarded to M/s Shaheen Traders Purchase Order vide No.525-29 dated on March 21, 2024 being single bidder at higher rates. The bid evaluation report revealed that the rates offered by successful bidder were higher in (09) items out of (11) eleven items as compared to other DISCOs, whereas the rates of remaining (02) items were neither compared with other sister companies nor with market prices.

Statement showing the detail of material procured at higher rates							
Sr. No.	Purchase Order No. & date	Description of Material	Approved rate of SEPCO	Approved rate of DISCOs	Difference	Quantity	Amount (Rs)
1	456 dated 15.03.2024	SSF Rail	40400	39800	600	634	380,400
2	456 dated 15.03.2024	STF Rail	59900	58500	1400	290	406,000
3	456 dated 15.03.2024	SBD Rail	20400	18400	2000	1464	2,928,000
4	456 dated 15.03.2024	RS Rail	9100	8900	200	38	7,600
5	456 dated 15.03.2024	Tower grounding	33300	31500	1800	110	198,000
6	525 dated 21.03.2024	STF Lynx	40700	39500	1200	332	398,400
7	525 dated 21.03.2024	SSF Eearth wire	13600	12500	1100	380	418,000
8	525 dated 21.03.2024	SBD Earth wire	14950	13500	1450	1200	1,740,000
9	525 dated 21.03.2024	PG Clamp	9650	9400	250	1108	277,000
TOTAL							6,753,400

Non-adherence to PP Rules resulted in irregular award of contract at higher rates amounting to Rs.6.75 million up to the financial year 2023-24.

Audit recommends inquiring the matter for fixing responsibility upon the officer(s) at fault.

(Draft Para No. 826/2024-25)

3.6.2.3.7 Un-justified space occupied by NTDC in Sukkur warehouse - Rs.49.34 million

According to Rule 5(5) of Public Sector Companies Corporate Governance Rules, 2013, “The Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders”.

During Thematic Audit of Material Management in SEPCO for financial years 2021-2024, it was observed that NTDC material valuing Rs.49.34 million was lying at warehouse Sukkur since 2007 at the time of its bifurcation. The management of SEPCO neither recovered any rent nor any efforts were made to get the warehouse vacated.

Non-adherence to Corporate Governance Rules resulted in un-justified space occupation by NTDC in Sukkur warehouse resulting in loss of Rs.49.34 million up to the financial year 2023-24.

Audit recommends taking steps for getting the warehouse premises vacated or charging rent for the use of the facility.

(Draft Para No. 828/2024-25)

3.6.2.3.8 Loss due to procurement of substandard transformers - Rs.32.84 million

According to Rule 4 of PP Rules, 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.

During the Thematic Audit of Material Management in SEPCO for financial year 2021-22 to 2023-24, it was observed that (46) transformers of different capacities were procured from different suppliers valuing Rs.32.84 million. However, the said transformers were damaged under warranty period

and sent back to manufacturers for replacement but neither these were replaced nor any action taken against the manufacturers.

Statement showing loss due to procurement of sub-standard transformers				
Sr. No.	Description of electrical material	Quantity Procured	Unit price (Rs)	Total Amount (Rs.)
1	25 KVA	28	444,750	12,453,000
2	100 KVA	17	1,096,000	18,632,000
3	200 KVA	1	1,758,000	1,758,000
	Total	46		32,843,000

Non-adherence to PP Rules resulted in loss due to procurement of substandard transformers amounting to Rs.32.84 million.

Audit recommends ensuring early replacement of damaged transformers from suppliers.

(Draft Para No. 825/2024-25)

3.6.2.3.9 Loss due to negligence in bid evaluation and procurement inefficiencies – Rs.13.96 million

According to Rule 4 of PP Rules, 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.

During Thematic Audit of Material Management in SEPCO for financial year 2021-22 to 2023-24, it was observed that a purchase order was awarded to M/s Good Luck Trader for the supply of computer items including fifty-three (53) maintenance kits vide purchase order no. 09/666 dated June 21, 2022. However, the said supplier did not supply thirty-seven (37) maintenance kits which were due on February 01, 2023. The management of SEPCO after the lapse of almost fourteen (14) months again awarded another purchase order to M/s Good Luck Trader for the supply of same computer items (maintenance kits & toner cartridges) by increasing the rates more than 100% vide purchase order no. 09/741 dated September 1, 2023. The supply of 1st and 2nd purchase orders was still awaited despite the expiry of scheduled delivery period. This state of affairs showed negligence on the part of bid evaluation committee.

Statement showing negligence in bid evaluation and procurement inefficiencies

Item Description	Quantity	PO No. 0/666 dated 21.06.2022	PO No. 09/741 dated 01.09.2023	Difference (per item rate)	Total Amount (in Rs.)
Toner Cartridge HP 25X for Laser Jet Enterprise M-806	396	13,750/-	34,500/-	20,750/-	8,217,000/-
Maintenance Kit (C2H57A) for HP Laser Jet Enterprise M-806	53	76,500/-	185,000/-	108,500/-	5,750,500/-
Total Amount					13,967,500/-

Non-adherence to PP Rules resulted in loss due to the negligence of bid evaluation committee valuing Rs.13.96 million.

Audit recommends inquiring the matter for fixing responsibility upon officer(s) at fault.

(Draft Para No. 824/2024-25)

3.6.2.3.10 Undue favor to bidder by reducing the amount of earnest money - Rs.10.75 million

As per WAPDA Material Disposal Procedure, Chapter 7, Auction Procedures 7.10 Collection of Earnest Money, at the fall of hammer the highest bid shall be required to deposit as Earnest money 25% of Bid amount with the Deputy Director (Auction) or the officer detailed to conduct/ supervise the auction and a written receipt for cash given. Where the bidder fails to pay the Earnest money the bid should be cancelled forthwith announced on the spot and re-auctioned. The defaulting bidder will be debarred from further participation in that auction.”

During Thematic Audit of Material Management in SEPCO for financial years 2021-22 to 2023-24, it was observed that eighteen (18) letters of acceptance were issued to different contractors for the disposal of old scrap material lying at warehouse Sukkur amounting to Rs.71.68 million and the successful bidders submitted 10% earnest money i.e. Rs.7.17 million instead of 25% i.e. Rs.17.92 million. Therefore, undue favor was extended to successful bidders by depositing 15% less the amount of earnest money

i.e. Rs.(17.92-7.17=10.75) million in violation of WAPDA Material Disposal Procedure.

(Rs.in millions)

Sr. No.	Description of material	Total Reserve Price	25% of reserve price	10% of reserve price	Difference
1.	Iron scrap mix	8.57	2.14	0.86	1.29
2.	Iron panel scrap	5.50	1.37	0.55	0.82
3.	Circuit breaker scrap	0.48	0.12	0.05	0.07
4.	ACSR Conductor scrap off size	7.82	1.95	0.78	1.17
5.	ACSR Conductor scrap off size	4.32	1.08	0.43	0.65
6.	Aluminum Conductor scrap off size	9.10	2.28	0.91	1.37
7.	Aluminum Conductor scrap off size	5.92	1.48	0.59	0.89
8.	PVC Scrap	1.73	0.43	0.17	0.26
9.	Power cable scrap	0.85	0.21	0.08	0.13
10.	Copper scrap	1.49	0.37	0.15	0.22
11.	Battery scrap	2.03	0.51	0.20	0.30
12.	ABC Cable	0.89	0.22	0.09	0.13
13.	Capacitor scrap	0.06	0.01	0.01	0.01
14.	Burnt meters scrap	7.90	1.98	0.79	1.19
15.	Old tyre	0.01	0.00	0.00	0.00
16.	Iron scrap	0.47	0.12	0.05	0.07
17.	Iron scrap	7.20	1.80	0.72	1.08
18.	Iron scrap	7.36	1.84	0.74	1.10
Total		71.68	17.92	7.17	10.75

Non-adherence to WAPDA Material Disposal Procedure resulted in undue favor to bidder by reducing the amount of earnest money Rs.10.75 million.

Audit recommends inquiring the matter for undue favor to bidder for fixing responsibility.

(Draft Para No. 831/2024-25)

3.6.2.3.11 Loss due to non-forfeiture of performance guarantee – Rs.5.31 million

According to Clause 16 of Purchase order, the purchase will have the right to forfeit the Performance Guarantee, if the contractor/supplier fails to supply the goods within the time specified.

During Thematic Audit of Material Management in SEPCO for financial years 2021-2024, it was observed that two (02) purchase orders vide no. 09/679 dated September 8, 2022 and No. 09/705 dated March 8, 2023 were issued to different suppliers valuing Rs.90.62 million. Further scrutiny of record revealed that neither the supply of material was received nor EOT was granted by

the management. This state of affairs required forfeiture of the performance guarantee of said suppliers but the same was not done, which needs justification.

STATEMENT SHOWING NON-FORFEITURE OF PERFORMANCE GUARANTEE						
Sr. No.	Purchase Order No.	Date	Name of Firm	Description of material	Delivery period up to	Amount of Performance Guarantee (Rs.)
1.	09/679	08.09.2022	M/s IMS Lahore	Single Phase Energy Meter	07.03.2023	5,253,300
2.	09/705	08.03.2023	M/s SS Metal House, Lahore	Leather Protective Gloves	07.06.2023	58,000
Total Amount						5,311,300

Non-adherence to clause of purchase order resulted in loss due to non-forfeiture of performance guarantee amounting to Rs.5.31 million.

Audit recommends following up the matter for insuring supply of the material besides charging liquidated damage for the delayed supply.

(Draft Para No. 823/2024-25)

3.6.2.3.12 Irregular refund of GST (17%) to contractors - Rs.0.61 million

As per the Withholding Income Tax Regime, 236A sales by auction “Any person making sale by public auction /tender of any property or goods shall deduct tax at the rate of 17% including award of any lease to any person.”

During Thematic Audit of Material Management in SEPCO for financial years 2021-22 to 2023-24, it was observed that five (05) purchase orders were issued to different contractors for the disposal of ten (10) condemned vehicles of Rs.4,630,195 including 17% GST (Rs.0.61 million). The manger material management sought clarification from private Law Firm on the basis of Pakistan Law Library Portal Sales Tax June, 2004 regarding exemption of GST on accounts of condemned /off road vehicles. Later on, the management refunded the GST to contractors, which is a serious violation of withholding Income Tax Rules, 2021.

Non-adherence to withholding Income Tax Rules, 2021 resulted in irregular refund of 17% GST amounting to Rs.0.61 million to contractors on condemned vehicles during the financial year 2021-2024.

Audit recommends inquiring the matter for fixing responsibility upon officer(s) at fault.

(Draft Para No. 833/2024-25)

3.7 Departmental Responses

3.7.1 Response to Audit Observation 3.6.2.3.1

The matter was taken up with the management in September, 2024. The management replied that being manager (MM) had mandate to advertise the tenders. However, no one participated in some tenders and few tenders were scrapped by BoDs. Due to certain reasons, the procurement plan could not been fully utilized. The reply was not tenable because no documentary evidence was provided in support of reply till the finalization of report.

DAC in its meeting held on November 28, 2024 directed the management to ensure preparation of realistic procurement plan in future.

3.7.2 Response to Audit Observation 3.6.2.3.2

The matter was taken up with the management in September, 2024 and reported to the Ministry in November, 2024. The management replied that ERP system had been operational since February, 2023. The statements of financial year 2022-23 had been completed and ongoing work for financial year 2023-24 was continued. As regard, the procurement of IT Equipment, the management replied that hardware for the ERP/SAP project, specifically Desktops and Laptops, were also being utilized for other new IT tools. Moreover, after approximately five years of use, these devices had become sluggish and require significant upgrades.

DAC in its meeting held on November 28, 2024 directed the management to substantiate the reply by providing the record with demonstration of implementation of ERP to Audit for verification within one month.

3.7.3 Response to Audit Observation 3.6.2.3.3

The matter was taken up with the management in September, 2024 and reported to the Ministry in November, 2024. The management replied that an amount of Rs.35.178 million had been recovered and balance amount of Rs.33.10 million was not recoverable. Furthermore, reply to non-deduction of LD of Rs.66.10 million would be provided by PMU SEPCO.

DAC in its meeting held on November 28, 2024 directed the management to provide the record of LD recovered along with its proper accounting treatment to Audit for verification within a week and expedite the pending recovery.

3.7.4 Response to Audit Observation 3.6.2.3.4

The matter was taken up with the management in September, 2024 and reported to the Ministry in November, 2024. The management replied that the material is issued to PD (GSC) & S.E (GSO) SEPCO upon receipt of requirement of material and various type of material has already been issued to field formations after September, 2024. The material of STG side is released to field formation as and when required but it is pertinent to mention that most of the projects against which material is purchased are under progress and material is being released after solving of Right of Way issues being faced by this office.

DAC in its meeting held on November 28, 2024 the management to get the record verified of completed actions within one month and complete the pending actions expeditiously.

3.7.5 Response to Audit Observation 3.6.2.3.5

The matter was taken up with the management in September, 2024 and reported to the Ministry in November, 2024. The management replied that the Deputy Manager (Warehouse) SEPCO had been directed to conduct survey and to prepare reports for auction of unserviceable 66 kV material. The process for auction would take at least 2 months. Moreover, bid evaluation committee recommended to scrap all the 06 tenders as the participated bidders were not qualified to meet out the criteria mentioned in tender documents. This office was again in process to call tenders as per Disposal Procedure 2006 by including all unserviceable material lying at Warehouse SEPCO.

DAC in its meeting held on November 28, 2024 directed the management to expedite the disposal process and get the record verified from Audit within three months.

3.7.6 Response to Audit Observation 3.6.2.3.6

The matter was taken up with the management in September, 2024 and reported to the Ministry in November, 2024. The management replied that the material was required in dire need and it was not feasible to scrap the tender and procure the same after re-tendering as it was expected that the prices would come on much higher side due to the economical issues. Therefore, after obtaining approval from Competent Authority, purchase order was issued to sole participated bidder M/s Shaheen Traders.

DAC in its meeting held on November 28, 2024 directed the management to provide the record in support of reply to Audit for verification within 15 days.

3.7.7 Response to Audit Observation 3.6.2.3.7

The matter was taken up with the management in September, 2024 and reported to the Ministry in November, 2024. The management replied that NTDC would be requested to vacate the premises of Warehouse otherwise SEPCO would charge rent to NTDC.

DAC in its meeting held on November 28, 2024 directed the management to expedite the matter with NTDC for vacating the Warehouse or charge the rent as per SoP.

3.7.8 Response to Audit Observation 3.6.2.3.8

The matter was taken up with the management in September, 2024 and reported to the Ministry in November, 2024. The management replied that out of 46, one (01) transformer valuing Rs.373,054/- was received after repair. As soon as additional units / transformers received from supplier, the Audit would be informed accordingly.

DAC in its meeting held on November 28, 2024 directed the management to inquire the matter at CEO level for fixing responsibility upon the person at fault and submit inquiry report to Audit within one month.

3.7.9 Response to Audit Observation 3.6.2.3.9

The matter was taken up with the management in September, 2024 and reported to the Ministry in November, 2024. The management replied that computer media items were successfully delivered by M/s Good Luck Traders Karachi. The Bid Evaluation Committee thoroughly evaluated the bid and recommended award of purchase order to the said firm. As the quoted rates were for branded and imported items, hence, in light of high inflation and significant increase in dollar exchange rates, the rates quoted by the said firm were deemed reasonable and in line with market trends.

DAC in its meeting held on November 28, 2024 directed the management to provide the record in support of reply to Audit for verification within one month.

3.7.10 Response to Audit Observation 3.6.2.3.10

The matter was taken up with the management in September, 2024 and reported to the Ministry in November, 2024. The management replied that tendering process was adopted instead of open auction by following WAPDA Disposal Procedure. The limit for accepting 10% earnest money was fixed in WAPDA Disposal procedure.

DAC in its meeting held on November 28, 2024 directed to carry out fact finding inquiry at CEO level and share its report with Audit within 15 days.

3.7.11 Response to Audit Observation 3.6.2.3.11

The matter was taken up with the management in September, 2024 and reported to the Ministry in November, 2024. The management replied that liquidated damages had been recovered from supplier.

DAC in its meeting held on November 28, 2024 directed the management to take action as per P.O and get the recovery of LD verified from Audit within one month.

3.7.12 Response to Audit Observation 3.6.2.3.12

The matter was taken up with the management in September, 2024 and reported to the Ministry in November, 2024. The management replied that as per SRO 490/(I)/2004 dated 12.06.2004 no claim or refund of 17% GST was applicable on scrap material as far as disposal of fixed assets and vehicles. Therefore, sales tax on these vehicles, if sold or auctioned would not be payable. Hence, there was neither loss to the Company nor any violation of tax.

DAC in its meeting held on November 28, 2024 directed the management to provide the record in support of reply along with latest SRO of FBR to Audit for verification within a week.

3.8 Recommendations

In view of audit analysis, critical review, significant observations and physical visit of one warehouse and two regional stores, following recommendations are proposed to address systemic inefficiencies and enhance efficiency of material management, procurement processes, and internal controls in SEPCO:

- Ensure competitive bidding and rigorous evaluation processes to avoid procurement inefficiencies, such as substandard materials and irregular contract awards.
- Enforce contractual clauses related to liquidated damages and performance guarantees to recover financial losses resulting from supplier delays or defaults.
- Maintain strict oversight of supplier performance to prevent the recurrence of issues like the supply of substandard transformers and delayed deliveries.
- Investigate and address delays in the operationalization of the ERP system to ensure its full functionality for inventory tracking, reporting, and reconciliation of stock balances.
- Provide robust training to ensure effective use of ERP by relevant staff and ensure proper allocation of IT equipment.
- Avoid unnecessary procurement and overstocking of materials by establishing clear reserve stock limits and aligning purchases with actual project needs.
- Expedite the disposal of obsolete, unserviceable, or dismantled materials to free up storage space and prevent further depreciation in value.
- Implement stringent internal controls to ensure compliance with financial and regulatory frameworks, including PPRA rules and WAPDA Disposal Procedure.
- Address financial irregularities such as undue favor to bidders and the irregular refund of taxes to contractors.

- Conduct thorough market analysis to determine reserve prices for scrap and obsolete materials, ensuring transparency and fairness in auction processes.
- Streamline the process for valuing and disposing of unserviceable materials, avoiding undue delays and losses to the exchequer.
- Conduct timely inquiries into observed lapses, such as procurement inefficiencies and ERP mismanagement, and fix responsibility on individuals at fault.
- Monitor compliance with audit recommendations to ensure continuous improvement in operational efficiency and transparency.

3.9 Conclusion

In the light of above narrated facts, it is concluded that:

A transparent and efficient procurement and Material Management System is a pre-requisite for effective & efficient operations and service delivery. The audit of material management in SEPCO highlighted critical gaps in procurement planning, inventory control, and compliance with regulatory frameworks, leading to operational inefficiencies and financial losses. Weak internal controls have contributed to issues such as overstocking and delays in supplier performance enforcement. Furthermore, inventory tracking and reporting could not be made functional due to defective implementation of EPR System.

To overcome these issues, SEPCO must strengthen its internal controls, ensure compliance with procurement laws, and prioritize the effective implementation of its ERP system. By adopting global best practices for inventory management, improving disposal processes and enforcing supplier accountability, SEPCO can enhance transparency, optimize resource utilization and mitigate financial risks.

CHAPTER-4

IMPACT AUDIT ON ANTI-THEFT CAMPAIGN IN LESCO AND HESCO

4. IMPACT AUDIT ON ANTI-THEFT CAMPAIGN IN LESCO AND HESCO

4.1 Introduction

The anti-theft campaign is a nationwide initiative launched by the Federal Government of Pakistan to address the pervasive issue of electricity theft and non-payment of dues in the power sector. Aimed at bolstering the financial stability of Distribution Companies (DISCOs) and mitigating its economic repercussions on the public, the campaign focuses on stringent measures to curb malpractices.

4.1.1 Background

Theft of electricity and failure to pay dues not only compromise the financial stability of Distribution Companies (DISCOs) but also has wider economic ramifications. This often results in higher tariffs, placing an additional burden on the general public. Despite diligent efforts of DISCOs' staff to curtail theft and culture of non-payment of bills against the utility of electricity, remain ineffective in curbing electricity related problems. Consequently, the federal government was compelled to launch a nationwide anti-theft campaign to salvage the faltering power sector in Pakistan.

4.1.2 Role of the Program

As per the directions of the Prime Minister of Pakistan, a campaign to curb the menace of electricity theft was launched in September 2023, in all the distribution companies (DISCOs) of Pakistan with the underlining message of zero tolerance for over billing and corruption.

The anti-theft campaign was proposed to have following TORs:

- i. All DISCOs will launch a comprehensive public awareness campaign through print, electronic and social media to educate the public about the impact of electricity theft and non-recovery from defaulters on electricity distribution companies and the national economy.
- ii. DISCOs will provide a weekly program aimed at eradicating theft and recovery from defaulters. This program involves identifying

high-impact areas that can bolster the campaign against electricity theft and defaulters, ultimately resulting in efficiency gains.

- iii. DISCOs will provide data for high loss identified feeders, including losses and recovery statistics, and the list of defaulters to the Provincial Task Force. This data will be used to initiate the anti-theft and recovery campaign.
- iv. An electricity theft reporting Cell will be established in the Commissioner's Office with dedicated telephone lines to receive information from the public regarding electricity theft.
- v. Public will also be encouraged through media campaign to report theft complaints by calling 118, a dedicated hotline maintained by the Pakistan Information Technology Company (PITC), Power Division. All complaints received through this channel will be promptly forwarded to the relevant DISCOs. Each DISCO will be required to designate a focal person with a minimum rank of Chief Engineer to oversee the anti-theft campaign and report back to PITC.
- vi. PITC will develop an online mechanism for consolidating complaints from various sources, forwarding them to DISCOs and the Task Force, and preparing daily reports.
- vii. District Police Officer (DPO) will direct the concerned SHO, in writing, to provide complete assistance to the recovery teams. Notified officers of DISCOs will collaborate with local administration and the police for effective action.
- viii. Where electricity theft is detected, an FIR will be registered against the culprits under relevant law, such as the Electricity Act on priority basis.
- ix. Recovery teams will ensure on-the-spot removal of equipment used for electricity theft. The relevant DISCO will ensure that electricity supply is not illegally resumed at the same site.
- x. If departmental collusion is identified during investigations, the same will be reported to the Power Planning and Monitoring Company (PPMC) for further inquiry and action.

- xi. PPMC will coordinate all activities related to the anti-theft and recovery campaign. Daily progress reports will be submitted with the assistance of PITC to the Power Division.
- xii. Power Division will monitor and review the progress of the anti-theft and recovery campaign.

4.2 Overview

The anti-theft campaign seems to have a significant impact on curbing line losses and increasing collection of recovery from defaulted as well as from illegal consumers. The basic position of compliance related to anti-theft campaign in the selected DISCOs (LESCO and HESCO) is reflected in the table below:

Name of the Company	Year	Numbers of FIRs registered	Detection bills charged (Rs.)	Detection recovery effected (Rs.)	Percentage of detection recovery
LESCO	*09-2023 to 06-2024	96,497	4,141,488,730	2,773,167,474	67%
HESCO	09-2023 to 06-2024	5,407	1,140,669,000	161,897,000	14%

**The campaign started in Sep 2023, so data of ten (10) months falls within the scope of impact audit.*

The data presented in the table highlights efforts made by LESCO and HESCO during the current anti-theft campaign. FIRs were registered against the offenders and detection was charged. Significant recovery against detection of 67% was observed in the case of LESCO while recovery of HESCO remained low at 14%. A critical analysis of the campaign will be carried out by audit to have a deeper insight into the effectiveness of the campaign.

4.3 Scope & Methodology

The impact audit of the anti-theft campaign was carried out during the Audit Year 2024-25 in two electricity distributing companies in Pakistan i.e., LESCO and HESCO for the years 2022-24. The selection of the DISCOs is based on the rationale of having comparative analysis.

- LESCO is a better performing DISCO while HESCO is a low performing DISCO.

- The performance indicators to evaluate the performance of the DISCOs are taken from the Year Books printed by the Ministry of Energy (Power Division).

The scope of Impact Audit of anti-theft campaign pertains to those TORs of Ministry that relates to DISCOs particularly. The methodology for the impact audit of the anti-theft campaign included a comprehensive analysis using a range of statistical tools to assess the effectiveness of the campaign across various risk areas. These included regression analysis, correlation coefficients, and comparative performance evaluations to identify relationships between key indicators such as detection charges, recovery amounts, and line losses. Feedback from citizen surveys provides a view of the campaign's impact, especially concerning consumer satisfaction and perceptions of governance.

4.3.1 Audit Objectives

The audit objectives are primarily based on the TORs set by the Ministry of Energy (Power Division) for the implementation and evaluation of the tangible results achieved by the anti-theft campaign. Different statistical tools as mentioned in the methodology are employed to focus on undertaking the pre and post analysis of the anti-theft campaign. However, it was intended to expand the purview of the risk areas to conduct a comprehensive analysis of the financial, administrative, and technical outcomes produced by the campaign.

- i. Evaluate the data related to the identification of Kunda connections, theft cases and the actions taken, such as FIRs registered.
- ii. Analyze line losses suffered by the feeders to understand the distribution of losses and the effectiveness of the campaign in reducing them.
- iii. Assess the impact of detections charged and the recoveries made against them.
- iv. Assess the effectiveness of recoveries made from dead defaulters and running consumers, including the impact of demands effectuated against dead defaulters and FIRs lodged.

- v. Review the data related to the inquiries, if any, carried out by competent authorities regarding the anti-theft campaign and its implementation.
- vi. Evaluate the impact of the anti-theft campaign in the light of feedback received from citizens.

4.3.2 Overall Assessment

The overall analysis of the Anti-theft campaign suggest that although the campaign has been successful in increasing the amount of detection charged against offenders and registration of FIRs against them, however, the recovery against the said detection remained low in both the DISCOs.

4.4 Audit findings

4.4.1 Increase in Identification of Theft Cases and Percentage of Recovery

During the impact audit of anti-theft campaigns in LESCO and HESCO for the years 2022-23 to 2023-24, it was found that higher numbers of theft cases were pointed out in both companies. As per TOR-8 of the anti-theft campaign as defined by the Ministry of the Energy, “where electricity theft is detected, an FIR will be registered against the culprits under relevant law”. In the light of TOR-8 the companies were bound to register FIR against all the detected theft cases. During the impact audit it came to notice that the number of FIRs reported and registered increased significantly during 2022-24 in LESCO and HESCO as reflected in the tables below:

LESCO			
	2022-23	2023-24	% Inc/(Dec)
Theft Cases	97,881	98,508	1%
FIRs Requested	51,536	96,689	88%
FIRs Registered	48,136	96,497	100%
Detections charged	3,439,048,646	4,141,488,730	20%
Recovery Made	2,222,924,842	2,773,167,474	25%
Recovery % against detection	65%	67%	3%

Kunda Connections in LESCO during 2023-24

No. of kunda Connections	Detection bills Charged	Amount Recovered
* 48,172	1,792,624,992	1,142,767,361

**Out of total 98,508 theft cases were reported from September 2023 to June 2024 during anti-theft campaign*

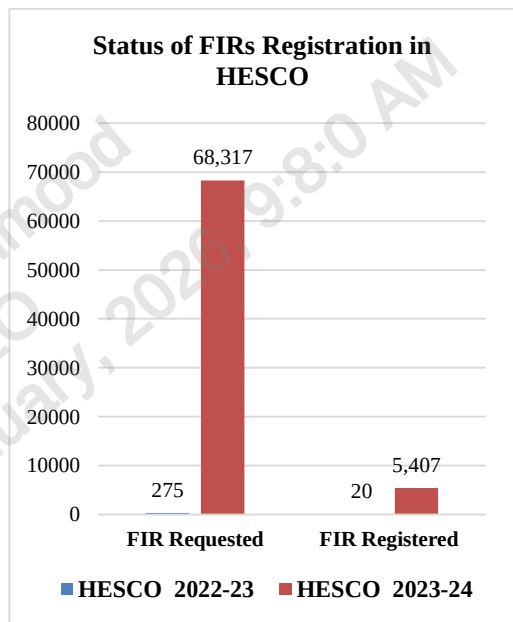
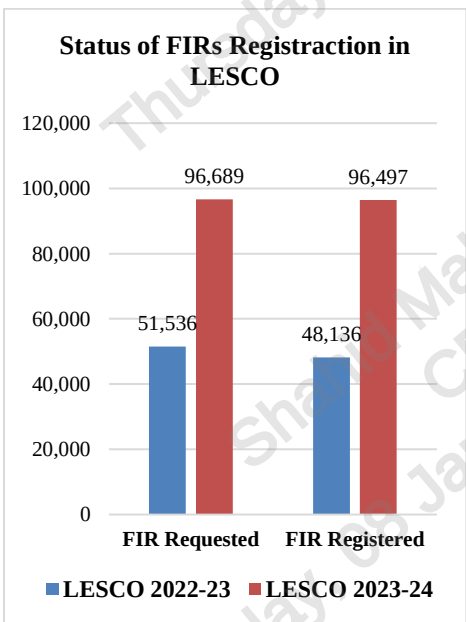
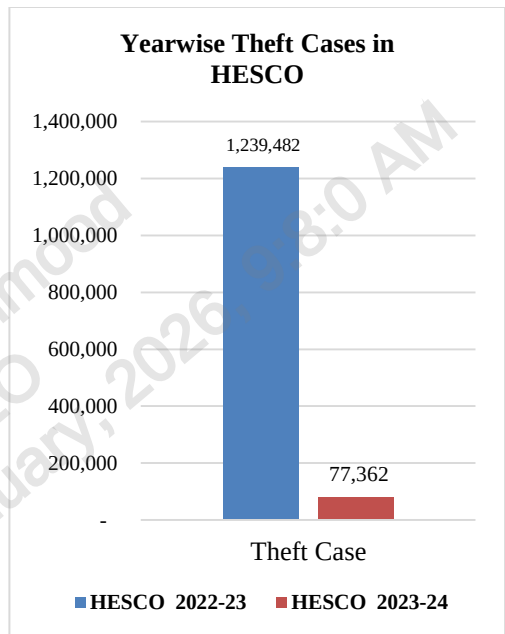
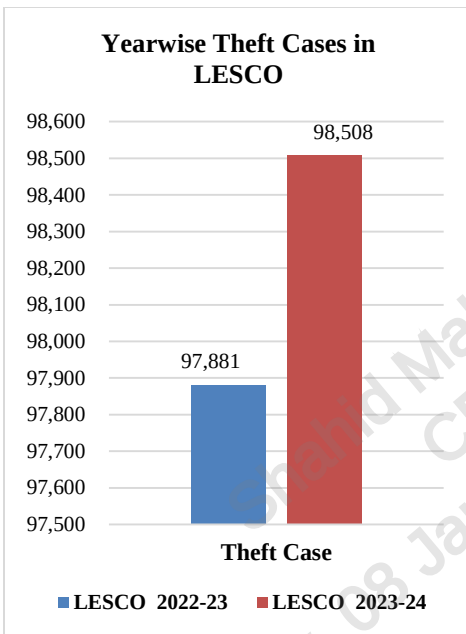
HESCO			
	2022-23	2023-24	% Inc/(Dec)
Theft Cases	1,239,482	77,362	-94%
FIRs Requested	275	68,317	24743%
FIRs Registered	20	5,407	26935%
Detections charged	12,191,162,825	1,140,669,000	-91%
Recovery Made	1,053,656,458	161,897,000	-85%
Recovery % against detection	9%	14%	56%

Kunda Connections in HESCO during 2023-24

No. of kunda Connections	Detection bills Charged	Amount Recovered
* 12,386	144,913,789	9,059,954

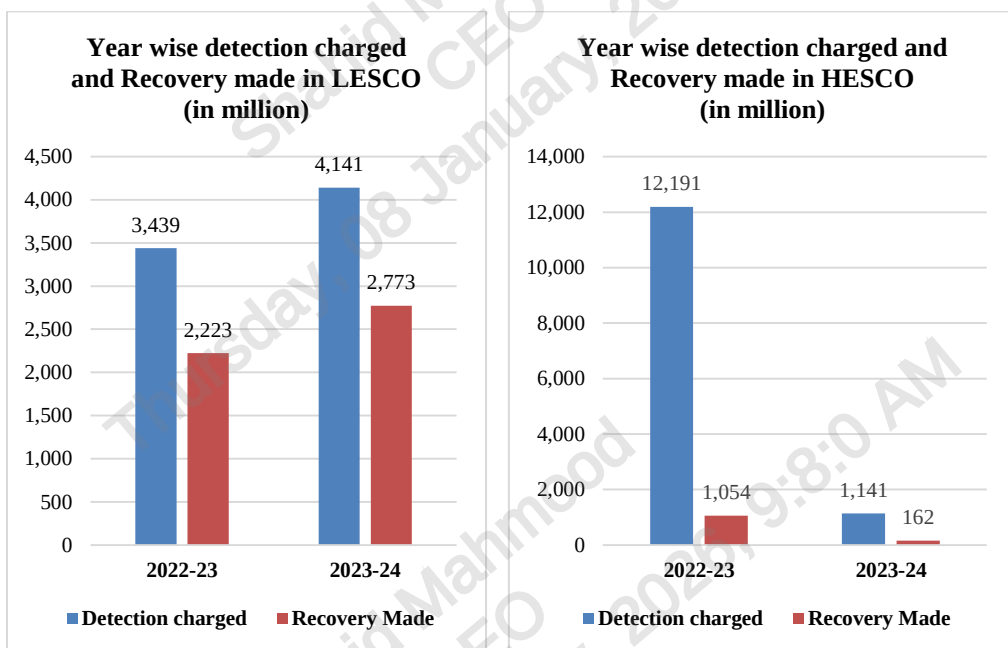
**Out of total 77,362 theft cases were reported from September 2023 to June 2024 during anti-theft campaign*

The above table compares the data of fiscal year 2022-23 with that of 2023-24 regarding the position of theft cases identified, FIRs registers and recovery made against detection charge before and after the campaign. In LESCO the identification of theft cases increased from 97,881 to 98,508, whereas, in HESCO, the number of theft cases significantly decreased from 1,239,482 to 77,362. The FIRs requested also reflect a good picture as in LESCO these increased from 51,536 to 96,689 while in HESCO the increase was from 275 to 68,317. The numbers of FIRs registered after removal of equipment used for theft in LESCO increased from 48,136 to 96,497, however, in HESCO the FIRs registration ratio was dismally low as only 12.75% $\{275 - 20 / 20\}$ of total requested FIRs were registered in 2022-23 while in 2023-24 the percentage decreased to 11.6%.



The recovery against detection in LESCO increased from Rs.2,222.92 million to Rs.2,773.17 million, however, the percentage of recovery against the recovery detected increased from 65% to 67% which is an increase of 4%

only. In HESCO the amount of detection charged decreased from 12,191,162,825 to 1,140,669,000, whereas the recovery percentage, though, remained low, yet showed an increase from 9% during 2022-23 to 14% in 2023-24 thereby recording an aggregate increase of 55%. Apart from it the matter related to the detection charged during 2022-23 being 10 times higher than the period 2023-24, when anti-theft campaign was at full swing, cannot be hoodwinked. This issue can highlight underlying practices of data fabrication and misrepresentation in HESCO.



The findings underscore mixed results from the anti-theft campaigns. In LESCO, steady improvement in theft detection and recovery processes reflects relatively effective implementation of the campaign. The twofold increase in both the FIRs requested and registered highlights a proactive approach toward addressing electricity theft. However, the slight increase in the recovery percentage indicates room for improving collection strategies.

Conversely, HESCO's performance is marked by stark contrasts. The sharp decline in theft detection, coupled with a limited number of registered FIRs and significantly reduced recovery amounts, signals operational inefficiencies

and enforcement challenges. Despite this, the modest improvement in recovery percentage suggests a potential focus on more effective recovery in fewer cases.

The matter was discussed during the DAC meeting held on December 26-27, 2024 at LESCO HQ wherein the management was directed to implement the outcomes of the finding.

(Draft Para No.1531/2024-25)

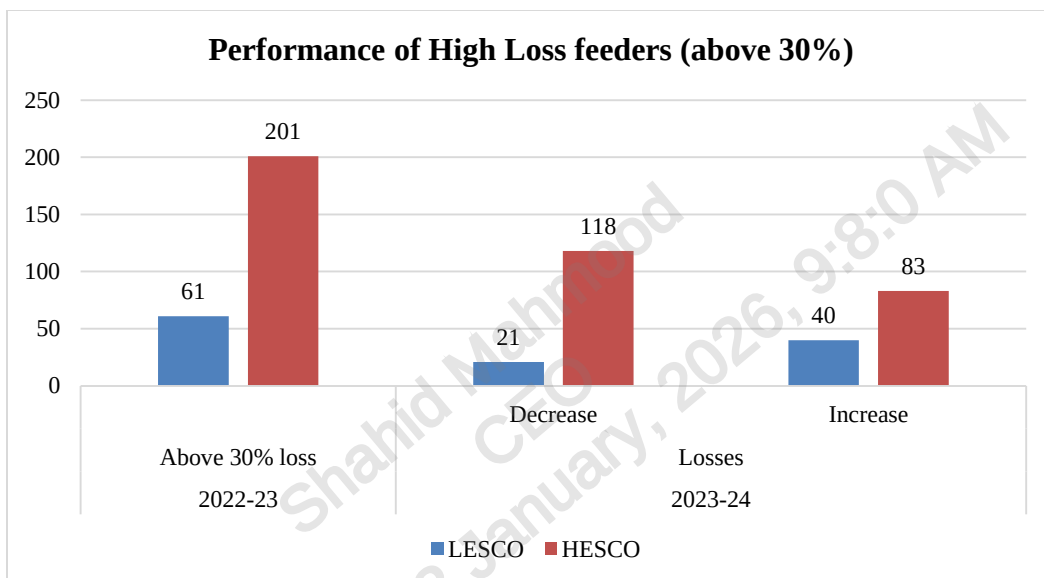
4.4.2 Reduction in Losses on High Loss-Making Feeders

According to TOR-3 of the anti-theft campaign, the primary focus was on addressing high loss-making feeders, with the objective of curtailing losses and increasing recovery rates. To evaluate the campaign's effect, the impact audit focused on feeders with losses exceeding 30% in both LESCO and HESCO for the year 2022-23. The performance of these feeders was reassessed for the year 2023-24 to determine the extent of improvements achieved through the campaign. The results are summarized in the table below:

Company	2022-23	2023-24		%age of Improvement
	No. of feeders above 30% loss	Status of Feeders above 30% Loss during 2022-23		
		Losses Decreased	Losses Increased	
LESCO	61	21	40	34%
HESCO	201	118	83	59%

(Source: CP-22A)

The above table compares the position of feeders above 30% loss before and after the campaign. The data in the table highlights that out of 61 numbers of total high loss-making feeders in LESCO during the year 2022-23 only 21 feeders showed improvement which makes only 34% of total feeder. On the other hand, in HESCO the total number of high loss-making feeders was 201 and 118 made improvements making 59% of the total feeders. This scenario points out that 25% more improvement in HESCO as compared to LESCO was witnessed. The above analysis is reflected in the chart below.



High loss-making feeders contribute significantly to financial inefficiencies within DISCOs. Therefore, improvements in this area are critical for reducing line losses, enhancing revenue collection, and achieving financial sustainability. While HESCO's performance in this area appears stronger, its overall operational weaknesses, as evident through lower recovery percentage i.e. 14% during 2023-24 in comparison to LESCO's 67%, indicate the need for a balanced and integrated strategy to address the issues of losses and non-recovery.

The matter was discussed during the DAC meeting held on December 26-27, 2024 at LESCO HQ wherein the management was directed to implement the outcomes of the finding.

(Draft Para No.1532/2024-25)

4.4.3 Impact of Detection Charges on Line Losses

During impact audit of anti-theft campaign in LESCO & HESCO for the years 2022-23 and 2023-24, an analysis was carried out to understand the relationship between detection charged and incidences of line losses. The underlying assumption is that an increase in detection charges should correlate with a decrease in line losses, suggesting an inverse relationship between these two variables. For the purpose of analysis, two variables were defined:

X: Amount of Detection Charged (Independent variable)

Y: Line Losses (Dependent variable)

Following hypotheses were developed to assess the correlation¹⁴ between dependent and independent variables:

H₁: There is an inverse relationship between the amount of detection charged and line losses, indicating that increased detection charges reduce line losses.

H₀: There is no relationship between the amount of detection charged and line losses.

Regression Analysis Approach

To examine the impact of detection charges on line losses, regression analysis¹⁵ was performed in Microsoft Excel using the following data points:

- **Dependent Variable (Y):** Line Losses (Column 7 Annexure-8)
- **Independent Variable (X):** Detection Charged (Column 8 Annexure-8).

The analysis evaluated year-on-year changes in line losses and detection charged for 2022-23 and 2023-24. The regression results are summarized below:

Company Name	Co-relation Coefficient	P-Value
LESCO	0.039	0.807
HESCO	-0.520	0.032

Results in LESCO:

- **Correlation Coefficient (r):** 0.039, indicating a very weak relationship between detection charges and line losses.
- **P-Value¹⁶:** 0.807, far above the significance threshold (typically 0.05). This confirms that the increase in detection charges during

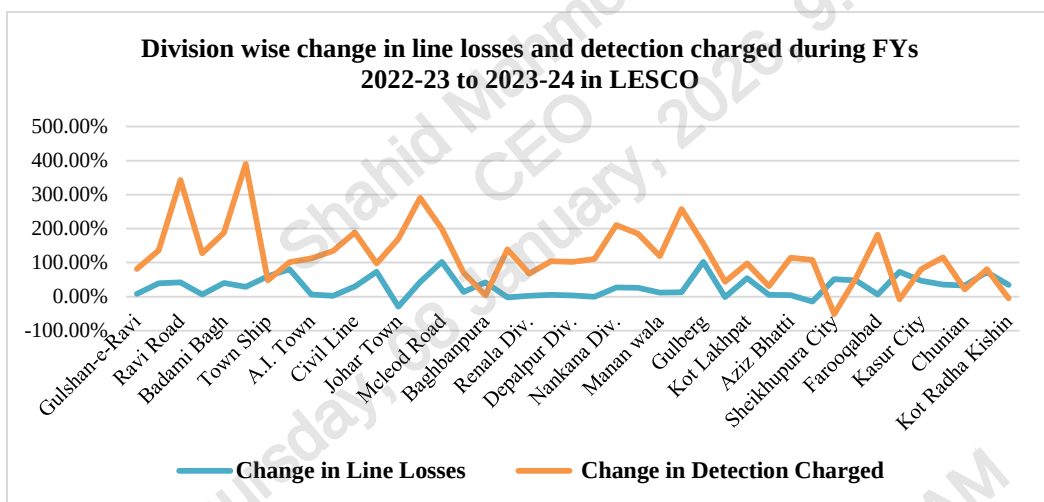
¹⁴ A correlation coefficient is, by definition, a numerical value that measures the strength of a linear relationship between two variables. It can range from -1 to +1, with -1 or +1 indicating a perfect linear relationship and 0 indicating no linear relationship. The closer the correlation coefficient is to ± 1 , the stronger the correlation. The degrees of correlation based on the analysis are categorized as follows:

- Very weak: Less than 0.20
- Weak: Between 0.20–0.39
- Moderate: Between 0.40–0.59
- Strong: Between 0.60–0.79
- Very strong: Greater than 0.80

¹⁵ Regression analysis is a statistical method that studies the relationships between variables to understand how one variable can affect another.

the anti-theft campaign had no measurable impact on line-losses in LESCO

- **Conclusion:** The null hypothesis (H0) is accepted, signifying that detection charges and line losses in LESCO are essentially not correlated.



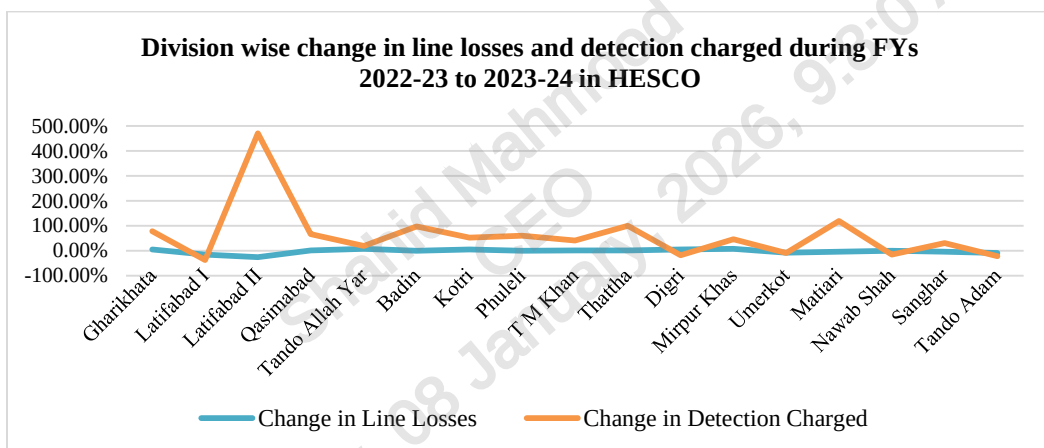
(Annexure-8)

Results in HESCO:

- **Correlation Coefficient (r):** -0.520, suggesting a moderately inverse relationship between detection charges and line losses. This means that as detection charges increased, line losses decreased.
- **P-Value:** 0.032, which is below the 0.05 significance level. This indicates that the relationship between the two variables is statistically significant.

¹⁶ P-value represents the probability of observing data as extreme or more extreme than what was found, assuming that there is no actual relationship between the independent and dependent variables (null hypothesis); essentially, it indicates how likely it is that the observed relationship between variables could have occurred by chance, with a low p-value suggesting a statistically significant relationship.

- **Conclusion:** The null hypothesis (H0) is rejected, supporting the alternative hypothesis (H1) that higher detection charges correspond to a reduction in line losses in HESCO.



(Annexure-9)

Implications and Insights

1. LESCO's Ineffectiveness:

The weak correlation in LESCO suggests systemic inefficiencies in how detection charges are used to combat theft or address line losses. Reason for weak relationship could be due to high units credited to consumers during the fiscal year 2023-24. LESCO credited 833.46 million units to consumers from April, 2024 to June, 2024 which resulted in an increase of line losses during financial year 2023-24. Other factors like inadequate enforcement, poor infrastructure, or consumer resistance may also be the probable reasons for undermining the effectiveness of the anti-theft campaign.

Huge credit of units to consumers in LESCO during FY 2023-24

Month	Credit Units
	(Kwh)
Apr-24	320,289,443
May-24	388,438,395
Jun-24	125,118,204
Total	833,846,042

2. HESCO's Relative Success:

The moderate negative correlation and statistically significant results for HESCO reflect better alignment between detection efforts and loss reduction.

The matter was discussed during the DAC meeting held on December 26-27, 2024 at LESCO HQ wherein the management was directed to implement the outcomes of the finding.

(Draft Para.1533/2024-25)

4.4.4 Position of Overbilling during Anti-theft campaign

Anti-theft campaign also focuses on eradicating overbilling in DISCOs. DISCOs utilize overbilling as a tool to demonstrate good performance by reducing losses. This results in economic burden on consumers who are already facing the brunt of high tariffs and capacity payments. Ministry of Energy has stipulated "Zero Tolerance" policy against overbilling in the TORs set for anti-theft campaign. In order to analyze the position of overbilling time series analysis was done for the financial years 2022-23 and 2023-24 with the following results.

Overbilled units in LESCO and HESCO for the FYs 2022-23 & 2023-24 (Units in million)			
Company	2022-23	2023-24	Inc/(Dec)
LESCO	92.72	77.08	-16.87%
HESCO	55.7	86.04	54.47%

The above table compares the position of overbilling before and after the campaign. It is evident that overbilling in LESCO decreased by 16.87% from 92.27 million units in 2023 to 77.08 million units in 2024. However, in case of HESCO 86.04 million units were overbilled in FY 2024 in comparison to 55.7 million units in FY 2023, which is an increase of 54.47%.

Further, it was observed that DISCOs credited the units overbilled to consumers in the previous years during the FY 2023-24. Following is the scenario of credited units to consumers in the respective DISCOs.

Units credited to consumers in respect of revision of overbilling during FY 2023-24

Sr. No.	Name of Company	No. of Consumers	Units refunded (in million)
1.	HESCO	10,885	9.04

2.	LESCO	96,263	847.50
	Total	107,148	856.54

An analysis of the above data reveals that LESCO shows a progressive attitude towards curbing overbilling in the company. LESCO not only reduced its overbilling by 16.87% but also credited 847.50 million units to its consumers that were overcharged in the previous years. In case of HESCO, overbilling increased by 54.47% during FY 2023-24 and the quantum of credited units to consumers in terms of overbilling remained at 9.04 million units only.

Therefore, it can be concluded that LESCO has shown improvement in controlling overbilling in the company whereas HESCO is depicting an opposite trend.

(Draft Para No. 1543/2024-25)

4.4.5 Detection charged and recovery made against the detection especially in high-risk areas

As per ToR 2 of the anti-theft campaign as defined by the Ministry of Energy (Power Division) ensuring recovery was a prime task of the DISCOs during anti-theft campaign. For this purpose, an analysis was carried out to understand the effect of the campaign on the recovery made by both companies against the detection amount charged in both companies. In LESCO, the recovery made against the detection charged during the year 2022-23 is reflected below in the table:

(Amount in million)

2022-23			
Month	Detection charged	Recovery Effected	Percentage Recovered
July	376.49	74.12	20%
August	433.31	72.50	17%
September	495.48	91.78	19%
October	441.75	79.67	18%
November	521.94	70.45	13%
December	471.03	102.95	22%
January	634.10	94.60	15%
February	547.30	83.71	15%
March	691.45	108.00	16%

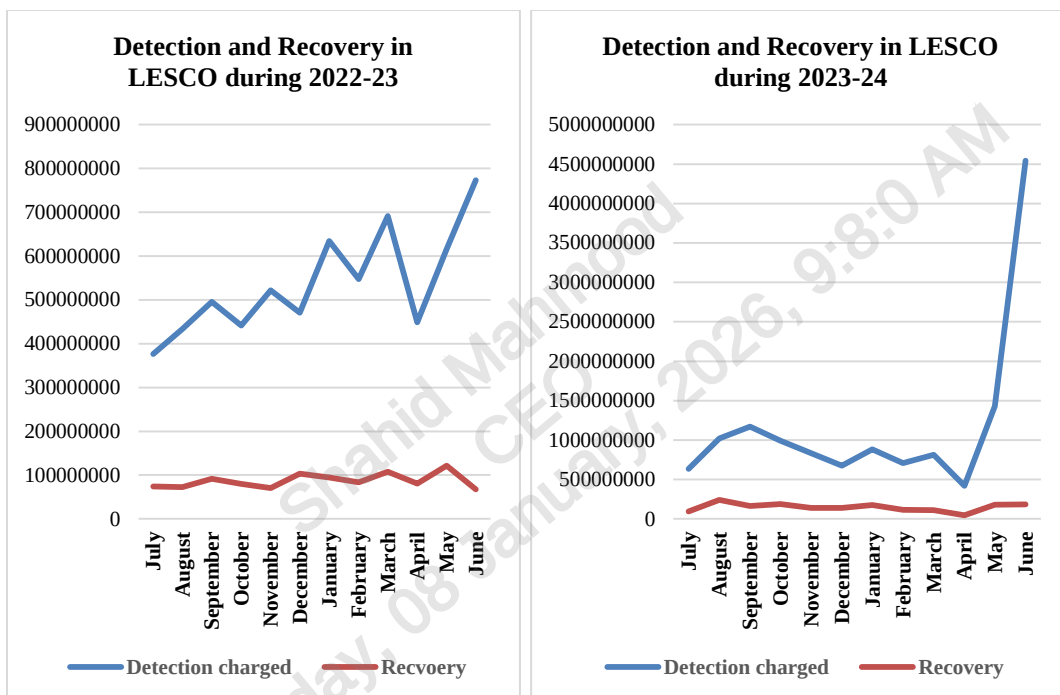
April	448.86	80.50	18%
May	616.12	121.62	20%
June	772.91	67.76	9%
Total	6450.73	1047.65	17%

It is deduced that the detection charged increased from Rs.6,450,727,047 in 2022-23 to Rs.14,118,247,681 in 2023-24 and the average recovery throughout the year was 17%. However, the average recovery made against the detection charged during 2023-24 dropped to 16%.

(Amount in million)

2023-24			
Month	Detection charged	Recovery Effected	Percentage Recovered
July	633.28	96.58	15%
August	1020.00	239.77	24%
September	1172.11	163.04	14%
October	990.81	187.88	19%
November	834.24	139.30	17%
December	673.58	137.86	20%
January	882.24	177.75	20%
February	706.55	116.10	16%
March	812.23	112.63	14%
April	421.11	47.86	11%
May	1429.36	181.19	13%
June	4542.73	185.52	4%
Total	14118.25	1785.48	16%

The charts given below highlight the visual presentation of the relationship between detection charged and recovery made against it during the financial years 2022-23 and 2023-24.



On the other hand, in HESCO, during the year 2022-23, the amount of detection charged was 11362.725 million and the average percentage recovery, as reflected in the table below, remained at 10%.

(Amount in million)

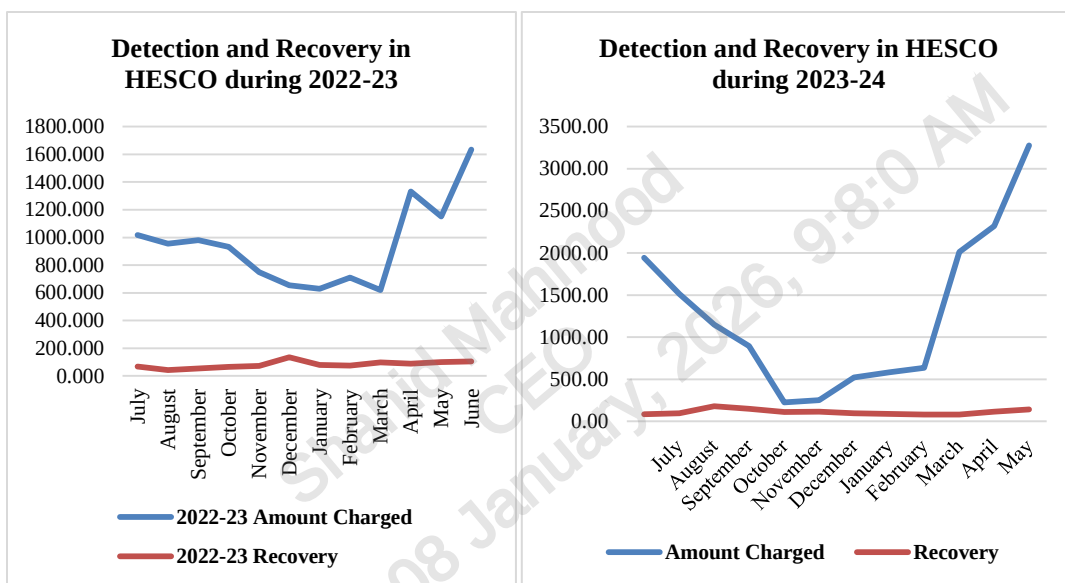
Month	2022-23		
	Amount Charged	Recovery Effected	Percentage recovered
July	1,017.834	68.011	6.68
August	955.290	42.257	4.42
September	981.177	54.604	5.57
October	930.899	66.783	7.17
November	749.621	72.726	9.70
December	654.895	134.034	20.47
January	628.473	80.139	12.75
February	709.351	75.228	10.61
March	619.695	98.905	15.96

April	1330.725	88.219	6.63
May	1151.271	100.881	8.76
June	1633.494	103.865	6.36
Total	11362.725	985.652	10%

However, after commencement of anti-theft campaign, the amount of detection charged was increased to Rs.15,334.18 million and the average recovery percentage rose to 17%. The data in this regard is given in the table below:

Month	2023-24		(Amount in million)
	Amount Charged	Recovery Effected	Percentage Recovery
July	1,943.74	82.94	4.27
August	1,513.69	96.24	6.36
September	1,149.81	180.63	15.71
October	895.31	149.52	16.70
November	224.33	113.08	50.41
December	253.68	115.97	45.72
January	523.50	96.94	18.52
February	582.93	88.16	15.12
March	637.65	81.72	12.82
April	2,013.39	82.34	4.09
May	2,319.43	116.54	5.02
June	3,276.72	140.03	4.27
Total	15,334.18	1,344.11	17%

The charts present the relationship between detection charged and recovery made against them throughout the financial years 2022-23 and 2023-24 in HESCO.

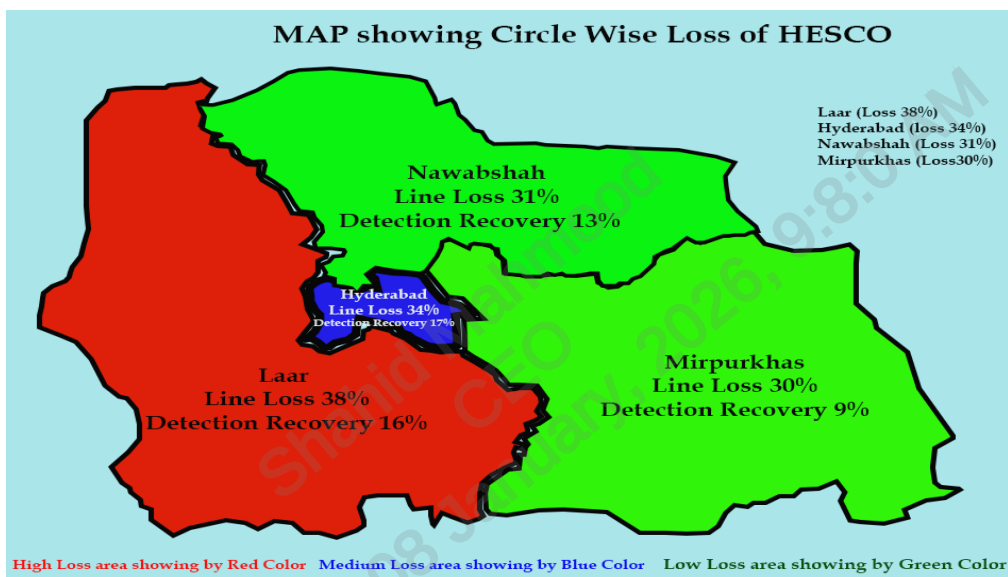


Furthermore, it is defined in the TORs approved by the Ministry of Energy, “This program involves identifying high-impact areas that can bolster the campaign”. In order to assess the impact of the campaign, high-impact areas were marked based on the losses during financial year 2022-23 and theft cases reported during financial year 2023-24. The purpose was to gauge the percentage of recovery materialized in these areas.

The tables below highlight this analysis:

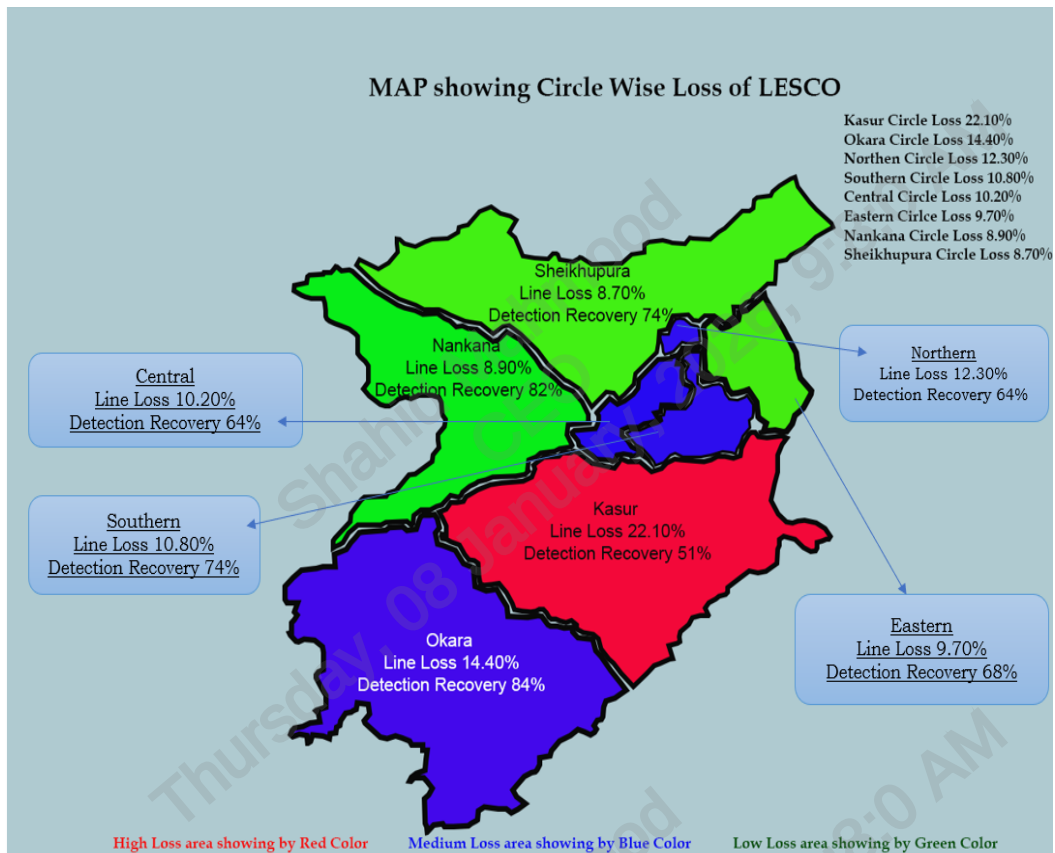
Circle	% Loss during financial year (2022-23)	FY-2023-24				
		Theft cases	No of FIRs Registered	Detection Charged (Rs.in million)	Amount Recovered (Rs.in million)	%age Recovery
Hyderabad I	34%	19,892	1,649	348.91	58.30	17%
Laar	38%	28,761	1,082	335.84	53.05	16%
Mirpur Khas	30%	11,672	808	205.40	18.09	9%
Nawab Shah	31%	17,037	1,868	250.52	32.45	13%

HESCO, though, showed overall, less recovery percentage, yet no priority seemed to have been given to any high-impact area. All the circles had recovery percentage between 13% to 17% except Mirpur Khas.



While analyzing data regarding LESCO, it was noticed that the highest impact-area of Kasur, having 22.10% of line losses, had only a 51% of recovery percentage. However, Nankana Circle presented the best picture with 8.90 percent of line losses and a recovery rate of whooping 82%.

Circle	Loss % FY- (2023- 24)	FY-2023-24				
		Theft cases	No of FIRs Registered	Detection Bills Charged (Rs.in million)	Amount Recovered (Rs.in million)	%age Recovery
Northern	12.30%	18,854	18,794	965.68	619.83	64%
Central	10.20%	20,177	19,929	911.68	584.35	64%
Eastern	9.70%	14,719	13,046	892.99	610.95	68%
Okara	14.40%	6,968	6,961	237.02	199.39	84%
Southern	10.80%	10,198	10,195	333.81	248.29	74%
Sheikhupura	8.70%	10,785	10,774	233.32	173.67	74%
Kasur	22.10%	13,960	13,954	414.53	211.48	51%
Nankana	8.90%	2,847	2,844	152.45	125.21	82%



High risk areas have been identified based on losses in fiscal year 2022-23 in order to ascertain whether these areas have been targeted in identifying theft cases while charging of detection. This is primarily done to gauge effective the campaign has been in curbing theft in these cases. Therefore, it can be concluded that the strategic direction given by the ministry to focus on high-impact areas was not given due importance both in LESCO and HESCO. It highlights lackluster attitude at the senior management level and the collusion of line staff in the power sector. Otherwise, the recovery ratio would have enhanced in areas having high line losses and high number of theft cases.

The matter was discussed during the DAC meeting held on December 26-27, 2024 at LESCO HQ wherein the management was directed to implement the outcomes of the finding

(Draft Para No. 1534/2024-25)

4.4.6 Management of receivables from running and dead defaulters

Anti-Theft Campaign aimed at recovering the amount against defaulters to reduce the receivables of the company. Recovery from defaulters is imperative to improve the financial health of the company and improve financial viability. As per TOR 2 of the anti-theft campaign as defined by the Ministry of the Energy, DISCOs will provide a weekly program aimed at ensuring recovery from defaulters. An analysis of the running as well as dead defaulters of the two companies i.e., LESCO and HESCO for the financial year 2022-23 and 2023-24 was carried out to have an insight into the position of recovery on this account besides the impact of Anti-theft on improving the situation.

Position of receivables from running and dead defaulters in LESCO & HESCO

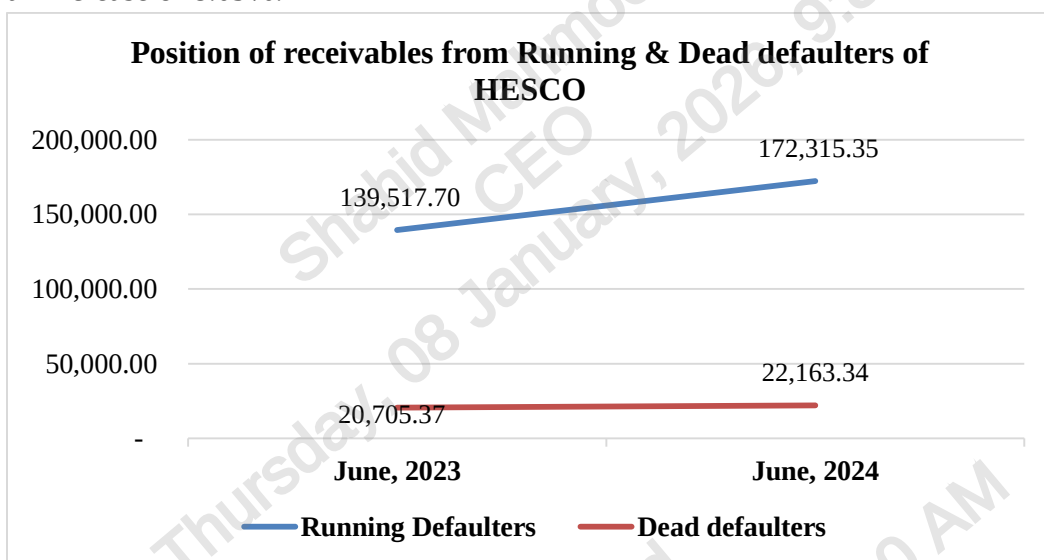
	<i>(Amount in million)</i>			
	LESCO		HESCO	
Year Ending	Running Defaulters	Dead defaulters	Running Defaulters	Dead defaulters
June, 2023	21,470	21,632	139,517.70	20,705.37
June, 2024	37,325	23,383	172,315.35	22,163.34



For LESCO following trend of receivables against running and dead defaulters was observed:

Running Defaulters: A comparison of two years shows an increase to Rs.37,325 million from Rs.21,470 million in June, 2024 compared to June, 2023 indicating an increase of 73.2%.

Dead Defaulters: Receivables from dead defaulters increased to Rs.23,383 million in June, 2024 from Rs.21,632 million in June, 2023, indicating an increase of 8.09%.



For HESCO following trend of receivables against running and dead defaulters was observed:

Running Defaulters: A comparison of two years shows an increase to 172,315.35 million from 139,517.70 million in June, 2024 compared to June, 2023 indicating an increase of 23.5%.

Dead Defaulters: Receivables from dead defaulters increased to 22,163.34 million in June, 2024 from 20,705.37 million in June, 2023 indicating an increase of 7.04%.

The above analysis compares the receivables in fiscal year 2022-23 with fiscal year 2023-24 indicating their position pre and post campaign. It shows that receivables of both companies increased against running and dead defaulters for the last two years despite the launch of campaign against defaulters.

The matter was discussed during the DAC meeting held on December 26-27, 2024 at LESCO HQ wherein the management was directed to implement the outcomes of the finding.

(Draft Para No. 1535/2024-25)

4.6.7 Actions Taken Against Employees Involved in Collusion

Anti-Theft campaign not only focused on penalizing the consumers and lodging FIRs against them but also focused on crackdown against the employees of DISCOs involved in theft of electricity. In this regard the collusion of the field staff of DISCOs cannot be ruled out. As per TOR 10 of the anti-theft campaign as defined by the Ministry of Energy, inquires and disciplinary proceedings may be initiated against the staff and officers involved in theft. To gauge the response of DISCOs towards the said crack down, analysis was carried out to ascertain the number of disciplinary cases initiated and proceedings held in LESCO and HESCO during the campaign. Statistical figures paint the following picture:

DISCIPLINARY CASES IN RESPECT OF LESCO DURING ANTI-THEFT CAMPAIGN (2023-24)

Total Cases initiated	Total Decided Cases	Pending Cases
122	106	16

DETAILS OF DECIDED CASES

Decision	No. of Cases
Exonerated	9
Censured	10
Withholding of Increment / Promotion	8
Reduction to a lower Post	15
Compulsory Retired	2
Removal, dismissal and termination from service	62
Total	106

In LESCO 122 cases were initiated out of which 106 were decided. 38 employees were removed from service while 23 were dismissed. A total of 79 cases (68.4%) were awarded major penalties.

DISCIPLINARY CASES IN RESPECT OF HESCO DURING ANTI-THEFT CAMPAIGN

Total Case Initiated	Total Decided cases	Pending Cases
49	43	6

DETAILS OF DECIDED CASES IN HESCO

Decision	No. of Cases
Exonerated	3
Censured	2
Withholding of increment/stoppage of promotion	10
Suspended	1
Reduction to a lower post	16
Compulsory retirement	5
Removal/dismissal from service	6
Total	43

In the case of HESCO 49 cases were initiated out of which 43 were decided. 3 employees were removed from service while 3 were dismissed. 5 were awarded compulsory retirement while 16 were demoted to lower scale and 10 employees were deprived of promotion.

The anti-theft campaign presented a crucial opportunity to take decisive action against culprits operating within the DISCOs. LESCO's efforts are commendable, as 68.4% of cases were resolved with the imposition of major penalties. In contrast, HESCO initiated only 49 cases, with just 55% resulting in major penalties. Despite its high line loss rate and low recovery percentage, HESCO failed to fully capitalize on the campaign's potential to hold offenders accountable and bring them to justice.

The matter was discussed during the DAC meeting held on December 26-27, 2024 at LESCO HQ wherein the management was directed to implement the outcomes of the finding.

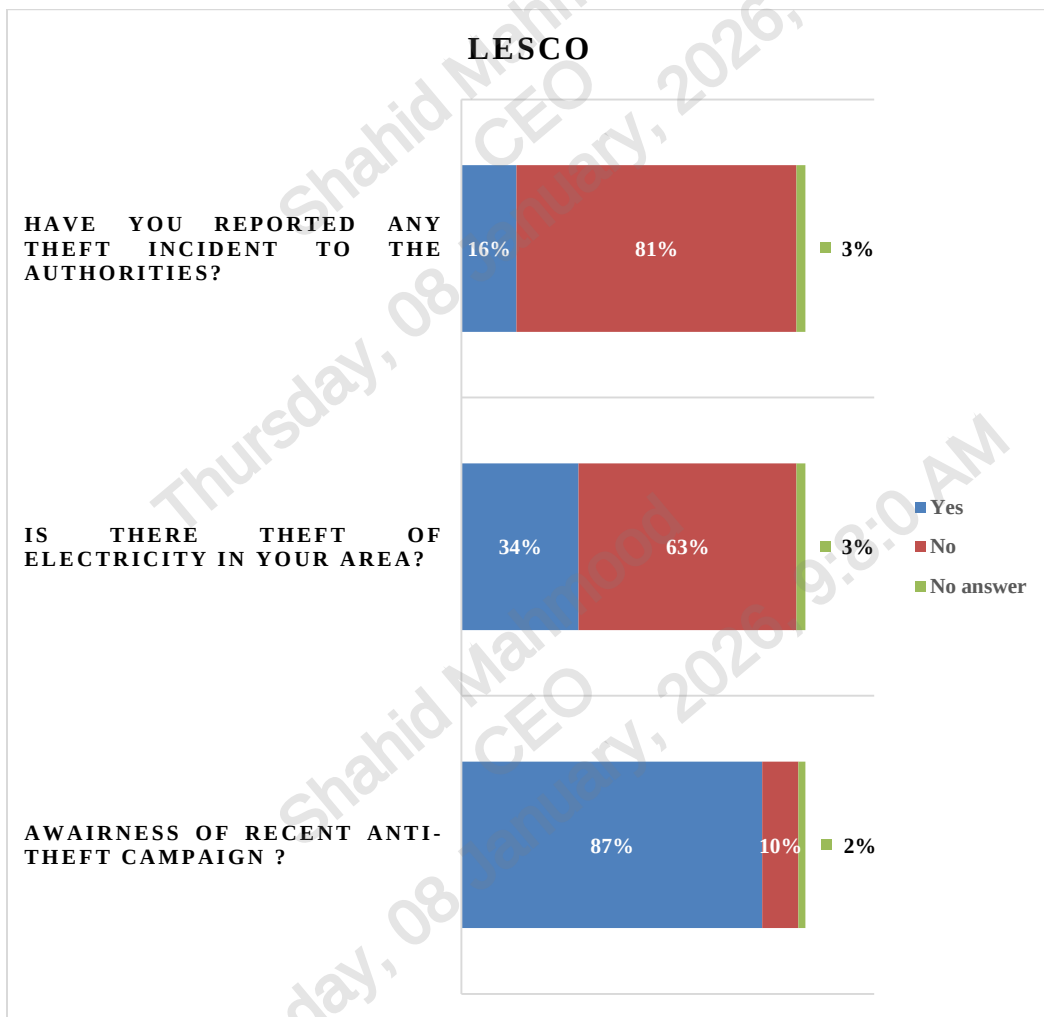
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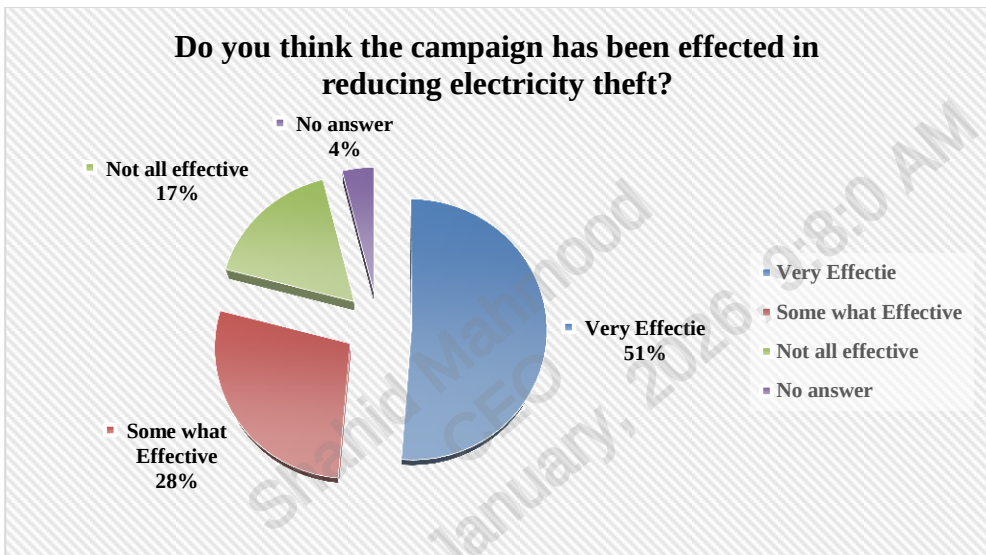
4.4.8 Public Feedback on the Effectiveness of Anti-Theft Campaign

Good governance can never be ensured without the participation of citizens. Citizen feedback is of paramount importance to ascertain whether any project or initiative has been successful in achieving its objectives or not. As per TOR-1, DISCOs launched a comprehensive public awareness campaign through print, electronic and social media to educate the public about the impact of electricity theft and non-recovery from defaulters on electricity distribution companies and the national economy. This public awareness campaign was free as per Government's instruction in public interest. A survey was conducted by

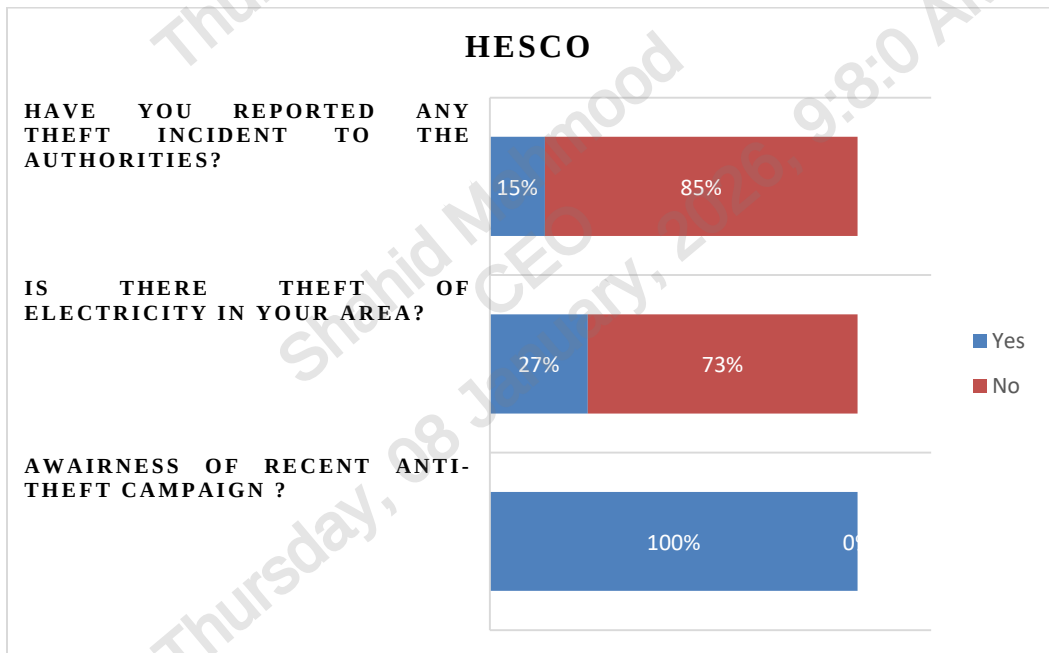
circulating feedback proforma in the circles of the selected DISCOs (LESCO and HESCO) to seek feedback of the consumers about the impact and effectiveness of the Anti-Theft campaign. The survey yields the following results:

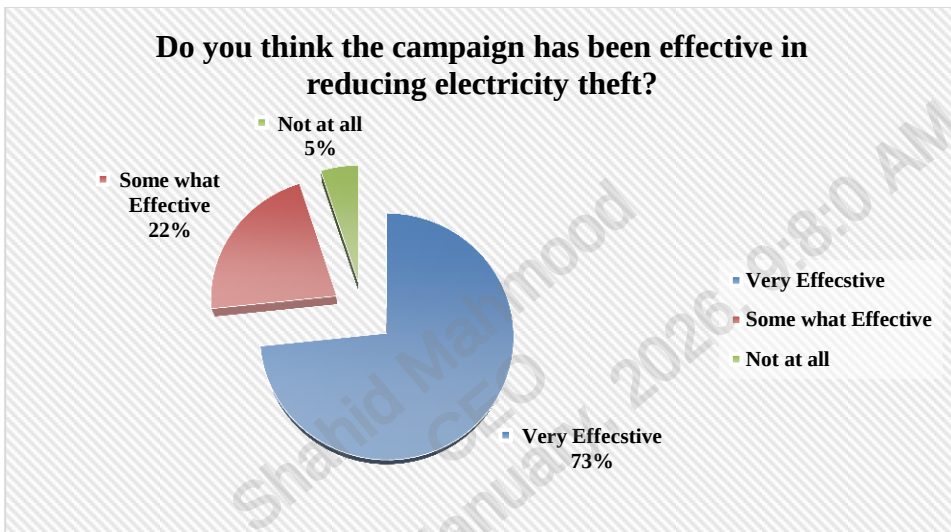
In LESCO feedback from the eight circles (Northern, Central, Eastern, Southern, Okara, Kasur and Nankana) was analyzed (**Annexure-10**). In total 382 people participated in the survey. The percentage response for LESCO is as follows:





In HESCO feedback from the four circles (Hyderabad, Laar, Nawabshah and Mirpur Khas) was analyzed (**Annexure-11**). In total 150 people participated in the survey. The percentage response for HESCO is as follows:





The above figures indicate that the public rated campaign as effective. The reason behind this could be the media campaign and the increase in FIRs lodged against the offenders. An increasing trend has been witnessed in the detection bill charged to the offenders that has helped in creating a positive image of campaign in the masses.

The matter was discussed during the DAC meeting held on December 26-27, 2024 at LESCO HQ wherein the management was directed to implement the outcomes of the finding

(Draft Para No. 1537/2024-25)

4.5 Conclusion

An analysis of the Anti-Theft campaign reveals that the campaign remained successful in registration of FIRs against electricity theft and charging of detection against it, but recovery against the detection was not appreciable in both the DISCOs. The campaign was to be targeted in the high impact areas where losses were high, but analysis showed that in both the DISCOs high loss areas were not focused in charging of detection and registration of FIRs.

When the high loss-making feeders of the two years of the selected DISCOs were analyzed, there was no considerable improvement in the reduction on this count. The analysis showed that the overall number of high loss-making

feeders even increased in high loss categories¹⁷. Recoverable amount from dead and running defaulters increased in both the DISCOs causing an increase in overall receivables. In LESCO, the regression analysis reveals that the increase in detection charged did not help in reduction in line losses as no inverse relation was observed between the two variables. However, in the case of HESCO a moderate improvement was observed in this regard. With respect to overbilling, LESCO showed positive results in curbing overbilling in the company whereas results in HESCO reflected an opposite trend. DISCOs' performance was decent enough in term of inquires against their employees involved in theft of electricity. Many employees were terminated from service in addition to imposition of major and minor penalty. Despite the above analysis, the image of the campaign in the public remained positive. Majority of people rated the campaign as effective, which showed that media has played a vital role in creating a positive image by projecting an increase in statistical data as detection charged and FIRs registered.

A comparison of the two DISCOs (LESCO and HESCO) revealed that better impact of Anti-theft campaign was observed in respect of HESCO. The campaign helped in increasing recovery against detection from 9% to 14% and reduction in high loss-making feeders of previous years to 59%. In LESCO, recovery against detection charged increased from 65% to 67% with 34% improvement in previous years' high loss-making feeders. Correlation coefficient also showed that in HESCO there was a moderate relationship between detection charged and reduction in line loss (correlation coefficient = -0.52). For LESCO correlation coefficient of 0.03 establishes no relationship between the said variables. Overbilling analysis during the campaign also revealed favorable results for LESCO where it showed a decrease of 16.87% from the previous year whereas in HESCO the trend shows an increase of 54.47% in successive year.

It is important to mention that absence of correlation between the detection charged and line losses in LESCO can be attributed to huge refund made to the consumers leading to increase in line losses. In case of HESCO although a correlation has been established and improvement has been shown yet

¹⁷ DISCOs have categorized feeders on the basis of the losses as Category – 1 (10% loss), Category -2 (20% loss), Category-3 (30% loss), Category-4 (40% loss), Category-5 (50% loss)

it is pertinent to mention that detection charged decreased by 10% than the previous year along with increase in overbilling.

4.5.1 Recommendations

To make the campaign effective, the following recommendations are given:

i. Effecting recovery against detection charged:

DISCOs should implement a robust recovery mechanism after charging the consumers with detection and lodging FIRs against them. Mere charging of detection without instituting a recovery mechanism in field is causing an increase in receivable of the companies thus affecting their financial health.

ii. Focusing on areas having high losses:

DISCOs should make efforts to concentrate the campaign in the areas that are experiencing high loss. This would help in bolstering the results of the campaign as energies would be focused on the areas where theft is on the rise.

iii. Identification and reduction of high loss feeders:

DISCOs should mark the feeders having losses and then carry out a crackdown against people involved in theft. This would help in having the targeted approach in curbing electricity theft.

iv. Extending Incentives for Compliance:

DISCOs should consider implementing incentive programs for consumers who consistently pay their bills on time. This would encourage more residents to adhere to payment schedules and reduce the overall incidence of theft.

v. Taking Strict Measures against the Culprits

During the current anti-theft campaign, it was observed that DISCOs, (LESCO and HESCO), in comparison to previous year, have taken good measures against the officials involved in facilitating theft of electricity, yet a large magnitude of theft and non-recovery necessitates robust and more committed effort to fix the culprits.

ANNEXURES

Annexure-A**MFDAC PARAS***(Rs.in million)*

Sr. No.	Company	Formation	DP No./ AIR Para No.	Subject	Rupees (in million)
1	CPPA-G	CEO CPPA-G Islamabad	136/ 2024-25	Excess expenditure incurred over Market Operation Fee Rs.287.87 million	287.87
2	CPPA-G	CEO CPPA-G Islamabad	139/ 2024-25	Non-allocated amount of subsidy amount Rs.284,983.887 million	284,983.89
3	FESCO	S.E M&T FESCO	1	Chargeable units against data retrieval reports Rs.10.37 million	10.37
4	FESCO	S.E M&T FESCO	2	Non-follow up of M&T checking reports resulted unauthentic extended load Rs.3.25 million	3.25
5	FESCO	Manager Operation Sargodha circle FESCO	4	Irregular refund of substantial amount given to running consumers on account of the segregation of electricity bills Rs.464.423 million	464.42
6	FESCO	PD (GSC) FESCO Faisalabad	4	Non-execution of deposit works Rs.1,142.332 million	1,142.33
7	FESCO	S.E M&T FESCO	4	Non-adjustment of temporary advances Rs.1.84 Million	1.84
8	FESCO	C.E PMU FESCO	5	Unjustified expenditure under 7th STG project without approval of PC-1 Rs.7790.641 million	7,790.64
9	FESCO	S.E M&T FESCO	5	Non-payment /non-adjustment of accrued liabilities to Rs.7.71 million	7.71
10	FESCO	C.E PMU FESCO	6	Unjustified expenditure under 7th STG spill over project to 8th STG without approval of PC-1 Rs.1680.166 million	1,680.17
11	FESCO	Manager Operation 1st Circle FESCO	6	Recoverable amount on account of irregular drawal of danger/job allowance Rs.1.02 million	1.02
12	FESCO	P.D (GSC) FESCO	6	Non-mutation of Grid Station land in the name of FESCO	-
13	FESCO	C.E PMU FESCO	7	Unjustified expenditure under 7th STG critical works in anticipation without approval of PC-1 Rs.1500.0	1,500.00

				million	
14	FESCO	P.D (Const.) FESCO	7	Undue favour to contractor by issuing work order of stringing of HT/LT line for L/T Proposal Rs.2.0 million	2.00
15	FESCO	PD (GSC) FESCO Faisalabad	7	Non-capitalization of grid stations, transmission lines and related works Rs.2,266.93 million	2,266.93
16	FESCO	C.E PMU FESCO	8	Irregular expenditure under 8th STG project without approval of PC-1 Rs.9209.346 million	9,209.35
17	FESCO	P.D (Const.) FESCO	8	Wasteful expenditure due to non-completion/capitalization of abandoned works Rs.869.55 million	869.55
18	FESCO	CEO FESCO	9	Non-purchasing the undelivered goods from elsewhere at risk and cost of supplier Rs.247.580 million	247.58
19	FESCO	CEO FESCO	10	Irregular purchase of papers via quotation Rs.3.975 million	3.98
20	FESCO	CEO FESCO	14	Irregular procurement of tyres on quotation in violation of PPRA rules Rs.2.580 million	2.58
21	FESCO	CEO FESCO	19	Excess credit adjustment allowed than the permissible limit by FESCO Rs.2575.276 million	2,575.28
22	FESCO	Manager Operation 1st Circle FESCO	21	Un-identified amount Rs.15.80 million	15.80
23	FESCO	Manager Operation Sargodha circle FESCO	21	Non-recovery of liquidated charges from supplier Rs.0.12 million	0.12
24	FESCO	Manager Operation Sargodha circle FESCO	22	Loss due to damage of transformers caused by an unauthorized tempering /substandard repairs from private workshops Rs.8.379 million	8.38
25	FESCO	CEO FESCO	25	Irregular payment to contractors Rs.449.874 million	449.87
26	FESCO	CEO FESCO	27	Non-adjustment of excess receipt against deposit works amounting to	77.38

				Rs.77.376 million	
27	FESCO	CEO FESCO	28	Loss due to multi credit granted to consumers Rs.4811.742 million	4,811.74
28	FESCO	CEO FESCO	30	Irregular payment of allowances and enhancement of daily allowance rates of CEO, CFO and Company Secretary Rs.23.417 million	23.42
29	FESCO	CEO FESCO	31	Non-reconciliation with collecting bank branches Rs.7.680 million	7.68
30	FESCO	Manager Operation Sargodha circle FESCO	31	Loss due to posting of bogus payment against energy charges received from consumers Rs.0.731 million	0.73
31	FESCO	CEO FESCO	32	Non-remittances of FESCO revenue by collecting bank branches Rs.181.759 million	181.76
32	FESCO	CEO FESCO	34	Loss due to non-authentic provision on account of pension Rs.13.794 million	13.79
33	FESCO	Manager Operation Sargodha circle FESCO	35	Non-finalization of inquiry /disciplinary cases of employees	-
34	FESCO	Manager Operation Sargodha circle FESCO	36	Blocked recovery of energy charges due to non-decision by CRC, RRC and court of Law Rs.126.671 million	126.67
35	FESCO	CEO FESCO	38	Loss due to non-return of healthy dismantled material to store - Rs.6.139 million	6.14
36	FESCO	CEO FESCO	49	Disputed pension claims between FESCO and NTDC and receivables of pension claims amounting to Rs.567.629 million	567.63
37	FESCO	CEO FESCO	53	Purchase of substandard AMI Meters Amounting to Rs.390.660 million	390.66
38	FESCO	Manager Op.	1064 /2024-25	Huge amount of unidentified Cash lying at Revenue Office -	9.44

		Sargodha Circle FESCO		Rs.9.44 million	
39	FESCO	Manager Op. Sargodha Circle FESCO	1065 /2024-25	Non-consumption of electrical material – Rs.253.28 million	253.28
40	FESCO	Manager Op. Sargodha Circle FESCO	1066 /2024-25	Failure to update security deposits in consumer accounts - Rs.0.52 million	0.52
41	FESCO	Manager Op. Sargodha Circle FESCO	1076 /2024-25	Non-updation of security of industrial consumers – Rs.80.27 million	80.27
42	FESCO	Manager Op. Sargodha Circle FESCO	1079 /2024-25	Revenue loss due to less charging of electricity units - Rs.1.08 million	1.08
43	FESCO	Chief Engineer (PMU) FESCO Faisalabad	1099 /2024-25	Non-allocation of 5% E & S cost in the estimates of grid stations and transmission lines – Rs.4027.14 million	4,027.14
44	FESCO	Manager Op. Sargodha Circle FESCO	1107 /2024-25	Illegal provision of electricity connections to un-electrified area	-
45	FESCO	PD (Const.) FESCO Faisalabad	277 /2024-25	Non-recovery of excess expenditure incurred on deposit works – Rs.205.66 million	205.66
46	FESCO	PD (Const.) FESCO Faisalabad	299 /2024-25	Non-refund of savings to sponsoring agencies against deposit works - Rs.31.40 million	31.40
47	FESCO	PD (GSC) FESCO Faisalabad	324 /2024-25	Non-recovery of excess expenditure of deposit works from sponsors- Rs.26.47 million	26.47

48	FESCO	PD (Const.) FESCO Faisalabad	422 /2024-25	Irregular excess charging of overhead to works Rs.16.236 million	16.24
49	FESCO	PD (GSC) FESCO Faisalabad	425 /2024-25	Non-refund of excess amount recovered against deposit works - Rs.54.05 million	54.05
50	FESCO	CEO FESCO	894 /2024-25	Loss due to provision of free electricity to un-recognized employees of other DISCOs -Rs.4.77 million	4.77
51	FESCO	CEO FESCO	898 /2024-25	Wasteful expenditure on bifurcation, trifurcation, area planning and shifting of 11 KV feeders to reduce line losses - Rs.350.286 million	350.29
52	FESCO	SE Technical Services along with M&T and TRW FESCO Faisalabad	91 /2024-25	Loss due to missing of AMI meters Rs.16.744 million	16.74
53	FESCO	SE Technical Services along with M&T and TRW FESCO Faisalabad	92 /2024-25	Non-installation/replacement of defective energy meters	-
54	FESCO	SE Technical Services along with M&T and TRW FESCO Faisalabad	95 /2024-25	Non-refund of excess charged units to consumers on account of M & T data retrieval reports Rs.136.94 million	136.94
55	FESCO	CEO FESCO	952 /2024-25	Under estimation of liabilities by not booking supplemental charges – Rs.16,254.65 million	16,254.65
56	FESCO	CEO FESCO	954 /2024-25	Non-implementation of recommendations of inquiry conducted – Rs.4.715 million	4.72

57	FESCO	CEO FESCO	958 /2024-25	Non-recovery of amount detected by Internal Audit's Audit Note – Rs.51.92 million	51.92
58	FESCO	CEO FESCO	959 /2024-25	Non-disposal of off-road vehicles worth – Rs.5.05 million	5.05
59	FESCO	SE Technical Services along with M&T and TRW FESCO Faisalabad	96 /2024-25	Unattended/unrepaired transformers of 630 KVA of approximate value Rs.6 million	6.00
60	FESCO	CEO FESCO	960 /2024-25	Loss due to non-invoking of variation clause of Purchase Order – Rs.1.54 million	1.54
61	FESCO	Manager Op. 1st Circle FESCO	970 /2024-25	Non-removal of long pending hazard points despite depositing the cost by University of Faisalabad - Rs.2.12 million	2.12
62	GENCO-I	CEO GENCO-I Jamshoro	10	Irregular award of civil works to the contractors due to deficient eligible criteria in tender documents Rs.99.316 million	99.32
63	GENCO-I	CEO GENCO-I Jamshoro	22	Non-recovery of house rent from allotted accommodation employees Rs.0.846 million	0.85
64	GENCO-I	CEO GENCO-I Jamshoro	23	Non-recovery /adjustment of advances issued to employees and suppliers Rs.7.926 million	7.93
65	GENCO-I	CEO GENCO-I Jamshoro	24	Non-deduction of 13 % service Tax against invoices of legal fee Rs.4.209 million	4.21
66	GENCO-I	CEO GENCO-I Jamshoro	26	Irregular award of contract for hiring services of security Rs.36.314 million	36.31
67	GENCO-I	CEO GENCO-I Jamshoro	28	unjustified drawl /consumption of POL without determination /ceiling of vehicles of coal Power Plant Project Jamshoro Rs.12.217 million	12.22
68	GENCO-I	CEO GENCO-I Jamshoro	30	Non-settlement of account balances with GENCOs & DISCOS Rs.185.193 million	185.19

69	GENCO-I	CEO GENCO-I Jamshoro	31	Unjustified investment of funds without open competitive process Rs.2500 million	2,500.00
70	GENCO-I	CEO GENCO-I Jamshoro	37	Mis-procurement of electrical and mechanical material from manufacturer /supplier without calling pre-qualification bidder in tender documents Rs.28.793 million	28.79
71	GENCO-I	CEO GENCO-I JPCL Jamshoro	1310 /2024-25	Undue favor given to supplier by extending delivery period of purchase order Rs.1.51 million	1.51
72	GENCO-I	CEO GENCO-I Jamshoro	1320 /2024-25	Irregular payments made to the contractors on account of civil works Rs.36.228 million	36.23
73	GENCO-I	CEO GENCO-I ADB Loan No.3090-PK	1468 /2024-25	Non-preparation of reconciliation statement with EAD - Rs.2,663.32 million equivalent to US \$9.43 million	2,663.32
74	GENCO-I	CEO GENCO-I ADB Loan No.3092-PK	1469 /2024-25	Non-preparation of reconciliation statement with EAD - Rs.333.41 million equivalent to US \$1.16 million	333.41
75	GENCO-I	CEO GENCO-I ADB Loan No.3090-PK	1470 /2024-25	Loss on account of commitment charges on un-utilized balance of ADB Loan No.3090-PK amounting to US\$ 3.201 million equivalent to Rs.890.97 million	890.97
76	GENCO-I	CEO GENCO-I ADB Loan No.3092-PK	1471 /2024-25	Loss on account of commitment charges/interest on un-utilized balance of ADB Loan No.3092 PK amounting to US\$ 0.162 million equivalent to Rs.45.09 million	45.09
77	GENCO-I	CEO GENCO-I ADB Loan No.3090-PK	1472 /2024-25	Unusual delay in completion of project despite payments made to EPC Contractor - Rs.122,699.60 million	122,699.60
78	GENCO-I	CEO GENCO-I ADB Loan No.3090-PK	1473 /2024-25	Irregular grant of EOTs to EPC Contractor without approval of PAO and DDWP	-
79	GENCO-I	CEO GENCO-I	1474 /2024-25	Non-obtaining insurance coverage from the consultant for contract	-

		ADB Loan No.3092-PK		agreement of ADB Loan No.3092	
80	GENCO-III	CEO GENCO-III along with PD-425 MW Nandipur	101 /2024-25	Non-receipt of material against different purchase orders - Rs.1,377.65 million	1,377.65
81	GENCO-III	CEO GENCO-III along with PD-425 MW Nandipur	112 /2024-25	Non-recovery of healthy material issued to O& M contractor - Rs.93.48 million	93.48
82	GENCO-III	CEO GENCO-III along with PD-425 MW Nandipur	116 /2024-25	Wasteful expenditure on civil works of defunct Power Project - Rs.1,494 million	1,494.00
83	GEPCO	C.E PMU & P.D GSC GEPCO	1	Non-adjustment of advances given to CRRK/supplier Rs.8.43 million	8.43
84	GEPCO	CE (PMU) GEPCO/PD (GSC) GEPCO Gujranwala	2	Non-recovery of inspection fees from supplier Rs.0.502 million	0.50
85	GEPCO	C.E PMU & P.D GSC GEPCO	5	Irregular award of contract without approval of next higher authority Rs.108,49.53 million	10,849.53
86	GEPCO	P.D (Const.) GEPCO	5	Blockage of funds due to non-completion/capitalization of electrification works - Rs.426.551 million	426.55
87	GEPCO	CEO GEPCO	6	Loss due to imposition of penalties by NEPRA Rs.10.0 million	10.00
88	GEPCO	P.D (Const.) GEPCO	6	Non-capitalization of competed electrification works-Rs.465.532	465.53
89	GEPCO	P.D (Const.) GEPCO	7	Non-adjustment of retention money Rs.1.797 million	1.80
90	GEPCO	C.E PMU & P.D GSC GEPCO	9	Blockage of funds due to unnecessary purchase of store electrical material Rs.51.72 million	51.72

91	GEPCO	P.D (Const.) GEPCO	10	Non-disposal of off road vehicles Rs.1.2 Million	1.20
92	GEPCO	CE (PMU) GEPCO/PD (GSC) GEPCO Gujranwala	12	Non-recovery of liquidated damages charges from the contractors Rs.2.95 million	2.95
93	GEPCO	Manager Operation City Circle GEPCO	12	Revenue loss due to abnormal line losses on feeders Rs.331.226 million	331.23
94	GEPCO	P.D (Const.) GEPCO	13	Non-submission of PC-IV proforma of capitalized schemes Rs.27.465 million	27.47
95	GEPCO	CEO GEPCO	14	Understatement of account payable due to non-reconciliation with CPPA-G - Rs.3.645 million	3.65
96	GEPCO	Manager Operation City Circle GEPCO	14	loss due to non-recovery of supply charges against temporary connection Rs.1.541 million	1.54
97	GEPCO	P.D (Const.) GEPCO	14	Non-utilization of funds under SDGs amounting to Rs.4.055 million	4.06
98	GEPCO	Manager Operation City Circle GEPCO	16	Loss due to non-installation of ToU meters against connections having sanctioned load above 5 KW Rs.3.237 million	3.24
99	GEPCO	C.E PMU & P.D GSC GEPCO	18	Non-mutation of Grid Station land in the name of GEPCO	-
100	GEPCO	CEO GEPCO	19	Non-receipt back of electrical material given on loan basis to DISCOs Rs.130.102 million	130.10
101	GEPCO	CE (PMU) GEPCO/PD (GSC) GEPCO Gujranwala	20	Inordinate delay in completion of transmission line work Rs.1,666.41 million	1,666.41
102	GEPCO	CEO GEPCO	34	Overbilling to the Government consumers Rs.982.69 million	982.69
103	GEPCO	CEO GEPCO	37	Non-mutation of land Rs.71.30 million	71.30

104	GEPCO	CEO GEPCO	46	Loss due to delay in completion/energization of 11 kv feeder Rs.4.92 million	4.92
105	GEPCO	CEO GEPCO	48	Non-clearance/adjustment of long outstanding balances of withholding tax and assets Rs.154.16 million	154.15
106	GEPCO	CEO GEPCO	49	Non-recovery/adjustments huge tax refunds due from Govt. Rs.19654.33 million	19,654.33
107	GEPCO	CEO GEPCO	55	Non-forfeiture of bid security and blacklisting of supplier Rs.0.85 million	0.85
108	GEPCO	CEO GEPCO	56	Blockage of revenue due to litigation cases & deferment of amounts by different courts of law Rs.4929.056 million	4,929.06
109	GEPCO	CEO GEPCO	58	Difference in balance of security deposits in books of accounts Rs.524 million	524.00
110	GEPCO	CEO GEPCO	63	Irregular revision of estimate civil works Rs.4.61million	4.61
111	GEPCO	CEO GEPCO	65	Undue favour to consumers by utilizing mono motors on domestic connections	-
112	GEPCO	CEO GEPCO	66	Unjustified adjustment in CP-104 pointed out by internal Audit Rs.203.617 million	203.62
113	GEPCO	CEO GEPCO	67	BOARD's failure to meet annual performance targets	-
114	GEPCO	Regional Manager M&T and TRW GEPCO, Gujranwala	153 /2024-25	Non-recovery of new energy meter cost due to non-replacement of defective meters Rs.55.67 million	55.67
115	GEPCO	Regional Manager M&T and TRW GEPCO, Gujranwala	154 /2024-25	Non-pursuance of chargeable/adjustable energy units against data retrieval reports - Rs.16.37 million	16.37
116	GEPCO	Manager (Op) Cantt.	191 /2024-25	Revenue loss due to abnormal line losses on feeders Rs.501.70 million	501.70

		Circle GEPCO			
117	GEPCO	Manager (Op) Cantt. Circle GEPCO	195 /2024-25	Non-recovery of GST from industrial consumer Rs.11.708 million	11.71
118	GEPCO	Manager (Op) Cantt. Circle GEPCO	197 /2024-25	Staggeringly abnormal refund of units to consumers due to systemic practice of wrong reading Rs.1,400.72 million	1,400.72
119	GEPCO	Manager (Op) Cantt. Circle GEPCO	198 /2024-25	Loss due to non-recovery of energy charges from unregistered (888) consumers Rs.13.64 million	13.64
120	GEPCO	Manager (Op) Cantt. Circle GEPCO	199 /2024-25	Undue generation of revenue through over billing Rs.158.41 million	158.41
121	GEPCO	Manager (Op) Cantt. Circle GEPCO	200 /2024-25	Non-recovery of penalties imposed against employees and non-recovery of energy charges of court cases decides in favour of GEPCO Rs.12.22 million	12.22
122	GEPCO	Manager (Op) Cantt. Circle GEPCO	201 /2024-25	Non-disposal of off-road vehicles Rs.5.09 million	5.09
123	GEPCO	Manager (Op) Cantt. Circle GEPCO	202 /2024-25	Non-adjustment of security deposits against the arrears of P-DISC consumers Rs.4.64 million	4.64
124	GEPCO	Manager (Op) Cantt. Circle GEPCO	205 /2024-25	Energy losses on independent feeders beyond permissible limit - Rs.132.33 million	132.33
125	GEPCO	PD (Const.) GEPCO	326 /2024-25	Non-regularization of surplus material installed in excess of drawl – Rs.1.03 million	1.03
126	GEPCO	PD (Const.) GEPCO	340 /2024-25	Irregular excessive charging of overheads to capitalized works - Rs.75.63 million	75.63

127	GEPCO	PD (Const.) GEPCO	415 /2024-25	Misappropriation of material - Rs.3.28 million	3.28
128	GEPCO	PAR on BODs of DISCOs (FESCO, GEPCO & LESCO)	418 /2024-25	Loss due to abnormal increase in aggregate technical & commercial (AT&C) losses	-
129	GEPCO	PAR on BODs of DISCOs (FESCO, GEPCO & LESCO)	421 /2024-25	A) Non-utilization of ERP budget and non-finalization of ERP system Rs.297 million B) Non-formulation of IT policies of GEPCO MIS/ERP department	297.00
130	GEPCO	CE (PMU) GEPCO/PD (GSC) GEPCO Gujranwala	433 /2024-25	Non-recovery of Liquidated Damages charges from the Suppliers - Rs.1.40 million	1.40
131	GEPCO	Manager (Op) City Circle GEPCO	495 /2024-25	Over and above adjustment on account of unidentified cash - Rs.70.15 million	70.15
132	GEPCO	CEO GEPCO	698 /2024-25	Undue favour to contractor due to non-forfeiture of bid security and non-debarment / black listing of firm – Rs.0.60 million	0.60
133	GEPCO	CEO GEPCO	700 /2024-25	Wasteful expenditure due to incorrect/incomplete feeder bifurcation - Rs.38.95 million	38.95
134	GEPCO	CEO GEPCO	702 /2024-25	Inordinate delay in clearance of Receipt against Deposit Work - Rs.8,350.66 million	8,350.66
135	GEPCO	CEO GEPCO	801 /2024-25	Excess units charged to the consumers due to wrong reading - Rs.40.230 million	40.23
136	GEPCO	CEO GEPCO	884 /2024-25	Illegal occupation of GEPCO land of grid station – Rs.8.90 million	8.90
137	GEPCO	CEO GEPCO	906 /2024-25	Wasteful expenditure due to incorrect/incomplete feeder bifurcation - Rs.13.40 million	13.40

138	GEPCO	CEO GEPCO	907 /2024-25	Non-replacement of digital meters drawn allocated for replacement with mechanical meters– Rs.690.22 million	690.22
139	GEPCO	CE (PMU) GEPCO/PD (GSC) GEPCO Gujranwala	910 /2024-25	Non-recovery of outstanding payment against deposit work- Rs.801.331 million	801.33
140	GEPCO	CEO GEPCO	937 /2024-25	Irregular excessive contract charges of recovered from consumer - Rs.11.30 million	11.30
141	GEPCO	CEO GEPCO	938 /2024-25	Non-supply of electrical material by supplier – Rs.3.63 million	3.63
142	GEPCO	CEO GEPCO	939 /2024-25	Non-recovery of receivables from employees on account of shortage material - Rs.120.960 million	120.96
143	HESCO	PD (GSC) HESCO, Hyderabad	1	Irregular award of contracts in violation of Letter of Acceptance Rs.154.584 million	154.58
144	HESCO	Manger Operation 1st Circle HESCO	10	Non-recovery from consumers on account of pending court decision in favour of DISCOs - Rs.627.77 million	627.77
145	HESCO	CE (PMU) HESCO Hyderabad	12	Unjustified procurement of electrical material Rs.667.174 million	667.17
146	HESCO	Manger Operation 1st Circle HESCO	14	Huge differences in collection and remittances in Revenue Offices Rs.4905.735 million	4,905.74
147	HESCO	CEO HESCO	16	Non-maintenance /transfer of rehabilitation charges and grid station charges in separate bank account Rs.114.141 million	114.14
148	HESCO	CEO HESCO	24	Loss due to award of contract at higher rate in violation of PPRA Clarification Rs.34.338 million	34.34
149	HESCO	CEO HESCO	39	Deferment of Core agendas in Board meetings	-
150	HESCO	CEO HESCO	40	Un-justified expenditure of POL on various vehicles from HESCO to Mirpur Khas circle Rs.4.16 million	4.16

151	HESCO	CEO HESCO	43	unauthentic expenditure Rs.5409.786 million	5,409.79
152	HESCO	CEO HESCO	76	Non-clearance of advances amounting to Rs.12.341 million	12.34
153	HESCO	CEO HESCO	84	Non-refund /adjustment of advance income tax Rs.27.169 million	27.17
154	HESCO	CEO HESCO	87	less recover of Grid sharing cost and cost of land proportionate from industrial consumers Rs.7.521 million	7.52
155	HESCO	CEO HESCO	91	Recurring loss due to non-execution of civil works Rs.10.267 million	10.27
156	HESCO	CEO HESCO	94	Unauthentic expenditure Rs.782.952 million	782.59
157	HESCO	CEO HESCO	96	Unjustified scrapping/cancellation of tender - Rs.169.23 million	169.23
158	HESCO	CEO HESCO	97	Non-verification of degrees from HEC	-
159	HESCO	CEO HESCO	99	Non-utilization of funds on civil works Budget Rs.1387.255 million	1,387.26
160	HESCO	PD (GSC) HESCO, Hyderabad	289 /2024-25	Non-deduction of income tax on rental income – Rs.0.79 million	0.79
161	HESCO	PD (GSC) HESCO, Hyderabad	291 /2024-25	Non-accountal / consumption of T&P and electrical material – Rs.268.89 million	268.89
162	HESCO	PD (Const.) HESCO Hyderabad	329 /2024-25	Non-achievement of envisaged benefits due to delay in execution of works – Rs.19.313 million	19.31
163	HESCO	PD (Const.) HESCO Hyderabad	360 /2024-25	Recoverable amount from sponsors of deposit works worth Rs.51.21 million	51.21
164	HESCO	PD (Const.) HESCO Hyderabad	367 /2024-25	Irregular execution of electrification works under SDGs Program - Rs.42.38 million	42.38
165	HESCO	PD (Const.) HESCO Hyderabad	459 /2024-25	Non-adjustment of Sindh Sales Tax with SBR due to non-submission of SST Returns by contractors – Rs.4.42 million	4.42
166	HESCO	CE (PMU) HESCO Hyderabad	462 /2024-25	Non-recovery of cost of material provided to other DISCOs – Rs.190.818 million	190.82

167	HESCO	Manager (Op.) 1st Circle HESCO Hyderabad	464 /2024-25	Non-accountal / Non-Consumption of electrical material- Rs.840.29 million	840.29
168	HESCO	Regional Manager M&T & TRW HESCO Hyderabad	659 /2024-25	Unjustified expenditure of Rs.573.79 million on repair of transformers from private workshops due to non-completion of TRW, HESCO	573.79
169	HESCO	CEO HESCO	1305 /2024-25	Non-saving of energy units due to delay in execution of HT works – Rs.163.92 million	163.92
170	HESCO	CEO HESCO	1349 /2024-25	Loss due to non-recovery of 8% installation charges from net metering consumers - Rs.1.04 million	1.04
171	HESCO	CEO HESCO	1358 /2024-25	Non-saving of energy units due to delay in execution of LT works – Rs.58.43 million	58.43
172	HESCO	CEO HESCO	1359 /2024-25	Non-submission of original call deposit receipts/performance securities with the work order files Rs.3.14 million	3.14
173	HESCO	CEO HESCO	1366 /2024-25	Loss due to delayed procurement of 11 KV insulators Pins for steel cross – Rs.4.53 million	4.53
174	HESCO	CEO HESCO	1369 /2024-25	Non-updation of security amounts in consumer account / profile with arrear- Rs.153.09 million	153.09
175	HESCO	CEO HESCO	1370 /2024-25	Non-recovery of 5% E & S cost from B-III connections– Rs.26.56 million	26.56
176	HESCO	CEO HESCO	1381 /2024-25	Undue favour given to consumers through credit adjustments – Rs.3.08 million	3.08
177	HESCO	CEO HESCO	1382 /2024-25	Theft of AMI L.T. ToU meters from Sub-Division store due to slackness of staff – Rs.1.69 million	1.69
178	HESCO	CEO HESCO	1383 /2024-25	Non-recovery of penalties imposed against various officials - Rs.1.56 million	1.56
179	HESCO	CEO HESCO	1408 /2024-25	Loss due to theft of electricity of disconnected consumers (running at	8.30

				site – Rs.8.30 million	
180	HESCO	CEO HESCO	1434 /2024-25	Less recovery of capital cost from sponsor of housing society due to assessment of ultimate load on rural basis instead of urban – Rs.2.36 million	2.36
181	HESCO	CE (PMU) HESCO WB Loan-9318-PK	1454 /2024-25	Non-utilization of funds withdrawn from IBRD Loan-9318 PK amounting to Rs.89.90 million equivalents to US\$ 0.323 million	89.90
182	HESCO	CE (PMU) HESCO WB Loan-9318-PK	1463 /2024-25	Loss due to levy of commitment charges on un-utilized balance of World Bank Loan 9318-PK – Rs.74.30 million	74.30
183	HESCO	CE (PMU) HESCO WB Loan-9318-PK	1464 /2024-25	Inordinate delay in hiring of consultant for World Bank loan No.9318-PK	-
184	HESCO	CEO HESCO	1499 /2024-25	Loss due to procurement of 11 KV pin insulators due to splitting of quantity - Rs.6.17 million	6.17
185	HESCO	CEO HESCO	1500 /2024-25	Illegal installation of connections in housing colony and non-recovery of arrears from consumers – Rs.5.09 million	5.09
186	IESCO	Manger operation Jhelum Circle IESCO	7	Inefficient management of 11 KV feeders by Sub division offices (SDO) and line superintendent (LS) resulted in loss of Rs.1049.064 Million	1,049.06
187	IESCO	PD (GSC) IESCO, Islamabad	8	Non-completion of 7th STGs (G/stations/Transmission Lines/Line Bays) – Rs.3,145.278 million	3,145.28
188	IESCO	Manger operation Jhelum Circle IESCO	11	Non-replacement of damaged capacitors at 11 KV feeders Rs.115.800 million	115.80
189	IESCO	CEO IESCO	26	Irregular framing of estimates with inclusion of CDA charges in HT works Rs.13.696 million	13.70

190	IESCO	CEO IESCO	32	Irregular acceptance of delivery of material items without conformity of sample test results Rs.308.440 million	308.44
191	IESCO	Manager Op. Jhelum Circle IESCO	34	Non-return of dismantled material of permanently disconnected tube-wells connections-Rs.1.02 million	1.02
192	IESCO	Manger operation Jhelum Circle IESCO	36	Recoverable amount on account of outstanding balance of advances Rs.1.0 million	1.00
193	IESCO	Manger operation Jhelum Circle IESCO	38	Loss due to non-recovery of healthy transformer and reclaimed transformer Rs.0.840 million	0.84
194	IESCO	Manger operation Jhelum Circle IESCO	39	Unauthorized installation of electricity connection without recovering cost of transformer and non-installation of LT Poles Rs.0.895 million	0.90
195	IESCO	CEO IESCO	46	Non-transferred grid sharing cost in separate bank account Rs.1934.67 million	1,934.67
196	IESCO	CEO IESCO	49	Non-finalization of Key Performance Indicators (KPIs) of IESCO	-
197	IESCO	CEO IESCO	52	Non-renewal of expired performance guarantee of consultancy agreement Rs.6.385 million	-
198	IESCO	CEO IESCO	67	Non-retirement of replaced CP-90 /sluggish meters in assets account.	-
199	IESCO	CEO IESCO	73	Non-deduction of 15 % Tax on services of Consultant Rs.0.168 million	0.17
200	IESCO	CEO IESCO	74	Un-cleared balances from bank despite collection of cash through digitalization 1 link Rs.2058.371 million	2,058.37

201	IESCO	Manager Operation Circle IESCO, Islamabad	21 /2024-24	Non-transfer/non-remittance of grid sharing charges Rs.11.55 million	11.55
202	IESCO	Manager Operation Circle IESCO, Islamabad	23 /2024-25	Non-updation of security amounts in consumer account/profile - Rs.16.78 million	16.78
203	IESCO	Manager (Op) Cantt. Circle IESCO	75 /2024-25	Non-removal of transformers installed at premises of permanent disconnected consumers Rs.1.81 million	1.81
204	IESCO	Manager (Op) Cantt. Circle IESCO	88 /2024-25	Non-recovery/non-updation of security amounts in consumer account/profile Rs.5.78 million	5.78
205	IESCO	Manager (Op) Cantt. Circle IESCO	89 /2024-25	Non-recovery of arrears from Cantt. Board Chaklala Rs.1,473.41 million	1,473.41
206	IESCO	P.D. (Const.) IESCO	250 /2024-25	Less recovery of cost of deposit works from sponsors - Rs.1.01 million	1.01
207	IESCO	CE (PMU) IESCO Islamabad	304 /2024-25	Non-disposal of damaged /unserviceable material – Rs.128.642 million	128.64
208	IESCO	CE (PMU) IESCO Islamabad	305 /2024-25	Loss due to non-receipt of material issued on loan basis - Rs.19.239 million	19.24
209	IESCO	CE (PMU) IESCO Islamabad	306 /2024-25	Blockage of funds due to unnecessary purchase of stores / electrical material Rs.694.855 million	694.86
210	IESCO	PD (GSC) IESCO, Islamabad	309 /2024-25	Non-mutation of grid station land in the name of IESCO - Rs.52.03 million	52.03
211	IESCO	PD (GSC) IESCO, Islamabad	424 /2024-25	Non-recovery of outstanding amount from Civil Aviation Authority – Rs.64.00 million	64.00
212	IESCO	Manager Op. Jhelum Circle	604 /2024-25	Bogus collection reported in CP-48 by Revenue Office Gujar Khan – Rs.6.65 million	

		IESCO			
213	IESCO	Manager Op. Jhelum Circle IESCO	606 /2024-25	Non-accountal / non-consumption of electrical material – Rs.1,866.10 million	1,866.10
214	IESCO	Manager Op. Jhelum Circle IESCO	618 /2024-25	Non-replacement/maintenance of distribution transformer running on 2-phase-Rs.2.31 million	2.31
215	IESCO	Manager Op. Jhelum Circle IESCO	623 /2024-25	Loss to national exchequer due to non-charging/recovery of Retail Sales Tax from commercial consumers Rs.0.22 million	0.22
216	IESCO	Manager Op. Jhelum Circle IESCO	637 /2024-25	Un-known whereabouts of trolley transformers – Rs.9.07 million	9.07
217	IESCO	Manager Op. Jhelum Circle IESCO	639 /2024-25	Non-recovery of security amounts in consumer account/profile-Rs.99.14 million	99.14
218	IESCO	CEO IESCO	978 /2024-25	Loss to national exchequer due to non-charging/recovery of Retail Sales Tax from commercial consumers A-2C(6) Rs.2.395 million	2.40
219	IESCO	CEO IESCO	980 /2024-25	No mechanism for charging/recovery of markup against extended due dates of energy bills from consumers Rs.97.42 million	97.42
220	IESCO	CEO IESCO	996 /2024-25	Non-updation of security amounts in consumer account/profile - Rs.15.08 million	15.08
221	IESCO	CEO IESCO	1010 /2024-25	Non-transferring of adjusted security deposit of dead defaulters to revenue account Rs.89.72 million	89.72
222	IESCO	CEO IESCO	1014 /2024-25	Irregular excess charging and recovery of 1.5% vetting charges on External electrification deposit works-Rs.5.168 million	5.17

223	IESCO	CEO IESCO	1036 /2024-25	Irregular booking of disallowed Supplemental Charges in Financial Statement in violation of NEPRA's directions -Rs.21,160.88 million	21,160.88
224	IESCO	CEO IESCO	1038 /2024-25	Loss of revenue due to long electricity outages on feeders - Rs.107.25 million	107.25
225	IESCO	CEO IESCO	1042 /2024-25	Non-recovery of capital cost from deposit work consumers Rs.5,202.54 million	5,202.54
226	IESCO	CEO IESCO	1043 /2024-25	Irregular payments made to the contractors on account of civil works – Rs.577.94 million	577.94
227	IESCO	Manager Op. Jhelum Circle IESCO	1054 /2024-25	Less recovery of installation charges - Rs.1.12 million	1.12
228	IESCO	CE (PMU) IESCO ADB Loan LN-3329- PAK	1420 /2024-25	Non-clearance of ADB loan liabilities in the shape of interest charges-Rs.9.140 million	9.14
229	IESCO	CE (PMU) IESCO ADB Loan LN-3328- PAK	1455 /2024-25	Loss on account of commitment charges on un-utilized amount of Loan amounting to US\$ 0.153 million equivalent to Rs.42.59 million	42.59
230	IESCO	CE (PMU) IESCO ADB Loan LN-3329- PAK	1456 /2024-25	Un-satisfactory Utilization of loan-US\$ 1.627 million equivalent to Rs.452.86	452.86
231	IESCO	CE (PMU) IESCO ADB Loan LN-3328- PAK	1457 /2024-25	Un-satisfactory Utilization of loan US\$ 102.213 million equivalent to Rs.28,450.09 million	28,450.09
232	LESCO	Chief Engineer (PMU) LESCO Lahore	1	Irregular procurement of power transformers through repeat order Rs.27.14 million	27.14

233	LESCO	Regional manager M&T EAST LESCO	1	Non-conformation of recovery Rs.2157.470 million against theft /stealing of energy	2,157.47
234	LESCO	CEO LESCO	3	Unjustified Billing to feeders with zero consumers Rs.90.246 million	90.25
235	LESCO	Chief Engineer (PMU) LESCO Lahore	3	Irregular capitalization of works without preparation of A- 90s/completion reports and asset account Rs.1,019.033 million	1,019.03
236	LESCO	Regional manager M&T EAST LESCO	3	Non-recovery of Rs.151.620 million from MDI /general consumers.	151.62
237	LESCO	C.E PMU LESCO	5	Non-completion of works Rs.1689.239 million	1,689.24
238	LESCO	Manager Operation southern circle LESCO	5	Inordinate delay in recovery of outstanding dues from consumers Rs.40.436 million	40.44
239	LESCO	Regional manager M&T EAST LESCO	5	Non-pursuance of chargeable/adjustable amount of Rs.188.135 million against Data retrieval report of TOD/TOU meters	188.14
240	LESCO	PD (Const.) LESCO Lahore	6	Irregular revision of estimates of works without vetting from consultant M/s BARQAB & M/s En- Mass Rs.61.2 million	61.20
241	LESCO	Chief Engineer (PMU) LESCO Lahore	7	Irregular issuance of purchase order without vetting Technical Data/Drawings from TS Department LESCO Rs.34.338 million	34.34
242	LESCO	P.D (GSC) LESCO	7	Non-disposal of off-road vehicles Rs.3.90 million	3.90
243	LESCO	C.E PMU LESCO	9	Irregular procurement of electrical material from single pre-qualified bidder through splitting of quantity into lots and price matching Rs.609.23 million	609.23

244	LESCO	C.E PMU LESCO	10	Non-payment of loan timely and its reconciliation with donor Agency Rs.9310.507 million	9,310.51
245	LESCO	C.E PMU LESCO	12	Non-auction of unserviceable /dismantled material Rs.185.960 million	185.96
246	LESCO	C.E PMU LESCO	13	Blockage of funds due to non-utilization of material & procurement of dead stock Rs.25.812 million	25.81
247	LESCO	Manager GSO LESCO	13	Non-recovery of loss due to damage of power cables by private contractor Rs.0.71 million	0.71
248	LESCO	C.E PMU LESCO	14	Non-recovery/adjustment of receivables and advances Rs.15.056 million	15.06
249	LESCO	Manager Op. Northern Circle LESCO	14	Loss of revenue due to receipt of units on feeders showing zero consumers Rs.14.27 million	14.27
250	LESCO	C.E PMU LESCO	17	Non-finalization of disciplinary cases Rs.23.778 million	23.78
251	LESCO	Manager Operation Central Circle LESCO	17	Non-finalization of inquiry/disciplinary cases of employees	-
252	LESCO	P.D (GSC) LESCO	17	Non-regularization of expenditure incurred on break down in Chuni Grid Station Rs.110.880 million	110.88
253	LESCO	C.E PMU LESCO	18	Non-issuance and utilization of dead /slow moving material Rs.7.702 million	7.70
254	LESCO	Manager operation Central Circle LESCO	18	Loss of Rs.22.50 million due to non-removal of sick feeders	22.50
255	LESCO	Manager operation Central Circle LESCO	19	Non-capitalization of consumer's self-purchased transformer in books of accounts of LESCO Rs.5.396 million	5.40

256	LESCO	Manger Operation Northern circle LESCO	21	Non-settlement of long outstanding Unidentified cash Rs.51.319 million	51.32
257	LESCO	CEO LESCO	22	Lack of healthy competition and potential collusive practice for procurement of electrical material Rs.3499.4 million	3,499.40
258	LESCO	Manger Operation Northern circle LESCO	25	Non-recovery from consumers on account of pending court cases Rs.446.366 million	446.37
259	LESCO	Manager Op. Northern Circle LESCO	26	Non-capitalization of civil work/foundation charges into book of accounts Rs.1.415 million	1.42
260	LESCO	Manger Operation Northern circle LESCO	27	Non-adjustment of security deposit against arrears of P-Disc Consumers Rs.5.166 million	5.17
261	LESCO	CEO LESCO	28	Non-initiation of departmental action against the contractor/supplier due to poor performance and delayed supply of material valuing Rs.117.22 million	117.22
262	LESCO	Manger Operation Northern circle LESCO	28	Unjustified payment to pension related to other companies/DISCOs Rs.41.990 million	41.99
263	LESCO	CEO LESCO	31	Loss due to return Damaged transformers with zero value to store instead of healthy transformers Rs.8.468 million	8.47
264	LESCO	CEO LESCO	43	Non-execution of civil works due to poor planning amounting to Rs.52.524 million	52.52
265	LESCO	CEO LESCO	50	Huge refund of units due to wrong assessment of detection charged to consumers Rs.51.666 million	51.67

266	LESCO	CEO LESCO	53	Unjustified scrapping of tender Rs.15.57 million	15.57
267	LESCO	CEO LESCO	60	Non-return of surplus material Rs.8.855 million	8.86
268	LESCO	CEO LESCO	63	Undue favour to the contractors due to non-renewal of performance guarantees Rs.28.963 million	28.96
269	LESCO	CEO LESCO	65	Recoverable amount due to non- clearance of outstanding amount on account of official mobile sims Rs.15.156 million	1.16
270	LESCO	CEO LESCO	67	Non-removal of electrical equipment and non-recovery of arrears Rs.25.360 million	25.36
271	LESCO	Manager Op. Sheikhupura Circle, LESCO	03 /2024-25	Revenue loss due to abnormal line losses on feeders - Rs.7,832.38 million	7,832.38
272	LESCO	Manager Op. Sheikhupura Circle, LESCO	06 /2024-25	Energy losses on independent feeders beyond permissible limit - Rs.128.49 million	128.49
273	LESCO	Manager Op. Sheikhupura Circle, LESCO	07 /2024-25	Loss due to misuse of tariff by the industrial consumers – Rs.17.42 million	17.42
274	LESCO	Manager Op. Sheikhupura Circle, LESCO	08 /2024-25	Non-charging of Retail Sales Tax to commercial consumers – Rs.5.948 million	5.95
275	LESCO	Manager Op. Sheikhupura Circle, LESCO	09 /2024-25	Irregular charging of 12% departmental charges on consumer's self-purchased transformers – Rs.7.39 million	7.39
276	LESCO	Manager Op. Sheikhupura Circle,	35 /2024-25	Staggeringly abnormal refund of units due to systemic practice of wrong reading/detection charged to consumers - Rs.847.05 million	847.05

		LESCO			
277	LESCO	Manager Op. Sheikhpura Circle, LESCO	36/ 2024-25	Unjustified refund to consumers on account of segregation of electricity bills – Rs.291.607 million	291.61
278	LESCO	Manager Op. Sheikhpura Circle, LESCO	39 /2024-25	Non-transfer of adjusted security deposit of dead defaulters to revenue account -Rs.57.740 million	57.74
279	LESCO	Manager Op. Sheikhpura Circle, LESCO	40 /2024-25	Non-utilization / dismantling of redundant independent feeder – Rs.4.05 million	4.05
280	LESCO	Manager Op. Sheikhpura Circle, LESCO	42 /2024-25	Un-accounted foundation and Boring charges received from consumer and un-authentic installation of earthing rods and wires Rs.4.75 million	4.75
281	LESCO	Manager Op. Sheikhpura Circle, LESCO	44 /2024-25	Undue generation of revenue through over billing -Rs.176.12 million	176.12
282	LESCO	Manager Op. Sheikhpura Circle, LESCO	46 /2024-25	Non-updation of security amounts in consumer account/profile - Rs.1.54 million	1.54
283	LESCO	Manager Op. Sheikhpura Circle, LESCO	47 /2024-25	Loss due to non-existence of mechanism for charging /recovery of markup on extension in due dates of energy bills Rs.96.96 million	96.96
284	LESCO	Manager Op. Sheikhpura Circle, LESCO	48 /2024-25	Loss due to non-recovery of profit and retained funds from Banks – Rs.3.64 million	3.64

285	LESCO	Manager (GSO) LESCO, Lahore	144 /2024-25	Loss due to heavy Auxiliary consumption of units- Rs.32.19 million.	32.19
286	LESCO	Manager (GSO) LESCO, Lahore	145 /2024-25	Non-installation of capacitor at the Power Transformers–Rs.9.08 million.	9.08
287	LESCO	Manager (GSO) LESCO, Lahore	146 /2024-25	Non-utilization / non-dismantlement of redundant feeder Rs.324.00 million	324.00
288	LESCO	Manager (GSO) LESCO, Lahore	148 /2024-25	Non-charging of pension contribution fund to the consumer' grid stations Rs.2.61 million	2.61
289	LESCO	Manager (Op.) Southern Circle LESCO	355 /2024-25	Non-updating/recovery of security deposit from active running consumers -Rs.14.88 million	14.88
290	LESCO	PD (GSC) LESCO Lahore	397 /2024-25	Non-recovery of testing fee from consumers - Rs.1.05 million	1.05
291	LESCO	PD (GSC) LESCO Lahore	398 /2024-25	Less recovery of capital cost from sponsors of deposit works - Rs.55.53 million	55.53
292	LESCO	PD (GSC) LESCO Lahore	410 /2024-25	Non-remittance of surplus funds to FD main account Rs.39.37 million	39.37
293	LESCO	Manager (Op.) Central Circle LESCO	478 /2024-25	Non-accountal/non-consumption of electrical material of Ichhra Sub Division – Rs.47.03 million	47.03
294	LESCO	Chief Engineer (PMU) LESCO Lahore	835 /2024-25	Non-mutation of Grid Station lands in the name of LESCO – Rs.593.00 million	593.00
295	LESCO	PD (Const.) LESCO Lahore	841 /2024-25	Non-installation of material drawn against Job orders- Rs.341.54 million	341.54

296	LESCO	CEO LESCO	857 /2024-25	Non-charging of 5% E&S cost from B-III and B-IV connections– Rs.22.99 million	22.99
297	LESCO	CEO LESCO	864 /2024-25	Non-execution of HT works – Rs.291.57million	291.57
298	LESCO	CEO LESCO	873 /2024-25	Non-saving of energy units due to delay in execution of LT works – Rs.61.13 million	61.13
299	LESCO	CEO LESCO	876 /2024-25	Non-recovery of penalties imposed to various officials amounting to Rs.1.734 million	1.73
300	LESCO	CEO LESCO	880 /2024-25	Recoverable amount due to misuse of POL and repair of vehicle parked at site for 6 months - Rs.1.952 million	1.95
301	LESCO	CEO LESCO	881 /2024-25	Un-justified consumption of material amounting - Rs.133.78 million	133.78
302	LESCO	CEO LESCO	917 /2024-25	Loss due to road accident of vehicles estimated amounting to Rs.6.00 million	6.00
303	LESCO	Manager GSO LESCO	919 /2024-25	Non-acceptance of WEPS insurance claims -Rs.3.22 million	3.22
304	LESCO	Manager GSO LESCO	925 /2024-25	Non-recovery of O&M charges and pay & allowances of staff posted at private grid stations -Rs.37.82 million	37.82
305	LESCO	Manager GSO LESCO	926 /2024-25	Loss due to non-receipt of accessories of power transformer from HEC – Rs.7.30 million	7.30
306	LESCO	Manager GSO LESCO	927 /2024-25	Non-receipt of Power Transformer given on loan basis to GEPCO -Rs.40 million	40.00
307	LESCO	Manager GSO LESCO	928 /2024-25	Non-mutation of land of 132KV Grid Stations	-
308	LESCO	CEO LESCO	941 /2024-25	Non-utilization of material valuing Rs.78.81 million	78.81
309	LESCO	Manager Op. Northern Circle LESCO	1002 /2024-25	Less recovery of capital cost, installation and foundation charges - Rs.6.46	6.46

310	LESCO	Regional Manager (M&T) WEST LESCO Lahore	1005 /2024-25	Non-clearance/refund of unspent amount of capital cost- Rs.39.34 million	39.34
311	LESCO	Manager (Op.) Southern Circle LESCO	1007 /2024-25	Non-reconciliation of disputed billing against Government consumer – Rs.89.98 million	89.98
312	LESCO	Manager (Op.) Northern Circle LESCO	1058 /2024-25	Irregular approval of works estimate resulted in undue favour to consumer for avoiding transformers and service cost – Rs.8.04 million	8.04
313	LESCO	Regional Manager (M&T) WEST LESCO Lahore	1060 /2024-25	Non-refund of credit units to consumers -Rs.6.41 million	6.41
314	LESCO	Chief Engineer (PMU) LESCO Lahore	1093 /2024-25	Non-recovery of cost of material provided to other DISCOs – Rs.17.55 million	17.55
315	LESCO	PD (Const.) LESCO Lahore	1095 /2024-25	Non-recovery of excess expenditure incurred on deposit work - Rs.2.12 million	2.12
316	LESCO	PD (Const.) LESCO Lahore	1096 /2024-25	Loss due to cost overrun on delayed project - Rs.8.85 million	8.85
317	MEPCO	Regional Manager M&T-II MEPCO	2	Loss due to non-recovery of fixed charges from consumers due to wrong application of tariff Rs.7.967 million	7.97
318	MEPCO	Regional Manager M&T-II MEPCO	3	Non-conformation of recovery pointed out units against MDI and general connections and data retrieval reports by M&T - Rs.31.53 million	31.53
319	MEPCO	Manager (Op.) DG	9	Non-clearance of deferred amount Rs.327.61 million	327.61

		Khan Circle MEPCO			
320	MEPCO	Manger Operation Multan Circle MEPCO	13	Loss of revenue due to long duration electrical interruptions on feeders Rs.82.175 million	82.18
321	MEPCO	Manger Operation Multan Circle MEPCO	14	Mis stated assets due to non- retirement of replaced sluggish meters Rs.179.958 million	179.96
322	MEPCO	CE (PMU) / PD (GSC) MEPCO, Multan	16	Non-supply of balance by the contractor Rs.10.108 million	10.11
323	MEPCO	Manger Operation Multan Circle MEPCO	17	Non-capitalization of consumer's self-purchased transformer in books of accounts of LESCO Rs.61.96 million	61.96
324	MEPCO	Manager (Op.) DG Khan Circle MEPCO	24	Non-transferring of adjusted security deposit of dead defaulters to revenue account Rs.1.50 million	1.50
325	MEPCO	Manger Operation Multan Circle MEPCO	24	Non-mechanism for charging /recovery of markup against extended due date of energy bills from consumers Rs.2.76 million	2.76
326	MEPCO	CEO MEPCO Along with TRW MEPCO	26	Irregular sanction of extension of load without clearing of arrear Rs.44.043 million	44.04
327	MEPCO	Manger Operation Multan Circle MEPCO	30	Non-maintenance/transfer of rehabilitation charges in separate bank account Rs.1.033 million	1.03
328	MEPCO	Manger Operation Multan	31	Un accounted contract charges i.e. foundation charges received from consumers Rs.1.111 million.	1.11

		Circle MEPCO			
329	MEPCO	Manager (Op.) Multan Circle MEPCO Multan	33	Unjustified credited balances of un-registered (888) consumers Rs.0.555 million	0.56
330	MEPCO	CEO MEPCO Along with TRW MEPCO	38	Non-recovery due to non-realization of Audit Notes to consumers Rs.724.352 million	724.35
331	MEPCO	CEO MEPCO	45	Undue favour to the supplier due to non-invoking of risk & cost clause of purchase order – Rs.323.025 million	323.03
332	MEPCO	CEO MEPCO Along with TRW MEPCO	47	Loss due to non-recovery against material issued to other DISCOs Rs.138.0	138.00
333	MEPCO	CEO MEPCO Along with TRW MEPCO	57	Irregular award of purchase order due to late submission of performance guarantee Rs.25.794 million	25.79
334	MEPCO	CEO MEPCO Along with TRW MEPCO	61	Unjustified (litigation) expenditure on HR Related matters due to non-resolution at grass-root level Rs.3.69 million	3.69
335	MEPCO	Manager (GSO) MEPCO, Multan	17 /2024-25	Non-disposal of off-road vehicle - Rs.0.350 million	0.35
336	MEPCO	Manager (GSO) MEPCO, Multan	70 /2024-25	Loss due to procurement of sub-standard material Rs.7.27 million	7.27
337	MEPCO	Manager Op. Khanewal Circle	155 /2024-25	Undue favour extended to the commercial and industrial consumers on account of non-regularization of unauthorized extension of load –	11.44

		MEPCO		Rs.11.44 million	
338	MEPCO	Manager Op. Khanewal Circle MEPCO	156 /2024-25	Irregular charging of foundation charges to consumers– Rs.24.78 million	24.78
339	MEPCO	Manager Op. Khanewal Circle MEPCO	157 /2024-25	Non-Replacement of different capacities transformers running on 2-Phase – Rs.54.25 million	54.25
340	MEPCO	Manager Op. Khanewal Circle MEPCO	158 /2024-25	Energy losses on independent feeders beyond permissible limit – Rs.52.914 million	52.91
341	MEPCO	Manager Op. Khanewal Circle MEPCO	161 /2024-25	Loss due to theft of material amounting to – Rs.18.02 million	18.02
342	MEPCO	Manager Op. Khanewal Circle MEPCO	167 /2024-25	Non-disposal of off-road D-Loaders/ Rickshaws - Rs.2.2 million	2.20
343	MEPCO	CE (PMU) / PD (GSC) MEPCO, Multan	266 /2024-25	Non-recovery of capital cost from M/s Nishtar Medical University Multan Rs.452 million	452.00
344	MEPCO	CE (PMU) / PD (GSC) MEPCO, Multan	268 /2024-25	Non-utilization of material drawn against allocation No. PMU230170 amounting to Rs.11.673 million	11.67
345	MEPCO	CE (PMU) / PD (GSC) MEPCO, Multan	269 /2024-25	Non-accountal / non-consumption of electrical material – Rs.1,581.50 million	1,581.50
346	MEPCO	CE (PMU) / PD (GSC) MEPCO,	271 /2024-25	Non-vetting of estimates by the consultant (third party) - Rs.3,477.73 million	3,477.73

		Multan			
347	MEPCO	CE (PMU) / PD (GSC) MEPCO, Multan	273 /2024-25	Non-recovery of 5% E&S cost – Rs.174.28 million	174.28
348	MEPCO	CE (PMU) / PD (GSC) MEPCO, Multan	274 /2024-25	Non-disposal of off-road vehicles	-
349	MEPCO	PD (Const.) MEPCO, Multan	282 /2024-25	Non-recovery of excess expenditure from the sponsor of deposit works - Rs.2.84 million	2.84
350	MEPCO	PD (Const.) MEPCO, Multan	285 /2024-25	Non-disposal of off-road vehicles - Rs.6.50 million	6.50
351	MEPCO	PD (Const.) MEPCO, Multan	315 /2024-25	Inordinate delay in execution of 11kV Feeder caused time & cost overrun - Rs.19.58 million	19.58
352	MEPCO	Manager (Op) Bahawalpur Circle MEPCO	335 /2024-25	Non-replacement/maintenance of distribution transformer running on 2- phase –Rs.37.18 million	37.18
353	MEPCO	Manager (Op) Bahwalnagar Circle MEPCO	375 /2024-25	Non-disposal of off-road Vehicles amounting to Rs.2.00 million	2.00
354	MEPCO	Manager (Op.) DG Khan Circle MEPCO	485 /2024-25	Non-accountal/non-consumption of electrical material – Rs.26.99 million	26.99
355	MEPCO	Manager (Op) Bahawalpur Circle MEPCO	518 /2024-25	Loss to the Company due to non- recovery of FPA on units lost more than the target allowed by NEPRA - Rs.463.27 million	463.27
356	MEPCO	Manager (Op.) Multan Circle MEPCO	544 /2024-25	Non-updating of security amounts in consumer account/profile - Rs.6.51 million	6.51

		Multan			
357	MEPCO	Regional Manager M&T-I MEPCO Multan	564 /2024-25	Non-issuance of data retrieval results against removed meters due to non-availability of updated PITC data of consumers Rs.35.45 million	35.45
358	MEPCO	Manager (Op) Bahawalpur Circle MEPCO	576 /2024-25	Non-updation of security deposits against active consumers - Rs.224.21 million	224.21
359	MEPCO	Manager (Op.) Multan Circle MEPCO Multan	580 /2024-25	Non-transferring of adjusted security deposit of dead defaulters to revenue account Rs.61.43 million	61.43
360	MEPCO	Manager (Op) Bahawalpur Circle MEPCO	645 /2024-25	Withdrawal of material without allocation orders due to flaws in SAP module of material -Rs.49.08 million	49.08
361	MEPCO	CEO MEPCO	717 /2024-25	Excessive charging of vetting charges to consumers of electrification Schemes - Rs.4.624 million	4.62
362	MEPCO	CEO MEPCO	718 /2024-25	Non-replacement of different capacities transformers running on 2-Phase - Rs.1,726.41 million	1,726.41
363	MEPCO	CEO MEPCO	722 /2024-25	Loss due to expiry of defect liability period of un-utilized transformers – Rs.1.14 million	1.14
364	MEPCO	CEO MEPCO	724 /2024-25	Unjustified billing to feeders with Zero Consumers -Rs.308.07 million	308.07
365	MEPCO	CEO MEPCO	725 /2024-25	Non-recovery of 5% E&S cost from private housing societies and industrial consumers Rs.23.85 million	23.85
366	MEPCO	CEO MEPCO	726 /2024-25	Non-recovery/ debiting of agreed Audit Notes to consumers - Rs.358.52 million	358.52

367	MEPCO	CEO MEPCO	731 /2024-25	Irregular approval of connections of B-3 and housing societies without obtaining NOC from Environmental Protection Agency (EPA) - Rs.477.07 million	477.07
368	MEPCO	CEO MEPCO	746 /2024-25	Excess expenditure against pending POL liability pertaining to FY-2022-23 – Rs.3.37 million	3.37
369	MEPCO	CEO MEPCO	752 /2024-25	Wasteful expenditure incurred on ELR works – Rs.7.46 million	7.46
370	MEPCO	CEO MEPCO	756 /2024-25	Unjustified issuance of revised demand notice for capital cost to the consumer- Rs.10.26 million	10.26
371	MEPCO	CEO MEPCO	759 /2024-25	Non-disposal of off-road vehicles	-
372	MEPCO	Manager (Op) Bahawalpur Circle MEPCO	791 /2024-25	Non-transfer of adjusted security of dead defaulters to CPPA-G Rs.318.15 million	318.15
373	MEPCO	CEO MEPCO	803 /2024-25	Irregular procurement due to rate negotiations and procurement through lots - Rs.251.13 million	251.13
374	MEPCO	CEO MEPCO	804 /2024-25	Irregular amount invested beyond prescribed limit of 75% against available Long Term Security Deposits – Rs.3,596 million	3,596.00
375	MEPCO	CE (PMU) MEPCO IBRD Loan- 9318-PK	1449 /2024-25	Loss on account of commitment charges due to un-utilized balance of IBRD Loan 9318-PK Rs.39.52 million equivalent to US\$ 0.142 million	39.52
376	MEPCO	CE (PMU) MEPCO IBRD Loan- 9318-PK	1461 /2024-25	Un-satisfactory utilization of loan US\$ 57.069 million equivalent to Rs.15,884.65	15,884.65
377	MEPCO	CE (PMU) MEPCO IBRD Loan- 9318-PK	1462 /2024-25	Non-supply of insulated bucket mounted trucks by the contractor amounting to Rs.147.519 million	147.52
378	MoE	MoE Power Division, Islamabad	221 /2024-25	Irregular appointment of Chief Executive Officer GEPCO	-

379	MoE	MoE Power Division, Islamabad	224 /2024-25	Non-payment of lease/ rental charges by SEPCO against railway land – Rs.71.82 million	71.82
380	MoE	MoE Power Division, Islamabad	229 /2024-25	Less deduction of income tax due to non-inclusion of house acquisition emoluments in annual taxable income– Rs.2.24 million	2.24
381	MoE	MoE Power Division, Islamabad	235 /2024-25	Non-rectification of discrepancies w.r.t. minutes of BoD HESCO meetings pointed out by Power Division	-
382	MoE	MoE Power Division, Islamabad	237 /2024-25	Non-implementation of decision taken in Annual General Meeting of LESCO regarding sharing of data of official posted in procurement department for last five years with agencies for investigation	-
383	MoE	MoE Power Division, Islamabad IBRD Loan-9318-PK	1475 /2024-25	Loss on account of commitment charges on un-utilized balance of IBRD Loan No.9318 PK amounting to Rs.22.23 million	22.23
384	MoE	MoE Power Division, Islamabad IBRD Loan-9318-PK	1481 /2024-25	Non-utilization of funds withdrawn from IBRD Loan-9318 PK amounting to Rs.39.410 million	39.41
385	MoE	MoE Power Division, Islamabad IBRD Loan-9318-PK	1483 /2024-25	Non-deduction of 16% Sales Tax on Services (Consultants' Payments) – Rs.7.46 million	7.46
386	NEECA	M.D NEECA, Islamabad	9	Non-preparation of Target energy efficiency (E) programs for sectors covered under the NEECA Act 2016	-
387	NEPRA	Chairman NEPRA Islamabad	119 /2024-25	Non-determination of tariff by NEPRA even after achieving commercial operation date (COD) by IPPs	-
388	NEPRA	Chairman NEPRA Islamabad	123 /2024-25	Irregular grant of interest free house building advance (HBA) to employees without approved policy from finance division Rs.829.57	829.57

				million	
389	NEPRA	Chairman NEPRA Islamabad	128 /2024-25	Non-recovery of fine imposed on licensees of power sector Rs.678 million	678.00
390	NEPRA	Chairman NEPRA Islamabad	131 /2024-25	Undue appointment of advisors for execution of regular / routine nature of works Rs.11.04 million	11.04
391	NEPRA	Chairman NEPRA Islamabad	132 /2024-25	Recoverable amount on account of misuse of vehicle for private purposes Rs.1.30 million	1.30
392	NEPRA	Chairman NEPRA Islamabad	133 /2024-25	Non-recovery of NEPRA fees from Power Sector Entities Rs.185.66 million	185.66
393	NEPRA	Chairman NEPRA Islamabad	134 /2024-25	Non-verification of degrees/experience certificates/antecedents from the relevant institutions	-
394	NTDC	MD NTDCL	4	Irregular expenditure out of slow-moving stock Rs.371.05 million	371.05
395	NTDC	MD NTDCL	8	Irregular grant of monetary benefits without concurrence of Finance division Rs.20.11 million	20.11
396	NTDC	MD NTDCL	11	Irregular regularization of Tax department staff Rs.25.88 million	25.88
397	NTDC	CE MP&M NTDC	13	Irregular procurement to consultant Rs.2.144 million	2.14
398	NTDC	MD NTDCL	13	Blockage of funds due to irrational budget planning Rs.3699.94 million	3,699.94
399	NTDC	MD NTDCL	14	Irregular expenditure over and above from approved budget Rs.11.78 million	11.78
400	NTDC	MD NTDCL	16	Exoneration of personnel without implementation of inquiry report recommendation	-
401	NTDC	MD NTDCL	17	Irregular grant of house rent to spouses working in NTDC Rs.0.97 million	0.97
402	NTDC	CE MP&M NTDC	23	Non-preparation of annual procurement plan	-
403	NTDC	MD NTDCL	24	Unjustified enhancement of fuel limits Rs.1.0 million	1.00

404	NTDC	CE MP&M NTDC	26	Non-accountal of surplus material lying in warehouse Rs.1.951 million	1.95
405	NTDC	MD NTDC	26	Non-finalization of Internal audit observations Rs.12141.58 million	12,141.58
406	NTDC	CE MP&M NTDC	33	Non-recovery/adjustment of TA advance Rs.48.85 million	48.85
407	NTDC	MD NTDC Lahore	687 /2024-25	Loss of revenue due to T&T losses beyond NEPRA's targets - Rs.26.48 million	26.48
408	NTDC	MD NTDC Lahore	690 /2024-25	Misuse of vehicles upon attachment with Ministry of Energy on account of POL - Rs.12.33 million	12.33
409	NTDC	CE (MP&M) Lahore ADB Loan NO.3577- PAK	1440 /2024-25	Un-satisfactory utilization of loan - US\$ 61.09 million equivalent to Rs.17,003.86 million	17,003.86
410	NTDC	CE EHV-I Lahore JICA Loan No. PK-P-58	1441 /2024-25	Less/under-utilization of loan – JPY 568.921 million	984.12
411	NTDC	CE (MP&M) Lahore ADB Loan NO.3677- PAK	1442 /2024-25	Un-satisfactory utilization of loan - US\$ 115.06 million equivalent to Rs.32,025.94 million	32,025.94
412	NTDC	CE (MP&M) Lahore AFD Loan No.CPK- 1065	1443 /2024-25	Un-satisfactory utilization of loan - EURO 179.00 million	53,285.79
413	NTDC	CE (MP&M) Lahore IBRD Loan No.8814- PAK	1444 /2024-25	Un-satisfactory utilization of loan - US\$ 288.00 million equivalent to Rs.80,162.27 million	80,162.27

414	NTDC	CE (MP&M) Lahore ADB Grant No.0578- PAK	1445 /2024-25	Un-satisfactory utilization of Grant - US\$ 3.83 million equivalent to Rs.1,066.05 million	1,066.05
415	NTDC	CE (MP&M) Lahore ADB Loan No.4271	1446 /2024-25	Un-satisfactory utilization of loan- US\$ 182.593 million equivalent to Rs.50,823.15 million	50,823.15
416	NTDC	CE (MP&M) Lahore ADB Loan No.3420-PK	1447 /2024-25	Un-satisfactory utilization of loan of US\$ 4.18 million equivalent to Rs.1,163.47 million	1,163.47
417	NTDC	CE (MP&M) Lahore ADB Loan No.3419-PK	1448 /2024-25	Un-satisfactory utilization of loan - US\$ 8.12 million equivalent to Rs.2,260.13 million	2,260.13
418	NTDC	CE/PD CASA-1000 CASA Loan No.PK-IDA- 6432	1450 /2024-25	Non-depositing of withheld amount of Income Tax & Provisional Sales Tax - Rs.72.44 million	72.44
419	NTDC	CE/PD EHV-I Islamabad JICA Loan No. PK-65	1451 /2024-25	Unjustified performance of the project management towards utilization of loan amount - Rs.4,314.49 million	4,327.37
420	NTDC	CE/PD Dasu Project IBRD Loan No.9076-PK	1452 /2024-25	Non-adjustment of funds transferred to Land Acquisition Collector - Rs.556.898 million	556.90
421	NTDC	CE/PD Dasu Project IBRD Loan No.9076-PK	1477 /2024-25	Loss on account of commitment charges on un-utilized balance of Loan No. IBRD-9076 - Rs.418.90 million	418.90
422	NTDC	CE (MP&M) Lahore ADB Loan	1478 /2024-25	Un-satisfactory utilization of loan- US\$ 230.94 million equivalent to Rs.64,280.12 million	64,280.12

		No.4383-PAK			
423	NTDC	CE (MP&M) Lahore ADB Loan NO.3677-PAK	1479 /2024-25	Non-capitalization of completed works – US\$ 11.91 million equivalent to Rs.3,334.80 million	3,334.80
424	NTDC	CE (MP&M) Lahore IBRD Loan No.8814-PAK	1480 /2024-25	In-ordinate delay by Employer in processing the payment invoices of the contractor	-
425	NTDC	CE/PD CASA-1000 CASA Loan No.PK-0155	1485 /2024-25	Non-revision of PC-I & non-arrangement of additional funds to meet future liabilities – Rs.7,856.241 million	7,856.24
426	NTDC	CE/PD CASA-1000 CASA Loan No.5409	1486 /2024-25	Less disbursement of amount of loan to the contractor due to expiry of Letter of Credit – Rs.12,145 million	12,145.00
427	NTDC	CE/PD CASA-1000 CASA Loan No.5409	1487 /2024-25	Non-adjustment of funds transferred to Land Acquisition Collector – Rs.1,114 million	1,114.00
428	NTDC	CE EHV-I Lahore JICA Loan No. PK-P-58	1488 /2024-25	Loss on account of commitment/interest charges on un-utilized balance of Loan PK-P-58 Rs.155.870 million equivalents to US\$ 0.56 million	155.87
429	NTDC	CE (MP&M) Lahore ADB Loan NO.3577-PAK	1489 /2024-25	Loss on account of commitment/Interest charges on un-utilized balance of ADB Loan 3577-PAK- Rs.25.27 million.	25.27
430	NTDC	CE (MP&M) Lahore ADB Loan NO.3677-	1490 /2024-25	Loss on account of commitment/interest charges on un-utilized balance of ADB Loan 3677-PAK Rs.47.21 million	47.21

		PAK			
431	NTDC	CE (MP&M) Lahore IBRD Loan No.8814- PAK	1491 /2024-25	Loss on account of commitment/interest charges on un- utilized balance of IBRD Loan 8814- PAK-US\$ 0.72 million equivalent to Rs.200.41 million	200.41
432	NTDC	CE (MP&M) Lahore ADB Loan No.4383- PAK	1492 /2024-25	Loss on account of commitment/interest charges on un- utilized balance of ADB Loan 4383- PAK US\$ 0.346 million equivalent to Rs.96.31 million	96.31
433	NTDC	CE (MP&M) Lahore ADB Loan No.4271	1493 /2024-25	Loss on account of commitment/interest charges on un- utilized balance of ADB Loan 4271- PAK-US\$ 0.27 million equivalent to Rs.75.15 million	75.15
434	NTDC	CE (MP&M) Lahore ADB Loan No.3419-PK	1494 /2024-25	Loss on account of commitment/interest charges on un- utilized balance of ADB Loan 3419- PAK US\$ 0.012 million equivalent to Rs.3.34 million	3.34
435	NTDC	CE/PD Dasu Project IBRD Loan No.9076-PK	1495 /2024-25	Non-recovery of Telecom Related Services from the Contractor – Rs.4.919 million	4.92
436	NTDC	CE EHV-I Lahore JICA Loan No. PK-P-58	1496 /2024-25	Non-Clearance of Punch List even after issuance of Completion Certificate – Rs.7.022 million	7.02
437	NTDC	C.E. MP&M, Lahore	1507 /2024-25	Loss due to non-award of contract within bid validity period – Rs.2.42 million	2.42
438	NTDC	CE MP&M NTDC	1511 /2024-25	Loss due to damage of material during shifting at NTDC Warehouse Gatti, Faisalabad – Rs.19.99 million	19.99
439	NTDC	CE MP&M NTDC	1514 /2024-25	Non-payment of crops compensation by contractor – Rs.17.27 million	17.27
440	NTDC	C.E. MP&M, Lahore	1520 /2024-25	Recoverable amount from contractor against excess payment of borrow fill material for earth work – Rs.7.33 million	7.33

441	NTDC	C.E. MP&M, Lahore	1521 /2024-25	Non-encashment of performance guarantee and non-black listing of supplier for failure to deliver material – Rs.2.55 million	2.55
442	NTDC	CE MP&M Lahore	1525 /2024-25	Violation of PPRA directions due to non-implementation of E-Pak Acquisition and Disposal System (e-PADS)	-
443	NTDC	CE MP&M NTDC	1528 /2024-25	Less recovery of liquidated damages from consultant – Rs.0.94 million	0.94
444	NTDC	CE MP&M NTDC	1530 /2024-25	Loss due to non-award of contract within extended bid validity period – 352.18 million	352.18
445	PESCO	PD (GSC) PESCO Peshawar	5	Non-completion of capital works Rs.5,558.392 million	5,558.39
446	PESCO	CE (PMU) PESCO, Peshawar	6	Flawed evaluation process of tender caused delays in time and increased costs in the procurement of materials Rs.31.807 million	31.81
447	PESCO	PD (GSC) PESCO Peshawar	7	Irregular booking of cost of vehicles in GSC accounts Rs.109.339 million	109.34
448	PESCO	Regional Manager (M&T) PESCO Peshawar	7	Non-return of 662,044 damaged/burnt/outdated meters to store	-
449	PESCO	CE (PMU) PESCO, Peshawar	13	Irregular issuance of purchase orders due to non-obtaining performance guarantees conforming delivery period of material Rs.27.505 million	27.51
450	PESCO	Manager (Op.) Peshawar Circle PESCO	21	Loss due to damage of distribution transformers Rs.41.700 million	41.70
451	PESCO	Manager (Op.) Peshawar Circle PESCO	22	Non-capitalization of HT/LT hazard and consumer's self-purchased transformer into books of account Rs.141.231 million	141.23

452	PESCO	CEO PESCO	24	Non-maintenance/transferred of rehabilitation charges grid sharing charges in separate bank account Rs.84.48 million	84.48
453	PESCO	CEO PESCO	40	Undue favour to supplier by reducing percentage of performance security than stipulated in bidding documents	591.12
454	PESCO	CEO PESCO	44	Non-replacement of transformers damaged under warranty period Rs.20.07 million	20.07
455	PESCO	CE (PMU) PESCO, Peshawar	251 /2024-25	Loss on account of commitment charges on un-utilized balance of IBRD Loan - Rs.113.43 million	113.43
456	PESCO	CE (PMU) PESCO, Peshawar	253 /2024-25	Non-utilization of funds withdrawn from IBRD Loan - Rs.266.02 million	266.02
457	PESCO	CE (PMU) PESCO, Peshawar	254 /2024-25	Non-recovery of LD charges from supplier - Rs.2.16 million	2.16
458	PESCO	PD (Const.) PESCO Peshawar	338 /2024-25	Non-recovery of excess expenditure incurred on deposit works - Rs.7.13 million	7.13
459	PESCO	Manager (Op.) Peshawar Circle PESCO	488 /2024-25	Non-recovery of hiring of electric poles for the deployment of cable -net of PESCO area Rs.10.41 million	10.41
460	PESCO	Manager (Op.) Peshawar Circle PESCO	559 /2024-25	Irregular charging of overheads to consumers – Rs.7.954 million	7.95
461	PESCO	PD (Const.) PESCO Peshawar	584 /2024-25	Abnormal delay in completion of works due to right of way issues - Rs.558.45 million	558.45
462	PESCO	Manager (Op.) Swabi Circle PESCO	585 /2024-25	Loss due to non-recovery /updatation of security amount from industrial consumers – Rs.13.141 million	13.14
463	PESCO	Regional Manager (M&T)	593 /2024-25	Irregular payment of Pay & Allowances against un-sanctioned posts – Rs.52.85 million	52.85

		PESCO Peshawar			
464	PESCO	PD (GSC) PESCO Peshawar	595 /2024-25	Less recovery of capital cost from the sponsors Rs.33.98 million	33.98
465	PESCO	PD (GSC) PESCO Peshawar	644 /2024-25	Undue retention of deposit receipts due to non-execution of deposit works Rs.1,926.75 million	1,926.75
466	PESCO	PD (GSC) PESCO Peshawar	663 /2024-25	Non-mutation of Grid Station lands in the name of PESCO - Rs.195.00 million	195.01
467	PESCO	Manager (Op.) Swabi Circle PESCO	668 /2024-25	Non-regularization of drawn/returned reclaimed/damaged transformers – Rs.18.39 million	18.39
468	PESCO	CEO PESCO	1225 /2024-25	Irregular retention of adjusted security deposits of dead defaulters -- Rs.105.50 million	105.50
469	PESCO	CEO PESCO	1227 /2024-25	Non-recognition of Supplemental Charges in Financial Statement– Rs.51,224.14 million	51,224.14
470	PESCO	CEO PESCO	1228 /2024-25	Wasteful expenditure due to non-finalization of longstanding pending asset valuation report–Rs.2.69 million	2.69
471	PESCO	CEO PESCO	1249 /2024-25	Irregular expenditure on advertisement – Rs.7.08 million	7.08
472	PESCO	CEO PESCO	1254 /2024-25	Irregular charging of overheads beyond permissible limit – Rs.219.52 million	219.52
473	PESCO	CEO PESCO	1263 /2024-25	Loss to public exchequer due to non-recovery of Retailer Sales Tax – Rs.5.91 million	5.91
474	PESCO	CEO PESCO	1265 /2024-25	Non-recovery from consumers as pointed out in agreed audit notes – Rs.5,507.45 million	5,507.45
475	PESCO	CEO PESCO	1266 /2024-25	Non-refund/adjustment of excess amount against temporary connections –Rs.6.22 million	6.22
476	PESCO	CEO PESCO	1273 /2024-25	Irregular deduction of Federal Excise Duty (FED) by United Bank Limited – Rs.4.76 million	4.76

477	PESCO	CEO PESCO	1275 /2024-25	Non-recovery of losses from Testing Agency due to default in fulfillment of contractual obligations – Rs.5.08 million	5.08
478	PESCO	CEO PESCO	1276 /2024-25	Irregular reconciliation of energy dues collections by non-adjustment through CP 102-A	-
479	PESCO	CEO PESCO	1277 /2024-25	Loss due to non-invoking of Variation Clause of Purchase Orders – Rs.23.32 million	23.32
480	PESCO	CEO PESCO	1282 /2024-25	Non-recovery/ adjustment of advances to suppliers – Rs.179.12 million	179.12
481	PESCO	CEO PESCO	1283 /2024-25	Irregular payment made to contractors without obtaining sales tax invoices Rs.703.61 million	703.61
482	PESCO	CEO PESCO	1285 /2024-25	Energization of bifurcated 11 KV HT feeders without installation of HT Capacitors – Rs.2.10 million	2.10
483	PESCO	CEO PESCO	1286 /2024-25	Non-saving of energy units by reducing line losses due to delay in execution of HT / LT works – Rs.8,124.46 million	8,124.46
484	PESCO	CEO PESCO	1287 /2024-25	Non-recovery of 5% E&S charges from industrial/housing colonies consumers – Rs.10.52 million	10.52
485	PESCO	CEO PESCO	1290 /2024-25	Irregular charging of units under defective meter code to consumers against whom ERO issued – Rs.4.54 million	4.54
486	PESCO	CEO PESCO	1293 /2024-25	Non-affording of 11.28 million credit units retrieved by M&T to consumers-Rs.472.60 million	472.60
487	PESCO	PD (GSC) PESCO Peshawar	1412 /2024-25	Irregular capitalization of works without preparation of A-90s/completion reports and asset account - Rs.1,468.76 million	1,468.76
488	PESCO	P.D. (Const.) PESCO	1421 /2024-25	Non-execution of work at the risk and cost of the contractor – Rs.3.36 million	3.36
489	PESCO	PD (GSC) PESCO Peshawar	1437 /2024-25	Irregular excess charging of overhead to works Rs.79.08 million	79.08

490	PESCO	CE (PMU) PESCO IBRD Loan- 9318-PK	1458 /2024-25	Non-utilization of funds withdrawn from IBRD Loan-9318 PK amounting to Rs.266.02 million	266.02
491	PESCO	CE (PMU) PESCO IBRD Loan- 9318-PK	1459 /2024-25	Loss on account of commitment charges on un-utilized balance of IBRD Loan No.9318 PK amounting to Rs.113.43 million equivalent to US\$ 0.408 million	113.43
492	PESCO	CE (PMU) PESCO IBRD Loan- 9318-PK	1460 /2024-25	Irregular procurement of vehicles on quotation basis without competition Rs.109.339 million	109.34
493	PESCO	CE (PMU) PESCO, Peshawar	1497 /2024-25	Irregular procurement of vehicles on quotation basis without open competition - Rs.109.339 million	109.34
494	PESCO	Manager (Op.) Swabi Circle PESCO	1502 /2024-25	Loss due to illegal installation of PESCO material – Rs.5.034 million	5.03
495	PPIB	MD PPIB	2	Irregular expending the interest / income earned on the investment of created provisions against performance guarantees encashed - Rs.1,981.363 million	1,981.36
496	PPIB	MD PPIB Islamabad	1335 /2024-25	Loss due to payment of non-construction charges to CDA – Rs.4.44 million	4.44
497	PPIB	MD PPIB Islamabad	1360 /2024-25	Irregular payment of Bonus in violation of PPIB regulations - Rs.0.47 million	0.47
498	PPIB	MD PPIB Islamabad	1361 /2024-25	Irregular hiring of legal consultant in violation of PP Rules – Rs.4.34 million	4.34
499	PPIB	MD PPIB Islamabad	1372 /2024-25	Irregular purchase of vehicle contrary to the approval of BoD – Rs.4.87 million	4.87
500	PPIB	MD PPIB Islamabad	1373 /2024-25	Undue favour due to irregular acceptance of resignation of Joint Director instead of dismissal from service	-
501	PPIB	MD PPIB Islamabad	1376 /2024-25	Irregular approval of additional charge as Legal Advisor in HAZECO	-

				of PPIB employee	
502	PPIB	MD PPIB Islamabad	1377 /2024-25	Irregular creation of provision against performance guarantee - Rs.747.18 million	747.18
503	PPIB	MD PPIB Islamabad	1430 /2024-25	Non-recovery of fees on account of extension in the validity period of Letter of Support (LoS) from two Solar Power Producers – Rs.5.60 million	5.60
504	PPIB	MD PPIB AFD Grant No.1039-2 Z	1465 /2024-25	Non-imposition of liquidated damages on account of delay in preparation and submission of Inception Report - Rs.1.134 million (Euro 3,600)	1.13
505	PPIB	MD PPIB AFD Grant No.1039-2 Z	1476 /2024-25	Time over-run of three years with cost over-run - Rs.145.827 million	145.83
506	PPMCL	MD PPMC Islamabad	2	undue benefit to officers on account of additional charge Rs.0.724 million	0.72
507	PPMCL	MD PPMC Islamabad	7	Non-deduction of income tax on house acquisition rent ceiling Rs.0.307 million	0.31
508	PPMC	MD PPMC Islamabad	1144 /2024-25	Wasteful expenditure by PPMC due to un-necessary retention of office space – Rs.28.15 million	28.15
509	PPMC	MD PPMC Islamabad	1148 /2024-25	Irregular expenditure incurred on retention of officers/staff against the sanctioned strength – Rs.108.00 million	108.00
510	PPMC	MD PPMC Islamabad	1149 /2024-25	Collection of management fee in absence of formal binding planning & monitoring agreement between PPMC & Power sector entities – Rs.250.00 million	250.00
511	PPMC	MD PPMC Islamabad	1151 /2024-25	Non-implementation of clearing of Circular Debt Policy resulted in piling up of energy receivables (Circular Debt)	-
512	PPMC	MD PPMC Islamabad	1153 /2024-25	Non-finalization of pending inquiry - Rs.761.87 million	761.87

513	PPMC	MD PPMC Islamabad	1155 /2024-25	Loss due to payment of salary to ghost employees in HESCO – Rs.343.00 million	343.00
514	PPMC	MD PPMC Islamabad	1247 /2024-25	Recoverable amount on account of testing fee from suppliers – Rs.3.35 million	3.35
515	QESCO	CEO QESCO	3	Non-finalization of inquiries regarding duplicate scrolls /stamp on electricity bills & stubs Rs.0.381 million	0.38
516	QESCO	Chief Engineer (PMU) QESCO Quetta	5	Loan due to acceptance of substandard power transformer from M/s Validus Engineering Rs.282.02 million	282.02
517	QESCO	PD (GSC) QESCO Quetta	6	Non-returned of dismantled transformer & accessories to store Rs.28 million	28.00
518	QESCO	CEO QESCO	9	Poor procurement planning resulted into scrapping of tender after evaluation of bids Rs.1819.177 million	1,819.18
519	QESCO	PD (GSC) QESCO Quetta	10	Non-confiscation of retention money Rs.340.798 million	340.80
520	QESCO	CEO QESCO	28	Loss to national exchequer due to non-charging /recovery of Retail Sales Tax from commercial consumers A-2 C (6) Rs.2.685 million	2.69
521	QESCO	CEO QESCO	30	Irregular uses of DOP budget for maintenance work Rs.1.254 million	1.25
522	QESCO	CEO QESCO	57	Non-achieving of targets set in performance agreement	-
523	QESCO	CEO QESCO	63	Mis-stated assets due to non-retirement of replaced sluggish meters Rs.220.699 million	220.70
524	QESCO	CEO QESCO	67	Non-recovery of cost or return of material issued on loan basis Rs.119.964 million	119.96
525	QESCO	CEO QESCO	68	Non-refund /adjustment of advance income tax Rs.5436.029	5,436.03

526	QESCO	CEO QESCO	72	Loss due to non-recovery of rental charges from residents of QESCO Bachelor Hostel Rs.1.513 million	1.51
527	QESCO	CEO QESCO	76	Non-adjustment of long outstanding retention money of contractors / suppliers Rs.6.194 million	6.19
528	QESCO	CEO QESCO	78	Non-implementation of recommendation of inquiry committee Rs.2.173 million	2.17
529	QESCO	CEO QESCO	80	Non-realization of internal Audit's Audit note	-
530	QESCO	PD (Const.) QESCO, Quetta	416 /2024-25	Non-vetting of estimates by consultant - Rs.14.02 million	14.02
531	QESCO	PD (Const.) QESCO, Quetta	430 /2024-25	Non-adjustment / regularization of surplus material installed in excess of drawl - Rs.1.36 million	1.36
532	QESCO	PD (Const.) QESCO, Quetta	493 /2024-25	Loss due to non-recovery from contractor – Rs.2.24 million	2.24
533	QESCO	PD (GSC) QESCO Quetta	532 /2024-25	Non-mutation of land in the name of company worth Rs.24.175 million	24.18
534	QESCO	PD (GSC) QESCO Quetta	537 /2024-25	Non-deduction of income tax / withholding tax – Rs.4.54 million	4.54
535	QESCO	CEO QESCO	1161 /2024-25	Recurring annual loss due to abnormal lengthy feeders – Rs.28,393.49 million	28,393.49
536	QESCO	CEO QESCO	1162 /2024-25	Non-fixing responsibility of irregularities in T&G Ware House QESCO – Rs.7,819.37 million	7,819.37
537	QESCO	CEO QESCO	1179 /2024-25	Non-updation of security amounts in consumer account/profile - Rs.78.35 million	78.35
538	QESCO	CEO QESCO	1180 /2024-25	Non-implementation of Pakistan Environmental Protection (PEP) Act, 1997 and SOP issued by PEPCO - Rs.38.91 million	38.91
539	QESCO	CEO QESCO	1183 /2024-25	Overstated Consumer Security Deposit – Rs.12.72 million	12.72
540	QESCO	CEO QESCO	1184 /2024-25	Loss due to non-recovery of supply charges against temporary	0.34

				connections - Rs.0.34 million	
541	QESCO	CEO QESCO	1188 /2024-25	Non-disposal of off-road vehicles - Rs.9.64 million	9.64
542	QESCO	CEO QESCO	1198 /2024-25	Less recovery of Capital Cost from housing societies due to non-adopting NEPRA standard of load assessment – Rs.5.31 million	5.31
543	QESCO	CEO QESCO	1204 /2024-25	Non-completion of deposit works regarding NHA - Rs.1,053.447 million	1,053.45
544	QESCO	CEO QESCO	1207 /2024-25	Non-recovery of Use of System Charges (UoSc) from net metering consumers amounting to Rs.5.004 million	5.00
545	QESCO	CEO QESCO	1208 /2024-25	Wasteful expenditure on bifurcation of 11 KV Browery feeder to reduce the line losses - Rs.18.36 million	18.36
546	QESCO	Chief Engineer (PMU) QESCO Quetta	1210 /2024-25	Non-recovery of cost of material given to HESCO on loan basis worth Rs.6.15 million	6.15
547	QESCO	CEO QESCO	1299 /2024-25	Irregular excess charging of 6.24% contract charges to consumers of industrial, shopping plazas, electrification Schemes -Rs.48.658 million	48.66
548	SEPCO	Regional manager (M&T) SEPCO	2	Non-disposal of unserviceable off-road vehicle Rs.0.50 million	0.50
549	SEPCO	CEO SEPCO	4	Non-implementation of Ministry of Energy (Power division) performance agreement	-
550	SEPCO	PD (GSC) SEPCO Sukkur	4	Non-deduction of liquidated damages charges from the contractors Rs.20.068 million	20.07
551	SEPCO	Regional manager (M&T) SEPCO	4	Non-conformation of recovery of pending units pointed out against MDI and general connection and data retrieval reports by M&T Rs.32.825 million	32.83

552	SEPCO	CEO SEPCO	7	Non-payment of Assistance Package to the families of Deceased Employees - Rs.23.60 million	23.60
553	SEPCO	Regional manager (M&T) SEPCO	7	Non-pursuance of M&T test reports of damaged transformers Rs.584.986 million	584.99
554	SEPCO	CE (PMU) SEPCO Sukkur	9	Wasteful expenditure due to hiring of consultants Rs.8.924 million	8.92
555	SEPCO	PD (GSC) SEPCO Sukkur	9	Non-recovery of excess expenditure from the sponsor of the deposit works Rs.0.63 million	0.63
556	SEPCO	CEO SEPCO	10	Irregular wasteful expenditure on advertisement /publication - Rs.5.018 million	5.02
557	SEPCO	Regional manager (M&T) SEPCO	10	Mon reimbursement of WAPDA welfare fund claims Rs.1.467 million	1.47
558	SEPCO	CEO SEPCO	14	un realistic preparation of annual procurement plan Rs.110036.578 million	11,036.58
559	SEPCO	CEO SEPCO	20	Non-forfeiture of performance security due to non-execution of civil work Rs.5.80 million	5.80
560	SEPCO	CEO SEPCO	21	Non-reconciliation of outstanding pension dues from WAPDA /PEPCO entities Rs.1318.20 million	1,318.20
561	SEPCO	CEO SEPCO	24	Irregular acting /additional /current charge to Line superintendent as Sub divisional Officer in violation of PAC directives	-
562	SEPCO	CEO SEPCO	26	Irregular expenditure of telecommunication on muted/non-communicated AMI/AMR meters Rs.3.71 million	3.71
563	SEPCO	Manager (Op.) Dadu Circle SEPCO	27	Loss due to pending/non-finalization of cases in courts Rs.32.923 million	32.92
564	SEPCO	CEO SEPCO	32	Non-finalization of disciplinary, inquiry cases	-

565	SEPCO	CEO SEPCO	41	Non-implementation /functionality of Internal Audit in SEPCO	-
566	SEPCO	CEO SEPCO	42	Non-deduction of liquidated damages from civil contractors Rs.2.214 million	2.21
567	SEPCO	CEO SEPCO	44	Excess payments to advocated/legal firms Rs.13.540	13.54
568	SEPCO	CEO SEPCO	49	Unjustified payment to M/s Abacus on account of ERP system Rs.157.72 million	157.72
569	SEPCO	CEO SEPCO	50	Non-dismantlement of idle/de-energized feeders Rs.230.0 million	230.00
570	SEPCO	CEO SEPCO	55	Irregular Issuance of purchase orders due to less deposit of bid security Rs.683.87 million	683.87
571	SEPCO	Manager (Op) Larkana Circle SEPCO	168 /2024-25	Non-recovery of penalty imposed on SEPCO employee Rs.2.00 million	2.00
572	SEPCO	Manager (Op) Larkana Circle SEPCO	173 /2024-25	Irregular excess charging of installation charges on consumer's self-purchased transformers Rs.4.56 million	4.56
573	SEPCO	Manager (Op) Larkana Circle SEPCO	174 /2024-25	Irregular inclusion of contract work & misc./contingency charges in the estimates – Rs.8.68 million	8.68
574	SEPCO	Manager (Op) Larkana Circle SEPCO	181 /2024-25	Non-accountal /non-consumption of electrical material Rs.71.83 million	71.83
575	SEPCO	Manager (Op) Larkana Circle SEPCO	189 /2024-25	Wasteful expenditure on bifurcation/rehabilitation of distribution feeders Rs.42.37 million	42.37
576	SEPCO	C.E. (PMU) SEPCO	296 /2024-25	Loss due to wrong bidd evaluation and retendering for procurement of meters – Rs.4.10 million	4.10

577	SEPCO	Manager (Op.) Dadu Circle SEPCO	384 /2024-25	Excessive over billing to Industrial connections - Rs.3.12 million	3.12
578	SEPCO	PD (Const.) SEPCO Larkana	453 /2024-25	Loss due to non-finalization of Court cases – Rs.3.14 million	3.14
579	SEPCO	PD (GSC) SEPCO Sukkur	529 /2024-25	Excess overhead booked/charged Rs.274.84 million	274.84
580	SEPCO	PD (GSC) SEPCO Sukkur	546 /2024-25	Irregular execution of work – Rs.164.20 million	164.20
581	SEPCO	Thematic Audit of Material Management in SEPCO	6.2.3.11	Pilferage/Theft of material at regional stores Rohri amounting to -Rs.20.85 million	20.85
582	SEPCO	Thematic Audit of Material Management in SEPCO	6.2.3.13	Inefficient ERP Maintenance spending causes stock discrepancies in SEPCO -Rs.179.62 million	179.62
583	SEPCO	CEO SEPCO	767 /2024-25	Irregular Payment to BOD Members under Anti-Theft Campaign - Rs.10.67 million	10.67
584	SEPCO	CEO SEPCO	771 /2024-25	Doubtful completion/preparation of physical stock verification report – Rs.823.21 million	823.22
585	SEPCO	CEO SEPCO	773 /2024-25	Non-updation of security deposits in consumer account/profile – Rs.386.07 million	386.07
586	SEPCO	CEO SEPCO	774 /2024-25	Non-recovery of arrears from consumers having temporary connection – Rs.4.74 million	4.74
587	SEPCO	CEO SEPCO	783 /2024-25	Execution of works without renewal of Bank Guarantee - Rs.1.17 million	1.17
588	SEPCO	CEO SEPCO	806 /2024-25	Irregular payment without pre-audit of regional stores – Rs.331.94 million	331.94
589	SEPCO	CEO SEPCO	813 /2024-25	Irregular payment on account of ERP to M/s. Crowe Hussain Chaudhary - Rs.17.50 million	17.50

590	SEPCO	CEO SEPCO	816 /2024-25	Irregular approval of Housing Colonies without obtaining NOC from Environmental Protection Agency (EPA) - Rs.84.40 million	84.40
591	SEPCO	CEO SEPCO	817 /2024-25	Non-recovery of 5% E&S cost from sponsor of Housing Colonies - Rs.4.22 million	4.22
592	SEPCO	PD (Const.) SEPCO Larkana	819 /2024-25	Non-disposal of off-road vehicles - Rs.0.50 million (approximately)	0.50
593	SEPCO	Thematic Audit of Material Management in SEPCO	829 /2024-25	Loss due to non-re-evaluation of dismantled material amounting to - Rs.27.36 million	27.36
594	SEPCO	RM M&T SEPCO Sukkur	975 /2024-25	Loss due to transformers repaired with silver wire winding - Rs.4.11 million	4.11
595	TESCO	CEO TESCO	18	Pilling up of unidentified cash balances due to non-obtaining documentary proof from banks Rs.37.85 million	37.85
596	TESCO	CEO TESCO	19	Non-clearance of advances against travelling and other expenses	37.54
597	TESCO	CEO TESCO	42	Non-disposal of unserviceable material Rs.10.65 million	10.65
598	TESCO	CEO TESCO	45	Non-maintenance /transfer of rehabilitation charges in separate bank account Rs.1.65 million	1.65
599	TESCO	Executive Engineer (Const.) TESCO, Peshawar	50 /2024-25	Non-adjustment/regularization of surplus material installed in excess of drawl - Rs.1.51 million	1.51
600	TESCO	Executive Engineer (Const.) TESCO, Peshawar	53 /2024-25	Irregular excess charging of overheads to works - Rs.1.26 million	1.26
601	TESCO	Executive Engineer (Const.) TESCO,	58 /2024-25	Irregular enhancement of contract price - Rs.6.54 million	6.54

		Peshawar			
602	TESCO	Executive Engineer (Const.) TESCO, Peshawar	59 /2024-25	Irregular inclusion of independent feeder in already awarded work order – Rs.1.50 million	1.50
603	TESCO	Executive Engineer (Const.) TESCO, Peshawar	62 /2024-25	Loss due to sub-standard work – Rs.2.24 million	2.24
604	TESCO	Executive Engineer (Const.) TESCO, Peshawar	64 /2024-25	Irregular excess charging of overheads to works – Rs.122.08 million	122.08
605	TESCO	Executive Engineer (Const.) TESCO, Peshawar	66 /2024-25	Non-return of material to store despite completion of works – Rs.11.89 million	11.89
606	TESCO	Executive Engineer (Const.) TESCO, Peshawar	67 /2024-25	Irregular capitalization of works without Contract Cost – Rs.11.96 million	11.96
607	TESCO	CEO TESCO	1085 /2024-25	Irregular advertisement expenditure of TESCO – Rs.2.72 million	2.72
608	TESCO	CEO TESCO	1110 /2024-25	Non-recognition of Supplemental Charges in Financial Statement – Rs.6,144.69 million	6,144.69
609	TESCO	CEO TESCO	1112 /2024-25	Excess charging of installation charges -- Rs.64.05 million	64.05
610	TESCO	CEO TESCO	1113 /2024-25	Irregular charging of overheads beyond permissible limit to consumers/departmental works – Rs.174.37 million	174.37
611	TESCO	CEO TESCO	1123 /2024-25	Irregular award of purchase orders due to non-vetting of Bid Evaluation Reports by the designated representative of Internal Audit -- Rs.1,390.51 million	1,390.51

612	TESCO	CEO TESCO	1124 /2024-25	Overstated consumer security deposit – Rs.152.83 million	152.83
613	TESCO	CEO TESCO	1128 /2024-25	Non-refund of excess estimated cost recovered against deposit works - Rs.29.77 million	29.77
614	TESCO	CEO TESCO	1140 /2024-25	Irregular retention of adjusted security deposits of dead defaulters - Rs.220.49 million	220.49
615	TESCO	CEO TESCO	1142 /2024-25	Non-saving of envisaged energy units due to delay in execution of HT works –Rs.273.88 million	273.88
Total					1,183,430.00



Government of Pakistan
Public Procurement Regulatory Authority
(Monitoring & Evaluation Wing)

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F. No. 11(110)/M&E/PPRA/2019 3/ Islamabad, February 04, 2025

Subject: **CLARIFICATION REGARDING CONDITIONS OF PRE-QUALIFICATION OF SUPPLIERS**

Reference Director General Audit (Power's) letter No. P&C/Corresp/AGP/VOL-XVIII/2024-25/2603 dated January 21, 2025 wherein clarification from the Authority was sought regarding pre-qualification of bidders under Rule 15 of Public Procurement Rules, 2004.

2. In pursuance of Rule 15 of PPRs, 2004, a procuring agency may engage in pre-qualification of bidders in case of services, civil works, turnkey projects and in case of procurement of expensive and technically complex equipment. Moreover, such pre-qualification shall be solely based upon the ability of the interested parties to perform that particular work satisfactorily. Therefore, pre-qualification of bidders may only be carried out for a particular procurement and there is no provision of enlistment of suppliers/contractors in the procurement regulatory framework for a particular period. Furthermore, Rule 38(B)(1) of PPRs, 2004 restrict procuring agencies to entertain single bid in case of pre-qualification proceedings.


04/02/25
(Engr. Muhammad Saleh Izhar)
Deputy Director-I (M&E)

Ms. Ayesha Siddiq
Director General Audit (Power)
Sunny View Estate, Kashmir Road,
Lahore

Annexure-2
(Para-1.10.3)

STATEMENT SHOWING THE DETAIL OF DEVIATIONS FROM MERIT ORDER
DURING THE FINANCIAL YEAR 2022-23

Sr. No.	Date	Deviation Event	Merit Order #	Rate in Rs./ kWh	Plants Available as per Merit Order			Rate in Rs./ kWh	Difference of rate in Rs./Kwh	Impact in (Rs.in million) Net Deviation	Justification Details As per Grid Code SDC 1.4.3.3
					Name	Merit Order #	Energy Compensated (GWH)				
a	b	c	d	e	f	g	h	i	j = (i – e)	k = (j x h)	l
1	25-Dec-2022	Engro Thar	4	4.4672	Port Qasim	19	3.65	19.6583	15.1911	55.45	Maximum loadability of Matiari-SECL-Engro Thar-Thal Nova-Matiari loop is 1500 MW. Since SECL and Thal Nova Power Plants were in the final commissioning stages, hence to support their testing activities generation was curtailed.
2	30-Dec-2022	Engro Thar	4	4.4672	Bhikki	20	3.38	19.7476	15.2804	51.65	Maximum loadability of Matiari-SECL-Engro Thar-Thal Nova-Matiari loop is 1500 MW. Since SECL and Thal Nova Power Plants were in the final commissioning stages, hence to support their testing activities generation was curtailed.
3	07-Apr-2023	UCH-II	12	10.4495	Sahiwal Coal	41	1.84	34.7364	24.2869	44.69	220 kV Guddu-Shikarpur cct # 01 and 220 kV Guddu-Sibbi cct under permanent fault since 23-03-2023 (due to towers collapsed) resulting in

											overloading of 220 kV UCH-Shikarpur & UCH-II-Shikarpur ccts, hence the generation was curtailed to avoid transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a.
4	19-Apr-2023	Liberty Power	3	4.3697	Balloki	21	2.98	22.1984	17.8287	53.13	Generation from Liberty Power Complex was not taken due to towers collapse of all emanating 132 kV circuits.
5	19-Apr-2023	Liberty Power	3	4.3697	Balloki	21	2.98	22.1984	17.8287	53.13	Generation from Liberty Power Complex was not taken due to towers collapse of all emanating 132 kV circuits.
6	20-Apr-2023	Liberty Power	3	4.3697	Balloki	21	2.98	22.1984	17.8287	53.13	Generation from Liberty Power Complex was not taken due to towers collapse of all emanating 132 kV circuits.
7	21-Apr-2023	Liberty Power	3	4.3697	Bhikki	22	2.98	22.1984	17.8287	53.13	Generation from Liberty Power Complex was not taken due to towers collapse of all emanating 132 kV circuits.
8	25-Apr-2023	Liberty Power	18	4.3697	Rousch	35	1.78	29.9835	25.6138	45.59	Generation from Liberty Power Complex was curtailed due to towers collapse of 132 kV Liberty-Guddu left & 132 kV Dharki-Guddu cct

9	29-Apr-2023	Liberty Power	18	4.3697	FKPCL	37	1.45	32.2641	27.8944	40.45	Generation from Liberty Power Complex was curtailed due to towers collapse of 132 kV Liberty-Guddu left & 132 kV Dharki-Guddu cct
10	30-Apr-2023	Liberty Power	18	4.3697	FKPCL	37	2.34	32.2641	27.8944	65.27	Generation from Liberty Power Complex was curtailed due to towers collapse of 132 kV Liberty-Guddu left & 132 kV Dharki-Guddu cct
11	03-Apr-2023	Thar Energy	5	5.0503	Sahiwal Coal	41	2.71	34.7364	29.6861	80.45	Maximum loadability of Matiari-SECL-Engro Thar-Thal Nova-Matiari loop is 1800 MW with cross trip scheme implemented. Hence generation in the loop was curtailed to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a. Keeping HVDC Strategic table for summer under consideration generation was curtailed from South Power Plants to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a.

12	04-Apr-2023	Thar Energy	5	5.0503	Bhikki	25	2.76	22.7844	17.7341	48.95	Maximum loadability of Matiari-SECL-Engro Thar-Thal Nova-Matiari loop is 1800 MW with cross trip scheme implemented. Hence generation in the loop was curtailed to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a. Keeping HVDC Strategic table for summer under consideration generation was curtailed from South Power Plants to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a.
13	05-Apr-2023	Thar Energy	5	5.0503	Sahiwal Coal	41	1.84	34.7364	29.6861	54.62	Maximum loadability of Matiari-SECL-Engro Thar-Thal Nova-Matiari loop is 1800 MW with cross trip scheme implemented. Hence generation in the loop was curtailed to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a. Keeping HVDC Strategic table for summer under consideration generation was curtailed from South Power Plants to minimize transmission

											congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a.
14	06-Apr-2023	Thar Energy	5	5.0503	Sahiwal Coal	41	2.34	34.7364	29.6861	69.47	Maximum loadability of Matiari-SECL-Engro Thar-Thal Nova-Matiari loop is 1800 MW with cross trip scheme implemented. Hence generation in the loop was curtailed to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a. Keeping HVDC Strategic table for summer under consideration generation was curtailed from South Power Plants to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a.

15	07-Apr-2023	Thar Energy	5	5.0503	Sahiwal Coal	41	2.12	34.7364	29.6861	62.93	Maximum loadability of Matiari-SECL-Engro Thar-Thal Nova-Matiari loop is 1800 MW with cross trip scheme implemented. Hence generation in the loop was curtailed to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a. Keeping HVDC Strategic table for summer under consideration generation was curtailed from South Power Plants to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a.
16	08-Apr-2023	Thar Energy	5	5.0503	Sahiwal Coal	41	2.43	34.7364	29.6861	72.14	Maximum loadability of Matiari-SECL-Engro Thar-Thal Nova-Matiari loop is 1800 MW with cross trip scheme implemented. Hence generation in the loop was curtailed to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a. Keeping HVDC Strategic table for summer under consideration generation was curtailed from South Power Plants to minimize

											transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a.
17	09-Apr-2023	Thar Energy	5	5.0503	Sahiwal Coal	41	2.43	34.7364	29.6861	72.14	Maximum loadability of Matiari-SECL-Engro Thar-Thal Nova-Matiari loop is 1800 MW with cross trip scheme implemented. Hence generation in the loop was curtailed to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a. Keeping HVDC Strategic table for summer under consideration generation was curtailed from South Power Plants to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a.

18	10-Apr-2023	Thar Energy	5	5.0503	Sahiwal Coal	41	2.67	34.7364	29.6861	79.26	Maximum loadability of Matiari-SECL-Engro Thar-Thal Nova-Matiari loop is 1800 MW with cross trip scheme implemented. Hence generation in the loop was curtailed to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a. Keeping HVDC Strategic table for summer under consideration generation was curtailed from South Power Plants to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a.
19	11-Apr-2023	Thar Energy	5	5.0503	Sahiwal Coal	41	2.67	34.7364	29.6861	79.26	Maximum loadability of Matiari-SECL-Engro Thar-Thal Nova-Matiari loop is 1800 MW with cross trip scheme implemented. Hence generation in the loop was curtailed to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a.Keeping HVDC Strategic table for summer under consideration generation was curtailed from South Power Plants

											to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a.
20	12-Apr-2023	Thar Energy	5	5.0503	Sahiwal Coal	41	2.42	34.7364	29.6861	71.84	Maximum loadability of Matiari-SECL-Engro Thar-Thal Nova-Matiari loop is 1800 MW with cross trip scheme implemented. Hence generation in the loop was curtailed to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a. Keeping HVDC Strategic table for summer under consideration generation was curtailed from South Power Plants to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a. Generation was curtailed to account for extreme variations in wind generation.

21	13-Apr-2023	Thar Energy	5	5.0503	Sahiwal Coal	41	2.12	34.7364	29.6861	62.93	Maximum loadability of Matiari-SECL-Engro Thar-Thal Nova-Matiari loop is 1800 MW with cross trip scheme implemented. Hence generation in the loop was curtailed to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a. Keeping HVDC Strategic table for summer under consideration generation was curtailed from South Power Plants to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a. Generation was curtailed to account for extreme variations in wind generation.

22	14-Apr-2023	Thar Energy	5	5.0503	Sahiwal Coal	41	2.46	34.7364	29.6861	73.03	Maximum loadability of Matiari-SECL-Engro Thar-Thal Nova-Matiari loop is 1800 MW with cross trip scheme implemented. Hence generation in the loop was curtailed to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a.Keeping HVDC Strategic table for summer under consideration generation was curtailed from South Power Plants to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a.Generation was curtailed to account for extreme variations in wind generation.
23	14-Apr-2023	Lucky Coal	14	11.5140	Sahiwal Coal	41	3.12	34.7364	23.2224	72.45	Keeping HVDC Strategic table for summer under consideration generation was curtailed from South Power Plants to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a. Generation was curtailed to account for extreme variations in wind generation.

24	16-Apr-2023	Engro Thar	6	5.0433	Sahiwal Coal	41	1.52	35.7588	30.7155	46.69	Keeping HVDC Strategic table for summer under consideration generation was curtailed from South Power Plants to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a.
25	16-Apr-2023	Thar Energy	4	4.4469	Sahiwal Coal	41	2.45	35.7588	31.3119	76.71	Keeping HVDC Strategic table for summer under consideration generation was curtailed from South Power Plants to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a.
26	17-Apr-2023	Thar Energy	4	4.4469	Sahiwal Coal	41	2.67	35.7588	31.3119	83.60	Keeping HVDC Strategic table for summer under consideration generation was curtailed from South Power Plants to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a.
27	17-Apr-2023	SECL	2	4.2614	Sahiwal Coal	41	2.43	35.7588	31.4974	76.54	Keeping HVDC Strategic table for summer under consideration generation was curtailed from South Power Plants to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a.

28	19-Apr-2023	Thar Energy	4	4.4469	Roush	35	1.73	29.9835	25.5366	44.18	Keeping HVDC Strategic table for summer under consideration generation was curtailed from South Power Plants to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a.
29	20-Apr-2023	Thar Energy	4	4.4469	Port Qasim	23	2.45	23.2532	18.8063	46.08	Keeping HVDC Strategic table for summer under consideration generation was curtailed from South Power Plants to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a.
30	21-Apr-2023	Thar Energy	4	4.4469	Port Qasim	23	2.65	23.2532	18.8063	49.84	Keeping HVDC Strategic table for summer under consideration generation was curtailed from South Power Plants to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a.
31	25-Apr-2023	Thar Energy	4	4.4469	Port Qasim	23	2.43	23.2532	18.8063	45.70	Maximum loadability of Matiari-SECL-Engro Thar-Thal Nova-Matiari loop is 1800 MW with cross trip scheme implemented. Hence generation in the loop was curtailed to minimize transmission congestion as per NEPRA Grid Code

											clause OC 1.2 d and SDC 1.4.3.3 a.
32	26-Apr-2023	Thar Energy	4	4.4469	Orient	29	2.54	26.7561	22.3092	56.67	Maximum loadability of Matari-SECL-Engro Thar-Thal Nova-Matari loop is 1800 MW with cross trip scheme implemented. Hence generation in the loop was curtailed to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a. Keeping HVDC Strategic table for summer under consideration generation was curtailed from South Power Plants to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a.
33	23-Apr-2023	Thar Energy	4	4.4469	Balloki	21	2.43	22.1984	17.7515	43.14	To account for Contractual obligations (Take or Pay) of RLNG for three GPPs i.e. QATPL, Bhikki, NPPMCL Balloki and NPPMCL HBS as per Grid Code clause SDC 1.4.3.3 j.

34	24-Apr-2023	Thar Energy	4	4.4469	Rousch	35	2.43	29.9835	25.5366	62.05	To account for Contractual obligations (Take or Pay) of RLNG for three GPPs i.e. QATPL, Bhikki, NPPMCL Balloki and NPPMCL HBS as per Grid Code clause SDC 1.4.3.3 j. Keeping HVDC Strategic table for summer under consideration generation was curtailed from South Power Plants to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a.
35	27-Apr-2023	Thar Energy	4	4.4469	Rousch	35	2.54	29.9835	25.5366	64.86	To account for Contractual obligations (Take or Pay) of RLNG for three GPPs i.e. QATPL, Bhikki, NPPMCL Balloki and NPPMCL HBS as per Grid Code clause SDC 1.4.3.3 j and to account for SNGPL concern raised vide its letter No. GMS:938 (LNG), dated: 27-04-2023 regarding Reduced RLNG Off-Take by Power Sector.Keeping HVDC Strategic table for summer under consideration generation was curtailed from South

											Power Plants to minimize transmission congestion as per NEPRA Grid Code clause OC 1.2 d and SDC 1.4.3.3 a.

Note: Out of 849 deviations from Economic Merit Order sample was taken with the thrash-hold amount of Rs.40 million and above.

Annexure-3
(Para-1.14.15)

**HIGHLIGHTS OF SPECIAL AUDIT CARRIED OUT BY INTERNAL
AUDIT HESCO**

(Rs.in million)

Sr. No.	Description of Para	Amount
1.	Huge Loss caused due to delay in finalization of Tender	7.598
2.	Irregular payment made to the Contractor in spite of Non-verification of Civil Works by GSO	4.248
3.	Irregular expenses Incurred in excess of allocated budget	128.879
4.	Huge Irregular Expenses incurred without Vetting by the office of the CFO	321.182
5.	Procedural Violation by floating the Tenders without obtaining Budget clearance /Noting from the office of the CFO	218.667
6.	Negligence on the part of employees of the office of the CFO DUE TO Huge expenses being incurred by XEN Civil without Budget clearance / noting and financial vetting from the office of the CFO	218.667
7.	Need for updation of HESCO Accounting Manual on urgent basis and related negligence on part of employees of the office of CFO	0
8.	Irregular payment made to the contractors by Civil Work Division without obtaining Sales tax Invoice	321.182
9.	Non-existence of system of verification of the quality of Civil Works and resulting significant risk of low-quality Works	321.182
10.	Highly decentralized and Outdated DDO System of disbursement, exposing the HESCO to significant risk of financial loss (that may range to hundreds of millions of rupees per year)	0
11.	Irregular expenses due to non-issuance of Proper Bill/Invoice by the contractors on their letter heads	321.182
	Total	1,862.787

Annexure-4*(Para-3.6.2.3.3 of Thematic Audit)***STATEMENT SHOWING RECOVERABLE LIQUIDATED DAMAGES FROM
SUPPLIER AS ON JUNE 30, 2024**

Sr. No.	Purchase Order No.	Description of material	Date of P.O	Time period for Delivery	Schedule Delivery Date	Actual Date of Delivery	Delay in Days	Amount of P.O	LD in %	Amount of LD (Rs.)
1	NCB-S-21/2022	11 KV CT 2400/1200/5/5A & 11 KV Neutral CT 50/5A (LOT-I)	23.06.2023	120	21.10.23	20.12.23	60	4,266,000	0.04	170,640
2	NCB-S-02/2022	Tower Type ZM-1 with Stub & Cleats (LOT-I)	29.05.2023	120	26.09. 23	12.02. 24	259	355,926,000	0.16	56,948,160
3	NCB-S-14/2022	Procurement of Grid Station Hardware (LOT-I)	15.05.2023	120	12.09. 23	09.10. 23	27	188,855,000	0.02	3,777,100
4	NCB-S-04/2021	11 KV OUTGOING PANELS 25 KVA (LOT-II)	06.07.2022	120	03.11. 22	13.01. 23	71	110,825,000	0.047	5,208,775
5	09/625	Supply of 100 KVA Distribution T/F	12.08. 21	120	10.12. 21	11.08.22	364	114,100,000	10%	11,410,000
6	09/713	Supply of 3-Phase 3G meter (AMR)	16.03.23	120	14.07. 23	14.06.24	337	27,926,025	10%	2,792,603
7	09/747	Supply of 11 KV Steel Cross for S.S	08.09.23	90	07.12. 23	06.02.24	61	16,665,000	4%	666,600
8	09/745	Supply of Meter Security Box A Type	07.09.23	90	06.12.23	23.01.24	48	19,910,800	3%	497,770
9	09/744	Supply of 11 KV Dropout Cutout	07.09.23	90	06.12.23	02.02.24	58	21,554,000	4%	862,160
10	09/753	Supply of 200 KVA Distribution T/F	16.10.23	120	13.02.24	29.04.24	76	139,700,000	5%	6,985,000
11	09/697	Supply of 11 KV Steel Cross	09.12.22	90	09.03.23	10.08.23	154	165,358,500	10%	16,535,850
12	09/650	Supply of HT Steel Structure 45	18.02.22	180	17.08.22	26.12.22	129	149,567,375	8%	11,965,390
13	09/634	Supply of HT Steel Structure 34.8'	03.11.24	240	02.07.22	18.11.22	139	52,241,800	9%	4,701,762
14	09/635	Supply of HT Steel Structure 45	07.12.21	240	06.08.22	31.03.23	237	118,600,000	10%	11,860,000
		Total								134,381,810

Annexure-5*(Para-3.6.2.3.4 of Thematic Audit)***STATEMENT SHOWING THE DETAIL OF SLOW-MOVING ITEMS IN SEPCO AS ON
JUNE 30, 2024**

Sr. No.	Description	Unit	Value	Last Date of Issue	Balance Qty.
1	Single Tension fitting for DOG Conductor SS	Set	19,490	18.06.2012	8
2	Earth wire Suspension Fitting SF-9 T/L	Set	2,788	13.09.2013	1
3	Mid span joint for earth wire MS-9 T/L	Nos.	15,501	13.09.2013	48
4	Single Tension fitting for DOG Conductor ST	Set	5,180	27.03.2013	2
5	ASCR LYNX conductor T/L	KM	105,380	13.03.2015	0.662
6	66 KV lighting / surge arrester	Nos.	242,400	07.01.2016	3
7	132 KV post insulator	Nos.	484,800	07.01.2016	6
8	66 KV line CTS/transformer ct600.300.150	Nos.	2,238,065	07.01.2016	7
9	66 KV PTs	Nos.	1,918,342	07.01.2016	6
10	66 KV earth mast	Nos.	163,898	07.01.2016	3
11	Connector type TMLH	Nos.	16,547	07.01.2016	18
12	Connector type TM 40A	Nos.	169,317	07.01.2016	24
13	Connector type 90 BH 30	Nos.	294,380	07.01.2016	27
14	Suspension String Assembly 400mm	Nos.	13,340	07.01.2016	1
15	Earth wire tension sealing assembly	Nos.	115,443	07.01.2016	18
16	66 KV 20KV 1600 Amp 3-pole line isolator	Nos.	599,500	07.01.2016	1
17	11 KV incoming panels PEL	Nos.	3,484,500	07.01.2016	3
18	Connector type 90 B 40F	Nos.	1,435,766	07.01.2016	81
19	Connector type TMDA	Nos.	113,615	07.01.2016	14
20	Connector type TMAA	Nos.	64,923	07.01.2016	8
21	Connector type TMLH	Nos.	28,906	07.01.2016	6
22	Connector type 90 BH 30	Nos.	159,530	07.01.2016	9
23	132 KV 20 KV 1600 Apm line insulator	Nos.	2,639,951	07.01.2016	4
24	132 KV post insulator	Nos.	499,950	07.01.2016	9
25	66 KV post insulator	Nos.	121,200	07.01.2016	3
26	Service Anchoring Clamp 4 wire	Nos.	1,809	01.06.2017	16
27	Pre insulated join sleeves 95 mm	Nos.	711,023	01.06.2017	2,041
28	Pre insulated joint sleeves 70 mm	Nos.	366,845	01.06.2017	2,788
29	Pre insulated joint sleeves 25 mm	Nos.	1,181,553	01.06.2017	5,930

30	Pre insulated joint sleeves 50 mm	Nos.	30,476	01.06.2017	190
31	Earthing platform for 66 Kv	Nos.	105,444	07.01.2017	9
32	Control panel CP 20	Nos.	370,156	07.01.2017	1
33	Mid span joint for Lynx MS-9 T/L	Nos.	320,563	07.01.2017	314
34	Repair Sleeve for Lynx RS-L T/L	Nos.	82,505	07.01.2017	198
35	Pre insulated join sleeves 95 mm alloy	Nos.	308,709	22.03.2017	712
36	Pre insulated joint sleeves 70 mm alloy	Nos.	357,860	22.03.2017	885
37	Pre insulated joint sleeves 50 mm alloy	Nos.	14,091	22.03.2017	65
38	66KV Beam	Nos.	27,778	08.01.2018	1
39	132 KV Line CTs (1200.600.300/5-A)	Nos.	676,916	12.06.2018	2
40	Earthing platform for 132 Kv	Nos.	11,716	02.12.2019	4
41	Pre insulated end caps-25 mm	Nos.	99,180	19.04.2019	1,493
42	Dead end clamp 50-70	Nos.	21,120	12.04.2020	48
43	Bracket for service anchoring clamp	Nos.	4,904,455	12.04.2020	205,983
44	Pre insulated mechanical Connector (10-16mm)	Nos.	19,062,383	12.04.2020	33,305
45	Pre insulated wall cleat	Nos.	1,284,628	06.07.2021	7,272
46	Neutral Bushing Complete with gas kit	Nos.	41,176	07.01.2021	1
47	Bushing CT if applicable	Nos.	23,529	07.01.2021	1
48	Complete set of presser relief device	Nos.	111,765	07.01.2021	1
49	Fan with Motor	Nos.	211,764	07.01.2021	3
50	Oil temperature magnet type	Nos.	31,765	07.01.2021	1
51	Oil temperature indicator liquid type	Nos.	41,176	07.01.2021	1
52	Oil temperature indicator liquid type	Nos.	105,582	07.01.2021	1
53	Winding temperature indicator	Nos.	105,882	07.01.2021	1
54	Air Breather each type	Nos.	40,000	07.01.2021	1
55	Remote tap position indicator	Nos.	70,588	07.01.2021	1
56	HV bushing complete with kit & T	Nos.	161,620	07.01.2021	2
57	Neutral Bushing complete with gas kit	Nos.	161,620	07.01.2021	2
58	Bushing CTs CIT application for each	Nos.	407,868	07.01.2021	1
59	Complete set pressure relief device	Nos.	215,494	07.01.2021	1
60	Fan with Motor	Nos.	647,208	07.01.2021	6
61	Complete bushel relay	Nos.	215,494	07.01.2021	1
62	Oil level indicator magnate type	Nos.	53,874	07.01.2021	2
63	Oil temperature indicator liquid type	Nos.	269,367	07.01.2021	1
64	Oil temperature indicator resistance type\	Nos.	269,367	07.01.2021	1
65	Winding temperature indicator	Nos.	323,241	07.01.2021	1
66	Tap charger bushel relay	Nos.	673,418	07.01.2021	1

67	Air Breather each type	Nos.	21,549	07.01.2021	1
68	Remote tap position indicator	Nos.	1,077,468	07.01.2021	1
69	Service Anchoring Clamp 2 wire	Nos.	6,828,594	07.01.2021	66,947
70	132 KV D/C Tower type ZM 30 T/L	Nos.	1,954,461	07.01.2021	3
71	Earth wire tension (TF-9) T/L	Set	1,090,606	07.01.2021	238
72	Single Tension fitting for Lynx Conductor	Set	41,437	07.01.2021	16
73	Suspension clamp	Nos.	3,467,497	11.11.2021	8,514
74	Pre insulated end caps-50 mm	Nos.	2,253	11.11.2021	186
75	ABC cable 50x50 mm	KM	794,689	11.03.2022	3,133
76	Plastic Binding Strips 350 mm	Nos.	162,727	17.03.2022	21,645
77	ASCR DOG conductor T/L	KM	217,748	22.06.2022	3.120
78	Connector type 90 B63F	Nos.	114,534	22.08.2022	6
79	Transformer Oil Fresh	Liters	4,299,080	22.12.2022	17,335
80	Control cable 4x2.5mm	KM	142,677	28.01.2022	0.640
81	Control cable 8x2.5mm	KM	162,316	28.01.2022	0.513
82	Control cable 16x2.5mm	KM	289,348	28.01.2022	0.574
83	Piercing connector 95-10mm	Nos.	8,025,955	28.12.2022	74,473
84	Piercing connector 95-25 mm	Nos.	955,209	28.12.2022	7,279
85	Piercing Connector type 95-10	Nos.	8,025,955	28.12.2022	74,473
86	6 Meter leg Ext. for ZM-1 t/l	Nos.	1,376,166	08.01.2023	10
87	3 Meter let Ext. for ZM-30 T/L	Nos.	1,065,953	08.01.2023	9
88	Repair Sleeve for DOG RS-L T/L	Nos.	2,438	09.01.2023	3
89	Silica gel	KG	202,000	20.02.2023	25
90	3 Phase energy meter	Nos.	19,851,324	22.06.2023	3,488
91	Connector type TM-63A	Nos.	246,278	07.05.2024	30
Total			108,208,638		

Annexure-6*(Para-3.6.2.3.5 of Thematic Audit)*

STOCK BALANCES OF NTDC MATERIAL LYING IN WAREHOUSE SEPCO
SUKKUR AS ON JUNE 30, 2024

Sr. No.	Stock Code	Description	Unit	Balance Quantity	Unit Rate (Rs.)	Amount (Rs.)
1.	1-04-00-007-00	Control Cable 2X6 MM	Km	1.178	72,000	84,816
2.	1-10-00-004-00	Cartridge Type G (120X95)	No.	3.000	101	303
3.	1-10-00-005-00	Cartridge Type H (120X120)	No.	610.000	132	80,520
4.	1-10-00-006-00	Cartridge Type I (16X120)	No.	120.000	101	12,120
5.	1-12-02-002-00	SPS All Alloy Pipe	Km.	0.052	729,000	37,908
6.	1-13-00-009-00	Connector 90BEP30,60	No.	75.000	8,171	612,825
7.	1-13-00-012-00	Connector 90BH30	No.	154.000	1,222	188,188
8.	1-13-00-014-00	Connector 90BH60	No.	26.000	3,954	102,804
9.	1-13-00-016-00	Connector 90BP3.0.6	No.	17.000	4,320	73,440
10.	1-13-00-026-00	Connector 90MP3 OF	No.	41.000	8,171	335,011
11.	1-13-00-045-00	Connector OBEP3.OF	No.	1.000	7,327	7,327
12.	1-13-00-051-00	Connector OBHF	No.	51.000	1,205	61,455
13.	1-13-00-052-00	Connector OBP3.OF	No.	1.000	2,947	2,947
14.	1-13-00-053-00	Connector OBP3.0.60	No.	1.000	8,771	8,771
15.	1-13-00-060-00	Connector ODBHF	No.	1.000	3,037	3,037
16.	1-13-00-071-00	Connector OMP3.OF	No.	28.000	8,701	243,628
17.	1-13-00-085-00	Connector SH400	No.	39.000	728	28,392
18.	1-13-00-089-00	Connector TBH40	No.	4.000	2,440	9,760
19.	1-13-00-094-00	Connector TDBH30	No.	9.000	3,093	27,837
20.	1-13-00-104-00	Connector TDMHP30	No.	7.000	2,671	18,697
21.	1-13-00-110-00	Connector TDMRH	No.	3.000	2,267	6,801
22.	1-13-00-114-00	Connector TM63A	No.	79.000	1,040	82,160
23.	1-13-00-116-00	Connector TMDA	No.	6.000	385	2,307
24.	1-13-00-121-00	Connector TMLH	No.	31.000	677	21,000
25.	1-13-00-122-00	Connector TMP3.OF	No.	10.000	2,267	22,670
26.	1-13-00-130-00	Connector TMRH	No.	31.000	672	20,832
27.	1-13-02-001-00	Earthing Connector I	No.	75.000	409	30,675
28.	1-16-00-000-00	Earth Rod	No.	6.000	612	3,672
29.	1-23-00-000-12	Male & Female Contacts Three Phase Set For 33KV Isolator	No.	44.000	8,335	366,740
30.	1-23-01-015-75	Insulator Part UP	No.	5.000	1,789	8,945
31.	1-23-01-015-76	Insulator Part UP	No.	4.000	1,789	7,156
32.	1-27-01-001-00	Liquid Fuse Complete 25AMPS 33 KV	No.	7.000	16,767	117,369
33.	1-28-00-005-00	Module for Cartridge Type H	No.	4.000	2,510	10,040
34.	1-39-01-004-00	Street Lighting Pole	No.	2.000	4,844	9,688
35.	1-40-02-003-00	Tension String Assembly 2X600 MMSQ 132KV	No.	19.000	7,537	143,196
36.	1-40-02-004-00	Tension String Assembly 2X600 MMSQ 220KV	No.	18.000	4,054	72,972
37.	1-41-01-005-00	132 KV Disc Insulator For Suspension Assembly	No.	80.000	631	50,480

38.	1-41-02-003-00	Suspension String Assembly 2X60 MMSQ	Set	65.000	1,780	115,700
39.	1-45-01-001-00	Outdoor Termination Kits For Single Core	No.	859.000	585	502,515
40.	1-45-03-001-02	Accessories For Indoor Termination Kits For Single Core	No.	1,579.000	425	671,075
41.	1-47-00-000-01	Terminal Connector For 132KV CT Foundation	No.	147.000	2,118	311,346
42.	1-47-04-001-00	Transformer CT 132KV 40KA Having Ratio 200:100/1A NOR	No.	2.000	116,247	232,494
43.	1-47-07-007-00	245 KV CT Ratio 2400:1600:120	No.	1.000	109,628	109,628
44.	1-49-00-000-74	Sealing Ring	No.	8.000	73	585
45.	1-53-00-928-00	Grounding Connector Type-II	No.	2,878.000	85	244,630
46.	1-53-00-929-00	Grounding Connector Type-IV	No.	7,486.000	67	502,460
47.	1-53-00-935-24	Complete Set Of Gas Kit	No.	2.000	12,840	25,680
48.	1-53-00-941-76	Open And Wrench Insert for Torque Wrench Diameter 22-24-27 30-32-36	Set	2.000	6,280	12,560
49.	1-53-00-941-77	Open And Wrench Nominal Diameter 75	No.	2.000	3,737	7,474
50.	1-53-00-941-84	Sub-017-0500 Upper Porcelain with Middle Top Chamber Of Pole	Set	1.000	48,870	48,870
51.	1-53-00-941-86	Sub 017-0700 Vent Plate for One Tabulator	Set	1.000	3,799	3,799
52.	1-53-00-942-10	160 MVA Transformer Winding Temp, Meter Range 0.160C 160MVA Transformer	No.	1.000	101,902	101,902
53.	1-53-00-942-15	Sub 018-400 Filter and Dryer Element Spare Parts	No.	2.000	2,431	4,862
54.	1-53-00-942-17	Sub 018-600 SF-6 Gas Leakage Detector Spare Parts	No.	4.000	30,495	121,980
55.	1-53-00-942-19	Complete Set Of Gas Kit Spare Parts	Set	2.000	LOT	1,259,712
56.	1-53-00-942-29	66 KV Bushing Spare	No.	1.000		
57.	1-53-00-942-30	Gaskit 2152-045-34 Spare Parts for ASEA make minimum oil CB	Pcs	182.000	213	38,821
58.	1-53-00-942-31	Gaskit 2152-048-297 Spare Parts for ASEA Make Minimum Oil CB	Pcs	183.000	514	94,148
59.	1-53-00-942-32	Washer 2153-811-1 Spare Parts for ASEA make minimum oil CB	Pcs	15.000	13,445	201,669
60.	1-53-00-942-33	Gaskit 2152-841-2 Spare Parts for ASEA make minimum oil CB	Pcs	183.000	456	83,448
61.	1-53-00-942-34	O-Ring 2152-2011-313 Spare Parts for ASEA make minimum oil C.B	Pcs	27.000	361	9,757
62.	1-53-00-942-36	O-Ring 2152-929-30	Pcs	49.000	13	623

		(24.2X30) Spare Parts for ASEA make minimum oil CB				
63.	1-53-00-942-38	O-Ring 2152929-45 spare parts for ASEA make minimum oil C.B	Pcs	7.000	94	658
64.	1-53-00-942-40	Support Ring 2152-4028-1 spare parts for ASEA make minimum oil C.B	Pcs	61.000	75	4,575
65.	1-53-00-942-41	Friction Disc for Friction Coupling 2281-951-1 spare parts for ASEA make minimum oil C.B.	Pcs	2.000	2,732	5,464
66.	1-53-00-942-42	Lock washer 2154-743-1 spare parts for ASEA make minimum oil C.B	Pcs	1.000	114	114
67.	1-53-00-942-44	Band pipe wrench 1612-265 a spare parts for ASEA make minimum oil C.B	Pcs	1.000	18,036	18,036
68.	1-53-00-942-47	O-Ring 2152-930-65 spare parts for ASEA make minimum oil C.B	Pcs	30.000	184	5,520
69	1-53-00-942-49	O-Ring 2152-929-105 (94.1x5.7) spare parts for ASEA make minimum oil C.B	Pcs	15.000	631	9,465
70.	1-53-00-942-50	O-Ring 2152-229-14 spare parts for ASEA make minimum oil C.B	Pcs	15.000	21	315
71.	1-53-00-942-51	O-Ring 2152-229-30 spare parts for ASEA make minimum oil C.B	Pcs	10.000	61	610
72.	1-53-00-942-52	Cover 2196-731-c spare parts for ASEA make minimum oil C.B	Pcs	5.000	6,193	30,965
73.	1-53-00-942-53	SKRF msx10fzb (2121-2711-325) spare parts for ASEA C.B	Pcs	150.000	6	918
74.	1-53-00-942-58	Packing Ring for cover AG 333800 p0005 replacement for AG 13506 p5	Set	18.000	148	2,655
75.	1-53-00-942-59	Packing Ring center PA 913506 p0029	Set	18.000	172	3,096
76.	1-53-00-942-60	Packing DISC AG 516006	Set	3.000	7,383	22,149
77.	1-53-00-942-61	Packing Ring 913504 p00024	Set	3.000	198	594
78.	1-53-00-942-62	Packing DISC 509429 p003	Set	3.000	1,865	5,595
79.	1-53-00-942-63	Packing Ring A 913506 p00030	Set	3.000	383	1,149
80.	1-53-00-942-64	Packing Ring A 913506 p0006	Set	3.000	417	1,251
81.	1-53-00-942-66	Valve Cartridge A 410813 R0001	Set	2.000	4,759	9,518
82.	1-53-00-942-68	Packing A 410300 P0001	Set	3.000	106	318
83.	1-53-00-942-69	Packing Ring A 913502 P0011	Set	5.000	111	555
84.	1-53-00-942-70	Packing 1509564 P0001	Set	3.000	503	1,509
85.	1-53-00-942-71	Fuses Cartridge 5403207 P0003	Set	2.000	65	130

86.	1-53-00-942-74	Packing for Contact Valve A 508472 P0001	Set	2.000	54	108
87.	1-53-00-942-75	Packing for Air Filter 503981 POS 02	Set	1.000	56	56
88.	1-53-00-942-76	Packing for F Ret Valve A 913504 P00024	Set	1.000	198	198
89.	1-53-00-942-77	Packing Ring AG 517800 P00001	Set	1.000	267	267
90.	1-53-00-942-78	Packing Ring for HL COL A913506P0029 Spares	Set	36.000	172	6,192
91.	1-53-00-942-79	Packing Ring for Valve DISC A304942R0001 Spares	Set	36.000	6,180	222,480
92.	1-53-00-942-80	Packing Ring for Arcing CHA 91356P0014 Spares	Set	36.000	3,461	124,596
93.	1-53-00-942-81	Packing Ring for Cover AG3338-00P 0013 replacement for A913506P13	Set	18.000	365	6,570
94.	1-53-00-942-82	Packing Ring for case AG 333800P00031 replacement for AG 13506P31 Spare	Set	36.000	457	16,452
95.	1-53-00-942-84	Evacuating Pump for Oil Hydraulic Spares	No.	2.000	162,031	324,062
96.	1-53-00-942-86	Packing DISC for cover A 509550 P0001 Spares	No.	18.000	527	9,486
97.	1-53-00-942-92	Pedestal insulator for 132 kv Dis-connector for normal atmosphere SP	Set	21.000	5,538	116,298
98.	1-53-00-942-94	Surge Counter VC-13	No.	26.000	11,082	288,132
99.	1-53-00-943-03	Moving Contact TIP	No.	29.000	1,356	39,324
100.	1-53-00-943-13	Upper Part of a Single Pole (i.e. Porcelain fixed contact) Spares	No.	1.000	33,910	33,910
101.	1-53-00-943-16	Special Tool & Instrument for over Hauling of C.B	Kg	1.000	102,357	102,357
102.	1-53-00-943-18	Fixed Contact	Set	1.000	5,510	5,510
103.	1-53-00-943-19	Fixed Contact main finger	Set	3.000	5,510	16,530
104.	1-53-00-943-23	Set of Gasket Spares	Set	2.000	5,593	11,186
105.	1-53-00-943-28	Spare Parts for FTA Mechanism Complete Charging Unit for Closing Spring	No.	45.000	33,375	1,501,875
106.	1-53-00-943-30	220VAG/220DC Rectifier for Closing Spring Charging Motor FIG 17 CAT No.	No.	30.000	1,757	52,710
107.	1-53-00-943-40	Dehydrating Breaker for main Tank Spares	Pcs	3.000	200	600
108.	1-53-00-943-43	Spare Box Spares	Pcs	1.000	22,000	22,000
109.	1-53-00-943-45	Gasket for hand hole 569/540 Spares	Pcs	3.000	150	450
110.	1-53-00-943-46	Gasket for Hand hole 367/347 Spares	Pcs	5.000	150	750
111.	1-53-00-943-51	Gasket for Hand hole 549/349 Spares	Pcs	3.000	150	450
112.	1-53-00-943-52	Gasket for Hand hole 549/349 Spares	Pcs	2.000	150	300

113.	1-53-00-943-58	Oil Temperature Indicator Spares	Pcs	1.000	180	180
114.	1-53-00-943-72	Complete set of Transition Resistors for 3XMI802 Y-150/C	Pcs	1.000	6,000	6,000
115.	1-53-00-943-73	Break Contactor 220V DC HSCI Spares	Pcs	1.000	2,000	2,000
116.	1-53-00-943-74	Auxiliary Contactor 220V DC Spares	Pcs	1.000	2,000	2,000
117.	1-53-00-943-75	Motor Contactors 220KV DC Spares	Pcs	1.000	2,000	2,000
118.	1-53-00-943-79	Push Button Switch AH 30-FR 22 Spares	Pcs	1.000	1,500	1,500
119.	1-53-00-943-80	Push Button Switch AH 30-FG 22 Spares	Pcs	1.000	1,500	1,500
120.	1-53-00-943-81	Push Button Switch AH 30-FB Spares	Pcs	1.000	1,500	1,500
121.	1-53-00-943-86	Fuse NSD 6 6A Spares	Pcs	4.000	500	2,000
122.	1-53-00-943-87	HV Busing Spares	Pcs	1.000	555,000	555,000
123.	1-53-00-943-88	HV Neutral Bushing Spares	Pcs	1.000	89,981	89,981
124.	1-53-00-943-89	LV Bushing Spares	Pcs	1.000	402,240	402,240
125.	1-53-00-943-92	Resistance + DIOD 401588-3600 FOR 220 kv Bus Isolator	Pcs	4.000	10,805	43,220
126.	1-53-00-943-93	Slip Coupling 27525-155 FOR 220 kv Bus Isolator	Pcs	5.000	2,709	13,545
127.	1-53-00-943-94	Centrifugal Break 27528-1 FOR 220 kv Bus Isolator	Pcs	5.000	985	4,925
128.	1-53-00-943-95	Sets main Contacts 50643-3 Phase Disconnecter	No.	4.000	15,930	63,720
129.	1-53-00-943-96	Motor Drives 305042 TYPE EAC complete for 220 kv Bus Isolator	No.	4.000	73,081	292,324
130.	1-53-00-943-97	Insulator Complete	No.	15.000	17,573	263,595
131.	1-53-00-943-99	Heater 220V 401602 Spares for 220 kv Bus Isolator	No.	4.000	1,807	7,228
132.	1-53-00-944-00	Auxiliary Contacts for 220 kv Bus Isolator	No.	5.000	4,598	22,990
133.	1-53-00-944-01	Set and Switch 401635-102 for 220 kv Bus Isolator	No.	1.000	9,032	9,032
134.	1-53-00-944-02	Thermal Relay 402091 FOR 220 kv Bus Isolator	No.	4.000	3,275	13,100
135.	1-53-00-944-03	Switches 4030001-220 Spares for 220 kv Bus Isolator	No.	5.000	3,531	17,655
136.	1-53-00-944-04	Loss of Voltage Relay Unit Type-I Along with Time Delay and Tripping REL	No.	39.000	30,505	1,189,695
137.	1-53-00-944-10	Filter Element to SF-6 Suitable for a Three Pole Circuit Breaker	No.	2.000	3,275	6,550
138.	1-53-00-944-12	SF-6 Gas Leakage Detector	No.	1.000	218,812	218,812
139.	1-53-00-944-17	H.V Bushing	No.	6.000	555,119	3,330,711
140.	1-53-00-944-18	L.V Bushing	No.	6.000	408,281	2,449,686
141.	1-53-00-944-19	Neutral Bushing	No.	3.000	89,989	269,967

142.	1-53-00-944-20	Blue-choke Relay	No.	3.000	22,834	68,502
143.	1-53-00-944-23	Single Pole Complete (Excluding Base)	No.	1.000	191,579	191,579
144.	1-53-00-944-27	Filter and Dryer element for SF-6	No.	3.000	3	9
145.	1-53-00-944-28	SF-6 Gas Leakage Detector	No.	10.000	169	1,690
146.	1-53-00-944-33	Over Current Relays MCT 119	No.	3.000	30,280	90,840
147.	1-53-00-944-34	Check Synchronizing Relay Type MAV S02	No.	1.000	58,470	58,470
148.	1-53-00-944-35	Auxiliary Relay MAA-II	No.	3.000	30,280	90,840
149.	1-53-00-944-36	Auxiliary MVAA II	No.	3.000	30,280	90,840
150.	1-53-00-944-53	HRC Fuses 66KV Spare S&C Type SMD 50 (476065)	No.	130.000	16,535	2,149,550
151.	1-53-00-944-54	HRC Fuses 66KV Spare Type SMD 50	No.	43.000	7,549	324,607
152.	1-53-00-944-55	HRC Fuses 33KV Spare Type SMU 20 (614065)	No.	54.000	2,560	138,240
153.	1-53-00-944-56	HRC Fuses 33KV Spare (614025)	No.	26.000	2,560	66,560
154.	1-53-00-951-18	Portion of Weld Mated Type-A	No.	19.000	40	766
155.	1-53-00-951-19	HPS-O-RO-9114041 Hydraulic Saw	No.	18.000	45,540	819,720
156.	1-53-00-951-20	Pump Packing Fig No. 17 Item 65 No. 455EA549	No.	36.000	94,445	3,400,033
157.	1-53-00-951-53	O-Ring for DD DC 19	No.	13.000	6,339	82,410
158.	1-53-00-953-75	Single Phase Shunt Capacitor PE-FK	No.	38.000	21,009	798,326
159.	2-00-01-003-00	132 kv D/C Tower Type ZM- 60	No.	1.000	86,646	86,646
160.	2-01-02-004-00	ACSR LYNX Conductor	Km	0.497	99,586	49,494
161.	2-01-02-004-00	ACSR LYNX Conductor	Km	3.928	99,586	391,174
162.	2-02-01-004-00	Basic Body for 132KV D/C Power Type ZM-1 (W/o Nut & Bolts)	No.	5.000	47,458	237,288
163.	2-02-02-002-00	Basic Body for 132 kv S/C Tower Type TM-60 (W/o Nut & Bolts)	No.	2.000	66,069	132,138
164.	2-02-02-003-00	Basic Body for 132KV S/C Tower Type TYD (W/o Nut & Bolts)	No.	4.000	48,973	195,892
165.	2-02-02-006-00	Basic Body for 66KV S/C Tower Type SM-60 (W/o Nut & Bolts)	No.	74.000	41,924	3,102,408
166.	2-04-00-002-00	Double Tension Fitting for Cardinal	Set	2.000	4,058	8,116
167.	2-04-00-003-00	Double Tension Fitting for Rail	Set	84.000	1,011	84,912
168.	2-08-02-006-00	Leg Extension 3M for 132 kv D/C Tower Type ZM-60 (W/o Nut & Bolts)	No.	2.000	20,573	41,146
169.	2-08-02-007-00	Leg Extension 3M for 132 kv S/C Tower Type TYD (W/o Nut & Bolts)	No.	5.000	8,454	42,268
170.	2-08-02-010-00	Leg Extension 3M for 66 kv	No.	14.000	10,411	145,756

		S/C Tower Type SM-60 (W/o Nut & Bolts)				
171.	2-08-02-014-00	Leg Extension 3M for 132 kv S/C Tower Type SM-1	No.	16.000	35,320	565,112
172.	2-08-04-003-00	Leg Extension 6M for 132 kv S/C Tower Type ZM-1 (W/o Nut & Bolts)	No.	2.000	16,899	33,798
173.	2-08-04-004-00	Leg Extension 6M for 132 kv D/C Tower Type TBA (W/o Nut & Bolts)	No.	28.000	13,290	372,111
174.	2-08-04-005-00	Leg Extension 3M for 132 kv S/C Tower Type TM-60 (W/o Nut & Bolts)	No.	7.000	22,916	160,413
175.	2-09-00-003-00	Mid Span Joint for Cairo	No.	123.000	270	33,210
176.	2-09-00-007-00	Mid Span Joint for Earth Wire	No.	39.000	107	4,173
177.	2-09-00-009-00	Mid Span Joint for Greely	No.	213.000	422	89,886
178.	2-09-00-011-00	Mid Span Joint for Rail	No.	1,138.000	715	813,670
179.	2-11-00-000-09	Repair Sleeve for Greely	No.	180.000	179	32,220
180.	2-11-00-003-00	Repair Sleeve for Cairo	No.	64.000	142	9,088
181.	2-11-00-011-00	Repair Sleeve for Rail	No.	688.000	211	145,168
182.	2-12-00-006-00	Single Suspension Fitting for 132 kv Greely	Set	1,249.000	942	1,176,558
183.	2-12-00-008-00	Single Suspension Fitting for 220 kv Greely	Set	1,650.000	952	1,571,444
184.	2-12-00-011-00	Single Suspension Fitting for Earth Wire	Set	4,528.000	194	879,790
185.	2-12-00-013-00	Single Suspension Fitting for AASC Cairo	No.	10.000	3,471	34,710
186.	2-12-00-015-00	Single Suspension Fitting 220 kv Rail 400 MM	No.	74.000	942	69,708
187.	2-13-00-008-00	Single Tension Fitting for LYNX	Set	928.000	792	734,976
188.	2-13-00-009-00	Single Tension Fitting for 132 kv Greely	Set	13.000	1,225	15,927
189.	2-13-00-010-00	Single Tension Fitting for 220 kv Greely	Set	419.000	1,234	517,046
190.	2-13-00-012-00	Single Tension Fitting for 220 kv Rail	Set	34.000	1,332	45,288
191.	2-13-00-017-00	132 kv Single Tension String for 600 MM	No.	135.000	1,394	188,190
192.	2-16-20-002-00	Earth Wire 9 MM	No.	1.416	7,000	9,912
193.	2-21-00-121-00	Parallel Grove Connector	No.	2,900.000	135	391,500
194.	2-21-00-122-00	T-150 for ACSR DOG	No.	450.000	225	101,250
195.	2-21-00-123-00	Dead End Clamp	No.	20.000	187	3,740
196.	2-21-00-126-00	Suspension Clamp for AACS Greely ACSR Rail	No.	1,488.000	539	802,032
197.	2-24-00-001-00	220 kv Double Suspension String for Coordinal	No.	156.000	3,763	587,028
198.	2-24-00-002-00	Double Suspension for AASC Cairo	No.	6.000	13,038	78,228
199.	2-25-07-003-00	DISC Insulator 132 kv	No.	286.000	631	180,466
200.	2-25-08-004-00	ACSR Conductor Cardinal	Km	14.316	64,426	922,323
201.	3-59-02-010-40	Barbed Wire (R)	Kg	147.000	15	2,205

202.	1-11-03-001-00	132 kv Circuit Breaker 20 kva 1600 Normal Creep Age	No.	1.000	79,417	79,417
203.	1-53-00-942-89	Auxiliary Switches for 132 kv Isolator	No.	18.000	882	15,876
204.	1-53-00-942-50	O-Ring 2152-929-12	No.	5.000	21	105
205.		Lighting Material	Set	30.000	600	17,985
206.		Static Digital Time Delay Relay MVT-14	No.	1.000	34,343	34,343
207.		Sealing Ring	No.	25.000	90	2,250
208.		Accessories for Outdoor Termination Kit for S/Core	No.	859.000	1,251	1,074,609
209.		Accessories for Outdoor Termination Kit for S/Core	No.	1,579.000	110	173,690
210.	1-27-02-00-2-00	66 kv Liquid Fuse without Rods	No.	8.000	31,590	252,720
TOTAL						45,045,275

Annexure-7
(Para-3.6.2.3.5 of Thematic Audit)

STATEMENT SHOWING THE DETAIL OF SCRAP MATERIAL

Sr. No.	Description of Material	Unit Rate (Rs.)	Qty	Amount (Rs.)
1	Tower Braces Mix iron scrap	91,676	115	10,542,740
2	Iron panel scrap	48,239	115	5,547,485
3	PVC Scrap off size	6,374	100	637,400
4	ACSR Conductor	9,703	500	4,851,500
5	Power cable	14,329	300	4,298,700
6	Circuit Breaker iron scrap	43,136	120	5,176,320
7	Battery Scrap	9,603	252	2,419,956
8	Capacitor Cell Mix	2,815	50	140,750
9	Burnt water motor	323	250	80,750
10	Aluminum Conductor scrap	675	650	438,750
11	Copper Scrap mix	2,525	2,000	5,050,000
12	Iron Scrap mix	119,195	115	13,707,425
13	Tower Braces Mix iron scrap	202,227	115	23,256,105
14	Old off road / Damage Breaker	2	85,000	170,000
15	Old Damage Burrent power 66 KV	400,000	1	400,000
16	Dismantle Tower ZM-1	49,680	150	7,452,000
Grand Total				84,169,881

Annexure-8
(Para-4.4.3 of Impact Audit)

Statement Showing the detail of Line Losses & Detection Charged during the year 2022-23 & 2023-24 in respect of LESCO							
Name of the Circle	Name of Division	2022-23		2023-24		Analysis	
		Line Losses	Detection Charged	Line Losses	Detection Charged	Change in Line Losses	Change in Detection Charged
1	2	3	4	5	6	7	8
1st Circle	Gulshan-e-Ravi	15.3%	153,111,610	16.5%	278,214,307	7.9%	81.71%
	Feroz Wala	14.0%	126,610,262	19.6%	298,508,682	39.2%	135.77%
	Ravi Road	11.6%	100,179,619	16.4%	444,401,002	42.1%	343.60%
	Data Darbar	10.9%	65,491,343	11.7%	149,199,840	6.5%	127.82%
	Badami Bagh	10.5%	68,876,072	14.7%	198,566,112	39.8%	188.29%
	Kot Abdul Malik	11.1%	296,313,501	14.3%	1,451,667,332	28.8%	389.91%
Central Circle	Town Ship	7.5%	97,517,961	12.0%	144,364,514	59.7%	48.04%
	Raiwind	7.5%	256,372,774	13.5%	517,223,966	80.8%	101.75%
	A.I. Town	14.4%	72,514,866	15.4%	154,039,414	6.5%	112.42%
	Samanabad	11.2%	69,156,377	11.5%	162,104,497	2.7%	134.40%
	Civil Line	7.2%	46,942,366	9.4%	135,385,955	29.6%	188.41%
	Shahpur	12.3%	166,472,623	21.2%	329,405,675	72.9%	97.87%
	Johar Town	7.9%	73,312,846	5.6%	198,120,644	-29.8%	170.24%
Eastern Circle	Shalamar Div	13.1%	507,373,952	18.8%	1,981,074,418	43.3%	290.46%
	Mcleod Road	5.5%	81,924,487	11.1%	245,025,486	102.5%	199.09%
	Mughalpura	10.1%	106,067,985	11.5%	180,351,113	13.8%	70.03%
	Baghbanpura	7.7%	409,725,124	10.9%	423,751,209	41.6%	3.42%
Okara Circle	Okara Divi.	11.6%	36,678,386	11.4%	87,792,917	-2.0%	139.36%
	Renala Div.	14.3%	63,407,846	14.6%	106,106,998	2.2%	67.34%

	Okara cant	11.1%	48,064,289	11.7%	97,973,126	5.0%	103.84%
	Depalpur Div.	15.4%	224,125,007	15.9%	454,007,691	3.4%	102.57%
	Hujra City	17.5%	168,209,728	17.5%	354,623,866	-0.1%	110.82%
Nankana Circle	Nankana Div.	9.1%	30,071,274	11.5%	93,284,947	26.8%	210.21%
	Shahkot Div.	8.6%	23,030,924	10.9%	65,625,295	26.4%	184.94%
	Manan wala	6.0%	21,341,449	6.7%	46,723,608	11.8%	118.93%
	Bucheki Div.	13.5%	21,417,452	15.2%	76,624,408	13.2%	257.77%
Defence Circle	Gulberg	4.2%	79,054,166	8.4%	202,480,810	102.5%	156.13%
	Defence Div	9.0%	66,207,779	8.8%	95,238,735	-1.5%	43.85%
	Kot Lakhpat	10.2%	185,188,477	15.7%	366,297,021	54.5%	97.80%
	Cantt	6.4%	42,463,170	6.8%	55,501,019	5.8%	30.70%
	Aziz Bhatti	19.4%	56,143,911	20.2%	120,196,038	4.4%	114.09%
	Defence East	10.2%	94,687,344	8.7%	196,976,113	-14.8%	108.03%
Sheikhupura Circle	Sheikhupura City	6.6%	185,154,123	9.9%	90,669,574	51.0%	-51.03%
	Sheikhupura Rural	7.2%	55,202,632	10.6%	85,119,437	47.4%	54.19%
	Farooqabad	17.4%	35,423,378	18.5%	99,863,816	6.0%	181.91%
	Muridke	8.3%	151,133,507	14.4%	139,559,885	73.5%	-7.66%
Kasur Circle	Kasur City	17.6%	317,708,824	25.9%	574,214,363	47.2%	80.74%
	Kasur Rural	24.7%	491,379,226	33.6%	1,060,179,199	35.8%	115.76%
	Chunian	26.3%	631,659,409	34.7%	766,704,203	32.2%	21.38%
	Phool Nagar	18.8%	537,727,138	32.4%	971,318,928	72.5%	80.63%
	Kot Radha Kishin	21.6%	161,907,766	29.0%	153,386,687	34.2%	-5.26%

Annexure-9
(Para-4.4.3 of Impact Audit)

Statement Showing the detail of Line Losses & Detection Charged during the year 2022-23 & 2023-24 in respect of HESCO							
Circle	Division	2022-23		2023-24		Analysis	
		Line Losses	Detection Charged (in million)	Line Losses	Detection Charged (in million)	Change in Line Losses	Change in Detection Charged
1	2	3	4	5	6	7	8
Hyderabad I	Gharikhata	32.10%	811	33.60%	1441	4.67%	77.70%
	Latifabad I	33.30%	2027	28.10%	1260	-15.60%	-37.80%
	Latifabad II	48.50%	322	36.20%	1838	-25.40%	470.80%
	Qasimabad	37.90%	1340	38.30%	2232	1.10%	66.60%
	Tando Allah Yar	26.50%	719	28.50%	857	7.50%	19.20%
Laar	Badin	34.10%	115	34.10%	227	0.00%	97.40%
	Kotri	37.50%	172	39.10%	262	4.30%	52.30%
	Phuleli	39.60%	959	39.60%	1534	0.00%	60.00%
	T M Khan	35.60%	346	35.80%	489	0.60%	41.30%
	Thattha	40.50%	356	41.00%	711	1.20%	99.70%
Mirpur Khas	Digri	27.60%	231	28.80%	189	4.30%	-18.20%
	Mirpur Khas	32.40%	468	34.90%	681	7.70%	45.50%
	Umerkot	28.70%	326	26.30%	298	-8.40%	-8.60%
Nawab Shah	Matari	27.00%	349	25.90%	764	-4.10%	118.90%
	Nawab Shah	34.90%	1840	34.80%	1562	-0.30%	-15.10%
	Sanghar	27.90%	423	26.70%	551	-4.30%	30.30%
	Tando Adam	28.20%	558	25.60%	438	-9.20%	-21.50%

Annexure-10
(Para-4.4.8 of Impact Audit)

Public Feedback on the Effectiveness of Anti-Theft Campaign in LESCO

<u>Questionnaire of Anti Theft Campaign</u>			
1	Gender	Male ☒	Female
2	Age	Above 25 years	Above 35 years
3	Circle	ننگہ نہ رہا	
4	Type of Consumer	Residential ☒	Commercial
5	Are you aware of the recent anti-theft campaign launched by Government?	Yes ☒	No
6	Is there any electricity theft in your area?	Yes	No ☒
7	How effective do you think the campaign has been in reducing electricity theft?	Very Effective	Some what effective ☒
8	Have you reported any electricity theft indecent to the authorities?	Yes	NO ☒
9	Consumer Signature	Date 21/4/24	

Questionnaire of Anti Theft Campaign			
1	Gender	Male ☒	Female ☐
2	Age	Above 25 years ☐	Above 35 years ☐
3	Circle	Okara	
4	Type of Consumer	Residential ☒	Commercial ☐
5	Are you aware of the recent anti-theft campaign launched by Government?	Yes ☒	No ☐
6	Is there any electricity theft in your area?	Yes ☒	No ☐
7	How effective do you think the campaign has been in reducing electricity theft?	Very Effective ☐	Somewhat effective ☒
8	Have you reported any electricity theft indecent to the authorities?	Yes ☐	NO ☒
9	Consumer Signature <u>Shahid Mahmood</u> Date <u>20/11/2024</u> 0842-685620		

Questionnaire of Anti Theft Campaign

1	Gender	✓ Male	Female	
2	Age	✓ Above 25 years	Above 35 years	Above 45 years
3	Circle	Kasero		
4	Type of Consumer	✓ Residential	Commercial	Industrial
5	Are you aware of the recent anti-theft campaign launched by Government?	✓ Yes	No	
6	Is there any electricity theft in your area?	✓ Yes	No	
7	How effective do you think the campaign has been in reducing electricity theft?	✓ Very Effective	Some what effective	Not all effective
8	Have you reported any electricity theft indecent to the authorities?	Yes	✓ NO	
9	Consumer Signature <u>(-)/i/</u> Date <u>21-11-24</u> <i>Asst. Engineer</i> <i>ESCD S/Division Rajahmundry</i>			

Annexure-11
(Para-4.4.8 of Impact Audit)

Public Feedback on the Effectiveness of Anti-Theft Campaign in HESCO

Questionnaire of Anti Theft Campaign *Operation Sul Division Khimro 37345*

1	Gender	☒ Male	☐ Female	
2	Age	☐ Above 25 years	☒ Above 35 years	☐ Above 45 years
3	Circle	<i>Nandab Shah</i>		
4	Type of Consumer	☐ Residential	☒ Commercial	☐ Industrial
5	Are you aware of the recent anti-theft campaign launched by Government?	☒ Yes		☐ No
6	Is there any electricity theft in your area?	☐ Yes		☒ No
7	How effective do you think the campaign has been in reducing electricity theft?	☒ Very Effective	☐ Some what effective	☐ Not all effective
8	Have you reported any electricity theft incident to the authorities?	☐ Yes		☒ NO
9	Consumer Signature <i>[Signature]</i> Date <i>4-11-2024</i>			

Questionnaire of Anti Theft Campaign

Sindh, 32347 Sub-Inv.

1	Gender	Male		Female
2	Age	Above 25 years	Above 35 years	Above 45 years ✓
3	Circle	Nawab Shoh.		
4	Type of Consumer	Residential	Commercial	Industrial ✓
5	Are you aware of the recent anti-theft campaign launched by Government?	Yes ✓		No
6	Is there any electricity theft in your area?	Yes		No ✓
7	How effective do you think the campaign has been in reducing electricity theft?	Very Effective ✓	Some what effective	Not all effective
8	Have you reported any electricity theft indecent to the authorities?	Yes		NO ✓
9	Consumer Signature	Date 01/11/2024		