



**AUDIT REPORT ON
COLLECTION AND REMITTANCE OF
NEELUM JHELUM SURCHARGE
AUDIT YEAR 2021-22**

AUDITOR GENERAL OF PAKISTAN

PREFACE

The Auditor General conducts audit in terms of Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with Sections 8 and 12 of the Auditor General's (Functions, Powers, Terms and Conditions of Service) Ordinance 2001. Audit of Neelum Jhelum Surcharge (collection and remittance) of DISCOs was carried out accordingly.

The Directorate General of Audit (Power) conducted this audit during November and December 2021, with a view to report significant findings to relevant stakeholders. The main objective of the audit was to examine whether DISCOs complied with the Cabinet decision dated 9th March, 2021 about revocation of Neelum-Jhelum Surcharge or not. Other objectives were to assess, on test check basis, whether the management complied with applicable tariffs and other regulations for calculation, collection and remittance of Neelum Jhelum Surcharge or not. The report has been finalized in the light of discussion in Departmental Accounts Committee meeting held on June 9, 2022.

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

Islamabad
Dated: 26 April 2023

-sd-
(Muhammad Ajmal Gondal)
Auditor-General of Pakistan

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ABBREVIATIONS AND ACRONYMS

BoD	Board of Directors
CE	Chief Engineer
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COD	Commercial Operation Date
CPPA-G	Central Power Purchase Agency Guaranteed
DAC	Departmental Accounts Committee
DISCOs	Distribution Companies
ECNEC	Executive Committee of the National Economic Council
ERP	Enterprise Resource Planning
ECC	Economic Coordination Committee
FESCO	Faisalabad Electric Supply Company
GM	General Manager
GEPCO	Gujranwala Electric Power Company
GST	General Sales Tax
HESCO	Hyderabad Electric Supply Company
IFRS	International Financial Reporting Standards
IAS	International Accounting Standard
IESCO	Islamabad Electric Supply Company
KWH	Kilo Watt Hour
LESCO	Lahore Electric Supply Company
MEPCO	Multan Electric Supply Company
MIS	Management Information System
MoE	Ministry of Energy
NJS	Neelum Jhelum Surcharge
NJHPCL	Neelum Jhelum Hydro Power Company Limited
PITC	Power Information Technology Company
PEPCO	Pakistan Electric Power Company
PESCO	Peshawar Electric Supply Company
QESCO	Quetta Electric Supply Company
SEPCO	Sukkur Electric Power Company
SOP	Standard Operating Procedures
TESCO	Tribal Electric Supply Company
ToRs	Terms of Reference
WAPDA	Water and Power Development Authority
NEPRA	National Electric Power Regulatory Authority
MW	Mega watt

EXECUTIVE SUMMARY

The Auditor General of Pakistan approved audit of Neelum-Jhelum surcharge (collection and remittance) to ascertain as to whether Cabinet Decision dated 9th March, 2021 about revocation of Neelum-Jhelum Surcharge was observed by DISCOs or not. Accordingly, audit was conducted to check whether Neelum Jhelum Surcharge collected @ Rs 0.10/KWH after 28th December, 2018 was duly refunded to consumers in true spirit or not.

During the audit of Neelum Jhelum Surcharge certain lapses were found especially in collection of surcharges after its revocation i.e. 09.03.2022. In addition, envisaged benefits were not provided to end users as per Cabinet Division's directions. Moreover, surcharge was neither remitted to CPPA-G nor to NJHPL.

a) Key audit findings:

- i. Unjustified collection of Neelum Jhelum Surcharge - Rs.409.408 million¹
- ii. Non-adjustment of Neelum Jhelum Surcharge collected by all DISCOs after 28.12.2018 to eligible consumers - Rs.17,747.077 million²
- iii. Loss due to less collection of Neelum Jhelum Surcharge imposed by different companies - Rs.2,701.91 million³
- iv. Unauthorized retention of Neelum-Jhelum Surcharge by different companies - Rs.6,121.236 million⁴
- v. Loss due to less collection pointed out by company with respect to PITC record against Neelum-Jhelum Surcharge - Rs.366.063 million⁵

¹ 5.1

² 5.2

³ 5.3

⁴ 5.4

⁵ 5.5

- vi. Violation of NEPRA's standing instruction relating to timely remittance of Neelum-Jhelum Surcharge - Rs.622.10 million⁶
- vii. Underestimation of collection of Neelum-Jhelum Surcharge - Rs.10.231 million⁷

⁶ 5.6

⁷ 5.7

1. INTRODUCTION

a. Implementation of Neelum-Jhelum Surcharge

According to meeting of PEPCO dated 16.01.2008 and later on Ministry of Water & Power notification dated 01.03.2008, “Neelum Jhelum Surcharge (NJS) shall be levied w.e.f. 1st January 2008 till 31st December 2015 at the rate of Rs.0.10/- per KWH on the consumption of electricity by every category of electricity consumer mentioned except the life-line domestic consumers of the category “Residential-A1” and following decisions were made for implementation:

- The said surcharge to be included for calculation of seasonal charges, late payment surcharge, GST and Income Tax.
- In case of WAPDA employee’s consumption, the department to pay the amount of said surcharge as already done for other WAPDA charges.

Ministry of Water and Power notification dated 01.03.2008 para (b) stated that Neelum Jhelum surcharge was to be deposited in a fund called the “Neelum-Jhelum Hydro Power Development Fund” to be kept in the ESCROW account of the Neelum-Jhelum company for exclusive use of the Neelum-Jhelum Hydro Power project.

b. Extension of Neelum-Jhelum Surcharge

According to tariff notification by Ministry of Water and Power dated 31.12.2015, the date “31.12.2015” was substituted with “31.12.2016” related to Neelum-Jhelum surcharge in pursuance of ECC decision No. 84/10/2015 dated 21.05.2015.

c. Revocation of Neelum-Jhelum Surcharge

According to Office Memorandum by Ministry of Energy (Power Division) dated 24.03.2021, NJ surcharge already imposed on electricity consumers @ Rs.0.10/kwh was revoked with the immediate effect. It was also ordered that:

- The NJ surcharge collected by the DISCOs and transferred to WAPDA after 28.12.2018 i.e. the date of taking over all units of NJP, be audited by the Auditor General of Pakistan.
- The NJ surcharge collected after taking over of all the NJP by WAPDA may be returned to the eligible consumers/adjusted in their forthcoming electricity bills.

According to Cabinet Division's decision No.ECC-53/6/2021 dated 19.02.2021, "the Economic Coordination Committee (ECC) of the cabinet considered the summary dated 12.02.2021 submitted by the Power Division titled "Revocation of Neelum-Jhelum surcharge @ Rs.0.10/kwh and approved the proposal as contained at para-4 of the summary."

2. AUDIT OBJECTIVES / GUIDELINES

The Auditor General of Pakistan approved Audit (collection and remittance) of Neelum-Jhelum surcharge @ Rs.0.10/KWH collected after 28.12.2018 till to date in order to ascertain as to whether Cabinet's decision dated 19.02.2021 regarding revocation of Neelum-Jhelum Surcharge was observed or not. However, broader objectives of the audit were to:

- Check total collection by the DISCOs and remittances of NJS to Neelum-Jhelum Hydro Project after 28.12.2018;
- Check collection after dated 24.03.2021;
- Reconcile the data between PITC and DISCOs;
- Check the record relating to billing and collection of NJS; and
- Check how much amount was refunded to effected consumers after the Cabinet decision.

3. AUDIT SCOPE & METHODOLOGY

The scope of audit of Neelum-Jhelum Surcharge (collection and remittance) @ Rs.0.10/KWH covered the period w.e.f. 28.12.2018 till the date of audit.

Following audit methodology was adopted during the course of execution of audit: -

- Interview and discussion with the management.
- Review of NEPRA Instructions.
- Interviews with the stakeholders.
- Discussion with the management/exit meetings.
- Review of Progress reports.
- Analysis of data received from PITC and DISCOs.

4. FINANCIAL OUTLAY

The financial data from all the DISCOs was collected by the help of Branch Audit Offices. A summary of financial data collected is as under:

(Rs. in million)

Sr. No.	Company Name	Period	Collection Pointed out by Companies	Remittance to M/s Neelum Jhelum Hydro Power Company	Not Remitted to M/s Neelum Jhelum Hydro Power Company
1	LESCO	28-12-2018 to 06/2019	856.312	856.312	0
		2019-20	1,752.54	1,202.078	550.462
		07/2020 to 24-03-2021	1,538.97	0	1538.97
		25-03-2021 to 09/2021	82.727	0	82.727
	Total		4,230.549	2,058.39	2,172.159
2	GEPCO	28-12-2018 to 06/2019	480.73	355.239	125.491
		2019-20	884.11	938.718	(54.608)
		07/2020 to 24-03-2021	835.85	36.22	799.63
		25-03-2021 to 09/2021	31.07	0	31.07
	Total		2,231.76	1,330.177	901.583
3	FESCO	28-12-2018 to 06/2019	497.98	375.08	122.9
		2019-20	1,044.34	1,051.44	(7.1)
		07/2020 to 24-03-2021	945.58	0	945.58
		25-03-2021 to 09/2021	46.43	0	46.43
	Total		2,534.33	1,426.52	1,107.81
4	IESCO	28-12-2018 to 06/2019	396.17	186.23	209.94
		2019-20	834.4	767.884	66.516
		07/2020 to 24-03-2021	738.673	0	738.673
		25-03-2021 to 09/2021	26.185	0	26.185
	Total		1,995.428	954.114	1,041.314
5	MEPCO	28-12-2018 to 06/2019	747.77	747.75	0.02
		2019-20	1,423.26	1,423.26	0
		07/2020 to 24-03-2021	1,370.18	1,104.5	265.68
		25-03-2021 to 09/2021	56.26	0	56.26
	Total		3,597.47	3,275.51	321.96
6	PESCO	28-12-2018 to 06/2019	359.452	359.232	0.22
		2019-20	724.071	639.448	84.623

		07/2020 to 24-03-2021	682.9	373.222	309.678
		25-03-2021 to 09/2021	42.058	0	42.058
	Total		1,808.481	1,371.902	436.579
7	HESCO	28-12-2018 to 06/2019	119.589	119.589	0
		2019-20	218.922	218.92	0.002
		07/2020 to 24-03-2021	183.03	162.355	20.675
		25-03-2021 to 09/2021	22.065	0	22.065
	Total		543.606	500.864	42.742
8	SEPCO	28-12-2018 to 06/2019	70.06	66.6	0
		2019-20	125.59	120.9	0
		07/2020 to 24-03-2021	99.81	118.65	0
		25-03-2021 to 09/2021	14.61	0	14.61
	Total		310.07	306.15	14.61
9	QESCO	28-12-2018 to 06/2019	76.784	46.789	0
		2019-20	173.342	164.557	0
		07/2020 to 24-03-2021	68.433	94.222	0
		25-03-2021 to 09/2021	85.279	96.646	1.623
	Total		403.838	402.214	1.623
10	TESCO	28-12-2018 to 06/2019	19.807	0	19.807
		2019-20	21.511	0	21.511
		07/2020 to 24-03-2021	47.503	0	47.503
		25-03-2021 to 09/2021	2.724	0	2.724
	Total		91.545	0	91.545
Grand Total			17,747.077	11,625.841	6,121.236

5. AUDIT FINDINGS

5. AUDIT FINDINGS

5.1 Unjustified collection of Neelum Jhelum Surcharge - Rs. 409.408 million

According to Office Memorandum of Govt. of Pakistan Ministry of Energy (Power Division) Power Policy and Finance Wing No. PF No.5/29-NJS/2020-21 dated 24.03.2021, revocation of Neelum Jhelum Surcharge @ Rs.0.10 / KWH was forwarded to the ECC of the Cabinet for consideration / approval. ECC of the Cabinet in its meeting held on 19.02.2021 considered the summary and approved the proposals contained in Para 04 of the summary. The para 04 of summary submitted on 12.02.2021 by Ministry of Energy (Power Division) (a) the NJS already imposed on electricity consumers @ of Rs.0.10/KWH for development of Neelum Jhelum Project may be revoked with immediate effect.

During the execution of audit (collection and remittances of Neelum Jhelum Surcharge after December 28th, 2018 till September, 2021), it was observed that different DISCOs (**Annexure-A**) had collected the Neelum Jhelum Surcharge amounting to Rs. 409.408 million after March 24, 2021 against the decision of Cabinet Division to revoke it with immediate effect. The recovery of such surcharge after the circulation of this decision was illegal and unjustified.

This unjustified deduction put the electricity consumers under an extra burden of Rs.409.408 million which was in violation of cabinet decision.

The matter was taken up with management and reported to the Ministry in January, 2022. The management replied that in compliance to ECC decision the billing against NJS was discontinued w.e.f 02.04.2021 conveyed by MoE (Power Division). However, no amount was charged through normal billing after the ECC decision.

The DAC in its meeting held on 9th June, 2022 directed the management to reconcile the balances with PITC and submit accurate report regarding collection of Neelum Jhelum surcharge after 28.12.2018. DAC further directed to constitute a committee under Chairmanship of the Joint Secretary to develop SOPs for refund of NJS to eligible consumers. No further progress was received till finalization of report.

Audit recommends that the management needs to implement DAC's directives.

5.2 Non-refund of Neelum Jhelum Surcharge to consumers Collected by DISCOs after 28.12.2018 -Rs. 17, 747.077 million

According to Office Memorandum of Govt. of Pakistan Ministry of Energy (Power Division) Power Policy and Finance Wing No. PF No.5/29-NJS/2020-21 dated 24.03.2021, revocation of Neelum Jhelum Surcharge @ Rs.0.10 / KWH was forwarded to the ECC of the Cabinet for consideration / approval. ECC of the Cabinet in its meeting held on 19.02.2021 considered the summary and approved the proposals contained in Para 04 of the summary. The para 04 of summary submitted on 12.02.2021 by Ministry of Energy (Power Division) (c) the NJS collected after taking over of the NJP by WAPDA may be returned to eligible consumers/ adjusted in their forthcoming electricity bills.

During the execution of audit (collection and remittances of Neelum Jhelum Surcharge after 28th December, 2018 till Sep, 2021), it was observed that all the DISCOs had collected Neelum Jhelum Surcharge amounting to Rs. 17,747.077 million after 28.12.2018. **(Annexure -B)** Details are as under;

(Rs. in million)

Sr. No.	Company Name	Collection Pointed out by Companies	Remittance to M/s Neelum Jhelum Hydro Power Company	Not Remitted to M/s Neelum Jhelum Hydro Power Company
1	LESCO	4,230.549	2,058.39	2,172.159
2	GEPCO	2,231.76	1,330.177	901.583
3	FESCO	2,534.33	1,426.52	1,107.81
4	IESCO	1,995.428	954.114	1,041.314
5	MEPCO	3597.47	3275.51	321.96
6	PESCO	1,808.481	1,371.902	436.579
7	HESCO	543.606	500.864	42.742
8	SEPCO	310.07	306.15	14.61
9	QESCO	403.838	402.214	1.623
10	TESCO	91.545	0	91.545
	TOTAL	17,747.077	11,625.841	6,121.236

As per Cabinet's decision, amount collected by DISCOs should be returned to the eligible consumers / adjusted in their forthcoming electricity bills. Neither any efforts to return the collected amount were made nor the same was adjusted in the forthcoming electricity bills. This is not only violation of Cabinet's decision but also an unnecessary retention of huge amount.

This unjustified deduction / non-adjustment of amount put the electricity consumers under an extra burden of Rs. 17,747.077 million in violation of Cabinet's decision.

The matter was taken up with management and reported to the Ministry in January, 2022. The management replied that the DISCOs have remitted a huge part of amount to the CPPA-G or NJHPL in the shape of payment of electricity after 28.12.2018. The same would be refunded to eligible consumers upon receipt of amount.

The DAC in its meeting held on 9th June, 2022 directed the management to reconcile the balances with PITC and submit accurate report regarding collection of Neelum Jhelum surcharge after 28.12.2018. DAC further directed to constitute a committee under Chairmanship of Joint Secretary to develop SOP for refund of NJS to eligible consumers. No further progress was received till finalization of report.

Audit recommends that the management needs to implement DAC's directives.

5.3 Loss due to less collection of Neelum Jhelum Surcharge imposed by different companies - Rs. 2,701.91 million

According to Para No. 4 of the notification by Ministry of Water and Power dated 10.06.2015, "there shall be levied till the 31.12.2015 Neelum-Jhelum Surcharge at the rate and categories of electricity consumers as specified in Schedule of Electricity Tariff for electricity sold by LESCO, during each of the billing month and such surcharge shall be deposited in a fund called the "Neelum-Jhelum Hydro Power Development Fund" to be kept in the ESCROW Account of the Neelum-Jhelum Company for exclusive use for the Neelum-Jhelum Hydro Power Project."

During the execution of audit (collection and remittances of Neelum Jhelum Surcharge after 28th December, 2018 till Sep, 2021), it was observed that an amount of Rs. 20,448.99 million (**Annexure-C**) was billed against active consumers of different companies and the recovery amounting to Rs.17,747.077 million was made by these companies. In this regard an amount of Rs 2,701.91 million was still recoverable against these active consumers; this less recovery

not only put these companies into a loss to the stated extent but also exposed weak internal controls/ negligence on part of the management.

Non-recovery against these consumers in violation of above-mentioned notification put the company under a loss of Rs.2,701.91 million.

The matter was taken up with management and reported to the Ministry in January, 2022. The management replied that difference between billing and collection was due to the fact that billing made for the previous month was collected in the next billing month from consumers. Another reason for difference in billing and collection was death of defaulters. However, there was no loss to company as NJ surcharge was not to be collected.

The DAC in its meeting held on 9th June, 2022 directed the management to reconcile the balance with PITC and get it verified from Audit. DAC further directed that refund of NJS to eligible consumers must be made. No further progress was received till finalization of report.

Audit recommends that the management needs to implement DAC's directives.

5.4 Unauthorized retention of Neelum-Jhelum Surcharge by different companies - Rs. 6,121.236 million

According to Para No. 4 of the notification by Ministry of Water and Power dated 10.06.2015, "there shall be levied till the 31.12.2015 Neelum-Jhelum Surcharge at the rate and categories of electricity consumers as specified in Schedule of Electricity Tariff for electricity sold by LESCO, during each of the billing month and such surcharge shall be deposited in a fund called the "Neelum-Jhelum Hydro Power Development Fund" to be kept in the ESCROW Account of the Neelum-Jhelum Company for exclusive use for the Neelum-Jhelum Hydro Power Project."

During the execution of audit (collection and remittances of Neelum Jhelum Surcharge after 28th December, 2018 till Sep, 2021), it was observed that an amount of Rs. 17,747.077 million was collected by different DISCOs after 28.12.2018 but only 11,625.841 million was remitted to Neelum-Jhelum Hydro Power company. In the light of directions issued by Ministry of Water and Power dated 10.06.2015, the amount of Rs. 6,121.236 million was unauthorizedly

retained by different DISCOs in violation of Ministry of Water and Power direction (**Annexure-D**). It is further stated that the utilization of this amount by different DISCOs was not forthcoming from the record. So, the chances of misappropriation of this retained amount could not be ruled out. Amount not remitted to WAPDA in violation of above rule is illegal and unjustified.

The matter was taken up with management and reported to the Ministry in January, 2022. The management replied that all the collection of NJS has been remitted to Neelum Jhelum Hydro Project WAPDA up to July, 2020. After July-2020, collection against Neelum Jhelum Surcharge had been remitted to CPPA-G in light of the fact that Commercial Operating Date (COD) of the Neelum Jhelum Project was intimated in December, 2018.

The DAC in its meeting held on 9th June, 2022 directed the management to reconcile the balances with PITC and submit accurate report of up-to-date collection of Neelum Jhelum Surcharge after 28.12.2018 to Audit. DAC further directed to constitute a committee under Chairmanship of Joint Secretary to develop SOP for refund of NJS to eligible consumers. No further progress was received till finalization of report.

Audit recommends that the management needs to implement DAC's directives.

5.5 Loss due to less collection of NJS by the DISCOs as pointed by PITC - Rs. 366.063 million

According to Para No. 4 of the notification by Ministry of Water and Power dated 10.06.2015, "there shall be levied till the 31.12.2015 Neelum-Jhelum Surcharge at the rate and categories of electricity consumers as specified in Schedule of Electricity Tariff for electricity sold by LESCO, during each of the billing month and such surcharge shall be deposited in a fund called the "Neelum-Jhelum Hydro Power Development Fund" to be kept in the ESCROW Account of the Neelum-Jhelum Company for exclusive use for the Neelum-Jhelum Hydro Power Project."

During the execution of audit (collection and remittances of Neelum Jhelum Surcharge after 28th December, 2018 till Sep, 2021), it was observed that the collection pointed out by PITC against Neelum-Jhelum surcharge from 28.12.2018

to Sep, 2021 was Rs. 18,113.14 million but the DISCOs has collected an amount of Rs. 17,747.077 million during this period. The less collection by the DISCOs put the company into a loss of Rs. 366.063 million (**Annexure-E**). The chances of misappropriation of such amount cannot be ruled out.

The matter was taken up with management and reported to the Ministry in January, 2022. The management replied that the total collection reported by both PITC and DISCOs from 25.3.2021 to 30.09.2021 was the same. Whereas, Audit has pointed out that collection difference as per PITC and as per DISCOs was Rs. 366.081 million. It seemed to be some type of error on the part of Audit which can be reconciled.

The DAC in its meeting held on 9th June, 2022 directed the management to reconcile the balance with PITC and get it verified from Audit. DAC further directed that refund of NJS to eligible consumers. No further progress was received till finalization of report.

Audit recommends that the management needs to implement DAC's directives.

5.6 Violation of NEPRA's standing instruction regarding timely remittance of Neelum-Jhelum Surcharge - Rs.622.10 million

According to the Decision of the Authority in the matter of Request filed by the Federal Government under Section 31(4) of NEPRA Act, 1997 for Inclusion of Subsidy/Surcharge in the Schedule of Tariff of DISCOs dated March 21, 2018 that surcharge namely "Neelum-Jhelum Surcharge" shall be deposited by the DISCOs in a Fund called the Neelum Jhelum Hydro Project Development Fund" to be kept in the ESCROW Account of the Neelum Jhelum Company for exclusive use for the Neelum-Jhelum Hydro Power Project.

During the execution of audit (collection and remittances of Neelum Jhelum Surcharge after 28th December, 2018 till Sep, 2021), it was observed that SEPCO collected Rs. 622.10 million (Rs. 518.417 million + Rs. 103.683 million) interest earned from consumers on account of Neelum-Jhelum Surcharge from December, 2014 to June, 2017 but did not deposit in Neelum Jhelum Hydro Project Development Fund (ESCROW account of Neelum-

Jhelum Company) which was clear violation of NEPRA's standing instructions. Neelum Jhelum Hydro Power Company Limited (NJHPCL) repeatedly requested to SEPCO to transfer the funds in ESCROW Account. However, management did not make compliance of NEPRA's instructions. Collected amount of NJS remained unspent in Company's NBP account for more than three years against which SEPCO earned interest of Rs.103.683 million which required to be remitted to NJHPCL.

Non-adherence to NEPRA's instructions resulted in non-remittance of NJS Rs. 622.10 million in Neelum Jhelum Hydro Project Development Fund.

The matter was taken up with management and reported to the Ministry in January, 2022. The management replied that the working paper along with its enclosures showing the month wise remittance of amount for the period 12/2014 to 06/2017 were ready for verification.

The DAC in its meeting held on 9th June, 2022 directed the management to justify reason(s) for non-remittance of NJS. No further progress was received till finalization of report.

Audit recommends that the management needs to implement DAC's directives.

5.7 Underestimation of collection of Neelum-Jhelum Surcharge - Rs.10.231 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 the execution of audit (collection and remittances of Neelum Jhelum Surcharge after 28th December, 2018 till Sep, 2021), it was observed that as per MIS report of SEPCO total Rs. 5,898.912 million units billed from January, 2019 to March, 2021 against which Neelum Jhelum Surcharge (NJS) @ Rs.0.10 KWH i.e., Rs. 589.891 million (**Annexure-F**) was to be collected,

but management reported NJS collected amount as Rs. 579.660 million which resulted in underestimation of NJS by Rs. 10.231 million in the books of account as illustrated:

Underestimation of Neelum Jhelum Surcharge

Period	Units billed as per MIS	NJS @0.10/ KWH (Rs.)	Amount billed as per consolidation section (Rs)	Difference (Rs)
28.12.2018 to June 19	1,248,654,848	124,865,484.8	123,230,000	(1,635,484.8)
July 19 to June 20	2,710,083,353	271,008,335.3	269,020,000	(1,988,335.3)
July 20 to 24.03.2021	1,940,173,826	194,017,382.6	187,410,000	(6,607,382.6)
TOTAL	5,898,912,027	589,891,202.7	579,660,000	(10,231,202.7)

Source: Data analysis- MIS-SEPCO & Banking Section-SEPCO

Non-adherence to provision of IFRS resulted in underestimation of NJS by Rs. 10.231 million in the books of account and non-adjustment to consumers.

The matter was taken up with management in January, 2022 and reported to the Ministry in January, 2022. The management replied that the amount of NJ surcharge was collected from consumers for the period 28.12.2021 to 24.03.2021 @ 0.10/KWH. However, after consultation of relevant record a comprehensive reply would be submitted to audit accordingly.

The DAC, in its meeting held on 9th June, 2022, directed the management to reconcile the balances and get it verified from Audit. No further progress was received till finalization of report.

Audit recommends that the management needs to implement DAC's directives.

6. RECOMMENDATIONS

In view of the key audit findings, the following measures / suggestions are recommended for the management to revoke the collection of NJS in future and to provide benefit in the light of directions of Cabinet Division to the consumers:

- Illegal collection of Neelum-Jhelum Surcharge was made after 24.03.2021 which needs to be investigated.
- All the collections after 28.12.2018 needed to be reconciled at DISCOs level with PITC and the adjustment of the same may be verified from audit.
- All collections after 28.12.2018 may be refunded to eligible consumers as per direction of Cabinet Division.
- An enquiry may be initiated regarding un-authorized retention of Neelum-Jhelum Surcharge besides fixing the responsibility against the persons at fault at DISCOs level.

7. CONCLUSION

In view of audit findings, it was concluded that the decision of Cabinet Division regarding Neelum-Jhelum Surcharge was not implemented in true letter and spirit. Illegal collection of Neelum-Jhelum Surcharge was made after 24.03.2021 and same was not refunded to the consumers. In addition, the billing and collection of Neelum Jehlum Surcharge were not reconciled by PITC and DISCOs. Un-authorized retention of Neelum-Jheulm Surcharge was also made by DISCOs.

8. ANNEXES

**Annex-A
(Para-5.1)**

**STATEMENT SHOWING COLLECTION OF
NEELUM JHELUM SURCHARGE AFTER 24-03-2021**

Sr. No	Company Name	NJS collected after 24.03.2021 upto 9/2021 by Company (Rs. in million)
1	LESCO	82.727
2	GEPCO	31.07
3	FESCO	46.43
4	IESCO	26.185
5	MEPCO	56.26
6	PESCO	42.058
7	HESCO	22.065
8	SEPCO	14.61
9	QESCO	85.279
10	TESCO	2.724
	Total	409.408

Annex-B
(Para-5.2)

STATEMENT SHOWING COLLECTION MADE BY DISCOs
AFTER 28-12-2018

(Rs. in million)

Sr. No.	Company Name	Period	Collection Pointed out by Companies	Remittance to M/s Neelum Jhelum Hydro Power Company	Not Remitted to M/s Neelum Jhelum Hydro Power Company
1	LESCO	28-12-2018 to 06/2019	856.312	856.312	0
		2019-20	1,752.54	1,202.078	550.462
		07/2020 to 24-03-2021	1,538.97	0	1,538.97
		25-03-2021 to 09/2021	82.727	0	82.727
	Total		4,230.549	2,058.39	2,172.159
2	GEPCO	28-12-2018 to 06/2019	480.73	355.239	125.491
		2019-20	884.11	938.718	-54.608
		07/2020 to 24-03-2021	835.85	36.22	799.63
		25-03-2021 to 09/2021	31.07	0	31.07
	Total		2,231.76	1,330.177	901.583
3	FESCO	28-12-2018 to 06/2019	497.98	375.08	122.9
		2019-20	1,044.34	1051.44	-7.1
		07/2020 to 24-03-2021	945.58	0	945.58
		25-03-2021 to 09/2021	46.43	0	46.43
	Total		2,534.33	1,426.52	1,107.81
4	IESCO	28-12-2018 to 06/2019	396.17	186.23	209.94
		2019-20	834.4	767.884	66.516
		07/2020 to 24-03-2021	738.673	0	738.673
		25-03-2021 to 09/2021	26.185	0	26.185
	Total		1,995.428	954.114	1,041.314
5	MEPCO	28-12-2018 to 06/2019	747.77	747.75	0.02
		2019-20	1,423.26	1,423.26	0
		07/2020 to 24-03-2021	1,370.18	1,104.5	265.68
		25-03-2021 to 09/2021	56.26	0	56.26
	Total		3,597.47	3,275.51	321.96
6	PESCO	28-12-2018 to 06/2019	359.452	359.232	0.22
		2019-20	724.071	639.448	84.623
		07/2020 to 24-03-2021	682.9	373.222	309.678
		25-03-2021 to 09/2021	42.058	0	42.058
	Total		1,808.481	1,371.902	436.579
7	HESCO	28-12-2018 to 06/2019	119.589	119.589	0
		2019-20	218.922	218.92	0.002
		07/2020 to 24-03-2021	183.03	162.355	20.675
		25-03-2021 to 09/2021	22.065	0	22.065
	Total		543.606	500.864	42.742

8	SEPCO	28-12-2018 to 06/2019	70.06	66.6	0
		2019-20	125.59	120.9	0
		07/2020 to 24-03-2021	99.81	118.65	0
		25-03-2021 to 09/2021	14.61	0	14.61
	Total		310.07	306.15	14.61
9	QESCO	28-12-2018 to 06/2019	76.784	46.789	0
		2019-20	173.342	164.557	0
		07/2020 to 24-03-2021	68.433	94.222	0
		25-03-2021 to 09/2021	85.279	96.646	1.623
	Total		403.838	402.214	1.623
10	TESCO	28-12-2018 to 06/2019	19.807	0	19.807
		2019-20	21.511	0	21.511
		07/2020 to 24-03-2021	47.503	0	47.503
		25-03-2021 to 09/2021	2.724	0	2.724
	Total		91.545	0	91.545
Grand Total			17,747.077	11,625.841	6,121.236

Annex-C
(Para-5.3)

**STATEMENT SHOWING DETAIL OF BILLING AND
COLLECTION OF NEELUM JHELUM SURCHARGE
AFTER 28-12-2018**

(Rs. in million)

Sr. No.	Company Name	Period	Amount Billed By Company	Amount Collected By Company	Difference	Total (Company Wise)
1	LESCO	28-12-2018 to 06/2019	983.453	856.312	127.141	329.424
		2019-20	2,054.196	1,752.548	301.648	
		07/2020 to 24-03-2021	1,523.937	1,538.97	-15.033	
		25-03-2021 to 09/2021	-1.605	82.727	-84.332	
2	GEPCO	28-12-2018 to 06/2019	516.711	480.731	35.98	30.918
		2019-20	989.546	884.117	105.429	
		07/2020 to 24-03-2021	756.733	835.85	-79.117	
		25-03-2021 to 09/2021	-0.304	31.07	-31.374	
3	FESCO	28-12-2018 to 06/2019	634.41	497.98	136.43	438.51
		2019-20	1,309.3	1,044.34	264.96	
		07/2020 to 24-03-2021	1,029.39	945.58	83.81	
		25-03-2021 to 09/2021	-0.26	46.43	-46.69	
4	IESCO	28-12-2018 to 06/2019	497.069	396.17	100.899	370.484
		2019-20	1,074.631	834.4	240.231	
		07/2020 to 24-03-2021	795.495	738.673	56.822	
		25-03-2021 to 09/2021	-1.283	26.185	-27.468	
5	MEPCO	28-12-2018 to 06/2019	816.1	747.75	68.35	27.6
		2019-20	1,633.15	1,423.26	209.89	
		07/2020 to 24-03-2021	1,175.58	1,370.18	-194.6	
		25-03-2021 to 09/2021	0.22	56.26	-56.04	
6	PESCO	28-12-2018 to 06/2019	424.67	359.452	65.218	230.663
		2019-20	899.897	724.071	175.826	
		07/2020 to 24-03-2021	714.539	682.909	31.63	
		25-03-2021 to 09/2021	0.047	42.058	-42.011	

7	HESCO	28-12-2018 to 06/2019	186.004	119.589	66.415	305.094
		2019-20	385.514	218.922	166.592	
		07/2020 to 24-03-2021	277.354	183.03	94.324	
		25-03-2021 to 09/2021	-0.172	22.065	-22.237	
8	SEPCO	28-12-2018 to 06/2019	123.23	70.06	53.17	269.63
		2019-20	269.02	125.59	143.43	
		07/2020 to 24-03-2021	187.41	99.81	87.6	
		25-03-2021 to 09/2021	0.04	14.61	-14.57	
9	QESCO	28-12-2018 to 06/2019	219.188	76.784	142.404	388.431
		2019-20	249.633	173.342	76.291	
		07/2020 to 24-03-2021	323.518	68.433	255.085	
		25-03-2021 to 09/2021	-0.07	85.279	-85.349	
10	TESCO	28-12-2018 to 06/2019	83.794	19.807	63.987	311.156029
		2019-20	180.263	21.511	158.752	
		07/2020 to 24-03-2021	138.644	47.503	91.141	
		25-03-2021 to 09/2021	0.000029	2.724	-2.723971	
	Total		20,448.99	17,747.077	2,701.91	2,701.91

Annex-D
(Para-5.4)

STATEMENT SHOWING COLLECTION AND REMITTANCES
AGAINST NEELUM JHELUM SURCHARGE

(Rs. in million)

Sr. No.	Company Name	Period	Collection Pointed out by Companies	Remittance to M/s Neelum Jhelum Hydro Power Company pointed out by Companies	Not Remitted to M/s Neelum Jhelum Hydro Power Company
1	LESCO	28-12-2018 to 06/2019	856.312	856.312	0
		2019-20	1,752.54	1,202.078	550.462
		07/2020 to 24-03-2021	1,538.97	0	1,538.97
		25-03-2021 to 09/2021	82.727	0	82.727
2	GEPCO	28-12-2018 to 06/2019	480.73	355.239	125.491
		2019-20	884.11	938.718	-54.608
		07/2020 to 24-03-2021	835.85	36.22	799.63
		25-03-2021 to 09/2021	31.07	0	31.07
3	FESCO	28-12-2018 to 06/2019	497.98	375.08	122.9
		2019-20	1,044.34	1,051.44	-7.1
		07/2020 to 24-03-2021	945.58	0	945.58
		25-03-2021 to 09/2021	46.43	0	46.43
4	IESCO	28-12-2018 to 06/2019	396.17	186.23	209.94
		2019-20	834.4	767.884	66.516
		07/2020 to 24-03-2021	738.673	0	738.673
		25-03-2021 to 09/2021	26.185	0	26.185
5	MEPCO	28-12-2018 to 06/2019	747.77	747.75	0.02
		2019-20	1,423.26	1,423.26	0
		07/2020 to 24-03-2021	1,370.18	1,104.5	265.68
		25-03-2021 to 09/2021	56.26	0	56.26
6	PESCO	28-12-2018 to 06/2019	359.452	359.232	0.22
		2019-20	724.071	639.448	84.623

		07/2020 to 24-03-2021	682.9	373.222	309.678
		25-03-2021 to 09/2021	42.058	0	42.058
7	HESCO	28-12-2018 to 06/2019	119.589	119.589	0
		2019-20	218.922	218.92	0.002
		07/2020 to 24-03-2021	183.03	162.355	20.675
		25-03-2021 to 09/2021	22.065	0	22.065
8	SEPCO	28-12-2018 to 06/2019	70.06	66.6	0
		2019-20	125.59	120.9	0
		07/2020 to 24-03-2021	99.81	118.65	0
		25-03-2021 to 09/2021	14.61	0	14.61
9	QESCO	28-12-2018 to 06/2019	76.784	46.789	0
		2019-20	173.342	164.557	0
		07/2020 to 24-03-2021	68.433	94.222	0
		25-03-2021 to 09/2021	85.279	96.646	1.623
10	TESCO	28-12-2018 to 06/2019	19.807	0	19.807
		2019-20	21.511	0	21.511
		07/2020 to 24-03-2021	47.503	0	47.503
		25-03-2021 to 09/2021	2.724	0	2.724
	Total		17,747.077	11,625.841	6,121.236

Annex-E
(Para-5.5)

**STATEMENT SHOWING UNRECONCILED COLLECTION
DATA OF PITC AND COMPANIES**

(Rs. in million)

Sr. No.	Company Name	Period	Collection Pointed out by PITC	Collection Pointed out by Company	Difference	Total (Company Wise)
1	LESCO	28-12-2018 to 06/2019	996.33	856.312	140.02	
		2019-20	1,752.56	1,752.540	0.01	
		07/2020 to 24-03-2021	1,538.97	1,538.970	0	
		25-03-2021 to 09/2021	88.72	82.727	5.993	146.023
2	GEPSCO	28-12-2018 to 06/2019	480.73	480.730	0	
		2019-20	884.11	884.111	0	
		07/2020 to 24-03-2021	835.85	835.850	0	
		25-03-2021 to 09/2021	31.69	31.070	0.62	0.62
3	FESCO	28-12-2018 to 06/2019	581.31	497.980	83.33	
		2019-20	1,044.33	1,044.340	-0.01	
		07/2020 to 24-03-2021	945.56	945.580	-0.02	
		25-03-2021 to 09/2021	48.67	46.430	2.24	85.54
4	IESCO	28-12-2018 to 06/2019	456.42	396.170	60.25	
		2019-20	834.4	834.400	0	
		07/2020 to 24-03-2021	738.69	738.673	0.017	
		25-03-2021 to 09/2021	26.05	26.185	-0.135	60.132
5	MEPCO	28-12-2018 to 06/2019	747.77	747.770	0.02	
		2019-20	1,423.26	1,423.260	0	
		07/2020 to 24-03-2021	1,370.18	1,370.180	0	
		25-03-2021 to 09/2021	58.57	56.260	2.31	2.33
6	PESCO	28-12-2018 to 06/2019	419.15	359.452	59.7	
		2019-20	724.06	724.071	-0.01	
		07/2020 to 24-03-2021	682.9	682.900	0	
		25-03-2021 to 09/2021	45.67	42.058	3.612	63.302

7	HESCO	28-12-2018 to 06/2019	143.72	119.589	24.131	
		2019-20	218.91	218.922	-0.012	
		07/2020 to 24-03-2021	182.69	183.030	-0.34	
		25-03-2021 to 09/2021	24.02	22.065	1.955	25.734
8	SEPCO	28-12-2018 to 06/2019	83.4	70.060	13.34	
		2019-20	125.59	125.590	0	
		07/2020 to 24-03-2021	99.82	99.810	0.01	
		25-03-2021 to 09/2021	16.7	14.610	2.09	15.44
9	QESCO	28-12-2018 to 06/2019	71.39	76.784	-5.394	
		2019-20	173.35	173.342	0.008	
		07/2020 to 24-03-2021	68.44	68.433	0.007	
		25-03-2021 to 09/2021	54.25	85.279	-31.029	-36.408
10	TESCO	28-12-2018 to 06/2019	23.08	19.807	3.273	
		2019-20	21.52	21.511	0.009	
		07/2020 to 24-03-2021	47.5	47.502	0	
		25-03-2021 to 09/2021	2.81	2.724	0.086	3.368
	Total		18,113.14	17,747.077	366.081	366.063

Annex-F
(Para-5.7)

UNDERESTIMATION OF NEELUM JHELUM SURCHARGE

Period	Units billed as per MIS	NJS @0.10/ KWH (Rs.)	Amount billed as per consolidation section (Rs.)	Difference (Rs.)
28.12.2018 to June 19	1,248,654,848	124,865,484.8	123,230,000	(1,635,484.8)
July 19 to June 20	2,710,083,353	271,008,335.3	269,020,000	(1,988,335.3)
July 20 to 24.03.2021	1,940,173,826	194,017,382.6	187,410,000	(6,607,382.6)
TOTAL	5,898,912,027	589,891,202.7	579,660,000	(10,231,202.7)