AUDIT REPORT
ON
THE ACCOUNTS OF MINISTRY OF ENERGY (POWER DIVISION) ALONG WITH PPMC, PITC, PPIB, CPGCL, NGC & NEPRA
AUDIT YEAR 2025-26

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 7-15 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 for the financial year 2024-25 is based on audit of the accounts of Power Division and its attached entities (PPMC, PITC, PPIB, CPGCL & NGC) and NEPRA while separate company wise reports have been prepared on accounts of DISCOs. It also contains audit paras pertaining to the previous financial years. The Directorate General Audit (Power) Lahore conducted audit during 2025-26, 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 Appendix-I, 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.

Thematic Audit on FESCO's Distribution Integrated Investment Plan (DIIP) is 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 have been finalized in the light of discussions in the Departmental Accounts Committee (DAC) meetings held during January and February, 2026.

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].

Sd/-
(Maqbool Ahmad Gondal)
Auditor-General of Pakistan

Islamabad
Dated: 27 February, 2026

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ABBREVIATIONS AND ACRONYMS

AEDB	Alternative Energy Development Board
AFD	Agence Française de Développement (French Development Agency)
AJ&K	Azad Jammu & Kashmir
AMIS	Audit Management Information System
ARE	Alternative and Renewable Energy
BFS	Bankable Feasibility Study
BoD	Board of Directors
BPS	Basic Pay Scale
BQPS-I	Bin Qasim Power Station-I
CCoE	Cabinet Committee on Energy
CDA	Capital Development Authority
CDMP	Circular Debt Management Plan
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIA	Chief Internal Auditor
CMU	Central Monitoring Unit (Finance Division)
COD	Commercial Operations Date
CPGCL	Central Power Generation Company Limited
CPHGC	China Power Hub Generation Company
CPPA-G	Central Power Purchasing Agency (Guarantee) Limited
CPPs	Captive Power Producers
CTBCM	Competitive Trading Bilateral Contract Market
DAC	Departmental Accounts Committee
D&S	Design & Standards
DDS	Distribution Design Standard
DIIP	Distribution Integrated Investment Plan
DISCOs	Distribution Companies
DOP	Distribution of Power
ECBC-2023	Energy Conservation Building Code 2023
EDB	Engineering Development Board
ELR	Energy Loss Reduction

EPA	Energy Purchase Agreement
EPP	Energy Purchase Price
EV	Electric Vehicle
FAM	Financial Audit Manual
FC	Financial Closure
FESCO	Faisalabad Electric Supply Company
GEPCO	Gujranwala Electric Power Company
GENCOs	Generation Companies (Public Sector)
GIS	Geographic Information System
GoP	Government of Pakistan
HBS	Haveli Bahadur Shah
HEC	Higher Education Commission
HR	Human Resources
HT	High Tension
HUBCO	Hub Power Company
HVDC	High-Voltage Direct Current
IA	Implementation Agreement
IESCO	Islamabad Electric Supply Company
IGCEP	Indicative Generation Capacity Expansion Plan
IPP	Independent Power Producer
ISMO	Independent System and Market Operator
ISSAI	International Standards of Supreme Audit Institutions
JPGCL	Jamshoro Power Generation Company Limited
JPY	Japanese Yen
KAPCO	Kot Addu Power Company
KE	K-Electric
kV	Kilovolt
kVAR	Kilovolt-Ampere Reactive
kW	Kilowatt
kWh	Kilowatt-hour
LD	Liquidated Damages
LEPCL	Lucky Electric Power Company Limited
LESCO	Lahore Electric Supply Company
LOI	Letter of Intent

LOS	Letter of Support
LT	Low Tension
MD	Managing Director
MFDAC	Memorandum for Departmental Accounts Committee
MIRAD	Market Implementation & Regulatory Affairs Department
MoE (PD)	Ministry of Energy (Power Division)
MOCC	Ministry of Climate Change
MTO	Management Trainee Officer
MVA	Mega Volt Ampere
MW	Megawatt
MYT	Multi-Year Tariff
NEA	National Energy Administration
NDRC	National Development and Reform Commission
NEECA	National Energy Efficiency and Conservation Authority
NEP	National Electricity Policy
NEPRA	National Electric Power Regulatory Authority
NGC	National Grid Company
NPMV	Non-Project Missed Volume
NPPMCL	National Power Parks Management Company (Private) Limited
NTDC	National Transmission & Despatch Company
O&M	Operation and Maintenance
PAOs	Principal Accounting Officers
PC	Planning Commission
PDP	Proposed Draft Para
PEPCO	Pakistan Electric Power Company
PESCO	Peshawar Electric Supply Company
PHL	Power Holding Limited
PITC	Power Information Technology Company
PKR	Pakistani Rupee
PPA	Power Purchase Agreement
PPIB	Private Power and Infrastructure Board
PPMC	Power Planning and Monitoring Company Limited
PPRA	Public Procurement Regulatory Authority

PSDP	Public Sector Development Program
PSIP	Power Sector Indigenization Plan
RE	Renewable Energy
RFO	Residual Furnace Oil
RLNG	Re-gasified Liquefied Natural Gas
RMB	Renminbi (Chinese Yuan)
SARTA	South Asia Regional Training & Advisory
SCADA	Supervisory Control and Data Acquisition
SDG	Sustainable Development Goal
SOE	State-Owned Enterprise
SOPs	Standard Operating Procedures
SPPs	Small Power Producers
S&S	Surveillance and Standards
STG	Secondary Transmission and Grid
T&D	Transmission and Distribution
TDS	Tariff Differential Subsidy
TESCO	Tribal Electric Supply Company
ToR	Terms of Reference
ToU	Time of Use
TSEP	Transmission System Expansion Plan
VRE	Variable Renewable Energy
WAPDA	Water and Power Development Authority
WIPP	Wind Independent Power Producer

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 7-15 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 138 formations, out of which 137 are under the administrative control of Power Division while NEPRA reports to Cabinet Division. Compliance Audit of 53 formations was carried out during Audit Year 2025-26 Phase-I (July to December, 2025) and of 21 formations during Audit Year 2024-25 Phase-II (January to June, 2025). Findings from the subject compliance audit exercise have been elaborated in this report as well as in separate company wise reports of DISCOs.

a. SECTORAL ANALYSIS

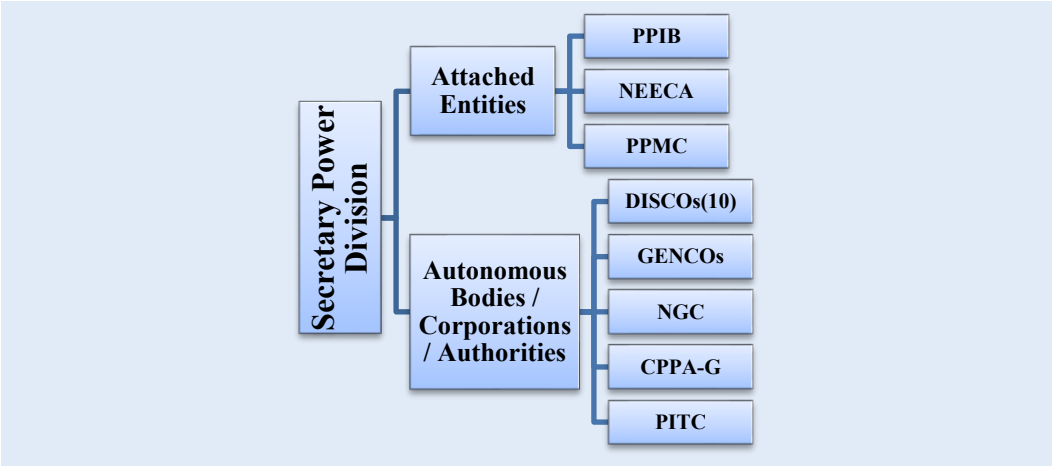
OVERVIEW OF POWER SECTOR

The stated goal of the Ministry of Energy (Power Division) is to "develop the most efficient and consumer centric power generation system that meets the needs of its population and boosts its economy in a sustainable and affordable manner"[1]. For the achievement of this goal, the Power Division supervises and works in collaboration with multiple stakeholders including Power Generation, Distribution and Transmission SOEs as well as with other government ministries and NEPRA. In this context this section analyzes the current state of the country's power sector in the light of various challenges faced and initiatives undertaken by relevant stakeholders.

[1] Medium Term Performance based Budget 2025-26, P-57

Organizational structure of the Power Division is illustrated as:

Figure-01: Organizational Structure of Power Division



GOVERNANCE STRUCTURE OF POWER SECTOR

The governance of Pakistan's power sector is organized through a tiered structure that separates policy-making, regulation, and operational execution to ensure institutional transparency and accountability.

1. Policy and Strategic Oversight

Ministry of Energy (Power Division): Acts as the primary policy-making body, responsible for implementation of the National Electricity Policy and the National Electricity Plan. It monitors sectoral performance and provides high-level strategic directions.

2. Regulatory Governance

National Electric Power Regulatory Authority (NEPRA): Functions as the independent "Regulator". It is responsible for licensing, determining cost-reflective tariffs, and enforcing performance standards to protect consumer interests while ensuring investor confidence.

3. Technical and Financial Facilitation

- **PPIB & NEECA**: PPIB manages private sector investment and IPPs, while NEECA institutionalizes energy efficiency and conservation standards.
- **PPMC**: Provides technical assistance to the Ministry, focusing on performance monitoring of DISCOs and energy modeling.
- **CPPA-G & PHL**: CPPA-G operates as the market clearinghouse for electricity procurement. Power Holding Limited (PHL) serves as a special-purpose vehicle to manage the sector's financial liabilities.

4. Operational Components

- **Generation (GENCOs/IPPs):** A mix of public and private entities responsible for power production.
- **Transmission (NGC):** The National Grid Company (formerly NTDC) manages the high-voltage transmission infrastructure and system operations.
- **Distribution (DISCOs):** Ten state-owned companies responsible for retail supply and revenue recovery within their respective territories.

NEED FOR NATIONAL ELECTRICITY POLICY AND PLAN

The National Electricity Policy (NEP) was established as an overarching legal and strategic umbrella under the NEPRA Act to reform and sustain Pakistan's power sector. It sets high-level goals for energy security, affordability, and sustainability, requiring the development of a National Electricity Plan to provide the specific implementation tools and guidelines to realize these objectives. The first National Electricity Plan (2023-27) was subsequently launched as a comprehensive roadmap to overhaul the power sector value chain. It institutionalizes integrated energy planning and sets tangible targets for clean energy transition, 100% electrification by 2030, and financial viability through subsidy rationalization and cost-reflective tariffs.

NATIONAL ELECTRICITY POLICY 2021

The National Electricity Policy 2021 serves as the overarching reform framework for Pakistan's power sector to ensure a sustainable, efficient, and competitive market. It replaced the National Power Policy 2013 and provides the long-term strategic direction necessary to overcome historical challenges such as financial instability and supply-demand mismatches.

Vision and Overarching Goals

The policy envisions universal access to electricity through a self-sustainable power sector premised on integrated planning and the optimal utilization of indigenous resources. It identifies three interdependent goals:

- Access to Affordable Energy: Ensuring electricity is accessible at rates commensurate with the consumers' ability to pay.
- Energy Security: Diversifying the generation mix through hydro, renewable sources, coal, and nuclear to ensure uninterrupted availability.
- Sustainability: Focusing on environmental responsibility and financial self-reliance, including the progressive elimination of circular debt.

NATIONAL ELECTRICITY PLAN (2023-2027)

The National Electricity Plan (2023-2027) serves as the operational roadmap to implement the strategic vision of the National Electricity Policy 2021. It provides a five-year actionable framework with a fifteen-year perspective, focusing on transforming Pakistan’s power sector into a sustainable, competitive, and consumer-centric market.

The Plan translates policy intent into material action across four primary pillars:

i. Prioritizes the elimination of circular debt through cost-reflective tariffs, improved revenue recoveries, and the reduction of Transmission & Distribution (T&D) losses.

ii. Accelerates the transition from a single-buyer model to the Competitive Trading Bilateral Contract Market (CTBCM) to encourage competition and reduce reliance on sovereign guarantees.
iii. Focuses on distribution sector reform by institutionalizing performance benchmarks, anti-theft enforcement, and the deployment of advanced metering infrastructure.
iv. Emphasizes transmission strengthening and grid resilience to minimize constraints that currently limit the optimal dispatch of low-cost generation.

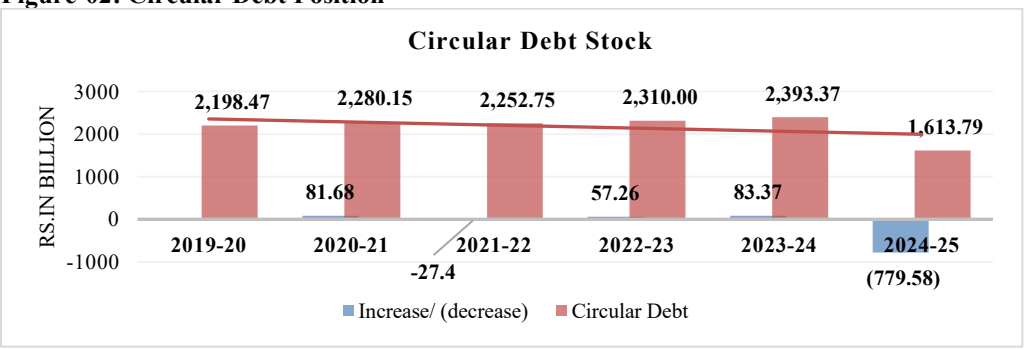
The execution of this Plan is monitored by the Ministry of Energy (Power Division) and supported by technical units like PPMC, ensuring that progress is evaluated against defined milestones to achieve a self-sustainable power sector.

CIRCULAR DEBT REDUCTION UNDER THE NATIONAL ELECTRICITY PLAN (2023-2027)

Power Sector deficits remained significant averaging 2.8 percent of GDP over financial years 2014 to 2024[2], mandating policy interventions by the government. Accordingly, under the National Electricity Plan 2023-2027 one key goal was to reduce this deficit which was present in the shape of circular debt. The latest position indicated that the issue was yet to be resolved on a long sustainable basis despite short-term improvements. While the circular debt stock declined from Rs. 2.393 trillion (June 30, 2023-24) to Rs. 1.614 trillion[3] (June 30, 2024-25), this reduction was not attributable to structural reforms envisaged under the Plan. Instead, it primarily reflected extra-budgetary government intervention, including commercial borrowing to retire liabilities of Power Holding Limited (PHL) and clear arrears of IPPs.

[2] World Bank Report-Pakistan Development Update: The Dynamics of Power Sector Distribution Reforms 2024, p.19
[3] NEPRA State of Industry Report 2025 p.26

Figure-02: Circular Debt Position



(Source: PPMC Data)

From a policy execution perspective, the core levers identified under policy i.e. cost-reflective tariffs, improved recoveries, and reduction in T&D losses remain materially weak. Public sector DISCOs continued to underperform against benchmarks prescribed by NEPRA, with financial year 2024-25 inefficiencies alone contributing Rs. 265 billion from T&D losses and Rs. 132 billion[4] from low recovery, directly feeding the circular debt flow. This evidences a continued mismatch between allowed revenue and realized cash recovery, undermining the Plan's objective of eroding debt accumulation at source.

Moreover, the imposition of the Debt Service Surcharge (DSS) of Rs. 3.23/kWh[5] demonstrates that inefficiencies are being institutionalized through consumer tariffs rather than resolved operationally, contradicting the spirit of a consumer-centric and competitive market. The fact that even consumers of K-Electric, which has not contributed to circular debt accumulation, are subject to DSS further highlights governance and equity concerns in implementation.

In conclusion, while the stock of circular debt has temporarily declined, the flow dynamics remained adverse. Elimination of circular debt has therefore seen limited progress, with outcomes driven by fiscal and financial engineering rather than durable improvements in loss reduction, recovery efficiency, or tariff discipline. Without decisive structural reforms particularly DISCO performance

[4] NEPRA State of Industry Report 2025 p.26
[5] NEPRA State of Industry Report 2025 p.26

improvement or privatization the Plan's objective of sustainably eliminating circular debt remains unfulfilled and at high risk.

TRANSITION FROM SINGLE-BUYER MODEL TO THE COMPETITIVE TRADING BILATERAL CONTRACT MARKET (CTBCM)

The National Electricity Plan (2023-2027) envisaged a progressive shift from Pakistan's long-standing single-buyer market structure to a CTBCM as a key mechanism to introduce competition, improve efficiency, and reduce reliance on sovereign-backed arrangements. However, the position during the period under review indicated that this transition has remained protracted and uneven, with implementation lagging behind stated policy objectives.

Although the regulatory and design foundations for CTBCM had been established over two decades earlier and were formally approved by National Electric Power Regulatory Authority during 2019-2020, effective operationalization was constrained by unresolved issues relating to wheeling/open-access charges and the allocation of stranded costs. These unresolved structural matters continued to attach the market to the single-buyer framework, limiting competitive entry.

The Regulator's 2021 determination that stranded costs represented sectoral inefficiencies and should not be imposed on market participants had constituted a critical step toward enabling competition. However, subsequent legal challenges, policy reversals, and delays in tariff rebasing diluted regulatory certainty and undermined investor confidence. The issuance of the National Electricity Plan and the NEPRA Eligibility Criteria (Electric Power Supplier Licenses) Rules, 2023 which initially required market consumers to bear stranded costs comparable to supplier-of-last-resort consumers had temporarily weakened the commercial rationale for market participation.

The proposed 800 MW market allocation/wheeling initiative represented a measured corrective effort to advance competitive market operations through transparent cost discovery. While directionally positive, the limited scale of the initiative and the prolonged timeline to reaffirm the regulator's original position highlighted persistent coordination and execution challenges. At its then-current

scale, the initiative was insufficient to materially reduce dependence on the single-buyer model.

DISTRIBUTION SECTOR REFORM

The power sector efficiency had direct impact on socio-economic factors of the country. As per the World Bank Report on Pakistan's Power Sector titled "Pakistan Development Update: The Dynamics of Power Sector Distribution Reforms" unreliable electricity supply was a cause for costly disruptions to economic and social activities and one of the main sources of high economic costs caused by the distribution sector which was eroding the country's economic competitiveness.[6]

The National Electricity Plan (2023-2027) envisaged strengthening the distribution segment through enforceable performance benchmarks, effective anti-theft mechanisms, and large-scale deployment of Advanced Metering Infrastructure (AMI).

Against NEPRA-approved targets of 11.77% T&D losses, actual losses of DISCOs during financial year 2024-25 remained elevated at 17.55%, translating into excess losses of approximately 5.8 percentage points. These inefficiencies resulted in unrecovered energy valued at Rs. 114.5 billion, despite tariff allowances already factoring in benchmark losses. This deviation indicated weak enforcement of performance benchmarks and limited corrective action against underperforming DISCOs.[7]

Recovery performance also remained suboptimal. During financial year 2024-25, DISCOs recorded recovery shortfalls of approximately Rs. 132 billion[8], largely attributable to electricity theft, defective metering, incorrect billing, and delayed recoveries from government and public-sector consumers. Billing inaccuracies and overbilling complaints continued to rise, undermining consumer trust and further constraining recoveries.

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[6] World Bank Report-Pakistan Development Update: The Dynamics of Power Sector Distribution Reforms 2024, p.17

[7] NEPRA State of Industry Report 2025 p.24

[8] NEPRA State of Industry Report 2025 p.25

Anti-theft enforcement mechanisms remained largely ineffective. The persistence of unauthorized connections, meter tampering, and low prosecution rates demonstrated that enforcement actions lacked deterrence value. Instead of addressing theft structurally, losses continued to be absorbed through higher consumer tariffs and fiscal interventions.

Despite policy emphasis, distribution sector reform remained largely procedural rather than transformational. Quantified loss and recovery gaps confirmed that weak governance and ineffective anti-theft enforcement continued to impair DISCO performance and directly contributed to circular debt accumulation.

ASSESSMENT OF TRANSMISSION STRENGTHENING AND GRID RESILIENCE

The National Electricity Plan (2023-27) prioritized transmission system strengthening and grid resilience to enable optimal dispatch of low-cost generation and reduce system inefficiencies. However, the State of the Industry Report 2025 indicated that transmission constraints remained a binding limitation during the review period.

During financial year 2024-25, Non-Projective Missed Volume (NPMV) attributable largely to transmission constraints amounted to approximately Rs. 13.3 billion,[9] reflecting energy that could not be evacuated or dispatched despite available generation capacity. This inefficiency increased capacity payments and undermined economic dispatch principles.[10]

The landmark ±660 kV HVDC Matiari–Lahore transmission line, designed for 4,000 MW, has operated at an average utilization of only 47.55%.[11] The under-utilization stemmed from NGC/NPCC's failure to align generation despatch and system demand with the 4000 MW take or pay commitment. Despite securing a strategic transmission asset, no integrated planning mechanism was established to

[9] NEPRA State of Industry Report 2025 p.20
[10] NEPRA State of Industry Report 2025 p.20
[11] Performance Audit Report of HVDC

secure optimal utilization. This underperformance resulted in a financial burden of Rs. 86.456 billion between 2021 and 2024 due to take-or-pay obligations.

Grid resilience concerns were reinforced by data on transformer overloading and system disturbances. During financial year 2024-25, the national grid experienced multiple transformer overload events at 500 kV and 220 kV levels, increasing outage risks and necessitating load management measures. These weaknesses directly contributed to reliance on higher-cost generation despite surplus installed capacity.

Transmission inefficiencies also contributed to elevated capacity payments, which reached approximately Rs. 1.9 trillion during financial year 2024-25[12]. The report emphasized that without timely transmission expansion and system reinforcement, additional generation capacity would continue to translate into financial burden rather than cost savings for consumers.

Although transmission strengthening remained a stated policy priority, quantitative indicators confirmed that grid constraints continued to limit optimal dispatch and system reliability. Delays in critical projects, underutilized infrastructure, and inadequate resilience measures materially undermined the Plan's objective of delivering low-cost, reliable electricity.

The Sectoral Analysis demonstrated that despite a comprehensive policy and planning framework under the National Electricity Policy 2021 and the National Electricity Plan (2023-2027), progress toward a sustainable, competitive, and consumer-centric power sector has remained limited and uneven. Short-term improvements particularly in circular debt stock were driven largely by extra-budgetary fiscal interventions, rather than by durable structural reforms.

Persistent inefficiencies in the distribution segment, delayed transmission strengthening, and slow transition toward competitive market arrangements continued to impose significant financial and operational costs on the sector. The continued reliance on tariff pass-through, surcharges, and government support

[12] NEPRA State of Industry Report 2025 p.43

indicated that underlying governance and performance challenges remain unresolved.

For the power sector to achieve financial self-reliance and long-term stability, policy intent must be matched by firm execution, institutional accountability, and regulatory consistency. Without decisive action to reform DISCO performance, strengthen grid infrastructure, and operationalize market-based mechanisms, the objectives of affordability, efficiency, and sustainability articulated in national policy documents will remain aspirational rather than realized.

b. Scope of Audit

The Directorate General Audit Power is mandated to conduct audit of 138 formations working under Ministry of Energy (Power Division) and NEPRA.

Audit coverage relating to expenditure comprises 74 formations of the Ministry of Energy (Power Division) and NEPRA having a total expenditure of Rs.985,808.42 million for financial years 2023-24 and 2024-25. In terms of percentage, the audit coverage for expenditure is 26.76% of auditable expenditure. Detail is as under:

Table-01: Summary of Audits

Financial Year	Audit Year	No. of Formations	Expenditure (Rs.in million)	Audited Expenditure (Rs.in million)	Audit Coverage (%age)
2023-24	2024-25	21[13]	522,166.77	135,610.37	25.97%
2024-25	2025-26	53[14]	463,641.65	128,179.73	27.65%
TOTAL		**74**	**985,808.42**	**263,790.10**	26.76%

In addition to compliance audits reflected above the Directorate General Audit, Power, Lahore also conducted one (01) Thematic Audit which is added as separate chapter in this report.

[13] This report includes audit observations related to MoE, PPMC, PITC, PPIB, GENCO-II, NGC and NEPRA. Prior year Audits of some formations were also conducted (expenditure audited from the FY 2018-19 to FY 2022-23 was Rs.7,068.98 million).

[14] Separate Audit Reports of SOEs have been prepared. Prior year Audits of some formations were also conducted (expenditure audited from the FY 2018-19 to FY 2023-24 was Rs.19,790.53 million).

c. Recoveries at the instance of audit

Recovery effected from January to December, 2025 was Rs. 11,876.48 million[15], which was verified by audit.

d. Audit Methodology

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) and the Financial Audit Manual (FAM) of the Auditor-General of Pakistan. The methodology was structured to ensure an evidence-based assessment of financial regularity and operational efficiency across the Power Division and its attached entities. The process commenced with Strategic Planning, utilizing a risk-based approach to identify high-value and high-risk thematic areas such as circular debt management, procurement, and large-scale infrastructure projects. Desk Reviews involved a detailed analysis of permanent files, previous audit reports, and internal control frameworks to establish a baseline for substantive testing. The Field Audit Phase employed a combination of quantitative techniques including trend analysis and variance testing of financial ledgers and qualitative assessments, such as site inspections and stakeholder discussions with management and technical experts. The findings were subsequently validated through the Departmental Accounts Committee (DAC) forum to incorporate management responses and ensure the reliability of the reported observations.

e. Audit Impact

The subject annual audit exercise, facilitated management in improving its service delivery and overall operational efficiency at various levels. Audit work created impact both in the short term and in the long term. Internal control systems at the SOEs and other attached bodies were strengthened as a result of the in-depth operational analysis conducted by Audit. Management took note of gaps identified in procurements, capitalization of assets and billing and collection anomalies. The forum of DAC endorsed the assertions of audit and issued directions aimed at not

[15] Verified recoveries related to DISCOs and CPPA-G

only strengthening the weak operational areas but also improving accountability through required disciplinary proceeding to be taken where identified.

f. Key Audit Findings:

i. Non-finalization of certified financial statements for financial year 2024-25 [16].
ii. Inadequate progress on system constraint removal projects resulting in inefficient dispatch at NGC[17].
iii. Abnormal cost escalation and time overrun in hydro-power transmission line construction work at NGC[18].
iv. Unsettled claims with CPPA-G due to forced outages, at GENCO-II [19].
v. Un-resolved/disputed billing of back feed energy by CPPA-G at GENCO-II [20].
vi. Failure of Kathai-II Hydropower Project due to systemic delays in approval of Security Package Documents at PPIB[21].
vii. Non-compliance with Board's directives on ICT System Audit and ISO 27001 Implementation at PITC[22].

g. Recommendations:

i. Ensure timely finalization of audited financial statements besides strengthening supervisory oversight in order to avoid similar lapses in the future.
ii. Implement a monitored, time-bound action plan with fixed responsibilities for removing all critical transmission constraints to enable economic dispatch and evacuation of cheaper power at NGC.
iii. Establish strict controls requiring multi-level technical and financial justification for any abnormal variation against the original contract value

[16] *PDP No.1459/2025-26/AMIS 2025_COM0000000145_F01615*
17 PDP No.1156/2025-26/AMIS 2025_COM0000000145_F01540
18 PDP No.137/2025-26/ AMIS 2025_COM0000000145_F00047
19 PDP No.399/2025-26/AMIS 2025_COM0000000145_F00306
20 PDP No.409/2025-26/AMIS 2025_COM0000000145_F00316
21 PDP No.1066/2025-26/AMIS2025_COM0000000145_F01145
22 PDP No.27/2025-26/AMIS 2025_COM0000000145_F00029

besides fixing responsibility for the anomaly in subject case at NGC.

iv. Expedite settlement of all pending liquidated damage claims with CPPA-G in coordination with MoE at CPGCL.

v. Expedite resolution of billing disputes with CPPA-G in accordance with PPA provisions at CPGCL.

vi. Streamline the approval process for Security Package Documents with fixed timelines and establish clear accountability for delays at PPIB.

vii. Ensure immediate compliance by conducting the required ICT System Audit and obtaining ISO 27001 certification within a defined timeframe at PITC.

CHAPTER-1

MINISTRY OF ENERGY
(POWER DIVISION)

1. Ministry of Energy (Power Division)

1.1 Introduction:

Power Division (Ministry of Energy) was formed in August, 2017 after splitting the Ministry of Water and Power. The Water Division was merged with newly created Ministry of Water Resources and the Power Division was moved under newly created Ministry of Energy. Ministry of Energy consists of two Divisions namely; Power Division and Petroleum Division.

Power Division (Ministry of Energy) has been mainly dealing with the subject of electricity, which include generation, transmission and distribution and policy matters pertaining to these three functions.

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
- 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)
- National Grid Company (NGC)
- Distribution Companies (DISCOs) except K-Electric

1.2 Financial Management

1.2.1 Review of TDS claims without identifying abnormal detections credits

According to the Standard Operating Procedures (SOPs) devised by MoE (PD) relating to scrutiny of subsidies claims the following is to be ensured:

i) Review of copies of latest applicable SROs/ Notifications specifying the rates applicable to each power distribution company.

ii) Review of summary reports from Subsidy cell along with the reports / invoices of power distribution companies.

iii) Ascertaining the accuracy of number of units reported by each power distribution company in the respective report / invoice with the summary reports submitted by the Subsidy Cell.

iv) Assessment of the reasonableness of the units claimed by each power distribution company as adjustment.

v) Verification of the application of rates notified by the National Electronic Power Regulatory Authority for various classes of consumers for computation purposes.

vi) Verification of application of rates notified by the by the Federal Government for various classes of consumers for computation purposes

According to the 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 at all necessity is felt to revise a detection bill on the representation of the consumer then the revision of the detection bill will be approved by a Review Committee as constituted below. However, simultaneously committee will recommend disciplinary action to be taken against those who prepared wrong detection bill in first instance".

During the audit of Ministry of Energy (MoE) Power Division for the financial year 2023-24, it was observed that DISCOs issued detection bills to residential consumers in category A1 (above 700 units) and subsequently granted credit adjustments in the same month that exceeded the units originally billed: Illustratively:

Table-02: Detail of credits adjustments more than debit raised in the same month (Residential-A1 above-700 units)

DISCO	Financial Year	Units billed	Units Debited	Units Credited	Excess credited	Av. Rate	Financial impact
					Adjustment		
LESCO	2023-24	52,463,731	4,281,681	-4,746,579	-464,898	30.04	-13,965,535.92
SEPCO	2023-24	21,910,235	4,248,238	-11,398,714	-7,150,476	48.39	-346,011,533.64
HESCO	2023-24	40,997,286	1,165,680	-5,875,602	-4,709,922	36.23	-170,640,474.06
QESCO	2023-24	9,911,444	851,050	-1,188,801	-337,751	29.54	-9,977,164.54
FESCO	2023-24	66,437,296	1,323,327	-1,457,515	-134,188	29.64	-3,977,332.32
GEPCO	2023-24	112,069,347	2,398,990	-3,849,726	-1,450,736	29.01	-42,085,851.36
IESCO	2023-24	120,210,583	2,303,185	-4,478,398	-2,175,213	28.58	-62,167,587.54
MEPCO	2023-24	4,390,337	855,265	-945,200	-89,935	45.63	-4,103,734.05
PESCO	2023-24	286,069,593	5,433,529	-6,132,740	-699,211	44.02	-30,779,268.22
Total		**139,042,128**	**12,074,713**	**-14,889,461**	**-10,755,068**		**-683,708,481.65**

(Source: Analysis conducted on data provided by Tariff & Subsidy Wing)

The above table indicated that abnormal adjustments were accorded to the consumers. Furthermore, the above data was also included in the TDS claims submitted by DISCOs to the MoE. In this context, it was observed that the Tariff & Subsidy Wing of the Ministry of Energy (Power Division) failed to ensure proper scrutiny of subsidy claims through commercial auditors and allowed DISCOs to revise detection bills in violation of prescribed procedures. Consequently, during financial Year 2023-24, against 12.075 MkWh debited, 14.889 MkWh were credited to Residential-A1 consumers, resulting in an excess credit of 10.755 MkWh and an undue financial burden of Rs. 683.708 million.

Non-adherence to subsidy verification SOPs resulted in a loss of Rs. 683.708 million due to excess credit adjustment given in processing of Tariff Differential Subsidies claims submitted by DISCOs.

The matter was taken up with the management in May, 2025 and reported to the Ministry in September, 2025. The management replied that situation would be reviewed. It was a common practice that in subsequent month credit adjustment gets adjusted.

The DAC in its meeting held on February 23, 2026 directed the management to provide reply with proper justification within one month and get the record duly supported with documentary evidence verified from Audit accordingly.

No further progress was intimated till the finalization of report.

Audit recommends to justify the matter with documentary evidence.

(Draft Para No.257 /2025-26/AMIS 2025_COM0000000145_F00454)

1.2.2 Non-resolution of billing & settlement framework with Government of the State of Azad Jammu & Kashmir resulted in non-recovery of electricity dues

According to U.O No.3(18) DS/EA-III/2024 dated May 10, 2024 of Prime Minister Office wherein the following committee was constituted to take the issue of under recovery/payment with the Government of the State of Azad Jammu & Kashmir:

1	Minister for Defence	Chairman
2	Secretary, Power Division	Member
3	Secretary, Interior Division	Member
4	Secretary, Finance Division	Member
5	Chief Secretary Government of Khyber Pakhtunkhwa	Member
6	Chief Secretary Government of the State of Azad Jammu & Kashmir	Member

During the audit of Ministry of Energy (Power Division) for financial year 2023-24, it was observed that power was being supplied to AJ&K by IESCO, PESCO, and GEPCO under special contracts at NEPRA/GoP-notified bulk tariffs Rs. 34.65/kWh (non-ToU), Rs. 40.35/kWh (ToU Peak), Rs. 33.45/kWh (ToU Off-Peak) respectively, and fixed charges of Rs. 440/kW/month. However, the AJ&K Government was paying only Rs. 2.59/kWh, creating an annual shortfall of Rs. 83.838 billion[23]. The unresolved billing and settlement framework with the AJ&K Government had affected CPPAG's cash flows.

[23] Minutes of meeting on recovery from AJ&K and FATA payments July 08, 2024

Inordinate delay in resolving the issue resulted in accumulation of Circular Debt in Power Sector.

The matter was taken up with the management in May, 2025 and reported to the Ministry in September, 2025. The management replied that the electricity billing rate for AJK and the corresponding payment at Rs 2.59/kWh, was a strategic matter to be addressed at the Government level. Committees had already been constituted by the Federal Government to resolve this issue on a priority basis. The gap between billed amounts and payments by AJK was fully budgeted by the Finance Division, with the required subsidy released regularly. Furthermore, following recent rebasing, the AJK billing rate has been aligned with its Cost of Service.

The DAC in its meeting held on February 23, 2026 directed the management to pursue the matter vigorously with the Finance Division to ensure a final and time-bound resolution to the AJK billing framework. The management was further directed to obtain a formal, updated status of the committees constituted by the Federal Government and share the progress made therein with Audit within one month.

No further progress was intimated till the finalization of report.

Audit recommends Ministry may make renewed efforts for settlement the issue in amicable manner duly safeguarding the interest and public service delivery considerations for Govt. of AJ&K. under intimation to audit.

(Draft Para No. 268/2025-26/AMIS 2025_COM0000000145_F00465)

1.3 Procurement/Contract Management

1.3.1 Non-preparation of PC-IV i.e. Project Completion/Close out Report

According to the requirement of Planning Commission, Government of Pakistan, "it is mandatory for the project authorities to prepare PC-IV i.e. Project Completion / Project Close Out Report".

During the audit of Ministry of Energy (Power Division) for the financial year 2023-24, it was observed that the Ministry of Planning, Development and Special Initiatives provided a list of 302 completed projects executed by various

organizations under the administrative control of the Ministry of Energy during the last ten years, involving a cumulative expenditure of Rs. 1,958,546.58 million. Furthermore, the Ministry of Planning, Development and Special Initiatives expressed serious concerns regarding the non-preparation of PC-IV and PC-V documents, which were mandatory for monitoring, post-completion evaluation, and assessing actual project outcomes against the projections envisaged in the approved PC-I. The non-preparation of these documents had hampered a comprehensive evaluation of project performance and prevented the formulation of informed conclusions regarding the effectiveness, efficiency, and impact of the completed projects.

Non-adherence to the instructions of Planning Commission resulted in non-preparation of PC-IV i.e. Project Completion / Close out Report.

The matter was taken up with the management in May, 2025 and reported to the Ministry in September, 2025. The management replied that the relevant formations had been directed to prepare PC-IV & V and same would be shared with the Audit.

The DAC in its meeting held on February 23, 2026 directed the management to take up the matter proactively by issuing necessary instructions to all DISCOs and NGC for the preparation and submission of pending PC-IV reports at the earliest. DAC further directed the management to consider reviewing the existing mechanism to ensure compliance with this requirement by all entities in the future.

No further progress was intimated till the finalization of report.

Audit recommends Ministry to inquire the matter of non-preparation of PC-IV and PC-V documents for the projects and get the pending items expedited.

(Draft Para No. 270/2025-26/AMIS 2025_COM0000000145_F00467)

CHAPTER-2

POWER PLANNING AND MONITORING COMPANY (PPMC)

2. Power Planning and Monitoring Company (PPMC)

2.1 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.

2.2 Comments on Financial Statements



ANALYSIS ON FINANCIAL STATEMENTS- PPMC

This section presents a financial analysis of Power Planning and Monitoring Company (PPMC) covering the five-year period from financial year 2020-21 to financial year 2024-25, with primary emphasis on financial year 2024-25 as the most recent audited year. The analysis is based on audited financial statements and is subject to the qualifications and limitations highlighted in the independent auditors' report, which materially affect the reliability and comparability of the reported financial information.

The Chartered Accountants issued the following qualified opinion on the accounts of PPMC for financial year 2024-25.

"The Company has accounted for the Material Inspection Fee (MIF) income of Rs. 453.92 million (2024: Rs. 549.08 million) in the statement of profit or loss, after deducting Rs. 298.98 million (2024: Rs. 366.06 million), representing a 40% share of National Transmission and Dispatch Company's (NTDC) in total MIF earned during the current year. However, the minutes of the meeting held on September 25, 2020 between the Company and NTDC outlining the agreed terms of sharing of MIF and the underlying MIF vouchers for the year do not indicate that NTDC was responsible for any specific performance obligations to earn such share of income. The available documentation suggests that the Company was solely responsible for performing the inspection activities and therefore entitled to the entire MIF. Accordingly, the MIF of Rs. 752.90 million (2024: Rs. 915.14 million), should have been recognized on a gross basis in the Company's statement of profit or loss in line with IFRS 15 "Revenue from Contracts with Customers". While in the absence of underlying information we are unable to determine appropriate accounting treatment of NTDC's share of 40%. Consequently, we are unable to determine any adjustments necessary to account for the 40% share of NTDC for the current and prior years;

The statement of financial position includes an advance from Central Power Purchasing Agency (CPPA-G) in respect of Management Fee Income

(MFI) amounting to Rs. 110.30 million as at June 30, 2025 (2024: Rs. 444.52 million), as disclosed in Note 14 to the financial statements. The supporting documentation or reconciliation substantiating this balance was not made available for our verification. However, the reconciliation of MFI and receipts from CPPA-G for the years ended from June 30, 2020 to June 30, 2025, provided by management, indicates an advance balance of Rs. 80.965 million. Due to absence of sufficient appropriate audit evidence, we are unable to verify the accuracy of the referred balance of advance from CPPA-G. Accordingly, we could not determine whether any adjustments to these amounts in the current or prior years were necessary;

As described in Note 04 to the financial statements, the Company's owned fixed assets include items with a carrying amount of Rs. 40.938 million. We were not provided with the fixed asset listing or fixed asset register supporting these owned assets, nor we were able to observe the physical counting of those assets. We were therefore unable to obtain sufficient appropriate audit evidence regarding the existence and physical condition of these owned fixed assets. Consequently, we were unable to determine whether any adjustments might have been necessary to the carrying amount of owned fixed assets as current reporting date, and the related effects on the profits for the current year; and

We were unable to verify the balances and transactions communicated through direct external confirmations from IESCO and FESCO indicating receivables from and payables to the Company aggregated to Rs. 14,789,837 and Rs. 9,605,816, respectively. In addition to above, GEPCO, in its confirmation, reported transactions of Rs. 3.46 million against transactions reported with GEPCO in Note 26 to the financial statements of Rs. 1.28 million. The management was unable to reconcile or provide explanations for the above balances and transactions as confirmed by IESCO, FESCO and GEPCO, and the balances stated above have not recorded in the Company's books of account. Moreover, confirmations received from GEPCO, HESCO, TESCO, GHCL and WAPDA were obtained through management rather than directly from the counterparties. In addition, GHCL, WAPDA and GEPCO have confirmed their respective balances and transactions with the Company (Note 09 & 26) subject to

reconciliation condition. Consequently, due to the unreconciled and unexplained balances and transactions confirmed by counterparties, together with the conditional and management-routed confirmations, we were unable to conclude on the reliability of these confirmations and therefore could not obtain sufficient appropriate audit evidence regarding the completeness, existence, accuracy, and rights and obligations associated with the balances and transactions with these counterparties. Accordingly, we were unable to determine whether any adjustments to the related balances or disclosures in the financial statements were necessary.

Moreover, a payable to NTDC of Rs. 167.79 million (2024: Nil) is included in trade and other payables as disclosed in Note 14 to the financial statements. Supporting documentation or reconciliation substantiating this balance was not made available for our verification. Further, two external confirmations have been received from different sources of NTDC reflecting amounts of Rs. 132.94 million and Rs. 167.79 million, dated October 14, 2025 and November 4, 2025, respectively. The former, which bears marking references and diary number 2736 (dated October 8, 2025), differs by Rs. 34.84 million from the Company's records, while the latter shows no such difference but lacks similar marking details. As a result, we were unable to assess the reliability of these confirmations. Consequently, we could not obtain sufficient appropriate audit evidence to verify the accuracy of the balances with NTDC as reflected in the referred note. Accordingly, we are unable to determine whether any adjustments to these balances in the current and prior years are necessary."

Overall, the qualified opinion reflects weaknesses in documentation, reconciliation processes, and internal controls, particularly in revenue recognition and inter-entity balance management. These unresolved audit issues constrain a reliable assessment of PPMC's financial performance and position and continue to pose risks to financial transparency, governance, and accountability.

BASIS OF PREPARATION

As disclosed by the Chartered Accountants, the financial statements 2024-25 were prepared in accordance with the accounting and reporting standards applicable in Pakistan[24].

The Chartered Accountants had indicated in the subject financial statements that "Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed." However, no disclosure highlighting any such variance from IFRS, due to compliance with Companies Act 2017, has been given in the financial statements.

PROFITABILITY ANALYSIS

Table-03: Profitability ratios (PPMC)

Ratio	Formula	Financial Years				
		2024-25*	2023-24	2022-23	2021-22	2020-21
		In %age				
Operating Profit to Revenue	Operating Profit / Revenue	47.13	59.93	51.96	2.01	1.49
Operating Expenses to Revenue	Operating Expenses / Revenue	52.87	40.07	48.04	97.99	98.51
Return on Capital Employed (ROCE)	PBIT/Total assets - current liabilities	43.05	89.90	134.53	34.27	146.51
***Financial statements for the FY 2024-25 are provisional and subject to change**						

(Source Financial Statements of PPMC FYs 2020-21 to 2024-25)

[24] Note 2.1 of the Financial Statements (FY 2024-25)

The entity demonstrated a strong recovery in profitability and operational performance from financial year 2022-23 onwards, following marginal results in financial year 2020-21 and financial year 2021-22. Total revenue increased steadily, reaching Rs. 1,073.49 million in financial year 2024-25 (financial year 2023-24: Rs. 1,030.52 million), primarily driven by higher management fee and inspection fee income. However, operating expenses increased sharply in financial year 2024-25 to Rs. 567.52 million, resulting in a decline in the operating profit margin to 47.13% from 59.93% in the preceding year, reflecting cost pressures.

Conversely, Return on Capital Employed (ROCE) declined significantly to 43.05% in financial year 2023-24, indicating reduced efficiency in generating operating profits from the capital employed. Although the entity demonstrated strong ROCE levels in earlier years, the sharp fall during financial year 2024-25 indicated a decline in operating profitability or less optimal utilization of capital. Overall, while the entity has shown the capacity to achieve high returns historically, the recent downturn highlights the need for improved operational efficiency and cost management to sustain performance in future period.

REVENUE & OPERATING EXPENSES & FINANCE COST

(Rs. in million)

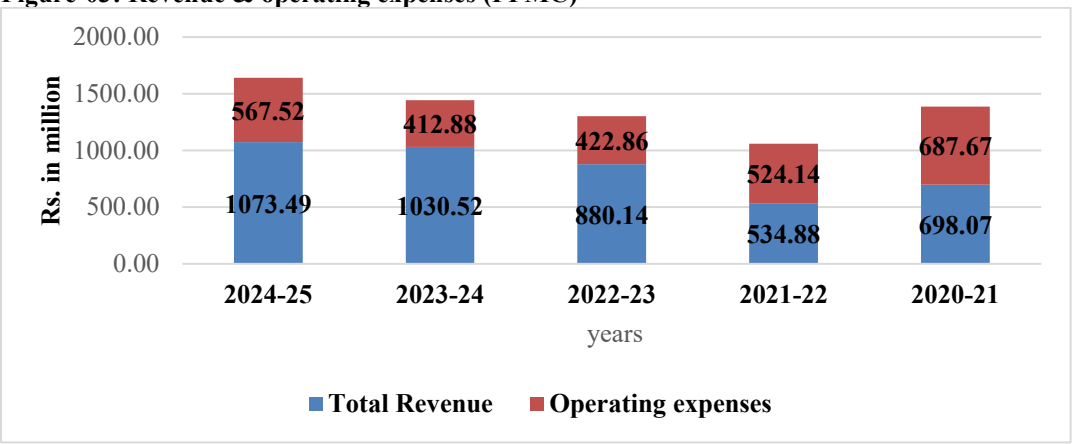
Particulars	FY 2024-25	FY 2023-24	FY 2022-23	FY 2021-22	FY 2020-21
Total Revenue	1073.49	1030.52	880.14	534.88	698.07
Operating expenses	567.52	412.88	422.86	524.14	687.67
Finance cost	31.57	1.06	2.46	3.18	0.05

(Source Financial Statements of PPMC FYs 2020-21 to 2024-25)

Total revenue showed a consistent upward trend, increasing from Rs. 880.14 million in financial year 2022-23 to Rs. 1,073.49 million in financial year 2024-25, indicating improved revenue generation capacity. However, operating expenses rose significantly in financial year 2024-25 to Rs. 567.52 million (financial year 2023-24: Rs. 412.88 million), which adversely impacted operating performance. As a result, profit from operating activities declined to Rs. 505.97 million from Rs. 617.64 million in the preceding year, despite higher revenue.

Finance cost remained low in absolute terms; however, it increased sharply to Rs. 31.57 million in financial year 2024-25 compared to Rs. 1.06 million in financial year 2023-24, exerting additional pressure on profitability. Overall, while revenue growth remained strong, rising operating and finance costs constrained operating profits during financial year 2024-25, highlighting the need for improved cost management. Illustratively:

Figure-03: Revenue & operating expenses (PPMC)



(Source: Financial Statements of PPMC FYs 2020-21 to 2024-25)

RECEIVABLES AND PAYABLES

Table-04: Liquidity Ratio (PPMC)

Ratio Category	Ratio	Formula	FY 2024-25	FY 2023-24	FY 2022-23	FY 2021-22	FY 2020-21
Liquidity	Current ratio	(Current Assets / Current Liabilities)	3.02	2.04	1.50	0.98	1.01

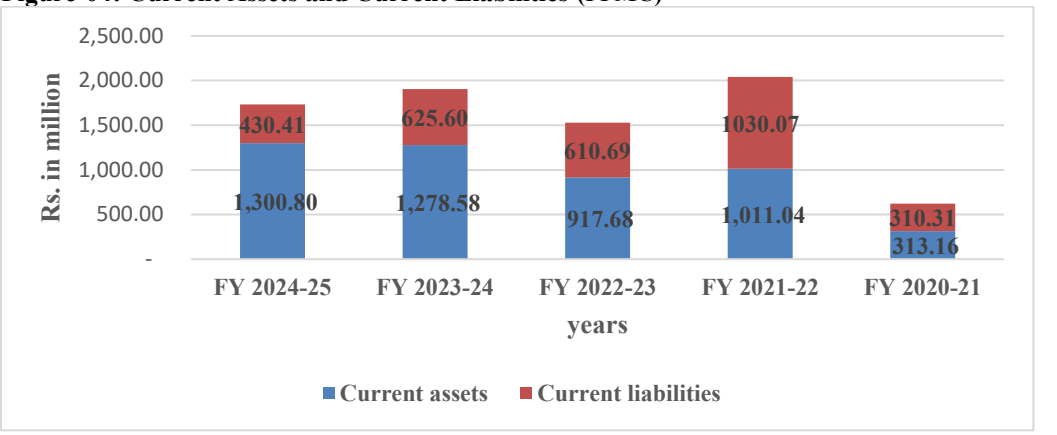
(Source: financial ratios calculated based on financial statement from FYs 2020-21 to 2024-25)

The liquidity position of the entity improved significantly over the period under review, as reflected by the current ratio, which increased from 1.01 in financial year 2020-21 to 3.02 in financial year 2024-25. This improvement was primarily driven by a substantial increase in current assets, which rose to Rs.

1,300.80 million in financial year 2024-25 (financial year 2023-24: Rs. 1,278.58 million), alongside a notable reduction in current liabilities to Rs. 430.41 million from Rs. 625.60 million in the preceding year.

During financial year 2021-22, the current ratio had deteriorated to 0.98 due to high current liabilities of Rs. 1,030.07 million relative to current assets of Rs. 1,011.04 million, indicating short-term liquidity stress. However, subsequent years reflect a marked recovery, with the current ratio strengthening to 2.04 in financial year 2023-24 and further to 3.02 in financial year 2024-25. Overall, the entity maintained a strong short-term solvency position in the latest year, indicating adequate capacity to meet its current obligations as they fall due. Illustratively:

Figure-04: Current Assets and Current Liabilities (PPMC)



(Source: Financial Statements FYs 2020-21 to 2024-25)

STATEMENT OF CASH FLOW

Table-05: Summary of Cash Flow Movements (PPMC) **(Rs. in million)**

Particulars	Financial Years				
	2025*	2024	2023	2022	2021
Net cash generated from operating activities	-69.76	149.52	-231.44	701.64	250.06
Net cash used in investing activities	78.30	716.09	-344.77	18.54	3.99
Net cash generated from financing activities	-24.24	-9.81	-19.62	-16.35	0.00

Net increase / (decrease) in cash and cash equivalents	-15.70	855.81	-595.83	703.84	254.05
Cash and cash equivalents at beginning of the year	1,248.21	392.40	988.23	284.40	30.35
Cash and cash equivalents at end of the year	1,232.51	1,248.21	392.40	988.23	284.40
***Financial statements for the FY 2024-25 are provisional and subject to change**					

(Source: Financial Statements FYs 2020-21 to 2024-25)

The entity's cash flow position exhibited significant volatility over the period under review. Net cash generated from operating activities turned negative in financial year 2025 at Rs. 69.76 million outflow, compared to a positive inflow of Rs. 149.52 million in financial year 2024, indicating pressure on core cash-generating operations despite reported profitability. Operating cash flows were also negative in financial year 2023, reflecting inconsistencies in working capital management.

As a result of these movements, cash and cash equivalents decreased marginally to Rs. 1,232.51 million at the end of financial year 2025 from Rs. 1,248.21 million in the previous year, despite a strong cash position overall. While the closing cash balance remained healthy, recurring negative operating cash flows highlight the need for improved cash flow management to ensure sustainability of operations.

⇄ STATEMENT OF CHANGES IN EQUITY

This issued, subscribed, and paid-up capital remained constant at Rs.7.10[25] million, indicating no fresh equity injections or changes in capital structure. Consequently, the growth in shareholder' equity is entirely attributed to retained earnings.

Un-appropriated profit increased significantly from Rs. 327.12 million in financial year 2023 to Rs. 679.93 million in financial year 2024 and further to Rs. 970.23 million in financial year 2025, reflecting sustained profitability and accumulation of retained earnings. As a result, total equity rose sharply to Rs.

[25] Financial Statements for FYs 2020-21 to 2024-25

977.33 million in financial year 2025 from Rs. 687.03 million in financial year 2024 and Rs. 334.23 million in financial year 2023. The substantial percentage increase in equity in earlier years was mainly due to the very low equity base, while recent growth reflects improved financial performance.

Overall, the equity structure is heavily dominated by un-appropriated profits, highlighting reliance on internally generated funds rather than capital infusion, which strengthens financial independence but also underscores the absence of equity expansion through fresh share capital.

2.3 Governance Framework

2.3.1 Non-performance of mandated policy, strategic and technical functions by PPMC as designated entity

According to Para-63 of National Energy Plan, 2023-30, Indigenization of technological hemisphere, being a crucial component to ensure self-sufficiency, shall be gradually enhanced across the entire value chain of the sector. Accordingly: a) Engineering Development Board (EDB) with assistance of the Designated Entity and relevant stakeholders, shall develop a Power Sector Indigenization Plan (PSIP) by June 2024, to enable progressively increasing share of indigenous equipment / components in power sector. PISP shall provide high-level targets of local content and identify requisite actions account of, inter-alia, legislation, standardization, certifications, technological, upgradations and incentives. The targets under PSIP shall inform sectoral procurements and deemed part of this NE-Plan.

During the audit of PPMC for the financial year 2024-25, it was observed that despite being formally designated as the policy, strategic and technical arm of the Ministry of Energy (Power Division), PPMC did not perform key mandated functions required under national policy, plan and government notifications.

Audit noted that PPMC failed to:

i. Develop indigenization / localization frameworks to promote local content, technology transfer, joint ventures, incentives and domestic R&D in the power sector, as required under NEP-2021.
ii. Contribute to or support development of the Power Sector Indigenization Plan (PSIP) as mandated under Para-63 of NE-Plan 2023-30, including

identification of local content targets, standardization needs, certification mechanisms and incentive structures.

iii. Develop uniform designs and technical standards for the distribution sector**,** resulting in continued fragmentation and non-standardization across DISCOs.

As per record made available to Audit no substantive deliverables were found achieved on the above three areas.

The matter was taken up with the management in December, 2025 and reported to the Ministry in January, 2026. The management replied that since onboarding its workforce in May 2025, PPMC has operated as the Ministry's specialized technical arm, successfully delivering key. Regarding the Power Sector Indigenization Plan (PSIP), management clarified that the Engineering Development Board (EDB) is the lead entity, while PPMC provides facilitative and analytical support. Furthermore, they argued that the development of technical standards for the distribution sector is pending a formal administrative transfer of functions and records from the NGC.

The DAC in its meeting held on February 06, 2026 directed the management to submit details of the case duly supported with relevant documents to Audit within two weeks and provide the latest updates towards the progress achieved in the matter.

No further progress was intimated till finalization of the report.

Audit recommends that the company may renew its efforts towards its fulfillments all key obligations assigned to it like the ones highlighted in the para.

(Draft Para No.1783/2025-26/AMIS 2025_COM0000000145_F01904)

2.3.2 Delayed transfer and non-operationalization of design, standards & specifications function from NGC to PPMC

According to Ministry of Energy (Power Division) letter dated. October 30, 2023, in pursuance to the national action plan (2023-27), after PPMC is fully manned, it would be a sole Designated Entity.

During the audit of PPMC for the financial year 2024-25, it was observed that despite the Cabinet's approval (CCoE Decision No.1023/35/2021 dated October 27, 2021) to transfer the function of developing uniform designs, standards, and specifications (11 KV and below) for distribution sector from

NGC/NTDC to PPMC, and subsequent instructions by Power Division on May 19, 2025, the designated function was neither timely established nor fully operationalized. The BoD in its meeting held on April 10, 2025 approved the inclusion of the strategy energy Financing and Design and Standards functions within the organizational structure of PPMC. However, delays persisted in deployment of technical HR, transfer of documentation, systems handover, and establishment of operational readiness. As a result, functional control over distribution design and specifications remained fragmented between NGC/NTDC and PPMC. This delay had led to non-uniform technical standards across DISCOs, risks of procurement and design inconsistencies, potential quality deviations, and hindered achievement of the National Electricity Policy 2021 goals.

Non-adherence to cabinet directive and NEP-2021 resulted in delayed transfer and non-operationalization of design, standards and specification (DSS) function from NGC to PPMC up to the financial year 2024-25.

The matter was taken up with the management in December, 2025 and reported to the Ministry in January, 2026. The management replied that that although the transfer of Design & Standards (D&S) functions from NGC was approved by the Cabinet, implementation has been delayed due to transitional issues and NGC's administrative retention of these functions.

The DAC in its meeting held on February 06, 2026 directed the management to submit the details of the efforts made duly supported with documentary evidence to Audit within one week and expedite the matter on fast track basis.

No further progress was intimated till finalization of the report.

Audit recommends that the company may fully recognized its role viz-a-viz a technical functionalities highlighted in the above observation without more delays.

(Draft Para No.1880/2025-26/AMIS 2025_COM0000000145_F01968)

2.3.3 Weak oversight resulting in non-implementation of revenue mechanism by PPMC

According to clause-6.2.1 of NEP, Ministry of Energy (Power Division) shall be responsible, among other matters, for monitoring the implementation of the National Electricity Policy and National Electricity Plan.

According to decision dated. 27.10.2021 of Federal Cabinet regarding power sector reforms-restructuring of PEPCO, Power Division formulated the following proposals for restructuring of PEPCO:(i) Name of PEPCO would be changed to power Planning and Monitoring Company (PPMC) (ii) the restructured company may continue to charge a fee to DISCOs, GENCOs and NTDC, as determined by the Board from time to time. (iii) the draft of planning and Monitoring Agreement between PPMC and the Power Sector entities to perform its functions may be contracted.

During audit of the PPMC for the financial year 2024-25, it was observed that the Board approved recovery of a management fee of Rs. 351.85 million from DISCOs through the distribution margin. However, no invoices were raised through CPPA-G during the year 2024-25 whereas, PPMC received advance payments of Rs. 519.52 million from CPPA-G. Out of which Rs. 409.22 million was booked as management fee, leaving an unadjusted balance of Rs. 110 million payable to CPPA-G as on June 30, 2025. Audit further observed that mandatory Planning and Monitoring Agreements with DISCOs were not executed and approval of the management fee was not obtained from NEPRA, despite the fee being linked to the distribution margin. As a result, the management fee was recovered without a billing mechanism and without fulfillment of required regulatory and contractual formalities.

Non adherence to Power Division and BoD directions resulted in weak oversight resulting in non-implementation of revenue mechanism by PPMC amounting Rs. 351.85 million for the period 2024-25.

The matter was taken up with the management in December, 2025 and reported to the Ministry in January, 2026. The management replied that, pursuant to the Federal Cabinet decision dated October 27, 2021 on the restructuring of PEPCO into PPMC, PPMC was mandated to perform sector-wide planning and monitoring functions for DISCOs and was allowed to continue charging a

management fee. Accordingly, the Board of Directors approved recovery of 50% of operating expenses amounting to Rs. 409 million as management fee, and the revenue was recognized in compliance with the Cabinet decision, Board approval, and IFRS-15. Non-issuance of invoices during financial year 2024-25 did not result in misstatement of revenue, as receipts from CPPA-G were recorded as advances and adjusted against actual revenue, with invoices subsequently issued in June 2025. Further, execution of a management agreement with DISCOs was made optional at the discretion of PPMC under the Cabinet decision, and the mandate has since been incorporated in the NE Policy, NE Plan 2023, and SRO 1358-I/2025. Given the nature of PPMC's functions, monitoring and evaluation of DISCOs is more effectively carried out under these Federal Government-approved legal instruments; therefore, execution of a bilateral agreement remains discretionary. The reply was not tenable as recognizing revenue via advances from CPPA-G without NEPRA-approved tariffs or executed Planning and Monitoring Agreements violates regulatory and contractual formalities. Audit maintains that recovering fees through the distribution margin without a formal billing mechanism constitutes a serious lapse in financial oversight and transparency.

The DAC in its meeting held on February 06, 2026 directed the management to submit the revised reply in chronological order of the subject case, along with supporting documents to Audit within one week.

No further progress was intimated till finalization of the report.

Audit recommends the management for implementation of DAC's directives.

(Draft Para No.1793/2025-26/AMIS 2025_COM0000000145_F01897)

2.4 Human Resource Management

2.4.1 Discrepancies in the appointment of MD, PPMC

According to Provision-6 of Chapter-3 of SOE Act-2023, every state-owned enterprise shall undertake its operations in accordance with the criteria for sound and prudent management, namely: - the business of the SOE is carried on with integrity, objectivity, due care and professional skills appropriate to the nature and scale of its activities.

As per provision of advertisement of Post of MD PPMC, the salary will be as per PPMC Scale P-7 (Rs. 1.5 million to 2.00 million per month) with transport and other facilities according to company policy.

During the audit of PPMC for the financial year 2024-25, it was observed that the appointment of the Managing Director (MD) involved significant deviations from the advertised terms and conditions. Although the post was initially advertised with an age limit of up to 55 years and a salary range of Rs. 1.5 to 2.0 million, the Board eventually re-advertised the position without any age limit. Following a process where the top candidate declined the offer, the Board appointed the second candidate on the merit list who was Ex-CEO CPPA-G, at the maximum advertised salary of Rs. 2.0 million per month. However, audit found that a revised offer letter was issued almost immediately, which modified the salary clause to allow for future pay scale revisions.

The Board subsequently reviewed the company's pay structure and enhanced the MD's salary to Rs. 3.2 million per month before he had even completed his four-month probation period. This premature increase was granted without a performance evaluation and ignored the fact that the position had been advertised at a much lower rate.

Audit was of the view that had the same terms being made known to other candidates, a more transparent recruitment could have taken place and the quick revision of the salary terms was indicative that the candidate knew about the upcoming revision of pay scales beforehand.

This non-compliance with the principles of transparency and equal opportunity had resulted in un-transparent hiring at PPMC.

The matter was taken up with the management in December, 2025 and reported to the Ministry in January, 2026. The management replied that after the first recommended candidate declined to join, the Board of Directors appointed the second candidate on merit on the same advertised salary package, without any deviation. Furthermore, in compliance with the SOE Ownership and Management Policy, 2023, the revision of the Managing Director's scale was a lawful decision of the competent authority.

The DAC in its meeting held on February 06, 2026 directed the management to submit details of the case in chronological order, duly supported with documentary evidence to Audit within one week. DAC further directed the management to forward the case of revision of pay scale and enhancement of pay package of MD to the Finance Division for concurrence through the Ministry of Energy (Power Division) and share the outcomes thereof with Audit accordingly.

No further progress was intimated till finalization of the report.

Audit recommends the management for implementation of DAC's directives.

(Draft Para No.1774/2025-26/AMIS 2025_COM0000000145_F01894)

2.4.2 Deletion of independent CFO post and non-appointment of CIA & Company Secretary

According to Provision-6, Chapter-3 of SOE Act-2023, every state-owned enterprise shall undertake its operations in accordance with the criteria for sound and prudent management, namely: - the business of the SOE is carried on with integrity, objectivity, due care and professional skills appropriate to the nature and scale of its activities.

According to Central Monitoring Unit (CMU) Guidelines of the of Finance Division dated August 15, 2024 for C Level Appointments in Federal State owned Enterprises, appointments of Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Internal Auditor (CIA), and Company Secretary (CS), are designed to enhance the governance, transparency, and operational efficiency of State-Owned Enterprises (SOEs).

During the audit of PPMC for the financial year 2024-25, it was observed that the Board of Directors (BoD), in its 113th meeting held on June 11, 2025 approved a restructuring whereby the independent C-Type statutory position of Chief Financial Officer (CFO) was abolished. The separate position of CFO was deleted, and its functions, along with those of 'Chief Strategic Energy Finance', were merged into a newly created designation titled 'Chief (Financial Officer, Planning Support & Regulatory Affairs)'. This restructuring compromised the statutory individuality of the CFO role, which was required to function as a stand-alone position to ensure transparency and financial accountability.

It was further analyzed that no direct hiring for this amalgamated position of Chief (Financial Officer, Planning Support & Regulatory Affairs) was made instead an earlier officer hired as Director General (Corporate Finance & Regulatory Affairs) was given charge of this post by increasing his salary from Rs. 1.6 million, to Rs. 2.2 million per month.

Furthermore, the Company Secretary and Chief Internal Auditor had not been appointed. Instead of filling these roles with qualified personnel, the company assigned the Staff officer to MD as acting Secretary. For efficient and transparent working of the company qualified persons were required at the position of Company Secretary as well as CIA which was found lacking at PPMC.

Non adherence to SOE Act resulted in irregular merger of the independent CFO role with functional post and non-appointing the company Secretary and CIA up to the period 2024-25

The matter was taken up with the management in December, 2025 and reported to the Ministry in January, 2026. The management replied that the SOE (Governance and Operations) Act, 2023 permits the Chief Financial Officer to hold allied financial, planning and regulatory responsibilities, and empowers the Board to determine an appropriate organizational structure. The appointments of key governance positions, including the Company Secretary and Chief Internal Auditor, are being carried out strictly in accordance with the SOE Act, 2023 and are in process.

The DAC in its meeting held on February 06, 2026 directed the management to submit details of the case in chronological order, with proper justification with reference to the role of the CFO in accordance with the SOE Act and CMU guidelines to Audit within one week. DAC further directed to submit the updated reply along with a justification for the delayed appointment of the regular Company Secretary and CIA to the Audit within two weeks.

No further progress was intimated till finalization of the report.

Audit recommends that in order to ensure financial transparency and the post of CFO may be re-established and filled with a qualified professional besides ensuring appointment of CIA & Company Secretary.

(Draft Para No.1781/2025-26/AMIS 2025_COM0000000145_F01902)
(Draft Para No.1787/2025-26/AMIS 2025_COM0000000145_F01908)

2.4.3 Undue extension of officers contracts with enhanced pay due to failure in finalizing regular recruitment process in PPMC

According provision-6. chapter-3 of SOE Act-2023, every state-owned enterprise shall undertake its operations in accordance with the criteria for sound and prudent management, namely: - the business of the SOE is carried on with integrity, objectivity, due care and professional skills appropriate to the nature and scale of its activities.

During the audit of PPMC for the financial year 2024-25, it was observed that three consultants were initially appointed in 2021 for a period of six-months on lump-sum contractual basis as a stop-gap arrangement. However, an ad-hoc management approach was continuing at the SOE and regular appointees were yet to be hired. The BoD had also emphasized in its 95th meeting held on January 25, 2024 the need for expediting the recruitment process. Details regarding the contractual appointments were:

Table-06: Abstract of extensions in service contract granted to officers (PPMC)

—	Designation	Contract Period	From Period	Initial Lump Sum Package (Rs) PM	Last Extended Period by BoD 107th Meeting dated 15.01.25	Increased Pay Package @21%
1	GM (HR)	six month	19.07.21	600,000	18.01.25 to 18.01.26	726,000
2	GM (R&CO)	six month	05.08.21	600,000	04.02.25 to 04.02.26	726,000
3	(SO to MD) Charge of Secretary	six month	05.08.21	400,000	04.02.25 to 04.02.26	484,000

(Source: - PPMC letter dated January 24, 2025)

Inefficient HR and financial management resulted in undue extension of consultants' contracts with enhanced pay due to failure in finalizing regular recruitment process in PPMC up to the period 2024-25.

The matter was taken up with the management in December, 2025 and reported to the Ministry in January, 2026. The management replied that the senior-

level positions, including General Managers and Executive Secretary, were filled on a contract basis through open and competitive processes rather than consultancy arrangements. The engagements and extensions were transparent, compliant with applicable laws, and duly approved, and the organization has substantially transitioned to a regularized structure.

The DAC in its meeting held on February 06, 2026 directed the management to submit the updated reply in chronological order, along with the justification for extensions granted to contract employees and delays in finalizing regular recruitments, supported with relevant documents to Audit within one week.

No further progress was intimated till finalization of the report.

Audit recommends that the ad-hoc approach of granting extensions may be dis-continued and regular hiring of professionals implemented.

(Draft Para No.1785/2025-26/AMIS 2025_COM0000000145_F01906)

2.4.4 Recruitment of officers at PPMC beyond advertised posts

According to HR manual of PPMC Chapter 4 clause 8.5 stated "on the basis of performance the best MTO(s) may be considered for the relevant vacant position of Assistant Manager/Assistant Specialist".

During the audit of PPMC for the financial year 2024-25, it was observed that PPMC initially advertised nine (09) posts of Management Trainee Officers (MTOs) in four categories in February 2025, against which 2,940 applications were received and 822 candidates were shortlisted. However, without issuing any corrigendum or re-advertisement, the number of posts was increased in multiple stages from 09 to 25 in June, 2025 and subsequently to 28, contrary to transparent recruitment practices. Moreover, varying assessment thresholds were applied across categories, with candidates selected at lower consolidated assessment grades in some cadres, whereas higher thresholds were applied for MTO (Finance), resulting in non-selection and continued vacancies.

Table-07: Recruitment Process of MTOs in PPMC

Sr #	Position Advertised	No. Of Positions initially advertised in Newspaper in Feb-2025	Applications received till the last date 25.02.2025	Shortlisted for next stage	Total No. of positions after addition	No. of candidates called for interview	Phase-II Interview	Joined	Posts remaining
1	MTO (Technical)	3	1518	537	8	24	12	4	4
2	MTO (IT)	2	502	109	6	7		3	3
3	MTO (Finance)	3	521	126	11	33	27	4	7
4	MTO (HR) & MTO (Admn)	1	399	50	3	6	6	1	2
	Total	**09**	**2,940**	**822**	**28**	**70**	**45**	**12**	**16**

(Source: - PPMC Correspondence File)

As a result, the recruitment process remained inconclusive, and sixteen (16) out of twenty-eight (28) sanctioned MTO posts across different categories remained vacant.

Weak recruitment process resulted in irregular expansion and non-finalization of MTO recruitment process in PPMC up to the financial year 2024-25.

The matter was taken up with the management in December, 2025 and reported to the Ministry in January, 2026. The management replied that MTO recruitment is governed by a dedicated SOP approved by the Board on January 15, 2025 and that the Managing Director was fully authorized to increase the number of positions.

The DAC in its meeting held on February 06, 2026 directed the management to submit approved SOP/HR Manual along with documentary evidence to Audit within one week.

No further progress was intimated till finalization of the report.

Audit recommends the management may ensure transparency in its recruitment process in letter and spirit.

(Draft Para No.2151 /2025-26/AMIS 2025_COM0000000145_F02260)

CHAPTER-3

POWER INFORMATION TECHNOLOGY COMPANY (PITC)

3. Power Information Technology Company (PITC)

3.1 Introduction

Power Information Technology Company (PITC) started its operations as a Public Limited Company during June, 2010 and got registered under Companies Ordinance, 1984. PITC is a leading power sector IT Company in Pakistan. The Company is headed by Chief Executive Officer appointed by BoD / PEPCO. PITC is solely responsible for providing software support to ten (10) power distribution and transmission companies (DISCOs) of Pakistan. The Company had four major units i.e. Operation & Customer Services, Engineering Solution Development, Research and Business Development.

3.2 Comments on Financial Statements



STAUS OF FINANCIAL STATEMENTS

It is highlighted that there have been considerable delays in finalization of Audited Financial Statements at the company. At the time of finalization of this audit report, financial statements for 2024-25 remained unaudited and un-finalized. However, comments on data (except financial year 2024-25) provided by management have been incorporated in this section of the report.

The Chartered Accountant of the company gave a qualified opinion on the financial statements of the company for the financial year 2023-24 which is reproduced as under:

a. The Company's provincial sales tax liability stood at Rs. 335.26 million as at the yearend in respect of sales tax on its services, customer complaint management system and software licensing fee, including Rs. 148.78 million accrued during the year, of which Rs. 93.46 million was not included in the sales tax returns filed with relevant authorities. The liability was further reduced by Rs. 50.31 million through input tax adjustments. Additionally, Rs. 43.35 million was adjusted as tax paid, though its validity remains unverified

due to the absence of Computerized Payment Receipts (CPRs). In respect of these liabilities, no provision has been made for potential penalties and default surcharges as stated in note 26.1, since the management believes that the financial impact could not be determined. Due to the above stated matters, we were unable to obtain sufficient and appropriate audit evidence to determine the completeness, accuracy, and validity of the provincial sales tax liability and potential penalties and default surcharges.

b. The Company has recognized right-of-use (ROU) assets and related lease liabilities pertaining to properties acquired through lease agreements. However, due to absence of sufficient and appropriate audit evidence, we were unable to verify the balances of ROU assets and related lease liabilities. Moreover, failure to charge depreciation on ROU assets and financial charges on lease liabilities has resulted in an understatement of expenses and overstatement of profits and ROU assets, with the related deferred tax effect also not recognized. Further, lease liability payments were incorrectly booked as rent expense instead of reducing the lease liability, leading to an overstatement of both the lease liability and rent expense.

c. As disclosed in note 22, the Company has deducted advances from employees under its transport policy amounting to Rs. 19.52 million. However, the management has not provided employee-wise details of these advances, and we were unable to obtain sufficient and appropriate audit evidence regarding the completeness and accuracy of these balances. Consequently, we were unable to determine whether any adjustments were required in relation to their classification, measurement, and disclosure in the financial statements in accordance with the applicable financial reporting framework.

d. As disclosed in note 8 to the financial statements, the Company has granted interest-free long-term advances to its employees amounting to Rs. 80.65 million. However, the Company has not accounted for these advances in accordance with IFRS 9 Financial Instruments, which requires discounting such advances to their present value using an appropriate market rate of interest. The absence of discounting has resulted in the overstatement of

advances to employees and understatement of employee benefits expense. The impact of this departure from IFRS has not been quantified by management, and we were unable to determine the effects of this misstatement on the financial statements.

e. Confirmations requests pertaining to trade debts, which comprise related party balances, amounting to Rs. 1,196.60 million, remained unanswered. We were unable to satisfy ourselves by alternative means.

Qualified opinion by the Chartered Accountants raised serious questions over the adequacy and credibility of the accounts prepared by the company.

PROFITABILITY ANALYSIS

Table-08: Profitability Ratios (PITC)

Ratios	Financial Years			
	2023-24	2022-23	2021-22	2020-21
				In %age
Gross Profit Margin	66.37	67.69	69.34	67.48
Net Profit Margin	35.53	27.47	19.54	16.26
ROCE	36.81	46.22	50.59	23.23
Return on Assets	17.31	16.89	16.36	10.29

(Source Financial Statements of PITC FYs 2020-21 to 2023-24)

The financial ratios indicated that PITC's profitability remained consistently strong over the four-year period, with some volatility in certain return indicators. The Company maintained positive net profit margins throughout, improving significantly from 16.26% in financial year 2020-21 to 35.53% in financial year 2023-24, reflecting enhanced cost control and improved revenue realization. This sustained profitability demonstrates a fundamentally viable operating model, distinguishing PITC from structurally loss-making SOEs.

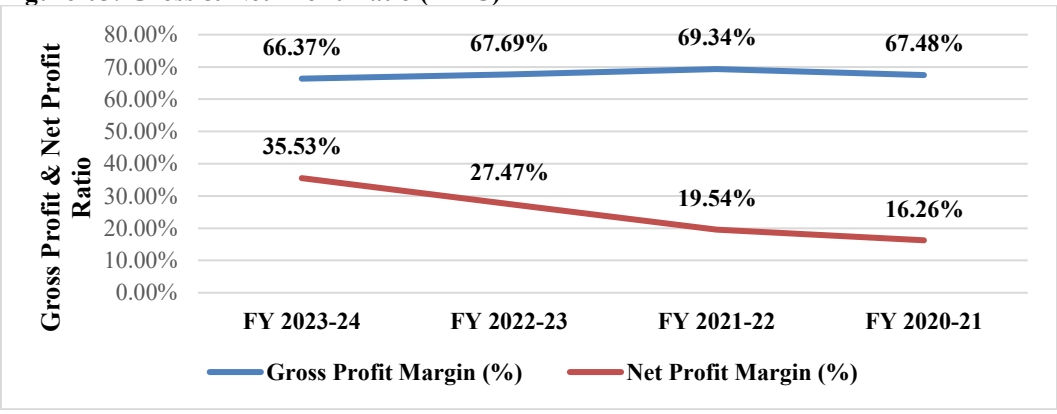
An analysis of gross profitability reveals a stable yet slightly fluctuating trend in core operations. Gross profit margins remained elevated, ranging between 66.37% and 69.34%, with a marginal decline observed in financial year 2023-24. The consistently high gross margins indicate effective cost recovery mechanisms; however, the downward movement in the most recent year suggests emerging

pressures, potentially attributable to rising operating costs or changes in service pricing structures.

Despite strong profitability, return-based indicators reflect variations in capital efficiency. Return on Capital Employed (ROCE) peaked at 50.59% in financial year 2021-22 and remained strong at 46.22% in financial year 2022-23, before declining to 36.81% in financial year 2023-24. The recent downward trend indicates comparatively reduced efficiency in generating returns from capital employed, possibly due to an expanded capital base or slower growth in operating profits Conversely, Return on Assets (ROA) showed gradual improvement, increasing from 10.29% in financial year 2020-21 to 17.31% in financial year 2023-24, reflecting better utilization of total assets.

Efficiency ratios, however, highlight significant working capital and liquidity management concerns. Debtor Collection Days deteriorated sharply, increasing from 151 days in financial year 2020-21 to 259 days in financial year 2023-24, indicating persistent delays in receivables recovery and heightened exposure to cash flow risk. Creditor Turnover Days also increased to 161 days, suggesting extended payment cycles that may mask underlying liquidity pressures despite reported profitability.

Figure-05: Gross & Net Profit Ratio (PITC)



(Source: Financial Statements of PITC FYs 2020-21 to 2023-24)

For the year under review, financial year 2023-24, PITC recorded a net profit margin of 35.53%, reflecting a substantial improvement in overall financial

performance. The Company reported strong profitability, supported by consistently high gross margins, with the gross profit ratio recorded at 66.37%, albeit showing a slight decline compared to the preceding year. This indicates continued strength in core operations, despite emerging cost and pricing pressures.

Operational efficiency during financial year 2023-24, however, deteriorated in key working capital indicators. Debtor Collection Days increased significantly to 259 days, highlighting persistent delays in receivables recovery and increased exposure to cash-flow risk. Creditor Turnover Days also extended to 161 days, suggesting reliance on delayed settlements to manage liquidity.

REVENUE & COST OF REVENUE

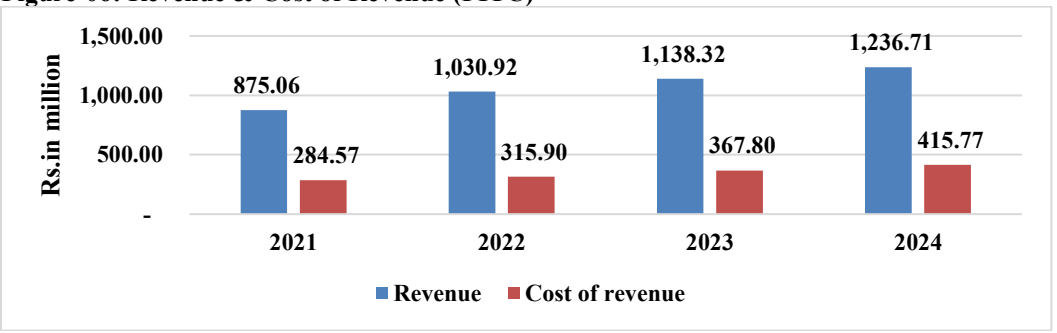
Over the period from financial year 2020-21 to financial year 2023-24, PITC exhibited a pattern of steady revenue growth alongside rising operational costs. Total revenue increased consistently from Rs. 875.06 million in financial year 2020-21 to Rs. 1,236.71 million in financial year 2023-24, reflecting the company's expanding operations and market activity. At the same time, the Cost of Revenue also rose from Rs. 284.57 million to Rs. 415.77 million, driven by higher cost AMI & CCMS service costs and increased employee benefits. Despite this, the company maintained healthy gross profitability, with gross profit ranging from Rs. 590.49 million in financial year 2020-21 to Rs. 820.94 million in financial year 2023-24. Gross profit margins remained strong, averaging above 65% over the period, although a slight decline to 66.4% in financial year 2023-24 indicated emerging pressure from increasing costs.

Focusing on the year under review, financial year 2023-24, PITC recorded a revenue of Rs. 1,236.71 million, supported by robust operational activity. The Cost of Revenue increased to Rs.415.77 million, yet gross profitability remained solid at Rs. 820.94 million with a margin of 66.4%. This indicated that, while operational costs were rising, revenue growth had continued to outpace cost escalation, providing a stable gross profit base.

Overall, PITC demonstrated a consistent ability to generate strong gross profits relative to revenue, with improving liquidity and efficiency trends.

Sustaining these gains required continued focus on cost management, operational efficiency, and disciplined financial oversight to ensure long-term profitability and stability.

Figure-06: Revenue & Cost of Revenue (PITC)



(Source: Financial Statements FYs 2020-21 to 2023-24)

Table-09: Receivables and Payables (PITC)

Description	FY 2024	FY 2023	FY 2022	FY 2021
Trade Receivables	879.04	646.59	445.10	362.56
Year-on-Year Change	36%	45%	23%	-
Trade Payables	545.08	488.48	350.04	379.08
Year-on-Year Change	12%	40%	-8%	-
Debtors' Turnover (Days)	259	207	158	151
Creditor Turnover (Days)	161	157	124	158

(Source: Financial Statement of PITC FYs 2020-21 to 2023-24)

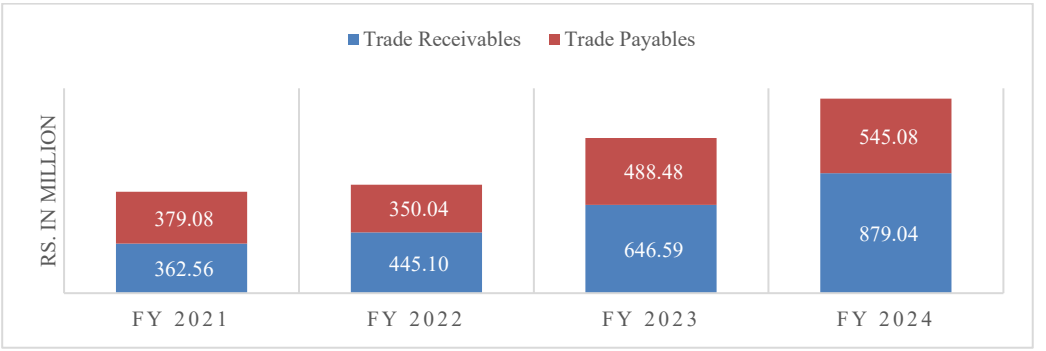
The company's trade receivables have shown significant and accelerating growth over the last four years, increasing from Rs. 362.56 million in financial year 2020-21 to Rs. 879.04 million in financial year 2023-24. Year-on-year increases were particularly sharp in financial year 2022-23 (45%) and financial year 2023-24 (36%). The debtor turnover period showed a consistent upward trend over the four-year period. In financial year 2020-21, the average collection period stood at 151 days, which increased slightly to 158 days in financial year 2021-22. This growth accelerated in financial year 2022-23 to 207 days, and further to 259 days in financial year 2023-24.

This trend indicates a gradual slowing in the collection of receivables. A rising debtor turnover in days suggests that the company was taking longer to collect payments from its customers, which may have implications for cash flow management and working capital efficiency. The most significant increase occurred in financial year 2023-24, highlighting potential inefficiencies in receivable management during the year under review.

On the liabilities side, Trade Payables have also grown, from Rs. 379.08 million in financial year 2021 to Rs. 545.08 million in financial year 2024, though the trend is more volatile. After a decline in financial year 2022, payables saw a sharp 40% increase in financial year 2023, followed by a moderate 12% rise in financial year 2024. Trade and other payables balance had increased from Rs. 488.08 million to Rs. 545.48 million from 2023 to 2024 representing a rise of 12%. This growth was primarily driven by significant increases in Provincial Sales Tax payable (up Rs.55.12 million) which may reflect higher tax obligations during the period.

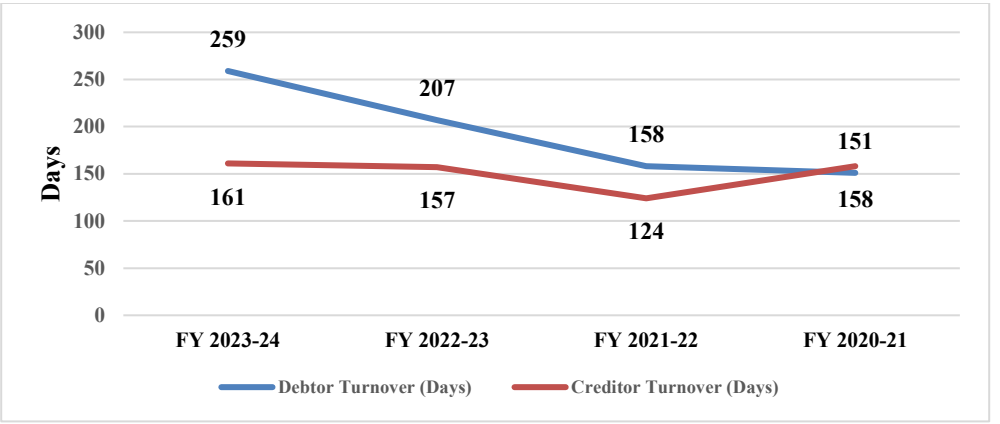
Creditor turnover days increased to 161 in financial year 2023-24 from 157 days in financial year 2022-23, indicating a slower payment cycle to creditors. This continues the volatility seen over the past four years, with financial year 2021-22 being a notable outlier at a faster 124 days. The current period reflects the longest payment period in the comparative period.

Figure-07: Trade Receivable and Payables (PITC)



(Source: Financial Statements of PITC FYs 2020-21 to 2024-25)

Figure-08: Debtor/Creditor Turnover (PITC)



(Source: Financial Statements of PITC FYs 2020-21 to 2024-25)

STAFF RETIREMENT BENEFITS

The post-employment benefit obligation at Power Information Technology Company represents a significant and volatile financial commitment, exhibiting a dramatic and concerning trend over the four-year period. After a substantial 44.6% decrease in financial year 2021-22, liability surged by 64.9% in financial year 2022-23 and then more than doubled 136.75% in financial year 2023-24 to reach Rs. 828.28 million. This extreme volatility indicates that liability is highly sensitive to actuarial assumptions such as discount rate changes, salary growth estimates, or demographic experience or potentially to one-off events like plan amendments or corporate restructurings. Critically, by financial year 2023-24, this single non-current liability Rs. 828.28 million nearly equals the company's entire equity base Rs. 849.08 million, transforming it from a standard employee benefit into a dominant feature of the capital structure and a major source of financial risk.

The ballooning of this obligation has profound implications for the company's financial health and strategic flexibility. The steep year-on-year increases directly pressure profitability, as higher service and interest costs will flow through the income statement. Furthermore, the massive liability creates a long-term drag on cash flows, as the company will need to fund these future benefits, potentially constraining investments in core technology or growth initiatives. Stakeholders, including investors and lenders, must scrutinize the

actuarial reports and management commentary to understand the drivers behind this trend. Whether due to changing economic conditions or a strategic decision to enhance employee benefits, the escalating post-employment cost is a critical factor that management must address to ensure the company's long-term financial sustainability and operational freedom.

Table-10: Net Defined Benefit Liability as % of Sales (PITC)

Ratio	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
% of liability to Sales	44%	21%	31%	67%

(Source: Financial Statements of PITC FYs 2020-21 to 2023-24)

The escalating post-employment benefit liability is a critical financial and operational concern. Its dramatic surge to 136.75% in financial year 2023-24, consuming 67% of sales the highest ratio in four years indicates the obligation is growing far faster than the company's revenue-generating capacity. This severely pressures profitability, as rising service costs will erode margins, and constrains strategic flexibility by locking up future cash flows. The extreme volatility, highlighted by a 44.6% drop in financial year 201-22 followed by sharp increases, suggests high sensitivity to actuarial assumptions or potential plan amendments. Stakeholders must demand clarity on the underlying drivers, as this trend threatens long-term financial sustainability and the company's ability to invest in growth.

STATEMENT OF CASH FLOWS

Table-11: Summary of Cash Flows (PITC) **(Rs. in million)**

Particulars	FY 2024	FY 2023	FY 2022	FY 2021
Net cash from operating activities	58.32	357.20	-135.10	211.20
Net cash (used in) investing activities	24.98	-416.62	124.52	-154.10
Net cash from financing activities	1.42	-16.23	-16.77	-28.61
Net increase/(decrease) in cash	84.71	-75.66	-27.35	28.50
Cash & cash equivalents at year end	289.13	204.42	280.07	307.42

(Source: Financial Statements of PITC FYs 2020-21 to 2023-24)

A review of the cash flows for the financial years 2020-21 to 2023-24 indicated that while the entity has achieved consistent growth in profit before working capital adjustments from Rs. 477.57 million to Rs. 687.83 million the net

cash generated from operating activities exhibits significant volatility. This disparity between reported profitability and cash generation was largely driven by substantial non-cash provisions, particularly for doubtful receivables and post-employment benefits, which are subsequently reversed upon cash settlement. For instance, the significant provision of Rs. 83.47 million for doubtful receivables in financial year 2021-22 did not result in a corresponding cash outflow that year, artificially bolstering operating cash. Conversely, the substantial cash payment of Rs. 472.22 million for post-employment benefits in the same period created a net operating cash deficit of Rs. 135.10 million. This pattern reveals a material timing mismatch and underscores that the entity's reported operating cash flow is highly sensitive to the cycle of provisioning and settlement, rather than reflecting pure trading performance.

Furthermore, the entity's strategy has demonstrably shifted towards active liquidity management through short-term investments. Investing activities, which were a net cash used in financial year 2020-21 and financial year 2022-23, became a net generator in financial year 2021-22 and financial year 2023-24. This is primarily due to strategic deployment into short-term investments (e.g., a net purchase of Rs. 450.00 million in financial year 2022-23) and the subsequent receipt of substantial profits from these instruments (Rs. 106.80 million in financial year 2023-24).

⇄ STATEMENT OF CHANGES IN EQUITY

A review of Statement of changes in Equity showed that Power Information Technology Company's total equity experienced a steady and significant increase over the period from financial year 2020-21 to financial year 2023-24, rising from Rs. 477.70 million as at June 30, 2021, to Rs. 849.08 million as at June 30, 2024. This growth was largely driven by the retention of profits generated during each year, reflecting consistent operational performance. The share capital remained at Rs. 90 only while share deposit money and capital reserve remained stable at Rs. 50.00 million and Rs. 148.99 million respectively, indicating that the increase in equity was achieved solely through earnings retention rather than fresh capital contributions.

The revenue reserve, or unappropriated profit, demonstrated substantial growth, increasing from Rs. 278.71 million in financial year 2020-21 to Rs. 650.09 million in financial year 2023-24, highlighting the company's ability to generate and retain earnings over time. Each year, the company recorded profit for the year, which was partially offset by other comprehensive losses, yet the net total comprehensive income remained positive and contributed to strengthening the equity base. Overall, the statement reflects a sound financial position, marked by sustained profitability, prudent retention of earnings, and a robust equity structure that supports the company's financial stability and potential for future growth.

3.3 Financial Management

3.3.1 Non preparation of annual audited financial statements of PITC Employees Trust (Pension fund) for the Financial Year 2022-23 and 2023-24

According to Section 223 (2) of Companies Act, 2017, "The financial statements must be laid within a period of one hundred and twenty days following the close of financial year of a company, Furthermore, Section 223(5) of the ibid States that "The financial statement shall be audited by the auditor of the company, in the manner hereinafter provided, and the auditor's report shall be attached".

Section 15 of the Punjab Trust Act, 2020, promulgated on September 10, 2020 requires all trusts created under the Trust Act 1882 or registered under the Registration Act 1908 or under any other law for the time being in force to get registered under the Act. A trust which fails to get registered shall cease to function or operate in any manner.

During the audit of PITC for the financial years 2021-22 to 2023-24, it was observed that the audited financial statements of the PITC Employees Trust (Pension Fund) for 2022-23 and 2023-24 had not been finalized as of April 2025. This delay highlighted a critical lapse in the financial reporting process, undermining transparency, accountability, and informed decision-making regarding pension fund management. Further, the pension fund had not been registered under the Punjab Trust Act, 2020, as required by law. This non-compliance reflected administrative inefficiencies and exposed the fund to legal vulnerabilities, potentially compromising its ability to protect or assert its interests in legal matters. The absence of timely financial statements weakened the integrity of financial information and erodes stakeholders' confidence, placing the rights of pension beneficiaries at potential risk.

Non-adherence to rules resulted in non-preparation of annual audited financial statement of PITC Employees Trust (Pension fund) for the financial year 2022-23 & 2023-24.

The matter was taken up with the management in April, 2025 and reported to the Ministry in September, 2025. The management replied that audit for financial year 2022-23 was completed and the report was in the process of being

finalized and signed, while the audit for financial year 2023-24 was planned to be initiated immediately thereafter. Registration of the Trust under the Punjab Trust Act, 2020 was initiated, and necessary documentation and formalities were being completed.

The DAC in its meeting held on January 02, 2026 directed the management to complete the registration process and the audit of financial statements without any further delay and provide all relevant records for verification by the Audit within a month.

No further progress was intimated till finalization of the report.

Audit recommends the management for implementation of DAC's directives.

(Draft Para No.29/2025-26/AMIS 2025_COM0000000145_F00031)

3.3.2 Non-payment of provincial sales tax on services

According to section 10 (1) of Chapter II of the Punjab Sales Tax on Services Act, 2012 Subject to the provisions of this Act and the rules, there shall be charged, levied, collected and paid the tax on the value of a taxable service at the rate or rates specified in the Second Schedule.

During the audit of PITC for the financial years 2021-22 to 2023-24, it was observed that company got registered with provincial sales tax authorities and accordingly, charged and recognized sales tax liability on software license fee, automated meter interface and customer complaint management system. However, payment of tax amount was not being made to concerned revenue Authority. Due to non-payment, an amount of Rs. 335.26 million had accumulated as of June, 2024 on account of sales tax payable in respect of services provided to the DISCOs. This amount remained outstanding and payable to the revenue authorities. Non-compliance in discharge of outstanding tax liability on this account could result in penalties, surcharges or legal proceedings against company by the Tax Authorities.

Non-adherence to rules resulted in non-payment of provincial sales tax on services amounting to Rs. 335.26 million to tax authorities up to the financial year 2023-24.

The matter was taken up with the management in April, 2025 and reported to the Ministry in September, 2025.The management replied that PITC had duly

recognized and paid provincial sales tax, including Rs. 94 million in financial year 2023-24 and Rs. 15.143 million in financial year 2024-25. Efforts were ongoing to clear the remaining liability, which depend on recoveries from DISCOs.

The DAC in its meeting held on January 02, 2026 directed the management to clear the outstanding liabilities with the Punjab Revenue Authority and also take up the matter with DISCOs through Ministry of Energy (Power Division) to expedite recovery of its receivables.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's directives besides verifying to Audit the updated recoveries made.

(Draft Para No.18/2025-26/AMIS 2025_COM0000000145_F00021)

3.3.3 Inefficient contract management with DISCOs

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 the audit of PITC for the financial years 2021-22 to 2023-24, it was observed that during the period under review, invoices amounting to Rs.158.43 million were recorded as revenue for services provided to the various DISCOs. However, these invoices were subsequently reversed due to disputes arising from discrepancies in billing rates and unsettled arrears. This reversal highlighted deficiencies in the company's internal controls over revenue recognition and contract management. The premature recognition of revenue without securing agreement on service rates or settling prior dues revealed weaknesses in the company's internal review and approval processes. It also underscored inefficiencies in the coordination between the PITC and DISCOs. Lack of a robust validation mechanism for customer agreements and billing terms resulted in revenue being recognized without sufficient assurance of collection.

Weak financial management resulted in loss of revenue amounting to Rs. 158.43 million up to the financial year 2023-24.

The matter was taken up with the management in April, 2025 and reported to the Ministry in September, 2025. The management replied that Power Information Technology Company (PITC), a self-sustaining organization, generated revenue from DISCOs under SLAs executed in 2016. Clause 5.2 of the SLA allowed annual fee increases based on government pay and allowances, up to 10%. Despite this, some DISCOs made unauthorized deductions from PITC's invoices, violating the SLA and causing revenue losses and tax complications. PITC consistently delivered services and raised the issue with DISCOs, but due to their refusal to honor the agreed escalation, PITC revised its invoices to mitigate financial and taxation issues.

The DAC in its meeting held on January 02, 2026 directed the management to investigate the matter and fix responsibility on the delinquent.

No further progress was intimated till finalization of the report.

Audit recommends the management for implementation of DAC's directives.

(Draft Para No.20/2025-26/AMIS 2025_COM0000000145_F00023)

3.3.4 Understatement of liabilities payable to WAPDA on account of residential rent/service charges/electricity charges

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 the audit of PITC for the financial years 2021-22 to 2023-24, it was observed that an amount of Rs. 160 million was outstanding/payable to WAPDA on account of office rent/service charges, residential accommodation rent, and electricity charges as shown in letter issued by Secretary WAPDA on July 12, 2024. However, this amount was not recognized in the books of accounts of the company. Management was required to take concrete steps for reconciliation/settlement of the outstanding liabilities but no such efforts on the part of management was forthcoming from record. Hence, non-recognition of

WAPDA claims resulted in a material understatement of liabilities and misstatement of the financial position of the company.

Non-adherence to Corporate Governors Rule resulted in understatement of liabilities payable to WAPDA on account residential rent/service charges/ electricity charges amounting to Rs.160 million up to the financial year 2023-24.

The matter was taken up with the management in April, 2025 and reported to the Ministry in September, 2025. The management replied that the audit had highlighted an understatement of Rs. 160 million payable to WAPDA, of which Rs. 64 million had been settled with BoD approval. They stated that WAPDA had retrospectively revised per sqft rates, significantly increasing the liability, while PITC had initially paid as per old invoices. Management added that this unexpected revision had resulted in the liability not being recorded in PITC's financial statements, as noted by the auditor.

The DAC in its meeting held on January 02, 2026 directed the management to reconcile the figures with WAPDA and get the record verified from Audit within a month.

No further progress was intimated till finalization of the report.

Audit recommends that the matter is got reconciled with WAPDA and accurate liability reflected in the accounts of the company.

(Draft Para No.25/2025-26/AMIS 2025_COM0000000145_F00027)

3.3.5 Non-reconciliation of sales as per books of accounts and tax returns and output/input tax balances

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 the audit of PITC for the financial years 2021-22 to 2023-24, commercial auditors identified a significant discrepancy of Rs.160.80 million between sales recorded in the company's ledger and those declared in the sales tax returns during the financial year 2021-22. The cumulative non-reconciliation of sales, output

tax, and input tax balances reached Rs. 263.98 million by the end of the financial year 2023-24, as detailed below:

Table-12: Comparison of Books of Accounts Vs. Tax Returns (PITC) (Rs. in million)

Description	As per books of accounts	As per Tax Return	Difference
Sales	1,030.92	870.135	160.80
Output tax	150.95	95.98	54.95
In put tax	65.59	17.36	48.23
		Total	**263.98**

(Source: Chartered Accountant's Report 2021-22)

The required reconciliation to substantiate these figures was not available in the records provided. This lack of reconciliation raised concerns regarding the accuracy and completeness of tax reporting, potentially exposing the company to compliance risks and penalties.

Non-adherence to Authority's instructions resulted in non-reconciliation of sales as per books of accounts and as per sales tax returns and output/input tax balances Rs. 263.98 million upto the financial year 2023-24.

The matter was taken up with the management in April, 2025 and reported to the Ministry in September, 2025. The management replied that the audit observation was noted. The variance between sales record in the books and sales tax returns had arisen due to PITC recognizing sales tax on a receipt basis from DISCOs, which caused timing differences. They clarified that there was no misstatement or concealment of sales. The management also stated that PITC had initiated a detailed review of sales and tax balances for the period, and the supporting documents would be provided to the audit.

The DAC in its meeting held on January 02, 2026 directed the management to provide the relevant records, i.e. reconciliation statement, detail of payments of sales and output/input taxes to Audit for verification within three days.

No further progress was intimated till finalization of the report.

Audit recommends the management to ensure transparent and accurate recording of all financial transactions besides fixing responsibility for subject lapse.

(Draft Para No.28/2025-26/AMIS 2025_COM0000000145_F00030)

3.4 Governance Framework

3.4.1 Non-functioning of internal audit department of PITC

According to Sections 19, 20 and 21 of the State-Owned Enterprises (Governance and Operations) Act, 2023, the Board of a State-Owned Enterprise is required to establish adequate internal control and governance arrangements, including an effective internal audit function, and to constitute an Audit Committee responsible for oversight of financial reporting, internal controls, risk management, compliance, and review of significant audit findings.

As per Clause 6.3.1 of DISCO's Internal Audit Manual requires preparation of an Annual Internal Audit Plan by the Head of Internal Audit, defining audit assignments, scope, duration, and resource allocation, for approval of the Audit Committee prior to the commencement of each year.

Further, under the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors (IIA), Standards 1000, 1110, 2010, 2060, 2120 and 2130 require that internal auditing function as an independent and objective assurance and advisory activity, operating under a Board-approved charter with organizational independence and functional reporting to the Board, implementing a risk-based audit plan, reporting periodically to the Board, and evaluating the effectiveness of governance, risk management, and internal control processes.

During the audit of PITC for the financial years 2021-22 to 2023-24, it was observed that an expenditure of Rs. 2,256.97 million was incurred during last three financial years besides revenue generation amounting to Rs. 3,405.95 million which was required to be audited by the Internal Audit Department of the Company. But due to non-functioning of department, the same was not done. No internal audit reports were issued and presented to the audit committee and external auditors. The absence of an operation internal audit function increased risk of financial mismanagement and internal control lapses at the company.

Non-adherence to SOE act resulted in non-functioning of internal audit during the financial year 2021-22 to 2023-24.

The matter was taken up with the management in April, 2025 and reported to the Ministry in September, 2025. The management replied that although the internal audit department was temporarily non-functional, however, all cases

involving financial implications exceeding Rs. 1 million were vetted and endorsed by the Chief Internal Auditor on the directions of the CEO. The CIA position was advertised multiple times but could not be finalized earlier due to unavoidable circumstances. The recruitment process was re-initiated, and the matter was placed before the HR Committee for finalization.

The DAC in its meeting held on January 02, 2026 directed the management to submit a revised reply providing justification of non-functioning of the internal audit function each year in chronological order with reasons and getting the record verified from Audit within seven days.

No further progress was intimated till finalization of the report.

Audit recommends that management may make its internal audit department without further delay.

(Draft Para No.16/2025-26/AMIS 2025_COM0000000145_F00020)

3.4.2 Non-compliance with Board's directives on ICT System Audit and ISO 27001 adoption

The Board of Directors in its 60th meeting held on November 20, 2021 vide agenda item No.60.5 directed the management of PITC to:

i. hire a reputable security audit firm for internal audit of the deployed ICT systems in PITC
ii. ISO 27001 Implementation/Certification

During the audit of PITC for the financial years 2021-22 to 2023-24, it was observed that the compliance regarding hiring a reputable security audit firm for audit of deployed Information & Communication Technology (ICT) systems and the implementation of ISO 27001 certification, was not forthcoming from the available records even after a lapse of more than three years. Despite the explicit instructions from the BoD, no substantial action was taken to initiate the procurement of services from a qualified security audit firm. Furthermore, there was no progress toward the adoption of ISO 27001, a critical standard for information security management. Due to this inaction on the part of management, the organization remained exposed to potential security risks and compliance with internationally recognized information security standards.

Non-adherence to directions of authority resulted in non-compliance to Board's directives on ICT System Audit and ISO 27001 adoption up to the financial year 2023-24.

The matter was taken up with the management in April, 2025 and reported to the Ministry in September, 2025. The management replied that in 2022, PITC, with support from USAID, deployed a three-layered Trend Micro cybersecurity solution, providing network, endpoint, and centralized threat protection to safeguard its IT infrastructure and data, effectively addressing the CIA triad. The management further stated that PITC had planned to implement ISO/IEC 27001, but the Board had deferred it to financial year 2025-26 due to competing priorities and limited technical resources.

The DAC in its meeting held on January 02, 2026 directed the management to provide a revised reply in chronological order, along with relevant supporting documents, to justify the delay in compliance with the Board of Directors' directives.

No further progress was intimated till finalization of the report.

Audit recommends the management may strengthen its IT controls by adopting strong internationally recognized standards such as ISO 27001 and CMMI certification.

(Draft Para No.27/2025-26/AMIS 2025_COM0000000145_F00029)

3.4.3 Non-implementation of IT tasks part of National Electricity Plan

Under the National Electricity Plan (NEP) 2023-27, PITC has been assigned specific roles and responsibilities to enhance the efficiency, transparency, and reliability of the power sector through technology-driven solutions.

During the audit of PITC for the financial years 2021-22 to 2023-24, it was observed that different tasks such as development of a comprehensive digital transformation roadmap for the power sector, upgrading existing IT infrastructure, ensuring cybersecurity measures, billing automation, developing IT systems for monitoring and managing renewable energy projects were assigned to PITC. However, no documented progress regarding execution of those tasks was forthcoming from the record provided to audit.

Weak project execution and monitoring resulted in Non-implementation of the National Electricity Plan up to the financial year 2023-24.

The matter was taken up with the management in April, 2025 and reported to the Ministry in September, 2025. The management replied that as per the NE-Plan (2023-2027) ratified by the Cabinet, PITC was restructured to function as a central IT company for the power sector. The company submitted the Project Design Document and RFPs for a three-site redundant data center in Lahore, Islamabad, and Multan. Funding was approved by the Ministry of Energy and the World Bank in September 2025, enabling PITC to commence the implementation phase, enhancing IT infrastructure resilience, business continuity, and regulatory compliance across 28 power sector entities.

The DAC in its meeting held on January 02, 2026 expressed its displeasure on non-implementation of IT tasks and directed the management to call an explanation from the concerned individual and submit a comprehensive revised reply and get the record verified from Audit within three days.

No further progress was intimated till finalization of the report.

Audit recommends that management may make special efforts for fulfilling its enhanced IT role in the power sector.

(Draft Para No.31/2025-26/AMIS 2025_COM0000000145_F00033)

CHAPTER-4

PRIVATE POWER INFRASTRUCTURE BOARD (PPIB)

4. Private Power and Infrastructure Board (PPIB)

4.1 Introduction:

Private Power and Infrastructure Board (PPIB) was created in 1994 as a "One-Window Facilitator" on behalf of the Government of Pakistan (GoP) to promote private investments in power sector. In 2012 PPIB was made a statutory organization through Private Power and Infrastructure Board Act 2012 (Act VI of 2012). The role of PPIB has been further expanded by the GoP by allowing it to facilitate public sector power and related infrastructure projects in IPP mode, for which PPIB's Act has been amended in November 2015. Further, to create synergy in Power Sector, AEDB with similar mandate has been merged with PPIB on May 31, 2023, which was notified through Gazette of Pakistan on June 10, 2023.

Some of PPIB's roles and responsibilities included:

- Executing Implementation Agreement (IA) and providing GoP guarantees on behalf of President of Pakistan.
- Monitoring and facilitating IPPs in executing Power Purchase Agreement (PPA), Water Usage License (WUL) with relevant GoP agencies.
- Providing technical, financial and legal support to the then Ministry of Water & Power (now Power Division), Provinces and AJ&K.
- Coordinating with local and multilateral development Finance Institutions.
- Assisting and facilitating development of transmission, distribution and generation of conventional and alternative or renewable energy and related infrastructure.

4.2 Comments on Financial Statements

ANALYSIS ON FINANCIAL STATEMENTS

This section provides a brief overview of the financial operations of the Private Power and Infrastructure Board (PPIB) in light of its audited and provisional financial statements. The analysis has been carried out for the last five financial years, with primary focus on the year under audit review, i.e., financial year 2024-25. The PPIB experienced a significant shift in its financial position during the year under review, reporting a net loss with a net income ratio of -40.15% in financial year 2024-25, compared to a net profit ratio of 14.25% in financial year 2023-24. Earlier, the Board demonstrated stronger performance in financial year 2022-23 with a net profit ratio of 41.21%, following a period of lower margins where the net profit ratio stood at 4.19% in financial year 2021-22 and 10.74% in financial year 2020-21, reflecting the impact of the AEDB-PPIB merger and subsequent fluctuations in operational performance over the review period. Liquidity indicators showed tightening trends over time, with the current ratio standing at 1.37 in financial year 2024-25. While remaining above unity, this reflects a constrained short-term liquidity position compared to earlier years, such as financial year 2021-22 when the ratio was notably higher at 2.17. Under liabilities, employee benefit obligations and lease liabilities represent significant components of the Board's financial structure, with total current liabilities reaching Rs. 3,171.33 million in the latest provisional figures.

BASIS OF PREPARATION

These financial statements have been prepared to comply with the requirements of the PPIB Act, 2012 which requires the preparation of financial statements. These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as applicable and adopted

in Pakistan. However, to follow the best practices the PPIB has adopted IFRS (as applicable in Pakistan), as a framework for preparation of the financial statements.

Table-13: Income Analysis (PPIB)

Ratios	Financial Years				
	2024-25	2023-24	2022-23	2021-22	2020-21
					In %age
Net Income Ratio	-40.15	14.25	41.21	4.19	10.74
Return on Assets (ROA)	-8.71	4.48	11.51	1.17	3.20
ROCE%	-19.45	14.59	25.94	3.42	7.23
***Financial Statements for the Financial Year 2024-25 is unaudited and un-finalized and figures may be changed after statutory audit.**					

(Source Financial Statements of PPIB FYs 2020-21 to 2024-25)

During the period from financial year 2021-22 to financial year 2023-24, the Private Power and Infrastructure Board (PPIB) maintained a surplus of income over expenditure, though it experienced significant fluctuations due to major structural changes and one-off events. In financial year 2021-22, the surplus after tax was Rs. 75.65 million, supported by a Net Income Ratio of 10.74% and a Return on Assets (ROA) of 3.20%. The following year, financial year 2022-23, the surplus grew substantially to Rs. 641.15 million. This increase was primarily due to the official merger of the Alternative Energy Development Board (AEDB) with PPIB on June 10, 2023, which resulted in a transfer of all resources and funds to PPIB and a recorded reserve on merger of PKR 327.9 million. Consequently, profitability metrics peaked during this period with a Net Income Ratio of 41.21% and a Return on Capital Employed (ROCE) of 25.94%.

In financial year 2023-24, the surplus after tax moderated to PKR 275.52 million, reflected in a lower Net Income Ratio of 14.25% and an ROA of 4.48%. While total income reached a high of Rs. 1,933.6 million boosted by Rs.1 ,009.7 million from operations and Rs. 849.1 million from financial assets expenditure also nearly doubled to Rs. 1,601.8 million. A primary driver for this increased expenditure was "Salaries and benefits," which rose from PKR 635.1 million in 2023 to PKR 1,280.0 million in 2024, reflecting the integrated workforce post-merger and contributing to an ROCE of 14.62%.

Regarding the most recent period, the provisional and unaudited figures for financial year 2024-25 indicate a significant deficit, with a reported loss of Rs.

473.9 million. This downturn is clearly visible in the negative performance ratios, including a Net Income Ratio of -40.15%, an ROA of -8.71%, and an ROCE of -19.45%. The deficit is largely due to a sharp decline in total income to PKR 1,180.4 million, particularly in operating income, which fell to Rs. 599.8 million from the previous year's Rs. 1,009.7 million. Simultaneously, salaries and benefits continued to climb to Rs. 1,432.8 million. It is important to note that these financial year 2024-25 figures are strictly provisional and subject to change following the completion of the statutory audit.

Table-14: Expenditure of PPIB

Ratios	FY 2024-25*	FY 2023-24	FY 2022-23	FY 2021-22	FY 2020-21
Expense Ratio	*140.06%	82.84%	53.50%	93.17%	86.54%
***Financial Statements for the Financial Year 2024-25 is unaudited and un-finalized and figures may be changed after statutory audit.**					

(Source Financial Statements of PPIB FYs 2020-21 to 2024-25)

Expenditure at the Private Power and Infrastructure Board (PPIB) has seen a marked upward trajectory from financial year 2020-21 to financial year 2023-24, due to the organizational expansion following the merger with the Alternative Energy Development Board (AEDB). In financial year 2020-21 and financial year 2021-22, total expenditure remained relatively stable at Rs. 609.59 million Rs. 686.53 million, respectively. However, following the integration of resources and staff, expenditure nearly doubled in financial year 2022-23 to Rs. 1,601.81 million. Despite this surge in absolute costs, the Expense Ratio showed improvement during the peak revenue years, dropping from 86.54% in financial year 2021-22 to a low of 53.50% in financial year 2023-24, indicating that income growth was outpacing the rise in operational costs during that specific period.

In financial year 2024-25, the focus shifts to a more challenging fiscal environment as total expenditure is projected to reach Rs. 1,653.25 million. The most critical concern for this period is the Expense Ratio, which has surged to 140.06%, meaning the Board’s costs are now significantly exceeding its total income. This spike is largely attributed to "Salaries and benefits," which have climbed to an all-time high of Rs. 1,432.77 million, accounting for roughly 86%

of the total budget. Other notable costs include depreciation on right-of-use assets (PKR 71.81 million) and utilities (PKR 25.00 million). As these figures for financial year 2024-25 are provisional and unaudited, they remain subject to adjustments during the statutory audit process, which will determine the final impact of these rising operational costs on the PPIB's fund.



SHORT TERM INVESTMENT

During the period under review, PPIB's short-term investment portfolio exhibited significant growth followed by a contraction in financial year 2024-25, alongside notable shifts in composition and returns. In financial year 2021-22, short-term investments amounted to Rs. 2,228.90 million, comprising mainly Term Deposit Receipts (TDRs) of Rs. 2,094.85 million and National Investment Trust (NIT) units of Rs. 108.17 million. Accrued profit on TDRs during the year stood at Rs. 25.88 million, reflecting a relatively conservative investment strategy. In financial year 2022-23, total short-term investments increased sharply to Rs. 4,625.08 million, largely attributable to the merger with AEDB, which substantially enhanced liquidity. This growth was primarily driven by a significant rise in NIT investments to Rs. 4,091.88 million, while TDRs declined to Rs. 409.19 million. Accrued profit on TDRs increased to Rs. 124.01 million, indicating improved returns despite a lower deposit base. The investment portfolio reached its peak in financial year 2023-24 at Rs. 4,766.91 million, reflecting a strategic shift from market-based instruments toward fixed-income deposits. TDRs increased markedly to Rs. 4,262.32 million, while NIT holdings were reduced to Rs. 156.27 million. Accrued profit on TDRs rose significantly to Rs. 348.33 million, supported by elevated interest rates and optimized deposit placements.

Table-15: Short Term Investment (PPIB) **(Rs. in million)**

Investment Component	Financial Years				
	2024-25 *	2023-24	2022-23	2021-22	2020-21
Term Deposit Receipts (TDRs)	3,520.37	4,262.32	409.19	2,094.85	1,844.95
National Investment Trust (NIT)	-	156.27	4,091.88	108.17	123.07
Accrued Profit on TDRs	80.57	348.33	124.01	25.88	26.24

Total Short Term Investments	**3,600.94**	**4,766.91**	**4,625.08**	**2,228.90**	**1,994.26**
*** Financial Statements for the Financial Year 2024-25 is unaudited and un-finalized and figures may be changed after statutory audit.**					

(Source Financial Statements of PPIB FYs 2020-21 to 2024-25)

Based on provisional and unaudited figures, short-term investments declined by approximately 24.5% in financial year 2024-25, decreasing to Rs. 3,600.94 million as of 30 June 2025. This reduction was mainly attributable to the complete liquidation of NIT investments and a reduction in TDR balances, which fell from Rs. 4,262.32 million to Rs. 3,520.37 million. Accrued profit on TDRs also declined substantially to Rs. 80.57 million, compared to Rs. 348.33 million in the preceding year, reflecting lower principal balances and timing differences in profit recognition.

Despite the contraction, TDRs constitute the entire short-term investment portfolio in financial year 2024-25, underscoring the Board's continued preference for low-risk, fixed-income instruments. As the figures for financial year 2024-25 are provisional, the final valuation, classification, and related income recognition remain subject to adjustment upon completion of the statutory audit.

PROVISION AGAINST PERFORMANCE GUARANTEES ENCASHED

The Provision against Performance Guarantees Encashed represents funds received from Independent Power Producers (IPPs) due to their failure to achieve contractual milestones, such as Financial Close or Commercial Operations. These funds are maintained as a liability because they are subject to ongoing legal disputes or potential refunds upon meeting specific conditions. In financial year 2021-22, the provision stood at PKR 723.65 million, reflecting accumulated encashments primarily from thermal power projects that failed to meet development deadlines. The balance saw a massive increased 183% in financial year 2022-23, reaching Rs. 2,047.36 million. This was due to the merger with the AEDB on June 10, 2023, which transferred all AEDB liabilities, including guarantees for renewable energy projects, to PPIB. Additionally, a major encashment of Rs. 835.93 million from Siddiq Sons Energy Limited significantly enhanced the balance during that period. By financial year 2023-24, the provision

remained largely stable at Rs. 2,015.71 million, with a slight decrease of PKR 31.65 million attributed to unrealized foreign exchange gains on USD-denominated portions of the fund. The current portfolio is dominated by high-value disputes, most notably Siddiq Sons Energy Limited (Rs. 835.93 million) and Star Power Generation Company Limited (Rs.745.84 million).

For the most recent period, the provisional and unaudited figures for financial year 2024-25 showed the provision standing at Rs. 2,050.16 million. This marginal increase reflected the continued retention of these funds due to ongoing litigations. As these financial year 2024-25 figures are provisional, the final balance may be adjusted during the statutory audit depending on any settlements or court orders issued prior to the finalization of the report.

FINANCING AGREEMENT WITH AGENCE FRANSAISE DE DEVELOPMENT (AFD)

The Financial Auditors in their report for the financial year 2023-24 had given the following "Emphasis of Matter" on transfer of funds directly to consultants which describes "Private Power and Infrastructure Board (PPIB) in respect of the financing agreement executed between the Islamic Republic of Pakistan and Agence Francaise de Développement (AFD) for a grant of €500,000. The grant proceeds are disbursed directly by AFD to the consultants upon verification of invoices by PPIB." However, it is not required to make payment from PPIB's bank account to the consultants.

EMPLOYEE BENEFITS OBLIGATIONS

PPIB's employee benefits obligations experienced a massive structural shift during this period, primarily due to the merger with the AEDB on June 10, 2023. These obligations, which include defined benefit plans such as gratuity and leave encashment alongside defined contribution plans like the provident fund, saw total liabilities grow from Rs. 43.04 million in financial year 2021-22 to Rs. 106.37 million in financial year 2022-23. By financial year 2023-24, the total obligation reached Rs. 591.19 million, reflecting the full integration of the expanded workforce and a significant Rs. 406.88 million charge to Other

Comprehensive Income (OCI) due to actuarial re-measurement losses. The payable to the gratuity fund became the most substantial liability, rising to Rs. 550.22 million by June 2024, while long-term leave encashment obligations grew to Rs. 232.97 million. The merger directly impacted these figures by transferring immediate liabilities of Rs. 84.16 million for gratuity and Rs. 87.61 million for leave encashment from AEDB to PPIB's books. To calculate these obligations for financial year 2023-24, the Board utilized a discount rate of 14.75% and a future salary increase rate of 13.75%.

Based on the provisional and unaudited figures for financial year 2024-25, employee benefits obligations are reported at Rs. 596.78 million, representing a marginal increase from the prior year and indicating a continued high level of liability following post-merger integration. The non-current portion of leave encashment is provisionally stated at Rs. 206.60 million. Because these figures are strictly provisional and subject to statutory audit.

STATEMENT OF CASH FLOW

Table-16: Summary Cash Flow Trends (PPIB) **(Rs. in million)**

Cash Flow Category	FY 2023-24	FY 2022-23	FY 2021-22
Operating Activities	-181.84	498.31	498.31
Investing Activities	319.49	157.09	157.09
Financing Activities	-83.19	-54.87	-54.87
Net Cash Movement	**54.46**	**600.53**	**600.53**
Year-End Cash Balance	**574.31**	**454.12**	**454.12**

(Source: Financial Statements of PPIB for the FYs 2021-22 to 2023-24)

During this period, PPIB's cash flow position was characterized by a massive influx of liquidity following the merger with the AEDB, which fundamentally shifted its operational and investing capacity . In financial year 2021-22, PPIB maintained a healthy net increase in cash and cash equivalents of Rs. 600.53 million, largely driven by strong operating cash flows of Rs. 498.31 million. This position significantly evolved in financial year 2022-23 and financial year 2023-24, where PPIB transitioned from a cash-generating to a cash-utilizing operating state. Specifically, in financial year 2023-24, net cash used in operating activities was Rs. 181.84 million, primarily due to a substantial increase in working

capital requirements, including a Rs. 61.11 million disbursement in loans to employees and a decrease in accrued liabilities. This operational outflow was offset by investing activities, which provided Rs. 319.49 million in financial year 2023-24, bolstered by Rs. 339.46 million in returns on investments and a net encashment of investments amounting to Rs. 173.71 million. Financing activities during this period were focused on the repayment of lease liabilities, which stood at Rs. 83.19 million in 2024.

Based on the provisional and unaudited figures for financial year 2024-25, PPIB's cash and bank balances have decreased significantly to Rs. 297.58 million from the prior year's Rs. 574.31 million. This decline is largely attributable to the reported net loss for the period and the continued high expenditure on salaries and benefits, which reached Rs. 1,432.77 million. Additionally, PPIB's short-term investment portfolio was reduced by approximately Rs. 1.16 billion to fund ongoing operations and manage liabilities. As these figures are strictly provisional and un-finalized, the final cash flow status including the reconciliation of non-cash items and final exchange rate adjustments remains subject to change upon the completion of the statutory audit.

STATEMENT OF CHANGES IN FUND

The PPIB Fund, which represents the accumulated equity and reserves of the organization, underwent a massive transformation during this period, primarily characterized by the absorption of the AEDB. In financial year 2020-21, the fund stood at Rs. 1,010.51 million. This balance grew steadily in financial year 2021-22 to Rs. 1,085.16 million, following a surplus of Rs. 74.65 million. However, the most significant shift occurred in financial year 2022-23, when the fund surged to Rs. 2,054.23 million. This growth was driven by two major factors: a robust operational surplus of Rs. 641.15 million and a Rs. 327.92 million reserve on merger, representing the net assets transferred from AEDB. By financial year 2023-24, the fund reached Rs. 2,352.02 million. While PPIB generated a surplus of Rs. 275.52 million during this year, the fund also absorbed a significant Rs. 406.88 million actuarial loss (recognized in Other Comprehensive Income) related

to the re-measurement of employee benefit obligations post-merger, which partially offset the year's gains.

Based on the provisional and unaudited figures for financial year 2024-25, the PPIB Fund has experienced its first major contraction, decreasing to Rs. 1,878.12 million. This decline is primarily the result of a reported net loss of Rs. 473.90 million for the period, as operational expenditures particularly salaries and benefits surpassed the Board's total income. This deficit has effectively eroded a portion of the reserves built up during the merger years. As these figures are strictly provisional and un-finalized, the final standing of the fund remains subject to adjustments from the statutory audit.

4.3 Financial Management

4.3.1 Non-finalization of financial statements for the financial year 2024-25

According clause 25(1) of SOE Act, 2023, the board of a state-owned enterprise must ensure there is prepared. for each financial year. audited financial statements for The state owned enterprises as well as consolidated as well as consolidated financial statements for the group consisting of the state owned enterprise and its subsidiaries.

During the audit of PPIB for the financial year 2024-25, it was observed that the management failed to finalize and approve the audited financial statements for the financial year 2024-25. This lapse occurred due to weak compliance with statutory and regulatory requirements and lack of effective oversight by the management and the Board regarding timely financial reporting.

Non adherence to the Provision of SOE Acts resulted in non-finalization of financial statements for the financial year 2024-25 up to the period 2024-25.

The matter was taken up with the management in November, 2025 and reported to the Ministry in December, 2025. The management replied that PPIB regularly prepares its financial statements in accordance with applicable International Accounting Standards. The audit of the financial statements for financial year 2024-2025 was under process.

The DAC in its meeting held on January 26, 2026 directed the management to provide the approved audited Financial Statements of financial year 2024-25 to Audit within one week.

No further progress was intimated till finalization of the report.

Audit recommends the management for implementation of DAC's directives.

(Draft Para No.1079/2025-26-AMIS2025_COM0000000145_F01176)

4.3.2 Un-audited contributory provident fund of PPIB employees

According to the clause-5(iii) (Duties of the Trustees) of PPIB employee contributory provident fund trust deed, to maintain proper accounts showing all receipts and disbursements made on account of the trust and to have the same duly audited once a year.

During the audit of PPIB for the financial year 2024-25, it was observed that PPIB contributed to the Provident Fund on a monthly basis. The Provident Fund reflected a balance of Rs. 139.906 million as of June, 2025. However, despite the sizeable balance, the Trustees did not arrange for the mandatory annual audit of the Provident Fund accounts as required under the Trust Deed. The lapse occurred due to weak financial management and non-compliance with governing provisions.

Non-adherence to the provisions of Trust deed resulted into Non-audited of PPIB employee contributory provident fund Rs. 139.906 million up to the period 2024-25.

The matter was taken up with the management in November, 2025 and reported to the Ministry in December, 2025. The management replied that PPIB hired M/s Ilyas Saeed & Co., Chartered Accountants to conduct the audit of PPIB Employees' Contributory Fund. The audit was under process.

The DAC in its meeting held on January 26, 2026 directed the management to submit the revised reply in the light of the Finance Division's O.Ms issued from time to time and in accordance with the organization's regulations and share the audited report with Audit within three days.

No further progress was intimated till finalization of the report.

Audit recommends that management needs to regularly get its provident fund audit in order to enhance transparency.

(Draft Para No.1076/2025-26/AMIS2025_COM0000000145_F01157)

4.3.3 Investment of funds without approved Policy and open competition

According to SOE Act, Section-06 "Sound and prudent management. (1) Every state-owned enterprise shall undertake its operations 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 the professional skills appropriate to the nature and scale of its activities".

During the audit of PPIB for the financial year 2024-25, it was observed that funds amounting to Rs. 3,520.367 million (including amounts in USD) were invested in various banks at profit rates ranging between 3.00% to 13.90%. These investments were made by calling limited quotations. Furthermore, PPIB did not

have any approved investment policy to regulate the placement of funds. Audit was of the view that prudence management required a transparent and comprehensive investment policy to be implemented at the company which was lacking.

Inefficient financial management resulted in Irregular Investment of Surplus Funds without Approved Policy and open competition for an amount of Rs. 3,520.367 million up to the period 2024-25.

The matter was taken up with the management in November, 2025 and reported to the Ministry in December, 2025. The management replied that PPIB invests its PKR and USD funds through a dedicated Investment Committee to secure the highest possible return rates. To further strengthen governance and align with the SOE Act 2023, PPIB is currently in the process of hiring a "Category A" Chartered Accountant firm to formalize a comprehensive Investment Policy.

The DAC in its meeting held on January 26, 2026 directed the management to submit draft of investment policy as discussed during meeting and provide documents regarding the opening of foreign account following the directions of Finance Division. to Audit within three days. However, in case of non-availability of approved investment policy, DAC directed the management to formulate and share the approved policy to Audit within three months accordingly.

No further progress was intimated till finalization of the report.

Audit recommends the management for implementation of DAC's directives.

(Draft Para No.1067/2025-26/AMIS2025_COM0000000145_F01146)

4.4 Governance Framework

4.4.1 Non-Compliance with Financial Close timelines under PPIB Guidelines and Power Policies

National Electricity Policy, 2021: requires adoption of least-cost planning through Indicative Generation Capacity Expansion Plan (IGCEP), timely completion of committed projects, and avoidance of stranded or surplus capacity. PPIB Guidelines & Standard Timelines for Hydropower Projects: mandate achievement of Financial Close (FC) within 24 months of issuance of Letter of Support (LOS), extendable under exceptional circumstances.

According to the Policy for Power Generation Projects 2002, an Independent Power Producer (IPP) is required to achieve Financial Close (FC) within the stipulated time frame, failing which the LOS may be terminated or action taken in accordance with its provisions.

The Power Generation Policy 2015, specifically Clause 8.4(ii), establishes the framework for granting extensions to a project's Financial Close (FC) deadline. It mandates that extensions due to delays attributable to the sponsor require a bank guarantee in double the original amount.

Furthermore, PPIB's mandate as a one-window facility includes the responsibility to provide investors with the necessary approved documents, such as standardized Security Package Documents (SPDs), to enable them to achieve Financial Close.

During the audit of PPIB for the financial year 2024-25, it was observed that three hydropower projects 700.7 MW Azad Pattan, 1,124 MW Kohala and 08 MW Kathai-II remained unimplemented due to persistent delays in achieving Financial Close (FC). LOS against Azad pattan project was issued on June 30, 2016 but failed to achieve FC by December 31, 2024 despite five extensions due to Sinosure-related financing constraints. The sponsor requested further extension up to December 2027 however, the PPIB Board in its 148th meeting held on August 01, 2025) decided to maintain status quo pending the outcome of the CPEC Energy Cooperation List Adjustment Joint Study, particularly as the project was not optimized in draft IGCEP 2025-35. Similarly, LOS was issued against Kohala Project on December 31, 2015 but could not achieve the financial closure despite multiple extensions up to September 30, 2027. In the case of Kathai-II LOS was issued on November 20, 2019 but the project failed to achieve FC due to non-availability and delayed approval of standardized Security Package Documents (SPDs) requiring ECC/CCOE approval, despite extensions. Resultant, the Board approved cancellation of LOS with mutual consent in August 2025, reflecting systemic facilitation gaps. The projects status is as under:

Sr. No.	Project Name	Current Status	Delayed period of implementation
1	**Azad Pattan Hydropower**	Due to Sinosure's reluctance, the project failed to achieve financial closing by the LOS deadline (December 31, 2024), is unlikely to be	From the LOS issuance on June 30, 2016 extended up to December 31, 2024 with a further three-year financial

	Project-700.7 MW	included in the draft IGCEP 2025–35 on a least-cost basis, and the PPIB in its 148th meeting (August 1, 2025), considering demand–supply projections and the Energy Planning Experts Panel's recommendations, decided to maintain status quo.	closure extension requested the project reflects an implementation delay of nearly 9-10 years from its original timeline.
2	**Kohala Hydropower Project 1124 MW**	Due to Sinosure's reluctance preventing execution of financing documents and reduced demand affecting inclusion in draft IGCEP 2025–35, the Financial Closure extension already approved in the 144th meeting remains in effect, with status quo.	From the LOS issuance on December 31, 2015 to the current financial closure deadline of September 30, 2027, the project reflects an implementation delay of approximately 12 years from its original initiation timeline.
3	**Kathai-II Hydropower project 08 MW**	The project is awaiting approval of standard agreements (GoP IA, Go AJ&K IA and WUA) by the Ministry of Energy (Power Division), with Amendment-3 to the LOS under the 2015 Power Policy to be issued upon fulfillment of prerequisites, while the sponsor remains in process of achieving Financial Close.	From the issuance of LOI by the AJ&K Government on June 6, 2012 and subsequent LOS issuance on November 20, 2019 to the IGCEP COD of July 2027 (against a 36-month construction period), the project reflects an overall implementation delay of approximately 12-15 years from its initial approval stage.

(Source: Correspondence Files of PPIB)

The matter was taken up with the management in November, 2025 and reported to the Ministry in December, 2025. The management replied that the Azad Pattan Hydropower Project and Kohala Hydropower Project was not optimized in the IGCEP 2025-2035 due to declining demand caused by the surge in rooftop solar energy. They clarified that during the 9th EPEP and 10th JEWG meetings in July 2025, Pakistan and China agreed to a CPEC Energy Cooperation List Adjustment Joint Study to re-evaluate demand projections and policy frameworks. Pending the formal minutes from the 10th JEWG and 14th JCC, the PPIB Board has decided to maintain the status quo on the project's processing. despite being issued a Tripartite Letter of Support in 2019, which failed to achieve Financial Close due to the non-availability of Standardized Security Package Documents (SPDs), which require ECC/CCOE approval. They maintained that since this delay was beyond the sponsor's control, the PPIB Board granted extensions under Clause 8.4(ii)(c) of the Power Policy 2015. However, management noted that with the influx of rooftop solar and updated IGCEP 2025-2035 least-cost optimizations, the project is no longer viable and is unlikely to be optimized and further concluded that while the extensions were procedurally compliant, project-specific SPDs would still be required for any future processing. Audit raised concerns regarding the probability of the investment companies resorting to legal suits in case of de-

listing of projects owing to viability concerns because sufficient investment has been made by the said companies.

The DAC in its meeting held on January 26, 2026 directed the management to submit details of the case in chronological order with latest status and efforts made by the management, duly substantiated with supporting documentary evidence along with exclusion of the project from the IGCEP by the Ministry to Audit within two weeks.

No further progress was intimated till finalization of the report.

Audit recommends the management for implementation of DAC's directives.

(Draft Para No.1026/2025-26/AMIS 2025_COM0000000145_F01138)
(Draft Para No.1027/2-25-26/AMIS 2025_COM0000000145_F01139)
(Draft Para No.1066/2025-26/AMIS2025_COM0000000145_F01145)

4.4.2 Non-compliance with competitive bidding requirements for category-III solar PV and wind projects

CCoE Decision (April 4, 2019), Category-III renewable projects with valid LOIs under RE Policy 2006 were required to participate in the first competitive bidding round**.** ARE Policy, 2019 (Para 6.2 & 6.3), Establishes competitive bidding as the primary procurement mechanism for renewable projects, with Category-III LOIs to transition into this regime.

National Electricity Policy, 2021 (Para 5.6 & 5.8), Procurement of capacity must be aligned with IGCEP**,** ensuring transparency and least-cost planning. IGCEP 2024-34 (Ch. 3.2 & 4.1), Provides least-cost technology-wise allocations and guides procurement decisions to ensure reliability and affordability.

During the audit of PPIB for the financial year 2024-25, it was observed that Letters of Intent (LOIs) issued by PPIB to three solar projects, namely RE 21 Solar I (Pvt) Limited, RE Solar II (Pvt) Limited, and Siddiq sons Solar Limited, Burj Wind Energy (Pvt), were repeatedly extended without undergoing the mandatory competitive bidding process as required under the CCoE Decision of 2019 and the ARE Policy. Despite the expiry of earlier extensions in February, 2024, PPIB Board approved further extensions, thereby allowing these projects to retain their LOIs outside the competitive procurement mechanism envisaged for Category-II/III projects.

Non-adherence to the provisions of CCoE 2019 decision, ARE Policy 2019, and IGCEP allocations resulted in non-compliance with competitive bidding requirements for Category-III Solar PV and Wind Projects.

The matter was taken up with the management in November, 2025 and reported to the Ministry in December, 2025. The management replied that PPIB is required to undertake competitive bidding among valid LOI holders of Category-III projects, based on the quantum of each technology as per the approved IGCEP, which is currently pending NEPRA's approval. Furthermore, the PPIB Board, in its 148th meeting held on August 01, 2025, decided to formulate a comprehensive policy regarding LOI extensions for RE projects once the IGCEP is approved and the respective RE quantum is finalized.

The DAC in its meeting held on January 26, 2026 directed the management to submit details of the case in chronological order with latest status and efforts made by the management, duly substantiated with supporting documentary evidence to Audit within two weeks.

No further progress was intimated till finalization of the report.

Audit recommends that in line with government policy initiatives, PPIB should make efforts for enhancing completeness in the subject area.

(Draft Para No.1161/2025-26/AMIS2025_COM0000000145_F01243)

4.4.3 Non-establishment of Internal Audit Department to ensure internal control over PPIB's financial and operational activities

Under the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors (IIA), Standards 1000, 1110, 2010, 2060, 2120 and 2130 require that internal auditing function as an independent and objective assurance and advisory activity, operating under a Board-approved charter with organizational independence and functional reporting to the Board, implementing a risk-based audit plan, reporting periodically to the Board, and evaluating the effectiveness of governance, risk management, and internal control processes.

According to Central Monitoring Unit (CMU) Guidelines of the of Finance Division dated August 15, 2024 for C Level Appointments in Federal State owned Enterprises, appointments of Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Internal Auditor (CIA), and Company Secretary (CS), are

designed to enhance the governance, transparency, and operational efficiency of State-Owned Enterprises (SOEs).

During the audit of PPIB for the financial year 2024-25, it was observed that the organization failed to establish an independent internal audit department or appoint a Chief Internal Auditor (CIA). This absence of an independent appraisal function represented a significant lapse in corporate governance, as an internal audit department was essential for providing a systematic and objective review of an organization's accounting and internal control systems. Audit noted that PPIB incurred expenditure amounting to Rs. 1,613.831 million during the financial year 2024-25. However, in the absence of a functional Internal Audit Department the entity was exposed to financial risks and irregularities.

Non-adherence to Finance Division's CMU Guidelines resulted in absence of internal audit department as well as non-hiring of CIA at the organization.

The matter was taken up with the management in November, 2025 and reported to the Ministry in December, 2025. The management replied that PPIB maintains financial transparency through high-level committees, including an Audit & Finance Committee chaired by the Secretary of Finance and an Investment Committee.

The DAC in its meeting held on January 26, 2026 directed the management to put up the agenda for formulation of internal audit department and appointment of chief internal auditor on priority basis and share the decision with audit accordingly.

No further progress was intimated till finalization of the report.

Audit recommends the management for implementation of DAC's directives.

(Draft Para No.1087/2025-26 AMIS2025_COM0000000145_F01211)

4.4.4 Unjustified adoption of CPI-based increment policy without market benchmarking, KPIs

According to Section-5 of the SOE Act-2023, the SOE management policy and rules made hereunder shall aim further the following general principles, namely:(b) the principle of measurable performance according to which SOE must identify its business goal; (e) the principle of monitored performance according to

which a SOE must be subject to rigorous monitoring and review; requires performance-based evaluation and alignment of compensation with Key Performance Indicators (KPIs).

As per office memorandum issued by Finance Division (Regulation Wing) Government of Pakistan issued vide F No.4(3)R-4/2011-Revision dated January 23, 2024 regarding grant of allowances and other monetary benefits to the employees of autonomous / semi-autonomous bodies, corporations etc, and to convey that 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 Miniseries/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 the audit of PPIB for the financial year 2024-25, it was observed that the Board in its 142nd meeting approved the HR consultant's recommendation to adopt the average Consumer Price Index (CPI) of the last five years as the basis for annual increments. This decision was inconsistent with the Board's earlier stance (139th meeting) which emphasized market-based practices for salary revision, and it also disregarded the requirement of linking increments to employee performance through measurable Key Performance Indicators (KPIs) as envisaged under Section-16 of the State-Owned Enterprises (Governance and Operations) Act, 2023. Moreover, despite clear instructions of the Finance Division issued in January, 2024, requiring prior approval for any

change in the pay structure of public sector entities, no concurrence of Finance Division was obtained before adopting this policy.

Non adherence to provision of SOE and instructions of Finance Division resulted in Unjustified adoption of CPI-Based increment policy without market Benchmarking, KPIs, and lack of Finance Division concurrence up to the period 2024-25.

The matter was taken up with the management in November, 2025 and reported to the Ministry in December, 2025. The management replied that the adoption of a Consumer Price Index (CPI)-based annual increment was a strategic policy decision informed by a benchmarking study conducted by M/s ABACUS (Mercer). The study, which analyzed 23 comparable SOEs and private sector organizations, identified inflation-linked adjustments as a standard mechanism to preserve real wages and ensure internal equity post-merger. Management clarified that these increments serve as cost-of-living adjustments and do not replace performance-based rewards (KPIs), which are managed through separate appraisal processes in compliance with the SOE Act 2023. They maintained that this formula-driven approach eliminates discretionary salary revisions and ensures fiscal transparency.

The DAC in its meeting held on January 26, 2026 directed the management to submit details of the case in the light of the Finance Division's O.M. dated January 23, 2024, duly correlated with the decision of the BoD in its 142nd meeting to Audit within three days.

No further progress was intimated till finalization of the report.

Audit recommends the management for implementation of DAC's directives.

(Draft Para No.1070/2025-26/AMIS2025_COM0000000145_F00503)

4.5 Procurement/Contract Management

4.5.1 Unjustified Procurement of Vehicles and Undue Financial Benefits via Irrational Car Buy-Back Policy

i. SOE Act 2023 (Chapter 3, Provision 6): Mandates that every State-Owned Enterprise (SOE) shall undertake its operations in accordance with criteria for

sound and prudent management, ensuring business is carried on with integrity, objectivity, due care, and professional skills.

ii. Federal Government Austerity Measures: Cabinet Division directives prohibit the purchase of luxury vehicles and mandate the economical utilization of public resources to minimize avoidable expenditures.

During the audit of the (PPIB) for the financial year 2024-25, it was observed that a purchase order was issued on October 10, 2024, for the procurement of vehicles amounting to Rs. 29.567 million. This procurement comprised one 1800 CC vehicle for the Managing Director and three 1300 CC vehicles for replacement purposes. Audit examination revealed that the vehicles identified for replacement were fully operational and had not been declared off-road by any technical committee, rendering the procurement lacking in operational justification. Furthermore, the audit noted that the PPIB Board, in its 142nd meeting held on February 29, 2024, approved a car buy-back facility allowing officers to purchase these official vehicles at a significant 85% discount on market value. It was found that five officers, who had already availed monetization benefits in 2016, were permitted to benefit from this decision again, resulting in a direct violation of the "once-in-service" rule. The assessed market value of these vehicles was Rs. 18.176 million, yet Rs. 15.450 million was waived as a discount, with only Rs. 2.726 million recovered from the officers. The cause of these irregularities was attributed to weak decision-making, a lack of due diligence in assessing the governance impact of the policy, and the prioritization of personal benefits over institutional financial health. The effect of this irrational policy was a direct loss of Rs. 15.450 million to PPIB and an unjustified capital expenditure of Rs. 29.567 million, totaling Rs. 45.017 million.

Non adherence to the rules/guidelines resulted into misuse of financial autonomy and a departure from the principles of prudent management, particularly as the organization was operating under financial strain.

The matter was taken up with the management in November, 2025 and reported to the Ministry in December, 2025. The management replied that the procurement and buy-back facility were carried out in accordance with a Board-approved framework aimed at harmonizing post-merger HR benefits and

optimizing fleet size. Further stated that the disposal at subsidized rates is an established practice in comparable organizations and was supported by independent consultant recommendations. Subsequently, in its 150th meeting held on June 5, 2026, the Board allowed the arrangement as a one-time measure.

The DAC in its meeting held on January 26, 2026 directed the management to submit the revised reply after reviewing and rationalization of vehicle policy duly substantiated the documents to Audit within two weeks.

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

Audit recommends the management for implementation of DAC's directives.

(Draft Para No.1074/2025-26/AMIS2025_COM0000000145_F01151)
(Draft Para No.1075/2025-26/AMIS2025_COM0000000145_F01154)

CHAPTER-5

CENTRAL POWER GENERATION COMPANY LIMITED (GENCO-II)

5. Central Power Generation Company Limited (CPGCL) GENCO-II

5.1 Introduction:

The Central Power Generation Company (CPGCL) was incorporated in October, 1998 as a public limited company under Companies Ordinance 1984 (now Companies Act 2017). It started its business from March 01, 1999. The Company took over properties, rights, assets, obligations and liabilities of thermal power generation at Guddu and Quetta through Business Transfer Agreement.

The principal activity of the Company is to generate electricity from furnace oil and natural gas and sell it to Central Power Purchasing Agency (Guarantee) Limited (CPPA-G). CPGCL was granted Generation License by NEPRA during July, 2002. The company is going through a process of major transformation including sale of its assets, staff layoffs and managing remaining power plants/units through outsourcing/O&M mode.

5.2 Comments on Financial Statement



ANALYSIS ON FINANCIAL STATEMENTS- GENCO-II

This section provides a brief overview on the financial operations of the GENCO-II, a State-Owned Enterprise (SOE) in light of its audited financial statements. The analysis has been done over the period of four financial years from 2020-21 to 2023-24, however, main focus has been kept on the year financial year 2023-24 as the latest year audited. The financial statements for the financial year 2024-25 have not been prepared and audited as of the conclusion of this review.

The financial auditor of the SOE gave a qualified opinion combined with the going concern uncertainty on the financial statements of the company for the financial year 2023-24 which is reproduced as under:

"The Company has not recognized a liability for Late Payment Surcharge (LPS) on overdue payments for natural gas supplied by Mari Petroleum Company Limited (MPCL) and Pakistan Petroleum Limited (PPL) amounting to

Rs.26,542.824 million and Rs. 34,556.607 million, respectively, despite existing agreements and signed gas sales term sheets.

Additionally, the Company has not recognized take-or-pay charges of Rupees 18,752.429 million and Rs.11,537.498 million, as demanded by MPCL and PPL, respectively. As per the Gas Sales Agreement (GSA), the Company is required to purchase a minimum quantity of gas. If it fails to do so, it must compensate for any shortfall in the minimum purchase requirement.

Had the Company recognized LPS and take-or-pay charges under the respective gas sales agreements / gas sale term sheets, its loss for the year would have increased by Rs.15,967.146 million and total liabilities and accumulated losses as of year-end would have increased by Rs. 91,389.358 million.

b) As a significant period has elapsed between the reporting date of the statement of financial position and the date of our audit report. Due to this extended lapse, we were unable to perform a comprehensive review of events occurring subsequent to the reporting period. Consequently, we were unable to determine whether any adjustments or disclosures might have been necessary in respect of subsequent events."

The qualified audit opinion, read in conjunction with the material uncertainty relating to going concern, reflects serious financial stress faced by GENCO-II. The non-recognition of substantial contractual liabilities relating to gas procurement has resulted in understatement of liabilities and accumulated losses, thereby giving unclear picture of the actual financial position of the Company.

The Company's financial performance from financial year 2020-21 to financial year 2023-24 remained weak, with recurring losses driven by persistent negative gross margins and insufficient revenue to cover operating and finance costs. Liquidity was under pressure throughout the period, as current liabilities consistently exceeded current assets due to substantial trade payables and outstanding receivables, although bank balances showed some improvement in the final year. The solvency position also deteriorated, with accumulated losses eroding equity and creating a negative equity position, while reliance on short-

term liabilities increased, raising concerns regarding the Company's long-term financial sustainability and going concern.

DELY IN FINALIZATION OF AUDITED FINANCIAL STATEMENTS

Table-17: Delay in Audited Financial Statement (GENCO-II)

Financial Years	Date of Signing of Audit Report	Delay calculated from	Delay beyond Six Months
2023-24	12-09-2025	31-12-2024	08 Months
2022-23	12-09-2025	31-12-2023	20 Months
2021-22	12-09-2025	31-12-2022	32 Months
2020-21	23-08-2024	31-12-2021	32 Months

(Source Auditor's Reports on Financial Statements FYs 2020-21 to 2023-24)

The above table highlighted that there was abnormal delay in the finalization of certified annual financial statements at the company. The delay ranged from 08 months to 32 months, indicating persistent non-compliance with reporting timelines and highlighting weaknesses in financial transparency, reporting and governance practices.

PROFITABILITY ANALYSIS

Table-18: Profitability ratios (GENCO-II)

Category	Ratios	Formula	Financial Years			
			2023-24	2022-23	2021-22	2020-21
			In %age			
Profitability	Gross Profit Margin	Gross profit/sales	-52.44%	-25.61%	0.51%	-4.27%
	Net Profit Margin	Net Profit/sales	-54.20%	-34.03%	-39.84%	-49.06%
	Return on Equity (ROE)	PAT/Total equity	-10.88%	-9.12%	-8.99%	-14.50%
	Return on Capital Employed (ROCE)	PBIT/Total Assets-Current Liabilities	0.20	0.27	0.23	0.30
	Asset Turnover	Sales/Total assets	-52.44%	-25.61%	0.51%	-4.27%

(Source Financial Statements of GENCO-II FYs 2020-21 to 2023-24)

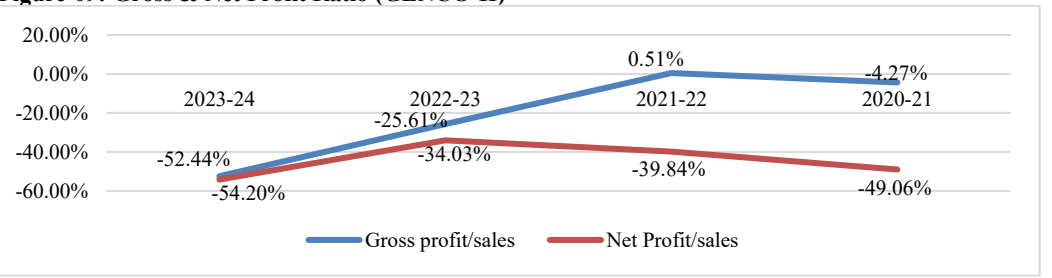
The above ratios illustrate that the Company operated with negative net profit margins throughout financial year 2020-21 to financial year 2023-24, reflecting continued operational losses.

Analysis of gross profitability showed that the company recorded a gross profit of Rs. 0.24 billion in financial year 2021-22, while gross losses widened from Rs. 2.54 billion in financial year 2020-21 to Rs. 15.63 billion in financial year 2023-24, reflecting the impact of declining sales.

Net profitability showed the trend, with loss after taxation narrowing from Rs. 29.13 billion in financial year 2020-21 to Rs. 16.15 billion in financial year 2023-24, though net profit margins remained consistently negative. The losses were primarily due to high cost of sales, other operating expenses, and finance costs, which outweighed other income.

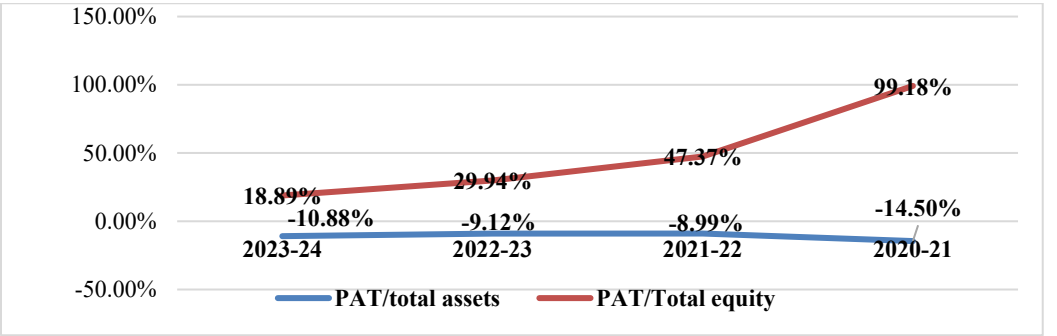
Return on assets (ROA) remained negative over the period, improving from -14.50% in financial year 2020-21 to -10.88% in financial year 2023-24, indicating a slight improvement in the utilization of the Company's asset base. Asset turnover ratio for the company remained very low from 0.30 in the financial year 2020-21 to 0.20 in the financial year 2023-24. Assets turnover ratio of less than 1 indicated that the sales were significantly lower and unable to cover the asset base. Overall, the financial ratios reflect persistent operational and financial challenges with long-term implications for the company's sustainability and profitability.

Figure-09: Gross & Net Profit Ratio (GENCO-II)



(Source: Financial Statements of GENCO-II FYs 2020-21 to 2024-25)

Figure-10: Return on Equity & Assets (GENCO-II)



(Source: Financial Statements of GENCO-II FYs 2020-21 to 2023-24)

SALES & COST OF SALES

The Company's revenue showed a generally downward trend up to financial year 2023-24. However, in financial year 2022-23, revenue improved slightly compared to financial year 2021-22, increasing from Rs. 47.04 billion to Rs. 55.88 billion. In financial year 2023-24, revenue declined sharply to Rs. 29.80 billion from Rs. 59.37 billion in financial year 2020-21.

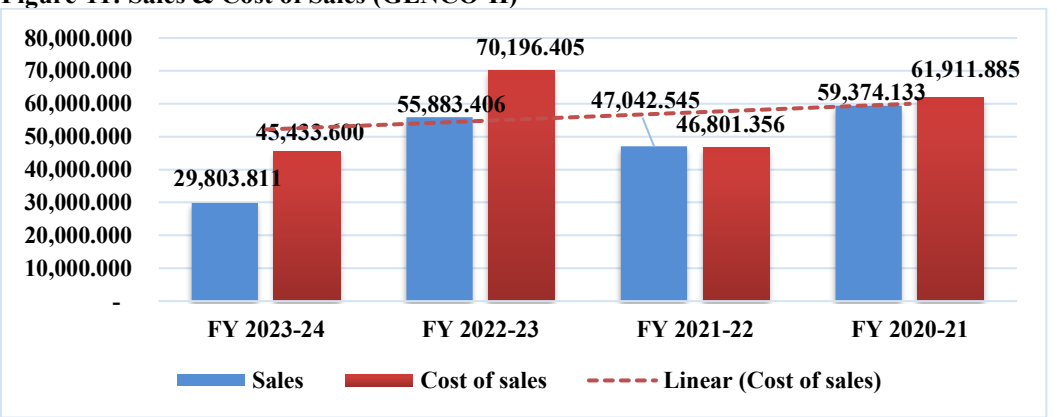
The Company's cost of sales consistently exceeded its revenue over the period, resulting in negative gross profits in most years. The cost of sales remained higher than the revenue indicating unsustainably high cost of operations other than in in the financial year in financial year 2021-22 during which sales were at a higher level. Illustratively;

Table-19: Cost of Sales to Sales Ratio (GENCO-II)

Ratio	FY 2023-24	FY 2022-23	FY 2021-22	FY 2020-21
Cost of sales to sales ratio	-152%	-126%	-99%	-104%

(Source: Financial Statements of GENCO-II FYs 2020-21 to 2024-25)

Figure-11: Sales & Cost of Sales (GENCO-II)



(Source: Financial Statements of GENCO-II FYs 2020-21 to 2023-24)

PROPERTY PLANT AND EQUIPMENT

Note 3.1.1 of Financial Statements for financial year 2023-24 states that asset rights were transferred from WAPDA in 1999, yet titles of freehold land and vehicles remain un-transferred in official records. The disclosure does not quantify affected assets, explain risks (legal, operational, or financing), or provide timelines for rectification, limiting users' ability to assess ownership certainty.

Note 3.1.4 of financial statements for financial year 2023-24 further revealed that the company's land worth Rs. 1,420.00 million is pledged as security under a Sukuk arranged by Power Holding (Private) Limited with Meezan Bank Limited on behalf of the Government of Pakistan. However, disclosures omit key details such as specific land, encumbrance terms and potential restrictions on disposal or use.

RECEIVABLES AND PAYABLES

Table-20: Efficiency ratios (GENCO-II)

Category	Ratio	Formula	Financial Years			
			2023-24	2022-23	2021-22	2020-21
Working Capital Efficiency	Debtors Collection	Trade Debtors/Sales x 365	160	552	702	577

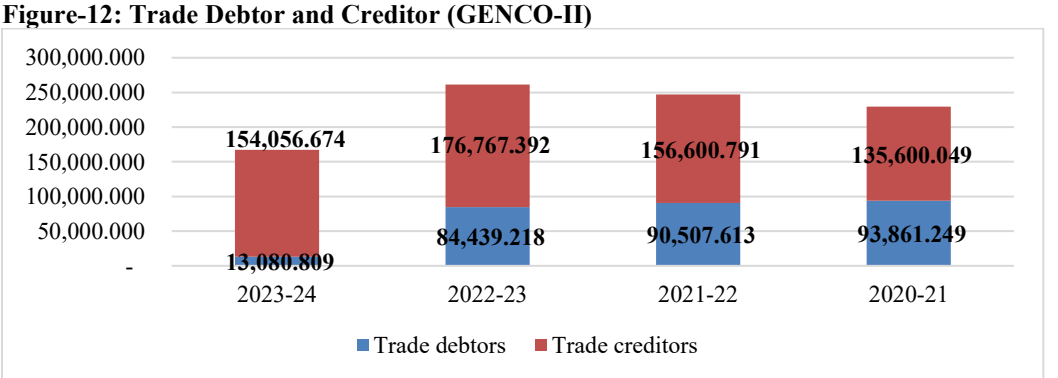
	Period (days)					
	Creditors Payment Period (days)	(Trade Creditors/COS x 365	1,238	919	1,221	799
Liquidity	Current Ratio	CA/CL	0.300	0.470	0.495	0.559
	Resources against third party claims	Total Assets /Total Liabilities	0.63	0.77	0.84	0.87

(Source: Financial statements of GENCO-II FYs 2020-21 to 2023-24)

Trade debtors, comprising mainly energy and capacity receivables from CPPA-G the company's sole customer, showed significant variation over the period. Trade debtors decreased from Rs. 93.86 billion in financial year 2020-21 to Rs. 13.08 billion in financial year 2023-24. The debtor collection period, however, remained exceptionally high, ranging from 577 days in financial year 2020-21 to 160 days in financial year 2023-24, indicating ongoing challenges in timely collection of receivables.

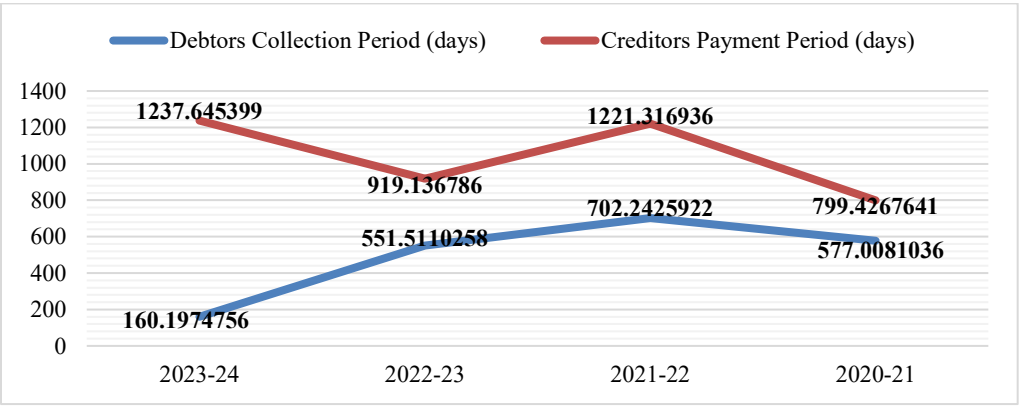
On the other hand, trade creditors, mainly relating to fuel payment obligations, increased from Rs. 135.60 billion in financial year 2020-21 to Rs. 154.06 billion in financial year 2023-24, reflecting higher outstanding payables. The creditor payment period remained extremely long, rising from 799 days in financial year 2020-21 to 1,238 days in financial year 2023-24, highlighting delayed settlement of obligations over the period. Illustratively;

Figure-12: Trade Debtor and Creditor (GENCO-II)



(Source: Financial Statements of GENCO-II FYs 2020-21 to 2023-24)

Figure-13: Debtor and Creditor collection period (GENCO-II)



(Source: Financial Statements of GENCO-II FYs 2020-21 to 2023-24)

The comparative assessment of receivable and payable cycles highlighted a significant structural mismatch between the collection period and the payment period throughout financial year 2020-21 to financial year 2023-24. While trade debtors collection period decreased from 577 days in financial year 2020-21 to 160 days in financial year 2023-24, it remained substantially longer. The creditor payment period, which increased from 799 days to 1,238 days over the same period. This indicates that although the Company was taking longer to collect receivables, payments to suppliers were also being deferred, reflecting persistent challenges in cash flow management.

Current ratio analysis further indicated liquidity stress, with ratios consistently below 1, declining from 0.56 in financial year 2020-21 to 0.30 in financial year 2023-24, underscoring limited short-term financial flexibility. Overall, the working capital and liquidity indicators point to ongoing cash flow management challenges with potential implications for the company's operational sustainability.

RESOURCE AGAINST THIRD PARTY CLAIMS

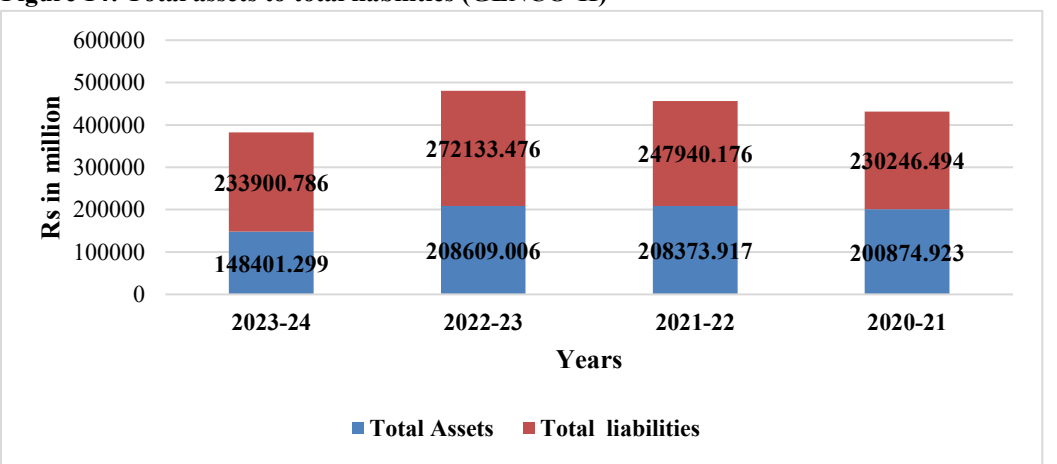
The company's resources against third-party claims, measured as the ratio of total assets to total liabilities, have been consistently low, declining from 0.87

in financial year 2020-21 to 0.63 in financial year 2023-24. This indicates that the company's total assets are significantly insufficient to cover its total liabilities, highlighting ongoing solvency pressures. The financial statements further note material uncertainties regarding the company's ability to continue as a going concern, with accumulated losses of Rs. 88.84 billion, negative equity of Rs. 85.50 billion, and current liabilities exceeding current assets by Rs. 129.44 billion as of the reporting date. These factors collectively suggest a high risk that the company may be unable to realize its assets or settle its obligations in the normal course of business, emphasizing the critical need for corrective measures to restore financial stability. Illustratively;

Table-21: Total assets to total liabilities (GENCO-II) ***(Rs. in million)***

Ratio	Formula	2023-24	2022-23	2021-22	2020-21
Resources against third party claims	Total Assets	148,401.30	208,609.01	208,373.93	200,874.92
	Total liabilities	233,900.79	272,133.48	247,940.18	230,246.49
	Total Assets /Total Liabilities	0.63	0.77	0.84	0.87
	Source: Financial ratios calculated based on financial statement from Financial Years 2020-21 to 2023-24				

Figure 14: Total assets to total liabilities (GENCO-II)



(Source: Financial Statements of GENCO-II FYs 2020-21 to 2023-24)

EMPLOYEES' RETIREMENT BENEFITS

Staff retirement benefit obligations have shown a fluctuating but overall increasing trend over the four-year period. The liability rose from Rs. 31.33 billion in financial year 2020-21 to Rs. 42.64 billion in financial year 2023-24, reflecting an increase of approximately 36% over the period. A significant year-on-year growth is observed from financial year 2021-22 to financial year 2022-23, rising from Rs. 25.21 billion to Rs. 32.88 billion, followed by a further increase to Rs. 42.64 billion in financial year 2023-24. This upward movement highlights the growing long-term obligations related to staff retirement benefits, which may exert pressure on the company's future cash flows and financial planning.

Statement of Changes in Equity

Examination of the equity position of GENCO-II revealed a persistently weak financial structure, primarily due to the continuous accumulation of losses. As at 30 June 2024, the company's issued, subscribed and paid-up capital remained unchanged at Rs. 0.50 billion, while share deposit money also remained constant at Rs. 3.34 billion. However, accumulated losses increased significantly from Rs. 32.72 billion to Rs. 88.84 billion over the reviewed period (financial year 2020-21 to 2023-24), resulting in a corresponding erosion of total shareholders' equity. Consequently, total equity declined from Rs. -29.37 billion to Rs. -85.50 billion, reflecting a substantial deterioration in the company's net worth. The increasing accumulated losses indicate that operating results were insufficient to offset prior-year deficits, thereby adversely affecting the Company's financial sustainability.

Statement of Cash Flows

The Statement of Cash Flows of GENCO-II for the for the financial years 2020-21 to 2023-24 was reviewed to assess the Company's cash generation capacity, investment activities, and financing arrangements.

Net cash generated from operating activities showed a robust upward trend, increasing from Rs. 3.42 billion in financial year 2020-21 to Rs. 28.50 billion in financial year 2023-24. This represents a cumulative growth of approximately 732% over the four-year period. Notably, the largest year-on-year increase occurred in financial year 2021-22, with operating cash inflows rising by 356% compared to financial year 2020-21 and 2023-24 with operating cash inflows rising by 51% compared to financial year 2022-23 reflecting improved efficiency in core operations and better cash collection mechanisms. Illustratively;

Table-22: Summary of Cash Flow Movements (GENCO-II) (Rs. in million)

Particulars	Financial Years			
	2023-24	2022-23	20221-22	2020-21
Net cash generated from operating activities	28,503.540	18,847.524	15,602.144	3,424.362
Net cash used in investing activities	6.626	634.138	5,304.129	210.792
Net cash used in financing activities	-16,416.006	-12,330.063	-8,789.519	-8,507.357
Net increase in cash and cash equivalents	12,094.160	7,151.599	1,508.496	-4,872.204
Cash and cash equivalents at beginning of the year	13,954.504	6,802.905	5,294.409	10,166.613
Cash and cash equivalents at end of the year	26,048.664	13,954.504	6,802.905	5,294.409

(Source: Financial Statements of GENCO-II FYs 2020-21 to 2023-24)

Investing cash flows were volatile, with a large outflow of Rs. 5.30 billion in financial year 2021-22 but minimal outflows in financial year 2022-23 and financial year 2023-24, indicating limited capital investment in recent years.

Cash flows from financing activities consistently showed net outflows, increasing from Rs. 8.51 billion in financial year 2020-21 to Rs. 16.42 billion in financial year 2023-24. The rising trend in outflows, particularly a 33% increase in financial year 2023-24 over the preceding year, indicates the Company's focus on reducing its borrowings and meeting other financial obligations. This

disciplined approach to debt repayment has contributed positively to the overall cash position. As a result of these movements, the Company's cash and cash equivalents improved significantly over the four-year period. From a low of Rs. 5.29 billion at the end of financial year 2020-21, cash reserves increased to Rs. 26.05 billion by June 30, 2024, reflecting a cumulative growth of 392%. The net increase in cash during financial year 2023-24 alone was Rs. 12.09 billion, the highest among all years, highlighting strong liquidity management and enhanced financial flexibility.

Overall, GENCO-II's cash flow analysis demonstrates a marked improvement in operational cash generation and a steady increase in liquidity. The minimal investing outflows coupled with higher financing repayments indicate a strategic focus on debt reduction while maintaining sufficient cash reserves to meet operational requirements.

5.3 Financial Management

5.3.1 Non-revaluation of 747 MW CCPP (Block-V) prior to decommissioning

As per IAS-16 (Property, Plant and Equipment), assets must be carried at values that do not materially differ from their fair value, particularly where fair value can be reliably measured. Revaluation assumes critical importance when major assets are proposed for decommissioning or disposal, as such decisions depend on accurate assessment of recoverable and residual values.

During the audit of GENCO-II for financial year 2023-24, it was observed that the 747 MW CCPP (Block-V), commissioned on December 17, 2014 and holding a valid NEPRA license up to 2042, was carried at a written-down value of Rs. 6,404.567 million as at June 30, 2024 without any revaluation. Despite its material value, continued operability, and inclusion in decommissioning considerations, the asset's book value had not been aligned with its current fair market value. Audit observed that absence of revaluation prior to decommissioning created a high risk of undervaluation and could lead to economically unsound disposal of a public asset.

Non-adherence to IAS standard resulted in non-revaluation of fixed assets of 747 MW CCPP (Block-V) valuing Rs. 6,404.567 million up to the financial year 2023-24.

The matter was taken up with the management in June, 2025 and reported to the Ministry in September, 2025. The management replied that the Company has adopted the cost model for fixed assets in accordance with IAS 16, as approved by the Board and prescribed under the WAPDA Accounting Manual, under which revaluation was not mandatory. Moreover, the plant was part of the privatization program and a separate entity had been formed; any future revaluation would be decided by the new company.

The DAC in its meeting held on January 01, 2026 noted the significance of having financial statements made on revaluation model in the current company scenario. It directed the management to take up the matter with BoD regarding

revaluation of fixed assets in view of plant being on the active privatization list and give revised reply to audit within two weeks.

No further progress was intimated till finalization of the report.

Audit recommends the management for implementation of DAC's directives.

(Draft Para No.406/2025-26/AMIS 2025_COM0000000145_F00313)

5.3.2 Excess payment of management fee to GHCL despite reduced operations

According to Article-5.1 of Managing Agent Agreement between GHCL and CPGCL, "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 the audit of GENCO-II for the financial year 2023-24, it was observed that excess management fee amounting to Rs.12.17 million was paid to GHCL despite a significant reduction in operational capacity. This was inconsistent with the decision of the Cabinet Committee on Energy (CCoE) taken in its meeting held on September 8, 2020, whereby several non-operational power plants were ordered to be closed and placed on the disposal list. Audit further noted that Unit-16 (261 MW) of the 747 MW Combined Cycle Power Plant (CCPP), Guddu had remained non-operational since July 10, 2022 due to damage, resulting in the plant operating in open-cycle mode only. Consequently, energy purchase invoices were raised for 486 MW by CPPA-G, leading to a substantial decline in energy and capacity revenues during the financial year 2023-24. Despite the material reduction in operational capacity and revenue, the management fee paid to GHCL was not adjusted to reflect the reduced scope of operations and continued to be determined on the basis of the overall operating budget. This indicated a lack of linkage between actual operational performance and fee determination, resulting in weak financial oversight and deficient contractual control.

Financial indiscipline resulted in excess payment of Rs.12.17 million on account of management fee to GHCL despite reduced operations up to the financial year 2023-24.

The matter was taken up with the management in June, 2025 and reported to the Ministry in September, 2025. The management replied that GHCL, as the duly appointed Managing Agent of CPGCL under a valid Managing Agent Agreement, is entitled to management fee payable from NEPRA-approved capacity payments, which justified the payment of Rs.117.17 million during financial year 2023-24. Despite ST-16 being under force majeure, CPGCL remains obligated to pay the fee based on total licensed capacity until formal de-licensing. The management reply was not tenable as payment of full management fee despite prolonged non-operation of 261 MW ST-16 and reduced functional capacity ignored the principle of performance linked disbursement.

The DAC in its meeting held on January 01, 2026 directed the management to inquire the matter and share the final outcomes to audit within one month accordingly.

No further progress was intimated till finalization of the report.

Audit recommends the management for implementation of DAC's directives.

(Draft Para No. 401/2025-26/AMIS 2025_COM0000000145_F00308)

5.3.3 Un-resolved/disputed billing of back feed energy and unauthorized deductions by CPPA-G in violation of PPA provisions

Article-16 of the Power Purchase Agreement (PPA) "allowed resolving the dispute in first step through Section 16.1 at coordination committee level, if 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 the audit of GENCO-II for the financial year 2023-24, it was observed that CPPA-G issued import energy / back-feed energy invoices amounting to Rs. 477.34 million as of June 30, 2024, which increased to an outstanding payable balance of Rs. 930.90 million up to April, 2025. CPGCL disputed these invoices, stating that Clause 7A.8 of the Power Purchase Agreement (PPA) did not provide any contractual basis for charging back-feed energy. According to CPGCL, the PPA neither allowed such charges nor specified any method for metering or calculating back-feed energy, rendering the invoices

contractually unjustified. Audit further noted that CPPA-G unilaterally adjusted Rs. 24.75 million against back-feed energy of TPS Quetta, which had remained non-operational since 2017. The issuance of disputed invoices and unilateral deductions had placed a significant financial burden on CPGCL.

Inadequate coordination between CPGCL and CPPA-G resulted into unjustified billing of back feed energy Rs. 930.90 million and unauthorized deductions by CPPA-G amounting to Rs. 24.75 million in violation of PPA provisions up to the financial year 2023-24.

The matter was taken up with the management in June, 2025 and reported to the Ministry in September, 2025. The management replied that CPGCL acknowledged the audit observation regarding disputed back-feed invoices and unilateral deductions by CPPA-G, which it maintained were without contractual basis and in violation of the PPA. The matter was being pursued strictly under the dispute resolution mechanism of Article 16 of the PPA, and CPPA-G had been formally requested to cease such actions.

The DAC in its meeting held on January 01, 2026 directed the management to take up the matter with CPPAG in the light of PPA arbitration clause for final resolution.

No further progress was intimated till finalization of the report.

Audit recommends the management for implementation of DAC's directives.

(Draft Para No.409/2025-26/AMIS 2025_COM0000000145_F00316)

5.3.4 Irregular booking of gas consumed at TPS colony to power plants

According provision-6. chapter-3 of SOE Act-2023, every state-owned enterprise shall undertake its operations in accordance with the criteria for sound and prudent management, namely: - the business of the SOE is carried on with integrity, objectivity, due care and professional skills appropriate to the nature and scale of its activities.

During the audit of GENCO-II for the financial year 2023-24, it was observed that natural gas was consumed at the Thermal Power Station (TPS) Colony, Guddu without proper metering arrangements. An earlier survey conducted by M/s SNGPL during 2020-21 had estimated the annual gas

consumption of the TPS Colony at 657 MMCFT. Based on this estimate, the cost of gas consumed during 2023-24 amounted to Rs. 665.373 million, inclusive of 18% GST. Audit further noted that, instead of recovering such cost from the residents of the colony, the entire gas expenditure was irregularly charged to the power generation plants. This practice resulted in an undue financial burden on generation accounts and led to misstatement of operational costs, reflecting weak cost allocation controls.

Table-23: Detail of estimation regarding gas allocation to residential colony (GENCO-II)

Annual gas consumption at TPS colony as per survey of SNGPL	Calorific Value (as per annual E-Form of 747 MW CCPP)	MMBtu Consumption	Average rate of mix gas (as per annual E-Form of 747 MW CCPP)	Cost of gas consumed at TPS Colony (Rs. in million)	Amount of 18 % GST (Rs. in million)	Total cost of gas inclusive of GST consumed at TPS Colony Guddu (Rs. in million)
1	**2**	**3= (1x2)**	**4**	**5=(3x4)**	**6**	**6=(5+6)**
657 MMCFT	817.39	537,025 MMBtu	1,050 Rs/MMBtu	563.876	101.497	665.373

(Source: Survey conducted by SNGPL)

Non-adherence to SOE Act resulted in irregular booking of gas consumed at TPS colony to power plant amounting to Rs. 665.373 million up to the financial year 2023-24.

The matter was taken up with the management in June, 2025 and reported to the Ministry in September, 2025. The management replied that the Gas of colony had been disconnected from July 01, 2025 as there were previous audit para's pertaining to this issue. The calculation made by audit was unjustified and was made on hypothesis without any proper Gas meter reading.

The DAC in its meeting held on January 01, 2026 directed the management to probe the matter for fixing of responsibility and share the outcomes to audit within two weeks.

No further progress was intimated till finalization of the report.

Audit recommends the management for implementation of DAC's directives.

(Draft Para No.411/2025-26/AMIS 2025_COM0000000145_F00318)

5.3.5 Loss on account of higher consumption of gas due to excess heat rate than NEPRA's determination

According to NEPRA tariff determination "the heat rate of 10,353 BTU/kWh on open cycle in respect of 747 MW CCPP Guddu".

During the audit of GENCO-II for the financial year 2023-24, it was observed that heat rate was excessive than the permissible limits fixed by NEPRA. As a result of excess heat rate, gas amounting to Rs. 313.143 million was excess utilized in generation of electricity, which caused loss to the company. Details were:

Table-24: Detail of loss due to excess Heat Rate (Open Cycle) as compared to NEPRA determination for FY 2023-24 (GENCO-II)

Period	Block	Actual Heat Rate (BTU/KWh)	NEPRA allowed Heat Rate (BTU/KWh)	Excess Heat Rate (BTU/KWh)	Net Energy in KWH	Excess Gas consumed in (MMBTU)	Gas Price Rs. per (MMBTU)	Total Loss (Rs. in million)
		A`	B	C=A-B	D	E=CxD /1000000	F	G= Ex F
2023-24	747 MW	10,488	10,353	135	2,209,127,000	298,232	1050	**313.14**
						Net Actual Heat Rate of G-14		10,353 BTU//KWH
						Net Actual Heat Rate of G-15		10,623 BTU/KWH
						Total Net Heat Rate of G-14 & G-15		20976/2
						Net Actual Heat Rate Average		**10,488 BTU/KWH**

Non-adherence to the NEPRA's standards resulted in loss on account of higher consumption of gas due to excess heat rate than NEPRA's determination amounting to Rs. 313.143 million up to the financial year 2023-24.

The matter was taken up with the management in June, 2025 and reported to the Ministry in September, 2025. The management replied that NEPRA No. NEPRA/R1Dir(Trf))/TRF-536/CPGCL-2020/47055-47057 December 28, 2020. The heat rate i.e. 10353 BTU/kWh had been determined / allowed by NEPRA for open cycle operation on the basis of base load running of the machines instead of partial loading as on partial load the NEPRA allowed Heat Rate cannot be achieved.

The DAC in its meeting held on January 01, 2026 directed the management to submit revised reply in the light of PPA along with NEPRA's stance and get the record verified from audit within two weeks.

No further progress was intimated till finalization of the report.

Audit recommends the management for implementation of DAC's directives.

(Draft Para No.408/2025-26/AMIS 2025_COM0000000145_F00315)

5.3.6 Unsettled LD claims with CPPA-G on account of forced outages

As per Section 16.1 of Power Purchase Agreement (PPA), "in case issue is not resolved, second option hiring of expert under section 16.3 of PPA be appointing an arbitrator will be invoked".

During the audit of GENCO-II for the financial year 2023-24, it was observed that CPPA-G raised Liquidated Damages (LD) invoices amounting to Rs. 24,601.00 million on account of forced outages verified by NPCC for the period 2014-15 to 2022-23. The invoices were raised as the outages adversely affected power generation and supply obligations. CPGCL disputed the LD claims, contending that the calculations and applicability were not in accordance with the provisions of the Power Purchase Agreement (PPA) and that certain outages were caused by factors beyond its control or were not appropriately considered in the LD assessment. To resolve the matter, CPPA-G constituted a special committee for negotiations. The continued non-resolution of the LD claims had adversely affected CPGCL's financial position.

Failure to resolve liquidated damages claims in accordance with the dispute resolution provisions of the PPA, exposed the company to significant financial and operational risks resulting in unsettled liabilities amounting to Rs. 24,601.00 million up to the financial year 2023-24.

The matter was taken up with the management in June, 2025 and reported to the Ministry in September, 2025. The management replied that the dispute notice clause had not been invoked as discussions on NGC-imposed forced outages are ongoing among state-owned entities under the Ministry of Energy. A Special Committee of the CPPA-G Board had been constituted to resolve these complex issues. Meanwhile, CPGCL had initiated disposal of its power plants, duly

approved by the Board, and commenced the G2G disposal process with M/s Wah Industries Limited. Given GENCOs' disposal status and financial constraints, settlement of LDs through book adjustments had been proposed, subject to Cabinet approval, after which Audit would be informed.

The DAC in its meeting held on January 01, 2026 showed its displeasure on the long delay in resolution of the matter. It noted that due to this long delay, and in wake of disposal of company assets, the clearance of outstanding liability was becoming uncertain. It directed the management to make renewed efforts, use the office of GHCL, and get the matter resolved in 30 days.

No further progress was intimated till finalization of the report.

Audit recommends the management for implementation of DAC's directives.

(Draft Para No. 399/2025-26/AMIS 2025_COM0000000145_F00306)

5.4 Governance Framework

5.4.1 Improper initiation of power plants disposal without legal and regulatory approvals in violation of SOE Act, 2023

According to Section-183 of the Companies Act, 2017 "requires shareholder approval through a special resolution for the disposal of substantial assets."

According to Clause 17(1) of the State-Owned Enterprise (Governance and Operations) Act, 2023 "SOEs shall operate with autonomy; however, disposal or declaration of assets as scrap requires prior approval of the Federal Government."

According to Clause 22(2) of the SOE Act, 2023 "the sale of sizeable assets requires approval of the Board of Directors by a three-fourths majority, including the consent and vote of the Power Division's nominee director."

During the audit of GENCO-II for the financial year 2023-24, it was observed that CPGCL initiated the disposal of major power plants, namely TPS Guddu (Blocks I-IV), TPS Quetta, and TPS Sukkur, without obtaining the requisite legal and regulatory approvals. This action was taken despite clear directions of the Board of Directors in its 174th, 175th and 181st meetings, wherein it was resolved that no disposal decision would be finalized without full legal compliance.

The CPGCL proceeded with the disposal process without obtaining formal approval of the Federal Government, requisite Board approval with the prescribed

majority, and shareholder approval through a special resolution, as required under the applicable laws. Instead, reliance was placed on verbal assurances and correspondence from the Power Division. Although the Power Division's letter dated January 16, 2025 stated that approval of the CCoE or the Cabinet was not required, it did not explicitly constitute Federal Government approval as envisaged under the SOE Act, 2023. The non-compliance was further aggravated by the inclusion of 415 MW (Siemens) and 600 MW (GE) power plants in the disposal list, despite the fact that their NEPRA licenses had not been de-licensed and extension cases were still pending. Illustratively:

Table-25: Detail of Power Plants (GENCO-II)

Sr. No.	Name of Plant & Location	Unit #	Capacity (MW)
1	TPS Guddu, Block-III and IV	1 to 4	640
2	TPS Quetta	1,2,3, & 6	57.1
3	TPS Sukkur	1 to 4	50
4	TPS Guddu, Block-I, 415MW CPP (Siemen Block)	11 to 13	415
5	TPS Guddu, Block-II, 600MW CPP (GE Block)	5 to 10	600
		Total	**1,762.1**

(Source: Minutes of 183rd BOD meeting held on January 23, 2025)

Non-adherence to regularity requirements of SOE Act-2023 and Company Act, 2017 resulted in improper initiation of power plants disposal up to the financial year 2023-24.

The matter was taken up with the management in June, 2025 and reported to the Ministry in September, 2025. The management replied that the disposal of old and defunct power plants was undertaken in compliance with the Prime Minister's directives, Cabinet decisions, and timelines approved by the Prime Minister's Task Force on Power Sector Reforms. Due to poor market response, the National Task Force approved disposal on a Government-to-Government (G2G) basis, reaffirmed in subsequent meetings. The Board and shareholders of CPGCL approved disposal under WAPDA Material Disposal Procedures, and an Asset Disposal Agreement was executed with M/s Wah Industries Limited for three non-functional plants at approved reserve prices. The process was completed after obtaining all requisite legal, regulatory, and shareholder approvals, ensuring compliance with applicable laws and procedures.

The DAC in its meeting held on January 01, 2026 expressed its displeasure on the quality of working papers as they were without any attachments/annexures and on non- provision of attachments/annexures to audit which were referred to in the management reply. DAC directed the management to submit a comprehensive revised reply in chronological order, including all evidences/documents/ communication/decisions justifying that clear approval of the government had been obtained and all legal formalities had been observed, to audit for review.

No further progress was intimated till finalization of the report.

Audit recommends the management for implementation of DAC's directives.

(Draft Para No. 398/2025-26/AMIS 2025_COM0000000145_F00305)

5.4.2 Payment of gas charges to M/s SNGPL without executing formal gas supply agreement

The ECC of the cabinet in its meeting held on March 31, 2017 "approved/validated allocation of 200 MMCFD to Thermal Power Station Guddu (150 MMCFD directly through PPL and 50 MMCFD through SNGPL)."

During the audit of GENCO-II for the financial year 2023-24, it was observed that despite the ECC's approval, no formal Gas Supply Agreement (GSA) was executed between CPGCL and M/s SNGPL for the allocated 50 MMCFD. In the absence of a legally binding agreement, GENCO-II made substantial payments amounting to Rs. 7,678.61 million to M/s SNGPL for gas procurement during the financial year 2023-24. The lack of a formal agreement not only undermined contractual transparency and operational governance but also contributed to a significant dispute over outstanding balances. M/s SNGPL claimed an outstanding receivable of Rs. 30,156.00 million, while CPGCL's records reflected a significantly lower liability of Rs. 10,164.135 million as of June, 2024. This substantial discrepancy of Rs. 20,000 million raised serious concerns regarding reconciliation of accounts, accuracy of financial reporting, and the risk of legal and financial exposure due to undefined settlement terms.

Non-adherence to the prudent financial management resulted in payment of gas charges to M/s SNGPL without executing formal Gas Supply Agreement Rs. 7,678.61 million up to the financial year 2023-24.

The matter was taken up with the management in June, 2025 and reported to the Ministry in September, 2025. The management replied that the ECC decision dated 31.03.2017 allocated 200 MMCFD Kandhkot gas to TPS Guddu, for which CPGCL and PPL executed a GSA in October 2017 covering the full quota. As PPL, the field owner, supplies the entire gas and owns and controls all related infrastructure, SNGPL has no role in gas supply, rendering a separate agreement with SNGPL unjustified. Gas invoiced by SNGPL for the KK2 pipeline is charged at OGRA-approved rates identical to those of PPL.

The DAC in its meeting held on January 01, 2026 noted with concern that significant un-reconciled liabilities with other public entities could lead to further bad debts in the public sector. It directed the management to get the balances reconciled with M/s SNGPL, use the forum of GHCL, and get the record verified from audit within one month.

No further progress was intimated till finalization of the report.

Audit recommends the management for implementation of DAC's directives.

(Draft Para No.403/2025-26/AMIS 2025_COM0000000145_F00310)

5.4.3 Non-conducting of annual dependable capacity test (ADCT) for Unit 14 & 15 of 747 MW CCPP - impact on revenue generation

As per Section-13.5 of Power Purchase Agreement (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) days period during the pendency of the Force Majeure Event."

As per 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) hours period thereafter to be the Annual Capacity Test period."

During the audit of GENCO-II for the financial year 2023-24, it was observed that steam turbine unit-16 remained non-operational since July 10, 2022,

due to a fire incident. This event resulted in a prolonged outage of the affected unit, thereby significantly reducing the overall operational capacity of the power complex. In response, CPPA-G invoked the "Other Force Majeure Event" (OFME) clause under the PPA and requested a capacity test of the remaining operational units 14 and 15 to assess the available capacity eligible for capacity payments during the OFME period. However, CPGCL failed to conduct the required annual dependable capacity test (ADCT) and did not rehabilitate unit-16 within the stipulated time frame. This inaction not only violated key provisions of the PPA but also prevented the establishment of the tested capacity for units 14 and 15, thereby forfeiting potential revenue from capacity payments. The delay in testing and rehabilitation contributed to financial strain on the company, further impeding its ability to restore full operational efficiency and recover from the incident.

Non-adherence to PPA provision resulted in non-conducting of annual dependable capacity test (ADCT) for unit-14 & 15 of 747 MW CCPP having impact on revenue generation up to the financial year 2023-24.

The matter was taken up with the management in June, 2025 and reported to the Ministry in September, 2025. The management replied that on July 23, 2025 a meeting was held in Islamabad with CPPA-G wherein it was in emphasized by the CPPA-G to conduct the ADC Test of GT-14 and GT-15 Gas Turbines of 747 MW CCPP Guddu on open cycle mode. CPGCL has agreed for the said test and now in process to approach M/S NESPAK to conduct the said test.

The DAC in its meeting held on January 01, 2026 directed the management to inquire the matter and share the final outcomes with audit within one month accordingly.

No further progress was intimated till finalization of the report.

Audit recommends the management for implementation of DAC's directives.

(Draft Para No.402/2025-26/AMIS 2025_COM0000000145_F00309)

5.4.4 Loss of capacity payments due to non-rehabilitation of steam turbine ST-16

As per NEPRA's tariff determination dated 28th December, 2020, "the authority allowed the operation of the plant in open cycle mode in the absence of the availability of the system steam turbine. No capacity charges shall be payable during operation in open cycle mode, except during allowed outages under Power Purchase Agreement (PPA)."

During the audit of GENCO-II for the financial year 2023-24, it was observed that steam turbine ST-16 (Capacity 261 MW, make HEI China) was rendered non-operational due to a fire incident occurred on July 10, 2022. As a result, the Combined Cycle Power Plant 747 MW could no longer operate in its intended mode and was forced to run in open cycle configuration. The Board of Directors, in its 166th meeting held on December 05, 2023, approved the rehabilitation of ST-16. Accordingly, an International Competitive Bidding (ICB) tender was floated on September 20, 2024. However, the sole bid received from the joint venture of M/s Harbin Electric International Company Limited (HEI) and M/s CEEEC Tianjin (Pakistan) Electric Power Construction (Private) Limited (TEPC) was declared non-responsive. After this, no fresh tendering process was initiated to expedite the rehabilitation. As a direct consequence of the prolonged unavailability of ST-16 and the failure to restore combined cycle operations, Gas Turbines GT-14 and GT-15 (with a combined capacity of 486 MW) continued to operate in open cycle mode. Although energy charges were claimed at the higher open cycle tariff rate of Rs. 10.8707 per kWh, compared to the combined cycle rate of Rs. 7.2839 per kWh, the company was not eligible to invoice capacity charges during this period. This led to a significant financial loss, as the plant forfeited capacity payments amounting to Rs. 42,731.246 million for the period from December, 2022 to June, 2024.

Sub-optimal management resulted in loss of capacity payments due to non-rehabilitation of Steam Turbine (ST-16) amounting to Rs. 42,731.246 million up to the financial year 2023-24.

The matter was taken up with the management in June, 2025 and reported to the Ministry in September, 2025. The management replied that CPGCL engaged M/s NESPAK to assess damage to ST-16 and subsequently floated an ICB tender

for its rehabilitation; however, the sole bid received was declared non-responsive by the consultant and the tender was cancelled with BoD approval. The Board approved re-tendering and re-engagement of NESPAK, demonstrating continuous efforts to rehabilitate the unit, with foreign currency and LC availability remaining the key constraint. Despite ST-16 being unavailable, the 747 MW gas turbines remain strategically critical and on merit order, as also noted in NEPRA's blackout inquiry.

The DAC in its meeting held on January 01, 2026 directed the management to provide revised reply to audit in chronological order including the following documents/details: i) old inquiry ii) tender process details/results/evaluations iii) CEO suspension duration effecting re-tendering iv) Ministry communication on further rehabilitation. The same should be expedited within two weeks.

No further progress was intimated till finalization of the report.

Audit recommends the management for implementation of DAC's directives.

(Draft Para No.407/2025-26/AMIS 2025_COM0000000145_F00314)

5.5 Procurement/Contract Management

5.5.1 Irregular award of civil works to the contractor

According to tender document Annexure-A (Technical Responsiveness/ evaluation sheet), "overall minimum qualifying marks are 25 and 50% in each segment."

During the audit of GENCO-II for the financial year 2023-24, it was observed that tender No. T-341 for the work of maintenance and rehabilitation of the main road from Gate No. 2 (near UBL) to the rest house at the residential colony TPS Guddu, was opened on December 21, 2023. Four bidders participated, out of which three were declared non-responsive due to non-fulfillment of conditions No. 2 and 4, despite achieving the minimum overall qualifying marks of 25% in the technical evaluation. According to the bidding documents, the technical proposal required a minimum of 25 out of 50 marks overall and at least 50% marks in each individual segment to qualify. However, the successful bidder, M/s Din Muhammad Enterprises Builder, although declared responsive, also failed

to meet condition No.3 and did not achieve the mandatory 50% marks in each evaluation segment. Despite this clear non-compliance, the contract was irregularly awarded to M/s Din Muhammad Enterprises Builder at a contract price of Rs. 23.93 million, which was 17.786% above the BOQ cost. The improper evaluation and disregard of the specified qualification criteria resulted in a non-transparent procurement process and led to unfair competition and potential financial loss to the company.

Non-adherence to clause of tender documents resulted in irregular award of civil works to the contractor amounting to Rs. 23.93 million up to the financial year 2023-24.

The matter was taken up with the management in June, 2025 and reported to the Ministry in September, 2025. The management replied that overall minimum qualifying marks were 25% and requirement of 50% marks in each segment was a clerical mistake which was unjustified condition of Evaluation criteria, and overall Qualifying marks was achieved by M/s Din Muhammad. The condition of Road of Colony was badly deteriorated and no repair work was made since 10 years. And no financial loss has been occurred during the said process.

The DAC in its meeting held on January 01, 2026 directed the management to investigate the matter for fixation of responsibility in 30 days and provide the findings to audit.

No further progress was intimated till finalization of the report.

Audit recommends the management for implementation of DAC's directives.

(Draft Para No.419/2025-26/AMIS 2025_COM0000000145_F00335)

CHAPTER-6

NATIONAL GRID COMPANY (NGC)

6. NATIONAL GRID COMPANY (NGC)

6.1 Introduction

The National Grid Company (NGC), formerly National Transmission and Despatch Company (NTDC), is the country's designated national transmission and system Operation Company, established under ongoing power sector reforms to enhance governance, transparency, and efficiency in the electricity sector. NGC is responsible for planning, developing, operating, and maintaining Pakistan's high-voltage transmission network, including the 500 kV and 220 kV grid, which spans over 20,500 km of transmission lines with an installed transformation capacity of approximately 65,000 MVA. Through this nationwide infrastructure, the Company facilitates the bulk transfer of more than 100,000 GWh of electrical energy annually from public and private generation sources to distribution companies, ensuring reliable, secure, and uninterrupted power supply across the country.

NGC plays a critical role in advancing national energy objectives by ensuring reliable and efficient electricity transmission, managing system operations and dispatch, and maintaining grid stability in compliance with the Grid Code and applicable regulatory requirements. Its core functions include real-time load management, frequency and voltage control, outage coordination, grid security, and the facilitation of inter-provincial power flows, thereby strengthening overall system resilience. Given the scale of its operations and the use of public funds, NGC's performance has a direct impact on system reliability, economic activity, and the quality of consumer service. Accordingly, the Company remains accountable through its Board of Directors, regulatory oversight by NEPRA, policy supervision by the Power Division, and financial scrutiny through statutory and internal audits, positioning NGC as the backbone of Pakistan's power sector and a key enabler of sustainable economic growth, industrial development, and national energy security.

6.2 Comments on Financial Statement



ANALYSIS ON FINANCIAL STATEMENTS- NGC

This section presents a financial analysis of National Grid Company (NGC), formerly known as National Transmission and Dispatch Company Limited (NTDC), covering the five-year period from financial year 2020-21 to financial year 2024-25. The analysis is based on audited financial statements up to financial year 2023-24, while figures for financial year 2024-25 are provisional, as the financial statements for the year are yet to be finalized and audited and are therefore subject to change.

For financial year 2023-24, the Chartered Accountants expressed an unqualified opinion; however, an Emphasis of Matter paragraph was included drawing attention to the existence of various contingencies, the ultimate outcome of which could not be determined at the reporting date e.g. "**24.1.1**[26] The Federal Board of Revenue (FBR) through SRO 171(I)/2008 on February 21, 2008 decided that the purchase price of electricity would be excluded from turnover for the purpose of calculating minimum tax under Section 113 of the Income Tax Ordinance, 2001 (the Ordinance) till the tax year 2013. The said SRO was repealed through the Finance Act, 2014. Accordingly, the Company was liable to pay minimum tax on gross turnover for tax years 2014 and 2015. The Company had not made such provision as the said matter is pending for resolution with the FBR and ECC. The Additional Commissioner Inland Revenue (ACIR) raised a tax demand of Rs. 8,189 million in respect of tax year 2014. While CIR(A) confirmed the order for Tax Year 2014 and Company filed appeal in the ATIR, who after hearing the arguments at the time of hearing remanded back the case to CIR(A) for decision on merit. The CIR(A), without considering the submissions at the time of hearing, upheld the order of Additional CIR. Being aggrieved with the order of the CIR(A), the Company has filed an appeal before the ATIR who vide order dated June 09, 2023 decided the appeal against the Company. After an adverse ruling by ATIR on 09 June 2023, the Company filed Reference Application No.

[26] Notes to the accounts of Financial Statements for the FY 2024-25

4506/2023 in the Lahore High Court on July 03, 2023, which ruled in favor of the Company on December 18, 2023. **24.1.2** The tax department conducted audit u/s 177 (1) for tax year 2014 and issued notice to the Company against which the Company then made compliance. The proceedings were underway when the deemed assessment was amended by the ACIR u/s 122(5A) read with section 122(1) vide order dated December 16, 2020 for the subject tax year. Further, being dissatisfied with the contentions on certain observations, the ACIR issued order u/s 122(4) of the Ordinance, while creating demand of Rs. 939 million. Being aggrieved, the Company filed an appeal before ATIR on December 26, 2024, later on due to Lahore High Court referred in 24.1.1 in a similar case the Company has withdrawn appeal on May 04, 2024. **24.1.3** The Addl. CIR initiated assessment proceedings while issuing show cause notice dated August 18, 2022. The Company made due compliance, however, the Additional CIR issued order under section 122(5A) of the Ordinance dated December 28, 2022 while creating income tax demand amounting to Rs. 3,514 million for tax year 2021. Being aggrieved with the decision of the Addl. CIR, the Company preferred an appeal before the CIR(A) against the said order, which is partially allowed and add. CIR passed the appeal effect order. After the new changes in Laws, The Company being State owned Entity (SoE) and field Application for Alternative Dispute Resolution Committee which is pending before Chairman FBR."

Accordingly, no provision was recognized in the financial statements in respect of these matters. The Chartered Accountants highlighted that the resolution of such contingencies may have a material impact on the Company's future financial position.

In contrast, for financial year 2022-23, financial year 2021-22, and financial year 2020-21, the Chartered Accountants issued qualified opinions due to the Company's non-establishment of the Workers' Profit Participation Fund (WPPF) as required under the Companies Profit (Workers' Participation) Act, 1968. No provision was made in the financial statements for WPPF, and the Chartered Accountants noted that recognition of the required provision would have materially affected reported profits, retained earnings, and trade and other payables.

In Note 1.4 of the financial year 2023-24 financial statements, the segregation by functions of erstwhile NTDC has been disclosed; however,

complete disclosures regarding the segregation of resources and liabilities have not been provided. As the Company is required to segregate its System Operator function and other functions, the absence of detailed information on the allocation of assets, liabilities, and related balances limits transparency and restricts proper assessment of the Company's post-segregation, financial position.

Overall, NGC's financial performance during the period under review reflects persistent structural challenges, including high operating and finance costs, increasing liabilities, and statutory compliance issues. Although the Company maintains a substantial asset base and continues to play a critical role in the national power transmission system, historical audit qualifications, unresolved contingencies, and reliance on unaudited figures for financial year 2024-25 continue to pose risks to financial sustainability and transparency.

BASIS OF PREPARATION

As disclosed by the Chartered Accountant, the financial statements 2023-24 were prepared in accordance with the accounting and reporting standards applicable in Pakistan[27].

The Chartered Accountant had indicated in the subject financial statements that "Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed." However, no disclosure highlighting any such variance from IFRS, due to compliance with Companies Act 2017, has been given in the financial statements.

PROFITABILITY ANALYSIS

Table-26: Profitability ratios (NGC)

Ratios	Formula	Financial Years				
		2024-25*	2023-24	2022-23	2021-22	2020-21
		In %age				
Operating Profit to Sales	Operating Profit / Sales	10.5	37.3	43.9	55.6	43.4

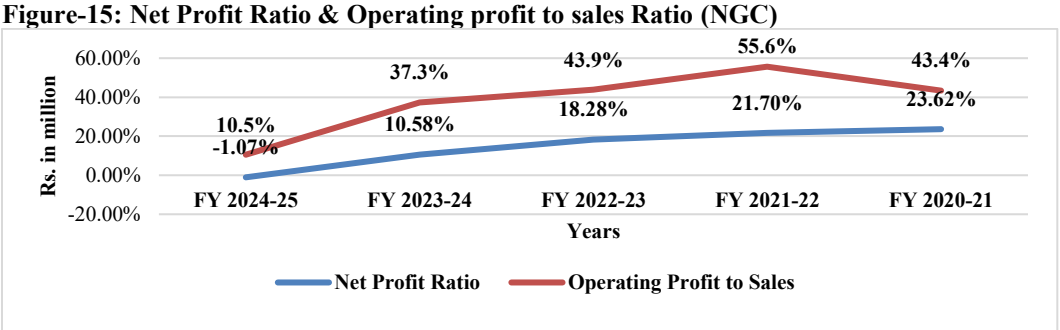
[27] Note 2.1 of the financial statements of NGC FY 2023-24

Operating Expenses to Sales	Operating Expenses / Sales	89.47	62.72	56.13	44.36	56.61
Net Profit Ratio	Net Profit/sales	-1.07	10.58	18.28	21.70	23.62
Return on Equity	PAT/ Equity	-0.48%	3.86%	6.85%	9.07%	7.24%
Return on Assets (ROA)	PAT/total assets	-0.09	0.96	1.99	2.98	2.63
Return on Capital Employed (ROCE)	PBIT/Total assets - current liabilities	1.94	5.28	6.70	11.01	6.34
***Financial statements for the FY 2024-25 are provisional and subject to change**						

(Source Financial Statements of NGC FYs 2020-21 to 2024-25)

The profitability and return ratios indicate a significant deterioration in financial performance during financial year 2024-25**.** The operating profit to sales ratio declined sharply to 10.5% from 37.3% in the previous year, mainly due to the steep rise in operating expenses, as reflected by the operating expenses to sales ratio, which escalated to 89.47% in financial year 2024-25. This cost escalation substantially eroded operating margins. Consequently, the net profit ratio turned negative at -1.07%, compared to positive margins in all preceding years, indicating that revenues were insufficient to cover operating and finance costs. The weakening profitability is further evident from the decline in return on equity and return on assets, both of which turned negative in financial year 2024-25, reflecting inefficient utilization of shareholders' funds and asset base. Similarly, ROCE decreased to 1.94%, highlighting reduced efficiency in employing capital and increased pressure from high current liabilities. Overall, the ratios collectively reflect cost-driven margin compression, declining returns, and weakened financial efficiency in the current year. Still as the financial statements for the financial year 2024-25 are provisional and un-certified, the ratios may change.

Figure-15: Net Profit Ratio & Operating profit to sales Ratio (NGC)



(Source: Financial Statements of NGC FYs 2020-21 to 2024-25)

REVENUE & OPERATING EXPENSES & FINANCE COST

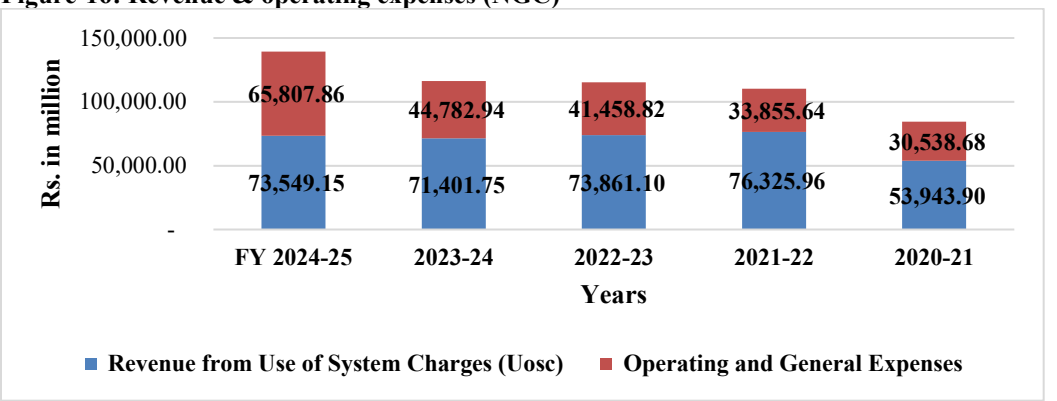
The revenue of National Grid Company (NGC) from Use of System Charges (UoSC) remained largely stagnant over the five-year period, reflecting limited growth in transmission-related earnings. During financial year 2024-25, it increased marginally by 3% to Rs. 73,549.15 million as compared to Rs. 71,401.75 million in financial year 2023-24. However, this modest increase followed consecutive declines in financial year 2022-23 and financial year 2023-24, indicating volatility and weak revenue expansion despite a substantial 41% surge observed in financial year 2021-22. Overall, the revenue trend suggested that NGC's income growth had not kept pace with the rising cost structure, thereby exerting pressure on profitability.

In contrast, operating and general expenses exhibited a sharply rising trend, emerging as a major factor undermining financial performance. Operating expenses escalated significantly to Rs. 65,807.86 million in financial year 2024-25, reflecting a 47% increase over the previous year. This followed consistent year-on-year growth, with increases of 22% in financial year 2022-23 and 8% in financial year 2023-24. The disproportionate growth of operating expenses relative to revenue indicated inefficiencies in cost management, resulting in a narrowing operating margin and contributing directly to the operating loss in the current year. The persistent upward trajectory of expenses highlighted structural cost pressures that have not been offset by corresponding revenue enhancements.

Finance cost, although reduced in financial year 2024-25, remained substantially high, continuing to strain the Company's earnings. Finance cost declined by 31% to Rs. 13,562.52 million in financial year 2024-25 from Rs. 19,716.07 million in financial year 2023-24, primarily due to variations in borrowing levels or financing terms. Despite this reduction, finance costs have shown a volatile yet generally increasing pattern over the earlier years, rising sharply by 58% in financial year 2022-23 and 23% in financial year 2023-24. The sustained high finance burden reflects NGC's heavy reliance on debt financing, which significantly erodes operating results and limits financial flexibility.

Lastly it is added that figures pertaining to financial year 2024-25 are provisional, hence, the analysis to this extent is subject to change. Illustratively:

Figure-16: Revenue & operating expenses (NGC)



(Source: Financial Statements of NGC FYs 2020-21 to 2024-25)

FINANCING WITH DEBTS

Table-27: Financing Ratios (NGC)

Ratios	Formula	Financial Years				
		2024-25*	2023-24	2022-23	2021-22	2020-21
Debt/ equity Ratio	Total debt/ Equity	2.63	1.74	1.36	1.02	0.92
Gearing Ratio	Total Debt ÷ (Total Debt + Shareholders' Equity)	72.43%	63.56%	57.56%	50.38%	47.85%

***Financial statements for the FY 2024-25 are provisional and subject to change**

(Source: Financial statement of NGC FYs 2020-21 to 2024-25)

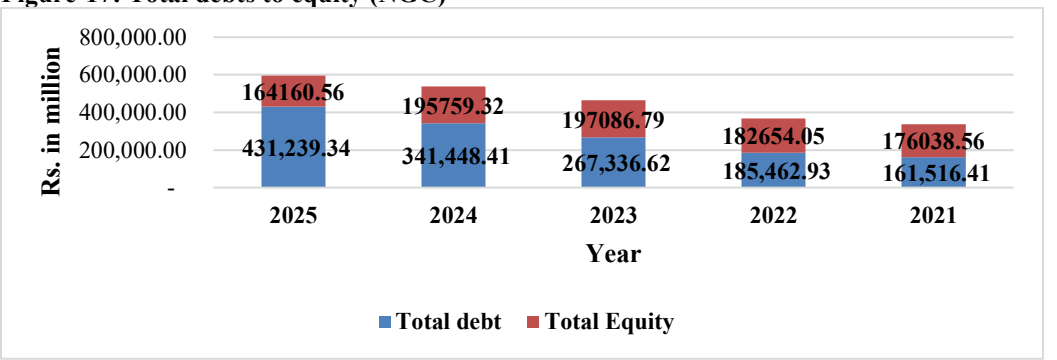
The debt to equity ratio exhibits a continuously rising trend over the five-year period, increasing from 0.92:1 in financial year 2020-21 to 2.63:1 in financial year 2024-25. This sharp escalation indicated a growing dependence on debt financing relative to shareholders' equity. The deterioration in the ratio reflects weakening equity support, primarily driven by accumulated losses and increased borrowings, thereby heightening the entity's financial risk and exposure to solvency pressures.

Similarly, the gearing ratio has increased significantly from 47.85% in financial year 2020-21 to 72.43% in financial year 2024-25, demonstrating that a

substantial portion of the entity's total capital is now financed through interest-bearing debt. The consistently rising gearing level indicates reduced financial flexibility and increased vulnerability to interest rate and refinancing risks. The high gearing in financial year 2024-25, when viewed alongside weak liquidity indicators, suggests that the entity's capital structure is increasingly strained and reliant on external borrowings for sustaining operations.

Overall, the combined trend of elevated debt to equity and gearing ratios points to a deteriorating capital structure, raising concerns regarding long-term financial sustainability and the entity's capacity to absorb future financial shocks without external support. Illustratively;

Figure-17: Total debts to equity (NGC)



(Source: Financial Statements of NGC FYs 2020-21 to 2024-25)

RECEIVABLES AND PAYABLES

Table-28: Efficiency and Liquidity Ratios (NGC)

Ratio Category	Ratios	Formula	Financial Years				
			2024-25*	2023-24	2022-23	2021-22	2020-21
Efficiency	Debtor Turnover	(Trade Debts / Total Revenue) × 365	170	298	419	356	307
Liquidity	Current Ratio	(Current Assets/Current Liabilities)	0.37	0.81	0.90	1.03	1.72

	Quick Ratio	(Current Assets−Inventory)/Current Liabilities	0.35	0.79	0.89	1.02	1.36
***Financial statements for the FY 2024-25 are provisional and subject to change**							

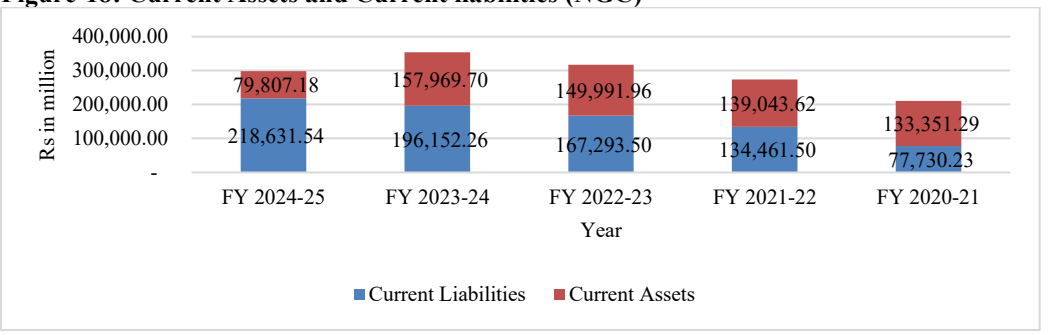
(Source: Financial statement NGC FYs 2020-21 to 2024-25)

The debtor turnover period reflects a consistently weak receivables management position over the period under review. In financial year 2024-25, the debtor turnover stood at 170 days, which, although an improvement compared to 298 days in financial year 2023-24 and 419 days in financial year 2022-23, still indicates a prolonged collection cycle. The extended recovery period suggests persistent delays in realization of trade debts, adversely affecting cash flows and working capital management.

The current ratio shows a continuous deterioration over the five-year period, declining sharply from 1.72 in financial year 2020-21 to 0.37 in financial year 2024-25. A ratio well below the conventional benchmark of 1 indicates that current liabilities substantially exceed current assets, highlighting severe short-term liquidity stress and a weakened ability to meet short-term obligations as they fall due.

Similarly, the quick ratio followed a declining trend, decreasing from 1.36 in financial year 2020-21 to 0.35 in financial year 2024-25. The low quick ratio demonstrates an acute liquidity crisis, even after excluding inventories, and reflects the entity's dependence on external support and delayed payments to sustain operations. Overall, the liquidity position in financial year 2024-25 remains critically weak. Illustratively;

Figure-18: Current Assets and Current liabilities (NGC)



(Source: Financial Statements of NGC FYs 2020-21 to 2024-25)

Overall, the efficiency and liquidity indicators depict a stressed financial position throughout the period under review.



EMPLOYEES' RETIREMENT BENEFITS

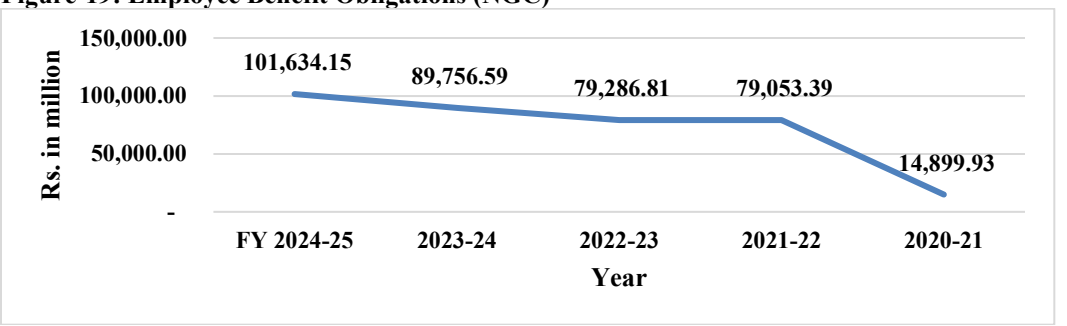
Employee Benefit Obligations of the Company have increased sharply and persistently over the five-year period, reflecting a growing long-term financial burden arising from employee-related commitments. The obligation rose to Rs. 101,634.15 million in financial year 2024-25, representing a 13% increase over Rs. 89,756.59 million in financial year 2023-24. This upward trend has remained consistent in recent years, with similar growth of 13% in financial year 2023-24 and a marginal increase in financial year 2022-23, indicating sustained accumulation of retirement and post-employment benefit liabilities.

The most significant structural shift occurred in financial year 2021-22, when employee benefit obligations surged dramatically by 431%, increasing from Rs. 14,899.93 million in financial year 2020-21 to Rs. 79,053.39 million. This abrupt escalation suggests the impact of actuarial re-measurements, changes in benefit assumptions, recognition of previously unrecorded liabilities, or revisions in employee benefit schemes, which substantially altered the Company's liability profile. Since then, the obligation has continued to grow steadily, highlighting that the elevated liability level has become embedded in the Company's financial structure.

The sustained increase in employee benefit obligations poses material pressure on the Company's liquidity and long-term solvency, particularly in the context of already weakened current and quick ratios.

Furthermore, it is added that figures pertaining to financial year 2024-25 are provisional, hence, the analysis to this extent is subject to change.

Figure-19: Employee Benefit Obligations (NGC)



(Source: Financial Statements of NGC FYs 2020-21 to 2024-25)

STATEMENT OF CASH FLOWS

Table-29: Summary of Cash Flow Movements (NGC) **(Rs. in million)**

Particulars	2025*	2024	2023	2022	2021
Net cash generated from operating activities	62,060.94	41,926.20	38,744.48	20,055.09	14,864.63
Net cash used in investing activities	-161,425.68	-105,506.35	-119,348.98	-45,528.84	-44,519.38
Net cash generated from financing activities	94,062.47	77,732.24	83,676.21	24,746.92	27,411.99
Net increase / (decrease) in cash and cash equivalents	-5,302.27	14,152.08	3,071.71	-726.83	-2,242.76
Cash and cash equivalents at beginning of the year	23,772.02	9,619.94	6,548.23	7,275.06	9,517.82
Cash and cash equivalents at end of the year	18,469.75	23,772.02	9,619.94	6,548.23	7,275.06
***Financial statements for the FY 2024-25 are provisional and subject to change**					

(Source: Financial Statements of NGC FYs 2020-21 to 2024-25)

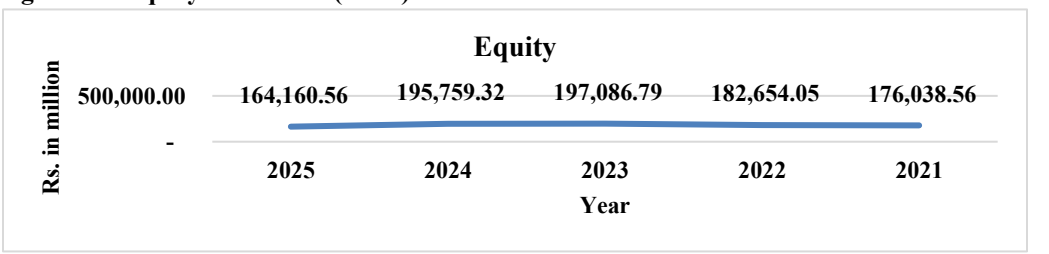
The Company's cash flow profile reflects strong growth in operating cash generation**,** which increased from Rs. 14,864.63 million in 2021 to Rs. 62,060.94 million in 2025**,** indicating improved cash inflows from core operations and working capital movements; however, this positive trend was more than offset by substantial and escalating cash outflows on investing activities**,** which rose sharply to Rs. 161,425.68 million in 2025**,** highlighting heavy capital expenditure and expansion that exceeded internally generated funds. To finance this gap, the Company relied heavily on financing activities, generating Rs. 94,062.47 million in 2025, reflecting increased dependence on external borrowings and funding

support. Despite strong operating and financing inflows, the magnitude of investment outflows resulted in a net decrease in cash and cash equivalents of Rs. 5,302.27 million in 2025, reducing the closing cash balance to Rs. 18,469.75 million, which underscores persistent cash flow pressure and reliance on external financing to sustain liquidity.

⇄ STATEMENT OF CHANGES IN EQUITY

The Company's equity position exhibited a declining trend in the current year, primarily driven by a reduction in un-appropriated profits. Share capital remained unchanged at Rs. 52,700.38 million throughout the five-year period, indicating no fresh equity injection. Un-appropriated profit declined to Rs. 111,460.18 million in 2025, reflecting an 18% decrease compared to the previous year, which adversely impacted total equity. Consequently, total equity decreased to Rs. 164,160.56 million in 2025, representing a 16% reduction from Rs. 195,759.32 million in 2024. Although equity had shown moderate growth in earlier years due to retained earnings, the current-year contraction highlights weakened profitability and reduced internal capital accumulation, thereby limiting the Company's capacity to absorb financial risks and support future operations. Illustratively:

Figure-20: Equity Year Wise (NGC)



(Source: Financial Statements of NGC FYs 2020-21 to 2024-25)

6.3 Financial Management

6.3.1 Non-finalization of financial statements for financial year 2024-25

As per Rule 223 of the Companies Act 2017, "Financial Statements: (1) 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 one hundred and twenty days following the close of financial year of a company."

During the audit of National Grid Company (NGC) for the financial year 2024-25, it was observed that NGC did not finalize its statutory financial statements for the financial year 2024-25 till finalization of audit in January, 2026 even though Section 223 of the Companies Act mandates that every company must prepare annual financial statements within 120 days of the close of the financial year i.e. by October 31, 2025.

Non-adherence to the Companies Act resulted in non-preparation of financial statements up to financial year 2024-25.

The matter was taken up with the management in December 2025 and reported to the Ministry in December, 2025. The management replied that financial statements were delayed due to restatement for Rs. 14 billion, WPPF impact and statutory audit procedures. Finalization was further affected by ADRC's disallowance of Rs. 52 billion Sales Tax Refunds, requiring proper adjustments. Accounts are now initialed by auditors and will be placed before the BOD and AGM for approval.

The DAC in its meeting held on February 12-13, 2026 directed the management to prepare the financial statements and submit them to the Audit under the vetting of the competent authority within one month.

No further progress was intimated till finalization of the report.

Audit recommends fixing responsibility for the delay besides ensuring expeditious finalization of the financial statements for financial year 2024-25.

(Draft Para No.1459/2025-26/AMIS 2025_COM0000000145_F01615)

6.3.2 Excess booking of overheads in violation of PC-I Provision

According to clause 7 of PC-Is of D.I. Khan Zhob 220 kV T/Line & 220 kV Zhob Sub Station, 220 kV Mir Pur Khas G/Station, World Bank Projects and extension Work at Sibi & Loralai grid station, the administrative & supervision cost was allocated as Rs. 69.36 million under the head of Capital Cost Estimate.

During the audit of National Grid Company (NGC) for the financial year 2023-24, it was observed that administrative overheads totaling Rs. 1,685.79 million were booked against three development projects, against their PC-I ceilings of Rs. 69.36 million. Additionally, direct contract expenditures amounting to Rs.133.27 million were also misclassified as overheads, further distorting project cost reporting. The irregular and excessive booking of overheads resulted from a breakdown in financial discipline within NGC. The detail is as under:

Table-30: Summary of Excessive Overheads (NGC) **(Rs. in million)**

Project Name	PC-1 allocation overheads	Admin Overheads Booked	Contract work booked as overhead	Difference
1	**2**	**3**	**4**	**(4+3-2)**
D.I. Khan Zhob 220 kV T/Line & 220 kV Zhob Sub Station	9.61	1292.75	10.49	1293.63
220 kV Mir Pur Khas G/Station	28.04	341.26	122.78	436.00
World Bank Fund and extension of Work Sibi & Loralai	31.71	51.78	0	20.08
Total	**69.36**	**1685.79**	**133.27**	**1749.71**

(Source: - PC-I of Projects)

Non-adherence to provision of PC-I resulted in excess booking of Rs. 1,749.71 million in violation of PC-I up to financial year 2023-24.

The matter was taken up with the management on June 05, 2025 and reported to the Ministry in September, 2025. The management replied that all administrative overheads, including pay, allowances, and employee benefits for project execution and supervision, were charged to running projects on a proportionate basis, in line with established practices and contingent on available budget grants (Accounting Policies Para 10.3.3.4; WAPDA Manual Para 7.1.17; PFMA 2019 Rule 8(b)(ii)). Budget for financial year 2023-24 was available for this purpose. While Audit noted Rs. 1,616.43 million as overheads, only Rs. 497.78 million represents actual admin overheads, with the remainder relating to consultancy, contractor

payments, crops compensation, interest, customs duties, and other charges totaling Rs. 1,839.52 million.

The DAC in its meeting held on February 12-13, 2026 directed the management to depute the CFO to inquire into the matter and fix responsibility. The report of the inquiry shall be submitted to Audit as well as to the Ministry of Energy (MoE) and the Finance Division, within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's directives.

(Draft Para No.291/2025-26/AMIS 2025_COM0000000145_F00207)

6.3.3 Misuse of Assignment Account for payments beyond its approved purpose

According to clause 1(viii) of Revised Procedure for Operation of Assignment Accounts of Federal Government, "the Assignment Account opened for a specific project, activity or entity will not be used for any other purpose. Commercial account(s) and assignment-account(s) will not be inter-linked in their operations for any purpose. Besides, the assignment account(s) will not be used for collection and deposit of receipts".

During the audit of National Grid Company (NGC) for the financial year 2023-24, it was observed that an assignment account was opened specifically for Contract No. TLC-16-2021, which related to the construction of a 220 kV double-circuit, twin-bundled transmission line for looping in/out of the 220 kV Gharo-Jhimpir S/C at the 220 kV Dhabeji SEZ Substation. However, audit scrutiny revealed that payment amounting to Rs. 546.533 million was made from this assignment account to M/s FAST Cables against Contract No. TLM-11-2022, which pertained to the procurement of 300 km of AAAC Greeley conductor for a 500 kV double-circuit transmission line from Thar Coal Block-IV to Matiari Converter Station. The charging of expenditures of Contract No. TLM-11-2022 to the assignment account opened for TLC-16-2021 constituted misuse of the assignment account.

Non-adherence to Revised Procedure for Operation of Assignment Accounts of Federal Government resulted in unauthorized utilization of funds and

overstatement of expenditure under the Dhabeji Substation project amounting to Rs. 546.53 million up to financial year 2023-24.

The matter was taken up with the management in May, 2025 and reported to the Ministry in September, 2025. The management replied that AAAC Greely Conductor was procured to address practical execution challenges, including R.O.W. issues from railway crossings, motorways, and agricultural land requiring re-routing. Procurement was made in good faith to ensure project continuity. Material was booked via debit advice DGS-01/STG-01 (05/2024) to CE MP&M and will be charged to the project based on actual utilization, with full reconciliation and charging to the Government account upon project completion.

The DAC in its meeting held on February 12-13, 2026 directed the management to examine the matter under the Finance Division provisions for Assan Assignment Account and obtain clarification from the Finance Division within three months.

No further progress was intimated till finalization of the report.

Audit recommends inquiring the matter for fixing responsibility besides charging the expenditure to the relevant account.

(Draft Para No. 473/2025-26/AMIS 2025_COM0000000145_F00476)

6.3.4 Execution of deposit work without prior financial commitment from NAB and non-recovery of surplus material from the contractor

According to Clause 3.1.2 of Consumer Service Manual 2021, on applicant's consumer's request if an applicant consumer requires the relocation of a distribution facility i.e. HT/LT lines, transformers, structures, etc. for convenience, because of construction, or otherwise DISCO shall, at the consumer's expense, relocate the distribution facility, if found feasible. In such case, the provision of right of way will be the responsibility of the applicant/consumer.

During the audit of National Grid Company of (NGC) for the financial year 2023-24, it was observed that the National Accountability Bureau (NAB) had requested the relocation of a high-tension transmission line obstructing the construction of its main office at Northern Bypass Road, Multan (vide NAB Islamabad letter No. E-No.7-1/DD-Gen/NAB/2019 dated July 09, 2019). Instead of acquiring funds from NAB and executing the deposit work, the management initiated the work from its own sources by awarding work order to M/s Almdar

Engineering Pvt. Ltd. Subsequently, Right of Way issues arose due to legal claims by the District Bar Association and a restraining order was issued by the Lahore High Court, Multan Bench. Despite the partial execution and revision of the project scope, NGC disbursed Rs. 19.32 million to the contractor. Additionally, surplus dismantled material valuing Rs. 6.92 million was not recovered.

Non-adherence to the Consumer Service Manual resulted in irregular expenditure of Rs. 19.32 million and non-recovery of surplus material worth Rs. 6.92 million, causing a cumulative loss of Rs. 26.24 million to NGC up to financial year 2023-24.

The matter was taken up with the management in June, 2025 and reported to the Ministry in September, 2025. The management replied that 220 kV transmission line was re-routed upon the request of NAB. The work was executed with all technical, administrative and fund approvals duly obtained. A Demand Notice of Rs. 19.32 million was issued for the re-routing works (Locations 11-14). The non-recovery of surplus material (Rs. 6.92 million) has been referred to Chief Engineer MP&M for reconciliation and adjustment against contractor's ongoing works.

The DAC in its meeting held on February 12-13, 2026 directed the management to submit a revised reply in chronological order with justification of not obtaining prior financial commitment from NAB under the vetting of MD. DAC further directed to examine the matter with reference to the recovery from NAB, failing which responsibility would be fixed. It was also directed that a seasoned officer be deputed to determine the condition of the material and assess the amount of loss within one month besides ensuring recovery from the contractor

No further progress was intimated till finalization of the report.

Audit recommends inquiring the matter for fixing responsibility besides ensuring recovery of Rs. 19.32 million from NAB and Rs. 6.92 million worth of surplus material from the contractor.

(Draft Para No.280/2025-26/ AMIS 2025_COM0000000145_F00153)

6.3.5 Non-recovery of penalties for delayed customs clearance and material lifting, resulting in payment of demurrage and detention charges

According to contract agreement for services as Transportation agent dated July 02, 2024 between NTDC and M/s PKG Shipping & Logistics (Private) Limited, as stated in clause-1(i) the agent shall be responsible to arrange

transportation/local equipment/material from seaports / dry ports / airports / factories / warehouses in Pakistan to up-country station and deliver, unload and stack the same at various consignee's stores / project sites located in all over the country. take necessary measures related to unloading and stacking at site such as hiring of appropriate number of cranes, lifters, other equipment / machinery etc. according to material descriptions and site's location. Each consignment need not necessarily consist of truck / trailer load but may involve package of any weight. The carriage contractor will be required to arrange transportation of such package to ultimate consignee without undue delay, and as stated in clause (ix) The carriage contractor is responsible to lift at least 1000 metric ton in case of (bulk cargo) and 2,000 metric ton (in case of containerized cargo where consignment is more than 2,000 metric ton) per day per consignee failing which demurrage charges so incurred will be contractor responsibility. Contractor has to intimate the progress of lifting material weekly.

During the audit of National Grid Company (NGC) for the financial years 2023-25, it was observed that an amount of Rs. 139.19 million was paid by the company on account of demurrage and detention charges for delayed custom clearance against various consignments due to late provision of funds, delay in provision of advanced shipping documents by various suppliers, storage & wharfage charges due to late lifting of material by carriage contractor M/s PKG International Shipping & Logistics (Private) Limited. NGC could not recover the said amount from the carriage contractor despite issuing warning on non-adherence to the contract clauses. A cumulative loss of Rs. 139.19 million was incurred due to demurrage, detention, and storage charges arising from delayed customs clearance and late lifting of material.

Non-enforcement of Contractual Agreements by NGC resulted in payment of demurrage, detention & late lifting charges worth Rs.139.19 million up to the financial year 2024-25.

The matter was discussed with management on May, 2025 and January, 2026. The management replied that the demurrage and detention charges were incurred due to technical and non-technical constraints, including prolonged customs clearance, restricted port and shipping line operations during Eid-ul-Fitr and public holidays, limited free days, delays in arranging funds for customs

duties, handling of bulk consignments, inland transportation, and delayed return of empty containers.

The DAC, in its meeting held on 12–13 February 2026, directed the management to conduct an inquiry at MD level, ensure recovery from the responsible within one month, and fix responsibility. The findings, along with the performance record of the concerned officers/officials, shall be placed in their service dossiers. The inquiry report shall be submitted to Audit, the Ministry of Energy, and the Finance Division within the stipulated period.

Audit recommends inquiring the matter for fixing responsibility, affecting the recovery besides making efforts to strengthen monitoring system to prevent future financial losses.

(Draft Para No. 492/2025-26/AMIS 2025_COM0000000145_F00495)
(Draft Para No.2324/2025-26/AMIS 2025_COM0000000145_F02434)

6.4 Governance Framework

6.4.1 Additional costs for transmission line crossing due to incomplete Plan & profile drawings

As per general condition of contract, “Drawings” means all drawings, calculations and technical information of a like nature provided by the engineer to the contractor under the contract and all drawings, calculations, samples, patterns, models, operation and maintenance manual and other technical information of a like nature submitted by the contractor and approved by the engineer.

During the audit of National Grid Company (NGC) for the financial year 2023-24, it was observed that a contract No. TLC-17-2022, for civil works, erection, stringing, testing, and commissioning of a 220 kV D/C Twin Bundle Transmission Line from the 500/220 kV Faisalabad West Grid Station to the 220 kV Lalian Grid Station (approximately 55 km) was awarded to M/s MECONS. The plan and profile drawings for the transmission line were initially prepared by NGC. However, these drawings were incomplete as they terminated at "loose points" on both ends and did not cover the full route up to the gantries at the respective substations. Consequently, a critical crossing with the existing 500 kV transmission line was not identified during the planning phase, as it was located in the unaddressed stretch between the loose point and the Faisalabad West substation

gantry. Due to this oversight, the crossing issue emerged at a later stage, prompting M/s MECONS to conduct an additional survey and submit revised plan and profile drawings for the affected stretch.

Subsequently, the consultant M/s NESPAK reviewed the situation and recommended for crossing below the existing 500 kV line, estimating a cost of Rs. 21.24 million for this approach. Accordingly, NGC executed the subject additional work for an amount of Rs. 31.26 million. This situation reflected a case of inadequate route planning and deficient design documentation at the initial stage of the project.

Sub optimal planning resulted in additional costs for transmission line crossing due to incomplete Plan & profile drawings valuing Rs. 31.26 million up to the financial year 2023-24.

The matter was taken up with the management in May, 2025 and reported to the Ministry in September, 2025. The management replied that plan & profile survey for the 220kV D/C Twin Bundle Transmission Line was conducted in June 2020 under Chief Engineer (T/L Design) NGC supervision, based on prevailing site conditions, as the 500kV Substation Faisalabad West gantries were not yet constructed. After finalizing the GLO and gantry location, the plan & profile from the loose point to gantry and crossing with the existing 500kV line was finalized. M/s NESPAK reviewed the crossing and adopted the most economical and technically viable solution, avoiding low-level gantries and achieving substantial cost savings.

The DAC in its meeting held on February 12-13, 2026 observed that the management's reply did not adequately address the root causes of the incomplete drawings and the resultant additional costs. DAC directed the management to inquire into the matter at MD level in accordance with the following TORs, to be completed within two months:

- Total loss incurred by the project due to the additional costs and delays.
- Determine exact stage of lapse (planning, design, survey, construction, etc.).
- Identify causes of delay/lapse including procedural lapses, coordination failures, design/contractual issues, and external factors.
- Quantify total financial impact including idle capital, price escalation, and avoidable additional costs.

- Scrutinize role of all concerned formations/officials (Planning, Design, Survey, Construction, Finance).
- Evaluate management's mitigation efforts, supported by documentary evidence.

The Managing Director was further directed to fix responsibility against the concerned officer(s)/official(s) responsible for the lapse. In case negligence is established, a displeasure letter shall be issued, and their performance shall be clubbed with the KPIs and the same will be placed in their respective dossiers. The inquiry report shall be submitted to Audit, the Ministry of Energy (Power Division), and the Finance Division accordingly.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's directives.

(Draft Para No.498/2025-26/AMIS 2025_COM0000000145_F00502)

6.5 Procurement/Contract Management

6.5.1 Cost escalation and time overrun due to inadequate planning

As per clause 39.1.2 of GC of contract, the contractor may time to time during its performance of the contract, propose to the employer with a copy to the project manager, any change that the contractor considers necessary or desirable to improve the quality, efficiency, or safety of the facilities. The employer may at its discretion approve or reject any change proposed by the contractor, provided that the employer shall approve any change proposed by the contractor to ensure the safety of the facilities.

During the audit of National Grid Company (NGC) for the financial year 2023-24, it was observed that a contract for the design, manufacturing, supply, installation, testing, and commissioning of a 500 kV double-circuit quad bundle transmission line (approximately 75 km) from the Suki Kinari Hydro power Station to the interconnection point of the existing Neelum Jhelum 500 kV line was awarded to M/s China Energy Engineering Group (CEEC NEPC-II) on December 10, 2020 at a total price of CNY 388.45 million + PKR 4,232.89 million with an additional provisional sum of PKR 2,693.13 million. The stipulated completion period was 719 days from the effective date of June 02, 2021 setting the contractual deadline as May 21, 2023. However, the transmission line was

completed on June 27, 2024, exceeding the contractual deadline by over a year. It was further noted that the contractor submitted a revised Bill of Quantities (BOQ) under amendment No. 10 on October 9, 2024, specifically related to Schedule No.4 "Installation and Other Services This amendment significantly increased the contract price for this component from PKR 4,232.89 million to PKR 5,123.61 million, reflecting a financial impact of PKR 890.717 million. Notably, item-ii under installation services experienced an extraordinary cost variation from the original contract price of PKR 99.78 million to PKR 918.64 million representing an increase of PKR 818.86 million or 820.63%. This abnormally high variation indicated potential weaknesses in initial project planning, cost estimation, and scope determination.

Non-adherence to provision of contract agreement resulted in un-justified cost escalation and time overrun due to abnormal variation under Amendment No. 10- Suki Kinari Transmission Line Project Rs.818.86 million for the financial year 2023-24.

The matter was taken up with the management in May, 2025 and reported to the Ministry in September, 2025. The management replied that 500kV Transmission Line project, a first-of-its-kind initiative for NTDC, required new tower designs, conductors, insulators, and associated civil works. Tender quantities were provisional, with payments based on actual executed work. Cost increases under Schedule No. 4 arose from additional grading/excavation in hilly terrain, access road maintenance, RCC bridge construction, retaining walls, and reinforced tower foundations unforeseen but technically justified. All variations were approved under Amendment No. 10, with cumulative cost increase limited to 8.5%. The project was executed under strict supervision, fully compliant with contract terms.

The DAC in its meeting held on February 12-13, 2026 directed the management to submit a revised reply in tabulated form justifying the abnormal variation order, duly supported with documentary evidence, to the Audit within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends the management for implementation of DAC's directives.

(Draft Para No. 137/2025-26/ AMIS 2025_COM0000000145_F00047)

6.5.2 Non-imposition of contractual liquidated damages

According to Clauses of the Contracts, the applicable LD rates ranged between 0.05% to 0.2% of the contract price per day, subject to a maximum cap of 10% of the total contract price.

During the audit of National Grid Company (NGC) for the financial years 2023-25, it was observed that multiple EPC, civil works, and transmission line projects suffered significant delays, extending from several months to multiple years beyond their scheduled completion dates. Despite clear contractual provisions, no liquidated damages were recovered. The details are as under:

Table-31: Summary of Liquidated Damages (NGC) **(Rs. in million)**

Sr. No.	PDP No.	Name of Formation	Total Contract Amount	Total LD Amount	Total LD
1	138	PD Suki Kinari Transmission Line Project, NGC Islamabad	CNY 388.45 M + PKR 4,232.89 M	**CNY 38.845 M + PKR 423.289 M**	**1,953.75**
2	354	PD (EHV-I), NGC Lahore	PKR 18.99 M	**PKR 1.90 M**	**1.90**
3	478	CE (EHV-II), NGC Hyderabad	-	**USD 2.65 M + EUR 0.29 M + PKR 520.36 M**	**1,358.75**
4	294	PD (EHV-II), NGC Multan	-	**USD 4.508 M + EUR 0.723 M + PKR 271.618 M**	**1,773.51**
5	2327	CE MP&M	PKR 6,706.67 M	**PKR 391.588 M + 146.419 M + 129.671 M**	**667.68**
				Total	**5,755.59**

(Source: - Contract Agreements)

Non-adherence to contractual provisions resulted in non-imposition of LD having a cumulative financial loss of Rs. 5,755.59 million up to the financial years 2024-25.

The matter was taken up with the management in May, June 2025 and January, 2026 and reported to the Ministry in September, 2025 and January, 2026. The management replied that contractor's EOT request was reviewed, and recommended by M/S NESPAK. The recommendation has been submitted to NGC for approval and is under process. Upon EOT finalization, any decision on Liquidated Damages (LDs) deduction from the contractor's performance guarantee will be made.

The DAC in its meeting held on February 12-13, 2026 directed the management to issue a displeasure letter to the officer who has been negligent in the deduction of LD charges. Furthermore, the performance of the concerned officer shall be clubbed with the KPIs and the same will be placed in their official

dossier. DAC further directed to depute a senior officer to ensure the deduction of LD charges within 15 days.

No further progress was intimated till finalization of the report.

Audit recommends implementing the decision of DAC.

(Draft Para No.138/2025-26/AMIS 2025_COM0000000145_F00048)
(Draft Para No.294/2025-26/AMIS 2025_COM0000000145_F00210)
(Draft Para No.354/2025-26/AMIS 2025_COM0000000145_F00380)
(Draft Para No.478/2025-26/AMIS 2025_COM0000000145_F00481)
(Draft Para No.2327/2025-26/AMIS 2025_COM0000000145_F02437)

6.5.3 Weak Procurement Planning and Stock Control Resulting in Excessive Inventory

According to Rule-8 of Public Procurement (PP) Rules, 2004, 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.

According to Para 5 of WAPDA office 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 the audit of National Grid Company (NGC) for the financial year 2024-25, it was observed that NGC executed fifty-seven (29) procurement contracts financed through foreign and local sources, amounting to PKR 9,700 million, CNY 56.41 million, Euro 16.51 million and USD 24.61 million, without an approved Annual Procurement Plan from the competent authority during the financial year 2024-25. The absence of procurement planning adversely affected inventory management, resulting in excessive accumulation of stores. Abnormally high closing balances were observed warehouses. Audit further noted the non-existence of approved reserve stock limits and that substantial quantities of material remained unutilized for prolonged periods, in some cases since 1983. Additionally, delays in various projects reflected weak coordination between procurement, project execution, and material issuance.

In one instance, material procured against an Educational Order No. 752, valued at Rs. 25.82 million during the year 2012 was still lying un-utilized.

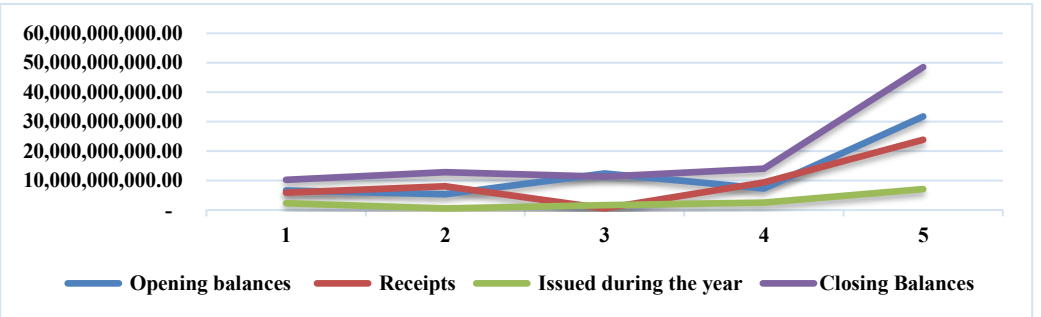
The consolidated warehouse position during the finance year 2024-25 is as follows:

Table-32: Summary of Inventory at Warehouses (NGC)

Sr. #	Warehouse Name	Opening balances	Receipts during the year	Total Material balance after receipts during the year	Issued during the year	Closing Balances as on 30.06.2025	% age increase in closing inventory wrt. Opening inventory
1	Kot Lakhpat	6,673.24	5,921.31	12,594.54	2,330.05	10,264.49	54%
2	Gatti	5,350.75	8,053.65	13,404.39	540.06	12,864.33	140%
3	Jamshoro	12,468.22	558.45	13,026.67	1,708.64	11,318.03	-9%
4	Multan	7,289.16	933.92	16,628.31	2,535.64	14,092.67	93%
	Total	**31,781.36**	**23,872.55**	**55,653.91**	**7,114.39**	**48,539.52**	**53%**

(Source: Stock Balances at Warehouses)

Figure-21: Comparison of Opening, receipts, issued and closing balances of inventory (NGC)



The accumulation of excessive and non-moving inventory, absence of inventory control parameters, and mismatch between procurement and actual utilization demonstrate ineffective demand assessment and non-compliance with Rule-8 of PP Rules, 2004. This has led to avoidable financial blockage and increased the risk of obsolescence and deterioration of stores.

Furthermore, in another instance, 3,300 km of 500 kV ACSR Drake conductor was procured in financial year 2023-24 from M/s Newage for PKR 1,363.63 million + USD 8.43 million under PO ADB-401C-2023 (Lot-IIA), despite an earlier procurement of 3,800 km of the same material from the same supplier (PO dated 01.07.2019, received 09.10.2019) costing Rs. 1,635.67 million. The earlier material

remained largely unused, with a closing balance as on June 30, 2025 of 5,141.84 km in stock and no recorded issuance or consumption even after over six years.

Weak procurement planning resulted in huge accumulation of inventory due to non-preparation of procurement plan and stock control up to financial year 2024-25.

The matter was taken up with the management in January, 2026 and reported to the Ministry in January, 2026. The management replied that the Annual Procurement Plan for 2025-26 had been prepared in accordance with Public Procurement Regulatory Authority guidelines, ERP implementation would integrate inventory management for improved monitoring and allocation. Surveys and subsoil investigations for four upcoming 500 kV transmission line projects had been completed, tenders were expected by March, and no new ACSR Drake conductor had been procured as requirements would be met from existing stock, leaving 299 km reserved for O&M and emergencies. The conductor procured under ADB-401C-2023 was being utilized for the ongoing 500 kV Maira-Islamabad West and Maira-Karot lines, with foundation and tower erection in progress, and no financial loss has occurred. Procurement under Educational Order No. 752 relates to specific towers of the 500 kV Tarbela-Lahore line, retained as dedicated emergency and O&M inventory to ensure grid reliability, with no financial loss as the material remains preserved in NGC warehouses for operational use.

The DAC in its meeting held on February 12-13, 2026 wherein the management was directed to inquire into the matter under the supervision of PPMC/Ministry in accordance with the following TORs, to be completed within two months: Reasons for the project delay, Efforts undertaken by the management, supported by documentary evidence and total loss incurred by the project due to the delay. The Managing Director was also directed to initiate proposals for legislation to resolve right-of-way issues to facilitate the early completion of projects.

No further progress was intimated till finalization of the report.

Audit recommends inquiring the matter for fixing the responsibility besides preparing and obtaining timely approval of an Annual Procurement Plan in compliance with PPRA Rules and implementing robust inventory control SOPs

(stock limits, turnover ratios, and disposal mechanisms) to prevent excessive accumulation and financial blockage.

(Draft Para No.2336/2025-26/AMIS 2025_COM0000000145_F02446)
(Draft Para No.2338/2025-26/AMIS 2025_COM0000000145_F02448)
(Draft Para No.2353/2025-26/AMIS 2025_COM0000000145_F02463)

6.5.4 Change of scope owing to deficient BoQ and technical planning

According to Rule-8 of Public Procurement Rules, 2004, "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 the audit of National Grid Company (NGC) for the financial year 2024-25 it was noticed that Contract No. ADB-300AR-2021, awarded to M/s China Electric Power Equipment & Technology Co. Ltd. on June 06, 2022 for construction of the 500/220/132 kV Lahore North Substation and extension works at Nokhar Substation, underwent a change in scope due to inconsistency between the approved technical design and the Bill of Quantities (BoQ). The BoQ underestimated auxiliary equipment requirements despite approved design provisions to meet an auxiliary load exceeding 2000 kW, as detailed below:

Table-33: Summary of difference as approved Technical Design and BoQ (NGC)

Type of Generator	Quantity as per Technical Design	Quantity as per BOQ	Difference
640 KVA	04	02	02
630 KVA	02	01	01

(Source: BoQ & Technical Design)

This mismatch necessitated additional procurement beyond the contractual scope, resulting in an additional cost of PKR 68.30 million and an extension of time by 60 days. Ineffective and inadequate technical planning resulted in preparation of inadequate BOQ. Resultantly, the design requirements were approved without ensuring consistency with contractual quantities.

Ineffective technical planning resulted in change of scope owing to deficient BoQ causing additional cost of PKR 68.30 million for the year 2024-25.

The matter was taken up with the management in January, 2026 and reported to the Ministry in January, 2026. The management replied that no payment had been made, nor will any payment be made, to the contractor in respect of the change of scope.

The DAC in its meeting held on February 12-13, 2026 directed the management to inquire into the matter under the supervision of PPMC/Ministry in accordance with the following TORs, to be completed within two months: Reasons for the project delay, Efforts undertaken by the management, supported by documentary evidence and total loss incurred by the project due to the delay. The Managing Director was also directed to initiate proposals for legislation to resolve right-of-way issues to facilitate the early completion of projects.

No further progress was intimated till finalization of the report.

Audit recommends that management should ensure comprehensive technical planning and accurate preparation of BoQs in line with approved designs prior to tendering, and and fix responsibility for lapses in BoQ preparation and design coordination to avoid recurrence and safeguard against unplanned cost and time overruns.

(Draft Para.2332/2025-26/AMIS 2025_COM0000000145_F02442)

6.5.5 Default of contractor due to non-provision of PLS-Tower / PLS-CADD / TEKLA design software

According to BOQ item No. 3.1(xii) of contract No. ADB 401F 2022 (Lot-I), "Contractor will provide a PLS-tower and BOCAD/TEKLA or equivalent software with license to NTDC. Contractor will also arrange training and presentation for NTDC Design Team for these softwares". Further, according to clause 4 of technical provisions of contract No. ADB 401F 2022 (Lot-I), "the contractor shall arrange the training of NTDC Engineers in Lahore, Pakistan at employer's venue for PLS-Tower software. Training shall be of at least two weeks". Furthermore, according to note-vi of schedule of prices, "item no. 4 & 5 shall be delivered to Chief Engineer (TL Design) NTDC office within 30 days after signing of contract".

During the audit of National Grid Company (NGC) for the financial year 2024-25, it was observed that the contract for procurement of PLS tower including BOCAD/TEKLA or equivalent software with license was awarded to M/s Mitas

Endustri Sanayi Ticaret A.S., Türkiye amounting to USD 20.71 million Rs. 5,875.34 million. The contract agreement was signed on May 15th 2024. However, the contractor failed to provide the required cloud-based software licenses within stipulated time i.e. thirty (30) days after signing the contract. Moreover, the contractor also did not conduct the mandatory training. Consequently, NGC engineers remained unable to use the specialized design tools, defeating the objectives of technology transfer and in-house capacity building.

Non-adherence to contractual provisions resulted in non-availability of essential design software for NTDC and delay in capacity building of NTDC engineers for the period 2024-25.

The matter was taken up with the management in January, 2026 and reported to the Ministry in January, 2026. The management replied that the contract is still under execution and that the contractor has been reminded to fulfill pending obligations, including provision of licensed software and training, with assurances of future compliance.

The DAC in its meeting held on February 12-13, 2026 directed the management to inquire into the matter under the supervision of PPMC/Ministry in accordance with the following TORs, to be completed within two months: Reasons for the project delay, Efforts undertaken by the management, supported by documentary evidence and total loss incurred by the project due to the delay. The Managing Director was also directed to initiate proposals for legislation to resolve right-of-way issues to facilitate the early completion of projects.

No further progress was intimated till finalization of the report.

Audit recommends enforcing contractual obligations by obtaining the required licensed software and training at the earliest.

(Draft Para.2340/2025-26/AMIS 2025_COM0000000145_F02450)

6.5.6 Improper interpretation of RFP provisions and non-compliance with PPRA Rules in technical evaluation and grievance handling

According to clause 21.1, Section III of RFP TL-01-2024, “the experts securing less than 70% marks shall be liable for replacement, however, the ranking of the firm shall be based on the score obtained by the key experts nominated in their proposal. During evaluation, an undertaking / conformation will be sought from the Applicant that in case of award of contract, they shall replace the expert

with the acceptable one to the Employer as per Criteria specified in the RFP". Moreover, "If more than three experts do not qualify, the proposal shall be rejected". Further, Rule 48(3) of Public Procurement Rules-2004 stipulates that grievances against technical evaluation shall be filed within seven days of announcement/publication of the technical evaluation report.

During the audit of National Grid Company (NGC) for the financial year 2024-25, it was observed that NGC invited consultancy proposals under single stage two envelope method for supervision of 500 kV transmission line projects vide RFP TL-01-2024. Three firms participated and technical bids were opened on February 03, 2025. The initial technical evaluation report, declaring M/s SMEC Australia responsive, was approved and published on May 16, 2025. Subsequently, M/s NESPAK filed a grievance on May 19, 2025, stating that three key experts of M/s SMEC Australia did not meet the minimum qualifying criteria. The Grievance Redressal Committee (GRC) re-examined the case and declared M/s SMEC Australia non-responsive on the grounds that failure of three key experts required rejection of the proposal. A revised technical evaluation report was published on NTDC website on July 03, 2025; however, the same was not uploaded on PPRA website upto July 08, 2025. M/s SMEC Australia filed a grievance against the revised evaluation on July 15, 2025, which was not entertained by the GRC on the grounds of late submission, despite the bidder's claim that no formal intimation of the revised evaluation was issued. Audit further observed that:

i. The issue occurred due to ambiguous and inconsistent interpretation of Clause 21.1 of the RFP by the evaluator and the Grievance Redressal Committee.
ii. The GRC in its proceeding did not involve the affected bidder i.e. M/s SMEC and decide the case without listening the view point of M/s SMEC at all.
iii. NGC did not issue formal written communication of the revised technical evaluation results to all bidders and failed to upload the revised evaluation report on the PPRA website within the prescribed timeframe.
iv. M/s SMEC Australia submitted its grievance on August 05, 2025 and stated that no formal intimation regarding the revised technical evaluation was issued to them and that they became aware of the evaluation results only

through the NTDC website. The firm further contended that the interpretation adopted by the GRC was inconsistent with the RFP provisions, as the RFP did not require nomination or evaluation of non-key experts. Accordingly, non-key experts were neither proposed in their submission nor were their CVs included, since they were not part of the evaluation criteria. However, the GRC did not consider the grievance on the grounds of late submission. Audit observed that a letter issued by Chief Engineer MP&M dated July 29, 2025 clearly indicated that the grievance submitted by M/s SMEC Australia was within the prescribed timeframe under PPRA Rules.

As a result, transparency and fairness of the procurement process were affected, exposing NTDC to the risk of legal or regulatory issues. The improper handling of evaluation and grievances caused delays in finalizing consultancy services.

Non-compliance with PPRA rules led to improper handling of the technical evaluation and related grievances for the financial year 2024-25.

The matter was taken up with the management in January, 2026 and reported to the Ministry in January, 2026. The management replied that General Manager (Technical) being the convenor of Grievance Committee, will furnish the reply to Audit in due course of time.

The DAC in its meeting held on February 12-13, 2026 directed the management to submit a justified reply, as indicated by the Audit, within one week.

No further progress was intimated till finalization of the report.

Audit recommends management to inquire the matter at appropriate level.

(Draft Para.2341/2025-26/AMIS 2025_COM0000000145_F02451)

6.5.7 Irregular award of contract to technically non-compliant bidder at abnormally higher rates

According to section-III clause 1.2 (Technical Criteria) of bidding documents of contract No. ADF-10-2024, "it will be examined in detail whether the Goods offered by the bidder comply with the technical specifications of the Bidding Document. For this purpose, the bidder's Specific Goods Data & drawings submitted with the Bid will be scrutinized and only those bids which offer goods technically conforming to the requirements of the Bidding Document, shall be

considered for further evaluation. The requisite schedule of technical data as per tender specification shall be duly filled in and the same shall be submitted with the bid. In case of non-submission of the schedule of technical data along with the bid, a post bid clarification may be sought from the bidder to submit the same. Failure to submit the requisite schedule of technical data shall render the bid non-responsive".

During the audit of National Grid Company (NGC) for the financial year 2024-25, it was observed that a tender (Lot-I, II & III) for procurement of telecom equipment was awarded to M/s Jiangsu Himark Technology, China at contract price of Rs. 1,965.86 million despite abnormally higher bid rates and material technical non-compliance. Comparison of the bidder's prices with the Engineer's Cost Estimate showed that while the quoted prices for Lot-I and Lot-III were marginally lower, the price for Lot-II was 65.78% higher than the Engineer's Estimate, reflecting an excessive and uncompetitive rate. Further examination of the technical evaluation report revealed serious deficiencies in technical compliance. Out of a total of 54 specified equipment items, seven (7) items were declared technically non-compliant with the bidding document requirements. In addition, for eleven (11) equipment items, the bidder failed to submit mandatory technical data at the bidding stage and instead stated that the data would be provided "during the design stage," which was contrary to the requirement that complete technical particulars be furnished with the bid to establish responsiveness. Moreover, four (4) equipment items were declared provisionally compliant, subject to future clarification or confirmation. Consequently, 22 out of 54 equipment items were either non-compliant, provisionally compliant, or unsupported by required technical documentation at the time of bid evaluation.

The acceptance of a bid for Lot-II at abnormally higher rates, coupled with extensive technical non-compliance, undermined the principles of transparency, competitiveness, and value for money. Award of the contract without ensuring full technical compliance reflected weak enforcement of bidding requirements and inadequate due diligence by the evaluation committee and approving authorities.

Failure to ensure compliance with the tender's technical specifications led to the irregular award of the contract to a technically non-compliant bidder, compromising transparency and value for money during the financial year 2024-25.

The matter was taken up with the management in January, 2026 and reported to the Ministry in January, 2026. The management replied that the award to M/s Jiangsu Himark Technology Co. Ltd. was fully transparent, compliant with procurement regulations, and supported by AFD's No Objection. M/s Himark was the lowest bidder with rates consistent with market benchmarks, the 2nd bidder was 9.31% higher. Minor price differences across lots reflected project-specific requirements. Major telecom equipment complies with NTDC specifications. Minor non-compliances (fiber optic cables, line traps, and certain programming/testing tools) are addressed through contractual undertakings, design stage approvals, or provisional acceptance, without affecting core system compliance. The award ensured value for money, avoided project delays from rebidding, and was endorsed by the financing agency.

The DAC in its meeting held on February 12-13, 2026 directed the management to inquire into the matter under the supervision of PPMC/Ministry in accordance with the following TORs, to be completed within two months: Reasons for the project delay, Efforts undertaken by the management, supported by documentary evidence and total loss incurred by the project due to the delay. The Managing Director was also directed to initiate proposals for legislation to resolve right-of-way issues to facilitate the early completion of projects.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's directives.

(Draft Para.2344/2025-26/AMIS 2025_COM0000000145_F02454)

6.5.8 Excess payment to transporter in violation of carriage contract

According to the Clause 8 of the contract agreement, after taking over the consignments, (General Cargo / Non-containerized Cargo) Carriage Contractor will be responsible to deliver the same to ultimate consignee within the agreed time (Journey @ 300 KM/ day after lifting the consignment from port). In case of any delay, NTDCL reserves the right to retrench an amount equal to 0.5% / day of the transportation invoice to the maximum of 5% of transportation invoice from the bills of the carriage contractor except in case where the delay occurred due to circumstances beyond control of the Carriage Contractor duly supported by documentary evidence.

During the audit of National Grid Company (NGC) for the financial year 2023-24, it was observed that a transportation contract was executed with M/s PKG at following approved rates:

Table-34: Detail of carriage rate (NGC)

Sr. No	Distance Slab	Rates per km in (Rs.)
1	0 to 600 Kms	3.75
2	Beyond 600 Kms	2.43

(Source: Carriage Contract Agreement)

Accordingly, work orders were issued for transportation of five consignments of steel towers under contracts ADB-401B-2022 and ADB-401C-2022 from Karachi Port to Moro Warehouse during January and February 2025 at the contractual rate of Rs. 2.43 per km. However, M/s PKG refused to lift the consignments on the pretext that the material was bulk cargo instead of containerized cargo, despite the fact that transportation of both loose and containerized material fell within the contractual responsibility of the contractor.

The management, instead of enforcing Clause 8 of the Carriage Contract, neither imposed the stipulated delay penalty (0.5% per day, up to 5%) nor took remedial contractual action. Instead, the management issued revised work orders on 5 March, 2025 at an inflated rate of Rs. 15.64 per km, which was not permissible under the contract. The unauthorized revision of rates, coupled with non-imposition of contractual penalties for refusal and delay, resulted in an irregular and excess payment of Rs. 191.78 million to the transporter, in violation of the terms of the Carriage Contract. Audit held that failure to enforce Clause 8, including recovery of applicable penalties, and issuance of revised work orders at exorbitant rates constituted weak contract management and resulted in financial loss of Rs. 191.78 million.[28]

Non-adherence to the provisions of carriage contract resulted in excess payment of Rs. 191.78 million to the transporter.

The matter was taken up with the management in May 2025 and reported to the Ministry in September, 2025. The management replied that Rs. 15.64/ton/km was approved as a hybrid transportation rate due to large-volume bulk cargo and to avoid higher demurrage and storage costs. Recovery from suppliers is being

[28] Annexure-I: Excess transportation rates under contracts

withheld by O/o Chief Engineer (MP&M), NGC, and updated recovery status will be communicated upon contract completion.

The DAC in its meeting held on February 12-13, 2026 wherein the management was directed to inquire into the matter due to acquiring the excess payment to transporter in violation of carriage contract at MD level besides ensuring recovery from the concerned within one month. Responsibility shall be fixed on those who caused loss and the findings clubbed with the performance record of the concerned officer/official, shall be placed in their respective dossiers. The report of the inquiry shall be submitted to Audit, as well as to the Ministry of Energy (MoE) and the Finance Division, within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's directives.

(Draft Para No. 493/2025-26/AMIS 2025_COM0000000145_F00496)

6.5.9 Loss due to termination of contract without recovery of risk and cost from the contractor

According to Clause 2.1.2 (iv) of Post-Stage-Award of Revised SOP of NGC, 2019 reasons of backlisting include submission of fake / frivolous or mutilated Performance Guarantee or Advance Payment Guarantee.

During the audit of National Grid Company (NGC) for the financial year 2023-24, it was observed that a contract for construction of boundary wall and allied civil works at 220 kV Grid Station, Quaid-e-Azam Business Park, Sheikhupura, was awarded to M/s Bawaqar, Islamabad at a cost of Rs. 363.23 million. The work commenced on 24.02.2023 with a scheduled completion date of February 23, 2024. During execution, the contractor also caused the collapse of the boundary wall of the adjacent 132 kV Grid Station and was directed by NGC to reconstruct the wall and reinstall barbed wire. However, the contractor failed to comply. Despite these contractual violations, a payment of Rs. 101.89 million had already been released to the contractor. Subsequently, a revised estimate of Rs. 337.76 million for the remaining works was vetted on October 22, 2024, and a fresh NIT was issued on January 06, 2025. However, the procurement process was suspended due to a stay order obtained by the defaulting contractor.

The contractor failed to complete the work within the stipulated time. Although an Extension of Time (EOT) case was initiated, it remained unprocessed as the contract entered termination proceedings due to submission of a fake

performance guarantee. Consequently, the management issued a termination notice on August 16, 2024. However, the management took no action for blacklisting the contractor, recovery of risk and cost, or recovery of losses arising from the collapsed boundary wall. This reflected weak contract enforcement and oversight, resulting in financial loss, avoidable project delays, and exposure to litigation risk for NGC.

Non-adherence to revised SOP of blacklisting resulted in loss due to termination of contract without recovery of risk and cost from the contractor Rs. 337.76 million up to the financial year 2023-24.

The matter was taken up with the management in May, 2025 and reported to the Ministry in September, 2025. The management replied that the contract for construction at 220kV G/S Quaid-e-Azam Business Park, Sheikhupura, was terminated on 16.08.2024 due to submission of a fake performance guarantee by M/s Bawaqar, Islamabad. Risk and cost liability will be determined after re-tendering and completion of the remaining works, with the revised estimate vetted on October 22, 2024 and fresh tenders floated on January 06, 2025. Payments released were only for verified, executed work; recovery of risk and cost, restoration of the collapsed boundary wall, blacklisting, and other contractual actions are in process. The matter has been formally referred to Chief Engineer (MP&M), NGC for guidance, and an internal review is underway to address procedural lapses and for assigning responsibility.

The DAC in its meeting held on February 12-13, 2026 directed the Managing Director to depute a senior officer to inquire into the matter at the appropriate level for fixing responsibility on the concerned officer(s)/official(s) who failed to verify the authenticity of the performance guarantee, which led to the termination and potential financial loss. If negligence is established, the same shall be reflected in the performance record of the concerned and placed in their dossiers. The recommendations of the inquiry report shall be submitted to Audit, as well as to the Ministry of Energy, within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's directives.

(Draft Para No.346/2025-26/AMIS 2025_COM0000000145_F00361)

6.5.10 Refund of liquidated damages without contractual provision and absence of disciplinary action

As per 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.

According to Clauses 26, 37 and 40 of the General and Particular Conditions of Contract (GCC/PCC), LD is payable if the contractor fails to achieve completion within the specified time. As per Clause 45 of the GCC, all contractor claims must be notified within 28 days, fully detailed within 42 days, and decided by the Employer within 42 days thereafter. Therefore, any refund or adjustment made beyond these limits is contractually invalid.

During the audit of National Grid Company (NGC) for the financial year 2024-25, it was observed that NGC refunded an amount of Rs. 1,016.40 million of deducted liquidated damages (LD) to twenty-three (23) contractors over the last three years. The detail is as under:

Table-35: Detail of LD refunded (NGC) **(Rs. in million)**

Sr. No.	Financial year	Number of Contracts	Amount of Refund
1	2022-23	01	19.82
2	2023-24	18	844.82
3	2024-25	04	151.77
		23	**1,016.40**

(Source: Payment Vouchers)

Review of refund timelines showed a consistent and systemic violation of contractual requirements. Of the 23 cases, the majority (3-5 years) were refunded long after contractual completion, while several cases reflected extreme delays of 7-8 years **(Annexure-B)** The overall average delay was 4.74 years, and numerous refunds were processed on identical dates**,** reflecting batch approvals rather than individual claim evaluation. No refund fell within the claim-notice and adjudication timelines mandated under Clause 45 of the GCC, confirming that these refunds were not based on admitted contractual claims but on post-facto, unauthorized reversals of LD**.**

Non-adherence to the Governance Rules and contractual clauses resulted in irregular refund of liquidated damages to contractors Rs. 1,016.40 million up to the financial year 2024-25.

The matter was taken up with the management in December 2025 and reported to the Ministry in January, 2026. The management replied that 23 EOTs granted by NGC, which were not a benefit or compensation to contractors. EOTs acknowledge delays beyond the contractor's control and were rigorously reviewed by the EOT Scrutiny Committee and multiple approval layers. No EOTs were granted undue advantage, and valid contractual claims remain enforceable.

The DAC in its meeting held on February 12-13, 2026 directed the management to examine the case with reference to continuous extensions and to review the trend of frequent extensions to determine whether they were allowed as per rules; otherwise, recovery should be made within thirty (30) days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's directives.

(Draft Para No.2153/2025-26/AMIS 2025_COM0000000145_F02262)

6.5.11 Short receipt of steel tower material due to non-compliance with packing, marking and pre-shipment approval requirements

According to clause SP-5 (Packing and marking) under section 6 (schedule of supply) of the contract agreement, all goods shall be packed in a manner ensuring protection from damage during transit and storage. Further, according to Clause-D (Process of approval of drawings/data, point-6) the packing, marking and shipping details were required to be submitted for purchaser's approval before any shipment was made.

During the audit of National Grid Company (NGC) for the financial year 2024-25, it was observed that five consignments of steel towers procured under contract nos. ADB-401B (Lot-I) and ADB-401C (Lot-I) were shifted to NGC warehouses, where shortages were subsequently identified by the Manager (CC&L), NGC. Audit scrutiny revealed that the suppliers had dispatched the consignments without obtaining prior approval of packing, marking and shipping details, in violation of contractual provisions. Moreover, neither complete joint survey of the material delivered at the warehouses was conducted nor GRNs for the complete material against both purchase orders were issued. As a result of these

lapses in pre-shipment approval, receipt verification and inventory control, tower material valuing CNY/RMB 7.95 million was delivered to the warehouses with shortages, contrary to the provisions of the purchase orders, thereby exposing NGC to financial risk and weakening contractual safeguards.

Non adherence to provisions of contract agreement resulted in short receipt of steel tower material due to non-compliance with packing, marking and pre-shipment approval requirements Rs.305.88 million upto the period 2024-25.

The matter was taken up with the management in January, 2026 and reported to the Ministry in January, 2026. The management replied that 500 kV tower material for Contracts ADB-401B/C has been received at NGC Moro warehouse, with 98% verified as complete through GRN Nos. JAM-57 & JAM-58. Loose/unpacked material is being segregated and identified jointly with the supplier. Any shortages, if found, will be adjusted against the contractor's pending payments, and final GRNs will be issued upon completion.

The DAC in its meeting held on February 12-13, 2026 directed the management to submit a revised reply in tabulated form to the Audit within two weeks.

No further progress was intimated till finalization of the report.

Audit recommends ensuring strict compliance with contractual requirements by allowing shipment only after formal approval of packing, marking, and shipping details, and by conducting joint surveys with timely issuance of GRNs at receipt besides fixing responsibility for shortages.

(Draft Para.2337/2025-26/AMIS 2025_COM0000000145_F02447)

6.5.12 Inefficient transition to private insurance and unwarranted contract extension without profit settlement

According to Clause 4.5 of Services of Group Health Insurance for the NGC Employees, the firm will share profit on annual basis with NGC (60:40 ratio) having NGC share of 60% as per the following formula: Profit = Gross Premium - (Total Claims Paid + 20% Administrative Cost).

During the audit of National Grid Company (NGC) for the financial year 2024-25, it was observed that a contract agreement was signed on March 18, 2024 with M/s Askari Insurance Company Limited for the provision of Inpatient Department (IPD) medical facilities amounting to Rs. 401.27 million**.**

Subsequently, an amendment dated July 26, 2024 introduced additional Outpatient Department (OPD) medical services through a pooled fund having a limit of Rs. 100 million**.**

As per prior arrangements for the financial year 2023-24, NGC availed medical services from WAPDA Hospitals, incurring a total expenditure of Rs.723.01 million. Subsequently, after the insurance agreement cumulative cost of medical services under M/s Askari Insurance Company Limited stood at Rs.1,051.27 million for financial year 2024-25. Illustratively:

Description	**FY 20234-24 WAPDA Hospitals**	**FY 2024-25 Private Insurance**	**Difference**	**%age increase**
Total Medical Expenditure Rs. in million	723.01	1051.27	328.26	45.4

Furthermore, as per the agreement with M/s Askari Insurance Company Limited in case of OPD the company would reimburse any shortage of funds having an initial base of Rs.100 million. Meanwhile, in case of IPD, NGC would be entitled to a profit in case any amounts were remaining from its gross premium contribution made during the year after deduction of all costs by the insurance company at ratio of 60:40. As per record made available to audit no reconciliation mechanism existed for verifying payments with the insurance firm including calculation of profit, if any. This indicated lack of planning and inadequate financial controls at the company.

The matter was taken up with the management in December 2025 and reported to the Ministry in December, 2025. The management replied that shifting from WAPDA medical facilities to private insurance was a Board-approved, evidence-based decision to address long-standing employee hardships, lack of accessible WAPDA services and critical diagnostic gaps across NGC operations. Increased expenditure reflected actual healthcare utilization previously borne out-of-pocket by employees, not inefficiency. Profit sharing with the insurer (60:40) for financial year 2024-25 was under pre-audit and would be finalized shortly. The OPD pool was fully utilized and expanded to cover new beneficiaries and retirees, ensuring uninterrupted healthcare for 44,000 beneficiaries.

The DAC in its meeting held on February 12-13, 2026 directed the management to inquire into the matter and fix responsibility. If negligence was established, the performance of the responsible officer/official shall be clubbed with their KPIs and the same will be placed in their respective dossiers. The recommendations of the inquiry report should be submitted to Audit within 30 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's directives.

(Draft Para No.1453/2025-26/AMIS 2025_COM0000000145_F01609)

6.5.13 Irregular approval of 36% variation order after issuance of final completion certificate

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 the audit of National Grid Company (NGC) for the financial year 2024-25, it was observed that a contract for the design, supply, installation, testing, and commissioning of a Data Center and allied equipment was awarded to M/s CMC Pvt. Ltd. (Pakistan) for Rs. 187.17 million in November, 2021. The IT Department sought approval from the MD, NGC, for a 36% variation order pertaining to additional work claimed by the same contractor. Notably, this variation was processed and approved in November 2024 after the issuance of the final completion certificate, rendering the approval irregular. The proposal was endorsed and facilitated by the then DG IT and Chief Information Officer (CIO) despite their full awareness of the contract's closure. At the time, CIO was also holding charge of PD ERP and played a central role in processing and approving the variation, overriding a significant internal control of segregation of duties. The detail is as under:

Table No.36: Project Completion Timeline (NGC)

Details of Events	Date
Contract was awarded	November 2021
Contract was Completed	November 2023

Issuance of Completion Certificate	November 2023
Approval of variation order	November 2024

Additionally, although the consultant, M/s PMQA ERP, formally vetted the additional work, cross-verification in June 2025 revealed that the contractor had claimed 141% excess quantities, far beyond the original scope. This raised serious concerns about the accuracy of the vetting process and potential overbilling. The audit was of the view that the post-completion variation order approval and the inflated quantities pointed to suspected collusion. This situation strongly indicated potential weaknesses in internal controls, warranting a detailed investigation and accountability of the parties involved.

Non-adherence to rules resulted in irregular approval of variation order after issuance of completion certificate amounting to Rs. 30.22 million for the financial year 2024-25.

The matter was taken up with the management in December 2025 and reported to Ministry in December, 2025. The management replied that Contract WB-ERP-04-2021 ("Supply and Networking at 15 Sites") was awarded to M/s CMC Pvt. Ltd., Lahore. The variation order for additional quantities, issued in December, 2024 after the final completion certificate, reflected prior lapses in contract administration. Upon receipt, the invoice was forwarded to PMQA, which highlighted overlapping items and excessive quantities. The invoice was under review by PMQA and the enquiry committee, and no payment had been processed to date.

The DAC in its meeting held on February 12-13, 2026 directed the management to inquire into the matter and fix responsibility. If negligence is established, the performance of the responsible officer/official shall be clubbed with their KPIs and the same will be placed in their respective dossiers. The recommendations of the inquiry report should be submitted to Audit within 30 days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's directives.

(Draft Para No.1455/2025-26/AMIS 2025_COM0000000145_F01611)

6.6 Operational Processes

6.6.1 Non-handing over of 132 kV transmission lines in violation of NEPRA Grid Code

According to Clause 4.2 of Operation Code of the Grid Code (2005), NGC shall own and operate all assets related to the 500 kV and 220 kV transmission system and substations. Conversely, Distribution Companies (DISCOs) are responsible for the ownership and operation of 132 kV and 66 kV sub-transmission lines. Furthermore, as per NEPRA directive dated 23.06.2021, HESCO was obligated to assume operational responsibility for 132 kV assets in the Jhimpir Wind Cluster.

During the audit of National Grid Company (NGC) for the financial year 2023-24, it was observed that NGC constructed eleven (11) 132 kV transmission lines between 3 to 9 years ago to evacuate power from wind power plants in Gharo and Jhimpir clusters. Despite clear directions from NEPRA, NGC failed to hand over these transmission lines to HESCO. Resultantly, NGC was unable to charge use of system charges amounting to Rs.130 per KW per month, as allowed by NEPRA leading to a total financial loss of Rs. 1,805.85 million per year as envisaged in PC-I.

Non-adherence to regulatory directives led to non-handing over of 132 kV transmission lines, causing substantial financial impact of Rs. 1,805.85 million annually on account of Use of System charges up to financial year 2023-24.

The matter was taken up with the management in June, 2025 and reported to the Ministry in September, 2025. The management replied that NEPRA directed HESCO to take over O&M of 132kV transmission assets in the Jhimpir Wind Corridor. MD NTDC contacted CEO HESCO vide Letter No. MD/NTDC/ 2600/2608, November 19, 2021 but received no response and the case has been followed up multiple times by Project Delivery (South) and this office. GM (PD/GSC) South initiated further noting on November 25, 2025 and DMD (AD&M) directed coordination with NEPRA. The matter is under process and progress as and when achieved will be shared with audit.

The DAC in its meeting held on February 12-13, 2026 directed the management to expedite the matter with NEPRA and HESCO. The management

was further directed to hold a meeting with the CEO of HESCO, and the outcome of the meeting may be shared with the Ministry with a request for resolution of the matter within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's directives.

(Draft Para No.281/2025-26/ AMIS 025_COM0000000145_F00154)

6.6.2 Inadequate progress on system constraint removal projects resulting in inefficient dispatch

According to rule 2(d) of the Eligibility Criteria (System Operator License) Rules, 2023, 'dispatch' means the issuance of instructions to a generation facility by the system operator to schedule and control the operation of said generation facility in order to make available or commence, increase, decrease or cease the injection of electric power into the transmission and distribution network or to provide ancillary services, in accordance with the grid code; and further under rules 2(g) that "Security Constrained Economic Dispatch" or "SCED" means the allocation of system demand to individual generation facilities to effect the most economical production of electricity for optimum system economy, security and reliability with due consideration of variable generation costs, incremental network losses, load flow and other operational considerations as may be determined solely by the system operator."

During the audit of National Grid Company (NGC) for the financial year 2024-25, it was observed that thirty-three (33) system constraints were identified in the Transmission System Expansion Plan (TSEP) to prevent overloading, enable the evacuation and economic dispatch of cheaper power and integrate new generation. Accordingly, projects to remove these constraints were approved by NEPRA in the Transmission Investment Plan (TIP) in September 2024 for the financial years 2023-2025. While some constraints were later excluded by NGC on the grounds that the system constraints had been resolved primarily due to reduced load, twelve (12) critical constraints **(Annexure-C)** related to power evacuation, overloading, and overall system security remained unresolved due to slow progress of twenty-one (21) projects. The major reasons for the slow removal of these system constraints include suboptimal financial management, inability to resolve land acquisition and right-of-way issues, frequent changes in project scope

and design, delays in awarding contracts and procurement processes, weak project planning and inaccurate cost estimation, and inadequate project monitoring. Resultantly, the power sector has sustained heavy losses due to non-removal of system constraints in time, leading to the curtailment of economic power plants and, consequently, higher generation costs. The failure to remove these constraints prevented the evacuation of surplus, cheap power from the South to the North and led to 34% underutilization of the HVDC line, resulting in a financial impact of approximately Rs. 7,529 million as assessed by NEPRA for July to December, 2024.

Non-adherence to licensed transmission functions caused persistent system constraints, limiting low-cost generation and raising overall power costs up to the financial year 2024-25.

The matter was taken up with the management in December 2025 and reported to the Ministry in December, 2025. The management replied that Out of 35 system constraints, 23 have been removed, while 12 remain, including ongoing projects like 500kV Lahore North, 220kV Trimmu-Faisalabad West, Faisalabad West–Lalian, Jamshoro 3rd transformer, and Dhabeji T/L. Delays are mainly due to R.O.W. issues, land acquisition, procurement, and LC/CFE challenges. Other projects, including Islamabad West, Sahiwal-CFPP, and Matairi-Moro-RY Khan, are in planning or feasibility stages. All works are being executed or reviewed based on system needs, load demand, and financing availability

The DAC in its meeting held on February 12-13, 2026 directed the management to inquire into the matter at PPMC/Ministry level in accordance with the following TORs, to be completed within two months:

- Total loss incurred by the project/entity due to the delay.
- Determine exact stage of delay for each project (planning, land acquisition, procurement, construction, etc.).
- Identify causes of delay including external factors (RoW, land, law and order), procedural lapses (procurement, LC/CFE, appointments) and contractual/design issues (surveys, contractor performance, scope changes).
- Quantify total loss to NTDC/national exchequer including inefficient dispatch costs, idle capital/financing and price escalation/extension costs.

- Scrutinize role of all concerned formations/officials (Planning, Design, Procurement, Construction, Finance).
- Evaluate management's actions to address delays, supported by documentary evidence.

Responsibility shall be fixed against the concerned officer(s)/official(s) responsible for the lapse. In case negligence is established, a displeasure letter shall be issued, and their performance shall be clubbed with the KPIs and the same will be placed in their respective dossiers.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's directives.

(Draft Para No.1156/2025-26/AMIS 2025_COM0000000145_F01540)

6.6.3 Non-recovery of transformation losses from private consumer and recurring loss

According to clause 2.1 (b) of NEPRA Grid Code 2005, "Metering facilities would be installed at the substation for point of connection between the users and the transmission system of NGC. Metering between the generator and the transmission system of NGC would be installed at the high voltage side of the point of connection. Metering between the delivery point to the user and the transmission network would be installed at the 132 kV, low side of the connection. Metering cabinet shall be installed inside the substation building. Revenue class instrument transformers as specified in IEC or IEEE standards shall be installed at the substation as required. Notwithstanding the above, the location of the Metering Point on each transformer shall be such that the cost of transformation losses shall always be with the entity that owns the transformer.

During the audit of National Grid Company (NGC) for the financial years 2018-19 to 2023-24, it was observed that 220/132 kV Bahria Town Rawalpindi was energized on May 24, 2011 with a 63 MVA power transformer. The meter for measuring energy was installed at LV (low voltage) side of power transformer instead of HV (high voltage) side. Due to installation of meter at LV (low voltage) side of power transformer, transformation losses were being borne by the NGC. Whereas, according to provision of NEPRA Grid Code 2005, cost of transformation losses of the power transformer was required to be shifted to Bahria Town being the owner of power transformer. This state of affairs showed that NGC

exchequer sustained huge losses of 13,445,012 kwh units valuing Rs. 737.46 million from September, 2011 to December 31, 2024. It was further observed that in a case of installation of 2nd power transformer, the regulator issued an interim order on January 15, 2024 and directed the NGC as "the case is under the review at NEPRA, therefore, in order to avoid any emergent and unwanted situation NGC and IESCO are directed to energize the second 63 MVA auto transformer from LV side for the time being and transformation losses will be borne by the complainant (Bahria Town) till the case is decided by the NEPRA. Subsequently, NEPRA changed its decision and issued a corrigendum on November 29, 2024 and burden of losses shifted from complainant (Bahria Town) to NGC. NEPRA ordered that "the case is under the review at NEPRA, therefore, in order to avoid any emergent and unwanted situation, NGC and IESCO are directed to energize the second 63 MVA auto transformer from LV side for the time being and no-load losses of this transformer will be borne by the complainant till the case is decided by the NEPRA. Resultantly, NGC sustained huge losses valuing Rs 55.41 million as a recurring loss each year due to undue favour extended by NEPRA by not deciding the case in the light of NEPRA Grid Code after lapse of more than four years.

Non-adherence to NEPRA Grid Code 2005 resulted in a recurring loss of Rs. 55.41 million per year and cumulative loss of Rs. 737.46 million up to financial year 2023-24.

The matter was taken up with the management during May, 2025 and reported to the Ministry in September, 2025. The management replied that NEPRA, vide letter dated July 07, 2025 approved the energization of the 2nd 63 MVA auto transformer from either HV or LV side, with transformation losses booked to IESCO under C-3 tariff. NGC has been charging losses to IESCO since July, 2022 for T-1, and losses for previous years will be recalculated by MSP as per NEPRA's directions. The matter is under process with MSP, and progress will be intimated to Audit accordingly.

The DAC in its meeting held on February 12-13, 2026 wherein the management was directed to submit details of the case in chronological order, along with supporting documentary evidence, within two weeks. The management was also directed to provide comprehensive report as highlighted by the Audit during the meeting, and the same is to be forwarded to the Ministry of Energy for appropriate guidance/action.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's directives.

(***Draft Para No. 447/2025-26/AMIS 2025_COM0000000145_F00409)***

6.6.4 Non-replacement of malfunctioning equipment at 500 kV Grid Station Rawat

According to GCC section 9.1 "the contractor shall design, manufacture including associated purchases and / or subcontracting, install and complete the facilities in accordance with the contract. When completed, the facilities should be fit for the purposes for which they are intended as defined in the Contract,"

During the audit of National Grid Company (NGC) for the financial years 2018-19 to 2023-24, it was noticed that two (02) shunt reactors, valuing Rs.77.39 million, were found defective due to leakage of nitrogen gas from the fire protection system (Shunt Reactor-I & II) at 500 kV Grid Station Rawat at the time of installation/commissioning dated October 05, 2023. Moreover, the technical data/drawing of these shunt reactors were found incomplete. It was further observed that the waiver of inspection against these shunt reactors was issued on June 17, 2020 by the Chief Engineer (MP&M) on the request of manufactures due to Covid-19 in lieu of that the manufacturer had issued warranty of 07 years. The detail is as under:

Table-37: Detail of Contract (NGC)

Date of Contract Agreement	Notification of Award No. & date	Name of Manufacturer	Date of Installation/ Commissioned	Warranty period
06.03.2019	80-2017 (Lot-IV) Shunt Reactor (10.01.19)	M/s XIAN XD Transformer Co. Ltd. China through SM/s. Simpex Trading Corporation, Lahore.	05.10.2023	07 years

(Source: Contract agreement/Correspondence letters with contractor)

The defect was detected at the time of commissioning of the Grid Station on October 05, 2023. Subsequently, the Chief Engineer (Assets Management), NTDC, along with the Superintendent Engineer, Rawat, formally reported the malfunctioning of the nitrogen injection fire protection system (XUMING, China make) installed on the Rawat-Nokhar Transmission Line (Circle I & II). They requested MP&M, NTDC Lahore to pursue the matter with EHV-I and the

contractor for removal and replacement of the defective shunt reactor from November, 2023 onward. Despite these efforts, the defective equipment at 500 kV Grid Station Rawat remained un-replaced, giving rise to serious concerns regarding the quality and reliability of the shunt reactors installed.

Non-replacement of substandard material at 500 kV Grid Station Rawat was a result of weak contract enforcement.

The matter was taken up with the management during May, 2025 and reported to the Ministry in September, 2025. The management replied that a minor fault was observed in the Nitrogen Injection Fire Protection System (NIFPS), which required the services of foreign experts. Accordingly, the matter was taken up with the manufacturer, M/s Xi'an XD Co. Ltd., China, and the issue has been resolved, and both shunt reactors are now healthy and fully operational.

The DAC in its meeting held on February 12-13, 2026 directed the management to submit a revised reply in tabulated form, along with supporting documentary evidence, within one week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's directives.

(Draft Para No. 451/2025-26/AMIS 2025_COM0000000145_F00423)

6.7 Environmental and Safety

6.7.1 Non-Incorporation of 5% E&S Charges in Estimates and Non-Receipt of EPA Approval

According to Serial No. 17 of annexure-III included in Cabinet Division's Memorandum No. F.14/26/2021-com dated October 15, 2021, it was the prime responsibility of PPMC management to monitor and ensure the recovery of 5% E&S cost from the estimates of the projects (Grid stations, T/Lines & Colonies). Furthermore, as per Section-12, Financial Implication and Delegation of Powers SOP of Environmental & Social Safeguards, Resettlement Policy "minimum 5% budget of total cost of project (Grid Stations, T/Lines & Colonies) shall be allocated in Environmental & Social management head of own resources as well as deposit works.

According to section 12 (1) of the PEP Act 1997 "No proponent of a subproject shall commence construction or operation unless he has filed with the Federal or Provincial Agency an initial environmental examination (IEE) or, where

the project is likely to cause an adverse environmental effect, an environmental impact assessment (EIA) has been obtained from Federal Agency approval in respect thereof. As per Schedule -II of SOP of Environmental & Social Safeguards, Resettlement Policy, The EIA is required for the construction of grid station and transmission lines (11 kv and above).

During the audit of National Grid Company (NGC) for the financial year 2023-24, it was observed from the record that PC-I cost estimates for sixteen (16) projects, amounting to Rs. 70,869.88 million, were approved without incorporating the mandatory 5% Environmental & Social Safeguards (E&S) charges. As a result, E&S provisions totaling Rs. 3,554.50 million were neither allocated nor Environmental NOCs were obtained from the respective EPA for multiple grid and transmission line projects under execution. Detail is as under:

Table-38: Summary of E&S Charges to be recovered (NGC)

S. No.	PDP No	Formation	No of Project	Total Cost of Projects	E&S Charges to be recovered (Rs. in million)
1	485&441/ 2025-26	CE EHV-II, Hyderabad	4	10,878.31	554.92
2	295&317/ 2025-26	PD (EHV-II) NGC, Multan	7	6,063.64	303.18
3	395&393/ 2025-26	PD (EHV-I) NGC, Islamabad	5	53,927.93	2,696.40
Total			**16**	**70,869.88**	**3,554.50**

(Source: Project's Estimate)

Non-adherence to the instructions of authority resulted in non-incorporation of 5% E&S charges amounting to Rs. 3,554.50 million and Environmental NOCs from EPA up to the financial year 2023-24.

The matter was taken up with the management May & June, 2025 and reported to the Ministry in September, 2025. The management replied that PC-I estimates approved during 2015-17 did not include Environmental & Social (E&S) charges as the Cabinet Division SOP dated October 15, 2021 was issued later, and no such payment was made to contractors; however, 5% E&S charges were now being incorporated in relevant PC-Is. It was further submitted that the status of NOCs from the Environmental Protection Agency for ongoing projects, including

ADB-200-2018 (Lot-I & II), was under process and progress will be monitored with updates shared with audit.

The DAC in its meeting held on February 12-13, 2026 directed the management to submit a revised reply duly supported with a certificate confirming that the PC-I of the project has not been revised, along with detailed justification from the concerned officer(s) responsible for the omission of E&S charges, within one week. The justification must explicitly reference the timeline of the Cabinet Division's SOP.

No further progress was intimated till finalization of the report.

Audit recommends inquiring the matter for fixing responsibility upon the person (s) at fault besides ensuring the allocation of E&S charges and obtaining NOCs from respective EPAs.

(Draft Para No.295/2025-26/AMIS 2025_COM0000000145_F00211)
(Draft Para No.317/2025-26/AMIS 2025_COM0000000145_F00193)
(Draft Para No.393/2025-26/AMIS 2025_COM0000000145_F00447)
(Draft Para No.395/2025-26/AMIS 2025_COM0000000145_F00445)
(Draft Para No.441/ 2025-26/AMIS 2025_COM0000000145_F00358)
(Draft Para No.485/2025-26/AMIS 2025_COM0000000145_F00488)

CHAPTER-7

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY (NEPRA)

7. NATIONAL ELECTRIC POWER REGULATORY AUTHORITY (NEPRA)

7.1 Introduction

The National Electric Power Regulatory Authority (NEPRA), established under the NEPRA Act, 1997, is Pakistan's principal electricity regulatory body, operating under the Ministry of Energy (Power Division). NEPRA was created to regulate the electricity sector, ensure reliable and efficient power services, and maintain financial sustainability while protecting consumer interests. Its mandate includes granting and monitoring licenses for power generation, transmission, and distribution companies, approving tariffs, overseeing compliance with technical and operational standards, addressing consumer grievances, and advising the government on energy policy and sector development. NEPRA operates through a Chairperson and Board of Members providing strategic oversight, with a management team and specialized departments handling tariff analysis, licensing, legal affairs, monitoring, and consumer services, all subject to public-sector transparency, audit, and reporting requirements.

NEPRA's funding comes primarily from license fees, regulatory charges, and application fees, with an initial grant provided by the federal government at establishment. This funding structure ensures the authority's operational and financial independence, with any surplus or fines collected deposited into the Federal Consolidated Fund.

7.2 Comments on Financial Statements

This section provides a concise overview of NEPRA's financial performance over the five-year period from financial year 2020-21 to financial year 2024-25, with primary focus on financial year 2024-25. During the review period, the Authority demonstrated substantial growth in revenue and surplus generation, with total income increasing significantly and surplus before tax reaching Rs. 2,515.94 million in financial year 2024-25. Profitability indicators, including net profit margin, ROA, and ROCE, reflected marked improvement in the year under review, indicating enhanced operational efficiency and effective utilization of resources.

Despite strong earnings, net assets remained constant due to the statutory requirement to allocate comprehensive income to the Federal Consolidated Fund, although the payable balance increased at year end. Liquidity improved in financial year 2024-25, supported by stronger operating cash inflows and higher closing cash balances. However, the financial position continued to reflect structural concerns, including substantial employee advances, significant taxation liabilities, and persistent provisions against doubtful fee receivables.

BASIS OF PREPARATION

The Financial Auditor of the company in Emphasis of Matter stated "We draw attention to Note 2[29] of the financial statements, which describes the basis of preparation. These financial statements have been prepared in accordance with the generally accepted accounting principles, as prescribed by the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 and where the Act does not provide specific guidance on accounting treatment, the policies set out in Note 3, which align with the requirements of the International Financial Reporting Standards (IFRS) as adopted by the Institute of Chartered Accountants of Pakistan (ICAP), have been applied. Our opinion is not modified in respect of this matter."

Table-39: Profitability Ratios (NEPRA)

Ratios	Financial Year				
	2024-25	2023-24	2022-23	2021-22	2020-21
					In %age
Net Profit Margin	25.97	11.46	18.53	15.51	21.92
Return on Assets (ROA)	42.81	17.27	21.31	14.31	18.25
Return on Equity (ROE)	135.88	42.78	55.15	29.27	37.73
Return on (ROCE)	217.51	87.100	102.20	34.13	51.42

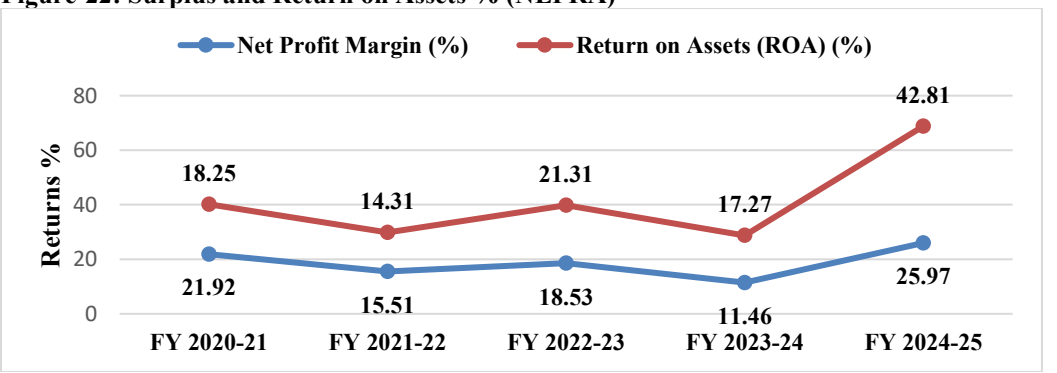
(Source: Financial Statement NEPRA from FYs 2020-21 to 2024-25)

[29] Note 2 "These financial statements have been prepared in accordance with the generally accepted accounting principles as applicable on the Authority, being body corporate, as per the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997. Where the Act does not provide specific accounting treatment, the policies provided in note 3 below are applied which align with the requirements of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the Institute of Chartered Accountants of Pakistan (ICAP).

Based on the audited financial statements, NEPRA has demonstrated a marked strengthening in financial performance over the five-year period from financial year 2020-21 to financial year 2024-25. Total income increased from Rs. 1,947.46 million in financial year 2020-21 to Rs. 5,919.96 million in financial year 2024-25, reflecting growth of 204%, while administrative expenses increased from Rs. 1,335.19 million to Rs. 3,401.29 million (155%). As revenue expansion outpaced expenditure growth, surplus before tax increased from Rs. 609.41 million in financial year 2020-21 to Rs. 2,515.94 million in financial year 2024-25, representing an overall increase of approximately 313% during the period.

The surplus ratio increased from 21.92% in financial year 2020-21 to 25.97% in financial year 2024-25, indicating enhanced operating efficiency and improved cost absorption. Return on Assets (ROA) strengthened significantly from 18.25% to 42.81% over the same period, reflecting more effective utilization of the Authority's asset base. Return on Capital Employed (ROCE) also rose substantially from 51.421% in financial year 2020-21 to 217.15% in financial year 2024-25, primarily due to the sharp increase in surplus before tax combined with relatively stable capital employed. Return on Equity (ROE), while structurally elevated due to the fixed equity base mandated under the statutory framework, increased from 37.73% to 135.88%, highlighting the scale of surplus generation relative to the Authority's capital base.

Figure-22: Surplus and Return on Assets % (NEPRA)



(Source: Financial Statement NEPRA from FYs 2020-21 to 2024-25)

During the financial year 2024-25, surplus before tax increased by 93.5% year-on-year, rising from Rs. 1,300.43 million in financial year 2023-24 to Rs. 2,515.94 million. This improvement was due to a 40.3% increase in total income, whereas administrative expenses grew at a comparatively moderate rate of 16.6%.

Consequently, surplus after tax rose to Rs. 1,537.18 million in financial year 2024-25. NEPRA's net assets remained constant at Rs. 1,131.29 million, as the entire comprehensive income for the year was required to be remitted to the Federal Consolidated Fund in accordance with the governing statute.

OBLIGATIONS OF THE AUTHORITY RELATING REMITTANCE IN THE FEDERAL COSOLIDATED FUND

The Authority's failure to remit the full surplus for the year ended June 30, 2025, represented a significant departure from the statutory mandate defined in the NEPRA Act, 1997. According to Section 17.1 of the Act, the Authority was legally obligated to remit any surplus, after the payment of all applicable taxes, to the Federal Consolidated Fund (FCF). Despite recognizing a total comprehensive income of Rs. 1,583.91 million as an accrued liability toward the government for the Financial Year 2024-25, the Authority only performed a partial cash remittance of Rs. 921.99 million during the period. This resulted in a substantial accumulation of government-owned funds on the Authority's balance sheet, where the "Payable to Federal Consolidation Fund" ballooned from an opening balance of Rs. 221.99 million to a closing balance of Rs. 883.91 million.

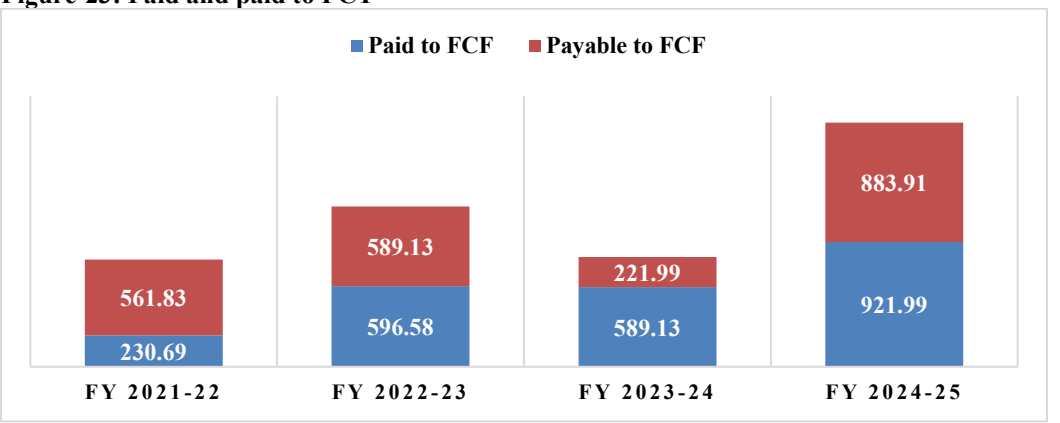
Table-40: Payable to Federal Consolidated Fund (NEPRA) **(Rs. in million)**

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Opening Balance	461.37	561.83	589.13	221.99
Surplus / Comprehensive Income Allocated to FCF	331.14	623.88	221.99	1,583.91
Total Payable (Opening + Surplus)	792.51	1,185.71	811.12	1,805.90
Paid to FCF (Derived)	230.69	596.58	589.13	921.99
Closing Balance	561.83	589.13	221.99	883.91

(Source: Financial Statement NEPRA from FYs 2021-22 to 2024-25)

The retention of nearly Rs. 884 million in surplus funds showed violation of the prompt remittance requirement implicit in the Act. Financial disclosures indicated that the Authority prioritized other financial commitments over its statutory duty to the FCF.

Figure-23: Paid and paid to FCT



(Source: Financial Statement NEPRA from FYs 2020-21 to 2024-25)

PROVISION FOR TAXATION

The Authority's total provision for taxation for the financial year 2024-25 stands at Rs. 924.47 million, representing a significant increase from Rs. 543.75 million in the previous year. This obligation was primarily composed of two distinct tax regimes i.e. Current Income Tax amounting to Rs. 687.43 million and Super Tax amounting to Rs. 237.04 million. The increase in the tax provision was directly proportional to the record-breaking surplus achieved during the year.

A notable component of the current year's tax liability was the Super Tax, which was imposed by the Government on high-earning entities whose income exceeds Rs. 500 million. For the financial year 2024-25, this tax was applied at a rate of 10%, resulting in a liability amounting to Rs. 237.04 million. Furthermore, the tax expense for the year was influenced by prior year adjustments; specifically, for current tax, a reversal amounting to Rs. 30.45 million was recorded for prior years.

Table-41: Taxation (NEPRA)

Tax Component (Rs. in Millions)	FY 2024-25	FY 2023-24
Current Income Tax	687.43	404.33
Super Tax[30]	237.04	139.42
Total Provision (Note 16)	924.47	543.75

(Source: Financial Statements from FYs 2023-24 to 2024-25)

[30] This tax was imposed by Government of Pakistan in 2022 on high earning entities under section- 543,753,517 4C @10% in year 2025 (2024: 10%) where entity's income exceeds Rs. 500,000,000/-.

The taxation disclosures provided analysis into the Authority's cash management, particularly regarding its ability to meet statutory remittance obligations. During the financial year 2024-25, the Authority incurred a significant cash outflow for taxes, making actual income tax payments amounting to Rs. 611.27 million. These payments were part of a broader settlement of liabilities, as the Authority cleared its opening tax provision of Rs. 404.33 million and its Super Tax opening balance of Rs. 139.42 million through a combination of cash payments and accounting adjustments.

Despite these substantial payments, the Authority concluded the financial year 2024-25 with a significant outstanding obligation, reporting a total tax payable amounting to Rs. 924.47 million. This high liability, when combined with the Advance Tax asset amounting to Rs. 794.05 million, confirmed that a significant portion of the Authority's generated surplus remains "locked" within the tax cycle. This directly contributes to the technical non-remittance of the full surplus fund to the Federal Consolidated Fund (FCF), as these funds are either physically held by the tax department or strictly earmarked for pending tax liabilities.

INCREASING TREND IN ADVANCES TO EMPLOYEES

The Authority's financial management during the five-year period ending June 30, 2025, revealed significant increase in the advances being given to its employees. In the financial year 2020-21, the expense pertaining to advances stood at Rs.649.29 million whereas in the financial year 2024-25, this had increased to Rs. 984.262 million registering an increase of 51.59% during the last five years. Considering the fact that there was an increasing trend in pending payables to the Federal Government, such increase reflected budget management issues.

Table-42: Loan paid during the years and outstanding balance (NEPRA)

(Rs. in million)

Financial Year	Opening Balance	Paid during the year	Received during the year	Net Long-Term Advances
2020-21	198.69	649.29	209.06	638.91
2021-22	702.85	249.89	133.28	819.46
2022-23	868.41	215.58	154.46	929.52

2023-24	996.75	274.66	267.86	1003.55
2024-25	1110.79	189.31	315.85	984.26

(Source: Financial Statements from FYs 2020-21 to 2024-25)

FEE RECEIVABLE

Examination of the audited financial statements for financial year 2020-21 to financial year 2024-25 revealed that although the gross fee receivable balance declined over the years from Rs. 181.60 million in financial year 2020-21 to Rs. 10.57 million as at June 30, 2025 the Authority continued to carry a substantial legacy doubtful balance of Rs. 161.94 million pertaining to financial year 2020-21. This amount was classified as "fee receivable not considered good" and fully provided for in financial year 2021-22, and it continued to remain in the books without write-off or cancellation of the related license.

While provisioning complied with accounting prudence requirements, the continued existence of the same doubtful balance over multiple years reflected weak pursuance and ineffective enforcement against defaulters. As a statutory regulator empowered to levy and enforce payment of regulatory fees, the Authority's inability to recover or decisively resolve Rs. 161.94 million of dues raised concerns regarding enforcement effectiveness and safeguarding of public revenue.

Furthermore, it was observed that[31] as per the revenue recognition policy adopted by NEPRA, revenue was to be recognized on an accrual basis. However, it was noted that revenue was recognized on an actual receipt basis, in contravention of the prescribed accrual-based policy. The deviation from the adopted accounting policy led to non-recognition of revenue of Rs. 91.34 million pertaining to 2023-24 not recorded in the books of accounts. Resultantly, the financial statements understated actual revenue. The recognition of revenue on a receipt basis, contrary to the approved accounting policy, highlights weak internal and accounting controls which not only compromises the reliability of financial reporting but also hampers informed decision-making processes.

[31] Draft Para No.119/2023-24/ AMIS 2025_COM0000000145_F00062

Weak financial control resulted in understatement of revenue amounting to Rs. 91.34 million due to deviation from revenue recognition policy during the financial year 2023-24.

The matter was taken up with the management in June 2025 and reported to the Authority in August, 2025. The management replied that NEPRA license fee was recognized on accrual basis. Income from generation and transmission companies was recognized when invoices were raised whereas, the income from distribution companies was recognized when units sold were confirmed by the distribution companies. This entire scheme of revenue recognition was in line with NEPRA fee regulations. The same can also be verified from revenue receipts recorded in the receivable module implemented in NEPRA.

The DAC in its meeting held on December 23, 2025 and January 02, 2026 pended the para for further efforts and analysis by management.

STATEMENT OF CASH FLOW

Table-43: Summary of Key Cash Flow (NEPRA) **(Rs. in million)**

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Net Cash from Operating Activities	-7.77	-24.09	784.96	113.60	765.74
Net Cash from Investing Activities	21.12	88.55	149.58	353.15	361.71
Net Cash from Financing Activities	-135.12	-231.44	-562.58	-589.88	-923.49
Net Increase/(Decrease) in Cash	-121.77	-166.97	371.96	-123.13	203.96
Closing Cash & Cash Equivalents	411.15	244.17	616.13	492.99	696.96

(Source: Financial Statements from FYs 2020-21 to 2024-25)

Net cash from operating activities showed volatility during the review period. In financial year 2020-21 and financial year 2021-22, the Authority recorded operating cash outflows of Rs. 7.77 million and Rs. 24.09 million respectively, despite reporting accounting surplus. A substantial improvement was observed in financial year 2022-23, where net operating inflow increased to Rs. 784.96 million. However, the inflow declined sharply to Rs. 113.60 million in financial year 2023-24. In financial year 2024-25, operating inflow significantly recovered to Rs. 765.74 million due to higher surplus before tax of Rs. 2,515.94 million.

Net cash generated from investing activities remained positive throughout the five-year period, increasing steadily from Rs. 21.12 million in financial year 2020-21 to Rs. 361.71 million in financial year 2024-25. The positive inflows were

primarily attributable to markup received on bank deposits, particularly elevated in financial year 2023-24 and financial year 2024-25. Capital expenditure remained relatively moderate, showed that investing activities were largely income-oriented rather than expansion-driven.

Financing activities consistently reflected net cash outflows due to loan repayments and remittances to the Federal Consolidated Fund (FCF). Outflows increased progressively from Rs. 135.12 million in financial year 2020-21 to Rs. 923.49 million in financial year 2024-25. The main reason was remittance to FCF, which reached Rs. 921.99 million in financial year 2024-25, representing the highest level during the review period. Cash balances declined in the first two years but improved substantially thereafter, reaching Rs. 696.96 million as at June 30, 2025, compared to Rs. 411.15 million in financial year 2020-21.

7.3 Financial Management

7.3.1. Weak enforcement and ineffective recovery mechanisms resulting in non-recovery of penalties and annual fees

1. According to Section 27B (a & b) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, any contravention of the Act or regulatory instructions is punishable with prescribed fines, which are recoverable as arrears of land revenue under Section 41 of the Act.

2. According to Regulations (3&4) of National Electric Power Regulatory Authority (Fees) Regulations, 2021 notified vide S.R.O.660(I)/2021 dated 31 May. 2021 requires that any person licensed or registered under the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, shall pay to the Authority, annual fee full in advance within thirty (30) days of expiry of the financial year that precedes the financial year for which the fee is being paid, calculated in the amount and manner specified under these regulations.

During the audit of NEPRA for the financial year 2023-24, it was observed that ineffective enforcement and weak recovery mechanisms resulted in non-recovery of penalties and annual fees amounting to Rs. 447.67 million, as detailed below:

(i) Non-recovery of penalties/fines - Rs.377.50 million

Audit observed that in financial year 2023-24 NEPRA imposed fines in eleven (11) cases amounting to Rs.377.50 million (Annex-A) on various DISCOs, CPPA-G, and K-Electric for violations of regulatory instructions and Standard Operating Procedures. The non-recovery was mainly attributed to pending litigation, and interim relief obtained by licensees. Consequently, the penal amounts were neither realized nor reflected in the financial statements, undermining the deterrent effect of regulatory enforcement.

(ii) Non-recovery of annual fees from licensees - Rs.70.17 million

It was observed during Audit of financial year 2023-24 that forty-three (43) licensees failed to deposit annual fees amounting to Rs.70.17 million (Annex-B) for the financial year 2023-24, despite issuance of statutory notices and reminders. This non-compliance reflected weak internal controls over monitoring, follow-up, and enforcement of fee recovery mechanisms, adversely affecting NEPRA's revenue realization.

Non-adherence to the provisions of the NEPRA Act and applicable regulations resulted in weak enforcement and ineffective recovery of government dues amounting to Rs. 447.67 million, adversely affecting financial discipline, regulatory credibility, and public sector accountability.

The matter was taken up with the management in June, 2025. The management explained that the non-recovery of fines during financial year 2023-24 stemmed from either pending appeals with interim relief or delays by District Collectors despite NEPRA's efforts. Nevertheless, NEPRA instructed its departments to develop a recovery mechanism. Regarding annual fees, management stated that NEPRA had been vigorously pursuing cases of annual fees receivable from defaulter licensees in accordance with relevant legal provisions of Rules & Regulations. Reminders dated August 22, 2023 and October 20, 2023 were issued to the licensees who did not pay the annual fee within the due date. Thereafter, cases of the defaulted licensees were transferred to the Licensing Department and legal proceedings were being initiated. Further, the management apprised that the license of Sitara Energy Ltd has expired and few recovery has been made in case of Ittefaq Power Ltd. Audit maintained that despite management's stated efforts, recoveries remained unrealized for extended periods, reflecting weak enforcement and inadequate monitoring. NEPRA could engage relevant stakeholders and push for due recovery including advocating measures such as holding assets of the relevant defaulters under lien by the competent forum.

The DAC in its meeting held on December 23, 2025 and January 02, 2026 wherein the management was directed to actively pursue the matter and expedite the pending recoveries and share the outcome with audit. It further directed the management to get the record of Sitara Energy Ltd and Ittefaq Power Ltd verified from the Audit within three (03) days.

No record was produced till the finalization of the report.

Audit recommends implementation of DAC's decision with respect to pursuance of pending recoveries.

(Draft Para No.112/2023-24/AMIS 2025_COM0000000145_F00055)
(Draft Para No.167/2023-24/ AMIS 2025_COM0000000145_F00071)

7.3.2. Examination of long-outstanding receivables from counterparties

According to Regulation 3 (1) of NEPRA (Fees) Regulations, 2021, "Any person licensed or registered under the Act shall pay to the Authority fees

calculated in the amount and manner specified under these regulations, the Schedule attached hereto, and any other applicable document." According to Regulation 3 (4), "In case a fee is not paid to the Authority within the due date specified in these regulations, or outlined in an applicable document, the payee shall, without prejudice to any another action or penalty that the Authority may take or impose, be liable to pay late payment charges calculated at the base rate plus two per cent (02%) per annum prorated for the period of delay."

During the audit of NEPRA for the financial year 2023-24, it was observed that an amount of Rs.162.16 million was outstanding against license fee receivable from (67) IPPs (Annex-C). The ageing analysis of these receivables showed that a significant portion dated back to the period between 2005 and 2021 indicating prolonged delays in recovery. This reflects weak follow-up mechanisms and ineffective internal controls over receivable management which hindered the timely realization of recovery. The ageing of the cases along with total outstanding amount is as under:

Table-44: Receivables from counterparties (NEPRA) **(Rs. in million)**

Sr. No	No. of Cases	Aging	Total outstanding
1	10	1 to 5 Years	8.44
2	31	6 to 10 Years	57.52
3	16	11 to 15 Years	17.19
4	10	More than 15 Years	79.01
Total	**67**		**162.16**

(Source: ERP)

Non-adherence to the provisions of the NEPRA regulations resulted in long-outstanding receivables amounting to Rs. 162.16 million due to weak recovery mechanisms up to the financial year 2023-24.

The matter was taken up with the management in June, 2025 and reported to the Authority in August, 2025. The management replied that NEPRA actively pursued recovery of annual fees from defaulter licensees as per applicable rules. Key actions included, a D.O letter from the Chairman to the Cabinet Secretary dated December 13, 2022 submission of defaulter details to Cabinet Division (June 19, 2023) and follow-up communications with relevant stakeholders. However, audit is of the view that management did not actively pursue the cases as aging in some of the pending cases is more than fifteen (15) years.

The DAC in its meeting held on December 23, 2025 and January 02, 2026 directed the management to follow up the cases and continue efforts to ensure recovery of receivables.

Audit recommends implementation of DAC's decision.

(Draft Para No.115/2023-24/ AMIS 2025_COM0000000145_F00058)

CHAPTER-8

THEMATIC AUDIT
OF
DISTRIBUTION INTEGRATED INVESTMENT PLAN (DIIP) OF FESCO, FAISALABAD FOR FINANCIAL YEARS 2023-24 & 2024-25

8. THEMATIC AUDIT OF DISTRIBUTION INTEGRATED INVESTMENT PLAN (DIIP) OF FESCO, FAISALABAD

8.1 Introduction

The Distribution Integrated Investment Plan (DIIP) of Faisalabad Electric Supply Company (FESCO) represents a comprehensive, multi-year investment framework designed to systematically modernize the electricity distribution network, address long-standing operational challenges, and ensure reliable and sustainable power supply across its extensive jurisdiction. As one of Pakistan's premier distribution companies operating in the industrially vibrant region of Faisalabad the country's textile hub, and its adjoining districts, FESCO faces the critical responsibility of delivering uninterrupted electricity to support industrial productivity, agricultural needs, commercial activities, and domestic welfare.

The DIIP was conceived as a comprehensive response to FESCO's historically persistent challenges including aging infrastructure, rising demand, high losses, and frequent outages aiming to achieve tangible improvements in system reliability and consumer service through targeted investments in grid expansion, loss reduction, advanced metering, and technology modernization. This holistic approach, aligned with national power sector reforms and reinforced by NEPRA's Multi-Year Tariff framework, is designed to fundamentally transform FESCO's distribution network with enhanced transparency, accountability, and consumer-centric service delivery.

This thematic audit was therefore conducted to independently evaluate whether DIIP investments have been planned, executed, and monitored in a manner that delivers tangible benefits to consumers, ensures value for money, and contributes to the long-term sustainability and efficiency of FESCO's distribution network.

8.2 Objectives of DIIP

The DIIP was initiated because Pakistan’s electricity distribution companies including FESCO needed a structured, transparent, and long-term plan

to improve their power distribution network. The major objectives of the DIIP were[32]:

- To relieve overloaded grid stations and transmission lines to prevent equipment failure and enhance system stability.
- To expand network capacity to accommodate future electricity demand growth.
- To ensure readiness to receive and distribute additional power from upcoming NTDC grid stations.

8.3 Background

The DIIP was developed in response to mounting operational pressures on FESCO's distribution network, which, originally designed to cater to modest demand levels, became progressively strained by rapid industrialization in Faisalabad, significant demographic growth, and escalating residential and commercial consumption patterns over the decades. By the early 2000s, these pressures manifested as frequent system breakdowns, overloading of transformers and feeders, high technical and commercial losses substantially above acceptable benchmarks, and inadequate capacity to support the region's key industrial hubs, thereby threatening economic productivity and consumer satisfaction. The need for a structured, long-term response intensified as the government and NEPRA began enforcing performance-based accountability through regulatory determinations, loss reduction targets, and service quality standards that incremental, ad-hoc upgrades proved insufficient to meet. Compounding these challenges were the realities of outdated infrastructure, with many assets operating beyond their intended lifespan, and the growing complexity of managing a distribution network under increasing demand variability and consumer expectations. The formulation of the DIIP therefore emerged from the convergence of several critical factors: the urgent requirement to reduce line losses for financial sustainability, the imperative to improve reliability and continuity of supply, the necessity to replace obsolete and overloaded equipment, the need to accommodate growing electricity demand through systematic capacity augmentation, and the obligation to align with NEPRA's regulatory requirements for transparent investment planning and tariff determination. Ultimately, the DIIP was conceived

[32] Determination of the Authority in the matter of investment Plan filed by FESCO For MYT Tariff Control Period from FY 2023-24 to FY 2027-28

as a comprehensive, multi-year investment strategy aimed at capacity enhancement, technology modernization, loss reduction, and systemic reliability.

8.4. Reasons of selection

The Distribution Integrated Investment Plan (DIIP) of FESCO has been selected for this thematic audit due to its status as a critical, structural program directly aligned with Pakistan's National Energy Policy's objectives. As a cornerstone of the power sector, electricity distribution has been facing systemic issues, including weak infrastructure, high losses, and unsatisfactory service quality, which have persistently affected consumers. The DIIP is specifically designed to address these challenges by upgrading the network, reducing losses, and improving the reliability of electricity supply.

However, the program is not without significant risks, including sub-optimal planning, implementation delays, cost overruns, and the potential failure to meet its stated targets. These inherent risks necessitate an independent audit to safeguard public funds and enforce accountability

The significance of this audit is underscored by the formal approval of FESCO's DIIP by NEPRA for the Multi-Year Tariff (MYT) period 2023-24 to 2027-28. This regulatory endorsement confirms the program's central role in the ongoing reforms within the distribution sector. Furthermore, the DIIP supports national energy policies, fulfills NEPRA's regulatory requirements, and contributes to global commitments such as SDG 7 (Affordable and Clean Energy) and SDG 9 (Industry, Innovation, and Infrastructure).

Consequently, this thematic audit has been conducted to examine whether the formulation, approval, and execution of FESCO's DIIP conform to applicable laws, NEPRA's regulatory determinations, and prescribed financial procedures. The audit further aims to assess the adequacy of internal controls, regularity of expenditure, and compliance with approved scope and timelines to ensure transparency, accountability, and safeguarding of public funds.

8.5 Objectives

The specific objectives of the audit are to:

- Examine the extent to which DIIP investments have achieved intended goals such as reducing transmission and distribution losses, relieving system bottlenecks, and enhancing consumer satisfaction.
- Assess the efficiency of financial allocations, procurement, and implementation processes.
- Evaluate socio-economic impacts and alignment with Sustainable Development Goals (particularly SDG 7 and SDG 9).
- Recommend measures for improving the design and execution of future Distribution Investment Plans to ensure long-term sustainability, transparency, and value for money.

The following hypotheses were designed and tested in this regard:

"Activities planned under DIIP in FESCO led to its successful implementation."

8.6. Scope

The thematic audit was conducted with a focus on compliance with applicable laws, rules, regulations, and approved framework of the Distribution Integrated Investment Plan (DIIP) of FESCO. The audit covered the planning, execution, monitoring, and outcome assessment of DIIP investments amounting to Rs.51,028 million for the financial years 2023-24 and 2024-25, with vertical coverage across all tiers of FESCO's governance structure including the Board of Directors, CEO Office, Project Director (Construction), MIRAD, Technical, Commercial, and Internal Audit Directorates and horizontal coverage across all thematic investment areas comprising Secondary Transmission and Grid (STG), Distribution of Power (DOP), Energy Loss Reduction (ELR), Advanced Metering Infrastructure (AMI), and Technical Improvement Projects. The scope was designed to assess compliance with NEPRA's regulatory framework, evaluate internal controls and financial discipline, verify achievement of physical targets against approved allocations, and determine whether the investments have translated into measurable improvements in system reliability, loss reduction, and consumer service, thereby ensuring value for money and adherence to the principles of public accountability enshrined in the constitutional mandate of the Auditor-General of Pakistan.

8.7 Thematic Relevance:

The thematic relevance of this audit is anchored in the strategic importance of the Distribution Integrated Investment Plan (DIIP) as a regulatory instrument designed to address systemic deficiencies in power distribution, reduce losses, and improve service quality across FESCO's jurisdiction. The relevance of this theme is underscored by its direct bearing on public interest, as the efficacy of DIIP implementation fundamentally determines the quality, affordability, and sustainability of electricity supply to millions of consumers across FESCO's operational territory.

8.8 Legal frame work governing the Theme

The Thematic Audit of FESCO's Distribution Integrated Investment Plan (DIIP) is governed under the constitutional and statutory mandate of the Auditor-General of Pakistan as provided in Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973, read with the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001. These provisions empower audit to examine accounts of authorities and bodies established by or under law, including DISCOs.

The audit further derives its mandate from the NEPRA Act, 1997, particularly with reference to regulatory approvals, tariff determinations, and monitoring of distribution companies' investment plans. Secondary legislation includes the NEPRA (Tariff Standards and Procedure) Rules, 1998, and the Performance Standards (Distribution) Rules, 2005, which prescribe standards for efficiency, reliability, and service delivery of distribution licensees.

In addition, relevant clauses of Performance Contracts and Multi-Year Tariff (MYT) framework issued by NEPRA provide specific targets regarding investment efficiency, loss reduction, consumer facilitation, and system strengthening, which serve as key audit benchmarks.

8.9 Stakeholders and governmental organizations identified as directly/indirectly involved

The following stakeholders and governmental organizations have been identified as directly or indirectly involved in the formulation, approval, financing, execution, and oversight of the Distribution Integrated Investment Plan (DIIP) of Faisalabad Electric Supply Company:

- Ministry of Energy, Power Division
- National Electric Power Regulatory Authority
- Directorate General Market Implementation and Regulatory Affairs Department
- Faisalabad Electric Supply Company, including its Board of Directors and internal audit functions
- Pakistan Power Planning Company
- Central Power Purchasing Agency (Guarantee) Limited
- National Grid Company of Pakistan Limited
- Private sector third-party consultants engaged for monitoring and verification of projects
- Private contractors, engineering firms, and suppliers involved in execution of Secondary Transmission and Grid, Distribution of Power, Energy Loss Reduction, Advanced Metering Infrastructure, and Technical Improvement projects

These entities collectively represent the institutional and operational landscape associated with the planning, regulation, implementation, and monitoring of FESCO's Distribution Integrated Investment Plan (DIIP).

8.10 Role of important organizations

The Distribution Integrated Investment Plan (DIIP) is a key regulatory and planning instrument introduced to ensure sustainable development, improved operational efficiency, and financial viability of power distribution companies (DISCOs). The successful formulation, approval, implementation, and monitoring of DIIP involve the coordinated roles of several organizations directly related to the theme and falling within the audit jurisdiction of the Directorate General Audit Power. The major stakeholders include the National Electric Power Regulatory Authority (NEPRA), Ministry of Energy (Power Division), Central Power Purchasing Agency-Guarantee (CPPA-G), Faisalabad Electric Supply Company (FESCO).

8.10.1 National Electric Power Regulatory Authority (NEPRA)

NEPRA, being Regulator, approves DIIP of DISCOs, evaluates plans for cost-effectiveness and expected performance outcomes, such as loss reduction and

service reliability, while issuing determinations that set approved investment heads, financial limits, and strict compliance conditions thereby ensuring transparency and accountability in utilizing consumer-funded investments.

8.10.2 Ministry of Energy (Power Division)

The Ministry of Energy (Power Division) is responsible for policy formulation and sectoral oversight in the power sector. Regarding DIIP, it provides strategic direction to DISCOs, ensuring investment plans align with national reforms, loss reduction targets, and service delivery goals.

8.10.3 Central Power Purchasing Agency - Guarantee (CPPA-G)

The Central Power Purchasing Agency (CPPA-G) manages power market operations, procurement, and energy transaction settlements. Although not directly executing DIIP projects, its role is indirectly linked to their outcomes. Improvements in distribution efficiency, loss reduction, and metering achieved through DIIP enable more accurate energy accounting and streamlined market settlements by CPPA-G.

8.10.4 Faisalabad Electric Supply Company (FESCO)

FESCO is the principal executing agency responsible for formulating, implementing, and monitoring the DIIP within its jurisdiction. It prepared investment plans based on system needs and regulatory guidelines, submitted them to NEPRA for approval and upon approval executed DIIP projects.

8.11 Organization's Financials

Faisalabad Electric Supply Company (FESCO) finances its operational activities and the implementation of its **NEPRA-approved Distribution Integrated Investment Plan (DIIP) for 2023-24 to 2027-28** primarily through **its own resources and consumer-based financing mechanisms**. In line with NEPRA's regulatory framework, a portion of the DIIP funding is also supported through consumer contributions embedded within approved tariff components intended for system strengthening and modernization. The process flow of budget approval of DIIP is as under:

Figure-24: Process flow of budget approval of DIIP

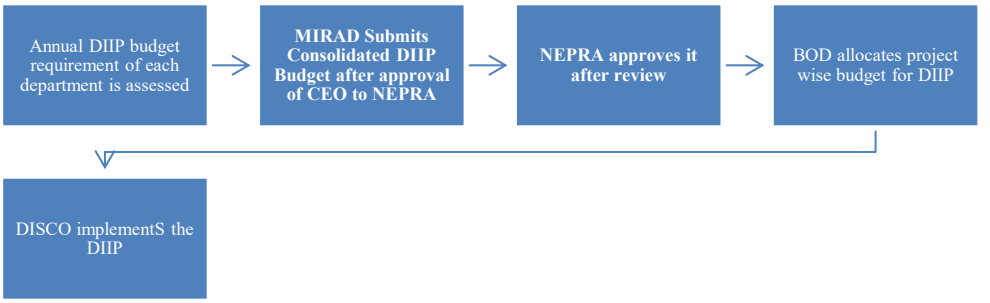


Table-45: NEPRA Determination of DIIP Investment **(Rs. in million)**

Investment Allowed to FESCO for the period 2023-24 to 2027-28						
Head	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Total**
STG	6,076	6,774	6,897	8,071	4,903	32,721
ELR	1,749	2,179	2,536	3,108	3,297	12,869
DOP Own Resources	1,162	1,268	1,259	1,257	1,341	6,287
Commercial Improvement (AMI/AMR)	408	388	480	490	510	2,276
Technical Improvement Plan (GIS, SCADA, etc)	525	1,190	1,435	400	100	3,650
Financial Improvement Plan (ERP. IBS, IT & security, etc)	312	213	229	252	377	1,383
HR Improvement Plan	200	170	180	190	190	930
Operational Vehicles	1,732	1,016	859	748	578	4,932
Safety Equipment	595	383	468	541	1,061	3,048
Civil Works	530	650	626	772	722	3,300
Transformer replacement having age more than 20 years	805	804	804	804	804	4,021
3rd Party Audit / Monitoring	40	40	40	40	40	200
Grand Total Own Resources	**14,134**	**15,075**	**15,813**	**16,673**	**13,923**	**75,617**
Consumer Financing						
STG Deposit Works	2,018	1,776	1,465	1,074	1,182	7,515
HT & LT Deposit Works	5,030	5,171	5,747	6,023	6,482	28,453
Village Electrification	3,810	4,014	3,381	3,812	3,595	18,612

Consumer Financing	**10,858**	**10,961**	**10,593**	**10,909**	**11,259**	**54,580**
Grand Total	**24,992**	**26,036**	**26,406**	**27,582**	**25,182**	**130,197**

(Source: Investment allowed data provided by FESCO)

Table-46: Detail of Utilization of Allowed Investment (DIIP) **(Rs. in million)**

Particulars	FY 2023-24		FY 2024-25	
	Allowed	**Utilized**	**Allowed**	**Utilized**
Secondary Transmission and Grid (STG)	6,076	3,028	6,774	7,471
Energy Loss Reduction (ELR)	1,749	3,607	2,179	3,372
Distribution of Power (DOP)	1,162	1,440	1,268	1,235
Commercial Improvement (AMI/AMR)	408	157	388	194
Technical Improvement Plan (GIS, SCADA etc.)	525	74	1,190	42
Financial Improvement Plan (ERP, IBS, IT & Security etc.)	312	10	213	13
HR Improvement Plan	200	164	170	153
Operational vehicles	1,732	184	1,016	87
Safety Equipment	595	70	383	242
Civil Works	530	330	650	519
Transformer replacement having age more than 20 years.	805	-	804	1,604
Third Party Audit /Monitoring	40	-	40	-
Total Own Resources	**14,134**	**9,064**	**15,075**	**14,932**
Consumer Financing	**10,858**	**9,017**	**10,961**	**9,572**
Grand Total	**24,992**	**18,081**	**26,036**	**24,504**

(Source: data of utilization of investment allowed as per FESCO record)

8.12 Field Audit Activity

The field audit activity comprised visits to various formations of FESCO, including MIRAD, PD Construction, CEO Office, Technical Directorate, Grid System Operation, Commercial Directorate, and other relevant units involved in the DIIP-related functions.

8.13 Methodology

The following audit methodology was adopted during the execution of the thematic audit:

a) Interviews and discussions with the management

The following meetings and briefing sessions were held during the audit period:

Date	Formation	Name of Officer / Designation
08-09-2025 and multiple meetings afterward.	Directorate of PD Construction FESCO	Ahmad Ali, PD Construction FESCO
10-09-2025 and multiple meetings afterward.	O/o DG MIRAD, FESCO	Abid Rashid, DG MIRAD
12-09-2025 and multiple meetings afterward.	O/o CEO Office, FESCO	Muhammad Amir, CEO FESCO
12-09-2025 and multiple meetings afterward.	O/o Chief Engineer Operation	Umar Hyat Gondal, Chief Engineer Operation
12-09-2025	IT Directorate	Abdul Hae, DG IT
12-09-2025	Directorate of PD GSC FESCO	Muhammad Amir, PD GSC

b) Review of literature and previous studies

Review of FESCO guidelines, SOPs, circulars, performance reports, DIIP-related documentation, and earlier audit reports.

c) Analysis of data using analytical tools

Analysis of operational, financial, and technical data using statistical techniques (trend analysis, correlation, variance, workload patterns, etc.).

d) Review of financial information

Examination of release/utilization statements, cost summaries and project-wise financial performance for DIIP-related activities.

e) Evaluation of agreements and internal documents

Assessment of internal approvals, contracts with vendors/contractors, and any DIIP performance agreements within FESCO.

8.14 Sample Selection

At the time of this study, **FESCO** had a number of DIIP-linked projects across different formations. Due to time constraints and field limitations, it was not feasible to evaluate all units. Therefore, **stratified sampling** was adopted.

A **sample** was taken from each stratum of functional divisions, focusing on units with higher workload, financial significance, and operational criticality.

8.15 Audit Analysis

8.15.1 Review of Internal Controls

The review was conducted to assess whether adequate controls existed to ensure efficiency, effectiveness, transparency, and compliance with applicable rules, regulations, and regulatory approvals. However, **material weaknesses** in design and operation of internal controls were observed, as discussed below:

a) Planning and Approval Controls

Audit observed that controls at the planning and approval stage were **not adequately documented or supported by analytical justification.** Although DIIP proposals were prepared and submitted for regulatory approval, the record did not demonstrate that:

- projects were prioritized on the basis of system needs, risk assessment, or measurable performance indicators;
- feasibility assessments and cost-benefit analysis were conducted prior to inclusion of schemes in the DIIP; and
- approved investment ceilings were aligned with realistic implementation capacity

The absence of documented analytical controls increased the risk of approval of schemes without adequate justification and assessment of implementation feasibility.

b) Budgetary and Financial Controls

Audit noted weaknesses in budgetary and financial controls, as:

- expenditures were incurred in excess of approved limits under certain DIIP components, while corresponding physical targets were not achieved;
- no system-based controls were in place to restrict component-wise and scheme-wise expenditure within approved limits; and
- periodic reconciliation and variance analysis between approved budgets, actual expenditure, and physical progress were not evident on record

These weaknesses indicate that financial controls were **not effectively designed to ensure linkage between expenditure and approved physical outputs**.

c) Execution and Monitoring Controls

Controls over execution and monitoring of DIIP schemes were found to be **inadequate**, as:

- no integrated mechanism existed to monitor physical progress vis-à-vis financial disbursements;
- supervisory checks to verify completion, quality, and commissioning of works prior to release of payments were either weak or not documented; and
- progress reports received from field formations were not independently validated at higher levels.

As a result, management assurance regarding timely completion and effectiveness of DIIP-funded schemes remained limited.

d) Documentation and Record Management Controls

Audit observed deficiencies in documentation and record management, including:

- incomplete project files, with missing approvals, technical sanctions, completion certificates, and reconciliation statements;
- non-standardized record-keeping practices across operational units; and
- non-maintenance or non-updating of asset records for DIIP-funded additions.

Weak documentation adversely affected transparency, accountability, and audit trail

e) Compliance and Regulatory Controls

Audit noted that controls to ensure compliance with regulatory approvals, applicable rules, and internal procedures were **not effectively enforced**, as:

- deviations from approved scope and investment limits were not formally reported, approved, or regularized;
- no evidence was available of internal compliance reviews against conditions imposed by the regulator; and
- compliance relied largely on post-facto explanations rather than preventive controls.

This exposed the entity to the risk of regulatory non-compliance and potential disallowance

f) Information System and Reporting Controls

Audit observed that management information and reporting controls were weak due to:

- reliance on manual and non-integrated reporting systems;
- absence of reliable MIS linking planning, execution, and financial data; and
- reporting focused primarily on expenditure, with limited linkage to achievement of intended outputs or outcomes.

Consequently, management decision-making was not adequately supported by reliable and comprehensive information.

g) Internal Audit and Oversight

Audit observed that internal audit coverage of DIIP was **limited,** as:

- no evidence was available of risk-based internal audits specifically focusing on DIIP implementation;
- internal audit observations, where issued, were mainly compliance-oriented and did not address systemic control weaknesses; and
- follow-up on internal audit observations and implementation of corrective actions was not documented.

The limited role of internal audit reduced the effectiveness of overall internal control and oversight mechanisms.

8.15.2 Critical Review of DIIP Implementation in FESCO- Systemic Evaluation of Legal, Institutional, Operational, and Financial Failures

The Distribution Integrated Investment Plan (DIIP) was designed by NEPRA as a comprehensive regulatory and investment framework to modernize distribution companies, reduce losses, improve service quality, and ensure

transparent and accountable use of public funds. However, the review of DIIP implementation in FESCO, supported by twelve (12) major audit observations, reveals deep-rooted institutional, legal, financial, and operational deficiencies that have collectively undermined the intended outcomes. The following critical review synthesizes systemic failures that transcend individual observations and reflect structural weaknesses in DIIP governance and utility performance.

8.15.3 Deficiencies in Legal and Regulatory Compliance Framework-Systemic Non-Compliance with NEPRA-Determined Targets and DIIP Obligations

The legal framework requires DISCOs to strictly follow NEPRA-approved DIIP, especially regarding:

- T&D loss targets
- Project timelines
- Investment utilization
- Third-party monitoring
- Technical studies and prior approvals for STG projects

Audit findings reveal repeated **violations of NEPRA's Determination,** including:

- Failure to achieve T&D loss targets
- Non-execution of allowed investments
- Delayed Go-Live of GIS project despite contractual obligations
- Execution of STG projects without NEPRA's prior approval
- Non-engagement of mandatory third-party oversight despite sanctioned budget

These lapses reflect weak internal compliance, an absence of legal accountability, and a disregard for mandatory regulatory procedures. While the regulatory framework assigns institutional responsibility to the DISCO level, FESCO lacks a structured compliance unit empowered to enforce the terms of the DIIP.

Weak Enforcement of Contractual Obligations

Contract administration was found ineffective:

- GIS Mapping project exceeded 14-month contractual Go-Live deadline.
- Multiple STG projects were initiated, partially funded, and later deferred or substituted violating procurement and contract management norms

This indicates an absence of a **legal risk management framework** to ensure contractor performance, enforce penalties, or prevent misaligned substitutions.

8.15.4 Institutional and Governance Failures- Ineffective Planning and Coordination Mechanisms

FESCO's planning processes were weak, fragmented, and lacking in data validation. Specific issues include:

- Claiming DIIP funds for GAP Analysis even though activities were already completed
- Substituting 24 STG projects without system studies, NTDC coordination, or NEPRA approval
- No integration of ERP with Internal Audit

Overall, institutional coordination between the following units is severely deficient:

- P&D Directorate
- Technical Services
- Finance and MIRAD
- IT Directorate
- Internal Audit Wing
- Field formations

This lack of inter-departmental alignment leads to contradictory submissions, duplicated activities, unverified investment proposals, and regulatory non-compliance.

8.15.5 Absence of Effective Monitoring and Oversight

NEPRA requires quarterly third-party validation of DIIP progress, but FESCO executed Rs. 42.5 billion investments without any external monitoring. Internal monitoring mechanisms also failed, leading to:

- Over-utilization of funds with under-achievement of physical targets
- Under-utilization of NEPRA-approved funds up to 62% and 57%
- Non-realization of DIIP-envisioned benefits despite full project allocations.

These deficiencies indicate sub-optimal governance culture where compliance, monitoring, and benefit verification remain weak or nonexistent.

8.15.6 Critical Weaknesses in Project Planning, Execution, and Prioritization- Delays and Inefficient Execution of High-Value Projects

Multiple observations show chronic execution delays:

- GIS project not achieving Go-Live stage
- Deferred STG projects even after expenditure of Rs. 391.53 million
- Substitution of lapsed projects rather than timely completion

These weaknesses and systemic gaps suggest inadequate project management capacity, weak scheduling, and improper progress tracking mechanisms.

Execution of Economically Unviable Projects

The execution of 69 HT feeders with B/C ratios below NEPRA thresholds exposes:

- Ineffective prioritization
- Poor technical planning
- Wasteful expenditure of Rs. 1.29 billion
- Misallocation of scarce financial resources

DIIP mandates viability, technical justification, and quantifiable benefits but FESCO executed projects with negative or near-zero benefit potential.

Slow Progress of AMI/AMR Modernization

FESCO installed only 17,657 advanced meters out of 5.5 million consumers.

Reasons include:

- Inefficient procurement
- Misaligned priorities
- Weak understanding of technological rollout
- Lack of planning for high-loss areas

This delay directly undermines system accuracy, transparency, and loss reduction targets.

8.15.7 Financial Management Flaws and Misaligned Resource Utilization

FESCO left Rs. 15,971 million unutilized across DIIP components due to:

- Delayed tendering
- Weak procurement planning
- Overestimation of capacity
- Inability to align spending with project timelines

Under-utilization directly results in lost opportunity for system improvement and regulatory targets.

Excess-Expenditure Without Corresponding Outputs

Conversely, excess-utilization of Rs. 5,144 million without achieving physical targets reflects:

- Poor budgeting discipline
- Lax financial controls
- Absence of performance-linked expenditure mechanisms

Wasteful or Redundant Expenditures

The audit noted wasteful expenditures in several areas:

- GAP Analysis funds claimed despite completed activities
- Expenditures on projects later deferred
- Implementation of non-viable HT feeders

This represents weak financial governance, absence of validation procedures, and insufficient approval controls.

8.15.8 Operational and Technical Deficiencies Affecting Performance

Despite NEPRA's target-based framework, FESCO's T&D losses exceeded limits in both years. Main causes include:

- Ineffective loss-prone feeder monitoring
- Poor HT/LT load management
- Slow rehabilitation of targeted areas
- Delays in AMI implementation
- Incomplete system strengthening

The excess loss of 424 million units costing Rs. 16,968 million indicates weaknesses of technical control mechanisms and DIIP-funded improvement programs. It is pertinent to mention that an analysis of units received and sold at 11 kV reveals that FESCO recorded a loss of 2,632 million units against an

allowable loss of 2,208 million units, resulting in an excess loss of **424**[33] million units.

Geographical analysis of HT projects completed FY-2024-25

A comprehensive geographical analysis of High Tension (HT) feeder projects executed during financial year 2024-25 was conducted to assess the distribution of DIIP investments across FESCO's operational circles. Under the Distribution of Power (DOP) head, a total of 30 HT feeders were completed at a cost of Rs. 690.32 million, while under the Energy Loss Reduction (ELR) head, 26 HT feeders were completed at a cost of Rs. 1,050.22 million, representing a combined investment of Rs. 1,740.54 million in medium-voltage network strengthening during the year. The circle-wise analysis revealed that Faisalabad Circle received the largest share of HT investments under both categories, with 10 feeders under DOP and 12 under ELR, reflecting the concentration of industrial load and higher system augmentation requirements in the region's textile hub. Jhang and Sargodha circles received moderate allocations, while Mianwali Circle received the fewest projects with only 3 feeders under each category. The detailed circle-wise breakdown is presented below:

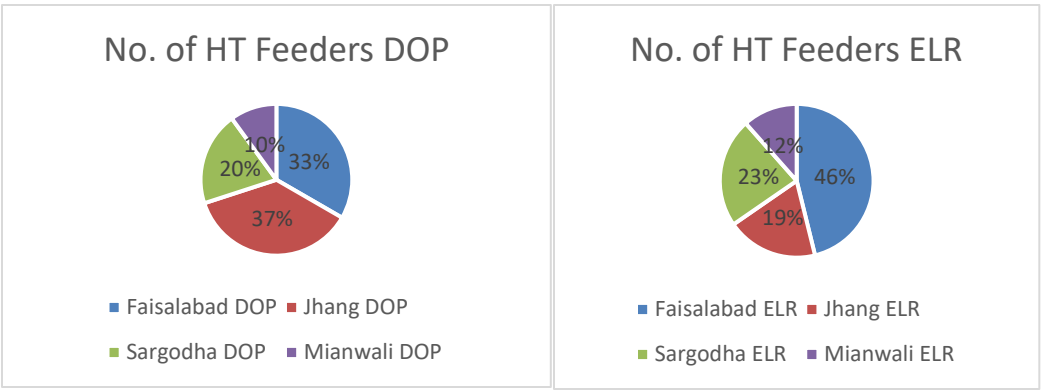
Table-47: Circle wise breakdown (DIIP)

Sr. No.	Name of Circle	Head	No. of HT Feeders	cost
1	Faisalabad	DOP	10	236.91
2	Jhang	DOP	11	260.2
3	Sargodha	DOP	6	153.7
4	Mianwali	DOP	3	39.51
Sr. No.	**Name of Circle**	**Head**	**No. of HT Feeders**	**cost**
1	Faisalabad	ELR	12	580.42
2	Jhang	ELR	5	161.36
3	Sargodha	ELR	6	167.1
4	Mianwali	ELR	3	141.34

(Source: Data provided by PD Construction FESCO, Faisalabad)

[33] The matter of T&D losses reported in Compliance Audit Report of FESCO issued as Draft Para No. 1587/2025-26/AMIS 2025_COM0000000145_F01751)

Figure-25: HT Feeders (DOP)/HT Feeders (ELR)



Geographical analysis of LT projects completed FY-2024-25

A detailed geographical analysis of Low Tension (LT) projects executed during financial year 2024-25 was undertaken to evaluate the spread of DIIP investments at the consumer-end distribution network across FESCO's operational circles. Under the Distribution of Power (DOP) head, a total of 390 LT projects were completed at a cost of Rs. 460.61 million, while under the Energy Loss Reduction (ELR) head, 376 LT projects were completed at a cost of Rs. 511.06 million, representing a combined investment of Rs. 971.67 million during the year. The circle-wise analysis revealed that Sargodha Circle received the highest number of LT projects under DOP with 103 schemes, followed by 1st Circle Faisalabad with 84 schemes, indicating focused attention on consumer-end infrastructure in these areas. Under the ELR head, Mianwali Circle recorded the highest activity with 105 projects at a cost of Rs. 158.61 million, reflecting targeted loss reduction efforts in that region. The data demonstrated that LT project execution was more widely distributed across circles compared to HT projects, aligning with the objective of addressing dispersed consumer-level network deficiencies. The detailed circle-wise breakdown is presented below:

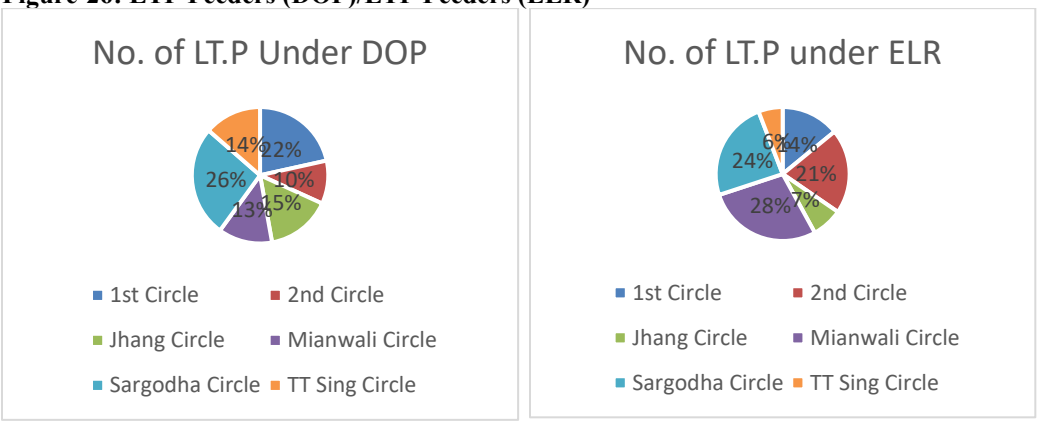
Table-48: Circle wise breakdown (DIIP)

Sr. No.	Name of Circle	No. of LT.P DOP	Cost
1	1st Circle	84	110.11
2	2nd Circle	40	45.99

3	Jhang Circle	60	72.5
4	Mianwali Circle	50	44.04
5	Sargodha Circle	103	109.33
6	TT Sing Circle	53	78.64
Sr. No.	**Name of Circle**	**No. of LT.P ELR**	**Cost**
1	1st Circle	53	65.15
2	2nd Circle	77	95.36
3	Jhang Circle	28	40.95
4	Mianwali Circle	105	158.61
5	Sargodha Circle	91	114.06
6	TT Sing Circle	22	36.93

(Source: Data provided by PD Construction FESCO, Faisalabad)

Figure-26: LTP Feeders (DOP)/LTP Feeders (ELR)



8.15.9 Weak Anti-Theft Enforcement

Anti-theft campaign launched by the Ministry of Energy, a total of 20423 FIRs were requested; however, 19,925 were registered, against which 14812 persons were arrested. Additionally, 05 employees were arrested and 27 were suspended for their involvement. FESCO charged 47.78 million units amounting to Rs. 2,260.98 million as detection bills, out of which Rs. 1,817.97 million was

recovered, leaving a sizeable balance of Rs. 443.01 million outstanding for the period from 07.09.2023 to 30.06.2025[34]. The abstract is as under:

Table-49: Status of Anti-Theft Campaign of FESCO (DIIP)

(Rs. in million)

Period	No of FIRs requested	No of FIRs Registered	No of Person Arrested	No of Employees	No of Employees Suspended	Units charged	Amount charged	Amount recovered	Balance Amount
7.09.23 to 30.6.24	9664	9652	9550	5	27	22.95	1,060.67	897.80	162.87
1.07.24 to 30.06.25	10759	10306	5262	0	0	24.83	1,200.31	920.17	280.14
Total	**20423**	**19958**	**14812**	**5**	**27**	**47.78**	**2,260.98**	**1,817.97**	**443.01**

(Source: FESCO reports)

The anti-theft campaign remains unrecovered. Systemic deficiencies include:

- Poor follow-up on FIRs
- Delayed legal actions
- Weak coordination with law enforcement
- No structured recovery system

8.15.10 Weaknesses in Organizational Controls and Internal Audit Integration (Lack of Data Integration and Automated Oversight)

Despite Rs.23 million allocation, Internal Audit remains unintegrated with ERP.

This prevents:

- real-time review
- automated exception reports
- continuous auditing
- data-driven risk analytics

The absence of integrated audit controls weakens transparency, detection of irregularities, and governance.

[34] The matter regarding status of Anti-Theft Campaign reported in Compliance Audit Report of FESCO and issued as Draft Para No.1126/2025-26/AMIS 2025_COM0000000145_F01170

Ineffective Use of Digital Transformation Investments

Projects like GIS, AMI, ERP, and system studies were slowed, underfunded, or poorly implemented reflecting a pattern of inadequate digital governance.

8.15.11 Impediments Affecting Institutional Performance (Structural and Managerial Impediments)

- Weak project management capacity
- Absence of a DIIP-specific monitoring cell
- Fragmented planning and oversight
- High dependency on manual processes
- Lack of accountability mechanisms

Technical Impediments

- Delayed system studies
- Poor feeder diagnostics
- Lack of predictive maintenance practices
- Insufficient GIS/AMI/SCADA integration

Financial and Budgeting Impediments

- Delayed release of funds
- Uncoordinated budgeting among departments
- Absence of performance-based financing

Regulatory and Compliance Impediments

- Non-adherence to NEPRA's mandatory processes
- Weak coordination with NTDC
- Inability to comply with monitoring and reporting obligations

Overall Impact on DIIP Targets and Public Interest

The combined effect of these deficiencies results in:

- Non-achievement of regulatory targets
- Financial burden on consumers through higher losses and inefficiencies
- Delayed modernization of the distribution network
- Underperformance against NEPRA's MYT objectives
- Lower reliability, higher outages, and poor service quality
- Loss of regulatory credibility and risk of disallowance of future expenditures

The inefficient implementation of DIIP ultimately undermines the purpose for which NEPRA approved large-scale development funding: to provide safe, reliable, efficient, and affordable electricity to consumers.

8.15.12 Conclusion of Critical Review

The critical review demonstrates that DIIP implementation in FESCO suffers from systemic deficiencies across legal compliance, institutional governance, financial management, and technical operations. Each observation points to a deeper structural weakness: weak planning, ineffective monitoring, non-adherence to NEPRA frameworks, and fragmented decision-making.

Unless FESCO undertakes structural reforms including stronger project governance, integrated IT systems, enhanced compliance structures, and transparent monitoring DIIP objectives will continue to be compromised.

8.16 Significant Audit Observations

8.16.1 Post-Deadline Deferral and Subsequent Substitution of 24 STG DIIP Sub-Projects after Incurring Expenditure

As per NEPRA Determination, Point (26), the Authority directed that:

i. No re-appropriation shall be allowed against the approved investments under different heads of DIIP.

ii. In case of any deviation exceeding 5% under any head of investment due to regulatory decisions or interventions, FESCO shall be required to submit additional investment requirements for prior approval of the Authority.

According to decision of the Authority in the matter of motion for leave for review filed by FESCO against NEPRA determination dated April 20, 2023 regarding FESCO's Distribution Integrated Investment Plan (DIIP) for financial year 2023-24 to 2027-28. With respect to the request of FESCO to roll over the projects as per system requirements the Authority noted that the projects are mostly demand driven and in case of change in system demand the commissioning year of projects may be rescheduled accordingly and submitted for prior approval of the Authority. Therefore, in case of rescheduling any project(s) to some later date against the timelines being approved in the investment plan.

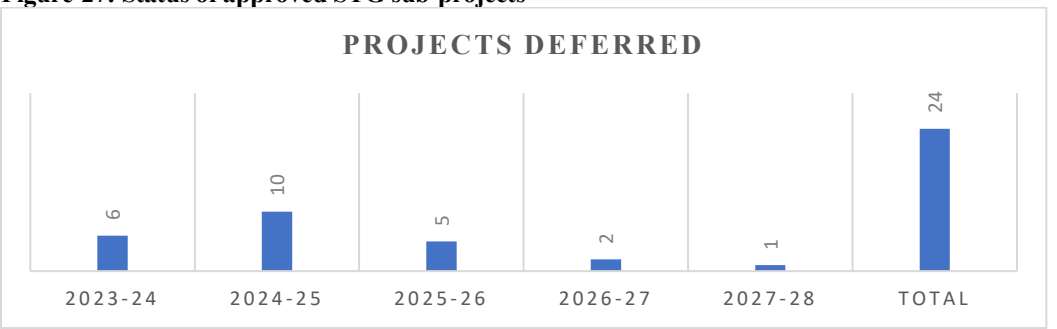
During thematic audit of DIIP for FY 2023-24 and FY 2024-25, it was observed that as per NEPRA approved FESCO's Distribution Integrated Investment Plan, an allocation of Rs. 32,721 million was made for Secondary Transmission and Grid (STG) projects. This approval was based on FESCO's original submission and planning phase, wherein project identification, prioritization, and cost-benefit analyses were carried out through a structured process aligned with NEPRA's investment guidelines and the Transmission System Expansion Plan (TSEP) methodology in coordination with NTDC. Contrary to this approved framework, the Board of Directors (BOD) FESCO, in its 308th / 22nd meeting held on May 23, 2025, approved 43 new STG subprojects amounting to Rs. 7,020.76 million, replacing 24 already-approved STG subprojects amounting to Rs. 7,307.19 million. Audit noted that no documentary evidence was available to establish financial and economic feasibility at the time of substitution. Examination of timelines showed that out of the 24 sub-projects placed in the deferred category, 6 were scheduled for completion in financial year 2023-24 and 10 were scheduled for completion in financial year 2024-25.

Table-50: Summary of approved STG sub-projects

Sr. No.	Year	No. of projects
1	2023-24	6
2	2024-25	10
3	2025-26	5
4	2026-27	2
5	2027-28	1
	Total	**24**

(Source: MIRAD Directorate FESCO)

Figure-27: Status of approved STG sub-projects



(Source: MIRAD Directorate FESCO)

Audit further observed that out of the 24 sub-projects proposed for substitution, on three projects, expenditure amounting to Rs. 391.53 million had already been incurred detail is given in the table below.

Table-51: Detail of Expenditure Incurred on Deferred Subprojects (DIIP)

Sr. No.	Name of work	Category	Expenditures	Remarks	MVA Added	Year
1	132 KV Grid Station Nishatabad	Augmentation	301,013,000.00	Energized	40	2023-24
2	132 KV Grid Station Bhabra	02xLine Bays		Energized		2023-24
3	132KV G/S Sargodha City.	T/F bay	90,515,850.01			2024-25
	Total		**391,528,850.01**			

(Source: Data provided by FESCO MIRAD Directorate via Email)

The deviation occurred due to the absence of an effective coordination mechanism between FESCO and NTDC for joint system planning and validation of STG projects. Weak internal controls, non-compliance with NEPRA's sequential approval process, and inadequate oversight by the Planning & Design Directorate led to the substitution of projects without proper technical studies, financial justification, or regulatory approval.

As a result, FESCO's substitution of projects without NEPRA and NTDC validation created risks of technical mismatch and system inefficiency. It may cause instability in the transmission-distribution interface, lead to duplication of investments, and expose the company to regulatory non-compliance, including possible disallowance of expenditure in future tariff reviews. Furthermore, incurring of expenditures Rs.391.53 million on the projects for which FESCO was seeking substitution.

The Departmental Accounts Committee (DAC) in its meeting held on February 9-10, 2026 directed management to provide copy of NEPRA's formal approval for substitution of 24 projects with 43 new ones, validated load-flow studies and financial analyses, and details of systemic rectification of coordination failure between FESCO and NTDC for future STG projects. And submit revised reply with detailed justification including project-wise documentary evidence of tangible operational benefits for expenditure of Rs. 391.53 million, pre- and post-

completion system performance data for Nishatabad and Sargodha City grid stations, correspondence regarding delays at Bhabra grid station,

Audit recommends that management implement DAC's directives.

8.16.2 Inordinate Delay in Go-Live of GIS Mapping Project Under DIIP

As per clause 10 of PO No. 6151-60 dated: 02-06-2023 for GIS Mapping project, NESPAK (Pvt.) Ltd. was required to achieve the Go-Live stage within fourteen (14) months of contract award. Additionally, under NEPRA-approved DIIP guidelines, FESCO is obligated to ensure timely implementation of technical improvement projects to achieve intended system enhancements and service quality objectives.

During the thematic audit of DIIP of FESCO for financial year 2023-24 and financial year 2024-25 it was noticed that FESCO awarded the GIS Mapping contract to NESPAK (Pvt.) Ltd. on June 02, 2023 with a stipulated Go-Live timeline of fourteen months. Review of DIIP implementation for financial year 2023-24 and 2024-25 showed that the Go-Live milestone has not been achieved despite the lapse of the contractual period **(Annexure-D)**. Project progress indicates that several key activities such as mobile application deployment, system integrations, data migration, feeder surveys, and staff trainings remain delayed or partially completed, resulting in overall non-achievement of the required project stage.

The delay reflects ineffective project management and inadequate monitoring of contractual timelines, leading to non-realization of intended DIIP benefits under the Technical Improvement Plan.

Non-adherence to project timeline resulted in inordinate delay in completion of project.

The DAC in its meeting held on February 9-10, 2026 directed the management to submit detailed justification, including a phase-wise revised project plan with firm Go-Live dates, copies of all correspondence with NESPAK including issued notices for delays, documentary evidence of State Bank restrictions impacting timelines, and a reconciliation of milestone-based payments against physical progress achieved to date for the GIS Mapping Project.

Audit recommends the management to implement DAC's directives.

8.16.3 Inefficient Utilization of DIIP Funds and Non-Achievement of Approved Targets

As per NEPRA-approved DIIP point 26, FESCO shall submit progress report showing achievement of the allowed targets (T&D losses, SAIFI, SAIDI, Reliability, Continuity. Quality of Power Supply and other performance standards) linked with the investment plan approved by the Authority.

iii. No re-appropriation shall be allowed to FESCO against the approved investments under different heads.

iv. In case of any deviation under each head of investment for more than 5% of the approved investment plan due to any regulatory decisions/interventions, FESCO shall be required to submit the additional investment requirements for prior approval of the Authority.

During the thematic audit of the Distribution Integrated Investment Plan (DIIP) for financial year 2023-24 and 2024-25, It was observed that serious deficiencies in financial management and execution of approved investments of NEPRA were found. The audit identified combined instances of non/over/under utilization of funds. Against the sanctioned allocation of Rs. 39,476 million, an amount of Rs. 15,971 million remained unutilized. In case of under-utilization of investments, utilization in relevant components e.g. STG, Technical Improvement Plan (GIS, SCADA etc.) was observed up to 62% during financial year 2023-24 and further deteriorated to 57% during financial year 2024-25 **(Annexure-E).** While Rs. 5,325 million (financial year 2023-24 Rs. 3,179.6 million and financial year 2024-25 Rs. 2,145.40 million) pertained to specific heads e.g. Installation of Capacitor Banks under main component STGs, Tools & Plants for HT & LT Proposals under main component of ELR projects, against which no expenditure was incurred at all, indicating complete non-utilization rather than partial shortfall **(Annexure-F)**. Conversely, excess expenditure of Rs. 5,144 million (financial year 2023-24: Rs. 2,293 million and financial year 2024-25: Rs. 2,851 million) was incurred under certain components eg. DOP - Commercial Improvement (AMI / AMR), ELR (Own Sources), without prior approval, in violation of regulatory provisions restricting re-appropriation and deviations beyond prescribed limits **(Annexure-G)**. Against expenditures, MVAs and GWh planned and actual achieved **(Annexure-H)**.

Table-52: Status of Non/Under/Excess utilization of Funds (DIIP)

Description	Amount (Rs. in million			%age utilized 2023-24	%age utilized 2024-25
	FY 2023-24	FY 2024-25	Total		
Non-utilization	3,179.60	2,145.00	5,325.00	0%	0%
Under utilization	8,047.00	7,924.00	15,971.00	62%	57%
Excess utilization	2,293.00	2,851.00	5,144.00	179%	126%

Despite excess utilization of funds, physical performance remained below targets, indicating weak planning, inadequate monitoring, and ineffective internal controls **(Annexure-I)**.

This mismatch between financial utilization and actual outputs delayed intended system improvements and reduced expected consumer benefits.

The DAC directed management to provide detailed justifications, reconciliations, and a time-bound execution plan for pending and deviated components.

Audit recommends strict compliance with these directives to ensure effective and disciplined implementation of DIIP.

8.16.4 Deficient Planning in Forecasting and Claiming Investment under sub -components of Financial Improvement Plan of DIIP.

Under the NEPRA-approved Distribution Integrated Investment Plan (DIIP), DISCOs are required to submit accurate and need-based investment requirements. These requirements are allowed strictly for activities that are necessary, pending, and aligned with operational improvement needs. Investments claimed without actual requirement or for activities already completed violate DIIP principles and indicate deficient planning and weak internal controls.

During thematic audit of DIIP of FESCO for financial year 2023-24 and financial year 2024-25 it was revealed that the against Financial Management / IT Improvement component of DIIP, FESCO claimed and obtained NEPRA approval for an investment of Rs. 10 million for GAP Analysis of ERP System IT, Rs.12 million for security policy implementation and Rs. 7 million for Online House allocation system activity.

However, departmental records and remarks provided by FESCO, as detailed in the table below, indicate otherwise.

Table-53: Financial management / IT improvement status of DIIP

Sr. No.	Description	2023-24 Amount Allowed (Rs. In million)	Remarks
1	GAP Analysis of ERP System	10	Already A. F. Ferguson was engaged during SAP ERP implementation after GAP analysis third party audit was done in parallel. No need of funds required in this head.
2	IT and security policy implementation	12	Acquired IT and Security Policy from PITC Lahore and implemented in FESCO after the approval of BOD. No need of funds required in this head. DG (IT) intimated Finance Directorate regarding Non-utilization of Capital Budget for FY 2023-24 vide letter No. FCC/Budget/8618 dated 30-04-2024.
3	Online House Allocation System	7	Developed in House, so no need of funds required in this head. DG (IT) intimated Finance Directorate regarding Non-utilization of Capital Budget for FY 2023-24 vide letter No. FCC/Budget/8618 dated 30-04-2024.

(Source: Data regarding approved investment and expenditures incurred provided by FESCO MIRAD Directorate)

Despite the completion of these activities**,** investment was claimed and approved under DIIP, resulting in non-utilization of the amount of Rs. 29 million allocated for activities mentioned in above given table.

The investment proposal submitted by FESCO for NEPRA approval was not based on actual needs and lacked coordination between IT, Finance, and MIRAD departments. This reflects deficient planning, inaccurate reporting of project requirements, and failure to reconcile ongoing and completed IT interventions prior to submission of DIIP proposals. Such deficient planning led to:

- Inclusion of unnecessary investment in the tariff calculation, creating a risk of undue financial burden on consumers;
- Misallocation of resources, as funds were earmarked for activities already completed; and
- Weak credibility of DIIP submissions, affecting future regulatory trust and compliance.

Due to deficient planning in claiming investment, amount Rs. 29 million was approved against components already completed.

The DAC in its meeting held on February 9-10, 2026 directed the management to submit revised reply with detailed justification, including a written explanation signed by the CEO acknowledging the procedural lapse in claiming Rs. 29 million for activities already completed. The management shall provide details of action taken against officials responsible for inaccurate needs assessment and certification of a cross-departmental verification mechanism to prevent recurrence in future DIIP cycles.

Audit recommends the management to implement DAC's directives.

8.16.5 Execution of DIIP without third-party oversight despite NEPRA-approved allocation

NEPRA Determination of the Authority in the Matter of Investment Plan filed by FESCO for MYT 2023-24 to 2027-28 (LAD-04, dated 20 April 2023) "FESCO shall submit a quarterly progress report showing utilization of allowed investment, physical progress and the benefits accrued against amount incurred for each project highlighted under different heads. The submitted quarterly progress report shall be reviewed/verified by a third-party consultant/firm selected by the Authority on ToRs approved by the Authority for effective monitoring on quarterly basis. The charges/fees for hiring of the services of third-party consultant/firm for this purpose shall be borne by FESCO."

During thematic audit of DIIP of FESCO for financial year 2023-24 and financial year 2024-25 it was observed that NEPRA had approved FESCO's Distribution Integrated Investment Plan (DIIP) amounting to Rs. 124,367.00 million vide its Determination of MYT 2023-24 to 2027-28 dated 20 April 2023 with projected benefits including the strengthening of high-voltage networks (132 kV and 66 kV), reduction of technical losses, enhancement of supply reliability, IT and AMI system implementation, and capacity-building initiatives. However, FESCO incurred an expenditure of Rs. 42,583.00 million against the approved allocation of Rs. 51,028.00 million during financial year 2023-24 to financial year 2024-25 without engaging any third-party consultant or firm for the mandatory quarterly evaluation of investment progress and benefits. This occurred despite NEPRA's clear directive and an approved budgetary provision of Rs. 80.00 million for the year 2023-24 to 2024-25 (Rs. 200 million whole period) earmarked specifically for third-party monitoring activities for the period 2023-28. The lapse indicates non-compliance with NEPRA's Determination and failure to operationalize independent oversight mechanisms for verifying utilization and outcomes of large-scale investments. As a result, more than Rs. 42 billion of public-funded investments under the DIIP were executed without external technical validation, thereby compromising the reliability and authenticity of reported progress and benefits. This non-compliance exposes FESCO to regulatory risks, including possible disallowance of expenditures in future NEPRA tariff

reviews, and undermines transparency, accountability, and governance in the utilization of allocated development funds.

Non-adherence to NEPRA directions resulted in irregular execution of DIIP without third-party oversight despite NEPRA-approved allocation for independent monitoring Rs. 80 million upto the period 2024-25.

The DAC in its meeting held on February 9-10, 2026 directed the management to submit detailed justification, including proof of proactive written follow-ups with NEPRA for engagement of third-party monitor, and an undertaking that future progress reports will clearly indicate absence of third-party verification until monitor is engaged, given expenditure of Rs. 42.5 billion occurred without mandatory oversight.

Audit recommends the management to implement DAC's directives.

8.16.6 Underutilization of DIIP Funds for Revamping Internal Audit Function

According to Sections 19, 20 and 21 of the State-Owned Enterprises (Governance and Operations) Act, 2023, the Board of a State-Owned Enterprise is required to establish and maintain sound governance, risk management, and internal control arrangements, including an effective internal audit function operating under the oversight of the Audit Committee. Furthermore, Clause 6.3.1 of FESCO's Internal Audit Manual requires preparation of a risk-based Annual Internal Audit Plan for approval of the Audit Committee prior to commencement of each year. Further, under the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors (IIA), Standards 1000, 1110, 2010, 2060, 2120 and 2130 require that internal auditing function as an independent and objective assurance and advisory activity, operating under a Board-approved charter with organizational independence and functional reporting to the Board, implementing a risk-based audit plan, reporting periodically to the Board, and evaluating the effectiveness of governance, risk management, and internal control processes.

During the thematic audit of FESCO's Distribution Integrated Investment Plan (DIIP) for financial year 2023-24 and financial year 2024-25, it was observed that an amount of Rs. 23 million was allocated under the DIIP specifically for revamping the internal audit function, with the objective of enabling desk audits through direct data access and addressing human resource constraints. However,

against this allocation, only Rs. 11 million were utilized up to June 2025, representing a significant underutilization of 52%, and the envisaged modernization of the internal audit function could not be operationalized. As a result, internal audit operations remained entirely manual, with auditors relying on manually extracted data and offline tools, constraining their ability to perform holistic monitoring and data analytics using modern IT enabled techniques. continuous monitoring, real-time assurance, and data-driven risk assessment.

Audit holds that inability to fully utilize allocated funds for revamping internal audit function stems from weak planning, inadequate prioritization, and lack of effective coordination between the Finance Directorate and the Internal Audit Wing during DIIP formulation and execution.

Weak project planning led to underutilization of DIIP funds, with only Rs. 11 million utilized against the approved allocation of Rs. 23 million up to the financial year 2024-25.

Matter was taken up with the management but no reply was submitted by the management.

The DAC in its meeting held on February 9-10, 2026 directed the management to submit detailed justification, including a time-bound action plan, with approval from the Board Audit Committee, for the full utilization of remaining funds to operationalize the envisaged system-based internal audit capabilities.

Audit recommends the management to implement DAC's directives.

8.16.7 Inadequate rollout of advanced metering infrastructure due to under-utilization of NEPRA-allocated AMI/AMR funds

As per NEPRA Determination of the Authority in the Matter of Investment Plan filed by FESCO for MYT 2023-24 to 2027-28, funds of Rs. 736 million allowed for commercial improvement (AMI/AMR) for the financial year 2023-24 to 2024-25.

During thematic audit of DIIP of FESCO for financial year 2023-24 and financial year 2024-25 it was observed that an amount of Rs. 736 million was allowed for Commercial Improvement (AMI/AMR) for financial year 2023-24 and 2024-25 to achieve tangible and non-tangible benefits such as reading with advanced metering infrastructure without human intervention and accurate billing

for customer's satisfaction, loss reduction and recovery improvement in high loss area, assessment of load profile of each customer on real time etc were assessed while determination of DIIP. Audit, noted that FESCO incurred only Rs. 351 million (48%) against the allocated funds, and installed merely 17,657 meters out of the total 5,514,410 consumer meters of domestic, commercial and industrial, agriculture and others connections as on 30.06.2025. The abstract is as under:

Table-54: Detail of total connection and AMI meter installed at FESCO as on 30.06.2025 (DIIP)

Tariff Category	Total No. of Connections	AMI Installed	Balance
Domestic Single Phase	4,914,796	-	4,914,796
Domestic Three Phase	53,632	1,435	52,197
Commercial Single Phase	402,000	-	402,000
Commercial Three Phase	19,776	2,356	17,420
Industrial (B-I)	33,699	5,720	27,979
Industrial (B-II)	12,365	1,690	10,675
Industrial (B-3)	406	306	100
Industrial (B-4)	24	4	20
Agricultural	44,921	5,967	38,954
Others Single Phase	24,034	-	24,034
Others Three Phase	8,757	179	8,578
Total	**5,514,410**	**17,657**	**5,496,753**

(Source: PPMC DISCOs Performance Report 2024-25)

The under-utilization of allocated funds and minimal deployment of AMI/AMR meters occurred due to weak project planning, slow procurement/implementation processes, and lack of prioritization of high-loss areas. As a result, the intended operational efficiencies, loss reduction targets, billing accuracy improvements, and benefits envisaged in the DIIP remained largely unachieved, leading to continued reliance on manual meter reading and diminished return on allowed investment.

Ineffective Implementation of AMI/AMR Project resulted Inadequate rollout of advanced metering infrastructure due to under-utilization of NEPRA-allocated AMI/AMR funds Rs. 385 million upto the period 2024-25.

The DAC in its meeting held on February 9-10, 2026 directed the management to submit revised reply with detailed justification, including a detailed procurement and implementation plan with monthly milestones to achieve approved target of 88,000 AMI meters by June 2028, confirmation that cited procedural delays are resolved, and a strategy to prioritize deployment in high-loss areas to maximize loss reduction impact.+*-

Audit recommends the management to implement DAC's directives.

8.16.8 Wasteful expenditure on HT feeders with low Benefit to cost ratio

As per determination of the NEPRA in the matter of Investment Plan filed by Faisalabad Electric Supply Company Ltd. (FESCO) for MYT Tariff Control Period from financial year 2023-24 to financial year 2027-28 communicated by letter No. NEPRA Dir.(Tech.)/LAD-04/2181-87 dated: April 20, 2023. The required Benefit/Cost (B/C) ratio for HT proposal is as under:

For ELR, Proposals	≥	2.36%
For DOP Proposals	≥	1.96%

During the thematic audit of the DIIP for the financial years 2023-24 and 2024-25, it was observed that 69 HT feeder rehabilitation works were executed at a total expenditure of Rs. 1,291.44 million against an estimated cost of Rs. 1,174.31 million. A review of the project data revealed that these works were undertaken despite having B/C ratios that fell significantly below NEPRA's prescribed thresholds. Specifically, the B/C ratios for these projects ranged from 0.00% to 2.23% for ELR schemes and from -0.18% (negative) to 1.95% overall, demonstrating clear non-compliance with the mandatory financial and technical guidelines outlined in the regulatory approval. Furthermore, as the actual expenditure exceeded the estimated costs on which the initial B/C ratios were calculated, the final financial viability of these projects is even lower than originally projected. The execution of these projects with sub-standard B/C ratios points to significant deficiencies in FESCO's project planning, prioritization, and technical oversight. It indicates that the company failed to conduct proper cost-benefit analyses or ignored their results, leading to the selection of feeders for rehabilitation that offered little to no potential for loss reduction or system improvement. As a direct consequence, the investment of over Rs. 1.29 billion was against the benchmark set by NEPRA and could not generate the expected

technical and financial returns. This has resulted in a significant opportunity cost, whereby scarce financial resources were consumed on economically unviable projects, while technically sound feeders with higher loss-reduction potential and greater consumer benefit were overlooked. This practice undermined the core objectives of the DIIP and exposes FESCO to potential regulatory disallowance of the expenditure in future tariff reviews.

Non-adherence to NEPRA's petition guidelines resulted in wasteful expenditure on HT feeders with low Benefit to cost ratio - Rs. 1,291.44 million during financial years 2023-24 & 2024-25.

The DAC in its meeting held on February 9-10, 2026 directed the management to submit revised reply with detailed justification, including project-wise justification for each of the 69 HT feeders detailing specific critical system needs necessitating work despite low B/C ratios, and evidence of post-execution improvements in system reliability supported by SAIFI/SAIDI data on those specific feeders.

Audit recommends the management to implement DAC's directives.

8.16.9 Non-achievement of 2,809 LT Proposals Targets by FESCO promised in DIIP

As per NEPRA's determination regarding the Investment Plan of FESCO for financial years 2023-24 to 2027-28, issued vide No. 2181-87 dated 20/04/2023, FESCO provided the scope of work for ELR and DOP for financial year 2024-25 under Para 5.3 and 6.3, respectively, as follows:

Table-55: Summary of HT/LT under DOP/ELR Proposals (DIIP)

FY	Description	ELR	DOP	Total
2023-24	HT Proposals	32	20	52
	LT Proposals	800	541	1,341
2024-25	HT Proposals	34	31	65
	LT Proposals	850	618	1,468
Total	**HT Proposals**	**66**	**51**	**117**
	LT Proposals	**1,650**	**1,159**	**2,809**

(Source: Data received from PD Construction FESCO)

During the Thematic Audit of FESCO's Distribution Integrated Investment Plan (DIIP) for the financial years 2023-24 to 2024-25, it was observed that PD (Const) FESCO failed to meet the committed targets for LT proposals under both ELR and DOP categories as outlined in the Distribution Integrated Investment Plan

(DIIP). Out of a cumulative target of 2,809 LT proposals, only 1,534 were executed, resulting in a shortfall of 1,275 proposals and an overall achievement rate of just 54.61%. This condition reflects a persistent underperformance in infrastructure rollout despite substantial expenditure exceeding PKR 2.16 billion. The root cause of this shortfall appears to be multifaceted, including inadequate field-level execution capacity, delays in procurement and contractor mobilization, and lack of robust monitoring mechanisms. ELR performance was particularly weak, with achievement rates falling below 50% in both years, suggesting structural inefficiencies in execution workflows. The effect of this non-compliance is significant: delayed infrastructure expansion risks overloading existing distribution networks, increases the likelihood of voltage instability and consumer complaints, and undermines the credibility of DIIP planning.

Table-56: Status of LT Works execution

Financial Year	Amount (Rs in million)			
	Target	Actual	Diff	Cost
2023-24	1341	767	574	1161.985
2024-25	1468	767	701	1002.105
Total	**2,809**	**1,534**	**1,275**	**2,164.09**

(Source: FESCO Progress Report and DIIP for the FYs 2023-24 to 2027-28)

Non-adherence to DIIP targets resulted in non-achievement of 2,809 LT Proposals targets by PD (Const), FESCO promised in DIIP during the financial year 2023-25.

The DAC in its meeting held on February 9-10, 2026 directed the management to submit revised reply with detailed justification, including clear segregation of data showing LT proposals executed under core DIIP versus SAP program to verify non-diversion of DIIP funds, and root cause analysis of persistent underperformance with concrete remedial plan for remaining DIIP period.

Audit recommends the management to implement DAC's directives.

8.16.10 Non-installation of 55 No 11kV Capacitors despite allocation of investment in DIIP

As per NEPRA's approved Distribution Integrated Investment Plan (DIIP) of FESCO for financial years 2023-24 to 2027-28, a total investment of Rs. 348 million was earmarked specifically for the installation of 55 units of 11kV

capacitors under DOP (Own Source) schemes. These installations were intended to improve power factor, reduce technical losses, and stabilize voltage profiles across the distribution network, in line with system planning and operational efficiency benchmarks.

During the Thematic Audit of FESCO's Distribution Integrated Investment Plan (DIIP) for the financial years 2023-24 to 2024-25, it was observed that despite full utilization of allocated funds Rs. 1,440 million in financial year 2023-24 and Rs. 1,235 million in financial year 2024-25 against the investment allowed Rs. 1,162 million and Rs. 1,268 million respectively none of the planned 11kV capacitor installations were executed. While 57 HT and 721 LT proposals were completed over the two fiscal years, the capacitor schemes (25 in financial year 2023-24 and 30 in financial year 2024-25) remained entirely unimplemented. This constitutes a deviation from the approved scope of work under DIIP and reflects non-compliance with the investment plan. The non-installation appears to stem from inadequate prioritization of reactive power compensation infrastructure within the execution strategy of FESCO, despite the availability of funds and inclusion of capacitor schemes in the approved scope. Lack of technical follow-through, absence of monitoring mechanisms, and possible misalignment between planning and field execution contributed to this lapse.

Table-57: Details of 11kV Capacitor installation

FY	Target	Actual	Diff
2023-24	25	0	-25
2024-25	30	0	-30
Total	**55**	**0**	**-55**

(Source: FESCO Progress report and DIIP for the FYs 2023-24 to 2027-28)

Non-installation of 11kV capacitors has adversely impacted the distribution system's operational integrity. Without reactive power support, the network continues to suffer power factor issues, elevated I^2R losses (I = Current flowing through the conductor, R = Resistance of the conductor and the formula of Power Loss = $I^2 \times R$ shows that losses increase quadratically with current.), and voltage instability especially during peak load conditions. This not only undermines system efficiency but also results in suboptimal utilization of DIIP

funds, defeating the strategic intent of the investment and potentially exposing the utility to regulatory scrutiny and consumer dissatisfaction.

The matter was taken up with the management but no reply was submitted by the management.

The DAC in its meeting held on February 9-10, 2026 directed the management to submit detailed justification, including a categorical explanation for non-installation of 55 planned 11kV capacitors despite full fund utilization, a time-bound plan for immediate installation, and an analysis of financial and technical impact of this non-installation on power factor and system losses.

Audit recommends the management to implement DAC's directives.

8.17. Departmental Responses

8.17.1 Response to Audit observation 8.16.1

The management asserted that all expenditures were within the approved DIIP scope and aimed at system strengthening. Project deferrals and technical alternatives, such as transformer upgrades instead of physical expansion, were driven by operational priorities and external constraints, not financial deviation. These decisions delivered tangible benefits and optimized approved resources. The substitution of 24 projects with 43 new ones was a strategic response to rapid solarization, ensuring higher technical and financial benefits. This Board-approved revision has been submitted to NEPRA, and execution will not commence without regulatory authorization, ensuring compliance.

8.17.2 Response to Audit observation 8.16.2

While the project missed its 14-month timeline, the delay is due to technical complexities, legacy system integration, and external import restrictions, not a lack of oversight. As a milestone-based project, payments remain linked to deliverables, ensuring no financial loss has occurred.

8.17.3 Response to Audit observation 8.16.3

The management explains that the apparent under-utilization stems from the multi-year nature of the MYT framework, where investments are assessed over the full control period. Delays from land acquisition and procurement are procedural, and when combined, overall utilization stands at a reasonable 81.70%, with active implementation ongoing.

8.17.4 Response to Audit observation 8.16.4

The non-utilization of Rs. 29 million represents financial prudence, as objectives were met through in-house development and inter-departmental coordination instead of external procurement. Management maintains that the need was accurately identified, but the most cost-effective execution method was utilized, avoiding consumer burden.

8.17.5 Response to Audit observation 8.16.5

Responsibility for hiring the third-party monitor rests exclusively with NEPRA as per its determination, not with FESCO. Therefore, the lack of independent monitoring cannot be attributed to the utility.

8.17.6 Response to Audit observation 8.16.6

No reply was submitted by management prior to the finalization of the report.

8.17.7 Response to Audit observation 8.16.7

The audit figure of 5.5 million meters is incorrect; the approved DIIP target is 32,211 meters, against which a shortfall occurred due to procurement delays. These issues have been resolved, and management assures the revised target of 88,000 meters by 2028 will be met.

8.17.8 Response to Audit observation 8.16.8

HT feeder rehabilitation was justified by critical system needs like safety and reliability, not solely by B/C ratios. The works have successfully improved system stability and reduced outages, delivering long-term operational benefits that make the expenditure valid.

8.17.9 Response to Audit observation 8.16.09

The management states that the audit target did not account for concurrent SAP village electrification works. By completing 3,266 total projects against a combined target, performance targets were achieved with no slackness.

8.17.10 Response to Audit observation 8.16.10

No reply was submitted by management prior to the finalization of the report.

8.18 Conclusion

The thematic audit of the Distribution Integrated Investment Plan (DIIP) for financial year 2023-24 and financial year 2024-25 revealed pervasive weaknesses in planning, execution, financial discipline, and regulatory compliance on the part of FESCO. Despite substantial NEPRA-approved allocations, the Company failed to achieve prescribed loss-reduction targets, resulting in significant financial losses, while simultaneously exhibiting under-utilization, over-utilization, and misallocation of DIIP funds across multiple components. Several projects were either delayed, deferred after incurring expenditure, or substituted without requisite technical, financial, or regulatory justification, undermining the intended objectives of system strengthening, loss reduction, and service improvement. Critical initiatives such as GIS mapping, AMI/AMR deployment, non- access of Internal Audit to ERP, and installation of 11 kV capacitors remained incomplete or ineffective despite availability of funds. Moreover, execution of uneconomical projects with low benefit-cost ratios, inadequate recovery under anti-theft drives, non-achievement of committed ELR/DOP targets, disproportionate regional allocation of development funds, and absence of mandatory third-party monitoring reflect weak governance, ineffective oversight, and non-adherence to NEPRA determinations and DIIP guidelines. Collectively, these deficiencies have led to inefficient utilization of public resources, delayed realization of intended benefits, increased regulatory risk, and potential financial burden on consumers.

8.19 Recommendations

In view of audit analysis, critical review and significant observations, the following measures are recommended to improve governance, ensure regulatory compliance, and enhance the effectiveness of future DIIP investments:

- Ensure strict adherence to NEPRA's determinations and DIIP guidelines by executing all projects within approved scope, timelines, and financial limits, with prior regulatory approval for any deviations, substitutions, or deferrals.
- Strengthen project planning and prioritization by conducting comprehensive system studies and cost-benefit assessments to avoid uneconomical projects and align investments with loss reduction, reliability, and service improvement targets.

- Enhance financial discipline and budgetary controls by monitoring component-wise expenditure against physical targets and ensuring timely corrective actions to align financial utilization with project outputs.
- Ensure timely project execution and monitoring by establishing a dedicated DIIP monitoring cell, conducting quarterly progress reviews with independent validation, and submitting periodic reports to NEPRA and the Board of Directors.
- Operationalize third-party oversight by immediately engaging a NEPRA-nominated consultant for independent monitoring and ensuring external validation of investment utilization and achieved benefits in all future progress reports.
- Accelerate integration of technology and digital systems by expediting the GIS mapping project, fully integrating ERP modules with the Internal Audit Wing, and fast-tracking AMI/AMR deployment to achieve loss reduction and billing efficiency targets.
- Strengthen the internal audit function by filling vacant posts, operationalizing the system-based audit with remaining DIIP funds, and ensuring preparation and approval of a risk-based annual audit plan by the Audit Committee.
- Build institutional capacity by investing in training for technical, financial, and audit staff and institutionalizing cross-functional coordination between Planning, IT, Finance, and Audit Directorates.
- Fix accountability and strengthen oversight by fixing responsibility for observed deficiencies and ensuring the Board Audit Committee actively monitors implementation of audit recommendations.
- Incorporate lessons learned from this thematic audit into the design and execution of future DIIP cycles to ensure investment proposals are realistic, need-based, and aligned with regulatory targets and sustainable development goals.

Appendix-I

Annexure-A

List of MFDAC Paras (Audit Report 2025-26)

Sr. No.	Formation	DP No.	Subject
1	PITC	17/2025-26	Increasing trend of receivable due to non-recovery from DISCOs - Rs.1,183.909 million
2	PITC	19/2025-26	Sub-optimal utilization of capital development budget -Rs.1,546.20 million
3	PITC	21/2025-26	Irregular issuance of purchase orders without obtaining performance guarantees -Rs.70.98 million
4	PITC	22/2025-26	Non-clearance/adjustment of long outstanding liability against associated companies -Rs. 47.10 million
5	PITC	23/2025-26	Irregular procurement practices by splitting of purchases to avoid competitive tendering – Rs.2.56 million
6	PITC	24/2025-26	Non-deduction of income tax on account of rent -Rs.1.027 million
7	PITC	26/2025-26	Un-reconciled security deposits balances -Rs.16.36 million
8	PITC	30/2025-26	Non-clearance/adjustment of long outstanding contingent liability - Rs.2.37 million
9	PITC	32/2025-26	Non recognition of provision for taxation in financial statements of PITC employees Trust (Pension Fund) -Rs.74.56 million
10	PITC	33/2025-26	Irregular expenditure on account of hiring Chief Executive Officer after Superannuation -Rs. 2.93 million
11	PITC	34/2025-26	Irregular/unjustified payment of rent of office accommodation -Rs.49.41 million
12	PITC	35/2025-26	Provision of long-term advances to employees without mortgage documents-Rs.155.80 million
13	PITC	36/2025-26	Irregular excess investment than prescribed limit in scheduled banks-Rs.520 million
14	PITC	37/2025-26	Irregular procurement of services without open competition in violation of Public Procurement Rules
15	PPIB	1028/2025-26	Irregular hiring of International law firm and non-recovery of legal charges from Finance Division Rs. 209.655 million
16	PPIB	1029/2025-26	Non-compliance with procurement rules in centralized bidding by PPIB
17	PPIB	1030/2025-26	Cost escalation risk from continued use of imported coal at Lucky Electric Power Company Limited
18	PPIB	1031/2025-26	Inadequate categorization of PPIB under SOE Policy, 2023
19	PPIB	1032/2025-26	Planning and Compliance risk in designating KE as Off-Taker for Cat-III Wind Projects
20	PPIB	1068/2025-26	Prolonged non-achievement of financial closing and stalling of Gwadar 300 MW Coal Power Project
21	PPIB	1069/2025-26	Irrational relaxation of loan regulations and abnormal Surge in employee loans of PPIB amounting Rs.479.933 million
22	PPIB	1071/2025-26	Unjustified amendment and revision of MD PPIB's remuneration package by the Board
23	PPIB	1072/2025-26	Irregular refund of loan markup to employees amounting Rs. 4.59 million
24	PPIB	1073/2025-26	Non-retention of surplus funds to federal consolidated fund amounting Rs.1,079.495 million
25	PPIB	1077/2025-26	Non-amendment of IA regarding continuity of GOP guarantee after NTDC restructuring – Matiari-Lahore HVDC Project
26	PPIB	1078/2025-26	Irregular direct recruitment against promotional post of Deputy Director (HR)

27	PPIB	1080/2025-26	Irregular grant of additional charge allowance to the officers
28	PPIB	1081/2025-26	Irregular appointments of officers due to acceptance of non-HEC verified degrees
29	PPIB	1082/2025-26	Ineffective recruitment planning and non-Adherence to merit resulting in repeated advertisements, delayed appointment, and higher salary burden in PPIB
30	PPIB	1083/2025-26	Non-recognition and non-recovery of fee claims from the power producers Rs. 4,288.337 million
31	PPIB	1084/2025-26	Loss due to imprudent investment decision by PPIB of Rs. 16.25 million
32	PPIB	1085/2025-26	Non-reimbursement of training expenditures from AFD Rs.10.809 million
33	PPIB	1086/2025-26	Poor internal control at Human Resources regarding provision of earned leave balance-Rs.34.267 million
34	PPIB	1088/2025-26	Non-formation of accounting manual & rules in preparing financial statements
35	PPIB	1089/2025-26	Non-promotion of eligible employees despite availability of vacant Posts
36	PPIB	1090/2025-26	Stalled wind project due to delayed LOI extension and weak project monitoring
37	PPIB	1091/2025-26	Undue benefits given to the officer on account of grant of leave, loan adjustment, and increments in violation of PPIB Regulations, 2013 - Rs. 7.489 million
38	PPIB	1092/2025-26	Non-extension of LOI validity period and non-recovery of applicable Fee of Western Energy (Pvt.) Limited– 50 MW Wind Power Project
39	PPIB	1093/2025-26	Failure to achieve timely financial close despite multiple extensions 100 MW Solar PV Project (ZSPL)
40	PPIB	1094/2025-26	Blocking of generation capacity1172.25 MW due to non-optimized Hydropower Projects at LOI Stage
41	PPIB	1095/2025-26	Inefficient financial management and unrealistic income projections leading to deficit and financial sustainability of PPIB
42	PPIB	1096/2025-26	Unjustified creation of three Director General Posts and increasing financial burden in PPIB
43	PPIB	1097/2025-26	Unjustified Pay disparity between PPIB and Ex-AEDB Directors
44	PPIB	1159/2025-26	Irregular approval of change of Power Purchaser from CPPA-G to K-Electric for 82.25 MW Turtonas-Uzghor Hydropower Project
45	PPIB	1160/2025-26	Delay in conversion of Imported coal IPPs to Thar coal
46	PPMC	1775/2025-26	Irregular and excessive revision of pay scales without financial oversight
47	PPMC	1776/2025-26	Unjustified rent escalation without bench marking/obtaining CDA/independent valuation resulting in excess expenditure Rs. 30.445 million
48	PPMC	1777/2025-26	Irregular procurement through quotation instead of tendering Rs.1.097 million
49	PPMC	1778/2025-26	Ineffective follow-up and monitoring by PPMC on enquiry Committee recommendations and DAC-directed inquiries
50	PPMC	1779/2025-26	Irregularities in interview assessment and recruitment process for specialist finance Posts at PPMC
51	PPMC	1780/2025-26	Delay in Operationalization of PPMC and Conflict of Interest in Staff Hiring
52	PPMC	1782/2025-26	Non-obtaining of fault reports and non-recovery of inspection fees for under warranty transformers Rs. 0.548 million
53	PPMC	1784/2025-26	Time-barred payment of residential house rent without recognition of accrued liability and valid authorization amounting Rs.5.390 million
54	PPMC	1786/2025-26	Appointment of statutory auditors without open competitive bidding in violation of PPRA Rules
55	PPMC	1881/2025-26	Non-achievement of key deliverables of the National Electricity Plan 2023-27 by designated entity “PPMC”

56	PPMC	2007/2025-26	Irregular procurement of vehicles in violation of austerity measures - Rs.19.842 million
57	PPMC	2008/2025-26	Unjustified retention of deputationists having financial impact on PPMC
58	PPMC	2009/2025-26	Inadequate and unbalanced composition of Board Sub-Committees of PPMC
59	PPMC	2152/2025-26	Irregular payment of board meeting fees to MD/Deemed Director amounting to Rs.0.780 million
60	MOE	253/2025-26	Poor oversight of Ministry of Energy (Power Division) resulted in non-implementation of Smart Metering Rollout plan.
61	MOE	254/2025-26	Non-transparency in disposal of old de-functional power plants of Jamshoro Power Generation Company Limited (JPGCL) — Rs.1,1707.62 million.
62	MOE	255/2025-26	Station non-compliance in disposal of defunct power plants by CPGCL — Rs.14,519.900 million.
63	MOE	256/2025-26	Unjustified inclusion of operational power plant of Central Power Generation Company Limited in the list of defunct power plants.
64	MOE	258/2025-26	Poor oversight by Ministry of Energy (Power Division) over the booking of rejected subsidy claims as receivables from the Federal Government in financial statements of DISCOs — Rs.19,268.715 million.
65	MOE	259/2025-26	Non-transparency in verification of Tariff Differential Claims (TDS) due to mismatch approach of Tariff & Subsidy Wing of Ministry of Energy (MoE) Power Division — Rs.1,067.543 million.
66	MOE	260/2025-26	Misuse of authority by attaching employees of other entities in Ministry of Energy Power Division without any rules and regulations.
67	MOE	261/2025-26	Non-compliance of Tariff Differential Subsidy (TDS) Agreement and Standard Operating Procedures (SOPs) by Ministry of Energy Power Division relating to post audit of subsidy released from Auditor General of Pakistan — Rs.167.664 billion.
68	MOE	262/2025-26	Miscalculation of Circular Debt due to non-inclusion of payables of Pak-Matiari Lahore Transmission Line — Rs.39,487 million.
69	MOE	263/2025-26	Failure to meet target of Circular Debt Management Plan (CDMP) due to inaction on DISCOs' inefficiencies by MoE (Power Division) — Rs.83 billion.
70	MOE	264/2025-26	Non-ensuring of pending actions by Ministry of Energy Power Division (MOEPD) regarding recovery from disconnected Steel Furnace in line with performance agreement made with Chairman BOD LESCO — Rs.3,574.268 million.
71	MOE	265/2025-26	Non-finalization of inquiry relating to coal procurement by Independent Power Producers (IPPs).
72	MOE	266/2025-26	Inaction of Ministry of Energy (MoE) Power Division to establish Coal Regulatory Authority.
73	MOE	267/2025-26	Inaction of Ministry of Energy (MoE) Power Division over operation of Lucky Electric Power Company Limited (LEPCL) on imported coal in violation of determination of tariff by NEPRA on local coal — US$350 million.
74	MOE	269/2025-26	Inaction of Ministry of Energy (MoE) Power Division over inordinate delay in completion of 330MW coal-based power plants at Gwadar, Balochistan — US$444.49 million.
75	MOE	271/2025-26	Unauthorized budgetary allocation from Public Sector Development Programs (PSDP) to unapproved projects of NTDC — Rs.21,528 million.
76	MOE	272/2025-26	Non-surrender of PSDP savings to the Finance Division by Peshawar Electric Supply Company (PESCO) — Rs.2,438.10 million.
77	MOE	273/2025-26	Inaction of Ministry of Energy (Power Division) over non-conducting of audit of IPPs regarding excess saving over regularity allowed returns RS. 57.00 billion

78	MOE	274/2025-26	Non-utilization of grant by NTDC against intended purpose of capacity building and implementation support CASA-1000 project — US$600,000.
79	MOE	275/2025-26	Inaction of Ministry of Energy (MoE) Power Division over poor planning of CASA-1000 project resulted in delays and undue financial burden — US$25 million.
80	MOE	277/2025-26	Unlawful absorption of Mr. Muhammad Anwar Khan against the post of Assistant Private Secretary (BPS-16).
81	MOE	278/2025-26	Non-Compliance with Must-Run Obligations for Wind Power Projects under RE Policy 2006.
82	MOE	279/2025-26	Unjustified appointment of Chief Internal Auditor in FESCO in violation of DAC directive.
83	GENCO-II	400/2025-26	Unjustified payment of NEPRA annual license fees for non-operational power plants amounting Rs. 41.787 million
84	GENCO-II	404/2025-26	Irregular monthly Take-or-Pay billing by M/s PPL in violation of gas sales agreement amounting -Rs. 8.9 Million
85	GENCO-II	405/2025-26	Irregular Take-or-Pay invoice despite gas supply interruption by M/s PPL -Rs. 267.120
86	GENCO-II	410/2025-26	Unjustified expenditure against operation & maintenance services of inoperative Mari Gas Booster Compressor Station -Rs. 42.061 Million
87	GENCO-II	412/2025-26	Irregular procurement at higher rates amounting Rs. 1.507 Million and non-imposition of liquidated damages -Rs. 0.312 Million
88	GENCO-II	413/2025-26	Financial loss due to unjustified cancellation of security services contract amounting -Rs. 0.927 Million
89	GENCO-II	414/2025-26	Irregular award of contract without technical verification and delayed contract execution -Rs. 2.430 Million
90	GENCO-II	415/2025-26	Non-compliance in statutory auditor appointment and finalization of financial statements for the FY 2021-2022 to 2023-24
91	GENCO-II	416/2025-26	Irregular retention of lien on contractual post of company secretary and non-recovery of pension contributions
92	GENCO-II	417/2025-26	Irregular drawl of car monetization and unauthorized use of official vehicle by company secretary-Rs3.838 million
93	GENCO-II	418/2025-26	Non-disposal of off road vehicles -Rs. 9.40 Million
94	GENCO-II	420/2025-26	Irregular determination of reserve price for demolishing / dismantling of old residential houses amounting -Rs. 4.330 Million
95	GENCO-II	421/2025-26	Unjustified enhancement in BoD Fees despite company's losses and financial constraints
96	NGC	422/2025-26	Loss on account of collapse of towers due to substandard work, extra expenditure incurred thereof, mis-procurement, and irregular payments – Rs. 221.79 million
97	NGC	423/2025-26	Loss due to damage of material against TLC-14/2020 & NP-03C-2019 worth Rs.40.42 million
98	NGC	424/2025-26	Loss due to theft of electrical material - Rs. 7.16 million
99	NGC	425/2025-26	Cost overrun in Projects due to non-following the timelines - Rs. 6,478.49 million
100	NGC	426/2025-26	Non-mutation of Land – Rs. 117.075 million
101	NGC	427/2025-26	Non-capitalization of grid stations, transmission lines and related works - Rs. 5,823.287 million
102	NGC	428/2025-26	Irregular Payments of Crop Compensation without any damage - Rs. 451.54 million
103	NGC	429/2025-26	Loss due to non-recovery of rent on account of stringing T&P/Machinery from the contractor – Rs.10.02 million
104	NGC	430/2025-26	Irregular constitution of auction committee and auction of scrap material - Rs. 90.21 million
105	NGC	431/2025-26	Loss due to issuance of incomplete material from store

106	NGC	432/2025-26	Non-Recovery of Rental Charges due to Lifting of Auctioned Scrap Material- Rs. 11.80 million
107	NGC	433/2025-26	Mis-use of POL due to extra payments made on account of POL - Rs. 18.81 million
108	NGC	434/2025-26	Irregular payment of Rs. 0.69 million on account of conveyance allowance
109	NGC	435/2025-26	Irregular payments made to the contractors on account of civil works - Rs. 73.84 million
110	NGC	436/2025-26	Mis-appropriation of material under Contract No.TL-14-2020 – Rs. 22.99 million
111	NGC	437/2025-26	Irregular return of unserviceable material to store without value – Rs. 36.71 million
112	NGC	438/2025-26	Non disposal of unserviceable material worth Rs. 4.14 million lying in EHV-II 220KV store Jamshoro
113	NGC	439/2025-26	Undue favor to bidder by Non-Forfeiture of Earnest Money Despite Bidder's Non-Compliance - Rs. 2.84 million
114	NGC	440/2025-26	Suspected misuse of public money through POL Expense for Tadano R/Terrain 30 Ton Crane - Rs. 2.19 million
115	NGC	441/2025-26	Non-obtaining of NOC from Environmental Protection Agency (EPA) and estimates approved without vetting from consultants - Rs. 10,878.31 million
116	NGC	474/2025-26	Non-Conduct Audit of Pay & Allowances and Direct Cost payments made to consultant against various Consultancy agreements worth Rs.35.553 million
117	NGC	475/2025-26	Delay in completion of work of Dhabeji Grid Station against EPC Contract
118	NGC	476/2025-26	Irregular payment & non-mutation of land to Govt. of Sindh for Dhabeji 220KV grid station – Rs. 42.00 million + 3.79 million
119	NGC	477/2025-26	Loss due to non-encashment of performance guarantee – Rs. 51.34 million
120	NGC	479/2025-26	Newly constructed 220KV Sub Station Dhabeji on Potential Operational and Financial Risk due to installation of old GIS 220/132KV 160MVA Auto Power transformer – worth Rs. 700 million (Estimated)
121	NGC	480/2025-26	Loss due to supply of damaged 250 MVA ATF Power Transformer by contractor - $ 1.609 million & Rs. 13.385 million
122	NGC	481/2025-26	Non-completion of Work at 220 Kv T/L with Dhabeji Substation for Provision of Electricity for Dhabeji Special Economic Zone Rs.111.892 million
123	NGC	482/2025-26	Substantial Cost Escalations due to non-completion of Projects - Rs. 6478.99 million
124	NGC	483/2025-26	Loss due to non-return of healthy dismantled material to store - Rs. 1,800.00 million (approx.)
125	NGC	484/2025-26	Non-recovery of material & non return of Surplus amount (550.03M+353.189 M)
126	NGC	486/2025-26	Non-reconciliation of surplus material of AAAC Greely Conductor of 30.487KM issued to contractor – Rs. 30.58 million
127	NGC	487/2025-26	Loss due to returning damaged material by contractor - Rs. 1.97 million
128	NGC	488/2025-26	Non-recovery against balance material from contractor - Rs. 1.485 million
129	NGC	489/2025-26	Non-supervision and non-vetting of civil works of foundation by civil department – Rs. 81.16 million
130	NGC	490/2025-26	Unjustified excess payment made to consultant in violation of Consultancy Agreement worth Rs.1.605 million
131	NGC	491/2025-26	Irregular Prequalification and Award of Contract to M/s PKG International (Pvt.) Ltd. in Contravention of PPRA and Consultancy Regulations

132	NGC	494/2025-26	Loss Due to shipment of material by supplier without prior approval for packing, marking and shipping details Rs. 267.10 million
133	NGC	495/2025-26	Irregular Payment of Rs. 2.01 million for Custom Clearance under Contract PIU-CASA-1000 (EPC)
134	NGC	282/2025-26	Time and Cost Overrun due to contract mismanagement
135	NGC	283/2025-26	Irregular Vetting of Consultant Invoices worth Rs.3.224 million
136	NGC	284/2025-26	Non-Conduct of Audit of Pay & Allowances and Direct Cost payments made to consultant against various Consultancy agreements worth Rs.196.827 million
137	NGC	285/2025-26	Irregular Payments of Crop Compensation made without any damages Rs. 17.62 million
138	NGC	286/2025-26	Loss due to Non-return of Dismantled Material to Store – Rs. 20.629 million
139	NGC	287/2025-26	Loss on account of Collapse of Towers due to Substandard Work and Extra Expenditure incurred thereof - Rs. 63.206 millions
140	NGC	288/2025-26	Loss due to theft of electrical material - Rs.4.283 million
141	NGC	289/2025-26	Irregular release of payments to contractors without Pre-Audit Controls Rs. 41.86(M)
142	NGC	290/2025-26	Non-Accountal of Invoices (Schedule-I, II&III) –Rs.4842.799 million
143	NGC	292/2025-26	Undue favour granted to Contractors by issuance of Completion Certificates without Completing the Works - USD 8.474 + Rs. 17,338 million
144	NGC	293/2025-26	Delay in Completion of Work under contract No. ADB-200-2018 (Lot-I) causing additional cost of Consultancy Services – Rs. 26.54 million
145	NGC	296/2025-26	Irregular constitution of auction committee for auction of scrap material - Rs. 26.075 million
146	NGC	297/2025-26	Undue favor to bidder by Non-Forfeiture of Earnest Money Despite Bidder's Non-Compliance - Rs. 2.70 million
147	NGC	298/2025-26	Loss due to supply of substandard 3X37MVAR 500KV Shunt Reactor by supplier – Rs. 73.06 million
148	NGC	299/2025-26	Non-completion of project as per BOQ and transformer T-3 not energized on load - Rs. 132.31 million
149	NGC	300/2025-26	Delay and Performance Issues in 220kV Zhob Substation Project under Contract No. ADB-200-2018 (Lot-II), Causing Transmission Line of Rs. 10,3180.81 million to Remain Idle Since 2023
150	NGC	301/2025-26	Cost Overrun Due to Failure to Adhere to Project Timelines in Contracts - Rs. 12,163.14 million
151	NGC	302/2025-26	Non recovery of Service Charges on account of testing and commissioning from contractor - Rs. 3.13 (million)
152	NGC	303/2025-26	Loss to Public Exchequer Due to Non-Encashment of Performance Guarantee After Contractor's Abandonment – Rs. 11.63 million
153	NGC	304/2025-26	De-mobilization of contractor and Delays in 220KV Sibbi & Loralai Grid Station Extension Works – EUR 570,917 + USD 3,073,039 + PKR 774,089,749
154	NGC	305/2025-26	Non-achievement of envisaged benefits due to non-completion of projects timely - Rs. 65,321.29 million
155	NGC	306/2025-26	Non-reconciliation of Rs. 1,860.66 million receipts against deposit works and non-capitalization of deposit works in process Rs. 1,028.80 million
156	NGC	307/2025-26	Non-payment/non-adjusted accrued liability amounting to Rs. 4.12 million
157	NGC	308/2025-26	Irregular payment on account of TA/DA Rs. 30.17 million
158	NGC	309/2025-26	Recoverable amount of Rs. 0.65 million paid on account of Conveyance Allowance
159	NGC	310/2025-26	Irregular Fuel Expenditure Due to Billing Discrepancies of Official Vehicles – Rs. 46.64 million

160	NGC	311/2025-26	Irregular Award of Contracts Without Revising Original PC-Is Rs. 18.23 billion
161	NGC	312/2025-26	Loss of Rs. 74.49 million on accounts of interest Due to Delay in Project Execution Under KfW Loan No. 2015 65 092
162	NGC	313/2025-26	No mechanism / SOPs regarding calculation of rental charges of material issued to contractors on rental basis
163	NGC	314/2025-26	Non-Clearance of Pending Punch list items by Contractors in various Projects —Persistent Oversight Failure Jeopardizing NTDC's Operational Assets
164	NGC	315/2025-26	Loss due to supply of substandard 220V DC Battery Bank and Differential Relay by contractor – USD 0.0197 million
165	NGC	316/2025-26	Non-recovery against balance material from contractor – USD 0.073 million
166	NGC	318/2025-26	Financial Penalty Owing to NTDC's Failure to Process Contractor Payments Timely under contract No. ADB-200-2018 (Lot-I) – Rs. 7.82 million
167	NGC	319/2025-26	Non-return of material issued on loan basis to contractor – Rs. 2.704 million
168	NGC	320/2025-26	Loss due to supply of defective 220/132 KV 250 MVA ATF Power Transformer by contractor – USD 1.46 million
169	NGC	321/2025-26	Failure to Capitalize Completed Grid Stations, Transmission Lines and related works - Rs. 14,137.87 million
170	NGC	322/2025-26	Non-installation of Sergi System and pending rectification of punch list by contractor by contractor – Rs. 34.28 million
171	NGC	323/2025-26	Suspected misuse of public money through POL expense for Trucks and Crane - Rs.12.31 million
172	NGC	324/2025-26	Negligence in Enforcing Employment Contract Terms and Disciplinary Rules
173	NGC	325/2025-26	Inadequate Disciplinary Action for Tower Collapse Incident Reflecting Systemic Accountability Failures, causing a loss of Rs. 5.95 million
174	NGC	326/2025-26	Prolonged Delay in 220 kV Zhob Project Due to Deliberate Non-Compliance and Lack of Disciplinary Action
175	NGC	329/2025-26	Systemic Lapses in Enforcement of Financial Deductions – Financial Loss Rs. 4.928 million
176	NGC	330/2025-26	Fraudulent Drawl of Pay, Allowances, and TA/DA by Employee Posted at Hyderabad – Loss of Rs. 0.757 million
177	NGC	331/2025-26	Grant of EOT of 1510 days due to delayed Project Completion
178	NGC	448/2025-26	Loss due to over payment against unjustified purchase of material amounting to -Rs. 1613.834 Million
179	NGC	449/2025-26	Loss due to unjustified payment against work done by the contractor amounting to Rs.38.144 million
180	NGC	450/2025-26	Loss due to non-removal of defects by the contractor amounting to -Rs. 21863.984 Million
181	NGC	452/2025-26	Unjustified charging of overhead cost by amounting to -Rs. 639.149 Million
182	NGC	453/2025-26	Loss of revenue due to transmission losses beyond NEPRA's targets -Rs. 878.223 Million
183	NGC	454/2025-26	Non-augmentation of overloaded power transformers of -Rs. 360.00
184	NGC	455/2025-26	Loss due to non-shifting of 11 KV feeders to DISCOs network -Rs. 174.209 Million
185	NGC	456/2025-26	Loss due to damage of the power transformer amounting to -Rs. 135.5
186	NGC	457/2025-26	Loss due to unjustified change in original BOQ of civil works of -Rs. 2.297 Million
187	NGC	458/2025-26	Loss due to installation of defective/damaged material on transmission line amounting to -Rs. 3.567 Million

188	NGC	459/2025-26	Loss due to unjustified variation order issued without changing in the scope of civil works of -Rs. 6.327 Million
189	NGC	460/2025-26	Irregular capitalization of assets of partially completed works amounting to -Rs. 1136.415 Million
190	NGC	461/2025-26	Non-provision of vehicles and spares by the contractors in violation of contract agreement -Rs. 14.378 Million
191	NGC	462/2025-26	Loss due to non-replacement of material damaged under warranty -Rs. 1.243 Million
192	NGC	128/2025-26	Irregular grant of EOTs to contractor without approval of PAO and DDWP Forum
193	NGC	129/2025-26	Irregular payments made to consultant against reimbursement invoices amounting to EUR 0.172 Million
194	NGC	130/2025-26	Irregular/unjustified issuance of change order for reverse power flow without prior approval or PC-I revision cost of SEK 61.325 Million
195	NGC	131/2025-26	Irregular payment made to contractor on account of reimbursement cost of Bullet Proof vehicle amounting to -Rs. 0.265 Million
196	NGC	132/2025-26	Inadequate planning and delayed procurement hampered timely execution of 765 KV Islamabad West Sunstation amounting -Rs. 26895.064 Million
197	NGC	133/2025-26	Non-recovery/adjustment of descoped item cost of advance payment US$ 0.325 Million
198	NGC	134/2025-26	Non-adjustment of advance on account of crops compensation -Rs. 11.938 Million
199	NGC	135/2025-26	Under-utilization of IBRD loan No.9076 due to slow execution of work by the contractor amounting to USD 587.46 Million
200	NGC	136/2025-26	Mis-classification of finance charges under Overheads leading to CWIP overstated -Rs. 15,306.898 Million
201	NGC	139/2025-26	Irregular capitalization of projrct without reconciliation of material and as built drawing -Rs. 30016.761 Million
202	NGC	140/2025-26	Irregular TA/DA claims due to work internal controls in Suki Kinari T/L Project amounting to -Rs. 12.739 Million
203	NGC	141/2025-26	Non recording of disbursed amounts and non-adjustment of balance land acquisition funds amounting to -Rs. 2441.267 Million
204	NGC	142/2025-26	Mis-allocation of consultancy charges under loan no. 3420 resulting in overstated project overheads -Rs. 65.043 Million
205	NGC	143/2025-26	Unjustified delay in completion of contract WB-10A-2021 due to management inefficiencies amounting CNY 110.085 Million, US$ 0.600 Million and PKR 612.750 Million
206	NGC	144/2025-26	Delay in completion of 220/132 KV QABP Sheikhpura Grid Station 2due to inefficient material allocation and Project Management amounting -Rs. 500.879 Million
207	NGC	348/2025-26	Financial loss due to unjustified cancellation of tender -Rs. 2.406 Million
208	NGC	349/2025-26	Irregular issuance of additional work order of asphalt road without competitive bidding due to poor project planning at 500 KV Grid Station, Lahore North amounting to -Rs. 38.471 Million
209	NGC	350/2025-26	Un-economical procurement due to inflated estimate and over-valuation -Rs. 9.918 Million
210	NGC	351/2025-26	Irrational estimation and tendering without itemized specifications of civil works -Rs. 40.728 Million
211	NGC	352/2025-26	Avoidable loss due to non-issuance of timely corrigendum in tender -Rs. 0.420 Million
212	NGC	353/2025-26	Irregular preparation and vetting of soil investigation estimates and award of works without involvement of competent civil engineering authority -Rs. 6.179 Million
213	NGC	356/2025-26	Non-recovery of rental and utility charges from the contractor -Rs. 1.168 Million

214	NGC	357/2025-26	Non-Insurance coverage to 220 KV Jauharabad Grid Station Project
215	NGC	358/2025-26	Improper preparation of BoQ and inaccurate estimation leading to unauthorized cost escalation and deviation form approved approved scope amounting to -Rs. 257.88 Million
216	NGC	359/2025-26	Non-recovery/return of surplus transmission line material by the contractor -Rs. 7.958 Million
217	NGC	360/2025-26	Failure to conduct site specifie soil investigation for diverted route causing Project delay tower No. 164, under contract No. TCL-17-2022 -Rs. 1.139 Million
218	NGC	362/2025-26	Inadequate planning and non-conduct of soil investigation led to variation orders amounting to -Rs. 44.734 Million
219	NGC	363/2025-26	Ineffective contract management by NESPAK resulted in non-finalization of EOT claims of contract No. TCL-17-2022 amounting -Rs. 695.892 Million
220	NGC	364/2025-26	Improper cost estimation using outdated and non-regional data led to inflated award of contact -Rs. 58.701 Million
221	NGC	365/2025-26	Irregular award of contract due to evaluation against unauthorized cost estimate amounting to -Rs. 37.582 Million
222	NGC	367/2025-26	Irregular excessive charging of overheads to the completed works -Rs. 348.785 Million
223	NGC	368/2025-26	Improper charging and capitalization of overload expenses resulted misstated project overhead accounts -Rs. 570.405 Million
224	NGC	496/2025-26	Failure to revise PC-I and grant EoT despite cost escalation and delay in completion of 220 KV Grid Station Jauharabad amounting to -Rs. 1716.674 Million
225	NGC	497/2025-26	Over-estimation of cost and award of contract above market rates despite decrease in inflation -Rs. 19.745 Million
226	NGC	499/2025-26	Loss due to irregular award of civil work to 3rd lowest bidder without vetting and proper evaluation -Rs. 4.492 Million
227	NGC	463/2025-26	Non-establishment of Prototype Approval Criteria for Foreign AMI Energy Meters
228	NGC	464/2025-26	Non-inclusion of PITC in finalization of Prototype Approval and UDIL Certification requirement for AMI Meters
229	NGC	465/2025-26	Lack of strategic implementation of monitoring-enabled distribution transformers
230	NGC	466/2025-26	Delay in finalization of Specification DDS-76:2022 for APMS Project
231	NGC	467/2025-26	Absence of Planning Framework in development of specifications
232	NGC	468/2025-26	Lack of field performance validation prior to Prototype Renewals for equipment below 11KV
233	NGC	469/2025-26	Blockage of Authority's funds due to non-utilization of budget -Rs. 43.221 Million
234	NGC	470/2025-26	Non-recovery of 40% share of inspection fees -Rs. 180 Million (approx)
235	NGC	471/2025-26	Unjustified transfer/transaction of Material Inspection (MI) department of NTDC to PEPCO (now PPMC) in violation of statutes, laws, legal rules and regulations
236	NGC	472/2025-26	Unjustified transfer/transaction of Standards & Specifications (D&S/S&S) department of NTDC PPMC in violation of statutes, laws, rules and regulations
237	NGC	347/2025-26	Significant cost escalation due to change in foundation design under contract no. ADB-300C-R-2020 amounting to Rs. 577.674 million
238	NGC	355/2025-26	Irregular lump sum civil works estimation and contract award without detailed specifications - Rs.18.986 million
239	NGC	361/2025-26	Non-supply of major equipment and non-compliance with contract WB-07E-2020 by the contractor M/s CNTIC-SEC (JV) amounting to US$ 0.254 million

240	NGC	366/2025-26	Irregular award of contract to single bidder without rate reasonableness - Rs. 1.131 million
241	NGC	83/2025-26	Inordinate delay in finalization of evaluation of tender No. ADB-301C (Lot-II) – Rs.6,474 million
242	NGC	84/2025-26	Irregular recommendations of single bidder for award of contact by abnormally increasing engineers estimate – Rs.68.420 million
243	NGC	85/2025-26	Time-over run of project due to delay in fulfilling Engineer's responsibilities
244	NGC	86/2025-26	Loss due to non-awarding of contact to technically responsive bidder – Rs.35.366 million
245	NGC	87/2025-26	Loss due to declaring 1st lowest bidder non-responsive -Rs.14.501 million
246	NGC	88/2025-26	Non-recovery of service charges from other formations-Rs.10.999 million
247	NGC	89/2025-26	Weak supervision and deficiencies in acquisition of land for Substation Arifwala
248	NGC	90/2025-26	Non-return of material of NTDC worth millions of rupees, loaned by contractor.
249	NGC	91/2025-26	Irregular purchase of material without type test in GEPCO
250	NGC	92/2025-26	Loss of millions of rupees due to collapse of towers in the jurisdiction of NTDC
251	NGC	93/2025-26	Loss of millions of rupees due to shortage/missing of material
252	NGC	94/2025-26	Non re-imbursement of WAPDA Welfare Fund -Rs.2.338 million
253	NGC	95/2025-26	Irregular purchases through quotation instead of open tendering – Rs.516,000/-
254	NGC	96/2025-26	Irregular Purchase of Papers via quotation by splitting proposed procurement – Rs.2.03 million
255	NGC	97/2025-26	Irregular procurement of durables in violation of austerity measures – Rs.1.38 million
256	NGC	98/2025-26	Irregular expenditure incurred over and above the sanctioned budget – Rs.67.371 million
257	NGC	333/2025-26	Absence of formal audit planning framework in GM TSG's Technical Audits
258	NGC	334/2025-26	Absence of Follow-up mechanism and non-obtaining of compliance reports on Technical Audit discrepancies
259	NGC	335/2025-26	Non recovery of service charges on account of testing and commissioning from other formations and NTDC -Rs.42.44 million
260	NGC	336/2025-26	Non-adjustment of temporary advances -Rs.1.639 million
261	NGC	337/2025-26	Non-compliance with required metering point documentation standards
262	NGC	338/2025-26	Non-removal of energy meters from defunct Common Delivery Points
263	NGC	339/2025-26	Non-compliance with training infrastructure requirements
264	NGC	340/2025-26	Delay in Pollution R&D and Material Inventory at New Kot Lakhpat (NKLP) Model-Grid Station
265	NGC	341/2025-26	Unknown status of utilization of KfW (Banking Group State of Germany) Grant –Euro 2.5 million
266	NGC	342/2025-26	Irregular expenditure incurred over and above the sanctioned budget - Rs.81.85 million
267	NGC	343/2025-26	Blockage of funds due to irrational budget planning -Rs.12.647 million
268	NGC	344/2025-26	Non-disposal of-road vehicle worth -Rs.1.5 million
269	NGC	394/2025-26	Unjustified procurement due to non-implementation of E-procurement system in NTDC –Rs.11.945 million
270	NGC	388/2025-26	Loss due to unjustified approval of charge proposal of switchyard slops protection and external drainage system -Rs. 185.46 Million
271	NGC	389/2025-26	Loss due to unjustified price escalation provided to the contractors Rs.147.43 million

272	NGC	442/2025-26	Delay in achieving the financial / technical benefits due to non-execution of Project -Rs. 3396.32 Million
273	NGC	443/2025-26	Loss due to unjustified award of extension of time and unjustfied increase in the scope of work -Rs. 3.088 Million
274	NGC	445/2025-26	Unjustified award of variation order against the civil work already covered in original scope of work -Rs. 34.035 Million
275	NGC	390/2025-26	Non-renewal of performance guarantees -Rs 142.592 Million & US $ 467,983
276	NGC	391/2025-26	Non-tranfer of liquidated damages deducted from contractors / suppliers -Rs. 13.219 Million & US $ 166,553.5
277	NGC	392/2025-26	Loss due to damage of electrical material Rs.78.49 million
278	NGC	396/2025-26	Loss due to non-recovery of Rs.28.44 million over and above the cost of reward of Land and undue retention of payment of acquired opf ;and Rs.65.67 million by the district treasury
279	NGC	397/2025-26	Non-adjustment of material payments to warehouse via S.S Cheques -Rs. 246.613 Million
280	NGC	446/2025-26	Non provision of vehicles by the contractors in violation of contract agreement valuing Rs.36.949 million and $ 50,000/-
281	NGC	1437/2025-26	Systemic weakness in transmission constraint management undermining economic dispatch
282	NGC	1438/2025-26	Irregular expenditure over and above the approved investment plan and without third party audit.
283	NGC	1439/2025-26	Unauthorized expenditure on unwarranted land acquisition outside transmission scope – Rs.3,154 million.
284	NGC	1440/2025-26	Unjustified variation order issued due to negligence of the employer -Rs. 79.45 million
285	NGC	1442/2025-26	Non-compliance with Grid Code resulting in structural failures and regulatory penalties
286	NGC	1443/2025-26	Non-conduct of physical stock verification indicating weak internal controls.
287	NGC	1444/2025-26	Mismatch of cashbook with expenditure reported by NGC - Rs. 1,268.646 million
288	NGC	1445/2025-26	Self-approved increase in BoD meeting fees contrary to soe policy and rules – Rs.9.960 million.
289	NGC	1446/2025-26	Non-augmentation of power transformers resulting in overloading and asset risk
290	NGC	1447/2025-26	Excess expenditure on POL exceeding the prescribed limit – 26.71 million
291	NGC	1448/2025-26	Non-taking of action on account of delay in refurbishment of auto transformer and non-recovery regarding misappropriation of transformer oil and Rs.1.913 million
292	NGC	1449/2025-26	Non-fixation of responsibility upon misuse of vehicles by the consultant - Euro 26,319
293	NGC	1450/2025-26	Unjustified and extravagant fixation of pay package of Chief Internal Auditor in NGC.
294	NGC	1451/2025-26	Irregular expenditures regarding repair and maintenance of vehicles – Rs.7.381 million.
295	NGC	1452/2025-26	Irregular procurement of office supplies without annual procurement plan - Rs.9.329 million.
296	NGC	1454/2025-26	Suspected collusion of Consultant and IT department officers with contractor leading to potential fraud -Rs. 34.00 million
297	NGC	1456/2025-26	Irregular posting of dg it infrastructure in violation of fit-and-proper criteria resulting in operational inefficiencies
298	NGC	1457/2025-26	Challenges to ensure effective transition through NGC restructuring.
299	NGC	1458/2025-26	Non-completion of performance report due to poor performance of G.M (Performance Assessment).

300	NGC	1601/2025-26	Weak enforcement of internal audit observations resulting in non-recovery of Rs.44.033 million
301	NGC	1858/2025-26	Increasing trend of T&T losses despite massive investment over the last three years
302	NGC	1859/2025-26	Undue favor to the contractor due to non-renewal of insurance coverage
303	NGC	1860/2025-26	Unjustified approval of EoT cases without fixing responsibility and acceptance of contractor delays
304	NGC	1861/2025-26	Non-enforcement of ICC arbitration award and non-encashment of performance guarantee against M/s Gam Arak - $3.66 million
305	NGC	1862/2025-26	Adverse impact from the restructuring involving the separation of the 'System Operator' department Rs. 4,758.024 million
306	NGC	1863/2025-26	Ineffective oversight and performance monitoring in ERP project implementation
307	NGC	2138/2025-26	Improper maintenance of NGC's power network system -Rs. 30.30 million
308	NGC	2139/2025-26	Non-recovery of outstanding payment against services rendered to IPPs -Rs. 6.2 million
309	NGC	2319/2025-26	Un-justified award of contract on abnormally low bid without detailed price analysis resulting in contract execution delays and risks amounting to Rs. 219.19 million
310	NGC	2320/2025-26	Cancellation of contract due to weak bid evaluation and contract management – Rs. 56.836 million
311	NGC	2321/2025-26	Deficient bid evaluation and ineffective procurement management leading to delayed contract award Rs. 927.155 million
312	NGC	2322/2025-26	Award of contract to initially third lowest bidder on the basis of discounted financial bid without determination of abnormally low bid (12% below engineer's estimate) – Rs. 390.253 million
313	NGC	2323/2025-26	Inordinate delay in completion of 500 kV Lahore North Substation and non-compliance with PC-I extension Approval guidelines
314	NGC	2325/2025-26	Weak Financial and contract management resulting in persistent payment delays, repeated extensions of time and non-completion of project – contract No. ADB-300B-2019
315	NGC	2326/2025-26	Non-receipt of performance security against variation order amounting to Rs.69.627 million
316	NGC	2328/2025-26	Non recovery/Adjustment of outstanding short-term advances to employees Rs. 1.29 million
317	NGC	2329/2025-26	Inappropriate parking of long-outstanding liquidated damages as liabilities resulting in mis-statement of financial statements – Rs. 5,450.978 million
318	NGC	2330/2025-26	Non-return of balance/surplus material by contractor due to weak contract monitoring amounting to Rs. 38.439 million
319	NGC	2331/2025-26	Weak enforcement of contractual provisions resulting in prolonged contractor default. Rs.542.71million
320	NGC	2333/2025-26	Irregular amendment of foreign currency payment method without prior SBP authorization
321	NGC	2334/2025-26	Award of contract in excess of PC-I approved cost Rs. 637.015 million
322	NGC	2335/2025-26	Unjustified acceptance of technically non-compliant bid at excess cost of Rs. 1,311.19 million)
323	NGC	2339/2025-26	Non-compliance with contractual provisions resulting in delay of project execution (ADB-401F-2022 Lot-I)
324	NGC	2342/2025-26	Non-finalization of price adjustment (escalation) claims due to weak contract administration involving Rs. 527.299 million
325	NGC	2343/2025-26	Un-justified award of contract to a bidder debarred by ADB despite explicit AFD objections and misrepresentation of declaration (AFD-04R-2024)- Rs. 951.552 million

326	NGC	2345/2025-26	Scrapping of tender due to unrealistic engineer's estimate causing procurement failure and prolonged delay
327	NGC	2346/2025-26	High risk of mismanagement, pilferage, and inaccurate inventory reporting due to non-deployment of prescribed supervisory position at warehouse Gatti, Faisalabad
328	NGC	2347/2025-26	Cost escalation due to ineffective and delayed management decisions and compromised competition
329	NGC	2348/2025-26	Irregular reimbursement of crops compensation without verification of ownership documents Rs. 48.713 million
330	NGC	2349/2025-26	Non-delivery and non-enforcement of termination provisions under GCC clause 35.1 – ADB-109R-2021 (Lot-II)
331	NGC	2350/2025-26	Irregular and excess claim of TA/DA for foreign visit Rs. 1.513 million
332	NGC	2351/2025-26	Inconsistent financial evaluation of bidder under ADB and AFD funded tenders
333	NGC	2352/2025-26	Award of contract to second lowest bidder causing avoidable loss of Rs. 6.984 million due to unjustified declaration of lowest bidder as non-responsive
334	NGC	2354/2025-26	Irregular payment of TA/DA beyond approved Period due to weak verification controls Rs.14.347 million
335	NEPRA	113/2025-26	Prolong delay in finalization of completion certificate from CDA of NEPRA building and non-clearance of pending liabilities -Rs. 35.85 million
336	NEPRA	114/2025-26	Non-capitalization of capital work in progress -Rs. 332.13 million
337	NEPRA	116/2025-26	Unjustified escalation in entertainment expense -Rs. 15.26 million
338	NEPRA	117/2025-26	Irregular and unjustified payment on account of leave fare assistance -Rs. 38.40 million
339	NEPRA	118/2025-26	Irregular procurement of vehicles in violation of austerity measures – Rs.72.79 million
340	NEPRA	119/2025-26	Understatement of revenue due to deviation from revenue recognition policy -Rs. 91.34 million
341	NEPRA	120/2025-26	Avoidable financial burden due to delayed settlement of high-interest subsidiary loan -Rs. 3.23 million
342	NEPRA	121/2025-26	Non-recovery / adjustments tax refunds -Rs. 351.75 million
343	NEPRA	122/2025-26	Non-finalization of disciplinary proceeding for unauthorized absence from duty and non-recovery of surety bond -Rs. 3.10 million
344	NEPRA	123/2025-26	Failure to initiate inquiry into Tariff Petition delays in violation of with authority directives
345	NEPRA	124/2025-26	Irregular grant of advances without finance division approval -Rs. 295.17 million
346	NEPRA	125/2025-26	Non-implementation of framework agreements instead of quotation-based procurements in violations of procurement rules -Rs. 12.91 million
347	NEPRA	126/2025-26	Irregular enhancement & regulatory allowance without Finance Division's approval -Rs. 246 million
348	NEPRA	127/2025-26	Loss due to non-recovery of official vehicle -Rs. 3.4 million
349	NEPRA	249/2025-26	Long outstanding recoverable and unverified balances - Rs. 10.07 million

Appendix-II

Annexure-B
Para 6.5.10

Detail of Refund of LD charges during last three years of NGC

Sr. No	Contract	Supplier	Paid on Date	Amount in Rs	Delay
1	ADB-105R(LOT-2)-2021	M/s Jiangsu Zhongtian Technology Co, Ltd, China.	09/05/2023	19,816,407	02 Years
2	TLM-10-2020		26/07/2023	19,833,352	03 Years
3	TLM-06M-2018	M/s Hangzhou cable Co, Ltd, China	24/01/2024	36,415,347	06 Years
4	GSO-02(R3)-2020	M/s Industrias Arruti, S.A, Spain.	12/02/2024	25,096,053	04 years
5	NOR-90-2018	M/s Hexing Electric Co, Ltd, China.	14/03/2024	1,288,713	06 Years
6	WB-04-2019	M/s China National Technical Import & Export Corporation	02/05/2024	24,185,322	05 years
7	WB-09A-2020	M/s Siemens	07/05/2024	17,072,033	04 years
8	WB-09A-2020	M/s Siemens	07/05/2024	22,265,316	04 years
9	WB-09A-2020	M/s Siemens	07/05/2024	7,000,000	04 years
10	WB-07A-2020	M/s Siemens	07/05/2024	4,872,665	04 years
11	WB-07A-2020	M/s Siemens	07/05/2024	1,841,556	04 years
12	WB-07D-2020	M/s Siemens	07/05/2024	6,712,550	04 years
13	WB-07D-2020	M/s Siemens	07/05/2024	41,644,489	04 years
14	WB-07D-2020	M/s Siemens	07/05/2024	3,679,355	04 years
15	WB-08B-2020	M/s Siemens	07/05/2024	1,967,229	04 years
16	ADB-300B-2019	China Electric Power Equipment and Technology Co	24/05/2024	304,879,020	05 years
17	ADB-300B-2019	China Electric Power Equipment and Technology Co	24/05/2024	304,879,020	05 years
18	WB-09B-2020	M/s Siemens	14/06/2024	4,523,789	04 years
19	WB-09B-2020	M/s Siemens	14/06/2024	16,662,708	04 years
20	NOR-78-2017	M/s TBEA Shenyang Transformers China	15/07/2024	77,622,173	07 years
21	WPP-11-2016	M/s Arabian International Co. Jeddah	18/09/2024	52,787,610	08 Years
22	WPP-11-2016	M/s Arabian International Co. Jeddah	18/09/2024	7,710,074	08 Years
23	NOR-116-2021 (Lot-VI)	M/s Sieyuan Electric Co. Ltd China	10/1/2025	13,647,637	03 Years
				1,016,402,417	

Annexure-C
Para 6.6.2

Detail of Constraints Removal projects of NGC and their progress up to June, 2025

Sr. No.	Grid Name and reason	Nature of constraint	Constraint since	Constraint removal project	Completion time line	Progress
01	500 kV Rawat G/S	Overloading & Generation from AGL Power Plant	June 2023	765/500/220/132 kV Islamabad West Grid Station	December, 2026	13%
02	500 kV Sheikhupura Grid Station	Overloading & Generation from Sapphire & Halmore Plants.	June 2018	500/220/132 kV Lahore North Grid Station	August, 2024	96.47%
		Overloading & Generation from Sapphire & Halmore Plants.	June 2018	Augmentation of 5th 450 MVA, 500/220 kV Autotransformer with 600 MVA Autotransformer at 500 kV Sheikhupura Grid Station	December, 2025	0.00%
03	500 kV Gatti Grid Station	Overloading Generation from Liberty Tech Power Plant.	June 2018	In/Out of 220 kV Trimmu RLNG - Faisalabad West T/L at Sammundri Road	October, 2024	
		Overloading Generation from Liberty Tech Power Plant.	June 2018	220 kV D/C T/L from Faisalabad West to Lalian	31.12.2025	91.79%
04	500 kV Multan Grid Station	Overloading Generation from PTPL, FKPCL Power Plants. (Pakgen can be replaced with 500 MW KAPCO if allowed by NEPRA)	August, 2022	Replacement of existing 3rd 450 MVA, 500/220 kV Autotransformer with new one at 500 kV Multan Grid Station	June, 2026	0.00%
		do	June, 2021	Addition of 3rd 600 MVA, 500/220 kV Autotransformer at 500 kV Muzaffargarh Grid Station	June, 2027	0.00%
		Do	June, 2021	Upgradation of Vehari Grid Station	December, 2027	0.00%

				from 220 kV to 500 kV level		
05	500 kV Muzaffargarh Grid Station	Do	August, 2022	Addition of 3rd 600 MVA, 500/220 kV Autotransformer at 500 kV Muzaffargarh Grid Station	June, 2026	0.00%
		Do	June, 2021	Upgradation of Vehari Grid Station from 220 kV to 500 kV level	December, 2026	0.00%
06	500 kV Yousafwala Grid Station	Overloading & Generation from Saif Power Plant	June 2023	Upgradation of Vehari Grid Station from 220 kV to 500 kV level	June, 2026	0.00%
07	500 kV Yousafwala Grid Station	Overloading & Curtailment of Generation from Sahiwal Coal or Balloki	June 2023	New 500 kV Sahiwal - Sahiwal CFPP S/C T/L	June, 2026	0.00%
08	220 kV Sarfraz Nagar	Overloading & Generation from Nishat Chunian/Nishat Power, Orient Power or KEL Power Plants	June 2018	1x160 MVA, 220/132 kV Autotransformer has already been augmented with 1x250 MVA in June 2024 96 MVAR Switched Shunt Capacitors at 132 kV Sarfraz Nagar and Raiwind Grid Stations	June, 2027	0.00%
09	Overloading of 220 kV Gakkhar - Sialkot & Nokhar - Gakkhar Circuits	Overloading & Generation from Nandipur and/or HUBCO Narowal Power Plants	June, 2014	500/220/132 kV Sialkot Grid Station	June, 2026	0.00%
10	Power Evacuation issues between South and North	Curtailment of Coal & Wind plants in South, Operation of RLNG/RFO plants in North	May 2023	500 kV Matiari - Moro - R.Y.Khan D/C T/L	November, 2028	0.00%
		Curtailment of Coal & Wind plants in South, Operation of RLNG/RFO plants in North		Reactive Power Compensation Devices (dynamic) at 05 No. Grid Stations	November, 2028	0.00%

11	High voltages during low system demand in Winter season			Reactive Power Compensation Devices (dynamic)	November, 2028	0.00%
				Bus Reactors	November, 2028	0.00%
12	500 kV Jamshoro Grid Station	Overloading During high wind season, wind generation is curtailed	June2017	Addition of 3rd 160 MVA T/F	June, 2024	67.35%
		During low wind season, load management is carried out	June, 2017	220 kV Dhabeji SEZ Substation alongwith T/L	21.09.2024 & 08.10.2022	G/S: 66.60% TL : 79.23%
		Power flow from LV to HV due to High WIND	June, 2017	220 kV Mirpur Khas Substation Alongwith T/L	TL 05.04.2026 G/S 29.08.2025	TL: 49.5% G/S 95.30%

Annexure-D
Para.8.16.2

Detail of progress in different stages of GIS mapping contract

Sr. No.	Phases	As per PO	Completion Date as per PO	Actual date of completion
		Purchase Order Date	2-Jun-23	
1	Team mobilization Phase	Within 15 days of contract award	17-Jun-23	4-Apr-24
2	Equipment Hardware required	Within 3 Months of contract award	1-Sep-23	27-Jan-24
3	Requirement gathering, submission of report of required licenses along with procurement schedule.	Within 3 Months of contract award	1-Sep-23	
4	Submission of proof of Concept as pilot / 1st Phase for the proposed project and its user acceptance test	Within 5 Months of contract award	1-Nov-23	23-Dec-24
5	Data migration of already complete feeders by FESCO into the GIS application and user acceptance test and opening system for entry and business process	Within 6 months of contract award	1-Dec-23	31-Jan-25
6	Mobile application and its integration with all interfaces	Within 8 months of contract award	1-Feb-24	Still in progress
7	Roll out Phase (complete HT LT survey up to meter and mapping of all circles of FESCO through online Enterprise Application Solution with mobile application and workflows) with data validation / verification and Go-Live	Within 14 months of contract award	1-Aug-24	Pending
8	Training schedule	Segment wise training within time period specified for each deliverables		Pending
9	after expiry of defect liability period, Post go live support for two years	After 3 years after award of contract		

(Source: FESCO provided data via email)

Annexure-E
Para.8.16.3

Detail of funds underutilized (DIIP)

Sr.	Particulars	Allowed FY 2023-24	Actual FY 2023-24	Variance 2023-24	%age	Allowed FY 2024-25	Actual FY 2024-25	Variance 2024-25	%age
		Rs. in millions				Rs. in millions			
1	STG	6,076	3,028	3,048	50%				
2	Technical Improvement Plan (GIS, SCADA etc.)	408	74	334	18%	1,190	42	1,148	4%
3	Financial Improvement Plan (ERP, IBS, IT & Security etc.)	525	10	515	2%	213	13	200	6%
4	HR Improvement Plan	200	164	36	82%	170	153	17	90%
5	Operational Vehicles	1,732	184	1,548	11%	1,016	87	929	9%
6	Safety Equipment	595	70	525	12%	383	242	141	63%
7	Civil Works	530	330	200	62%	650	519	131	80%
8	Consumer Financing	10,858	9,017	1,841	83%	14,930	9,572	5,358	64%
	Total	**20,924**	**12,877**	**8,047**	**62%**	**18,552**	**10,628**	**7,924**	**57%**

(Source: Data regarding approved investment and expenditures incurred provided by FESCO MIRAD Directorate)

Annexure-F
Para.8.16.3

Detail of no expenditures incurred under different DIIP sub components

			(Rs. In million)
Sr. No.	**Description**	**2023-24**	**2024-25**
1	**STG**		
	Installation of Capacitor Banks	375.00	
2	**ELR Projects**		
	Tools & Plants for HT & LT Proposals	223.00	273.00
3	**DOP Projects (Self-financing)**		
	11 kV Fixed 450 kVAR Capacitors	192.00	222.00
	LT Capacitors (Different kVARs)	185.00	163.00
	Sectionalizers	315.00	294.00
	Auto Reclosers	60.00	60.00
	Voltage Regulators	77.00	44.00
	Fault Locators	3.00	4.00
4	**AMI / AMR & Technical Improvement Plan**		
	Installation of SCADA System (132 kV & 66 kV Grids with DCC & RCC)	200.00	
	Capacity Building of Technical Services (TS) Dept. & IT Tools / Software	150.00	250.00
5	**VEHICLES — Amount Allowed**		**(Rs. Million)**
	Vans	42.00	35.00
	Crane 40 Tons	200.00	175.00
	Crane 20 Tons	160.00	160.00
	Bucket Mounted Vehicles	450.00	375.00
	Buses	25.50	25.50
	Tractors	5.10	3.40
	Motorcycles	6.00	6.00
	Trailers (60 Ton)	100.00	
	Double Cabin Pickups	150.00	
	Fork Lifters		12.50

6	**FINANCIAL MANAGEMENT / IT IMPROVEMENT PLAN**		
	GAP Analysis of ERP System	10.00	
	Integrated Billing System (IBS Hardware & SLAs)	202.00	
	IT and security policy implementation	12.00	
	Online House Allocation System	7.00	
	Revamping Internal Audit / Integration		3.00
7	**HR IMPROVEMENT PLAN**		
	Safety T&P / Safety Culture	10.00	
8	**COMMERCIAL IMPROVEMENT PLAN**		
	IT Infrastructure	20.00	40.00
	Total	**3,179.60**	**2,145.40**

(Source: Data regarding approved investment and expenditures incurred provided by FESCO MIRAD Directorate)

Annexure-G
Para.8.16.3

Excess Expenditures incurred in different heads of DIIP

Sr.	Particulars	Allowed FY 2023-24	Actual FY 2023-24	Variance FY 2023-24	Allowed FY 2024-25	Actual FY 2024-25	Variance FY 2024-25
1	STG				6,774.000	7,471.000	(697.000)
2	ELR (Own Sources)	1,749.000	3,607.000	(1,858.000)	2,179.000	3,372.000	(1,193.000)
3	DOP - Commercial Improvement (AMI / AMR)	1,162.000	1,597.000	(435.000)	1,268	1,429	(161.000)
4	Transformer Replacement (>20 Years Old)				804.000	1,604.000	(800.000)
	Total	**2,911.000**	**5,204.000**	**(2,293.000)**	**11,025.000**	**13,876.000**	**(2,851.000)**

(Source: Data regarding approved investment and expenditures incurred provided by FESCO MIRAD Directorate)

Annexure-H
Para.8.16.3

Detail of MVAs and GWh planned and achieved

Sr. No	Component	Year 1 Target	Year 1 Achieved	Variance 2023-24	Year 2 Target	Year 2 Achieved	Variance 2024-25
1	Total Additional Capacity (MVA) for STG	652	288	364	617	357	260
2	Total Savings (GWh) ELR Projects	106.12	40.103	66.017	148.25	66.096	82.154
3	Total Energy Saved (GWh) DOP	11	9	2	15.5	13	2.5
4	AMI / Smart Meter Savings (GWh)	2.52	2.52	0	5.03	3.87	1.16

(Source: Data regarding approved investment and expenditures incurred provided by FESCO MIRAD Directorate)

Annexure-I
Para.8.16.3

DIIP - Component-wise Targets Vs Achievements (Nos. / MVA)

1- STG							
Sr. No.	**Component**	**Year 1 Target**	**Year 1 Achieved**	**Variance 2023-24**	**Year 2 Target**	**Year 2 Achieved**	**Variance 2024-25**
1	New Grid Stations (Nos)	7	6	1	9	5	4
2	Augmentation of Transformers (Nos)	9	3	6	6	6	0
3	Extension with Transformer Bays (Nos)	1	1	0	5	1	4
4	Extension with Line Bays (Nos)	2	2	0	4	1	3
5	Installation of Capacitor Banks (Nos)	100	0	100	100	0	100
1(a) Additional Capacity (MVA)							
1	New Grid Stations	476	197	279	431	91	340
2	Augmentation of transformers	124	65	59	68	226	-158
3	Extension of Grid Stations	52	26	26	118	40	78
	Total Additional Capacity (MVA)	**652**	**288**	**364**	**617**	**357**	**260**
2. ELR PROJECTS — Savings & Benefits							
1	HT Savings (GWh)	68.32	30.129	38.191	95.14	54.086	41.054
2	LT Savings (GWh)	37.8	9.974	27.826	53.11	12.01	41.1
3	Total Savings (GWh)	106.12	40.103	66.017	148.25	66.096	82.154
4	Benefit in Terms of Additional Sales (Rs. Million)	2,358	1170.486	1187.514	3,508	1735.68	1772.32
2 (a). ELR PROJECTS — Physical Targets (Nos)							
1	No. of HT Proposals	32	24	-2	34	36	8
2	No. of LT Proposals	800	268	477	850	373	532
3	Replacement of Old Transformers (> 20 Years)	646		645	645		646
3. DOP PROJECTS — Energy Savings & Benefits							
1	Re-conductor Feeders (GWh)	6	6	0	9	9	0
2	Addition / Augmentation of Transformers (GWh)	3	3	0	4	4	0
3	11 kV Capacitors (GWh)	2	0	2	2.5	0	2.5
4	Total Energy Saved (GWh)	11	9	2	15.5	13	2.5
3 (a). DOP PROJECTS — Physical Targets (Nos)							

1	HT Proposals (Feeders / Load Shift)	8	6	2	16	14	2
2	HT Proposals/Re-conductor Feeders	12	18	-6	15	15	0
3	LT Proposals (Augmentation / Additions)	541	389	152	618	382	236
4	Installation of 11 kV Capacitors	25	0	25	30	0	30
	Total Physical Works	586	0	586	679	0	679
3 (b) DOP Deposit Works / Consumer Financing (Village Electrification)							
1	Grid Stations (Nos)	5	1	4	4	5	-1
4. AMI / SMART METER PROJECT — Physical Targets (Nos)							
1	Connections > 5 kW (Industrial / Tube Wells / Others)	16,066	16,066	0	16,145	8667	7478
2				0			0
3	PMTs (with Smart Monitoring)	200					
	Total AMI / AMR Installations (Nos)	**16,066**	16,066	0	**16,145**	8667	7478
4 (a) AMI / SMART METER PROJECT — Energy Savings & Benefits							
1	AMI / Smart Meter Savings (GWh)	2.52	2.52	0	5.03	3.87	1.16

(Source: FESCO MIRAD Directorate)