



**AUDIT REPORT
ON
THE ACCOUNTS OF
WATER & POWER DEVELOPMENT
AUTHORITY,
PEPCO AND ITS CORPORATE
ENTITIES
AUDIT YEAR 2015-16**

AUDITOR-GENERAL OF PAKISTAN

TABLE OF CONTENTS

	Page No.
ABBREVIATIONS & ACRONYMS	i
PREFACE	vii
EXECUTIVE SUMMARY	ix
SUMMARY TABLES & CHARTS	
<i>I</i> <i>Audit Work Statistics</i>	xv
<i>II</i> <i>Audit observations regarding financial management</i>	xv
<i>III</i> <i>Outcome Statistics</i>	xv
<i>IV</i> <i>Irregularities pointed out</i>	xvi
<i>V</i> <i>Cost Benefit</i>	xvi

MINISTRY OF WATER AND POWER

PART-I

WATER AND POWER DEVELOPMENT AUTHORITY (WAPDA)

CHAPTER 1 WATER WING

1.1	<i>Introduction</i>	1
1.2	<i>Comments on Financial Statements</i>	2
1.3	<i>Brief comments on the status of compliance with PAC directives</i>	4
1.4	<i>Audit Paras</i>	4

CHAPTER 2 WAPDA HYDRO ELECTRIC POWER

2.1	<i>Introduction</i>	43
2.2	<i>Comments on Financial Statements</i>	44
2.3	<i>Audit Paras</i>	47

PART-II

PAKISTAN ELECTRIC POWER COMPANY (PEPCO)

CHAPTER 3 PAKISTAN ELECTRIC POWER COMPANY (PEPCO)

3.1	<i>Introduction</i>	63
3.2	<i>Comments on Financial Statements</i>	63
3.3	<i>Brief comments on the status of compliance with PAC directives</i>	64
3.4	<i>Audit Paras</i>	64

CHAPTER 4	COMMON ISSUES REGARDING GENCOs, NTDC & DISCOs	
	4.1 <i>Audit Paras</i>	69
CHAPTER 5	JAMSHORO POWER GENERATION COMPANY (GENCO-I)	
	5.1 <i>Introduction</i>	107
	5.2 <i>Comments on Financial Statements</i>	107
	5.3 <i>Audit Paras</i>	108
CHAPTER 6	CENTRAL POWER GENERATION COMPANY (GENCO-II)	
	6.1 <i>Introduction</i>	115
	6.2 <i>Comments on Financial Statements</i>	115
	6.3 <i>Brief comments on the status of compliance with PAC directives</i>	116
	6.4 <i>Audit Paras</i>	116
CHAPTER 7	NORTHERN POWER GENERATION COMPANY (GENCO-III)	
	7.1 <i>Introduction</i>	121
	7.2 <i>Comments on Financial Statements</i>	121
	7.3 <i>Audit Paras</i>	122
CHAPTER 8	LAKHRA POWER GENERATION COMPANY (GENCO-IV)	
	8.1 <i>Introduction</i>	133
	8.2 <i>Comments on Financial Statements</i>	133
	8.3 <i>Audit Paras</i>	134
CHAPTER 9	NATIONAL TRANSMISSION AND DESPATCH COMPANY (NTDC)	
	9.1 <i>Introduction</i>	139
	9.2 <i>Comments on Financial Statements</i>	140
	9.3 <i>Audit Paras</i>	141
CHAPTER 10	FAISALABAD ELECTRIC SUPPLY COMPANY (FESCO)	
	10.1 <i>Introduction</i>	159
	10.2 <i>Comments on Financial Statements</i>	159
	10.3 <i>Brief comments on the status of compliance with PAC directives</i>	160
	10.4 <i>Audit Paras</i>	160
CHAPTER 11	GUJRANWALA ELECTRIC POWER COMPANY (GEPSCO)	
	11.1 <i>Introduction</i>	167
	11.2 <i>Comments on Financial Statements</i>	167
	11.3 <i>Brief comments on the status of compliance with PAC directives</i>	170

	<i>11.4 Audit Paras</i>	170
CHAPTER 12	HYDERABAD ELECTRIC SUPPLY COMPANY (HESCO)	
	<i>12.1 Introduction</i>	179
	<i>12.2 Comments on Financial Statements</i>	179
	<i>12.3 Brief comments on the status of compliance with PAC directives</i>	180
	<i>12.4 Audit Paras</i>	180
CHAPTER 13	ISLAMABAD ELECTRIC SUPPLY COMPANY (IESCO)	
	<i>13.1 Introduction</i>	197
	<i>13.2 Comments on Financial Statements</i>	197
	<i>13.3 Brief comments on the status of compliance with PAC directives</i>	201
	<i>13.4 Audit Paras</i>	201
CHAPTER 14	LAHORE ELECTRIC SUPPLY COMPANY (LESCO)	
	<i>14.1 Introduction</i>	209
	<i>14.2 Comments on Financial Statements</i>	209
	<i>14.3 Brief comments on the status of compliance with PAC directives</i>	210
	<i>14.4 Audit Paras</i>	210
CHAPTER 15	MULTAN ELECTRIC POWER COMPANY (MEPCO)	
	<i>15.1 Introduction</i>	229
	<i>15.2 Comments on Financial Statements</i>	229
	<i>15.3 Brief comments on the status of compliance with PAC directives</i>	233
	<i>15.4 Audit Paras</i>	233
CHAPTER 16	PESHAWAR ELECTRIC SUPPLY COMPANY (PESCO)	
	<i>16.1 Introduction</i>	243
	<i>16.2 Comments on Financial Statements</i>	243
	<i>16.3 Brief comments on the status of compliance with PAC directives</i>	244
	<i>16.4 Audit Paras</i>	244
CHAPTER 17	QUETTA ELECTRIC SUPPLY COMPANY (QESCO)	
	<i>17.1 Introduction</i>	255
	<i>17.2 Comments on Financial Statements</i>	255
	<i>17.3 Brief comments on the status of compliance with PAC directives</i>	256
	<i>17.4 Audit Paras</i>	256

CHAPTER 18	SUKKUR ELECTRIC POWER COMPANY (SEPCO)	
	<i>18.1 Introduction</i>	261
	<i>18.2 Comments on Financial Statements</i>	261
	<i>18.3 Audit Paras</i>	262
CHAPTER 19	TRIBAL AREAS ELECTRIC SUPPLY COMPANY (TESCO)	
	<i>19.1 Introduction</i>	269
	<i>19.2 Comments on Financial Statements</i>	269
	<i>19.3 Brief comments on the status of compliance with PAC directives</i>	270
	<i>19.4 Audit Paras</i>	270
CHAPTER 20	PERFORMANCE AUDIT REPORT ON GOMAL ZAM DAM PROJECT	
	<i>Executive Summary</i>	275
	<i>Key Audit Findings</i>	275
	<i>20.1 Introduction</i>	276
	<i>20.2 Audit Objectives</i>	278
	<i>20.3 Audit Scope and Methodology</i>	279
	<i>20.4 Audit Findings</i>	279
	<i>20.5 Conclusions</i>	292
	<i>20.6 Recommendations</i>	292
	<i>20.7 Acknowledgement</i>	292
ANNEXURES		
	<i>Annexure-I</i>	295
	<i>Audit paras, not considered significant enough to report to the parliament, included in MFDAC</i>	
	<i>Annexure-A, B & C</i>	307

ABBREVIATIONS AND ACRONYMS

ACSR	Aluminum Conductor Steel Re-enforced
ADB	Asian Development Bank
AEDB	Alternative Energy Development Board
AEL	Annual Energy Losses
AGP	Auditor-General of Pakistan
AGPR	Accountant General of Pakistan Revenue
AJ&K	Azad Jammu and Kashmir
ALM	Assistant Line Man
ANP	Awami National Party
APG	Advance Payment Guarantee
B&C	Budget & Consolidation
BOD	Board of Directors
BOQ	Bill of Quantity
BPCs	Bulk Power Consumers
BPS	Basic Pay Scale
BTA	Business Transfer Agreement
BTU	British Thermal Unit
CAATs	Computed Assisted Auditing Techniques
CBA	Combined Bargaining Agent
CCA	Cultural Command Area
CCC	Central Contract Cell
CCPP	Combined Cycle Power Plant
CDA	Capital Development Authority
CDL	Cash Development Loan
CDWP	Central Development Working Party
CEO	Chief Executive Officer
CFL	Compact Florescent Lamps
CFO	Chief Financial Officer
COBOL	Common Business Oriented Language
CP	Commercial Procedure
CPGCL	Central Power Generation Company Limited
CPI	Consumer Price Index
CPPA	Central Power Purchasing Agency
CPMC	Central Park Medical College
CRBC	Chashma Right Bank Canal
CRRK	Chief Resident Representative Karachi
CRPEA	Contract Registrar and Power Exchange Administrator
CSA	Consultancy Services Agreement
DAC	Departmental Accounts Committee
DCS	Distribution Control System
DDO	Drawing & Disbursing Officer
DECL	Dongfang Electric Corporation Limited
DS	Debt Services Liability
DSL	Defect Service Liability
DG	Director General
DHA	Defence Housing Authority
DISCOs	Distribution Companies
DoP	Development of Power
DP	Draft Para
DTL	Drug Testing Laboratory

DMBD	Diameer Bhasha Dam
E&M	Electrical & Mechanical
ECC	Economic Coordination Committee
ECNEC	Executive Committee of the National Economic Council
EHV	Extra High Voltage
ELR	Energy Loss Reduction
EMB	Electrical Measurement Book
EOT	Extension of Time
EPC	Engineering Procurement and Construction
ERO	Equipment Removal Order
ERP	Enterprise Resource Planning
FATA	Federally Administered Tribal Area
FBR	Federal Board of Revenue
FC	Financial Closing
FCC	Foreign Currency Component
FCC	Fuel Cost Component
FCC	Fixed Cost Component
FCS	Free Consignee Store
FD	Finance Director
FESCO	Faisalabad Electric Supply Company
FIA	Federal Investigation Agency
FIDIC	Federation International Des Ingenieurs-Conseils
FIR	First Information Report
FOTP	Furnace Oil Treatment Plant
FPA	Fuel Price Adjustment
FPAD	Forced Payment Against Documents
FWO	Frontier Works Organization
GBHP	Ghazi Barotha Hydropower Project
GCC	Gas Cost Component
GCC	General Condition of Contract
GENCOs	Generation Companies
GEPCO	Gujranwala Electric Power Company
GFR	General Financial Rules
GHCL	GENCO Holding Company Limited
GM	General Manager
GoP	Government of Pakistan
GSC	Grid System Construction
GSO	Grid System Operation
GST	General Sales Tax
GTPS	Gas Thermal Power Station
GWH	Gegawatt Hours
GZD	Gomal Zam Dam
HEPO	Hydro Electric Planning Organization
HESCO	Hyderabad Electric Supply Company
HFO	High Speed Furnace Oil
HP	Horse Power
HPP	Hydro Power Project
HPS	Hydel Power Station
HSD	High Speed Diesel
HT	High Tension
IAS	International Accounting Standards
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding

ICL	Incandescent Lamp
IDC	Interest During Construction
IESCO	Islamabad Electric Supply Company
IPC	Interim Payment Certificate
IPPs	Independent Power Producers
IRSA	Indus River System Authority
ISRIP	International Sedimentation Research Institute, Pakistan
JBIC	Japan Bank for International Co-operation
JICA	Japan International Co-operation Agency
JPGCL	Jamshoro Power Generation Company Limited
JV	Journal Voucher
KAPCO	Kot Addu Power Company
KC	Kachhi Canal
KESC	Karachi Electric Supply Company
KHP	Kohala Hydropower Project
KIBOR	Karachi Inter Bank Offer Rates
KPK	Khyber Pukhtunkhwa
KV	Kilo Volt
KVA	Kilo Volt Amps
KW	Kilo Watt
KWh	Kilo Watt Hours
LAC	Land Acquisition Collector
LC	Letter of Credit
LCC	Local Currency Component
LD	Liquidated Damages
LESCO	Lahore Electric Supply Company
LOI	Letter of Intent
LPGCL	Lakhra Power Generation Company Limited
LT	Low Tension
M.S	Medical Superintendent
MD	Managing Director
MDI	Maximum Demand Indicator
MDRP	Mangla Dam Raising Project
MEPCO	Multan Electric Power Company
MFDAC	Memorandum for Departmental Accounts Committee
MIS	Management Information System
MKWH	Million Kilo Watt Hour
MBTU	Million British Thermal Unit
MCFT	Million Cubic Feet
MOU	Memorandum of Understanding
MRN	Material Return Note
M&S	Monitoring and Surveillance
M&T	Metering and Testing
MSR	Material at Site Register
MT	Metric Ton
MT	Mail Transfer
MVA	Mega Volt Ampere
MW	Mega Watt
MWh	Mega Watt hour
NAB	National Accountability Bureau
NCPP	New Captive Power Producers
NDP	National Drainage Programme
NEC	National Economic Council

NEO	Net Electric Output
NEPRA	National Electric Power Regulatory Authority
NGPS	Natural Gas Power Station
NJHPC	Neelum Jhelum Hydro Power Company
NJS	Neelum Jhelum Surcharge
NICL	National Insurance Company Limited
NIT	Notice Inviting Tender
NPCC	National Power Control Centre
NPGCL	Northern Power Generation Company Limited
NTDC	National Transmission and Despatch Company
NTPGL	Nandipur Thermal Power Generation Company Limited
OCC	Open Cycle Cost
O&M	Operation and Maintenance
PAC	Public Accounts Committee
PAEC	Pakistan Atomic Energy Commission
PC Poles	Pre-stressed Concrete Poles
PCC	Particular Condition of Contract
PC-I	Planning Commission Proforma-I
PCRET	Pakistan Council of Renewable Energy Technology
PD	Project Director
PDP	Proposed Draft Para
PEC	Pakistan Engineering Council
PEPCO	Pakistan Electric Power Company
PESCO	Peshawar Electric Supply Company
PHPL	Power Holding Private Limited
P&D	Planning and Development
P&G	Preliminary and General
P&I	Planning & Investigation
PITC	Power Information Technology Company
PMU	Project Management Unit
PO	Purchase Order
POL	Petrol, Oil and Lubricants
Pos	Provisional Orders
PPA	Power Purchase Agreement
PPIB	Pakistan Power Infrastructure Board
PPRA	Public Procurement Regulatory Authority
PRES	Pakistan Renewable Energy Society
PSC	Power Sector Companies
PSCs	Public Sector Companies
PSDP	Public Sector Development Programme
PSE	Public Sector Enterprises
PSO	Pakistan State Oil
PTESU	Power Transformer Engineering Services Unit
PWP	Peoples Works Programme
QESCO	Quetta Electric Supply Company
RBOD	Right Bank Outfall Drainage
RC	Rainee Canal
RCO	Reconnection Order
RD	Reduced Distance
REAP	Renewable Energy Association Pakistan
REP	Rural Electrification Project
RFO	Residual Furnace Oil
RO	Revenue Officer

RPP	Rental Power Project
RTR	Reliability Test Run
SAP	System Augmentation Project
SCADA	Supervisory Control and Data Acquisition
SCARP	Salinity Control and Reclamation Project
SCC	Special Condition of Contract
SEPCO	Sukkur Electric Power Company
SEPCOL	Southern Electric Power Company Limited
S&I	Surveillance & Intelligence
SHPS	Small Hydel Power Station
SHYDO	Sarhad Hydro Development Organization
SIDA	Sindh Irrigation and Drainage Authority
SMS	Secured Metering System
SNGPL	Sui Northern Gas Pipelines
SO	System Operator
SOPs	Standard Operating Procedures
SR	Store Requisition
SPP	Small Power Producer
SRO	Statutory Regulatory Order
SSGC	Sui Southern Gas Company
STG	Secondary Transmission Lines and Grids
T&D	Transmission & Distribution
T&T	Transformation and Transmission
TBM	Tunnel Boring Machine
TDS	Tariff Differential Subsidy
TESCO	Tribal Areas Electric Supply Company
TLC	Transmission Line Construction
TNO	Transmission Network Operator
TOC	Taking Over Certificate
TOU	Time of Use
TPS	Thermal Power Station
TT	Telegraphic Transfer
UAE	United Arab Emirates
UDC	Upper Division Clerk
UOSC	Use of System Charges
VD	Voltage Drop
VDC	Volts Direct Current
VO	Variation Order
WAPDA	Water and Power Development Authority
WASC	WAPDA Administrative Staff College
WCC	WAPDA Computer Centre
WEPS	WAPDA Equipment Protection System
WPPO	WAPDA Power Purchase Organization
WTHC	WAPDA Teaching Hospital Complex
XEN	Executive Engineer

Preface

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

The report is based on audit of the accounts of WAPDA and PEPCO for the financial year 2014-15 as well as some observations pertaining to the previous audit years. The Directorate General of Audit WAPDA conducted audit of these entities during the year 2015-16 on test check basis with a view to reporting significant findings to the relevant stakeholders. The main body of Audit Report includes only the systemic issues and audit findings carrying value of Rs 1 million or more. Relatively less significant issues are listed in the Annexure-I of the Audit Report. The Audit observations listed in the Annexure-I shall be pursued with the Principal Accounting Officer at the DAC level and in all cases where the PAO does not initiate appropriate action, the Audit observations will be brought to the notice of the Public Accounts Committee through the next year's Audit Report.

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

Most of the observations included in this report have been finalized in the light of discussions in the Departmental Accounts Committee meetings.

The Audit Report is submitted to the President 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].

Dated: June 02, 2016

Sd/-
(Rana Assad Amin)
Auditor-General of Pakistan

EXECUTIVE SUMMARY

The Directorate General Audit WAPDA carries out audit of accounts of WAPDA, PEPCO and its corporate entities on behalf of the Auditor-General of Pakistan as envisaged in Section-28 of the Pakistan Water and Power Development Authority Act, 1958 with the objective of promoting accountability, transparency, good governance in the management and use of public resources. Audit of one hundred and twenty four (124) out of two hundred and ninety seven (297) formations was conducted by utilizing fifteen thousand, three hundred and seventy two (15,372) man-days incurring expenditure of Rs.192.06 million.

a. Scope of Audit

Total auditable expenditure and revenue budget for the financial year 2014-15, under the jurisdiction of Director General Audit WAPDA were Rs.676,635.44 million and Rs.990,108.40 million respectively. The Director General Audit WAPDA conducted audit of the above expenditure and revenue up to the amount of Rs.515,653.86 million (76%) and Rs.776,597.78 million (78%) respectively on test check basis in accordance with the audit methodology as given in Financial Audit Manual.

b. Recoveries at the instance of Audit

Recovery of Rs.537,366.84 million was pointed out at the instance of Audit and recovery of Rs.475,393.20 million was established during the audit year 2015-16. Recovery of Rs.29,996.38 million was effected from January to December, 2015.

c. Audit Methodology

Audit activity started with detailed planning, development of audit programmes, establishing resource requirements and timing. The planned activities were executed as per audit programmes and results thereof, were evaluated at appropriate level before issuance to auditee organizations. High value and high risk items were selected on professional judgment basis for substantive testing. Desk review and preparation of Permanent Files helped auditors in understanding the systems, procedures and environment before starting field audit activity.

d. Audit Impact

The need for change in the system and procedures of the audited entities was emphasized, based upon the observations raised and discussed with the

management in current as well as in previous Audit Reports. One of the major issues is the less recovery of subsidies pertaining to tariff differential and agriculture from Federal Government and Provincial Governments. The management agreed to refer the matter for reconciliation between Finance Division of GoP and CPPA. Refund of GST from FBR due to non-recovery of electricity charges or write off from defaulter consumers is not being made. The management agreed to take up the matter with FBR through Ministry. The power distribution companies could not collect Rs.232,456.29 million from defaulters and recovery drive has been launched by the distribution companies after being pointed out by Audit. The procurement of material and consultancy services at various WAPDA/PEPCO formations involved violation of PPRA Rules, provision of PC-I and contract clauses. On the instance of Audit, the management now is inclined towards greater transparency and competitive bidding. The management has taken the initiative of regularizing the illegal extension of load by recovering the additional security and capital cost besides fixing responsibility on person (s) found at fault.

e. Comments on Internal Controls and Internal Audit Department

An effective internal control framework serves as a major tool for management to achieve objectives of the organization. Internal controls of the department were found weak and ineffective as various control lapses were identified during audit. There was poor monitoring of collection of revenue, misappropriation/theft of material, embezzlement/misuse of public funds, incorrect billing, non-implementation of commercial procedure and non-adherence to provisions of power policy. The report describes that internal control system was deteriorating day by day as increase in cases of embezzlement of revenue, non-implementation of EROs, violation of PPRA Rules were indicating failure of controls.

Internal Audit has been set up as a part of internal control system in WAPDA, PEPCO and its corporate entities. It carries out the audit of the consumers accounts to the extent of 100% kept at customer services offices of distribution companies and test audit of expenditure of PEPCO and WAPDA in addition to the physical verification of stock held at various stores. Despite having an internal audit, recurrence of frequent irregularities year after year cast a shadow of doubt on effectiveness of internal control system.

Audit emphasizes proper implementation of financial reporting mechanism

and enforcement of laws and regulations in letter and spirit for improving the internal controls and internal audit of the department.

f. The key audit findings of the report:

- i. 20 cases of embezzlement of public money, theft and misuse of funds amounting to Rs.695.64 million.¹
- ii. 2 cases of non-production of record involving Rs.637.57 million.²
- iii. 58 cases of irregular expenditure/unjustified payments and violation of rules amounting to Rs.102,552.03 million.³
- iv. 01 cases pertaining to accounting errors and misclassification amounting to Rs.392.04 million.⁴
- v. 23 cases pertaining to weaknesses of internal control systems amounting to Rs.76,246.35 million.⁵
- vi. 72 cases pertaining to recoveries and overpayments amounting to Rs.658,912.93 million.⁶
- vii. 36 cases pertaining to others, accidents, negligence, etc. amounting to Rs.157,445.56 million.⁷

¹Para-4.1.3, 4.1.4, 9.3.17, 9.3.18, 11.4.1, 11.4.5, 11.4.6, 12.4.1, 12.4.7, 12.4.12, 13.4.2, 13.4.4, 14.4.1, 14.4.2, 14.4.3, 14.4.16, 16.4.1, 16.4.9, 18.3.4, 18.3.5

²Para- 4.1.2, 12.4.11

³Para-1.4.2, 1.4.4, 1.4.5, 1.4.6, 1.4.9, 1.4.16, 1.4.17, 1.4.18, 1.4.21, 1.4.27, 1.4.28, 1.4.29, 1.4.33, 1.4.34, 1.4.39, 1.4.42, 1.4.43, 2.3.2, 2.3.6, 2.3.9, 2.3.12, 3.4.2, 4.1.12, 4.1.19, 4.1.20, 4.1.22, 4.1.24, 4.1.27, 4.1.28, 4.1.31, 4.1.34, 6.4.3, 7.3.3, 7.3.4, 9.3.14, 9.3.15, 9.3.16, 10.4.1, 11.4.2, 11.4.3, 12.4.6, 12.4.8, 12.4.9, 12.4.13, 12.4.16, 12.4.17, 13.4.6, 13.4.7, 14.4.4, 14.4.7, 14.4.11, 15.4.5, 15.4.6, 15.4.7, 16.4.7, 16.4.8, 18.3.1, 18.3.2

⁴Para-2.3.5

⁵Para-1.4.20, 1.4.35, 2.3.7, 2.3.10, 2.3.11, 3.4.1, 3.4.3, 4.1.8, 4.1.10, 4.1.13, 4.1.15, 4.1.16, 4.1.17, 12.4.2, 12.4.3, 12.4.4, 13.4.5, 14.4.10, 14.4.12, 14.4.13, 15.4.1, 16.4.4, 16.4.5

⁶Para-1.4.1, 1.4.7, 1.4.8, 1.4.10, 1.4.12, 1.4.13, 1.4.15, 1.4.19, 1.4.22, 1.4.25, 1.4.26, 1.4.30, 1.4.31, 1.4.37, 1.4.38, 1.4.41, 2.3.4, 2.3.8, 4.1.1, 4.1.5, 4.1.6, 4.1.7, 4.1.9, 4.1.18, 4.1.21, 4.1.23, 4.1.26, 4.1.29, 4.1.32, 4.1.33, 4.1.35, 5.3.1, 5.3.3, 5.3.4, 6.4.2, 7.3.5, 7.3.7, 7.3.9, 8.3.1, 9.3.1, 9.3.2, 9.3.3, 9.3.7, 9.3.8, 9.3.10, 9.3.12, 9.3.13, 10.4.2, 10.4.3, 10.4.4, 12.4.5, 12.4.10, 12.4.15, 12.4.18, 13.4.3, 14.4.8, 14.4.9, 14.4.14, 14.4.15, 14.4.17, 14.4.18, 14.4.19, 14.4.20, 15.4.2, 15.4.3, 15.4.4, 16.4.2, 17.4.1, 17.4.2, 17.4.3, 19.4.1, 19.4.2

⁷Para-1.4.3, 1.4.11, 1.4.14, 1.4.23, 1.4.24, 1.4.32, 1.4.36, 1.4.40, 2.3.1, 2.3.3, 4.1.11, 4.1.14, 4.1.25, 4.1.30, 5.3.2, 6.4.1, 7.3.1, 7.3.2, 7.3.6, 7.3.8, 7.3.10, 8.3.2, 9.3.4, 9.3.5, 9.3.6, 9.3.9, 9.3.11, 11.4.4, 12.4.14, 13.4.1, 14.4.5, 14.4.6, 16.4.3, 16.4.6, 16.4.10, 18.3.3

Audit paras for the Audit Year 2015-16 involving procedural violations including internal controls weaknesses and irregularities, not considered significant enough to report to the Parliament, have been included in MFDAC Report (Annexure-I).

g. Recommendations

- i. There is a dire need for improvement in the financial situation of WAPDA and corporate entities under PEPCO. For this purpose, Companies need to prepare financial improvement/recovery plans.
- ii. PEPCO needs to bring the existing generating capacity at par with the installed capacity of all existing thermal plants.
- iii. WAPDA needs to adhere to timelines regarding the construction of major hydel power projects to keep in check the cost of its projects.
- iv. The Principal Accounting Officer needs to take steps to stop recurrence of similar irregularities year after year by investigating, fixing responsibility and taking action against responsible officers / officials and by taking remedial measures for improving systems and internal controls within the organizations.
- v. For effective inventory management, it is suggested to purchase material in accordance with the inventory demand. The management needs to take appropriate measures to transfer surplus material lying in one DISCO to other DISCOs, if required and dispose off material, lying idle in different stores for years together as per disposal procedures.
- vi. Managerial capabilities may be improved to avoid lapses pointed out in the process of operational and contract management.
- vii. Management of WAPDA / PEPCO and its corporate entities need to take necessary steps to evaluate and strengthen financial management, budgetary and accounting controls.
- viii. There is a dire need to drastically reduce theft and administrative losses which remaining uncovered and cause accumulation of circular debt.
- ix. Management must place maximum emphasis upon recovery of outstanding amount at all stages of supply chain of power sector so that circular debt doesn't accumulate to an unmanageable level.

SUMMARY TABLES & CHARTS

SUMMARY TABLES AND CHARTS

Table 1 Audit Work Statistics

(Rs in million)

Sr. No.	Description	No.	Expenditure Budget	Revenue Budget
1	Total entities in audit jurisdiction*	21	676,635.44	990,108.40
2	Total formations in audit jurisdiction.	297	676,635.44	990,108.40
3	Total entities audited	19	515,653.86	776,597.78
4	Total formations audited	124	515,653.86	776,597.78
5	Audit & Inspection Reports	124	-	-
6	Special Audit Report	-	-	-
7	Performance Audit Report	01	18,400.00	-
8	Other Reports	-	-	-

* The Principal Accounting Officer of all the entities is Secretary, Ministry of Water and Power.

** The amount is related to total budget of the entity reported by management.

Note: Cost of sales is not included in expenditure budget.

Table 2 Audit Observations regarding Financial Management

Sr. No.	Description	Amount placed under audit observation (Rs in million)
1	Unsound asset management	695.64
2	Weak financial management	761,464.96
3	Weak internal controls relating to financial management	76,638.39
4	Others	158,083.13
	Total	*996,882.12

Note: The bifurcation has been made on the basis of nature of issues and approved template and due diligence has been exercised to include paras in relevant categories. However, certain paras relate to more than one category, have been included in the category deemed most relevant.

* The total amount of audit observations pertains to the Audit Year 2015-16 as well as previous Audit Years.

Table 3 Outcome Statistics

(Rs in million)

Sr. No.	Description	Expenditure on acquiring physical assets (procurement)	Civil works	Others	Receipts	Total current year	Total Last year
1	Outlays audited	11,737.94	11,429.12	90,725.49	324,357.30	438,249.85	1,205,073.16
2	Amount placed under audit observation/irregularities of auditee	19,733.01	103,307.87	3,462,109.22	605,066.49	*4,190,216.59	3,159,817.74
3	Recoveries pointed out at the instance of audit	83.83	13851.49	50,184.52	473,247.00	537,366.84	909,567.56
4	Recoveries accepted/established at the instance of audit	21.78	20.87	5,687.44	469,663.11	475,393.20	892,048.32
5	Recoveries realized at the instance of audit	8.52	0	0.042	29,987.82	29,996.38	399.38

* The total audit observations amounting to Rs.4,190,216.59 million includes data of balances of previous years.

Table 4 Table of Irregularities pointed out

Sr. No.	Description	Amount placed under audit observation (Rs in million)
1.	Violation of Rules and regulations and violation of principle of propriety and probity in public expenditure.	893,883.32
2.	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	695.64
3.	Accounting errors (misclassification, over or understatement of account balances) that are not material enough to result in the qualification of audit opinions on the financial statements.	49,136.35
4.	Weaknesses of internal control systems.	1,317,060.37
5.	Recoveries and overpayments, representing cases of establishment overpayment or misappropriations of public moneys.	475,393.20
6.	Non-production of record.	6,201.35
7.	Others, including cases of accidents, negligence etc.	1,447,846.36
	Total	4,190,216.59

Note:- The bifurcation has been made on the basis of nature of issues and approved template and due diligence has been exercised to include paras in relevant categories. However, certain paras relate to more than one category, have been included in the category deemed most relevant.

Table 5 Cost-Benefit*(Rs in million)*

Sr. No.	Description	2015-16	2014-15	2013-14
1	Outlays Audited (Item 1 of Table 3)	438,249.855	1,205,073.16	1,259,359.50
2	Expenditure on Audit	192.06	181.96	190.56
3	Recoveries realized at the instance of Audit	29,996.38	399.38	1,481.98
	Cost-Benefit Ratio	1:156.18	1:2.19	1:7.78

**MINISTRY OF WATER
AND POWER**

PART-I

**WATER AND POWER DEVELOPMENT
AUTHORITY (WAPDA)**

CHAPTER-1
WATER WING

1. WATER WING

1.1 Introduction

Pakistan Water and Power Development Authority (WAPDA), fully owned by the Government of Pakistan was established under WAPDA Act, 1958 (West Pakistan Act No. XXXI of 1958), as amended from time to time. The statutory mandate of WAPDA was to develop and utilize the water and power resources of Pakistan on a unified and multipurpose basis. WAPDA remained empowered among others, to frame schemes for generation, transmission and distribution of power and the construction, maintenance and operation of power houses and grid stations.

Water Wing of WAPDA is responsible for planning, designing and execution of water resources development projects in irrigation, drainage and hydropower sectors. Major surface water projects including large dams are also operated and maintained by Water Wing.

The natural siltation is constantly reducing the capacity of the three existing storages in Pakistan i.e., Mangla and Tarbela dams and the regulating reservoir located at Chashma. Their design aggregate gross storage was 18.37 Million Acres Feet (MAF).

Indus Basin Projects, 5 Barrages, 8 Inter-River Link Canals (1965-70), Mangla (1967) and Tarbela 1976 Dams have already been completed by Water Wing. WAPDA is contributing substantially towards national economy.

National Drainage Program in four provinces has been completed since June, 2007. Eighteen (18) million acres of land has been reclaimed from water logging and salinity in four provinces enhancing cropping intensity from 70% to more than 110% in about 16 million acres of land.

Mirani Dam, Sabakzai Dam and Greater Thal Canal Phase-I projects have been completed during June, 2007, June, 2009 and December, 2009 respectively, supplying water for cultivation of 395,500 acres of land. Raine Canal Project having 113, 690 acres Culturable Command Area (CCA) stands completed during June, 2014. Gomal Zam Dam was inaugurated during September, 2013 and work on irrigation component is in progress. Work on Kachhi Canal (Phase-I) and Drainage Schemes RBOD-I & III in Sindh and Balochistan are in progress. Civil works of Mangla Dam Raising Project have been completed during December,

2009 whereas resettlement works are being pursued for completion latest by December, 2015.

In addition, WAPDA has initiated work on construction of 12 Small and Medium Dams, to be completed in two Phases i.e.6 dams in Phase-I (2011-2015) and 6 dams in Phase-II (2012-16). Nai Gaj Dams (4.2 MW) is under construction, whereas Darawat Dam has been substantially completed. The design of Kurram Tangi Dam (83.4 MW, 18.9 MW in Stage-I) has been revised and consultants for contraction supervision have been appointed. Pre-qualification of contractors for construction has been completed and tendering process started.

(Source: Monthly Progress Report on Water Sector Projects June, 2015)

1.2 Comments on Financial Statements

1.2.1 Financial Overview

The following comments / analysis was prepared on the financial statement. The financial results are as under:-

1.2.2 Extracts of the Financial Statements Balance Sheet as at June 30, 2015

	2014-15	2013-14	Variance	(Rs. in million) %
Equity and Liabilities				
CAPITAL EMPLOYED				
Ongoing Projects	234,696.715	215,380.581	19,316.134	8.97
Completed Projects	136,763.600	136,730.820	32.780	0.02
	371,460.315	352,111.401	19,348.914	
Current liabilities				
Sundry creditors	6,379.6200	7,091.4240	(711.804)	-10.04
Others payable	368.0050	365.1610	2.844	0.78
Deposit account	146.5020	120.1450	26.357	21.94
Clearing account	58.1730	111.2850	(53.112)	-47.73
	6,952.3000	7,688.0150	(735.715)	-9.57
Other receipts & reserves	1,168.232	631.860	536.372	84.89
	379,580.847	360,431.276	19,149.571	5.31
Assets				
Infrastructure development				
On going Projects	237,346.989	221,534.727	15,812	7.14
Completed Projects	135,343.730	135,225.239	118	0.09
	372,690.719	356,759.966	15,931	4.47
Current assets				
Cash, bank & imprest	4,992.685	1,905.926	3,087	161.96
Deposit & advances	357.097	357.514	(0)	-0.12
Sundry debtors	925.226	766.603	159	20.69
Cash receivables	502.031	501.800	0	0.05
Clearing accounts	90.431	123.964	(34)	-27.05
	6,867.470	3,655.807	3,212	87.85
Other assets	22.658	15.503	7	46.15
	379,580.847	360,431.276	19,150	5.31

Profit and Loss Account
For the year ended June 30, 2015

	2014-15	2013-14	Variance	%
Revenue				
Income	1,125.798	1,101.097	24.701	2.24
Less: expenditures	1,113.256	1,089.796	23.460	2.15
Profit for the year	12.542	11.301	1.241	10.98

1.2.3 Balance Sheet

i) The capital employed of the Water Wing increased to Rs.372,69 million which consisted of on going and completed projects over the previous year. Ongoing & completed projects includes water storage dam, conveyance canals, drainage, drainage & reclamation projects and research / investigation / engineering studies.

ii) Capital employed represented funds released by Federal Government through Public Sector Development Program (PSDP). Current expenditure budget of Ministry of Water & Power, interest free loan of Finance Division as well as Provincial Governments & other agencies/donors being maintained and controlled at Head Office. It also includes power wing financing for Hydro Power Component in respect of Mangla Dam Raising Project and Gomal Zam Dam Project.

iii) Further, during the current financial year, provincial government released an amount of Rs.431.10 million which has reduced interim financing for the project to Rs.653.59 million. During completion of Left Bank Outfall Drainage (LBOD) project, land compensation payment of Rs.62.43 million were made at Chashma Right Bank Canal (CRBC) to honor court decision while management cost of Swabi/Mardan Scarp clearance cell and National Drainage Project (NDP) Mirpurkhas tubewells is met out of unspent PSDP allocation.

iv) Long term loans and advances of Rs.352.60 million represented interest free and interest bearing loans to employees, during next financial year, it is expected that Rs.65 million will be recovered from employees. However, huge amount of Rs.885.20 was receivable against services rendered to various formations of WAPDA whereas Rs.502.03 million were receivable from corporate entities and other wings.

v) Current ratio of the Wing for the financial year 2014-15 was 0.99 times (0.48 times: 2013-14). Liquidity ratio improved slightly due to

increase in current assets by Rs.84.83 million over current liabilities. Further analysis showed that current assets increased due to increase in trade debts and cash and bank balances by Rs.159 million and Rs.3,09 million respectively. The wing was advised to improve its recovery position and avoid retention of such heavy cash balances.

1.2.4 Profit and Loss Account

During the financial year 2014-15, income increased by Rs.24.71 million over the previous year, it increased to Rs.1,125.80 million. Income includes supervisory charges @ 1.45% Rs.276 million, interest income Rs.468.08 million and PSDP share finance Rs.381 million. However, expenditure incurred were Rs.1,113.26 million leaving a surplus of Rs.12.54 million.

1.3 Brief comments on the status of compliance with PAC directives

Name of Company	Year	No. of Directives	Status of compliance		
			Full	Partial	Outstanding
Water Wing	2002-03	11	-	-	11 (Para No.1 to 5 & 7 to 12)
	2003-04	09	1 Para No. 1.7	-	08 (Para No. 1.2, 1.3, 1.6, 1.9, 3.5, 8.3, 8.4 & 8.5)

Position of compliance with PAC directives is not satisfactory.

1.4 AUDIT PARAS

1.4.1 Non-recovery of huge amount from CPPA - Rs.50,038.36 million

In the wake of privatization of KAPCO in 1996, a loan note agreement was signed between WAPDA and KAPCO. After re-bundling of WAPDA, the said loan note was amended on April 20, 2002. Accordingly half yearly installments of KAPCO pro-note were to be adjusted against non-escalable component of the capacity purchase price of KAPCO. CPPA / WPPO / NTDC would make deductions from the invoices of KAPCO for onward submission to WAPDA.

In the office of General Manager Finance Power, a huge amount of Rs.50,038.36 million deducted by CPPA / WPPO / NTDC from the invoices of KAPCO, was not remitted to WAPDA in violation of above rule.

Non-remittance of deducted amount to WAPDA resulted into non-utilization of funds, which transpires weak financial management.

The matter was taken up with the management during May, 2015 and reported to the Ministry during December, 2015. The management replied that WAPDA had already taken stand against the non-cash adjustment of loan note due

to weakening financial health. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 19, 2016 referred the matter to PAC for direction to CPPA/NTDC to ensure payment.

Audit recommends that the management needs to expedite the recovery of Rs.50,038.36 million as well as interest thereon from CPPA/NTDC.

(Draft Para No. 2057/2015-16)

1.4.2 Irregular award of contract beyond the limit of PC-I - Rs.38,792.14 million

The Executive Committee of the National Economic Council (ECNEC) approved Rs.26,236.03 million for construction of Nai Gaj Dam Project vide Planning & Development Division letter dated September 5, 2012. According to Condition-2 of Section-V of the Book of Financial Powers, “prior approval of the next higher authority shall be necessary, (a) where the bid received exceeds by more than 15% of the approved cost of the work.”

In Nai Gaj Dam Project Dadu, work for construction of Dam was awarded to M/s NEIE-SMADB-LILLY-RMS-JV at a contract price of Rs.38,792.14 million during April, 2012 against the PC-I amount of Rs.26,236.03 million.

Violation of PC-I provision resulted in irregular award of work of Rs.38,792.14 million during the financial year 2014-15.

The matter was taken up with the management and reported to the Ministry during November, 2015. The management replied that 2nd revised PC-I amounting Rs.46,555.28 million had been submitted to Ministry of Water & Power for approval of competent authority which included revised scope of work including Gravity Water Main (Pipeline for Mancher Lake as per orders of honorable Supreme Court of Pakistan in Suo Moto case dated September 17, 2015 as well as Power House and access roads which were also essential works of the project.

The DAC in its meeting held on January 19, 2016 pended its decision till the approval of 2nd Revised PC-I from ECNEC. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides fixing responsibility.

(Draft Para No. 1967/2015-16)

1.4.3 Loss due to unauthorized occupation of WAPDA land - Rs.10,657.50 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

In Mangla Dam Organization Mangla, 4,248 kanals of WAPDA’s land valuing Rs.10,657.50 million was occupied / encroached by the local people as well as departments of Government of AJ&K. Neither any effort was made to take up the matter with Government of AJ&K nor the case pursued against private persons.

Non-adherence to instructions resulted in loss of Rs.10,657.50 million due to unauthorized occupation of WAPDA’s land up to the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that WAPDA Mangla had more than 80,000 acres of land scattered in AJ&K and Punjab territory. Local residing people occupy WAPDA Land with the help of local authority of Mirpur Development Authority (MDA). WAPDA had taken up the matter with AJ&K Administration and also pursued the cases through courts.

The DAC in its meeting held on January 19, 2016, directed the management to pursue the court cases expeditiously and pended the para till decision of the courts. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives.

(Draft Para No. 2113/2015-16)

1.4.4 Unjustified expenditure on account of IDC, admin, overhead and consultancy to execute the works – Rs.10,531.96 million

According to revised PC-I, “the project cost of Lower Indus Right Bank Irrigation and Drainage Project (Stage-I), priority works of (RBOD-I) was Rs.14,707.14 million with completion period till December 31, 2008”.

In Right Bank Outfall Drainage (RBOD-I) Project WAPDA Sukkur, an amount of Rs.14,373.20 million was incurred with physical progress of 89.69% as on June 30, 2015 against target completion date of December 31, 2008. The expenditure pertaining to works of Rs.3,841.24 million was 26.73% whereas the

expenditure of Rs.10,531.96 million relating to admn, overhead, IDC and consultancy was 73.28% of the total expenditure.

Project mismanagement resulted in unjustified expenditure of Rs.10,531.96 million up to the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied that revised PC-I was under process.

The DAC in its meeting held on January 19, 2016 pended the matter till the approval of revised PC-I by ECNEC. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for fixing responsibility for inordinate delay in completion of project and unjustified expenditure of Rs.10,531.95 million.

(Draft Para No. 2054/2015-16)

1.4.5 Non-receipt of sale proceeds of KAPCO from Privatization Commission / GoP - Rs.5,435.56 million

As a result of privatization of Kot Addu Power Company (KAPCO) in 1996 and further sale of 18.27% WAPDA shares to public during 2006 through Privatization Commission of Pakistan, total sale proceed of Rs.5,435.56 million were to be remitted to WAPDA.

In the office of General Manager Finance Power, a huge amount of Rs.5,435.36 million was received as a result of privatization of KAPCO during 1996 and further sale of its shares during 2006 by Privatization Commission of Pakistan. The said amount was not remitted to WAPDA by the Privatization Commission, Government of Pakistan (GoP) up till now. Had the said amount been remitted to WAPDA, it could have saved millions of rupees of interest paid on borrowing of costly loan for developing hydel projects.

Non-adherence to the instructions resulted in non-recovery of sale proceeds of KAPCO amounting to Rs.5,435.56 million from Privatization Commission (GoP) up to the financial year 2013-14.

The matter was taken up with the management during May, 2015 and reported to the Ministry during December, 2015. The management replied that the matter had been taken up with Privatization Commission to recover the proceeds. No further progress towards recovery was reported till the finalization of the report.

The DAC in its meeting held on January 19, 2016 referred the matter to PAC for decision.

Audit emphasizes expeditious recovery of sale proceeds of KAPCO besides fixing responsibility.

(Draft Para No. 2059/2015-16)

1.4.6 Irregular utilization of funds on Neelum Jhelum Hydro Power Project - Rs.5,400 million

According to Para 11.4(b) of Hand Book for Drawing and Disbursing Officer, “the funds allotted to a Ministry / Division, its attached, or subordinate offices are spent for the purpose for which they are allocated”.

In the office of General Manager Finance Power, funds of Rs.5,400 million were released in piecemeal to Neelum Jhelum Hydro Power Project Company (NJHPPC) for financing the project. The said funds were exclusively obtained as cash development loan from Finance Division, Government of Pakistan with the authorization of Planning & Development Division (P&D) for construction of Diamer Bhasha Dam Project (DBDP).

Violation of financial rules resulted in irregular utilization of funds amounting to Rs.5,400 million other than the intended purpose up to the financial year 2014-15.

The matter was taken up with the management during May, 2015 and reported to the Ministry during December, 2015. The management replied that the funds had been utilized for Diamer Bhasha Dam Project and the remaining balance was available with the office of GM Finance Power. The reply was not justified as the funds were utilized on other projects without prior approval of P&D Division.

The DAC in its meeting held on January 19, 2016 pended its decision till the reply was examined by Audit and issued further remarks. Audit did not consider the reply satisfactory being reiteration of previous instance.

Audit recommends that the management needs to inquire the matter for fixing responsibility for utilization of DBDP funds on NJHPPC without prior concurrence of P&D Division.

(Draft Para No. 2036/2015-16)

1.4.7 Non-recovery of liquidated damages – Rs.4,440.80 million

According to conditions of contract, “the contractor shall pay liquidated damages (LD) in case of delay in completion of work / supply”.

In four formations of WAPDA, five contracts were awarded to the

different contractors for execution of civil works and supply of material from April, 2012 to April, 2015 respectively. The same could not be completed within the stipulated period and liquidated damages amounting to Rs.4,440.80 million were required to be recovered from the contractors / supplier as per contract provisions which was not done as detailed below:-

Sr. No.	PDP No.	Formation	Clause of LD	Rate of LD	Amount (Rs. in million)
1.	1938	Satpara Dam Project	44	Rs.264,000 per day	39.60
2.	1963	Nai Gaj Dam Project	47.1	0.04% per day	3,879.21
3.	2007	Kachi Canal Project	47.1	0.05% per day	518.14
4.	2081	Mangla Dam Organization	47.1	0.1% per day	3.85
Total					4,440.80

Non-adherence to contract provisions resulted in non-recovery of LD of Rs.4,440.80 million up to the financial year 2014-15.

The matter was taken up with the management during May to November, 2015 and reported to the Ministry during November and December, 2015. The management replied that cases for liquidated damages were under process and would be finalized as per provision of contract clauses on completion of works.

The DAC in its meeting held on January 19, 2016 pended the paras for completion of required action as per contract provisions and produce the relevant record for completed actions to Audit for verification within one month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 1938, 1963, 2007 & 2081/2015-16)

1.4.8 Non-recovery of GST claims from FBR - Rs.3,658.67 million

According to Section-10 Chapter-II of Sales Tax Act-1990," if the input tax paid by a registered person on taxable purchase made during a tax period exceeds the output tax on account of zero rated local supplies or export made during that tax period, the excess amount of input tax shall be refunded to the registered person not later than forty five (45) days of filing of refund claim".

In the office of General Manager Finance Power, General Sale Tax (GST) claims of Rs.3,400.92 million & Rs.257.75 million pertaining to non-core activities & core activities respectively were refundable from Federal Board of Revenue (FBR). GST claims of Rs.500 million of non-core activities were already transferred to the core activity for adjustment through monthly sales tax

returns leaving the GST claims of non-core activities unattended. Splitting up of GST claims under non-core and core activities and actively pursuing only the core activities claim was beyond the rationale and would render the non-core activity GST claims time barred.

Financial mismanagement resulted in non-recovery of GST claims of Rs.3,658.67 million (Rs.3,400.92 million + Rs.257.75 million) from FBR up to the financial year 2014-15.

The matter was taken up with the management during May, 2015 and reported to the Ministry during December, 2015. The management replied that WAPDA had filed a writ petition in Lahore High Court during 2011 for GST refund claims.

The DAC in its meeting held on January 19, 2016 pended its decision on the matter till furnishing of the revised reply duly examined by Audit. Audit holds that till the decision of the court, there is no need to issue further audit remarks, as the management reiterated its original reply.

Audit recommends that the management needs to pursue the matter vigorously in court besides justifying the split up of GST claims under core / non-core activities and ensuring recovery of GST claims from FBR.

(Draft Para No. 2063/2015-16)

1.4.9 Loss of interest income on investment without obtaining competitive market rates - Rs.1,930.46 million

According to SOPs of Finance Division for depositing surplus cash and instructions of PEPCO thereof dated June 11, 2010, “all Chief Executive Officers are authorized to approve deposits up to Rs.50 million into any “A” rating bank offering comparatively higher rate of return”.

In the office of General Manager Finance Power, a redemption sinking fund was created during March, 2013 with Habib Bank Limited (HBL) WAPDA House branch at the interest rate of one month KIBOR + 15 bps for payment of SUKUK-II Ijarah rentals due during January and July each year till 2017 and Jinnah Power House supplier credit during February and August each year till August, 2020. The profit was accrued on daily product basis for monthly credit. The said debt payment account was proposed to be opened at competitive market rate basis and subject to competitive renewal each year. Instead of opening the said account at competitive market rate basis by inviting quotations from the banks, the funds were placed in HBL.

Financial mismanagement resulted in loss of interest income due to placement of funds amounting to Rs.1,930.46 million in HBL without obtaining competitive market rates up to the financial year 2014-15.

The matter was taken up with the management during May, 2015 and reported to the Ministry during December, 2015. The management replied that quotations from ten (10) banks were invited for creation of sinking fund, out of which five (05) banks responded to. HBL offered highest rate and the sinking fund was created with HBL with the approval of WAPDA Power Wing Investment Board. The reply was not tenable as the debt payment account was subject to competitive renewal each year, which was not done.

The DAC in its meeting held on January 19, 2016 pended its decision till the reply was examined by Audit and issued further remarks. Audit did not consider the reply satisfactory being reiteration of previous instance.

Audit recommends that the management needs to inquire the matter for fixing responsibility besides ensuring annual competitive bidding of the investment.

(Draft Para No. 2061/2015-16)

1.4.10 Non-recovery of outstanding amounts from other formations - Rs.1,307.80 million

According to consolidated trial balance as on June 30, 2015, an amount of Rs.1,307.80 million was appearing as receivable from other formations.

In the office of General Manager Finance Power, an amount of Rs.1,307.80 million was receivable from other WAPDA formations as under:

Sr. No.	Formation	Amount (Rs.in million)
1.	GNO – GM (Thermal)	510.743
2.	REO – Rural Electrification Organization	208.795
3.	DG (IS) / now PITC	326.204
4.	MD (Power) – Corporate office	39.035
5.	GM (H&SC) Rawat Lab.	223.020
	Total	1,307.797

Neither the amount was recovered from the formations nor adjustment made.

Poor financial management resulted in non-recovery of Rs.1,307.80 million from other WAPDA formations up to the financial year 2014-15.

The matter was taken up with the management during October, 2015 and reported to the Ministry during December, 2015. The management replied that the formations had been detached from Power Wing and efforts were being made for recovery. Audit was not satisfied with the reply as no concerted effort was made to recover the outstanding dues since October, 2007.

The DAC in its meeting held on January 19, 2016 directed the management for expeditious recovery within a month and get it verified from Audit. Further progress towards recovery was not reported till finalization of the report.

Audit emphasizes expeditious recovery of receivables from other formations besides fixing responsibility.

(Draft Para No. 2038/2015-16)

1.4.11 Loss to Authority due to closure of two power Units - Rs.1,142 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

In Jinnah Hydel Power Project WAPDA, Kalabagh, Unit No 1 & 7 of power house were lying closed since April 16, 2014 and May 02, 2014 respectively due to occurrence of faults pointed out in detailed report on taking over certificate. The project management did not take up the matter with contractor to rectify the punch list items before the expiry of ‘Defect Liability Period’ (DLP).

Poor project management resulted in generation loss of 114.20 million units costing Rs.1,142 million up to the financial year 2014-2015.

The matter was taken up with the management during October, 2015 and reported to the Ministry during December, 2015. The management replied that the matter had been referred to General Manager, Monitoring and Surveillance (M&S) for inquiry. Further progress of inquiry proceedings was not reported till finalization of the report.

The DAC in its meeting held on January 19, 2016 directed the management to submit detailed reply depicting outcome of inquiry proceedings and action taken thereof to Audit within one month.

Audit recommends implementation of the DAC’s directives besides fixing responsibility.

(Draft Para No. 2085/2015-16)

1.4.12 Non-recovery from PPIB on account of feasibility study of Kohala Hydropower Project - Rs.764.09 million

According to Para 11.4(b) of Hand Book for Drawing and Disbursing Officer, “the funds allotted to a Ministry / Division, its attached, or subordinate offices are spent for the purpose for which they are allocated”.

In office of General Manager Finance Power, a PC-II for feasibility study, detailed engineering, design and tender documents of Kohala Hydropower Project (KHP) was completed by WAPDA. The funds amounting to Rs.377.25 million were released by the Government of Pakistan as cash development loan (CDL) through PSDP during the financial years 2006-07, 2008-09 and 2009-10. Later on during January, 2009, the project was taken away from WAPDA by GoP and awarded to a private firm (M/s CWE) through Private Power Infrastructure Board (PPIB). WAPDA had transferred the complete feasibility report, detailed engineering reports including drawings and attachments to PPIB for onward transfer to M/s CWE without receiving any payment for incurrence of expenditure of Rs.764.09 million alongwith Rs.255.29 million as interest during construction (IDC) up to June 2014. Since the project was transferred to PPIB hence, the responsibility for payment of principal along with mark up on CDL fell on the PPIB.

Non-adherence to the instructions resulted in non-recovery of Rs.764.09 million from PPIB up to the financial year 2014-15.

The matter was taken up with the management during May, 2015 and reported to the Ministry during December, 2015. The management replied that the matter had been taken up with PPIB and Ministry of Water and Power for reimbursement of the principal amount with markup.

The DAC in its meeting held on January 19, 2016 directed the management to submit detailed reply depicting progress for reimbursement of amount involved and produce relevant record for verification to Audit within one week. Further progress was not reported till finalization of the report.

Audit emphasizes expeditious recovery from PPIB and discontinuing further payment of Debt Services Liability (DSL) besides fixing responsibility.

(Draft Para No. 2037/2015-16)

1.4.13 Non-recovery on account of flood damages and over payment made to the contractor – Rs.510.80 million

According to Amicable Settlement Committee for Contract KC-05

(Section B&D) regarding issues of contractor i.e. M/s CCPG during September 2014, “an amount of Rs.501.53 million on account of flood damages from 2008 to 2012 and an amount of Rs.9.27 million on account of overpayment was recoverable from contractor”.

In Kachhi Canal Project Dera Ghazi Khan, an amount of Rs.501.53 million was recoverable from the contractor on account of flood damages from 2008 to 2012 as determined by the engineer of contract against the contractor. The contractor was not willing to pay the recovery of Rs.501.53 million on account of damages. Similarly, an overpayment of Rs.9.27 million made to the contractor on account of earth work and PCC lining was also recoverable from the contractor.

Non-adherence to decision of committee resulted in non-recovery of Rs.510.80 million from the contractor up to the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that the contractor did not agree to the decision of committee and served notice to the employer for arbitration.

The DAC in its meeting held on January 19, 2016 pended its decision till the submission of arbitration report to Ministry and Audit. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides fixing responsibility.

(Draft Para No. 2013/2015-16)

1.4.14 Recurring loss on incomplete project due to poor management and negligence - Rs.472.10 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

In WAPDA Authority Offices Lahore, a project of construction of 390 drainage tube-wells with disposal channels along with eight (8) 11 KV transmission lines under National Drainage Program (NDP) funded by World Bank / ADB was undertaken by WAPDA during the year 2001 for onward transfer to Sindh Irrigation & Drainage Authority (SIDA) being ultimate

custodian. The completed transmission lines were handed over to HESCO during the year 2005, whereas the tube-wells & disposal channels completed during the year 2007 could not be handed over due to vandalism of transmission lines, disposal channels & tube-well bores. Only 150 tube-wells were handed over to SIDA during May, 2011 and the remaining 240 tube-wells could not be handed over up till now. Authority incurred expenditure of Rs.301.10 million on watch & ward and other ancillary activities up to June, 2015 from its own sources. Being its liability, WAPDA also incurred extra expenditure of Rs.171 million for rehabilitation works to cover the vandalism effects before transfer of project to SIDA. Hence, Authority had to sustain a loss of Rs.472.10 million (Rs.301.10 million + Rs.171 million) after closure of said foreign loans during the year 2006.

Project mismanagement and negligence resulted in recurring loss of Rs.472.10 million up to the financial year 2014-15.

The matter was taken up with the management during October, 2015 and reported to the Ministry during December, 2015. The management stated that detailed reply would be submitted after consulting the record.

The DAC in its meeting held on January 19, 2016 directed the management to submit the detailed reply with justification dully supported by documentary evidence to Audit within one week.

Audit recommends implementation of the DAC's directives besides fixing responsibility for delay in completion of project and loss sustained by the Authority.

(Draft Para No. 2108/2015-16)

1.4.15 Non-recovery of medical share from WAPDA formations – Rs.345.80 million

According to Clause 3.3 and 5.1 of Operation & Development Agreements with corporate entities reached on June 29, 1998, “the latter are bound to pay share of the expenditure relevant to them for the medical services availed by them”. Clause 7.2 further lays down that such payment will be made within 30 days against the invoice / claims raised by DG Medical Services (MS) WAPDA Lahore. DGMS shall ensure receipt of such dues according to the agreement.

In the office of Director General Medical Services, WAPDA Lahore, an amount of Rs.345.80 million was outstanding against twenty five (25)

WAPDA/PEPCO formations on account of expenditure on medical services availed by them.

Non-adherence to agreement clauses resulted in non-recovery of medical share of Rs.345.80 million from corporate entities during the financial year 2014-15.

The matter was taken up with the management during October, 2015 and reported to the Ministry during December, 2015. The management replied that it was a continuous process and the receivables of certain amount remained outstanding at a certain point of time due to partial payment by the corporate entities against the medical share. The reply was not satisfactory as less recovery of due amount was made during the previous financial years causing accumulation of receivables.

The DAC in its meeting held on January 19, 2016 directed the management that deduction of medical share from corporate entities should be made at source through Ministry of Water and Power under intimation to Audit. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility for negligence.

(Draft Para No. 2048/2015-16)

1.4.16 Irregular expenditure beyond the provision of BoQ - Rs.340.47 million

According to clause 51.2 of FIDIC, "the contractor shall not make any such variation without an instruction of the Engineer".

In Raineer Canal Project WAPDA, an amount of Rs.340.47 million was incurred in excess of the provision of Bill of Quantity (BoQ) items given in the contract agreement without change of design, approval of the competent authority and justification of its increase.

Non-adherence to above provision resulted in irregular expenditure of Rs.340.47 million up to the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied that the increase in BoQ items was within 15% of the entire contract price. The reply was not tenable as increase in the BoQ quantities was between the range of 30% to 427% for which approved change of design / drawings was mandatory.

The DAC in its meeting held on January 19, 2016 directed the

management to submit a detailed reply along with reasons of variation within 15 days. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 2078/2015-16)

1.4.17 Irregular procurement of medicines in violation of PPRA Rules - Rs.314.72 million

According to Rule-36 (b) (viii & ix) of PPRA Rules 2004, Single stage-two envelop procedure for open competitive bidding, "after the evaluation and approval of the technical proposal the procuring agency, shall at a time within the bid validity period, publicly open the financial proposals of the technically accepted bids only. The financial proposal of bids found technically non-responsive shall be returned un-opened to the respective bidders and the bid found to be lowest evaluated shall be accepted."

In the office of Director General Medical Services, WAPDA Lahore, tender for the rate contract of medicines was opened on May 13, 2014 by adopting single stage two envelop procedure. Ten (10) bidders were declared technically qualified for different generic / salt of medicines. Instead of opening the financial bids of all the technically qualified bidders, the financial bids of only top three (03) bidders in each generic/salt were opened and awarded rate contract to all those three against the procedure without evaluating the lowest bids.

Violation of PPRA rules resulted in irregular procurement of medicines of Rs.314.72 million up to the financial year 2014-15.

The matter was taken up with the management during May, 2015 and reported to Ministry during December, 2015. The management replied that the procurement was made in line with the "Quality Based Selection (QBS)" method given in PPRA rules. The financial proposals of the technically responsive or highest ranked proposals were opened and highest ranked proposal was accepted irrespective of the price quoted.

The DAC in its meeting held on January 19, 2016 settled the PDP subject to verification of record within one week. The reply and record so produced was examined and not found satisfactory by Audit as the QBS method was not applicable for procurement of medicines but rather applicable for procurement of consultancy services as specified in Rule-3 of Procurement of Consultancy Services Regulation, 2010.

Audit recommends the management to inquire the matter of violation of PPRA rules for fixing responsibility.

(Draft Para No. 1928/2015-16)

1.4.18 Irregular adjustment of impairment loss - Rs.261 million

According to notes to the financial statements of commercial auditors, “an impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in income statement”.

In General Manager Finance Power, an investment of Rs.261 million made in Innovative Investment Bank could not be matured and WAPDA filed a suit against the bank in Lahore High Court. The honorable Court had decided matter in favour of WAPDA by attaching the property of bank with forced sale value of Rs.220 million. Hence, WAPDA sustained impairment loss of Rs.41 million (Rs.261million - Rs.220 million). Instead of adjusting the impairment loss of Rs.41 million, the entire investment of Rs.261 million was held as impairment loss and charged to Profit & Loss Account. This material financial misstatement astonishingly acknowledged by commercial auditors without raising any objection.

Poor financial management resulted in irregular adjustment of impairment loss of Rs.261 million up to the financial year 2013-14.

The matter was taken up with the management during May, 2015 and reported to the Ministry during December, 2015. The management replied that the said impairment had been charged on the advice of Commercial Auditors according to IAS-36 and with the approval of Member Finance. The reply was not tenable as actual impairment loss came to Rs.41 million because bank property valuing Rs.220 million had been attached with WAPDA being Government entity investment. Hence, impairment loss of Rs.41 million needed to be adjusted.

The DAC in its meeting held on January 19, 2016 pended its decision till the reply was examined by Audit and issued further remarks. Audit did not consider the reply satisfactory being reiteration of previous instance.

Audit recommends that the management needs to plead the matter of preferential status being a Government owned entity with liquidator of Court for decision and ensuring adjustment of Rs.41 million as impairment loss in financial statements.

(Draft Para No. 2058/2015-16)

1.4.19 Non-recovery of energy charges - Rs.228.86 million

The ECNEC, in its decision during revision of PC-I during September, 2009, directed WAPDA to complete and operate the power houses of Satpara Dam project and sell energy to the Gilgit-Balitistan Government.

In Satpara Dam Project Skardu, 39.87 million energy units valuing Rs.228.86 million @ Rs.5.74 per unit were produced and sold to Gilgit-Balitistan Government by Satpara Dam Project without recovering cost of electricity.

Violation of ECNEC decision resulted in non-recovery of energy charges of Rs.228.86 million from Gilgit-Baltistan Government during the financial year 2014-15.

The matter was taken up with the management during June, 2015 and reported to the Ministry during November, 2015. The management replied that matter regarding tariff agreement with Government of Gilgit-Balitistan was under process with the Authority as and when decided, recovery would be effected.

The DAC in its meeting held on January 19, 2016 pended the matter for PAC meeting for final decision on the issue. Further progress towards recovery was not reported till finalization of the report.

Audit emphasizes expeditious recovery besides fixing responsibility.

(Draft Para No. 1945/2015-16)

1.4.20 Loss of interest income due to imprudent financial management - Rs.195.80 million

According to SOPs of Finance Division for depositing surplus cash and instructions of PEPCO thereof dated June 11, 2010, “all CEOs are authorized to approve deposits up to Rs.50 million into any “A” rating bank offering comparatively higher rate of return”.

In the office of General Manager Finance Power, a loan of US\$ 440 million obtained by the Government of Pakistan was re-lent @ 15% interest to WAPDA being the executing agency of Tarbela 4th Extension Hydro Power Project. The loan was withdrawn and placed in non-interest bearing bank accounts for project payments. The loan was withdrawn in excess of the requirements as a balance of huge amounts of Rs.1,002 million & Rs.923 million was lying unspent at the close of financial year 2013-14. WAPDA had to bear interest payments on the withdrawn amount of loan and on the other side it had to suffer a loss of interest income due to placement of said loan in non-interest bearing accounts.

Financial mismanagement resulted in loss of interest income of Rs.195.80 million due to placement of funds in non-interest bearing accounts up to the financial year 2013-14.

The matter was taken up with the management during May, 2015 and reported to the Ministry during December, 2015 but no reply was furnished.

The DAC in its meeting held on January 19, 2016 pended its decision till the reply was examined by Audit and issued further remarks. Audit holds that the excessive funds were withdrawn from the assignment account without actual requirement / disbursement and placed in the project account. Consequentially, Authority had to pay interest charges on unutilized withdrawn amount.

Audit recommends that the management needs to inquire the matter for fixing responsibility.

(Draft Para No. 2060/2015-16)

1.4.21 Loss due to un-justified approval of E.O.T cost – Rs.195.09 million

Authority in its meeting held on July 27, 2009 accorded approval for extension of time in respect of Contract RC-7A w.e.f. March 26, 2009 without any financial benefits except escalation with the condition that contractor will give an under undertaking that “he will not lodge any claim for the extended period and will not claim any further extension of time”.

In Rainee Canal Project WAPDA, a contract for construction of distributaries and Minors of Rainee Canal at the cost of Rs.1,633 million was awarded to M/s SKB-KNK (JV) with completion up to March 25, 2009 and extended period up to December 31, 2009. After expiry of about four years, the Authority in its meeting held on January 17, 2013 accorded approval for extension of time for 365 days w.e.f January 01, 2010 to December 31, 2010 with E.O.T cost of Rs.195.09 million for the whole extended period of 646 days w.e.f. March 26, 2009 to December 31, 2010 on the recommendations of Central Contract Cell which was not transparent and quite unjustified.

Imprudent review of the earlier decisions after four years resulted in loss of Rs.195.09 million due to undue favour to contractor up to the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied that Authority in its meeting held on January 17, 2013 reviewing its earlier decision of July 27, 2009 whereby conditional EoT was granted up to December 31, 2009, accorded approval to grant of total 646 days extension of time w.e.f.

March 26, 2009 to December 31, 2010 to the Contractor M/s SKB-KNK (JV) with escalation as admissible under the contract provisions as well as granted EoT cost claim amounting to Rs.195.09 million for the period from August 26, 2009 to December 31, 2010 (EoT-1 & 2). Claims delayed due to time taking process of EoT. The reply was not considered satisfactory as the 1st EoT was granted without any compensation but later on, EoT / delayed claim of Rs.195.09 million was approved in the year 2013.

The DAC in its meeting held on January 19, 2016 directed the management to provide revised comprehensive reply / justifications for EoT to Audit for examination within two weeks. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 2055/2015-16)

1.4.22 Overpayment due to grant of unjustified premium on account of cost variation – Rs.145.66 million

According Item-20.15 of minutes of Authority meeting held on August 03, 2012, “the Engineer’s estimated cost of works under Appropriation Request / Variation Order No. 9 is Rs.887.66 million. The rates analysis is based on WAPDA Composite Schedule of Rate 2008 + 70% contractor’s premium as mutually agreed on the basis of CPI from 2008-2012”.

In Kachhi Canal Project Dera Ghazi Khan, the change in scope of work as per new designs and drawings at a cost of Rs.472.94 million and Rs.887.67 million respectively was approved in the light of above Authority minutes. The grant of 70% premium above WCSR 2008 was imprudent as the sum up of CPI from 2008-2012 was 51.80% as per Economic Survey of Pakistan.

Non-adherence to consumer price index (CPI) resulted in overpayment of Rs.145.66 million to the contractor due to granting unjustified premium during the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that during preparation of the variation order 20% for contractor’s overhead & profit, in addition to CPI factor, was added, which was approved by the Authority. The departmental reply was not considered satisfactory by Audit as no rule was provided in support of application of 20% on account of contractor’s

profit and overhead on CPI index.

The DAC in its meeting held on January 19, 2016, upon unsatisfactory explanation, directed the management to justify the lapses and produce relevant information to Audit for settlement of para.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 2009/2015-16)

1.4.23 Loss of revenue due to non-generation of electricity - Rs.132.77 million

According to decision of ECNEC of February and September, 2009, "WAPDA should complete the project at reduced cost of Rs.4,480.02 million and operate it. The electricity should be sold to Northern Areas Government.

In Satpara Dam Project Skardu, two power houses having generation capacity of 3.78 MW remained closed during 2014-15. Due to non-generation of 33.11 million energy units, the Authority was deprived of revenue loss of Rs.132.77 million @ Rs.5.74 per unit.

Non-adherence to ECNEC decision resulted in loss of revenue of Rs.132.77 million due to non-generation of electricity during the financial year 2014-15.

The matter was taken up with the management during June, 2015 and reported to the Ministry during November, 2015. The management replied that during operation of the powerhouses, the inhabitants of villages, possessing the original water rights of Satpara Nullah, protested against supply of water to the Left Bank Canal (LBC) & Right Bank Canal (RBC). Due to law and order situation, the District Management (AC) sealed the gates of LBC & RBC. Consequently, the powerhouse had to be shutdown. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 19, 2016 pended the para for final decision by the PAC.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 1946/2015-16)

1.4.24 Loss due to payment of annual ground rent, delayed, restoration and non-construction charges - Rs.89.76 million

According to Section-III (1) of WAPDA Guidelines for Enforcing

Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

In WAPDA Hospital Rawalpindi, an amount of Rs.89.76 million was paid to Capital Development Authority (CDA) on account of annual ground rent, delayed, restoration and non-construction charges for 24,200 sq. yard plot. The plot was acquired on lease during 1986 for construction of WAPDA Hospital at Islamabad which was not done.

Non-adherence to instructions resulted in loss of Rs.89.76 million due to non-construction of hospital up to the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied that the payment of annual ground rent, delayed / restoration and non- construction charges to Capital Development Authority (CDA) was the liability of WAPDA. The departmental reply was not considered satisfactory by Audit as the Authority had to bear lease rent expenditure without deriving any benefit from leased property during past 29 years.

The DAC in its meeting held on January 19, 2016 was not satisfied with the justifications given and directed the management to submit revised reply to Audit within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides fixing responsibility.

(Draft Para No. 2039/2015-16)

1.4.25 Non-recovery of standard rent and utility charges - Rs.46.49 million

According to Para-d of the Director Finance (Regulation), WAPDA Lahore clarification dated January 10, 2007, “where the accommodation is allotted by one organization to the employees of other organization, the standard rent is to be charged by the formation concerned from the formation whose employees have been allotted accommodation.”

In three formations of WAPDA, an amount of Rs.46.49 million on account of standard rent and utility charges was recoverable from other WAPDA/PEPCO formations, employees, banks, KPK departments and private persons up to June, 2015 as detailed below:-

Sr. No.	PDP No.	Formation	Amount (Rs. in million)
1.	1926	WAPDA Engineering Academy, Faisalabad	5.57
2.	2089	N.G.P.S Multan	1.49
3.	2106	WAPDA Authority Lahore	39.43
Total			46.49

Non-adherence to the instructions of regulation wing WAPDA resulted in non-recovery of standard rent and utility charges amounting to Rs.46.49 million up to the financial year 2014-15.

The matter was taken up with the management during May and October, 2015 and reported to the Ministry during June and December, 2015. The management replied that efforts were being made to recover the standard rent and utility charges from concerned formations / employees.

The DAC in its meeting held on January 19, 2016 directed to refer the case to the Secretary, Water and Power WAPDA within one week for seeking decision and early resolution of the issue i.e. recovery of standard rent. Further progress was not reported till finalization of the report.

Audit emphasizes expeditious recovery of standard rent and utility charges besides fixing responsibility.

(Draft Para No.1926, 2089 & 2106 /2015-16)

1.4.26 Non-recovery of loss from HESCO officials / officers held responsible for theft - Rs.41.79 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

In WAPDA Authority Offices Lahore, a project of construction of 390 drainage tube-wells with disposal channels along with eight (08) 11 KV transmission lines with 1,529 KM conductor under National Drainage Program (NDP) funded by world bank / ADB was undertaken by WAPDA during the year 2001 for onward transfer to Sindh Irrigation & Drainage Authority (SIDA) being ultimate custodian. The completed transmission lines were handed over to HESCO during the year 2005. Due to non-completion of works of tube-wells and disposal channels, HESCO did not make 11 KV lines functional and the installed 1,005 KM conductor valuing Rs.41.79 million was stolen. The inquiry committee

held responsible HESCO officials / officers for such lapse but no action against the defaulters was forthcoming from the record.

Non-adherence to the instructions resulted in non-recovery of loss of Rs.41.79 million from persons held responsible up to the financial year 2014-15.

The matter was taken up with the management during October, 2015 and reported to the Ministry during December, 2015. The management replied that the matter would be referred to concerned formation for recovery.

The DAC in its meeting held on January 19, 2016 directed the management to submit the detailed reply regarding progress of recovery within one week. Further progress was not reported till finalization of the report.

Audit emphasizes expeditious recovery from the concerned employees besides fixing responsibility.

(Draft Para No. 2107/2015-16)

1.4.27 Irregular issuance of purchase / work orders in violation of PPRA Rules – Rs.39.35 million

According to Rules No. 20, 21 & 42-c (v) of PPRA Rules, 2004, “procuring agencies, while engage in procurement of goods, services and works, shall ensure fair and transparent manner. They will use open competitive bidding as the principal method of procurement if the cost of the object to be procured is more than the prescribed financial limit of Rs.100,000. The bids shall be evaluated within the stipulated bid validity period. After approval of technically accepted bids, the financial responsiveness would be decided. However, in case of an emergency a procuring agency shall engage in direct contracting”.

In the office of Resident Engineer Power Station Mangla, purchase / work orders for transportation of transformers and contract works amounting to Rs.39.35 million were issued by different formations to the suppliers / contractors in violation of PPRA rules as under.

Sr. No.	PDP No.	Formation	Amount (Rs.in million)	Violation of PPRA Rule No.	Brief of violation
1.	1966	R.E Power Station, Mangla	4.00	Rule -20 & 21	Purchase through quotations instead of tendering for rehabilitation work.
2.	2033	-do-	35.35	Rule-42-c (v)	Award of transportation contract to single bidder.
Total			39.35		

Non-adherence to the PPRA Rules resulted in irregular issuance of purchase / work orders amounting to Rs.39.35 million up to the financial year 2014-15.

The matter was taken up with the management during October, 2015 and reported to the Ministry during December, 2015. The management replied that: i) the work of rehabilitation of damaged reservoir rim was essentially required in shortest possible time. Hence, the award of work to single bidder was justified; ii) immediate action was taken and general transformers were shifted to Power Transformer Engineering Services Unit (PTESU) workshop Lahore / back to Mangla Power Station on war footing basis. The reply was not tenable as the PPRA Rules were violated.

The DAC in its meeting held on January 19, 2016 directed the management to provide detailed reply along with documentary evidence justifying invocation of emergency clause by seeking approval for direct contracting for verification to Audit within one week. DAC also referred the matter to PAC for decision.

Audit recommends that the management needs to inquire the matter for fixing responsibility upon the officers / officials involved in violation of PPRA rules.

(Draft Para No. 1966 & 2033/2015-16)

1.4.28 Non-disposal of old machinery / equipment and vehicles - Rs.36.17 million

According to Clause-1.4.2 (a) of WAPDA disposal procedures, “once declared unserviceable, beyond economical repair or dead by the Competent Authority, the material should be disposed off with minimum delay.”

In the office of Additional Director General Transport WAPDA, old machinery / equipment and off-road vehicles having reserved price of Rs.36.17 million were lying for want of disposal since June, 2007. The old machinery / equipment and off-road vehicles were kept in open place and exposed to the environmental effects and were losing their value with the passage of time.

Non-adherence to disposal procedure resulted in non-disposal of old machinery / equipment and vehicles valuing Rs.36.17 million up to the financial year 2014-15.

The matter was taken up with the management during May, 2015 and reported to the Ministry during December, 2015. The management replied that the case for disposal of old machinery / equipment / vehicles had been sent to Chief Engineer Purchase and Disposal (P&D).

The DAC in its meeting held on January 19, 2016 directed the management to dispose off the old machinery / equipment / vehicles within two months and produce the record thereof for verification to Audit. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 2071 & 2072/2015-16)

1.4.29 Irregular procurement of medical items through unjustified extensions of rate contracts by negotiations with supplier in violation of PPRA Rules – Rs.34.23 million

According to Rule-20 of PPRA Rules - 2004, “save as otherwise provided, the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of good, services and works”.

In the office of Director General Medical Services, WAPDA Lahore, six (06) rate contracts for supply of X-Ray films, disposable items and lab material valuing Rs.34.23 million were awarded to different suppliers without open competitive bidding during the period 2009 to 2011. These rate contracts were to be expired after one year but their validity was extended through negotiations with supplier on lapse of each successive year up to December, 2014 and June, 2015.

Violation of PPRA rules resulted in irregular procurement of medical items valuing Rs.34.23 million through unjustified extensions of rate contracts by negotiations with supplier up to the financial year 2014-15.

The matter was taken up with the management during May, 2015 and reported to Ministry during December, 2015. It was replied that the contract was extended to save the extra cost of the tendering and the rates were lower than the prevailing markets rates. The reply was not tenable as the rate contracts were awarded against the PPRA rules.

The DAC in its meeting held on January 19, 2016 directed the management to submit detailed reply duly supported with documentary evidence to Audit within 15 days. The reply and record produced was examined and found unsatisfactory by Audit as the initial bidding process was not transparent since the major condition of rate contract i.e. annual extension up to five years were concealed and not disclosed in the advertisement published in newspapers. Moreover, no any provision of PPRA rule in support of extension granted up to

five years in rate contracts through negotiations was provided.

Audit recommends that the management needs to inquire the matter through high level committee for fixing responsibility of irregular procurement of medical items.

(Draft Para No. 2053/2015-16)

1.4.30 Non-recovery from consultant on account of excess salary payment and liquidated damages - Rs.27.29 million

On the direction of the Wafaqi Mohtasib, “inquiry for complaint against favoritism to the engineering consultants for Phandar Hydropower Project was conducted during November 2014, wherein it was recommended to recover the excess payment from permanent / non-permanent employees along with liquidated damages (LD) from the consultant due to delay in completion of assignment.

In WAPDA, recovery of Rs.27.29 was not made from consultants as recommended by the inquiry committee on account of excess salary payments and liquidated damages on late completion of assignment.

Non-adherence to findings of inquiry committee resulted in non-recovery of excess payment and LD charges amounting to Rs.27.29 million from employees / contractor up to the financial year 2014-15.

The matter was taken up with the management during October, 2015 and reported to the Ministry during December, 2015. The management replied that the matter had been referred to General Manager Monitoring & Surveillance for inquiry. The reply was not satisfactory as the recovery was not effected by disregarding the recommendations of inquiry committee conducted as per directions of the Wafaqi Mohtasib.

The DAC in its meeting held on January 19, 2016 directed the management to submit detailed reply for disregarding the recommendations of inquiry committee within a week.

Audit recommends implementation of the DAC’s directives besides fixing responsibility.

(Draft Para No. 2084/2015-16)

1.4.31 Excess payment to the contractor on account of escalation in steel price – Rs.21.15 million

According to Application Note of Appendix-C to bid (RI), “the current cost indices or prices shall be those prevailing 28 days prior to the last date of the

submission of monthly statement for the city of the Sukkur / Dadu in the province of Sindh – Pakistan and the variation of increase / decrease shall be based on the percentage of increase of decrease in the prices of material fixed in the monthly statistical bulletin by the Federal Bureau of Statistics, Government of Pakistan”.

In Nai Gaj Dam Project, an excess payment of Rs.21.15 million was made to the contractor in IPC-07, 08 & 09 on account of escalation in steel price by applying rates in excess of that provided in statistical bulletin for the same month i.e. January and March, 2013 in violation of contract provision.

Violation of contract provisions resulted in excess payment of Rs.21.15 million to the contractor on account of steel escalation during the financial year 2014-15

The matter was taken up with the management during February, 2015 and reported to the Ministry during December, 2015. No reply was furnished by the management.

The DAC in its meeting held on January 19, 2016 directed the management to submit detailed reply after holding inquiry to Ministry and Audit within two month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides fixing responsibility.

(Draft Para No. 2091/2015-16)

1.4.32 Loss on account of time barred GST claims - Rs.18.82million

According to Section-10 Chapter-II of Sales Tax Act-1990, “if the input tax paid by a registered person on taxable purchase made during a tax period exceeds the output tax on account of zero rated local supplies or export made during that tax period, the excess amount of input tax shall be refunded to the registered person not later than forty five (45) days of filing of refund claim”.

In the office of General Manager Finance Power, general sales tax (GST) refund claims amounting to Rs.18.82 million could not be sent in time to Federal Board of Revenue (FBR) for re-imburement. The onus of major portion of time barred claims fell on the contractor due to late submission of sales tax invoices as well as field formations for late submission of GST claims.

Non-implementation of rules resulted in loss of Rs.18.82 million on account of time barred GST claims up to the financial year 2013-14.

The matter was taken up with the management during May, 2015 and

reported to the Ministry during December, 2015. The management replied that the contractors were paid through IPCs and GST claims were submitted afterwards by the formations. The interim payment certificate (IPC) processing itself was very hectic and time consuming as it involving a number of verifications and inspections. All efforts were being made to reduce the time lag of IPC processing and to avoid late submission of GST claims. However, the claims had already been taken up with FBR authorities. No further progress regarding receipt of GST claims from FBR was intimated.

The DAC in its meeting held on January 19, 2016 pended its decision till the reply was examined by Audit and issued further remarks. Audit did not consider the reply satisfactory as the input claims procedure for sales tax specified in Part-viii of General Manager, Finance Tax Memorandum, 2015 was not adopted in letter & spirit causing loss. Moreover, the capitalization of sales tax and its recovery thereof through tariff was not justified.

Audit recommends that the management needs to inquire the matter for fixing responsibility for expiry of sales tax input claims.

(Draft Para No. 2062/2015-16)

1.4.33 Loss due to non-provision of equipment by CPMC – Rs.16.83 million

According to Clause-12 of agreement for affiliation of WAPDA Teaching Hospital Complex Lahore & Central Park Medical College, Lahore signed on 26th January, 2010 "Central Park Medical College (CPMC) will donate dialysis machines (three in number) to WAPDA Hospital (WH) within three months of signing of this agreement". According to clause 14, "CPMC shall provide a new CAT scanner (SIEMENS / Toshiba GE, Non-Chinese Brand) in WAPDA Hospital (within nine months of the date of signing of this agreement)".

In the office of D.G. Medical Services, WAPDA Lahore, the Central Park Medical College (CPMC) failed to provide three Dialysis machines along with a new CAT scanner in violation of agreement up to October, 2015. Due to non-provision of medical equipment, WAPDA Hospital had to bear extra financial burden valuing Rs.16.83 million on account of re-imburement of medical claims of WAPDA employees.

Non-adherence to clauses of agreement resulted in undue financial burden on WTHC amounting to Rs.16.83 million during the financial year 2014-15.

The matter was taken up with the management during October, 2015 and reported to the Ministry during December, 2015. The management replied that

Dialyses machines and CAT scanner were to be provided as donation to WAPDA Hospital Lahore by CPMC. Repeated reminders were served to CPMC for execution of relevant clause but the party claimed that the equipment were on donation basis and was therefore not implemented. A legal notice had been served to CPMC.

The DAC in its meeting held on January 19, 2016 directed the management to initiate legal process against CPMC for the breach of the contract and accumulative loss due to non-receipt of Dialyses machines and CAT scanner and submit report to Ministry and Audit within one month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 2051/2015-16)

1.4.34 Loss due to non-depositing of rent income of Rawal Rest House – Rs.16.07 million

According to Para-12.4(1) of WAPDA Accounting Manual, “all moneys received by an employee of the Authority should be deposited not later than the next bank working day into the bank accounts of the concerned formation / office”.

In Rawal Rest House Islamabad, an amount of Rs.16.07 million was received by the office in cash on account of room rent from October, 2010 to July, 2015. The amount was to be deposited / remitted into the Authority's account but the same was not done. No enquiry or disciplinary action was initiated against the delinquent.

Non-adherence to instructions resulted in loss of Rs.16.07 million due to non-depositing of rent income into Authority's income account up to the financial year 2014-15 (*Annexure-A*).

The matter was taken up with management during October, 2015 and reported to the Ministry during November, 2015. The management replied that complete record was ready for verification. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 19, 2016 directed the management to produce the complete record i.e. approved SOP of building circle, receipts/collection cash books, bank scroll, bank instrument and trial balance to Audit for verification for settlement of para.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 1948/2015-16)

1.4.35 Loss due to non-recovery on account of court case decided in favour of WAPDA - Rs.16.06 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), "all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

In the office of the Chief Engineer (P&I) WAPDA Lahore, a contract for dewatering work of sui-gas pipeline was awarded to M/s Punjab Drilling Corporation, Lahore on April 02, 1996 but the contractor left the work incomplete. On lodging a civil suit against the contractor for recovery of Rs.16.06 million, court decided the case in favour of WAPDA on May 09, 2015. No effort was made to recover the amount from the contractor.

Non-adherence to instructions resulted in non-recovery of loss of Rs.16.06 million from contractor up to the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that the case titled WAPDA Vs M/s Punjab Drilling Corporation was decided in favor of WAPDA on May 09, 2015. The petition (Suit for recovery of Rs.16.06 million) had been filed on June 17, 2015 in the honorable Court of Civil Judge First Class, Lahore. This office was regularly pursuing the case and the next date of hearing was January 21, 2016.

The DAC in its meeting held on January 19, 2016 pended its decision till receipt of court's judgment being subjudice case. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to pursue the court case vigorously.

(Draft Para No. 2069/2015-16)

1.4.36 Unjustified payment of property tax - Rs.13.30 million

According to Ministry of Law and Justice (Government of Pakistan) letter dated February 19, 2013 addressed to Ministry of Water and Power, Article 165 of Constitution provides that public property of the Federal Government is

exempted from levying of Property Tax. WAPDA is also Federal Government controlled organization. The properties of WAPDA are owned by Federal Government. Article 165 of Constitution as such applies to the properties of WAPDA (Reliance is placed in 2000 CLC P-40).

In WAPDA Authority Offices Lahore, property tax of Rs.11.19 million of WAPDA House Building was paid to Excise & Taxation Directorate during June, 2013. The refund claim for the said amount was lodged but the same was not accepted by concerned department. Later on, property tax Rs.2.11 million pertaining to financial year 2013-14 was also paid in April, 2014 under protest.

Non-adherence to the instructions resulted in unjustified payment of property tax of Rs.13.30 million to the Excise & Taxation Directorate during the financial year 2014-15.

The matter was taken up with the management during October, 2015 and reported to the Ministry during December, 2015. The management replied that property tax was paid under protest due to threat of Department of Excise and Taxation Punjab for sealing the WAPDA House Building. The matter was also taken up with Ministry of Law & Justice as well as Ministry of Water and Power. Writ petition was also filed on November 25, 2014. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 19, 2016 directed the management to submit a detailed reply supported with documentary evidences to Audit within a week. DAC also directed to pursue the case of refund of property tax vigorously with Excise & Taxation Directorate Punjab. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 2088/2015-16)

1.4.37 Non-recovery of room rent of Rawal Rest House, Islamabad – Rs.12.21 million

According to Para-13(e) & (f) of SOP for WAPDA Rest Houses-2015, “guest room shall be reserved for a maximum of 7 days at a time”. “Extension upto another 7 days may be accorded on request”.

In Rawal Rest House Islamabad, different rooms including VIP rooms had been allotted either permanently or temporarily to the officers of WAPDA

from the year 2008 to June, 2015. As per procedure, room rent was to be recovered from the officers but the same was not done.

Non-compliance to instruction resulted in non-recovery of room rent of Rs.12.21 million from the occupants up to the financial year 2014-15 (*Annexure-B*).

The matter was taken up with management during October, 2015 and reported to the Ministry during November, 2015. The management replied that SOP for charging the room rent and booking of the rooms had been made for strict implementation. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 19, 2016 directed the management to provide the copy of the said SOP to Audit within one week. The committee further directed that recovery of room rent be effected from the officers residing in the rest house since long period. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 1949/2015-16)

1.4.38 Non-recovery of mezzanine floor rent from commercial tenants - Rs.10.67 million

According to Clause-7 of Lease Agreement made between WAPDA and Commercial tenants of WAPDA House Shops "the Lessee will have to pay 25% extra rent, if he desires to construct mezzanine floor in the rented premises".

In WAPDA Authority Offices Lahore, extra rent of Rs.10.67 million was recoverable from commercial tenants of shops / offices who constructed mezzanine floor in the rented premises of WAPDA House since June, 2013 which could not recovered till to date.

Non-adherence to clauses of lease agreement resulted in non-recovery of rent of Rs.10.67 million from the tenants up to the financial year 2014-15.

The matter was taken up with the management during October, 2015 and reported to the Ministry during December, 2015. The management replied that competent authority approved to charge 25% extra rent on mezzanine construction after August 17, 2005 but directed not to re-open the case earlier August 17, 2005. The reply was not tenable as non-recovery of extra rent was against the Clause-7 of lease agreement which was a clear cut loss to the Authority.

The DAC in its meeting held on January 19, 2016 directed the management to submit detailed reply along with justification for non-recovery of rent within one week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 2096/2015-16)

1.4.39 Irregular appointment of Advisors / Consultants and Ex-Armed Forces Officers - Rs.10.62 million

i) According to guidelines of Establishment Division issued vide letter dated January 25, 2002 and dated June, 21, 2005 for appointment of advisor / consultants, "to ensure that the best persons are transparently and competitively appointed in a cost effective manner, only when consciously and formally identified need for advisor / consultant exist. The rules pertinently specify that: need for consultant should be assessed, not for routine function of an organization".

ii) According to Rule-6 (b) (i) of WAPDA Armed Forces Officers Induction / Re-employment Service Rules, 1980, amended up to March 31, 2010, "officers of the rank of Lieutenant Colonel and above retired on superannuation will be eligible for re-employment on an initial contract for three years renewable up to the age of 60 (sixty) years with one extension in their service contract for maximum period of three years."

In WAPDA, four (04) Consultants / Advisors and four (04) Ex-Armed Forces Officers appointed without assessing the need, ensuring transparent and competitive appointment process and observing the above guidelines and rule. Hence, payment of pay and allowance to said employees was irregular.

Non-adherence to guidelines / rules resulted in irregular expenditure of Rs.17.22 million during the financial year 2014-15.

The matter was taken up with the management during October, 2015 and reported to the Ministry during December, 2015. The management replied that Authority had powers in establishment matters under Section-17(1), Chapter-IV of WAPDA Act-1958 to appoint experts or consultants on the basis of organizational requirement. The reply was not tenable as the appointments were made in violation of guidelines / rules.

The DAC in its meeting held on January 19, 2016 directed the management to submit detailed reply along with justification of violation of

guide lines / rules within one week. An amount of Rs.6.60 million had been deleted being duplication. No Further progress was reported till finalization of the report.

Audit recommends the management to justify the irregular appointments besides fixing responsibility for violation of rules.

(Draft Para No. 2094 & 2095/2015-16)

1.4.40 Loss due to non-finalization of rate contract for misc. items – Rs.6.54 million

According to para 3.2 of WAPDA Procurement and Contracts Manual, “the basic plan shall include compiling a list of all known goods, works and services needed to complete the project. This list then becomes the basis for deciding how these items should be combined or divided into contract packages. What method of procurement should be used for each package, and the scheduling for procurement activities. Even this seemingly straight forward preparation of the list of needs already implies a strategic decision about how procurement and contracting will be done”.

In WAPDA Hospital Lahore, a purchase committee during financial / technical evaluation of bids during May, 2014, rejected all the bids on the plea of non-conformity with specifications / poor quality, whereas the rates for some items were not quoted by the firms. Instead of retendering, the management preferred to purchase the said items of Rs.6.54 million from open market on exorbitant high rates from the selected medical stores throughout the year.

Non-adherence to WAPDA Procurement and Contracts Manual resulted in irregular purchase of medicines/medical items valuing Rs.6.54 million at exorbitant rates during the financial year 2014-15.

The matter was taken up with management during October, 2015 and reported to the Ministry during December, 2015. The management replied that all the medicines / medical items were procured through tender process duly vetted by General Managers (CCC) & (M&S) by publishing the tenders in the News papers except the items which were not available in the rate contract / tender / quotation and on day to day basis for admitted patients. The departmental reply was not considered satisfactory as the medicines / medical items were procured in piece meal to avoid tendering process.

The DAC in its meeting held on January 19, 2016 was not satisfied with the management’s explanation and directed to constitute inquiry committee to

probe into the matter and submit its report within one month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 2068/2015-16)

1.4.41 Non-recovery of monthly payment from Central Park Medical College - Rs.1.47 million

According to Clause-25 of Agreement for Affiliation of WAPDA Hospital (WH) and Central Park Medical College, Lahore (CPMC), "that CPMC shall make a monthly payment as per agreed formula rates, to be deposited with WH for disbursement as honorarium by party number one according to its own requirements among its Specialists / Doctors as per hospital's prevailing sanctioned strength. This amount will be paid in advance till 5th of every month and serve as security deposit from CPMC."

In the office of D.G. Medical Services, WAPDA Lahore, an amount of Rs.5.88 million was outstanding against Central Park Medical College (CPMC), Lahore from June to September, 2015 on account of monthly payment. Non-recovery of monthly share from CPMC caused heavy financial burden / crunch on WAPDA Hospital.

Non-adherence to agreement between WAPDA Hospital and CPMC resulted in non-recovery of revenue amounting Rs.5.88 on account of monthly payment during the financial year 2014-15.

The matter was taken up with management during October, 2015 and reported to the Ministry during December, 2015. The management replied that the matter was taken up with CPMC and an amount of Rs.4.41 million out of Rs.5.88 million had been recovered for the period June, 2015 to August 2015 @ Rs.1.47 million per month. Efforts were being made for the recovery of balance payment of Rs.1.47 million. Now agreement has not been further renewed. For affiliation with other organizations tenders had been floated through newspapers. Legal notice had also been served to CPMC for the violation of agreement.

The DAC in its meeting held on January 19, 2016 directed the management to pursue the case vigorously in the court of law. The recovery of Rs.4.41 million had been verified but no further progress was reported till finalization of the report.

Audit recommends implementation of the DAC's directives for recovery of balance amount.

(Draft Para No. 2043/2015-16)

1.4.42 Irregular procurement of HD Laproscopic System – Rs.3 million

According to Rule-31 of PPRA Rules, 2004, “no bidder shall be allowed to alter or modify his bid after the bids have been opened. However, the procuring agency may seek and accept clarifications to the bid that do not change the substance of bid.

In the office of Director General Medical Services WAPDA Lahore, tender for procurement of HD Laproscopic system was opened on May 23, 2013. Two firms participated in the bidding process. M/s Medi Urge (Pvt) was the 1st lowest bidder with offered price of Rs.2.92 million and M/s Vertex Medical (Pvt.) Ltd. was the 2nd lowest bidder with offered price of Rs.5.80 million. During technical evaluation, the bid of the 1st lowest bidder was rejected with the remarks that “no light source of equipment has been quoted”. Later on, during negotiation, the 2nd lowest bidder reduced its bid from Rs.5.8 million to Rs.3 million and purchase order was issued to him according to his offered specifications instead of tendered specification. The award of purchase order to the 2nd lowest bidder was irregular as technical specifications of equipment enclosed with tender document did not include any separate description regarding light source which led to the fact that it was the part and parcel of HD Laparoscopic System. Further negotiations with the 2nd lowest bidder by ignoring the 1st lowest bidder clearly depicted undue favour.

Non-observance to PPRA rules resulted in irregular procurement of HD Laproscopic system valuing Rs.3 million during the financial year 2014-15.

The matter was taken up with the management during May, 2015 and reported to the Ministry during December, 2015. The management replied that the 1st lowest bid was rejected on technical grounds by the end user. The price of equipment was compared with previous tender and other institutions. The reply was not tenable as the offered bid by the 1st lowest bidder was in accordance with the tender specification and rejection of the same depicted undue favour to the 2nd lowest bidder.

The DAC in its meeting held on January 19, 2016 was not satisfied with the explanation and directed the management to conduct an inquiry, finalize and submit its report to Ministry and Audit within one month.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 2104/2015-16)

1.4.43 Loss due to procurement of medicines at exorbitant rates – Rs.5.72 million

According to Single stage-two envelop procedure for open competitive bidding mentioned in Public Procurement Rules 2004 36 (b) (viii & ix), “after the evaluation and approval of the technical proposal the procuring agency, shall at a time within the bid validity period, publicly open the financial proposals of the technically accepted bids only. The financial proposal of bids found technically non-responsive shall be returned un-opened to the respective bidders and the bid found to be lowest evaluated shall be accepted.”

In the office of Director General Medical Services, WAPDA Lahore, tender for the rate contract of medicines was opened on May 13, 2014 by adopting single stage two envelop procedure. Ten (10) bidders were declared technically qualified for different generic / salt of medicines. Instead of opening the financial bids of all the technically qualified bidders, the financial bids of only top three (03) bidders in each generic/salt were opened and awarded rate contract to all those three bidders. The prices of awarded rate contracts for each generic salt were much higher than that quoted by other technically qualified bidders causing loss to Authority.

Violation of PPRA rules resulted in loss of Rs.5.72 million due to procurement of medicines at exorbitant rates during the financial year 2014-15.

The matter was taken up with the management during May, 2015 and reported to Ministry during December, 2015. The management replied that the Quality Based Selection (QBS) method as given in PPRA rules was adopted for the selection of brands during tendering process. The rate contract prices were substantially lower than the prices fixed by the Drug Regularity Authority of Government of Pakistan.

The DAC in its meeting held on January 19, 2016 settled the PDP subject to verification of record within one week. The reply and record so produced was examined and not found satisfactory by Audit as the QBS method was not applicable for procurement of medicines but rather applicable for procurement of consultancy services as specified in Rule 3 of Procurement of Consultancy Services Regulation, 2010.

Audit recommends the management to inquire the matter of violation of PPRA Rules causing loss for fixing responsibility.

(Draft Para No. 2040 & 2087/2015-16)

CHAPTER-2

WAPDA HYDRO ELECTRIC POWER

2. WAPDA HYDRO ELECTRIC POWER

2.1 Introduction

Pakistan Water and Power Development Authority (WAPDA), fully owned by the Government of Pakistan was established under WAPDA Act, 1958 (West Pakistan Act No. XXXI of 1958), as amended from time to time. The Authority consists of a Chairman and three members (Water, Power & Finance) to be appointed by the Government.

Power Wing is headed by Member (Power). After re-structuring during 2007, Power Wing was split up into 15 companies i.e. NTDC, 10 DISCOs & 4 GENCOs and separated from WAPDA. Power wing now looks after Hydropower Generation only. Mandate of Residual WAPDA Power Wing is operation & maintenance of Hydel Power Station, technical monitoring of electrical & mechanical works of new projects and training activities for capacity building.

Chashma (184 MW) & Ghazi Barotha (1450 MW) Hydropower Projects (HPPs) have been functioning since 2001 & 2003. Khan khwar (72 MW), Allai khwar (121 MW), Jinnah (96 MW) & Dubair khwar (130 MW) HPPs are in commercial operation since 2010, 2013 & 2014, whereas Satpara Dam became fully operational during June, 2013. The Golen Gol (106 MW) & Neelum Jhelum (969 MW) HPPs are under construction. Contract for civil works of Keyal Khwar (128 MW) HPP has been awarded. Detailed engineering design, tender documents, PC-I and construction of Tarbela 4th Extension (1410 MW) and Dasu HPP (4320 MW) have been taken-up under World Bank Loan. Construction works of Tarbela 4th Extension are in progress whereas all studies of Dasu HPP have been completed and pre-qualification of contractors for main civil works has been initiated. Detailed engineering design and tender documents of Phandar (80 MW) by WAPDA and Lawi (69 MW) on EPC basis are under progress and nearing completion. Mahmood Dam Hydropower Project (800 MW), which was previously assigned to private sector by PPIB, has now been re-assigned to WAPDA for detailed engineering & construction, which is in progress. The infrastructure construction work of Diamer Basha Dam (4500 MW) has been awarded and main dam work is planned to be awarded during the year 2015 subject to availability of funds.

In the light of Strategic Power Re-Structuring Plan 1992, thermal power

generation, transmission and distribution were transferred to GENCOs, NTDC and DISCOs. Currently, the Power Wing is engaged in power generation from hydro power stations and for its transmission to National Transmission and Despatch Company (NTDC).

(Source: Monthly Progress Report on Water Sector Projects June, 2015)

2.2 Comments on Financial Statements

2.2.1 Financial Overview

The following comments / analysis was prepared on the financial statement. The financial results are as under:-

2.2.2 Extracts of the Financial Statements Balance Sheet as at June 30, 2015

	<i>(Rs. in million)</i>			
	2014-15	2013-14	Variance	%
Equity and Liabilities				
Share capital and reserves				
RESERVES	111,700	86,840	24,860	28.63
GOVERNMENT OF PAKISTAN INVESTMENT	72,523	72,523	-	0.00
	184,223	159,362	24,860	
Revaluation surplus	794,915	39,056	755,859	
Non-current liabilities				
Long term borrowings	119,745	94,408	25,337	26.84
Deferred grants	3,915	3,322	594	17.87
Deferred liabilities	28,208	26,287	1,921	7.31
	151,868	124,016	27,852	22.46
Current liabilities				
Trade creditors & others	14,069	14,952	(883)	-5.90
Debt service liability	11,338	-	11,338	
Current portion of loans and borrowings	6,206	6,088	118	1.93
Accrued interest	2,673	1,521	1,152	75.79
Other current liabilities	859	723	136	18.87
	35,146	23,284	11,862	50.95
	1,166,152	345,718	820,433	237.31
Assets				
Non-current assets				
Property Plant & Equipment	1,067,673	291,948	775,724	265.71
Long term Loans	451	410	42	10.14
Long term security deposits	2	2	-	0.00
	1,068,125	292,359	775,766	265.35
Current assets				
Stores and spares	3,993	3,644	349	9.58
Trade debts	34,879	17,806	17,073	95.88
Advances & other receivables	3,358	4,760	(1,401)	-29.44

Short-term investments	19	-	19	
Cash and bank balances	55,777	27,149	28,627	105.44
	98,026	53,359	44,667	83.71
Total Assets	1,166,152	345,718	820,433	237.31

Profit and Loss Account For the year ended June 30, 2015

	2014-015	2013-14	Variance	%
Revenue	68,111	52,091	16,020	30.75
Cost of electricity	20,923	19,178	1,745	9.10
Gross profit/(Loss)	47,189	32,913	14,275	43.37
Operating expenses	1,429	1,450	(21)	-1.46
Operating profit	45,759	31,463	(21)	-0.07
Other income	3,441	934	2,507	268.49
	49,200	32,397	16,803	51.87
Hydel levies	7,110	7,015	95	1.35
Profit & loss before interest	42,090	25,382	16,709	65.83
Financial cost	8,354	3,930	4,424	112.56
Profit for the year	33,736	21,451	12,285	57.27

2.2.3 Comments on Audited Accounts

i) Balance Sheet

The equity of the Power Wing (Hydro Electric) consists of “Investments” made by Government of Pakistan (GoP) and “Capital Reserve”. The Government of Pakistan invested Rs.184,22 million which included in share capital of the Wing. The GoP has allowed to invest these reserves in the construction of new / ongoing Hydel power development projects through Annual Development Plan of the GoP. The equity of Wing as on June 30, 2015 showed Rs.794,87 million under the head revaluation surplus. In the subsequent year, this head will be abolished and total amount be included under the head capital reserve. Abolition of head “Revaluation Surplus” without solid reason needs justification.

- a) Current ratio of the Wing for the financial year 2014-15 was 2.79 times (2.29 times: 2013-14). Liquidity ratio improved due to increase in current assets by Rs.62,88 million over current liabilities. Further analysis showed that current assets increased due to increase in trade debts and cash and bank balances by Rs.17,073 million and Rs.28,627 million respectively. The wing was advised to improve its recovery position and avoid retention of such heavy cash balances.

- b) Long term loans increased by 26.84% i.e. from Rs.94,704 million to Rs.119,744 million. During the year the Wing obtained foreign relent loans amounting to Rs.11,683 million which represents loans for Ghazi Brotha Hydel Power Station, Chashma Hydel power project. Further, Islamic development bank granted loan equivalent to US\$ 150.20 million under Istisna's Financing Agreement for Allai and Dubair Khwar Hydel projects taken by GoP.
- c) USAID granted US\$ 1,449 million for Mangla Dam rehabilitation project, Tarbela Power Station and Gomal Zam Dam. The Tarbela Power Station grant was received under FARA agreement for the replacement of stator windings of unit 4 further grant received for Gomal Zam Dam has been amortized over 30 years.
- d) Deferred liabilities represented Ijarah rental payable to WAPDA second Sukuk Company Limited and WAPDA third Sukuk Company Limited against Ijarah agreement in respect of certain Tarbela Dam Power Generation machines. This rental is payable in bi-annual installments and will be fully retired on 13th July 2017 and 14th October, 2021 respectively.
- e) Trade Debt which infact was receivable from NTDC/CPPA, increased by Rs.17,073 million (95.88%) over the previous year. Audit suggested that the wing should devise a policy to accelerate the recovery efforts so that huge amount stuck could be reduced in order to decline the level of borrowings.
- f) Long-term liquidity under the Debt, Gearing and Leverage Ratios reflected satisfactory position. The debt/equity ratio was 12.23% which showed that the Power Wing (Hydro Electric) can afford to borrow further loans to finance and improve its operations and expand the business. But on the other hand, recovery from trade debts was very slow which might uncover the potential threat of repaying debts, fall due on maturity. The Wing was advised to put efforts to shorten the operating cycle by improving its trade debts recovery.
- g) Cash balance as on June 30, 2015 was Rs.55,777 million as compared to Rs.27,149 million as on June 30, 2014. This showed

that Wing had kept unnecessarily cash and equivalents and not utilized to settle short term borrowings in order to minimize its financial cost. The management needs to justify unnecessary retention of cash.

ii) Profit and Loss Account

- a) During the financial year 2014-15, sales increased by Rs.16,020 million (30.75%) while cost of electricity increased by Rs.1,745 million (9.10%) as a result of which, gross profit decreased by 43.37%. Further, the operating cost increased by 1.46% consequently that the net profit declined by Rs.12,285 million (57.27%) i.e. from Rs.21,451 million to Rs.33,736 million. Further analysis showed that the Wing had not created any provision for impairment on short term investment as compared to previous year and it has succeeded to reduce its vehicle running expenses to Rs.200 million from Rs.237 million.
- b) The wing incurred Rs.510.30 million on survey and investigation on different projects. Audit suggested to disclose the full detail of such projects on which these expenses incurred.
- c) Other income consists of dividend income, profit on bank balances, amortization of grant increased to Rs.2,446 million from Rs.520 million. Major amount pertains to profit on bank deposits. The detail of profit earned and its source was not disclosed in the financial statements. Further analysis of net profit showed that other income contributed 7% of the total net profit generated by Power Wing (Hydro Electric) during 2014-15.

2.3 AUDIT PARAS

2.3.1 Unjustified expenditure despite un-satisfactory performance of Tunnel Boring Machines – Rs.26,555 million

According to Para-4 of the Secretary WAPDA's letter No.1637 dated 16.03.2010, "procurement of tunnel boring machines would not only expedite the pace but further enable Project Authorities to complete the project ahead of schedule to generate 969 MW power by about two years".

In Neelum Jhelum Hydropower Project, an expenditure of Rs.26,555 million on procurement and maintenance of two tunnel boring

machines (TBMs) was incurred from January, 2014 to June, 2015. During the eighteen (18) months from January, 2014 to June, 2015, both the TBMs excavated 8,964 meter of tunnel with the average ratio of 500 meter per month. With the same average pace of 500 meters per month, both the TBMs would take another twenty months to excavate the remaining 10,164 meters of tunnel.

Despite incurrence of such a huge amount of Rs.26,555 million, the envisaged benefits of speedy excavation of tunnels could not be achieved and contributed to further delay of the project up to the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied that different reasons which have affected the TBM mining operation rate including rock bursts have been documented in revised PC-I (2015) which was approved by the ECNEC on December 19, 2015 with new timelines. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 19, 2016 directed the management to submit the plan that by March, 2017 TBM would complete the job. Original plan of TBM utilization also be provided to Audit within one week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 1987/2015-16)

2.3.2 Unjustified payment to contractor on account of escalation – Rs.12,679.33 million

According to Consultancy Services Agreement Clause-3.1.1, “the consultants shall perform the services and carry out their obligations with all due diligence, efficiency and economy in accordance with generally accepted professional techniques and practices and shall observe sound management practices and employ appropriate advanced technology and safe methods. The consultants shall always act, in respect of any matter relating to this contract or to the services, as faithful advisers to the client end shall at all times support and safeguard the client's legitimate interest in any dealings with sub-consultants or third parties”.

In Neelum Jhelum Hydropower Project, seventeen (17) variation orders amounting to Rs.25,358.66 million were approved due to escalation on the basis

of Bill of Quantity (BoQ) rates. The payment of BoQs under the variation orders (VOs) had no substantiation with the rates contained in approved BoQs of contract agreement. Since the payment was not in accordance with the approved BoQ rates, therefore, the payment of escalation amounting to Rs.12,679.33 million based on 50% of VOs was unjustified.

Non-adherence to the contract agreement resulted in unjustified payment of escalation amounting to Rs.12,679.33 million to the contractor during the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied that all the VOs had been duly approved by the competent authority, properly explained and reflected in revised PC-I (2012 and 2015) duly approved by GoP. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 19, 2016 directed the management to submit justification of 17 VOs in a detailed chart with breakup to Audit for verification within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 1989/2015-16)

2.3.3 Loss due to undue favour to contractor on account of acceleration program - Rs.5,026.14 million

According to the Clause-13 of general Condition of Contract, the Variation Order No. 02 for the advancement of unit completion dates was sanctioned and included in the contract agreement.

In Hydropower Project Tarbela, contract for civil work of Tarbela 4th Extension Hydropower Project was awarded to M/s Sinohydro Group Limited China for US\$ 101 million and Pak Rs.15,756 million on September 09, 2013 with completion of units 17, 16 & 15 on December, 2017, January, 2018 and February, 2018 respectively. As per minutes of Authority's meeting dated March 13, 2015, WAPDA Authority accorded approval of VO # 2 for US\$ 51 million on account of acceleration program with completion dates of February 20, 2016, July 11, 2016 & March 27, 2017 on recommendation of the international panel of experts upon advice of World Bank and the same was included in original

contract. Due to change of terms and conditions in contract, acceleration cost of Rs.5,026.14 million was undue favour to the contractor.

Poor contractual management resulted in loss of Rs.5,026.14 million to the Authority during the financial year 2014-15.

The matter was taken up with the management during April, 2015 and reported to the Ministry during December, 2015. The management replied that WAPDA decided to take a well thought action in an attempt to obtain generation revenue valuing US\$ 300 million during moon soon 2017 as well as energy during peak hours. The reply was not tenable as instead of reduction in completion period as envisaged in acceleration program, the duration for completion was enhanced. Hence, the very purpose of acceleration program was defeated.

The DAC in its meeting held on January 19, 2016 directed the management to submit revised detailed reply with justification along with work progress as per acceleration program within one week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 2092/2015-16)

2.3.4 Overpayment made to the contractor due to measurement of excessive quantities - Rs.1,525.83 million

According to clause 51.2 of FIDIC, "the contractor shall not make any such variation without an instruction of the Engineer".

In Golen Gol Hydropower Project, an amount of Rs.1,525.83 million was paid to the contractor during August, 2014 (21%) over and above the BoQ items (Lot-2) due to excessive measurements without obtaining approval from the competent authority.

Non-adherence to contract clause resulted in overpayment amounting to Rs.1,525.83 million to the contractor during the financial year 2014-15.

The matter was taken up with the management during June, 2015 and reported to the Ministry during December, 2015. The management replied that BoQ items were based on the estimated quantities of the work and not to be taken as actual / final. As the contract was still in operation, the BoQ items were further to be increased. At this stage it was impossible to determine the actual and the final quantities to consider for approval from competent authority. Audit did not

consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 19, 2016 pended its decision till the completion of work by the contractor and directed the management to submit detailed reply with justification along with documentary evidence. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 1984/2015-16)

2.3.5 Non-recognition / remittance of profit earned on un-disbursed amount - Rs.392.04 million

International Accounting Standard (IAS-1.15) requires that the financial statements should present fairly the financial position, financial performance and cash flows of an entity. Fair presentation required the faithful representation of effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in framework.

In the office of General Manager Ghazi Barotha Hydropower (GBHP), Hattian, a profit of Rs.392.04 million earned on un-disbursed funds placed with Land Acquisition Collector (LAC) was neither recognized in the books of accounts as income nor remitted by LAC to the Authority's main account. This amount was being invested by the LAC in different schemes without seeking approval from WAPDA authorities. Thus, the financial statements were not showing true and fair picture.

Non-adherence to International Accounting Standards resulted in non-recognition / remittance of profit of Rs.392.04 million earned on un-disbursed amount up to the financial year 2014-15.

The matter was taken up with the management during May, 2015 and reported to the Ministry during December, 2015. The management replied that interest earned over LAC deposits in other banks than NBP could not be transferred and was meant for payment to affectees if decided in their favour by the courts of law. In case of deposit of awarded amount into Govt. treasury, no interest would have been earned on such deposits and interest being paid to affectees on court decision, would have been borne by WAPDA. The departmental reply was not considered satisfactory by Audit.

The DAC in its meeting held on January 19, 2016 directed the management to bring the deposited amount from other banks to NBP along with profit / interest within one week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 2098/2015-16)

2.3.6 Irregular payment to contractor on account of non-BoQ items - Rs.132.33 million

According to clause 2.1 (viii) of contract agreement, "the Engineer is authorized to issue variation order with the approval of Employer except in emergency situation up to 2% of the contract price".

In Golen Gol Hydropower Project Chitral, the payment of Rs.132.33 million was made to the contractor on account of non-BoQ items in IPC-28 during August, 2014. The payment was to be made in accordance with contract provision through variation orders, but the same was not done.

Violation of contract provisions resulted in irregular payment of Rs.132.33 million to contractor on account of non-BoQ items of contract during the financial year 2014-15.

The matter was taken up with the management during July, 2015 and reported to the Ministry during December, 2015. The management replied that the variation order was in progress and after obtaining approval, the expenditure so incurred would be regularized. Audit did not consider the departmental reply satisfactory as the management could not justify the variation.

The DAC in its meeting held on January 19, 2016 pended its decision till approval of variation order and production of relevant record for verification. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 1986/2015-16)

2.3.7 Loss due to illegal encroachment of WAPDA land - Rs.20 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), "all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge

they were, to fix the cause of the loss and the amount involved”.

In Small Hydel Power Stations Mangla, ten (10) acres of WAPDA land valuing Rs.20 million was leased out to an employee (Attendant) for cultivation. This land was occupied / encroached by the local persons on May 23, 2015 illegally with the connivance of WAPDA employee. No departmental / legal action against employee / encroacher was taken to vacate the land.

Non-adherence to instructions resulted in loss of Rs.20 million due to illegal encroachment of WAPDA land during the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied that WAPDA had vigorously pursued the case in the Civil Court for vacation of the encroached land. Resultantly, the Court had issued Arrest Warrant of illegal occupant of 10 Acre of WAPDA Land.

The DAC in its meeting held on January 19, 2016 directed the management to pursue the case vigorously in the court of law. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides fixing responsibility.

(Draft Para No. 2074/2015-16)

2.3.8 Non-recovery of income tax on sale proceeds – Rs.16.72 million

i) Under Section 236-A of Income Tax Ordinance, 2001, “10% of sale price is required to be recovered from the contractor at the time of realization of sale proceeds”.

ii) According to Section 152(i) of Part-I Schedule of Income Tax Ordinance, 2001, “income tax @15% or lower rate as per agreement for avoidance of double taxation is required to be deducted from non-resident persons”.

In two WAPDA formations, income tax amounting to Rs.16.72 million was either not deducted or less deducted while making payments to the contractors / consultants as under:

Sr. No.	PDP No.	Formation	Amount (Rs. in million)
1.	1974	Tarbela 4 th Extension Hydro Power Project Tarbela	3.10
2.	2097	Golen Gol Hydro power Project, Chitral	13.62
Total			16.72

Non-adherence to Income Tax Ordinance resulted in non-recovery or less recovery of income tax amounting to Rs.16.72 million from the contractors up to the financial year 2014-15.

The matter was taken up with management during June and July, 2015 and reported to the Ministry during December, 2015. The management stated that detailed reply would be furnished after consulting the record.

The DAC in its meeting held on January 19, 2016 directed the management to submit detailed reply with justification for non-deduction of income tax at source within one week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 1974 & 2097/2015-16)

2.3.9 Irregular award of contract in violation of PPRA rules – Rs.10.25 million

According to Rule-12(2) & (3) of PPRA Rules-2004, “all procurement opportunities over two million rupees shall be advertised on the Authority’s website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu”. “In case where the procuring agency has its own website, it may also post all advertisements concerning procurement on that website as well”.

In Tarbela 4th Extension Hydro Power, the work for the supply and installation (at 3 locations), testing & commissioning and handing over of video conference facility to respective organization of WAPDA costing Rs.10.25 million was awarded to a contractor during May, 2013 without competitive bidding in violation of PPRA rules.

Violation of PPRA rules resulted in irregular award of work Rs.10.25 million up to the financial year 2014-15.

The matter was taken up with the management during December, 2014 and reported to the Ministry during December, 2015. The management replied that all the tendering process was carried out by the Project Director, Dasu Hydro Power Project, Lahore as such PDP would be referred to the concerned quarter for appropriate reply.

The DAC in its meeting held on January 19, 2016 directed the

management to provide detailed reply along with documentary evidence justifying invocation of emergency clause by seeking approval for direct contracting for verification to Audit within one week.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 1972/2015-16)

2.3.10 Non-receipt / disposal of packing material from contractor – Rs.9.90 million

According to Chapter-XI Section-1 and Clause 1.4 of the WAPDA Disposal Procedure provides that “unserviceable vehicles and material / equipments are to be disposed off timely”.

In Neelum Jhelum Hydropower Project, 197,933 kg packing material valuing Rs.9.90 million in E & M works was required to be handed over to the Employer by the contractor so that it could be auctioned. The packing material was not provided by the contractor and still losing its salvage value with the passage of time.

Non-adherence to disposal procedure resulted in non-receipt / disposal of packing material valuing Rs.9.90 million up to the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied that process for disposal had been initiated and WAPDA procedure for disposal would be followed.

The DAC in its meeting held on January 19, 2016 directed the management to complete the disposal within two months. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 2000/2015-16)

2.3.11 Non-handing over of assets by consultant - Rs.8.29 million

According to clause 3.9 of General conditions of consultancy services agreement, “equipment and materials made available to the consultants by the client, or purchased by the consultants with funds provided by the client, shall be the property of the client and shall be marked accordingly. Upon termination or expiration of this contract, the consultants shall make available to the client and inventory of such equipment and materials and shall dispose of such equipment

and material in accordance with clients instructions or afford salvage value of the same. While in possession of such equipment and materials, the consultants, unless otherwise instructed by the client in writing, shall insure them at the expense of the client in an amount equal to their full replacement value”.

In three High Head Khan Khwar, Allai Khwar and Dubair Khwar Hydropower Projects Besham, the equipment / material worth Rs.8.29 million had not been handed over to the client by the consultants. These projects had been completed and were put in operation since 2010, 2013 and 2014, respectively.

Violation of consultancy agreement resulted in non-handing over of assets amounting to Rs.8.29 million to the Authority up to 2014-15.

The matter was taken up with management during June, 2015 and reported to the Ministry during November, 2015. The management replied that the equipment and material with the consultants had been properly accounted for in the accounts of Dubair Khwar Project. The consultancy agreement was being extended up to March 31, 2017. All equipment / material declared by the consultants as surplus to their requirement would be taken over by REs (Power Station) through the committee.

The DAC in its meeting held on January 19, 2016 pended its decision on the PDP till the surplus equipment / material was taken over by the concerned formations. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides fixing responsibility.

(Draft Para No. 1939/2015-16)

2.3.12 Irregular payment to consultants on account of salary cost of key personnel - Rs.5.93 million

According to Clause 4.2(a) & 4.3 Consultancy Agreement Appendix-C, “the title activities of job description and estimated period of engagement in the carrying out of the services of each of the consultants’ key personnel. Their biographical data was required to be reviewed and approved by the client”.

In Gomal Zam Dam Project Dera Ismail Khan, a sum of Rs.5.93 million had been paid to Management Consultants staff on account of salary cost of key personnel from January to December, 2014. These key personnel technical staff (Counterpart) was neither enlisted nor their biographical data was reviewed and approved by the client whereas completion and taking over date of Dam and

Hydropower components was June 30, 2013.

Non-adherence to consultancy agreement resulted in irregular payment of Rs.5.93 million to consultants on account of salary cost of key personnel (Technical Engineers) during the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied that case would be referred to consultants for obtaining reply and Audit would be informed accordingly. The reply was not tenable as the management shifted its responsibility of overpayment to the consultant.

The DAC in its meeting held on January 19, 2016 directed the management to submit detailed reply after holding inquiry to Ministry and Audit within two month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 1983/2015-16)

PART-II

PAKISTAN ELECTRIC POWER COMPANY (PEPCO) AND ITS CORPORATE ENTITIES (GENCOS, NTDC & DISCOS)

CHAPTER-3

PAKISTAN ELECTRIC POWER COMPANY (PEPCO)

3. PAKISTAN ELECTRIC POWER COMPANY

3.1 Introduction

Pakistan Electric Power Company (Private) Limited (PEPCO) was incorporated in Pakistan as private limited company on May 13, 1998, under Companies Ordinance, 1984. The Company is engaged in the management of restructuring, corporatization, privatization and manpower transition program and tariff determination process of corporate entities.

PEPCO is responsible for the management of a National Transmission and Dispatch Company (NTDC), four (04) GENCOs and ten (10) Distribution Companies (DISCOs). These companies are working under independent Board of Directors.

3.2 Non-completion / finalization of Financial Statements

According to Section-233 of Companies Ordinance, 1984, “the directors of every company shall at some date not later than eighteen months after the incorporation of the company and subsequently once at least in every calendar year lay before the company in annual general meeting a balance-sheet and profit and loss account or in the case of a company not trading for profit an income and expenditure account for the period, in the case of the first account for the period since the incorporation of the company and in any other case since the preceding account, made up to a date not earlier than the date of the meeting by more than four months”.

In PEPCO, the balance sheet and profit & loss account of the company could not be finalized by the management up till December 31, 2015.

Violation of Companies Ordinance resulted in non-finalization of balance sheet and profit & loss account for the financial year 2014-15.

The matter was taken up with the management and reported to the Ministry during December, 2015. The management replied that the finalization of financial statements for the year ended June 30, 2015 was under process and would be submitted after completion of audit and approval of Board of Directors.

The DAC in its meeting held on January 20, 2016 directed the management to justify the violation of Companies Ordinance within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides fixing responsibility.

3.3 Brief comments on the status of compliance with PAC directives

Name of Company	Year	No. of Directives	Status of compliance		
			Full	Partial	Outstanding
PEPCO (Various DISCOs)	2002-03	02	-	-	2 (Para No. 1 & 2)

Position of compliance with PAC directives is not satisfactory.

3.4 AUDIT PARAS

3.4.1 Loss due to non-return of material by contractor and non-forfeiture of bank guarantee – Rs.238.08 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

In the office of Managing Director PEPCO, a contract was awarded to M/s Sachal under IBRD Loan No. 3148 for Rural Electrification in 1995. The electrical material worth Rs.225.12 million was issued to the contractor. Despite lapse of twenty (20) years, neither the work could be completed nor the material was got recovered from the contractor. The bank guarantee of Rs.12.96 million could not be forfeited.

Non-implementation of instructions resulted in loss of Rs.238.08 million due to non-return of material by the contractor and non-forfeiture of bank guarantee up to the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that being joint venture, the Project Director Construction HESCO could not be approached and bank guarantee was expired. The reply was not tenable as a period of 20 years had elapsed but neither the material could be recovered nor the performance guarantee was en-cashed.

The DAC in its meeting held on January 20, 2016 directed the management to inquire the matter at PEPCO level for fixing responsibility and submit the report to the Ministry and Audit within one month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives.

(Draft Para No. 589/2015-16)

3.4.2 Irregular purchase of stationary item / hiring of consultancy services – Rs.4.36 million

According to Rule-20 of PPRA Rules, 2004, “save as otherwise provided hereinafter, the procuring agencies shall use open competitive bidding as the principal method for the procurement of goods, services and works”.

In Power Information Technology Company, services of consultant for ERP software, computer stationery and accessories were procured through quotations instead of open competitive biddings.

Violation of PPRA rules resulted in irregular expenditure of Rs.4.36 million on account of procurement of computer stationery / accessories and hiring of consultancy services up to the financial year 2014-15.

The matter was taken up with the management during June, 2015 and reported to the Ministry during December, 2015. The management replied that the procedure had been adopted through tendering. The reply was not tenable as the procurement of computer stationery and services of consultant were hired in violation of PPRA rules.

The DAC in its meeting held on January 19, 2016 directed the management to submit detailed reply along with justification for violation of PPRA rules within one week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility for violation of PPRA rules.

(Draft Para No. 2093/2015-16)

3.4.3 Loss due to procurement of substandard material – Rs.1.63 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

In the office of Managing Director PEPCO, a Purchase Order No. 22855 was placed on M/s Harbin Integrated Power Control Engineering Ltd., China for procurement of roter support bearing during May, 2011. The material supplied by the supplier was rejected by the Inspection Committee on November 15, 2011 but

the rejected material was not replaced with good one.

Non-adherence to instructions resulted in loss of Rs.1.63 million to the company due to procurement of substandard material up to the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that the para relates to Director (Confidential) and would be transferred to concerned quarters for furnishing reply.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply dully supported by documentary evidence and get it verified from Audit within in a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 588/2015-16)

CHAPTER-4

COMMON ISSUES REGARDING PEPCO'S CORPORATE ENTITIES (GENCOS, NTDC & DISCOS)

4. COMMON ISSUES REGARDING PEPCO'S CORPORATE ENTITIES (GENCOS, NTDC & DISCOS)

4.1 AUDIT PARAS

4.1.1 Loss due to misappropriation of material - Rs.150.39 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), "all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

In DISCOs & GENCO, electrical material of different types worth Rs.150.39 million was misappropriated by the line staff / contractors. In most of the cases, legal / administrative action was taken but not finalized.

Weak internal controls resulted in loss of Rs.150.39 million due to misappropriation of material during the financial year 2014-15 as detailed below:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	FESCO	51/2015-16	1.44
2.	GEPCO	176/2015-16	91.72
3.	GENCO-I	77/2015-16	26.67
4.	LESCO	317/2015-16	20.65
5.	MEPCO	729/2015-16	8.66
6.	QESCO	633/2015-16	1.25
TOTAL			150.39

The matter was taken up with the management during September to November, 2015 and reported to the Ministry during October to December, 2015. The management replied that the matter was under inquiry / investigation. The final fate would be intimated on finalization of the inquiry / investigation. Moreover, in respect of retired officials, matter had been referred to FIA.

The DAC in its meeting held on January 20, 2016 directed the management to produce the findings of inquiry committees duly approved by the competent authority and get verified the implementation of its recommendations within a month. DAC also directed to pursue the legal action with police and FIA.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

4.1.2 Non-production of record - Rs.619.28 million

According to the directives of the Public Accounts Committee issued on June 30, 2004, “to make available all information / record to Audit as and when required by them, otherwise, disciplinary action will be initiated against persons responsible for the delay under Section-14C (2&3) of the Auditor-General’s Ordinance, 2001”.

In DISCOs & NTDC, electrical material worth Rs.470.05 million was withdrawn for installation against different works. Apart from that some offices did not produce the requisite record of Rs.149.23 million. In the absence of record, the authenticity of the expenditure of Rs.619.28 million could not be ascertained.

Violation of PAC directives resulted in non-production of record of Rs.619.28 million during the financial year 2014-15 as detailed below:-

Sr. No.	Name of Company	Draft Para No.	Description	Amount (Rs.in million)
1.	MEPCO	63, 333, 337 /2015-16	Consumption record of electrical material	405.73
		735 /2015-16	No record of different offices was produced.	
2.	NTDC	726 /2015-16	Complete record of different offices	149.23
3.	PESCO	373 & 383 /2015-16	Consumption record of electrical material	62.82
4.	SEPCO	313 /2015-16	-do-	1.50
TOTAL				619.28

The matter was taken up with the management during August to November, 2015 and reported to the Ministry during October to December, 2015. The management replied that record had been produced to Audit but Audit had not provided the detail of record required for verification. The reply was not tenable as requisition regarding details of required record was given at the time of inspection.

The DAC in its meeting held on January 20, 2016 directed the management to ensure production of record to Audit for verification after getting detail within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides fixing responsibility for non-production of record.

4.1.3 Loss due to theft of electrical material and vehicles Rs.231.92 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

In NTDC, GENCO and DISCOs, electrical material and vehicles valuing Rs.231.92 million were stolen by unknown culprits in 803 cases. FIRs were lodged with the concerned police station(s) but no administrative inquiry / action was carried out to fix the responsibility.

Non-implementation of rules for safeguarding the companies’ assets resulted in loss of Rs.231.92 million up to the financial year 2014-15 as detailed below:-

Sr. No.	Name of Company	Draft Para No.	No. of Cases	Amount (Rs.in million)
1.	FESCO	53, 140, 221, 266 & 585/2015-16	137	15.82
2.	GEPCO	98, 107, 203, 389 & 671/2015-16	66	14.73
3.	GENCO-II	538/2015-16	01	0.59
4.	HESCO	470/2015-16	04	2.17
5.	IESCO	68, 161, 423, 493, 502 & 621/2015-16	49	7.98
6.	LESCO	94, 113, 128, 178, 234, 269, 303, 451 & 718/2015-16	146	85.52
7.	MEPCO	46, 331, 432 & 656/2015-16	320	57.89
8.	NTDC	594, 595 & 698/2015-16	03	21.44
9.	PESCO	168, 170 & 560/2015-16	40	13.77
10.	QESCO	67, 153, 415 & 638/2015-16	26	10.73
11.	SEPCO	112 & 291/2015-16	11	1.28
TOTAL			803	231.92

The matter was taken up with management during September to November, 2015 and reported to the Ministry during October to December, 2015. The management replied that departmental and legal action was in process to decide the fate of loss and majority of the cases had been finalized. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to ensure legal action with reference to lodging of FIRs, finalize departmental enquires and get the record verified for completed action within a

month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

4.1.4 Loss due to theft of electricity by Kunda Connections - Rs.27.26 million

According to Guidelines for Policy and Procedure on Detection Bills circulated vide letter dated October 26, 1999 wherein it is mentioned that whoever found to connect his installation appliances and apparatus for the purpose of supply of energy without its (with the work of license) written consent commits an offence to be prosecuted under Section 39 & 39A of Electricity Act, 1910 which requires FIR to be lodged with police. Further to compensate the loss sustained on account of theft, assessment bills were to be served as per laid down procedures to such illegal and unregistered consumers.

In DISCOs, an amount of Rs.27.26 million on account of energy charges was recoverable from 434 consumers involved in theft of electricity through direct hook (kunda connections). No departmental and legal action was taken to fix responsibility and recovery of the energy charges.

Non-implementation of instructions resulted in loss of Rs.27.26 million due to theft of electricity through kunda connections during the financial year 2014-15 as detailed below:-

Sr. No.	Name of Company	Draft Para No.	No. of Cases	Amount (Rs.in million)
1.	LESCO	273 /2015-16	287	7.49
2.	PESCO	375 /2015-16	20	3.16
3.	QESCO	66, 386 & 636 /2015-16	127	16.61
TOTAL			434	27.26

The matter was taken up with the management during September to November, 2015 and reported to the Ministry during October to December, 2015. The management replied that the legal as well as departmental action was under process and in some cases recovery had been made. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to finalize the departmental proceedings, pursue legal action and produce the record for completed action in the light of the inquiry

recommendations within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

4.1.5 Huge receivables amount from running and dead defaulters - Rs.232,456.29 million

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

In DISCOs, an amount of Rs.232,456.29 million was recoverable from running & dead defaulters (Government and private) for a period exceeding from two months to more than three years. In this respect, no efforts were made by the management to accelerate the recovery from defaulters. Owing to the increasing trend of receivables, PEPCO was facing financial difficulties in discharging its obligations towards Power Sector Companies (PSCs) and Independent Power Producers (IPPs).

Non-adherence to commercial procedure resulted in non-recovery of Rs.232,456.29 million from energy defaulters up to the financial year 2014-15 as detailed below:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	FESCO	56/2015-16	66.72
2.	GEPCO	96, 122, 156 & 205/2015-16	6,274.91
3.	HESCO	199 & 479/2015-16	22,698.38
4.	IESCO	71, 76 & 136/2015-16	177.53
5.	LESCO	721/2015-16	45,468.97
6.	MEPCO	408/2015-16	18.60
7.	PESCO	628/2015-16	12,674.48
8.	QESCO	637/2015-16	35,170.00
9.	SEPCO	312 & 446/2015-16	71,809.09
10.	TESCO	81/2015-16	38,097.61
TOTAL			232,456.29

The matter was taken up with the management during September to November, 2015 and reported to the Ministry during October to December, 2015.

The management replied that it was a continuous process and either the recovery was made or recovery from running & dead defaulters was being pursued vigorously as per SOP of the department. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to make concerted efforts for recovery of receivables from defaulters and also to analyze the trend of recovery with previous years and get the facts verified from Audit within a month. DAC further directed to submit age-wise analysis of receivables. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

4.1.6 Non-removal of electrical equipment and non-recovery of arrears – Rs.91,651.53 million

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

In DISCOs, 500,057 consumers of all categories defaulted on the payment of energy charges. The equipment removal orders (EROs) were issued but partially executed as only meters were removed instead of whole electrical equipment.

Non-adherence to above SOP resulted in non-removal electrical equipment and non-recovery of energy charges amounting to Rs.91,651.53 million up to the financial year 2014-15 as detailed below:

Sr. No.	Name of Company	Draft Para No.	No. of EROs	Amount (Rs.in million)
1.	FESCO	52 & 371 /2015-16	13	5.90
2.	HESCO	646 /2015-16	362,143	49,419.65
3.	LESCO	679 /2015-16	14,615	3,269.80
4.	MEPCO	141, 332 /2015-16	99	29.12
5.	QESCO	108 & 387 /2015-16	66,827	20,029.40
6.	SEPCO	90 /2015-16	56,360	18,897.66
TOTAL			500,057	91,651.53

The matter was taken up with the management during September to November, 2015 and reported to the Ministry during October to December, 2015. The management replied that most of the connections were permanently disconnected. In some cases, recovery / adjustment had been made, material had been removed while in remaining cases, action was under process. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to submit revised reply and ensure implementation of SOPs and get it verified from Audit within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

4.1.7 Recoverable amount of tariff differential, tube-well & GST subsidy from Federal, Provincial & AJK Governments –Rs.86,636.57 million

According to SOP issued by the Ministry of Water & Power dated May 12, 2007, each DISCO was required to submit its subsidy claim to Engineering Advisory (Power) on 5th of every month and Finance Division (AGPR) will scrutinize and verify the invoices and pay the subsidy amount due to DISCO into Escrow Account of DISCO strictly on the 20th of month.

In DISCOs, tariff differential subsidy claim of Rs.86,636.57 million was recoverable from the Federal, Provincial & AJK Governments in respect of tariff differential, agricultural and GST subsidy as on June 30, 2015. Non-recovery of long outstanding dues/ settlement of disputed claims were a recurring loss to the company which was required to be recovered to enable the company to overcome its financial crises.

Sr. No.	Name of Company	Draft Para No.	Respective Government	Amount (Rs.in million)
1.	HESCO	491/2015-16	Federal Govt.	15,024.44
2.	LESCO	714/2015-16	Federal Govt. / Govt. of Punjab	13,663.59
3.	PESCO	561/2015-16	Federal Govt. / Govt. of AJK	45,790.35
4.	QESCO	527/2015-16	Federal Govt. / Govt. of Balochistan	12,158.19
TOTAL				86,636.57

Non-adherence to SOP resulted in non-recovery of tariff differential, agricultural & GST subsidy of Rs.86,636.57 million from Federal, Provincial & AJK Governments up to the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied that an amount of Rs.8,574.19 million in respect of HESCO, PESCO & QESCO had been received and the matter regarding recovery of remaining amount was being pursued. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply with justification, get verified the recovery within a week, expedite the matter of recovery from concerned Governments and get it verified within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives.

4.1.8 Loss of revenue due to abnormal line losses beyond NEPRA's targets Rs.33,200.81 million

NEPRA fixed targets of energy losses for the financial year 2014-15 in respect of all DISCOs.

In DISCOs, the percentage of line losses was more than the targets of losses set by the NEPRA. Hence, 2,600.92 million units were lost beyond the NEPRA's target.

Non-adherence to NEPRA's target resulted in loss of revenue amounting to Rs.33,200.81 million during the financial year 2014-15 as detailed below:-

Sr. No.	Name of Company	Draft Para No.	NEPRA's target of line losses (%)	Range of line losses on feeders (%)	Units lost beyond target (in million)	Amount (Rs.in million)
1.	FESCO	581/2015-16	9.50	15.65 – 30.34	109.31	1748.97
2.	HESCO	461/2015-16	20.50	27.1	362.20	4,838.99
3.	IESCO	160, 492 & 501/2015-16	11	18.55 – 23.0	76.30	915.64
4.	LESCO	678/2015-16	11.75	14.1	447.35	5,591.84
5.	MEPCO	530/2015-16	15	16.7	241.52	3,622.80
6.	PESCO	511/2015-16	26	34.8	1,029.48	15,023.11
7.	QESCO	567/2015-16	17.5	23	303.62	1,031.86
8.	SEPCO	292/2015-16	27.5	34.97	7.47	126.99
9.	TESCO	508/2015-16	23	57.19	23.67	300.61
Total					2,600.92	33,200.81

The matter was taken up with the management during September to

November, 2015 and reported to the Ministry during November to December, 2015. The management replied that high losses on feeders were due to (i) difference in date of reading cycle; (ii) non-allotment of coding to the feeders; (iii) shifting of units on self generation and (iv) dual source of supply. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply, watch actively on the poorest performing / high losses feeders as per SOPs and to keep the percentage of losses within NEPRAs approved targets. DAC further directed to submit the actual financial impact of line losses for the last three years.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

4.1.9 Non-recovery of GST claims from FBR – Rs.32,867.02 million

According to Section-10 Chapter-II of Sales Tax Act-1990," if the input tax paid by a registered person on taxable purchase made during a tax period exceeds the output tax on account of zero rated local supplies or export made during that tax period, the excess amount of input tax shall be refunded to the registered person not later than forty five (45) days of filing of refund claim".

In DISCOs & GENCO, an amount of Rs.32,867.02 million was recoverable from Federal Board of Revenue (FBR) for re-imbursement up to June, 2015. Resultantly, the companies' funds were blocked to the stated extent. No effort was being made to recover the huge outstanding amount from FBR.

Non-adherence to procedure resulted in non-recovery of GST claims amounting to Rs.32,867.02 million from FBR up to the financial year 2014-15 as detailed below:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	FESCO	575 /2015-16	35.17
2.	GENCO-III	614 /2015-16	9,666.71
3.	HESCO	489 /2015-16	10,963.14
4.	LESCO	394 /2015-16	44.24
5.	QESCO	639 /2015-16	12,157.76
TOTAL			32,867.02

The matter was taken up with the management during November, 2015

and reported to the Ministry during December, 2015. The management replied that all the refundable cases of the general sales tax had been submitted to Finance Directors for refund of GST from FBR. On receipt of credit advice for clearance of outstanding GST, adjustment would be made through Finance Directors. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to pursue the case with FBR vigorously for recovery of GST claims. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

4.1.10 Blockage of funds due to non-completion of works - Rs.15,033.92 million

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

In DISCOs, different new / rehabilitation works were started from March, 2008 to June, 2015. An expenditure of Rs.15,033.92 million was incurred but these works were lying incomplete. The said works were taken for reduction in distribution losses, to improve the efficiency of operational system and to extend the electricity facility to the people of respective areas. As a result of pending works, desired benefits could not be achieved.

Non-adherence to distribution rehabilitation guidelines resulted in blockage of funds due to non-completion of works Rs.15,033.92 million up to the financial year 2014-15 as detailed below:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	GEPCO	118/2015-16	69.22
2.	HESCO	38, 226, 311 & 378/2015-16	5412.80
3.	LESCO	219/2015-16	15.13
4.	MEPCO	65, 223, 248, 566 & 731/2015-16	5,304.35
5.	PESCO	350 & 631/2015-16	397.08
6.	QESCO	244, 420 & 569/2015-16	2,326.86
7.	SEPCO	222 & 427/2015-16	1,501.95
8.	TESCO	524/2015-16	6.53
TOTAL			15,033.92

The matter was taken up with the management during August to

November, 2015 and reported to the Ministry during October to December, 2015. The management replied that the concerned officials were being directed to complete the LT proposal at the earliest and get the completion of certificates on A-90 forms from M/s BARQAAB. If LT proposals were pending due to non-availability of material so intimate this office for proper arrangements. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to get the record verified for completed action within a week and expedite completion of remaining LT proposals. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

4.1.11 Non-mutation of land - Rs.11,899.49 million

According to Section-42 of Land Revenue Act, "any person acquiring by inheritance, purchase, mortgage, gift, or otherwise, any right in an estate as a land-owner, or a tenant for a fixed term exceeding one year, shall, within three months from the date of such acquisition, reports his acquisition of right to the Patwari of the estate, who shall enter in his register of mutations every report made to him".

In DISCOs & GENCOs, the land / property valuing Rs.11,899.49 million was not yet transferred / mutated in the name of the Companies. Non-mutation of land would create dispute between land owners and companies.

Poor asset management resulted in non-mutation of the land valuing Rs.11,899.49 million up to the financial year 2014-15 as detailed below:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	GEPCO	668/2015-16	998.09
2.	GENCO-I	80/2015-16	56.23
3.	GENCO-IV	496/2015-16	13.13
4.	IESCO	693/2015-16	10,790.93
5.	PESCO	357 & 507/2015-16	41.11
TOTAL			11,899.49

The matter was taken up with the management during August to November, 2015 and reported to the Ministry during October to December, 2015. The management replied that some of the lands had been mutated. However,

efforts were being made for mutation of remaining lands and the progress would be intimated to Audit. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to move an application in Supreme Court of Pakistan for exemption of ban on State Land Mutation and do the needful within one month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

4.1.12 Loss due to excess heat rate and auxiliary consumption than NEPRA's standard - Rs.9,341.71 million

NEPRA has determined the heat rates BTU per kWh i.e. 12,189, 11,377 (unit No. 01 & 03) for GENCO-II and 10,788 (unit No.01&03), 10,692 (unit No.04), 12158 (unit No.05 & 06), 8593.65 (unit No.05 & 09) for GENCO-III and 16,300 (unit 01 &02) for GENCO-IV. Moreover, NEPRA has also determined auxiliary consumption standards i.e. 7% for units 1-4 of GENCO-II and 2.15%, 7%, 8%, & 10% for the units of GTPS FSD, phase-I, SPS FSD & unit-4, phase-II in respect of GENCO-III.

In GENCOs, heat rate and auxiliary consumption was excessive than the permissible limits fixed by NEPRA for the financial year 2014-15 as detailed below:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1	GENCO-II	540 & 541/2015-16	744.03
2	GENCO-III	612/2015-16	8,282.73
3	GENCO-IV	616/2015-16	314.95
TOTAL			9,341.71

Non-adherence to the NEPRA's standards resulted in loss of Rs.9,341.71 million to the companies during the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that the excessive heat rate was due to aging factor of units while auxiliary consumption was increased due to deterioration of auxiliary equipments, and generation of units at minimum load. The reply was not tenable as the standards approved by NEPRA were not adhered to.

The DAC in its meeting held on January 20, 2016 directed the management to submit revised reply with justification and get verify the instance through documentary evidences within a week and also refer the matter to NEPRA for revision of heat rate/auxiliary consumption standard. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides fixing responsibility.

4.1.13 Unjustified refund to consumers on account of wrong reading, detection revised and rate bifurcation – Rs.6,092.01 million

According to instructions issued by the Managing Director PEPCO vide letter dated December 01, 2010, “strict disciplinary action, without any exception, shall be taken against the officers and staff found involved in the overbilling”. As per Memorandum of understanding (MOU) signed between Ministry of Water & Power and HESCO, “adjustment / bill corrections will be rationalized / minimized to less than 0.01% of total billing” and as per approval letters of adjustment notes issued by the Circle Office, all the adjustment should be got verified from Audit and ensure payment of balance amount before feeding of adjustment to WAPDA Computer Center (WCC).

In DISCOs, an amount of Rs.6,092.01 million was refunded to various consumers on account of wrong readings and rate bifurcation through adjustment notes. This scenario indicated that over billing was made to consumers in one month and same was refunded in next month on account of wrong reading and rate bifurcation. This was done just to conceal the line losses and theft of energy. No action was taken against the officers / officials involved in credit adjustments.

Non-adherence to procedures resulted in unjustified refund of Rs.6,092.01 million to consumers on account of wrong readings during the financial year 2014-15 as detailed below:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	FESCO	410/2015-16	2.91
2.	HESCO	32, 187 & 464/2015-16	3,865.65
3.	LESCO	314 & 586/2015-16	2,045.20
4.	QESCO	184/2015-16	1.33
5.	SEPCO	91 & 293/2015-16	176.92
TOTAL			6,092.01

The matter was taken up with the management during September to November, 2015 and reported to the Ministry during October to December, 2015.

The management replied that the responsibilities regarding the subjected refund had been fixed timely and letter of explanations had been served to the officials at fault. The disciplinary action would be taken against them under WAPDA E&D rules. Moreover, in some cases inquiry committee had been constituted by the competent authority to probe the matter.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply with justification, finalize the disciplinary proceedings under E&D rules and action thereof be got verified within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

4.1.14 Loss due to damage of electrical equipment – Rs.2,966.73 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

In PEPCO & DISCOs, electrical equipments comprising of 10,544 distribution & power transformers and installations at grid stations / power houses valuing Rs.2,966.73 million were damaged during the financial year 2014-15. In most of the cases the administrative action was neither initiated nor finalized.

Non-adherence to above guidelines resulted in loss of Rs.2,966.73 million due to damage of electrical equipment up to June, 2015 as detailed below:-

Sr. No.	Name of Company	Draft Para No.	No. of Transformers	Amount (Rs.in million)
1.	FESCO	150/2015-16	148	46.50
2.	GEPCO	102, 105 & 442/2015-16	913	126.35
3.	HESCO	192 & 230/2015-16	148	32.54
4.	IESCO	69, 135 & 619/2015-16	254	25.11
5.	LESCO	232, 271, 395, 454 & 713/2015-16	4817	1,461.77
6.	MEPCO	44, 326 & 336/2015-16	1067	288.85
7.	PESCO	557 & 625/2015-16	2,543	219.86
8.	QESCO	152, 642 & 645/2015-16	26	12.02
9.	SEPCO	111 & 290/2015-16	628	185.83
10.	TESCO	83/2015-16	Electrical material	17.90
11.	PEPCO / G.M. Thermal	23/2015-16	Electrical material	550.00
TOTAL			10,544	2,966.73

The matter was taken up with the management during September to November, 2015 and reported to the Ministry during March to December, 2015. The management replied that in some cases, inquiries had been conducted whereas in remaining cases, inquiry committees would be constituted to probe into the matter and all remedial measures had been adopted in letter and spirit to minimize the rate of damaging of electrical equipment. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to submit case by case detailed reply with justification along with departmental inquiry reports for verification within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

4.1.15 Non-accountal / non-consumption of electrical material – Rs.1,760.37 million

According to Para-4.5 (Section-8) of Distribution Stores Manual, “the Line Superintendent will use the materials on the job for which he drew and will record the consumption in his Electrical Measurement Book (EMB) / Material at Site Register (MSR) showing any materials left after the work has been completed”.

In DISCOs, electrical material valuing Rs.1,760.37 million was drawn by field staff from store for installation at different sites but the accountal / consumption of material was not forthcoming from the record.

Non-adherence to rules resulted in non-accountal / non-consumption of electrical material valuing Rs.1,760.37 million during the financial year 2014-15 as detailed below:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	FESCO	505/2015-16	544.46
2.	HESCO	34, 190, 228 & 377/2015-16	119.09
3.	LESCO	324/2015-16	6.97
4.	MEPCO	165/2015-16	111.91
5.	PESCO	172 & 360/2015-16	684.53
6.	QESCO	242/2015-16	77.58
7.	SEPCO	209/2015-16	215.83
TOTAL			1,760.37

The matter was taken up with the management during September to November, 2015 and reported to the Ministry during October to December, 2015. The management replied that most of the works were in-progress. On completion of the works, the consumption of material drawn against Store Requisition would be produced to Audit for verification. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply with justification, ensure proper accountal / consumption of the material on completion of works and get it verified from Audit within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

4.1.16 Non-return of dismantled / excess material to store – Rs.1,501.55 million

According to Para-3.1 (Section-12) of Distribution Stores Manual, “it is the responsibility of the SDO to ensure that damaged or otherwise unserviceable material is returned to the stores as soon as possible.” As per Para-75 of WAPDA Accounting Manual, 1978, “on completion of the ‘work’, the excess material will be returned to godown or transferred to another work”.

In DISCOs, electric material of various types worth Rs.1,501.55 million dismantled and found excess from various location was not returned to stores as required under the rules.

Non-adherence to Distribution Stores Manual resulted in non-return of dismantled / excess material to store amounting to Rs.1,501.55 million up to the financial year 2014-15 as detailed below:

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	FESCO	54, 139, 264 & 582 /2015-16	13.69
2.	GEPCO	104, 117, 414, 662 & 670 /2015-16	27.38
3.	HESCO	37, 197, 198, 207, 229, 376, 465 & 484 /2015-16	915.45
4.	IESCO	74, 158, 411 & 554 /2015-16	14.20
5.	LESCO	130, 233, 274, 299, 301, 440, 573 & 716 /2015-16	141.59
6.	MEPCO	142, 224, 300, 340, 506, 565 & 657 /2015-16	332.27
7.	PESCO	175, 407 & 562 /2015-16	18.36
8.	QESCO	245 & 417 /2015-16	21.80
9.	SEPCO	92, 384, 429 & 653 /2015-16	16.81
TOTAL			1,501.55

The matter was taken up with the management during September to November, 2015 and reported to the Ministry during October to December, 2015. The management replied that in some cases, material had been returned to store whereas in other cases, the material would be returned to store. However, the cases involved in extension of load were pending till finalization / regularization. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to get the record verified from Audit for completed action within a week and pursue the return of material to store for the remaining cases. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

4.1.17 Non-capitalization of completed electrification works - Rs.1,427.28 million

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

In DISCOs, 1,158 different electrification works amounting to Rs.1,427.28 million were executed and completed up to June, 2015 but not yet capitalized. Due to non-capitalization the assets could not be transferred to respective formations to assess envisaged benefits.

Non-implementation of the rules and procedures resulted in non-capitalization of completed electrification works amounting to Rs.1,427.28 million during the financial year 2014-15 as detailed below:-

Sr. No.	Name of Company	Draft Para No.	No. of Cases	Amount (Rs.in million)
1.	FESCO	239 /2015-16	136	268.07
2.	GEPCO	206 /2015-16	228	237.83
3.	HESCO	431 /2015-16	508	738.91
4.	PESCO	349 /2015-16	286	182.47
TOTAL			1,158	1,427.28

The matter was taken up with management during September to November, 2015 and reported to the Ministry during December, 2015. The management replied that in some cases, process of capitalization had been completed and in the remaining cases, concrete efforts were being made to

capitalize the completed works within least possible time. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply case by case with justification and get verified capitalized works within a week and expedite the capitalization of remaining works. DAC further directed to submit age analysis of pending / completed works. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

4.1.18 Non-recovery of liquidated damages from contractors – Rs.1,419.60 million

According to conditions of contract, “the rate of liquidated damages is 0.05% for each day or 2% per month of delay in completion of the works / supplies subject to a maximum of 10% of contract price”.

In DISCOs, GENCOs & NTDC, 186 contracts / purchase orders were awarded to different contractors / suppliers for execution of works and supply of material. The contractors / suppliers could not complete the works / supplies within the stipulated period hence, they were liable to pay the liquidated damages of Rs.1,419.60 million but the same were not recovered.

Violation of contract clauses resulted in non-recovery of liquidated damages amounting to Rs.1,419.60 million from contractors / suppliers up to the financial year 2014-15 as detailed below:-

Sr. No.	Name of Company	Draft Para No.	No. of Contracts	Amount (Rs.in million)
1.	GEPCO	255, 258, 364 /2015-16	34	245.08
2.	GENCO-III	704/2015-16	03	1.64
3.	HESCO	208, 249, 310 & 475 /2015-16	14	16.66
4.	IESCO	590 /2015-16	02	50.42
5.	LESCO	26, 528, 570 & 680 /2015-16	36	268.90
6.	MEPCO	166, 456 & 658 /2015-16	22	170.73
7.	NTDC	31, 503, 596 & 724 /2015-16	09	489.75
8.	PESCO	359 & 379 /2015-16	40	51.23
9.	QESCO	243 /2015-16	05	51.80
10.	SEPCO	210, 212 & 428 /2015-16	21	73.39
TOTAL			186	1,419.60

The matter was taken up with the management during April to November,

2015 and reported to the Ministry during June to December, 2015. The management replied that either amount of LD had been deducted or the material was supplied within stipulated time, hence, either no LD was recoverable or extension of time (EOT) was under process.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply case wise, get verified the record for completed action within a week and pursue the pending actions. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

4.1.19 Undue favour to the consumers on account of non-regularization of unauthorized extension of load – Rs.1,275.79 million

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

In DISCOs, 3,070 industrial / commercial consumers extended their load of the energy connections un-authorizedly without the approval of competent authority. In violation of the above condition, the field formations neither disconnected the energy connections nor regularized the un-authorized extended load.

Non-adherence to condition for supply of power resulted in non-recovery of Rs.1,275.79 million from consumers on account of security deposit, feeder rehabilitation charges and substation cost up to the financial year 2014-15 as detailed below:-

Sr. No.	Name of Company	Draft Para No.	No. of Cases	Amount (Rs.in million)
1.	FESCO	57, 138, 259, 580, 663 & 736/2015-16	395	276.84
2.	GEPCO	99, 116, 202 & 563/2015-16	275	106.42
3.	HESCO	36 & 191/2015-16	88	20.30
4.	IESCO	73, 133, 500 & 516/2015-16	122	57.31
5.	LESCO	132, 181, 268, 276, 280, 302, 390, 531 & 571/2015-16	1,152	670.48
6.	MEPCO	143 & 328/2015-16	288	21.49
7.	PESCO	162 & 174/2015-16	191	56.32
8.	QESCO	88, 145, 634 & 643/2015-16	119	56.16
9.	SEPCO	87 & 286/2015-16	440	10.47
TOTAL			3,070	1,275.79

The matter was taken up with the management during September to

November, 2015 and reported to the Ministry during October to December, 2015. The management replied that in majority of cases, the illegal extension of load had been regularized and in the remaining cases, notices had been issued to remove the illegal extension of load. In case of non-removal of illegal extensions, the connections would be disconnected. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

DAC directed the management to submit detailed reply case wise, produce the relevant record for verification in respect of completed action within a week and expedite the completion of pending actions within two months. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

4.1.20 Undue generation of revenue through over billing - Rs.1,156.79 million

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

In DISCOs, the percentages of energy losses of 148 feeders were in negative figures during the financial year 2014-15. The negative losses revealed that the units billed were in excess of units received which were an indication of overbilling of 97.36 million units charged to various consumers.

The measurement of energy units in excess of the meter readings by the concerned staff resulted in over billing of Rs.1,156.79 million to the consumers during 2014-15 as detailed below:-

Sr. No.	Name of Company	Draft Para No.	No. of feeders	Units lost beyond target (in million)	Amount (Rs.in million)
1.	FESCO	583/2015-16	24	10.20	163.20
2.	GEPCO	119/2015-16	03	1.84	20.22
3.	LESCO	123, 164 & 315/2015-16	73	33.74	409.56
4.	PESCO	169 & 173/2015-16	25	41.29	412.96
5.	QESCO	455 & 641/2015-16	17	9.82	144.82
6.	TESCO	510/2015-16	06	0.47	6.03
TOTAL			148	97.36	1,156.79

The matter was taken up with the management during September to November, 2015 and reported to the Ministry during November to December, 2015. The management replied that the variation was due to difference in billing schedule, booking of units on new feeders but sold on old feeders, shifting of load to other feeders and dual source of supply.

The DAC in its meeting held on January 20, 2016 directed the management to submit case by case specific reply with justification and get the position verified along with record within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

4.1.21 Non-recovery from consumers on account of court cases decided in favour of DISCOs - Rs.1,085.46 million

According to Para-1.3 of Commercial Procedures Manual of WAPDA Power Wing, "Revenue Officer and Assistant Manager are responsible for: i) Implementing in conjunction with the Executive Engineer, the commercial policy laid down from time to time by the Authority through the Company, ii) Efficient application of billing and collection procedures".

In DISCOs, 794 court cases involving an amount of Rs.1,085.46 million were decided in favour of the Companies up to June, 2015. The amount of decided court cases was required to be recovered from the consumers but no recovery was made.

Non-adherence to commercial procedure resulted in non-recovery of energy charges from consumers amounting to Rs.1,085.46 million up to the financial year 2014-15 as detailed below:-

Sr. No.	Name of Company	Draft Para No.	No. of Cases	Amount (Rs.in million)
1.	FESCO	60 /2015-16	37	5.42
2.	LESCO	131 & 320 /2015-16	757	1,080.04
TOTAL			794	1,085.46

The matter was taken up with management during September to November, 2015 and reported to the Ministry during October to December, 2015. The management replied that three out of twelve installments had been recovered as per direction of honorable Supreme Court of Pakistan. The remaining amount as and when recovered, would be intimated to Audit. Audit did not consider the

departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to get verified the amount recovered in the light of the Court decision within a week and pursue remaining recovery. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

4.1.22 Non-disposal of off-road vehicles and unserviceable material Rs.772.08 million

According to Clause-1.4 of the WAPDA Disposal Procedure, "unserviceable vehicles and material / equipments are to be disposed off timely".

In DISCOs, 122 off-road vehicles and unserviceable material / equipments worth Rs.772.08 million were not auctioned up to June, 2015. The vehicles and material were kept in the open and exposed to the adverse environmental causing deterioration and decrease in value.

Non-adherence to disposal procedure resulted in non-disposal of off-road vehicles and unserviceable material amounting to Rs.772.08 million upto the financial year 2014-15 as detailed below:-

Sr. No.	Name of Company	Draft Para No.	Description	Amount (Rs.in million)
1.	FESCO	522/2015-16	Scrap material	135.02
2.	GEPCO	521 & 672/2015-16	Scrap material	298.41
3.	HESCO	483/2015-16	Scrap material and 7 vehicles	57.43
4.	IESCO	618/2015-16	Scrap material and 15 vehicles	30.42
5.	LESCO	95 & 711/2015-16	Scrap material and 13 vehicles	53.72
6.	MEPCO	434 & 702/2015-16	Scrap material and 9 vehicles	86.59
7.	PESCO	438, 556 & 559/2015-16	Scrap material and 26 vehicles	50.82
8.	QESCO	568 & 644/2015-16	Scrap material and 32 vehicles	42.98
9.	SEPCO	543/2015-16	Scrap material and 18 vehicles	15.59
10.	PEPCO	13/2015-16	Scrap material and 2 vehicles	1.10
TOTAL				772.08

The matter was taken up with the management during December, 2014 and September to November, 2015 and reported to the Ministry during March to December, 2015. The management replied that in one case, competent authority decided that the dismantled copper laying in the Transformers Reclamation

Workshop (TRW), FESCO would be used for transformers reclamation after recycling process for which bids were called. Moreover, in remaining cases survey reports had been prepared or under preparation and disposal process was underway.

The DAC in its meeting held on January 20, 2016 directed the management to submit revised reply with justification and get verified completed action, if any, within a week. DAC further directed to submit recycle plan. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

4.1.23 Loss of revenue due to application of wrong tariff – Rs.597.90 million

According to General Condition-I of schedule of tariffs, industrial supply tariff means, "A supply for bona fide industrial purpose in factories including offices and normal working of industry and also for water pumps and tube well operating on or reclamation of agriculture meant for irrigation or reclamation of agriculture land."

In DISCOs, 111 energy connections of water supply drainage schemes were running under agriculture tariff D-1(b) instead of appropriate industrial tariff. Moreover, five consumers engaged in the business of oil distribution were enjoying the facility of industrial tariff instead of commercial tariff.

Non-adherence to tariff conditions resulted in loss of Rs.597.90 million due to application of wrong tariff during the financial year 2014-15 as detailed below:-

Sr. No.	Name of Company	Draft Para No.	No. of Cases	Amount (Rs.in million)
1.	HESCO	195 /2015-16	05	4.16
2.	LESCO	284, 322 & 572 /2015-16	32	15.35
3.	QESCO	110 & 185 /2015-16	79	578.39
TOTAL			116	597.90

The matter was taken up with the management during September to November, 2015 and reported to the Ministry during November to December, 2015. The management replied that the tariff of the consumers would be changed after consulting the record. No further progress was intimated.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply with justification and get verified completed action, if any, within a week. Further progress was not reported till

finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

4.1.24 Irregular issuance of purchase / work orders in violation of PPRA rules – Rs.588.62 million

According to Rules No. 12, 20, 31, 38, 40, 41 & 42 of PPRA Rules, 2004 “procuring agencies, while engage in procurement of good, services and works, shall ensure fair and transparent manner. They will use open competitive bidding as the principal method of procurement if the cost of the object to be procured is more than the prescribed financial limit of Rs.100,000. The contract shall be awarded to first evaluated bidder and there will be no negotiation / modification in offered price”.

In PEPCO / GENCOs / NTDC / DISCOs, different purchase / work orders for procurement of electrical material / civil works amounting to Rs.588.62 million were issued by different formations to the suppliers / contractors in violation of PPRA rules.

Non-adherence to the PPRA rules resulted in irregular issuance of purchase / work orders amounting to Rs.588.62 million up to the financial year 2014-15.

Sr. No.	Name of Company	Draft Para No.	Amount	Violation of PPRA rule No.	Brief of violation
1.	FESCO	574/2015-16	9.98	Rule-42 (b) (i)	Purchase through quotations instead of tendering.
2.	GENCO-II	19/2015-16	162.10	-do-	-do-
3.	GENCO-III	685/2015-16	2.46	-do-	-do-
4.	HESCO	309 & 471/2015-16	156.95	-do-	-do-
5.	- do-	486/2015-16	9.31	Rule-38	Award of purchase orders to second / third / fourth lowest bidder
6.	IESCO	426 & 523/2015-16	10.88	Rule-42 (b) (i)	Purchase through quotations instead of tendering.
7.	-do-	424/2015-16	59.33	Rule-31 (1)	Modification of bid price after opening of tender
8.	-do-	425/2015-16	22.53	Rule-20	Award of additional contract without competition
9.	LESCO	692/2015-16	66.11	Rule-42 (b) (i)	Purchase through quotations instead of tendering.
10.	-do-	722/2015-16	23.14	Rule-12	Direct hiring of consultant
11.	NTDC	497/2015-16	14.84	Rule-42 (b) (i)	Purchase through quotations instead of tendering.
12	PEPCO	12/2015-16	3.25	-do-	-do-
13	PESCO	355/2015-16	5.89	-do-	-do-
14	SEPCO	211, 546 & 696/2015-16	29.64	-do-	-do-
15	-do-	651/2015-16	2.77	Rule-04	Award of contract after modification in offered price

16	-do-	652/2015-16	9.44	Rule-40	Award of contract at negotiated rates
TOTAL			588.62		

The matter was taken up with the management during April to November, 2015 and reported to the Ministry during March to December, 2015. The management replied that the contracts / works were awarded with the approval of competent authority to cater for emergency. The reply was not tenable as the PPRA rules were violated.

The DAC in its meeting held on January 20, 2016 directed the management to inquire the matter of emergency and DAC also refer the matter to PAC for decision. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility for violation of PPRA rules.

4.1.25 Blockage of funds due to unnecessary purchase of material - Rs.316.42 million

According to Para-5 of Memorandum dated January 17, 1978 on irregularities of purchases of stores and equipments, 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 the items for indefinite period.

In DISCOs, electrical material worth Rs.316.42 million was lying in stores as un-issued. Some of this material was lying in the stores since 1997 and classified as slow-moving / in-active. This scenario indicated that the material in question was procured without forecasting and assessing the actual demand. Had due care been exercised in procurement of material, the funds blocked in the shape of dead / slow-moving stock would be spent on some other development projects of the companies.

Non-adherence to instructions resulted in blockage of funds amounting to Rs.316.42 million due to purchase of electrical material up to the financial year 2014-15 as detailed below:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	GEPCO	673 /2015-16	5.34
2.	HESCO	485 /2015-16	33.47
3.	IESCO	695 /2015-16	15.79
4.	LESCO	517 /2015-16	150.68
5.	PESCO	513 /2015-16	2.18
6.	QESCO	295 & 416 /2015-16	72.39
7.	TESCO	82 /2015-16	36.57
TOTAL			316.42

The matter was taken up with the management during September to November, 2015 and reported to the Ministry during June to December, 2015. The management replied that efforts were being made to utilize and reduce the inventory of 'In-Active items'.

The DAC in its meeting held on January 20, 2016 directed the management to submit the utilization plan of material within 15 days and expedite utilization of material. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives.

4.1.26 Non-recovery of detection charges from consumers - Rs.301.92 million

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

In DISCOs, energy meters of 6,683 consumers of various categories were physically checked by the surveillance teams / metering & testing (M&T) and detection charges on account of slowness, tempering meters and pending units of Rs.301.92 million were approved for recovery from the consumers which was not recovered.

Non-adherence to commercial operating procedures resulted in non-recovery of detection charges amounting to Rs.301.92 million from the consumers up to the financial year 2014-15 as detailed below:-

Sr. No.	Name of Company	Draft Para No.	No. of Consumers	Amount (Rs.in million)
1.	FESCO	61 /2015-16	06	2.24
2.	GEPCO	444 /2015-16	01	8.82
3.	LESCO	125, 279, 305 & 453 /2015-16	4,657	242.35
4.	MEPCO	49, 64, 341, 369 & 733 /2015-16	1,814	27.73
5.	QESCO	447 & 632 /2015-16	203	16.48
6.	SEPCO	287 & 288 /2015-16	02	4.30
TOTAL			6,683	301.92

The matter was taken up with the management during April to November, 2015 and reported to the Ministry during October to December, 2015. The management replied that action regarding recovery of detection bills was

being made.

The DAC in its meeting held on January 20, 2016 directed the management to get verified the recovered amount within a week and pursue the remaining recovery vigorously. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives.

4.1.27 Irregular payment in violation of Insurance Ordinance - Rs.215.79 million

According to the Section-166 (03) of Insurance Ordinance 2000, "all insurance business relating to any public property, or to any risk or liability appertaining to any public property, shall be placed with National Insurance Company Limited (NICTL) only and shall not be placed with any other insurer".

In NTDC, GENCO & PITC, works, vehicles & 747 MW CCP Project were got insured from private insurance companies other than National Insurance Company Limited (NICTL).

Violation of Insurance Ordinance resulted in irregular payment of Rs.215.79 million during the financial year 2014-15 as detailed below:-

Sr. No.	Formation	PDP No.	Amount (Rs in million)
1.	EHV-I NTDC Project, Lahore	498/2015-16	7.16
2.	747 MW Combined Cycle Power Plant Project, Guddu	728/2015-16	200.54
3.	Power Information Technology Company, Lahore	2083/2015-16	8.09
	Total		215.79

The matter was taken up with the management during June & September, 2015 and reported to the Ministry during December, 2015. The management replied that procedure had been adopted as per rule. The reply was not tenable as the violation of insurance ordinance was made.

The DAC in its meeting held on January 19, 2016 directed the management to submit revised reply with justification within a week and pended the matter for final decision by the PAC. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

4.1.28 Loss due to non-replacement of electrical material damaged under warranty period – Rs.179.65 million

According to the standard warranty clause of purchase orders, the

suppliers would be held responsible for all losses and that the un-acceptable goods would be substituted with acceptable goods at their own expense and cost.

In DISCOs, 378 distribution transformers, energy meters and other equipments of different types worth Rs.179.65 million were damaged under warranty period. The transformers, energy meters and other equipments were not got replaced from the manufacturers as required under the rules.

Non-adherence to clauses of purchase orders resulted in non-replacement of under warranty electrical material amounting to Rs.179.65 million from manufacturers / suppliers up to the financial year 2014-15 as detailed below:-

Sr. No.	Name of Company	Draft Para No.	No. of Cases	Amount (Rs.in million)
1.	GEPCO	100 & 106 /2015-16	85	18.61
2.	HESCO	482 /2015-16	38	7.77
3.	LESCO	115 & 154 /2015-16	97	42.65
4.	MEPCO	661 & 700 /2015-16	16	42.81
5.	PESCO	382 & 558 /2015-16	9	8.86
6.	SEPCO	542 /2015-16	133	58.95
TOTAL			378	179.65

The matter was taken up with the management during September to November, 2015 and reported to the Ministry during October to December, 2015. The management replied that in some cases, electrical material had been received back from the suppliers whereas return of balance material was under process. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to submit case-wise final position, ensure the replacement of damaged transformers from the manufacturers / suppliers and get the record verified within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

4.1.29 Non-recovery of penalty imposed on employees - Rs.147.98 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), "all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge

they were, to fix the cause of the loss and the amount involved”.

In DISCOs & GENCO, an amount of Rs.147.98 million was recoverable from employees on account of shortage / misappropriation of electrical material etc. No recovery was made from the officers / officials held responsible by the competent authority.

Non-adherence to the instructions resulted in non-recovery of penalty of Rs.147.98 million from employees up to the financial year 2014-15 as detailed below:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	FESCO	62, 240 & 241 /2015-16	12.72
2.	GEPCO	103, 155 & 214 /2015-16	3.63
3.	GENCO-I	600 /2015-16	1.93
4.	LESCO	238, 278, 316, 391, 396 & 450 /2015-16	88.54
5.	PESCO	358, 381 & 630 /2015-16	29.27
6.	QESCO	405 & 640 /2015-16	8.73
7.	SEPCO	649 /2015-16	3.16
TOTAL			147.98

The matter was taken up with management during September to November, 2015 and reported to the Ministry during October to December, 2015. The management replied that in majority of cases, recovery was being made from the delinquents whereas in some cases, the matter was under process / subjudice. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to get verified the recovery made from the employees along with red entry in service record / book within a week and rationalize the recovery in remaining cases. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides fixing responsibility.

4.1.30 Un-justified payment to FBR on account of sales tax on capacity purchase price - Rs.101 million

According to Para-11 of GFR Vol-I, “every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of his own money and the expenditure should not be prima facie more than the occasion demands”.

In GENCOs, the companies had paid sales tax amounting to Rs.101 million on capacity purchase price against the total demand of Rs.2,422.67 million. After payment of such huge amount, the company filed a constitutional petition in Sindh High Court (SHC) to seek relief.

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1	GENCO-I	602/2015-16	80
2	GENCO-IV	617/2015-16	21
TOTAL			101

Non-adherence to the General Financial Rules resulted in loss of Rs.101 million due to unjustified payment of sales tax on capacity purchase price during the financial year 2014-15.

The matter was taken up with the management during August & September, 2015 and reported to the Ministry during December, 2015. The management replied that both the companies had filed Constitutional Petitions in Sindh High Court against FBR due to unequal treatment of Rule-13 (3) of Sales Tax Special Procedures Rules, 2007 with Public Sector GENCOs. However, the honorable Court advised FBR to take decision on the applications of JPCL. In this regard a meeting with Chairman FBR was also held on November 13, 2015 but the decision of FBR was still awaited.

The DAC in its meeting held on January 20, 2016 directed the management to pursue constitutional petition vigorously in Sindh High Court.

Audit recommends implementation of the DAC's directives.

4.1.31 Irregular procurement of vehicles - Rs.56.91 million

According to instructions issued by Finance Division (Government of Pakistan) for austerity measures in current expenditure during financial year 2013-14 & 2014-15, "there will be a complete ban on purchase of all types of vehicles both for current as well as development expenditure except operational vehicles of law enforcing agencies".

In DISCOs & GENCOs, thirty two (32) vehicles valuing Rs.56.91 million were purchased in violation of the austerity measures announced by the Finance Division.

Non-observance of austerity measures resulted in irregular procurement of vehicles of Rs.56.91 million up to the financial year 2014-15 as detailed

below:-

Sr. No.	Name of Company	Draft Para No.	No. of Vehicles	Amount (Rs.in million)
1.	GENCO-I	78/2015-16	02	3.25
2.	GENCO-III	607/2015-16	02	3.60
3.	GENCO-IV	495/2015-16	03	6.51
4.	IESCO	553 & 665/2015-16	15	24.76
5.	PESCO	512/2015-16	10	18.79
TOTAL			32	56.91

The matter was taken up with the management during May to November, 2015 and reported to the Ministry during October to December, 2015. The management replied that the vehicles were purchased after the approval from BOD and fulfilling all codal formalities. The reply was not tenable as the vehicles were purchased in violation of austerity measures.

The DAC in its meeting held on January 20, 2016 directed the management to get verified the instance from Audit and refer the matter to Finance Division for clarification of applicability of austerity measures to Public holding companies / corporate entities / autonomous bodies. DAC further directed to provide articles of association and memorandum of association of company. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

4.1.32 Loss due to shortage of electrical material – Rs.47.20 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

In DISCOs & GENCO, costly components of transformers of various capacities and other electrical material were found missing / short during physically inspection at stores. Neither any departmental inquiry was conducted nor action taken against the responsible persons.

Non-adherence to rules resulted in loss of Rs.47.20 million due to missing of parts of transformers / shortage of material up to the financial year 2014-15 as detailed below:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	GEPCO	177 /2015-16	12.79
2.	GENCO-I	605 /2015-16	15.17
3.	HESCO	33 & 193 /2015-16	12.17
4.	IESCO	72 & 159 /2015-16	4.22
5.	LESCO	321 /2015-16	1.42
6.	QESCO	419 /2015-16	1.43
TOTAL			47.20

The matter was taken up with the management during September to December, 2015 and reported to the Ministry during October to December, 2015. The management replied that the stock verification was being made and departmental inquires were under process against the responsible. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to submit case-wise revised reply with justification and get the position verified within a week besides finalizing legal / administrative action.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

4.1.33 Loss due to non-recovery of supply charges against temporary connections - Rs.28.18 million

According to special condition of supply under tariff-E of schedule of electricity tariff, "the supply shall not be given by the Company without obtaining security equal to the anticipated supply and other miscellaneous charges for the period of temporary supply".

In DISCOs, an amount of Rs.28.18 million was outstanding against the temporary connections. In contravention of special condition, the companies did not obtain security equal to the anticipated supply charges and resultantly had nothing to adjust against the outstanding dues. The recovery of dues was impossible as the consumers had left the sites without paying energy cost.

Non-observance of conditions of tariff resulted in a loss of Rs.28.18 million due to non-recovery of supply charges from temporary consumers up to the financial year 2014-15 as detailed below:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	GEPCO	144/2015-16	1.14

2.	HESCO	39 & 200/2015-16	4.74
3.	LESCO	129, 179, 220, 298 & 306/ 20150-16	17.52
4.	PESCO	163/2015-16	4.78
TOTAL			28.18

The matter was taken up with the management during September to November, 2015 and reported to the Ministry during October to December, 2015. The management replied that in some cases, recovery had been made while in the remaining cases, the recovery of supply charges was under process. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to produce the relevant recovery record for verification in respect of completed action within a week and pursue the remaining cases. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

4.1.34 Loss due to non-installation of independent transformers - Rs.18.51 million

According to Authority's instructions issued vide letter dated November 21, 2006, "industrial connections having load up to 10 HP (7.46-KW) can be given from the existing transformer, if the required load is available but the transformer will not be augmented to give such connection"

In DISCOs, eighty three (83) industrial consumers having load above 7.46 KW were electrified from the general distribution transformers. The management extended undue favour to the consumers by not providing them with independent transformers valuing Rs.18.51 million.

Non-adherence to instructions resulted in loss of Rs.18.51 million due to non-installation of independent transformers during the financial year 2014-15 as detailed below:-

Sr. No.	Name of Company	Draft Para No.	No. of Consumer	Amount (Rs.in million)
1.	FESCO	261/2015-16	10	1.22
2.	GEPCO	257/2015-16	03	1.02
3.	HESCO	201/2015-16	04	1.02
4.	IESCO	157 & 494/2015-16	34	10.27
5.	LESCO	304/2015-16	12	1.48
6.	QESCO	418/2015-16	20	3.50
TOTAL			83	18.51

The matter was taken up with the management during September & October, 2015 and reported to the Ministry during October to December, 2015. The management replied that in some cases, notices had been issued to the consumers while in other cases, provision of independent transformer was not required under the rules / being disconnected. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to produce the relevant record for verification in respect of completed action within a week and pursue the remaining cases as per SOPs. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

4.1.35 Non-recovery of standard rent and utility charges from employees – Rs.13.42 million

According to clarification issued by Director Finance (Regulation), WAPDA on January 10, 2007, "where the accommodation is allotted by one organization to the employees of other organization, the standard rent is to be charged by the formation concerned from the formation whose employees have been allotted accommodation". As per Director (Services) PEPCO office letter dated January 01, 2010, "no one is competent to accord permission for unauthorized retention of official accommodation beyond admissible period according to instructions in vogue and recovery of market rent shall be effected from the employees who retained accommodation beyond admissibility".

In DISCOs, GENCOs & NTDC, an amount of Rs.13.42 million was recoverable from 165 employees on account of standard rent and utility charges for the period from 2003 to October, 2015. No effort was made to recover this amount from the defaulters.

Violation of the instructions resulted in non-recovery of standard rent and utility charges amounting to Rs.13.42 million up to the financial year 2014-15 as detailed below:-

Sr. No.	Name of Company	Draft Para No.	No. of Employees	Amount (Rs.in million)
1.	GENCO-I	79/2015-16	26	1.00
2.	GENCO-III	609/2015-16	113	4.33

3.	HESCO	473/2015-16	03	3.90
4.	NTDC	699/2015-16	05	1.27
5.	PESCO	515/2015-16	18	2.92
TOTAL			165	13.42

The matter was taken up with the management during August to December, 2015 and reported to the Ministry during October to December, 2015. The management replied that efforts were being made to recover the amount of rent from the concerned officers and in some cases, inquiry was under process. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 DAC directed the management to submit the detailed reply with justification, finalize the inquiry proceedings, expedite the recovery from the employees and get the completed action verified from Audit within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

CHAPTER-5

JAMSHORO POWER GENERATION COMPANY LIMITED (GENCO-I)

5. JAMSHORO POWER GENERATION COMPANY LIMITED

5.1 Introduction

The Jamshoro Power Generation Company Limited, (JPGCL) was incorporated during August, 1998, under Companies Ordinance, 1984 and started its business from 1st March, 1999. The Company took over properties, rights, assets, obligations and liabilities of thermal power generation at JAMSHORO, LAKHRA and KOTRI, owned by WAPDA through Business Transfer Agreement. However, since July, 2002 all the assets and liabilities relating to Lakhra Power Station were transferred back to WAPDA.

The principal activity of the Company is to generate electricity (from furnace oil and natural gas) and sell it to National Transmission and Despatch Company (NTDC). JPGCL was granted Generation License by NEPRA during July, 2002.

5.2 Non-completion / finalization of Financial Statements

According to Article-233 of Companies Ordinance, 1984, “the directors of every company shall at some date not later than eighteen months after the incorporation of the company and subsequently once at least in every calendar year lay before the company in annual general meeting a balance-sheet and profit and loss account or in the case of a company not trading for profit an income and expenditure account for the period, in the case of the first account for the period since the incorporation of the company and in any other case since the preceding account, made up to a date not earlier than the date of the meeting by more than four months”.

In Jamshoro Power Generation Company (GENCO-I), the balance sheet and profit & loss account of the company could not be finalized by the management up till December 31, 2015.

Violation of Companies Ordinance resulted in non-finalization of balance sheet and profit & loss account for the financial year 2014-15.

The matter was taken up with the management and reported to the Ministry during December, 2015. The management replied that the finalization of financial statements for the year ended June 30, 2015 was under process and would be submitted after completion of audit and approval of Board of Directors.

The DAC in its meeting held on January 20, 2016 directed the

management to justify the violation of Companies Ordinance within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

5.3 AUDIT PARAS

5.3.1 Non-recovery of claims for short supply of Gas – Rs.26,114.50 million

Under the provision of an agreement between GENCO-I and SSGPL dated April 10, 1995, "claims will be lodged on account of short supply of gas".

In GENCO-I Jamshoro, claims of Rs.26,114.50 million were lodged with Sui Southern Gas Pipelines Limited (SSGPL) for short supply of gas up to June 30, 2014. The said claims were not recovered till to date.

Non-adherence to provision of agreement resulted in non-recovery of claims amounting to Rs.26,114.50 million for short supply of gas up to the financial year 2014-15.

The matter was taken up with the management during August, 2015 and reported to the Ministry during November, 2015. The management replied that the notice was served to SSGPL as per Section-9 of Arbitration Act-1940 for resolving the dispute. In response to this notification, SSGPL had filed appeal before Sindh High Court for reversal of this notification. The matter was still under court of law.

The DAC in its meeting held on January 20, 2016 directed the management to get resolved the matter through arbitration after the decision of honorable Sindh High Court. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives.

(Draft Para No. 86/2015-16)

5.3.2 Non-installation / commissioning of gas chromatograph and digital gas flow meters - Rs.9.27 million

According to Purchase Order dated July 08, 2013, "the price is inclusive of installation and commissioning as the supplier offered this proposal on turnkey basis".

In GENCO-I Kotri Power House, a purchase order for providing and installation of gas chromatograph and digital gas flow meter at Gas Turbine Power Station Kotri on turn key basis at a total cost of Rs.9.27 million

(US\$ 92,700 @Rs.100 / US\$) was issued to M/s XENTAUR CORPORATION USA on July 08, 2013 with delivery period of 12 weeks after establishment of L.C. The material was received on August 18, 2014 and inspected by the committee. As per inspection of committee, membrane filter, drawing, package documents, sample probe genuine and required accessories were not found. Plant Manager Kotri Power House reminded CEO GENCO-1 for approaching the supplier for providing the shortcomings but short material was still awaited.

Poor operational management resulted in loss of Rs.9.27 million due to supply of incomplete material during the financial year 2014-15.

The matter was taken up with the management during August, 2015 and reported to the Ministry during December, 2015. The management replied that a meeting was arranged in the office of CEO (GENCO-I) on January 07, 2016 regarding installation and commissioning of Gas Chromatograph and Digital Gas Flow Meter with the representative of M/s Orion International, Karachi. The shortage of minor material was also discussed in detailed. It had been decided during meeting to re-inspect the already supplied material according to Purchase Order to trace-out shortage in the presence of experts of M/s Orion International, Karachi. Further outcome in due course, would be informed to Audit accordingly. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to get verified the relevant record in support of reply completed action within a week and pursue the remaining action. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides early installation / commissioning of Gas Chromatograph and Digital Gas Flow Meters.

(Draft Para No. 598/2015-16)

5.3.3 Loss due to irregular payment of special allowance - Rs.3 million

According to Notification dated February 11, 2013, "all Admn / HR, having qualification of Master Degree such as MBA, MPA, M.Com, M.A Economics are allowed special allowance @ Rs.10,000 per month".

In Jamshoro Generation Company Limited (GENCO-1), special allowance was granted to twenty (20) officers having degree of B-Tech Honours working in JPCL Jamshoro and GTPS Kotri in violation of above notification.

Violation of above notification resulted in loss of Rs.3 million due to

irregular payment of special allowance during the financial year 2014-15.

The matter was taken up with the management during August, 2015 and reported to the Ministry during December, 2015. The management replied that the B.Tech (Hons) Junior Engineers of this Company had applied for grant of special allowance of Rs.10,000 per month on analogy of same officers being facilitated in sister organizations like NTDC, LESCO & MEPCO. Accordingly, the case was presented before BoD of this Company for consideration and the BoD allowed special allowance to B. Tech (Hons) Junior Engineers on March 11, 2014. The reply was not tenable as the special allowance was to be allowed to master degree holders such as MBA, MPA, M.Com or M.A Economics and not to B. Tech (Hons.).

The DAC in its meeting held on January 20, 2016 directed the management to seek clarification of Pakistan Engineering Council and get verified the BoDs approval from Audit within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives.

(Draft Para No. 550/2015-16)

5.3.4 Loss due to irregular promotion of officers - Rs.1.84 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), "all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

In Jamshoro Generation Company Limited (GENCO-1), eight (8) operator, attendant and foreman were promoted in BPS-17 in the month of March, 2014 with the terms and conditions that promotion of said officers was subject to passing Departmental Promotion Examination (DPE) and mandatory training in the next session and also fulfilled the other criteria failing which they would be reverted in their respective cadre / grades. Promotions of these officers were irregular because the said officers promoted without fulfilling the criteria which caused excess payment on account of pay and allowances.

Poor human resource management resulted in loss of Rs.1.84 million due to irregular promotion of officers during the financial year 2014-15.

The matter was taken up with the management during August, 2015 and reported to the Ministry during December, 2015. The management replied that the competent authority had decided to constitute a Departmental Committee for

reviewing the cases individually, and probe the matter thoroughly.

The DAC in its meeting held on January 20, 2016 directed the management to expedite the finalization of inquiry proceedings and action thereof be got verified from Audit within 15 days. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 599/2015-16)

CHAPTER-6

CENTRAL POWER GENERATION COMPANY LIMITED (GENCO-II)

6. CENTRAL POWER GENERATION COMPANY LIMITED

6.1 Introduction

Central Power Generation Company (CPGCL) was incorporated during October, 1998 as a public limited company under Companies Ordinance, 1984 and 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 National Transmission and Despatch Company (NTDC). CPGCL was granted Generation License by NEPRA during July, 2002. The Company has fourteen units having capacity of 12,264,000 MWh.

6.2 Non-completion / finalization of Financial Statements

According to Section-233 of Companies Ordinance, 1984, “the directors of every company shall at some date not later than eighteen months after the incorporation of the company and subsequently once at least in every calendar year lay before the company in annual general meeting a balance-sheet and profit and loss account or in the case of a company not trading for profit an income and expenditure account for the period, in the case of the first account for the period since the incorporation of the company and in any other case since the preceding account, made up to a date not earlier than the date of the meeting by more than four months”.

In Central Power Generation Company, Guddu (GENCO-II), the balance sheet and profit & loss account of the company could not be finalized by the management up till December 31, 2015.

Violation of Companies Ordinance resulted in non-finalization of balance sheet and profit & loss account for the financial year 2014-15.

The matter was taken up with the management and reported to the Ministry during December, 2015. The management replied that the finalization of financial statements for the year ended June 30, 2015 was under process and would be submitted after completion of audit and approval of Board of Directors.

The DAC in its meeting held on January 20, 2016 directed the

management to justify the violation of Companies Ordinance within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

6.3 Brief comments on the status of compliance with PAC directives

Name of Company	Year	No. of Directives	Status of compliance		
			Full	Partial	Outstanding
GENCO-II	2007-08	01	-	-	1 (Para No. 4.8)

Position of compliance with PAC directives is not satisfactory.

6.4 AUDIT PARAS

6.4.1 Loss due to cost overrun of the project – Rs.18,992 million

According to Para-7 of the original PC-I approved by ECNEC during March, 2010, total project cost of 747 MW Combined Cycle Power Project (CCPP), Guddu was Rs.59,775 million.

In 747 MW CCPP, the contract work was required to be completed up to August, 2013 but the taking over certificate (TOC) was issued during December, 2014. Thus, project cost was revised from Rs.59,775 million to Rs.78,767 million due to abnormal delay in completion of the project and cost was overrun to the tune of Rs.18,992 million.

Non-adherence to original PC-I resulted in loss of Rs.18,992 million due to cost overrun of the project up to the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that the causes of exceeded cost were appended below:- (a) the gas charges during the testing period were not considered in the PC-1 of the Project; (b) the PC-1 of the Project was prepared during August, 2009 and the rate of exchange of dollar was Rs.83. However, the payment of Foreign Currency Component was made to the contractor during 2012 to 2015 at the exchange rate of dollar during this course was varied in between Rs.90 to Rs.105; (c) the financing cost in the PC-1 of the Project was Rs.1,022 million, the same was also exceeded. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to provide the break up of cost overrun of Rs.18,992 million in support of reply for verification to Audit within a week. Further progress was not

reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 727/2015-16)

6.4.2 Non-recovery / adjustment of long outstanding advances from suppliers - Rs.1,010.40 million

According to Rule-213 (5) of GFR, "advances made for public expenditure will be held under objection until a detailed account duly supported by vouchers is furnished in adjustment of them."

In Central Power Generation Company Limited (GENCO-II), a huge amount of Rs.1,010.40 million was given to suppliers / contractors as advances since long but the advances were neither recovered nor adjusted by the department.

Non-implementation of rules resulted in non-recovery / adjustment of long outstanding advances from suppliers amounting to Rs.1010.40 million up to the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that an amount of Rs.731.99 million appearing as receivable from Chief Resident Representative (WAPDA) Karachi, Rs.10.02 million pertaining to Shell Pakistan Limited was of current & transitory nature and could not be recovered immediately. Similarly, an amount of Rs.234.41 & Rs.1.40 million was receivable from M/s Walter Power International and Pakistan Powers Resources respectively was under litigation in NAB Court Rawalpindi. As and when, any decision made in this regard, action would be taken accordingly.

The DAC in its meeting held on January 20, 2016 directed the management to get verified the relevant record in support of reply within a week and pursue the case in NAB court vigorously. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 539/2015-16)

6.4.3 Non-indemnification of loss due to damage / burn of imported material - Rs.1.42 million

According to Section-III (1) of WAPDA Guidelines for Enforcing

Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

In Central Power Generation Company Limited (GENCO-II), a foreign consignment consisting of imported material amounting to Rs.1.42 million lying at Gerry’s DNATA Shed Karachi Airport was completely burnt due to terrorist attack. The indemnification for loss could not be recovered from insurance companies.

Non-adherence to above instructions resulted in non-indemnification of loss of Rs.1.42 million up to the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that the company had vigorously taken up the matter with insurance office for recovery of genuine financial loss. No further progress regarding indemnification of loss was intimated.

The DAC in its meeting held on January 20, 2016 directed the management to expedite the recovery of the claim from National Insurance Company Limited (NICL). Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides fixing responsibility.

(Draft Para No. 537/2015-16)

CHAPTER-7

NORTHERN POWER GENERATION COMPANY LIMITED (GENCO-III)

7. NORTHERN POWER GENERATION COMPANY LIMITED

7.1 Introduction

Northern Power Generation Company Limited, (NPGCL) was a subsidiary of GENCO Holding Company Limited (GHCL). It was incorporated on October 15, 1998 under Companies Ordinance, 1984. It started its business from March 01, 1999. The Company took over properties, rights, assets, obligations and liabilities of thermal power generation at Muzaffargarh, Faisalabad, Multan, Shahdara owned by WAPDA through Business Transfer Agreement.

The principal activity of the Company is to generate electricity from furnace oil, natural gas and high speed diesel and sell it to National Transmission and Despatch Company (NTDC). NPGCL was granted Generation License by NEPRA during July, 2002. The Company has 30 units having *installed capacity of 2,459 MW and **de-rated capacity of 2,071 MW.

7.2 Non-completion / finalization of Financial Statements

According to Section-233 of Companies Ordinance, 1984, “the directors of every company shall at some date not later than eighteen months after the incorporation of the company and subsequently once at least in every calendar year lay before the company in annual general meeting a balance-sheet and profit and loss account or in the case of a company not trading for profit an income and expenditure account for the period, in the case of the first account for the period since the incorporation of the company and in any other case since the preceding account, made up to a date not earlier than the date of the meeting by more than four months”.

In Northern Power Generation Company, Muzaffargarh (GENCO-III), the balance sheet and profit & loss account of the company could not be finalized by the management up till December 31, 2015.

Violation of Companies Ordinance resulted in non-finalization of balance sheet and profit & loss account for the financial year 2014-15.

The matter was taken up with the management and reported to the Ministry during December, 2015. The management replied that the finalization of financial statements for the year ended June 30, 2015 was under process and

would be submitted after completion of audit and approval of Board of Directors.

The DAC in its meeting held on January 20, 2016 directed the management to justify the violation of Companies Ordinance within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

7.3 AUDIT PARAS

7.3.1 Loss due to un-identified difference and non-acceptance of claims due to un-resolved dispute with CPPA - Rs.12,515.53 million

According to Section-III (1) of Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), "all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

In Northern Power Generation Company Limited (GENCO-III), balance receivable from NTDC was Rs.13,200.52 million and balance confirmed by CPPA was Rs.684.99 million showing the difference of Rs.12,515.53 million. This dispute among the entity and NTDC was due to conflict in sale price of units sold to NTDC. It was continuous dispute between NPGCL-III and CPPA from last many years and total difference in the amount receivable from NTDC and amount confirmed by CPPA (NTDC) was reached to Rs.8,456.89 million and unidentified difference was amounting to Rs.4,058.65 million.

Poor financial management resulted in loss of Rs.12,515.53 million due to the difference in balance receivable and unidentified balance up to the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that NGPCL has constituted a committee to resolve the long outstanding dispute of with-held amount by NTDC. It was hoped that the newly framed committee would be able to resolve the subject issue with NTDC as early as possible.

The DAC in its meeting held on January 20, 2016 directed the management to refer the matter to Ministry of Water & Power for deduction at source from CPPA and get resolved the dispute within 30 days. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 707/2015-16)

7.3.2 Loss on account of forced outage due to shortage of fuel - Rs.6,237.07 million

According to Section-III (1) of Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), "all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

In Northern Generation Power Company Limited (GENCO-III), units were remained stop due to shortage of fuel and 338.16 million units amounting to Rs.6,237.07 million were less generated. It was happened due to poor fuel, material and financial management. The nature of fault on these forced outages indicated that if proper planning had been carried out, occasion of forced outages would have been averted.

Poor inventory and financial management resulted in loss of Rs.6,237.07 million due to shortage of fuel during the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that the units remained in standby position due to shortage of fuel because PSO was unable to provide the required furnace oil within the stipulated time. Many letters were written to PSO for enhancement of furnace oil but PSO failed to meet our demand due to one or another obligation. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to submit revised reply depicting all aspects with justification within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides initiating inquiry for fixing responsibility.

(Draft Para No. 610/2015-16)

7.3.3 Loss due to non-encashment of bank guarantee for advance – Rs.3,160.24 million

According to Section-III (1) of Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up

to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

In 525 MW Combined Cycle Power Plant Project Chichoki Malian, an amount of Rs.3,160.24 million equal to 10% of contract price was paid to M/s Dong Fong Company against bank guarantee during 2008. No physical progress of work at site started and the project was closed by the Ministry of Water and Power during May, 2015. Neither the bank guarantee was encashed nor the amount of advance recovered from the contractor.

Non-adherence to above guidelines resulted in loss of Rs.3,160.24 million due to non-encashment of bank guarantee for advance up to the financial year 2014-15.

The matter was taken up with management during August, 2015 and reported to the Ministry during November, 2015. The management replied that as per contractual obligation, 10% amount of the contract price was paid to the EPC contractor (M/s DECL) as mobilization charges. The work at site could not be commenced because Letter of Credit could not be established in favor of the EPC Contractor due to lack of funds. Efforts were made for financial arrangement through consortium of banks i.e. BNP Paribas and HHSBC duly supported by M/s Coface and Sinasure respectively, which could not be matured unfortunately. The contract remained intact, L / C opening date was got extended from time to time and efforts were being made for financial arrangements. In pursuance of the Ministry of Water and Power directions and with the approval of CEO GENCO-III, Advance Payment Guarantee (APG) encashment notice was served to the KASB Bank (now Bank Islamic Pakistan) on June 17, 2015.

The DAC in its meeting held on January 20, 2016 directed the management to pursue the matter for early finalization as the advance payment guarantee encashment notice was served to the KASB bank on June 17, 2015. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides fixing responsibility.

(Draft Para No. 146/2015-16)

7.3.4 Loss due to excess consumption of fuel – Rs.1,538.28 million

According to Section-III (1) of Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up

to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

In Northern Power Generation Company Limited (GENCO-III), furnace oil was excess consumed i.e. 26.367 million KG amounting to Rs.1,538.28 million as compared to previous year due to poor maintenance and weak internal controls of fuel management.

Poor operational management resulted in loss of Rs.1,538.28 million due to excess consumption of furnace oil during the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that excess consumption of furnace oil than NEPRA heat rate increased due to: i) aging factor of the units, ii) due to non-revision of heat rate since 2006 by the NEPRA authority, iii) partial loading other than economical loading on units as desired by NPCC, iv) low efficiency of units due to deteriorated condition of air-pre-heater elements, I.D. fans and ducts because continuous use of high sulphur furnace oil. The departmental reply was not considered satisfactory by Audit.

The DAC in its meeting held on January 20, 2016 directed the management to get verify the instance through documentary evidences within a week and also refer the matter to the NEPRA for revision of heat rate. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides fixing responsibility.

(Draft Para No. 611/2015-16)

7.3.5 Loss due to non-recovery of mobilization advances from Gulf Rental Power and Techno-Power - Rs.1,520.58 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

In Northern Power Generation Company Limited (GENCO-III), an amount of Rs.1,520.58 million was paid to M/s Gulf Rental Power (Pvt.) Limited (Rs.432.46 million) and Techno-Power (Pvt.) Limited (Rs.1,088.12 million) as mobilization advance but the same was not recovered so for.

Poor financial management resulted in non-recovery of mobilization advance Rs.1,520.58 million up to the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that recovery of mobilization advance from M/s Gulf Rental Power had been adjusted by netting of the amount payable to the sponsor on account of fuel and rent payments to the sponsor under settlement agreement of July, 2012. NAB vide letter dated December, 2015 informed that M/s Techno E-Power had deposited the major part of its outstanding liability of Rs.2,016.90 million out of Rs.2,054.64 million.

The DAC in its meeting held on January 20, 2016 directed the management to get verified the recovery within a week and also to pursue the matter with NAB for recovery of mobilization advance in respect of M/s Techno E-Power. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 613/2015-16)

7.3.6 Loss due to increase in fixed operational cost - Rs.1,215.36 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), "all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

In Northern Power Generation Company Limited (GENCO-III), fixed operational cost of Rs.2,212.21 million was incurred on account of depreciation, interest and establishment expense for generation of 4,916.18 million units instead of 12,982.32 million units. The per unit fixed cost could be reduced by obtaining the level of targeted generation resulting in benefits of Rs.1,215.36 million which was not achieved.

Poor operational management resulted in loss of Rs.1,215.36 million due to increase in operational fixed cost during the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied the record was being consulted and would be provided to Audit as compiled. Audit did not consider the departmental reply satisfactory as no documentary evidence

was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply along with justification within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 686/2015-16)

7.3.7 Non-recovery of fixed charges and penalty from SNGPL – Rs.407.93 million

According to Gas Purchase Agreement:

- i) Clause-3, if the failure of supply accumulates a total of ten days in any one year period the buyer shall forfeit the fixed charges.
- ii) Clause-C (4), if the failure of supply accumulates a total of twelve days in any said one year period, in addition to the forfeiture of the fixed charges seller shall pay to the buyer the sum of Rupees thirty four thousand five hundred per day for the thirteenth (13th) and any subsequent day of failure of supply up to a total of Rupees six lacs and ninety thousand in any one calendar month.

In Northern Power Generation Company Limited (GENCO-III), an amount of Rs.407.93 million was not recovered / adjusted on account of penalty and fixed charges for breach of gas purchase agreement from May, 1986 to April, 2015. Efforts were not made to recover / adjust such a huge amount.

Poor operational and financial management resulted in non-recovery of Rs.407.93 million on account of fixed charges and penalty from SNGPL up to the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that the fixed charges had been forfeited w.e.f. October, 2014 and onward. No fixed charges were being paid to SNGPL. However, the claim for the period of May, 1986 to April, 2015 had already been lodged with SNGPL. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to pursue the claim of penalty with SNGPL through arbitration. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 608/2015-16)

7.3.8 Loss due to un-justified expenditure on account of overtime, generation allowance and establishment charges on completely closed power plants-Rs.249.99 million

According to Section-III (1) of Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), "all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

In Northern Power Generation Company Limited (GENCO-III), an amount of Rs.249.99 million was paid to the employees of Natural Gas Power Station Multan and Shahdara on account of overtime, generation allowance and establishment charges. These power houses were completely closed for last five years having 311 personnels. The payments of overtime and generation allowance to the employees of such power houses were un-justified.

Poor operational and human resource management resulted in loss of Rs.249.99 million due to the payment of overtime / off day wages, generation allowance and establishment charges on closed power houses during the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that Shahdra Power Plant was not completely closed, but it was on standby position due to non-availability of gas quota. It can generate electricity on availability of gas. So, the point of completely closed Power Plant did not arise. It was further added that currently bare minimum staff was working against the actual sanctioned strength of the Power House and remaining staff had already been shifted to other running Power Plants. The departmental reply was not considered satisfactory by Audit.

The DAC in its meeting held on January 20, 2016 directed the management to submit revised reply along with breakup of expenditure within a week and also deploy the excess staff to other generation companies to avoid wastage of financial resources. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 703/2015-16)

7.3.9 Loss due to unadjusted advance income tax – Rs.19.47 million

According to Section-III (1) of Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

In 525 MW Combine Cycle Power Plant Project Chichoki Malian, income tax of Rs.19.47 million was paid as an advance payment on behalf of the contractor i.e. M/s DECL against work which was not done up till August, 2015. The project was closed by the Ministry of Water and Power during May, 2015 but the amount stood unadjusted.

Non-adherence to above instructions resulted in loss of Rs.19.47 million due to non-adjustment of advance income tax up to the financial year 2014-15.

The matter was taken up with management during August, 2015 and reported to the Ministry during November, 2015. The management replied that as per provision of Section-152(IA) of the Income Tax Ordinance-2001, every prescribed person while making a payment in full or part including a payment by way of an advance was under obligation to deduct income tax from the gross amount payable under the contract. The departmental reply was not considered satisfactory by Audit.

The DAC in its meeting held on January 20, 2016 directed the management to follow up the matter for recovery / adjustment. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 147/2015-16)

7.3.10 Loss due to non-installation of material supplied by the supplier - Rs.17.42 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge

they were, to fix the cause of the loss and the amount involved”.

In Northern Power Generation Company Limited (GENCO-III), an order for supply / installation of distribution control system (DCS) was placed upon M/s Emerson Singapore and material valuing US\$ 174,202 equivalent to Pak Rs.17.42 million was supplied during 2008 but the same was not installed by the supplier despite lapse of seven years which was not now compatible with the present requirements.

Non-adherence to above guidelines resulted in loss of Rs.17.42 million due to non-installation of material up to the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that the BoD had given approval for lifting of ban on the firm in its meeting during December, 2015. As soon as we received the letter from the Authority, the firm would carry out the installation and commissioning work to use the existing material in the store in order to save the public money.

The DAC in its meeting held on January 20, 2016 directed the management to expedite the installation of material and get it verified from Audit. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 708/2015-16)

CHAPTER-8

LAKHRA POWER GENERATION COMPANY LIMITED (GENCO-IV)

8. LAKHRA POWER GENERATION COMPANY LIMITED

8.1 Introduction

Lakhra Power Generation Company Limited (LPGCL) was incorporated during February, 2002 as a public limited company under Companies Ordinance, 1984 and started its business from July, 2002. The Company took over properties, rights, assets, obligations and liabilities of thermal power generation at Lakhra owned by WAPDA through Business Transfer Agreement.

The principal activity of the Company is to generate electricity (from Coal) and sell it to National Transmission and Despatch Company (NTDC). LPGCL was granted Generation License by NEPRA during February, 2005 for fifteen years. The Company has three units having installed capacity of 150 MW and net dependable capacity made available was 31.2 MW.

8.2 Non-completion / finalization of Financial Statements

According to Section-233 of Companies Ordinance, 1984, “the directors of every company shall at some date not later than eighteen months after the incorporation of the company and subsequently once at least in every calendar year lay before the company in annual general meeting a balance-sheet and profit and loss account or in the case of a company not trading for profit an income and expenditure account for the period, in the case of the first account for the period since the incorporation of the company and in any other case since the preceding account, made up to a date not earlier than the date of the meeting by more than four months”.

In Lakhra Power Generation Company, Kotri (GENCO-IV), the balance sheet and profit & loss account of the company could not be finalized by the management up till December 31, 2015.

Violation of Companies Ordinance resulted in non-finalization of balance sheet and profit & loss account for the financial year 2014-15.

The matter was taken up with the management and reported to the Ministry during December, 2015. The management replied that the finalization of financial statements for the year ended June 30, 2015 was under process and would be submitted after completion of audit and approval of Board of Directors.

The DAC in its meeting held on January 20, 2016 directed the management to justify the violation of Companies Ordinance within a week.

Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

8.3 AUDIT PARAS

8.3.1 Loss due to non-recovery of down payment from contractor - Rs.6,402.29 million

According to Para-11 of GFR Vol-I, "every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of his own money and the expenditure should not be prima facie more than the occasion demands".

In Lakhra Power Generation Company-GENCO-IV, the Company obtained loan of Rs.6,400 million from NBP for payment of 14.16% down payment to M/s Karkey Karadenz Electric A.S, Turkey for providing 231.8 MW power through power generating ships on rental basis for a period of 5 years. A payment of Rs.2.29 million was also made on account of professional fee to M/s Joseph Lobo (Pvt.) Ltd against four vessels of M/s Karkey Karadeniz Elektrik Uritem A.S (Karkey) for recovery of the outstanding amount of US\$ 128.136 million. The case was still under evaluation and decision despite incurring the amount of Rs.2.29 million.

Poor financial and operational management resulted in loss of Rs.6,402.29 million due to non-recovery from M/s Karkey up to the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that M/s KARKEY has filed Arbitration Suit against Islamic Republic of Pakistan in International Centre for Settlement of Investment Disputes (ICSID), Washington DC., which was being dealt with by the Office of Attorney General for Pakistan.

The DAC in its meeting held on January 20, 2016 directed the management to pursue the matter through the office of Attorney General of Pakistan in International Center for Settlement of Investment Disputes (ICSID).

Audit recommends implementation of the DAC's directives

(Draft Para No. 709/2015-16)

8.3.2 Loss due to provision for inventory shortage - Rs.68.59 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

In Lakhra Generation Company Limited (GENCO-1V), provision of Rs.68.59 million was made against inventory shortage as a result of physical count of inventories. But the efforts were not made to carry out the verification of stock from independent stock verifier for determining the shortage in inventory items for subsequent adjustment in respective balance and taking action against person(s) at fault.

Poor inventory and financial management resulted in loss of Rs.68.59 million up to the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that an Inquiry Committee had been constituted to investigate the shortage / surplus of inventories vide Office Order dated January 07, 2016.

The DAC in its meeting held on January 20, 2016 directed the management to initiate inquiry, finalize it within two months and appoint an independent stock verifier for inventory shortage. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides fixing responsibility.

(Draft Para No. 615/2015-16)

CHAPTER-9

NATIONAL TRANSMISSION AND DESPATCH COMPANY LIMITED (NTDC)

9. NATIONAL TRANSMISSION AND DESPATCH COMPANY LIMITED

9.1 Introduction

National Transmission and Dispatch Company Ltd. (NTDC) was incorporated as a corporate entity during 1998 under Companies Ordinance, 1984. The principal activity of NTDC is to purchase electricity from Hydel Power Stations, Thermal Power Stations and IPPs and to sell it to all DISCOs / KESC. NTDC is also responsible to construct, operate and maintain 220 KV and 500 KV transmission system comprising transmission lines and grid stations. This transmission system links all power plants including IPPs, WAPDA / PEPCO unbundled generation companies, nuclear power plant and hydroelectric plants owned and operated by WAPDA.

NEPRA granted transmission license to NTDC for a period of 30 years during December, 2002 for undertaking its obligations. NTDC was restructured into following four main tiers:

- 1. Central Power Purchasing Agency (CPPA)**
- 2. Transmission Network Operator (TNO)**
- 3. System Operator (SO)**
- 4. Contract Registrar And Power Exchange Administrator (CRPEA)**
- 1. Central Power Purchasing Agency (CPPA)**

Under Pakistan power sector program, establishment of an independent entity 'CPPA' was approved by Prime Minister Secretariat for acting as an 'Agent' of Distribution Companies and Bulk Power Consumers (BPCs) for procurement power from Generations Companies and deliver it to NTDC.

CCPA has now been incorporated as independent 'Guaranteed' limited under Companies Ordinance, 1984 by separating it from NTDC. CCPA (G) held its first BoD meeting under the chairmanship of Additional Secretary Incharge Ministry of Water & Power and executed Business Transfer Agreement (BTA) with NTDC. CCPA (G) became fully functional w.e.f. June 04, 2015 after confirmation of completion of pre-closing actions for transfer to market operations from NTDC to it.

The CPPA (G) aims at performing the function of settlement of dues of electricity between buyers and sellers and is also responsible for

development of competitive power market structure from the generation, transmission and distribution system.

2. Transmission Network Operator (TNO)

TNO is responsible for the operation and maintenance of transmission system including planning, design and capacity expansion of the transmission system and setting of new generation facilities.

3. System Operator (SO)

SO is responsible for the safe and reliable operation of the network and to despatch the generation facilities according to load demand and provide balancing services for the network.

4. Contract Registrar and Power Exchange Administrator (CRPEA)

CRPEA is responsible for recording and notification of contracts and other matters relating to bilateral trading between the generation licensees and Bulk Power Consumers (BPC) and generation licensees and distribution companies for their future capacity needs.

In addition to the core function responsibilities, NTDC is providing services (non-core functions) to the distribution companies in the areas of design and construction of 132 KV transmission lines and grid stations, maintenance support for the telecommunication system and protection.

The entity has a formal budgeting process in place and annual budget is approved by BoD. All formations report as per their allocation in the ‘Budget vs. Actual statement’ on monthly basis.

National Transmission and Dispatch Company operates and maintains nine 500 KV Grid Stations and twenty three 220 KV grid stations along with 4,160 KM, 500 KV transmission lines, and 4,000 KM, 220 KV transmission lines in Pakistan

9.2 Non-completion / finalization of Financial Statements

According to Section-233 of Companies Ordinance, 1984, “the directors of every company shall at some date not later than eighteen months after the incorporation of the company and subsequently once at least in every calendar year lay before the company in annual general meeting a balance-sheet and profit and loss account or in the case of a company not trading for profit an income and expenditure account for the period, in the case of the first account for the period since the incorporation of the company and in any other case since the preceding account, made up to a date not earlier than the date of the meeting by more than

four months”.

In NTDC, the balance sheet and profit & loss account of the company could not be finalized by the management up till December 31, 2015.

Violation of Companies Ordinance resulted in non-finalization of balance sheet and profit & loss account for the financial year 2014-15.

The matter was taken up with the management and reported to the Ministry during December, 2015. The management replied that the finalization of financial statements for the year ended June 30, 2015 was under process and would be submitted after completion of audit and approval of Board of Directors.

The DAC in its meeting held on January 20, 2016 directed the management to justify the violation of Companies Ordinance within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides fixing responsibility.

9.3 AUDIT PARAS

9.3.1 Loss due to non-recovery of embezzlement on account of misuse of free supply – Rs.2.77 million

According to Section-IV (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “a departmental inquiry should not be delayed pending investigation by Police / FIA are pending the decisions of the case by the court but should be instituted promptly, as and when a reasonable suspicions exists that loss has occurred due to theft, defalcation, embezzlement, misappropriation, fraud or such other dishonest act. All relevant documents to the investigation can be provided to Police or other concerned agency so that investigation can proceed simultaneously. Moreover, there is no bar in law against taking disciplinary action before the disposal of the criminal case in a court of law”.

In the office of Chief Engineer Telecommunication NTDC, embezzlement of free electricity units amounting to Rs.2.77 million was unearthed by inquiry committee. The dealing officers/officials were found allegedly involved in extracting and utilizing GP fund Account Nos. of 53 employees by making forgery in office orders of the officers proceeded on deputation / transfer / abroad, retired. On the recommendations of preliminary

inquiry, a junior clerk was held guilty of embezzlement and was dismissed from service. A second inquiry was also conducted which upheld the recommendations of previous inquiry. No legal action was recommended by the inquiry committee against the delinquent official. The beneficiaries were also not taken to task departmentally as well as legally to arrive at factual scale of fraud and recovery of loss.

Non-adherence to the above instructions resulted in loss of Rs.2.77 million to company due to embezzlement / fraud up to the financial year 2014-15.

The matter was taken up with management during November, 2015 and reported to the Ministry during December, 2015. The management replied that recovery was under process with LESCO and compliance would be intimated to Audit. The reply was not tenable as merely a junior clerk was held responsible without fixing proportionate responsibility on the supervisory staff.

The DAC in its meeting held on January 20, 2016 directed the management to conduct a high level inquiry at PEPCO level to find out actual quantum of embezzlement / fraud and submit its report to the Ministry and Audit within two months besides ensuring legal action and recovery of loss. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 552/2015-16)

9.3.2 Non-recovery of liquidated damages from IPPs - Rs. 63,004.71 million

i) According to Section 9.4 (c) of Power Purchase Agreement, "if the Company fails to comply with a Despatch Instruction or a Revised Despatch Instruction for any hour (or any Adjusted Declared Available Capacity related thereto), the Company shall pay to the Power Purchaser as liquidated damages an amount equal to one hundred percent (100%). The liquidated damages payable under this Section 9.4(c) shall be in addition to any liquidated damages payable under Section 9.4(b) for the same hour, to the extent liquidated damages are payable under both sections.

ii) According to Schedule-1, 7(a) of the PPA, "in the event the complex is not commissioned on or before the required Commercial Operations Date, then the company shall pay to the Power Purchaser, monthly arrears as liquidated damages as calculated hereunder for delays in the occurrence of Commercial

Operations Date at the rate of US\$ 2.50 per KW of the Contract Capacity per month prorated daily until the Commercial Operations Date”.

In NTDC (CPPA/WPPO), an amount of Rs.63,004.71 million on account of liquidated damages were recoverable from sixteen (16) Independent Power Producers up to June, 2015 for non-achieving requested operating level and non-commissioning of the complex on or before the required Commercial Operations Date. The LD was neither recovered nor adjusted against the monthly payments to IPPs.

Non-adherence to the provisions of Power Purchase Agreement resulted in non-recovery of liquidated damages of Rs. 63,004.71million million from IPPs up to the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that the PDP No. 253 was a duplication of para No. 3.1 of Special Audit Report on Circular Debt of 480 billion while recovery in other case would be made, if the decision came in favour of WAPDA.

The DAC in its meeting held on January 20, 2016 directed the management to get verify the duplication of observation with para No. 3.1 of Special Audit Report on Circular Debt of 480 billion for deletion from Audit Report 2015-16 and pursue the court case vigorously. After verification of record, it was found that no duplication / over lapping existed among stated observations.

Audit recommends that the management needs to investigate the matter at appropriate level for fixing responsibility besides recovery from concerned IPPs and pursue the court case vigorously.

(Draft Para No. 253 & 345/2015-16)

9.3.3 Non-recovery of electricity dues from KESC - Rs.43,975 million

According to Article-IX, Clause-9.1 (1) of Power Purchase Agreement (PPA) signed between NTDC and Karachi Electric Supply Company (KESC), From and after the signing of this Agreement, the KESC shall pay to the NTDC (CPPA) for each billing period as per the procedure specified in Clause-9.3 for the Capacity and Net Delivered Energy (NDE) supplied by NTDC-CPPA to KESC during the Billing Period at the Delivery Points in accordance with the tariff determined by NEPRA and notified by GoP. Such payments were secured by Clause-9.2 of the Agreement, which described that KESC shall provide to NTDC

(CPPA), Standby Letter of Credit, which shall have a term of twelve (12) months from the date of signing of the agreement. KESC Standby LC shall provide for draws by CPPA for any amount due to NTDC (CPPA) under Clause-9.3.

In Central Power Purchase Agency (CPPA), energy amounting to Rs.43,975 million was exported to KESC as per PPA up to June, 2015. Had the standby LC operated as per provision of the contract, the CPPA (NTDC) would have been saved from the outstanding energy dues of Rs.43,975 million.

Non-adherence to the provisions of PPA resulted in non-recovery of energy dues of Rs.43,975 million from KESC up to the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The reply was under preparation with the formation concerned.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply with justification for not operating standby LC as per provision of the agreement within a week and expedite recovery/adjustment of electricity dues. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 254/2015-16)

9.3.4 Loss due to production of electricity on high speed diesel instead of gas - Rs.27,141.77 million.

According to Section 5.14(c) of Power Purchase Agreement (PPA), "in no event shall the company use high speed diesel as fuel at the complex for more than the equivalent of ninety (90) days as full load operation in a year (the Annual HSD Tariff Allowance) except as may be required to comply with any GOP policy or for such period where the Gas Supplier and / or the GOP required to make the payment of "Alternate Fuel Cost Differential" (as defined in the Gas Supply Agreement) to the company".

In Central Power Purchase Agency (CPPA), an expenditure of Rs.27,141.77 million was incurred on the procurement of electricity on HSD from the various IPPs which were required (under the above Power Purchase Agreement) to generate and sell on Gas. The companies should have to generate electricity on Gas during the year except the month of December to February.

Violation of provisions of Power Purchase Agreement resulted in a loss

of Rs.27,141.77 million to CPPA on account of extra expenditure due to procurement of energy on HSD up to the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The reply was under preparation with the formation concerned.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply with justification within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 251/2015-16)

9.3.5 Financial mismanagement resulting in loss due to payment of interest on late payment - Rs.21,692 million

According to the Clause 9.5-b / 9.7-d of Power Purchase Agreement (PPA), "any late payment by either party shall bear interest, at the rate of prescribed".

In WAPDA Power Privatization Organization (WPPO) / Central Power Purchase Agency (CPPA), energy purchase price and capacity purchase prices of different IPPs were not paid in time. Due to which an amount of Rs.21,692 million on account of interest on late payments was charged for the financial year 2014-15. Had the payments to IPPs been made in time as per provision of PPA, the management could have avoided the payment of interest.

Non-adherence to the provisions of PPA resulted in a loss of Rs.21,692 million to the Authority on account of interest payment due to financial mismanagement during the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that the observation was duplication of para No. 3.1.5 of Special Audit Report on Circular Debt of 480 billion.

The DAC in its meeting held on January 20, 2016 directed the management to get verify the duplication of observation with para No. 3.1.5 of Special Audit Report on Circular Debt of 480 billion for deletion from Audit Report 2015-16. After verification of record, it was found that no duplication / over lapping existed among stated observations.

Audit recommends that the management needs to investigate the matter at

appropriate level for fixing responsibility and making good the loss.

(Draft Para No. 343/2015-16)

9.3.6 Loss due to occurrence of major transmission breakdown - Rs.3,036.53 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

In NTDC, an incident of major transmission breakdown in the country occurred on December 12, 2014. This breakdown occurred due to loose internal control failure of management in implementation of Grid Code for safe operation of NTDC system and caused loss of Rs.3,036.53 million. This breakdown could have been averted, if the system had been maintained and operated properly. Two inquiries were conducted by M/s NESPAK and Board of Directors of the Company and only technical issues were discussed. The financial impact of the breakdown was totally ignored and minor penalty of ‘censure’ was imposed on Managing Director (NTDC).

Non-adherence to instructions resulted in loss of Rs.3,036.53 million due to major transmission breakdown during the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management stated that reply was under preparation with the formation concerned.

The DAC in its meeting held on January 20, 2016 directed the management to submit the detailed reply with justification within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides fixing responsibility.

(Draft Para No. 593/2015-16)

9.3.7 Recoverable amount from Independent Power Producers - Rs.683.95 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge

they were, to fix the cause of the loss and the amount involved”.

In WAPDA Power Privatization Organization (WPPO) / Central Power Purchase Agency (CPPA), energy amounting to Rs.1,123.44 million was sold to seventeen (17) IPPs during the year 2014-15 against which an amount of Rs.439.48 million was received from fourteen (14) IPPs leaving a balance of Rs.683.96 million.

Non-adherence to above instructions resulted in non-recovery of Rs.683.96 million on account of cost of energy during the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The reply was under preparation with the formation concerned.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply with justification duly supported by documentary evidence within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides expeditious recovery of cost of energy from IPPs.

(Draft Para No. 252/2015-16)

9.3.8 Non-recovery of service charges from DISCOs and GENCOs - Rs.321.50 million

Chief Engineer (Telecom) NTDL is a self financing unit and generates its resources through charging service charges against the services rendered to DISCOs and GENCOs. To provide better services and proper function, the recovery of services charges is mandatory.

In Chief Engineer Telecommunication WAPDA, service charges of Rs.122.31 million were recovered against the outstanding amount of Rs.443.81 million on account of maintenance of equipment from DISCOs, GENCOs and Hydel projects from 2005-06 to 2014-15 leaving the balance of Rs.321.50 million.

Poor financial management resulted in non-recovery of service charges of Rs.321.50 million from DISCOs / GENCOs up to the financial year 2014-2015.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied that the issue had already been taken up with concerned authorities for recovery of service charges and compliance would be intimated accordingly.

The DAC in its meeting held on January 20, 2016 directed the management to refer the matter to Ministry of Water & Power for deduction at source and get it resolved within 30 days. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives for expeditious recovery of service charges from DISCOs / GENCOs.

(Draft Para No. 725/2015-16)

9.3.9 Unjustified payment on account of Open Cycle Cost charges - Rs.98.95 million

The claim of Open Cycle Cost (OCC) was not covered under the Power Purchase Agreement (PPA).

In WPPO WAPDA Lahore, a payment of Rs.98.95 million was made to KAPCO on account of Open Cycle Cost (OCC) beyond the scope of Power Purchase Agreement (PPA).

Non-adherence to scope of PPA resulted in unjustified payment of Rs.98.95 million during the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that the issue had already taken up in Special Audit Report on Circular Debt of Rs.480 billion and therefore, would be dealt in the light of decision of DAC / PAC.

The DAC in its meeting held on January 20, 2016 directed the management to get verify the duplication of observation with para No. 3.7.4 of Special Audit Report on Circular Debt of 480 billion for deletion from Audit Report 2015-16. After verification of record, it was found that no duplication / over lapping existed among stated observations.

Audit recommends that the management needs to investigate the matter for fixing responsibility for making the payment beyond provision of agreement.

(Draft Para No. 740/2015-16)

9.3.10 Non-recovery / adjustment of revolving funds – Rs.78.31 million

According to Clause-6.4 (a) (ii) of consultancy services contract agreement, “not later than the 15th day of each succeeding month, the amount equal to preceding month estimate in accordance with Appendixes D&E shall be recouped by the client in the revolving fund against foreign currency and local currency amounts. Any bank interest accruing on revolving fund shall be credited by the consultant to the client”.

In EHV-I NTDC Project Lahore, revolving funds amounting to

Rs.78.31 million were granted to three consultants i.e. M/s BARQAAB services, M/s NESPAK and M/s EnMasse during the year 2009-10 to 2013-14, but the advances were not adjusted.

Non-adherence to provision of contracts resulted in non-recovery / adjustment of revolving funds of Rs.78.31 million up to the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that advances would be adjusted on completion of the consultant contracts. No further progress was intimated.

The DAC in its meeting held on January 20, 2016 directed the management to get verified the record of adjustment of advance of Rs.49 million from Audit within a week and pursue the recovery / adjustment of balance amount. Further progress was not reported till finalization of the report.

Audit emphasizes expeditious recovery / adjustment of balance amount besides fixing responsibility.

(Draft Para No. 449/2015-16)

9.3.11 Unjustified refund of security deposits to the contractors - Rs.24.76 million

According to Clause-26.2 of contract, “if the contractor fails to attain completion of the facilities or any part thereof within the time for completion or any extension thereof under GCC Clause 40, the Contractor shall pay to the Employer liquidated damages in the amount specified in the SCC as a percentage rate of the Contract Price or the relevant part thereof. The aggregate amount of such liquidated damages shall in no event exceed the amount specified as “Maximum”. The applicable rate shall be 0.05% per day subject to maximum 10% of contract price.

In EHV-I NTDC Project Lahore, four contracts were awarded to different contractors for execution of works at project sites but they could not complete the works within the contractual completion period. Therefore, liquidated damages of Rs.24.76 million were imposed and recovered from the contractors but were refunded during April and June, 2015 without any reason covered under the provisions of the contracts.

Non-adherence to the provisions of contract resulted in unjustified refund of security deposits of Rs.24.76 million to the contractors during the financial

year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that retention money equivalent to the LD was still available with NTDC to recover the LD, if EOT was not granted to the contractor.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply with justification of refund of security deposits and once deducted LD to the contractor within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 504/2015-16)

9.3.12 Non-recovery of down payment with interest charges - Rs.20.15 million

According to Clause-13.2.1 of contract, "advance payment security states that the contractor shall within Twenty Eight (28) days of notification of contract award provide a security in an amount equal to advance payment calculated in accordance with the appendix (Terms and proceed of payment) to the contract agreement and in the same currency or currencies. Moreover, as per Clause-13.2.2, the security shall be in the form provided in the bidding documents or in another form acceptable to the Employer. The amount of the security shall be reduced in proportion to the value of the Facilities and shall be automatically become null and void when the full amount of the advance payment has been recovered by the employer. The security shall be returned to the contractor immediately after its expiration".

In EHV-I (NTDC) Project Lahore, two contracts No.ADB-49-2009 and No.ADB-49-2010 for Static VAR Compensator at 220 KV Grid Station New Kot Lakhpat, procurement of Telecommunication equipment, supply, installation, commissioning of 220KV Grid stations Toba Take Singh and Okara were awarded to M/s ABB (Pvt.) Ltd at contract price equivalent to Pak. Rs.101.31 million. The completion periods of contracts were 270 days and 420 days respectively, but the contractors could not complete the work within stipulated completion period. Due to poor performance of contractors and contract mismanagement, the balance amount of down payment remained un-recovered / unadjusted for a period of more than two years.

Non-adherence to the provisions of contract resulted in non-recovery of down payment along with interest of Rs.20.15 million from the contractors during the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management stated that reply was under the preparation with the formation concerned.

The DAC in its meeting held on January 20, 2016 directed the management to submit the detailed reply with justification duly supported by documentary evidence within a week for verification. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides inquiring the matter at appropriate level for fixing responsibility and ensuring early adjustment / recovery of down payment with interest charges.

(Draft Para No. 738/2015-16)

9.3.13 Loss due to payment of unavailable capacity - Rs.8.13 million

According to Clause-9.1 of the Power Purchase Agreement (PPA) (a), "from and after the commercial operation date, WAPDA shall pay the capacity payment to the company, in accordance with Section 9.7 for each month, the capacity payment shall be equal to the product of capacity purchase price and dependable capacity in effect for such month." (b) "if for the period of eighteen (18) consecutive days, the Company is unable to deliver Net Electrical Output in an amount exceeding fifty percent (50%) of despatch levels requested by WAPDA for a reason other than force majeure, which despatch requests are within the technical limits of the complex, other than because of a maintenance outage or schedule outage, then WAPDA shall be entitled to suspend the capacity payments"

In WAPDA Power Privatization Organization (WPPO), an amount of Rs.8.13 million was paid to Independent Power Producer i.e M/s Japan Power Company on account of capacity charges whereas the IPP had not generated electricity at all from November 2014 to June 2015. The payment without obtaining electricity was not justified.

Non-adherence to the provisions of Power Purchase Agreement resulted in a loss of Rs.8.13 million to the Authority due to payment of unavailable capacity during the financial year 2014-15.

The matter was taken up with the management during September, 2015

and reported to the Ministry during December, 2015. The reply was under preparation with the formation concerned.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply with justification duly supported by documentary evidence for verification within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 342/2015-16)

9.3.14 Loss due to non-recovery of risk and cost amount from the contractor – Rs.6.57 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), "all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

In Grid System Operation NTDC Islamabad, two (2) court cases for recovery of risk and cost amount of Rs.6.57 million from defaulting contractors were decided by the Civil Court, Islamabad during November, 2012 in favour of NTDC. No effort was made to recover the amount from the contractors despite elapse of a period of three (3) years.

Non-adherence to instructions resulted in loss of Rs.6.57 million due to non-recovery of risk and cost amount from the contractors up to the financial year 2014-15.

The matter was taken up with the management during October, 2015 and reported to the Ministry during December, 2015. The management stated that reply was under preparation.

The DAC in its meeting held on January 20, 2016 directed the management to recover the amount from contractors as per Court decision and get it verified from Audit within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 597/2015-16)

9.3.15 Unauthorized expenditure due to irregular procurement of vehicles - Rs.4.35 million

According to PC – I, addition of four 500 and 220 KV Substation and Associated Transmission Lines in NTDC integrated system financed by Japan Bank for International Co-operation (JBIC) approved by ECNEC on January 23, 2008, 06 vehicles of specified description i.e three Jeeps (Potohar), one pickup (Toyota) one Fork lifter and one Truck (Mini) worth Rs.7.20 million were to be procured.

In EHV-I NTDC Project Lahore, six (06) vehicles of Rs.11.55 million comprising four double cabin pickups 4 x 4 and two (Toyota) corolla cars GLI, (1300) were procured against the PC-I provision of vehicles valuing Rs.7.20 million.

Violation of the provisions of PC-I resulted in unauthorized expenditure of Rs.4.35 million due to irregular procurement of vehicles during the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that vehicles were procured after consultation with engineers / consultants keeping in view the site requirements. However, the matter would be regularized after completion of the related project. The reply was not tenable as the violation of PC-I was made.

The DAC in its meeting held on January 20, 2016 directed the management to submit the detailed reply with justification of deviation for PC-I within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 499/2015-16)

9.3.16 Loss due to payment of demurrage charges - Rs.3.62 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

In NTDC, an amount of Rs.2.53 million was paid to Karachi Port Trust on account of demurrage and container detention charges during January, 2014 to

June, 2015. No action was taken to investigate and fix responsibility for these charges. Moreover, an amount of Rs.1.09 million was recoverable from two suppliers on account of demurrage paid on their behalf during June, 2000 to April, 2002 but the same could not be recovered despite elapse of more than thirteen (13) years.

Non-adherence to instructions resulted in loss due to payment of demurrage charges of Rs.3.62 million up to the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management stated that reply was under the preparation with the formation concerned.

The DAC in its meeting held on January 20, 2016 directed the management to submit the detailed reply with justification for non-recovery even after elapse of 13 years duly supported with documentary evidence within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 551/2015-16)

9.3.17 Loss due to unjustified appointment of consultant - Rs.3.60 million

Appointment of Advisor / consultants is to be regulated under the guidelines of Establishment Division issued January 25, 2002 and dated June 21, 2005 to ensure that the best persons are transparently and competitively appointed in a cost effective manner, only when consciously and formally identified need for Advisor / consultant exist. The rules pertinently specify that need for consultant should be assessed, not for routine function of an organization.

In Chief Engineer Telecommunication WAPDA NTDC, Ex-General Manager (Telecom) was appointed as Consultant Telecom / SCADA vide Notification dated April 24, 2015 on lump sum package of Rs.0.30 million per month.

Violation of instructions of Establishment Division resulted in loss of Rs.3.60 million due to unjustified appointment of consultant during the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied that competent authority of NTDC had appointed the consultant for specific

ongoing project of NPCC at Islamabad. The reply was not tenable as the appointment was made in violation of Establishment Division's instructions.

The DAC in its meeting held on January 20, 2016 directed the management to submit the detailed reply with justification for violation of Establishment Division's instructions within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 687/2015-16)

9.3.18 Un-justified expenditure on account of payment of TA / DA - Rs.1.89 million

According to Para-11.4 (b), Chapter XI, Financial Powers Delegations to Subordinate Authorities of Hand Book for Drawing and Disbursing officers, "funds allotted to a Ministry / Division, its Attached or Subordinate Offices are spent for the purpose for which they are allocated"

In the office of Chief Executive Office NTDC, an expenditure of Rs.1.89 million was incurred on foreign TA / DA of the officers of Ministry of Water and Power which was not justified as each Ministry had its own budget and expenditure and that should have been met out of its own budget.

Violation of instructions resulted in unauthorized expenditure of Rs.1.89 million on account of payment of TA / DA during the financial year 2014-15.

The matter was taken up with management during September, 2015 and reported to the Ministry during December, 2015. The management stated that reply was under the preparation with the formation concerned.

The DAC in its meeting held on January 20, 2016 directed the management to submit the detailed reply with justification for payment within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides ensuring recovery from the concerned Ministry.

(Draft Para No. 549/2015-16)

CHAPTER-10
FAISALABAD ELECTRIC SUPPLY
COMPANY LIMITED
(FESCO)

10. FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED

10.1 Introduction

Faisalabad Electric Supply Company Limited (FESCO) started its operations as a Public Limited Company registered under Companies Ordinance, 1984 during May, 1998. The Company distributes the electricity to power consumers at tariff determined by National Electric Power Regulatory Authority (NEPRA) and notified by the Government of Pakistan. The Company purchase electricity from National Transmission and Despatch Company (NTDC) and sell it to various consumers within its service territory. Geographical service area of FESCO comprises Faisalabad, Jhang, Bhakkar, Sargodha, Mianwali, Toba Tek Singh, Khushab and Chiniot Districts.

FESCO receives supply from NTDC on 220 KV Grid Stations Nishatabad, Jaranwala Road, Sammundri Road, Dawood Khel and Lude Wala at Sargodha and 500 KV Grid Station Gatti at Faisalabad. Additionally FESCO receives electricity from private producers namely M/s Koh-i-Noor Energy, M/s Sitara Energy, M/s Nishat Energy, M/s Ramzan Sugar Mills, M/s Galaxy Textile Mills and M/s Shakarganj Energy Limited.

The jurisdiction of FESCO includes four Operation Circles, one Grid System Construction Circle, one Construction Circle and one Grid System Operation Circle.

10.2 Non-completion / finalization of Financial Statements

According to Section-233 of Companies Ordinance, 1984, “the directors of every company shall at some date not later than eighteen months after the incorporation of the company and subsequently once at least in every calendar year lay before the company in annual general meeting a balance-sheet and profit and loss account or in the case of a company not trading for profit an income and expenditure account for the period, in the case of the first account for the period since the incorporation of the company and in any other case since the preceding account, made up to a date not earlier than the date of the meeting by more than four months”.

In FESCO, the balance sheet and profit & loss account of the company could not be finalized by the management up till December 31, 2015.

Violation of Companies Ordinance resulted in non-finalization of balance sheet and profit & loss account for the financial year 2014-15.

The matter was taken up with the management and reported to the Ministry during December, 2015. The management replied that the finalization of financial statements for the year ended June 30, 2015 was under process and would be submitted after completion of audit and approval of Board of Directors.

The DAC in its meeting held on January 20, 2016 directed the management to justify the violation of Companies Ordinance within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

10.3 Brief comments on the status of compliance with PAC directives

Name of Company	Year	No. of Directives	Status of compliance		
			Full	Partial	Outstanding
FESCO	2002-03	3	-	-	3 (Para No. 2, 3 & 4)

Position of compliance with PAC directives is not satisfactory.

10.4 AUDIT PARA

10.4.1 Undue favour to industrial consumer by not installing independent grid station - Rs.72 million

According to NEPRA instructions, "every consumer having load 5000 KW is required to provide independent grid station of his own including land, building, transformers, circuit barkers and other necessary equipment and apparatus".

In the office of Chief Executive Office FESCO, two B-III connections having load 4780 KW & 4950 KW in the name of a single consumer i.e. Crescent Textile Mills Ltd were sanctioned within an interval of four months during the year 2012. The load of both the connections came to be 9730 KW, which was split up to avoid bearing cost of independent grid station by the consumer.

Violation of NEPRA's instructions resulted in undue favour to industrial consumer by not installing independent grid station costing Rs.72 million and jeopardizing the Company's system up to the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied that no undue favour was given to industrial consumer. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the PEPCO management to review the policy at PEPCO level and submit report / final decision within two months. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 578/2015-16)

10.4.2 Wasteful expenditure incurred on rehabilitation due to non-achievement of benefits - Rs.8.55 million

According to Para 4.3 of Distribution-Rehabilitation Guidelines, “the rehabilitation works to be done under distribution of power (DOP) are: construction of feeders due to addition of 132 KV new transformer, new 132 KV grid station, conversion from 66 KV to 132 KV, and augmentation of power transformer to relieve a nearby overloaded grid station, rehabilitation of feeder by replacement of conductor, pole, structure or introduction of new ones by mid spanning (to reduce span length), augmentation of distribution transformer (with higher capacity) due to addition of new general connections / increase of load by individual customers and replacement of off-size conductor, etc. may be carried out under DOP”.

In Construction Circle FESCO, thirteen (13) schemes of LT proposals amounting Rs.8.55 million were approved for execution and fund allocated against these schemes. Most of the schemes were still under progress for last 2 years. Resultantly, the objectives of the expenditure were not met and an amount of Rs.8.55 million had gone waste.

Non-adherence to rehabilitation guidelines resulted in wasteful expenditure of Rs.8.55 million up to the financial year 2014-15.

The matter was taken up with the management during October, 2015 and reported to the Ministry during December, 2015. The management replied that five (05) works were capitalized / cancelled and remaining eight (08) works were under progress. The departmental reply was not considered satisfactory by Audit as no justification for pendency of works was given.

The DAC in its meeting held on January 20, 2016 directed the management to submit case wise detailed reply with justification and get verified capitalized works from Audit within a week and expedite the capitalization of remaining works. DAC further directed to submit age analysis of pending /

completed works. Further progress was not reported till finalization of the report.
Audit recommends implementation of the DAC's directives.

(Draft Para No. 294/2015-16)

10.4.3 Non-recovery of sales tax from steel metal industry – Rs.5.25 million

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

In the office of Chief Executive Office FESCO, an amount of Rs.5.25 million was recoverable from consumers on account of sales tax from steel metal industry. No effort was made by the management towards recovery of this amount.

Non-adherence to commercial procedures resulted in non-recovery of sales tax from steel metal industry amounting to Rs.5.25 million during the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The reply was under preparation with the formation concerned.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply with justification and get verified completed action, if any, within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 519/2015-16)

10.4.4 Loss due to non-recovery of electrical material from the contractor – Rs.4.20 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

In GSC FESCO, electrical material valuing Rs.4.20 million was handed over to the contractor for completion of 132 KV SDT Piplan – Bhakkar transmission line (Section-III). The cost of material was to be recovered from the contractor but the same was not done.

Violation of above instructions resulted in loss due to non-recovery of material from the contractor amounting to Rs.4.20 million up to the financial year 2014-15.

The matter was taken up with management during October, 2015 and reported to the Ministry during December, 2015. The management replied that at the time of processing of final bill of the contractor, the said amount would be adjusted accordingly.

The DAC in its meeting held on January 20, 2016 pended the observation till the adjustment of recovery of cost of electrical material from the final bill of the contractor. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives.

(Draft Para No. 577/2015-16)

CHAPTER-11

**GUJRANWALA ELECTRIC POWER
COMPANY LIMITED
(GEPCO)**

11. GUJRANWALA ELECTRIC POWER COMPANY LIMITED

11.1 Introduction

Gujranwala Electric Power Company Limited (GEPCO) started its operation as a Public Limited Company registered under Companies Ordinance, 1984 during May, 1998. The Company had obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The Company purchases electricity from NTDC and sells it to the consumers in Gujranwala, Gujrat, Mandi Bahaudin, Narowal, Hafizabad and Sialkot Districts.

The jurisdiction of GEPCO includes five Operation Circles, one Grid System Construction Circle, and one Project Construction Circle and one Grid System Operation Circle.

11.2 Comments on Financial Statements

11.2.1 Financial Overview

Monthly accounts (Trial Balance and other management information schedules) from 56 accounting units are sent to Finance Director, GEPCO, where these accounts are consolidated and financial statements including Balance Sheet, Profit and Loss Account and Cash flow statements are prepared.

11.2.2 Extracts of the Financial Statements

Balance Sheet as at June 30, 2015

	2014-15	%	2013-14	%	(Rs. in million) 2012-13
Equity and Liabilities					
Share capital and reserves					
Issued, subscribed and paid-up capital	.01	0.00	.01	0.00	.01
Accumulated Loss	-1,645.79	-70.85	-5,646.32	-16.91	-6,795.77
	-1,645.78		-5,646.31	-16.91	-6,795.76
Deposits for the issuance of shares	20,058.41		20,058.41	564.49	3,018.64
Non-current liabilities					
Deferred credit	14,303.24	8.38	13,197.1	7.71	12,252.73
Long Term Financing	6,739.32	8.15	6,231.27	38.19	4,509.22
Deferred Liabilities	26,719.99	49.69	17,849.87	117.54	8,205.41
Security Deposits	3,521.86	12.15	3,140.33	14.23	2,749.04
	51,284.41		40,418.57	45.83	27,716.39
Current liabilities					
Trade and other Payables	9,397.71	-63.53	25,769.11	-31.91	37,848.37
Interest accrued On Long Term Financing	567.92	-21.52	723.69	26.42	572.44
Current portion of long term financing	462.45	50.77	306.72	-5.16	323.39
	10,428.08	-61.09	26,799.52	-30.83	38,744.2
	80,125.12	-1.84	81,630.19	30.23	62,683.47

Assets**Non-current assets**

Operating fixed assets	38,369.6	7.24	35,778.69	13.89	31,414.72
Assets subject to finance lease	425.58	30.96	324.96	81.37	179.17
	38,795.18	7.46	36,103.65	14.27	31,593.89

Current assets

Stores and spares	1,186.94	70.93	694.41	-4.18	724.68
Trade debts	13,598.9	8.93	12,483.61	-16.59	14,967.1
Short-term loans and advances				-100.00	49.94
Interest receivable- accrued	5.85	-94.63	108.95	20.57	90.36
Other receivables	25,141.56	-11.58	28,432.69	132.63	12,222.33
Short-term investments	155.	-94.41	2,771.	25.95	2,200.
Cash and bank balances	879.26	-9.61	972.76	16.47	835.18
	40,967.51	-9.89	45,463.42	46.23	31,089.58

	79,762.69	-2.21	81,567.07	30.13	62,683.47
--	-----------	-------	-----------	-------	-----------

PROFIT AND LOSS ACCOUNT

For the year ended June 30, 2015

	2014-15	%	2013-14	%	2012-13
Revenue					
Electricity sale	70,264.77	5.11	66,850.77	29.04	51,806.64
Rental and service income	24,573.92	2.48	23,978.5	-23.75	31,447.17
	94,838.69	4.41	90,829.28	9.10	83,253.8
Cost of electricity	75,761.67	-9.96	84,146.48	20.69	69,722.92
Gross profit/(Loss)	19,077.02	185.46	6,682.8	-50.61	13,530.88
Amortization of deferred credit	659.27	9.91	599.83	10.90	540.88
	19,736.29		7,282.63	-48.25	14,071.76
Distribution cost	11,834.12	48.15	7,988.19	16.45	6,859.7
Administrative expenses	3,106.19	35.56	2,291.35	18.57	1,932.49
	14,940.31	45.34	10,279.54	16.92	8,792.19
	4,795.98	-260.03	-2,996.91	-156.76	5,279.58
Other income	1,878.22	12.87	1,664.11	15.12	1,445.6
	6,674.2	-600.76	-1,332.8	-119.82	6,725.18
Financial and other charges	863.43	276.32	229.44	50.83	152.12
	5,810.77	-471.95	-1,562.24	-123.77	6,573.06
Taxation	11.19	-209.49	-10.22	3.86	-9.84
Profit for the year	5,799.58	-468.82	-1,572.46	-123.96	6,563.22

11.2.3 Comments on Audited Accounts**i) Non-recognition of supplemental charges**

The Company has not been able to record supplemental charges of Rs.1,171 million for the year 2014-15. Had these supplemental charges been charged it would have enhanced the expenditures and current year loss by Rs.1,171 million. Similarly, accumulated loss would have too increased by a substantial figure of Rs. 1,171 million at the balance sheet date. It means that current figure of accumulated loss of Rs.1,645.79 million was understated by an amount of Rs. 1,171 million. Non-recognition of these charges needed justification.

ii) Sales and Cost of sales

The sales of the Company increased to Rs.94,838.69 million including the subsidy from Government of Pakistan whereas cost of sales of Company was Rs.75,761.67 million. Company earned a gross profit of Rs.19,077.02 million.

iii) Profitability

The Company earned profit of Rs.5,799.58 million during the current year. Total accumulated losses have declined to the tune of Rs.1,645.79 million. The Company was suffering consistent losses over the years, which reflected inefficiency and mismanagement of the affairs of the Company, which needed justification.

iv) Trade Debts and other Receivable

Total receivable of the Company decreased to Rs 38,740 million (2014: Rs.41,025 million) with decreased of Rs.2,285 million during the current year, including Rs.10,995.14 million receivable from Government of Pakistan and Rs. 3,750.86 million were due from WAPDA & other Associated Companies. Huge amount of receivables depicts the poor recovery efforts of the Company which needed justification.

v) Trade and other Payables

Delays in collection from debtors have trickle-down effect on the creditors which resulted into the piling up of payables and reached to the tune of Rs. 9,340.50 million during the current year. Huge balance of accounts payable indicated continuing cash flow shortage resulted in persistent working capital financing problems for the Company. It showed that the Company was unable to pay off its cost of electricity purchased. Poor management payables needed justification from management.

vi) Admin and Distribution Expenses

The admin and distribution expenses increased by Rs. 4,660.77 million which mainly attributed to significantly increase in salaries, wages and other benefits which was increased to Rs.9,095.67 million during the year (Rs.5,120.32 million: 2013-14)

vii) Long term Financing

The carrying amount of long term loans increased to Rs.6,739.32 million with an increase of Rs. 508.05 million at the balance sheet date (8.15%)

during the current financial year. The Company charged an amount of Rs.863.43 million as financial expenses in the profit and loss account during the current year (2014: Rs.229.44 million) an increase of 276.32% was shown in the financial expenses. The Company is relying on expensive financing to run its operations which ultimately accumulating the losses of the Company and its liabilities.

Reliance on borrowings / (loans) and payment of huge financial charges needed to be justified.

11.2.4 Recommendations:

In view of the forgoing, it was recommended that Company needs to record supplemental charges and debit notes issued by Central Power Purchase Agency (CPPA) in the accounts of the Company. The Company needs strict control over administrative and distribution expenses and may revamp its organizational structure and address operational issues to maintain and increase profitability.

The issue of huge receivables from Government and private consumers also will need due consideration by making concrete arrangements to recover funds from long outstanding defaulters.

The distribution losses, being the major cause of increase in electricity cost is required to be addressed at higher level. There is a dire need to develop a policy to address the heavy distribution losses and to ensure the inflow of funds in the form of revenue.

In order to ensure transparency in operations, policies and practices, the Company is required to ensure strict compliance with the Public Sector Companies (Corporate Governance) Rules, 2013.

11.3 Brief comments on the status of compliance with PAC directives

Name of Company	Year	No. of Directives	Status of compliance		
			Full	Partial	Outstanding
GEPCO	2002-03	1	-	-	1 (Para No. 5)

Position of compliance with PAC directives is not satisfactory.

11.4 AUDIT PARAS

11.4.1 Misappropriation of cash – Rs.33.04 million

According to Section-IV (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “a departmental inquiry should not be delayed

pending investigation by Police / FIA are pending the decisions of the case by the court but should be instituted promptly, as and when a reasonable suspicions exists that loss has occurred due to theft, defalcation, embezzlement, misappropriation, fraud or such other dishonest act. All relevant documents to the investigation can be provided to Police or other concerned agency so that investigation can proceed simultaneously. Moreover, there is no bar in law against taking disciplinary action before the disposal of the criminal case in a court of law”.

In Project Management Unit (PMU) GEPCO, misappropriation of cash of Rs.33.04 million was pointed out by the special audit during November, 2014. A high level inquiry committee was also constituted by Chief Executive Officer during December, 2014 to dig out the actual amount of misappropriation, arrange recovery from culprits and fixed responsibility on the officer / officials at fault. The committee should have submitted its report within seven days positively but no recommendations was given by the committee since its inception.

Non-adherence to the instructions resulted in misappropriation of cash amounting to Rs.33.04 million during the financial year 2014-15.

The matter was taken up with the management during October, 2015 and reported to the Ministry during December, 2015. The management replied that the departmental inquiry had been finalized and disciplinary action was under process. The culprit had deposited Rs.32.93 million. The case was also under investigation in FIA.

The DAC in its meeting held on January 20, 2016 directed the management to submit departmental inquiry report to Ministry and Audit, finalize the disciplinary proceedings within a month, produce recovery record for verification within a week and pursue the case with FIA. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides fixing responsibility.

(Draft Para No. 363/2015-16)

11.4.2 Unjustified purchase of vehicles and associated expenditure in violation of austerity measures / monetization policy - Rs.349.38 million

According to the austerity measures issued by the Finance Division on August 17, 2011, “there was ban on purchase of physical assets including all

types of vehicles”. The Cabinet Divisions of Government of Pakistan issued instructions vide office memo dated December 12, 2011 regarding monetization of transport facility, “the civil servants BPS-20 and above were given the option to purchase the allocated cars on depreciated price”.

In the office of Chief Executive Office GEPCO, 267 vehicles valuing Rs.336 million were acquired with the approval of Board of Directors (BoDs) for the officers of BPS-17 & above on lease cum ownership basis. As per approval, 60% cost was to be recovered in installments from employees. An expenditure of Rs.13.38 million was made for registration, insurance and taxes without any recovery from the employees being prospective owners. The said transport policy was approved violating the austerity measures and monetization policy issued by GoP. The generosity of bearing 40% lease cost i.e. Rs.134.40 million and ancillary procurement expenditure was beyond the rationale.

Non-observance of Government’s monetization policy resulted in unjustified purchase of vehicles and incurrence of expenditure thereof amounting to Rs.349.38 million up to the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied that the BoD had approved the transport policy to reduce its transportation expenses. Moreover, the cost of registration & insurance was born by GEPCO as the vehicles would remain owned by GEPCO for five years. The conveyance allowance was being deducted which was almost equal to 40% cost borne by GEPCO. The reply was not tenable as the transport policy was in violation of austerity measures / monetization policy issued by Government of Pakistan. Moreover, registration, insurance & taxes should be recovered from the employees being prospective owner.

The DAC in its meeting held on January 20, 2016 directed the management to provide BOD’s approval and PAC directives in support of instance and refer the matter to Finance Division for clarification of applicability of austerity measures to Public holding companies / corporate entities / autonomous bodies. DAC further directed to provide articles of association and memorandum of association of company for re-examining the matter. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives.

(Draft Para No. 667/2015-16)

11.4.3 Undue favour to industrial consumer by not installing independent grid station - Rs.174.72 million

According to NEPRA instructions, “ every consumer having load 5000 KW is required to provide independent grid station of his own including land, building, transformers, circuit barkers and other necessary equipment and apparatus”.

In GEPCO, two (02) B-III connections having load 1200 KW & 4900 KW in the name of a single consumer i.e M/s Master Tiles & Ceramics Industries, G.T Road, Kamoke were sanctioned during May 1995 and October 2003 respectively. Accordingly, double source of supply from two sub-divisions was provided to offset the load management. The consolidated load of both the connections came out to be 6100 KW, which was split up to avoid bearing cost of independent grid station of Rs.174.72 million.

Violation of the NEPRA’s instructions resulted in undue favour to industrial consumer by not installing independent grid station costing Rs.174.72 million and jeopardizing the Company’s system up to the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied that the matter was under investigation with NAB, FIA and Monitoring & Surveillance (M&S) WAPDA House Lahore. However, final report had not so far been received from any agency.

The DAC in its meeting held on January 20, 2016 directed the PEPCO management to review the policy at PEPCO level and decision thereof along with inquiry report of Director General (M&S) be submitted to the Ministry and Audit within two months. DAC further directed to keep close liaison with NAB / FIA. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives.

(Draft Para No. 666/2015-16)

11.4.4 Non-deposit of disputed amount in favour of GEPCO - Rs.65.06 million

According to Section 54(C) “Bar of Jurisdiction” of Electricity Act-1910, “disputed amounts are required to be deposited in court in favour of WAPDA before filling the cases against WAPDA in Courts”.

In Operation Circle Gujrat GEPCO, an amount of Rs.65.06 million pertained to the subjudice cases as the consumers went into litigation against the Company. However, disputed amount of Rs.65.06 million was not deposited in

favour of GEPCO. Hence, company was deprived of revenue of Rs.65.06 million.

Non-adherence to the Electricity Act resulted in non-deposit Rs.65.06 million from consumers on account of disputed amount during the financial year 2014-15.

The matter was taken up with the management during October, 2015 and reported to the Ministry during December, 2015. The management replied that an amount of Rs.7.85 million had been deposited out of Rs.65.06 million.

The DAC in its meeting held on January 20, 2016 directed the management to produce the relevant record for verification in support of reply within a week and pursue the Court cases vigorously. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives.

(Draft Para No. 204/2015-16)

11.4.5 Loss due to non-finalization of inquiry proceedings - Rs.2.19 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), "all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

In Operation Circle Cantt. GEPCO, eleven (11) disciplinary cases involving an amount of Rs.2.19 million against the officials were initiated from April, 2013 to September, 2014. These disciplinary cases were still to be finalized despite lapse of a period ranging from 10 months to 27 months.

Non-implementation of above instructions resulted in loss of Rs.2.19 million due to non-finalization of inquiry proceedings up to the financial year 2014-15.

The matter was taken up with management during September, 2015 and reported to the Ministry during November, 2015. The management replied that disciplinary cases had been initiated.

The DAC in its meeting held on January 20, 2016 directed the management to finalize the disciplinary proceedings and action taken thereof be got verified from Audit within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 101/2015-16)

11.4.6 Unjustified grant of bonus to Ministry's staff - Rs.1.26 million

According to Para-11.4 (b) Chapter-XI (Financial Powers Delegations to Subordinate Authorities) of GFR, "funds allotted to a Ministry / Division, its Attached or Subordinate Offices are spent for the purpose for which they are allocated".

In GEPCO, bonus of Rs.1.26 million was granted to seventy eight (78) officials of the Ministry of Water & Power on July 22, 2014 and August 6, 2014. The payment of bonus to the Ministry staff out of GEPCO's funds was unjustified and was against the financial instructions of Government of Pakistan. Hence, the said amount was required to be recovered from the Ministry.

Non-adherence to financial rule resulted in unjustified grant of bonus of Rs.1.26 million to the Ministry staff up to the financial year 2014-150

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied that the payment of bonus to Ministry's staff was made with the approval of BoD. The reply was not tenable as the BoD's approval for grant of bonus to the Ministry staff was not only against the GoP's financial instructions but also against the GEPCOs benefits.

The DAC in its meeting held on January 20, 2016 pended the para till the stoppage of practice for granting the bonus to Ministry staff.

Audit recommends recovery of amount paid as bonus from Ministry and stop such payments in future.

(Draft Para No. 675/2015-16)

CHAPTER-12

**HYDERABAD ELECTRIC SUPPLY
COMPANY LIMITED
(HESCO)**

12. HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED

12.1 Introduction

Hyderabad Electric Supply Company Limited (HESCO) started its operation on 1st July, 1998 as a public limited company and registered under Companies Ordinance, 1984 as a public limited company. The Company was established to take over all the properties, rights, assets, obligations and liabilities of Hyderabad area electricity board owned by WAPDA and such other assets and liabilities as agreed. The company has obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The company purchases electricity from NTDC and sells it to the consumers of Sindh except Karachi.

HESCO receives energy from three main sources viz. NTDC, GENCOs situated within the jurisdiction of HESCO and from Small Power Producers / Captive Power Producers at 11 KV. NTDC provides energy to HESCO from its two 500 KV Grid Stations Dadu and Jamshoro and three 220 KV Grid Stations situated at Lodra (Shikarpur), Hala Road Hyderabad and T.M. Khan Road Hyderabad. HESCO also receives electricity directly from GENCOs viz. GTPS Kotri which has installed capacity of 174 MW, TPS Guddu having installed capacity of 1,600 MW, Lakhra Power House having installed capacity of 150 MW and Liberty Power House having installed capacity of 235 MW.

The jurisdiction of HESCO includes six (06) operations, one grid system construction and two grid system operations circles.

12.2 Non-completion / finalization of Financial Statements

According to Section-233 of Companies Ordinance, 1984, “the directors of every company shall at some date not later than eighteen months after the incorporation of the company and subsequently once at least in every calendar year lay before the company in annual general meeting a balance-sheet and profit and loss account or in the case of a company not trading for profit an income and expenditure account for the period, in the case of the first account for the period since the incorporation of the company and in any other case since the preceding account, made up to a date not earlier than the date of the meeting by more than four months”.

In HESCO, the balance sheet and profit & loss account of the company

could not be finalized by the management up till December 31, 2015.

Violation of Companies Ordinance resulted in non-finalization of balance sheet and profit & loss account for the financial year 2014-15.

The matter was taken up with the management and reported to the Ministry during December, 2015. The management replied that the finalization of financial statements for the year ended June 30, 2015 was under process and would be submitted after completion of audit and approval of Board of Directors.

The DAC in its meeting held on January 20, 2016 directed the management to justify the violation of Companies Ordinance within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

12.3 Brief comments on the status of compliance with PAC directives

Name of Company	Year	No. of Directives	Status of compliance		
			Full	Partial	Outstanding
HESCO	2002-03	1	-	-	1 (Para No. 1)
	2003-04	1	1 (Para No. 15.4)	-	
	2007-08	7	-	3 (Para No. 10.13, 10.15 & 10.23)	4 (Para No. 10.11, 10.17, 10.18 & 10.20)

Position of compliance with PAC directives is not satisfactory.

12.4 AUDIT PARAS

12.4.1 Loss due to bogus scrolls and fake remittances against electricity bills - Rs.15.51 million

According to Section-IV (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), "a departmental inquiry should not be delayed pending investigation by Police / FIA are pending the decisions of the case by the court but should be instituted promptly, as and when a reasonable suspicions exists that loss has occurred due to theft, defalcation, embezzlement, misappropriation, fraud or such other dishonest act. All relevant documents to the investigation can be provided to Police or other concerned agency so that investigation can proceed simultaneously. Moreover there is no bar in law against taking disciplinary action before the disposal of the criminal case in a court of law".

In HESCO, an amount of Rs.15.51 million was posted through bogus scrolls against different consumers from July, 2013 to August, 2014 in Revenue

Office, Qasimabad. An inquiry committee under the Convener ship of Additional Dy. G.M (Finance) HESCO was constituted on September 18, 2014 with the direction to submit its report within 30 days which was not furnished uptill November, 2015.

Non-adherence to instructions resulted in loss of Rs.15.510 million up to the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied that inquiry report was at its final stage and would be finalized / submitted soon.

The DAC in its meeting held on January 20, 2016 directed the management to finalize the inquiry proceedings and action taken thereof be submitted to Ministry and Audit within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides taking legal action through law enforcement agency.

(Draft Para No. 448/2015-16)

12.4.2 Unjustified charging of detection bills to consumers - Rs.5,372.08 million

According to Para-1.3 of Commercial Procedure, "the Revenue Officer and Assistant Manager are responsible for: i) implementing in conjunction with the Executive Engineer, the commercial policy laid down from time to time by the Authority through the Company, ii) efficient application of billing and collection procedures". Moreover, as per memorandum of understanding (MOU) signed between Ministry of Water & Power and HESCO, "SEs / XENs / SDOs / ROs shall ensure that there are no complaints of overbilling during implementation of targets. The meter readers and inspectors should be made responsible for correct recording of meter reading to avoid overbilling and stop charging of unjustified detections to consumers."

In HESCO, 533.06 million units amounting to Rs.5,372.08 million were debited to various consumers on account of detection bills without observing codal formalities. The action of such a heavy adjustments disclosed weak internal control and concealment of facts of actual distribution line losses.

Non-adherence to commercial operating procedures resulted in unjustified charging of detection bills amounting to Rs.5,372.08 million during the financial year 2014-15.

The matter was taken up with the management during September to November, 2015 and reported to the Ministry during October to December, 2015. The management stated in one case that the reply was under preparation while in other case, the inquiry would be finalized and final outcome would be communicated.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply with justification and inquiry report along with action taken thereof be got verified from Audit within 15 days. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 35 & 469/2015-16)

12.4.3 Loss of revenue due to non-debiting of agreed amount of audit notes to consumers – Rs.3,765.78 million

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

In HESCO, an amount of Rs.3,765.78 million relating to agreed audit notes of Internal Audit for the period from 2005 to 2014 were not debited by the concerned operation division on the plea "increasing of arrears". Moreover, audit notes of Rs.3,781 million were disputed and remained un-discussed despite lapse of 10 years. An inquiry committee under the convener-ship of the Chief Operating Officer HESCO was constituted on September 04, 2014 to probe into the matter with the direction to submit its report within shortest possible time but its report was awaited up till November, 2015.

Non-adherence to commercial procedure resulted in loss of revenue of Rs.3,765.78 million due to non-debiting of agreed debit notes to consumers up to the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied that the inquiry would be finalized soon.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply, finalize inquiry and action taken thereof be

got verified from Audit within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 466/2015-16)

12.4.4 Loss due to unsettled / deferred amount of subsidy – Rs.3,137.49 million

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

In HESCO, subsidy claims amounting to Rs.11,013.12 million were lodged with the Ministry of Water & Power during July, 2014 to June, 2015. Out of which claims amounting to Rs.7,875.63 million were accepted by the Ministry and claims amounting to Rs.3,137.49 million were not accepted and deferred by the Ministry on account of higher adjustments. No effort was made towards settlement of disputed claims.

Non-adherence to commercial procedure resulted in non-recovery of unsettled / deferred amount of subsidy amounting to Rs.3,137.49 million during the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied that the matter had already been taken up with Engineering Advisor (Power) Government of Pakistan.

The DAC in its meeting held on January 20, 2016 directed the management to get cleared the subsidy claim on the advice of Engineering Advisor (Power) and get it verified from Audit within in a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives.

(Draft Para No. 490/2015-16)

12.4.5 Non-recovery of excess paid amount from small power producers - Rs.2,658.91 million

According to honorable Sindh High Court Decision issued on September 02, 2015, "NEPRA has the power to determine tariff and while doing so it has to

keep in view the interest of general public and accordingly it can revise, review its earlier decisions or determinations”.

In HESCO, an excess paid amount of Rs.2,658.91 million was recoverable from six (6) New Captive Power Producers (NCPPs) / Small Power Producers (SPPs) on account of difference of tariff as approved by the HESCO and allowed by NEPRA to NCPPs / SPPs. No concrete effort was made by the management to accelerate the recovery from the concerned power producers.

Non-adherence to the decision of Sindh Court resulted in non-recovery of excess paid amount of Rs.2,658.91 million from the small producers up to the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied that recovery of Rs.498.94 million was made from the energy sales invoices of SPPs / NCPPs. However, both parties i.e. HESCO and SPPs / NCPPs filed appeal against each other in the honorable Supreme Court of Pakistan.

The DAC in its meeting held on January 20, 2016 directed the management to get verified the adjusted amount within a week and pursue the court cases vigorously for early settlement. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives.

(Draft Para No. 533/2015-16)

12.4.6 Irregular investment of surplus funds without approval of BoD - Rs.350 million

According to SOP for depositing surplus cash issued by PEPCO on June 11, 2010, “all Chief Executive Officers are authorized to approve the deposits up to Rs.50 million into any “A” rating bank offering comparatively higher rate of return. Beyond this limit, the approval must be sought from the Finance Committee of the Board of Directors.”

In HESCO, an amount of Rs.350 million was invested in Muslim Commercial Bank (MCB) for one year w.e.f. April 23, 2015 with the approval of Chief Executive Officer instead of with the approval of the Finance Committee of BoD as required under the rules.

Non-adherence to SOP resulted in irregular investment of Rs.350 million during the financial year 2014-15.

The matter was taken up with the management during November, 2015

and reported to the Ministry during December, 2015. The management replied that the total amount was not invested at a time but investment was made for Rs.50 million in each case with the approval of Chief Executive Officer HESCO Hyderabad being his competency. The reply was not tenable as the investment was made in the same bank by splitting it up.

The DAC in its meeting held on January 20, 2016 directed the management to get verified bidding record in support of reply and also submit BODs approval for investing the funds in piece meal in the same bank within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides conducting inquiry.

(Draft Para No. 460/2015-16)

12.4.7 Loss due to undue favour to supplier - Rs.122.55 million

According to conditions of the notice inviting tenders (NIT) of Tender-137, "registered / pre-qualified firms will submit 2% of quoted bid value in shape of call deposit or bid guarantee from any scheduled bank of Pakistan and un-registered firms will submit 5% of quoted bid value. No bid will be entertained without earnest money and copy of sales / income tax / registration certificate". As per PPRA clarification on payment of Bid Money by the state owned enterprises dated March 31st, 2014, "the method of payment of bid money has not been given in the Rule. As such, it is up to the procuring agency to decide appropriate method of submission of bid security which may be cash / bank guarantee, etc. or through letter of commitment / certificate by a particular class of suppliers like PSEs. However, in such case, detailed instructions need to be given by the procuring agency in the bidding documents regarding its method of submission and action to be taken in case of default".

In HESCO, a Tender-137 was opened on July 08, 2014 and two firms i.e. M/s Metropolitan Steels and M/s PECO participated in the bid and the bid of M/s Metropolitan was lowest. M/s PECO neither submitted the bid security as required under the NIT nor submitted renewed registration certificate. Despite, non-payment of bid security and non-furnishing of renewal certificate, the contract was awarded to M/s PECO at bid price of Rs.501 million instead of 1st lowest bidder price of Rs.378.45 million. As per bid evaluation report, the offer of the 1st lowest bidder was technically and commercially responsive and was rejected on the plea that it did not possess financial resources to undertake

the work and M/s PECO possessed financial capability to perform this contract satisfactorily. A review of the financial statements of M/s PECO revealed that the firm sustained net loss in the years 2011-2014 and its accumulated loss was Rs.1,203.06 million up to June, 2013. This indicated that undue favour was extended to M/s PECO by purchasing material at higher rates.

Non-adherence to PPRA rules / clarification resulted in loss of Rs.122.55 million due to undue favour to the supplier during the financial year 2014-15.

The matter was taken up with management during November, 2015 and reported to the Ministry during December, 2015. The management replied that no undue favour was made to supplier by violating PPRA Rules. The contract was awarded to a State owned Organization instead of a private company keeping in view the interest of company for timely completion of projects. The reply was not tenable as the contract was awarded in negation to PPRA rules / tender conditions.

The DAC in its meeting held on January 20, 2016 directed the management to get verified the record in support of reply and financial health of the supplier within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives.

(Draft Para No. 532/2015-16)

12.4.8 Unjustified expenditure due to violation of village electrification criteria - Rs.77.41 million

According to General Manager (C&M) Power WAPDA House, Lahore office memo dated October 30, 2006, "A cluster of 10 houses within a radius of 400 feet may be considered as 10 compact houses instead of 300 feet with immediate effect". Moreover, as per circular No.241-62 / CE(RE) / dated January 11, 2010, "per house cost limit will be Rs.100,000 for Sindh". Furthermore, as per PEPCO's letter dated January 18, 2010, "10 KVA transformers be installed up to five (05) houses and 15 KVA for five (05) to ten (10) houses in view of the estimated rural load of 1 to 1.5 KW / house to economize the cost and restrict misuse. In no case any transformer of higher capacity is provided".

In Construction Circle HESCO, an amount of Rs.77.41 million was incurred on (94) village electrification schemes in violation of standing instructions regarding radius (44 cases), number of houses (10 cases), per house cost (35 cases) and installation of transformers (5 cases).

Violation of village electrification criteria resulted in unjustified expenditure of Rs.77.41 million during the financial year 2014-15.

The matter was taken up with the management during October, 2015 and reported to the Ministry during December, 2015. The management replied that only eleven (11) villages were facilitated by LT system, besides as these villages were scattered, so it was impossible to implement the village electrification criteria. Moreover, per house cost was increased as the HT line was away from villages and increase in material cost whereas per house cost of Rs.0.11 million was defined in 2010. The transformers were installed in the public interest as the villagers were settled in scattered area and to avoid voltage drop / repair of damages to supply in defined area. The reply was not tenable as the exemption to applicability of the given criteria was not got from Prime Minister Secretariat.

The DAC in its meeting held on January 20, 2016 directed the management to submit revised reply with justification and also referred the matter to PAC for decision / review of village electrification criteria / policy. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives.

(Draft Para No. 400, 402 & 403/2015-16)

12.4.9 Irregular award of contracts at discounted rates – Rs.37.93 million

According to Clause-7.3 of PEPCO procurement guidelines for public sector companies circulated on February 22, 2008, “No post bid discount and re-offer of rates is allowed”. As per Clause-3.5 (1) (c) of Pakistan Engineering Council (PEC), “bidders are allowed to submit, prior to bid opening, modifications to their original bid. The impact of modifications should be fully reflected in the examination and evaluation of the bids”.

In HESCO, six (6) civil works for repair & maintenance amounting to Rs.19.91 million were awarded to different contractors after accepting post bid discount ranging from 4.99% to 15.05% in violation of rules. Moreover, a purchase order No.03-02948 dated April 29, 2015 for purchase of 2 / C 7 / .052 (10mm²) cable amounting to Rs.18.02 million was awarded to M/s Gujranwala Cables after accepting post bid discount of Rs.400 / K.M after 43 days of opening of bid. In the presence of post bid discounts, the transparency of contracts could not be ascertained.

Non-adherence to rules / instructions resulted in irregular award of

contracts of Rs.37.93 million during the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied that no negotiation was made as both the suppliers had voluntarily reduced their offered rates during bid validity. The reply was not tenable as the PPRA rules were violated.

The DAC in its meeting held on January 20, 2016 directed the management to get the record verified in support of reply and referred the matter to PAC for decision. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives.

(Draft Para No. 472/2015-16)

12.4.10 Undue favour to the consumers due to non-recovery of cost of independent feeder from consumers – Rs.20 million

According to NEPRA Tariff conditions, “tariff B-III is applicable for supply to industries having sanctioned load of more than 500-KW up to and including 5000-KW for supply at 11-KV and 33-KV”. According to instructions issued by Chief Engineer (Operation) WAPDA dated September 20, 2007, “feeder rehabilitation charges were recoverable from the consumers having load up to 1,000 KW”.

In HESCO, four (4) B-III connections having load more than 1,000 KW were sanctioned from existing mixed load feeders instead of providing independent feeders. These connections were sanctioned after recovery of feeder rehabilitation charges which were applicable to consumers having load up to 1,000 KW only.

Non-adherence to instructions resulted in undue favour to the consumers due to non- recovery of cost of independent feeder amounting to Rs.20 million during the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied that the independent feeder was not allowed to the said consumers due to congested geographical site situation. Only feeder rehabilitation charges were recovered from the consumers. The reply was not tenable as the NEPRA's tariff conditions were violated.

The DAC in its meeting held on January 20, 2016 directed the management to strictly observe the SOPs and completed action be got verified

from Audit within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 476/2015-16)

12.4.11 Non-distribution / non-accountal of CFLs – Rs.18.29 million

According to direction of the Ministry of water and Power, “the distribution of CFLs to the consumers should be completed by April 30, 2015 by the DISCOs. As per SOP for distribution of Compact Fluorescent Lamps (CFLs), the Line Superintendent (LS) Incharge will deliver two CFLs to each consumer and collect the one voucher from each consumer with two used Incandescent Lamps (ICLs). After delivering the CFLs, the LS Incharge will hand over the collected vouchers to the SDO and collected ICLs will be returned to stores through material return notes (MRNs) and SDO will furnish the CFLs vouchers data to their revenue officer for onward submission to concerned computer center for data compiling”.

In 1st Operation Circle HESCO, 204,930 CFLs were drawn by line staff for distribution among the consumers. Out of which 121,110 CFLs were distributed and remaining 83,820 CFLs valuing Rs.11.73 million were not distributed among the consumers up to deadline given by the Ministry. Moreover, out of total distributed CFLs, coupons of 74,222 were sent to concerned Revenue Office and punched. The balance 46,888 CFLs amounting to Rs.6.56 million could not be punched due to non-availability of distribution vouchers.

Violation of Ministry's instructions and SOP resulted in non-distribution / non-accountal of CFLs valuing Rs.18.29 million during the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that the concerned field staff was being directed to issue / install the balance CFLs and updated status would be submitted to Audit.

The DAC in its meeting held on January 20, 2016 DAC directed the management to submit detailed reply duly supported by documentary evidence within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 457/2015-16)

12.4.12 Un-justified payment made to consultants - Rs.13.96 million

According to Clause-2.1 of the consultancy agreement entered on 5th March, 2013 between HESCO and M/s BARQAAB - Enmass Joint Venture, “the consultants will be responsible for technical and financial review and vetting of estimates of System Augmentation Programs (SAP) / Rural Electrification Project (REP) prepared by client. Moreover, they will adopt Volts Direct Current (VDC) methodology through proper Computer Software Operated by Qualified Engineer to check viability of system by adding expected load of new Villages and submit its analysis for existing and proposed scenario to client”.

In Construction Circle HESCO, an amount of Rs.13.96 million was paid to Consultants on account of consultancy charges. The payment was not justified as the estimates of SAP / REP were not in line with VDC methodology and criteria of village electrification.

Non-adherence to clauses of agreement resulted in unjustified payment of Rs.13.96 million to consultants during the financial year 2014-15.

The matter was taken up with the management during October, 2015 and reported to the Ministry during December, 2015. The management replied that the consultants would be directed to recruit proper technical staff for proper verification as pointed out by Audit. The reply was not tenable as the contractual obligations were not met by the Consultants.

The DAC in its meeting held on January 20, 2016 directed the management to submit revised reply after re-examination of observation within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides fixing responsibility.

(Draft Para No. 401/2015-16)

12.4.13 Irregular approval of low tension (LT) proposals under system augmentation program (SAP) – Rs.6.85 million

According to Clause-4.2.1 of Distribution Rehabilitation Guidelines, “such LT proposals should be executed, where distribution transformers are running beyond 80% loading and which give maximum technical as well as financial benefits and the required cost / benefit ratio for LT proposals is equal or more than one”.

In HESCO, eighteen (18) LT proposals amounting to Rs.6.85 million under SAP were approved for execution. These proposals were carrying ≤ 1 cost

benefit ratio and transformers loading positions were ranged between 21% to 69% and were not financially and technically viable i.e. with less envisaged benefits than the expenditure.

Non-adherence to rehabilitation guidelines resulted in irregular approval of LT proposals of Rs.6.85 million during the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied that case-wise position would be intimated.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply with justification and get it verified from Audit within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 477/2015-16)

12.4.14 Loss due to less provision of retirement cost of dismantled material - Rs.4.19 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), "all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

In HESCO, dismantled material worth Rs.4.19 million was less shown as compared to the material mentioned in sanctioned estimate of rehabilitation works of HT proposals. Due to less provision of material retirement cost than that in the approved estimates, the Company suffered a loss in the shape of over estimation and misappropriation of excess dismantled material by the field formations.

Non-adherence to instructions resulted in loss of Rs.4.19 million due to less provision of cost of dismantled material in sanctioned estimates up to the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied that the record would be overhauled and estimate would be revised as per actual approval.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply with justification and get the completed action verified from Audit within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 534/2015-16)

12.4.15 Non-recovery of remaining installments of capital cost from consumers - Rs.3.97 million

As per office order issued by Chief Engineer / Customer Services Director on September 09, 2009, ban was imposed on installments of capital cost of new tube-well connections.

In 2nd Operation Circle HESCO, authority allowed payment of capital cost in two to three installments to thirty three (33) new tube-well consumers. These connections were energized after recovery of first installments from each consumer whereas remaining amount of Rs.3.97 million was not recovered from the consumers so far.

Non-adherence to instructions resulted in non-recovery of installments of capital cost from consumers amounting to Rs.3.97 million up to financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that an amount of Rs.0.12 million had been recovered and recovery for remaining amount was under process.

The DAC in its meeting held on January 20, 2016 DAC directed the management to produce the relevant record for verification in respect of completed action within a week and expedite the recovery in remaining cases. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 196/2015-16)

12.4.16 Loss due to investment at lower rates of return - Rs.2.60 million

According to SOP for depositing surplus cash issued by PEPCO on June 11, 2010, "all Chief Executive Officers are authorized to approve the deposits up to Rs.50 million into any "A" rating bank offering comparatively higher rate of

return.”

In HESCO, an amount of Rs.800 million (Rs.350 million + Rs.350 million + Rs.50 million + Rs.50 million) was invested in MCB at lower rates during April / October, 2014 and April, 2015 than the rates offered by other banks i.e. NBP and HBL. Due to investment at comparatively lower rates, the Company earned less profit of Rs.2.60 million.

Non-adherence to SOP resulted in loss of Rs.2.60 million due to investment at lower rates of return up to the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied that investment against TDR was for Rs.500 million instead of Rs.800 million. MCB quoted higher rates during 2014 and 2015 as compared to other banks.

The DAC in its meeting held on January 20, 2016 directed the management to get verified annual bidding record in support of reply along with BODs approval for investing the funds within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides fixing responsibility for loss.

(Draft Para No. 488/2015-16)

12.4.17 Less recovery of security deposits from consumers - Rs.2.49 million

According to special condition of supply under Tariff-E of schedule of electricity tariff HESCO, “the supply shall not be given by the Company without obtaining security equal to the anticipated supply and other miscellaneous charges for the period of temporary supply”.

In 1st Operation Circle HESCO, twenty four (24) temporary connections were sanctioned from November, 2011 to August, 2015 but security amounting to Rs.0.46 million was recovered from consumers instead of Rs.2.95 million.

Non-observance of conditions of tariff resulted in less recovery of security deposits amounting to Rs.2.49 million during the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during October, 2015. The management replied that concerned XENs / ROs were being directed to recover security deposits as per prevailing policy.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply with justification, expedite the recovery of

security deposit and get it verified from Audit within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 40/2015-16)

12.4.18 Non-recovery due to cancellation of promotion orders – Rs.1.93 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

In HESCO, an amount of 1.93 million was recoverable from thirty (30) officers upon cancellation of orders from Junior Engineer to Senior Engineer. The Admn. & HR Director vide letter dated June 18, 2015 directed all the field formations to provide status of recovery of outstanding amount but no recovery was forthcoming from the record.

Non-adherence to instructions resulted in non-recovery of Rs.1.93 million from employees on account of cancellation of promotion orders up to the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied that recovery was under progress.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply with justification duly supported by documentary evidence for verification within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives.

(Draft Para No. 468/2015-16)

CHAPTER-13

**ISLAMABAD ELECTRIC SUPPLY
COMPANY LIMITED
(IESCO)**

13. ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED

13.1 Introduction

Islamabad Electric Supply Company Limited (IESCO) started its operations as a Public Limited Company during May, 1998 and registered under Companies Ordinance, 1984 as a public limited company.

The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The mission of IESCO is to bring the assurance of energy to its customers, with world class quality and commitment for satisfaction of consumers. The Company purchases electricity from NTDC on 220 KV Grid Station Burhan, Sangjani, University and 500 KV Grid Station Rawat. Additionally, IESCO receives electricity from Altern Energy Power House Fateh Jang and sells it to the consumers in Islamabad, Rawalpindi, Attock, Jehlum and Chakwal Districts. The Company distributes electricity to consumers at the tariff notified by NEPRA.

The jurisdiction of IESCO includes five Operation Circles, one Grid System Construction Circle, one Project Construction Circle and one Grid System Operation Circle.

13.2 Comments on Financial Statements

13.2.1 Extracts of the Financial Statements

Balance Sheet as at June 30, 2015

	2014-15	%	2013-14	%	(Rs. in million) 2012-13
Equity and Liabilities					
Share capital and reserves					
Issued, subscribed and paid-up capital	5,798.25	0.00	5,798.25	0.00	5,798.25
Accumulated profit (loss)	21,699.67	(4.55)	22,734.40	974.11	2,116.58
	27,497.92	(3.63)	28,532.65	260.50	7,914.83
Deposits for the issuance of shares	20,112.51		20,112.51		-
Non-current liabilities					
Long term loans	5,491.32	(0.62)	5,525.66	7.94	5,119.21
Consumer security deposits	4,245.55	11.29	3,814.86	11.84	3,410.92
Employee retirement benefits	21,069.31	51.50	13,907.35	28.22	10,846.65
Liabilities against assets subject to finance lease	19,462.55	(1.10)	19,678.71	36.17	14,452.04
Deferred credit	21,802.39	7.62	20,141.05	8.13	18,626.47
	72,071.12	14.28	63,067.63	20.23	52,455.30
Current liabilities					
Creditors, accrued and other liabilities	19,742.69	16.06	17,010.65	(65.82)	49,766.94

Current portion of long term loans	2,293.84	33.44	1,719.01	22.43	1,404.13
	28,738.07	28.79	22,313.88	(58.39)	53,627.88
	148,419.65	10.74	134,026.68	17.57	113,998.01

Assets

Non-current assets

Operating fixed assets	73,781.36	4.15	70,844.06	12.88	62,762.98
Non-Current assets held for sale	16.00	(85.04)	106.98	-	-
	73,797.36	4.03	70,951.04	12.47	62,762.98
Long term advances	92.96	95.25	47.61	16.71	40.79

Current assets

Stores and spares	447.67	5.64	423.78	(34.39)	645.86
Trade debts	47,307.93	19.47	39,599.73	50.13	26,377.53
Short term advances	157.44	6.31	148.09	(37.81)	238.12
Interest accrued	0.64	(41.28)	1.09	(68.22)	3.43
Recoverable from tax authorities	15,226.45	(32.81)	11,465.09	88.81	6,072.22
Receivable from GoP	5,740.32	1.51	5,654.75	(51.97)	11,773.92
Other receivables	4,094.11	9.12	3,751.84	91.91	1,954.98
current portion of long-term loans	19.76	10.95	17.81	10.90	16.06
Short-term investment	80.68	(100.00)	-	(100.00)	98.83
Cash and bank balances	1,454.33	(26.02)	1,965.75	(51.02)	4,013.14
	74,529.33	18.25	63,027.94	23.12	51,194.10
	148,419.65	10.74	134,026.68	17.57	113,998.01

Profit and Loss Account For the year ended June 30, 2015

	2014-15	%	2013-14	%	2012-13
Revenue					
Electricity sale	87,828.63	(6.49)	93,920.43	42.18	66,056.71
Subsidy from GoP	11,239.58	(62.15)	29,698.47	(13.18)	34,207.27
	99,068.21	(19.86)	123,618.90	23.29	100,263.99
Cost of electricity	(82,138.90)	(188.29)	93,038.22	13.51	81,966.03
Gross profit / (Loss)	16,929.31	(44.64)	30,580.68	67.13	18,297.96
Amortisation of deferred credit	1,070.90	(2.44)	1,097.67	23.25	890.63
	18,000.21	(43.18)	31,678.34	65.09	19,188.59
Administrative expenses	(4,600.82)	(460.29)	1,276.98	(19.24)	1,581.21
Distribution costs	(8,263.66)	(206.26)	7,777.12	10.23	7,055.47
Customer services costs	(565.68)	(205.80)	534.68	10.61	483.38
	(13,430.16)	(240.06)	9,588.78	5.14	9,120.06
	4,569.74	(79.31)	22,089.57	119.39	10,068.54
Other income	1,164.49	(20.39)	1,462.83	1.63	1,439.30
	5,734.23	(75.65)	23,552.39	104.66	11,507.84
Financial and other charges	(1,149.19)	(228.46)	894.57	11.79	800.24
	4,585.04	(79.76)	22,657.82	111.61	10,707.60
Provision for WPPF	(1,841.53)	(100.00)	-	100.00	517.38
Taxation deferred				-100.00	
Profit(loss) for the year	2,743.51	(87.89)	22,657.82	122.34	10,190.23

13.2.3 Comments on Audited Accounts

i) Non-recognition of supplemental charges

The Company has not been able to record supplemental charges of Rs.6,849.94 million during the year. Central Power Purchase Agency (CPPA) charged these on account of late payment charges. Had these supplemental charges been charged it would have enhanced the expenditures and declined the current year profit by Rs.6,849.94 million. Similarly, accumulated profit would have too decreased at the balance sheet date. It means current figure of accumulated profit of Rs.21,699.67 million was overstated by an amount of Rs.6,849.94 million. Non-recognition of these charges needed justification

ii) Non-recognition of interest on syndicated loan

During the year 2012, Government of Pakistan obtained loan to resolve circular debt issue. In this regard, Company has been allotted loan amounting to Rs.4,695 million during the current year (Rs.1,522.80 million: 2014) which would be adjusted against payables to CPPA. However, Company neither recognized loan nor interest amounting to Rs.6,159.58 million charged in its books of accounts. Had this interest on syndicated loan been charged it would have enhanced the expenditure and declined the current year profit by Rs.6,159.58 million. Moreover, Company understated its liabilities by Rs.4,695 million during the year which needed to be justified.

iii) Sales and Cost of sales

The sales of the Company decreased to Rs.99,068.21 million (19.86%) including the subsidy from Government of Pakistan Rs.11,239.58 million over the previous year. Further, cost of sales of Company was Rs.(82,138.90) million. It showed the Company earned a gross profit of Rs.16,929.31 million.

iv) Profitability

The Company earned a net profit of Rs.2,743.51 million during the current year. Total accumulated profit increased to the tune of Rs.21,699.67 million (Rs.18,956.16 million).

v) Trade Debts and other Receivable

Total receivable of the Company reached to Rs.74,529.33 million

(2014: Rs.63,027.94 million) with a increase of Rs.11,501.39 million. Out of total amount, Rs.5,740.32 million was receivables from Government of Pakistan and Rs.47,307.93 million from various consumers on account of electricity sold. Huge balance of receivables depicts the poor recovery efforts of the Company, which needed justification.

vi) Trade and other Payables

Payables substantially inclined from Rs.17,010.65 million to Rs.19,742.69 million because payables to CPPA Rs.33,831.50 million has been settled mainly due to the GoP investment / equity in distribution Companies as a result of clearance of Circular Debt and allocation of non-cash subsidy relating to unpaid subsidy of the year 2004 to 2009 as on 30 June, 2015. However, the Company has not accounted for this amount as equity, which may be justified.

vii) Admin and Distribution Expenses

The admin and distribution expenses increased by Rs.3,841.38 million which mainly attributed to provision for slow moving stores, spares and loose tools which increased by (Rs.30.69 million) (2014: s.83.91million).

viii) Long term Financing

The carrying amount of long term loans decreased to Rs.5,491.32 million with a decrease of Rs.34.34 million at the balance sheet date (0.62%) during the current financial year. The Company charged an amount of Rs.1,149.53 million as financial expenses in the profit and loss account during the current year (2014: Rs.894.57 million) an increase of 28.50% was shown in the financial expenses. The Company was still relying on expensive financing to run its operations which ultimately causing burden on the resources of the Company and its liabilities.

Reliance on borrowings / (loans) and payment of financial charges need to be justified.

13.2.4 Recommendations:

In view of the forgoing, it was recommended that Company should record supplemental charges and debit notes issued by Central Power Purchase Agency (CPPA) in the accounts of the Company. The Company should have strict control over administrative and distribution expenses and may revamp its organizational structure and address operational issues to maintain and increase profitability.

The issue of huge receivables from Government and private consumers also will need due consideration by making concrete arrangements to recover funds from long outstanding defaulters.

The distribution losses, being the major cause of losses is required to be addressed at higher level. There is a dire need to develop a policy to address the heavy distribution losses and to ensure the inflow of funds in the form of revenue.

Moreover, electricity rate, determined by NEPRA, should be notified well in time so as to make the Company financially independent.

In order to ensure transparency in operations, policies and practices, the Company is required to ensure strict compliance with the Public Sector Companies (Corporate Governance) Rules, 2013.

13.3 Brief comments on the status of compliance with PAC directives

Name of Company	Year	No. of Directives	Status of compliance		
			Full	Partial	Outstanding
IESCO	2002-03	2	-	-	2 (Para No. 1 & 2)
	2003-04	1	-	-	1 (Para No. 12.4)
	2007-08	1	-	-	1 (Para No. 11.16)

Position of compliance with PAC directives is not satisfactory

13.4 AUDIT PARAS

13.4.1 Un-decided stock losses - Rs.89.74 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

In Construction Circle IESCO, a huge amount of Rs.89.74 million was outstanding since long under the head of account “Stock Losses” in trial balance. No departmental action was taken either to make good or write off the losses.

Violation of rules resulted in un-adjusted stock losses amounting to Rs.89.74 million up to the financial year 2014-15.

The matter was taken up with the management during October, 2015 and reported to the Ministry during December, 2015. The management replied that all the related works were pending due to different reasons and efforts were being made for completion of these works.

The DAC in its meeting held on January 20, 2016 directed the management to submit case wise detailed reply with justification, conduct inquiries and action taken thereof be got verified from Audit within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 413/2015-16)

13.4.2 Irregular execution of deposit works out of company's funds - Rs.67.76 million

According to Section-III-C (1) of Book of Financial Powers, "deposit works shall be undertaken only after getting full amount of sanctioned work estimated deposits with WAPDA, with an undertaking from the depositor to meet any variation."

In Construction Circle Islamabad, IESCO, forty seven (47) deposit works amounting to Rs.67.76 million were executed from Company's own funds due to non / less receiving of the deposit amounts from sponsors.

Non-adherence to financial rules resulted in irregular execution of deposit work of Rs.67.76 million out of Company's funds up to the financial year 2014-15.

The matter was taken up with the management during October, 2015 and reported to the Ministry during December, 2015. The management replied that an amount of Rs.23.57 million had been recovered / adjusted whereas remaining amount would be recovered from the Government.

The DAC in its meeting held on January 20, 2016 directed the management to get verified the relevant record in support of reply within a week and expedite recovery in remaining cases from Government. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 412/2015-16)

13.4.3 Recoverable revenue / security deposits from consumer - Rs.34.31 million

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

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

In Operation Circle Rawalpindi IESCO, one 630KVA distribution transformer was installed with underground 11 KV cable with the help of private contractor without any approval from competent authority. The connection was running without installation of energy meter since June 1, 2013 which was illegal.

Violation of commercial procedure resulted in non-recovery of Rs.34.31 million from the consumer up to the financial year 214-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that the demand notice for consolidated load had been issued to the G.E Army services, Qasim Base and connection would be regularized upon recovery.

The DAC in its meeting held on January 20, 2016 directed the management to pursue the matter as per SOPs, conduct departmental inquiry and get verified the completed action within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides fixing responsibility.

(Draft Para No. 70/2015-16)

13.4.4 Non-reimbursement of vehicle running expenditure from other organizations - Rs.26.26 million

According to vehicle attachment orders, the POL / maintenance expenditure of attached vehicles would be paid by IESCO and debited to concerned organization for re-imburement.

In IESCO, seven (7) vehicles of different organizations were attached with Ministry of Water & Power but running and maintenance expenditure of those vehicles amounting to Rs.26.26 million met out of the funds of IESCO was not got reimbursed from the vehicles owing formations.

Non-adherence to attachment orders resulted in non-reimbursement of vehicles running expenditure amounting to Rs.26.26 million up to the financial year 2014-15 (*Annexure-C*).

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied that these expenses were to be borne by the vehicle owing formations but they refused to make payment. However, the case was being pursued vigorously.

The DAC in its meeting held on January 20, 2016 directed the management to recover the amount involved from vehicles owing formations or Ministry within a month.

Audit recommends recovery of amount paid as running & maintenance expenditure of vehicles from the Ministry and stop such payments in future.

(Draft Para No. 622/2015-16)

13.4.5 Non-return of Incandescent Lamps (ICLs) to store – Rs.21.92 million

According to SOP for distribution of Compact Fluorescent Lamps (CFLs), “the Line Superintendent (LS) Incharge will deliver two CFLs to each consumer and collect the one voucher from each consumer with two used Incandescent Lamps (ICLs). After delivering the CFLs, the LS Incharge will hand over the collected vouchers to the SDO and collected ICLs will be returned to stores through material return notes (MRNs) and SDO will furnish the CFLs vouchers data to their revenue officer for onward submission to concerned computer center for data compiling”.

In IESCO, 2.99 million Compact Fluorescent Lamps (CFLs) were issued to the field formations for distribution among consumers but the field formations returned only 1.53 million replaced ICLs to store leaving a balance of 1.46 million ICLs valuing Rs.21.92 million unreturned.

Non-adherence to SOP resulted in non-return of ICLs valuing Rs.21.92 million up to the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management stated that the reply was under preparation.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply with justification and ensure return of lamps to store and get the completed action verified within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides fixing responsibility.

(Draft Para No. 620/2015-16)

13.4.6 Loss due to extra expenditure on account of repair of transformers from private company – Rs.4.99 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982

(amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

In Metering & Testing Circle IESCO, eighty five (85) distribution transformers of various capacities were got repaired from M/s Hamad Transformer Engineering Co. instead of Transformer Reclamation Workshop (TRW) IESCO, Wah Cantt. As a result of comparison between vendor and TRW IESCO for repair charges an excess amount of Rs.4.99 million was worked out.

Poor financial controls resulted in extra expenditure of Rs.4.99 million during the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management stated that the reply was under preparation.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply with justification of repair from private company in the light of SOP set for repair within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides fixing responsibility.

(Draft Para No. 690/2015-16)

13.4.7 Undue favour to the consumers by providing more than one connection at same premises – Rs.2.65 million

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

In IESCO, seven (7) consumers were given more than one electricity connections at the same premises. The consolidated load necessitated the provision of independent or high capacity transformer. Hence, the consumers were given undue favour by dividing load without recovering the cost of independent transformers of Rs.2.65 million.

Non-adherence to commercial procedure resulted in undue favour of Rs.2.65 million to the consumers by non-providing independent transformers during the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management stated that the reply was under preparation.

The DAC in its meeting held on January 20, 2016 directed the management to submit case-wise detailed reply with justification along with departmental inquiry reports for verification within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 694/2015-16)

CHAPTER-14

**LAHORE ELECTRIC SUPPLY
COMPANY LIMITED
(LESCO)**

14. LAHORE ELECTRIC SUPPLY COMPANY LIMITED

14.1 Introduction

Lahore Electric Supply Company Limited (LESCO) started its operation as a Public Limited Company registered under Companies Ordinance, 1984 during July, 1998. The registered office of the Company is situated in Lahore.

The principal activity of the Company is distribution and supply of electricity within defined geographical boundaries. The Company has obtained distribution license from National Electric Power Regulator Authority (NEPRA). The mission of LESCO is to provide un-interrupted electric supply and quality service to all customers at the minimum possible cost. The Company purchases electricity from National Transmission and Despatch Company (NTDC) and sells it to the consumers in Lahore, Sheikhpura, Kasur, Okara and Nankana Sahib Districts.

LESCO receives supply from NTDC on 220 KV grid stations at Bund Road, Ravi Road, Sarfraz Nagar, New Kot Lakhpat, Kala Shah Kaku and eleven (11) private producers. The jurisdiction of LESCO includes seven Operation Circles, Grid System Construction Circle, and one Construction Circle and one Grid System Operation Circle.

14.2 Non-completion / finalization of Financial Statements

According to Section-233 of Companies Ordinance, 1984, “the directors of every company shall at some date not later than eighteen months after the incorporation of the company and subsequently once at least in every calendar year lay before the company in annual general meeting a balance-sheet and profit and loss account or in the case of a company not trading for profit an income and expenditure account for the period, in the case of the first account for the period since the incorporation of the company and in any other case since the preceding account, made up to a date not earlier than the date of the meeting by more than four months”.

In LESCO, the balance sheet and profit & loss account of the company could not be finalized by the management up till December 31, 2015.

Violation of Companies Ordinance resulted in non-finalization of balance sheet and profit & loss account for the financial year 2014-15.

The matter was taken up with the management and reported to the Ministry during December, 2015. The management replied that the finalization of financial statements for the year ended June 30, 2015 was under process and would be submitted after completion of audit and approval of Board of Directors.

The DAC in its meeting held on January 20, 2016 directed the management to justify the violation of Companies Ordinance within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides fixing responsibility”.

14.3 Brief comments on the status of compliance with PAC directives

Name of Company	Year	No. of Directives	Status of compliance		
			Full	Partial	Outstanding
LESCO	2003-04	6	-	2 (Para No. 13.5 & 13.9)	4 (Para No. 13.3, 13.4, 13.6 & 13.8)

Position of compliance with PAC directives is not satisfactory

14.4 AUDIT PARAS

14.4.1 Loss due to fraudulent payment of electricity bills - Rs.109.38 million

According to Section-IV (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “a departmental inquiry should not be delayed pending investigation by Police / FIA are pending the decisions of the case by the court but should be instituted promptly, as and when a reasonable suspicions exists that loss has occurred due to theft, defalcation, embezzlement, misappropriation, fraud or such other dishonest act. All relevant documents to the investigation can be provided to Police or other concerned agency so that investigation can proceed simultaneously. Moreover, there is no bar in law against taking disciplinary action before the disposal of the criminal case in a court of law”.

In LESCO, an amount of Rs.109.38 million pertaining to 1,384 consumers was posted as paid through bogus online payment system from August, 2013 to July, 2015 in Revenue Office, Phoolnagar. Special Audit to assess the quantum of fraud was conducted by the department who worked out Rs.109.38 million as fraudulent payments but no recommendation for fixing responsibility along with action to be taken against the delinquents was made.

Non-adherence to instructions resulted in loss of Rs.109.38 million up to the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management stated that the reply was under preparation.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply within a week, finalize disciplinary proceedings under E&D rules along with legal action against the delinquents and action taken thereof be got verified from Audit within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives.

(Draft Para No. 677/2015-16)

14.4.2 Loss due to non-finalization of inquiry / non-recovery of embezzled cash - Rs.4.82 million

According to Section-IV (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), "a departmental inquiry should not be delayed pending investigation by Police / FIA are pending the decisions of the case by the court but should be instituted promptly, as and when a reasonable suspicions exists that loss has occurred due to theft, defalcation, embezzlement, misappropriation, fraud or such other dishonest act. All relevant documents to the investigation can be provided to Police or other concerned agency so that investigation can proceed simultaneously. Moreover there is no bar in law against taking disciplinary action before the disposal of the criminal case in a court of law".

In Operation Circle Okara LESCO, an amount of Rs.4.82 million was misappropriated through eleven (11) cheques from February, 2014 to February, 2015 by an Account Assistant of Renala Khurd Division by means of bogus signature of Divisional Accountant and XEN from the public exchequer. It came to notice that a sum of Rs.4.38 million was recovered, leaving a balance of Rs.0.79 million of principal plus interest from the culprit official. The departmental proceedings were initiated against the responsible on March, 19, 2015 with the direction to complete inquiry proceedings within fifteen days positively but the same had not been finalized as yet.

Non-adherence to the instructions resulted in non-finalization of inquiry proceedings for Rs.4.82 million due to bogus drawal of cash and non-recovery of balance embezzled amount of Rs.0.79 million plus interest during the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that an amount of Rs.0.44 million had also been recovered while the balance amount of Rs.0.35 million was being recovered from the salary of the delinquent on monthly basis @ Rs.2,000. However, amount stated as recovered was not shown to Audit through evidence.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply within a week and conduct the inquiry at PEPCO level for fixing proportionate responsibility for deterrent action within two months. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides taking legal action against the responsible.

(Draft Para No. 323/2015-16)

14.4.3 Loss due to embezzlement of cash on account of pension payments to non-pensioners and bogus / double payments to existing pensioners - Rs.1.81 million

According to Section-IV (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), "a departmental inquiry should not be delayed pending investigation by Police / FIA are pending the decisions of the case by the court but should be instituted promptly, as and when a reasonable suspicions exists that loss has occurred due to theft, defalcation, embezzlement, misappropriation, fraud or such other dishonest act. All relevant documents to the investigation can be provided to Police or other concerned agency so that investigation can proceed simultaneously. Moreover there is no bar in law against taking disciplinary action before the disposal of the criminal case in a court of law".

In Operation Circle Kasur LESCO, an amount of Rs.1.81 million was embezzled on account of pension payment. Modus operandi adopted was payment to non-pensioners, bogus / double payments to the existing pensioners. The cases against concerned employees were registered with FIA but not finalized.

Non-adherence to rules resulted in loss of Rs.1.81 million due to double / bogus payment to pensioners and non-pensioners during the financial year 2014-15.

The matter was taken up with the management during October, 2015 and reported to the Ministry during December, 2015. The management replied that

the matter was under investigation with FIA. The reply was not tenable as departmental inquiry against responsible had neither been initiated nor any body held responsible for the embezzlement caused by ineffective internal controls.

The DAC in its meeting held on January 20, 2016 directed the management to inquire the matter departmentally for fixing responsibility and action thereof be reported to the Ministry and Audit within two months and keep close liaison with FIA. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives.

(Draft Para No. 267/2015-16)

14.4.4 Non-recovery of pension payments made on behalf of other organizations -Rs.6,217.10 million

After unbundling of WAPDA during 1998 independent DISCOs / NTDC / GENCOs were created under umbrella of PEPCO under Companies Ordinance, 1984. The companies were made fully independent in their administrative and operational business. But decision pertaining to the retired employees on the date of Business Transfer Agreement (BTA) among WAPDA and concerned companies remained undecided with NEPRA, which was decided during October, 2015.

In LESCO, an amount of Rs.6,217.10 million disbursed as pension on behalf of other sister organizations / companies was outstanding as on June 30, 2015. The said amount was to be recovered but the same was not done.

Non-adherence to instructions resulted in non-recovery of pension payments of Rs.6,217.10 million made on behalf of other organizations up to the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied that the Director Pension was being urged to clear the outstanding amount as per decision of NEPRA dated October 08, 2015. However, an amount of Rs.406.61 million had been recovered during the financial year 2014-15.

The DAC in its meeting held on January 20, 2016 directed the management to produce the relevant record for verification in support of reply within a week and expedite the recovery in remaining cases. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives.

(Draft Para No. 720/2015-16)

14.4.5 Non-utilization of major amount of loan due to defective planning - Rs.3,389 million

According to Schedule-I Part A-2 of loan agreement of LESCO's Investment Program aimed at improving its transmission network through (i) the construction, augmentation and / or conversion of approximately twenty (20) sub-transmission grid stations, including extension of transformer and line bays in approximately five (5) grid stations and (ii) the construction of approximately fifty kilometer (50km) of secondary transmission lines.

In the office of Chief Engineer (Development) PMU LESCO, World Bank loan No. IBRD 7565 was obtained during December, 2006 for a period of eight years including grace period of two years. As per subsidiary loan agreement, LESCO applied for principal amount of US\$ 60.29 million. Pursuant to the office memorandum dated 10th October, 2012 conveyed by the Economic Affairs Division, loan portion amounting to US\$14.98 million out of originally sanctioned amount of US\$ 60.29 million was cancelled by the World Bank due to lack of loan utilization plan and finally closed on February 28, 2014. The management of LESCO utilized the loan of US\$11.42 million only out of US\$ 45.31 million up to June 2014.

Due to non-utilization of remaining loan amounting to US\$33.89 million (Rs.3,389 million), the Company could not achieve the targeted benefits which resulted in loss to Company.

The matter was taken up with management during April, 2015 and reported to the Ministry during June, 2015. The management replied that there was no defective planning and no markup paid on un-utilized loan amount. The reply was not tenable as the Company had to bear commitment charges during loan validity period.

The DAC in its meeting held on January 20, 2016 pended the PDP and directed the management to re-examine the case with reference to commitment charges paid on unutilized portion of loan. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 28/2015-16)

14.4.6 Unjustified deferred amount on account of overbilling – Rs.3,006.79 million

According to instructions issued by the Manager Director PEPCO dated

December 12, 2010. “strict disciplinary action, without any exception, shall be taken against the officers and staff found involved in the overbilling.”

In Operation Circle Kasur LESCO, an amount of Rs.3,006.79 million was deferred on account of overbilling / wrong reading. This scenario indicated that huge overbilling was made to consumers which were subsequently deferred on consumers’ complaints. A departmental inquiry was also conducted during June, 2014 on that issue but no action was taken against the officers / officials involved in overbilling.

Non-adherence to above instructions resulted in unjustified deferred amount of Rs.3,006.79 million on account of overbilling up to the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that the case was under process with Ministry of Water & Power and Audit would be informed, as and when case decided.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply with justification within a week and get close liaison with Ministry to finalize the inquiry proceedings within a month.

Audit recommends implementation of the DAC’s directives besides fixing responsibility.

(Draft Para No. 623/2015-16)

14.4.7 Undue favour due to non-obtaining of insurance coverage from the contractor – Rs.561 million

According to clause 34.1 of general conditions, “the contractor shall at its expense take out and maintain in effect or cause to be taken out and maintained in effect, during the performance of the contract, the insurances set forth in the sums and with the detectable and other conditions specified. The identity of the insurers and the form of the policies shall be subject to the approval of the employer, such approval not to be unreasonably withheld”.

In LESCO, two (2) contracts on turnkey basis were awarded to M/s TRANSMARK-LEEEC (Consortium) for procurement of plant, design, installation, testing and commissioning of civil works at New 132 KV grid station DHA phase VI & VII (Burki) along with associated 132 KV double circuit feed transmission lines under Tranche-III (Loan No. 2972-PAK) during July, 2015 but insurance coverage of this project was not obtained from the

contractor.

Violation of general provision of contract resulted in undue favour of Rs.561 million to the contractor due to non-obtaining insurance coverage during the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied that insurance coverage would be obtained from the contractor.

The DAC in its meeting held on January 20, 2016 directed the management to expedite the matter of obtaining insurance coverage from contractors and get it verified from Audit within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives.

(Draft Para No. 723/2015-16)

14.4.8 Non-recovery of cost of independent grid station – Rs.174.81 million

According to NEPRA tariff determination, “Tariff B-4 & C-3 is applicable to consumers for all loads of more than 5,000 KW receiving supply at 66 KV, 132 KV”.

In Operation Eastern Circle LESCO, three (3) industrial consumers having sanctioned load below 5,000 KW were running beyond the sanctioned load without the approval of competent authority. In violation of the tariff condition, the field formations neither disconnected the energy connections nor regularized the un-authorized extended load after recovery of cost of independent grid stations Rs.174.81 million.

Resultantly, an amount of Rs.174.81 million remained un-recovered from consumers on account of security deposit and grid station cost during the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that the load of one consumer had been extended and notice issued to the other consumer for regularization of load while the third consumer had reduced the load.

The DAC in its meeting held on January 20, 2016 directed the management to produce the relevant record for verification in support of reply within a week and expedite the remaining case for regularization of load. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives.

(Draft Para No. 681/2015-16)

14.4.9 Loss due to non-recovery of electricity dues and non-removal of electrical material from a defaulting consumer – Rs.132.78 million

According to Para-1.3 of Commercial Procedures Manual of WAPDA Power Wing, “Revenue Officer and Assistant Manager are responsible for: i) Implementing in conjunction with the Executive Engineer, the commercial policy laid down from time to time by the Authority through the Company, ii) Efficient application of billing and collection procedures”. As per NEPRA instructions, “every consumer having load 5,000 KW is required to provide independent grid station of his own including land, building, transformers, circuit breakers and other necessary equipment and apparatus”.

In Operation Circle Sheikhpura LESCO, two (02) industrial connections under Tariff B-3 having sanctioned load 2,963 KW and 4,003 KW each were got sanctioned for two textile mills i.e M/s Ayesha & M/s Amin situated adjacently. The owner was extraordinarily favored by providing him independent feeder instead of Independent Grid Station. Hence, cost of independent grid station i.e Rs. 81.83 million was not recovered. Later on, both the said connections were disconnected merely owing to default of an amount of energy dues of Rs.45.51 million. The owner had submitted a cheque of Rs.9.53 million only as partial payment of M/s Ayesha Textile Mill, which was dishonored by the bank, but the management did not take any legal action against him for dishonored cheque. Though the electricity supply was disconnected but neither electrical installations of Rs5.44 million were removed nor energy dues of Rs.45.51 million recovered.

Non-adherence to commercial procedure resulted in loss of Rs.132.78 million due to non-recovery of electricity dues and non-removal of electrical material from a defaulting consumer during the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that an amount of Rs.38.63 million had been recovered and Re-connection Order (RCO) was under process with Customer Services Division (CSD) LESCO. Audit holds that the matter of non-provision of independent grid station was not justified.

The DAC in its meeting held on January 20, 2016 directed the PEPCO management to review the policy at PEPCO level and submit report / final decision to the Ministry and Audit within two months. DAC also directed the management to get verified the reply in support of record within a week. Further

progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 275/2015-16)

14.4.10 Loss due to amount wrongly debited by the banks – Rs.82.43 million

According to note to Clause-6.11 of the Commercial Procedure, “the Revenue Officer is responsible for effecting correct bank reconciliation. He will, therefore, take action to correct the errors which give rise to the difference on CP-Form-48 and also in case of dishonored cheques before the next statement is due”.

In LESCO, bank reconciliation statements of nine (9) banks revealed that an amount of Rs.82.43 million was wrongly withdrawn / adjusted by banks through debiting the account of management during 2007 to 2015. No effort was made to recover / reconcile this amount from the banks.

Non-adherence to commercial procedure resulted in loss due to wrong debit of Rs.82.43 million up to the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied that efforts would be made to clear the un-reconciled amount in current year.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply with justification and get verified completed action, if any, within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 682/2015-16)

14.4.11 Non-deposit of disputed amount in favour of LESCO - Rs.99.12 million

According to Section 54(C) “Bar of Jurisdiction” of Electricity Act-1910, “disputed amounts are required to be deposited in court in favour of WAPDA before filing the cases against WAPDA in Courts”.

In Operation Circles LESCO, an amount of Rs.99.12 million pertained to the subjudice cases as the consumers had preferred litigation against the Company. However, the disputed amount of Rs.99.12 million was not got deposited in favour of LESCO. Hence, the Company was deprived of revenue to

the stated extent.

Non-adherence to the electricity act resulted in non-deposit of Rs.99.12 million by consumers during the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that the order of the Court had been implemented. The reply was not tenable, as due to improper pursuance of court cases, the stay orders were granted by different courts without deposit of dues, which required proper investigation.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply duly supported by documents, get verified the relevant record within a week and pursue the Court cases vigorously. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 237 & 397/2015-16)

14.4.12 Loss due to shifting of load of residential colonies to industrial supply – Rs.11.61 million

According to special Condition of supply," the industrial supply consumers under tariff B-3 shall be required to have an independent connection for one point supply to residential colony attached to their premises, which shall be charged at tariff-H".

In Operation Circle Sheikhpura LESCO, four (04) residential colonies of industrial consumers were electrified under one point supply of Tariff-H. However, there was nil electricity consumption recorded on residential colonies during the period in which the industries were functional. Hence, LESCO had to sustain a loss of Rs.11.61 million on account of difference in variable charges of Tariff-H & B-3. No action was taken up against the consumers.

Violation of operational instructions resulted in loss of Rs.11.61 million due to shifting of load of residential colonies to industrial supply up to the financial year 2014-15.

The matter was taken up with the management during October, 2015 and reported to the Ministry during December, 2015. The management stated that the reply was under process.

The DAC in its meeting held on January 20, 2016 directed the management to submit case-wise detailed reply along with action taken as per

SOP for verification within in a week, conduct departmental inquiry for fixing responsibility for negligence and report thereof be submitted to Ministry and Audit within two months. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 281/2015-16)

14.4.13 Non-clearance of un-credited capital collection balance - Rs.10.60 million

According to Section 9.12 of Commercial Procedure for collection-Demand Notices for Security Deposits, "Revenue officer is responsible for ensuring correct Bank Reconciliation. He will, therefore, take action to correct the errors which give rise to the difference on CP-48-B before the next statement is due". Under Section 19.9, Divisional Accounts Officer will receive weekly bank statements from the Bank Branches, check it with the Billing Cash Book for Demand Notices and also ensure that collection received each week is remitted promptly. In case of any delay, take up with the Bank and pursue till the remittance is made".

In Operation Circle Sheikhpura LESCO, a balance of Rs.10.60 million on account of capital collection remained un-reconciled / un-credited by the different banks despite the lapse of a considerable period of more than one month to one year. Neither the matter was taken up with the respective banks for clearance of un-credited balance nor the record maintained in XEN / RO office reconciled with bank statements, which was weak / ineffective financial controls.

Non-adherence to the commercial procedures resulted in non-clearance of an un-credited amount of Rs.10.60 million during the financial year.

The matter was taken up with management during October, 2015 and reported to the Ministry during December, 2015. The management replied that efforts were being made to minimize the difference.

The DAC in its meeting held on January 20, 2016 directed the management to get verified the reconciled amount within a week from Audit and expedite the efforts to clear the difference of collection balance with banks within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility for non-reconciliation.

(Draft Para No. 297/2015-16)

14.4.14 Non-regularization / less recovery of security from temporary connections - Rs.4.93 million

According to Para-3.3 of Consumer Service Manual, “temporary connection shall be provided by the LESCO, subject to the availability of load and the prevailing rules when an applicant demands electric supply for a specific period not exceeding three months which may be further extended on three month basic up to 12 months by the load sanctioning authority subject to clearance of outstanding dues. In case the connection is to be continued more than 12 months, then it would be allowed under regular tariff upon fulfillment of requisite information as explained for new connection”.

In Operation Circle Sheikhpura LESCO, four (04) temporary connections running from November, 2010 were neither disconnected and equipment worth Rs.2.95 million removed nor regularized even after the lapse of a period of more than five years. Moreover, an amount of Rs.1.98 million being security equal to anticipated supply charges was still lying un-recovered from temporary connections.

Non-implementation of above rules resulted in non-regularization of temporary connections and less recovery of security of Rs.4.93 million from consumers up to the financial year 2014-15.

The matter was taken up with the management during October, 2015 and reported to the Ministry during December, 2015. The management replied that the security amount would be updated and efforts were being made to recover the deferred amount.

The DAC in its meeting held on January 20, 2016 directed the management to inquire the matter and ensure the compliance of SOP and get the final actions verified within 15 days. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides fixing responsibility for violation of NEPRA’s instructions.

(Draft Para No. 235/2015-16)

14.4.15 Non-recovery of capital cost from agricultural consumers - Rs.3.78 million

According to Para-1.3 of Commercial Procedures Manual of WAPDA Power Wing, “Revenue Officer and Assistant Manager are responsible for: i) Implementing in conjunction with the Executive Engineer, the commercial policy laid down from time to time by the Authority through the Company, ii) Efficient

application of billing and collection procedures”.

In LESCO, an amount of Rs.3.78 million was recoverable from agricultural tube-well consumers on account of remaining 75% capital cost. Neither aging of this amount was given nor efforts made to recover the remaining capital cost through electricity bills.

Non-adherence to commercial operating procedures resulted in non-recovery of capital cost amounting to Rs.3.78 million up to the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management stated that the reply was under process.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply with justification, expedite matter of recovery and get it verified within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives.

(Draft Para No. 715/2015-16)

14.4.16 Irregular electrification of illegal private housing scheme - Rs.2.24 million

According to policy of the department, “electrification of all such Abadies / Housing Schemes is to be carried out on cost deposit basis either borne by the Sponsors or residents after submission of design through Consultant registered with Pakistan Engineering Council along with relevant documents including sanction letter and approved layout plan by LDA.”

In Operation Circle Sheikhpura LESCO, an external electrification work of private housing scheme having load 190 KW with a cost of Rs.2.24 million was sanctioned during October, 2014 despite the fact that the said housing scheme was declared illegal / unapproved by TMA Muridke on February 23, 2013 and LDA on November 08, 2014.

Violation of operational instructions resulted in irregular electrification of unapproved / illegal housing scheme amounting to Rs.2.24 million during the financial year 2014-15.

The matter was taken up with the management during October, 2015 and reported to the Ministry during December, 2015. The management replied that sanction for electrification was given by the Chief Engineer (P&I) LESCO

Lahore. The reply was not tenable as the criteria for provision of electrification to private housing schemes was not observed.

The DAC in its meeting held on January 20, 2016 referred the matter to PAC for decision.

Audit recommends that the matter needs to be inquired into for fixing responsibility upon the persons at fault.

(Draft Para No. 277/2015-16)

14.4.17 Non-recovery of excess expenditure from sponsors of deposit works - Rs.2.12 million

According to Section-III-C (1) of Book of Financial Powers, “deposit works shall be undertaken only after getting full amount of sanctioned work estimated deposits with WAPDA, with an undertaking from the depositor to meet any variation.”

In Construction Circle LESCO, an expenditure of Rs.24.42 million was incurred up to June 2015 for seven (7) deposit works against the funds of Rs.22.30 million received from the sponsors.

Non-adherence to financial instructions resulted in non-recovery of excess expenditure of Rs.2.12 million from sponsors up to the financial year 2014-15.

The matter was taken up with the management during October, 2015 and reported to the Ministry during December, 2015. The management replied that the recovery would be made from sponsors.

The DAC in its meeting held on January 20, 2016 directed the management to recover the amount and get it verified from Audit within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides fixing responsibility.

(Draft Para No. 452/2015-16)

14.4.18 Non-recovery of sharing cost of grid station - Rs.2.06 million

According to Clause-3 of General Manager (C&M) Power WAPDA, WAPDA House, Lahore office memo dated 02.01.2003, “sharing cost of Grid station and cost of land shall be recovered as:

- i) 50% of the cost shall be borne by WAPDA;
- ii) 25% of the cost shall be paid by the sponsors of Housing Society (ies) i.e. in lump sum in advance;
- iii) 25% of the cost shall be recovered from the plot owners at the time of

giving new connections to them”.

In Operation Circle LESCO Okara, nine hundred and thirty (930) connections were installed at twenty four (24) Housing Schemes completed during last 2 to 3 years without recovery of 25% sharing cost of grid station on the part of individual plot owners.

Non-adherence to instructions resulted in non-recovery of grid sharing charges amounting to Rs.2.06 million up to the financial year 2014-15.

The matter was taken up with management during September, 2015 and reported to the Ministry during December, 2015. The management replied that the Grid Sharing cost was charged properly. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to get verified the recovery of grid sharing cost in support of reply within in a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides fixing responsibility.

(Draft Para No. 399/2015-16)

14.4.19 Loss due to non-recovery of fixed charges - Rs.1.19 million

According to Schedule of electricity tariff, fixed charges at the rate of Rs.400 per K.W was to be recovered from industrial consumer B-II and commercial A-2(b) / (c).

In Operation Circle Okara LESCO, MDI set of eighteen (18) energy meters of industrial and commercial consumers were not working smoothly due to which less MDI was charged during January, 2012 to April, 2014. As such, fixed charges amounting to Rs.1.19 million were remained un-recovered from the consumers.

Non-adherence to electricity tariff resulted in loss due to non-recovery of fixed charges of Rs.1.19 million up to the financial year 2014-15.

The matter was taken up with management during September, 2015 and reported to the Ministry during December, 2015. The management replied that the amount had been debited to twelve (12) consumers whereas the adjustments in remaining six (06) cases were under pre-audit.

The DAC in its meeting held on January 20, 2016 directed the management to get verified the recovery record within a month and pursue the

remaining cases for recovery from consumers. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 398/2015-16)

14.4.20 Non-recovery of electricity charges from the consumers due to non-finalization of long outstanding audit notes - Rs.1.05 million

According to Para-1.3 of Commercial Procedures Manual of WAPDA Power Wing, "Revenue Officer and Assistant Manager are responsible for: i) Implementing in conjunction with the Executive Engineer, the commercial policy laid down from time to time by the Authority through the Company, efficient application of billing and collection procedures".

In Operation Circle Sheikhpura LESCO, eighty two (82) audit notes valuing Rs.1.05 million were still pending after the lapse of 02 to 09 years. Neither the management nor the Internal Audit has made serious efforts to ensure the fate of these audit notes.

Weak internal controls towards tackling discrepancies pointed out by internal audit resulted in non-recovery from energy defaulters of Rs.1.05 million up to the financial year 2014-15.

The matter was taken with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that 05 audit notes amounting to Rs.0.14 million had been debited to the consumers and the balance 15 audit notes were pending for discussion.

The DAC in its meeting held on January 20, 2016 directed the management to get verified the record for completed action within a week and expedite the finalization of pending audit notes within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 285/2015-16)

CHAPTER-15

MULTAN ELECTRIC POWER COMPANY LIMITED (MEPCO)

15. MULTAN ELECTRIC POWER COMPANY LIMITED

15.1 Introduction

Multan Electric Power Company Limited (MEPCO), registered under Companies Ordinance, 1984, started its operations as a Public Limited Company during May, 1998. The registered office of the Company is situated in Multan.

The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The jurisdiction of MEPCO includes eight Operation Circles, one Project Construction Circle, one Grid System Construction Circle and two Grid System Operation Circles. The Company had obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The Company purchases electricity from NTDC on 220 KV Grid Station Yousaf Wala, Garanund Road Faisal Abad, NGPS Peeran Ghaib, Kot Addu Power Company, Muzzafargarh Power House and Gaddu Power House, and sells it to the consumers of Multan, Sahiwal, Vehari, Bahawalpur, Lodhran, Bahawalnagar, Rahim Yar Khan, D.G Khan and Muzzafargarh districts.

15.2 Comments on Financial Statements

15.2.1 Financial Overview

Monthly accounts (Trial Balance and other management information schedules) from eighty seven (87) accounting units were sent to Finance Director MEPCO where these accounts were consolidated and financial statements including Balance Sheet, Profit & Loss Account and Cash flow statements were prepared.

15.2.2 Extracts of the Financial Statements

Balance Sheet as at June 30, 2015

(Rs. in million)

	2014-15	%	2013-14	%	2012-13
EQUITY AND LIABILITIES					
Issued, subscribed and paid up share capital	-		10,823.64	-	10,823.64
Share deposit money	32,508.45		32,508.45		-
Accumulated loss	(13,741.85)	(38.60)	(22,379.07)	(26.82)	(30,581.45)
Deferred credit	41,355.05	7.71	38,396.21	6.49	36,057.37

NON CURRENT LIABILITIES

Long term loans	7,021.79	12.52	6,240.38	7.07	5,828.49
Employees' retirement benefits	29,880.75	23.98	24,100.44	18.24	20,382.24
Consumers' security deposits	5,930.14	12.69	5,262.15	14.95	4,577.69
Receipt against Deposit works / Connections	13,923.15	4.37	13,340.10	(1.87)	13,593.63
Deffered Markup	46.16				
	56,801.99	16.06	48,943.07	10.28	44,382.04

CURRENT LIABILITIES

Creditors, accrued and other liabilities	15,897.52	(70.06)	53,098.37	(37.29)	84,674.03
Accrued Markup	3,981.59	47.24	2,704.18	35.05	2,002.31
Current Portion of Long-term liabilities	2,001.12	50.54	1,329.32	44.74	918.39
	21,880.23	(61.70)	57,131.88	(34.78)	87,594.73

Total Equity and Liabilities

	149,627.52	(9.55)	165,424.18	11.56	148,276.33
--	-------------------	---------------	-------------------	--------------	-------------------

Assets**Non Current Assets**

Operating fixed assets	65,765.69	8.90	60,389.57	26.14	47,873.28
Capital work-in-progress	9,234.25	9.88	8,404.31	(0.84)	8,475.66
	74,999.94	9.02	68,793.88	22.09	56,348.93
Long term advances	57.33	12.66	50.89	40.77	36.15
Long term deposits	0.05	-	0.05	-	0.05

Current Assets

Stores and spares	3,923.12	(7.24)	4,229.38	19.62	3,535.69
Trade debts	16,272.98	11.06	14,652.08	(19.01)	18,091.58
Loans, advances, deposits, prepayments and other receivables	50,183.86	(29.49)	71,171.00	107.10	34,365.25
Cash and bank balances	4,190.23	(35.80)	6,526.85	33.00	4,907.37
	74,570.20	(22.79)	96,579.30	58.59	60,899.89

TOTAL ASSETS

	149,627.52	(9.55)	165,424.13	41.04	117,285.03
--	-------------------	---------------	-------------------	--------------	-------------------

**Profit and Loss Account
For the year ended June 30, 2015***Rs.in million)*

	2014-15	%	2013-14	%	2012-13
Electricity Sales-net	156,759.05	(7.32)	169,133.70	20.60	140,240.10
Cost of Electricity	130,803.66	(10.59)	146,298.37	23.69	118,276.57
Gross Profit / (Loss)	25,955.38	13.66	22,835.33	3.97	21,963.53
Amortization of deferred credit	1,879.80	8.32	1,735.34	10.03	1,577.15
Operating expenses excluding depreciation	16,232.19	14.08	14,228.45	26.44	11,253.49
Depreciation on operating fixed Assets	3,123.81	10.20	2,834.57	13.20	2,504.01

Other Income	2,109.00	(31.37)	3,072.80	23.33	2,491.57
Financial Charges	790.88	22.93	643.34	64.86	390.23
Profit for the Year	9,797.30	(1.41)	9,937.12	(16.39)	11,884.52

15.2.3 Comments on Audited Accounts

i) Non-recognition of supplemental charges

The Company has not been able to record supplemental charges of Rs.11,451 million from October, 2009. These supplement charges being mark-up charged as delayed payments to Central Power Purchase Agency (CPPA). Had these supplemental charges been charged, it would have enhanced the expenditures and decrease current year profit by Rs.11,451 million. Similarly, accumulated loss would have also increased by a substantial figure of Rs.11,451 million at the balance sheet date. It means that current figure of accumulated loss of Rs.13,741.84 million was understated by an amount of Rs.11,451 million. Non-recognition of these supplemental charges needed justification.

ii) Non-recognition of Syndicate Finance

The Company has not been able to record the credit note of Rs.51,711 million from 2012. The syndicate financing was arranged by PHPL and GOP in order to reduce a portion of circular Debt on markup basis. Accordingly the company has received a credit note aggregating to Rs.51,711 million from the CPPA to recognized this amount as a loan from the payable balance to CPPA. Non-recognition of this credit note needed justification.

iii) Non-recognition of Debit Note

The Company received Debit notes aggregating of Rs.9,747 million (2014: Rs.6,095 million) issued by Central Power Purchasing Agency (CPPA) against syndicated mark up payments for financing agreements executed between Power Holding (Pvt.) Limited "PHPL" and Government of Pakistan for the purposes of repayment of liabilities of DISCOs against cost of electricity purchased. Company has not yet recognized the impact of said debit notes in its books of accounts. Had these debit notes been recognized, it would have increase the expenditure and decrease profit by Rs.9,747 million. Non-recognition of these charges ultimately overstated the profit and understated the accumulated losses by

an amount of Rs.9,747 million which needed justification.

iv) Receivables

The total receivables decreased to Rs.66,456.84 million (2014: Rs.85,823.08 million) which included trade debts of Rs.21,633.09 million (2014: Rs.37,249.25 million) from Government of Pakistan against subsidy and Rs.15,278.56 million (2014: Rs.16,563.47 million) of general sales tax from Federal Board of Revenue (FBR). Trade debts included Rs.2,382.37 million that were due from more than three years. Non-recovery of amounts due since long needed justification.

15.2.4 Profitability

i) Gross profit

During the financial year 2014-15, electricity sales of the Company decreased to Rs.156,759.04 million (i.e. 7.32% over the previous year) (2014: Rs.169,133.70 million). On the other hand cost of electricity also decreased by 10.59% i.e. Rs.146,298.37 million during the year (2014: Rs.146,298.37 million). Gross Profit ratio slightly increased over the previous year i.e. from 13.50% to 16.56% for the financial year.

ii) Net Profit Ratio

The Net Profit ratio of the Company decreased from 5.88% during 2013-14 to 6.25% during 2014-15. The Company earned net profit of Rs.9,797.30 million during the year which reduced accumulated losses of the Company from Rs.22,379.07 million to Rs.13,741.845 million during the current year.

iii) Return on total assets

The return on total assets decreased to 9.78% from 20.23% during the financial year 2013-14. The Company invested Rs.7,999.56 million on the fixed assets mainly on distribution equipment during the financial year. The investment was financed through the consumer security deposits and government grants realized during the current financial year. In addition to the above, the Company held cash reserves of Rs.4,19.23 million.

15.2.5 Recommendations

In view of the forgoing, it was recommended that the Company needs to record supplemental charges and debit notes issued by Central Power Purchase Agency (CPPA) in the accounts of the Company. The Company needs to have strict control over administrative and distribution expenses and may revamp its

organizational structure and address operational issues to maintain and increase profitability.

The issue of huge receivables from Government of Pakistan and private consumers also needed due consideration by making concrete arrangements to recover funds from long outstanding defaulters.

The distribution losses, being the major cause of losses is required to be addressed at higher level to remain within the target notified by National Electric Power Regulatory Authority (NEPRA).

In order to ensure transparency in operations, policies and practices, the Company is required to ensure strict compliance with the Public Sector Companies (Corporate Governance) Rules, 2013.

15.3 Brief comments on the status of compliance with PAC directives

Name of Company	Year	No. of Directives	Status of compliance		
			Full	Partial	Outstanding
MEPCO	2003-04	1	-	-	1 (Para No. 14.4)
	2007-08	5		1 (Para No. 13.15)	4 (Para No. 13.12, 13.19, 13.21 & 13.22)

Position of compliance with PAC directives is not satisfactory

15.4 AUDIT PARAS

15.4.1 Non-bona fide consumption of withdrawal material / funds - Rs.4,161.07 million

According to per Para-4.5 (Section-8) of Distribution Stores Manual, “the Line Superintendent will use the materials on the job for which he drew and will record the consumption in his Electrical Measurement Book (EMB) / Material at Site Register (MSR) showing any materials left after the work has been completed”.

In MEPCO, withdrawal of funds / material amounting to Rs.4,161.07 million for its utilization on electrical works, vehicles, TA / DA, investment, purchases, repair of transformers, were not forthcoming from the available record. Hence, pertinence / sanctity of work performed could not be ascertained.

Non-adherence to the instructions resulted in non-bona fide consumption of withdrawal material / funds amounting to Rs.4,161.07 million up to the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management replied

that all payments were made as per procedure. As regards the supply of material, GRNs, delivery challan & inspection certificates are available for verification.

The DAC in its meeting held on January 20, 2016 directed the management to inquire the matter of non-production of record during inspection for fixing responsibility and submit report to Ministry and Audit within two weeks. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No.730 & 734 /2015-16)

15.4.2 Non-recovery of energy charges from tube-well consumers - Rs.804.60 million

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

In Operation Circles MEPCO, 2,462 tube-well consumers had not paid their electricity bills aging between 4 to 34 months but their connections were running at site that led to non-recovery of Rs.804.60 million.

Non-adherence to commercial operating procedures resulted in non-recovery of energy charges amounting to Rs.804.60 million from tube-well consumers up to the financial year 2014-15.

The matter was taken up with the management during September to October, 2015 and reported to the Ministry during October to December, 2015. The management replied that that according to agreement between farmers and Govt. of Punjab, only current bills were to be paid by the farmers. It was further added that efforts were being made for recovery from agriculture consumers. According to tariff wise billing payment up to December, 2015, (119.46 %) recovery had been made from the agriculture consumers.

The DAC in its meeting held on January 20, 2016 directed the management to expedite the recovery from consumers and get the completed action verified within two months. Further progress was not reported till finalization of the report.

Audit emphasizes expeditious recovery from farmers besides fixing responsibility.

(Draft Para No. 48 & 334/2015-16)

15.4.3 Loss due to non-recovery of sharing cost of grid station from consumers of housing societies – Rs.84.69 million

According to Chief Engineer (P&E) memo No.32471-72 dated October 06, 2010, “(i) 25% of grid sharing cost shall be paid by the sponsor at the time of approval for electrification in P&E office MEPCO Head Quarter (ii) 25% of the grid sharing cost shall be recovered from all plot owners / connections at the time of giving new connection to them according to load assessed of each plot / connection approved design”.

In Operation Circle Multan, MEPCO, grid station sharing cost @ 25% was recoverable against consumers of sixty one (61) private housing colonies under the jurisdiction of various Operation Sub-Divisions. Neither the record for recovery of sharing cost was produced nor the recovery effected from the consumers.

Non-adherence to the instructions resulted in loss of Rs.84.69 million due to non-recovery of sharing cost from consumers of private housing societies during the financial year 2014-15.

The matter was taken up with the management during October, 2015 and reported to the Ministry during December, 2015. The management replied that grid station sharing cost as per SOP was being recovered. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to get verified the duplication and submit revised reply with justification within a week. Further progress was not reported till finalization of the report.

Audit emphasizes expeditious recovery of 25% grid sharing cost from the consumers besides fixing responsibility.

(Draft Para No. 338/2015-16)

15.4.4 Blockage of revenue on account of heavy set aside receivables from consumers – Rs.33.62 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

In Operation Circle Multan MEPCO, an amount of Rs.33.62 million was set aside up to the financial year 2014-15, depriving the Company from revenue.

Non-adherence to instructions resulted in blockage of revenue amounting to Rs.33.62 million on account of heavy receivables from consumers up to the financial year 2014-15.

The matter was taken up with the management during October, 2015 and reported to the Ministry during December, 2015. The management replied that amount had been reduced from Rs.33.62 million to Rs.23.13 million up to December, 2015. However, blockage of revenue was due to court cases which were pursued vigilantly. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to get verified the recovery record in support of reply within a week and pursue the remaining recovery. Further progress was not reported till finalization of the report.

Audit emphasizes expeditious recovery from the consumers besides fixing responsibility.

(Draft Para No. 335/2015-16)

15.4.5 Loss of revenue due to illegal connection to consumers of un-approved housing colony -Rs.6.94 million

According to General Manager (PE&S) WAPDA House Lahore memo circulated policy regarding standards and criteria for the electrification of new housing schemes vide memo dated October 26, 1993, “for electric supply to the plots inside the housing scheme the HT / LT network including installation of distribution transformers are to be constructed on cost to be borne by the sponsors of the housing schemes / colonies besides recovering design vetting charges and grid station cost at the applicable rates. This policy and subsequent amendments is still in vogue and being exercised for approval of design for external electrification of housing schemes by P&E Directorate MEPCO”.

In Operation Circle Multan, MEPCO, three (03) consumers of un-electrified private colony were using electricity through general distribution transformer without recovery of cost of HT / LT network including installation of distribution transformers. Neither the average detection bill of Rs.6.94 million was charged nor connections of the consumers disconnected.

Non-adherence to the above policy resulted in non-recovery of

Rs.6.94 million from the consumers of un-approved housing colony during the financial year 2014-15.

The matter was taken up with the management during October, 2015 and reported to the Ministry during December, 2015. The management replied that as per recommendation of enquiry report, disciplinary action against the four officials at fault had been initiated which was under process.

The DAC in its meeting held on January 20, 2016 directed the management to finalize disciplinary action, ensure recovery from the consumers and get the completed action verified within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 368/2015-16)

15.4.6 Non-finalization of inquiry proceedings against officials involved in illegal custody of electrical material confiscated - Rs.5.87 million

According to Section-IV (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), "a departmental inquiry should not be delayed pending investigation by Police / FIA are pending the decisions of the case by the court but should be instituted promptly, as and when a reasonable suspicions exists that loss has occurred due to theft, defalcation, embezzlement, misappropriation, fraud or such other dishonest act. All relevant documents to the investigation can be provided to Police or other concerned agency so that investigation can proceed simultaneously. Moreover there is no bar in law against taking disciplinary action before the disposal of the criminal case in a court of law".

In Operation Circle Multan, MEPCO, three officials of MEPCO kept electrical material comprising electric transformers, single / three phase electric meters, energy savers, conductor and vehicles illegally in private repair workshop. FIR was lodged with the local police station on June 24, 2015 but fate of the same was not finalized.

Non-adherence to instructions resulted in non-finalization of inquiry proceedings for confiscated electrical material of Rs.5.87 million during the financial year 2014-15.

The matter was taken up with the management during October, 2015 and

reported to the Ministry during December, 2015. The management replied that as per recommendation of enquiry committee, disciplinary action against seven officials was initiated. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to finalize departmental inquiry, pursue the FIR with Police and get the completed action verified within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 370/2015-16)

15.4.7 Irregular payment on account of inadmissible allowances/benefits/facilities – Rs.4.74 million

As per Chief Executive Officer, PEPCO office memo dated October 30, 2013 a contract for the position of Finance Director was offered on the following terms and conditions of salary and benefits/entitlements:

- i) Gross monthly remuneration of Rs.90,000 as a total package inclusive of basic salary, house rent allowance and utility allowance.
- ii) Company maintained vehicle, as available in the company.
- iii) Medical and hospitalization facilities as admissible to other employees of MEPCO.
- iv) No other benefits or facilities will be provided by the company or PEPCO except that the company will bear expenses on travel for business purposes at the maximum rate allowable to WAPDA/ Government officers.

In MEPCO, Finance Director was allowed inadmissible / extra-contractual allowances / benefits / facilities from November, 2003 to November, 2011 (extended from time to time) entailing irregular payment of Rs.4.74 million. As per original contract no benefits or facilities, other than that envisaged in the contract, would be provided to the officer. Hence, the said extra-contractual payment was required to be recovered from the concerned officer.

Non-adherence to contract resulted in Irregular payment of Rs.4.74 million on account of inadmissible allowances / benefits / facilities up to the financial year 2014-15.

The matter was taken up with the management during November, 2011 and reported to the Ministry during December, 2011. The management replied that payments were made as per rules and with the approval of competent authority / Chief Executive Officer. The reply was not tenable as the Chief Executive Officer was not empowered to grant any extra contractual allowance / benefit or allowance to the officers appointed on lump-sum salary package. It was further intimated that an inquiry committee had been constituted by the Chief Executive Officer vide officer order dated November 17, 2011 to probe into the allegations leveled against the said officer, but enquiry report was not produced till finalization of the report.

The DAC in its meeting held on December 19-26, 2011 directed the management to finalize departmental inquiry within sixty (60) days and submit report to Audit within the comments of Principal Accounting Officer. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 369/2011-12)

CHAPTER-16

**PESHAWAR ELECTRIC SUPPLY
COMPANY LIMITED
(PESCO)**

16. PESHAWAR ELECTRIC SUPPLY COMPANY LIMITED

16.1 Introduction

Peshawar Electric Supply Company Limited (PESCO) started its operations as a Public Limited Company, registered under Companies Ordinance, 1984 during May, 1998. The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The mission of PESCO is to provide un-interrupted electric supply and quality service to all customers at the minimum possible cost. The Company purchases electricity from National Transmission and Despatch Company (NTDC) and sells it to the whole area of Khyber Pakhtunkhwa (KPK). However, the business of FATA circle, which consists of tribal area of KPK, has been transferred to Tribal Areas Electric Supply Company Limited (TESCO) since July 3, 2002.

PESCO receives supply from NTDC on 220 KV Grid Stations at Daud Khel, Domail, Mardan and 500 KV Grid Station Peshawar attached with NPCC / NTDC. The jurisdiction of PESCO includes six Operation Circles, one Project Construction Circle, and one Grid System Construction Circle and one Grid System Operation Circle.

16.2 Non-completion / finalization of Financial Statements

According to Section-233 of Companies Ordinance, 1984, “the directors of every company shall at some date not later than eighteen months after the incorporation of the company and subsequently once at least in every calendar year lay before the company in annual general meeting a balance-sheet and profit and loss account or in the case of a company not trading for profit an income and expenditure account for the period, in the case of the first account for the period since the incorporation of the company and in any other case since the preceding account, made up to a date not earlier than the date of the meeting by more than four months”.

In PESCO, the balance sheet and profit & loss account of the company could not be finalized by the management up till December 31, 2015.

Violation of Companies Ordinance resulted in non-finalization of balance sheet and profit & loss account for the financial year 2014-15.

The matter was taken up with the management and reported to the Ministry during December, 2015. The management replied that the finalization

of financial statements for the year ended June 30, 2015 was under process and would be submitted after completion of audit and approval of Board of Directors.

The DAC in its meeting held on January 20, 2016 directed the management to justify the violation of Companies Ordinance within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

16.3 Brief comments on the status of compliance with PAC directives

Name of Company	Year	No. of Directives	Status of compliance		
			Full	Partial	Outstanding
MEPCO	2002-03	10	-	-	10 (Para No. 1 to 6, 8,10, 11 & 12)
	2003-04	6	-	1 (Para No. 15.4)	5 (Para No. 8.6, 15.3, 15.6, 15.7 & 15.8)
	2007-08	3	1 (Para No. 14.15)	1 (Para No. 14.13)	1 (Para No. 14.16)

Position of compliance with PAC directives is not satisfactory

16.4 AUDIT PARAS

16.4.1 Loss due to embezzlement of electrification funds - Rs.17 million

According to Section-IV (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), "a departmental inquiry should not be delayed pending investigation by Police / FIA are pending the decisions of the case by the court but should be instituted promptly, as and when a reasonable suspicions exists that loss has occurred due to theft, defalcation, embezzlement, misappropriation, fraud or such other dishonest act. All relevant documents to the investigation can be provided to Police or other concerned agency so that investigation can proceed simultaneously. Moreover, there is no bar in law against taking disciplinary action before the disposal of the criminal case in a court of law".

In PESCO, PSDP funds amounting to Rs.17 million were transferred to Project Director (Construction) PESCO for installation of thirty two (32) distribution transformers and one hundred (100) poles under the constituency of two Senators. On the complaints of occurrence of massive embezzlement in electrification works, one of the Senator requested investigation agencies / PESCO to dig out the factual position. The departmental inquiry committee was constituted during February, 2015 but the inquiry was not concluded.

Non-adherence to instructions resulted in loss of Rs.17 million due to embezzlement of funds up to the financial year 2014-15.

The matter was taken up with management during November, 2015 and reported to the Ministry during December, 2015. The management replied that the inquiry proceedings were under process and its findings would be informed in due course of time.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply with justification within a week. DAC also directed to finalize departmental inquiry besides taking legal action and get the completed action verified within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives.

(Draft Para No. 629/2015-16)

16.4.2 Non-adjustment of advance payments made to suppliers – Rs.157.59 million

According to Clause 16.1 of General Conditions of Contract,” ten (10) percent advance payment of the contract price within 28 days of signing of the contract shall be made provided the supplier presents a request for payment accompanied by an advance payment security in the form of a bank guarantee for an amount equal to the amount of the payment, and that shall be valid until the goods are delivered.”

In Project Management Unit PESCO, an amount of Rs.157.59 million was paid to seven (07) suppliers as advance payment for supply of electrical material during November, 2010, June, 2011 and June, 2012. The adjustment of this amount was not forthcoming from record.

Non-adherence to provision of contracts resulted in non-adjustment of advance payment of Rs.157.59 million up to the financial year 2014-15.

The matter was taken up with the management during August, 2015 and reported to the Ministry during December, 2015. The management replied that advance payments would be adjusted on completion of the works.

The DAC in its meeting held on January 20, 2016 directed the management to submit case by case detailed reply, ensure adjustment of advance from the payments to contractors and get the completed action verified from Audit within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives.

(Draft Para No. 380/2015-16)

16.4.3 Non-remittance of funds into Government treasury on account of land acquisition –Rs.147.92million

According to guidelines for implementation of Land Acquisition Act, modified up to 1992, “estimated cost / compensation amount on account of acquisition of land placed at the disposal of LAC by the acquiring department must be deposited in the treasury under “Revenue Deposit”

In Grid System Construction PESCO, an amount of Rs.147.92 million was received on account of compensation of acquisition of land but was not deposited into government treasury as per provisions of Land Acquisition Act.

Non-adherence to the Land Acquisition Act resulted in non-remittance of funds to treasury of Rs.147.92 million during the financial year 2014-15.

The matter was taken up with the management during August, 2015 and reported to the Ministry during December, 2015. The management stated that the reply was under preparation.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply with justification within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides ensuring remittance of funds to treasury.

(Draft Para No. 354/2015-16)

16.4.4 Non-distribution of CFLs and non-return of IBs to store – Rs.99.16 million

According to the tripartite agreement signed between Ministry of Water & Power and PEPCO that “PESCO will undertake CFL distribution by utilizing existing staff and logistics while taking care of following requirement:

- i. CFLs will be distributed free of cost to non defaulter domestic / commercial consumers in exchange of healthy IBs and production of original voucher;
- ii. the number of CFLs distributed per household will be two;
- iii. direct door to door installation will be carried out by the staff of PESCO

In Operation Circle Peshawar PESCO, 544,956 healthy CFL valuing Rs.76.29 million remained un-distributed, whereas, 914,796 dismantled IBS

amounting to Rs.22.87 million were required to be returned to store as per policy.

Non-adherence to rules resulted in non-return / distribution of healthy CFL and non-return of IBS valuing Rs.99.16 million to store during the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that due to insufficient empty place in store, they did not accept the MRN from stores. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to inquire the matter of non-distribution of CFL to consumers and non-return of dismantled IBS to store and report be submitted to Ministry and Audit within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 437/2015-16)

16.4.5 Loss due to expenditure on incomplete works – Rs.78.51 million

According to work order, “the work is to be completed in 180 days after issuance of the work order.”

In Grid System Construction PESCO, three work orders were issued to M/s MAK for construction of tower foundations at 132 KV transmission lines in PESCO at labour contract during January and August, 2010 with completion period of 180 days. The material valuing Rs.78.51 million was issued to the contractor for use in the works. The contractor failed to complete the work despite lapse of more than five years. Neither the material was recovered from the contractor nor any action taken against him.

Non-adherence to clause of work order resulted in wasteful expenditure on incomplete works of Rs.78.51 million during the financial year 2014-15.

The matter was taken up with the management during August, 2015 and reported to the Ministry during December, 2015. The management stated that reply was under preparation.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply with justification within a week. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for wasteful expenditure on incomplete works besides fixing responsibility.

(Draft Para No. 353/2015-16)

16.4.6 Loss due to non-indemnification of damaged electrical equipments - Rs.28.40 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

In Grid System Organization PESCO, electrical equipments of various natures valuing Rs.28.40 million were damaged. Though the claims were lodged with Director General Insurance WAPDA but the indemnification amount was not yet received.

Non-adherence to instructions resulted in non-indemnification of loss of Rs.28.40 million up to the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management stated that the reply was under preparation.

The DAC in its meeting held on January 20, 2016 directed the management to submit the detailed reply with justification within a week, expedite finalization of the indemnification cases and get the completed action verified from Audit within two months. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to inquire the matter of loss besides expediting the matter of indemnification with insurance directorate.

(Draft Para No. 353/2015-16)

16.4.7 Loss due to non-deduction of income tax from supplier - Rs.12.22 million

According to Water & Power Development Authority Tax Memorandum 2014 “supply or sale of goods 4.5% of the gross amount payable in the case of other taxpayers” would be deducted.

In Chief Executive Office PESCO, various items valuing Rs.359.61 million were procured up to June, 2015. Out of which, tax exemption certificates for Rs.87.93 million were provided whereas income tax @4.5%

against remaining amount of Rs.271.67 million was not deducted.

Violation of WAPDA Tax Memorandum, 2014 resulted in loss of Rs.12.22 million to public exchequer during the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management stated that reply was under preparation.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply with justification dully supported by documentary evidences within a week. Further progress was not reported till finalization of the report.

Audit recommends that income tax be recovered from suppliers besides fixing responsibility against the person(s) held responsible for negligence.

(Draft Para No. 689/2015-16)

16.4.8 Non-recovery of detection bills from consumers - Rs.8.99 million

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

In Operation Circle Khyber PESCO, surveillance team checked meters and detection bills were charged against two hundred and four (204) consumers on account of non-charging of pending units, un-billed units, meter tempered and theft of energy. The detection bills amounting Rs.8.99 million were charged to consumers, but not recovered.

Non-adherence to commercial operating procedures resulted in non-recovery of detection bills amounting Rs.8.99 million from the consumers during the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management stated that the reply was under preparation.

The DAC in its meeting held on January 20, 2016 directed the management to submit case-wise detailed reply, ensure recovery of detection charges and get verified the completed action from Audit within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides

fixing responsibility.

(Draft Para No. 406/2015-16)

16.4.9 Loss due to illegal retention of transformers – Rs.2.01 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

In Operation Circle Khyber PESCO, nine (9) healthy removed transformers valuing Rs.2.01 million remained under custody of a political party (ANP) in area of sub-division Pabbi-I & III and Pir Pai. Illegal retention of these transformers resulted in loss / misappropriation.

Non-adherence to instructions resulted in loss due to illegal retention of transformers valuing Rs.2.01 million up to the financial year 2015-16.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management stated that reply was under preparation.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply with justification within a week and also referred the matter to PAC for decision. Further progress was not reported till finalization of the report.

Audit recommends that the matter needs to be investigated for fixing responsibility upon the persons at fault besides ensuring the return of healthy dismantled material to store.

(Draft Para No. 374/2015-16)

16.4.10 Loss due to unjustified award of contract with extra cost – Rs.1.92 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

In Grid System Construction PESCO, a contract was awarded to M/s FFK Construction Company for construction of boundary wall at 132 KV grid station, Madyan at a contract price of Rs.6.69 million during August, 2014

with completion period of 90 days. The contractor failed to complete the work after expiry of 270 days. Later on, the same work was awarded to M/s Hameed-ullah-Rehman with a contract price of Rs.8.61 during August, 2015. Thus, an extra expenditure of Rs.1.92 million was to be borne by the company.

Non-adherence to instructions resulted in unjustified expenditure of Rs.1.92 million during the financial year 2014-15.

The matter was taken up with the management during August, 2015 and reported to the Ministry during December, 2015. The management stated that reply was under preparation.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply with justification for not getting the works completed at the risk & cost of the contractor within a week. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter and justify the extra expenditure besides black listing M/s FFK and forfeiture of earnest money / encashment of performance guarantee.

(Draft Para No. 352/2015-16)

CHAPTER-17

**QUETTA ELECTRIC SUPPLY
COMPANY LIMITED
(QESCO)**

17. QUETTA ELECTRIC SUPPLY COMPANY LIMITED

17.1 Introduction

Quetta Electric Supply Company Limited (QESCO) started its operation as a Public Limited Company registered under Companies Ordinance, 1984 during July, 1998. The registered office of the Company is situated in Quetta.

The principal activity of the Company is distribution and supply of electricity within defined geographical boundaries. The Company has obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The mission of the Company is to provide un-interrupted electric supply and quality service to all customers at the minimum possible cost. The Company purchases electricity from National Transmission and Dispatch Company (NTDC) and sells it to the consumers in the Province of Balochistan.

QESCO receives supply from NTDC on 220 KV Grid Stations at Sibi and Quetta. The jurisdiction of QESCO includes four Operation Circles, one Grid System Construction Circle, one Construction Circle and one Grid System Operation Circle.

17.2 Non-completion / finalization of Financial Statements

According to Section-233 of Companies Ordinance, 1984, “the directors of every company shall at some date not later than eighteen months after the incorporation of the company and subsequently once at least in every calendar year lay before the company in annual general meeting a balance-sheet and profit and loss account or in the case of a company not trading for profit an income and expenditure account for the period, in the case of the first account for the period since the incorporation of the company and in any other case since the preceding account, made up to a date not earlier than the date of the meeting by more than four months”.

In QESCO, the balance sheet and profit & loss account of the company could not be finalized by the management up till December 31, 2015.

Violation of Companies Ordinance resulted in non-finalization of balance sheet and profit & loss account for the financial year 2014-15.

The matter was taken up with the management and reported to the Ministry during December, 2015. The management replied that the finalization

of financial statements for the year ended June 30, 2015 was under process and would be submitted after completion of audit and approval of Board of Directors.

The DAC in its meeting held on January 20, 2016 directed the management to justify the violation of Companies Ordinance within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides fixing responsibility.

17.3 Brief comments on the status of compliance with PAC directives

Name of Company	Year	No. of Directives	Status of compliance		
			Full	Partial	Outstanding
QESCO	2002-03	1	-	-	1 (Para No. 1)

Position of compliance with PAC directives is not satisfactory.

17.4 AUDIT PARAS

17.4.1 Non-recovery of cost of independent grid station - Rs.135.42 million

According to NEPRA tariff determination, “Tariff B-4 & C-3 is applicable to consumers for all loads of more than 5,000 KW receiving supply at 66 KV and 132 KV grid station”.

In QESCO, two (2) industrial consumers having sanctioned load below 5,000 KW were running beyond the sanctioned load without the approval of competent authority. In violation of the tariff condition, the field formations neither disconnected the energy connections nor regularized the un-authorized extended load after recovery of cost of independent grid stations.

Violation of NEPRA’s tariff resulted in Non-recovery of Rs.135.42 million from consumers on account of security deposit and grid station cost during the financial year 2014-15.

The matter was taken up with the management and reported to the Ministry during December, 2015. The management replied that as per CP-22 line losses analyses statement, independent feeder code were allotted to both respective consumers. Further, no load was extended by the consumers. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to submit comprehensive reply in the light of the SOPs in vogue within 15 days. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides

fixing responsibility.

(Draft Para No. 635/2015-16)

17.4.2 Recoverable amount from Government of Balochistan – Rs.57.81 million

According to Rule-10(i) of GFR, “every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money”.

In Project Director (Grid System Construction) QESCO, an amount of Rs.57.81 million was recoverable from Government of Balochistan as cost of 132 KV grid station along-with transmission line at Kohlu under Kohlu Development Package.

Non-adherence to GFR rule resulted in recoverable amount of Rs.57.81 million from the provincial government during the financial year 2014-15.

The matter was taken up with the management during October, 2015 and reported to the Ministry during December, 2015. The management replied that Government of Balochistan was requested to remit the remaining amount of Rs.57.80 million vide letter dated December 14, 2015 and GoB had allocated Rs.57.80 million in the current financial year 2015-16. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to produce the relevant record for verification in respect of recovery made within 15 days. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives.

(Draft Para No. 247/2015-16)

17.4.3 Non-recovery of energy charges from agriculture consumers - Rs.16.28 million

According to Chief Executive Officer, QESCO instruction circulated vide dated July 27, 2015 “Federal Government and Government of Balochistan will provide subsidy to agriculture consumer up to Rs.65,000 per month as 40:60 ratio respectively. The agricultural consumer will pay Rs.10,000 per month. In case the bill exceeds Rs.75,000, any amount over and above would be paid by the agricultural consumers”.

In Operation Circle Loralai, QESCO, energy charges amounting to

Rs.45.05 million were billed against 7,411 consumers up to April, 2015. Out of which only Rs.28.77 million were recovered during the financial year 2014-15, leaving a balance of Rs.16.28 million.

Non-adherence to instructions resulted in non-recovery of energy charges amounting to Rs.16.28 million from agricultural consumers during the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that efforts were being made to recover the outstanding dues from respective tube well consumers and above one lac outstanding amount, the list of consumers referred to NAB for recovery.

The DAC in its meeting held on January 20, 2016 directed the management to produce the relevant record for verification in respect of completed action within 15 days and expedite the completion of pending actions within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 385/2015-16)

CHAPTER-18

**SUKKUR ELECTRIC POWER
COMPANY LIMITED
(SEPCO)**

18. SUKKUR ELECTRIC POWER COMPANY LIMITED

18.1 Introduction

Sukkur Electric Power Company Limited (SEPCO) started its operation as a Public Limited Company during 2011 and registered under Companies Ordinance, 1984 as a public limited company.

The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). SEPCO receives energy from three main sources viz. NTDC, GENCOs situated within the jurisdiction of SEPCO and from Small Power Producers / Captive Power Producers at 11 KV. NTDC dispatched energy to SEPCO from its two 500 KV Grid Stations Dadu & Jamshoro and three 220 KV Grid Stations situated at Lodra (Shikarpur). SEPCO also receives electricity directly from GENCOs viz. Gas Thermal Power Station (GTPS) Kotri which has installed capacity of 174 MW, Thermal Power Station (TPS) Guddu having installed capacity of 1,600 MW, Lakhra Power House having installed capacity of 150 MW and Liberty Power House having installed capacity of 235 MW.

The jurisdiction of SEPCO includes three Operation Circles, one Grid System Construction Circle and one Grid System Operations Circle.

18.2 Non-completion / finalization of Financial Statements

According to Section-233 of Companies Ordinance, 1984, “the directors of every company shall at some date not later than eighteen months after the incorporation of the company and subsequently once at least in every calendar year lay before the company in annual general meeting a balance-sheet and profit and loss account or in the case of a company not trading for profit an income and expenditure account for the period, in the case of the first account for the period since the incorporation of the company and in any other case since the preceding account, made up to a date not earlier than the date of the meeting by more than four months”.

In SEPCO, the balance sheet and profit & loss account of the company could not be finalized by the management up till December 31, 2015.

Violation of Companies Ordinance resulted in non-finalization of balance sheet and profit & loss account for the financial year 2014-15.

The matter was taken up with the management and reported to the Ministry during December, 2015. The management replied that the finalization of financial statements for the year ended June 30, 2015 was under process and would be submitted after completion of audit and approval of Board of Directors.

The DAC in its meeting held on January 20, 2016 directed the management to justify the violation of Companies Ordinance within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

18.3 AUDIT PARAS

18.3.1 Loss due to non-recovery of substation / capital cost from consumer – Rs.23.08 million

According to SOP for commercial buildings / plazas circulated vide General Manager (Operation) letter dated July 2, 2010, "commercial buildings / market, plazas having covered area 1,000 sq. ft or more with five or more shops are being electrified by providing independent transformer & the assessment of load is being carried out in accordance with General Manager (PE&S) letter dated October 26, 1993".

In Operation Circle Larkana SEPCO, eighty eight (88) industrial / commercial consumer connections were energized from general duty transformers in violation of the SOP. The company was put to a loss of Rs.23.08 million due to non-recovery of capital cost from the consumers.

Non-adherence to the Standard Operating Procedure resulted in non-recovery of capital cost amounting to Rs.23.08 million from the consumers during the financial year 2014-15.

The matter was taken up with the management during September to October, 2015 and reported to the Ministry during October to December, 2015. The management replied that after verification of record extended load of relevant consumers for the period 2014-15 pertaining to Batch-24 of CP-34 was under process with the concerned offices for recovery of the difference in amounts. The substation cost was unjustified and unrecoverable as the same connections were got sanctioned previously being old connections of existing distribution transformers. Moreover, the Director Surveillance as well as Regional Manager (M&T) was detailed to check the site of connection and verify

the illegal installation of material. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to get verified the record in support of reply from Audit within a week and expedite the cases as per SOP. DAC also directed the management to finalize the required action within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 89 & 289/2015-16)

18.3.2 Irregular execution of rehabilitation works – Rs.16.03 million

According to approval letters of rehabilitation works, “the field formations are directed to visit the site prior to drawing of material / assigning contract. The works may be completed as per approved site sketch and sanctioned BoQ”.

In SEPCO, rehabilitation works of 11 KV Gambat and 11 KV Tando Masti feeders were not executed by the Energy Loss Reduction (ELR) Construction Division according to the approved BoQ items and specification of WAPDA as per joint verification carried out by the Planning Directorate along with M/s Enmass Consultants and SDO Construction Division dated September 10, 2014. No responsibility for irregular execution of rehabilitation works amounting to Rs.16.03 million was fixed.

Non-adherence to instructions resulted in irregular execution of rehabilitation works amounting to Rs.16.03 million up to the financial year 2014-15.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management stated that reply was under preparation.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply with justification and action taken in the light of joint investigation report of Planning Directorate & Consultant be got verified from Audit within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 650/2015-16)

18.3.3 Heavy revenue loss due to negligence of the line staff - Rs.15.73 million

According to Para-1.3 of Commercial Procedures Manual of WAPDA Power Wing, “Revenue Officer and Assistant Manager are responsible for: i) Implementing in conjunction with the Executive Engineer, the commercial policy laid down from time to time by the Authority through the Company, ii) Efficient application of billing and collection procedures”.

In SEPCO, as per inquiry report issued by the Monitoring & Surveillance Division, PEPCO on May 06, 2015, the management of Operation Circle / Division / Revenue Office and Sub-Divisions was jointly responsible for heavy revenue loss of Rs.15.73 million by not disconnecting the defaulter premises (Cattle Housing, Phase-II) in time. Moreover, seventeen (17) connections within defaulter premises were also running without recovering substation cost of a 200 KVA transformer. Neither the recovery was effected from the defaulter consumers nor disciplinary action initiated against the line staff for providing undue favour to the consumers resulting in accumulation of arrears.

Non-adherence to commercial procedure resulted in loss of Rs.15.73 million due to negligence of line staff up to the financial year 2015-16.

The matter was taken up with the management during November, 2015 and reported to the Ministry during December, 2015. The management stated that reply was under preparation.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply with justification within a week, conduct departmental inquiry and action taken thereof be got verified within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s directives besides fixing responsibility.

(Draft Para No. 545/2015-16)

18.3.4 Unjustified augmentation work under PWP budget - Rs.8.19 million

According to Para 11.4(b) of Hand Book for Drawing and Disbursing Officer, “the funds to a Ministry / Division, its attached or subordinate offices are spent for the purpose for which they are allocated”.

In Construction Circle Larkana SEPCO, six (06) augmentation works of Rs.8.19 million for installation of additional transformers under the head “capital investment” were executed by utilizing the budget of Peoples Work Program

(PWP). The approval of Ministry for execution of works under PWP was not forthcoming from the record.

Violation of financial instructions resulted in unjustified execution of augmentation works of Rs.8.19 million out of the budget of PWP up to the financial year 2014-15.

The matter was taken up with the management during September, 2015 and reported to the Ministry during December, 2015. The management replied that the estimates of additional transformers were prepared and approved on the recommendations of MPAs in the interest of public and also the cost of additional transformers / material was paid by the Sindh Government to SEPCO.

The DAC in its meeting held on January 20, 2016 directed the management to produce approval of Prime Minister's office for utilization of PWP budget on augmentation works within a month. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 430/2015-16)

18.3.5 Un-justified payments on account of reimbursement of claims - Rs.2.99 million

According to Clause-5.5 (iv) of the Drawings and Disbursing Officers, public moneys should not be utilized for the benefit of a particular person or section of the community unless:

- a) The expenditure involved is insignificant; or
- b) A claim for the amount can be enforced in a Court of Law;
- c) The expenditure is in pursuance of a recognized policy or custom.

In SEPCO, an amount of Rs.2.99 million was paid to six (6) SDOs / Sub-Engineers on account of re-imburement of miscellaneous expenses incurred from one's own pocket in violation of general financial rules. The amount was paid to the employees rather than paid to the contractors / suppliers for their services directly through cheque.

Non-adherence to general financial rules resulted in unjustified payment of Rs.2.99 million on account of re-imburement of claims during the financial year 2014-15.

The matter was taken up with the management during November, 2015

and reported to the Ministry during December, 2015. The management replied that the amount was paid by the officers / officials to the contractors / labour from own pocket on spot against the works done during flood and rainy season. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to submit detailed reply with justification and get it verified from Audit within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 655/2015-16)

CHAPTER-19

**TRIBAL AREAS ELECTRIC SUPPLY
COMPANY LIMITED
(TESCO)**

19. TRIBAL AREAS ELECTRIC SUPPLY COMPANY LIMITED

19.1 Introduction

Tribal Areas Electric Supply Company Limited (TESCO) was incorporated on July 03, 2002 as a public limited company under the Companies Ordinance, 1984. The Company was formed to acquire / takeover all the properties, rights, assets, obligations and liabilities relating to Federally Administered Tribal areas (FATA) from Water and Power Development Authority (WAPDA) and such other assets and liabilities as agreed. All such assets and liabilities have been transferred to the Company under the terms and conditions of Business Transfer Agreement dated July 31, 2004 which was effective from July 01, 2003. The Company has not yet obtained distribution license.

The Company purchases electricity from NTDC and sells it to the consumers in whole of FATA. The Company receives electricity through PESCO. The jurisdiction of TESCO includes one Operation Circle, one Construction Division, and one SS&TL Division.

19.2 Non-completion / finalization of Financial Statements

According to Section-233 of Companies Ordinance, 1984, “the directors of every company shall at some date not later than eighteen months after the incorporation of the company and subsequently once at least in every calendar year lay before the company in annual general meeting a balance-sheet and profit and loss account or in the case of a company not trading for profit an income and expenditure account for the period, in the case of the first account for the period since the incorporation of the company and in any other case since the preceding account, made up to a date not earlier than the date of the meeting by more than four months”.

In TESCO, the balance sheet and profit & loss account of the company could not be finalized by the management up till December 31, 2015.

Violation of Companies Ordinance resulted in non-finalization of balance sheet and profit & loss account for the financial year 2014-15.

The matter was taken up with the management and reported to the Ministry during December, 2015. The management replied that the finalization of financial statements for the year ended June 30, 2015 was under process and

would be submitted after completion of audit and approval of Board of Directors.

The DAC in its meeting held on January 20, 2016 directed the management to justify the violation of Companies Ordinance within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

19.3 Brief comments on the status of compliance with PAC directives

Name of Company	Year	No. of Directives	Status of compliance		
			Full	Partial	Outstanding
TESCO	2007-08	1	-	-	1 (Para No. 16.12)

Position of compliance with PAC directives is not satisfactory.

19.4 AUDIT PARAS

19.4.1 Non-recovery of outstanding energy charges - Rs.415.03 million

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

In Operation Circle FATA TESCO, seventy six (76) industrial / commercial consumers were running their connections without depositing energy charges amounting to Rs.415.03 million up to August, 2015. No effort was made for disconnection of his connection or recovery of revenue through law enforcement agencies.

Non-adherence to commercial operating procedure resulted in non-recovery of energy charges amounting to Rs.415.03 million from the consumers up to the financial year 2014-15.

The matter was taken up with management during October, 2015 and reported to the Ministry during December, 2015. The management replied that an amount of Rs.24.15 million had been recovered out of Rs.415.03 million and rest of the amount of Rs.390.88 million would be recovered soon. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to produce the relevant record for verification in respect of recovery made / adjusted within a week and expedite the remaining recovery from the

consumers. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 509/2015-16)

19.4.2 Non-recovery of deferred amount of electricity charges – Rs.25.60 million

According to Para-1.3 of Commercial Procedures Manual of WAPDA Power Wing, "Revenue Officer and Assistant Manager are responsible for: i) implementing in conjunction with the Executive Engineer, the commercial policy laid down from time to time by the Authority through the Company, ii) Efficient application of billing and collection procedures".

In the office of Chief Executive Office TESCO, an amount of Rs.25.60 million was deferred on account of electricity charges by the Court of law. The deferred amount was required to be recovered to enable the company to overcome its financial crises.

Non-adherence to commercial procedure resulted in non-recovery of deferred amount of electricity charges amounting to Rs.25.60 million up to the financial year 2014-15.

The matter was taken up with the management during August, 2015 and reported to the Ministry during October, 2015. The management replied that three (03) consumers had got stay orders from various courts over these outstanding arrears and Rs.0.60 million deposited in treasury and transferred to TESCO on October 22, 2015 after decision of the court in favour of TESCO. Audit did not consider the departmental reply satisfactory as no documentary evidence was furnished in support of reply.

The DAC in its meeting held on January 20, 2016 directed the management to produce the relevant record for verification in respect of recovery made / adjusted within a week and pursue the court cases vigorously. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives besides fixing responsibility.

(Draft Para No. 85/2015-16)

CHAPTER-20

PERFORMANCE AUDIT REPORT

ON

GOMAL ZAM DAM PROJECT

D.I. KHAN

20. PERFORMANCE AUDIT REPORT ON GOMAL ZAM DAM PROJECT

EXECUTIVE SUMMARY

Gomal Zam Dam Project was planned at Khujuri Kach on Gomal River in South Waziristan Agency about 60 KM west of Tank in Khyber Pakhtun Khwa Province of Pakistan. This project is a part of WAPDA Vision-2025 Program of water resources and hydropower development. The Project was approved by the Executive Committee of National Economic Council (ECNEC) during August, 2001 with total cost of Rs.12,829 million. Later on, Waran Canal Irrigation system was included in the project on signing the agreement with USAID for this system. Further due to increase in cost and scope of work, a revised PC-I for Rs.20,626 million was approved by ECNEC on March 06, 2014. The Project was to be completed up to October 2010 but not completed even in extended period. Project mismanagement caused delay in reaping the benefits envisaged in PC-I.

Director General Audit WAPDA conducted an audit of Gomal Zam Dam Project during May-June, 2015. The main objectives of the audit were to evaluate the economy, efficiency and effectiveness of the project.

a. **Key Audit Findings**

Following are the key audit findings of Performance Audit Report of Gomal Zam Dam Project:

- i) Irregular extra expenditure on account of salaries to Badraggas - Rs.236 million
- ii) Loss due to less generation of power- Rs.1,673.46 million
- iii) Avoidable expenditure of financing charges - Rs.731.41 million
- iv) Non-revalidation of bank guarantee against release of retention money - Rs.95.72 million
- v) Loss to the Authority due to non-execution of work by the original contractor and award of contract GZD-02 at higher rates - Rs.6,314 million
- vi) Non-recovery of mobilization advance from the contractor- Rs.12.41 million
- vii) Non-recovery of liquidated damages from the contractor due to delayed construction-Rs.382.89 million.

- viii) Non-finalization of outstanding / defective works during defects liability period
- ix) Non-disposal of 50 KN Gantry Crane - Rs. 10 million
- x) Non-verification of physical assets - Rs.51.15 million
- xi) Abnormal delay in execution of Waran Canal System
- xii) Time overrun
- xiii) Cost over run

b. Recommendations

The Audit recommends to:

- i) Implement schedule given in PC-I of the project.
- ii) Vigorously pursue continuous flow of funds.
- iii) Adhere to the conditions and clauses of contracts.
- iv) Ensure proper monitoring and surveillance of project works for achieving quality and timely completion of project.
- v) Strengthen internal controls to avoid financial irregularities.
- vi) Ensure timely resolution of issues between stakeholders to avoid delay.
- vii) Suggest monitoring mechanism regarding achievement of intended objectives of the project.
- viii) Take steps to ensure that electricity is produced according to installed capacity of 17.4 MW.
- ix) Investigate huge time and cost over run in the project to avoid such instance in future.

20.1 Introduction

Gomal Zam Dam Project was planned at Khajuri Kach on Gomal River in South Waziristan Agency about 60 km (37.28 miles) west of Tank in Khyber Pakhtun Khwa, Province of Pakistan. The project was approved by the ECNEC during the year 2001 with total cost of Rs.12,829 million. Gomal Zam Dam Multipurpose Project is being implemented under WAPDA's Vision-2025 Program of Water resources and hydropower development. It was considered by CDWP during June, 2001 and approved by the Executive committee of National Economic Council (ECNEC) during August, 2001 with the following specific instruction:-

1. The latest data of water availability and sedimentation would be

included in the PC-I by WAPDA. Submission of updated PC-I to the ECNEC should be expedited.

2. A plan for design of command area along with schedule of work should be submitted by the Government of Khyber Pakhtun Khwa immediately.
3. A panel of competent International Consultants should review the design at the time of bid evaluation.

The need for storing the flood water of Gomal River had been felt during the year 1880 at the time of first settlement of D.I Khan by the British Administration. After independence, these studies were continued and during the year 1957, a scheme known as “Gulkach Dam Project” was approved by the Government and preliminary works were undertaken by the Provincial Irrigation Department, which continued up to October, 1959. WAPDA took over charge during the year 1959 and re-examined all available data thoroughly. A new proposal was prepared which also included the site Khajuri Kach, 30 miles downstream North of District Tank in the Tribal Area, thereby tapping the biggest tributaries of Zhob River and Wana Toi, which had been left out in the previous Gulkach scheme. During the year 1960, WAPDA invited M/s Energoprojekt a consulting firm of Yugoslavia, to carry out the feasibility studies for the project. The consultants submitted report on the project during May, 1963. The Government of Pakistan approved the project based on this report during August, 1963 at a total cost of Rs.200 million. The activities for the construction of infrastructure, like access roads; colonies etc. were started during early 1964 but stopped due to Indo Pak War of 1965. The Project was reactivated during the year 1983 when it was taken up for complete review by M/s Coyne-Belier of France. During May, 1990, the Consultants submitted feasibility report including design of Dam, Power House and other related appurtenant. Subsequently, an updated feasibility report during the year 1995 was prepared within the framework of contract signed between the then Government of Khyber Pakhtun Khwa Province (IGO KPK) and M/s Coyne-et-Belier for the additional studies of this project. PC-I prepared on the basis of the report, was approved by the ECNEC on August 31, 2001 with a total cost of Rs.12,829 million. Later on Waran Canal Irrigation system was included in the project on signing the agreement with US AID for this system. Further due to increase in cost and scope

of work a revised PC-I for Rs.20,626 million was approved by ECNEC March 06, 2014. The Project was to be completed up to October, 2010 but not completed even in extended period. The taking over was under process with the contractor despite expiry of more than one year above the Defects Notification Period (DNP). The work of Waran Canal was split up to 7 packages. Out of which, work on 5 packages was awarded so far. The work was not started properly. This was causing abnormal delay in completion of whole project.

(a) Objectives of the Project:-

- i) Irrigated agriculture development over a command area of some 77,353 hectares.
- ii) Hydropower generation of about 17.4 MW.
- iii) Control of flash floods including cross-drainage works to project infrastructure and irrigated areas.

(b) Beneficiaries.

Local Community of Tank and Dera Ismail Khan.

(c) Time phasing.

Construction period including details engineering design was 48 months according to PC-I and 41 months according to revised PC-I.

	Original PC-I	Revised PC-I
Commencement date	July, 2002	June, 2007
Completion date	June, 2006	October, 2010

(d) Source of Finance.

Government of Pakistan and USAID.

(e) Types of Finance

(Rupees in million)

Local	Foreign	Total
9,915	10,711	26,626

The Office of the Director General Audit WAPDA conducted audit of Gomal Zam Dam Project during May - June, 2015.

20.2 Audit Objectives

The main Audit Objectives of the project are:

- Reviewing project’s performance against intended objectives;
- Examining whether the awarding and execution of contracts were on merit and successfully executed.

- Assessing whether project was managed economically, efficiently and effectively.
- Reviewing compliance with applicable rules, regulations and procedures.
- Reviewing the cost / time over run.

20.3 Audit Scope and Methodology

Following audit methodology has been adopted during the course of execution of performance audit.

- Discussion with the project management.
- Scrutiny of documents.
- Site visits.
- Examination of the selected records / documents of the project on sample basis.

20.4 AUDIT FINDINGS

20.4.1 ORGANIZATION AND MANAGEMENT

20.4.1.1 Organization and Management

According to PC-I, there are 451 posts of various categories of staff required for construction of Dam, Power House and Barrage by WAPDA.

In Gomal Zam Dam Project, the organization and management structure of the project was not in accordance with the provisions of PC-I. The sanctioned strength of staff for the project approved by WAPDA for 2013-14 was 229 posts. Physical strength working at project was 193. The project was being headed by a Project Director. Turnover against key posts including post of the Project Director remained according to the posting / transfer policy of WAPDA. Internal Auditors were not appointed at the project, as concurrent post audit of accounts was being carried out by Government Auditors. However, stock verification of assets was required to be carried out through the representative of Chief Auditor WAPDA annually which was not done.

The matter was taken up with the management and reported to the Ministry during September, 2015. The management replied that physical stock verification was under process. As soon as it was completed, the same would be produced.

The DAC in its meeting held during January, 2016 directed the

management to produce physical stock verification report as and when it was completed. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's decision.

20.4.1.2 Irregular extra expenditure on account of salaries to Badraggas – Rs. 236 million

According to Clause-9 of Memorandum of understanding between WAPDA and M/s Frontier Works Organization (the contractor), "The contractor shall be responsible for security measure on the site and around the site perimeter and will ensure safety measures for expatriates and local personnel's between site to Jandola and to D.I.Khan and working on the site. WAPDA will not be responsible for the health and safety and other security measures".

In Gomal Zam Dam Project, a contract GZD-01 was awarded to joint venture of companies of Peoples Republic of China during 2002 at a contract price Rs.4,388.83 million. Only 13.3% work was carried out by the contractor when kidnapping of Chinese officials / Engineer happened during October, 2004. As a result of this incident, one Chinese national was killed. WADPA had to pay Rs.9.15 million as compensation to the family of deceased. This was due to lack of Security Management. The remaining work was awarded to M/s FWO under Contract GZD-02. As per Clause 9 noted above, the responsibility of security rested with the contractor and the contractor was paid for the same. In presence of Badraggas & FWO, another incident occurred on August, 2012 when eight (8) staff members of WAPDA / Management Consultants were kidnapped and WAPDA paid Rs.12.50 million (up to 50% share) for release of kidnapped persons. Even then the Badraggas were being paid regularly and they were paid Rs.236 million up to May, 2015. As the Badraggas failed in protection as well as in presence of FWO security, the payment of Rs.236 million to Badraggas was irregular and extra burden on WAPDA. Violation of MOU resulted in extra payment of Rs.236 million.

The matter was taken up with the management and reported to the Ministry during September, 2015. The management replied that security of the Dam site was beefed up in order to avoid untoward incidents in future.

The DAC in its meeting held during January, 2016 directed the management to furnish detailed reply in the light of Memorandum of Understanding as to whether contractor was responsible or not for security within

a week. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to inquire the matter for fixing responsibility for violation of Clause-9 of Memorandum of Understanding besides recovery from the contractors.

20.4.1.3 Loss due to less generation of power- Rs. 1,673.46 million

According to Clause-8.2 of COC “time for completion” the contractor shall complete the whole work and each section (if any) within the time for completion for the works or section(as the case may be) including (a) achieving the passing of the tests on completion and (b) completing all work which is stated in contract as being required or the work or the section to be considered to be completed for the purpose of taking over under sub clause 10.1(taking over the work and section).

In Gomal Zam Dam Project, an EPC contract was awarded by WAPDA to M/s FWO on March 09, 2007 for completion of the main project works (Less transmission line) at a contract price of Rs.10,400.63 million. The notice to commence the works was issued on the same day. The contract was to be completed within period of 3 years and 120 days. The sub let contractor M/s SHC for Dam and Hydro Power component commenced the work during August 2007. The work on this component could not be completed within stipulated period (up to October 08, 2010). The Authority accorded approval of 5th extension of time for 107 days i.e. March 01, 2013 to June 15, 2013. The contractor was to handover the Dam and Hydropower component to WAPDA after compliance of all requirements under the contract up to June 15, 2013. The taking over could not be made as the defect free performance of all equipments was not proved during the defect liability period with effect from June 16, 2013 to June 15, 2014 and even up to June 30, 2015 (unapproved extended period). During this period the power house only generated 70.47 million units up to June 24, 2015 against the required production of 304.85 million units. Contract violation resulted in loss of Rs.1,673.46 million due to less generation of 234.38 million units.

The matter was taken up with the management and reported to the Ministry during September, 2015. The management replied that the project was delayed. Therefore, it could not be operated.

The DAC in its meeting held during January, 2016 directed the

management to operate the power house at the earliest period and inform to Audit accordingly. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to inquire the matter for fixing responsibility for delay in project and implement the DAC's decision.

20.4.2 FINANCIAL MANAGEMENT

20.4.2.1 Avoidable expenditure of financing charges - Rs.731.41 million

According to Clause-14.7 (b) of COC, "the Employer shall pay to the contractor, the amount which is due in respect of each statement, other than the financial statement within 56 days after receiving the statement and supporting documents". Further clause 14.8 provides that if the contractor does not receive payment in accordance with sub-clause 14.7(b), the contractor shall be entitled for recovery of financing charges compounded monthly on the amount unpaid during the period of delay. Moreover, financing charges shall be calculated at the annual rate of two percentages above the discount rate of the State Banks of Pakistan and shall be paid in the currencies of payment.

In Gomal Zam Dam Project, an EPC contract was awarded to M/s FWO at a contract price of Rs.10,400 million. Owing to non-payment to the contractor within due time, payment of Rs.731.41 million was made on account of financing charges as below. Financial mismanagement resulted in avoidable expenditure of Rs.731.41 million.

The matter was taken up with the management and reported to the Ministry during September, 2015. The management replied that financial charges were paid due to shortage of funds.

The DAC in its meeting held during January, 2016 directed the management to produce detail of releases of funds so that it could be ascertained whether there was shortage of funds or not. Further progress was not reported till finalization of the report.

Audit recommends implementation the DAC's directives.

20.4.2.2 Non-revalidation of bank guarantee against release of retention money - Rs.95.72 million

According to per Clause-14.9 of COC, "when the taking-over certificate has been issued for the works and the works have passed all specified tests (including the tests after completion, if any) the first half of the retention money shall be paid to the contractor. If a taking-over certificate is issued for a section,

the relevant percentage of the first half of the retention money shall be paid when the section passes all tests”. As per Contract Clause-14.9 “ that the contractor shall ensure that the guarantee is valid and enforceable until the contractor has executed and completed the works and remedied all defects, as specified for the Performance Security in Sub Clause-4.2, and shall be returned to the contractor accordingly. This release of retention money shall be in lieu of the release of the second half of the retention money under the second Paragraph of Sub Clause-14.9 of the General Conditions.

In Gomal Zam Dam Project, 1st half of the retention money amounting to Rs.95.72 million was released to the contractor M/s FWO, during April, 2014 vide JV No.56 (IPC 60 Irrigation component for the period December, 2013 to January, 2014) against the bank guarantee submitted by the contractor. The bank guarantee was expired on December 31, 2013. Whereas the payment of retention money was made during April, 2014 which was not in order. The contractor had to ensure that guarantee was valid and enforceable until the contractor executed and completed the works and remedied any defects, as specified for the performance security in sub clause 4.2. The extended period for completion was expired on December 31, 2013, but work could not be completed and handed to the Employer. Hence, bank guarantee should have been revalidated up to the handing over of the project. Violation of contract agreement resulted in benefit to the contractor through release of retention money amounting to Rs.95.72 million.

The matter was taken up with the management and reported to the Ministry during September, 2015. The management replied that contractor namely FWO was requested to revalidate the Bank Guarantee.

The DAC in its meeting held during January, 2016 directed the management to investigate the matter within 30 days as to why payment was made without revalidation of Bank Guarantee. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC’s decision.

20.4.3 PROCUREMENT AND CONTRACT MANAGEMENT

20.4.3.1 Loss to the Authority due to non-execution of work by the original contractor and award of contract GZD-02 at higher rates - Rs.6,314 million

According to Clause-17.2, “Contractors care of the work” of General Condition of Contract EPC Turnkey Projects, “the contractor shall take full

responsibility for the case of the works and goods from the commencement date until the taking over certificate is issued. If any loss or damage happens to the works, goods or contractor documents during the period when the contractor is responsible for their care from any cause not listed in sub Cause-17.3, the contractor shall rectify the loss or damage at the contractor's risk and cost".

In Gomal Zam Dam Project, the Government of Pakistan approved the PC-I at a cost of Rs.12,829 million. The contract No. GZD-01 was awarded at cost of Rs.4,388 million to the contractor (M/s CWHEC-HPE) of the People Republic of China on June 17, 2002. The work of the contract GZD-01 was stopped by the contractor M/s CWHEC-HPE-JV on October 09, 2004 due to kidnapping, murder and injury of Chinese personnel at dam Site. Subsequently, the contract GZD-01 was terminated by the Employer on the ground that the original contractor was not agreeing to execute the remaining work. Further, the contract was awarded to M/s Frontier works organization (FWO) on March 09, 2007 for completion of the main project work (less transmission line) at a total cost of Rs.10,400 million. The transmission line was constructed through deposit work. The Authority sustained a loss of Rs.6,314.80 million due to termination of Contract GZD-01 and award of Contract GZD-02 at higher rates and execution of work of transmission line through deposit work.

The matter was taken up with the management and reported to the Ministry during September, 2015. The management replied that due to kidnapping of Chinese Engineer on October 09, 2004, the contractor suspended the work at site and evacuated all the personnel. Therefore, ECC terminated the contract and re-awarded the contract at negotiated rates.

The DAC in its meeting held during January, 2016 directed the management to get verify the relevant record from Audit. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's decision.

20.4.3.2 Non-recovery of mobilization advance from the contractor- Rs.12.41 million

According to Contract Clause-60.11 (Financial Assistance to Contractor) financial assistance shall be made available to the contractor by the employer as follows:

- a) An interest-free Mobilization Advance up to 10% of the contract

price stated in the letter of acceptance shall be paid by the employer to the contractor in two equal parts upon submission by the contractor of a mobilization advance, guarantee for the full amount of the advance in the specified form from a scheduled Bank in Pakistan.

1. First part within 21 days after signing of the contact agreement or date of receipt of Engineer's Notice to Commence, whichever is earlier; and
2. Second part within 42 days from the date of payment of the 1st part subject to the satisfaction of the Engineer as to the state of mobilization of the contractor.

a) This advance shall be recovered in equal installments; first installment at the expiry of second month after the date of payment of first part of advance and the last installment on substantial completion of the works as per Clause-43 hereof.

In Gomal Zam Dam Project, a contract GZ-03 (Package-F) was awarded to M/s Shoukat Khan & Co. at a contract price of Rs.248.12 million. The agreement was signed on August 04, 2014 for execution of work. As per contract, 5 % mobilization advance (1st part) for Rs.12.41 million was issued to the contractor on January 15, 2015. The advance was recoverable after the expiry of 2nd month from the date of issue of advance i.e. January 15, 2015. But no recovery was made which was against the contractual obligation / provision.

The matter was taken up with the management and reported to the Ministry during September, 2015. The management replied that recovery of mobilization advance would be made from the first running bill of the contractor on its receipt.

The DAC in its meeting held during January, 2016 directed the management to effect the recovery and get the record verified from Audit. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's decision.

20.4.4 CONSTRUCTION OF WORKS

20.4.4.1 Non-recovery of liquidated damages from the contractor due to delayed construction - Rs. 382.89 million

According to Clause-8.2 of Contract agreement, "contractor shall complete the whole of the work and each section (if any) within the time for completion for the works or section". Clause-8.7 further provides that if the

contractor fails to comply with sub-clause 8.2, the contractor shall pay delay damages to the Employer for this default. As per particular conditions, 0.03% of the contract price, as delay damages in respect of the works, payable per day in the proportions of currencies in which the contract price is payable. The maximum amount of delay damages shall be 10% of the contract price.

In Gomal Zam Dam Project, an EPC contract was awarded to M/s FWO at a contract price of Rs.10,400 million for construction of Gomal Zam Dam multipurpose project under contract GZD-02. This contract had two main components viz. Dam and Hydropower (less transmission line) component and irrigation and flood protection component. The contract price of irrigation component was Rs.3,828.88 million. The component was to be completed up to December 31, 2013 (extended period). Neither the work was completed nor the Extension of Time (EOT) granted by the Authority. According to the above clauses of the contract, the contractor was liable to be charged LD for Rs.382.89 million (Maximum 10% of the contract price). Violation of contract resulted in non-recovery of LD charges.

The matter was taken up with the management and reported to the Ministry during September, 2015. The management replied that recovery of L.D charges would be effected at the time of final settlement of contractor's claims.

The DAC in its meeting held during January, 2016 directed the management to inform to Audit on recovery of L.D charges. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's decision.

20.4.4.2 Non-finalization of outstanding / defective works during defects liability period

Under Sub Clause 2.21 ER of contract agreement requires the Employer's Representative / Consultant Engineers certification that works / parts of work have been substantially completed and shall be used for intended purpose to the satisfaction of Engineers.

In Gomal Zam Dam Project, a contract No.GZD-02 was awarded to M/s FWO at a contract price of Rs.10,400 million. The work on Dams and Hydropower component was started during August, 2007 which was to be completed up to October, 2010. The work was not completed up to due date. The extensions in time (EOT) were granted up to June 15, 2013 with defect liability

period of one year up to June 15, 2014. At the time of process of taking over, a number of defects / remaining works / non-performance of various tests, etc. were noticed. An agreed punch list of defective works / incomplete work other defects during June to September, 2013 was issued to the contractor and defects notified by WAPDA O&M staff w.e.f. June, 2013 were also brought in his notice for remedial purpose. Defect notification period of one year was expired on June 15, 2014 and one year was also expired on June 15, 2015, but outstanding issues were not resolved by the sublet contractor. Owing to this the Power House could not be put into commercial use resulting in loss of generation to WAPDA / Government of Pakistan.

The matter was taken up with the management and reported to the Ministry during September, 2015. The management replied that defects in work would be removed as early as possible.

The DAC in its meeting held during January, 2016 directed the management to remove the defects in works and get it verified from Audit. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's decision.

20.4.5 ASSET MANAGEMENT

20.4.5.1 Non-disposal of gantry crane - Rs. 10 million

According to clause 1.4.2 (a) of the WAPDA Disposal Procedure, "once declared unserviceable, beyond economic repairs or dead by the competent authority, the material should be disposed off with minimum delay".

In Gomal Zam Dam Project, a gantry crane (China made) was installed on the roof of the power house during construction. The crane remained in use since 2010. The subject crane became surplus of the requirement of the project during 2012. It was removed / dismantled in order to construct the GIS switchyard on the roof of Power House. Since its removal, the crane was lying in the open atmosphere and being deteriorated and losing its value day by day. As soon the crane became surplus it should have been disposed off immediately. The non-disposal of the crane was required to be justified and immediate steps be taken for its immediate disposal / transfer to other WAPDA projects in the interest of the Project.

The matter was taken up with the management and reported to the Ministry during September, 2015. The management replied that disposal of the

crane was under process with the Chief Engineer Purchase & Disposal WAPDA Lahore. As soon as it was completed, the same would be communicated.

The DAC in its meeting held during January, 2016 directed the management to dispose off the crane and report to Audit. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's decisions.

20.4.5.2 Non-verification of physical assets - Rs.51.15 million

In Gomal Zam Dam Project, there existed assets like machine with allied equipment and vehicles amounting to Rs.51.15 million. As required under the rules, the physical existence was neither verified by the office of the Chief Auditor WAPDA, Lahore nor by the project authorities. Non-verification of assets was required to be justified.

The matter was taken up with the management and reported to the Ministry during January, 2016. The management replied that stock verifier had been deputed to carry out physical verification of the assets.

The DAC in its meeting held during January, 2016 directed the management to produce physical verification report to Audit. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's decision.

20.4.6 MONITORING AND EVALUATION

20.4.6.1 Abnormal delay in execution of Waran Canal System

At Gomal Zam Dam Project WAPDA, D.I.Khan the work of Waran Canal Irrigation system was included in the Revised PC-I approved in 2014. The USAID agreed on July 20, 2012 through Amendment No.2 (PIL No.Gomal-03) to provide US\$ 12 million for this work with a completion schedule of work up to June 30, 2015. For the execution of work, the work was divided into 4 packages and then into 7 packages of Contract GZD-03, with engineer's estimated cost of Rs.1,453.47 million which were revised as Rs.1,619.48 million after inclusion of general item and day work cost against the provided sum of Rs.939.21 million (in the revised PC-I). Bids were opened on November 11, 2013 and after evaluation of bids the works were awarded. The work was started only by two contractors.

Sr. No package	Name of Work	Name of contractor	Engineer's Estimated cost (Rs. in million)	Contract price (Rs. in million)	Bid%	Date of Contract agreement
3A	5.6 KM 1 st reachd RD-03 + df 500 to RD-09 + 100	M/s FWO	177.37	264.15	48.96% above	23.01.2015
3B	Waran canal of apartment structure 8.9 KM 2 nd Reach	M/s Sarwar construction	214.49	240.10	11.94% above	10 October 2014
3C	7 KM 3 rd reach RD18 + 000 to 25 + 000	M/s FWO	254.97	326.82	28.18% above	23.1.2015
4F	Minor of Waran canal of apportunate structure 43 KM reach	M/s Shaukat Khan & Co	202.90	248.12	22.28% Above	4.8.2014
3E	Minor of Waran Canal of apportunate structure 34.5KM 1 st reach	Shah Baber	238.73	270.76	13.42% above	13.2.2015
3D	11.5 km 4 th reach (RD-25 + 000 to RD 36 + 491)	M/s Kundi Development Corporation	272.33	332.94	22.26% above	Letter of acceptance withdrawn
3G	Left over minors appurtenant structures	-do-	258.69	248.84	03.81% (below)	Not finalized
		Total	1,619.48	1,931.73		

Audit held that:-

- i) The work was split up into 7 packages instead of one irregularly whereas nature of work was the same.
- ii) The WAPDA was facing acute shortage of funds for completion of the project. The provision of mobilization advance @ 10% of contract price which came out to be Rs.193.17 million was not justified at all.
- iii) The work under package "A" was awarded to M/s FWO on single bid and at much higher rates i.e.48.93% without competition. The Central Contract Cell (CCC) advised that this bid was required to be rationalized in the light of Bid for package "C". The work was awarded against this recommendation. The work under package "C" was also awarded to M/s FWO at higher rates than awarded to others.
- iv) The acceptance letter in case of package "D" was withdrawn due to non-resolution of discrepancy in the bid. The discrepancy was not pointed out at the early stage of evaluation. It was pointed out after issuance of letter of acceptance. No action taken against the responsible.
- v) The lowest bid in case of package "G" was submitted by M/s Kundi Development Construction @ 3.81% below the engineer's estimate. The award

was not finalized despite clear recommendations by the Management Consultants / Project authorities and Central Contract Cell (CCC). The WAPDA was losing award at the lowest rate without any cogent reasons.

vi) In case (i), (iii) & (iv), bid prices were more than 15%. The revised admn. & technical approval was required from the competent authority.

vii) The arrangement of fund more than that approved in the revised PC-I was not done.

The matter was taken up with the management and reported to the Ministry during September, 2015. The management replied that work was split up into seven packages with provision of mobilization advance as contractor did not participate in the bidding process at the first instance. Subsequently, retendering was conducted in order to complete the work as early as possible.

The DAC in its meeting held during January, 2016 directed the management to verify the relevant record from Audit. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's decision.

20.4.7 OVERALL ASSESSMENT

20.4.7.1 Time overrun

According to original PC-I, the Gomal Zam Dam Project was required to be completed up to June, 2006.

In Gomal Zam Dam Project, the work of the project was awarded on EPC contract No. GZD-01 on June 17, 2002 at a contract price of Rs.4,388.83 million to a joint venture comprising of China National Water Resources and Hydro Power Engineering Corporation and Harban Power Engineering Company of the Peoples Republic of China. The Contract was terminated on April 14, 2006 due to kidnapping of contractor's employees during September, 2004. The physical progress of the contract was 13.3% up to September, 2004. After 19 months another contract GZD-02 was awarded to M/s FWO. The work was to be started from June 11, 2007 and was to be completed within a period of 03 years and 120 days i.e. up to October, 2010. The work was not completed up to the scheduled period. Till the closing of June, 2015, the project was not handed over to WAPDA. Hence, the period for more than 9 years (June, 2006 to June, 2015) was time over run in completion of the project.

The matter was taken up with the management and reported to the

Ministry during September, 2015. The management replied that proper reply would be furnished later on.

The DAC in its meeting held during January, 2016 directed the management to provide justification of cost overrun including EOT compensation charges. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's decision.

20.4.7.2 Cost over run

According to the original PC-I, approved cost of the Gomal Zam Dam Project was Rs.12,829 million.

In Gomal Zam Dam Project, an EPC contract was awarded by WAPDA on June 17, 2002, to the Joint venture Comprising of China National water resources and Hydropower Engineering Corporation and Harbin Power Engineering Company (CWHEC-HPE JV) of the People's Republic of China at cost of Rs.4,388.83 million. The work was started in time. However, due to kidnapping of contractor's two persons and a police man by some terrorist on October 09, 2004, the contractor stopped the work. The contract was terminated by the Employer on April 14, 2006 due to non-resuming the site by the contractor despite all efforts made by WAPDA. Another contract GZD-02 was awarded to M/s FWO on negotiated basis at contract price of Rs.10,400 million to carry out the remaining work (less transmission line). Later on a Revised PC-I was approved in 2014 and project total cost increased from Rs.12,829 million to Rs.20,626 million. The variation in cost between original PC-I and Revised PC-I caused cost overrun amounting to Rs.7,797 million. Up to June, 2015 a total expenditure of Rs.18,400 million was incurred and still heavy amount was payable. Moreover, a new component of Waran canal was added and contracts costing Rs.1,931.73 million were to be finalized. Hence, cost of the project would be more than three times as compared to the cost approved in the original PC-I.

The matter was taken up with the management and reported to the Ministry during September, 2015. The management explained that detailed reply would be furnished.

The DAC in its meeting held during January, 2016 directed to submit detailed reply within a week. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's decision.

20.5 CONCLUSION

The Project Management could not properly manage and closely monitor all the activities timely due to which the benefits envisaged in the PC-1 could not be achieved well in time and were delayed unnecessarily.

20.6 RECOMMENDATIONS

Audit recommends to:-

- i) Implement schedule given in PC-I of the project.
- ii) Vigorously pursue continuous flow of funds.
- iii) Adhere to the conditions and clauses of contracts.
- iv) Ensure proper monitoring and surveillance of project works for achieving quality and timely completion of project.
- v) Strengthen internal controls to avoid financial irregularities.
- vi) Ensure timely resolution of issues between stakeholders to avoid delay.
- vii) Suggest monitoring mechanism regarding achievement of intended objectives of the project.
- viii) Take steps to ensure that electricity is produced according to installed capacity of 17.4 MW.
- ix) Investigate huge time and cost overrun in the project to avoid such instance in future.

20.7 ACKNOWLEDGEMENT

We wish to express our appreciation to the management and staff of Gomal Zam Dam Project for the assistance and cooperation extended to the auditors during this assignment.

ANNEXURES

Annexure-I**Audit Paras, not considered significant enough to report to the Parliament,
included in MFDAC***(Rs. in million)*

Sr. No.	DP No.	Name of Formation	Subject	Rupees
1	1925	Water	Inadmissible payment to contractor on account of escalation on general items of contract - Rs.42.56 million	42.56
2	1929	Water	Loss due to supply of medicines at higher rates in WAPDA Hospital - Rs.1.22 million	1.22
3	1930	Water	Irregular expenditure due to placement of uneconomical laboratory equipments on re-agent rental basis - Rs.22.85 million	22.85
4	1931	Water	Non-recovery on account of irregular drawl of jobless allowance - Rs.0.95 million	0.95
5	1937	Water	Irregular expenditure due to execution of defective civil work - Rs.22.05 million	22.05
6	1943	Water	Non-recovery of liquidated damages from contractor - Rs.2.78 million	2.78
7	1947	Water	Loss due to shortage of material - Rs.1.90 million	1.90
8	1951	Water	Overpayment due to excess payment from the provision of variation order - Rs.28.94 million	28.94
9	1952	Water	Irregular payment due to non-provision of rehabilitation of structure of Muzaffargarh Canal in the PC-I of the project - Rs.12.89 million	12.89
10	1953	Water	Loss due to interest on delayed payments - Rs.17.11 million	17.11
11	1954	Water	Irregular payment made to the contractor on account of escalation - Rs.1.46 million	1.46
12	1957	Water	Loss on account of compensation to contractor on delayed payment - Rs.19.89 million	19.89
13	1958	Water	Irregular award of work without administrative approval and technically sanctioned estimate - Rs.38,792.14 million	38,792.14
14	1960	Water	Loss due to theft/decoity of security weapons - Rs.0.31 million	0.32
15	1961	Water	Irregular procurement of vehicles - Rs.29.97 million	29.97
16	1962	Water	Irregular obtaining of insurance covers from United Insurance Company - Rs.66.10 million	66.10
17	1964	Water	Non-production of record - Rs.16.30 million	16.30
18	1970	Water	Unjustified/irregular payment to the contractor against BOQ item NO.5.1(III) of contract KC-4A - Rs.46.60 million	46.60
19	1971	Water	Loss due to non-regularization / accountal of surplus material - Rs.5.05 million	5.05
20	1975	Water	Non-submission of adjustment account - Rs.5 million	5.00
21	1977	Water	Loss due to non-remitting bank profit to authority's account - Rs.2.05 million	2.05

22	1985	Water	Unjustified payment of escalation charges - Rs.315.94 million	315.94
23	2008	Water	Irregular payment on account of variation orders - Rs.282.87 million	282.87
24	2011	Water	Loss due to extra contractual favour granted to contractor - Rs.1,836 million	1,836.00
25	2014	Water	Irregular expenditure due to maintenance of the Kachhi Canal Project - Rs.34.72 million	34.72
26	2016	Water	Loss on account of general items of works - Rs.84.27 million	84.27
27	2017	Water	Irregular payment on account of E.O.T cost - Rs.810.73 million	810.73
28	2018	Water	Irregular expenditure beyond approved PC-I - Rs.1,992.81 million	1,992.81
29	2019	Water	Loss due to non-reflection of GST on the procurement of steel and cement by the contractor - Rs.40.73 million	40.73
30	2022	Water	Loss due to shortage of electrical material - Rs.0.80 million	0.80
31	2023	Water	Loss due to unjustified release of L.D charges to the contractor - Rs.13.34 million	13.34
32	2035	Water	Unjustified execution of work - Rs.416 million	416.00
33	2041	Water	Loss due to acceptance of incomplete medical equipment - Rs.4.37 million	4.37
34	2042	Water	Loss due to purchase of medicine from private medical store - Rs.3.54 million	3.54
35	2044	Water	Unjustified expenditure on account of Admn, Authority overhead, IDC and Consultancy - Rs.2,439.91 million	2,439.91
36	2045	Water	Irregular expenditure due to non-provision of new Hamal regulator in the revised PC-I of the project - Rs.75.29 million	75.29
37	2046	Water	Irregular expenditure due to repair of old Hamal regulator - Rs.6.15 million	6.15
38	2049	Water	Irregular award of contract for supply of diet to patients - Rs.3.20 million	3.20
39	2050	Water	Undue favour extended to supplier in violation of PPRA Rules - Rs.10.47 million	10.47
40	2056	Water	Irregular procurement of office vehicles-Rs.3.95 million	3.95
41	2064	Water	Loss due to defective contract agreement - Rs.0.71 million	0.71
42	2065	Water	Loss due to sub-standard civil works - Rs.2.80 million	2.80
43	2066	Water	Irregular purchase of medicines without DTL Reports - Rs.43.85 million	43.85
44	2067	Water	Loss due to non-reduction in prices of medicines - Rs.28.31 million	28.31
45	2070	Water	Less deduction of income tax from Foreign Consultants - Rs.1.01 million	1.01
46	2073	Water	Irregular instructions and charging of cost of VIP cars to development projects - Rs.5.12 million	5.12
47	2077	Water	Non-finalization of insurance claims under WAPDA Equipment Protection Scheme - Rs.109.45 million	109.45

48	2079	Water	Over payment on account of maintenance charges – Rs.2.15 million	2.15
49	2080	Water	Non-remittance of income tax – Rs.5.90 million	5.90
50	2082	Water	Unjustified expenditure of POL, repair and maintenance, staff cost – Rs.2.04 million	2.04
51	2090	Water	Loss due to award of purchase order to 2 nd lowest bidder – Rs.1.04 million	1.04
52	2099	Water	Irregular payment made to suppliers of medicines – Rs.27.96 million	27.96
53	2100	Water	Loss due to non return of old healthy equipment – Rs.3.65 million	3.65
54	2101	Water	Unjustified outstanding payables on account of demurrage charges to RRK - Rs.1.73 million	1.73
55	2102	Water	Non-recovery on account of irregular drawal of stipend - Rs.0.97	0.97
56	2103	Water	Irregular procurement of medicine - Rs.36.05 million	36.05
57	2105	Water	Irregular expenditure due to non-provision in the revised PC-I of project - Rs.5.79 million	5.79
58	2109	Water	Irregular execution of work beyond PC-I – Rs.7 million	7.00
59	2112	Water	Undue financial favour to contractor due to non-provision of insurance cover against works – Rs.220.26 million	220.26
60	2114	Water	Loss due to non-recovery of risk and cost from contractor – Rs.1.15 million	1.15
61	1927	WHEP	Undue favour to the contractors due to non-obtaining of insurance coverage - Rs.307.61 million	307.61
62	1935	WHEP	Non-submission of adjustment account of advances - Rs.3,575.13 million	3,575.13
63	1940	WHEP	Non-renewal of bank guarantees - Rs.70.31 million	70.31
64	1941	WHEP	Loss due to non-completion of civil works by contractor - Rs.9.95 million	9.95
65	1942	WHEP	Irregular award of contract in violation of PPRA Rules - 7,066.96 million	7,066.96
66	1944	WHEP	Loss due to non-payment of interest charges on delayed payment - Rs.2.07 million	2.07
67	1950	WHEP	Non-recovery of LD charges- Rs.15.77 million	15.77
68	1955	WHEP	Non-recovery of cost of land from Pak Army - Rs.102.54 million	102.54
69	1965	WHEP	Loss due to double payment on account of salaries to consultants - Rs.37.61 million	37.61
70	1968	WHEP	Non-recovery of liquidated damages - Rs.5.77 million	5.77
71	1969	WHEP	Non-deduction of liquidated damages from contractor - Rs.3.55 million	3.55
72	1978	WHEP	Excess payment of price adjustment - Rs.15.36 million	15.36
73	1979	WHEP	Non-utilization of PSDP funds - Rs.340 million	340.00
74	1981	WHEP	Avoidable expenditure of financial charges on delayed payments - Rs.59.35 million	59.35
75	1982	WHEP	Irregular payment to consultants on account of excess expenditure beyond revised PC-I - Rs.56.89 million	56.89

76	1988	WHEP	Undue burden of expenditure on account of employer's negligence - Rs.1,200 million	1,200.00
77	1990	WHEP	Unjustified payment to the contractor on account of P&G expenses - Rs.667.49 million	667.49
78	1992	WHEP	Loss of revenue due to non-completion of NJHPP - Rs.51,000 million	51,000.00
79	1993	WHEP	Loss due to enhanced rate for operation and maintenance of power plants - Rs.168.20 million	168.20
80	1994	WHEP	Non-recovery of interest on account of irregular advance payments to contractor - Rs.670.14 million	670.14
81	1995	WHEP	Irregular payment against approved variation order - Rs.1,907.06 million	1,907.06
82	1996	WHEP	Doubtful payment against variation order - Rs.165.11 million	165.11
83	1997	WHEP	Excess payment made to the contractor due to allowing higher rates - Rs.11.92 million	11.92
84	1998	WHEP	Excess payment due to unjustified increase in the amount of V.O and escalation - Rs.5,797 million	5,797.00
85	2001	WHEP	Difference in amounts of approved variation orders - Rs.26,258.50 million	26,258.50
86	2002	WHEP	Loss due to damages caused by contractor's negligence and unnecessary procurement of cranes - Rs.800 million	800.00
87	2003	WHEP	Loss due to excess payment of US\$ 269,765 equivalent to Pak Rs.26.97 million	26.97
88	2004	WHEP	Blockage of funds due to non-submission of adjustment accounts - Rs.898.20 million	898.20
89	2005	WHEP	Avoidable expenditure on account of rent & TA/DA - Rs.19.59 million	19.59
90	2020	WHEP	Undue favour to consultant on account of temporary advances and non-deduction of income tax - Rs.3.29 million	3.29
91	2021	WHEP	Excess payment on account of financial charges - Rs.368.74 million	368.74
92	2024	WHEP	Excess expenditure over and above the approved cost of PC-I - Rs.3,399.35 million	3,399.35
93	2025	WHEP	Unjustified payment on account of security to contractor - Rs.184.05 million	184.05
94	2026	WHEP	Abnormal/ unjustified increase in BOQ for assistance and supplies to engineer and employer - Rs.64.83 million	64.83
95	2027	WHEP	Non-recovery of interest charges on excess payments - Rs.1.45 million	1.45
96	2028	WHEP	Loss due to damage of tunnel boring machine - Rs.900 million	900.00
97	2029	WHEP	Unjustified expenditure on operation and maintenance of project vehicles attached with ministry - Rs.4.80 million	4.80
98	2030	WHEP	Increase in liability due to non-reconciliation of accounts - Rs.12.09 million	12.09

99	2032	WHEP	Abnormal increase in price escalation and exchange loss - Rs.99,385.78 million	99,385.78
100	2052	WHEP	loss due to procurement of slag on higher rates - Rs.4.85 million	4.85
101	2076	WHEP	Non-deduction of liquidated damages from contractor – Rs.1.98 million	1.98
102	1	PEPCO	Unjustified expenditure on account of POL and repair & maintenance of vehicles - Rs.7.94 million	7.94
103	2	PEPCO	Unjustified expenditure on account of TA/DA and entertainment - Rs.2.27 million	2.27
104	3	PEPCO	Non-depositing of pension contribution on foreign service - Rs.2.34 million (90,033 SR)	2.34
105	4	PEPCO	Irregular/unjustified payment on account of TA/DA - Rs.1.65 million	1.65
106	7	PEPCO	Unjustified payment of salaries, allowances and honoraria - Rs.9.19 million	9.19
107	8	PEPCO	Irregular expenditure on recruitment of officers/officials - Rs.10.32 million	10.32
108	10	PEPCO	Irregular payment of meeting fees to members of BoD - Rs.1.09 million	1.09
109	11	PEPCO	Loss due to irregular appointment of Finance Director and grant of additional charge of higher post - Rs.3.58 million	3.58
110	14	PEPCO	Non-recovery/adjustment of temporary advances - Rs.9.85 million	9.85
111	15	PEPCO	Irregular payment on account of pay & allowances - Rs.1.92 million	1.92
112	16	PEPCO	Irregular expenditure incurred on IT related services - Rs.0.96 million	0.96
113	17	PEPCO	Irregular payment on account of pre-mature increments without approval of competent authority - Rs.5.03 million	5.03
114	18	PEPCO	Irregular expenditure on account of establishment of office of Chief Executive Officer, GHCL at Islamabad Rs.3.87 million	3.87
115	20	PEPCO	Irregular grant of advances for purchase of plots/house building without obtaining mortgage deed - Rs.21.02 million	21.02
116	21	PEPCO	Unauthorized payment on account of conveyance allowance - Rs.1.44 million	1.44
117	22	PEPCO	Loss due to fake promotion of official - Rs.0.72 million	0.72
118	24	PEPCO	Irregular expenditure on shifting of office, procurement and other expenditures - Rs.2.89 million	2.89
119	25	PEPCO	Loss due to irregular appointment/regularization of daily wages staff - Rs.7.92 million	7.92
120	601	GENCO-I	Loss due to forced outage/ poor maintenance and shortage of fuel – Rs.19,840.82 million	19,840.82
121	603	GENCO-I	Loss due to excess consumption of RFO – Rs.1,602.62 million	1,602.62

122	604	GENCO-I	Loss due to consumption of excess heat rate than NEPRA standard – Rs.3,541.29 million	3,541.29
123	701	GENCO-I	Loss due to un-justified expenditure on account of repair of transformers – Rs.0.79 million	0.79
124	30	GENCO-II	Undue favour to contractor by accepting a performance guarantee of insurance company instead of scheduled bank - Rs.164 million	164.00
125	535	GENCO-II	Non-deduction of liquidated damages from contractor/suppliers – Rs.4.55 million	4.55
126	536	GENCO-II	Loss due to derated capacity of power plant – Rs.56,278.80 million	56,278.80
127	547	GENCO-II	Irregular award of contract – Rs.4.38 million	4.38
128	548	GENCO-II	Non-withdrawal of loan from the facility agreement resulted in loss due to payment of commitment fee – Rs.32.75 million	32.75
129	215	GENCO-III	Loss due to un-adjusted/un-recovered advances - Rs.1,447.40 million	1,447.40
130	606	GENCO-III	Loss due to recurring expenditure on 440 MW Gifted Power Plant – Rs.5.97 million	5.97
131	344	NTDC	Unjustified payment of allowances without verification of degrees - Rs.12.24 million	12.24
132	526	NTDC	Loss due to non-filing of tariff petition with NEPAR - Rs.3,855 million	3,855.00
133	591	NTDC	Non-obtaining of insurance coverage from contractor – Rs.372.40 million	372.40
134	592	NTDC	Irregular/ unjustified expenditure without approval of PC-I – Rs.7,318 million	7,318.00
135	737	NTDC	Undue favour to contractor due to non-renewal of performance bank guarantees - Rs.354.22 million	354.22
136	55	FESCO	Loss due to non-replacement of electrical material damaged under warranty period - Rs.6.74 million	6.74
137	59	FESCO	Loss of revenue due to abnormal line losses beyond NEPRA's targets - Rs.370.47 million	370.47
138	137	FESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs.2.06 million	2.06
139	148	FESCO	Non-regularization of temporary connections beyond permissible limit - Rs.1.24 million	1.24
140	149	FESCO	Loss of revenue due to abnormal line losses beyond NEPRA's targets - Rs.374.84 million	374.84
141	260	FESCO	Less recovery of security deposits - Rs.0.38 million	0.38
142	262	FESCO	Loss due to non-recovery of fixed charges and security deposit from SCARP and agricultural customers on account of wrong tariff - Rs.1.07 million	1.07
143	263	FESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs.1.73 million	1.73
144	265	FESCO	Loss due to non-recovery of supply charges against temporary connections - Rs.0.07 million	0.07

145	351	FESCO	Non-recovery of liquidated damages from the contractors - Rs.12.29 million	12.29
146	529	FESCO	Concealment of line losses through charging of units without amount – Rs.472.23 million	472.23
147	576	FESCO	Wasteful expenditure due to non-functional / non-installation of capacitor banks – Rs.101.84 million	101.84
148	579	FESCO	Irregular approval of extension of load of industrial consumers – Rs.3.58 million	3.58
149	120	GEPCO	Non-implementation of equipment removal order and non-recovery of outstanding energy charges - Rs.10.08 million	10.08
150	167	GEPCO	Less recovery of cost of deposit works - Rs.0.35 million	0.35
151	231	GEPCO	Non-recovery of detection charges from consumers - Rs.6.64 million	6.64
152	256	GEPCO	Irregular expenditure incurred on break-down work - Rs.8.16 million	8.16
153	362	GEPCO	Irregular expenditure incurred on works beyond sanctioned estimates - Rs.91.31 million	91.31
154	365	GEPCO	Recoverable amount from industrial consumers on account of deferred surcharges i.e. EQ, DSS, N.J surcharge and UOF - Rs.8.33 million	8.33
155	443	GEPCO	Non-recovery of deferred fixed charges - Rs.26.48 million	26.48
156	520	GEPCO	Non-indemnification of loss due to damaged electrical equipment – Rs.6.60 million	6.60
157	669	GEPCO	Loss due to purchase of substandard T&P items – Rs.6.39 million	6.39
158	674	GEPCO	Wasteful expenditure on feeder rehabilitation – Rs.54.95 million	54.95
159	676	GEPCO	Non-recovery of liquidated damages from suppliers – Rs.6.09 million	6.09
160	29	HESCO	Loss due to non-charging of pending units - Rs.1.10 million	1.10
161	41	HESCO	Non-removal of electrical equipment - Rs.7,042.70 million	7,042.70
162	42	HESCO	Loss of revenue due to abnormal line losses beyond NEPRA's targets - Rs.2,129.42 million	2,129.42
163	188	HESCO	Unjustified charging of detection bills to consumers - Rs.1,896.33 million	1,896.33
164	189	HESCO	Loss of revenue due to abnormal line losses beyond NEPRA's targets - Rs1,512.01 million	1,512.01
165	213	HESCO	Non-handing over of completed works to GSO - Rs.584.52 million	584.52
166	227	HESCO	Unjustified expenditure on consultancy charges - Rs.13.46 million	13.46
167	404	HESCO	Misuse of village electrification funds - Rs.3.02 million	3.02
168	459	HESCO	Non-crediting of amount of pending money transfers (MTS) and telegraphic transfer (TTS) by bank and post offices - Rs.4,033.99 million	4,033.99

169	462	HESCO	Loss due to non-recovery of GST & Neelum Jhelum surcharge from the bills of employees - Rs. 72.65 million	72.65
170	463	HESCO	Unjustified expenditure due to irregular recruitment - Rs.217.75 million	217.75
171	467	HESCO	Unjustified expenditure on account of vehicle running expenses despite payment of transportation subsidy - Rs.3.89 million	3.89
172	474	HESCO	Irregular award of contracts without obtaining performance guarantees - Rs.3.35 million	3.35
173	478	HESCO	unjustified approval of estimates without recovery of cost of rehabilitation of feeder - Rs.2.12 million	2.12
174	480	HESCO	Non-encashment of performance bonds - Rs.8.44 million	8.44
175	481	HESCO	Loss due to irregular extension in delivery period - Rs.1.12 million	1.12
176	487	HESCO	Loss due to excess debit/less credit of funds by the banks - Rs.11.17 million	11.17
177	74	IESCO	Non-return of replaced/augmented transformers - Rs.1.76 million	1.76
178	421	IESCO	Loss due to non-recovery of damage of duct lines - Rs.18.35 million	18.35
179	422	IESCO	Loss due to less deduction of income tax from the contractors - Rs.3.60 million	3.60
180	27	LESCO	Blockage of funds due to purchase of unnecessary material - Rs.169.60 million	169.60
181	93	LESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs.19.53 million	19.53
182	114	LESCO	Non-removal of electrical equipment and non-recovery of arrears - Rs.1,025.72 million	1,025.72
183	121	LESCO	Loss due to fire incident - Rs.11.83 million	11.83
184	124	LESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs.158.34 million	158.34
185	126	LESCO	Non-recovery of outstanding energy charges from dead defaulters - Rs.392.68 million	392.68
186	127	LESCO	Huge receivables amount from dead defaulters - Rs.375.90 million	375.90
187	180	LESCO	Non-implementation of equipment removal orders and non-recovery of arrears - Rs.20.63 million	20.63
188	182	LESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs.226.86 million	226.86
189	183	LESCO	Loss due to damage of transformers - Rs.312.85 million	312.85
190	217	LESCO	Huge receivables from running defaulters - Rs.4.71 million	4.71
191	218	LESCO	Loss due to non-recovery from cable operators - Rs.6.51 million	6.51

192	270	LESCO	Non-recovery of outstanding energy charges from private industrial defaulters - Rs.44.71 million	44.71
193	272	LESCO	Loss due to non-implementation of equipment removal orders and recovery of arrears - Rs.4.03 million	4.03
194	282	LESCO	Loss of revenue due to abnormal line losses beyond NEPRA's targets - Rs.732.41 million	732.41
195	283	LESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs.255.67 million	255.67
196	296	LESCO	Loss due to non-finalization of insurance claims - Rs.145.35 million	145.35
197	307	LESCO	Huge receivables amount from running and dead defaulters - Rs.376.48 million	376.48
198	308	LESCO	Loss due to non-recovery from cable operators - Rs.1.52 million	1.52
199	318	LESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs.13.60 million	13.60
200	325	LESCO	Recoverable amount from independent consumer on account of energy losses beyond permissible limit - Rs.7.15 million	7.15
201	372	LESCO	Non-removal of electrical equipment and non-recovery of arrears - Rs.125.17 million	125.17
202	388	LESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs.3.27 million	3.27
203	393	LESCO	Loss of revenue due to abnormal line losses beyond NEPRA's targets - Rs.416.99 million	416.99
204	409	LESCO	Non-removal of electrical equipment and non-recovery of arrears - Rs.150.35 million	150.35
205	435	LESCO	Loss of revenue due to abnormal lines losses beyond NEPRA's targets - Rs.573.36 million	573.36
206	439	LESCO	Unjustified payment of wages to the illegally appointed daily wagers - Rs.1.37 million	1.37
207	441	LESCO	Unjustified expenditure on village electrification works - Rs.2.91 million	2.91
208	445	LESCO	Huge receivables from dead defaulters - Rs.769.86 million	769.86
209	518	LESCO	Loss on account of commitment charges due to non-utilization of loan – Rs.11.91 million	11.91
210	672/2014-15	LESCO	Wasteful expenditure due to non-completion of four sub-projects under ADB Loan - Rs.1,235 million	1,235
211	691	LESCO	Loss due to non-recovery of cost of stolen material from the contractor - Rs.4.21 million	4.21
212	710	LESCO	Loss of revenue due to abnormal line losses beyond NEPRA's targets – Rs.1,295.81 million	1,295.81
213	712	LESCO	Non-crediting of amount of electricity dues collected by banks – Rs.388.18 million	388.18
214	719	LESCO	Less-remittance of revenue collection by banks - Rs.43,602.14 million	43,602.14

215	739	LESCO	Loss of revenue due to abnormal line losses beyond NEPRA's targets - Rs.3,568.68 million	3,568.68
216	45	MEPCO	Less recovery of rehabilitation charges from consumers - Rs.0.50 million	0.50
217	47	MEPCO	Non-recovery of standard rent from retired officer - Rs.0.46 million	0.46
218	50	MEPCO	Loss due to bogus verification of payments - Rs.0.54 million	0.54
219	186	MEPCO	Non-handing over of completed works to GSO - Rs.1,658.96 million	1,658.96
220	225	MEPCO	Unjustified expenditure incurred for extension work of grid station - Rs.22.54 million	22.54
221	327	MEPCO	Loss of revenue due to transmission losses beyond NEPRA target - Rs.16.18 million	16.18
222	329	MEPCO	Non-distribution of CFLs - Rs.63.68 million	63.68
223	330	MEPCO	Loss of revenue due to non-feeding of meter change orders - Rs.1.64 million	1.64
224	339	MEPCO	Non-removal of electrical equipment and non-recovery of arrears - Rs.15.17 million	15.17
225	366	MEPCO	Loss due to Irregular issuance of meter change orders - Rs.69.25 million	69.25
226	367	MEPCO	Loss due to unjustified issuance of meter change orders - Rs.100.34 million	100.34
227	433	MEPCO	Less recovery of cost of deposit works - Rs.3.15 million	3.15
228	564	MEPCO	Loss due to abnormal energy line losses beyond the target fixed by NEPRA – Rs.232.97 million	232.97
229	659	MEPCO	Loss due to non-recovery of grid station sharing cost from housing societies / owner – Rs.11.43 million	11.43
230	660	MEPCO	Non-encashment of performance bonds – Rs.6.62 million	6.62
231	683	MEPCO	Non-recovery of revised estimated amount from sponsors of housing society – Rs.1.92 million	1.92
232	732	MEPCO	Loss due to less recovery of grid sharing cost - Rs.22.69 million	22.69
233	171	PESCO	Huge receivables from running and dead defaulters - Rs.136.58 million	136.58
234	356	PESCO	Blockage of funds due to unnecessary purchase of material under ADB loan - Rs.33.72 million	33.72
235	361	PESCO	Non-recovery of conveyance allowance from officers - Rs.1.08 million	1.08
236	436	PESCO	Loss of revenue due to abnormal line losses beyond NEPRA's targets - Rs.2,818.10 million	2,818.10
237	458	PESCO	Loss of revenue due to abnormal line losses beyond NEPRA's targets - Rs.5,841.55 million	5,841.55
238	514	PESCO	Unjustified payment of transport subsidy in lieu of Option-I car - Rs.1.54 million	1.54
239	626	PESCO	Loss due to damaged transformers – Rs.7.95 million	7.95
240	627	PESCO	Loss due to damage of transformers – Rs.109.80 million	109.80

241	109	QESCO	Huge receivables from running and dead defaulters - Rs.145.91 million	145.91
242	151	QESCO	Loss of revenue due to abnormal line losses beyond NEPRA's targets - Rs.487.15 million	487.15
243	216	QESCO	Huge receivables from running and dead defaulters - Rs.5,304.70 million	5,304.70
244	246	QESCO	Non-handing over of completed works to GSO - Rs.19.14 million	199.14
245	319	QESCO	Loss due to abnormal energy losses beyond targets fixed by NEPRA - Rs.598.19 million	598.19
246	525	QESCO	Irregular payment on account of conveyance allowance - Rs.1.32	1.32
247	647	SEPCO	Loss due to overstay in service beyond superannuation - Rs.2.03 million	2.03
248	648	SEPCO	Loss due to fatal and non-fatal accident - Rs.5.55 million	5.55
249	84	TESCO	Non-disposal/auction of off road vehicles - Rs.4.63 million	4.63
250	346	TESCO	Non-recovery of rectification/ rehabilitation charges from political agent south Waziristan - Rs.5 million	5.00
251	347	TESCO	Loss due to purchase of defective material - Rs.5.75 million	5.75
252	348	TESCO	Non-recovery of liquidated damages from suppliers - Rs.6.32 million	6.32
253	587	PPIB	Non-recovery of sharing expenditure from other organization - Rs.1.54 million	1.54
254	664	PPIB	Non-encashment of performance guarantee - Rs.146.50 million	146.50
255	688	PPIB	Irregular hiring of consultants in violation of PPRA Rules - Rs.1.65 million	1.65
TOTAL				442,223.35

Annexure-A

**Annexure showing the detail of amount recovered Rs.16.07 million
but not deposited in income head of account (Para 1.4.34)**

Sr. No.	Receipt No.	Dated	Amount
1	49617	29.06.12	495,220
2	51431	25.01.12	190,155
3	51433	26.10.12	278,046
4	51484	04.12.12	191,146
5	51583	22.01.13	348,450
6	51597	04.02.13	119,846
7	51630	22.02.13	301,196
8	51677	12.03.13	146,850
9	51690	15.03.13	125,350
10	51721	03.04.13	204,842
11	51795	17.05.13	355,250
12	50820	03.06.13	353,346
13	111010	28.06.13	567,242
14	143167	10.09.13	821,892
15	146144	29.10.13	556,596
16	148639	24.12.13	799,638
17	148842	14.02.14	679,534
18	149040	02.04.14	441,938
19	149181	30.15.14	532,542
20	149677	27.06.14	750,738
21	160311	22.08.14	263,292
22	160362	02.10.14	464,442
23	160455	02.12.14	708,880
24	160472	23.12.14	345,396
25	111115	19.01.15	250,000
26	111129	23.01.15	144,138
27	111173	24.02.15	260,492
28	111231	12.03.15	92,046
29	111257	10.04.15	194,150
30	111289	30.04.15	254,488
31	123523	22.05.15	281,431
32	123537	10.07.15	569,014
33	167426	22.10.10	417,965
34	167452	02.11.10	251,240
35	167547	21.01.11	349,290
36	167557	02.02.11	202,515
37	167591	21.02.11	143,925
38	167623	16.03.11	361,525
39	167915	11.05.11	218,685
40	31950	30.06.11	672,300
41	33162	30.09.11	267,205
42	49017	27.02.12	321,375
43	33908	09.12.11	338,485
44	49461	26.04.12	435,831
	TOTAL		16,067,927
	SAY RS. IN MILLION		16.07

Annexure-B

Annexure showing the recovery of Rs.12.21 million on account of room rent
(Para 1.4.37)

Sr. #	Name & Designation	Room No.	Amount to be recovered	Amount already recovered	Balance recoverable
1	Miss Saira Najeeb, Former Coordinator Dasu HHP	103	684,700	-	684,700
2	M. Mumtaz Hayat Manika, ASP	104	120,000	-	120,000
3	Mr. Imtiaz Tajwar, Federal Secretary	107	1,592,500	234,895	1,348,605
4	Mr. Mukhtar Ahmed, SO to WAPDA	108	97,600	-	97,600
5	Mr. Ghulam Qadir, D.G Education	112	472,500	75,000	397,500
6	Mr. Abid Raza Qadri, Addl: DG FIA	115	125,000	-	12,5000
7	Mr. Imran Ahmed, Former Joint Secretary	116	1,527,500	233,940	1,293,560
8	Mr. Mehfooz Ahmed Bhatti, Joint Secretary	119	344,400	23,292	321,108
9	Malik Israr, Secretary Statistics Division	121	27,500	-	27,500
10	Mr. Hassan Nawaz Tarar, Secretary Planning	124	37,500	-	37,500
11	Mr. Mehar Ali Shah, Joint Secretary Ministry of Water and Power	110	16,400	-	16,400
12	Javed Akhtar, Addl: Secretary	110	630,400	151,398	479,002
13	Director Security	116 & 117	1,944,000	-	1,944,000
14	Mr. Shakeel Ahmed Durrani, Ex-Chairman WAPDA	128, 129, 130 & 131	3,285,000	-	3,285,000
15	Maj. Ret. Tariq Mehmood, SO to Chairman WAPDA	116	1,805,100	82,500	1,722,600
16	Private persons	108	307,200	-	307,200
	TOTAL		13,017,300	801,025	12,207,275
	SAY RS. IN MILLION				12.21

Annexure – C

Annexure showing the list of outstanding expenditure incurred on vehicles other than IESCO (Para 13.4.4)

Sr. No.	Vehicle No.	Brand	Owing formation	Expenditure
1	GO – 601	Vigo double cabin	Neelum Jhelum Project	7,299,746
2	GA – 651	Prado	Neelum Jhelum Project	4,155,036
3	LZG - 7462	GLI	Director Transport WAPDA	5,097,759
4	LEC - 9575	Honda Civic VTI	Director Transport WAPDA	8,352,011
5	LEC - 4489		Director Transport WAPDA	518,586
6	LEJ – 08-812		GM (P) South WAPDA Hyderabad	195,845
7	LEC-09-5178		PEPCO	640,228
TOTAL				26,259,211
Say Rs. in million				26.26