AUDIT REPORT
ON
THE ACCOUNTS OF
WATER & POWER DEVELOPMENT
AUTHORITY,
PEPCO AND ITS CORPORATE
ENTITIES
AUDIT YEAR 2016-17

AUDITOR-GENERAL OF PAKISTAN

TABLE OF CONTENTS

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
Ibs	Incandescent Bulbs
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 Accounts and that of Government commercial undertakings and of any authority or body established by the Federation.

The report is based on audit of the accounts of WAPDA, PEPCO, PPIB & PHPL for the financial year 2015-16 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 2016-17 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].

Sd/-

Dated: 26 FEB 2017

(Rana Assad Amin)
Auditor-General of Pakistan

EXECUTIVE SUMMARY

The Directorate General Audit WAPDA carries out audit of accounts of WAPDA, PEPCO & its corporate entities, PPIB and PHPL 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 ninety one (191) out of two hundred and sixty three (263) formations was conducted by utilizing fifty one thousand, seven hundred and seventy nine (51,779) man-days incurring expenditure of Rs.86 million.

a. Scope of Audit

Total auditable expenditure and revenue budget for the financial year 2015-16, under the jurisdiction of Director General Audit WAPDA were Rs.307,664.95 million and Rs.622,227.79 million respectively. The Director General Audit WAPDA conducted audit of the above expenditure and revenue up to the amount of Rs.304,125.04 million (99%) and Rs.622,225.17 million (100%) 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.760,457.44 million was pointed out at the instance of Audit and recovery of Rs.79,450.88 million was established during the audit year 2016-17. Recovery of Rs.2,655.20 million was effected from January to December, 2016.

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 non-recovery of subsidies pertaining to tariff differential and agriculture from Federal Government and Provincial Governments. 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.232,765.50 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. 14 cases of embezzlement of public money, theft and misuse of funds amounting to Rs.945.99 million. [1]

ii. 147 cases of irregular expenditure/unjustified payments and violation of rules amounting to Rs.170,988.38 million.[2]

iii. 68 cases pertaining to weaknesses of internal control systems amounting to Rs.102,739.84 million. [3]

iv. 82 cases pertaining to recoveries and overpayments amounting to Rs.786,010.38 million. [4]

v. 35 cases pertaining to others, accidents, negligence, etc. amounting to Rs.259,354.31 million. [5]

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[1]Para-1.4.1, 1.4.3, 4.1.2, 4.1.3, 11.4.1, 13.4.1, 14.4.1, 14.4.21, 15.4.1, 15.4.30, 15.4.31, 17.4.8, 18.4.4, 20.4.2

[2]Para-1.4.5, 1.4.6, 1.4.9, 1.4.11, 1.4.15, 1.4.17, 1.4.18, 1.4.20, 1.4.22, 1.4.29, 1.4.33, 1.4.36, 1.4.39, 1.4.39, 1.4.40, 1.4.41, 1.4.43, 1.4.50, 1.4.51, 1.4.54, 1.4.55, 1.4.58, 1.4.63, 1.4.64, 1.4.65, 1.4.67, 1.4.69, 2.4.4, 2.4.8, 2.4.9, 2.4.15, 2.4.16, 2.4.18, 2.4.21, 2.4.24, 2.4.25, 2.4.26, 2.4.28, 2.4.31, 2.4.34, 2.4.35, 4.1.8, 4.1.9, 4.1.11, 4.1.12, 4.1.15, 4.1.17, 4.1.21, 4.1.30, 4.1.34, 4.1.37, 4.1.39, 5.4.1, 7.4.3, 8.4.2, 9.2.3, 10.4.4, 10.4.8, 10.4.10, 10.4.11, 10.4.12, 10.4.14, 10.4.17, 10.4.20, 10.4.23, 10.4.24, 10.4.26, 11.4.4, 11.4.5, 11.4.8, 11.4.10, 11.4.11, 11.4.12, 11.4.13, 11.4.14, 12.4.8, 12.4.9, 12.4.10, 13.4.4, 13.4.8, 14.4.2, 14.4.3, 14.4.5, 14.4.6, 14.4.7, 14.4.8, 14.4.9, 14.4.11, 14.4.12, 14.4.13, 14.4.14, 14.4.15, 14.4.17, 14.4.18, 14.4.19, 15.4.7, 15.4.9, 15.4.10, 15.4.11, 15.4.13, 15.4.14, 15.4.15, 15.4.16, 15.4.18, 15.4.21, 15.4.22, 15.4.24, 15.4.27, 15.4.28, 15.4.35, 15.4.38, 16.4.3, 16.4.7, 16.4.9, 16.4.11, 16.4.12, 16.4.13, 16.4.15, 16.4.16, 16.4.17, 17.4.1, 17.4.3, 17.4.5, 17.4.6, 17.4.7, 17.4.9, 17.4.10, 17.4.13, 17.4.16, 17.4.17, 17.4.18, 17.4.19, 17.4.20, 17.4.21, 17.4.24, 17.4.27, 17.4.28, 17.4.29, 18.4.2, 18.4.6, 18.4.7, 19.4.3, 19.4.4, 19.4.5, 21.2.1, 22.2.1, 22.2.2

[3]Para-1.4.2, 1.4.10, 1.4.19, 1.4.24, 1.4.25, 1.4.30, 1.4.32, 1.4.38, 1.4.44, 1.4.52, 1.4.61, 1.4.68, 2.4.1, 2.4.17, 2.4.20, 2.4.23, 2.4.27, 2.4.30, 4.1.1, 4.1.7, 4.1.13, 4.1.19, 4.1.23, 4.1.25, 4.1.26, 7.4.1, 7.4.2, 9.2.1, 10.4.3, 10.4.9, 10.4.15, 10.4.21, 10.4.22, 10.4.29, 11.4.3, 11.4.6, 11.4.9, 12.4.4, 12.4.6, 13.4.5, 14.4.4, 15.4.2, 15.4.3, 15.4.4, 15.4.5, 15.4.6, 15.4.12, 15.4.17, 15.4.25, 15.4.29, 15.4.33, 15.4.36, 15.4.37, 16.4.2, 16.4.5, 16.4.14, 17.4.2, 17.4.4, 17.4.11, 17.4.12, 17.4.14, 17.4.23, 17.4.25, 17.4.31, 18.4.1, 18.4.3, 18.4.5, 22.2.3

[4]Para-1.4.12, 1.4.13, 1.4.14, 1.4.16, 1.4.22, 1.4.28, 1.4.31, 1.4.34, 1.4.35, 1.4.42, 1.4.45, 1.4.46, 1.4.47, 1.4.48, 1.4.56, 1.4.59, 1.4.60, 1.4.66, 2.4.2, 2.4.13, 2.4.14, 2.4.29, 2.4.32, 2.4.33, 2.4.36, 4.1.4, 4.1.5, 4.1.6, 4.1.10, 4.1.14, 4.1.16, 4.1.18, 4.1.22, 4.1.27, 4.1.28, 4.1.31, 4.1.32, 4.1.33, 4.1.36, 4.1.38, 6.4.2, 10.4.1, 10.4.2, 10.4.6, 10.4.7, 10.4.16, 10.4.18, 10.4.25, 10.4.27, 10.4.28, 10.4.30, 11.4.2, 11.4.7, 12.4.1, 12.4.3, 12.4.7, 12.4.12, 13.4.2, 13.4.3, 13.4.6, 13.4.7, 14.4.10, 14.4.16, 14.4.20, 15.4.8, 15.4.19, 15.4.20, 15.4.23, 15.4.26, 15.4.32, 15.4.34, 16.4.1, 16.4.4, 16.4.6, 16.4.8, 16.4.18, 17.4.15, 17.4.22, 17.4.26, 19.4.1, 19.4.2, 20.4.1

[5]Para-1.4.4, 1.4.7, 1.4.8, 1.4.23, 1.4.26, 1.4.27, 1.4.49, 1.4.53, 1.4.57, 1.4.62, 2.4.3, 2.4.5, 2.4.6, 2.4.7, 2.4.10, 2.4.11, 2.4.12, 2.4.19, 2.4.22, 3.4.1, 4.1.20, 4.1.24, 4.1.29, 4.1.35, 6.4.1, 8.4.1, 9.2.2, 10.4.5, 10.4.13, 10.4.19, 12.4.1, 12.4.5, 12.4.11, 16.4.10, 17.4.30

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.

vii. 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	307,664.95	622,227.79
2	Total formations in audit jurisdiction.	263	307,664.95	622,227.79
3	Total entities audited	21	304,125.04	622,225.17
4	Total formations audited	191	304,125.04	622,225.17
5	Audit & Inspection Reports	191	-	-
6	Special Audit Reports	5	-	-
7	Performance Audit Reports	11	-	-
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	945.99
2	Weak financial management	956,998.76
3	Weak internal controls relating to financial management	102,739.84
4	Others	259,354.31
	Total	***1,320,038.90**

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 2016-17 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	18,272.11	1,6167.83	128,969.05	271,465.55	434,874.55	438,249.85
2	Amount placed under audit observation/ irregularities of auditee	15,532.61	13,229.61	3,171,383.13	483,695.73	*3,683,841.08	4,190,216.59
3	Recoveries pointed out at the instance of audit	680.72	1,639.63	379,266.89	378,870.20	760,457.44	537,366.84
4	Recoveries accepted/ established at the instance of audit	535.64	179.75	52,892.67	25,842.82	79,450.88	475,393.20
5	Recoveries realized at the instance of audit	72.73	34.52	1,858.59	689.36	2,655.20	29,996.38

* *The total audit observations amounting to Rs.3,683,841.08 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.	170,988.38
2.	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	945.99
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.	0
4.	Weaknesses of internal control systems.	102,739.84
5.	Recoveries and overpayments, representing cases of establishment overpayment or misappropriations of public moneys.	786,010.38
6.	Non-production of record.	0
7.	Others, including cases of accidents, negligence etc.	259,354.31
	Total	**1,320,038.90**

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	2016-17	2015-16	2014-15
1	Outlays Audited (Item 1 of Table 3)	434,874.55	438,249.855	1,205,073.16
2	Expenditure on Audit	86	192.06	181.96
3	Recoveries realized at the instance of Audit	2,655.20	29,996.38	399.38
	Cost-Benefit Ratio	1:30.87	1:156.18	1:2.19

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. Rainee 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, 2016)

1.2 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 WAPDA, the balance sheet and profit & loss account of the company could not be finalized by the management up till December 31, 2016.

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	2009-10	8	-	-	8 (Para No.1.5, 1.6, 8.10, 8.12, 8.13, 8.14, 18.1, 18.4)
	2013-14	9	-	-	9 (Para No. 1.3.2, 1.3.3, 1.3.4, 1.3.5, 1.3.6, 1.3.7, 1.3.16, 1.3.17, 1.3.24)

Position of compliance with PAC directives is not satisfactory.

1.4 AUDIT PARAS

1.4.1 Loss due to embezzlement of cash - Rs.8.84 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 the Project Directorate Central Material Testing Laboratory (CMTL) WAPDA, an amount of Rs.8.84 million was misappropriated by Mr. Shaheen Asghar, Cashier during 2009 to 2016 through embezzlement in cash received on account of material testing fees. No departmental and legal action was taken against the responsible.

Non-adherence to the Authority's instructions resulted in loss of Rs.8.84 million due to embezzlement of cash up to the financial year 2015-16.

The matter was taken up with the management in May, 2016 and reported to the Ministry in October, 2016. The management replied that besides departmental inquiry, case had been referred to FIA on May 16, 2016 for criminal proceeding and to recover the loss sustained by the Authority.

The DAC in its meeting held on January 24, 2017 directed the management to effect the recovery and pursue the criminal proceedings under intimation to Audit.

Audit recommends that the management needs to expedite recovery and pursue criminal proceedings vigorously.

(DP-251/2016-17)

1.4.2 Non-finalization of inquiry of misappropriation and corrupt practices - Rs.1 million

As per General Manager (C&M) Water WAPDA, Lahore orders dated September 18, 2015, an inquiry committee was constituted to probe into the financial and technical losses sustained by WAPDA due to corrupt practices with the directions to submit its report within a period of 15 days positively.

The General Manager (C&M) Water WAPDA Lahore had constituted an inquiry on September 18, 2015 to probe into the matter of misappropriation of temporary advances and miscellaneous corrupt practices involving an amount of Rs.1 million and submit the inquiry report within a period of 15 days positively but the inquiry report was not finalized.

Non-adherence to the instructions resulted in non-finalization of inquiry of misappropriation and corrupt practices of Rs.1 million during the financial year 2015-16.

The matter was taken up with the management in May, 2016 and reported to the Ministry in December, 2016. The management replied that as and when the inquiry completed, its report would be submitted to competent authority for approval / decision.

The reply was not tenable as no justification for delay in finalization of inquiry proceedings was provided.

The DAC in its meeting held on January 24, 2017 pended the Para till the completion of Special Audit Report from the Office of Chief Auditor WAPDA within one month.

Audit recommends that the management needs to expedite the inquiry proceedings besides fixing responsibility.

(DP-1382/2016-17)

1.4.3 Undue favour to the contractor for violation of integrity pact by submitting fake bank guarantees – Rs.49.62 million

According to Clause-74.1 (Integrity Pact) of contract GZD-03-F (Particular Condition of Contract Volume-1 Commercial part), "if the contractor or any of his sub-contractor, agents or servant is found to have violated or involved in violation of the Integrity Pact signed by the contractor as per Appendix-L to his bid, then the employer shall be entitled to terminate the contract and recover from the contractor any loss or damage to the employer as a result of such termination".

The General Manager (C&M) Water WAPDA Lahore had awarded a contract GZD-03 to a contractor M/s Shoukat Khan & Co. for Waran Canal System at Gomal Zam Dam Project. The contractor submitted two bank guarantees amounting to Rs.49.62 million. These guarantees were found fake during verification of its genuineness from concerned bank which was violation of integrity pact. Neither the matter was investigated nor any action was initiated against the contractor under above clause.

Non-adherence to contract clause resulted in undue favour to the contractor for violation of integrity pact by submitting fake bank guarantees of Rs.49.62 million during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the contractor was allowed to resume work after submitting fresh and genuine bank guarantees.

The reply was not acceptable as neither the contractor was blacklisted nor legal action was taken.

The DAC in its meeting held on January 24, 2017 directed the management to blacklist the contractor and lodge FIR against the responsible person(s).

Audit recommends that the management needs to blacklist the contractor and lodge FIR against the responsible person(s).

(DP-959/2016-17)

1.4.4 Pending recovery suits filed by WAPDA – Rs.204,562.71 million

According to Law Division, WAPDA letter dated May 07, 2015, "all WAPDA formations stationed at Lahore must have a meeting with Director Legal, once in a month for each and every detail of pending litigations".

In two WAPDA formations, seventeen (17) recovery suits involving an amount of Rs.204,562.71 million were filed in different Courts of Law on account of works, land cases and contractors' claims. These suits were pending in the courts since 1995-2013 which indicated that the cases were not being pursued properly. The detail is as under:-

Sr. No.	DP No.	Formation	No. of Court Cases	Amount (Rs. in million)
1.	317/2016-17	G.M. (Central) Water WAPDA, Lahore.	15	208.71
2.	1531/2016-17	G.M. (P&D) WAPDA, Lahore.	02	204,354
		TOTAL	**17**	**204,562.71**

Non-adherence to Authority's instructions resulted in pending recovery suits involving Rs.204,562.71 million filed by WAPDA up to the financial year 2015-16.

The matter was taken up with the management in May, 2016 and reported to the Ministry in November and December, 2016. The management replied that the courts had to adopt their own legal course in proceedings. Audit would be informed about the progress achieved. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to pursue the court cases vigilantly under intimation to Audit.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides ensuring pursuance of court cases vigorously.

1.4.5 Irregular award of contract to non-responsive bidder – Rs.38,792.14 million

According to Rule-36 (b) (viii) of Public Procurement Rules, 2004, "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".

The General Manager (C&M) Water WAPDA Lahore had awarded a contract valuing Rs.38,792.14 million for construction of Nai Gaj Dam Project to M/s NEIE-SMADB-LILLY-RMS (JV) without technical evaluation of bid. The remarks of China EXIM Bank during efforts for arranging loan proved the fact that the contractor did not have 'qualification of constructing dam projects'. In this scenario, the award of contract was quite irregular.

Non-adherence to Public Procurement Rules resulted in irregular award of contract of Rs.38,792.14 million up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the Contract was awarded to the technically responsive bidder i.e. M/s NEIE-SMADB-LILLY-RMS (JV). The technical evaluation of the bidder would be provided to Audit.

The DAC in its meeting held on January 24, 2017 directed the management to provide a report of evaluation committee. Further progress was not reported till finalization of the report.

Audit recommends to investigate the matter for fixing responsibility for non-observance of Public Procurement Rules, 2004.

(DP-962/2016-17)

1.4.6 Irregular award of contract beyond the provisions of PC-I - Rs.19,941.72 million

According to 1st revised PC-I of Naulong Dam Project approved by ECNEC on August 16, 2012, cost estimates of the project were revised at an amount of Rs.18,027.09 million without Foreign Exchange Component (FEC).

In Project Director Naulong Dam Project, Larkana, a contract amounting to Rs.19,941.72 million for construction of Dam was awarded to M/s DESCON on July 31, 2015 against PC-I provision of Rs.18,027.09 million. Hence , award of contract beyond the provisions of PC-I was irregular.

Non-adherence to provisions of PC-I resulted in irregular award of contract amounting to Rs.19,941.72 million during the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in December, 2016. The management replied that the 2nd revised PC-I of Rs.26,546.662 million was discussed in CDWP meeting held on January 14, 2016, however, the funding arrangement for the project, as decided by CDWP, was under process.

The reply was not tenable as no justification for award of contract beyond the provision of PC-I was provided.

The DAC in its meeting held on January 24, 2017 directed the management to pursue the matter with ECNEC.

Audit recommends that the management needs to investigate the matter to fix the responsibility for irregular award of contract beyond the provision of PC-I.

(DP-1201/2016-17)

1.4.7 Loss due to inordinate delay resulting in cost escalation - Rs.13,077.43 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 store, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

In the office of the General Manager (Central) Water WAPDA Lahore, while approving the 1st revised PC-I in August 2009 of Dubair Khwar Hydropower Project at a cost of Rs.20,823.721 million, ECNEC directed to conduct an inquiry by the Ministry of Water & Power to determine the causes of delay and fix responsibility resulting in cost escalation. In compliance, the inquiry committee was constituted which held certain officers responsible for lapses resulting in cost escalation of project from Rs.9,754.26 million to Rs.22,831.69 million.

Non-adherence to the above instructions resulted in loss of Rs.13,077.43 million due to inordinate delay caused cost escalation up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in November, 2016. The management replied that case for blacklisting of the firms was initiated on the basis of inquiry report. The contractor lodged court case against WAPDA which was under process. Moreover, the case had also been submitted to CCC for expert opinion which was also under process.

The DAC in its meeting held on January 24, 2017 directed the management to intimate progress achieved in the matter. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to take action against the officers in the light of inquiry report.

(DP-836/2016-17)

1.4.8 Cost overrun due to abnormal delay in implementation of project – Rs.9,609.53 million

According to original PC-I of Winder Dam Project approved by ECNEC in May, 2009, an amount of Rs.3,294.99 million was provided for the construction of Dam.

In Winder Dam Project WAPDA, total cost of the Dam was increased up to Rs.12,904.52 million against original PC-I cost of Rs.3,294.99 million. Abnormal delay in implementation of the project caused 292% increase in cost amounting to Rs.9,609.53 million on account of civil works, overheads and land acquisition / security cost.

Project mismanagement resulted in cost overrun of Rs.9,609.53 million due to delay in implementation of project up to the financial year 2015-16.

The matter was taken up with the management in October, 2016 and reported to the Ministry in December, 2016. The management replied that the increase in cost was due to inflation, addition of authority overheads and security cost.

The reply was not tenable as the cost was increased due to delay in execution of works which needed to be investigated for fixing responsibility.

The DAC in its meeting held on January 24, 2017 directed the management to expedite revision process of PC-I.

Audit recommends that the management needs to investigate the matter for fixing responsibility by identifying the reasons of cost overrun.

(DP-1475/2016-17)

1.4.9 Irregular award of contracts due to inappropriate bidding method - Rs.8,964.48 million

According to Rule-37(a) of Public Procurement Rules, "single stage two envelope bidding procedure shall be used where the bids are to be evaluated on technical and financial grounds and price is taken into account after technical evaluation". Moreover, as per Clause-14.3 (vi) of Procurement and Contracts Manual of WAPDA-2014, "single stage one envelop procedure shall be adopted for bids costing less than Rs.125 million".

The General Manager Central (Water) WAPDA, had awarded four (04) contracts amounting to Rs.8,964.48 million, having value more than Rs.125 million in each case, through single stage one envelop method instead of single stage two envelope method. Thus, award of contracts in negation to Public Procurement Rules and Authority's instructions was not justified.

Non-adherence to Public Procurement Rules, 2004 and Authority's instructions resulted in irregular award of contracts of Rs.8,964.48 million due to inappropriate bidding method during the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in December, 2016. The management replied that tenders were invited with the approval of the competent authority.

The reply of the management was not acceptable as there was no such provision exited in Public Procurement Rules. Moreover, in the identical cases, contract No. KC-06B (1R) and KC-06B (2R), the CCC did not accept single stage one envelope tender and accordingly the tenders were revised.

The DAC in its meeting held on January 24, 2017 directed the management to provide approval of Authority to Audit for verification within 15 days. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to inquire the matter for fixing responsibility regarding irregular award of contracts.

(DP-1630/2016-17)

1.4.10 Cost escalation due to mismanagement - Rs.4,832.66 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 Khan Khwar Hydropower Project under the control of General Manager (C&M) Water, WAPDA, total cost was increased by Rs.4,832.66 million due to delay in execution of project. Though the inquiry committee, constituted by the Ministry of Water & Power on the direction of the ECNEC, decided to initiate disciplinary action against the officers responsible for delay in completion of the project. But two officers were exonerated by the competent authority while no action was taken against two officers and displeasure letter was issued to the staff of Central Design Office (CDO). The action so taken was of no consequence at all.

Non adherence to Authority's instruction resulted in cost escalation of Rs. 4,832.66 million up to financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the Authority agreed with the recommendations of inquiry committee and took appropriate action being prerogative of the authority.

The reply was not acceptable as punishment accorded did not match with the degree of negligence.

The DAC in its meeting held on January 24, 2017 directed the management to provide a copy of inquiry report along with Authority's approval to Audit for further examination. No progress was reported till finalization of the report.

Audit recommends that the management needs to re-initiate inquiry proceedings and award appropriate punishment to officers responsible for abnormal increase in project cost.

(DP-1534/2016-17)

1.4.11 Irregular expenditure beyond the limit of PC-I – Rs.2,387.92 million

According to PC-I, Mangla Watershed Management Project (9th phase) was required to be completed at a cost of Rs.273.66 million and Balochistan Effluent Disposal into RBOD-III at a cost of Rs.4,485.20 million.

In WAPDA formations, an expenditure of Rs.7,146.77 million was incurred against Rs.4,758.86 million as provided in PC-I of the projects. Hence, excess expenditure of Rs.2,387.92 million beyond the provision of PC-I was irregular and needed to be justified.

(Rs. in million)

Sr. No.	DP No.	Formation	Amount as per PC-I	Actual expenditure	Excess expenditure
1.	232/2016-17	Project Director Water Shed Management, Mangla	273.66	425.61	151.96
2.	1373/2016-17	P.D. RBOD-III, Sukkur	4,485.20	6,721.16	2,235.96
		TOTAL	**4,758.86**	**7,146.77**	**2,387.92**

Non-adherence to the provisions of PC-I of the projects resulted in irregular expenditure of Rs.2,387.92 million up to the financial year 2015-16.

The matter was taken up with the management in July & August, 2016 and reported to the Ministry in October & December, 2016. The management replied that due to late approval and revision of rates, the expenditure was increased from the approved allocation. Revised PC-I of the projects were likely to be approved by ECNEC very soon.

The reply was not tenable as no proper justification for excessive expenditure was provided.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with justification within 15 days. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to justify the incurrence of excess expenditure beyond the provisions of PC-I.

1.4.12 Non-recovery on account of land acquisition and security cost from provincial government - Rs.2,206 million

As per ECNEC's approval for Revised PC-I of Gomal Zam Dam Project dated March 06, 2014, an amount of Rs.2,206 million was included on account of Provincial Share regarding land acquisition and FWO's security costs.

In the office of General Manager Projects North WAPDA, an amount of Rs.2,206 million on account of provincial share for land acquisition and security cost for the Gomal Zam Dam Project was recoverable from the Government of Khyber Pakhtunkhwah which was not recovered.

Non-adherence to the ECNEC's approval resulted in non-recovery of Rs.2,206 million on account of land acquisition and security cost from the provincial government during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the KPK Govt. had released only Rs.50 million to the Project. However, the project authorities were vigorously pursuing the recovery of balance amount from KPK Government. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the recovery record verified from Audit and expedite the recovery of balance amount.

Audit recommends that the management needs to expedite recovery from provincial government.

(DP-1515/2016-17)

1.4.13 Non-recovery of O&M and capital cost from the Governments of Sindh & Balochistan - Rs.2,153.08 million

According to of PC-I, "O&M expenditure and capital cost of Hub Dam was required to be recovered as a share of 63.3% & 36.7% from the governments of Sindh & Balochistan respectively".

In Hub Dam Project WAPDA, provincial share of Rs.2,153.08 million on account of O&M and capital cost was not recovered from the governments of Sindh & Balochistan since 1981. No efforts were made by the management for recovery of long outstanding amount.

Non-adherence to the PC-I provisions resulted in non-recovery of O&M and capital cost amounting to Rs.2,153.08 million from the governments of Sindh & Balochistan up to the financial year 2015-16.

The matter was taken up with the management in October, 2016 and reported to the Ministry in December, 2016. The management replied that the matter had already been taken up with the governments of Sindh and Baluchistan to resolve the long outstanding issue but the matter was still unresolved. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to pursue the matter with concerned quarter expeditiously.

Audit recommends that the management needs to pursue the matter of recovery at Ministry level.

(DP-1369/2016-17)

1.4.14 Non-recovery of interest cost of debt - Rs.1,875 million

As per Ministry of Water and Power's letter dated March 28, 2016, WAPDA was advised to take a loan of Rs.25 billion for payment of Net Hydel Profit (NHP) arrears to Government of KPK during the financial year, and to file a tariff petition to NEPRA to recover the principal and mark up cost of the said loan through tariff.

The General Manager (Finance) Power WAPDA, Lahore filed a tariff petition with NEPRA to recover the principal and mark up cost of the loan. Subsequently, as per determination of tariff petition by NEPRA, an amount of Rs.1,875 million of interest cost of debt was disallowed on the basis of non-availability of CCI decision.

Non-adherence to instructions resulted in non-recovery of interest cost of debt amounting to Rs.1,875 million during the financial year 2015-16.

The matter was taken up with management in September, 2016 and reported to the Ministry in December, 2016. The management replied that WADPA had requested to Ministry of Water and Power for seeking approval of CCI for recovery of interest charges through petition which was under process**.** Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to furnish revised reply along with supporting documents to Audit for verification within 15 days.

Audit recommends that the management needs to investigate the matter to fix responsibility besides ensuring recovery.

(DP-1606/2016-17)

1.4.15 Irregular expenditure beyond the provision of BoQ - Rs.1,221.40 million

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

In Nai Gaj Dam Project Dadu, an amount of Rs.1,221.40 million was paid to the contractor against the works measured in excess of BoQ of the contract agreement without variation order.

Non-adherence to FIDIC's instructions resulted in irregular / unjustified payment of Rs.1,221.40 million to contractor up to the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in October, 2016. The management replied that the increase or decrease in the quantities of different items were as per site conditions and requirement of works.

The reply was not tenable as Authority's approval for variation in quantities of BoQ was not provided.

The DAC in its meeting held on January 24, 2017 directed the management to get the relevant record verified from Audit within 15 days. Further progress was not intimated till finalization of report.

Audit recommends that the management needs to investigate the matter for fixing responsibility regarding increase in BoQ quantities without Authority's approval.

(DP-279/2016-17)

1.4.16 Non-recovery of share of O&M cost of CRBC canal from KPK and Punjab governments - Rs. 1,155.60 million

According to agreement among KPK, Punjab governments and WAPDA on May 10, 2002, WAPDA had agreed to assume the O&M responsibilities of Chashma Right Bank Canal (CRBC) and cost of O&M would be borne by the KPK and Punjab governments in the ratio of 50:50 respectively.

In the office of the General Manager (Projects) North WAPDA, an amount of Rs.1,155.60 million was recoverable from KPK and Punjab governments on account of provincial share of O&M cost incurred on maintenance of canal. No efforts were made to recover the amount from concerned governments.

Non-adherence to agreement resulted in non-recovery of share of O&M cost amounting to Rs.1,155.60 million from KPK and Punjab governments up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in November, 2016. The management replied that amount pertaining to KPK government had been recovered whereas efforts were under way for recovery of outstanding amount from Punjab Irrigation Department. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to provide recovery record to Audit for verification and expedite the remaining recovery.

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

(DP-318/2016-17)

1.4.17 Loss due to non-encashment of performance guarantee of defaulted contractor – Rs.973.90 million

According to Clause-63.1 (default of contractor) of General Conditions of Contract (KC-04), "in case of default of the contractor, the employer shall have the right to encash the performance guarantee of defaulted contractor."

In the office of the General Manager (Central) Water WAPDA Lahore, a contract (KC-04) was awarded to M/s SMADB-Lilly-Shah Rukh Joint Venture in July, 2005. The contractor failed to complete the work within original as well as extended stipulated period. The Authority, in its meeting held on April 29, 2016, directed to take action against the defaulted contractor besides encashment of performance guarantee of Rs.973.90 million but no action was taken.

Non-adherence to contract clause resulted in loss of Rs.973.90 million due to non-encashment of performance guarantee of defaulted contractor during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in October, 2016. The management replied that the matter was subjudice. Further progress was not reported till finalization of report.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with documentary evidence to Audit within 15 days and pursue the court case vigorously.

Audit recommends that the management needs to investigate the matter for fixing responsibility regarding non-encashment of performance guarantee besides pursuing of court cases.

(DP-301/2016-17)

1.4.18 Unjustified overcharging of Authority's overheads to PSDP funds – Rs.593.11 million

According to Ministry of Water and Power decision on August 25, 1996, 2.25% supervisory / Authority overheads charges were allowed for Water Wing.

The General Manager (Finance) Water WAPDA, Lahore deducted an amount of Rs.926.19 million on account of authority's overheads from PSDP funds released to various projects instead of permissible limit of Rs.333.08 million (@ 2.25%). Hence, an amount of Rs.593.11 million was overcharged to PSDP funds which was unjustified.

Non-adherence to the Ministry's decision resulted in unjustified overcharging of Authority's overheads amounting to Rs.593.11 million to PSDP funds up to the financial year 2015-16.

The matter was taken up with the management in September, 2016 and reported to the Ministry in December, 2016. The management replied that expenditure on account of pension, medical and common services were not the part of authority over heads. Moreover, these charges were covered under the provision of PC-I of the Projects separately as part of Administrative Engineer cost.

The reply was not tenable as the overheads were excessively charged in violation of Ministry's instructions.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply to Audit. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter to fix responsibility for unjustified charging of overheads.

(DP-1647/2016-17)

1.4.19 Loss due to de-award of surplus land – Rs.562.90 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 store, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

In Mangla Dam Raising Project, out of 23,315.13 kanals of acquired land, only 19,772.84 kanals of land was utilized for development of New City Mirpur and four small towns for resettlement of affectees of the Project. The remaining 3,542.29 kanals of land valuing Rs.562.90 million was declared surplus by the project management during January, 2011 but neither the order for de-award of said land was issued nor any amount was reverted into project accounts.

Non-adherence to Authority's instructions resulted in loss of Rs.562.90 million to the Authority due to non-reversion/de-award of surplus land up to the financial year 2015-16.

The matter was taken up with the management in November, 2015 and reported to the Ministry in October, 2016. The management replied that reconciliation of surplus land would be made with Govt. of AJK. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to reconcile the matter with AJK Government in 60 days under intimation to Audit.

Audit recommends that the management needs to expedite the process for de-award of surplus land besides fixing responsibility for delay.

(DP-147/2016-17)

1.4.20 Non-imposition of penalty on officers responsible for 3rd revision of PC-I – Rs.478.96 million

The 2nd revised PC-I of Subakzai Dam was approved by ECNEC at an estimated cost of Rs.1,960.82 million and the project was required to be completed in all respects on June 30, 2009.

The General Manager (C&M) Water Lahore, submitted 3rd revised PC-I in June, 2009 at a cost of Rs.2,439.78 million after completion and handing over of project to Irrigation Department Balochistan. The inquiry committee, constituted by the Ministry of Water and Power to probe into the matter of irregular submission of 3rd revised PC-I, recommended to penalize the responsible officers but no action was taken.

Non-adherence to the direction of inquiry committee resulted in non-imposition of penalty on officers responsible for 3rd revision of PC-I to the tune of Rs.478.96 million (Rs.2,439.78 million – Rs.1,960.82 million) up to the financial year 2015-16.

The matter was taken up with the management in June, 2016 and reported to the Ministry in October, 2016. The management replied that under the advice of Planning Commission, inquiry for submission of 3rd revised PC-I of Subakzai Dam Project was conducted. However, EOT cost claim of Rs.373.04 million was withdrawn by the contractor and WAPDA had requested to the Ministry for re-submission of 3rd revised PC-I after adjustment in summary cost.

The reply was not tenable as no action was taken in the light of inquiry committee's report.

The DAC in its meeting held on January 24, 2017 directed the management to get the original record verified from Audit within 15 days. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to initiate action against the responsible officers as recommend by the inquiry committee.

(DP-194/2016-17)

1.4.21 Irregular expenditure incurred on O&M of completed projects – Rs.389.82 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 office of the General Manager (Finance) Water WAPDA, Lahore, an expenditure of Rs.389.82 million was incurred on account of operation and maintenance (O&M) of five completed projects. The incurrence of said expenditure was irregular as provincial government being beneficiary of the projects had not placed the funds for this purpose.

Non-adherence to Government rules resulted in irregular incurrence of expenditure amounting to Rs.389.82 million on O&M of completed projects up to the financial year 2015-16.

The matter was taken up with the management in September, 2016 and reported to the Ministry in December, 2016. The management replied that the Authority had already taken up the matter with Finance Division for recovery of O&M. As regards the O&M of NDP Tube well, the expenditure had been incurred as per Authority's decision to close project activities.

The reply was not tenable as incurrence of expenditure on closed projects was the responsibility of provincial governments instead of WAPDA.

The DAC in its meeting held on January 24, 2017 directed the management to pursue the case of recovery of O & M under intimation to Audit. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides taking up the issue with provincial governments for recovery of O&M expenses.

(DP-1499/2016-17)

1.4.22 Non-adjustment of advances to suppliers / contractors / consultants - Rs.360.66 million

According to Para-73 of WAPDA Accounting Manual, "the advances shall be adjusted at the closing of each calendar month in shape of vouchers or cash under financial rules".

In the office of the General Manager (Civil) Hattian, an amount of Rs.360.66 million was paid to different suppliers / contractors / consultants as advance payment. This amount was required to be adjusted from the claims of the suppliers / contractors / consultants but neither the amount was adjusted from consultants nor recovered from them.

Non-compliance to the rules resulted in non-adjustment of advances amounting to Rs.360.66 million from the suppliers / contractors / consultants up to the financial year 2015-16.

The matter was taken up with the management in February, 2016 and reported to the Ministry in October, 2016. It was replied that the reminders were issued for rendering adjustment accounts / audit certificates of the advances. Further progress was not report till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with detail of outstanding recovery within 15 days.

Audit recommends that the management needs to expedite the adjustment of advances given to suppliers / contractors / consultants.

(DP-253/2016-17)

1.4.23 Infructuous expenditure due to non-execution of project - Rs.347.14 million

According to PC-I Proforma, "the Naulong Dam was to be completed up to December, 2013 at a cost of Rs.11,699.82 million".

In Project Director Naulong Dam Project, Larkana, an expenditure of Rs.347.14 million was incurred on account of consultancy, administrative and miscellaneous heads up to May 31, 2016 but construction activities could not be started despite elapse of six years beyond the completion schedule.

Non-adherence to the provisions of PC-I resulted in infructuous expenditure of Rs.347.14 million due to non-execution of project up to the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in December, 2016. The management replied that the lowest quoted bid was more than 15% of 1st revised PC-I cost. Planning, Development & Reforms Division, Islamabad vide letter dated September 18, 2014 advised that if the cost of the project was anticipated to increase by more than 15% of the 1st revised PC-I cost, then it would be mandatory to obtain approval from competent forums.

The reply was not relevant with the observation as no justification for incurrence of expenditure without any physical progress was provided.

The DAC in its meeting held on January 24, 2017 directed the management to submit relevant reply to justify the expenditure against progress achieved.

Audit recommends that the management needs to justify the expenditure besides fixing responsibility.

(DP-1255/2016-17)

1.4.24 Loss due to wastage of Authority's funds by bad planning - Rs.308.85 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 Project Director Installation of Effluent Treatment Plant a pilot project of Installation of Effluent Treatment Plant was started in May, 2009 to supply 28,958 acre ft of water for irrigation of 10,984 acres of land. Subsequently, Ministry of Planning, Development and Reforms abandoned the project in October, 2015 due to funding issues and WAPDA had closed the project. Hence, expenditure incurred on the project had gone wasted.

Project mismanagement resulted in loss of Rs.308.85 million due to wastage of Authority's funds up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that all the activities carried on defunct project could be utilized at any stage whenever the funding issues were resolved. Furthermore, the camp colonies and constructed pilot treatment plant project along with assets were transferred to Nai Gaj Dam Project for utilization.

The DAC in its meeting held on January 24, 2017 did not agree with view point of the management and directed to conduct facts finding inquiry into the matter.

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

(DP-1641/2016-17)

1.4.25 Non-submission of adjustment account of advances - Rs.186.37 million

According to Para-26 & 28 (Chapter-VI) of WAPDA Act-1958, "complete and accurate books of accounts of all projects/schemes and transactions relating to the Authority shall be maintained to the satisfaction of the Federal Govt., on whose behalf the accounts of the Authority shall be audited every year by the Auditor-General of Pakistan".

In the office of the General Manager (Projects) North WAPDA, an amount of Rs.186.37 million was paid in advance to Land Acquisition Collector (LAC) to acquire the land and administrative expenses thereof. The adjustment accounts along-with supporting documents were not submitted by the respective departments to project authorities.

Non-adherence to the WAPDA Act resulted in non-submission of adjustment accounts of advances amounting to Rs.186.37 million up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in November, 2016. The management replied that this office was in contact with LAC for early submission of adjustment accounts of advances. Any progress achieved would be informed to Audit accordingly. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to expedite the adjustment of account from the concerned quarters under intimation to Audit.

Audit recommends that the management needs to take up the matter at appropriate level for obtaining adjustment accounts of advances.

(DP-319/2016-17)

1.4.26 Loss due to damage of turbine parts – Rs.161.98 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 store, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

In the office of the Resident Engineer Khan Khwar Hydro Power Station Besham, a fault was occurred in the units No. 1 & 2 of the power house, due to excessive water leakage from the draft tubes. An amount of Rs.161.98 million had to incur on the replacement of damaged / broken parts. The contractor neither supplied the spare parts for five (5) years O&M nor trained the O&M staff of the Employer. The responsibility of loss was not fixed as no inquiry was conducted.

Non-adherence to Authority's instructions resulted in loss of Rs.161.98 million due to damage of turbine parts up to the financial year 2015-16.

The matter was taken up with the management in April, 2016 and reported to the Ministry in November, 2016. The management replied that the contractor had provided all the spare parts under the contract. However, spare parts would be used in the major overhauling or when required in emergency.

The reply was not tenable as no responsibility for damage of turbine parts was fixed.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with supporting documents within 15 days.

Audit recommends that the management needs to investigate the matter for fixing the responsibility of loss.

(DP-345/2016-17)

1.4.27 Irregular / unjustified payment of adjustment of surplus excavated earthwork - Rs.155.25 million

In contract agreement KC-5D, there was no provision for additional payment of surplus excavated earthwork beyond free haulage limits of 1000 feet in contract KC-5D.

The Chief Engineer/Project Director, Kachhi Canal Project WAPDA, D.G Khan, made a payment of Rs.155.25 million to the contractor on account of adjustment of surplus excavated earthwork beyond free haulage limits of 1000 feet in contract KC-5D. The payment of adjustment of surplus earthwork was irregular and unjustified as there was no provision of such payment in the contract agreement.

Non-adherence to the provisions of contract agreement resulted in irregular / unjustified payment of Rs.155.25 million on account of adjustment of surplus excavated earthwork during the financial year 2015-16.

The matter was taken up with the management in September, 2016 and reported to the Ministry in December, 2016. The management replied that the reason for adjustment of surplus earthwork within the free haulage limit of 1000 feet was due to ROW problems.

The reply was not acceptable as the payment was made to the contractor beyond the provision of contract agreement.

The DAC in its meeting held on January 24, 2017 directed the management to get the complete record verified from Audit within 15 days.

Audit recommends that the management needs to justify the matter besides fixing the responsibility.

(DP-1636/2016-17)

1.4.28 Non-recovery of operation & maintenance charges - Rs.150 million

According to Member Water office memo No.10-13/SO/MW/2015 dated January 21, 2016, "all the works under Indus Basin Replacement Works (IBRW) had been handed over to the Provincial Governments except CJ-Link Canal".

In Chashma Barrage and CJ link canal, an expenditure of Rs.150 million per annum was being sustained by WAPDA on account of operation & maintenance of the canal constructed under the umbrella of Indus Basin Replacement Works (IBRW). All the works constructed under IBRW had been handed over and maintained by the Provincial Government except CJ-link canal. Since, the main beneficiary of the CJ-link canal was Punjab Irrigation Department and Pakistan Atomic Energy Commission Chashma hence, the said link canal needed to be handed over to Punjab Irrigation Department besides recovering the R&M charges from them.

Non-adherence to the instructions resulted in non-recovery of O&M charges amounting to Rs.150 million from Punjab Irrigation Department and Pakistan Atomic Energy Commission Chashma up to the financial year 2015-16.

The matter was taken up with the management in March, 2016 and reported to the Ministry in December, 2016. The management replied that a letter from Punjab Irrigation Department was received in which they again reiterated for arrangement of funds from Federal Govt.

The reply was not relevant to the observation as no justification for incurrence of O&M expenditure was provided.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with justification to Audit. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to expedite the recovery besides handing over the canal to the Punjab Irrigation Department.

(DP-1631/2016-17)

1.4.29 Irregular payment of EOT cost to the contractor - Rs.149.89 million

As per decision of WAPDA Authority in its meeting dated February 20, 2010, extension of 304 days (w.e.f December 01, 2008 to September 30, 2009) in completion period of contract (RC-4) with escalation was allowed to the contractor.

In Rainee Canal Project WAPDA, a contract RC-04 amounting to Rs.2,800 million for the construction of “River Training Works, Head Regulator, Earthwork and Structures of Rainee Canal Project” was awarded to M/s Descon Limited. The work started on December 01, 2006 was scheduled to be completed on November 30, 2008. The contractor could not complete the work within stipulated period of time. Thereafter, extension of time (EOT) for 304 days w.e.f. December 01, 2008 to September 30, 2009 was granted with admissibility of escalation on February 20, 2010. After expiry of 03 years, the contractor moved a claim for EOT cost amounting to Rs.149.89 million for 304 days, which was accepted by the Authority on May 03, 2013. The payment of EOT cost claim amounting to Rs.149.89 million was not admissible as the Authority, while deciding EOT, had allowed only escalation to the contractor. The subsequent approval of EOT cost was not in line with the provisions of contract agreement as issue of EOT cost was not existed at the time of approval.

Non-adherence to the instructions resulted in irregular payment of Rs.149.89 million on account EOT cost to the contractor during the financial year 2015-16.

The matter was taken up with the management in October, 2016 and reported to the Ministry in December, 2016. The management replied that the EoT cost claim was determined by “the Engineer” under contract Clause-53.5 CoC against the Contractor’s claim and the claim was approved by the Authority.

The reply was not tenable as approval of the EOT cost was not in line with the provision of the contract.

The DAC in its meeting held on January 24, 2017 directed the management to provide working papers exhibiting the basis for EOT as well approval of Authority.

Audit recommends that the management needs to inquire the matter for fixing responsibility besides ensuring recovery of EOT cost of Rs.149.89 million from the contractor.

(DP-1376/2016-17)

1.4.30 Wasteful expenditure due to change in design of Dam – Rs.136.50 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 store, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

In the office of the GM (Central) Water WAPDA Lahore, an amount of Rs.136.50 million was paid to M/s NESPAK for proposing the design of spill way arrangement at Nai Gaj Dam Project. Later on, the design was completely changed by another consultant M/s Techno Consultant International (TCI) due to deficiencies found in its geotechnical data causing wastage of expenditure of Rs.136.50 million.

Non-adherence to the above instructions resulted wasteful expenditure of Rs.136.50 million due to change in design of dam up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in November, 2016. The management replied that M/s NESPAK had designed orifice gated spillway. However, M/s TCI raised reservations to the proposed spillway design as per site conditions and experience of the consultants working in Hub Dam catchment area and suggested an un-gated spillway configuration to be relied upon as a "Main Spillway" with a provision of "Auxiliary Spillway".

The reply was not tenable being irrelevant to the Audit observation.

The DAC in its meeting held on January 24, 2017 directed the management of GM (P) South to inquire the matter of change of design causing wasteful expenditure.

Audit recommends that the management needs to investigate the matter for fixing responsibility regarding wasteful expenditure.

(DP-568/2016-17)

1.4.31 Non-recovery of standard rent and utility charges - Rs.124.41 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 various WAPDA formations, an amount of Rs.124.41 million was recoverable from WAPDA employees on account of standard rent and utility charges from October, 2013 to June, 2016 as detailed below:

Sr. No.	DP No.	Formation	Amount (Rs. in million)
1.	1552/2016-17	Principal Engineering Academy, Faisalabad	5.91
2.	254/2016-17	R.E. Power Station, Tarbela	1.45
3.	439/2016-17	M.S WAPDA Hospital, Multan	1.56
4.	1371/2016-17	P.D. Mangla Water Shed Management Power	0.31
5.	1639/2016-17	G.M. (South) WAPDA, Hyderabad	2.21
6.	1530, 1535/2016-17	Executive Engineer Building Division Hyderabad	112.44
7.	492/2016-17	M.S WAPDA Hospital, Peshawar	0.53
		TOTAL	**124.41**

Non-adherence to Authority's instructions resulted in non-recovery of standard rent and utility charges amounting to Rs.124.41 million up to the financial year 2015-16.

The matter was taken up with the management during April to October, 2016 and reported to the Ministry during September to December, 2016. The management replied that an amount of Rs.0.42 million was recovered while efforts were being made for recovery of balance amount. Audit would be informed accordingly. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to provide recovery record and expedite the pending actions within 15 days.

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

1.4.32 Loss due to accumulation of interest charges on pending IPCs claims - Rs.98.89 million

According to Sub-Clause 60.10 of conditions of contract, "the amount due to contractor under any IPC issued by the Engineer be paid by the Employer to the contractor within 14 days after such IPC has been delivered to the Employer. In the event of failure of the employer to make payment within the time stated, the Employer shall pay to the contractor compensation at the rate of 8% per annum, upon all sums unpaid from the date by which the same should have been paid".

In Mangla Dam Raising Project, an amount of Rs.596.55 million was lying payable to the contractor against thirty two (32) pending IPCs duly certified by the Consultant from 2013 to 2014. Due to poor financial management, funds could not be arranged for payment to the contractor. Resultantly, WAPDA had to bear interest charges of Rs.98.89 million on pending claims.

Non-adherence to the contract provisions and poor financial management resulted in loss of Rs.98.89 million due to accumulation of interest charges on pending IPC's claims up to the financial year 2015-16.

The matter was taken up with the management in November, 2015 and reported to the Ministry in December, 2016. The management replied that the Project Management as well as WAPDA Authority made all out efforts for adequate PSDP allocations for the Project and release of requisite funds by GoP but the circumstances were beyond the control of project management.

The reply was not tenable as no documentary evidence in support of stance was provided.

The DAC in its meeting held on January 24, 2017 directed the management to provide documentary evidence to substantiate the reply. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to inquire the matter of poor financial management resulted in loss due to accumulation of interest charges.

(DP-1277/2016-17)

1.4.33 Irregular award of purchase / work orders in violation of Public Procurement Rules – Rs.96.44 million

According to Rule-12 of Public Procurement Rules, 2004, "procurements over one hundred thousand shall be made through open competition bidding / advertisement." As per Rule-9 of Public Procurement Rules, 2004, "a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or re-grouping of the procurement so planned. The annual requirement thus determined would be advertised in advance on the Authority's website as well as on the website of the procuring agency in case the procuring agency has its own website". Moreover, Rule-20 of Public Procurement Rules, 2004, "save as otherwise provided, the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works".

In various WAPDA formations, different purchase / work orders for procurement of material and works valuing Rs.96.44 million were awarded to different contractors without open competitive bidding during the period July, 2015 to June, 2016.

Violation of Public Procurement Rules resulted in irregular award of purchase / work orders valuing Rs.96.44 million up to the financial year 2015-16 as detailed below:-

Sr. No.	DP No.	Formation	Violation of PPRA Rule No.	Brief of Violation	Amount (Rs. in million)
1.	298/2016-17	Additional D.G. PR, WAPDA	Rule-12	Purchase through quotations instead of tendering	1.18
2.	1264/2016-17	Project Director CB & CJ Link Canal	Rule-20	Purchase through quotations instead of tendering	3.89
3.	1377/2016-17	R.E. Power House, Chitral	Rule-20	Purchase through quotations instead of tendering	5.02
4.	1486, 1605/2016-17	P.D. CRBC, D.I. Khan	Rule-9 & 12	Purchase through quotations instead of tendering	5.65
5.	1529/2016-17	G.M. (Finance) Power	Rule-4 & 20	Award of contract without competition	40.70
6.	1543/2016-17	D.G. (P&D) WAPDA	Rule-9	Award of contract without competition	40.00
		TOTAL			**96.44**

The matter was taken up with the management during May to December, 2016 and reported to the Ministry during September to December, 2016. The management replied that award of purchase / work orders were made on quotations due to emergent situation, the Public Procurement Rules did not forbid single tendering while in one case, the matter was subjudice of renewal of rate contracts was subjudice, there was no violation of Public Procurement Rules.

The reply was not tenable as Authority's approval to invoke emergency clause was not provided.

The DAC in its meeting held on January 24, 2017 directed the management to provide relevant record relating to action completed and expedite the pending actions.

Audit recommends that the management needs to investigate the matter to fix the responsibility for non-observance of Public Procurement Rules.

1.4.34 Non-recovery of damages from the consultants due to wrong site selection - Rs.86 million

According to Clause-3.4 of Consultancy Agreement with M/s Diamer Basha Consultant (DBC), "if the client suffer any losses or damages as a result of proven faults, errors or omissions in the design of a project, the consultants shall made good such losses or damages".

At Diamer Basha Dam Project under administrative control of the General Manager (C&M) Water WAPDA, the project's colony was damaged due to heavy flash flood / cloud burst on July 09, 2015. The technical team constituted by Member (Water) declared M/s DBC responsible for wrong site selection without taking care of flood / earthquakes and recommended to recover construction cost of colony amounting to Rs.86 million from the Consultant.

Non-adherence to Consultancy agreement resulted in non-recovery of damages of Rs.86 million from consultant due to wrong site selection up to the financial year 2015-16.

The matter was taken up with the management August, 2016 and reported to the Ministry in December, 2016. The management replied that as per Prime Minister of Pakistan directives the process of blacklisting the consultant was initiated but the consultants moved into court of law and the court had stopped the process of blacklisting.

The DAC in its meeting held on January 24, 2017 directed the management to provide decision of Court and directives of Prime Minister to Audit within 15 days. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to expedite the recovery of damages from the Consultant besides pursuing the court case vigorously.

(DP-957/2016-17)

1.4.35 Excess payment to the contractor on account of escalation – Rs.75.27 million

According to Clause-70.1(d) of the Conditions of Contract, "the base cost indices or prices shall be those prevailing on the day 28 days prior to the latest date for submission of bids. Current indices or prices shall be those prevailing on the day 28 days prior to the last day of the period to which a particular monthly statement is related. If at any time the current indices are not available, provisional indices as determined by the Engineer will be used, subject to subsequent correction of the amounts paid to the contractor when the current indices become available."

In Nai Gaj Dam Project Dadu, rate of indices relating to Sukkur was being applied for calculating of escalation instead of Dadu (as indices for Dadu were available from the year 2013 up till now). Since, the rate of indices in Sukkur was higher than rates of indices in Dadu, so escalation adjusted in IPCs was on excessive side.

Violation of contract clause resulted in excess payment of escalation amounting to Rs.75.27 million to the contractor during the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in October, 2016. The management replied that the Engineer had furnished the comparison of rates of Dadu & Sukkur City on the basis of base rates provided by the District Labor Officer, Dadu which came out to be much higher than Sukkur, hence, were not applicable as per contract.

The reply was not tenable as the payment was made in violation of contract provisions.

The DAC in its meeting held on January 24, 2017 directed the management to get the record verified from Audit within 15 days.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides ensuring recovery of excess payment.

(DP-278/2016-17)

1.4.36 Loss due to ambiguous award of contract – Rs.46.46 million

According to Bidding Documents, "any arithmetic errors in computation or summations will be corrected by the employer and where there is discrepancy between amounts in figures and in words, the amount in words will govern.

The General Manager (C&M) Water WAPDA, Lahore awarded a contract for construction of Waran Canal & Appurtenant structures to a contractor at a cost of Rs.332.94 million. The amount of bid stated in words was wrongly higher to the extent of Rs.46.46 million than the actual computed amount in figure. Resultantly, Authority accorded approval to withdraw the LoA and the said contract was awarded at cost of Rs.286.48 million instead of Rs.332.94 million. However, contractor filed a Writ Petition in Court and the Honorable Court gave decision in favour of contractor for award of contract at Rs.332.94 million.

Negligence of WAPDA management/consultant during bid evaluation process resulted in a loss of Rs.46.46 million due to ambiguous award of contract up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in November, 2016. The management replied that the contractor filed a writ petition in court and the court gave decision in favor of contractor for award of contract at Rs.332.94 million.

The DAC in its meeting held on January 24, 2017 directed to constitute an inquiry to fix the responsibility within one month under intimation to Audit. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides making good the loss.

(DP-838/2016-17)

1.4.37 Mis-procurement of medicines & equipment in violation of Public Procurement Rules – Rs.45.60 million

According to Rule-4 of Public Procurement Rules, 2004, "procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner. According to Rule-20 of Public Procurement Rules, 2004, "save as otherwise provided, the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works".

In various WAPDA formations, different purchase orders for supply of medicines / equipment and electrical material valuing Rs.45.60 million were awarded to different suppliers without open competitive bidding.

Violation of Public Procurement Rules resulted in mis-procurement of medical items & equipment valuing Rs.45.60 million up to the financial year 2015-16 as detailed below:-

Sr. No.	DP No.	Formation	Brief of Violation	Amount (Rs. in million)
1.	203, 204, 246/2016-17	M.S WAPDA Hospital, Hyderabad	Award of contract without competition / open tendering / without transparency	38.60
2.	181/2016-17	M.S WAPDA Hospital, Sukkur	Award of contract without competition / open tendering	3.87
3.	302/2016-17	M.S WAPDA Hospital, Multan	Award of contract without competition / open tendering	2.54
4.	843/2016-17	M.S WAPDA Hospital, Guddu	Purchase through quotations instead of tendering	0.59
		TOTAL		**45.60**

The matter was taken up with the management during March to August, 2016 and reported to the Ministry during September to December, 2016. The management replied that purchases were made on quotations due to emergent situation while in case of renewal of rate contracts, there was no violation of Public Procurement Rules.

The reply was not tenable as violation of public procurement rules needed to be investigated.

The DAC in its meeting held on January 24, 2017 directed the management to furnish revised reply with justification and conduct inquiry to probe into the matter.

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

1.4.38 Loss due to illegal encroachment of WAPDA land - Rs.38.72 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 Hub Dam Project WAPDA, one acre (4840 yards) open land area of Plot No. ST-1/5, Block U North Nazimabad valuing Rs.38.72 million was occupied / encroached by the local people by damaging the boundary wall and utilizing the land for parking of heavy transport. Though, the matter was reported to Police but no departmental inquiry was constituted to probe into the matter.

Non-adherence to the Authority's instructions resulted in loss of Rs.38.72 million due to illegal encroachment of WAPDA land up to the financial year 2015-16.

The matter was taken up with the management in October, 2016 and reported to the Ministry in December, 2016. The management replied that security agencies of provincial government had been approached time and again for taking action against the culprits / miscreants.

The reply was not tenable as no departmental inquiry was conducted for fixing responsibility.

The DAC in its meeting held on January 24, 2017 directed the management to pursue the case vigorously with Govt. of Balochistan under intimation to Audit. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to conduct departmental inquiry for fixing responsibility besides pursuing the criminal proceedings.

(DP-1374/2016-17)

1.4.39 Irregular release of funds against defunct project – Rs.29.66 million

There was no PSDP allocation during financial year 2015-16 against defunct project "Installation of Effluent Treatment Plant RBOD-III Dadu Sindh".

The General Manager (Finance) Water WAPDA, Lahore had released funds amounting to Rs.29.66 million to a defunct project "Installation of Effluent Treatment Plant". The release of funds was irregular as there was no PSDP allocation during the financial year 2015-16.

Violation of PSDP allocation resulted in irregular release of funds amounting to Rs.29.66 million against a defunct project during the financial year 2015-16.

The matter was taken up with the management in September, 2016 and reported to the Ministry in December, 2016. The management replied that the management cost and consultancy charges were incurred as per scope and provision of PC-I. Subsequently, the project had been closed as per direction of Ministry of Water and Power.

The reply was not tenable as the expenditure was incurred without any PSDP allocation.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised/comprehensive reply to Audit.

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

(DP-1650/2016-17)

1.4.40 Irregular payment on account of procurement of medicines / dressing without quality test – Rs.29.15 million

As per Clause-7 of rate contract regarding Quality Control, "the stores against the rate contract will be supplied under warranty certificate as per clauses of Drug Act 1976. Director General Medical Services, however, reserves the right to get the drugs tested/inspected randomly, from independent credible laboratory in which case all testing charges will be borne by the firm".

In WAPDA Hospital Rawalpindi, drugs and dressing valuing Rs.29.15 million was procured from various suppliers. As per Drug Act 1976, testing or inspection was required to be made from independent laboratory to ensure the quality of the medicine which was not done.

Non-adherence to contract clause resulted in irregular payment of Rs.29.15 million to suppliers on account of procurement of drugs and dressing without quality testing during the financial year 2015-16.

The matter was taken up with management in July, 2016 and reported to the Ministry in December, 2016. The management replied that as per instructions of the Authority random sampling of drugs was being made. In addition, quality assurance certificates / manufacturer's warranty of every batch of every drug was submitted by the firms.

The reply was not tenable as merely obtaining quality assurance / warranty certificate of medicines was not sufficient, hence, random testing should have been made to ensure quality of medicines.

The DAC in its meeting held on January 24, 2017 directed the management to submit a comprehensive reply, indicating the DTL related problems and their solution. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for fixing responsibility regarding acceptance of medicines without testing of drugs from Independent laboratory.

(DP-1497/2016-17)

1.4.41 Unjustified payment for unsuitable material to the contractor – Rs.21.30 million

According to Clause 3.3 (1) of Specification-Technical Provision of Contract, "material excavated will not be classified for payment. Except as otherwise provided in these specifications, material excavated will be measured in excavation to the lines and grades shown on the drawings and all materials so excavated will be paid for at the unit price quoted in the Bill of Quantities for Excavation. No additional payment above this unit price will be made on account of any of the material being wet or unsuitable for fill".

In Kachhi Canal Project & RMM, D.G Khan, a payment of Rs.21.30 million was made to the contractor on account of unsuitable material in Interim Payment Certificate (IPC) No.12 of contract MGC-04. The payment of unsuitable material was not admissible to the contractor as its cost was included in BoQ Item-2.1, 2.2 & 2.3 under Clause-3.3(1) of Specification-Technical Provision of contract agreement. Hence, payment of Rs.21.30 million made to the contractor was unjustified.

Non-adherence to the provisions of contract agreement resulted in unjustified payment of Rs.21.30 million on account of unsuitable material to the contractor during the financial year 2015-16.

The matter was taken up with the management in September, 2016 and reported to the Ministry in December, 2016. The management replied that the payment was made for the filling material from approved source to replace the unsuitable material.

The reply was not tenable as the payment was not covered under the contract clauses.

The DAC in its meeting held on January 24, 2017 directed the management to provide the revised reply along with supporting documents to Audit within 15 days. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to inquire the matter for fixing responsibility for unjustified payment besides ensuring recovery from the contractor.

(DP-1635/2016-17)

1.4.42 Non-recovery of liquidated damages from the contractors – Rs.19.07 million

As per Clause-9 & 47.1 of the special conditions of the contracts, “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 two WAPDA formations, contracts were awarded to different contractors for execution of works. The contractors could not complete the works within the stipulated period hence, they were liable to pay the liquidated damages of Rs.19.07 million but the same were not recovered as detailed below:-

Sr. No.	DP No.	Formation	Amount (Rs. in million)
1.	192/2016-17	R.E. Power Station, Warsak	0.82
3.	322/2016-17	P.D. Jinnah Hydel Power Project, Kalabagh	18.25
		TOTAL	**19.07**

Non-adherence to contract clauses resulted in non-recovery of liquidated damages amounting to Rs.19.07 million from the contractors up to the financial year 2015-16.

The matter was taken up with the management during April to July, 2016 and reported to the Ministry in October & November, 2016. The management replied that an amount of Rs.0.71 million had been deducted from the payment of the contractor while the recovery of remaining LDs or admissibility of EoT would be decided on approval by Authority. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to provide the recovery record relating to action completed and expedite the pending actions within 15 days.

Audit recommends that the management needs to expedite the recovery of liquidated damages as per contract clauses.

1.4.43 Loss due to irregular / unjustified payment to consultants - Rs.15.52 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 Nai Gaj Dam Project Dadu, an amount of Rs.15.52 million was paid to M/s NESPAK (Pvt.) Ltd. on account of pending consultancy invoices on the request of the Chief Engineer (Planning and investigation). Since, M/s Techno Consultant International, Karachi was appointed as consultant to the Nai Gaj Dam Project Dadu, hence, payment made to other consultant out of the PSDP budget of Nai Gaj Dam was quite irregular and unjustified.

Non-adherence to Authority's instructions resulted in loss of Rs.15.52 million to the Authority due to irregular / unjustified payment of consultancy fees during the financial year 2016-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in October, 2016. The management replied that due to non-approval of revised PC-II, the provision for Detailed Engineering Design was made in the revised PC-I of the Project, wherein provision of Rs.683.94 million had been made under Detailed Engineering, Administration and Construction

Supervision Cost, for which the reported payment had been released to NESPAK.

The reply was not tenable as the payment of pending consultancy invoices, out of PSPD budget was irregular / unjustified.

The DAC in its meeting held on January 24, 2017 directed the management to justify the payment of pending invoices of M/s NESPAK out of PSDP budget.

Audit recommends that the management needs to justify the irregular payment made to the consultants.

(DP-281/2016-17)

1.4.44 Recurring loss due to low rate of interest on bank account – Rs.14.11 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 GM (Hydel) Operation, four imprest bank accounts were being maintained with HBL, MCB, UBL and NBP for transfer of additional funds demanded by field formations at 4% rate of interest against the present rate of interest of 9% on daily product basis. The management did not bother to negotiate the interest rate with the banks which caused recurring loss of Rs.14.11 million in shape of interest.

Non-adherence to above instructions resulted in recurring loss of Rs.14.11 million due to low rate of interest on bank accounts up to the financial year 2015-16.

The matter was taken up with the management in June, 2016 and reported to the Ministry in December, 2016. The management replied that our field formations were situated at remote areas like Tarbela, Ghazi Barotha, Mangla, Dargai and Besham etc. and only nationalized banks branches operated so this office was confined to deal with these banks.

The reply was not tenable as no efforts were made to negotiate with banks for increase in rate of profit.

The DAC in its meeting held on January 24, 2017 directed the management to submit comprehensive reply supported with relevant documents to Audit. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides making good the loss.

(DP-1643/2016-17)

1.4.45 Non-recovery of course fee from WAPDA formations - Rs.10.76 million

The WAPDA Authority in its decision dated October 21, 2015, has devised a new Financial Mechanism w.e.f. July 01, 2015 for charging fee regarding the courses conducted at WAPDA Engineering Academy, Faisalabad. Accordingly, an amount of Rs.384,159 per participant of Junior Management Course (JMC) was required to be recovered.

In the office of the Principal WAPDA Engineering Academy Faisalabad, an amount of Rs.10.76 million was to be recovered from eleven (11) formations on account of management course fee. No efforts were made to recover the outstanding amount.

Non-adherence to Authority's decision resulted in non-recovery of course fee amounting to Rs.10.76 million up to the financial year 2015-16.

The matter was taken up with the management in October, 2016 and reported to the Ministry in December, 2016. The management replied that the matter had already been taken up with the formations. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to pursue the recovery vigorously under intimation to Audit.

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

(DP-1537/2016-17)

1.4.46 Non-recovery of outstanding amount from sundry debtors - Rs.8.50 million

According to Section-III-C (1) of WAPDA Book of Financial Powers, "deposit works shall be undertaken only after getting full amount of sanctioned work estimated deposits with WAPDA along with an undertaking from the depositor to meet any variation."

In the office of the General Manager (Central Design) WAPDA Lahore, an amount of Rs.8.50 million was recoverable on account of services provided to various organizations. No efforts were made to recover the outstanding amount.

Non-adherence to Authority's instructions resulted in non-recovery of Rs.8.50 million from sundry debtors up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that an amount of Rs.1.66 million had been adjusted leaving a balance of Rs.6.85 million for which efforts were being made. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the record of adjusted amount verified from Audit and expedite the recovery of remaining balance.

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

(DP-1533/2016-17)

1.4.47 Non-recovery of monthly payment from Central Park Medical College - Rs.7.35 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."

The Director General Medical Services, WAPDA, Lahore was required to recover an amount of Rs.7.35 million on account of monthly share from Central Park Medical College (CPMC), Lahore for the period from June to October, 2015. No efforts were being made to recover the amount as required under the agreement.

Non-adherence to the agreement between WAPDA Hospital and CPMC resulted in non-recovery of monthly share amounting to Rs.7.35 million from CPMC during the financial year 2015-16.

The matter was taken up with management in August, 2016 and reported to the Ministry in September, 2016. The management replied that an amount of

Rs.4.41 million had been received on account of monthly installments from June to August, 2015. The legal proceeding for recovery of remaining amount had been started. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to pursue the court cases vigorously and to provide recovery record to Audit for verification within 15 days.

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

(DP-91/2016-17)

1.4.48 Non-recovery on account of revolving funds from consultant - Rs.6.64 million

According to Schedule of Sundry Debtor as on June, 2014, "Revolving Funds of Rs.6.64 million with M/s MMPL (LBOD Consultants) was outstanding since 2004-05.

The General Manager Water South WAPDA, Lahore was required to recover an amount of Rs.6.64 million on account of revolving funds lying outstanding against M/s MMPL (LBOD Consultants) since 2004-05. The works of LBOD had since been completed and handed over to the Government of Sindh but the amount of revolving funds could not be recovered / adjusted against the consultant's claims.

Non-adherence to consultancy agreement resulted in non-recovery of revolving funds amounting to Rs.6.64 million from the consultants up to the financial year 2015-16.

The matter was taken up with the management in October, 2015 and reported to the Ministry in December, 2016. The management replied that the consultants had not furnished the final invoice, however, the matter would be taken up with the consultants for submitting the final invoice so that the amount in question could be recovered. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to expedite the matter under intimation to Audit.

Audit recommends that the management needs to inquire the matter for fixing responsibility besides expediting the recovery from the consultants.

(DP-1370/2016-17)

1.4.49 Blockage of Company's funds due to un-necessary purchase of medical equipments - Rs.6.08 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 an item for indefinite period".

The Medical Superintendent WAPDA Hospital Sukkur, had purchased medical equipments worth Rs.6.08 million during 2011 to 2015 which were lying idle since date of purchase and their warranty was also expired. This indicated that the equipments were procured without assessing the actual demand.

Non-adherence to Authority's instructions resulted in non-utilization of medical equipments of Rs.6.08 million up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in October, 2016. The management replied that the procurement was made as per need analysis but same were remained idle due to non-availability of expertise/specialist.

The reply was not tenable as the equipments were purchased without assessing actual needs.

The DAC in its meeting held on January 24, 2017 directed the management to submit item wise revised reply along with supporting documents to Audit within 15 days.

Audit recommends that the management needs to investigate the matter for fixing responsibility regarding un-necessary procurement of medical equipments.

(DP-180/2016-17)

1.4.50 Irregular payment on account of special WAPDA allowance - Rs.5.99 million

As per Director Finance Regulation letter dated January 25, 2006, "the qualification allowance for the qualification of ICMA/ACMA/CA is in lieu of the pay for the same purpose as admissible in Government Office. It is the employee's choice either to avail of the pay along with its pensionary benefits or enjoy the allowance at higher rate without its post retirement benefit. Option for the qualification pay does not entitle to relevant employee to the advance increment as well".

In the office of the General Manager (Finance) Power WAPDA House, ten (10) officers were drawing both special WAPDA allowance/qualification allowance @ Rs.10,000 p.m and qualification pay for the same qualification of ICMA(Inter)/ACMA in violation of the Authority's instructions. Hence, payment made on account of special WAPDA allowance amounting to Rs.5.99 million was irregular and un-justified.

Non-adherence to Authority's instructions resulted in irregular payment of special allowance amounting to Rs.5.99 million during the financial year 2015-16.

The matter was taken up with management in September, 2016 and reported to the Ministry in December, 2016. The management replied that the special WAPDA allowance was allowed by the WAPDA Authority. Under the WAPDA Act 1958, Authority was empowered for the grant of pay and allowances to his employees. The allowance was granted basically to reduce the brain drain and market gap of remuneration of public and private enterprises.

The reply was not tenable as the allowances were not covered under the rules.

The DAC in its meeting held on January 24, 2017 directed the management to provide Finance Division Circular, Section-17 & 18 and WAPDA Circular, to Audit for verification.

Audit recommends that the management needs to investigate the matter for fixing responsibility against the person(s) at fault besides recovery from the concerned officers.

(DP-1607/2016-17)

1.4.51 Un-justified expenditure due to irregular appointment of consultants - Rs.5.86 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 two WAPDA formations, an amount of Rs.5.86 million was paid to two WAPDA ex-employees appointed in October, 2003 and March, 2008 as consultants to the Authority after their retirement. Since then, the contracts for appointment as consultants were being renewed every year. Moreover, re-employment on contract was restricted where the expertise of the civil servants was still required by the Government. Hence, expenditure of Rs.5.86 million per annum was irregular and un-justified. The detail is as under:-

Sr. No.	DP No.	Formation	Name of Consultant	Amount (Rs. in million)
1.	1532/2016-17	G.M (P&D) WAPDA, Lahore.	Mr. M. Jabbar, Ex. Chief Engineer	1.80
2.	1614/2016-17	G.M. (C&M) Water WAPDA, Lahore	Mr. Abdul Khaliq Khan, Ex. G.M	4.06
			TOTAL	**5.86**

Non-adherence to general financial rules resulted in unjustified expenditure of Rs.5.86 million due to irregular appointment of consultants up to the financial year 2015-16.

The matter was taken up with the management in May, 2016 and reported to the Ministry in December, 2016. The management replied that the appointment of consultants was dully approved by the Authority.

The reply was not tenable as the appointment of consultant since October, 2003 and March, 2008 was un-justified.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with justification for appointment of consultant within 15 days.

Audit recommends that the management needs to investigate the matter for fixing responsibility upon the persons at fault.

1.4.52 Non-indemnification of loss due to non-insurance of WAPDA assets - Rs.4.36 million

As per Para-7.1.15 of the Accounting and Financial Manual-2014, all WAPDA equipments of Grid Stations and Power House are protected under WAPDA Equipment Protection Scheme (WEPS). It will provide protection to the losses arising out of fire and damage to the equipment's of power houses, grid stations etc.

The General Manager (Projects) North WAPDA incurred an amount of Rs.4.36 million (US$ 42,305) on repair & maintenance of power house and its allied equipments damaged during January 20 to February 01, 2016. The insurance claims of these losses could not be lodged due to being non-insured equipments.

Non-adherence to the Authority's instructions resulted in non-indemnification of loss of Rs.4.36 million due to non-insurance of WAPDA assets during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in November, 2016. The management replied that insurance was the responsibility of the contractor and damages, if any would be recovered from contractor.

The reply was not tenable being irrelevant to the Audit observation.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with justification for non-insurance of WAPDA assets.

Audit recommends that the management needs to investigate the matter for fixing the responsibility regarding non-indemnification of caused by non-insurance of WAPD assets.

(DP-344/2016-17)

1.4.53 Irregular adjustment of temporary advance - Rs.4 million

According to Para 9.2.2 of WAPDA Accounting and Financial Reporting Manual, "the General Manager Finance of each wing shall be responsible for the enforcement of procedures governing the cash management, maintenance of the records, appropriate usage, accounting for advances and deposits and performing periodic reviews of procedures being followed".

The General Manager (Water) South had granted temporary advance of Rs.4 million to Chief Engineer (Water) South Hyderabad for medical treatment from India on July 11, 2014. The advance was required to be adjusted against the medical bills. However, the amount of advance was adjusted by debiting Sundry Creditors head through Journal Voucher of September, 2014 without any documents/medical bills, which was irregular and needed to be inquired into.

Non-adherence to the instructions resulted in irregular adjustment of temporary advance amounting to Rs.4 million up to the financial year 2015-16.

The matter was taken up with the management in October, 2015 and reported to the Ministry in December, 2016. The management replied that the requisite amount would be taken back in the next Trial Balance and case would be watched vigorously. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to pursue the case for adjustment vigorously.

Audit recommends that the management needs to inquire the matter of irregular adjustment of advance for fixing responsibility.

(DP-1367/2016-17)

1.4.54 Irregular payment of medical charges – Rs.3.65 million

According to Public Procurement Rules, 2004, "procuring agencies, while engaging 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".

The Project Director, Hub Dam Project, Karachi paid an amount of Rs.3.65 million to M/s Ashfaq Memorial Hospital, Karachi on account of medical charges from November, 2014 to June, 2015. The contract for medical services was initially awarded in 1996 and extensions were granted annually up to 2014-15 without inviting tenders and acknowledgement of rates which was irregular due to violation of Public Procurement Rules.

Non-adherence to Public Procurement Rules resulted in irregular payment of medical charges of Rs.3.65 million up to the financial year 2015-16.

The matter was taken up with the management in April, 2016 and reported to the Ministry in December, 2016. The management replied that the matter was under process with DG Medical Services Lahore. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to expedite the matter with DG Medical Services Lahore.

Audit recommends that the management needs to investigate the matter for fixing responsibility regarding non-observance of PPRs.

(DP-1474/2016-17)

1.4.55 Irregular expenditure on account of POL and R&M of vehicle – Rs.2.80 million

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

In Kurram Tangi Dam Project WAPDA, an expenditure of Rs.2.80 million was incurred on account of POL and repair & maintenance

(R&M) of vehicle attached with the Ministry of Water and Power Islamabad which was irregular and unjustified.

Non-implementation of Government rules resulted in irregular expenditure of Rs.2.80 million incurred on account of POL and R&M of vehicle attached with Ministry during the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in October, 2016. The management replied that the vehicle was attached with the Ministry of Water & Power Islamabad, and being used for VIP duties and for coordination with various formations in the best interest of Kurram Tangi Dam Project WAPDA Bannu. Hence, the expenditure was justified.

The reply was not tenable as such type of expenditure was not covered under the rules.

The DAC in its meeting held on January 24, 2017 directed the management to furnish a comprehensive revised reply along with justification in the light of WAPDA Transport Policy.

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

(DP-153/2016-17)

1.4.56 Non-recovery of long term advances from retired employees – Rs.2.67 million

According to Clause-9.2.4 of WAPDA Accounting and Financial Reporting Manual "employees seeking advance shall complete the employee expense work sheet to document their expenses within 15 days of the scheduled advance date and submit to respective immediate head of accounting unit for processing".

In WAPDA Teaching Hospitals Lahore, an amount of Rs.2.67 million was still recoverable from the retired employees on account of long term advances i.e. house building advance and advance for purchase of plots. This indicated that efforts were not made to recover the Authority's funds which required justification and investigation.

Non-adherence to instructions resulted in non-recovery of long term advances of Rs.2.67 million from the retired employees up to the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in September, 2016. The management replied that the advance had already been deducted by Director (Pension) from the pensioners' commutation / Gratuity. Director Pension had been requested for remittance of the amounts deducted from the pension dues of the retired employees. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the record of recovered amount verified from Audit and expedite the recovery of balance amount.

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

(DP-90/2016-17)

1.4.57 Un-necessary procurement of color doppler ultrasound machine - Rs.2.64 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 WAPDA Hospital Multan, despite availability of an ultrasound machine another Toshiba make color doppler ultrasound machine valuing Rs.2.64 million was procured in December 15, 2014 from M/s Medequips (Pvt) Ltd. Ever since the procurement, no Radiologist was available in the hospital to operate such a highly sophisticated ultrasound machine based on state of the art technology. On one side the machine was losing its viability and warranty with the passage of time while on the other side the patients were continually referring to private labs for advanced ultrasonic diagnosis causing ultimate bearing of expenditure by patients' concerned formations. Resultantly, Authority deprived the envisaged benefits of provision of quality medical treatment to its employees despite incurrence of huge expenditure. Hence, the procurement of another ultrasound machine in absence of Radiologist was unnecessary.

Non-adherence to the Authority's instructions resulted in unnecessary procurement of color Doppler ultrasound machine valuing Rs.2.64 up to the financial year 2015-16.

The matter was taken up with the management in May, 2016 and reported to the Ministry in November, 2016. The management replied that on arrival of newly appointed Radiologist, the machine would become operative. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to furnish revised reply supported with documentary evidence to Audit for verification within 15 days**.**

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

(DP-441/2016-17)

1.4.58 Blockage of funds due to unnecessary procurement of medical equipment – Rs.2.58 million

According to Para-5 of Memorandum dated January 17, 1978 on irregularities of purchases of stores and equipment, "purchases should be made only of such items and in such quantities as are required for a specific work. In no case should these purchases be made for storing an item for indefinite period".

In WAPDA Hospital Mangla, medical equipment comprising of Autoclave machine, Surgical units, OT machines, etc valuing Rs.2.58 million were purchased during 2008 and still lying unused since their purchase.

Non-adherence to Authority's instructions resulted in blockage of funds due to unnecessary procurement amounting to Rs.2.58 million up to the financial year 2015-16.

The matter was taken up with management in July, 2016 and reported to the Ministry in December, 2016. The management replied that these equipments would be utilized after completion of recruitment process.

The DAC in its meeting held on January 24, 2017 directed the management to submit a revised reply along with justification of non- utilization of equipments.

Audit recommends implementation of the DAC's directives.

(DP-1498/2016-17)

1.4.59 Non-recovery of room rent from employees - Rs.2.47 million

As per Standard Operating Procedure (SOP) of WAPDA, Managing Director (Admn) shall be competent to reserve rooms to officers/guests for extended period but not exceeding one month at a time at admissible rates in Lahore and Islamabad only.

In the office of the Executive Engineer Rawal Rest House Islamabad, an amount of Rs.2.47 million was appearing outstanding against various officers on account of long stay without approval from the competent authority at Rawal Rest House. Efforts were not made to recover the outstanding amount from the officers.

Non-adherence to Standard Operating Procedure of WAPDA resulted in non-recovery of room rent of Rs.2.47 million from employees up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the case regarding recovery of community service charges from companies was in active consideration and correspondence was made regularly.

The reply was not tenable being irrelevant to the Audit observation.

The DAC in its meeting held on January 24, 2017 directed the management to furnish a detailed reply and expedite the recovery.

Audit recommends that the management needs to expedite recovery of room rent from employees.

(DP-1608/2016-17)

1.4.60 Loss due to non-recovery of income tax/GST– Rs.2.41 million

According to Section-153 of Income Tax Ordinance 2001, “every prescribed person making a payment in full or part including a payment by way of advance to a resident person or (a) For the sale of goods, (b) For the rendering of or providing of services, (c) On the execution of a contract, including contract singed by a sportsperson, but not including contract for the sale of goods, or the rendering of or providing of services, shall at the time of making payment, deduct tax from the gross amount payable (including sales tax, if any) at rates specified in Division-III of part-III of the first schedule”.

In Kurram Tangi Dam Project WAPDA, an amount of Rs.2.41 million on account of income tax / GST was not deducted at the time of payment to consultants / suppliers causing loss to national exchequer.

Non-adherence to the Income Tax Ordinance 2001 resulted in loss of Rs.2.41 million due to non-deduction of income tax / GST up to the financial year 2015-16.

The matter was taken up with the management in March, 2016 and reported to the Ministry in December, 2016. The management replied that partial recovery had been made from the consultants / supplier and efforts were being made to recover the remaining amount. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to produce the partial recovery record to Audit for verification and expedite the remaining recovery under intimation to Audit.

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

(DP-1383/2016-17)

1.4.61 Wasteful expenditure on installation of tubewell – Rs.2.31 million

According to Para-10 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 for ordinary prudence would exercise in respect of this own money and the expenditure should not be prima facie more than the occasion demands".

At Hydel Power Station, Shadiwal under the administrative control of General Manager (Hydel) Operation, a tubewell costing Rs.2.31 million was installed for maintaining cooling system of generators of power house but the same was not working properly since its installation i.e. 2010-11. Thus, the expenditure incurred on installation of tube well was gone wasteful.

Non-adherence to instructions resulted in wasteful expenditure of Rs.2.31 million on the installation of tube well up to the financial year 2015-16.

The matter was taken up with management in June, 2016 and reported to the Ministry in December, 2016. The management replied that no wasteful expenditure incurred for installation of said tube well and funds used were in the best interest of Authority.

The reply was not tenable as no justification for improper working of tube well was provided.

The DAC in its meeting held on January 24, 2017 directed the management to provide completion certificate to Audit for verification.

Audit recommends that the management needs to investigate the matter for fixing responsibility of wasteful expenditure.

(DP-1510/2016-17)

1.4.62 Loss due to undecided cases of demurrage charges - Rs.2.08 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”.

The Chief Resident Representative, Karachi paid an amount of Rs.2.08 million to Karachi Port Trust on account of demurrage and wharfage charges in undecided cases. No inquiry was conducted to fix the responsibility of loss sustained by the Authority due to undecided cases of demurrage charges.

Non-adherence to Authority’s instructions resulted in loss of Rs.2.08 million due to undecided cases of demurrage charges up to the financial year 2015-16.

The matter was taken up with the management in October, 2016 and reported to the Ministry in December, 2016. The management replied that out of 21 demurrage cases, 15 cases had been decided and communicated to the concerned formations accordingly while remaining 06 cases were under process. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the original record verified from Audit and expedite the remaining 6 cases under intimation to Audit.

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

(DP-1493/2016-17)

1.4.63 Non-forfeiture of performance securities – Rs.1.99 million

According to Standard Contract Clauses 10.2 & 10.3, “the performance security shall be valid until the Contractor has executed and completed the Works and remedied any defects therein in accordance with the Contract. No claim shall be made against such security after the issue of the Defects Liability Certificate in accordance with Sub-Clause 62.1 and such security shall be returned to the Contractor within 14 days of the issue of the said Defects Liability Certificate. And prior to making a claim under the performance security the Employer shall, in every case, notify the Contractor stating the nature of the default in respect of which the claim is to be made”.

In Mangla Watershed Management Project WAPDA, Rawalpindi, seven (07) engineering works were damaged during the Defect Liability Period (DLP). Neither the defects were got removed from the contractors nor the performance securities amounting to Rs.1.99 million were forfeited. Hence, Authority deprived to adjust the loss against the performance securities.

Non-adherence to the contract provisions resulted in non-forfeiture of performance securities amounting to Rs.1.99 million up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in October, 2016. The management replied that after verification of all damaged works, the securities of those contractors would be forfeited who failed in rectification of damaged works and audit would be informed accordingly. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to forfeit the retention money of all the defaulted contractors and damaged structures be got repaired within one month.

Audit recommends that the management needs to inquire the matter to fix responsibility for non-forfeiture of performance securities besides implementing DAC's directives.

(DP-252/2016-17)

1.4.64 Loss due to irregular provision of foreign exchange component (US$) in contract price - Rs.1.82 million

There was no provision of foreign exchange component (FCC) in the original as well as revised PC-I of Darawat Dam.

In the office of General Manager (C&M) Water WAPDA Lahore, an EPC contract for construction of Darawat Dam Project within 36 months was awarded to M/s Sinohydro-MAJ (JV) on February 02, 2010. There was no provision of foreign currency component in the Original as well as revised PC-I of the project by inserting new clause in contract payment of FCC in US$ was made part of the contract price. Hence, public exchequer sustained a loss of Rs.1.82 million due to difference in buying and selling rate of US $.

Non-adherence to the provisions of PC-I resulted in loss of Rs.1.82 million due to irregular provision of foreign exchange in contract price up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that it was also agreed upon that WAPDA would submit revised PC-I based on actual cost of the project for further consideration of competent forum in order to regularize the payment. The 2nd revised PC-I was under process for approval of ECNEC. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to pursue the matter with ECNEC.

Audit recommends that the management needs to investigate the matter for fixing responsibility regarding irregular provision of FCC in contract agreement besides making good the loss.

(DP-956/2016-17)

1.4.65 Irregular payment on account of generation allowances/special hard area allowance - Rs.1.76 million

As per Finance Division (Admn. & Regulation) office letter No.FO(B&F)/10-66(b)/Vol-29/537-636 dated January 09, 2014 regarding approval to extend the Generation Allowance at incremental rates, to such technical/semi technical generation employees of Hydel Power Houses, who are presently drawing Generation allowance at fixed rates. As per Finance Division (admn & Regulation) office letter No.FO(B&F)/3-80/Vol-2/2311-18 dated September 2, 2013 regarding approval accorded to the grant of "Special Hard area allowance" is specific for Gomal Zam (Hydel) Power Station.

The Resident Engineer, Gomal Zam Hydel Power Station, D.I Khan had allowed payment of Rs.1.76 million to non-technical employees working in the office of D.I. Khan instead of power house. The grant of generation allowance/special hard area allowance to the non-technical employees was irregular and unjustified.

Non-adherence to instructions resulted in irregular payment of Rs.1.76 million on account of generation allowance/special hard area allowance up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that Admn / Accounts staff was moved in shifts as and when required. All the employees working at Gomal Zam were admissible for the Hard Area & Generation Allowance, similar to practice in vogue at other power stations with the order of Supreme Court in 2010.

The reply was not acceptable as payment of generation allowance/special hard area allowance to non-technical employees was irregular.

The DAC in its meeting held on January 24, 2017 directed the management to submit a revised reply incorporating the number of officers / officials getting generation allowance and hard area allowance in GZDP (actually working at D.I Khan) under the relevant rules.

Audit recommends that the management needs to inquire the matter for fixing responsibility regarding grant of allowances to non-technical employees.

(DP-1610/2016-17)

1.4.66 Loss due to non-recovery of pay and allowances from the ex-employee - Rs.1.58 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 the office of Director General (B&C) WAPDA, Mr. Tauqir Haider ex-Deputy Director was removed from service due to absent from duty. Subsequently, a notice for recovery of Rs.1.58 million on account of pay & allowances and rent of acquired house was served upon the said officer, however, recovery could not be effected which caused loss to the Authority.

Non-adherence to Authority's instructions resulted in loss due to non-recovery of Rs.1.58 million from the ex-employee up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the matter pertained to GMF (Power) as Mr. Tauqir Haider, Ex Dy: Director, had been transferred to the said office.

The reply was not acceptable as being supervisory office D.G. (B&C) was responsible to get the needful done from GMF (Power).

The DAC in its meeting held on January 24, 2017 directed the management to provide the documentary evidence of their stance to Audit.

Audit recommends that the management needs to ensure recovery from the ex-officer.

(DP-1523/2016-17)

1.4.67 Unjustified expenditure due to hiring of staff in violation of recruitment policy - Rs.1.49 million

According to the advertisement for the recruitment of paramedical staff: i) four (4) years experience was required for the post of ECG Technician ii) four (4) years experience was required for the post of Dresser with diploma certificate in dressing/dispensing from medical faculty and iii) diploma in dispensing for the post of Dispenser.

In WAPDA Hospital Hyderabad, Paramedical staff was recruited by violating recruitment policy as a candidate having diploma in dispensing was rejected and post of Dispensers were filled by hiring the candidates having no diploma, post of ECG Technician was filled by appointing a person having "Nil" experience and posts of Dresser were filled by hiring the candidates who did not possess the required diploma and experience. Thus, expenditure of Rs.1.49 million incurred on pay & allowances of newly recruited staff in violation of recruitment policy was unjustified.

Non-adherence to terms and conditions of recruitment resulted in unjustified expenditure of Rs.1.49 million due to hiring of staff in violation of recruitment policy during the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in December, 2016. The management replied that the recruitment was approved by the competent authority.

The reply was not tenable as justifications for hiring of paramedical staff in violation of recruitment policy was not provided.

The DAC in its meeting held on January 24, 2017 directed the management to constitute an inquiry committee to probe into the matter.

Audit recommends that the management needs to investigate the matter for fixing responsibility of unjustified recruitment.

(DP-1609/2016-17)

1.4.68 Loss due to dual release of salary to daily wages staff – Rs.1.35 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".

The General Manager (Finance) Water WAPDA, Lahore twicely released an amount of Rs.1 million and Rs.0.35 million on account of salaries of daily wage staff for the months of September and November, 2015. These amounts were firstly included in misc. expenditure and secondly included in staff & office cost of the project which was loss of Rs.1.35 million to the Authority.

Non-adherence to Authority's instructions resulted in loss of Rs.1.35 million due to dual release of salary to daily wages staff during the financial year 2015-16.

The matter was taken up with the management in September, 2016 and reported to the Ministry in December, 2016. The management replied that as per provisions contained in WAPDA Accounting & Financial Reporting Manual, funds were released to the projects according to their demand dully recommended by the concerned GMs keeping in view the PSDP allocation.

The reply was not tenable being irrelevant to the Audit observation.

The DAC in its meeting held on January 24, 2017 directed the management to provide personnel wise detail of payments for verification to Audit within 15 days.

Audit recommends that the management needs to investigate the matter for fixing responsibility of dual release of funds.

(DP-1648/2016-17)

1.4.69 Unjustified payment of conveyance allowance to the hospital officers / officials residing in MEPCO's residential colony - Rs.1.17 million

According to clarification conveyed by Director (Admn & Reg) vide memo No. F.O/5-3/Vol-9/5809-5908 dated: August 27, 2011, the conveyance allowance would not be admissible in case where office and residential buildings are located within the same boundary wall even if the residential buildings are far away from the office. Secondly, conveyance allowance is also not admissible in case where there may not be any proper building wall, but the office and residence, are located on limiting piece of land".

In WAPDA Hospital Multan, conveyance allowance amounting to Rs.1.17 million was paid to the doctors / paramedical staff of WAPDA Hospital Multan residing in MEPCO's residential colony, Multan. Since, the office (hospital) building and residences of the hospital employees were not separated from each other and the hospital building was situated within the boundary of the said residential colony hence, payment of conveyance allowance to the employees residing in MEPCO colony was unjustified.

Violation of Authority's instructions resulted in unjustified payment of conveyance allowance of Rs.1.17 million to the hospital employees up to the financial year 2015-16.

The matter was taken up with the management in May, 2016 and reported to the Ministry in November, 2016. The management replied that the Hospital building and residences of the Hospital employees were separated from each other as the Hospital building was situated outside boundary of said residential colony, hence the payment of conveyance allowance to the employees residing in MEPCO colony was justified.

The reply was not acceptable as no documentary was provided in support of reply.

The DAC in its meeting held on January 24, 2017 directed the management to stop the payment of conveyance allowance to the hospital employees residing in attached Colonies.

Audit recommends that the management needs to recover the already paid conveyance allowance besides ensuring implementation of DAC's directives.

(DP-440/2016-17)

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. NTDCL, 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. Mahmond 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, NTDCL 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 (NTDCL).

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

2.2 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 WAPDA Hydro Electric Power, the balance sheet and profit & loss account of the company could not be finalized by the management up till December 31, 2016.

2.3 Brief comments on the status of compliance with PAC directives

Name of Company	Year	No. of Directives	Status of compliance		
			Full	Partial	Outstanding
WAPDA Hydro Electric Power	2013-14	3	-	-	3 (Para No. 2.3.2, 2.3.9, 2.3.10)

Position of compliance with PAC directives is not satisfactory.

2.4 AUDIT PARAS

2.4.1 Non-recovery of delay damages from the contractors - Rs.6,807.81 million

According to Clause-8.7 of Particular Conditions of Contract, "if the contractor fails to complete the items of works identified in the second column by the corresponding target completion dates specified in the third column or such later dates as may be allowed pursuance to Sub Clause-8.4 hereof, the contractor shall subject to Sub Clause-2.5 (Employer's Claims) pay delay damages and not as penalty, to the Employer, the sums shown in the fourth column below for very calendar day which shall elapse between the relevant time for Completion and the date stated in the Taking Over Certificate. Such sum shall be in the types and proportions of currencies in which the Contract Price is payable".

In two WAPDA formations, contracts for construction of two projects were awarded to M/s Sino Hydro Group Ltd. and M/s Dongfeng Electric Corporation respectively. The execution of the projects was delayed in completion for the period ranging from 72 days to more than 3 years. Due to delay in execution on the part of the contractors, the delay damages of Rs.6,807.81 million were assessed by the management but the same could not be recovered from the contractors which was not done so far. The detail is as under:-

Sr. No.	DP No.	Formation	Amount (Rs. in million)
1.	106/2016-17	Tarbela 4th Extension Project, Tarbela	3,024.00
2.	1247/2016-17	Jinnah Hydro Power Project, Kalabagh	3,783.81
		TOTAL	**6,807.81**

Non-adherence to the contract clauses resulted in non-recovery of delay damages amounting to Rs.6,807.81 million from the contractors up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that in one case, a committee, under the convener ship of General Manager (Hydel) Development had been reconstituted for amicable settlement with M/s DEC, while in other case, the payment was made to M/s Sino Hydro Group Ltd on achievement of milestones.

The reply was not tenable as delay damages were required to be recovered as per contract provisions.

The DAC in its meeting held on January 24, 2017 directed the management to pursue finalizing the amicable settlement vigorously under intimation to Audit.

Audit recommends that the management needs to expedite recovery of delay damages from contractors besides finalizing the matter of amicable settlement.

2.4.2 Heavy generation loss due to closure of power house – Rs.2,602 million

As per Clause-3.1.1 of Consultancy Agreement, "the consultant 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 advance 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 and shall at all time support and safeguard the client's legitimate interest in any dealings with sub-consultants or third parties.

In Khan Khwar Hydro Power Station Besham, the power house mostly remained closed during the year 2015-16 as a result of sediments / boulders coming from weir / tunnel and hitting the power plant / machinery. Flow of heavy sediments from tunnel was due to inadequate feasibility report and non-pursuing the ultimate damages to power house machinery. As a result of the said damages and time taking repair process, the power house could only generate only 37.64 MKWH against minimum target of Rs.297.84 MKWH causing less generation of 260.20 MKWH energy units valuing Rs.2,602 million.

Non-adherence to the consultancy agreement resulted in generation loss of Rs.2,602 million due to closure of power house during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in November, 2016. The management replied that the matter had been investigated through a high level technical committee. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to provide the inquiry report vetted by Principal Accounting Officer.

Audit recommends that the management needs to expedite the proceedings of technical committee for fixing responsibility.

(DP-841/2016-17)

2.4.3 Loss due to design deficiencies of Civil & Hydraulic Steel Works - Rs.2,511 million

As per Clause-8.1, "the contractor shall with due care and diligence, design to the extent provided for by the contract, execute and complete the works and remedy any defects therein in accordance with the provisions of the contract. The contractor shall provide all superintendence, labour, material, plant, contractor's equipment and all other things, whether of a temporary or permanent nature, required in and for such design, execution, completion and remedying of any defects, so far as the necessity for providing the same is specified in or is reasonable to be inferred from the contract".

In Khan Khwar Hydro Power Station Besham, Unit 1 & 2 were commissioned in November, 2010 and 4 MW Auxiliary Unit (Pelton Wheel) was commissioned in July, 2012. Certain design deficiencies in C&HS works, pointed out by the Chief Engineer (O&M) vide his letter dated January 11, 2016, caused loss of Rs.2,511 million as neither the outset of the project was surveyed / designed properly nor the C&HS works were monitored by the consultants. Moreover, the power house stood inoperative due to sedimentation and other technical issues since May, 2015 to March, 2016.

Non-adherence to contract clause resulted in loss of Rs.2,511 million due to design deficiencies of C&HS Works up to the financial year 2015-16.

The matter was taken up with management in March, 2016 and reported to the Ministry in December, 2016. The management replied that a committee had been constituted by Authority to investigate the matter of damage for fixing responsibility. And action would be taken against the defaulters accordingly. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with inquiry committee's report besides intimating the decision and decision taken in the light of inquiry report.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides making good the loss.

(DP-1652/2016-17)

2.4.4 Irregular expenditure in excess of revised \PC-I due to time and cost overrun – Rs.2,431.31 million

According to 1st revised PC-I of Khan Khwar Hydro Power Project approved by ECNEC on August 20, 2009, an amount of Rs.8,301.48 million was provided for construction of power station.

In Khan Khwar Hydro Power Project Besham, an expenditure of Rs.10,732.79 million was incurred over and above the provisions of Rs.8,301.48 million of 1st revised PC-I. The 2nd Revised PC-I was submitted on March 20, 2014 with proposal of Rs.10,732.79 million including FEC of Rs.5,049.63 million. However, Ministry of Planning, Development & Reform (Energy Wing) vide letter dated March 17, 2014 conveyed the direction to Ministry of Water and Power to conduct inquiry to look into the causes of delay in completion of the project and submit inquiry report in compliance to ECNEC's earlier decision dated August 20, 2009. Hence, the amount of Rs.2,431.31 million incurred in excess of 1st revised PC-I was irregular.

Non-adherence to the provisions of PC-I resulted in irregular expenditure of Rs.2,431.31 million due to time and cost overrun up to the financial year 2015-16.

The matter was taken up with the management in March, 2016 and reported to the Ministry in December, 2016. The management replied that only legitimate expenditure were approved by the Authority and no irregularity had been done.

The reply was not tenable as no justification for excess expenditure was provided.

The DAC in its meeting held on January 24, 2017 directed the management to pursue the approval of 2nd revised PC-I and conduct inquiry to probe into the matter.

Audit recommends that the management needs to investigate the matter for fixing responsibility for irregular expenditure beyond the provisions of PC-I.

(DP-1653/2016-17)

2.4.5 Undue benefit to the contractor on account of milestone payments Rs.1,402.26 million

According to Para-3 of Variation Order-2 regarding milestone payment, the 1st milestone was required to be completed on February 28, 2015.

The Project Director Tarbela 4th Extension had made 1st milestone payment of Rs.1,402.26 million against variation order No.02 to contractor M/s Sino Hydro Group Ltd. The payment was not justified as the milestone was achieved by the contractor on May 11, 2015 instead of February 28, 2015.

Non-adherence to variation order resulted in undue benefit of Rs.1,402.26 million to contractor on account of milestone payments up to the financial year 2015-16.

The matter was taken up with the management in February, 2016 and reported to the Ministry in September, 2016. The management replied that the payments were made after achieving milestones through WAPDA's own sources.

The reply was not tenable as the payment was made without achieving milestones within due dates.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with documentary evidence to Audit within 15 days.

Audit recommends that the management needs to investigate the matter for fixing responsibility of irregular milestone payment.

(DP-108/2016-17)

2.4.6 Non-recovery of liquidated damages - Rs.610.96 million

According to Clause-27.1 & 47.1 of Contracts, "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 three WAPDA formations, nine (09) contracts were awarded to contractors for execution of works. The contractors could not complete the works within the stipulated period hence, they were liable to pay the liquidated damages of Rs.610.96 million but the same were not recovered from them as detailed below:-

Sr. No.	DP No.	Formation	No. of works	Amount (Rs. in million)
1.	1384/2016-17	Project Director Golan Gol Hydro Power Project, Chitral	02	438.46
2.	1485/2016-17	Chief Engineer Keyal Khwar Hydro Power Project, Dasu	06	28.11
3.	1487/2016-17	PD/SE Jabban Rehabilitation Hydro Power Project, Dargai	01	144.39
		TOTAL	**09**	**610.96**

Violation of contract clauses resulted in non-recovery of liquidated damages amounting to Rs.610.96 million from contractors up to the financial year 2015-16.

The matter was taken up with the management during February to August, 2016 and reported to the Ministry in December, 2016. The management replied that in first case the matter would be referred to consultants for appropriate action, in second case maximum LD had been imposed which would be deducted from final bill of the contractor and in third case the matter was under arbitration. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to provide record relating to completed actions and expedite the pending actions within 15 days.

Audit recommends that the management needs to inquire the matter for fixing responsibility besides ensuring recovery of liquidated damages.

2.4.7 Non-recovery of interest on mobilization advance – Rs.282.42 million

According to Clause-6.4(a) of the consultancy agreement, any interest accrued on mobilization advance by the consultants shall be credited to the client.

The General Manager / Project Director Dasu Hydropower Project had paid mobilization advance of Rs.1,882.80 million to the consultants as on extension in the contract period. However, interest of Rs.282.42 million on mobilization advance was not recovered from consultants.

Non-adherence to consultancy agreement resulted in non-recovery of interest of Rs.282.42 million on mobilization advance up to the financial year 2015-16.

The matter was taken up with the management in April, 2016 and reported to the Ministry in October, 2016. The management replied that Consultancy Services Arrangement (CSA) with M/s DHC would continue in a long run for next 6 years, therefore, WAPDA would deduct the interest on mobilization advance. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to expedite the recovery of interest.

Audit recommends that the management needs to inquire the matter for fixing responsibility besides expediting recovery of interest.

(DP-296/2016-17)

2.4.8 Irregular payment of non-BoQ items of works - Rs.252.10 million

According to Clause 2.1 (viii) of the Contract Agreement, "the Engineer is authorized to issue Variation Order (VO) with the approval of Employer except in emergency situation up to 2% of the Contract Price".

In Golen Gol Hydropower Project, WAPDA, Chitral, a payment of Rs.252.10 million was made to M/s SAMBU SARCO JV on account of work done on the basis of non-BoQ items. Since, there was no provision existed in contract agreement for such kind of expenditure and no VO was issued hence, payment of non-BoQ items was irregular.

Non-adherence to the contract agreement resulted in irregular payment of Rs.252.10 million on account of non-BoQ items up to the financial year 2015-16.

The matter was taken up with the management in May, 2016 and reported to the Ministry in December, 2016. The management replied that there was provision for such unforeseen items under contract Clause-51. The payment in question was made as per contract provisions.

The reply was not tenable as no documentary evidence (relevant contract clause) was provided to Audit.

The DAC in its meeting held on January 24, 2017 directed the management to get the record of variation orders (non-BoQ items) verified from Audit within 15 days. Further progress was not reported till finalization of the report.

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

(DP-1387/2016-17)

2.4.9 Revenue loss due to abnormal forced outages - Rs.244.22 million

According to Para-30.2 of General Conditions of the contract, "the contractor shall be responsible for making good any defect in or any damage to any part of the works which may appear or occur during the defect liability period, the contractor shall make good the defect or damage as soon as practicable and at his own cost".

In Khan Khwar Hydro Power Station, Besham, total electricity generation remained for 14,439 hours against 25,584 available hours, hence, power house remained on forced outage of 11,145 hours due to unsustainable operation of auxiliary Unit-3. Resultantly, 15.26 million electricity units could not be generated causing revenue loss of Rs.244.22 million for which no responsibility was fixed.

Non-adherence to contract clauses resulted in revenue loss of Rs.244.22 million due to abnormal forced outages up to the financial year 2015-16.

The matter was taken up with the management in April, 2016 and reported to the Ministry in November, 2016. The management replied that the Project Office and Consultants were directed to compensate the loss of WAPDA by adjustment from claims / payments of the contractor. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to produce original record for verification by Audit within 15 days.

Audit recommends that the management needs to inquire the matter of revenue loss due to excessive forced outages besides ensuring recovery of loss from the contractor.

(DP-343/2016-17)

2.4.10 Irregular expenditure in excess of revised PC-I - Rs.194.32 million

According to revised PC-I of Jabban Rehabilitation Hydropower Project Dargai, an amount of Rs.3,947.89 million was provided for the project.

In Jabban Rehabilitation Hydropower Project Dargai, an expenditure of Rs.3,947.89 million was incurred over and above the PC-I provision of Rs.3,753.57 million approved by ECNEC in December, 2010. Hence, expenditure of Rs.194.32 million incurred over and above PC-I was irregular.

Non-adherence to revised PC-I resulted in irregular expenditure of Rs.194.32 million due up to the financial year 2015-16.

The matter was taken up with the management in February, 2016 and reported to the Ministry in October, 2016. The management replied that during project execution, variations were due to actual site requirements and did not reflect any poor planning on the part of management.

The reply was not tenable as expenditure over and above the revised PC-I provision was required to be investigated.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with supporting documents.

Audit recommends that the management needs to investigate the matter for fixing responsibility regarding expenditure in excess of the revised PC-I.

(DP-172/2016-17)

2.4.11 Irregular expenditure due to inoperative telecommunication system - Rs.102.78 million

According to General Conditions of Contract Sub Clause-30.5, "if the company fails to remedy a defect within a reasonable time, the Employer may fix a final time for remedying the defects and damage, if the contractor fails to do so, the Employer may: (a) carry out the work himself or by others at the contractor's risk and cost, (b) require the contractor to grant the Employer a reasonable reduction in the contract price to be agreed or fixed by arbitration under clause-50, or (c) if defect or damage is such that the Employer has been deprived of substantially the whole of the benefit of the work or apart thereof, he may terminate the contract in such parts of the work as can not be put to the intended use. The Employer shall to the exclusion of any remedy under clause 45 be entitled to recover all sums paid in respect of such parts, clearing the site and the returning plant to the contractor or otherwise disposing of it in accordance with the contractor's instructions".

In Dubair Khwar Hydel Power Station, a turnkey contract amounting to Rs.102.78 million was awarded to M/s DEC & M/s Andritz Hydro for installation of Telecommunication System, PLC & VHF Radio System. The system was installed but could not be operative/functional by the contractors. Being turnkey project the contractors were bound to put the system operative. However, under the aforementioned contract clauses, no action was taken against them. Resultantly, Authority deprived of reaping benefits of the said system despite incurrence of expenditure of Rs.102.78 million.

Non-adherence to the contract provisions resulted in irregular expenditure of Rs.102.78 million due to inoperative telecommunication system up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the project office was in close coordination with the Engineer and Contractor and they had committed to fulfill all the contractual obligations to resolve all the pending issues.

The reply was not tenable as despite incurrence of expenditure the telecommunication system could not be operative.

The DAC in its meeting held on January 24, 2017 directed the management to pursue the matter with contractor vigorously.

Audit recommends that the management needs to inquire the matter for fixing responsibility besides ensuring functioning of telecommunication system.

(DP-1202/2016-17)

2.4.12 Non-recovery of interest charges from the contractor - Rs.88.82 million

According to Para-3 of the contract agreement between WAPDA and M/s Dong Fong electric Corporation "in case the contractor fail to repay the loan in time, it will be liable to pay interest charges on daily basis at the rate of KIBOR + 3% per annum".

In Jinnah Hydro Power Project Kalabagh, an interest free loan of Rs.1,050 million (US$ 10 million) was granted to contractor M/s Dong Fong Electric Corporation being financial assistance for timely completion of the project. Since, the contractor was failed to repay the loan in contractual period, hence, an amount of Rs.88.82 million as interest on delay in repayment of loan was required to be recovered from the contractor but the same was not done.

Non-adherence to contract clause resulted in non-recovery of interest charges amounting to Rs.88.82 million from the contractor up to the financial year 2015-16.

The matter was taken up with the management April, 2016 and reported to the Ministry in November, 2016. The management replied that a committee had been reconstituted under the convener ship of GM (Hydel) Development for amicable settlement with M/s DEC. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to expedite the proceedings of committee as well as recovery of interest charges.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides ensuring recovery of interest charges from the contractor.

(DP-339/2016-17)

2.4.13 Non-recovery from the contractor due to reduction in scope of work - Rs.77.31 million

According to Member Water's approval dated December 30, 2013, "Negative Variation Orders were issued to delete two works amounting to US $ 0.75 million from the Scope of Works".

In Jinnah Hydro Power Project, Kalabagh, an EPC contract valuing US $ 128 million, awarded to M/s Dongfang Electric Corporation (DEC), was substantially completed on October 31, 2013. At the request of the contractor, two works namely motorization of Jinnah Barrage Gates and supply & installation of power house elevator were deleted through negative variation order. Due to reduction in scope of work, an amount Rs.77.31million (US$ 0.75 million) was required to be recovered from the contractor, which was not done.

Non-adherence to the Authority's instructions resulted in non-recovery of Rs.77.31 million from the contractor due to reduction in scope of work up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that a committee under the convener ship of GM (Hydel) Development had been reconstituted for amicable settlement with M/s DEC. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to pursue case for amicable settlement vigorously.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides ensuring recovery from the contractor.

(DP-1246/2016-17)

2.4.14 Revenue loss due to forced stoppage of power plant – Rs.58.93 million

As per Sub-Clause-33.12(f) of the contract agreement, if the works are any part thereof not being carried out the Engineer's satisfaction and in order to protect the Employer from loss on account of contractor's non-compliance with the contract. The Engineer may notify withholding of such payments or part thereof as may, in his opinion be related to the aforesaid reasons/grounds. When the reasons/grounds for withholding the payment are removed by the contractor, the Engineer shall upon being satisfied to that effect issue certificate of payment in respect of withheld amount.

In Jabban Rehabilitation Hydropower Project, power house was remained stopped for 1412 hours due to forced shutdown/tripping on November 04, 2014 which caused generation loss of Rs.58.93 million (Rs.29.51 million + Rs.29.42 million) on Unit No.2 & 4 respectively. Hence, the company sustained a loss of revenue to the tune of Rs.308.01 million. Such a huge number of forced stoppages without scheduled programme was required to be justified and needed investigation.

Non-adherence to contract clauses resulted in revenue loss of Rs.58.93 million due to forced stoppage of power plant up to the financial year 2015-16.

The matter was taken up with management in February, 2016 and reported to the Ministry in December, 2016. The management replied that forced outages were not scheduled / planned outages. During Defects Liability Period (DLP), the units were under test run and normal faults occurred which were rectified by the contractor at his own cost.

The reply was not tenable as the loss of electricity revenue was required to be investigated for fixing responsibility.

The DAC in its meeting held on January 24, 2017 directed the management to furnish revised reply along with documentary evidence to Audit. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for fixing responsibility of revenue loss.

(DP-1488/2016-17)

2.4.15 Wasteful expenditures due to misuse of vehicles - Rs.39.68 million

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

In Tarbela 4th Extension Project, payment of Rs.39.68 million inclusive of foreign currency components of US$.106,819 was made to contractor M/s Sino Hydro Group Ltd., against BoQ item "furnish & maintain transportation for the employer and engineer". Most of the vehicles were being used by the officers having WAPDA official vehicles, some vehicles were attached to the officers performing operational duties while some officers posted in other offices were also enjoying contractor's provided vehicles. Hence, an expenditure of Rs.39.68 million was gone waste.

Non-adherence to Authority's instructions resulted in wasteful expenditure of Rs.39.68 million due to misuse of vehicles up to the financial year 2015-16.

The matter was taken up with the management in February, 2016 and reported to the Ministry in September, 2016. The management replied that the contract clause regarding furnishing and maintenance of vehicles was relevant and required for proper functioning of concerned officers assigned with the implementation of the project. Attachment of vehicles to officers was according to yardstick.

The reply was not tenable as the vehicles were being utilized other than intended purpose.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with documentary evidence. The DAC also directed to provide detail of vehicles allocated to officers according to WAPDA yardstick along with log books of all the vehicles attached with the project.

Audit recommends that the management needs to implement DAC's directives besides fixing responsibility for misuse of vehicles.

(DP-105/2016-17)

2.4.16 Loss due to non-execution of electrical services by contractors – Rs.39 million

According to Clause 8.1 of contract, "the contractor shall with due care and diligence, design to the extent provided for by the contract, execute and complete the works and remedy any defects therein in accordance with the provisions of the contract. The contractor shall provide all superintendence, labour, material, plant contractor's equipment's and all other things, whether of a temporary or permanent nature required in and for such design, execution, completion and remedying of any defects, so far as the necessity for providing the same is specified in or is reasonably to be inferred from the contract".

In Khan Khwar Hydel Power Project, Besham, a payment of Rs.39 million was made to two E&M contractors for execution of on-load energizing of 132 KV Dubair/Khan Khwar line after finalization of revised protection setting & other interface issues and commissioning of PLC system. However, the contractors failed to complete the work but no action was taken either for forfeiture of performance guarantee or execution of work at the risk and cost of the contractors.

Non-adherence to contract provisions resulted in loss of Rs.39 million due to non-execution of electrical services by E&M contractors up to the financial year 2015-16.

The matter was taken up with the management in March, 2016 and reported to the Ministry in October, 2016. The management replied that it was a pending contractual work which had been executed by the contractor for load energizing of 132kv Khan-Dubair Line. As far as commissioning of PLC was concerned, this pending issue would be resolved in due course of time. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to expedite the execution of the project within 15 days.

Audit recommends that the management needs to expedite the completion of project besides fixing responsibility.

(DP-259/2016-17)

2.4.17 Revenue loss due to forced outages over and above the permissible limit - Rs.30.19 million

According to Table-6 of the Revised PC-I dated March, 2010, the auxiliary & station consumption was (1.5%) and scheduled/forced outages was (1.5%) of the total annual energy.

In Jabban Hydroelectric Power Station, total hours available for electricity generation of four plants were 35,136 out of which plant remained in operation for 27,538 hours and 1,336 hours were utilized for maintenance/forced outages. The maintenance/forced outages was 4.85% of total operational hours and were 3.35% above the target set in PC-I. Due to excessive maintenance/forced outages hours, 4.63 million units could not be generated which caused revenue loss of Rs.30.19 million.

Non-adherence to target set in PC-I resulted in revenue loss of Rs.30.19 million due to forced outages over and above the permissible limit up to the financial year 2015-16.

The matter was taken up with the management in June, 2016 and reported to the Ministry in October, 2016. The management replied that the Jabban Power Station had not only achieved the targeted generation but also generated 16.26 million more units during the financial year 2015-16 and had increased profit of Authority by Rs.105.96 million.

The reply was not acceptable as no justification for unscheduled forced outages was provided.

The DAC in its meeting held on January 24, 2017 directed the management to provide revised reply with reference to PC-1 to Audit within 15 days. Further progress was not reported till finalization of the report.

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

(DP-191/2016-17)

2.4.18 Non-provision of spare parts and non-rectification of faults by the E&M Contractor – Rs.27.10 million

As per Clause-8.1, the contractor shall with due care and diligence, design to the extent provided for by the contract, execute and complete the works and remedy any defects therein in accordance with the provision of the contract. The contractor shall provide all superintendence, labour, material, plant contactor's equipment's and all other things, whether of a temporary or permanent nature, required in and for such design, execution, completion and remedying of any defects, so far as the necessity for providing the same is specified in or is reasonably to be inferred from the contract.

In Allai Khwar Hydro Power Station, spare parts valuing Rs.7.60 million were not provided by the contractor after completion of the project. Moreover, rectification of faults in pending works valuing Rs.19.50 million were also not executed by the contractor as required under the contract agreement.

Non-adherence to contract agreement resulted in non-provision of spare parts and non-rectification of faults amounting to Rs.27.10 million by the contractor up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in October, 2016. The management replied that the contractor had provided most of the spare parts and the project office was in close coordination with the contractor for provision of remaining spare parts. As far as rectification of pending works was concerned, the contractor would complete all the pending works according to contract provisions and Defect Liability Certificate would be issued accordingly. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to provide record relating to completed actions and expedite the pending action within 15 days.

Audit recommends that the management needs to ensure receipt of remaining spare parts and ratification of pending works.

(DP-255/2016-17)

2.4.19 Blockage of funds due to non-installation of SCADA System - Rs.26.43 million

According to Clause-8.1 of the General Conditions of contract, "the contractor shall commence the work on the date specified in the preamble to condition of the contract and shall proceed with the same with due expedition and without delay."

In Jabban Rehabilitation Hydropower Project, a contract for installation of SCADA telecommunication system was awarded to M/s HRL-CCPG Joint Venture. But the contractor left the work un-completed and material valuing Rs.26.43 million handed over to Employer. Hence, Authority's funds to the tune of Rs.26.43 million were blocked unnecessarily.

Non-adherence to contract clauses resulted in blockage of funds of Rs.26.43 million due to non-installation of SCADA system up to the financial year 2015-16.

The matter was taken up with the management in February, 2016 and reported to the Ministry in December, 2016. The management replied that the case had already been taken up with NTDCL for finalization of work and Audit would be informed accordingly. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply to Audit within 15 days.

Audit recommends that the management needs to investigate the matter for fixing responsibility regarding non-installation of SCADA system besides ensuring its early installation.

(DP-1489/2016-17)

2.4.20 Non-commissioning of Power Line Carrier (PLC) system - Rs.22.50 million

According to Para No.30.2 of General Conditions of the contract, the contractor shall be responsible for making good any defect in or any damage to any part of the works which may appear or occur during the defect liability period, the contractor shall make good the defect or damage as soon as practicable and at his own cost.

In Khan Khwar Hydro Power Station, Besham, a variation order amounting to Rs.22.50 million (US$ 225,037) for Telecommunication System-Power Line Carrier (PLC) was approved in 2009. The commissioning of PLC system could not be carried out due to certain discrepancies occurred till 2015, however, no action was taken against the contractor for non-commissioning of PLC system.

Non-adherence to contract clause resulted in non-commissioning of PLC system worth Rs.22.50 million up to the financial year 2015-16.

The matter was taken up with the management in April, 2016 and reported to the Ministry in November, 2016. The management replied that the commissioning of the PLC System was anticipated to be finalized soon as decided in a meeting held on December 01, 2016. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to investigate the matter for delay in commissioning of PLC project and expedite its commissioning.

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

(DP-312/2016-17)

2.4.21 Irregular purchase of vehicles despite imposition of ban - Rs.19.50 million

According to Para (i) of the office memorandum issued by the Finance Division (GoP), "there will be a complete ban on purchase of all types of vehicles both from current as well as development expenditure except operational vehicles of law enforcing agencies."

In Dasu Hydropower project, six (6) vehicles valuing Rs.19.50 million were purchased during October, 2014 despite imposition of ban on purchase of vehicles which was quite irregular.

Violation of austerity measures resulted in irregular purchase of vehicles valuing Rs.19.50 million up to the financial year 2015-16.

The matter was taken up with the management in April, 2016 and reported to the Ministry in October, 2016. The management replied that the said vehicles were purchased for security measures and were being used by WAPDA Security Personnel and Local Police.

The reply was not tenable as WAPDA was not a law enforcing agency, hence, purchase of vehicles in the presence of austerity measures was irregular.

The DAC in its meeting held on January 24, 2017 directed the management to provide the DPO agreement, Authority's approval and log books to Audit within 15 days. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for fixing responsibility of irregular purchase of vehicles.

(DP-294/2016-17)

2.4.22 Revenue loss due to forced shut down of power plant - Rs.19.45 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 Allai Khwar Hydel Power Station, Besham, Generation Units-1&2 went on unscheduled forced outage for 852.53 hours due to tripping of 220 KV ISPR Line No.2 and could not generate electricity of 1.12 MKWH units causing loss of Rs.19.45 million. However, no responsibility was fixed as no inquiry was conducted by the management.

Non-adherence to the Authority's instructions resulted in revenue loss of Rs.19.45 million due to non-generation of electricity caused by forced shut down up to the financial year 2015-16.

The matter was taken up with the management in March, 2016 and reported to the Ministry in December, 2016. The management replied that it was not possible to avoid the forced outages due to tripping of transmission lines.

The reply was not tenable as the matter was not inquired into for fixing responsibility of generation loss.

The DAC in its meeting held on January 24, 2017 directed the management to expedite the restoration process of Transmission Line.

Audit recommends that the management needs to investigate the matter for fixing responsibility of generation loss besides expediting the efforts to avoid further loss of revenue.

(DP-1203/2016-17)

2.4.23 Wasteful expenditure due to non-removal of defects - Rs.15.86 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 Chashma Hydel Power Station WAPDA, an expenditure of Rs.15.86 million was incurred to remove the fault of 65 LPG Gas SG-6 Pressure Low State-I appeared in main control room of Unit-05 on March 16, 2014. The expenditure was gone waste as the fault could not be removed despite lapse of about two years.

Non-adherence to the Authority's instructions resulted in wasteful expenditure of Rs.15.86 million due to non-removal of defects up to the financial year 2015-16.

The matter was taken up with the management in March, 2016 and reported to the Ministry in December, 2016. The management replied that the expenditure incurred on procurement of SF-6 Gas and repair works was only 1.90% of the revenue earned, therefore, the expenditure was quite justified.

The reply was not acceptable as no justification regarding delay in removing of fault was provided.

The DAC in its meeting held on January 24, 2017 directed the management to conduct facts finding inquiry in the matter. Further progress was not reported till finalization of the report.

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

(DP-1248/2016-17)

2.4.24 Non-receipt of spare parts and equipments from the contractors - Rs.15.73 million

According to Sub Clause-30.5 of the General Conditions of Contract, "if the company fails to remedy a defect within a reasonable time, the Employer may fix a final time for remedying the defects and damage, if the contractor fails to do so, the Employer may: a)carry out the work himself or by others at the contractor's risk and cost, (b) require the contractor to grant the Employer a reasonable reduction in the contract price to be agreed or fixed by arbitration under Clause-50, or (c) if defect or damage is such that the Employer has been deprived of substantially the whole of the benefit of the work or apart thereof, he may terminate the contract in such parts of the work as cannot be put to the intended use. The Employer shall to the exclusion of any remedy under Clause-45 be entitled to recover all sums paid in respect of such parts, clearing the site and the returning plant to the contractor or otherwise disposing of it in accordance with the contractor's instructions".

In Dubair Khwar Hydel Power Station, spare parts, workshop equipments and higher capacity diesel generating set valuing Rs.15.73 million were not provided by the contractors as required under the contractor agreement. However, no action was taken against the contractors.

Non-adherence to the contract clauses resulted in non-receipt of spare parts and equipments valuing Rs.15.73 million from the contractors up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the contractors would provide all the spare parts according to the contract provisions. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with supporting documents to Audit.

Audit recommends that the management needs to ensure receipt of spare parts from the contractor as per contract agreement.

(DP-1254/2016-17)

2.4.25 Irregular execution of civil works beyond BoQ - Rs.10.17 million

According to Claus-3 of the contract agreement, "in consideration of the payments to be made by the Employer to the Contractor as herein after mentioned, the contractor hereby covenants with the Employer to execute and complete the works and remedy the defects therein in conformity and in all respects with the provisions of the contract.

In Jinnah Hydro Power Project, Kalabagh, a contract for construction of O&M staff colony at Kalabagh was awarded to M/s Khyber Grace (Pvt.) Ltd., Islamabad at a cost of Rs.769.25 million. Later on, an amount of Rs.10.17 million was paid to contractor on account of work executed in excess of BoQ. Hence, execution of work beyond the scope of contract was irregular.

Non-adherence to contract clause resulted in irregular execution of civil works amounting to Rs.10.17 million beyond BoQ up to the financial year 2015-16.

The matter was taken up with the management in April, 2016 and reported to the Ministry in November, 2016. The management replied that the works, over and above of BoQ items, were increased / decreased as per site conditions.

The reply was not tenable as the execution of works beyond BoQ needed to be justified with documentary evidence.

The DAC in its meeting held on January 24, 2017 directed the management to submit detailed revised reply with justification for execution of works beyond BoQ. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for fixing responsibility of irregular civil works beyond BoQ.

(DP-311/2016-17)

2.4.26 Irregular expenditure on purchase of furniture & fixtures in violation of Public Procurement Rules - Rs.6.55 million

According to Para-9 of the Public Procurement Rules, 2004, a procuring agency shall announce in appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The annual requirements thus determined would be advertised in advance on the Authority's website as well as on the website of the procuring agency in case the procuring agency has its own website

In Dasu Hydropower project, office furniture & fixtures valuing Rs.6.55 million was purchased in piece meal without preparing annual procurement plan in violation of Public Procurement Rules and quite irregular.

Violation of Public Procurement Rules resulted in irregular expenditure on purchase of furniture & fixtures amounting to Rs.6.55 million up to the financial year 2015-16.

The matter was taken up with the management in April, 2016 and reported to the Ministry in October, 2016. The management replied that while purchasing of said furniture, all codal formalities were fulfilled. Moreover, if Public Procurement Rules were followed, then the staff would have been working without furniture and fixture.

The reply was not justifiable as observance of Public Procurement Rules was mandatory.

The DAC in its meeting held on January 24, 2017 directed the management to get the annual procurement plan verified from Audit within 15 days.

Audit recommends that the management needs to fix the responsibility of irregular purchase of furniture & fixtures in violation of Public Procurement Rules.

(DP-284/2016-17)

2.4.27 Loss due to non-lodging of insurance claim - Rs.5.94 million

According to Clause-21.1 of the Contract Agreement, "the insurance shall provide for compensation to be payable in the types and proportions of currencies required to rectify the loss or damage incurred".

In Golen Gol Hydropower Project, Chitral, the concrete structure at weir site was damaged due to flood. Since, a lump sum payment of Rs.78.20 million on account of insurance of works and contractor's equipment, was already made to the contractor, hence, it was the contractor's liability to lodge insurance claim and rectify the damage. But contrarily an amount of Rs.5.94 million was also paid to the contractor for rectification of damages which was irregular and unjustified.

Non-adherence to contract clause resulted in loss of Rs.5.94 million due to non-lodging of insurance claim up to the financial year 2015-16.

The matter was taken up with the management in May, 2016 and reported to the Ministry in December, 2016. The management replied that the case had been referred to the consultants for comprehensive reply. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to recover the amount of loss from contractor.

Audit recommends that the management needs to inquire the matter for fixing responsibility besides making good the loss.

(DP-1386/2016-17)

2.4.28 Unjustified expenditure on hiring of financial consultant - Rs.5.76 million

According to PC-I of Dasu Hydropower Project, there was no provision for hiring of Financial Consultants.

In Dasu Hydropower project, consultancy charges of Rs.5.76 million was paid to Mr. Abhay Ketkar for hiring his services as Financial Consultant on the project under International Development Association (IDA). Since, the project was financed under World Bank Loan No.5498-PK and there was no provision in PC-I for financial consultancy services, hence, the expenditure of Rs.5.76 million was unjustified.

Non-adherence to PC-I resulted in unjustified payment to consultant amounting to Rs.5.76 million up to the financial year 2015-16.

The matter was taken up with the management in April, 2016 and reported to the Ministry in October, 2016. The management replied that Mr. Abhay Ketkar, was hired as International Financial Advisor for Dasu Project after fulfilling all codal formalities including necessary approvals from World Bank and WAPDA Authority.

The reply was not acceptable as hiring of financial consultant was not provided in the PC-I of the project.

The DAC in its meeting held on January 24, 2017 directed the management to furnish revised reply along with documents pertaining to engagement of consultants with the approval of Authority and its chargeability to specific head of accounts.

Audit recommends that the management needs to fix the responsibility of unjustified hiring of financial consultant beyond the scope of PC-I.

(DP-295/2016-17)

2.4.29 Non-recovery of rent / electricity dues from contractors / consultant - Rs.5.53 million

According to Chief Engineer/Project Director office memo No.CE/PD/GGC/W-43/W-45/3063-66 dated December 28, 2015 No. CE/PD/GGC/W-6/3093-96 dated January 01, 2016, "M/s NETRACON & Andritz Hydro were required to pay rent amounting to Rs.2.16 million & Rs.2.54 million respectively". According to CE/PD office memo dated March 05, 2015 & May 05, 2015, "an amount of Rs.0.30 million was recoverable from the consultant on account of electricity dues".

In Golen Gol Hydropower Project, WAPDA, Chitral, an amount of Rs.5.53 million on account of rent & electricity dues was recoverable from the contractors and consultant of the project.

Non-adherence to the instructions resulted in non-recovery of rent and electricity dues amounting to Rs.5.53 million from the contractors/consultant up to the financial year 2015-16.

The matter was taken up with the management in May, 2016 and reported to the Ministry in December, 2016. The management replied that Contractors and GGHPP Consultants had paid Electricity bills regularly on their own and there is no payment was due on account of electricity used either by Consultant or Contractor.

The reply was not acceptable as no documentary evidence was provided to substantiate the stance.

The DAC in its meeting held on January 24, 2017 directed the management to provide record relating to completed action and expedite the pending actions.

Audit recommends that the management needs to ensure recovery of rent / electricity dues from the contractors / consultant.

(DP-1385/2016-17)

2.4.30 Loss due to compensation on delayed payments - Rs.4.76 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 store, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

In Tarbela 4th Extension Project, a payment of Rs.4.76 million inclusive of foreign exchange components of US$ 44,444 was made to contractor M/s Sino Hydro Group Ltd through IPC-14 on account of compensation on delayed payments. Hence, authority sustained loss of Rs.4.76 million for which no responsibility was fixed.

Financial mismanagement resulted in loss of Rs.4.76 million due to compensation on delayed payment up to the financial year 2015-16.

The matter was taken up with management in February, 2016 and reported to the Ministry in September, 2016. The management replied that the IPCs were processed in time, but delay in payments was due to non-availability of Cash Foreign Exchange (CFE) budget, late release of funds and delayed authorization of signatories.

The reply was not acceptable as the delay in payments was due to financial mismanagement for which responsibility was needed to be fixed.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with documentary evidence to Audit within 15 days.

Audit recommends that the management needs to investigate the matter for fixing responsibility of delayed payments causing loss to the Authority.

(DP-107/2016-17)

2.4.31 Irregular payment of generation allowance - Rs.3.52 million

According to the Authority's orders No.FO (B&F)/10-66(b)/Vol-29/537-636 dated January 09, 2014, "the generation allowance is extended as incremental rates, to such technical/semi technical generation employees of Hydel Power Houses, who are presently drawing generation allowance at fixed rates".

In Chashma Hydel Power Station WAPDA, generation allowance was being paid to the staff working in Power Station instead of Power House. This allowance was admissible reply to the employees working in the Power House as technical / semi technical generation employees. Hence, the payment of generation allowance of Rs.3.52 million was irregular.

Non-adherence to the Authority's instructions resulted in irregular payment of generation allowance amounting to Rs.3.52 million up to the financial year 2015-16.

The matter was taken up with the management in March, 2016 and reported to the Ministry in December, 2016. The management replied that the generation allowance was rightly being paid to the technical / semi technical Generation Employees at incremental rates and to the non-generation employees at fixed rates service working at Chashma Hydel Power Station / House.

The reply was not acceptable as no documentary evidence was provided to substantiate the stance of the management.

The DAC in its meeting held on January 24, 2017 directed to produce the original record to Audit within 15 days for verification. Further progress was not reported till finalization of the report.

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

(DP-1208/2016-17)

2.4.32 Loss due to non-recovery of repair charges from the contractor - Rs.3.12 million

According to Contract Agreement, "there is a Defect Liability Period (DLP) of two years during which the Contractor remains responsible for rectification of all the outstanding defects / punch list item". According to minutes of meeting with M/s DEC on September 03, 2015, "it was decided that WAPDA will facilitate M/s DEC for underwater repair of the trash racks and the expenditure will be borne by M/s DEC".

In Jinnah Hydel Power Station, repair work of under water welding on intake trash racks of Units-2,4,5&8 and flushing of silt sediments from stop log pit of Unit-1 was got executed by M/s Submarine Services at a cost of Rs.3.12 million. Since the defects were found during Defect Liability Period and as per decision thereof agreed in a meeting on September 03, 2015, M/s DEC was responsible to bear all the expenditure. However, no recovery was made from M/s DEC causing loss to the Authority.

Non-adherence to the contract agreement resulted in loss of Rs.3.12 million due to non-recovery of repair charges from contractor up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the expenditure incurred on repair works of damaged trash racks would be recovered from the contractor. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to expedite recovery from contractor within 15 days.

Audit recommends that the management needs to ensure recovery from the contractor.

(DP-1546/2016-17)

2.4.33 Loss due to non-recovery of cost of damaged equipments from contractor – Rs.2.90 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 Khan Khwar Hydro Power Station, Besham, water leakage was observed in operational seal of main inlet valves of Unit No. 1 in 2011, soon after its installation. It was decided in a meeting held in April, 2015 that WAPDA would arrange and replace the said equipment by purchasing it from M/s HMC at a cost of Rs.2.90 million and the amount would be recovered from the contractor, however, no recovery could be made from the contractor.

Non-adherence to Authority's instructions resulted in loss of Rs.2.90 million due to non-recovery of cost of damaged equipment from the contractor up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that after decision of the Engineer, recovery would be made from the remaining claims of the contractor. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to expedite the recovery under intimation to Audit.

Audit recommends that the management needs to investigate the matter for fixing the responsibility besides expediting recovery from the contractor.

(DP-1482/2016-17)

2.4.34 Non-deduction of GST - RS.2.37 million

As per instruction issued by the Government of Pakistan vide No. 1(42)STM/2009/ 99638-R dated. July 24, 2013 para-4(ii) that "in case of public works, it may be ensured that the contractors engaged make purchases only from sales tax registered persons/firms. Since contractors carrying out government works against public tenders are required to have a BoQ (bill of quantity), the contracting department/organization must require such contractors to present sales tax invoices of all the material mentioned in the BoQ as evidence of its legal purchase before payment is released to them.

In Jinnah Hydro Power Project Kalabagh, during execution of works for construction of O&M staff colony, some material amounting to Rs.13.95 million was procured and installed by the contractor. The sales tax invoices of the material purchased were not provided by the contractor and sale tax @ 17 % amounting to Rs.2.37 million could not be recovered from the contractor's claims.

Non-adherence to government instructions resulted in loss of Rs.2.37 million due to non-deduction of GST up to the financial year 2015-16.

The matter was taken up with the management in March, 2016 and reported to the Ministry in November, 2016. The management replied that the subject contract was being executed for construction of colony and was not for supply of goods, however, the contractor had provided order of income tax in respect of Maple Leaf Cement Factory Ltd, Lahore without tax deduction.

The reply was not acceptable as no documentary evidence was provided in support of reply.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with proper justification for non-deduction of GST.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides ensuring recovery of GST from the contractor.

(DP-350/2016-17)

2.4.35 Less / non-deduction of Income Tax - Rs.2.21 million

According to Section-153 of Income Tax Ordinance 2001, "every prescribed person making a payment in full or part including a payment by way of advance to a resident person or; a) for the sale of goods; b) for the rendering of or providing of services and c) on the execution of a contract, including contract signed by a sports person, but not including contract for the sale of goods or the rendering of or providing of services, shall at the time of making the payment, deduct tax from the gross amount payable (including sales tax, if any) at rates specified in Division-III of Part-III of the First Schedule".

In Jinnah Hydro Power Project, a payment of Rs.13.26 million was made to the contractor M/s Khyber Grace against IPC-9, 10 and escalation bill, however, income tax was deducted on net amount instead of gross amount of bills. Moreover, income tax against IPC-11 was also not deducted on gross amount. Deduction of income tax on gross payment instead of net amount of bills, resulted in less / non-deduction of income tax of Rs.2.21 million causing loss to national exchequer.

Non-observance of Income Tax Ordinance resulted in less / non-deduction of income tax of Rs.2.21 million during the financial year 2015-16.

The matter was taken up with management in March, 2016 and reported to the Ministry in December, 2016. The management replied that the income tax had already been deducted from the mobilization advance at the time of payment and income tax on retention money would be deducted at the time of payment.

The reply was not tenable as income tax was not deducted as per provision of Income Tax Ordinance.

The DAC in its meeting held on January 24, 2017 directed the management to provide revised reply within 15 days. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to inquire the matter for fixing responsibility of less / non-deduction of income tax from contractor's invoices.

(DP-1651/2016-17)

2.4.36 Non-recovery of rest house / recreation center charges - Rs.1.70 million

According to Authority office order dated September 15, 2000 conveyed vide Director (S&E) WAPDA office order No. AD (Estates) 060081/15117-16417 dated February 28, 2006, the WAPDA Authority revised the rates of room rent of WAPDA rest houses throughout Pakistan and officers of Government Departments were liable to pay room rent of rest houses.

In Small Hydel Projects Mangla, an amount of Rs.1.70 million on account of rest house and recreation center charges was outstanding against Pakistan Armed Forces from June 18, 2014 to December 31, 2015. However, no efforts were made to recover the amount.

Non-adherence to Authority's instructions resulted in non-recovery of rent house / recreation center charges amounting to Rs.1.70 million up to the financial year 2015-16.

The matter was taken up with the management in October, 2016 and reported to the Ministry in December, 2016. The management replied that the platoon of Punjab Rangers was deployed for security of foreigners associated with installation and commissioning of 425 MW CCPP Nandipur. Moreover, correspondence was being made with CE/PD 425 MW CCPP NDP to deposit rest house / recreation center charges and progress would be intimated to Audit accordingly. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to take up the matter through Ministry of Water and Power under intimation to Audit.

Audit recommends that the management needs to expedite the matter of recovery at Ministry level.

(DP-1293/2016-17)

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 (NTDCL), 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, 2016.

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 Blockage of public funds due to non-electrification of Pak MDGs schemes - Rs.1,010.88 million

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

The Chief Engineer (Rural Electrification) PEPCO had received funds amounting to Rs.3,101.30 million from Government of Pakistan and disbursed to DISCOs against 3535 electrification schemes approved under Pak Millennium Development Goal Programme for social uplift of general public. Out of which, only 1,091 schemes amounting to Rs.2,090.80 million could be completed during 2015-16 and public funds of Rs.1,010.88 million, reserved for remaining schemes, could not be utilized causing blockage of funds and non-achievement of envisaged benefits.

Non-adherence to Distribution & Rehabilitation Guidelines resulted in blockage of public funds of Rs.1,010.88 million due to non-electrification of Pak MDGs schemes up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the DISCOs were responsible for delay and concerned DISCOs would be asked to submit reply. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to furnish a revised reply within 15 days.

Audit recommends that the management needs to investigate the matter for fixing responsibility of non utilizing of the public funds.

(DP-1512/2016-17)

CHAPTER-4

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

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

4.1 AUDIT PARAS

4.1.1 Loss due to misappropriation of material and vehicles - Rs.129.95 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 DISCOs, different types of electrical material, vehicles and POL worth Rs.129.95 million was misappropriated by the line staff / contractors. In most of the cases, legal / administrative action was taken but not finalized. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	GEPCO	1123, 1184 & 1319/2016-17	68.80
2.	LESCO	743, 748, 820, 822 & 1069/2016-17	14.28
3.	MEPCO	44, 220 & 782/2016-17	39.63
4.	PESCO	1400/2016-17	0.63
5.	QESCO	471 & 1275/2016-17	4.73
6.	SEPCO	504/2016-17	1.88
		TOTAL	**129.95**

Weak internal controls resulted in loss of Rs.129.95 million due to misappropriation of material and vehicles up to the financial year 2015-16.

The matter was taken up with the management during February to October, 2016 and reported to the Ministry during July to December, 2016. The management replied that in some cases, action had been completed as per SoP whereas in remaining cases, the matter was under departmental inquiry / investigation with FIA and two cases were subjudice in Court. However, the final fate would be intimated on finalization of inquiries and decision of Court. No further progress was intimated.

The DAC in its meeting held on January 24, 2017 directed the management to get the completed actions verified and expedite the pending actions. DAC also directed to pursue the legal actions with FIA / court.

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

4.1.2 Loss due to theft of electrical material and vehicles - Rs.174.15 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 & NTDCL, in 800 cases electrical material and vehicles valuing Rs.174.15 million were stolen by unknown culprits. FIRs were lodged with the concerned police station(s) but no administrative inquiry / action was carried out for fixing responsibility. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No. of Cases	Amount (Rs.in million)
1.	FESCO	58, 705, 830, 1008, 1012, 1019, 1158, 1273 & 1513/2016-17	203	28.68
2.	GEPCO	2, 49, 1102, 1108, 1114, 1187, 1188 & 1231/2016-17	84	14.14
3.	HESCO	12 & 274/2016-17	9	1.90
4.	IESCO	27, 509, 600, 601, 978 & 1133/2016-17	50	17.24
5.	LESCO	511, 671, 738, 745, 859, 900, 933, 947 & 1073/2016-17	88	22.69
6.	MEPCO	67, 135, 368, 373, 408, 426, 432, 454, 507, 758 & 761/2016-17	199	35.26
7.	NTDCL	28 & 1447/2016-17	2	7.56
8.	PESCO	76, 114, 428, 443, 580, 620 & 1406/2016-17	100	25.00
9.	QESCO	65/2016-17	14	5.36
10.	SEPCO	56, 94, 262, 337, 393 & 699/2016-17	51	16.32
		TOTAL	**800**	**174.15**

Non-implementation of rules for safeguarding the companies' assets resulted in loss of Rs.174.15 million due to theft of electrical material and vehicles up to the financial year 2015-16.

The matter was taken up with management during February to October, 2016 and reported to the Ministry during April to December, 2016. The management replied that in some cases, departmental and legal action were finalized while remaining cases were under process. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to provide record relating to completed action and expedite the pending actions within 15 days.

Audit recommends that the management needs to expedite the departmental as well as legal proceeding for fixing responsibility of loss.

4.1.3 Loss due to theft of electricity by illegal direct connections - Rs.378.56 million

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

In DISCOs, an amount of Rs.378.56 million on account of energy charges was recoverable from 28,131 consumers involved in theft of electricity through illegal direct connections. No departmental and legal action was taken for fixing responsibility and recovery of the energy charges. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No. of Cases	Amount (Rs.in million)
1.	HESCO	306/2016-17	30	2.70
2.	LESCO	871, 918, 919, 938, 946, 1070, 1079 & 1239/2016-17	1,833	40.63
3.	PESCO	125 & 128/2016-17	686	28.24
4.	SEPCO	264, 328 & 502/2016-17	25,582	306.99
		TOTAL	**28,131**	**378.56**

Non-adherence to Authority's instructions resulted in loss of Rs.378.56 million due to theft of electricity through illegal direct connections up to the financial year 2015-16.

The matter was taken up with the management during February to October, 2016 and reported to the Ministry during October to December, 2016. The management replied that the legal as well as departmental action were under process and progress would be intimated to Audit. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to finalize the legal/departmental actions and recovery effected be got verified from Audit.

Audit recommends that the management needs to expedite the departmental as well as legal proceeding for fixing responsibility of loss.

4.1.4 Huge receivables from energy defaulters - Rs.227,246.33 million

According to Para-1.3 of Commercial Procedure 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, an amount of Rs.227,246.33 million was recoverable from energy 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). The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	FESCO	1354/2016-17	4.50
2.	HESCO	303 & 655/2016-17	6,166.71
3.	IESCO	595 & 640/2016-17	8.32
4.	LESCO	873 & 1555/2016-17	790.54
5.	MEPCO	22, 50, 338, 412, 431, 434, 462, 753, 764 & 1001/2016-17	8,430.52
6.	PESCO	78, 130, 359, 446, 498, 623 & 797/2016-17	96,894.25
7.	QESCO	57, 66, 357, 419, 420, 468, 569, 674, 679, 689, 815 & 1426/2016-17	80,271.21
8.	SEPCO	75, 266 & 352/2016-17	2,686.33
9.	TESCO	1348/2016-17	31,993.95
		TOTAL	**227,246.33**

Non-adherence to WAPDA commercial procedure resulted in non-recovery of Rs.227,246.33 million from energy defaulters up to the financial year 2015-16.

The matter was taken up with the management during February to October, 2016 and reported to the Ministry during July to December, 2016. The management replied that in some cases amount had been recovered and efforts were being made departmentally and through NAB to recover the remaining amount. Moreover, some cases were being pursued in Court of law. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to provide the record relating to completed actions within 15 days and accelerate the efforts for recovery from defaulters departmentally and through NAB besides pursuing the Court cases.

Audit recommends that the management needs to expedite the recovery of government arrears through adjuster and private arrears by accelerating departmental efforts.

4.1.5 Non-removal of electrical equipment and non-recovery of arrears – Rs.143,922.47 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, 427,590 consumers of all categories including Government Departments & Government of AJK defaulted to pay energy charges. The equipment removal orders (EROs) were issued but partially executed as only meters were removed instead of whole electrical equipment. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No. of EROs	Amount (Rs.in million)
1.	FESCO	713, 1009, 1167 & 1265/2016-17	619	35.32
2.	IESCO	613/2016-17	64	19,700.43
3.	LESCO	881, 1088 & 1269/2016-17	19,593	6,025.80
4.	MEPCO	54, 366 & 403/2016-17	2,351	1,307.02
5.	PESCO	124, 363, 445, 484, 497, 624 & 1342/2016-17	206,251	12,634.73
6.	QESCO	467 & 676/2016-17	53,623	62,973.09
7.	SEPCO	291 & 332/2016-17	145,089	41,246.08
		TOTAL:-	**427,590**	**143,922.47**

Non-adherence to Authority's instructions resulted in non-removal of electrical equipment and non-recovery of energy charges amounting to Rs.143,922.47 million up to the financial year 2015-16.

The matter was taken up with the management during February to October, 2016 and reported to the Ministry during July to December, 2016. The management replied that in some cases amount was recovered while efforts were being made either to recover the arrears or implement pending EROs. Moreover, in IESCO, the major amount was related to AJ&K Govt. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to provide the record relating to completed actions within 15 days and expedite the pending actions.

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

4.1.6 Recoverable amount of tariff differential & agriculture subsidy from Federal and Provincial Governments – Rs.52,735.04 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 & agriculture subsidy claims of Rs.52,735.04 million were recoverable from the Federal and Punjab Governments. Non-recovery of long outstanding dues / settlement of disputed claims were a recurring loss to the companies which was required to be recovered to enable the company to overcome its financial crises. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Respective Government	Amount (Rs.in million)
1.	GEPCO	1197 & 1261/2016-17	Federal & Govt of Punjab	23,042.29
2.	LESCO	1323/2016-17		9,087.70
3.	MEPCO	776/2016-17		20,605.05
			TOTAL	**52,735.04**

Non-adherence to SOP resulted in non-recovery of tariff differential & agricultural subsidy of Rs.52,735.04 million from Federal and Provincial Governments up to the financial year 2015-16.

The matter was taken up with the management during September & October, 2016 and reported to the Ministry during November & December, 2016. The management replied that in some cases amount of subsidy was received from Federal / Provincial Governments while efforts were being made for the balance amount.

The DAC in its meeting held on January 24, 2017 directed the management to provide the record relating to completed actions within 15 days and expedite the pending actions. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to pursue the matter for recovery of subsidy at Ministry level.

4.1.7 Blockage of funds due to non-completion of works - Rs.17,705.69 million

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

In DISCOs, different village electrification schemes, deposit & rehabilitation works amounting to Rs.17,705.69 million were lying incomplete since long. The said works were initiated to reduce distribution losses, improve the efficiency of operational system and extend the electricity facility to the people of respective areas. Due to non-completion of the works, desired benefits could not be achieved. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	FESCO	1031, 1285 & 1362/2016-17	3,587.50
2.	GEPCO	1322/2016-17	111.14
3.	IESCO	806, 1141 & 1566/2016-17	375.27
4.	LESCO	862, 884 & 1336/2016-17	3,798.39
5.	MEPCO	45, 293 & 983/2016-17	2,443.77
6.	PESCO	1403 & 1405/2016-17	156.05
7.	QESCO	474 & 1331/2016-17	7,233.57
		TOTAL	**17,705.69**

Non-adherence to WAPDA Distribution Rehabilitation Guidelines resulted in blockage of funds amounting to Rs.17,705.69 million due to non-completion of works up to the financial year 2015-16.

The matter was taken up with the management during February to October, 2016 and reported to the Ministry during July to December, 2016. The management replied that some works were completed while remaining works were under process. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to provide the record relating to completed actions within 15 days and expedite the pending actions.

Audit recommends that the management needs to implement DAC’s directives besides fixing responsibility.

4.1.8 Loss of revenue due to line losses beyond NEPRA's targets - Rs.17,281.37 million

NEPRA fixed targets of energy losses for the financial year 2015-16 in respect of following DISCOs ranging from 11.75 to 27.5%.

In DISCOs, the percentage of line losses was more than the targets of losses set by the NEPRA. Hence, 1,633.16 million units valuing Rs.17,281.37 million were lost beyond the NEPRA's target. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	NEPRA's target of line losses (%)	Actual line losses (%)	Units lost beyond target (in million)	Amount (Rs.in million)
1.	LESCO	1268/2016-17	11.75	13.9	442.13	3,760.41
2.	MEPCO	777/2016-17	12.72	13.9	170.23	1,727.82
3.	PESCO	539/2016-17	26	31	592.8	6,657.14
4.	SEPCO	391/2016-17	27.5	37.72	428	5,136.00
				TOTAL	**1633.16**	**17,281.37**

Non-adherence to NEPRA's target resulted in loss of revenue amounting to Rs.17,281.37 million during the financial year 2015-16.

The matter was taken up with the management during September to October, 2016 and reported to the Ministry during November & December, 2016. 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.

The reply was not tenable as no documents were provided to substantiate the stance.

The DAC in its meeting held on January 24, 2017 directed the management to conduct inquiry for fixing responsibility regarding non-achievement NEPRA's target.

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

4.1.9 Huge refund to consumers on account of wrong reading and detection revised - Rs.16,112.79 million

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

In DISCOs, an amount of Rs.16,112.79 million was refunded to various consumers on account of wrong reading and detection revised through 1.73 million 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. Moreover, detection bills were not charged as per detection policy and had to be revised on consumers’ complaints. This was done just to conceal the actual line losses and theft of energy. No action was taken against the officers / officials involved in credit adjustments. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	FESCO	706, 1007, 1155 & 1168/2016-17	62.81
2.	HESCO	06, 269 & 550/2016-17	2,990.48
3.	IESCO	588/2016-17	42.95
4.	LESCO	510, 664, 861, 901, 916, 945, 949, 1068, 1082, 1090 & 1091/2016-17	5,171.29
5.	MEPCO	453, 647, 760 & 763/2016-17	354.78
6.	PESCO	131, 365, 447, 478, 533, 535 & 787/2016-17	7,484.65
7.	QESCO	684, 696 & 1339/2016-17	5.83
		TOTAL	**16,112.79**

Non-adherence to procedures resulted in huge refund of Rs.16,112.79 million to consumers on account of wrong readings and detection revised during the financial year 2015-16.

The matter was taken up with the management during February to October, 2016 and reported to the Ministry during June to December, 2016. The management replied that disciplinary actions had been initiated against the delinquent officers / officials and further outcome would be intimated accordingly. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to furnish revised reply along with detail of adjustments and action taken / finalized.

Audit recommends that the management needs to investigate the matter at higher level for fixing responsibility.

4.1.10 Non-recovery of GST claims from FBR – Rs.11,194.99 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, an amount of Rs.11,194.99 million was recoverable from Federal Board of Revenue (FBR) on account of GST re-imbursement up to June, 2016. Resultantly, the companies' funds were blocked to the stated extent. No efforts were being made to recover the huge outstanding amount from FBR as detailed below:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	HESCO	1388/2016-17	20.81
2.	LESCO	1258/2016-17	9,865.63
3.	MEPCO	979 & 1430/2016-17	1,308.55
		TOTAL	**11,194.99**

Non-adherence to procedure resulted in non-recovery of GST claims amounting to Rs.11,194.99 million from FBR up to the financial year 2015-16.

The matter was taken up with the management during July to October, 2016 and reported to the Ministry during December, 2016. The management replied that all GST claims were submitted to FBR and progress achieved would be intimated to Audit.

The DAC in its meeting held on January 24, 2017 directed the management to pursue the matter for recovery of GST claims with FBR. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to expedite the matter with FBR at Ministry level.

4.1.11 Non-capitalization of completed electrification works - Rs.11,013.20 million

As per DISCOs Accounting Manual, A-90 Form (completion report) prepared by the Deputy Manager (Construction)/ Deputy Manager (GSC) is certified by the Consultants and forwarded to Project Director (Construction)/ Project Director (GSC) for capitalization.

In DISCOs & NTDCL, 497 grid stations & transmission lines, village electrification schemes, deposit & rehabilitation works amounting to Rs.11,013.20 million were executed and completed up to June, 2016 but not yet capitalized. Due to non-capitalization, these assets could not be transferred to respective formations in order to achieve envisaged benefits. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No. of Cases	Amount (Rs.in million)
1.	FESCO	1030 & 1283/2016-17	114	1,111.45
2.	HESCO	975/2016-17	142	270.40
3.	NTDCL	1461 & 1592/2016-17	01	7,634.32
4.	PESCO	1399/2016-17	36	1,282.78
5.	QESCO	475/2016-17	204	714.25
		TOTAL	**497**	**11,013.20**

Non-adherence to Accounting Manual resulted in non-capitalization of completed electrification works amounting to Rs.11,013.20 million during the financial year 2015-16.

The matter was taken up with management during July to October, 2016 and reported to the Ministry during November to December, 2016. The management replied that some works had been capitalized while others were under process for capitalization and after capitalization Audit would be informed accordingly. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the completed actions verified by Audit within 15 days and expedite the capitalization of remaining works.

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

4.1.12 Loss due to excess heat rate than NEPRA's standard - Rs.6,963.51 million

NEPRA has determined the heat rates BTU per kWh i.e. 10,859, 12,197, 11,868 and 11,614 for Units 1 to 4 of GENCO-I, 10491, 10633, 10265, 10250, 10914 & 11213 for Units 1 to 6 for GENCO-III and 16,300 for Units 1&2 for GENCO-IV.

In GENCOs, heat rate was excessive than the permissible limits fixed by NEPRA for the financial year 2015-16. As a result of excess heat rate, 665.82 million units were less generated and Companies had sustained a loss of Rs.6,963.51 million as detailed below:-

Sr. No.	Name of Company	Draft Para No.	Units less generated (in million)	Amount (Rs. in million)
1	GENCO-I	156/2016-17	228.36	2,757.00
2	GENCO-III	224/2016-17	418.6	3,978.81
3	GENCO-IV	87/2016-17	18.86	227.70
		TOTAL	**665.82**	**6,963.51**

Non-adherence to the NEPRA's standards resulted in loss of Rs.6,963.51 million to the Companies during the financial year 2015-16.

The matter was taken up with the management during July and August, 2016 and reported to the Ministry during September and October, 2016. The management of GENCO-I & III replied that the CDC test was conducted by NEPRA on the running units and the auxiliary consumption during shut down and stand by periods was not considered in the CDC test. Hence, the annual heat rate was comparatively more than the monthly heat rate. NEPRA determined the heat rate of 16,300 BTU/kWh in financial year 2005-06 when two units were in operation. The management of GENCO-IV replied that the PC-I was submitted for the rehabilitation of plants to the high-ups for approval and after rehabilitation of the plants the heat rate would be improved. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply to substantiate its view point within 15 days.

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

4.1.13 Non-accountal / non-consumption of electrical material – Rs.5,376.05 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 & NTDCL, electrical material valuing Rs.5,376.05 million was drawn by field staff from stores for installation at different sites but the accountal / consumption of material was not forthcoming from the record. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	FESCO	715 & 1160/2016-17	79.13
2.	GEPCO	47 & 1338/2016-17	8.26
3.	HESCO	11, 554 & 659/2016-17	63.07
4.	IESCO	1140/2016-17	8.02
5.	LESCO	515, 662, 735, 747, 909, 1053 & 1078/2016-17	1,384.73
6.	MEPCO	24, 51, 136, 219, 292, 369, 376, 411, 435, 652 & 993/2016-17	561.66
7.	NTDCL	260 & 1596/2016-17	3,011.71
8.	PESCO	361, 395, 628, 751 & 1407/2016-17	133.16
9.	QESCO	59, 61, 417 & 686/2016-17	42.46
10.	SEPCO	263, 346 & 557/2016-17	83.85
		TOTAL	**5,376.05**

Non-adherence to Distribution Stores Manual resulted in non-accountal / non-consumption of electrical material valuing Rs.5,376.05 million up to the financial year 2015-16.

The matter was taken up with the management during February to October, 2016 and reported to the Ministry during June to December, 2016. The management replied that most of the material had been accounted for in the books whereas in some cases, disciplinary action had been initiated against the concerned officials. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to produce the record of accountal of material and finalize the disciplinary actions.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides ensuring production of accountal record.

4.1.14 Non-recovery of detection charges from consumers - Rs.3,401.42 million

According to Para-1.3 of Commercial Procedure 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, energy meters of consumers of various categories were physically checked by the surveillance teams / metering & testing (M&T) department and detection charges of Rs.3,401.42 million on account of slowness, tempering in meters and pending units etc. were approved for recovery from the consumers which was not recovered. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	FESCO	1005, 1161, 1171, 1299 & 1300/2016-17	1,106.19
2.	GEPCO	1125/2016-17	9.44
3.	HESCO	34/2016-17	3.65
4.	IESCO	594, 606, 1131 & 1266/2016-17	126.28
5.	LESCO	860, 902, & 940/2016-17	1,583.61
6.	MEPCO	186, 449 & 986/2016-17	126.77
7.	PESCO	115, 362, 479, 615 & 618/2016-17	61.91
8.	QESCO	187, 969 & 1213/2016-17	17.53
9.	SEPCO	160 & 207/2016-17	366.04
		TOTAL	**3,401.42**

Non-adherence to commercial operating procedures resulted in non-recovery of detection charges amounting to Rs.3,401.42 million from the consumers up to the financial year 2015-16.

The matter was taken up with the management during March to October, 2016 and reported to the Ministry during July to December, 2016. The management replied that in some cases amount of detection bills was recovered while efforts were being made to recover the remaining amount from consumers. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to provide the recovery record for verification to Audit and pursue the court case vigorously.

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

4.1.15 Irregular issuance of purchase / work orders in violation of Public Procurement Rules – Rs.3,251.83 million

According to Rules-9, 20, 21, 31, 40 & 42 of Public Procurement Rules, 2004, procuring agencies, "while engaging 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 contract shall be awarded to first evaluated bidder and no bidder shall be allowed to alter or modify his bid after the bids have been opened".

In DISCOs & NTDCL, 135 purchase / work orders for procurement of material and execution of works amounting to Rs.3,251.83 million were issued by different formations to the suppliers / contractors in violation of Public Procurement Rules as detailed below:-.

Sr. No.	Name of Company	Draft Para No.	Amount	Violation of Rule No.	Brief of violation
1.	FESCO	1332/2016-17	0.84	Rule-12 & 20	Award of contract without competition.
2.	GEPCO	1317/2016-17	7.17	Rule-42 (b) (i)	Purchase through quotations instead of tendering.
3.	HESCO	1298/2016-17	2.29	Rule-42 (b) (i)	Purchase through quotations instead of tendering.
4.	IESCO	36, 138, 1217, 1411, 1415 & 1564/2016-17	32.21	Rule-20, 21, 40 & 42 (b) (i)	Award of contract without competition on quotations instead of tendering & after negotiation.
5.	NTDCL	31, 234, 383, 1455, 1574, 1583 & 1585/2016-17	52.19	Rule-31.1 & Rule-42 (b) (i)	Modification of bid price after opening of tender & purchase through quotations instead of tendering.
6.	PESCO	529 & 801/2016-17	3,134.73	Rule-31	Modification of bid price after opening of tender and award of contract through cartel pooling.
7.	SEPCO	455 & 558/2016-17	18.93	Rule-42 (b) (i)	Purchase through quotations instead of tendering.
8.	TESCO	1353/2016-17	3.47	Rule-42 (b) (i)	Purchase through quotations instead of tendering.
TOTAL			**3,251.83**		

Non-adherence to the Public Procurement Rules resulted in irregular award of purchase / work orders amounting to Rs.3,251.83 million up to the financial year 2015-16.

The matter was taken up with the management during February to October, 2016 and reported to the Ministry during July to December, 2016. The management replied that the purchase / work orders were awarded with the approval of competent authority to cater for emergency.

The reply was not tenable as the Public Procurement Rules were violated for which responsibility needed to be fixed.

The DAC in its meeting held on January 24, 2017 directed the management to provide revised reply at PEPCO level depicting justification for quotations, pool prices and splitting into lots.

Audit recommends that the management needs to investigate the matter for fixing responsibility regarding non-observance of Public Procurement Rules.

4.1.16 Non-recovery of cost of independent grid stations from the consumers - Rs.2,919.48 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". As per Tariff Determination, "B-4 tariff is applicable for supply for all loads of more than 5,000 KW supply at 66 KV, 132 KV".

In DISCOs, nineteen (19) industrial consumers & two (02) housing societies had qualified to be provided independent grid stations owing to extension of load and cumulative/combined load more than 5,000 KW. Hence, undue favour of Rs.2,919.48 million was extended to the consumers by non-provision of independent grid stations. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Number of cases	Amount (Rs.in million)
1.	GEPCO	1117 & 1257/2016-17	4	166.93
2.	IESCO	1421/2016-17	1	87.12
3.	LESCO	215, 732 & 937/2016-17	8	415.36
4.	MEPCO	648 & 766/2016-17	8	2,250.07
		TOTAL	**21**	**2,919.48**

Non-adherence to NEPRA's instructions resulted in non-recovery of cost of gird stations of Rs.2,919.48 million from consumers up to the financial year 2015-16.

The matter was taken up with the management during August & September, 2016 and reported to the Ministry during October to December, 2016. The management replied that in some cases, load had been regularized / reduced whereas in remaining cases, notices had been issued to consumers to regularize load and in one case the matter was subjudice. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the completed actions verified from Audit and expedite the pending actions. DAC also directed to pursue the court case vigorously.

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

4.1.17 Non-return of dismantled / excess material to store – Rs.1,977.56 million

According to Para-3.1 (Section-12) of WAPDA Distribution Stores Manual, it is the responsibility of the SDO to ensure that damaged or otherwise unserviceable material is returned to the stores as soon as possible. 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 & NTDCL, electric material of various types worth Rs.1,977.56 million was dismantled and found excess from various locations was not returned to stores as required under the rules. No action was taken against the concerned line staff for non-return of dismantled / excess material. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	FESCO	710, 1129, 1170, 1226 & 1228/2016-17	9.85
2.	GEPCO	04, 42, 1094, 1096, 1106, 1113, 1120, 1185, 1190 & 1230/2016-17	59.28
3.	HESCO	8 & 548/2016-17	30.38
4.	IESCO	39, 100, 589 & 1139/2016-17	72.71
5.	LESCO	516, 668, 731, 741, 744, 818, 854, 855, 872, 882, 931, 941, 1044, 1085, 1237 & 1391/2016-17	1,271.33
6.	MEPCO	79, 335, 367, 406, 429, 451, 506 & 767/2016-17	355.40
7.	NTDCL	1646/2016-17	2.00
8.	PESCO	118, 360, 483, 531, 582, 619 & 1341/2016-17	58.06
9.	QESCO	60, 272, 416, 472, 473, 673, 681, 685, 693, 968, 1143, 1147 & 1274/2016-17	72.61
10.	SEPCO	73, 265, 330 & 392/2016-17	45.94
		TOTAL	**1,977.56**

Non-adherence to WAPDA Distribution Stores Manual resulted in non-return of dismantled / excess material to store amounting to Rs.1,977.56 million up to the financial year 2015-16.

The matter was taken up with the management during February to October, 2016 and reported to the Ministry during April to December, 2016. The management replied that some material had been returned to store and remaining material would be returned in due course of time. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the completed actions verified from Audit and expedite the pending actions.

Audit recommends that the management needs to investigate the matter for fixing responsibility upon the persons at fault besides ensuring return of electrical material to store.

4.1.18 Non-recovery of liquidated damages from the contractors – Rs.1,957.36 million

According to Clause-5, 15, 26.2 & 27.1 of the 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, & NTDCL, 183 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 / make supplies within the stipulated period hence, they were liable to pay the liquidated damages of Rs.1,957.36 million but the same were not recovered. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No. of Contracts	Amount (Rs.in million)
1.	FESCO	1023,1360 & 1620/2016-17	6	145.84
2.	GEPCO	1121, 1128 & 1196/2016-17	9	93.68
3.	LESCO	566, 726, 727, 1177 & 1243/2016-17	24	57.90
4.	MEPCO	1149/2016-17	4	7.18
5.	NTDCL	110, 380 & 436/2016-17	21	1,528.85
6.	PESCO	790 & 1365/2016-17	20	20.74
7.	QESCO	271 & 1252/2016-17	40	67.03
8.	SEPCO	456 & 559/2016-17	22	12.51
9.	TESCO	1198 & 1211/2016-17	37	23.63
		TOTAL	**183**	**1,957.36**

Non-adherence to contract clauses resulted in non-recovery of liquidated damages amounting to Rs.1,957.36 million from contractors / suppliers up to the financial year 2015-16.

The matter was taken up with the management during May to October, 2016 and reported to the Ministry during September to December, 2016. The management replied that in some cases, amount had been recovered and in remaining cases recovery / extension of time was under process. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to produce the record of recovered amount for verification and expedite the pending recovery.

Audit recommends that the management needs to expedite the recovery of LD besides investigating the matter for fixing responsibility.

4.1.19 Non-disposal of off-road vehicles and unserviceable material - Rs.1,931.57 million

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

In PEPCO, GENCOs, NTDCL and DISCOs, 206 off-road vehicles and unserviceable material / equipments, trees and bulbs worth Rs.1,931.57 million were not auctioned up to June, 2016. The vehicles and material were kept in the open yard and exposed to the adverse environmental conditions causing deterioration and decrease in value. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	Description	Amount (Rs.in million)
1.	PEPCO	1294/2016-17	Scrap material and 18 vehicles	5.66
2.	FESCO	1014, 1017, 1032, 1174, 1291 & 1302/2016-17	Scrap material and 7 vehicles	242.24
3.	GEPCO	209, 953 & 1124/2016-17	Scrap material	202.61
4.	GENCO-I	155/2016-17	Scrap material	129.59
5.	GENCO-II	86 & 140/2016-17	Scrap material and 5 vehicles	90.39
6.	GENCO-III	222/2016-17	Scrap material	14.92
7.	GENCO-IV	567/2016-17	Scrap material and 11 vehicles	6.25
8.	HESCO	287, 976 & 1297/2016-17	Scrap material and 12 vehicles	40.42
9.	IESCO	1182, 1290 & 1314/2016-17	Scrap material and 10 vehicles	16.96
10.	LESCO	213, 721, 739, 850, 1035 & 1051/2016-17	Scrap material and 111 vehicles	185.99
11.	MEPCO	35, 150, 425, 466, 844/2016-17	Scrap material and 1 vehicle	327.94
12.	NTDCL	32, 233, 384 & 1595/2016-17	Scrap material and 13 vehicles	96.69
13.	PESCO	527, 1401 & 1409/2016-17	Scrap material and 17 vehicles	530.39
14.	QESCO	63/2016-17	Scrap material and 1 vehicle	0.50
15.	SEPCO	390 & 698/2016-17	Scrap material	41.02
			TOTAL	**1,931.57**

Non-adherence to WAPDA Disposal Procedure resulted in non-disposal of off-road vehicles and unserviceable material etc. worth Rs.1,931.57 million up to the financial year 2015-16.

The matter was taken up with the management during February to October, 2016 and reported to the Ministry during July to December, 2016. The management replied that in some cases material had been auctioned while in others the disposal process was under way. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the completed action verified from Audit and expedite the pending actions.

Audit recommends that the management needs to expedite disposal process besides fixing responsibility.

4.1.20 Loss due to damage of electrical equipment – Rs.1,857.76 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 DISCOs and NTDCL, electrical equipment comprising of 5671 distribution & power transformers and other electrical items valuing Rs.1,857.76 million were damaged up to the financial year 2015-16. In most of the cases, the administrative action was neither initiated nor finalized. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No. of Transformers	Amount (Rs.in million)
1.	FESCO	1013 & 1166/2016-17	11	27.08
2.	GEPCO	1099 & 1234/2016-17	517	48.70
3.	HESCO	414 & 656/2016-17	179	64.03
4.	IESCO	176, 583, 605, 638, 805, 1132 & 1221/2016-17	1382	212.39
5.	LESCO	514, 670, 740, 875, 1087 & 1089/2016-17	1309	306.88
6.	MEPCO	40, 134 & 465/2016-17	927	243.86
7.	NTDCL	236/2016-17	Electrical Equipment	5.99
8.	PESCO	119, 482, 500, 626, 1394, 1398, 1408, 1622 & 1625/2016-17	271	629.36
9.	QESCO	64, 355, 377, 678, 690 & 694/2016-17	922	242.03
10.	SEPCO	74 & 697/2016-17	179	24.62
11.	TESCO	1152/2016-17	Electrical Equipments	52.82
		TOTAL	**5671**	**1,857.76**

Non-adherence to Authority's instructions resulted in loss of Rs.1,857.76 million due to damage of electrical equipments up to June, 2016.

The matter was taken up with the management during February to October, 2016 and reported to the Ministry during July to December, 2016. The management replied that in some cases, inquires 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 damaging of electrical equipment. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the completed action verified from Audit and expedite the pending actions.

Audit recommends that the management needs to expedite the inquiry proceedings for fixing responsibility of loss.

4.1.21 Undue favour to the consumers on account of non-regularization of unauthorized extension of load – Rs.1,579.96 million

According to Condition-6 of WAPDA Abridged Conditions of Supply (CP-02), "in case of non-removal / non-regularization of un-authorized extended load, the supply to the consumer shall be disconnected".

In DISCOs, 6,020 industrial / commercial consumers extended their load of the energy connections illegally 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. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No. of Cases	Amount (Rs.in million)
1.	FESCO	21,707,1130,1156 & 1165/2016-17	314	203.38
2.	GEPCO	03, 46,1097,1103,1107,1111,1118 & 1193/2016-17	228	75.94
3.	HESCO	13, 275, 413, 553, 661 & 1663/2016-17	977	261.71
4.	IESCO	37, 508, 591, 604, 808, 812 & 1134/2016-17	993	140.57
5.	LESCO	574, 669, 718, 737, 870, 904, 932 & 1063/2016-17	828	258.99
6.	MEPCO	53, 68, 133, 149, 184, 336, 342, 370, 409, 430, 448, 653, 759 & 769/2016-17	1,265	234.67
7.	PESCO	77, 113, 304, 427, 485, 581, 627, 788 & 1343/2016-17	458	265.68
8.	QESCO	62, 418, 469, 677, 688, 695 & 1144/2016-17	269	99.68
9.	SEPCO	267, 327, 501, 572 & 972/2016-17	679	24.54
10.	TESCO	1340/2016-17	9	14.80
		TOTAL	**6,020**	**1579.96**

Non-adherence to abridged condition of supply resulted in non-recovery of Rs.1,579.96 million from consumers on account of additional security deposit, feeder rehabilitation charges and substation cost due to unauthorized extension of load up to the financial year 2015-16.

The matter was taken up with the management during February to October, 2016 and reported to the Ministry during June to December, 2016. The management replied that in some cases, illegal extension of load had either reduced or regularized after recovery from consumers, while in remaining cases, notices had been issued to the consumers either to remove or regularize the illegal extended load. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the completed actions verified from Audit and expedite the pending actions.

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

4.1.22 Non-deposit of disputed amount in favour of DISCOs – Rs.1,256.90 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 DISCOs, an amount of Rs.1,256.90 million pertained to the subjudice cases as the consumers went into litigation against the Companies. However, the disputed amount of Rs.1,256.90 million was not deposited in favour of Companies as required under rules. Hence, the Companies were deprived of revenue of Rs.1,256.90 million. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	IESCO	584, 596, 611 & 639/2016-17	245.33
2.	LESCO	1238/2016-17	984.19
3.	SEPCO	571/2016-17	27.38
		TOTAL	**1,256.90**

Non-observance of Electricity Act resulted in non-deposit of disputed amount of Rs.1,256.90 million in favour of DISCOs up to the financial year 2015-16.

The matter was taken up with the management during July to October, 2016 and reported to the Ministry during November and December, 2016. The management replied that some of the amount had been recovered and efforts were being made to recover the remaining amount, however some of the amount was not recoverable. Moreover, a number of cases were still under process with court of law. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the stance verified by producing the record to Audit and expedite the pending actions.

Audit recommends that the management needs to pursue the matter with courts for recovery of disputed amount.

4.1.23 Non-accountal/distribution of CFLs and non-return of bulbs - Rs.416.37 million

According to SOP for distribution of Compact Fluorescent Lamps (CFLs), the LS Feeder in-charge will deliver two CFLs to each consumer and collect the one voucher from each consumer with two used IBs (in healthy condition). After delivering the CFLs, the LS In-charge will hand over the collected vouchers to the SDO and collected Incandescent Lamps (ICLs/IBs) will be returned to stores through MRNs and SDO concerned will furnish the CFLs vouchers data to their revenue officer for onward submission to concerned computer center for data compiling. As per 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.

In DISCOs, 1.91 million Compact Fluorescent Lamps (CFLs) valuing Rs.271.84 million were not accounted for as per SOP. Moreover, 0.94 million CFLs valuing Rs.133.44 million were lying undistributed with the line staff and in stores and 0.62 million bulbs valuing Rs.11.09 million were not returned to store. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Non-accountal of distributed CFLs	Undistributed CFLs	Unreturned Bulbs to store	Amount (Rs.in million)
1.	FESCO	1164/2016-17	0	0.015	0	2.27
2.	HESCO	18 & 268/2016-17	0.02	0.313		48.88
3.	LESCO	576, 666, 915, 1055 & 1086/2016-17	1.32	0.44	0.48	256.26
4.	MEPCO	261/2016-17	0.57	0	0	83.93
5.	QESCO	308/2016-17	0	0	0.14	1.41
6.	SEPCO	1379/2016-17	0	0.17	0	23.62
		TOTAL	**1.91**	**0.938**	**0.62**	**416.37**

Non-adherence to the SOP resulted in non-accountal / distribution of CFLs and non-return of bulbs valuing Rs.416.37 million up to the financial year 2015-16.

The matter was taken up with the management during February to September, 2016 and reported to the Ministry during July to December, 2016. The management replied that most of the CFLs had been accounted for in the books while accountal of remaining CFLs was under process. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the completed action verified from Audit and expedite the pending action.

Audit recommends that the management needs to inquire the matter for fixing responsibility upon the persons at fault besides ensuring accountal / return of CFLs and bulbs.

4.1.24 Loss due to non-finalization of pending inquires/disciplinary cases - Rs.376.63 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 DISCOs & NTDCL, 339 inquiries / disciplinary cases regarding substandard works, overbilling, embezzlement of funds, un-authentic crops compensation, damaged / stolen transformers and non-return of dismantled material involving an amount of Rs.376.63 million against officers / officials were pending for finalization. Due to non-finalization of inquiries / disciplinary cases, neither responsibility was fixed nor the fate of loss decided as detailed below:-

Sr. No.	Name of Company	Draft Para No.	Number of cases	Amount (Rs.in million)
1.	GEPCO	1101/2016-17	9	4.40
2.	LESCO	729, 866, 867, 934, 936, 1074 & 1084/2016-17	313	328.38
3.	MEPCO	218 & 982/2016-17	10	9.17
4.	NTDCL	1453/2016-17	3	33.64
5.	PESCO	116/2016-17	4	1.04
		TOTAL	**339**	**376.63**

Non-adherence to Authority's instructions resulted in non-finalization of inquires / disciplinary cases involving an amount of Rs.376.63 million up to the financial year 2015-16.

The matter was taken up with the management during July to September, 2016 and reported to the Ministry during November & December, 2016. The management replied that some inquiries / disciplinary cases had been finalized and remaining cases were under process. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the completed action verified from Audit and expedite the finalization of remaining inquiries / disciplinary cases.

Audit recommends that the management needs to expedite the inquiry proceedings for fixing responsibility and decide the fate of loss.

4.1.25 Loss due to non-finalization of insurance claims - Rs.330.35 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-I & NTDCL, 205 electrical equipments valuing Rs.330.35 million were damaged at different locations. Insurance claims of damaged material were lodged with General Manager (Insurance & Pension) WAPDA but were not finalized and kept pending since long due to non-pursuance / non-provision of complete information by the field formations. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Cases	Amount (Rs.in million)
1.	FESCO	1018/2016-17	38	35.45
2.	GENCO-I	158/2016-17	2	84.62
3.	HESCO	1296/2016-17	41	4.93
4.	LESCO	720/2016-17	98	18.49
5.	MEPCO	1004/2016-17	7	81.40
6.	NTDCL	30, 237 & 487/2016-17	6	104.37
7.	SEPCO	701/2016-17	13	1.09
		TOTAL	**205**	**330.35**

Non-adherence to Authority's instructions resulted in loss due to non-finalization of insurance claims amounting to Rs.330.35 million up to the financial year 2015-16.

The matter was taken up with the management during April to September, 2016 and reported to the Ministry during July to December, 2016. The management replied that some of the claims had been indemnified while others were under process. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the completed action verified from Audit and expedite the pending actions.

Audit recommends that the management needs to pursue the pending insurance claims with General Manager (Insurance & Pension) WAPDA.

4.1.26 Loss due to non-replacement of electrical material damaged under warranty period – Rs.219.95 million

According to Clause-12 (warranty clause) of purchase orders, "the suppliers will be held responsible for all losses and that the un-acceptable goods will be substituted with acceptable goods at their own expense and cost".

In GENCO, NTDCL and DISCOs, 859 power / distribution transformers, energy meters and other equipments of different types worth Rs.219.95 million were damaged under warranty period. The transformers, energy meters and other equipments were not got replaced from the manufacturers as required under the contract clauses. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No. of T/Fs	Amount (Rs.in million)
1.	GENCO-I	1505/2016-17	1	4.91
2.	FESCO	1015 & 1301/2016-17	1	51.96
3.	GEPCO	1280/2016-17	44	11.18
4.	HESCO	286/2016-17	299	32.69
5.	IESCO	803/2016-17	19	3.23
6.	LESCO	868 & 1052/2016-17	111	39.93
7.	MEPCO	775/2016-17	221	29.27
8.	NTDCL	231/2016-17	1	7.45
9.	PESCO	524/2016-17	57	17.39
10.	QESCO	1146/2016-17	2	1.02
11.	SEPCO	331, 389 & 573/2016-17	103	20.92
		TOTAL	**859**	**219.95**

Non-adherence to clauses of purchase orders resulted in non-replacement of under warranty electrical material amounting to Rs.219.95 million from manufacturers / suppliers up to the financial year 2015-16.

The matter was taken up with the management during July to October, 2016 and reported to the Ministry during October to December, 2016. The management replied that in some cases, replaced material had been received from suppliers whereas replacement of balance material was under process. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get verified the completed action from Audit and expedite the pending action.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides expediting replacement of material from the manufactures / suppliers.

4.1.27 Non-recovery from consumers on account of court cases decided in favour of DISCOs - Rs.206.48 million

According to Para-1.3 of Commercial Procedure 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, 910 court cases involving an amount of Rs.206.48 million were decided in favour of the companies up to June, 2016. The amount of decided court cases was required to be recovered from the consumers but no recovery was made. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No. of Cases	Amount (Rs.in million)
1.	FESCO	1173/2016-17	598	144.45
2.	GEPCO	1267/2016-17	116	18.14
3.	HESCO	307, 547 & 660/2016-17	131	15.32
4.	IESCO	494, 593 & 609/2016-17	65	28.57
		TOTAL	**910**	**206.48**

Non-adherence to commercial procedure manual resulted in non-recovery of energy charges of Rs.206.48 million from consumers up to the financial year 2015-16.

The matter was taken up with management during July & August, 2016 and reported to the Ministry during October to December, 2016. The management replied that some of the amount had been recovered /adjusted and remaining amount would be recovered in due course of time. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the completed actions verified from Audit and expedite the recovery of remaining amount.

Audit recommends that the management needs to expedite the recovery without further loss of time.

4.1.28 Non-recovery of standard rent and utility charges – Rs.177.36 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, GENCO-II & NTDCL, an amount of Rs.177.36 million was recoverable from 130 employees and contractors on account of standard rent and utility charges in respect of accommodation provided to them. Efforts were not made to recover the amount from the employees/contractors. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No. of Employees	Amount (Rs.in million)
1.	FESCO	1333/2016-17	1	1.12
2.	GENCO-II	82/2016-17	1	87.88
3.	IESCO	1419/2016-17	4	6.52
4.	MEPCO	422/2016-17	2	0.76
5.	NTDCL	33, 146 & 235/2016-17	106	71.32
6.	PESCO	127 & 1305/2016-17	16	9.76
		TOTAL	**130**	**177.36**

Non-adherence to Authority's instructions resulted in non-recovery of standard rent and utility charges amounting to Rs.177.36 million from the employees / contractors up to the financial year 2015-16.

The matter was taken up with the management during March to September, 2016 and reported to the Ministry during July to December, 2016. The management replied that some amount was recovered while efforts were being made to recover the balance amount. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the recovery record verified from Audit and ensure the remaining recovery as per SOP.

Audit recommends that the management needs to expedite the recovery without further loss of time.

4.1.29 Loss due to missing / shortage of transformers parts - Rs.162.51 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, costly components of 5,210 distribution transformers of various capacities valuing Rs.162.51 million were found missing / short during physical inspection by M&T department. Neither any departmental inquiry was conducted nor any action taken against the responsible persons. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Number of T/Fs	Amount (Rs.in million)
1.	FESCO	70, 1010, 1227 & 1260/2016-17	486	10.10
2.	IESCO	38, 810 & 1180/2016-17	654	14.03
3.	LESCO	847, 849/2016-17	807	59.78
4.	MEPCO	151, 162, 347, 371, 379, 410, 433, 452, 649, 754 & 768/2016-17	2,848	30.58
5.	SEPCO	503 & 702/2016-17	415	48.02
		TOTAL	**5,210**	**162.51**

Non-adherence to Authority's instructions resulted in loss of Rs.162.51 million due to missing / shortage of costly components of distribution transformers up to the financial year 2015-16.

The matter was taken up with the management during February to October, 2016 and reported to the Ministry during June to December, 2016. The management replied that in some cases, inquiries had been finalized whereas in remaining cases, constitution of inquiry committees was under process. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to provide finalized inquiry reports and to expedite inquiry proceedings to fix the responsibility of loss.

Audit recommends that the management needs to inquire the matter for fixing responsibility besides making good the loss.

4.1.30 Loss of revenue due to application of wrong tariff – Rs.115.97 million

According to NEPRA Schedule of Tariffs, industrial supply means a supply for bona fide industrial purpose in factories including offices and normal working of the industry. As per Manager (Commercial) HESCO, Hyderabad letter dated January 11, 2013, "drinking and sewerage pumps and tube wells other than those meant for irrigation or reclamation of agricultural land will be operated in Industrial Tariff (b)". Moreover, Commercial Supply (A-2) means the supply for commercial offices and commercial establishments.

In DISCOs, 358 energy connections of water supply drainage schemes were running under agriculture tariff D-1(b) instead of appropriate industrial tariff. Moreover, 137 consumers engaged in the commercial / industrial activities were running under domestic / industrial tariff in violation of rules. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No. of Cases	Amount (Rs.in million)
1.	FESCO	714/2016-17	6	1.55
2.	GEPCO	1098/2016-17	50	1.09
3.	HESCO	15/2016-17	11	23.23
4.	LESCO	717 & 821/2016-17	59	26.24
5.	MEPCO	26 & 374/2016-17	317	55.55
6.	QESCO	750/2016-17	1	0.75
7.	SEPCO	703/2016-17	51	7.56
		TOTAL	**495**	**115.97**

Non-adherence to tariff conditions resulted in loss of revenue amounting to Rs.115.97 million due to application of wrong tariff up to the financial year 2015-16.

The matter was taken up with the management during February to September, 2016 and reported to the Ministry during June to December, 2016. The management replied that in some cases, payment had been received from concerned consumers while notices were issued to remaining consumers. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to provide recovery record for verification and finalize the action against the remaining consumers.

Audit recommends that the management needs to expedite the recovery from consumers besides ensuring charging of correct tariff.

4.1.31 Non-recovery of cost of independent feeders from consumers – Rs.104.89 million

As per Authority's instructions dated August 09, 2003, "the connections having load up to 1,000 KW are permissible from a mixed load feeder after recovery of feeder rehabilitation charges".

In DISCOs, eleven (10) industrial / commercial consumers having sanctioned load more than 1000 KW were sanctioned to be energized from existing feeders instead of providing independent feeders. Moreover, nine (09) consumers running on mixed load feeders had extended the load illegally above 1000 KW and were required to be provided with independent feeders. Hence, undue favour of Rs.104.89 million was extended to the consumers by non-provision of independent feeders as detailed below:-

Sr. No.	Name of Company	Draft Para No.	Number of cases	Amount (Rs.in million)
1.	FESCO	1356/2016-17	2	11.97
2.	GEPCO	1232 & 1236/2016-17	6	30.00
3.	LESCO	216, 736, 880 & 944/2016-17	7	45.95
4.	MEPCO	41 & 650/2016-17	4	16.97
		TOTAL	**19**	**104.89**

Non-adherence to Authority's instructions resulted in non-recovery of Rs.104.89 million from consumers on account of cost of independent feeders up to the financial year 2015-16.

The matter was taken up with the management during February to September, 2016 and reported to the Ministry during July to October, 2016. The management replied that in some cases, amount had been recovered and in remaining cases, recovery was underway. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to produce the record of completed actions for verification and expedite the remaining cases.

Audit recommends that the management needs to inquire the matter for fixing responsibility besides ensuring provision of independent feeders at the cost of consumers.

4.1.32 Loss due to non-recovery of supply charges against temporary connections - Rs.78.90 million

According to special condition of supply under Tariff-E of NEPRA schedule of electricity tariff, "the supply shall not be given by the Company without obtaining security equal to the anticipated supply and other miscellaneous charges for the period of temporary supply".

In DISCOs, an amount of Rs.78.90 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. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	FESCO	1159 & 1434/2016-17	1.08
2.	HESCO	549 & 654/2016-17	5.79
3.	LESCO	512, 667, 734, 895, 929, 935 & 1075/2016-17	50.87
4.	PESCO	123, 444, 534 & 621/2016-17	21.16
		TOTAL	**78.90**

Non-observance of tariff conditions resulted in loss of Rs.78.90 million due to non-recovery of supply charges from temporary consumers up to the financial year 2015-16.

The matter was taken up with the management during February to September, 2016 and reported to the Ministry during October to December, 2016. The management replied that some amount had been recovered from consumers and efforts were being made to recover the balance amount. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to produce the recovery record and expedite the remaining recovery.

Audit recommends that the management needs to inquire the matter for fixing responsibility besides ensuring recovery of outstanding amount from consumers.

4.1.33 Loss due to non-installation of independent transformers - Rs.58.43 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, 327 industrial consumers having running load above 7.46 KW were electrified from the general distribution transformers instead of providing independent transformers valuing Rs.58.43 million. Hence, the consumers were unduly favored by not providing them with independent transformers as detailed below:-

Sr. No.	Name of Company	Draft Para No.	No. of Consumer	Amount (Rs.in million)
1.	FESCO	1169 & 1355/2016-17	21	7.82
2.	GEPCO	1119 & 1189/2016-17	61	7.73
3.	HESCO	14/2016-17	14	5.12
4.	IESCO	175, 495, 602, 804, 813 & 1220/2016-17	156	21.61
5.	LESCO	733 & 816/2016-17	50	11.87
6.	QESCO	970 & 1288/2016-17	25	4.28
TOTAL			**327**	**58.43**

Non-adherence to Authority's instructions resulted in loss of Rs.58.43 million due to non-installation of independent transformers up to the financial year 2015-16.

The matter was taken up with the management during February to September, 2016 and reported to the Ministry during June to December, 2016. The management replied that in some cases, independent transformers had been installed whereas in remaining cases, notices had been issued to the consumers. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the completed actions verified from Audit and expedite the pending actions.

Audit recommends that the management needs to inquire the matter for fixing responsibility besides ensuring installation of independent transformers.

4.1.34 Non-forfeiture of performance bonds - Rs.55.66 million

According to Clause-15-A (i) of the Purchase Orders, "the contracting officer will have the right to forfeit the security bond/guarantee (performance bond) if the supplier fails to supply the goods within time specified in the Purchase Order."

In DISCOs, twenty seven (27) purchase / work orders for procurement of goods & works were awarded to different suppliers / contractors. The suppliers / contractors failed to deliver the goods / complete the works within the stipulated period, hence, performance bonds worth Rs.55.66 million were required to be forfeited, which was not done. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Cases	Amount (Rs.in million)
1.	FESCO	1619/2016-17	2	1.38
2.	LESCO	869/2016-17	7	10.69
3.	MEPCO	783/2016-17	9	14.13
4.	PESCO	538/2016-17	3	26.83
5.	SEPCO	387/2016-17	6	2.63
		TOTAL	**27**	**55.66**

Non-adherence to contract clause resulted in non-forfeiture of performance bonds of Rs.55.66 million up to the financial year 2015-16.

The matter was taken up with the management during August to October, 2016 and reported to the Ministry during November & December, 2016. The management replied that in some cases performance bond was forfeited and some suppliers had delivered the material while notices were issued to other suppliers for supply of material. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the completed actions verified from Audit and expedite the pending actions.

Audit recommends that the management needs to inquire the matter for fixing responsibility besides ensuring forfeiture of performance bonds.

4.1.35 Loss due to shortage of material and non-accountal of surplus material – Rs.49.90 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 and GENCO-II, material valuing Rs.48.53 million was found short during physical stock verification by stock verifiers and M/s Barqaab Consultants. Moreover, material valuing Rs.1.37 million was found surplus/ not accounted for in the books. Neither any departmental inquiry was conducted nor action taken against the responsible persons. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Shortage (Rs.in million)	Surplus (Rs.in million)	Amount (Rs.in million)
1.	GEPCO	1112 & 1229/2016-17	35.31	0	35.31
2.	GENCO-II	98/2016-17	5.75	0	5.75
3.	PESCO	532/2016-17	4.56	0	4.56
4.	SEPCO	461/2016-17	0	1.37	1.37
5.	TESCO	1153/2016-17	2.91	0	2.91
		TOTAL	**48.53**	**1.37**	**49.90**

Non-adherence to Authority's instructions resulted in loss of Rs.48.53 million due to shortage of material and non-accountal of surplus material valuing Rs.1.37 million up to the financial year 2015-16.

The matter was taken up with the management during July to September, 2016 and reported to the Ministry during September to December, 2016. The management replied that in some cases material were returned to store and in other cases concerned officials were directed to expedite the return of material. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the record of material returned to store verified and expedite the return of remaining material.

Audit recommends that the management needs to inquire the matter for fixing responsibility besides making good the loss.

4.1.36 Loss due to non-recovery of penalty imposed on employees / contractors - Rs.38.11 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-II, an amount of Rs.38.11 million was recoverable from employees and contractors on account of shortage / misappropriation of electrical material and theft of vehicle etc. No recovery was made from the officers / officials and contractors held responsible by the competent authority. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	FESCO	829/2016-17	14.12
2.	GEPCO	1, 48 & 1105/2016-17	6.05
3.	GENCO-II	84/2016-17	0.33
4.	LESCO	575, 817, 874, 1046 & 1061/2016-17	6.75
5.	MEPCO	984/2016-17	0.45
5.	PESCO	132, 530, 540 & 1402/2016-17	10.41
		TOTAL	**38.11**

Non-adherence to Authority's instructions resulted in loss of Rs.38.11 million due to non-recovery of penalty from employees / contractors up to the financial year 2015-16.

The matter was taken up with management during February to October, 2016 and reported to the Ministry during April to December, 2016. The management replied that in some cases, recovery had been effected and in other cases recoveries were under process. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the recovery record verified and expedite the remaining recovery.

Audit recommends that the management needs to expedite the recovery from the employees / contractors.

4.1.37 Irregular procurement of vehicles - Rs.30.71 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 IESCO, NTDCL and GENCO-IV, thirteen (13) vehicles valuing Rs.30.71 million were purchased in violation of the austerity measures announced by the Finance Division. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No. of Vehicles	Amount (Rs.in million)
1.	GENCO-IV	142/2016-17	2	9.80
2.	IESCO	1422/2016-17	7	11.74
3.	NTDCL	1584/2016-17	4	9.17
		TOTAL	**32**	**30.71**

Non-observance of austerity measures resulted in irregular procurement of vehicles of Rs.30.71 million up to the financial year 2015-16.

The matter was taken up with the management during August & September, 2016 and reported to the Ministry during October to December, 2016. The management replied that the vehicles were purchased after the approval of 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 24, 2017 directed the management to furnish revised reply along with clarification from Finance Division (GoP) for regularization of the matter.

Audit recommends that the management needs to investigate the matter for fixing responsibility regarding procurement of vehicles despite imposition of ban on purchase of vehicles.

4.1.38 Non-recovery of excess expenditure incurred over deposited amount from sponsors - Rs.21.13 million

According to Section-III-C (1) of WAPDA 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 DISCOs, an expenditure of Rs.21.13 million was incurred on 9 private deposit works in excess of the estimated / deposited amount by the sponsor. The amount of excess expenditure was required to be recovered from the concerned sponsors but needful was not done. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Number of cases	Amount (Rs.in million)
1.	FESCO	1029 & 1284/2016-17	8	5.70

2.	MEPCO	987/2016-14	1	15.43
		TOTAL	**9**	**21.13**

Non-adherence to WAPDA book of financial powers resulted in non-recovery of excess expenditure of Rs.21.13 million from sponsors up to the financial year 2015-16.

The matter was taken up with the management during August & September, 2016 and reported to the Ministry during November & December, 2016. The management replied that some amount was recovered from sponsors and efforts were being made to recover the balance amount. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the completed actions verified from Audit within 15 days and expedite the pending actions.

Audit recommends that the management needs to expedite the recovery from the sponsors.

4.1.39 Loss to national exchequer due to non-deduction of income tax - Rs.2.28 million

According to Sub Section-(ii) under Paragraph-3 of Part-III (a) Finance Act, 2014, income tax @10% was required to be deducted on service rendered under Section-153 (1)(C) of Income Tax Ordinance. As per Section-155 (Division-V, Part-III First Schedule) of Income Tax Ordinance, 2001, in case the gross amount of rent exceeds Rs.0.15 million and up to Rs.1 million, the rate of income tax would be 10% of gross amount exceeding Rs.0.15 million.

In NTDCL & PEPCO, an amount of Rs.2.28 million was not deducted from the employees' hiring bills. This resulted in loss of Rs.2.28 million to the national exchequer as detailed below:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	NTDCL	1443, 1445, 1446, 1449, 1452, 1458, 1459 & 1598/2016-17	2.17
2.	PEPCO	1518/2016-17	0.11
		TOTAL	**2.28**

Non-observance of Income Tax Ordinance resulted in loss of Rs.2.28 million to national exchequer due to non-deduction of income tax up to the financial year 2015-16.

The matter was taken up with the management during April to September, 2016 and reported to the Ministry during December, 2016. The management replied that tax was deducted on pay including 45% house rent allowance, hence, no additional tax was recoverable on the amount of house acquisition.

The reply was not tenable as withholding tax on hiring bills was required to be deducted as per income tax rules.

The DAC in its meeting held on January 24, 2017 directed the management to seek clarification from FBR through DG (Taxes) WAPDA.

Audit recommends that the management needs to ensure recovery from the employees.

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) is a subsidiary of WAPDA. It was incorporated in 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, natural gas) and sell it to National Transmission and Despatch Company (NTDCL). JPGCL was granted Generation License by NEPRA in July, 2002.

5.2 Comments on Financial Statements

5.2.1 Financial Overview

The following comments / analysis are offered on the financial statement.

5.2.2 Extracts of the Financial Statements

Balance Sheet as at June 30, 2016

(Rs in million)

	2015-16	%	2014-15	%	2013-14
Equity and Liabilities					
Share capital and reserves Authorized Shares	50,000.00	-	50,000.00	-	50,000.00
Issued, subscribed and paid-up capital	8,128.54	-	8,128.54	-	8,128.54
Accumulated Profit/(loss)	(13,342.25)	27.20	(10,489.01)	(4.25)	(10,955.12)
	(5,213.71)	**120.88**	**(2,360.47)**	**(16.49)**	**(2,826.59)**
LIABILITIES					
Non-current liabilities					
Deferred liability-employee benefits	8,271.83	29.00	6,412.15	19.40	5,370.31
Long term Loans	591.59	38.44	427.33	171.48	157.41
Deferred Income-Govt. Grant	862.13	(22.91)	1,118.40	1.25	1,104.59
	9,725.56	**22.21**	**7,957.88**	**19.99**	**6,632.31**
Current liabilities					
Trade and other payable	23,094.73	(30.79)	33,368.70	12.22	29,736.08
Accrued mark up and overdue installment	264.44	288.53	68.061	4,831.96	1.38
Provision for taxation	-	-	24.40	174.47	8.89
Current portion of long term loans	11.43	14.3	10.00	80.27	50.68
	23,370.60	**(30.18)**	**3,3471.15**	**12.33**	**29,797.03**
Total Liabilities	**27,882.45**	**(28.63)**	**39,068.56**	**16.27**	**33,602.75**
ASSETS					
Non-current assets					
Tangible fixed assets	3,279.86	(10.74)	3,674.43	(5.57)	3,891.07
Long term loans and advances	43.35	24.93	34.70	20.36	28.83
	33,23.20	**(10.40)**	**3,709.13**	**5.38**	**3,919.90**

Current assets					
Stores and spares	696.95	21.76	572.38	(2.17)	585.09
Fuel stock	650.98	(72.25)	2,345.61	739.37	279.45
Trade debts	19,642.05	(32.50)	29,097.83	12.81	25,794.23
Advances, prepayments and other receivables	3,370.57	12.80	2,988.14	30.11	2,296.55
Cash and bank balances	198.69	(44.11)	355.48	(51.14)	727.54
	24,559.24	**(30.54)**	**35,359.43**	**19.12**	**29,682.85**
Total Assets	**27,882.45**	**(28.63)**	**39,068.56**	**16.27**	**33,602.75**

Profit and Loss Account
For the Year ended June 30, 2016

	2015-16	**%**	**2014-15**	**%**	**2013-14**
Revenue					
Sales	35,817.64	(19.23)	44,346.29	(30.80)	64,085.29
Cost of sales	(37,481.78)	(13.29)	(43,225.19)	(30.63)	(62,315.34)
Gross profit/(Loss)	(1,664.14)	(248.44)	1,121.09	(36.66)	1,769.94
Administrative and general expenses	(1,048.38)	46.20	(717.06)	18.25	(606.37)
Other income	288.28	(24.37)	381.16	10.30	345.58
Financial and other charges	(28.88)	(14.83)	(33.91)	(1.64)	(39.58)
Re-imbursement of income tax	358.18	(19.23)	443.46	(30.80)	640.85
Taxation	(358.18)	(19.23)	(443.46)	(30.80)	(640.85)
(Loss) / Profit for the year	**(2,453.13)**	**(426.52)**	**751.29**	**(48.88)**	**1,469.57**

5.2.3 Comments on Audited Accounts

i) Sales and Cost of Sales

The sales of the company decreased to Rs.35,817.64 million (19.23%) during the current financial year and the company suffered gross loss of Rs.2,453.13 million, i.e. 248.44 % high from the previous financial year. It showed that the Company was unable to generate enough revenue to cover its cost of generation and administrative & general expenses. With current operational performance, the Company was not able to meet even its breakeven point and causing consistent increase in the accumulated losses and liabilities of the company. In presence of such conditions, the Company would require heavy funding from Government of Pakistan to maintain going concern status.

ii) Profitability

The Company had increased its accumulated loss Rs.13,342.25 million during the current financial year. Total accumulated losses were 27.20% high from the previous financial year. The Company was suffering consistent losses over the years which reflected inefficiency and mismanagement of the affairs of the Company which needed justification.

iii) High ratio of general expenses

In the financial year 2015-16, due to decrease of power generation, the general expenses Rs.1,048.38 million has been increased i.e. 46.20% as compared from the previous financial year, which caused a huge financial loss to the company.

5.2.4 Recommendations

It is evident from the above analysis that the liquidity and solvency position of the company is deteriorating with an exceptionally high rate. In order to finance the operations, Company would heavily relay on financing from external sources which would aggravate the liquidity position. In presence of such conditions, the Company would require heavy funding from the Government to maintain going concern status.

In view of the forgoing, it is recommended that the Company would also restructure its financial arrangements by funding its operations from cheap sources of finance, resulting in low interest cost.

5.3 Brief comments on the status of compliance with PAC directives

Name of Company	Year	No. of Directives	Status of compliance		
			Full	Partial	Outstanding
GENCO-I	2009-10	2	-	-	2 (Para No.3.7, 3.8)
	2013-14	2	-	-	2 (Para No.5.2.2, 5.2.3)

Position of compliance with PAC directives is not satisfactory.

5.4 AUDIT PARAS

5.4.1 Irregular / unjustified expenditure on account of treatment in private hospital – Rs.3.77 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 GENCO-I, an amount of Rs.3.77 million was paid to private hospital M/s Rajputana Hospital Hyderabad during financial year 2015-16 after expiry of agreement period i.e. November 15, 2014. Moreover, WAPDA Hospital was also existed and in operation at Hyderabad, hence, the payment was quite irregular and unjustified.

Non-adherence to Authority's instructions resulted in irregular / unjustified expenditure of Rs.3.77 million on treatment in private hospital during the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in October, 2016. The management replied that the payment was made as the employees of the Company were referred the medical cases to said hospital in which the specialist were not available in WAPDA Hospital Hyderabad.

The reply was not tenable as the payment against expired agreement and in the presence of WAPDA hospital was not justified.

The DAC in its meeting held on January 24, 2017 directed the management to produce the record in support of referral by WAPDA Hospital to Wali Bhai Rajputana Hospital.

Audit recommends that the management needs to either cease operations of WAPDA hospitals and outsource medical facility completely or provide all the medical facilities through WAPDA hospitals only.

(DP-221/2016-17)

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 (NTDCL). CPGCL was granted Generation License by NEPRA during July, 2002. The Company has fourteen units having capacity of 12,264,000 MWh.

6.2 Comments on Financial Statements

6.2.1 Financial Overview

The following comments / analysis are offered on the financial statement.

6.2.2 Extracts of the Financial Statements

Balance Sheet as at June 30, 2016

(Rs. in million)

	2015-16	%	2014-15	%	2013-14
Equity and Liabilities					
Share capital and reserves Authorized Shares	50,000.00	-	50,000.00	-	-
Issued, subscribed and paid-up capital	3,344.42	-	3,344.42	-	-
Accumulated Profit/(loss)	(10,016.87)	(148.60)	(20,611.32)	-	-
	(6,672.46)		**(17,266.90)**	-	-
LIABILITIES					
Non-current liabilities					
Deferred liability-employee benefits	20,428.49	17.94	17,321.09	-	-
Long term Loans/Finance	48,485.04	-	46,202.94	-	-
Deferred Income-Govt. Grant	956.84	(24.91)	1,274.39	-	-
	69,870.37	-	**64,798.42**	-	-
Current liabilities					
Trade and other payable	26,800.51	(35.57)	41,596.03	-	-
Interest Accrued on long terms financing	2,175.50	820.03	236.46	-	-
Provision for taxation	62.99	-	-	-	-
Current portion of long term financing/loan	5,711.42	133.10	2,450.23	-	-
	34,750.420	-	**44,282.72**	-	-
Total Liabilities	**97,948.33**	-	**91,814.24**	-	-
ASSETS					
Non-current assets					
Tangible fixed assets	79,040.32	(3.39)	81,811.05	-	-

Long term loans and advances	283.73	1.12	280.58	-	-
Deferred tax assets	7,534.73	-	-	-	-
	86,858.78	**-**	**82,091.63**	-	-
Current assets					
Stores and spares	2,245.92	(9.90)	2,492.57	-	-
Fuel stock/ trade	450.38	(52.06)	939.57	-	-
Trade debts	2,218.84	-	-	-	-
Advances, prepayments and other receivables	1,616.88	14.67	1,410.04	-	-
Tax refunds due from Govt.	2,568.80	13.13	2,270.63	-	-
Cash and bank balances	1,988.73	(23.80)	2,609.79	-	-
	11,089.55	**-**	**9,722.61**	-	-
Total Assets	**97,948.33**	**-**	**91,814.24**	-	-

Profit and Loss Account
For the Year ended June 30, 2016

	2015-16	%	2014-15	%	2013-14
Revenue					
Sales	52,689.87	42.55	36,961.16	-	-
Cost of sales	42,761.50	33.80	31,958.98	-	-
Gross profit/(Loss)	**9,928.37**	**98.48**	**5,002.18**	-	-
Administrative and general expenses	(1,181.47)	(157.64)	(458.58)	-	-
Other income	571.97	(0.16)	572.88	-	-
Financial and other charges	(4,108.20)	(213.46)	(1,310.58)	-	-
Deferred Taxation	7,471.73	-	-	-	-
Profit for the year	**12,682.40**	**232.23**	**3,805.90**	-	-

6.2.3 Comments on Audited Accounts

i) Profitability

The Company earned net profit of Rs.12,682.40 million during the current financial year while the Company still suffering accumulated losses of Rs.10,016.87 million, this indicated that the operational efficiency of the company needed to be improved further.

ii) Trade Debts and other Receivable

The trade receivables increased i.e. by Rs.206.84 million (14.67%) over the previous year out of which Rs.1.88 million was receivable from NTDCL and Jamshoro Power Generation Company Limited Rs.46.042 million on account of sale of energy and others respectively. Substantial increase in account receivables reflected inefficient collection procedures and poor administration of trade debts, resulting loss of revenue to the Company and ultimately worsening liquidity position. The Company did not hold adequate liquid assets required to settle its short term liabilities which needed to be justified.

iii) Trade creditors and other Payables

Delays in collection from debtors had trickledown effect on the creditor's turnover. The current liabilities of the company decreased significantly i.e. by Rs.9,532.30 million (21.53%) over the previous year out of which Rs.9.20 million (2015: 8.58 million) was payable to Gas Infrastructure Development Cess (GIDC) on account of purchase of Gas for energy generation.

6.2.4 Recommendations

It was evident from the above analysis that the liquidity and solvency position of the company was deteriorating with an exceptionally high rate. In order to finance the operations, the Company would heavily rely on financing from external sources which would aggravate the liquidity position. In presence of such conditions, the Company would require heavy funding from the Government to maintain going concern status.

In view of the forgoing, it was recommended that the Company would also restructure its financial arrangements by funding its operations from cheap sources of finance, resulting in low interest cost.

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	2009-10	1	-	-	1 (Para No.4.7)
	2013-14	2			2 [Para No.4.1.6, (6.3.3, 6.3.6, 6.3.8, 6.3.9)]

Position of compliance with PAC directives is not satisfactory.

6.4 AUDIT PARAS

6.4.1 Loss due to non-repair and maintenance of steam turbine – Rs.18,790.20 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 store, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

In GENCO-II, steam turbine Unit G-13 of 415 MW combined cycle project was remained out of order due to non repair and maintenance since last three years and could not produce a single unit of electricity. Hence, Authority was deprived from its revenue to the tune of Rs.18,790.20 million which required justification and investigation.

Non-adherence to Authority's instructions resulted in loss of Rs.18,790.20 million due to non-repair and maintenance of steam turbine up to the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in October, 2016. The management replied that MAPNA Group, Iran was requested to provide maximum assistance for repair of G-13 unit. The company had proposed that estimated time for rehabilitation of units would be 20 months after issuance of work order. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to expedite the repair of the steam turbine.

Audit recommends the management to investigate the matter for fixing responsibility for revenue loss to the Authority.

(DP-242/2016-17)

6.4.2 Non-adjustment of advances given to sister organizations and contractors / suppliers - Rs.459.46 million

According to Para-73 of WAPDA Accounting Manual, "the advances shall be adjusted at the closing of each calendar month in shape of vouchers or cash under financial rules".

The Project Director 747 MW CCPP Guddu paid an amount of Rs.325.52 million to NTDCL and MEPCO during September, 2012 to January, 2014 for different electrification works. Moreover, an amount of Rs.133.94 million was also paid to two contractors / suppliers. This amount was required to be adjusted from their claims but neither the adjustment accounts received nor the amount recovered from them.

Non-adherence to WAPDA Accounting Manual resulted in non-adjustment / recovery of advances of Rs.459.46 million given to sister organizations and contractors / suppliers up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in November, 2016. The management replied that the adjustment of advance payment was under process and progress achieved would be intimated to Audit. The management replied that the advance would be adjusted from the invoices of the suppliers / contractors on prorate basis and progress would be intimated to Audit. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to expedite the recovery / adjustment of advances.

Audit recommends that the management needs to expedite the recovery / adjustment of advances.

(DPs-560 & 561/2016-17)

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 (NTDCL). 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, 2016.

7.3 Brief comments on the status of compliance with PAC directives

Name of Company	Year	No. of Directives	Status of compliance		
			Full	Partial	Outstanding
GENCO-III	2013-14	3	-	-	3 [Para No.7.3.2, (7.3.4, 7.3.5, 7.3.6, 7.3.10, 7.3.11, 7.3.12, 7.3.13), 7.3.8]

Position of compliance with PAC directives is not satisfactory.

7.4 AUDIT PARAS

7.4.1 Loss due to non-acceptance of invoiced amount – Rs.1,669.51 million

According to Rule-10(i) of General Financial Rules Vol-I, "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 Northern Power Generation Company (GENCO-III), an invoiced amount of Rs.1,669.51 million was not accepted by CPPA on account of capacity purchase price and energy purchase price due to shifting net electrical output from furnace oil to gas and CPP(G) rate difference.

Non-adherence to government rules resulted in loss of Rs.1,669.51 million due to non acceptance of invoiced amount during the financial year 2015-16.

The matter was taken up with management in July, 2016 and reported to the Ministry in December, 2016. The management replied that the Company raised invoices for the financial year 2015-16 on the basis of revised tariff determination to CPPA(G) and the matter would be resolved after Gazette notification by GoP for revised tariff. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to provide a copy of Gazette Notification within 15 days.

Audit recommends that the management to investigate the matter for fixing the responsibility besides making good the loss.

(DP-965/2016-17)

7.4.2 Wasteful expenditure due to de-commissioned power plants – Rs.1,476.62 million

According to Minutes of 72nd meeting of BOD held on March 17, 2016, the GTPS Shahdara was declared defunct and closed with immediate effect and total loss of 260 MW NGPS Piranghaib Multan was Rs.286.426 million during the year 2014-15.

In Northern Power General Company (GENCO-III) Muzaffargarh, two (02) power plants i.e. 85 MW Gas Turbine Power Station (GTPS), Shahdara and 260 MW Natural Gas Power Station (NGPS) Piranghaib, Multan were de-commissioned by NEPRA. After their de-commissioning all the capacity payments were stopped, however, the expenditure of Rs.1,476.62 million incurred on account of Establishment & Admn were gone waste.

Poor project management resulted in wasteful expenditure Rs.1,476.62 million due to de-commissioning of power projects up to the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in October, 2016. The management replied that the power plants were declared defunct and closed by BOD. On the direction of BOD the employees were transferred to other operational plants.

The reply was not tenable as no documentary evidence was provided to substantiate the reply and justification for wasteful expenditure was also not provided.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply depicting adjustment of surplus staff to other power plants within 15 days.

Audit recommends that the management needs to investigate the matter for fixing responsibility regarding non-operation of power plants.

(DPs-223 & 243/2016-17)

7.4.3 Unjustified expenditure on account of pay & allowances – Rs.33.64 million

According to Rule-10(i) of General Financial Rules Vol-I, “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 Northern Power Generation Company (GENCO-III), an expenditure of Rs.33.64 million was incurred on account of pay and allowances paid to 350 WAPDA employee posted at Gas Turbine Power Station Shahdara which was remained closed during the year 2015-16.

Non-adherence to Government rules resulted in unjustified expenditure of Rs.33.64 million on account of pay & allowance during the financial year 2015-16.

The matter was taken up with management in July, 2016 and reported to the Ministry in December, 2016. The management replied that the power plants were declared defunct and closed by BOD. On the direction of BOD the employees were transferred to other operational plants.

The reply was not tenable as no documentary evidence was provided to substantiate the reply and justification for wasteful expenditure was also not provided.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply depicting adjustment of surplus staff to other power plants within 15 days.

Audit recommends that the management needs to investigate the matter for fixing the responsibility besides justifying payment of pay & allowances to idle staff.

(DP-966/2016-17)

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 (NTDCL). 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 Comments on Financial Statement

8.2.1 Financial Overview

Financial statement of LPGCL, were on October 31, 2016. The financial results along with the financial ratios are as under;

8.2.2 Extracts of the Financial Statements
Balance Sheet as at June 30, 2016

(Rs in million)

	2015-16	%	2014-15	%	2013-14
Equity and Liabilities	0	-	0	-	0
Authorized share capital	200.00	-	200.00	-	200.00
Issued, subscribed and paid-up capital/reserves	4,034.19	-	4,034.19	-	4,034.19
Accumulated Loss	-9,211.67	3.92	-8,864.28	3.89	-8,532.72
	-5,177.48		**-4,830.09**		**-4,498.53**
Liabilities					
Non-current liabilities					
Long term loans	14.33	(7.73)	15.53	(10.90)	17.43
Deferred Liability - Employee benefits	1,814.58	10.33	1,644.71	6.06	1,550.78
Total Non-current liabilities	**1,828.91**	10.16	**1,660.24**	5.87	**1,568.21**
Current liabilities					
Trade and other payables	7,232.48	2.19	7,077.66	1.93	6,943.83
Taxation – Net	111.19	(0.69)	111.96	(0.23)	112.22
Current portion of long term loans	6,133.88	0.002	6,133.70	0.02	6,132.68
Total Current liabilities	**13,477.55**	**1.16**	**13,323.32**	**1.02**	**13,188.73**
Total Liabilities	**10,128.98**	**2.16**	**10,153.47**	**46.06**	**10,258.41**

ASSETS

Non-current assets					
Property, Plant & Equipment	818.70	(24.03)	1077.71	(19.41)	1,337.23
Long Term Loans & Advances	13.69	9.87	12.46	20.85	10.31
Non-current assets	**832.39**	**(23.65)**	**1,090.17**	**(19.10)**	**1,347.54**
Current assets					
Stores and spares	241.59	3.21	234.07	(4.38)	244.79
Fuel Stock	8.55	62.86	5.25	(66.26)	15.56
Trade debts	9,028.52		8,812.34		8,628.31
Cash and bank balances	17.93	54.04	11.64	(47.64)	22.23
Total Current assets	**9,296.59**	**2.57**	**9,063.30**	**1.71**	**8,910.88**
Total Assets	**10,128.98**	**(0.24)**	**10,153.47**	**(1.02)**	**10,258.41**

Profit and Loss Account
For the year ended June 30, 2016

(Rs in million)

Revenue	**2015-16**	**%**	**2014-15**	**%**	**2013-14**
Electricity sale	1,170.42	(5.29)	1,235.74	(5.40)	1,306.30
Cost of electricity	1,533.06	(1.23)	1,552.16	11.01	1,398.17
Gross profit/(Loss)	**362.64**	**14.61**	**316.42**	**244.42**	**91.87**
Administrative & General Exp	204.41	(5.65)	216.66	1.92	212.57
Operating profit/(Loss)	335.69	(26.63)	457.53	50.29	304.44
Finance Cost	3.07	(97.68)	132.06	(82.80)	767.72
	570.13	**(14.28)**	**665.14**	**(37.96)**	**1,072.16**
Other Operating Income	222.74	14.08	195.25	4,627.60	4.13
Reimbursement of Income Tax	11.70	(5.34)	12.36	(28.31)	17.24
	234.44	**12.92**	**207.61**	**871.96**	**21.36**
Taxation	11.70	(5.34)	12.36	(28.31)	17.24
	222.74	14.08	195.25	4,627.60	4.13
Profit/(Loss) for the year	**(347.39)**	**26.07**	**(469.89)**	**56.00**	**(1,068.03)**

8.2.3 Comments on Audited Accounts

i) Sales and Cost of Sales

The sales of the Company decreased to Rs.1,170.42 million during the current financial year whereas the cost of sale increased to Rs.1,533.06 million hence company suffered gross loss of Rs.362.64 million. Its showed that Company was unable to generate enough revenue to cover its cost of generation and administrative & general expenses. With current operational performance the company was not able to meet even its breakeven point and causing consistent increase in the accumulated losses and liabilities of the Company. In presence of such conditions, the Company would require heavy funding from Government of Pakistan to maintain going concern status.

ii) Profitability

The Company suffered a net loss of Rs.347.39 million during the current financial year. Total accumulated losses had reached to the tune of

Rs,9,211.67 million. The Company was suffering consistent losses over the years which reflected inefficiency and mismanagement of the affairs of the Company which needed justification.

iii) High ratio of auxiliary consumption

In the financial year 2015-16, due to decrease of power generation, a high ratio of auxiliary consumption i.e. 29.22% was recorded, which caused a huge financial loss to the company.

iv) Un-audited value of Property, Plant and Equipment

Property plant and equipment had been transferred by WAPDA at un-audited values and the Company did not have full itemized details of its property, plant and equipment to breakdown the cost of assets into various components having different useful lives. Accordingly, all plants and machinery items were depreciated at the same useful life. Non estimated breakdown costs in various components of these assets needed justification.

v) Inventory shortage in stores

Under the account's head of stores, spares and loose tools, the inventory shortage was Rs.68.59 million as a result of physical count of inventories since last year, which needed justification.

vi) Long term Loans & Advances

On 3rd December, 2012 as directed by the Supreme Court of Pakistan and based on the calculation of stake holders, National Accountability Bureau (NAB) sent a final notice to KARKEY for the recovery of US$ 128 million. The notice was served to KARKEY to deposit US$ 128 million within seven days or an equivalent bank guarantee from a scheduled bank of Pakistan. However, the same was not recovered till date.

vii) Non-recognition of payables to CPPA

The Company sells its electricity to its sole trade debtor i.e. Central Power Purchasing Agency (CPPA) in accordance with the power purchase agreement .However, the books of accounts of the Company are not in agreement with the record s of CPPA in respect of amount payable to CPPA. There was a net difference of Rs.1,064.61 million between the amount confirmed by CPPA and the amount recorded in books of the Company, which needed justification.

viii) Operational Costs & Deferred Liabilities

The Company has three units having installed capacity of 150 MW, two of the plants are out of operation and required major expenditure. The third plant was not working at its full capacity and the Company is unable to recover its operational cost. It showed that the Company was unable to pay off its cost of electricity and its deferred liabilities (Employees Benefits) Rs.1,814.58 million i.e. pension, free electricity and free medical, which needed justification.

8.2.4 Recommendations:

It is evident from the above analysis that the profitability, liquidity and solvency position of the Company was deteriorating with an exceptionally high rate. In order to finance the operations, Company would heavily relay on financing from external sources which will aggravate the liquidity position. In presence of such conditions, the Company would require heavy funding from Government of Pakistan to maintain going concern status.

In view of the forgoing, it is recommended that Company should revamp its organizational structure and address operational issues, being the major cause of losses. In addition to that, the Company should also restructure its financial arrangements by funding its operations from cheap sources of finance, resulting in low interest cost.

The issue of huge receivables from CPPA also needs due consideration by making concrete arrangements to recover outstanding amount.

Failure to utilize the generation capacity at optimum level caused generation losses, is required to be addressed at higher level. There is a dire need to develop a policy to address the generation losses and to ensure the inflow of fund in the form of revenue.

8.3 Brief comments on the status of compliance with PAC directives

Name of Company	Year	No. of Directives	Status of compliance		
			Full	Partial	Outstanding
GENCO-IV	2013-14	1	-	-	1 (Para No.8.3.1, 8.3.4)

Position of compliance with PAC directives is not satisfactory.

8.4 AUDIT PARAS

8.4.1 Heavy generation loss due to poor maintenance of plant – Rs.477.32 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 store, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

In GENCO-IV, 39.54 million units of energy valuing Rs.477.32 million were less generated due to forced outage of Lakhra Power Plant. The forced outages were happened due to improper / poor maintenance of the plant.

Poor financial and operational management resulted in heavy generation loss of Rs.477.32 million due to poor maintenance of the power plant up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in October, 2016. The management replied that the indigenous Lakhra lignite coal was being used as fuel which has high sulpher and ash content. All the three units could not run at time since commissioning. The condition of Boiler deteriorated by the passage of time.

The reply was not tenable as no justification for improper maintenance of power plant causing less generation of electricity.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with supporting documents to justify the heavy loss.

Audit recommends that the management needs to investigate the matter for fixing responsibility for improper maintenance of power plant besides making good the loss.

(DP-225/2016-17)

8.4.2 Unjustified expenditure on account of treatment from private hospital – Rs.19.76 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 GENCO-IV, an amount of Rs.19.76 million was paid to a private hospital at Hyderabad on account of medical treatment for various employees of the Company despite the presence of WAPDA Hospital at Hyderabad. Hence, the expenditure incurred was irregular as incurrence of this expenditure in the presence of WAPDA hospital was not justified.

Non-adherence to above instructions resulted in unjustified expenditure of Rs.19.76 million on account of treatment from private hospital during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that payment to Rajputana hospital was under the contract agreement.

The reply was not tenable no justification for irregular expenditure was given in the reply.

The DAC in its meeting held on January 24, 2017 directed the management to provide the record in support of referral by WAPDA Hospital to Wali Bhai Rajputana Hospital.

Audit recommends that the management needs to either cease operations of WAPDA hospitals and outsource medical facility completely or provide all the medical facilities through WAPDA hospitals only.

(DP-967/2016-17)

CHAPTER-9

425 MW COMBINE CYCLE POWER PLANT PROJECT, NANDIPUR (GENCO-V)

9. 425 MW COMBINE CYCLE POWER PLANT PROJECT, NANDIPUR

9.1 Introduction

PC-I of Nandipur Power Project was prepared and submitted for the first time on September 15, 2005 on the directive issued as a result of a decision taken in the 3rd meeting of the Committee on Power Demand/Supply, held on September 1, 2005. ECC approved 425 MW CCPP at Nandipur on December 27, 2007 at an EPC price of US$ 164.915 million, Euro 78.000 million and Pak Rupees 3,050.062 million (if converted into a single currency, it was equal to US$ 329 million). Northern Power Generation Company (GENCO-III) entered into an EPC Contract with M/s Dongfang Electric Corporation Limited on January 28, 2008. Work on the Project was commenced in October, 2008 with the Completion date of April 16, 2011. The revised PC-I of Nandipur Power Project was submitted on January 11, 2011 with the total cost of Rs.57.380 billion. ECNEC approved Nandipur Project on July 4, 2013 at the revised cost of Rs.57,380 million plus Rs.1,036 million to cover the demurrage & detention charges and federal excise duty from the period 1st of September 2012 to September 30th 2013, thus making total cost of the Project as Rs.58,416 million. The work on the Project resumed on October 21, 2013 and the 1st Gas Turbine was inaugurated by the Prime Minister on July 31, 2014. Nandipur Power Plant achieved its Commercial Operation Date (COD) on July 23, 2015 after successful Reliability Test Runs (RTR).

9.2 AUDIT PARAS

9.2.1 Loss due to less electricity generation - Rs.9,121.50 million

According to PC-I of the Nandipur Thermal Power Station, annual generation capacity of the plant was 2,233.80 MkWh units.

In GENCO-V Nandipur, 1,321.65 million units were produced during 07/2015 to 06/2016 as against generation capacity of 2233.80 million units. This resulted into less generation of 912.15 million units valuing Rs.9,121.50 million. No inquiry was constituted to probe into the matter and fixing responsibility of less generation.

Non-adherence to PC-I resulted in loss due to less electricity generation of Rs.9,121.50 million during the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in October, 2016. The management replied that the power house could not attain its full capacity due to non-installation of two skids.

The reply was not tenable as all the maintenance schedules were considered while determining annual generation capacity in the PC-I.

The DAC in its meeting held on January 24, 2017 directed the management to submit the revised reply along with justification less generation to Audit within 15 days.

Audit recommends that the management needs to investigate the matter for fixing responsibility of less generation of electricity.

(DP-227/2016-17)

9.2.2 Avoidable expenditure for provision of man power – Rs.217.45 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 GENCO-V, an amount of Rs.217.45 million was paid to M/s Albario Engineer for provision of man power for 425 MW CCPP Nandipur. The payment was totally irregular and unjustified on the following grounds:

1) The surplus staff i.e. more than 250 technical personnel should have been transferred to this project.
2) 25 engineers were got trained from China for this project whose services could not be utilized so far.

Hence, in the presence of surplus experienced and newly trained staff outsourcing for provision of man power was unjustified.

Non adherence to above instructions resulted in avoidable expenditure of Rs.217.45 million for provision of man power during the year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in October, 2016. The management replied that the engineer received theoretical training having no hand on experience to run state of the art power plant facility up to its maximum capacity, highest reliabilities with high efficiencies to achieve maximum generation output at lower costs. Keeping in view this shortcoming, services of M/s Albario was hired within approval of competent authority.

The reply was not acceptable as in the presence of surplus experienced and newly trained staff, outsourcing for provision of man power was un-justified.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with proper justification within 15 days.

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

(DP-141/2016-17)

9.2.3 Loss due to excess auxiliary consumption - Rs.109.50 million

According to PC-I of the Nandipur Thermal Power Station, annual auxiliary consumption was allowed as 3.294%.

In GENCO-V Nandipur, 54.49 million units were consumed on auxiliary as against permissible limit of 43.54 million units (3.3% of total generated 1,321.65 million units). As a result of excessive auxiliary consumption, 10.95 million units valuing Rs.109.50 million were excess consumed.

Non-adherence to PC-I resulted in loss of Rs.109.50 million due to auxiliary consumption during the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in October, 2016. The management replied that the Fuel Oil Treatment Plant (FOTP) was under capacity and its production was not sufficient to keep the all machines in running condition at full capacities.

The reply was not tenable as all the factors were considered in PC-I while determining the auxiliary consumption.

The DAC in its meeting held on January 24, 2017 directed the management to provide documentary evidence to substantiate its reply within 15 days.

Audit recommends that the management needs to investigate the matter for fixing responsibility of loss due to excess auxiliary consumption.

(DP-228/2016-17)

CHAPTER-10

NATIONAL TRANSMISSION AND DESPATCH COMPANY LIMITED (NTDC)

10. NATIONAL TRANSMISSION AND DESPATCH COMPANY LIMITED

10.1 Introduction

National Transmission and Dispatch Company Ltd. (NTDCL) was incorporated as a corporate entity during 1998 under Companies Ordinance, 1984. The principal activity of NTDCL is to purchase electricity from Hydel Power Stations, Thermal Power Stations and IPPs and to sell it to all DISCOs / KESC. NTDCL 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 NTDCL for a period of 30 years during December, 2002 for undertaking its obligations. NTDCL 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 NTDCL.

CCPA has now been incorporated as independent ‘Guaranteed’ limited under Companies Ordinance, 1984 by separating it from NTDCL. 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 NTDCL. CPPA (G) became fully functional w.e.f. June 04, 2015 after confirmation of completion of pre-closing actions for transfer to market operations from NTDCL 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, NTDCL 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

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 NTDCL, the balance sheet and profit & loss account of the company could not be finalized by the management up till December 31, 2016.

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
NTDCL	2013-14	3	-	-	3 [Para No.4.1.1, 4.1.6, (9.4.6, 9.4.5, 9.4.6, 9.4.8, 9.4.13, 9.4.14, 9.4.15, 9.4.16, 9.4.18)

Position of compliance with PAC directives is not satisfactory.

10.4 AUDIT PARAS

10.4.1 Non-recovery of electricity cost from sister organizations – Rs.293,517.85 million

As per Accounting and Financial Reporting Manual of WAPDA, "a diligent effort shall be made to collect all outstanding amounts as expeditiously as possible".

In NTDCL, an amount of Rs.293,517.85 million on account of cost of electricity was receivable from WAPDA, GENCOs and DISCOs but the same was not recovered since long.

Non-adherence to commercial operating procedures resulted in non-recovery of huge receivables amounting to Rs.293,517.85 million from WAPDA, GENCOs and DISCOs during the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in December, 2016. The management stated that a comprehensive reply would be submitted in due course of time. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with documentary evidence within 15 days.

Audit recommends that the management needs to expedite the recovery of receivables from sister organizations besides investigating the matter for fixing responsibility.

(DP-1660/2016-17)

10.4.2 Non-recovery of mark up from KESC - Rs.20,571 million

As per Cabinet decision dated April 8, 2009, "KESC will pay mark up on the receivables. Mark up will be applicable on bi-annual basis after singing of implementation agreement".

In NTDCL, an amount of Rs.20,571 million was receivable from KESC on account of mark up on late payment of energy charges for the period 2011 to 2014. No efforts were made to recover the outstanding amount from the KESC.

Non-implementation of Cabinet's decision resulted in non-recovery of Rs.20,571 million on account of mark up from KESC up to the financial year 2015-16.

The matter was taken up with the management in September, 2015 and reported to the Ministry in December, 2016. The management replied that the matter was related to CPPA (G) and the matter was communicated to it for comprehensive reply. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with documentary evidence within 15 days.

Audit recommends that the management needs to take up the matter for early recovery from KESC.

(DP-1463/2016-17)

10.4.3 Irregular obtaining of long term loan - Rs.17,000 million

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

The Managing Director NTDCL obtained a long term loan amounting to Rs.17,000 million from M/s UBL on single quotation basis instead of open competitive binding for a repayment period of 15 years.

Non-adherence to Public Procurement Rules resulted in irregular obtaining of long term loan amounting to Rs.17,000 million during the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in December, 2016. The management stated that a comprehensive reply would be submitted in due course of time. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with documentary evidence within 15 days.

Audit recommends that the management needs to investigate the matter for fixing responsibility regarding non-observance of Public Procurement Rules.

(DP-1454/2016-17)

10.4.4 Unjustified issuance of Taking Over Certificate for incomplete UGD project - Rs.4,518.15 million

According to Para-8.7.2 of contract agreement," the project director shall process the case and issue the Defects Liability, Taking over Certificate and a final completion certificate in accordance with the terms of the agreement / contract of particular project.

In NPCC Islamabad, a work valuing Rs.4,518.15 million for Load Desptach System Up-gradation Project (UGD) financed by JICA and NTDCL, was awarded to a Consortium Alstom Grid SAS-Viscas Corporation. The incomplete work was taken over by the NTDCL on September 09, 2014 despite the fact that the work was still in process even after issuance of Taking Over Certificate (TOC) up to March, 2016. Hence, issuance of TOC for incomplete work was nothing but a favour extended to the contractor to avoid him from charging of LD which needed to be justified,

Non adherence to contract clause resulted in issuance of unjustified TOC for UGD project valuing Rs.4,518.15 million up to the financial year 2015-16.

The matter was taken up with the management in May, 2016 and reported to the Ministry in September, 2016. The management stated that a comprehensive reply would be submitted in due course of time. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with documentary evidence within 15 days.

Audit recommends that the management needs to investigate the matter for fixing responsibility regarding taking over of an incomplete work to save the contractor from charging of LD.

(DP-103/2016-17)

10.4.5 Non-reconciliation of electricity cost difference between PESCO & TESCO – Rs.2,490 million

As per IFRS framework, qualitative characteristic of financial statements to be reliable, the information in the financial statement must be completed within the bounds of materiality and cost. An omission can cause information to be false or misleading and unreliable and deficient in terms of its relevance.

In NTDCL, invoices were issued to PESCO on account of cost of electricity as per Electricity Sales Agreement (ESA). PESCO also raised invoices for the electricity transmitted to TESCO and a difference of Rs.2,490 million on account of cost of electricity was appearing in the books of accounts which was neither acknowledged and recognized by PESCO/TESCO nor reconciled with the concerned companies.

Non-adherence to IFRs resulted in non-reconciliation of electricity cost difference of Rs.2,490 million between PESCO & TESCO up to the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in December, 2016. The management stated that a comprehensive reply would be submitted in due course of time. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with documentary evidence within 15 days.

Audit recommends that the management needs to expedite efforts for reconciliation of electricity cost difference.

(DP-1659/2016-17)

10.4.6 Non-recovery of GST claims from FBR – Rs.2,349.99 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 NTDCL, an amoun**t** of Rs.2,349.99 million was paid to suppliers against the invoices but general sales tax refund claims amounting to Rs.2,349.99 million were sent to Federal Board of Revenue (FBR) for re-imbursement but the same was not reimbursed.

Non-observance of Sales Tax Rules resulted in non-reimbursement of GST claims amounting to Rs.2,349.99 million from FBR during 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in December, 2016. The management stated that a comprehensive reply would be submitted in due course of time. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with documentary evidence within 15 days.

Audit recommends that the management needs to expedite the recovery / refund of GST claims from FBR besides fixing responsibility.

(DP-1657/2016-17)

10.4.7 Unjustified payment on account of excess BoQ quantities claimed by the contractor – Rs.1,293.27 million

According to Clause-39.2.5 GCC of the contract, "if before or during the preparation of the change proposal it becomes apparent that the aggregate effect of compliance there with and with all other change orders that have already become binding upon the contractor under this GCC Clause-39 would be increase or decrease the contractor price as original set forth in Article-2(Contract Price) of the contract. Agreement by more than fifteen percent the contractor may give a written notice of objection thereto prior to furnishing the change proposal as aforesaid. If the employer except the contractors objection, the employer shall with draw proposed changed and shall notify the contractor in writing thereof".

In EHV-II Project (NTDCL), Hyderabad, an amount of Rs.1,293.27 million was paid to the contractor for work done more than BoQ quantities without approval of the competent authority.

Non-adherence to contract provisions resulted in unjustified payment of Rs.1,293.27 million to the contractor on account of work done more than BoQ quantities up to the financial year 2015-16.

The matter was taken up with the management in April, 2016 and reported to the Ministry in November, 2016. The management replied that revised estimates of excess quantity of BoQ would be prepared and got approved from BOD. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to provide approval of the BOD to Audit for examination within 15 days.

Audit recommends that the management needs to investigate the matter for fixing responsibilities regarding execution of work more than original BoQ.

(DP-341/2016-17)

10.4.8 Undue favour to the contractor by taking over of defective work - Rs.1,292.46 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 store, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

In office of the Chief Engineer (GSO) NTDCL, Hyderabad, a work of 220 KV grid station, Khuzdar was commissioned on June 09, 2014 and handed over to GSO by the EHV formations. However, a large number of deficiencies / defects found in work were not removed by the contractor but no action was taken against the contractor.

Non-adherence to Authority's instructions resulted in undue favour to the contractor by taking over of defective work amounting to Rs.1,292.46 million up to the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in October, 2016. The management stated that a comprehensive reply would be submitted in due course of time. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with documentary evidence within 15 days.

Audit recommends that the management needs to investigate the matter for fixing responsibility of taking over of defective work.

(DP-310/2016-17)

10.4.9 Irregular revision of contract price – Rs.1,215.28 million

According to General Financial Rule-10(i) Standards of Financial Propriety, "every officer incurring or authorizing expenditure from public funds is expected to exercise the same vigilance as a person of ordinary prudence would exercise in respect of expenditure of his own money."

The Chief Engineer (MP&M) NTDCL awarded a contract for tower staking, foundation, erection, testing and commissioning of 220KV Chashma-Bannu T/L to a contractor at a contract price of Rs.929.52 million. During execution, the contract price was revised up to Rs.2,144.80 million with an increase of Rs.1,215.28 million (130%) which was irregular.

Non-adherence to Government rules resulted in irregular revision of contract price amounting to Rs.1,215.28 million up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the revision of contract was made under the approval of BOD.

The reply was not acceptable as approval of BOD was not provided.

The DAC in its meeting held on January 24, 2017 directed the management to provide the approval of BOD. Further progress was not reported till finalization of the report.

Audit recommends that management need to investigate the matter for fixing responsibility regarding abnormal increase in contract price.

(DP-1590/2016-17)

10.4.10 Irregular payment to contractor without carrying out site acceptance test - Rs.729 million

Under the provision of Technical Specification Clause-TS-1.8.6, "site acceptance test shall be done after installation of complete system to check the operation of all the components / parts of the system".

In NPCC Islamabad, a contract No.3048 for "Design, Manufacturing Supply, Installation Testing and Commissioning on Turn Key basis of the Load Dispatch System Upgrading Project" was awarded to consortium AREVA T&D SAS / VISCOS Corporation on February 23, 2010. Taking over certificate of the contract was issued by the Engineer on September 26, 2014 without carrying out the test. Due to non-carrying out site acceptance test, advance payment amounting to Rs.729 million was irregular and un-justified.

Non-implementation of contract clause resulted in irregular payment of Rs.729 million to the contractor up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management stated that a comprehensive reply would be submitted in due course of time. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with documentary evidence within 15 days.

Audit recommends that the management needs to investigate the matter for fixing responsibility regarding issuance of TOC without site acceptance test.

(DP-1577/2016-17)

10.4.11 Irregular investment of surplus funds – Rs.710 million

According to SOP for depositing surplus cash circulated by PEPCO vide No.142-55 dated June 11, 2010 that all CEOs were authorized to approve the deposit up to Rs.50 million into "A" rating bank offering comparatively higher rate of return. Beyond the limit, approval must be sought from Finance

Committee of the Board of Director. Moreover, to mitigate the risk associated, total deposit in any bank should not exceed 20% of the total deposits of that entity at that time.

The General Manager (HV&SC) Laboratory, NTDCL made an investment of surplus funds of Rs.710 million in the bank against without approval of the competent authority. Hence, investment of more than Rs.50 million in bank was made in violation of Authority's instructions which was irregular.

Non-adherence to instructions resulted in irregular investment of surplus funds Rs.710 million during the financial year 2015-16.

The matter was taken up with management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the investment was made in National Bank of Pakistan with the objective to secure interest.

The reply was not tenable as investment of more than Rs.50 million required approval of the competent authority which was not obtained.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with documentary evidence within 15 days. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for fixing responsibility regarding deposit of surplus funds beyond the limit without approval of the competent authority.

(DP-1600/2016-17)

10.4.12 Loss due to unjustified capacity payment in violation of Power Purchase Agreement - Rs.605.19 million

According to Power Purchase Agreement (PPA) standard Clause-6.14, scheduled outage will be deemed as forced outage if the scheduled outage is prefixed and suffixed by forced outage.

In NPCC Islamabad, a scheduled outage of 60 days w.e.f August 01, 2014 to September 29, 2014 was approved in respect of M/s Lalpir Power Ltd. At the time of commencement of scheduled outage, the plant was already on forced outage and even after the end of scheduled outage it remained on partial forced outage. Hence, the entire period should have been considered as forced outage without admissibility of capacity payment. To the contrary, scheduled outage in this case was not considered as forced outage and accordingly capacity payment of Rs.605.19 million was unduly made. Instead of making capacity payment, the LD equal to capacity payment should have been recovered under the provisions of PPA.

Violation of PPA resulted in loss of Rs.605.19 million due to unjustified capacity payment by treating forced outage period as scheduled outage up to the financial year 2015-16.

The matter was taken up with the management in May, 2016 and reported to the Ministry in September, 2016. The management stated that a comprehensive reply would be submitted in due course of time. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with documentary evidence within 15 days.

Audit recommends that the management needs to investigate the matter for fixing responsibility regarding violation of PPA besides making good the loss.

(DP-109/2016-17)

10.4.13 Loss due to major breakdown - Rs.323.44 million

As per NEPRA Grid Code, if the system is found to unstable, then mitigation measures shall be identified and incorporated into the system improvement plans for future years.

In General Manager (SO) NPCC, Islamabad, major electricity breakdown was occurred on January 21, 2016 in North Region due to tripping on 500/220 KV Auto Transformer T3 at Guddu. The disturbance in system was occurred at 1507 Hrs and system was restored at 1903 Hrs which caused a loss of Rs.323.44 million to the public exchequer. The matter was not inquired to fix the responsibility against person(s) at fault.

Non-implementation of NEPRA Grid Code resulted in loss of Rs.323.44 million during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied the para pertained to EHV-II and would be shifted to it for reply.

The reply was not tenable as it was the responsibility of NPCC to manage electrical load dispatch of transmission system.

The DAC in its meeting held on January 24, 2017 directed the management to submit reply of EHV-II along with documentary evidence within 15 days.

Audit recommends that the management needs to investigate the matter for fixing responsibility of loss caused by major break down.

(DP-1602/2016-17)

10.4.14 Loss due to irregular execution of civil works – Rs.272.73 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 store, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

In the office of the GM (C&M) Water Lahore, an inquiry committee constituted, to probe into the matter regarding irregular execution of civil works amounting to Rs.272.73 million in GSO Circle NTDCL Lahore, held Mr. Muhammad Aatiq Khan, Deputy Manager responsible but no action was taken till to date.

Non-adherence to Authority's instructions resulted in loss of Rs.272.73 million due to irregular execution of civil works up to the financial year 2015-16.

The matter was taken up with the management in June, 2016 and reported to the Ministry in September, 2016. The management replied that irregularity occurred in NTDCL, therefore, the proposed draft para needed to be shifted to the office of MD NTDCL for the regularization of irregularity in their organization as per direction of Audit.

The DAC in its meeting held on January 24, 2017 directed the management to transfer the Para to NTDCL for compliance.

Audit recommends that the management needs to implement the decision of inquiry committee by taking action against the delinquent responsible for irregular extension of civil works.

(DP-95/2016-17)

10.4.15 Loss due to inefficiency of NTDCL system - Rs.228.60 million

As per NEPRA Grid Code, "reasonable costs of all works anticipated to arise from investigating the application to connect and preparing the associated offer to connect. This should include additional capital cost related to the new connections, and to make the connecting transmission system at par with the system before the connection".

In General Manager (SO) NPCC Islamabad, the capacity of the Wind Power Projects could not be fully utilized due to inefficiency of NTDCL system. Resultantly, grids were tripped and load on the system was reduced as load curtailment. Huge payment of Rs.228.60 million was being verified for "Non Project Missed Volume (NPMV)" in the year 2015-16 on account of grids tripping and reduction of load.

Non-implementation of NEPRA Grid Code resulted in loss of Rs.228.60 million due to inefficiency of NTDCL system during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management stated that a comprehensive reply would be submitted in due course of time. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with documentary evidence within 15 days.

Audit recommends that the management needs to investigate the matter for fixing responsibility against the persons at fault.

(DP-1582/2016-17)

10.4.16 Non-recovery of cost of services rendered – Rs.127.71 million

According to invoices for services rendered by GM (SD) NTDCL, an amount of Rs.127.71 million was required to be recovered from sister organizations.

In office of the GM (SD) NTDCL, invoices of Rs.495.21 million for services rendered to different offices were issued but only a sum of Rs.367.50 million was shown recovered in the accounts for the financial year 2014-15 leaving a balance of Rs.127.71 million.

Non-adherence to above instructions resulted in non-recovery of cost of services amounting to Rs.127.71 million from sister organizations up to the financial year 2015-16.

The matter was taken up with the management in May, 2016 and reported to the Ministry in October, 2016. The management stated that a comprehensive reply would be submitted in due course of time. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with documentary evidence within 15 days.

Audit recommends that the management needs to expedite the recovery of amount in question.

(DP-169/2016-17)

10.4.17 Irregular expenditure incurred without invoicing by the contractor – Rs.116.39 million

According to last sentence of 3rd paragraph of Appendix-2 (price adjustment) to the contract agreement, "for each claim the contractor shall submit invoice from each source of supply."

The Chief Engineer (MP&M) NTDCL made a payment of Rs.116.39 million to different contractors / consultant without obtaining any document i.e. cash memos / bill of purchase of petrol, diesel, steel, cement and detail of engaged labours. Hence, in absence of the said documents, admittance of escalation claims worth Rs.116.39 million was irregular.

Non-adherence to contract clause resulted in irregular expenditure of Rs.116.39 million without invoicing by the contractor during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the para would be referred to EHV-II Hyderabad for detailed reply. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to submit reply of EHV-II along with documentary evidence within 15 days.

Audit recommends that the management needs to investigate the matter for fixing responsibility regarding payment made to contractor without proper documentation.

(DP-1604/2016-17)

10.4.18 Non-recovery of advances from the employees / contractors & consultants - Rs.65.78 million

According to Para-73 of WAPDA Accounting Manual, "the advances shall be adjusted at the closing of each calendar month in shape of vouchers or cash under financial rules".

In EHV-II Project NTDCL Multan, an amount of Rs.65.78 million was paid to different employees / contractors & consultants as advance for different purposes. This amount was required to be adjusted from the claims of the employees / contractors & consultants but neither the amount was adjusted from the claims nor recovered up till now.

Non-compliance to the rule/procedure resulted in non-recovery / adjustment of advances of Rs.65.78 million given to employees / contractors & consultants up to the financial year 2015-16.

The matter was taken up with the management in December, 2015 and reported to the Ministry in December, 2016. The management replied that an amount of Rs.63.73 million was recovered / adjusted while reaming amount was still recoverable. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to provide record relating to action completed and expedite the pending actions within 15 days.

Audit recommends that the management needs to expedite the recovery / adjustment of advances given to employees / contractors & consultants.

(DP-1597/2016-17)

10.4.19 Loss due to payment of capacity charges to IPPs during electricity break down -Rs.62.25 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 store, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

In NPCC Islamabad, a massive electricity break down was occurred on January 24, 2015 that lasted for 5 hours and plunged almost entire country into darkness. The fault in system led to tripping of 500 KV transmission line and forcing a number of power generating units to be offline including 25 IPPs in cascading manner. On the one hand, the failure of entire system to withstand the fault made the dependability of the system questionable and on the other hand the company had to sustain a loss of Rs.62.25 million on account of capacity payments made to the IPPs during the period of breakdown. The matter was required to be investigated to arrive at the factual position but no such inquiry was forthcoming from the record.

Non-adherence to Authority instructions resulted in loss of Rs.62.25 million due to payment of capacity charges to IPPs for the period of electricity breakdown up to the financial year 2015-16.

The matter was taken up with the management in May, 2016 and reported to the Ministry in December, 2016. The management replied that the matter was related to NPCC and referred to it for reply. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get proper reply from NPCC level within 15 days.

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

(DP-1578/2016-17)

10.4.20 Unjustified advance payment of duties / taxes out of deposit works fund - Rs.50.80 million

According to Sub Clause-14.1 General Conditions of Contract, "the contractor shall bear and pay all taxes, levies and charges assessed on the contractor by all municipal, state or national government authorities in connection with facilities in and outside of the country where the site is located and the employer will reimburse to the contractor all such sums as the employer shall certify to have been properly payable and paid by the contractor".

In EHV-I Project NTDCL, an amount of Rs.50.80 million was paid to Chief Resident Representative WAPDA Karachi as advance for payment of custom, excise duties and sales tax etc. relating to 220 KV AIS grid station, Kasowal to be constructed under World Bank Loan No. 7565. This payment was made out of deposit work fund after closure of Loan No. 7565 on February 28, 2014 which was unjustified as the payment of duties & taxes was the responsibility of the contractor and not the Company.

Non-adherence to contract provisions resulted in unjustified advance payment of Rs.50.80 million on account of duties / taxes from deposit works fund up to the financial year 2015-16.

The matter was taken up with the management in October, 2015 and reported to the Ministry in December, 2016. The management replied that the payment was made in respect of material procured after closure of loan as per contract agreement.

The reply was not justifiable as payment from deposit account was irregular.

The DAC in its meeting held on January 24, 2017 directed the management to submit a revised reply within 15 days. Further progress was not reported till finalization of report.

Audit recommends that the management needs to justify the irregular advance payment of duties & taxes besides fixing responsibility.

(DP-1440/2016-17)

10.4.21 Non-submission of adjustment accounts of land compensation – Rs.40.62 million

According to Rule-109, Section-III of the Audit Code of the Auditor General of Pakistan, "all transactions which are ultimately recovered either by payment or recovery in cash book or by book adjustment are kept under suspense heads. Audit of transactions under suspense head is carried out by applying the ordinary procedure of audit of expenditure."

In EHV-I NTDCL Project, an amount of Rs.40.62 million was transferred to LAC on account of land compensation for 220/132 KV Grid Station Lalian Chiniot on June 30, 2015 but the adjustment accounts of advance payment was not received.

Non-observance of Govt. rules resulted in non-submission of adjustment accounts of land compensation of Rs.40.62 million up to the financial year 2015-16.

The matter was taken up with the management in September, 2015 and reported to the Ministry in December, 2016. The management replied that award under Section-II of Land Acquisition Act would be announced after approval of cost of land and LAC office would render the adjustment accounts. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 pended the para till finalization of award announced by LAC.

Audit recommends that the management needs to pursue the matter with LAC for early submission of adjustment accounts of land compensation.

(DP-1464/2016-17)

10.4.22 Irregular expenditure incurred on various heads of accounts – Rs.33.03 million

As per Section-8 of WAPDA Accounting Manual, "at the close of the monthly accounts by 10th of the month following that to which the expenditure relates, the Budget and Accounts Officer of a Project will prepare expenditure statement, showing the monthly, as well as the periodical progressive expenditure figures against the periodic progressive budget totals, minor-head-wise and will submit the statement to his Project Director/Chief Engineer, as the case may be with a copy to the Budget and Accounts Officer/Director Budget and Accounts attached with the Chief Engineer/General Manager concerned. On receipt of these expenditure statements in the office of the Chief Engineers/General Managers, controlling the different Project Directors/Chief Engineers, the Budget and Accounts Officers/Directors Budget and Accounts, attached with them will consolidate the expenditure as compared with the budget and will place the consolidated result before their Chief Engineers/General Managers. The Director Budget and Accounts attached with the General Managers will also submit the consolidated statement of the monthly and periodical progressive expenditure to the Manager Finance (Water & Power) attached with the Managing Directors as the case may be, up to the 15th of the subsequent month to which the expenditure relates".

In the office of Chief Engineer (Material Inspection) NTDCL, Lahore, an expenditure of Rs.33.03 million was incurred under various heads of accounts through 472 payment vouchers by the Drawing & Disbursing Officer. Journal ledgers, trial balances, current account statements and budget & expenditure statement were required to be submitted to the Finance Director NTDCL for consolidation of accounts but these were not submitted. Neither the payment vouchers were recorded in cash book nor the imprest cash book summary was prepared / maintained, hence the expenditure was irregular.

Non-adherence to Authority's instructions resulted in irregular expenditure of Rs.33.03 million during the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in December, 2016. The management stated that a comprehensive reply would be submitted in due course of time. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with documentary evidence within 15 days.

Audit recommends that the management needs to investigate the matter for fixing responsibility regarding incurrence of expenditure without maintenance of proper record.

(DP-1587/2016-17)

10.4.23 Irregular charging of project management expenditure to PSDP budget after TOC of UGD project - Rs.8.27 million

According to Para-11.4(b) of Hand Book for Drawing and Disbursing Officer, “funds to a Ministry / Division, its attached or subordinate offices are spent for the purpose for which they are allocated”. As per WAPDA Accounting Manual Para 8.7.1 of final bills from contractor, “ on completion of the project the contractor will submit alongwith his final bill and other relevant documents, a completion certificate indicating that the project / job has been completed in accordance with the agreement of award of the job / work.

In NPCC Islamabad, a work for Load Desptach System Up-gradation Project (UGD) financed by JICA and NTDCL, was awarded to a Consortium Alstom Grid SAS-Viscas Corporation. The work was taken over by the Employer (NTDCL) on September 09, 2014 by issuing Taking over Certificate (TOC) for completion of the project. The management expenditure including pay, allowance & other expenditure amounting to Rs.8.27 million was still being charged to the project head against the PSDP allocation despite elapse of a period of 21 months from TOC. Hence, after TOC charging of management expenditure without the approval of Ministry to the project head against PSDP allocation was unjustified.

Non-adherence to the rules and procedures resulted in irregular charging of project management expenditure amounting to Rs.8.27 million to PSDP budget after TOC of UGD project up to the financial year 2015-16.

The matter was taken up with the management in May, 2016 and reported to the Ministry in July, 2016. The management stated that a comprehensive reply would be submitted in due course of time. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with documentary evidence within 15 days.

Audit recommends that the management needs to investigate the matter for fixing responsibility regarding charging of project management expenditure to the UGD project.

(DP-102/2016-17)

10.4.24 Irregular/unjustified concession of excess free electricity units to the staff of NPCC at par with generation staff - Rs.5.72 million

According to Services & General Admn WAPDA office order No.DG(S&GA)/DD/07456/63/44485-45030 dated November 6, 1991, enhancement in concession for free electricity units p.m. was revised as per entitlement of employees. The entitlement of free electricity units to generation staff was more than the other staff. ii) As per Finance Division Power Wing office order No.222-F.O(P)-1/70/13181-91 dated April 9, 1970, "M.D (Power) has decided that the facilities of free electricity up to the prescribed limit as mentioned in Para 6 of the Finance Division Order No.1744-FO III/69/840/45 dated January 25-27, 1969 will also be applicable to the officers and technical staff of the Power Control Directorate of the Power Wing who are in receipt of generation pay scales".

In NPCC Islamabad, 151 officers / officials of technical cadre were receiving free electricity units at par with that admissible to generation staff despite the fact that neither any of them was in receipt of generation pay scale nor NPCC / NTDCL had any generation business. Hence, 571,560 free electricity units valuing Rs.5.72 million were excessively allowed to the staff up to the financial year 2015-16.

Violation to the free electricity policy resulted in irregular / unjustified concession worth Rs.5.72 million to the staff of NPCC up to the financial year 2015-16.

The matter was taken up with the management in May, 2016 and reported to the Ministry in October, 2016. The management replied that further action would be taken after clarification of HR & Admn Directorate NTDCL Lahore. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply after getting clarification along with documentary evidence within 15 days.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides ensuring recovery / adjustment of excessive electricity units allowed to the staff.

(DP-112/2016-17)

10.4.25 Non-recovery of long outstanding temporary advances - Rs.4.85 million

According to Para-73 of WAPDA Accounting Manual, "the advances shall be adjusted at the closing of each calendar month in shape of vouchers or cash under financial rules".

In NTDCL, temporary advances amounting to Rs.4.85 million were granted to 97 officers / officials but the same were not adjusted / cleared at the close of each calendar month.

Non-implementation of rules resulted in non-recovery of temporary advances Rs.4.85 million from the officers / officials during the financial year 2015-16.

The matter was taken up with management in July, 2016 and reported to the Ministry in December, 2016. The management stated that a comprehensive reply would be submitted in due course of time. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with documentary evidence within 15 days.

Audit recommends that the management needs to expedite recovery / adjustment of temporary advances from the officers / officials.

(DP-1655/2016-17)

10.4.26 Irregular payment of remuneration to NTDCL officers for BOD meetings – Rs.2.02 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 NTDCL, remuneration amounting to Rs.2.02 million was paid to the officers of NTDCL for attending BOD meetings. The officers were not entitled for remuneration being NTDCL employees drawing pay & allowances against their services. Hence, the payment of remuneration charges amounting to Rs.2.02 million to NTDCL officers was irregular.

Non-adherence to government rules resulted in irregular payment of remuneration amounting to Rs.2.02 million to NTDCL officers for attending BOD meetings during the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in December, 2016. The management stated that a comprehensive reply would be submitted in due course of time. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with documentary evidence within 15 days.

Audit recommends that the management needs to investigate the matter for fixing responsibility for irregular payment of remuneration to NTDCL officers.

(DP-1656/2016-17)

10.4.27 Non-recovery of default surcharge due to non-execution of work by the contractor - Rs.1.73 million

According to Clause-12.4 of the contract agreements, "if the employer has terminated under sub-clause 12.1 or 12.3, the employer shall be entitled to a sum equivalent to twenty percent (20%) of the value of parts of works not executed at the date of termination."

In GSO NTDCL Hyderabad, three work orders for various civil works were awarded to two different contractors during February, 2010 to March, 2011. The contractors were failed to complete the works within stipulated period but the works were not terminated after recovery of default surcharge amounting to Rs.1.73 million under the contract clause.

Non-adherence to contract clauses resulted in non-recovery of default surcharge amounting to Rs.1.73 million due to non-execution of works by the contractor up to the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in October, 2016. The management replied that work of one contractor was under progress and deduction of LD charges would be decided on final bill, whereas, in other case, the contract was terminated after forfeiting security deposits. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to provide record relating to action completed and expedite the pending actions within 15 days.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides ensuring recovery from the contractors.

(DP-230/2016-17)

10.4.28 Non-deduction of O&M charges from the employees residing in NPCC colony - Rs.1.51 million

According to the Authority's instructions, "5% O&M charges should be recovered / deducted on basis of running basic pay of the employees residing in WAPDA provided accommodation".

In NPCC, Islamabad, forty five (45) officers/officials were residing in NPCC colonies. However, 5% O&M charges amounting to Rs.1.51 million were not deducted from the employees.

Non-adherence to the Authority's instructions resulted in non-deduction of O&M charges amounting to Rs.1.51 million from the employees residing in NPCC colony during the financial year 2015-16.

The matter was taken up with the management in May, 2016 and reported to the Ministry in November, 2016. The management stated that a comprehensive reply would be submitted in due course of time. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with documentary evidence within 15 days.

Audit recommends that the management needs to expedite recovery of O&M charges from employees.

(DP-401/2016-17)

10.4.29 Loss due to non-finalization of litigation / court cases - Rs.1.28 million

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

In Design & Standards Department NTDCL, Lahore, ten (10) court cases involving recovery of an amount of Rs.1.28 million were pending in different courts for want of decision. Due to non-pursuance of these court cases, an amount of Rs.1.28 million could not be recovered which was a loss to the Company.

Non-adherence to Authority's instructions resulted in loss of Rs.1.28 million due to non-finalization of court cases up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management stated that a comprehensive reply would be submitted in due course of time. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with documentary evidence within 15 days.

Audit recommends that the management needs to pursue the court cases expeditiously for early finalization besides making good the loss.

(DP-1444/2016-17)

10.4.30 Non-recovery of dehydration charges - Rs.1.18 million

According to Clause-9.1.3(vi & vii) of WAPDA Accounting Manual, "a diligent efforts shall be made to collect all outstanding amount in general, invoices shall be collected as expeditiously as possible, but the cost of collection shall not be allowed to exceed the expected revenue. Accounting data gathering systems shall recognize and preclude situations in which collection effort and potential benefits become imbalanced and regular recovery notices shall be sent to all accounts receivables".

The Chief Engineer (GSO) NTDCL Multan required to recover an amount of Rs.1.18 million from Project Director (EHV) Multan on account of dehydration of 59,000 liter transformer oil at 220 KV grid station, Kassowal.

Non-adherence to rules resulted in non-recovery of dehydration charges of transformer oil amounting to Rs.1.18 million during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in November, 2016. The management replied that SE 500KV G/S Yousafwala had raised a debit advice for Rs.1.18 million to project authorities for affecting recovery. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to provide copy of debit advice for examination and expedite the recovery within 15 days.

Audit recommends that the management needs to expedite recovery of dehydration charges of transformer oil.

(DP-385/2016-17)

CHAPTER-11

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED (FESCO)

11. FAISALABAD ELECTRIC SUPPLY COMPANY LIMITED

11.1 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 (NTDCL) 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 NTDCL 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.

11.2 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, 2016.

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
FESCO	2013-14	5	-	-	5 [Para No.4.1.1, 4.1.2, 4.1.7, 4.1.8, (10.4.1, 10.4.2, 10.4.3, 10.4.4, 10.4.5, 10.4.9, 10.4.11, 10.4.13, 10.4.16, 10.4.17, 10.4.19, 10.4.20, 10.4.21, 10.4.23, 10.4.25, 10.4.26, 10.4.27)]

Position of compliance with PAC directives is not satisfactory.

11.4 AUDIT PARA

11.4.1 Loss due to preparation of bogus scrolls of energy bills - Rs.20.59 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 store, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

In Operation 1st Circle FESCO Faisalabad, an amount of Rs.20.59 million was posted through preparation of bogus scrolls against 451 electricity bills by the staff of Revenue Office, Civil Lines Division due to which the Company was put into loss. No action was taken against the officers/officials involved in bogus payment.

Non-adherence to Authority's instructions resulted in loss of Rs.20.59 million due to preparation of bogus scrolls of energy bills up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the recovery was under progress. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to expedite the recovery besides taking departmental and legal action against the persons involved in preparation of bogus scrolls.

Audit recommends that the management needs to expedite the recovery besides initiating the legal as well as departmental action against the defaulter(s) under the rules.

(DP-1154/2016-17)

11.4.2 Loss due to embezzlement of capital cost - Rs.1.16 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 store, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

In Operation Circle FESCO Jhang, 290 domestic and commercial connections were installed without issuing demand notices and recovering capital cost of Rs.1.16 million from the consumers during the year 2011 to 2016. This amount was kept by FESCO employees with them and put the company into loss due to embezzlement of capital cost. No any departmental and legal action was taken to make good the loss from delinquents.

Non-adherence to Authority’s instructions resulted in loss of Rs.1.16 million due to embezzlement of capital cost up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in November, 2016. The management replied that some amount had been recovered and efforts were being made to recover the remaining amount. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply besides taking disciplinary as well as legal action against the officers/officials involved in embezzlement.

Audit recommends that the management needs to expedite the recovery besides initiating the legal as well as departmental action against the defaulter(s) under the rules.

(DP-711/2016-17)

11.4.3 Recurring loss due to pending H.T. proposals - Rs.161.16 million

As per Para-1.3 of Distribution Rehabilitation Guidelines of WAPDA, “a distribution network is selected for rehabilitation on the basis of certain planning criteria such as voltage drop, power loss, equipment loading and benefit / cost ratio”. Moreover, as per Para-4.1.6, “total time for completion of HT/LT proposals is 130 days”.

In Construction Circle FESCO, eight (08) HT proposals under Development of Power (DOP) & Energy Loss Reduction (ELR) programme were pending for completion for more than 8 to 15 months. The envisaged annual benefit of reduction in energy losses was 16.191 MkWh amounting to Rs.161.16 million. Despite being favourable benefit cost ratio (BCR), the said proposals could not be completed within stipulated period of 130 days as due priority was not given to them.

Non-adherence to the Distribution Rehabilitation Guidelines of WAPDA resulted in recurring energy loss of Rs.161.16 million up to the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in December, 2016. The management replied that five works were completed, one work was cancelled and remaining were under process. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to produce the record of completed actions and expedite the completion of remaining works.

Audit recommends that the management needs to expedite the execution of HT proposals on priority basis to save the Company from recurring energy loss.

(DP-1282/2016-17)

11.4.4 Unjustified excess charging of overheads - Rs.117.15 million

As per Finance Directorate FESCO instructions issued vide office letter No.2561-2600/FDF/Budget dated August 21, 2002, installation charges at the rate of 8% on cost of material will be applied while preparing the estimates by field formations.

The Project Director (GSC) FESCO charged overhead charges of Rs.269.34 million ranging between 8.2% to 66.04% against material cost of Rs.1,902.42 million on seventy two (72) works under 6th, 7th STG Programme & other deposit works. Resultantly, overheads of Rs.117.15 million were charged beyond the limit of 8% fixed by the Authority which was irregular and unjustified.

Non-adherence to the Company’s instructions resulted in unjustified excess charging of overheads amounting to Rs.117.15 million up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that actual overhead charges would be booked after completion of all running projects. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the record verified from Audit upon completion of works.

Audit recommends that the management needs to ensure charging of 8% overheads on the material cost as per policy in vogue.

(DP-1027/2016-17)

11.4.5 Non-utilization of electrical material - Rs.91.98 million

According to Para-2.2 (Section-8) of WAPDA Distribution Stores Manual, "sub-divisions must not draw material until they are needed. They are not allowed to hold any material which cannot be used immediately."

In GSC Circle FESCO, electrical material valuing Rs.91.98 million was drawn by the field formations for installation on various works. In most of the cases, the material remained unutilized despite its drawl for more than one year while in others, the unconsumed balance material neither utilized nor returned to store.

Non-adherence to Distribution Stores Manual resulted in non-utilization of electrical material valuing Rs.91.98 million up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the material would be utilized in due course of time. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the record verified from Audit.

Audit recommends that the management needs to ensure either expeditious utilization of the material or return of unconsumed / balanced material to store.

(DP-1026/2016-17)

11.4.6 Expiry of warranty period of unutilized electrical material / equipment - Rs.78.69 million

According to WAPDA office memorandum dated January 19, 1978, "purchases should be made only of such items and in such quantities as are required for a specific work. In no case, should these purchases be made for storing an item for an indefinite period.

In Central Warehouse FESCO, electrical material / equipment valuing Rs.78.69 million procured under ADB loan / own sources during the financial year 2013 was lying unutilized. Since procurement, the material/equipment was neither allocated nor utilized and their warranty period was expired. Resultantly, if any defect would occur at later stage then the Company would have nothing to claim from the suppliers.

Non-adherence to the Authority's instructions resulted in expiry of warranty period of unutilized electrical material / equipment valuing Rs.78.69 million up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in November, 2016. The management replied that the material would be issued to field formations only after allocation.

The reply was not tenable as the material was procured without assessing actual field requirement.

The DAC in its meeting held on January 24, 2017 directed the management to furnish revised reply along with supporting documents to Audit.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides ensuring utilization of material.

(DP-831/2016-17)

11.4.7 Non-recovery of O&M charges and pay & allowances of staff from FIEDMC - Rs.22.83 million

According to Clause-3 (C) of the agreement between FESCO and Faisalabad Industrial Estate Development & Management Co. (FIEDMC), "FIEDMC is bound to pay the salary alongwith allowances of prescribed FESCO staff deployed there and all other operation & maintenance charges of the Grid Stations on monthly basis".

In GSO Circle FESCO, an amount of Rs.22.83 million was not recovered from FIEDMC on account of O&M charges and salary & allowances of FESCO staff for the period from 06/2009 to 11/2015 deployed at two (02) grid stations under the aforementioned agreement. No efforts were made to recover the said amount.

Non-adherence to agreement clauses resulted in non-recovery of Rs.22.83 million from FIEDMC up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that despite repeated requests, the payment was not yet received from FIEDMC.

The reply was not tenable as no action was taken against FIEDMC for non-payment of long outstanding dues.

The DAC in its meeting held on January 24, 2017 directed the management to expedite the recovery from FIEDMC. No progress of recovery was reported till finalization of the report.

Audit recommends that the management needs to expedite the recovery from FIEDMC besides fixing the responsibility.

(DP-1016/2016-17)

11.4.8 Unjustified expenditure due to violation of village electrification criteria - Rs.18.17 million

According to General Manager (C&M) Power WAPDA House, Lahore office memo dated 30.10.2006, "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"

In Construction Circle FESCO, an amount of Rs.18.17 million was incurred under Pak MDGs on eleven (11) villages having houses beyond radius of 400 feet and by providing LT poles instead of one point supply which was irregular and against the criteria of village electrification.

Non-adherence to Authority's instructions resulted in unjustified expenditure of Rs.18.17 million due to violation of village electrification criteria during the financial year 2015-16.

The matter was taken up with management in July, 2016 and reported to the Ministry in December, 2016. The management replied that all the schemes were sanctioned as per village electrification criteria under PAK MDGs and there was no violation of rules.

The reply was not acceptable as the houses in villages were beyond the radius of 400 feet.

The DAC in its meeting held on January 24, 2017 directed the management to get the stance verified from Audit.

Audit recommends that the management needs to fix the responsibility for violation of village electrification criteria.

(DP-1286/2016-17)

11.4.9 Non-payment of insurance premium putting grid stations equipments at risk – Rs.15.13 million

The main objective of WAPDA Equipments Protection Scheme (WEPS) is to protect the WAPDA Equipments against the prescribed losses of electrical & mechanical equipments installed at all grid stations of DISCOs and NTDCL.

In FESCO, approval for payment of WEPS contribution of Rs.15.13 million for the financial year 2013-14 was accorded by FESCO Board of Directors in meeting held on September 24, 2014. Instead of payment of approved premium, an inquiry committee was constituted on October 12, 2015 to consider the discontinuation of WEPS policy. Neither the inquiry committee finalized its recommendations nor amount of premium, already approved by BOD, was paid up to August, 2016, thus putting the grid stations equipments at risk.

Non-implementation of decisions of BOD resulted in non-payment of insurance premium of Rs.15.13 million putting grid stations equipments at risk up to the financial year 2015-16.

The matter was taken up with the management in September, 2016 and reported to the Ministry in December, 2016. The management replied that the matter was under review in inquiry committee. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to expedite the proceedings of inquiry committee.

Audit recommends that the management needs to inquire the matter for fixing responsibility of non-payment of insurance premium.

(DP-1618/2016-17)

11.4.10 Non-refund of savings to the sponsors of deposit works – Rs.6.04 million

As per Para-3 of General Manager (Distribution) WAPDA Lahore circular No.1235-1976 dated January 22, 1985 regarding refund of capital contribution receipts, if in any case variation exceeds 10%, such cases should be examined and appropriate action for refund or recovery may be taken up.

In GSC Circle FESCO, three (03) privately sponsored deposit works were completed & capitalized. Actual expenditure of Rs. 31.18 million incurred on the said works was less than the deposited amount of Rs.37.22 million. Resultantly, savings of Rs.6.04 million ranging from 10.84 to 26.48% was required to be refunded to the sponsors which was not done.

Non-adherence to the Authority's instructions resulted in non-refund of savings of Rs.6.04 million to the sponsors up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the payment would be made after receiving the refund claims from sponsoring agencies, otherwise this amount would be transferred to income head. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to furnish revised reply along with supporting documents to Audit.

Audit recommends that the management needs to ensure refund of savings to the sponsors.

(DP-1028/2016-17)

11.4.11 Loss due to non-installation of independent transformers and misuse of tariff - Rs.3.60 million

According to Authority's instructions, criteria for consideration of commercial building / market, plazas for provision of independent transformer by load assessment with respect to storey is 1000 Sft or more area with five or more shops. Moreover, Commercial Supply (A-2) means the supply for commercial offices and commercial establishments.

In Operation Circle Jhang FESCO, the connections of thirteen (13) commercial plazas, markets, hospitals, banks etc. were running from distribution transformers without installing independent transformers. Most of the consumers had commercial and domestic connections in the same premises and were misusing the domestic tariff for commercial purposes. No action was taken to recover the capital cost and difference of tariff amounting to Rs.3.60 million from the consumers.

Non-adherence to Authority's instructions resulted in loss of Rs.3.60 million due to non-installation of independent transformers and misuse of tariff up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in November, 2016. The management replied that in nine (9) cases, load was regularized while notices were issued to remaining consumers. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the completed actions verified from Audit and expedite the pending actions.

Audit recommends that the management needs to investigate the matter for fixing responsibility against person(s) at fault.

(DP-712/2016-17)

11.4.12 Non-renewal of performance guarantees - Rs.2.81 million

As per GCC the contractor shall within 28 days of the notification of contract award, provide a security for the due performance of the contract in the amount specified in the SCC. Pursuant to GCC sub clause, contractor is liable for an extended defect liability / obligations, the performance security shall be extended for the period up to an amount specified in the SCC.

In GSC Circle FESCO, two (02) work orders for execution of civil & electrification works valuing Rs.28.10 million were awarded to different contractors but neither the works were completed within stipulated period nor performance guarantees amounting to Rs.2.81 million were got renewed. Resultantly, the Company had nothing to adjust against the performance guarantee if any discrepancy in works would arise during defect liability period.

Non-adherence to the contract agreement resulted in non-renewal of performance guarantees amounting to Rs.2.81 million up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that final bills and securities were pending to adjust if any discrepancy aroused during Defect Liability Period.

The reply was not acceptable as deduction of 10% retention money did not relieve the management from obtaining the renewed performance guarantees under the contractual obligations.

The DAC in its meeting held on January 24, 2017 directed the management to get the performance guarantees renewed from contractors.

Audit recommends that the management needs to inquire the matter for fixing responsibility of non-getting renewed performance guarantees from the contractors.

(DP-1025/2016-17)

11.4.13 Non-completion of work at risk and cost of contractor – Rs.2.60 million

According to Clause-16.1 of the contract agreement, if they contractor fails to complete the works with the stimulated time, the contract would be terminated and the work would be re-awarded at the risk and cost of the contractor.

In FESCO, a work order was awarded to M/s Moazzam Ali Khan for construction of SDO's office building Bakar Mandi Sub-Division at a cost of Rs.5.20 million. But the work was completed to the extent of Rs.2.60 million within given period i.e. 300 days and remaining work amounting to Rs.2.60 million was not executed by the contractor. The management neither forfeited security bond nor completed the remaining work at the risk and cost of the contractor.

Non-adherence to contract clause resulted in non-completion of work amounting to Rs.2.60 million at risk and cost of the contractor up to the financial year 2015-16.

The matter was taken up with management in September, 2016 and reported to the Ministry in December, 2016. The management replied that the contractor had been directed to start the work and in case of failure, the work would be got completed from other contractor at his risk & cost. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management either to get the work completed by the contractor or some other contractor at the risk & cost of the defaulted contractor.

Audit recommends that the management needs to investigate matter for non taking of decision for early completion of work.

(DP-1621/2016-17)

11.4.14 Loss due to substandard civil work - Rs.2.36 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 store, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

The Project Director (GSC) FESCO awarded a work order for construction of electrical equipment foundations, transformer bay and extension of switch room at 132 KV grid station, Bhumb to M/s Ansar Khan Laghari for Rs.2.36 million on September 11, 2014. The work was commenced on September 23, 2014 and required to be completed within 45 days. The contractor did poor quality / substandard work fraught with numerous discrepancies even that the roof was got demolished and later on reconstructed. An inquiry was also conducted, which found grave discrepancies of substandard work in reconstructed roof and recommended to get rectified the discrepancies from contractor besides asking the XEN about the action he had taken against the contractor inspite of timely intimation by SDO. None of the inquiry recommendations were implemented. Despite the substandard work, neither any action for black listing the firm besides forfeiture of performance guarantee was taken nor any responsibility fixed upon the concerned officers/officials.

Non-adherence to Authority’s instructions resulted in loss of Rs.2.36 million due to substandard civil work up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that during extension of existing 11KV room, cracks were observed in roof slabs, which had been set right.

The reply was not tenable as no action was taken against the delinquent in the light of inquiry committee’s recommendations.

The DAC in its meeting held on January 24, 2017 directed the management to get the stance verified by producing the record to Audit.

Audit recommends that the management needs to initiate action against the delinquents besides making good the loss.

(DP-1022/2016-17)

CHAPTER-12

GUJRANWALA ELECTRIC POWER COMPANY LIMITED (GEPCO)

12. GUJRANWALA ELECTRIC POWER COMPANY LIMITED

12.1 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 NTDCL 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.

12.2 Comments on Financial Statements

12.2.1 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.

12.2.2 Extracts of the Financial Statements

Balance Sheet as on June 30, 2016

(Rs. in million)

	2015-16	%	2014-15	%	2013-14
Equity and Liabilities					
Share capital and reserves					
Issued, subscribed and paid-up capital	0.01	0.00	0.01	0.00	0.01
Accumulated Profit/Loss	448.64	127.26	(1,645.79)	(70.85)	(5,646.32)
	448.65	127.26	(1,645.78)		(5,646.31)
Deposits for the issuance of shares	20,058.41	0.00	20,058.41		20,058.41
Non-current liabilities					
Deferred credit	15,164.62	6.02	14,303.24	8.38	13,197.10
Long Term Financing	7,033.11	4.36	6,739.32	8.15	6,231.27
Deferred Liabilities	40,414.42	51.25	26,719.99	49.69	17,849.87
Security Deposits	3,986.67	13.2	3,521.86	12.15	3,140.33
	66,598.82	29.86	51,284.41	0.00	40,418.57
Current liabilities					
Trade and other Payables	12,977.86	38.10	9,397.71	(63.53)	25,769.11
Interest accrued On Long Term Financing	1,051.02	85.06	567.92	(21.52)	723.69
Current portion of long term financing	631.11	36.47	462.45	50.77	306.72
	14,659.99	40.58	10,428.08	(61.09)	26,799.52
	101,765.87	27.01	80,125.12	(1.84)	81,630.19

Assets					
Non-current assets					
Operating fixed assets	41,523.93	8.22	38,369.60	7.24	35,778.69
Assets subject to finance lease	491.15	15.41	425.58	30.96	324.96
	42,015.08	8.3	38,795.18	7.46	36,103.65
Current assets					
Stores and spares	895.14	(24.58)	1,186.94	70.93	694.41
Trade debts	14,902.43	9.59	13,598.90	8.93	12,483.61
Short-term loans and advances	212.51	(41.37)	362.43	0.00	0.00
Interest receivable- accrued	25.96	343.76	5.85	(94.63)	108.95
Other receivables	41,727.64	65.97	25,141.56	(11.58)	28,432.69
Short-term investments	584.00	276.77	155	(94.41)	2,771.00
Cash and bank balances	1,403.11	59.58	879.26	(9.61)	972.76
	59,750.79	44.57	41,329.94	(9.89)	45,463.42
	101,765.87	27.01	80,125.12	(2.21)	81,567.07

PROFIT AND LOSS ACCOUNT
For the year ended June 30, 2016

	2015-16	**%**	**2014-15**	**%**	**2013-14**
Revenue					
Electricity sale	74,478.74	6.00	70,264.77	5.11	66,850.77
Rental and service income	23,418.69	(4.70)	24,573.92	2.48	23,978.50
	97,897.43	3.23	94,838.69	4.41	90,829.28
Cost of electricity	73,422.83	(3.09)	75,761.67	(9.96)	84,146.48
Gross profit/(Loss)	24,474.60	28.29	19,077.02	185.46	6,682.80
Amortization of deferred credit	714.09	8.32	659.27	9.91	599.83
	25,188.69	27.63	19,736.29		7,282.63
Distribution cost	11,737.97	(0.81)	11,834.12	48.15	7,988.19
Administrative expenses	3,099.38	(0.22)	3,106.19	35.56	2,291.35
	14,837.35	(0.69)	14,940.31	45.34	10,279.54
	10,351.34	115.83	4,795.98	(260.03)	(2,996.91)
Other income	721.17	(61.60)	1,878.22	12.87	1,664.11
	11,072.51	65.90	6,674.20	(600.76)	(1,332.80)
Financial and other charges	860.79	(0.31)	863.43	276.32	229.44
	10,211.72	75.74	5,810.77	(471.95)	(1,562.24)
Taxation	12.68	13.30	11.19	(209.49)	(10.22)
Profit for the year	**10,199.04**	**75.86**	**5,799.58**	**(468.82)**	**(1,572.46)**

12.2.3 Comments on Audited Accounts

i) Non-recognition of supplemental charges

The Company has not been able to record supplemental charges of Rs.6,170 million for the year 2015-16. Had these supplemental charges been charged it would have enhanced the expenditures and reduced current year profit by Rs.6,170 million. Similarly, accumulated profit would have too decreased by a substantial figure of Rs.6,170 million at the balance sheet date. It means that current figure of accumulated profit of Rs.448.64 million was overstated by an amount of Rs.6,170 million. Non-recognition of these charges needed justification.

ii) Sales and Cost of sales

The sales of the Company increased to Rs.97,897.43 million including the subsidy from Government of Pakistan whereas cost of sales of Company was Rs.73,422.83 million. Company earned a gross profit of Rs.24,474.60 million.

iii) Profitability

The Company earned profit of Rs.10,199.04 million during the current year. Total accumulated losses have converted into profit to the tune of Rs.448.64 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 increased to Rs.56,630 million (2015: Rs.38,740 million) with increased of Rs.17,890 million during the current year, including Rs.22,976.80 million receivable from Government of Pakistan and Rs.8,339.44 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.12,977.86 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 amounting to Rs.14,837.35 million was incurred during the current year which was almost the same in previous year (Rs.14,940.31 million: 2014-15). Due to stability in admin and distribution expenses, company earned more profit in the current year.

vii) Long term Financing

The carrying amount of long term loans increased to Rs. 7,033.11 million with an increase of Rs. 293.79 million at the balance sheet date (4.36%)

during the current financial year. The Company charged an amount of Rs.860.79 million as financial expenses in the profit and loss account during the current year (2015: Rs. 863.43 million). The Company is relying on expensive financing to run its operations which ultimately declining the profit of the Company and its liabilities.

Reliance on borrowings / (loans) and payment of huge financial charges needed to be justified.

12.2.4 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 expensive financing 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.

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
GEPCO	2009-10	4	-	-	4 (Para No.9.10, 9.11, 9.12, 9.19)
	2013-14	7	-	-	7 [Para No.4.1.1, 4.1.2, 4.1.4, 4.1.6, 4.1.7, 4.1.8, (11.4.1, 11.4.2, 11.4.3, 11.4.4, 11.4.7, 11.4.8, 11.4.11, 11.4.12, 11.4.14, 11.4.15)]

Position of compliance with PAC directives is not satisfactory.

12.4 AUDIT PARAS

12.4.1 Non-recovery from AJ&K Government on account of difference of new electricity tariff - Rs.515.03 million

As per minutes of the sub-committee of Ministry of Water & Power dated December 08, 2015 formed for the new electricity tariff for AJ&K government beyond September 30, 2003, the tariff for AJ&K was fixed as Rs.5.79/KWH. This revised tariff was also approved by the Prime Minister of AJ&K w.e.f. July 01, 2015.

In Operation Circle GEPCO Gujrat, electricity emanating from the grid stations at Kharian and Jalal Pur Jattan was being supplied to AJ&K Government at the rate of Rs.2.59/KWh instead of Rs.5.79/KWh, as against sub-committee's decision, duly approved by the Prime Minister of AJ&K. Thus, an amount of Rs.515.03 million was not recovered from AJ&K Government.

Non-implementation of new electricity tariff resulted in non-recovery of Rs.515.03 million from AJ&K government on account of difference of tariff during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that a high power commission/committee had already been constituted between the two Governments and pending recovery would be decided in the light of findings of the committee. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to pursue the matter with the Commission.

Audit recommends that the management needs to pursue the matter vigorously for early recovery of tariff difference.

(DP-1115/2016-17)

12.4.2 Non-refund / credit of energy units adjusted through paper MCO - Rs.339.50 million

According to Para-1.3 of Commercial Procedure 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 GEPCO, 148,176 MCOs were implemented in the month of July, 2016. Out of which 113,182 MCOs meters were not replaced actually and implemented only in papers to cover the overcharging already made to the consumers. On average, 300 units per consumers were adjusted to cover the already charged excessive units, thus overcharging of 33.95 million energy units amounting to Rs.339.50 million were adjusted through paper MCO during one month.

Non-adherence to commercial procedure resulted in non-refund/credit of energy units amounting to Rs.339.50 million adjusted through paper MCO during the financial year 2015-16.

The matter was taken up with the management in September, 2016 and reported to the Ministry in December, 2016. The management replied that reading of the customers were set right by the field formations in such cases where difference was found in actual meter readings with billed reading as a result of units charged.

The reply was not acceptable as the same had no relevancy with the audit observations.

The DAC in its meeting held on January 24, 2017 directed the management to examine all the cases where paper MCO was made during the year (2015-16) and submit revised reply.

Audit recommends that the management needs to investigate the matter for fixing responsibility of huge paper MCOs besides ensuring refund of excess charged units to the consumers.

(DP-1311/2016-17)

12.4.3 Non-recovery from AJ&K government on account of security deposit - Rs.71.33 million

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

In Operation Circle GEPCO Gujrat, running load of seven (07) connections of AJ&K Government was more than sanctioned load. This load was illegally extended 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. Resultantly, an amount of Rs.71.33 million remained un-recovered from consumers on account of security deposit. Moreover, in two cases the consumption exceeded 5,000 KW which required independent grid station.

Non-adherence to the WAPDA Abridged Conditions of Supply resulted in undue favour of Rs.71.33 million to the consumers at the cost of Company's distribution system during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that notices had been issued for security deposits. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to take up the matter at Ministry level.

Audit recommends that the management needs to expedite the recovery of security deposit as per SOP.

(DP-1116/2016-17)

12.4.4 Recurring annual loss of revenue due to delay in completion of LT Proposals - Rs.17.56 million

As per Para-1.3 of Distribution Rehabilitation Guidelines of WAPDA, “a distribution network is selected for rehabilitation on the basis of certain planning criteria such as voltage drop, power loss, equipment loading and benefit / cost ratio”. Moreover, as per Para-4.1.6, “total time for completion of HT/LT proposals is 130 days”.

In Operation Circle GEPCO Gujrat, 137 LT Proposals were pending for execution, which were required to be got completed timely to reap the benefit of saving of 1.76 million units amounting to Rs.17.56 million. Due to non-completion of LT Proposals, the Company had sustained recurring revenue loss to the stated extent.

Non-adherence to the Distribution Rehabilitation Guidelines of WAPDA resulted in recurring energy loss of Rs.17.56 million up to the financial year 2015-16.

The matter was taken up with the management in September, 2016 and reported to the Ministry in December, 2016. The management replied that out of total LT proposals, 17 had been completed and remaining works were in process. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the record of completed LT proposals verified from Audit and expedite the completion of remaining works.

Audit recommends that the management needs to investigate the inordinate delay in execution of LT Proposals besides fixing responsibility.

(DP-1233/2016-17)

12.4.5 Loss due to non-completion of acquisition process of land timely - Rs.16.70 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 GEPCO, land measuring 74 Kanals 2 Marlas for construction of WAPDA Town grid station was purchased for Rs.10.16 million in 1991. Later on, three out of ten land owners challenged the acquisition process before Senior Civil Judge, Gujranwala and the case was decided against the WAPDA on the grounds that acquisition process was not completed within one year as required under the acquisition rules. The matter remained under litigation in different courts and GEPCO lost the case almost at every forum and the last appeal was dismissed by Supreme Court of Pakistan on March 05, 2016. An amount of Rs.6.54 million was incurred on legal expenses up till now which was a loss to the Company. No action was taken against the officers/officials responsible for non-completion of acquisition process well in time.

Non-adherence to Authority's instructions resulted in loss of Rs.16.70 million (Rs.10.16 million + Rs.6.54 million) due to non-completion of acquisition process of land timely up to the financial year 2015-16.

The matter was taken up with management in September, 2016 and reported to the Ministry in December, 2016. The management replied that the issue was pertaining to GSC (NTDCL) and after its transfer in 2008, GEPCO was pursuing litigation cases vigorously. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to furnish revised reply along with documents.

Audit recommends that the management needs to investigate the matter for fixing the responsibility of loss.

(DP-1312/2016-17)

12.4.6 Loss due to non-energization of bank capacitors at newly constructed grid station- Rs.12.10 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 GSO Circle GEPCO, 11 KV bank capacitors of newly constructed 132 KV grid station, Jalalpur Bhattian were not working properly and caused financial loss of Rs.12.10 million due to low power factor. No action was taken against the contractor M/s Siemens for provision of defective bank capacitors.

Non-adherence to authority's instructions resulted in loss of Rs.12.10 million due to non-energization of bank capacitors during the financial year 2015-16.

The matter was taken up with management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the matter was being inquired through an inquiry committee. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to finalize the inquiry report under intimation to Audit.

Audit recommends that the management needs to expedite the inquiry proceedings for fixing the responsibility besides making good the loss from the contractor.

(DP-1095/2016-17)

12.4.7 Non-recovery of fixed charges from consumers - Rs.12.10 million

According to Para-1.3 of Commercial Procedure 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 two Operation Circles of GEPCO, forty one (41) industrial consumers got their load sanctioned under Tariff B-I but their load was to be charged under Tariff B-II as per their connected load. Hence, fixed charges amounting to Rs.12.10 million were required to be charged which could not be recovered due to non-conversion of tariff into B-II.

Non-adherence to commercial procedure resulted in non-recovery of fixed charges amounting to Rs.12.10 million from the consumers during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that notices had been issued to the concerned consumers for payment. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to complete the actions expeditiously.

Audit recommends that the management needs to expedite the recovery of fixed charges besides regularizing the connections as per SOP.

(DPs-1320 & 1346/2016-17)

12.4.8 Unjustified expenditure on hiring of security guards at higher rates - Rs.4.97 million

As per Clause (d) of the contract agreement between GEPCO and M/s A.J Security Services (Pvt.) Ltd. Signed on November 25, 2014 and effective from July 26, 2014, GEPCO may increase or decrease the number of security guards employed for its benefits and the payable amount will increase or decrease @ Rs.13,450 per month per security guard.

In GEPCO, a contract was executed with M/s A.J Security Services on July 26, 2014 for provision of 105 Security Guards @ Rs.13,450 per person which was extended for one year. However, another contract was simultaneously executed with M/s Monarch Security Services for hiring of 200 security guards @ Rs.17,000 per month w.e.f. February 24, 2016 which resulted into extra expenditure of Rs.4.97 million to the Company.

Non-adherence to contract clause resulted in unjustified expenditure of Rs.4.97 million on hiring of security guards at higher rates during the financial year 2015-16.

The matter was taken up with the management in September, 2016 and reported to the Ministry in December, 2016. The management replied that the contract agreement was signed with the lowest bidders @ Rs.17,000 per month.

The reply was not tenable as the awarding of contract to 2nd security company was irregular in the light of contract clause.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply as to why in presence of the existing contract with M/s AJ Security Services @ Rs.13,450 per person per month was not extended despite provision in the contract.

Audit recommends that the management needs to justify the hiring of additional security guards at higher rates.

(DP-1318/2016-17)

12.4.9 Un-justified expenditure on account of payment of honoraria to the employees of Ministry - Rs.4.78 million

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

In GEPCO, an amount of Rs.4.78 million, equal to four (4) months basic pay, was paid to eighty two (82) officers / officials of Ministry of Water & Power which was not justified as each Ministry had its own budget so expenditure should have been met out of its own budget.

Non-observance of government rules resulted in unjustified expenditure of Rs.4.78 million on account of payment of honoraria to employees of the Ministry during the financial year 2015-16.

The matter was taken up with management in September, 2016 and reported to the Ministry in December, 2016. The management replied that honoraria were paid to Ministry staff after approval of BOD.

The reply was not tenable as the payment was not covered under the rules.

The DAC in its meeting held on January 24, 2017 directed the management to justify the payment of honoraria to the employees of Ministry with reference to rules.

Audit recommends that the management needs to justify the unauthorized payment of honorarium to the employees of Ministry out of budget of GEPCO besides its recovery.

(DP-1281/2016-17)

12.4.10 Loss due to non-delivery of vehicles by the suppliers against advance payment -Rs.4.32 million

As per standard clause of purchase order issued to M/s Hyundai, the vehicles must be supplied within 30 days from the advance payment.

In GEPCO, an amount of Rs.4.32 million was paid in advance to M/s Hyundai for purchase of vehicles. Neither the firm had supplied the vehicles nor returned the advance payment. No action was taken against the supplier for default in supply of vehicles / return of advance payment.

Non-adherence to purchase order resulted in loss of Rs.4.32 million due to non-delivery of vehicles by the suppliers against advance payment up to the financial year 2015-16.

The matter was taken up with the management in September, 2016 and reported to the Ministry in December, 2016. The management replied that the case was under trial with Lahore High Court. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to pursue the court case vigorously.

Audit recommends that the management needs to pursue the court case vigorously besides ensuring recovery of advance payment from the supplier.

(DP-1195/2016-17)

12.4.11 Loss due to damage of boundary wall by private persons - Rs.1.50 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 the office of Project Director (GSC) GEPCO, construction work of 132 KV grid station Rati, Gujrat was stopped by local peoples after damaging its boundary wall costing Rs.1.50 million. Although FIR was lodged with the concerned Police Station but no departmental / legal action was finalized to decide the fate of loss.

Non-implementation of Authority's instructions resulted in loss of Rs.1.50 million due to damage of boundary wall during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that FIR had been lodged and the case was under trial in Civil Court, Gujrat.

The reply was not tenable as no facts finding committee was constituted by the department to fix the responsibility of loss.

The DAC in its meeting held on January 24, 2017 directed the management to pursue the court case vigorously.

Audit recommends that the management needs to investigate the matter for fixing the responsibility besides making good the loss.

(DP-1122/2016-17)

12.4.12 Loss due to non-recovery of cost of independent transformers from owners of commercial plaza/shopping malls - Rs.1.07 million

According to the Para-2 of the G.M (Operation) GEPCO memo No. 494-50 / O&M dated July 02, 2010, criteria for consideration of commercial building / market, plazas for provision of independent transformer by load assessment with respect to storey is 1000 Sft or more area with five or more shops.

In Operation Circle Cantt. GEPCO, seven (07) commercial plazas / shopping malls were energized through general distribution transformers rather than providing independent transformers after recovery of Rs.1.07 million as required under the rules.

Non-adherence to SOP resulted in loss of Rs.1.07 million due to non recovery of cost of independent transformers from owners of commercial plazas / shopping malls during the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in December, 2016. The management replied that notices had been issued to the concerned consumers. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to expedite the recovery from consumers.

Audit recommends that the management needs to ensure installation of independent transformers besides fixing the responsibility.

(DP-1104/2016-17)

CHAPTER-13

HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED (HESCO)

13. HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED

13.1 Introduction

Hyderabad Electric Supply Company Limited (HESCO) started its operations as a Public Limited Company during July, 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 HESCO 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 NTDCL on 220 KV Grid Station Lodra (Shikarpur), Hala Road Hyderabad, T.M Khan Road Hyderabad and 500 KV Grid Stations Dadu and Jamshoro. Additionally, HESCO receives electricity directly from GENCOs viz GTPS Kotri, TPS Guddu, Lakhra Power House and Liberty Power House as well as from Small Power Producers/ Captive Power Producers at 11 KV. The Company distributes electricity to consumers at the tariff notified by NEPRA.

The jurisdiction of HESCO includes four 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 Financial Overview

Monthly accounts (Trial Balance and other management information schedules) from sixty eight (68) accounting units are sent to Finance Director HESCO where these accounts are consolidated and financial statements including Balance Sheet, Profit & Loss Account and Cash Flow statements were prepared

13.2.2 Extracts of the Financial Statements

Balance Sheet as on June 30, 2016

(Rs. in million)

	2015-16	%	2014-15	%	2013-14
Assets					
Non-current assets					
Property and Equipment	20,975.11	6.89	19,622.01	4.98	18,691.56
Capital Work in process	13,658.52	19.03	11,474.96	1.99	11,250.87
	34,633.63	11.37	31,096.97	3.86	29,942.43

Long term loans	18.63	18.75	22.93	22.64	29.64
Current assets					
Stores and spares	2,321.59	109.35	1,108.94	13.73	975.09
Trade debts	30,021.12	1.29	29,638.35	10.90	26,724.57
Due from associated undertakings	25,989.23	4.28	24,923.29	12.31	22,192.41
Advances and other receivables	17,734.48	20.67	22,356.73	17.43	19,037.86
Taxation net	856.78	69.55	505.34	0.93	500.68
Cash and bank balances	3,308.84	0.74	3,284.44	27.84	2,569.40
	80,232.04	(1.94)	81,817.09	(13.64)	72,000.00
	114,884.29	1.73	112,936.98	10.75	101,972.08
Equity and Liabilities					
Share capital and reserves					
Issued, subscribed and paid-up capital	0.01	0.00	0.01	0.00	0.01
Accumulated profit (loss)	(131,793.24)	22.89	(107,238.84)	29.04	(83,102.93)
	(131,793.23)	22.89	(107,238.83)	29.04	(83,102.93)
Deposits for the issuance of shares	71,521.16		71,521.16		71,521.16
Deferred credit	15,581.57	38.78	11,227.68	0.72	10,327.02
Non-current liabilities					
Long term financing	4,039.71	7.24	3,767.07	5.56	3,568.84
Consumers' security deposits	1,501.72	14.06	1,316.59	12.24	1,173.04
Receipt against deposit works and connections	3,083.96	(49.14)	6,063.53	100.00	-
Employee retirement benefits	22,818.49	(3.10)	23,548.46	39.52	16,878.28
	31,443.88	(9.37)	34,695.64	60.48	21,620.16
Current liabilities					
Creditors, accrued and other liabilities	6,064.46	36.80	4,433.24	60.08	2,769.28
Due to associated undertakings - restated	116,314.10	23.71	94,022.28	33.82	70,260.64
Current and overdue portion of long term financing	1,928.37	40.58	1,371.76	20.83	1,135.29
Accrued mark-up	3,823.97	31.68	2,904.05	41.89	2,046.62
	114,884.29	1.73	112,936.98	10.75	101,972.08

Profit and Loss Account
For the year ended June 30, 2016

(Rs. in million)

	2015-16	**%**	**2014-15**	**%**	**2013-14**
Electricity sale	37,706.36	(15.42)	44,577.87	(12.32)	50,838.83
Cost of electricity	(42,755.50)	(19.16)	(52,890.69)	(3.78	(54,970.97)
Gross loss	(5,049.14)	(39.26)	(8,312.82)	101.17	(4,132.14)
Amortization of deferred credit	674.40	35.3	498.41	10.90	449.44
	(4,374.74)	(44.02)	(7,814.41)	131.01	(3,382.70)
Operating expenses excluding depreciation	(8,132.05)	(0.29)	(8,155.95)	10.98	(7,348.64)
Depreciation	(1,234.96)	6.15	(1,163.45)	6.87	(1,088.64)
Provision for doubtful debts	(15,321.96)	369.58	(3,262.94)	51.53	(2,153.99)
Other income	1,820.68	1.92	1,786.45	15.18	1,551.02
	(22,868.29)	111.83	(10,795.89)	1.93	10,591.27
Operating loss	(27,243.04)	46.39	(18,610.29)	30.38	(14,273.97)
Finance cost (2015: restated)	(3.33)	(99.71)	(1,146.16)	16656.73	(6.84)
Loss before taxation	(27,246.37)	37.91	(19,756.45)	38.34	(14,280.81)
Taxation	-		-		-
Loss after taxation	(27,246.37)	37.91	(19,756.45)	38.34	(14,280.81)

13.2.3 Comments on Audited Accounts

i) Profitability

The Company suffered a net loss of Rs.27,246.37 million during the current year. Total accumulated losses have reached to the tune of Rs.131,793.24 million resulting in net capital deficiency. As of that date, the company's current liabilities exceed current assets by Rs.47,899 million. These conditions indicated existence of material uncertainties as to Company's ability to continue as a going concern. The Company was suffering consistent losses over the years which reflect inefficiency and mismanagement of the affairs of the company which needed justification.

ii) Sales and Cost of sales

The sales of the Company decreased to Rs.37,706.36 million (15.42%) including the subsidy from Government of Pakistan whereas cost of sales of the company was Rs.42,755.50 million. It means the Company was unable to recover even its cost of electricity purchased from CPPA which needed justification.

iii) Trade Debts and other Receivable

Total receivable of the Company reached to Rs.74,601.61 million (2015: Rs.77,423.71 million) with a decrease of Rs.2,822.10 million. Amount of Rs. 15,711.39 million was receivable from Government of Pakistan against tariff differential subsidy, Rs.10,277.84 million from other Associated Companies and Rs.30,021.12 million from various consumers on account of electricity sold. Huge balance of receivables depicts the poor recovery efforts of the Company, which needed justification.

iv) Trade and other Payables

Payables of the company substantially inclined from Rs.102,731.34 million to Rs.128,130.91 million. The major amount of Rs.115,814.34 million was payable to CPPA on account of purchase of electricity which indicated the poor liquidity position of the company and needed justification.

v) Non-recognition of supplemental charges

The Company has not been able to record supplemental charges of Rs.14,468.08 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. 14,468.08 million. As a result, accumulated loss would have too decreased at the balance sheet date. Non-recognition of these charges needed justification

vi) Non-recognition of interest on syndicated loan

Government of Pakistan obtained loan to resolve circular debt issue. In this regard, Company has been allotted loan amounting to Rs.25,704 million during the previous years which would be adjusted against payables to CPPA. However, Company neither recognized loan nor interest amounting to Rs.15,609 million charged in its books of accounts. Had this interest on syndicated loan been charged it would have enhanced the expenditure and increase the current year losses by Rs.15,609 million. Moreover, Company understated its liabilities by Rs.15,609 million during the year which needed to be justified.

vii) Operating expenses excluding depreciation

The Operating expenses of the company decreased by Rs.8,132.05 million during the year from Rs.8,155.95 million of the previous year due financial and administrative control of the company.

viii) Long term Financing

The carrying amount of long term financing increased by Rs.4,039.71 million (2015: Rs.3,767.07 million) with a increase of Rs.272.64 million (7.24%) at the balance sheet date. No financial cost has been charged to the profit and loss account during the current year (2015: Rs.1,143.02 million). It mean that figures of the profit and loss for the year has been understated, which needed justification. 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 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 26.46% sustained during the year 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
HESCO	2009-10	5	-	-	5 (Para No.10.10, 10.11, 10.12, 10.13, 10.16)
	2013-14	8	-	-	8 [Para No.4.1.1, 4.1.2, 4.1.4, 4.1.6, 4.1.7, 4.1.8, 12.4.4, (12.4.2, 12.4.5, 12.4.6, 12.4.7, 12.4.9, 12.4.11, 12.4.12)]

Position of compliance with PAC directives is not satisfactory.

13.4 AUDIT PARAS

13.4.1 Fake billing to permanent disconnected street light connections – Rs.11.73 million

According to Para-1.3 of Commercial Procedure 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 HESCO, 781,838 energy units amounting to Rs.11.73 million were charged to five (05) permanent disconnected street light connections running under control of Garikhata Division. This billing was proved bogus in the light of sites visits carried out by joint team of HESCO officials and representative of Government of Sindh. No departmental action was taken against the responsible(s).

Non-adherence to commercial procedure resulted in fake billing of Rs.11.73 million to permanent disconnected street light connections up to the financial year 2015-16.

The matter was taken up with the management of PEPCO in August, 2016 and reported to the Ministry in December, 2016. The management replied that the matter pertained to HESCO. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 referred the observation to HESCO authorities with the direction to investigate the matter.

Audit recommends that the management needs to investigate the matter for fixing responsibility of fake billing.

(DP-1502/2016-17)

13.4.2 Non-recovery of pay & allowances on account of fake appointment of employee – Rs.1.13 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 store, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

In HESCO, appointment of Mr. Ahsan Ali Jamot as Commercial Assistant on contract basis was proved fake in the light of inquiry conducted in May, 2014. As per recommendations of inquiry committee, all the benefits including salary of concerned official for 52 months amounting to Rs.1.13 million (approx) was required to be recovered from him which not done.

Non-adherence Authority's instructions resulted in non recovery of Rs.1.13 million on account of pay & allowances due to fake appointment of employee up to the financial year 2015-16.

The matter was taken up with the management of PEPCO in August, 2016 and reported to the Ministry in December, 2016. The management replied that the matter pertained to HESCO.

The DAC in its meeting held on January 24, 2017 referred the observation to HESCO authorities with the direction to investigate the matter.

Audit recommends that the management needs to implement recommendations of inquiry committee besides expediting the recovery.

(DP-1506/2016-17)

13.4.3 Non-adjustment of advances given to contractors - Rs.159.04 million

As per standard clause of contract agreement, the amount of advance payment was to be adjusted against receipt of invoices.

In PMU HESCO, an amount of Rs.159.04 million was paid to different contractors as advance payment during June, 2014 to February, 2016. The said amount was required to be adjusted / recovered from the claims of the contractors but needful was not done.

Non-adherence to contract clauses resulted in non-adjustment of advances of Rs.159.04 million up to the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in December, 2016. The management replied that an amount of Rs.95.032 million had been cleared / adjusted and balance amount would be adjusted from forthcoming invoices. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the recovery record verified from Audit and expedite the pending action.

Audit recommends that the management needs to expedite the production of record relating to adjusted amount and pursue the balance recovery from the contractors.

(DP-1389/2016-17)

13.4.4 Non-renewal of expired advance payment bank guarantees - Rs.128.59 million

As per Appendix-1 (Terms & Procedure of Payment), advance payment @10% of the contract price shall be made to the contractor against receipt of invoice and an irrevocable advance payment security for the equivalent amount made out in favor of the employer.

In PMU HESCO, ten (10) advance payment bank guarantees amounting to Rs.128.59 million, provided by two different contractors, were expired. As per contract agreement, these guarantees were required to be renewed from the concerned contractors up to the date of adjustment of advances but needful was not done.

Non-adherence to contract clause resulted in non-renewal of advance payment bank guarantees of Rs.128.59 million up to the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in December, 2016. The management replied that against the advance payment bank guarantee of Rs.88.743 million, an amount of Rs.34.407 million had been recovered and bank guarantee of balance amount of Rs.54.336 million had been obtained from M/s LSN & Sean. However, M/s Tyco Electronics had been asked for extension of advance bank guarantee upto December 31, 2017.

The reply was not tenable as no documents were provided to substantiate the stance.

The DAC in its meeting held on January 24, 2017 directed the management to get the renewed bank guarantee verified from Audit and expedite the extension of pending bank guarantee.

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

(DP-1363/2016-17)

13.4.5 Blockage of Company's funds due to non-utilization of healthy power transformers - Rs.36 million

According to Para-5 of memorandum dated January 17, 1978, relating to irregularities in purchases of stores and equipment, "purchases should be made only of such items and in such quantities as are required for a specific work. In no case, should these purchases be made for storing an item for an indefinite period."

In GSO Circle HESCO, seventeen (17) power transformers worth Rs.36 million were become spare after augmentation works and were lying at different grid stations. These healthy power transformers were neither utilized nor returned to store for further allocation. Thus, Company's funds were blocked to the stated extent.

Non-adherence to Authority's instructions resulted in blockage of funds amounting to Rs. 36 million due to non-utilization of healthy power transformers up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that 01 20/26 MVA transformer was utilized and 06 Nos. 10/13 MVA spare transformers would be utilized on need basis. The remaining transformers were no more useable in system. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get verified the record of installed transformer from Audit and expedite the installation / disposal of remaining transformers.

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

(DP-1307/2016-17)

13.4.6 Non-recovery of amount of pending energy units - Rs.25.42 million

According to Para-1.3 of Commercial Procedure 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 Regional Manager (M&T) HESCO, 2.12 million units valuing Rs.25.42 million were derived from the data retrieval reports of all categories of defective energy meters. This amount was required to be charged/ recovered from the consumers but needful was not done.

Non-adherence to commercial procedures resulted in non-recovery of Rs.25.42 million on account of non-charging of pending energy units during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the field formations were being directed to charge the pending units and recover the amount as pointed out by (M&T). Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to expedite the recovery.

Audit recommends that the management needs to expedite the recovery besides fixing the responsibility.

(DP-1540/2016-17)

13.4.7 Non-remittance of electricity bills collections by banks/post offices - Rs.4.07 million

According to Section-6.11 of Commercial Procedure Manual of WAPDA Power Wing, "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."

In Operation Circle Nawab Shah HESCO, reconciliation statements of CP-48 & CP-104 revealed that an amount of Rs.4.07 million pertaining to electricity dues collected on behalf of the Company was not remitted by the banks and post offices to the Company's bank account. No efforts were made by the management to recover the amount.

Non-adherence to commercial procedure resulted in non-remittance of collected amount of Rs.4.07 million by the banks/post offices up to the financial year 2015-16.

The matter was taken up with the management in February, 2016 and reported to the Ministry in June, 2016. The management replied that the difference of CP-48 and CP-104 had been reconciled. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the reconciled amount verified from Audit.

Audit recommends that the management needs to expedite recovery besides investigating the matter for fixing responsibility.

(DP-16/2016-17)

13.4.8 Loss to public exchequer due to non-deduction of stamp duty fee on procurements- Rs.1.58 million

According to Schedule-I Stamp duty Act 1899 [at serial No. 22-A (b)],"Contract, that is to say any instruments of the nature of memorandum of agreement made or entered into by a contractor with Government, Corporation, Local Body, Local Authority, Agency or Organization setup or controlled by the Federal or the Provincial Government (b) to procure stores and material (twenty-five paisas for every one hundred rupees or part thereof of the amount of the contract).

In PMU HESCO, while awarding contracts, stamp duty amounting to Rs.1.58 million @ 0.25% of the total value of contract i.e. Rs.632.17 million for the supply of equipment, machines, materials etc. was not deducted which caused loss to the public exchequer.

Non-adherence to the Stamp Duty Act resulted in loss Rs.1.58 million to public exchequer due to non-deduction of stamp duty fee on the procurement of stores and material up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the matter was under clarification with the legal / finance department of HESCO, if applicable, the stamp duty would be deducted from the forthcoming invoices of the contractor. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to obtain the legal opinion expeditiously and intimate the status to Audit accordingly.

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

(DP-1380/2016-17)

CHAPTER-14

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED (IESCO)

14. ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED

14.1 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 NTDCL 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.

14.2 Comments on Financial Statements

14.2.1 Extracts of the Financial Statements

Balance Sheet as on June 30, 2016

(Rs. in million)

	2015-16	%	2014-15	%	2013-14
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)	6,086.18	(71.95)	21,699.67	(4.55)	22,734.40
	11884.43	(56.78)	27,497.92	(3.63)	28,532.65
Deposits for the issuance of shares	20,112.51	0.00	20,112.51	0.00	20,112.51
Non-current liabilities					
Long term loans	5,564.26	1.32	5,491.32	(0.62)	5,525.66
Consumer security deposits	4,581.77	7.91	4,245.55	11.29	3,814.86
Employee retirement benefits	31,639.18	50.16	21,069.31	51.50	13,907.35
Liabilities against assets subject to finance lease	0.00	0.00	19,462.55	0.00	0.00
Deferred credit	23,079.72	5.86	21,802.39	0.00	21,802.39
	64,864.93	(10.00)	72,071.12	0.00	72,071.12

Current liabilities					
Creditors, accrued and other liabilities	44,122.05	123.48	19,742.69	16.06	0.00
Current portion of long term loans	2,860.62	24.70	2,293.84	33.44	1,719.01
	46,982.67	63.48	28,738.07	28.79	22,313.88
	175,624.13	18.32	148,419.65	.10.74	134,026.68
Assets					
Non-current assets					
Operating fixed assets	86,430.85	17.14	73,781.36	4.15	70,844.06
Non-Current assets held for sale	0.00	0.00	16.00	(85.04)	106.98
	86,430.85	17.11	73,797.36	4.03	70,951.04
Long term advances	60.02	(35.43)	92.96	95.25	47.61
Current assets					
Stores and spares	604.71	35.07	447.67	5.64	423.78
Trade debts	55,980.27	18.33	47,307.93	19.47	39,599.73
Short term advances	255.52	62.30	157.44	6.31	148.09
Interest accrued	0.78	21.87	0.64	(41.28)	1.09
Recoverable from tax authorities	13,656.82	(10.31)	15,226.45	(32.81)	11,465.09
Receivable from GoP	7,768.65	35.33	5,740.32	1.51	5,654.75
Other receivables	9,393.22	129.43	4,094.11	9.12	3,751.84
current portion of long-term loans	20.37	3.08	19.76	10.95	17.81
Short-term investment	80.68	0.00	80.68	(100.00)	0.00
Cash and bank balances	1,354.64	(6.85)	1,454.33	(26.02)	1,965.75
	89,115.68	19.57	74,529.33	18.25	63,027.94
	175,624.13	**18.33**	**148,419.65**	**10.74**	**134,026.68**

Profit and Loss Account
For the year ended June 30, 2016

	2015-16	%	2014-15	%	2013-14
Revenue					
Electricity sale	68,326.43	(22.20)	87,828.63	(6.49)	93,920.43
Subsidy from GoP	6,502.41	(42.15)	11,239.58	(62.15)	29,698.47
	74,828.84	(24.47)	99,068.21	(19.86)	123,618.90
Cost of electricity	(72,478.46)	(11.76)	(82,138.90)	(188.29)	93,038.22
Gross profit / (Loss)	**2,350.39**	**(86.12)**	**16,929.31**	**(44.64)**	**30,580.68**
Amortisation of deferred credit	1,155.75	7.92	1,070.90	(2.44)	1,097.67
	3,506.14	(80.52)	18,000.21	(43.18)	31,678.34
Administrative expenses	(5,280.70)	14.77	(4,600.82)	(460.29)	1,276.98
Distribution costs	(7,789.29)	(5.74)	(8,263.66)	(206.26)	7,777.12
Customer services costs	(528.08)	(6.65)	(565.68)	(205.80)	534.68
	(13,598.07)	**1.25**	**(13,430.16)**	**(240.06)**	**9,588.78**
	(10,091.92)	**120.84**	**4,569.74**	**(79.31)**	**22,089.57**
Other income	1,222.34	4.97	1,164.49	(20.39)	1,462.83
Operating profit / (loss)	**(8,869.58)**	**(254.68)**	**5,734.23**	**(75.65)**	**23,552.39**
Financial and other charges	(1,176.15)	2.34	(1,149.19)	(228.46)	894.57
	(10,045.73)	**(319.09)**	**4,585.04**	**(79.76)**	**22,657.82**
Tax	(683.26)	(62.90)	(1,841.53)	(100.00)	
Taxation deferred	2,983.20	0.00	0.00	0.00	0.00
Profit(loss) for the year	**(7,745.800)**	**(382.33)**	**2,743.51**	**(87.89)**	**22,657.82**

14.2.2 Comments on Audited Accounts

i) Non-recognition of supplemental charges

The Company had not been able to record supplemental charges of Rs.6,864.32 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, 864.32 million. Similarly, accumulated loss would have too increased at the balance sheet date. It showed that current figure of accumulated loss of Rs. (7,745.80) million was under stated by an amount of Rs.6,864.32 million. Non-recognition of these charges needed justification

ii) Non-recognition of interest on syndicated loan

The Federal Government, through Power Holding Private Limited (PHPL) had injected money in the DISCOs through borrowings from commercial banks. The amount was ultimately transferred to the Distribution Companies on the basis of outstanding payables towards Central Power Purchasing Agency (CPPA) which aggregates to Rs.335,474 million up till last year. On 30th June 2014, CPPA had issued advices of loan amounting to Rs.10,377 million that representing the facility allocated to the Company by the Ministry which would be adjusted against payables to CPPA. However, Company neither recognized loan nor interest amounting to Rs.7,715.76 million charged in its books of accounts so for. Had this interest on syndicated loan been charged it would have enhanced the expenditure and increased the current year loss by Rs.7,715.76 million. The matter needs justification.

iii) Sales and Cost of sales

The sales of the Company decreased to Rs.74,828.84 million (22.20%) including the subsidy from Government of Pakistan Rs.6,502.41 million over the previous year. Further, cost of sales of Company was Rs.(72,478.46) million. It showed the Company earned a gross profit of Rs.2,350.39 million.

iv) Profitability

The Company sustained a net loss of Rs.(7,745.80) million during the current year. Therefore, total accumulated profit has been decreased to Rs.6,086.18 million (Rs.21,699.67 million 2014-15).

v) Trade Debts and other Receivable

Total receivable of the Company reached to Rs.87,055.26 million (2015: Rs.74,529.33 million) with a increase of Rs.12,525.93 million (14.38%). Out of total amount, Rs.5,740.32 7,768.65 million was receivables from Government of Pakistan and Rs.81,314.94 million from various related parties on account of sold of electricity. Such huge balance of receivables depicts the poor recovery position of the Company, which needed justification.

vi) Trade and other Payables

Payables substantially inclined from Rs.19,742.69 million to Rs.44,122.05 million (123.48%). It was mainly due to the accrued liabilities of Rs. 14,432.34 million, Government surcharge payable like equalization surcharge, tariff realization surcharge and finance cost. The finance cost surcharge has been notified by the GoP in June 10, 2015 at the rates mentioned against categories of electricity consumers as specified in schedule of electricity tariff for the company. The amount of surcharge is to be kept in escrow account of CPPA for the payment of the finance cost of various loans obtained to discharge liabilities of power producers. However, a huge amount as payables depicts poor financial management of the company which needs justification.

vii) Admin and Distribution Expenses

The admin and distribution expenses increased by Rs.205.51 million which mainly attributed to provision for slow moving stores, spares and loose tools which increased by (Rs.157.04 million) i.e. 35.07% (2015: 447.67million).

viii) Long term Financing

The carrying amount of long term loans increased to Rs.5,564.26 million with an increase of Rs.72.94 million at the balance sheet date (1.32%) during the current financial year. The Company charged an amount of Rs.1,176.15 million as financial and other charges in the profit and loss account during the current year (2015: Rs.1,149.19 million) an increase of 2.34% 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. However, reliance on borrowings / (loans) and payment of financial charges need to be justified.

14.2.3 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.

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
IESCO	2013-14	7	-	-	7 [Para No.4.1.1, 4.1.2, 4.1.4, 4.1.6, 4.1.7, 13.4.6, (13.4.2, 13.4.3, 13.4.4, 13.4.5, 13.4.8, 13.4.9, 13.4.12, 13.4.17, 13.4.19, 13.4.20, 13.4.21, 13.4.23, 13.4.24, 13.4.25, 13.4.26, 13.4.27, 13.4.28, 13.4.29)]

Position of compliance with PAC directives is not satisfactory.

14.4 AUDIT PARAS

14.4.1 Loss due to non-recovery of embezzled amount from transport directorate employees - Rs.11.68 million

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

In IESCO, an inquiry was constituted to probe into the allegations levied by the field staff of Transport Directorate on the Manager Transport. It was recommended by the inquiry committee in September, 2013 that besides initiating disciplinary action, the loss due to embezzlement / corrupt practices sustained by the department would be worked out by Finance Director and recovered from Mr. M. Ali Zulqarnain Kiani, Manager Transport and Malik M. Arif UDC at the ratio of 80% and 20%. But no action was taken for making good the loss.

Non-adherence to Authority's instructions resulted in non-recovery of loss amounting to Rs.11.68 million up to the financial year 2015-16.

The matter was taken up with the management in September, 2016 and reported to the Ministry in December, 2016. The management replied that the relevant record would be produced to Audit. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to furnish revised reply along with supporting documents / record to Audit.

Audit recommends that the management needs to implement the recommendation of department inquiry committee.

(DP-1565/2016-17)

14.4.2 Irregular expenditure incurred on execution of turnkey basis project - Rs.490.91 million

According to Clause-4 of contract agreement, "the employer hereby covenants to pay the contractor, in consideration of the execution and completion of the works as per provision of the contract, the contract price or such other sum as may become payable under the provision of the contract."

In PMU IESCO, an amount of Rs.490.91 million was incurred in excess of estimates on the execution of the 132 KV Grid Station NBBIA Islamabad. The expenditure, incurred over and above the original estimate on the turnkey project / work without revision of the estimate, could not be considered regular.

Non-adherence to contract clause resulted in irregular expenditure of Rs.490.91 million incurred on execution of turnkey basis project up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that overall expenditure was within approved limit of PC-I and excess expenditure was approved by the competent authority. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the stance verified by producing the record to Audit.

Audit recommends that the management needs to investigate the matter for fixing responsibility for incurrence of excess expenditure.

(DP-1412/2016-17)

14.4.3 Loss due to procurement of defective energy meters – Rs.248.05 million

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

In IESCO, 60,500 energy meters valuing Rs.248.05 million was procured from M/s S.B. Electronics, Lahore (ICB-12) against contract dated February 17, 2009 under World Bank Loan No. 7565, which were found defective within warranty period. Neither the matter was taken up with the manufacturers for replacement of defective energy meters nor any inquiry constituted to fix the responsibility.

Non-implementation of Authority's instructions resulted in loss of Rs.248.05 million due to purchase of defective energy meters up to the financial year 2015-16.

The matter was taken up with the management in September, 2016 and reported to the Ministry in December, 2016. The management replied that all the energy meters were installed and working satisfactory.

The reply was not acceptable as no documentary evidence was provided to substantiate the reply.

The DAC in its meeting held on January 24, 2017 directed the management to get the stance verified by producing the record to Audit. Further progress was not reported till finalization of the report.

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

(DP-1414/2016-17)

14.4.4 Non-utilization of electrical material - Rs.150.99 million

According to Para-4.5 (Section-9) of WAPDA Distribution Stores Manual, "the line Superintendent will use the material on the job for which he drew them and will record the consumption in his EMB / MSR showing any material left after the work has been completed.

In Construction Circle IESCO, electrical material worth Rs.150.99 million was drawn by line staff from stores for installation on 510 sites. Neither the said material was installed nor returned to stores since long. No efforts were made by the department towards utilization of material and completion of works.

Non-adherence to WAPDA Distribution Stores Manual resulted in non-utilization of electrical material amounting to Rs.150.99 million up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that some of the works had been completed and remaining works were under completion. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the stance verified by producing the record to Audit and expedite pending actions.

Audit recommends that the management needs to expedite the utilization of electrical besides fixing the responsibility of inordinate delay.

(DP-1137/2016-17)

14.4.5 Unjustified charging of excess amount on overhead expenses - Rs.33.51 million

According to Clause-34 (Fixed Assets Management) of Accounting Manual, labour and overhead charges @ 8% and store charges @ 12% of the material costs are to be calculated.

In GSC Circle IESCO, an amount of Rs.33.51 million on account of 28% to 100% overheads was charged to thirteen (13) deposit works in excess of prescribed limit of 8%. Charging of excess amount of overheads was against the prescribed policy and was not justified.

Non-adherence to Accounting Manual resulted in unjustified charging of excess amount of Rs.33.51 million on overhead expenses up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that SMS Project was executed for NTDCL, for which the material was provided by NTDCL. IESCO had only installed material and completed the civil works only.

The over heads were also charged on actual basis.

The reply was not tenable as no justification for booking of overheads more than prescribed limit was provided.

The DAC in its meeting held on January 24, 2017 directed the management to furnish revised reply with reference to rules. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to justify such heavy overheads.

(DP-1218/2016-17)

14.4.6 Irregular payment to the contractor on account of variation order - Rs.23.87 million

As per letter of the General Manager Technical Services Wing NTDCL, the work was funded by ADB and previously the ADB has not approved the variation of scope from the tender. After approval of the profile the variation will further increases therefore work shall be executed after approval of the variation order from funded agency.

In PMU IESCO, a variation order No.2 amounting to Rs.23.87 million, equal to 15.36% of the original contract price of the work of 132 KV SDT Transmission Line Hattian to Bagh, was irregularly approved by the CEO under ADB Loan Tranche-II. The said variation order was not approved from the ADB which was irregular and un-justified.

Non-adherence to above instructions resulted in irregular payment of Rs.23.87 million on account of variation order up to the financial year 2015-16.

The matter was taken up with management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the approval of the variation order No.2 was not required from ADB.

The reply was not tenable as the variation order No.2 was required to be approved from ADB.

The DAC in its meeting held on January 24, 2017 directed the management to furnish revised reply along with supporting documents to Audit. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides regularizing the variations.

(DP-1567/2016-17)

14.4.7 Unjustified payment on account of repair of transformers to private reclaimed workshop - Rs.23.14 million

According to office order dated September 07, 2007, the damaged transformers would be checked at reclamation workshop Wah by a technical committee comprising of three members. Repair and maintenance should be carried out according to the report provided by the Technical Committee.

In IESCO, a rate contract for repair of damaged transformers on lumpsum basis was made with M/s Hammad Transformer Engineering Co. during September 2015. An amount of Rs.23.14 million was paid on account of repair of damaged transformers without checking the transformers by technical committee as per SoP. Moreover, in the presence of WAPDA Reclamation Workshops, repair of transformers from private workshop was un-justified.

Non-adherence to instructions resulted in unjustified payment of Rs.23.14 million due to repair of damaged transformers form the private workshops during the financial year 2015-16.

The matter was taken up with the management in September, 2016 and reported to the Ministry in December, 2016. The management replied that the lumpsum basis was used because transformers were repaired capacity wise. Moreover, M/S Hammad T/F Engineering Company was an approved workshop of IESCO and capacity of Pakistan WAPDA Foundation Workshop was insufficient to meet the demand of IESCO.

The reply was not tenable as the payment was made to workshop without assessing the actual damages.

The DAC in its meeting held on January 24, 2017 directed the management to get the stance verified by producing the record to Audit. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for fixing responsibility for incurrence of irregular expenditure.

(DP-1425/2016-17)

14.4.8 Unauthorized expenditure on civil works - Rs.21.14 million

According to Chapter-3 (Audit of Works Accounts), “the tendered amount should not exceed the administrative approval by more than 15 percent, and if it exceeds, Authority’s approval has been obtained”.

In IESCO, 126 civil works were awarded to different contractors at 25% to 50% above BoQ cost / technical sanction which entailed extra expenditure of

Rs.21.14 million. Neither justification for award of contracts at higher rates was given nor the excess expenditure was got regularized from the competent authority.

Non-adherence to authority's instructions resulted in unauthorized expenditure of Rs.21.14 million during the financial year 2015-16.

The matter was taken up with management in September, 2016 and reported to the Ministry in December, 2016. The management replied that all the estimates were prepared on the basis of WCSR-2013 whereas the market rates had been increased about 50% as compared to financial year 2013.

The reply was not tenable as expenditure in excess of 15% needed to be regularized.

The DAC in its meeting held on January 24, 2017 directed the management to furnish revised reply along with supporting documents to Audit. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to justify / regularize the excess expenditure.

(DP-1417/2016-17)

14.4.9 Un-justified expenditure on village electrification - Rs.16.36 million

According to the Cabinet Division directions for the PMDGs Scheme (i) at least 15 residents of an area or civil society will make a request on the prescribed proforma. This request shall be forwarded to the concerned DC / DCO or relevant agencies for processing.

In Construction Circle IESCO, nineteen (19) works of village electrification amounting to Rs.16.36 million were incurred without observing the above criterion. Hence, funds utilized against the policy were un-justified.

Non-adherence to directions of Cabinet Division resulted in un-justified expenditure amounting to Rs.16.36 million on village electrification during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the DCO had issued the funds to IESCO for execution of such schemes.

The reply was not tenable as the expenditure was incurred in violation of village electrification criteria.

The DAC in its meeting held on January 24, 2017 directed the management to get the stance verified from Audit. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to justify the irregular expenditure besides fixing the responsibility.

(DP-1569/2016-17)

14.4.10 Loss due to non-recovery of advances from defaulter contractor - Rs.9.94 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 PMU IESCO, an amount of Rs.9.94 million was paid to M/s M.R Electric – Al-Abdullah (J.V) as advance in May, 2011. The advance could not be recovered / adjusted despite lapse of more than five years as the contractor did not undertake the work. No action was taken against the contractor for recovery of advance payment.

Non-adherence to Authority's instructions resulted in loss of Rs.9.94 million due to non-recovery of advance from the contractor up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that an amount of Rs.3.18 million had already been recovered and efforts were being made to recover the remaining amount from the contractor. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the recovered amount verified from Audit and expedite the remaining recovery.

Audit recommends that the management needs to expedite the recovery of advance payment from contractor besides fixing responsibility.

(DP-1573/2016-17)

14.4.11 Un-justified expenditure incurred on diversion of load - Rs.7.59 million

As per Technical Consultant Report, the formation was advised study the system and ground realities before fixing reservations and proposals on important issues relating to the stability of the system.

In PMU IESCO, an amount of Rs.7.59 million was incurred for the execution of the T-Off arrangements to bypass 132 KV Zero Point Grid Station by construction of 132 KV diversion from terminal towers of 132 KV Rawal zero point to zero point T/L. The work was executed without considering the report of technical consultant, hence, expenditure incurred on the unfeasible work was un-justified.

Non-implementation of Technical Consultant Report resulted in un-justified expenditure on work amounting to Rs.7.59 million during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the proposal was got approved from the CEO, being competent authority.

The reply was not acceptable as the expenditure incurred on the unfeasible work was un-justified.

The DAC in its meeting held on January 24, 2017 directed the management to furnish the revised reply along with supporting documents to Audit. Further progress was not reported till finalization of the report.

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

(DP-1571/2016-17)

14.4.12 Loss due to irregular up-gradation - Rs.6.67 million

As per Director (Rules) office memorandum dated August 20, 2011 regarding time scale up-gradation, this facility will be applicable to such categories of employee whose original basic pay scale of post is (BPS-16). Those already in (BPS-16) by virtue of Selection Grade / Time Scale Up-gradation / placement in etc shall not be eligible.

In IESCO, seventy three (73) Data Entry Operators and Line Staff were promoted to BPS-17 irregularly. The above said facility was available to such categories of employees whose original basic pay scale of post was BPS-16. These employees were already on selection grade in BPS-16 and they were not holding original basic pay scale. Hence, up-gradation of said employees was irregular and un-justified.

Non-adherence to rules resulted in loss of Rs.6.67 million due to irregular up-gradation of pay scales up to the financial year 2015-16.

The matter was taken up with management in September, 2016 and reported to the Ministry in December, 2016. The management replied that BOD was competent to amend the Service Rules. All the orders of Time Scale Up-gradation were according to the prevailing rules & instructions.

The reply was not acceptable as the employees were up-graded irregularly.

The DAC in its meeting held on January 24, 2017 directed the management to refer the matter to PEPCO for clarification. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for irregular up-gradation of pay scales.

(DP-1424/2016-17)

14.4.13 Irregular charging on account of shifting of material – Rs.6.61 million

According to the GM (Operation) WAPDA, Lahore's letter dated August 15, 2003 that in all cases, charges of shifting of transformer substations shall be recovered at fixed rates.

In Construction Circle IESCO, an amount of Rs.6.61 million was charged in excess of shifting charges to M/s Metro Bus Project Authority on account of shifting of thirty five transformers of different capacities. These charges were added in estimates at the rates of installation charges for new substations instead of shifting rates which was irregular.

Non-adherence to Authority's instructions resulted in irregular charging of Rs.6.61 million on account of shifting of transformer substations up to the financial year 2015-16.

The matter was taken up with the management in May, 2016 and reported to the Ministry in September, 2016. The management replied that these charges were added as per Authority's instructions.

The reply was not acceptable as shifting charges were recovered in violation of Authority's instructions.

The DAC in its meeting held on January 24, 2017 directed the management to furnish revised reply along with complete estimates to Audit. Further progress was not reported till finalization of the report.

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

(DP-99/2016-17)

14.4.14 Irregular refund of amount on account of liquidated damages - Rs.5.96 million

As per Clause-11(A-i) of the work orders for civil works, “applicable rate for liquidated damages was 2% of the contract price per day up to maximum limit of 10% of the total contract cost.

In PMU IESCO, an amount of Rs.5.96 million was deducted through invoices of M/s Transmark International (Pvt.) Limited on account of L.D. Charges on delayed supply of material / execution of civil work. Subsequently, amount deducted on account of L.D Charges was refunded without any justification which caused loss to the Company.

Poor contract management resulted in irregular refund of Rs.5.96 million on account of liquidated damages during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the contractor had applied for extension of time. Moreover, the works were in progress after the due completion dates.

The reply was not tenable as no justifications for refund of L.D charges was provided.

The DAC in its meeting held on January 24, 2017 directed the management to furnish revised reply along with supporting documents to Audit. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides recovery of LD charges.

(DP-1570/2016-17)

14.4.15 Irregular sanction of estimates of village electrification - Rs.5.56 million

According to the Cabinet Division directions for the PMDGs Scheme, schemes with estimated cost of Rs.0.50 million or more shall be included in the programme.

In Construction Circle IESCO, estimates of seventeen (17) works for village electrification amounting to Rs.5.56 million were sanctioned without observing the above mentioned criteria. Hence, expenditure incurred was unjustified and irregular.

Non-adherence to directions of Cabinet Division resulted in irregular sanction of estimates of village electrification amounting to Rs.5.56 million during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that small schemes having cost less than 5 laces were merged as umbrella shape to meet the criteria as per decision made by the Steering Committee constituted by Government of Pakistan and approval was granted by concerned DCO.

The reply was not tenable as schemes were sanctioned in violation of prescribed criteria.

The DAC in its meeting held on January 24, 2017 directed the management to get the stance verified by producing the relevant record to Audit.

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

(DP-1563/2016-17)

14.4.16 Non-reimbursement of vehicle running expenditure from other organizations - Rs.5.20 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-imbursement.

In IESCO, ten (10) vehicles of different organizations were attached with Ministry of Water & Power but running and maintenance expenditure of these vehicles amounting to Rs.5.20 million was met out from the funds of IESCO. Neither the amount was debited to concerned organization nor recovery was effected.

Non-adherence to Authority's instructions resulted in non-reimbursement of vehicles running & maintenance expenditure amounting to Rs.5.20 million during the financial year 2015-16.

The matter was taken up with management in September, 2016 and reported to the Ministry in December, 2016. The management replied that the vehicles were utilized for the performance of official duties by the officers / officials of Ministry of Water and Power.

The reply was not tenable as the expenditure should have been charged to the concerned formations / Ministry.

The DAC in its meeting held on January 24, 2017 directed the management to furnish revised reply along with supporting documents to Audit. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to expedite recovery of vehicles running & maintenance expenditure from the Ministry / concerned formations.

(DP-1416/2016-17)

14.4.17 Un-justified and irregular promotion - Rs.5.04 million

According to the PEPCO office memorandum No.GM/HR/HRD/A-693 (M) / 2032-63 dated September 29, 2012, two successive up-gradation are not admissible unless there occurs an intervening regular promotion between them.

In IESCO, Mr. Muhammad Ali Zulqarnain (Manager TPT) was promoted to BPS-18 in March, 2009 and then in BPS-19 in July, 2012 in the sanctioned strength of IESCO. Hence, payment made on account of pay and allowances for the post of BPS-18 and 19 was un-justified.

Non-implementation of rules resulted in un-justified payment of Rs.5.04 million on account of irregular promotion up to the financial year 2015-16.

The matter was taken up with the management in September, 2016 and reported to the Ministry in December, 2016. The management replied that clarification regarding promotion of the officer was being sought from Carrier Management Cell, Lahore.

The DAC in its meeting held on January 24, 2017 directed the management to pursue the matter vigorously. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for irregular promotion besides fixing responsibility against the person(s) at fault.

(DP-1418/2016-17)

14.4.18 Excess expenditure on contract work beyond the estimated cost - Rs.3.26 million

According to Section-III-C (1) of WAPDA 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 IESCO, an amount of Rs.11.20 million, on account of contract works, was included in an estimate of Metro Bus Authority. As per job card, an amount of Rs.14.46 million was incurred on contract work. Thus, an amount of Rs.3.26 million was incurred in excess of estimated / deposited amount. Neither the justification of excess expenditure was given nor the excess amount recovered from the sponsors.

Non-adherence to financial rules resulted in excess expenditure of Rs.3.26 million on contract work beyond the estimated amount up to the financial year 2015-16.

The matter was taken up with the management in April, 2016 and reported to the Ministry in December, 2016. The management replied that all the payments made on account of Metro Bus Project were according to permissible limit within 5%.

The reply was not tenable as neither the excess expenditure was got regularized nor recovered from sponsoring agency.

The DAC in its meeting held on January 24, 2017 directed the management to get the stance verified from Audit.

Audit recommends that the management needs to justify the amount of excess expenditure besides its recovery from the sponsoring agency.

(DP-1313/2016-17)

14.4.19 Loss due to non-replacement of sluggish meters - Rs.2.50 million

As per Section-6 of Part-IV of NEPRA Performance Standards (Distribution) Rules, 2005, a distribution company shall ensure any investigation and decision of dispute concerning metering, billing and electricity consumption charges are finalized within twenty one days. The disputed meter shall be inspected by the authorize distribution company personnel within five days of receipt of the particular complaint.

In Operation Circle IESCO Jhelum, 1515 obsolete old and sluggish meters were pending for replacement. The pendency in replacement of defective meters for more than two months to one year caused theft of energy and loss of Rs.2.50 million.

Non-observance of rules resulted in loss of Rs.2.50 million due to non-replacement of defective meters during the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in November, 2016. The management replied that all the meters had been replaced.

The reply was not tenable as no documentary evidence was provided to substantiate the reply.

The DAC in its meeting held on January 24, 2017 directed the management to get the stance verified from Audit.

Audit recommends that the management needs to investigate the matter for non-replacement of defective meters besides ensuring early replacement.

(DP-612/2016-17)

14.4.20 Non-recovery of amount of risk & cost from the contractor - Rs.2.06 million

According to Clause-16.1 of the contract agreement, if they contractor fails to complete the works with the stimulated time, the contract would be terminated and the work would be re-awarded at the risk and cost of the contractor.

The Project Director (GSC) IESCO awarded a work order for execution of remaining work at 132 KV Grid Station, Dudyal amounting to Rs.2.06 million to M/s M.A & Sons on April 13, 2014. The subject work was originally awarded to M/s Naeem & Company in 2005 who left the work incomplete, hence, the remaining work was awarded at the risk and cost of the original contractor. The amount of risk and cost was not recovered from the contractor so far.

Non-adherence to contract clause resulted in non-recovery risk and cost amount of Rs.2.06 million from the contractor up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the said works were necessary for O&M of grid station to avoid any mishap / misfortune and a timely approach to grid station in case of any emergency. The interest of the company was the motive behind in completion of remaining work and the approval for the execution of remaining work was obtained from the competent authority.

The reply was not tenable as neither any justification for recovery of risk and cost from defaulted contractor was provided nor any amount was recovered from him.

The DAC in its meeting held on January 24, 2017 directed the management to conduct fact finding inquiry to arrive at factual position.

Audit recommends that the management needs to investigate the matter for fixing the responsibility besides recovering the amount of risk and cost from the contractor.

(DP-1289/2016-17)

14.4.21 Non-recovery of unauthorized payment due to over stay in service - Rs.1.38 million

According to the Clause-23(2) of WAPDA Book of Financial Power, "any sum due to the Authority shall be recoverable as arrears of land revenue."

In Operation Circle IESCO Islamabad, an amount of Rs.1.38 million was paid to Line Superintendent on account of pay & allowances for unauthorized overstay in service w.e.f. July 25, 2013 to March 31, 2016 beyond superannuation. The matter was inquired through an inquiry committee which imposed penalty for recovery of the amount from the said official which was not recovered and no action was taken against any other officer / official for this negligence.

Non-adherence to financial rules resulted in non-recovery of unauthorized payment of Rs.1.38 million from the employee on account of over stay in service up to the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in December, 2016 The management replied that the recovery would be made from LS concerned through his pension / commutation as per recommendation of inquiry committee and disciplinary action had been initiated and finalized against the concerned LDC by imposing the penalty of stoppage of one annual increment without future effect. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the completed action verified from Audit and expedite the pending action.

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

(DP-1135/2016-17)

CHAPTER-15

LAHORE ELECTRIC SUPPLY COMPANY LIMITED (LESCO)

15. LAHORE ELECTRIC SUPPLY COMPANY LIMITED

15.1 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 (NTDCL) and sells it to the consumers in Lahore, Sheikhupura, Kasur, Okara and Nankana Sahib Districts.

LESCO receives supply from NTDCL 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.

15.2 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, 2016.

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
LESCO	2009-10	6	-	-	6 (Para No.12.12, 12.15, 12.16, 12.17, 12.19, 12.20, 13.11)
	2013-14	7	-	-	7 [Para No.4.1.1, 4.1.2, 4.1.4, 4.1.7, 4.1.8, (14.4.1, 14.4.2, 14.4.4, 14.4.5, 14.4.6, 14.4.7, 14.4.8, 14.4.9, 14.4.10, 14.4.11, 14.4.12, 14.4.13, 14.4.14, 14.4.15, 14.4.16, 14.4.17), 14.4.18]

Position of compliance with PAC directives is not satisfactory.

15.4 AUDIT PARAS

15.4.1 Loss to the company due to fraudulent payment of pension to ghost pensioners / excess payment to pensioners - Rs.53.45 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".

Deputy Manager (Operation) and Assistant Manager (Customer Service) Allama Iqbal Town Division, LESCO paid an amount of Rs.53.45 million fraudulently to Ghost Pensioners / excess payment to pensioners. This fraud was committed by preparing two lists, one for Executive Engineer and Revenue Offices record with actual amount of pensioners and second was prepared for sending to bank branches after including the ghost pensioners / excess amount of pensioners for transferring the amount to their respective accounts. Proper Standard Operating procedures were not devised by the financial management which entailed such huge loss to the company. No inquiry was constituted to probe into the matter and fix the responsibility of loss.

Non-adherence Authority's instructions resulted in fraudulent payment of pension amounting to Rs.53.45 million to the ghost pensioners/excess payment to pensioners during the financial year 2015-16.

The matter was taken up with management in October, 2016 and reported to the Ministry in November, 2016. The management replied that the matter was under investigation in FIA. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to pursue the case with FIA vigorously.

Audit recommends that the management needs to conduct a departmental inquiry for fixing reasonability besides recovering the loss from the delinquents.

(DP-493/2016-17)

15.4.2 Huge differences in bank reconciliation statements - Rs.7,643 million

According to Financial & Accounting Policies and Procedures Manual of LESCO, i) Finance director is responsible to oversee the overall accounting and financial aspects of the DISCO. ii) Assistant Manager (Customer Services) will oversee the activities carried out at the Revenue Office and to act as a liaison between the Revenue Office, MIS Department and the Finance Directorate. iii) Accounts Officer (Revenue Office) is responsible for review and verifies the daily scrolls collected from the banks, reconciliation of banks through CP-48 and CP-49, preparation of different CP forms for submission to the MIS Department and maintenance of cash book.

In LESCO, as per bank reconciliation statement, debit items of Rs.3,650 million and credit items of Rs.3,993 million were remained un-reconciled. Efforts were not made to reconcile the differences to arrive at factual position.

Non-adherence to Financial & Accounting Policies and Procedures Manual resulted in non-reconciliation of differences amounting to Rs.7,643 million up to the financial year 2015-16.

The matter was taken up with the management in October, 2016 and reported to the Ministry in December, 2016. The management replied that the revenue collection summary of all field offices for June, 2016 had been received in the last week of December, 2016 and expected that the bank reconciliation statement of Revenue Collection Accounts would be completed in January, 2017 however, proper reply along with documentary evidence would be provided to Audit. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to finalize the bank reconciliations without further delay and get it verified from Audit.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides reconciliation of differences.

(DP-1270/2016-17)

15.4.3 Non-crediting of revenue to main revenue collection account - Rs.5,262.02 million

According to Financial & Accounting Policies and Procedures Manual of LESCO, i) Finance Director is responsible to oversee the overall accounting and financial aspects of the DISCO. ii) Assistant Manager (Customer Services) will oversee the activities carried out at the Revenue Office and to act as a liaison between the Revenue Office, MIS Department and the Finance Directorate. iii) Accounts Officer (Revenue Office) is responsible for review and verifies the daily scrolls collected from the banks, reconciliation of banks through CP-48 and CP-49, preparation of different CP forms for submission to the MIS Department and maintenance of cash book.

In LESCO, revenue remittances of Rs.5,262.02 million from different field collection accounts to main revenue collection accounts at Head Office remained un-credited. Neither the concerned Revenue Offices nor Finance Directorate timely reconciled the revenue remittances against scrolls reported to Management Information System (MIS) LESCO. This negligence portrayed lack of coordination between concerned Revenue Offices and Finance Directorate and ultimate a revenue loss to the Company.

Non-adherence to Financial & Accounting Policies and Procedures Manual resulted in non-remittance of funds to main account amounting to Rs.5,262.02 million up to the financial year 2015-16.

The matter was taken up with the management in October, 2016 and reported to the Ministry in December, 2016. The management replied that the revenue collection summary of all field offices for June, 2016 had been received in the last week of December-2016 and expected that the bank reconciliation statement of Revenue Collection Accounts would be completed in January-2017 however, proper reply along with documentary evidence would be provided to Audit. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to finalize the bank reconciliations without further delay and get it verified from Audit.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides ensuring remittance of funds to main account.

(DP-1324/2016-17)

15.4.4 Non-utilization of funds due to poor financial management - Rs.4,890 million

As per approval of STG Budget for the financial year 2015-16 communicated by the CFO LESCO letter No.5468-72/CFO/LESCO/CPC/Budget dated July 02, 2015, Capital budget of Rs.8,112 million was allocated for execution of Grid stations and Transmission Lines for the financial year 2015-16.

In GSC Circle LESCO, an amount of Rs.8,112 million was allocated for construction works relating to various grid stations and transmission lines under STG works for the financial year 2015-16. But due to poor financial and project management only Rs.3,222 million (39%) was utilized by the field formations during the current financial year and a budget of Rs.4,890 million (61%) was lapsed. Due to non-utilization /execution of works, the set objectives could not be achieved which showed poor planning, inefficiency on the part of management.

Non-implementation of Company's instructions resulted in non-utilization of funds amounting to Rs.4,890 million during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that during year 2015-16 the desired goal could not be achieved due to non-availability of material and ROW problems.

The reply was not tenable as it was responsibility of the management to ensure timely procurement of material and clearance of ROW problems.

The DAC in its meeting held on January 24, 2017 directed the management to furnish a detailed revised reply along with supporting documents. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for fixing responsibility for non utilization of funds.

(DP-1245/2016-17)

15.4.5 Irregular Short Term Investment in Banks - Rs.3,674.14 million

According to the Finance Division letter No. F.4(1)/2002-BR.II dated July 02, 2003: i) The process of selection of bank/(s) should be transparent. Therefore, prior to placing deposits with a bank under this new policy, and in case the total working balances exceed Rs.10 million, the selection of the bank/(s) as well as the terms of deposits will be approved by the concerned Board of Directors/Governing Body. ii) It has been decided to allow the public sector entities to invest their surplus funds in the Non-Government securities/TFCs/Shares also up to a maximum of 20% of the total funds under management

In LESCO, an amount of Rs.3,674.14 million was invested in different banks for a period of six and three months against the above mentioned criteria and without the approval of BOD. Moreover, the management had not get defined and approved its working balance limit and funds were invested only in four branches.

Non-adherence to Government instructions resulted in irregular short term investment of Rs.3,674.14 million in banks during the financial year 2015-16.

The matter was taken up with the management in October, 2016 and reported to the Ministry in December, 2016. The management replied that BOD had authorized to convert the daily product balance of LESCO Accounts into TDRs and to leave nominal balances therein for operational needs.

The reply was not tenable as the funds were invested in violation of Government instructions which needed to be justified.

The DAC in its meeting held on January 24, 2017 directed the management to furnish a detailed reply after going through the contents of audit observation.

Audit recommends that the matter needs to be investigated for fixing responsibility upon the persons at fault.

(DP-1240/2016-17)

15.4.6 Remittances wrongly credited in Main Revenue Collection Account – Rs.1,768.01 million

The Financial & Accounting Policies and Procedures Manual of LESCO provides that: i) Finance director is responsible to oversee the overall accounting and financial aspects of the DISCO. ii) Assistant Manager (Customer Services) will oversee the activities carried out at the Revenue Office and to act as a liaison between the Revenue Office, MIS Department and the Finance Directorate. iii) Accounts Officer (Revenue Office) is responsible for review and verifies the daily scrolls collected from the banks, reconciliation of banks through CP-48 and CP-49, preparation of different CP forms for submission to the MIS Department and maintenance of cash book.

In LESCO, revenue remittances of Rs.1,768.01 million were shown as wrongly credited in Main Revenue Collection Account maintained at Head Office. Neither the concerned Revenue Officers nor Finance Directorate timely reconciled the revenue remittances. Further, it was immediately required to take up matter with concerned banks but same was pending.

Non-adherence to Financial & Accounting Policies and Procedures Manual resulted in non-remittance of funds to main account amounting to Rs.1,768.01 million up to the financial year 2015-16.

The matter was taken up with the management in October, 2016 and reported to the Ministry in December, 2016. The management replied that the revenue collection summary of all field offices for June, 2016 had been received in the last week of December, 2016 and expected that the bank reconciliation statement of Revenue Collection Accounts would be completed in January, 2017 however, proper reply along with documentary evidence would be provided to Audit. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to finalize the bank reconciliations without further delay and get it verified from Audit.

Audit recommends that the matter needs to be investigated for fixing responsibility upon the persons at fault besides reconciling the accounts.

(DP-1351/2016-17)

15.4.7 Irregular award of contracts - Rs.963.31 million

According to Rule-4 of Public Procurement Rules, 2004, "procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical".

In GSC Circle LESCO, 110 tenders were opened during the year and work orders amounting to Rs.963.31 million were awarded to the contractors. In each case, only three bidders participated in tender and contracts were awarded to the lowest among these three contractors with an amount 14.99% above the estimated (BOQ) price. Analysis of the tendering process indicated that whole process was against the very basic principle of open tendering and compromised the transparency of tendering process.

Non-adherence to Public Procurement Rules resulted in irregular award of contracts amounting to Rs.963.31 million up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the process of tendering was according to Public Procurement Rules through advertisement in news papers. The contracts were awarded to lowest bidders after obtaining approval of the competent authority.

The reply was not tenable as no proper justification was given by the management.

The DAC in its meeting held on January 24, 2017 directed the management to get the stance verified by producing the record to Audit.

Audit recommends that the matter needs to be investigated for fixing responsibility upon the persons at fault.

(DP-1244/2016-17)

15.4.8 Non-crediting of electricity revenue to main revenue collection account – Rs.743.41 million

According to Financial & Accounting Policies and Procedures Manual of LESCO, "i) Finance director is responsible to oversee the overall accounting and financial aspects of the DISCO. ii) Assistant Manager (Customer Services) will oversee the activities carried out at the Revenue Office and to act as a liaison between the Revenue Office, MIS Department and the Finance Directorate. iii) Accounts Officer (Revenue Office) is responsible for review and verifies the daily scrolls collected from the banks, reconciliation of banks through CP-48 and CP-49, preparation of different CP forms for submission to the MIS Department and maintenance of cash book.

In LESCO, electricity bills revenue amounting to Rs.743.41 million remitted by Revenue Offices was not credited to the main revenue collection account maintained at Head Office. Neither the concerned Revenue Offices nor Finance Directorate timely reconciled the revenue remittances against scroll reported to Management Information System (MIS) LESCO. This negligence portrayed lack of coordination between concerned Revenue Offices and Finance Directorate.

Non-implementation of Financial & Accounting Policies and Procedures Manual resulted in non-crediting of electricity revenue of Rs.743.41 million to main revenue collection account up to the financial year 2015-16.

The matter was taken up with the management in September, 2016 and reported to the Ministry in November, 2016. The management replied that the amount had been credited to main collection account.

The reply was not tenable as no documents were provided to substantiate the stance.

The DAC in its meeting held on January 24, 2017 directed the management to produce complete record showing amounts credited to main collection account for verification to Audit.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides ensuring early credit of revenue to main bank account.

(DPs-863, 924 & 950/2016-17)

15.4.9 Unauthentic expenditure on Lahore Orange Line Metro Train Project - Rs.502.18 million

As per Clause-10 of the 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 GSC Circle LESCO, an expenditure of Rs.502.18 million was incurred on civil and electrical works relating to Lahore Orange Line Metro Train Project against allocated funds of Rs.541.98 million without complete documentation which was irregular / unjustified. In the absence of complete record, authenticity of such expenditure could not be ascertained.

Non-adherence to rules resulted in un-justified expenditure of Rs.502.18 million on Metro Train Project up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the record would be produced in due course of time. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the consumption of material / completion reports verified from Audit.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides ensuring production of complete record.

(DP-1049/2016-17)

15.4.10 Enormous over billing to industrial consumers - Rs.308.32 million

As per instructions issued by the Managing 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 Northern LESCO, a higher power inquiry committee was constituted on April 04, 2016 to probe into the allegation of overbilling of 28.82 million units amounting to Rs.308.32 million to industrial consumers against Assistant Managers (Op), Meter Inspectors and Meter Readers of Shahdara, Jia Mosa, Amin Park and Karim Park Sub-Divisions. The inquiry committee, in its recommendations, fixed the responsibility of charging excess units to conceal the theft of electricity and manipulating the figures of line losses upon the above officers / officials. No action was taken against the responsibles.

Non-adherence to Authority's instructions resulted in enormous overbilling of Rs.308.32 million to consumers during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that in some cases, disciplinary action had been taken and in remaining cases, disciplinary action was under way. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the completed actions verified from Audit and expedite the pending actions.

Audit recommends that management needs to expedite the inquiry proceedings besides stemming the practice of overbilling.

(DP-1065/2016-17)

15.4.11 Loss due to installation of GSL wire - Rs.298.99 million

As per Table-6 of Distribution Rehabilitation Guidelines of WAPDA, Panther and Osprey conductor is to be erected for load above 104 Amps on 11KV lines.

In three Operation Circles of LESCO, nine (09) feeders were equipped with GSL wire in circuit to bear more than load of 180 Amps current. As per technical provisions, Panther and Osprey conductor was to be used to bear current load above 104 Amps. Impedance of GSL wire was very nominal as such in no way it could withstand 180 Amps current. Resultantly, technical losses on these feeders were increased from 17.1% to 52% beyond permissible limit of 11% causing loss of Rs.298.99 million to the Company.

Non-implementation of Distribution Rehabilitation Guidelines resulted in loss of Rs.298.99 million due installation of GSL wire during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in November, 2016. The management replied that GSL wire would be replaced in due course of time. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to justify the line losses due to installation of GSL wire and expedite the replacement of GSL wire.

Audit recommends that the management needs to investigate the matter for fixing responsibility of loss due installation of GSL wire.

(DPs-877, 903 & 921/2016-17)

15.4.12 Non-credit of capital cost / security deposits in main bank account - Rs.244.54 million

According to Financial & Accounting Policies and Procedures Manual of LESCO, i) Finance director is responsible to oversee the overall accounting and financial aspects of the DISCO. ii) Assistant Manager (Customer Services) will oversee the activities carried out at the Revenue Office and to act as a liaison between the Revenue Office, MIS Department and the Finance Directorate. iii) Accounts Officer (Revenue Office) is responsible for review and verifies the daily scrolls collected from the banks, reconciliation of banks through CP-48 and CP-49, preparation of different CP forms for submission to the MIS Department and maintenance of cash book.

In LESCO, capital cost of Rs.224 million and security deposits of Rs.20.54 million, remitted by different field collection account, were not credited to main Capital Collection Account maintained at MCB Bank. Neither the concerned Officers nor Finance Director timely reconciled the capital remittances against different works / projects. This negligence portrayed lack of coordination between concerned Offices and Finance Directorate and ultimate a loss to the Company.

Non-adherence to Financial & Accounting Policies and Procedures Manual resulted in non-remittance of funds of Rs.244.54 million to main collection account up to the financial year 2015-16.

The matter was taken up with the management in October, 2016 and reported to the Ministry in December, 2016. The management replied that bank reconciliation statements up to June, 2016 were not completed due to non-receipt of information by all field offices. Bank reconciliation statement for June, 2016 had been prepared and only the amounts of Rs.0.86 million & Rs.4.49 million were shown as "un-credited by bank".

The reply was not tenable as no documents were provided to substantiate the stance.

The DAC in its meeting held on January 24, 2017 directed the management to finalize the bank reconciliations without further delay.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides reconciling the accounts.

(DPs-1276 & 1352/2016-17)

15.4.13 Loss due to installation of sub-standard conductor and non-removal of transformers from defaulters premises - Rs.126.41 million

According to Table-6 of Distribution Rehabilitation Guidelines, Panther and Osprey conductor was to be erected for above 104 Amps on 11 KV lines. As per abridged conditions of energy supply, it was obligatory upon the quarters concerned that in case of non-payment of electricity charges within the specified time, the connection of the defaulters would be disconnected permanently and installed material removed from the sites and recovery affected.

In Operation Circle Northern LESCO, on five (05) 11 KV feeders, range of line losses was 30% to 49% due to installation of sub-standard conductor, non-removal of transformers from defaulters premises and theft of energy through direct supply etc. Later on, theses transformers were removed from the sites after bearing the huge amount of losses but sub-standard conductor was not replaced to reduce the technical losses. Due to operational weakness, 11.81 million units amounting to Rs.126.41 million were gone wasted which caused such a heavy loss.

Non-adherence to guidelines / SOP resulted in loss of Rs.126.41 million due to installation of sub-standard conductor and non-removal of transformers from defaulters premises during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in November, 2016. The management replied that some of the conductor had been replaced and transformers had been removed from sites. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the completed action verified from Audit and expedite the pending actions.

Audit recommends that the management needs to inquire the matter for fixing responsibility besides making good the loss.

(DP-878/2016-17)

15.4.14 Irregular expenditure on break-down work - Rs.119.61 million

As per Clause-2.1.1/2.1.2 (Section-2) of Book of Financial Power for DISCOs, “Board of Directors (BOD) are fully empowered to accord administrative approval of the works and the Chief Executive for technical sanction of the works”.

In GSC Circle LESCO, an expenditure of Rs.119.61 million was incurred against work of break down at various 132KV Gird stations without administrative approval / technical sanction of the work from the competent authority. Such expenditure was incurred from the budget of STG work which was irregular and unjustified. Neither administration approval / technical sanction was accorded by the competent authority nor the expenditure charged against operation and maintenance budget.

Non-adherence to financial rules resulted in irregular expenditure on break down works amounting to Rs.119.61 million up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that in emergency, GSC had to do work on war footing basis to restore the power supply without wastage of time and the expenditure was made in the best interest of the company.

The reply was not tenable as the expenditure was not got regularized from the competent authority.

The DAC in its meeting held on January 24, 2017 directed the management to substantiate the reply besides regularizing the matter.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides regularization of the expenditure.

(DP-1327/2016-17)

15.4.15 Non-installation of material drawn from store - Rs.106.95 million

According to Para-2.2 (Section-8) of WAPDA Distribution Stores Manual, "Sub-divisions must not draw materials until they are needed. They are not allowed to hold any material which cannot be used immediately."

In three formations of LESCO, electrical material amounting to Rs.106.95 million was drawn by the field staff for installation on various sites but the said material was not installed and kept unutilized in violation of rules.

Non-adherence to Distribution Stores Manual resulted in non installation of electrical material amounting to Rs.106.95 million up to the financial year 2015-16.

The matter was taken up with the management in August & September, 2016 and reported to the Ministry in November, 2016. The management replied that in some cases, materials had been installed whereas remaining material would be installed upon availability of allied material. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the completed action verified from Audit and expedite the installation of remaining material.

Audit recommends that the management needs to ensure either expeditious utilization of the material or return of unconsumed / balanced material to store.

(DPs-905, 913 & 942/2016-17)

15.4.16 Non-obtaining of performance guarantees - Rs.96.41 million

According to Clause-IT21.1 of "Instruction to Tenderer" the successful Tenderer shall furnish to the Employer a Performance Security in form and the amount stipulated (10% of Bid Cost) in the Condition of Contract within a period of fourteen days after the receipt of Letter of Acceptance (14).

In GSC Circle LESCO, 117 civil and electrical works amounting to Rs.964.13 were awarded to various contractors but performance guarantees amounting to Rs.96.41 million were not obtained from the contractors, which was irregular and unjustified.

Non-adherence to the tender conditions resulted in non-obtaining of performance guarantees amounting to Rs.96.41 million from the contractors during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that 10% retention money was being deducted from contractors' bills regularly which would be refunded after completion of maintenance period.

The reply was not tenable as deduction of retention money did not relieve the management from obtaining performance guarantees.

The DAC in its meeting held on January 24, 2017 directed the management to investigate the matter for not obtaining the performance guarantees.

Audit recommends that the management needs to investigate the matter for fixing responsibility for non-obtaining the performance guarantees.

(DP-1328/2016-17)

15.4.17 Loss due to non-charging of pending energy units to the consumers - Rs.95.51 million

According to Para-1.3 of Commercial Procedure 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 two formations of LESCO, 6.52 million pending energy units amounting to Rs.95.51 million were detected against various consumers on the basis of data retrieval of defective energy meters. But the said units were not charged to the consumers as required under the rules.

Non-adherence to commercial procedure resulted in loss of Rs.95.51 million due to non-charging of pending energy units during the financial year 2015-16.

The matter was taken up with the management in July & August, 2016 and reported to the Ministry in November & December, 2016. The management replied that in some cases, pending units had been charged to consumers whereas remaining units would be charged in due course of time. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the completed action verified by producing the record to Audit and charge the pending units to remaining consumers.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides recovery of revenue from the consumers.

(DPs-897 & 1176/2016-17)

15.4.18 Unjustified billing to industrial consumers - Rs.80.20 million

As per instructions issued by the Managing 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 Northern LESCO, 7.49 million units worth Rs.80.20 million were wrongly billed to the consumers due to charging of more than 100% to 714% load factor. This scenario indicated that over billing was made to the consumers just to conceal the line losses and theft of energy.

Non-adherence to Authority’s instructions resulted in unjustified billing of Rs.80.20 million to consumers during the financial 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that Mr. Zia Ullah Naz, SDO Begum Kot Sub Division had been compulsory retired from service.

The reply was not tenable as no documents were provided to substantiate the stance.

The DAC in its meeting held on January 24, 2017 directed the management to produce CP-52 along with inquiry report to Audit.

Audit recommends that management needs to implement DAC’s directives.

(DP-1081/2016-17)

15.4.19 Non-adjustment / recovery of advances from suppliers / contractors – Rs.60.94 million

According to Para-73 of WAPDA Accounting Manual, “the advances shall be adjusted at the closing of each calendar month in shape of vouchers or cash under financial rules”.

In LESCO, funds amounting to Rs.60.94 million were given to different suppliers and contractors but the same were not adjusted / recovered as required under the rules.

Non-adherence to Accounting Manual resulted in non-recovery of advances amounting to Rs.60.94 million from suppliers / contractors up to the financial year 2015-16.

The matter was taken up with the management in October, 2016 and reported to the Ministry in December, 2016. The management stated that the reply would be given in due course of time. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to furnish reply to Audit expeditiously.

Audit recommends that the management needs to expedite adjustment / recovery of advances besides fixing responsibility.

(DP-1259/2016-17)

15.4.20 Non-recovery energy charges from industrial and other consumers pertaining to fraud case - Rs.35.96 million

According to Para-1.3 of Commercial Procedure 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 LESCO Southern, an amount of Rs.19.61 million, pertaining to fraud case of Phool Nagar, was re-debited against an industrial consumer bearing Reference No.24-11531-1000198. Subsequently, CEO LESCO allowed 36 installments of the said amount which was not paid by the consumer. Moreover, an amount of Rs.16.35 million, pertaining to revenue fraud observed in MCB main branch, was debited to different consumers but the current bills were issued after excluding the amount debited and the amount pertaining to fraud case was not recovered.

Non-adherence to commercial procedure resulted in non-recovery of electricity bills from consumers amounting to Rs.35.96 million during the financial year 2015-16.

The matter was taken up with the management in September, 2016 and reported to the Ministry in November, 2016. The management replied that the case was under investigation with FIA. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to intimate the latest position of case as and when finalized.

Audit recommends that the management needs to pursue the case with FIA vigorously besides ensuring recovery from the consumers.

(DP-928/2016-17)

15.4.21 Non-renewal of advance payment bank guarantees against un-adjusted advance payment -Rs.30.23 million

As per Appendix-1 (Terms & Procedure of Payment) of Turnkey projects under ADB Loan No.2727-Pak (Tranche-II), advance payment @10% of the contract price shall be made to the contractor against receipt of invoice and an irrevocable advance payment security for the equivalent amount made out in favor of the employer. The advance payment security may be reduced in proportion to the value of work performed by the contractor as evidenced by the invoices for installation services.

In PMU LESCO, five (05) turnkey contracts were awarded to M/s Alstom and M/s Pinggao in March and August, 2012 respectively. As per contract clauses, an amount of Rs.118.06 million was paid to both the contractors as advance payment which was required to be adjusted from their invoices. Due to non-completion of the works, an amount of Rs.30.23 million from total advance payment could not be adjusted. Meanwhile, advance payment bank guarantees against un-adjusted amount were expired which were not got renewed from the suppliers.

Non-adherence to contract clauses resulted in non-renewal of advance payment bank guarantees against un-adjusted advance payment of Rs.30.23 million up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in November, 2016. The management replied that in one case, renewed bank guarantee was obtained whereas in second case, bank guarantee was under verification with bank. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to provide renewed bank guarantee to Audit for verification and expedite the renewal of other bank guarantee.

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

(DP-728/2016-17)

15.4.22 Unjustified booking of labour, overhead and contractors / consultants fee without booking of material charges – Rs.22.67 million

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

In Construction Circle LESCO, an amount of Rs.22.67 million was booked under the heads of labour, overhead, contractors payments and consultant's fees in 158 pending works. This amount was booked without booking the cost of material which revealed that either no material was drawn or material was returned after drawl. Booking of these expenses without drawl / installation of material was unjustified and negation of International Accounting Standards.

Non-adherence to International Accounting Standards resulted in unjustified booking of labour, overhead and contractors / consultants fee amounting to Rs.22.67 million without booking of material charges up to the financial year 2015-16.

The matter was taken up with management in September, 2016 and reported to the Ministry in November, 2016. The management replied that case to case reply would be given after consulting the record. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to furnish revised reply within one week.

Audit recommends that the management to investigate the matter for fixing responsibility of unjustified booking of labour, overhead, contractors and consultants fee without drawl / utilization of material.

(DP-823/2016-17)

15.4.23 Non- adjustment / recovery of temporary advances - Rs.22.64 million

According to Clause-9.2.4 of WAPDA Accounting and Financial Reporting Manual "employees seeking advance shall complete the employee expense work sheet to document their expenses within 15 days of the scheduled advance and date and submit to respective immediate head of accounting unit for processing".

In GSC Circle LESCO, an amount of Rs.22.64 million was paid to various employees as temporary advances for meeting misc. expenses but adjustment / recovery of advances was not made from the concerned officers / officials since 2010. No efforts were being made to adjust / recover the amount of advances.

Non-adherence to financial instructions resulted in non-recovery / adjustment of temporary advances amounting to Rs.22.64 million up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that major amount pertained to crops compensation and adjustment was made after delivery of cheques to the tenants. However, adjustment account of temporary advances would be provided. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the adjustments of temporary advances verified from Audit.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides ensuring recovery / adjustment of advances.

(DP-911/2016-17)

15.4.24 Unjustified charging of detection bills due to display-washed meters - Rs.15.04 million

According to Para-1.3 of Commercial Procedure 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 two Operation Circle LESCO, detection bills amounting to Rs.15.04 million were charged to 1195 consumers due to display washed of the meters which were not justified. The detection was required to be charged after downloading the data of defective energy meters by the M&T instead of charging estimated units.

Non-adherence to commercial procedure resulted in unjustified charging of detections bills to consumers amounting to Rs.15.04 million during the financial year 2015-16.

The matter was taken up with the management in August & September, 2016 and reported to the Ministry in November, 2016. The management replied that the data downloading of single phase meters were started now in LESCO but due to the huge quantum, it was not possible to download data of each one. However, maximum efforts were being made to download the maximum possible numbers.

The reply was not tenable as the detection bills should have been charged on actual basis instead of estimated basis.

The DAC in its meeting held on January 24, 2017 directed the management to get the stance verified by producing the record to Audit. Further progress was not reported till finalization of the report.

Audit recommends that management needs to investigate the matter for fixing responsibility besides ensuring recovery of detection bills.

(DPs-925 & 943/2016-17)

15.4.25 Loss of revenue due to over loaded feeders - Rs.13.60 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 LESCO, two (02) feeders i.e. 11 KV Ali Park and 11 KV Rachna Town were running at 450 and 430 AMPs respectively due to non-completion of 11 KV Industrial (P) since last five years. Resultantly, 1.27 million units amounting to Rs.13.60 million per annum was lost. No efforts were made to complete the said feeder.

Non-adherence to Authority's instruction resulted in loss of revenue of Rs.13.60 million due to over loaded feeders during the financial year 2015-16.

The matter was taken up with the management in October, 2016 and reported to the Ministry in November, 2016. The management replied that 11 KV industrial (P) feeder was also involved in another observation.

The reply was not tenable as the spirit of this observation was not relevant with other observation.

The DAC in its meeting held on January 24, 2017 directed the management to furnish revised reply.

Audit recommends that the management needs to investigate the matter departmentally for fixing responsibility besides making good the loss.

(DP-851/2016-17)

15.4.26 Loss due to less average charging of units to industrial consumers - Rs.11.53 million

According to Para-1.3 of Commercial Procedure 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 LESCO Northern, M&T checked the energy meters of industrial consumers and found stopped since long but concerned AMOs charged less average to the consumers due to which the Company had sustained loss of 0.64 million units worth Rs.11.53 million.

Non-adherence to commercial procedure resulted in less billing of Rs.11.53 million to consumers during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that in one case the matter, being disputed, was in NEPRA while the other case was pending in regional review committee. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to intimate the status of the cases as and when finalized by NEPRA/regional review committees besides investigating the matter.

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

(DP-1067/2016-17)

15.4.27 Loss due to expiry of performance guarantees of defaulter suppliers - Rs.11.45 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". As per Clause-15-A (i) of the Purchase Orders, "the contracting officer will have the right to forfeit the security bond / guarantee (performance bond) if the supplier fails to supply the goods within time specified in the Purchase Order."

In LESCO, eight (8) purchase orders for supply of various types of electrical material were placed on different firms from January, 2010 to February, 2015. The suppliers could not supply the complete material within the stipulated period and meanwhile their performance guarantees were expired. The department failed to cancel the purchase orders at the risk and cost of the suppliers besides encashment of performance guarantees worth Rs.11.45 million well in time and nothing left behind to encash. No action was taken against the responsible(s) for expiry / non-encashment of performance guarantees well in time.

Non-adherence to Authority's instructions resulted in loss of Rs.11.45 million due expiry of performance guarantees up to the financial year 2015-16.

The matter was taken up with the management in October, 2016 and reported to the Ministry in November, 2016. The management replied that efforts were being made to ensure extension of performance guarantees.

The reply was not tenable as no action was taken against the persons who was responsible for not getting renewal of performance guarantees well in time.

The DAC in its meeting held on January 24, 2017 directed the management to inquire the matter of expiry of performance guarantees of defaulter suppliers for fixing the responsibility. Further progress was not reported till finalization of the report.

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

(DP-846/2016-17)

15.4.28 Irregular retention of damaged 132/11.5 KV 20/26 MVA power transformers without any documents – Rs.10 million (approx.)

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".

The Deputy Manager (T&G Warehouse) LESCO, Chichokimalian shifted a damaged body (without accessories) and other inner parts of 132/11.5 KV 20/26 MVA power transformer valuing Rs.10 million (approx) from the premises of

M/s Siemens, Karachi on June 13-15, 2015. This transformer was kept without any supporting documents and without issuance of any GRN. No inquiry of shifting and retention of damaged power transformer without any documents was fixed.

Non-adherence to Authority's instructions resulted in loss of Rs.10 million due to damaged of power transformer during up to the financial year 2015-16.

The matter was taken up with the management in May, 2016 and reported to the Ministry in October, 2016. The management replied that the power transformer was shifted in LESCO warehouse in pieces by XEN (T&G) LESCO on telephonic directions issued by CE (Dev) PMU LESCO. Neither any documents nor the inventory sheet was yet provided. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to investigate the matter for fixing responsibility.

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

(DP-211/2016-17)

15.4.29 Unjustified collection of electricity bills in MIS record - Rs.7.94 million

According to Financial & Accounting Policies and Procedures Manual of LESCO, "i) Finance Director is responsible to oversee the overall accounting and financial aspects of the DISCO. ii) Assistant Manager (Customer Services) will oversee the activities carried out at the Revenue Office and to act as a liaison between the Revenue Office, MIS Department and the Finance Directorate. iii) Accounts Officer (Revenue Office) is responsible for review and verifies the daily scrolls collected from the banks, reconciliation of banks through CP-48 and CP-49, preparation of different CP forms for submission to the MIS Department and maintenance of cash book".

In Operation Circle Northern LESCO, Management Information System of LESCO reported a total collection of Rs.1,583.47 million in different banks as per Revenue Office record whereas MIS record available in soft form was showing the total collection of Rs.1,591.40 million. Hence, posting of excess scrolls amounting to Rs.7.94 million in MIS LESCO was un-justified.

Non-adherence to Financial & Accounting Policies and Procedures Manual resulted in difference of collection amounting to Rs.7.94 million during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that reconciliation was under process which would be produced within 15 days. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to finalize reconciliation at the earliest and produce the record to Audit for verification.

Audit recommends that the management needs to investigate the matter for fixing responsibility for non-reconciliation of difference of collection and remittances.

(DP-1083/2016-17)

15.4.30 Wrong posting of electricity bills payment – Rs.3.18 million

According to Financial & Accounting Policies and Procedures Manual of LESCO, i) Finance director is responsible to oversee the overall accounting and financial aspects of the DISCO. ii) Assistant Manager (Customer Services) will oversee the activities carried out at the Revenue Office and to act as a liaison between the Revenue Office, MIS Department and the Finance Directorate. iii) Accounts Officer (Revenue Office) is responsible for review and verifies the daily scrolls collected from the banks, reconciliation of banks through CP-48 and CP-49, preparation of different CP forms for submission to the MIS Department and maintenance of cash book.

In Operation Circle LESCO Okara, unpaid electricity bills amounting to Rs.3.18 million were marked as paid and scrolls of said amount were dispatched manually by revenue office and got it entered in system of MIS Lahore. The Revenue officer Renala Khurd manipulated the figures in bank reconciliation statement i.e. CP-48 & 49 of National Bank of Pakistan 14 GD, Renala Khurd Branch and fake amount of billing transactions was reported to the Finance Directorate where the accuracy of the accounts was neither checked nor verified and accepted accordingly.

Non-implementation of Financial & Accounting Policies and Procedures Manual resulted in bogus scrolling of electricity bills amounting to Rs.3.18 million during the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in November, 2016. The management replied that in the month of June, 2015, the concerned official taken both amount (deposit and remittance) from bank statement on CP-48 & 49 by mistake. The mistake was rectified in the month of August, 2015 and was showed in CP-104. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to produce the record for verification to Audit.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides recovery from the concerned.

(DP-890/2016-17)

15.4.31 Wrong posting of collected energy bills in bank scrolls - Rs.2.99 million

According to Financial & Accounting Policies and Procedures Manual of LESCO, i) Finance Director is responsible to oversee the overall accounting and financial aspects of the DISCO. ii) Assistant Manager (Customer Services) will oversee the activities carried out at the Revenue Office and to act as a liaison between the Revenue Office, MIS Department and the Finance Directorate. iii) Accounts Officer (Revenue Office) is responsible for review and verifies the daily scrolls collected from the banks, reconciliation of banks through CP-48 and CP-49, preparation of different CP forms for submission to the MIS Department and maintenance of cash book.

In Operation Circle LESCO Okara, as per MIS report, total collection in respect of two banks was Rs.19.67 million whereas CP-48 & 49 showed total scroll of Rs.16.68 million. Thus, an amount of Rs.2.99 million (Rs.19.67 million – Rs.16.68 million) pertaining to opening bank balances was adjusted through wrong posting of collection.

Non-implementation of Financial & Accounting Policies and Procedures Manual resulted in wrong posting of collected energy bills of Rs.2.99 million in bank scrolls during the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in November, 2016. The management replied that rectification of errors had been made. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to produce the record of complete reconciliations to Audit.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides making good the loss.

(DPs-885 & 889/2016-17)

15.4.32 Loss due to non-recovery of transmission lines maintenance charges from private grids consumers – Rs.2.90 million

According to Superintending Engineer GSO, Lahore office letter dated February 26, 2014, all the consumer grid stations having their own staff were required to pay to LESCO an amount of Rs.10,000 per month with 10% annual increase on account of miscellaneous charges of transmission line feeding to consumer grid stations.

In GSO Circle LESCO, notices were issued to nine (09) private grid station consumers to pay transmission lines maintenance charges w.e.f. January, 2014 but the consumers did not pay the required amount to LESCO. Due to non-pursuance of recovery by the field formations, the amount had been accumulated to Rs.2.90 million which was a loss to the Company.

Non-adherence to Authority's instructions resulted in loss of Rs.2.90 million due to non-recovery of transmission lines maintenance charges from the private grids consumers up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in November, 2016. The management replied that notices for recovery had been issued to the consumers.

The reply was not tenable as simply issuance of notices instead of making strenuous efforts to recover the amount was unjustified.

The DAC in its meeting held on January 24, 2017 directed the management to expedite the recovery and get it verified from Audit.

Audit recommends that the management needs to investigate the matter for fixing the responsibility besides ensuring recovery from the consumers.

(DP-719/2016-17)

15.4.33 Loss due to double posting in scroll of electricity bills – Rs.2.29 million

According to Financial & Accounting Policies and Procedures Manual of LESCO, i) Finance director is responsible to oversee the overall accounting and financial aspects of the DISCO. ii) Assistant Manager (Customer Services) will oversee the activities carried out at the Revenue Office and to act as a liaison between the Revenue Office, MIS Department and the Finance Directorate. iii) Accounts Officer (Revenue Office) is responsible for review and verifies the daily scrolls collected from the banks, reconciliation of banks through CP-48 and CP-49, preparation of different CP forms for submission to the MIS Department and maintenance of cash book.

In Operation Circle LESCO Okara, five (5) consumers did not pay their electricity bills due to double posting of scroll in June, 2016. Their payment account status was not rectified timely, thus fake credit of Rs.2.29 million against their actual dues was given in June, 2016.

Non-implementation of Financial & Accounting Policies and Procedures Manual resulted in double scrolling of electricity bills amounting to Rs.2.29 million during the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in November, 2016. The management replied that the matter had been investigated through AM(CS) LESCO Division Okara who reported that five (5) consumers had paid their bills, but bank supplied double scrolls under different dates. As such, unfortunately, double posting was made by WCC against the electricity accounts. Hence, on receipt of bills, double posting was reversed in to debit entry by the AM (CS) LESCO Okara.

The reply was not tenable as no documentary evidences were provided to substantiate the stance.

The DAC in its meeting held on January 24, 2017 directed the management to get the stance verified by producing the record to Audit.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides recovery from the consumers.

(DP-891/2016-17)

15.4.34 Loss due to non-recovery of fixed charges and additional security deposits - Rs.2.02 million

As per schedule of electricity tariff B-II is applicable for supply to industries having sanctioned load of more than 25 KW up to and including 500 KW and fixed charges at the rate of Rs.400/KW/month are applicable.

In Operation Circle LESCO Sheikhupura, nine (09) industrial connections were sanctioned under tariff B-1 but their connected load was above 25 KW which fell under the tariff category of B-II. Due to non-conversion of tariff as per actual load, additional security and fixed charges amounting to Rs.2.02 million were not recovered from the consumers.

Non-implementation of schedule of tariff resulted in non-recovery of Rs.2.02 million on account of fixed charges and additional security deposits from consumers during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in November, 2016. The management replied that three (3) connections had been disconnected while notice issued to remaining six (6) consumers. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to produce the record of completed actions to Audit and expedite the pending actions.

Audit recommends that the management needs to investigate the matter for recovery of security and fixed charges from the industrial consumers.

(DP-845/2016-17)

15.4.35 Irregular adjustment in electricity bill of industrial consumer - Rs.1.55 million

According to Para-1.3 of Commercial Procedure 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, electricity bill of M/s Irfan Steel Mill was adjusted from Rs.20.53 million to Rs.18.98 million without approval of the competent authority by the Revenue Officer, Badami Bagh. Adjustment of bill to the tune of Rs.1.55 million without approval from competent authority was irregular.

Non-adherence to commercial procedure resulted in irregular adjustment of bill amounting to Rs.1.55 million up to the financial year 2015-16.

The matter was taken up with the management in October, 2016 and reported to the Ministry in December, 2016. The management replied that Revenue Officer was authorized to adjust the amount of sales tax from electricity bill.

The reply was not tenable as approval of adjustment in billing of such a huge amount did not fall under the competency of Revenue Officer.

The DAC in its meeting held on January 24, 2017 directed the management to produce the approval of competent authority along with departmental SoPs for adjusting the sales tax from bill to Audit. Further progress was not reported till finalization of the report.

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

(DP-1337/2016-17)

15.4.36 Loss due to illegal supply of electricity to housing scheme - Rs.1.34 million

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

In LESCO, Sharif Town Housing Scheme (un-electrified) located in Kasur Circle was checked by LESCO Vigilance Team and found that supply was illegally provided to 13 houses through LT Line using long PVC cables lying on ground. An inquiry committee was constituted to probe into the matter but its report was not yet finalized.

Non-adherence to Authority's instructions resulted in loss of Rs.1.34 million due to illegal supply of electricity during the financial year 2015-16.

The matter was taken up with the management in October, 2016 and reported to the Ministry in November, 2016. The management replied that inquiry had been completed and sent to competent authority for approval. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to expedite the finalization of inquiry report for fixing responsibility.

Audit recommends that the management needs to expedite the inquiry proceedings besides fixing responsibility for illegal supply of electricity.

(DP-848/2016-17)

15.4.37 Loss of revenue due to non-retrieval of data of replaced energy meters - Rs.1.26 million

According to Para-1.3 of Commercial Procedure 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 Central LESCO, 587 energy meters against various connections were replaced but concerned offices failed to download the data of said replaced meters from M&T despite of repeated instructions as evident from the explanation letter issued by the Additional Manager (Op) Town Ship Division. Hence, energy cost valuing Rs.1.26 million could not be recovered from consumers.

Non-adherence to commercial procedure resulted in loss of revenue amounting to Rs.1.26 million due to non-retrieval of data of replaced energy meters during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that two meters were installed at the premises having load 40 KW and above (billing and back up meter). If one meter was found defective then load of back up meter as reported by M&T was being charged through MCO.

The reply was not tenable as no documentary evidence was provided in support of reply.

The DAC in its meeting held on January 24, 2017 directed the management to furnish revised reply to Audit with reference to each connection. Further progress was not reported till finalization of the report.

Audit recommends to investigate the matter for fixing responsibility and charge units on the basis of data download.

(DP-1057/2016-17)

15.4.38 Loss due to illegal electrification of plaza - Rs.1.16 million

According to Clause-6 (b), (c) & (d) of the revised policy for electrification of shopping plazas/commercial and multi storey buildings, the owner of the plaza will bear all the expenses including feed line, cost of transformer and substation meter etc., the recovery of cost of the individual connections shall be regulated according to lump sum charges bearing for new general connections, recovery of security deposit will be regulated as per rates applicable to the relevant category.

In LESCO, as per site inspection report of LESCO Technical Staff with FIA team, electricity connection of a plaza was found installed in contravention to the policy and rules. Keeping in view the working load, if the plaza was properly electrified, owner of the plaza had to pay the cost of transformers and allied material amounting to Rs.1.16 million which was not done. Neither inquiry was conducted nor recovery of capital cost was made from concerned consumer.

Non-adherence to the Authority's instructions resulted in loss of Rs.1.16 million due to illegal electrification of plaza during the financial year 2015-16.

The matter was taken up with the management in October, 2016 and reported to the Ministry in November, 2016. The management replied that an inquiry committee had been constituted to probe into the matter. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to finalize inquiry proceedings expeditiously and produce the inquiry report to Audit.

Audit recommends that the management needs to implement DAC's directives besides making good the loss.

(DP-856/2016-17)

CHAPTER-16

MULTAN ELECTRIC POWER COMPANY LIMITED (MEPCO)

16. MULTAN ELECTRIC POWER COMPANY LIMITED

16.1 Introduction

Multan Electric Power Company Limited (MEPCO), registered under Companies Ordinance, 1984, started its operations as a Public Limited Company in May, 1998. The registered office of the Company is situated in Multan.

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 NTDCL on 220 KV Grid Station Yousaf Wala, Garanund Road Faisal Abad, NGPS Perian Ghaib, Kot Addu Power Company, Muzzafargarh Power House and Gaddu Power House, and sells it to the consumers of Multan, Sahiwal, Vehari, Bahawal Pur, Lodhran, Bahawal Nagar, Rahim Yar Khan, D.G Khan and Muzzafar Garh districts.

16.2 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.

The financial results along with the financial ratios are as under:

16.2.1 Extracts of the Financial Statements

Balance Sheet as at June 30, 2016

(Rs. in million)

	2015-16	%	2014-15	%	2013-14
Equity and Liabilities					
Issued, subscribed and paid up share capital	10,823.64	0	10,823.64	0	10,823.64
Share deposit money	32,508.45	0	32,508.45	0	32,508.45
Accumulated loss	-32,080.82	133.45	-13,741.85	-38.60	-22,379.07
	11,251.27	-61.98	29,590.24	41.22	20,953.02
Deferred credit	43,891.07	6.13	41,355.05	7.71	38,396.21

Non-current liabilities					
Long term loans	8,067.70	14.90	7,021.79	12.52	6,240.38
Employees' retirement benefits	43,117.53	44.30	29,880.75	23.98	24,100.44
Consumers' security deposits	6,339.49	6.90	5,930.14	12.69	5,262.15
Receipt against Deposit works/Connections	14,942.23	7.32	13,923.15	4.37	13,340.10
Deferred markup	244.39	429.44	46.16	0	0
	72,711.33	28.01	56,801.99	16.06	48,943.07
Current liabilities					
Creditors, accrued and other liabilities	18,499.63	16.37	15,897.52	-70.11	53,182.69
Accrued Markup	4,791.93	20.35	3,981.59	47.24	2,704.13
Current Portion of Long-term liabilities	2,695.40	34.69	2,001.12	50.54	1,329.32
	25,986.97	18.77	21,880.23	-61.76	57,216.14
Total Equity and Liabilities	**153,840.63**	2.82	**149,627.51**	-9.55	**165,424.13**
ASSETS					
Non-current assets					
Operating fixed assets	70,962.82	7.90	65,765.69	8.90	60,389.57
Capital work-in-progress	10,717.22	16.06	9,234.25	9.88	8,404.31
	81,680.04	**8.91**	**74,999.94**	**9.02**	**68,793.88**
Long term advances	76.643	33.69	57.33	12.65	50.89
Long term deposits	0.05	0.00	0.05	0	0.05
Current assets					
Stores and spares	4,615.54	17.65	3923.12	-7.24	4,229.38
Trade debts	19,808.02	21.72	16272.98	-19.57	20,232.40
Loans, advances, deposits, prepayments and other receivables	42,980.25	-14.35	50183.85	-23.49	65,590.68
Cash and bank balances	4,680.09	11.69	4190.23	-35.80	6,526.85
	72,083.90	**-3.33**	**74,570.18**	**-22.79**	**96,579.30**
Total Assets	**153,840.63**	**2.82**	**149,627.51**	**-9.55**	**165,424.13**

Profit and Loss Account
For the Period ended June 30, 2016

(Rs. in million)

	2015-16	**%**	**2014-15**
Electricity sale	101,320.70	-9.10	111,465.22
Subsidy from GoP	24,719.65	-45.42	45,293.82
	126,040.35	-19.60	156,759.05
Cost of electricity	(119,201.93)	-8.87	(130,803.66)
Gross profit/(Loss)	**6,838.42**	**-73.65**	**25,955.38**
Amortization of deferred credit	2,035.01	8.26	1,879.80
	8,873.43	**-68.12**	**27,835.18**

Other operating cost (excluding depreciation)	(18,619.32)	14.71	(16,232.19)
Depreciation on operating fixed assets	(3,414.30)	9.30	(3,123.81)
	(22,033.62)	**13.83**	**(19,356.00)**
Operating Profit / (Loss)	**(13,160.20)**	**-255.21**	**8,479.18**
Other income	3,705.25	75.69	2,109.00
	(9,454.95)	-189.30	10,588.18
Financial and other charges	(840.12)	6.23	(790.88)
Profit/(Loss) for the year	**(10,295.06)**	**-205.08**	**9,797.30**

16.2.2 Comments on Audited Accounts

i) Non-recognition of claims amounting to Rs.68.15 million

The Company has not been able to record claims amounting to Rs.68.15 million during 2015-16 relating to disconnections, deduction bills, overbillings etc as debt (Rs.162 million during 2014-15). Non recognition of these claims need justification.

ii) Non-Recognition of Debit note of Rs.11,591 million of mark up paid by CPPA

The Company received Debit notes aggregating of Rs.11,591 million (2014-15: Rs.9,747 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/arrangements in its books of accounts. Had these supplemental charges been recognized, it would have increase the expenditure and decrease profit by Rs.11,591 million. Non-recognition of these charges ultimately overstated the profit and understated the accumulated losses by an amount of Rs.11,591 million which needed justification.

iii) High increase in the Administrative and Distribution Expenses during the year

There was an increase of 14.71% in administrative and distribution expenses which increased from Rs.16,232.19 million to Rs.18,619.32 million over the previous year which was mainly attributed to a high increase in the impairment of capital work in progress, telephone & postage, computer and outside services and other charges. Expenditure against impairment of capital work increased 100% whereas financial and other charges increased by 6.23% over the previous year.

Substantial increase in the above expenses needed to be justified along with details by the management.

iv) Receivable

The total receivables decreased to Rs.62,788.274 million (2015 : Rs.66,456.842 million) which included trade debts of Rs.19,808.019 million, Rs.19,567.764 million from Government of Pakistan against subsidy and Rs.13,360.612 million of general sales tax from Federal Board of Revenue (FBR). Resultantly, the debtors' turnover period also increased to 71 days (2014-15: 53 days). Trade debts included Rs.1,494.273 million that were due from more than three years. Non-recovery of amounts due since long needs to be justified.

16.2.3 Profitability

i) Gross profit

During the financial year 2015-16, electricity sales of the Company decreased by Rs.10,144.520 million from Rs.111,465.22 million to Rs.101,320.70 million over the previous year. Similarly, the cost of electricity decreased by 8.87% i.e. Rs.119,201.93 million during the year (2014-15: Rs.130,803.66 million).

Gross Profit ratio significantly decreased over the previous year i.e. from 23.29% % to 6.75% for the financial year 2014-15.

ii) Net Profit Ratio

Net Loss Ratio of the Company was 10.16% as compared to Net Profit Ratio of 9.79% during 2014-15. Resultantly, accumulated loss of the Company sharply increased to Rs.32,080.819 million from Rs.13,741.845 million.

iii) Return on total assets

The return on total assets decreased to (6.69%) from 6.55% during the financial year 2015-16. The Company invested Rs.10,008.10 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.4,680.085 million.

16.2.4 Recommendations:

In view of the forgoing, it was recommended that the Company needs to record claims relating to disconnections, overbillings and debit notes issued by Central Power Purchase Agency (CPPA) in the accounts of the Company. The Company needs 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.

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	2009-10	8	-	-	8 (Para No.13.10, 13.12, 13.13, 13.14, 13.15, 13.16, 16.17, 13.19)
	2013-14	6	-	-	6 [Para No.4.1.1, 4.1.4, 4.1.6, 4.1.7, 4.1.8, (15.3.1, 15.3.5, 15.3.7, 15.3.12, 15.3.14, 15.3.15, 15.3.17, 15.3.18, 15.3.20, 15.3.21, 15.3.22, 15.3.23, 15.3.24, 15.3.26, 15.3.27, 15.3.28, 15.3.29, 15.3.31, 15.3.32, 15.3.33, 15.3.35, 15.3.36, 15.3.37, 15.3.38)]

Position of compliance with PAC directives is not satisfactory.

16.4 AUDIT PARAS

16.4.1 Non-recovery of energy charges from tubewell consumers – Rs.5,519.17 million

As per Condition-14(K) of WAPDA Abridged Conditions of Supply, “if consumer failed to pay any amount assessed against him by the Authority before the expiration of seven day’s notice to disconnect supply served upon him by the Authority under Section-24 of the Act.”

In Operation Circle Vehari & Bahawalpur MEPCO, an amount of Rs.5,519.17 million was outstanding against 6,257 tubewell consumers. But neither outstanding amount was recovered nor equipment removal orders (EROs) were effected in order to disconnect the connections and remove the material from the premises of the defaulter consumers.

Non-adherence to the abridged conditions of supply resulted in non recovery of Rs.5,519.17 million from tubewell consumers during the financial year 2014-15.

The matter was taken up with the management in February & August, 2016 and reported to the Ministry in October & December, 2016. The management replied that an amount of Rs.2,722.71 million had been recovered while an amount of Rs.2,642.28 million was converted into deferred / set aside amount and an amount of Rs.5.30 million was pending against Kissan Ittehad tubewell consumers. However, efforts were being made for recovery of balance amount.

The reply was not tenable as no documentary evidence in support of deferment of recovery was produced.

The DAC in its meeting held on January 24, 2017 directed the management to provide the recovery record along with orders for deferment of amount as set aside besides expediting recovery of remaining amount. Further progress was not reported till finalization of the report.

Audit recommends the management to investigate the matter for fixing the responsibility.

(DPs-163 & 1000/2016-17)

16.4.2 Non-clearance of set aside amount - Rs.2,349 million

According to Para-1.3 of Commercial Procedure 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 MEPCO, a deferred amount of Rs.2,349 million was remained un-recovered from consumers. The efforts were not made to finalize the cases for making recovery from the consumers

Non-adherence to commercial procedure resulted in non-recovery of Rs.2,349 million from the consumers up to the financial year 2015-16.

The matter was taken up with management in December, 2015 and reported to the Ministry in December, 2016 The management replied that the deferred amount pertained to different surcharges levied by Government and the matter was subjudice in different Courts.

The DAC in its meeting held on January 24, 2017 directed the management to pursue the court cases vigorously. Further progress was not reported till finalization of the report.

Audit recommends that the management to pursue the cases for early decision / recovery from the defaulters.

(DP-992/2016-17)

16.4.3 Loss due to purchase of substandard power transformers - Rs.240 million

According to Clause-12 (warranty clause) of purchase orders, "the suppliers will be held responsible for all losses and that the un-acceptable goods will be substituted with acceptable goods at their own expense and cost".

In GSO Circle MEPCO Multan, two (02) PEL make Power Transformers valuing Rs.240 million became damaged/defective within a period of 8 to 30 months after energization. The same were not got repaired / replaced from manufacturer. Resultantly, the Company sustained a loss of Rs.240 million due to procurement of substandard power transformers.

Non-adherence to the provisions of purchase orders resulted in loss of Rs.240 million due to purchase of substandard power transformers up to the financial year 2015-16.

The matter was taken up with the management in March, 2016 and reported to the Ministry in July, 2016. The management replied that the matter had already been taken up with supplier for repair of transformers. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to inquire the matter for fixing responsibility besides expediting repair/replacement of power transformers from supplier.

Audit recommends that the management needs to inquire the matter for fixing responsibility besides expediting repair / replacement of power transformers.

(DP-52/2016-17)

16.4.4 Non-recovery of lump sum amount from consumers on loan sponsored works - Rs.135 million

As per Clause-2 of the Contract Agreements between employer and MEPCO, lump sum amount was to be received from the consumers.

In GSC Circle MEPCO, an amount of Rs.155 million was to be received in lump sum from the consumers on account of construction of interconnection transmission lines but only an amount of Rs.20 million was received leaving a balance of Rs.135 million unrecovered.

Non-adherence to agreement clause resulted in non-recovery of lump sum amount of Rs.135 million from the consumers up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that an amount of Rs.125 million was received and balance amount, if any, would be recovered. Moreover, these works would be executed by MEPCO at its own resources and the concerned firms had agreed to provide the said amount as loan.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with reasons of delay / non-payment. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to expedite the production of evidence to substantiate the stance.

(DP-981/2016-17)

16.4.5 Non-arrangements for proper load management of industrial consumers after recovery of estimated amount-Rs.131.12 million

MEPCO Board of Directors in its meeting held on July 28, 2015 accorded approval to install 132 KV breakers at MEPCO end to control the supply of two independent grid stations of M/s Ahmed Hassan Textile Mills and M/s Al-Hamd Textile Mill respectively.

In MEPCO, two independent grid stations were being fed through a T-Off connection from 132 KV transmission lines and there was no control of MEPCO for carrying out the proper load shedding/management of the said consumers. For this purpose, two demand notices amounting to Rs.131.12 million were issued to both the consumers which were not deposited by the consumers up till now.

Non-adherence to decision of BOD resulted in non-arrangements for proper load management of industrial consumers after recovery of estimated amount of Rs.131.12 million during the financial year.

The matter was taken up with the management in September, 2016 and reported to the Ministry in December, 2016. The management replied that the case would be submitted to upcoming BOD MEPCO for decision. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to pursue the matter with BOD.

Audit recommends that the management needs to expedite the installation of independent breaker after recovery from consumers.

(DP-1428/2016-17)

16.4.6 Recoverable amount from sponsor of housing society and commercial plaza – Rs.111.77 million

According to Section-III-C-1 of the WAPDA Book of Financial Power, "deposit work shall be undertaken only after getting the full amount of sanctioned estimate deposited with WAPDA along with an undertaking from the depositor to meet any variation."

In MEPCO, demand notices for depositing of capital cost amounting to Rs.111.77 million were issued to 22 consumers (15 Housing Scheme + 7 Commercial Plaza) but the said amount was not recovered from the sponsors due to improper pursuance.

Non-adherence to above instructions resulted in recoverable amount of Rs.111.77 million from sponsor of housing society and commercial plazas during the financial year 2015-16.

The matter was taken up with the management in September, 2016 and reported to the Ministry in December, 2016. The management replied that in some cases, amount had been recovered and remaining amount would be recovered in due course of time. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the completed action verified from Audit and expedite recovery from remaining consumers.

Audit recommends that the management needs to expedite the recovery from sponsors besides fixing responsibility.

(DP-985/2016-17)

16.4.7 Non-procurement of material at the risk & cost of the defaulted supplier - Rs.110.98 million

As per Clause-15A (i) of the Purchase Orders provides, "the contracting officer will have the right to forfeit the security bond/guarantee (performance bond) if the supplier fails to supply the goods within time specified in the Purchase Order.”

In MEPCO, a purchase order for supply of towers and allied material amounting to Rs.138.72 million was placed upon M/s Metropolitan Steel Corporation, Karachi on August 20, 2014. The delivery was required to be completed up to November 24, 2014 but the supplier could only supply 20% material within the stipulated period. Neither the performance bond was forfeited nor the procurement of the balance material amounting to Rs.110.98 million was made at the risk and cost of the defaulted supplier.

Non-adherence to purchase order clauses resulted in non-procurement of balance material valuing Rs.110.98 million at the risk & cost of the defaulted supplier up to the financial year 2015-16.

The matter was taken up with the management in September, 2016 and reported to the Ministry in November, 2016. The management replied that the matter was under trial in court however, performance guarantee amounting to Rs.13.87 million had been forfeited.

The reply was not tenable as no documentary evidences were provided to substantiate the stance.

The DAC in its meeting held on January 24, 2017 directed the management to get the forfeited performance guarantee verified from Audit and pursue the Court case vigorously. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for fixing responsibility of non-cancellation of purchase order and non-forfeiture of performance guarantee.

(DP-826/2016-17)

16.4.8 Less recovery of grid sharing cost due to wrong calculation of load - Rs.76.90 million

According to letter No.6882-84/Design/DRW/21/CAEB dated 21.07.1993 Para-VI, “the transformers capacity to be installed against the assessed load shall be calculated by application of 85% Power Factor and 80% loading of the proposed transformation capacity”. No diversity and development factor is applied.

In MEPCO, due to application of diversity factor 1.25 KW and development factor 0.75 KW, the load applied by the consumers / sponsors was reduced up to 40% and the cases were sanctioned after applying diversity and development factors. Hence, undue benefit of the 40% load was provided to the consumers/sponsors at the cost of MEPCO and grid sharing cost up to 40% was less recovered which caused loss of Rs.76.90 million to the Company.

Non-adherence to Authority's instructions resulted in loss of Rs.76.90 million up to the financial year 2015-16.

The matter was taken up with management in December, 2015 and reported to the Ministry in December, 2016. The management replied that the grid sharing cost was calculated and recovered on the basis of ultimate load as per WAPDA policy.

The reply was not tenable as grid sharing cost was calculated in violation of policy in vogue.

The DAC in its meeting held on January 24, 2017 directed the management to get the stance verified by producing the record to Audit. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides making good the loss.

(DP-991/2016-17)

16.4.9 Unjustified payment of custom duties to the contractors - Rs.22.02 million

As per Clause-10 of the 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 GSC Circle MEPCO, an amount of Rs.22.02 million was paid to various contractors on account of custom duties on imported material. Since, no procurement of material was made by GSC, hence, payment of custom duties was held unjustified.

Non-adherence to financial rules resulted in unjustified payment of custom duties amounting to Rs.22.02 million to the contractors up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the payments of custom duties (taxes) were booked in the material cost of the work through capital work in progress as appeared in trial balance.

The reply was not tenable as no procurement was made by GSC, hence, payment of custom duties was not justified.

The DAC in its meeting held on January 24, 2017 directed the management to furnish revised reply along with supporting documents to Audit. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to justify the payment of custom duties made to the contractors.

(DP-1438/2016-17)

16.4.10 Irregular use of Pak MDGS funds on publicity signboards - Rs.9.80 million

According to instructions relating to Pak MDGS Community Development Program issued by the Cabinet Division dated January 15, 2015, expenditure shall not be incurred on purchase of equipment, vehicles, fixtures, salaries, printing of diaries/calendars/banners, holding of official meetings and dinners/parties etc.

In Construction Circle MEPCO, an amount of Rs.9.80 million was included in 1,153 estimates of village electrification schemes under Pak MDGs. The inclusion of signboard charges @ Rs.8,500 each work was not covered under the rules and entailed misuse of funds to the stated extent.

Non-adherence to instructions of Cabinet Division resulted in irregular use of Pak MDGS funds of Rs.9.80 million on publicity signboard charges up to the financial year 2015-16.

The matter was taken up with the management in October, 2015 and reported to the Ministry in December, 2016. The management replied that the cost of signboards was included in the estimates but no signboards were installed up till now.

The reply was not tenable as charging of cost of publicity sign boards was not covered under the rules.

The DAC in its meeting held on January 24, 2017 directed the management to justify the inclusion of cost of signboards in estimates without any necessity. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for irregular use of Pak MDGs funds on publicity sign boards.

(DP-996/2016-17)

16.4.11 Non-renewal of expired performance bank guarantee – Rs.6 million

According to Clause-1 of the work order "performance security @ 10% of contract price will be provided for the contract period of 600 days and 365 days maintenance period of work".

In MEPCO, a work order valuing Rs.69.98 million was issued to M/s I.H. Malik & Co. on April 29, 2013 for construction of Multipurpose Complex at MEPCO Head Quarter, Multan. The work was not completed but performance bank guarantee of Rs.6 million was expired on September 08, 2016. The contractor was required to provide renewed bank guarantee but needful was not done.

Non-adherence to the contract clauses resulted in non-renewal of expired performance guarantee of Rs.6 million up to the financial year 2015-16.

The matter was taken up with the management in September, 2016 and reported to the Ministry in November, 2016. The management replied that the contractor had not yet submitted the bank guarantee and matter was being pursued. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to get the bank guarantee renewed from the contractor within 15 days.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides obtaining renewed bank guarantee.

(DP-770/2016-17)

16.4.12 Non-deduction of Sales Tax on services - Rs.4.48 million

According to Clause-14(2) of the Punjab Sales Tax on Services Act-2012, 16% sales tax is to be withheld from services to be deposited with Government.

In two Operation Circles of MEPCO, an amount of Rs.27.99 million was paid to different contractors on account of erection of electricity poles etc. but sales tax of Rs.4.48 million @16%, as required under the rules, was not deducted from the claims of the contractors.

Non-adherence to Punjab Sales Tax Act resulted in non-deduction of sales tax amounting to Rs.4.48 million during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in November, 2016. The management replied that policy regarding levy of Punjab Sale Tax on services was circulated on August 16, 2016 by MEPCO H.Q and the amount of Punjab Sale Tax was being deducted from the contractors' bills accordingly.

The reply was not tenable as Sales Tax Act was applicable since 2012.

The DAC in its meeting held on January 24, 2017 directed the management to approach the Punjab Revenue Authority for seeking clarification on the issue. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement the Punjab Sales Tax Act-2012 besides fixing responsibility of non-deduction of sales tax.

(DPs-354 & 375/2016-17)

16.4.13 Irregular drawl of electrical material – Rs.2.35 million

As per office order issued by the Manager(HRM) MEPCO, Multan vide letter dated July 10, 2009, Line Foreman was not authorized to draw the material from the store as per Authority instruction and only Line Superintendents are authorized to draw the material from the store as per laid down procedure.

In Operation Circle MEPCO D.G Khan, various types of electrical material valuing Rs.2.35 million was drawn by Line Foreman Mr. Ghulam Mustafa who performed the duty of acting LS-II since December 12, 2012 under the order of XEN (O) Rajanpur. The official concerned was also directed to perform the additional duty of maintenance of feeders and achieve the recovery/losses targets. The act of preparing Store Requisitions and drawl of material from store was totally illegal, unjustified and irregular. The matter was also inquired through fact finding committee who recommended that the accused official caused huge loss to MEPCO due to irregular drawl of material so CEO might be approached to constitute an inquiry committee to investigate the matter and fix responsibility alongwith initiation of disciplinary action against him. But neither the matter was inquired departmentally nor any action taken against the culprit.

Non-adherence to Authority's orders resulted in irregular drawl of electrical material valuing Rs.2.35 million by LFM against the rules up to the financial year 2015-16.

The matter was taken up with the management in November, 2016 and reported to the Ministry in November, 2016. The management replied that in view of the orders issued by the Honorable Lahore High Court Multan Bench, neither acting LSs were ban to draw material nor other restriction found in this order.

The reply was not tenable as the electrical material was drawn by the official in violation of Authority's orders.

The DAC in its meeting held on January 24, 2017 directed the management to intimate the status of implementation of fact finding committee's recommendations regarding constitution of inquiry committee. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides making good the loss.

(DP-313/2016-17)

16.4.14 Non-adjustment of security deposits against arrears - Rs.2.10 million

According to Para-5(CP-14) of the Commercial Procedure Manual of WAPDA Power Wing, "when a permanent disconnection has been effected and final bill prepared by W.C.C. the amount of the Security Deposits held against the consumer is adjusted against his outstanding bill".

In Operation Circle MEPCO Bahawalpur, seventy nine (79) consumers were disconnected permanently since long. As per commercial procedure, security deposits of the defaulter consumers amounting to Rs.2.10 million was required to be adjusted against their arrears but needful was not done.

Non-adherence to Commercial Procedure Manual resulted in non-adjustment of security deposits of Rs.2.10 million against arrears up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in November, 2016. The management replied that an amount of Rs.0.52 million was adjusted whereas remaining consumers were re-connected.

The reply was not tenable as no documentary evidences in support of stance were provided

The DAC in its meeting held on January 24, 2017 directed the management to get the stance verified by producing the record to Audit. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to inquire the matter for fixing responsibility besides ensuring adjustment of security deposits as per procedure.

(DP-407/2016-17)

16.4.15 Unjustified / irregular payment of qualification pay - Rs.2.08 million

According to Finance Division WAPDA's letter dated May 06, 2011,"the Authority has accorded approval to the discontinuation of Qualification Pay on passing departmental promotion examination, to AB&AO/B&AO/Sr. B&AO/ Director (B&A) and AO/AOs/ Sr. Audit Officer/Dy. Chief Auditor, with immediate effect".

In MEPCO, an amount of Rs.2.08 million was paid to the employees on account of qualification pay contrary to the instructions of the Authority. Hence, the payment was not justified and irregular.

Non-adherence to Authority’s instructions resulted in unjustified / irregular payment of qualification pay amounting to Rs.2.08 million during the financial year 2015-16.

The matter was taken up with the management in September, 2016 and reported to the Ministry in November, 2016. The management replied that the case was subjudice in Court. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to purse the court case vigorously.

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

(DP-779/2016-17)

16.4.16 Loss due to illegal installation of connections in un-electrified housing colony - Rs.1.60 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 MEPCO D.G Khan, three (03) connections were illegally installed in un-electrified Dubai Town Housing Colony by installing 25 KVA transformers by the line staff. Initial inquiry committee recommended action against concerned SDO, LS and meter reader besides lodging of FIR against the consumer. No action was initiated against the responsible for putting the Company into loss of Rs.1.60 million.

Non-adherence to authority's instructions resulted in loss of Rs.1.60 million due to illegal installation of connections in un-electrified housing colony up to the financial year 2015-16.

The matter was taken up with the management in March, 2016 and reported to the Ministry in December, 2016. The management replied that the efforts were being made to reduce illegal installation of connections in un-electrified housing colonies.

The reply was not tenable as recommendations of inquiry committee was not implemented.

The DAC in its meeting held on January 24, 2017 directed the management to expedite the action besides conducting fact finding inquiry. Further progress was not reported till finalization of the report.

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

(DP-1002/2016-17)

16.4.17 Unjustified refund of income tax to the consumer - Rs.1.51 million

As per Exemption Certificate U/S-159 read with Section-235 of the Income Tax Ordinance, 2001 issued to Bismillah CNG Station by the FBR on June 18, 2015, "this exemption certificate was valid up to June 30, 2015 and tax already deducted/deductible before the issuance of this exemption certificate will not be refunded to the taxpayer, but deposited in the Government Treasury.

In Operation Circle MEPCO Rahim Yar Khan, an amount of Rs.1.51 million pertaining to set aside amount of withholding income tax was credited to the consumer vide adjustment note number 139 dated August 06, 2015. This amount was credited in contrary to the exemption certificate issued by the FBR.

Non-adherence to instructions of FBR resulted in unjustified credit of Rs.1.51 million to the consumer up to the financial year 2015-16.

The matter was taken up with the management in February, 2016 and reported to the Ministry in October, 2016. The management replied that recovery was under process. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to expedite the recovery.

Audit recommends that the management needs to recover the amount from consumer for onward depositing into Government Treasury.

(DP-174/2016-17)

16.4.18 Loss due to less recovery of security deposit - Rs.1.06 million

According to Special Conditions of supply under Tariff-E of Schedule of Electricity Tariff MEPCO, "the supply shall not be given by the Company without first obtaining security equal to the anticipated supply and other miscellaneous charges for the period of temporary supply and temporary connections shall be allowed for a period of 3 months which may be extended on three months basis subject to clearance of outstanding dues."

In Operation Circle MEPCO Multan, eight (08) temporary connections of different consumers were sanctioned after recovery of security deposit of Rs.1.35 million instead of Rs.2.41 million as required under the rules. Hence, an amount of Rs.1.06 million (Rs.2.41 million – Rs.1.35 million) was less recovered from the concerned consumers which resulted in loss to the Company.

Non-adherence to the tariff conditions resulted in loss due to less recovery of security deposits amounting to Rs.1.06 million during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in November, 2016. The management replied that the notices had been issued to the consumers for depositing security amount. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to expedite the recovery process.

Audit recommends that the management needs to expedite the recovery besides fixing responsibility.

(DP-646/2016-17)

CHAPTER-17

PESHAWAR ELECTRIC SUPPLY COMPANY LIMITED (PESCO)

17. PESHAWAR ELECTRIC SUPPLY COMPANY LIMITED

17.1 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 (NTDCL) 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 NTDCL on 220 KV Grid Stations at Daud Khel, Domail, Mardan and 500 KV Grid Station Peshawar attached with NPCC / NTDCL. The jurisdiction of PESCO includes six Operation Circles, one Project Construction Circle, and one Grid System 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 PESCO, the balance sheet and profit & loss account of the company could not be finalized by the management up till December 31, 2016.

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
PESCO	2009-10	6	-	-	6 (Para No.14.10, 14.11, 14.15, 14.16, 14.147, 14.18)

	2013-14	7	-	-	7 [Para No.4.1.1, 4.1.2, 4.1.4, 4.1.6, 4.1.7, 4.1.8, (16.3.1, 16.3.2, 16.3.3, 16.3.4, 16.3.5, 16.3.6, 16.3.7, 16.3.8, 16.3.9, 16.3.10, 16.3.11, 16.3.12, 16.3.14, 16.3.15, 16.3.17, 16.3.19, 16.3.21, 16.3.22, 16.3.23, 16.3.24, 16.3.25, 16.3.26, 16.3.28, 16.3.29, 16.3.30, 16.3.31, 16.3.32, 16.3.33)]

Position of compliance with PAC directives is not satisfactory.

17.4 AUDIT PARAS

17.4.1 Irregular procurement of electrical material without prototype approval – Rs.2,423.18 million

According to Clause-B(vi)a of the Purchase Orders, “the contractors has to submit the prototype approval and in case of failure, the purchase orders will stand cancelled with forfeiture / encashment of performance bond in favour of PESCO”.

In PESCO, twenty five (25) purchase orders for supply of various type of electrical material amounting to Rs.2,423.18 million were issued to different suppliers without receipt of prototype approval which was irregular.

Non-adherence to the provisions of purchase orders resulted in irregular procurement of electrical material amounting to Rs.2,423.17 million without prototype approval during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in November, 2016. The management replied that in 20 cases the purchase orders were awarded after getting valid prototype approval from suppliers while prototype approval in remaining cases was awaited.

The reply was not tenable as no documentary evidences in support of reply was provided.

The DAC in its meeting held on January 24, 2017 directed the management to provide the record relating to completed action and expedite the pending action. Further progress was not reported till finalization of the report.

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

(DP-537/2016-17)

17.4.2 Non-achievement of objectives due to non-completion of projects under USAID - Rs.1,954.97 million

The USAID Power Distribution Program (PDP) worked with PESCO to improve their financial and operational performance with main focus on reduction in losses, increase in revenue and improved customer services.

In PESCO, an amount of Rs.1,954.97 million was financed by USAID for 12 major IT driven projects at PESCO Headquarter. The projects were required to be completed by the year 2015, however, all these projects were remained pended due to non deployment of adequate resources. Hence, the desired objectives of the USAID projects could not be reaped.

Poor contract management resulted in non-achievement of objectives of projects amounting to Rs.1,954.97 million financed under USAID up to the financial year 2015-16.

The matter was taken up with management in September, 2016 and reported to the Ministry in November, 2016. The management replied that 11 projects were completed and remaining 01 project was under implementation.

The reply was not tenable as no documentary evidences in support of reply was provided.

The DAC in its meeting held on January 24, 2017 directed the management to get the record of completed action verified from Audit and expedite the pending action. Further progress was not reported till finalization of the report.

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

(DP-799/2016-17)

17.4.3 Loss due to illegal refund to the consumers - Rs.1,500 million

According to Instructions issued by the Managing Director PEPCO vide No.MD (PEPCO)/PS-30/565-75 dated December 01, 2010, "strict disciplinary action, without any exception, shall be taken against the officers and staff found involved in the overbilling".

In Operation Hazara Circle PESCO, an amount of Rs.1,500 million was refunded to the consumers by SDO Balakot Division illegally with the connivance of Revenue Officer / MIS staff. An inquiry committee was constituted in December, 2015 to fix the responsibility of loss but the findings of the inquiry committee were still awaited.

Non-adherence to procedures resulted in illegal refund of Rs.1,500 million to the consumers up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in November, 2016. The management replied that inquiry committee had submitted its report and action against the officials were under process. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to provide record of completed actions to Audit and expedite the pending actions.

Audit recommends that the management needs to expedite the inquiry proceedings besides stemming the practice of illegal refund.

(DP-672/2016-17)

17.4.4 Non-utilization of electrical material procured under USAID – Rs.1,049.28 million

The USAID Power Distribution Program (DP) worked with PESCO to improve their financial and operational performance with main focus on reduction in losses, increase in revenue and improved customer services.

In PESCO, equipment comprising tools, vehicles, transformers, towers and other ancillary material amounting to Rs.1,921.08 million was provided under USAID funds. However, the management could only utilize material valuing Rs.871.80 million leaving unutilized balance of material amounting to Rs.1,049.28 million.

Poor inventory management resulted in non-utilization of electrical material valuing Rs.1,049.28 million during the financial year 2015-16.

The matter was taken up with management in September, 2016 and reported to the Ministry in November, 2016. The management replied that material valuing Rs.40.36 million had been issued to field formations while utilization of remaining material was under progress. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to provide the record of completed action to Audit and expedite the utilization of remaining material.

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

(DP-793/2016-17)

17.4.5 Loss due to misuse of incentive package - Rs.721.77 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 PESCO, an amount of Rs.721.77 million was irregularly credited to the consumers on account of misuse of incentive package for flood affectees from July, 2010 to June, 2015. The inquiry committee recommended Special Audit to ascertain the exact amount of irregular credits which was not finalized till to date.

Non-adherence to the Authority’s instructions resulted in loss of Rs.721.77 million due to misuse of incentive package up to the financial year 2015-16.

The matter was taken up with management in September, 2016 and reported to the Ministry in November, 2016. The management replied that the Special Audit report had been finalized. The report had been approved by CEO PESCO for taking necessary action against the Officers/Officials involved. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to provide a copy of Special Audit Report to Audit and expedite the action against the employees.

Audit recommends that the management needs to take action in the light of Special Audit Report.

(DP-800/2016-17)

17.4.6 Unjustified billing to permanent disconnected consumers for concealment of line losses - Rs.708.99 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 PESCO, 63.13 million energy units valuing Rs.708.99 million were billed to the permanent disconnected consumers/ dead defaulters to conceal the position of actual line losses. No departmental action was intimated against the responsibles.

Non-adherence to the Authority’s instructions resulted in unjustified billing of Rs.708.99 million to permanent disconnected consumers during the financial year 2015-16.

The matter was taken up with the management during August & September, 2016 and reported to the Ministry in November, 2016. The management replied that the Company was trying hard to cope up with the situation but help from law enforcement agencies particularly police was lacking as only in some cases FIRs could be registered.

The reply was not tenable as billing to permanent disconnected consumers was against the spirit of Commercial Procedure Manual

The DAC in its meeting held on January 24, 2017 directed the management to pursue the case with police authorities vigorously and to conduct departmental inquiry for billing to permanently disconnected consumers. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for fixing responsibility for unjustified overbilling to permanent disconnected consumers.

(DPs-536 & 629/2016-17)

17.4.7 Extra expenditure due to purchase of transformers at higher rates - Rs.216.87million

According to Rule-10(i) of General Financial Rules Vol-I, "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 PESCO, procurement of 5,589 transformers of 50 KVA was made in five lots through the same tender. The purchase orders were awarded to five responsive bidders. Out of 5,589 transformer, 3,355 were procured @ Rs.183,165 and remaining 2,234 were purchased @ Rs.178,000. Thus, extra expenditure of Rs.216.87 million was incurred on procurement of same capacity transformers in the same tender.

Non-adherence to Government rules resulted in extra expenditure of Rs.216.87 million due to purchase of transformers at higher rates during the financial year 2015-16.

The matter was taken up with management in September, 2016 and reported to the Ministry in November, 2016. The management replied that keeping in view the transportation charges from Lahore to Peshawar, PESCO instead of extra expenditure, saved Rs. 11.54 million.

The reply was irrelevant to the contents of the observation.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with justification for making procurement at higher rates. Further progress was not reported till finalization of the report.

Audit recommends that the management to investigate the matter for fixing responsibility of purchase of transformers at higher rates.

(DP-828/2016-17)

17.4.8 Unauthentic completion of village electrification schemes - Rs.194 million

According to Rule-10(i) of General Financial Rules Vol-I, "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 PESCO, village electrification schemes amounting to Rs.194 million were approved under Peoples Work Program during 2008-2011. The works were shown completed on papers but were actually incomplete as per parliamentarian letter dated August, 2013, wherein he requested for constitution of a high level inquiry committee which was constituted after lapse of 2 years. Neither inquiry committee proceeded to probe into the matter nor action was initiated against the delinquents.

Non-adherence to Government rules resulted in unauthentic completion of village electrification schemes amounting to Rs.194 million during the financial year 2015-16.

The matter was taken up with the management in September, 2016 and reported to the Ministry in November, 2016. The management replied that due to transfer of the Convener of the inquiry committee, the inquiry committee was re-constituted and its proceedings were under process. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to expedite the proceedings of fresh inquiry.

Audit recommends that the management needs to expedite the inquiry proceedings for fixing responsibility.

(DP-521/2016-17)

17.4.9 Loss due to stealing of energy by illegal installation of distribution transformers – Rs.130.18 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 PESCO Khyber, forty seven (47) transformers of various capacities were installed without observing any codal formalities during 2005-07. The management neither took any action against illegal installation of transformers nor made efforts for removal of these transformers, therefore, the locals of area enjoyed free electricity of Rs.130.18 million through direct hooking since then.

Non-adherence to Authority's instructions resulted in loss of Rs.130.18 million due to stealing of energy by illegal installation of distribution transformers up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in November, 2016. The management replied that the matter had been taken up with higher ups for investigation through inquiry committee on PESCO H/Q level.

The DAC in its meeting held on January 24, 2017 directed the management to expedite inquiry proceedings. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides making good the loss.

(DP-442/2016-17)

17.4.10 Irregular / unjustified award of contract at exorbitant rates – Rs.124.24 million

According to BOD's 101st meeting dated October 10, 2015, it was resolved that the civil works would not be awarded in excess of 25% above BoQ.

In PESCO, eighteen (18) contracts for various civil works valuing Rs.124.24 million were awarded during March to June, 2016. The premium allowed to the contractors was ranging from 30.68% to 76% above BOQ which was much higher than the approved maximum limit of 25% so, award of contracts was irregular and unjustified.

Non-adherence to BOD's instructions resulted in irregular / unjustified award of contracts valuing Rs.124.24 million at exorbitant rates during the financial year 2015-16.

The matter was taken up with the management August, 2016 and reported to the Ministry in November, 2016. The management replied that it was confirmed that BOD had not restricted "premium" of all civil works contracts up to 25% of BOQ rather only the "completion costs" of the said works were restricted to 25% of the original approved cost.

The reply was not tenable as no work wise justification with reference to BOD decision was given.

The DAC in its meeting held on January 24, 2017 directed the management to provide revised reply depicting work-wise justification. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for fixing responsibility for award of contract at higher rates.

(DP-523/2016-17)

17.4.11 Loss due to non-crediting of electricity revenue collection by banks - Rs.80.88 million

As per Financial & Accounting Policies and Procedural Manual of PESCO, the banking section at Finance Directorate compares the CP-49 prepared by RO with the bank statements of the Finance Directorate's bank accounts, and prepares the reconciliation for the funds not yet transferred to the Finance Directorate's bank account.

In PESCO, certain electricity consumers made payment of their utility bills in the banks. However, the amount of Rs.80.88 million so collected was not credited to the respective accounts by the concerned banks during the month of June, 2016.

Non-adherence to Financial & Accounting Policies and Procedural Manual resulted in loss of Rs.80.88 million due to non-crediting of electricity revenue by the banks during the financial year 2015-16.

The matter was taken up with management in September, 2016 and reported to the Ministry in November, 2016. The management replied that an amount of Rs. 80.88 million as pointed out by Audit had been credited to PESCO main account during July, 2016. On the basis of reply and record produced, an amount of Rs.47.68 million was verified.

The DAC in its meeting held on January 24, 2017 directed the management to get the record of remaining amount verified from Audit. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides ensuring remaining recovery from the banks.

(DP-795/2016-17)

17.4.12 Un-authentic utilization of Pak MDGs funds – Rs.39.08 million

According to Rule-10 of the 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 Construction Circle PESCO, an amount of Rs.70 million was received on account of Pak MDGs funds for electrification of sixty eight (68) schemes. As per progress report, an amount of Rs.39.08 million was utilized on these works but no record in support of actual expenditure was produced to Audit. In the absence of supporting record, authenticity of the expenditure of Rs.39.08 million could not be ascertained.

Non-adherence to Government rules resulted in un-authentic utilization of funds amounting to Rs.39.08 million during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the funds were properly utilized and works were under progress. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to provide record in support of reply to Audit and expedite the completion of works.

Audit recommends that the management needs to inquire the matter for fixing responsibility besides expediting production of record to Audit.

(DP-1661/2016-17)

17.4.13 Loss due to procurement of unspecified material - Rs.32.48 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended 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 PMU PESCO, a purchase order No.3052-56 for purchase of different types of control panels/relay panels valuing Rs.32.48 million was awarded to M/s Siemens on June 13, 2013 without mentioning specification of material in the subject purchase order by the management. As per Chief Engineer (System Protection) NTDCL office letter dated October 30, 2013, specification No.P-

151:2010 was not approved, therefore, the same should not be considered / referred for any procurement. The supplier provided the material as per specification No.P-151:2010 instead of specification No.P-151:2008 at his own will. As evident from Xen. GC-II Bannu letter dated, May 17, 2016, some Relay Panels were drawn from store for installation at grids but these Panels were returned to store being not meeting the requirement. Thus, the Company sustained a loss of Rs.32.48 million due to procurement of unspecified material up to the financial year 2015-16. No action was taken against the officers for procurement of unspecified material.

Non-adherence to Authority's instructions resulted in loss due to procurement of unspecified material valuing Rs.32.48 million up to the financial year 2015-16.

The matter was taken up with management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the matter was being investigated. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to expedite the proceedings of inquiry.

Audit recommends that the management needs to investigate the matter for fixing responsibility of loss due to procurement of unspecified material besides making good the loss.

(DP-1627/2016-17)

17.4.14 Loss due to increase in cost due to poor planning – Rs.31.71 million

According to Rule-10(i) of General Financial Rules Vol-I, "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 PESCO, three work orders valuing Rs.41.57 million were issued for shifting of load and bifurcation of feeders during the year 2014. The works were not completed in time. Later on, in 2016 cost of these works were revised to Rs.73.28 million which resulted in extra expenditure of Rs.31.71 million.

Non-implementation of Government rules resulted in loss of Rs.31.71 million due to increase in cost by poor planning of the management during the financial year 2015-16.

The matter was taken up with the management in September, 2016 and reported to the Ministry in November, 2016. The management replied that the work orders were revised for 118 Nos. HT structures instead of 118 No. HT PC Poles, having estimated cost of Rs. 37.791 million, for timely completion of works, in the best interest of PESCO.

The reply was not tenable as no case to case justification was given.

The DAC in its meeting held on January 24, 2017 directed the management to provide revised reply along with case to case justification to Audit. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for fixing the responsibility of increase in cost.

(DP-522/2016-17)

17.4.15 Non-levy of liquidated damages due to unjustified addendum in the contract -Rs.28.02 million

As per Artile-3 (Effective Date), the effective date upon which the period until the time for completion of facilities shall be counted from is the date when all of the following conditions have been fulfilled c) the employer had paid the contractor the advance payment. Moreover, ADB vide letter dated April 28, 2015 directed the management to all the conditions required underArticle-3 within two (2) months from the date of contract notification.

In PMU PESCO, a work order for "design, supply, installation, testing & commissioning of 2 new 132 KV (GIS) grid stations" on turnkey basis was awarded on April 08, 2015. An advance payment of Rs.49.11 million was made to the contractor on May 11, 2015. Instead of declaring May 11, 2015 as effective date of contract, an addendum to the contract was issued on August 18, 2015 on the requests of M/s Siemens regarding change of mode of payment and non-availability of their authorized person to sign the addendum. The extension in effective date was made merely to give undue favour to the contractor which caused non-levy of liquidated damages amounting to Rs.28.02 million.

Non-adherence to contractual provisions resulted in non-levy of liquidated damages of Rs.28.02 million due to unjustified addendum in the contract up to the financial year 2015-16.

The matter was taken up with management in August, 2016 and reported to the Ministry in December, 2016. The management replied that L.D would be deducted, if applicable, from final bill of the contractor.

The reply was not tenable as amendment in effective date of contract was made just to provide undue benefit to the contractor which needed to be justified.

The DAC in its meeting held on January 24, 2017 directed the management to expedite the recovery of LD and get it verified from Audit. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate eh matter for fixing responsibility of unjustified addendum in contract besides making good the loss.

(DP-1526/2016-17)

17.4.16 Unjustified expenditure on village electrification schemes - Rs.26.94 million

As per Para-2(ii) of AGPR letter No.1358 dated April 19, 2013, the executing agencies to whom works had been assigned under the PWP-II shall not execute the schemes any further till the passing of the orders of the Supreme Court of Pakistan in the instant case.

In Construction Circle PESCO, an amount of Rs.26.94 million was incurred on fifty four (54) village electrification schemes under PWP-II works. Most of the expenditure was incurred after issuance of the said instructions which was not justified.

Non-adherence to AGPR's instructions resulted in unjustified expenditure of Rs.26.94 million on village electrification schemes up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that as per orders of Honorable Supreme Court i.e. "The executing agencies to whom the work had been assigned under the PWP-II shall not execute since April, 2013 to November, 2013" the execution of work at site was stopped and the progress for the month of May, 2013 to November, 2013 was Nil. It is further added that no work was carried out during ban period as evident from the monthly progress report.

The reply was not tenable as no documentary evidences were provided in support of stance.

The DAC in its meeting held on January 24, 2017 directed the management to get the stance verified by producing the record to Audit. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to justify the irregular expenditure besides ensuring production of supporting documents.

(DP-1396/2016-17)

17.4.17 Loss due to unjustified rebate given to industrial consumer - Rs.25.19 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 PESCO, a rebate @ 6.8% of monthly consumption of the grid panel meter reading was regularly been afforded to an industrial consumer. Due to this rebate, the Company sustained a revenue loss of Rs.25.19 million. No departmental action was initiated against the delinquents.

Non-adherence to the Authority's instructions resulted in loss of Rs.25.19 million due to unjustified rebate given to industrial consumer during the financial year 2015-16.

The matter was taken up with the management in September, 2016 and reported to the Ministry in November, 2016. The management replied that the amount had been debited vide Adjustment Note as evident from CP-111 for the month of January, 2017.

The reply was not tenable as no documentary evidences were provided in support of stance.

The DAC in its meeting held on January 24, 2017 directed the management to provide copy of adjustment note to Audit and expedite the recovery of debited amount. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for fixing the responsibility besides making good the loss.

(DP-517/2016-17)

17.4.18 Non-submission of performance guarantees – Rs.24.75 million

According to the Repeat Purchase Order, Section-B, performance guarantee @ 5% equal to the amount of additional quantity was required to be furnished within seven days of issuance of the repeat order.

In PESCO, two repeat purchase orders for supply of HT/LT structures were issued to M/s AM Associates while letters of intents for purchase of electrical material were issued to nine different suppliers. All the suppliers did not submit the performance guarantees amounting to Rs.24.75 million as required under the purchase order clause.

Non-adherence to the Purchase Order Clause resulted in non-submission of performance guarantees of Rs.24.75 million by the suppliers during the financial year 2015-16.

The matter was taken up with the management in September, 2016 and reported to the Ministry in November, 2016. The management replied that due to rush of work, the bank guarantees were overlooked. Now, the needful had been done and bank guarantees amounting to Rs.1.33 million had been obtained.

The reply was not tenable as performance guarantees were required to be obtained before award of purchase orders which needed to be inquired.

The DAC in its meeting held on January 24, 2017 directed the management to conduct inquiry for non-obtaining of performance guarantees from supplier/contractor and also directed to provide the bank guarantees to Audit. Further progress was not reported till finalization of the report.

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

(DP-525/2016-17)

17.4.19 Unjustified expenditure on rehabilitation of feeder - Rs.23.74 million

According to rule-10(i) of General Financial Rules Vol-I, "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 PESCO, a work order for re-conductoring for 11 KV Akbar Pura Feeder was pending since 2005. The management issued another work order valuing Rs.23.74 million for the bifurcation for the same feeder in October, 2015 despite the fact that earlier work on the feeder was pending since long, hence, the expenditure in this context was unjustified.

Non-implementation of Government rules resulted in unjustified expenditure of Rs.23.74 million on rehabilitation of feeder during the financial year 2015-16.

The matter was taken up with the management in September, 2016 and reported to the Ministry in November, 2016. The management replied that the work was completed except one span of stringing over the railway track near Akber Pura. However, the matter had been taken up with the Railway department to settle the issue. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to pursue the matter with Railways Department for early finalization.

Audit recommends that the management needs to justify the expenditure besides fixing responsibility.

(DP-520/2016-17)

17.4.20 Loss due to illegal installation of electrical material – Rs.21.07 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 PESCO Bannu, electrical material comprising of 74 transformers of various capacities and 984 HT/LT poles valuing Rs.21.07 million were illegally installed against unapproved works as evident from the report of inquiry committee. Neither the illegally installed material was removed from sites nor cost thereof was recovered from the delinquents.

Non-adherence to Authority's instructions resulted in loss of Rs.21.07 million due illegal installation of electrical material up to the financial year 2015-16.

The matter was taken up with the management in March, 2016 and reported to the Ministry in October, 2016. The management replied that 54 transformers had been recovered and shifted to Filed Store D.I. Khan while removal of remaining 20 transformers were under process and 984 HT / LT poles were being recovered.

The reply was not tenable as no documentary evidences were provided to substantiate the stance.

The DAC in its meeting held on January 24, 2017 directed the management to provide the record relating to action completed to Audit and expedite the pending action. Further progress was not reported till finalization of the report.

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

(DP-120/2016-17)

17.4.21 Misuse of village electrification funds – Rs.17 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 PESCO, an amount of Rs.17 million was provided for installation of 35 transformers and 100 electric poles against twenty one (21) works. Later on, the funds were misappropriated / used by line staff. An inquiry committee, constituted to probe into the matter in February 10, 2015, held the Line Superintendent responsible. No departmental action was initiated against the official held responsible for non completion of works.

Non-adherence to Authority's instructions resulted in mis use of village electrification funds amounting to Rs. Rs.17 million during the financial year 2015-16.

The matter was taken up with management in September, 2016 and reported to the Ministry in November, 2016. The management replied that most of these works were pending due to ROW problems, however, the matter had already been taken up with the concerned quarter for resolution of ROW.

The reply was not tenable as recommendations of inquiry committee were not implemented.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with justification for mis-use of funds. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to expedite inquiry proceedings besides making good the loss.

(DP-792/2016-17)

17.4.22 Loss due to non-recovery of substation cost from consumers of commercial plazas / markets - Rs.12.80 million

According to Clause-6 (b), (c) & (d) of the revised policy for electrification of shopping plazas/commercial and multi storey buildings, the owner of the plaza will bear all the expenses including feed line, cost of transformer and substation meter etc., the recovery of cost of the individual connections shall be regulated according to lump sum charges bearing for new general connections, recovery of security deposit will be regulated as per rates applicable to the relevant category.

In four Operation Circles of PESCO, 602 shops of different commercial plazas / markets were running through general distribution transformers rather than providing independent transformers amounting to Rs.12.80 million as per assessed load.

Non-adherence to SOP resulted in loss of Rs.12.80 million due to non-recovery of substation cost from the consumers up to the financial year 2015-16.

The matter was taken up with the management during March to September, 2016 and reported to the Ministry in October & November, 2016. The management replied that in 03 cases, an amount of Rs.0.61 million had been recovered, 08 connections were disconnected while notices had been issued to the remaining consumers. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to provide record in respect of completed actions and expedite the pending actions. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides making good the loss.

(DPs-121, 499, 625 & 794/2016-17)

17.4.23 Unjustified extension in due dates to avoid LPS – Rs.9.47 million

According to Para-1.3 of Commercial Procedure 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 PESCO, due dates for payment of electricity bills in respect of an industrial consumer were extended as a routine during the period July, 2015 to March, 2016. Thus, undue favour was extended to the consumer to save him from payment of late payment surcharge (LPS) amounting to Rs.9.47 million.

Non-adherence to Commercial Procedure Manual resulted in unjustified extension of due date to avoid LPS amounting to Rs.9.47 million during the financial year 2015-16.

The matter was taken up with management in September, 2016 and reported to the Ministry in November, 2016. The management replied that the competent Authority could extend due date as per powers delegated in book of financial powers.

The reply was not tenable as due dates were extended in every month just to extend undue benefit to the consumer.

The DAC in its meeting held on January 24, 2017 directed the management to submit revised reply along with justification for avoiding LPS. Further progress was not reported till finalization of the report.

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

(DP-791/2016-17)

17.4.24 Loss due to non-replacement of sluggish meters – Rs.8.68 million

As per Section-6 of Part-IV of NEPRA Performance Standards (Distribution) Rules, 2005, "a distribution company shall ensure any investigation and decision of dispute concerning metering, billing and electricity consumption charges are finalized within twenty one days. The disputed meter shall be inspected by the authorize distribution company personnel within five days of receipt of the particular complaint."

In Operation Circle PESCO Swat, 2,062 defective meters were pending for replacement. The pendency in replacement of these meters was more than three months to one year and caused theft of energy due to which, the Company sustained a loss of Rs.8.68 million.

Non-adherence to the NEPRA's prescribed rules resulted in loss of Rs.8.68 million due to non-replacement of sluggish meters during the financial year 2015-16.

The matter was taken up with management in July, 2016 and reported to the Ministry in November, 2016. The management replied that 1005 sluggish meters had been replaced while replacement of remaining meters were under process. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to provide the record relating to completed actions and expedite the pending actions.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides making good the loss.

(DP-358/2016-17)

17.4.25 Loss due to confiscation of transformers by FIA - Rs.6.75 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 PESCO, seventy four (74) irrepairable / un-recorded transformers of different capacities valuing Rs.6.75 million were lying in Reclamation Workshop Noshera under the custody of FIA. These transformers were confiscated by FIA since long and were lying in workshop without any record. The management neither got the transformers released from FIA nor taken any departmental action for un-recorded transformers.

Non-adherence to Authority's instruction resulted in loss of Rs.6.75 million due to confiscation of transformers from FIA up to the financial year 2015-16.

The matter was taken up with management in September, 2016 and reported to the Ministry in November, 2016. The management replied that the Assistant Director FIA had been requested for shifting of transformers. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to pursue the matter with FIA vigorously.

Audit recommends that the management to investigate the matter for fixing responsibility besides ensuring receipt of transformers from FIA.

(DP-802/2016-17)

17.4.26 Loss due to non-billing to commercial consumers-Rs.5.90 million

According to Para-1.3 of Commercial Procedure 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 two Operation Circles of PESCO, 0.40 million energy units valuing Rs.5.90 million were pending for billing against various consumers due to non-submission of connection documents. Neither any departmental action was initiated against the delinquents nor recovery made from the consumers.

Non-adherence to Commercial Procedure Manual resulted in loss of Rs.5.90 million due to non-billing to commercial consumers during the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in November, 2016. The management replied that efforts were being made for billing of pending units to the consumers. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to expedite billing of pending units to the consumers.

Audit recommends that the management needs to expedite recovery from consumers besides fixing responsibility.

(DP-364 & 394/2016-17)

17.4.27 Loss due to installation of two industrial connections at one premises - Rs.3.65 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 PESCO Bannu, two MDI meters were installed for two ice factories at one premises with one hall. An ice factory defaulted for Rs.1.84 million and was disconnected without removing the transformer. The factory was running through the other meter at same premises and again defaulted for Rs.1.81 million. However, both the connections were running as the transformer was not removed from the site. The installation of two connections at one premises put the Company into a loss of Rs.3.65 million.

Non-adherence to Authority's instructions resulted in loss of Rs.3.65 million due to illegal running of two industrial connections at one premises up to the financial year 2015-16

The matter was taken up with the management in March, 2016 and reported to the Ministry in October, 2016. The management replied that the ice factories were adjacent and not situated within one premises having different owners and account numbers.

The reply was not tenable as both the factories located in same premises were running from one transformer.

The DAC in its meeting held on January 24, 2017 directed the management to constitute inquiry committee to probe into the matter. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides making good the loss.

(DP-305/2016-17)

17.4.28 Non-return of electrical material drawn against cancelled schemes - Rs.3.11 million

According to basic Rule-2.2 of WAPDA Distribution Stores Manual, the material in excess of requirement must not be drawn. As per 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."

In Construction Circle PESCO, ten (10) LT proposals were cancelled by the Planning Department PESCO vide letter dated June 02, 2015 due to revision of BoQ as per requirement of USAID. The project authorities were directed to return the material, if any, drawn from the store against these works. Electrical material amounting to Rs.3.11 million drawn from store against these works was not returned to store as required under the rules.

Non-adherence to Distribution Stores Manual resulted in non-return of electrical material valuing Rs.3.11 million drawn against cancelled works up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that in 07 cases, LT works were approved after revision of BOQs while remaining 03 works were cancelled and no material was drawn.

The reply was not tenable as the material drawn against cancelled works was required to be returned which was not done.

The DAC in its meeting held on January 24, 2017 directed the management to provide the record of completed action to Audit. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to ensure the return of electrical material to store.

(DP-1410/2016-17)

17.4.29 Loss due to illegal extension of 11 KV feeder and shifting of transformers - Rs.1.78 million

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

In Operation Circle Bannu PESCO, 11 KV Baka Khel-I feeder was illegally extended in various places and ten (10) distribution transformers worth Rs. 1.78 million were shifted without any approval. No inquiry was conducted to probe into the matter of drawl and installation of Company's material at site without any approval and recovery of cost.

Non-adherence to Authority's instructions resulted in loss of Rs.1.78 million due to illegal extension of 11 KV feeder and shifting of transformers during the financial year 2015-16

The matter was taken up with the management in February, 2016 and reported to the Ministry in December, 2016. The management replied that illegally installed transformers had been removed from the Baka Khel feeder with the help of Army.

The reply was not tenable as no documentary evidences in support of reply were provided.

The DAC in its meeting held on January 24, 2017 directed the management to provide record of removal of transformers to Audit for verification and expedite the regularization process. Further progress was not reported till finalization of the report.

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

(DP-1375/2016-17)

17.4.30 Loss due to unknown whereabouts of distribution transformers - Rs.1.19 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 PESCO Bannu, seven (07) distribution transformers worth Rs.1.19 million installed at different sites were removed and placed in the custody of SHO, WAPDA Police Station Bannu. Later on, the said transformers were handed over to Mr. Jahangir LS-1 but whereabouts of the transformers was not known for which no action was taken against the official.

Non-adherence to Authority's instructions resulted in loss of Rs.1.19 million due to unknown whereabouts of distribution transformers up to the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in November, 2016. The management replied that the matter would be investigated. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to expedite the inquiry proceedings.

Audit recommends that the management needs to investigate the matter for fixing responsibility against person at fault besides ensuring return of distribution transformers.

(DP-785/2016-17)

17.4.31 Unjustified retention of electrical material – Rs.1.15 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 PESCO Swat, twenty three (23) transformers of various capacities valuing Rs.1.15 million were drawn by line superintendent while posted at City Division Peshawar which was retained by him till his transfer. Neither these transformers were returned to store nor were handed over to line staff of City Division, Peshawar. No inquiry was conducted to fix the responsibility.

Non-adherence to Authority's instructions resulted in unjustified retention of electrical material valuing Rs.1.15 million up to the financial year 2015-16.

The matter was taken up with the management in March, 2016 and reported to the Ministry in October, 2016. The management replied that the record of 23 transformers was in custody of Mr. Asmatullah Ex-LS, who had been retired from PESCO Service and went to abroad. However, the amount would be adjusted from his pension and other emoluments. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to inquire the matter for not taking timely action.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides making good the loss.

(DP-126/2016-17)

CHAPTER-18

QUETTA ELECTRIC SUPPLY COMPANY LIMITED (QESCO)

18. QUETTA ELECTRIC SUPPLY COMPANY LIMITED

18.1 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 (NTDCL) and sells it to the consumers in the Province of Balochistan.

QESCO receives supply from NTDCL 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.

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 QESCO, the balance sheet and profit & loss account of the company could not be finalized by the management up till December 31, 2016.

18.3 Brief comments on the status of compliance with PAC directives

Name of Company	Year	No. of Directives	Status of compliance		
			Full	Partial	Outstanding
QESCO	2009-10	5	-	-	5 (Para No.15.10, 15.11, 15.12, 15.13, 15.15)

	2013-14	7	-	-	7 [Para No.4.1.1, 4.1.2, 4.1.4, 4.1.6, 4.1.7, 4.1.8, (16.3.1, 16.3.2, 16.3.3, 16.3.4, 16.3.5, 16.3.6, 16.3.7, 16.3.8, 16.3.9, 16.3.10, 16.3.11, 16.3.12, 16.3.14, 16.3.15, 16.3.17, 16.3.19, 16.3.21, 16.3.22, 16.3.23, 16.3.24, 16.3.25, 16.3.26, 16.3.28, 16.3.29, 16.3.30, 16.3.31, 16.3.32, 16.3.33)]

Position of compliance with PAC directives is not satisfactory.

18.4 AUDIT PARAS

18.4.1 Non-payment of foreign relent loans - Rs.2,973.50 million

As per Economic Affair Division (Government of Pakistan) letter No.6(49)DMR-1/2015 dated May 02, 2016, in case of default in payment of foreign relent loans within scheduled time, late fees charges would be levied.

In PMU QESCO, an amount of Rs.2,973.50 million was payable to the Government of Pakistan on account of principal amount, interest and exchange risk fees of foreign relent loans obtained from ADB. No efforts were made to pay the foreign relent loans well in time to avoid late fees charges.

Non-adherence to government instructions resulted in non-payment of foreign relent loans amounting to Rs.2,973.50 million up to the financial year 2015-16.

The matter was taken up with management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the case for repayment was under process in Finance Directorate. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to expedite payment to Government Treasury.

Audit recommends that the management needs to expedite the payment of foreign loans in order to avoid from levy of late fees charges.

(DP-1326/2016-17)

18.4.2 Irregular expenditure beyond the provisions of BoQ - Rs.27.23 million

According to Clause-51.2 of FIDIC, “the contractor shall not make any variation without an instruction of the Engineer”.

In PMU QESCO Quetta, an amount of Rs.27.23 million was incurred in excess of the provisions 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 FIDIC instructions resulted in irregular expenditure of Rs.27.23 million up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in October, 2016. The management replied that the quantity of ZM-1 towers in BoQ was increased as per site requirement.

The reply was not acceptable as no documentary evidence was produced to substantiate the stance.

The DAC in its meeting held on January 24, 2017 directed the management to provide approval of competent authority for increase in BoQ to Audit.

Audit recommends that the management needs to investigate the matter for fixing responsibility of irregular expenditure.

(DP-276/2016-17)

18.4.3 Non-remittance of electricity bills collection by the banks – Rs.19.95 million

According to Clause-6.11 of the Commercial Procedure Manual of WAPDA Power Wing, "the Revenue Officer is responsible for effecting a 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 dishonoured cheques before the next statement is due".

In Operation Circle QESCO Makran, an amount of Rs.19.95 million, collected by the different Banks on behalf of QESCO, was not remitted into the Company's main collection account. This amount was outstanding since long but no efforts were made to recover the same.

Non-adherence to the commercial procedure resulted in non-remittance of Rs.19.95 million on account of revenue collection by the banks up to the financial year 2015-16.

The matter was taken up with the management in March, 2016 and reported to the Ministry in October, 2016. The management replied that the said amount pertained to bank charges / commission and not remittance, which was being deducted by the banks.

The reply was not tenable as no documentary evidences were provided in support of reply.

The DAC in its meeting held on January 24, 2017 directed the management to get the stance verified by producing the record to Audit.

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

(DP-188/2015-16

18.4.4 Loss due to excess/double drawl of material - Rs.14.65 million

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

In Construction Circle QESCO, 60,000 meters ACSR Osprey conductor and 10,080 ACSR Dog conductor meters for 11 KV hydrology feeder was drawn in excess of estimated quantity. Thus, the Company had sustained loss due to excess drawl of conductor worth Rs.14.65 million. No action was taken against the delinquents for return of excess material/ recovery of cost of material.

Non-adherence to Authority's instructions resulted in loss of Rs.14.65 million due to excess drawl of material during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in November, 2016. The management replied that the matter was under departmental inquiry.

The DAC in its meeting held on January 24, 2017 directed the management to expedite the inquiry for fixing responsibility. Further progress was not reported till finalization of the report.

Audit recommends implementation of the DAC's directives.

(DP-470/2016-17)

18.4.5 Un-justified billing to Government Departments - Rs.14.15 million

As per instructions issued by the Managing 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 QESCO Sibbi, 1.42 million units amounting to Rs.14.15 million were excessively charged to forty two (42) Government Departments. This indicated that over billing was made to the consumers just to conceal the line losses and theft of energy.

Non-adherence to Authority's instructions resulted in unjustified billing of Rs.14.15 million to the consumers during the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in December, 2016. The management replied that no overbilling was made as the Government departments had to clear their bills on yearly basis and heavy payments received on annual basis.

The reply was not tenable as no documentary evidence was provided to substantiate the stance.

The DAC in its meeting held on January 24, 2017 directed the management to get the stance verified by producing the record to Audit.

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

(DP-1253/2016-17)

18.4.6 Loss due to non regularization of illegal/unregistered tube wells – Rs.4.03 million

According to Para-1.3 of Commercial Procedure 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 two Operation Circles of QESCO, 335 unregistered tube well connections were running illegally since long. These tube wells were running without energy meters and resulted in loss of Rs.4.03 million due to theft of electricity.

Non-adherence to commercial procedure resulted in loss of Rs.4.03 million due to non regularization of unregistered tube wells up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in November, 2016. The management replied that 60 tube wells had been regularized and notices were issued to remaining consumers to regularize the connections. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to produce record of regularization of 60 tube wells to Audit and expedite the recovery / regularization or removal of remaining connections.

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

(DPs-415 & 675/2016-17)

18.4.7 Loss due to illegal occupation of bachelor hostel - Rs.2.39 million

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

In QESCO, a bachelor hostel located at Nawan Killi Colony, Quetta having 6 rooms was occupied by the Chief Engineer. The said officer was residing with his family and enjoying all utilities available in bachelor hostel. An amount of Rs.2.39 million on account of gas and electricity bills, standard rent and salaries of posted staff was not recovered from the concerned officer.

Non-adherence to Authority's instructions resulted in loss of Rs.2.39 million due to illegal occupation of bachelor hostel up to the financial year 2015-16.

The matter was taken up with management in September, 2016 and reported to the Ministry in December, 2016. The management replied that the appropriate action was under process. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to take disciplinary action against the delinquent officer besides ensuring recovery.

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

(DP-1251/2016-17)

CHAPTER-19

SUKKUR ELECTRIC POWER COMPANY LIMITED (SEPCO)

19. SUKKUR ELECTRIC POWER COMPANY LIMITED

19.1 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. NTDCL, GENCOs situated within the jurisdiction of SEPCO and from Small Power Producers / Captive Power Producers at 11 KV. NTDCL 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.

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 SEPCO, the balance sheet and profit & loss account of the company could not be finalized by the management up till December 31, 2016.

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
SEPCO	2013-14	7	-	-	7 [Para No.4.1.1, 4.1.2, 4.1.4, 4.1.6, 4.1.7, (18.3.3, 18.3.4, 18.3.9, 18.3.11, 18.3.12, 18.3.13, 18.3.14)]

Position of compliance with PAC directives is not satisfactory.

19.4 AUDIT PARAS

19.4.1 Non-recovery of cost of energy exported to sister companies - Rs.1,895.41 million

According to Para-1.3 of Commercial Procedure 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 GSO Circle SEPCO, 189.55 million energy units were exported to HESCO and QESCO through SEPCO grids system. Hence, energy charges amounting to Rs.1,895.41 million were required to be recovered from these companies but no recovery was made so far.

Non-adherence to commercial procedure resulted in non-recovery of cost of energy amounting to Rs.1,895.41 million from the sister companies up to the financial year 2015-16.

The matter was taken up with the management in April & August, 2016 and reported to the Ministry in November & December, 2016. The management replied that the matter had already been taken up with HESCO/CPPA.

The DAC in its meeting held on January 24, 2017 directed the management to pursue the matter at PEPCO level. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to expedite the recovery of energy charges from sister companies.

(DP-700 & 1212/2016-17)

19.4.2 Non-recovery of excess paid amount from small power producers - Rs.1,774.49 million

As per Sindh High Court Decision issued on August 19, 2015, the petitioners were entitled to recover contractual rates only up to February 01,

2012. Thereafter, the petitioners would be entitled to such rates as fixed by NEPRA for the supplies made after February 01, 2012.

In SEPCO, after decision of the Sindh High Court, an excess paid amount of Rs.1,774.49 million was recoverable from two (02) New Captive Power Producers/Small Power Producers (NCPPs/SPPs) on account of difference of tariff as approved by the SEPCO and allowed by NEPRA. No efforts were made by the management to accelerate the recovery from the concerned power producers.

Non-adherence to Court decision resulted in non-recovery of excess paid amount of Rs. 1,774.49 million from the small power producers up to the financial year 2015-16.

The matter was taken up with the management in September, 2016 and reported to the Ministry in November, 2016. The management replied that adjustment / recovery had been made from both the power producers as per decision of Sindh High Court.

The reply was not tenable as no documentary evidences in support of recovery were provided.

The DAC in its meeting held on January 24, 2017 directed the management to provide the record of adjustment / recovery of excess paid amount to Audit. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to expedite the recovery of excess paid amount from the small power producers

(DP-386/2016-17)

19.4.3 Non-recovery of poles rent from cable operators-Rs.32.90 million

According to Director General (Commercial) WAPDA dated February 28, 2005, facility for use of WAPDA poles be allowed to those Cable TV Operators only who have valid license from Pakistan Electric Media Authority (PEMRA).

In Operation Circle SEPCO Larkana, 68,547 poles were being used by the cable network operators illegally without obtaining valid license from Pakistan Electric Media Authority (PEMRA). Moreover, an amount of Rs.32.90 million on account of rent of poles was not recovered from the SAID cable operators.

Non-adherence to the Authority's instructions resulted in loss of Rs.32.90 million due to non-recovery of poles rent during the financial year 2015-16.

The matter was taken up with the management in July, 2016 and reported to the Ministry in December, 2016. The management replied that the survey of structures / poles used for installation of cable net work by the cable operators was being made and necessary demand notices would be issued to the cable operators. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to complete the survey of cable networks and expedite recovery.

Audit recommends that the management needs to recover the rent of poles from cable network operators besides fixing responsibility.

(DP-1662/2016-17)

19.4.4 Unjustified payment of crops compensation - Rs.3.23 million

According to Rule-10 of the 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 GSC Circle SEPCO, an amount of Rs.3.23 million was paid to various persons on account of compensation of crops damaged during erection of poles / stringing of different transmission lines. These payments were made without verifying the proof of ownership of land, type of crops and market rates of crops etc. Hence, the payment could not be termed as justified.

Non-adherence to general financial rules resulted in unjustified payment of Rs.3.23 million on account of crops compensation during the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that the payment of crops compensation was made as per rules.

The reply was not tenable as the payment was not made after observing all the codal formalities.

The DAC in its meeting held on January 24, 2017 directed the management to get the stance verified by producing the record to Audit. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for fixing responsibility of unjustified payment of crop compensation.

(DP-1151/2016-17)

19.4.5 Loss due to unjustified drawl of PVC - Rs.1.38 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 SEPCO Dadu, PVC (2 Core & 4 Core) worth Rs.1.38 million was drawn by line staff for maintenance purposes. The drawl of PVC without any estimate and for maintenance purpose was not justified which caused loss to the Company.

Non-adherence to Authority's instructions resulted in loss of Rs.1.38 million due to unjustified drawl of PVC up to the financial year 2015-16.

The matter was taken up with management July, 2016 and reported to the Ministry in October, 2016. The management replied that PVC was drawn for maintenance purpose on emergent basis due to heavy rain and the consumption of PVC was also recorded in accounts.

The DAC in its meeting held on January 24, 2017 did not agree with the stance of the management as SEPCO was responsible for maintenance of HT/LT network and not replacement of damaged PVC of the consumers. The DAC directed the management to inquire the matter for fixing responsibility. Further progress was not reported till finalization of the report.

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

(DP-289/2016/17)

CHAPTER-20

TRIBAL AREAS ELECTRIC SUPPLY COMPANY LIMITED (TESCO)

20. TRIBAL AREAS ELECTRIC SUPPLY COMPANY LIMITED

20.1 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 NTDCL 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.

20.2 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, 2016.

20.3 Brief comments on the status of compliance with PAC directives

Name of Company	Year	No. of Directives	Status of compliance		
			Full	Partial	Outstanding
TESCO	2009-10	2	-	-	2 (Para No.16.9, 16.10)
	2013-14	3	-	-	3 [Para No.4.1.2, 4.1.8 (19.2.1, 19.2.2)]

Position of compliance with PAC directives is not satisfactory.

20.4 AUDIT PARAS

20.4.1 Non-recovery of revenue from industrial consumer due to delay in billing - Rs.27.50 million

According to Para-1.3 of Commercial Procedure 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 TESCO FATA, B-3 connection of a Steel Mill was energized in August, 2014 but electricity bill was not issued despite lapse of more than 11 months. Due to non-issuance of electricity bill to the consumer, an amount of Rs.27.50 million could not be recovered.

Non-adherence to commercial procedure resulted in non-recovery of Rs.27.50 million due to non-issuance of electricity bill up to the financial year 2015-16.

The matter was taken up with management in September, 2016 and reported to the Ministry in December, 2016. The management replied that the consumer was energized through independent 11 KV feeder from GSS Ghallani, however, the said feeder had been switched off and no consumption of electricity by the consumer was observed since its energization.

The reply was not tenable as no responsibility was fixed upon persons(s) who was making such malpractice.

The DAC in its meeting held on January 24, 2017 directed the management to get the stance verified by producing the record to Audit. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to expedite the recovery from the consumer besides fixing responsibility.

(DP-1347/2016-17)

20.4.2 Loss due to fake payment and sub-standard execution of work - Rs.21.17 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 TESCO FATA, nineteen (19) 11 KV structures (poles) were damaged due to sub-standard work in Hangu Division. An inquiry committee was constituted and as per findings of the inquiry committee, the damages were occurred due to sub-standard work. The work was actually carried out through TESCO staff but payment was made to contractors M/s Khyber Construction & Co. and M/s Wazir Brothers & Co. Bannu. No action was taken against the delinquents for putting the Company into loss of Rs.21.17 million.

Non-adherence to Authority's instructions resulted in loss of Rs.21.17 million due to fake payment and sub-standard execution of work up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that as per report of the committee, no loss was sustained by TESCO as local Political Administration had extended help in erecting poles and restoration of supply.

The DAC in its meeting held on January 24, 2017 did not accept the view point of the management and directed to constitute a fresh inquiry at PEPCO level to probe into the matter within 15 days. Further progress was not reported till finalization of the report.

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

(DP-1349/2016-17)

CHAPTER-21

POWER HOLDING PRIVATE LIMITED (PHPL)

21. POWER HOLDING PRIVATE LIMITED

21.1 Introduction

Power Holding Private Limited (PHPL) is established under the Companies Ordinance, 1984 is wholly owned and controlled by the Ministry of Water and Power, Government of Pakistan. Power Holding Private Limited is a public sector entity without assets and is responsible for arranging a loan for power sector companies. The Finance Ministry will arrange loan on behalf of DISCOs by PHPL through a syndicated term finance facility from consortium of local commercial banks. The amount has been transferred to CPPA on behalf of DISCOs which has been utilised for payment to GENCOs / IPPs.

21.2 AUDIT PARAS

21.2.1 Non-recovery of mark up from CPPA - Rs.16,270 million

As per Accounting and Financial Reporting Manual, a diligent effort shall be made to collect all outstanding accounts in general, invoices shall be collected as expeditiously as possible.

In the office of the Chief Executive Officer, Power Holding Private Limited, Islamabad, an amount of Rs.16,270 million was recoverable from CPPA on account of mark up for the period from March 10, 2014 to September 09, 2015. Strenuous efforts were not made to recover the outstanding amount from the concerned quarter.

Non-adherence to Accounting and Financial Reporting Manual resulted in non-recovery of mark up of Rs.16,270 million from CPPA up to the financial year 2015-16.

The matter was taken up with the management in August, 2016 and reported to the Ministry in December, 2016. The management replied that non-payment was due to non-remittance of DSS amount from DISCOs to CPPA and efforts were being made to recover the amount. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to constitute an inquiry committee to probe into the matter.

Audit recommends that the management needs to expedite the recovery besides implementing DAC's directives.

(DP-1616/2016-17)

CHAPTER-22

PRIVATE POWER AND INFRASTRUCTURE BOARD (PPIB)

22. PRIVATE POWER AND INFRASTRUCTURE BOARD (PPIB)

22.1 Introduction

The Private Power and Infrastructure Board (PPIB) was created on August 2, 1994 under Ministry of Water and Power, Islamabad as "One Window Facilitator" to promote private sector participation in the power sector of Pakistan. PPIB facilitates investors in establishing private power projects and related infrastructure, executes Implementation Agreement (IA) with Project Sponsors and issues sovereign guarantees on behalf of Government of Pakistan.

Main functions of PPIB are to implement the power policies, award projects to sponsors or private power companies, prepare all necessary or appropriate documentation, execute any of such documentation with private power companies, their sponsors, lenders and, whenever necessary or appropriate.

PPIB comprises on the following members:

1. Federal Minister for Water & Power		Chairman
2. Secretary, Water & Power/Chairman PEPCO		Member
3. Secretary, Ministry of Finance		Member
4. Secretary, Ministry of Petroleum & Natural Resources		Member
5. Chairman, Federal Board of Revenue		Member
6. Secretary, Planning Commission		Member
7. Chairman, WAPDA		Member
8. Managing Director, PPIB Member/Secretary		
9. Mr. Zahid Rafique,	(Private Member)	Member
10. Mr. Amir Naseem	(Private Member)	Member

In addition to above Provincial Chief Secretaries and other departmental heads are included as Board Members (as and when required) for such meetings where items/projects pertinent to the particular Province/AJ&K form part of the agenda for board meetings.

Fourteen (14) thermal power projects having 2,898 MW capacities were launched by Independent Power Producers (IPPs) under Power Policy-1994 and twelve (12) IPPs having capacity of 2,409 MW were inducted under Power Policy-2002 by the PPIB.

22.2 Brief comments on the status of compliance with PAC directives

Name of Company	Year	No. of Directives	Status of compliance		
			Full	Partial	Outstanding
PPIB	2013-14	1	-	-	1 (Para No.20.2.1, 20.2.2, 20.2.3, 20.2.5, 20.2.6)

Position of compliance with PAC directives is not satisfactory.

22.3 AUDIT PARAS

22.3.1 Recoverable amount of accumulated tax refund from FBR - Rs.34.27 million

According to Section-170 (Refunds) of Income Tax Ordinance, 2001, a tax payer who had paid tax in excess of the amount which the tax payer was properly chargeable under this Ordinance may apply to the Commissioner for a refund of the excess.

In Private Power Infrastructure Board (PPIB), Islamabad, an amount of Rs.34.27 million was recoverable from Federal Board of Revenue (FBR) on account of refund of excess paid income tax. This amount was pertaining to the financial year 2009-10 to 2014-15 but no effort was made towards refund of this excess paid amount from FBR.

Non-adherence to Income Tax Ordinance resulted in recoverable amount of Rs.34.27 million from FBR up to the financial year 2015-16.

The matter was taken up with management in August, 2016 and reported to the Ministry in December, 2016. The management replied that verification process of the tax refund for the years 2009-11 had been completed by FBR and M/s A.F. Ferguson & Co. had been following the case vigorously. However, refund applications for the period 2012-15 would be filed soon. Further progress was not reported till finalization of the report.

The DAC in its meeting held on January 24, 2017 directed the management to pursue the refund claims for the years 2009-11 and expedite filing of refund claims for the period 2012-16 to FBR.

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

(DP-1468/2016-17)

22.3.2 Unjustified payment of legal expenses of a retired officer - Rs.2.58 million

According to Clause-15 of PPIB Act-2012, “(Expenditure to be charged to Fund), there was no provision of payment of legal expenses on behalf of retired employees.”

In Private Power Infrastructure Board (PPIB), Islamabad, an amount of Rs.2.58 million on account of legal expenses was paid on the request of Mr. N.A Zuberi, Ex-Senior Executive Director PPIB. This amount was paid to defend a reference of Karkey Rental Power Plant filed by NAB against the accused officer. This amount was paid after obtaining a surety bond from the accused officer on the condition that he would refund these expenses in case he would be convicted by NAB. Payment of such like legal expenses was not covered under the rules and was quite unjustified.

Non-adherence to PPIB Act resulted in unjustified payment of legal expenses of Rs.2.58 million up to the financial year 2015-16.

The matter was taken up with management in August, 2016 and reported to the Ministry in December, 2016. The management replied that Ex-Senior Executive Director was dealing with the Karkey Project, being processed by PPIB, and had been discharging his duties in good faith. The PPIB approved the application of said Officer for payment of Legal Counsel fee.

The DAC in its meeting held on January 24, 2017 did not agree with management's stance and directed to expedite recovery of amount. DAC also directed to conduct inquiry in the matter. Further progress was not reported till finalization of the report.

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

(DP-1469/2016-17)

22.3.3 Loss due to return of encashed performance guarantee - Rs.30 million

As per Guidelines for setting up Private Power Project, 2010, submission of performance guarantee (PG) @ US$ 1,000 per MW by sponsors/project company to PPIB for issuance of letter of intent (LOI), and PG would be encashable in case the sponsors fail to approach NEPRA for tariff determination within three (03) months from issuance of Notice to Proceed by PPIB or fails to obtain LOS thereafter. There was no provision of return of proceeds of the encashed Performance Guarantee.

In Private Power Infrastructure Board (PPIB), Islamabad, Board of Directors accorded approval for return of encashed performance guarantee of Rs.30 million obtained from China Machinery Engineering Corporation (CMEC), sponsor of 300 MW coal power Project Pind Dadan Khan. This approval was accorded due to reason and opinion of Board that the said sponsors should not be penalized due to non-availability of quality and quantity of coal to undertake the project. But as per draft minutes of PPIB BOD meeting, Punjab Government did not agree with the stance of the CMEC regarding non-availability of quality and quantity of coal. Hence, return of performance guarantee on the plea of non-availability of quality and quantity of coal was not justified and loss to PPIB.

Non-adherence to guidelines resulted in loss of Rs.30 million due to return of encashed performance guarantee during the financial year 2015-16.

The matter was taken up with management in August, 2016 and reported to the Ministry in December, 2016. The management replied that M/s CMEC filed a suit for return of encashed performance guarantee. Moreover, the approval was granted by the BOD after the firm approached to Ministry of Water & Power / Chairman PPIB. However, proceeds of encashed performance guarantee had not yet been returned.

The reply was not tenable as return of performance guarantee was not in line with contract provisions.

The DAC in its meeting held on January 24, 2017 directed the management to constitute an inquiry to probe into the matter and not to return the amount of encashed performance guarantee .

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

(DP-1470/2016-17)

ANNEXURE

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	85	Water	Non-disposal of off road vehicles and its parts - Rs.4.19 million	4.19
2	88	Water	Irregular procurement of medicines in violation of PPRA Rules - Rs.5.09 million	5.09
3	89	Water	Non-recovery of medical share from WAPDA formations - Rs.786.33 million	786.33
4	92	Water	Non-deduction of withholding tax on house acquisition allowance - Rs.0.50 million	0.50
5	101	Water	Undue favour to the supplier for purchase of medicines without testing from DTL - Rs.31.10 million	31.10
6	144	Water	Loss due to shortage of electrical material – Rs.8.61 million	8.61
7	145	Water	Recoverable amount from employee - Rs.0.66 million	0.66
8	161	Water	Non-disposal of off road vehicle - Rs.1.41 million	1.41
9	167	Water	Irregular purchase in violation of PPRA rules – Rs.1.74 million	1.74
10	170	Water	Non-utilization of project funds on account of research study - Rs.41.59 million	41.59
11	173	Water	Loss due to non-recovery of rent from IWASRI - Rs.3.30 million	3.30
12	182	Water	Non-disposal of off road vehicles - Rs.1 million	1.00
13	183	Water	Non-disposal of dismantled / unserviceable material and off road vehicles – rs.38.08 million	38.08
14	193	Water	Non-disposal of scrap material - Rs.0.99 million	0.99
15	197	Water	Loss due to theft of electrical material - Rs.0.18 million	0.18
16	198	Water	Loss due to fictitious booking of electricity consumption - Rs.4.64 million	4.64
17	199	Water	Unjustified payment to seconded staff - Rs.6.10 million	6.10
18	200	water	Non-disposal of off road vehicles - Rs.1.25 million	1.25
19	201	Water	Loss due to non-replacement of expired medicines - Rs.1.45 million	1.45
20	202	Water	Undue favour to the supplier for purchase of medicines without testing from DTL - Rs.33.57 million	33.57
21	205	Water	Undue favour to the supplier for purchase of medicines without testing from DTL - Rs.180.51 million	180.51
22	245	Water	Undue favour to the supplier for purchase of medicines without testing from DTL – Rs.21.79 million	21.79
23	247	Water	Loss due to non-replacement of expired medicines – Rs.0.60 million	0.60
24	248	Water	Non-recovery of clearing charges – Rs.906.37 million	906.37
25	249	Water	Non-recovery of advance to suppliers / contractors – Rs.436.90 million	436.90

26	250	Water	Non-disposal of off road vehicles and dismantled material – Rs.3.61 million	3.61
27	285	Water	Irregular payment on account of advertisement charges – Rs.7.57 million	7.57
28	299	Water	Unjustified payment of pay & allowances – Rs.15.36 million	15.36
29	300	Water	Non-recovery of liquidated damages – Rs.322.96 million	322.96
30	314	Water	Undue favour to the supplier for purchase of medicines without testing from DTL - Rs.31.48 million	31.48
31	315	Water	Non-recovery of long term advances from retired employees - Rs.0.60 million	0.60
32	316	Water	Non-recovery of medical share from WAPDA formations - Rs.44.94 million	44.94
33	320	Water	Non-disposal of old machinery, spare parts and unserviceable material - Rs.43.99 million	43.99
34	321	Water	Loss due to non-recovery of penalty imposed on account of missing vehicle - Rs.0.50 million	0.50
35	323	Water	Irregular purchase in violation of PPRA Rules - Rs.1.79 million	1.79
36	324	Water	Non-recovery of LD - Rs.497.40 million	497.40
37	340	Water	Unjustified split up of canal work in violation of PPRA Rules - Rs.5,484.92 million	5,484.92
38	381	Water	Loss due to poor contract management – Rs.6,859.42 million	6,859.42
39	382	Water	Irregular award of contract against the guidelines of Planning Commission – Rs.38,792.14 million	38,792.14
40	488	Water	Non-recovery of medical share from director pension - Rs.2,343.31 million	2,343.31
41	489	Water	Non-recovery on account of misappropriation of medicines - Rs.0.253 million	0.25
42	490	Water	Non-disposal of old material – Rs.0.75 million	0.75
43	491	Water	Non-recovery of medical share from companies - Rs.223.04 million	223.04
44	837	Water	Loss due to failure of test run – Rs.5,040 billion	5,040.00
45	842	Water	Undue favour to the supplier for purchase of medicines without testing from DTL – Rs.12.45 million	12.45
46	958	Water	Irregular award of contract by violating orders of Planning Commission —Rs.7,554.69 million	7,554.69
47	960	Water	Loss due to non-handing over sites to E&M Contractor – Rs.2,677.50 million	2,677.50
48	961	Water	Loss due to non acceptance of spillway site – Rs.50.79 million	50.79
49	1210	Water	Loss of rent due to illegal occupation of WAPDA land by fish contractor - Rs.0.99 million	0.99
50	1249	Water	Loss due to demolish and auction of dismantled material of residential colony at lower rates - Rs.6.46 million	6.46
51	1250	Water	Non-disposal of off road vehicles - Rs.1.40 million	1.40
52	1278	Water	Loss due to shortage of material - Rs.29.49 million	29.49
53	1308	Water	Unauthentic existence of assets / stock due to non-carried out the stock verification - Rs.4.72 million	4.42

54	1315	Water	Non-recovery due to non-pursuance of outstanding Inspection Reports - Rs.5,210.20 million	5,210.20
55	1364	Water	Non-recovery of Sales Tax on services – Rs.0.08 million	0.08
56	1366	Water	Non-recovery of outstanding amount from other formations – Rs.94.69 million	94.69
57	1368	Water	Loss due to non-reflection of GST on cement and steel bars – Rs.0.65 million	0.65
58	1381	Water	Blockade of revenue due to non-disposal of scrap material – Rs.12.31 million	12.31
59	1437	Water	Irregular award of contracts due to violation of PPRA Rules-Rs.10,792.11 million	10,792.11
60	1467	Water	Non-accountal/non-consumption of electrical material-Rs.60.26 million	60.26
61	1471	Water	Outstanding amount from consultants due to non-pursuance-Rs.1,553.05 million	1,553.05
62	1472	Water	Non-recovery of agreed amount from consultants - Rs.43.46 million	43.46
63	1473	Water	Loss due to irregular payment of non-practice allowance - Rs.0.19 million	0.19
64	1491	Water	Loss due to non-recovery of long outstanding amount of demurrage charges from clearing agents/shipping companies-Rs.106.52 million	106.52
65	1492	Water	Non-disposal of unserviceable material and off-road vehicles - Rs.0.58 million	0.58
66	1494	Water	Unjustified expenditure on account of retention of vehicles over and above the prescribed limit - Rs.1.11 million	1.11
67	1495	Water	Non-recovery of demurrage charges from suppliers - Rs.0.93 million	0.93
68	1496	Water	Non-recovery of outstanding medical share from corporate entities / WAPDA formations – Rs.0.78 million	0.78
69	1501	Water	Loss to Authority due to negligence of CE - Rs.193.90 million	193.90
70	1507	Water	Non-disposal of old material - Rs.6.60 million	6.60
71	1508	Water	Non-recovery of share of training from corporate entities / formations - Rs.505.77 million	505.77
72	1509	Water	Non-recovery of refresher course fee from the participant - Rs.1.64 million	1.64
73	1511	Water	Loss due to non-replacement of damaged rectifier units – Rs.12.00 million	12.00
74	1514	Water	Loss due to non-finalization of insurance claims – Rs.1.92 million	1.92
75	1516	Water	Loss due to non-disposal/repair of off road vehicles Rs.7.08 million	7.08
76	1517	Water	Non-disposal of un-serviceable material – Rs.24.62 million	24.62
77	1519	Water	Non-recovery on account of shortage of T&P items - Rs.0.94 million	0.94
78	1520	Water	Loss of potential profit due to delay in receipt of Pensioner Charges/WEPS Contribution Rs.1,000.49 million	1,000.49
79	1522	Water	Non-recovery from Neelum Jhelum Hydropower Project on account of management fee-Rs.357.00 million	357.00

80	1525	Water	Illegitimate release of funds for daily wage staff – Rs.15.40 million	15.40
81	1527	Water	Un-justified retaining of funds in Bank Al-Falah – Rs.1,118.51 million	1,118.51
82	1528	Water	Excess release of funds against claims of contractor – Rs.49.01 million	49.01
83	1538	Water	Non-recovery of course fee from the participants - Rs.2.26 million	2.26
84	1539	Water	Non-completion of work at risk and cost-Rs.0.92 million	0.92
85	1541	Water	Non-recovery of interest due to delay in depositing testing fee – Rs.0.44 million	0.44
86	1542	Water	Non-disposal / setting out of generator power transformer – Rs.11.65 million	11.65
87	1544	Water	Loss due to wastage of expenditure by termination of the contractor – Rs.15.39 million	15.39
88	1547	Water	Non-recovery of material indents from formations – Rs.1.19 million	1.19
89	1549	Water	Irregular award of works in violation of PPRA Rules – Rs.1.60 million	1.60
90	1550	Water	Non-recovery of community service charges from corporate entities – Rs.86.19 million	86.19
91	1551	Water	Loss due to dismantlement of Khanki Barrage site – Rs.1.5 million	1.50
92	1553	Water	Non-recovery from contractors / employees due to outstanding Inspection Reports and Summaries – Rs.2,149.98 million	2,149.98
93	1554	Water	Non-recovery of agreed amount from consultants – Rs.215.75 million	215.75
94	1611	Water	Non-recovery of medical share from various formations-Rs.129.94 million	129.94
95	1612	Water	Irregular purchase of medicines without DTL Reports-Rs.19.30 million	19.30
96	1613	Water	Loss due to damage of power transformer-Rs.1.03 million	1.03
97	1617	Water	Non-recovery of outstanding amounts from WAPDA formationis-Rs.32.47 million	32.47
98	1628	Water	Unjustified payment to contractor on account of amicable settlement Rs.106.98 million	106.98
99	1634	Water	Irregular/unjustified expenditure on account of removal of dry soil –Rs.36.34million	36.34
100	1637	Water	Irregular/unjustified expenditure on account of excess BoQ items- Rs.139.78 million	139.78
101	1645	Water	Loss due to non-finalization of land ownership – Rs.67 million	67.00
102	1649	Water	Ambiguous release of funds for daily wage staff – Rs.21.50 million	21.50
103	164	WHEP	Loss due to poor planning - Rs.427.44 million	427.44
104	165	WHEP	Non-recovery of receivables from Neelum Jhelum Project - Rs.3.68 million	3.68
105	257	WHEP	Non-removing of defects by the contractors – Rs.1,322.45 million	1,322.45

106	258	WHEP	Non-renewal of performance guarantees – Rs.119.63 million	119.63
107	283	WHEP	Non-capitalization of opportunity of financing through CDM income - Rs.10,826 million	10,826.00
108	353	WHEP	Non-replacement of defective parts of auxiliary unit No.3 - Rs.60.82 million (us$ 608,189)	60.82
109	840	WHEP	Non-mutation of land property - Rs.99.184 million	99.18
110	1204	WHEP	Irregular lump sum payment to Malakand Levy - Rs.5.93 million	5.93
111	1205	WHEP	Unknown whereabouts of vehicles - Rs.12.11 million	12.11
112	1206	WHEP	Non-recovery of standard rent - Rs.0.88 million	0.88
113	1207	WHEP	Non-forfeiture of bogus bank guarantees - Rs.0.26 million	0.26
114	1477	WHEP	Irregular expenditure in excess of PC-I - Rs.6,507.21 million	6,507.21
115	1478	WHEP	Loss due to non-replacement of turbine eqpuipment-Rs.51.73 million	51.73
116	1479	WHEP	Irregular expenditure on purchase of uniforms for security-Rs.0.58 million	0.58
117	1480	WHEP	Irregular payment to the contractor-Rs.13.78 million	13.78
118	1481	WHEP	Unjustified release of retention money - Rs.58.48 million	58.48
119	1483	WHEP	Unjustified payment to contractor – Rs.12.66 million	12.66
120	1484	WHEP	Loss due to delay in utilization of KFW loan – Rs.23.43 million	23.43
121	1490	WHEP	Wasteful expenditure due to non-function of HVAC system - Rs.29.30 million	29.30
122	1632	WHEP	Non-renewal of performance guarantees – Rs.249.21 million	249.21
123	1633	WHEP	Loss to Government exchequer due to non-obtaining of insurance cover from NICL-Rs.6.57 million	6.57
124	1638	WHEP	Irregular grant of Bonus to employees - Rs.0.21 million	0.21
125	1654	WHEP	Loss due to non-obtaining insurance cover from NICL – Rs.4.67 million	4.67
126	1500	PEPCO	Loss due to damage of distribution transformers in DISCOs – Rs.5,256.95 million	5,256.95
127	1503	PEPCO	Blockage of revenue due to non-disposal of Incandescent Bulbs - Rs.419.56 million	419.56
128	1504	PEPCO	Non-recovery of detection charges from consumers - Rs.12,053.11 million	12,053.11
129	190	GENCO-I	Recoverable loss due to irregular drawl of allowances – Rs.0.95 million	0.95
130	1456	GENCO-III	Wasteful expenditure due to closure of the project - Rs.387.81 million	387.81
131	80	GENCO-V	Unjustified payment of technical services advisor - Rs.152.46 million	152.46
132	81	GENCO-V	Irregular payment of M/s SNGPL beyond PC - I - Rs.2,000 million	2,000.00
133	93	GENCO-V	Non-return of material sent to outside power house - Rs.3.33 million	3.33
134	229	GENCO-V	Unjustified interest payment on account of delayed payments - Rs.0.65 million	0.65

135	1279	GENCO-V	Loss due to non-rectification of fault by contractor - Rs.5 million	5.00
136	29	NTDCL	Blockage of Company's funds due to unnecessary purchase of electrical material - Rs.150.21 million	150.21
137	168	NTDCL	Non-recovery of service / testing charges from Government of Punjab - Rs.0.64 million	0.64
138	179	NTDCL	Non-recovery of training charges and services charges - Rs.181.37 million	181.37
139	206	NTDCL	Likely misappropriation of profit earned on deposit account - Rs.6.26 million	6.26
140	238	NTDCL	Non-recovery of advances to suppliers / contractors - Rs.6.02 million	6.02
141	239	NTDCL	Loss due to non-supply of spare parts by the contractor – Rs.7.00 million	7.00
142	240	NTDCL	Non-finalization of inquiry committee’s report regarding excess payment to contractor – Rs.9.16 million	9.16
143	325	NTDCL	Irregular grant of advance for custom and excise duties - Rs.5.91 million	5.91
144	457	NTDCL	Irregular award of works without obtaining performance guarantee - Rs.87.84 million	87.84
145	486	NTDCL	Blockage of funds due to unnecessary purchase of material – Rs.24.13 million	24.13
146	1439	NTDCL	Irregular/un-authorized payment to consultant - Rs.195.76 million	195.76
147	1441	NTDCL	Un-justified payment due to revision of contract price of work-Rs.79.60 million	79.60
148	1442	NTDCL	Revenue loss on account of abnormal T&T losses - Rs.1.05 million	1.05
149	1450	NTDCL	Non-deduction of income tax from the claims of consultants-Rs.4.50 million	4.50
150	1451	NTDCL	Non-recovery of service charges from LESCO and IPPs-Rs.23.39 million	23.39
151	1457	NTDCL	Loss due to non-recovery of Neelum Jhelum surcharge and GST from employees-Rs.52.83 million	52.83
152	1460	NTDCL	Non-recovery/adjustment of revolving funds - Rs.14.33 million	14.33
153	1462	NTDCL	Unjustified payment of duties & taxes-Rs.158.87 million	158.87
154	1465	NTDCL	Shortage and surplus of material-Rs.25.44 million	25.44
155	1466	NTDCL	Non-finalization of inquiry regarding civil works-Rs.272.73 million	272.73
156	1559	NTDCL	Unjustified excess payment of flat rent-Rs.0.24 million	0.24
157	1560	NTDCL	Non-finalization of inspection reports-Rs.6,738.22 million	6,738.22
158	1562	NTDCL	Non-finalization of inquiry committee report on serious irregularities-Rs.37.42 million	37.42
159	1575	NTDCL	Non-recovery of GST and NJ Surcharge from employees on account of supply of free of electricity-Rs.1.18 million	1.18
160	1576	NTDCL	Non-recovery of GST and NJ Surcharge from employees on account of supply of free of electricity -Rs.0.61 million	0.61
161	1579	NTDCL	Non-recovery on account of services rendered from WAPDA/DISCOs - Rs.15.20 million	15.20

162	1580	NTDCL	Non-receipt of auto transformers from M/s HEC - Rs.40 million	40.00
163	1581	NTDCL	Extra ordinary consumption of auxiliary units at Nandipur Project-Rs.159.72 million	159.72
164	1586	NTDCL	Blockage of Company's funds due to non-repairing/non-utilizing of damaged power transformers -Rs.40 million	40.00
165	1589	NTDCL	Loss of revenue due to violation of Grid Code - Rs.10.99 million	10.99
166	1591	NTDCL	Non-recovery of services charges from corporate entities/IPPs-Rs.320.59 million	320.59
167	1593	NTDCL	Blockage of Company's funds due to non-utilization of 100 MVA power transformer – Rs.17 million	17.00
168	1594	NTDCL	Blockage of funds due to unnecessary purchase of material – Rs.35.69 million	35.69
169	1599	NTDCL	Loss due to levy of commitment charges on unutilized loan (US$ 0.75 million) – Rs.76.87 million	76.87
170	1601	NTDCL	Non-coverage of insurance on turnkey projects-Rs.8,882.71	8,882.71
171	1603	NTDCL	Loss due to payment of commitment charges on unused loan-Rs.176.58 million	176.58
172	1658	NTDCL	Non-mutation of land - Rs.230.69 million	230.69
173	69	FESCO	Loss due to embezzlement of funds - Rs.0.86 million	0.86
174	71	FESCO	Loss due to non-installation of independent transformers for commercial markets – Rs.1.02 million	1.02
175	143	FESCO	Likely misappropriation of electrical material by NTDC - Rs.136.54 million	136.54
176	177	FESCO	Unnecessary purchase of electrical material - Rs.329.73 million	329.73
177	399	FESCO	Non-recovery due to pending audit notes/Non-pursuance - Rs.192.69 million	192.69
178	400	FESCO	Non-recovery due to non-pursuance from consumers - Rs.71.06 million	71.06
179	458	FESCO	Non-accountal / non-consumption of electrical material - Rs.1.83 million	1.83
180	630	FESCO	loss due to misappropriation of material - Rs.1.19 million	1.19
181	631	FESCO	Recoverable amount from employees - Rs.16.84 million	16.84
182	632	FESCO	Non-accountal / non-consumption of electrical material – Rs.3.78 million	3.78
183	633	FESCO	Non-recovery from consumers - Rs.96.94 million	96.94
184	634	FESCO	Non-return of dismantled material to store – Rs.28.60 million	28.60
185	635	FESCO	Shortage and surplus of material - Rs.3.57 million	3.57
186	636	FESCO	Loss due to theft/misappropriation of material - Rs.1.44 million	1.44
187	704	FESCO	Loss due to heavy line losses on feeders due to weak operational management -Rs.332.00 million	332.00
188	709	FESCO	Undue generation of revenue through over billing – Rs.40.83 million	40.83
189	832	FESCO	Jeopardizing of 11 KV incoming/outgoing & Bus Coupler panels lying in open yard -Rs.111.67 million	111.67

190	835	FESCO	Non-utilization of electrical material/equipment procured under ADB loan - Rs.340.41 million	340.41
191	1006	FESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs.3.44 million	3.44
192	1011	FESCO	Non-recovery of liquidated damages from contractors - Rs.0.74 million	0.74
193	1021	FESCO	Loss due to undue favour to contractor by approving unjustified BOQ rate – Rs.0.71 million	0.71
194	1024	FESCO	Blockage of Company’s funds due to unnecessary purchase of electrical material - Rs.1.86 million	1.86
195	1033	FESCO	Loss due to shortage/less installation of material by the contractors - Rs.1.50 million	1.50
196	1034	FESCO	Loss due to damage of distance relay – Rs.2.00 million	2.00
197	1157	FESCO	Undue generation of revenue through overbilling – Rs.245.13 million	245.13
198	1162	FESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs.14.28 million	14.28
199	1163	FESCO	Loss due to heavy line losses on feeders due to weak operational management Rs.369 million	369.00
200	1224	FESCO	Loss due to heavy line losses on feeders due to weak operational management - Rs.391 million	391.00
201	1225	FESCO	Loss due to heavy line losses on feeders due to weak operational management - Rs.150 million	150.00
202	1287	FESCO	Unjustified recovery of consultancy charges from sponsor agencies - Rs.7.56 million	7.56
203	1304	FESCO	Loss due to fire incident - Rs.1.05 million	1.05
204	1334	FESCO	Loss due to sub-standard civil works - Rs.2.58 million	2.58
205	1435	FESCO	Undue generation of revenue through over billing - Rs.5.01 million	5.01
206	210	GEPCO	Blockage of Company's funds due to unnecessary purchase of electrical equipment - Rs.29.21 million	29.21
207	1100	GEPCO	Loss due to preparation of bogus scrolls and fake remittances-Rs.0.18 million	0.18
208	1110	GEPCO	Loss due to non-installation of independent transformers and misuse of tariff - Rs.0.60 million	0.60
209	1126	GEPCO	Blockage of Company’s funds due to unnecessary purchase of electrical material- Rs.148.63 million	148.63
210	1127	GEPCO	Non-conducting of inquiries on functional irregularities- Rs.13.95 million	13.95
211	1183	GEPCO	Non-recovery of excess expenditure incurred over deposited amount from private depositors - Rs.4.38 million	4.38
212	1186	GEPCO	Unjustified refund to consumers on account of overbilling – Rs.1.19 million	1.19
213	1191	GEPCO	Undue detection charged to the consumers to camouflage the line losses - Rs.463.72 million	463.72
214	1192	GEPCO	Undue generation of revenue through over billing – Rs.13.92 million	13.92
215	1194	GEPCO	Non-mutation of property in the name of GEPCO - Rs.720.16 million	720.16

216	1235	GEPCO	Non-receipt of enameled copper wire given on loan basis to FESCO - Rs.1.68 million	1.68
217	1262	GEPCO	Non-construction of grid station for electrification of housing societies - Rs.77.04 million	77.04
218	1316	GEPCO	Non-receipt of recovery made through NAB - Rs.22.05 million	22.05
219	9	HESCO	Loss due to fraudulently overstayed service beyond superannuation – Rs.0.90 million	0.90
220	10	HESCO	Blockage of Company’s funds due to unnecessary purchase of electrical equipment - Rs.8.23 million	8.23
221	19	HESCO	Unjustified charging of detection bills to consumers - Rs.1,322.69 million	1,322.69
222	72	HESCO	Unjustified heavy credit balances of the consumers - Rs.175.89 million	175.89
223	273	HESCO	Loss due to damage of transformers - Rs.10.17 million	10.17
224	277	HESCO	Undue generation of revenue through overbilling - Rs.48.14 million	48.14
225	288	HESCO	Blockage of company’s funds due to un-necessary purchase of electrical material - Rs.79.93 million	79.93
226	378	HESCO	Undue generation of revenue through over billing - Rs.88.65 million	88.65
227	551	HESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs.39.17 million	39.17
228	552	HESCO	Undue generation of revenue through over billing - Rs.368.73 million	368.73
229	657	HESCO	Undue generation of revenue through over billing - Rs.109.84 million	109.84
230	658	HESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs.10.46 million	10.46
231	974	HESCO	Unjustified payment made to consultants - Rs.6.31 million	6.31
232	1306	HESCO	Non-mutation of land - Rs.35.50 million	35.50
233	111	IESCO	Loss due to damage of IESCO's installations - Rs.19.05 million	19.05
234	137	IESCO	Irregular re-opening of completed works - Rs.225.46 million	225.46
235	208	IESCO	Irregular invitation of tenders for contract works - Rs.143.28 million	142.28
236	496	IESCO	Loss due to non-installation of capacitors at the 11 KV feeders – Rs.36.92 million	36.92
237	585	IESCO	Irregular expenditure over the sanctioned budget - Rs.157.14 million	157.14
238	586	IESCO	Loss due to heavy line losses on feeders due to weak operational management - Rs.469.55 million	469.55
239	587	IESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs.6.23 million	6.23
240	590	IESCO	Loss due to heavy line losses on feeders due to weak operational management - Rs.1,226.17 million	1,226.17

241	592	IESCO	Irregular expenditure over the sanctioned budget - Rs.120.14 million	120.14
242	597	IESCO	Undue generation of revenue through over billing – Rs.567.81 million	567.81
243	598	IESCO	Loss due to non-installation of capacitors at the 11 KV feeders - Rs.72.30 million	72.30
244	599	IESCO	Non-return of reclaimed transformers to store – Rs.1.77 million	1.77
245	603	IESCO	Loss due to heavy line losses on feeders due to weak operational management -Rs.566.35 million	566.35
246	607	IESCO	Loss due to non-installation of capacitors at the 11 KV feeders - Rs.63.01 million	63.01
247	608	IESCO	Irregular expenditure over the sanctioned budget - Rs.82.77 million	82.77
248	610	IESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs.41.45 million	41.45
249	614	IESCO	Undue generation of revenue through over billing – Rs.34.12 million	34.12
250	637	IESCO	Wasteful expenditure on feeders to reduce line losses - Rs.3.71 million	3.71
251	641	IESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs.139.74 million	139.74
252	642	IESCO	Loss due to heavy line losses on feeders due to weak operational management -Rs.1,746.56 million	1,746.56
253	643	IESCO	Undue generation of revenue through over billing – Rs.230.13 million	230.13
254	645	IESCO	Loss due to abnormal increase in cost of work - Rs.4.27 million	4.27
255	807	IESCO	Illegal repair of 630 KVA transformer - Rs.0.87 million	0.87
256	809	IESCO	Non-clearance of set aside amount - Rs.345.85 million	345.85
257	811	IESCO	Loss due to non-installation of capacitors at the 11 KV feeders - Rs.19.72 million	19.72
258	1136	IESCO	Unjustified advance payment to consultants on account of vetting of estimates - Rs.4.76 million	4.76
259	1138	IESCO	Misuse of Pak MDGs funds on affixing signboards-Rs.0.82 million	0.82
260	1179	IESCO	Irregular expenditure over the sanctioned budget - Rs.403.01 million	403.01
261	1219	IESCO	Loss due to execution of deposit work with own resources - Rs.0.99 million	0.99
262	1222	IESCO	Unjustified payment on account of salaries & wages of surplus staff - Rs.7.76 million	7.76
263	1223	IESCO	Non-completion of deposit works - Rs.145.10 million	145.10
264	1325	IESCO	Unjustified inclusion of consultancy charges in the estimates - Rs.10.18 million	10.18
265	1568	IESCO	Irregular issuance of loan basis material-Rs.4.60 million	4.60
266	1572	IESCO	Overdue interest expense on account of ADB Loan-Rs.710.61 million	710.61

267	212	LESCO	Blockage of Company's funds due to unnecessary purchase of electrical equipment - Rs.55.13 million	55.13
268	214	LESCO	Loss due to expiry of warranty period of static 3-Phase energy meters - Rs.3.70 million	3.70
269	396	LESCO	Non-recovery due to pending audit notes / non-pursuance - Rs.853.46 million	853.46
270	397	LESCO	Non-reconciliation of collection and remittance of electricity bills due to non-finalization of internal audit report - Rs.685.12 million	685.12
271	437	LESCO	Irregular refund of excess credit of units and fuel price adjustment - Rs.64.78 million	64.78
272	438	LESCO	Non-reconciliation/verification and non-recovery of receivable - Rs.10,143.00 million	10,143.00
273	513	LESCO	Non-recovery of amount of fuel price adjustment against credit/refunded electricity units - Rs.2.25 million	2.25
274	542	LESCO	Non-return of material obtained on loan basis from NTDC - Rs.32.38 million	32.38
275	543	LESCO	Irregular retention of NTDC material at warehouse - Rs.24.63 million	24.63
276	545	LESCO	Non-recovery of cost of material given on loan basis to other companies - Rs.15.81 million	15.81
277	556	LESCO	Shortage and surplus of material - Rs.716.14 million	716.14
278	564	LESCO	Loss due to levy of commitment charges on unutilized loan (US$ 96,033) - Rs.9.99 million	9.99
279	663	LESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs.54.85 million	54.85
280	665	LESCO	Non-recovery of amount of fuel price adjustment against credit/refunded electricity units - Rs.2.47 million	2.47
281	722	LESCO	Irregular restoration of supply of independent feeder without recovery of cost of material - Rs.1.93 million	1.93
282	723	LESCO	Blockage of company’s funds due to unnecessary purchase of electrical equipment -Rs.6.41 million	6.41
283	724	LESCO	Non-recovery of pay & allowances of staff posted at consumers’ grid stations - Rs.6.11 million	6.11
284	725	LESCO	Irregular award of contracts at discounted rates - Rs.191.74 million	191.74
285	742	LESCO	Non-recovery of excess expenditure incurred over deposited amount from private depositors - Rs.21.14 million	21.14
286	746	LESCO	Irregular inclusion of cost of new vehicles in estimates - Rs.114.54 million	114.54
287	749	LESCO	Irregular inclusion of 5% contingent charges in the estimates of orange line metro train - Rs.14.82 million	14.82
288	819	LESCO	Recoverable amount from independent consumers on account of energy Losses beyond permissible limit - Rs.76.09 million	76.09
289	852	LESCO	Blockage of funds due to unnecessary purchase of material – Rs.18.93 million	18.93
290	853	LESCO	Excess/ bogus billing to flying paper industries limited	0

291	858	LESCO	Non-recovery of fuel price adjustment from consumers - Rs.0.16 million	0.16
292	864	LESCO	Wasteful expenditure on feeders to reduce line Losses - Rs.8.85 million	8.85
293	865	LESCO	Undue generation of revenue through overbilling to industrial and government connections - Rs.298.89 million	298.89
294	876	LESCO	Non-recovery from consumers on account of court cases decided in favour of LESCO - Rs.23.21million	23.21
295	879	LESCO	Unauthentic billing to industries due to non-installation of TOU meters - Rs.28.06 million	28.06
296	883	LESCO	Excess charging of BARQAAB consultancy charges in the estimates - Rs.4.36 million	4.36
297	886	LESCO	False reporting of electricity billing – Rs.1.32 million	1.32
298	887	LESCO	Loss due to poor maintenance of distribution system - Rs.53.91 million	53.91
299	888	LESCO	Loss due to misappropriation of material from abandoned feeder - Rs.5.00 million	5.00
300	892	LESCO	Loss due to non-installation of capacitors at the 11 KV feeders – Rs.55.93 million	55.93
301	893	LESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs.9.26 million	9.26
302	894	LESCO	Loss due to unjustified revision of detection bills - Rs.15.69 million	15.69
303	896	LESCO	Investment at risk due to overloading of transformers - Rs.36.52 million	36.52
304	899	LESCO	Undue generation of revenue through over billing – Rs.32.83 million	32.83
305	906	LESCO	Unjustified expenditure incurred in violation of PPRA rules - Rs.54.09 million	54.09
306	907	LESCO	Sub-standard construction of 132 grid stations and 11KV control room - Rs.589.96 million	589.96
307	908	LESCO	Irregular expenditure incurred on the construction of 132 KV grid stations - Rs.647.23 million	647.23
308	910	LESCO	Non-lifting of material from warehouse - Rs.430.54 million	430.54
309	917	LESCO	Loss due to un-justified revision of detection bills - Rs.2.02 million	2.02
310	920	LESCO	Loss due to poor maintenance of distribution system - Rs.37.13 million	37.13
311	922	LESCO	Loss due to non-installation of capacitors at the 11 KV feeders - Rs.110 million	110.00
312	923	LESCO	Recoverable amount from independent consumers on account of energy Losses beyond permissible limit - Rs.114.53 million	114.53
313	926	LESCO	Unauthentic billing to industries due to non-installation of TOU meters - Rs.30.64 million	30.64
314	927	LESCO	Loss due to incorrect metering equipments - Rs.6.30 million	6.30
315	939	LESCO	Loss due to poor maintenance of distribution system - Rs.1.37 million	1.37

316	948	LESCO	Non-recovery from consumers on account of court cases decided in favour of LESCO - Rs.1.92 million	1.92
317	951	LESCO	Undue generation of revenue through overbilling - Rs.83.31 million	83.31
318	952	LESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs.46.93 million	46.93
319	1036	LESCO	Irregular credit to the consumers without pre-audit - Rs.95.26 million	95.26
320	1037	LESCO	Loss due to excess refund to the consumers than the vetted amount -Rs.16.62 million	16.62
321	1038	LESCO	Irregular posting of debit/credit adjustments returned unapproved by the pre-audit-Rs.2.09 million	2.09
322	1039	LESCO	Non-finalization of pending Audit Notes – Rs.276.90 million	276.90
323	1040	LESCO	Irregular charging of detection bills to the consumers without pre-audit - Rs.191.14 million	191.14
324	1041	LESCO	Unjustified expenditure on account of shifting of material - Rs.7.34 million	7.34
325	1043	LESCO	Non-recovery of interest on advances-Rs.0.32 million	0.32
326	1045	LESCO	Unjustified expenditure on construction of protection work at towers – Rs.11.22 million	11.22
327	1047	LESCO	Unjustified/irregular award of work through splitting-Rs.40.67 million	40.67
328	1048	LESCO	Unjustified collection of departmental charges in the deposit works -Rs.17.67 million	17.67
329	1050	LESCO	Irregular expenditure on operation and maintenance - Rs.346.23 million	346.23
330	1054	LESCO	Wasteful expenditure on procurement of vehicle - Rs.19.45 million	19.45
331	1056	LESCO	Investment at risk due to overloading of transformers - Rs.57.21 million	57.21
332	1059	LESCO	Loss of revenue to the Company due to non-billing of energy consumption-Rs.21.08 million	21.08
333	1060	LESCO	Loss due to unjustified revision of detection bills - Rs.2.37 million	2.37
334	1062	LESCO	Loss due to non-installation of capacitors at the 11 KV Feeders - Rs.88.28 million	88.28
335	1064	LESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs.1.43 million	1.43
336	1066	LESCO	Loss due to heavy line losses on feeders due to weak operational management-Rs.1,664.20 million	1,664.20
337	1071	LESCO	Loss due to poor maintenance of distribution system - Rs.1.40 million	1.40
338	1072	LESCO	Undue generation of revenue through over billing – Rs.139.83 million	139.83
339	1077	LESCO	Loss due to heavy line losses on feeders due to weak operational management - Rs.787.34 million	787.34
340	1080	LESCO	Loss due to non-installation of capacitors at the 11 KV Feeders-Rs.84.00 million	84.00

341	1092	LESCO	Undue generation of revenue through over billing – Rs.35.18 million	35.18
342	1178	LESCO	Loss due to unjustified revision of detection bills - Rs.45.89 million	45.89
343	1242	LESCO	Unjustified award of purchase orders at discounted rates - Rs.1,421.46 million	1,421.46
344	1292	LESCO	Irregular award of purchase orders at discounted rates - Rs.303.51 million	303.51
345	1329	LESCO	Less recovery of cost of deposit works - Rs.4.41 million	4.41
346	1330	LESCO	Non-clearance of balance against deposit works (completed) - Rs.80.89 million	80.89
347	1436	LESCO	Non-execution of new Transmission Lines, Grid Stations and augmentation of power transformers -Rs.589 million	589.00
348	23	MEPCO	Non/less recovery of capital cost from the consumers - Rs.89.99 million	89.99
349	25	MEPCO	Loss due to non-recovery of cost of energy meters from the consumers - Rs.2.20 million	2.20
350	55	MEPCO	Unjustified acceptance of credit advice - Rs.77.23 million	77.23
351	152	MEPCO	Irregular consumption of transformer oil - 57.19 million	57.19
352	185	MEPCO	Irregular expenditure incurred for repair of transformers - Rs.2.30 million	2.30
353	326	MEPCO	Unjustified / unnecessary charging of GST on material cost to consumers - Rs.1.84 million	1.84
354	349	MEPCO	Unjustified / unnecessary charging of GST on material cost to consumers - Rs.1.23 million	1.23
355	372	MEPCO	Unjustified / unnecessary charging of GST on material cost to consumers – Rs.3 million	3.00
356	402	MEPCO	Non-recovery from consumer on account of court cases decided in favour of company – Rs.3 million	3.00
357	404	MEPCO	Undue generation of revenue through over billing - Rs.10.56 million	10.56
358	405	MEPCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs.1.22 million	1.22
359	423	MEPCO	Loss due to non-finalization of insurance claims - Rs.6.79 million	6.79
360	424	MEPCO	Loss due to fire incident at 132 KV grid station - Rs.5.85 million	5.85
361	450	MEPCO	Undue favour to the consumers due to non-recovery of cost of independent feeder from consumers – Rs.7.80 million	7.80
362	459	MEPCO	Unjustified / unnecessary charging of GST on material cost to consumers - Rs.13.39 million	13.39
363	464	MEPCO	Loss due to non-finalization of insurance claim - Rs.13.63 million	13.63
364	555	MEPCO	Irregular expenditure against unapproved augmentation works - Rs.12.26 million	12.26
365	651	MEPCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs.9.11 million	9.11
366	755	MEPCO	Non-recovery of amount of fuel price adjustment against credit/refunded electricity units – Rs.2.59 million	2.59

367	756	MEPCO	Unjustified / un-necessary charging of GST on material cost to consumers – Rs.2.84 million	2.84
368	757	MEPCO	Undue generation of revenue through over billing - Rs.6.09 million	6.09
369	762	MEPCO	Undue generation of revenue through over billing - Rs.17.02 million	17.02
370	765	MEPCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs.13.99 million	13.99
371	771	MEPCO	Non-recovery of refund claim from FBR – Rs.17.12 million	17.12
372	772	MEPCO	Undue favour to a supplier due to refund of forfeited PG – Rs.12.35 million	12.35
373	773	MEPCO	Loss due to slackness in making compliance to decision of supreme court of Pakistan - Rs.14.46 million	14.46
374	774	MEPCO	Blockage of company's funds due to unnecessary purchase of electrical material - Rs.169.84 million	169.84
375	778	MEPCO	Avoidable Loss due to non-payment of decreed amounts – Rs.80.90 million	80.90
376	780	MEPCO	Irregular drawl of conveyance allowance - Rs.1.08 million	1.08
377	784	MEPCO	Irregular payment to consultants – Rs.2.23 million	2.23
378	827	MEPCO	Loss due to less remittance of amount collected by ZTBL - Rs.5.89 million	5.89
379	980	MEPCO	Unjustified refund of amount to consumers on loan sponsored works - Rs.19.00 million	19.00
380	988	MEPCO	Loss due to un-justified extension of delivery period - Rs.14.52 million	14.52
381	989	MEPCO	Irregular investment in banks without approval of the competent authority - Rs.3,222 million	3,222.00
382	990	MEPCO	Loss due to unjustified extension of delivery period - Rs.12.35 million	12.35
383	994	MEPCO	Loss due to misappropriation of material by the contractor - Rs.2.03 million	2.03
384	995	MEPCO	Non-regularization of extra expenditure over estimated cost - Rs.12.65 million	12.65
385	997	MEPCO	Loss due to double drawl of ht poles - Rs.1.21 million	1.21
386	998	MEPCO	Misuse of PWP funds on electrification of Deras - Rs.5.33 million	5.33
387	999	MEPCO	Misuse of Pak MDGs funds - Rs.6.31 million	6.31
388	1003	MEPCO	Loss due to misappropriation of material - Rs.4.65 million	4.65
389	1142	MEPCO	Less recovery of grid sharing cost from sponsor of housing society - Rs.0.67 million	0.67
390	1148	MEPCO	Illegal payment to the consultant against expire agreement - Rs.3.43 million	3.43
391	1214	MEPCO	Unjustified payment to contractors - Rs.67.32 million	67.32
392	1215	MEPCO	Unjustified sanction of estimates and non-verification of receipt of external electrification funds - Rs.685.54 million	685.54
393	1427	MEPCO	Non-recovery from the employees of MEPCO - Rs.23.07 million	23.07
394	1429	MEPCO	Non-finalization of inquiry on Special Audit Report of 132 KV Ware House-Rs.14.81 million	14.81

395	1431	MEPCO	Illegal award of contratct-Rs.34.27 million	34.27
396	1557	MEPCO	Non-recovery from the consumer – Rs.5.73 million	5.73
397	1558	MEPCO	Loss due to shortage of material-Rs.12.25 million	12.25
398	1626	MEPCO	Irregular payment due to non-verification of degree Rs.4.03 million	4.03
399	117	PESCO	Blockage of funds due to unnecessary purchase of rickshaw – Rs.0.72 million	0.72
400	476	PESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs.19.78 million	19.78
401	477	PESCO	Unjustified overbilling to consumers for concealment of actual line losses - Rs.1.88 million	1.88
402	480	PESCO	Loss due to non-replacement of damaged capacitor at feeders – Rs.248.95 million	248.95
403	481	PESCO	Over-billing to general consumes - Rs.33.09 million	33.09
404	518	PESCO	Poor performance resulting in wastage expenditure - Rs.41.46 million	41.46
405	519	PESCO	Unjustified expenditure on civil works in violation of PPRA Rules - Rs.5.51 million	5.51
406	526	PESCO	Blockade of funds due to purchase of unnecessary material - Rs.186.78 million	186.78
407	528	PESCO	Wasteful expenditure on rehabilitation of feeders to reduce line losses - Rs.72.33 million	72.33
408	546	PESCO	Overbilling to independent industrial consumers - Rs.249.05 million	249.05
409	578	PESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs.4.97 million	4.97
410	579	PESCO	Undue generation of revenue through overbilling - Rs.65.27 million	65.27
411	616	PESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs.14.15 million	14.15
412	617	PESCO	Undue generation of revenue through over billing - Rs.43.85 million	43.85
413	622	PESCO	Loss due to non-replacement of damaged capacitor at feeders – Rs.107.80 million	107.80
414	786	PESCO	Loss due to heavy line losses on feeders due to weak operational management -Rs.825.55 million	825.55
415	789	PESCO	Unjustified expenditure on account of re-valuation of fixed assets - Rs.15.65 million	15.65
416	796	PESCO	Unjustified payment of Neelum Jhelum surcharge and GST on free supply electricity to employees - Rs.65.06 million	65.06
417	798	PESCO	Non-clearance of differences in CP-49 and CP-104 - Rs.28.47 million	28.47
418	1263	PESCO	Loss due to repair of transformers from private workshop - Rs.55.21 million	55.21
419	1309	PESCO	Non-installation of government connections despite receipts of funds - Rs.9.38 million	9.38
420	1395	PESCO	Loss due to non-replacement of damaged capacitor at feeders – Rs.62.06 million	62.06

421	1397	PESCO	Non-installation of government connections despite receipts of funds – Rs.9.08 million	9.08
422	1404	PESCO	Doubtful completion of electrification works - Rs.25.15 million	25.15
423	1413	PESCO	Non-capitalization of completed works – Rs.1,214.35 million	1,214.35
424	1623	PESCO	Loss due to abnormal difference in rates of same items in two contractors awarded to the same contractor simultaneously-Rs.27.16 million	27.16
425	1624	PESCO	Loss due to levy of commitment charges on unutilized loan-Rs.22.44 million (U$$224,360)	22.44
426	329	QESCO	Blockage of funds due to unnecessary purchase of material - Rs.330.32 million	330.72
427	356	QESCO	Undue generation of revenue through over billing - Rs.10.37 million	10.37
428	421	QESCO	Undue generation of revenue through over billing - Rs.2.25 million	2.25
429	680	QESCO	Unjustified drawl of 4 MVA power transformers and allied material - Rs.8.03 million	8.03
430	682	QESCO	Undue generation of revenue through over billing – Rs.21.32 million	21.32
431	683	QESCO	Unjustified drawl of 4 MVA power transformers - Rs.2.91 million	2.91
432	687	QESCO	Non-recovery of collection charges from FBR and PTV - Rs.46.36 million	46.36
433	691	QESCO	Loss due to heavy line losses on feeders due to weak operational management -Rs.615.11 million	615.11
434	692	QESCO	Non-recovery of collection charges from FBR and PTV - Rs.37.82 million	37.82
435	814	QESCO	Loss due to non-return and misappropriation of electrical material - Rs.23.39 million	23.39
436	971	QESCO	Loss due to heavy line losses on feeders due to weak operational management - Rs.3,451.44 million	3,451.44
437	1145	QESCO	Undue generation of revenue through over billing - Rs.192.86 million	192.86
438	1256	QESCO	Undue generation of revenue through overbilling - Rs.93.94 million	93.94
439	1344	QESCO	Overbilling and distortion of line losses at grid stations - Rs.13.77 million	13.77
440	1350	QESCO	Loss due to 100% line losses on abandoned feeder - Rs.19.86 million	19.86
441	290	HESCO	Undue generation of revenue through over billing - Rs.71.24 million	71.24
442	333	SEPCO	Loss due to fire incident at 132 KV grid station - Rs.4.35 million	4.35
443	334	SEPCO	Non-return of damaged material to store - Rs.12.57 million	12.57
444	348	SEPCO	Undue generation of revenue through overbilling - Rs.287.01 million	287.01
445	351	SEPCO	Non-accountal / non-consumption of electrical material – Rs.1,581.97 million	1,581.97
446	388	SEPCO	Blockage of company's funds due to un-necessary purchase of electrical material - Rs.1,249.36 million	1,249.36

447	460	SEPCO	Loss due to shortage of material pointed out by stock verifier - Rs.5.36 million	5.36
448	505	SEPCO	Undue generation of revenue through over billing – Rs.545.91 million	545.91
449	570	SEPCO	Undue generation of revenue through over billing - Rs.40.81 million	40.81
450	1345	SEPCO	Overbilling and distortion of line losses at grid stations - Rs.55.77 million	55.77
451	1199	TESCO	Loss due to misappropriation of material - Rs.7.66 million	7.66
452	1200	TESCO	Abnormal line losses beyond the NEPRA's target - Rs.254.70 million	254.70
453	1216	TESCO	Non-return of dismantled electrical material to store - Rs.21.88 million	21.88
454	1272	TESCO	Undue generation of revenue through overbilling - Rs.208.31 million	208.31
455	1392	TESCO	Loss due to illegal extension of 11 KV feeder – Rs.0.98 million	0.98
			TOTAL	**208,996.45**