AUDIT REPORT
ON
THE ACCOUNTS OF
PEPCO AND ITS CORPORATE ENTITIES
POWER DIVISION (M/O ENERGY)
AUDIT YEAR 2017-18

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

ACSR	Aluminum Conductor Steel Re-inforced
ADB	Asian Development Bank
AEL	Annual Energy Losses
AEPL	Al-Bario Engineering (Pvt.) Limited
AGP	Auditor General of Pakistan
AGPR	Accountant General of Pakistan Revenues
AJ&K	Azad Jammu and Kashmir
APM	Authority Proposed Modification
BIT	Bilateral Investment Treaty
BOD	Board of Directors
BOQ	Bill of Quantity
BPCs	Bulk Power Consumers
BPS	Basic Pay Scale
BTA	Business Transfer Agreement
BTU	British Thermal Unit
CBA	Central Bargaining Agent
CCI	Council of Common Interests
CCPP	Combined Cycle Power Plant
CDL	Cash Development Loan
CEO	Chief Executive Officer
CIP	Carriage & Insurance Paid
CMA	Civil Miscellaneous Appeal
COD	Commercial Operation Date
CP	Commercial Procedure
CPGCL	Central Power Generation Company Limited
CPPAG	Central Power Purchasing Agency (Guarantee Limited)
CRRK	Chief Resident Representative Karachi
CRPEA	Contract Registrar and Power Exchange Administrator
DAC	Departmental Accounts Committee
DDO	Drawing & Disbursing Officer
DG	Director General
DHA	Defence Housing Authority
DISCOs	Distribution Companies
DoP	Development of Power
DP	Draft Para
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
ERO	Equipment Removal Order

FATA	Federally Administered Tribal Area
FBR	Federal Board of Revenue
FESCO	Faisalabad Electric Supply Company
FIA	Federal Investigation Agency
FIR	First Information Report
FPA	Fuel Price Adjustment
FR&SR	Fundamental Rules & Supplementary Rules
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
HESCO	Hyderabad Electric Supply Company
HPS	Hydel Power Station
HSD	High Speed Diesel
HT	High Tension
IAS	International Accounting Standards
ICB	International Competitive Bidding
ICSID	International Center for Settlement of Investment Disputes
IESCO	Islamabad Electric Supply Company
IPPs	Independent Power Producers
IS	Information System
JPGCL	Jamshoro Power Generation Company Limited
JV	Joint Venture
KESC	Karachi Electric Supply Company
KIBOR	Karachi Inter Bank Offer Rates
KPIs	Key Performance Indicators
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
LD	Liquidated Damages

LESCO	Lahore Electric Supply Company
LOI	Letter of Intent
LPGCL	Lakhra Power Generation Company Limited
LPM	Licensee Proposed Modification
LT	Low Tension
MD	Managing Director
MDI	Maximum Demand Indicator
MEPCO	Multan Electric Power Company
MFDAC	Memorandum for Departmental Accounts Committee
MIS	Management Information System
MKWH	Million Kilo Watt Hour
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
MVA	Mega Volt Ampere
MW	Mega Watt
MWh	Mega Watt hour
NAB	National Accountability Bureau
NEPRA	National Electric Power Regulatory Authority
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
O&M	Operation and Maintenance
PAC	Public Accounts Committee
PC Poles	Pre-stressed Concrete Poles
PC-I	Planning Commission Proforma-I
PD	Project Director
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&I	Protection & Inspection
PITC	Power Information Technology Company
PMU	Project Management Unit
PO	Purchase Order

POE	Panel of Experts
POL	Petrol, Oil and Lubricants
PPA	Power Purchase Agreement
PPIB	Pakistan Power Infrastructure Board
PPRA	Public Procurement Regulatory Authority
PSC	Power Sector Companies
PSCs	Public Sector Companies
PSO	Pakistan State Oil
PWP	Peoples Works Programme
QESCO	Quetta Electric Supply Company
RCC	Regional Control Centre
RCO	Reconnection Order
RLNG	Re-gasified Liquefied Natural Gas
RO	Revenue Officer
ROW	Right of Way
RSC	Rental Services Contract
RTR	Reliability Test Run
SAP	System Augmentation Project
SCC	Special Condition of Contract
SEPCO	Sukkur Electric Power Company
S&GA	Services & General Administration
S&I	Surveillance & Intelligence
SNGPL	Sui Northern Gas Pipelines
SO	System Operator
SOP	Standard Operating Procedure
SR	Store Requisition
SRO	Statutory Regulatory Order
STG	Secondary Transmission Lines and Grids
T&D	Transmission & Distribution
TESCO	Tribal Areas Electric Supply Company
TNO	Transmission Network Operator
TOR	Terms of Reference
TPS	Thermal Power Station
TS	Technical Services
UDC	Upper Division Clerk
UNDP	United Nations Development Programme
UOSC	Use of System Charges
WAPDA	Water and Power Development Authority
WCC	WAPDA Computer Centre
WEPS	WAPDA Equipment Protection System
WPPO	WAPDA Power Purchase Organization
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 Public Sector Companies.

The Audit Report is based mainly on audit of the accounts of PEPCO, its corporate entities and Private Power Infrastructure Board (PPIB) for the financial year 2016-17. The Directorate General of Audit WAPDA conducted audit of these entities during the year 2017-18 on test check basis with a view to reporting significant findings to the relevant stakeholders.

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

Sd/-
(Javaid Jehangir)
Auditor General of Pakistan

Islamabad
Dated: 20 FEB 2018

EXECUTIVE SUMMARY

The Directorate General Audit WAPDA carries out audit of accounts of PEPCO, its corporate entities and PPIB on behalf of the Auditor General of Pakistan as envisaged in Article 170 (2) of the Constitution of Islamic Republic of Pakistan. Audit of one hundred and forty two (142) out of one hundred and fifty one (151) formations was conducted by utilizing thirty one thousand eight hundred and forty six (31,846) man-days incurring expenditure of Rs. 137.33 million.

a. Scope of Audit

Total auditable expenditure and revenue budget pertaining to PEPCO, its corporate entities and PPIB for the financial year 2016-17 under the jurisdiction of Directorate General Audit WAPDA were Rs. 414,948.89 million and Rs. 662,163.15 million respectively. The Directorate General Audit WAPDA conducted audit of the 98% expenditure amounting to Rs. 406,901.26 million and 100% revenue amounting to Rs. 662,163.15 million 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.1,065,577.31 million was pointed out and recovery of Rs.31,536.53 million was admitted at the instance of audit during audit year 2017-18. Recovery of Rs.4,938.57 million was effected from January to December, 2017.

c. Audit Methodology

Audit activity started with detailed planning, development of audit programmes keeping in view available resources and time. Desk review of permanent files was done to understand the systems, procedures and environment. Field activity included review of record, site visits and discussion with management. High value and high risk items were selected on professional judgment basis for substantive testing. The observations taken during audit were evaluated at appropriate level before issuance to the auditee organizations.

d. Audit Impact

As a result of observations raised by audit and discussion with management, the audited entities realized a need for strengthening internal controls and procedures. Major issue of non-recovery of tariff differential subsidy from Federal Government and agriculture subsidy from Provincial

Governments came into limelight. Non-refund of GST from FBR was also pointed out. The management agreed to take up the matter with FBR through Ministry. On pointing out by Audit, the power distribution companies launched recovery drive for collecting Rs.160,349.26 million from defaulters. The procurement of material and consultancy services at various PEPCO formations involved violation of PPRA Rules, PC-I provisions and Contract clauses. As a result of Audit, the management is convinced that greater transparency and competitive bidding are important. The management has taken the initiative for recovery of additional security and capital cost against illegal extension of load.

e. Comments on Internal Controls and Internal Audit Department

An effective internal control framework serves as a major tool for management to ensure effective operational and financial matters. Internal controls of the department were found weak and ineffective as various control lapses were identified during audit. There was lack of effective monitoring and appropriate measures for collection of revenue, to check misappropriation / theft of material, embezzlement / misuse of public funds, non-implementation of commercial procedure and non-adherence to NEPRA's approved tariff. The report gives a significant insight about the ineffective internal control system due to increase in cases of theft / non-return of material, abnormal line losses, non-implementation of Equipment Removal Orders (EROs) and violation of PPRA Rules-2004 etc.

Internal Audit has been set up as a part of internal control system in PEPCO and its corporate entities. It carries out 100% audit of revenue realized in customer services offices of distribution companies and test audit of expenditure in addition to the physical verification of stock held at various stores. The recurrence of frequent irregularities cast doubt on effectiveness of internal audit.

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. 35 cases of unjustified / irregular payments / expenditures amounting to Rs. 813,316.22 million.[1]

ii. 56 cases pertaining to recoveries of amounting to Rs. 740,454.96 million.[2]

iii. 103 cases of irregularities / violation of rules amounting to Rs. 306,595.83 million.[3]

iv. 10 cases pertaining to weaknesses of internal control systems amounting to Rs. 53,017.48 million.[4]

v. 24 cases pertaining to others including accidents, negligence etc. amounting to Rs. 25,853.42 million.[5]

vi. 8 cases of embezzlement of public money, theft and misuse of funds amounting to Rs. 5,448.47 million.[6]

vii. 2 cases pertaining to accident / damage amounting to Rs. 2,458.75 million.[7]

Audit paras for the Audit Year 2017-18 involving procedural violations and internal controls weaknesses not considered significant enough to report to the Parliament have been included in MFDAC Report (Annexure-I).

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[1]Para-2.1.19, 2.1.46, 2.1.47, 2.1.48, 2.1.50, 3.3.6, 4.3.3, 4.3.6, 4.3.7, 7.2.4, 8.3.2, 8.3.16, 8.3.20, 8.3.21, 8.3.23, 9.3.5, 10.3.8, 12.4.4, 12.4.6, 14.3.10, 15.3.10, 19.2.5, 19.2.7, 19.2.10, 19.2.11, 19.2.13, 20.2.1, 21.2.4, 20.2.10, 20.2.12, 22.3, 22.4, 22.5, 22.8, 22.9

[2]Para-1.4.2, 2.1.4, 2.1.5, 2.1.7, 2.1.11, 2.1.16, 2.1.17, 2.1.21, 2.1.24, 2.1.28, 2.1.29, 2.1.33, 2.1.34, 2.1.35, 2.1.38, 2.1.40, 2.1.43, 3.3.1, 3.3.5, 4.3.4, 4.3.8, 5.4.3, 5.4.4, 8.3.8, 8.3.12, 8.3.14, 8.3.17, 8.3.18, 8.3.24, 9.3.1, 9.3.2, 9.3.4, 10.3.1, 10.3.2, 10.3.3, 10.3.10, 10.3.11, 11.4.1, 11.4.5, 12.4.3, 13.4.12, 13.4.15, 14.3.2, 14.3.6, 14.3.12, 15.3.7, 16.3.2, 16.3.3, 18.3.2, 19.2.1, 19.2.9, 20.2.2, 20.2.4, 20.2.7, 22.1, 22.2

[3]Para-2.1.6, 2.1.9, 2.1.10, 2.1.13, 2.1.14, 2.1.15, 2.1.20, 2.1.22, 2.1.23, 2.1.31, 2.1.36, 2.1.37, 2.1.39, 2.1.41, 2.1.45, 2.1.49, 3.3.2, 3.3.3, 3.3.4, 3.3.7, 3.3.8, 4.3.1, 4.3.2, 4.3.5, 5.4.1, 5.4.2, 5.4.5, 5.4.6, 6.3.1, 6.3.2, 6.3.3, 6.3.4, 7.2.1, 7.2.2, 7.2.3, 8.3.3, 8.3.4, 8.3.5, 8.3.6, 8.3.9, 8.3.10, 8.3.15, 8.3.19, 8.3.25, 9.3.3, 10.3.4, 10.3.5, 10.3.6, 10.3.7, 10.3.12, 11.4.3, 12.4.1, 12.4.7, 12.4.8, 13.4.1, 13.4.2, 13.4.3, 13.4.4, 13.4.7, 13.4.11, 13.4.13, 13.4.14, 13.4.17, 14.3.1, 14.3.3, 14.3.4, 14.3.5, 14.3.7, 14.3.8, 14.3.9, 14.3.11, 15.3.1, 15.3.3, 15.3.5, 15.3.6, 15.3.8, 16.3.5, 16.3.7, 16.3.8, 16.3.9, 16.3.10, 17.3.2, 17.3.3, 17.3.4, 18.3.1, 19.2.2, 19.2.3, 19.2.4, 19.2.8, 19.2.12, 20.2.3, 20.2.5, 20.2.8, 20.2.11, 20.2.13, 21.2.1, 21.2.2, 21.2.3, 21.2.4, 22.6, 22.7, 22.10, 22.11

[4]Para-2.1.8, 2.1.27, 2.1.32, 8.3.7, 8.3.11, 8.3.13, 13.4.5, 15.3.4, 18.3.3, 20.2.6

[5]Para-1.4.1, 2.1.12, 2.1.25, 2.1.26, 2.1.30, 2.1.42, 2.1.51, 7.2.5, 8.3.22, 11.4.2, 11.4.4, 12.4.2, 13.4.6, 13.4.8, 13.4.9, 13.4.10, 13.4.16, 13.4.18, 15.3.2, 15.3.9, 16.3.4, 16.3.6, 19.2.6, 22.12

[6]Para-2.1.1, 2.1.2, 2.1.3, 2.1.44, 8.3.1, 10.3.9, 16.3.1, 17.3.1

[7]Para-2.1.18, 12.4.5

g. Recommendations

i. The management needs to be vigilant in spending and utilization of Companies funds.

ii. The management needs to improve poor recovery of outstanding amount at all stages of power sector so that circular debt should not accumulate to an unmanageable level.

iii. The Principal Accounting Officer needs to take steps to stop recurrence of similar irregularities and fix responsibility upon concerned officers / officials for violation of rules.

iv. The management needs to evaluate and strengthen operational internal controls.

v. The management needs to eradicate the menace of overbilling by ensuring strict disciplinary actions and control operational losses.

vi. The management needs to take necessary preventive measures to curb the instances of theft, misappropriation and embezzlement of public money.

vii. The management needs to improve the operational management for preventing the equipment and installations from damages.

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	414,948.89	662,163.15
2.	Total formations in audit jurisdiction	151	414,948.89	662,163.15
3.	Total entities audited	21	406,901.26	662,163.15
4.	Total formations audited	142	406,901.26	662,163.15
5.	Audit & Inspection Reports	142	-	-

* *The Principal Accounting Officer of all the entities is Secretary, Ministry of Energy (Power Division).*

Table 2: Audit Observations regarding Financial Management

(Rs. in million)

Sr. No.	Description	Amount placed under audit observation
1.	Unsound asset management	5,448.47
2.	Weak financial management	1,860,367.01
3.	Weak internal controls relating to financial management	53,017.48
4.	Others	28,312.17
	Total	**1,947,145.13**

Table 3: Outcome Statistics

(Rs. in million)

Sr. No.	Description	Expenditure on acquiring physical assets (procurement)	Civil works	Others	Receipts	Total current year
1.	Outlays audited	42,028.23	1,835.31	363,037.72	662,163.15	1,069,064.41
2.	Amount placed under audit observation/ irregularities of auditee	5,410.87	6,913.76	1,166,863.00	261,283.45	1,440,471.08
3.	Recoveries pointed out at the instance of audit	558.11	105.52	857,761.72	207,151.96	1,065,577.31
4.	Recoveries accepted / established at the instance of audit	216.68	74.13	29,479.53	1,766.19	31,536.53
5.	Recoveries realized at the instance of audit	11.71	0	15.70	4,911.16	4,938.57

Note:- *Being first independent Audit Report on the accounts of PEPCO, the last year figures have not been given.*

Table 4: Table of Irregularities pointed out

(Rs. in million)

Sr. No.	Description	Amount placed under audit observation
1.	Violation of Rules and regulations and violation of principle of propriety and probity in public expenditure.	1,119,912.05
2.	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	5,448.47
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.	53,017.48
5.	Recoveries and overpayments, representing cases of establishment overpayment or misappropriations of public moneys.	740,454.96
6.	Non-production of record.	0
7.	Others, including cases of accidents, negligence etc.	28,312.17
	Total	**1,947,145.13**

Table 5: Cost-Benefit

(Rs. in million)

Sr. No.	Description	2017-18
1.	Outlays Audited (Item 1 of Table 3)	1,069,064.41
2.	Expenditure on Audit	137.33
3.	Recoveries realized at the instance of Audit	4,938.57
	Cost-Benefit Ratio	1:35.96

Note:- *Being first independent Audit Report on the accounts of PEPCO, the last year figures have not been given.*

CHAPTER-1

PAKISTAN ELECTRIC POWER COMPANY (PEPCO)

1. PAKISTAN ELECTRIC POWER COMPANY (PEPCO)

1.1 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, manpower transition program and tariff determination process of corporate entities.

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

1.2 Comments on 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 PEPCO, the balance sheet and profit & loss account of the company could not be finalized by the management up till December 31, 2017.

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
PEPCO	2009-10	01	-	-	01 (Para No. 17.4, 17.5, 17.6, 17.7, 17.8, 17.9, 17.10, 17.11, 17.15 & 17.16)

Position of compliance with PAC directives is not satisfactory.

1.4 AUDIT PARAS

1.4.1 Non-utilization of public funds for electrification schemes - Rs. 3,023.66 million

According to Para-13 of Guidelines for implementation of the Prime Minister's Global Sustainable Development Goals (SDGs) Achievement Programme issued by Development Wing of Cabinet Division on October 10, 2016, schemes identified for a specified year shall be completed within the same year.

In PEPCO, funds of Federal / Provincial governments amounting to Rs. 8,108.85 million against 7,236 schemes under PAK SDGs Community Program were disbursed to DISCOs during the Financial Year 2016-17. However, only 469 schemes were completed and funds of Rs. 3,023.66 million remained unutilized.

Non-adherence to Government's instructions resulted in non-utilization of public funds of Rs. 3,023.66 million for electrification schemes during the Financial Year 2016-17.

The matter was taken up with the management in October, 2017 and reported to the Ministry in December, 2017. The management replied that 5,164 schemes had been completed and efforts were being made to complete the remaining schemes.

The DAC in its meeting held on January 15-17, 2018 directed the management to get the record of completed works verified within one month and complete the remaining works expeditiously within minimum possible time.

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

(DP No.1481/2017-18)

1.4.2 Non-recovery of arrears at the time of reconnection – Rs. 3.36 million

According to Reconnection Policy circulated by WAPDA dated October 11, 1999, all dues appearing in the last bill prepared for the energy consumed up to the time of disconnection would be recovered from the consumers.

In PEPCO, a connection of Commissioner Afghan Refugees Camp Akora Khatak was disconnected on December 03, 2015 due to non-payment. The said connection was restored in January, 2016 after payment of only Rs. 0.10 million instead of entire amount of Rs. 3.46 million in violation of RCO policy. Later on, an inquiry regarding restoration of connection in PESCO without recovering arrears of Rs. 3.36 million (aging 32 years) was initiated in May, 2017 but not finalized till date.

Non-adherence to the RCO policy resulted in non-recovery of arrears amounting to Rs. 3.36 million at the time of reconnection up to the Financial Year 2016-17.

The matter was taken up with the management in October, 2017 and reported to the Ministry in December, 2017. The management replied that disciplinary action against Mr. Jamal Din, the then S.E Khyber Circle PESCO was under process.

The DAC in its meeting held on January 15-17, 2018 directed the management to finalize the disciplinary case within one month. 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 No.1484/2017-18)

CHAPTER-2

COMMON ISSUES OF PEPCO, DISCOs, GENCOs, NTDC AND CPPA

2. COMMON ISSUES OF PEPCO, DISCOs, GENCOs, NTDC AND CPPA

2.1 AUDIT PARAS

2.1.1 Loss due to misappropriation of material and vehicles - Rs. 20.94 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 DISCOs & NTDC, different types of electrical material and vehicles worth Rs. 20.94 million were 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.	NTDC	1175/2017-18	4.83
2.	GEPCO	380, 869 & 1453/2017-18	4.49
3.	IESCO	793/2017-18	2.70
4.	LESCO	983/2017-18	1.35
5.	MEPCO	507 & 1463/2017-18	5.98
6.	SEPCO	787/2017-18	1.59
		TOTAL	**20.94**

Weak internal controls resulted in loss of Rs. 20.94 million due to misappropriation of material and vehicles up to the Financial Year 2016-17.

The matter was taken up with the management during August to October, 2017 and reported to Ministry during October to December, 2017. The management replied that in some cases, major penalties had been imposed while in other cases the disciplinary / legal proceedings were under process.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record 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 implement DAC's directives.

2.1.2 Loss due to theft of electricity through illegal direct connections - Rs. 2,357.94 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. 2,357.94 million on account of energy charges was recoverable from 47,062 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	492/2017-18	122	7.03
2.	LESCO	669, 764, 770, 777, 778 & 839/2017-18	4,848	129.44
3.	MEPCO	418, 527, 1299 & 1300/2017-18	700	14.11
4.	PESCO	736 & 1168/2017-18	78	2.06
5.	QESCO	325, 440, 1079 & 1113/2017-18	40,456	2,183.94
6.	SEPCO	1127/2017-18	855	16.19
7.	TESCO	1586/2017-18	03	5.17
		TOTAL	**47,062**	**2,357.94**

Non-adherence to Authority’s instructions resulted in loss of Rs. 2,357.94 million due to theft of electricity through illegal direct connections up to the Financial Year 2016-17.

The matter was taken up with the management during July to October, 2017 and reported to Ministry during October to December, 2017. The management replied that in some cases amount had been recovered while in remaining cases the legal as well as departmental action was under way.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record of completed actions and expedite the pending cases. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC’s directives besides making the loss good.

2.1.3 Loss due to theft of electrical material and vehicles - Rs. 110.76 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 & NTDC, in 447 cases electrical material and vehicles valuing Rs. 110.76 million were stolen by unknown culprits. Though 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	396, 526, 533, 588, 591, 753, 755, 1200 & 1207/2017-18	147	20.51
2.	GEPCO	381, 432, 515, 537, 539, 595, 867 & 999/2017-18	55	16.82
3.	HESCO	313 & 1048/2017-18	02	0.75
4.	IESCO	329, 451, 456, 795, 1020 & 1152/2017-18	49	8.47
5.	LESCO	310, 635, 639, 659, 673, 936 & 982/2017-18	54	10.65
6.	MEPCO	306, 408, 413, 416, 476, 480, 502, 521, 535, 606, 609 & 712/2017-18	58	16.52
7.	NTDC	258 & 1176/2017-18	09	14.15
8.	PESCO	426, 601, 1167 & 1587/2017-18	55	15.67
9.	QESCO	449/2017-18	02	0.22
10.	SEPCO	352, 555 & 812/2017-18	14	3.74
11.	TESCO	1139 & 1141/2017-18	02	3.26
		TOTAL	**447**	**110.76**

Non-implementation of rules for safeguarding the companies' assets resulted in loss of Rs. 110.76 million due to theft of electrical material and vehicles up to the Financial Year 2016-17.

The matter was taken up with management during June to October, 2017 and reported to the Ministry during September to December, 2017. The management replied that in some cases departmental actions were finalized while remaining cases were under process.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record 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 implement DAC's directives besides making the loss good.

2.1.4 Non-recovery of receivables from energy defaulters - Rs. 160,349.26 million

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

In DISCOs, an amount of Rs. 160,349.26 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 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	403, 586, 590 & 1086/2017-18	437.49
2.	HESCO	872, 1042 & 1121/2017-18	6,674.12
3.	IESCO	452/2017-18	667.45
4.	LESCO	367, 773, 962, & 968/2017-18	33,570.07
5.	MEPCO	419, 627, 845, 1099 & 1294/2017-18	5,016.07
6.	PESCO	850, 1061, 1163, 1589/2017-18	107,435.24
7.	QESCO	326, 442, 447, 448, 550, 929, 1078 & 1117/2017-18	5,214.71
8.	SEPCO	530, 790, 1129 & 1569/2017-18	545.53
9.	TESCO	1583 & 1610/2017-18	788.58
		TOTAL	**160,349.26**

Non-adherence to WAPDA Commercial Procedure resulted in non-recovery of Rs. 160,349.26 million from energy defaulters up to the Financial Year 2016-17.

The matter was taken up with the management during July to November, 2017 and reported to the Ministry during October to December, 2017. The management replied that in some cases amount had been recovered and efforts were being made to recover the remaining amount.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record 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 implement DAC's directives besides fixing responsibility.

2.1.5 Non-removal of electrical equipment and non-recovery of arrears – Rs. 159,600.73 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, 863,185 consumers of all categories including Government Departments defaulted to pay energy charges of Rs. 159,600.73 million. 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.	GEPCO	543 & 921/2017-18	09	58.46
2.	HESCO	1041, 1043, 1045 & 1223/2017-18	375,146	34,354.37
3.	IESCO	360/2017-18	17	1.69
4.	LESCO	376, 644, 768, 780 & 1461/2017-18	541	229.17
5.	MEPCO	425, 466, 517, 903 & 1295/2017-18	16,236	1,344.13
6.	PESCO	882, 1162, 1473 & 1593/2017-18	330,853	44,666.63
7.	QESCO	358 & 1080/2017-18	28,927	58,979.44
8.	SEPCO	616/2017-18	111,456	19,966.84
		TOTAL	**863,185**	**159,600.73**

Non-adherence to Authority's instructions resulted in non-removal of electrical equipment and non-recovery of energy charges amounting to Rs. 159,600.73 million up to the Financial Year 2016-17.

The matter was taken up with the management during July to October, 2017 and reported to the Ministry during October to December, 2017. The management replied that in some cases amount had been recovered while efforts were being made either to recover the arrears or implement pending EROs.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record 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 implement DAC's directives besides fixing responsibility.

2.1.6 Non-recovery of GST / Income Tax claims from FBR – Rs. 103,115.32 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 CPPA, GENCOs, NTDC and QESCO, an amount of Rs. 103,115.32 million was recoverable from Federal Board of Revenue (FBR) on account of GST / Income Tax re-imbursement up to June, 2017. 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.	GENCO-III	1052/2017-18	10,634.77
2.	Nandipur Power Project	1412/2017-18	2,286.27
3.	NTDC	1505/2017-18	8,500.84
4.	QESCO	684/2017-18	15,854.34
5.	CPPA	239/2017-18	65,839.10
TOTAL			**103,115.32**

Non-pursuance of reimbursement claims resulted in non-recovery of GST / Income Tax claims amounting to Rs. 103,115.32 million from FBR up to the Financial Year 2016-17.

The matter was taken up with the management during January to October, 2017 and reported to the Ministry during September to December, 2017. The management replied that the matter of recovery of Tax and GST claims was taken up with FBR which was under process.

The DAC in its meeting held on January 15-17, 2018 directed the management to expedite the matte with FBR for early realization of recovery. Further progress was not reported till finalization of the report.

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

2.1.7 Non-recovery of tariff differential subsidy and industrial support package subsidy from Federal Government – Rs. 58,852.98 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 & industrial support package subsidy claims of Rs. 58,852.98 million were recoverable from the Federal Government. Non-recovery of long outstanding dues / settlement of disputed claims were a recurring loss to the companies which were 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.	Amount (Rs. in million)
1.	FESCO	1082/2017-18	13,756.20
2.	GEPCO	1574/2017-18	29,421.99
3.	QESCO	685 & 686/2017-18	15,674.79
		TOTAL	**58,852.98**

Non-adherence to SOP resulted in non-recovery of Rs. 58,852.98 million on account of tariff differential subsidy and industrial support package subsidy from Federal Government up to the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in November, 2017. The management replied that in some cases amount of subsidy was received from Federal Government while efforts were being made for the recovery of balance amount.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record of completed actions within 15 days and expedite pending actions. Further progress was not reported till finalization of the report.

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

2.1.8 Heavy generation loss due to poor maintenance of plants – Rs. 51,380.85 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 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 GENCOs, TPS Muzaffargarh & Nandipur, power plant remained stopped during 2016-17 due to serious faults i.e. tripping due to electric fault, condenser tube leakage, emergency drum level low economizer tube leakage, breaking of impeller vane and sometimes due to unknown reasons. The forced outages happened due to improper / poor maintenance of plant, resultantly 3,707.41 million energy units amounting to Rs. 51,380.85 million were less generated as detailed below:-.

Sr. No.	Name of Company	Draft Para No.	Period of Forced Outage	Less generated energy units (in million)	Amount (Rs. in million)
1.	GENCO-III	844/2017-18	3,272 hours	3,566.48	49,930.72
2.	Nandipur Power Project	1414/2017-18	14 days	140.93	1,450.13
		TOTAL		**3,707.41**	**51,380.85**

Poor operational management resulted in heavy generation loss of Rs. 51,380.85 million due to poor maintenance of the power plants during the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry during November & December, 2017. The management replied that either forced outages were well within the permissible limits or shut down was to carry out the contractual works.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide copy of Power Purchase Agreement in respect of TPS Muzaffargarh and to conduct fact finding inquiry and take action against the responsible in respect of Nandipur Power Plant 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 generation loss due to improper maintenance of power plants.

2.1.9 Unjustified retention of distribution margin amount more than the permissible limit - Rs. 40,366.48 million

According to G.M Finance PEPCO office letter dated August 22, 2014, “all the retentions are required to be fully explained in terms of NEPRA determinations and additional details may be attached”.

In DISCOs, an amount of Rs. 118,127.21 million as Distribution Margin (DM) against permissible limit of Rs. 77,760.73 million was retained. Distribution Margin amount is meant to meet the expenditures of DISCOs. Thus, an amount of Rs. 40,366.48 million was retained in excess of permissible limit which was not justified.

Sr. No.	Company	Draft Para No.	Permissible Limit of DM	DM Retained	Amount (Rs. in million)
1.	FESCO	1733/2017-18	15,179	26,260	11,081.00

2.	GEPCO	1458/2017-18	14,659	21,444	6,785.00
3.	HESCO	1122/2017-18	6,989.84	12,876.80	5,886.96
4.	MEPCO	715/2017-18	16,434	16,884	450.00
5.	PESCO	909 & 1063/2017-18	24,498.89	40,662.41	16,163.52
		TOTAL	**77,760.73**	**118,127.21**	**40,366.48**

Non-adherence to the NEPRA's instructions resulted in unjustified retention of distribution margin amounting to Rs. 40,366.48 million than the permissible limit during the Financial Year 2016-17.

The matter was taken up with the management in September & October, 2017 and reported to the Ministry during November & December, 2017. The management replied that tariff petitions for 2016-17 were not approved and the amount included funds for the payment of taxes, cost of electricity from Small Power Producers (SPPs) and actuarial valuation of employee's benefits.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide copies of NEPRAs determination and guidelines for determination of tariff and retention of distribution margin. Further progress was not reported till finalization of the report.

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

2.1.10 Loss of revenue due to line losses beyond NEPRA's targets - Rs. 25,991.42 million

NEPRA fixed targets of energy losses ranging from 9.5 to 28.31% for the financial year 2016-17 in respect of following DISCOs.

In DISCOs, the percentage of line losses was more than the targets of losses set by the NEPRA. Hence, 2,189.01 million units valuing Rs. 25,991.42 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.	FESCO	1568/2017-18	9.5	10.57	137.56	779.99
2.	HESCO	1638/2017-18	20.54	28.05	387.79	6,964.64
3.	LESCO	948/2017-18	11.75	13.80	452.86	4,392.74
4.	MEPCO	707/2017-18	15.00	16.90	305.65	3,667.85
5.	PESCO	914/2017-18	28.31	30.50	260.71	3,128.52
6.	QESCO	750/2017-18	17.50	23.10	322.76	3,840.84
7.	SEPCO	1575/2017-18	27.80	35.27	321.68	3,216.84
				TOTAL	**2189.01**	**25,991.42**

Non-adherence to NEPRA's target resulted in loss of revenue amounting to Rs. 25,991.42 million during the Financial Year 2016-17.

The matter was taken up with the management during September & October, 2017 and reported to the Ministry during November & December, 2017. The management replied that high losses on feeders were due to (i) lengthy feeders; (ii) poor substations; (iii) illegal connections and (iv) unrealistic targets. However, efforts were being to reduce the line losses.

The DAC in its meeting held on January 15-17, 2018 did not accept the stance of the management and directed to investigate the matter for fixing responsibility of losses beyond NEPRA's target. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides making the loss good.

2.1.11 Irregular grant and non-recovery of temporary loan to CPPA out of security deposits, capital receipts and deposit works funds - Rs. 18,093.29 million

According to Section-226 of the Companies Ordinance, 1984, "no company, and no officer or agent of a company, shall receive or utilize any money received as security or deposit, except in accordance with a contract in writing; and all moneys so far received shall be kept or deposited by the company or the officer or agent concerned, as the case may be, in a special account with a scheduled bank". As per decision of MEPCO Board of Directors in 92nd meeting held on October 07, 2013, Security & Deposit Work Funds must never be transferred to CPPA / PEPCO and be kept in separate bank account.

In DISCOs, an amount of Rs. 18,093.29 million was granted to CPPA as temporary loan during 2008 to 2017 out of funds of Security Deposits, Capital Receipts, Deposit Works and Pak MDGs / CDL / STG in negation to provisions of Companies Ordinance and instructions of BoD. No efforts were made towards recovery of this huge amount from CPPA.

Sr. No.	Name of Company	Draft Para No.	Amount (Rs. in million)
1.	FESCO	1087/2017-18	4,496.92
2.	LESCO	973/2017-18	5,536.37
3.	MEPCO	714/2017-18	8,060.00
		TOTAL	**18,093.29**

Non-adherence to the provisions of Companies Ordinance and instructions of BoD resulted in non-recovery of temporary loan amounting to Rs. 18,093.29 million granted to CPPA up to the Financial Year 2016-17.

The matter was taken up with the management during September & October, 2017 and reported to the Ministry in November, 2017. The management replied that some amount had been recovered and efforts were being made to recover the remaining amount.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide the record relating to recovery of loans within 15 days and inquire the matter for fixing responsibility regarding irregular grant of loans to CPPA. Further progress was not reported till finalization of the report.

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

2.1.12 Huge refund to consumers due to revision of reading and detection charges - Rs. 17,847.36 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. 17,847.36 million was refunded to various consumers as a result of revision of reading and detection charges through adjustment notes. This scenario indicated that over billing was made to consumers in one month and same was refunded in next month on account of wrong reading. 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.	Cases	Amount (Rs. in million)
1.	FESCO	400 & 534/2017-18	306	35.61
2.	GEPCO	1025 & 1428/2017-18	172	2.37
3.	HESCO	1044 & 1220/2017-18	1,799	56.11
4.	LESCO	364, 365, 389, 390, 743, 767, 774, 775, 779, 786, 807, 904 & 964/2017-18	359,898	8,557.60
5.	MEPCO	896, 897, 898, 1071, 1096, 1098 & 1336/2017-18	23,717	1,048.54
6.	PESCO	906/2017-18	601,839	7,541.72
7.	SEPCO	351, 552, 617 & 819/2017-18	6,353	605.41
TOTAL			**994,084**	**17,847.36**

Non-adherence to procedures resulted in huge refund of Rs. 17,847.36 million to consumers on account of wrong readings and detection revised during the Financial Year 2016-17.

The matter was taken up with the management during July to September, 2017 and reported to the Ministry during October to November, 2017. The management replied that bills were revised after fulfilling codal formalities.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide detail of disciplinary action taken against the officials / officers involved in wrong billing. Further progress was not reported till finalization of the report.

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

2.1.13 Blockage of funds due to non-completion of works - Rs. 11,627.73 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 and NTDC, 2,304 deposit & augmentation / rehabilitation works amounting to Rs. 11,627.73 million were lying incomplete since long. The said works were initiated to reduce distribution losses, improve the efficiency of transmission / operational system and extend the electricity facility to the people of respective areas. Due to non-completion of 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	1192/2017-18	229.80
2.	GEPCO	569 & 1450/2017-18	573.26
3.	HESCO	1321/2017-18	225.08
4.	IESCO	625, 1441/2017-18	10.39
5.	LESCO	783/2017-18	36.53
6.	MEPCO	414 & 612/2017-18	237.88
7.	NTDC	202 & 249/2017-18	10,114.52
8.	PESCO	1068/2017-18	136.13
9.	QESCO	1315/2017-18	16.61
10.	TESCO	1137/2017-18	47.53
		TOTAL	**11,627.73**

Non-adherence to WAPDA Distribution Rehabilitation Guidelines resulted in blockage of funds amounting to Rs. 11,627.73 million due to non-completion of works up to the Financial Year 2016-17.

The matter was taken up with the management during May to October, 2017 and reported to the Ministry during September to December, 2017. The management replied that some works had been completed while remaining works were under process.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce record of completed works within 15 days and expedite completion of remaining works within 3 months. Further progress was not reported till finalization of the report.

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

2.1.14 Non-capitalization of completed electrification works - Rs. 5,135.20 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, 2,411 electrification works amounting to Rs. 5,135.20 million were shown to be completed up to June, 2017 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	1191/2017-18	09	13.93
2.	HESCO	1322/2017-18	301	322.84
3.	MEPCO	1462 & 1468/2017-18	2,101	4,798.43
		TOTAL	**2,411**	**5,135.20**

Non-adherence to Accounting Manual resulted in non-capitalization of completed electrification works amounting to Rs. 5,135.20 million during the Financial Year 2016-17.

The matter was taken up with the management during July to October, 2017 and reported to the Ministry during November & December, 2017. The management replied that some works had been capitalized while remaining works were under process.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce record of capitalized works within 15 days and expedite capitalization of remaining works. Further progress was not reported till finalization of the report.

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

2.1.15 Loss on account of higher consumption of fuel due to excess heat rate than NEPRA's determination - Rs. 4,927.29 million

NEPRA has determined the heat rates BTU per kWh i.e. 10,237 for Gas Turbine Power Station (GTPS) Kotri (GENCO-I), 10,291-11,212.98 for Units 1-6 of TPS Muzaffargarh & 8,593.65-15,365.97 for Units 1-9 of GTPS Faisalabad (GENCO-III) and 6964.80 for Nandipur Power Plant.

In GENCOs, heat rate was excessive than the permissible limits fixed by NEPRA for the Financial Year 2016-17. As a result of excess heat rate, gas & furnace oil amounting to Rs. 4,927.29 million was excess utilized in generation of electricity, which caused loss to companies as detailed below:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs. in million)
1	GENCO-I	1240/2017-18	196.55
2	GENCO-III	1277/2017-18	4,493.86
3	Nandipur Power Project	1415/2017-18	236.88
		TOTAL	**4,927.29**

Non-adherence to the NEPRA's standards resulted in loss of Rs. 4,927.29 million to the Companies during the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry during November and December, 2017. The management replied that the CDC tests were conducted by NEPRA on the running units and the auxiliary consumption during shut down and stand by periods was not considered in the CDC tests. Hence the annual heat rate was comparatively more than approved by NEPRA.

The DAC in its meeting held on January 15-17, 2018 directed the management to conduct facts finding inquiry relevant record in support of reply to Audit for detailed verification within 15 days. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides making the loss good.

2.1.16 Non-return of dismantled / useable material to store – Rs. 3,360.58 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 & NTDC, it was found that dismantled or left over electrical material of various types worth Rs. 3,360.58 million was lying at various locations unused and was not returned to stores. Moreover, material given on loan basis to sister Companies was also not received back. 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	397, 516, 560, 589, 754, 1089 & 1404/2017-18	123.65
2.	GEPCO	383, 464, 567, 650, 864, 923, 1026 & 1457/2017-18	55.24
3.	HESCO	312, 493, 1046, 1224 & 1429/2017-18	23.39
4.	IESCO	361,630,794,1015, 1145, 1147, 1366 & 1440/2017-18	84.81
5.	LESCO	372, 393, 467, 634, 643, 661, 674, 734, 766, 881, 943, 945, 986, 988 & 1136/2017-18	861.73
6.	MEPCO	407, 412, 421, 478, 482, 499, 505, 608, 611, 752, 918, 1073 & 1466/2017-18	671.43
7.	NTDC	231, 1212, 1213, 1214, 1314, 1518 & 1526/2017-18	978.54
8.	PESCO	427, 429, 431, 457, 826, 1057, 1065, 1067, 1159 & 1591/2017-18	152.28
9.	QESCO	490, 572, 677, 682, 827, 832, 919 & 1112/2017-18	101.14
10.	SEPCO	350, 556, 562 & 811/2017-18	308.37
		TOTAL	**3,360.58**

Non-adherence to WAPDA Distribution Stores Manual resulted in non-return of dismantled / excess material to store amounting to Rs. 3,360.58 million up to the Financial Year 2016-17.

The matter was taken up with the management during July to October, 2017 and reported to the Ministry during October to December, 2017. The management replied that some of the material had been returned to store and remaining material would be returned in due course of time.

The DAC in its meeting held on January 15-17, 2018 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 implement DAC's directives besides fixing responsibility.

2.1.17 Non-recovery of liquidated damages from the Contractors – Rs. 3,188.84 million

According to Clauses-4 (1), 5, 11, 13, 16, 26.2, 27.1, 35.1, 44(1) & 46.1 of the contract, "the rate of liquidated damages is 0.05% to 0.10% 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, GENCO-II & NTDC, 283 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. 3,188.84 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	174, 1085, 1190, 1194 & 1203/2017-18	22	17.95
2.	GEPCO	385, 514 & 1227/2017-18	52	8.33
3.	GENCO-II	1256 & 1304/2017-18	09	327.20
4.	HESCO	1120/2017-18	11	7.04
5.	IESCO	1003/2017-18	01	36.92
6.	LESCO	471, 952 & 979/2017-18	30	101.64
7.	MEPCO	613, 725 & 1464/2017-18	23	21.93
8.	NTDC	63, 70, 84, 138, 141, 203, 211, 805, 1499, 1512 & 1760/2017-18	59	2,457.00
9.	PESCO	884, 1156 & 1232/2017-18	34	85.19
10.	QESCO	829/2017-18	04	6.01
11.	SEPCO	1050/2017-18	04	98.35
12.	TESCO	1357/2017-18	34	21.28
		TOTAL	**283**	**3,188.84**

Non-adherence to contract clauses resulted in non-recovery of liquidated damages amounting to Rs. 3,188.84 million from the contractors / suppliers up to the Financial Year 2016-17.

The matter was taken up with the management during February to October, 2017 and reported to the Ministry during August to December, 2017. The management replied that in some cases amount had been recovered and in remaining cases recovery / extension of time was under process.

The DAC in its meeting held on January 15-17, 2018 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 implement DAC's directives besides fixing responsibility.

2.1.18 Loss due to damage of electrical material – Rs. 2,455.25 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 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, & NTDC, electrical material comprising 10,900 distribution & power transformers and other electrical items valuing Rs. 2,455.25 million suffered damage up to the Financial Year 2016-17. 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	581, 585, 653, 654, 748 , 1185 & 1193/2017-18	1,394	305.41
2.	GEPCO	437, 570, 596, 840, 880 & 1024/2017-18	921	97.46
3.	GENCO-I	1244/2017-18	Electrical Material	3.59
4.	IESCO	123, 359, 1011, 1012, 1018, 1364 & 1365/2017-18	1,365	131.41
5.	LESCO	369, 642, 658, 671, 742, 950, 1134 & 1319/2017-18	1,660	368.56
6.	MEPCO	406, 422, 483, 496, 510, 520, 565, 577, 917, 1097 & 1292/2017-18	2,696	479.36
7.	NTDC	804 & 1169/2017-18	02	34.66
8.	PESCO	428, 600, 698, 825, 910, 1164 & 1474/2017-18	2,458	850.18
9.	QESCO	441, 488, 835 & 1077/2017-18	404	131.05
10.	TESCO	1140/2017-18	Electrical Material	53.57
TOTAL			**10,900**	**2,455.25**

Non-adherence to Authority's instructions resulted in loss of Rs. 2,455.25 million due to damage of electrical equipment / material up to the Financial Year 2016-17.

The matter was taken up with the management during July to October, 2017 and reported to the Ministry during October to December, 2017. The management replied that in some cases material had been returned to store whereas in others, departmental inquiries were under process and action would be taken in the light of inquiry report.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record of completed actions for verification within 15 days and complete the pending actions expeditiously. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides making the loss good.

2.1.19 Unjustified payment on account of bonus to employees - Rs. 2,344.68 million

According to bonus policy circulated by Ministry of Finance (GoP) vide No.F.3(5)R-12/80(R14)/2002-154 dated March 18, 2002, the bonus would be paid to the employees of the autonomous / semi-autonomous / public sector corporations / organizations on the operational profit only excluding income from other sources. Moreover, no commitment of payment of bonus may be made during negotiation with the CBA. According to PEPCO's circular dated December 18, 2015, bonus be paid to the employees who have not already received honoraria during 2015-16.

In DISCOs & GENCOs, an amount of Rs. 2,344.68 million was paid to the employees as bonus on the request of CBA after negotiation with Minister of Water & Power. The payment of bonus was not justified as the Companies did not earn operational profit during Financial Year 2016-17. Moreover, disciplinary cases were also pending against some of the employees to whom bonus was paid.

Sr. No.	Name of Company	Draft Para No.	Amount (Rs. in million)
1.	FESCO	1084/2017-18	357.60
2.	GENCO-I	1249/2017-18	37.84
3.	GENCO-II	1258/2017-18	78.68
4.	GENCO-III	891/2017-18	123.18
5.	HESCO	1439/2017-18	27.46
6.	IESCO	1316/2017-18	9.55
7.	LESCO	861/2017-18	462.37
8.	MEPCO	719/2017-18	583.39
9.	PESCO	913/2017-18	416.47
10.	QESCO	687/2017-18	170.22
11.	SEPCO	357, 551, 604, 887 & 1328/2017-18	77.92
		TOTAL	**2,344.68**

Violation of bonus policy of Government of Pakistan resulted in unjustified payment on account of bonus to employees amounting to Rs. 2,344.68 million up to the Financial Year 2016-17.

The matter was taken up with the management during July to October, 2017 and reported to the Ministry during November & December, 2017. The management replied that the bonus was paid to the employees after approval of BoD /Ministry. The reply was not acceptable as the bonus was paid to the employees at the request of CBA despite non-earning of profit, which was against the Government instructions.

The DAC in its meeting held on January 15-17, 2018 directed the management to furnish a comprehensive reply incorporating all the achievements made during the year besides seeking concurrence of Finance Division. Further progress was not reported till finalization of the report.

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

2.1.20 Blockage of funds due to unnecessary purchase of stores / electrical material - Rs. 2,330.48 million

According to Para-5 of WAPDA office 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.

In DISCO's and NTDC, electrical material worth Rs. 2,330.48 million, lying in Regional and Field stores remained slow-moving / inactive. Some items were lying un-issued since 1996. This scenario indicated that the material, in question, was procured without forecasting/assessing the actual demand. Had the material been procured as pe-r actual demand with due care, the blockage of funds could have been avoided.

Sr. No.	Name of **Company**	**Draft Para No.**	**Amount (Rs. in million)**
1.	FESCO	1088 & 1196/2017-18	413.56
2.	GEPCO	1317/2017-18	26.40
3.	LESCO	1107/2017-18	42.41
4.	MEPCO	1467/2017-18	213.21
5.	NTDC	89, 232 & 234/2017-18	1,013.71
6.	PESCO	885, 1157 & 1470/2017-18	591.16

7.	QESCO	932/2017-18	30.03
		TOTAL	**2,330.48**

Non-adherence to Authority's instructions resulted in blockage of funds due to un-necessary purchase of stores / electrical material amounting to Rs. 2,330.48 million up to the Financial Year 2016-17.

The matter was taken up with the management during July to October, 2017 and reported to the Ministry during November & December, 2017. The management replied that most of the spare parts were purchased to maintain stock for use in emergency and unforeseen situations in order to avoid outage however, efforts were being made to minimize the in-active material.

The DAC in its meeting held on January 15-17, 2018 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 implement DAC's directives besides fixing responsibility.

2.1.21 Non-recovery from consumers after court decisions in favour of DISCOs - Rs. 1,715.31 million

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

In DISCOs, 9,835 court cases involving an amount of Rs. 1,715.31 million were decided in favour of the companies up to June, 2017. 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.	GEPCO	1339/2017-18	601	79.87
2.	HESCO	873 & 1222/2017-18	113	49.91
3.	LESCO	785 & 970/2017-18	9,042	1,558.15
4.	MEPCO	519 & 1028/2017-18	79	27.38
		TOTAL	**9,835**	**1,715.31**

Non-adherence to commercial procedure manual resulted in non-recovery of energy charges of Rs. 1,715.31 million from consumers up to the Financial Year 2016-17.

The matter was taken up with the management during August & October, 2017 and reported to the Ministry during November & December, 2017. The management replied that in some cases, amount was recovered whereas in remaining cases amount was either not recoverable or would be recovered.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record of completed actions within 15 days and expedite completion of pending actions. Further progress was not reported till finalization of the report.

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

2.1.22 Non-disposal of off-road vehicles and unserviceable material - Rs. 1,519.75 million

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

In DISCOs, GENCOs, & NTDC, 244 off-road vehicles and unserviceable material / equipments worth Rs. 1,519.75 million were not auctioned up to June, 2017. 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.	FESCO	404, 587, 652, 800, 1094, 1187, 1197 & 1210/2017-18	Scrap material and 27 vehicles	295.07
2.	GHCL	1636/2017-18	05 vehicles	1.02
3.	GENCO-I	1254/2017-18	06 vehicles	3.00
4.	GENCO-II	1276/2017-18	Scrap material	2.80
5.	GENCO-III	894 & 1031/2017-18	04 vehicles	58.65
6.	GEPCO	648, 842, 995, 1229 & 1448/2017-18	Scrap material and 15 vehicles	317.78
7.	HESCO	1047, 1124 & 1405/2017	19 vehicles	25.45
8.	IESCO	1008, 1146 1148/2017-18	Scrap material and 29 vehicles	36.67
9.	LESCO	940, 942, 956, 959 & 980/2017-18	Scrap material and 20 vehicles	89.66
10.	MEPCO	536, 564, 705 & 1290/2017-18	Scrap material	299.89
11.	NTDC	86, 347, 387, 803, 1177, 1182, 1501, 1515, 1521, 1737 & 1831/2017-18	Scrap material and 60 vehicles	135.24
12.	PEPCO	1616/2017-18	25 Vehicles	12.15
13.	PESCO	602, 912, 1066, 1161 & 1472/2017-18	Scrap material and 26vehicle	202.35

14.	QESCO	837 & 1118/2017-18	Scrap material and 03 vehicles	8.91
15.	SEPCO	354, 563, 791 & 1131/2017-18	Scrap material and 03 vehicles	4.42
16.	TESCO	1142 & 1360/2017-18	Scrap material and 02 vehicles	26.69
TOTAL				**1,519.75**

Non-adherence to WAPDA Disposal Procedure resulted in non-disposal of off-road vehicles and unserviceable material etc. worth Rs. 1,519.75 million up to the Financial Year 2016-17.

The matter was taken up with the management during July to November, 2017 and reported to Ministry during August to December, 2017. The management replied that in some cases material had been auctioned while in others the disposal process was under way. Moreover, some of the vehicles were under repair to make them road worthy.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record of completed actions within 15 days and expedite completion of pending actions. Further progress was not reported till finalization of the report.

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

2.1.23 Undue favour to the consumers by non-regularizing unauthorized extension of load – Rs. 1,492.11 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, 4,405 consumers of different categories extended the load of energy connections illegally without 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	398, 524 & 582/2017-18	159	71.58
2.	GEPCO	435, 593, 599, 866, 920, 924 & 1023/2017-18	342	101.61
3.	HESCO	314, 1039 & 1218/2017-18	115	24.92
4.	IESCO	122, 363, 450, 453, 796 & 1019/2017-18	1018	108.41
5.	LESCO	311, 370, 637, 640, 656, 670, 946 & 1103/2017-18	504	204.35
6.	MEPCO	307, 411 420, 460, 474, 479, 495, 518, 575, 1072, 1132 & 1296/2017-18	601	141.05

7.	PESCO	458, 592, 824, 1590, 1612 & 1801/2017-18	387	123.89
8.	QESCO	328, 443, 487, 547 & 1114/2017-18	185	78.18
9.	SEPCO	349, 553, 814 & 1128/2017-18	1051	625.99
10.	TESCO	1585/2017-18	43	12.13
		TOTAL	**4,405**	**1,492.11**

Non-adherence to Abridged Condition of Supply resulted in non-recovery of Rs. 1,492.11 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 2016-17.

The matter was taken up with the management during July to November, 2017 and reported to the Ministry during October to December, 2017. The management replied that in some cases, illegal extension of load had been reduced / regularized after recovery of dues, while in remaining cases, notices had been issued to the consumers.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record of completed actions within 15 days and expedite completion of pending actions. Further progress was not reported till finalization of the report.

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

2.1.24 Loss due to shortage of material and non-accountal of surplus material – Rs. 1,360.33 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, GENCOs and NTDC, material valuing Rs. 517.56 million was found short during physical stock verification by stock verifiers. Moreover, material valuing Rs. 842.77 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)	Total Amount (Rs. in million)
1.	FESCO	1189 & 1201/2017-18	6.9	7.76	14.66
2.	GEPCO	379/2017-18	19.22	3.45	22.67
3.	GENCO-I	1248/2017-18	20.11	71.08	91.19

4.	GENCO-II	1272/2017-18	11.11	1.77	12.88
5.	IESCO	1144 & 1155/2017-18	16.71	0	16.71
6.	LESCO	858/2017-18	207.14	515.57	722.71
7.	MEPCO	710 & 732/2017-18	151.75	53.42	205.17
8.	NTDC	85, 135, 321, 345, 1179 & 1519/2017-18	65.45	177.85	243.30
9.	QESCO	749, 933 & 935/2017-18	13.81	11.87	25.68
10	SEPCO	820/2017-18	5.36	0	5.36
		TOTAL	**517.56**	**842.77**	**1,360.33**

Non-adherence to Authority's instructions resulted in loss of Rs. 517.56 million due to shortage of material and non-accountal of surplus material valuing Rs. 842.77 million up to the Financial Year 2016-17.

The matter was taken up with the management during July to November, 2017 and reported to the Ministry during March to November, 2017. The management replied that in some cases inquiry committees for shortage of material had been constituted and in other cases concerned officials were directed to expedite the return of material and accountal of surplus material.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record of completed actions within 15 days and expedite completion of pending actions. Further progress was not reported till finalization of the report.

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

2.1.25 Loss due to excess auxiliary electricity consumption - Rs. 1,206.69 million

NEPRA determined auxiliary consumption as 8-9 % for Units 1-4 of GENCO-I, 7.87% - 9.41% for Units 4-6 of GENCO-III, 23% for Units 1-4 for GENCO-IV & 3% for Units 1-4 of Nandipur Power Plant for the year 2016-17.

In GENCOs, the auxiliary consumption i.e. electricity used to run the power plant, remained higher than the permissible limit allowed by NEPRA. Resultantly, 119.61 MKWh units valuing Rs. 1,206.69 million were excess utilized as auxiliary consumption.

Sr. No.	Name of Company	Draft Para No.	Units as per approved %	Units as per Actual %	Excess units utilized MKWH	Amount (Rs. in million)
1.	GENCO-I	1239/2017-18	325.00	357.55	32.55	325.52
2.	GENCO-III	888/2017-18	241.06	308.19	67.13	744.14

3.	GENCO-IV	1283/2017-18	28.51	35.90	7.39	73.94
4.	Nandipur Power Project	1416/2017-18	43.02	55.56	12.54	129.09
TOTAL			**637.59**	**757.2**	**119.61**	**1,206.69**

Non-adherence to NEPRA approved limits for auxiliary consumption resulted in loss of Rs. 1,206.69 million during the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry during November & December, 2017. The management replied that the units were kept stand by as desired by NPCC, whenever unit operated continuously on maximum load auxiliary consumption would be maintained as per NEPRA's standard.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide documentary evidence in support of reply within 15 days. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides making the loss good.

2.1.26 Loss due to non-finalization of pending inquires / disciplinary cases - Rs. 921.56 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 and its corporate entities, 581 inquiries / disciplinary cases regarding misappropriation, theft, procurement of sub-standard energy meters, damages, excess billing, delay in works and steeling of electricity involving an amount of Rs. 921.56 million against officers / officials / contractors were pending for finalization. Due to non-finalization of inquiries / disciplinary cases, neither the responsibility was fixed nor the fate of loss decided as detailed below:-

Sr. No.	Name of Company	Draft Para No.	No. of cases	Amount (Rs. in million)
1.	GEPCO	382, 1021, 1347, 1449, 1454 & 1803/2017-18	25	305.96
2.	LESCO	928, 977 & 1422/2017-18	546	54.60
3.	MEPCO	708/2017-18	01	19.95
4.	NTDC	83, 215 & 1180/2017/18	05	55.28
5.	PEPCO	1345 & 1346/2017-18	04	485.77
		TOTAL	**581**	**921.56**

Non-adherence to Authority's instructions resulted in non-finalization of inquires / disciplinary cases involving an amount of Rs. 921.56 million up to the Financial Year 2016-17.

The matter was taken up with the management during July to October, 2017 and reported to the Ministry during October to December, 2017. The management replied that some of the inquiries / disciplinary cases had been finalized and remaining were under process.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record of completed actions within 15 days and expedite completion of pending actions. Further progress was not reported till finalization of the report.

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

2.1.27 Non-accountal / non-consumption of electrical material – Rs. 849.11 million

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

In DISCOs, electrical material valuing Rs. 849.11 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	559 & 583/2017-18	11.76
2.	GEPCO	436, 568, 649 & 879/2017-18	124.28
3.	HESCO	1335/2017-18	4.43
4.	IESCO	1002/2017-18	195.18
5.	LESCO	368, 375, 636, 641, 992 & 1318/2017-18	291.89
6.	MEPCO	143, 410, 417, 461, 472, 477 & 497/2017-18	221.57
		TOTAL	**849.11**

Non-adherence to Distribution Stores Manual resulted in non-accountal / non-consumption of electrical material valuing Rs. 849.11 million up to the Financial Year 2016-17.

The matter was taken up with the management during July to October, 2017 and reported to Ministry during October to November, 2017. The management replied that the concerned officials would be directed to produce the record to Audit in due course of time.

The DAC in its meeting held on January 15-17, 2018 directed the management to ensure production of record to Audit for verification within 15 days. Further progress was not reported till finalization of the report.

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

2.1.28 Non-recovery of cost of independent grid stations from the consumers - Rs. 797.69 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, ten (10) industrial consumers & one (01) housing society had qualified for provision of independent grid stations owing to extension of cumulative load of more than 5,000 KW. So far no action has been taken for installation of independent grid station. Hence, undue favour of Rs. 797.69 million was extended to the consumers by non-recovery of the cost 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.	LESCO	676, 741 & 972/2017-18	09	480.66
2.	MEPCO	722 & 1298/2017-18	02	317.03
		TOTAL	**11**	**797.69**

Non-adherence to NEPRA's instructions resulted in non-recovery of cost of independent gird stations amounting to Rs. 797.69 million from consumers up to the Financial Year 2016-17.

The matter was taken up with the management during August to October, 2017 and reported to the Ministry during November & December, 2017. The management replied that load of one consumer had been regularized whereas notices had been issued to other consumers for regularizing the load.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record of completed actions within 15 days and expedite completion of pending actions. Further progress was not reported till finalization of the report.

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

2.1.29 Non-recovery of detection charges / pending units from consumers - Rs. 519.77 million

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

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. 519.77 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	531,1092 &1436/2017-18	167.95
2.	GEPCO	993 & 996/2017-18	25.69
3.	IESCO	1017/2017-18	16.71
4.	LESCO	666, 771, 1101, 1102 & 1320/2017-18	271.49
5.	MEPCO	503, 512, 579, 1133, 1216 & 1297/2017-18	25.91
6.	PESCO	1058 & 1475/2017-18	8.80
7.	QESCO	549/2017-18	2.52
8.	SEPCO	1130/2017-18	0.70
		TOTAL	**519.77**

Non-adherence to Commercial Procedures resulted in non-recovery of detection charges amounting to Rs. 519.77 million from the consumers up to the Financial Year 2016-17.

The matter was taken up with the management during August & September, 2017 and reported to the Ministry during October to December, 2017. The management replied that in some cases detection charges had been recovered while efforts were being made to recover the remaining amount from consumers.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record of completed actions within 15 days and expedite completion of pending actions. Further progress was not reported till finalization of the report.

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

2.1.30 Loss due to non-finalization of insurance claims - Rs. 319.21 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 & NTDC, electrical equipments valuing Rs. 319.21 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.	LESCO	944/2017-18	63	66.53
2.	NTDC	1517/2017-18	07	18.88
3.	PESCO	1471/2017-18	81	225.16
4.	QESCO	831/2017-18	02	8.64
		TOTAL	**153**	**319.21**

Non-adherence to Authority's instructions resulted in loss due to non-finalization of insurance claims amounting to Rs. 319.21 million up to the Financial Year 2016-17.

The matter was taken up with the management during August & September, 2017 and reported to the Ministry during November & December, 2017. The management replied that some of the claims had been indemnified while others were under process.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record of completed actions within 15 days and expedite completion of pending actions. Further progress was not reported till finalization of the report.

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

2.1.31 Undue favour to the contractors due to non-renewal of performance / advance payment guarantees – Rs. 197.79 million

According to Clause-10(1) of the conditions of contract, the contractor was required to furnish a bank guarantee @ 10% of the contract price as performance security within 15 days of the issuance of letter of intent (LOI) / letter of acceptance (LOA) for the contract period and 365 days maintenance period of the works. According to 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.

In DISCOs & NTDC, thirty four (34) work / purchase orders were awarded. As per conditions of Contracts / Purchase Orders, performance / advance payment guarantees amounting to Rs. 197.79 million were required to be obtained up to defect liability period but the Contractors / Suppliers provided performance guarantees for lesser period. No efforts were made for obtaining renewed performance guarantees for extended period from the Contractors.

Sr. No.	Name of Company	Draft Para No.	Amount (Rs. in million)
1.	GEPCO	998/2017-18	2.86
2.	LESCO	967 & 1104/2017-18	22.63
3.	MEPCO	728/2017-18	12.51
4.	NTDC	1383/2017-18	159.79
		TOTAL	**197.79**

Non-adherence to the conditions of contracts resulted in undue favour to the Contractors due to non-renewal of performance / advance payment guarantees amounting to Rs. 197.79 million for entire period of contracts up to the Financial Year 2016-17.

The matter was taken up with the management in June to October, 2017 and reported to the Ministry during November & December, 2017. The management replied that some of the bank guarantees had been got extended while remaining guarantees were under process for extension in period.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record of completed actions within 15 days and expedite completion of pending actions. Further progress was not reported till finalization of the report.

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

2.1.32 Loss due to non-replacement of electrical material damaged during warranty period – Rs. 192.72 million

According to Clause-7 & 9 (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 DISCOs & PITC, 2,195 power / distribution transformers, energy meters and other equipments of different types worth Rs. 192.72 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 items	Amount (Rs. in million)
1.	FESCO	173, 798 & 1091/2017-18	15	63.47
2.	GEPCO	1348/2017-18	1823	39.22
3.	HESCO	1354/2017-18	31	7.67
4.	LESCO	957/2017-18	39	13.13
5.	MEPCO	726/2017-18	187	11.43
6.	PESCO	1476/2017-18	10	4.31
7.	PITC	1395/2017-18	30	0.38
8.	QESCO	834 & 931/2017-18	17	44.10
9.	SEPCO	813/2017-18	43	9.01
		TOTAL	**2,195**	**192.72**

Non-adherence to clauses of purchase orders resulted in non-replacement of under warranty damaged electrical material amounting to Rs. 192.72 million from manufacturers / suppliers up to the Financial Year 2016-17.

The matter was taken up with the management during April to October, 2017 and reported to the Ministry during September to December, 2017. The management replied that in some cases replaced material had been received from suppliers whereas replacement of balance material was under process.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record of completed actions within 15 days and expedite completion of pending actions. Further progress was not reported till finalization of the report.

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

2.1.33 Non-recovery of excess expenditure on deposit works - Rs. 106.91 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. 106.91 million was incurred on 389 private deposit works in excess of the estimated / deposited amount by the sponsoRs. 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	1199 & 1208/2017-18	05	5.69
2.	GEPCO	384/2017-18	04	0.75
3.	IESCO	626/2017-18	06	2.27
4.	LESCO	468 & 985/2017-18	07	12.35
5.	MEPCO	614 & 615/2017-18	168	66.07
6.	PESCO	1069/2017-18	64	3.84
7.	QESCO	605/2017-18	110	12.19
8.	TESCO	1138/2017-18	25	3.75
		TOTAL	**389**	**106.91**

Non-recovery of excess expenditure on deposit works resulted in loss of Rs. 106.91 million up to the Financial Year 2016-17.

The matter was taken up with the management during July to October, 2017 and reported to the Ministry during October & November, 2017. The management replied that some of the amount had been recovered / adjusted and in some cases no amount was recoverable while in remaining cases efforts were being made to recover the amount from sponsors.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record of completed actions within 15 days and expedite completion of pending actions. Further progress was not reported till finalization of the report.

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

2.1.34 Non-recovery of standard rent and utility charges – Rs. 94.34 million

According to clarification issued by Director Finance (Regulation), WAPDA on January 10, 2007, "where the accommodation is allotted by one organization to the employees of other organization, the standard rent is to be charged by the formation concerned from the formation whose employees have been allotted accommodation". As per Director (Services) PEPCO office letter dated January 01, 2010, "no one is competent to accord permission for unauthorized retention of official accommodation beyond admissible period according to instructions in vogue and recovery of market rent shall be effected from the employees who retained accommodation beyond admissibility".

In DISCOs, GENCOs & NTDC, an amount of Rs. 94.34 million was recoverable from 554 employees (own / other organizations) and private occupants 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/other organizations & private occupants. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No. of Employees	Amount (Rs. in million)
1.	FESCO	801, 1090 & 1206/2017-18	26	7.46
2.	GENCO-I	1253/2017-18	42	1.37
3.	GENCO-II	1303/2017-18	419	33.54
4.	GENCO-III	1051/2017-18	03	25.17
5.	GEPCO	1341/2017-18	03	0.56
6.	IESCO	1010 & 1217/2017-18	07	3.89
7.	LESCO	976/2017-18	07	0.48
8.	MEPCO	566, 702/2017-18	08	3.04
9.	NTDC	348, 1184 & 1516/2017-18	19	9.63
10.	QESCO	1074 & 1076/2017-18	20	9.20
		TOTAL	**554**	**94.34**

Non-adherence to Authority's instructions resulted in non-recovery of standard rent and utility charges amounting to Rs. 94.34 million from the employees / other organizations & private occupants up to the financial year 2016-17.

The matter was taken up with the management during July to November, 2017 and reported to the Ministry during October to November, 2017. The management replied that some of the amount was recovered while efforts were being made to recover the balance amount.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record of completed actions within 15 days and expedite completion of pending actions. Further progress was not reported till finalization of the report.

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

2.1.35 Non-recovery of cost of independent feeders from consumers – Rs. 89.92 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 (11) industrial consumers running on mixed load feeders had extended the load illegally above 1000 KW and were required to be provided with independent feeders, which was not done. Hence, undue favour of Rs. 89.92 million was extended to the consumers by non-provision of independent feeders as detailed below:-

Sr. No.	Name of Company	Draft Para No.	No. of cases	Amount (Rs. in million)
1.	GEPCO	540, 925 & 1027/2017-18	04	26.84
2.	LESCO	374, 633, 660 & 784/2017-18	07	63.08
		TOTAL	**11**	**89.92**

Non-adherence to Authority's instructions resulted in non-recovery of Rs. 89.92 million from consumers on account of cost of independent feeders up to the Financial Year 2016-17.

The matter was taken up with the management during July & August, 2017 and reported to the Ministry during October & November, 2017. The management replied that in some cases amount had been recovered while in remaining cases notices were issued to the consumers.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record of completed actions within 15 days and expedite completion of pending actions. Further progress was not reported till finalization of the report.

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

2.1.36 Non-forfeiture of performance bonds - Rs. 73.64 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 eight (28) 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. 73.64 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	1081/2017-18	03	0.40
2.	GEPCO	1228, 1338, 1350 & 1456/2017-18	06	56.94
3.	LESCO	953/2017-18	01	3.8
4.	MEPCO	703/2017-18	07	1.68
5.	QESCO	688/2017-18	01	4.60
6.	SEPCO	874/2017-18	05	1.34
7.	TESCO	1651/2017-18	05	4.88
		TOTAL	**28**	**73.64**

Non-adherence to the Purchase Orders Clause resulted in non-forfeiture of performance bonds of Rs. 73.64 million up to the Financial Year 2016-17.

The matter was taken up with the management during September & October, 2017 and reported to the Ministry during November & December, 2017. The management replied that in some cases, the firms had completed the supply of material whereas in other cases, material would be delivered shortly. However, in some cases LD would be recovered / performance bonds would be forfeited as per rules.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record of completed actions within 15 days and expedite completion of pending actions. Further progress was not reported till finalization of the report.

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

2.1.37 Loss to public exchequer due to non-withholding of Sindh Sales Tax on services - Rs. 72.58 million

According to Section-3 (3) of Sindh Sales Tax Special Procedure (Withholding) Rules, 2014, "a withholding agent shall deduct an amount equal to one-fifth of the total amount of sales tax shown in the sales tax invoice issued by a registered person and shall make payment of the balance amount to the service provider." According to Schedule-A to tender, "all duties, taxes and other levies payable by the contractor shall be included in the rates & prices."

In GENCOs & NTDC, an amount of Rs. 72.58 million on account of Sindh Sales Tax on services was not deducted at the time of making payments to service providers. The said tax was required to be deducted as per schedule-A to the tender documents but the same was not done. Resultantly, an amount of Rs. 72.58 was excess paid to the Contractors due to non-deduction of Sindh Sales Tax on Services as detailed below:-.

Sr. No.	Name of Company	Draft Para No.	Amount (Rs. in million)
1.	GENCO-II	1260/2017-18	62.87
2.	GENCO-IV	1281/2017-18	7.08
3.	NTDC	1313/2017-18	2.63
		TOTAL	**72.58**

Non-adherence to the provisions of Sindh Sales Tax Special Procedure (Withholding) Rules and violation of provisions of tender documents resulted in loss of Rs. 72.58 million to the public exchequer during the Financial Year 2016-17.

The matter was taken up with the management during August to October, 2017 and reported to the Ministry in November, 2017. The management replied that the due deduction of $1/5^{th}$ Sindh Sales Tax had always been made at the time of making payment.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide relevant record in support of reply to Audit for detailed verification within 15 days.

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

2.1.38 Non-recovery of O&M charges and pay & allowances of staff posted at private grid stations – Rs. 61.95 million

According to agreements for O&M of 132 KV Grid Stations and transmission lines, "DISCOs shall operate / maintain 132 Grid Stations and payment of operation / maintenance charges in lump sum on actual basis to be renewed each year on mutual consent. Pay and allowances, TA / DA and off day wages of the Grid Station Staff will be collectable on monthly basis.

In DISCOs, an amount of Rs. 61.95 million on account of O&M charges of transmission lines and pay & allowances of staff deployed at thirteen 132 KV private grid stations and transmission lines, were required to be recovered from concerned consumers, which was not done. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	Amount (Rs. in million)
1.	FESCO	747/2017-18	7.66
2.	IESCO	1009/2017-18	6.21
3.	LESCO	938 & 941/2017-18	48.08
		TOTAL	**61.95**

Non-adherence to agreement clauses resulted in non-recovery of Rs. 61.95 million on account of O&M charges and pay & allowances from consumers up to the Financial Year 2016-17.

The matter was taken up with the management in August & September, 2017 and reported to the Ministry in November, 2017. The management replied that efforts were being made to recover the amount from consumers.

The DAC in its meeting held on January 15-17, 2018 directed the management to expedite the recovery and get the record verified from Audit. Further progress was not reported till finalization of the report.

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

2.1.39 Loss of revenue due to application of wrong tariff – Rs. 55.46 million

According to NEPRA's tariff conditions, tariff B-I was applicable to the industrial consumers having load up to 25 KW and Commercial Supply (A-2) means the supply for commercial offices and commercial establishments. 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.

In DISCOs, 485 consumers engaged in the commercial / industrial activities were running under domestic / industrial tariff. Moreover, 12 energy connections of water supply drainage schemes were running under agriculture tariff D-1(b) instead of appropriate 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	399 & 561/2017-18	36	31.02
2.	GEPCO	571/2017-18	50	10.64
3.	IESCO	1014/2017-18	04	2.16
4.	LESCO	386, 632, 668 & 765/2017-18	379	6.58
5.	MEPCO	02/2017-18	12	1.52
6.	PESCO	430 &1592/2017-18	16	3.54
TOTAL			**497**	**55.46**

Non-adherence to tariff conditions resulted in loss of revenue amounting to Rs. 55.46 million due to application of wrong tariff up to the Financial Year 2016-17.

The matter was taken up with the management during February, 2016 to October, 2017 and reported to Ministry during March to December, 2017. The management replied that in some cases tariff had been changed after making recovery, some of the connections were running under correct tariff while in remaining cases efforts were being made for change of tariff.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record of completed actions within 15 days and expedite completion of pending actions. Further progress was not reported till finalization of the report.

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

2.1.40 Loss due to non-recovery of supply charges against temporary connections - Rs. 51.26 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. 51.26 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	401/2017-18	0.14
2.	GEPCO	433, 544, 594 & 1000/2017-18	23.95
3.	HESCO	315, 494 & 1221/2017-18	5.16
4.	IESCO	1143/2017-18	2.66
5.	LESCO	373, 638 & 675/2017-18	3.54
6.	MEPCO	473, 513 & 574/2017-18	1.65
7.	PESCO	628, 699 & 1165/2017-18	13.87
8.	SEPCO	621/2017-18	0.29
		TOTAL	**51.26**

Non-observance of tariff conditions resulted in loss of Rs. 51.26 million due to non-recovery of supply charges from temporary consumers up to the Financial Year 2016-17.

The matter was taken up with the management during July to October, 2017 and reported to the Ministry during October & November, 2017. The management replied that some of the amount had been recovered from consumers and efforts were being made to recover the balance amount.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record of completed actions within 15 days and expedite completion of pending actions. Further progress was not reported till finalization of the report.

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

2.1.41 Unjustified expenditure on account of TA/DA, bonus & vehicles pertaining to Ministry - Rs. 43.65 million

According to Para-11.4 (b) Chapter-XI (Financial Powers Delegations to Subordinate Authorities) of GFR, "funds allotted to a Ministry / Division, its Attached or Subordinate Offices are spent for the purpose for which they are allocated".

In DISCOs, GENCO-III & NTDC, an expenditure of Rs. 43.65 million was incurred on account of TA / DA, bonus and vehicles maintenance in respect of Ministry of Water & Power. The expenditure was not justified as Ministry had its own budget, hence, the said amount was required to be recovered from the Ministry.

Sr. No.	Name of Company	Draft Para No.	Nature of Expense	Amount (Rs. in million)
1.	FESCO	1083/2017-18	R&M of vehicle	1.10
2.	GENCO-III	890/2017-18	Cost and R&M of vehicle	2.32
3.	IESCO	1149/2017-18	R&M of vehicles	7.29
4.	LESCO	974/2017-18	Bonus to staff	11.82
5.	MEPCO	720/2017-18	Bonus to staff	5.46
6.	NTDC	09, 802 & 1510/2017-18	TA / DA	15.66
		TOTAL		**43.65**

Non-adherence to financial rules resulted in unjustified expenditure of Rs. 43.65 million on account of TA/DA, bonus & vehicles pertaining to Ministry up to the Financial Year 2016-17.

The matter was taken up with the management during August, 2016 to October, 2017 and reported to the Ministry during March to November, 2017. The management replied that the expenditure was incurred as per directions of Minister after approval from competent authority.

The DAC in its meeting held on January 15-17, 2018 directed the management to furnish revised reply along with justification of irregular expenditure within 15 days. Further progress was not reported till finalization of the report.

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

2.1.42 Loss due to missing / shortage of transformer's parts - Rs. 28.04 million

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

In DISCOs, costly components of 2,947 distribution transformers of various capacities valuing Rs. 28.04 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.	No. of T/Fs	Amount (Rs. in million)
1.	FESCO	584 & 1093/2017-18	354	3.93

2.	GEPCO	868 & 994/2017-18	134	1.78
3.	IESCO	455, 797 & 1016/2017-18	359	5.69
4.	LESCO	371 & 394/2017-18	140	2.54
5.	MEPCO	308, 409, 423, 459, 475, 481, 501, 522, 576 & 731/2017-18	1,242	10.13
6.	QESCO	836/2017-18	718	3.97
		TOTAL	**2,947**	**28.04**

Non-adherence to Authority's instructions resulted in loss of Rs. 28.04 million due to missing / shortage of costly components of distribution transformers up to the Financial Year 2016-17.

The matter was taken up with the management during July to September, 2017 and reported to the Ministry during October & November, 2017. The management replied that in some cases amount had been recovered from employees / defects removed by supplier while in remaining cases inquiry proceedings were under process.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record of completed actions within 15 days and expedite completion of pending actions. Further progress was not reported till finalization of the report.

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

2.1.43 Loss due to non-recovery of penalty imposed on employees - Rs. 25.60 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 DISCOs & NTDC, an amount of Rs. 25.60 million was recoverable from employees on account of shortage of electrical material and booking of bogus journey on log books and credit adjustment of arrears etc. However, recovery was not made from the officers / officials 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	655/2017-18	0.40

2.	GEPCO	922/2017-18	1.18
3.	LESCO	745/, 989 & 1135/2017-18	6.88
4.	NTDC	323/2017-18	14.63
5.	SEPCO	886/2017-18	2.51
		TOTAL	**25.60**

Non-adherence to Authority's instructions resulted in loss of Rs. 25.60 million due to non-recovery of penalty from employees up to the Financial Year 2016-17.

The matter was taken up with management during January to September, 2017 and reported to the Ministry during October & November, 2017. The management replied that some amount had been recovered and balance amount would be recovered in due course of time.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record of completed actions within 15 days and expedite completion of pending actions. Further progress was not reported till finalization of the report.

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

2.1.44 Misuse of funds provided for schemes of village electrification on affixing signboards and installation of energy meters - Rs. 22.57 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 DISCOs, 793 village electrification schemes under different government sponsored programmes were executed. Publicity board charges of Rs. 13.90 million and single phase meters' cost of Rs. 8.67 million was included in the estimates, which was unjustified and misuse of funds.

Sr. No.	Name of Company	Draft Para No.	No. of Schemes	Amount (Rs. in million)
1.	HESCO	1325/2017-18	504	10.43
2.	SEPCO	05/2017-18	289	12.14
		TOTAL	**793**	**22.57**

Non-adherence to Cabinet Divisions' instructions resulted in misuse of village electrification funds of Rs. 22.57 million up to the Financial Year 2016-17.

The matter was taken up with the management in August, 2016 & October, 2017 and reported to the Ministry in March & November, 2017. The management replied that the amount was utilized in compliance with the direction of Prime Minister's Secretariat.

The DAC in its meeting held on January 15-17, 2018 did not accept the stance of the management and directed the management to obtain ex-post facto approval from competent forum for regularizing the expenditure and to charge the expenditure to the project in future. Further progress was not reported till finalization of the report.

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

2.1.45 Irregular award of work / purchases without open competition - Rs. 21.55 million

Under Rule-42b (i) of PPRA Rules-2004, the procurement on quotation basis can be made if cost of object of procurement is below the prescribed limit of one hundred thousand rupees provided that the respective Boards of Autonomous bodies are authorized to fix an appropriate limit for request for quotations method of procurement subject to a maximum of rupees five hundred thousand which will become financial limit.

In DISCOs, GENCOs & NTDC forty two (42) work / purchase orders amounting to Rs. 21.55 million were awarded to different Contractors / Suppliers for execution of different works and procurement of different types of material including cell phones / spare parts through quotations instead of open competitive bidding in violation of PPRA Rules.

Sr. No.	Name of Company	Draft Para No.	Amount (Rs. in million)
1.	FESCO	1209/2017-18	0.65
2.	GENCO-III	893/2017-18	1.47
3.	GENCO-IV	1377/2017-18	2.26
4.	IESCO	1447/2017-18	0.93
5.	NTDC	124 & 127/2017-18	5.82
6.	QESCO	694 & 695/2017-18	10.42
		TOTAL	**21.55**

Violation of Public Procurement Rules resulted in irregular award of work / purchase orders valuing Rs. 21.55 million during the financial year 2016-17.

The matter was taken up with the management during February to September, 2017 and reported to the Ministry during August to December, 2017. The management replied that in most of the cases procurement had been made in emergent situation after approval of Competent Authority while in remaining cases procurements were made under rate contracts.

The DAC in its meeting held on January 15-17, 2018 did not agree with the management reply and directed the management to provide justification for non-observance of PPRA Rules and to inquire the matter of procurement of unspecified nuts & bolts for tower braces in NTDC. Further progress was not reported till finalization of the report.

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

2.1.46 Irregular payment of corporate planning and control cell allowance - Rs. 17.36 million

According to office memorandum of Finance Division dated June 26, 1999, revision of Pay Scales / Salaries / Allowances in Corporations, Autonomous / Semi Autonomous bodies will require clearance from the Finance Division to ensure a rational basis and a degree of uniformity in such revision.

In GENCOs, an amount of Rs. 17.36 million was paid to thirty eight (38) employees on account of Corporate Planning and Control Cell Allowance without clearance of Finance Division, Government of Pakistan as detailed below:-.

Sr. No.	Name of Company	Draft Para No.	Amount (Rs. in million)
1.	GENCO-I	1492/2017-18	3.96
2.	GENCO-II	1495/2017-18	4.68
3.	GENCO-III	1496/2017-18	4.45
4.	GENCO-IV	1498/217-18	4.27
		TOTAL	**17.36**

Violation of the instructions of GoP resulted in irregular payment of CPC allowance of Rs. 17.36 million up to the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in December, 2017. The management replied that the CPC allowance had been adopted by BoD GENCO holding company at the time of unbundling of power stations of WAPDA.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide documentary evidence in support of reply along with decision of the competent authority within 15 days. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides seeking clearance from Finance Division (GoP).

2.1.47 Irregular payment of financial benefits & allowances to the Finance Directors - Rs. 12.97 million

According to terms & conditions of appointment on lump sum salary package, no other personal benefits / allowances except lump sum salary and other facilities were admissible to the Finance Directors of GENCO-II & IV".

In GENCOs, Finance Directors were appointed on lump sum contract salary package with non-admissibility of other personal benefits / allowance. But contrary to this, additional charge, Adhoc Relief, CPC, Company Secretary Allowances and house acquisition facility was allowed to the said officers. Resultantly, irregular payment of Rs. 12.97 million was made to the Finance Directors as detailed below:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs. in million)
1.	GENCO-II	1329/2017-18	8.33
2.	GENCO-IV	1331/2017-18	4.64
		TOTAL	**12.97**

Non-adherence to the provisions of service contract resulted in irregular payment of Rs. 12.97 million on account of financial benefits & allowances up to the Financial Year 2016-17.

The matter was taken up with the management during August & October, 2017 and reported to the Ministry in November, 2017. The management replied that all the allowances were allowed to contract employees with the approval of BoD as well as PEPCO.

The DAC in its meeting held on January 15-17, 2018 directed the management to conduct fact finding inquiry expeditiously. Further progress was not reported till finalization of the report.

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

2.1.48 Irregular payment of meeting fees to BoD members employed in other departments - Rs. 7.92 million

According to FR-48 (e) of Fundamental Rules & Supplementary Rules (FR&SR) framed by the Government of Pakistan, "the Government has declared the payment of meeting fee to those Government servants who have been nominated by the Government to attend the meetings of bodies or institution constituted by any special laws as unjustified, as full account was taken of these duties in adjusting their other works, and should, therefore, be stopped."

In DISCOs & GENCO-II, meeting fees of Rs. 7.92 million was paid to ten (10) officers of GHCL, Ministry of Water & Power, Ministry of Finance, Punjab Energy Department and CEOs of Companies to attend different meetings of BoD and its sub committees. The payment was not justified as these officers were working on payroll of government departments and were not eligible to receive meeting fees.

Sr. No.	Name of Company	Draft Para No.	Amount (Rs. in million)
1.	GENCO-II	1269/2017-18	1.12
2.	LESCO	905/2017-18	3.12
3.	MEPCO	721/2017-18	3.68
		TOTAL	**7.92**

Non-adherence to the Government Rules resulted in irregular payment of meeting fees amounting Rs. 7.92 million to board members employed in government / semi government departments during the Financial Year 2016-17.

The matter was taken up with the management in September & October, 2017 and reported to the Ministry in November, 2017. The management replied that meeting fees was paid after approval of BoD as per powers given in Public Sector Companies (Corporate Governance) Ordinance, 2013.

The DAC in its meeting held on January 15-17, 2018 directed the management to refer the matter to Finance Division for obtaining concurrence within 15 days. Further progress was not reported till finalization of the report.

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

2.1.49 Irregular acceptance of insurance guarantees instead of bank guarantees – Rs. 7.82 million

According to PAC's directives dated July 3, 2017 regarding "acceptance of Bank Guarantee instead of Insurance Guarantee while executing development schemes / projects" must be implemented from the date of issuance of its letter i.e. dated April 28, 2017.

In DISCOs, fifteen (15) work orders for construction works at grid stations and transmission lines were awarded to various contractors. The management accepted the performance security amounting to Rs. 7.82 million in the form of Insurance Guarantee instead of Bank Guarantee in violation of PAC's directives.

Sr. No.	Name of Company	Draft Para No.	Amount (Rs. in million)
1.	FESCO	1204/2017-18	4.54
2.	GEPCO	863/2017-18	3.28
		TOTAL	**7.82**

Non-adherence to PAC's directives resulted in irregular acceptance of insurance guarantees amounting to Rs. 7.82 million instead of bank guarantees during the Financial Year 2016-17.

The matter was taken up with the management in July, 2017 and reported to the Ministry in September & November, 2017. The management replied that after receiving the directives of PAC, Bank Guarantees were being accepted instead of Insurance Guarantees.

The DAC in its meeting held on January 15-17, 2018 directed the management to hold inquiry in the light of PAC's directives with reference to cut off date for accepting insurance guarantees. Further progress was not reported till finalization of the report.

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

2.1.50 Unjustified payment due to irregular engagement of tax consultants - Rs. 6.76 million

According to clause-5(1) of Procurement of Consultancy Services Regulations 2010, "a request for expression of interest shall be advertised in order to procure competitive consultancy services."

In GENCOs, the services of four tax consultants / counsels were hired for filing of GST returns and taxation affairs. The said consultants were not engaged on competitive basis as no request for expression of interest was advertised. Moreover, filling of GST returns and other associated matters were the primary responsibility of Finance Departments of respective Company and engagement of consultants for the said job had put extra financial burden of Rs. 6.76 million as detailed below:-.

Sr. No.	Name of Company	Draft Para No.	Amount (Rs. in million)
1	GENCO-I	1245/2017-18	1.04
2	GENCO-II	1270/2017-18	3.54
3	GENCO-IV	1307/2017-18	2.18
		TOTAL	**6.76**

Non-adherence to Procurement of Consultancy Service Regulations resulted into irregular engagement of tax consultants and unjustified payment of Rs. 6.76 million during the Financial Year 2016-17.

The matter was taken up with the management during August & October, 2017 and reported to the Ministry in November, 2017. The management replied that the work load of filing of monthly Sales Tax return, the services of tax consultant were hired on most competitive rates.

The DAC in its meeting held on January 15-17, 2018 did not accept the management stance and directed to get ex-post facto approval of appointment of tax consultant from competent forum and provide it to Audit for examination within 15 days. Further progress was not reported till finalization of the report.

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

2.1.51 Loss due to dual claims of free electricity - Rs. 2.46 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 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 GENCOs, eighteen (18) employees were claiming free electricity at Guddu / Lahkhra Power Station Colonies as well as against other reference numbers as evident from the debit advices received from different DISCOs. Dual claims of free electricity supply facility were illegal and unjustified, which caused loss of Rs. 2.46 million as detailed below:-.

Sr. No.	Name of Company	Draft Para No.	Amount (Rs. in million)
1.	GENCO-II	1267/2017-18	1.38
2.	GENCO-IV	1282/2017-18	1.08
		TOTAL	**2.46**

Non-adherence to Authority's instructions resulted in loss of Rs. 2.46 million due to double claims of free electricity facility up to the Financial Year 2016-17.

The matter was taken up with the management during August & October, 2017 and reported to the Ministry in November, 2017. The management replied that in some cases disciplinary action had been initiated while in remaining cases employee's EPF Nos. were not matched.

The DAC in its meeting held on January 15-17, 2018 directed the management to submit comprehensive reply along with detailed justification for payment of dual claims 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 besides fixing responsibility and making the loss good.

CHAPTER-3

JAMSHORO POWER GENERATION COMPANY (GENCO-I)

3. JAMSHORO POWER GENERATION COMPANY (GENCO-I)

3.1 Introduction

The Jamshoro Power Generation Company Limited, (JPGCL) is a subsidiary of PEPCO. 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 and Kotri, owned by WAPDA through Business Transfer Agreement.

The principal activity of the Company is to generate electricity (from furnace oil, natural gas) and sell it to National Transmission and Despatch Company (NTDC). JPGCL was granted Generation License by NEPRA in July, 2002.

3.2 Comments on 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 GENCO-I, the balance sheet and profit & loss account of the company could not be finalized by the management up till December 31, 2017.

3.3 AUDIT PARAS

3.3.1 Loss due to non-recovery of claims against short supply of Gas - Rs. 2,398.11 million

According to Article-II Clause-2 of Gas Supply Agreement with M/s Sui Southern Gas Company, "if the seller fails to supply to the consumer a minimum quantity of 53 MMCF per day, then the seller shall pay to the consumer with respect to short fall at the rate specified in the Agreement."

In GENCO-I, M/s Sui Southern Gas Company failed to supply minimum quantity of 53 MMCF gas per day to Thermal Power Station, Jamshoro. Hence, in the light of Gas Supply Agreement, an amount of Rs. 2,398.11 million was required to be recovered from the supplier but the same was not done.

Non-adherence to the provisions of agreement resulted in loss of Rs. 2,398.11 million due to non-recovery of claims against short supply of gas during the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in November, 2017. The management replied that the matter would be placed before Ministry of Energy (Power Division) by getting legal opinion from the council.

The DAC in its meeting held on January 15-17, 2018 directed the management to pursue the case with Ministry vigorously. 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 No.1250/2017-18)

3.3.2 Recurring loss due to non-procurement of HP Heaters - Rs. 1,746 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 GENCO-I, financial proposals of three (03) technical responsive bidders against Tender No. ICB-116/15 for providing, installation, testing and commissioning for high pressure heaters under single stage-two envelop procedure of bidding were opened on January 01, 2016. M/s Harbin Integrated

Power Control Engg. Ltd China stood 1st lowest bidder in financial evaluation but the tender was cancelled in August 2016. Due to cancellation of tender and non-procurement of HP Heaters, the Company sustained recurring loss of Rs. 1,746 million on account of excess fuel consumption and reduction in generation capacity for which no responsibility was fixed.

Non-adherence to Authority's instructions resulted in loss of Rs. 1,746 million during the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in November, 2017. The management replied that the case for procurement of HP heaters was being monitored by BoD.

The DAC in its meeting held on January 15-17, 2018 did not accept the stance of the management and directed to provide revised reply along with justification for cancellation of tender and bid evaluation report 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 loss besides ensuring early procurement of HP heaters.

(DP No.1234/2017-18)

3.3.3 Loss to public exchequer due to non-charging of Stamp Duty - Rs. 69.41 million

According to Sr. No. 22-A of Schedule to The Stamp Act 1899, "twenty-five paisas for every one hundred rupees or part thereof of the amount of the contract is chargeable on procurement of stores and materials"

In GENCO-I, material valuing Rs. 27,765.05 million was procured during the financial year 2016-17 but stamp duty amounting to Rs. 69.41 million was not charged to the Contractors / Suppliers. The said issue was also pointed out by JPCL commercial auditor during 98th BoD meeting but no action had so far been taken by the management.

Non-adherence to the provisions of the Stamp Duty Act resulted in loss of Rs. 69.41 million to public exchequer due to non-charging of stamp duty during the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in November, 2017. The management replied that the Company was a Government owned corporate entity and was not liable to charge stamp duty on procurements. However, the matter was taken up with legal consultants to furnish a legal opinion regarding applicability of the said Act.

The DAC in its meeting held on January 15-17, 2018 directed the management to get legal opinion from legal department of the Province. 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 No.1246/2017-18)

3.3.4 Loss due to application of wrong tariff by HESCO - Rs. 34.65 million

According to schedule of electricity tariff, street light / public lighting connections are charged under Tariff-G".

In GENCO-I, thirty six (36) street light connections were charged by HESCO under domestic Tariff-A1 instead of Tariff-G. Hence, an amount of Rs. 34.65 million was excessively paid to the HESCO on account of difference in tariff.

Non-adherence to the schedule of electricity tariff resulted in loss of Rs. 34.65 million due to application of wrong tariff up to the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in November, 2017. The management replied that the issue had already been taken up with HESCO and would be apprised shortly.

The DAC in its meeting held on January 15-17, 2018 directed the management to reconcile the matter with JPCL management and expedite the recovery under report 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 besides fixing responsibility.

(DP No.1252/2017-18)

3.3.5 Loss due to non-recovery of outstanding electricity dues from the residents of colony - Rs. 11.46 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 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 GENCO-I, an amount of Rs. 11.46 million on account of electricity bills was recoverable from employees as well as private residents of WAPDA Colony at Thermal Power Station, Jamshoro. Efforts were not made to recover the said amount from the defaulters.

Non-adherence to the Authority's instructions resulted in loss of Rs. 11.46 million due to non-recovery of long outstanding electricity dues from the residents of colony up to the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in November, 2017. The management replied that amount would be recovered / deducted from employees / individual residents.

The DAC in its meeting held on January 15-17, 2018 directed the management to expedite the recovery and evidence thereof be produced for verification to Audit. 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 No.1251/2017-18)

3.3.6 Irregular payment on account of pay & allowances due to unjustified extension in service contract - Rs. 7.64 million

According to the recommendations of inquiry report of M&S Division PEPCO regarding irregularities in GENCO-I conveyed vide No. M&S /DDC/ 05008/1846/ 14/629 dated May 05, 2014, "no further request for extension of contract of Mr. Shamsul Arfine Finance Director beyond July 27, 2014 (date of termination of present extension/ contract) for Jamshoro Power Generation Company be considered and he be repatriated to WPPO, Lahore."

In GENCO-I, Board of Directors (BoD), in its meeting held on August 24, 2014, had granted two years extension beyond July 27, 2014 in service contract of Mr. Shamsul Arfin Chief Financial Officer against the recommendations of M&S Division PEPCO. Despite lapse of three years, the recommendation of inquiry committee regarding repatriation of the said officer to WPPO had not so far been implemented.

Non-adherence to recommendations of PEPCO resulted into irregular payment of Rs. 7.64 million on account of pay and allowance due to unjustified extension in service contract up to Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in November, 2017. The management replied that extension in service contract was granted by the BoD, however, the revised reply would be furnished in due course of time.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide revise reply along with documentary evidence 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 regarding violation of PEPCO's recommendations.

(DP No.1237/2017-18)

3.3.7 Abnormal increase in scope of work - Rs. 5.81 million

According to Section-IV (4.1.5)(i) of GENCO's Book of Financial Powers, Chief Executive Officer was competent to increase scope of work up to maximum 15% of the total amount of original price.

In GENCO-I, work order for replacement of leak and weak portion of tube pieces of re-heat for mechanical boiler section at unit No.2 was issued to M/s Techno-Corporation International on November 17, 2016 at a cost of Rs. 5.32 million. Later on, the scope of work was increased up to 109% with enhanced cost of Rs. 11.13 million. The said variation / change in work order amounting to Rs. 5.81 million was not in line with the provisions of Book of Financial Powers.

Non-adherence to the provisions of Book of Financial Powers resulted in irregular issuance of variation / change in work order amounting to Rs. 5.81 million during the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in November, 2017. The management replied that contractor was directed to carry out the additional work on previous quoted rates for smooth reliable operation of the plant.

The DAC in its meeting held on January 15-17, 2018 directed the management to regularize the expenditure from competent authority and report 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 besides fixing responsibility.

(DP No.1242/2017-18)

3.3.8 Loss due to award of contract to 2nd lowest bidder - Rs. 1.50 million

According to GENCO-I Notice Inviting Tender No. T-1345, "registered firms from Chief Engineer (P&D) WAPDA Lahore / manufacturers / stockiest / dealers / suppliers were eligible for participation in the tender." As per Rule-30 (1) of Public Procurement Rules-2004, "all bids shall be evaluated in accordance with the evaluation criteria and other terms and conditions set forth in the prescribed bidding documents".

In GENCO-I, two firms participated in Tender T-1345 for supply of "FUDO" brand castable refractory. A registered supplier M/s New 601 Ceramics & Glass Ind. Multan being 1st lowest bidder was declared non-responsive due to non-provision of authorization certificate from the original manufacture. The contract was awarded to second lowest bidder at higher rates on production of a doubtful authorization certificate. Hence, declaring of 1st lowest bidder as non-responsive was unjustified and caused a loss of Rs. 1.50 million to the Company.

Non-adherence to the PPRA rules resulted in loss of Rs. 1.50 million due to award of contract to the 2nd lowest bidder during the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in December, 2017. The management replied that the matter was under inquiry.

The DAC in its meeting held on January 15-17, 2018 directed the management to expedite inquiry proceeding and provide its report to Audit for examination. 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 No.1367/2017-18)

CHAPTER-4

CENTRAL POWER GENERATION COMPANY (GENCO-II)

4. CENTRAL POWER GENERATION COMPANY (GENCO-II)

4.1 Introduction

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

The principal activity of the Company is to generate electricity from furnace oil and natural gas and sell it to National Transmission and Despatch Company (NTDC). CPGCL was granted Generation License by NEPRA during July, 2002. The Company has fourteen units having capacity of 12,264,000 MWh.

4.2 Comments on 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 GENCO-II, the balance sheet and profit & loss account of the company could not be finalized by the management up till December 31, 2017.

4.3 AUDIT PARAS

4.3.1 Less generation of electricity due to shifting of Gas Booster Compressor to Nandipur Power Station - Rs. 2,406.40 million

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

In GENCO-II, gas booster compressor was installed to boost up the pressure of gas minimum to 35 bar for 747 MW CCPP. But the same was shifted to Nandipur Power Project during March, 2017, which resulted in decrease in required minimum gas pressure of 35 bar. Due to this situation, gas quota from Kandhkot was less utilized and three turbines remained standby which caused less generation of 300.8 MKWh units amounting to Rs. 2,406.40 million.

Non-adherence to the Authority's instructions resulted in loss of Rs. 2,406.40 million due to non-generation of electricity during the Financial Year 2016-17.

The matter was taken up with the management in October, 2017 and reported to the Ministry in November, 2017. The management replied that the reasons of non-generation of electricity by Unit No.7, 8 and 5 were not attributed with the shifting of Gas Boosters.

The DAC in its meeting held on January 15-17, 2018 did not accept the stance of the management and directed to conduct inquiry at Ministry level and provide its report to Audit for examination within 15 days. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides making the loss good.

(DP No.1255/2017-18)

4.3.2 Unjustified consumption of electricity at Guddu Power Station Colony - Rs. 612.57 million

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

In GENCO-II, electricity bills amounting to Rs. 612.57 million were issued to Guddu Power Station Colony by HESCO. Electricity meters were not installed at the colony and therefore consumption of electricity by employees could not calculated according to their entitlements. The difference was being charged to different civil amenities i.e. hospital, clubs / hostel, sewerage/ water supply, rest house, street light, private consumers, miscellaneous etc., which was not justified.

Non-adherence to Authority's instructions resulted in unjustified consumption of electricity amounting to Rs. 612.57 million during the Financial Year 2016-17.

The matter was taken up with the management in October, 2017 and reported to the Ministry in November, 2017. The management replied that the installation of individual energy meters at residential colony had been started and about 55% of residential colony had been taken on meters.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide record relating to completed actions and expedite pending action within 15 days. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter at higher level for fixing responsibility for unjustified consumption of electricity.

(DP No.1263/2017-18)

4.3.3 Unjustified payment of advance income tax - Rs. 253.09 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-II, an amount of Rs. 217.15 million was paid to FBR without any notice during the financial year 2015-16 and without adjusting previous paid advance income tax. Moreover, an amount of Rs. 35.94 million on account of advance income tax was also paid to FBR in June, 2017 for the financial year 2010-11 despite running of the Company in loss during said period.

Non-adherence to General Financial Rules resulted in unjustified payment of advance income tax amounting to Rs. 253.09 million up to the Financial Year 2016-17.

The matter was taken up with the management in October, 2017 and reported to the Ministry in December, 2017. The management replied that if the said amount not paid, the FBR might have recovered the whole amount of Rs. 12 billion. Therefore, payment of said advance tax was unavoidable for smooth running of company business.

The DAC in its meeting held on January 15-17, 2018 directed the management to conduct departmental inquiry and submit its report to Audit for examination within 15 days. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides making the loss good.

(DP No.1368/2017-18)

4.3.4 Loss due to taking responsibility of Sindh Sales Tax on services by the Employer - Rs. 20.41 million

According to Clause-6 of Service Agreement, "M/s General Electric shall pay at their cost all the applicable taxes".

In GENCO-II, contract for rehabilitation of Frame 91E Gas Turbine GT-09 was awarded to M/s General Electric International Incorporation on June 23, 2015. The Contractor's responsibility for payment of Sindh Sales Tax on services was assumed by the Employer causing loss of Rs. 20.41 million.

Non-adherence to the provisions of the Service Agreement resulted in loss of Rs. 20.41 million due to taking responsibility of Sindh Sales Tax on services by the employer during the Financial Year 2016-17.

The matter was taken up with the management in October, 2017 and reported to the Ministry in November, 2017. The management replied that these invoices were paid on the basis of Sales Tax return of the Contractor and under approval from BoD.

The DAC in its meeting held on January 15-17, 2018 did not accept the management stance and directed to effect recovery on account of Sind Sales Tax from Contractor. 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 No.1268/2017-18)

4.3.5 Loss on account of godown rent due to delay in releasing funds to CRRK - Rs. 10.51 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 GENCO-II, funds for clearance of consignments arrived at Karachi Port were not timely released to Chief Resident Representative Karachi (CRRK). Resultantly, an amount of Rs. 10.51 million was paid to CRRK on account of godown rent.

Non-adherence to Authority's instructions resulted in payment of godown rent amounting to Rs. 10.51 million during the Financial Year 2016-17.

The matter was taken up with the management in October, 2017 and reported to the Ministry in November, 2017. The management replied that as mentioned in the demurrage committee CRRK decision whole of godown charges had been paid due to late receipt of funds from CPPA, some procedural delay and public holidays etc, which was beyond control of any individual.

The DAC in its meeting held on January 15-17, 2018 directed the management to conduct fact finding inquiry and take action against the responsible within 15 days. 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 No.1264/2017-18)

4.3.6 Irregular payment of pay & allowances due to unlawful appointments – Rs. 3.25 million

According to Rules Directorate S&GA WAPDA dated October 7, 2008 and November 12, 2003, "all ex-servicemen for appointment as Security Staff must have eight (08) years coloured service at the time of discharge from the Armed Forces and all official having BPS-1 and BPS-4 must passed middle except Sanitary Worker".

In GENCO-II, two (02) Security Guards were appointed on September 7, 2011 and November 21, 2012 respectively by violating the prescribed service rules as both did not possess eight (08) years coloured service at the time of discharge from Armed Forces. Moreover, one Cooly was appointed on fake / bogus middle certificate as confirmed by the Principal Government Higher Secondary School Guddu on November 29, 2014 and also not certified by the District Education Officer Kashmore.

Violation of prescribed service rules resulted into irregular payment of pay & allowances due to unlawful appointments amounting Rs. 3.25 million up to the Financial Year 2016-17.

The matter was taken up with the management in October, 2017 and reported to the Ministry in November, 2017. The management replied that an inquiry committee was constituted to probe into the matter.

The DAC in its meeting held on January 15-17, 2018 directed the management to expedite the proceedings of inquiry and provide its report to Audit for examination within 15 days. 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 No.1305/2017-18)

4.3.7 Irregular payment of additional charge allowance beyond six months - Rs. 1.81million

According to Director Finance (Regulations) WAPDA dated July 02, 1988, “additional charge for vacant identical or higher post should not exceed three months. However, it may be extended by another three months with the approval of next higher authority. Immediately after the expiry of six months of the full additional charge of the particular vacant post, the post shall be treated as having been abolished.

In GENCO-II, additional charge was granted to fifteen (15) employees beyond the six months, which caused irregular payment of additional charge allowance of Rs. 1.81 million to them.

Violation of Authority’s rules resulted in irregular payment of additional charge allowance amounting Rs. 1.81 million up to the Financial Year 2016-17.

The matter was taken up with the management in October, 2017 and reported to the Ministry in November, 2017. The management replied that the additional charge allowance was paid to some officers only for six months whereas additional charge allowance was paid beyond six month to remaining employees under approval of BoD.

The DAC in its meeting held on January 15-17, 2018 did not accept the management's stance and directed to provide justification for payment of additional charge allowance beyond six months within 15 days. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides fixing responsibility and effecting recovery.

(DP No.1271/2017-18)

4.3.8 Loss due to award of work order at higher rates - Rs. 1.19 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-II, two (02) work orders for hiring divers for cleaning the pumps were awarded to M/s Anees & Company on August 10, 2016 for Rs. 0.89 million (3,384 divers) whereas the same work was awarded to the same contractor just after four months on December 12, 2016 for Rs. 2.53 million (5,025 divers) with 89% increased rates, which caused loss of Rs. 1.19 million.

Non-adherence to the General Financial Rules resulted into loss of Rs. 1.19 million due to award of contract at higher rates during the Financial Year 2016-17.

The matter was reported to the management during October, 2017 and reported to the Ministry in November, 2017. The management replied that the Contractor's rate was compared with daily wage rates fixed by DCO Kashmore.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide relevant record in support of reply to Audit for detailed verification within 15 days. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides justifying the increase in rates just after four months for the same work.

(DP No.1273/2017-18)

CHAPTER-5

NORTHERN POWER GENERATION COMPANY (GENCO-III)

5. NORTHERN POWER GENERATION COMPANY (GENCO-III)

5.1 Introduction

The Northern Power Generation Company Limited, (NPGCL) is a subsidiary of PEPCO. The Company was incorporated on October 15, 1998 under Companies Ordinance, 1984. It started its business from March 01, 1999. The Company took over properties, rights, assets, obligations and liabilities of thermal power generation at Muzaffargarh, Faisalabad, Multan, Shahdara owned by WAPDA through Business Transfer Agreement.

The principal activity of the Company is to generate electricity from furnace oil, natural gas and high speed diesel and sell it to National Transmission and Despatch Company (NTDC). NPGCL was granted Generation License by NEPRA during July, 2002. The Company has 30 units having *installed capacity of 2,459 MW and **de-rated capacity of 2,071 MW.

5.2 Comments on 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 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, 2017.

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-III	2013-14	2	-	-	2 (Para No.7.3.1, 7.3.3)

Position of compliance with PAC directives is not satisfactory.

5.4 AUDIT PARAS

5.4.1 Generation loss due to non-rehabilitation of damaged Unit-1 of SPS Faisalabad - Rs. 3,227.33 million

According to NEPRA public hearing of Authority Proposed Modification (APM) on July 13, 2016, the management of GENCO-III was directed to rehabilitate Unit-1 of SPS Faisalabad and to take in the bar within six months.

In GENCO-III, Steam Power Station (SPS) Faisalabad Unit-I remained closed since June, 2015 due to damage of boiler roof tube. Rehabilitation work of Unit-I could regain its capacity about 40 to 50 MW, which was not done. Non-rehabilitation caused generation loss of 254.92 million energy units amounting to Rs. 3,227.33 million.

Non-adherence to NEPRA's instructions resulted in generation loss of Rs. 3,227.33 million due to non-rehabilitation of damages at Unit-I of SPS Faisalabad during Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in November, 2017. The management replied that the rehabilitation case of boiler and cooling tower was sent to CEO GENCO-III for getting approval of BoD NPGCL, which was still awaited.

The DAC in its meeting held on January 15-17, 2018 directed the management to pursue the matter with concerned quarter vigorously. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides fixing responsibility of generation loss.

(DP No.843/2017-18)

5.4.2 Loss due to unauthorized utilization of energy as auxiliary consumption – Rs. 148.07 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 GENCO-III, two (02) residential colonies attached with power houses were using electricity directly from auxiliary transformer since March, 1999 and consumed 12.33 million energy units worth Rs. 148.07 million. Being under the territorial jurisdiction, the distribution of energy and billing should have been operated by MEPCO likewise, in FESCO for residential colonies of power station at Faisalabad. Hence, the consumption of auxiliary units for electricity to residential colonies of TPS Muzaffar Garh was irregular and unjustified.

Non-adherence to Authority's instructions resulted in loss of Rs. 148.07 million due to un-authorized utilization of energy as auxiliary consumption during the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in November, 2017. The management replied that the matter was taken up with MEPCO, who refused to take over the billing of colony due to technical issues.

The DAC in its meeting held on January 15-17, 2018 did not accept the reply and directed the management to furnish revised reply along with documentary evidence to Audit within 15 days. No reply was furnished till finalization of report.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides ensuring billing of colony through MEPCO.

(DP No.1030/2017-18)

5.4.3 Non-recovery of advance payment and interest from M/s GE Rental Power – Rs. 132.55 million

According to decision of the Supreme Court of Pakistan dated March 30, 2012 in case No. 7734-G/2009 & 1003-G2010 regarding alleged corruption in Rental Power Projects has rescinded and declared all the contracts void ab-initio and Supreme Court advised NAB to conduct inquiry and make recovery of amount involved.

In GENCO-III, an amount of Rs. 132.55 million on account of advance payment and interest thereon was recoverable from M/s GE Rental Power. Efforts were not made to pursue the case vigorously.

Non-observance of decision of the Supreme Court of Pakistan resulted in non- recovery of advance payment and interest from M/s GE Rental Power amounting to Rs. 132.55 million up to Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in November, 2017. The management replied that the matter was under process with NAB.

The DAC in its meeting held on January 15-17, 2018 did not accept the reply and directed the management to furnish revised reply along with documentary evidence to Audit within 15 days. No reply was furnished till finalization of report.

Audit recommends that the management needs to ensure recovery from the Contractor besides fixing responsibility.

(DP No.1033/2017-18)

5.4.4 Less recovery on account of cost of land - Rs. 81.96 million

According to the decision of BoD in its 83rd meeting held on November 24, 2016, it was decided to charge FESCO @ Rs. 1.84 million per marla for 12 kanals of land sold to FESCO for construction of a Grid Station.

In GENCO-III, an amount of Rs. 360.30 million @ Rs. 1.50 million per marla was recovered on account of sale of 12 kanals land of Steam Power Station (SPS) Faisalabad to FESCO. As per minutes of BoD's meeting Rs. 442.26 million @ Rs. 1.84 million per marla was to be recovered from FESCO. Hence, an amount of Rs. 81.96 million was less recovered from FESCO.

Non-adherence to BoD decisions resulted in less recovery of Rs. 81.96 million on account of cost of land from FESCO during the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in November, 2017. The management replied that efforts were being made for recovery from FESCO and Audit would be informed accordingly.

The DAC in its meeting held on January 15-17, 2018 DAC directed the management to expedite the recovery and get it verified from the 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 besides making the loss good.

(DP No.892/2017-18)

5.4.5 Unjustified appointment as Finance Director – Rs. 14.36 million

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

In GENCO-III, Mr. Masood Ahmad Manager Finance (BPS-18) was appointed as Finance Director (BPS-20) by the CEO GENCO-III for the period of two years with market salary package without competitive bidding w.e.f. November, 12, 2012. The post of Finance Director should have been filled by advertizing the post in News Paper by providing equal chances to all people having the basic qualification and experience required for the post. Therefore, the process of appointment was not fair and transparent.

Non-adherence to PPRA rules resulted in unjustified expenditure of Rs. 14.36 million due to unjustified appointment as Finance Director up to the Financial Year 2016-17.

The matter was taken up with the management in November, 2017 and reported to the Ministry in November, 2017. The management replied that the approval of Competent Authority / detailed justification would be provided. Further progress was not reported till finalization of report.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide revised reply along with documentary evidence in support of reply 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.

(DP No.1053/2017-18)

5.4.6 Loss due to illegal demolition of boundary wall of SPS Faisalabad - Rs. 2.70 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 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-III, 1,100 feet long wall of Steam Power Station (SPS), Faisalabad on north side was demolished by TMA Madina Town, Faisalabad in January, 2014 causing loss of Rs. 2.70 million. National KPID Committee (Key Point Intelligence Division, Directorate General ISI, Islamabad) directed the D.C.O Faisalabad to construct the boundary wall on original foundation without loss of time on the expense of civil administration but the same was not done despite lapse of three years.

Non-adherence to Authority’s instructions resulted in loss due to illegal demolition of boundary amounting to Rs. 2.70 million up to the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in November, 2017. The management replied that the matter was subjudice in court of law.

The DAC in its meeting held on January 15-17, 2018 directed the management to pursue the court case vigorously. Further progress was not reported till finalization of the report.

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

(DP No.1280/2017-18)

CHAPTER-6

LAKHRA POWER GENERATION COMPANY (GENCO-IV)

6. LAKHRA POWER GENERATION COMPANY (GENCO-IV)

6.1 Introduction

The Lakhra Power Generation Company Limited (LPGCL) is a subsidiary of PEPCO. The Company 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 NTDC. LPGCL was granted Generation License by NEPRA during February, 2005 for fifteen years. The Company has three units having installed capacity of 150 MW and net dependable capacity made available was 31.2 MW.

6.2 Comments on 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 Lakhra Power Generation Company Limited, Lakhra (GENCO-IV), the balance sheet and profit & loss account of the company could not be finalized by the management up till December 31, 2017.

6.3 AUDIT PARAS

6.3.1 Extra financial burden due to employees' strength beyond NEPRA's directions - Rs. 246.60 million

NEPRA vide Letter No. NEPRA/ TRF-295/ LPGCL-2014/ 14696 dated October 06, 2015 allowed Lakhra Power Generation Company Ltd. (LPGCL) an amount of Rs. 368.32 million on account of salaries, wages and benefits against 381 employees.

In GENCO-IV, an amount of Rs. 614.92 million was incurred on account of salaries, wages and benefits during financial year 2016-17 against the permissible limit of Rs. 368.32 million determined by NEPRA. Hence, an amount of Rs. 246.60 million was incurred in excess than the payment to be made on 381 posts allowed by the Regulator.

Non-adherence to the directions of NEPRA resulted in extra financial burden of Rs. 246.6 million during the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in November, 2017. The management replied that since un-bundling of WAPDA and being a public sector entity, it was not possible for the management to fire / adjust the regular surplus staff as insisted by NEPRA.

The DAC in its meeting held on January 15-17, 2018 directed the management to take up the matter with NEPRA for regularization. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for fixing responsibility of extra financial burden.

(DP No.1308/2017-18)

6.3.2 Irregular subletting of work by the Contractor - Rs. 17.21 million

According to Clause-4 of conditions of contract, "the contractor shall not sublet the whole of the works".

In GENCO-IV, a contract valuing Rs. 17.21 million was awarded to M/s Reliable Tech: Engineering Services for operating, removing, collecting and carrying away the fallen out coal & lime stone etc. The Contractor sublet the whole work to M/s Muhammad Jamil & Company in the said contract, which was irregular.

Non-adherence to contract conditions resulted in irregular subletting of work valuing Rs. 17.21 million during the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in November, 2017. The management replied that the subject work was sublet with the permission of concerned Engineer and approval of the competent authority. The reply was not acceptable as subletting was not covered under the rules.

The DAC in its meeting held on January 15-17, 2018 directed the management to conduct an inquiry at PEPCO level and submit its report to Audit for examination within 15 days.

Audit recommends that the management needs to implement DAC's directives besides making the loss good.

(DP No.1310/2017-18)

6.3.3 Loss due to less charging of electricity units to connections of colony – Rs. 5.77 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 GENCO-IV, electricity bills of 6.76 million units amounting to Rs. 85.07 million were served by HESCO to the GENCO Colony running at one point supply whereas the management charged 6.32 million units to the employees living in colony and other connections of civil amenities. Thus, 0.44 million units amounting to Rs. 5.77 million was less charged, which was loss to the Company.

Non-adherence to Authority's instructions resulted in loss of Rs. 5.77 million due to less charging of electricity units up to the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in December, 2017. The management stated that detailed reply would be submitted in due course of time.

The DAC in its meeting held on January 15-17, 2018 directed the management to furnish the revised reply along with documentary evidence to Audit within 15 days. No reply was furnished till finalization of report.

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

(DP No.1634/2017-18)

6.3.4 Irregular disposal of ash without tendering - Rs. 2.97 million

According to Para-5.4 & 6.1 of WAPDA Material Disposal Procedure, “All disposable stores must be advertised in the press for disposal through tender/ auction”.

In GENCO-IV, 18,000 metric ton ash valuing Rs. 2.97 million had been disposed of by selling it to a single buyer without open tendering since September, 2015. The tendering process was initiated lastly in 2008 and since then no efforts were made to attract the buyer through tendering.

Non-adherence to WAPDA Disposal Procedure resulted in irregular disposal of ash amounting Rs. 2.97 million without tendering up to the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in November, 2017. The management replied that efforts were being made to carry out bidding for selling the ash in near future. The reply was not tenable as ash was disposed off without competitive bidding.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide relevant record in support of reply along with year wise breakup of sold quantity to Audit for detailed verification within 15 days.

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

(DP No.1309/2017-18)

CHAPTER-7

NANDIPUR POWER PROJECT

7. NANDIPUR POWER PROJECT

7.1 Introduction

PC-I of Nandipur Power Project was prepared and submitted for the first time on September 15, 2005 as a result of a decision taken in the 3rd meeting of the Committee on Power Demand / Supply, held on September 1, 2005. Economic Coordination Committee (ECC) approved 425 MW Combined Cycle Power Plant (CCPP) at Nandipur on December 27, 2007 at an EPC price of US$ 164.92 million, Euro 78 million and Pak Rs. 3,050.06 million. Northern Power Generation Company (GENCO-III) entered into an EPC Contract with M/s Dongfang Electric Corporation Limited on January 28, 2008. The work on the Project 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 million. 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 September 01, 2012 to September 30, 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).

7.2 AUDIT PARAS

7.2.1 Generation loss due to less utilization of plant capacity - Rs. 8,230.66 million

NEPRA determined tariff at 60% plant factor for 425 MW CCPP Nandipur.

In 425 MW CCPP Nandipur, power plant utilization factor remained 38.52% instead of 60% as determined by NEPRA. Due to less utilization of plant capacity, the Company sustained generation loss of Rs. 8,230.66 million.

Non-adherence to NEPRA's instructions resulted in generation loss of Rs. 8,230.66 million due to less utilization of plant capacity during the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in December, 2017. The management replied that the power plant remained on outages for more than 07 months due to execution of some mandatory works.

The DAC in its meeting held on January 15-17, 2018 directed the management to furnish the revised reply along with documentary evidence to Audit within 15 days.

Audit recommends that the management needs to inquire the matter for fixing responsibility regarding less utilization of plant capacity.

(DP No.1487/2017-18)

7.2.2 Excess payment to SNGPL on account of RLNG charges against supply of Natural Gas - Rs. 798.80 million

According to SNGPL letter dated April 03, 2015, gross calorific value of RLNG is 1050 BTU / SCF.

In Nandipur Power Project, an amount of Rs. 798.80 million was excess paid to SNGPL against payment of Re-gasified Liquefied Natural Gas (RLNG) but actually Natural Gas having less calorific value of 945.12 BTU / SCF was supplied.

Acceptance of less calorific value resulted in excess payment of Rs. 798.80 million to SNGPL on account of RLNG charges against supply of Natural Gas during the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in December, 2017. The management replied that the

Gross Calorific Value was not applicable on the current year's fuel gas supply, hence no irregular payment was made to SNGPL.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide relevant record in support of reply to Audit for detailed verification within 15 days.

Audit recommends that the management needs to implement DAC's directives besides ensuring recovery of excess payment.

(DP No.1490/2017-18)

7.2.3 Non-accountal of surplus high speed furnace oil - Rs. 464.97 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 425 MW CCPP Nandipur, 9,997.07 MT of high speed furnace oil (HSFO) amounting to Rs. 464.97 million was found surplus against the book quantity of oil. The accountal of surplus material was not forthcoming from the record.

Non-adherence to prescribed rule resulted in surplus HSFO amounting to Rs. 464.97 million during the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in December, 2017. The management replied that the surplus stock of furnace oil had already been taken on account in stock book on June 20, 2017.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide record regarding adjustment of surplus stock of furnace oil to Audit within 15 days.

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

(DP No.1381/2017-18)

7.2.4 Irregular expenditure on O&M due to outsourcing - Rs. 436.50 million

According to the contents of 67th meeting held in October, 2015, BoD (NPGCL) Muzaffargarh, operation and maintenance of Nandipur plant was given on contract initially for a period of six (6) months. During this six month period the team at Nandipur was to be trained for independent operation and maintenance

In 425 MW CCPP, Nandipur, contract amounting to Rs. 174.60 million for operation and maintenance of the plant was assigned to M/s Al-Bario Engineering (Pvt.) Limited (AEPL) on emergent basis through direct contracting initially for a period of six month. In this period of six (6) month the team at Nandipur was to be trained for operation and maintenance. But the staff posted at Nandipur was not trained even after extensions for further fifteen (15) months. Hence total expenditure amounting to Rs. 436.50 million was unjustified.

Non-adherence to the Authority's instructions resulted in irregular expenditure of Rs. 436.50 million during the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in December, 2017. The management replied that after achieving COD on July 23, 2015 and successful Performance Test (PT), Reliability Test Run (RTR) and AEPL O&M services were hired to keep the complex in operation with the collaboration of GENCOs available staff.

The DAC in its meeting held on January 15-17, 2018 pended para till decision of next Public Accounts Committee.

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

(DP No.1380/2017-18)

7.2.5 Avoidable expenditure on outsourcing of man power - Rs. 311.51 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 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 425 MW CCPP Nandipur, an amount of Rs. 311.51 million was paid to M/s Albario Engineer for provision of man power at power station which was unjustified as more than 250 technical personnel were transferred to Nandipur from abandoned power houses. In presence of sufficient employees, out sourcing of man power caused extra financial burden of Rs. 311.51 million to the Company.

Non-adherence to Authority's instructions resulted in avoidable expenditure of Rs. 311.51 million on outsourcing of man power during the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in December, 2017. The management replied that after achieving COD on July 23, 2015 and successful Performance Test (PT), Reliability Test Run (RTR) and AEPL O&M services were hired to keep the complex in operation with the collaboration of GENCOs available staff.

The DAC in its meeting held on January 15-17, 2018 pended para till decision of next Public Accounts Committee.

Audit recommends the management to investigate matter for fixing responsibility.

(DP No.1413/2017-18)

CHAPTER-8

NATIONAL TRANSMISSION AND DESPATCH COMPANY (NTDC)

8. NATIONAL TRANSMISSION AND DESPATCH COMPANY (NTDC)

8.1 Introduction

The National Transmission and Dispatch Company (NTDC) is a subsidiary of PEPCO. The Company was incorporated as a corporate entity during 1998 under Companies Ordinance, 1984. The principal activity of NTDC is to receive electricity from Hydel / Thermal / Nuclear Power Stations, Renewable Energy Plants and IPPs, which is transmitted to National Grid for distribution to all DISCOs and K-Electric. NTDC is also responsible to construct, operate and maintain 220 KV and 500 KV transmission system comprising transmission lines and grid stations. This transmission system links all power plants including IPPs, WAPDA / PEPCO unbundled generation companies, nuclear power plant and hydroelectric plants owned and operated by WAPDA.

NEPRA granted transmission license to NTDC for a period of 30 years during December, 2002 for undertaking its obligations. NTDC was restructured into following four main tiers:

1. Transmission Network Operator (TNO)
2. System Operator (SO)
3. Contract Registrar And Power Exchange Administrator(CRPEA)

The Company operates and maintains fourteen (14) 500 KV Grid Stations and thirty eight (38) 220 KV grid stations along with 5,077 KM 500 KV transmission lines, and 7,359 KM 220 KV transmission lines in Pakistan.

8.2 Comments on 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 NTDC, the balance sheet and profit & loss account of the Company could not be finalized by the management till December 31, 2017.

8.3 AUDIT PARAS

8.3.1 Loss due to payment of cost of land to fake land owner - Rs. 1.45 million

According to Para-10 of General Financial Rules, "every public officer is expected to exercise same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money, according to canons of financial propriety and probity".

In office of the Chief Engineer EHV-I Lahore, an amount of Rs. 1.45 million was paid to Mr. Muhammad Sharif Siddiqi on account of cost of land on Power of Attorney. Later on, Honorable Court declared the Power of Attorney as fake and ordered the department to pay the cost of land to the original owners. Thus, the amount of Rs. 1.45 million paid to fake owner was a loss to the Company.

Non-adherence to the Government rules resulted in loss due to payment of Rs. 1.45 million of cost of land to fake land owner up to the Financial Year 2016-17.

The matter was taken up with the management in May, 2017 and reported to the Ministry in September, 2017. The management replied that the amount was deposited with NAB as stated by the culprit.

The DAC in its meeting held on January 15-17, 2018 directed the management to conduct departmental inquiry for fixing responsibility against LAC and follow up the matter with NAB for recovery of deposited amount. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides making the loss good.

(DP No. 199/2017-18)

8.3.2 Irregular expenditure on items beyond provision of BOQs - Rs. 3,084.55 million

According to Clause-52.3 of General Conditions of Contract, variation exceeding 15% shall be made after due consultation by the Engineer with the Employer and the Contractor. As per Section-III-B(1) of the WAPDA Book of Financial Power, prior revised administrative approval of the competent authority is required if technical sanction involves excess of more than 15%.

In NTDC, an amount of Rs. 3,084.55 million was incurred in excess of the provision of Bill of Quantity (BOQ) items given in the contract agreement without change of design, approval of the competent authority and justification of its increase.

Non-adherence to Contract clause resulted in irregular expenditure of Rs. 3,084.55 million beyond the provisions of BOQs up to the Financial Year 2016-17.

The matter was taken up with the management during January to June, 2017 and reported to the Ministry during September to December, 2017. The management replied that overall effect of actual expenditure was less than the contractual cost.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide item wise / aggregate premium of all BoQ items within 15 days. 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 No.235, 322 & 1730/2017-18)

8.3.3 Loss due to purchase of costly energy and change in despatch merit order - Rs. 751.62 million

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

In National Power Control Centre (NPCC), five (05) generating units of Muzzafargarh power plant remained on forced outage for 25 days w.e.f February 17, 2016 without any known reason. Consequently, electricity was purchased at higher per unit rates from five IPPs and keeping Hubco Power Plant Unit-I standby. Meanwhile, the new despatch merit order setting priority ranking for generating units was also introduced and notified on February 23, 2016 by replacing the marginal cost basis with the environmental & economic parameters w.e.f February 17, 2016, which resulted into ascendance in ranking of higher per unit producing generation power plants over cheaper per unit generation units. Hence, forced outage of Muzzafargarh power plant and change of dispatch merit order caused loss of Rs. 751.62 million due to purchase of energy at higher rates from IPPs.

Non-adherence to the Authority's instructions resulted in loss of Rs. 751.62 million due to purchase of costly energy and change in despatch merit order during the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in December, 2017. The management replied that it was a policy decision taken by CPPA BoD and not by NPCC.

The DAC in its meeting held on January 15-17, 2018 directed the management to furnish a revised comprehensive reply duly supported with documentary evidences within 15 days. DAC also directed to place the matter before PAC for decision.

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

(DP No.1767/2017-18)

8.3.4 Non-adjustment of advances made to the Contractors / Land Acquisition Collector - Rs. 513.87 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-I & II Projects of NTDC, an amount of Rs. 513.87 million was paid in advance to different contractors and land acquisition collector. This amount was required to be adjusted, which was not done.

Non-adherence to WAPDA Accounting Manual resulted in non-adjustment of advances of Rs. 513.87 million from the Contractors / LAC up to the Financial Year 2016-17.

The matter was taken up with the management during February to May, 2017 and reported to the Ministry during September to December, 2017. The management replied that some amount had been adjusted and efforts were being made to adjust / recover the remaining amount.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the adjustment / recovery record for verification within 15 days and expedite the remaining recovery. Further progress was not reported till finalization of the report.

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

(DP No. 142, 243 & 1627/2017-18)

8.3.5 Unjustified refund of liquidated damages - Rs. 284.98 million

According to conditions of contract, "the rate of liquidated damages is 0.05% for each day or 2% per month of delay in completion of the works / supplies subject to a maximum of 10% of contract price". As per Clause-47.1 Section-IV, Appendix-A of the contract, "the liquidated damages (LD) shall be 0.10% of the total contract price per day of delay in completion of the work subject to a maximum amount of liquidated damages shall be ten percent (10%) of the contract price".

In two formations of NTDC, an amount of Rs. 284.98 million was deducted from the claims of five (05) contractors but the amount so deducted was refunded to the contractors without any justification.

Non-adherence to contract clauses resulted in unjustified refund Rs. 284.98 million on account of LD up to the Financial Year 2016-17.

The matter was taken up with the management in January and May, 2017 and reported to the Ministry in September and October, 2017. The management replied that LD charges were suspended and not waived off due to EOT cases. Moreover, in case of non approval of EOT cases, LD would be recovered as per contractual provisions.

The DAC in its meeting held on January 15-17, 2018 directed the management to inquire the matter of non-deduction / refund of LD 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 implement DAC's directives besides fixing responsibility.

(DP No. 205 & 320/2017-18)

8.3.6 Irregular award of additional work order – Rs. 277.14 million

As per Rule-12(1) of Public Procurement Rules-2004, "procurements over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency".

In the office of Chief Engineer Material Procurement & Management (MP&M) NTDC Lahore, an additional work of re-routing under the main project for survey of tower staking foundation, erection, stringing, testing and commissioning of 132 KV Transmission Line Jhimpir New – T.M. Khan Grid Station was awarded to M/s Usman & Co. / SSC JV without advertising on Authority's website and on print media. Hence, award of additional work valuing Rs. 277.14 million (153% of original contract) was irregular.

Non-observance of PPRA Rules resulted in irregular award of additional work valuing Rs. 277.14 million to the contractor up to the Financial Year 2016-17.

The matter was taken up with the management in January, 2017 and reported to the Ministry in October, 2017. The management replied that foundation types were changed by the Engineer after soil investigation and additional work was awarded to the existing contractor.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide detailed justification and refer back the matter to BoD for its regularization. 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 No. 319/2017-18)

8.3.7 Loss due to acceptance of defective / substandard material - Rs. 226.15 million

According to Clause-26.7 of Section-VII of General Conditions, "the Purchaser may reject any Goods or any part thereof that fail to pass any test and / or inspection or do not conform to the specification. The Supplier shall either rectify or replace such rejected Goods or parts there of or make alterations necessary to meet the specifications at no cost to the Purchaser, and shall repeat the test and / or inspection, at no cost to the Purchaser, upon giving a notice pursuant to GCC Sub-Clause-26.4".

In NTDC, different types of material valuing Rs. 226.15 million were procured from the manufacturers / suppliers, which were found defective / substandard either during re-testing / joint examination. The material was required to be got replaced from the manufacturers, which was not done.

Sr. No.	DP No.	Description of Material	Amount (Rs. in million)
1.	263/2017-18	Fog type insulators	66.99
2.	1171/2017-18	50 KVA Transformers & Steel Cross Arms	62.48
3.	1172/2017-18	75000 Single Phase Meters	96.68
		TOTAL	**226.15**

Non-adherence to the contract clauses resulted in loss of Rs. 226.15 million due to acceptance of defective material up to the year 2016-17.

The matter was taken up with the management during January to October, 2017 and reported to the Ministry during September to November, 2017. The management replied that in two cases inquires were finalized while in one case inquiry underway.

The DAC in its meeting held on January 15-17, 2018 directed the management that to provide comments of M.D NTDC on the inquiry reports and a certificate be obtained from end users regarding satisfactory performance of electrical material. Moreover, record of replaced material be provided within 15 days besides finalizing pending inquiry proceedings. Further progress was not reported till finalization of the report.

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

8.3.8 Non-recovery of service charges - Rs. 116.44 million

According to minutes of meeting held on 9^{th} & 10^{th} November 2012, 0.5% of the cost of material to be inspected for DISCOs and 2.5% for private companies/clients on account of service charges already approved by M.D. PEPCO and agreed by Committee shall be applicable.

In various formations of NTDC, an amount of Rs. 116.44 million was recoverable on account of service charges rendered to WAPDA / DISCOs for the period 2016-17. No efforts were made by the Company towards recovery of service charges.

Non-adherence to the instructions resulted in non-recovery of Rs. 116.44 million on account of service charges up to the Financial Year 2016-17.

The matter was taken up with the management during September to November, 2017 and reported to the Ministry during November and December, 2017. The management replied that some of the amount had been recovered and efforts were being made to recover the remaining amount.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the recovery record for verification within 15 days and expedite the remaining recovery. 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 No.1034, 1311, 1525 & 1527/2017-18)

8.3.9 Unjustified expenditure on appointment of officers - Rs. 90.70 million

According to office memorandum of Finance Division dated June 26, 1999, revision of Pay Scales / Salaries / Allowances in Corporations, Autonomous / Semi Autonomous bodies will require clearance from the Finance Division to ensure a rational basis and a degree of uniformity in such revision.

In the office of Managing Director, NTDC Lahore, an amount of Rs. 90.70 million was paid to five (05) officers on account of pay and other facilities during 2016-17. The officers were appointed on exorbitant rate without considering Government of Pakistan pay scales. Moreover, an officer appointed as MD was terminated after one year and an amount of Rs. 19.67 million was paid to him as termination benefits. The package of pay and allowances was not got cleared from the Finance Division, which was unjustified.

Non-adherence to GoP's instructions resulted in unjustified expenditure of Rs. 90.70 million on account of appointment of officers during the Financial Year 2016-17.

The matter was taken up with the management in October, 2017 and reported to the Ministry in December, 2017. The management replied that the officers were appointed with the approval of BoD.

The DAC in its meeting held on January 15-17, 2018 directed the management to refer the matter to Finance Division (GoP) for obtaining concurrence within 15 days. 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 No.1502/2017-18)

8.3.10 Non-deduction of GST from the invoices of consultants – Rs. 15.29 million

According to Sales Tax Special Procedure (withholding) Rules 2007, "responsibility of a withholding agent is to deduct general sales tax (GST) @ 16% and deposit in to treasury".

In office of the Chief Engineer (EHV-I) Lahore, an amount of Rs. 95.57 million was paid to the consultants as consultancy fee. The GST @

16% of consultancy fee amounting to Rs. 15.29 million was required to be deducted from the invoices, which was not done.

Non-adherence to sale tax rules resulted in non-deduction of GST amounting to Rs. 15.29 million from the consultants up to the Financial Year 2016-17.

The matter was taken up with the management in January, 2017 and reported to the Ministry in August, 2017. The management replied that provincial sales tax (PST) was not applicable to the consultancy contract.

The DAC in its meeting held on January 15-17, 2018 directed the management to seek clarification from concerned authority and produce the record for verification 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 No.62/2017-18)

8.3.11 Loss due to installation of defective equipment on grid stations - Rs. 14.67 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to 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 two formations of NTDC, electrical equipment valuing Rs. 14.67 million, installed at different newly constructed grid stations, were not working properly since handing over to GSO formations. But despite repeated requests of GSO, no action was taken by the GSC to fix responsibility and remove these defects.

Non-adherence to the Authority's instructions resulted in loss of Rs. 14.67 million due to installation of defective equipments at grid stations up to the Financial Year 2016-17.

The matter was taken up with the management in July and September, 2017 and reported to the Ministry during November, 2017. The management replied that the matter had already been taken up with the Chief Engineer (MP&M) and GSC for rectification of discrepancies but no discrepancy had so far been removed by the concerned formations.

The DAC in its meeting held on January 15-17, 2018 directed the management to expedite the matter with concerned formations for removing the defects within 3 months. 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 early replacement of defective equipment.

(DP No .846 & 1211/2017-18)

8.3.12 Loss due to additional payment on account of transportation charges – Rs. 11.98 million

According to price schedule of tenders for supply of different material, total price includes inland transportation charges including loading / unloaded for delivery to NTDC Stores.

In the office of Chief Engineer (MP&M) NTDC Lahore, three contracts for the procurement of Transmission Line materials were awarded to different contractors through competitive bidding. The contract prices offered by the contractors in bidding documents were inclusive of transportation charges. However, separate contracts of Rs. 11.98 million were also awarded to different carriage contractors for transportation of this material causing loss to the Company.

Non-adherence to bidding documents resulted in loss of Rs. 11.98 million due to additional payment made on account of transportation of material up to the year 2016-17.

The matter was taken up with the management in June, 2017 and reported to the Ministry in September, 2017. The management replied that the contracts were related to ex-works delivery. The reply was not acceptable as the contractors had offered rates on FCS basis.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce record for detailed verification within 15 days. 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 No. 272/2017-18)

8.3.13 Loss due to non-supply of material - Rs. 10.44 million

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

In office of the Manager Inventory Control NTDC Lahore, balance material amounting to Rs. 10.44 million pertaining to different purchase orders issued during 2002-03 was not supplied by M/s PECO. Though the payment was made but the material was not received from the said supplier despite lapse of 15 years for which no responsibility was fixed.

Non-adherence to the Authority’s instructions resulted in loss of Rs. 10.44 million due to non-supply of material up to the Financial Year 2016-17.

The matter was taken up with the management in March, 2017 and reported to the Ministry in September, 2017. The management replied that the matter was being pursued with the concerned firm.

The DAC in its meeting held on January 15-17, 2018 directed the management to take action against the supplier as per law within 15 days. 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 No. 252/2017-18)

8.3.14 Loss due to non-recover of demurrage and container detention charges - Rs. 9.59 million

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

In NTDC Lahore, an amount of Rs. 9.59 million was paid on account of demurrage and container detention charges to port authorities. As demurrage and container detention charges was a penalty imposed by port authorities and to be recovered from the Contractor / clearing agents but needful was not done.

Non-adherence to the Authority’s instructions resulted in loss of Rs. 9.59 million due to unauthorized payment of demurrage and container detention charges up to the Financial Year 2016-17.

The matter was taken up with the management during January to June, 2017 and reported to the Ministry during September & October, 2017. The replied that in one case the amount would be recovered from the contractor whereas in remaining cases, the matter would be investigated.

The DAC in its meeting held on January 15-17, 2018 directed the management to expedite the recovery from contractors. 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 No. 250, 271 & 318/2017-18)

8.3.15 Unjustified excess payment on account of marriage grant - Rs. 9.20 million

According to Authority circular No.WWF/ASF-51/Vol-VI/100-200 dated January 31, 2007, the marriage grant from WW funds is admissible @ Rs. 20,000/- to the employees working in BPS 1-15.

In the office of Managing Director, NTDC Lahore, an amount of Rs. 9.20 million was paid in excess to one hundred and fifteen (115) employees on account of marriage grant. The amount was paid @ Rs. 100,000/- instead of Rs. 20,000/- in violation of authority circular.

Non-adherence to Authority instruction resulted in unjustified payment of Rs. 9.20 million on account of marriage grant during the Financial Year 2016-17.

The matter was taken up with the management in October, 2017 and reported to the Ministry in December, 2017. The management replied that the rates of marriage grants were enhanced after approval from BoD.

The DAC in its meeting held on January 15-17, 2018 directed the management to refer the matter to PEPCO for seeking clarification and making uniform policy. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides ensuring recovery of excess payment from employees.

(DP No.1596/2017-18)

8.3.16 Unjustified payment made to contractors without obtaining insurance coverage - Rs. 8.65 million

Accordingly to the Clause-20 (3) of Contract Agreement, the contractor shall prior to commencement of work, insure in the joint name of Employer and the Contractor against all loss and damages from whatever cause arising. The cost to the contractor for providing the aforesaid insurance shall be deemed to be included in the rates and price entered in the BOQ and no separate payment shall be made".

In the office of Chief Engineer GSO, NTDC, Islamabad, eleven (11) civil works contracts valuing Rs. 86.48 million were awarded to different Contractors. The Contractors were contractually bound to get the works insured as the cost of insurance was included in rates and prices entered in BOQ. However, the Contractors did not get the works insured hence, the payment of insurance cost of Rs. 8.65 million (approx) was unjustified.

Non-adherence to the provisions of Contract agreement resulted in unjustified payment Rs. 8.65 million to the contractors without obtaining insurance coverage up to the Financial Year 2016-17.

The matter was taken up with the management in August, 2016 and reported to the Ministry in March, 2017. The management replied that cost of insurance was not paid separately as it was included in the rates and prices.

The DAC in its meeting held on January 15-17, 2018 directed the management to conduct inquiry to determine the exact cost of insurance and fixing the responsibility for non-obtaining insurance coverage from contractors within 15 days. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides ensuring obtaining of insurance coverage from the contractor.

(DP No. 08/2017-18)

8.3.17 Non-recovery of cost of unsupplied material from suppliers - Rs. 7.81 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 Project Director, EHV-II NTDC, Multan, an amount of Rs. 7.81 million was paid to the suppliers for the material not supplied by him, which was a clear cut loss to the Company.

Non-adherence to the Authority's instructions resulted in non-recovery of cost of unsupplied material amounting to Rs. 7.81 million from suppliers up to the Financial Year 2016-17.

The matter was taken up with the management in February, 2017 and reported to the Ministry in August, 2017. The management replied that in one case no payment for unsupplied material was made to the supplier whereas in another case the amount would be deducted from the claim of the contractor.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record of completed action for verification within 15 days and expedite completion of 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 No. 134/2017-18)

8.3.18 Non-recovery of service charges for utilization of SF6 Gas Delo Plant from the firm – Rs. 3.60 million

According to Service Division (NTDC) endorsement vide No.2114 dated October 15, 2014, rates for utilization of SF6 Gas Delo Plant were circulated.

In the office of Chief Engineer (GSO) NTDC, Hyderabad, a private firm M/s Alstom utilized the SF6 Gas Delo Plant of NTDC during September 10, 2015 to December 12, 2015. The service charges for utilization of plant amounting to Rs. 3.60 million were required to be recovered from the said firm, which was not done.

Non-adherence to the Authority's instructions resulted in non-recovery of Rs. 3.60 million on account of service charges from the firm up to the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in November, 2017. The management replied that efforts were being made to effect recovery from the contractor.

The DAC in its meeting held on January 15-17, 2018 directed the management to ensure recovery from the claims of the contractor in other running works. 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 No.1312/2017-18)

8.3.19 Non-obtaining / forfeiture of performance guarantees and non-execution of work at the risk & cost of the defaulted contractors - Rs. 1.89 million

According to Clause-10 of the instructions to tenderers, "the successful tenderer shall be required to furnish a bank guarantee for the performance of the contract. According to CoC Clause 58(1), if the Engineer shall certify in writing to Employer that in his opinion the Contractor has abandoned the contract then the Employer may after giving 14 days notice in writing to the Contractor, the Engineer by the contract and may himself complete the works or may employ any other contractor to complete the work.

In the office of Chief Engineer (GSO), NTDC, Islamabad, two (02) civil works amounting to Rs. 18.93 million were awarded to the Contractors on September 08, 2014 & September 11, 2014 respectively. The contractors could not complete the works within stipulated period and had abandoned the works. However, performance guarantees amounting to Rs. 1.89 million were not obtained from the contractors. Since the performance guarantees were not obtained from Contractors hence nothing was left to be forfeited and nor the work got completed at the risk & cost of the defaulted contractors.

Non-adherence to the provisions of contract agreement resulted in non-obtaining / forfeiture of performance guarantees amounting to Rs. 1.89 million from and non-execution of work at the risk & cost of the defaulted contractors up to the Financial Year 2016-17.

The matter was taken up with the management in August, 2016 and reported to the Ministry in March, 2017. The management replied that in one case constitution of inquiry committee was under process whereas in another case, the works was delayed due to right of way problem which had now been completed.

The DAC in its meeting held on January 15-17, 2018 directed the management to finalize inquiry and fix the responsibility for non-obtaining of performance guarantees besides taking action against the contractors as per contractual provisions. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides making the loss good.

(DP No. 10/2017-18)

8.3.20 Irregular payment on account of reimbursement of fee for irrelevant studies – Rs. 1.84 million

According to DG (HR & Admn) WAPDA office memo dated March 7, 2012 "in order to enrich WAPDA Officers with latest knowledge, techniques and international quality / competitive education in their relevant field of profession".

In various formation of NTDC, an amount of Rs. 1.84 million was paid to officers on account of reimbursement of MBA fees, which was not justified as the reimbursement was only admissible to the officers acquiring degree in their relevant filed.

Non-adherence to Authority's instructions resulted in irregular payment of Rs. 1.84 million on account of reimbursement of irrelevant study fee during the Financial Year 2016-17.

The matter was taken up with the management during October and November, 2017 and reported to the Ministry in November and December, 2017. The management replied that fee was reimbursed by as per departmental policy duly approved by the competent authority.

The DAC in its meeting held on January 15-17, 2018 directed to produce the record for detailed verification within 15 days. 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 No. 1035, 1523, 1528 & 1739/2017-18)

8.3.21 Irregular payment of management allowance - Rs. 1.80 million

According to office memorandum of Finance Division dated June 26, 1999, revision of Pay Scales / Salaries / Allowances in Corporations, Autonomous / Semi Autonomous bodies will require clearance from the Finance Division to ensure a rational basis and a degree of uniformity in such revision.

In the office of Managing Director NTDC Lahore, an amount Rs. 1.80 million was paid to Mr. Wajahat Saeed Rana on account of Management Allowance on promotion from GM to Deputy Managing Director @ Rs. 150,000 per month in addition to pay without clearance of Finance Division, Government of Pakistan.

Violation of instructions of Finance Division resulted in irregular payment of Rs. 1.80 million on account of management allowance during the Financial Year 2016-17.

The matter was taken up with the management in October, 2017 and reported to the Ministry in December, 2017. The management replied that management allowance was allowed after approval from BoD.

The DAC in its meeting held on January 15-17, 2018 directed the management to refer the matter to Finance Division for seeking concurrence. 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 No. 1508/2017-18)

8.3.22 Loss due to oil leakage from the conservator tank - Rs. 1.43 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 stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

In the office of the Chief Engineer (GSO) NTDC, Hyderabad, a 600 MVA transformer installed at 500/220 KV Grid station Shikarpur brusted on May 09, 2017 and conservator tank became empty due to constant oil leakage. The Contractor instead of controlling the constant oil leakage from the conservator tank used 5,000 liter oil valuing Rs. 1.43 million of spare transformers. Neither departmental inquiry was conducted nor action taken against responsible(s).

Non-adherence to the Authority's instructions resulted in loss of Rs. 1.43 million due to oil leakage from the conservator tank up to the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in December, 2017. The management replied that dehydration and refilling of oil had been completed by the contractor.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record for detailed verification within 15 days. 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 No.1734/2017-18)

8.3.23 Irregular payment to legal advisor on account of gratuity - Rs. 1.35 million

According to Clause-6 of TOR of appointment as legal advisor, the officer may be terminated by either party giving the other party one month's notice or one month salary in lieu thereof. Notwithstanding the forgoing services can be terminated by the BoD NTDC without any notice if you are found guilty of dishonesty, misconduct, negligence, indiscipline of breach of contract.

In the office of Managing Director NTDC Lahore, an amount of Rs. 1.35 million was paid to Mr. Abdul Majid Khan, legal advisor on account of gratuity upon his termination, which was irregular.

Non-adherence to TORs of appointment resulted in irregular payment of Rs. 1.35 million to legal advisor on account of gratuity during the Financial Year 2016-17.

The matter was taken up with the management in October, 2016 and reported to the Ministry in December, 2017. The management replied that gratuity was allowed to the legal advisor after approval from BoD.

The DAC in its meeting held on January 15-17, 2018 directed the management to seek clarification from Finance Division on the issue. 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 No. 1507/2017-18)

8.3.24 Non-deduction of rent charges from the employees - Rs. 1.14 million

According to Rule-26 of Accommodation Allocation Rules-2002, "unless entitled to rent free accommodation, the allottee of an accommodation shall be charged normal rent at the rate of five percent of the emoluments.

In NPCC, Islamabad, sixty eight (68) officers / officials were residing in Regional Control Centre (RCC) Colony, Jamshoro. However, 5% rent charges amounting to Rs. 1.14 million for O&M of colonies were not deducted from the employees.

Non-adherence to rules resulted in non-deduction of O&M charges amounting to Rs. 1.14 million from the employees residing in colony during the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in December, 2017. The management stated that the matter was under approval of BoD.

The DAC in its meeting held on January 15-17, 2018 directed the management to furnish detailed reply along with approval of BoD. 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 No.1764/2017-18)

8.3.25 Non-recovery of professional tax from the suppliers – Rs. 1.10 million

The professional tax is administered under the provision of the Punjab Finance Act, 1977 and the Punjab Professional and Trade Tax Rules, 1977. This tax is levied and collected on / from the persons or class of persons engaged in a profession, trade, calling or employment in the province of the Punjab and it shall come into force on and from the first day of July Section-1(3) of the Punjab Finance Act, 1977.

In the office of Project Director (EHV-II) NTDC, Multan, fourteen (14) contracts were awarded to different suppliers but professional tax amounting to Rs. 1.10 million was not deducted, which resulted in loss to the public exchequer.

Non-adherence to the Punjab Finance Act, 1977 resulted in non-recovery of Rs. 1.10 million on account of professional tax from the suppliers up to the Financial Year 2016-17.

The matter was taken up with the management in February, 2017 and reported to the Ministry in August, 2017. The management replied that five out of eleven firms were registered with PEC and had paid full dues whereas clearance certificates regarding payment of professional tax in respect of other firms were available.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record for detailed verification within 15 days. 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 No. 126/2017-18)

CHAPTER-9

FAISALABAD ELECTRIC SUPPLY COMPANY (FESCO)

9. FAISALABAD ELECTRIC SUPPLY COMPANY (FESCO)

9.1 Introduction

Faisalabad Electric Supply Company (FESCO) is a subsidiary of PEPCO. The Company started its operations as a Public Limited Company registered under Companies Ordinance, 1984 in May, 1998. The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA through NTDC system and sells it to various consumers within Bhakkar, Chiniot, Faisalabad, Jhang, Khushab, Mianwali, Sargodha and Toba Tek Singh Districts.

The operational activities are performed through four Operation Circles and Grid System Construction, Project Construction & Grid System Operation Circles.

9.2 Comments on Financial Statements

9.2.1 Financial Overview

Monthly accounts (Trial balance and other management information schedules) from sixty eight (68) accounting units are sent to Finance Director FESCO where these accounts are consolidated and financial statements including Balance Sheet, Profit & Loss Account and Cash flow statement were prepared.

9.2.2 Extracts of the Financial Statements
Balance Sheet as at June 30, 2017

(Rs. in million)

	2016-17	**%**	**2015-16**
Equity and Liabilities :			
Accumulated Profit/(Loss)	(15,968)	(932)	1,920
Deposits for the issuance of shares	18,676		18676
Surplus on revaluation of operating fixed assets	27,005	(2)	27,591
Non-current liabilities	92,968	15	81,140
Trade and other Payables	21,227	(16)	25,289
Current portion of long term loans	220	(30)	315

Mark up payable	745	34	556
Current liabilities	22,192	(15)	26,160
	144,873	**(7)**	**155,787**
Assets			
Non-current assets	90,546	6	85,678
Stores and spares	2,916	193	996
Trade debts	13,154	41	9,336
Short-term advances	58	9	53
Balance with statutory authorities	7,994	-	7,966
Tariff differential subsidy	-	-	-
Other receivables	17,994	(59)	43,592
Short Term investment	4,970	-	5,000
Current portion of long-term advances	56	12	50
Interest accrued	91	334	21
Bank balances	7,094	154	2,795
Current assets	54,327	(22)	69,809
	144,873	**(7)**	**155,487**

Profit and Loss Account
For the year ended June 30, 2017

	2016-17	**%**	**2015-16**
Revenue			
Sale (Billing to consumers)	96,447	9	88,195
Tariff differential subsidy from GoP	13,756	29	10,660
	110,203	11	98,855
Cost of electricity	110,041	10	100,426
Gross profit / (loss)	**162**	110	**(1,571)**
Amortization of deferred credit	1,258	8	1,164
	1,420	449	(407)
Operating expenses:			
Distribution cost	13,472	13	11,969
Administrative expenses	2,095	1	2,070
Customer services cost	1,454	1	1,434
(Reversal) / Provision for doubtful debts	67		(648)
	17,088	15	14,825
Operating loss	(15,668)	(3)	(15232)
Share of GoP subsidy of FY 2004-09	-		-

Other income	2,162	0.3	2154
	2,162	710	2154
	(13,506)	(3)	(13,078)
Finance cost	150	(19)	187
Loss before taxation	(13,656)	(2)	(13,265)
Taxation	563	1,179	44
Loss after taxation	**(14,219)**	(5)	**(13,309)**

9.2.3 Comments on Audited Accounts

i) Non-recognition of supplemental charges

The Company has not been able to record supplemental charges of Rs. 6,719 million during the year. These are charged by Central Power Purchases Agency (CPPA). Had these supplemental charges been charged it would have enhanced the expenditures and declined the current year profit by Rs. 6,719 million. Similarly, accumulated loss would have too increased at the balance sheet date. It means that current figure of accumulated loss of Rs. 15,969 million was understated by an amount of Rs. 6,719 million. Non-recognition of these charges needed justification.

ii) Non-recognition of interest on syndicated loan

During the year 2016-17, Government of Pakistan obtained loan to resolve circular debt issue. In this regard, Company has been allotted loan amounting to Rs. 25,557 million which would be adjusted against payables to CPPA. However, Company neither recognized loan nor interest amounting to Rs. 3,621 million charged in its books of accounts. Had this interest on syndicated loan been charged it would have enhanced the expenditure and increased the current year loss by Rs. 2,621 million. Moreover, Company understated its liabilities by Rs. 25,557 million which needed to be justified.

iii) Sales and Cost of sales

The sales of the Company increased to Rs. 11,348 million (11%) including the subsidy from Government of Pakistan Rs. 3,095 million over the previous year. Further, cost of sales of Company was Rs. 110,041 million. It means that the Company earned a gross profit of Rs. 162,470 million.

iv) Profitability / Loss

The Company suffered a net loss of Rs. (14,219) million during the current year. During current year, the cost of electricity increased Rs. 9,615 million, distribution cost increased Rs. 1503 million and increase in taxation Rs. 519 million caused a huge loss to the company.

v) Trade Debts and Interest Accrued

The trade debts of the company has reached up to Rs. 13153 million which is Rs. 3,818 million (40%) above than previous year figure. The amount of interest accured was Rs. 90 million which is Rs. 69 million (328%) above than the previous year figure. Huge balance of receivables depicted the poor recovery efforts of the Company which needed justification.

vi) Trade and other Payables

During the year under review payables substantially declined from Rs. 25,289 million to Rs. 21,220 million because payables to CPPA has been settled by the GoP investment/equity in distribution Companies as a result of clearance of Circular Debt.

vii) Long term Financing

The carrying amount of long term loans increased to Rs. 4,035 million which is Rs. 1,525 million (60%) increase than the previous year. The Company charged an amount of Rs. 150 million as financial expenses in the profit and loss account during the current year. The Company is relying on expensive financing to run its operations which ultimately causing burden on the resources of the Company and its liabilities.

Reliance on borrowings/(loans) and payment of huge financial charges needs to be justified.

9.2.4 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 of Pakistan 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.

9.3 AUDIT PARA

9.3.1 Loss due to cash embezzlement - Rs. 2.40 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), "all losses whether of public money or of 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 Jhang FESCO, an amount of Rs. 2.40 million was embezzled by Mr. Muhammad Saeed, UDC of Pir Mahal Rural Sub Division by transferring emoluments of serving and stuck off employees into payees' accounts of private persons. Due to this, the Company sustained a loss of Rs. 2.40 million. No departmental and legal action was taken to make good the loss from delinquents.

Non-adherence to Authority's instructions resulted in loss of Rs. 2.40 million due to cash embezzlement up to the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in November, 2017. The management replied that departmental inquiry was under process.

The DAC in its meeting held on January 15-17, 2018 directed the management to finalize the inquiry proceedings within the 15 days. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides making the loss good.

(DP No.532/2017-18)

9.3.2 Non-recovery of huge amount of industrial support package – Rs. 1,558.32 million

According to Ministry of Water & Power notification dated February 04, 2016, support package for industrial consumers of all XWDISCOs and K-Electric @ Rs. 3/unit was announced by Federal Government and this amount was to be paid by the Federal Government.

In FESCO, revised claims of industrial support package amounting to Rs. 1,558.32 million for the period from January to December, 2016 were sent to Federal Government for re-imbursement but the amount was not recovered so far. Non-recovery of long outstanding dues was a recurring loss to the Company which was required to be recovered to enable the Company to overcome its financial crises.

Non-adherence to SOP resulted in non-recovery Rs. 1,558.32 million on account of industrial support package up to the Financial Year 2016-17.

The matter was taken up with the management in October, 2017 and reported to the Ministry in December, 2017. The management replied that some amount had been recovered from GoP.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce record of effected recovery for verification within 15 days and pursue the remaining recovery cases with GoP. 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 No.1613/2017-18)

9.3.3 Non-adjustment of advances to the contractors - Rs. 461.01 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 Chief Engineer PMU FESCO, an amount of Rs. 461.01 million was paid to the Contractors as advance payment for execution of contracts. The amount was required to be adjusted from claims of the Contractors but neither the amount was adjusted from the claims of the Contractors nor recovered from them.

Non-compliance to the rule / procedure resulted in non-adjustment of advances from the Contractors amounting to Rs. 461.01 million up to the Financial Year 2016-17.

The matter was taken up with the management in July, 2017 and reported to the Ministry in November, 2017. The management replied that some amount had been adjusted whereas remaining amount pertaining to CRRK would be adjusted in due course of time.

Audit recommends that the management needs to investigate the matter for fixing responsibility besides adjustment / recovery of advances from the Contractors.

(DP No.1198/2017-18)

9.3.4 Loss due to undue benefit given on account of Prime Minister's Relief Package – Rs. 23.64 million

According to Ministry of Water & Power notification dated February 04, 2016, support package for industrial consumers of all XWDISCOs and K-Electric @ Rs. 3/unit was announced by Federal Government and this amount was to be paid by the Federal Government.

In Operation Circle Jhang FESCO, an amount of Rs. 23.64 million was adjusted in favour of M/s China Power on account of Prime Minister's Relief Package and Fuel Price Adjustment (FPA) against its temporary connection under Tariff E-2. Since the Prime Minister's Relief Package was announced for industrial consumers only, hence the said adjustment was unjustified and caused loss to the Company.

Non-adherence to Ministry's instructions resulted in loss of Rs. 23.64 million due to undue benefit given to the consumer during the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in November, 2017. The management stated that detailed reply would be submitted in due course of time.

The DAC in its meeting held on January 15-17, 2018 directed the management to submit revised reply along with regularization of tariff of consumer and effect the recovery from him within 15 days. 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 No. 523/2017-18)

9.3.5 Irregular expenditure incurred on execution of civil works - Rs. 2.37 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 FESCO, an amount of Rs. 2.37 million was incurred in excess of estimates on the execution of a civil work for construction of boundary wall and security guard room at 132 KV Grid Station, Faisalabad. The excess expenditure was irregular as original estimate was not revised.

Non-adherence to general financial rules resulted in irregular expenditure of Rs. 2.37 million incurred on execution of civil work up to the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in November, 2017. The management replied that the work was delayed due to stay order and dispute with the local.

The DAC in its meeting held on January 15-17, 2018 took serious view of cost over run / delays and directed the management to furnish comprehensive reply on these issues within 15 days. 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 No. 1186/2017-18)

CHAPTER-10

GUJRANWALA ELECTRIC POWER COMPANY (GEPCO)

10. GUJRANWALA ELECTRIC POWER COMPANY (GEPCO)

10.1 Introduction

Gujranwala Electric Power Company (GEPCO) is a subsidiary of PEPCO. The Company started its operation 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 principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA through NTDC system and sells it to various consumers within Gujranwala, Gujrat, Mandi Bahaudin, Narowal, Hafizabad and Sialkot Districts.

The operational activities are performed through five Operation Circles and Grid System Construction, Project Construction & Grid System Operation Circles.

10.2 Comments on 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 GEPCO, the balance sheet and profit & loss account of the Company could not be finalized by the management up till December 31, 2017.

10.3 AUDIT PARAS

10.3.1 Less recovery of difference of electricity tariff from AJ&K Government – Rs. 7,920.99 million

According to the minutes of Sub-Committee of Ministry of Water & Power dated December 08, 2015, 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 Gujrat GEPCO, electricity emanating from the grid stations at Kharian and Jalalpur Jattan was being supplied to AJ&K at the rate of Rs. 2.59/KWh instead of Rs. 5.79/KWh. Resultantly, an amount of Rs. 7, 920.99 million could not be recovered so far.

Non-implementation of new electricity tariff resulted in non-recovery of Rs. 7,920.99 million from AJ&K Government on account of difference of electricity tariff up to the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in November, 2017. The management replied that a high power commission had already been constituted to resolve the issue between GoP and AJ&K Government.

The DAC in its meeting held on January 15-17, 2018 directed the management to take action as per PAC's directives in other similar nature observations. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides ensuring recovery of outstanding amount.

(DP No.746/2017-18)

10.3.2 Loss due to encroachment of GEPCO's Land – Rs. 500 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 GEPCO Gujrat, 78 Kanals 19 Marlas of Company's land valuing Rs. 500 million was occupied / encroached by the local people. Though civil suits were filed by the management in different courts but no considerable progress had so far been observed, which caused a loss to the Company for which no responsibility was fixed.

Non-adherence to Authority's instructions resulted in loss of Rs. 500 million due to encroachment of GEPCO's Land by the local persons up to the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in November, 2017. The management replied that the case was under trial in honorable High Court / settlement Commissioner.

The DAC in its meeting held on January 15-17, 2018 directed the management to pursue the Court case vigorously. Further progress was not reported till finalization of the report.

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

(DP No.541/2017-18)

10.3.3 Non-depositing of disputed amount in favour of GEPCO – Rs. 67.09 million

According to Section 54(C) "Bar of Jurisdiction" of Electricity Act-1910, "disputed amounts are required to be deposited in court in favour of WAPDA before filling the cases against WAPDA in Courts".

In Operation Circle Gujrat GEPCO, an amount of Rs. 67.09 million was pertained to the subjudice cases as the consumers went into litigation against the Company. The disputed amount of Rs. 67.09 million was required to be deposited in favour of Company which was not done.

Non-adherence to the Electricity Act resulted in non-depositing of disputed amount of Rs. 67.09 million by the consumers up to the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in November, 2017. The management replied that in some cases, amount was recovered and in other cases amount was not recoverable. Efforts were being made to recover the amount in remaining cases.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce record of completed actions and expedite completion of pending actions. 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 No.598/2017-18)

10.3.4 Non-refund of energy units adjusted through paper MCOs - Rs. 6.01 million

According to Para-1.3 of Commercial Procedures Manual of WAPDA Power Wing, “Revenue Officer and Assistant Manager are responsible for implementing in conjunction with the Executive Engineer, the commercial policy laid down from time to time by the Authority through the Company efficient application of billing and collection procedures”.

In Operation Circle GEPCO Sialkot, 879 paper meter change orders (MCOs) were fed to computers but the meters were not replaced physically. MCOs were implemented only in papers to cover the overcharging of 0.46 million energy units amounting to Rs. 6.01 million which were not refunded to the consumers.

Non-adherence to Commercial Procedure resulted in non-refund of energy units amounting to Rs. 6.01 million adjusted through paper MCOs during the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in November, 2017. The management replied that paper MCOs were implemented to obtain 100% accuracy of mobile meter readings.

The DAC in its meeting held on January 15-17, 2018 did not accept the stance of management and directed to furnish revised reply within 15 days. No reply was furnished till finalization of report.

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

(DP No.926/2017-18)

10.3.5 Unauthorized electrification of housing schemes – Rs. 5.60 million

According to Clause-I of the instructions issued by the G.M (PE&S) WAPDA regarding electrification of housing schemes, “the lay out plan, duly approved and signed by the concerned Department / Authority or Local Body along with letter of approval, shall be supplied by the Sponsor / Consultant with design documents to ensure the authenticity of the approval of the competent authority.

In GEPCO, four (04) illegal housing schemes were electrified by the field formations without obtaining any layout plan approved by the concerned Civic Authority as well as P&D Department of the Company. Undue favour to the consumers caused unauthorized electrification of housing schemes at a cost of

Rs. 5.60 million. The inquiry committee recommended strict disciplinary action against the concerned executing partners but no action was taken.

Non-adherence to SOP for electrification of housing schemes resulted in undue favour of Rs. 5.60 million due to unauthorized electrification of housing schemes up to the Financial Year 2016-17.

The matter was taken up with management in October, 2017 and reported to the Ministry in December, 2017. The management replied that in one case, the matter was under investigation with NAB while others were under inquiry.

The DAC in its meeting held on January 15-17, 2018 directed the management to implement the recommendation of departmental inquiry committee and follow up criminal proceedings. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides making the loss good.

(DP No.1451 & 1452/2017-18)

10.3.6 Non-completion of work at risk and cost of the Contractor – Rs. 4.63 million

According to Clause-36(2) of CoC (Default of Contractor in Compliance), "in case of default on the part of the Contractor in carrying out such order the Employer shall be entitled to employ and pay other persons to carry out the same and all expenses consequent thereon or incidental thereto shall be borne by the Contractor and shall be recoverable from him by the Employer or may be deducted by the Employer from any monies due or which may become due to the Contractor".

In GSC Circle GEPCO, a work order for construction of 5,000 gallons capacity overhead tank, at 132 KV Grid Station, Pasroor was awarded to M/s Islam & Company at contract price Rs. 6.50 million with completion period up to September 3, 2013. A period of more than four (4) years had been elapsed but the work was not executed by the Contractor. The remaining work amounting to Rs. 4.63 million was required to be completed at risk and cost of the Contractor which was not done.

Non-adherence to contract Clauses resulted into non-completion of work amounting to Rs. 4.63 million at risk and cost of the Contractor up to June, 2017.

The matter was taken up with the management in July, 2017 and reported to the Ministry in September, 2017. The management replied that the contractor was agreed to complete the work and LD would be deducted from his bills.

The DAC in its meeting held on January 15-17, 2018 directed the management to take penal action as per provisions of contract agreement. 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 No.862/2017-18)

10.3.7 Undue favour to the consumers by avoiding one point supply - Rs. 4.55 million

According to Abridged Condition-3 of Supply of Power, "the authority will give supply to the consumer at one point, as the authority may decide and if required by the authority, the substation building on the consumer premises for the reception and housing of the authority's apparatus will be erected to the approval of the authority at the expense of consumer and will be maintained in good and efficient repair by the consumer".

In Operation City Circle GEPCO Gujranwala, in nine (09) cases more than one connections of same tariff were installed at same premises of the consumers. Hence, the consumers were given undue benefit on account of non-recovery of fixed charges amounting to Rs. 4.55 million, which was revenue loss to the Company.

Non-adherence to Abridged Conditions of Supply resulted in undue favour of Rs. 4.55 million to the consumers on account of non-recovery of fixed charges during the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in October, 2017. The management replied that all the SDOs had been directed to either disconnect the connections or remove extra connections.

The DAC in its meeting held on January 15-17, 2018 directed the management to initiate disciplinary action against all concerned involved in sanctioning of load besides recovery from consumers. 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 No.434/2017-18)

10.3.8 Irregular payment of Head Office Allowance – Rs. 4.52 million

According to Agenda Item No.7.5 of 69th meeting of BoD of GEPCO, Head Office Allowance was allowed only to the staff working within the boundary of the Head Office.

In GEPCO, an amount of Rs. 4.52 million on account of Head Office Allowance was paid to the staff posted in the office of Manger (MIS) GEPCO. The MIS office was located outside the main building of Head Office, hence the payment of this allowance was against the instructions of BoD and quite irregular.

Non-adherence to instructions of BoD resulted in irregular payment of Head Office Allowance amounting to Rs. 4.52 million during the Financial Year 2016-17.

The matter was taken up with the management in October, 2017 and reported to the Ministry in December, 2017. The management replied that the Allowance was allowed by BoD w.e.f. March 01, 2010.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce record for verification within 15 days. 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 No.1349/2017-18)

10.3.9 Loss due to replacement of new transformers with old / damaged transformers – Rs. 4.48 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 GEPCO, fourteen (14) new transformers were replaced by the line staff of Construction Division with old and damaged transformers, thus putting the Company into a loss of Rs. 4.48 million. An inquiry Committee was constituted in March, 2016 which recommended to recover loss from seven (07) officials but no loss had so far been recovered. Hence, the Company sustained loss to the stated extent.

Non-adherence to Authority's instructions resulted in loss of Rs. 4.48 million due to replacement of healthy transformers with old / damaged transformers during the Financial Year 2016-17.

The matter was taken up with the management in October, 2017 and reported to the Ministry in November, 2017. The management replied that penalty for recovery was imposed upon seven (7) officials.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record of completed actions within 15 days and expedite completion of pending actions. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides making the loss good.

(DP No.1340/2017-18)

10.3.10 Non-recovery of loss from the Contractor on account of inordinate delay in execution of work - Rs. 4.08 million

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

In Construction Circle GEPCO, a work for transportation / erection of HT / LT poles for area planning of 11 KV Kotla -2 Sabour & Langrial feeder was awarded to M/s Sethi Brothers. The purpose of the work was to reduce the annual energy losses and voltage drop. The Contractor could not complete the work according to completion period. Due to which, the Company had sustained a loss of 204,276 energy units amounting to Rs. 4.08 million for which no recovery was made.

Non-adherence to Authority's instruction resulted in non-recovery of loss amounting to Rs. 4.08 million due to inordinate delay in execution of work up to the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in November, 2017. The management replied that no payment was made to the contractor.

The DAC in its meeting held on January 15-17, 2018 did not accept the stance of the management and directed to investigate the matter through facts finding committee within 15 days. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides ensuring recovery from the contractor.

(DP No.1231/2017-18)

10.3.11 Non-recovery of cost of material from the Contractors – Rs. 2.74 million

According to approval of Chief Engineer (Development) PMU GEPCO, allocation of extra material was to be made on cash payment basis.

In GEPCO, electrical material valuing Rs. 2.74 million was damaged / stolen under the custody of two contractors and additional material was allocated without recovering its cost from the Contractors.

Non-observance of Authority's instructions resulted in non-recovery of Rs. 2.74 million on account of cost of material from the Contractors up to the Financial Year 2016-17.

The matter was taken up with the management in July & August, 2017 and reported to the Ministry in November, 2017. The management replied that in one case, an inquiry committee had been reconstituted to determine the cost of material for recovery whereas in other case, the material was stolen twice and recovery of cost of material would be made from the claims of the contractor.

The DAC in its meeting held on January 15-17, 2018 directed the management to finalize the inquiry proceedings and expedite the recovery from the contractors. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides ensuring recovery from the contractor.

(DP No.997 & 1226/2017-18)

10.3.12 Loss due to illegal electrification of commercial plazas / factory – Rs. 1.04 million

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

In Operation Circle GEPCO Sialkot, two commercial plazas and one marble factory were electrified illegally without obtaining capital cost amounting to

Rs. 1.04 million from concerned consumers. No action was taken against the delinquents.

Non-adherence to Authority’s instruction resulted in loss of Rs. 1.04 million due to illegal electrification of commercial plazas / factory during the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in November, 2017. The management replied that two of three disciplinary cases were finalized.

The DAC in its meeting held on January 15-17, 2018 directed the management to regularize the connections and produce the record of completed actions for verification and ensure finalization of remaining disciplinary case 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 No. 1022/2017-18)

CHAPTER-11

HYDERABAD ELECTRIC SUPPLY COMPANY (HESCO)

11. HYDERABAD ELECTRIC SUPPLY COMPANY (HESCO)

11.1 Introduction

Hyderabad Electric Supply Company (HESCO) is a subsidiary of PEPCO. The Company started its operations as a Public Limited Company during July, 1998 and registered under Companies Ordinance, 1984 as a public limited company. The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA through NTDC system and sells it to various consumers within thirteen districts of Sindh Province.

The operational activities are performed through four Operation Circles and Grid System Construction, Project Construction & Grid System Operation Circles.

11.2 Comments on Financial Statements

11.2.1 Financial Overview

Monthly accounts (Trial Balance and other management information schedules) from sixty eight (68) accounting units are sent to Finance Director HESCO, Hyderabad where these accounts are consolidated and financial statements including Balance Sheet, Profit & Loss Account and Cash Flow statements were prepared

11.2.2 Extracts of the Financial Statements

Balance Sheet as on June 30, 2017

(Rs. in million)

	2016-17	%	2015-16	%	2014-15
Assets					
Non-current assets					
Property and Equipment	22,912.72	9.24	20,975.11	6.90	19,622.01
Capital Work in process	13,714.98	11.51	12,299.38	7.18	11,474.96
	36,627.70	**5.76**	**34,633.63**	**11.37**	**31,096.97**
Long term loans	15.28	-17.98	18.63	-18.75	22.93
Current assets					
Stores and spares	2,727.08	17.47	2,321.59	109.35	1,108.94
Trade debts	27,499.08	-8.40	30,021.12	1.29	29,638.35
Due from associated undertakings	29,355.65	12.95	25,989.23	4.28	24,923.29
Advances and other receivables	15,782.27	-11.01	17,734.48	-20.67	22,356.73
Taxation net	682.13	-20.38	856.78	69.55	505.34
Cash and bank balances	3,927.48	18.70	3,308.84	0.74	3,284.44
	79,973.69	**-0.32**	**80,232.04**	**-1.94**	**81,817.09**

	116,601.39	**1.49**	**114,884.29**	**1.72**	**112,936.98**
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)	-159,273.98	20.85	-131,793.24	22.90	-107,238.84
	-159,273.99	20.85	**-131,793.23**	**22.90**	**-107,238.83**
Deposits for the issuance of shares	71,521.16	0.00	71,521.16	0.00	71,521.16
Deferred credit	16,837.26	8.06	15,581.57	38.78	11,227.68
Non-current liabilities					
Long term financing	4,630.16	14.62	4,039.71	7.24	3,767.07
Consumers' security deposits	1,658.57	10.44	1,501.72	14.06	1,316.59
Receipt against deposit works and connections	2,976.27	-3.49	3,083.96		6,063.53
Employee retirement benefits	24,682.40	8.17	22,818.49	-3.10	23,548.46
	33,947.40	**7.96**	**31,443.88**	**-9.37**	**34,695.64**
Current liabilities					
Creditors, accrued and other liabilities	5,677.61	-4.78	5,962.64	34.50	4,433.24
Due to associated undertakings - restated	141,972.30	-99.88	115,131,708.44	122351.52	94,022.28
Current and overdue portion of long term financing	2,324.88	20.56	1,928.37	40.58	1,371.76
Accrued mark-up	4,914.15	28.65	3,819.82	31.53	2,904.05
	154,888.94	**34.82**	**114,884.29**	**1.72**	**112,936.98**

Profit and Loss Account
For the year ended June 30, 2017

(Rs. in million)

	2016-17	**%**	**2015-16**	**%**	**2014-15**
Electricity sale	40,492.36	7.39	37,706.36	(15.41)	44,577.87
Cost of electricity	-52,288.88	26.08	-41,471.29	(21.59)	-52,890.69
Gross loss	-11,736.52	211.73	-3,764.93	(54.71)	-8,312.82
Amortization of deferred credit	744.4	10.38	674.4	35.31	498.41
	-10,992.12	151.26	-4,374.74	(44.02)	-7,814.41
Operating expenses excluding depreciation	-8,558.67	5.25	-8,132.05	(0.29)	-8,155.95
Depreciation	-1,376.23	11.44	-1,234.96	6.15	-1,163.45
Provision for doubtful debts	-7,050.59	(53.98)	-15,321.96	369.58	-3,262.94
Other income	1,770.74	(2.74)	1,820.68	1.92	1,786.45
	-15,214.76	(33.47)	-22,868.29	111.82	-10,795.89
Operating loss	-26,206.87	0.96	-25,958.82	39.49	-18,610.29
Finance cost (2015: restated)	-734.29	1.58	-722.85	(36.93)	-1,146.16
Loss before taxation	-26,941.16	0.97	-26,681.67	35.05	-19,756.45
Taxation	-368.85	-	-	-	-
Loss after taxation	**-27,310.01**	**2.35**	**-26,681.67**	**35.05**	**-19,756.45**

11.2.3 Comments on Audited Accounts

i) Profitability

The Company suffered a net loss of Rs. 27,310.01 million during the current year. Total accumulated losses have reached to the tune of Rs. 159,273.98 million resulting in net capital deficiency. As of that date, the company's current liabilities exceed current assets by Rs. 74,915.25 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 was Rs. 40,492.36 million including the subsidy from Government of Pakistan whereas cost of sales of the company was Rs. 52,288.88 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. 74,072.44 million . Amount of Rs. 19,232.13 million was receivable from Government of Pakistan against tariff differential subsidy, Rs. 10,123.53 million from other Associated Companies and Rs. 27,499.09 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. 114,884.29 million to Rs. 154,889.02 million. The major amount of Rs. 141,472.35 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. 15,728.69 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 inclined the current year loss by Rs. 15,728.69 million. As a result, accumulated loss would have too increased 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. However, Company did not recognize interest amounting to Rs. 8,998.21 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. 8,998.21million.

vii) Operating expenses excluding depreciation

The Operating expenses of the company increased to Rs. 8,558.67 million during the year from Rs. 8,132.04 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. 4,630.16 million (2016: Rs. 4,039.71 million) with a increase of Rs. 590.45 million (14.62%) at the balance sheet date. Financial cost has been charged to the profit and loss account during the current year Rs. 734.29 million. Reliance on borrowings / (loans) and payment of financial charges need to be justified.

11.2.4 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 will also 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 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.

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
HESCO	2004-05	01	-	-	01 (Para No.11.8)
	2009-10	01		01 (Para No. 10.17)	

Position of compliance with PAC directives is not satisfactory.

11.4 AUDIT PARAS

11.4.1 Non-recovery from employees involved in fraudulent repairing of vehicles – Rs. 30.09 million

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

In HESCO, damaged / burnt vehicles were got repaired on the basis of unjustified / bogus repair estimates. Most of the expenditure was incurred through hand receipts by the Transport Section. The matter was inquired through an inquiry committee, who recommended recovery from delinquents as detailed below but no recovery was made:

Sr. No.	**Name of Employee** M/s	**Designation**	**Amount (Rs.)**
1.	Amir Naveed Memon	Deputy Director	16,112,348
2.	Muhammad Ayub Afridi	Manager (Admin)	4,363,592
3.	Usman ul Haq Ansari	Finance Director	1,454,530
4.	Deen Muhammad	Manager Finance	1,454,530
5.	Zahoor Ahmed Sheikh	Transport Supervisor	4,956,637
6.	Juma Khan	Account Assistant	117,761
7.	Ghulam Sarwar Jafri	Transport Supervisor	1,155,420
8.	Aijaz Khan	Vehicle Driver	186,550
9.	Nusrat Ali	Vehicle Driver	150,800
10.	Imdad Ali	Vehicle Driver	140,590
		TOTAL	**30,092,758**

Non-adherence to the Authority's instructions resulted in non-recovery of Rs. 30.09 million from employees involved in fraudulent repairing of vehicles up to the Financial Year 2016-17.

The matter was taken up with the management in March, 2017 and reported to the Ministry in April, 2017. The management replied that the FIA had closed the inquiry whereas disciplinary action had been initiated against the delinquents.

The DAC in its meeting held on January 15-17, 2018 directed the management to complete the disciplinary proceedings as per stipulated time under rules. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides ensuring recovery from the employees.

(DP No.13/2017-18)

11.4.2 Non-saving of energy units due to delay in execution of works – Rs. 155.04 million

According to Para-4.1.3 to 4.1.6 of Distribution Rehabilitation Guidelines-2003, total time for approval of work, execution and preparation of completion report would be 130 days.

In Construction Circle HESCO Hyderabad, seventy five (75) HT / LT proposals under DOP / ELR could not be completed well in time. Hence, the envisaged benefits of saving of 9.69 million energy units amounting to Rs. 155.04 million could not be achieved. Efforts were not made by the department for completion of pending works.

Non-adherence to Distribution Rehabilitation Guidelines resulted in non-saving of energy units amounts to Rs. 155.04 million due to delay in completion of works up to the Financial Year 2016-17.

The matter was taken up with the management in October, 2017 and reported to the Ministry in November, 2017. The management replied that five (5) works out of 75 had been completed / capitalized and balance works would be completed in due course of time.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record of completed works and a technical team be constituted to find the causes of delay of works besides ensuring their completion within 60 days. 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 No.1323/2017-18)

11.4.3 Loss due to appointments in excess of approved posts – Rs. 104.17 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 HESCO, 277 officials of different cadres were appointed on daily wages basis in excess of posts approved from BoD / Ministry as pointed out by NAB in its judgment, which resulted in loss of Rs. 104.17 million. Neither the matter was investigated for fixing responsibility nor excess appointments were cancelled.

Non-adherence to Authority's instructions resulted in loss of Rs. 104.17 million due to appointments in excess of approved posts up to the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in December, 2017. The management replied that the matter would be placed before HESCO BoD.

The DAC in its meeting held on January 15-17, 2018 directed the management to regularize the excess appointment from BoD within 15 days and duplicacy to be verified from Audit. 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 No.1355/2017-18)

11.4.4 Non-receipt of repaired transformers from PWF Reclamation Workshop – Rs. 64.23 million

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

In HESCO, 508 distribution transformers of different capacities valuing Rs. 64.23 million were sent to Pakistan WAPDA Foundation (PWF) Reclamation Workshop, Sukkur for repair during 2010 but not received back since then. Neither the matter was inquired into for fixing responsibility nor the efforts made to get back the transformers.

Non-adherence to Authority's instructions resulted in non-receipt of repaired transformers valuing Rs. 64.23 million from PWF up to the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in December, 2017. The management stated that the transformers were handed over to SEPCO by the reclamation workshop after repair.

The DAC in its meeting held on January 15-17, 2018 directed the management to make adjustment of cost of transformers with SEPCO within 15 days. 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 No.1438/2017-18)

11.4.5 Loss due to non-recovery of cost of unreturned material – Rs. 16.75 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 HESCO, electrical material worth Rs. 16.75 million was drawn for using at the eve of Sehwan Urs during 2012-13 but not returned back to store. The inquiry committee recommended to impose penalty for recovery of cost of material upon eight (08) officers / officials but the amount was not recovered so far.

Non-adherence to the Authority's instructions resulted in loss of Rs. 16.75 million due to non-recovery of cost of unreturned material up to the Financial Year 2016-17.

The matter was taken up with management in September, 2017 and reported to the Ministry in November, 2017. The management replied that the disciplinary action against the concerned officers / officials was under process.

The DAC in its meeting held on January 15-17, 2018 directed the management to expedite disciplinary action against the delinquents. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides making the loss good.

(DP No.1123/2017-18)

CHAPTER-12

ISLAMABAD ELECTRIC SUPPLY COMPANY (IESCO)

12. ISLAMABAD ELECTRIC SUPPLY COMPANY (IESCO)

12.1 Introduction

Islamabad Electric Supply Company (IESCO) is a subsidiary of PEPCO. The Company started its operations as a Public Limited Company during May, 1998 and registered under Companies Ordinance, 1984 as a public limited company. The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA through NTDC system and sells it to various consumers within Attock, Chakwal, Islamabad, Jhelum and Rawalpindi Districts.

The operational activities are performed through five Operation Circles and Grid System Construction, Project Construction & Grid System Operation Circles.

12.2 Comments on 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 IESCO, the balance sheet and profit & loss account of the Company could not be finalized by the management up till December 31, 2017.

12.3 AUDIT PARAS

12.3.1 Unjustified expenditure without approval of PC-I – Rs. 522.90 million

According to Clause-4.26 of Project Development Manual, preparation of the project on the PC-I is the pivotal phase of the project cycle.

In GSC Circle IESCO Islamabad, an amount Rs. 522.90 million was incurred on different works under 7th Secondary Transmission Lines & Grids (STG) project without approval of PC-I. Neither the matter was inquired for fixing responsibility nor PC-I was approved by the competent forum.

Non-adherence to Project Development Manual resulted in unjustified expenditure of Rs. 522.90 million without approval of PC-I during the Financial Year 2016-17.

The matter was taken up with the management in July, 2017 and reported to the Ministry in December, 2017. The management replied that on the direction of the Ministry and with the approval of BoD, works under 7th STG were started and completed. However, the PC-I was under approval.

The DAC in its meeting held on January 15-17, 2018 directed the management to conduct inquiry for incurrence of expenditure without approval of PC-I within 15 days. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides regularizing the expenditure from competent authority.

(DP No.1639/2017-18)

12.3.2 Loss due to non-replacement of Power Transformers' Oil - Rs. 45.80 million

According to M/s PEL's commitment dated February 20, 2017, the firm agreed to replace power transformers oil.

In GSO Circle IESCO Islamabad, fourteen (14) PEL make power transformers indicated deterioration / reduction of insulator resistance at the time of commissioning and testing which required replacement of transformers' oil valuing Rs. 45.80 million. Non-replacement of oil by the manufacturer caused loss to the Company.

Non-adherence to supplier's agreement resulted in loss of Rs. 45.80 million due to non-replacement of power transformers' oil during the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in November, 2017. The management replied that the behavior of transformer would be checked under crash maintenance with M/s PEL.

The DAC in its meeting held on January 15-17, 2018 directed the management to conduct fact finding inquiry and submit report 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 besides making the loss good.

(DP No.1007/2017-18)

12.3.3 Non-recovery of cost of free electricity from WAPDA - Rs. 23.54 million

According to minutes of meeting dated August 10, 2009, the Assistant Manager Customer Services in DISCOs shall issue bill / claim supported with CP-91 to the office / division which had forwarded the application of WAPDA employees for payment through bank cheque within 45 days. In case of non-payment, matter will be reported to Manager Finance concerned for necessary action.

In Operation Circle IESCO Rawalpindi, an amount of Rs. 23.54 million was recoverable from WAPDA on account of free supply provided to their employees which was not done.

Non-adherence to Authority's instructions resulted in non-recovery of Rs. 23.54 million from WAPDA on account of cost of free electricity to employees up to the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in December, 2017. The management replied that an amount of Rs. 2.23 million was recovered and efforts were being made to recover the remaining amount.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide record relating to effected recovery and expedite balance amount within 15 days. 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 No.1363/2017-18)

12.3.4 Unjustified payment on account of renovation of rest house – Rs. 3.85 million

According to Para-6.1 (iv) of financial instructions, the sanction should not be accorded in piecemeal with a view to bring the amount within the powers of the sanctioning authority.

In IESCO, a payment of Rs. 3.85 million was made to the Contractor on account of conversion of old PD GSC office into IESCO Rest House by splitting up of additional works. The administrative approval and technical sanction were also given in piecemeal contrary to above policy. Hence, the expenditure incurred on additional work could not be considered as justified.

Non-adherence to Audit Policy resulted in unjustified payment of Rs. 3.85 million on account of renovation of rest house up to the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in December, 2017. The management replied that the work was carried out after approval of the Competent Authority.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide relevant record along with full justification for verification within 15 days. 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 No.1444/2017-18)

12.3.5 Loss due to damage of vehicle by staff - Rs. 3.50 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 IESCO, a vehicle valuing Rs. 3.50 million was sent to a private workshop in miserable condition. According to preliminary report, the vehicle was damaged due to lack of care & maintenance by the driver of M&T Circle IESCO, Attock which was loss to the Company. Although, the inquiry was conducted to fix the responsibility but its report was not finalized.

Non-implementation of rules for safeguarding the Company's assets resulted in loss of Rs. 3.50 million due to damage of vehicle by staff up to the Financial Year 2016-17.

The matter was taken up with management in July, 2017 and reported to the Ministry in November, 2017. The management replied that the relevant regarding damage of vehicle was ready for verification.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide relevant record and take appropriate action against the responsible officers. 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 No.1150/2017-18)

12.3.6 Unjustified payment on account of time scale up-gradation – Rs. 1.96 million

According to office memorandum of Finance Division dated June 26, 1999, revision of Pay Scales / Salaries / Allowances in Corporations, Autonomous / Semi Autonomous bodies will require clearance from the Finance Division to ensure a rational basis and a degree of uniformity in such revision.

In IESCO, an amount of Rs. 1.96 million was paid to nine (09) officers on account of time scale up-gradation in different scales. The up-gradation was allowed without getting clearance of Finance Division (GoP), which was unjustified.

Non-adherence to the instructions of Finance Division resulted in unjustified payment of Rs. 1.96 million on account of time scale up-gradation up to the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in December, 2017. The management replied that the payment made on account of time scale up-gradation to the officers was in order.

The DAC in its meeting held on January 15-17, 2018 did not agree with the reply of management and directed the management to regularize the matter from the Finance Division (GoP) within one month. 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 No.1442/2017-18)

12.3.7 Irregular credit of markup to industrial consumers – Rs. 1.95 million

According to Para-1.3 of Commercial Procedures Manual of WAPDA Power Wing, “Revenue Officer and Assistant Manager are responsible for implementing in conjunction with the Executive Engineer, the commercial policy laid down from time to time by the Authority through the Company efficient application of billing and collection procedures”.

In Operation Circle IESCO Chakwal, an amount of Rs. 1.95 million was credited to five (05) industrial consumers on account of withdrawal of markup without any justification, which was loss to the Company. No investigation was made for fixing responsibility and making the loss good.

Non-adherence to Commercial Procedure resulted in irregular credit of Rs. 1.95 million on account of markup during the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in November, 2017. The management replied that the case of surcharges was still pending with the Supreme Court of Pakistan and surcharges were refunded after seeking advice from Manager (Legal & Labour), IESCO.

The DAC in its meeting held on January 15-17, 2018 directed the management to conduct inquiry for fixing responsibility regarding refund of surcharge despite court case within 15 days. 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 No.1013/2017-18)

12.3.8 Irregular adjustment of arrears of permanent disconnected consumers against running consumers - Rs. 1.63 million

According to the Clause- 1.1 & 1.2 (CP-17) of the Commercial Procedure, “a list of such defaulters is prepared by the computer. When adjustment of security deposits has been made, the computer transfers the outstanding balances from batch debtors ledger to sub-divisional defaulter ledger. The Revenue Officer obtains approval of the Executive Engineer to initiate legal proceedings for recovery where outstanding amount justifies such action.

In Operation Circle IESCO Islamabad, an amount of Rs. 1.63 million pertaining to dead defaulters was illegally shifted to the accounts of running consumers without any justification. The field formations manipulated the recoverable amount by adjusting arrears to other accounts. This practice was adopted only to show the better recovery position and was not in line with the Commercial Procedure.

Non-adherence to Commercial Procedure resulted in irregular adjustment of arrears of Rs. 1.63 million pertaining to permanent disconnected consumers against running consumers during the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in November, 2017. The management replied that dead defaulters' amount was shifted to running consumers as per verbal orders of higher offices.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide record relating to adjustment of amount on cases to case basis within 15 days. 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 No.538/2017-18)

CHAPTER-13

LAHORE ELECTRIC SUPPLY COMPANY (LESCO)

13. LAHORE ELECTRIC SUPPLY COMPANY (LESCO)

13.1 Introduction

Lahore Electric Supply Company (LESCO) is a subsidiary of PEPCO. The Company started its operation as a Public Limited Company registered under Companies Ordinance, 1984 during July, 1998. The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA through NTDC system and sells it to various consumers within Kasur, Lahore, Okara, Nankana Sahib and Sheikhupura Districts. LESCO receives electricity supply from NTDC on 220 KV Grid Stations at Bund Road, Ravi Road, Sarfraz Nagar, New Kotlakhpat, Kala Shah Kaku and 11 private power producers.

The operational activities are performed through seven Operation Circles and Grid System Construction, Project Construction & Grid System Operation Circles.

13.2 Comments on 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 LESCO, the balance sheet and profit & loss account of the Company could not be finalized by the management up till December 31, 2017.

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
LESCO	2013-14	1	-	1 (Para No. 14.4.3)	

Position of compliance with PAC directives is not satisfactory.

13.4 AUDIT PARAS

13.4.1 Non-recovery of deferred amount - Rs. 9,536.87 million

According to 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 LESCO, an amount of Rs. 9,536.87 million was deferred on account of overbilling / wrong reading and wrong detection bills etc. This scenario indicated that huge overbilling was made to consumers which were subsequently deferred on consumers' complaints. No departmental inquiry was conducted against the officers / officials involved in overbilling and wrong detection bills.

Non-adherence to PEPCO's instructions resulted in non-recovery of deferred amount of Rs. 9,536.87 million of overbilling and wrong detection bills up to the Financial Year 2016-17.

The matter was taken up with the management in October, 2017 and reported to the Ministry in November, 2017. The management replied that the deferred amounts pertained to Kissan Ittehad and court cases. However, efforts were being made to reduce the balance of deferred amount.

The DAC in its meeting held on January 15-17, 2018 directed the management to pursue the court cases vigorously and expedite the recovery from consumers. 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 No.965/2017-18)

13.4.2 Unjustified refund of tax to the consumers - Rs. 3,374.41 million

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

In LESCO, tax credits of Rs. 3,374.41 million were given to 519 consumers. These credits were given to the consumers only on the letters of FBR and authenticity of the letters was not confirmed from the FBR hence, refund was not justified.

Non-adherence to the Commercial Procedure Manual resulted in justified refund of tax amounting to Rs. 3,374.41 million to the consumers during the Financial Year 2016-17.

The matter was taken up with the management in October, 2017 and reported to the Ministry in November, 2017 but no reply was given.

The DAC in its meeting held on January 15-17, 2018 showed its strong concerns over non-submission of reply by the management and directed to take appropriate action in respect of Manager (Internal) Audit. 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 No.856/2017-18)

13.4.3 Loss due to acceptance of substandard power transformers - Rs. 606 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 LESCO, twenty seven 31.5/40 MVA power transformers valuing Rs. 606 million were procured under ADB Loan from M/s PEL. After installation frequent faults occurred. The technical committee declared the damages due to inter-turn insulation failure, use of substandard copper, insulating material and inadequate drying & impregnation of active parts. However, no action was taken against the said firm for supply of substandard power transformers.

Non-adherence to the Authority's instructions resulted in loss of Rs. 606 million due to acceptance of substandard power transformers up to the Financial Year 2016-17.

The matter was taken up with the management in July, 2017 and reported to the Ministry in December, 2017. The management replied that the supplier replaced the defective parts of power transformers at his own expenses and extended the warranty period for five years.

The DAC in its meeting held on January 15-17, 2018 directed the management to conduct inquiry at PEPCO level. 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 No.1459/2017-18)

13.4.4 Unjustified posting of debit / credit adjustments without pre-audit - Rs. 336.26 million

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

In LESCO, 1,242 credit adjustments amounting to Rs. 256.88 million and 737 debit adjustments of Rs. 79.38 million were posted without pre-audit from Internal Audit, which was unjustified.

Non-adherence to the Commercial Procedure resulted in unjustified positing of debit / credit adjustments amounting to Rs. 336.26 million without pre-audit during the Financial Year 2016-17.

The matter was taken up with the management in October, 2017 and reported to the Ministry in November, 2017 but no reply was given.

The DAC in its meeting held on January 15-17, 2018 showed its strong concerns over non-submission of reply by the management and directed to take appropriate action in respect of Manager (Internal) Audit. 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 No.853 & 857/2017-18)

13.4.5 Non-installation of material in electrification works - Rs. 236.50 million

According to Para-2.2 (Section-8) of Distribution Stores Manual, sub-divisions must not draw the materials until they are needed. They are not allowed to hold any material which cannot be used immediately.

In three formations of LESCO, material amounting to Rs. 236.50 million against 658 L.T. proposals and other electrification works was drawn from store but was not installed at sites. Neither the material was returned to store nor works were completed.

Non-adherence to Distribution Stores Manual resulted in non-installation of material amounting to Rs. 236.50 million against electrification works up to the year 2016-17.

The matter was taken up with the management in July and August, 2017 and reported to the Ministry in November and December, 2017. The management replied that some works were completed, some were duplicate whereas remaining works were under process.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record of completed works for verification within 15 days and complete the pending works expeditiously. DAC also directed to provide aging of pending works besides fixing the responsibility.

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

(DP No.744, 1423 & 1426/2017-18)

13.4.6 Non-execution of deposit works – Rs. 186.64 million

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

In GSC Circle LESCO, an amount of Rs. 186.64 million was received from the sponsoring agencies for construction of various electrical works. These funds were received between periods of 2008-15 however, no efforts were made to execute the said works.

Non-adherence to above instructions resulted in non-execution of deposit works amounting to Rs. 186.64 million up to the Financial Year 2016-17.

The matter was taken up with the management in July, 2017 and reported to the Ministry in December, 2017. The management replied that the works could not be executed due to Right of Way (ROW) problems, shortage of material and stay orders etc. However, efforts were being made to complete the works.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide work-wise details for verification within 15 days. 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 No.1579/2017-18)

13.4.7 Unjustified charging of electricity bills to disconnected consumers - Rs. 21.23 million

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

In LESCO, 1,515 debit adjustments amounting to Rs. 21.23 million were made against disconnected consumers, which were not justified. No action was taken against the responsible(s) involved in billing to disconnected consumers.

Non-adherence to the Commercial Procedure resulted in unjustified charging of electricity bills amounting to Rs. 21.23 million to disconnected consumers during the year 2016-17.

The matter was taken up with the management in October, 2017 and reported to the Ministry in November, 2017 but no reply was given.

The DAC in its meeting held on January 15-17, 2018 showed its strong concerns over non-submission of reply by the management and directed to take appropriate action in respect of Manager (Internal) Audit. 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 No.859/2017-18)

13.4.8 Loss due to non-acceptance of debit advices on account of free electricity - Rs. 11.96 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, free electricity amounting to Rs. 11.96 million was supplied to the employees of different formations of WAPDA / PEPCO and debit advices were issued accordingly. These debit advices were not accepted by the concerned formations and reversal was sent with the remarks that they were not the employees of the concerned Companies / formations. No action was taken for removing the free electricity account of the employees who were disowned by the Companies.

Non-adherence to Authority's instructions resulted in loss of Rs. 11.96 million due to non-acceptance of debit advices on account of free electricity during the Financial Year 2016-17.

The matter was taken up with the management in October, 2017 and reported to the Ministry in November, 2017. The management replied that advices were sent to concerned offices for cancellation of unverified supply accounts.

The DAC in its meeting held on January 15-17, 2018 directed the management to inquire the matter for fixing responsibility within 15 days. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides making the loss good.

(DP No.763/2017-18)

13.4.9 Loss due to change of grid station sites – Rs. 10.73 million

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

In the office of the Chief Engineer (Dev) PMU LESCO, Lahore, a contract for construction of 132 KV grid station at DHA Phase-6 (Barki) and DHA Phase-7 (Dera Chahel) was awarded to M/S TRANSMARK-LEEEC (Consortium) on July 02, 2015. Following a complaint regarding environmental issues, ADB objected the location of 132 KV grid station DHA Phase-VI (Barki) and site had to be changed. As a result of change in site, the Contractor claimed an amount of Rs. 10.73 million, which was a loss to the Company.

Non-adherence to the Authority's instructions resulted in loss of Rs. 10.73 million due to change in site of grid station substation up to the Financial Year 2016-17.

The matter was taken up with the management in July, 2017 and reported to the Ministry in November, 2017. The management replied that no payment had been made to the contractor and the damages of the contractor due to change of site would be borne by DHA.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record for detailed verification within 15 days. 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 No.1106/2017-18)

13.4.10 Loss due to substandard work by the Contractor - Rs. 5.96 million

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

In GSC Circle LESCO Lahore, a work order for the construction of tower foundations of Shahkot-Sangla Hill transmission line was awarded to M/s Asif Sons on January 14, 2010. Certain discrepancies were pointed out by Manager Design T/Lines in March, 2010 with the direction to inquire the negligence of the Contractor as well as supervisory staff for fixing the responsibility. An inquiry committee was constituted by Manager (M&S) PEPCO to probe into the matter but its proceedings were not finalized.

Non-adherence to the Authority's instructions resulted in loss of Rs. 5.96 million due to substandard works by the Contractor up to the Financial Year 2016-17.

The matter was taken up with the management in July, 2017 and reported to the Ministry in December, 2017. The management replied that findings of inquiry committee had been received.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide copy of inquiry report for examination within 15 days. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides making the loss good.

(DP No.1425/2017-18)

13.4.11 Irregular award of contract without obtaining performance security – Rs. 5.41 million

According to Clause-21.1 Tender Documents, "the successful tenderer shall furnish to the Employer a Performance Security in form and the amount stipulated (10% of Bid Cost) in the Conditions of Contract within a period of fourteen (14) days after the receipt of Letter of Acceptance".

In GSC Circle LESCO, seventeen (17) civil and electrical works amounting to Rs. 54.12 million were awarded to various contractors for execution. But Performance Security amounting to Rs. 5.41 million @ 10% of contract cost was not obtained from the contractors which was irregular.

Non-adherence to tender clauses resulted in irregular award of work without obtaining performance security amounting to Rs. 5.41 million during the Financial Year 2016-17.

The matter was taken up with the management in July, 2017 and reported to the Ministry in October, 2017. The management replied that as per PPRA rules, performance guarantee was required at option of the procuring agencies.

The DAC in its meeting held on January 15-17, 2018 showed its concern over non-obtaining of performance guarantees and warned the management for strict compliance in future. DAC also directed to produce record of successful completion of these works within15 days.

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

(DP No.470/2017-18)

13.4.12 Non-recovery of transformer installation charges from consumer – Rs. 4.07 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 GSO Circle LESCO, a 10/13 MVA power transformer along with allied material was installed at the independent consumer grid station of Master Textile Mills. Installation charges amounting to Rs. 4.07 million were required to be recovered from the consumer but the needful was not done.

Non-adherence to authority's instructions resulted in loss due to non-recovery of transformer's installation charges amounting to Rs. 4.07 million from the private grid consumer up to the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in November, 2017. The management replied that the matter was subjudice.

The DAC in its meeting held on January 15-17, 2018 directed the management to pursue the court cases vigorously. Further progress was not reported till finalization of the report.

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

(DP No.939/2017-18)

13.4.13 Loss to public exchequer due to wrong application of tariff - Rs. 3.77 million

According to NEPRA's Schedule of Tariff for supply under Tariff-B, industrial supply means the supply for bona fide industrial purposes in factories and for the purpose of application of this tariff an "industry" means a bona fide undertaking or establishment engaged in manufacturing, value addition and / or processing of goods.

In Operation Eastern Circle LESCO, Lahore, six (06) energy connections were running under industrial tariff instead of commercial and domestic tariffs as required under the rules. The said consumers were enjoying the relief of Rs. 3 per kwh under the Prime Minister's relief package to industries, which was unjustified and loss of Rs. 3.77 million to the public exchequer.

Non-adherence to NEPRA's tariff conditions resulted in loss of Rs. 3.77 million to public exchequer due to wrong application of tariff during the Financial Year 2016-17.

The matter was taken up with the management in July, 2017 and reported to the Ministry in October, 2017. The management replied that tariff had been corrected, however, recovery would be effected.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record of completed action for verification within 15 days and to effect the recovery expeditiously. 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 No.392/2017-18)

13.4.14 Undue generation of revenue due to wrong application of tariff to government departments - Rs. 3.69 million

According to NEPRA Conditions of Supply of power, Tariff-A-1 (residential & general services) was applicable for supply to the government and semi-government offices and institutions.

In Operation Eastern Circle LESCO, Lahore, three (03) government departments' connections were running under commercial tariff instead of domestic tariff as required under the rules. Due to wrong application of tariff, an amount of Rs. 3.69 million on account of fixed charges was unduly recovered causing loss to public exchequer.

Non-adherence to NEPRA's tariff conditions resulted in undue generation of revenue of Rs. 3.69 million due to wrong application of tariff to government departments during the Financial Year 2016-17.

The matter was taken up with the management in July, 2017 and reported to the Ministry in October, 2017. The management replied that correct tariff had been implemented.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record for detailed verification within 15 days. 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 No.405/2017-18)

13.4.15 Loss due to non-recovery of cost of damaged electrical material from consumer – Rs. 3.42 million

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

In GSO Circle LESCO, Lahore, electrical material was damaged due to occurrence of fire in foam factory of M/s P&T Lamination, Lahore situated under the jurisdiction of 132 KV Double Circuit Ravi – Bhogiwal and Ravi- Chahmiran Transmission Line. The cost of damaged material along with revenue loss amounting to Rs. 3.42 million was required to be recovered from the consumer but the needful was not done.

Non-adherence to Authority's instructions resulted in loss of Rs. 3.42 million due to non-recovery of cost of damaged electrical material from consumer during the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in November, 2017. The management replied that as per preliminary inquiry report, consumer was not found responsible for the incident.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide copy of inquiry report to Audit for examination. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides making the loss good.

(DP No.937/2017-18)

13.4.16 Loss due to non-installation of material by the contractor - 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 Construction Circle LESCO, gate passes were issued to M/s Javed Construction Company for drawl and installation of poles at village electrification works. Despite the lapses of five years, 116 PCC spun poles (31′ and 36′) were not installed by the Contractor, for which no action was taken.

Non-implementation of Authority's instructions resulted in loss due to non installation of electrical material valuing Rs. 1.50 million by the Contractor up to the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in November, 2017. The management replied that no material was lifted by the Contractor.

The DAC in its meeting held on January 15-17, 2018 directed the management to investigate the matter and provide copy of report to Audit for verification 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 No.991/2017-18)

13.4.17 Loss due to purchase of transformer oil at higher rates – Rs. 1.26 million

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

In the office of the Chief Engineer (Dev) PMU LESCO Lahore, a tender for procurement of transformer oil was opened on August 24, 2016 and M/s Vega Lubricants (Pvt) Ltd. emerged as lowest bidder with rate of Rs. 85 per liter. The management failed to award purchase order within bid validity period of four (04) months and the supplier refused to extend bid validity period. Later on, transformer oil was purchased from the same supplier @ Rs. 112.2 per liter due to which the Company sustained a loss of Rs. 1.26 million. No investigation was conducted to fix the responsibility of loss.

Non-adherence to the Authority's instructions resulted in loss of Rs. 1.26 million due to purchase of transformer oil at higher rates during the Financial Year 2016-17.

The matter was taken up with the management in July, 2017 and reported to the Ministry in November, 2017. The management replied that evaluation process could not be completed due to busy schedule of Operation Director LESCO.

The DAC in its meeting held on January 15-17, 2018 directed the management to conduct an inquiry for fixing responsibility 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 No.1105/2017-18)

13.4.18 Loss due to illegal installation of material in private housing scheme - 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 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, electrical material valuing Rs. 1.13 million was installed at un-electrified area of Rehman City Housing Scheme illegally for supply of electricity to six consumers. But no any action was taken against the delinquents to make the loss good.

Non-adherence to Authority's instructions resulted in loss of Rs. 1.13 million on account of illegal installation of material up to the Financial Year 2016-17.

The matter was taken up with the management in October, 2017 and reported to the Ministry in November, 2017. The management replied that disciplinary actions against five (5) employees had been finalized whereas disciplinary proceedings against remaining four (4) employees were under process.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record of completed actions for verification within 15 days and complete the pending actions expeditiously. 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 No.951/2017-18)

CHAPTER-14

MULTAN ELECTRIC POWER COMPANY (MEPCO)

14. MULTAN ELECTRIC POWER COMPANY (MEPCO)

14.1 Introduction

Multan Electric Power Company (MEPCO) is a subsidiary of PEPCO. The Company started its operations as a Public Limited Company in May, 1998 and registered under Companies Ordinance, 1984. The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA through NTDC system and sells it to various consumers within Multan, Khanewal, Sahiwal, Vehari, Bahawal Pur, Lodhran, Bahawal Nagar, Rahim Yar Khan, D.G Khan and Muzzafar Garh Districts.

The operational activities are performed through nine Operation Circles and Grid System Construction Circle, Project Construction & Grid System Operation Circles.

14.2 Comments on Financial Statements

14.2.1 Financial Overview

Monthly accounts (Trial Balance and other management information schedules) from eighty seven (87) accounting units were sent to Finance Director MEPCO where these accounts were consolidated and financial statements including Balance Sheet, Profit & Loss Account and Cash flow statements were prepared.

The financial results along with the financial ratios are as under:

Extracts of the Financial Statements

Balance Sheet as at June 30, 2017

(Rs. in million)

	2016-17	%	2015-16	%	2014-15
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	-55,970.02	110.66	-26,569.10	93.34	-13,741.85
	-12,637.94	-175.39	16,762.99	-43.35	29,590.24
Deferred credit	47,319.82	7.81	43,891.07	6.13	41,355.05

Non-current liabilities					
Long term loans	9,061.12	12.31	8,067.70	14.90	7,021.79
Employees' retirement benefits	56,593.07	31.58	43,010.53	43.94	29,880.75
Consumers' security deposits	7,210.18	13.73	6,339.49	6.90	5,930.14
Receipt against Deposit works/Connections	17,419.90	16.58	14,942.23	7.32	13,923.15
Deferred markup	291.90	19.44	244.39	429.44	46.16
	90,576.17	24.75	72,604.34	27.82	56,801.99
Current liabilities					
Creditors, accrued and other liabilities	44,424.56	267.27	12,096.00	-23.91	15,897.52
Accrued Markup	6,302.18	31.52	4,791.93	20.35	3,981.59
Current Portion of Long-term liabilities	3,597.29	33.46	2,695.40	34.69	2,001.12
	54,324.03	177.40	19,583.34	-10.50	21,880.23
Total Equity and Liabilities	**179,582.09**	**17.50**	**152,841.72**	**2.15**	**149,627.51**
ASSETS					
Non-current assets					
Operating fixed assets	81,186.18	14.41	70,962.82	7.90	65,765.69
Capital work-in-progress	8,779.34	-18.08	10,717.22	16.06	9,234.25
	89,965.52	**10.14**	**81,680.04**	**8.91**	**74,999.94**
Long term advances	76.21	-0.56	76.643	33.69	57.33
Long term deposits	0.05	0.00	0.05	0.00	0.05
Current assets					
Stores and spares	3,940.72	-14.62	4,615.54	17.65	3923.12
Trade debts	27,545.65	39.06	19,808.02	21.72	16272.98
Loans, advances, deposits, prepayments and other receivables	49,191.84	16.88	42,088.34	-16.13	50183.85
Cash and bank balances	8,862.11	93.79	4,573.09	9.14	4190.23
	89,540.32	**25.96**	**71,084.99**	**-4.67**	**74,570.18**
Total Assets	**179,582.09**	**17.50**	**152,841.72**	**2.15**	**149,627.51**

Profit and Loss Account
For the Period ended June 30, 2017

(Rs. in million)

	2016-17	**%**	**2015-16**
Electricity sale	107,599.22	6.20	101,320.70
Subsidy from GoP	31,085.76	25.75	24,719.65
	138,684.98	10.03	126,040.35
Cost of electricity	-140,019.17	23.16	-113,690.21
Gross profit/(Loss)	**-1,334.19**	**-110.80**	**12,350.14**
Amortization of deferred credit	2,213.53	8.77	2,035.01
	879.34	**-93.89**	**14,385.14**
Other operating cost (excluding depreciation)	-17,266.23	-7.27	-18,619.32
Depreciation on operating fixed assets	-3,734.84	9.39	-3,414.30

	-21,001.07	**-4.69**	**-22,033.62**
Operating Profit / (Loss)	**-20,121.73**	**163.08**	**-7,648.48**
Other income	3,121.28	-15.76	3,705.25
	-17,000.45	331.13	-3,943.23
Financial and other charges	-934.06	11.18	-840.12
Profit/(Loss) for the year	**-17,934.51**	**274.94**	**-4,783.35**

14.2.2 Comments on Audited Accounts

i) Non-recognition of claims amounting to Rs. 46.16 million

The Company has not been able to record claims amounting to Rs. 46.16 million during 2016-17 relating to disconnections, detection bills and overbillings. 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. 17,370.51 million (2015-16: Rs. 11,591.31 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. 17,370.51 million. Non-recognition of these charges ultimately overstated the profit and understated the accumulated losses by an amount of Rs. 17,370.51 million which needed justification.

iii) Administrative and Distribution Expenses

The admin and distribution expenses were significantly decreased by Rs. 1,353.09 million during the financial year 2016-17 from Rs. 18,619.32 million to Rs. 17,266.23 million over the previous year.

iv) Receivable

The total receivables increased to Rs. 76,737.49 million (2015-16 : Rs. 62,788.274 million) which included trade debts of Rs. 27,545.65 million, subsidy of Rs. 27,373.36 million from Government of Pakistan and income / general sales tax refunds amounting to Rs. 10,142.85 million from Federal Board of Revenue (FBR).Trade debts included an amount of Rs. 1,564.37 million that were due from more than three years. Huge balance of receivables and non- recovery of long standing trade debts depict the poor recovery efforts of the Company, which needed justification.

14.2.3 Profitability

i) Gross Profit / Loss

The electricity sales of the Company increased by Rs. 208,919.92 million during the financial year 2016-17 from Rs. 101,320.70 million to Rs. 107,599.22 million over the previous year. Similarly, the cost of electricity was also increased by 23.16% i.e. Rs. 140,019.17 million (2015-16: Rs. 113,690.21million). Company's Gross Profit was Rs. 12,350.14 million in previous year, which was turned into Gross Loss of Rs. 1,334.19 million during the F.Y 2016-17. Gross Profit / Loss Ratio significantly decreased over the previous year i.e. from -52.42% to -110.80%. This state of affairs reflects inefficiency and mismanagement, which needed justification.

ii) Net Profit / Loss Ratio

Net Loss Ratio of the Company was 274.94% during F.Y 2016-17 as compared to Net Loss Ratio of -148.82% in F.Y 2015-16. Resultantly, accumulated loss of the Company significantly increased to Rs. 55,970.03 million from Rs. 26,569.10 million.

iii) Return on Total Assets

The return on total assets increased to -9.99% from -3.13% during the Financial Year 2016-17. The Company invested Rs. 13,228.99 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. 8,862.11 million.

14.2.4 Recommendations:

In view of the forgoing, it was recommended that the Company needs to record claims relating to disconnections, detection bills, overbillings and debit notes issued by Central Power Purchasing Agency (CPPA) in the accounts of the Company.

The matter of huge receivables from Government of Pakistan and consumers also needs due consideration and demands strenuous efforts.

The distribution losses, being the major cause of loss, 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.

14.3 AUDIT PARAS

14.3.1 Non-recovery of use of system charges from other companies and IPPs - Rs. 19,649.39 million

According to tariff determination of MEPCO for the financial year 2010-11, NEPRA allowed it to charge the users of its system a 'use of system charge' for 11 KV and 132 KV systems.

In MEPCO, 29,249.69 million energy units were exported to twelve (12) DISCOs / GENCOs / NTDC and IPPs by using 11 KV and 132 KV system of MEPCO during July, 2009 to December, 2015. The invoices of Rs. 19,649.39 million on account of use of system charges (wheeling charges) were issued by the Company in pursuant to the orders of NEPRA but no amount was recovered so far.

Non-adherence to the orders of NEPRA resulted in non-recovery of use of system charges amounting to Rs. 19,649.39 million from other Companies and IPPs up to the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in November, 2017. The management replied that the use of system charges was determined by NEPRA in tariff petitions but notification from government was still awaited.

The DAC in its meeting held on January 15-17, 2018 directed the management to pursue the matter with GoP vigorously. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides ensuring recovery from concerned quarters.

(DP No.718/2017-18)

14.3.2 Loss to public exchequer on account of subsidy claimed on over billed units – Rs. 749.31 million

According to the recommendations of the Sub-Committee of PAC in its report dated May 15, 2014, "the Government nominated members of BoD of Public Sector Companies should keep in mind the interest of Government and Company". 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 MEPCO, 249.77 million units amounting to Rs. 2,519.75 million were over billed to different categories of consumers to increase the revenue on one side and to decrease line losses on other. Later on, the overbilled amount of Rs. 2,519.75 million was withdrawn without crediting of 249.77 million overbilled units as per decision of BoD. Due to non-crediting of units, subsidy of an amount of Rs. 749.31 million, already claimed from Government of Pakistan, was unduly retained and not refunded back resulting in loss to public exchequer.

Non-adherence to the instructions of PAC and PEPCO resulted in loss of Rs. 749.31 million to public exchequer on account of subsidy claimed on over billed units during Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in November, 2017. The management replied that the verification of statistics regarding GoP subsidy was under process.

The DAC in its meeting held on January 15-17, 2018 directed the management to furnish 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 implement DAC's directives besides fixing responsibility.

(DP No.717/2017-18)

14.3.3 Mis-procurement of 100 KVA transformers due to cartelization of bidders – Rs. 398.27 million

According to Para-3 (2) of The Competition Act-2010, "An abuse of dominant position shall be deemed to have been brought about, maintained or continued if it consists of practices which prevent, restrict, reduce, or distort competition in the relevant market". As per Rule-2 (f), Definitions, of Public Procurement Rules-2004, "corrupt and fraudulent practices" includes collusive practices among bidders (prior to or after bid submission) designed to establish bid prices at artificial, non-competitive levels and to deprive the procuring agencies of the benefits of free and open competition".

In MEPCO, Multan a tender No.48 for supply of 1500 Nos. 100 KVA distribution transformer having split up into three (03) Lots each for 500 transformers was opened on November 24, 2016. Two manufacturers had participated, M/s Transfo Power had quoted the rates for Lot-I & III and M/s Hammad Engg offered a price for Lot-II. Astonishingly, both the competitors had quoted the same rate of Rs. 265,510/Transformer with same ratio of copper & iron losses even without any fractional change, which was clearly evident of their collusive practice / cartelization to distort open competition, for which no action was taken by the management. Accordingly, three purchase orders amounting to Rs. 398.27 million were placed upon the said firms. Had the tender not been split up into lots, the manufacturers could not have taken the advantage of their dominant position by offering collusive rates.

Non-adherence to the Competition Act-2010 and Public Procurement Rules-2004 resulted in mis-procurement of 100 KVA transformers amounting to Rs. 398.27 million due to collusive practice / cartelization of bidders during the Financial Year 2016-17.

The matter was taken up with the management on September, 2017 and reported to the Ministry in November, 2017. The management replied that the tender rates on TOC basis was at par with previous purchase rate of MEPCO and FESCO whereas on lower side as compared with other DISCOs.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide rate analysis with documentary evidence within 15 days. 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 No.900/2017-18)

14.3.4 Irregular procurement by increasing tender quantity in violation of PPRA Rules – Rs. 331.99 million

According to Rule-42 (c) (iv) of Public Procurement Rules-2004, repeat order must not exceed fifteen (15) per cent of the original procurement".

In MEPCO, eight (08) letters of intents / Purchase orders for supply of electrical material valuing Rs. 331.99 million were issued to different suppliers by increasing 50% tender quantity. Since, PPRA Rules clearly disallowed increase more than 15% in tender quantity, hence the procurement was irregular.

Non-adherence to Public Procurement Rules-2004 resulted in irregular procurement of distribution material amounting to Rs. 331.99 million by increasing 50% tender quantity during the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in November, 2017. The management replied that PPRA had forbidden increase / decrease even the tender quantities up to 15% and MEPCO had stopped increasing / decreasing the tender quantities up to 50%.

The DAC in its meeting held on January 15-17, 2018 directed the management to furnish revised reply justifying the increase in tender quantities up to 50% in violation of PPRA clarification. 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 No.901/2017-18)

14.3.5 Loss of revenue due to overbilling by CPPA - Rs. 321.79 million

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

In MEPCO, comparative statement of reading billed by CPPA(G) and reading as per MEPCO record revealed that 29.09 million KWH units and 0.63 million KW load amounting to Rs. 321.79 million was overbilled by the CPPA(G) to MEPCO which resulted into loss to the Company. No investigation was made to reconcile this difference and fix the responsibility of loss.

Non-adherence to the Authority's instructions resulted in loss of Rs. 321.79 million due to overbilling by CPPA(G) during the financial year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in November, 2017. The management replied that the difference of KWH had been reconciled with CPPA and became nil. As regard MDI difference, a debit of 106,997 KW had been charged to MEPCO according to framed formula for all DISCOs.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record in support of reply within 15 days. 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 No.724/2017-18)

14.3.6 Non-recovery of loss from defaulted firm - Rs. 182.89 million

According to Clauses-26 (A)(i), Failure and Termination, of bidding documents, "if you (manufacturer/supplier) fail to deliver the stores or any consignment thereof within specified delivery period, the purchaser shall be entitled at his option either:- iii to cancel procurement at your risk and cost in the event of action being taken under clause (ii) or (iii) above, you shall be liable for any loss which the purchaser may suffer on the account, but you shall not be entitled to any gain on repurchase made against the supply order".

In MEPCO, twenty (20) purchase orders for supply of ACSR Osprey, Dog, Rabbit & AAC Ant Conductors valuing Rs. 1,580.25 million were awarded to M/s Steel Complex. After issuance of LOI, the said firm could not provide the performance bonds and the bid money of the supplier amounting to Rs. 31.61 million was forfeited. Since, the said firm had breached the tender conditions and caused considerable financial loss to the Company in terms of increased rates as well as hampering operational activities, hence risk & cost amounting to Rs. 182.89 million was also required to be recovered besides blacklisting the said firm, which was not done.

Non-adherence to the Bidding Conditions resulted in non-recovery of risk & cost amounting to Rs. 182.89 million from the defaulted firm during the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in November, 2017. The management replied that the matter was subjudice in court of law.

The DAC in its meeting held on January 15-17, 2018 directed the management to pursue the court case vigorously. 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 No.761/2017-18)

14.3.7 Non-renewal of expired bank guarantees of industrial consumers - Rs. 38.15 million

According to Clarification regarding updating security deposits issued by NEPRA dated April 14, 2011, the option for bank guarantees in lieu of security deposit shall be available to the industrial consumers under B-3 and B-4 categories only with a validity period of three years.

In MEPCO, five (05) industrial consumers had provided bank guarantees amounting to Rs. 38.15 million against security deposits. These bank guarantees were expired and were required to be renewed for another period of three years, which was not done.

Non-adherence to the NEPRA's instructions resulted in non-renewal of expired bank guarantees amounting to Rs. 38.15 million of the industrial consumers up to the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in November, 2017. The management replied that two consumers had got renewed the banks guarantees and notices were issued to remaining three consumers.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce record of renewed bank guarantees within 15 days besides expediting renewal of remaining bank guarantees. 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 No.704/2017-18)

14.3.8 Undue favour due to construction of grid station for private housing scheme at the cost of MEPCO - Rs. 30.04 million

According to the decision of MEPCO's BoD in its 79th meeting held on February 28, 2012, an independent 11 kV feeder on cost deposit basis will be required for housing schemes and commercial buildings having ultimate load demand above 1000 kW.

In MEPCO, M/s Classic Builders & Developers of Cantt Canal View Phase - I, II, III had requested for partial external electrification of his new adjacent "Classic Villas" housing scheme with assessed load of 948 KW for 274.53 Kanals against the total approved lay out plan of 944.39 Kanals having ultimate load of 4,453 KW. As per procedure, the scheme was liable either to be electrified through independent 11 KV feeder by recovery of Rs. 44.17 million inclusive of grid sharing cost or by proposing new grid station at consumer's cost. Instead of proposing independent feeder or the consumer grid station, the management had decided to construct his own grid station solely for the said developer only for his meager assessed / partial load of 948 KW by issuing demand notice of Rs. 14.13 million and even to cater for his future ultimate load demand of 4453 KV & above. The BoD had approved this extraordinary arrangement of partial electrification on assessed load, which was undue favour to the said builder by saving him bearing cost of Rs. 30.04 million (Rs. 44.17 million – Rs. 14.13 million).

Violation of the PEPCO's instructions resulted in undue favour of Rs. 30.04 million due to construction of grid station for private housing scheme at the cost of MEPCO during the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in November, 2017. The management replied that the partial electrification of the housing scheme as well as construction of grid station by MEPCO was under review in upcoming BoD.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide BoD's decision justifying the partial electrification and provision of independent grid station at MEPCO's cost after obtaining only five (05) kanal piece of land in the light of the electrification policy. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides making the loss good.

(DP No.723/2017-18)

14.3.9 Loss of revenue due to irregular shifting of load of residential colony to the industrial connection - Rs. 23.14 million

According to NEPRA Schedule of Tariffs, Tariff-H is applicable for one point supply to residential colonies attached to the industrial supply consumers having their own distribution facilities.

In Operation Circle Muzaffargarh MEPCO, an industrial consumer namely M/s Fatima Sugar Mills, having sanctioned load of 620 kW under tariff B-3, had illegally extended / shifted the load of attached residential colony to the said industrial connection and unduly availing the benefits of low rate tariff since the installation of industry i.e. July 05, 1992. Hence, undue favour was extended to the said consumer as neither the departmental action / legal proceeding was carried out nor separate connection under tariff-H provided to the residential colony, which caused revenue loss of Rs. 23.14 million to the Company.

Violation of tariff conditions resulted in revenue loss of Rs. 23.14 million due to irregular shifting of load of residential colony to the industrial connection up to the Financial Year 2016-17.

The matter was taken up with the management in February, 2016 and reported to the Ministry in March, 2017. The management replied that an inquiry committee had been constituted and its findings were awaited.

The DAC in its meeting held on January 15-17, 2018 directed the management to finalize inquiry proceedings expeditiously. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides making the loss good.

(DP No.01/2017-18)

14.3.10 Irregular expenditure on outsourcing of bill distribution – Rs. 13.80 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.

In Operation Circle MEPCO Khanewal, a contract agreement for distribution of electricity bills was signed between MEPCO and M/S Raza Courier Services on July 12, 2013 @ Rs. 2.81 per bill. The original contract agreement was expired in July, 2016. Instead of awarding new contract through open competitive bidding, the management renewed the contract amounting to Rs. 13.80 million for another period of three years which was not justified.

Non-adherence to PPRA rules resulted in irregular expenditure of Rs. 13.80 million on outsourcing of bill distribution during the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in November, 2017. The management replied that there was no loss to the Company as the extension in contract was made at the same rate of Rs. 2.81 per bill.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide rate analysis to Audit for verification within 15 days. 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 No.558/2017-18)

14.3.11 Undue generation of revenue due to wrong application of tariff - Rs. 3.30 million

According to NEPRA Conditions of Supply of power, Tariff-A-1 (residential & general services) was applicable for supply to the government and semi-government offices and institutions.

In Operation Circle MEPCO Multan, fourteen (14) connections of government departments, Bar Associations & charity organization were running under commercial tariff instead of domestic tariff as required under the rules. Due to wrong application of tariff, an amount of Rs. 3.30 million on account of fixed charges was excess recovered causing loss to the public exchequer as well as private consumers.

Non-adherence to NEPRA's tariff conditions resulted in undue generation of revenue of Rs. 3.30 million due to wrong application of tariff during the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in October, 2017. The management replied that the load would be regularized after issuing notices to the consumers as per SOP.

The DAC in its meeting held on January 15-17, 2018 directed the management to expedite application of correct tariff and adjustments as per SOP. 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 No.508/2017-18)

14.3.12 Non-recovery of penal profit from Allied Bank Limited - Rs. 2.64 million

According to Clause-5.1 of agreement for electricity bill collection between MEPCO and Allied Bank Limited, "payment made by the consumers will be credited to this collection account and balance appearing in the collection account at the close of business every day, will be transferred to the main collection account at the designated branch of bank, where MEPCO Main Revenue Collection Account is being maintained. Delayed transfer will attract mark up at six month's KIBOR rate + 2%."

In MEPCO, an amount of Rs. 2.64 million was recoverable from ABL, Multan on account of penal profit for delayed transfer of funds in MEPCO's collection account during January, February and June, 2017. No efforts were made towards recovery of this amount from the concerned bank.

Non-adherence to provisions of agreement resulted in non-recovery of penal profit amounting to Rs. 2.64 million from ABL during the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in November, 2017. The management replied that the matter was being pursued with the bank authorities.

The DAC in its meeting held on January 15-17, 2018 directed the management to expedite the matter with bank for recovery of penal profit. 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 No.716/2017-18)

CHAPTER-15

PESHAWAR ELECTRIC SUPPLY COMPANY (PESCO)

15. PESHAWAR ELECTRIC SUPPLY COMPANY (PESCO)

15.1 Introduction

Peshawar Electric Supply Company (PESCO) is a subsidiary of WAPDA and started its operations as a Public Limited Company, registered under Companies Ordinance-1984 in May, 1998. The Company has obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The Company purchases electricity from NTDC. The Company was selling electricity to whole area of Khyber Pakhtunkhwa (KPK). However, the business of FATA circle, which consists of tribal areas of KPK, was transferred to Tribal Areas Electric Supply Company Limited (TESCO). PESCO receives supply from NTDC on 220 KV Grid Stations at Daud Khel, Domail, Mardan and 500 KVA Grid Station at Tarbela and Peshawar. It also receives supply from Warsak Power House, Kot Addu Power House, Dargai Power House, Jagran Power House, AJK Chashma nuclear power plant, Kurram garhi power house.

The jurisdiction of PESCO includes six Operation Circles, one Project Construction Circle, one Grid System Construction Circle and one Grid System Operation circle.

15.2 Comments on Financial Statements

Extracts of the Financial Statements

Balance sheet as on June 30, 2017

(Rs. in millions)

Equity and Liabilities	2016-17	%	2015-16	%	2014-15
Share capital and reserves					
Issued, subscribed and paid up capital	0.010	-	0.010	-	0.010
Accumulated profit(loss)	(177,101.619)	12.28	(157,729.682)	10.23	(143,088.366)
	(177,101.609)	12.28	(157,729.672)	10.23	(143,088.356)
Deposits for the issuance of shares	18,082.026	-	18,082.026	-	18,082.026
Non-current liabilities					
Long term loan - Secured	9,999.557	(24.29)	13,207.030	(39.92)	21,983.751
Staff retirement benefits	41,996.821	3.60	40,536.873	32.66	30,556.918
Liabilities against Government investments	82,145.411	-	82,145.411	-	82,145.411
Deferred credit	26,190.077	21.44	21,566.858	9.35	19,721.988
	160,331.866	1.83	157,456.172	1.97	154,408.068
Current liabilities					

Trade and other payables	210,792.557	18.94	177,227.702	10.37	160,575.439
Accrued Markup	10,564.982	29.56	8,154.273	72.55	4,725.747
Provision for taxation	827.561	100.00	-	-	-
Current maturity of long term loans	34,375.190	12.79	30,476.418	47.95	20,599.678
	256,560.290	18.86	215,858.393	16.11	185,900.864
Total Liabilities and Capital	**257,872.573**	**10.36**	**233,666.919**	**8.53**	**215,302.602**
Assets					
Non-current assets					
Property, plant and equipment	59,240.519	11.42	53,167.079	11.80	47,554.120
Long term loans - considered good	26.296	(45.04)	47.849	(46.55)	89.514
	59,266.815	11.37	53,214.928	11.69	47,643.634
Current assets					
Stores, Spares and loose tools	3,519.064	(43.60)	6,239.363	75.56	3,554.058
Trade debts	52,710.999	12.08	47,029.886	11.68	42,110.094
Loans and advances - Considered good	934.844	62.04	576.931	213.15	184.236
Receivable from GoP (Ministry of Finance)	57,641.970	15.65	49,842.175	(1.25)	50,470.849
Other receivables	80,109.186	6.09	75,509.100	6.28	71,048.098
Cash and bank balances	3,689.694	194.11	1,254.535	330.18	291.631
	198,605.757	10.06	180,451.990	7.63	167,658.966
Total Assets	**257,872.572**	**10.36**	**233,666.918**	**8.53**	**215,302.600**

Profit and Loss Account
For the year ended June 30, 2017

(Rs. in millions)

	2016-17	%	**2015-16**	%	**2014-15**
Revenue					
Sale of Electricity	78,471.841	7.07	73,292.494	(11.58)	82,889.111
Subsidy from GoP on Sale of Electricity	31,664.233	13.36	27,932.355	(5.03)	29,411.123
	110,136.074	8.80	101,224.849	(9.86)	112,300.234
Rental and Service Income	43.973	2.97	42.703		45.910
Operating Cost	(131,794.503)	15.04	(114,562.798)	(10.23)	(127,620.383)
Gross profit/(Loss)	**(21,614.456)**	62.57	**(13,295.246)**	(12.96)	**(15,274.239)**
Amortization of deferred credit	1,290.770	19.11	1,083.660	13.17	957.579
	(20,323.686)	66.43	(12,211.586)	(14.70)	(14,316.660)
Financial Income/Expenses – Net	(2,460.987)	(22.18)	(3,162.570)	(29.27)	(4,471.553)
Other income	4,240.297	13.70	3,729.361	1.28	3,682.185
Operating profit/(loss)	**(18,544.376)**	59.25	**(11,644.795)**	(22.91)	**(15,106.028)**
Taxation	(827.561)	100.00	-	-	-
Net Profit/(loss) for the year	**(19,371.937)**	66.36	**(11,644.795)**	(22.91)	**(15,106.028)**

15.2.2 Comments on Audited Accounts

i) Accounts Recoverable - Government of Azad Jammu and Kashmir (Goajk)

The Company was unable to recover receivables from Government of Azad Jammu and Kashmir (GoAJK) amounting to Rs. 16,521 million for current and prior years. The company should have recovered impairment against receivable balance of Rs. 13,749 million from the Go AJK up to 30 June, 2016 and should have reversed the receivable balance of Rs. 2,772 million recognized during the year against sale of electricity to GoAJK. If the aforementioned impairment had been recovered, sale of electricity would have been reduced by Rs. 2,772 million and net loss for the current year would have increased by 2,772 million, whereas accumulated loss would have increased by Rs. 16,521 million with a corresponding deduction in receivable balance by Rs. 16,521 million at the balance sheet date. The management maintains that GoAJK currently charges Rs. 12.20 per unit as determined by Government of Pakistan (GoP). However, GoAJK currently settles its dues at Rs. 2.59 per unit which is in accordance with the tariff that has been determined by the sub-committee constituted at the time of presentation given to Chief Executive of Pakistan in September 2002. However, PESCO management is of the view that the amount is most likely recoverable and as the case is under consideration at Federal Government level; therefore sale of electricity could not be reduced by said amount.

ii) Non-recognition of Supplemental Charges

The company has not recognized supplemental charges of Rs. 30,570 million from the year 2010 to 2016 and Rs. 2,340 million in current year in its book of accounts. These are charged by Central Power Purchase Agency (CPPA). The accumulated loss and payable to CPPA would have increased by Rs. 32,910 million at the balance sheet date, had these supplemental charges been accounted for in these financial statements. However, management is of the view that these charges are not related to PESCO and are delayed payment charges for Power Producers, which is the liability of CPPA. Accordingly, these expenses are not accounted for in these financial statements by the management.

15.2.3 Profitability

Financial Statements shows the company has suffered a net loss of Rs. 19,372 million for the year ended June 30, 2017 and at that date, the accumulated losses were Rs. 177,102 million. Similarly, the current liabilities exceed the current assets by Rs. 57,954 million as at the balance sheet date. However, the financial statements have been prepared on going concern basis as the company has managed to continue its operations due to continuous support from GoP and WAPDA. The support is likely to be continued in future and therefore these financial statements have not been adjusted under the "Going Concern Assumption".

15.2.4 Accounts Receivable - to TESCO

Financial Statements shows Rs. 33,314 million (2016: Rs. 31,416 million) as recoverable from TESCO. However, the management believes that since TESCO is a Government entity there is no likelihood of default by TESCO in paying its dues and is confident of recovering the debts.

15.2.5 Recommendations

It is recommended in light of above mentioned details, company should recover recoverable amount from Govt. of AJK and TESCO for the financial stability of the Company. In this regard strenuous and sincere efforts be made.

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 refurbish its organizational structure and address operational issues to maintain and increase profitability.

15.3 AUDIT PARAS

15.3.1 Irregular utilization of consumers' security deposits – Rs. 3,016.07 million

According to Para-14.14, of Tariff Petition approved by NEPRA for the financial year 2015-16, "the Authority considers that the amount collected as security deposit cannot be utilized for any other reason and any profit earned thereon has to be distributed to the consumers."

In PESCO, consumers' security deposits amount of Rs. 3,016.07 million was utilized by the Company in violation of NEPRA's instructions which was irregular.

Non-adherence to the instructions of NEPRA resulted in irregular utilization of consumers' security deposits of Rs. 3,016.07 million up to the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in December, 2017. The management replied that the funds were transferred as per directions of PEPCO.

The DAC in its meeting held on January 15-17, 2018 directed the management to furnish revised reply to Audit within 15 days. No reply was furnished till finalization of report

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

(DP No.1640/2017-18)

15.3.2 Non-reconciliation of difference in security deposits – Rs. 1,501.41 million

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

In PESCO, a difference of Rs. 1,501.41 million was found in the balances of consumers' security deposit between balance sheet and CP-41 of the Company. The difference was required to be reconciled, which was not done.

Non-adherence to IAS resulted in non-reconciliation of difference in consumers' security deposits to the tune of Rs. 1,501.41 million up to the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in November, 2017. The management replied that the difference had since been reduced as a result of reconciliation up to January, 2018.

The DAC in its meeting held on January 15-17, 2018 directed the management to expedite the reconciliation and produce relevant record 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 besides fixing responsibility.

(DP No.1059/2017-18)

15.3.3 Unjustified adjustments in collection and remittance of electricity bills - Rs. 1,490.38 million

According to Financial & Accounting Policies and Procedures Manual of PESCO, "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 PESCO, an amount of Rs. 1,490.38 million was adjusted / eliminated from the collection and remittances of electricity bills through debit adjustments of Rs. 711.81 million and credit adjustments of Rs. 778.58 million. These adjustments were made wrongly just to keep the balances same as per CP-48 and CP-104 without any justification, hence, chances of bogus scrolling could not be ruled out.

Non-adherence to Financial & Accounting Policies and Procedures Manual resulted in unjustified adjustments of Rs. 1,490.38 million in collection and remittance of electricity bills during the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in December, 2017. The management replied that adjustments were carrying out due to wrong branch coding, wrong posting by computer centers etc.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide reconciliation of six (6) ROs of the city for verification within 15 days. 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 No.1571/2017-18)

15.3.4 Loss due to shortage of material at sites - Rs. 41.23 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, as per physical inspection reports of fifty one (51) completed works, electrical material worth Rs. 41.23 million was found short installed at sites. Neither material was got returned nor cost of short material was recovered from concerned officials.

Non-adherence to Authority's instructions resulted in loss of Rs. 41.23 million due to shortage of material at sites during the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in November, 2017. The management replied that the material was short installed due to right of way or any other reasons. Every work would be checked and factual position would be got verified from Audit.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide the relevant record in support of reply for verification within 15 days. 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 No.908/2017-18)

15.3.5 Non-obtaining of bank guarantees from the Contractors – Rs. 26.57 million

As per contract / work orders issued to the Contractors, the Contractor were required to submit 10% bank guarantee of the contract cost from any scheduled bank of Pakistan.

In GSC Circle PESCO, fifteen (15) contracts valuing Rs. 265.76 million were awarded to different Contractors. The Contractors were liable to pay 10% bank guarantee amounting to Rs. 26.57 million but the same was not obtained from the Contractors.

Non-adherence to contract provisions resulted in non-obtaining of bank guarantees of Rs. 26.57 million from the Contractors up to the financial year 2016-17.

The matter was taken up with the management in July, 2017 and reported to the Ministry in November, 2017. The management replied that insurance guarantees were obtained in 15 cases.

The DAC in its meeting held on January 15-17, 2018 directed the management to investigate the matter for fixing responsibility for non-obtaining of bank guarantee as per rules. 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 No.1158/2017-18)

15.3.6 Less remittances against collection of revenue – Rs. 24.11 million

According to Para-5.2.3.1 of Accounting Policies and Procedures Manual, "the Principal Accounting Officers of those entities responsible for administering revenue collection must ensure that all sums due to the Government are promptly realized banked and credited to the Consolidated Fund".

In PESCO, an amount of Rs. 85,492.44 million was collected by various financial institutions i.e. Banks, Post Offices etc. but against this an amount of Rs. 85,468.33 million was remitted in to the Company's account. Hence, an amount of Rs. 24.11 million was less remitted to PESCO's accounts for which no action was taken.

Non-adherence to Accounting Policies and Procedure Manual resulted in less remittances of revenue to tune of Rs. 24.11 million against collection of revenue during the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in December, 2017. The management replied that due to having more than 1500 branches, reconciliation would be made and record would be provided.

The DAC in its meeting held on January 15-17, 2018 conveyed its displeasure for giving irrelevant reply and directed the management to provide the reconciliation statement for verification within 15 days. 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 No.1711/2017-18)

15.3.7 Non-recovery of energy charges due to non-implementation of court orders – Rs. 17.47 million

Under decision of the Supreme Court of Pakistan dated April 16, 2015, PESCO was declared entitled to recover the outstanding dues from the respondents in accordance with law. Moreover, if the existing energy connection is used by the new management for any other purpose, a fresh application for connection and sanction of load will be made to the Petitioners which will be scrutinized and disposed of in accordance with law.

In PESCO, an amount of Rs. 17.47 million was outstanding against Flying Craft Paper Mills Charsadda. Now a Steel Mill had been installed on the same premises. But contrary to above decision of Apex Court, the new connection was energized without recovering outstanding dues of Rs. 17.47 million which was irregular.

Non-implementation of Court decision resulted in non-recovery of energy charges amounting to Rs. 17.47 million from consumer during the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in November, 2017. The management replied that the case was subjudice in Peshawar High Court.

The DAC in its meeting held on January 15-17, 2018 directed the management to pursue the court case vigorously. 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 No.907/2017-18)

15.3.8 Loss due to illegal retention of transformers in private premises – Rs. 6.35 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 Operation Circle PESCO Bannu, twenty one (21) distribution transformers of different capacities valuing Rs. 6.35 million were found lying in the premises of a marble factory. The concerned XEN requested the Police to investigate the matter and lodge FIR against the responsible. No administrative / legal action was taken against the responsible for making good the loss.

Non-adherence to the Authority’s instructions resulted in loss of Rs. 6.35 million due to illegal retention of transformers in private premises up to the Financial Year 2016-17.

The matter was taken up with management in September, 2017 and reported to the Ministry in November, 2017. The management replied that an inquiry committee was constituted to probe into the matter.

The DAC in its meeting held on January 15-17, 2018 directed the management to expedite the proceedings and submit its report within 15 days. 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 No.847/2017-18)

15.3.9 Loss due to confiscation of conductor by Police – Rs. 1.27 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), “all losses whether of public money or of stores, shall be 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 PESCO Peshawar, LT conductor valuing Rs. 1.27 million was confiscated by the Tarnol Police. The Deputy Director (S&I) PESCO was nominated as inquiry officer on February 27, 2017 to ascertain the ownership and fix responsibility but no action was taken so far.

Non-adherence to Authority’s instructions resulted in loss of Rs. 1.27 million due to confiscation of conductor by Police during the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in December, 2017. The management replied that inquiry was under process.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide the findings of the Inquiry Committee within 15 days for examination in Audit. 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 No.1588/2017-18)

15.3.10 Unjustified payment on account of hard area allowance - Rs. 1.11 million

According to office memorandum of Finance Division dated June 26, 1999, revision of Pay Scales / Salaries / Allowances in Corporations, Autonomous / Semi Autonomous bodies will require clearance from the Finance Division to ensure a rational basis and a degree of uniformity in such revision.

In the office of Chief Engineer (Development) PMU PESCO, an amount Rs. 1.11 million was paid to the staff on account of hard area allowance. The hard area allowance was granted without clearance of Finance Division, Government of Pakistan.

Non-adherence to instructions of Finance Division resulted in unjustified payment of Rs. 1.11 million on account of hard area allowance during the Financial Year 2016-17.

The matter was taken up with the management in July, 2017 and reported to the Ministry in December, 2017. The management replied that said allowance was allowed as per sanction issued by D.G (HR) PESCO.

The DAC in its meeting held on January 15-17, 2018 directed the management to submit revised reply along with approval of BoD and Finance Division for verification within 15 days. No reply was furnished till finalization of report.

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

(DP No.1570/2017-18)

CHAPTER-16

QUETTA ELECTRIC SUPPLY COMPANY (QESCO)

16. QUETTA ELECTRIC SUPPLY COMPANY (QESCO)

16.1 Introduction

Quetta Electric Supply Company (QESCO) is a subsidiary of PEPCO. The Company started its operation as a Public Limited Company registered under Companies Ordinance, 1984 during July, 1998. The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA through NTDC system and sells it to various consumers of Balochistan Province.

The operational activities are performed through six (06) Operation Circles and Grid System Construction, Project Construction & Grid System Operation Circles.

16.2 Comments on 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 QESCO, the balance sheet and profit & loss account of the Company could not be finalized by the management up till December 31, 2017.

16.3 AUDIT PARAS

16.3.1 Loss due to theft of energy through illegal tube-well connections – Rs. 2,928.01 million

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

In Operation Circle Khuzdar QESCO, an amount of Rs. 2,522.64 million was pending for realization from 2,130 illegal tube well connections utilizing electricity directly. Moreover, capital cost and security amounting to Rs. 405.37 million could not be recovered from them, which was also a loss to the Company.

Non-adherence to Authority's instructions resulted in loss of Rs. 2,928.01 million due to theft of energy through illegal tube-well connections up to the financial year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in October, 2017. The management replied that the efforts were being made to bring all the connections to billing cycle.

The DAC in its meeting held on January 15-17, 2018 directed the management to expedite the efforts and provide progress of efforts for verification within 15 days. 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 No.489/2017-18)

16.3.2 Non-recovery of late payment surcharge from Provincial Government - Rs. 687 million

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

In QESCO, late payment surcharges of Rs. 687 million were required to be recovered from Provincial Government which was not done.

Non-adherence to Commercial Procedure resulted in non-recovery of Rs. 687 million on account of late payment surcharge from Provincial Government up to the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in November, 2017. The management replied that the matter for recovery of late payment surcharge was under pursuance with competent authority. The fate of the recovery would be intimated to Audit.

The DAC in its meeting held on January 15-17, 2018 directed the management to expedite the recovery pointed out by Audit and submit record for its verification within 15 days. 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 No.930/2017-18)

16.3.3 Non-recovery of 25% claims for at source deduction of provincial power sector payables from Finance Division - Rs. 620.69 million

As per decision of Council of Common Interests (CCI) in case No.CCI.8/1/2014 dated February 10, 2014, at source deduction @ 25% of fresh/new electricity bills is to be made from provincial government w.e.f. 1st July, 2014. The reconciliation of the bills between concerned DISCO and relevant Government departments within a period of 60 days is mandatory. Thereby next deduction will not take place until the reconciliation is done.

In QESCO, an amount of Rs. 620.69 million on account of 25% at source deduction of current billing of Provincial Government was recoverable from Finance Division, which was not recovered.

Non-adherence to Government's Instructions resulted in non-recovery of Rs. 620.69 million due to 25% claims for at source deduction up to the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in November, 2017. The management replied that efforts were being made to recover the amount. Audit would be informed as and when amount recovered.

The DAC in its meeting held on January 15-17, 2018 directed the management to expedite the recovery and provide recovery record to Audit for detailed verification. 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 No.751/2017-18)

16.3.4 Loss due to non-removal of illegal tube well connections - Rs. 187.38 million

According to Guidelines for Policy and Procedure on detection bills circulated vide letter dated October 26, 1999 wherein it is mentioned that whoever found to connect his installations, 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 Operation Circle Pishin QESCO, 835 illegal tube well connections running in the jurisdiction of this Circle were identified by the SDOs/LSs concerned. The illegal tube well connections were neither regularized nor material valuing Rs. 187.38 million was removed from sites. Moreover, no legal and departmental action was taken which caused a loss to the Company.

Non-adherence to Authority's instructions resulted in loss of Rs. 187.38 million due to non-removal of illegal tube well connections up to the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in October, 2017. The management replied that efforts were being made to bring all connections into billing cycle.

The DAC in its meeting held on January 15-17, 2018 directed the management to pursue the cases with the help of law enforcing agencies and as per policy in vogue. 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 No.327/2017-18)

16.3.5 Loss due to illegal shifting of connections by the consumer - Rs. 9.37 million

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

In QESCO, two (02) connections of M/s ZKB construction company were sanctioned during 2010-11. Due to delay in feeding of SCOs energy bills could not be recovered from the consumer and the consumer shifted the material to another site. The preliminary inquiry committee concluded that the Company sustained a loss of Rs. 9.37 million in the shape of detection charges and cost of missing / illegal shifted material which was not recovered from consumer.

Non-adherence to Commercial Procedure resulted in loss of Rs. 9.37 million due to illegal shifting of connections by the consumer up to the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in November, 2017. The management replied that an inquiry committee was constituted and its report was not finalized.

The DAC in its meeting held on January 15-17, 2018 directed the management to expedite the inquiry proceedings within 15 days. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC’s directives besides making the loss good.

(DP No.680/2017-18)

16.3.6 Loss to due to award of contract at higher rates in retendering - Rs. 7.56 million

According to Rule-4 of PPRA 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 QESCO, a tender for procurement of computer stationery and media items was opened on December 19, 2016 and M/s Arafat Computer offered lowest rates of Rs. 5.70 million. The tender was scrapped on the plea that the rates of 1st lowest bidder were untrue and non-practical / feasible and 2nd lowest bidder had no past experience. Later on, retendering was made in January, 2017 in which M/s Hatim Stationers (6th lowest in first tender) was awarded work order valuing Rs. 13.26 million. Hence, scraping of first tender without cogent reasons and retendering caused loss of Rs. 7.56 million to the Company.

Violation of PPRA rules resulted in loss of Rs. 7.56 million due to award of contract at higher rates in retendering during the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in November, 2017. The management replied that the retendering process was conducted on the recommendation of standing committee as the rates quoted were impracticable.

The DAC in its meeting held on January 15-17, 2018 directed the management to conduct inquiry for fixing responsibility and submit its report to Audit for examination within 15 days. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides making the loss good.

(DP No.696/2017-18)

16.3.7 Wasteful expenditure incurred on consultancy services - Rs. 5.38 million

According to Consultancy agreement signed on February 13, 2014 with M/s Power Planners International for study and evaluation of transmission and Distribution losses of QESCO, the expected scheduled completion date was 10 months from the inception date. As per Clause-7.3 of consultancy agreement, 30% payment will be made by client on the final approval from NEPRA (after satisfactory briefing by the consultant to NEPRA and subsequent approval).

In QESCO, a consultancy services agreement valuing Rs. 6.40 million was awarded to M/s Power Planners International to carry out study and evaluation of transmission and distribution losses on 132 KV and 11 KV feeders as per direction of NEPRA. The draft report and final report was required to be submitted to NEPRA by 28th February and 5th March, 2015 respectively. The consultant's final report submitted to NEPRA on January 22, 2016 was not considered by NEPRA and directed to re-conduct the study through third party. Neither the study was completed within the scheduled time nor deficiencies redressed by the Consultant. Hence, the expenditure of Rs. 5.38 million incurred so far was gone waste.

Non-adherence to consultancy agreement resulted in wasteful expenditure of Rs. 5.38 million incurred on consultancy services up to the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in November, 2017. The management replied that remaining amount of Rs. 1.02 million along with 10% security was withheld till approval of report from NEPRA.

The DAC in its meeting held on January 15-17, 2018 did not accept the management stance and directed to provide relevant record in support of reply within 15 days. 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 No.691/2017-18)

16.3.8 Irregular installation of material at site without allocation and drawl from store - Rs. 4.17 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 Construction Circle QESCO Quetta, eighty two (82) electrification works were completed and as per completion reports (A-90) prepared by the Consultants pointed out that the material valuing Rs. 4.17 million installed at the said works were neither allocated nor issued from store. Since the source of material was not identified hence, the installation of material was irregular.

Non-adherence to the Distribution Stores Manual resulted in irregular installation of material valuing Rs. 4.17 million at site without allocation and drawl from store up to the Financial Year 2016-17.

The matter was taken up with the management in August, 2016 and reported to the Ministry in March, 2017. The management replied that the works were completed by the utilization of material already drawn for other works.

The DAC in its meeting held on January 15-17, 2018 directed the management to conduct inquiry for fixing responsibility regarding utilization of material without proper allocation and submit its report to Audit for examination 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 No.03/2017-18)

16.3.9 Irregular award of work order and non-recovery of liquidated damages - Rs. 3.77 million

According to clause-40 of PPRA Rules 2004, "there shall be no negotiations with the bidder having submitted the lowest evaluated bid or with any other bidder. As per condition-4 of the work order, amount of liquidated damages on delayed completion would be calculated @ 0.02% per day subject to a maximum of ten (10) percent of the contract price.

In QESCO, a work order for construction of two (02) rooms for the office of the Deputy Chief Auditor was awarded to M/s M. Ahmad Khan Construction company at a cost of Rs. 3.43 million on December 31, 2014 to be completed in 365 days. The subject work order was awarded at 133% above BoQ rates by negotiating with the contractor which was irregular and unjustified. The contractor failed to complete the work within stipulated time, hence, liquidated damages amounting to Rs. 0.34 million was required to be recovered which was not done.

Non-adherence to rule resulted in irregular award of work and non-recovery of liquidated damages amounting to Rs. 3.77 million from contractor up to the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in November, 2017. The management replied that delay of completion was on the part of the Company so the recovery of LD from contractor was not possible.

The DAC in its meeting held on January 15-17, 2018 directed the management to conduct facts finding inquiry for fixing responsibility and submit its report to Audit for examination within 15 days. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides ensuring recovery of LD from the contractor.

(DP No.689/2017-18)

16.3.10 Non-deduction of income tax from Contractor's payment – Rs. 1.75 million

According to Sub Section (ii) under paragraph-3 of part-III (a) Finance Act, 2016 that income tax @ 7.5% was required to be deducted on contracts under section 153 (1) C of income tax ordinance.

In GSC Circle QESCO, a work order was awarded to M/s NPI for construction of 132 KV, Sui Dera Bugti transmission line. An amount of Rs. 23.376 million was paid to the Contractor but income tax amounting to Rs. 1.75 million was not deducted.

Non-adherence to Income Tax Ordinance resulted in non-deduction of income tax amounting to Rs. 1.75 million from the payments of Contractor up to the Financial Year 2016-17.

The matter was taken up with the management in July, 2017 and reported to the Ministry in November, 2017. The management replied that exemption certificate was issued by the Regional Taxation Officer Inland, Quetta.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide relevant record in support of reply within 15 days. 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 No.828/2017-18)

CHAPTER-17

SUKKUR ELECTRIC POWER COMPANY (SEPCO)

17. SUKKUR ELECTRIC POWER COMPANY (SEPCO)

17.1 Introduction

Sukkur Electric Power Company (SEPCO) is a subsidiary of PEPCO. The Company started its operation as a Public Limited Company during 2011 and registered under Companies Ordinance, 1984. The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA through NTDC system and sells it to various consumers of ten (10) Districts of Sindh Province.

The operational activities are performed through three Operation Circles and Grid System Construction, Project Construction & Grid System Operation Circles.

17.2 Comments on 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 SEPCO, the balance sheet and profit & loss account of the Company could not be finalized by the management up till December 31, 2017.

17.3 AUDIT PARAS

17.3.1 Loss due to fraudulent / fake appointments in SEPCO – Rs. 2.32 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 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 SEPCO, some officers / officials of the Company were found involved in fraudulent / fake appointments through issuance of letter of appointments with manipulated dispatch numbers. An expenditure of Rs. 2.32 million was incurred on account of pay and allowances of these fake employees which was not only loss to the Company but a criminal offence on the part of SEPCO employees. No administrative / legal action was taken to fix the responsibility of loss.

Non-adherence to Authority's instructions resulted in loss of Rs. 2.32 million due to fake appointment made by SEPCO employees during the Financial Year 2016-17.

The matter was taken up with the management in September, 2017 and reported to the Ministry in November, 2017. The management replied that the case was under investigation with FIA.

The DAC in its meeting held on January 15-17, 2018 directed the management to follow up the case vigorously. 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 No.788/2017-18)

17.3.2 Irregular award of contracts after approval of CEO instead from BoD – Rs. 947.31 million

According to Clause-5.2 of the Book of Financial Powers for DISCOs, the Chief Executive Officer was authorized to accept tenders for purchase of material / equipment up to Rs. 40 million in each case.

In PMU SEPCO Sukkur, ten (10) contracts valuing to Rs. 947.31 million were awarded to different Contractors after getting approval from CEO instead of seeking approval from BoD which was irregular.

Non-adherence to Book of Financial Powers resulted in irregular award of contracts amounting to Rs. 947.31 million during the Financial Year 2016-17.

The matter was taken up with the management in July, 2017 and reported to the Ministry in November, 2017. The management replied that approvals were accorded by CEO as per Book of Financial Power of NTDC.

The DAC in its meeting held on January 15-17, 2018 did not accept the stance of the management and directed to re-examine the policy after seeking guidelines from PEPCO. 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 No.1326/2017-18)

17.3.3 Non-obtaining of performance guarantees from successful bidders - Rs. 54.41 million

According to Clause 21.1 of the conditions of contract, "the successful bidder shall furnish to the Employer a Performance Security in the form and the amount stipulated in the Conditions of Contract within a period of fourteen (14) days after receipt of Letter of Acceptance.

In GSC Circle SEPCO Sukkur, work orders amounting to Rs. 544.11 million were awarded to different Contractors. The performance guarantees amounting to Rs. 54.41 million as required under the contract clause were not obtained from the contractors.

Non-adherence to contract clause resulted in non-obtaining of performance guarantees amounting to Rs. 54.41 million from successful bidders up to the Financial Year 2016-17.

The matter was taken up with the management in July, 2016 and reported to the Ministry in November, 2017. The management replied that amount was being deducted from the contractors' bills.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide record of successful completion of purchase orders and warned the management to be careful in future. 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 No.1327/2017-18)

17.3.4 Non-recovery of stamp duty from the Contractors – Rs. 4 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 to procure stores and material (twenty five paisas for every one hundred rupees or part thereof of the amount of the contract).

In PMU SEPCO Sukkur, eleven (11) contracts valuing Rs. 1,598.41 million for supply of electrical equipment etc. were awarded to different contractors. The stamp duty amounting to Rs. 4 million was required to be recovered from the Contractors which was not done.

Non-adherence to Stamp Duty Act resulted in non-recovery stamp duty amounting to Rs. 4 million from the Contractors up to the Financial Year 2016-17.

The matter was taken up with the management in July, 2017 and reported to the Ministry in December, 2017. The management replied that amount was not recoverable being Government organization.

The DAC in its meeting held on January 15-17, 2018 directed the management to re-examine the issue in the light of prevailing laws and submit revised reply within 15 days. No reply was furnished till finalization of report.

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

(DP No.1351/2017-18)

CHAPTER-18

TRIBAL AREAS ELECTRIC SUPPLY COMPANY (TESCO)

18. TRIBAL AREAS ELECTRIC SUPPLY COMPANY (TESCO)

18.1 Introduction

Tribal Areas Electric Supply Company (TESCO) is a subsidiary of PEPCO. The Company was incorporated on July 03, 2002 as a public limited company under the Companies Ordinance, 1984. The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA through NTDC system and sells it to the consumers of FATA.

The operational activities are performed through one Operation Circle, one Construction Division and one SS&TL Division.

18.2 Comments on 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 TESCO, the balance sheet and profit & loss account of the Company could not be finalized by the management up till December 31, 2017.

18.3 AUDIT PARAS

18.3.1 Irregular utilization consumers' security deposits - Rs. 169.23 million

According to Section-226 of the Companies Ordinance, 1984, "no Company, and no officer or agent of a Company, shall receive or utilize any money received as security or deposit, except in accordance with a contract in writing; and all moneys so far received shall be kept or deposited by the company or the officer or agent concerned, as the case may be, in a special account with a scheduled bank.

In TESCO, the security deposit amount appearing in MIS record was different with that of consumers' security cash book. This showed that the Company had utilized an amount of Rs. 169.23 million which was irregular.

Non-adherence to the provisions of Companies Ordinance resulted in irregular utilization of amount of consumers' security deposits Rs. 169.23 million up to the Financial Year 2016-17.

The matter was taken up with the management in October, 2017 and reported to the Ministry in December, 2017. The management replied that most of the amount pertained to PESCO before creation of TESCO.

The DAC in its meeting held on January 15-17, 2018 directed the management to refer the matter to PEPCO for resolution of issue between TESCO & PESCO. 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 No.1403/2017-18)

18.3.2 Non-recovery of security deposits from the industrial consumers – Rs. 30.47 million

According to Para-5.2(b) of the Consumer Service Manual approved by NEPRA, in case of extension of load, the amount of security shall be recovered to the extent of increment load.

In Operation FATA Circle TESCO, Peshawar, extension of load cases of eight (08) industrial consumers were sanctioned by the competent authority but instead of recovering full security deposit, the same was allowed to be recovered in installment without any rule. However, an amount of Rs. 30.47 million was still pending for recovery from the consumers. No efforts were made by the department towards recovery of remaining amount from the consumers.

Non-adherence to the Consumer Service Manual resulted in non-recovery of Rs. 30.47 million on account of security deposits from the consumers up to the Financial Year 2016-17.

The matter was taken up with the management in November, 2017 and reported to the Ministry in December, 2017. The management replied that in some cases amount had been recovered whereas in remaining cases, amount would be recovered in due course of time.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record of effected recovery for verification within 15 days and expedite the remaining recovery. 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 No.1584/2017-18)

18.3.3 Loss due to less installation of material at sites – Rs. 18.95 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 TESCO, as per physical sites verification report of thirty nine (39) works, electrical material comprising distribution transformers and HT / LT structures valuing Rs. 18.95 million was found short / less installed. No inquiry was conducted to fix the responsibility of loss.

Non-adherence to the Authority's instructions resulted in loss of Rs. 18.95 million due to less installation of material during the financial year 2016-17.

The matter was taken up with management in October, 2017 and reported to the Ministry in December, 2017. The management replied that inquiry was conducted and all the material was installed at site.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce copy of inquiry report along with accountal / completion reports of material for verification within 15 days. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides making the loss good.

(DP No.1359/2017-18)

CHAPTER-19

POWER INFORMATION TECHNOLOGY COMPANY (PITC)

19. POWER INFORMATION TECHNOLOGY COMPANY (PITC)

19.1 Introduction

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

19.2 Comments on 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 PITC, the balance sheet and profit & loss account of the Company could not be finalized by the management up till December 31, 2017.

19.3 AUDIT PARAS

19.3.1 Non-recovery of post retirement benefits amount from WAPDA - Rs. 707.64 million

As per NEPRA's decision dated October 08, 2015, "all cost of Ex-WAPDA retired employees up to June 30, 2014 would be borne by WAPDA. However, any further payment in this regard after June 30, 2014 would be paid by Ex-WAPDA, DISCOs, GENCOs and NTDC. WAPDA and Ex-WAPDA DISCOs, GENCOs and NTDC are directed to submit their tariff determinations accordingly. Consequently, Ministry of Water & Power directed NTDC, DISCOs and GENCOs to collect/receive pension files of said retired employees from WAPDA Director Pension. Raise claim to WAPDA Director Pension for payment of arrears/outstanding dues of said retired employees up to June 30, 2014 in order to implement above decision".

In PITC Lahore, post retirement benefits amounting to Rs. 707.64 million were required to be recovered from WAPDA as its share on account of pension contribution received from Ex-WAPDA employees which was not done.

Non-adherence to NEPRA's instruction resulted in non-recovery of Rs. 707.64 million on account of post retirement benefits from WAPDA up to the Financial Year 2016-17.

The matter was taken up with the management in April, 2017 and reported to the Ministry in September, 2017. The management replied that the matter for recovery of post retirement benefits had already been taken up with WAPDA.

The DAC in its meeting held on January 15-17, 2018 directed the management to expedite the recovery from WAPDA. 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 No.228/2017-18)

19.3.2 Non-recovery of Punjab Sales Tax from Public Sector Companies - Rs. 92.83 million

As per Rule-12(1) of Punjab Sales Tax on Services Act 2012, "A registered person shall: a) issue a proper sales tax invoice in respect of every taxable service provided to a withholding agent; b) file monthly return as prescribed in the relevant rules; c) subject to Rule-13, be entitled to adjust input tax against the output tax taking due credit of the sales tax deducted by the withholding agent or agents and deposited under the rules; and d) Ensure that he or it allows withholding of sales tax to only such of his service recipients as are withholding agents.

In PITC, an amount of Rs. 92.83 million on account of Provincial Sales Tax was not recovered from DISOCs due to non-amendment of software license agreement with clients.

Non-adherence to Punjab Sales Tax Act resulted in non-recovery of Rs. 92.83 million against Punjab Sales Tax from public sector companies up to the Financial Year 2016-17.

The matter was taken up with management in August, 2017 and reported to the Ministry in December, 2017. The management replied that the Company had recovered PST from the DISCOs of Punjab province whereas DISCOs of other provinces did not pay the PST as they fell outside the scope of PST.

The DAC in its meeting held on January 15-17, 2018 directed the management to seek clarification from appropriate forum and submit revised reply in concise form along with documentary evidence within 15 days. No reply was furnished till finalization of report.

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

(DP No.1388/2017-18)

19.3.3 Financial indiscipline due to breach of corporate governance rules - Rs. 39.48 million

According to Rule-3 (2) of Corporate Governance Rules 2013 "the Board shall have forty percent of its total members as independent directors within the first two years of this notification, which shall be raised to a majority of independent directors in the next two years, and the majority shall be maintained subsequently. The Public Sector Company shall disclose in the annual report Non-executive, Executive and Independent directors." Moreover, as per Rule-12 read with rule-21 & 22 of Corporate Governance Rules 2013, "The Board shall set up Audit Committee, Risk Management Committee, Human Resource Committee, Procurement Committee and Nomination Committee to support it in performing its functions efficiently, and for seeking assistance in the decision making process."

In PITC Lahore, BoD of the Company approved certain financial decisions/policies on the recommendations of Audit & Finance Committee since 2013. As the composition of BoD as 40% independent directors was not made as per corporate governance rules, hence, the financial impact of decisions of Rs. 39.48 million made by the BoD was considered financial indiscipline.

Non-adherence to Government rules resulted in financial indiscipline to the tune of Rs. 39.48 million up to the Financial Year 2016-17.

The matter was taken up with the management in April, 2017 and reported to the Ministry in November, 2017. The management replied that no violation of requirement of independent director was made as two directors had been serving as independent members.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide detailed list of BoD members for examination by 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 besides fixing responsibility.

(DP No.821/2017-18)

19.3.4 Unjustified purchase of vehicles under new transport policy - Rs. 20.07 million

As per Section-ii & iii of rules/policy for monetization of transport facility for Civil Servants (BS-20 to BS-22) issued by Cabinet Division (Govt. of Pakistan) letter No.6/7/2011-CPC dated 12th December 2011, monetization of the transport facility will be compulsory for all Civil Servants in BS-20 to 22 and only 800 CC to 1000 CC vehicles would be maintained for general duties and one 1300 CC vehicle will be maintained for protocol/operational duty by the entitled officers. According to Clause-8.2 of PITC Revised Transport Policy, the criteria for the purpose of sanctioning of vehicles under this transport policy was to provide vehicles/cars having engine capacity from 800 CC, 1000 CC and 1300 CC to officers of BPS-17 to BPS-20 respectively, and As per Section-X of WAPDA Book of Financial Power 2016 states in note 1(a) that the amount for which re-appropriation is required does not exceed the monetary limit for which a competent authority is otherwise empowered to accord administrative approval.

In PITC Lahore, administrative approval for the purchase of fifteen (15) vehicles (1000 CC to 1800 CC) valuing Rs. 20.07 million was accorded by CEO beyond financial power of Rs. 10 million. These vehicles were procured on quotation basis and only 60% of cost of the vehicles was to be borne by the officers of PITC and remaining 40% was to be borne by the PITC. The procurement and allocation of vehicles to officers of BPS-18 to BPS-20 under PITC policy was unjustified.

Non-adherence to rules resulted in unjustified purchase of vehicles valuing Rs. 20.07 million during Financial Year 2016-17.

The matter was taken with the management in April, 2017 and reported to the Ministry in September, 2017. The management replied that all the legal, administrative and financial aspects were analyzed at the time of preparation of PITC Transport Policy. Moreover, the BoD accorded approval for 1800 CC car subject to the condition that all the incremental cost beyond 1300 CC vehicle would be borne by the concerned officer.

The DAC in its meeting held on January 15-17, 2018 directed the management to justify the procurement of vehicles along with approval of BoD and recovery record of 60 % amount for verification within 15 days. Further progress was not reported till finalization of report.

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

(DP No.168/2017-18)

19.3.5 Unjustified payment of honoraria - Rs. 16.60 million

According to Rule-46 (b) and (c) of Fundamental Rules (FR), "honoraria can be paid for work performed which is occasional in character and either so laborious or of such special merit as to justify a special reward. The sanctioning authority shall record also the reasons which in his opinion justify the grant of the extra remuneration".

In PITC, an amount of Rs. 16.60 million was paid to employees on account of honoraria without any justification. The criteria of honoraria was not fulfilled hence, the payment was not justified.

Non-adherence to Government rules resulted in unjustified payment Rs. 16.60 million to honoraria to employees during the Financial Year 2016-17.

The matter was taken up with the management in August, 2017 and reported to the Ministry in December, 2017. The management replied that performance parameters had been complied in principle. KPIs of the officers and the appreciation of the Ministry substantiated the payment of honoraria.

The DAC in its meeting held on January 15-17, 2018 directed the management to furnish revised reply justifying grant of honoraria within 15 days.

Audit recommends that the management needs to implement DAC's directives besides ensuring recovery from the employees.

(DP No.1392/2017-18)

19.3.6 Loss due to delay in investment of trust funds - Rs. 10.89 million

As per clause-8(C) of Trust Deed (Pension Fund) of PITC, "the Board of Trustees shall invest the Trust Funds in profit/loss bearing deposit accounts, certificates or instruments of a bank or financial institutions as per the list maintained by PITC which is duly approved by the Board of Directors of PITC." Moreover, the BoD PITC in its meeting held on August 08, 2015 decided to earmark Rs. 200 million for establishment of Pension Fund.

In PITC Lahore, Trust Fund (pension funds) was got registered by PITC with initial fund of Rs. 150 million with effect from July 01, 2015. As per trust deed, the said amount was to be invested in long term securities but the account of the fund was opened in December 11, 2015 and no amount was invested since then which caused loss of Rs. 10.89 million.

Non-adherence to above instructions resulted in loss of Rs. 10.89 million due to delay in investment of trust (Pension Fund) up to the Financial Year 2016-17.

The matter was taken up with the management in April, 2017 and reported to the Ministry in September, 2017. The management replied that profit had also been earned on daily product basis, however, the funds had now been invested as TDR.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide the detail of investment of funds besides justifying the loss due to delay in investment. Further progress was not reported till finalization of the report.

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

(DP No.171/2017-18)

19.3.7 Unjustified payment of headquarter allowances to employees - Rs. 5.96 million

According to General Manager (HR) PEPCO letter dated July 28, 2010, head office allowance @ 20% of existing basic pay but not exceeding Rs. 6000 per month w.e.f. March 01, 2010 was granted to staff / officers of PEPCO head office and PEPCO Allied Power Wing offices already allocated to corporatized entities.

In PITC Lahore, an amount of Rs. 5.96 million was paid to the employees as head quarter allowance in contravention to above office order as PITC was not allied power wing office of PEPCO which was not justified.

Non-adherence to the above instructions resulted in unjustified payment of Rs. 5.96 million on account of headquarter allowance to PITC employees during the Financial Year 2016-17.

The matter was taken up with the management in April, 2017 and reported to the Ministry in September, 2017. The management replied that the head quarter allowance was allowed by the authority i.e. BoD.

The DAC in its meeting held on January 15-17, 2018 directed the management to get the approval of head quarter allowance from Finance Division (GoP). Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides ensuring recovery from the employees.

(DP No.218/2017-18)

19.3.8 Unjustified drawl of remuneration for meetings by the Company Secretary - Rs. 3.90 million

Ministry of Water & Power letters No.SPS/AS(P)/MOWP/15 dated 16.09.2015, No.GPI-1(1)/2012-pt dated 17.02.2016 and No.GPI-1(01)/2012 dated 04.10.2016 provide remuneration package @ Rs. 15,000, Rs. 25,000 and Rs. 35,000 respectively for the BoD members.

In PITC Lahore, remuneration of Rs. 3.90 million was drawn by the Company Secretary for attending BoD and its sub-committees' meetings in violation of the above instructions which was no justified.

Non-adherence to instructions of Ministry of Water & Power resulted in unjustified drawl of remuneration of Rs. 3.90 million for meetings by the Company Secretary up to the Financial Year 2016-17.

The matter was taken up with the management in April and August, 2017 and reported to the Ministry in September and December, 2017. The management replied that the company secretary had drawn the amount for payment of meeting fees to the BoD members for attending meetings.

The DAC in its meeting held on January 15-17, 2018 directed the management to produce record in support of reply 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 No.221 & 1394/2017-18)

19.3.9 Non-recovery of cost of vehicles from employees - Rs. 3.25 million

As per Rule-10.5 of PITC Revised Transport Policy, "the 40% share of the total amount i.e. 8% per year paid by PITC will be linked with annual performance of the employee. Clear cut goal and quantified KPIs will be given to each officer at the start of financial year which will facilitate the management to evaluate the performance of each officer at year end. If the performance of the officer is not satisfactory as per goals/KPIs of that year then 8% share of the company for that year will be recovered from employee in 12 equal installments in the following year. This practice will continue for five years. The departmental head of concerned employee will submit performance report quantifying each KPI with respect to his achievement to the transport committee which will give its recommendations on the basis of this appraisal to Chief Executive Officer for approval".

In the office of the Chief Executive Officer, PITC, Lahore, five (15) vehicles (1000 CC to 1800 CC) valuing Rs. 20.07 million were purchased and allocated to the officers of Grade-18 to Grade-22 in contravention to the above rule. The KPIs of each officer were neither quantified nor made available. In the absence of KPIs, the Company was required to recover an amount of Rs. 3.25 million from employees on account of 8% cost of vehicles per annuam which was not made.

Non-adherence to above rules resulted in non-recovery of Rs. 3.25 million from employees on account of 8% cost of vehicles per annum up to the Financial Year 2016-17.

The matter was taken up with the management in April and August, 2017 and reported to the Ministry in September and December, 2017. The management replied that performance of each officer was found in accordance with the parameters set out in the Key Performance Indicators (KPIs).

The DAC in its meeting held on January 15-17, 2018 directed the management to produce the record in support of reply within 15 days. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides ensuring recovery from the employees.

(DP No.169 & 1389/2017-18)

19.3.10 Irregular payment to Contractor - Rs. 3.25 million

According to Rule-42(c) of PPRA Rules-2004, A procuring agency shall only engage in direct contracting if the following conditions exist, namely:- i) the procurement concerns the acquisition of spare parts or supplementary services from original manufacturer or supplier provided that the same are not available from alternative sources; ii) only one manufacturer or supplier exists for the required procurement; and iii) the contract or contracts do not exceed three years in duration.

In PITC Lahore, an amount of Rs. 3.25 million was paid to M/s Jaffer Brothers (JBL) against maintenance agreement for server system and allied equipments. Initially the rate contract for maintenance of high range servers and peripherals was made on September 01, 2010 for a period of three years and lastly renewed on August 31, 2016 without open competitive bidding. Hence, the payment of Rs. 3.25 million made to M/s Jaffar Brother was irregular.

Non-adherence to PPRA Rules resulted in irregular/unjustified payment of Rs. 3.25 million to the contractor up to the Financial Year 2016-17.

The matter was taken up with the management in April and August, 2017 and reported to the Ministry in September and December, 2017. The management replied that the rate contract was for three years extendable for further one year and extension in contract was made after surveying maintenance rates, which were high as compared to JBL.

The DAC in its meeting held on January 15-17, 2018 directed the management to conduct fact finding inquiry within one month. 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 No.225 & 1387/2017-18)

19.3.11 Irregular expenditure pertaining to BoD members - Rs. 2.53 million

According to Rule-4(4) of Corporate Governance Rules (CGR) -2013, the Board shall elect its Chairman amongst the independent directors as to achieve an appropriate balance of power, increasing accountability, and improving the Board’s capacity for exercising independent judgment. According to definitions under Rule-2(1)(d) of CGR-2013, Independent Director means a Non-Executive Director who is not in the service of Pakistan or of any statutory body or anybody or institution owned or controlled by the Government and who is not connected or does not have any other relationship, whether pecuniary or otherwise, with the Public Sector Company, its associated companies, subsidiaries, holding company or directors.

In PITC Lahore, two (02) Directors and the Chairman, being company / government officials, were working as non-executive members in BoD. The directors were performing as BoD members since the incorporation / establishment of the Company i.e. 2010 whereas the post of Chairman was being held by PEPCO in violation of Corporate Governance Rules. Hence, decisions made by the board were invalid and the expenditure incurred / fee paid amounting to Rs. 2.53 million was irregular.

Non-adherence to the Corporate Governance Rules-2013 resulted in irregular expenditure amounting to Rs. 2.53 million pertaining to BoD members up to the financial year 2015-16.

The matter was taken up with the management in April, 2017 and reported to the Ministry in December, 2017. The management replied that the formation of PITC BoD was approved by PEPCO BoD Chaired by Secretary Ministry of Water and Power. The Chairman was nominated by the Government of Pakistan and said two directors had been elected twice in second and third AGM of Company under Companies Ordinance 1984. The reply was not acceptable as federally owned corporate entities were regulated by SECP through Corporate Governance Rules-2013.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide detailed list of BoD members for examination by Audit within 15 days.

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

(DP No.1741/2017-18)

19.3.12 Irregular purchase of software in violation of PPRA Rules - Rs. 1.17 million

As per Rule-15(2) of Public Procurement Rules 2004, "A procuring agency while engaging in pre-qualification may take into consideration the following factors, namely: a) relevant experience and past performance; b) capabilities with respect to personnel, equipment, and plant; c) financial position; d) appropriate managerial capability; and e) any other factor that a procuring agency may deem relevant, not inconsistent with these rules.

In PITC Lahore, software valuing Rs. 1.17 million were purchased from M/s eSys Pakistan (Pvt.) Limited by taking only single quotation in violation of

PPRA Rules. Moreover, the firm was not an authorized distributor of Microsoft in Pakistan and had no specific work experience.

Non-adherence to PPRA Rules resulted in irregular purchase of software valuing Rs. 1.17 million during the Financial Year 2016-17.

The matter was taken up with the management in April, 2017 and reported to the Ministry in September, 2017. The management replied that M/s eSys Pakistan being dealer of the Microsoft offered the lower rates as compared to local market rates offered by M/s ICL in open tendering.

The DAC in its meeting held on January 15-17, 2018 directed the management to furnish revised reply showing the detail of rates offered by M/s ICL along with documentary evidence within 15 days. No reply was furnished till finalization of report.

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

(DP No.219/2017-18)

19.3.13 Unjustified payment on account of additional charge allowance - Rs. 1.03 million

As per Rule-123 of Establishment Code, additional charge should be made as a temporary measure and should not ordinarily be made for a period of more than 6 months.

In PITC Lahore, additional charge allowance of Rs. 1.03 million was paid to different employees beyond six months. Finance Director (NTDC) was also performing the duties of Director Finance (PITC) and Senior B&AO of this Company was performing the duties of additional charge of Senior B&AO (PEPCO) more than six months which was not justified.

Non-adherence to Government rules resulted in unjustified payment of Rs. 1.03 million on account of additional charge allowance up to the Financial Year 2016-17.

The matter was taken up with the management in April and August, 2017 and reported to the Ministry in November, 2017. The management replied that additional charge had been allowed in the light of policy adopted from WAPDA on the direction of PEPCO.

The DAC in its meeting held on January 15-17, 2018 directed the management to furnish revised reply besides regularizing the matter from BoD. No reply was furnished till finalization of report.

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

(DP No.822 & 1396/2017-18)

CHAPTER-20

CENTRAL POWER PURCHASING AGENCY (CPPA)

20. CENTRAL POWER PURCHASING AGENCY (CPPA)

20.1 Introduction

Central Power Purchasing Agency (CPPA) is a Company incorporated under the Companies Ordinance, 1984 and wholly owned by the Government of Pakistan. The Company has assumed the business of National Transmission and Dispatch Company pertaining to the market operations and presently functioning as the Market Operator since June, 2015.

The Company is currently performing eight major functions segregated into six core and two support functions. The core functions include (i) billing and settlement (ii) power procurement on behalf of DISCOs, (iii) financing (iv) legal and corporate affairs (v) strategy and market development (vi) monitoring and coordination. The support functions include (vii) human resource management and (viii) information technology. The Company is also involved in treasury management and other relevant banking functions for the purposes of collection and disbursement as per the Commercial Code.

20.2 Comments on 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 CPPA, the balance sheet and profit & loss account of the Company could not be finalized by the management up till December 31, 2017.

20.3 AUDIT PARAS

20.3.1 Unjustified payment made to IPPs – Rs. 806,000 million

According to Clause-8.1 regarding initial settlement and billing procedures, "initially CPPA shall follow the same procedures for settlement and billing, as stated below followed by CPPA of NTDC, for a transition period not longer than two years. At the end of that period new procedures described in Clauses 8.2 to 8.8 shall come into effect".

In CPPA Islamabad, the management of the Company could not draft the settlement standard operating procedures up to January, 2017. Meanwhile, random payments of Rs. 806,000 million were made on the ground of pick & choose without maintaining economic order which were unjustified.

Non-adherence to the above instructions resulted in unjustified payment of Rs. 806,000 million made to the market participants up to the financial year 2016-17.

The matter was taken up with the management in April, 2017 and reported to the Ministry in September, 2017. The management replied that the matter was discussed by the stack holders in NEPRA who declared that all functions carried out by CPPA should be considered valid.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide NEPRAs instructions in support of reply to Audit for examination within 15 days. 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 No.149/2017-18)

20.3.2 Non-recovery of cost of sale of energy from DISCOs – Rs. 291,100 million

According to Schedule-I of Market Operations, "the operations and responsibilities to be performed and discharged by the market operator, shall include the following in accordance with the grid code and the commercial code:- (e) Collection from the DISCOs and settlement to the market participants as per the commercial code".

In CPPA Islamabad, an amount of Rs. 291,100 million on account of sale of energy was required to be recovered from DISCOs which was not recovered till date.

Non-adherence to Government rules resulted in non-recovery of cost of sale of energy amounting to Rs. 291,100 million from DISCOs up to the Financial Year 2016-17.

The matter was taken up with the management in January, 2017 and reported to the Ministry in September, 2017. The management replied that an amount of Rs. 161.70 billion was recovered during the financial year 2015-16.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide record relating to completed actions and expedite pending actions within 15 days. 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 No.245/2017-18)

20.3.3 Loss on account of interest paid on delayed payments to IPPs – Rs. 10,613 million

According to Section-9.6 (a) of Power Purchase Agreement (PPA), "the Power Purchaser shall pay the Company the amount shown on an invoice delivered less deductions for any disputed amounts or portions of amounts shown in the invoice, on or before the thirtieth (30^{th}) day following the day the invoice is received by the Power Purchaser. As per Section-9.6 (d), "late payments by either party of amounts due and payable under this agreement shall bear interest at a rate per annum equal to the Delayed Payment Rate".

In CPPA Islamabad, interest charges of Rs. 10,613 million were paid to various Independent Power Producers (IPPs) due to delayed payments which caused loss to the Company.

Poor financial management resulted in loss of Rs. 10,613 million on account of interest paid on delayed payments to IPPs up to the Financial Year 2016-17.

The matter was taken up with the management in April, 2017 and reported to the Ministry in September, 2017. The management replied that the matter was taken up with Ministry of Water and Power since, 2012 but the decision of the Ministry was still awaited.

The DAC in its meeting held on January 15-17, 2018 directed the management to pursue the matter with Ministry vigorously and conduct inquiry regarding expenditure on account of late payment charges within 15 days. 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 No.151/2017-18)

20.3.4 Non-recovery of liquidated damages from IPPs – Rs. 6,800 million

According to Section-9.4 of Power Purchase Agreement (PPAs) of IPPs of Power Policy 1994 regarding, "the Company shall pay to WAPDA monthly in arrears, as liquidated damages for: (a) Delay in Commissioning, (b) Forced Outages and Partial De-rating and (c) Non-achieving the operating level as required by WAPDA".

In CPPA Islamabad, liquidated damages of Rs. 6,800 million on account of short fall of energy were required to be recovered from IPPs which was not done.

Non-adherence to PPA clauses resulted in non-recovery of liquidated damages of Rs. 6,800 million from IPPs up to the Financial Year 2016-17.

The matter was taken up with the management in January, 2017 and reported to the Ministry in September, 2017. The management replied that an amount of Rs. 6,500 million had been recovered / reconciled while efforts were made to finalize the remaining recoverable amount.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide record relating to completed actions and expedite pending actions within 15 days. 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 No.240/2017-18)

20.3.5 Loss due to payment on account of "Non-Project Missed Volume" without receiving electricity - Rs. 130.95 million

According to Energy Purchase Agreements, "Non-Project Missed Volume or NPMV" is the volume of Net Delivered Energy not delivered by the complex which non-delivery is due to a Non-Project Event(s). As per NEPRA Grid code CC 4.2(b), the preliminary estimate for connection and registration fee, shall be determined and shall be payable on submission of application for connection, and shall cover the reasonable costs of all works 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 connection, and to make the connecting transmission system at par with the system before the connection.

In CPPA Islamabad, an amount of Rs. 130.95 million was paid to five (05) wind / solar power producers on account of NPMV. The said projects were ready to despatch the energy but the NTDC system was not capable enough to sustain full load of wind / solar energy. Hence, the payments of Rs. 130.95 million were made to the said IPPs without receiving a single unit of electricity which caused loss to the Company.

Operational mismanagement resulted in loss of Rs. 130.95 million due to payment on account of Non-Project Missed Volume without receiving electricity up to Financial Year 2016-17.

The matter was taken up with the management in January, 2017 and reported to the Ministry in December, 2017. The management replied that the observation was related to NTDC hence, the para may kindly be shifted to NTDC.

The DAC in its meeting held on January 15-17, 2018 directed the management to furnish final reply after consultation with NTDC within 15 days. No reply was furnished till finalization of report.

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

(DP No.1712/2017-18)

20.3.6 Irregular reimbursement of withholding tax – Rs. 46.86 million

According to Section-9.3 of PPA, "Subject to Section 9.6 (c), the Power Purchaser shall pay the Company, in accordance with the procedures specified in Section 9.6, any amount for the Pass-Through Item(s) evidenced in accordance with this Agreement and Schedule 1. Each invoice for the Pass-Through Item(s) delivered to the Power Purchaser in accordance with Section 9.5 shall be accompanied by the invoice(s) or payment receipts to the Company for which recovery from the Power Purchaser is being sought."

In CPPA Islamabad, an amount of Rs. 46.86 million was reimbursed to Orient Power Limited against the withholding tax on dividend at the rate of 7.5%. The payment of withholding tax was not accompanied with the invoices hence, reimbursement of withholding tax amounting to Rs. 48.86 million was irregular.

Non-adherence to PPA clauses resulted in irregular reimbursement of withholding tax amounting to Rs. 46.86 million up to the Financial Year 2016-17.

The matter was taken up with the management in January, 2017 and reported to the Ministry in September, 2017. The management replied that the issue was discussed with NEPRA who categorically clarified that these reimbursements were allowed as per rules and regulations.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide NEPRAs clarification to Audit for examination within 15 days. 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 No.244/2017-18)

20.3.7 Irregular payment on account of incentive package plan – Rs. 30.72 million

According to office memorandum of Finance Division dated June 26, 1999, revision of Pay Scales / Salaries / Allowances in Corporations, Autonomous / Semi Autonomous bodies will require clearance from the Finance Division to ensure a rational basis and a degree of uniformity in such revision.

In CPPA Islamabad, an amount of Rs. 30.72 million was paid to employees on account of different incentive package plans regarding re-appointment in CPPA without clearance from Finance Division, Government of Pakistan which was irregular.

Non-adherence to the Government rules resulted in irregular payment of Rs. 30.72 million on account of incentive package plan during the Financial Year 2016-17.

The matter was taken up with the management in January, 2017 and reported to the Ministry in September, 2017. The management replied that the appointment, remuneration and terms and conditions of employment were determined with the approval of the BoD.

The DAC in its meeting held on January 15-17, 2018 did not accept management's stance and directed to get concurrence of Finance Division as required under rules within 15 days. 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 No.246 & 267/2017-18)

20.3.8 Loss on account of incorrect payment for import of energy – Rs. 20 million

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

In CPPA Islamabad, total 249.18 million units were sent at Pakistan end by M/s Tavanir Iran (IPP) but receipt of 251.93 million units was verified by Management of WPPO which resulted in extra payment of Rs. 20 million for 2.75 million units causing loss to the Company.

Non-adherence to the above instructions resulted in loss of Rs. 20 million on account of import of energy up to the Financial Year 2016-17.

The matter was taken up with the management in April, 2017 and reported to the Ministry in September, 2017. The management stated that revised reply would be submitted in due course of time.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide the revised reply along with documentary evidence to Audit within 15 days. No reply was received till finalization of report.

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

(DP No.150/2017-18)

20.3.9 Irregular payment due to approval of pay packages without concurrence of Govt. - Rs. 18.66 million

According to office memorandum of Finance Division dated June 26, 1999, revision of Pay Scales / Salaries / Allowances in Corporations, Autonomous / Semi Autonomous bodies will require clearance from the Finance Division to ensure a rational basis and a degree of uniformity in such revision. According to Para (d) of Cabinet Secretariat, Establishment Division office memo dated January 10, 2015, the present system of recruitment to MP scales and Management Grade M1 to M3 or equivalent will continue in respect of Autonomous Bodies / Corporations / Companies / Authorities.

In CPPA Islamabad, pay packages ranging from Rs. 0.4 million to 1 million were approved for management grade positions by BoD without considering its equitability with Government Pay Scales. The clearance from

Finance Division was also not obtained hence, payment of Rs. 18.66 million on account of pay packages was irregular.

Non-adherence to the instructions of Finance and Establishment Divisions resulted in irregular payment of Rs. 18.66 million due to approval of pay packages without concurrence of Govt. up to the Financial Year 2016-17.

The matter was taken up with the management in January, 2017 and reported to the Ministry in December, 2017. The management replied that BoD was fully empowered to make the decision without seeking approval from Finance Division.

The DAC in its meeting held on January 15-17, 2018 did not accept the management's stance and directed to get the concurrence of Finance Directorate (GoP) as required under rules within 15 days. 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 No.1768/2017-18)

20.3.10 Irregular payment of pay and allowances to fresh appointees – Rs. 3.62 million

According to Government of Pakistan office memorandum dated January 10, 2015, "the Departmental Selection Committee (DSC) constituted vide Rule 2(c) of the Civil Servants (Appointment, Promotion, Transfer) Rules, 1973 would adjudge the applicant on the criteria i.e. i) Score in the test would have 70% weightage ii) The rest of 30% weightage would be allocated by the members of the DSC.

In CPPA Islamabad, 24 employees were appointed on the basis of interview and personal appearance without observing the merit based mechanism i.e. on 70% weightage to the NTS test and 30% weightage for interview. Hence, pay and allowances of Rs. 3.62 million paid to said employees was irregular.

Non-adherence to Civil Servants Rules resulted in irregular payment of pay and allowances amounting to Rs. 3.62 million to fresh appointees up to the Financial Year 2016-17.

The matter was taken up with the management in January, 2017 and reported to the Ministry in September, 2017. The management replied that all appointments were made through advertisement and interview covered under the provisions of HR Manual and approval of BoD. The reply was not acceptable as the Civil Servants Rules was not followed.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide relevant record along with copy of HR Manual 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 besides fixing responsibility.

(DP No.237/2017-18)

20.3.11 Irregular payment on account of unauthorized additional charge – Rs. 2.34 million

Finance Division's O.M No.F-2(9)-R-3/85 dated March 18, 1987 reproduced SL.No.125 of ESTA Code and S&GA Directorate WAPDA's O.M No.D (E)/AD(E.IB)07244/45891-46051 dated June 24, 1993 provides that, "additional charge of vacant post can be entrusted to another Government Servant of the same status and designation available in the Ministries / Division / Departments for not more than three months extendable up to six months. Immediately on the expiry of six months of the full additional charge of the particular vacant post, the post shall be treated as having abolished and its duties automatically becoming part of the normal duties of the other existing post of the same category in the Division/Department concerned".

In CPPA Islamabad, four (04) officers were entrusted additional charge of the higher posts beyond the maximum period of six months which was against the rules. Hence, the payment of additional charge amounting to Rs. 2.34 million was irregular.

Non-adherence to the Government rules resulted in irregular payment of Rs. 2.34 million on account of unauthorized additional charge during the Financial Year 2016-17.

The matter was taken up with the management in April, 2017 and reported to the Ministry in August, 2017. The management replied that the additional charge was allowed to employees due to acute shortage of manpower at the time of inception. The reply was not tenable as the Government rules were not followed.

The DAC in its meeting held on January 15-17, 2018 directed the management to place the matter before PAC for final decision. 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 No.111/2017-18)

20.3.12 Irregular payment of joining allowance – Rs. 2.21 million

According to office memorandum of Finance Division dated June 26, 1999, revision of Pay Scales / Salaries / Allowances in Corporations, Autonomous / Semi Autonomous bodies will require clearance from the Finance Division to ensure a rational basis and a degree of uniformity in such revision.

In CPPA Islamabad, an amount of Rs. 2.21 million was made to CPPA employees on account of Joining Allowance to the employees of GM (CPPA), GM (WPPO) etc. to join CPPA at Islamabad, without clearance from Finance Division, Government of Pakistan which was irregular.

Non-adherence to the Government rules resulted in irregular payment of Rs. 2.21 million on account of joining allowance during the Financial Year 2016-17.

The matter was taken up with the management in April, 2017 and reported to the Ministry in August, 2017. The management replied that joining allowance was allowed due to displacement of employees from one station to other with the approval of competent authority.

The DAC in its meeting held on January 15-17, 2018 did not accept the management's instance and directed to provide a detailed reply to Audit for examination within 15 days. No reply was furnished till finalization of report.

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

(DP No.110/2017-18)

20.3.13 Excess expenditure due to appointment of daily wages staff at higher rates – Rs. 1.65 million

According to the instructions of District Coordination Officer (DCO) Lahore vide letter No.BA/Acctt/3759 dated March 02, 2015, "daily wages are payable to the daily wages skilled and un-skilled staff w.e.f March 01, 2015 within the Lahore District @ Rs. 546 and Rs. 480 per day respectively".

In CPPA Islamabad, seventeen (17) officials were appointed on daily wages at rates higher than approved by the DCO. Hence, excess expenditure of Rs. 1.65 million was incurred on account of daily wages.

Non-adherence to the above instructions resulted in excess expenditure of Rs. 1.65 million due to appointment of daily wages staff at higher rates during the Financial Year 2016-17.

The matter was taken up with the management in April, 2017 and reported to the Ministry in August, 2017. The management replied that daily wages staff was appointed under the provision of HR Manual and with the approval of BoD.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide to HR Manual and BoD's approval to Audit for examination within 15 days. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides justifying payment of daily wages at higher rates.

(DP No.53/2017-18)

CHAPTER-21

PRIVATE POWER AND INFRASTRUCTURE BOARD (PPIB)

21. PRIVATE POWER AND INFRASTRUCTURE BOARD (PPIB)

21.1 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.

21.2 Comments on 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 CPPA, the balance sheet and profit & loss account of the Company could not be finalized by the management up till December 31, 2017.

21.3 AUDIT PARAS

21.3.1 Irregular investment with foreign deposit account – Rs. 31,137.02 million

According to Para-4 (Surplus Funds) of the office memo issued by Finance Division, GoP, "it has been decided to allow the public sector entities to invest their surplus funds in the non-government securities / TCs / shares also, up to a maximum of 20% of the total funds under management".

In the office of MD Private Power Infrastructure Board (PPIB) Islamabad, foreign investment US$ 296.54 million equivalent to Pak Rs. 31,137.02 million was made by the management of the Board with Habib Metropolitan Bank. As the said investment was 40% of the total foreign investment US$ 747.18 million which exceeded the limit fixed by GoP hence, the said investment was irregular.

Non-adherence to Finance Division's instructions resulted in irregular investment with foreign deposit accounts of Rs. 31,137.02 million up to the Financial Year 2016-17.

The matter was taken up with the management in November, 2017 and reported to the Ministry in January, 2018. The management replied that PPIB's investment of foreign deposit accounts fell under category of 'Surplus Funds' and no limit had been prescribed in the investment policy. The reply was not tenable as no documentary evidence was provided in support of reply.

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

(DP No.1833/2017-18)

21.3.2 Extra expenditure due to design change without approval of the Panel of Experts (POE) – Rs. 5,772 million

According to Article-VI Section-6.2(c) of Implementation Agreement, "the Company shall provide the PPIB with a certificate of a duly authorized officer of the Company setting out any proposed amendment (a "Proposed Material Amendment") to the EPC Contract that would result in (i) a change in either of the EPC Contractors, or (ii) a change in a major piece of equipment as to either its company or country of manufacture, no later than fifteen (15) Business Days prior to execution thereof, setting forth the proposed changes".

In the office of MD Private Power Infrastructure Board (PPIB) Islamabad, an extra expenditure of Rs. 5,772 million was incurred due to change in design of Sand Trap and Weir Structure by the Contractor without approval of the POE as original design was approved by them. Moreover, NEPRA had also pointed out that the approval of POE was necessary for the change in design which was not done. Hence, the said expenditure was incurred in excess of original estimates which required justification.

Non-adherence to agreement clause resulted in extra expenditure of Rs. 5,772 million due to change in design without approval of POE up to the Financial Year 2016-17.

The matter was taken up with the management in November, 2017 and reported to the Ministry in January, 2018. The management replied that PPIB constituted a new composition of POE along with hiring of an independent consultant to review and streamline the matter in accordance with NEPRA's directions. However, findings of the committee were not finalized. Further progress was not reported till finalization of report.

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

(DP No.1845/2017-18)

21.3.3 Un-authentic expenditure incurred on the procurement of assets - Rs. 37.60 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 the office of MD Private Power Infrastructure Board (PPIB) Islamabad, an expenditure of Rs. 37.60 million was incurred for procurement of assets during 2016-17. Neither further accounting treatment of this amount in record was made nor produced to Audit hence, the total expenditure was un-authentic.

Non-adherence to Authority's instructions resulted in un-authentic expenditure of Rs. 37.60 million incurred on procurement of assets up to the Financial Year 2016-17.

The matter was taken up with the management in November, 2017 and reported to the Ministry in January, 2018. The management replied that as per PPIB audited accounts for 2016-17, assets amounting to Rs. 10.51 million were procured instead of Rs. 37.60 million. The reply was not tenable as no documentary evidence was provided in support of reply.

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

(DP No.1834/2017-18)

21.3.4 Irregular expenditure incurred on account of entertainment for foreign delegation – Rs. 1.50 million

According to Para-10 (i) of the GFR Vol-1, "every public officer is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of the ordinary prudence would exercise in respect of his own money and the expenditure should not be prima facie more than the occasion demands".

In the office of MD Private Power Infrastructure Board (PPIB) Islamabad, an expenditure of Rs. 1.50 million was incurred by the management on entertainment of two Chinese Expert Teams on the direction of Ministry of Water & Power, Islamabad. The visit of foreigners had no linkage with PPIB as they visited Pakistan to review the progress of existing China Pakistan Economic Corridor (CPEC) hence, incurrence of expenditure was irregular.

Non-adherence to General Financial Rules resulted in irregular expenditure of Rs. 1.50 million incurred on account of entertainment of foreign delegation up to the Financial Year 2016-17.

The matter was taken up with the management in November, 2017 and reported to the Ministry in January, 2018. The management replied that as per direction of the Ministry, PPIB arranged rooms, conference halls and lunch / dinner for CPEC panel of experts to review progress of CPEC Projects including Diamer Basha Dam for hydro planning. The reply was not tenable as no documentary evidence was provided in support of reply.

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

(DP No.1832/2017-18)

CHAPTER-22

KARKEY ARBITRATION
(Power Division)

22. KARKEY ARBITRATION (POWER DIVISION)

22.1 Introduction

M/s Karkey, a Turkish Power Company, was awarded Rental Services Contract (RSC) for supply of electric power by GENCO-IV (Lakhra Power Generation Company) on April 23, 2009 through International Competitive Bidding. M/s Karkey was required to supply 232.8 MW electricity for a period of sixty (60) months at a total contract price of US$ 564.64 million.

M/s Karkey set up a 232.8 MW Ships Mounted Rental Power Plant and started commercial operations in April, 2011 after a delay of about one year from the target Commercial Operation Date (COD) of April 7, 2010. Additionally, M/s Karkey was bound to provide guaranteed availability level of 93% of the installed capacity of 232.8 MW under Clause-4.2 of RSC, but it could supply just about 30 MW of electricity to GENCO-IV.

The electricity generated by Karkey Rental Power Plant was purchased at a record price of Rs. 41 per unit, more than twice the amount paid to any other Independent Power Producer. In addition, the Company was being paid US$ 9 million per month as rental charges. The Government was paying Rs. 26.37 per unit on account of capacity charges and Rs. 15.48 per unit on account of fuel cost to Karkey Rental Power Plant.

The Supreme Court in its judgment dated March 30, 2012 in a Suo Motu case declared all the Rental Services Contracts void ab initio and directed National Accountability Bureau (NAB) to carry out investigation against Rental Power Projects. NAB commenced its investigation and restrained M/s Karkey ships from leaving territorial waters of Pakistan. Later on, NAB entered into a Settlement Agreement with M/s Karkey on September 7, 2012 whereby Karkey agreed to return a sum of US$ 17.2 million. However, this Settlement Agreement was not accepted by the Supreme Court which directed recovery of outstanding liability of US$ 128.135 million from M/s Karkey. M/s Karkey refused to pay the said liability and its power mounted ships continued to be detained by NAB.

M/s Karkey did not accept the decision of the Supreme Court and served notice to GoP on May 19, 2012 for breaches of Bilateral Investment Treaty (BIT) between Pakistan and Turkey. After the expiry of six months cooling off period, M/s Karkey served another notice to GoP on November 23, 2012 stating that it would submit dispute to international arbitration. Subsequently, it filed arbitration claim of US$ 2.08 billion against GoP before International Centre for Settlement of Investment Disputes (ICSID) for various breaches of RSC, unilateral termination of RSC and detention of its ships on January 16, 2013. The same was registered with case No. ABR/13/1 on July 25, 2013.

GoP could not appoint its arbitrator in due course of time. Then ICSID itself appointed arbitrator on behalf of GoP. ICSID rendered its Award against Pakistan for US$ 700 million on August 22, 2017. GoP has appealed for annulment of award in November, 2017 in ICSID secretariat. The GoP had incurred an amount of Rs. 1,514.916 million up to June 30, 2016 on the Karkey arbitration case.

22.2 AUDIT PARAS

22.2.1 Loss due to non-recovery from M/s Karkey - Rs. 13,568 million

According to Article-189 of Constitution of Islamic Republic of Pakistan, "any decision of the Supreme Court shall, to the extent that it decides a question of law or is based upon or enunciates a principle of law, be binding on all other courts in Pakistan".

In Power Division (Ministry of Energy), an amount of Rs. 13,568 million (US $ 128.14 million) was recoverable from M/s Karkey. The firm agreed to pay a sum of US $ 17.20 million to the GoP in the wake of settlement agreement with NAB. However, Supreme Court of Pakistan did not accept the settlement agreement and directed for recovery of outstanding liability of US $ 128.14 million. The Karkey refused to pay the liability and filed an arbitration claim of US $ 245.80 million in International Center for the Settlement of Investment Disputes (ICSID). In the mean time, Lakhra Power Generation Company Limited (LPGCL) had filed an admiralty suit during 2013 in Sindh High Court against M/s Karkey for recovery of US $ 128.14 million. The Sindh High Court through its orders dated May 28, 2013 directed to arrest the Karkey ships and did not allow them to sail. Later on, ships were released on May 07, 2014 by the orders of Sindh High Court on the recommendation of NAB without recovery of US 128.14 million and obtaining necessary permission from Supreme Court of Pakistan.

Non-adherence to Article-189 of Constitution of Islamic Republic of Pakistan resulted in loss of Rs. 13,568 million due to non-recovery from M/s Karkey up to the Financial Year 2016-17.

The matter was taken up with the Ministry in December, 2017 & January, 2018. The management replied that a CMA case was filed in Supreme Court of Pakistan for grant of permission to get back the Karkey ship to Pakistan.

The DAC in its meeting held on January 15-17, 2018 directed the management to pursue the case in Supreme Court of Pakistan for getting back the released ship to territorial waters of Pakistan. 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 No. 1806/2017/18)

22.2.2 Loss due to non-recovery of advance payment from Karkey - Rs. 4,729.39 million

According to clause-4.5(a) of Rental Services Contract between Karkey Karadeniz Elektrik Uretim A.S. and Lakhra Power Generation Company Limited, advance payment shall be deducted in 60 equal installments of US$ One million Three Hundred and Thirty Three Thousand Three Hundred and Thirty Three only (US$ 1,333,333) each, from the monthly installments of Lump Sum Contract price payable to the Seller by the Buyer.

In Power Division (Ministry of Energy), an advance payment of Rs. 4,729.39 million was made to M/s Karkey. Since, all the rental contracts had been declared illegal and void ab initio by the Supreme Court of Pakistan, hence the recovery of advance payment was required to be made before release of ships to sail, which was not done.

Financial mismanagement resulted in loss of Rs. 4,729.39 million due to non-recovery of advance payment from Karkey up to the Financial Year 2016-17.

The matter was taken up with the Ministry in December, 2017 & January, 2018. The management replied that the arbitrators were appointment by Law and Justice Division on June 11, 2013. Management also explained that the payment of advance was much more than amount pointed out in the observation.

The DAC in its meeting held on January 15-17, 2018 directed the management to intimate the exact amount of advance and recover the amount through encashment of advance payment guarantee(s) in compliance to the decision of Supreme Court of Pakistan dated March 30, 2012 and provide evidence to Audit. 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 No. 1812/2017/18)

22.2.3 Unjustified payment on account of legal services fee of other legal staff - Rs. 499.11 million

According to the Appendix-2 of the Legal Services Agreement signed between M/s Allen & Overy and Islamic Republic of Pakistan on February 12, 2014, hourly rates will be charged / allowed to the position holders i.e. Partner / Counsel, Senior Associates, Mid level Associates, Junior Associates & Trainee/Paralegals.

In Power Division (Ministry of Energy), legal services fee of Rs. 499.11 million was paid to M/s Allen & Overy on account of its legal services relating to those persons who did not fall in the category of position holders mentioned in the legal service agreement. Hence, payment on account of other staff of the legal firm was unjustified.

Non-adherence to Legal Services Agreement resulted in unjustified payment of legal services fee amounting to Rs. 499.11 million on account of other legal staff up to the Financial Year 2016-17.

The matter was taken up with the Ministry in December, 2017 & January, 2018. The management replied that the invoices were cleared pursuant to the approval of the Attorney General of Pakistan.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide evidence in support of reply to Audit. 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 No. 1810/2017/18)

22.2.4 Unauthentic payment to the foreign legal firm without vetting from Law Division - Rs. 363.35 million

According to Para 21, Serial No.17 of the Rules of Business-1973 'the subject of Arbitration pertains to the Law, Justice and Human Rights Division'.

In Power Division (Ministry of Energy), an amount of Rs. 363.35 million was paid to M/s Allen & Overy (foreign legal firm) in the case of Karkey Karadeniz Uretim A.S vs Islamic Republic of Pakistan. The payment was made to the said legal firm on hourly basis but the invoices / claims submitted by the legal firm were not vetted by the Law, Justice and the Human Rights Division and Attorney General for Pakistan. Hence, authenticity and genuineness of the claims could not be ascertained.

Non-vetting of claims resulted in unauthentic payment of Rs. 363.35 million to the legal firm without vetting from the Law Division up to the Financial Year 2016-17.

The matter was taken up with the Ministry in December, 2017 & January, 2018. The management replied that after negotiation, the Law Firm agreed to provide a discount of Rs. 86 million and payments were made after vetting by Attorney General of Pakistan and Law & Justice Division. The reply was not tenable as only those claim of firms were objected which were not vetted by Attorney General of Pakistan.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide evidence of vetting claims pointed out in the audit observation. 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 No. 1805/2017/18)

22.2.5 Unjustified payment beyond the provision of legal service agreement - Rs. 193.36 million

According to legal service agreement signed on February 12, 2014 between M/s Allen and Overy and Islamic Republic of Pakistan, there was no provision for the payment of external legal services and external professional services (non- legal).

In Power Division (Ministry of Energy), a payment of Rs. 193.36 million was made to the foreign legal firm i.e. Allen and Overy LLP on account of external legal services and external professional services (non- legal). Since, there was no provision existed in the legal service agreement, hence the payment was unjustified.

Non-adherence to the Legal Service Agreement resulted in unjustified payment of Rs. 193.36 million beyond the provision of legal service agreement up to the Financial Year 2016-17.

The matter was taken up with the Ministry in December, 2017 & January, 2018. The management replied that the invoices were cleared pursuant to the approval of the Attorney General of Pakistan.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide evidence in support of reply to Audit. 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 No. 1811/2017/18)

22.2.6 Irregular reimbursement without scrutiny of supporting documents / payment vouchers - Rs. 133.51 million

According to Rule-205 of Federal Treasury Rules, a Govt. Officer entrusted with the payment of money shall obtain for every payment he made including repayment of sums previously lodged with the Govt. a voucher setting forth full and clear particulars of the claim and all information necessary for its proper clarification and identification in the accounts. Every voucher must bear or have attached to it, an acknowledgement of the payment signed by the person by whom or in whose behalf the claim is put forward. The acknowledgement shall be taken at the time of payment.

In Power Division (Ministry of Energy), an amount of Rs. 133.51 million was reimbursed to foreign legal firm (M/s Allen and Overy) without scrutinizing the supporting documents / payment vouchers. In the absence of scrutiny, the genuineness of reimbursement claims could not be ascertained.

Non-adherence to Federal Treasury Rules resulted in irregular reimbursement of Rs. 133.51 million without scrutiny of supporting documents / payment vouchers up to the Financial Year 2016-17.

The matter was taken up with the Ministry in December, 2017 & January, 2018. The management replied that the invoices were cleared pursuant to the approval of the Attorney General of Pakistan.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide evidence in support of reply to Audit. 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 No. 1807/2017/18)

22.2.7 Wasteful expenditure due to irrational selection of foreign legal firm - Rs. 38.40 million

According to Para -10 of the GFR Vol-1 "every public officer is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of the ordinary prudence would exercise in respect of his own money."

In Power Division (Ministry of Energy), a Legal Firm M/s Berwin Leighton Paisner (BLP) was engaged to defend the Government of Pakistan in arbitration case No. ARB/13/I at International Centre for Settlement of Investment Disputes (ICSID) at lump sum cost of GBP 1.42 million on the recommendations of Mr. Zahid F Ibrahim being local counsel for arbitration. Accordingly, an amount of Rs. 38.40 million was paid to M/s BLP. Later on, the contract with the said legal firm was terminated without any valid reason

/reservation, which proved hiring of legal firm as irrational and Government of Pakistan had to bear a loss of Rs. 38.40 million.

Irrational selection of foreign legal firm resulted in wasteful expenditure of Rs. 38.40 million up to the Financial Year 2016-17.

The matter was taken up with the Ministry in December, 2017 & January, 2018. The management replied that the contract was terminated under the approval of Attorney General of Pakistan who was appointing forum.

The DAC in its meeting held on January 15-17, 2018 directed the management to pursue the matter with Attorney General of Pakistan for providing valid reasons for the termination of contract with M/s BLP after payment of Rs. 38.40 million. 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 No. 1809/2017/18)

22.2.8 Irregular expenditure on appointment of legal expert - Rs. 3.50 million

According to Rule-20 of the PPRA Rule-2004, "the procuring agency shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works."

In Power Division (Ministry of Energy), an amount of Rs. 3.50 Million was paid to legal advisor on account of hiring of services in the arbitration case of Karkey Karadeniz Uretim A.S vs. Islamic Republic of Pakistan. As public procurement rules were not observed at the time of hiring of services of legal advisor, hence expenditure incurred on the appointment was irregular. Moreover, report of the Retired Justice was not produced to audit in order to assess the work done by him.

Non-adherence to Public Procurement Rules, 2004 resulted in irregular expenditure of Rs. 3.50 million on appointment of legal expert up to the Financial Year 2016-17.

The matter was taken up with the Ministry in December, 2017 & January, 2018. The management replied that Legal Expert was appointed as witness of Pakistan by the Attorney General of Pakistan who was requested to submit reply.

The DAC in its meeting held on January 15-17, 2018 directed the management to pursue the matter with Attorney General of Pakistan for early reply. 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 No. 1804/2017/18)

22.2.9 Irregular payment on account of incidental charges - Rs. 2.42 million

According to legal service agreement signed on February 12, 2014 between M/s Allen and Overy and Islamic Republic of Pakistan, there was no provision for the payment of the incidental charges.

In Power Division (Ministry of Energy), an amount of Rs. 2.42 million was paid to M/s Allen & Overy on account of incidental charges, which was not provided in the legal service agreement. Moreover, necessary details of the incidental charges for the reimbursement purposes were not attached with the invoices. Hence, the payment of incidental charges was irregular.

Non-adherence to the Legal Service Agreement resulted in irregular payments of Rs. 2.42 million on account of incidental charges up to the Financial Year 2016-17.

The matter was taken up with the Ministry in December, 2017 & January, 2018. The management replied that the invoices were cleared pursuant to the approval of the Attorney General of Pakistan.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide evidence in support of reply to Audit. 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 No. 1814/2017/18)

22.2.10 Extra expenditure incurred on foreign tours - Rs. 1.57 million

According to Para -10 of the GFR Vol-1 "every public officer is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of the ordinary prudence would exercise in respect of his own money and the expenditure should not be prima facie more than the occasion demands"

In Power Division (Ministry of Energy), M/s Allen and Overy LLP (a legal firm) hired in the case of Karkey Karadeniz Uretim A.S vs Islamic Republic of Pakistan through its e-mail message dated August 25, 2014 required three (03) persons to attend the witness meeting at London. Contrary to the above, eight (08) persons visited United Kingdom to attend the said witness meeting which resulted in extra expenditure of Rs. 1.57 million on foreign tour of five (05) additional persons.

Non-adherence to General Financial Rules resulted in extra expenditure of Rs. 1.57 million on foreign tour up to the Financial Year 2016-17.

The matter was taken up with the Ministry in December, 2017 & January, 2018. The management replied that Prime Minister's office approved the witnesses and experts for preparation of Pakistan's counter memorial.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide justification for sending eight officers instead of three officers. 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 No. 1815/2017/18)

22.2.11 Irregular hiring of foreign legal firms without open competitive bidding

According to Rule-20 of PPRA Rules 2004 "the procuring agency shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works."

In Power Division (Ministry of Energy), two legal firms M/s BLP and M/s Allen & Overy were hired by the M/o Water & Power to represent the Govt. of Pakistan in International Center for the Settlement of Investment Disputes (ICSID) for want of Karkey Karadeniz Uretim A.S. arbitration without inviting tenders and competitive bidding among the International Law Firms. In the absence of open bidding, competitiveness of hourly fee rates could not be ascertained.

Non-adherence to the PPRA Rules-2004 resulted in irregular hiring of foreign legal firms without open competitive bidding up to the Financial Year 2016-17.

The matter was taken up with the Ministry in December, 2017 & January, 2018. The management replied that foreign council were hired by the office of Attorney General of Pakistan as per SOPs.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide detailed comprehensive reply along with justification for non-observance of PPRA rules. 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 No. 1808/2017/18)

22.2.12 Non-appointment of Arbitrator by the GoP in the ICSID

According to Para -10 of the GFR Vol-1 "every public officer is expected to exercise the same vigilance in respect of the expenditure incurred from public money as a person of the ordinary prudence would exercise in respect of his own money and the expenditure should not be prima facie more than the occasion demands"

In Power Division (Ministry of Energy), Government of Pakistan did not appoint an arbitrator to watch the interest in International Center for the Settlement of Investment Disputes (ICSID). Karkey had filed an arbitration request with ICSID on January 16, 2013 after expiry of six month cooling off period of its notice served upon GoP on November 19, 2012 for breach of Bilateral Investment Treaty (BIT). Since, GoP (Ministry of Water & Power) did not avail the opportunity of appointment of Arbitrator during cooling off period, hence arbitrator on behalf of Pakistan was appointed by ICSID. Non-appointment of the arbitrator by the GoP led to lose the case in ICSID. Had the arbitrator been appointed by the GoP, the results of the case would have been otherwise different.

Legal mismanagement resulted in non-availing the opportunity of appoint of Arbitrator by the GoP.

The matter was taken up with the Ministry in December, 2017 & January, 2018. The management replied that two arbitrators (Mr. Khalil-ur-Rehaman Ramday and Mr. Rashideen) were appointed by Law & Justice Division on June 11, 2013 but they were not allowed to serve as arbitrator on behalf of GoP, by ICSID.

The DAC in its meeting held on January 15-17, 2018 directed the management to provide reasons due to which ICSID did not allow the appointed arbitrators to serve on behalf of GoP. 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 No. 1813/2017/18)

ANNEXURE

Annexure-I

MFDAC PARAS

(Rs. in million)

Sr. No.	DP No.	Name of Company	Subject	Rupees
1	1482	PEPCO	Loss due to unauthorized use of vehicles by officers /officials outside PEPCO - Rs. 1.97 million	1.97
2	1483	PEPCO	Non-recovery of 25% at source deduction of power sector payables of provinces - Rs. 1,197.80 million	1,197.80
3	1611	PEPCO	Unjustified payment of withholding tax of Consultant by the PEPCO from its own funds - Rs. 8.65 million	8.65
4	1652	PEPCO	Non-initiating of inquiry regarding provision of fake documents of newly purchased transformers - Rs. 0.83 million	0.83
5	1635	GHCL	Non-recovery the cost of vehicle transferred to PEPCO - Rs. 1.11 million	1.11
6	1637	GHCL	Loss due to non-recovery on account of pay & allowances of officer attached with other office - Rs. 4 million	4.00
7	46	GENCO-I	Non-adjustment of mobilization advances from contactor - Rs. 23.33 million	23.33
8	1235	GENCO-I	Irregular promotion of Upper Technical Subordinate Staff- Rs. 6.29 million	6.29
9	1241	GENCO-I	Irregular expenditure beyond the permissible limit of NEPRA- Rs. 617.82 million	617.82
10	1243	GENCO-I	Loss due to un-necessary delay in award of contract- Rs. 135.67 million	135.67
11	1247	GENCO-I	Unjustified payment on account of irregular promotion of staff- Rs. 0.49 million	0.49
12	1301	GENCO-I	Unjustified expenditure on account of treatment in private hospital - Rs. 5.38 million	5.38
13	1302	GENCO-I	Loss due to unnecessary delay in award of Consultancy Services Contract - Rs. 9.73 million	9.73
14	1257	GENCO-II	Unjustified award of contract for installation of gas booster compressor station at 747 MW CCPP Project - Rs. 1,330 million	1,330.00
15	1259	GENCO-II	Irregular award of contracts without competition to single bidders- Rs. 15.83 million	15.83
16	1261	GENCO-II	Irregular payment against change in cost of civil works to contractor- Rs. 60.59 million	60.59
17	1262	GENCO-II	Irregular issuance of repeat order in violation of PP Rules- Rs. 13.78 million	13.78
18	1265	GENCO-II	Unjustified payment of pay & allowances to staff of Thermal Power Station Quetta - Rs. 22.16 million	22.16
19	1266	GENCO-II	Loss of interest income due to irregular withdrawal of funds from banks - Rs. 2.58 million	2.58

20	1274	GENCO-II	Loss due to non-deduction of conveyance allowance from the employees provided with facility of independent official vehicles - Rs. 0.79 million	0.79
21	1275	GENCO-II	Loss due to non-recovery of demurrage charges from suppliers - Rs. 0.80 million	0.80
22	1330	GENCO-II	Loss of interest income due to un-justified retention of advance payment by contractor - Rs. 4.27 million	4.27
23	1369	GENCO-II	Non-recovery of outstanding dues from employees posted abroad on deputation basis- Rs. 1.94 million	1.94
24	1370	GENCO-II	Irregular award of contract without healthier competition- Rs. 940.43 million	940.43
25	1371	GENCO-II	Irregular procurement due to award of contract to choice of contractor- Rs. 702.75 million	702.75
26	1372	GENCO-II	Irregular grant of benefits and up-gradation of employees- Rs. 5.21 million	5.21
27	1421	GENCO-II	Irregular expenditure due to promotions of staff in excess of prescribed limit of promotion quota - Rs. 20.78 million	20.78
28	1494	GENCO-II	Excess payment against operation & maintenance services - Rs. 2 million	2.00
29	1055	GENCO-III	Non-recovery of repair charges -Rs. 16.35 million	16.35
30	1278	GENCO-III	Loss due to unjustified payment to the Contractor on account of sales tax - Rs. 0.55 million	0.55
31	1279	GENCO-III	Unjustified payment on account of job allowance - Rs. 5.87 million	5.87
32	1373	GENCO-III	Loss due to less recovery of rent from the shop keepers - Rs. 2.43 million	2.43
33	1374	GENCO-III	Irregular payment of Company secretary allowance - Rs. 0.86 million	0.86
34	1375	GENCO-III	Non-depositing of Electricity Duty and PTV fee into public exchequer- Rs. 9.35 million	9.35
35	1306	GENCO-IV	Loss due to irregular enhancement of coal price without approval of competent authority - Rs. 7.64 million	7.64
36	1378	GENCO-IV	Unjustified payment against work of earth refilling - Rs. 2.18 million	2.18
37	1379	GENCO-IV	Excess withdrawal of pay & allowances due to irregular promotion of staff- Rs. 1.65 million	1.65
38	1497	GENCO-IV	Irregular award of contract to non-responsive/ ineligible contractor- Rs. 18.69 million	18.69
39	1408	Nandipur Power Project	Loss due to payment of LPS to SNGPL - Rs. 0.80 million	0.80
40	1411	Nandipur Power Project	Loss due to non-acceptance of invoiced - Rs. 3,689.09 million	3,689.09
41	1417	Nandipur Power Project	Loss due to HSD consumed for forced outage start ups- Rs. 21.83 million	21.83
42	1418	Nandipur Power Project	Loss due to purchase of furnace oil at higher rate against short supply by the supplier - Rs. 42.16 million	42.16

43	1419	Nandipur Power Project	Loss due to shortage of high speed diesel - Rs. 2.36 million	2.36
44	1486	Nandipur Power Project	Irregular payment of company secretary allowance - Rs. 0.50 million	0.50
45	61	NTDC	Doubtful payment on account of crop compensation - Rs. 82.34 million	82.34
46	64	NTDC	Non-transfer of retention money more than three years in Company's income account - Rs. 77.12 million	77.12
47	80	NTDC	Loss due to purchase of defective CCTV cameras - Rs. 1.15 million	1.15
48	81	NTDC	Non-recovery of GST claims from WAPDA - Rs. 10.45 million	10.45
49	87	NTDC	Loss due to non-replacement of damaged C.Ts/P.Ts - Rs. 2.16 million	2.16
50	88	NTDC	Non-adjustment of pre-company previous balances - Rs 597.17 million	597.17
51	120	NTDC	Non-depositing of amount of Withholding Tax - Rs. 477.73 million	477.73
52	121	NTDC	Loss due to unjustified additional claim by contractor - Rs. 47.91 million	47.91
53	125	NTDC	Doubtful payment on account of TA/DA on foreign tour inspection - Rs. 1 million	1.00
54	128	NTDC	Dubious expenditure incurred without proper documentation - Rs. 13.22 million	13.22
55	129	NTDC	Likely misappropriation of tower material for Grid Station - Rs. 19.94 million	19.94
56	130	NTDC	Irregular grant of advances for purchase of plot - Rs. 23.60 million	23.60
57	131	NTDC	Irregular award of contract - Rs. 5.93 million	5.93
58	132	NTDC	Loss due to non-finalization of litigation/court cases - Rs. 14.87 million	14.87
59	133	NTDC	Non-deduction of income tax - Rs. 11.09 million	11.09
60	136	NTDC	Irregular Payment to M/s Siemens - Rs. 32.50 million	32.50
61	137	NTDC	Loss due to non-receipt of material - Rs. 3.57 million	3.57
62	139	NTDC	Likely misappropriation of material - Rs. 3,902.37 million	3,902.37
63	140	NTDC	Unauthentic expenditure on account of crop compensation - Rs. 117.87 million	117.87
64	200	NTDC	Non-handing over of completed works - Rs. 350.11 million	350.11
65	201	NTDC	Irregular award of contracts - Rs. 79.99 million	79.99
66	204	NTDC	Likely misappropriation of material - Rs. 4,144.20 million	4,144.20
67	206	NTDC	Non-mutation of Land - Rs. 52 million (approx.)	52.00
68	207	NTDC	Doubtful payment on account of land acquisition - Rs. 276.61 million	276.61

69	208	NTDC	Doubtful payment to contractor - Rs. 6.35 million	6.35
70	209	NTDC	Non-adjustment of advance to the contractor - Rs. 41.31 million	41.31
71	210	NTDC	Non-finalization of long outstanding litigation / court cases - Rs. 61.51 million	61.51
72	212	NTDC	Irregular payment to the contractors - Rs. 25.78 million	25.78
73	233	NTDC	Unnecessary allocation of material - Rs. 38.62 million	38.62
74	251	NTDC	Irregular issuance of material without receipt of S.S. cheques - Rs. 589.44 million	589.44
75	253	NTDC	Unjustified recording of material in stock ledger - Rs. 356.52 million	356.52
76	254	NTDC	Irregular recording of USAID material on verbal orders - Rs. 447.12 million	447.12
77	255	NTDC	Non-production of record - Rs. 3,079.09 million	3,079.09
78	256	NTDC	Irregular purchase of vehicles - Rs. 11.30 million	11.30
79	257	NTDC	Unjustified payments to consultant without approval of EOT - Rs. 3.86 million	3.86
80	259	NTDC	Irregular expenditure incurred on R & M of vehicles - Rs. 1.25 million	1.25
81	266	NTDC	Loss of due to non-awarding of contract to the 1st lowest bidder - Rs. 361.41 million	361.41
82	270	NTDC	Irregular purchase of vehicles - Rs. 52.87 million	52.87
83	273	NTDC	Loss due non deduction of withholding tax from contractor - Rs. 5.65 million	5.65
84	274	NTDC	Loss due to excess issuance of Transmission Line material - Rs. 0.96 million	0.96
85	275	NTDC	Blockage of funds due to non shifting of material - Rs. 24.63 million	24.63
86	276	NTDC	Irregular award of consultancy without open bidding - Rs. 21.07 million	21.07
87	316	NTDC	Loss due to receipt of defective material - Rs. 111.14 million	111.14
88	317	NTDC	Loss due to receipt of defective material - Rs. 8.68 million	8.68
89	334	NTDC	Irregular award of balanced work without preparing estimates - Rs. 41.71 million	41.71
90	335	NTDC	Non-adjustment of mobilization advances - Rs. 5.78 million	5.78
91	346	NTDC	Non-accountal / adjustment of Super Subscribed Cheques - Rs. 26.83 million	26.83
92	1036	NTDC	Loss due to violation of PPRA Rules - Rs. 3.20 million	3.20
93	1170	NTDC	Loss due to less recovery of inspection fee - Rs. 108.89 million	108.89
94	1173	NTDC	Irregular purchase of vehicle despite imposition of ban - Rs. 2.23 million	2.23
95	1174	NTDC	Non-recovery of pay & allowances - Rs. 0.17 million	0.17

96	1178	NTDC	Non-recovery of electricity and water charges from the Contractors - Rs. 0.41 million	0.41
97	1181	NTDC	Non-recovery from NTDC formations - Rs. 75.99 million	75.99
98	1183	NTDC	Non-finalization of significant audit observations - Rs. 6,117.39 million	6,117.39
99	1334	NTDC	Wasteful expenditure due to installation and dismantlement of incompatible power transformer- Rs. 2.10 million	2.10
100	1407	NTDC	Unjustified award of incentive to GSO staff - Rs. 1.08 million	1.08
101	1500	NTDC	Non-mutation/transfer of land in name of NTDC - Rs. 538.82 million	538.82
102	1503	NTDC	Non-finalization of transfer deed of land - Rs. 6.80 million	6.80
103	1504	NTDC	Unjustified payment to officers/officials on account of cash reward - Rs. 2.27 million	2.27
104	1506	NTDC	Loss due to non completion of transfer deed of land - Rs. 333.53 million	333.53
105	1509	NTDC	Irregular payment of remuneration charges made to NTDC officers for BOD meetings - Rs. 0.76 million	0.76
106	1511	NTDC	Non-deduction of income tax from arrears paid to employees - Rs. 0.63 million	0.63
107	1513	NTDC	Loss due to levy of commitment charges on unutilized loan - Rs. 148.35 million	148.35
108	1514	NTDC	Unjustified payment of advances to contractors - Rs. 159.32 million	159.32
109	1520	NTDC	Non-deduction of Withholding tax from supplier - Rs. 0.87 million	0.87
110	1522	NTDC	Unjustified payment on account of additional charge allowance - Rs. 0.38 million	0.38
111	1524	NTDC	Non-recovery of cost material given on cash basis to SEPCO - Rs. 14.29 million	14.29
112	1529	NTDC	Loss due to non recovery from official on account of misuse of free electricity facility - Rs. 2.73 million	2.73
113	1609	NTDC	Unjustified payment on account of medical/maternity charges - Rs. 0.66 million	0.66
114	1626	NTDC	Loss due to illegal encroachment of land - Rs. 6.85 million	6.85
115	1735	NTDC	Unjustified charging of overhead - Rs. 1,378.03 million	1,378.03
116	1738	NTDC	Unjustified expenditure on account of refreshment - Rs. 0.30 million	0.30
117	1743	NTDC	Recoverable amount on account of excess payment of rental ceiling to officers - Rs. 0.83 million	0.83
118	1759	NTDC	Unauthentic expenditure due to improper book keeping - Rs. 118.44 million	118.44
119	1761	NTDC	Loss due to non-recovery of withholding Income Tax	20.46

			- Rs. 20.46 million	
120	1762	NTDC	Irregular payment on account of consultancy services - Rs. 48.89 million	48.89
121	1763	NTDC	Unjustified payment of crops compensation - Rs. 53.59 million	53.59
122	1765	NTDC	Loss due to delay in execution of interconnection work - Rs. 8.12 million	8.12
123	1766	NTDC	Irregular expenditure over and above contract provision - Rs. 0.72 million	0.72
124	175	FESCO	Loss due to unjustified increase in overheads to works - Rs. 17.06 million	17.06
125	176	FESCO	Loss due to incomplete/pending civil works - Rs. 2.06 million	2.06
126	402	FESCO	Overbilling of energy units on independent feeders - Rs. 3 million	3.00
127	525	FESCO	Loss due to non changing of Multiplying Factor - Rs. 11.52 million	11.52
128	603	FESCO	Undue Generation of revenue due to overbilling - Rs. 177.02 million	177.02
129	651	FESCO	Undue generation of revenue through overbilling to the consumers - Rs. 107.20 million	107.20
130	799	FESCO	Non-recovery of rental charges of un-lifted material from the Contractors- Rs. 12.25 million	12.25
131	1188	FESCO	Non-recovery due to non-pursuance of pending audit notes - Rs. 29.16 million	29.16
132	1195	FESCO	Unjustified retention of electrical material by the line staff - Rs. 204.89 million	204.89
133	1202	FESCO	Loss due to non erection of poles by contractors - Rs. 12.35 million	12.35
134	1205	FESCO	Non-mutation/transfer of land in name of FESCO - Rs. 27.36 million	27.36
135	1215	FESCO	Non-adjustment of temporary advances - Rs. 16.91 million	16.91
136	1430	FESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs. 14.24 million	14.24
137	1431	FESCO	Undue generation of revenue due to overbilling - Rs. 213.38 million	213.38
138	1432	FESCO	Non-mutation of land property - Rs. 82.91 million	82.91
139	1433	FESCO	Loss due to non recovery of rehabilitation charges - Rs. 25.10 million	25.10
140	1434	FESCO	Loss due to use of excess POL than permissible limit - Rs. 4.81 million	4.81
141	1564	FESCO	Doubtful payment on account of purchase of land - Rs. 12 million	12.00
142	1565	FESCO	Loss due to non-receipt of balance material from contractor - Rs. 0.49 million	0.49

143	1566	FESCO	Irregular retention of Neelum-Jhelum surcharge - Rs. 17.39 million	17.39
144	1567	FESCO	Loss due to non-realization of charged units of accepted Audit Notes - Rs. 80.64 million	80.64
145	1595	FESCO	Non-finalization of non-accountal of material cases - Rs. 12.83 million	12.83
146	1614	FESCO	Non-provision of connections to housing schemes - Rs. 169.07 million	169.07
147	1732	FESCO	Unjustified payment of transport subsidy to officers - Rs. 1.94 million	1.94
148	377	GEPCO	Unjustified excess expenditure without approval - Rs. 105.34 million	105.34
149	378	GEPCO	Unjustified excess charging of overheads - Rs. 154.69 million	154.69
150	542	GEPCO	Loss due to fraudulent use of POL against off road vehicles - Rs. 0.19 million	0.19
151	597	GEPCO	Loss due to non-receipt of replaced transformers from transformer reclamation workshop- Rs. 2.86 million	2.86
152	647	GEPCO	Loss due to purchase of substandard dehydration plants - Rs. 15.94 million	15.94
153	841	GEPCO	Unjustified excess charging of overheads - Rs. 51.83 million	51.83
154	865	GEPCO	Non-mutation / transfer of land-Rs. 13.90 million	13.90
155	870	GEPCO	Loss due to less recovery of capital cost - Rs. 0.38 million	0.38
156	878	GEPCO	Undue Generation of revenue due to overbilling - Rs. 54.77 million	54.77
157	1230	GEPCO	Non-completion of work at risk and cost of the contractor - Rs. 2.71 million	2.71
158	1342	GEPCO	Non-installation / non-return of transformers lying at private places - Rs. 6.41 million	6.41
159	1427	GEPCO	Non-refund of savings to sponsors on deposit works - Rs. 3.28 million	3.28
160	1455	GEPCO	Loss due to substandard construction of residential building- Rs. 6.44 million	6.44
161	491	HESCO	Undue Generation of revenue due to overbilling - Rs. 88.06 million	88.06
162	871	HESCO	Undue Generation of revenue due to overbilling - Rs. 80.57 million	80.57
163	1040	HESCO	Undue generation of revenue through overbilling to the consumers - Rs. 11.04 million	11.04
164	1125	HESCO	Non-adjustment of temporary advances from employees - Rs. 1.63 million	1.63
165	1126	HESCO	Non-reconciliation of store material - Rs. 37.34 million	37.34
166	1219	HESCO	Undue generation of revenue through overbilling to the consumers - Rs. 37.84 million	37.84

167	1324	HESCO	Non-refund of savings on account of deposit works - Rs. 7.18 million	7.18
168	1437	HESCO	Excess expenditure due to disparity in rate contract for reclamation of distribution transformers - Rs. 1.35 million	1.35
169	1576	HESCO	Unjustified negative balances of store items in inventory record - Rs. 7.64 million	7.64
170	1577	HESCO	Extra expenditure due to award of contract to the 2nd lowest bidder - Rs. 35.75 million	35.75
171	1736	HESCO	Unjustified refund of liquidated damages to the supplier - Rs. 22.72 million	22.72
172	330	IESCO	Non-recovery of substation cost from consumers - Rs. 0.50 million	0.50
173	362	IESCO	Irregular excess expenditure incurred against the budget provisions - Rs. 85.85 million	85.85
174	454	IESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs. 5.45 million	5.45
175	623	IESCO	Unjustified payment of Award and Gratia - Rs. 52.13 million	52.13
176	624	IESCO	Non-adjustment of temporary advances - Rs. 8.18 million	8.18
177	1001	IESCO	Non-payment of foreign relent loans - Rs. 8,423.82 million	8,423.82
178	1004	IESCO	Irregular allocation of ADB material on loan basis to other projects- Rs. 18.10 million	18.10
179	1005	IESCO	Loss due to levy of commitment charges on unutilized loan - Rs. 4.96 million	4.96
180	1006	IESCO	Non-recovery of energy charges due to illegal installation of connection- Rs. 0.16 million	0.16
181	1151	IESCO	Loss due to unjustified drawl of POL against off road vehicle - Rs. 0.72 million	0.72
182	1153	IESCO	Non-recovery of house rent allowance from employee - Rs. 0.21 million	0.21
183	1154	IESCO	Irregular expenditure incurred on account of major repair of vehicles - Rs. 18.39 million	18.39
184	1361	IESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs. 6.50 million	6.50
185	1362	IESCO	Non-adjustment of temporary advances - Rs. 1.72 million	1.72
186	1406	IESCO	Non-recovery of testing charges - Rs. 4.58 million	4.58
187	1443	IESCO	Un-justified expenditure on account of payment of overtime allowance to the employees attached with Ministry - Rs. 0.56 million	0.56
188	1445	IESCO	Loss due to abnormal expenditure on civil works - Rs. 3.91 million	3.91

189	1446	IESCO	Unrealistic estimates due to higher rates for un schedules items - Rs. 3.71 million	3.71
190	1469	IESCO	Unjustified expenditure incurred in the name of special repairs - Rs. 7.82 million	7.82
191	1594	IESCO	Cost overrun due to delay in execution of bifurcation work of 11 KV feeder under DOP - Rs. 6.48 million	6.48
192	1800	IESCO	Unjustified payment due to enhancement of BoQ's quantities - Rs. 2.05 million	2.05
193	366	LESCO	Loss due to installation of off size conductor - Rs. 108.18 million	108.18
194	388	LESCO	Non-recovery of fuel price adjustment against credit units - Rs. 2.05 million	2.05
195	391	LESCO	Undue generation of revenue through overbilling to the consumers - Rs. 175.30 million	175.30
196	395	LESCO	Non-recovery of feeder rehabilitation charges from the consumers- Rs. 0.15 million	0.15
197	469	LESCO	Loss due to sub standard construction of control room - Rs. 1.65 million	1.65
198	646	LESCO	Irregular adjustment / correction of wrong billing without units to gloss over the line losses - Rs. 237.22 million	237.22
199	657	LESCO	Irregular adjustment / correction of wrong billing without units to gloss over the line losses - Rs. 203.12 million	203.12
200	662	LESCO	Unauthentic expenditure due to non-preparation of financial statements - Rs. 842.12 million	842.12
201	663	LESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs. 49.14 million	49.14
202	664	LESCO	Unjustified booking of capitalization cost of LT proposals - Rs. 126.38 million	126.38
203	665	LESCO	Undue generation of revenue through overbilling to the consumers - Rs. 156.11 million	156.11
204	667	LESCO	Non-adjustment of security deposits against arrears - Rs. 0.45 million	0.45
205	672	LESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs. 13.86 million	13.86
206	735	LESCO	Undue generation of revenue through overbilling to the consumers - Rs. 24.06 million	24.06
207	740	LESCO	Loss due to violation of reconnection policy - Rs. 0.28 million	0.28
208	762	LESCO	Irregular approval of low tension proposals under ELR- Rs. 2.07 million	2.07
209	769	LESCO	Wasteful expenditure on feeders to reduce line losses - Rs. 29.34 million	29.34
210	772	LESCO	Undue generation of revenue through overbilling to	41.86

			the consumers - Rs. 41.86 million	
211	776	LESCO	Non-clearance of closing balance on account of paid electricity bills- Rs. 128.99 million	128.99
212	781	LESCO	Loss due to non-installation of capacitors at the 11 KV Feeders- Rs. 106.45 million	106.45
213	782	LESCO	Wasteful expenditure on feeder to reduce line losses amounting to Rs. 12.67 million	12.67
214	838	LESCO	Loss due to installation of off size conductor - Rs. 105.78 million	105.78
215	851	LESCO	Unjustified approval of L.T Proposals - Rs. 6.14 million	6.14
216	852	LESCO	Loss due to excess amount credited than admissible to the consumers Rs. 2.88 million	2.88
217	854	LESCO	Irregular / doubtful refund of electricity bills to hide actual nature of transactions - Rs. 6.22 million	6.22
218	855	LESCO	Non-posting of pre-audited credit adjustments to camouflage the figures of line losses and recovery - Rs. 233.57 million	233.57
219	860	LESCO	Loss due to non-posting of pre-audited debit adjustments - Rs. 32.85 million	32.85
220	927	LESCO	Non-recovery of capital cost and security due to undue favour to tubewell consumers - Rs. 0.30 million	0.30
221	947	LESCO	Non-recovery of electricity dues from consumers - Rs. 99.06 million	99.06
222	949	LESCO	Non-transparency in recruitment of Oriental Language Teachers- Rs. 0.49 million	0.49
223	954	LESCO	Non-completion of works at the risk and cost of the Contractor- Rs. 4.28 million	4.28
224	955	LESCO	Loss due to disputes and encroachment of land - Rs. 26.80 million	26.80
225	958	LESCO	Wasteful expenditure on feeders to reduce line losses Rs. 30.33 million	30.33
226	960	LESCO	Loss due to un-justified appointment of consultant - Rs. 0.74 million	0.74
227	961	LESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs. 407.92 million	407.92
228	963	LESCO	Undue generation of revenue through over billing - Rs. 157.71 million	157.71
229	966	LESCO	Irregular adjustment / correction of wrong billing without units to gloss over the line losses and to improve recovery status - Rs. 10,877.64 million	10,877.64
230	969	LESCO	Non-recovery due to non-implementation of Section 54-C of Electricity Act 1910 - Rs. 1,228.57 million	1,228.57
231	971	LESCO	Unauthentic expenditure and recovery from electricity bills- Rs. 251,140 million	251,140.00
232	975	LESCO	Non-mutation of land in the name of LESCO -	193.47

			Rs. 193.47 million	
233	978	LESCO	Loss due to installation of off size conductor - Rs. 164.13 million	164.13
234	981	LESCO	Loss due to payment of demurrage charges - Rs. 0.59 million	0.59
235	984	LESCO	Loss due to execution of LT proposal in private housing scheme - Rs. 0.75 million	0.75
236	987	LESCO	Excess installation of material than material drawn from stores - Rs. 7.57 million	7.57
237	990	LESCO	Irregular inclusion of various charges in estimates of village electrification works - Rs. 2.72 million	2.72
238	1100	LESCO	Unjustified award of contracts at discounted rates - Rs1,169.47 million	1,169.47
239	1233	LESCO	Non-adjustment of temporary advances - Rs. 12.04 million	12.04
240	1424	LESCO	Undue generation of revenue through overbilling to the consumers - Rs. 28.45 million	28.45
241	1460	LESCO	Recoverable amount of fuel price adjustment against credit units - Rs. 2.13 million	2.13
242	1710	LESCO	Excess expenditure incurred on re-conducting of 132 KV Transmission Lines - Rs. 70.96 million	70.96
243	309	MEPCO	Non-recovery of remaining installments of capital cost from the consumers - Rs. 2.51 million	2.51
244	415	MEPCO	Undue generation of revenue through overbilling to the consumers - Rs. 6.78 million	6.78
245	424	MEPCO	Undue generation of revenue through overbilling to the consumers- Rs. 16.86 million	16.86
246	484	MEPCO	Loss to due to wrong application of tariff to Telephone Exchange- Rs. 0.35 million	0.35
247	498	MEPCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs. 9.50 million	9.50
248	500	MEPCO	Undue generation of revenue through overbilling to the consumers - Rs. 0.86 million	0.86
249	504	MEPCO	Non-installation of transformers against augmentation works - Rs. 3.32 million	3.32
250	506	MEPCO	Non-adjustment of security deposits against arrears - Rs. 1.05 million	1.05
251	509	MEPCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs. 11.03 million	11.03
252	511	MEPCO	Non-recovery of irregular refunded amount from the consumers - Rs. 1.87 million	1.87
253	578	MEPCO	Undue generation of revenue through overbilling to the consumers- Rs. 62.34 million	62.34
254	580	MEPCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit -	13.47

			Rs. 13.47 million	
255	607	MEPCO	Unjustified payment against tenders on uncompetitive rates - Rs. 8.77 million	8.77
256	610	MEPCO	Irregular award of contract due to non compliance of PP Rules - Rs. 25 million	25.00
257	701	MEPCO	Irregular award of contracts without obtaining performance security- Rs. 1.94 million	1.94
258	709	MEPCO	Non-debiting / billing of accepted Audit Notes by the revenue offices - Rs. 593.33 million	593.33
259	711	MEPCO	Non-recovery of house rent deductions from M.S WAPDA Hospital - Rs. 0.75 million	0.75
260	727	MEPCO	Non-obtaining of insurance coverage for civil works - Rs. 174.59 million	174.59
261	823	MEPCO	Undue generation of revenue through overbilling to the consumers - Rs. 8.89 million	8.89
262	899	MEPCO	Mis-procurement of material by post bid negotiation / discount with the bidders -Rs. 1,087.95 million	1,087.95
263	902	MEPCO	Undue favour to the supplier by issuance of purchase order in absence of supply experience / pre-qualification - Rs. 24.42 million	24.42
264	916	MEPCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs. 3.22 million	3.22
265	1029	MEPCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs. 10.77 million	10.77
266	1070	MEPCO	Loss due to illegal installation of material in unapproved housing scheme- Rs. 0.64 million	0.64
267	1095	MEPCO	Loss due to non-obtaining of bid securities from responsive bidders- Rs. 2.40 million	2.40
268	1356	MEPCO	Illegal / unauthorized absorption of a Junior Engineer in MEPCO in violation of PEPCO Transfer Policy & ban imposed by Ministry	-
269	1402	MEPCO	Unjustified award of contract at discounted rates and by extension in delivery period - Rs. 81.43 million	81.43
270	1465	MEPCO	Unjustified expenditure on procurement of land - Rs. 21.08 million	21.08
271	1578	MEPCO	Irregular electrification of Deras / abadi(s) from village electrification funds - Rs. 8.82 million	8.82
272	1799	MEPCO	Irregular excess expenditure without obtaining approval- Rs. 4.50 million	4.50
273	629	PESCO	Recoverable amount from independent consumer on account of energy losses beyond permissible limit - Rs. 58.79 million	58.79
274	756	PESCO	Less recovery of security deposits from consumers- Rs. 0.73 million	0.73
275	848	PESCO	Recoverable amount from independent consumers on	1.06

			account of energy losses beyond permissible limit - Rs. 1.06 million	
276	849	PESCO	Loss due to non billing of units to consumers - Rs. 22.68 million	22.68
277	883	PESCO	Less recovery of security deposits from consumers - Rs. 0.30 million	0.30
278	911	PESCO	Recoverable amount from independent consumer on account of energy losses beyond permissible limit - Rs. 925.60 million	925.60
279	1056	PESCO	Excess purchase of cell phones - Rs. 8.80 million	8.80
280	1060	PESCO	Non-procurement of material at the risk & cost of the defaulted supplier - Rs. 31.06 million	31.06
281	1062	PESCO	Extra expenditure due to poor planning and monitoring - Rs. 8.60 million	8.60
282	1064	PESCO	Non-recovery of arrears from TESCO - Rs. 33,314.06 million	33,314.06
283	1160	PESCO	Non-mutation/transfer of land - Rs. 56.58 million	56.58
284	1166	PESCO	Less recovery of security deposits from consumers - Rs. 0.20 million	0.20
285	1477	PESCO	Irregular expenditure incurred without approved Distribution Margin (DM) - Rs. 12,965.10 million	12,965.10
286	1478	PESCO	Unjustified payment to the Contractors - Rs. 248.51 million	248.51
287	1479	PESCO	Loss to Government exchequer due to non-obtaining of insurance cover from NICL Rs. 3.25 million	3.25
288	1480	PESCO	Loss due to levy of commitment charges on unutilized loan-Rs 11.98 million	11.98
289	1650	PESCO	Return of land due to non-availability of acquisition documents	-
290	4	QESCO	Irregular expenditure due to violation of village electrification criteria - Rs. 14.84 million	14.84
291	438	QESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs. 29.26 million	29.26
292	439	QESCO	Undue Generation of revenue due to overbilling - Rs. 12.83 million	12.83
293	444	QESCO	Undue generation of revenue due to overbilling - Rs. 45.45 million	45.45
294	445	QESCO	Unjustified billing to consumer - Rs. 15.54 million	15.54
295	446	QESCO	Loss on account of grant of undue benefit to consumer - Rs. 0.80 million	0.80
296	465	QESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs. 1.70 million	1.70
297	485	QESCO	Recoverable amount from independent consumer on account of energy losses beyond permissible limit - Rs. 2.86 million	2.86

298	486	QESCO	Undue Generation of revenue due to overbilling - Rs. 12.74 million	12.74
299	545	QESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs. 0.32 million	0.32
300	546	QESCO	Undue generation of revenue through overbilling to the consumers - Rs. 1.07 million	1.07
301	548	QESCO	Unjustified drawal of electrical material - Rs. 3.35 million	3.35
302	573	QESCO	Loss due to excess payment of store material - Rs. 1.55 million	1.55
303	622	QESCO	Unjustified expenditure on village electrification due to violation of criteria - Rs. 3.33 million	3.33
304	678	QESCO	Loss due to excess payment to contractor due to wrong estimation of work Rs. 0.93 million	0.93
305	679	QESCO	Non-recovery of utility charges from contractor - Rs. 0.19 million	0.19
306	681	QESCO	Irregular/unjustified payment of conveyance allowance Rs. 0.80 million	0.80
307	683	QESCO	Irregular payment of special allowance - Rs. 3.87 million	3.87
308	690	QESCO	Loss of due to excess billing of units by CPPA - Rs. 2.24 million	2.24
309	692	QESCO	Non-recovery of electricity dues from QESCO/WAPDA formations - Rs. 131.17 million	131.17
310	693	QESCO	Irregular purchase of vehicles despite imposition of ban - Rs. 29.58 million	29.58
311	697	QESCO	Non-obtaining of performance security - Rs. 2.52 million	2.52
312	830	QESCO	Outstanding payment of WEPS Contribution - Rs. 106.15 million	106.15
313	833	QESCO	Loss due to non-replacement of Power Transformer - Rs. 40.85 million	40.85
314	876	QESCO	Unjustified award of Bonus to employees - Rs. 7.28 million	7.28
315	877	QESCO	Loss due to non-recovery of cost incurred on repair of damaged transformers - Rs. 35.08 million	35.08
316	934	QESCO	Non-debiting / billing of accepted Audit Notes by the revenue offices - Rs. 23.52 million	23.52
317	1075	QESCO	Irregular award of work in violation of Public Procurement Rules and non-recovery of cost of work done at the risk and cost of the contractor - Rs. 1.70 million	1.70
318	1108	QESCO	Loss due to unjustified refund of liquidated damages from own resources - Rs. 5.26 million	5.26
319	1109	QESCO	Loss due to award of contract in violation of PPRA Rules - Rs. 10 million	10.00

320	1110	QESCO	Irregular purchases through repeat orders - Rs. 138.03 million	138.03
321	1111	QESCO	Blockage of Company's funds due to un-necessary purchase of electrical material against ADB Loans - Rs. 49.24 million	49.24
322	1115	QESCO	Recoverable amount from independent consumer on account of energy losses beyond permissible limit - Rs. 0.17 million	0.17
323	1116	QESCO	Undue generation of revenue through overbilling to the consumers - Rs. 74.36 million	74.36
324	1119	QESCO	Unjustified drawl of material - Rs. 5.58 million	5.58
325	1337	QESCO	Non-obtaining of insurance coverage for civil works - Rs. 119.75 million	119.75
326	6	SEPCO	Irregular award of contracts in violation of PPRA Rules - Rs. 561.28 million	561.28
327	7	SEPCO	Irregular execution of village electrification schemes without approval of CM Sindh - Rs. 24.42 million	24.42
328	353	SEPCO	Undue generation of revenue through over billing - Rs. 329.20 million	329.20
329	355	SEPCO	Loss due to non charging of units to consumers - Rs. 60.94 million	60.94
330	356	SEPCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs. 8.83 million	8.83
331	528	SEPCO	Loss due to non charging of units on feeder - Rs. 1.99 million	1.99
332	529	SEPCO	Undue generation of revenue through over billing - Rs. 69.21 million	69.21
333	554	SEPCO	Loss of revenue due to abnormal tripping/break down of feeders - Rs. 175.07 million	175.07
334	557	SEPCO	Recoverable amount from independent consumer on account of energy losses beyond permissible limit - Rs. 2.67 million	2.67
335	618	SEPCO	Recoverable amount from independent consumer on account of energy losses beyond permissible limit - Rs. 161.87 million	161.87
336	619	SEPCO	Undue generation of revenue through over billing - Rs. 1,003.60 million	1,003.60
337	620	SEPCO	Loss due to non billing of electric supply - Rs. 84.24 million	84.24
338	789	SEPCO	Irregular advertisements made by SEPCO in violation of PPRA rules - Rs. 7.68 million	7.68
339	792	SEPCO	Irregular electrification of housing schemes without obtaining bank guarantees - Rs. 10.38 million	10.38
340	808	SEPCO	Loss due to grant of bonus to suspended officers - Rs. 0.44 million	0.44
341	809	SEPCO	Non-mutation of land in the name of SEPCO -	957.53

			Rs. 957.53 million	
342	810	SEPCO	Loss due to irregular rehabilitation of LT system - Rs. 1.07 million	1.07
343	815	SEPCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs. 58.91 million	58.91
344	816	SEPCO	Non-recovery of Neelum Jhelum Surcharge, GST and PTV Fees from employees - Rs. 37.19 million	37.19
345	817	SEPCO	Undue generation of revenue through over billing - Rs. 802.78 million	802.78
346	818	SEPCO	Non-recovery of set aside amount - Rs. 124.38 million	124.38
347	875	SEPCO	Loss due to non charging of units received on feeder - Rs. 17.48 million	17.48
348	1049	SEPCO	Irregular award of contract in violation of Public Procurement Rules - Rs. 1.07 million	1.07
349	1615	SEPCO	Unjustified award of purchase order in violation of public procurement rules - Rs. 651.91 million	651.91
350	1358	TESCO	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs. 14.67 million	14.67
351	1572	TESCO	Less recovery of electricity bills collection from banks - Rs. 4.37 million	4.37
352	1573	TESCO	Unjustified excess remittance than collection by the banks - Rs. 37.19 million	37.19
353	71	PITC	Non-recovery of Punjab Sales Tax from Public Sector Companies - Rs. 25.48 million	25.48
354	170	PITC	Non-recovery from HESCO on account of pay & allowances of employee - Rs. 1.60 million	1.60
355	172	PITC	Non-deduction of Income Tax - Rs. 0.72 million	0.72
356	217	PITC	Non-recovery from Ex-officer - Rs. 3.19 million	3.19
357	223	PITC	Unjustified award of Bonus / Reward / Honoraria / Special Reward to employees - Rs. 14.43 million	14.43
358	224	PITC	Irregular insurance cover from Insurance Companies other than NICL - Rs. 21.60 million	21.60
359	227	PITC	Non-maintenance of record for expenditure of LDIP Project - Rs. 305.73 million	305.73
360	229	PITC	Unwarranted payment of Travelling Allowance to DISCO employees - Rs. 1.08 million	1.08
361	230	PITC	Unjustified waiving off penalty on account of theft of vehicle - Rs. 0.20 million	0.20
362	463	PITC	Unauthentic grant of cost of free electricity - Rs. 40.56 million	40.56
363	1333	PITC	Unjustified payment to consultant on account of bonus - Rs. 0.18 million	0.18
364	1384	PITC	Non-recovery from DISCOs - Rs. 185.84 million	185.84
365	1385	PITC	Loss due to payment of rent against redundant AC Plant - Rs 1.64 million	1.64

366	1393	PITC	Violation of PPRA Rule in issuance of purchase orders - Rs. 70.74 million	70.74
367	1708	PITC	Irregular/Unjustified purchase of 1800 CC Car under new “PITC” Transport Policy - Rs. 2.4 million	2.40
368	1742	PITC	Non-deletion/shifting of assets of LDIP Project from the Company’s accounts - Rs. 25 million	25.00
369	52	CPPA	Non-Production of cash vouchers - Rs. 10.18 million	10.18
370	277	CPPA	Irregular / unjustified payment on account advertisement - Rs. 2.11 million	2.11
371	1846	PPIB	Irregular award of work order in violation of PPRA Rules - Rs. 0.73 million	0.73
			Total	**369,422.87**