Auditor-General of Pakistan

AUDIT REPORT ON

PAKISTAN STEEL MIILLS CORPORATION LIMITED (PSMCL)

Assistant Audit Officer (IT)
20 October 2026 03:07:46 PM

Report No: DG CA&E (South), Karachi 25-001

Audit Year 2025-26
Financial Year 2024-25

PREFACE

Articles 169 & 170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Sections 8 & 12 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001, require the Auditor-General of Pakistan to conduct audit of receipts and expenditure of the Federation and the Provinces or the accounts of any authority or body established by or under the control of the federal or a Provincial government.

This report is based on audit of *Pakistan Steel Mills Corporation Limited* for the financial year *2024-25*. The *Directorate General Commercial Audit and Evaluation* conducted audit during Audit Year *2025-26* on a test check basis with a view to make an independent assessment of the entity and provide reliable information to the stakeholder for making sound decision making. The report also aims at improving the internal controls of the entity, thereby allowing the management to take corrective action and improve operational efficiency.

The Audit Report includes key facts about the entity, audit snapshot, findings on systemic issues, conclusion and recommendation for executive action. Audit findings indicate a number of matters related to stated roles & responsibilities of the entity, financial management, human resource management, procurement, operational processes, achievements of targets/KPI and digitization.

The report was shared with the entity as well as the Principal Accounting Officer (PAO) and executive responses were evaluated before finalization this report. The report was discussed with the PAO in Departmental Accounts Committee (DAC) meeting held on 15.01.2026 and the outcome of the meeting has been incorporated in the report.

The Audit Report is submitted to the President of Pakistan in pursuance of 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).

Assistant Audit Officer (IT)
Irum Gul
20 October 2026 03:04:46 PM

Islamabad

Dated: February, 2026

(Maqbool Ahmad Gondal)
Auditor-General of Pakistan

Department of the Auditor-General of Pakistan

Department of the Auditor-General of Pakistan is the Supreme Audit Institution of the country

Vision: A model supreme audit institution adding value to national resources.

Mission: Serving the nation by promoting accountability, transparency and good governance in the management and use of public resources for the citizens of Pakistan.

Core Values:

Integrity

Quality

Friendship

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:04:46 PM

The Auditor General's organization is the prime institution in the country for ensuring public accountability and fiscal transparency in governmental operations. The organization is expected to bring about improvements in the financial discipline and internal control environment in the executive departments for minimizing the possibility of waste and fraud.

The Auditor-General of Pakistan is appointed under the Constitution of the Islamic Republic of Pakistan. His reports are laid before the legislature and are discussed in the Public Accounts Committees of the respective legislative Assemblies. His mandate enables him to strengthen the legislative oversight by providing an independent and objective assessment of the process of governance at the federal, provincial and local level.

AUDIT SNAPSHOT

Why did we do this audit?

- The audit was initiated to assess Pakistan Steel Mills Corporation Limited as a going concern, its financial sustainability, compliance with relevant laws and regulations, effectiveness of internal controls and the extent to which its operations are aligned with its mandated role in steel manufacturing in Pakistan. The audit also examined accumulated losses, financial issues related to recording of equity amounts received from the Federal Government, long-pending legal and contractual disputes.

What did we find?

- Non-finalization of financial statements for the years 2023-24 & 2024-25.
- Heavy accumulated losses increased from Rs 16,914 million in 2008-09 to Rs 245,948 million by 2023-24.
- Non-reflection / recording of equity of Rs.11,053 million by the Corporation indicating improper financial records.
- Unauthorized assignment of look-after charge to Additional Secretary as CEO PSM violating Section 16 and 17 of the SOE Act.
- Non-updating ownership record of 1,675 acres of land depicts weak asset management.
- In spite of closure of operations / production, stock inventory of finished products worth Rs. 17,617.57 million has been lying since 2015 ready to sell in market.

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:04:40 PM

Key Assessments

- Critically weak monetary standing kept declining during 2008-09 to 2022-23.
- Non-finalization of financial statements for 2023-24 and 2024-25 undermining financial transparency & reliable assessment.
- Consistent & Dependence on external support / funding (GoP).
- Declining Revenue generation further decreased after shutdown in 2015.
- Factors contributing risk to continue as growing concern.

What did we Recommend?

- Preparation and audit of financial statements for the years 2023-24 and 2024-25.
- Preparation of a comprehensive and time-bound business, restructuring, or revival plan.
- Proper disclosure of all figures in financial statements.
- Appointment of regular CEO in accordance with Section 18 of the SOE Act, 2023.
- Strengthen internal controls to avoid negative impacts, start revenue generation besides minimizing losses through timely and effective corrective measures.

HIGHLIGHTS

ENTITY SUMMARY SHEET - PSMCL (FY 2022-23) *(Source: audited FS 2022-23 and unaudited FS 2023-24)*

Description			
Legal Framework of Entity	Pakistan Steel Mills Corporation Limited was incorporated on July 02, 1968 under the Companies Act 1913 (later replaced by the Companies Ordinance, 1984 and now Companies Act, 2017) wholly owned by the Government of Pakistan, under the Ministry of Industries and Production.		
Key Responsibilities / Mandate & Objectives	Pakistan Steel Mills was mandated to produce steel products to support national industrial development.		
Total Assets (Current / Non-Current)	**Description**	**Audited FS 22-23 (Rs in million)**	**Unaudited FS 23-24 (Rs in million)**
	Total Assets Current Assets Non-Current Assets	830,831 15,338 815,489	828,093 14,545 813,544
Total Liabilities (Current / Non-Current)	Total Liabilities Current Liabilities Non-Current Liabilities	334,880 232,945 102,440	357,985 258,671 99,314
Revenue	Sales Revenue	2,709	915
Expenditure	Cost of Sales Other Operating Expenses Finance Cost	8,969 2,203 17,569	7,449 307 20,039
Cash & Bank Balances	Balances	3,555	1,965
Total Investments	Long Term Investments:	6.006	6.006
Funding Sources	Ministry of Industries and Production		
Receipts	Receipts on sale of steel products		
Total Allocations	Not disclosed in financial statements –up to date		
Accounting Policy	IAS & IFRS-compliant		
Status of Financial Statements	Audited Financial Statements up to FY 2022-23 (2023-24 unaudited Financial Statements whereas, FS FY 2024-25 has not been prepared yet).		
Composite Risk Rating	High Risk; • Qualified audit opinion • Operational risk • Financial risk		
Compliance Status of Audit Recommendations	The majority of audit recommendations remain unimplemented or partially complied with, reflecting weak management commitment, ineffective internal controls and inadequate oversight by the management.		

Inum Gull
Assistant Audit Officer (IT)
20 October 2026 03:04:46 PM

CONTENTS

CONTENTS ..... **VI**

ABBREVIATIONS **1**

OVERVIEW OF THE ENTITY **2**

AUDIT FINDINGS **5**

1. STATED MANDATE, ROLES & RESPONSIBILITIES **6**

2. FINANCIAL STATEMENT ANALYSIS **7**

3. FINANCIAL MANAGEMENT **13**

4. REGULATORY COMPLIANCE AND INTERNAL CONTROLS **15**

5. HUMAN RESOURCE MANAGEMENT **20**

CONCLUSION **25**

RECOMMENDATIONS **26**

APPENDICES **28**

A. Audit Objectives 28

B. Audit Scope 28

C. Audit Methodology 28

Index of Findings 29

List of Figures 30

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:04:46 PM

ABBREVIATIONS

ACCA	Association of Chartered Certified Accountants
ACMA	Associate Cost & Management Accountant
AGP	Auditor-General of Pakistan
BAC	Board Audit Committee
BHRC	Board Human Resource Committee
BoD	Board of Directors
CA	Chartered Accountant
CCoP	Cabinet Committee on Privatization
CEO	Chief Executive Officer
CFO	Chief Financial Officer
EOBI	Employees' Old-Age Benefits Institution
FS	Financial Statement
FTC	Finance & Trade Centre
FY	Financial Year
GoP	Government of Pakistan
GPC	Gharo Pumping Circle
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
KW&SB	Karachi Water & Sewerage Board
LIFO	Last In First Out
MoI&P	Ministry of Industries & Production
MSGR	Main Steel Gas Regulator
NPO	National Productivity Organization
OM	Office Memorandum
PDN	Power Distribution Network
PIPFA	Pakistan Institute of Public Finance Accountants
PSMCL	Pakistan Steel Mills Corporation limited
PSFCL	Pakistan Steel Fabricating Company Limited
SE	Superintendent Engineer
SSGCL	Sui Southern Gas Company Limited
SOE	State-Owned Enterprise

Islam Gul
Assistant Audit Officer (IT)
20 October 2020 03:04:46 PM

OVERVIEW OF THE ENTITY

Pakistan Steel Mills Corporation Limited (PSMCL) was incorporated on 2nd of July 1968 with technical and financial assistance from the former Soviet Union as Pakistan's flagship heavy industrial project. Conceived as the country's first and only large-scale integrated steel complex, it was designed to convert raw materials iron ore, coal and limestone into finished steel products through a complete production chain. Construction progressed during the 1970s and the early 1980s and the mills were inaugurated in 1985 near Bin Qasim, Karachi. With an initial installed capacity of 1.1 million tonnes per annum, later enhanced to 1.5 million tonnes, PSM became the backbone of Pakistan's steel industry.

Its integrated facilities include coke ovens, blast furnaces, basic oxygen furnaces, casting machines, rolling mills, surface treatment plants and a captive power generation system, making it a self-sustained steel manufacturing complex. Unlike other domestic steel units that operate as secondary producers by melting scrap or processing imported billets and blooms, PSM was capable of producing steel from raw iron ore, ensuring strategic industrial independence.

PSM was established under the Companies Act, 1913 as a public sector entity and is managed by its Board of Directors, the principal governing authority. The Board controls the company's strategic, financial and governance direction by setting policies, overseeing operations and ensuring compliance with laws and corporate governance standards, including the State-Owned Enterprises (Governance and Operations) Act, 2023. The Chairman leads the Board, independent and ex-officio members provide oversight and all the business & operations are managed by the CEO, who reports directly to the Board. The current composition of the Board is detailed below:

S #	Name	Status
1.	Mr. Saifullah Chatta	Chairman (Independent)
2.	Secretary, MOI&P	Ex-officio member
3.	Secretary, Finance Division	Ex-officio member
4.	Mr. Syed Asif Hyder Shah	Chief Secretary, Sindh (Ex-officio member)
5.	Mr. Asad Islam Mahni	CEO Pakistan Steel (Ex-officio member)
6.	CEO, National Productivity Organization (NPO)	Ex-officio member
7.	Mr. Imran Bashir	Member (Independent)
8.	Mr. Aziz Ul Haque Nishtar	Member (Independent)
9.	Engr. Ashique Ali	Member (Independent)
10.	Eng Absrar Nabi	Member (Independent)
11.	Mr. Adeeb Ahmed	Member (Independent)

Assistant Audit Officer (IT)
20 October 2026 05:04:36 PM

At its peak, PSM played a vital role in national industrialization. It created strong forward and backward linkages across engineering industries, construction, shipbuilding, defense production and manufacturing sectors. The Corporation was allotted 19,012.36 acres of land, of which approximately 2,023 acres remain un-mutated in its name. A large residential township was developed on 8,071 acres near Bin Qasim, providing around 3,700 housing units along with schools, hospitals and recreational facilities, effectively forming a self-contained industrial city. Employment reached nearly 30,000 workers during its peak, making PSM one of Pakistan's largest public-sector employers and a major contributor to economic activity in Karachi and beyond.

During the 1990s, although PSM remained operational, its performance weakened due to overstaffing, weak financial discipline and heavy reliance on government support. Operational inefficiencies and shortcomings in procurement practices gradually eroded profitability. However, reforms in the early 2000s improved capacity utilization and financial controls, enabling the mill to report profits around 2008-09. Despite this brief recovery, the Corporation soon entered a period of chronic financial distress. Continuous operational losses, theft and pilferage, excessive wage liabilities, disputed water and electricity billing, encroachment of land and the financial burden of running non-core entities such as trusts and schools compounded its difficulties. A significant dispute with Sui Southern Gas Company (SSGCL) over Rs. 68,460 million in late payment surcharges led to gas supply stoppages and litigation in the Sindh High Court, while PSM countersued for Rs. 38,663 million in damages. Frequent utility cut-offs and mounting debt ultimately made operations unsustainable.

In June 2015, PSM's production was completely shut down, marking a historic decline in Pakistan's heavy industrial sector. The workforce was gradually reduced through retrenchments and Voluntary Separation Schemes, declining from nearly 30,000 employees to approximately 835 employees by 2025, who now manage security, maintenance and asset protection.

Following the financial losses reported in 2008-09, the Supreme Court took notice and directed investigations by the Federal Investigation Agency (FIA). In 2012, the case was transferred to the National Accountability Bureau (NAB), where proceedings remained pending.

By the financial year 2023-24, accumulated losses had reached Rs. 245,948 million, while the Corporation continues to impose an annual fiscal burden exceeding Rs. 25,545 million. Remaining equity as of June 2023 stood at Rs. 495,445 million out of Rs. 830,831 million, largely arising from non-cash asset revaluation rather than operational strength. The financial statements for FY 2023-24 and 2024-25 have yet to be finalized and the Corporation remains dependent on repeated government bailouts. After PSM's closure, Pakistan's steel market became heavily reliant on secondary producers that depend on scrap and imported semi-finished steel from countries such as China, Korea, India and the UAE. This shift increased production costs, intensified foreign exchange outflows and created shortages of high-quality flat steel products.

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:04:46 PM

The Internal Audit Department at Pakistan Steel Mills was responsible for reviewing financial records, ensuring compliance with rules and procedures and examining budgeting, expenditure approvals, inventory management and financial reporting. It reported its findings to the Board and Audit Committee to strengthen control systems and accountability. However, the Internal Audit Department failed to fulfill its responsibilities effectively, with limited fraud detection, weak audits and unreliable financial reporting. Frequent management changes and poor oversight further reduced its effectiveness, resulting in mismanagement of resources, operational inefficiencies, financial irregularities and increased concerns about the long-term sustainability and governance of the corporation.

Multiple attempts to privatize PSM failed due to lack of investor interest, valuation disputes, unresolved liabilities and concerns regarding encumbered assets. Decisions taken by the Cabinet Committee on Privatization (CCoP) in June 2019 regarding privatization and revival were delayed, allowing losses to accumulate and assets to deteriorate further. However, the government shifted its strategy from outright privatization toward revival since 2024. Agreements have been signed with Russian partners for feasibility studies, modernization planning and restructuring under a state-led restoration model with potential private participation. Current plans aim to prepare a bankable revival project with practical implementation targeted around 2027, marking a significant policy transition from divestment to industrial rehabilitation.

Overall, the trajectory of Pakistan Steel Mills reflects broader challenges of public-sector industrial enterprises in Pakistan-rising from a symbol of strategic self-reliance and industrial strength to prolonged dormancy due to governance weaknesses, financial mismanagement and policy delays. Its proposed revival represents not only an economic initiative but also an attempt to restore Pakistan's integrated steel-making capability.

Irum Gul
Assistant Audit Officer (IT)
20 October 2026 03:04:46 PM

AUDIT FINDINGS

SUMMARY

This audit presents an integrated assessment of Pakistan Steel Mills Corporation Financial Performance, Governance Framework, Financial Management, Human Resource Management and Regulatory Compliance & Internal Controls. Audit results for the financial year 2024-25 reveal significant weaknesses that undermine the PSM's financial sustainability and transparency.

PSM's financial analysis indicates a sharp increase in accumulated losses from Rs 16,914 million in 2008-09 to Rs 224,631 million by 2022-23. Further, accumulated losses increased to Rs. 245,948 million during the year 2023-24 (draft financial statements as on June 30, 2024). The company's limited ability to convert recognized revenue into cash poses a critical risk to cash-flow sustainability, which remains a key area of concern requiring immediate management attention.

The audit revealed serious weaknesses in asset management, financial controls and statutory compliance as losses occurred due to theft and unresolved investigations, while unauthorized occupation of 1929 residential units and vacant spaces and discrepancy in water supply Rs.1126.440 million per annum resulted in continued revenue losses. Financial management was further undermined by non-recording of federal equity injections, recurring losses due to water supply discrepancies, non-recovery of dues from educational institutions and failure to generate income from vacant spaces, guest house and idle facilities. Moreover, financial statements for 2023-24 and 2024-25 were not finalized, affecting transparency and accurate reporting of the entity's financial position.

Significant governance and human resource irregularities were also observed. These included irregular payment of dual benefits, unjustified recall and reinstatement of employees with back benefits and non-compliant appointments and look-after charges in key managerial and financial positions. Weak oversight in ICT and asset documentation was evident from non-registration of vehicles and failure to update land ownership records, exposing the organization to legal and financial risks. Overall, these lapses reflect ineffective internal controls, poor governance practices and failure to discharge assigned roles and responsibilities in safeguarding public assets.

Overall, PSM management should strengthen internal controls to safeguard assets, complete investigations and recover outstanding dues. Proper accounting of government equity and timely finalization of financial statements must be ensured. Human resource decisions should strictly follow rules, with recovery of irregular payments and merit-based appointments. Vacant assets and facilities should be utilized to generate revenue and reduce losses. Asset records, including vehicles and land, should be updated to ensure transparency and accountability.

Irum Gull
Assistant Audit Officer(IT)
20 October 2026 03:04:46 PM

1. STATED MANDATE, ROLES & RESPONSIBILITIES

The Board of Directors consists of 11 members and it is functional. Besides, there is a Board Audit Committee, accountable for financial reporting and internal controls.

The Board is tasked with improving governance and operational efficiency at Pakistan Steel Mills, as mandated by the State-Owned Enterprises (Governance and Operations) Act of 2023. This includes reviewing the revival plan and exploring cooperation with potential investors to address the company's challenges. However, performance of the Board was not evaluated since long.

Key focus areas include managing Rs245,948 million in accumulated losses and substantial debt liabilities, tackling issues like land grabbing and asset theft and optimizing the employee structure through retrenchment.

Audit noted non-fulfilment of statutory requirements like failure to finalize the financial statements 2023-24 & 2024-25, non-appointment of regular CEO and non-reflection of equity amount. Non-compliance with statutory requirements adversely affecting financial transparency and institutional oversight.

Audit further noted that non-finalization of investigations and failure to update the records of land, unauthorized occupation of residential units, discrepancy in water supply, non-utilization of guest house, indicates poor financial and asset management.

Inam Gull
Assistant Audit Officer (IT)
20 October 2026 05:04:46 PM

2. FINANCIAL STATEMENT ANALYSIS

(Based on audited financial statements from FY 2008-09 to FY 2022-23 and unaudited FS 2023-24)

Pakistan Steel Mills Corporation Limited has suffered continuous financial losses from 2008-09 to 2023-24 and net loss of Rs 25,541 million in 2023-24, while the single profit year (2021-22) resulted mainly from asset revaluation rather than operations. Accumulated losses reached Rs 245,948 million by June 2024, reflecting decades of stopped production. Since operations ceased in 2015 due to utility shutdowns, the Corporation continues to incur substantial costs, including interest and administrative expenses exceeding Rs 25,541 million annually. Moreover, the Government of Pakistan granted loan to the Pakistan Steel Mills from 2013 to 2025 amounting to Rs 106,207 million (Source: Loan Statement from AGPR, sub office, Karachi). Although equity appears strong due to asset revaluation, the entity remains liquidity-constrained and financially unsustainable without restructuring, revival, or privatization backed by government support.

2.1 Accumulated losses (2008-09 to 2023-24)

The Steel Mill's financial situation drastically changed from having a surplus of PKR 9,612 million before 2008-09 to accumulating losses of PKR 16,914 million. Those earlier profits were substantially reduced and by 2023-24, losses increased by 1,355.3% to Rs 245,948 million.

It is recommended that the Steel Mill's financial and operational issues be urgently reviewed followed by a clear restructuring and revival plan to control costs, improve governance and generate revenue through viable options.

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:04:46 PM

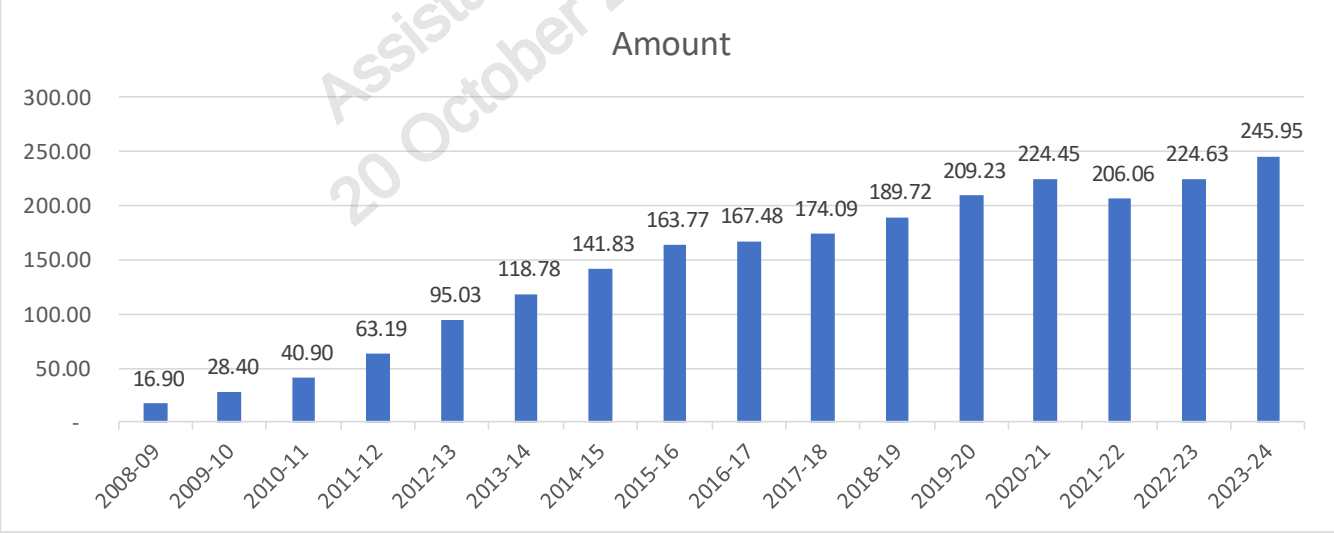


Figure-1 Accumulated losses

Source: Audited FS 2008-09 to 2022-23 & Unaudited FS 2023-24)

2.2 Annual Trends (Losses)

Pakistan Steel Mills Corporation Limited (PSMCL) reported consistent annual losses from 2008-09 to 2023-24 except profit in 2021-22 of Rs 7,149 million primarily due to gain on asset revaluations and sale of inventory items as reported in Note 36 of FS 2021-22. In the financial year 2023-24 (un-audited FS), the Corporation incurred a loss of Rs 25,541 million after tax. Annual Losses noticed since operations ceased in 2015, while fixed costs and liabilities increased without production, driven by salaries, utilities and debt servicing. PSMC's financial trend shows persistent heavy losses since 2008-09 with only one accounting profit year; if unaddressed operational and structural issues persist, accumulated losses will grow sharply, worsening the financial burden on the exchequer. PSMC should adopt a practical restructuring and revival strategy by focusing on sustainable operations and explore public-private partnerships or asset leasing to generate regular revenue and enforce strict cost control and governance measures to reduce recurring losses.



Irum Gull
Assistant Audit Officer (IT)
20 October 2025 03:04:46 PM

Figure-2 Annual Losses Trend

Source: (Audited FS 2008-09 to 2022-23 and unaudited FS 2023-24)

2.3 The operational/non-operational expenses

Cost of sales shows a sharp declining trend over the years (from 59,036 million in 2008-09 to Rs 7,449 million in 2023-24). Since 2015, as the production was at halt, it indicates reduced operational scale. Cost of sales mainly include cost of raw material consumed, stores, spare parts and loose tools, salaries and wages of employees related to manufacturing, depreciation of plant and equipment and service department cost.

Distribution costs have consistently decreased (Rs 367 million in 2008-09 to Rs 40.8 million in 2023-24), reflecting reduced sales activity.

Administrative expenses gradual increase in later years (From Rs 2,179 million in 2008-09 to Rs 7,378 million in 2023-24). The upward trend requires assessment of staffing costs and effectiveness of administrative controls to ensure expenses are reasonable and aligned with operations.

Finance costs have increased substantially over the period (From Rs 464 million in 2008-09 to Rs 20,039 million in 2023-24), becoming a major expense component. This rising borrowings as PSM had incurred accumulating losses from 2008-09 to 2023-24 up from 16,90 million to Rs. 245,948 million in FY 2023-24.

Other operating expenses fluctuate significantly year to year (Minimum Rs 310 million in 2008-09 and maximum Rs. 307 million in 2023-24). Adequate disclosure and confirmation that no further obligations remain outstanding is recommended.

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:04:46 PM

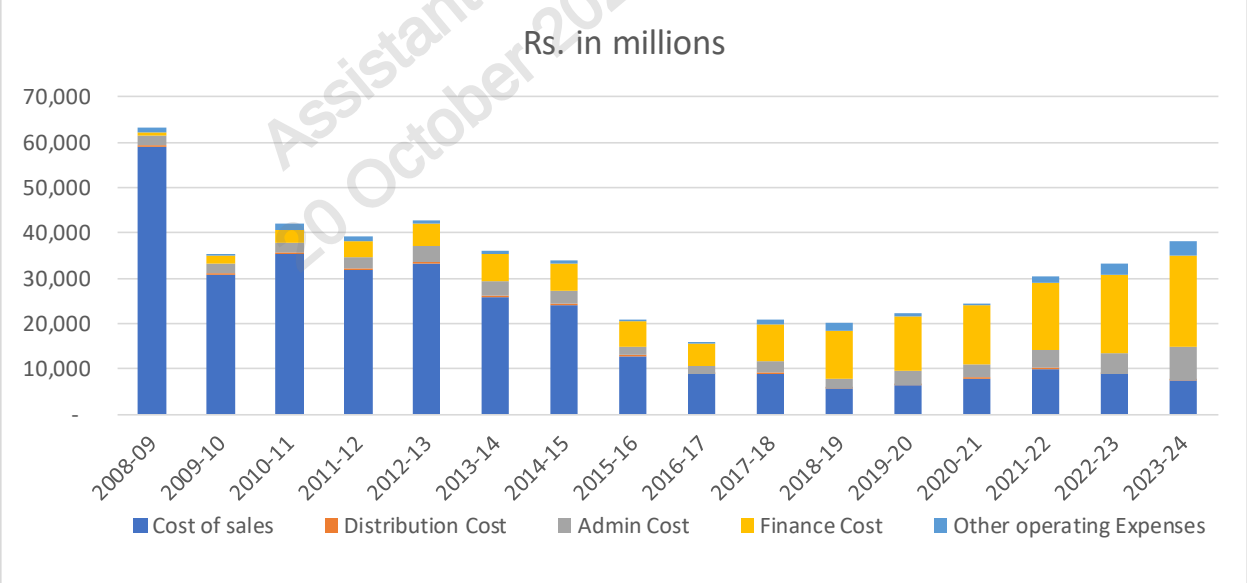


Figure-3 Operational / non operational expenses
Source: (Audited FS from 2008-09 to 2022-23 and unaudited FS 2023-24)

2.4 Sales Revenue

The company generated a revenue of Rs 122,381 million from 2008-09 to 2014-15. After shut down in 2015, PSM generated revenue of Rs 14,236 million from 2015-16 to 2023-24 (sales of inventories such as Billets, Slabs, Blast furnace, Coal Tar, etc.), which is 10 % of previous period from 2008-09 to 2014-15. Trade debts grew 236% from PKR 5,23 million in FY 2023 to Rs.17,600 million in FY 2024, yet the provision for doubtful debts remained static at PKR 3,500 million.

Rs in million

Year	Sales	Year	Sales
2008-09	33,183	2015-16	3,029
2009-10	22,777	2016-17	435
2010-11	26,298	2017-18	539
2011-12	15,225	2018-19	467
2012-13	10,191	2019-20	546
2013-14	7,673	2020-21	1,595
2014-15	7,031	2021-22	3,998
-	-	2022-23	2,709
-	-	2023-24	915
Total	**122,378**		**14,233**

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:04:46 PM

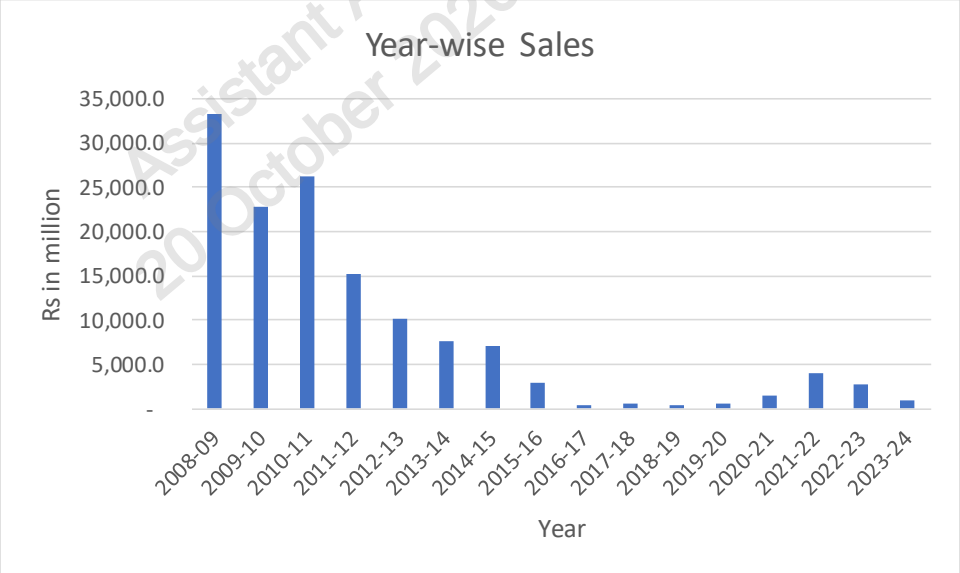


Figure-4 Source: Financial statements from 2008-09 to 2022-23 and unaudited FS 2023-24

2.5 Capital & Solvency

As per unaudited financial statement 2023-24, PSMC reported total equity of Rs 495,445 million, from Rs 243,938 million in June 2021, primarily due to the revaluation of land and fixed assets.

In 2016-17 liabilities were Rs.177,411 million, which increased to Rs.357,985 million in 2023-24. With no operational revenue, the Corporation's ability to meet obligations depends heavily on government support. While the balance sheet appears strong on paper, it is constrained by liquidity, as these assets are largely non-productive and cannot generate operational cash flow without restructuring or privatization.

PSMC should improve its solvency by turning idle assets into income through privatization, leasing, or partnership with the private sector. Government support should be linked with a clear revival or restructuring plan and control of liabilities. Immediate steps are needed to manage cash shortages and meet day-to-day expenses. In the long run, only operational revival or sale of assets can make PSMC financially sustainable.

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:04:46 PM

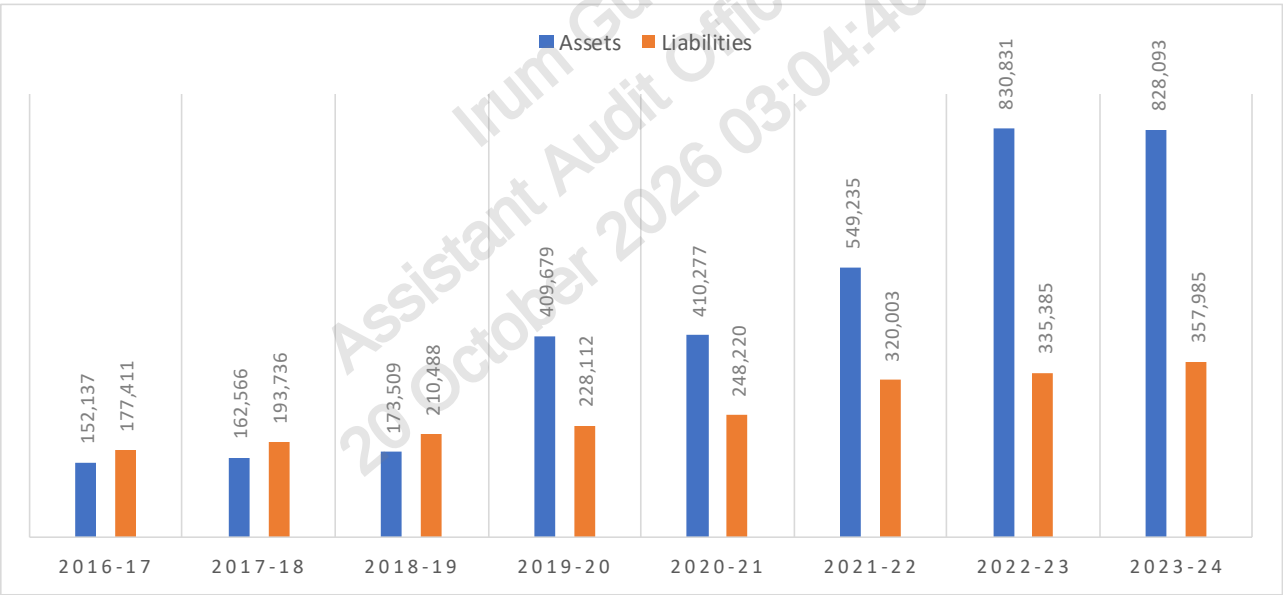


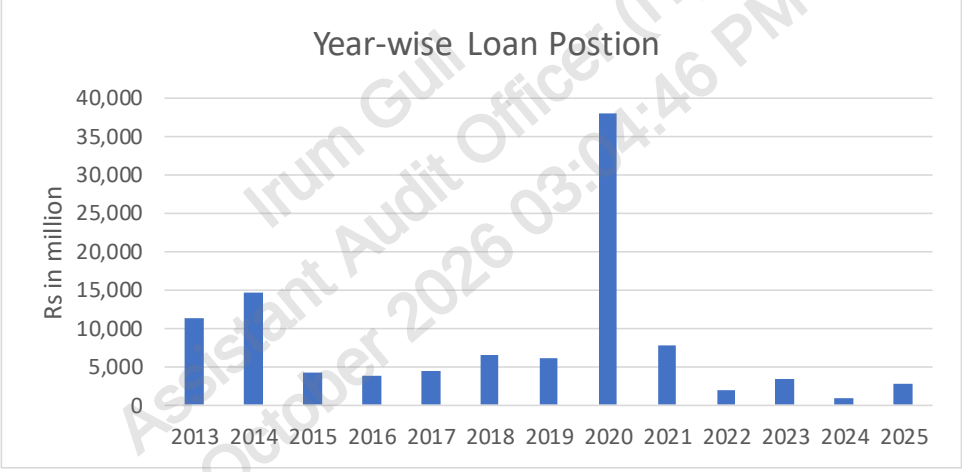
Figure-5 Relationship between Liabilities and Asset (Rs. in million)

Source: Financial statements from 2016-17 to 2023-24

2.6 Loan to PSM from 2013 to 2025

The Government of Pakistan granted loan to the Pakistan Steel Mills from 2013 to 2025 amounting to Rs 106,207 million. The details of loan are given as under:

			(Rs in million)
Year	**Loan amount**	**Year**	**Loan amount**
2013	11,330	2019	6,100
2014	14,764	2020	37,894
2015	4,179	2021	7,851
2016	3,932	2022	2,056
2017	4,560	2023	3,331
2018	6,515	2024	824
		2025	2,871
		Total	**106,207**



Irum Gul
Assistant Audit Officer (IT)
20 October 2026 03:04:46 PM

Figure-6 Source: Loan Statement from AGPR, Karachi

3. FINANCIAL MANAGEMENT

Pakistan Steel Mills Corporation has faced significant losses due to both operational and administrative issues. Non-reflection of government equity added Rs 11,053 million, while water supply discrepancies caused loss of Rs 1,126.44 million. Underutilized assets and non-recovery from schools contributed Rs 77.054 million and idle facilities led to further losses of Rs 59.822 million in 2024-25 *(Source: Income and expenditure statement of PSM guest house)*. Administrative inefficiencies, including non-finalization of financial statements for 2023-24 and 2024-25, worsened the situation. Collectively, these factors highlight serious financial and governance weaknesses affecting the Corporation's stability.

3.1 Non-finalization of financial statements for the years 2023-24 and 2024-25

Section 223 of Companies Act, 2017, states that the company shall prepare the financial statements within four months after closure of accounts for the specific year.

It was noted that financial statements for the years 2023-24 and 2024-25 were not finalized by the management of PSMC. Besides the management did not provide the draft FS for FY 2024-25 for review. Non-finalization of financial statements exposes the company to serious financial misstatements, weakens regulatory oversight and increases the risk of financial irregularities and misuse of public funds.

Audit is of the view that the management's non-finalization of the financial statements for the years 2023-24 and 2024-25, as well as non-provision of draft statements for the same period, constitutes a clear violation of the rules. This reflected inefficiency, a lack of transparency and poor financial management practices, potentially leading to financial irregularities and mis-utilization of resources. The delay in finalizing accounts also hinders stakeholders' ability to make informed decisions and undermines the transparency and accountability of the company's operations.

The irregularity was discussed in DAC meeting held on 15.01.2026. The management apprised the DAC that financial statements for the years 2023-24 & 2024-25 are under process.

The DAC directed the management to share the reasons and justification for delay in finalization of the financial statements 2023-24 and 2024-25, besides, finalize FS and obtain Board's approval thereof within three months.

Audit recommends implementation of DAC directives.

AIR PSMC 2024-25 Para 21

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 05:04:48 PM

3.2 Non-reflection of equity amount received by Federal Government in financial statements

According to the International Financial Reporting Standards (IFRS) and the Companies Act, 2017, equity investments and payments should be properly recorded and disclosed in the financial statements.

Audit noted that equity amount of Rs 11,053.00 million received from the Federal Government up to June 30, 2024 for interest payment of various banks, which was not reflected in financial statements 2022-23.

Audit is of the view that non-reflection of equity payment in financial statements (even in draft statements 2023-24) is a serious accounting irregularity, besides maintenance of improper financial records which may lead to the misstatement of the financial position and performance of PSM.

The irregularity was discussed in DAC meeting held on 15.01.2026. The management apprised DAC that equity payments were received in 2022; however, these could not be recorded. Matter has already been taken up with Finance Division through MOI&P to seek clarification.

The DAC directed to share correspondence made with the Finance Division and MOI&P on the subject issue, along with all relevant record besides finalization of audited financial statements for FY 2023-24 and 2024-25 accurately without further delay.

Audit recommends implementation of DAC directives.

AIR PSMC 2024-25 PARA 02

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:04:46 PM

4. REGULATORY COMPLIANCE AND INTERNAL CONTROLS

4.1 Un-notified land of 1,675 acres

Rule 5 (1) of Public Sector Companies (Corporate Governance) Rules, 2013 state that the board shall exercise its power and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

Audit noted that 1,675 acres of land belonging to PSM has not been notified in the name of the Corporation so far from the Board of Revenue, Government of Sindh. Non-notification of land records may expose PSM to potential risks, including disputes over land ownership, difficulty in disposing of or utilizing the land and potential loss of Corporation assets.

The irregularity was discussed in DAC meeting held on 15.01.2026. The management stated that it had made several correspondences since 2020 with the Board of Revenue, Government of Sindh, Land Utilization Department through MoI&P and Privatization Commission. It was further stated that PSM has filed Suit No. 730/2013 at the High Court of Sindh for mutation of 1675 acres of un-mutated industrial land.

The DAC directed the management to share reasons for delay, the ECC decision, correspondence made with Government of Sindh, progress report and make efforts for the early updating of revenue records.

Audit recommends implementation of DAC directives.

AIR PSM 2004-25 Para No.32

Assistant Audit Officer (IT)
Irum Gul
20 October 2026 03:04:46 PM

4.2 Delay in auction/ sale of finished slab product lying in stores since 2015

According to Public Assets Disposal Regulations 2025, all procuring agencies shall prepare an annual public assets disposal plan for the items declared as unserviceable, surplus or obsolete, obsolescence assets or equipment and publish the same on EPADS. The stock inventory of finished products had been lying in PSM stores since June 2015, awaiting sale. The Mill's operations had been suspended, resulted in the prolonged storage of the inventory. The details are hereunder:

Description	Quantity in tonnage	Book Value (Rs in m)	Market Value / ton	Market Value (Rs in m)
Finished Slab (BSSY+HSM)	62,000	3,462.78	190,737	11,825.69
Provisional value as of June 30, 2024 (Source: store/ finished good reports for the year 2023-24)				

Furthermore, a substantial stock inventory of various items, valued at Rs. 5,791.878 million, was found lying idle in different PSM stores as of June 30, 2024. This inventory had remained unused and unissued to concerned departments since June 2015, due to the suspension of the Mill's operations. The details are hereunder:

	(Rs. in million)
Description	**Inventory Balances**
Raw Material	1,149.054
Work in Process	3,511.966
Finished Products	1,130.857
Total	**5,791.878**
Source: Draft Financial statements 2023-24	

Audit is of the view that despite the DAC (dated 19.12.2024) concern over the large inventory in stores amounting to Rs. 17, 617.57 million (Rs 11,825.69 m+ Rs 5,791.87 m), the management did not expedite the sale of finished slab products and inventory, resulted in a significant delay, highlights inefficiency and poor management, potentially resulted in losses to the organization. The DAC directed the management to make efforts for selling the inventory to prevent theft, given the significant security concerns at PSM.

Audit recommends to implement the directives of DAC meeting dated 19.12.2024.

AIR PSM 2024-25 PARA 11

Asjad Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:04:46 PM

4.3 Recurring loss due to water supply discrepancy

Rule 4(3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters.

A significant discrepancy was noted between the quantity billed and the actual water received at Gharo pumping circle for PSM's bulk water supply during 2024-25. Although PSM was billed for 395 million gallons of water at the rate of Rs 0.298 per gallon, the actual quantity received was only 80 million gallons, resulting in substantial loss of Rs 1,126.440 million per annum.

The irregularity was discussed in DAC meeting held on 15.01.2026. The management apprised the DAC that the matter has been taken up with Sindh government and KW&SB to stoppage of excess water billing. The DAC directed the management to:

i. Take up matter with KW&SB and reconcile the liability figures and submit the report within one month.

ii. Conduct a fact-finding inquiry on discrepancy between billed quantity and actual water received, excess payment/liability and submit the report within one month.

iii. Expedite finalization of the MoU with KW&SB

for handing over water supply system and installation of a flow meters.

Audit recommends implementation of DAC directives.

Source: Bulk water billing & statement of water consumption
AIR PSMC 2024-25 P A R A 01

4.4 Recurring loss due to non-renting out of vacant space and closure of guest house

Rule 4(3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters.

Audit noted that Sir Syed School Campus I and II at Steel Town of PSMC and the FTC building space have been lying vacant for the last four years and approximately two years, respectively. As a result, the management failed to generate rental income, leading to financial losses. Furthermore, the PSM Guest House was closed in February 2025, which also resulted in a loss.

Moreover, the management incurred electricity expenses of Rs. 2.110 million on the two closed limestone projects during the last 12 months, along with guest house expenses amounting to Rs. 1.017 million which were unjustified.

The irregularity was discussed in DAC meeting held on 15.01.2026. DAC directed the management to share following documents/information to audit for verification:

i. Efforts made by management for rent out of Sir Syed School Campus I & II.

ii. Share reasons for non-renting of FTC Building since February 2022 till licensed out to M/s Al-Meezan along with copy of license agreement and current status.

iii. Details of gross income as claimed by the management, amounting to Rs. 33.41 million for the period from 04.04.2025 to 30.06.2025.

iv. Justification and reasons for operational losses and rationale behind the closure decision.

v. Current status and corrective measures taken by the management.

vi. Investigate the unusually high electricity expenses of the closed Guest House, Jhimpir Project and Makli Limestone Project and submit such findings within 30 days.

vii. Provide evidences regarding the operation of the Guest House during the period mentioned in the para.

viii. Utilize the Guest House on commercial basis in profitable manner. Share all progress to audit for verification.

Audit recommends implementation of DAC directives.

AIR PSMC 2024-25 P A R A 6, 14 & 17

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 05:04:16 PM

4.5 Non-recovery from various schools & colleges

Rule 4(3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters.

Audit observed that an outstanding balance totaling Rs 19,454,519 against 08 schools/ colleges/ institutions under umbrella of PSMC as detailed **Annex-A**.

The irregularity was discussed in DAC meeting held on 15.01.2026. The management apprised DAC that an amount of Rs. 2.462 million has been recovered, including withholding of NDCs and certificates of defaulters/students, recovery from siblings and renting out school/college facilities, etc.

The DAC directed the management to get the recovered amount and management efforts verified by audit and expedite recovery awaited.

Audit recommends implementation of DAC directives.

AIR PSMC 2024-25 PARA 19

4.6 Loss due to theft and non-finalization of investigations

Rule 15 of Public Sector Companies (Corporate Governance) Rules 2013, states that management is responsible for safeguarding assets of the company and ensuring prudent financial management.

The audit observed that eight theft incidents took place at PSMC during 2024-25. Investigations remain incomplete in three cases, losses have not been quantified in four cases and despite the inquiry concluding guilt in one case, dismissal of the individual was not carried out. Consequently, no recoveries could be made despite a considerable lapse of time, ranging from 3 to 18 months. The details are **Annexed-B**.

Moreover, annual physical verification of assets was also not carried out.

The irregularity was discussed in DAC meeting held on 15.01.2026. The management apprised DAC that actual amount is Rs.9.60 million instead of 56.604 million and cases are pending.

The DAC directed the management to share current status of investigations, reasons for delay in finalization, details of FIRs and actions taken thereon to audit.

Audit recommends implementation of DAC directives.

AIR PSMC 2024-25 PARA-03,35 & 24

4.7 Non-registration of 195 motor vehicles

Section 3 of the Provincial Motor Vehicles Ordinance, 1965 states that "no person shall use or permit the use of a motor vehicle in any public place unless the vehicle is registered in

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:04:46 PM

accordance with this Ordinance" and Section 5 of the Ordinance states that vehicle owners must not permit contravention of sections 3 or 4, which relate to registration and licensing requirements.

It was observed that the corporation has 195 vehicles, including cars, motorcycles, Mazda and Hino trucks, water tankers and fire tankers, which were not registered. This depicted weak asset management and a serious irregularity.

The irregularity was discussed in DAC meeting held on 15.01.2026. The management apprised the DAC that the vehicles were used inside the PSM area, therefore, the then management did not get registered them.

The DAC directed the management to provide the following documents to audit for verification.

i. Reasons and approvals / exemption for non-registration of vehicles.
ii. Share fact finding report regarding cost analysis/ cost benefits on registration within 15 days.
iii. Finalization of condemnation and auction of vehicles within 3 months.

Audit recommends implementation of DAC directives.

AIR PSM 2024-25 Para No 31

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:04:46 PM

5. HUMAN RESOURCE MANAGEMENT

PSMC experienced multiple human resource irregularities, including dual benefit drawls by female employees and unjustified recall of retrenched staff based on favoritism. Irregular reinstatement of an Assistant Manager with back benefits further added to financial strain. Key positions were mismanaged through unauthorized postings, including the Superintendent Engineer as In-charge Finance and non-compliant appointment of senior officials. These actions reflect weak HR governance and lack of adherence to rules. Collectively, such irregularities undermined transparency, accountability and operational efficiency.

5.1 Look-after charge and non-compliant appointment of Additional Secretary as CEO

According to Establishment Division's instructions vide letter No.3./15/2016-R-II dated 9th April, 2021 and Estacode guidelines, a 'look-after charge' is a purely temporary arrangement meant only for short-term routine functions and does not confer administrative or financial powers, nor can it substitute a lawful appointment.

Section 17 & 18 of the SOE Act, 2023 ensures the independence of the Board and prohibits any administrative instructions from any division of the Federal Government overriding the Board's authority, further stipulates that the Board shall appoint the CEO on a performance-based contract for a specified period and organizational structure after approval from their respective Board of Directors.

The Ministry of Industries & Production (MoI&P) assigned the Additional Secretary-I look-after charge of CEO on May 3, 2024 to be exercised in the light of Establishment Division's letter No quoted above.

However, the Board later gave full powers of CEO to the same officer, turning a temporary arrangement into a de facto appointment. Instead of fulfilling its responsibility to appoint a regular CEO, this arrangement bypassed proper appointment processes and ignored rules governing look-after charge. It also created a conflict of interest, as a BS-21 officer from the ministry held CEO powers, who is also ex-officio member of Board of Directors, compromising independence and oversight and violating Fit and Proper Criteria.

Audit is of the view that the Ministry's assignment of CEO's look-after charge and the Board's subsequent decision for exercising full power of CEO instead of looking after day to day work violated the SOE Act, 2023, without approval of Cabinet Secretariat and Establishment Division. The arrangement also created conflict-of-interest.

The irregularity was discussed in DAC meeting held on 15.01.2026. The management apprised the DAC that efforts were made for appointment of regular CEO but still the

Assistant Audit Officer (IT)
20 October 2026 03:04:46 PM

appointment could be materialized. The incumbent performed well in resolution of pending issues/reduction in expenditure as well as opening of the revenue streams of the PSM.

Audit is of the view that the Ministry's assignment of CEO's look-after charge and the Board's subsequent decision for exercising full power of CEO instead of looking after day to day work violated the SOE Act, 2023, without approval of Cabinet Secretariat and Establishment Division. The arrangement also created conflict-of-interest.

The DAC directed to expedite process of appointment for a regular CEO.

Audit recommends implementation of DAC directives.

AIR PSM 2024-25 PARA-25

5.2 Recall of retrenched employees

Rule 4(3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters.

It was observed that 19 employees were retrenched in March 2025; the management subsequently cancelled the retrenchment orders and recalled these employees to duty in April 2025, restarting their salaries. Management retrenched employees but subsequently recalled employees without providing any justification or documentary evidence.

The irregularity was discussed in DAC meeting held on 15.01.2026. The management apprised the DAC that employees were erroneously retrenched due to clerical mistakes and have, therefore, been recalled.

The DAC directed the management to provide the following documents and information to audit for verification:

i. Board of Directors approval, regarding the retrenchment of employees.

ii. Documentary evidence showing that the LIFO system was adopted for the retrenchment of employees, along with a list of employees available at the time of approval with their dates of appointment and a list of employees retrenched to date.

iii. Documentary evidence confirming that these employees did not fall under retrenchment.

Audit recommends implementation of DAC directives.

AIR PSM 2024-25 PARA -28

Assistant Audit Officer (IT)
Irum Gul
20 October 2026 05:04:46 PM

5.3 Irregular drawl of dual benefit by female employees

Under Employees Old-Age Benefit Scheme, Insured Persons are entitled to avail benefit like, Old-Age-Pension (on the event of retirement), Invalidity Pension (in case of permanent

disability), Old-Age Grant (an Insured Person attained superannuation age, but does not possess the minimum threshold for pension) Survivor's Pension (in case an Insured Person is expired). Moreover, a contribution equal to 5% of minimum wages has to be paid by the Employers of all the Industrial and Commercial Organizations where EOB Act is applicable. Contribution equal to 1% of minimum wages by the employees of said Organizations.

It was noted that 18 female employees were drawing salaries from PSM simultaneously receiving old-age pensions from the Employees' Old-Age Benefits Institution (EOBI) after attaining the age of 55 years. Dual benefits to these employees were not in line with the rules and regulations governing employment and pension benefits.

The irregularity was discussed in DAC meeting held on 15.01.2026. The DAC directed the management to obtain clarification of the matter from the Finance Division and share its progress to audit for verification.

Audit recommends implementation of DAC directives.

AIR PSM 2024-25 PARA -27

5.4 Reinstatement of Assistant Manager

Section 11.2 Chapter XI of Pakistan Steel Mills Officers Service Rules and Regulation states that every shall be submitted within a period of thirty days of the communication of the order appealed against. Further Section 6.11 (b) states that where the authority competent to dismiss or remove a person from service, or to reduce a person to lower post, it is not reasonably practicable to be in accused an opportunity of showing cause.

It was observed that Mr. Kiyani, Assistant Manager was issued a charge sheet in May 2020 on account of habitual violation of orders circulated by the management. An inquiry was conducted, wherein he was found guilty and he was given an opportunity to show cause within seven days regarding the imposition of a major penalty, but he did not reply within the stipulated time. After that he was removed from service in August 2020, but he challenged the decision in court. In 2024, he was granted a personal hearing by the acting CEO / Additional Secretary MOI&P and claimed victimization without providing evidence. Ministry MoI&P assigned look after charge to Additional Secretary as CEO PSM on 03 May, 2024, who conditionally reinstated him with back benefits subject to withdrawal of litigation. This action ignored the fact that a full inquiry having sixteen sessions had already found him guilty and he failed to respond to the show-cause notice.

He also did not file a departmental appeal within the prescribed time. The matter was sub-judice, yet undue favor was extended after nearly four years. Moreover, the reinstatement required Board ratification, which was not granted, making the action irregular.

Audit is of the view that the conditional reinstatement of Mr. Kiyani appears irregular, lacking procedural justification, bypassing

Num Gull
Assistant Audit Officer (IT)
20 October 2026 05:04:46 PM

statutory appeal limitations, ignoring completed disciplinary proceedings and without mandatory Board ratification. The decision reflects governance and compliance deficiencies requiring review and corrective action.

The irregularity was discussed in DAC meeting held on 15.01.2026. The management apprised the DAC that the incumbent was removed from service in 2020 on the basis of an inquiry report. The sitting CEO granted him a personal hearing on June 12, 2024, reinstated his services on the condition that he would withdraw all court cases and refrain from filing any future litigation on the matter.

DAC directed the management to share inquiry proceedings, show-cause notices, personal hearing records, the reinstatement order and any correspondence with the Board. Justification and the applicable rule position for granting reinstatement despite the matter being under court jurisdiction and the incumbent failing to file an appeal within the stipulated period.

Audit recommends implementation of DAC directives.

AIR PSM 2024-25 PARA -07

Ilum Gull
Assistant Audit Officer (IT)
20 October 2026 05:04:46 PM

5.5 Posting of Superintendent Engineer as In-charge Finance and Administration

The Board in its 433rd meeting held on 28 October 2024 decided that the charge of ACFO/In-charge Finance be assigned to the next senior officer in the Finance Department. The post of Director Finance/CFO requires a professional qualification (CA, ACCA, ACMA, or Fellow PIPFA), a relevant Master's degree and at least 10 years of financial management experience, while the post of Director Administration & Personnel requires a Master's degree in HR/Administration or related field with adequate experience in HR, administration and industrial relations, in line with merit-based governance principles.

Audit observed that Ch. Muhammad Akram, a Superintendent Engineer with a Bachelor's degree in Engineering, was posted as Director Finance/CFO (In-charge) and Director Administration & Personnel from November 2024 and later assigned additional charge of CEO, PSFCL from 02 May 2025, despite lacking the prescribed qualifications and experience in violation of BoD directives and SoPs.

The situation occurred due to delayed appointment of a substantive CFO, ineffective recruitment process and weak enforcement of eligibility criteria for senior management positions, coupled with inadequate oversight by the Board and BHR Committee.

Audit is of the view that posting of an ineligible officer on key financial, administrative and executive positions undermined corporate governance, delayed finalization of financial statements, increased compliance risks and adversely affected transparency, accountability and organizational performance.

The irregularity was discussed in DAC meeting held on 15.01.2026. The management apprised DAC that the incumbent was posted in compliance with the directives of the Board.

DAC directed the management to provide the following documents to Audit for verification;

Approved minutes of the Board and efforts made to fill the positions since the occurrence of vacancy, along with documentary evidence and applicable HR policies.

Conduct a fact-finding inquiry to assess the performance of the incumbent within one month and take action accordingly.

Audit recommends implementation of DAC directives.

AIR PSM 2024-25 PARA -20

5.6 Unauthorized occupation of 1,929 residential units and subsequent revenue loss

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

The 433rd Board meeting minutes' reveal that the Corporation's residential estate consists of 4,347 units. While 1,411 units were duly allocated to serving employees and 1,000 units remained vacant, a significant number 1,929 units were occupied unauthorizedly by ex-employees and outsiders without valid license agreements. These unauthorized occupants have neither paid rent nor utility charges, causing substantial financial loss to the Corporation.

The irregularity was discussed in DAC meeting held on 15.01.2026. The DAC directed the management to conduct a fact-finding inquiry based on the following Terms of Reference (ToRs):

i. Unit-wise allotment to serving employees, retired/retrenched employees and outsiders.
ii. Certification of unit-wise allotment, licenses, rent and utility expenses.
iii. Determination of whether the occupation of each unit was legal or illegal.
iv. Identification of lapses in monitoring and control that allowed unauthorized occupation.
v. Assessment of revenue loss incurred due to non-payment of rent and utilities.
vi. Recommendations for regularization of legitimate occupants and eviction of unauthorized occupants.
vii. Fixing responsibility on officials found negligent in managing and monitoring the residential estate.

Audit recommends implementation of DAC directives.

AIR PSM 2024-25 PARA-10

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:04:46 PM

CONCLUSION

The audit identified serious weaknesses in asset safeguarding, financial management and governance at PSM, resulted in persistent losses and misuse of resources. Ineffective internal controls led to theft-related losses, delayed investigations, unauthorized occupation of residential units and poor enforcement of rules, causing avoidable revenue leakages.

Financial management remained weak due to non-recording of government equity, recurring non-operational losses, underutilization of revenue-generating assets, non-recovery of dues and failure to finalize financial statements, thereby distorting the Corporation's true financial position and undermining transparency and accountability.

Human resource governance was undermined by irregular benefit payments, favoritism in employee recalls, unauthorized postings and prolonged look-after arrangements, creating financial liabilities, weakening merit and compromising internal controls.

Inadequate record management, including non-registration of vehicles and non-updated land ownership records, exposed PSM to legal and financial risks and reflected poor utilization of ICT systems, thereby weakening asset control and decision-making.

Consequently, prolonged operational shutdown, weak controls and governance failures have continued to impose a heavy fiscal burden on the State, with sustained losses, revenue leakages and continued dependence on government support. Overall, the management did not adequately discharge its core responsibilities as mandated.

Ihtsham Gull
Assistant Audit Officer (IT)
20 October 2026 03:04:16 PM

RECOMMENDATIONS

1. Stated Mandate, Roles and Responsibilities

The Board may ensure effective oversight of Pakistan Steel Mills' revival plan and potential investor partnerships. This includes reviewing and approving policies on risk management, procurement, investments and financial authority delegation to drive the company's growth. The Board must also monitor the management of Rs445,948 million in losses and debt liabilities, ensuring accurate financial reporting and timely account finalization.

To protect assets, the Board may address unauthorized occupancy of residential units, theft, asset mismanagement, optimize asset utilization and conducting of annual physical verification. The employee retrenchment strategy should be reviewed for financial sustainability, ensuring compliance with labor laws and regulations. Improving contract management, enforcing accountability and enhancing revenue recovery will also contribute to operational efficiency. By focusing on these areas, the Board can drive Pakistan Steel Mills towards improved governance, financial health and sustainability.

2. Financial Performance Analysis

Steel Mill's financial and operational issues be urgently reviewed, followed by a clear restructuring and revival plan to control costs, improve governance and generate revenue through viable options such as public-private partnership, so that further increase in accumulated losses is stopped and financial sustainability is restored of each project should be rationalize according to inflation rate time to time.

PSMC may improve its solvency by turning idle assets into income. Government support should be linked with a clear revival or restructuring plan and control of liabilities. Immediate steps are needed to manage cash shortages and meet day-to-day expenses. In the long run, only operational revival or sale of assets can make PSMC financially sustainable. Use modern workforce utilization and management tools so that existing employees can be utilized at optimum level.

Assistant Audit Officer (IT)
20 October 2026 03:04:46 PM

3. Financial Management

The management to make efforts for selling the inventory to prevent theft, given the significant security concerns at PSM. The management may al update financial records to reflect equity payments from the Federal Government, ensuring accounting accuracy and a true picture of PSM's financial position. To reduce losses, resolve the water supply discrepancy with Sindh Government and KW&SB and stop excess billing payments.

To boost revenue, rent out vacant spaces and expedite recovery from schools, colleges and other debtors. Improve contract management by enforcing contractual clauses, recovering outstanding receivables and monitoring project timelines. Hold officials accountable for lapses to ensure better governance and financial health.

4. Regulatory Compliance and Internal Controls

Management may strengthen internal controls in accordance with applicable laws and regulations and to conduct an inquiry to fix responsibility on the officials responsible for the lapse.

5. Human Resource Management

Management is advised to seek necessary clarification from the Ministry of Finance regarding dual benefits availed by female employees, besides ensure all senior appointments including CEO are made strictly in accordance with the SOE Act and investigate cases of irregular reinstatement of the officers to fix responsibility.

Management may ensure merit-based postings with appropriate qualifications for finance positions and thoroughly examine the recall of retrenched employees to ensure compliance with rules and regulations.

Irum Gull
Assistant Audit Officer(IT)
20 October 2026 03:04:46 PM

APPENDICES

A. Audit Objectives

The audit objectives were to assess Pakistan Steel Mills Corporation Limited financial sustainability, compliance with relevant laws and regulations, the effectiveness of internal controls and the extent to which its operations align with its mandated role in steel manufacturing in Pakistan.

B. Audit Scope

The audit followed INTOSAI's Regularity Auditing Standards. These standards ensure government's financial accountability, audit financial systems and transactions, evaluate compliance with laws and check internal controls.

The audit looked at PSM's compliance with regulations for 2024-25 and did a financial analysis from 2008-09 to 2023-24 (on a test check basis). It covered transactions and records at PSM Head Office, Karachi.

The audit also verified if administrative decisions were proper and reported any other relevant matters. This was done to ensure accountability and transparency.

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:04:46 PM

C. Audit Methodology

The audit started by understanding Pakistan Steel Mills' operations, internal controls and regulatory framework. A risk-based assessment identified areas such as misstatement, non-compliance and mismanagement. Internal controls were also evaluated and findings were formulated with documentary evidence.

Audit findings followed the AGP format and management's responses were incorporated. Quality assurance reviews ensured compliance with auditing standards and follow-up mechanisms were emphasized to boost accountability, governance and risk management. This approach aims to add value and strengthen controls.

Index of Findings

Finding #	AIR PSM 2024-25 Para #	Title of Para
1. Stated Mandate, Role and Responsibilities		
2. Financial Statement Analysis		
3. **Financial Management**		
3.1	21	Non-finalization of financial statements for the years 2023-24 and 2024-25
3.2	2	Non-reflection of equity amount received by Federal Government in financial statements
4. Regulatory Compliance and Internal Controls		
4.1	31	Un-notified land of 1,675 acres
4.2	11	Delay in auction/ sale of finished slab product lying in stores since 2015
4.3	01	Recurring loss due to water supply discrepancy
4.4	6,14 & 17	Recurring loss due to non-renting out of vacant space and closer of guest house
4.5	19	Non-recovery from various schools & colleges
4.6	3 , 35 & 24	Loss due to theft and non-finalization of investigations
4.7	32	Non-registration of 195 motor vehicles
5. Human Resource Management		
5.1	25	Look-after charge and non-compliant appointment of Additional Secretary as CEO
5.2	28	Recall of retrenched employees
5.3	27	Irregular drawl of dual benefit by female employees
5.4	07	Reinstatement of Assistant Manager
5.5	20	Posting of Superintendent Engineer as In-charge Finance / Director Finance
5.6	10	Unauthorized occupation of 1,929 residential units and subsequent revenue loss

Assistant Audit Officer (IT)
20 October 2026 03:04:40 PM

List of Figures

Figure 1 Accumulated loss rises trend from 2008-09 to 2022-23.....05
Figure 2 Figure-2 Annual Losses Trends 06
Figure 3 Operational/Non-operational expenses..... 07
Figure 4 Sales Revenue 08
Figure 5 Capital relationship between Liabilities/ Asset 09
Figure 6 Loan to PSM 10

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:04:46 PM

Annex-A

Non recovery from various schools and colleges Rs.19.454 million		
NAME	**# of students**	**Amount**
Madar-e-Millat Degree College	288	2,005,010
Allama Iqbal Girls Secondary School	999	7,147,683
shah Lateef Boys Secondary School	882	6,037,020
Madar-e-Millat College of Education	45	543,765
Chakar Khan Primary School	394	1,013,021
Sir Syed Primary School	442	1,794,713
Aghosh Special Children School/College	298	587,676
Institute of Computer Science	16	325,631
	Total	**19,454,519**

Statement of outstanding from education department PSMC, 2024-25

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:04:46 PM

Annexure-B

Loss due to theft and non-finalization of investigations

Rs in million

Case No	Description	Current status of the case	Loss	Remarks
2445-D	Theft of Copper Bus Bar incident at MSGR PSM on 11-07.2024	Investigation completed four individual have been responsible by the I.O. Domestic enquiries against them are underway.	0.070	More than One year (13 Month till to 26.08.2025)
2449-D	Theft of Cable from PDN Store on 03-08-2024	Investigation Completed One individual has been held responsible by I.O. Domestic enquiry is under process against him.	1.939	More than One year (12 Month till to 26.08.2025)
2523-D	Theft of Approx 550 FT Cable of PDN from various palaces incident observed on 17-01-2025	Investigation Completed. Two individual have been held responsible. Disciplinary action against them is under way.	5.223	More than 7 month
2493-D	Theft of copper material occurred in Gharo Pumping Circle (GPC) of Bulk Water Supply Distribution Network (PSM	Investigation Completed. One found guilty. Authority passed order for dismissed, however, penalty could not imposed due to court stay order.	2.365	Not mentioned
2484-D	Theft incident at MMGDC College, Steel town on 28-10-2024	Under Process	Not quantified	More than 9 Month till to date
2524-D	Stolen of approx. 12/10 meter cable and 3 bus bar on 16-01-2024	Under Process	Not quantified	More than One and half year
2555-D	Theft incident in purchase department on 17-03-2025	Under Process	Not quantified	More than 5 month
2556-D	Theft incident at MMGDC college on 23-05-2025	Under Process	Not quantified	More than 3 month till to date
		Total	**9.597**	

Assistant Audit Officer (IT)
20 October 2026 03:04:46 PM



Steel Bars