AUDIT REPORT
ON
THE ACCOUNTS OF
POWER DIVISION, ITS ATTACHED ENTITIES AND NEPRA
AUDIT YEAR 2023-24

AUDITOR-GENERAL OF PAKISTAN

PREFACE

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

The report is based on audit of the accounts of Power Division, its attached entities and NEPRA for the Financial Year 2022-23. It also contains audit paras pertaining to the previous Financial Years. The Directorate General Audit Power, Lahore conducted audit during 2023-24, on test check basis with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and significant audit findings. Relatively less significant findings, given in Annex-I, shall be pursued with the Principal Accounting Officers (PAOs) at the DAC level and any lack of appropriate action will warrant their inclusion in next year's Audit Report.

Impact Audit – a new concept, has been introduced and made part of this report. It is an attempt to evaluate the impacts of Net-metering initiative in LESCO and IESCO. Thematic Audit on Procurement and Material Management in NTDC has also been included in the report.

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

The observations included in this report have been finalized in the light of discussions in the Departmental Accounts Committee (DAC) meetings.

There are certain audit paras which were also reported in last year's Audit Report for the Financial Year 2021-22. Recurrence of such irregularities is a matter of concern and needs to be addressed.

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].

Islamabad
Dated:

(Muhammad Ajmal Gondal)
Auditor-General of Pakistan

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ABBREVIATIONS AND ACRONYMS

A&S	Admin & Services
AATO	Average Annual Turn-Over
ACSR	Aluminum Conductor Steel Re-enforced
ADB	Asian Development Bank
ADC	Annual Dependable Capacity
ADCT	Annual Dependable Capacity Test
ADP	Annual Delivery Plan
AEDB	Alternative Energy Development Board
AEL	Annual Energy Loss
AGP	Auditor-General of Pakistan
AIS	Air Insulated Sub-Station
ALM	Assistant Line Man
AM	Assistant Manager
AMI	Advanced Metering Infrastructure
AMN	Asset Management North
AMR	Automatic Meter Reading
ANOVA	Analysis of Variance
AR	Audit Report
AT&C	Aggregate Technical & Commercial
ATB	Auto Transformer Bank
BC	Benefit Cost Ratio
BDs	Bidding Documents
BEC	Bid Evaluation Committee
BER	Bid Evaluation Report
BOD	Board of Directors
BoQ	Bill of Quantity
BPS	Basic Pay Scale
BTA	Business Transfer Agreement
BTPL	Behria Town Private Limited
BTU	British Thermal Unit
CA	Corporate Accounts
CA	Chartered Accountant
CB	Circuit Breaker
CCC	Central Contract Cell
CCI	Council of Common Interest
CCoE	Cabinet Committee on Energy
CCPP	Combined Cycle Power Plant
CCTV	Closed-Circuit Television
CD	Circular Debt
C&DF	Capacitance and Dissipation Factor
CDP	Common Delivery Point
CDR	Cash Deposit Receipt

CE	Chief Engineer
CEO	Chief Executive Officer
C&F	Carriage and Freight
CFO	Chief Financial Officer
CIA	Chief Internal Auditor
CLO	Chief Law Officer
CMA	Certified Management Accountant
CMDP	Chief Minister’s Development Programme
CNY	Chinese Yuan
C&O	Construction and Operation
COD	Commercial Operation Date
COVID-19	Corona Virus Disease
CP	Commercial Procedure
CP-52	Credit Adjustment Notes
CPGCL	Central Power Generation Company Limited
CPI	Consumer Price Index
CPP	Capacity Purchase Price
CPPA-G	Central Power Purchasing Agency Guaranteed
Cr	Credit
CRC	Circle Review Committee
CSD	Consumer Service Directorate
CTC	Capacity Transfer Charge
CTR	Capacity Transfer Rate
CSA	Contractual Service Agreement
CSM	Consumer Service Manual
CT	Current Transformer
CTO	Chief Technical Officer
CUM	Cubic Meter
CWIP	Capital Work in Progress
DAC	Departmental Accounts Committee
DAO	Divisional Accounts Officer
DCO	District Coordinating Officer
D/C	Double Circuit
DDO	Drawing & Disbursing Officer
D&E	Design and Engineering
Dev	Development
Df	Degree of Freedom
DFO	Divisional Forest Officer
DG	Director General
DHA	Defense Housing Authority
D.I Khan	Dera Ismail Khan
DISCOs	Distribution Companies
DLP	Defect Liability Period
DM	Deputy Manager

DMD	Deputy Managing Director
DOP	Development of Power
Dr	Debit
D&S	Design & Services
E&D	Efficiency & Discipline
EAD	Economic Affairs Division
ECC	Economic Coordination Committee
ECNEC	Executive Committee for National Economic Council
EHV	Extra High Voltage
ELR	Energy Loss Reduction
EMB	Electrical Measurement Book
EMCO	Electrical Equipment Manufacturing Company
EMO	Economic Merit Order
EOL	Extension of Load
EOT	Extension of Time
EPA	Energy Purchase Agreement
EPC	Engineering, Procurement and Construction
EPP	Energy Purchase Price
ERO	Equipment Removal Order
ERP	Enterprise Resource Planning
ERRA	Earthquake Reconstruction & Rehabilitation Authority
E&S	Environmental & Social Safeguards
AJ&K	Azad Jammu and Kashmir
FAM	Fixed Asset Management
FAP	Foreign Aided Projects
FATA	Federally Administered Tribal Areas
FATs	Factory Acceptance Tests
FBC	Fluidized Bed Combustor
FBR	Federal Board of Revenue
FC	Financial Closing
FDIFCA	Fuel Cost Adjustment
FCC	Fuel Cost Component
FD	Finance Director
FDI	Foreign Direct Investment
FESCO	Faisalabad Electric Supply Company
FIA	Federal Investigation Agency
FIFO	First In First Out
FIR	First Information Report
FO	Furnace Oil
FME	Force Majeure Events
FPA	Fuel Price Adjustment
FPS	Fire Protection System
FY	Financial Year
GCC	General Condition of contract

GD	Goods Declaration
GE	General Electric
GENCOs	Generation Companies
GEPCO	Gujranwala Electric Power Company
GFR	General Financial Rules
GHCL	GENCO Holding Company Limited
GIS	Gas Insulated Switchgear
GLO	Grid Layout
GM	General Manager
GOB	Government of Baluchistan
GOP	Government of Pakistan
GOS	Government of Sindh
GRC	Grievance Redressal Committee
GRN	Goods Receipt Note
G/S	Grid Station
GSA	Gas Sales Agreement
GSC	Grid System Construction
GSO	Grid System Operation
GST	General Sales Tax
GT	Gas Turbine
GTPS	Gas Turbine Power Station
GWh	Giga Watt Hours
HBL	Habib Bank Limited
HBS	Haveli Bahadur Shah
HEC	Heavy Electrical Complex
HESCO	Hyderabad Electric Supply Company
HP	Horse Power
H/Q	Head Quarter
HR	Human Resource
HRD	Human Resource Department
HRS	Hours
HSD	High Speed Diesel
HT	High Tension
HV	High Voltage
HVDC	High Voltage Direct Current
IA	Implementation Agreement
IAS	International Accounting Standards
IB	Instruction to Bidders
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
IDPs	Internally Displaced Persons
IDTRS	Inter DISCO Tariff Rationalization Surcharge
IEC	International Electro technical Commission
IEEE	Institute of Electrical and Electronics Engineers

IESCO	Islamabad Electric Supply Company
IFRS	International Financial Reporting Standards
IGCEP	Indicative Generation Capacity Expansion Plan
IHC	Islamabad High Court
IOT	Inter Office Transaction
IPPs	Independent Power Producers
IR	Inland Revenue
IS	Information System
IT	Information Technology
ITB	Instruction to Bidders
JICA	Japan International Cooperation Agency
JPGCL	Jamshoro Power Generation Company Limited
JS	Joint Secretary
JV	Journal Voucher
JV	Joint Venture
KANUPP	Karachi Nuclear Power Plant
KAPCO	Kot Addu Power Company
KE	Karachi Electric
KEMA	Keuring van Elektrotechnische Materialente Arnhem
KESC	Karachi Electric Supply Company
KG	Kilo Gram
KIBOR	Karachi Inter Bank Offer Rates
KM	Kilometer
KN	Kilonewton
KPI	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
LEPCL	Lucky Electric Power Company Limited
LESCO	Lahore Electric Supply Company
LLA	Land Lease Agreement
LME	London Metal Exchange
LNG	Liquefied Natural Gas
LOE	Letter of Explanation
LOI	Letter of Intent
LOS	Letter of Support
LPGCL	Lakhra Power Generation Company Limted
LPS	Late Payment Surcharge
LPS	Ledger Posting Summary

LS	Line Superintendent
LT	Low Tension
M&T	Metering and Testing
MB	Measurement Book
MBA	Master of Business Administration
MCO	Meter Change Order
MD	Managing Director
MDI	Maximum Demand Indicator
MEPCO	Multan Electric Power Company
MES	Military Engineering Services
MFDAC	Memorandum for Departmental Accounts Committee
MFF	Multi-Tranche Financing Facility
MI	Material Inspection
MIRAD	Market Implementation & Regulatory Affairs Department
MIS	Management Information System
MkWh	Million Kilo Watt Hour
MMCF	Million Cubic Feet
MMCFD	Million Cubic Feet per Day
MMM	Manager Material Management
MMR	Mobile Meter Reading
MoE	Ministry of Energy
MOF	Market Operating Fee
MOU	Memorandum of Understanding
MPCL	Mari Petroleum Company Limited
MP&M	Material Procurement & Management
MRN	Material Return Note
MRS	Material Requisition Slip
MSR	Material at Site Register
MTBF	Medium Term Budgetary Framework
MVA	Mega Volt Ampere
MW	Mega Watt
MWh	Mega Watt hour
NAB	National Accountability Bureau
NCB	National Competitive Bidding
NDCs	Nationally Determined Contributions
NEECA	National Energy Efficiency & Conservation Authority
NEM	Net Energy Metering
NEO	Net Energy Output
NEPRA	National Electric Power Regulatory Authority
NE-Plan	National Electricity Plan
NESPAK	National Engineering Services Pakistan
NGPS	Natural Gas Power Station
NIEP	Nitrogen Injection Explosion Prevention
NIT	Notice Inviting Tender

NJP	Neelum Jhelum Project
NKI	Northern-Karachi Interconnections
NMCs	Net Energy Metering Consumers
NOA	Notification of Award
NOC	No Objection Certificate
NOL	No Objection Letter
NPCC	National Power Control Centre
NPGCL	Northern Power Generation Company Limited
NPMV	Non-Project Missed Volume
NPPs	Nuclear Power Plants
NPPMCL	National Power Parks Management Company Limited
NSR	NEPRA Service Regulations
NTDC	National Transmission and Despatch Company
O&M	Operation and Maintenance
OC	Operation Code
OGDCL	Oil and Gas Development Company Limited
OHTL	Overhead Transmission Line
P&CM	Procurement and Contract Management
P&D	Planning and Development
P&E	Planning & Engineering
P. Disc	Permanently Disconnect
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PBF	Planning Budgeting and Forecasting
PC Poles	Pre-stressed Concrete Poles
PCC	Particular Condition of Contract
PC-I	Planning Commission Proforma-I
PD	Project Director
PDC	Power Distribution / Despatch Centre
PDFL	Pakistan Development Fund Limited
P-Disc.	Permanently Disconnected
PDP	Proposed Draft Para
PEC	Pakistan Engineering Council
PEL	Pak Elektron Limited
PEPCO	Pakistan Electric Power Company
PESCO	Peshawar Electric Supply Company
PF	Power Finance
PG	Performance Guarantee
PHL	Power Holding Limited
PITC	Power Information Technology Company
PKR	Pak Rupees
PM	Per Month
PMLTC	Pak-Matiari Lahore Transmission Company
PMU	Project Management Unit

PO	Purchase Order
POI	Provincial Office of Inspection
POL	Petrol, Oil and Lubricants
PPA	Power Purchase Agreement
PPAA	Power Procurement Agency Agreement
PPIB	Private Power Infrastructure Board
PPMC	Power Planning & Monitoring Company
PPRA	Public Procurement Regulatory Authority
PRA	Punjab Revenue Authority
PSDP	Public Sector Development Programme
PSO	Pakistan State Oil
PST	Punjab Sales Tax
PTESU	Power Transformer Engineering Services Unit
P.TF	Power Transformer
PVC	Poly Vinyl Chloride
PV Energy	Photovoltaic Energy
QESCO	Quetta Electric Supply Company
QTA	Quarterly Tariff Adjustment
RCO	Reconnection Order
RCOD	Required Commercial Operation Date
RE	Renewable Energy
RFO	Residual Furnace Oil
RFO	Request for Offer
RLNG	Re-gasified Liquefied Natural Gas
RMB	Renminbi
RO	Revenue Officer
ROW	Right of Way
RRC	Regional Review Committee
RRE	Rehabilitation Rural Electrification
Rs	Rupees
RTU	Remote Terminal Unit
R.Y Khan	Rahim Yar Khan
S&I	Surveillance & Intelligence
SAP	System Application and Products
SAP	System Augmentation Program
SAP	Sustainable Development Goals Achievement Programme
SBER	Supplementary Bid Evaluation Report
SBLC	Standby Letter of Credit
S/C	Single Circuit
SCO	Service Connection Order
SCADA	Supervisory Control and Data Acquisition
SCC	Special Conditions of Contract
SCOD	Scheduled Commercial Operation Date
SDC	Scheduling and Dispatch Code

SDGs	Sustainable Development Goals
SDO	Sub-Divisional Officer
SE	Superintendent Engineer
SEPCO	Sukkur Electric Power Company
SGCC	State Grid Corporation of China
SJO	Sundry Job Order
SLD	Single Line Diagram
SNGPL	Sui Northern Gas Pipelines
SO	System Operator
SOE Act	State-owned Enterprises Act
SOP	Standard Operating Procedures
SPP	Small Power Producer
SR	Sulphate Resistant
SR	Store Requisition
SRO	Statutory Regulatory Order
SS Cheque	Super Subscribed Cheque
SS Design	Substation Design
SS&TL	Sub Station and Transmission Line
SSGCL	Sui Southern Gas Company Limited
SSRL	Sino Sindh Resources Limited
SSTE	Single Stage-Two Envelopes
STG	Secondary Transmission and Grids
STL	Short-Circuit Testing Liaison
SVC	Static Var Compensator
SVR	Stock Verification Report
T&D	Transmission & Distribution
T/F	Transformer
T&G	Transmission & Grids
T/L	Transmission Line
T&P	Tools & Plants
T&T	Transmission and Transformation
TA/DA	Travelling Allowance / Daily Allowance
TDR	Term Deposit Receipts
TDS	Tariff Differential Subsidy
Tech	Technology
TEL	Thar Energy Limited
TESCO	Tribal Areas Electric Supply Company
TMA	Tehsil Municipal Administration
TNPTL	Thal Nova Power Thar Limited
ToR	Terms of Reference
ToU Meter	Time of Use Meter
TPS	Thermal Power Station
TRS	Tariff Rationalization Surcharge
TRW	Transformer Reclamation Workshop

T/S	Technical Services
TSG	Technical Services Group
TSW	Technical Services Wing
UATs	Unit Auxiliary Transformers
UDIL	Universal Data Integration Layer
UNFCCC	United Nations Framework Convention on Climate Change
UoSC	Use of system charges
USD	United States Dollar
VD	Voltage Drop
VO	Variation Order
WAPDA	Water and Power Development Authority
WB	World Bank
WCC	WAPDA Computer Centre
WCSR	WAPDA Composite Schedule of Rates
W/House	WAPDA House
WIMS	Warehouse Inventory Management System
W&P	Water and Power
WPPs	Wind Power Projects
WPPF	Worker's Profit Participation Fund
WPPO	WAPDA Power Privatization Organization
WWF	WAPDA Welfare Fund
XEN	Executive Engineer
XW DISCOs	Ex-WAPDA Distribution Companies

EXECUTIVE SUMMARY

The Directorate General Audit (Power) carries out audit and evaluation of Power Division, its attached entities and NEPRA on behalf of the Auditor-General of Pakistan as envisaged in Article 170(2) and further elaborated in Sections 8 and 12 of Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001. The Directorate General Audit (Power) has the mandate to conduct audit of 150 formations, out of which 149 are working under Power Division and one formation i.e. NEPRA falls under Cabinet Division. During the audit year 2023-24, the Directorate General carried out compliance audit of 57 formations. The report, apart from including audit findings of these 57 formations, also encompasses 12 formations for the audit year 2022-23 (Phase-II). The report highlights significant issues which were observed during the compliance audit exercise. Furthermore, it gives opinion on the extent to which the auditee formations complied with the applicable laws, rules and procedures. The report also contains comments on the annual audited financial statements of 06 entities out of the total 14 entities. Audit comments on financial statements of remaining 08 entities could not be reported as the management failed to submit their annual audited accounts to this office by December 31, 2023.

a. Sectoral Analysis

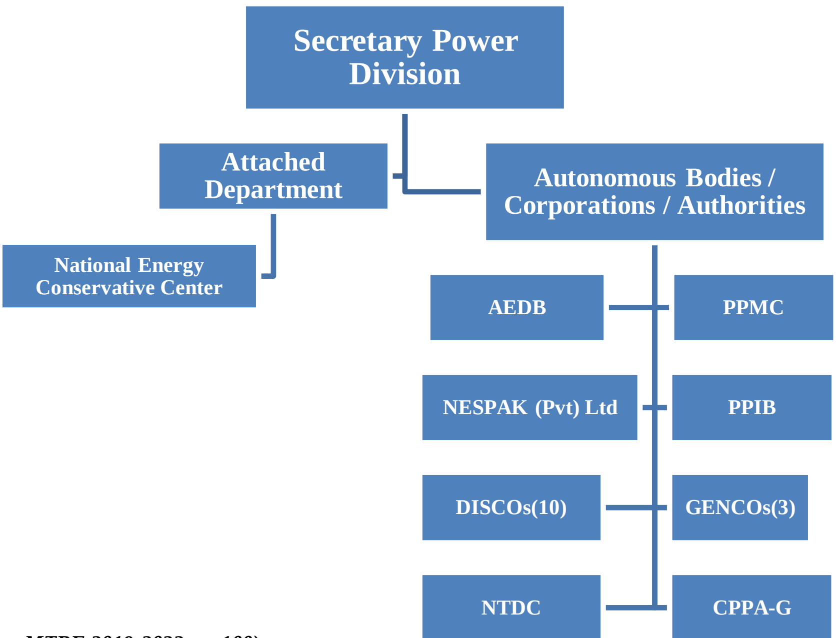
➢ **Ministry of Energy, Power Division**

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

Ministry of Energy (Power Division) mainly deals with the subject of electricity, which includes generation, transmission and distribution and policy matters pertaining to these three functions. Right now, there are 22 public sector companies and 02 statutory bodies working under Power Division. The power polices, finance, operational and administrative matters of 24 entities/ organizations are being dealt by Power Division.

Ministry of Energy (Power Division) has been dealing with comprehensive plans to fulfil the energy needs of the country. To enhance the generation of electricity, special focus is being given to alternative/ renewable energy, thermal and coal power projects to make Pakistan energy-sufficient country in the days to come besides harnessing the indigenous hydel generation resources. This strategy will set Pakistan on a trajectory of rapid economic growth and social development. Simultaneously, it will address the key challenges of the power sector in order to provide much needed relief to the citizens of Pakistan. At the same time, it is essential to mention that the IPPs are contributing a great deal in fulfilling the electricity needs of the country. Further, in order to encourage higher power consumption, the Government has shown its willingness to lay emphasis on efficient supply of electricity for maintaining /reviving economic activities in the country.

Figure-1: Organizational Structure of Power Sector



(Source: MTBF 2019-2022, pg 100)

➢ **National Electricity Plan**

Council of Common Interests approved the National Electricity Policy, in pursuance to the stipulations under Section 14A (1) of Regulation of Generation, Transmission and Distribution of Electric Power Act (NEPRA Act), to serve as an over-arching umbrella for development, reforms, improvement and sustainability of the power sector. Section 14A (4) of the NEPRA Act, further, requires development of National Electricity Plan.

The approved National Electricity Policy stipulates that the National Electricity Plan shall provide guidelines, implementation mechanisms and tools for the realization of the policy goals for the power sector. Further, National Electricity Policy entails inclusion of high-level tasks, timelines and responsibilities of respective entities in National Electricity Plan to meet policy directives. As per National Electricity Policy, this National Electricity Plan will be five-year plan with fifteen years perspective.

National Electricity Policy identifies three over-arching goals for the power sector, namely:

- Access to Affordable Energy,
- Energy Security
- Sustainability

Further, nine areas have been identified under the said policy wherein the policy directions are aimed for the attainment of aforesaid goals.

1. Integrated Energy Planning
2. Generation Expansion
3. Distributed Energy Resources
4. Cross-border Trade of Electricity
5. Transmission Network Expansion
6. Robust Distribution Infrastructure
7. System & Market Operations
8. Electrification
9. Risk Assessment & Management

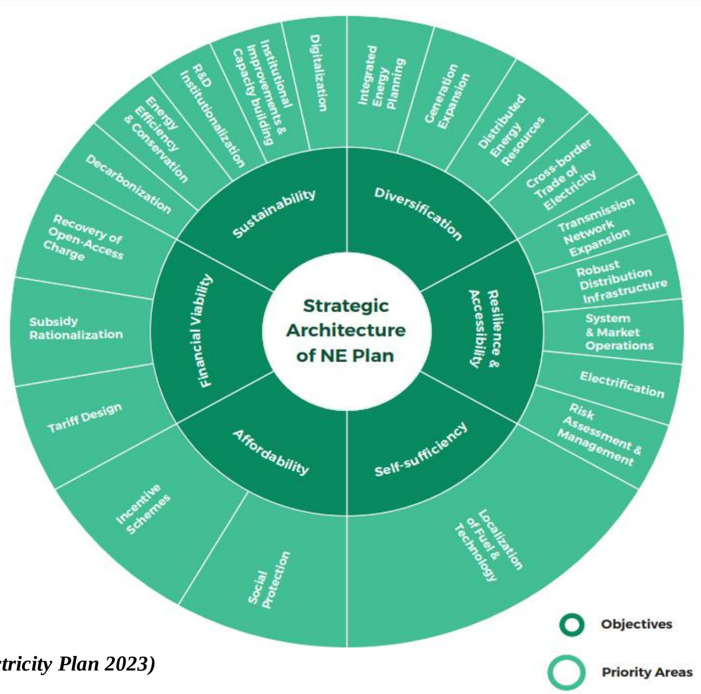
The strategic architecture of the National Electricity Plan has been provided in Figure-2 below. Six (6) broad objectives have been set forth in the strategic architecture, namely:

- Diversification
- Resilience & Accessibility
- Self-Sufficiency

- Affordability
- Financial Viability
- Sustainability

Accordingly, twenty (20) distinct priority areas have been identified & mapped under the objectives provided above, wherein all the strategic directives shall be monitored and evaluated to achieve overarching policy goals.

Figure-2



(Source: National Electricity Plan 2023)

➢ **Sectoral Analysis Methodology**

In order to achieve above cited goals, different players of power sector took different steps which directly or indirectly affected ultimate consumers of power sector. This sectoral analysis reviewed the players of power sector at macro-level. The activities of power sector are reviewed against KPIs of power sector with brief recommendatory submissions. This analysis captures and presents the status and performance of various segments of the electric power sector. It also provides a snapshot of developments, delivery of sectoral players, identifies weaknesses of the sector, and suggests improvements in each segment of the electric power services.

➢ The Analysis

- **Budget profile of Power Division**

The non-development budget profile and utilization for the Power Division during the last two financial years remained as followed:

Table-1

Demand No. 033	Final Budget 2021-22	Final Budget 2022-23
Main Secretariat	869,560 million	704,800 million

[Source: Ministry of Energy (Power Division) Budget Statement]

Budget is an important tool to gauge working effectiveness and efficiency of the auditee. Planning budgeting and optimum utilization of resources are all linked with sound budgeting management and utilization. During the FY ended on June 30, 2023, budget of the Power Division reduced slightly.

Before highlighting major issues and activities pertaining to the power sector, it is necessary to have brief overview of the power sector landscape, its major players and their inter-linkages.

➢ Roles of major players in power sector

The power sector is complex network of organizations including companies, regulatory bodies, private sector businesses etc., all inter-linked with each other based on different nature of business operations.

Brief profile of the main players is as follows:

Table-2

Sr. No	Name of Entity	Functional Role
1.	**Water and Power Development Authority (WAPDA)**	All hydel power general generation facilities (maintained at present) are being managed by WAPDA.
2.	**Central Power Purchasing Agency-Guarantee (CPPA-G)**	It is the power-sector’s market operator. It purchases electricity on behalf of distribution companies and sells it on behalf of power generation companies. It bills the distribution companies for sold electricity and makes payments to the power generating units.

3.	**National Transmission and Dispatch Company (NTDC)**	NTDC controls the transmission network (i.e. power lines of 220 kV and above); its role is to pick (i.e. evacuate) the electricity from the power generation companies and ensure its transmission to the concerned DISCOs.
4.	**National Power Control Centre (NPCC)**	It is a subordinate office of NTDC. It is responsible for real time monitoring of electricity demand and supply, power balancing and formulation of *Economic Merit Order*, ensuring that adequate supply of electricity from cheapest available sources is made available to DISCOs.
5.	**Distribution Companies (DISCOs)**	DISCOs are supplying, distributing and selling power (electricity) in their designated areas. These companies receive electricity from power producing units and distribute among end consumers and charge them as per NEPRA tariffs, notified by the Government of Pakistan.
6.	**Power Holding Limited (PHL)**	It is responsible for arranging bridge financing/other financial instruments for repayment of liabilities of DISCOs in order to settle the circular debt of Power Sector on the terms and conditions approved by the Government from time to time.
7.	**National Electric Power Regulatory Authority (NEPRA)**	NEPRA is a regulator of the power sector of Pakistan, it provides the basis for sale and purchase of electricity i.e. determination of tariffs.
8.	**Power Planning & Monitoring Company (PPMC)**	PPMC is the management company of the power sector distribution companies (DISCOs).
9.	**Generation Companies GENCOs**	These are government owned power producing units operating mostly on furnace oil and natural gas basis.
10.	**Private Power Infrastructure Board (PPIB)**	It is responsible for preparing and executing implementation agreements with private parties willing to set up power projects in Pakistan.

11.	**Alternate Energy Development Board (AEDB)**	It is responsible for facilitating, promoting and encouraging development of renewable energy in Pakistan. In this regard, AEDB is also responsible for preparing and executing implementation agreements with private parties willing to set up renewable power projects in Pakistan.
12.	**Independent Power Producers (IPPs)**	These are private entities having sovereign contracts with the GoP for the sale of electricity being supplied by them.
13.	**Bank Consortiums**	They have been providing loans to PHL to pay-off CPPA-G liability.
14.	**Natural Gas Utility Companies (SNGPL & SSGCL)**	They provide natural gas domestic and LNG procured based to the GENCOs and limited IPPs.
15.	**Pakistan State Oil Company (PSO)**	They provide fuel to fuel based GENCOs and IPPs.

➢ **The High-Priced Energy Mix**

Electricity demand of Pakistan is met through a variety of sources and payments to the power producers are made on account of capacity charges and energy charges. During the past two years, the following payments were made on account of capacity and energy charges:

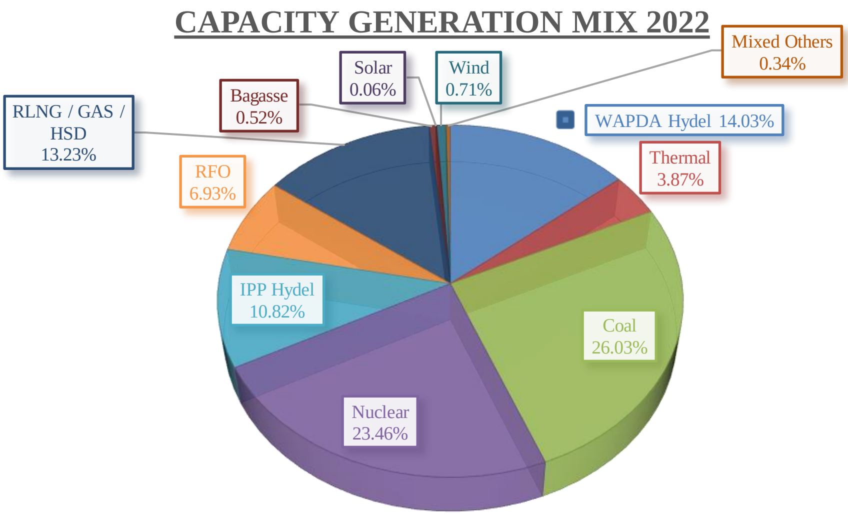
Table-3

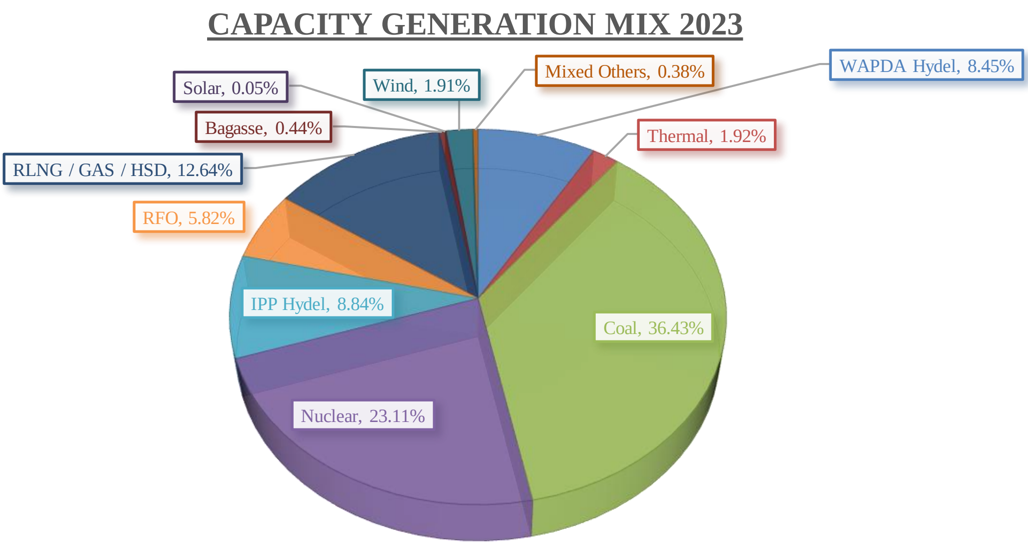
(Rs.in millions)

Energy Mix	**Capacity Generation Mix**				**Energy Generation Mix**			
	2021-22		**2022-23**		**2021-22**		**2022-23**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
WAPDA Hydel	121,187	14.03%	100,219	8.45%	2,447	0.16%	2,650	0.19%
Thermal	33,453	3.87%	22,779	1.92%	83,126	5.46%	86,947	6.18%
Coal	224,826	26.03%	431,781	36.43%	360,937	23.71%	337,456	23.99%
Nuclear	202,559	23.46%	273,953	23.11%	19,880	1.31%	26,022	1.85%
IPP Hydel	93,473	10.82%	104,751	8.84%	1,514	0.10%	5,162	0.37%
RFO	59,802	6.93%	68,992	5.82%	325,344	21.37%	169,080	12.02%
RLNG / GAS / HSD	114,285	13.23%	149,873	12.64%	607,395	39.89%	632,864	44.99%
Bagasse	4,467	0.52%	5,215	0.44%	5,604	0.37%	5,971	0.42%
Import – Iran	-	0.00%	-	0.00%	18,815	1.24%	30,706	2.18%
Solar	495	0.06%	644	0.05%	8,140	0.53%	10,364	0.74%

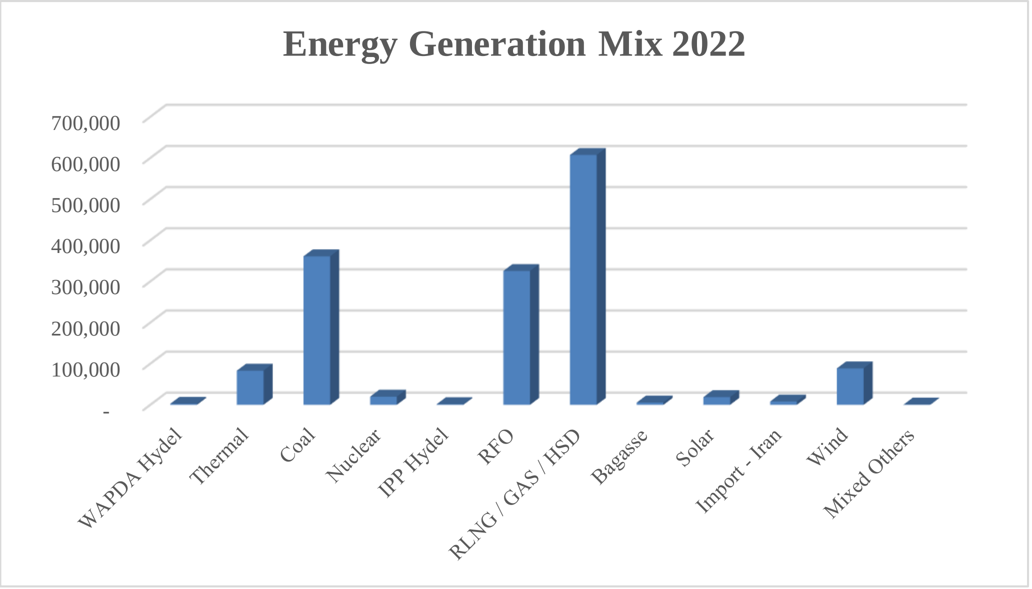
Wind	6,113	0.71%	22,649	1.91%	88,675	5.82%	96,880	6.89%
Mixed Others	2,894	0.34%	4,535	0.38%	686	0.05%	2,650	0.19%
Total	**863,554**		**1,185,391**		**1,522,563**		**1,406,752**	

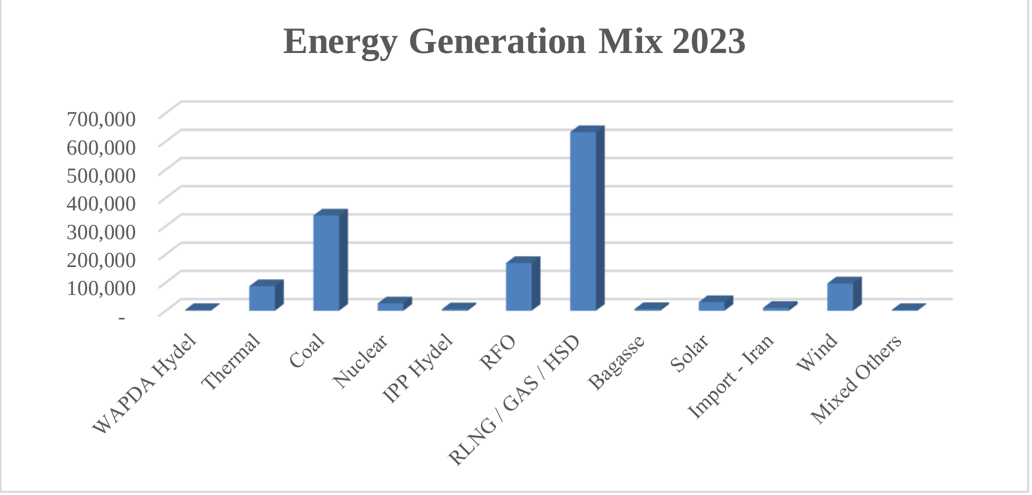
(Source: CPPA-G Annual Report 2022-23)





(Source: CPPA-G Data 2022-23)





The energy-mix is the most vital factor in power sector as it determines the cost of energy to be notified by the government. An energy mixed heavily skewed towards more expensive sources of power directly increases the overall cost of electricity being supplied to the consumers.

A high-priced energy mix is causing a multifarious and exponential impact of the activities of the power-sector and on the economy, in general. On one hand, expensive energy is becoming increasingly unaffordable as it is out of reach of the purchasing power of the common people. On the other hand, local industrial produce is becoming more expensive and less competitive at the international level.

- **Installed Capacity and Generation of Electricity**

The country's total installed electricity capacity stands at 46754 MW; the percentage share of hydel, thermal, nuclear, renewable and import of power is 28.50%, 55.36%, 7.55%, 6.01% and 2.58% respectively. The share of thermal as a dominant source of electricity supply has declined over the past few years, showing the increased reliance on indigenous sources.

Table-4

Technology	Gross Capacity (MW)	% Share
Wind	1,842.18	3.94%
Solar	680.00	1.45%
Bagasse	291.83	0.62%
RFO/HSD/Gas/RLNG	17,989.30	38.48%
Coal	7,890.00	16.88%
Nuclear	3,530.00	7.55%
Hydel	13,326.22	28.50%
Import of Power	1,204.00	2.58%
TOTAL	**46,753.53**	

(Source: CPPA-G Annual Report 2022-23)

- **Electricity Consumption**

During FY 2022-23, total electricity consumption was 97,337 million kWh. The household sector is the largest consumer of electricity, consuming 46,153 million kWh (47.42 percent), followed by the industrial sector with 25,738 million kWh (26.44 percent). Moreover, agriculture and commercial sectors consume 9,477 million kWh (9.74 percent) and 7,074 million kWh (7.27 percent), respectively, whereas the electricity consumption in other sectors (streetlights, general services, and Federal / Provincial governments) is 8,895 million kWh (9.14 percent).

Table-5

Sector	No of Consumers	Units Consumed (kWh)	Percentage
Total Domestic	30,109,748	46,153	47.42%
Total Commercial	3,576,002	7,074	7.27%

Total Industrial	373,950	25,738	26.44%
Total Agri	374,973	9,477	9.74%
Federal / Provincial Govt.	242,717	8,895	9.14%
Total	**34,677,390**	**97,337**	**100.00%**

(Source: PPMC DISCOs performance statistics year 2022-23)

➢ **Revenue Shortfall on the part of DISCOs**

In the FY 2022-23, there was a shortfall in revenue of Rs.184,010 million in all distribution companies which was 5.95% of the total billing. This shortfall indicates less receipt of revenue against billing. The financial impact of short fall is as follows:

Table-6

(Rs.in millions)

Sr. No.	Name of DISCOs	2021-22				2022-23				%age Inc./Dec. in Shortfall
		Billing	Collection	Short Fall	%age Shortfall	Billing	Collection	Short Fall	%age Shortfall	
1.	LESCO	571,564	570,270	1,294	0.23%	783,469	751,642	31,827	4.06%	3.84%
2.	GEPCO	249,149	248,407	742	0.30%	336,506	336,040	466	0.14%	-0.16%
3.	FESCO	328,929	327,371	1,558	0.47%	444,755	436,619	8,136	1.83%	1.36%
4.	IESCO	290,203	277,285	12,918	4.45%	380,369	404,402	-24,033	-6.32%	-10.77%
5.	MEPCO	364,079	363,095	984	0.27%	485,965	476,865	9,100	1.87%	1.60%
6.	PESCO	232,629	214,418	18,211	7.83%	311,975	287,306	24,669	7.91%	0.08%
7.	TESCO	42,410	28,728	13,682	32.26%	49,358	40,966	8,392	17.00%	-15.26%
8.	HESCO	86,038	64,643	21,395	24.87%	109,712	83,252	26,460	24.12%	-0.75%
9.	SEPCO	62,322	40,315	22,007	35.31%	79,200	54,022	25,178	31.79%	-3.52%
10.	QESCO	74,985	25,987	48,998	65.34%	109,238	35,423	73,815	67.57%	2.23%
	ALL DISCOs	**2,302,308**	**1,366,064**	**379,069**		**3,090,547**	**2,906,537**	**184,010**		

(Source: PPMC DISCOs performance statistics year 2021-22 & 2022-23)

Revenue shortfall in DISCOs indicated managerial inefficiencies and policy bottlenecks constraining CPPA-G to pay off its energy procurement liabilities. Although there is better recovery position with a shortfall of 5.95% in FY 2021-23 as compared to FY 2021-22 when shortfall was 16.46%. In FY 2021-22, total billing was Rs.2,302.308 billion with recovery of Rs.1,366.06 billion, whereas in FY 2022-23 total billing was 3,090.547 billion out which an amount of

Rs.2,906.537 billion was recovered during the year. Total recovery of IESCO was prominently higher as they have recovered Rs.24,033 million out of their previous receivables which is very healthy sign. Out of ten distribution companies, four companies have very poor recovery position like TESCO has 17%, HESCO has 24.12%, SEPCO has 31.79% and QESCO has 67.57% shortfall in recoveries. Power Division should intervene and bring major policy change to save these DISCOs from getting insolvent.

- **Transmission and Distribution Line Losses**

Once energy is generated at power generating facilities, it is evacuated through a transmission network till it reaches its consumers. There are certain line losses inherent with this flow of energy defined as Transmission and Distribution losses. Transmission losses are those that occur on high voltage transmission lines having no linked consumers. Distribution losses are those that occur on the low voltage lines connected with all consumers.

NEPRA determined certain percentage of admissible T&D losses for power sector and made tariff determinations accordingly. Losses beyond the limit set by NEPRA meant financial losses for the company as well as cyclic increase in the CPPA-G payable amounts pertaining to the DISCOs. The trend of T&D losses in DISCOs during the last two years was as follows:

Table-7

DISCO Wise T&D Losses							
Sr. No.	**DISCOs**	**2021-2022**			**2022-2023**		
		Transmission Losses (%)	**Distribution Losses (%)**	**Total T&D (%)**	**Transmission Losses (%)**	**Distribution Losses (%)**	**Total T&D (%)**
1.	LESCO	0.49	11.08	11.57	0.69	10.67	11.36
2.	GEPCO	0.91	8.23	9.14	0.58	8.08	8.66
3.	FESCO	1.41	7.8	9.21	0.67	7.98	8.65
4.	IESCO	1.04	7.21	8.25	0.14	7.93	8.07
5.	MEPCO	1.54	13.37	14.91	0.6	13.7	14.3
6.	PESCO	2.19	36.08	38.27	1.36	36.54	37.9
7.	TESCO	1.46	7.97	9.43	1.25	7.87	9.12
8.	HESCO	2.72	26.07	28.79	2.22	25.54	27.76
9.	SEPCO	3.24	33.47	36.71	3.25	32.57	35.82
10.	QESCO	1.89	26.68	28.57	0.31	26.5	26.81

(Source: PPMC Discos performance statistics year 2021-22 & 2022-23)

The above table showed impact of transmission and distribution line losses of each distribution company. The implied operational inefficiencies in the sectors and development initiatives aimed at enhancing the power transmission and distribution system had yet to make any positive impact.

The DISCO wise position of line losses was as follows:

Table-8

(Units in million)

Name of DISCO	2021-22				2022-23				Inc./ Dec. Units (M.kWh) Purchased
	Units (M.kWh)			% Age Losses	Units (M.kWh)			% Age Losses	
	Purchased	Sold	Lost		Purchased	Sold	Lost		
LESCO	28,196	25,071	3,125	11.08%	25,852	23,092	2,759	10.67%	(2,344)
GEPCO	12,563	11,529	1,034	8.23%	11,374	10,455	919	8.08%	(1,189)
FESCO	17,265	15,919	1,346	7.80%	15,934	14,663	1,271	7.98%	(1,331)
IESCO	12,892	11,962	930	7.21%	11,707	10,779	928	7.92%	(1,185)
MEPCO	22,165	19,202	2,962	13.37%	19,388	16,732	2,656	13.70%	(2,777)
PESCO	16,199	10,355	5,844	36.08%	15,048	9,549	5,499	36.54%	(1,151)
TESCO	2,251	2,072	179	7.95%	1,698	1,565	133	7.83%	(553)
HESCO	5,458	4,035	1,423	26.07%	4,808	3,580	1,228	25.54%	(650)
SEPCO	4,344	2,890	1,454	33.47%	3,743	2,524	1,219	32.57%	(601)
QESCO	6,590	4,832	1,758	26.68%	5,986	4,400	1,586	26.50%	(604)
TOTAL DISCOs	127,922	107,866	20,056		115,538	97,337	18,201		(12,385)

(***Source: PPMC DISCOs performance statistics year2021-22 & 2022-23)***

PESCO, HESCO, SEPCO & QESCO Companies remained the worst performers having excessive % loss of 36.54%, 25.54%, 32.57% and 26.50% respectively. Management of the companies should design comprehensive policy to keep the companies within NEPRA's determined transmission, distribution and line losses.

➢ Huge receivables from running and dead defaulters

Over the years, the volume of receivables from running and dead energy defaulters increased significantly and it had become an important cause for power sector debt accumulation. As on June 30, 2023, the total receivables from running defaulters were Rs.742,446 million which increased to Rs.90,0821 million. Receivables from dead defaulters were amounting to Rs.130,693 million in FY 2021-22 which increased to Rs.143,388 million in FY 2022-23.

➢ DISCOs' receivables

Due to un-resolved power-sector issues of the distribution companies with different government entities, Rs.205,553 million were held up as on June 30, 2023 which were 342,290 million as on June 30, 2022. Distribution companies had huge amount of receivables from private consumers which were Rs.1,521,552 million at the end of FY 2022-23. The detail of receivables is as under:

Table-9

(Rs.in millions)

Receivables		
Description	**2021-22**	**2022-23**
Federal Government	21,980	25,772
AJ & K Government	102,230	61,010
Provincial Government	218,080	118,771
Private Consumers	1,312,418	1,521,552
Grand Total	**1,654,708**	**1,727,105**

(Source: PPMC DISCOs Performance Statistics year2021-22 & 2022-23)

These bottlenecks constantly fed into the circular debt trap being faced in the power sector.

➢ Private Power and Infrastructure Board

In 1994, the GoP established Private Power and Infrastructure Board (PPIB) as a "One-Window Facilitator" to attract private power sector investments. In 2012, the PPIB was granted a statutory status through the PPIB Act, 2012 (Act VI of 12). Subsequently, the PPIB Amendment Act, 2016 authorized PPIB to facilitate certain public sector power related infrastructure projects in Independent Power Project mode. PPIB approves IPPs, issues LOIs and LOSs (including Tripartite LOSs), approves feasibility studies, executes Implementation Agreements (IAs), provides GoP guarantees, and formulates regulations related to power generation and transmission lines. So far, PPIB has successfully managed to develop 45 IPPs of about 20,911 MW, more than half of the country's installed capacity, attracting Foreign Direct Investment (FDI) of over US$ 25 billion. These initiatives boost economic development, employment, and livelihoods by generating much-needed electricity. PPIB also facilitated the country's massive transmission line project (Lahore-Matiari), the first HVDC Transmission line project created by the private sector. This project, worth US$ 1.65 billion of FDI, shows PPIB's crucial role in private sector resource mobilization for power transmission infrastructure projects. Table-10 presents information associated with PPIBs facilitated installed generation capacity.

Table-10

Commissioned Projects: Fuel / Technologies						
Total 20,911 MW	**Hydro**	**Thar Coal**	**Natual / Low BTU Gas**	**RLNG**	**Imported Coal**	**Oil**
	1,053 MW	3,300 MW	5,372 MW	3,633 MW	3,960 MW	3,593 MW

(Source: Private Power and Infrastructure Board)

- **Alternative Energy Development Board**

The government is working to bring transformational changes in the power system to ensure affordability, sustainability, energy security and universal energy access. Accordingly, the government prioritizes utilizing indigenous clean energy generation resources, and encouraging alternative and renewable technology.

- **Fast Track Solar Initiatives**

For promotion and development of indigenous renewable energy resources in the country on the least cost principle and in the realization of the need to reduce the impact of prevailing high prices of imported fossil fuels in international markets resulting in high electricity tariffs and drain of precious foreign exchange, the Federal Cabinet in its meeting held on October 18, 2022, approved the Framework Guidelines for Fast Track Solar Initiatives, 2022. This framework is based on the following three key pillars:

- Substitution of Expensive Imported Fossil Fuels with Solar PV Energy
- Solar PV Generation on 11 kV Feeders
- Solarization of Public Buildings

- **Distributed Generation (Net Metering)**

The government encourages consumers to utilize renewable energy technologies in household, commercial, and industrial sectors in addition to large-scale renewable energy projects. Under the NEPRA (Alternative and Renewable Energy) Distributed Generation and Net Metering Regulations, 2015, AEDB promotes renewable energy-based net-metering. Under AEDB (Certification) Regulations, 2018, AEDB certifies solar system service providers, vendors, and installers to help consumers and DISCOs and ensure quality. However, the government's ease of doing business vision simplified the restrictions in August, 2021.

➢ **Nuclear Energy**

Pakistan, at present, has a fleet of 6 operational Nuclear Power Plants (NPPs) having capacity of 3,530 MW energy. Four units (C-1 and C-2, each of 325 MW, C-3 and C-4, each of 340 MW) are currently operational in Chashma, while two plants K-2 and K-3, each with a capacity of 1100 MW are operational in Karachi. The Prime Minister formally inaugurated K-3 on 2nd February 2023.

Table-11

Sr. No.	Plants	Capacity (MW)	
		Gross	**Net**
1.	C-1	325	300
2.	C-2	325	300
3.	C-3	340	315
4.	C-4	340	315
5.	K-2	1,100	1,017
6.	K-3	1,100	1,017

(Source: CPPA-G Annual Report 2022-23)

➢ **Circular Debt in Power Sector**

The phenomenon of *Circular Debt* arises, when one party in a supply chain faces cash flow inadequacies to discharge its obligations to its suppliers affecting the entire supply chain and causing liquidity crunch. Being circular in nature, the debt accumulation has a snowballing effect and more supply chain iterations cause more increase in debt.

The above highlighted issues have collectively led to the circular debt issue in the power sector of Pakistan. It represents the burgeoning liability that CPPA-G cannot pay off to the power suppliers specifically IPPs. In turn, the power supply agencies cannot pay off their fuel supply payments resulting in even more bottlenecks and power shortages. Further as a stop-gap arrangement, debt has been raised through PHL to lessen the CPPA-G burden causing a separate debt volume to accumulate.

As on June 30, 2023 the total amount of circular debt stood at Rs.2,863.150 million including PHL loans of Rs.668.309 million. Other major constituents of the circular debt are as follows:

- GENCOs Rs.84.467 million
- WAPDA Hydel Rs.268.147 million
- Nuclear Power Plants Rs1,526.173 million
- Independent Power Producers Rs.1,526.173 million

➢ **Impact of Circular Debt**

Circular debt itself has caused numerous other problems generated from its accumulation. Some of the problems observed were as follows:

➢ **Debt Management**

PHL loans represent an adhoc-mechanism adopted by the management to pay off pending CPPA-G liabilities mostly concentrated around IPPs. The rationale is that if payments to IPPs are delayed that would raise material late payment surcharges and IPPs in turn would be constrained to pay off their liabilities to other players in the supply change more specifically PSO and government owned natural gas utility companies (SNGPL & SSGCL). The fuel supply companies would in turn become unable to pay off their gas/fuel import bill resulting in a debt trap for the government.

However, PHL loans and their financial impact are extra uncovered cost related to the purchase of energy. As per record provided to audit, PHL loan amounting to Rs.668.309 billion (principal) is not part of the electricity bill issued to consumers. This implies that as the loan (principal) amount becomes due, there would be no clear receipt source to pay off this debt. Either energy price would have to be increased, or subsidy provided. This also carries additional risk. Government owned assets have been pledged/rights sold to different commercial banks, hence, defaulting on the loan payback terms would entail loss of major government assets.

A sound, well envisaged and realistic strategy needs to be formulated today to confront such financial impacts in the near future.

- **Outstanding Late Payment Surcharge (LPS)**

Power generation firms as per contract had the facility to levy late payment surcharge on CPPA-G for non-timely payment of their dues. CPPA-G through DISCOs could not, however, transfer LPS to consumers directly. This made the clearance of Late Payment Surcharge complicated and a source of cyclic increase in the circular debt. LPS increased from Rs.142,547 million in the FY 2021-22 to Rs.218,228 million in the FY 2022-23 registering an increase of Rs 75,681 million or 53.09 % in the FY 2022-23.

- **Selling and Lease-Back of Government Company Assets**

The Ministry of Energy (Power Division) Government of Pakistan raised Shariah-compliant financing amounting to Rs.400 billion through PHL by way of Sukuk, issued to settle the circular debt of the energy sector on 1st March, 2019. The loan was given by a consortium of 08 Banks led by Meezan Bank Ltd.

The assets of FESCO, GEPCO, IESCO, MEPCO, PESCO, and LESCO, valued at Rs.100.667 billion, were sold to Meezan Bank Ltd. and subsequently leased back, accompanied by the issuance of Sukuk Bonds of equivalent value. These properties were not sold according to proportionate share of DISCOs' receivables as other companies having greater liabilities such as HESCO, QESCO, SEPCO etc., were not engaged.

Moreover, 10 properties of two GENCOs were sold out (for making up remaining amount of Sukuk financing) to the consortium irrespective of the fact that GENCOs were generation companies and did not have any contribution in piling up of circular debt, rather they had receivables due from CPPA-G.

Selling and pledging of Government owned assets marked a high-risk measure to address the issue of circular debt as a temporary arrangement. There were no clear payback modalities and sources of revenue from where loans such as subject Sukuk bonds would be repaid. This implied that power sector government properties faced a real risk of en-masse sale/transfer out to private bodies on account of default in any principal re-payments.

b. Scope of Audit

The Directorate General Audit Power is mandated to conduct audit of 150 formations working under Ministry of Energy (Power Division) and NEPRA. Total budgeted expenditure for the financial year 2022-23 and actual receipt from July to December, 2022 of these formations were Rs.1,091.374 billion and Rs.2,100.423 billion respectively.

Audit coverage relating to expenditure for the audit years 2022-23 (lean period) & 2023-24 comprises 69 formations of the Ministry of Energy (Power Division) and NEPRA having a total exependiture of Rs.547.061 billion for the financial year 2021-22 & 2022-23. In terms of percentage, the audit coverage for expenditure is 26.90% of auditable expenditure. Detail is as under:

Table-12

Financial Year	Audit Year	No. of Formations	Expenditure (Rs.in billion)	Audited Expenditure (Rs.in billion)	Audit Coverage (%age)
2021-22	2022-23	12	35.728	6.808	19.10%
2022-23	2023-24	57	511.333	140.249	27.40%
	TOTAL	**69**	**547.061**	**147.057**	**26.90%**

In addition to this compliance audit report, the Directorate General Audit, Power, Lahore conducted twenty-one (21) Financial Attest Audits of Foreign Aided Projects (FAPs), one (01) Thematic Audit and one (01) Impact Audit. Reports of FAP audits are prepared separately.

c. Recoveries at the instance of audit

As a result of audit, recoveries of Rs.8,698.31 million[1] were pointed out and reported in this audit report. Recovery effected from January to December, 2023 was Rs.1,727.32 million, which was verified by audit.

d. Audit Methodology

Audit activity started with detailed planning that included the selection of the formations to be audited and the allocation of available human resource in order to achieve optimum and quality output within stipulated timeframe. Desk

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[1] *Para-1.04.08, 1.04.10, 1.04.13, 1.04.14, 1.04.22, 1.04.23, 1.04.25, 1.04.27, 1.04.32, 1.04.38, 1.04.39, 1.04.46, 1.04.49, 1.04.54, 1.04.55, 1.04.58, 1.04.61, 1.04.67, 1.04.75, 1.04.77, 1.05.09, 1.12.05, 1.12.10, 3.13.34*

review of permanent files was carried out to have a prior understanding of the systems, procedures and environment of the auditee organization. High value and high-risk areas were pointed out on professional judgment basis for substantive testing. Field activity included review of financial records and their compliance with applicable laws and regulations, examination of system generated reports, analysis of the internal audit reports of the audited entity, site visits and discussion with management.

e. Audit Impact

As a result of the subject compliance audit, key issues were highlighted which could facilitate the management in addressing the current woes of the power sector and enhancing its performance. Apart from expediting major recoveries, significant audit observations were evaluated exclusively by the BoD of the companies to take appropriate corrective measures. On the identification of audit, the issues like system-based control lapses, long-outstanding major un-reconciled amounts as well as undue transfer of expense/charges to the consumers are being resolved by the management.

Similarly, on the assertion of audit regarding unsatisfactory utilization of loans, DAC advised the BoD of the companies to address existing inefficiencies, improve planning/supervision and ensure efficient utilization of donor funded initiatives.

The transmission and distribution infrastructure was being upgraded and its controls were being strengthened to effectively reduce the losses in the DISCOs. These initiatives were in consonance with the persistent audit observations flagging the shortcomings and proposing way-forward.

f. Comments on Internal Controls and Internal Audit Department

An effective internal control mechanism is instrumental in smooth functioning of the organization and helps the management to achieve its objectives. Since, the power sector is diverse in its business activities; hence, the internal controls regulating those activities of power sector are equally diversified. A close audit review of the internal controls helps to identify the weaknesses and ineffectiveness of these controls in different fields of activities.

In this context, observations were highlighted where timely accountal of material was not being done by the field staff as per procedure. Internal controls in the important areas of cash reconciliation and revenue collection were also found unsatisfactory in different highlighted cases.

Internal Audit has been set up as a part of internal control system in Power Division and its attached entities. It carries out the audit of accounts, revenue receipts and test audit of expenditure of Power Division and its attached entities in addition to the physical verification of stock kept at various stores. Despite having an internal audit, recurrence of frequent irregularities made its effectiveness questionable.

Audit emphasizes proper implementation of financial reporting mechanism and enforcement of laws and regulations in letter and spirit for improving the internal controls. Moreover, internal controls need to be strengthened by continuous review and taking measures to stop recurrence of lapses in future.

g. Key Audit Findings:

i. In 06 cases, theft, embezzlement and misappropriation valuing Rs.2,394.87 million was pointed out. [1]

ii. In 118 cases, procurement / contractual irregularities involving Rs.342,110.60 million were pointed out. [2]

iii. In 84 cases, violation of internal regulations and SOPs of auditee entities involving Rs.343,125.71 million were pointed out. [3]

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[1]Para-1.04.56, 1.08.02, 1.08.03, 1.08.04, 1.08.06, 1.13.25

[2]Para-1.04.30, 1.04.40, 1.04.42, 1.04.60, 1.05.01, 1.05.13, 1.05.23, 1.05.28, 1.06.01, 1.06.02, 1.06.03, 1.06.04, 1.06.06, 1.06.07, 1.06.09, 1.06.10, 1.06.11, 1.06.12, 1.06.13, 1.06.14, 1.06.15, 1.06.16, 1.06.17, 1.06.18, 1.06.19, 1.06.20, 1.06.21, 1.06.22, 1.06.23, 1.06.24, 1.06.25, 1.06.26, 1.06.27, 1.06.28, 1.06.30, 1.06.31, 1.06.33, 1.06.34, 1.06.35, 1.06.36, 1.06.37, 1.06.38, 1.06.39, 1.06.40, 1.06.41, 1.06.42, 1.06.43, 1.06.46, 1.06.47, 1.06.48, 1.06.49, 1.06.50, 1.06.51, 1.06.52, 1.06.53, 1.06.54, 1.06.55, 1.06.56, 1.06.57, 1.06.58, 1.06.60, 1.06.61, 1.06.63, 1.06.64, 1.06.65, 1.06.66, 1.06.67, 1.06.68, 1.06.69, 1.06.70, 1.06.72, 1.06.73, 1.06.74, 1.06.75, 1.06.76, 1.06.77, 1.06.78, 1.06.79, 1.06.83, 1.06.84, 1.06.85, 1.06.86, 1.06.87, 1.06.88, 1.06.89, 1.06.90, 1.06.91, 1.07.08, 1.07.09, 1.07.13, 1.07.15, 1.07.16, 1.08.01, 1.10.01, 1.10.04, 1.10.05, 1.10.11, 1.10.12, 1.10.13, 1.10.18, 1.10.19, 1.11.02, 1.12.06, 1.13.26, 1.13.31, 3.13.05, 3.13.06, 3.13.12, 3.13.15, 3.13.16, 3.13.21, 3.13.23, 3.13.24, 3.13.25, 3.13.29, 3.13.35, 3.13.36, 3.13.37

[3]Para-1.01.08, 1.02.02, 1.02.03, 1.03.02, 1.03.03, 1.03.04, 1.03.05, 1.03.06, 1.04.03, 1.04.04, 1.04.05, 1.04.06, 1.04.16, 1.04.21, 1.04.26, 1.04.28, 1.04.29, 1.04.31, 1.04.36, 1.04.37, 1.04.44, 1.04.48, 1.04.50, 1.04.51, 1.04.52, 1.04.53, 1.04.57, 1.04.62, 1.04.63, 1.04.65, 1.04.68, 1.04.69, 1.04.70, 1.04.71, 1.04.72, 1.04.74, 1.04.79, 1.05.03, 1.05.04, 1.05.06, 1.05.07, 1.05.10, 1.05.19, 1.05.24, 1.05.25, 1.05.26, 1.05.29, 1.06.59, 1.06.62, 1.07.04, 1.08.07, 1.09.03, 1.10.06, 1.10.07, 1.11.01, 1.11.04, 1.11.06, 1.11.07, 1.12.01, 1.12.03, 1.12.07, 1.12.09, 1.12.11, 1.12.12, 1.13.15, 1.13.28, 3.13.01, 3.13.02, 3.13.03, 3.13.04, 3.13.07, 3.13.08, 3.13.09, 3.13.10, 3.13.11, 3.13.13, 3.13.17, 3.13.18, 3.13.19, 3.13.28, 3.13.30, 3.13.31, 3.13.33, 3.13.38

iv. In 49 cases, violations of regulatory laws and regulations promulgated by constitutional authorities i.e. Ministry of Energy (Power Division), Finance Division, Cabinet Division, ECNEC, AGP and NEPRA etc., involving Rs.407,387.84 million were highlighted. [4]

v. In 17 cases, power sector receivables of Rs.3,920,210.58 million were highlighted, which significantly included accumulative receivables from consumers as well as receivables of CPPA-G towards DISCOs / IPPs / GENCOs. [5]

vi. In 24 cases, recoveries of Rs.8,698.31 million as pointed out by audit were reported. [6]

vii. In 04 cases, value for money and service delivery issues involving Rs.24,907.31 million were pointed out.[7]

viii. In 43 cases, other issues like heavy generation loss, late payment surcharge, and damage of equipment etc., involving Rs.675,533.60 million were highlighted. [8]

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[4]Para-1.01.13, 1.02.01, 1.03.01, 1.04.02, 1.04.07, 1.04.09, 1.04.11, 1.04.12, 1.04.15, 1.04.18, 1.04.19, 1.04.20, 1.04.24, 1.04.33, 1.04.34, 1.04.35, 1.04.41, 1.04.43, 1.04.45, 1.04.47, 1.04.59, 1.04.73, 1.05.17, 1.06.05, 1.06.08, 1.06.81, 1.06.92, 1.07.01, 1.07.02, 1.07.03, 1.07.06, 1.07.11, 1.09.02, 1.10.02, 1.10.15, 1.10.16, 1.12.04, 1.12.08, 1.13.02, 1.13.07, 1.13.08, 1.13.12, 1.13.13, 1.13.17, 1.13.18, 1.13.22, 1.13.29, 1.13.30, 4.6.05

[5]Para-1.01.01, 1.01.02, 1.01.06, 1.01.07, 1.01.09, 1.01.10, 1.01.11, 1.01.12, 1.01.14, 1.04.01, 1.04.64, 1.04.66, 1.05.20, 1.07.12, 1.08.05, 1.12.02, 1.13.16

[6]Para-1.04.08, 1.04.10, 1.04.13, 1.04.14, 1.04.22, 1.04.23, 1.04.25, 1.04.27, 1.04.32, 1.04.38, 1.04.39, 1.04.46, 1.04.49, 1.04.54, 1.04.55, 1.04.58, 1.04.61, 1.04.67, 1.04.75, 1.04.77, 1.05.09, 1.12.05, 1.12.10, 3.13.34

[7]Para-1.04.17, 1.04.76, 1.10.03, 1.10.14

[8]Para-1.01.03, 1.01.04, 1.01.05, 1.05.02, 1.05.08, 1.05.11, 1.05.12, 1.05.14, 1.05.15, 1.05.16, 1.05.18, 1.05.21, 1.05.22, 1.06.44, 1.06.71, 1.06.82, 1.07.05, 1.07.07, 1.07.10, 1.09.01, 1.10.08, 1.10.09, 1.10.10, 1.10.17, 1.13.01, 1.13.03, 1.13.04, 1.13.05, 1.13.11, 1.13.19, 1.13.20, 3.13.14, 3.13.20, 3.13.26, 3.13.27, 3.13.32, 4.6.01, 4.6.02, 4.6.03, 4.6.04, 4.6.06, 4.6.07, 4.6.08

h. Recommendations

Management may:

i. ensure strong supervision and improved internal controls in order to minimize theft, embezzlement & misappropriation cases.

ii. ensure that procurements are made in a transparent and efficient manner in line with PPRA provisions and procedures prescribed for the execution of works.

iii. a) take necessary measures to rectify the lapses in the internal controls to avoid recurrence of similar irregularities by investigating and fixing responsibility against responsible officers / officials.

b) improve capacity of its employees and overall quality of its operations in order to ensure that the relevant commercial procedures and allied SOPs pertaining to the power sectors are well understood by the line staff and effectively implemented.

iv. ensure that targets / limits set by NEPRA specifically on the issues of line losses and billed recovery are followed in letter and spirit.

v. make efforts based on sound planning and a systematic problem-solving approach, having due involvement of all stakeholders in order to ensure recovery of accumulated power sector receivables.

vi. take measures such as detailed feeder-wise analysis, action on extension of load cases from 1st instance of the event, recovery of security deposit, capital cost & rehabilitation charges and billing as per NEPRA's approved tariff / Customer Services Manual.

vii. a) ensure optimum utilization of efficient power plants and overcome transmission inefficiencies in order to avoid extra expenditure.

b) ensure uninterrupted / quality of power supply to the consumers as per NEPRA's performance standards.

viii. improve operational and technical efficiencies in order to ensure effective, efficient, and economic use of resources.

1. ISSUES OF THE POWER SECTOR

1.1 Piling Up of Energy Receivables

CPPA-G purchases energy from power producers on behalf of the DISCOs using the energy transmission network maintained by NTDC. The energy is then sold to the consumers by the DISCOs. Revenue earned from sale of energy is paid by the DISCOs to the power producers through CPPA-G to clear the energy payment invoices. Thus, recovery of energy charges delivered to the consumers is the central link in the power sector supply chain. Piling up of energy receivables implies that cash-shortfall is faced not only in the DISCOs but also in linked entities including CPPA-G and power generation companies. CPPA-G's receivables from DISCOs caused the circular debt burden on the power sector.

The accumulation of liability of CPPA-G comprises of different attributes. Receivables from DISCOs are one part. Other factors include receivables from the government in lieu of energy subsidy, pending receivables from K-electric and outstanding Late Payment Surcharges levied by the power generation companies on CPPA-G on account of delayed payments.

The piling of energy receivables at the end of DISCOs can be categorized into different classifications and allied causes. The DISCOs were not successful to recover 100% of the amount billed to the consumers during Financial Year causing increase in the receivables to the stated extent. Moreover, the DISCOs were maintaining a list of running and dead defaulters (consumers). These consumers of different categories (i.e. industrial, commercial and agriculture etc.) had failed to pay their energy dues over an extended period of time causing cash-shortfall as well as financial loss to the company.

Additionally, theft of energy through kunda connection, meter tempering and wrong reading etc.is also prevalent in the DISCOs. There are other systemic issues such as low recovery of dues from tube-well connections and delays in settlement of subsidy pertaining to AJK resulting in to pilling up of overall receivable.

On the above lines, audit has analyzed the issue of pilling up of energy receivables in the DISCOs from different aspects: broadly at a company level as well as at operation circle & consumer level, on a sample analysis basis to highlight the piling up of receivables and illustrated findings in the following paras:

1.1.1 Non-recovery on account of sale of energy from DISCOs – Rs.2,530,645.77 million

According to provision 9.6.2 of Commercial Code, CPPA-G shall communicate the failure of any Distribution Company to fully pay any monthly invoice issued by CPPA-G to Authority, the Ministry of Water and Power and the Ministry of Finance in order to assure the enforcement of the Market Rules and Commercial Code or to assure that other suitable substitute actions may be taken by these institutions.

During audit of CPPA-G, an amount of Rs.2,530,645.77 million **(Annex-A)** was receivable from distribution companies including K-Electric on account of sale of energy. Due to this huge blockage of funds, power sector was under stiff financial crunch and payments to power producers were delayed. Consequently, late payment surcharges ranging from KIBOR + 2% to KIBOR + 4% were being charged by power producers. Had this huge amount been recovered from DISCOs, liquidity position of power sector could have been improved thereby eliminating the burden of circular debt and late payment surcharges.

Financial inefficiency resulted in non-recovery of Rs.2,530,645.77 million on account of sale of energy from DISCOs during the Financial Year 2021-22.

The matter was taken up with the management in May, 2023 and reported to the Ministry in June, 2023. The management replied that the shortfall of recovery was a recurring phenomenon on the part of distribution companies and matter was being pursued through monthly review meetings conducted under the chairmanship of Secretary Ministry of Energy (Power Division) to monitor the performance of DISCOs with reference to losses and recovery.

The DAC in its meeting held on October 09, 2023 directed the management to submit revised reply within 07 days and pended the para for next higher forum.

Audit recommends implementation of DAC's decision besides ensuring recovery from DISCOs and providing the progress thereof.

(Draft Para No.94/2023-24)

1.1.2 Non-recovery of energy dues from defaulters – Rs.877,596.31 million

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

During audit of DISCOs, it was observed that an amount of Rs.877,596.31 million was recoverable from running and permanently disconnected (P-Disc.) energy defaulters (Government and private). In this respect, no efforts were made by the management to accelerate the recovery from defaulters. The detail is as under:

Sr. No.	Name of Formation	Draft Para No.	Amount (Rs.in million)
1.	FESCO	168, 171 & 172/2023-24	247.71
2.	HESCO	785 & 1295/2023-24	44,468.69
3.	IESCO	152/2023-24	200.06
4.	LESCO	857 & 1026/2023-24	16,100.66
5.	MEPCO	644/2023-24	64.77
6.	PESCO	385,386,569 & 1135/2023-24	8,604.36
7.	QESCO	459 & 1271/2023-24	603,354.05
8.	SEPCO	604 & 718/2023-24	198,378.48
9.	TESCO	760, 812 & 1045/2023-24	6,177.53
		Total	**877,596.31**

(Source: Progress Report of DISCOs)

Non-adherence to Commercial Procedure resulted in non-recovery of Rs.877,596.31 million from energy defaulters up to the Financial Year 2022-23.

The matter was taken up with the management during March, 2023 & August to October, 2023 and reported to the Ministry during June, 2023 & October to December, 2023. 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 October 09, and December 14 to 23, 2023 directed the management to produce the record of completed actions within 15 days and effect pending recoveries. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No.1.1.1 having financial impact of Rs.653,957.57 million. Recurrence of same irregularity is a matter of serious concern.

1.1.3 Extra generation cost due to non-availability of RLNG - Rs.61,971.83 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 subject to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

During audit of NPPMCL, it was observed that power generation plants generated 41,774.68 GWh during the 2020-21 to 2022-23. Out of total generated units 619.6 million units were generated by using costly fuel i.e., HSD due to non-availability of RLNG, which caused consumers to pay extra cost of Rs.61,971.83 million.

Non-adherence to Authority's instructions resulted in extra generation cost of Rs.61,971.83 milllin due to non-availability of RLNG up to the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that due to crises of RLNG nationwide and as per the call from System Operator, the plant was operated on HSD to avoid national crises. The Company had the Annual Delivery Plan (ADP) in place for the RLNG for the period when HSD had been used, moreover, SNGPL had declared a country-wide crisis of RLNG. Audit contended that operating the plants on HSD instead of RLNG during three (03) financial years 2020-21 to 2022-23 needed to be justified with specific reasons.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to submit revised reply as per calculation of para and get the stance verified from Audit. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC's decision.

(Draft Para No. 1303/2023-24)

1.1.4 Heavy generation loss due to poor maintenance of power plants – Rs.14,797.52 million

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

During audit of NPPMCL, it was noticed that the power plants remained out of service for 2303.99 Hrs. due to high exhaust spread on HSD fuel, condenser tube leakage and sometimes due to miscellaneous reasons. The forced outages happened due to improper / poor maintenance of the plants, resultantly 857.496 million (kWh) energy units amounting to Rs.14,797.52 million were less generated.

Poor operational management resulted in heavy generation loss of Rs.14,797.52 million due to poor maintenance of power plants up to the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023. The management replied that unfortunate incident on HBS (the fire on Unit Auxiliary Transformers) resulted in consumption of maximum forced outage allowance since the CoD of the Complex. However, this incident was being considered under the insurance cover, hence, losses would be mitigated. Similarly, a rotor incident at Balloki happened and resulted in to loss of forced outage consumption but this event was also under the insurance cover to indemnify the loss.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to submit revised reply showing the difference between allowed and actual forced outages and get the record verified from Audit within 15 days. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC's decision.

(Draft Para No. 748/2023-24)

1.1.5 Loss due to late payment surcharge – Rs.12,511.709 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".

During audit of NPPMCL, it was observed that an amount of Rs.34,794 million on account of gas charges was appearing as closing balance to be paid to SNGPL as on June 30, 2023. Due to non-clearance of gas charges, interest on delayed payments amounting to Rs.12,511.70 million was imposed by the Sui Northern Gas Pipeline (SNGPL). Resultantly, company had to face extra financial burden of Rs.12,511.70 million, which showed poor management and internal control weakness.

Non-adherence to the Authority's instructions resulted in loss of Rs.12,511.70 million during the Financial Years 2020-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023. The management replied that NPPMCL was continuously persuading CPPA-G to release funds from receivables of the company, so that overdue payments including late payment surcharge to SNGPL could be paid.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to pursue the matter with CPPA-G vigorously and payment be made to SNGPL accordingly. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC's decision.

(Draft Para No. 750/2023-24)

1.1.6 Non-recovery of cost of energy units supplied to Power Generators (IPPs and GENCOS) – Rs.5,096.86 million

As per NEPRA Tariff, Tariff C-2 is applicable to consumers receiving supply at 11 kV or 33 kV at one point metering arrangement and having sanctioned load up to and including 5000 kW.

During audit of CPPA-G Islamabad, it was observed that an amount of Rs.5,096.86 million was recoverable from Power Generators comprising IPPs and GENCOs on account of supply back feed energy. The amount was required to be recovered / adjusted against the energy invoices of the Power Generators, which was not done.

Non-adherence to NEPRA Tariff resulted in non-recovery of Rs.5,096.86 million from the power generators during the Financial Year 2021-22.

The matter was taken up with the management in May, 2023 and reported to the Ministry in June, 2023. The management replied that out of total outstanding amount of Rs.5.097 billion as on June 30, 2022, an amount of Rs.1.465 billion had been recovered. The outstanding amounts mostly represented disputed payments by IPPs and might require adjustment of receivables against their payables.

The DAC in its meeting held on October 09, 2023 directed the management to provide the record of recovered / adjusted amount to audit for verification within 07 days. No further progress was reported till finalization of the report.

Audit recommends that the management needs to look into the matter and expedite the recovery / adjustment of cost of energy from the energy invoices of the power generators.

(Draft Para No.95/2023-24)

1.1.7 Non-recovery of outstanding energy dues from unmetered commercial consumers - Rs.3,191.82 million

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

During audit of CEO TESCO, it was observed from CP-88 A & 88 L that an amount of Rs.3,191.82 million was recoverable from 26,365 unmetered commercial consumers. The meters were not installed against these consumers to assess the actual consumption of electricity. Out of these 26,365 unmetered consumers, 18,687 consumers were permanently disconnected, however, 7,678 consumers were active and were still enjoying the unmetered facility without actual assessment of their electricity consumption.

Non-adherence to Commercial Procedure resulted in non-recovery outstanding energy dues of Rs.3,191.82 million from unmetered commercial consumers up to the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023. The management replied that due to military operations and law & order situation in Ex-FATA, maximum consumers had abandoned the war-torn areas and migrated to settled districts. The sites had been demolished and their tracing was a herculean task for the field formations given the lack of support by the local administration. Moreover, arrears against permanently disconnected consumers could not be recovered due to non-posting of Recovery Tehsildar as Land Record & Land Revenue Act had been extended recently, after FATA merger in the province of KPK.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to take appropriate action for recovery of outstanding amount. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC's decision.

(Draft Para No. 758/2023-24)

1.1.8 Blockage of recovery of energy charges due to non-decision by CRC and RRC - Rs.1,897.09 million

According to Rule-5(5) of Public Sector Companies (Corporate Governance) Rules-2013, "the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders".

During audit of Eastern Circle LESCO, it was observed that energy charges of Rs.1897.09 million were not recovered from 975 consumers due to deferment by Circle Review Committee (CRC) and Regional Review Committee (RRC). However, consumers were enjoying the power facility without paying the energy charges. Due to non-decision of disputed energy charges by the CRC and RRC, the company was facing financial crunch.

In-efficient management resulted in blockage of recovery of energy charges amounting to Rs.1,897.09 million due to non-decision by CRC and RRC up to the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in October, 2023. The management replied that an amount of Rs.567.519 million had been recovered and an amount of Rs.1,329.57 million was outstanding.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the recovery record in support of reply verified from Audit within 15 days and expedite pending recovery. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC's decision.

(Draft Para No. 373/2023-24)

1.1.9 Non-recovery of energy charges from unregistered / kunda connections - Rs.1,015.37 million

According to Para-9.1(II) of NEPRA Consumer Service Manual, all theft cases would be dealt by DISCO strictly in accordance with relevant sections of Pakistan Penal Code, 1860 (Act XLV of 1860) and the Code of Criminal Procedure, 1898 (Act V of 1898). The disconnection of electricity shall be carried out immediately under the supervision of concerned Officer of DISCO by removing such facility. As per para 9.1.(III) of Consumer Service Manual, DISCO shall be authorized to recover its loss by raising a detection bill as follows provided that the maximum period of charging in such cases shall be restricted to twelve months for unregistered consumers and up to six months for registered consumers.

During audit of DISCOs, it was observed that an amount of Rs.1,015.37 million was debited against 7,510 un-registered / kunda connections under Code-888 but neither these illegal unregistered connections were regularized and brought into billing cycle, nor outstanding energy charges recovered. Moreover, legal and departmental action against these persons was also not forthcoming from record. The details are as under:

Sr. No.	Name of Formation	Draft Para No.	No of consumers	Amount (Rs.in million)
1	FESCO	164, 1128/2023-24	459	17.12
2	GEPCO	31, 362, 715/2023-24	1274	57.89
3	LESCO	370, 646/2023-24	868	94.88
4	MEPCO	306/2023-24	149	1.42
5	PESCO	1244/2023-24	4760	844.06
		Total	**7,510**	**1,015.37**

(Source: CP-22A & MIS Data of DISCOs 2021-22 & 2022-23)

Non-adherence to NEPRA Consumer Service Manual resulted in non-recovery of energy charges amounting to Rs.1,015.37 million from unregistered connections up to the Financial Year 2022-23.

The matter was taken up with the management in April & November, 2023 and reported to the Ministry in October & December, 2023. The management replied that some of the amount had been recovered and efforts were being made for recovery of remaining amount.

The DAC in its meetings held on December 14, 2023 to December 23, 2023 directed the management to get the record of completed actions verified from Audit within a week and expedite the pending actions within a month. No further progress was intimated till finalization of the report.

Audit recommends the implementation of DAC's decision and legal action be taken against the culpirts.

1.1.10 Non-recovery of detection charges / pending units from consumers – Rs.324.24 million

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

During audit of DISCOs, it was observed that energy meters of domestic, industrial, agricultural & commercial categories were physically checked by the surveillance teams / metering & testing (M&T) of the companies and detection charges of 11.98 million units amounting to Rs.324.24 million on account of slowness, tempering in meters and pending units etc. were approved for recovery from the consumers, however, the same were not recovered. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	Units (in million)	Amount (Rs.in million)
1.	IESCO	153/2023-24	0.11	2.46
2.	LESCO	335/2023-24	2.14	15.92
3.	MEPCO	921/2023-24	2.04	52.44
4.	PESCO	502,555,709 & 1183/2023-24	5.41	185.53
5.	QESCO	458 & 1029/2023-24	1.44	46.96

6.	TESCO	1043/2023-24	0.84	20.93
		Total	**11.98**	**324.24**

(Source: Progress Report of Detection Bill & Pending Units of DISCOs)

Non-adherence to the Commercial Procedure resulted in non-recovery of Rs.324.24 million on account of detection charges and pending units from the consumers up to the Financial Year 2022-23.

The matter was taken up with the management during March, 2023 & August to November, 2023 and reported to the Ministry during June, 2023 & October to December, 2023. The management replied that in some cases, detection charges had been recovered from consumers while efforts were being made to recover the amount in remaining cases.

The DAC in its meetings held on October 9, 2023 and December 14-23, 2023 directed the management to get the recovery record verified from audit within 15 days and expedite pending recovery. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No.1.4.1 having financial impact of Rs.8,719.07 million. Recurrence of same irregularity is a matter of serious concern.

1.1.11 Loss due to non-recovery of electricity charges against temporary connections – Rs.88.91 million

According to Special Condition No. E-1(2) 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".

During audit of DISCOs, it was observed that electricity dues of Rs.88.91 million were pending against 782 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 detail is as under:

Sr. No.	Name of Company	Draft Para No.	No. of Consumers	Amount (Rs.in million)
1.	FESCO	83 & 1127/2023-24	213	22.73

2.	GEPCO	714/2023-24	146	3.58
3.	LESCO	334 & 908/2023-24	325	56.68
4.	PESCO	550/2023-24	35	1.42
5.	SEPCO	603/2023-24	63	4.50
		TOTAL	**782**	**88.91**

(Source: CP-120-A of DISCOs)

Non-adherence to tariff condition resulted in loss of Rs.88.91 million due to non-recovery of electricity dues from temporary consumers up to the Financial Year 2022-23.

The matter was taken up with the management in April, 2023 & September to November, 2023 and reported to the Ministry in June, 2023 & October to December, 2023. The management replied that in some cases, recovery had been effected and efforts were being made to recover the remaining amount.

The DAC in its meeting held on August 26, 2023 and December 14-23, 2023 directed the management to get the recovery record verified from audit within 15 days and expedite the pending action within a month. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No. 1.1.6 having financial impact of Rs.165.14 million. Recurrence of same irregularity is a matter of serious concern.

1.1.12 Non-recovery of electricity dues from consumers after court decisions in favour of DISCOs – Rs.55.01 million

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

During audit of FESCO & MEPCO, it was observed that 62 court cases involving an amount of Rs.55.01 million were decided in favour of the companies. The amount of decided court cases was required to be recovered from consumers, which was not done. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	No. of Cases	Amount (Rs.in million)
1.	FESCO	91/223-24	19	2.50
2.	MEPCO	625/2023-24	43	52.51
		TOTAL	**62**	**55.01**

(Source: Court Case Files of DISCOs)

Non-adherence to Commercial Procedure resulted in non-recovery of electricity dues of Rs.55.01 million from consumers after court decisions in favour of DISCOs up to the Financial Year 2022-23.

The matter was taken up with the management during April & September, 2023 and reported to the Ministry during June & November, 2023. The management replied that in few cases, recovery had been effected and efforts were being made to recover the remaining amount.

The DAC in its meeting held on August 26, 2023 and December 21, 2023 directed the management to get the record of completed action verified from Audit within 15 days and expedite recovery in remaining cases. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No. 1.1.5 having financial impact of Rs.5,404.69 million. Recurrence of same irregularity is a matter of serious concern.

1.1.13 Loss due to excess utilization of auxiliary units - Rs.15 million

According to 2nd Revised PC-1 2019 Clause (9) "Annual operating cost based on proposed capacity utilization and source of financing". The calculated percentage for Auxiliary units' consumption approved in the said document was 1.22% from year 1 to year 5 for Havelli Bahadur Shah and the calculated percentage for Auxiliary units' consumption for Balloki 1.47% was approved.

During audit of NPPMCL, it was observed that consumption of auxiliary units for both the plants was in excess as compared to the approved auxiliary consumption per unit in 2nd revised PC-1 2019. HBS used 531.57 GWh units instead of 264.63 GWh units during the period 2020-21 to 2022-2023 and Balloki used 720.29 GWh units instead of 295.22 GWh units.

Non-adherence to Clause 9 of 2nd revised PC-I resulted in a loss of Rs.15 million due to excessive consumption of auxiliary units during the period 2020-21 to 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that tariff was based on the net output & Net Heat Rate, which already accounted for auxiliary consumption in the process of power generation. The auxiliary consumption did not impact the tariff to the consumers, as well as no loss to the Company. Audit contended that auxiliary consumption beyond the limit stipulated in PC-I needed to be justified.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to submit revised reply as per schedule/detail of para and get the record verified from Audit. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC's decision besides inquiring the matter for fixing responsibity of loss.

(Draft Para No. 868/2023-24)

1.1.14 Loss due to connecting permanently disconnected consumers through bogus meters and non-recovery of outstanding arrears – Rs.11.47 million

According to Para-III (1) of Guidelines for enforcing the responsibility for losses sustained by the authority through fraud or negligence of individuals, 1982, "All losses, whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved." As per Para 9.1.3 of Consumer Service Manual, "DISCO shall be authorized to recover its loss by raising a detection bill provided that the maximum period of charging in such cases shall be restricted to twelve months for unregistered consumers and up to six months for registered consumers".

During audit of Operation Circle Khyber PESCO, it was observed that twenty-three (23) sites of permanently disconnected consumers were checked and found installed with bogus meters/direct connections without paying outstanding dues of PESCO amounting to Rs.11.47 million (detection charges + arrears). This state of affairs indicated that defaulter consumers were enjoying electricity facility without paying outstanding dues with the collaboration of field staff.

Non-adherence to Authority's instructions resulted in loss of Rs.11.47 million due to connecting permanently disconnected consumers through bogus meters and non-recovery of outstanding arrears up to the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023. The management replied that consumers had been charged for 98135 units amounting to Rs.2,944,050. FIRs were registered against permanently disconnected consumers and an amount Rs.1,073,517 was also recovered, however, the remaining payment/regularization was under process. Moreover, six (06) consumers were running out of twenty-three (23) consumers.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to submit revised detailed reply along with documentary evidence to audit within 15 days. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No. 1.4.42 having financial impact of Rs.25.86 million. Recurrence of same irregularity is a matter of serious concern.

(Draft Para No. 572/2023-24)

Concluding Recommendations

Piling up of receivables is a potential failure for the Distribution companies. It directly affects their financial viability as a going concern. The issue is complex having multifarious factors as explained above and thus needs a multi-pronged strategy to address it. An efficient billing and collection mechanism is needed to be implemented to ensure greater efficiency in the recovery process. Furthermore, efforts are needed to expedite identified recoveries / receivable amounts.

1.2 Significant Line Losses in the Power Sector

Power is being delivered to the consumers through a power distribution network being managed by Distribution Companies (DISCOs). Certain volume of energy is lost in the distribution process and not delivered to the end-consumers. In this context, Line losses refer to the losses suffered by a distribution company in delivery of energy across its Transmission (i.e 132 kV Grid) and distribution network (11 kV Grid). Line Losses reflect the extent of a company's inability to sell energy procured from the power producers causing cash-flow constraints. Line Losses issue is a multi-faceted issue having linkages with different operational and financial activities of the company.

NEPRA has allowed certain percentage of line losses (termed as NEPRA targets), being inevitable and has included them in its tariff determination for the DISCOs. Losses up-to these permissible limits are passed on to the end-consumers in the shape of per-unit tariff. However, losses beyond NEPRA targets convert directly into financial loss of the company, affect its liquidity position and make it unable to payback its liabilities to power producers through CPPA-G.

The Distribution network or grid comprises of cluster of 11 kV feeders. At present there are 9706 feeders spread across the domain of all the DISCOs. Feeders are actually meters through which energy, once received at the grid-station, is distributed along low-tension lines to the consumers. There are two types of feeders i.e. independent feeder and general feeder. The independent feeder is installed for a single high-end commercial / industrial consumer whereas the general feeder provides energy to multiple / thousands of consumers (average varies company to company). Hence, general/mixed-load feeders indicate a specific area or locality to where electricity is being delivered. The information / data of these feeders are also a key point of calculating and analyzing line losses.

Meter reading on the feeders, installed at grid stations, is compared with the energy utilized by the consumer's meters so to work out how much of energy was dispatched and billed to the consumer of a specific locality. If the energy units delivered through the feeders are more than the billed units, it illustrates that the line losses have taken place. High percentage of line losses against a feeder is a sound indication of over loading in that specific feeder's locality. Similarly, if feeder units are less than the units billed to the consumers, this indicates that overbilling has been done to the consumers of that locality.

On the above lines, audit has analyzed the line losses position in the DISCOs: firstly, at company level and then on sample test check basis at operational circle level & feeder level to highlight line losses, high pilferage of energy, high technical losses and operational inefficiencies, which is illustrated in the following paras.

1.2.1 Loss of revenue due to T&D losses beyond NEPRA's targets – Rs.196,384.51 million

NEPRA had fixed targets of energy losses ranging from 8.84%, 9.10%, 18.57%, 8.0%, 12.34%, 20.16%, 17.05%, & 9.21% for the Financial Year 2022-23 in respect of FESCO, GEPCO, HESCO, LESCO, MEPCO, PESCO, SEPCO & TESCO respectively.

During audit of DISCOs, it was observed that the percentage of T&D losses was more than the targets of losses set by the NEPRA. Hence, 11,609.715 million energy units valuing Rs.196,384.51 million were lost beyond the NEPRA's target. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	NEPRA Target (%)	Actual %age of Loss	Units lost beyond NEPRA target (million)	Amount (Rs.in million)
1.	FESCO	966/2023-24	8.84	15.10 to 30	211.964	6,298.34
2.	GEPCO	713/223-24	9.10	12 to 19.8	132.433	2,877.77
3.	HESCO	782 & 789/2023-24	18.57	19.90 to 100	1,418.20	1,5781.86
4.	LESCO	906/2023-24	8.00	20 to 66	747.84	14,956.78
5.	MEPCO	925/2023-24	12.34	21 to 100	124.395	3,801.53
6.	PESCO	836 & 839/2023-24	20.16	36.46	7,733.29	132,981.03
7.	SEPCO	605/2023-24	17.05	32.57	1,219.18	19,179.43
8.	TESCO	756/2023-24	9.21	11.4 to 68.6	22.413	507.77
				TOTAL	**11,609.715**	**196,384.51**

(Source: Progressive CP-22A of DISCOs)

Non-adherence to NEPRA's targets resulted in loss of revenue amounting to Rs.196,384.51 million due to T&D losses during the Financial Year 2022-23.

The matter was taken up with the management during September to November, 2023 and reported to the Ministry in November to December, 2023. The management replied that NEPRA never fixed the target at feeder level however, the line losses were due to over loaded transmission lines, lengthy feeders, law and order situation, difference in reading dates, shifting of load, duplicate source, stealing of energy, wrong coding and unrealistic NEPRA targets etc. Administrative and legal actions were being taken to reduce the line losses.

The DAC in its meeting held on August 26 and December 14-23, 2023 directed the management to provide feeder wise analysis depicting efforts taken & resources employed to curtail feeder wise line losses to audit within 15 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

<u>Note:</u> The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No. 1.2.1 having financial impact of Rs.141,769.45 million. Recurrence of same irregularity is a matter of serious concern.

1.2.2 Energy losses on independent feeders beyond permissible limit - Rs.2,366.42 million

According to Distribution Rehabilitation Guidelines issued by the General Manager (Operation) WAPDA, Lahore on September 24, 2003, the maximum Annual Energy Losses (AEL) for HT circuit (HT Feeders) is 3% for rural/urban areas.

During audit of DISCOs, it was observed that percentage of annual progressive energy losses on 291 independent feeders remained over & above the permissible limit of 3%, which entailed loss of 79.233 million units amounting to Rs.2,366.42 million. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	No. of feeders	Percentage (%) of losses	Units Lost beyond 3% (million)	Amount (Rs.in million)
1.	FESCO	974/2023-24	31	3.5% to 53.20%	10.019	311.95
2.	GEPCO	690/2023-24	23	3.20% to 100%	5.632	122.40
3.	HESCO	781/2023-24	21	3.15% to 100%	6.276	195.19
4.	IESCO	143//2023-24	09	4.3% to 26.5%	0.948	20.87
5.	LESCO	905/2023-24	41	4.0% to 75.0%	6.193	123.85
6.	MEPCO	897/2023-24	42	3.6% to 63.7%	3.866	118.17
7.	PESCO	837/2023-24	49	3.2% to 78.3%	36.274	1,196.68
8.	QESCO	956/2023-24	60	5.20% to 100%	5.769	132.68
9.	TESCO	757/2023-24	15	3.7% to 28.5%	4.256	144.63
Total			**291**		**79.233**	**2,366.42**

(Source: CP-22A of DISCOs for the Financial Year 2022-23)

The above analysis, done on sample selection basis, showed that independent feeder connections were being supervised inadequately by the companies entailing material financial losses. Particularly, abnormal high-end losses ranging between 3.15% to 100% were observed in GEPCO, HESCO and QESCO, which indicated high risk of energy theft and/or technical incapacitated feeder-system.

Non-adherence to Distribution Rehabilitation Guidelines resulted in energy losses amounting to Rs.2,366.42 million on independent feeders beyond permissible limit up to the Financial Year 2022-23.

The matter was taken up with the management in March to April, 2023 & October to November, 2023 and reported to the Ministry in June, 2023 & November to December, 2023. The management replied that line losses above permission limit were due to difference in reading dates, shifting of load, duplicate source and wrong coding etc., however, notices had been served to the consumers and the cases would be pursued in the light of revised NEPRA Consumers' Service Manual.

The DAC in its meeting held on August 26 and December 14 to 23, 2023 directed the management to substantiate the reply by providing feeder wise analysis with grid log sheet and respective CP-22 & 34-C within 15 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

1.2.3 Non-saving of energy units by reducing line losses due to delay in execution of HT / LT works – Rs.197.31 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".

During audit of Project Directorate Construction GEPCO, 158 HT / LT feeders' proposals with an estimated cost of Rs.362.30 million were approved in order to reduce the distribution losses by annual saving in kWH units, improve the voltage drop and efficiency of the distribution system. The said works were initiated up toduring July, 2021 to December, 2022, but could not be completed and delayed for a period ranging from 54 to 636 days beyond the stipulated period of 130 days. Had the said works been completed within stipulated period, the envisaged annual kWh units of Rs.197.31 million could have been saved.

Non-adherence to Distribution Rehabilitation Guidelines resulted in non-saving of energy units amounting to Rs.197.31 million due to delay in execution of HT / LT works during the Financial Year 2021-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in October, 2023.The management replied that non-availability of material and shortage of staff was the main reason of delay in execution of works.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to submit work-wise detailed reasons for delay to audit within a week. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC's decision.

(Draft Para No. 247/2023-24)

1.3 Overbilling

Accuracy and reliability of consumer's billing-data is the key attribute on which the overall business of the distribution companies is based upon. In fact, the working of the whole power sector, including government subsidy calculations, CPPA-G liability pay-off etc., and all such activities were directly or indirectly linked with the source billing data. In this context, overbilling by the DISCO's represent weak internal check failures and data credibility errors in managing the billing data by the companies resulting in financial loss to the company on one hand and misreporting of facts to the allied power sector players on the other hand.

In the following paras, audit has analyzed the extent and types of overbilling practices found prevalent in the distribution companies:

1.3.1 Overbilling to consumers due to charging of abnormal excessive load factor beyond permissible limit of NEPRA – Rs.25,109.21 million

The Consumer Service Manual Annexure-V prescribed percentage of Load Factor for different types of connections.

During audit of DISCOs, it was observed that abnormal excessive percentage of load factor (above 100%) beyond the permissible limit of NEPRA was charged to different types of consumers. This scenario depicted that the excess percentage of load factor was charged in order to achieve the target of line losses. Due to abnormal excessive load factor, 877.97 million units valuing Rs.25,109.21 million were overbilled to the consumers. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	Units	Amount (Rs.in million)
1.	FESCO	1066/2023-24	279.42	9,162.42
2.	GEPCO	20, 508 & 716/2023-24	478.63	12,541.12
3.	LESCO	622/2023-24	39.50	769.38
4.	MEPCO	612 & 863/2023-24	20.79	608.39
5.	QESCO	1080/2023-24	59.63	2,027.90
		Total	**877.97**	**25,109.21**

(Source: DISCOs MIS generated report 2021-22 & 2022-23)

Non-adherence to the provisions of the Consumer Service Manual resulted in overbilling of Rs.25,109.21 million to the consumers due to charging of abnormal excessive load factor during the Financial Year 2022-23.

The matter was taken up with the management in April, 2023 & August to October, 2023 and reported to the Ministry in June, 2023 & November to December, 2023. The management replied that the consumers had used the load beyond their sanctioned load and in some cases inquiry committees had been constituted.

The DAC in its meeting held on August, 26 and December 14-23, 2023 directed the management to get case to case analysis verified from audit and also directed to initiate/expedite the inquiry and submit its report to audit within 30 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

1.3.2 Staggeringly abnormal refund of units due to systemic practice of overbilling (wrong reading/detection) – Rs.21,673.20 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 over-billing".

During audit of DISCOs, it was observed that 662.33 million units with amount of Rs.21,673.20 million were refunded / credited to 292,784 Private and Govt. consumers as a result of revision of wrong reading and detection charges through adjustment notes during the Financial Years 2019-20 to 2022-23.

However, trend analysis of total units credited / adjusted to consumers, showed that A-type adjustment i.e. revision of wrong reading of 523.24 million units with amount of Rs.17,945.71 million was made, which remained up to 82.80% however, C, D, E, F & G-Type adjustment i.e revision of detection bills 138.54 million units with amount of Rs.3,727.54 million was also made and remained up to 17.20%. The detail is as under:

Units & Amount in million

Sr. No.	Name of Company	Draft Para No.	F.Y	No of Cons.	Units credited	Amount (Rs.in million)	A-Type (Revision of wrong reading)			C,D,E,F & G (Revision of detection bills)		
							units	Amount	%	units	Amount	%
1.	CEO FESCO	1020/2023-24	2022-23	89,899	116.2	3,564.54	85	2565.84	71.98	31.19	998.7	28.02
2.	Sialkot Op Circle GEPCO	510/2023-24	2020-21 to 2022-23 (03 Years)	17,793	45.81	970.35	37.43	739.7	76.23	8.38	230.65	23.77
3.	CEO GEPCO	917/2023-24	2022-23	112,929	154.45	4,054.82	102.9	2,752.54	67.88	51.53	1302.33	32.12
4.	Eastern Op Circle LESCO	679/2023-24	2019-20 to 2022-23 (04 Years)	72,163	345.87	13,083.49	297.9	11,887.63	90.86	47.44	1,195.86	9.14
Total				**292,784**	**662.33**	**21,673.20**	**523.24**	**17,945.71**	**82.80**	**138.54**	**3,727.54**	**17.20**

(Source: MIS Reports of DISCOs for the year 2019-20 to 2022-23)

Moreover, Special audit of debit and credit adjustments for FY 2016-17 & 2017-18 conducted by Chief Internal Audit GEPCO had already pointed out that unjustified debit / credit adjustments were made by ROs through F-Category. Despite earlier pointation of Internal Audit, adjustment of 31% units against total adjusted credit units was made through F-Category (Adjustment by Chief Internal Auditor) during the year 2022-23.

The above scenario indicates that overbilling was regular practice and at the same time neither detection nor refund policy was according to the standard procedure / practice. No departmental action was taken against the officers / officials at fault either for overbilling or refund.

Inefficient operational management resulted in staggeringly abnormal refund of units amounting to Rs.21,673.20 million due to systemic practice of wrong reading/detection charged to consumers up to the Financial Year 2022-23.

The matter was taken up with the management in August to October, 2023 and reported to the Ministry in October to December, 2023. The management replied that all the adjustments were made after proper scrutiny and approval from competent authority, however, human, arithmetic, clerical and technical errors could not be avoided. The management of GEPCO replied that an inquiry committee had been constituted with reference to PDP No.510/2023-24.

The DAC in its meeting held on December 18 - 21, 2023 did not agree with the reply of FESCO management and directed to furnish detailed revised reply to Audit within 15 days. DAC directed the management of GEPCO to expedite the inquiry in PDP No.510/2023-24 and conduct fact finding inquiry in PDP No.917/2023-24 and submit the reports to audit within a month. DAC also directed the management of LESCO to carry out Special Audit with specific TORs from Manager Internal Audit, LESCO and finalize the report within two months. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

1.3.3 Undue generation of revenue through overbilling - Rs.8,442.97 million

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

During audit of DISCOs, it was observed that the percentages of energy losses of 1,095 feeders were in negative figures. The negative losses revealed that the units billed were in excess of units received on feeders, which was an indication of overbilling of Rs.8,442.97 million to the consumers. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	No. of Feeders	Units Excess billed (million)	Amount (Rs.in millions)
1.	FESCO	965/2023-24	110	24.37	758.65
2.	GEPCO	691/2023-24	112	24.21	526.15
3.	HESCO	780/2023-24	98	55.70	1,732.35
4.	IESCO	144/2023-24	100	48.00	1,055.92
5.	LESCO	645 & 1006/2023-24	488	92.72	1,802.94
6.	MEPCO	307 & 641/2023-24	22	5.46	75.99
7.	PESCO	838/2023-24	127	72.63	2,396.05
8.	QESCO	1031/2023-24	38	15.42	94.92
		TOTAL	**1,095**	**338.51**	**8,442.97**

(Source: CP-22A for the year 2022-23)

The above analysis done on sample basis shows that there were significant instances where the management of respective companies had done overbilling against different feeder-regions to non-transparently reflect their line losses figures. Generally, a large number of feeders were found overbilled in DISCOs, requiring urgent internal control enforcements.

The matter was taken up with the management in March, 2023 and August to November, 2023 and reported to the Ministry in June, 2023 to December, 2023. The management replied that the negative line losses appeared due to difference in reading dates, wrong feeder coding, dual supply and shifting of load etc.

The DAC in its meetings held on October 09, 2023 and December 14-23, 2023 directed the management to substantiate the reply by providing feeder wise analysis with grid log sheets and respective CP-22 & CP-34-C within 15 days. No further progress was intimated till finalization of the report.

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

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No. 1.3.2 having financial impact of Rs.2,225.58 million. Recurrence of same irregularity is a matter of serious concern.

1.3.4 Unjustified billing to feeders with Zero Consumers - Rs.407.342 million

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

During audit of CEO MEPCO, it was observed that unjustified billing was made to feeders illustrating zero number of consumers with zero sanction load. The units billed on those feeders were 13.329 million units amounting to Rs.407.342 million. This mismanagement during billing process required immediate attention and needed justification.

Non-adherence to authority instructions resulted unjustified billing to feeders with zero consumer amounting to Rs.407.342 million during the Financial Year 2022-23.

The matter was taken up with the management in November, 2023 and reported to the Ministry in December, 2023. The management replied that certain feeders had been shifted from one sub division to another or from one grid to another, resulting in the allocation of new feeder codes for the same feeders. As a result, consumers who were previously billed under the old feeder code were now included in the progressive statistics, as they were moved within the Financial Year. Consequently, data from the time of relocation onward was now associated with the new feeder codes. Audit contended that billing made to the feeders having zero number of consumers needed to be inquired.

The DAC in its meeting held on December 20 & 21, 2023 directed the management to inquire the matter at PPMC level and inform audit about the outcome within 30 days. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC's decision.

(Draft Para No. 923/2023-24)

1.3.5 Unjustified billing to dead defaulters- Rs.43.89 million

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

During audit of CEO MEPCO, it was observed that undue generation of revenue was made through billing to dead defaulters. The units received were zero but units billed were 1,436,162 amounting to Rs.43.89 million. This state of affairs needed to be justified.

Non-adherence to Authority's instructions resulted in unjustified billing to dead defaulters amounting to Rs.43.89 million during the Financial Year 2022-23.

The matter was taken up with the management in November, 2023 and reported to the Ministry in December, 2023. The management replied that the consumers stealing energy through direct hooking were also included in this category. The reply was not tenable as charging of units to dead defaulters other than stealers of energy was irregular and needed to be inquired. Moreover, other suitable mechanism for billing to dead defaulter involved in theft of electricity needed to be devised.

The DAC in its meeting held on December 20 & 21, 2023 directed the management to adopt some better way to make the recovery from kunda connections and get the record verified within 30 days. No further progress was reported till finalization of the report.

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

(Draft Para No. 941/2023-24)

1.3.6 Irregular credit balances against un-registered / kunda connections – Rs.2.38 million

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

During audit of CEO GEPCO, it was observed that negative/ credit balances amounting to Rs.2.38 million were appearing against 282 unregistered / kunda connections under code-888 without any reason/justification, which was incomprehensible. This abnormal practice was indicative that either the excess credit afforded to kunda connections or credit given was unjustified, hence, the same warranted to be probed into, which was not done.

Non-adherence to commercial procedure resulted in irregular credit balances against un-registered / kunda connections amounting to Rs.2.38 million up to the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023. The management replied that the matter would be inquired case to case basis through field formations and action taken would be intimated to Audit in due course of time.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to submit revised reply to audit within a week and expedite pending actions within a month. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC's decision.

(Draft Para No. 737/2023-24)

Concluding Recommendations

Overbilling is a significant organizational issue for the distribution companies. It negatively reflects the image of the DISCOs and reduces their credibility in the eyes of the consumers. Shortage in recoveries and different court cases were linked with this lack of reliability in the DISCOs' billing data. Ministry may make efforts to ensure that overbilling instances are controlled within operations of the respective companies.

1.4 Poor Operational Management by the Distribution Companies

Operational Management involves a comprehensive set of business activities being undertaken by the DISCOs aimed at effective maintenance / enhancement and augmentation of its distribution network infrastructure as well as efficient management of its consumer portfolio. The consumers are classified among different categories such as domestic, commercial, industrial, agriculture, bulk-supply etc. The categories have further been classified based on the load being supplied to these consumers. High energy load consumed by a customer necessitates additional charges and additional equipment for independent feeder and grid-station. Thus, due diligence in overall operational activities is necessary to manage the power sector distribution network efficiently.

Weak internal checks and inadequate operational management lead to different anomalies in the distribution network operations, causing loss to the company and adversely affect the performance of its infrastructure. For example, cases where the consumers had extended load without regularization meant that on one hand, the electricity network was overloaded and on the other hand, due charges were not being received from the consumers.

Similarly, another grey area, in operational management, was delay in non-replacement of defective meters. This lapse creates space for financial irregularities and companies the transparency of the whole billing process causing material financial loss to the company on account of inaccurate energy bills.

On the above lines, Audit has analyzed the operational management issues in the DISCOs from different aspects: broadly at company level and on sample basis at operation circle/consumer level, to highlight the irregularities, internal check lapses and financial losses being incurred by the companies, which is illustrated in the following paras:

1.4.1 Non-removal of electrical equipment and non-recovery of arrears – Rs.501,225.19 million

According to Para-3 of WAPDA'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".

During audit of DISCOs, it was observed that 267,436 consumers of all categories defaulted to pay energy charges of Rs.501,225.19 million. The Equipment Removal Orders (EROs) were issued but not implemented. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	No. of cases	Amount (Rs.in million)
1	FESCO	80/2023-24	203	561.44
2	GEPCO	666/2023-24	557	10,254.83
3	HESCO	794/2024-24	1,000	9,813.71
4	LESCO	856/2023-24	26,052	19732
5	MEPCO	309/2023-24	510	494.36
6	PESCO	1243/2023-24	115	856.78
7	QESCO	1282/2023-24	238,999	459,512.07
		TOTAL	**267,436**	**501,225.19**

(Source: CP-114 / Progress Reports of DISCOs)

Non-adherence to instructions resulted in non-removal of electrical equipment and non-recovery of energy charges amounting to Rs.501,225.19 million up to the Financial Year 2022-23.

The matter was taken up with the management during April, 2023 & September to November, 2023 and reported to the Ministry during June, 2023 & October to December, 2023. The management replied that efforts were being made for implementation of EROs and recovery of arrears. Further progress would be intimated to Audit accordingly.

The DAC in its meeting held on August 26, 2023 and December 14-23, 2023 directed the management to implement EROs besides effecting recovery and produce record to audit for verification within 30 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

<u>Note:</u> The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No. 1.1.2 having financial impact of Rs.71,898.09 million. Recurrence of same irregularity is a matter of serious concern.

1.4.2 Loss due to breach of subsidy agreement by land owners of Baluchistan - Rs.75,274.06 million

According to minutes of meeting on subsidy for tube well consumers in Baluchistan dated January 09, 2015, in case where the agricultural tube well consumers are using more than 30 horsepower electric motors, such entries will be made against their accounts, which will be jointly maintained by QESCO and the district administration.

During audit of CEO QESCO, it was observed that 27,446 agricultural consumers were using 50 hp electric motor against 30 hp, which resulted in illegal increase of load by 14.92 kW and ultimately electricity consumption increased to 8,986 units from 5,391 units. This showed that current bills of agricultural consumers increased to Rs.287,552/- from Rs.75,474/-. The impact of that illegal installation and consumption of 50 hp electric motors was Rs.75,274.06 million during FY 2022-23.

Non-adherence to the provision of subsidy agreement by land owners of Baluchistan resulted in loss of Rs.75,274.06 million up to the FY 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that many attempts were made to convince the farmers to abide by the Subsidy Agreement. The owners of tube well resisted the disconnecting campaigns launched by QESCO. The illegal enhancement of load by the consumers can only be stopped with the support of local Administration and deployment of Frontier Constabulary (F.C.) personnel with the QESCO field staff.

The DAC in its meeting held on December 22 & 23, 2023 directed the management to pursue the matter and resolve the issue. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1115/2023-24)

1.4.3 Non-execution / non-completion of electrification works - Rs.26,594.19 million

According to 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".

During audit of DISCOs, it was observed that an amount of Rs.26,594.19 million was allocated for execution of 4,247 electrification works comprising deposit works / village electrification / chain augmentation / hazards works / schemes & feeders since long. The works were required to be completed within 130 days but the same were still pending. No efforts were made by the DISCOs towards completion of these pending works. The slow execution of works reflected slackness and unprofessional attitude of the management. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	No. of works	Amount (Rs.in million)
1.	FESCO	85, 90, 174, 536, 575 & 1083/2023-24	1,571	2,374.76
2.	GEPCO	280 & 668/2023-24	1,459	3,098.16
3.	HESCO	407,413,682 & 784/2023-24	57	1,416.54
4.	LESCO	289,327,447,620 & 649/2023-24	384	7,494.25
5.	MEPCO	635 & 920/2023-24	242	4,864.93
.	PESCO	297/2023-24	177	3,172.99
6.	QESCO	392,429 & 481/2023-24	17	1,233.60
7.	SEPCO	235/2023-24	330	1,318.04
8.	TESCO	193/2023-24	09	1,619.51
9.	NTDC	133/2023-24	01	1.41
		TOTAL	**4,247**	**26,594.19**

(Source: Work-in-progress reports of DISCOs)

Non-adherence to WAPDA Distribution Rehabilitation Guidelines resulted in non-execution / non-completion of electrification works amounting to Rs.26,592.78 million up to the Financial Year 2022-23.

The matter was taken up with the management in March to April, 2023 & August to November, 2023 and reported to the Ministry in June, 2023 and October to

December, 2023. The management replied that some of the works had been completed and reaming were under execution.

The DAC in its meeting held on August 26 and December 14-23, 2023 directed the management to get the record of completed actions verified from Audit within a week and expedite the pending actions within 60 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No. 1.4.5 having financial impact of Rs.3,457.16 million. Recurrence of same irregularity is a matter of serious concern.

1.4.4 Huge refund to consumers due to revision of reading / detection charges - Rs.21,546.18 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".

During audit of DISCOs, it was observed that 502.786 million energy units amounting to Rs.21,546.18 million were refunded to 114,043 consumers on account of wrong reading and detection through adjustment notes. This scenario indicated that overbilling was done 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.	No of Consumers	Units Refunded	Amount (Rs.in million)
1.	FESCO	77 & 166/2023-24	1,615	0.312	170.05
2.	GEPCO	120/2023-24	2,8784	82.360	1,413.34
3.	LESCO	329, 699,909 & 934/2023-24	5,4908	384.049	19,369.63
4.	MEPCO	1285/2023-24	2,7115	35.62	564.76

5.	PESCO	1245/2023-24	868	0.435	19.22
6.	QESCO	629/2023-24	753	0.010	9.18
		TOTAL	**114,043**	**502.786**	**21,546.18**

(Source: CP-52 (Adjustment) of DISCOs)

Non-adherence to directions/rules resulted in huge refund of Rs.21,546.18 million to the consumers due to revision of reading / detection charges up to the Financial Year 2022-23.

The matter was taken up with the management in April, 2023 & August to November, 2023 and reported to the Ministry in June, 2023 and October to December, 2023. The management replied that all the refunds were made after due verification and with the approval of competent authority. In some cases, disciplinary action was also taken against the delinquents.

The DAC in its meetings held on August 26, 2023 and December 14-23, 2023 directed the management to provide the record in support of reply to Audit for verification within 15 days and in some cases, also directed to inquire the matter and submit its report to Audit within 30 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No. 1.3.1 having financial impact of Rs.10,907.04 million. Recurrence of same irregularity is a matter of serious concern.

1.4.5 Irregular charging of overheads beyond permissible limit to consumers/works – Rs.9,163.29 million

According to Clause-2.5 of Consumer Service Manual 2021, the charges for installation of connection shall include 12% store handling charges and 8% installation charges. According to WAPDA Distribution Rehabilitation Guidelines Para 4.1.2 (iii) (c), cost estimation for development of HT Proposal shall be carried out according to the prevailing store issue rates (i.e. 12% in built rates) and installation charges will be taken @ 8%.

During audit of DISCOs and NTDC, it was observed that certain overheads including carriage / erection / foundation charges, consultancy charges, structure cutting charges and tree cutting charges of Rs.9,163.29 million were included in cost estimates of 4,782 works of different types comprising transmission lines, grid stations, HT/LT works, new connections and extensions of load cases etc., in addition to 12% store handling and 8% installation charges. The charging of overheads beyond the permissible limit was in contradiction to the provisions of Consumer Service Manual / WAPDA Distribution Rehabilitation Guidelines and cannot be termed as regular. The detail is as under and **Annex-B**:

Sr. No.	Name of Company	Draft Para No.	No of Works	Amount (Rs.in million)
1.	FESCO	517 & 1069/2023-24	186	383.67
2.	GEPCO	26,44,245,270 & 799/2023-24	2,239	689.44
3.	HESCO	409 & 630/2023-24	24	68.67
4.	MEPCO	653/2023-24	57	2.44
5.	PESCO	298/2023-24	2,138	231.66
6.	SEPCO	253/2023-24	112	106.88
7.	TESCO	813/2023-24	15	21.87
8.	NTDC	1174/2023-24	11	7,658.66
		Total	**4,782**	**9,163.29**

(Source: Completion and Capitalization Reports of DISCOs for the year 2022-23)

Violation of the provisions of the Consumer Service Manual / WAPDA Distribution Rehabilitation Guidelines resulted in irregular charging of overheads beyond permissible limit to consumers / works amounting to Rs.9,163.29 million up to the Financial Year 2022-23.

The matter was taken up with the management during April & August to October, 2023 and reported to the Ministry in June & October to December, 2023. The management replied that overheads were charged as per SOP.

The DAC in its meeting held on August 26 and December 14-23, 2023 directed the management to submit case to case detailed revised reply justifying with Accounting Manual / NEPRA Consumer Service Manual within 15 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

1.4.6 Unjustified refund to running consumers on account of segregation of electricity bills – Rs.9,142.32 million

According to NEPRA Consumer Service Manual Para.6.4.2, in cases where accumulated readings are recorded, segregated bills shall be prepared keeping in view the number of months for which the readings have accumulated to give slab benefit/relief to the consumers.

During audit of DISCOs, it was observed that a huge mount Rs.10,209.94 million was credited to consumers in different types of adjustments. However, data of total amounts credited to the consumers reflected that major credit of Rs.9,142.32 million was given under adjustment type-B to 293,572 consumers of various categories by segregating their electricity bills in order to provide slab benefit / relief of tariff during the Financial Years 2018-19 to 2022-23. The trend of B-type adjustment against total adjustments remained 80.18% to 99.34%. The segregation of bills was only allowed to new connections and RCO cases on their accumulated units. But, on sample basis checking of CP-75 and CP-52 revealed that huge amounts were credited to the consumers on segregation of bills of already running consumers on their accumulated units of more than 2 months without taking actions against Meter Readers, Meter Inspectors and SDOs who were responsible to record and charge the units to consumers on their actual monthly consumption. The detail is as under: -

Sr. No.	Name of Company	PDP No.	F.Y	Total amount credited without units	No of Consumers B-Type	Amount under B-Type Adjustments (without units)	% B-Type Adjustments
1	Sialkot Op Circle GEPCO	511/2023-24	2020-21 to 2022-23 (03 Years)	514.30	36,203	508.77	99.14%, 98.61 & 99.12%
2	CEO GEPCO	797/2023-24	2022-23	916.95	23,725	798.01	87.03%
3	Eastern Op Circle LESCO	680/2023-24	2019-20 to 2022-23 (04 Years)	7938.87	118,180	7,117.64	98.72%, 98.72%, 99.34% & 96.60%
4	Nankana Op Circle LESCO	700/2023-24	2018-19 to 2022-23 (05 Years)	0	3,838	46.34	0
5	Muzaffargarh Op Circle MEPCO	721/2023-24	2020-21 to 2022-23 (03 Years)	462.88	95,227	311.71	80.18%
6	Khyber Op Circle PESCO	563/2023-24	2020-21 to 2022-23 (03 Years)	376.942	16,399	359.85	95.46%
Total				**10,209.94**	**293,572**	**9,142.32**	

(Source: CP-52 & 75 of DISCOs for the year 2022-23)

This scenario indicated that neither actual monthly units were recorded / charged to running consumers nor any action was taken against responsibles who had charged the accumulated units. Hence, this practice showed that refund of amounts without units on account of segregation of electricity bills was an undue favour extended to running consumers by allowing slab benefit. Resultantly, company sustained revenue loss to the stated extent.

Non-adherence to NEPRA Consumer Service Manual resulted in unjustified refund of Rs.9,142.32 million given to running consumers on account of segregation of electricity bills up to the Financial Year 2022-23.

The matter was taken up with the management in September to October, 2023 and reported to the Ministry in November, 2023.The management replied that segregation was carried out after fulfilling all departmental formalities and refund without units was afforded against taxes, difference of tariff and late payment surcharge on account of wrong reading and fixed charges etc. The management of PESCO replied that segregation was allowed to the deserving consumers due to shortage of meter readers and far flung / scattered area and management of GEPCO replied that an inquiry had been constituted in PDP No. 511/2023-24.

The DAC in its meeting held on December 18 - 21, 2023 directed the management to submit revised reply and get the record verified from Audit within 15 days. DAC directed the management of GEPCO to expedite the inquiry in PDP No. 511/2023-24 and submit its report to audit within a month and also directed the management of LESCO to carry out Special Audit with specific TORs from Manager Internal Audit, LESCO in PDP No. 680/2023-24 and finalize the report within two months. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

1.4.7 Non-earthing / grounding of HT/LT poles / structures of distribution system - Rs.7,813.25 million

According to Clause DDC-4 of Distribution Design Code, "the earthing of a distribution transformer, the neutral and body of the transformer should be connected to ground rods as per IEC and PSI Standards Design Specifications. Earthing of Consumer Service and its meter shall be as per design standards adopted by the Licensees; and consistent with IEC, and IEEE Standards". As per Section 12.2.4 of Chapter 12 Safety and Security of Consumer Service Manual;

“the earthing systems installed shall be dimensioned and regularly tested to ensure protection from shock hazards.”

During audit of DISCOs, it was observed that 2,414,019 HT / LT poles / Structures installed in distribution system remained without earthing / grounding, which showed poor performance of DISCOs. It was further observed that P&E directorate and field formations were charging contract charges in the estimates of deposit works and HT&LT works but contract works of earthing / grounding were not executed. The un-earthed /grounded HT/LT Poles/Structure was one of the main reasons of increasing of fatal/non-fatal incidents on distribution system. The estimated cost for earthing /grounding of distribution system worked out to be Rs,7,813.25 million. However, its installation was not started and the lives of human and animals remained vulnerable due to the unearthed system. The detail is as under and **Annex-C**:

Sr. No.	Company	Draft Para No.	LT/HT Poles	Amount (Rs.in million)
1	FESCO	973/2023-24	93726	364.14
2	GEPCO	807/2023-24	359782	3,597.82
3	HESCO	1294/2023-24	261078	2,088.62
4	LESCO	1025/2023-24	356873	578.13
5	MEPCO	922/2023-24	486320	182.65
6	PESCO	835/2023-24	431226	86.28
7	QESCO	1027/2023-24	310562	0
8	TESCO	832/2023-24	114452	915.61
TOTAL			**2,414,019**	**7,813.25**

(Source: Correspondence with NEPRA for the year 2022-23)

Non-adherence to the provisions of NEPRA’s Distribution Design Code resulted in non-earthing / grounding of HT/LT poles / structures of distribution system valuing Rs.7,813.25 million up to the Financial Year 2022-23.

The matter was taken up with the management in October & November, 2023 and reported to the Ministry in November & December, 2023. The management replied that earthing / grounding was provided at the time of installation but with the passage of time it was deteriorated and required a fresh earthing / grounding, however, utmost efforts were being made to carry out earthing.

The DAC in its meetings held on December 14, 2023 to December 23, 2023 directed the management to investigate non-earthing / non-grounding of

HT/LT Poles/ structure of distribution system despite inclusion of cost for said works in earlier estimates besides expediting the earthing / grounding works. No further progress was intimated till the finalization of report.

Audit recommends implementation of DAC's decision.

1.4.8 Undue favour to the consumers for unauthorized extended load – Rs.2,463.37 million

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

During audit of DISCOs, it was observed that 7,689 consumers of different categories extended the load of their energy connections illegally without approval of competent authority. The field formations neither disconnected the energy connections nor regularized the un-authorized extended load in violation of the above condition. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	No. of Consumers	Amount (Rs.in million)
1	FESCO	86, 165 & 1070/2023-24	2,836	582.92
2	GEPCO	34, 350 & 665/2023-24	2,800	863.52
3	HESCO	831/2023-24	09	9.13
4	IESCO	145 & 147/2023-24	128	135.13
5	LESCO	326 & 648/2023-24	1,118	343.66
6	MEPCO	303,614 & 892/2023-24	320	174.66
7	PESCO	389,401,402,566 & 890/2023-24	294	165.21
8	QESCO	457 & 467/2023-24	128	103.89
9	TESCO	761/2023-24	56	85.25
		TOTAL	**7,689**	**2,463.37**

(Source: Batch-24, 27, 29 & 46 of DISCOs)

Non-adherence to the WAPDA Abridged Condition of Supply resulted in non-recovery of Rs.2,463.37 million from consumers on account of additional security deposit, feeder rehabilitation charges and capital cost due to unauthorized extension of load up to the Financial Years 2022-23.

The matter was taken up with the management during March to April, 2023 & August to October, 2023 and reported to the Ministry in June, 2023 & October to December, 2023. The management replied that in some cases, extended load had been reduced / regularized after recovery of dues, while in remaining cases notices had been issued to the consumers.

The DAC in its meetings held on August 26, 2023 & December 14-23, 2023 directed the management to provide the record of completed action to Audit for verification within 15 days and expedite the pending action within 30 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision besides fixing responsibility.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No. 1.4.7 having financial impact of Rs.1,801.61 million. Recurrence of same irregularity is a matter of serious concern.

1.4.9 Loss due to unjustified waiving off late payment surcharge (LPS) to government /private consumers – Rs.1,987.44 million

According to rule-6 of NEPRA Licensing (Distribution) Rules 1999, "Unless provided otherwise in the distribution license, the licensee shall charge only such tariff from the consumers, including the bulk-power consumers, as is approved by the Authority pursuant to and in accordance with the NEPRA (Tariff Standards and Procedure) Rules, 1998".

During audit of DISCOs, it was observed that the Late Payment Surcharge (LPS) amounting to Rs.1,987.44 million were charged to government and private consumers due to delay in payment of energy dues, which were waived off lateron by the field formations. Against the LPS received from consumers, the DISCOs had to set off the supplementary charges on the delayed payments of IPPs as CPPA-G was raising the invoices against the same. The DISCOs had taken up the matter of supplemental charges with NEPRA, who had directed to adjust the same against the LPS received from the consumers. Hence, waiving off LPS up to the stated extent was unjustified. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	FESCO	975/2023-24	11.45
2.	GEPCO	360 & 738/2023-24	1,165.85

3.	LESCO	621 & 1003/2023-24	778.82
4.	MEPCO	613/2023-24	31.32
		TOTAL	**1,987.44**

(Source: DISCOs MIS generated reports 2022-23)

Non-adherence to Authority's instructions resulted in unjustified waiving off Late Payment Surcharge (LPS) of Rs.1,987.44 million to government and private consumers up to the Financial Year 2022-23.

The matter was taken up with the management during September to October, 2023 and reported to the Ministry during October to December, 2023. The management replied that LPS was rightfully waived off in accordance with the rules by adopting all codal formalities.

The DAC in its meeting held on December 14-23, 2023 directed the management to submit revised reply along with justification of waiving of LPS to government consumers and get the record verified from Audit within 15 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

1.4.10 Non-recovery of excess expenditure on deposit works - Rs.1,696.03 million

According to Section-III-C (I) of Book of Financial Powers "Deposit Work shall be undertaken only after getting full amount of sanctioned work, estimates deposited with WAPDA, with an undertaking from the depositor to meet variation."

During audit of DISCOs and NTDC, it was observed that an expenditure of Rs.1,696.03 million was incurred on 288 deposit works in excess of estimated / deposited amount. 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.	No. of consumers	Amount (Rs.in million)
1.	FESCO	160 & 557/2023-24	111	284.71
2.	GEPCO	251 & 294/2023-24	64	1,210.69
3.	HESCO	410/2023-24	07	5.27
4.	LESCO	441 & 701/2023-24	23	53.99
5.	MEPCO	284/2023-24	33	77.85
6.	PESCO	380/2023-24	48	31.41

7.	SEPCO	806/2023-24	01	8.60
8.	NTDC	607/2023-24	01	23.51
		Total	**288**	**1,696.03**

(Source: Consumer Service File of DISCOs for the year 2022-23)

Non-adherence to Book of Financial Power resulted in non-recovery of excess expenditure amounting to Rs.1,696.03 million on deposit works up to the Financial Year 2022-23.

The matter was taken up with the management in August and October, 2023 and reported to the Ministry in October to December, 2023. The management replied that in some cases amount had been recovered from sponsors, while in remaining cases demand notices were issued.

The DAC in its meeting held on December 14-23, 2023 directed the management to get the record of completed action verified from Audit within a week and expedite pending action within 30 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No. 1.4.24 having financial impact of Rs.140.95 million. Recurrence of same irregularity is a matter of serious concern.

1.4.11 Non-completion of SDGs' schemes – Rs.1,673.44 million

According to Para-ii of letter No. 20 (1) PIA-I/PC/2021 dated December 28, 2022 of the Ministry of Planning, Development and Special Initiatives of Government of Pakistan, "If the project does not start functioning within 12 months of its approval or does not achieve financial close, then it will be reconsidered by the approving forum."

During audit of PESCO & FESCO, it was observed that SDGs' schemes amounting to Rs.1,673.44 million were approved from competent forum. The execution of the works was started, however, the same were not completed up to June 2023. The schemes were neither financially closed nor approval of the competent forum was sought for its continuation or otherwise.

The detail is as under;

Sr. No.	Name of Company	Draft Para No.	No. of Schemes	Amount (Rs.in million)
1.	FESCO	1132/2023-24	34	758.51
2.	PESCO	301/2023-24	570	914.3
		TOTAL	**604**	**1,673.44**

(Source: Progress Report of the DISCOs for the year 2022-23)

Non-adherence to the guidelines of the Ministry of Planning, Development and Special Initiatives of Government of Pakistan resulted in non-completion of SDGs' schemes amounting to Rs.1,673.44 million up to Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in October, 2023. The management replied that the administrative approval and funds were received in various months. The processing of estimates, procurement of material and the award of contracts was a time-consuming process, however, most of the works were completed and remaining would be completed.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to submit revised detailed reply along with verification of completed actions within 15 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

1.4.12 Non-charging/adjustment of Fuel Price Adjustment on units debited/credited to consumers – Rs.1,384.46 million

According to notifications issued by NEPRA in respect of Fuel Price Adjustments (FPA) for F.Ys. 2020-21, 2021-22 & 2022-23, FPA shall be applicable to the respective consumers and shall be shown separately in the consumers' bills on the basis of units billed to consumers. As per Para-1.3 of Commercial Procedure, "the Revenue Officer and Assistant Manager are responsible for; i) implementing in conjunction with the Executive Engineer, the commercial policy laid down from time to time by the Authority through the Company, ii) efficient application of billing and collection procedures".

During audit of DISCOs, it was observed that 3,388.16 million units were debited to 2.106 million consumers through adjustment notes on account of detection / theft & pending units and similarly, 447.09 million units were credited to 0.307 million consumers. However, FPA was not charged on the units adjusted (Dr / Cr), which caused revenue loss of Rs.725.20 million to DISCOs and also deprived consumers from getting credit of Rs.659.26 million. It also appeared that no mechanism existed for charging the FPA on debited / credited units to consumers. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	No of Consumers	Units Debited	No of Consumers	Units Credited	Amount (Rs.in million)
1.	FESCO	79 & 1017/2023-24	0.241	96.58	0.055	112.96	325.68
2.	GEPCO	45,345 & 810/2023-24	1.165	293.68	0.142	282.62	750.08
3.	PESCO	562/2023-24	0.700	106.42	0.110	51.51	308.70
		Total	**2.106**	**3,388.16**	**0.307**	**447.09**	**1,384.46**

(Source: DISCOs MIS generated report for the year 2020-21, 2021-22 & 2022-23)

Non-adherence to NEPRA notification resulted in non-charging / adjustment of FPA amounting to Rs.1,384.46 million on units debited / credited to consumers up to the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in October, 2023. The management of FESCO replied that FPA was being debited/credited as per prevailing practice, while GEPCO replied that inquiry committee had been constituted and PITC was directed to devise a mechanism to charge FPA. The management of PESCO replied that there was inherent limitation in MIS system.

The DAC in its meeting held on August 26, 2023 and December 14-23, 2023 directed the management of FESCO to provide the record to audit in support of reply within a week and directed the management of GEPCO to inquire the matter and submit its report to audit within a month. DAC also directed the management of PESCO to submit revised reply within 15 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No. 1.4.2 having financial impact of Rs.4,917.95 million. Recurrence of same irregularity is a matter of serious concern.

1.4.13 Non-recovery of fixed charges from consumers due to wrong application of tariff - Rs.978.21 million

According to NEPRA's tariff conditions, B-I tariff is applicable to the industrial consumers having load up to 25 kW.

During audit of DISCOs, it was observed that 3,430 industrial consumers got their load sanctioned under B-I tariff having sanctioned load less than 25 kW, whereas their connections were running illegally under tariff B-II above the load of 25 kW. Due to non-conversion of tariff of consumers from B-I to B-II, an amount of Rs.978.21 million on account of fixed charges applicable to B-II consumers could not be recovered. Resultantly, company sustained revenue loss to the stated extent. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	No. of consumers	Amount (Rs.in million)
1	FESCO	968, 970 & 971/2023-24	2,058	780.38
2	GEPCO	29,33 & 351/2023-24	836	73.67
3	IESCO	148/2023-24	15	2.30
4	LESCO	328/2023-24	424	106.36
5	MEPCO	311 & 654/2023-24	57	9.51
6	PESCO	403 & 568/2023-24	40	5.99
		Total	**3,430**	**978.21**

(Source: Batch-24, 27 of DISCOs for the year 2022-23)

Non-adherence to NEPRA's tariff conditions resulted in non-recovery of fixed charges amounting to Rs.978.21 million from consumers due to wrong application of tariff up to the Financial Year 2022-23.

The matter was taken up with the management in March to April, 2023 & August to October, 2023 and reported to the Ministry in June, 2023 & October to December, 2023. The management replied that notices had been issued to the consumers.

The DAC in its meeting held on August 26 and December 14-23, 2023 directed the management to expedite the matter and get the record of completed action verified from audit within one month. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No. 1.4.27 having financial impact of Rs.117.33 million. Recurrence of same irregularity is a matter of serious concern.

1.4.14 Undue favour to citi housing scheme due to construction of grid station and transmission line at the cost of GEPCO - Rs.966.14 million

According to NEPRA Consumer Service Manual (CSM) dated January 2021, housing society / scheme having above 20 MW load would be provided with dedicated grid station and associated transmission line. As per NEPRA CSM revised June, 2020, housing society having load 15 MW and above would be provided with dedicated grid station and associated transmission line.

During audit of GSC GEPCO, it was observed that an agreement for supply of power to Citi Housing Scheme Gujranwala (Phase-I, Phase-I extension and Phase-II) with 22,492 kW (22.49 MW) load was made in July 2020. As per agreement, the sponsor had to pay 25% grid sharing cost to GEPCO at the time of approval of electrification and 25% would be recovered from individual applicants / plot owners at the time of sanctioning of individual connections. Since, the load of the said housing scheme was more than 20 MW, hence, it was liable to be provided with dedicated grid station and associated transmission line by recovering the full cost from sponsor, which was not done. Instead, GEPCO assumed construction of grid station and associated transmission line with an estimated amount of Rs.966.14 million at the cost of the Company, which was tantamount to undue favour to the said housing scheme. The work orders for the construction of both the works issued to the contractors and works were under way as on August 2023.

Violation of NEPRA Consumer Service Manual, 2021 resulted in undue favour to Citi housing scheme due to construction of grid station and transmission line of Rs.966.14 million at the cost of GEPCO up to the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in October, 2023. The management replied that NEPRA CSM came into practice in January, 2021 and the case for external electrification of Citi Housing Gujranwala with ultimate load of 22.492 MW was sanctioned in 2018. As per the then prevailing SOPs of WAPDA, grid station was to be constructed by GEPCO after receiving 06 Acre land from the sponsor. Audit contended that the cost of construction of gird station was needed to be recovered from the consumer as the agreement for ultimate load of the said housing society was executed on July, 2020.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to provide the record in support of its stance for verification to Audit within a week. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 220/2023-24)

1.4.15 Irregular advance charging of rehabilitation charges to housing colonies and commercial plazas and their subsequent retention – Rs.717.20 million

According to Note-(xiv) of Clause-2.6 of Consumer Service Manual, 2021," "the rehabilitation charges are applicable in case of industrial category where connection is given from Common 11 kV feeder up to 1000 kW load. In other cases, the rehabilitation charges shall be as per actual cost incurred (if any) for up gradation of system for provision of connection from Common Distribution System.

During audit of FESCO, it was observed that an amount of Rs.717.20 million was recovered from 277 consumers of housing societies and commercial plazas on account of rehabilitation charges for provision of connections from Common Distribution System. The said charges were required to be recovered as per actual cost incurred (if any), but advance estimated charges were recovered and retained by the company, which was in contradiction to the provisions of the Consumer Services Manual.

Violation of provisions of the Consumer Service Manual resulted in irregular advance charging and subsequent retention of rehabilitation charges recovered from housing colonies and commercial plaza amounting to Rs.717.20 million up to Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that estimated cost of rehabilitation charges was recovered and deposited in rehabilitation account for subsequent utilization to improve HT system.

The DAC in its meeting held on December 20 & 21, 2023 DAC did not agree with reply of the management and directed to furnish case-to-case detailed analysis depicting actual utilization of rehabilitation cost recovered from consumers. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1068/2023-24)

1.4.16 Loss due to irregular multi credits given to consumers – Rs.662.74 million

According to instructions issued by the Managing Director PEPCO vide letter dated December 01, 2007, "MD PEPCO showed his concern over the issues of excessive billing, parking of units and pilferage of electricity. Line losses due to theft of electricity with the collusion of staff are covered by bogus billing. Staff involved in theft of electricity must be imposed punishment to create deterrence."

During audit of PESCO, it was observed that irregular multi credit adjustments of Rs.662.74 million were allowed to 23,034 consumers. The times of credit allowed to consumers ranged from 02 to 10 times. This indicated that either irregular overbilling was done, which was later credited to consumers, or undue favor was extended to consumers at the cost of PESCO and receivables were decreased illegally causing loss to the Company.

Non-adherence to the instructions resulted in loss of Rs.662.735 million due to irregular multi credits given to consumers during the Financial Year 2022-23.

The matter was taken with the management in November, 2023 and reported to the Ministry in December, 2023. The management replied that CEO had approved to investigate the matter as desired by Audit for fixing responsibility besides justification of multi credits allowed to consumers.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to submit revised detailed reply along with documentary evidence in support of reply to audit within 15 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision besides expediting inquiry proceedings.

(Draft Para No. 1277/2023-24)

1.4.17 Loss of revenue due to long duration electrical interruptions on feeders - Rs.658.81 million

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

During audit of DISCOs, it was observed that long duration electricity interruptions ranging from 01 to 34 hours were occurred on 876 feeders during whole the year. Due to these interruptions, not only the consumers of the area suffered but DISCOs also sustained loss of Rs.658.81 million on account of revenue. Since, DISCOs were continuously paying capacity purchase price, market operating fees and NTDC UoSC to CPPAG, hence, non-selling of available energy was a straight loss to them. The detail is as under: -

Sr. No.	Company	Draft Para No.	No of Feeders	Rupees (in million)
1	GEPCO	30, 735/2023-24	652	599.670
2	LESCO	331/2023-24	73	27.620
3	MEPCO	675/2023-24	151	31.520
		TOTAL	**876**	**658.81**

(Source: DISCOs Powr Control Centre Reports & Correspondense files for the year 2021-22 & 2022-23)

Inefficient operational management resulted in revenue loss of Rs.658.81 million due to long duration electrical interruptions on feeders up to the Financial Year 2022-23.

The matter was taken up with the management in April & October, 2023 and reported to the Ministry in June & November, 2023. The management replied that distribution network consisted an overhead radial system, most of the feeders had huge length consisting of rural areas. Due to seasonal variation, windstorm and heavy rains, interruptions were inevitable and could not be avoided. However, due to extensive maintenance and rehabilitation activities, tripping was being controlled. The GEPCO management replied that an inquiry committee had been constituted to probe into the matter as highlighted in PDP No. 735/2023-24.

The DAC in its meetings held on December 14, 2023 to December 23, 2023 directed the management of GEPCO to submit feeder wise fact-finding report about the matter highlighted in PDP 30/2023-24 after vetting from G.M. (Technical), PPMC to audit and expedite the inquiry in PDP 735/2023-24 and submit its report to audit within 30 days. DAC directed the management of LESCO to submit revised reply and take disciplinary action against responsible(s) and get the record verified from Audit within 15 days. DAC directed the management of MEPCO to share the progress and get the record verified from audit. No further progress was intimated till the finalization of report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No. 1.4.41 having financial impact of Rs.28.32 million. Recurrence of same irregularity is a matter of serious concern.

1.4.18 Loss due to unauthorized consumption of auxiliary energy - Rs.524.10 million

According to the instructions issued by WAPDA dated July 17, 1982 "all losses, whether of public money or of stores, shall be subjected to preliminary investigation by the office in whose charge they were, to fix the cause of the loss and the amount involved.

During audit of Manager GSO PESCO, it was observed from monthly reports that the residential colonies, offices, markets, mosques and tube wells situated in the vicinity of various grid stations were using electricity from the auxiliary supply meant for operations of gird stations only. Neither any billing nor recovery against unauthorized auxiliary consumption was forthcoming from the record, which resulted in loss of 17.47 million units amounting to Rs.524.10 million.

Non-adherence to instructions resulted in loss of Rs.524.10 million due to unauthorized consumption of auxiliary energy up to the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in October, 2023. The management replied that energy meters were installed in all grid station colonies under the Circle and proper billing was being regularly made to concerned Operation Divisions. Furthermore, a certificate was also enclosed on the subject matter duly signed from concerned Divisions and no market/ mosque was fed from auxiliary supply from any grid stations of PESCO. The reply was not agreed to being not substantitated with documentary evidences.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to inquire the matter in detail depicting unauthorized consumption of energy and submit its report within 30 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 202/2023-24)

1.4.19 Irregular charging of overhead charges to SDGs'' electrification works - Rs.505.54 million

According to Para-viii & Para-ix of SDG guidelines issued by Cabinet Division vide dated March 09, 2020 & dated June 13, 2022 respectively, "no administrative overhead shall be charged by any agency for execution of the SDGs' schemes".

During audit of DISCOs, it was observed that 3,036 village electrification schemes were executed and capitalized against the funds received from the Federal Government under Sustainable Development Goals (SDGs). The administrative overheads and store handling charges to the tune of Rs.505.54 million were charged to the said capitalized SDGs' works, which was irregular being contrary to the clear directions of Cabinet Division. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	No of Schemes	Amount (Rs.in million)
1.	GEPCO	242/2023-24	346	39.51
2.	HESCO	406/2023-24	87	5.97
3.	IESCO	224/2023-24	148	16.85
4.	PESCO	378/2023-24	2,312	430.18
5.	QESCO	529/2023-24	29	3.91
6.	SEPCO	233/2023-24	114	9.12
		TOTAL	**3,036**	**505.54**

(Source: Completion and Capitalization Reports)

Violation to the SDG Guidelines issued by Cabinet Division resulted in irregular charging of overheads & store handling charges of Rs.505.54 million to SDGs' electrification works up to the Financial Year 2022-23.

The matter was taken up with the management during August to September, 2023 and reported to the Ministry during October to November, 2023. The management replied that the schemes under SDGs' program were executed as per approved PC-1 by the competent forum and administrative overhead were being charged as per SOPs/rules applicable as well as Accounting Manual of DISCOs.

The DAC in its meeting held on December 14-23, 2023 directed the management to refer the matter to Cabinet Division for regularization otherwise to exclude the cost of overheads from SDGs' works within a month. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

1.4.20 Loss due to estimated billing to industrial consumers without units and MDI – Rs.470.98 million

According to Para 6.1.3 of Consumer Service manual, "Taking snapshots of meter readings of all consumer categories is mandatory. Meter readings are taken through mobile snapshots/hand-held units to ensure correct readings. The snapshots of meter reading including net metering facility wherever applicable showing import and export units are printed on electricity bill. DISCO shall make available record of snapshots for twelve months for presenting before NEPRA, POI, Court of Law or any other competent forum if required for settlement of billing dispute raised by any consumer."

During audit of City Circle QESCO, it was observed that forty-two (42) industrial (B-2) consumers were charged with the units consumed without MDI. All these industrial consumers were running and active, which indicated that undue favor was extended to them. If load factor was applied, the said consumers were required to be billed 17.46 million units amounting to Rs.470.98 million at an average unit rate of Rs.26.98/- applicable to B-2 consumers. However, the management issued nominal bills to running industrial consumers, which resulted in loss to the company.

Non-adherence to CSM resulted in loss of Rs.470.98 million due to estimated billing to industrial consumers without units and MDI on estimated basis up to the Financial Year 2022-23.

The matter was taken up with the management in September 2023 and reported to the Ministry in November, 2023. The management replied that the billing of all industrial consumers was being taken by SDO through mobile meter reading. As per NEPRA instructions, where accurate meters were installed, the billing must be carried out on meter reading rather than load factor. Hence, no load factor was required for charging the units. Mostly consumers mentioned in the para were seasonal i.e. ice factory and cold storage etc. The crush plants were also disconnected, as per order of the Honorable Balochistan High Court.

The DAC in its meeting held on December 22 & 23, 2023 directed the management to get the record verified from audit within 15 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 462/2023-24)

1.4.21 Non-regularization of excess expenditures on capital works - Rs.389.92 million

As per accounting manual of PBF-I "Budget is allocated to all D&D offices from the total Budget approved by the BOD keeping aside on approved revised Budget for allocating any justifiable additional budget demand. Moreover, lack of regular analysis of actual expenditure in comparison with budget targets, may result in excessive spending being identified towards the end of the budgetary period, which may ultimately defy the whole purpose of budgetary process".

During audit of Project Directorate Construction LESCO, it was observed that an amount of Rs.1,780.00 million was allocated for execution of ELR/DOP works, against which an expenditure of Rs.2,169.918 million was incurred during the Financial Year 2022-23. However, the excess expenditure of Rs.389.92 million was not got regularized from the competent authority.

Non-adherence to Authority's instructions resulted in non-regularization of excess expenditure of Rs.389.92 million on capital works up to the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023. The management replied that the expenses would be reduced, once the work would be completed and converted into asset.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to submit revised reply and get the record verified from Audit within 15 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 618/2023-24)

1.4.22 Irregular splitting of load of M/s Zamung Textile Company – Rs.385.16 million

According to NEPRA Tariff determination, "B-4 tariff is applicable for supply to industries having sanctioned load of more than 5 MW".

According to Para-2.6.6 of Consumer Service Manual, "Connection having load above 5 MW, the cost of dedicated transformer, dedicated 11 kV Feeder and dedicated Grid Station and associated transmission line shall be recovered from them".

According to Para-5.2.3 of Consumer Service Manual, "in case of extension of load, the amount of security deposit shall be updated at prevailing rates for the entire load subject to adjustment of already paid Security Deposit".

According to Para-2.8.1 of Consumer Service Manual, "DISCO shall allow more than one industrial connection at the same premises subject to (a) having different nature of industries, (b) having same tariff category. However, different tariff category connections may be allowed subject to satisfaction of DISCO that no misuse of tariff will take place".

During audit of Operation Circle, Khyber, PESCO, it was observed that seven (07) B-2 and one (01) B-1 connections were given to an industrial consumer namely M/s Zamung Taxtile Company from two general feeders at the same premises, whereas the accumulated extended load of the consumers fell under Tariff B-4. The record revealed that the consumer was using illegal extended load since long, but neither notices were issued to the consumer, nor the illegal extended load was regularized by accumulating the load of consumer by recovering the capital cost and meter security amounting to Rs.385.16 million. It was also observed from record that there was an arrear of Rs.1.68 million against the consumer and even snapshot of meter reading was not present on a single electricity bill of the consumer. This reflected that undue favor was extended to the consumer, which caused loss to PESCO.

Non-adherence to NEPRA's instructions resulted in irregular splitting of load of M/s Zamung Textile Company and non-recovery of capital cost and meter security amounting to Rs.385.16 million up to the Financial Year 2022-2023.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023. The management replied that notices had been served to all the 07 consumers to regularize their illegal extended load. In the light of notices served, the consumers approached to Director (P&D) PESCO and the cases were still under process.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to submit revised detailed reply along with documentary evidence to Audit within 15 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 707/2023-24)

1.4.23 Loss due to non-recovery of capital cost from the consumers - Rs.360.21 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."

During audit of GEPCO, it was observed that estimates of seven (07) works of different categories were sanctioned at cost of Rs.669.99 million and subsequently the same were revised to Rs.991.31 million due to increase in material cost. Accordingly, provisional revised demand notices for difference of cost amounting to Rs.360.21 million were issued to the consumers. However, neither revised cost was recovered from the consumers nor disciplinary action for delayed execution of works was taken. Hence, non-recovery of balance capital cost from the consumers resulted in loss to the stated extend.

In-efficient operational management resulted in loss due to non-recovery of capital cost of Rs.360.21 million from consumers during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023.The management replied that the revised demand notices had not been paid by the consumers and connections were pending. The works would be completed after payment of revised demand notices.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to ensure recovery and get the record verified from Audit within one month. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 795/2023-24)

1.4.24 Irregular and unjustified deduction/collection of Neelum Jhelum Surcharge – Rs.342.53 million

As per the Decision of Ministry of Energy (Power Division) issued by Office Memorandum vide letter No. F No. 5/29/2016-17 dated July 02, 2018; the Neelum Jhelum Surcharge was rescinded at the achievement of COD of the whole project w.e.f December 28, 2018.

As per Para "4" of summary submitted on February 12, 2021 by Ministry of Energy (Power Division) issued by Office Memorandum vide letter No. PF No. 5/29-NJS/2020-21 dated March 24, 2021, it was decided that a) the Neelum Jhelum Surcharge already imposed on electricity consumers @ 0.10/ kWh for development of Neelum Jhelum Project may be revoked with the immediate effect. b) The NJ Surcharge collected by the DISCOs and transferred to WAPDA after December 28, 2018 i.e. the date of taking over all units of NJP. c) The NJ surcharge collected after taking over of the NJP by WAPDA may be returned to the eligible consumers/ adjusted in their forthcoming electricity bill.

During audit of CEO LESCO, it was observed that Neelum Jhelum Surcharge amounting to Rs.342.53 million was deducted from consumers up to June, 2023 in contrary to clear instructions of ECC. The amount collected from the consumers after taking over of NJP was required to be credited/adjusted to the eligible consumers, as per above ECC decision, which was not done.

Non-adherence to the ECC decision resulted in irregular and unjustified recovery of Neelum Jhelum Surcharge amounting to Rs.342.53 million up to the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that after December 2018, an amount of Rs.4,545.36 million was collected from consumers, out of which Rs.2,058.39 million was transferred to WAPDA and the remaining amount of Rs.2,486.97 million was remitted to CPPA-G. In this regard, the comprehensive reconciliation was carried out with management of Neelum Jhelum Hydro Power Company.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the matter resolved at an appropriate level. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 881 /2023-24)

1.4.25 Non-recovery of security deposit from industrial consumers - Rs.294.60 million

According to Consumer Service Manual 2021 Para 5.1.1 for all service connections, a demand notice for security deposit as per the rate approved by NEPRA shall be issued to the applicant for depositing the same in the designated bank branch.

During audit of CEO MEPCO, it was observed that two hundred and forty-three (243) industrial consumers were connected with energy system of MEPCO since long and did not pay their security deposit amounting to Rs.294.60 million against sanctioned load. The management was required to collect the security deposit as per rate approved by NEPRA.

Non-adherence to Authority/ NEPRA directions resulted in non-recovery of security deposit amounting to Rs.294.60 million from industrial consmers during the Financial Year 2022-23.

The matter was taken up with the management in November, 2023 and reported to the Ministry in December, 2023. The management replied that the connections were sanctioned / energized with recovery of security deposit but due to old record / connections and not having any computerized system, these were not updated in the master file. As the connections were already running, therefore, as per CSM, security amount could not be updated.

The DAC in its meeting held on December 20 & 21, 2023 directed the management to update the security amount and get the record verified within 30 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 939/2023-24)

1.4.26 Doubtful adjustments of units under category-F "adjustment by Internal Audit" – Rs.257.91 million

As per Data Coding Instructions, ''F'' category is for adjustment notes by Chief Auditor WAPDA. According to Commercial Procedure Manual, 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 and efficient application of billing and collection procedures.

During audit of CEO FESCO, it was observed that debit adjustments amounting to Rs.203.952 million and credit adjustments amounting to Rs.53.953 million were passed on to consumers through adjustment under category "F". The said adjustment code was allotted only to adjustments, as pointed out by Internal Audit. On the other hand, Internal Audit FESCO was lagging behind by more than one year in audit of revenue offices. This reflected that debit and credit entries amounting to Rs.257.91 million (Rs.203.952 million Dr. + Rs.53.953 million Cr.) appearing under category-F were not pointed out by Internal Audit and hence, subsequent adjustment of the same was doubtful.

Non-adherence to the Commercial Procedure Manual resulted in doubtful adjustments of units under category-F "adjustment by Internal Audit" amounting to Rs.257.91 million during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that no loss was sustained by the Company and the procedural deviations were noted for future compliance.

The DAC in its meeting held on December 20 & 21, 2023 did not agree with reply and directed the management to inquire the matter at higher level. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1202/2023-24)

1.4.27 Non-recovery of fixed charges from consumers due to non-installation of ToU meters - Rs.226.46 million

According to schedule of tariff, domestic and commercial consumers having sanctioned load 5 kW and above would be charged fixed charges and installed ToU meters.

During audit of DISCOs, it was observed that 8,474 domestic and commercial consumers having sanctioned load 5 kW and above were running on Single/3-Phase meters instead of ToU meters. As per NEPRA's instructions, connections having sanctioned load 5 kW and above were required to be installed with ToU meters and billing be made on consumption of peak and off-peak hours, which was not done. Hence, fixed charges amounting to Rs.107.34 million were required to be recovered from consumers. Moreover, regularization of the billing was needed after installation of ToU meters by recovering the cost of Rs.119.12 million from them. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	No. of consumers	Amount (Rs.in million)
1.	FESCO	82 & 967/2023-24	2,138	119.41
2.	GEPCO	28 & 995/2023-24	5,950	101.28
3.	MEPCO	310/2023-24	113	3.04
4.	TESCO	1049/2023-24	273	2.73
		Total	**8,474**	**226.46**

(Source: CP-88A & 88L of DISCOs for the year 2022-23)

Non-adherence to schedule of tariff and NEPRA's instructions resulted in non-recovery of fixed charges million from commercial consumers due to non-installation of ToU meters involving an amount of Rs.226.46 million up to the Financial Years 2022-23.

The matter was taken up with the management in April, 2023 & August to October, 2023 and reported to the Ministry in June, 2023 & October to December, 2023. The management replied that in some cases, ToU meters had been installed.

The DAC in its meeting held on August 26, 2023 and December 14-23, 2023 directed the management to expedite installation of ToU meters and get the record verified from audit within 60 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No. 1.4.36 having financial impact of Rs.47.51 million. Recurrence of same irregularity is a matter of serious concern.

1.4.28 Non-refund of excess saving incurred on deposit work - Rs.196.92 million

According to Para-11 Clarification regarding Revised Consumer Service Manual, dated March 26, 2021 "DISCOs were required to adjust or refund the amount of unused material as per actual cost even if it is below 10%".

During audit of Project Construction Directorate, FESCO, it was observed that an amount of Rs.450.67 million was incurred on ninety (90) deposit works against estimated amount of Rs.647.60 million deposited by the sponsors. Thus, an amount of Rs.196.92 million was overcharged against the actual expenditure. The amount of excess charged/saving beyond 10% was required to be refunded to the concerned depositors upon completion of work. Hence, retaining and non-refunding the amount of receipt against deposit works since long was a clear violation of NEPRA instructions. Moreover, the saving over and above the estimated cost indicated that the estimates were not prepared according to site requirements and were unrealistic.

Non-adherence to the NEPRA's instructions and weak internal controls resulted in non-refund of excess saving of Rs.196.92 million up to the Financial Year 2022-23.

The matter was taken up with the management on October, 2023 and reported to the Ministry in November, 2023. The management replied that final position of savings to be refunded would be determined after completion/ capitalization of works.

The DAC in its meeting held on December 20 & 21, 2023 directed the management to expedite the matter within 30 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 574 /2023-24)

1.4.29 Non-capitalization of cost of consumers' self-purchased transformer into books of account - Rs.194.65 million

As per DISCOs Accounting Manual, after completion, the assets are capitalized at the concerned Operation Division and Fixed Assets Register is updated accordingly.

During audit of Eastern Circle, LESCO, it was observed that one hundred and twelve (112) transformers of various capacities were self-purchased by the consumers and installed at sites against new industrial connections. However, the cost of these transformers amounting to Rs.194.65 million was not booked and capitalized into books of accounts. The failure to adopt the capitalization process of accounting manual could result understatement of assets. Non-existent asset and incomplete asset record could cause a material misstatement in the financial statements.

Non-adherence to accounting manual resulted in non-capitalization of cost of consumer's self-purchased transformer valuing Rs.194.65 million into books of accounts up to the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in October, 2023. The management replied that cost of 112 self-purchased transformers was being capitalized in books of accounts as Capital Work in Process (CWIP).

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the record of capitalization of self-purchased transformers verified from Audit within 15 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 338/2023-24)

1.4.30 Non-recovery of risk & cost from defaulted firm – Rs.190.71 million

According to Purchase Order Clause-9 (A) iii, failure and termination "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 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".

During audit of CEO MEPCO, it was observed that a purchase order of Rs.231.00 million @ Rs.192,000/- per transformer was placed upon M/s Pan Power International Pvt. Ltd. Lahore for the procurement of 1200 transformers of 50 kVA on February 08, 2021 with delivery period of 150 days. The supplier could not supply the material up to October 20, 2022 and performance bond / guarantee valuing Rs.13.51 million was forfeited. Subsequently, a purchase order amounting to Rs.424.01 million for the procurement of one thousand (1000) 50 kVA transformers @ Rs.424,010/- per T/F was placed with M/s. Pak Electron Pvt. Ltd. on May 07, 2022. This resulted in loss of Rs.190.712 million (Rs.232,010 x 822 T/F 50 kVA) to MEPCO due to increased rates and also hampered its operational activities. As M/s Pan Power International Pvt. Ltd. breached the tender conditions, hence, risk and cost amounting to Rs.190.71 million was required to be recovered from the said firm.

Non-adherence to the contractual provisions resulted in non-recovery of risk & cost amounting to Rs.190.71 million from the defaulted firm up to the Financial Year 2022-23.

The matter was taken up with the management in November, 2023 and reported to the Ministry in December, 2023. The management replied that MEPCO had filed a recovery suit in Civil Court Multan regarding the recovery of risk & cost amounting to Rs.190.30 million from M/s Pan Power International and last date of hearing was November 06, 2023.

The DAC in its meeting held on December 20 & 21, 2023 directed the management to pursue the recovery of risk and cost case vigorously and get the record verified from Audit within 60 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 990/2023-24)

1.4.31 Wasteful expenditures due to non-completion/capitalization of abandoned works -Rs.184.75 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". As per DISCOs Accounting Manual, A-90 Form (completion report) prepared by the Deputy Manager (Construction) is certified by the Consultants and forwarded to Project Director (Construction) for capitalization.

During audit of Project Director Construction LESCO, it was observed that an expenditure amounting to Rs.184.75 million was incurred against fifty-five (55)

LT proposals and sixteen (16) deposit works for the period from 2019 to 2023 but these works had not been completed yet. Moreover, neither the said works were capitalized into books of accounts nor amounts of deposit works were refunded to the donors.

Non-adherence to WAPDA Distribution Rehabilitation Guidelines resulted in wasteful expenditure of Rs.184.75 million due to non-completion/non-capitalization of abandoned works up to Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023. The management replied that deposit works were under process due to pendency of NOC. As soon as NOC was provided by sponsor, the work would be completed. Moreover, efforts were being made to complete the pending LT works.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the record of completed actions verified from Audit within 15 days and expedite the remaining works. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.628/2023-24)

1.4.32 Non-recovery of 5% E&S charges from industrial / housing colonies consumers – Rs.164.60 million

As per Section-12, Financial Implication and Delegation of Powers (Policy) of SOP of Environmental & Social Safeguards, Resettlement Policy "minimum 5% budget of total cost of project (Grid Stations, T/Lines & Colonies) to be allocated in Environmental & Social management head of own resources as well as deposit works. 5% E&S cost shall be charged for B-III, B-IV, 400 kVA connections.

During audit of CEO LESCO, it was observed that electrification estimates of 173 industrial connections under tariff B-III & B-IV amounting to Rs.2012.46 million and 95 housing colonies amounting to Rs.1,279.53 million were approved by the Planning & Development Section of LESCO without charging 5% Environmental & Social Safeguards (E&S) charges. Hence, E&S charges amounting to Rs.164.60 million neither charged nor recovered from consumers.

Non-adherence of E&S guidelines resulted in non-recovery of E&S charges amounting to Rs.164.60 million from industrial consumers and sponsors of housing colonies up to the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that LESCO was bound to recover only those charges, which were mentioned in NEPRA Consumer Service Manual 2021. Hence 5% E&S charges were not being recovered from the industrial consumers and other consumers.

The DAC in its meeting held on December 18 & 19, 2023 directed the management that the matter of deduction of 5% E&S cost might be taken up with NEPRA and report of the same be provided to Audit. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1078/2023-24)

1.4.33 Irregular sanction for extension of load without clearing deferred amount – Rs.162.84 million

According to Para 2.14 (ii) of Consumer Service Manual, "extension of load case shall be processed subject to the condition that no arrears/ deferred amount/ installments are pending."

During audit of CEO PESCO, it was observed that extension of load of M/s Yaar Steel Mills was sanctioned without clearing deferred amount of Rs.162.84 million. The said sanction for extension of load was against the provisions of the Consumer Service Manual and hence, considered irregular.

Non-adherence to provision of Consumer Service Manual resulted in undue favour to consumer due to irregular sanction for extension of load without clearing of deferred amount of Rs.162.84 million during the Financial Year 2022-23.

The matter was taken with the management in May, 2023 and reported to the Ministry in December, 2023. The management replied that the deferred amount related to taxes and industry was situated in the Free Tax Zone for which the case was under trial in the court. Moreover, the consumer after energization had paid on average Rs.400 million / month. Notice had also been issued to pay the dues.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to submit revised detailed reply along with documentary evidence within 15 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.1096/2023-24)

1.4.34 Loss due to less charging of load factor to tube well consumers – Rs.162.81 million

According to Para-9.2.3 of Consumer Service Manual, "The detection bill will be assessed on the basis of any of the following methods in the order of priority: i) Previous consumption/Billing History, ii) On the basis of future, undisputed consumption if no previous credible consumption is available. iii) No of detection units = Load x Load Factor x 730 x Months, where: - Load is the connected load or sanctioned load in kW whichever is higher Load Factor as per Annexure V (which is 50%), Months = period for charging detection bill 730 = Average No of hours in a month

During audit of City Circle, QESCO, it was observed that 5.931 million units amounting to Rs.162.81 million were less billed to tube well consumers due to less charging of load factor (CP-21C of June 2023 was selected on sample basis). Since the tube well consumers of City Circle were directly connected to the line without metering equipment, therefore, due to charging of less load factor in detection bills, QESCO was deprived of legitimate revenue.

Non-adherence to rules resulted in loss of Rs.162.81 million due to less charging of load factor up to the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in December, 2023. The management replied that as per instructions and direction of Ministry of Energy, the supply hours of agriculture consumers were reduced to 4 to 6 hours from 8 hours, hence, less units were charged to the agriculture consumers.

The DAC in its meeting held on December 22 & 23, 2023 directed the management to get the record verified from audit within 15 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 958/2023/24)

1.4.35 Unauthentic estimated billing to Government (Military Engineering Services) connections -- Rs.155.60 million

According to Para-6.1 of Consumer Service Manual (CSM), meter readings for all types of connections are entrusted to particular officials/ officers according to load of connections. Further, "if due to any force majeure it is not possible for DISCO to take actual meter reading, the consumer may provide meter reading snap to DISCO for carrying out actual billing or DISCO may issue a provisional bill on average basis i.e. consumption in corresponding month (s) of last year or average consumption of previous eleven months whichever is lower. In such a case, a bill along with a slab benefit will be issued as per actual meter reading upon normalization of the situation".

During audit of Operation Circle Hazara-II, PESCO, it was observed that eleven (11) government consumers (Military Engineering Services) having sanctioned load from 16 to 110 kW were being billed on estimated basis for more than two years. The meters installed at these connections were defective/ damaged and the consumers were using direct supply. The status of these meters was not changed from "active" to "defective" and 4.72 million units amounting to Rs.155.60 million were billed on estimated basis. The said billing was not made on the mechanism prescribed in the CSM and hence, cannot be termed as authentic.

Non-adherence to provisions of the Consumer Service Manual resulted in unauthentic estimated billing amounting to Rs.155.60 million to Government connections (Military Engineering Services) up to Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in November, 2023. The management replied that installation of AMR meters was in progress and after installation of meters, the question of estimated billing would be eliminated forever. Audit contended that estimated billing was in contradiction to CSM and needed investigation for fixing of responsibility.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to submit revised detailed reply along with documentary evidence to audit within 15 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 532/2023-24)

1.4.36 Extra benefits afforded to consumers by multiple credit adjustments in one billing cycle – Rs.147.73 million

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

During audit of CEO FESCO, it was observed that multiple credit of Rs.147.73 million was afforded to same consumers in one billing cycle under various adjustment categories (excluding category-B). This cast a doubt on credit adjustments and caused extra benefit of Rs.147.73 million to the consumers.

Non-adherence to NEPRA Consumer Service Manual resulted in extra benefits afforded to consumers by multiple credit adjustments amounting to Rs.147.73 million in one billing cycle during the Financial Years 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that multiple credit adjustments in one billing cycle was afforded to consumers due to correction of meter reading, exemption of taxation, revision of detection and waiving of LPS.

The DAC in its meeting held on December 20 & 21, 2023 did not agree with the reply of the management and directed to inquire the matter at Manager (Customer Services) level within 30 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1018/2023-24)

1.4.37 Loss due to non-billing of electric supply - Rs.125.32 million

According to Para-1.3 of Commercial Procedure, "the Revenue Officer and Assistant Manager are responsible for: i) implementing in conjunction with the Executive Engineer, the commercial policy laid down from time to time by the Authority through the Company ii) efficient application of billing and collection procedure". Moreover, Consumer Service Manual Annexure-V prescribed percentage of Load Factor for different categories of connections.

During audit of CEO SEPCO, it was observed that 0.625 million units were charged to the consumers against 4.41 million units received on four (04) feeders having 86% loss during the year 2022-23. Resultantly, Company sustained a loss of Rs.125.32 million.

Non-adherence to the provisions of commercial procedure resulted in loss of Rs.125.32 million due to non-billing of electric supply during the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in December, 2023. The management replied that out of four feeders billing of three feeders was made after correction of feeder coding and shifting of consumers and in one case, the correction was under way.

The DAC in its meeting held on December 22 & 23, 2023 directed the management to inquire the matter and submit its report to Audit within 30 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1015/2023-24)

1.4.38 Non-consolidation of load of industrial consumer and non-recovery of detection charges – Rs.124.22 million

According to consumer service manual Para.2.6.6 "If an industrial consumer having load above 2.5 MW to 5 MW the cost of dedicated transformer and dedicated 11kV feeder be recovered." And Para 5.2.3: - "In case of extension of load, the amount of security deposit shall be updated at prevailing rates for the entire load subject to adjustment of already paid Security Deposit."

During audit of City Circle QESCO, it was observed that two (02) Industrial (B-3) connections were granted to M/s Mehmood Agricultural Foundry on the same location. Both the connections was running on extended load and consolidated load of both the connections were 4,004 kW. However, the management did not recover the cost of independent feeder and update their meter security; instead, both the connections were running on mixed industrial feeders. Further, both the connections were involved in theft of electricity and when the consumer was served with detection bills, the consumer approached the court of law and NEPRA. NEPRA in its decision decided that the consolidated load of consumer was 2990 kW. Moreover, as per sanctioned load, an independent feeder was required to be provided at the cost of the consumer, which was not done. Hence, neither the energy connections were disconnected nor the un-authorized extended load was regularized. The consumer had also applied for a third connection with sanctioned load of 995 kW, as evident from NEPRA's decision, which was under process at Head Office level and in that case, if the third connection load of the consumer was approved, the consumer might fell under Tariff B-4, and in case of Tariff B-4, independent Grid would be required as per CSM. However, the management neither recovered meter security, capital cost and arrears (deferred amount) of Rs.124.22 million nor the illegal extended load of consumer was regularized.

Non-adherence to rules resulted in non-consolidation of load of industrial consumer and non-recovery of detection charges amounting to Rs.124.22 million up to the Financial Year 2022-23.

The matter was taken up with the management in September 2023 and reported to the Ministry in November, 2023. The management replied that detection bill was served to the consumer on account of theft of electricity but instead of paying the bill, consumer filed petition in the High Court of Baluchistan which referred the case to NEPRA for decision. NEPRA passed decision in favor of QESCO. The consumer filed an appeal against the decision in NEPRA Tribunal, which was still pending.

The DAC in its meeting held on December 22 & 23, 2023 directed the management to pursue the matter under intimation to Audit. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 637/2023-24)

1.4.39 Non/less recovery of grid sharing charges and cost of land from consumers -Rs.80.85 million

As per Clause 2.6 sub clause (VII) and (VIII) of Consumer Service Manual, "in case of Housing Society/ Scheme/ Colony/ Multistory Building/ Commercial Plaza/ High Rise Building having ultimate load demand up to 10 MW, 100% Grid

Sharing Charges including transmission line charges, 100% cost of land will be recovered @ Rs.0.855 million per MW proportionate to load".

During audit of CEO LESCO, it was observed that an amount of Rs.80.85 million was not recovered or less recovered from six (06) industrial consumers and two (02) housing societies on account of 100% grid sharing charges and cost of land @ Rs.0.855 million per MW proportionate to load. The amount was required to be recovered from industrial consumers and the sponsors of housing societies as per provisions of Consumer Service Manual, which was not done.

Non-adherence to Consumer Service Manual resulted in non/less recovery of Rs.80.85 million grid sharing charges and cost of land from industrial consumers/housing socities up to Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that NEPRA clarified vide letter dated March 15, 2022 that the industrial consumers were not required to pay grid sharing charges including transmission line charges and cost of land for the entire load in case of extension of load above 5 MW to 7.5 MW. However, these charges were only applicable for the incremental load above 5 MW up to 7.5 MW. The reply was not agreed to being not substantiated with documentary evidences.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to seek clarification from NEPRA whether in case of extension of load, grid sharing cost including transmission line charges and cost of land from industrial consumers would be recovered on entire load or incremental load and report to Audit. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1218 /2023-24)

1.4.40 Loss due to substandard / unspecified civil works and extra expenditure on its rehabilitation - Rs.76.95 million

According to Para No 01 of Special Stipulations of work order, "the work will be carried out strictly in accordance with the approved drawings, WAPDA standard specifications and the instructions of the Engineer. 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”.

During audit of GSC GEPCO, it was observed that a Tower No.33 of 132 kV Double Circuit Narowal-Pasrur T/Line was in critical condition due to erosion of soil around its feet. An estimate of Rs.2.61 million (civil + electrical) was prepared and civil work order of Rs.1.08 million issued to M/s Munir & Co. Lahore on September 23, 2019. However, in less than one year, the said newly replaced Tower could not sustain the pressure of flash floods and collapsed on July 28, 2021. Accordingly, an estimate of Rs.11.04 million was approved for replacing the Tower No.33. Though XEN T/Line proposed an inquiry for substandard civil work, but further outcome was not forthcoming from record. Despite such a substandard work, further work orders for other works were being issued to the said firm as latest one for Rs.14.14 million was issued on July 17, 2023.

Moreover, another Tower No.34 of the said D/C T/Line and two (02) Towers No.68 & 69 of Single Circuit T/Line, were initially constructed on normal foundations instead of pile foundation despite the fact that Nala Daik was running alongside. Subsequently, in order to avoid water flow of Nala Daik, the normal foundations were replaced with Pile foundations with an estimate of Rs.63.30 million.

Substandard / unspecified civil works resulted in loss of Rs.2.61 million and extra expenditure of Rs.74.34 million (Rs.11.04 + Rs.63.30 million) on its rehabilitation up to the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in October, 2023.The management replied that the notice was served to M/s Munir & Co. on 13-10-2023 for explaining his position and an inquiry committee had been constituted.

The DAC in its meeting held on December 18 & 19, 2023 directed to inquire the matter at PPMCL level by G.M Technical and submit its report within a month. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No. 219/2023-24)

1.4.41 Less recovery from consumers due to application of wrong tariff - Rs.21.79 million

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

During audit of CEO IESCO, it was observed that a consumer having reference no. 27-14631-7490596 was charged under tariff C-II whereas, the supply was used for commercial purposes as pointed out by the management. Resultanlty, an amount of Rs.146.02 million was charged und tariff C-II instead of charging an amount of Rs.167.81 million under commercial tariff A-2(C), hence, an amount of Rs.21.79 million was less recovered, which was loss to the company.

Non-adherence to Commercial Procedure resulted in less recovery of Rs.21.79 million from consumers due to application of wrong tariff during the Financial Year 2022-23.

The matter was taken up with the management in November, 2023 and reported to the Ministry in December, 2023. The management replied that the connection was given as per NEPRA's decision vide dated June 17, 2021.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to get clarification from NEPRA and submit its report to Audit for verification within 15 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.1060/2023-24)

1.4.42 Irregular acceptance of material in violation of tendered technical specifications - Rs.69.62 million

According to clause-2 & 5 of Purchase Order "11 kV dropout cutout as per WAPDA Spec. DDS-49:2009 was to be supplied by the contractor and inspection of the material was to be carried out jointly by representatives of Chief Engineer (MI) Power Planning Monitoring Company (PPMC) & Chief Executive Officer (CEO) PESCO."

During audit of CEO PESCO, it was observed that a purchase order for procurement of 6,298 11 kV Dropout Cutout amounting to Rs.69.62 million was placed on M/s Vision Engineering (Pvt) Ltd, Lahore. The offered material of said supplier was rejected twice by the Inspection Committee comprising of representatives of PPMC and CEO PESCO due to non-conforming with technical specifications of the material. However, the supplier requested for local inspection instead of representative of PPMC and offered extended warranty of 3 years. Later on, the inspection clause of the Purchase Order was amended by excluding representative of PPMC from Inspection Committee and the material was accepted on the basis of test reports, which were already disapproved by PPMC. This depicted that an undue favor was accorded to the supplier by accepting material having non-conformity with tendered technical specifications by amending the respective clause.

Violation of tendered technical specifications resulted in irregular acceptance of material amounting to Rs.69.62 million during the Financial Year 2022-23.

The matter was taken with the management in November, 2023 and reported to the Ministry in November, 2023. The management replied that due to lapse of sufficient time in inspection process by CE(MI) PPMC, and urgent requirement of the item for pending developmental works amendment in inspection was made. Extended warranty for 3-year was obtained from M/s Vision Engineering Pvt., Ltd. Applicable LD would also be deducted by Finance Director, PESCO.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to inquire the matter at PPMC level within 30 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No. 840/2023-24)

1.4.43 Irregular provision of new connections to defaulters having arrears - Rs.60.62 million

According to Para-1.3 of Commercial Procedure, “the Revenue Officer and Assistant Manager are responsible for: i) implementing in conjunction with the

Executive Engineer, the commercial policy laid down from time to time by the Authority through the Company ii) efficient application of billing and collection procedure”.

During audit of CEO HESCO, it was observed that four hundred and nineteen (419) consumers defaulted the payment of electricity dues amounting to Rs.60.62 million. However, electricity was being supplied through another connection at the same premises and with same name. The provision of new electricity connection to the defaulters without recovery of outstanding energy dues was irregular and unjustified.

Non-adherence to the rules resulted in illegal provision of new connections to energy defaulters having arrears amounting to Rs.60.62 million up to the Financial Year 2022-23

The matter was taken up with the management in October 2023 and reported to the Ministry in November, 2023. The management replied that new connections were given to the existing consumers on the same premises having separate portions according to Consumer Service Manual. However, efforts were being taken for recovery of defaulting amount.

The DAC in its meeting held on December 22 & 23, 2023 directed the management to inquire the matter at CSD level and submit report to Audit within 30 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No. 787/2023-24)

1.4.44 Irregular approval of external electrification of housing societies without independent feeder – Rs.60 million

According to GM (PE&S) WAPDA letter dated October 06, 1998, “a situation may arise when even with all rehabilitation possible the ultimate load demand up to 2500 kW is not possible to consider from the existing 11 kV feeder, then an independent feeder is the only solution at the expense of the Sponsoring Agency including the cost of the Gird-end Breaker.”

During audit of CEO PESCO, it was observed that external electrification of two (02) housing societies were sanctioned on mix feeders without recovering the cost of independent feeders amounting to Rs.60 million. As per aforementioned letter of

General Manager (PE&S), the permissible limit of voltage drop is 5% and technical loss is 3.5% for granting a housing society external electrification with ultimate load demand up to 2500 kW from an existing feeder. However, PESCO approved the connections on such feeders, which were already overloaded and far beyond the permissible limit and even after rehabilitation (re-conductoring), the load of feeders did not come within the range of permissible limit of 5% for voltage drop and 3.5% for technical losses. Hence, undue favour was extended to consumers which caused financial loss to PESCO due to non-recovery of independent feeders' cost and Grid-end breakers' cost.

Non-adherence to Authority instructions resulted in irregular approval of external electrification of housing societies without independent feeder amounting to Rs.60 million during the Financial Year 2022-23.

The matter was taken with the management in November, 2023 and reported to the Ministry in December, 2023. The management replied that the maximum permissible voltage drop & AEL were 5% & 3%, however, where these parameters were hard to maintain, then existing system should be compared to the proposed facility and if substantial benefits in terms of reduction in energy & voltage drop could be achieved, the HT proposal might be carried out. It was done in both the cases as in Afzal Garden case, the Voltage drop & AEL reduced from the existing figures of 21.96% to 19.48% and 9.59% to 6.42%, where as in the Sher Ali Garden, the voltage reduced from 27.72 % to 26.71% and AEL decreased from 13.16% to 11.13%.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to submit revised detailed reply within 15 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1187/2023-24)

1.4.45 Unjustified charging of meter rent to consumers – Rs.50.58 million

According to Rule-6 of NEPRA Licensing (Distribution) Rules 1999, "unless provided otherwise in the distribution license, the licensee shall charge only such tariff from the consumers, including the bulk-power consumers, as is approved by the Authority pursuant to and in accordance with the NEPRA (Tariff Standards and Procedure) Rules, 1998".

During audit of CEO FESCO, it was observed that monthly meter rent amounting to Rs.50.58 million was charged to 295,497 consumers. Furthermore, it was observed that rate of charging of meter rent was not uniform and consumers were being charged from Rs.01 to Rs.2,190. The charging of monthly meter rent to consumers was irregular, as there was no such provision in the Consumer Service Manual.

Non-adherence to NEPRA's instructions resulted in unjustified charging of meter rent amounting to Rs.50.58 million to consumers during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that the policy for charging of meter rent was applied to those connections which were installed free of cost and the matter had already been referred to BoD FESCO for necessary directions. Audit contended that charging of meter rent for indefinite period was not covered under any rules & regulations of NEPRA.

The DAC in its meeting held on December 20 & 21, 2023 directed the management to take up the matter with NEPRA for necessary directions within 15 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1200/2023-24)

1.4.46 Non-recovery of cost of independent grid stations from consumers - Rs.50.00 million

According to Consumer Service Manual section 2.6 (6) and industrial consumer applying load Above 5 MW was required to provide: i) Dedicated Transformer(s), ii) Dedicated 11 kV Feeder(s) & iii) Dedicated Grid Station and associated transmission line. The consumers may be allowed extension of load beyond 05 MW from the DISCO's owned grid station subject to availability of load in the grid and capacity in the 11 kV existing dedicated feeder. In such a case the consumer will bear 100% grid sharing charges including transmission line charges and 100% cost of land proportionate to load. However, only such consumers be allowed extension of load beyond 05 MW to 7.5 MW whose connection is at least three (3) years old.

During audit of MEPCO and HESCO, it was observed that three (03) industrial consumers qualified for provision of independent grid stations due to extension of load more than 5,000 kW; however, no action was taken for installation of independent grid station. Hence, undue favour of Rs.50.00 million was extended to the consumers due to non-recovery of the cost of independent grid stations. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	No. of Cases	Amount (Rs.in million)
1.	MEPCO	677/2023-24	2	50.00
2.	HESCO	1291/2023-24	1	0.00
		TOTAL	**3**	**50.00**

(Source: Batch-24 of DISCOs)

Non-adherence to NEPRA's instructions resulted in non-recovery of cost of independent grid stations amounting to Rs.50.00 million from consumers up to the Financial Year 2022-23.

The matter was taken up with the management in September and October, 2023 and reported to the Ministry in November and December, 2023. The management of MEPCO replied that the connections had separate portions and their entrances were also on different roads while the management of HESCO replied that condition for 3 years old connection was relaxed by NEPRA and the case was approved by competent authority by recovering all applicable charges.

The DAC in its meeting held on December 14 to 23, 2023 directed the management of MEPCO and HESCO to inquire the matter within 30 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

1.4.47 Misuse of tariff by changing nature of industry – Rs.47.75 million

According to Para-2.6.7 of Consumer Service Manual, "Steel furnaces having sanctioned load up to 5 MW will pay the cost of dedicated transform(s) and dedicated 11 kV feeder(s)." Para 7.5.1 states, "The consumer shall, in no case use the connection for the purpose other than for which it was originally sanctioned. In case of violation, the consumer is liable for disconnection and legal action."

And according to Para-7.5.2, "DISCO shall serve seven days clear notice to the consumer who is found misusing his/her sanctioned tariff. However, DISCO shall immediately change the tariff and shall determine the difference of charges of the previous period of misuse to be recovered from consumer. However, in the absence of any documentary proof, the maximum period of such charges shall not be more than two billing cycles.

During audit of Operation Circle, Hazara-II, PESCO, it was observed that an industrial consumer M/s Kunhar Flour Mill bearing A/C No.30-26731-0000300 was involved in theft of electricity and was misusing tariff because the connection was used for steel furnace purposes instead of flour mill purposes. The record also revealed that consumer was using extended load illegally and its extended load fell under B-3 Tariff instead of B-2. The consumer had a huge arrear of Rs.28.27 million as well. Although, the consumer was disconnected and the case was under trial, however, timely action of recovering independent feeder cost, updating meter security of B-3 Tariff and recovery of arrear amounting to Rs.47.75 million was not made from consumer causing revenue loss to PESCO.

Non-adherence to rules resulted in loss of Rs.47.75 million due to misuse of tariff by changing nature of industry up to June 2023.

The matter was taken up with the management in August, 2023 and reported to the Ministry in November, 2023. The management replied that the notice regarding change in the nature of industry had already been issued and after serving the notice, the connection had been disconnected. Moreover, Security of Rs.928,620/- had been adjusted and shifted to Batch-36. The case had been referred to Deputy Collector, Mansehra for recovery of arrear amount.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to submit revised detailed reply along with documentary evidence to audit within 15 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 503 /2023-24)

1.4.48 Non-refund / credit of excess units charged to consumers - Rs.44.23 million

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

During audit of Operation Circle Khyber PESCO, it was observed that various energy meters were removed from consumers' sites and sent to M&T Lab for checking their accuracy / consumption data analysis. As per M&T data retrieval results, 4.713 million units were found consumed by consumers whereas the consumers were charged with 6.187 million units, hence, 1.475 million units amounting to Rs.44.23 million were excessively charged. The excess charged units were required to be refunded / credited to the concerned consumers, which was not done.

Non-adherence to Commercial Procedure resulted in non-refund / credit of excess charged units amounting to Rs.44.23 million to consumers up to the Financial Year 2022-2023.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023. The management replied that Manager (M&T) had been asked for provision of account number wise detail as and when the same received from, reply would be submitted to audit.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to submit revised detailed reply within 15 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 556/2023-24)

1.4.49 Loss due to less recovery of rehabilitation charges from consumers – Rs.40.88 million

According to provision 2.6(xiv) of Consumer Service Manual, the rehabilitation charges are applicable in case of industrial category where connection is given from common 11 kV feeder up to 1000 kW as per following rate:

Description	Rate (Rs.per kW)
15 kW to 40 kW	250

41 kW to 100 kW	400
101 kW to 500 kW	1200
501 kW to 1000 kW	3000

During audit of GEPCO and LESCO, it was observed that the estimates of five hundred and thirty-four (534) new/extension of load of industrial connections were framed by calculating rehabilitation charges on slab basis instead of applied load, hence, undue benefit was given by less calculation of rehabilitation charges. Resultantly, companies sustained loss due to less recovery of rehabilitation charges amounting to Rs.40.88 million. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	No. of Consumers	Amount (Rs.in million)
1.	GEPCO	22 & 692/2023-24	355	22.67
2.	LESCO	330/2023-24	179	18.21
		TOTAL	**534**	**40.88**

(Source: Consumer Service Files for the FY 2022-23)

Violation of the provision of Consumer Service Manual resulted in loss amounting to Rs.40.88 million due to less recovery of rehabilitation charges from consumers up to the Financial Year 2022-23.

The matter was taken up with the management in April, 2023 & September to October, 2023 and reported to the Ministry in June, 2023 & October to November, 2023. The management replied that rehabilitation charges were calculated slab wise as per NEPRA CSM, 2021 and as per clarification of GM Operation, WAPDA. The reply was not tenable as the amount of the said charges was calculated on incremental slabs instead of particular flat slab of the applied load.

The DAC in its meeting held on August 26 and December 14-23, 2023 directed the management to seek clarification from NEPRA and share it with Audit expeditiously. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

1.4.50 Non-capitalization of Earthquake Reconstruction & Rehabilitation Authority (ERRA) works – Rs.38.60 million

As per 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."

During audit of Operation Circle Hazara-II PESCO, it was observed from trial balance of the City Division, Mansehra that a huge amount of Rs.38.60 million was shown as work in process. When the trial balances of previous years i.e. 2019-20 to 2021-22 were scrutinized, the same figures were present there too. It was further observed that the material amounting to Rs.26.22 million was drawn for reconstruction of damages caused by disastrous earthquake on October 8, 2005 and an expenditure of Rs.12.38 million on account of contract works was also incurred. However, these works were not completed and still appearing as work in process.

Non-adherence to rules resulted in non-capitalization of ERRA works amounting to Rs.38.60 million up to June 2023.

The matter was taken up with the management in August, 2023 and reported to the Ministry in November, 2023. The management replied that request for conducting the inquiry for non-capitalization of ERRA works had been sent to the CEO PESCO Peshawar.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to submit revised detailed reply along with findings of inquiry to audit within 15 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 505/2023-24)

1.4.51 Irregular approval for construction of 11 kV feeder without conducting technical / feasibility study - Rs.38.53 million

As per Para-4.1.2 (ii) of Distribution Rehabilitation Guidelines "load flow studies of proposed situation of feeders (with and without capacitor) should be carried at peak load (without growth) by using FDRANA as PSS-Adept software"

During audit of CEO TESCO, it was observed that a new 11 kV Mantoi feeder with total length of 46.5 KM at South Waziristan Tribal District was initially proposed at a cost of Rs.51.49 million. However, due to paucity of funds, the approval was made for construction of fragmented portion of said new feeder up to 18.3 KM at a cost of Rs.38.53 million but no technical / feasibility studies were conducted to evaluate the viability of new feeder viz load forecasting, benefit/cost analysis and fulfillment of future expansion plans. Hence, the approval and execution of new 11 kV Mantoi feeder without technical/feasibility studies was irregular.

Non-adherence to Rehabilitation Guidelines resulted in irregular approval for construction of 11 kV feeder of Rs.38.53 million without conducting technical / feasibility study during the Financial Year 2022-23.

The matter was taken up with management in October, 2023 and reported to the Ministry in December, 2023. The Management replied that the technical study was conducted using SynerGee software indicating that the losses were within acceptable limits and the feeder was deemed feasible.

The DAC in its meeting held on December 14 & 15, 2023 observed that the feeder had been constructed for fragmented portion and the full envisaged benefits could not be reaped. DAC also directed the management to provide load flow study along with benefits achieved due to energization of fragmented feeder to audit. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 887/2023-24)

1.4.52 Irregular excess charging of installation charges on consumer's self-purchased transformers – Rs.34.46 million

According to Consumer Service Manual 2021 (Para-2.7), in cases where work is required to be carried out by DISCO and there is shortage of material; DISCO may ask the applicant to procure required material. Material procured by the applicant shall be inspected and the applicant will be charged 8% installation charges of the material cost.

During audit of DISCOs, it was observed that the consumers were overcharged with installation fees totaling Rs.34.46 million up to 23% of the estimated cost of self-purchased transformers. This excessive charging occurred because the standard 8% installation fee on the invoiced cost of self-purchased transformers was not applied, leading to higher expenses for consumers.

The detail is as under:

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	GEPCO	25/2023-24	9.91
2.	LESCO	372/2023-24	23.06
3.	MEPCO	639/2023-24	1.491
		Total	**34.46**

(Source: Consumer Service Files for the FY 2022-23)

Violation of the provisions of the Consumer Service Manual resulted in irregular excess charging of installation charges amounting to Rs.34.46 million from consumers with regard to self-purchased transformers up to the Financial Years 2021-22.

The matter was taken up with the management in April, 2023 and reported to the Ministry in June, 2023. The management replied that it did not charge any irregular / excess installation charges on consumers' self-purchased T/Fs.

The DAC in its meeting held on December 14 to 23, 2023 directed the management to get the record in support of reply verified from Audit within 15 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision.

1.4.53 Non-adjustment of credit units retrieved by M&T to consumers – Rs.30.65 million

According to Para-4.3.2 (c) of Consumer Service Manual, data of impugned meter shall be retrieved and actual consumption as per retrieved data shall be charged to the consumer after issuing a notice to the consumer and already charged bills issued on average basis shall be adjusted.

During audit of FESCO & GEPCO, it was observed from data retrieval reports of 1,725 defective meters that 1.35 million units amounting to Rs.30.65 million were excess charged to the consumers. The excess units charged were required to be credited to the respective consumers but the same was not done, which not only caused concealment of line losses but also resulted in exaggerated recovery position. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	FESCO	161 /2023-24	5.323
2.	GEPCO	23 & 361/2023-24	25.330
		TOTAL	**30.65**

(Source: M&T Reports for the FY 2022-23)

Violation of the provisions of the Consumer Service Manual resulted in non-adjustment of credit units amounting to Rs.30.65 million to consumers as retrieved by M&T during the Financial Years 2019-20 to 2021-22.

The matter was taken up with the management in April, 2023 and reported to the Ministry in June, 2023. The management replied that these meters were replaced due to slowness, burning, software issues, opening of meters and display issues. The refund on the basis of retrieved data could not be relied upon and matter would be dealt with in the light of outcome of investigation at sub divisional level.

The DAC in its meeting held on December 14 to 23, 2023 directed the management to inquire the matter at CEO level and submit its report to Audit within 30 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision besides fixing responsibility.

1.4.54 Non-recovery of capital cost from the consumer – Rs.29.32 million

As per clause 2.4.7 of Consumer Service Manual "payment of demand notices for capital cost/ connection charges and security deposits (where work is to be carried out by the sponsor or by DISCO) may be allowed in installments on request of the applicant. However, if during that period escalation in cost of material occurs, the same shall be borne by the applicant".

During audit of CEO LESCO, it was observed that M/s. Mughal Allay applied for extension of load from 4.95 MW to 25 MW with change of name to M/s Indus Engineering (Pvt) Ltd under tariff B-IV. Subsequently, demand notice for capital cost of Rs.211.41 million was issued to the consumer. The consumer requested for installments and two (02) demand notices for Rs.100.00 million and Rs.111.405 million were issued respectively. The consumer deposited 1st installment of Rs.100.00 million on August 23, 2022 and further requested to adjust refundable balance of Rs.72.062 million of his sister concerns i.e. M/s

Mughal Iron and M/s. Steel Industries Ltd. In response to his request, LESCO management issued a fresh demand notice on September 08, 2022 on account of difference of 2nd installment amounting to Rs.29.324 million (Rs.101,405,330 – Rs.72,081,693) for payment within one month. But the consumer failed to deposit the 2nd installment of Rs.29.324 million up till October, 2023. No action was taken by the management, as neither the demand notice was cancelled nor the connection was disconnected.

Non-adherence to Consumer Service Manual resulted in non-recovery of Rs.29.32 million from the consumer on account of capital cost up to the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that work had already been stopped by PD GSC. However, remaining work would start after payment of fresh demand notice.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to issue fresh demand notice to consumer with fresh rates and to get the deposited amount verified from Audit. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 998/2023-24)

1.4.55 Loss due to non-recovery of independent feeder cost from Steel Furnaces – Rs.28.373 million

According to Para-c of Secretary WAPDA letter No.863-80/DD/(R&CP)/55716 dated August 25, 2000, "The connections for all types of steel furnaces, irrespective of sanctioned load, will be given through independent feeders." As per Para 2.6.7 of Consumer Service Manual-2021, "steel furnaces having sanctioned load up to 5 MW will pay the cost of dedicated transformer(s) and dedicated 11 kV feeder(s)."

During audit of Operation Circle Hazara-II PESCO, it was observed that electricity connections of two (02) steel furnaces (M/s Muhammad Arshad and M/s Waris Ali) were sanctioned from the existing 11 kV feeders instead of dedicated 11 kV feeders. Resultantly, cost of independent feeders amounting to Rs.28.373 million could not be recovered from the said consumers.

Non-adherence to rules resulted in loss of Rs.28.373 million due to non-recovery of independent feeder cost from Steel Furnaces up to the Financial Year 2022–23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in October, 2023. The management replied that while sanctioning of the connection of M/s Muhammad Arshad, NEPRA's instructions were not available in NEPRA's Consumer Service Manual, 2019. The reply was not tenable as in the light of prevailing directions of Authority/ NEPRA, both the connections of steel furnaces were required to be sanctioned from dedicated 11 kV feeders.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to submit revised detailed reply along with documentary evidence to Audit within 15 days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 404 /2023-24)

1.4.56 Loss due to revision of estimate of bogus completed work - Rs.26.601 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".

During audit of Project Construction MEPCO, it was observed that M/s Saleem Const. received 100% payment against stringing work, whereas, the contractor completed only 30% physical work at site. Subsequently, an inquiry committee was constituted to probe the matter. The inquiry committee finalized the inquiry on April 16, 2022 and recommended disciplinary action against XEN, SDO and LS. However, the recommendations of committee were not implemented. Moreover, estimate of the same work was revised, which increased its cost from Rs.30.386 million to Rs.56.988 million with a difference of Rs.26.60 million. The difference of Rs.26.60 million was required to be recovered from the delinquents.

Non-adherence to the General Financial Rules resulted in loss due to revision of estimate of bogus completed work amounting to Rs-26.601 million during the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in October, 2023. The management replied that an inquiry committee was constituted, which submitted its findings and recommended some actions against the delinquents.

The DAC in its meeting held on December 20 & 21, 2023 directed the management to get the record verified within 15 days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 283/2023-24)

1.4.57 Extra cost borne by GEPCO due to non-clearance / non-provision of right of way by sponsor of housing scheme - Rs.24.04 million

According to Clause-23 of supply of power agreement, "Right of Way for in and out arrangements for 132 kV transmission and 11 kV feeders shall be provided by sponsor to GEPCO without any objection. As per Clause-29, "if the sponsor is found acting in contravention of agreement or any of his acts adjudged or liable to be adjudged prejudicial to any of the clauses contained herein or any other instructions issued from time to time, GEPCO reserved the right to revoke this agreement unilaterally and is also authorized to cancel the approval regarding electrification of the said housing scheme". As per Clause-34, "sponsor shall make sure that GEPCO have complete rights to use all the roads accessible at this land and also at the land under possession of GEPCO".

During audit of GSC GEPCO, it was observed that an agreement for supply of power to City Housing Scheme, Gujranwala was made in July 2020. Construction of 132 kV in & out T/Line was the responsibility of GEPCO at its cost whereas provision of Right of Way rested with the Sponsor. Technical sanction for 0.49 km route with estimate of Rs.26.57 million was approved. Accordingly, a work order of Rs.11.59 million was issued on November 21, 2022 but the work was hampered due to RoW issue. The sponsor neither got the RoW cleared nor permitted to use its territory for route of feeding T/Line. Instead of invoking Clause-29 for annulment of agreement and cancellation of electrification approval, the GEPCO revised the profile / route plan, which caused increase in length of T/Line from 0.49 km to 0.91 km and estimated cost from 26.57 million to Rs.50.61 million. Thus, GEPCO sustained extra cost of Rs.24.04 million due to default of Sponsor in fulfilling its contractual obligations.

Non-adherence to supply of power agreement resulted in extra cost of Rs.24.04 million borne by GEPCO due to non-clearance / non-provision of right of way by sponsor of housing scheme up to the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in October, 2023.The management replied that the 1st route of T/line was proposed through agriculture land which was not the property of City Housing Society and due to ROW, the route of the T/Line was revised. As the grid station was GEPCO's property, hence, the construction of feeding T/line was the responsibility of GEPCO. Audit contended that due to default of the sponsor in clearing RoW, GEPCO had to bear extra expenditure.

The DAC in its meeting held on December 18 & 19, 2023 directed to inquire the matter at PPMCL level by G.M Technical and submit its report within a month. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 221/2023-24)

1.4.58 Non-recovery of cost of independent feeder from consumers - Rs.23.08 million

According to NEPRA tariff determination issued vide letter dated December 24, 2020, "B-3 tariff is applicable for supply to Industries having sanctioned load of more than 500 kW up to and including 5000 kW and the supply under this Tariff shall not be available to a prospective consumer unless he provides, to the satisfaction and approval of the Company, his own Transformer, Circuit Breakers and other necessary equipment as part of the dedicated distribution system for receiving and controlling the supply, or, alternatively pays to the Company for all apparatus and equipment if so provided and installed by the Company. The recovery of the cost of service connection shall be regulated by the NEPRA eligibility criteria."

During audit of Operation Circle Muzaffargarh MEPCO, it was observed that three (03) industrial consumer bearing reference Nos. 27-15731-0719201, 27-

15733-0869707 & 27-15735-0346803 were running load more than their sanctioned load without approval of the competent authority. However, notices to these consumers were not issued. Moreover, the sanctioned load required to be provided an independent feeder at the cost of the consumer, which was not done. Hence, neither the energy connections were disconnected nor the un-authorized extended load was regularized.

Non-adherence to the operational rules resulted in undue favour of Rs.23.08 million to the consumer on account of non-regularization of connection according to the sanctioned/extended load up to the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in November, 2023. The management replied that the notices were served to consumers for regularization of load. After expiry of notice time period, further action would be taken against them as per SOPs.

The DAC in its meeting held on December 20 & 21, 2023 directed the management to expedite recovery from concerned consumers within 60 days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 676/2023-24)

1.4.59 Loss due to delayed approval and execution of external Electrification work – Rs.22.36 million

According to Rule-2A(a) of public sector companies Corporate Governance Rules, 2013 "the business of the public Sector Company is carried on with integrity, objectivity, due case and professional skills appropriate to the nature and scale of its activities.

According to clause 2.10.2 of Consumer Service Manual "Time period for various steps for processing new connections applications of different categories as mentioned above in Annexure-III".

During audit of CEO GEPCO, it was observed that the consumer paid demand notice of Rs.38.59 million on November 29, 2021 against external electrification work of Sunny Garden Housing Scheme within due date. But Chief Engineer (P&E) issued revised demand notice on August 12, 2022 amounting to Rs.22.36 million to the consumer due to increase in cost of material which was not paid by the sponsor. The consumer complained the same to Chairman BoD for non-execution of external electrification of work within the stipulated time frame mentioned in CSM (Consumer Service Manual). The matter was inquired by GEPCO and inquiry committee recommended that the delay was mainly on the part of GEPCO management due to lack of coordination among the Planning and Execution, Finance Directorate, Project Director Construction and Manager Material Management. The disciplinary actions were recommended against the delinquents of construction and planning staff / officers who failed in timely submission and approval of revised demand notice at that time, which caused undue delay to consumer. Moreover, inquiry committee recommended to redress the consumer subject to the availability of material at old rates. This act of the management deprived GEPCO from its due funds amounting to Rs.22.36 and there was no documentary evidence regarding implementation of recommendations of inquiry committee's report.

Non-adherence to public sector companies Corporate Governance Rules, 2013 and Consumer Service Manual resulted in loss of revenue of Rs.22.36 million due to delayed approval and execution of work during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023. The management replied that the Chief Law Officer (CLO) GEPCO was asked on October 13, 2023 that inquiry report had not identified the delinquents for initiation of disciplinary action and inquiry report had been returned to CLO for needful action.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to re-inquire the matter expeditiously and provide its report to Audit within a month. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 745/2023-24)

1.4.60 Irregular payment on account of transportation of electrical material – Rs.21.436 million

According to Schedule-B to Bid (Special Condition) clause-19 "The quoted unit rate should include charges for transportation (including loading, unloading and stacking etc) of all goods/material as per BoQ.

During audit of Project Directorate GSC SEPCO, it was observed that six (6) contracts valuing Rs.219.225 million were awarded to the contractors for construction and electrical works at different locations. However, it was noticed that the bidder quoted their bids prices amounting to Rs.21.436 million exclusive of transportation charges in BoQ in violation to the special condition of the contract. Hence, transportation cost amounting to Rs.21.436 million paid to the contractors was irregular.

Non-adherence to the special condition of the contract resulted in irregular payment of Rs.21.436 million to the contractor up to the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in October, 2023. The management replied that no payment was made separately on account of transportation to contractors beyond the BoQ/Work Order, as all the transportation of all material included in BoQ was quoted by contractors and accordingly the payment was made to the contractors as per BoQ.

The DAC in its meeting held on December 22 & 23, 2023 did not agree with stance of the management and directed to inquire the matter and submit report to Audit within 30 days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 375/2023-24)

1.4.61 Non-recovery of shifting/relocation charges of 132 kV T/L from the consumer/sponsor - Rs.19.96 million

According to NEPRA/MEPCO Consumer Service Manual Clause 3.1(a), "the shifting/relocation/addition of the facility (overhead or underground) shall be carried out at the cost of the sponsoring agency and not the affected consumer(s) or MEPCO" and further as per Clause 3.1(b), "If the consumer requires the relocation of an overhead or an underground service connection for convenience, because of construction, or otherwise obstructing access to the service connection, the MEPCO shall, at the consumer's expense, relocate its service connection".

During audit of CEO MEPCO, it was observed thaton the request of NAB, a work of shifting/re-routing of 132 kV transmission line ensuring over the land purchased by NAB Multan was approved with an estimated cost of Rs.19.96 million under MEPCO`s own resources without recovery of cost from the consumer in violation of SoPs.

Violation of the departmental Rules and regulator's directions resulted in loss of Rs.19.96 million due to non-recovery of shifting/re-routing charges from the consumer/sponsor during the Financial Year 2019-20.

The matter was taken up with the management in September, 2020 and reported to the Ministry in October, 2020. The management replied that the work was executed under MEPCO's own resources after approval of BoD, the said work was executed under its own resources. The reply was not tenable as in the light of CSM, the said work was required to be executed at consumer's expenses.

The DAC in its meeting held on December 20 & 21, 2023 directed the management to get the record verified from Audit within 15 days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 194/2020-21)

1.4.62 Loss due to frequent replacement of energy meters of selective consumers - Rs.18.084 million

The Manager Operation Vehari Circle MEPCO vide letter No. 6481-82 dated March 31, 2022 directed all Executive Engineers, Operation Divisions to check the consumption history, current meter, connected load, data retrieval of removed meters of all account numbers.

During audit of Operational Circle Vehari MEPCO, it was observed that 2,690 single and three phase energy meters of the selective consumers were changed through multiple Meter Change Orders (MCO) ranging from 2 times to 3 times. Neither the cost of energy meters was received from the consumers nor the said energy meters were got checked from M&T/ S&I for proper technical analysis. The replacement of meters caused loss of Rs.18.084 million to the company during the Financial Year 2022-23.

Non-implementation of the instruction of Authority resulted in replacement of energy meters of selective consumers during the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in October, 2023. The management replied that 2,690 3-Phase / Single Phase defective meters were replaced two or more times in a year w.e.f January, 2022 to January, 2023 under NEPRA Consumer Service Manual

January, 2021 Clause 4.4 which mentioned that "cost of meter was to be borne by DISCO (MEPCO) in case of meter Defective / Damaged / Burnt/ Display washed / internal fault / weathering effect etc. not due to consumer's fault".

The DAC in its meeting held on December 20 & 21, 2023 directed the management to share the M&T Report to audit for verification within 15 days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 308/2023-24)

1.4.63 Unjustified approval and execution of LT Proposal works - Rs.17.93 million

As per Project Director (Construction) memo dated November 30, 2022, administrative/ technical approval, sanction is accorded with following terms & conditions "the mentioned proposals have not been prepared to beneficial to any individual consumers and it is not prepared to provide electricity to new villages/ new abadies/ housing scheme or any other work falling under the head Deposit Work."

During audit of Project Directorate Construction HESCO, it was observed that eleven (11) LT proposals/ rehabilitating proposals of Rs.17.93 million were approved and executed under the head of DOP/ELR. However, it was revealed that extension of LT lines seemed to provide the supply to the un-electrified area and provided electricity to new villages and new abadies which fell under the head of deposit works. Such extension of LT lines also led to the use of unlawful means for pilferage of electricity through use of direct hooks on LT distribution lines. Hence, LT proposals executed in violation of prevailing guidelines and used as means for new electrification were considered unjustified.

Non-adherence to Authority instructions resulted in unjustified execution of LT proposals of Rs.17.93 million during the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in December, 2023. The management replied that details of works would be obtained to dig out facts in each case.

The DAC in its meeting held on December 22 & 23, 2023 directed the management to submit revised reply along with justifications after getting the details within 15 days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1278/2023-24)

1.4.64 Recurring loss due to illegal electrification of New University Model Housing Society and non-recovery of arrears – Rs.11.52 million

According to Para-III (1) of Guidelines for enforcing the responsibility for losses sustained by the authority through fraud or negligence of individuals, 1982, "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."

During audit of Operation Circle PESCO, it was observed that a housing society namely New University Model Housing Society at Jalozai under Pubbi-II Sub-Division) was illegally energized by installing one 50 kVA Transformer, four (04) HT Structures with two single phase meters from 11 kV Sheikhan feeder with the connivance of PESCO employees. The society was established on the premises of Internally Displaced Persons (IDPs) Camp/Previously Afghan refugees camp Jalozai, where HT/LT Poles existed and were not removed by PESCO's field formation and there was also a huge arrear of Rs.11.52 million pending against the premises/area. PESCO authorities had conducted an inquiry but implementation of its recommendation was not forthcoming from record. Resultantly, PESCO faced recurring loss along with non-recovery of arrears.

Non-adherence to Authority's instructions resulted in recurring loss due to illegal electrification of New University Model Housing Society and non-recovery of arrears amounting to Rs.11.52 million up to the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023. The management replied that the case was investigated through inquiry No. 11725 by PESCO H/Q and disciplinary action against the officials at fault was under process in PESCO H/Q. However, Rs.3,510,620/- was paid in UBL Pabbi by the consumer. Commissioner Afghan Refugees was also approached for recovery vide letter dated December 15, 2023.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to submit revised detailed reply along with documentary evidence in support of reply to Audit within 15 days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 552/2023-24)

1.4.65 Unjustified execution of electrification work providing undue benefits to housing schemes - Rs.8.778 million

As per guidelines the administrative/ technical approval sanction is accorded with following terms & conditions "the mentioned proposals have not been prepared to beneficial to any individual consumers and it is not prepared to provide electricity to housing scheme or any other work falling under the head Deposit Work."

During audit of CEO HESCO, it was observed that eleven (11) LT proposals for reconductoring of Areial Bundled Cable and other electrification work were approved by Chief Engineering (P&E) with estimated cost of Rs.8.778 million. The subject works were carried out in different housing societies/colonies under the head of ELR/DOP at company's cost. Audit is of the view that execution of such works was required to be executed on cost deposit basis instead company's cost which was unjustified.

Non-adherence to the instructions resulted in unjustified execution of electrification work providing undue benefits to housing schemes valuing Rs.8.778 million during the Financial Year 2022-23.

The matter was taken up with the management in October 2023 and reported to the Ministry in December, 2023. The management replied that as per NEPRA's instruction issued in CSM, after completion of electrification works by PD Const. HESCO, the said housing schemes were energized / handed over to concerned operation formation(s), after which the metering on individual basis had been carried out by the concerned operation staff. The O&M of electrification network had been also carried out by concerned operation staff. Hence, rehabilitation works inside the housing scheme could be carried out at the expense of HESCO.

The DAC in its meeting held on December 22 & 23, 2023 directed the management to get the stance verified in support of reply from Audit within 15 days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1293/2023-24)

1.4.66 Non-recovery of capital cost and security deposit from the consumer against EOL – Rs.6.47 million

As per Consumer Service Manual Clause-2.4.7, Payment of demand notices for capital cost/ connection charges and security deposit (where work is to be carried out by the sponsor or by DISCO) may be allowed in installments on request of the applicant. However, if during that period escalation in cost of material occurs, the same shall be borne by the applicant. No mark- up shall be levied by the DISCO (DISCO to insert its name) for payment of demand notices in installments. The DISCO shall provide connection within the stipulated time period as given in Annexure-III after receipt of full payment from the consumer/applicant.

During audit of CEO GEPCO, it was observed that provisional demand notices of 03 installments of security deposit and capital cost of Rs.9.701 million were issued to the consumer M/s. Haji Siddique Gujjar and Sons Steel Furnace against EOL from 1800 kW to 3000 kW. The consumer paid only 1st installment of Rs.3.234 million within due date and remaining two installments of Rs.6.47 million were not paid within due dates. However, neither provisional DNs were canceled nor recovery of remaining cost of material and security of Rs.6.47 million was effected from the consumer. Hence, ultimately, delayed recovery caused escalation in cost of material and system constraints due to non-regularization of EOL.

Inefficient operational management resulted in non-recovery of capital cost and security deposit from the consumer against EoL for Rs.6.47 million during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023.The management replied that the consumer had paid two installments of Rs.3,234,000 each and 3rd installment of Rs.3,233,000 was due for payment for which a notice had been issued on November 30, 2023. The work would be executed after complete payment of installments and connections would be energized after issuance of SCO.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the record of completed action verified from Audit within a week and complete the pending action within a month expeditiously. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 693/2023-24)

1.4.67 Non/ less recovery of capital cost from housing societies due to less assessment of ultimate load – Rs.5.918 million

The load assessment of housing societies was required to be carried out in the light of Annexure-VI of Consumer Service Manual-2021.

During audit of CEO PESCO, it was observed that the load of two (02) housing societies was sanctioned without following the load assessment criteria of NEPRA and ultimate load of these housing societies was less assessed. Resultantly an amount of Rs.5.918 million on account of capital cost was not/ less recovered from the said housing societies.

Non-adherence to provisions of the Consumer Service Manual resulted in non/ less recovery of capital cost amounting to Rs.5.918 million from housing societies due to less assessment of ultimate load during the Financial Year 2022-23.

The matter was taken with the management in May, 2023 and reported to the Ministry in December, 2023. The management replied that a load criterion was basically based on number of lights, fans, power plugs etc., so for different type of plots, assessed load would be different.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to submit revised detailed reply along with documentary evidence to Audit within 15 days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.1057/2023-24)

1.4.68 Illegal removal of transformers for illegal repairing through private workshop - Rs.5.2 million

According to instructions issued by GM (HR), PEPCO letter dated August 16, 2001 Para 2 "all DISCOs to immediately stop the repair of transformers from private workshops and SE/XEN must be made responsible for any such repair in future in their jurisdiction."

During audit of CEO MEPCO, it was observed that a 630 kVA transformer was removed with the connivance of field staff for getting it repaired from a private workshop i.e. Transfocare (Pvt) Limited. The said workshop was raided by Manager (M&S) MEPCO alongwith local police and found that four (04) transformers of different capacities including 630 kVA one valuing of Rs.5.2 million were lying in workshop for illegal repair. Audit holds that the involvement of operation staff could not be ruled out for illegal execution of repair work. Neither FIR against concerned persons of Institute of Southern Punjab (ISP) and owner of Private repairing workshop was filed nor action against SE/XEN was taken as required under/instructions.

Non-observance of rules resulted in illegal removal of transformers valuing Rs.5.2 million for illegal repair through private workshop during the Financial Year 2022-23.

The matter was taken up with the management in November, 2023 and reported to the Ministry in December, 2023. The management replied that M/s Transfocare (Transformer Reclamation Factory) was an authorized transformers' reclamation factory, whose registration/pre-qualification under category M-1 for repair of distribution transformer was granted by Secretary Pre-Qualification Committee Material Management MEPCO Multan on January 13, 2014.

The DAC in its meeting held on December 20 & 21, 2023 directed the management to inquire the matter and submit its report to audit within 30 days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 894/2023-24)

1.4.69 Loss due to unjustified execution of electrification works giving undue benefit to industrial consumers - Rs.4.47 million

According to the instructions issued by WAPDA dated July 17, 1982, "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."

During audit of Project Directorate Construction HESCO, it was observed that an estimate for rehabilitation/maintenance work on branch of 11 kV Hoosri feeder was approved with cost of Rs.4.47 million on September 17, 2021 and completed in June, 2023. The subject estimate was sent to Circle Manager, M&T as it involved the shifting of 15 industrial connections. The Circle Manager, M&T visited the site and noted observation that, "The above estimate work is giving benefits to 15 industrial connection/consumers without any approval for shifting of connections & without payment of demand notice, which is unjustified, therefore, the work should be carried out under the head of deposit work". However, work was executed under maintenance head (own source) which was unjustified and loss to the company.

Non-adherence to Authority's instructions resulted in loss of Rs.4.47 million due to unjustified execution of electrification works giving undue benefits to industrial consumers, during the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in October, 2023. The management replied that no undue benefit was given to industrial consumers. The estimate of 11 kV Hoosri feeder was approved under DOP after completion of all codal formalities.

The DAC in its meeting held on December 22 & 23, 2023 directed to inquire the matter by G.M. (Operation) and submit its report to Audit within 30 days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 408/2023-24)

1.4.70 Illegal electrification of a private housing society - Rs.4.28 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to June 01, 2001), "all losses whether of public money or of 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".

During audit of CEO LESCO, it was observed that a 25 kV transformer was sanctioned for electrification of a Havaily at village Kahna Nau Lahore; however, the subject land was acquired by a housing society which established a new block that was not approved for electrification by LESCO. The management of society illegally replaced 25 kVA transformer with 100 kVA transformer without obtaining the permission/approval from LESCO and provided electricity to 41 houses with the collaboration of field staff. The concerned officials failed to point out the subject irregularities which not only resulted in illegal electrification of housing society but also caused theft of electricity.

Non-adherence to the Authority's guidlines resulted in illegal electrification of private housing society amounting to Rs.4.28 million during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023. The management replied that 25 kW transformer was installed at village Shahzada Kahna Nau, Lahore. Subsequently, the said area was illegally electrified by the private housing society i.e. Al-Jannat Housing Scheme by replacing 25 kVA transformer with 100 kVA transformer and it also installed 15 Poles. However, with the help of police, the said transformer was removed. The FIR bearing No. 7131/22 dated September 21, 2023 was lodged against the management of the society. Moreover, disciplinary case was also recommended for illegal electrification of housing society.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to take departmental action against the responsible and get the record verified from Audit. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 842/2023-24)

1.4.71 Irregular charging of material cost after completion & energization of transmission line - Rs.4.19 million

According to GEPCO's Accounting Manual, after completion, the assets are transferred to the concerned division of GSO Circle, which in turn capitalize the asset and Fixed Assets Register is updated accordingly. In this regard, A90 Form is prepared and approved by DM GSC, certified by the Consultants and forwarded to Office of P.D GSC. AB-161 Form (Fixed Assets Cost Sheet) is prepared for each project that is being capitalized while ensuring the following points: - Account Heads are assigned to the Fixed Assets being capitalized, Quantity of Fixed Assets, amount of each asset and name of division of GSO Circle to whom fixed assets are going to be transferred etc. After issuance of debit advice(s), LPS is prepared for posting to Trial Balance and Transfer of Fixed Assets to the concerned division of GSO Circle is posted in Trial Balance.

During audit of GSC GEPCO, it was observed that a 132 kV Grid Station Gujrat Transmission Line Tee-Off point to Wazirabad Grid Station was approved with revised estimate of Rs.151.73 million and was completed and energized on July 09, 2022. Later, electrical equipment amounting to Rs.4.19 million was drawn from warehouse through SR No. 146652 in August 2022 and charged to the said already energized transmission line. Moreover, allocation order did not bear the name of the work / project against which the allocation of material was made.

Non-adherence to GEPCO's Accounting Manual resulted in irregular charging of material cost of Rs.4.19 million after completion & energization of transmission line during the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in October, 2023.The management replied that the line was only energized but not capitalized, therefore, the additional material could be charged.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to provide the record in support of reply to Audit for verification within a week. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 292/2023-24)

1.4.72 Loss due to illegal installation of transformers and poles at housing society and petrol pump – Rs.2.32 million

According to Para-III (1) of guidelines for enforcing the responsibility for losses sustained by the authority through fraud or negligence of individuals, 1982, "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."

During audit of CEO PESCO, it was observed that an inquiry was conducted regarding installation of illegal transformers and HT/LT poles at a housing society and petrol pump amounting to Rs.2.32 million. But implementation of the inquiry report's recommendation was not forthcoming from the record. Moreover, proper inquiry was not conducted to find out the actual reasons and extent of losses for fixing responsibility.

Non-adherence to Authority's Guidelines resulted in loss of Rs.2.32 million due to illegal installation of transformers and poles at housing society and petrol pump during the Financial Year 2022-23.

The matter was taken with the management in November, 2023 and reported to the Ministry in December, 2023. The management replied that the matter of housing society was inquired through inquiry committee and FIR was lodged against the owner. Material was in the custody of police and penalties had been imposed on PESCO employees. The matter of 50 kVA transformer was reported by the S&I and on the basis of fact-finding report and recommendations, actions had been taken against employees.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to get the record verified from Audit in support of reply within 15 days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.1136/2023-24)

1.4.73 Unjustified inclusion of consultancy charges in the estimates of village electrification schemes under SDGs & CMDP - Rs.1.78 million

According to Para-4(IX) of Guidelines issued through Notification of Cabinet Division Islamabad dated June 13, 2022 for implementation of the Sustainable Development Goals (SDGs), "Expenditure shall not be incurred on purchase of equipment (if not part of scheme), vehicles, fixtures, salaries, printing of diaries/calendars/banners, holding of official meetings and dinners/parties etc. similarly, no administrative overheads shall be charged by any agency for execution of the SDGs' schemes."

In Project Directorate Construction HESCO, 183 works of village electrification schemes costing Rs.258.663 million were completed under Sustainable Development Goals (SDGs) & Chief Minister's Development Progarmme (CMDP) during Financial Year 2022-23. The scrutiny of estimates revealed that consultancy charges @0.64% amounting to Rs.1.78 million were included in the estimates of these works which was unjustified, as no consultant was engaged by the management.

Non-adherence to Cabinet Division's guidelines resulted in unjustified inclusion of consultancy charges in the estimates village electrification schemes under SDGs & CMDP valuing Rs.1.78 million during the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in October, 2023. The management replied that estimates were prepared and approved as per practice in vogue by inclusion of consultancy charges being 3rd party's charges for vetting of estimates in all DISCOs. During the process of approval of estimates, the agreement for hiring of consultants could not be finalized in HESCO. The amount for inclusion of consultancy charges would be surrendered after approval of competent authority.

The DAC in its meeting held on December 22 & 23, 2023 directed the management to show that amount of consultancy included in PC-1 and get the record verified from audit within 15 days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 414/2023-24)

1.4.74 Loss due to irregular double/triple credits to consumers – Rs.1.75 million

According to instructions issued by the Managing Director PEPCO vide letter dated December 01, 2007, "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".

During audit of Operation Circle Khyber PESCO, it was observed that irregular double/triple credit adjustments of 62,078 units amounting to Rs.1.752 million were allowed to twenty-three (23) consumers as revealed from inquiry order dated August 30, 2022. This indicated that undue favor was extended to consumers causing loss to the company.

Non-adherence to Authority's instructions resulted in loss due to irregular double/triple credits to consumers amounting to Rs.1.75 million up to the Financial Years 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023. The management replied that the inquiry No. 12458 dated October 25, 2023 had already been constituted to probe into matter of double/triple credit to the consumers, inquiry committee recommended disciplinary action against 11 officers/officials. Letters of Expanation issued to all the officers/officials, which were under process. Audit would be informed and revised reply would be submitted after its decision.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to submit revised detailed reply along with documentary evidence in support of reply to Audit within 15 days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 567/2023-24)

1.4.75 Non-recovery of grid sharing charges from Commercial Plaza – Rs.1.38 million

According to Clause-2.14 of Consumer Service Manual (CSM) 2021, "in case of extension of load/ reduction of load, the consumer should provide and pay payment of capital cost (if applicable) and updating of security deposit." According to Clause-2.6.3 of Consumer Service Manual (CSM) 2021, "50% grid sharing charges @ Rs.4,474 shall be recovered from Multi-storey Building/Commercial Plaza/High Rise Building having ultimate load demand up to 10 MW."

During audit of CEO PESCO, it was observed that load of a commercial plaza was reduced from 904 kW to 480 kW. However, capital cost amounting to Rs.1.38 million on account of 50% grid sharing charges was not recovered from the consumer. Moreover, the test report obtained at the time of reduction of load was doubtful, as details of required load was not stated in ultimate load requirement.

Violation of the provisions of the Consumer Service Manual resulted in non-recovery of grid sharing cost from commercial plaza amounting to Rs.1.38 million during the Financial Year 2022-23.

The matter was taken with the management in November, 2023 and reported to the Ministry in December, 2023. The management replied that during initial sanctioning of 904 kW for one point supply, no sharing cost was involved as per SOP of that time. Now, after reduction of load from 904 to 480 kW, tariff billing was changed from one point supply to individual billing. After energization of the reduced load, the billing would be done by the concerned operation field on an individual basis. So, the grid sharing charges would be recovered, if any, by the operation formation.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to submit revised detailed reply along with documentary evidence to Audit within 15 days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.1056/2023-24)

1.4.76 Loss due to payment of penal interest against delayed payments for purchase of state land - Rs.1.33 million

According to Rule 5 (a) (i) of Public Sector Companies (Corporate Governance) Rules 2013, "the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders."

During audit of PMU MEPCO, it was observed that an amount of Rs.1.33 million @13.50% on account of penal interest was paid due to delay in payment of original amount of Rs.43.42 million for purchase of land for construction of 132 kV grid station Khanewal-II. Chief Engineer (Development) PMU received challan for original payment on June 10, 2021 but due to delay of BoD meetings approval for payment was accorded in 181st meeting held on January 19, 2022. The payment was made on January 22, 2022 after lapse of almost seven months.

The delay on the part of management and BoD caused loss of Rs.1.33 million as penal interest due to delayed payment.

Non-observance of Corporate Governance Rules resulted in loss of Rs.1.33 million due to payment of penal interest against delayed payments for purchase of state land during the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in December, 2023. The management replied that an inquiry was conducted by the management to probe the matter which concluded that no officers / officials was responsible for inordinate delay in submission of case to BoD MEPCO and delay after approval of BoD as well as execution of contract. The delay took place to complete the necessary procedural steps.

The DAC in its meeting held on December 20 & 21, 2023 directed the management to inquire the matter and submit its recommendations to Audit within 30 days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1287/2023-24)

1.4.77 Loss due to application of wrong tariff - Rs.1.28 million

According to Rule 5(5) of Public Sector Companies (Corporate Governance) Rules, 2013, "the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders."

During audit of CEO IESCO, it was observed that two (2) consumers were billed under wrong tariff. One consumer having reference number 25-14357-6457100 was charged under tariff B1 instead of under tariff A-2c while another consumer having reference number 28-14358-6442605 was charged under tariff D-2b instead of A-2c. Hence, an amount of Rs.1.28 million was less recovered from consumers due to wrong application of tariff.

Non-adherence to Corporate Governance rules resulted in loss of Rs.1.278 million due to wrong application tariff during the Financial Year 2022-23

The matter was taken up with the management in November, 2023 and reported to the Ministry in December, 2023. The management replied that tariff of the consumers had been changed to A-2 (C).

The DAC in its meeting held on December 14 & 15, 2023 directed the management to get the record verified from Audit within 15 days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No.1102/2023-24)

1.4.78 Irregular working of private persons in operation subdivisions with the connivance of FESCO employees

According to Rule-5(5) of Public Sector Companies (Corporate Governance) Rules, 2013, “The Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders.”

During audit of CEO FESCO, it was observed that Vigilance Directorate of Power Planning and Monitoring Company (PPMC) reported working of twenty-one (21) private persons as linemen/meter readers in operational subdivisions. Moreover, a fatal accident of a private person while working on LT line was also reported by the said Directorate. This warranted a detailed inquiry of matter for taking disciplinary actions against the FESCO employees responsible for connivance with private persons but the same was not done.

Non-adherence to the provisions of corporate governance rules resulted in irregular working of private persons in operation subdivisions with the connivance of FESCO staff during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that incident of fatal accident was investigated by Standing Committee on investigation of Fatal/ Non-Fatal accidents and officers / officiasl held responsible were penalized according to E&D Rules. Audit contended that working of private persons in operation divisions of FESCO as reported by Vigilance Directorate of PPMCL needed to be investigated for taking strict actions against FESCO employees responsible for connivance with private persons.

The DAC in its meeting held on December 20 & 21, 2023 did not agree with the management reply and directed to investigate the matter for taking strict disciplinary actions against the official (s) / officer (s) held responsible within 30 days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 948/2023-24)

1.4.79 Loss of energy due to illegal electrification by the consumers

According to Rule-5(5) of Public Sector Companies (Corporate Governance) Rules, 2013, "The Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders."

During audit of CEO IESCO, it was observed that two consumers' transformers and HT /LT poles were installed without the approval of IESCO on plotting area at Khasra No.392, 1080 etc., at Mouza Phulgharan, BharaKahu, Islamabad. FIA raided at sight and initiated an inquiry, the outcome of which was still awaited.

Non-adherence to Corporate Governance Rules resulted in loss of energy due to illegal electrification of consumers during the Financial Year 2022-23.

The matter was taken up with the management in November, 2023 and reported to the Ministry in December, 2023. The management replied that the illegal electrification was carried out by the owner of the Society / Plotting area. However, the owner of said plotting area approached C.E (P&E) IESCO for proper sanction of external electrification.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to get the record verified from Audit in support of reply within 15 days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.961/2023-24)

Concluding Recommendations

Unsatisfactory operational management constitutes an area of significant internal control lapses in the distribution companies. It entails both financial losses as well as operational in-efficiency in the power sector. Strict adherence to established standards and SoPs for tariff assessment, load management, extension of load and installation of additional equipment are needed to address the issue. Prompt action against all those responsible for the subject operational shortcomings is also required to be taken across the board. Furthermore, efforts are needed to expedite recoveries identified by Audit.

1.5 Unsatisfactory Asset Management

The companies are managing assets having worth billions of rupees. Further, every year additional assets are continuously being replaced/upgraded to meet the growing electricity demands of the country. Each entity has a designated Material Management Department to manage the allocation and utilization of electrical equipment for different works and for their record keeping at different stores. In this context, gaps in the asset management practices are a major gray area and a significant operational challenge for the distribution companies.

The Material Management data is partially automated across the DISCOs/NTDC and use of manual forms and sheets remain entrenched in the companies. There are various anomalies in the manual record keeping processes. For example, there are differences between material issued from stores and those installed at sites. Return of surplus material to stores is commonly found wanting. The final utilization of material is not properly maintained on different occasions. Transfer of installed material from site A to site B is also based on manual records with no system-based reconciliation. Thus, there is an overall lack of transparency and accuracy in the material management process creating an environment vulnerable to irregular/illegal practices in the DISCOs/NTDC having financial implication and creating organizational in-efficiencies.

Moreover, allied aspects of asset management have entailed timely disposal of unserviceable material as well as rationalization of store items. Unnecessary purchase of material without planning and forecasting has resulted not only in blockage of company funds but also the material is losing its shelf-life and warranty without ever being put to use.

On the above lines, audit has analyzed the asset management issues in the DISCOs/NTDC from different aspects: firstly, at company level and secondly on sample basis at operation / circle level to highlight the in-efficiencies, lack of transparency, irregularities and internal control lapses incurred by the companies as illustrated in the following paras:

1.5.1 Loss due to payment of interest on delayed payment to PMLTC on account of HVDC transmission line charges – Rs.49,070.92 million

As per Section 9.4 (a) (iii) at any time following the Commercial Operations Date on or after first (1^{st}) Business Day of each month, the Company may submit an invoice, complete in all respects, to the purchaser stating any interest payable hereunder on an amount not paid by the due and payable date, showing the calculation of such claimed interest in reasonable detail.

During audit of General Manager HVDC (NTDC) Lahore, M/s Pak Matiari-Lahore Transmission Company (PMLTC) invoiced Rs.1,338.59 million to NTDC on account of transmission charges, and Rs.47,732.33 million interest charges, which was piling up day by day. As per agreement, NTDC was responsible to pay delayed payment charges and interest charges which was Rs.49,070.92 million to PMLTC. This state of affairs showed the poor performance of the company resulting in loss to stated extent.

Non-adherence to the contract clause resulted in loss of Rs.49,070.92 million due to payment of interest on delayed payment to PMLTC on account of HVDC transmission line charges during the Financial Year 2022-23.

The matter was reported to the management in September 2023 and reported to the Ministry in November, 2023. The management replied that Interest on Account of delayed payments by PMLTC had been invoiced by NTDC to CPPA-G.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to submit the revised reply and get the record verified from audit within thirty (30) days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No. 1.6.3 having financial impact of Rs.21,956.85 million. Recurrence of same irregularity is a matter of serious concern.

(Draft Para No. 616/2023-24)

1.5.2 Loss due to damage of electrical material – Rs.9,362.04 million

According to Rule-5(5) of Public Sector Companies Corporate Governance Rules-2013, "the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders".

During audit of DISCOs and NTDC, it was observed that electrical material comprising distribution transformers and other items valuing Rs.9,362.04 million were damaged. In most of the cases, the administrative action was neither initiated nor finalized to find out the reasons for fixing responsibility. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	FESCO	585/2021-22,167,1108,1129 & 1142/2023-24	209.37
2.	GEPCO	35,36 & 353/2023-24	371.34
3.	HESCO	792/2023-24	470.94
4.	IESCO	140,146 & 228/2023-24	381.87
5.	MEPCO	938/2023-24	182.83
6.	PESCO	388,553 & 1058/2023-24	4,863.27
7.	QESCO	455 & 1113/2023-24	1012.62
8.	SEPCO	18 & 588/2023-24	1678.74
9.	TESCO	190/2023-24	5.67
10.	NTDC	560 & 579/2023-24	185.39
		TOTAL	**9,362.04**

(Source: Progress Reports of Damages of DISCOs)

Non-adherence to the rules resulted in loss of Rs.9,362.04 million due to damage of electrical material up to the Financial Year 2022-23.

The matter was taken up with the management during March to April, 2023 & August to October, 2023 and reported to the Ministry during June, 2023 & October to December, 2023. The management replied that in some cases, inquiry committees were concluded and held no one responsible for damages, while in other cases, the inquiry committees had been constituted.

The DAC in its meeting held on August 26 & September 09, 2023 and December 14-23, 2023directed the management to provide the revised reply case to case basis, expedite the inquiry proceedings and submit its reports to audit within a month. As regards the MEPCO, DAC directed to inquire the matter at PPMCL level and submit its report to audit within 30 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No. 1.5.5 having financial impact of Rs.5,767.35 million. Recurrence of same irregularity is a matter of serious concern.

1.5.3 Non-return of dismantled / healthy electrical material to store – Rs.2,126.30 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.

During audit of DISCOs, it was observed that electrical material valuing Rs.2,126.30 million was dismantled from various works. The dismantled material was required to be returned to store but needful was not done. No departmental action was taken against the quarter concerned for non-return of material to store. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	GEPCO	244, 248, 252 & 356/2023-24	118.24
2.	HESCO	411/2023-24	12.14
3.	IESCO	151, 225 & 227/223-24	83.40
4.	LESCO	804/2023-24	9.74
5.	MEPCO	286 & 901/2023-24	95.28
6.	PESCO	381, 399, 852 & 927/2023-24	55.65
7.	QESCO	08, 391, 425, 463 & 867/2023-24	1,650.06
8.	SEPCO	234/2023-24	2.38

9.	TESCO	827, 841 & 1091/2023-24	29.97
10.	NTDC	487/2023-24	69.44
		TOTAL	**2,126.30**

(Source: Completion Reports / A-90)

Non-adherence to Distribution Stores / Accounting Manual resulted in non-return of dismantled electrical material amounting to Rs.2,126.30 million to store up to the Financial Year 2022-23.

The matter was taken up with the management in March to June, 2023 & August to October, 2023 and reported to the Ministry in June, 2023 & October to December, 2023. The management replied that in some cases the material had been returned, while in remaining cases the material would be returned to store.

The DAC in its meetings held on September & October 09, 2023 and December 14-23, 2023 directed the management to get the record of completed action verified from audit within a week and to complete the pending action within a month expeditiously. No further progress was intimated till finalization of the report.

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

1.5.4 Blockage of funds due to non-completion / capitalization of works - Rs.554.45 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". 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.

During audit of GEPCO and HESCO, it was observed that 154 LT proposals and grid station worth Rs.554.45 million were either lying incomplete or completed but not capitalized. 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 /

capitalization of the said works, desired benefits could not be achieved. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	No. of works	Amount (Rs.in million)
1.	GEPCO	367/2023-24	153	177.62
2.	HESCO	722/2023-24	01	376.83
		TOTAL	**154**	**554.45**

(Source: Progress Reports of DISCOs)

Non-adherence to WAPDA Distribution Rehabilitation Guidelines resulted in blockage of funds amounting to Rs.554.45 million due to non-completion / capitalization of works up to the Financial Year 2020-23.

The matter was taken up with the management September, 2023 and reported to the Ministry during October to November, 2023. The management replied that some of the works had been fully/partially completed and remaining portion of the works was pending due to non-availability of material, public hindrance and ROW problems. It was further added that 132 kV Grid station Sakhi Wahab was commissioned with one power transformer and other power transformer would be commissioned as per requirement of load.

The DAC in its meeting held on December 14-23, 2023directed the management to expedite the matter and record of completed action be provided to audit for verification within a month. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No. 1.5.3 having financial impact of Rs.10,150.21 million. Recurrence of same irregularity is a matter of serious concern.

1.5.5 Wasteful expenditure incurred on pay and allowances of employees of defunct power plant Kotri - Rs.546.569 million

According to Rule-5(5) of Public Sector Companies Corporate Governance Rules-2013, "the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders".

During audit of GENCO Holding Company Limited, Cabinet Committee on Energy had given approval for closure of GTPS Kotri Power Plant immediately on 21st September, 2020. The employees of kotri plant were declared surplus and adjusted in HESCO. However, the employees of Kotri Power Plant took stay order from Sindh High Court despite closure of plant and 287 employees were still posted in Kotri Power Plant. A payment of Rs.546.569 million had been paid to these employees on account of pay and allowances. Hence, payment of huge expenditure on account of pay and allowances to the idle staff after the closure of power plant was wasteful.

Non-adherence to Corporate Governance Rules resulted in Wasteful expenditure of Rs.546.569 million incurred on pay and allowances of employees of defunct power plant Kotri up to the Financial Year 2022-23.

The matter, first raised with management in September 2023 and then reported to the Ministry in November 2023, revolves around GTPS Kotri employees under JPCL Management. Despite a Stay Order, they remained under the company's management, making JPCL liable for their salaries. This obligation persisted throughout the status quo and was reinforced by the Sindh High Court's stay order in C.P No: 3346/2021 dated May 27, 2021.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to pursue the court case vigorously for early finalization. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 598/2023-24)

1.5.6 Blockage of funds due to non-utilization of augmented transformers - Rs.380.00 million

As per Para-5 of Memorandum bearing No.C/78/13384-584, dated January 17, 1978, relating to irregularities in purchases of stores and equipment provides that the material is required to be purchased in view of its maximum utilization in the near future.

During audit of GSO PESCO Peshawar, 20 power transformers of various capacity valuing Rs.380.000 million were lying at various grid stations for augmentation purpose but the same were not utilized. Unnecessary retention of transformers was not only blocking the funds but also their cost was deteriorating with the passage of time.

Non-adherence to the authority's instructions resulted in non-utilization of transformers as well as blockage of funds amounting to Rs.380.000 million.

The matter was taken up with the management in August, 2023 and reported to the Ministry in October, 2023. The management replied that the PESCO management had strategized the utilization of the replaced 20/26 MVA transformers for upcoming sub-projects and four 10/13 MVA transformers had been offered to other DISCOs on cost deposit basis.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to submit revised reply and provide utilization plan of transformers lying for augmentation within 15 days to audit. No further progress was intimated till the finalization of the report. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.200/2023-24)

1.5.7 Blockage of funds due to unnecessary purchase of electrical material - Rs.282.98 million

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

During audit of DISCOs, electrical material of different nature valuing Rs.282.98 million were lying spared/unutilized in regional/field Stores since long. Thus, Company's funds were blocked due to irrational purchase of electrical material. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	MEPCO	1296/2023-24	248.016
2.	QESCO	179/2023-24	34.959
TOTAL			**282.975**

(Source: Stock Inventory Report of DISCOs for the year 2022-23)

Non-adherence to authority instructions resulted in blockage of funds due to unnecessary purchase of electrical material valuing Rs.282.97 million up to the Financial Year 2022-23.

The matter was taken up with the management in August & November, 2023 and reported to the Ministry in October & December, 2023. The MEPCO management replied that most of the material had been utilized. The QESCO management replied that these were slow moving items and would be utilized in due course of time.

The DAC in its meeting held on December 20 to 23, 2023 directed the MEPCO to get verify the record of completed action and expedite the balance material vigorously. As regards to QESCO, DAC directed the management to inquire the matter and submit its recommendation to audit within 30 days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

1.5.8 Delay in repairing of damaged power transformers - Rs.178.00 million

According to the instructions issued by WAPDA dated July 17, 1982, "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".

During audit of Manager GSO PESCO Peshawar, five (05) Power Transformer of different capacities had been with manufacturers for repair since long but the said Power Transformers were not received back even after payment of 50% charges. Audit is of the view that delay in repairing of such valuable and highly desired transformers may cause financial loss as well as deterioration in the cost of precious assets.

Non-adherence to authority's instructions resulted in delay of repairing the highly valuable power transformers.

The matter was taken up with the management in August, 2023 and reported to the Ministry in October, 2023. The management replied that delay in repairing of power transformers with PEL was mainly due to closure of LC by

GoP; whereas on the other hand, due to ongoing privatization process of M/S HEC, the delay in repair of the said power transformers occurred which was inevitable.

The DAC in its meeting held on December 14 & 15, 2023 directed to finalize the matter within 15 days and get the record verified from audit. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 199/2023-24)

1.5.9 Loss due to shortage of electrical material / transformers' parts – Rs.142.37 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".

During audit of DISCOs and NTDC, it was observed that 3,810 damaged distribution transformers of different capacities were physically checked by the inspection committee and shortage of copper winding & oil was pointed out. Moreover, shortage of electrical material was also pointed out in stock verification reports of NTDC. Hence, companies sustained loss of Rs.142.37 million due to shortage of material. 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 Transformers Checked	Amount (Rs.in million)
1.	FESCO	963/2023-24	483	2.67
2.	GEPCO	324, 355 & 689/2023-24	1,620	4.55
3.	LESCO	904/2023-24	247	25.79
4.	MEPCO	437, 911 & 919/2023-24	1,361	63.06
5.	SEPCO	585/2023-24	99	22.16
6.	NTDC	132 & 471/2023-24	0	24.14
		TOTAL	**3,810**	**142.37**

(Source: Transformer Reclamation Workshop list of DISCOs)

Non-adherence to rules resulted in loss of Rs.142.37 million due to shortage of electrical material / transformers' parts up to the Financial Year 2022-23.

The matter was taken up with the management in August to November, 2023 and reported to Ministry in October to December, 2023. The management replied that in some cases, recovery had been effected and inquiry was also under process.

The DAC in its meeting held on August 26, 2023 and December 14-23, 2023 directed themanagement to inquire the matter, expedite the recovery and get the record of completed action verified from audit within 30 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No. 1.4.26 having financial impact of Rs.139.33 million. Recurrence of same irregularity is a matter of serious concern.

1.5.10 Loss due to missing transformers with allied material and non-recovery of fixed charges from crush machines – Rs.61.32 million

According to the instructions issued by WAPDA dated July 17, 1982, "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."

During audit of Operation Circle Attock IESCO, arrear of fixed charges amounting to Rs.13.88 million was outstanding against fifty-three (53) crush machines of Margalla and Sangjani Sub-Division of Attock Circle, which were disconnected on the directions of Honorable Supreme Court during 2016. However, proper EROs were not implemented to remove and return transformers and allied material amounting to Rs.47.447 million to store. It was also observed from the departmental communication that the meters, transformers and allied material of these consumers were not found on the site when the reading staff approached the site for reading of Batch No.27.

Resultantly, IESCO was put into loss of Rs.61.32 million in shape of non-recovery of arrear (fixed charges) on one h and theft of material from the site on the other hand.

Non-adherence to authority's instruction/rules resulted in loss due to missing transformers with allied material and non-recovery of fixed charges from crush machines amounting to Rs.61.32 million up to Financial Year 2021-22.

The matter was taken up with the management in March, 2023 and reported to the Ministry in June, 2023. The management intimated that the reply would be given after checking/consulting of record.

The DAC in its meeting held on October 09, 2023 directed the management to submit revised consumer-wise reply providing detail of recovery of minimum charges and status of other actions within 07 days. No further progress was intimated till the finalization of the report.

Audit recommends that the management needs to investigate the matter at higher level for fixing responsibility upon the person(s) at fault besides insuring recovery of arrears and material.

(Draft Para No.149/2023-24)

1.5.11 Loss due to non-repair of defective power transformers - Rs.47.80 million

According to Para-5 (5) of Public Sector Companies (Corporate Governance) Rules, 2013 "the board shall establish a system of sound internal control, which will be effectively implemented at all levels within the public sector company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders.

During audit of GSO SEPCO, three (3) 31.5/40 MVA PEL make Power Transformers were tested by P&I but results of Capacitance and Dissipation Factor (C&DF) and insulation resistance became abnormal & beyond permissible limits. As a precautionary measure, these power transformers were isolated from the system in December, 2017 and March, 2021 so as to save them for possible damages. The defective Power transformers were required to be repaired so as to bring back in operation. M/s PEL offered to repair these transformers at cost of Rs.14.90 million in October, 2019 but the matter remained undecided. Later on, PEL increased its rate toRs.14.90 million per transformer totalling Rs.44.70 million in June 2021, which was again revised toRs.20.90 million per transformer with total cost of Rs.62.70 million. M/s PTESU offered to repaire these transformers at total cost of Rs.9.885 million in August, 2021 and Rs.20.736 million during October, 2021.

Non-decision of the management regarding repair of these transformers even after elapsing a period of almost five years increased the repair cost.

Weak operational management resulted in loss due to non-repair of defective power transformers amounting to Rs.47.80 million up to the Financial Year 2021-22.

The matter was taken up with the management in March, 2023 and reported to the Ministry in June, 2023. The management replied that the case was put-up before Procurement Committee, SEPCO BOD for approval in its meeting held on November 28, 2022. Committee deferred the agenda with the directions to provide the detailed report of powers transformers purchased (LOT-wise) installed and expiry of warranty period. Subsequently attending the queries, the case was resubmitted to the Company’s Secretary on April 12, 2023 for presenting the case before Procurement Committee.

The DAC in its meetings held on September 09, 2023 directed the management to pursue the case with the BoD. No further progress was intimated till the finalization of the report.

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

(Draft Para No.16/2023-24)

1.5.12 Extra expenditure incurred on rent of office building - Rs.36.638 million

According to Rule-5(5) of Public Sector Companies Corporate Governance Rules-2013, “the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders”.

During audit of GENCO Holding Company Limited Islamabad, rental space of 4480 square feet was available at 1st floor of Evacuee Trust Complex at the rate of Rs.90/sq ft which was revised to Rs.108.90/ sq ft. However, GHCL signed a lease agreement of three years from January, 2017 to December 2019 with Overseas Pakistan Foundation for hiring office space for 4032 square feet area at

Rs.150/sq ft which was revised from January 2020 to December 2022 at a rate of Rs.187.5/ sq ft. In this way, GHCL paid extra payment of Rs.36.638 million on account of rent of office space for GHCL by not availing the cheaper rent rates.

Non-adherence to Corporate Governance Rules resulted in extra expenditure incurred on rent of office building amounting to Rs.36.638 million up to the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in November, 2023.The management replied that office acquired at Evacuee Trust Complex was @ Rs.108 per Sqft exclusive of energy and water charges. Whereas, OPF was acquired @ Rs.187.5 per sqft inclusive of electricity, water, gas charges and huge parking space for vehicles.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to submit revised reply along with detailed justification within one month. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 600/2023-24)

1.5.13 Non-replacement of rejected material by suppliers – Rs.35.99 million

According to Clause-11 (iii) & (iv) of the Purchase Order, "if the stores are rejected, the supplier may submit stores in replacement of those rejected but re-submission will not mean extension of delivery period and on final rejection, the Purchased shall have right either to purchase rejected goods at the cost & expenses of Supplier or to terminate the contract and recover the loss the Purchaser may thereby incurs/forfeits 10% Performance Security."

During audit of GENCO-II, three (03) purchase orders were issued to the different suppliers for procurement of material valuing Rs.35.99 million. The said material in all three purchase orders was received in stores but the same was rejected by the inspection committees. However, in the light of provisions of purchase orders, the rejected material was neither got replaced from the suppliers nor certain punitive actions was taken against the said suppliers by the management.

Non-adherence to the provisions of Purchase Orders resulted in non-replacement of rejected material by suppliers amounting to Rs.35.99 million during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023. The management replied that in one case, the material had been replaced, while in remaining two cases, the banks were approached for encashment of performance guarantee, but one firm lodged a complaint to Federal Ombudsman Karachi and the case file of other firm was moved for cancellation of P.O. Further progress would be intimated to audit accordingly.

The DAC in its meeting held on December 22 & 23, 2023 directed the management to get the record of completed action verified from audit within a week and expedite the pending actions. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para.765/2023/24)

1.5.14 Blockage of repairable power transformer – Rs.33.53 million

As per clause 10.2 (c) of general provision of SOP for grid system operation and maintenance, it is the primary responsibility of each employee of the NTDCL&DISCOs to keep the NTDCL&DISCOs system and its component apparatus/equipment in safe operating condition within their design parameters.

During audit of Technical Services NTDC, Lahore alongwith Chief Engineer TSG (North) NTDC, Lahore, 160 MVA power transformer amounting to Rs.33.53 million was manufactured in 1997 and commissioned at the Grid station Kala Shah Kaku on 28.08.1999. The said transformer was tripped on 20th June, 2010 due to damage of 132 kV red phase of 132 /11 kV transformer T4. The damaged transformer was lying in the switchyard since 2010 due to unavailability of space at repair bay of PTESU. The TSG Directorate after a lapse of 10 years conducted the physical inspection to submit the technical report on reparability of the subject damaged transformer on 09th December, 2020. As per their assessment, the transformer was repairable and the tentative cost of repair was about Rs.18.00 million excluding transportation, external accessories and other imported material of transformer etc. Furthermore, the damaged transformer had not been shifted to PTESU work shop till March, 2023.

The management totally failed to perform its duties of technical inspection to determine the actual loss even after lapse of 13 years.

Non-adherence to the instruction of SOP of grid system operation and maintenance resulted in blockage of repairable 160 MVA power transformers amounting to Rs.33.529 million up to the Financial Year 2021-22.

The matter was taken up with the management in March, 2023 and reported to the Ministry in June, 2023. The management replied that due to restrictions under Covid-19 pandemic, transformer could not be shifted to the PTESU Lahore. However, HEC Hattar had been requested to provide estimates/ quotations for the repair of the said transformer, which was still awaited. The management also appraised that inquiry was under process.

The DAC in its meetings held on August 26, 2023 directed the management to complete this inquiry within 30 days and share its result with audit. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 125/2023-24)

1.5.15 Non-return/non-write off of loss due to damages of flood and heavy wind storm - Rs.31.98 million

According to Para-III(3) of Guidelines for enforcing the responsibility for losses sustained by the authority through fraud or negligence of individuals, 1982, "When the preliminary investigation shows that the loss is not due to theft, fraud or neglect it will be written off by the competent authority in consultation with the manager Finance concerned or his local representative."

During audit of TESCO, various electrical material worth Rs.31.98 million was damaged due to flood and heavy wind storm. However, TESCO Authority neither conducted preliminary investigation / inquiries to assess the existed material on the site of damage, nor any action was taken to write off the loss.

Non-adherence to Authority Guidelines resulted in loss of Rs.31.98 million due to non-return / non-write off of loss due to damages due to flood, heavy wind storms up to the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that the matter was being taken up with concerned quarters and the progress would be shared with audit.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to inquire the matter and the appropriate action under the rules within 30 days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 985/2023-24)

1.5.16 Misuse of vehicles due to attachment with Ministry/other offices and officers posted at head quarter caused unauthorized expenditure on account of POL - Rs.21.28 million

According to Corporate Governance Rules (5) The Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders. As per GM (HR) NTDC letter No. GM(HR)/DDS/AM(TPT)/1955-65 dated November 18, 2022 "NTDC vehicles allocated / attached / provided from NTDC H/Q Pool to BPS-17 & 18 officers (Working under H/Q NTDC) are hereby detached and further attached with transport pool H/Q NTDC, Lahore with immediate effect".

During audit of NTDC, twelve (12) vehicles were attached with the Ministry of Energy/other offices and thirteen (13) vehicles were attached with the officers (BPS-17 & 18) of NTDC, who were performing their duties in Head Quarter NTDC. The attachment of said vehicles was un-justified/illegal which resulted in unauthorized/irregular expenditure of Rs.21.28 million on account of POL charges. The detail is as under:

Sr. No.	Draft Para No.	Amount (Rs.in million)
1.	828 /2023-24	14.18
2.	979/2023-24	7.10
	TOTAL	**21.28**

(Source: Vehicle Register of NTDC for the year 2022-23)

Non-adherence to rules resulted misuse of vehicles due to attachment with ministry/other offices and officers posted at head quarter caused unauthorized expenditure on account of POL amounting to Rs.21.28 million up to the Financial Year 2022-23.

The matter was taken up with the management in November, 2023 and reported to the Ministry in November & December, 2023. The management replied that being superior office and supervisory authority, vehicles were attached with Ministry of Energy (Power Division) Islamabad on temporary basis in order to meet with the exigency of work and office orders regarding detachment of vehicles from officers of NTDC were withdrawn by ab-initio by the issuing authority.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to justify attachment of vehicles under relevant rules and get its stance verified with documentary evidences from Audit within 30 days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No. 1.13.27 having financial impact of Rs.29.54 million. Recurrence of same irregularity is a matter of serious concern.

1.5.17 Non-utilization of saving against completed schemes - Rs.14.92 million

According to Clause 4(vi) of Revised Guidelines for Sustainable Development Goals Achievement Program (SAP) issued through Notification of Cabinet Division Islamabad dated June 13, 2022, Savings against the schemes completed can be utilized against new schemes under SAP in the same District.

During audit of Project Directorate (Construction) HESCO, an amount of Rs.14.923 million was saved out of execution of village electrification schemes under Sustainable Development Goals against the completed schemes for the Financial Year 2020-21. These funds were required to be utilized against new schemes but the management neither utilized these funds nor surrendered. Audit maintained that the non-utilization of funds occurred due to weak internal controls and inadequate oversight mechanism for enforcing relevant rules and regulations.

Non-adherence to Cabinet Division guidelines resulted in non-utilization of saving amounting to Rs.14.92 million against completed schemes during the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in October, 2023. The management replied that funds of village electrification schemes were allocated under SDGs during 2020-21 for District Badin against 52 schemes. Eleven schemes were incomplete due to right of way problems, the final positions of funds/savings (if any) would be worked out after completion of all schemes and savings if found would be utilized against fresh schemes.

The DAC in its meeting held on December 22 & 23, 2023 directed the management to expedite the completion of pending schemes and get the record verified from Audit. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 405/2023-24)

1.5.18 Loss due to non-repair of defective 20/26 MVA power transformer - Rs.13.97 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 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".

During audit of GSO Circle SEPCO, one (1) No. 20/26 MVA Transformer (Iran) make Power Transformer became defective on 19.8.2018 at 132 kV Grid Station Pano Akil. The defective Power transformer was required to be repaired so as to bring back in operation. In August, 2020 the management decided not to get it repaired, keeping in view its previous history of damage. However, in November, 2021, the management again decided to repair the subject transformer from PTESU Workshop.

Inefficient decision making of the management caused non-shifting of transformer for repair even after lapse a period of more than four years.

Non-adherence to Authority's instruction resulted in loss of Rs.13.97 million due to non-repair of defective power transformer up to the Financial Year 2021-22.

The matter was taken up with the management in March, 2023 and reported to the Ministry in June, 2023. The management replied that PD GSC had approached PTESU Workshop Kot Lakhpat for repair of Power Transformer and it would be repaired within one month.

The DAC in its meetings held on September 09, 2023 directed the management to initiate inquiry at management level under monitoring of CEO and submit the report to audit within 30 days. No further progress was intimated till the finalization of the report.

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

(Draft Para No. 11/2023-24)

1.5.19 Irregular drawl of material after completion of works - Rs.13.14 million

According to Para-2.2 of Distribution Store Manual, the material in excess of requirement must not be drawn.

During audit of Project Construction GEPCO, ten (10) electrification works under the head deposit & SDG works were completed up to September, 2021 to December, 2022 and in some of the cases M/s BARQAAB Consultants had carried out physical verification and prepared A-90 (completion reports). Subsequently, electrical material amounting to Rs.13.14 million was drawn through Store requisition against the said completed works as evident from SRs and Material Site Account. Since the said works were completed, hence, drawl of material against them was irregular.

Non-adherence to GEPCO's Accounting Manual resulted in irregular drawl of material of Rs.13.14 million after completion of works up to the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in October, 2023. The management replied that all the XENs were directed to adjust the material of completed works drawn from store within least possible time.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to inquire the matter for fixing responsibility and submit its report within a month. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.255/2023-24)

1.5.20 Non-recovery of rent from occupants / contractor – Rs.13.00 million

According to Director (Services) PEPCO office letter dated January 19 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".

During audit of DISCOs & GENCO-II, it was observed that an amount of Rs.13.00 million was recoverable from 204 occupants / contractor on account of rent of accommodation. Neither the accommodations got vacated from these occupants nor rent of Rs.13.00 million was recovered from them. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	No. of Occupants	Amount (Rs.in million)
1.	LESCO	910/2023-24	1	1.42
2.	QESCO	05/2023-24	49	3.80
3.	GENCO-II	1093/2023-24	151	5.46
4.	NTDC	561/2023-24	3	2.32
		TOTAL	**204**	**13.00**

(Source: Correspondence files of formation)

Violation of the instructions resulted in non-recovery of Rs.13.00 million on account of rent from occupants / contractor up to the Financial Year 2022-23.

The matter was taken up with the management in March to October, 2023 and reported to the Ministry during June to December, 2023. The management replied that efforts were being made for recovery of rent.

The DAC in its meetings held on December 14, 2023 to December 23, 2023 directed the management to expedite the recovery of renal charges and get the completed actions verified from audit within 60 days. No further progress was reported till the finalization of report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No. 1.13.18 having financial impact of Rs.106.14 million. Recurrence of same irregularity is a matter of serious concern.

1.5.21 Loss due to leakage of newly installed 160 MVA Auto Transformer - Rs.12.960 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".

During audit of Project Directorate EHV-I NTDC Islamabad, a 160 MVA Auto Transformer T-7 was recently installed in 220 kV Grid Station NTDC Sangjani, Islamabad and commissioned on April 14, 2022. However, Chief Engineer, A.M (North) highlighted excessive oil leakage from radiator tubes since its commissioning of subject cited transformer. The oil leakage was so excessive that large number of oil drums were being topped up after every 40 days in transformer with oil valuing of Rs.12.96 million. That shows serious concerns regarding the quality of such costly transformers and required to be inquired, which was not done by the management.

Non-adherence to Authority instructions resulted in loss of Rs.12.96 million due to leakage of newly installed 160 MVA Auto Transformer at 220 kV Grid Station Sangjani up to the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in November, 2023. The management replied that the said transformer was already repaired and was allocated for installation at 220kV grid Station Sangjani to attend NTDC system constraint. During the erection activities, no leakage issue was observed and transformer was successfully commissioned on April 14, 2022 and handed over to the AM North Formation.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the record verified from audit in support of reply within 15 days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 726/2023-24)

1.5.22 Loss on account of abandoning the constructed tower foundation due to poor planning & coordination with Irrigation Department – Rs.12.60 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”.

During audit of Project Directorate EHV-I NTDC Islamabad, a Contract No. 3217 (R3)-1C Phase-II (Lot-I) Transmission Scheme for Dispersal of Power from Neelum Jhelum Hydropower Project and construction of 500 kV Double Circuit Quad Bundle Transmission Line was awarded to M/s NCL-AEL JV Lahore. Tower No. 118 was installed in Jalalpur Canal without any planning / communication with irrigation department. Though the relocation of Tower No. 118 was under discussion between NTDC and Irrigation Department, yet the contractor M/s Ghulam Rasool & Company dismantled Tower No. 118 as foundations were creating hindrance in the canal’s construction activities. Due to poor Planning & Coordination with irrigation department, NTDC had to bear loss of Rs.12.60 million on account of construction of foundation.

Non-adherence to Authority Guidelines resulted in loss of Rs.12.60 million on account of abandoning the constructed tower foundation due to poor planning & coordination with Irrigation Department up to the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in November, 2023. The management replied that the Transmission Line route was finalized on February 19, 2018, with tower stacking on February 15, 2019, and construction starting February 18, 2019. No canal markers were reported by the survey team, and neither landowners nor the Irrigation Department mentioned a proposed canal. Foundation construction began on April 25 and finished on June 28, 2019, without interference. Despite ROW issues and ongoing correspondence with the Irrigation Department, no action had been taken by the irrigation authorities regarding the canal's impact on the tower's location.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to hold inquiry and get it verified from audit within fifteen (15) days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 594/2023-24)

1.5.23 Loss due to replacement of substandard Disc Insulators - Rs.11.80 million

According to Section-III (1) of WAPDA Guidelines for enforcing Responsibility for losses due to fraud, theft or negligence of individuals, 1982, All losses whether of public money or of 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.

During audit of EHV-II NTDC Multan, three (03) contracts valuing Rs.11.80 million were awarded to different contractors for replacement of Electrical Equipment Manufacuring Company (EMCO) made Disc Insulators with China Make Disc Insulators for evacuation of power from wind power plants situated in Jhampir / Gharo. Chief Engineer (EHV-II) NTDC, Hyderabad reported that existing installed EMCO make disc insulators were creating problems and causing frequent tripping / break down due to the failure of 80/100 KN Fog Type Disc Insulators and replaced the inferior quality with better quality of disc insulators. Hence, NTDC sustained a loss of Rs.11.80 million due to replacement of substandard disc insulators.

Non-adherence to the authority's instructions resulted in loss of Rs.11.80 million due to replacement of substandard disc insulators during the Financial Years 2021-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in November, 2023. The management replied that the insulators for the 220 & 132kV Jhampir Substation transmission lines were procured by NTDC following PPRA rules and tested as per IEC/NTDC/WAPDA standards. Despite no specific study on trippings, environmental factors like increased pollution had caused issues. NTDC resolved quality concerns with supplier EMCO, resulting in a compensation of Rs.83,000,000 and return of faulty insulators for analysis, necessitating replacements on the transmission line.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the record verified from audit in support of reply within 15 days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 636/2023-24)

1.5.24 Irregular drawl of material after completion of works - Rs.10.19 million

According to Para-2.2 of Distribution Store Manual, the material in excess of requirement must not be drawn.

During audit of Project Construction Directorate FESCO, eleven (11) electrification works under the head deposit & SDG works and LT Proposals were completed and handing/taking over of work and capitalized accordingly. Completion reports (A-90s) of all works had been prepared and vetted by consultants. However, it was noticed that subsequently, electrical material amounting to Rs.10.19 million was drawn through Store Requisition against the said completed works as evident from Job Cards. Since the said works were completed, hence, drawal of material against them was irregular.

Non-adherence to FESCO's Accounting Manual resulted in irregular drawl of material amounting to Rs.10.19 million after completion of works during the Financial Years 2021-23.

The matter was taken up with the management on October, 2023 and reported to the Ministry in November, 2023. The management replied that major material was drawn before completion of works and only less/ excess material as pointed out by M/s BARQAAB had been returned/ drawn from store after completion.

The DAC in its meeting held on December 20 & 21, 2023 DAC did not agree with reply of the management and directed to inquire the matter at Technical Director level for fixing of responsibility within 30 days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 537/2023-24)

1.5.25 Excess expenditure incurred after completion of Grid Station - Rs.5.69 million

According to Rule-2A (a) of public sector companies corporate Governance Rule 2013 regarding sound and prudent management "the business of the Public Sector Company is carried out with integrity, objectivity, due care and the professional skills appropriate to the nature and scale of its activities".

During audit of GSC FESCO, 132 kV Grid Station Allied Faisalabad was completed and energized on March 29, 2023 whereas G&M Operation FESCO directed for emergent civil work for up-gradation and security of residents: i) Construction of boundary wall to separate new grid station area from residential colony, ii) Earth filling behind control house building to avoid accumulation rain water and iii) Alternate approach roads to grid. The estimate was prepared on the basis of measurement taken by Sub-Engineer Civil for above civil work worth Rs.4,947,704/-. This civil work was not included in the list of approved works by the competent authority, while the estimate was prepared only on the verbal directions of high ups. The work was done / estimate prepared on the sweet will of FESCO officer and tender was floated for above work and bidder M/s Faizan Building & Developer offered lowest rate 14.99% above BoQ worth Rs.5,689,359/-. The preparation of estimate for civil work after completion of grid station could not be admitted in audit.

Non-adherence to Corporate Governance Rules resulted in excess expenditure incurred after completion of grid station worth Rs.5.69 million during the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in November, 2023. The management replied that the works were carried out for safety / efficient operation of grid station.

The DAC in its meeting held on December 20 & 21, 2023 directed the management to inquire the matter for fixing responsibility with 30 days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 515/2023-24)

1.5.26 Non-adjustment / regularization of surplus material installed in excess of drawl – Rs.5.18 million

According to Para-2.2 of Distribution Store Manual, the material in excess of requirement must not be drawn. As per Para-75 of WAPDA Accounting Manual, 1978, "on completion of the 'work', the excess material will be returned to go down or transferred to another work".

During audit of Project Construction GEPCO, forty-three (43) completed electrical works, M/s BARQAAB Consultants had pointed out surplus installation of material valuing Rs.5.18 million in excess of actual drawn from store. This state of affairs was evident that either the surplus material was arranged from unknown sources or transferred from another work. The matter of surplus installation of material needed to be regularized / adjusted, which was not done.

Weak inventory management resulted in non-adjustment / regularization of surplus material valuing Rs.5.18 million installed in excess of drawl up to the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in October, 2023.The management replied that material of Rs.0.98 million was returned to store leaving material of Rs.4.20 million pending.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the record of completed action verified from audit within a week and complete the pending action within a month expeditiously. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.249/2023-24)

1.5.27 Recurring loss per month due to negligence of GHCL - Rs.3.272 million

According to Rule-5(5) of Public Sector Companies Corporate Governance Rules-2013, "the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders".

During audit of GENCO Holding Company Limited, operations of Lakhra Power Plant (GENCO-IV) were suspended on 20 July 2017 due to fire incident and remained suspended till date. All the staff posted at power plant was required to be posted/adjusted to other projects of power sector. However, 59 employees of BPS 1 to BPS 17 having monthly financial impact of Rs.3.271 million were engaged with defunct project. Due to poor handling of matters by GHCL, the staff was retained and sister organizations were asked to give loan to Fluidized Bed Combustor (FBC) Lakhra. An amount of Rs.1,840.647 million was taken as loan/financial assistance from other formation/finance division for payment of salaries to idle staff of defunct power plant. This state of affairs exhibited a failure on the part of GHCL being supervisory company of all GENCOs.

Non-adherence to the Corporate Governance Rules resulted in recurring loss of Rs.3.272 million per month due to negligence of GHCL up to the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in November, 2023. The management replied that Cabinet Committee on Energy declared LPGCL Lakhra as close and defunct, resultantly, all the employees became Surplus and were adjusted in Distribution companies.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to get the record in support of reply verified from audit within one month. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 599/2023-24)

1.5.28 Loss due to transportation charges for replacement of under warranty damaged power transformer - Rs.2.35 million

According to Rule-2A (a) of public sector companies corporate Governance Rule 2013 regarding sound and prudent management, the business of the Public Sector Company is carried out with integrity, objectivity, due care and the professional skills appropriate to the nature and scale of its activities.

During audit of XEN (GSC) TESCO, Peshawar a 20/26 MVA under warranty power transformer (T-2) was damaged at 132 kV grid station Jamrud. The damaged transformer was replaced through a private company and payment of Rs.2.35 million was made. It was the responsibility of manufacturer to get the under-warranty transformer replaced and repaired at his own cost. The incurrence of huge amount was quite unjustified and needed to be recovered from the manufacturer.

Non-adherence to rules resulted in loss due to payment of replacement charges amounting to Rs.2.35 million during Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in October, 2023. The Management replied that the said Power Transformer was replaced with new one in an urgency situation due to malfunctioning of said Power Transformer and to restore the supply to district administration, army installations, hospitals, industrials, commercial & domestic consumers.

The DAC in its meeting held on December 14 & 15, 2023 directed the management that the under warranty damaged transformers must be replaced at the cost of contractor and in this context the provisions of contract were needed to be pursued. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 287/2023-24)

1.5.29 Double / excess drawl of electrical material – Rs.1.14 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".

During audit of Operation Circle Sialkot GEPCO, electrical material valuing Rs.1.14 million was drawn twice / excess by field staff from stores for installation at the same site of work. This state of affairs was alarming and led to misappropriation of material.

Weak inventory controls resulted in double / excess drawl of electrical material amounting to Rs.1.14 million up to the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in October, 2023. The management replied that excess material of Rs.0.57 million had been returned to store, in one case of Rs.0.48 million, concerned LS had died and return of material of Rs.0.09 million was under process. Moreover, an inquiry committee had been constituted on December 15, 2023.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to expedite the inquiry and submit its report to audit within a month. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 358/2023-24)

Concluding Recommendations

Unsatisfactory asset management is a significant issue prevailing in the working of the DISCOs and other relevant entities / formations. It has created an environment for mal-practices and irregularities in their business. Practical steps from senior management of entities are required, on a sustainable basis, to ensure real-time and transparent recording of assets and asset management processes. In addition, careful objective planning is needed to avoid over-stocking. Lastly, inquiries for fixing of responsibility and affecting the recoveries may be held against cases highlighted by audit to ensure improvement in the system.

1.6 Contract Mismanagement and Procurement Shortcomings

The business process of DISCOs/NTDC entailed undertaking high-value contracts throughout the year. These included large-scale procurements of electrical equipment (transformers, poles etc.), distribution network expansion / repair works, general civil works and IT purchases. Significant donor-funded contracts were also executed. Prudence in contract making was essential to ensure that the contract works were completed within timeline with due regards to desired quality.

Contract mismanagement reflected anomalies and shortcomings present in contract process starting from the bid preparation stage till the work completion point. This included instances where open competition was not observed, the bid evaluation was not transparent, reserve price assessment carried out with little research, and cartelization among contractors was not tackled properly. Once lapses occurred at the contract award stage, it led to further irregularities during work execution.

Some of the issues linked with work execution included abnormal Extension of Time approvals (EOT) and short deduction of LD charges. In such cases the EOT was processed after the completion time of the contract rendering it unjustified. Short deduction of LD charges deprived the companies from due recovery.

Delays in execution of project-works not only resulted in cost overruns but more critically constituted a business failure case for the companies whereby the companies were unable to enhance/improve their business infrastructure from the desired project works. This meant that other activities linked with infrastructure development such as control over line losses also suffered.

Additionally, contract mismanagement also included aspects of unsatisfactory equipment testing and non-renewal/acquiring of performance/bank guarantees, non-adjustment of contractor advances etc. Unsatisfactory testing led to procurement of substandard material suffering from frequent faults. Non-adjustment of advances meant high-risk of overpayment to the contractor while non-renewal of performance guarantee implied that the company had not secured its interest if the contractor defaults against the contract terms.

On the above lines, audit has analyzed the combined issue of contract mismanagement and procurement shortcomings found in the DISCOs/NTDC/ GENCOs, on a sample analysis basis to highlight the inefficiencies, lack of transparency, irregularities and internal control lapses which is illustrated in the following paras:

1.6.1 Irregular award of contract to a non-responsive/disqualified bidder - Rs.57,722.20 million

According to clause 4.2(a) of section-III of qualification criteria and requirements of prequalification documents for 765 kV D/C Dasu-mansehra-Isalmabad overhead transmission line the bidder of Lot-I was required to have "contracts for Plant design, supply, installation, testing and commissioning of EHV (380 kV or higher voltage) overhead transmission line (OHTL), each of minimum value of US$ 100,000,000 and with accumulative length not less than 130 KM".

During audit of MP&M NTDC, a contract for Plant Design, Supply & Installation of 765 kV Hexa Bundle D/C Dasu-Mansehra-Islamabad transmission line (Dasu-Mansehra 157 KM) DASU-TL-01-Lot-I was awarded to M/s Sino Hydro Corporation at a contract price of total PKR 57,722.20 million (USD

23,061,109 + CNY 848,602,596 + PKR 30,304,368,141). The contract was awarded by Chief Engineer /PD Dasu and evaluated by GOPA International Energy Consultants Germany and evaluation was revised by General Manager P&CM. M/s Sino Hydro Corporation was the lowest bidder among the four (04) bidders according to bid evaluation report. During bid evaluation another firm, M/s Toper Consultants submitted a complaint to Federal Secretary, Power Division and claimed mis-representation of facts by M/s Sino Hydro Corporation. Ministry of Energy (Power Division) vide letter dated July 07, 2022 established that for Lot-I of subject contract, M/s. Sino Hydro had not executed a project worth US$ 300 million and did not have requisite experience. Surprisingly NTDC, instead of blacklisting the bidder on mis-representation of facts, awarded the contract to a non-qualified bidder.

Non-adherence to the provision of pre-qualification criteria resulted in irregular award of contract to a non-responsive/disqualified bidder amounting to Rs.57,722.20 million during the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in November, 2023. The management replied that there was no irregular award of contract to a non-responsive/disqualified bidder as whole procurement process was done under stringent supervision of World Bank and World Bank Procurement Guidelines referred in Loan Agreement signed by GoP and World Bank. The Contract was awarded on merit and NTDC saved USD 26 Million by awarding the contract to the lowest evaluated responsive bidder. Audit contended that the said matter had also been taken up by Senate Standing Committee.

The DAC in its meeting held on December 18 & 19, 2023 pended the para till the final decision of Senate Standing Committee.

Audit recommends implementation of DAC's decision.

(Draft Para No.592/2023-24)

1.6.2 Non-recovery of liquidated damages from contractors / suppliers – Rs.16,146.40 million

According to Clauses of the Contracts, "the rate of liquidated damages is 0.05% to 0.10% for each day of delay in completion of the works subject to a maximum of 10% of contract price".

During audit of DISCOs, NTDC and NPPMC, it was observed that 101 contracts/purchase orders were issued to contractors/suppliers for execution of different types of works/supply of material. The contractors/suppliers could not complete the works/deliver the material within stipulated period hence, they were liable to pay the liquidated damages of Rs.16,146.40 million but the same were not recovered. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	No. of cases	Amount (Rs.in million)
1.	FESCO	421,1105 & 1281/2023-24	23	291.26
2.	GEPCO	296 & 732/2023-24	03	10.22
3.	HESCO	631/2023-24	02	4.35
4.	LESCO	315 & 1002/2023-24	12	48.93
5.	MEPCO	1283/2023-24	01	1.11
6.	PESCO	886,889,915 & 997/2023-24	25	46.63
7.	SEPCO	238 & 662/2023-24	25	47.68
8.	NTDC	134,488,546,596,755,845 & 1306/2023-24	09	926.94
9.	NPPMC	823/2023-24	01	1,4769.28
		Total	**101**	**16,146.40**

(Source: Contractor Ledger of the Formations)

Non-adherence to the provisions of Purchase Orders resulted in non-recovery of LD charges from supplier amounting to Rs.16,146.40 million during the Financial Year 2022-23.

The matter was taken up with the management in March to June, 2023 & August to November, 2023 and reported to the Ministry in June, 2023 & October to December, 2023. The management stated that in some cases either the L.D. had been recovered or would be recovered while in few cases L.D. was not recoverable/EOT granted.

The DAC in its meeting held on December 14-23, 2023directed the management to get the record of completed action verified from audit within 15 days and expedite the pending actions. The DAC directed the management of MEPCO and PESCO to inquire the matter raised in Para No.1283/2023-24 & 886/2023-24 and submit its report to audit within 30 days. DAC also directed to inquire the matter highlighted in Para No.997/2023-24 (PESCO) at C.E. (MI) PPMC level within 30 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

<u>Note:</u> The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No. 1.6.9 having financial impact of Rs.2,738.73 million. Recurrence of same irregularity is a matter of serious concern.

1.6.3 Loss due to taking of less volume of gas from gas supplier – Rs.11,235.59 million

According to Para-10.1 of Gas Sales Agreement for Kandhkot Gas Field between Pakistan Petroleum Limited (Seller) and Central Power Generation Company Limited (Buyer), the Buyer shall accept and pay for a minimum annual quantity of Specification Gas equal to 72.5% (Take-or-Pay) of the adjusted Annual Contract Quantity (Take-or-Pay Quantity) and if the buyer takes less than the Take-or-Pay Quantity then, it shall nonetheless pay for the Take-or-Pay Quantity."

During audit of GENCO-II, gas taken from M/s Pakistan Petroleum Limited (PPL) remained less than the minimum Take-or-Pay Quantity as prescribed in the Gas Sales Agreement. Resultantly, M/s PPL raised invoices of Rs.11,235.59 million for the period November, 2017 to August, 2023 against GENCO-II which was straight forward loss to the company.

Violation of provisions of the Gas Sales Agreement resulted in loss due to taking of less volume of gas from gas supplier Rs.11,235.59 million up to the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that on the directions of PAC, two meetings were held in Ministry of Energy and the original claim of PPL amounting to Rs.13.461 billion was reduced to Rs.6.18 billion by Ministry of Energy under Co-Chairmanship of Secretary Power and Secretary Petroleum. The less gas off takes were due to decision of CCoE dated September 10, 2020 regarding immediate closure of CPGCL old blocks. CPGCL invoked Force Majeure clause of GSA, as soon as copy of decision was received. Audit contended that no record was provided.

The DAC in its meeting held on December 22 & 23, 2023 directed the management to provide the record in support of reply to audit for verification within a week. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.1012/2023/24)

1.6.4 Irregular procurement of electrical material from single pre-qualified bidders through splitting quantity into lots and price matching – Rs.7,130.36 million

According to Rule-38B (1) of PPRA, "the procuring agency shall consider single bid in goods, works and services provided that except unsolicited proposal, in case of pre-qualification proceedings single bid shall not be entertained". According to Rule-9 of PPRA, "a procuring agency shall announce in an appropriate manner all proposed procurements for each Financial Year and shall proceed accordingly without any splitting or regrouping of the procurements so planned".

During audit of CEO FESCO, twenty-three (23) tenders for procurement of different types of electrical material were called from pre-qualified bidders by splitting quantities in lots. In response single bidders quoted rates against individual lots of the tendered quantities. Subsequently seventy-three (73) purchase orders valuing Rs.7,130.36 million were awarded to these single pre-qualified bidders through matching price of the lowest lot with other lots of the tender. The award of purchase orders was irregular as entertaining single bid of pre-qualified bidders through splitting of planned procurement was not allowed by PPRA.

Violation of provisions of PPRA rules resulted in irregular procurement of electrical material from single pre-qualified bidders through splitting quantity into lots and price matching valuing Rs.7,130.36 million during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that splitting of material into lots were permitted under PPRA Rules. Audit contended that in case of pre-qualification proceedings, entertaining single bid was prohibited under PPRA Rules.

The DAC in its meeting held on December 20 & 21, 2023 DAC did not agree with reply and directed the management to get clarification of Rule 38 B-(1) from PPRA within 15 days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.1198/2023-24)

1.6.5 Cost overrun in upgradation/extension of NTDC'S SCADA & telecom system - Rs.5,411.00 million

According to PC-1 of Upgradation / Extension of NTDC'S SCADA & Telecom System approved by ECNEC on March 07, 2018 Clause 12.a "The project to be commenced during the year 2016-17 and to be completed by 2019-20".

During audit of Telecommunication NTDC, Lahore, project for Upgradation / Extension of NTDC'S SCADA & Telecom System was proposed to be completed by 2019-20 but the said project was still under progress. The cost as estimated in the original PC-I had been increased from Rs.11,638.00 million to Rs.15,168.00 million and the contract was awarded at a cost of Rs.17,049.00 million. Due to non-following the timelines, the cost of the said project increased to Rs.5,411.00 million.

Non-adherence to implementation schedule as mentioned in PC-I resulted in cost overrun amounting to Rs.5,411.00 million in upgradation/extension of the up to the Financial Years 2021-22.

The matter was taken up with the management in March, 2023 and reported to the Ministry in June, 2023. The management replied that PC-I was approved by ECNEC in March, 2018. Tender was floated in July, 2018 however, none of the bidders came out to be technically responsive. Retendering was done in May 2019, bids were opened in September, 2019, in which three bidders participated and evaluation report was submitted to ADB for concurrence in February, 2020. ADB took around 4-5 months for vetting the evaluation report and issued NOL on May 22, 2020. Consequently, after financial bid opening on June 09, 2020, the NOA was issued in January 20, 2021. Scheduled completion date is June, 2024.

The DAC in its meetings held on August 26, 2023 directed the management to conduct an inquiry for fixing responsibility and submit fact finding report duly vetting by G.M. (Technical) NTDC to audit within 30 days. FurtherFurther progress was not intimated till finalization of report.

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

(Draft Para No.73/2023-24)

1.6.6 Irregular award of contract to a blacklisted contractor – Rs.5,077.76 million

According to clause 2.1.3 of NTDC's SOP for blacklisting of contactor, the causes and reasons to be taken into consideration for debarment blacklisting of any firm/supplier/ contractor/ consultant/ individual firm/ Bidder if, the firm/ supplier/ contractor is blacklisted by any Government department in Pakistan, or it is established that the firm is involved in any kind of corruption or corrupt practices anywhere in the world.

During audit of MP&M NTDC, Lahore, a contract for procurement of Insulators for 500 kV D/C quad bundle transmission line from HUBCO power plant to Jamshoro sub-station (Lot- I, II & III) was awarded to M/s. Suzhou Porcelain Insulator works, China at a contract price of Rs.5,077.76 million (US$ 17.755 million). During bid evaluation stage, it was informed by another contractor/firm that M/s. Suzhou Porcelain, China was blacklisted by State Grid Company of China due to involvement in corruption and corrupt practices. Chief Engineer Design T/Line had also informed this fact while evaluating the bid and asked General Manager P&CM to look into the matter. Despite taking into consideration, the quarter concerned totally ignored the blacklisting of contractor and awarded the contract to a blacklisted firm/contractor.

Non-adherence to the provisions of SOP resulted in irregular award of contract amounting to Rs.5,077.76 million to a blacklisted contractor during the Financial Year 2022-23.

The matter was taken up with the management in September, 2022 and reported to the Ministry in November, 2023. It was replied that NTDC checked the web link provided in the complaint letter which redirected to the webpage of State Grid Corporation of China (SGCC). However, the webpage did not reveal any information regarding blacklisted or debarred companies by SGCC.Despite the aforementioned facts, Chief Engineer MP&M NTDC inquired SGCC about blacklisting of M/s Suzhou China through official letter and Emails, but no response from SGCC received till to date.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the stance verified with documentary evidence from audit within 30 days. No further progress was intimated till finalization of the report.

Audit recommends to inquire the matter besides implementation of DAC's decision.

(Draft Para No.468/2023-24)

1.6.7 Non-recovery/adjustment of Liquidated Damages from Independent Power Producers (IPPs) - Rs.5,036.37 million

According to Section 9.4 (c) of PPA that each party shall have the right to set off any amounts due and payable by it to the other party under this agreement against any and all amounts then due and payable to it by the other party under this agreement. Such rights of set off shall relate only to amounts that are then due and payable to and by a party and are undisputed or have been determined to be payable by the Expert through arbitration under Article 18.

During audit of CPPA-G, Islamabad, liquidated damages of Rs.5,036.37 million on account of short fall of energy were imposed on IPPs and Government Owned Power Generation Companies.

However, neither LD charges were recovered nor the amounts set off against payables of Power Generators.

Non-adherence to PPA clauses resulted in non-recovery / adjustment of liquidated damages of Rs.5,036.37 million from Power Generators up to the Financial Year 2021-22.

The matter was taken up with the management in May, 2023 and reported to the Ministry in June, 2023. The management replied that amount would be recovered from Power Generators and got verified from audit accordingly. Further progress was not intimated till finalization of report.

The DAC in its meeting held on October 09, 2023 directed the management to submit revised reply in tabular form showing reconciliation of LDs and their recovery status to audit within 07 days. No further progress was intimated till the finalization of the report.

Audit recommends that the management needs to look into the matter besides ensuring the recovery/adjustment of LD charges from IPPs.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No. 3.1.8.5.9 having financial impact of Rs.3,719 million. Recurrence of same irregularity is a matter of serious concern.

(Draft Para No.100/2023-24)

1.6.8 Irregular Procurement of Energy from Tavanir without approval of NEPRA Rs.4,750.006 million

According to provision-6 of NEPRA Notification (S.R.O.549(1)/2017 dated June 22, 2017 regarding NEPRA (Import of Electric Power) Regulations,2017decision dated August 29, 2017, no amendment in terms and conditions of the PPA, affecting the rates or their conditions, shall be made except with prior approval of the Authority.

During audit of CPPA-G, Islamabad, an amendment No.7 to the contract dated November 06, 2002 between CPPA & Tavanir, Iran for supply of 104 MW Electricity made on January 01, 2022 for extension of tariff from January 01, 2022 to December 31, 2024 pursuant to NEPRA Import of Electric Power Regulation,2017 (IEPR-2017).

Thus, electricity of Rs.4,750.006 million was procured during the year 2021-22 from Tavanir without approval of amendment No.7 from NEPRA is termed as irregular.

Non-adherence to NEPRA Import of Electric Power Regulations,2017 resulted in irregular procurement of energy from Tavanir without approval of NEPRA Rs.4,750.006 million during the Financial Year 2021-22.

The matter was taken up with the management in May, 2023 and reported to the Ministry in June, 2023. The management replied that NEPRA in principle has passed on the cost of purchase of electricity from Iran to the consumers under the relevant FCA for the relevant months. The approval of NEPRA, once approved would be provided to audit.

The DAC in its meeting held on October 09, 2023 directed the management to provide the record in support of reply to Audit for verification within seven days. No further progress was intimated till the finalization of the report.

Audit recommends that the management needs to look into the matter besides ensuring the approval of 7th amendment from NEPRA.

(Draft Para No. 109/2023-24)

1.6.9 Non-forfeiture of bank / performance guarantees / securities – Rs.4,069.37 million

As per clause 15 A (1) of the Purchase order, if the contractor fails to supply the goods within the time specified the contracting officer have the right to forfeit the security/ performance guarantee.

During audit of DISCOs, GENCO-II and PPIB, it was observed that in thirty-four (34) cases, the contractors/suppliers failed to complete the works/deliver the material within stipulated time period. Neither the bank / performance guarantees / securities amounting to Rs.4,069.37 million submitted by the contractors/suppliers were forfeited nor any action was taken against them as per contractual provisions. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	No of cases	Amount (Rs.in million)
1	FESCO	514/2023-24	01	1.39
2	GEPCO	214/2023-24	06	202.68
3	HESCO	786/2023-24	03	72.00
4	LESCO	265 & 1298/2023-24	12	59.35
5	MEPCO	439 & 525/2023-24	08	76.81
6	PESCO	851/2023-24	02	8.14
7	GENCO-II	696/2023-24	01	1.71
8	PPIB	64/2023-24	01	3,647.29
		TOTAL	**34**	**4,069.37**

(Source: Purchase Orders of the DISCOs)

Non-adherence to the contract/purchase order clauses resulted in non-forfeiture of bank/performance guarantees/securities amounting to Rs.4,069.37 million up to the Financial Year 2022-23.

The matter was taken up with the management during March, 2023 & August to November, 2023 and reported to the Ministry during June, 2023 & October to December, 2023. The management replied that in some cases either the performance guarantee would be forfeited of L.D. would be recovered. In few cases the matter was subjudice.

The DAC in its meeting held on December 14-23, 2023directed the management to get the record of completed action verified from audit within 15 days and expedite the pending actions. As regard the MEPCO, DAC directed to inquire the matter at G.M. (Tech) PPMCL level within 30 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No. 1.6.17 having financial impact of Rs.753.24 million. Recurrence of same irregularity is a matter of serious concern.

1.6.10 Unjustified award of purchase orders to single bidders in violation of PPRA Rules Rs.2,656.14 million

According to PPRA Rules-4, 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.

Rule-21 of Public Procurement Regularity Authority Rules provides that the "the procurement agencies shall engage in open competitive bidding".

During audit of CEO LESCO, twenty-seven (27) purchase orders amounting to Rs.2,656.14 million were awarded to the suppliers. However, the evaluation reports revealed that these purchase orders were awarded to the single bidders without open competition and in violation of PPRA Rules.

Violation of PPRA's Rules resulted in unjustified award of purchase orders Rs.2,656.14 million to single bidder during the Financial Year 2022-23.

The matter was taken up with the management in October 2023 and reported to the Ministry in December, 2023. The management replied that Rule-21 of PPRA Rule, 2004 "Open Competitive Bidding" allows the procurement from single bidder if it meets the evaluation criteria expressed in the tender notice. So, all the tenders were awarded to single responsive bidders in the light of Rule-21 of PPRA 2004

The DAC in its meeting held on December 18 & 19, 2023 did not agree with reply and directed the management to get clarification of Rule 38 B-(1)

from PPRA within 15 days. The DAC in its meeting held on December 18 & 19, 2023 upheld the earlier decision. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.1304/2023-24)

1.6.11 Irregular Payment to General Electric - Rs.2,445.21 million

According to National Electricity Policy 2021 para 6.2.1 Ministry of Energy (Power Division) shall be responsible, among other matters, for monitoring the implementation of the National Electricity Policy and National Electricity Plan.

During audit of Ministry of Energy, Power Division Islamabad, CPGCL GENCO-II signed a contractual service agreement with M/s GE USA in September 2017 for Gas Turbines Frame 9FA GE make installed at 747 MW CCPP Guddu. The Ministry of Energy (Power Division) directed to clear the payments of M/s GE USA against rehabilitation / maintenance of GT-14 machine. Since matter of recoveries of Rs.10.8 billion plus cost of maintenance of GT-14 amount purchase order USD 32 million was taken up by Senate Standing committee and issued serious concerns over the payment of maintenance of GT-14 in its meeting held on 22 November 2022 which was issued after the issuance of letter by Ministry of Energy, therefore, this payment of Rs.2,445.21 million (US$ 8.54 million) was irregular and unjustified.

Non-adherence to policy resulted in irregular payment of Rs.2445.21 million (US$ 8.54 million) to General Electric during the Financial Year 2021-22

The matter was taken up with the management in March, 2023 and reported to the in June, 2023. The management replied that this payment was part of a Contractual Service Agreement (CSA) from 2017 for maintaining gas turbines in the 747 MW CCPP Guddu. Although payments totaling 9.6 million USD faced delays, the Board approved a payment release of USD 4,753,344 to GE for CSA and other services. CPGCL paid USD 4,423,642.130 as per the CSA.

The DAC in its meeting held on October 17, 2023 directed the management to conduct an inquiry by constituting an inquiry committee by taking senior representatives of CPGCL and PPMCL as its members and its report be shared with audit within 30 days. No further progress was intimated till the finalization of the report.

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

(Draft Para No.116/2020-21)

1.6.12 Undue favor to contractors by approving change of manufacturers for major equipment in violation of contractual provisions – Rs.2,259.21 million

According to Bid Evaluation Reports of Contracts ADB-05-2009 and No. ADB-41-2009, "the contractors were required to provide telecommunication main equipment from M/s ABB Switzerland in consturction of Bandala Substation and ABB Sweden Circuit Breakers, being preferred choice, in construction of Rohri Grid Station. As per minutes of pre-award meeting for Contract No. ADB-67R-2012 of Mansehra Substation, the change of manufacturer from the approved one in the contract agreement will not principally be changed except in case of unavoidable circumstances. As per Contract No. ADB-65(R)-2012 Pakcage-2, in unavoidable circumstance, prior approval of the Project Manager shall be obtained by the contractor for assigning any manufacturing work to a manufacturer not named as such in the contract. As per Letter of Acceptance for Contract No. ADB-41-2009, the protection, telecommunication and control system SCADA including RTU shall be of ABB Sweden make. As per contract No. WB-07E-2020 and WB-08A-2020, there was no policy and clause to change the manufacturer of equipments.

During audit of NTDC, six (06) contracts for construction of Switchgear Plant/Substation/ Grid Station were awarded to contractors. Later on, the contractors had requested for change of manufacturers of major equipment (Annex-V) valuing Rs.2,259.21 million from that provided in contracts, which was accepted by NTDC without establishing unavoidable circumstances on the part of the contractors and without keeping in view the cost impact / variance arising thereof due to technology used / level of workmanship applied etc. Hence, the change of manufacturer was irregular. Detail is as under:

Sr. No.	Draft Para No.	Contract No.	Amount (Rs.in million)
1.	1182/ 2023-24	WB-07E-2020	1,321.74

2.	1191/ 2023-24	ADB-05-2009, ADB-41-2009, ADB-67R-2012, ADB-65R-2012 Package-2	-
3.	1225/ 2023-24	WB-08A-2020	937.47
Total			**2,259.21**

(Source: Contract Correspondence file)

Non-adherence to Bid Evaluation Reports, Contractual Clauses, Letter of Acceptance and minutes of pre-award meeting resulted in undue favor to the contractors by approving change of manufacturers for major equipment valuing Rs.2,259.21 million up to the Financial Year 2019-20.

The matter was taken up with the management in September 2020, August 2023 & October 2023 and reported to the Ministry in December 2020 & December 2023. The management replied that the change of manufacturers was approved in order to avoid delay in execution as the approved manufacturers were unable to supply the material within the scheduled project timelines. Further, the cost impact due to change of manufacturers was not considered as the contract was awarded on EPC basis and contractor was responsible for supply of material without any additional cost impact. Audit did not agree with the management reply as the unavoidable circumstances necessitating for change of manufacturers were not established before approval. In fact the contractor failed to comply with the contractual obligations regarding timely submitting of technical design / data of the approved offered equipments for which the employer was not responsible. Moreover, the cost impact should have been kept in view while approving change of manufacturer.

The DAC in its meeting held on April 12, 2021 and December 18 & 19, 2023 did not agree with the reply and directed the management to inquire the matter and submit its report within 30 days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

1.6.13 Non-removal of discrepancies at newly constructed grid stations - Rs.1,957.00 million

According to Rule-2A(a) of public sector companies corporate Governance Rule 2013 regarding sound and prudent management, the business of the Public

Sector Company is carried out with integrity, objectivity, due care and the professional skills appropriate to the nature and scale of its activities.

During audit of DISCOs and NTDC, it was observed that the discrepancies were reported time and again at newly constructed 03 132 kV grid stations. However, these efforts were not made to get the discrepancies removed from contractors. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	No of cases	Amount (Rs.in million)
1.	MEPCO	1280/2023-24	01	43.91
2.	TESCO	195/2023-24	01	1,790.09
3.	NTDC	495/2023-24	01	123.00
		Total	**03**	**1,957.00**

(Source: Contract Correspondence file)

Non-adherence to instructions resulted in non-removal of discrepancies that can create complications in the smooth running of system and may cause Company's valuable assets at risk amounting to Rs.1,957.00 million up to the Financial Years 2018-23.

The matter was taken up with the management during June to September, 2023 and reported to the Ministry in October to December, 2023. The management replied that the certain payments of the contractors were withheld and, in some cases, the discrepancies had either been removed or would be got removed.

The DAC in its meeting held on December 14-23, 2023directed the management to get the completed action verified from audit within 15 days and expedite the completion of pending actions. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

1.6.14 Non-deduction of Liquated Damages from contractor - Rs.1,449.46 million

As per Contract Agreement Section 9.3 Liquidated damages "if the seller is in breach of its obligation under Section 4.1(b) to achieve the commercial operation date by the required commercial operation date the seller shall pay the purchaser as liquidated damages as amount equal to two and half dollars (2.50$) per kW of the contract capacity for each month thereafter until the commercial operations date is actually achieved." Moreover, as per Act 2 Wind Project letter dated October 17, 2021 "required Commercial Operation Date was to be achieved within 15 months starting from the date of Financial Closing Date"

During audit of AEDB, Commercial Operation Date of one Wind and three Solar projects could not be achieved on the dates stipulated in the Power Purchase Agreements. Resultantly, liquidated damages amounting to Rs.1,449.46 million were required to be recovered from the respective default IPPs but the same was not done.

Non-adherence to agreement clause resulted in non-deduction of liquidated damages from contractors amounting to Rs.1,449.46 million up to Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023. The management replied that the imposition of LDs due to delay in achievement of Commercial Operations Date (COD) fell under the EPA signed between Project Company and CPPAG. Therefore, CPPAG was responsible for imposing and recovering the LD.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to obtain the reply and relevant documents from CPPAG and provide the same to Audit within 15 days. No further progress was intimated till the finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.762/2023-24)

1.6.15 Irregular award of contract to M/s Chint involved in collusive practice – CNY 65.86 million + Rs.172.90 million

According to Clause-3.1 (b) & 3.1 (a) (iv) of Section I, "The proposal of the bidder will be rejected if determined engaged, directly or through an agent, in corrupt, fraudulent, collusive, or coercive practice" and "collusive practice" means an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party."

As per Clause-4.3 (d) of Section I, "A bidder shall not have a conflict of interest. All bidders found to have a conflict of interest shall be disqualified. A bidder may be considered to be in a conflict of interest with one or more parties in this bidding process if; they have a relationship with each other, directly or through common third parties, that puts them in a position to have access to material information about or improperly influence the bid of another bidder, or influence the decisions of the employer regarding this bidding process.

During audit of NTDC, an EPC Contract No. ADB-67-R-2012 valuing CNY 65.86 million + Rs.172.90 million for 220 kV AIS Substation Mansehra was awarded to M/s Chint Electric Company Ltd. on March 13, 2015. A probe into the award process of the said contract revealed that M/s NEIE-Holley (JV) China was also a participant among others including M/s Chint Electric Co. Ltd. China. The pre-bid clarifications sought by M/s NEIE-Holley (JV) China and M/s Chint Electric Co. Ltd. China vide their letters dated June 18, 2014 & June 19, 2014 respectively contained the same contents, clarifications, words, sequence, format and matter without any difference of a single word. The 100% identical contents of both the letters were sufficient enough to witness for collusion by both the bidders. Instead of rejecting their bids and taking appropriate action against both the bidders involved in collusive practices (corrupt practices) and conflict of interest, the contract was awarded to M/s Chint Electric Co. Ltd.

Non-adherence to the clauses of Bidding documents framed on the ADBs procurement guidelines resulted in irregular award of contract valuing CNY 65.86 million + Rs.172.90 million to M/s Chint involved in collusive practice up to the Financial Year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that no pre-defined mechanism existed in the bidding documents for establishing collusion between two prospective bidders at pre-bid stage. Audit contended that 100% identical contents of letters was sufficient enough to prove collusion by the bidders for which appropriate action in the light of provisions of bidding documents should have been initiated.

The DAC in its meeting held on April 12, 2021 did not agree with the reply and directed the management to provide detailed / revised reply. The DAC in its meeting held on December 18 & 19, 2023 upheld the earlier decision. Further progress was not reported till finalization of the report. No reply was furnished till finalization of the report.

Audit recommends that the management needs to inquire the matter for not taking action against the bidders involved in collusive practice and the persons who awarded the contract to M/s Chint.

(Draft Para No.1178/2023-24)

1.6.16 Irregular award of contract due to defective bid evaluation for construction of Mansehra Grid Station – Rs.1,317.94 million

According to Clause 2.4.1 of Bidding Documents of Tender No.ADB-67-R-2012, "the bidder must have experience in the role of manufacturer, contractor, subcontractor, or management contractor for at least last 15 years prior to the application submission deadline".

As per Clause 2.4.2, "the contractor / bidder must have within the last ten (10) years, supplied and commissioned at least two (02) substation with at least one (01) project outside his own country with experience in supply, installation, testing & commissioning of 220 kV or higher voltage substation with A.I.S plant with major equipment like auto-transformers, circuit breakers, instrument transformers, disconnectors, etc and these substations shall have been operating successfully for at least three (03) consecutive years as on bid opening date.

During audit of NTDC, an EPC Contract No.ADB-67-R-2012 valuing of Rs.1,317.94 million (CNY 65.86 million + Rs.172.90 million) for procurement of 220 kV AIS Substation Mansehra was awarded to M/s Chint Electric Company Ltd. on March 13, 2015. The scrutiny of award process disclosed that said contractor lacked general experience of almost 05 years at the time of bid closing date and was not an Engineering construction enterprise being registered as "Non-Engineering Construction" enterprise on February 04, 2010.

Non-adherence to the clauses of Bidding Documents resulted in irregular award of contract valuing of Rs.1,317.94 million due to defective bid evaluation for construction of Mansehra Grid Station up to the Financial Year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that the bidder was evaluated in the light of Clauses 2.4.1 & 2.4.2 of bidding documents and post bid clarifications from the bidder. Furthermore, there was no requirement of business license to ascertain general or specific experience of bidder and the same were ascertained from the contracts mentioned / completed by the bidder.

The bidder's current commitments were also checked in the light of bidding documents and NOL issued by ADB after reviewing the BER / addressing the complaints. Audit did not agree with the reply as non-availability of complete record of evaluation / document was incomprehensible.

The DAC in its meeting held on April 12, 2021 directed the management to constitute fact finding committee and submit its report to Audit under the signature of MD NTDC. The DAC in its meeting held on December 18 & 19, 2023 upheld the earlier decision. No further progress was reported till finalization of the report.

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

(Draft Para No.1207/2023-24)

1.6.17 Non-execution of works at the risk & cost of the contractors - Rs.1,223.37 million

According to conditions of contract Para (4) (Suspension of work), If the contract shall fail to do any such work as aforesaid required by the Engineer, the Employer shall be entitled to carry out such work by his own workmen or by their contractors and if such work is work which the contractor should have carried out at the contractor's own cost shall be entitled to recover from the contractor the cost thereof or may deduct the same from any monies due or that become due to the contractor.

During audit of GSC TESCO, four (04) Work Orders amounting to Rs.1223.37 million were awarded to different contractors. The contractors were required to complete the work within stipulated time period. Instead of completing the work, the contractors abandoned the works at site. The remaining works were to be executed at the risk & cost of the original contractors contractually but the same was not done departmentally. Contractors were warned time and again but works were not done. Neither securities were forfeited nor firms blacklisted.

The violation of Contract Provision/Clause resulted in non-execution of work at the risk & cost of the original contract amounting to Rs.1223.37 million up to the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in October, 2023. The Management replied that TESCO GSC Division Peshawar had already deducted the LD charges for the delay caused by the contractors.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to get the record verified from audit in support of reply. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.180/2023-24)

1.6.18 Mis-procurement on account of hiring of consultancy services through quotations/amendments in existing consultancy contracts – Rs.1,174.87million

According to Rule-20 of PPRA Rules, 2004, the procuring agencies shall use open competitive bidding as the principal method for the procurement of goods, services and works". As per Rule-42(b), A procuring agency shall engage in quotation based method of procurement only if the following conditions exist, namely:- (i) the cost of object of procurement is below the prescribed limit of one hundred thousand rupees, (ii) the object of the procurement has standard specifications; (iii) minimum of three quotations have been obtained. As per Rule-40, "Save as otherwise provided there shall be no negotiations with the bidder having submitted the lowest evaluated bid or with any other bidder".

During audit of NTDC, six (06) consultancy contracts were awarded to M/s NESPAK and BARQAAB for construction / supervision of transmission lines / grid stations. Four (04) consultancy contracts amounting to Rs.531.68 million were awarded through quotations instead of open competitive bidding and agreeing at 10% rebate after negotiation in two (02) contracts. Moreover, in two (02) consultancy contracts additional consultancy services amounting to Rs.643.19 million for other projects were acquired through amendements in existing contracts. Hence, procurement of consultancy services through quotations / negociations / amendments in existing contracts instead of open competitive bidding was against the PPRA Rules.

Non-adherence to PPRA Rules resulted in mis-procurement on account of hiring of consultancy services amonting to Rs.1,174.87 million up to the Financial Year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that BOD NTDC had given approval for award of consultancy services through quotations. Moreover, in order to save the time and cost, the services of NEPAK / BARQAAB were hired through quotations as the said firms were major consultants for power projects. This practice had been stopped now.

The DAC in its meeting held on April 12, 2021 did not agree with the management reply and directed to constitute fact finding committee and submit its report to Audit under the signature of MD NTDC. The DAC in its meeting held on December 18 & 19, 2023 upheld the earlier decision. No further progress was reported till finalization of the report.

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

(Draft Para No.1084/2023-24)

1.6.19 Inordinate delay in finalization of EOT claims of contractors / consultants – Rs.992.21 million

As per GCC Contract Clause 40.2 of section-7, the contractor shall submit to the project manager a notice of a claim for an extension of time for completion, together with particular of the event or circumstances justifying such extension as soon as reasonably practicable after the commencement of such event or circumstances. As soon as reasonably practicable after receipt of such notice and supporting particulars of claim, the employer and the contractor shall agree upon the period of such extension. According to contract clause of consultancy agreement, the consultant shall inform the client of circumstances and probable effects and the increase shall be regarded as additional services and the client shall extend the time for completion of services accordingly.

During audit of NTDC, the contractors M/s Siemens, M/s Potential Engineers (Pvt) Limited and M/s ICC (Pvt) Limited lodged EoT claims of Rs.230.43 millon and Rs.299.50 million due to delayed completion of Grid

Stations / Transmission Lines so that their earlier deducted LD & retention money could be released. Moreover, the consultancy firm, M/s Barqaab also lodged EoT claims of Rs.462.28 million pertaining to eleven (11) Grid Stations / Transmission Lines projects. Despsite elapsing of considerable time and even after expiry of defect liability period and loan closure, the EoT claims of the said contractors / consultant could not be decided.

Inefficient contract management resulted in inordinate delay in finalization of EOT claims of Rs.992.21 million pertaining to contractors / consultant up to the Financial Year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that where EoT was not granted, 10% LD was deducted. However, a few EoT cases were still under process and LD would be recovered if EoT not granted. Audit contended that the reply was incomprehensible as the inordinate delay in deciding the EOT claims even after expiry of DLP period reflected poor contract management.

The DAC in its meeting held on April 12, 2021 directed the management to submit EoT cases to BoD for early decision. The DAC in its meeting held on December 18 & 19, 2023 upheld the earlier decision. No further progress was reported till finalization of the report.

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

(Draft Para No.1210/2023-24)

1.6.20 Mis-procurement due to award of EPC contract of Rohri Grid Station to a non-responsive bidder –Rs.960.11 million

According to Qualification Criteria of Bidding Documents of 220 kV Grid Station Rohri, "The prospective bidder should have general experience of 15 years under contracts in the role of manufacturer, contractor, sub-contractor or management contractor for at least 15 years. Further the prospective bidder should have specific experience of 10 years or more in supply, installation, testing & commissioning of 220 kV or higher voltage substations with AIS plant and have commissioned at least two substations with successful operation for at least three (03) years as on bid opening date."

During audit of NTDC, an EPC Contract No. ADB-41-2009 for procurement of 220 kV AIS Rohri Grid Station was awarded to M/s Chint Electric Company Ltd. on January 18, 2010. As per bidding documents, the bidder should have general and specific experience of 15 & 10 years respectively. However, M/s Chint did not have required experiences due to its establishment in January 02, 2004 as evident from Business License of Enterprise Legal Entity issued by Shanghai Administrative Bureau of Industry and Commerce. This was sufficient enough to declare the said company non-respoonsive but the same was not done and contract was awarded to it.

Violation of provisions of Bidding Documents resulted in mis-procurement valuing of Rs.960.11 million (RMB 60.17 Million + Rs.177.23 million) due to award of EPC contract of Rohri Grid Station to a non-responsive bidder up to the Financial Year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that the company was a member of Chint Group Corporation, China, which was incorporated and started its operation in 1994. The company had a vast experience of EPC contracts and dealt in design, manufacturing, supply, installation, testing and commissioning of high voltage power equipment/plant. There was no information to the contrary available with NTDC to decide otherwise at the time of award. Audit did not agree with the reply as the date of establishment of Chint Elecric Company Ltd. was January 02, 2004, hence, it could not fulfill the required experience criterion.

The DAC in its meeting held on April 12, 2021 directed the management to constitute fact finding committee and submit its report to Audit under the signature of MD NTDC. The DAC in its meeting held on December 18 & 19, 2023 upheld the earlier decision. No further progress was reported till finalization of the report.

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

(Draft Para No. 1204/2023-24)

1.6.21 Irregular award of purchase order for power transformers due to deficient bid evaluation - Rs.904.18 million

According to Bidding Documents Section-IV, Sr No. 12 of 'Schedule of Qualification of Bidders', "banking reference, name of banks and addresses may be given to whom references regarding finance at capability of the bidder may be made". As per Clause-9.1 (i & iii) of Tender Conditions Section-III, "Bids are liable to be rejected forthwith if the bidder does not submit the required documents - the bid is submitted on other than the prescribed form or is incomplete or conditional. As per Form-06, "the seller accepts full responsibility and strict liability for making any false declaration, not making full disclosure, misrepresenting facts or taking any action likely to defeat the purpose of this declaration, representation and warranty. It agrees that any contract, right, interest, privilege or other obligation or benefit obtained or procured as aforesaid shall, without prejudice to any other right and remedies available to GOP/WAPDA/GEPCO under any law, contract or other instrument, be voidable at the option of GOP/WAPDA/GEPCO.

During audit of PMU GEPCO, a tender No.STG-NCB-1 for procurement of six (06) 40 MVA Power Transformers was opened on June 29, 2022 for evaluating the bids of three (03) participants. M/s Validus Engineering Karachi JV Elsewedy Electric for Electrical Products Egypt was declared lowest responsive bidder subject to perform fresh type test in Technical & Financial Bid Evaluation Reports and Purchase Order No.STG-22-13 of Rs.904.18 million placed upon the said firm on October 12, 2022.

Scrutiny of technical / financial proposals / information along with bidding documents submitted by the said firm and bid evaluation report revealed some of the following grave discrepancies / shortcomings & irregularities: -

- The 'Bank Certificate' and 'Comfort Letter' of HBL for providing overdraft / credit facilities seemed glaringly fake being devoid of mentioning the bank branch name, address, correspondence no. & date, seal of bank, signature / name of senior bank manager except bearing on two vague stamps and signatures of officers. Moreover, M/s Validas Engineering (Pvt) Ltd was running in continuous loss and its chartered accountant showed its concern about the company's ability to continue as a going concern.

- A Joint Venture Agreement between Validus Engineering and Elsewedy Electric signed on June 21, 2022 could not be held valid as the laws governing for this JV were Egyptian instead of Pakistani.
- The Power of Attorney under the said JV had nominated M/s Validus Engineering Pvt. Ltd as partner in charge but its legality was not confirmed as neither the same was notarized by any legal authority nor its country of origin was known and only photo copy provided instead of original one.
- Another Power of Attorney for Signatory of Bid on Pakistani Stamp Paper was also provided, which appeared to be vague as a date of June 01, 2022 was stamped thereon meaning thereby that Power of Attorney was made earlier than the JV as the same was signed on June 21, 2022. Moreover, it was neither notarized by any legal authority nor any signature specimen of nominated & authorized persons and no any witnesses were mentioned thereon and a photocopy was provided instead of original one.

Even while getting approval of BoD for Notification of Award, it was certified that the performance of the said bidder remained satisfactory with GEPCO and it had not defaulted any term / condition of bidding documents in respect of any assigned work during the last year. However, this certificate was contrary to the factual position and misleading as the said firm had already defaulted by not making delivery of 05 Power Transformers under previously issued P.O No.STG-21-32 after expiry of delivery period on September 10, 2022. Now, the delivery period of both the POs (earlier issued and new one) had long been expired but not a single transformer was provided by the said firm as on August, 2023.

Procurement mismanagement resulted in irregular award of purchase order of Rs.904.18 million due to deficient bid evaluation by accepting fake bank credit confirmation letter, vague JV agreement & doubtful power of attorney during the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in October, 2023. The management replied that HBL had authenticated the comfort letter & Bank Certificate. No dispute regarding JV agreement was observed during currency of contract. As the firm had failed to supply the material, the bank had been requested vide office letter No. 4310-14 dated December 08, 2023 to forfeit the bid guarantee. The reply was not agreed to as a mis-procurement can cause considerable damage in shape of delay, time & cost overrun, which had now been proved in this instant case as the said bidder defaulted for providing the Transformer. Had the bid evaluation been made with professional due care by analyzing the information / documents as per bidding documents and past performance of the said bidder, such an untoward situation could have been avoided.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to provide the record in support of its stance for verification to audit within a week. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.240/2023-24)

1.6.22 Non-replacement of defective Porcelain Disc Insulators supplied by M/s Dalian China – Rs.874.27 million

According to the instructions issued by WAPDA dated July 17, 1982, "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".

During audit of NTDC, an inquiry was conducted on disc insulators supplied by M/s Dalian under Contract No GTS-02 and WPP-08. The inquiry committee pointed out that the Fog type Disc Insulators failed during type testing but even then the same were accepted, which turned out to be defective during operation. The inquiry committee recommended that all the Disc Insulators supplied by the M/s Dalian in the said as well as other contracts including ADB-53, 65R-2012 & 3263 be got replaced. The said manufacturer had also supplied the disc insulators valuing of Rs.874.27 million (RMB 52.32 million) in contract

ADB-65R-2012, hence, the same needed to be got replaced from the said firm, which was not done.

Non-adherence to the recommendations of the inquiry committee resulted in non-replacement of defective Porcelain Disc Insulators valuing of Rs.874.27 million supplied by M/s Dalian China up to the Financial Year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that the engineer / project manager had not recommended any adverse action against the contractor. Audit contended that the disc insulators supplied by the said contractor under the contract ADB-53, 65R-2012 & 3263 should have been replaced as recommended by the inquiry committee.

The DAC in its meeting held on April 12, 2021 did not agree with the reply and directed the management to provide detailed / revised reply.The DAC in its meeting held on December 18 & 19 upheld the earlier decision. No reply was furnished till finalization of the report.

Audit recommends that the management needs to ensure replacement of defective disc insulators provided by M/s Dalian in all the projects by observing all the required testing procedures expeditiously.

(Draft Para No.1125/2023-24)

1.6.23 Mis-procurement due to deficient bid evaluation and accepting the bid for power transformers fraught with inconsistencies to bidding documents - Rs.786.42 million

According to IB-22.2, IB.11.1 (Ia) & IB-3A (a-7) of Bidding Documents for Tender No. ICB-24/2021-22, "all Appendices and Schedules to Bid are to be properly completed (filled-in) and signed". The purchaser reserves the right to reject the proposal, if the qualification details are incomplete, ambiguous or the bidder is found not qualified to satisfactorily perform the contract. The Appendices should be completed as per prescribed format. As per IB-3A (a)6 (i, ii, iii), "audited financial standalone statements for last 03 years shall be submitted by the Bidder showing positive 'Net Worth' and minimum average annual turnover for the last 03 years not less than the bid price with Appendix - H & I by each JV partner. Information to be submitted in Appendix-J (Bank Certificate should be given by each of JV members in proportion to their financial participation) & App-K. All

JV partners shall combine meet the requisite criteria with the lead partner and other partner meeting not less than 40% and 25% respectively. As per IB-3.1 (e) & Appendix-A, "comfort letter should be given by each of the JV members and certificate should be on the letter head of bank in Pakistan". As per IB-3A (a) 1 (i,ii) & 3 (i), "in case of JV, at least any one partner should fulfill the experience pertaining to the individual's obligations in respect of manufacturing or supplying as per JV agreement between the parties. App-F (Summary of operational experience with operational certificate) should be filled-in.

During audit of PMU GEPCO, a tender No.STG-ICB-24 for procurement of five (05) 40 MVA Power Transformers was opened on January 01, 2022 for evaluating the bids of two (02) participants. M/s. Validus Engg. JV Elsewedy Transformer Karachi was declared lowest responsive bidder subject to perform fresh type test in Technical & Financial Bid Evaluation Reports and Purchase Order No.STG-21-32 of Rs.786.42 million for procurement of six (06) power transformer placed upon the said firm on April 14, 2022.

Scrutiny of technical / financial proposals / information along with bidding documents submitted by the said firm and bid evaluation report revealed some of the following grave discrepancies / shortcomings & irregularities: -

i. Prescribed Appendices H (Financial Data) & I (Annual Turnover Data) were neither filled-in nor provided as original with 'ORIGINAL' set of bids, however, in 2nd set of 'COPY' of bids only photocopies of unfilled appendices available.

ii. Last three (03) years audited financial standalone statements i.e. balance sheet with notes, Profit & Loss A/cs, cash flow statements of EACH of the JV Partners dully substantiating the information / data filled-in Appendices H & I were also not provided. Appendices H & I were not filled in.

iii. As per Appendix-J & Appen-A1, EACH of the JV members needed to provide from Scheduled Bank in Pakistan a 'BANK CERTIFICATE' to meet the working capital requirement and 'COMFORT LETTER' to provide/extend banking facility. However, only one JV partner M/s Validus Engg had provided the same.

iv. Alteration in both the Bank Certificate & Comfort Letter was made allegedly to that specified in the prescribed formats in Appen-J & A1 by inserting the conditional paragraphs.

v. The bank certificate and comfort letter issued by HBL in respect of M/s Validus Engineering for providing overdraft / credit facilities to the extent of Rs.1000 million to meet the working capital requirement and provision of banking facilities seemed glaringly fake due to being devoid of mentioning the bank branch name, address, correspondence no. Stamp of the bank, signature / name of senior bank manager except bearing on two vague stamps and signatures of officers even date on comfort letter was not mentioned. Moreover, the financial statements of M/s Validas Engineering (Pvt) Ltd (available in other purchase order) showed its running in continuous loss and its chartered accountant showed its concern about the company's ability to continue as a going concern.

vi. The 05 years Manufacturer's Experience of supply record and Performance Certificate containing summary of operational experience as prescribed in Appendices E & F were not filled-in with the required data / information in relevant columns / fields. As per JV Clause 2.2 the scope of work of M/s Validus was defined as manufacturing and supply, hence, all the manufacturing and successful operating experiences of M/s Validus should have been provided instead of M/s Elsewedy. Worth mentioning here that M/s Validus had no such experiences.

vii. The Joint Venture Agreement between Validus Engineering and Elsewedy Transformers signed on January 10, 2022 could not be held valid and acceptable as the laws governing for this JV were Egyptian instead of Pakistani.

viii. The Power of Attorney under the said JV had nominated M/s Validus Engineering Pvt Ltd as partner in charge but its legality was not confirmed being neither notarized by any legal authority nor its country of origin was known and no date of signing mentioned thereon.

ix. Another Power of Attorney for Signatory of Bid on Pakistani Stamp Paper was also provided, which appeared to be vague as a dateof January 07, 2022 was stamped thereon meaning thereby that thePower of Attorney was made earlier than the JV as the same was signed on January 10, 2022. Moreover, no any signature specimen of nominated & authorized persons and no any witnesses were mentioned thereon.

The bid evaluation lacked immensely the due professional scrutiny as cursorily and casually declaring technical / financial position satisfactory without detailed analysis, confirming / authenticating the bidder’s provided information with bidding requirements / documents was against the IB 32.1(1). Moreover, subsequently, another P.O No.STG-22-13 of Rs.904.18 million for supply of 06 transformers was placed upon the said firm on October 12, 2022 but the supplier failed to supply the transformers and the bank was requested to forfeit its bid guarantee.

Deficient bid evaluation caused mis-procurement by accepting the bid for power transformers fraught with inconsistencies to bidding documents and issuance of Purchase Order amounting to Rs.786.42 million thereof up to the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in October, 2023. The management replied that the information for the prescribed forms was provided by the bidders in their bid on the prescribed GEPCO format. The Bidders had submitted last 3-years audited financial statements for each of the JV-Partners. The GEPCO had received confirmations in original from HBL regarding Authenticity of Bank Certificate & Comfort Letter. The 05 years manufacturing experience of M/S Elsewedy was sufficient. The manufacturer had supplied all the Power Transformers to GEPCO and the contract had been finalized successfully. Therefore, legality of the required documents was no more required. The reply was not agreed to as Appendices H (Financial Data) & I (Annual Turnover Data) were not filled in with financial information, hence, in absence of the same, Positive Net Worth & Annual Turnover could not be confirmed. The other JV Partner M/s Elswedy did not provide Bank Certificate and Comfort Letter. The Manufacturer's Experience and Performance summary as prescribed in Appendices E & F were not filled-in with the required data / information in relevant columns / fields, which seemed deliberately as the documents attached pertained to M/s Elsewedy did not conform to the required experiences. As per JV Clause 2.2 the scope of work of M/s Validus was defined as manufacturing and supply, hence, all the manufacturing and successful operating experiences of M/s Validus should have been provided instead of M/s Elsewedy. The receipt of material can not absolve the very legality of documents provided by the bidder.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to provide the record in support of its stance for verification to audit within a week. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.239/2023-24)

1.6.24 Inclusion of deficient financial eligibility criteria in bidding documents - Rs.768.15 million

According to Financial Competence and Access to financial Resources (appendix –M) of Standard Bidding Documents for procurement of civil works Single Stage-Two Envelopes (SSTE) Bidding Procedure, "the bidder must demonstrate access to, or availability of, financial resources such as liquid assets, unencumbered real assets, line of credits, and other financial means, other than any contractual advance payments, to meet the financial requirements of the contract in the amount of his bid. As a minimum the bidder must show that his resources, in term of at least his latest years working capital and line of credits, will be adequate to cover and amount equivalent to his bid price and current work commitments".

During audit of GSC LESCO, sixty-six (66) contracts valuing Rs.768.15 million were awarded to the contractors on the basis of evaluation of only average annual turnover as per income tax returns of last two years, which was contrary to the standard bidding documents. However, the standard bidding documents require determining the financial health of the bidder on the basis of working capital and line credits and average annual turnover of the bidder. This showed that bidding documents of these contracts were framed in contrary to the standard bidding documents. Hence, contracts awarded to the contractors were irregular due to inclusion of deficient financial eligibility criteria in bidding documents.

Non-adherence to Standard Bidding Documents resulted in inclusion of deficient financial eligibility criteria in bidding documents amounting to Rs.768.15 million during the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in October, 2023. The management replied that as per advice of the Audit, the financial health of the contractor would be determined on the basis of Working Capital, Line Credit and Average Turnover of the contractor in future.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to submit revised reply along with justification and get the record verified from Audit within 15 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.443/2023-24)

1.6.25 Irregular award of contract by setting aside the discrepancies pointed out by Central Contract Cell (CCC) regarding qualification of bidder – Rs.732.86 million

According to MoW&P letter dated December 22, 2009, Bid Evaluation Reports of Tenders are to be reviewed and vetted by Central Contract Cell (CCC). Further, the project authority recommended award of contract subject to the scrutiny and authenticity of the evidences of qualification criteria by the consultant NTDC and CCC.

During audit of NTDC, Chief Engineer Design NTDC carried out the bid evaluation for the Tender No. ADB-05-2009 for procurement of 220 kV & 132 kV Gas Insulated Switchgear (GIS) Plant at Bandala and recommended award of contract to M/s Xian Electric Engineering Co. Ltd. China subject to scrutiny and authenticity of the evidences of qualification criteria of the said bidder by the consultant and Central Contract Cell NTDC.

The CCC pointed out severe discrepancies regarding the qualification of the said lowest evaluated bidder and did not recommend award of contract. Instead of attending the reservation of CCC, the contract was awarded to the said bidder vide BoD NTDC notification dated December 23, 2009 for an amount of Rs.732.86 million (RMB 57.581 million + Rs.36.70 million). The award of contract was irregular as the same was not substantiated with the recommendations of CCC.

Violation of directions of Ministry of W&P and recommendations of Project Authority resulted in irregular award of contract valuing of Rs.732.86 million up to the Financial Year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that CCC was mandated to review the BER and the Board had authority, if considered necessary, to revert the BER and issue instructions on the basis of CCC's comments or might accord approval. Further the contract was awarded with the concurrence of ADB.

The DAC in its meeting held on April 12, 2021 did not agree with the reply and directed the management to provide detailed / revised reply. The DAC in its meeting held on December 18 & 19, 2023 upheld the earlier decision. No reply was furnished till finalization of the report.

Audit recommends that management needs to inquire the matter of irregular award of contract besides implementing DAC's decision.

(Draft Para No. 1037/2023-24)

1.6.26 Loss due to procurement of 40 MVA Power transformer at higher rates – Rs.656.37 million

According to rule-4 Principles of procurements 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."

During audit of TESCO, 40 MVA Power Transformer amounting to Rs.656.37 million was procured. A single bidder participated and offered the rate of Rs.112.200 million per transformer which was 26.16% higher than the LOI issued by MEPCO on 13th September, 2021in which rate of the same transformer was Rs.88.300 million. TESCO management didn't observe the economy aspect while placing purchase order which caused extra financial burden of Rs.23.100 million (111.400 – 88.300). Thus, this state of affairs put the company into a loss of Rs.656.37 million.

Non-adherence to rules resulted in loss due to procurement of 40 MVA Power transformers at higher rates amounting to Rs.656.37 million during the Financial Year 2021-22.

The matter was taken up with the management in September, 2022 and reported to the Ministry in June, 2023. The management replied that bidding was held on open competition basis in which only a single bidder participated. The bid was duly evaluated and rates thoroughly analyzed in view of PPRA rule No.38. Approval was accorded when all aspects were properly considered. Reply was not tenable because power Transformer was procured at higher rate.

The DAC in its meeting held on October 09, 2023 directed the management to submit revised reply providing the detail of MEPCO and TESCO bids showing inflation CPI, LME and Dollar exchange rate effect to audit within one week. No further progress was reported till finalization of the report.

Audit recommends implementation of the DAC's decision.

(Draft Para No.111/2023-24)

1.6.27 Loss due to substandard procurement of power transformers from M/s PEL - Rs.540.00 million

According to Clause 39.2 Section-I (ITB) requires that the bidder / manufacturer having bad experience including damaging of power transformer supplied in the past is liable for rejection which is application on their bid.

During audit of GSO PESCO, thirty-one (31) No. of PEL make power transformers of different capacities were damaged during 2016-17 to 2022-23. A number of inquiries were constituted to probe into the cause of damage of Power transformers. The inquiry committees in their recommendations stated that frequent damages of PEL make power transformers were purely due to manufacturing fault and in future, there should be no procurement from M/s PEL. Due to purchase of substandard material, Company had to sustain loss of Rs.540 million.

Non-adherence to instructions resulted in loss of Rs.540 million due to procurement of substandard power transformers.

The matter was taken up with the management in August, 2023 and reported to the Ministry in October, 2023. The management replied that currently eight (08) power transformers were under repair and the repair was being conducted free of cost by M/s PEL. The objected power transformers had completed their useful life during the warranty period and most of transformers were procured in 2012. The repaired transformers had been handed over to PESCO for reinstallation and were duly energized. Meanwhile the procurement of power transformers from PEL was halted. However, PEL conducted fresh type test which were approved by Chief Engineer (SS Design) NTDC. After submitting fresh type test reports by PEL, procurement from PEL was initiated like other DISCOs according to PPRA rules. Audit contended that damage of transformers due to manufacturing fault warranted detailed inquiry for fixing responsibility of loss.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to inquire the matter for fixing responsibility within 30 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.197/2023-24)

1.6.28 Loss due to purchase of substandard material - Rs.535.86 million

According to Corporate Governance Section (5) "The Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders"

During audit of CEO IESCO, two purchase orders were placed on M/s Skypower for purchase of 1,481 transformers of 25 kVA and 50 kVA. Out of the total installed transformers, 150 distribution transformers got damaged either immediately or within 15 days. The ratio of damage within 15 days of installation was above 10% of the purchase order which was unjustified. This ratio may further increase with actual number of transformers installed at site or installed transformers are tested at full load. The matte regarding poor quality of transformers was also pointed out by Executive Engineer (E), RE-II construction division IESCO, Chakwal, Project Director, Construction, IESCO and Chief Engineer (MM).

Non-adherence to Corporate Rules resulted in loss due to purchase of substandard material Rs.535.86 million during the Financial Year 2022-23.

The matter was taken up with the management in November, 2023 and reported to the Ministry in December, 2023. The management replied that procurement was strictly done by IESCO was in conformity with the Standard Design & Specifications formulated by Standard & Specification NTDC, Lahore.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to inquire the matter and submit its recommendations to audit. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.1104/2023-24)

1.6.29 Loss due to award of contract to 2nd lowest bidder caused by defective bid evaluation -Rs.530.043 million

According to Rule-5 (5) of Public Sector Companies Corporate Governance Rule 2013, "the Board shall establish a system of sound internal control, which shall be effectively implemented within Public Sector Corporate to ensure compliance with the fundamental principles of probity and propriety: objectivity, integrity and honesty and relationship with stakeholders." According to Rule 2 (h) of the Public Procurement Rules, 2004, "most advantageous bid" means,- (i) a bid or proposal for goods, works or services that after meeting the eligibility or qualification criteria, is found substantially responsive to the terms and conditions as set out in the bidding or request for proposals document; and (ii) evaluated as the highest ranked bid or proposal on the basis of cost or quality or qualification or any combination thereof, as specified in the bidding documents or request for proposal documents which shall be in conformity with the selection techniques to be issued by the Authority.

During Thematic Audit of procurement and material management in NTDC, it was observed that M/s SiChuan YiBin Global Group Co. Ltd. (SYGG) was declared as lowest responsive bidder with quoted price of Rs.1,789.325 million against Tender No. NPP-04M(R)-2020 regarding Design, Manufacturing

& Supply of complete hardware strings including Pre-RTV coated Disc. Insulators (porcelain or toughened glass) for 500 kV D/C Q/B T/Line for evacuation of power from K-2/ K-3 Nuclear Power Plants. However, the 2nd lowest bidder M/s Sediver SAS France went to NTDC Grievance Redressal Committee (GRC) against qualification of 1st lowest bidder. Resultantly, the GRC vide its report dated May, 2021, on the basis of Chief Engineer T/Line Design letter dated April 12, 2021 regarding non-conforming of authenticity of performance certificate of POWERGRID, India, declared the 1st lowest bidder non-responsive However, in this regard, the response of 1st lowest bidder dated June 18, 2021 regarding provision of Performance Report from POWERGRID was not taken into account and contract amounting to Rs.2,319.368 million was awarded to 2nd lowest bidder M/s Sediver SAS France on July 01, 2021. Resultantly the public exchequer suffered loss of Rs.530.043 million due to award of contract to 2nd lowest bidder.

It is pertinent to mention that the procedure adopted for getting authenticity of performance certificate submitted earlier by 1st lowest bidder i.e. M/s SYGG with its bid was incorrect as authenticity of said certificate was sought from Corporate Office of POWERGRID, Dehli instead of issuing authority i.e. Regional Office of POWERGRID, Nagpur.

The said issue was also taken with NTDC by PPRA on July 15, 2021, however, outcomes in this regard was not made known to Audit. Further, the GRC report Tender against Tender NPP-04M (R)-2020 dated May, 2021 concluded with remarks that “irregularities in the bid evaluation process of have been observed.” However, neither the bidding process was annulled nor responsibility against irregularities in bid evaluation process was fixed upon delinquent (s).

Violation Public Sector Companies Corporate Governance Rule 2013 and PPRA Rules resulted in loss amounting to Rs.530.043 million due to award of contract to 2nd lowest bidder caused by defective bid evaluation up to the Financial Year 2022-23.

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that SYGG, the lowest bidder, was disqualified for submitting a fake certificate, violating clause 35.1 of the bidding documents. Their later attempt to provide a different certificate didn't change their non-responsive status. The case is currently under investigation by FIA Lahore (Inquiry No. 70/2023). Audit contends that expeditious efforts be made to pursue the case with FIA.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to pursue the case with FIA. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC's decision.

(Draft Para No.1159/2023-24)

1.6.30 Undue benefit extended to the contractor through allowing price adjustment - Rs.510.75 million

According to clause 70.1 of special conditions of contract, price adjustment (increase or decrease of cost) was not allowed, as the entire clause 70.1 was deleted form the contract.

During audit of (MP&M), NTDC, Lahore, a contract (No.NPP-03C-2019) of civil works for erection, stringing, testing & commissioning of 500 kV D/C quad bundle transmission line for interconnection of K-2/K-3 nuclear power plants with 500 kV S/C port Qasim-Matiari transmission line was awarded to M/s. ICC Pvt Ltd, Lahore during September, 2020. Further an amount of Rs.510.75 million was paid to the contractor on account of price adjustment (escalation) during the month of February and March, 2023. In original contract no price adjustment was allowed to the contractor. Subsequently price adjustment was allowed to the contractor with the approval of BOD during September, 2022 (after lapse of 2 years of award), which was against the interest of NTDC. This state of affairs showed that an undue benefit was extended to the contractor in shape of price adjustment.

Non-adherence to contractual provisions resulted in undue benefit extended to the contractor in shape of price adjustment amounting to Rs.510.75 million during the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in November, 2023. It was replied by the management that the amount of Rs.510.75 million, taken by audit was not correct since the actual amount is Rs.52,747,717/- (52.7 million). Moreover, the decision regarding price adjustment in NPP- 03C-2019 which was a fixed price contract, was a commercial decision. The decision of Board of Directors (NTDC) was in compliance with the guidance of Planning Commission and Pakistan Engineering Council.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the stance verified with documentary evidence within 30 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.472/2023-24)

1.6.31 Irregular award of contract beyond limitation/Powers - Rs.503.76 million

According to instructions issued by Deputy Managing Director vide letter No. DMD/AD&M)/ NTDC/-9702 dated January 29, 2019: - Chief Engineer (MP &M) NTDC shall undertake henceforth all pre-award of contract activities in all types of tenders/procurement of goods, works and services financed by International Financing institutes or through NTDC own resources having estimated value of above Rs.60 million.

During audit of Project Directorate EHV-I NTDC, it was observed from record that four (4) tenders were floated and contracts worth of Rs.503.76 million were awarded to M/s Al-Hussain Traders Contractors and Potential Engineers Pvt. Ltd by Project Director EHV-1 Lahore in violation of authority instructions which was irregular.

Non-adherence of authority instructions resulting into irregular award of contracts beyond limitation/Powers - Rs.503.76 million up to the Financial Year 2022-23.

The matter was discussed with the management in June, 2023 and reported to the Ministry in November, 2023. The contracts were awarded to different contractors after completing the codal formalities through tendering process and approval of competent authority to float the tenders beyond the limit of 60 million.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get approval of next higher authority within fifteen (15) days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 493/2023-24)

1.6.32 Loss due to non-award of contract during bid validity period – Rs.489.70million

According to Rule-5(5) of Public Sector Companies Corporate Governance Rule 2013, "the Board shall establish a system of sound internal control, which shall be effectively implemented within Public Sector Corporate to ensure compliance with the fundamental principles of probity and propriety: objectivity, integrity and honesty and relationship with stakeholders."

During Thematic Audit of procurement and material management in NTDC, it was observed that Technical Bid Evaluation Report for bids against Tender-TLM-11-2021 for procurement of AAAC Greely Conductor for 500 kV Double Quad Bundle Transmission Line was opened on May 27, 2021, and approved by MD NTDC on October 05, 2021. The bid validity period of the subject tender was 150 days from bid opening. Since the bid validity period was near to expire, the two (02) technically responsive bidders i.e. M/s Henan Tong-Da Cable Co. Ltd. and M/s Jiangsu Zhongtian Technology Ltd. (ZTT) were asked for extension in bid validity period but both the bidders refused to extend the bid validity period. Resultantly the bidding process was annulled on December 08, 2021 and re-tendering for procurement of said material under Tender TLM-11R-2021 was floated and contract was awarded to M/s Fast Cables having lowest evaluated landed cost of Rs.5,327.437 million. However, the landed cost of one of technically responsive bidder i.e. M/s Henan Tong-Da Cable Co. Ltd. in the previous tender, TLM-11-2021 was Rs.4,837.737 million. (calculated from the 2% bid security of bidder i.e. CNY 2.300 million at conversion rate of Rs.24 as on April 30, 2021). Resultantly loss to the tune of Rs.489.7 million was suffered to the company due to non-award of contract under TLM-11-2021 during the bid validity period. It is pertinent to mention here that an inquiry committee to probe into reasons behind inordinate delay and subsequent scrapping of tendering process for procurement of AAAC Greely Conductor vide Tender No. TLM-09M-2019 and TLM-11-2021 was constituted on January 26, 2022. However, the outcomes of the said inquiry report were not forthcoming from the record.

Non-adherence to the provisions of the Public Sector Governance Rules resulted in loss of Rs.489.7 million due to non-award of contract during bid validity period up to the Financial Year 2022-23.

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that tenders TLM-09M and TLM-11 were floated, evaluated & processed during COVID-19 pandemic which is the reason for delay in contract award and refusal of bidders to extend bid validities owing to price volatility & market uncertainty during the pandemic, leading to scrapping of these tenders. The reply was not tenable as the NTDC hasn't achieved milestones for effective procurement.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to inquire the matter and share inquiry report with audit. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC's decision.

(Draft Para No.1157/2023-24)

1.6.33 Loss due to non-encashment of performance/mobilization advance guarantees of the contractor - Rs.350.54 million

According the clause 63.1 (b-ii) and 63.1(d) of general conditions of contract, "without forgoing the rights / remedies / authorities available with the employer engineer, including but not limited to (1) offsetting of any due payments under the contract (2) recovery of any cost / losses incurred (or to be incurred) by the employer for completion of works. (3) Encashment / adjustment of guarantees provided by contractor".

During audit of MP&M NTDC, a contract was awarded to M/s. ICC Pvt. Ltd against Tender No. NPP-03C-2019 and accordingly the contract agreement was signed on 22nd September, 2020. As per agreement, the contractor provided performance guarantee amounting to Rs.184.522 million and mobilization advance guarantee of Rs.166.018 million. On the basis of consecutively defaulting in execution and completion of work within the stipulated time of completion, NTDC terminated the contract on June 30, 2023. According to the contractual provisions, the performance guarantee and mobilization advance guarantee was required to be encashed immediately, but the same was not done due to negligence of the management and the guarantees were expired.

Non-adherence to the contractual provisions resulted in loss of Rs.350.54 million due to non-encashment of performance and mobilization advance guarantees up to the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in November, 2023. The management replied that BoD NTDC vide its notification dated November 03, 2023 had ratified to award the remaining work of the subject contract to M/s ICC Pvt. Ltd. again. In this regard amendment was under process and as soon as the amendment was issued, PG will be extended by the contractor and the same would be presented to Audit. Audit contended that the management failed in adhering the contractual provisions.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to submit detailed revised reply. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.544 /2023-24)

1.6.34 Irregular acceptance of material without type testing - Rs.349.82 million

According to Clause 26.1 of special conditions of contract, "all goods covered by the contract shall be subject to type testing / pre shipment inspection / Factory Acceptance Tests (FATs) in line with the requirements of relevant specifications".

During audit of MP&M NTDC, a contract No.ADB-109-2021 (Lot-IV) for procurement of substation equipment was awarded to M/s. Grid Solution SAS, France at a contract price of Euro 2.345 million. All the material was subject to acceptable type test reports. As per requirement of contractual provisions and prevailing practice, the Factory Acceptance Tests (FATs) of the offered equipment was required to be performed after complete type test performance as per NTDC type test policy / technical specifications. However, in this case the supplier was allowed to perform online FATs before execution of type testing and on the basis of online FATs the material / equipment was received. This state of affairs clearly showed that management had extended an undue favour to contractor/supplier by relaxing the type test requirement and put the interest of NTDC at risk.

Non-adherence to contract provisions resulted in irregular acceptance of material without type testing value Rs.349.82 million during the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in November, 2023. The management replied that the online performance of FATs prior to type testing was as per NTDC type test policy 2019. Moreover, the ADB loan against subject contract was going to expire on June 30, 2023. Therefore, keeping in view the timeline of loan and on the request of contractor, this office sought approval from the Competent Authority to conduct online FATs prior to type testing subject to full responsibility of the contractor to provide compliant type test reports.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get verified the stance with documentary evidence from Audit within 30 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.720 /2023-24)

1.6.35 Irregular release of Liquidated Damages Charges – Rs.344.18 million

As per Clause-45.5 of Contract ADB-14-2019, "Rules of procedure for arbitration proceedings": a) any dispute, controversy or claim arising out of or relating to the contract, or breach, termination or invalidity thereof, shall be settled by arbitration in accordance with the UNCITRAL Arbitration Rules as at present in force. b) Contracts with contractors being nationals of the Employer's country: any dispute between the Employer and a Contractor who is a national of the employer's country arising in connection with the present Contract shall be referred to adjudication or arbitration in accordance with the laws of the Employer's country. In either of the above cases, the venue of the arbitration shall be Pakistan. According to clause 6 of notification of award of contract No. GS-02(R2)-2019, "the liquidated damages shall be 0.05% of total contract price per day of delay. The maximum amount of liquidated damages shall be ten percent (10%) of the contract price".

During audit of NTDC, two (02) contracts i.e. No. ADB-14-2009 and GSO-02(R2)-2019 for Design, Supply, Installation of Static Var Compensator (SVC) at 220 kV New Kotlakhpat Grid Station and Supply of material for steel structure were awarded to M/s ABB Consortium and M/s Arabian International Company respectively. Both the contractors failed to complete the works within stipulated time period. Resultantly, liquidated damages (LD) charges amounting to Rs.343.15 million were deducted. However, later on the said deducted liquidated charges were released to the contractors. The release of LD charges was not covered under the provisions of contract agreements. Further NTDC has to bear exchange rate loss of Rs.1.032 million due to release of LD to M/s Arabian International Company at subsequent higher exchange rate. Detail is as under:

Sr. No.	Draft Para No.	Contract No.	Name of Contractor	Amount (Rs.in million)
1.	754/ 2023-24	ADB-14-2009	M/s ABB Consortium	279.50
2.	951/ 2023-24	GSO-02(R2)-2019	M/s Arabian International Company	64.68
			Total	**344.18**

(Source: Contract Correspondence file)

Non-adherence to provisions of Contracts Agreement resulted in irregular release of liquidated damages charges to the contractors amounting to Rs.343.15 million and loss of Rs.1.032 million due to release of LD at subsequent higher exchange rate up to the Financial Year 2022-23.

The matter was taken up with the management in June, 2023 and reported to the Ministry in November & December 2023. The management replied that LD charges were released to M/s ABB Consortium after approval of EOT from BOD whereas LD charges were released M/s Arabian International Company after grant of interim EOT and approval of final EOT was under the process of approval.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get EOT granted to M/s ABB Consortium verified from audit within fifteen (15) days. As regard to release of LD to M/s Arabian International Company, the DAC directed the management to inquire the matter and submit report to Audit within 30 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

1.6.36 Undue favour to supplier due to change in delivery schedule of material – Rs.314.41 million

According to Letter of Intents (LOI) issued vide No.286 dated February 09, 2022 Clause-B(b): - "Firm will submit requirements of UDIL certificate to

PITC within 15 days from the date of issuance of LOI under intimation to PESCO". Further, as per Clause-F: "The time taken for improvement in samples and resubmission of drawings will not entitle the manufacturer to claim extension in delivery period on this account".

During audit of CEO PESCO, a Purchase Order No. 0701789 dated July 05, 2022 for procurement of 12,499 whole current 3-phase meters amounting to Rs.314.41 million was issued to M/s Micro Tech Industries Pvt. Ltd. The scrutiny of record revealed that the firm was bound to submit requirements for UDIL Certificate within 15 days of issuance of LOI and delay in obtaining prototype approval from NTDC would not entail in extension of delivery period. However, firm provided the UDIL Certificate after lapse of 90 days and took 110 days in obtaining prototype approval from NTDC. Hence in the light of provisions of LOI and special conditions of the contract, 2% Bid money was required to be confiscated but contrary to this PESCO authorities extended undue favour to supplier by amending delivery schedule from "date of issuance of P.O" to "date of obtaining prototype approval". The said amendment was in contradiction to the provisions of LOI & Special Condition of Bidding Documents which resulted in escaping supplier from confiscation of bid security/ deduction of liquidated damages.

Non-adherence to Bidding documents and Purchase Order resulted in undue favour to supplier due to change in delivery schedule of material amounting to Rs.314.41 million during the Financial Year 2022-23.

The matter was taken with the management in May, 2023 and reported to the Ministry in December, 2023. The management replied that BOD PESCO was apprised about delay in provision of UDIL certification by the supplier and amendment in delivery schedule was accorded by the competent authority. Audit contended that the management failed in adhering to the provisions of bidding documents.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to submit revised detailed reply along with justification within 15 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.1240/2023-24)

1.6.37 Irregular award of purchase order to non-responsive bidder due to defective bid evaluation – Rs.306.22 million

According to Clause-15(iv) of General / Special Conditions for Bidding against Tender-2205/2022-23 for procurement of Three Phase Whole Current Static Meters, “the prototype approval obtained by the firm more than three years back from the date of opening of tender will not be accepted”. According to publication of Tener Notice 2276 for procurement of LT Steel Structure, “bids were called from the bidders having valid prototype approval”.

During audit of CEO FESCO, the validity of prototype approvals of two (02) bidders was expired before the time of opening of the bids. Hence, the bids of these bidders were required to be rejected but contrary to this, purchase orders bearing No.1314 and 1429 for supply of Three Phase Whole Current Static Meters and LT Steel Structure valuing Rs.280.613 million and Rs.25.611 were awarded to M/s. Intelligent Metering System and M/s. AH Associates respectively. The award of purchase orders to non-responsive bidders was against the provisions of bidding documents and hence cannot be termed as regular.

Violation of the provisions of the bidding documents resulted in irregular award of purchase orders valuing Rs.306.22 million to non-responsive bidder due to defective bid evaluation during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that both the bidders had valid prototype approvals at the time of issuance of tender documents. Audit contended that prototype approvals of the bidders had expired on bid opening date.

The DAC in its meeting held on December 20 & 21, 2023 directed the management to get its stance verified in the light of relevant provisions of tender documents / purchase order from Audit within a week. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No. 937/2023-24)

1.6.38 Un-justified renewal of standby letter of credit (SBLC) in favour of Omini Power Pvt Ltd – Rs.242.00 million

According to Para-5 (5) of Public Sector Companies Corporate Governance Rules, 2013 "the board shall establish a system of sound internal control, which will be effectively implemented at all levels within the public sector company, to ensure compliance with the fundamental principles of probity and propriety, objectivity, integrity and honesty and relationship with the stakeholders".

During audit of CEO HESCO, Standby Letter of Credit (SBLC) for an amount of Rs.242.00 million was renewed in favour of M/s. Omini Power Pvt Ltd. Despite the fact that an amount of Rs.368.00 million was lying pending for recovery from the said Small Power Producer (SPP). The matter for recovery for Rs.368.00 million was under arbitration. Audit held the renewal of SBLC unjustified as the amount was already recoverable from the supplier.

Non-adherence to Corporate Governance Rules resulted in un-justified renewal of standby letter of credit in favour of Omini Power Pvt. Ltd amounting to Rs.242.00 million during the Financial Year 2020-21.

The matter was discussed with the management in September, 2021 and reported to the Ministry in December, 2021. The management replied that an inquiry committee had been constituted vide office order dated November 22, 2023.

The DAC in its meeting held on December 22 & 23, 2023 upheld the decision of previous DAC wherein direction was given to inquire the matter at PPMCL level and further directed the management to share a schedule of recovery. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.611/2021-22)

1.6.39 Non-completion of work at risk and cost of the contractor – Rs.219.41 million

According to clause 35.1.b of conditions of contract, "ln the event the Purchaser terminates the Contract in whole or pursuant to GCC clause 35.1(a), the Purchaser may procure upon such terms and in such manner as it deems appropriate, goods or related services similar to those undelivered or not performed, and the supplier shall be liable to the purchaser for any additional costs for such similar goods or related services. However, the supplier shall continue performance of the contract to the extent not terminated".

During audit of MP&M NTDC, Lahore, a contract No.ADB-105R(Lot-2)2021 was awarded to M/s. Zibo Taiguang Electric Equipment China for procurement of goods at a contract price of Rs.219.41 million (US$ 767,184.00). Subsequently the contract was terminated due to contractor's failure to discharge contractual obligations during the month of August 2023. According to the provisions of contract performance guarantee valuing Rs.22.624 million of the contractor M/s. Zibo Taiguang Electric Equipment, China was encashed but no further action i.e. completion of work at risk and cost of the contractor was forthcoming from record.

Non-adherence to Contract Clauses resulted in non-completion of work at risk and cost of the contractor amounting to Rs.219.41 million up to the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in December, 2023. The management replied that the Performance Guarantee of the contractor has been encashed and the case for its blacklisting was under process. Furthermore, the retendering for the said material had not been initiated and subsequent claims, if any, would be lodged afterwards.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the stance with documentary evidence verified from audit within 30 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.1123 /2023-24)

1.6.40 Avoidable expenditure on temporary Rohri grid station due to non-execution of contract as per schedule completion period – Rs.204.97 million

According to Appendix-4 (Time Schedule) of Contract signed on January 18, 2010 for procurement of AIS Plant for 220 kV Rohri Substation (ADB-41-2009), "the completion period of the project was 420 days from the Effective Date."

During audit of NTDC, a Contract No. ADB-41-2009 for Procurement of 220 kV AIS Rohri Grid Station was awarded to M/s Chint Electric Company Ltd. on January 18, 2010 with completion period of 420 days from the effective date of contract. The said Grid Station was to be constructed for dispersal of power from 225 MW Engro Energy & 175 MW Fauji Foundation Power Plants. However, the construction work of New Grid Station Rohri could not be started in time even after award of contract. Subsequently, an expenditure of Rs.204.97 million was incurred for construction of temporary grid station. Had the construction activities for new grid stations been started in time, an expenditure of Rs.204.97 million incurred on temporary grid could have been avoided.

Project mismanagement resulted in avoidable expenditure of Rs.204.97 million on temporary Rohri grid station due to non-execution of contract as per schedule completion period up to the Financial Year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that the temporary grid was constructed as per phase-I program under tight time schedule for power evacuation from powerhouses through M/s Chint; the main EPC contractor in order to avoid heavy penalties. Audit contended that instead of getting the work of new Rohri grid executed from M/s Chint, the execution of the work of temporary Rohri grid from the same contractor was incomprehensible. Moreover, there was no provision existed in PC-I for expenditure on temporary grid station.

The DAC in its meeting held on April 12, 2021 directed the management to constitute fact finding committee and submit its report to Audit under the signature of MD NTDC. The DAC in its meeting held on December 18 & 19, 2023 upheld the earlier decision. No further progress was reported till finalization of the report.

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

(Draft Para No.1038/2023-24)

1.6.41 Non-adjustment/receipt back of material given on loan basis to contractors - Rs.163.50 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".

During audit of Project Directorate EHV-I NTDC, it was observed that the electrical material valuing Rs.163.50 million was issued on loan basis to contractors under different contracts. The equipment/material was lent to contractors with the undertaking to return the same. In addition, the surplus material was also required to be returned to store. However, adjustment/ receipt back of said electrical material from contractor was not forthcoming from record even after a considerable period.

Non-adherence to guidelines resulted in non-recovery of lent electrical material from contractor Rs.163.50 million.

The matter was reported to the management in August, 2023 and reported to the Ministry in November, 2023. The management replied that the observation is a duplicate of PDP-376/2023-24 and the surplus material allocated on loan basis to contractor has been returned to the designated warehouse vide MRNs.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the record verified from audit in support of reply within 15 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.500/2023-24)

1.6.42 Inordinate delay in awarding of Tender/Purchase Order - Rs.133.79 million

According to Rule-5(5) of Public Sector Companies Corporate Governance Rules-2013, "the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders".

During audit of PMU MEPCO, a tender No.65/2020 was opened on August 12, 2021 for procurement of seventy-two (72) 132 kV SF6 Gas Circuit Breakers. Two firms participated in this tender namely M/s Saddique Sons Engineers Lahore & M/s M.K Engineering Works-Shahzad Enterprises. The firms quoted bid price amounting to Rs.2.793 and 2.938 million per unit respectively. The case was presented in Procurement and Disposal Committee on January 17, 2022. The committee deferred the case for next meeting. The case was again presented in committee and recommendations of committee were awaited. Meanwhile, MEPCO management requested the firms to further extend the bid validity period but the firm refused. Resultantly, MEPCO management had to scrap the tender and floated a special tender (ICB) 02/2022 opened on May 31, 2022 for procurement of same item/material. Only M/s Saddique Sons Engineering Lahore participated in tendering process, quoted the bid price of Rs.4.367 million per unit for the same circuit breakers and purchase order was awarded to the firm. Thus, MEPCO sustained a loss of Rs.133.79 million due to BoD's wrong decision of retendering.

Non-adherence to Corporate Governance Rules resulted in loss of Rs.133.79 million due to inordinate delay in awarding of Tender/Purchase Order during the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in October, 2023. The management replied that evaluation was carried out by 3rd party i.e. Chief Engineer (SS Design) NTDC. The first lowest bidder M/s Siddique Sons Engineering Lahore offered 132 kV Circuit breakers manufactured by M/s Jiangsu Rugao China and as per technical bid evaluation report clause No. 8, M/s Jiangsu Rugao China was debarred by African Development Bank for twenty (20) months from June 14, 2020 to February 13, 2022. Moreover, the original bid validity of the tender expired on 09.01.2022 and M/s Siddique Sons Engineering Lahore refused to extend its bid validity in view of debarment of M/s Jiangsu Rugao. Due to this reason, the contract could not have been awarded to M/s Siddique Sons Engineering Lahore. The 2nd lowest bidder was M/s M.K. Engineering – Shahzad Enterprises submitted fake 3rd party inspection report against previous MEPCO purchase. The matter was discussed in MEPCO BOD and as per legal opinion of legal advisor the tender was scrapped.

The DAC in its meeting held on December 20 & 21, 2023 directed the management to inquire the matter by G.M. (Tech.) and submit report to audit within 30 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.433/2023-24)

1.6.43 Loss due to rebidding for construction of Mansehra Grid Station – Rs.129.09 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".

During audit of NTDC, Tender No.ADB-67-2012 for the procurement of 220 kV AIS Substation Mansehra, was declared mis-procurement by the Asian Development Bank Procurement Committee due to Non-adherence to paragraph 1.12 of ADB's Procurement Guidelines. Resultantly, NTDC gone into rebidding through Tender No. 67-R-2012 and the contract was awarded to the lowest bidder with Rs.1,317.94 million, which was 129.07 million higher than the lowest bid of Rs.1,188.85 million received in earlier Tender ADB-67-2012. Had the professional vigilance been exercised by observing the ADB's Procurement Guidelines in the process of Tender No.67-2012, NTDC rebidding could have been avoided by saving time and loss of Rs.129.09 million due to higher bid price.

Non-adherence to the ADB Procurement Guidelines resulted in loss of Rs.129.09 million due to rebidding for construction of Mansehra Grid Station up to the Financial Year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that the Mansehra Grid was situated in "Seismic Zone" for which no bidder had experience and they submitted their bids as per normal drawings. The change in price was due to civil works, which had to be executed as per the site requirements i.e. Seismic Zone. Audit contended that mis-procurement declared by ADB caused rebidding for which responsibility needed to be fixed.

The DAC in its meeting held on April 12, 2021 directed the management to constitute fact finding committee and submit its report to Audit under the signature of MD NTDC. No further progress was reported till finalization of the report.

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

(Draft Para No.1194/2023-24)

1.6.44 Damaged foundations jeopardizing the towers installed at Nandipur Pusroor T/Line - Rs.100.00 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".

During audit of GSC GEPCO, a 132 kV Double Circuit Nandipur - Pasrur T/Line was constructed during 2014 in order to dispersal of power from 525 MW Combined Cycle Power Plant Nandipur. GSO formation on April 17, 2023 reported that the soil and foundation work of three (03) Towers No.11, 17 & 18 installed at the said T/Line had been demolished rendering them into critical condition and exposing to near collapse. Accordingly, installation of Tubular Poles was suggested with estimated amount of Rs.100 million, which was approved by CEO with the direction to take action against SDO/XEN who did not protect the GEPCO property. However, the status of departmental inquiry for fixing the responsibility and quantifying the loss was not evident from record.

Poor project management resulted in damaged foundations jeopardizing the towers installed at Nandipur - Pusroor T/Line amounting to Rs.100 million during the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in October, 2023. The management replied that the site was visited by XEN TLC after reporting by GSO formation and he decided that the towers in questions were in healthy condition and there was no need to replace towers with poles. The GSC Formation had not conducted the work.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to share the inquiry report with audit in the light of CEO's direction to take action against SDO/XEN. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.322/2023-24)

1.6.45 Loss due to non-forfeiture of bid securities of bidders involved in corrupt and fraudulent practices – Rs.98.00 million

According to clause-19.6 (d) of Section-II: Bidding Data and Appendices, "the bid securities of the bidder (s) found involved in corrupt and fraudulent practices shall be forfeited." According to clause 1.1 of Section-IV, Part-I: General Conditions of Contract, "corrupt and fraudulent practices include *misrepresentation of facts* in order to influence a procurement process."

During Thematic Audit of procurement and material management in NTDC, it was observed that the bids of M/s Shandong Ruitai Glass Insulators Co. Ltd. China, M/s Nanjing Electric Group Co. Ltd. China and M/s Sichuan Yibin Global Group Co. Ltd. (SYGG), China against Tender No. TLM-10-2020 were rejected during bid evaluation process due to submission of false/ materially inaccurate information. Since the act of misrepresentation of facts in order to influence a procurement process fall under the ambit of corrupt and fraudulent practices, the bid securities of these bidders amounting to Rs.98.00 million were required to be forfeited. But neither bid securities of the said bidders were fortified nor the said bidders were blacklisted/ debarred.

Violation of provisions of bidding documents resulted in loss due to non-forfeiture of bid securities of the bidders involved in corrupt and fraudulent practices valuing Rs.98.00 up to the Financial Year 2022-23.

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that same observations were taken previously and DP-954/2020-21 had already been framed. The reply was not tenable as the said DP was not related with this observation as it was framed based on another contractor.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to inquire the matter and submit report to audit within 30 days. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC's decision.

(Draft Para No.1216/2023-24)

1.6.46 Non-replacement of defective / out-of-order material under warranty period - Rs.97.51million

According to Clause-9 of Purchase Order, 'the supplier will furnish a warranty certificate, certifying that goods supplied conform exactly to the specifications laid down in the contract and are brand new and that in the event of the material being found defective or not conforming to the specifications / particulars governing supply at the time of delivery and for a period of 12-months from the date of completion of supply, he will be held responsible for all losses and that unacceptable goods shall be substituted with the acceptable at their expense & cost.

During audit of FESCO & MEPCO, electrical material and equipment worth Rs.713.74 million were defective / damaged under warranty period and not got replaced from the manufacturers / suppliers. The detail is as under:

Sr. No.	Company	Draft Para No.	Amount (Rs.in million)
1.	FESCO	1107/2023-24	75.91
2.	MEPCO	524, 900/2023-24	21.60
		TOTAL	**97.51**

(Source: Purchase Order file)

Non-adherence to warranty clause of purchase order resulted in non-replacement of defective / out of order electrical material worth Rs.97.51 million under warranty period from manufacturers / suppliers up to the Financial Year 2022-23.

Audit was of the view that not getting under warranty goods replaced well in time showed unsatisfactory maintenance of Company assets by the DISCOs.

The matter was taken up with the management in August & November, 2023 and reported to the Ministry in November & December, 2023. The management replied that some of the material had been received from suppliers / manufacturers and efforts were being made to receive the remaining material.

The DAC in its meetings held on December 14, 2023 to December 23, 2023 directed the management to get the record of completed action verified from audit within a week and expedite the pending action. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

1.6.47 Irregular award of Purchase order to black listed firm M/s Pan Power – Rs.95.53 million

As per PPRA Rule 19(b), if the bidder fails to perform contractual obligations during execution or breaches the contract due to his capability to perform or otherwise the bidder can be declared black listed and debarred for participation of public procurement for a period of not more than three years.

During audit of CEO LESCO, a tender for procurement of 200 x 15kVA transformers was opened on January 19, 2023. A single bidder M/s Pan Power international (Pvt) Ltd, Lahore participated in the bidding process and after evaluation, the purchase order amounting to Rs.95.53 million was awarded to the same supplier on April 14, 2023. Furthermore, it was revealed that a purchase order dated February 8, 2021 for supply of 50 kVA distribution transformers was awarded to the same firm but it failed to supply the ordered transformers to MEPCO. Resultantly M/s. Pan Power international Pvt Ltd Lahore was declared black listed on November 15, 2022 and was debarred for a period of three years as per PPRA Rule, 19(b) by MEPCO. Therefore, the issuance of purchase order to a black listed firm was irregular.

Non-adherence to PPRA Rules resulted in irregular award of purchase order of Rs.95.53 million to a black listed firm during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that the firm M/S Pan Power filed a writ petition in Islamabad High Court. The Court suspended the blacklisting and the order in review passed by PPRA. So, in the light of the order passed by the Islamabad High Court this office considered M/s. Pan Power (Pvt) limited in the subject tender No.2952. Audit contended that the order of black listing was cancelled not suspended.

The DAC in its meeting held on December 18 & 19, 2023 accepted the stance of audit and directed that as per the order of the High Court, the matter of black listing of firm was suspended not cancelled. The DAC further directed LESCO that matter might be inquired within 30 days and reported to audit. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No.1004/2023-24)

1.6.48 Mis-procurement of 11 kV Steel Pins for Steel due to collusive practice / cartelization of bidders - Rs.91.608 million

According to Rule-2 (f), Definitions, of Public Procurement Rules-2004, "corrupt and fraudulent practices" includes the offering, giving, receiving, or soliciting of anything of value to influence the action of a public official or the supplier or contractor in the procurement process or in contract execution to the detriment of the procuring agencies; or misrepresentation of facts in order to influence a procurement process or the execution of a contract, 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 and any request for, or solicitation of anything of value by any public official in the course of the exercise of his duty".

During audit of CEO MEPCO, a tender No.07/23 for supply of 100,000 11 kV Steel Pins for steel Cross Arms having split up into four (04) Lots each for 25000 was opened on July 27, 2022. Six firms participated, and offered their rates for different lots, M/s A.M Associated and M/s Bajwa Engineering Industries were declared as non-responsive by the Technical Evaluation Committee, after that other three firms voluntarily reduced their rates to Rs.783 per item equivalent to the rate quoted by the lowest bidder. Astonishingly, the competitors quoted the same rate, which was clearly evident of their collusive practice / cartelization to distort open competition, for which no action was taken by the management. Instead, four purchase orders amounting to Rs.91.608 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 authority instructions resulted in mis-procurement of 11 kV Steel Pins for Steel amounting to Rs.91.608 million due to collusive practice / cartelization of bidders during the Financial Year 2022-23.

The matter was taken up with the management in November, 2023 and reported to the Ministry in December, 2023. The management replied that that six (06) various firms quoted for single item (in four different lots) with different rates which showed a very healthy competition. Out of them M/s Kamran Engineering quoted lowest rate of Rs.783 each. Accordingly remaining three (03) firms voluntarily revised their tender rate as Rs.783 each by their own & accordingly the case was processed.

The DAC in its meeting held on December 20 & 21, 2023 directed the management to get the record verified from audit within 15 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.942/2023-24)

1.6.49 Irregular hiring of legal services in violation of PPRA-Rules and violation of direction of the Regulator by not charging the same as part of Market Operation Fee - Rs.91.23 million

According to Rules-20 and 21 of Public Procurement Rules that open competitive bidding be used as a principal method of procurement for goods, services, and works for items costing more than five hundred thousand Rupees".

During audit of CPPA-G, Islamabad, CPPAG incurred an amount Rs.91.23 million as legal charges for hiring legal counsel without open competitive bidding which was violation of PPRA rules 2004. This amount included all legal cost both local and international, including travelling and other costs related to legal cases.

The Regulator directed CPPA-G in determination of Market Operation Fee for the Financial Year 2021-22 to make legal fee as part of its market operation fee rather than making it a part of capacity cost bill charged to DISCOs but compliance of the same was not done.

Non-adherence to PPRA Rules resulted in irregular hiring of legal services in violation of PPRA Rules and direction of the regulator for not charging the same as part of Market Operation Fee amounting to Rs.91.23 million up to the Financial Year 2021-22.

The matter was taken up with the management in May, 2023 and reported to the Ministry in June, 2023. The management replied that CPPA-G was engaged in the local and international legal proceedings being an agent of DISCOs, the litigation charges incurred by CPPA-G on behalf of DISCOs were passed on to DISCOs in accordance with the Article III of the Power Procurement Agency Agreement (PPAA) between CPPA-G and DISCOs dated June 03, 2015. The reply was not tenable as Regulator directed CPPAG in determination of Market Operation Fee to make legal fee as part of its market operation fee rather than making it a part of capacity costs bill charged to DISCOs but compliance of the same was not done. Further, without competitive bidding, hiring of legal counsel was unjustified.

The DAC in its meeting held on October 09, 2023 directed the management to provide the record in support of reply to audit within 07 days. No further progress was reported till finalization of the report.

Audit recommends that the NEPRA needs to review its hiring policies for external counsels to ensure that these are transparent and based on objective criteria based on a competitive selection process that ensures impartiality and objectivity.

(Draft Para No.105/2023-24)

1.6.50 Loss due to procurement of HT PC Spun Poles at higher rates - Rs.86.392 million

According to clause-38-B(I&2) of PPRA Rules, the procuring agency shall consider single bid in goods, works and services if it- (a) meets the evaluation criteria, ensures compliance of specifications and other terms &conditions expressed in advertisement or bid solicitation documents; (b) is not in conflict with any provision of the Ordinance; (c) conforms to the technical specifications; (d) has financial conformance in terms of rate reasonability: Provided that except unsolicited proposal, in case of pre-qualification proceedings single bid shall not be entertained. (2) The procuring agency shall make a decision with due diligence and in compliance with general principles of procurement like economy, efficiency and value for money.

During audit of CEO GEPCO, a tender for procurement of 8000 HT PC Spun Poles through four (04) Lots was opened on March 08, 2022 and single bidders had offered their rates ranging from Rs.30,100 to Rs.30,990 per pole in each Lot. The Bid Evaluation Committee (BEC) held the rates lower by comparing them with the rates received in FESCO and SEPCO in their tenders opened on May 17, 2022 & May 11, 2022 respectively. This rate analysis was inappropriate being made with subsequent / future tenders' rates instead of considering the same on the basis of past months' rates as GEPCO's tender was opened in March, 2022 whereas FESCO & SEPCO tenders opened in May, 2022. Even the BEC did not consider the estimated market rate of Rs.21,322 per pole as assessed by GEPCO

Civil formation for the said Tender. The above scenario indicated that procurement was made at higher rates and Company was put into loss of Rs.86.392 million.

Irrational rate analysis resulted in loss of Rs.86.392 million due to procurement of HT PC Spun Poles at higher rates during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that in each Lot single bidder had participated and Purchase Orders issued after conforming technical specification, rate reasonability and after due diligence in line with PPRA Rules. The rates of components used in the manufacturing of Spun Poles i.e. Steel, Cement, Crush and Sand in which steel wire was an imported item increased up to 24.80% from last tender whereas rate of issued P. Os increased 21.92% to 24%.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to inquire the matter and submit its report to audit within a month. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.1074/2023-24)

1.6.51 Irregular award of contract agreement - Rs.73.66 million

As per contract agreement clause 17 (A) (i) - "If the contractor (Supplier) fails to supply the goods within the time period, the purchaser will have the right to forfeit the security Bond/Guarantee (Performance Bond).

As per clause-4 of letter of intent dated September 24, 2021 the supplier is required to submit performance bond/Guarantee for Rs.7.36 million being 10% of value of contract agreement within 15 days i.e. October 06, 2021.

During audit of PMU FESCO, a LOI was issued to M/s. Shahzad Enterprises for the procurement of material of Rs.73.661 million. As per LOI, supplier was required to submit performance guarantee up to October 06, 2021, but the same was submitted by the supplier on June 23, 2022. Delay of fourteen (14) months in submitting performance guarantee showed irresponsible behavior by the management in procurement of important material. The management neither forfeited bid neither security nor performance guarantee valuing Rs.7.36 million from supplier. This deliberate delay in deciding the matter to cancel the

LOI and forfeiture of bid security not only affected the different works of FESCO due to non-availability of said material but also caused huge financial loss to the company in form of price escalation. Resultantly the management sustained a loss of Rs.7.36 million.

Non-adherence to contract clause resulted in Irregular award of contract agreement- Rs.73.66 million during the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in October, 2023. The management replied that contract was awarded to the supplier after receipt of performance guarantee.

The DAC in its meeting held on December 20 & 21, 2023 directed the management to inquire the matter within 30 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.415/2023-24)

1.6.52 Loss due to irrational decision of Procurement Committee of BoD - Rs.70.00 million

According to Clauses-4(3) of Public Sector Companies (Corporate Governance) Rules, 2013, "the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Act and these rules. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently, and effectively and in accordance with all statutory obligations".

During audit of CEO QESCO, it was observed that two (2) tenders No.1641 & 1728 for procurement of 13,090 (8090+5000) Automatic Meter Reading (AMR) meters were opened on January 10, 2022 & October 24, 2022. However, inordinate delay was observed in issuing the 1st purchase order as the same was approved by BoD on November 21, 2022 i.e after elapsing 10 months. Consequenlty the 2nd PO was approved on Februay 17, 2023 while the prices in market were rampant and per meter cost increased by Rs.14,000/-. Resultanlty, the company had to bear extra cost of

Rs.70 million (5000 meters x Rs.14,000 per meter), which could have been avoided if the first tender been concluded timely.

Non-adherence to the provisions of Corporate Governance Rules-2013 and PPRA-2004 resulted in loss of Rs.70.00 million due to irrational decision of Procurement Committee of BoD QESCO during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that tender T-1641 was part of procurement plan for FY 2021-2022, whereas tender T-1726 for procurement of the AMR meters was part of procurement plant for FY 2022-2023. The quoted / opened rates had been approved. As QESCO was procuring AMR meters for the first time so detail deliberations on various aspects were made by BoD. Audit contended that inordinate delay in issuing purchase orders reflected poor contract management.

The DAC in its meeting held on December 22 & 23, 2023 directed the management to inquire the matter by C.E. PMU QESCO and submit its recommendations to audit within 30 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.1079/2023-24)

1.6.53 Irregular award of contract - Rs.47.254 million

As per standard bidding documents IB. 14 clause 14.5 "the original and all copies of the bid shall be typed or written in indelible ink and shall be signed by a person or persons duly authorized to sign (in the case of copies photostats are also acceptable). This shall be indicated by submitting a written Power of Attorney authorizing the signatory of the bidder to act for and on behalf of the bidder. All pages of the bid shall be initialed and the official seal be affixed by the person or persons signing the bid".

During audit of GSC SEPCO, a contract amounting to Rs.47.254 million was awarded to M/S Ansaries Engineers on August 16, 2018 for construction of tower foundation, piling, erection, stringing and testing of T/L feed for Bhirya Road Grid station (Lot-II). In this regard tender was floated for said work on July 19, 2018 in which four (4) bidders participated. After technical & financial evaluation M/S Ansaries Engineering was declared the lowest responsive bidder with bid price of Rs.47.254 million by the Tender evaluation committee. However, from the forthcoming record, it was noticed that the contractor's quoted bid price seemed to be tempered/forged/ overwritten which was tantamount to extending undue favour to the contractor.

Non-adherence to the authority's instructions resulted in irregular award of contract amounting to Rs.47.254 million during the financial period 2021-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in October, 2023. The management replied that tender opened in the presence of tender opening committee and work was awarded to lowest responsive bidder. Regarding question of tempering/overwriting it was informed that after opening of bids the transparent tape was pasted on the quoted rates of all bidders to avoid the tempering of actual bid which was spread due to passage of time. It was clearly checked that the area where transparent tape pasted looked as if ink was spread there and it was different from the area where tape not pasted.

The DAC in its meeting held on December 22 & 23, 2023 directed the management to get the stance verified from Audit within 15 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.343/2023-24)

1.6.54 Irregular award of contract to non-responsive bidder – Rs.42.43 million

According to Clause 20.1 of Section-1 (Instructions to Bidder) of Bidding Documents for Tender No. 10A-2007 for Civil Works, Erection, Testing & Commissioning of Extension Work at 500 kV Sheikhupura (Lahore) and 500 kV Gatti (Faisalabad) Substation, "Bids shall remain valid for the period specified in the Bidding Documents after the bid submission deadline prescribed by the employer. A bid valid for a shorter period shall be rejected by the employer as Non-responsive."

During audit of NTDC, award of Contract under Tender ADB-10A-2007 could not be made to M/s Potential Engineers (Pvt) as the ADB had refused to recommend the same due to deficient bid validity period i.e. 26 days. On refusal from ADB, NTDC decided to execute the said works from own resources and the contract for execution of Civil Works, Erection, Testing & Commissioning of Extension Work at 500 kV Sheikhupura (Lahore) and 500 kV Gatti (Faisalabad) Substation was awarded on March 17, 2008 to M/s Potential Engineer (Pvt) Ltd at total contract price of Rs.42.43 million. Since the M/s Potential Engineers Pvt was non-responsive in the light of Clause 20.1 of Section-1 (Instructions to Bidder) of Bidding Documents due to shorter bid validity period, the award of contract to the said bidder could not be termed as regular.

Non-adherence to the provisions of bidding documents resulted in irregular award of contract valuing Rs.42.43 million to a non-responsive bidder up to the Financial Year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that the deficiency in the validity of bid was ignored under the provision of Clause 19.4 Section-I of the bidding document, specially in the context when there was no other bid having required work experience and contract was awarded on the recommendations of Chief Engineer Design NTDC. Audit contended that the contract was awarded to a non-responsive bidder by violating the provisions of the bidding documents.

The DAC in its meetings held on April 12, 2021 did not agree with the reply and directed the management to provide detailed / revised reply. The DAC in its meeting held on December 18 & 19, 2023 upheld the earlier decision. No reply was furnished till finalization of the report.

Audit recommends that the management needs to inquire the matter regarding award of contract to a non-responsive bidder in violation of provisions of bidding documents besides implementing DAC's decision.

(Draft Para No.1196/2023-24)

1.6.55 Irregular award of contract - Rs.39.99 million

According to Rule-34 (2) of PPRA, "the procuring agency before invitation for re-bidding shall assess the reasons for rejection and may revise specifications, evaluation criteria or any other condition for bidders as it may deem necessary".

During audit of GENCO-II, a Purchase Order No. 2341 dated July 22, 2023 for supply of air inlet filters valuing Rs.39.99 million was awarded to M/s Qaim Automotive Manufacturing (Pvt) Ltd. Before award of said purchase order, two (2) tenders for procurement of the same material were scrapped due to non-conformance of tendered technical specifications by the bidders. Further, in both scrapped tenders, M/s Qaim Automotive was declared as non-responsive. However, at the time of evaluation of 3rd tender, the bid of the said bidder was accepted on the basis of same technical specifications which were already turned down.

Non-adherence to PPRA Rules resulted in irregular award of contract Rs.39.99 million during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023. The management replied that in both the tenders, the material offered by M/s Qaim Filters Karachi was different in grade/make against the material mentioned in the bidding documents; hence, the firm was declared technically non-responsive. In third Tender T-1328, the said bidder again participated and offered equivalent material. The said firm was declared technically responsive and P.O was issued.

The DAC in its meeting held on December 22 & 23, 2023 directed the management to inquire the matter and submit its report within 30 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.741/2023/24)

1.6.56 Loss due to imprudent contract management for non-award of contract to lowest evaluated bidder - Rs.39.51 million

As per para 2(H) of PPRA Rules 2004 "most advantageous bid" means;- i) A bid or proposal for goods, works or services that after meeting the eligibility or qualification criteria, is found substantially responsive to the terms and conditions as set out in the bidding or request for proposals document; and ii) Evaluated as the highest ranked bid or proposal on the basis of cost or quality or qualification or any combination thereof, as specified in the bidding documents or request for proposal documents which shall be in conformity with the selection techniques to be issued by the Authority"

During audit of CEO TESCO Peshawar, a tender for rehabilitation of 132 kV Grid Station Razmak with an estimated cost of Rs.66.96 million was opened on January 24, 2023. M/s Mian Ghazi Enterprises was declared the lowest evaluated bidder (both in commercial and technical aspects) with a bid price of Rs.59.594 million which was 11% below the estimated cost. The evaluation committee recommended the award of contract to M/s Mian Ghazi Enterprises. However, the contract was not awarded to the lowest evaluated bidder (M/s Mian Ghazi Enterprises) and the tender was cancelled. Subsequently, the tender for same work i.e rehabilitation of 132 kV Grid Station Razmak was called for with estimated cost of Rs.66.96 million and opened on March 09, 2023. M/s Mian Ghazi Enterprises was again declared the lowest evaluated bidder with quoted bid of Rs.100.37 million which was 49.90% above the estimated cost. M/s Mian Ghazi Enterprises voluntarily reduced the amount to Rs.99.099 million (48 % above the estimated cost) and the contract was awarded to the bidder. The imprudent contract and financial management resulted in award of contract at higher rates to the extent of Rs.39.51 million which was loss to the company.

Non-adherence to PPRA rules resulted in loss of Rs.39.506 million due to non-award of contract to the lowest evaluated bidder during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023. The management replied that at first bidding documents/estimate were sent to 3rd party consultant for final evaluation. In response it was submitted that the rates were not justified and quality of work would be compromised, therefore, the work was retendered.

The DAC in its meeting held on December 14 & 15, 2023 observed that the contractor was initially evaluated on technical and financial basis and was declared successful. The evaluation of consultant on speculative basis could not be termed appropriate. DAC also directed the management to inquire the matter at PPMC level and submit its recommendations to audit. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No.834/2023-24)

1.6.57 Unsatisfactory performance of M/s EMCO Industries Ltd due to purchase of material - Rs.34.58 million

According to PPRA Rule Section (4) Principles of Procurements. 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 was efficient and economical.

During audit of PMU FESCO, the Disc insulators 100-KN (fog type) and 80-KN (Normal type) were procured from M/s EMCO Industries Ltd.against contract agreement No. 123 dated January 10, 2018 and contract agreement no. 165 dated June 25, 2019 and utilized on different works of FESCO. From the date of receipt of material in question to FESCO warehouse till May 27, 2022, nothing was stated from FESCO management about performance of the said material and performance guarantee was released to the supplier. The supplier requested vide its letter dated May 27, 2022 regarding performance certificate of its material, inresponse to which FESCO issued performance certificate vide letter No. 4822 dated July 19, 2022 and declared the performance of said material unsatisfactory. Due to expiry of warranty period, the said material could not be replaced form the contractor. Despite unsatisfactory performance of material, the FESCO awarded contract dated April 15, 2022 for the same material from same supplier i.e., M/s EMCO Industries Ltd. at Rs.2.98 per unit with total contract price was Rs.34.58 million.

Non-adherence to instructions resulted in unsatisfactory performance of M/s EMCO Industries Ltd due to purchase of material Rs.34.58 million during the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in October, 2023. The management replied that Disc Insulators had been issued against different works and no complaint regarding unsatisfactory performance had so far been received.

The DAC in its meeting held on December 20 & 21, 2023 directed the management to inquire the matter at G.M Technical level within 30 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.417/2023-24)

1.6.58 Loss due to non-invoking of Variation Clause of Purchase Orders – Rs.33.00 million

According to clause-B-(ii) of Special Conditions for Purchase Order, "FESCO reserves the right to increase/ decrease the quantities up to 15% through variation order/ repeat order after issuance of purchase order during the currency of the contract (currency of the contract means delivery of last consignment in concerned store).

During audit of CEO FESCO, variation clause for increase of quantities up to 15% was not invoked in three (03) purchase orders for procurement of 25 kVA transformer, 200 kVA transformer and Bi-Directional 3-Phase Static Meter and additional required quantities of the said material were procured through new purchase orders at higher rates. Resultantly the company suffered loss to the tune of Rs.33.00 million due to subsequent procurement of material at higher cost.

Non-adherence to the provisions of the Purchase Orders resulted in loss of Rs.33.00 million during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that variation orders were not issued in existing purchase orders due to unsatisfactory performance of suppliers and fresh purchase orders were placed to different lowest evaluated responsive bidders.

The DAC in its meeting held on December 20 & 21, 2023 did not agree with reply of the management and directed to furnish detailed revised reply within a week. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 936/2023-24)

1.6.59 Unnecessary purchase of vehicles - Rs.28.82 million

According to the Section (5) of Corporate Governance Rules "The Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders."

During audit of CEO IESCO, it was observed that six single cabin vehicles amounting to Rs.28.82 million were purchased for operations formation for maintenance purposes and were required to be allocated to the field line staff. But these vehicles were allocated to the executives instead of the line staff. Therefore, expenditure on these vehicles was un-necessary and unjustified.

Non-adherence to authority's instructions resulted in unnecessary purchase of vehicles valuing Rs.28.82 million during the Financial Year 2022-23.

The matter was taken up with the management in November, 2023 and reported to the Ministry in December, 2023. The management replied that single cabin pickups had been allocated in IESCO Head office for important projects namely AMI (01 No) & MIRAD (03) and 01 each for Planning Directorate and PR Directorate.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to get the record verified from audit along with justification of allocation to departments. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.945/2023-24)

1.6.60 Purchase of faulty material from M/s Power Electronics (Pvt.) Ltd. - Rs.28.68 million

As per Clause-9 of Contract Agreement, "the contractor will be held responsible for all losses incurred during warranty guarantee period.

During audit of GSC FESCO, various discrepancies were observed while installation of Control Panels and Relay Panels at three Grid Station namely 132 kV Grid Station Old Thermal Power, Jhakkar, Allied and Steam Power. These discrepancies occurred due to faulty / substandard Control Panels & Relay Panels which could cause damage to Grid Stations, valuable equipment and failure of supply. The said material was purchased by FESCO management vide two (02) contract agreements i.e. 247 dated November 11, 2021 and 264 dated December 16, 2021 worth Rs.28.68 million from M/s Power Electronics Pakistan Private Limited, and discrepancies were not got removed from the manufactures as per warranty clause of Purchase Order.

Non-adherence to the Contract clause resulted in loss of Rs.28.68 million due to purchase of faulty material during the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in November, 2023. The management replied that discrepancies had been rectified by the supplier before commissioning of projects.

The DAC in its meeting held on December 20 & 21, 2023 DAC did not agree with the reply of management and directed to inquire the matter at Technical Director level within 30 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.519/2023-24)

1.6.61 Unjustified payment to the contractor for supply and placing of river run gravel against the specification of BoQ in switchyard area – Rs.25.71 million

According to Sr. No. 2(j) of Schedule 1 of BoQ of Contract No. ADB-72R-2016 (Package-I, Lot-II) for Civil Works, Erection, Testing and Commission at 220 kV Grid Stations at D.I Khan, "the contractor was required to supply and place river run gravel 40 to 50 mm sized (in 200mm thick layer) including toe wall (if required) in switchyard area as specified and as directed by the Engineer."

During audit of NTDC, a Contract No.ADB-72R-2016 (Package-I, Lot-II) for Civil Works, Erection, Testing and Commission at 220 kV Grid Stations at D.I Khan was awarded to M/s PEL. However, the said contractor supplied and placed river run gravel of 20mm to 75mm size instead of 40 to 50 mm size at switchyard area. The supply and placing of river run gravel other than the specified and quoted size as stated in BoQ was against the provision of contract. Hence an amount of Rs.25.71 million paid in this regard was unjustified.

Non-adherence to the specifications of BoQ for supply and placing of river run gravel resulted in unjustified payment of Rs.25.71 million to the contractor at D.I Khan Substation up to the Financial Year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that the contractor had completed gravel work in the light of contract by providing gravel size of 20 to 75 mm. Audit contended that according to Sr. No. 2(j) of Schedule 1 of BoQ of contract, the contractor was required to supply and place river run gravel 40 to 50 mm sized instead of 20 mm to 75 mm.

The DAC in its meeting held on April 12, 2021 did not agree with the reply and directed the management to provide detailed / revised reply. The DAC in its meeting held on December 18 & 19, 2023 upheld the earlier decision. No reply was furnished till finalization of the report.

Audit recommends that the management needs to inquire the matter besides expediting provision of river run gravel as per the size quoted in the BoQ.

(Draft Para No.1086/2023-24)

1.6.62 Irregular payment of earth filling & carriage due to deficient / unauthentic recording in Measurement Book (MB) - Rs.23.17 million

According to Conditions of Contract Clause-53 Volume-I, Instructions to Tenderers, "the engineer shall determine by a measurement the value in accordance with the contract of work done in accordance with the contract. For the purpose of measuring such permanent work as is to be measured by records and drawings the engineer's representative shall prepare records and drawing month by month of such work and the contractor shall attend to examine and agree such records and drawings with the engineer's representative. As per Clause-17, "the contractor shall be responsible for the true and proper setting-out of the works in relation to original points lines and levels of reference given by the engineer in writing and for the correctness of the position levels dimensions and alignment of all parts of the works. The contractor shall carefully protect and preserve all bench-marks, sight-rails pegs and other things used in setting out the works".

During audit of GSC GEPCO, the entire civil work of 132 kV consumer Grid Station Tannery Zone, Sialkot was got completed on March 28, 2023 through M/s R&S Enterprises (JV) M. Abubakar Trader under Tender No.07/2021-22. A new contract under Tender No.12/2022-23 amounting to Rs.29.16 million (without PST) for earth filling with carriage at the said grid station was awarded to the same contractor on November 21, 2022 with date of commencement as on April 26, 2023. The scrutiny of payment of 2nd& 3rd running bill amounting to Rs.23.17 million revealed the following irregularities: -

- Both the 2nd& 3rd running bills were prepared / recorded by Sub-Engineer (BS-14) and counter checked by SDO (17) by the same person, which was against the internal checks / controls.

- At page-74 of MB No.61 (3rd running bill), the measurements for filling, watering and reaming of earth under floors with carriage were recorded but it was not mentioned in “Particulars Column” where the filling of earth was done, yet bill was pre-audited and passed for payment of Rs.5.94 million.
- Similarly, in 2nd running bill, the major measurement of 14,123.95 CUM was recorded against the “Right Side” which was totally incomprehensible as to whose & which “Right Side was filled in with earth. However, the 2nd running bill of Rs.17.23 million was checked, pre-audited and passed for payment.

Besides the above pointed out irregularities with the payment of civil work, some important documents for ascertaining the pertinence / authenticity of the awarded work were also not forthcoming from the record. It is also noteworthy that the earth filling was commenced after completion of main civil work of entire grid station instead of doing during construction. Hence, the aforementioned glaring irregularities, spoke volume against the authenticity / genuineness of the execution of earth filling work, its measurement and payment.

Poor project management resulted in irregular payment of Rs.23.17 million on account of earth filling & carriage due to deficient / unauthentic recording in measurement book during the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in October, 2023. The management replied that due to non-availability of SDO (Civil), PD (GSC) had assigned the duties of SDO (Civil) to the Sub Engineer (Civil). The measurement of earth filling was shown in particular column of MB No.61 and the Qty mentioned in Page-71 of MB No.61 of measurement 14123.95 CUM in right side of MB was correct. The Grid Layout (GLO) of Grid Station was prepared and handed over to concerned contractor & earth filling estimate was prepared according to site requirement.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to inquire the matter at PPMCL level by G.M Technical and submit its report within a month. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.215/2023-24)

1.6.63 Loss due to non-inclusion of standard clause of variation of quantity in Purchase orders in violation of National Standard Procurement Documents – Rs.20.98 million

According to directions issued by PPRA vide SRO 370 (I)/2022 dated March 02, 2022, "the procuring agencies shall use National Standard Procurement Documents for national/ international competitive bidding.

According to Clause- 40.1 of Section-II (Instruction to Bidders ITBs) of Standard Bidding Documents for Procurement of General Goods, "The Procuring Agency reserves the right at the time of contract award to increase or decrease the quantity of goods or related services originally specified in these Bidding Documents (schedule of requirements) provided this does not exceed by percentage indicated in the BDs, without any change in unit price or other terms and conditions of the Bid and Bidding Documents.

According to Clause- 40.1 of Section-III (Bid Data Sheet) of Standard Bidding Documents for Procurement of General Goods, "Percentage for quantity increase or decrease is required to be mentioned at the time of Award of Contract".

During audit of CEO FESCO, eight (08) tenders for procurement of electrical material comprising SID Cable 2/C 10mm, 11 kV Disc Insulator, ACSR Rabbit Conductor and ACSR Osprey Conductor were floated by excluding standard clause of variation of quantity in the bidding documents/POs. This restrained the company from procurement of recurring electrical material at economical prices through Variation Orders. Resultantly the said material was procured at higher cost of Rs.20.98 million through subsequent award of new purchase orders.

Violation of direction of PPRA and provisions of national standard procurement documents resulted in loss of Rs.20.98 million due to non-inclusion of standard clause of variation of quantity in bidding documents/ PO's during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that 15 % variation of increase/ decrease in quantity before placing of LOI/ PO was incorporated in the bidding documents. Audit contended that variation in quantity before issuance of LOI/ PO was useless and in the light of National Standard Procurement Documents of PEC, 15% variation in quantity during the currency of purchase order was required to be incorporated.

The DAC in its meeting held on December 20 & 21, 2023 DAC did not agree with the reply of management and directed to inquire the matter jointly at CEO and CFO level. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.930/2023-24)

1.6.64 Un-justified award of civil works in excess of BoQ - Rs.20.22 million

According to Central Public Works Code Para 65 "When the expenditure upon a work exceeds, or is found likely to exceed, the amount administratively approved for it by more than 10 percent, or the limit prescribed in paragraphs 60 and 61, whichever is less, a revised administrative approval must be obtained from the authority competent to approve the cost, as so enhanced"

During audit of GSO Circle QESCO, eighteen (18) civil works were completed in excess of approved BoQ value amounting to Rs.20.22 million. The BoQ value remained 60% above on average as compared to the value on which contracts were awarded. Neither justification was recorded nor comparison with other DISCOs or rate comparison from market was conducted and merely revision of rates in noting sheet was put up for approval from CEO QESCO.

Non-adherence to CPW code para 65 resulted in un-justified award of contract in excess of BoQ amounting to Rs.20.22 million during the Financial Years 2018-19 to 2021-22.

The matter was taken up with the management in March, 2023 and reported to the Ministry in June, 2023. The management replied that estimates were framed by the Assistant Engineer (Civil) on the basis of schedule of rates 2013. After lapse of so many years the rates were increased appreciably due to hike in the prices The contractors' quoted rates in accordance with market prevailing rates and also by adding their own premium. The Administrative approvals were accorded as per estimate; however, the final approval by the competent authority covered all aspects of case approvals.

The DAC in its meetings held on September 09, 2023 directed the management to initiate inquiry and share it with audit within 30 days. No further progress was reported till finalization of the report.

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

(Draft Para No. 02/2023-24)

1.6.65 Loss due to award of new work order for earth filling & its carriage instead of issuing variation order / considering in revised work order-Rs.15.34 million

According to Clause-48 (1) Volume-I, Instructions to Tenderers, "the engineer shall make any variation of the form quality or quantity of the work or any part thereof that may in his opinion be necessary and for that purpose or if for any other reason it shall in his opinion be desirable shall have power to order the contractor to do and the contractor shall do any of the following:- (a) increase or decrease the quantity of any work included in the contract, (b) omit any such work, (c) change the character of quality or kind of such work, (d) change the levels lines position and dimensions of any part of the works and no such variation shall in any way vitiate or invalidate the contract but the value (if any) shall be taken into account in ascertaining the amount of the contract."

During audit of GSC GEPCO, a contract under Tender No.07/2021-22 amounting to Rs.64.37 million (without PST) for construction of boundary wall, control house building, transformer / line / PT bays, metering room, transformer ways and roads at 132 kV consumer Grid Station Tannery Zone, Sialkot was awarded to M/s R&S Enterprises (JV) M. Abubakar Trader F/abad on December 16, 2021. In BoQ for civil works, the following two (02) items were included: -

BoQ item No with description	Qty	Rate
H-14 Filling, watering and ramming earth	435 CUM	Rs.173.51
H-15 Carriage of earth leads-5 km	435 CUM	Rs.191.16

The work was completed on March 28, 2023; however, the estimate of the work was revised due to increased / decreased quantities as per site requirement. Accordingly, a revised contract / work order amounting to Rs.75.86 million (with increase in scope of work) in continuation to the said original contract was issued on July 31, 2023. However, both the said BoQ items were excluded from the said contract and a new contract with increased quantity and rates was awarded separately with total amount of Rs.29.16 million (without PST) to the same contractor on November 21, 2022. The detail is as under: -

BoQ item No with description	Qty	Rate
H-14 Filling, watering and ramming earth	37890.08 CUM	Rs.404.704133
H-15 Carriage of earth leads-5 km	37890.08 CUM	Rs.364.951459

When the original work order was revised due to variation of decrease & increase in quantities of BoQ items then both the said BoQ items, with already awarded rates, should have been included / considered therein. Deletion of the same from the scope of original as well as revised work order and procured through another contract with increased quantity and rates from the same Contractor caused loss of Rs.15.34 million to GEPCO.

Contract mismanagement resulted in loss of Rs.15.34 million due to award of new work order for earth filling & its carriage instead of issuing variation order / considering in revised work order during the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in October, 2023.The management replied that the earth filling work was not included in the already awarded work. The work was awarded to MS R&S enterprises according to PPRA Rules and also approved by the BoD GEPCO. The cost of work was borne by depositor and all the expenditure was the responsibility of sponsors.

The DAC in its meeting held on December 18 & 19, 2023 directed to inquire the matter at PPMCL level by G.M Technical and submit its report within a month. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC’s decision.

(Draft Para No.216/2023-24)

1.6.66 Loss due to issuance of tender to 2nd lowest bidder - Rs.15.08 million

As per Rule 38 of Public Procurement Rules 2004, “The bidder with the lowest evaluated bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government shall be awarded the procurement contract, within the original or extended period of bid validity".

During audit of PMU FESCO, a tender for the purchase of 132 kV D/C Tower type ZM-1 along with all allied accessories under Lot-1 was awarded to M/s Siddique Sons, the 2nd lowest bidder with quoted price of Rs.1.78 million per unit instead of Associated Technologies who quoted lowest price of Rs.1.74 million per unit. As a result, the management sustained a loss of Rs.15.08 million due to purchase at higher rate by rejecting M/s Associated Technologies for minor reason i.e. price schedule not properly signed.

Non-adherence to PPRA Rules resulted in loss of Rs.15.08 million due to issuance of tender to 2nd lowest bidder during the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in October, 2023. The management replied that contract was awarded to the 2nd lowest bidder due non-responsiveness of the 1st lowest bidder and grievance of the said bidder was rejected by the Grievance Redressal Committee.

The DAC in its meeting held on December 20 & 21, 2023 directed the management to inquire the matter within 30 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.416/2023-24)

1.6.67 Loss due to award of contract at exorbitant rates ignoring the 2nd lowest evaluated bidder - Rs.12.41 million

As per Rule-4 of PPRA Rules 2004, Principles of Procurement; - "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".

During audit of CEO TESCO, two (02) tenders for construction of protection wall between power transformers and allied Civil Works at 132 kV Grid Station Bara and for rehabilitation of residential quarters, internal roads and boundary wall at 132 kV Grid Station Bara District Khyber with estimated cost of

Rs.10.990 million and Rs.7.298 million respectively were opened on February 09, 2022. M/s Nadeem Construction Company was evaluated the lowest bidder for a cost of Rs.11.539 million and Rs.6.569 million which was 5% above and 10% below respectively and the work order was awarded to M/s Nadeem construction company. However, the contractor did not take up the work and the Cash Deposit Receipt (CDR) was forfeited. The 2nd lowest bidder (M/s ASG Brothers Construction and M/s Shinwari) accepted the offer to execute the work at quoted price of Rs.13.73 million and Rs.8.759 million (25% & 20% above the BoQ) respectively. However, the contract was not awarded to the 2nd lowest bidder despite the increasing trend of material rates and without rate analysis and the work was retendered. Subsequent to retendering the contractor M/s Fida Muhammad & Sons and M/s Shinwari Construction Company was declared the lowest evaluated bidder with a quoted price of Rs.21.41 million and Rs.13.49 million which was 94.85% and 84.83%above respectively and the work was awarded. Non-award of contract to the erstwhile 2nd lowest bidder resulted in extra cost of Rs.12.41 million which was loss to the company.

Non-adherence to PPRA rules resulted in imprudent and injudicious award of contract at exorbitant rate causing loss of Rs.12.41 million to the company during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that on refusal of 1st lowest bidder, the works were retendered.

The DAC in its meeting held on December 14 & 15, 2023 observed that due diligence was not performed by the management keeping in view the raising price trend and the request of 2nd lowest bidders were ignored and subsequently the contracts were awarded at much higher rates. DAC directed the management to inquire the matter at PPMC level and get the report finalized within a month. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.984/2023-24)

1.6.68 Irregular payment to consultants due to violation of PPRA Rules - Rs.11.44 million

As per Establishment Division O.M. 4/2/90-RI dated December 05, 1990, no reemployment beyond the age of superannuation shall be allowed except in very exceptional cases for which approval of Prime Minister would need to be detained. i) The Ministries / Division are advised not to initiate cases of re-employment of Civil Servant beyond the age of superannuation unless that is considered unavoidable due to non-availability of his replacement and the importance and sensitivity of the job. ii) Engagement of retired officers as Consultants / Advisor etc. shall require prior permission of the Government in variably i.e. Establishment Division in case of retied Civilian Officer. iii) As per PPRA Rules 20 the procuring agencies shall use open competition bidding as the principal method of procurement for good services and works.

During audit of Technical Services NTDC Lahore, two (02) officers were appointed / reappointed as advisors/consultants in TSG NTDC Lahore after superannuation on contract basis without prior approval / permission of Establishment Division, Government of Pakistan.

This was against the instructions of Establishment Division, Government of Pakistan and PPRA Act. 2004, which resulted in undue nepotism / favoritism to the retired officers on the cost of Authority. As such an amount of Rs.11.44 million on account of consultancy charges had been paid to the retired officers/consultants, which was quite unjustified.

Non-adherence to Government Instruction and violation of PPRA Rules resulted in irregular hiring of consultants and unjustified payment of Rs.11.44 million for consultancy charges during the Financial Years 2017-18 and 2021-22.

The matter was taken up with the management in March, 2023 and reported to the Ministry in June, 2023. The management replied that the application of PPRA Rules as observed by audit was not relevant as PPRA Rule No. 05 clearly stipulated that "whenever these rules are in conflict with an obligation or commitment of the Federal Government arising out of and international treaty or an agreement with a State or States, or any international financial institution the provisions of such international treaty or agreement shall prevail to the extent of such conflict."Approval of Managing Director NTDC was obtained for hiring of consultants on contract basis as per the nature of job, the instant case did not fall under the category of re-employment.

The DAC in its meetings held on August 26, 2023 directed the management to provide guidelines / documents of donor and get it verified from audit within 15 days. No further progress was reported till finalization of the report.

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

(Draft Para No.123/2023-24)

1.6.69 Irregular payment to contractor - Rs.11.01 million

According to instruction of Manager Material Management HESCO Hyderabad issued vide letter No. HESCO/MMM/P&P/192/18271-78 dated April 04, 2023 to the Chief Financial Officer and Project Manager regarding withheld/Stoppage of Payment of M/s Syed's Group Hyderabad.

During audit of GSC HESCO, M/s Syed Group Hyderabad failed to supply the required cell phones within stipulated time period against purchase order No. 02-0037 dated September 08, 2022. Moreover, the said contractor also breached the contractual obligation by cancelling the performance guarantee. Subsequently, instructions were issued on April 04, 2023 vide letter No. No. HESCO/MMM/P&P/ 192/18271-78 regarding withheld/stoppage the payment to said contractor. However, payment of Rs.11.01 million was paid to the contractor against his 1st running bill on May 31, 2023 on account of another work for construction of electrical equipment foundation, cable trenches and allied work at 132 kV Grid Station at Kunri.

Non-adherence to authority instructions/directions resulted in irregular payment to contractor of Rs.11.01 million during Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in November, 2023. The management replied that the payment was made to contractor on account of work done by the contractor in accordance with terms and condition of work order /contract agreement after concurrence of Manager Material Management who had no objection to process the payment of contractor.

The DAC in its meeting held on December 22 & 23, 2023 directed to inquire the matter at CEO level and submit report to Audit within 30 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.684/2023-24)

1.6.70 Loss due to mis-management in the tendering process - Rs.9.99 million

As per Clause 11.3 of Section-II (Instructions to Bidders) regarding documents establishing bidder's eligibility and qualifications, the documentary evidence to establish that the bidder / manufacturer has manufacturing / operational experience of material specified in this tender or of higher ratings as per Qualification & Experience Criteria mentioned in the Section-I (iv) anywhere in the field.

During audit of PMU MEPCO, a same tender for the procurement of 70 No. 11 kV Outgoing Panels 25KA, 630A under MEPCO's own resources was floated twice and opened on June 13, 2019 and August 29, 2019. In both cases, M/s. Pak Electron Limited (PEL) Lahore stand lowest offering the rate of Rs.1,168,000/- & Rs.1,400,000/- per Outgoing Panel respectively. As per bid evaluation report, award of purchase order was not made to M/s PEL by declaring it non-responsive due to un-satisfactory field performance and tenders were scrapped by the competent authority and called for re-tendering. Third time the same tender was floated and opened on September 20, 2019 and again M/s Pak Electron Limited (PEL) was 1st lowest bidder with offer rate of Rs.1,290,000/-. After evaluation, the Purchase Order amounting to Rs.105.651 million dated November 07, 2019 was issued to M/s. PEL, the same manufacture which was rejected twice due to un-satisfactory performance, at higher rates. Hence, MEPCO sustained a loss of Rs.9.99 million (Rs.1,290,000 – Rs.1,168,000 x 70 + Rs.1.45 million GST) due to mis-management in the tendering process and purchase of Outgoing Panels at exorbitant rate.

Non-adherence to the rules resulted in loss of Rs.9.99 million due to award of purchase order at higher rates ignoring the 1st lowest bidder in the first tender during the Financial Year 2019-20.

The matter was taken up with the management in July, 2020 and reported to the Ministry in November, 2020. The management replied that there were initially some issues in the 11 kV Panels supplied by M/s PEL in MEPCO which were rectified by the firm and performance was satisfactory as per S.E. (GSO) Multan. However, no issues were highlighted by LESCO during evaluation.

The DAC in its meeting held on December 20 & 21, 2023 directed the management to inquire the matter and submit its report to audit within 30 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.324/2020-21)

1.6.71 Wastage of ERRA funds allocated for reconstruction of 60 KM, 33 kV Line Balakot to Naran – Rs.9.688 million

According to Para-III (1) of guidelines for enforcing the responsibility for losses sustained by the authority through fraud or negligence of individuals, 1982, "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".

During audit of Operation Circle Hazara-II PESCO, a 33 kV transmission line supplying electricity to Kaghan & Naran was damaged due to earthquake in 2005. A contract was awarded to M/s S.A Construction Peshawar on July 24, 2008 with estimated cost of Rs.8.228 million for reconstruction work on deposit basis through ERRA funds. The work was required to be completed within 365 calendar days which was extended up to May 21, 2010 on the plea that PESCO had not procured the accessories under ADB Loan. The contractor erected 880 HT structures without stringing of conductor and other installation. PESCO paid an amount of Rs.7.515 million to the contractor M/s S.A Construction (PVT) Peshawar for the erection of structures; however, further execution of work under the ERRA fund was stopped on the directions of Chief Engineer/Technical Director PESCO on September 28, 20210. Meanwhile Manager (MM) PESCO procured 189 KM ACSR Dog Conductor, but the material was not issued for completion of work and work remained incomplete. After ten years an inquiry committee was constituted on May 06, 2020 to probe the factual position regarding reconstruction of 60 Km 33 kV line. The committee visited the site of work and found that there were only 636 HT structures installed instead of 880 structures. Later on, a work order amounting to Rs.12.212 million was prepared by P&E in 2021 and work was completed in 2022 by bifurcating 11 kV Balakot feeder. The inquiry committee also proposed that the matter of stopping of work should further be investigated. It was pertinent to mention that the person who started and stopped the work was the same person holding charge of the posts of PD ERRA & Manager (Operation) Hazara Circle Abbottabad. The above scenario depicted that whole work was mismanaged and caused wastage of public resources.

Non-adherence to rules resulted in wastage of ERRA funds allocated for reconstruction of 60 Km, 33 kV Line Balakot to Naran – Rs.9.688 million up to the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in November, 2023. The management replied that the matter had been referred to the CEO PESCO Peshawar for conducting inquiry into the matter vide SE (ops) PESCO Hazara-II circle letter No. 12399 dated December 18, 2023. As and when the inquiry was completed, audit would be informed accordingly.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to submit revised detailed reply along with documentary evidence to audit within 15 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision and provision of inquiry report.

(Draft Para No.501/2023-24)

1.6.72 Non-clearance of punch list items and non-renewal of performance guarantee – Rs.9.310 million

According to Contract Agreement, "there is a Defect Liability Period (DLP) of 365 days during which the Contractor remains responsible for rectification of all the outstanding defects / punch list item".

During audit of Project Directorate EHV-I NTDC, a work order was awarded to contractor to M/s Al-Hussain Traders Contractors on February 15, 2022. A MoU was signed on January 13, 2022 regarding clearance of DC grounding and DC mixing fault in 220V DC distribution with the contractor but neither the faults were cleared nor the punch list items were attended up till now. Furthermore, the performance guarantee submitted by the contractor was also expired on April 28, 2023.

Non-adherence to the contract agreement resulted in non-clearance of punch list items and non-renewal of performance guarantee up to Financial Year 2022-23.

The matter was reported to the management in June, 2023 and reported to the Ministry in November, 2023. The management replied that the observation is duplicate of PDP-495/2023-24, further theissues of DC grounding as per signed MOU on January 13, 2022 has been rectified. Final Retention Money of the contractor is available with this office, hence, no need to renew the performance guarantee.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the record verified from audit in support of reply within 15 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.492 /2023-24)

1.6.73 Irregular award of contract to the 2nd lowest bidder - Rs.8.83 million

As per Rule-2(f), Definitions, of Public Procurement Rules-2004, "corrupt and fraudulent practices" the action of a public official or the supplier or contractor in the procurement process or in contract execution to the detriment of the procuring agencies; or misrepresentation of facts in order to influence a procurement process or the execution of a contract, 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 and any request for, or solicitation of anything of value by any public official in the course of the exercise of his duty.

During audit of GSC HESCO, a work order for construction of electrical equipment foundation cable trenches & extension of 11 kV Switch Room for 01 No. Transformer Bay and other allied work at 132 kV Grid Station Kohsar Hyderabad was issued to the 2nd lowest bidder i.e. M/s Zaidi's Group Hyderabad. The M/s Zaidi's Group's actually quoted bid price in the tender form was Rs.9.26

million but it was changed to Rs.8.83 million by tempering the bidding documents. Hence, the award of contract to the 2nd lowest bidder was irregular.

Non-adherence to the PPRA rules-2004 resulted in irregular award of contract to the 2nd lowest bidder valuing Rs.8.83 million during the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in November, 2023. The management replied that tender was opened on March 07, 2023 in the presence of bidder's representative, the readout price of M/s Zaidi's Group by bid opening committee was Rs.8.83 million. The contract was awarded to the lowest evaluated bidder declared by bid evaluation committee i.e. M/s Zaidi's Group Hyderabad at price of Rs.8.83 million.

The DAC in its meeting held on December 22 & 23, 2023 directed the management to inquire the matter and submit report to Audit within 30 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.626/2023/24)

1.6.74 Irregular award of work order for construction of transformer bay due to deficient bid evaluation – Rs.8.57 million

According to Para-2 (ii) & (iv) of advertisement for Tender No.09/2022-23, "Contractor who has completed same nature of work for the amount of Rs.3.00 million during the last five (05) years – Contractor to provide the performance certificate working with GSC GEPCO from concerned XEN's GSC GEPCO along with bid. As per Para-05 (ii) of the advertisement, "in addition to experience mentioned at Sr No.02, the bidder has to submit documents (same nature of work order) / company profile / bank statement showing 25% balance amount of work (for Tender-09) which prove that bidder has been involved in the Grid Station work for the last five (05) years and has sound financial position".

During audit of GSC GEPCO, a Tender No.09/2022-23 for construction of one (01) transformer bay along with allied works & extension of yard at 132 kV G/Station at Cantt Sialkot was opened on August 23, 2022. Scrutiny of Bid Evaluation Report and bid forms / documents submitted by the contractor revealed some of the following grave discrepancies / shortcomings & irregularities: -

- It was mentioned at Para-5.1 (iii) of Bid Evaluation Report (BER) that the firm had provided the copy of same nature of work order No.7158-61 for Rs.4.766 million issued by P.D GSC LESCO whereas no such work order was available in bidding documents submitted by the bidder. The work orders attached with the bids had not fulfilled the condition of completion of same nature of work of 03 million and within last 05 years, hence, violation of Para-2 (ii) of tender requirements was committed.
- In Para-5.1 (vii) of BER, it was observed that the firm had provided the company profile which did not demonstrate sound financial as well as technical knowledge and expertise; hence, bidding requirement at Para-05 (ii) could not be fulfilled.
- No performance certificate working with GSC GEPCO from concerned XEN's GSC GEPCO was found available with bid; hence, Para-2 (IV) of bidding requirement could not be adhered to.

Despite having such a grave departure to biding requirements, the bidder was declared technically responsive in BER and work order amounting to Rs.8.57 million was awarded to M/s A. Rehman Construction Company Kasur on September 14, 2022.

Deficient bid evaluation resulted in irregular award of work order amounting to Rs.11.36 million to a contractor having no sound financial, technical knowledge and expertise during the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in October, 2023.The management replied that the work order No. 7158-61 was available in contractor's profile. The word "not" was wrongly mentioned due to typing mistake and the convener of BER had signed the BER without the word "not". The firm first time participated in tender, therefore, there was no need of performance certificate from GSC GEPCO.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to submit revised reply to audit within a week and if the reply was not found justified by Audit, then hold an inquiry. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.293/2023-24)

1.6.75 Loss due to substandard civil work of pile foundation of tower and extra expenditure incurred thereof - Rs.8.29 million

According to Para-1 of Special Stipulations of work order dated November 09, 2015, "the work will be carried out strictly in accordance with the drawing / design / specifications, terms and conditions as laid down in the tender documents". 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".

During audit of GSC GEPCO, a work order amounting to Rs.6.41 million for construction of pile foundations for tubular poles & ZM towers for 132 kV Sahowala – Gohadpur T/Line was awarded to M/s Zahid & Company on November 09, 2015, which was completed on January 15, 2016. After energizing the said T/Line in March 2022, the GSO division pointed out a major discrepancy of dangerously tilted foundation of one (01) SPG pole at location No.03. Accordingly, the GSC surveyed the site and proposed for installation of new SPG Pole with pile foundation at the same location with an estimated cost of Rs.7.09 million and civil work order was issued on March 03, 2023. Although disciplinary action against the then SDO Civil GSC & Civil Overseer was initiated on August 27, 2022 but outcome was not forthcoming from record. Moreover, no action was taken against the said contractor for substandard pile foundation civil work, which not only jeopardized the buildings & human life but also caused loss / wastage of Rs.1.20 million on account of construction cost of tilted foundation and extra expenditure of Rs.7.09 million to set right the bad workmanship.

Ineffective supervision of construction activities resulted in loss of Rs.1.20 million due to substandard civil work of pile foundation of tower and extra expenditure of Rs.7.09 million incurred thereof during the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in October, 2023.The management replied that an inquiry committee was constituted on March 22, 2023 to probe the matter regarding slackness that caused the tilting of pile foundation constructed by M/s Zahid & Co.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to expedite the inquiry and submit its report to Audit within a month. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.218 /2023-24)

1.6.76 Undue favour to suppliers due to non-invoking risk & cost clause of purchase orders - Rs.7.32 million

According to Clause-9 (ii) of the Purchase Order, "if the supplier fails to deliver the stores of any consignment thereof within the specified delivery period, the purchaser shall be entitled to purchase the undelivered stores from elsewhere, without notice, at risk and cost of the supplier. According to Clause-11 (IV) of the Purchase Order, "on final rejection the Purchases shall have the right to purchase the rejected goods at the cost & expenses of supplier."

During audit of GENCO-II, two (02) purchase orders valuing Rs.14.19 million were awarded for supply of material to two different suppliers. However, the material valuing Rs.7.32 million was not delivered/rejected by inspection committee after inspection. Hence, as per the provision of purchase orders, the rejected/ undelivered material was required to be procured at the risk and cost of the supplier but the same was not done.

Non-adherence to the provisions of purchase orders resulted in undue favour to suppliers due to non-invoking risk and cost clause of contract amounting to Rs.7.32 million during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023. The management replied that in purchase order No.2097/T-1129, the firm had requested to release the partial payment against the goods/items accepted, hence, the amended P.O was issued. The rejected items were deleted by imposing penalty charges at the maximum 10% of total amount of un-accepted rejected items and remaining accepted items were taken on stock. As regards the P. O No.2345, the firm failed to execute the contract, therefore the remaining quantity of 85.5 M. Tons of Caustic Soda Liquid was got cancelled/deleted by forfeiting 10% performance security of Rs.793,260/-. Hence, performance security of undelivered material i.e. Rs.988,969/- (195,709 + 793,260) was forfeited.

The DAC in its meeting held on December 22 & 23, 2023 directed to inquire the matter at GHCL level and submit its report within 30 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.859/2023/24)

1.6.77 Un-justified payment due to incomplete and sub-standard civil work - Rs.7.02 million

According to Corporate Governance Rules Section (5) "The Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders"

During audit of CEO IESCO, a civil work was awarded for construction of an officer's residence Cat-III. The contractor did not complete the work as per BoQ. In order to complete the remaining work, an estimate of Rs.7.02 million was made. However, an inquiry was conducted in this context wherein it was recommended that contractor was required to complete the remaining work in all aspects within the defect liability period.

Non-adherence to rules resulted in un-justified payment due to incomplete and sub-standard civil work Rs.7.02 million during the Financial Year 2022-23.

The matter was taken up with the management in November, 2023 and reported to the Ministry in December, 2023. The management replied that an inquiry was constituted to probe into the matter regarding incomplete construction of officer Residence cat-III at 132 K/V G/Station Gujar. Contractor was found guilty and had been banned. However, re-inquiry was constituted which was under process.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to pursue the finalization of inquiry process and submit its recommendations to audit. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.1274/2023-24)

1.6.78 Irregular procurement of material – Rs.6.32 million

According to bidding documents and purchase order, it was specified that required material must be supplied from manufacturer Hunan XEMC Changsha Pumps works Co. Ltd, China and specification of material would not be deviated from original.

During audit of GENCO-II, a purchase order for procurement of spare parts circulating water pump was issued on March 18, 2021. But in goods declaration and commercial invoice, the name of manufacturer and specification required by employer was not mentioned. Furthermore, material was received without a warranty certificate. The acceptance of the material with such discrepancies was violation of the contractual clause and led to purchase of the substandard material which put the company into a loss to the stated extent.

Non-adherence to terms and condition resulted in irregular procurement of material valuing Rs.6.32 million during the Financial Year 2021-22.

The matter was taken up with the management in September, 2022 and reported to the Ministry in December, 2022. The management replied that in compliance to DAC's directives issued in its meeting held on December 30, 2022 to January 04, 2023, the CTO GHCL had submitted the report on February 26, 2023 and concluded that all the sipping documents were present in the file and during the study of the documents, a minor discrepancy had been found in supplier invoice and other documents as the manufacturer name was erroneously missing but Part Number and other information were present according to P.O specification. The G.D (Bill of Entry), Bill of Landing and Warranty certificate were present. The material was found new and seemed defect free.

The DAC in its meeting held on December 22 & 23, 2023 directed the management to get the compliance of DAC's directives issued in its meeting held on December 30, 2022 to January 04, 2023 verified from audit within a week. DAC in its said meeting directed the CTO GHCL to get the quality of material vetted as to whether it was up to the mark and specification or not and thereof submit report within 15 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.950/2022-23)

1.6.79 Irregular/Unjustified award of contract in violation of PPRA Rules - Rs.5.43 million

As per rule-42(B) of PPRA Rules 2020, "A procuring agency shall engage in this method of procurement only if, where the value of procurement is more than one hundred thousand Pakistani Rupee but does not exceed five hundred thousand Pakistani Rupee, the procuring agency may engage in procurement through request for three quotations from GST registered firms, original equipment manufacturers or authorized dealers, without resorting to bidding.

During audit of GSC TESCO, two (02) contracts for transportation, erection and installation of 20/26 MVA power transformer at 132 kV Grid Station Landi Kotal" and construction of 132 kV Grid Station Jamrud were awarded irregularly to M/S. Nimra & Company and M/S. Khyber International respectively on quotation basis instead of Tendering. Award of contract on quotation basis instead of open competitive bidding/ tendering process was violation of PPRA rules and needed to be justified.

Non-adherence to the PPRA Rules resulted in irregular/unjustified award of contract valuing Rs.5.43 million during the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in October, 2023. The management replied that the work orders were placed under PPRA rules 2004 clause 42 (C) (direct contracting) to complete the work on emergent basis.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to get the emergency fora approved from the authority as per the provisions of PPRA Rules and to get the record verified from audit in support of reply within 15 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.186/2023-24)

1.6.80 Undue favor extended in appointment of Deputy Director (Tariff) - Rs.4.94 million

According to the Section 10 of NEPRA Service Rules (NSR) that appointment to the various posts shall strictly be made on an All-Pakistan in accordance with the merit and provincial/ regional quotas prescribed by the

Federal Government for announced vacancies from time to time except for the posts of Director and above which shall be filled in through promotion. The posts in each grade shall be considered separately for the purposes of allocation of prescribed merit and provincial/ regional quotas for which qualified candidates are not available shall be carried forward except for the posts in NSG-1&2, which may otherwise be filled on local basis.

During audit of NEPRA, Islamabad, it was observed that Mr. Muhammad Safdar joined NEPRA in 2002 as Computer Operator. Later, in 2015, NEPRA advertised the post of Deputy Director-Tariff against which Mr. Muhammad Safdar was selected against Punjab quota which was clear violation of NEPRA Service Rules. Moreover, advertisement stated the eligibility as 10 years post qualification experience, wherein the requisite qualification was CA/CMA/MBA (Finance). Mr. Safdar did MBA from Virtual University in 2010, therefore, his post qualification experience fell short by 05 years. Later on, Mr. Muhammad Safdar was promoted to the post of Director w.e.f. May 18, 2022 despite the fact that he did not have required experience and was not recommended by Human Resource Department of NEPRA but promoted as Director by Authority in violation of NEPRA Service Rules.

Non-adherence to National Electric Power Regulatory Authority Service Rules resulted in undue favor amounting to Rs.4.94 million extended in appointment of Deputy Director Tariff by violating Provincial Quota and then promoting him without required experience up to the Financial Year 2021-22.

The matter was taken up with management in March, 2023 and reported to the Cabinet Division in June, 2023. The management explained that it has been decided to place the reported matter before the Authority, immediately.

The DAC in its meeting held on January 16, 2024 pended the para with the direction to NEPRA to share the findings of NEPRA Authority about instant case. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC’s decision.

(Draft Para No.63/2023-24)

1.6.81 Irregular conversion of single cabin pick-up into double cabin - Rs.4.15 million

According to Rule-5(5) of Public Sector Companies Corporate Governance Rules-2013, “the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders”.

During audit of TESCO, two (02) purchase orders dated September 27, 2022 and October 06, 2022 respectively were issued to M/s Razmak Industries for conversion of single cabin pick up into double cabin at a cost of Rs.4.15 million (Rs.2.07 million each). The original approval for purchase of single cabin was issued from management which was not produced at the time of execution of Audit. The single cabin was normally purchased with the contention to be used in the dispensation of official field duties. However, subsequently, the single cabin vehicles were converted into double cabin to facilitate the officers instead to be used in field.

Non-adherence to Corporate Governance Rules resulted in irregular conversion of single cabin vehicle into double cabin vehicle at a cost of Rs.4.15 million during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023. The Management replied that the said vehicles were purchased in order to facilitate TESCO employee in the performance of their official duties. Original double cabin pickups were expensive to the tune of Rs.3 million each; hence, an alternative solution as to the requirement had to be conversion of the single cabin vehicles into double ones from a standard firm in compliance of PPRA Rules keeping in view the financial position of the company, TESCO were unable to make payment to Toyota as they demanded advance amount against double cabin.

The DAC in its meeting held on December 14 & 15, 2023 observed that initially approval was sought from competent forum for single cabin for operational purpose and subsequently the same were converted without the approval of same forum. DAC also directed the management to take approval for conversion of vehicles from original competent forum and get the record verified from audit. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.825/2023-24)

1.6.82 Loss due to sub-standard work of boundary wall - Rs.3.78 million

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

During audit of CEO IESCO, a work for construction of boundary wall around IESCO was awarded to M/s Gulmeer & Sons vide work order No.672-78 dated February 14, 2018 amounting to Rs.8.06 million. The work was completed by the contractor and all the payment was released after fulfilling codal formalities. Thereafter, this boundary wall of IESCO collapsed during the rainfall at monsoon in July, 2022.Therefore, work order for re-construction of the fallen / cracked boundary wall and duct for sewerage line was awarded to M/s Behram construction company vide work order No.4958-63 dated November 18, 2022 amounting to Rs.3.78 million.

Non-adherence to Corporate Governance rules resulted in extra expenditure amounting to Rs.3.78 million due to sub-standard work of boundary wall during the Financial Year 2022-23.

The matter was taken up with the management in November, 2023 and reported to the Ministry in December, 2023. The management replied that inquiry committee was re-constituted to probe into the matter regarding collapse boundary wall, vide Director (Confidential) IESCO office order dated September 04, 2023. Proceeding of inquiry committee was underway.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to pursue the finalization of inquiry process and submit its recommendations to audit. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.1275/2023-24)

1.6.83 Irregular award of contract by undue favour extended to the second lowest bidder - Rs.3.58 million

According to Clause-48(04) of PPRA Rules - Redressal of grievances by the procuring agency, "in case, the complaint is filed against the technical evaluation report, the Grievance Redressal Committee (GRC) shall suspend the procurement proceedings".

During audit of GSC MEPCO, a tender No.25/GSC (2022-23) for attending emergency work at tower location No.38 of 132 kV Transmission line from 500 kV Grid Station DG Khan – 132 kV Grid Station Shah Sadar Din (Break down) was issued. Two bidders i.e. M/s I.H. Malik and M/s AQ Construction participated and quoted Rs.3.63 million and Rs.2.80 million respectively. The bid evaluation committee (BEC) declared both the bidders technically and financially responsive. M/s A.Q Construction company was the lowest bidder but 2nd lowest bidder M/s IH Malik submitted his grievance to MEPCO Grievance Committee. The Grievance Committee observed that M/s A.Q Construction company was not technically responsive. Hence, the contract was awarded to the 2nd lowest bidder M/s I.H Malik, which was irregular as the GRC should have suspended the procurement but they referred the case back to CEO and submitted two (02) proposals. The tender was awarded to the 2nd lowest bidder without the approval of CEO and concurrence of Technical Bid Evaluation Committee.

Non-adherence to PPRA Rules resulted in irregular award of contract amounting to Rs.3.58 million due to undue favour extended to the second lowest bidder during the Financial Year 2022-23.

The matter was taken up with management in August, 2023 and reported to the Ministry in December, 2023. The management replied that M/s. A.Q. Construction Company Kotri was technically non-responsive and there was no need to refer back the case to technical evaluation committee for concurrence. Furthermore, the work was awarded to responsive bidder after getting decision / approval from the GM (Tech) / CE (Dev) PMU MEPCO being competent authority.

The DAC in its meeting held on December 20 & 21, 2023 directed the management to get the record verified from audit within 15 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.1228/2023-24)

1.6.84 Loss due to sub-standard procurement of Isolators under Contract No. WOR-10 Lot-III - Rs.3.40 million

According to clause 2.4 Preventive Maintenance Program of SOP for grid system operation and maintenance, the responsibility of carrying out maintenance work always lies with the owner of the equipment, e.g., NTDC/DISCOs. The company is under an obligation to observe all the valid safety rules, technical rules/procedures and specifications. The specifications of maintenance work must be based on certain requirements, standards, specifications and the guidelines supplied by the manufacturer, local experience, etc.

As per Section 3, maintenance schedule and checks/tests of isolators/disconnect switches (bus bar and line) of SOP for grid system operation and maintenance should be done on yearly basis.

During audit of NTDC TSG (North) Lahore, six (6) Pinggao China make 245 kV isolators were procured under contract No. WOR-10 Lot-III amounting to Rs.3.398 million and installed in 2006 in 220 kV Grid station Nishatabad Faisalabad. As per SOP, the schedule and check test of Isolator should be done on yearly basis. Contrary to instructions, the TSG technical team visited grid station NTDC, Nishatabad Faisalabad for the inspection of isolator on July 15, 2020 after fourteen years. TSG department concluded that the six (06) isolators installed in 2006 got pre-mature degradation. In order to ensure system reliability and continuity of the electric supply, the team recommended allocation of the higher rating six (06) new isolators to the grid station.

Had the yearly inspection of grid system operation and maintenance been carried out by TSG department, the faulty isolators could have been pointed out to the manufacturer within warranty period and got replaced free of cost from the manufacturer and loss of Rs.3.40 million could have been avoided.

Non-adherence to the SOP or grid system operation and maintenance resulted in loss of Rs.3.40 due to non-replacement of faulty isolators within warranty period up to the Financial Year 2021-22.

The matter was taken up with the management in March, 2023 and reported to the Ministry in June, 2023. The management replied that as per the request of Deputy Manager 220 kV Grid station Nishatabad, Faisalabad, the detailed inspection of 02 Line isolators and 04 Bus bar isolators installed at 220 kV Grid Station Nishatabad, Faisalabad was carried out by the CE TSG-N NTDC Lahore and it was recommended to replace the isolators.

The DAC in its meetings held on August 26, 2023 directed the management to conduct an inquiry and submit it to audit duly vetted by G.M (TS) PPMC within 30 days. No further progress was reported till finalization of the report.

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

(Draft Para No.124/2023-24)

1.6.85 Irregular award of contract - Rs.3.330 million

As per tender document clause17 "cutting/ overwriting/ using fluid on the bid is strictly prohibited and may tantamount to rejection of bid"

During audit of CEO MEPCO, a tender No.35/23 regarding supply of 1000 No. double arming bolts 14" three bidders/ suppliers were participated and M/s Malik & Sons was declared the lowest responsive bidder and work order awarded. During scrutiny of bidding documents, it was found that the bidder submitted bid at a cost Rs.299.00 per double arming bolts 14" but after cutting on per unit cost, it increased to Rs.333 per bolt and the same was accepted by the management in violation of the tender clause.

Non-adherence to the above rules resulted in irregular purchase order awarded to the contractor amounting to Rs.3.330 million during the Financial Year 2022-23.

The matter was taken up with the management in November, 2023 and reported to the Ministry in December, 2023. The management replied that tender was opened under single stage one envelope bidding procedure as per PPRA rule. The bid opening committee at the time of bid opening observed and noted the single line cutting on the bid whereas the same was signed & stamped by the bidder received in the sealed envelope. The tender opening committee went through the contents of the bid and no observation / objection was given by competitors / other bidders & they signed the comparative statement. The said bid is the lowest bid as well.

The DAC in its meeting held on December 20 & 21, 2023 directed the management to inquire the matter at G.M. (Tech) PPMC level and submit its recommendations to audit within 30 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.912/2023-24)

1.6.86 Non-award of Purchase Order to 1st lowest bidder and subsequent procurement of material having deficient shelf life from 2nd lowest bidder – Rs.2.796 million

According to Rule-36 (a), "each bid shall comprise one single envelope containing, separately, financial proposal and technical proposal (if any) and all bids received shall be opened and evaluated in the manner prescribed in the bidding document." According to description of material stated in tender documents "Chinamake material having minimum shelf life of 1.5 year" was required.

During audit of GENCO-II, Tender No. T-1287 for procurement of Sodium Hexameta Phosphate (China make having shelf life of 1.5 years), floated on single stage single envelop basis, was opened on January 01, 2021. In the said tender M/s Al-Noor Chemical Co. Karachi and M/s Atlantic Chemicals & Engineering Services, Lahore stood 1st lowest and 2nd lowest bidders respectively. However, after opening of tender, samples of the material to be offered were called from both the bidders. On the basis of sample analysis, the 1st lowest bidder was declared technically non-responsive and purchase order valuing Rs.2.796 million was issued to M/s Atlantic on June 15, 2022 with delivery period of 90 days. The said material was delivered on September 08, 2022, inspected on December 12, 2022 and taken on stock on January 18, 2023.

Audit held that the determination of technical responsiveness of bidders, through samples analysis, after opening of financial bids was irregular as the said process was not prescribed in the bidding documents. Further the material supplied by the 2nd lowest bidder was deficient of minimum required shelf life of 1.5 years as the expiry date stated in the Certificate of Analysis provided by manufacturer M/s Hubei Xingfa Chemicals Group Co. Ltd. China was September 07, 2023.

Non-adherence to the provisions of the tender documents resulted in irregular procurement of material having deficient shelf-life from the 2nd lowest bidding valuing Rs.2.796 million during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023. The management replied that placing of P.O to the 2nd lowest bidder was on technical grounds as the samples of demanded material of 1st lowest bidders was tested as 59% instead of 68% as per BoQ of tender whereas purity of 2nd lowest bidder was 68%, which met the requirement of BoQ.

The DAC in its meeting held on December 22 & 23, 2023 directed to inquire the matter at GHCL level and submit its report within 30 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.694/2023-24)

1.6.87 Irregular issuance of Purchase Order to non-responsive bidder - Rs.2.76 million

According to Rule-36 (a), "each bid shall be evaluated in the manner prescribed in the bidding document." According to Annex-B to Tender No. 1320, (i) offers not in conformity with the tender specification likely to ignored/ rejected; (ii) conditional offer shall not be considered/ accepted; (iii) the tenderers must indicate the validity period, which should not be less than 90 days from the date of opening of tender; (iv) offered rates will be inclusive of all Govt taxes and will be firm and final.

During audit of GENCO-II, tender No.1320 for procurement of 45 M.T Caustic Soda was opened on May 09, 2022. The only participated bidder i.e. M/s Ittehad Chemicals Limited offered conditional price with deficient bid validity period. Hence, in the light of provisions of tender documents, the bid was required to be rejected by declaring it as non-responsive. But contrary to this purchase order No.2335 valuing Rs.2.76 million was issued to the said bidder on July 01,2022.

Violation of the PPRA Rules and provisions of the bidding documents resulted in irregular issuance of purchase order to non-responsive bidder valuing Rs.2.76 million during the Financial Year 2022-23.

The matter was discussed with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that the bid validity of the only firm M/s. Ittehad Chemicals was 15 days instead of 90 days as per bidding documents which was subsequently extended on request of CPGCL for 30 days by the firm on the grounds of frequent enhancement in the prices of electricity, RLNG and Fuel which ultimately resulted in increase of price of material. The demanded material was procured from the said firm in the best interest of company to avoid the forced shutdown, which could cause the big generation loss.

The DAC in its meeting held on December 22 & 23, 2023 directed to inquire the matter at GHCL level and submit its report within 30 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.1227/2023-24)

1.6.88 Irregular award of contract to non-responsive evaluated bidder and undue favor for alteration in quoted bid price - Rs.2.35 million

According to PPRA Rules 29 Evaluation Criteria "procuring agencies shall formulate an appropriate evaluation criterion listing all the relevant information against which a bid is to be evaluated. Such evaluation criteria shall form an integral part of the bidding documents. Failure to provide for unambiguous evaluation criteria in the bidding documents shall amount to mis-procurement.

During audit of TESCO, tender for replacement of unhealthy 20/26 MVA Power Transformer & reconstruction of power transformer foundation at 132 kV Grid Station Landi Kotal District with estimated cost of Rs.2.40 million was opened on February 09, 2022 and M/s ASG Brothers Construction who quoted price of Rs.2.35 million was the lowest bidder. However, M/s ASG Brothers

Construction was declared non-responsive due to non-experience as required under Notice Inviting Tenders (NIT). Despite being declared non-responsive, the contract was awarded to M/s ASG Brothers at a cost of Rs.2.35 million, despite the fact that M/s ASG in its submitted bid had quoted "less 15%" below on total amount" which comes to Rs.2.0 million. However, the same was altered through cutting which was tantamount to forgery. Thus, undue favour was also extended to the bidder through alteration in the quoted bid for an amount of Rs.0.35 million besides award of contract.

Non-adherence to PPRA Rules resulted in irregular award of contract to non-responsive bidder and alteration of quoted bid for an amount of Rs.2.35 million during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that the work was successfully and efficiently completed in the best interest of company.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to inquire the matter at PPMC level for award of contract to non-responsive bidder and alteration in the quoted rates. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.1047/2023-24)

1.6.89 Undue favour to the contractor in violation of PPRA Rules – Rs.2.12 million

As per PPRA-2004 Clause 38, "the bidder with the most advantageous bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government, shall be awarded the procurement contract, within the original or extended period of bid validity".

During audit of PMU MEPCO, supply of 11 K.V/ 132 K.V lightening arresters, two firms purchased tender documents and put their rates for supply of above material. M/s EMCO Industries Lahore put rates for Sr. 2 (i) & (ii) and M/s Mutahir Metal works Lahore put both rates in Sr. No. 01 & 02. The technical evaluation committee declared both firms as responsive bidders. In financial evaluation, the committee declared M/s EMCO Industries Lahore as the 1st lowest bidder for Sr. No. 2 and M/s Mutahir Metal works Lahore the 2nd lowest bidder.

As per comparative statement, M/s Mutahir Metal works Lahore was the 1st lowest responsive bidder (Sr. No. 2 (i) & (ii) by quoting price of Rs.20.176 million) but purchase order was issued to M/s EMCO Industries Lahore at higher rate and M/s EMCO provided only 02 items at Rs.22.30 million instead of entire material as per tender and M/s Mutahir metal would have provided entire material as per tender in Rs.22.48 million. Resultantly, MEPCO sustained a loss of Rs.2.12 million in violation of PPRA Rules.

Non-adherence to PPRA rules resulted in undue favour to the contractor in violation of PPRA Rules amounting to Rs.2.12 million during the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in December, 2023. The management replied that grievance filed by M/s Mutahir Metal Works was not genuine and the decision of financial evaluation committee was declared correct by MEPCO grievance redressal committee and consequently the contract was awarded to the most advantageous bidder and material had been delivered to MEPCO.

The DAC in its meeting held on December 20 & 21, 2023 directed the management to inquire the matter and submit its recommendations to audit within 30 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.1286/2023-24)

1.6.90 Irregular procurement through quotation - Rs.2.07 million

According to PPRA Rules Definition clause-g "Emergency" means natural calamities, disasters, accidents, war and operational emergency which may give rise to abnormal situation requiring prompt and immediate action to limit or avoid damage to person, property or the environment and according to PPRA Rule C Clause-V procurement in case of emergency could be made provided that the procuring agencies shall specify appropriate fora vested with necessary authority to declare an emergency.

During audit of TESCO, four (04) 8-meter leg extension for EG type tower (single) was procured against Purchase Order dated June 17, 2020 from M/s Specialist Group of Industries Limited valuing Rs.2.07 million through quotations instead of issuing tender. It was revealed that there was no emergency that material had to be procured through quotation. Therefore, procurement of four (04) 8-meters leg extension for EG type towers was irregular as material was procured through quotations.

Non-adherence to the provision of PPRA Rules resulted in illegal procurement through quotations valuing Rs.2.07 million during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that the procurement was made in extreme emergency as Energy Department of KPK was pressing hard for earlier completion of 132 kV transmission line from 132 kV Kohat grid Station to Kacha Pakka T/Off Point. The reply was not agreed to as in case of emergency, the approval was needed to be obtained from emergency FORA.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to get the emergency FORA approved from the competent authority as per provisions of the PPRA rules and get the record verified from audit. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.1053/2023-24)

1.6.91 Loss due to non-return of electrical material on loan basis by EPC contractor - Rs.1.55 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".

During audit of EHV-II NTDC Hyderabad, a Contract No. WB-03-2019 for the Design, Supply, Installation, Testing and Commissioning of Augmentation works at 500 kV Grid Station (New) Multan & 220 kV Grid Station Vehari was awarded to M/s Ak-AY Elektrik Dis. Turkey on turnkey basis. During the execution phase, the contractor requested for electrical material on loan basis and subsequently the material was allocated. The EPC contractor did not return the electrical material valuing Rs.1.546 million despite laps of 10 months.

Non-adherence to guidelines resulted in loss due to non-return of electrical material on loan basis by EPC contractor Rs.1.55 million up to the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023. The management replied that the contractor had placed the Purchase Order of the loan-based material which would be delivered to NTDC's designated Warehouse and Audit would be informed, accordingly.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to pursue the matter and get the record verified from audit within sixty (60) days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.657/2023-24)

1.6.92 Irregular hiring of services of External Auditors without concurrence of Auditor-General of Pakistan

According to guidelines / letter dated January 02, 2002 issued by the Auditor-General of Pakistan in accordance with the provisions of Section 15(1) of the Auditor-General's (Functions, powers and terms and conditions of Service) Ordinance, 2001, the auditors should be appointed in consultation with Auditor-General of Pakistan and rotated after every 5 years. Instructions were issued in compliance of Finance Division's letter dated March 25, 1981.

During audit of DISCOs, GENCOs, NTDC, PPMC, PPIB, AEDB, CPPA-G, NEPRA, NPPMC and GHCL, it was observed that the services of external auditor were hired for statutory audit of the accounts of the companies. However, concurrence for the appointment of Chartered Accountant firm from o/o the Auditor-General of Pakistan was require to be obtained which was not done. Audit was of the view that the appointment of the external auditor without the concurrence of the Auditor-General of Pakistan was irregular / unjustified.

Sr. No.	Name of Company	Draft Para No.
1.	FESCO, GEPCO, GHCL, GENCO-I, GENCO-II, HESCO, IESCO, LESCO, MEPCO, PESCO,	1320, 1321, 1322, 1323, 1324, 1325, 1326, 1327, 1328, 1329, 1330, 1331,

	QESCO, SEPCO, TESCO, NTDC, PPMC, PPIB, AEDB, CPPA-G, NEPRA & NPPMC	1332, 1333, 1334, 1335, 1336, 1337, 1338 & 1340/2023-24

Non-adherence to the guidelines resulted in irregular hiring of services of External Auditors without concurrence of Auditor-General of Pakistan during the Financial Year 2023-24.

The matter was reported to the management and Ministry on December 29, 2023 but no reply was received.

Audit recommends that the management needs to look into the matter for justification.

1.7 Unsatisfactory Project Management

The companies undertake different mega projects comprising of a series of sub-tasks and works. Depending upon the complexity of the project, different works were executed either through company's own project offices or through collaboration with EPC contractors for delivery of specific goods / services / tasks. Based on their projected financial outlay, PC-1 form was formally made for these projects and their approval was sought from the relevant government forum. Generally, in DISCOs/NTDC, the projects are aimed at enhancing and improving the electricity transmission / distribution system and allied assets of the companies. These projects represent the strategic milestones which were set by the government for the attainment of desired goals and outcomes in the power sector.

Unsatisfactory project management refers to all such shortcomings and lapses on account of which the project could not be executed in a timely, transparent and efficient manner. Lack of project planning and poor feasibility led to projects getting stuck up during execution. Delays in finalization of project documents, allocation of land, timely arrangement of financial resources etc led to significant cost overruns for a subject project. On the other hand, myopic need / unrealistic growth assessment of the projects led to mere procurement exercises with surplus stock getting piled up in the DISCOs/NTDC.

During course of completion of project, as the requirement and cost of a project changed, the revision of the PC-1 was mandated which in many cases was not sought making the project expense irregular and void of due administrative sanction.

Moreover, project completion reports were delayed/not prepared for completed projects which implied that management could not objectively review whether the project had been executed in a successful manner, due processes adopted and envisaged benefits materialized or not.

On the above lines, audit has analyzed the issues of unsatisfactory project management in the DISCOs/NTDC/GENCOs, on a sample analysis basis to highlight the in-efficiencies, lack of transparency, irregularities and internal control lapses which are illustrated in the following paras:

1.7.1 Delay in achieving the financial / technical benefits due to non-execution of Lalian G/S Project - Rs.3,014.94 million

According to PC-I of 220 kV Lalian Grid Station along with In/Out Transmission Lines, the commissioning date of the G/S was set as June, 2013 with the certain financial / technical benefits comprising annual profit earning, reduction in system losses, reduction in overloading and increasing the voltage level at nearby grid stations and 132 kV transmission lines.

During audit of NTDC, a project comprising 220 kV Lalian Grid Station along with in/out Transmission lines was approved in PC-I with estimated cost of Rs.1581 million and commissioning in June, 2013. The project was to be financed through the ADB (MFF-l) Tranche-IV Loan No.3203. However, despite lapse of seven (07) years and closure of ADB loan, the project could not be executed just for want of acquisition of land. Had the said project been executed, annual profit earning of Rs.2,703.25 million, reduction in system losses amounting to Rs.311.69 million together with other technical / social and economic benefits (Annex-IX) could have been achieved as envisaged in PC-I.

Poor project management resulted in delay in achieving the financial / technical benefits amounting to Rs.3,014.94 million due to non-execution of Lalian G/S Project up to the Financial Year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that three (03) sites were selected successively but could not be acquired due to land reserved for forest and litigation of land owners. Now the fourth site was under acquisition and construction of grid station would be started in February, 2021 with completion period of 12 months. Audit contended that non-acquisition of land even after elapsing a period of about eight years beyond the commissioning date of PC-I reflected poor project management.

The DAC in its meeting held on April 12, 2021 did not agree with the management reply and directed to submit revised reply duly signed by MD NTDC containing project wise break up with date of completion / commissioning, calculation of delay, time / cost overrun and its impact as per PC-I. The DAC in its meeting held on December 18 & 19, 2023 upheld the earlier decision. No further progress was intimated till finalization of the report.

Audit recommends that the management needs to inquire the matter regarding non-execution of Lalian G/Station project and delay in reaping the financial & technical benefits of Rs.3,014.94 million.

(Draft Para No.1313/2023-24)

1.7.2 Illegitimate expenditure undertaken beyond the approved scope of the project - Rs.1,572.042 million

According to Para-6.11 of Manual for Development Projects issued by Ministry of Planning, Development and Reform (Govt. of Pakistan), "Once PC-I is approved, the executing agency is required to implement the project in accordance with the PC-I. It has no authority to change and modify any approved parameter of the project on its own. If the sponsoring agency feels that the project could not be implemented in accordance with the approved parameters, a revised PC-I be submitted for approval of the competent forum immediately. No expenditure may be undertaken beyond the approved scope and cost of the project, and if done, it would be considered as illegitimate expenditure."

During audit of NTDC, the project "New 220 kV Bandala Grid Station (2x160MV PTs) with 10 KM 220 kV Gatti-Kala Shah Kaku D/C In/ Out Transmission Line" was approved by ECNEC. According to approved scope of PC-I, the existing site of 132 kV Bandala grid station was to be utilized for construction of 220 kV grid station and new 2 X 160 MVA transformers along with 10 KM transmission lines was to be constructed. But contrary to this, the site of 220 kV grid station along with length of transmission line were changed by NTDC on its own. Further, three (03) 160 MVA transformers against 02 were installed. The revision of approved scope of work without approval from the competent forum was irregular and expenditure of Rs.1,572.042 million in this regard cannot be termed as legitimate.

Violation of the provisions of Manual for Development Projects, issued by Ministry of Planning, Development and Reform (Govt. of Pakistan), resulted in illegitimate expenditure of 1,572.042 million on construction of New 220 kV Bandala Grid Station and transmission line.

The matter was taken up with the management on September 25, 2020 and reported to Ministry on December 29, 2020. The management replied that the new 220 kV Banda Grid Station was to be constructed in the existing premises of 132 kV Bandala Grid Station as per PC-I. Later on, at detailed designing stage, it was revealed that the new GS could not be accommodated in the existing GS and new site was selected accordingly. As per provisions of PC-I, two transformers were installed in 2014 but three bays were constructed to accommodate the future enhancement, hence the third one was installed in 2019 to meet the growing demand. Audit contended that the deviation from parameters / scope of the project as approved in PC-I and expenditure incurred thereon was against the government instructions.

The DAC in its meeting held on April 12, 2021 did not agree with the management reply and directed to submit revised reply. The DAC in its meeting held on December 18 & 19, 2023 upheld the earlier decision. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to inquire the matter for illegitimate expenditure incurred in violation of instructions of Ministry of Planning, Development and Reform (Govt. of Pakistan) besides implementing DAC's decision.

(Draft Para No.1120/2023-24)

1.7.3 Un-necessary/excess purchase of earth rods – Rs.661.12 millions

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

During audit of CEO IESCO, 147,224 HT/ LT Steel Structures and 511,032 Earth Rods were purchased during the period from February 2018 to September 2023 & November, 2019 to October, 2023 respectively for installation on different locations. It is worth mentioning here that one HT/LT Steel Structures required only one Earth Rod for earthing. Previously purchased Earth Rods were not installed at sites and NEPRA had already taken serious view on non-installation of earth rods. Therefore, the Purchase of 336,000 Earth Rods amounting to Rs.661.12 million in excess of requirement was unnecessary and unjustified.

Non-adherence to the authority's instruction/rules resulted in un-necessary/excess purchase of earth rods amounting to Rs.661.12 million up to the Financial Year 2022-23.

The matter was taken up with the management in November, 2023 and reported to the Ministry in December, 2023. The management replied that earth rods were purchased on the directions of NEPRA.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to investigate the excess purchase of earth rods at PPMC level and provide report to audit within 30 days. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC's decision.

(Draft Para No.1339/2023-24)

1.7.4 Loss due to defects in Mari-Guddu Gas Pipeline – Rs.243.48 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".

During audit of GENCO-II, 27.54 GWH units valuing Rs.243.48 million were less generated during the period started from April 12, 2019 to July 17, 2019 due to pin-hole leakages from 20-inch dia 60 km long Mari-Guddu gas pipeline. However, neither the matter was investigated nor responsibility of loss was fixed.

Non-adherence to the Authority's instruction resulted in loss due to pin-hole leakages from gas pipeline amounting to Rs.243.48 million up to the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023. The management replied that the gas pipe line was installed in 1984-85 and useful time period of this line had expired. CPGCL successfully attended the pinhole leakages within shortest possible time and got the gas supply restored.

The DAC in its meeting held on December 22 & 23, 2023 directed the management to inquire the matter and submit its report within 30 days. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC's decision.

(Draft Para No.743/2023/24)

1.7.5 Irregular excess expenditure on SDG schemes - Rs.82.542 million

As per para-C (i) of Deposit work "Deposit work shall be undertaken only after getting full amount of sanctioned work. Estimate deposited with WAPDA, with an undertaking from the depositor to meet variation.

During audit of CEO FESCO, 152 SDG schemes with estimated cost of Rs.151.97 million were executed by incurring expenditure of Rs.234.38 million. Hence, an excess expenditure of Rs.82.542 million was incurred against the estimated amount. Further analysis of executed works revealed that ratio of excess expenditure was 41% to 111%. The excess expenditure was required to be regularized besides recovery from the sponsor, which was not done.

Non-adherence to rules resulted in non-recovery of excess expenditure on SDG schemes Rs.82.542 million up to the Financial Years 2021-23.

The matter was taken up with the management on October, 2023 and reported to the Ministry in November, 2023. The management replied that all the works were completed within permissible limits of + 10% and final position of the expenditure would be determined after completion/ capitalization of all works.

The DAC in its meeting held on December 20 & 21, 2023 DAC did not agree with reply of the management and directed to inquire the matter at Technical

Director's level for fixing of responsibility within 30 days. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC's decision.

(Draft Para No.576/2023-24)

1.7.6 Loss due to inordinate delay in tendering process - Rs.60.58 million

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

During audit of NTDC, an inquiry committee was constituted by GM HR to probe into the matter of delay in tendering process of construction of boundary wall around 220/132 kV Electrode station Khipro, District Sanghar. While going through the inquiry report, it transpired that land for subject work was handed over to NTDC during January 2019. But the contract for construction of boundary wall was awarded during June 2022 with a delay of almost 41 months which caused not only time over run but the cost overrun was also observed to the tune of Rs.60.58 million (difference of cost of project due to retendering). Surprisingly, the committee after establishing the facts relating to delay caused by different offices of NTDC had not recommended any responsibility/action against any office/officer. This state of affairs showed that an undue favour was extended by inquiry committee to the responsible at cost of loss to NTDC amounting to Rs.60.58 million.

Non-adherence to rules resulted in loss of Rs.60.58 million due to inordinate delay in tendering process during the Financial Year 2022-23.

The matter was taken up with the management in November, 2023 and reported to the Ministry in December, 2023. The management replied that the committee in its report had pointed out different offices/departments for major delays. However, it was also intimated by the inquiry committee that before fixing responsibility, it was important to take into account: i) The situation of the Covid-19 pandemic during 2020. ii) Lack of indigenous expertise by NTDC Project in Pakistan, and NTDC was mainly dependent on Owner's Engineer i.e., M/s

Barqaab & M/s HATCH. iii) Lack of clarity among different stakeholders regarding scope of work. Furthermore, the implementation/ execution of 660kV Matiari-Lahore HVDC Line project was not effected in anyway by delay in construction of this boundary wall.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to re-inquire the matter at DMD level and submit report within 30 days. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC's decision.

(Draft Para No.954/2023-24)

1.7.7 Substantial loss to the company due to defective construction of transmission line Muzaffargarh - DG Khan by the contractor – Rs.48.95 million

As per SE GSO Letter No 8179-83/SCADA dated June 28, 2022, "it is pertinent to mention here that the discrepancies pertaining to new installed towers of new Muzaffargarh- DG khan Transmission Line section (MD1, MD&, MD 11) along with one tower BR-2 if 132 kV Bahawalpur-AP East are on part of GSC." Moreover, SE (GSO) Multan intimated to PD GSC Multan vide NO 14622-27 dated December 23, 2022 that discrepancies were still exist.

During audit of GSC MEPCO, a work was awarded to M/s I.H Malik & Company, initially, at the cost of Rs.36.24 million vide work order No. 8194-98 dated April 08, 2015 and work was delayed at the part of company. Afterwards in 2018, an addendum-2 was issued by PD GSC Multan dated March 06, 2018, and its cost increased to Rs.48.95 million with direction to immediately start the work and complete within time. Sub Divisional Officer T/L, (C) reported that the site was handed over to the contractor M/s I.H Malik on March 16, 2018 and the same would be the date of commencement. In January, 2019, XEN (T&G) of PD GSC vide dated January 04, 2019 reported that the subject line had been completed and ready for patrolling to point out any discrepancy. After patrolling XEN SS&TL Division GSO Muzaffargarh clearly stated that M/s I.H Malik was not in a position to complete the job as per specifications and standard of MEPCO. Likewise XEN T&G division GSC Multan endorsed the discrepancies to the said contractor vide dated January 21, 2019. XEN SS&TL GSO Multan again requested to remove discrepancies on the above stated line work vide dated January 27, 2022. Despite, several correspondences and requests to the contractor, the defects were still there up to June, 2023. It is pertinent to mention here, that a fatal accident involving Muhammad Rashid, Assistant Line Man (ALM) SS&TL Muzaffargarh had also occurred due to these discrepancies on this line. An inquiry committee was constituted to probe the fatal accident as per directives of the MD PPMC Islamabad. In fact-finding report of the inquiry committee, they recommended at point-iv that high level technical inquiry committee be constituted at MEPCO level to probe into the matter of irregularities as mentioned in the findings to fix the responsibility for poor quality of construction of 132 kV transmission line Muzaffargarh - DG khan. All the deliberated situation apprehended that the contractor M/s I.H Malik did the low quality work and was unable to complete the job which not only put the lives of MEPCO line staff at risk but also financial loss of Rs.48.95 million due to defective work.

Poor mismanagement resulted in loss of Rs.48.95 million to the company due to defective construction by contractor up to the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in October, 2023. The management replied that as per directions of GM (HR) PPMC a high-level technical committee was constituted vide CEO MEPCO O/O No. 1306/20176-80 dated December 20, 2022. The inquiry committee had done the inquiry. The progress achieved in this regard would be communicated to audit in due course.

The DAC in its meeting held on December 20 & 21, 2023 directed the management to get the record verified from audit within 15 days. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC’s decision.

(Draft Para No. 434/2023-24)

1.7.8 Unjustified expenditure incurred on Surface Drainages already covered in original scope of work - Rs.47.21 million

According to Note-3 to Bill of Quantity of Contracts ADB-72R-2016 (Package-I, Lot-I), ADB-72R-2016 (Package-I, Lot-II)& ADB-72R-2016 (Package-II), for Civil Works, Erection, Testing and Commission at 220 kV Grid Stations at Chakdara, D.I Khan & Nowshera Substations, “Switchyard trenches shall be provided with gradual slope for proper disposal/ drainage of rain water keeping in view the safety of other equipment in the switchyard.”

During audit of NTDC, the Contracts No. ADB-72R-2016 for Civil Works, Erection, Testing and Commission at 220 kV Grid Stations at Chakdara, D.I Khan & Nowshera were awarded to the contractors. However, there was no provision of "Surface Water Drainage" in the original scope of work of these contracts. According to Bill of Quantity of the said contracts, switchyard trenches were to be provided by the contractor with gradual slope for proper disposal / drainage of rain water. Hence, the drawings of the switchyard trenches were required to be prepared / amended by keeping in view the disposal / drainage of rain water. But contrary to this, the scope of work was increased by including separate Surface Drainages and amount of contracts were increased through variation orders amounting 47.21 million (Rs.13.51 million, 16.13 million & 17.57 million for Chakdara, D.I Khan & Nowshera Substations respectively). Since the contractors were required to construct switchyard trenches by accommodating the rain water too, inclusion of new component of surface drainages with financial implication of Rs.47.21 million was not justified. Had the drawings of switchyards trenches amended by taking into account the disposal of rain water, an amount of Rs.47.21 million could have been saved.

Non-revision / modification of drawings for switchyard trenches in the light of BoQ for accommodating rain water resulted in unjustified expenditure of Rs.47.21 million incurred on Surface Drainages at Chakdara, D.I Khan & Nowshera Substations up to the Financial Year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that separate surface drainage was required in the grid stations for excess flow of rain water in order to protect the cables in the trenches. Audit contended that according to Note-3 to Bill of Quantity, the contractor was responsible for provision of switchyard trenches for proper disposal / drainage of rain water by keeping in view the safety of other equipment in the switchyard.

The DAC in its meeting held on April 12, 2021 did not agree with the reply and directed the management to provide detailed / revised reply. The DAC in its meeting held on December 18 & 19, 2023 upheld the earlier decision. No reply was furnished till finalization of the report.

Audit recommends that the management needs to inquire the matter of extra financial burden on public exchequer due to non-adherence to the provisions of Bill of Quantity besides implementing DAC's descision.

(Draft Para No. 1042/2023-24)

1.7.9 Loss due to payment of detention charges – Rs.42.01 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".

During audit of MP&M, NTDC, Lahore, an amount of Rs.42.01 million was paid on account of detention charges due to late clearance of material from port. No action was taken by the management regarding delay in clearance of material and authority sustained a loss up to the stated extent.

Non-adherence to Authority's Guidelines resulted in loss due to payment of detention charges of Rs.42.01 million due to delay clearance of material from port up to the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in November, 2023. The management replied that detention charges amounting to Rs.42.01 million charged on NTDC against Consignment No. MPM-257, MPM-265 & MPM-275 due to plenty of technical & Non-technical obstacles. The delay in provision of the Bank and Consignee Endorsed Documents to CC&L office by the consignee delayed the Delivery Order (D/O) issued by shipping line and the clearance was delayed, resultantly. The delay was also caused due to Non-availability of Consignments Fund. The extra time spent in arranging reduced custom duty/taxes benefits from customs after filing GD.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to inquire the matter within 30 days. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC's decision.

(Draft Para No. 849/2023-24)

1.7.10 Irregular capital expenditure incurred /capitalized against projects ledger without inclusion and approval of project in PC-I - Rs.34.94 million

As per PBF-2 (Capital Expenditure Budget) of DISCOs Accounting Manual, concerned department assess the capital expenditure requirements for the next year. In order to assess the capital expenditure requirements of next year for the preparation of estimated capital budget, PC-I of DOP, ELR, STG and other projects along with other sources is issued by the concerned departments.

During audit of GSC LESCO, three (03) Civil Works amounting to Rs.34.941 million were executed relating to construction of Brick Masonry wall at 132 kV G/S DHA-T Sector and OPF Housing Society. The expenditure of these works was capitalized under these works and debited to GSO Directorate. However, neither these works of 132 kV Grid Station were included in PC-I of STG-7&STG-8 nor approval of construction of 132 kV G/S was accorded by the competent authority. Hence, in the absence of works in PC-I and approval from the competent authority, capital expenditure incurred and capitalized under project ledgers was irregular.

Non-adherence to Accounting Manual resulted in irregular capital expenditure incurred /capitalized amounting to Rs.34.94 million against projects ledger without inclusion and approval of project in PC-I up to the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in November, 2023.The management replied that the expenditure Rs.135.75 million on three works had incurred on account of "Miscellaneous/Construction of Boundary Wall / Leveling Dressing of Grid Station GSO Emergency Grid Station works and any unforeseen expenditure etc." Moreover, the construction of said boundary walls was commenced after the approval of Competent Authority.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the record verify in support of reply within 15 days. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC's decision.

(Draft Para No. 634/2023-24)

1.7.11 Loss due to non-recovery of rent on account of stringing T&P/Machinery from the contractor – Rs.7.45 million

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

During audit of Project Directorate EHV-I NTDC, Islamabad, stringing T&P/Machinery was handed over to five (05) contractors on rental basis in 2019 from NTDC store. A period of more than four (04) years was elapsed, but neither rental charges amounting to Rs.7.45 million were recovered from the contractors nor material was received back. Resultantly, the company sustained loss to the stated extent.

Non-adherence to the Authority's Instruction resulted in loss of Rs.7.45 million due to non-recovery of rent on account of stringing T&P/Machinery up to the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in November, 2023. The management replied that NTDC had issued final notice to all four contractors for recovery of rental charges and T&P items cost. NTDC had sufficient amount of retention money/running invoices of the contract and would be adjusted against retention money.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to recover or adjust the rent and get the record verified from audit within thirty (30) days. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC's decision.

(Draft Para No. 595/2023-24)

1.7.12 Loss due to unjustified payment to third party consultant - Rs.1.70 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (as amended up to January, 2014), "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".

During audit of PMU FESCO, an amount of Rs.1.70 million was paid to M/s EnMasse (Pvt.) limited on account of consultancy services fee against contract agreement No. 9857 dated June 20, 2022 to decide the extension of time (EOT) case of M/S Pinggao Group China. The Pinggao Group China was entrusted for procurement of Design, Supply and Installation for conversion of existing Air Insulated Switch Gear from 66 kV to the level of 132 kV at four No. Grid Stations vide contract No. ADB-trench-III-FESCO-02-2015 re-tendering dated May 24, 2016 and the Project was delayed up to 243 days as per FESCO. Due to delay, the liquidated damages worth Rs.97.104 million was deducted from Pinggao Group China. As the contractor applied for extension of time, the case was forwarded to Board of Directors (BOD) for decision. BOD decided for hiring of third-party consultant to decide the extension of time case. As per direction, consultant M/s EnMasse (Pvt.) Limited was hired to decide the case for extension of time (EOT) and the case was decided by the consultant in favour of Pinggao Group China and the consultant completely negated the version of FESCO Management and decided that only 17 days delay occurred due to fault of FESCO Management instead of 243 days. Consultant recommended for extension of time (EOT). As per consultant's recommendations, BOD granted extension of time (EOT) which resulted in refund of LD to M/S Pinggao Group of China amounting to Rs.97.104 million. The whole case was decided in favour of contractor M/S Pinggao Group of China but the consultancy charges were paid from FESCO funds. Audit holds that the payment should have been made by the M/S Pinggao and the matter of payment to consultant should have been decided between FESCO and Pinggao before written agreement with the consultant. Due to payment to consultant, FESCO sustained loss of Rs.1.70 million which could have been saved with timely decision.

Non-adherence to the rules/regulations of the Authority resulted in Loss due to unjustified payment to third party consultant amounting to Rs.1.70 million during the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in November, 2023. The management replied that in order to settle EOT issue of contractor, third party consultant was hired on the recommendations of the BOD FESCO.

The DAC in its meeting held on December 20 & 21, 2023 DAC did not agree with reply of management and directed to inquire the matter at FD/ CFO FESCO level within 30 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 730/2023-24)

1.7.13 Irregular appointment of Project Director ERP- Rs.1.50 million

As per directions of establishment division, Government of Pakistan dated 08 March, 2011, Prime Minister has been pleased to direct that measures should be taken to authenticate degrees/certificates of all Federal Government Employees of respective Ministries/Divisions, their attached departments, subordinate offices and autonomous bodies under their administrative control. As first step, the degrees/certificates of employees of both Federal Government as well as autonomous/semi-autonomous bodies/corporations working in BPS-17 to BPS-22 may be got verified from the concerned universities and the HEC.

During audit of NTDC, Mr. Faisal Ahmed Hashmi was appointed as Project Director (ERP) NTDC with salary package of Rs.500,000/- per month in September, 2022. But the required experience certificates were missing at the time of evaluation/short listing of candidates and mentioned in evaluation sheet as well. The said candidate had not qualified interview even, but he was selected as Project Director (ERP), which needs justification.

Non-adherence to direction of establishment division resulted in irregular appointment of Project Director (ERP) costing Rs.1.50 million during the Financial Year 2022-23.

The matter was taken up with the management in June, 2023 and reported to the Ministry in December, 2023. The management replied that requisite missing documents i.e Educational Degrees & Experience Certificates of Mr. Faisal Ahmed Hashmi Project Director ERP, were available for verification of record.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to inquire the matter within 30 days. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC's decision.

(Draft Para No. 916 /2023-24)

1.7.14 Inordinate delay in completion of Mansehra Grid Station due to incomplete and delayed submission of Technical Data / Drawings

According to Clause-2.5 Section 6-Employer's Requirement, "the manufacturer/ supplier shall submit copies of all drawings and technical data to employer for approval within 30 days of the issuance of the Notification of Award.

During audit of NTDC, Notification of Award for turnkey Contract No. ADB-67R-2012 valuing CNY 65.86 million + Rs.172.90 million for design, manufacturing, supply, erection, testing and commissioning of 220 kV Substation Mansehra was issued to M/s Chint Electric Co. Ltd. on February 13, 2015 and subsequently contract was signed on March 13, 2015. The contractor was liable for furnishing all drawings and technical data to the employer for approval within 30 days of the issuance of Notification of Award. Contrarily, the contractor failed to adhere to the time lines for furnishing the drawings and technical data. The first submittal for SLD, equipment layout and section drawing were received on May 11, 2015 i.e. after elapse of almost 03 months. The contractor could not furnish complete drawings / data even after elapse of two years from the date of issuance of NOA as depicted by CE MP&M letter CE/MP&M/ DP/Dm-II/AM-I/26965-69 dated April 03, 2017. Resultantly, the said grid station could not be completed wihin its scheduled completion period. This scenario also put a question mark on the capability of the contractor for execution of turnkey projects.

Non-adherence to the contractual timelines for submission of drawings / technical data resulted in inordinate delay in completion of 220 kV Grid Station, Mansehra up to the Financial Year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that it had been a practice of NTDC to include in contract a general blank timelines of approval for complete technical data / drawings (within 30 days from NOA), whereas the same was not followed being practically impossible. Audit contended that the contractor failed to adhere to contractual provisions regarding timely furnishing of drawings and technical data.

The DAC in its meeting held on April 12, 2021 did not agree with the reply and directed the management to provide detailed / revised reply. The DAC in its meeting held on December 18 & 19, 2023 upheld the earlier decision. No reply was furnished till finalization of the report.

Audit recommends that the management needs to inquire the matter regarding submission of incomplete and delayed drawings / technical data that caused inordinate delay in completion of project besides implementing DAC's decision.

(Draft Para No. 1040/2023-24)

1.7.15 Mis-procurement due to deficient bid evaluation and leakage of confidential bidding information of mega project of 600 KM Jamshoro-R.Y Khan T/Line and Grid Stations

According to Para 2.47 of ADB's Procurement Guidelines, "After the public opening of bids, information relating to the examination, clarification, and evaluation of bids and recommendations concerning awards shall not be disclosed to bidders or other persons not officially concerned with this process until the publication of contract award".

During audit of NTDC, a tender No.ADB-65-2010 for package-I & Package-II for 500 kV Transmission Lines 3rd Circuit Jamshoro-Moro-Daduto Rahim Yar Khan (600 km) and 500 kV Switching Station at Moro & extension works at existing 500 kV Substations at Jamshoro, Dadu& Rahim Yar Khan was opened on May 21, 2011 and May 23, 2011 respectively. A consultancy contract valuing Rs.435.92 million was signed with M/s NESPAK on March 06, 2010 w.e.f November 16, 2009, which was amended up to Rs.960.08 million. The Bid Evaluation Reports (BER) for both the Packages made by the NESPAK were sent to ADB on November 22, 2011, which were not approved by ADB due to discrepancies / deviations with ITB clauses, incomplete information and incomplete technical evaluation. The ADB during loan review mission on April 16-24, 2012 showed its grave concern over leakage of confidential information pertaining to BER, inconsistencies in BER, non-determination of non-conformities into major or minor deviations and application of conflict of interest and advised for supplementary BER. Accordingly the SBERs were prepared by NTDC but the SBER only for Package-II was submitted to ADB on July 02, 2012 which remained unapproved as the issues raised in original BER were still not fully addressed. Instead of addressing the same and providing the SBER of Package-I to ADB, the bidding process for package-I was annulled / scrapped unilaterally by NTDC on September 06, 2012 without seeking prior concurrence of ADB. After publication of the annulment of Package-I, ADB was apprised accordingly vide letter dated September 11, 2012 but astonishingly the same was withdrawn on the very next day i.e. September 12, 2012 abruptly by NTDC. Instead of going for post annulment concurrence of ADB, the NTDC now with changed stance conveyed its desire on September 12, 2012 for seeking concurrence of ADB for annulling of both the packages due to allegations of leakage of BERs and lot of presentations about transparency of BE process. This grave contradiction on the part of NTDC was beyond comprehension. Without waiting for concurrence, Package-II was also annulled by publication on September 28, 2012 unilaterally by NTDC. The ADB vehemently rejected the NTDC's proposal for annulment and declared it mis-procurement due to systematic breaches in the confidentiality, NTDC's unilateral decision to cancel procurement of both the packages without seeking ADBs no objection, inconsistent application of ITB, NTDC's inability to provide clarification and issues pertaining to NTDCs approach to ITB.

Violation of ADB's Procurement Guidelines resulted in mis-procurement due to deficient bid evaluation and leakage of confidential bidding information of mega project of 600 KM Jamshoro-R.Y Khan T/Line and Grid Stations up to the Financial Year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that the bidding process was declared as mis-procurement by ADB and advised to proceed for rebidding. As regards the annulment of the bidding process, the BoD NTDC had constituted an inquiry committee vide notification dated November 11, 2012. Audit contended that documentary evidence for fixing responsibility upon the delinquents causing mis-procurement was needed to be furnished.

The DAC in its meeting held on April 12, 2021 directed the management to provide detailed / revised reply. The DAC in its meeting held on December 18 & 19 upheld the earlier decision. No reply was furnished till finalization of the report.

Audit recommends that the matter needs to be inquired at Ministry level for fixing responsibility regarding mis-procurement laden with the said grave issues afflicting the bidding process of ADB65-2010. Moreover, the management also needs to implement DAC's decision.

(Draft Para No. 1116/2023-24)

1.7.16 Non-preparation of revised PC-I(s) for cost overrun projects

According to Para 6.13 of the Manual for Development Projects (Revised 2019) of Ministry of Planning, Development and Reform, Government of Pakistan, "as per the direction of the ECNEC, if the project cannot be completed with 15 per cent increase in the cost, the executing agency should immediately prepare the revised PC-I and submit for approval of the competent forum".

During audit of NTDC, seven (07) projects comprising Transmission Lines/Grid Stations were executed under MFF-I ADB Loan. The actual cost incurred on the said projects remained more than 15% of the cost approved in PC-I. However, revised PC-I(s) were not prepared for approval of Planning Commission. The detail is as under:-

Sr. No.	ADB Loan No.	Tranche No.	Description of Projects	PC-I Cost	Capitalized cost	Increase in cost	%age Increase
11	2289	I	Line Bay Extension &220 kV Ghazi Brotha-ShahiBagh T/Line at Mardan G/S	533	698.79	165.79	31.11
			T/F Extension at Muzaffargarh 500 kV G/S	1007	1504.12	497.12	49.37
			T/F Extension at Shikarpur 220/132 kV G/S	0.27	109.97	59.7	118.76

22	2396	II	New 500 kV D.G. Khan G/S with T/Lines	467	10052.64	5585.64	125.04
			New 220 kV RohriG/Swith T/Lines	847	7285.21	2438.21	50.30
33	2846	III	220 kV transmission line from the new Uch-II power plant to Sibbi grid station, and (ii) In/Out arrangement between the Uch-I power plant & the new Uch-II power plant	508	3234.12	726.12	28.95
			New 220 kV Manshera G/S	05	1580.53	675.53	74.64

Non-adherence to Manual for Development Projects resulted in non-preparation of revised PC-I(s) in respect of the projects having cost increased beyond 15% than original PC-I up to the Financial Year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that in past, there had been no practice of preparing revised PC-I of any project(s), however recently it had been made necessary to revise the same where applicable and would be complied in future. Audit contended that being a mandatory requirement of Planning Commission, the PC-I(s) was needed to be revised, where the cost of the projects increased by more than 15%.

The DAC in its meeting held on April 12, 2021 did not agree with the management reply and directed to submit revised reply. The DAC in its meeting held on December 18 & 19 upheld the earlier decision. No reply was furnished till finalization of the report.

Audit recommends that the management needs to inquire the matter regarding non-preparation of revised PC-I(s) besides ensuring their preparation and submission to Planning Commission expeditiously. Moreover, the management also needs to implement DAC's decision.

(Draft Para No.1139/2023-24)

Concluding Recommendations

Project management is a reflection of the professionalism with which the relevant field experts can carry out mega assignments. The above-mentioned shortcomings in project management reflect poor institutional work of the company and imply that the company's long-term targets envisaged through such projects were not being achieved. It is proposed that the ministry may look into the project-based shortcomings to identify control lapses and facilitate improvements in the project work of the companies.

1.8 Theft / Misappropriation / Fraud

As in any organization, theft, misappropriation or fraud incidents highlight material lapses and failures present in the respective organization. The subject issue indicates malpractices existing in the concerned organization, causing the financial losses as well as being a source of significant operational in-efficiencies.

In the following paras, audit has stated on a sample test check basis its findings on the issue.

1.8.1 Loss due to embezzlement of funds / material - Rs.1,579.48 million

According to instructions issued by WAPDA dated July 17,1982 all losses whether of public money or of stores shall be subjected to preliminary investigation by the officer in whose charge they wore to fix the cause of the loss and the amount involved.

During audit of DISCOs, it was observed that funds and material amounting to Rs.1,579.48 million were embezzled by the official(s)/officer(s). In most of the cases departmental inquiries were concluded and certain responsibilities / penalties were fixed upon the delinquents whereas in some cases the matter was under investigation in FIA and NAB. However, neither the funds / material were recovered nor the recovery of penalty amounts was forthcoming from record. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1	FESCO	1143/2023-24	0.72
2	GEPCO	281,528,667 & 803/2023-24	37.79
3	IESCO	944/2023-24	2.66
4	HESCO	779/2023-24	1,534.65
5	NTDC	981/2023-24	3.66
		TOTAL	**1,579.48**

(Source: DISCOs Disciplinary / Inquiry Files)

Non-implementation of recommendations of the inquiry reports resulted in no-recovery of embezzled amount of Rs.1,579.48 million as well non-initiation of disciplinary actions against the delinquent (s) during the Financial Year 2022-23.

The matter was taken up with the management during October to November, 2023 and reported to the Ministry during November and December, 2023. The management replied that the departmental inquires were conducted and legal course of action was taken. The disciplinary proceedings and charging of penalties were either completed or under process. It was added that in few cases, the recovery was effected from the employees.

The DAC in its meeting held on December 14-23, 2023directed the management toget the record of completed action verified from audit, expedite the remaining cases vigorously as per SOPs and finalize the inquiries within 30 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

1.8.2 Loss due to theft of electrical material - Rs.461.83 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".

During audit of DISCOs, it was observed thatelectrical material valuing Rs.461.83 million was stolen by unknown culprits in 980 cases. Though FIRs were lodged with the concerned police station(s) but no administrative inquiry / action was carried out / finalized for fixing responsibility and deciding the fate of loss. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	No. of cases	Amount (Rs.in million)
1.	FESCO	78,88,159,534,972 & 1145/2023-24	183	33.08
2.	GEPCO	39,254,357 & 688/2023-24	91	29.83
3.	HESCO	685 & 793/2023-24	12	4.71
4.	IESCO	141, 223 & 229/2023-24	50	10.19
5.	LESCO	333, 647, 878 & 933/2023-24	103	49.86
6.	MEPCO	285, 305, 435, 652 & 926/2023-24	179	94.06
7.	PESCO	208, 400 & 549/2023-24	107	53.82

8.	QESCO	07, 318, 424, 428, 432, 456 & 1033/2023-24	202	132.73
9.	SEPCO	15, 236 & 586/2023-24	23	17.91
10.	TESCO	191/2023-24	6	1.50
11.	NTDC	578 & 980/2023-24	24	34.14
		TOTAL	**980**	**461.83**

(Source: Progress Reports of Formation)

Non-adherence to rules for safeguarding the companies' assets resulted in loss of Rs.461.83 million up to the Financial Year 2021-23.

The matter was taken up with management during March to April, 2023 & August to November, 2023 and reported to the Ministry in June, 2023 & October to December, 2023. The management replied that FIRS were lodged and departmental action was either completed or under process.

The DAC in its meeting held on August 26, 2023, September, October 9, 2023 and December 14-23, 2023 directed the management to pursue the FIRs and inquire / expedite the departmental proceedings and submit its report to audit within 30 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision besides fixing responsibility.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No. 1.8.1 having financial impact of Rs.180.41 million. Recurrence of same irregularity is a matter of serious concern.

1.8.3 Misappropriation of electrical material / fuel & funds - Rs.311.09 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 January 2014) "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".

During audit of DISCOs, it was observed that electrical material, fuel and funds amounting to Rs.311.09 million were misappropriated by the officers/officials. In most of the cases departmental inquiries were concluded and certain responsibilities / penalties were fixed upon the delinquents whereas in some cases the matter was under investigation in FIA and NAB. However, neither the material/funds were recovered nor the recovery of penalty amounts was forthcoming from record. The detail is as under:

Sr. No.	Name of Formation	Draft Para No.	No. of Items	Amount (Rs.in million)
1.	GEPCO	279 & 862/2023-24	84	119.26
2.	HESCO	778/2023-24	2	25.21
3.	IESCO	222/2023-24	3	5.46
4.	LESCO	880, 902/2023-24	2,186	101.62
5.	MEPCO	319 & 896/2023-24	17	22.97
6.	PESCO	299, 302, 507/2023-24	31	21.26
7.	QESCO	871/2023-24	0	4.56
8.	SEPCO	583/2023-24	0	10.75
		Total	**2,323**	**311.09**

(Source: Correspondence files of formation)

Non-adherence to Authority's instruction / guidelines resulted in misappropriation of electrical material/POL/funds amounting to Rs.311.09 million up to the Financial Year 2022-23.

The matter was taken up with the management in August to October, 2023 and reported to the Ministry during October to December, 2023. The management replied that the departmental inquires were conducted and legal course of action was taken. The disciplinary proceedings and charging of penalties were either completed or under process. It was added that in few cases the recovery was effected from the employees.

The DAC in its meetings held on December 14, 2023 to December 23, 2023 directed the management to get the record of completed action verified from audit, expedite the remaining cases vigorously as per SOPs and finalize the inquiries within 30 days. As regards QESCO, the DAC also directed to re-examine the inquiry recommendations by CEO and take strict disciplinary action within 30 days. The DAC directed the management of SEPCO to expedite the disciplinary action and Special Audit be conducted by Internal Audit within 30 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No. 1.8.2, 1.8.3, 1.8.5, 1.8.6, 1.8.7, 1.8.10 having financial impact of Rs.28.33 million. Recurrence of same irregularity is a matter of serious concern.

1.8.4 Loss due to theft of electricity – Rs.236.13 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".

During audit of DISCOs, it was observed thatan amount of Rs.236.13 million was recoverable from 4,485 consumers involved in theft of electricity through illegal direct connections, tempering in meters and bogus installation of meters. Departmental and legal actions were neither taken nor finalized for fixing responsibility and recovery of the energy charges. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	No of Consumers	Amount (Rs.in million)
1.	FESCO	170 & 173/2023-24	360	10.48
2.	HESCO	816 & 820/2023-24	05	5.87
3.	IESCO	1101 & 1103/2023-24	16	14.35
4.	LESCO	337,882 & 907/2023-24	2,209	137.52
5.	MEPCO	304/2024-24	1,761	54.71
6.	PESCO	708/2023-24	134	13.20
		TOTAL	**4,485**	**236.13**

(Source: Monitoring and Testing (M&T) / Surveillance & Investigation (S&I) Reports of DISCOs)

Non-adherence to the instructions resulted in loss of Rs.236.13 million due to theft of electricity up to the Financial Year 2022-23.

Audit is of the view that theft of electricity was serious issue for all DISCOs and needs strong remedial measures in collaboration with all stakeholders enabling the DISCOs to reduce their losses.

The matter was taken up with the management during August to November, 2023 and reported to the Ministry during October to December, 2023. The management replied that efforts were being made for recovery from responsible persons and departmental as well as legal proceedings were under progress.

The DAC in its meeting held on December 14-23, 2023 directed the management to get the record of completed action verified from audit within 15 days and expedite the pending actions. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No.1.4.8 having financial impact of Rs.1,795.29 million. Recurrence of same irregularity is a matter of serious concern.

1.8.5 Fraudulent issuance of salary slips to retired and ghost employees - Rs.5.24 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".

During audit of CEO QESCO, it was observed that the salary slips valuing Rs.5.24 million were issued to retired and deceased employees fraudulently during the Financial Year 2022-23. The Management Information System (MIS) of QESCO maintains and updates Human Resource Database of all employees and generates salary slips in order to make payment to employees. This database was being updated when concerned formations submit Up-dation Form regarding status of employment (on Retirement / Death / Resignation of employees), the same was not done. Moreover, MIS did not maintain the credentials like (data of birth, date of joining and length of service) of employees in salary slips, which was a serious irregularity.

Non-adherence to provisions of guidelines resulted in fraudulent issuance of salary slips to retired and ghost employees Rs.5.24 million.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that the names of employees mentioned in the audit observation were not ghost employees.

They all were QESCO employees appointed as per rules. Further, no extra payment on account of salary was made to those employees after their retirement. The names from pay bills issued by MIS were deleted by the DDO before payment of salaries.

The DAC in its meeting held on December 22 & 23, 2023 directed the management to inquire the matter immediately under the TORs prepared by audit and share the inquiry report within 60 days. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC's decision.

(Draft Para No. 869/2023/24)

1.8.6 Loss due to illegal installation of transformers of higher capacity against stolen transformers of tube well consumers without fulfilling codal formalities – Rs.2.17 million

According to instructions issued by WAPDA dated July 17,1982 all losses whether of public money or of stores shall be subjected to preliminary investigation by the officer in whose charge they wore to fix the cause of the loss and the amount involved.

During audit of CEO FESCO, two (02) transformers of 100 kVA & 25 kVA of tubewell consumers bearing Reference No. 29-13171-301800 & 29-13171-3917104 were installed against stolen transformers of 50 kVA & 15 kVA. However, codal formalities regarding registering of FIRs against theft of said transformers and obtaining approval for installation of new transformers of higher capacities as well as effecting recovery of capital cost were not fulfilled. Resultantly, the company sustained loss in shape of theft as well as installation of new transformers, without effecting capital cost amounting to Rs.2.17 million.

Non-adherence to the instructions of authority resulted in loss of Rs.2.17 million due to illegal installation of transformers of higher capacity against stolen transformers of tube well consumers without fulfilling codal formalities during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that after inquiry, the disciplinary proceedings against the delinquents had been initiated.

The DAC in its meeting held on December 20 & 21, 2023 directed the management to re-inquire the matter by focusing source of provision of higher capacity transformers installed against stolen transformers of lower capacity. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC's decision.

(Draft Para No. 1144/2023-24)

1.8.7 Fraudulent practice of M/s Chint Electric Company Ltd

According to Clause-1.14 of Asian Development Bank Procurement Guidelines, "fraudulent practice" means any act of omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation."

During audit of NTDC, it came to notice that M/s Power Grid Company of Bangladesh had requested the NTDC vide letter 01/PGCB/CE (PnD)/2014/6971 dated December 08, 2014 to verify the authenticity of end user certificates regarding Rohri Grid Station (ADB-41-2009) furnished by M/s Chint Electric Co. Ltd. China while participating in bidding process in Bangladesh. But no response was given to M/s Power Grid Company of Bangladesh. Later on, while replying to the email of Corporate Research and Investigation (Pvt) on January 19, 2018, one of the end user certificate, already requested for authentication by M/s Power Grid Company of Bangladesh, was found fictitious and bogus. This clearly depicted that M/s Chint Electric Company was involved in "fraudulent practice" and needed to be proceeded against in the light of ADB's procurement guidelines.Had the authenticity of the end user certificates been probed in 2014 by responding to the request of M/s Power Grid Company of Bangladesh and action taken in the light of ADBs procurement guidelines for indulging in fraudulent practice of M/s Chint Electric Company Ltd, the subsequent NTDC Contracts i.r.o ADB-67-R-2014 & ADB-65R-Package-II could not have been awarded to M/s Chint Electric Company Ltd. Moreover, after establishment of corrupt practice of M/s Chint Electric Co. Ltd. neither the matter was reported to ADB, nor any action was taken by NTDC against the said contractor.

Non-adherence to the ADB Procurement Guidelines resulted in fraudulent practice of M/s Chint Electric Company Ltd. up to the Financial Year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that the work against Contract ADB-41-2009 was completed by the contractor before the receipt of letter for verification of authenticity of end user certificate from Power Grid Company of Bangladesh. Further, the works were awarded to M/s Chint with bona-fide intentions and there was no information to the contrary available with NTDCL to decide otherwise. Audit contended that verification of end user certificate was not carried out in time. Further, after establishment of corrupt practice of M/s Chint Electric Co. Ltd. neither the matter was reported to ADB, nor any action was taken by NTDC against the said contractor.

The DAC in its meeting held on April 12, 2021 did not agree with the reply and directed the management to provide detailed / revised reply. The DAC in its meeting held on December 18 & 19, 2023 upheld the earlier decision. No further progress was reported till finalization of the report.

Audit recommends that the management needs to inquire the matter regarding non-responding to request of M/s Power Grid Company of Bangladesh for the authenticity of end user certificates of Rohri Grid, which later on, turned out to be fake and non-reporting the matter to ADB for appropriate action besides rechecking the bidding information / documents provided by M/s Chint in all the awarded contracts. Moreover, the management also needs to implement DAC's decision.

(Draft Para No. 1179/2023-24)

Concluding Recommendations

Audit recommends strict actions against those responsible besides expediting recovery identified in the above paras in pursuance of DACs' decisions.

1.9 Unsatisfactory Management of Foreign-Aided Loan Initiatives

Despite financial constraints, the Government of Pakistan was actively engaged in making improvements in the working of the power sector enterprises through donor funded programmes. The loans were acquired from the donor agencies (such as the ADB, World Bank, JICA etc.) after detailed working of the tasks to be performed through such funding and envisaged benefits to be attained. In NTDCL and GENCOs, key objectives of these programmes were enhancement and modernization of the National Transmission Grid and development of new and more efficient power plants respectively.

In this context, audit observed under-utilization of loans due to lack of proper planning and delayed execution of projects. Resultantly, envisaged benefits from the donor-funded program could not be fully achieved. The project management also could not adequately resolve bottlenecks faced during execution of the projects. Delayed material procurements, design flaws, delays in tendering processes and right of way problems contributed towards the slow execution of projects causing under-utilization of donor funds.

Moreover, overall donor-funded package was linked with commitment charges payable to the donor agency. The borrower i.e. “the power sector entities” committed that they had demand for and would seek a certain amount of loan over a specified period of time from the donor. The donor agency then made arrangements for availability of such loan on defined timelines as agreed with the borrower and charged commitment charges accordingly. Due to poor planning and over-estimations, extra funds were sought from the donor which were eventually never drawn and utilized. Resultantly, commitment charges were paid to the donor for the whole loan amount causing extra financial burden on the companies.

Another indicator of unsatisfactory loan-management was poor utilization of material acquired through the donor-funded programme. In a few instances, either excessive material was procured or procurement was made well in advance without proper timelines for the utilization of the said material. Warranties of material got lapsed and shelf-life diminished without drawing any benefit from these assets. The same indicated poor material management / procurement on part of the management towards carrying out a donor funded initiative.

On the above lines, audit has analyzed the issue of unsatisfactory management of Foreign-Aided Loan initiatives in NTDCL and GENCOs on a sample basis to highlight shortcomings observed which are illustrated in the following paras:

1.9.1 Less/under-utilization of loan -Rs.68,344.866 million

According to agreement signed on February 12, 2014 Loan No.3092-PAK & 3090-Pk amounting to US $ 658 million & 26.400 million between ADB and Govt. of Pakistan for Jamshoro Power Generation Project.

According to PC-I (infrastructure sectors) clause-4 (iv) “the present plan for addition of 2x660 MW Coal fired Capacity at TPS Jamshoro has been prepared to meet the shortage of generating capacity and to avoid load shedding in the country in near future. The project also aims to reduce the cost of power by use of a lower cost fuel and consequently the quantum of circular debt.”

During audit of GENCO-I, funds of US $ 26.400 million & US $ 658 million were allocated to Jamshoro Power Generation Project under Loan No.3092-PK & 3090-PK respectively to facilitate the project. However, the management was unable to use funds amounting to US $ 11.646 million &US $ 227.33 million as on June 30th 2023 which was 44.11% & 34.55% respectively of total loan amount. Due to un-satisfactory utilization of these funds US $ 238.976 million (Rs.68,344.866 million) planned objectives of the Loan No.3092-PK & 3090 PK could not be achieved. Delay in completion of project was also loss in the shape of not getting benefits and huge inflation/fluctuation in exchange rate.

Non-adherence to loan agreement between ABD and Govt. of Pakistan resulted in under-utilization of funds available at the disposal of JPCL amounting to Rs.68,344.866 million during Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in October, 2023. The management replied that less utilization of ADB loan 3090-Pak was due to unavoidable circumstances including inadvertent delay in bidding process due to absence of finance for 2nd unit, relocation of CMS, Covid-19, change in design of T/line by NTDC, ash pond issues and non-injection of equity by GoP. As regards ADB Loan 3092, the amount allocated for consultancy services had been fully utilized and further would be re-appropriated from capacity development allocation to meet the consultancy expenses till completion of project. An inquiry committee was constituted by Ministry of Energy (Power Division) on December 29, 2020 to probe the delay, further progress achieved would be informed to audit accordingly.

The DAC in its meeting held on December 01 & 02, 2023 wherein the management was directed to provide evidence regarding justification for delay of utilization of loan for verification within three days. The DAC in its meeting held on December 22 & 23, 2023 upheld its earlier decision. No further progress was intimated till the finalization of report.

Audit recommends the implementation of DAC's decision.

(Draft Para No. 377/2023-24)

1.9.2 Non-payment of interest on foreign relent loans - Rs.11,359.50 million

According to Rule-4(3) of Public Sector Companies Corporate Governance Rules-2013, "the chief executive is responsible for making appropriate arrangements to ensure that funds and resources are properly safeguarded and used economically, efficiently and effectively and in accordance with all statutory obligations".

During audit of PMU GEPCO, interest payable on foreign relent loans of ADB & Exim Bank stood at Rs.10,222.39 million as of June, 2022, which was accumulated to Rs.11,359.50 million due to addition of Rs.1,137.11 million during July 2022 to May 2023. The payment of interest on relent foreign loans had not been made to Economic Affair Division since long nor GoP was approached to set off / adjust the same against subsidy, which impacted Company`s financial position adversely.

Inefficient financial management resulted in non-payment of interest of Rs.11,359.50 million on foreign relent loans up to the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in October, 2023. The management replied that the PPMC had constituted an inquiry committee on March 28, 2023 regarding non-payment / settlement / adjustment of foreign relent loans. Therefore, the payment / adjustment / settlement of the loans would be made as per recommendation of the committee, which were still awaited.

The DAC in its meeting held on December 18 & 19, 2023 directed the management of PPMCL to expedite the inquiry and share its report with audit within a month. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC's decision.

(Draft Para No. 295/2023-24)

1.9.3 Unknown whereabouts of remaining material of ABD Works - Rs.72.592 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to fraud, theft or negligence of Individuals, 1982 (amended to date), "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".

During audit of PMU QESCO, material of ADB works amounting to Rs.173.129 million was lying in warehouse. The said material was to be shifted to STG store for completion of running STG works. Contrary to this, only material valuing to Rs.100.537 million existed in books of accounts. Record of balance material amounting to Rs.72.592 million (Rs.173.129 - Rs.100.537) was not available which needs to be justified.

Non-adherence to the WAPDA Guidelines resulted in shortage of material amounting to Rs.72.592 million up to the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in October, 2023. The management replied that value of ADB foreign material was calculated in Pak rupees by the consignee store at the time of receipt of material from the contractor for which dollar to rupees exchange rate was taken on the day of GRN whereas the actual rate of conversion which was taken for payment by ADB or booking of loan liability was of the date on which actual payment was made by ADB to the supplier. Therefore, the factor of exchange rate of loss or gain was not incorporated in the accounts of PMU.

The DAC in its meeting held on December 22 & 23, 2023 directed the management to inquire the matter and submit its recommendations to audit within 30 days. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC's decision.

(Draft Para No. 261/2023-24)

1.10 Unsatisfactory Management of Power Generation Capacity, Power Purchase Agreements and Allied Infrastructure

The "Power Sector" represents a network of entities linked with one another having key attributes of electricity generation, transmission and utilization. Fuel generation companies (e.g PSO, SNGPL etc) provide fuel to power generation companies (e.g IPPs and GENCOs) for generation of electricity. The "Energy" so generated is transmitted in-bulk over the national grid system and provided to the distribution companies, from where it is sold to the electricity consumers.

Efficient management of the power sector requires that the electricity is generated from cheaper fuel alternatives and adequately utilized. However, audit observed that there was imbalance in the demand and supply of electricity and cheaper fuel sources were not fully utilized by the power sector which negatively impacted the economy.

In-line with power purchase agreements, the power generation companies maintained a certain generation capacity at all times and charged capacity payments to the CPPA-G accordingly. Idle capacity (i.e. surplus power generation capacity) in the system meant that the capacity payments being made could not be off-set with generation of revenue through electricity sale. This also attributed towards an increase in the overall price of electricity as the price of idle capacity was passed on to the consumers.

Another important aspect was the inadequacy of the power transmission network to efficiently evacuate electricity from the generation facility and deliver it to the power distribution companies. Poor management of the transmission system including its limitation to sustain high electricity loads meant that surplus electricity could not be transmitted through the system.

On the above lines, audit has analyzed the issue of unsatisfactory management of power sector capacity and its allied infrastructure to highlight significant shortcomings which are illustrated in the following paras:

1.10.1 Non-recovery/ settlement of long outstanding Liquidated Damages and other issues with GENCOs – Rs.105,860.49 million

According to article XVI of Power Purchase agreement of GENCOs, "in the event that a dispute arises, the parties shall attempt in good faith to settle such dispute by mutual discussions in the meeting of coordination committee within 30 days and in the event that the parties are unable to resolve the dispute then either party may refer the dispute to an Expert".

During audit of Central Power Purchasing Agency (CPPA-G) (Guarantee), Islamabad, liquidated damages and other issues relating to GENCOs for an amount of Rs.105,860.57 million were neither recovered nor settled since 2014. CPPAG and GENCOs neither resolved the issue through mutual discussion in the meeting nor referred the matter to Expert for settlement.

Non-recovery/settlement of long outstanding liquidated damages claims and other issues reflects inefficient financial management.

Nonadherence to the provisions of power purchase agreement resulted in non-recovery/ settlement of LD and other issues amounting to Rs.105,860.49 million up to the Financial Year 2021-22.

The matter was taken up with the management in May, 2023 and reported to the Ministry in June, 2023. The management replied that on November 16, 2022, a Special Committee was formed to resolve GENCOs' outstanding issues, including LD disputes. The reconciliation process was ongoing, with progress updates promised to the audit. No further developments were reported by the report's finalization.

The DAC in its meeting held on October 09, 2023 directed the management to resolve the matter expeditiously within a month. No further progress was reported till finalization of the report.

Audit recommends that the management needed to look into the matter and make concerted efforts for earlier recovery/ settlement of matters pertaining to GENCOs.

(Draft Para No.96/2023-24)

1.10.2 Unjustified payment of Capacity Purchase Price (CPP) without conducting Annual Dependable Capacity Test (ADCT) - Rs.54,002.43 million

According to CPPA-G office memo dated November 25, 2021, ADCT should be performed by GENCOs on regular basis. Moreover, NEPRA has given strict directives for the same. The Authority may disallowe the payments to NPGCL for capacity charges in near future.

During audit of Central Power Purchasing Agency Guarantee (CPPA-G), Islamabad, CPPAG made a payment of Rs.54,002.43 million on account of Capacity Payment to Power Generation Companies without conducting Annual Dependable Capacity Test which was unjustified and a violation of Power Purchase Agreement (PPA). The annual dependable capacity test is a critical component of the capacity payment calculation process. By not conducting the test, payments made on account of Capacity Payment do not accurately reflect the actual capacity available. This could lead to overpayment or underpayment of capacity payments, which could have a significant impact on the company's financial statements.

Non-adherence to the relevant provision of PPAs resulted in Unjustified payment amounting to Rs.54,002.43 million on account of Capacity Purchase Price (CPP) without conducting Annual Dependable Capacity (ADC) Test up to the Financial Year 2021-22.

The matter was taken up with the management in May, 2023 and reported to the Ministry in June, 2023. The management replied that despite efforts, no progress was made on issues raised with CPPA's BoD and the Ministry. To address this, a Special Committee was formed on November 16, 2022, led by JS (PF) MoE (Power Division) with GHCL & CPPA members, focusing on resolving pending issues including GENCOs' ADC test performance.

The DAC in its meeting held on October 09, 2023 directed the management to pursue the matter and share the decision of committee with audit. No further progress was reported till finalization of the report.

Audit recommends that the management needs to conduct annual dependable capacity test as required by the regulatory framework. It would also ensure that the capacity payment calculation accurately reflects the actual capacity available and minimize the risk of overpayment or underpayment of capacity payments.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No.3.1.8.5.12 having financial impact of Rs.473,537.42 million. Recurrence of same irregularity is a matter of serious concern.

(Draft Para No.107/2023-24)

1.10.3 Heavy financial burden passed on to consumers due to under-utilization / non-utilization of efficient power plants in determination of fuel price adjustments - Rs.23,262.00 million

According to Section 31(2) of NEPRA Regulation of Generation, Transmission and Distribution of Electric Power Act 1997 states that The Authority, in the determination, modification or revision of rates, charges and terms and conditions for the provision of electric power services shall keep in view— (a) the protection of consumers against monopolistic and oligopolistic prices; (d) The encouragement of economic efficiency in the electric power industry; (e) The economic and social policy objectives of the Federal Government; and (f) The elimination of exploitation and minimization of economic distortions.

During audit of NEPRA, Islamabad, the Regulator in its Industry Report, had identified non-availability of RLNG or transmission / distribution constraints behind non-utilization / underutilization of efficient power plants and operation of out of merit (order) power plants. The detail of financial impact is as under; -

- Due to RLNG shortage expensive plants were operated having financial impact of Rs.19,332 million.
- Due to System constraints, financial impact of Rs.3,670 million was born.
- Due to underutilization/non-utilization of efficient power plants, the financial impact was of Rs.260 million.

NEPRA had directed the CPPA-G and NPCC to keep check on out-of-merit operated power plants on daily basis but the same was not complied with as was evident in the determinations of fuel cost charges as well as in Industry Report. Accordingly, NEPRA initiated legal proceedings against them. However, the violation of EMO by the system operator and market operator was still being observed during determinations of fuel cost adjustments by NEPRA.

Despite considering the very fact that the power plants were under-utilized and operated in violation of merit order by CPPA-G and NPCC, the financial impact / burden of Rs.23,262 million of such under-utilized plants and system constraints were allowed and shifted to consumers by NEPRA.

Non-adherence to NEPRA Regulation of Generation, Transmission and Distribution of Electric Power Act 1997 resulted in heavy financial burden passed on to consumers due to under-utilization / non-utilization of efficient power plants in the determination of fuel price adjustments Rs.23,262 million for the Financial Year 2021-22.

The matter was taken up with the management in March, 2023 and reported to the Cabinet Division in June, 2023. The management replied that the audit para pertained to the Regulatory Functions of NEPRA and it had already been clarified to Audit vide letter dated February 24, 2023 that the audit of regulatory functions of NEPRA might not be carried out as the same was beyond the statutory scope under section 14(2) of NEPRA Act and opinion of the Attorney General for Pakistan. The reply was not agreed to as the consumers' interest should also have been considered / protected while passing over the fuel cost burden, arising out of under-utilized plants and system constraints, to them.

Audit recommends that the management needs to look into the matter besides ensuring the protection of the interest of electricity consumers while determining tariff.

(Draft Para No.54/2023-24)

1.10.4 Loss to the public exchequer due to the extension in Revised Commercial Operation Date (RCOD) of Thal Nova Power Thar Limited (TNPTL) - Rs.21,697 million

According to Section 9.4 (d) of PPA if the Company is in breach of its obligation under section 4.1b to achieve the Commercial Operation Date by the Required Commercial Operation Date, then for each month (or any portion thereof, prorated daily) thereafter, until the commercial operation date is actually achieved, the Company shall pay the Power Purchaser, as Liquidated Damages an amount equal to 2.5 US$ per kW/PM (or portion thereof, prorated daily) until the commercial operation date is achieved.

During audit of Central Power Purchasing Agency Guarantee (CPPA-G), Islamabad, Thal Nova Power Thar Limited (TNPTL) and CPPAG signed Power Purchase Agreement on July 21, 2017 for procurement of 300.7 MW through ±660 kV HVDC Transmission Line. TNPTL did not achieve its Scheduled Commercial Operation Date i.e. December 31, 2020 which was revised as June 30, 2022. Operational analysis submitted by National Power Control Centre (NPCC) showed that due to delay in COD of cheapest coal fired power plant (TNPTL), additional cost of Energy Purchase Price and net loss to public exchequer for shifting of TNPTL from March, 2021 to June, 2022 worked out as Rs.21,697 million.

Non-adherence to provision of PPA and Energy Mix resulted in loss of Rs.21,697 million to the public exchequer due to extension in Revised Commercial Operation Date (RCOD) of Thal Nova Power Thar Limited (TNPTL) up to the Financial Year 2021-22.

The matter was taken up with the management in May, 2023 and reported to the Ministry in June, 2023. The management replied that the RCOD was initially set for December 31, 2020, extended to March 31, 2021 by the Cabinet Committee on Energy, and further to June 30, 2022 following the Prime Minister's approval. CPPA's Legal Department suggested granting TNPTL's extension request to avoid litigation risks. Consequently, the CPPA Board approved the RCOD extension, subject to HVDC charge payments. Additionally, CPPA-G & NTDC imposed LDs on TNPTL for late commissioning and HVDC line non-utilization.

The DAC in its meeting held on October 09, 2023 directed the management to conduct a fact-finding inquiry and get it vetted from GM T/S PPMC within a month. No further progress was reported till finalization of the report.

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

(Draft Para No.101/2023-24)

1.10.5 Non-recovery of claim from (O&M) contractor - Rs.10,800.00 million

According to the findings of the inquiry committee constituted by GHCL regarding damage of GT-14, "Rs.10.8 billion was required to be recovered from M/s GE (O&M Contractor)."

During audit of GENCO-II, an Inquiry committee regarding damage of Gas Turbine -14 was constituted by GENCO Holding Company (GHCL) on 11.01.2022. The said committee determined that damages to GT-14 occurred due to the negligence of (O&M) M/s GEE and recommended to recover the loss of Rs.10,800.00 million from the said contractor. However, recovery of loss had not been affected from the said contractor. It is pertinent to mention here that four (04) inquiries regarding the damage of GT-14 were constituted by GENCO Holding Company and sent to CGPCL for implementation of the findings and recommendations. Moreover, the implementation status of the findings and recommendations of these inquiry reports was not intimated to Audit.

Non-implementation of the findings and recommendations of the inquiry committee resulted in non-recovery of claim valuing Rs.10,800.00 million from (O&M) contractor during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023. The management replied that after seeking legal opinions from M/s Rizwan Faiz Associates and M/s RIA Barker Gillette, it was determined that a case against M/s GE was weak and could cause embarrassment and financial impact for the ministry. Consequently, the BoD, in its 164th meeting, decided not to pursue recovery from M/s GE as per Power Division instructions.

The DAC in its meeting held on December 22 & 23, 2023 directed the CFO GENCO-II to submit revised reply after getting clarification / response from GHCL in the matter within 30 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 766/2023/24)

1.10.6 Loss due to disallowed fuel cost by NEPRA against violation of economic merit order – Rs.8,119.51 million

As per National Grid Code 2005 clause (g); A Scheduling and Dispatch Code, which sets out principles, processes and procedures to ensure minimum-cost generation dispatch, the relationship between NTDC and Generators, including the dispatch process and requirements for ancillary services and provisions for frequency control. It also places an obligation upon users to supply certain data information to the NTDC in a timely manner.

During audit of Managing Director, NTDC, the NTDC did not implement the Economic Merit Order based on fuel prices for economic dispatch of thermal power plants (GENCOs & IPPs). The CPPA-G issued Debit Notes due to disallowed fuel cost by NEPRA on account of violation of Economic Merit Order and NTDC, resultantly, sustained a loss of Rs.8,119.51 million.

Non-adherence to Grid Code resulted in a loss due to disallowed fuel cost by NEPRA against violation of economic merit order amounting to Rs.8,119.51 million during the Financial Year 2022-23.

The matter was taken up with the management in November, 2023 and reported to the Ministry in November, 2023. The management replied that dispatch decisions for power plants were considered on the basis of factors beyond Economic Merit Order, as per NEPRA Grid Code 2005 SDC 1.4.3, with justifications regularly provided to NEPRA. A high-power committee, convened by DMD (P&E) and reporting on December 12, 2023, concluded that NEPRA's EMO deductions misinterpreted its regulations and recommended legal action.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to pursue the case with court for final outcome. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC’s decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No.1.10.1 having financial impact of Rs.17,156 million. Recurrence of same irregularity is a matter of serious concern.

(Draft Para No.830/2023-24)

1.10.7 Loss due to deviation from Economic Merit Order - Rs.3,327.30 million

According to the Fuel Cost Adjustment of February 2021 System Operator shall report to CPPA-G within 24 hours, dispatch of generation plant (s) out of merit order along with reasons thereof. A copy of report shall be sent to NEPRA simultaneously. CPPAG shall scrutinize the above-mentioned dispatch report in terms of Scheduling and Dispatch Code (SDC) of Grid Code and prepare a report which shall comprise of; a) all dispatch deviation from merit order; b) the plants available but not dispatched; and c) dispatch deviation justified or Unjustified in terms of SDC of Grid Code along-with their financial impact. As per SDC 1.3.2.1, the System Operator shall be responsible for developing a daily Forecast of System Demand (in accordance with OC 2) on the National Grid for the next Schedule Day (initially for each hour of the schedule day, but for a finer time resolution, if required by System Operator (SO) in the future).

During audit of Central Power Purchasing Agency Guarantee (CPPA-G), Islamabad, it was noticed through monthly reports on Merit Order Deviation submitted by NPCC to CPPA-G on the direction of the Regulator that significant deviation from the Economic Merit Order (EMO) occurred due to system constraints. Due to the said significant deviations of EMO, Public Exchequer sustained a loss of Rs.3,327.30 million.

Non-adherence to the Scheduling and Dispatch Code resulted in loss of Rs.3,327.30 million due to deviation from Economic Merit Order during the Financial Year 2021-22.

The matter was taken up with the management in May, 2023 and reported to the Ministry in June, 2023. The management replied that NPCC, as the custodian of merit order, operated plants according to system demand, requirements, and constraints. CPPA assisted NPCC in preparing the economic merit order. As a Market Operator, CPPA-G, under NEPRA's direction, calculated financial implications of merit order deviations, reporting monthly to the Authority. However, this reply was deemed untenable because CPPA-G, as a market operator, should scrutinize the EMO list to establish NPCC's responsibility as a System Operator, which hadn't been done.

The DAC in its meeting held on October 09, 2023 directed that an inquiry committee be constituted headed by GHCL with three members from NTDC, NEPRA, CPPAG to probe the matter within a month. No further progress was reported till finalization of the report.

Audit recommends probing the matter for deviation from EMO and fixing the responsibility of person(s) at fault under intimation to Audit.

(Draft Para No.97/2023-24)

1.10.8 Extra financial burden due to mismanagement in the induction of IPP - Rs.3,041.38 million

As per Guidelines for setting up of Private Power Projects under short term capacity addition initiative dated August 2010, the projectsare required to start commercial operations within 33 months after issuance of Letter of Support (LOS) or 24 months after execution of Project Agreements & Financial Closing (FC), whichever is earlier.

During audit of Private Power and Infrastructure Board (PPIB), the Letter of Support (LOS) was issued to M/s CIHC Pak Power Company Ltd. for the establishment of 300 MW based on imported coal on 23rd August, 2019. Later on, the matter regarding utilization of local (Thar) coal was deliberated by PPIB with all stakeholders and it was concluded that it was preferable to relocate the Project at mine mouth at Thar, Sindh and connect it with the national grid for supply of electricity to Gwadar rather than transporting coal from Thar to Gwadar for the Project. However, the M/s CIHC Pak Power Company Ltd. refused to relocate the Project and the use of local (Thar) coal. Meanwhile, the said Sponsor/Project Company approached NEPRA to revise tariff due to delay in supplemental (Implementation Agreement) and got the revised tariff approved at the rate of Rs.8.1227/kWh (against initial tariff of Rs.6.9654 /kWh).

This resulted in extra financial burden of Rs.3,041.38 million per year on national exchequer due to mismanagement by PPIB.

Non-adherence to the guidelines resulted in extra financial burden due to mismanagement in the induction of IPP amounting to Rs.3,041.38 million during the Financial Year 2021-22.

The matter was taken up with the management in March, 2023 and reported to the Ministry in June, 2023. The management replied that the CPPCL in August 2022, filed a review petition against NEPRA's tariff determination of 31st May 2019. NEPRA determined revised Tariff on 26th July 2023. However, the Project Company expressed dissatisfaction on tariff determination, despite being revised twice. CPPCL intended to file another review petition and requested NEPRA for additional time to prepare and submit the review petition.

The DAC in its meeting held on October 09, 2023 directed the management to conduct a fact-finding inquiry by CPPAG within 30 days. No further progress was reported till finalization of the report.

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

(Draft Para No.138/2023-24)

1.10.9 Loss due to blackout in the country due to negligence of NTDC-Rs.2794.19 million

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

During audit of Managing Director NTDC, an inquiry report regarding a blackout occurred in the country. The total power on load was 9091 MW. The frequency fluctuation was observed in system which caused blackout in the country. The NTDC was held responsible by NEPRA for full blackout and generation loss of 9091 MW and sustained loss amounting to Rs.2794.19 million to national exchequer. This state of affairs showed that the non-serious attitude of NTDC which needs justification.

Non-adherence to guidelines resulted in loss due to blackout in the country due to negligence of NTDC- Rs.2,794.19 million during the Financial Year 2022-23.

The matter was taken up with the management in November, 2023 and reported to the Ministry in December, 2023. The management replied that partial system collapse occurred on October 13, 2022, a high-level Inquiry committee was constituted by NEPRA on April 13, 2023 to determine its causes/faults & recommend remedial measures to avoid recurrence of such events in future. After thorough investigation the said Inquiry Committee concluded that the causes & faults which resulted in Partial System Collapse are: "Mechanical failure of hardware/conductor of 500kV K2/K3 —NKI T/Line & 500kV K2/K3 — Jamshoro T/Line and false signal generated from 500kV Gatti G/Station caused tripping of 500kV T/Lines in the South and partially in North, which resulted in the tripping of power plants on account of under-frequency & over-voltage."

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the stance verified from audit with documentary evidence and share the inquiry report within 30 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 949 /2023-24)

1.10.10 Loss due to discrimination of Uniform System and allowing financial benefit to K-Electric at the cost of consumers of XWDISCOs - Rs.1,641 billion

According to Section 6.1.4 (I)(a) of Commercial Code "the Capacity Transfer Charge (CTC) is calculated as CTR and multiplied by the Monthly MDI of each respective Participant Representing Demand as below:

$$CTC = CTR \times MDI_{\textit{Market Participant Representing Demand}}$$

Capacity Transfer Rate (CTR) is applied to Market Participants Representing Demand to recover payments to Generation Companies for Capacity Payments. CTR is calculated by adding Capacity Generation Costs of all Generation Companies for each billing month and subtracting sum of Liquidated Damages payable by generation companies for the billing month. The result of which is further divided by the sum of Maximum Demand Indicator recorded at all CDPs for each billing month.

During audit of Central Power Purchasing Agency Guarantee (CPPA-G), Islamabad, a tripartite Power Purchase Agency Agreement (PPAA) was singed between CPPAG, NTDCL and K-Electric for provision of 150 MW power to K-Electric. CPPAG issued settlement advices to KE for basket price as calculated under the transfer pricing mechanism pursuant to the relevant clauses of Commercial Code of CPPAG as approved by the Authority. Settlement of CPP was based on non-coincidental MDI. The CDP points are the two power transformers installed at each of the three plants from where KE was drawing electricity. On meter reading, the collective non-coincidental MDI may exceed the capacity of the power plants. KE disputed the monthly CPP settlement advices of transfer charges claiming that the MDI is over and above the installed capacity of the generation plants and the matter was referred to NEPRA and decided that CPPAG should restrict the MDI to 150MW. This decision resulted in unfavorable revision of the CPP for all the months from June, 2019 to September 2020 as Rs.1,641 billion which was discrimination of uniform system and allowed financial benefits to K-Electric at the cost of the consumers of the rest of the country.

Non-adherence to Commercial Code and irrational decision of the regulator resulted in loss of Rs.1,641 billion due to discrimination of Uniform System and allowing financial benefit to K-Electric at the cost of consumers of XWDISCOs up to the Financial Year 2021-22.

The matter was taken up with the management in May, 2023 and reported to the Ministry in June, 2023. The management replied that after KE raised the issue with NEPRA, a tribunal favored KE in their dispute with CPPA-G over Transfer Charges. Despite CPPA-G's concerns about discrimination and Commercial Code violations, they recalculated the Capacity Charges, resulting in a Rs.1.641 billion increase for DISCOs and a decrease for KE. NEPRA approved the revised settlements, which CPPA-G, then, issued accordingly.

The DAC in its meeting held on October 09, 2023 directed the management to provide the working papers presented to NEPRA to audit for review within 07 days. No further progress was reported till finalization of the report.

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

(Draft Para No.103/2023-24)

1.10.11 Loss to the public exchequer due to extension in Revised Commercial Operation Date (RCOD) of Thar Energy Limited (TEL) – Rs.1,537.99 million

According to Section 9.4 (d) of PPA that if the Company is in breach of its obligation under section 4.1b to achieve the Commercial Operation Date by the Required Commercial Operation Date, then for each month (or any portion thereof, prorated daily) thereafter, until the commercial operation date is actually achieved, the Company shall pay the Power Purchaser, as Liquidated Damages an amount equal to 2.5 US$ per kW/PM (or portion thereof, prorated daily) until the commercial operation date is achieved.

During audit of Central Power Purchasing Agency Guarantee (CPPA-G), Islamabad, Thal Energy Limited (TEL) and CPPAG signed Power Purchase Agreement on July 27, 2017 for procurement of 330 MW through ±660 kV HVDC Transmission Line. TEL did not achieve its Scheduled Commercial Operation Date i.e. December 31, 2020 which was revised as March 31, 2021 due to the fact that ±660 kV HVDC Transmission Line was not available to evacuate the power from TEL. HVDC line achieved its COD on September 30, 2021 at that time TEL was not available. However, CPPAG granted 2nd RCoD to TEL as November 23, 2021 but it actually achieved its COD on October 01, 2022 with the delay of 10 months. As per contractual clause 9.4 D, an amount of Rs.1537.99 million *(US$ 7.508 million * PKR 204.8467 as on June 30, 2022)* was recoverable from TEL.

Non-adherence to the provision of PPA and Energy Mix resulted in loss to the public exchequer due to extension in Revised Commercial Operation Date (RCOD) of TharEnergy Limited (TEL)-Rs.1,537.99 million up to the Financial Year 2021-22.

The matter was taken up with the management in May, 2023 and reported to the Ministry in June, 2023. The management replied that after NTDC's Force Majeure Events (FME) duration declaration, CPPA-G's BoD extended TEL's RCOD by 237 days on December 21, 2021. Despite this, CPPA-G and NTDC imposed LDs for late commissioning and non-utilization of the ±660 HVDC T/L from November 23, 2021 to October 01, 2022, which TEL acknowledged. CPPA-G has adjusted/recovered USD 950,950 of the USD 7,707,702 from TEL's invoices. However, this approach was questioned due to the required but unachieved transmission infrastructure expansion, impacting the availability of cheaper electricity in the national grid.

The DAC in its meeting held on October 09, 2023 directed the management to conduct a fact-finding inquiry and get it vetted from GM T/S PPMC within a month as already decided in PDP-101/2023-24.

Audit recommends that the management needs to conduct an independent inquiry for giving extension in CoD of the project which resulted in massive loss to the Public Exchequer besides fixing responsibility of person (s) at fault under intimation to Audit.

(Draft Para No.102/2023-24)

1.10.12 Blockage of investment due to non-functioning of Gas equipment-Rs.1,465 million

According to Rule-5(5) of Public Sector Companies Corporate Governance Rules-2013, "the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders".

During audit of GENCO-II, Gas Booster Compressor Station valuing 1,464 million was not functioning for the last three years. The said equipment was installed at power station in order to maintain required gas pressure for smooth operation of gas turbines. Non-functioning of the same not only hampered the operational efficiency of power plants but also resulted in blockage of huge investment of Rs.1,465 million. It is pertinent to mention here that the said equipment stopped functioning during Defect Liability/ Warranty period. However, action taken against the EPC contractor was not made known to Audit.

Non-adherence to the provisions of the Public Sector Corporate Governance Rules resulted in blockage of investment amounting to Rs.1,465 due to the non-functioning of Gas Booster Compressor Station million during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023. The management replied that CPGCL had served the final notice to the firm on March 05, 2021 for completing the incomplete jobs and failing which CPGCL reserved the rights to en-cash the performance guarantee of Rs.127,829,685 but M/s Al-Tariq Constructors filed a suit before Honorable High Court of Sindh and Court passed interim order on March 15, 2021 by restraining encashment of PG. The outcome of the decision of the court would accordingly be communicated.

The DAC in its meeting held on December 22 & 23, 2023 directed the management to pursue the court case vigorously. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 860/2023/24)

1.10.13 Non-recovery of Take-or-Pay invoices from supplier amounting to - Rs.1,288.94 million

According to Section-9 (ii) of Gas Sales Term Sheet between Mari Petroleum Company Limited (Seller) and Central Power Generation Company Limited (Buyer), "if the Seller fails to deliver to the Buyer a minimum of 70 % of the Monthly Contract Quantity in any month, it shall pay the Buyer for the shortfall in supply at the invoice value of the shortfall amount.".

During audit of GENCO-II, M/s Mari Petroleum Company supplied less gas during the month of August & September, 2022. Resultantly, in the light of Gas Sales Term Sheet, Take-or-Pay invoices amounting to Rs.1,288.94 million were issued to the said company. However, recovery was not affected by the said supplier.

Non-adherence to provisions of the Gas Sales Term Sheet has resulted in non-recovery of Take-or-Pay invoices from supplier amounting to Rs.1,288.94 million during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023.The management replied that M/s Mari Petroleum Company Limited responded that the claim was not valid as the term sheet for sale of Mari Gas field to CPGCL expired on 8th Feb-2020. Subsequently, the term sheet extension on similar terms of "Take or Pay" basis beyond 08th Feb, 20202 was not agreed by MPCL despite the approval by BOD CPGCL. However, MPCL continuously supplied gas till Oct 31,2022.

The DAC in its meeting held on December 22 & 23, 2023 directed to inquire the matter at GHCL level and submit its report within 30 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 763/2023/24)

1.10.14 Loss due to payment on account of "Non-Project Missed Volume"– Rs.985.17 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 fee and registration fee, fees 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.

During audit of Central Power Purchasing Agency (CPPA-G), Islamabad, an amount of Rs.985.17 million was made to thirty-six (36) Wind Power Plant and seven (7) Solar Power Projects on account of NPMV. The extra payments were made only due to the inefficiency of NTDC system as the projects were ready to deliver the energy as per agreements but the NTDC system was not capable enough to sustain full load of wind power/solar energy project. Hence, the payment of Rs.985.17 million made by the company without taking benefit of wind power/solar power had gone waste and the company had to sustain a loss to the tune of Rs.985.17 million.

Non-adherence to Grid Code resulted in loss of Rs.985.17 million due to payment on account of Non-Project Missed Volume up to the Financial Year 2021-22.

The matter was taken up with management in May, 2023 and reported to the Ministry in June, 2023. The management replied that NTDC was responsible for power evacuation and procurement from WPPs, with WPPs entitled to NPMV payments in case of failure. CPPA-G repeatedly urged NTDC for transmission line upgrades for efficient power evacuation. NTDC and NPCC, however, cited system integrity and reliability for curtailing WPPs' load. This response was deemed untenable as WPPs, being clean energy sources, are must-run projects, and load curtailment due to system constraints was considered unjustifiable.

The DAC in its meeting held on October 09, 2023 directed to conduct an inquiry at PPMC level within a month. No further progress was reported till finalization of the report.

Audit recommends that the management needs to investigate the matter for fixing responsibility for the loss due to non-upgradation of system before signing of contracts agreement without consideration of capability of existing infrastructure.

(Draft Para No.108/2023-24)

1.10.15 Loss on account of higher consumption of gas due to excess heat rate than NEPRA's determination - Rs.887.05 million

NEPRA has determined the heat rate of 10,353 BTU/kWh on open cycle i.r.o 747 MW CCPP Guddu.

During audit of GENCO-II, the heat rate was found excessive as compared to the permissible limits fixed by NEPRA. As a result of excess heat rate, gas amounting to Rs.887.05 million was excess utilized in generation of electricity, which caused loss to Company.

Non-adherence to the NEPRA's standards resulted in loss on account of higher consumption of Gas due to excess heat rate than NEPRA's determination amounting to Rs.887.05 million during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023. The management replied that the actual amount was Rs.767.79 million. The major maintenance could not be performed timely due to financial constraints and load demand of the system operator. The major overhauling of GT-15 was in progress and the unit would be on the bar up to the end of this month and overhauling of GT-14 was scheduled in February 2024. After maintenance, the heat rate would be achieved.

The DAC in its meeting held on December 22 & 23, 2023 directed the management to provide the record in support of reply to audit for verification within a week. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No.1.10.9 having financial impact of Rs.491.72 million. Recurrence of same irregularity is a matter of serious concern.

(Draft Para No.775/2023/24)

1.10.16 Non-imposition of penalty on CPPA-G due to non-inclusion of cost of legal charges to market operator fees - Rs.545.55 million

According to Section 27(B) of NEPRA Regulation of Generation, Transmission and Distribution of Electric Power Act 1997 states that any person who acts in contravention of this Act or the rules and regulations made thereunder or fails to comply with the conditions of a license issued or registration granted to that person and such person is a party to such contravention shall be punishable in case of :- (a) a company, with a minimum fine of ten million Rupees which may extend to two hundred million Rupees and, in the case of a continuing default, with an additional fine which may extend to one hundred thousand Rupees for every day during which the contravention continues.

During audit of NEPRA, CPPA-G had claimed the legal charges amounting to Rs.545.55 million as a part of capacity charges in periodic tariff adjustment of 2nd quarter of FY 2019-20 to 4th quarter of FY 2021-22 but the same was being disallowed by NEPRA consistently. NEPRA directed the CPPA-G to make the cost of legal charges as part of market operation fees in determination of market operation fees for the FY 2020-21& 2021-22. Accordingly, CPPA-G did not include the cost of legal charges in its capacity costs billed to DISCOs.

This scenario indicates that the cost of legal charges is being piled-up and financial impact / burden of such cost would be passed on to the consumers at the time of determination in periodically tariff adjustment. Despite non-compliance of NEPRA's directives, no penal action was taken against the CPPA-G.

Non-adherence to NEPRA Regulation of Generation, Transmission and Distribution of Electric Power Act 1997 resulted in non- imposition of penalty to CPPA-G due to non-inclusion of cost of legal charges of Rs.545.55 million to market operator fees up to the Financial Year 2021-22.

The matter was taken up with the management in March, 2023 and reported to the Ministry in June, 2023. The management replied that the audit para pertained to the Regulatory Functions of NEPRA and it had already been clarified to Audit vide letter dated February 24, 2023 that the audit of regulatory functions of NEPRA might not be carried out as the same was beyond the statutory scope under section 14(2) of NEPRA Act and opinion of the Attorney General for Pakistan. The reply was not agreed to as the issue raised by Audit pertained only to non-imposition of penalty on CPPA-G due to non-compliance with NEPRA's directives.

Audit recommends that the management needs to look into the matter and take action against CPPA-G for non-compliance with NEPRA's directives.

(Draft Para No.51/2023-24)

1.10.17 Shifting the burden of capacity purchase price of net metering consumers to non-net metering consumers - Rs.380.52 million

According to Section 7, 31(4) and 31(7) of the NEPRA Act 1997, NEPRA is mandated to determine a uniform consumer end tariff at national level.

During audit of GEPCO, cost of electricity was recovered through sale of energy to end consumers on volumetric basis i.e. the cost of electricity is distributed on units consumed by the consumers. As a result, more the number of units are sold the lesser will be the per unit rate and vice versa. Shifting the consumers on net energy metering had increased the cost of electricity for consumers without net metering. Capacity charges due to reduced consumption of electricity from the national grid by the net energy metering consumers was allocated by DISCOs across its customer base. Thus, net energy metering increased the marginal cost of capacity charges for the consumers without net energy metering system. In GEPCO, net energy metering consumers averted the share of capacity purchase price to the extent of Rs.380.52 million during the year

2022-23 which was shifted on to the non-net energy metering consumers resulting in increase of per unit cost to non-net energy metering consumers.

Implementation of net-metering tariff resulted in shifting the burden of capacity purchase price of net metering consumers to non-net metering consumers entailing financial impact of Rs.380.52 million up to the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023.The management replied that matter was already under active consideration at the apex levels of national policy and plan. GEPCO, being licensee of distribution and supply businesses, was bound to regulatory regulations, determinations, injunctions and directives for charging consumer tariff to different categories including net metering consumers. The relevant office in the matter was NEPRA. However, audit observation and recommendations were noted for serious considerations and taking up with concerned stakeholders appropriately.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to devise / formulate the policy and expedite the matter with concerned stakeholders. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.1314 /2023-24)

1.10.18 Loss due to Capacity Payment Charges due to reduction/ variation in fuel gas supplies - Rs.17.21 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".According to terms and condition of Gas Supply Agreement between M/s Pakistan Petroleum Ltd and CPGCL & GOP allocation of gas, the fuel supplier was bound to supply 250 MMscfd gas from Kandhkot gas field being dedicated for Thermal Power Station Guddu.

During audit of GENCO-II, 4,767,610 kWh units were less generated during the months of August and September, 2022 due to reduction/ variation in fuel gas supplies from Kandhkot Gas Field. In the light of provisions of the Gas

Supply Agreement, the Supplier was responsible for supply of dedicated fuel gas to Thermal Power Sation Guddu. Failure of the supplier to meet with the contractual obligation warranted punitive/ remedial actions but no action was taken by the management. This resulted in generation loss of said units and deprived the company from capacity payment charges of Rs.17.21 million (4,767,610 x 3.61).

Non-adherence to the provision of Gas Supply Agreement resulted in generation loss due to capacity payment charges amounting to Rs.17.211 million due to reduction/ variation in fuel gas supplies during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023. The management replied that the gas allocation of Kandhkot gas field was 200 MMCF per day as per GSA. However, the minimum obligation of seller to supply gas was 145 MMCFD, which was 72.50% of Take or Pay quantity approved by ECC. During the period from August 19, 2022 to September 05, 2022, seller had supplied more than 145 MMCFD, hence, there was no short supply from seller and as such no generation loss occurred.

The DAC in its meeting held on December 22 & 23, 2023 directed to inquire the matter at GHCL level and submit its report within 30 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 774/2023/24)

1.10.19 Non-recovery of service charges from IPPs - Rs.10.53 million

According to Energy Purchase Agreement Section 7.7(a) Not later than one hundred and twenty (120) days prior to the commercial operation date and in any event before any net delivered energy is delivered from the complex to the interconnection point, the seller shall at its own cost and expense procure and shall have installed and have operational the equipment listed.

During audit of NTDC Telecommunication, Lahore, the Service Charges Invoices amounting to Rs.10.53 million were issued to seven (07) IPPs. No payment was being paid by these IPPs due to non-inclusion of clause of Service Charges in Energy Purchase Agreement (EPA). The Chief Engineer Telecommunication providing continuous services to IPPs, but due to non-payment of Service Charges the company sustained a continues loss which shows negligence on the part of the management.

Non-adherence to EPA section 7.7 and prudent utilization of resources Chief Engineer Telecommunication providing services without any cost and incurred loss of Rs.10.53 million up to the Financial Year 2021-22.

The matter was taken up with the management in March, 2023 and reported to the Ministry in June, 2023. The management replied that total invoice amounted to Rs.99,75,871 instead of Rs.10.53 million. The total invoice recovered supporting EPA clause was Rs.16,52,300 (40.31%). The matter related to remaining recoverable invoice was already taken up with the concerned IPPs.

The DAC in its meetings held on August 26, 2023 directed the management to submit revised reply and get the recovery record verified from audit and expedite the pending recoveries. No further progress was reported till finalization of the report.

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

(Draft Para No.68/2023-24)

Concluding Recommendations

Unsatisfactory management of power sector capacity and its allied infrastructure was a mega and multi-faceted issue faced by all government stakeholders of the power sector. If not addressed, the same would continue to negatively impact the economy and create further financial bottlenecks for the government. Moreover, highlighted cases of transmission failure and usage of expensive fuel may be looked into for future remedial measures.

1.11 Delay in Finalization / Implementation of Inquiry Cases

In order to achieve desired efficiency in the Power Sector, it was of paramount importance that an effective mechanism of administrative check and balance was implemented i.e. those found involved in negligence, irregularities or fraud should have been promptly and decisively proceeded against. This was necessary to ensure a transparent working environment and to prevent spread of irregular practices. On the identification of irregularity/fraud etc. inquiries were initiated at the level of respective companies. Serious embezzlement / unlawful incidents were probed through inquires by PEPCO / PPMC which acts as an overall monitoring body over the power sector government entities on behalf of the ministry.

In the context of the above mechanism, it was analyzed that inquiries were not being concluded adequately in the power sector companies. There were instances where long delays were found in the processing of subject inquiries. Further even after finalization of inquiries by PEPCO/PPMC, there were cases of delays and inaction on the findings of the inquiries by the respective companies. This scenario implied that identified miscreants were not timely proceeded against, creating a negative and irregularity prone environment in the subject companies.

On the above lines, audit has analyzed the issue of unsatisfactory inquiry management, on sample basis, and shortcomings found are illustrated in the following paras:

1.11.1 Delayed determination of quarterly tariff adjustments affecting the entire cycle of revenue receipts - Rs.160,057.00 million

According to Section-31, Sub-section (7) (ii) of NEPRA Regulation of Generation, Transmission and Distribution of Electric Power Act 1997, the Authority may, on a quarterly basis and not later than a period of fifteen days, make quarterly adjustments in the approved tariff on account of capacity and transmission charges, impact of transmission and distribution losses, variable operation and maintenance and, policy guidelines as the Federal Government may issue and, intimate the tariff so adjusted to the Federal Government prior to its notification in the official Gazette.

During audit of NEPRA, the Quarterly Tariff Adjustments (QTAs) claimed by DISCOs were not timely determined by NEPRA in contrary to the NEPRA Act. Delay in determination of tariff ranging from 4 to 8 months. This state of affairs caused cash shortfall for DISCOs exposing them for credit crunch and liquidity risk with respect to dwindling financial position. Delayed determination of QTAs by NEPRA created the snowball effect of late billing to consumers and thereafter, late collection from them added up to circular debt. Resultantly, the financial statements did not comply with the IFRS and did not reflect the fair and true presentation of receipts.

Non-adherence to NEPRA Regulation of Generation, Transmission and Distribution of Electric Power Act 1997 resulted in delayed determination of quarterly tariff adjustments of Rs.160,057.00 million affecting the entire cycle of revenue receipts from consumers to payments to IPPs/ debt servicing for the Financial Year 2021-22.

The matter was taken up with the management in March, 2023 and reported to the Cabinet Division in June, 2023. The management replied that the audit para pertained to the Regulatory Functions of NEPRA and it had already been clarified to D.G Audit vide letter dated February 24, 2023 that the audit of regulatory functions of NEPRA might not be carried out as the same was beyond the statutory scope under section 14(2) of NEPRA Act and opinion of the Attorney General for Pakistan. The reply was not agreed to as only the matter of delay in determination of quarterly tariff adjustments was highlighted in contratry to timelies defined in NEPRA Act.

Audit recommends that the management needs to look into the matter besides determining the quarterly tariff adjustment as per time line given in NEPRA Act-1997.

(Draft Para No.50/2023-24)

1.11.2 Non-initiating the action of blacklisting due to non-execution / completion of the contract - Rs.3,455.40 million

According to Rule-19 regarding blacklisting of suppliers and contractors of PPRA Rules, 2004, the procuring agencies shall specify a mechanism and manner to permanently or temporarily bar, from participating in their respective procurement proceedings, suppliers and contractors who either consistently fail to provide satisfactory performances or are found to be indulging in corrupt or fraudulent practices. Such barring action shall be duly publicized and communicated to the authority.

During audit of Project Directorate EHV-II NTDC, Multan, a contract No.200-2018 (Lot-I) under ADB Loan for procurement, design, manufacturing, supply, installation, testing and commissioning of 220 kV Mirpur Khas substation and extension at Hala Road Substation was awarded to M/s Power China SEPCO-1 Electrical Power Construction Company Limited China at cost of Rs.3,455.40 million (US$10.036 million + Rs.431.195 million + Provisional Sums Pak

Rs.154.00 million) on November 18, 2019. The date of commencement was started on January 17, 2020 and the contractor was required to complete the work within 540 days i.e. July 10, 2021. But the contractor did not start the construction activities at site and failed to execute / complete the work despite serving several notices for termination by the Chief Engineer (Project Delivery / GSC South) NTDC, Hyderabad vide letter dated September 30, 2021, which resulted in unsatisfactory field performance. Neither performance guarantee was encashed under contract clause, nor the action of blacklisting was initiated against the contractor in the light of contract clause-42 and PPRA Rules.

Non-adherence to the PPRA Rules resulted in non-initiating the action of blacklisting against the contractor during the Financial Year 2021-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in November, 2023. The management replied that the said project had gained significant completion progress 60.44%, however, the Contractor would be evaluated in the light of Contract Provisions if work was not completed within stipulated period.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the record verified from audit in support of reply within 30 days. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC's decision.

(Draft Para No. 698/2023-24)

1.11.3 Non-finalization of inquiries / disciplinary cases having financial impact - Rs.476.08 million

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

During audit of DISCOs & PPMC, it was observed that 107 inquiries were constituted to probe into the cases of poor quality of material, theft, shortage of material, mis-appropriation, embezzlement and release of LD etc having financial impact o Rs.476.08 million. In some cases, the inquiry committees had been concluded, however, implementation of their recommendations and finalization of remaining inquiries were not forthcoming from the record. The detail is as under:

Sr. No.	Company	Draft Para No.	No. of Cases	Amount (Rs.in million)
1.	FESCO	1126/2023-24	16	145.43
2.	GEPCO	49/2023-24	1	20.86
3.	HESCO	783/2023-24	4	25.41
4.	MEPCO	899/2023-24	2	24.28
5.	PESCO	853/2023-24	1	0
6.	QESCO	957/2023-24	80	260.10
7.	PPMC	773/2023-24	3	0
TOTAL			**107**	**476.08**

(Source: Disciplinary Case File)

Non-adherence to the Authority's instructions resulted in non-finalization of inquiries / disciplinary cases having financial impact of Rs.476.08 million up to the Financial Years 2019-23.

The matter was taken up with the management in April & November, 2023 and reported to the Ministry in May & December, 2023. The management replied that in some cases inquiries / disciplinary cases had been finalized while remaining were under process.

The DAC in its meetings held on December 14, 2023 to December 23, 2023 directed the management to get the record of completed action verified from audit within 15 days and expedite the inquiry proceedings in remaining cases. The DAC did not agree with the reply of FESCO and directed the management to get all inquiries reviewed at Director Operations' level and also directed the management of QESCO to expedite the matter and prepare special committee for early finalization of inquiries and submit its report to audit within 30 days. No further progress was intimated till the finalization of report.

Audit recommends implementation of DAC's decision.

1.11.4 Financial implication of cost of capacity charges of KAPCO due to non-inclusion in periodic tariff adjustment - Rs.227.00 million

Section-31;Sub-section(7)(ii) of NEPRA Regulation of Generation, Transmission and Distribution of Electric Power Act 1997 states the Authority may, on a quarterly basis and not later than a period of fifteen days, make quarterly adjustments in the approved tariff on account of capacity and transmission charges, impact of transmission and distribution losses, variable operation and maintenance and, policy guidelines as the Federal Government may issue and, intimate the tariff so adjusted to the Federal Government prior to its notification in the official Gazette.

During audit of NEPRA, Islamabad, cost of capacity charges of Rs.227.00 million on accounts of trueing up of costs pertaining to previous periods of KAPCO was claimed in periodic tariff adjustment by the CPPA-G. The said amount was neither disallowed nor allowed in quarterly tariff adjustment up to 4^{th} quarter of FY 2021-22 by NEPRA.

Hence, the cost of capacity charges of KAPCO had been pilled-up and financial impact / burden of such cost would be passed on to consumers at the time of determination in periodically tariff adjustment.

Non-adherence to NEPRA Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 resulted in financial implication of cost of capacity charges of Rs.227 million of KAPCO due to non-inclusion in periodic tariff adjustment up to the Financial Year 2021-22.

The matter was taken up with the management in March, 2023 and reported to the Ministry in June, 2023. The management replied that the audit para pertained to the Regulatory Functions of NEPRA and it had already been clarified to Audit vide letter dated February 24, 2023 that the audit of regulatory functions of NEPRA might not be carried out as the same was beyond the statutory scope under section 14(2) of NEPRA Act and opinion of the Attorney General for Pakistan. The reply was not agreed to as the matter of KAPCO’s capacity charges was needed to be addressed.

Audit recommends that the management needs to look into the matter besides ensuring to decide the cost of capacity charges of KAPCO in periodic tariff adjustment.

(Draft Para No.52/2023-24)

1.11.5 Non-recovery of penalty imposed on employees – Rs.9.21 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".

During audit of PESCO and NTDC, it was observed that the inquiry committees recommended stern disciplinary actions and imposed penalties amounting to Rs.9.21 million on officers/officials involved in different types of irregularities including theft of transformer / misappropriation and shortage of material. However, no action was taken by the management as neither the disciplinary actions was taken, nor the amount was recovered from the delinquents. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	PESCO	1099/2023-24	2.60
2.	NTDC	478/2023-24	6.61
		TOTAL	**9.21**

(Source: DISCOs Disciplinary Case File)

Non-adherence to the authority's directions resulted in non-recovery of penalty imposed amounting to Rs.9.21 million regarding during the Financial Year 2022-23.

The matter was taken up with the management in September and October, 2023 and reported to the Ministry in November and December, 2023. The management of PESCO replied the management replied that in light of the inquiry committee's recommendations, actions against the officials had been taken and the management of NTDC replied that the matter was being pursed in court.

The DAC in its meeting held on December 14-23, 2023directed the management of PESCO to get the record verified in support of reply within 15 days from audit and DAC also directed the management of NTDC to pursue the court case vigorously. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

1.11.6 Delay in determination of monthly Fuel Charges Adjustment (FCAs) by NEPRA

According to Section-31; Sub-section(7)(iv) of NEPRA Regulation of Generation, Transmission and Distribution of Electric Power Act 1997 states that the Authority may, on a monthly basis and not later than a period of seven days, make adjustments in the approved tariff on account of any variations in the fuel charges and policy guidelines as the Federal Government may issue and, notify the tariff so adjusted in the official Gazette.]

During audit of NEPRA, Islamabad, CPPA-G submitted monthly data of actual fuel cost components to NEPRA in order to make adjustments in the approved tariff of the Ex-WAPDA DISCOs due to variation in the fuel charges. NEPRA was required to determine adjustment on account of variations in fuel charges in the approved tariff of XWDISCOs not later than a period of seven days, which was not done. The detail is as under:

Period (2021-22)	NEPRA Notification dated	Actual Fuel Charges Rs/kWh	Corresponding Reference Fuel Charge Rs/kWh	Fuel Price Variation Rs/kWh	Billing Month
July,2021	10.09.2021	6.6570	5.2798	1.3771	September,2021
August,2021	08.10.2021	6.6873	4.7334	1.9539	October.2021
September,2021	08.11.2021	7.5502	5.0229	2.5272	November.2021
October,2021	09.12.2021	9.9179	5.1733	4.7446	December, 2021
November,2021	13.01.2022	8.0401	3.7381	4.3020	January,2022
December,2021	11.02.2022	8.6315	5.5347	3.0968	February,2022
January,2022	10.03.2022	12.4614	6.5124	5.9490	March,2022
February,2022	14.04.2022	9.1046	4.2516	4.8530	April,2022
March,2022	06.05.2022	9.0975	6.2295	2.8680	May,2022
April,2022	09.06.2022	10.6010	6.6087	3.9923	June,2022
May,2022	07.07.2022	13.8363	5.9322	7.9040	July,2022
June,2022	12.08.2022	15.8316	5.9344	9.8972	August,2022

While deciding the fuel price adjustment (FPA) for the month of May, 2022 under scheme of Law, one of the NEPRA's Member raised the issue in detail by giving the following descending note;

"The adjustment should have been done within first 07 days. In term of time value of money - how and to whom this delay will effect? The delay in processing of adjustment ultimately affects the electricity consumers or the tax payers. The amount claimed on account of previous adjustment is more than Rs.6.5 billion. In view of time Value of Money, this needs to be audited that for which period this amount pertains to. Considering the Judgment of the Honorable Supreme Court with regard to pass on the FCA amount, NEPRA has already decided that previous claims, if any, shall be submitted as early as possible but beyond the period of 180 days the petitioner shall have to justify it. Therefore, in the instance case, it is required to carry out an audit regarding period of previous adjustment claim and calculate the financial impact of the delay".

Late determination of monthly Fuel Cost Adjustment (FCA) did not allow the DISCOs to pass on and recover the electricity dues from consumers timely, hence, the same was causing pilling up of receivables and badly affecting the liquidity position of the company,

Non-adherence to NEPRA Regulation of Generation, Transmission and Distribution of Electric Power Act 1997 resulted in delay in determination of monthly Fuel Charges Adjustment (FCAs) by NEPRA up to the Financial Year 2021-22.

The matter was taken up with the management in March, 2023 and reported to the Ministry in June, 2023. The management replied that the audit para pertained to the Regulatory Functions of NEPRA and it had already been clarified to D.G Audit vide letter No. NEPRA/Dir (Finance)/MCM-01/4062 dated February 24, 2023 that the audit of regulatory functions of NEPRA might not be carried out as the same was beyond the statutory scope under section 14(2) of NEPRA Act and opinion of the Attorney General for Pakistan. The reply was not agreed to as only the matter of delay in determination of Fuel Cost Adjustment (FCA) was highlighted in audit observation the matter.

Audit recommends that the management needs to look into the matter besides determining the FCA adjustments as per time line given in NEPRA Act-1997.

(Draft Para No. 53/2023-24)

1.11.7 Non-implementation of BoD’s decision regarding auditing of AEDB from Chartered Accountant Firm

As per Minutes of 55th AEDB Board Meeting Agenda Item No.08 “AEDB Section 14(2) act provides that the accounts of Board, Institute and Organization shall be audited by a reputable firm of Chartered Accountants, who are within the meaning of Chartered Accountants 1961 (X of 1961) from a panel of Chartered Accountants proposed by the Board on such terms and condition as the Board may determine.

During audit of AEDB, it was observed from Minutes of the 55th AEDB Board meeting that the accounts of Board, institute and Organization shall be audited by a reputable firm of chartered Accountants but the same has not yet been audited since, 2008. The passive approach indicates lack of interest on the part of AEDB towards implementation of BoD’s decision.

Non-adherence to BoD decision resulted in non-audited of financial statements from Chartered Accountant firm up to 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023. The management replied that the services of M/s Baker Tilly Mehmood Idrees Qamar, Chartered Accountants for conducting audit of AEDB (now PPIB) accounts for the fiscal years 2007-08 to 2021-22. The execution process of external audit was stared from June 14, 2023 and now was at final stage.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to provide the record in support of reply to audit besides furnishing the approval of the office of the Auditor-General of Pakistan in hiring the services of Chartered Accountant within a week. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC’s decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No.3.2.8.2.3.18 having financial impact of Rs.657.85 million. Recurrence of same irregularity is a matter of serious concern.

(Draft Para No.729/2023-24)

1.12 Unsatisfactory Maintenance of Accounts

In order to have transparent and efficient business operations it was essential to maintain the accounts in an accurate and timely manner. Accounts represent a key final manifestation of the overall working of an organization and its business outcomes. Lapses in account management practices create an environment highly vulnerable towards financial misappropriations and irregularities.

In this context, audit observed instances of in-ordinate delay in accounts finalization, inaccurate recording of data etc. Comments on the financial statements of the companies are placed in Chpater-2 whereas shortcomings pertaining to accounts management, analyzed on sample basis, are illustrated in the subsequent paras.

1.12.1 Non-updation of security amounts in consumer account / profile - Rs.5,048.60 million

According to Para 5.4 of Consumer Service Manual, DISCO shall maintain a separate bank account for the security deposits in accordance with the provisions laid down under Section 217 of the Companies Act 2017. DISCO (DISCO to insert its name) shall not utilize this amount for any of its purposes. The profit so received from this security deposit account shall be mentioned in the tariff petition for passing on the benefit to the consumers.

During audit of DISCOs, it was observed that 1.264 million running consumers of different categories having sanctioned load one and above show zero security amounts in their respective accounts and profile. However, security amounts deposited by the consumers have not been updated in security deposit register as per commercial procedure manual form No.26 (old) and new form 45 (New) accounts by the concerned revenue officers. This shows that in case of default of consumer's connection, DISCOs had nothing to adjust against their arrears. Due to non-updation of security amounts in respective consumer account, the chances of misappropriation of security amounts in bank account could not be ruled out. Hence, security amounts Rs.5,048.60 million (approx) at prevailing rates were required to be updated and reconciled with security bank accounts. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	No of Consumers	Amount (Rs.in million)
1.	FESCO	81 & 969/2023-24	699,009	2,940.95
2.	GEPCO	363 & 717/2023-24	494,583	1,864.02
3.	LESCO	339/2023-24	501	1.16
4.	PESCO	564/2023-24	65,039	192.37
5.	QESCO	1309/2023-24	4,382	50.10
		TOTAL	**1,263,514**	**5,048.60**

(Source: DISCOs MIS generated report)

Non-adherence to instructions of Consumer Service Manual resulted in non-updation of security of Rs.5,048.60 million in consumers' account/profile up to the Financial Year 2022-23.

The matter was taken up with the management during April to October, 2023 and reported to the Ministry in June to December, 2023. The management replied that account number wise lists had been forwarded to field formations to check / verify the security amount from record and update the security amount, if not already updated. It was added that some of the cases were updated and the matter was being inquired in few cases.

The DAC in its meeting held on December 14-23, 2023 directed the management to get the record of completed action verified from audit within 15 days and expedite the pending actions within 60 days. The DAC also directed the management of GEPCO and PESCO to expedite the inquiry and submit its report to audit within a month. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

1.12.2 Non-recovery from consumers as pointed out in agreed audit notes – Rs.630.33 million

According to Section-7.3 of Power Distribution Companies Internal Audit Manual, internal audit is responsible for follow up process for significant audit results, which involves tracking, monitoring, and validating management actions to ensure that the operating effectiveness of relevant controls has been corrected and / or controls have been implemented to achieve the desired results.

During audit of PESCO and SEPCO, it was observed that 1,822 audit notes amounting to Rs.630.33 million were issued to the concerned formations by Internal Audit, which were agreed / accepted by the concerned formations for recovery from consumers but the recovery was not made. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	No of Audit Note	Amount (Rs.in million)
1.	PESCO	1241/2023-24	1,788	626.98
2.	SEPCO	661/2023-24	34	3.35
		TOTAL	**1,822**	**630.33**

(Source: Manager Internal Audit Reports for the year 2022-23)

Non-adherence to Authority's instructions resulted in non-recovery from consumers as agreed audit notes amounting to Rs.630.33 million during the Financial Year 2022-23.

The matter was taken up with the management in September and November, 2023 and reported to the Ministry during November to December, 2023. The management replied that all the field formations had been strictly directed to debit and recover the amount.

The DAC in its meeting held on December 14-23, 2023 directed the management to expedite recovery and get the record verified from Audit within 30 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

1.12.3 Over-statement of assets due to irrational booking of employee's retirement benefits to works - Rs.610.41 million

As per FAM-1 (9)(10) (Fixed Assets Management) of DISCOs accounting manual, the amounts of Labor and Overheads [8% and 12% respectively] are debited to Labor CWIP and Overhead CWIP and credited to Labor Pool Clearing Accounts respectively.

During audit of CEO GEPCO, a debit advice of Rs.610.41 million on account of employee's post-retirement benefits raised to the office of PD Construction and PD GSC, which were booked / charged to works being executed in respective offices. Since charging of employees' retirement benefits had caused excess charging of overheads to the works in hand beyond permissible limit of 20%. This showed that charging of post-retirement benefits was made on the calculation of the strength of employees performing their duties in these offices, which made the assets overstated.

Financial mis-management resulted in overstated assets due to irrational booking / charging of employees' retirement benefits amounting to Rs.610.41 million to works during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023.The management replied that there was shortage of staff against the sanctioned strength. The increase in overhead was mainly attributable to increased salaries, wages and other benefits and keeping in mind the prevailing inflationary factor in the country. However, the recommendation of audit for not charging the Post Retirement Benefits to the said offices to keep their overheads within limit would be adopted after consulting with Commercial Auditors.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to submit revised reply to audit by justifying the stance with reference to GEPCO accounting manual / SOPs / Rules etc besides expediting consultation with commercial auditors. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC's decision.

(Draft Para No. 1299/2023-24)

1.12.4 Non-initiating of SDGs'/SAP Schemes within the specified Financial Year of identification - Rs.540.33million

According to Para-ii of letter No.20 (1) PIA-I/PC/2021 dated December 28, 2022 of the Ministry of Planning, Development and Special Initiatives of Government of Pakistan, "If the project does not start functioning within 12 months of its approval or does not achieve financial close, then it will be reconsidered by the approving forum."

During audit of Project Directorate (C&O) PESCO, 237 SDGs'/SAP schemes costing Rs.540.33 million were approved from competent forum in the Financial Year 2022-23. However, execution on these works were not started and these works remained untouched. Neither these schemes were started nor the funds were surrendered to the Federal Government/Cabinet Division.

Non-initiating of SDGs' schemes amounting to Rs.540.33 million resulted in violation of guidelines of the Ministry of Planning, Development and Special Initiatives of Government of Pakistan during the Financial Year 2022-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in October, 2023. The management replied that the administrative approval and funds were received during different months. The processing of estimates and procurement of material and the award to contractor was a time-consuming process, however most of the works were completed and the remaining / in progress work would be completed, and audit would be informed accordingly.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to submit revised detailed reply along with verification of completed actions within 15 days. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC's decision.

(Draft Para No. 300/2023-24)

1.12.5 Irregular booking of gas consumed at TPS colony to power plants – Rs.508.29 million

According to Rule-5(5) of Public Sector Companies Corporate Governance Rules-2013, "the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders".

During audit of GENCO-II, the gas was utilized without gas metering in Thermal Power Station Colony Guddu. A survey for gas consumption in colony was conducted by SNGPL team during 2020-21 which depicted 657 MMCFT annual consumption of gas at TPS Colony Guddu. Resultantly gas amounting to Rs.508.291 million (including 17% GST) was utilized in TPS Colony Guddu. However, the said cost was booked against generation plants instead of recovery of the same from the inhabitants of colony.

Non-adherence to Public Sector Companies Corporate Governance Rules-2013 rules resulted in irregular booking of gas consumed at TPS colony to power plant amounting to Rs.508.29 million during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023. The management replied that CPGCL had been making continuous attempts for getting gas but SNGPL conveyed that GoP had imposed ban on new gas connections. The assertion challenging the reported consumption of 657 MMCFT of gas in TPS Colony Guddu for the year 2022-23, as pointed out in SNGPL survey maintained that the survey report did not mention any such consumption quantity.

The DAC in its meeting held on December 22 & 23, 2023 directed the management to devise the plan for disconnecting the gas connections along with recovery of cost of gas from residents / consumers of TPS Colony Guddu and present this plan before BoD for decision within a month. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No.1.12.5 having financial impact of Rs.460 million. Recurrence of same irregularity is a matter of serious concern.

(Draft Para No. 776/2023/24)

1.12.6 Non-adjustment / recovery on account of de-escalation from contractor – Rs.235.73 million

According to Appendix-2 (Price Escalation/Adjustment) of contract, the employer was entitled to adjust / recover any sum on account of price de-escalation.

During audit of NTDC, the Consultant M/s NESPAK had pointed out a sum of Rs.235.73 million (RMB 10.33 million) to be recovered from contractor on account of de-escalation of price in contract no. ADB-65(R)-2012 (Package-I) for procurement of plant, design, supply, installation, testing & commissioning of 500 kV transmission line 3rd Circuit Jamshoro-Moro-Dadu to Rahim Yar Khan Lot-III (Goth Qazi Mahar- Rahim Yar Khan Section). However, the adjustment / recovery of the de-escalated amount was not forthcoming from record.

Non-adherence to Contract Clause resulted in non-adjustment / recovery of Rs.235.73 million (RMB 10.33 million) on account of de-escalation from contractorup to the Financial Year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that the case of price adjustment was under review with Consultant i.e. NESPAK and de-escalation amount would be recovered from the Performance Guarantee and Retention Money of the contractor. Audit contended that the said amount was to be recovered from the progress payment invoices of the contractor instead of Performance Guarantee / Retention Money.

The DAC in its meeting held on April 12, 2021 did not agree with the reply and directed the management to provide detailed / revised reply. The DAC in its meeting held on December 18 & 19, 2023 upheld the earlier decision. No reply was furnished till finalization of the report.

Audit recommends that the management needs to expedite the adjustment / recovery on account of price de-escalation.

(Draft Para No. 1122/2023-24)

1.12.7 Irregular booking of overheads in dubious project ledger - Rs.221.35 million

As per accounting DISCOs accounting manual, the amounts of Labour and Overheads [8% and 12% respectively] are debited to Labour CWIP and Overhead CWIP and credited to Labour Pool Clearing Accounts respectively.

During audit of GSC LESCO, an amount of Rs.221.35 million comprising overheads, civil & other expenses was charged / booked against a project No.201191076 namely “Construction of Security Room” at 132 kV grid station Raiwind. However, no expenses on account of material and labor was incurred / booked against the said work, which indicated that no such project / work was being carried out at site. This scenario indicated that a dummy project ledger was being used to park the excess overheads (above 20%). The expenses on account of overheads were required to be charged against respective works, which was not done. Such practice was against the fundamental principles of fair presentation of financial statements and raised questions on the authenticity of financial statements.

Non-adherence to Accounting Manual resulted in irregular booking of overheads amounting to Rs.221.35 million in dubious project ledger during the Financial Year 2022-23.

The matter was taken up with the management in August; 2023 and reported to the Ministry in November, 2023. The management replied that the booking of overhead in dubious project ledger had been stopped as per advice of the Audit and the such expenditure was being charged to ongoing works as practice in vogue.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to carry out the Special Audit of this specific project ledger from Manager internal Audit LESCO and finalize the report within one month. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 633/2023-24)

1.12.8 Incorrect charging of expenditure of temporary grid station Rohri to O & M head of accounts – Rs.204.97 million

According to basic accounting principle, all the expenditure incurred on acquisition of assets are capitalized and accounted for in the proper designated Head of Account whereas expenditure on operation and maintenance are accounted for in the respective Expenses Head of Account.

During audit of NTDC, an expenditure of Rs.204.97 million was incurred on construction of temporary grid station at Rohri without any provision in the approved PC-I. However,while preparing estimates, the cost was charged to O & M head of account. The charging of capital expenditure to expense head was not admissible as it was against the basic accounting principle.

Non-adherence to the accounting principle resulted in incorrect charging of expenditure amounting to Rs.204.97 million incurred on Temporary Grid Station Rohri to O&M head of accounts up to the Financial Year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that the project cost was recorded under 'Capital Work in Progress' and capitalized later on. Further, there was no O&M account existed in the books of project management. Audit contended that the estimates revealed charging of cost of temporary grid to O&M head.

The DAC in its meeting held on April 12, 2021 directed the management to constitute fact finding committee and submit its report to Audit under the signature of MD NTDC. The DAC in its meeting held on December 18 & 19, 2023 upheld the earlier decision. No further progress was reported till finalization of the report.

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

(Draft Para No. 1205/2023-24)

1.12.9 Irregular issuance of debit advices without capitalization of completed work -Rs.194.39 million

According to FAM-2.3 Form AB-161 Sr. No. 28 of Financial Accounting Manual: "a) Debit Advice(s) prepared from the transfer of each project to the concerned Division of GSO with the supporting documents which includes: i) A-90 Form ii) AB 161 Form.

During audit of GSC HESCO, electrical material was procured amounting to Rs.1, 223.03 million under Loan No. 7565-Pak through various purchase orders during the Financial Year 2013-14. Out of this, A.B.C cable was drawn by XEN TLC Division amounting to Rs.194.39 million for construction of electrical work at different sites through various SRs. After examination/scrutiny of record it was observed that 11 No. debit advices valuing Rs.194.39 million were issued to different formations without provision of completion report A-90, handing/taking over certificate of the concerned formation. Hence due to non-availability of the completion report A-90 handing/taking over certificate authenticity of debit advices could not be ascertained.

Non-adherence to the Financial Accounting Manual resulted in irregular issuance of debit advice without capitalization of completed work amounting to Rs.194.39 million during the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in November, 2023. The management replied that procurement of material was not under the purview of PD GSC. This work was not carried out through GSC division hence handing /taking over certificates did not pertain to GSC directorate. The debit advices were issued just only to regularize the books.

The DAC in its meeting held on December 22 & 23, 2023 directed the management to inquire the matter and submit report to Audit within 30 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 632/2023/24)

1.12.10 Non-charging/recovery of markup against extension in due date for payment of energy bills -Rs.99.09 million

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

During audit of CEO GEPCO, due date of payment of 29,132 consumers were got extended during the year but markup amounting to Rs.99.09 million was not charged and collected. Moreover, the company had not any built-in mechanism for charging of markup in billing and collection software. GEPCO had to pay supplemental charges on the delayed payments of IPPs as CPPA-G had raised invoices against the same but due to no mechanism of charging/ recovery of mark up of electricity from the consumers, it had sustained loss to the stated extent.

Non-adherence to commercial procedures resulted in non-charging/recovery of markup amounting to Rs.99.09 million against extension in due date for payment of energy bills during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023.The management replied that mark up on extended due dates being charged as per rules. However, account number wise lists had been forwarded to field formation to check and charge mark-up if not already charged. The progress in this regard would be intimated to audit in due course of time.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to complete the pending action expeditiously and get it verified from audit within a month. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 800/2023-24)

1.12.11 Non-clearance of deferred amount adjusted under Category "C" - Rs.62.47 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".

During audit of Operation Circle MEPCO Muzaffargarh, it was observed that four million excess units were charged under "C" category to M/s PARCO amounting to Rs.62.47 million and the same amount was deferred by department up till now and inquiry was held long ago for it but decision was pending. Moreover, inquiry showed that the action of charging 4 million units was taken to manage the line losses of the circle. The SDO was under pressure from high ups therefore, he took the step. It blatantly highlights the routine of the company to go for overbilling to the consumers in order to minimize the line losses.

Non-adherence to Authority guidelines resulted in non-clearance of deferred amount under category "C" amounting to Rs.62.47 million up to the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in November, 2023. The management replied that an inquiry committee was constituted by the competent authority vide dated November 25, 2016 which was finalized and it was recommended to take action against the three officers accordingly as per departmental inquiry finalized against all officers, who were held responsible in recommendation. The revision of unjustified charging of Rs.62.47 million was under process in Commercial Directorate MEPCO Multan; vide S.E (OP) MEPCO Circle M/Garh dated December 15, 2023 for approval to withdraw the amounting to Rs.62.47 million without units.

The DAC in its meeting held on December 20 & 21, 2023 directed the management to re-inquire the matter and submit its report to audit within 30 days. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 611/2023-24)

1.12.12 Non-adjustment of security deposits against the arrears of P-Disc. consumers - Rs.31.86 million

According to Para-5 of Commercial Procedure Manual, "When a Permanent Disconnection has been effected and final bill prepared by W.C.C the amount of the Security Deposits held against the consumer is adjusted against his outstanding bill".

During audit of FESCO and GEPCO, it was observed that 24,674 consumer connections had permanently been disconnected due to having arrears. The security amounting to Rs.18.11 million was appearing against profile of GEPCO's consumers, however, the same was not adjusted against arrears by placing the consumers under Dead Defaulters Batchs-26 & 36. Moreover, arrears of Rs.13.75 million were appearing against the FESCO consumers. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	No of Consumers	Amount (Rs.in million)
1.	FESCO	1064/2023-24	20,611	13.75
2.	GEPCO	365/2023-24	4,063	18.11
		TOTAL	**24,674**	**31.86**

(Source: DISCOs MIS generated report)

Non-adherence to Commercial Procedure resulted in non-adjustment of security deposits of Rs.31.86 million against the arrears of P-Disc. consumers up to the Financial Year 2022-23.

The matter was taken up with the management in September and October, 2023 and reported to the Ministry in October and December, 2023. The management replied that recovery so achieved would be posted against consumers' security accounts and progress would be placed before Audit.

The DAC in its meeting held on December 14-23, 2023 directed the management to expedite the matter and record of completed action be provided to audit for verification within a month. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

1.13 Miscellaneous Issues

1.13.1 Loss due to non-obtaining of insurance coverage - Rs.40,000.16 million

As per NEPRA determination, NEPRA had allowed insurance cost component to GENCO-II in the tariff determination of 747 MW Combined Cycle Power Plant vide its Tariff determination dated April 24, 2016. The Board of Directors CPGCL (GENCO-II) in its 64th BoD meeting held on February 03, 2016 accorded approval to get the insurance cover for assets of 747 MW CCPP, Guddu through competitive bidding".

During audit of GENCO-II and MoE, it was observed that due to a fire incident happened on July 10, 2022 at Steam Turbine-16, Steam Turbine and its allied equipment valuing (approx.) Rs.38,969.41 million were damaged and the Gas Turbines-14&15 remained under forced outage in January, 2023 for 431 hours and 744 hours respectively on the pretext of "no insurance coverage" which caused generation loss of 285.525 GWH units and loss of Capacity Payment Charges amounting to Rs.1,030.75 million. The insurance coverage of the said plant was not obtained despite having the provisions of insurance cost component in NEPRA Tariff determination and clear-cut directions of the BOD. Resultantly, the company had to suffer loss of Rs.40,000.16 million due to non-obtaining of insurance coverage. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	Cases	Amount (Rs.in million)
1.	GENCO-II	728 & 767/2023-24	**2**	40,000.16
2.	MoE	158/2023-24	1	0
		TOTAL	**3**	

(Source: Contract Correspondence File)

Non-adherence to the provision of NEPRA Tariff determination and directions of the BOD resulted in loss due to due to non-obtaining of insurance coverage (approx.) -Rs.40,000.16 million up to the Financial Year 2022-23.

The matter was taken up with the management in March & October, 2023 and reported to the Ministry in November, 2023. The management replied that an inquiry committee constituted to probe into the fire incident upon the directives of Prime Minister Pakistan submitted its report on October 19, 2022. The committee recommended, concluded and held collectively responsible top management of CPGCL, BOD as well as NICL & PRCL. Since 2015, a series of efforts carried out to get the insurance for the plant but the efforts were not fruitful due to various reasons at different stages. However, as per schedule, the plant would be insured by the end of February, 2024. Audit contended that the responsibility of huge loss sustained to company due to non-obtaining of insurance cover needed to be fixed.

The DAC in its meeting held on December 22 & 23, 2023 directed the management to inquire the matter at GHCL level and expedite the insurance process and submit its report to audit within 30 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

1.13.2 Non-contribution to WWF & WPPF - Rs.10,280.08 million

According to section 4 of Punjab Workers Welfare Fund Act 2019 "every establishment or a part thereof, the total income of which in any year of account commencing on or after the date of closing of accounts on 30th June or 31st December, as the case may be, is not less than rupees five hundred thousand, shall be liable to pay to the Fund in respect of that year a sum equal to two percent of its total income."

According to Section 3 of Companies Profit (Workers Participation) Act 1968 "Every company to which the scheme applies shall - establish a Workers Participation Fund in accordance with the scheme as soon as the accounts for the year in which the scheme becomes applicable to it are finalized, but not later than nine months after the close of that year."

During audit of NPPMCL, it was observed that NPPMCL had not made any contribution towards the WWF and WPPF amounting to Rs.10,280.08 million. The outstanding payable amount, as reported in financial statements on June 30, 2023, was Rs.2,616.85 million for WWF and Rs.7,663.23 million for WPPF.

Non-adherence to Section 4 of Punjab Workers Welfare Fund Act 2019 and Section 3 of Companies Profit (Workers Participation) Act 1968 NPPMCL had outstanding payables of Rs.10,280.08 million up to the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023. The management replied that the Company had sought clarification from Federal Government through letter dated April 15, 2022 and reminders dated November 24, 2022, February 22, 2023, May 08, 2023, and July 31, 2023 however, response was awaited from Federal Government. Latest clarification had again been sought recently. Once the response is received, the Company would disburse the WWF and WPPF contributions accordingly.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to resolve the matter at ministry level and get the record verified from Audit. No further progress was intimated till the finalization of report.

Audit recommends the implementation of DAC's decision.

(Draft Para No. 822/2023-24)

1.13.3 Loss due to fire incidence at Steam Turbine - Rs.8,049.30 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".

During audit of GENCO-II, a fire incident was occurred at Steam Turbine-16 in July, 2022 which resulted in generation loss of 2,229.723 GWh units and loss of Rs.8,049.30 million in shape of capacity charges. In order to probe in the matter, a technical audit and two (02) inquiry reports were finalized on the directions of competent authorities. The findings of both the inquiries warranted severe punitive actions against the delinquents but the implementation of which was not forthcoming from the record, despite the inquiry reports being recommended by BoD of CPGCL for compliance.

Violation of Authority's instructions resulted in loss of Rs.8,049.30 million due to fire incidence at Steam Turbine during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in November, 2023. The management replied that initially an inquiry was held wherein punitive actions were recommended against the delinquents. Subsequently, on the directions of Prime Minister of Pakistan and Ministry of Energy a foreign consultant namely M/s V.A Consultancy Services was hired in order to analyze the root cause of the incident. The said foreign consultant in its report declared that heavy rain water flow had not been stopped by the generator terminal seals and no one was declared responsible for the said fire incident. Therefore, no action was taken against any one on the basis of previous inquiries.

The DAC in its meeting held on December 22 & 23, 2023 directed the management that the action taken on the recommendations of inquiry committees' reports be shared with audit within a week. No further progress was intimated till the finalization of report.

Audit recommends the implementation of DAC's decision.

(Draft Para No.858/2023/24)

1.13.4 Non-refund of long outstanding tax claims from FBR - Rs.4,800.910 million

According to Clause-10 of refund of input tax that if the input tax paid by the registered person on taxable purchases 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 days of filling of refund claim in such manner and subject to such conditions as the Board may, by notification in the official Gazette specify."

During audit of CEO HESCO, an amount of Rs.4,800.910 million was due from Government of Pakistan for the period from 2009 to 2011. However, the refund of amount was pending since then. Audit is of the view that the matter was required to be taken up with FBR vigorously for refund of claims to prevent the Company from loss.

Non-adherence to the rules resulted in non-refund of long outstanding tax claims from FBR amounting to Rs.4,800.910 million up to the Financial Year 2022-23.

The matter was taken up with the management in October 2023 and reported to the Ministry in December, 2023. The management replied that in refund claim of Rs.993.161 million, decision in favour of HESCO was given vide Appellant Tribunal order dated September 20, 2022, wherein Tribunal directed to the respondent i.e. the Commissioner IR Karachi to proceed the subject refund claim. Refund claim of Rs.3,807.749 million was pending before Secretary IR-ST&FE (Law, Procedure & Exemption), FBR, Islamabad.

The DAC in its meeting held on December 22 & 23, 2023 directed the management to pursue the matter for adjustment with FBR under intimation to audit. No further progress was intimated till the finalization of report. No further progress was intimated till the finalization of report.

Audit recommends the implementation of DAC's decision.

(Draft Para No. 1289/2023-24)

1.13.5 Non-release of Agricultural subsidy @ 40% -Rs.3,345 million

In terms of rule 3 (3) and 31B of schedule-II of the Rules of Business, 1973, the following business of government is assigned to the Power Division: Matters relating to development of power resources of the country and relating to electric utilities.

During audit of Ministry of Energy, Power Division Islamabad, an amount of Rs.3,345 million was required to be paid by the Government of Pakistan to K-Electric. KE provides electricity to the Agricultural Tube wells as per policy and subsidy claims were being filled in accordance with the notification No.PF-05(09-AGR)2020 BAL dated March 20, 2020. By the end on June 2022, outstanding balance due from Government of Pakistan, which is 40% share in respect of agricultural subsidy, was Rs.3,345 million. Non-release of agricultural tube-wells subsidy consistently widens the cash flow gap, which has seriously constrained the cash flow position of the company and would adversely affect the planned investments. Moreover, non-release of amount will ultimately add in vicious circle of circular debt.

Non-adherence to the rules resulted in weak internal controls and non-release of Agricultural subsidy @ 40% amounting to Rs.3,345 million during the Financial Year 2021-22

The matter was taken up with the management in March, 2023 and reported to the Ministry in June, 2023. The management replied that Tariff & Subsidy wing verified the subsidy claims of DISCOs / K.E on the basis of actual sales made in the light of Notification/SROs by the respective DISCO. K.E submitted the claims in the absence of valid SROs during FY 2011 to 2014 so the claims were returned, which were to be resubmitted after doing the needful. K.E submitted the claims on invalid pattern after July 2019, which were returned un-actioned with the remarks to resubmit after correction as per agreed format of agri subsidy @40%. Ministry of Energy (Power Division) had constituted a committee to physically verify the installed meters and billing in order to settle the long outstanding dues claimed by K.E.

The DAC in its meeting held on October 17, 2023 directed the management to submit the revised reply so that the figures with regard to the amount of subsidy could be reconciled. No further progress was intimated till the finalization of the report.

Audit recommends the implementation of DAC's decision.

(Draft Para No. 118/2020-21)

1.13.6 Loss due to demurrage and detention charges sustained by NTDC for delayed custom clearance – Rs.558 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".

During Thematic Audit of procurement and material management in NTDC, it was observed that an amount of Rs.558 million was paid on account of demurrage and detention charges for delayed custom clearance. This showed sheer negligence on the part of management of NTDC and resultantly, company sustained a huge loss.

Non-adherence to authority's instructions resulted in loss due to demurrage and detention charges sustained by NTDC for delayed custom clearance amounting to Rs.558 million up to the Financial Year 2022-23.

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that recent shipments incurred significant demurrage and detention charges due to a series of hurdles i.e., delays in document submission, temporary funding shortfalls, complex customs arrangements for reduced duty benefits, and limited port free time all contributed. These unfortunate obstacles ultimately led to the unwanted additional costs. The reply was not tenable as imposition of demurrage and detention charges depicted poor performance of management in timely clearance of imported material.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to inquire the matter and submit report to audit within 30 days. No further progress was reported till finalization of the report.

Audit recommends the implementation of DAC's decision.

(Draft Para No.1160/2023-24)

1.13.7 Irregular procurement of vehicles in violation of austerity measures – Rs.446.99 million

According to Para (i) of Finance Division letter dated July 15, 2021, "There shall be complete ban on purchase of all types of vehicles both for current and development expenditure excluding motorcycles, students' buses, ambulances and firefighting vehicles."

During audit of DISCOs & PPIB, it was observed that 99 vehicles amounting to Rs.446.99 million were procured despite imposition of complete ban on procurement of vehicles. Hence, the procurement of vehicles was irregular. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	No. of vehicles	Amount (Rs.in million)
1.	FESCO	238/2021-22, 1071/2023-24	2	152.15
2.	GEPCO	770/2023-24	94	284.31
3.	MEPCO	924/2023-24	1	5.12
4.	PPIB	65/2023-24	2	5.41
		Total	**99**	**446.99**

(Source: Purchase Order File)

Non-adherence to the memorandum issued by finance division resulted in irregular procurement of vehicles amounting to Rs.446.99 million up to the Financial Year 2022-23.

The matter was taken up with the management in March & October, 2023 and reported to the Ministry in June & December, 2023. The management replied that operational vehicles were procured after getting approval from Ministry of Energy (Power Division). The management of GEPCO replied that austerity measures issued by Ministry of Finance were not binding on GEPCO subject to the approval of the BoD being the Competent Authority. Audit contended that austerity measures were imposed by Finance Division (GoP) and accordingly relaxation in ban was required to be obtained from the Finance Division.

The DAC in its meetings held on December 14 - 23, 2023 directed the management to refer the matter to Finance Division GoP for seeking its clarification through Ministry of Energy (Power Division) within a month. No further progress was reported till the finalization of report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2022-23 vide Para No.1.6.16 having financial impact of Rs.793.62 million. Recurrence of same irregularity is a matter of serious concern.

1.13.8 Irregular adoption of transport policy and imprudent financial burden on account of provision of 2nd new car, reimbursement of drivers' salary, maintenance & POL charges without approval of Finance Division – Rs.329.47 million

As per office memorandum issued by Finance Division (Regulation Wing) Government of Pakistan issued vide F No.3(37)R-14/2022 dated February 01, 2023, it is mandatory for every Ministry / Division / Department to consult Finance Division while initiating their legislative proposals having financial implications, relating to framing their rules on pay and allowances, retirement benefits, leave benefits as well as other financial terms and conditions of service. In the light of these rules, Regulations wing of Finance Division vets all the legislative proposals having financial implications, which are referred to this Division by the concerned Autonomous / Semi-autonomous bodies Corporations through their respective

Ministries / Divisions concerned. According to rule 5(1) of the Corporate Governance Rules 2013, "the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company." Further, rule 5(a) of the Corporate Governance Rules 2013, "the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage."

During audit of GEPCO, it was observed that the BoD had approved the Transport Policy-2019 & 2022 in its 103rd & 139th meeting held on August 20, 2019 & January 14, 2022 entitling thereby the officers of BS 17 to 20 for providing the cars with 60% cost deposit in 60 monthly installments, per month payments on account of POL for field / office duties, maintenance charges and drivers' salary. However, the GEPCO's Transport Policies-2019 & 2022 had not been got approved from Finance Division. Accordingly, 131 different types of new cars valuing Rs.113.40 million were procured from GEPCO's funds and provided to the officers as 2nd time. Moreover, a payment of Rs.216.07 million was made against reimbursement claims on account of drivers' salary, maintenance and PoL Charges on lump sum basis without ascertaining the actual expenditure incurred thereof, which was irregular. This showed that GEPCO's Transport policy was unique in its nature containing no limit in provision of vehicles to the officers during entire service period as an officer in his / her 30 years of service would get ownership of six (6) new cars on repayment of 60% cost of previous Car through installments and 40% cost borne by the company, which ultimately passed on to the consumers in shape of tariff determination.

Non-compliance to the directions issued by Finance Division resulted in irregular adoption of transport policy and imprudent financial burden on account of provision of 2nd new car, reimbursement of drivers' salary, maintenance & POL charges amounting to Rs.329.47 million up to the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that keeping in view the clarification of finance division dated February 14, 2013 duly endorsed by the Ministry of Energy (Power Division) on February 03, 2021, clarification of PEPCO, NEPRA's approval and power(s) of BOD, BOD GEPCO was the Competent Authority regarding formulation of any policy including GEPCO Transport Policy 2019 & 2022. However, BoD being the Competent Authority already considered the financial viability of the transport policy and confidently allowed the 2nd and onwards cycle(s) of the GEPCO Transport Policy. The savings in transport related expenditures was already passed to the consumers through tariff being NEPRA's approved policy. The net saving of Rs.1,206.00 million on account of POL, maintenance charges and driver's salary during 1st Cycle of the policy proved that the objective had been achieved. The reply was not agreed to as the GEPCOs transport policy needed to be got approved from finance division of Government of Pakistan besides reviewing the rationality of the provision of 2nd vehicle and incurrence of expenditure on account of maintenance /POL / drivers' salary.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the transport policy reviewed from PPMCL within a month. No further progress was reported till finalization of the report.

Audit recommends implementation of DAC's decision.

Note: The issue was reported earlier also in the Audit Report for Audit Year 2015-16 vide Para No. 11.4.2 having financial impact of Rs.349.38 million. Recurrence of same irregularity is a matter of serious concern.

(Draft Para Nos. 798, 873 & 1075/2023-24)

1.13.9 Over payment of house rent allowance - Rs.269.02 million

As per Government of Pakistan Finance Division Office Memorandum dated July 02, 2018 "The President has been pleased to allow the increase in the House Rent Allowance by 50% of existing amounts being drawn on the basis of Pay Scale 2008 by the Federal Government employees".

During audit of NTDC, the employees of NTDC had drawn House Rent Allowance amounting to Rs.361.52 million on the basis of 30% of their running basic but this payment was in contradiction of Finance Division notification referred above. Hence, over payment of Rs.269.025 million was made on account of House Rent Allowance which needs justification.

Non-adherence to the rules resulted in over payment of House Rent Allowance of Rs.269.02 million during the Financial Year 2022-23.

The matter was taken up with the management in November, 2023 and reported to the Ministry in December, 2023. The management replied that BoD NTDC being competent authority had sanctioned to award the payment of House Rent Allowance @ 30% of running basic pay to all employees of NTDC living outside big cities; to enhance the motivational level of employees for being posted outside the big cities for timely completion of the Projects and in the best interest of the Company.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to take up the matter with Finance Division for clarification / regularization. No further progress was intimated till the finalization of report.

Audit recommends the implementation of DAC's decision.

(Draft Para No. 953/2023-24)

1.13.10 Unjustified payment of hardship allowance - Rs.242.20 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". As per direction of NEPRA in tariff determination dated January 12, 2023 (SEPCO) that such incentives are given by the organizations out of their profits returns. Therefore, if the Petitioner wants to incentivize its employees by allowing hardship allowance, it needs to be paid by petitioner out of its profits returns and shall not be charged as cost to power sector consumers".

During audit of QESCO, Board of Directors approved grant of hardship allowance to all employees (Regular/Contract/Deputation) equal to one month's running basic pay amounting to Rs.242.20 million. It is important to mention that such agenda item was neither approved/ deliberated by any committee of BoD. Moreover, according to the Regulator (NEPRA) such incentives could be given by the organizations out of their profits/returns and shall not be charged as cost to power sector consumers. Therefore, payment of hardship allowance without approval of NEPRA, recommendation of Sub-Committee of BoD and budget provisions was unjustified.

Non-adherence to provision of Rule-10 (i) of GFR resulted in unjustified payment of hardship allowance amounting to Rs.247.20 million without approval of the Regulator and deliberation in meeting of BoD QESCO during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that BoD in its 188th Meeting held on 20th December, 2022 had approved hardship allowance equal to one basic pay to all QESCO employees on account of services rendered during heavy rains/flood in Balochistan. The amount was within the budget FY 2022-23 duly approved by BoD. The amount had already been allowed by NEPRA in tariff determination under the head of salaries and wages.

The DAC in its meeting held on December 22 & 23, 2023 directed the management to obtain approval from NEPRA within 60 days otherwise recovery be made from the concerned. No further progress was intimated till the finalization of report.

Audit recommends the implementation of DAC's decision.

(Draft Para No.1269/2023/24)

1.13.11 Non-finalization / non-indemnification of insurance claims - Rs.212.71 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".

During audit of PESCO, QESCO & SEPCO, electrical equipments valuing Rs.212.17 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.	PESCO	207/2023-24	1	93.95
2.	QESCO	01/2023-24	4	81.61

3.	SEPCO	17/2023-24	28	37.15
		TOTAL	**33**	**212.71**

(Source: Insurance Claim File)

Non-adherence to Authority's instructions resulted in non-finalization / non-indemnification of insurance claims of Rs.212.71 million up to the Financial Year 2022-23.

The matter was taken up with the management in March & October, 2023 and reported to the Ministry in June & November, 2023. The management replied that the efforts were being made to indemnify the claims.

The DAC in its meetings held on September 09, 2023 and December 14, 2023 to December 23, 2023 directed the management to expedite the matter with WEPS for settlement of claims within three months. No further progress was intimated till the finalization of report.

Audit recommends implementation of DAC's decision.

1.13.12 Loss due to imposition of penalties by NEPRA - Rs.190 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 subject to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

During audit of HESCO, GENCO-II, NTDC & NPPMC, fine of Rs.190 million was imposed by NEPRA on account of fatal / non-fatal accidents, non-compliance to license, tariff, NEPRA Act and Grid Code and other regulations. However, the matter was not inquired for fixing responsibility of loss sustained by the Companies due to violation of NEPRA Regulations. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	No. of cases	Amount (Rs.in million)
1.	HESCO	1305/2023-24	7	10
2.	GENCO-II	740/2023-24	1	150
3.	NTDC	950/2023-24	1	10
4.	NPPMC	746/2023-24	2	20
TOTAL			**11**	**190.00**

(Source: NEPRA Correspondence file)

Non-adherence to Authority instructions resulted in loss of Rs.190.00 million due to imposition of penalty by NEPRA up to the Financial Year 2022-23.

The matter was taken up with the management in October & November, 2023 and reported to the Ministry in November & December, 2023. The management replied that appeals had been filed in NEPRA Appellate Tribunal against the imposition of fine. The management of NPPMC replied that all the actions were within the permissible technical limits, however, NEPRA had decided the matter unilaterally.

The DAC in its meetings held on December 14 - 23, 2023 directed the management to pursue the matter with NEPRA vigorously and outcome be shared with Audit. No further progress was reported till the finalization of report.

Audit recommends implementation of DAC’s decision.

1.13.13 Irregular adoption of NEPRA policy of official vehicles without approvl of Finance Division - Rs.153.72 million

As per Office Memorandum issued by Finance Division (Regulation Wing) Government of Pakistan issued vide dated February 01, 2023 regarding guidelines for approving of Financial Rules of Autonomous Bodies Semi-Autonomous Bodies/Corporations of the Federal Government stated that underSection-18 of Public Finance Management Act,2019, it is mandatory for every Ministry/Division/Department to consult Finance Division while initiating their legislative proposals having financial implications, relating to framing their rules on pay and allowances, retirement benefits, leave benefits as well as other financial terms and conditions of service.In the light of these rules, Regulations wing of Finance Division vets all the legislative proposals having financial implications, which are referred to this Division by the concerned Autonomous/ Semi-autonomous bodies Corporations through their respective Ministries / Divisions concerned.

During audit of NEPRA, Islamabad, it was observed that the management procured official vehicles for regular employees and contract employees like advisors and consultants. Subsequently, official vehicles were replaced and bought back by the employees under NEPRA policy. It is worth mentioning that NEPRA’s policy of official vehicles has not been approved from Finance Division under Section-18 of Public Finance Management Act, 2019.

Hence, expenditure Rs.153.72 million incurred on account of procurement, maintenance and replacement of official vehicles was irregular.

Non-adherence to Section-18 of Public Finance Management Act, 2019 resulted in irregular adoption of NEPRA’s policy of official vehicles amounting to Rs.153.72 million up to the Financial Year 2021-22.

The matter was taken up with the management in March, 2023 and reported to the Cabinet Division in June, 2023. The management explained that Official Vehicle Policy of NEPRA was in line with the provisions of Act & Service Regulations. Furthermore, NEPRA generated its own funds from its operations and adopt policies to achieve its objectives as enunciated in the Act and did not require approval from Finance Division. Besides, NEPRA designed its policies to recruit and retain the best professionals. Audit contended that NEPRA had procured the official vehicles for regular employees, contract employees like legal advisors, Assistant legal advisors, consultant. Official vehicles were replaced and buy back by the employees under such policy was irregular and needed approval from Finance Division.

The DAC in its meeting held on January 16, 2024 constituted a committee to deliberate and review the reported matter, within one month, as per following composition:

i.	Chief Finance & Accounts Officer.	Convener
ii.	Joint Secretary (RA).	Member
iii.	Joint Secretary (Exp-Cabinet) /FA.	Member
iv.	Representative from NEPRA	Member

Audit recommends the implementation of DAC’s decision.

(Draft Para No.60/2023-24)

1.13.14 No plan for recovery of colossal amount of penalties from two serving delinquent officials - Rs.72.37 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended to date), “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".

During audit of Project Directorate Construction GEPCO, a penalty of Rs.12.02 million was imposed on a Line Superintendent-I of Construction Sub-Division Mandi Baha ud Din. Besides this, the said official had also paid an amount of Rs.4 million to GEPCO. Similarly in two (02) cases, a colossal penalty of Rs.60.34 million (Rs.2.54 million + Rs.57.80 million) was imposed upon another Line Superintendent-II of the said Sub-Division. Moreover, the said LS-II had also received minor penalty of censure in two (02) cases and major penalty of withholding one increment for a period of one year. Both the said officials were in service and LS-II had also been given the look after charge of SDO Const. Gujrat. The recovery of the penalties from the said officials was not forthcoming from the record nor any plan has been chalked out to realize the colossal recoveries within reasonable time period.

Non-adherence to Authority's instructions and weak internal controls resulted in non-recovery of colossal amount of penalties of Rs.72.37 million from two serving delinquent officials up to the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in October, 2023. The management replied that an amount of Rs.0.91 million had been recovered up to 11/2023 leaving a balance of Rs.71.46 million.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to inquire the matter at CEO level for fixing responsibility as to why the look after charge of SDO was given to LS despite committing serious irregularity and formulate recovery plan and submit its report to audit within a month. No further progress was intimated till the finalization of report.

Audit recommends the implementation of DAC's decision.

(Draft Para No. 243/2023-24)

1.13.15 Irregular expenditure incurred on account of House Acquisition & Vehicle expenses – Rs.72.10 million

As per accounting manual of DISCOs "Budget is allocated to all D&D offices from the total Budget approved by the BOD keeping aside on approved Revised Budget for allocating any Justifiable additional Budget Demand.

Moreover, Lack of regular analysis of actual expenditure in comparison with budget targets, may result in excessive spending being identified towards the end of the budgetary period which may ultimately defy the whole purpose of budgetary process".

During audit of Project Directorate Construction LESCO, an amount of Rs.179.23 million was received on account of house acquisition, vehicle expenses and vehicle repair against which expenditures of Rs.7.36 million were booked into books of accounts through ledger posting summary. However, expenditure of Rs.251.33 million were booked in trial balance under these head of accounts as on Jun-2023. Hence, this showed that excess expenditure of Rs.72.10 million were incurred/booked in trial balance out of allocated/IOT cash received which needs justification.

Non-adherence to Authority's instructions resulted in irregular expenditure of Rs.72.10 million incurred on account of house acquisition & vehicle expenses during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that IOT Cash received was Rs.179.23 million in respect of house acquisition, vehicle repair expenses and vehicles' POL but as per their ERP record, they had received IOT Cash received and expenses during the Financial Year 2022-23 amounting to Rs.57.4 million, which was due to not following of matching principle. Demands of Financial Year 2021-22 were entertained in Financial Year 2022-23 and the expenses of previous year related to relevant heads booked in Financial Year 2022-23. Further expenses of TA/DA and medical bills were also booked in the relevant Heads.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the record in support of reply verified from audit within 15 days. No further progress was intimated till the finalization of report.

Audit recommends the implementation of DAC's decision.

(Draft Para No. 1232 /2023-24)

1.13.16 Non-payment by the Irrigation Department - Rs.54.732 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".

During audit of GSC TESCO, a deposit work valuing Rs.301.255 million on behalf of Irrigation Department was under execution for construction of 132 kV Grid Station at pump house Jamrud. Irrigation Department had paid Rs.246.528 million out of total amount of Rs.301.255 million. The work was stopped in 04/2022 due to non-payment of balance amount of Rs.54.732 million by the irrigation department which may cause delay as well as financial/ revenue loss to the company.

Non-adherence to GFR resulted in non-payment of the balance amount by the Irrigation Department valuing Rs.54.732 million during Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in October, 2023. The management replied that the procurement of materials for the said Grid Station along with associated T/Line has already been completed. Physical work on site is 75% complete. The remaining work was pending due to ROW issues at 02 locations of said T/Line. TESCO had a close liaison with the concerned Department & fruitful result would be achieved soon.

The DAC in its meeting held on December 14 & 15, 2023 directed the management to pursue the recovery from concerned department and get it verified from Audit. No further progress was intimated till the finalization of report.

Audit recommends the implementation of DAC's decision.

(Draft Para No. 187/2023-24)

1.13.17 Undue burden on Exchequer due to aversion of recovery of Inter DISCO Tariff Rationalization Surcharge (IDTRS) - Rs.54.72 million

As per NEPRA Act Section 31.8 "Notwithstanding anything contained in this Act and in addition to the tariff, rates and charges notified under sub-section (7) and this sub-section, each electric power supplier shall collect such surcharges from any or all categories of consumers, as the Federal Government may charge and notify in the official Gazette from time to time, in respect of each unit of electric power sold to any or all categories of consumers and deposit the amount so collected in such manner as may be prescribed. The amount of such surcharges shall be deemed as a cost incurred by the electric power supplier and included in the tariff notified under sub-section (7):"

During audit of CEO GEPCO, in order to maintain a uniform consumer end tariff at national level, the consumer end tariff of better preforming DISCOs was enhanced by inter DISCOs tariff rationalization surcharge which was built-in consumer end tariff to provide relief to consumers of in-efficient DISCOs. However, the net metering consumers avoided the payment of IDTRS through self-generation of energy units to the extent of Rs.54.72 million during the year 2022-23. Non-recovery of IDTRS from net energy consumers of GEPCO would be an extra burden on national exchequer as the GOP had to inject more subsidy into the system to maintain uniform rate of tariff.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023.The management replied that IDTRS and promoting distributed generation net metering, both, were governed under relevant national policy, legal and regulatory framework well beyond the control and scope of GEPCO. The matter was already under active consideration and action at the apex levels of national policy and plan however, audit observation and recommendations were noted for serious considerations and would be taken up with the concerned stakeholder.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to submit revised reply to audit within a week. No further progress was intimated till the finalization of report.

Audit recommends the implementation of DAC's decision.

(Draft Para No. 918/2023-24)

1.13.18 Loss to public exchequer due to non-recovery of Retailer Sales Tax – Rs.48.94 million

According to FBR (Revenue Division) letter No.C.No.3(1)ST-L&P/2019(pt), sales tax is to be charged and collected from retailers (other than Tire-1) under section 3(9) of sales Tax Act, 1990 through their monthly electricity bills as under:- i) At the rate of five percent where the monthly bill amount does not exceed rupees twenty thousand; and (ii), At the rate of seven and half percent where the monthly bill amount exceed rupees twenty thousand.

During audit of DISCOs, it was observed that 779 commercial consumers were not being billed under correct classification codes meant for charging of Retailer Sales tax. Due to incorrect classification codes, Retailer Sales Tax amounting to Rs.48.94 million could not be recovered from the said consumers. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	No of Consumers	Amount (Rs.in million)
1.	FESCO	931/2023-24	383	12.21
2.	GEPCO	21, 509 & 664/2023-24	183	30.72
3.	LESCO	371/2023-24	213	6.01
		TOTAL	**779**	**48.94**

Non-compliance to provision of Finance Bill-2019 resulted in loss due to non-recovery of Retailer Sales Tax amounting to Rs.48.94 million during the Financial Years 2022-23.

The matter was taken up with the management in April, 2023 & September to October and reported to the Ministry in June, 2023 & October to December, 2023. The management replied that retailer sales tax were charged to those commercial tariff consumers who came under this domain / category of the commercial tariff as prescribed by the FBR. The management of GEPCO replied that account wise lists had been forwarded to field formations to ensure recovery of sales tax from concerned customers.

The DAC in its meeting held on August 26, 2023 and December 14-23, 2023 directed the management to complete the action within one month expeditiously and provide the record to audit for verification. DAC also directed the management of FESCO to refer the matter to FBR for getting clarification within 30 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

1.13.19 Loss to electrical equipment due to fire incidents – Rs.48.31 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".

During audit of SEPCO and NTDC, fire incidents were occurred and electrical equipment's valuing Rs.48.31 million were damaged. However, the said fire incidents were neither inquired for fixing of responsibility nor loss was got indemnified from insurer. The detail is as under:

Sr. No.	**Name of Company**	**Draft Para No.**	**Amount (Rs.in million)**
1.	SEPCO	12/2023-24	11.31
2.	NTDC	545/2023-24	37.00
TOTAL			**48.31**

Non-adherence to Authority's guidelines resulted in loss due to fire incident Rs.48.31 million up to the Financial Year 2023-23.

The matter was taken up with the management in March & September, 2023 and reported to the Ministry in June & November, 2023. The SEPCO management replied that the insurance claim against the loss had already been lodged with Director General Insurance WAPDA, but the fate of case had not been finalized as yet. The NTDC management replied that the damaged transformer was successfully energized during May, 2023.

The DAC in its meeting held on September 9 and December 19, 2023 directed the management to inquire the matter and report be submitted to Audit.

Audit recommends implementation of DAC's decision.

1.13.20 Non-clearance of hazardous trees under ±660 kV HVDC Transmission Line - Rs.46.77 million

According to the section 3.7 of O&M Services Agreement that the O&M Company (NTDC) shall, during the term take the responsibility for the safety operation of the facility and keep safe clearance of the ROW including the removal of targeted species (e.g., tall growing trees and invasive woody shrubs and crops) within the portion of the ROW occupied by the facility (the Vegetation Control), as well as the trimming or removal of tress within adjacent areas that may grow closer than minimum allowed distances to conductors (the side trimming).

During audit of HVDC NTDC Lahore, an amount of Rs.46.77 million was paid to Divisional Forest Officer (Lal Sohanra National Park, Bahawalpur) to remove hazardous trees existing underneath of ±660 kV HVDC Transmission Line but no progress was achieved so for which may result in financial penalties on O&M Company by M/s PMLTC.

Non-adherence to contractual clause resulted in non-clearance of hazardous trees under ±660 kV HVDC Transmission Line amounting to Rs.46.77 million during the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in November, 2023. The management replied that the matter of tree cutting was regularly being pursued with the Divisional Forest Officer (DFO) Lal Suhanra by HVDC field formations. On the directions of Audit, an Inquiry committee had been constituted by the competent authority to investigate the matter.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to provide inquiry report and to get the record verified from audit in support of reply within fifteen (15) days. No further progress was intimated till the finalization of report.

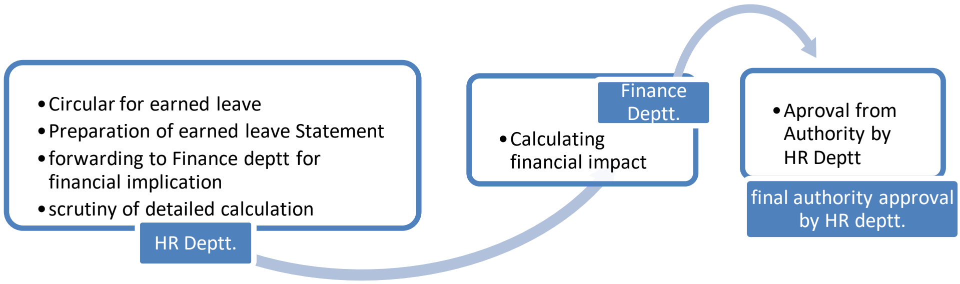
Audit recommends the implementation of DAC’s decision.

(Draft Para No. 615/2023)

1.13.21 Deficient internal controls regarding encashment of earned leave balancesof employees - Rs.32.47 million

According to the regulations 29, amended vide SRO dated September 23, 2020, a regular employee of the NEPRA shall earn leave at the rate of two days for every calendar month of duty period rendered by him/her as may be amended or prescribed from time to time. This leave will be admissible to the employee on full pay drawn just before proceeding on leave less the allowance i.e., daily allowance, missing and other allowance related to the performance of duty in office.

During audit of NEPRA, an amount of Rs.32.47 million was paid to employees and random checking of earned leaves calculation revelaed that documentation was incomplete, inaccurate or insufficient. This made it difficult to verify the accuracy and completeness of the transactions and could result in errors or fraud. Audit reviewed encashment and payment mechanism of earned leave as illustrated below and found discrepancy:



A list for encashment of unavailed earned leave was prepared by Human Resource Department (HRD) for the year 2021. Mr. Muhammad Ramzan, the then Director HR, showed his earned leave balance as 60 days, which was fake and got calculated with financial implication as Rs.1.417 million from finance department. For the accuracy of unavailed earned leave figures, finance department relied on certificate of HRD. The complete list involving Rs.27.907 million was signed by the said HR Director and forwarded to the Authority for approval, which was returned for quoting relevant NSR provisions on 15.2.2022. Later on, the said HR Director was transferred and list was manipulated by excluding his name and presented to Authority. This showed weak internal control over reporting mechanism. The original list, on which honorable member raised query, was misplaced and discrepancy went unnoticed.

Reporting and Approval Channel

As per reporting mechanism, if Authority seeks any clarification then it should be answered on the same sheet. However, in the said case, working papers were changed / manipulated and such discrepancy went unnoticed which showed that chances of misappropriation and embezzlement cannot be ruled out in payment of earned leave. The authorization controls over earned leave encashment transactions were weak as there was no mechanism to ensure its authorization by the appropriate personnel. This increases the risk of unauthorized enashment of earned leaves.

The matter was taken up with the management in March, 2023 and reported to the Cabinet Division in June, 2023. The management explained that it was developing Leave Management Software to reduce the chances of erroneous reporting of leave record. However, meanwhile a committee headed by a Director General had been constituted to scrutinize and audit all earned leave encashment cases prior to approval by the Authority. NEPRA further elaborated that special audit of encashment of leave for last 5 years had been assigned to Chartered Accountant firm as required by Audit.

The DAC in its meeting held on January 16, 2024 directed the management to get the record verified, within one week, and share report of Chartered Accountant firm with Audit. No Further progress was intimated till the finalization of report.

Audit recommends the implementation of DAC's decision.

(Draft Para No.62/2023-24)

1.13.22 Irregular payment of remuneration of BoDs committee and sub-committee members - Rs.19.84 million

According to rule 5 (a) i & ii of the Public Sector Companies (Corporate Governance Rules 2013), the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders, in the following manner, (a) the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to the following, (i) handling of public funds, assets, resources and confidential information by directors, executives and employees; and (ii) claiming of expenses. According to the Finance Division (Regulation Wing), vide its letter No. F.15 (5) R.14/91 – 423 dated June 25, 1992 notified its directions for members of Board of Director of the Corporations/ Companies wherein Government owns major or partly shares, not to allow excess benefits to the employees of the Corporations which are otherwise not admissible under the Government policy.

During audit of DISCOs and NTDC, it was observed that the BoDs had approved and enhanced the remuneration package for members of BoDs meeting fee, road transport rate and hotel stay per night without getting approval / concurrence from Finance Division / Power Division which is irregular and unjustified. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	HESCO	788/2023-24	1.98
2.	QESCO	1028/2023-24	7.82
3.	NTDC	1022/2023-24	10.04
		Total	**19.84**

(Source: Payment Voucher)

Non-adherence to Finance Division instructions resulted in irregular payment of remuneration of BoDs committee and sub-committee members - Rs.19.84 million up to the Financial Year 2022-23.

The matter was taken up with management during October to November, 2023 and reported to the Ministry during November to December, 2023. The HESCO and NTDC management replied that Board in exercise of the powers contained in the Article-53 of the Article of Association read with Section-170 of Companies Act 2017, revised the TA and DA rates for the Board of Directors after due diligence and thorough deliberations in line with consumers price Index of Federal Bureau of Statistics of October 2016 indexed to February 2023, keeping in view the long span of time of previous revision and unprecedented inflation in rates and escalation of fuel prices. The QESCO replied that enhancement of remuneration was made after 5 years and in accordance with the law.

The DAC in its meetings held on December, 18 to 23- 2023 directed the management to substantiate the reply and get the record verified, otherwise ensure recovery of amount.

Audit recommends implementation of DAC's decision.

1.13.23 Irregular payment of allowances to employees – Rs.19.114 million

According to Finance Division (Regulations Wing) office memorandum F No. 3(37)R-14/2022 dated February 01, 2023, "it is mandatory for every Ministry/ Division/ Department to consult Finance Division while initiating their legislative proposals having financial implications, relating to framing their rules on pay and allowances, retirement benefits, leave benefits as well as other financial terms and conditions of service".

During audit of CEO FESCO, different types of allowances amounting to Rs.19.11 were allowed to different officers/ officials without consulting/ vetting of Finance Division (Regulations Wing). In the absence of endorsement of these allowances by the concerned quarters, payment of Rs.19.114 could not be termed as regular.

Violation of directions of the Finance Division resulted in irregular payment of allowances amounting to Rs.19.11 million during the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that allowances were paid after approval of BoD FESCO and were in line with the provisions of Company Act-2017.

The DAC in its meeting held on December 20 & 21, 2023 did not agree with reply of management and directed to investigate/ check legitimacy of allowances in the light of directions of Finance Division and submit its report to Audit within 30 days.

Audit recommends the implementation of DAC's decision.

(Draft Para No.1073/2023-24)

1.13.24 Irregular payment of Head Quarter Allowance- Rs.16.59 million

The BoD NTDC in its 50^{th} meeting allowed "Head quarter allowance @ 20% of existing basic pay not exceeding the limit of Rs.6,000/- per month w.e.f. March 01, 2010 to the NTDC head office employees working in Chief Executive Office and allied offices, G.M (GSO) NTDC, G.M (WPPO) NTDC, GM (GSC) NTDC, Lahore, GM Services Division NTDC, G.M (Projects) NTDC, G.M Planning (Power) NTDC, C.E (MP&M) NTDC, C.E (Design) NTDC, Manager

Internal Audit NTDC, C.E (System Protection) NTDC & C.E Telecommunication, NTDC".

During audit of NTDC and PPMC, it was observed that 165 officers / officials posted at other locations than head office were drawing "Head Quarter Allowance" in violation of above notification. Hence, the payment of Head Quarter Allowance amounting to Rs.16.59 million was irregular. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	No of Employees	Amount (Rs.in million)
1.	NTDC	885/2023-24	141	13.14
2.	PPMC	702/2023-24	24	3.45
		TOTAL	**165**	**16.59**

(Source: Pay voucher)

Non-adherence to the instructions of BOD resulted in irregular payment on account of Head Quarter Allowance for Rs.16.59 million during the Financial Year 2022-23.

The matter was taken up with the management during October to November, 2023 and reported to the Ministry during November to December, 2023. The management of NTDC replied that the employees working in Head office on attachment basis were drawing Head quarter allowance granted by BoD. The management of PPMC replied that all employees working in PPMC either in Islamabad or Lahore were considered working in PPMC Head Office and getting Head Office Allowance. However, the temporarily retained staff at Lahore would be reported to Islamabad shortly as the assignment was near to completion.

The DAC in its meeting held on December 14-23, 2023 directed the management of NTDC to justify the attachment of field staff with Head Office within 30 days and directed the management of PPMC to take up the matter in BoD for decision within a month. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

1.13.25 Loss due to bogus/excess payments of pension – Rs.10.63 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended up to January 2014), "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".

During audit of CEO LESCO, an excess amount on account of pension and commutation was paid to Mst. Shafqat Azra (PPO No. 28147/28294-RP) and Mr. Saleem Masih (PPO No. 9550/R/LESCO) in the office of Deputy Manager (Op) Ravi Road LESCO, Lahore. The newly introduced system of centralized pension had failed to detect the overpayments timely. Moreover, the Dy. Manager Operation Ravi Road referred the case to FIA to cover his negligence. As per rules the preliminary inquiry needed to be conducted to detect the facts of fraud and to fix responsibility against the culprits which was not done. Similarly, no responsibility had been fixed against the DDO, pension section and CFO office.

Non-adherence of the authority's instructions resulted in loss of Rs.10.63 million to bogus/excess pension up to the Financial Year 2022-23.

The matter was taken up with the management in October, 2023 and reported to the Ministry in December, 2023. The management replied that the recovery of excess payment Rs.600,000/- had been deposited by the culprit Mr. Tanveer ALM of Xen Ravi Road Division in the Pension fund account (045-1650504623) through receipt No 927. Moreover, registries of 05 marla and 02 marla plots in the vicinity of Ferozwala had been handed over by Mr. Tanveer pension clerk to Xen LESCO Ravi Road and assessment of market value was under process for the purpose of recovery. Further pension of Shafqat Azra W/o Muhammad Younas Butt and Saleem Masih had been stopped since May, 2023 and also an amount of Rs.359,262 recovered up to November 2023, however efforts were being made for the total loss sustained to the LESCO.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the action taken verified in this matter and also pursue the case with FIA vigorously. No further progress was intimated till the finalization of report.

Audit recommends the implementation of DAC's decision.

(Draft Para No.1005/2023-24)

1.13.26 Non-recovery of penalty imposed on junior storekeeper - Rs.6.61 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”.

During audit of MP&M NTDC, Lahore, a penalty amounting to Rs.6.61 million on account of misappropriation/shortage of material was imposed upon a Junior Storekeeper with stoppage of annual increment for three years. The official filed an appeal in court of law but his petition was dismissed by the court in favor of NTDC on February 21, 2023. The said amount was yet to be recovered from the quarter concerned.

Non-adherence to Authority’s Guidelines resulted in non-recovery of penalty imposed from junior storekeeper amounting to Rs.6.61 million up to the Financial Year 2022-23.

The matter was taken up with the management in September, 2023 and reported to the Ministry in November, 2023. The management replied that NIRC in connection with Case No. 4B (169)/2022-L which was actually related to matter of shortage of Rs.6.61 million had restrained NTDC from effecting recovery from the concerned store keeper which is still intact. NTDC was vigorously pursuing the court case proceeding in NIRC. Next date of hearing was fixed on Jan-2024. Further action would be taken by NTDC as per decision of the honorable court.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to pursue the case. No further progress was intimated till the finalization of report.

Audit recommends the implementation of DAC’s decision.

(Draft Para No.478/2023-24)

1.13.27 Irregular hiring the services of lawyers and law firms and payment made on account of legal fees - Rs.6.47 million

According to Rule-42(b)(i) of PPRA Rules 2004, a procuring agency shall engage in this method of procurement only if the following conditions exist, namely: - “where the value of procurement is more than one hundred thousand

Pakistani Rupees but does not exceed five hundred thousand Pakistani Rupees, the procuring agency may engage in procurement through request for three quotations from GST registered firms, original equipment manufacturers or authorized dealers, without resorting to bidding."

During audit of NEPRA, Islamabad, services of various lawyers / law firms were hired for legal assistance in arbitration cases of NEPRA in contrary to amended provision of PPRA Rules-2004. However, law firms/lawyers were engaged in arbitration cases out of panel approved by NEPRA committee. Hence, payment of Rs.6.47 million made on account of legal fees / professional charges to the lawyer / law firms for the year 2021-22 was quite irregular.

Non-adherence to clause of PPRA Rules resulted in irregular hiring the services of lawyers and law firms and payment made on account of legal fees amounting to Rs.6.47 million during the Financial Year 2021-22.

The matter was taken up with the management in March, 2023 and reported to the Cabinet Division in June, 2023. The management replied that actual expenditure on legal fee was Rs.5.69 million and not 6.47 million during FY 2021-22. Furthermore, the engagement process of lawyers and law firm followed a meticulous evaluation by Litigation Committee. Three quotations for external counsels / law firms, as per approved SOPs, were obtained and approval was granted.

The DAC in its meeting held on January 16, 2024 settled the para subject to verification of record, within one week. No further progress was intimated till the finalization of report.

Audit recommends the implementation of DAC's decision.

(Draft Para No.58/2023-24)

1.13.28 Undue benefits to the employee on account of 2nd buy back vehicle - Rs.3.24 million

The vehicles replacement clause-III, sub-clause (a) of Appendix-9 of NSR-2003 provides that entitled vehicles will be replaced as per: i) Toyota Corolla GLI/Honda City (Automatic) 5 years, ii) Toyota Corolla XLI/Honda City (Manual) 5 years, iii) Locally Manufactured 1000 CC engine capacity (upper limit) 5 years.

During audit of NEPRA, Islamabad, Mr. Safeer Hussain, ex-registrar opted to buy the official vehicle Honda City 1.2 LS after completion of five years. He requested to procure the new entitled official vehicle Toyota Yaris 1.3 CVT having ceiling amount Rs.3.420 million. Subsequently, he requested for 2nd time buy back of new official vehicle on December 29, 2022 with request to adjust the cost of car in its terminal benefits due to attaining the age of superannuation on December 31, 2022. 2nd vehicle valuing Rs.3.24 million was given to the said employee without assessing the market value of the vehicle.

Non-adherence to Appendix-9 of NSR-2003 resulted in award of undue benefit amounting to Rs.3.24 million to the employee on account of sale of 2nd vehicle under buy back provision up to the Financial Year 2021-22.

The matter was taken up with the management in March, 2023 and reported to the Cabinet Division in June, 2023. The management replied that NEPRA explained that 1st vehicle (Honda City 1.2 LS) was bought back by the officer in term of Class III (a) of Appendix-9 of NSR 2003. The 2nd vehicle was bought back by the officer as per Class III (c) of Appendix-9 of NSR 2003.

The DAC in its meeting held on January 16, 2024 directed the management to get the record verified from Audit. Further progress was not intimated till the finalization of report.

Audit recommends the implementation of DAC's decision.

(Draft Para No.57/2023-24)

1.13.29 Less deduction of income tax on contract payments - Rs.2.62 million

According to Para 13.8 (X) of WAPDA Accounting and Financial Reporting Manual withholding tax shall be deducted from the gross amount of the contractor's bills at the prevailing tax rates, unless contractor provides Tax Exemption Certificate issued by the relevant tax authority for the related period.

During audit of Project Director Construction SEPCO, an amount of Rs.127.351 million was paid to contractors and consultants for construction and consultancy services. The Income Tax of Rs.8.644 million was deducted on gross amount of payment exclusive of sales tax, which was irregular. Hence, the less deduction of income tax resulted loss of Rs.2.623 million to the national exchequer.

Non-adherence to accounting manual resulted in less deduction of income tax on contract payments amounting to Rs.2.62 up to the Financial Year 2021-23.

The matter was taken up with the management in August, 2023 and reported to the Ministry in October, 2023. The management replied that amount of income tax valuing Rs.2.62 million would be recovered from the contractors and consultants and audit would be informed accordingly.

The DAC in its meeting held on December 22 & 23, 2023 directed the management to ensure recovery besides issuance of explanation letter for non-deduction of income tax. No further progress was intimated till finalization of the report.

Audit recommends the implementation of DAC's decision.

(Draft Para No. 237/2023-24)

1.13.30 Irregular acting/additional/current charge to Line Superintendent as Sub-Divisional Officer in Violation of PAC directives

The Sub-Committee of the PAC in its meeting dated August 09, 2021 directed DISCOs to make sure that Line superintendents shall not be posted as Sub Divisional Officers as one step above and all vacant posts in PEPCO and it's all DISCOs and NTDC may be filled at once.

During audit of DISCOs, seventy-three (73) Line Superintendents were posted as Sub-divisional Officers as one step above which was in contravention to the directives of PAC. This state of affairs showed that right persons were not employed which needs justification. The detail is as under:

Sr. No.	Company	Draft Para No.	No. of officials involved
1.	FESCO	1110/ 2023-24	69
2.	LESCO	650/ 2023-24	04
Total			**73**

(Source: Office Order File)

Non-adherence to PAC directives resulted in irregular award acting/additional/current charge to Line Superintendents as Sub-divisional Officers in violation of PAC directives up to the Financial Year 2022-23.

The matter was taken up with the management in September & October, 2023 and reported to the Ministry in December, 2023. The LESCO management replied that LSs were assigned the duties of Sub-division Officers on stop gap arrangements due to non-induction of junior Engineers. The FESCO management replied that presently 60 new Sub-divisional Officers were inducted and posted in sub-divisions and acting/ current/ additional charge was entrusted to Line Superintendents due to acute shortage of staff.

The DAC in its meeting held on December 18 to 21, 2023 directed the management to submit revised reply and get the record verified from audit within a week and discontinue practice of entrusting acting/ current/ additional charge of SDO to LSs. No further progress was intimated till the finalization of report.

Audit recommends the implementation of DAC's decision.

1.13.31 Loss of lives due to no safety arrangements by the contractor

According to Caluse-22.2.7(b) of Contract No.ADB-65(R)-2012 (Package-1), "the contractor shall appoint an accident prevention officer at the site, responsible for maintaining safety and protection against accidents. As per Clause-22.8, "the contractor shall provide and maintain at its own expense lighting, fencing, and watching when and where necessary for proper execution and the protection of the Facilities, or for the safety of the owners and occupiers of adjacent property and for the safety of public". As per GCC Clause-34.1 (c), Third Party Liability Insurance covering would be provided for bodily injury or death suffered by third parties including the employer's personnel occurring in connection with the supply and installation of the Facilities. According to Clause-A (c) under Appendix-3 of Section-I, "an amount of Rs.2 million for any one accident or series of accidents arising out of one accident with number of accidents unlimited".

During audit of NTDC, while the stringing activities were underway at tower location 4 to 21 by the Contractor M/s TBEA, children playing nearby took hold of the bull wire and fell down to earth at some height at tower location no.17(M-D) Section on April 21, 2018. This fatal accident claimed the precious lives of two innocent children at the spot leaving third one seriously injured. This accident at construction site was sufficiently evident that the contractor did not make security and safety arrangements including appointment of an Accident Prevention Officer at site as provided in contract agreement. This was also a serious lapse on the part of the employer and consultant for not getting the contractual obligations fulfilled from the contractor even no inquiry was conducted for fixing responsibility. The invoking of third party insurance clauses were also not forthcoming from record to get the bereaved families obtained compensation.

Non-adherence to the safety Clauses of the Contract resulted in loss of precious innocent lives of children during construction of transmission line by the contractor up to the Financial Year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that the unfortunate incident occurred despite taking all the safety measures. M/s TBEA compensated the affected families and borne all the funeral as well as treatment expenses of the victims. Furthermore, no complaint from the victoms' families was reported to the concerned authorities as the incident didn't occur due to negligence of the contractor / supervisory staff. Audit contended that the contractor failed to maintain security arrangements as required under the provisions of contract agreement and not even a formal inquiry was conducted.

The DAC in its meeting held on April 12, 2021 did not agree with the reply and directed the management to provide detailed / revised reply. The DAC in its meeting held on December 18 & 19, 2023 upheld the earlier decision. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to inquire the matter regarding loss of lives of children due to non-observance of safety measures by the contractor and non-fulfilling the due obligation by the consultants in overseeing the contractor's performance. Further, family of the victims might be indemnified as per the NEPRA's directives.

(Draft Para No.1124/2023-24)

1.13.32 Non-production of record

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

During audit of GEPCO, GENCO-II and SEPCO, despite serving of requisition of record, verbal requests, personal visits and a chain of correspondence exchanged with quarter concerned, the record was not produced to audit which hampered the working of audit in order to discharge its statutory functions. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	PESCO	727/2023-24	-
2.	GENCO-II	914/2023-24	-
3.	NTDC	1315/2023-24	-
		TOTAL	-

(Source: Requistion of record)

Non-adherence to the clauses of Auditor-General of Pakistan Ordinance 2001 resulted in non-production of record up to the financial year 2022-23.

The matter was taken up with the management during September to October, 2023 and reported to the Ministry during November and December, 2023. The management of PESCO replied that the record required by audit was already in custody for special audit in the office of Internal Audit PESCO, as and when the same released from Internal Audit the record would be produced to Audit. The management of GENCO-II replied that the record had already been provided to audit. The management of NTDC replied that PMU NTDC after providing its record, requested the audit to collect other auditable record from concerned formations. Audit contended that no record was provided.

The DAC in its meetings held on April 12, 2021 and December 14-23, 2023 directed the management of PESCO and NTDC to submit revised reply within 15 days and directed the management of GENCO-II to fix the responsibility against the Company Secretary within 15 days. No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC’s decision besides fixing responsibility.

1.13.33 Irregular appointment of Chairman Board of Directors NTDC

According to SOE Act 2023, Chapter-5 Clause 11, “the following persons shall not be appointed or continue to hold office as an independent director: (g) a person who is in the service of Pakistan; (j) an employee of a state-owned enterprise".

During audit of NTDC, the appointment of Mr. Khalid Ishaq (Chairman BOD) was made while being Senate member of the "Pakistan Institute of Fashion & Design" (a Public Sector department within the Ministry of Federal Education and Professional Training). He was also serving as Advocate General of Punjab. Audit was of the view that according the provisions of SOE Act 2023, Mr. Khalid Ishaq was not qualified for appointment as independent director.

Non-adherence to the provisions of SEO Act 2023 resulted in irregular appointment of Chairman Board of Directors NTDC during the Financial Year 2022-23.

The matter was taken up with the management in November, 2023 and reported to the Ministry in November, 2023. The management replied that Mr. Khalid Ishaq was appointed as Chairman Board of Directors NTDC with the approval of Federal Government. Mr. Khalid Ishaq was not serving as Advocate General of Punjab at the time his appointment as Chairman Board of Directors NTDC. Moreover, he was also not considered employee of Public Sector department within the Ministry of Federal Education and Professional Training) being Senate member of the "Pakistan Institute of Fashion & Design" at the time of his appointment as Chairman BoD NTDC. However, that Mr. Khalid Ishaq, had already tendered his resignation as Chairman Board, NTDC.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the stance verified with documentary evidence within 30 days. No further progress was intimated till the finalization of report.

Audit recommends the implementation of DAC's decision.

(Draft Para No.829/2023-24)

1.13.34 Irregular promotion of NTDC officer on Deputation with PEPCO

According to ESTA Code SL-No. 8, "Government servant on deputation retains a lien on the permanent post in his parent office, he is ordinarily governed by the rules of the lending Government in matters of pay, leave, pension, etc., and continues to be under the rule-making control of the lending Government which has a right to recall him. The lending Government accordingly has a right to determine in consultation with the borrowing Government the terms of his employment under the latter, and these terms should not be varied by the borrowing Government without consulting the lending Government".

During audit of NTDC, the officers remained on deputation with PEPCO and after completion of deputation period repatriated to NTDC, it transpired that these officers had gone on deputation in lower scales and got promoted in higher scales by the borrowing department and repatriated to parent department in higher scales. Promotion of deputationist by the borrowing department was against the deputation policy, rules and terms of deputation which needs justification.

Non-adherence to the provisions of deputation policy resulted in irregular promotion of NTDC officer on deputation with PEPCO during the Financial Year 2022-23.

The matter was taken up with the management in November, 2023 and reported to the Ministry in December, 2023. The management replied that the PEPCO was exercising the mandate of promotion/time scale upgradation in respect of officers on deputation (BPS-18 & above) on behalf of their parent companies i.e. DISCOs/ GENCOs /NTDC. And it is admissible to the employees from the date of their eligibility and the arears are to be paid by the borrowing companies (if any). In the instant case, the borrowing company i.e. PEPCO granted upgradation to the officers at Sr. No. 1, 2 & 4 after fulfilling the pre-requisite criteria as per prevailing policy.

Moreover, it is added that the officer at Sr. 6 i.e. Mr. Sohail Babar was allocated to NTDC from GENCO vide dated April 09, 2012 (Annex-A). The time scale upgradation right from BPS-18 to BPS- 19 in respect of the said officer was accrued w.e.f. November 15, 2011 during his stay in GENCO, therefore, the said company granted the Time Scale Upgradation to the officer with retrospective date i.e. November 15, 2011 vide office order dated July 04, 2012 (Annex-B) as par prevailing policy.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to inquire the matter and submit report within 30 days. No further progress was intimated till the finalization of report.

Audit recommends the implementation of DAC's decision.

(Draft Para No. 982/2023-24)

CHAPTER-2

INTRODUCTION OF ENTITIES AND COMMENTS ON FINANCIAL STATEMENTS

2.1 POWER PLANNING & MONITORING COMPANY (PPMC)

2.1.1 Introduction

Power Planning and Monitoring Company (PPMC) was established for implementation of the Strategic Plan of Power Division. In its defined role, PPMC is responsible for assisting the Power Division, Ministry of Energy, Government of Pakistan in effectively monitoring and oversight of the Distribution Companies (DISCOs) in the following areas:

- Performance monitoring according to specified Key Performance Indicators (KPIs).
- Monitoring & Evaluation of financial performance.
- Monitoring of revenue and commercial operation.
- Effective HR control to boost up efficiency (not limited to promotions on the basis of integrated seniorities of BPS-18 and above officers and inter-Company transfers but include other HR matters).
- Surveillance & Investigation & Federal Complaint Cell
- Timely and uniform implementation of emerging technologies like AMI, Smart Grids, etc.
- Performance-based career progression to replace the present seniority basis system to promote and retain high-quality HR and weeding out non-performers
- Standardization of benchmarks across the Companies like financial, management, technical, and HR
- Capacity building of the Companies to cater to future challenges
- Uniform implementation of Government policies and programs
- Evolve the corporate governance structures to ensure compliance with applicable laws/rules.

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2022-23 (Rs.in million)	Expenditure audited FY 2022-23 (Rs.in million)	Revenue / Receipts FY 2022-23 (Rs.in million)
1.	Formations	01	01	522.41	184.99	0
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	N/A	N/A
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	Nil	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.1.2 Comments on Financial Statements

2.1.2.1 Financial Overview

As per audited financial statements for the FY ended on June 30, 2023, the company earned a profit of Rs.327.124 million which was NiL last year. During the current FY 2022-23, the company earned an amount of Rs.880.138 million on account of Management Fee, Inspection Fee and Other Income which is total Revenue for the Company. Out of this generated fund, Company had a short-term investment of Rs.500 million in the FY ended on June 30, 2023. However, bank balance of the Company decreased from Rs.988.234 million in the financial year 2021-22 to Rs.392.403 million as on June 30, 22023 registering a decrease of 41.72%%.

2.1.3 Extract of the financial statement Statement of Financial Position as on June 30, 2023

	2022-23 (Rs)	(%)	2021-22 (Rs)	(%)
Assets				
Non-current Assets				
Property and equipment	11,576,072	1.23%	10,747,490	1.01%
Right of Use Assets	21,330,094	2.27%	39,613,032	3.73%
	32,906,166		50,360,522	
CURRENT ASSETS				
Loans, deposits, advances and other receivables	13,706,717	1.46%	20,114,891	1.90%
Short term Investments	500,000,000	53.16%	-	0.00%
Accrued profit on bank deposits & investments	1,570,671	0.17%	2,689,510	0.25%

Bank balances	392,403,123	41.72%	988,234,883	93.11%
	907,680,511	96.50%	1,011,039,284	95.26%
TOTAL ASSETS	940,586,677		1,061,399,806	
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized share capital	100,000,000		100,000,000	
Issued, subscribed and paid-up capital	7,100,050	0.75%	7,100,050	0.67%
Unappropriated profit	327,124,961	34.41%		0.00%
	334,225,011	35.16%	7,100,050	0.67%
NON-CURRENT LIABILITIES				
Lease liabilities	5,676,321	0.60%	24,230,475	2.28%
CURRENT LIABILITIES				
Trade and other payables	467,554,129	49.19%	1,007,913,239	94.96%
Lease liabilities	18,554,152	1.95%	17,219,221	1.62%
Provision for taxation-net	124,577,064	13.11%	4,936,821	0.47%
	610,685,345	64.24%	1,030,069,281	97.05%
TOTAL EQUITY AND LIABILITIES	950,586,677		1,061,399,806	

2.1.4 Statement of Profit and Loss Account For the year ended on June 30, 2023

	2022-23 (Rs)	**(%)**	**2021-22 (Rs)**	**(%)**
Management fee	209,988,970		27,663,784	
Inspection fee	495,535,688		476,153,519	
Other income	174,613,875		31,058,467	
	880,138,533	100%	534,875,770	100%
Operating expenses	422,861,833	48%	524,137,454	98%
Finance cost	2,456,456	0.28%	3,181,056	0.59%
	425,318,289		527,318,510	
Profit for the year before taxation	454,820,244	51.68%	7,557,260	1.41%
Provision for taxation	127,695,283		7,557,260	
Profit for the year	327,124,961		-	
Other comprehensive income	-			
Total comprehensive income for the year	327,124,961	37.17%	-	0.00%

(Source: Audited Financial Statement of PPMC Financial Year 2022-23

2.1.5 Comments on Audited Accounts:

i) Profitability / Loss of the Company

During the Financial Year ended on June 30, 2023, PPMC earned a Profit of Rs.327.124 million which is 37.17% of the total Revenue earned by the company. Out of the total Revenue earned, company had an Operating Expense of Rs.422.861 million which is 48% of the Revenue. There was a nominal Finance Cost of Rs.2.4 million, which is 0.28% of the total Revenue. These two Expenses stand at Rs.425.318 million which are 48.32% of the Revenue, and make Earnings before Interest and Taxes of Rs.454.820 million which is 51.68% of the Revenue.

ii) Sale and Cost of Sale

Total Revenue generation for the FY 2022-23 is Rs.880.138 million, which was Rs.534.875 million in the previous year. In the current FY 2022-23, company improved its total earning by 345.262 million registering an increase of 64.55%.This Revenue in FY 2022-23 comprises of Management Fee of Rs.209.988 million (2022, Rs.27.663 million), Inspection Fee of Rs.495.535 million (2022, Rs.476.153 million) and Other Income of Rs.174.613 million (2022, Rs.31.058 million).

iii) Trade Debts and other Receivables

Company had Loans, Deposits, Advances and other Receivables of Rs.13.706 million in FY ended on June 30, 2023 which was Rs.20.114 million in the last year. These receivables mainly comprise of Loans and Advances to employees amounting to Rs.5.025 million, in the previous year 2022 this amount was Rs.11.484 million. Another constituent of Loans and Deposits is other Receivables of Rs.7.092 million which are receivables from WAPDA and GHCL, this amount was same in the previous year. Company also had a receivable of Rs.11.570 million on account of accrued Profit on bank Deposits and Investments in the FY 2022-23, which was Rs.2.689 million in the previous year 2021-22. Company should adopt long-term consistent measures to ensure timely recovery of these long outstanding receivables from related parties.

iv) Trade and other Payables

Trade and other Payables of the company reduced to Rs.467.554 million in the Financial Year ended on June 30, 2023 from Rs.1,007.913 million in the previous year. Out of this Rs.467.554 million, an amount of Rs.452.101 million was payable to CPPA-G.

v) Operating Expenses

The Operating Expenses of the company were reduced from Rs.524.137 million to Rs.422.861 million in the Financial Year ended on June 30, 2023. Thus, there was decrease of Rs.101.275 million from the previous year. The reason for reduction in Operating Expenses is reduction in the amount of salaries and other benefits due to reduction in staff and reduction in rental expenses.

2.1.6 Classified Summary of Audit Observations

Audit observations amounting to Rs.3.45 million were raised in this audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Irregularities	
	A. HR/Employees related irregularities	3.45

2.2 FAISALABAD ELECTRIC SUPPLY COMPANY (FESCO)

2.2.1 Introduction

Faisalabad Electric Supply Company Limited (FESCO) started its operations as Public Limited Company during March, 1998 registered under Companies Ordinance, 1984 (now Companies Act, 2017). The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity to public within defined geographical boundaries. The Company purchases electricity from CPPA-G through NTDC system and sells it to various consumers within Faisalabad, Jhang, Toba Tek Singh, Chiniot, Sargodha, Mianwali, Khushab and Bhakkar districts.

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

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	budget FY 2022-23 (Rs.in million)	Expenditure FY 2022-23 (Rs.in million)	Revenue / Receipts audited FY2022-23 (Rs.in million)
1.	Formations	11	6	36,578.42	18,598.47	143,618.46
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities/ Autonomous Bodies-etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.2.2 Comments on Financial Statements

2.2.2.1 Financial Overview

As per the audited Financial Statements for the year 2022-23, the Company incurred loss of Rs.14,983.387 million at the year ended on 30th June, 2023. Loss of Rs.1,984.844 million for the Financial Year 2021-22 decreased due to increase in sale of electricity, registering 17% increase. Moreover, the net electricity sale increased from Rs.337,812.484 million in the Financial Year 2021-22 to Rs.377,787.368 million in the Financial Year 2022-23, registering 12% increase.

2.2.3 Extracts of the Financial Statements

Statement of Financial Position as at June 30, 2023

(Rs.in million)

	2022-23	%	2021-22	%	2020-21
Equity and Liabilities:					
Issued Subscribed and paid-up Capital	0.010	0%	0.010	0%	0.010
Accumulated Profit/(Loss)	- 96,762.693	25%	-77,474.996	21%	-63,938.061
Deposits for the issuance of shares	41,556.652	21%	34,478.691	120%	15,641.656
Surplus on revaluation of operating fixed assets	46,005.097	-2%	46,709.167	-2%	47,433.930
Total equity	- 9,200.934	-48%	3,712.872	-30%	-862.465
Non-current liabilities	**192,518.044**	**10%**	**174,709.967**	**14%**	**153,390.557**
Trade and other Payables	116,126.576	0%	116,269.492	6%	109,219.721
Accrued Mark up	5,231.508	20%	4,351.921	25%	3,472.334
Current portion of long-term loans	2,498.863	14%	2,182.701	21%	1,807.095
Provision for taxation	523.870	100%	605.160	0%	-
Current liabilities	**124,380.817**	**1%**	**123,409.274**	**8%**	**114,499.150**
Assets					
Non-current assets	**161,840.813**	**12%**	**144,105.246**	**8%**	**133,501.989**
Stores and spares	5,004.927	49%	3,366.237	4%	3,242.120
Trade debts	68,479.551	-17%	82,644.147	90%	43,549.856
loans and advances	374.237	412%	73.050	-5%	76.526
Other receivables	31,087.146	22%	25,535.189	51%	16,869.636
Balance with statutory authorities					
Sales tax receivable	8,095.458	-4%	8,425.645	4%	8,095.458
Income tax		0%		-00%	148.640
Receivabl from Govt of Pakistan	6,531.405	-6%	6,965.309	-79%	33,614.145
accrued Interest	870.546	251%	247.866	442%	45.718
Cash and Bank balances	25,413.844	-17%	30,469.424	9%	27,883.155
Current assets	**145,857.114**	**-8%**	**157,726.867**	**18%**	**133,525.254**

(Source: Audited Financial Statement of FESCO Financial Year 2022-23 – Riaz Ahmad & Co., Chartered Accountant)

2.2.4 Statement of Profit & Loss Account For the year ended on June 30, 2023

(Rs.in million)

	2022-23	%	2021-22	%	2020-21
Revenue					
Sales	326,543.079	17%	279,867.790	62%	172,602.299
Tariff Differential Subsidy	51,244.289	-12%	57,944.694	-2%	59,178.042
	377,787.368	**12%**	**337,812.484**	**46%**	**231,780.341**
Cost of Electricity	-360,599.528	14%	-316,040.275	64%	-193,010.195
Gross profit	**17,187.840**	**-21%**	**21,772.209**	**-44%**	**38,770.146**
Amortization of deferred Credit	2,206.905	14%	1,929.585	11%	1,746.106
	19,394.745	**-18%**	**23,701.794**	**-42%**	**40,516.252**
Distribution cost	-28,222.734	28%	-22,011.437	10%	-19,972.576
Administrative expenses	- 4,548.909	30%	-3,505.811	10%	-3,177.677
customer services cost	-6,217.751	142%	-2,574.507	10%	-2,340.465
	-38,989.394	39%	**-28,091.755**	10%	**-25,490.718**
Profit from operations	**-19,594.649**	**346%**	**-4,389.961**	**-129%**	**15,025.534**
other Income	9,354.458	53%	6,124.505	18%	5,196.569
Finance Cost	-882.418	88%	-470.355	-5%	-493.677
Profit before Taxation	**-11,122.609**	**-980%**	**1,264.189**	**-94%**	**19,728.426**
Taxation	-3,860.778	19%	-3,249.034	40%	-2,326.224
Profit after Taxation	**-14,983.387**	**655%**	**-1,984.845**	**-111%**	**17,402.202**

(Source: Audited Financial Statement of FESCO Financial Year 2022-23 – Riaz Ahmad & Co., Chartered Accountant)

2.2.5 Comments on Audited Accounts

i) Profitability

The Company suffered a net loss of Rs.14,983.387 million during the Financial Year 2022-23. However accumulated losses have reached to the tune of Rs.96,762.693 million resulting in net capital deficiency. As on June 30, 2023, the Company's current assets exceeded current liabilities by Rs.21,476.297 million. This condition indicated the Company's ability to continue as a going concern.

ii) Sales and Cost of Sales

The sales of the Company were Rs.377,787.368 million including the subsidy received from the Government of Pakistan for an amount of Rs.51,244.289 million and cost of sales of the Company stood at Rs.360,599.528 million which is 95% of the total the sales. This means that Company was unable to recover operating expenses for the year.

iii) Trade Debts and other Receivables

Total Receivables of the Company were Rs.106,472.339 million as on June 30, 2023. An amount of Rs.6,531.405 million was receivable from Government of Pakistan against tariff differential subsidy, Rs.68,479.551 million from various consumers, other receivables of Rs.31,087.146 million and Rs.374.237 million from employees and suppliers on account of loan and advances.

There was a decrease of trade debts amounting to Rs.14,164.60 million (Rs.82,644.147million – Rs.68,479.551 million) or 17% as compared with previous Financial Year. Huge pending receivables were a significant business sustainability risk for the Company and required long term rectification measures. Decrease in balance of receivables depicted good recovery efforts of the Company.

iv) Trade and other Payables

Payables of the Company decreased from Rs.116,269.492 million in the Financial Year 2021-22 to Rs.116,126.576 million in the Financial Year 2022-23. There is no significant change in payables as compared to previous year the same showed satisfactory financial management and better liquidity position of the Company. Prudent long-term actions are needed to stop the accumulation of payables and ensure steady reduction of pending payables in the future.

v) Non-Recognition of Debit Notes of Rs.13,694.27 million on account of mark up paid by CPPA-G

The External Auditors of FESCO during their certification audit exercise on FESCO’s accounts for the Financial Year 2022-23, highlighted that the Company had not given due disclosure of its liabilities towards CPPA-G as on June 30, 2023. The claims included supplementary charges, being the markup charged on CPPA-G by independent power producers on account of delayed payments aggregated to Rs.13,694.27 million. Had these charges been applied, it would have enhanced the expenditure and increase the current year loss to the stated extent. In order to avoid financial impediment in the Power Sector supply chain, it was necessary that difference between CPPA-G and FESCO was resolved timely.

vi) Operating Expenses

The Operatingexpenses of the Company increased from Rs.28,091.755 million during the Financial Year 2021-22 to Rs.38,989.394 million during the Financial Year 2022-23, registering an increase of Rs.10,897.639 million.

vii) Re-valuation of Company Assets

As per detail given at note 15 of the Financial Statements, date of valuation of land has not been stated in the statements. The total land-freehold of the entire company has been valued at Rs.31,246.169 million only. Under IFRS 16.31, re-valuation should be carried out regularly so that the carrying amount of assets does not differ materially from its fair value at the balance sheet date. The same apparently is not being done in the subject company.

2.2.6 Classified Summary of Audit Observations

Audit observations amounting to Rs.40,136.22 million were raised in this audit. The amount also includes recoveries of Rs.1,770.09 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification		Amount (Rs.in million)
1.	Reported cases of fraud, embezzlement, misappropriation and theft		33.80
2.	Irregularities		
	A.	HR/Employees related irregularities	168.75
	B.	Procurement related irregularities	8,012.82
	C.	Irregularities pertaining to violation of entity's own regulations / SOPs	11,144.19
	D.	Irregularities pertaining to violation of Regulatory Laws & Regulations	17,935.22
	E.	Power Sector receivables	861.98
	F.	Recoveries pointed out by Audit	1,770.09
3.	Others		209.37

2.3 GUJRANWALA ELECTRIC POWER COMPANY (GEPCO)

2.3.1 Introduction

Gujranwala Electric Power Company (GEPCO) is a subsidiary of PPMC. The Company started its operations as a Public Limited Company registered under Companies Ordinance 1984 (now Companies Act 2017) 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-G 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.

The detail of formations and expenditure audited was is under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2022-23 (Rs.in million)	Expenditure audited FY 2022-23 (Rs.in million)	Revenue / Receipts FY 2022-23 (Rs.in million)
1.	Formations	10	5	50,237.91	4,925.35	95,512.00
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.3.2 Comments on Financial Statements

2.3.2.1 Financial Overview

As per the audited financial statement for the year 2022-23, the Company remained in loss Rs.20,586 million at the year ended on June 30, 2022. However, this Loss was turned into Profit Rs.22,883 million as on June 30, 2023. However accumulated loss was to the tune of Rs.20,217 million as on June 30, 2023. Previously, accumulated loss was Rs.39,818 million as on June 30, 2022.

Moreover, the electricity sale was increased from 234,608 million to 305,022 million in the Financial Year 2022-23 which was 30% higher than the previous year 2021-22.

2.3.3 Extract of the Financial Statements
Statement of Financial Position as on June 30, 2023

(Rs.in million)

	2021-22	**% Increase / (Decrease)**	**2022-23**	**% Increase / (Decrease)**
ASSETS				
Non-current assets				
Property, Plant and Equipment	64,159	10.84	75,998	18.45
Long term loans	463	(27.44)	481	3.75
Total non-current assets	**64,622**	**10.43**	**76,479**	**18.35**
Current assets				
Stores and Spares	3,562	249.95	6,960	95.42
Trade debts	63,093	77.50	91,579	45.15
Loans and Advances	168	(43.32)	138	(17.77)
Tax refunds due from the Government of Pakistan	11,932	20.27	13,034	9.24
Receivables from the Government of Pakistan	30,491	(17.79)	23,614	(22.55)
Short term investments	8,640	10.79	10,133	17.28
Other receivables	5,678	(20.35)	6,404	12.79
Bank balances	9,700	47.01	8,772	(9.57)
Total current assets	**133,262**	**26.44**	**160,634**	**20.54**
TOTAL ASSETS	**197,885**	**20.72**	**237,113**	**19.82**
EQUITY AND LIABILITIES				
Equity and Reserves				
Share Capital				
Authorized Share Capital				
5,000,000,000 (2022: 5,000,000,000) ordinary shares of Rupees 10/- each	**50,000,000**		**50,000,000**	
Issued, Subscribed and Paid-up share capital				
Accumulated loss	**(39,818.99)**	**61.06**	**(20,217)**	**(49.23)**
Deposit for issuance of shares	**19,671**	**26.93**	**23,349**	**18.70**
Non-Current Liabilities				
Deferred credit	25,465	14.16	29,004	13.90
Long term financing	12,534	9.46	13,707	9.36
Deferred Liabilities	83,425	(0.60)	87,725	5.15

Long term security deposits	8,119	11.31	9,065	11.64
	129,543	**3.65**	**139,501**	**7.69**
Current liabilities				
Trade and other payables	82,587	93.01	88,080	6.65
Current portion of long-term financing	5,903	9.83	6,401	8.43
	88,490	**83.73**	**94,481**	**6.77**
TOTAL EQUITY AND LIABILITIES	**197,885**	**20.72**	**237,113**	**19.82**

2.3.4 Statement of Profit and Loss Account For the year ended on June 30, 2023

(Rs.in million)

	2021-22	**% Increase / (Decrease)**	**2022-23**	**% Increase / (Decrease)**
Revenue from contracts with customers	216,603	51.85	281,803	30.10
Subsidies from the Government of Pakistan	18,006	(20.55)	23,220	28.96
	234,609	**41.92**	**305,023**	**30.01**
Cost of electricity	(228,252)	57.95	(258,627)	13.31
Gross Profit	**6,357**	**(69.44)**	**46,395**	**629.84**
Amortization of deferred credit	1,241	11.68	1,417	14.20
	7,598	**(65.32)**	**47,813**	**529.28**
Operating costs	-		-	
Distribution expenses	(18,852)	15.94	(23,092)	22.49
Administrative expenses	(5,455)	(6.24)	(7,294)	33.71
	(24,307)	**10.10**	**(30,386)**	**25.01**
Operating Profit / (loss)	**(16,709)**	**9,897.84**	**17,427**	**(204.30)**
Other expenses	(5,396)	2,374.97	-	
Other income	3,689	8.09	8,076	118.93
	(18,416)	508.31	25,503	(238.48)
Finance cost	(1,626)	(202.75)	(1,682)	3.43
Profit/(loss) before taxation	**(20,042)**	**(1,487.07)**	**23,821**	**(218.85)**
Taxation	(544)	47.57	(937)	72.19
Profit/(loss) for the year	**(20,586)**	**1,813**	**22,884**	**11.16**

2.3.5 Comments on Audited Accounts

i) Profitability/Loss of the Company.

The company was remained loss of Rs.20,586 million during the year 2021-22. However, Company earned profit of Rs.22,884 million during the year 2022-23. The reason of the Profit was increased in the sale of electricity and recovery of subsidies from Government of Pakistan. However as on June 30, 2023, Company's current assets exceeded current liabilities by Rs.66,153 million.

ii) Sales and Cost of Sale

The sales of company were Rs.305,023 million including the subsidy received from the Government of Pakistan amounting to Rs.23,220 million and cost of sales of the company stood at Rs.258,627 million, which was 85% of the sale.

iii) Trade Debts and other Receivables

Major Receivables of the Company were Rs.134,769 million as on June 30,2023. This included an amount of Rs.23,614 million which was receivable from Government of Pakistan against Tariff Differential Subsidy. The trade debts stood at Rs.91,579 million, and Rs.13,034 million from tax authorities; however, other Receivables stood at Rs.6,404 million. Huge pending receivables were a significant business sustainability risk for the Company requiring long term rectification measures. Huge balance of receivables depicted poor recovery efforts of the Company, which needed justification.

iv) Trade and other Payables

Trade and other Payables of the company substantial increased from Rs.5,493 million in the Financial Year 2021-22 to Rs.88,080 million in the Financial Year 2022-23. The major amount of Rs.61,378 million was payable to CPPA-G on account of purchase of electricity. Payables towards CPPA-G are increased to Rs.4,097 million from the previous Financial Year indicating increase of 7%. Immediate short-term measures and prudent long-term action were needed to stop the accumulation of payables and ensure steady reduction of pending payables in the future.

v) Operating Expenses

The Operating Expenses of the company increased from Rs.24,307 million in FY2021-22 to Rs.30,385 million in FY 2022-23. Thus, there was an increase of Rs.6,078 million from the previous year 2021-22 which indicates increase of 25%. The reason of increase was in salaries and wages due to revision of pay scales and vehicle running and maintenance expenses etc.

2.3.6 Classified Summary of Audit Observations

Audit observations amounting to Rs.66,184.11 million were raised in this audit. The amount also includes recoveries of Rs.3,701.82 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification		Amount (Rs.in million)
1.	Reported cases of fraud, embezzlement, misappropriation and theft		186.88
2.	Irregularities		
	A.	HR/Employees related irregularities	93.23
	B.	Procurement related irregularities	2,099.04
	C.	Irregularities pertaining to violation of entity's own regulations / SOPs	15,275.60
	D.	Irregularities pertaining to violation of Regulatory Laws & Regulations	33,053.23
	E.	Power Sector receivables	10,322.77
	F.	Recoveries pointed out by Audit	3,701.82
3.	Value for money and service delivery issues		599.67
4.	Others		851.86

2.4 HYDERABAD ELECTRIC SUPPLY COMPANY (HESCO)

2.4.1 Introduction

Hyderabad Electric Supply Company (HESCO) is a subsidiary of PPMC. The Company started its operations as a Public Limited Company in July, 1998 and registered under Companies Ordinance 1984 (now Companies Act 2017) 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-G through NTDC system and sells it to various consumers in thirteen districts of Sindh Province.

The operational activities are performed through four (04) Operation Circles and Grid System Construction, Project Construction & Grid System Operation Circles.

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2022-23 (Rs.in million)	Expenditure audited FY 2022-23 (Rs.in million)	Revenue / Receipts FY 2022-23 (Rs.in million)
1.	Formations	09	03	23,526.74	1,842.04	0
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.4.2 Comments on Financial Statements

According to Section-223 of Companies Act 2017, "the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of Financial Year adopted by the company".

In HESCO, financial statements of the company for the Financial Year 2022-23 could not be finalized by the management up till December 31, 2023.

2.4.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.83,495.72 million were raised in this audit. The amount also includes recoveries of Rs.14.40 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification		Amount (Rs.in million)
1.	Reported cases of fraud, embezzlement, misappropriation and theft		1,564.56
2.	Irregularities		
	A.	HR/Employees related irregularities	25.41
	B.	Procurement related irregularities	338.19
	C.	Irregularities pertaining to violation of entity's own regulations / SOPs	4,027.30
	D.	Irregularities pertaining to violation of Regulatory Laws & Regulations	17,965.75
	E.	Power Sector receivables	54,288.27
	F.	Recoveries pointed out by Audit	14.40
3.	Others		5,271.85

2.5 ISLAMABAD ELECTRIC SUPPLY COMPANY (IESCO)

2.5.1 Introduction

Islamabad Electric Supply Company (IESCO) was registered as a public limited company under Companies’ Ordinance 1984 in 1998 to take over the assets, functions and responsibilities of the erstwhile Islamabad Area Electricity Board, which was then a division of WAPDA. IESCO falls in the category of public limited Company under the third schedule of Companies Act, 2017.

IESCO's core function is to supply, distribute and sell power (electricity) in the area from Attock to Jhelum, and from the river Indus to River Neelum in Kashmir.

The Company is owned by the Government of Pakistan, and the Administrative Ministry is the Ministry of Energy (Power Division). It obtained its distribution liscense from National Electric Power Regulatory Authority (NEPRA). It services 3.2 million consumers directly, but touches the lives of more than 25 million people living in the 6 districts.

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2022-23 (Rs.in million)	Expenditure audited FY 2022-23 (Rs.in million)	Revenue / Receipts FY 2022-23 (Rs.in million)
1.	Formations	12	04	51,730.70	15,922.68	18,608.00
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	02	02	4,293.594	4,293.594	Nil

2.5.2 Comments on Financial Statements

2.5.2.1 Financial Overview

As per audited financial statements for the year 2022-23, the company sustained a loss of Rs.666.706 million in FY 2022-23 which was Rs.16,392.90 million in the preceding year. During the FY 2022-23 this reduction in the loss was because of higher gross profit. In the FY 2022 gross profit was Rs.13,247.790 million which increased to Rs.34,059.80 million in the FY 2023. Accumulated loss was Rs.83,718.990 million in FY 2022 which slightly increased to Rs.92,301.799 million. Even though Company sustained a loss of Rs.666.706 million in FY 2023, but addition in accumulative loss was Rs.8,582.8 million; reimbursement benefits, related deferred income tax and incremental depreciation transferred from surplus on revaluation of operating fixed assets to accumulated loss added up in accumulative losses. There was 18.41% increase in the net sale of electricity (other than government subsidy) and 14.74% increase in gross revenue generated through sale of electricity and subsidy from the Government.

2.5.3 Extract of the Financial Statements
Statement of Financial Position as on June 30, 2023

(Rs.in million)

	20222-23	**(%)**	**2021-22**	**(%)**
Assets				
Non-current Assets				
Property, Plant and Equipment	177,635.16	52.52%	161,423.88	47.73%
Intangible Assets under Development	133.27	0.04%	114.03	0.03%
Long-term Loans	340.30	0.10%	332.71	0.10%
Deferred Income Tax	-			
	178,108.73	52.66%	161,870.62	47.86%
Stores, Spares and Loose Tools	1,462.73	0.43%	1,646.54	0.49%
Trade Debts	90,035.84	26.62%	127,215.23	37.61%
Loans and Advances	411.21	0.12%	517.40	0.15%
Receivable from Government of Pakistan	5,479.50	1.62%	5,734.48	1.70%
Security Deposits	95.40	0.03%	73.74	0.02%
Other Receivables	9,264.98	2.74%	11,584.20	3.43%
Sales Tax Receivables	30,729.19	9.09%	23,407.06	6.92%
Advance Income Tax	1,377.02	0.41%	1,312.86	0.39%
Short-term Investments	3,355.70	0.99%	-	0.00%
Cash and Bank Balances	17,830.01	5.27%	12,577.07	3.72%
	160,041.58	47.32%	184,068.58	54.42%
Non-current Assets held for Sale	65.89	0.02%	65.89	0.02%
	160,107.47	47.34%	184,134.47	54.44%
Total Assets	**338,216.20**	**100.00%**	**346,005.09**	**102.30%**

Equity and Liabilities				
Share Capital and Reserves				
Authorized Share Capital	50,000.00		50,000.00	
Issued, Subscribed and Paid up Share Capital	5,798.25	1.71%	5,798.25	1.71%
Accumulated Loss	(92,301.80)	-27.29%	- 83,718.99	-24.75%
Capital Reserves				
Deposit for Shares	44,386.76	13.12%	33,787.23	9.99%
Surplus on Revaluation of Operating Fixed Assets	71,299.00	21.08%	73,174.67	21.64%
	115,685.77	34.20%	106,961.90	31.63%
Total Reserves	**23,383.97**	**6.91%**	**23,242.91**	**6.87%**
Total Equity	**29,182.22**	**8.63%**	**29,041.16**	**8.59%**
Liabilities				
Non-Current Liabilities				
Long-Term Loans	8,463.42	2.50%	4,767.26	1.41%
Long-Term Security Deposits	9,288.14	2.75%	8,336.05	2.46%
Staff Retirement Benefits	61,346.51	18.14%	45,573.10	13.47%
Deferred Credit	35,900.41	10.61%	32,910.82	9.73%
	114,998.48	34.00%	91,587.23	27.08%
Current Liabilities				
Trade and Other Payables	178,964.91	52.91%	212,990.08	62.97%
Accrued Mark-up	10,368.75	3.07%	8,623.27	2.55%
Current Portion of Long-Term Loans	4,701.85	1.39%	3,963.36	1.17%
	194,035.52	57.37%	225,576.71	66.70%
Total Liabilities	**309,033.99**	**91.37%**	**317,163.93**	**93.78%**
Contingencies and Commitments	-			
Total Equity and Liabilities	**338,216.21**	**100.00%**	**346,205.09**	**102.36%**

2.5.4 Statement of Profit and Loss Account For the year ended on June 30, 2023

(Rs.in million)

	2022-23	**(%)**	**2021-22**	**(%)**
Sale of Electricity – Net	251,085.10	91.20%	212,051.66	88.37%
Subsidies from the Government	24,238.53	8.80%	27,900.05	11.63%
	275,323.63		239,951.72	
Cost of Electricity	241,263.83	87.63%	226,703.93	94.48%
Gross Profit	34,059.80	12.37%	13,247.79	5.52%
Amortization of Deferred Credit	1,987.71	0.72%	1,813.50	0.76%

	36,047.51		**15,061.29**	
Operating Expenses				
Administrative Expenses	7,084.97		7,918.26	
Distribution Cost	24,644.18		20,197.67	
Customer Services Cost	1,540.03		1,245.85	
	33,269.19	12.08%	29,361.78	12.24%
Profit / (Loss) From Operations	**2,778.33**	**1.01%**	**(14,300.49)**	**-5.96%**
Other income	6,103.66		3,074.86	
Finance Cost	2,359.19	0.86%	2,573.21	1.07%
Profit / (Loss) Before Taxation	**6,522.80**		**(13,798.84)**	
Taxation	(7,189.50)		(2,594.06)	
Loss After Taxation	**(666.71)**	**-0.24%**	**(16,392.90)**	**-6.83%**

2.5.5 Comments on Audited Accounts

i) Profitability / Loss of the Company

During the FY ended on 30 June 2022, IESCO sustained a loss of Rs.16,392.90 million which was 6.83% of the gross revenue, but in the subsequent year ended on June 30, 2023 company reduced its loss position both in percentage terms and in absolute value. During the current year, Company sustained of loss of Rs.666.71 million which is only 0.24% of the gross revenue. Company reduced its administrative cost to Rs.7,084.97 million in FY 2022-23 from Rs.7,918.26 million in the previous year. However, there was an addition of Rs.4,446.52 million in distribution cost in FY 2022-23 which are recorded as 24,644.18 million in the Financial Year ended on June 30, 2023.

ii) Sale and Cost of Sale

The sales of company were Rs.275,323.628 million including the subsidy received from Government of Pakistan amounting to Rs.24,238.529 million. However, cost of electricity stood at Rs.241,263.825 million which is 87.63% enabling the company to record a gross profit of Rs.34,059.80 million.

iii) Trade Debts and other Receivables

Major Receivables of the Company were Rs.90,035.84 million against trade debts as on June 30, 2023. This included an amount of Rs.31,691.746 million receivable from non-Government consumers and Rs.59,479.133 million receivables from Government consumers.

However, company also recorded an allowance for expected credit losses amounting to Rs.1,135.043 million in FY 2023. Company also recorded an amount of Rs.9,264.983 million on account of other receivables, which comprises on other companies of water and power sector. Receivables from Government of Pakistan stand at Rs.5,479.502 million at the end of June 30, 2023, out of this amount an amount of Rs.1,751.185 million is against Tariff Differential Subsidy, balancing amount is receivable on account of other subsidy packages announced by the Government of Pakistan from time to time. Company should adopt long-term consistent measures to ensure timely recovery of these long outstanding receivables.

iv) Trade and other Payables

Trade and other Payables of the company have been reduced to Rs.178,964.91 million in the Financial Year ended on June 30, 2023 from Rs.212,990.08 million in the previous year. Out of this 178,964.91 million, amount of Rs.107,331.583 million is payable to CPPA-G on account of purchase of electricity. Even though there is a decreasing trend in the amount payable to CPPA-G, company should adopt an immediate prudent measures to stop the accumulation of payables and ensure steady reduction of pending payables in future.

v) Operating Expenses

The Operating Expenses of the company were increased from Rs.29,361.78 million to Rs.33,269.19 million in the Financial Year ended on June 30, 2023. Thus, there was an increase of Rs.3,907.41 million from the previous year. The reason of increase was revision of salaries and wages, and inflation impact on other items.

2.5.6 Classified Summary of Audit Observations

Audit observations amounting to Rs.3,252.52 million were raised in this audit. The amount also includes recoveries of Rs.138.72 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification		Amount (Rs.in million)
1.	Reported cases of fraud, embezzlement, misappropriation and theft		18.31
2.	Irregularities		
	A.	Procurement related irregularities	542.88
	B.	Irregularities pertaining to violation of entity's own regulations / SOPs	1,911.45
	C.	Irregularities pertaining to violation of Regulatory Laws & Regulations	38.64
	D.	Power Sector receivables	216.87
	E.	Recoveries pointed out by Audit	138.72
3.	Others		385.65

2.6 LAHORE ELECTRIC SUPPLY COMPANY (LESCO)

2.6.1 Introduction

Lahore Electric Supply Company (LESCO) started its operations as a Public Limited Company registered in July, 1998 under Companies Ordinance 1984 (now Companies Act 2017). 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-G through NTDC system and sells it to various consumers within Kasur, Lahore, Okara, Nankana Sahib and Sheikhupura Districts.

The operational activities are performed throughnine Operation Circles, and Grid System Construction, Project Dirctor Construction & Grid System Operation Circles. The detail of formations and expenditure audited is as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2022-23 (Rs.in million)	Expenditure audited FY 2022-23 (Rs.in million)	Revenue / Receipts FY 2022-23 (Rs.in million)
1.	Formations	15	06	71,255.96	5,515.70	42,038.00
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	01	01	43.897	43.897	Nil

2.6.2 Comments on Financial Statements

According to Section-223 of Companies Act 2017, “the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of Financial Year adopted by the company”.

In LESCO, financial statements of the company for the Financial Year 2022-23 could not be finalized by the management up till December 31, 2023.

2.6.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.110,282.52 million were raised in this audit. The amount also includes recoveries of Rs.822.78 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification		Amount (Rs.in million)
1.	Reported cases of fraud, embezzlement, misappropriation and theft		162.11
2.	Irregularities		
	A.	Procurement related irregularities	3,628.10
	B.	Irregularities pertaining to violation of entity's own regulations / SOPs	52,036.24
	C.	Irregularities pertaining to violation of Regulatory Laws & Regulations	17,466.59
	D.	Power Sector receivables	36,139.08
	E.	Recoveries pointed out by Audit	822.78
3.	Value for money and service delivery issues		27.62

2.7 MULTAN ELECTRIC POWER COMPANY (MEPCO)

2.7.1 Introduction

Multan Electric Power Company Limited (MEPCO), registered under Companies Ordinance, 1984, started its operations as a Public Limited Company in May, 1998. The registered office of the Company is situated in Multan (Punjab).

The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The jurisdiction of MEPCO includes nine Operation Circles, one Project Director Construction Circle, one Grid System Construction Circle and two Grid System Operation Circles. The Company had obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The mission of MEPCO is to provide un-interrupted electric supply and quality service to all customers at the minimum possible cost. The Company purchases electricity from NTDC on 220 kV Grid Station Vehari, Kassowal, Yousaf Wala, Garanund Road Faisal Abad, NGPS Perian Ghaib, Kot Addu Power Company, Muzzafargarh Power House and Guddu Power House, and sells it to the consumers of Multan, Sahiwal, Khanewal, Vehari, Bahawal Pur, Lodhran, Bahawal Nagar, Pakpattan, Rahim Yar Khan, D.G Khan, Rajan Pur, Layyah and Muzzafar Garh districts.

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2022-23 (Rs.in million)	Expenditure audited FY 2022-23 (Rs.in million)	Revenue / Receipts FY 2022-23 (Rs.in million)
1.	Formations	16	05	33,386.62	4,472.01	62,904.62
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.7.2 Comments on Financial Statements

2.7.2.1 Financial Overview

Brief on the Opinion (Qualification/Emphasis of Matter):

M/S Yousaf Adil, Chartered Accountant Firm given opinion about true and fair presentation of the state of the Company's affairs as on June 30, 2023 comprising the Statement of financial position as on 30 June, 2023, Statement of Profit and loss, other comprehensive income, the changes in equity and its cash flows thereof conform with the accounting and reporting standards as applicable in Pakistan.

a) **Non-recognition of Debit Note of Rs.46,408.338 million on account of mark up paid by CPPA-G**

The company has received various invoices from CPPA representing late payment charges being the share of the Company in the markup charged to CPPA by IPPs on account of delayed payments. MEPCO has not recognized the impact of debit notes issued by Central Power Purchasing Agency (Guarantee) Limited (CPPA) for Supplementary Charges aggregating to Rs.46,408.338 million.

b) **Matter of Tax Contingencies**

Tax contingencies which cannot be presently determined, hence, no provision for the same has been made in the financial statements.

c) **Overview on the Profit & Loss Account Statement and Accumulated Losses**

As per the audited Financial Statements of MEPCO for the Financial Year 2022-23, Company sustained loss of Rs.23,373 million at the year ended on June 30, 2023, reflecting poor management and week controls to functionalize its operations. The trend of loss is on increasing side as Company sustained loss of Rs.22,814 million during the Financial Year 2021-22 too. In addition to this, the accumulated loss given in Financial Statements has also increased from 147,180 million to 190,836 million registering 29.661% increase, putting a question mark upon performance of BOD and management of the Company.

2.7.3 Extracts of the Financial Statements
Statement of Financial Position as on June 30, 2023

	2022-23 (Rs)	% Increase / (Decrease)	2021-22 (Rs) *Restated*
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
5,000,000,000 (2020: 5,000,000,000) ordinary shares of Rupees 10 each	50,000,000,000		50,000,000,000
Issued, subscribed and paid up share capital	10,823,636,048	0.00	10,823,636,048
Deposit for shares	61,508,552,556	109.66	49,639,659,930
Accumulated loss	(190,836,566,413)	-87.95	(147,180,135,100)
Total equity	(118,504,377,809)	21.60	(86,716,839,122)
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	5,751,926,806	-13.29	6,633,766,788
Staff retirement benefits	137,742,128,574	437.84	108,696,744,299
Long term security deposits	13,593,750,786	1.05	12,453,362,239
Receipt against deposit works	38,552,737,052	36.92	33,955,076,491
Deferred credit	69,557,824,169	11.71	65,581,575,650
	265,198,367,387	57.76	227,320,525,468
CURRENT LIABILITIES			
Trade and other payables	168,917,291,956	-12.17	192,312,653,012
Accrued markup	10,286,735,913	0.55	9,225,118,719
Current maturity of long term financing	8,447,137,700	9.36	7,583,631,043
Provision for taxation	9,796,494,492	12.36	8,859,434,993
	197,447,660,061	-231.77	217,980,837,766
TOTAL LIABILITIES	**462,646,027,448**	7.96	**445,301,363,234**
CONTINGENCIES AND COMMITMENTS	-	0.00	-
TOTAL EQUITY AND LIABILITIES	**344,141,649,638**	-4.03	**358,584,524,113**
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	139,984,141,285	8.17	129,412,958,632
Intangible assets	-	0.00	-
Long term advances	203,673,368	69.12	120,430,533
Long term deposits	49,185	0.00	49,185
TOTAL NON-CURRENT ASSETS	**140,187,863,837**	**8.23**	**129,533,438,350**
CURRENT ASSETS			
Stores and spare parts	8,463,443,060	-3.59	8,778,303,293
Trade debts	65,069,311,455	-31.08	94,417,538,728
Loans and advances	318,842,399	9.73	290,561,168
Other receivables	78,334,213,862	2.04	76,767,309,645
Advance Income Tax	7,757,132,820	146.80	3,143,055,837

Sales tax receivables	5,858,872,823	-20.04	7,327,081,624
Accrued interest	295,721,200	174.96	107,552,341
Short term investment- amortized cost	13,100,000,000	-52.36	27,500,000,000
Bank balances	24,756,248,184	130.94	10,719,683,127
	203,953,785,802	-10.96	229,051,085,763
TOTAL ASSETS	**344,141,649,639**	**-4.03**	**358,584,524,113**

2.7.4 Statement of Profit & Loss For the year ended on June 30, 2023

	2022-23	**% Increase / (Decrease)**	**2021-22**
			Restated
Sale of electricity	372,963,168,220	7.84	345,843,911,414
Tariff Differential Subsidies	77,811,456,859	10.71	70,283,937,519
	450,774,625,079	8.33	416,127,848,933
Cost of electricity	(438,573,956,481)	7.78	(406,934,603,535)
Gross profit	12,200,668,598	32.71	9,193,245,398
Amortization of deferred credit	3,660,012,645	8.72	3,366,498,166
	15,860,681,243	26.28	12,559,743,564
Distribution cost excluding Depreciation	(37,109,250,997)	45.20	(25,557,972,938)
Customer service cost	(5,020,542,839)	18.42	(4,239,627,641)
Depreciation on Operating Fixed Assets	(6,182,414,130)	8.42	(5,702,236,440)
Allowance for expected credit loss	(5,903,781,369)	1303.84	(420,545,586)
	(54,215,989,334)	50.93	(35,920,382,605)
Profit/loss from Operations	(38,355,308,092)	64.19	(23,360,639,041)
Other Income	16,983,603,455	147.13	6,872,303,585
Finance Cost	(1,064,361,559)	(46.74)	(1,998,538,246)
Loss before taxation	(22,436,066,196)	21.36	(18,486,873,702)
Taxation	(937,059,499)	(78.35)	(4,327,557,090)
Loss for the year	**(23,373,125,695)**	2.45	**(22,814,430,792)**

2.7.5 Comments on Audited Financial Statements Report:

i) Profitability/Loss of the Company

As per the audited Financial Statements for the year 2022-23, Company sustained loss of Rs.23,373 million at the year ended on June 30, 2023. The trend of loss is on increasing side as Company sustained loss of Rs.22,814 million during the Financial Year 2021-22 too. In addition to this, the accumulated loss given in Financial Statement has also increased from 147,180 million to 190,836 million registering 29.661% increase, putting a question mark upon performance of BOD and management. However, as on June 30, 2023 the Company's current assets exceeded current liabilities by Rs.6,506 million indicating positive trend.

ii) Sales and Cost of Sale

As per Statement of Profit or Loss for the year ended on June 30, 2023, the sales of the Company were Rs.450,774 million including the subsidy received from Government of Pakistan for an amount of Rs.77,811 million and cost of sales of the company stood at Rs.438,573 million and Company earned Gross Profit of Rs.12,200 million.

iii) Matter of Tax Contingencies

The ultimate outcome of various matters regarding tax contingencies which cannot be presently determined, hence, no provision for the same has been made in the financial statements.

iv) Non-charging of fuel price adjustment to consumers

The fuel price adjustment amounting to Rs.3,261.50 million which was to be charged to the consumers in the month of August and September, 2020 remained unbilled to the consumers. During the year, the Company has recognized provision against this receivable balance.

v) Trade Debts and other Receivables

As per Statement of Financial Position on June 30, 2023, trade debts of the Company were 94,417 million during the FY 2021-22 which decreased to Rs.65,069 million during FY 2022-23. Trade debts include FPA for the period from November 2019 to June 2020 amounting to Rs.3,261.50 million which was to be charged to the consumers in the month of August and September 2020. However, the above balance remained unbilled to the consumers till the year end (note 20.4). Other receivables include major amount of Rs.64,390 million as tariff differential subsidy from GOP (note 22.4) and amount due from other associated companies/undertakings is Rs.6,855 million (note 22.1).

vi) Trade and other Payables

As per Statement of Financial Position on June 30, 2023; Payables of the Company were 168,917 million. The major amount of Rs.150,769 million (note 12.1) was due to associated companies including CPPA, NTDC and other distribution companies

vii) Non-recognition of Debit Note of Rs.46,408.338 million on account of markup paid by CPPA-G

The company has not recognized the impact of debit notes issued by the major creditor Central Power Purchasing Agency (Guarantee) Limited (CPPA) for Supplementary Charges, being the mark-up charged on CPPA by Independent Power Producers (IPPs) on account of delayed payments, aggregating to Rs.46,408.338 million.

2.7.6 Classified Summary of Audit Observations

Audit observations amounting to Rs.13,895.84 million were raised in this audit. The amount also includes recoveries of Rs.715.74 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification		Amount (Rs.in million)
1.	Reported cases of fraud, embezzlement, misappropriation and theft		143.64
2.	Irregularities		
	A.	HR/Employees related irregularities	24.28
	B.	Procurement related irregularities	627.51
	C.	Irregularities pertaining to violation of entity's own regulations / SOPs	6,819.78
	D.	Irregularities pertaining to violation of Regulatory Laws & Regulations	4,629.01
	E.	Power Sector receivables	720.21
	F.	Recoveries pointed out by Audit	715.74
3.	Value for money and service delivery issues		32.85
4.	Others		182.83

2.8 PESHAWAR ELECTRIC SUPPLY COMPANY (PESCO)

2.8.1 Introduction

Peshawar Electric Supply Company Limited (PESCO) is a subsidiary of PPMC and started its operation in May 1998 as a public limited Company, registered under Companies Ordinance, 1984. The Company has obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The Company purchases electricity from NTDC. The Company sells electricity to whole area of Khyber Pukhtunkhwa (KPK). However, the business of FATA circle, which consists of tribal areas of KPK, was transferred to Tribal Electric Supply Company Limited (TESCO). PESCO receives supply from NTDC on 220 kV Grid Stations at Daud Khel, Domail, Mardan and 500 kV 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, and Kurram Garhi Power House.

The jurisdiction of PESCO includes Nine Operation Circles, one Project Director Construction Circle, one Grid System Construction Circle and one Grid System Operation circle.

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2022-23 (Rs.in million)	Expenditure audited FY 2022-23 (Rs.in million)	Revenue / Receipts FY 2022-23 (Rs.in million)
1.	Formations	14	05	29,144.09	4,386.87	21,016.50
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.8.2 Comments on Financial Statements

2.8.2.1 Financial Overview

As per the audited Financial Statements for the FY 2022-23, the company remained in loss at the year ended on June 30, 2023. However, the loss decreased from Rs.102,128 million in the FY 2021-22 to Rs.80,594 million in the FY 2022-23, registering -21.08% decrease. Moreover, the net electricity sale increased from Rs.171,781 million in the FY 2021-22 to Rs.240,223 million in the FY 2022-23, registering 39.84% increase.

2.8.3 Extracts of the Financial Statements

Statement of Financial Position as on June 30, 2023

(Rs.in million)

	2022-23	%Incr / (dec)	2021-2022	%Incr / (dec)	2020-21
EQUITY AND LIABILITIES					
Issued, subscribed and paid up share capital	0.010	-	0.010	-	0.010
Deposits for issue of share capital	130,867.729	40.94	92,855.405	360.22	20,176.265
Accumulated losses	(548,912.628)	21.38	(452,222.342)	36.50	(331,304.485)
TOTAL EQUITY	**(418,044.889)**	16.33	**(359,366.927)**	15.50	**(311,128.209)**
Non-current liabilities					
Liabilities against government investment	50,187.190	-	50,187.190	-	50,187.190
Long term loans - secured	8,061.125	2.46	7,867.513	20.02	6,555.331
Staff retirement benefits	148,528.485	17.49	126,421.112	22.26	103,404.479
Deferred credit	43,715.377	11.46	39,221.981	11.90	35,052.285
Consumers' security deposits	6,793.520	8.51	6,260.817	12.89	5,546.067
Total non-current Liabilities	**257,285.696**	11.88	**229,958.612**	14.55	**200,745.352**
Current liabilities	-				-
Trade and other payables	512,133.193	10.69	462,689.582	6.55	434,248.163
Accrued markup	3,791.063	19.26	3,178.874	28.06	2,482.412
Current maturity of long term loans	3,556.619	65.96	2,143.076	15.07	1,862.382
Provision for taxation	3,145.518	39.32	2,257.809	5.51	2,139.934
Total Current Liabilities	522,626.392	11.13	470,269.341	6.70	440,732.891
TOTAL LIABILITIES	779,912.088	11.38	700,227.953	9.16	641,478.243
	361,867.199	**6.16**	**340,861.026**	**3.18**	**330,350.033**
A S S E T S					
Non-current assets					
Property, plant and equipment	116,012.851	13.83	101,917.287	18.98	85,661.994
Long term loans - considered good	0.709	(60.28)	1.786	(78.21)	8.198
Total	**116,013.561**	**13.83**	**101,919.073**	**18.97**	**85,670.192**
Current assets					
Stores, spare parts and loose tools	11,247.241	17.40	9,580.114	95.76	4,893.824
Trade debts	97,620.338	23.61	78,977.482	12.11	70,447.801
Loans and advances - considered good	3,732.289	49.52	2,496.251	11.54	2,238.055

Other receivables	96,905.868	1.22	95,734.895	6.47	89,920.320
Receivable from government of Pakistan (Ministry of Finance)	26,091.064	(39.18)	42,901.199	(32.66)	63,704.245
Cash and bank balances	10,256.839	10.86	9,252.012	(31.34)	13,475.596
Total	245,853.639	2.89	238,941.953	(2.35)	244,679.841
	361,867.199	**6.16**	**340,861.026**	**3.18**	**330,350.033**

2.8.4 Statement of Profit & Loss Account For the year ended on June 30, 2023

(Rs.in million)

	2022-23	**% Inc/ (dec)**	**2021-22**	**% Inc/(dec)**	**2020-21**
Sale of electricity	240,223.817	39.84	171,781.727	28.54	133,645.193
Subsidy from Government of Pakistan on sale of electricity	39,271.581	(23.58)	51,390.432	(16.87)	61,816.101
	279,495.398	**25.24**	**223,172.159**	**14.18**	**195,461.293**
Cost of electricity	(322,563.824)	10.16	(292,802.592)	55.53	(188,257.613)
Gross (loss) / profit	(43,068.427)	(38.15)	(69,630.433)	(1,066.60)	7,203.680
Amortization of deferred credit	2,308.965	11.50	2,070.882	11.79	1,852.462
	(40,759.462)	(39.67)	(67,559.551)	(846.01)	9,056.142
Operating cost					
Other operating cost excluding depreciation	(41,579.991)	20.64	(34,465.917)	3.09	(33,434.059)
Depreciation on property, plant and equipment	(4,210.463)	13.51	(3,709.338)	12.55	(3,295.859)
	(45,790.454)	19.95	(38,175.255)	3.94	(36,729.918)
Operating loss	(86,549.916)	(18.14)	(105,734.806)	282.08	(27,673.776)
Other income					
Rental and service income	52.486	7.33	48.903	(17.35)	59.171
Other income	10,121.705	30.86	7,734.854	(0.11)	7,743.629
	10,174.191	30.71	7,783.757	(0.24)	7,802.800
Financial cost	(1,065.900)	(44.32)	(1,914.485)	170.28	(708.342)
Loss before taxation	(77,441.624)	(22.45)	(99,865.534)	385.27	(20,579.318)
Taxation	(3,153.184)	39.36	(2,262.667)	4.45	(2,166.300)
Loss for the year	**(80,594.809)**	**(21.08)**	**(102,128.201)**	**349.00**	**(22,745.618)**

2.8.4.1 Qualified Opinion given by the External Auditors on the Financial Statements of PESCO FY 2022-23

It was observed that External Auditors had expressed qualified opinion about the accounts of PESCO for the Financial Year 2021-22 on the following basis: the company has not recorded supplemental charges since 2010 being charged by Central Power Purchasing Agency (CPPA) which are delayed payment charges of Independent Power Producers (IPPs). In our view, had these charges been recorded, trade and other payables and negative equity would have been higher by Rs.113.999 billion (2022: Rs.99.556 billion) and loss for the year would have been higher by Rs14.443 billion (2022: Rs.23.187 billion).

2.8.5 Comments on Audited Financial Statements

i) Profitability

The company has suffered a net loss of Rs.80594 million for the Financial Year ended on June 30, 2023 and at that date, the accumulated losses were Rs.548,912 million. Similarly, the current liabilities exceeded the current assets by Rs.276,773 million at the year end. These factors indicate the existence of a material uncertainty, which may cast significant doubts on the company's ability to continue as a going concern. The company was suffering from consistent losses over the years which reflected operational inefficiencies as well policy bottlenecks requiring urgent remedial action.

ii) Sales and Cost of Sale

The sales of the Company were 279,495 million including subsidy received from Government of Pakistan for an amount of Rs.39,271 million and cost of sales of the company stood at Rs.322,563 million which was 115.41% of the sales. This meant that the company was unable to recover the operating expenses for the year.

iii) Trade Debts and other Receivables

Total Receivables of the Company were Rs.224,349 million as on June 30, 2023. An amount of Rs.26,091 million was receivable from Government of Pakistan (Ministry of Finance) against Tariff Differential Subsidy, Rs.96,905 million from other Associated companies, tax authorities and other receivables, Rs.97,620 million from various consumers on account of electricity sold and Rs.3,732 million of loans and advances. Huge balance of receivables depicts the poor recovery efforts of the company, which needed justification.

Trade Debts	97,620,337,566
Loans and advances – considered good	3,732,288,648
Other receivables – considered good	96,905,868,230
Receivable from GoP (Ministry of Finance)	26,091,064,330
TOTAL	**224,349,558,774**

iv) Trade and other Payables

Payables of the company substantially increased from Rs.462,689 million during the FY 2021-22 to Rs.512,133 million during the FY 2022-23. The major amount of Rs.449,380 million was payable to CPPA-G on account of purchase of electricity which indicated the poor liquidity position of the company and needed justification.

v) Non-reconciliation of CPPA-G claims

The company has not recorded supplemental charges since 2010 being charged by Central Power Purchasing Agency (CPPA) which are delayed payment charges of Independent Power Producers (IPPs). In our view, had these charges been recorded, trade and other payables and negative equity would have been higher by Rs.113.999 billion (2022: Rs.99.556 billion) and loss for the year would have been higher by Rs.14.443 billion (2022: Rs.23.187 billion).

2.8.6 Classified Summary of Audit Observations

Audit observations amounting to Rs.162,945.99 million were raised in this audit. The amount also includes recoveries of Rs.623.45 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification		Amount (Rs.in million)
1.	Reported cases of fraud, embezzlement, misappropriation and theft		75.08
2.	Irregularities		
	A.	HR/Employees related irregularities	2.60
	B.	Procurement related irregularities	978.80
	C.	Irregularities pertaining to violation of entity's own regulations / SOPs	8,814.10
	D.	Irregularities pertaining to violation of Regulatory Laws & Regulations	136,151.74
	E.	Power Sector receivables	11,155.32
	F.	Recoveries pointed out by Audit	623.45
3.	Others		5,144.91

2.9 QUETTA ELECTRIC SUPPLY COMPANY (QESCO)

2.9.1 Introduction

Quetta Electric Supply Company (QESCO) is a subsidiary of PPMC. The Company started its operation as a Public Limited Company registered under Companies Ordinance 1984 (now Companies Act 2017) in 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-G 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 Director Construction & Grid System Operation Circles. The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2022-23 (Rs.in million)	Expenditure audited FY 2022-23 (Rs.in million)	Revenue / Receipts FY 2022-23 (Rs.in million)
1.	Formations	12	06	37,885.34	7,207.08	17,011.31
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.9.2 Comments on Financial Statements

According to Section-223 of Companies Act 2017, “the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of Financial Year adopted by the company".

In QESCO, financial statements of the company for the FY 2022-23 could not be finalized by the management up till December 31, 2023.

2.9.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.1,146,199.83 million were raised in this audit. The amount also includes recoveries of Rs.228.11 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification		Amount (Rs.in million)
1.	Reported cases of fraud, embezzlement, misappropriation and theft		142.53
2.	Irregularities		
	A.	HR/Employees related irregularities	502.30
	B.	Procurement related irregularities	90.22
	C.	Irregularities pertaining to violation of entity's own regulations / SOPs	3,278.09
	D.	Irregularities pertaining to violation of Regulatory Laws & Regulations	77,947.48
	E.	Power Sector receivables	1,062,916.88
	F.	Recoveries pointed out by Audit	228.11
3.	Others		1,094.23

2.10 SUKKUR ELECTRIC POWER COMPANY (SEPCO)

2.10.1 Introduction

Sukkur Electric Power Company (SEPCO) is a subsidiary of PPMC. The Company started its operations as a Public Limited Company in 2011 and registered under Companies Ordinance 1984 (now Companies Act 2017). 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-G 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. The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2022-23 (Rs.in million)	Expenditure audited FY 2022-23 (Rs.in million)	Revenue / Receipts FY 2022-23 (Rs.in million)
1.	Formations	09	04	18,643.45	915.61	0
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.10.2 Comments on Financial Statements

According to Section-233 of Companies Act 2017, “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 for the years 2022-23 could not be finalized by the management up till December 31, 2023.

2.10.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.221,094.88 million were raised in this audit. The amount also includes recoveries of Rs.30.76 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

Sr. No.	**Classification**		**Amount (Rs.in million)**
1.	Reported cases of fraud, embezzlement, misappropriation and theft		28.66
2.	Irregularities		
	A.	Procurement related irregularities	116.37
	B.	Irregularities pertaining to violation of entity's own regulations / SOPs	1,552.62
	C.	Irregularities pertaining to violation of Regulatory Laws & Regulations	19,191.17
	D.	Power Sector receivables	198,386.33
	E.	Recoveries pointed out by Audit	30.76
3.	Others		1,788.97

2.11 TRIBAL AREAS ELECTRIC SUPPLY COMPANY (TESCO)

2.11.1 Introduction

Tribal Areas Electric Supply Company (TESCO) is a subsidiary of PPMC. The Company was incorporated on July 03, 2002 as a public limited company under Companies Ordinance 1984 (now Companies Act 2017). 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-G through NTDC system and sells it to the consumers of Ex-FATA agencies.

The operational activities are performed through one Operation Circle, one Construction Division and one SS&TL Division. The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2022-23 (Rs.in million)	Expenditure audited FY 2022-23 (Rs.in million)	Revenue / Receipts FY 2022-23 (Rs.in million)
1.	Formations	05	02	15,443.68	4,164.39	0
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.11.2 Comments on Financial Statements

According to Section-223 of Companies Act 2017, "the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of Financial Year adopted by the company".

In TESCO, financial statements of the company for the Financial Year 2022-23 could not be finalized by the management up till December 31, 2023.

2.11.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.16,588.13 million were raised in this audit. The amount also includes recoveries of Rs.87.98 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification		Amount (Rs.in million)
1.	Reported cases of fraud, embezzlement, misappropriation and theft		1.50
2.	Irregularities		
	A.	Procurement related irregularities	3,733.95
	B.	Irregularities pertaining to violation of entity's own regulations / SOPs	1,854.51
	C.	Irregularities pertaining to violation of Regulatory Laws & Regulations	1,427.53
	D.	Power Sector receivables	9,445.01
	E.	Recoveries pointed out by Audit	87.98
3.	Others		37.65

2.12 GENCO HOLDING COMPANY LIMITED (GHCL)

2.12.1 Introduction

GENCO Holding Company Limited was incorporated on February 09, 2012 as a public limited (unlisted) company under the Companies Ordinance, 1984 which is replaced with Companies Act 2017. The main objective of the Company is to improve the performance of public sector Ex-WAPDA Thermal Power Generation Companies (GENCOs) by consolidating control in a single entity so that better corporate management, improved financial control and forward-thinking business planning could be brought into the GENCOs.

The Company signed managing agent agreement separately with Jamshoro Power Company Ltd (GENCO-I), Central Power Generation Company Ltd, (GENCO-II) & Northern Power Generation Company Ltd, (GENCO-III) in April 2017.

Principal activity is to liaise with the Federal Government especially Ministry of Energy (Power Division) on behalf of the GENCOs and to take necessary steps for implementation of the Government policies with regards to the GENCOs. The company also liaises with multinational development banks, aid agencies, financiers and other organizations as required.

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2022-23 (Rs.in million)	Expenditure audited FY 2022-23 (Rs.in million)	Revenue / Receipts FY 2022-23 (Rs.in million)
1.	Formations	01	01	698.44	561.848	101.01
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.12.2 Comments on Financial Statements

2.12.2.1Financial Overview

As per audited financial statements for the year 2022-23, the company earned a profit of Rs.4.991 million during the year 2022-23 which was only 1.546 million in the preceding year. Company has a significant revenue reserves i.e. inappropriate profit which was Rs.19.912 million in the year 2021-22 and rose up to Rs.24.350 million in the current year ended 2023. Company also has a surplus of assets over liabilities which were Rs.10.571 million, transferred from GM Thermal Office on 10 April 2012.

2.12.3 Extract of the Financial Statements

Statement of Financial Position as on June 30, 2022

	2022-23	% Incr / (Decr)	2021-22	% Incr / (Decr)
Assets				
Non-current Assets				
Operating fixed assets	7.04		7.54	
Right of use assets	25.27		12.69	
Long term advances	2.19		3.72	
Long term security deposit	0.83		0.83	
deferred income tax assets	2.67		2.87	
	38.00	23.90%	27.65	14.16%
Current Assets				
Due from related parties	31.58		47.07	
Advances	3.36		1.64	
Taxation – Net	78.41		76.02	
Bank balances	7.64		42.84	
	120.99	76.10%	167.56	85.84%
Total Assets	158.98		195.21	
Equity and Liabilities				
Share Capital and Reserves				
Authorized Share Capital	0.10		0.10	
Issued, Subscribed and Paid up Share Capital	0.10		0.10	
Surplus of assets over liabilities	10.57		10.57	
Reveneue reserves	24.35		19.91	
Total Equity	35.02	22.03%	30.58	15.67%
Liabilities				
Non-Current Liabilities				
Lease liabilities	21.76		-	
staff retirement benefit – gratuity	3.16		4.75	

	24.92	15.68%	4.75	2.43%
Current Liabilities				
Accrued and other payables	43.87		46.56	
Due to related parties	46.36		96.73	
Current portion of lease liabilities	8.81		16.58	
	99.04	62.30%	159.88	81.90%
Total Liabilities	**123.96**	**77.97%**	**164.63**	**84.33%**
Contigencies and Commitments	-		-	
Total Equity and Liabilities	**158.99**		**195.21**	

2.12.4 Statement of Profit and Loss Account For the year ended on June 30, 2023

	2022-23	% Incr / (Decr)	2021-22	% Incr / (Decr)
Revenue	223.26		222.98	
Administrative and General Expenses	203.24	91.04%	203.55	91.29%
	20.01		19.43	
Other Income	5.11		0.70	
Profit from Operations	25.12	11.25%	20.13	9.03%
Finance Cost	1.84		1.44	
Profit Before Taxation	23.29	10.43%	18.69	8.38%
Taxation	18.29		17.14	
Profit After Taxation	4.99	2.24%	1.55	0.69%

2.12.5 Comments on Audited Accounts

i) Profitability / Loss of the Company

The company has improved its financial position from Rs.1.546 million in the year ended 30 June 2022 to Rs.4.991 million in the year ended on June 30, 2023. A significant contribution in this improved position is of other income, which improved to the tune of Rs.4.41 million in the current year. In the year ended 30 June 2022, other income was Rs.0.704 million which improved to Rs.5.109 million in year ended on June 30, 2023. Another contribution was proportionate taxation, in the year FY ended 2022 it was RS.17.142 million against Rs18.688 million Profit before taxation. However, in the current year, taxation is Rs.18.294 million against a profit before taxation of Rs.23.285 million.

ii) Revenue

The company recorded a Revenue of Rs.223.255 million in the year ended 2023. However, this revenue was Rs.222.981 million in the year ended 2022. Company generated its revenue mainly from management fee and has recorded a very small amount against tendering and bidding fee.

iii) Due from related parties

The company has reduced its receivables from related parties, in the year ended 2023 due from related parties was Rs.31.577 million which was Rs.47.066 million in the year ended 2022. This amount is receivable from GENCOs, WAPDA welfare Fund and NTDC.

iv) Right to use Assets

The company has significantly increased its right to use assets from Rs.12.689 million in FY 2022 to Rs.25.271 million in the FY ended 2023. This increase of Rs.12.58 million is for acquiring assets on lease for office use.

v) Trade and other Payables

The company has reduced its accrued and other Payables from Rs46.564 million in FY 2021-22 to Rs.43.874 million in the FY ended on June 30, 2023. These accrued and other payables mainly comprises on payables to Director General Medical Services, WAPDA. There was also a significant decrease in the amount named as due to related parties. Payable to related parties was Rs.96.729 million in FY 2021-22, which reduced to Rs.46.360 million in the FY ended on June 30, 2023. This amount is payable to, GENCOs, DISCOs, WAPDA and PPMC. Therefore, the company should have an efficient reconciliation mechanism to adjust these figures.

vi) Operating Expenses

Administrative and general expenses of the company slightly reduced from Rs.203.553 million in FY 2022 to Rs.203.244 million in the FY 2023. However, this decrease was only of Rs.0.31 million.

2.12.6 Classified Summary of Audit Observations

Audit observations amounting to Rs.586.48 million were raised in this audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Irregularities:	
	A. HR/employees related irregularties	549.84
2.	Others	36.64

2.13 JAMSHORO POWER GENERATION COMPANY (GENCO-I)

2.13.1 Introduction

The Jamshoro Power Generation Company Limited, (JPGCL) was incorporated in August, 1998, under Companies Ordinance 1984 (now Companies Act 2017). It 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 CPPA-G. JPGCL was granted Generation License by NEPRA in July, 2002.

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2021-22 (Rs.in million)	Expenditure audited FY 2021-22 (Rs.in million)	Revenue / Receipts FY 2021-22 (Rs.in million)
1.	Formations	01	01	11,912.00	356.47	6,038.23
2.	Assignment Accounts (excluding FAP)	N/A	N/A	N/A	N/A	N/A
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	03	02	1,130.124	1,130.124	Nil

2.13.2 Comments on Financial Statements

According to Section-223 of Companies Act 2017, "the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of Financial Year adopted by the company".

In GENCO-I, financial statements of the Company for the Financial Year 2022-23 could not be finalized by the management up till December 31, 2023.

2.13.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.68,344.87 million were raised in this audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Others	68,344.87

2.14 CENTRAL POWER GENERATION COMPANY (GENCO-II)

2.14.1 Introduction

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

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

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2022-23 (Rs.in million)	Expenditure audited FY 2022-23 (Rs.in million)	Revenue / Receipts FY 2022-23 (Rs.in million)
1.	Formations	01	01	81,507.00	8,832.00	467.00
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.14.2 Comments on Financial Statements

According to Section-223 of Companies Act 2017, "the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case, since the preceding financial statements, made up to the date of close of Financial Year adopted by the company".

In GENCO-II, the financial statements of the company for the Financial Year 2022-23 could not be finalized by the management up till December 31, 2023.

2.14.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.74,747.37 million were raised in this audit. The amount also includes recoveries of Rs.508.29 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification		Amount (Rs.in million)
1.	Irregularities		
	A.	Procurement related irregularities	24,903.63
	B.	Irregularities pertaining to violation of Regulatory Laws & Regulations	1,037.05
	C.	Power Sector receivables	5.46
	D.	Recoveries pointed out by Audit	508.29
2.	Others		48,292.94

2.15 NATIONAL TRANSMISSION AND DESPATCH COMPANY (NTDC)

2.15.1 Introduction

National Transmission and Dispatch Company (NTDC) was incorporated under Companies Ordinance, 1984 in 1998. The Company obtained transmission license from NEPRA for a period of 30 years in December, 2002 for undertaking its obligations. The principal activity of NTDC is to receive electricity from Hydel / Thermal / Nuclear Power Stations, Renewable Energy Plants and IPPs, and transmit it through its 500 kV / 220 kV System to all DISCOs and K-Electric for onward distribution to consumers. NTDC is also responsible for constructing, operating and maintaining 220 kV and 500 kV transmission systems comprising of transmission lines and grid stations.

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

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2022-23 (Rs.in million)	Expenditure audited FY 2022-23 (Rs.in million)	Revenue / Receipts FY 2022-23 (Rs.in million)
1.	Formations	22	14	146,176.34	23,961.04	38,206.00
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	14	14	72,051.325	72,051.325	Nil

2.15.2 Comments on Financial Statements

According to Section-223 of Companies Act 2017, “the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of Financial Year adopted by the company”.

In NTDC, financial statements of the company for the Financial Year 2022-23 could not be finalized by the management up till December 31, 2023.

2.15.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.228,082.23 million were raised in this audit. The amount also includes recoveries of Rs.56.17 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification		Amount (Rs.in million)
1.	Reported cases of fraud, embezzlement, misappropriation and theft		37.80
2.	Irregularities		
	A.	HR/Employees related irregularities	394.30
	B.	Procurement related irregularities	140,498.31
	C.	Irregularities pertaining to violation of entity’s own regulations / SOPs	72,797.20
	D.	Irregularities pertaining to violation of Regulatory Laws & Regulations	10,222.99
	E.	Power Sector receivables	9.77
	F.	Recoveries pointed out by Audit	56.17
3.	Others		4,065.70

2.16 NATIONAL ELECTRIC POWER REGULATORY AUTHORITY (NEPRA)

2.16.1 Introduction

National Electric Power Regulatory Authority was established as a body corporate under Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 for the regulation of power sector in the Country. NEPRA is a regulator of the power sector of Pakistan, though it is not involved in the execution of commercial transactions, but it provides the basis for sale and purchase of electricity i.e. determination of tariffs. It is responsible to safeguard the interests of power generation companies, distribution companies and consumers of electricity, so that the flow of electricity may be continued without any shortfall / circular debt. Furthermore, being a monitory body, its role is also to take necessary actions to improve the efficiency of distribution companies in addition to the timely determination of electricity tariffs, thereby containing the accumulation of circular debt. The Authority operates through Head Office located in NEPRA Tower, Attaturk Avenue (East), Sector G-5/1, Islamabad and three regional offices across Pakistan.

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2022-23 (Rs.in million)	Expenditure audited FY 2022-23 (Rs.in million)	Revenue / Receipts FY 2022-23 (Rs.in million)
1.	Formations	01	01	1,659.187	1,217.593	1,989.01
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	N/A	N/A	N/A	N/A	N/A

2.16.2 Comments on Financial Statements

According to Section-223 of Companies Act 2017, “the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of Financial Year adopted by the company".

In NEPRA, financial statements of the company for the Financial Year 2022-23 could not be finalized by the management up till December 31, 2023.

2.16.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.184,292.39 million were raised in this audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification		Amount (Rs.in million)
1.	Irregularities		
	A.	HR/Employees related irregularities	37.41
	B.	Procurement related irregularities	6.47
	C.	Irregularities pertaining to violation of entity's own regulations / SOPs	160,287.24
	D.	Irregularities pertaining to violation of Regulatory Laws & Regulations	699.27
2.	Value for money and service delivery issues		23,262.00

2.17 PRIVATE POWER AND INFRASTRUCTURE BOARD (PPIB)

2.17.1 Introduction

The Private Power and Infrastructure Board (PPIB) was created on August 2, 1994 under Ministry of Water and Power, Islamabad as "One Window Facilitator" to promote private sector participation in the power sector of Pakistan. PPIB facilitates investors in establishing private power projects and related infrastructure, executes Implementation Agreement (IA) with Project Sponsors and issues sovereign guarantees on behalf of Government of Pakistan.

Main functions of PPIB are to implement the power policies, award projects to sponsors or private power companies, prepare all necessary or appropriate documentation, execute any of such documentation with private power companies, their sponsors, lenders and, whenever necessary or appropriate.

PPIB comprises of the following members:

1.	Federal Minister for Water & Power		Chairman
2.	Secretary, Water & Power/Chairman PEPCO		Member
3.	Secretary, Ministry of Finance		Member
4.	Secretary, Ministry of Petroleum & Natural Resources		Member
5.	Chairman, Federal Board of Revenue		Member
6.	Secretary, Planning Commission		Member
7.	Chairman, WAPDA		Member
8.	Managing Director, PPIB		Member/Secretary
9.	Mr. Zahid Rafique,	(Private Member)	Member
10.	Mr. Amir Naseem	(Private Member)	Member

In addition to above Provincial Chief Secretaries and other departmental heads are included as Board Members (as and when required) for such meetings where items/projects pertinent to the particular Province/AJ&K form part of the agenda for board meetings.

Fourteen (14) thermal power projects having 2,898 MW capacities were launched by Independent Power Producers (IPPs) under Power Policy-1994 and twelve (12) IPPs having capacity of 2,409 MW were inducted under Power Policy-2002 by the PPIB.

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2022-23 (Rs.in million)	Expenditure audited FY 2022-23 (Rs.in million)	Revenue / Receipts FY 2022-23 (Rs.in million)
1.	Formations	01	01	7,003.46	23.66	854
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	01	01	11.474	11.474	Nil

2.17.2 Comments on Financial Statements

According to Section-223 of Companies Act 2017, "the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company".

In PPIB, financial statements of the company for the financial year 2022-23 could not be finalized by the management up till December 31, 2023.

2.17.2 Classified Summary of Audit Observations

Audit observations amounting to Rs.6,694.08 million were raised in this audit. Summary of the audit observation classified by nature is as under:

Sr. No.	Classification		Amount (Rs.in million)
1.	Irregularities		
	A.	Procurement related irregularities	3,647.29
	B.	Irregularities pertaining to violation of Regulatory Laws & Regulations	5.41
2.	Others		3,041.38

2.18 MINISTRY OF ENERGY (POWER DIVISION)

2.18.1 Introduction

The Ministry of Energy (Power Division) is Government of Pakistan federal and executive level ministry created on August 4, 2017 after merging of the Ministry of Petroleum and Natural Resources with the power division of the Ministry of Energy, respectively. The ministry has two divisions i.e. petroleum and power. The Power Division is responsible for general monitoring of power generation, transmission and its distribution as well as the power projects in the implementation stages. The following power sector entities come under the supervision of Power Division:-

- Power Planning & Monitoring Company (PPMC) along with its corporate entities
- GENCO Holding Company Limited (GHCL) along with generation companies
- Alternative Energy Development Board (AEDB)
- Private Power Infrastructure Board (PPIB)
- National Energy Efficiency & Conservation Authority (NEECA)
- Central Power Purchasing Agency Guaranteed (CPPA-G)
- Power Holding Limited (PHL)
- National Power Parks Management Company Limited (NPPMCL)

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2020-21 (Rs.in million)	Expenditure audited FY 2020-21 (Rs.in million)	Revenue / Receipts FY2020-21 (Rs.in million)
1.	Formations	01	01	293.350	24.618	0
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	Nil	Nil	Nil	Nil	Nil
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.18.2 Classified Summary of Audit Observations

Audit observations amounting to Rs.5,790.21 million were raised in this audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification		Amount (Rs.in million)
1.	Irregularities		
	A.	Procurement related irregularities	2,445.21
2.	Others		3,345.00

2.19 CENTRAL POWER PURCHASING AGENCY GUARANTEED (CPPA-G)

2.19.1 Introduction

The Central Power Purchasing Agency Guaranteed (CPPA-G) was incorporated in January, 2009 under the Companies Ordinance, 1984. The Company is registered as non-profit organization with the object to implement and administer market mechanisms for electricity procurement and sale by undertaking and performing functions and discharging responsibilities as are or may be laid down from time to time for the company. Since June 2015, CPPA-G has assumed the business of National Transmission and Dispatch Company under Business Transfer Agreement (BTA) pertaining to the market operations and presently functioning as the Market Operator in accordance with Rule-5 of the NEPRA Market Operator (Registration, Standards and Procedure) Rules, 2015. On November 16, 2018 National Electric Power Regulatory Authority (NEPRA) has approved the registration· of CPPA-G as market operator under Rule 3 of the Market Rules.

CPPA-G being a market operator, purchases electricity from power generation companies (GENCOs) and sells it to DISCOs. It bills the distribution companies for sold electricity and makes payments to the power generating units. It is responsible for making payments to the IPPs on account of electricity and capacity charges after ascertaining that payments & deductions are made in accordance with the Power Purchase Agreements.

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2020-21 (Rs.in million)	Expenditure audited FY 2020-21 (Rs.in million)	Revenue / Receipts FY2020-21 (Rs.in million)
1.	Formations	01	01	1,707.00	198.398	1,707.00
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.19.2 Comments on Financial Statements

According to Section-223 of Companies Act 2017, "the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company".

In CPPA-G, financial statements of the company for the financial year 2022-23 could not be finalized by the management up till December 31, 2023.

2.19.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.2,734,671.62 million were raised in this audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification		Amount (Rs.in million)
1.	Irregularities		
	A.	Procurement related irregularities	134,223.08
	B.	Irregularities pertaining to violation of entity's own rules / regulations	3,327.30
	C.	Irregularities pertaining to violation of Regulatory Laws & Regulations	58,752.44
	D.	Power Sector receivables	2,535,742.63
2.	Value for money and service delivery issues		985.17
3.	Others		1,641.00

2.20 ALTERNATIVE ENERGY DEVELOPMENT BOARD (AEDB)

2.20.1 Introduction

Alternative Energy Development Board (AEDB) has been established as a statutory organization by announcing and promulgating the AEDB Act in May 2010. The Act bestowed upon AEDB the authorities and the responsibilities for the promotion and development of ARE. The main objective is to introduce, facilitate, promote and encourage development of Alternative Renewable Energy (ARE) in Pakistan at an accelerated rate. The administrative control of AEDB was transferred to Ministry of Water and Power (now Ministry of Energy Power Division) in 2006. The Government of Pakistan has inter alia mandated AEDB to:-

- Implement policies, programs and projects through private sector in the field of ARE.
- Assist and facilitate development and generation of ARE to achieve sustainable economic growth.
- Encourage transfer of technology and develop indigenous manufacturing base for ARE Technology.
- Promote provision of energy services that are based on ARE resources.
- Undertake ARE projects on commercial scale (AEDB Act 2010).

The Government of Pakistan has tasked the AEDB to ensure that 5% of total national power generation capacity be generated through alternative renewable energy technologies by the year 2030. In addition, under the remote village electrification program, AEDB has been directed to electrify 7,874 remote villages in Sindh and Balochistan provinces through ARE technologies.

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2022-23 (Rs.in million)	Expenditure audited FY 2022-23 (Rs.in million)	Revenue / Receipts audited FY 2022-23 (Rs.in million)
1	Formations	01	01	*1,326.78	913.01	0
2.	Assignment Accounts (excluding FAP)	01	01			
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

*** All the budgetary grants for non-development and development purpose regulate through assignment account**

2.20.2 Comments on Financial Statements

According to Section-223 of Companies Act 2017, "the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company".

In AEDB, financial statements of the company for the financial year 2022-23 could not be finalized by the management up till December 31, 2023.

2.20.2 Classified Summary of Audit Observations

Audit observations amounting to Rs.1,449.46 million were raised in this audit. Summary of the audit observation classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Irregularities	
	A. Procurement related irregularities	1,449.46

2.21 NATIONAL POWER PARKS MANAGEMENT COMPANY LIMITED (NPPMCL)

2.21.1 Introduction

National Power Parks Management Company Limited (NPPMCL) was incorporated as private limited company under the Company Ordinance 1984 (now Companies Act, 2017) on March 02, 2015. It is a public sector Company owned and controlled by the Government of Pakistan through Pakistan Development Fund Limited (PDFL). The principal activity of the Company is to carry on business of generation of electricity through fossil fuels and bio fuels, including but not limited to oil (residual fuel oil, high speed diesel), gas, coal, hydro or alternative energy resources including but limited to wind, solar and hydel or any other fuel mix used for generation of electricity in Pakistan and or outside Pakistan and to provide/sell the electricity produced to buyers in accordance with applicable laws. For this purpose, the Company is operating two Regasified Liquified Natural Gas (RLNG) based combined cycle power plants i.e. 1223 MW and 1230 MW at Balloki, District Kasur and Haveli Bahadur Shah (HBS), District Jhang respectively.

The detail of formation and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2022-23 (Rs.in million)	Expenditure audited FY 2022-23 (Rs.in million)	Revenue/ Receipts audited FY 2022-23 (Rs.in million)
1.	Formations	01	01	833,924.00	42,247.02	876,171.02
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities/ Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.21.2 Comments on Financial Statements

According to Section-223 of Companies Act 2017, "the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company".

In NPPMCL, financial statements of the company for the financial year 2022-23 could not be finalized by the management up till December 31, 2023.

2.21.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.114,365.42 million were raised in this audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification		An amount (Rs.in million)
1.	Irregularities		
	A.	Procurement related irregularities	14,769.28
	B.	Irregulartieis pertaining to violation of Regulatory Laws & Regulations	10,315.08
2.	Others		89,281.06

CHAPTER-3

THEMATIC AUDIT ON PROCUREMENT AND MATERIAL MANAGEMENT IN NTDC

3.Thematic Audit on Procurement and Material Management in NTDC

3.1 Introduction

The National Transmission and Despatch Company (NTDC), established in 1998 and licensed by the National Electric Power Regulatory Authority (NEPRA) in December 2002 is playing a crucial role in the energy infrastructure of the country. Its primary responsibilities encompass a wide array of activities that contribute to the efficient transmission and seamless evacuation of electricity generated from various sources such as hydel, thermal, nuclear power stations, renewable energy plants, and independent power producers (IPPs). Once the electricity is integrated into the grid, NTDC employs its advanced 660/500/220 kV transmission system to transmit the electricity across the network, ensuring its widespread distribution to all distribution companies (DISCOs) and K-Electric.

A critical aspect of NTDC's operations lies in its procurement and material management functions. The procurement process involves securing the necessary materials essential for the development projects undertaken by NTDC. This process goes beyond mere acquisition and extends to negotiating favorable terms and conditions in contracts. Any modifications or changes are meticulously documented and agreed upon by both parties. Material management, a parallel facet of NTDC's operations, adheres to a rigorous compliance framework outlined in the NTDC Store and Procedure Manual. The primary objective of material management is to ensure the efficient utilization of acquired material for timely completion of projects while minimizing wastage which includes maintaining stringent standards for the receipt, issuance, and return of materials stored at the four strategically located NTDC warehouses in Jamshoro, Multan, Lahore, and Faisalabad.

In essence, NTDC stands as a pivotal entity in Pakistan's energy landscape, orchestrating the efficient transmission of electricity and upholding a rigorous framework for procurement and material management. Its comprehensive oversight extends to the timely acquisition of high-quality goods and services and ensures reliable and widespread distribution of electricity while upholding the highest standards of efficiency, compliance, and resource utilization.

3.2 Background

NTDC is responsible for construction, operation and maintenance of transmission network of electricity. Resultantly, NTDC requires huge procurement of material for construction of 660/500/200 kV transmission line and grids throughout the country for which it signs contracts, both national and international, funded through loans from esteemed partners. The timely execution of these contracts is pivotal for realizing NTDC's ambitions and advancing the nation's electricity infrastructure. These endeavors underpin the development and enhancement of transmission and distribution systems.

NTDC relies on foreign loans from partners like ADB, WB, JICA and AFD for significant procurements, crucial for acquiring resources. The procurement process under these loans is meticulously orchestrated with thorough oversight and approval at each stage from the development partner, ensuring transparency and alignment with overarching objectives. This careful engagement extends from project inception to contract award and post-award monitoring, ensuring meticulous compliance with stipulated terms and guidelines.

Optimization hinges on factors like demand forecasting, inventory control, supplier management, technology integration and adherence to environmental and regulatory considerations, ensuring the efficacy of material management for NTDC's multifaceted projects. Efficient material management involves synchronizing resources to meet operational demands, ensuring timely availability of the right materials within budget constraints. As custodians of the nation's electricity infrastructure NTDC's mission-critical focus on effective material management supports uninterrupted electricity flow, sustains infrastructure and maintains reliability benchmarks.

3.3 Establishing the Audit Theme

3.3.1 Reasons of selection

The key points for selection of thematic audit on procurement and material management in NTDC are narrated below:

i) **Critical function:** Procurement and material management are vital for NTDC's smooth project execution and infrastructure maintenance.

ii) **Diverse activities:** NTDC procures various electrical and civil materials including complex EPC projects through both national and international competitive bidding.

iii) **Robust practices:** Strategic planning, careful vendor selection and vigilant oversight ensure efficient and effective procurement and contract management.

iv) **Effective material management:** International best practices minimize waste and prevent disruptions caused by theft, obsolescence or deterioration. It should be aligned with government priorities and SDGs.

v) **Financial importance:** Substantial financial resources involved in material procurement necessitate a risk-based review for compliance and optimal resource allocation.

vi) **Pivotal role:** Effective procurement and material management are crucial for project progress, risk mitigation and sustainability goals.

vii) **Commitment to excellence:** The audit demonstrates NTDC's dedication to transparency, efficiency and responsible resource management in energy infrastructure.

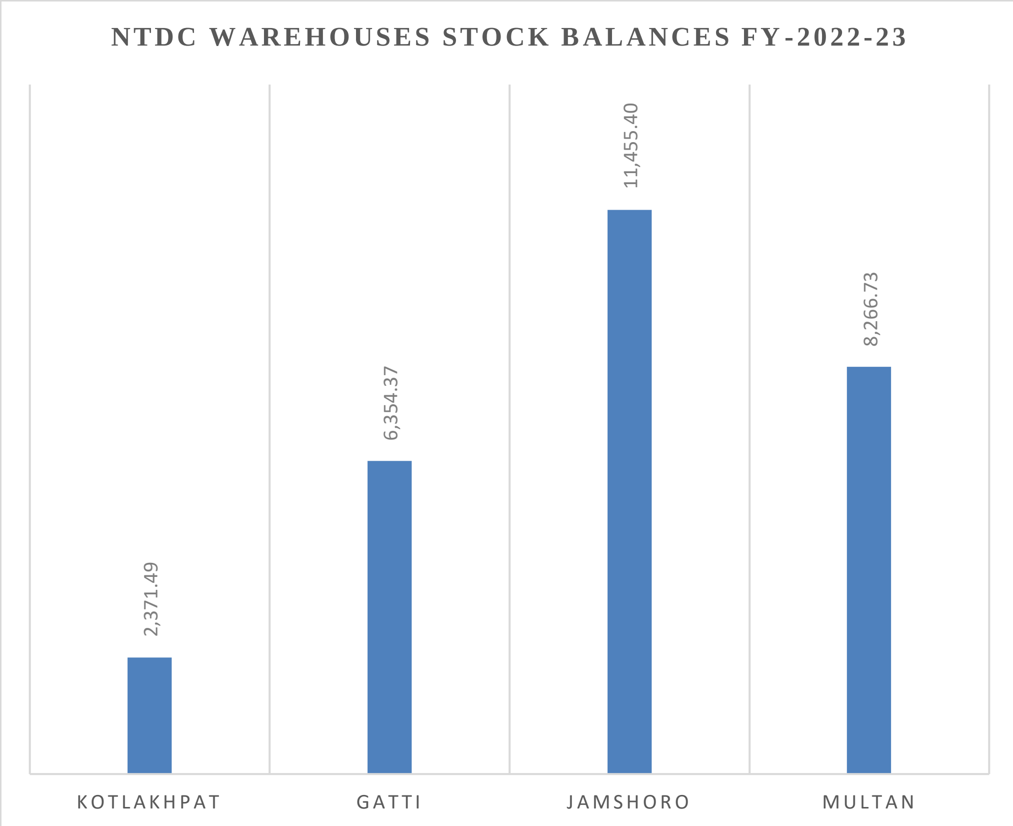
In essence, efficiently managing procurement and materials is key to NTDC's success, and this audit evaluates sustainability, transparency and financial responsibility.

Financial Summary of Electrical Material

(Rs.in million)

Sr. No.	Warehouse	Opening Balances	Receipts	Issues	Closing Balances
1.	KOTLAKHPAT	2,341.52	674.77	644.79	2,371.49
2.	GATTI	4,390.74	2,491.76	528.13	6,354.37
3.	JAMSHORO	13,237.28	8,343.35	10,125.23	11,455.40
4.	MULTAN	5,316.32	6,913.88	3,963.47	8,266.73
	Grand Total	**25,285.86**	**18,423.76**	**15,261.62**	**28,447.99**

(Source: WIMS)

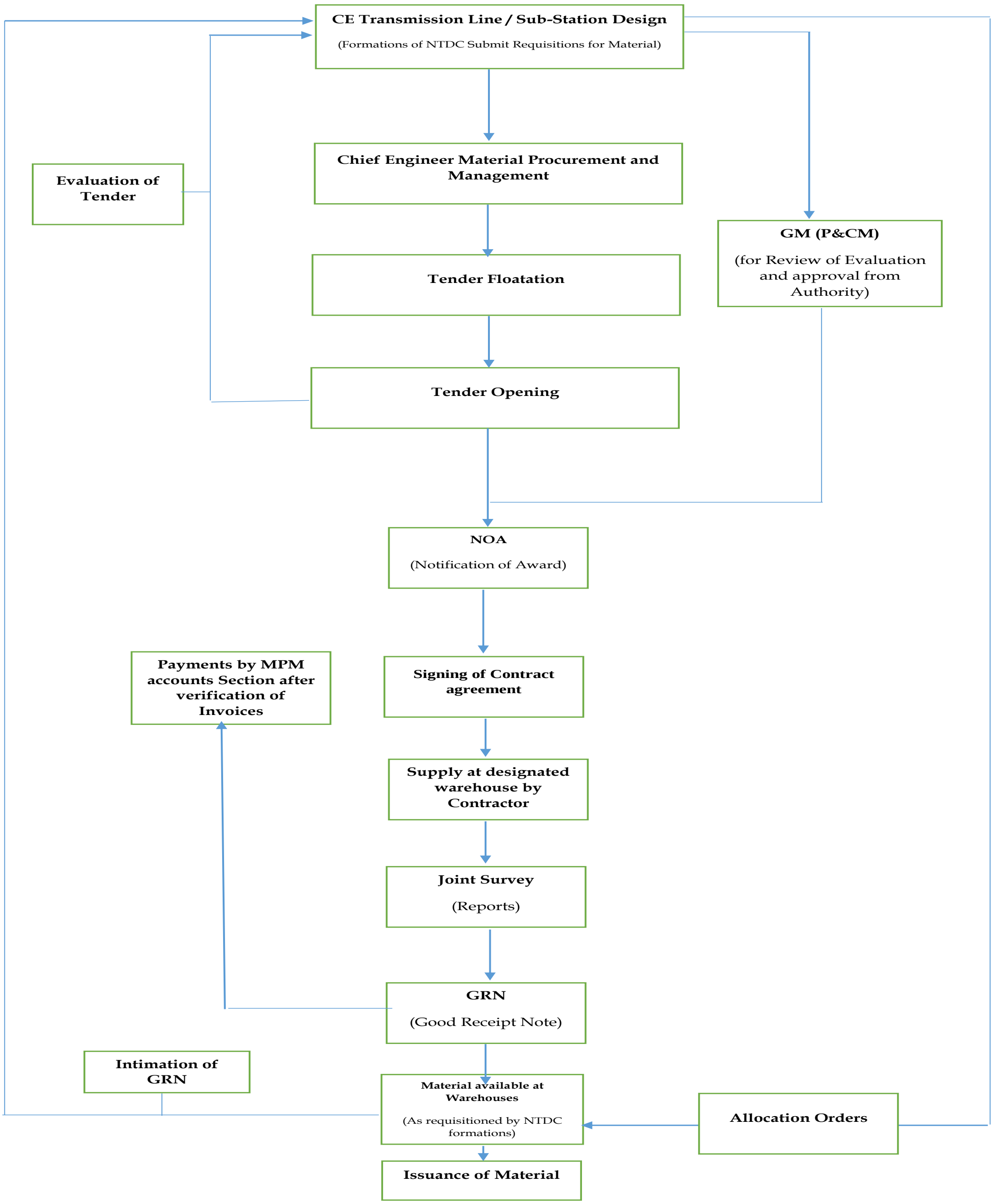


Operations Flow of Chief Engineer Material Procurement and Management NTDC

Within NTDC, a complex procedure ensures acquiring the right materials for efficient power transmission. Field formations initiate by requesting specific electrical equipment. The Transmission Line/Substation Design department of NTDC meticulously assesses these requests, verifying technical compatibility and compiling detailed specifications.

This information then reaches the MP&M department of NTDC, its launch a competitive bidding process. Pre-qualified suppliers submit bids, which are carefully evaluated by the Design department against technical and qualitative criteria. After thorough review and approval, contracts are signed with chosen suppliers and deliveries are made to designated warehouses.

Workflow Chart of Chief Engineer Material Procurement and Management



3.3.2 Purpose

Thematic audit of Procurement & Material Management in NTDC aims to expose operational weaknesses and enhance the cost-effective procurement of materials, aligning with the NTDC Warehouse Control and Procedure Manual. The audit scrutinizes internal controls, seeking to identify gaps, ensure judicious resource utilization, strengthen internal controls, optimize procurement strategies and improve operational efficiency. The theme addresses major issues related to material assessment, annual procurement plans and overstocking, aligning with SDG No. 12 which represent sustainable public procurement in accordance with national priorities.

Thematic audit aims to identify weaknesses in NTDC's material acquisition processes, covering vendor selection, bid evaluation, contract negotiation, and material allocation. Corrective actions will be suggested to enhance overall procurement effectiveness. The audit also evaluates adherence to NTDC's Warehouse Control and Procedure Manual, ensuring efficient resource utilization. Recommendations from the audit will serve as a roadmap for NTDC's improvements in procurement and material management.

3.3.3 Objectives

To test the objectives of audit, we have developed hypothesis to be tested during course of audit. The objectives of thematic audit activity were as follow but not limited to:

i. Whether Procurement in NTDC is the sole reason for overstocking?

ii. Whether functioning of two major warehouses of NTDC i.e. Jamshoro and Multan is in line with NTDC Warehouse Control and Procedure Manual?

3.3.4 Scope

Thematic audit will encompass the office of the Chief Engineer (MP&M) NTDC and its two primary warehouses in Jamshoro and Multan for the Financial Years 2021-22 to 2022-23. To address audit objectives effectively, thematic audit will specifically focus on the following aspects to enhance efficiency, minimize risk and optimize the vital operations of NTDC.

- Assess the presence and effectiveness of controls to ensure alignment with NTDC Warehouse Control and Procedure Manual.
- Review procedures for material distribution from warehouse to field stores and from field stores to field formations, including the return of material in backward hierarchy.
- Evaluate the maintenance of proper records for Goods Received Notes (GRN), Material Requisition Slips (MRS), Material Return Notes (MRNs) and Stock Accounts.
- Review the Warehouse Inventory Management System (WIMS) to evaluate its efficiency and effectiveness.
- Assess how effectively and transparently materials are procured, stocked, and distributed while adhering to established rules and minimizing costs.
- Ascertain if Reserve Stock limits of inventory are observed to avoid unnecessary procurement.
- Review procedures to ensure proper forecasting of demand during the planning phase for material procurement.
- Analyze the mechanism for the disposal of unserviceable material.
- Assess whether due disposal procedures including survey reports and proper tender processes are consistently followed.

The primary formations/offices involved in thematic audit on procurement and material management within NTDC are outlined below:

- General Manager (D&E) - prepares bidding documents, evaluates bids and allocates materials against the projects.
- Chief Engineer PMU manages foreign-aided projects
- Manager (Procurement) - handles post-contract award activities
- Manager (Material Management) - oversees overall material management
- Manager (Inventory Control) - monitors stock levels
- Deputy Managers Warehouses in Multan and Jamshoro – incharge of warehouses and responsible for receipt and issuance of materials

3.4 Legal Framework Governing the Theme

- **The Public Procurement Regulatory Authority Ordinance, 2004** (as amended up to June 28, 2021) provides for the establishment of a Public Procurement Regulatory Authority (PPRA) for regulating procurement of goods, services, works and disposal of public assets in the public sector and for matters connected therewith. The authority has been mandated to ensure transparency, economy, efficiency and accountability of the public sector agencies through proper implementation and monitoring of PPRA Rules – 2004.
- **Public Sector Companies (Corporate Governance) Rules, 2013** (as amended up to July 01, 2019), the significant issues to be placed before the Board in order to formalize and strengthen the corporate decision-making process including policies related to the award of contracts and purchase and sale of raw materials, finished goods, machinery etc.
- **Procurement guidelines** of the development partners i.e Asian Development Bank and World Bank were to be adhered to loan-based procurements by NTDC.
- **NTDC Warehouse Control and Procedure Manual** which encompasses the complete procedure to be compliant with for receipt, issuance, return, stock verification, valuing and other allied matters related to material management in NTDC warehouses.
- **Warehouse Inventory Management System (WIMS)** is a web-based application developed by the National Transmission and Dispatch Company (NTDC) and aimed to provide real-time data and streamlined inventory management for its warehouses. The key objectives of WIMS are as under:
  - ➢ Improve inventory accuracy and control.
  - ➢ Enhance efficiency of warehouse operations.
  - ➢ Reduce costs associated with inventory management.
  - ➢ Provide real-time data and transparency to stakeholders

- **International Accounting Standard (IAS-2**) is an International Financial Reporting Standard (IFRS) that sets out the principles for how companies should account for inventories in their financial statements. It covers the measurement, subsequent recognition and disclosure of inventories. The objective of IAS-2 is to prescribe the accounting treatment for inventories. This includes:
    - Determining the cost of inventories
    - Recognizing the cost of inventories as an expense
    - Writing down inventories to net realizable value
    - Disclosing information about inventories

3.5 Stakeholders and Governmental Organizations Identified as Directly / Indirectly involved

Following stakeholders and governmental organizations were involved:

i. Public Accounts Committee (PAC)
ii. Ministry of Energy - MoE (Power Division)
iii. Power Planning and Monitoring Company (PPMC)
iv. National Transmission & Despatch Company (NTDC)
v. Public Procurement Rules Authority (PPRA)
vi. NTDC warehouses
vii. Development Partners i.e. Asian Development Bank (ADB), Japan International Cooperation Agency (JICA) and World Bank etc.

3.6 Role of Important Organizations

National Transmission & Despatch Company (NTDC) is directly related to the instant theme being involved in the process of Procurement and Material Management and made arranges the material required for the projects of NTDC. The worth of NTDC's property, plant and equipment was Rs.390.73 billion and its profit after tax for the FY 2021-22 was Rs.16.56 billion. The Company operates and maintains sixteen (16) 500 kV Grid Stations and forty-five (45) 220 kV grid stations along with 5,970 Km 500 kV transmission lines having 22,350 MVA capacity and 11,322 Km 220 kV transmission lines having 31060 MVA capacity in Pakistan. Its total transmission system had the capacity to handle 53410 MW demand[2]. Besides incurring considerable expenditure for operating and maintaining the system, NTDC has to invest in its operational transmission system / network for augmentation, up-gradation and expansion in order to cater for upcoming generation capacity, overloading and system constraints. The material management in NTDC is crucial to ensure the smooth functioning of its operations. Efficient material management helps in maintaining adequate inventory levels, reducing costs, preventing wastage, and ensuring availability of materials needed for transmission and dispatch activities which resultantly leads to improved reliability of power supply, reduced downtime, and effective utilization of resources within NTDC.

3.7 Organization's Financials

NTDC utilizes its own resources, receives PSDP funds and foreign loans from development partners. NTDC's overall comparative financial summary of FYs 2018-19, 2019-20, 2020-21 & 2021-22 is as under:

(Rs.in million)

Sr. No.	Particulars	FY 2021-22	FY 2020-21	FY 2019-20	FY 2018-19
1.	Total Assets of NTDC	554,349.27	484,692.32	443,679.46	401,813.49
2.	Total Liabilities	372,812.07	308,653.76	287,886.60	251,231.00
3.	Share Capital and Reserves	181,537.21	176,038.57	155,792.86	150,582.49
4.	Revenue from use of system / wheeling charges - CPPA-G	76,325.97	53,943.91	43,445.04	41,989.37
5	Profit after tax for the year	16,564.42	12,740.95	9,246.19	11,235.76
6	Cash and cash equivalents at beginning of the year	7,275.06	9,517.82	13,836.66	8,319.76
7.	Cash and cash equivalents at end of the year	6,548.23	7,275.06	9,517.82	13,836.66

(Source: Audited Financial Statements)

[2] https://ntdc.gov.pk/220kV-gird-station

3.7.1 Comparative Analysis of Balances of Electrical Material

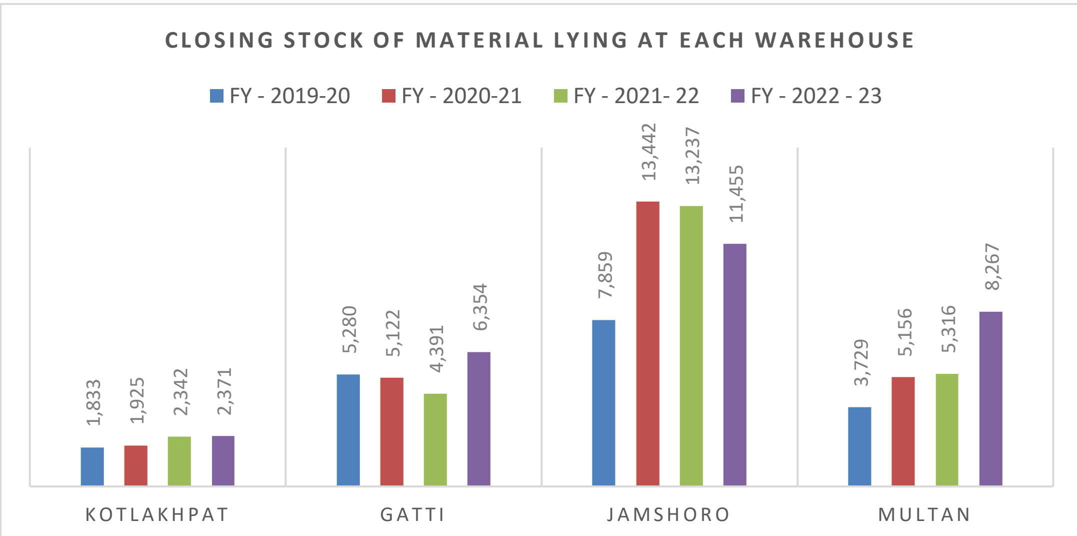
The closing balances of electrical material which was stored in four warehouses operated by the National Transmission and Despatch Company (NTDC) are provided below in a comparative form:

(Rs.in million)

Sr. No.	Warehouse	FY- 2019-20	FY- 2020-21	FY- 2021-22	FY- 2022-23
1.	KOTLAKHPAT	1,833	1,925	2,342	2,371
2.	GATTI	5,280	5,122	4,391	6,354
3.	JAMSHORO	7,859	13,442	13,237	11,455
4.	MULTAN	3,729	5,156	5,316	8,267

(Source: WIMS & Manager IC)

3.7.2 Graphical presentation of closing stock of material



3.7.3 Aging of Electrical Material lying at NTDC Warehouses

NTDC operates four warehouses to manage its electrical material. The total value of inventory held across these four warehouses amounts to a significant sum of rupees 28,447 million.

To gain a deeper understanding of the aging of the materials lying in two specific warehouses, namely Jamshoro and Multan, the assessment considered the closing balances of material for the Financial Year 2022-23. The results of this assessment revealed valuable insights into the aging of materials stored in these two warehouses.

In Multan warehouse, it was determined that there were materials worth Rs.37.41 million that had been stored for a period ranging from 31 to 39 years. These materials have remained in inventory for an extended duration and their aging is a noteworthy aspect of the warehouse's inventory profile.

Similarly, in Jamshoro warehouse, an examination of the inventory for the Financial Year 2022-23 unveiled materials worth Rs.20.43 million that had been in storage for a considerable period ranging from 31 to 46 years. This aging of materials in the Jamshoro warehouse indicates a significant historical aspect of the inventory, with some items having been retained for several decades.

The financial data and aging analysis of inventory in the NTDC's warehouses provide valuable insights into the composition and history of their materials. The aging of certain materials in both the Multan and Jamshoro warehouses highlights the need for careful management and strategic decisions regarding these long-retained inventory items.

3.7.4 Aging of closing stock of electrical material lying at NTDC Warehouses (Multan and Jamshoro) – FY 2022-23

The combined aging of closing stock of electrical material lying at NTDC warehouses i.e. Multan and Jamshoro ranges from 02 to 46 years amounting to Rs.9,409 million, which tantamount to mis-management of warehouse inventory that why such material was procured if not required. The excessive procurement of material caused extra burden on the financial management of NTDC.

(Rs.in million)

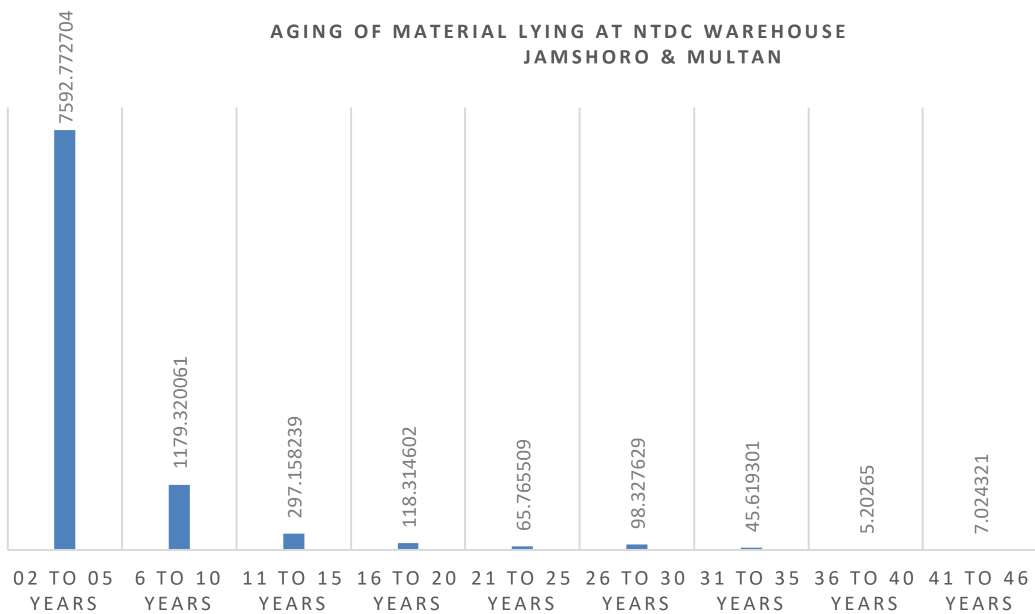
Sr. No.	Range of Years	Material Value in Millions
1.	02 to 05 Years	7,592.77
2.	6 to 10 Years	1,179.32
3.	11 to 15 Years	297.16
4.	16 to 20 Years	118.31
5.	21 to 25 Years	65.77
6.	26 to 30 Years	98.33
7.	31 to 35 Years	45.62

8.	36 to 40 Years	5.20
9.	41 to 46 Years	7.02

(Source: WIMS)

3.7.5 Graphical representation of aging of closing stock of electrical material lying at NTDC Warehouse (Multan and Jamshoro) – FY 2022-23

The combined graphical representation of aging of material in Jamshoro and Multan warehouse is presented below:



3.8 Analysis of Tendering Process for Material Procurement

The examination of the tendering process for procurement reveals significant delays indicating that NTDC is not adhering to the prescribed timelines. This failure to follow the established schedule has led to untimely project completion, exceeding time allocations, increased contract costs due to exchange rate fluctuations, and the inefficient use of limited public resources. The detail regarding delayed procurement contracts is provided at **Annex-I & II**. However, specific observations include:

- Technical bid opening delays ranging from 33 to 117 days from the issuance of tender documents.
- Financial bid opening delays ranging from 59 to 263 days after Technical Bid Opening.
- Approval of Board of Directors (BoD) delays ranging from 31 to 152 days after Financial Bid Opening.
- Issuance of award delays ranging from 32 to 168 days after the issuance of Notice of Award (NOA)

3.9 Field Audit Activity

3.9.1 Methodology

The following quantitative and qualitative audit methodology was adopted during execution of Thematic Audit: -

3.9.1.1 Quantitative Methodology

- Receipt/issuance of material, Stock/Material Reconciliation Reports, GRNs/MRNs/SRs, Stock verification reports compiled by stock verification committee, Cost reports and Budgets, records of disposal of scrap / obsolete / unserviceable material were evaluated
- Data extracted from WIMS for aging of stock balances of two warehouses – i.e. Master warehouse Jamshoro and Multan
- Review of Financial Statements of National Transmission and Despatch Company
- Analysis of procurements of material contracts awarded during the Financial Years 2019-20 to 2022-23 to evaluate timely completion of the projects.
- Regression analysis was conducted to evaluate the impact of procurement levels on closing stock.

3.9.1.2 Qualitative Methodology

- Interview and discussion with the management.
- Examined the Loan Agreements, Project Agreement, Progress

Reports, development partner Procurement Guidelines and PPRA Rules

- Evaluated the Tender / Bidding documents, Bid Evaluation Reports
- Evaluated the award of Purchase Orders, Contracts repeat / variation orders, EOT cases, Correspondence files of suppliers / contractors
- Evaluated the security controls and Incidents / theft reports
- Evaluated the Warehouse Control and Procedures Manual and Inventory records
- Obtained Warehouse Inventory Management System (WIMS) read only access to generate Financials and Stock Reports of Material lying at four warehouses of NTDC

3.10 Audit Analysis

3.10.1 Review of Internal Controls:

The internal controls for procurement of material in NTDC were not up to the mark and poor internal controls were evident from the fact that almost all the contracts / projects executed by NTDC failed to adhere to the timelines of PC-I / Donor Agencies/ Contract Agreement and Warehouse Control and Procedure Manual 2009. The following deficiencies in internal controls with reference to procurement and material management in NTDC were observed:

- Procurement of electrical material for multiple nature of projects are being carried out by CE (Design) without coordination with concerned Deputy Manager Warehouse and without assessing the factual position of material for which procurement tender is floated. The consumption of material is not according to the project-based procurement due to non-implementation of procurement plan.
- The reserve stock limit of NTDC warehouses were the same as the closing stock balances of inventory at the end of Financial Year which rendered deviation from best inventory control practices. Minimum/Maximum limit of warehouse material/inventory was not defined in warehouses of NTDC.

- The security measures were found insufficient to safeguard the huge volume of electrical material lying at NTDC warehouses i.e. Master warehouse Jamshoro and Multan
- Most of the electrical material was issued to contractors on rental basis including EPC contractors without maintaining separate register and observing due diligence for allocation of material on rental basis.
- Warehouse Inventory Management System (WIMS) was not designed to provide adequate reporting and organized inventory categorization for further analysis and transparent decision making in terms of efficient and cost-effective processes like aging of stock, warranty of stock, project based procurement etc which was not extractable as compared to best international inventory applications.
- Electrical material procured in two Warehouses was lying un-utilized since long ranging from 02 to 46 years which tantamount to mis-procurement and overstocking of material.
- Warehouse Inventory Management System was showing 38,480 No. of items as un-serviceable material for which no disposal mechanism was devised.

Sr. No.	Name of Warehouse	No. of Un-Serviceable Item
1	Master Warehouse Jamshoro	698
2	Multan Warehouse	7540
3	Gatti – Faisalabad	22352
4	Kotlakhpat	7890
Total		**38,480**

(Source: WIMS)

- Huge quantity of surplus/left over material (Tower & Line Material) was returned to NTDC Warehouses from the completed EPC/Turnkey projects which shows that the estimates of the projects were not carefully prepared as per requirements of the projects.
- In emergency, material was being issued to contractor without getting Material Requisition Slip (MRS) from formations concerned and sometimes material was issued to contractor without taking on the

record of WIMS or issuance of Goods Receipt Note (GRNs) against the material received in warehouses.

- The practice of storing electrical materials at the sites of other Distribution Companies (DISCOs) introduces a complex dimension to NTDC's material management. This arrangement is involved with shared storage spaces or materials left under the jurisdiction of other entities.
- There was no proper operational vehicle and equipment for proper handling of material which is the main cause of unstacking and damage of material etc. Owing to improper handling of material, working of warehouses has obstructed and led to reduced staff morale, inefficient use of available storage with poor facility layout.

However, by implementing following internal controls in line with NTDC Warehouse Control and Procedure Manual, NTDC can improve the efficiency, transparency and cost-effectiveness of its material management system.

1. **Standardized Procurement Process:** Implement a formal purchase requisition and approval process involving CE (Design), CE (MP&M) and Deputy Manager Warehouse.
2. **Project-Based Procurement:** Integrate project requirements with procurement planning to ensure material aligns with actual needs.
3. **Inventory Review:** Conduct regular physical inventory counts and reconciliation with WIMS to identify discrepancies and prevent overstocking.
4. **Warehouse Security:** Upgrade security measures at warehouses (Jamshoro & Multan) with Closed-Circuit Television (CCTV), access control systems, and trained security personnel.
5. **Rental Equipment Management:** Maintain a dedicated register for rental equipment, establish clear criteria for allocation, and implement due diligence checks before issuing.
6. **Obsolete Inventory Disposal:** Develop a disposal mechanism for unserviceable items through auctions.
7. **Issuance Control:** Implement strict procedures for material issuance, requiring Material Requisition Slips (MRS) and

recording all transactions in WIMS and Goods Receipt Notes (GRNs)

3.10.2 Overall Assessment

NTDC requires a comprehensive overhaul of its electrical material management system, starting with addressing the critical control deficiencies identified. By implementing the proposed controls, focusing on high-risk areas and adopting a risk-based approach, NTDC can significantly improve the efficiency, transparency and cost-effectiveness of its operations - mitigating financial losses and project delays.

3.10.3 Risk Matrix Analysis

Control Deficiency	Likelihood	Impact	Risk Score	Mitigation Controls
Bypassing warehouse and procurement plan in material acquisition	High	High	Very High	Standardized procurement process, project-based procurement, inventory review
Inappropriate reserve stock limits and lack of minimum/maximum levels	Medium	Medium	Medium	Define minimum/maximum limits based on usage and lead times
Insufficient warehouse security	Medium	High	High	Enhance security measures with CCTV, access control, and trained personnel
Poor rental equipment management	Medium	Medium	Medium	Implement dedicated register, allocation criteria, and due diligence checks
Inadequate WIMS functionality for analysis and decision-making	Medium	Medium	Medium	Upgrade WIMS to provide better reporting, categorization, and analysis
Un-utilized and unserviceable material	High	High	Very High	Implement disposal mechanisms for obsolete and unserviceable items
Surplus material returned due to inaccurate project estimates	High	Medium	High	Improve project estimation accuracy and integrate with procurement planning
Issuing material without proper documentation or recording	High	Medium	High	Implement strict issuance procedures with MRS, WIMS recording, and GRNs
Complexities due to storage at DISCOs	Medium	Medium	Medium	Formalize agreements with DISCOs regarding shared storage and responsibilities

Inadequate handling equipment and poor facility layout	Medium	Medium	Medium	Provide proper equipment and optimize warehouse layout for efficient handling

3.11 Critical Analysis

3.11.1 Factors leading to overstocking of material in Warehouses of NTDC

Following issues are the main causes of overstocking of material in the warehouses and blockage of funds of the company/ NTDC.

a) NTDC makes project-based procurement of material. The procurement is made according to requirement/assessment of future projects. So, procured material should have been utilized/consumed for the specified project but in reality it is not the case as for a single project, the material is allocated from many other projects which compromises the spirit of project based procurement. Eventually it contributes to piling up of material in warehouses of NTDC. The audit noted observation 3.13.6 highlighting the failure to implement the procurement plan for material management in NTDC.

b) Huge procurements have been made for maintenance of transmission lines like Disc Insulators, Transmission Line Conductors and Tower Material. As per record of inventory, the procured material is very slow moving and its seems that it has been procured more than the requirements of the company because it is present in warehouses in huge quantity. Such procurement of material which has not been consumed so far is one of the reasons of overstocking of material**.** The audit identified concerns noted in observations 3.13.4, 3.13.2 and 3.13.35, highlighting the blockage of significant funds arising from the prolonged storage of Disc Insulators at the Jamshoro Warehouse. Moreover, inefficient and unnecessary procurement of electrical materials resulted in an excess beyond project requirements, causing a financial loss to NTDC.

c) Many mega projects of the company had been awarded on Turnkey basis (EPC Contracts) wherein it was the sole responsibility of the contractors to complete the projects (arranging all the material/resources/services at their own). However, it was transpired from the record that even in EPC Contracts, the material was allocated/provided from the warehouse of NTDC on loan basis to complete the projects. Following completion of EPC projects, firstly the material is not returned timely to NTDC, secondly, the returned material causes overstocking of inventory in Warehouses because it is returned at a time when it is not required for the purpose it was procured. Audit noted issue detailed in observation 3.13.12, underscoring unjustified favoritism towards EPC contractors arising from the provision of materials on a loan basis.

d) Moreover, it was found from the record that huge quantity of surplus/left over material (Tower & Line Material) was returned to NTDC Warehouses from the completed EPC/Turnkey projects which show that the estimates of the project were not carefully prepared as per requirements of the projects. Accordingly, the material had been procured by the contractor against the unrealistic survey and estimates. The leftover/surplus returned material from completed EPC projects rendered overstocking of material in the warehouses of NTDC. Audit identified concerns detailed in observation 3.13.10 emphasizing redundant procurement practices for Turnkey/EPC contracts that lead to an excess of leftover materials from completed projects.

e) Un-necessary purchase of material is also one of the causes of overstocking of material in warehouses in NTDC. Huge quantity of tower material, Disc Insulators, panels and Greely Conductors is lying dumped in warehouses which show that above mentioned material was procured beyond the actual requirements of the company. Such superfluous procurement of material is the main cause of blockage of funds and overstocking of material**.** Audit identified concerns detailed in observation 3.13.30 highlighting substantial likely loss owing to dumping of surplus Tower material at sub-warehouse Rahim Yar Khan.

3.11.2 Overstocking of Material - Transmission Line & Grid – in Warehouses of NTDC

Upon visit to the warehouses of NTDC (Jamshoro & Multan), it was seen that the warehouse was full with electrical material. Even huge quantity of material was placed outside the premises of warehouses. In NTDC, 2,079 electrical material items (Transmission Line & Grid Station material) worth Rs.9,409.51 million was lying at Jamshoro and Multan Warehouses ranging from 02 to 46 years. The dumping of such a huge quantity of material without utilization indicated that it was purchased beyond the requirement which caused blockage of funds. This act of NTDC management refers to superfluous procurement and wastage of funds without witnessing the realistic approach. With the passage of time, this electrical material is turning into obsolete/outdated. Resultantly NTDC may sustain significant financial loss. Moreover, overstocking also led to blockage of funds by investing in huge quantity of same type of material without further utilization which indicates that it was purchased beyond the requirement and unsubstantiated the project-based procurement. Audit noted concerns specified in observations 3.13.2 and 3.13.32 emphasizing a significant loss to the company stemming from the damage of materials for Grid Stations and Transmission lines along with the expiration of warranty claims for materials and an accumulation of excess electrical material resulting from ineffective or unnecessary procurement beyond project requirements. Top of Form

3.11.3 Ineffective Material Procurement Process

Procurement processes are designed to ensure efficient use of funds and resources. Effective and efficient procurement can help to ensure that products are available when needed for project and that the necessary supplies are available in the correct quantities as well as to ensure that the quality of products is high.

In NTDC, procurement of electrical material for multiple nature of contracts are being carried out by CE (Design) without coordination with concerned Deputy Manager Warehouse and without assessing the factual position of material for which procurement tender is floated and there is no any annual procurement plan and mechanism for significant procurement and fixation of reserve stock limit, resultantly NTDC is enduring with overstocking and unhealthy procurement of material. Moreover, information system/ Warehouse Inventory

Management Control (WIMS), functional in NTDC, is not effective because procurement is not being planned by using this control system.

Non-compliance with principal procurement instructions resulted in wasted resources, significant financial losses through overspending, missed savings opportunities, procurement of unhealthy material. Moreover, overstocking also led to blockage of funds by investing in huge quantity of same type of material without further utilization which indicates that the same was purchased beyond the requirement and unsubstantiated the project-based purchase. The audit highlighted concerns specified in observations 3.13.1 with a focus on the absence of a mechanism for determining a reserve stock limit. NTDC was engaged in eighteen (18) contracts during the fiscal year 2022-23, all without a designated annual procurement plan.

3.11.4 Ineffective Warehouse Operations/Storage of Material/Security Measures

The purpose of effective warehouse operations is to arrange the materials in a manner that will ensure expeditious supply of the material to the user organizations. An efficient storage process in warehouses is critical because it ensures that you're making full use of all the available space in your warehouse. Efficiency in warehouse storage also keeps the stocks organized without compromising productivity. Effective security arrangements are established to protect and safeguard materials against pilferage and theft. The D.M. (W/House) and A.M. (W/H) in charge are responsible for the efficient operations of their respective Ware Houses.

In NTDC, following discrepancies were found in terms of warehouse operations, storage of material and security matters.

- There was no allocated storage space/assigned location for each item in either the yard area and in the shed area. The material of same nature was kept at different locations of warehouses making it him possible to check/verify/count the number of a single item available in the warehouse.
- There was no floor layout for storage bins, racks and bays etc.
- There was no adequate space for passages, gates and doors for the movement of equipment and personnel.

- There was no identified storage location, in both yard and warehouse, with a unique storage locations code.
- All material was unstacked and not possible to count.
- Mostly material was dumped, broken and obsolete especially Disc Insulators.
- Security measures were not sufficient due to the inadequacy of necessary protective measures i.e. deficient security staff, non-installation of CCTV Cameras and non-availability of walkie-talkie etc. to safeguard its electrical material from theft, damage, unauthorized access, or other potential risks. Material was even placed outside the warehouse boundary.

Non-compliance with principle warehouse operations/storing/security instructions resulted in delay/slow moving of items, theft of material, damage of material, unable to access 100 per cent stock taking position and failing to execute FIFO inventory method etc for which NTDC sustained potential loss. Moreover, NTDC remained unable to rationalize the discrepancies during 100 per cent stock taking verification because of unstacked material and ineffective warehouse controls. Audit noted issues detailed in observation 3.13.38 emphasizing insufficient security measures attributed to the lack of necessary protective measures. This deficiency compromised the capability to protect electrical materials from theft, damage, unauthorized access, and other potential risks.

3.11.5 Imprudent Transactions of Material and Maintenance of Inventory Records

The purpose of transactions of material is to ensure that all aspects of material handling is being carried out in right way in order to facilitate the warehouse staff to perform their functions efficiently, correct preparation of documents and accurate accounting of material.

In NTDC, it was witnessed that in emergency, material was being issued to contractor without getting Material Requisition Slip (MRS) from EHV and sometime material was issued to contractor without taking on the record of WIMS or issuance of Goods Receipt Note (GRNs) against the material received in warehouses. Resultantly, most of the returned healthy material of completed projects is lying dumped in unsafe conditions and has not been taken on the record of NTDC

Warehouse and WIMS yet. In addition, most of the material lying at sub-warehouses/DISCOs have become out of design because it has been declared/found unserviceable, obsolete, broken, damaged, rusty and hardened in use.

Non-compliance with prudent transactions of material and maintenance of inventory records instructions resulted in potential risk of misappropriation due to non accountal of issued/returned material on WIMS. Therefore, resultantly it could not be further allocated to any other project yet. The audit identified issues detailed in observations 3.13.13, 3.13.3, 3.13.30, PDP # 1161/2023-24 and 3.13.18 highlighting potential risks of misappropriation of inventory. These risks included the non-accounting of returned balance material from the ADB financed EPC Project, absence of issuance of Goods Receipt Note (GRN) and failure to record the material in the inventory, a substantial potential loss arising from the disposal of surplus Tower material without the receipt of Material Requisition Note (MRN) and issuance of material to contracts without the receipt of Material Requisition Slips (MRS) and Super Subscribed (SS-Cheque) from the relevant formations of NTDC.

3.11.6 Poor Management against Issuance of Material on Rental Basis

The purpose of effective material management is to control the issue of materials from Ware Houses to Field Formation within NTDC, Non NTDC Formations, Temporary Issues on Loan Basis and Return of Material to the suppliers in case the material supplied is do not conform with the specification/ Inspection Certificate or if the physical condition of the material supplied is not good etc. or if the material is found defective with in the stipulated warrantee period.

In NTDC, it was witnessed that most of the electrical material was issued to contractor on rental basis without maintaining separate register and non-observance of due diligence for allocation of material on rental basis. Moreover, rent of most of the issued material was uncalculated yet and most of the rented material/equipment was not returned by contractor despite completion of the project. Resultantly, capital and assets of NTDC is putting at high potential risk due to slack management.

Ineffective management of material issued on rental basis resulted in non-recovery of rental charges and non-return of equipment from contractors which may cause misappropriation of material and loss to the company. The audit identified issues detailed in observations PDP # 1223/2023-24 emphasizing the allocation of stringing equipment on a rental basis to the contractors without the calculation and finalization of rental charges, neglecting codal formalities and lacking a dedicated register for tracking the material issued on a rental basis.

3.11.7 Inadequate Reporting On WIMS

By introducing Warehouse Inventory Management Control (WIMS), NTDC can leverage a number of advantages including better inventory planning, transparent inventory tracking, organized inventory categorization and ensuring goods and materials movement through warehouses in the most efficient and cost-effective way and individual item wise categorization showing detail of opening/closing balances in order to rationalize the discrepancies in the system.

In NTDC, Warehouse Inventory Management System (WIMS) was not designed to provide adequate reporting and organized inventory categorization for further analysis and transparent decision making in terms of efficient and cost-effective processes like aging of stock, warranty of stock, project-based procurement etc. Non-upgrading of WIMS resulted in non-provision of complete and comprehensive analysis of data for effective decision making in future. The WIMS does not reflect the material issued on Loan basis to different entities other than NTDC because "Allocation on loan basis" Module is not developed yet. The audit noted concerns outlined in observations PDP # 1224/2023-24 underscoring that the Warehouse Inventory Management System (WIMS) lacked sufficient design to offer comprehensive reporting and systematic inventory categorization. This deficiency hindered further analysis and transparent decision-making regarding efficiency and cost-effectiveness factors such as stock aging, stock warranties, project-based procurement and allocation on a loan basis.

3.11.8 Miscellaneous issues of Warehouse Material: Following issues related to the material placed in the warehouses of NTDC were observed which are detailed below:

a) Excessive Procurement of Disc Insulators: The excessive procurement of insulators, as witnessed in the case of Disc Insulators, reflects inefficiencies in NTDC's procurement processes. This led to overstocking of Disc Insulators, financial strain, and the risk of material deterioration over time. To rectify this issue, NTDC should implement a more robust procurement strategy, incorporating accurate demand forecasting, inventory optimization, and a transparent approval process for material requisitions. The audit raised concerns as detailed in observations 3.13.4 and 3.13.35 emphasizing that 701,087 units of Disc Insulators valuing Rs.4,446.59 million have been stored in the warehouse for an extended period. These insulators were acquired between 1987 and 2022 for the construction of new projects and the operational maintenance of transmission lines. The accumulation of such a substantial quantity of insulators without deployment suggests an over-purchase beyond actual requirements, resulting in a financial bottleneck of the specified magnitude. Furthermore, 3,176 units of 160 KN Disc Insulators were allocated from Purchase Order ADB-79-2015 (VI) to the civil work contractor M/s NPCC for activities under Contract No. ADB-108-2017. Subsequently, these disc insulators were deemed "unhealthy".

b) Storage of Electrical Material at Other DISCOs: The practice of storing electrical materials at other Distribution Companies (DISCOs) introduces a complex dimension to NTDC's material management. This arrangement may involve shared storage spaces or materials left under the jurisdiction of other entities. It not only complicates tracking and accountability but also poses risks of mismanagement or misplacement. To mitigate these challenges, NTDC should establish more spaces for such storage arrangements, ensuring strict adherence to inventory control and security measures. The audit expressed apprehensions as outlined in observations 3.13.27 highlighting that electrical material worth Rs.42.07 million were stored in the warehouses of DISCOs (SEPCO and QESCO) without proper security and safekeeping. The majority of these electrical materials have become obsolete due to being declared unserviceable, outdated, broken, damaged, rusty and hardened from use. Owing to managerial neglect, this material has not been employed for the company's benefit and has ultimately become worthless.

c) Material Lying Outside Boundary Wall/Premises of Warehouse: The presence of material (conductor reels, tower and line material) lying outside the boundary walls of the warehouse represent a significant security breach and likely potential loss to the company. It is crucial that NTDC enhances its security measures to protect valuable assets. This includes the installation of surveillance systems, improving fencing, and implementing stringent access controls.

Additionally, staff should be trained and empowered to promptly report and address any irregularities in material storage and security**.** The audit raised concerns as specified in observations 3.13.38 pointing out that a security sergeant at the Jamshoro Warehouse reported theft of control cable. This incident occurred because a significant portion of the electrical material was placed outside the warehouse's boundary wall.

d) Absence of Stock Limits: The absence of clear stock limits presents a challenge for NTDC's material management. This can lead to overstocking, increased storage costs, and difficulties in tracking inventory levels accurately. To address this issue, NTDC should establish a comprehensive mechanism for determining reserve stock limits. This mechanism should consider factors such as historical usage patterns, demand forecasting, and industry best practices to ensure optimal material storage levels. The audit expressed concerns as detailed in observations 6.2.4.1 highlighting that instead of setting a reserve stock limit beforehand, the closing balance of electrical material at NTDC warehouses was designated as the reserve stock limit. Retrospective approval was granted to establish the total available stock balance as the reserve stock limit in warehouses. The lack of predefined criteria for determining the reserve stock limit in stores is leading to an unnecessary accumulation of materials.

e) Utilization of Material: Efficient material utilization is critical to ensure that resources are maximized and potential waste is minimized. NTDC should implement robust procedures to monitor and evaluate material usage across its projects. This includes tracking the allocation of materials to specific projects, conducting regular audits to assess usage against project requirements, and implementing the change management processes to reallocate surplus materials to where they are needed most. The audit raised concerns as detailed in observations 6.2.4.8, PDP # 1250/2023-24 and 6.2.4.31 underscoring the existence of incomplete tower material components within NTDC Warehouses and material reconciliation reports identified surplus/balance items intended for return by contractors. The extended non-utilization of the material is contributing to its deterioration and loss of strength, potentially resulting in significant losses for the company. Furthermore, for five EPC Development Projects under "Design-Build" the required processes of material return and subsequent preparation of material reconciliation statements for completed projects were not adhered to, as per the findings of the audit.

f) Procurement and retaining of 132 kV Tower Material: The procurement and retention of 132 kV Tower Material across NTDC's warehouse Jamshoro indicate complexities in inventory management and oversight as its retention does not fall under the purview of NTDC. It is imperative that NTDC standardizes its material procurement and allocation procedures, ensuring that all materials are efficiently distributed to projects in a timely manner. Additionally, clear guidelines should be established for the retention and handling of tower and line material of 132 kV in warehouses of NTDC to prevent any misappropriation in future. The audit expressed concerns as narrated in observations 6.2.4.17 emphasizing that 132 kV tower material valuing Rs.480.78 million was stored at NTDC warehouses in Jamshoro and Multan. This situation is irregular as the storage or retention of 132 kV tower and transmission line material is not within the jurisdiction of NTDC. Such actions result in the blocking of funds and a reduction in warehouse storage capacity.

g) Inadequate material handling due to non-functional vehicles and equipment: To enhance the movement of materials and storage efficiency, it is imperative to implement a material handling system. A well-designed system has the potential to reduce costs and minimize the risks of accidents and damage. The NTDC warehouses currently face challenges due to the absence of appropriate operational vehicles and equipment for effective material handling, resulting in issues like material unstacking and damage. Auctioning off-road vehicles and equipment presents NTDC with the opportunity to reap various benefits, including the acquisition of new vehicles and equipment to ensure the smooth functioning of warehouses. The lack of necessary vehicles and equipment has hindered warehouse efficiency, leading to diminished staff morale, inefficient use of available storage, and a suboptimal facility layout**.** The audit raised concern as detailed in observation PDP # 1222/2023-24, highlighting that six off-road vehicles valuing Rs.17.5 million were supposed to be auctioned or disposed of but this process was not carried out. The failure to dispose of these vehicles is resulting in additional deterioration and a decrease in their salvage value. Furthermore, the absence of suitable operational vehicles and equipment in NTDC warehouses is a primary factor contributing to improper handling, unstacking, and damage of materials resulting in loss to the company etc.

3.12 Regression Analysis for Assessing Relationship/Impact of Procurement Activities on Closing Stock in NTDC

3.12.1 Data set for regression analysis

The selected analysis employs regression, with procurement as the independent variable and closing stock as the dependent variable. Its purpose is to evaluate how procurement levels affect closing stock levels. The detailed datasets for procurement and closing stock are provided in **Annex-III** and **Annex-IV**, respectively. **Annex-V** displays the comprehensive summary output of the regression analysis conducted using Microsoft Excel.

Years	Procurement (independent variable – X-axis) (Rs)	Closing Stock (dependent variable - Y-axis) (Rs)
2019-20	13,364,892,380	18,700,952,161
2020-21	6,950,610,064	25,644,851,605
2021-22	5,569,018,955	25,285,858,685
2022-23	15,408,809,614	28,133,096,159

(***Source: WIMS and MP&M Department, NTDC)***

Hypothesis of the study: Null Hypothesis ($H_{0)}$ = There is no relationship between procurement and closing stock.

Alternative Hypothesis ($H_{1)}$ = There is relationship between procurement and closing stock.

Regression Model/Equation

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + ... + \beta_n X_n$

Where:

- Y is the predicted or estimated value of the dependent variable.
- β_0 is the intercept, representing the value of Y when all independent variables are zero.
- $\beta_1, \beta_2, ..\beta n$ are the coefficients for the respective independent variables ($X_1, X_2, ..., X_n$).
- $X_1, X_2, ..., Xn$ are the values of the independent variables.

The coefficients (β values) in the equation represent the impact of each independent variable on the dependent variable. A positive coefficient means that an increase in the independent variable is associated with an increase in the dependent variable, and a negative coefficient means the opposite.

3.12.2 Results/statistics of Regression Analysis

Multiple R	0.999901658
R Square	0.999803326
Standard Error	30753979.19

ANOVA

	Df	F-Stat	Significance F
Regression	1	5083.545	0.008928291

Microsoft Excel is used to perform the regression analysis to access the relationship/impact of procurement activities on closing stock. The interpretation of results/statistics of regression model is as under:

Multiple R (Correlation Coefficient): This value 0.999901658 (close to 1) represents an extremely high correlation between these two variables (Procurement and closing stock). It means, as Procurement increases or decreases by a certain amount, closing stock also increases or decreases by a consistent and constant multiple of that amount.

R Square (Coefficient of Determination): R-square is a statistical measure that tells us how well one variable (in this case, procurement) can explain or predict the changes in another variable (closing stock). An R^2 of 0.999803326 indicates that approximately 99.98% of the variability in the Y-axis is explained by the X-axis. This suggests an almost perfect fit.

Standard Error: The standard error is a measure of the accuracy of the model's predictions. In this case, a standard error of 30753979.19 suggests that there is some degree of variability or dispersion in the data points for "procurement" and "closing stock." This means that there may be other factors or sources of variation not accounted for in this model. A lower standard error would indicate a more precise model, while a higher standard error suggests that there is more variation in the data that the model has not explained.

3.12.3 Analysis of Variance (ANOVA):

It is used to determine whether there are statistically significant differences between two or more variables. The F-statistic and its associated p-value (Significance F) are used to determine whether the regression model is statistically significant. The breakdown in this regard is as under:

Regression Degrees of Freedom (df): The regression model has 1 degree of freedom, indicating that there's one independent variable (or one parameter estimated in the model).

F-statistic (F): The large F-statistic of 5083.545 suggests that there is a significant amount of variability in the dependent variable that is explained by the regression model. It suggests that changes in procurement are associated with changes in closing stock in a way that is statistically significant.

Significance F: This is the p-value associated with the F-statistic. It tells you whether the F-statistic is statistically significant. In this case, the significance level is 0.008928291, which is less than a typical significance level of 0.05. This suggests that the regression model is statistically significant.

3.12.4 Auxiliary Results of Regression Analysis

	Coefficients	*T- Stat*	*P-value*
Y-axis	23645035695	563.6984658	0.001129
X-axis	0.291054558	71.29898253	0.008928

Coefficients represent the relationship between independent and dependent variable(s). The interpretation of above-mentioned table in terms of t-statistics and p-value of selected two variables (procurement and closing stock) are narrated below:

Coefficient for Y-axis: The value (23,645,035,695) represents the predicted value of the closing stock when the procurement is zero.

Coefficient for X-axis: The coefficient for the X-axis is 0.291054558, which means that for every one-unit increase in the X-axis (procurement), the Y-axis (closing stock) is expected to increase by approximately 0.291.

T-Statistic: It assesses the statistical significance of the coefficient. A higher absolute t-statistic value indicates that the coefficient is more statistically significant. In both cases, the t-statistics are relatively high, indicating that both Y-axis and X-axis coefficients are statistically significant in the regression model. This means that changes in independent variable has a significant impact on the dependent variable.

Probability (P-value): A p-value, ranging from 0 to 1, reveals how likely our results are if there is actually no distinction. In both cases, the p-value for Y-axis & X-axis 0.001129 & 0.008928 (less than 0.05) respectively is low, indicating that this relationship is statistically significant. This means that statistical evidence to support the existence of a relationship between procurement and closing stock is established.

3.12.5 Conclusion

Based upon the P-value, the null hypothesis is rejected in favor of alternate hypothesis. The very high R-square and low p-values suggest that the model fits the data exceptionally well and there is a strong and statistically significant relationship between closing stock and procurement. The coefficient suggests a positive relationship between both variables, indicating that increase in procurement have a direct impact on closing stock, resulting in an escalation of inventory.

3.13 Significant Audit Observations

3.13.1 Non-preparation of annual procurement plan and no-mechanism for fixation of reserve stock limit - Rs.28,447 million

According to Rule-8 & 9 of Public Procurement Rules, 2004, "all procuring agencies shall devise a mechanism for planning in detail for all proposed procurements and shall announce it for each Financial Year for proceeding accordingly without any splitting or regrouping by advertising in advance on the Authority's website as well as on the website of the procuring agency.

During Thematic Audit of Procurement and Material Management in NTDC Warehouse(s), it was observed that the closing balance of electrical material lying at warehouses of NTDC was worth Rs.28,447 million, neither the procurement plan was prepared nor reserve stock limit has been identified, instead of fixing reserve stock limit ex-post facto approval was granted for fixing total available stock balance as reserve stock limit in warehouses. There is no pre-defined criteria to ascertain the reserve stock limit in stores which is leading to overstocking of material. Moreover, NTDC entered into eighteen (18) contracts amounting to PKR 2525.35 million, CNY 290.60 million, Euro 11.74 million, USD 31.79 million during the F.Y 2022-23 without any annual procurement plan. This very act has resulted in overstocking which is the reason of dumping of electrical material without utilization and implies that the same was procured beyond the requirement and this wasteful spending caused blockage of funds to the stated extent.

Non-adherence to PPRA Rules and Warehouse Control and Procedure Manual resulted in overstocking owing to absence of any mechanism for fixation of reserve stock limit and non-preparation of procurement plan up to the Financial Year 2022-23.

Audit recommends that the management needs to look into the matter and frame mechanism in the light of Warehouse Control and Procedure Manual for avoiding overstocking of electrical material.

(Draft Para Nos. 1153 & 1259/2023-24)

3.13.2 Overstocking of material and expiration of warranty claims at NTDC warehouses - Rs.9,409.51 million

According to NTDC Warehouse Control and Procedure Manual notified vide letter No. 6612-24 dated December 31, 2009, clause 1.5 & 3.4, CE (Design), NTDC, the engineer for the procurement of materials, inspect the specifications according to the requirement of the projects/ field formations and their ultimate allocation to the works or otherwise from warehouses and the supplier will bring the material to the Ware House along with warranty/guaranty certificate in order to assure that the material is free from defects.

During Thematic Audit of Procurement and Material Management in NTDC, warranty claims of 2,079 electrical material items worth Rs.9,409.51 million lying at Jamshoro and Multan NTDC Warehouse(s) ranging from 02 to 46 years have been expired. The dumping of such a huge quantity of material without utilization indicated that the same was purchased beyond the requirement and caused blockage of funds to the state extent. This very act renders to ineffective material/procurement management which may cause the loss to company in case of malfunction/damages occurred under normal use of material. There are chances that a large quantity of material has become defective and it cannot be claimed from the contractors which can cause a substantial loss to the company due to overstocking. The justification for lapsing of warranty claims of material is required.

Ineffective procurement/material management resulted in expiration of warranty claims owing to ineffective/superfluous procurement of electrical material beyond the requirement of projects worth Rs.9,409.51 million up to the Financial Year 2022-23

Audit recommends that the management needs to look into the matter and fix responsibility upon the person at fault.

(Draft Para Nos. 1152 & 1220/2023-24)

3.13.3 Excess booking of cost of material as compared to Stock Measurement Book (SMB) - Rs.5,110.96 million

According to Para-5 (5) of Public Sector Companies (Corporate Governance) Rules, 2013 “the board shall establish a system of sound internal control, which will be effectively implemented at all levels within the public sector company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders.

During thematic audit of procurement and material management in NTDC, it was observed that cost of material amounting to Rs.5,110.96 million was booked in excess of actual Store Measurement Book (SMB) against 22 number purchase orders (P.Os) in two warehouses i.e. Multan and Jamshoro. This very act reflects irrational approach of NTDC management.

Non-adherence to authority's instructions resulted in excess booking of cost of material as compared to Stock Measurement Book (SMB) - Rs.5110.96 million

Audit recommends that management needs to look into the matter and ensure to rationalize booking of cost of material.

(Draft Para No. 1214/2023-24)

3.13.4 Blockage of huge funds due to superfluous procurement of Disc Insulators lying at Jamshoro Warehouse since long – Rs.4,446.59 million

According to NTDC Ware House Control and Procedure Manual notified vide letter No. 6612-24 dated December 31, 2009, clause 1.5, CE (Design), NTDC deals with the procurement of materials, inspection according to the specifications, consigning new material to the ware house according to the requirement of the projects/ field formations and their ultimate allocation to the works or otherwise, from warehouses.

During Thematic Audit of procurement and material management in NTDC Warehouse Jamshoro, it was witnessed that 701,087 Disc Insulators valuing Rs.4,446.59 million were lying at the warehouse since long which were purchased during the period of 1987 to 2022 for construction of new projects and operational maintenance of the transmission lines. The dumping of such a huge quantity of insulators without utilization indicates that the same was purchased beyond the requirement which caused blockage of funds to the stated extent. The crates/boxes of Disc Insulators are not properly stacked and broken which are lying on the ground in open place of the warehouse. Among them a large number of Disc Insulators are broken/damaged which are not fit for use. As the warranty period of the purchased material has already been expired so it cannot be reclaimed from the suppliers as well which is sheer negligence on the part of the NTDC management. Even Toughened Glass Insulators (latest technology) recently procured are placed in open place. The total value of inventory lying at the Jamshoro Warehouse is Rs.11.445 billion and it is pertinent to note that out of which Rs.4.446 billion is the value of insulators (40 per cent of total inventory). Moreover, the Disc Insulators (single item) are occupying more than 70 per cent of the total space of the warehouse. This very act resulted in overstocking of Disc Insulators owing to inefficient/superfluous procurement which does not substantiate the claim of project-based procurement of material.

Unnecessary procurement resulted in blockage of huge funds due to superfluous procurement of Disc Insulators lying at Jamshoro Warehouse since long valuing Rs.4,446.59 million up to the Financial Year 2022-23.

Audit recommends that the management needs to inquire the matter to fix responsibility for such wasteful procurement besides timely utilization and disposal of the Disc Insulators.

(Draft Para No. 1237/2023-24)

3.13.5 Irregular release of payment due to non-obtaining of extended warranty from contractor - Rs.3,632.355 million

According to Para-4 of Notification of Award (NOA) against Tender No. TLM-09M-2019 (Lot-I), "ninety percent (90%) of contract price of goods shipped shall be paid upon presentation of the document specified in Particular Condition of Contract (PCC) Sub-Clause-12.1(A) of Bidding Documents stipulates that the supplier shall submit certain non-negotiable documents including original copy of manufacturer's/ supplier's warranty certificates." According to Chief Engineer (T/Line) Design letter No. CED/ NTDC/MTL-II/H-165 (Lot0I)/374-76 dated April 19, 2021, "approval for witnessing of FATs by third party for material procured under contract No. TLM-09-2019 (Lot-I) was grant to the supplier subject to provision of extended warranty period of 60 months (05 years).

During Thematic Audit of procurement and material management in NTDC, it was observed that ninety percent (90%) of the contract price of goods amounting to Rs.3,632.355 million shipped under contract TLM-09-2019 (Lot-I) was released to the supplier without obtaining of extended warranty of 60 months (05 years). The release of payment to contractor without extended warranty was against the instructions of authority/ provisions of Notification of Award and hence cannot be termed as regular.

Violation of instruction of authority and provisions of NOA resulted in irregular release of payment amounting to Rs.3,632.355 million to contractor due to non-obtaining of extended warranty up to the Financial Year 2022-23.

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

(Draft Para No. 1215/2023-24)

3.13.6 Non-implementation of procurement plan for project construction – Rs.3,049 million

According to PC-1 of the Project TLC-14 "Evacuation of Power from 2x660 MW Thar Coal Based SSRL/SECL Power Plant at Thar" Total cost of Project Rs.21,782.99 million included material value of Rs.11,318.69 million as detailed below:

Sr. No.	Material Description	Amount (Rs.in million)
1.	Steel Towers	4,110.44
2.	Conductor (Greeley)	4,102.66
3.	OPGW	100.71
4.	Insulator strings	2,466.01
5.	Insulator Hardware, grounding, material, stringing & construction equipment and accessories	538.87
Total		**11,318.69**

During thematic audit of procurement and material management in NTDC, it was witnessed that three (03) contracts TLM-09M-2019, TLM-10-2020 and TLM-11(R)-2022 were awarded for procurement of material for construction of project TLC-14 (Evacuation of Power from 2x660 MW Thar Coal Based SSRL/SECL Power Plant at Thar). However, the material amounting to Rs.3,049 million was issued to TLC-14 from 14 Purchase Orders which were not related with the TLC-14. Such arrangement for managing supply of material for the projects compromises the fundamental principles of project-based procurement as claimed by NTDC management because allocation orders of material against the contract No. TLC-14 were made from 14 Purchase Orders (POs) and material was lifted from three Warehouse of NTDC i.e. Gatti, Jamshoro and Multan despite the fact that this material was not specifically procured for TLC-14. This depicts that utilization/allocation of material During Thematic Audit of procurement and material management in NTDC is not being done on actual basis against project/contract for which procurement was made. This very act of management refers to non-compliance with the project-based procurement and led to overstocking of material which needs justification.

Ineffective management resulted in non-implementation of procurement plan for construction of project amounting to Rs.3,049 million up to the Financial Year 2022-23.

Audit recommends that the management needs to investigate the matter for fixing responsibility for not issuing the material for which it was originally procured under report to audit.

(Draft Para No.1167/2023-24)

3.13.7 Un-authentic physical stock taking/verification position being unstacked/dumped/untraced material lying at NTDC Warehouses - Rs.2,947 million

NTDC Warehouse Control and procedure Manual deals with the receipt of material in ware house, stacking, updating of Ware House record, Issuance of material, preparation of periodic returns and includes the formats of transaction documents etc. guide lines / formats for the Stock Taking Teams in order to rationalize the discrepancies found during the verification of stock. The DM (IC) will be responsible for training the store staff in their duties and handling with the material as well as their stacking and counting.

During Thematic Audit of procurement and material management in NTDC, it was witnessed from 100% stock taking/verification reports that different types of Grid Station & Transmission line material valuing Rs.2,947 million lying at NTDC Warehouses(s) were lying unstacked, dumped, in rainy water. It was astonishing that material as per record and as per ground was verified by 100% stock taking committee but counting of unstacked/dumped material is not feasible to present accurate stock taking position. Moreover, the remarks noted in the SVR by the committee are very clear that the stock could not be counted due to above mentioned reasons. Therefore, the 100 percent verification and counting of material is not reliable. This very act renders to poor internal control system and indefinite counting of stock which caused deterioration of packing of material and ambiguous stock taking position.

Ineffective material management resulted in un-authentic physical stock taking position being unstacked/dumped/untraced material lying at NTDC Warehouses(s) having financial impact of Rs.2,947 million up to the Financial Years 2022-23.

Audit recommends that management needs to improve internal controls by taking actions in line with approved NTDC Warehouse Control and procedure Manual to rationalize the discrepancies found during the verification of stock besides expediting the process of stacking of material.

(Draft Para No. 1248/2023-24)

3.13.8 Non-allocation/non-disposal of incomplete tower material – Rs.1,679.91 million

NTDC Warehouse Control and Procedure Manual deals with the receipt of material in ware house, stacking, updating of Ware House record, issuance of material, preparation of periodic returns and includes the formats of transaction documents etc. guide lines / formats for the Stock Taking Teams in order to rationalize the discrepancies found during the verification of stock.

During Thematic Audit of procurement and material management in NTDC Warehouse Multan, it was witnessed on test check basis that incomplete components of tower material which had been purchased against four (04) Purchase Orders (POs) valuing Rs.1,679.91 million were lying in Multan Warehouse since long, but the same was not allocated to any project. Due to non-utilization, the subject material is deteriorating day by day and losing strength which may cause massive loss to the company.

Non-adherence to NTDC Warehouse Control and Procedure Manual resulted innon-allocation of incomplete components of tower material – Rs.1,679.91 million up to Financial Year 2022-23.

Audit recommends that the management needs to investigate the matter for fixing responsibility for unnecessary procurement of material, laxity of the management for not arranging complete tower material and non-allocation/non-disposal of the available incomplete tower material under intimation to audit.

(Draft Para No. 1147/2023-24)

3.13.9 Unscrupulous procurement for Turnkey/EPC contracts resulting in surplus/left over material from the completed projects – Rs.1,477 million

According to NTDC Ware House Control and Procedure Manual notified vide letter No. 6612-24 dated December 31, 2009, clause 1.5, CE (Design), NTDC deals with the procurement of materials, inspection according to the specifications, consigning new material to the ware house according to the requirement of the projects/ field formations and their ultimate allocation to the works or otherwise, from warehouses.

During thematic audit of procurement and material management in NTDC, it was witnessed that following the material reconciliation reports of the completed EPC/Turnkey Projects, material valuing Rs, 1,477 million was found surplus/balance material due to be returned to the warehouses of NTDC which depicts that the survey, estimates and procurement for the EPC Contracts were not made on actual basis as per requirements of the projects. Resultantly, a huge quantity of material turned extra which led to the wastage of funds and overstocking of material.

Inadvertent procurement for Turnkey/EPC contracts resulted in surplus/left over material from the completed projects – Rs.1,477 million.

Audit recommends that the management needs to inquire the matter for fixing responsibility besides expediting utilization/disposal of balance/left over material under intimation to audit.

(Draft Para No. 1166/2023-24)

3.13.10 Irregular placement of Tower Material at sub-warehouse stationed at Moro and unjustified recording of stock of Moro sub-warehouse in the books of accounts of Jamshoro Warehouse – Rs.1,147.21 million

According to Rule-5(5) of Public Sector Companies (Corporate Governance) Rules-2013, “the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders”.

During Thematic Audit of procurement and material management in NTDC, it was witnessed that 10 containers of 500 kV D/C Steel Towers against Contract TLM-08M-2019-LOT-I and various materials against TLM-09M-2019 valuing Rs.1,147.21 million were lying at undesignated NTDC Warehouse stationed at Moro. It is astonishing that stock/material lying at Moro Warehouse is being recorded in the books of accounts of Jamshoro Warehouse as per inventory record of WIMS provided by D.M Jamshoro Warehouse. This depicts that Moro Warehouse is not operational in books/record of NTDC. This very act renders to irregular placement and recording of stock at undesignated Warehouse which requires justification. Moreover, there is no proper staff available except Deputy Manager to handle and look after the inventory placed at Moro Warehouse. The temporary arrangement made for storage of material at Moro under unsafe/un-protected conditions without proper security/staff is at risk and can cause huge loss to the company.

Non-adherence to Corporate Governance Rules resulted in irregular placement of stock at undesignated Warehouse stationed at Moro and unjustified recording of Stock of Moro Warehouse in the books of accounts of Jamshoro Warehouse amounting to Rs.1,147.21 million.

Audit recommends that the management needs to look into the matter and share the updated status of Moro Warehouse in terms of inventory and its operations with audit.

(Draft Para No.1256/2023-24)

3.13.11 Excess booking of Incidental Charges to Cost of Material - Rs.952.81 million

According to Notification No. CEx/CE(MP&M)/IC/DMIC/59/7868-88 dated June 27, 2008 "The provision of incidental charges on the material received During Thematic Audit of procurement and material management in NTDC warehouse, is hereby revised w.e.f. July 01, 2008 till further orders: (a) 24% of the Carriage and Freight (C&F) value on the imported material which is also manufactured in Pakistan. (b) 11.5% of the C&F value on the imported material which is not manufactured in Pakistan. (c) 02% of the Ex-Works value on the material purchased locally."

According to International Accounting Standard (IAS) No. 02: Inventory cost should not include: [IAS 2.16 and 2.18] abnormal waste storage costs administrative overheads unrelated to production selling costs foreign exchange differences arising directly on the recent acquisition of inventories invoiced in a foreign currency interest cost when inventories are purchased with deferred settlement terms.

During thematic audit of procurement and material management in NTDC, it was observed that incidental charges amounting to Rs.952.81 million in two warehouses i.e. Multan and Jamshoro were excessively booked to the cost of material against six number contracts in violation of allowed percentages. The Jamshoro warehouse booked Rs.423.10 million excess cost against two no. of contract while Multan warehouse booked Rs.529.70 million against 04 no. contracts. This excess booking of incidental charges inflated the material cost to the extent of Rs.952.81 million which needs justification.

Non-adherence to authority's instructions and IAS-02 resulted in excess booking of incidental charges amounting to Rs.952.81 million.

Audit recommends that management needs to investigate the matter for fixing responsibility upon the person(s) at fault and to make rectification in the books of accounts under report to audit.

(Draft Para No.1156/2023-24)

3.13.12 Undue favor to EPC contractors due to issuance of material on loan basis – Rs.851.05 million

According to General conditions of EPC Contract - Scope of facilities - the contractor's obligations cover the provision of all Plant and the performance of all Installation Services required for the design, the manufacture (including procurement, quality assurance, construction, installation, associated civil works, pre-commissioning and delivery) of the plant and the installation, completion, and commissioning of the Facilities in accordance with the plans, procedures, specifications, drawings and codes). Such specifications include, but are not limited to, the provision of supervision and engineering services; the supply of labor, material, equipment, spare parts and accessories, contractor's equipment, construction utilities and supplies, temporary materials, structures and facilities, transportation and storage

During thematic audit of procurement and material management in NTDC, it was witnessed that four (04) Engineering Procurement and Construction (EPC) / Turkey contracts i.e. ADB-201, ADB-301-A, SU-NT/2009-101, WB-05B-2020 were awarded. According to EPC Contract, responsibility for procurement of all material was on the EPC Contractor but NTDC management issued/supplied material to EPC Contractors on loan basis amounting to Rs.851.05 million which tantamount to undue favor to EPC contactors due to irregular issuance of material on loan basis. Moreover, recovery of rental charges or return of material from EPC Contractors were not forthcoming from the record available to audit. This very act refers to poor internal control of NTDC which may lead to misappropriation of material and loss to company.

Non-adherence to spirit of EPC contracts resulted in undue favor to EPC Contractors due to issuance of material on loan basis amounting to Rs.851.05 million up to the Financial Year 2022-23.

Audit recommends that the management needs to inquire the matter for fixing responsibility of irregular issuance of material on loan basis along with recovery/return of material besides ensuring non-issuance of material to EPC Contractors on loan basis in future under report to audit.

(Draft Para No.1149/2023-24)

3.13.13 Irregular retention of material for non-issuance of GRN and not taking the material on record of inventory– Rs.652 million

According to NTDC Warehouse Control and Procedure Manual notified vide letter dated December 31, 2019, clause 3.6, the Store Keeper will prepare three legible copies of goods received note. He will enter the description and quantity of the delivery and will append his full signature at the bottom of each GRN. He will also enter the Purchase Order Number, Inspection Certificate No: and details of the supplier. The Dy. Manager (ware house) will check the GRN and if it is correct, he will then countersign the note himself.

During Thematic Audit of procurement and material management in NTDC Warehouse Jamshoro, it was witnessed on test check basis that tower material valuing Rs.652 million was received at Jamshoro Warehouse in three lots against Purchase Order No. TLM-12R-2021 on October 05, 2022, but it was astonishing that GRN for the said material has not been issued by Store Keeper/DM (Warehouse) nor Joint Survey Report has been conducted so far. Furthermore, the subject material was stored at sub-warehouse Jhampir in open space (on temporary arrangement) without any proper security because no staff is posted there. On enquiry, it was informed by the management that some material of the same PO (parts of tower material - tower leg extensions) was not received yet so that is why the GRN has not been issued. Despite being not available on the records of WIMS, material to the extent of Rs.37.79 million was allocated to

Gawadar Turnkey project during September-October 2022. This very act renders to gross negligence on part of management of Warehouse and it may lead to misappropriation of material and loss to the company.

Non-adherence to NTDC Warehouse Control and Procedure Manual resulted in likely misappropriation of tower material for non-issuance of GRN against the received material in the warehouse and not taking on record of inventory (WIMS) – Rs.652 million

Audit recommends that the management needs to investigate the matter for non-issuance of GRN against the received material for the last ten months to fix the responsibility and to resolve the issue under intimation to audit.

(Draft Para No.1247/2023-24)

3.13.14 Loss due to demurrage and detention charges sustained by NTDC for delayed custom clearance – Rs.558 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".

During Thematic Audit of procurement and material management in NTDC, it was observed that an amount of Rs.558 million was paid on account of demurrage and detention charges for delayed custom clearance. This shows sheer negligence on the part of management of NTDC and resultantly company sustained a huge loss.

Non-adherence to authority's instructions resulted in loss due to demurrage and detention charges sustained by NTDC for delayed custom clearance amounting to Rs.558 million up to the Financial Year 2022-23.

Audit recommends that the management needs to inquire the matter for fixing responsibility upon the person(s) at fault.

(Draft Para No.1160/2023-24)

3.13.15 Loss due to award of contract to 2nd lowest bidder caused by defective bid evaluation - Rs.530.043 million

According to Rule-5 (5) of Public Sector Companies Corporate Governance Rule 2013, "the Board shall establish a system of sound internal control, which shall be effectively implemented within Public Sector Corporate to ensure compliance with the fundamental principles of probity and propriety: objectivity, integrity and honesty and relationship with stakeholders." According to Rule 2 (h) of the Public Procurement Rules, 2004, "most advantageous bid" means,- (i) a bid or proposal for goods, works or services that after meeting the eligibility or qualification criteria, is found substantially responsive to the terms and conditions as set out in the bidding or request for proposals document; and (ii) evaluated as the highest ranked bid or proposal on the basis of cost or quality or qualification or any combination thereof, as specified in the bidding documents or request for proposal documents which shall be in conformity with the selection techniques to be issued by the Authority.

During Thematic Audit of procurement and material management in NTDC, it was observed that M/s SiChuan YiBin Global Group Co. Ltd. (SYGG) was declared as lowest responsive bidder with quoted price of Rs.1,789.325 million against Tender No. NPP-04M(R)-2020 regarding Design, Manufacturing & Supply of complete hardware strings including Pre-RTV coated Disc. Insulators (porcelain or toughened glass) for 500 kV D/C Q/B T/Line for evacuation of power from K-2/ K-3 Nuclear Power Plants. However, the 2nd lowest bidder M/s Sediver SAS France went to NTDC Grievance Redressal Committee (GRC) against qualification of 1st lowest bidder. Resultantly, the GRC vide its report dated May, 2021, on the basis of Chief Engineer T/Line Design letter dated April 12, 2021 regarding non-conforming of authenticity of performance certificate of POWERGRID, India, declared the 1st lowest bidder non-responsive However, in this regard, the response of 1st lowest bidder dated June 18, 2021 regarding provision of Performance Report from POWERGRID was not taken into account and contract amounting to Rs.2,319.368 million was awarded to 2nd lowest bidder M/s Sediver SAS France on July 01, 2021. Resultantly the public exchequer suffered loss of Rs.530.043 million due to award of contract to 2nd lowest bidder.

It is pertinent to mention that the procedure adopted for getting authenticity of performance certificate submitted earlier by 1st lowest bidder i.e. M/s SYGG with its bid was incorrect as authenticity of said certificate was sought from Corporate Office of POWERGRID, Dehli instead of issuing authority i.e. Regional Office of POWERGRID, Nagpur.

The said issue was also taken with NTDC by PPRA on July 15, 2021, however, outcomes in this regard was not made known to Audit. Further, the GRC report Tender against Tender NPP-04M (R)-2020 dated May, 2021 concluded with remarks that "irregularities in the bid evaluation process of have been observed." However, neither the bidding process was annulled nor responsibility against irregularities in bid evaluation process was fixed upon delinquent (s).

Violation Public Sector Companies Corporate Governance Rule 2013 and PPRA Rules resulted in loss amounting to Rs.530.043 million due to award of contract to 2^{nd} lowest bidder caused by defective bid evaluation up to the Financial Year 2022-23.

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

(Draft Para No.1159/2023-24)

3.13.16 Loss due to non-award of contract during bid validity period – Rs.489.70 million

According to Rule-5(5) of Public Sector Companies Corporate Governance Rule 2013, "the Board shall establish a system of sound internal control, which shall be effectively implemented within Public Sector Corporate to ensure compliance with the fundamental principles of probity and propriety: objectivity, integrity and honesty and relationship with stakeholders."

During Thematic Audit of procurement and material management in NTDC, it was observed that Technical Bid Evaluation Report for bids against Tender-TLM-11-2021 for procurement of AAAC Greely Conductor for 500 kV Double Quad Bundle Transmission Line was opened on May 27, 2021, and approved by MD NTDC on October 05, 2021. The bid validity period of the subject tender was 150 days from bid opening. Since the bid validity period was near to expire, the two (02) technically responsive bidders i.e. M/s Henan Tong-Da Cable Co. Ltd. and M/s Jiangsu Zhongtian Technology Ltd. (ZTT) were asked for extension in bid validity period but both the bidders refused to extend the bid validity period. Resultantly the bidding process was annulled on December 08, 2021 and re-tendering for procurement of said material under Tender TLM-11R-2021 was floated and contract was awarded to M/s Fast Cables having lowest evaluated landed cost of Rs.5,327.437 million. However, the landed cost of one of technically responsive bidder i.e. M/s Henan Tong-Da Cable Co. Ltd. in the previous tender TLM-11-2021 was Rs.4,837.737 million. (calculated from the 2% bid security of bidder i.e. CNY 2.300 million at conversion rate of Rs.24 as on

30.04.21). Resultantly loss to the tune of Rs.489.7 million was suffered to the company due to non-award of contract under TLM-November, 2021 during the bid validity period. It is pertinent to mention here that an inquiry committee to probe into reasons behind inordinate delay and subsequent scrapping of tendering process for procurement of AAAC Greely Conductor vide Tender No. TLM-09M-2019 and TLM-11-2021 was constituted on January 26, 2022. However, the outcomes of the said inquiry report were not forthcoming from the record.

Non-adherence to the provisions of the Public Sector Governance Rules resulted in loss of Rs.489.7 million due to non-award of contract during bid validity period up to the Financial Year 2022-23.

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

(Draft Para No.1157/2023-24)

3.13.17 Irregular retaining of 132 kV Tower Material lying at Jamshoro and Multan Warehouses being not under purview of NTDC Warehouse(s) – Rs.480.78 million

According to NTDC Warehouse Control and Procedure Manual notified vide letter No. 6612-24 dated December 31, 2009, clause 1.2. National Transmission and Dispatch Company is responsible for the smooth and efficient operation of the Ware House, proper record keeping and to develop uniform inventory reporting system throughout the jurisdiction of the Company.

During Thematic Audit of procurement and material management in NTDC, it was witnessed on test check basis that 132 kV tower material valuing Rs.480.78 million was lying at NTDC Warehouses Jamshoro and Multan which is irregular because storage/retaining of 132 kV tower and transmission line material is not covered under jurisdiction of NTDC. This very act renders to blockage of funds and decreased storage space of Warehouse which requires justification in terms of stocking of 132 kV transmission line/tower material which has been retained without any utility for the company. The detail is as under:

Sr. No.	No. of Items (132 kV tower material)	Warehouse	Amount (Rs.)
1.	20	Jamshoro	103,095,368.43
2.	378	Multan	377,680,790.31
			480,776,158.74

Non-adherence to NTDC Warehouse Control and Procedure Manual resulted in irregular stocking of 132 kV Tower material lying at Jamshoro and Multan Warehouses being not falling under the purview of NTDC amounting to Rs.103.09 million

Audit recommends that the management needs to look into the matter besides expediting the disposal/issuance process of 132 kV tower and line material to save the funds of NTDC.

(Draft Para No.1255/2023-24)

3.13.18 Irregular issuance of material without receipt of Material Requisition Slips (MRS) and SS cheques – Rs.272.76 million

According to Warehouse Control and Procedure Manual (4) issue of Material "The store keeper will issue the materials listed on the requisition and will make entries on the relevant bin cards. According to International Accounting Standard (IAS) – 01, the financial statement should present fairly the financial position, financial performance and cash flows of the enterprise.

During thematic audit of procurement and material management in NTDC, it was witnessed from Gate Passes that multiple nature of material valuing Rs.272.76 million was issued to contractors without receipt of Material Requisition Slips (MRS) and SS Cheques for value of the material issued from the concerned formations of NTDC. This very act refers to poor internal control and may lead to misappropriation of material amounting to Rs.272.76 million.

Non-adherence to warehouse control and procedure manual resulted in irregular issuance of material without MRS Rs.272.76 million

Audit recommends that investigation may be made to fix responsibility upon the person(s) at fault for irregular issuance of material without MRS(s) – Rs.272.76 million under report to audit.

(Draft Para No.1151/2023-24)

3.13.19 Non-disposal of un-serviceable stock / material at NTDC warehouses - Rs.212.26 million

According to NTDC Warehouse Control and Procedure Manual notified vide letter No. 6612-24 dated December 31, 2009, clause 308 (b) Value Ledger Keeper will prepare the Value Sheet for each item of the consignment and submit the same to the Accounts Officer who will check it with the Purchase Order and make necessary deductions (If applicable) and obtain the signature of Deputy Manager as a token of recheck by the In-charge Ware House. (c) The Warehouse manager will then carry out a physical inspection of the material brought to the Warehouse in order to assess its condition and value accord ing to the policies laid down in the Disposal Procedure.

During Thematic Audit of procurement and material management in NTDC warehouses, it was observed that in 100 cases material of various types valuing Rs.212.26 procured against different purchase orders was lying at Jamshoro, Multan, Gatti & Kotlakhpat warehouses which was declared un-serviceable being not useful for the transmission system of the NTDC. This very act caused blockage of funds and rendered the decrease in the value of material kept in adverse environmental circumstances. Moreover, in 67 cases material of various types declared as un-serviceable was lying without having any valuation for the period 2022-23. In absence of valuation of un-serviceable material, malafide disposal may be done and this very act will render the loss to the ex-chequer.

Non-adherence to disposal procedure of Warehouse Control and Procedure Manual resulted in non-determination of value of un-serviceable material and its disposal up to the Financial Year 2022-23.

Audit recommends that the management needs to inquire the matter and fix responsibility upon the person(s) at fault besides expediting the process of valuation and disposal of un-serviceable materials lying at NTDC Warehouse(s).

(Draft Para No.1253/2023-24)

3.13.20 Non-installation of Nitrogen Injection Explosion Prevention and Fire Protection System procured for shunt reactors and auto-transformer banks – Rs.140.00 million

According to Rule-5(5) of Public Sector Companies Corporate Governance Rule 2013, “the Board shall establish a system of sound internal control, which shall be effectively implemented within Public Sector Corporate to ensure compliance with the fundamental principles of probity and propriety: objectivity, integrity and honesty and relationship with stakeholders.”

During thematic audit of procurement and material management in NTDC, it was observed that five (05) Nitrogen Injection Explosion Prevention and Fire

Protection System valuing Rs.140.00 million (US$ 700,000 @ Rs.200/US$) were procured along with three (03) shunt reactors and two (02) auto transformer banks under Contract No. ADB-300D-2018 (Lot-I&II) for the protection of system. The procured shunt reactors and auto transformers banks were got installed at the grid stations. However, the corresponding Nitrogen Injection Explosion Prevention and Fire Protection System were not got installed and the same were lying at NTDC ware house/ grid stations. Resultantly, the costly equipments were put into operation by compromising safety and protection of grid stations.

Violation of Corporate Governance Rules has resulted in non-installation of Nitrogen Injection Explosion Prevention and Fire Protection System procured for shunt reactors and auto-transformer banks valuing Rs.140.00 million up to the Financial Year 2022-23.

Audit recommends that the management needs to investigate the matter for fixing responsibility for insecure operation of shunt reactors and auto transformer banks besides expediting installation of Nitrogen Injection Explosion Prevention and Fire Protection System at the respective grid stations.

(Draft Para No. 1164/2023-24)

3.13.21 Irregular award of contract due to deficient bid evaluation – Rs.2,110.391 million

According to Rule-5 (5) of Public Sector Companies Corporate Governance Rule 2013, "the Board shall establish a system of sound internal control, which shall be effectively implemented within Public Sector Corporate to ensure compliance with the fundamental principles of probity and propriety: objectivity, integrity and honesty and relationship with stakeholders."

During Thematic Audit of procurement and material management in NTDC, it was observed that Contract TLM-10-2020 regarding Design, Manufacturing & Supply of complete insulator hardware assemblies including 160 kN disc insulators (Anti-fog type Porcelain or Glass) for 500 kV D/C Q/B T/Line from Thar Coal Block-I to Matiari Converter Station amounting Rs.2,110.391 million was awarded to M/s Sediver SAS France on November 10, 2021. The award of contract to the said contractor was not regular due to following deficiencies in the Bid Evaluation process:

1. M/s SiChuan YiBin Global Group Co. Ltd. (SYGG) was declared "non-responsive" as per Evaluation Report published on August 31, 2021 with

remarks “Bidder determined to be non-responsive & rejected on account of submitting false information. Further the bidder was asked to clarify his position in this context but the bidder in its reply has failed to provide satisfactory response & authentic evidence till today. Audit observed that the said bidder provided verified copy of performance certificate from end user on June 24, 2021 but the same was not taken into consideration before determining non-responsiveness of the said bidder. Further, the procedure adopted for getting authenticity of performance certificate submitted earlier by said bidder with its bid was incorrect as authenticity of said certificate was sought from Corporate Office of POWERGRID, Dehli instead of issuing authority i.e. Regional Office of POWERGRID, Nagpur.

2. The grievance of one of the bidders i.e. M/s Shandong Ruitai Glass Insulator was not addressed on the plea that the same was received after lapse of permissible period of 15 days. Audit observed that Evaluation results against the said tender were published on PPRA website on September 02, 2021 whereas grievance from the said bidder was received on September 17, 2021. This depicted that the grievance was received within permissible period of 15 days from the date of announcement of Bid Evaluation Report on PPRA website. Further the grievance of M/s SiChuan YiBin Global Group Co. Ltd. (SYGG) regarding qualification of M/s Sediver SAS France was not properly addressed in the GRC Report dated September, 2021.

3. As per findings of Grievance Redressal Committee (GRC) Report against Tender No. 10-2020 dated September, 2021, some of the performance certificates provided by M/s Sediver SAS-France along its bid were without designation of signing authority, address, contract number, websites, contact information, stamps etc which was against the provisions of the Performance Criteria – Clause IB-3A(a) 4, Section-II of bidding documents. Moreover, some of the Contract Agreements provided by M/s Sediver SAS-France along its bid were either not English translated or not notarized which was against the Manufacturing Experience Criteria-IB-3A (a) 3 iii, Section-II of bidding documents.

It is pertinent to mention that the above irregularities in bid evaluation process have already been highlighted by GRC in its report dated May, 2021 against Tender No. NPP-04M (R)-2020 wherein it was recommended that management may look into issues seriously. However, no punitive/ corrected actions were taken by the management and the same irregularities were repeated in the instant tender TLM-10-2020.

Violation of Public Sector Companies Corporate Governance Rule 2013 resulted in Irregular award of contract amounting to Rs.2,110.391 million due to deficient bid evaluation up to the Financial Year 2022-23.

Audit recommends that the management needs to investigate the matter for fixing responsibility of irregular award of contract due to deficient bid evaluation.

(Draft Para No.1260/2023-24)

3.13.22 Non-finalization of inquiries/ disciplinary cases having financial impact - Rs.104.03 million

According to Rule-5(5) of Public Sector Companies (Corporate Governance) Rules-2013, "the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders".

During Thematic Audit of procurement and material management in NTDC, it was witnessed on test check basis that twenty-three (23) inquires/ disciplinary cases having financial impact of 104.03 million regarding shortage of material etc. and most of the cases were under investigation with NAB but not finalized despite lapse of considerable time period. This very act renders to poor internal control system and accountability mechanism.

Violation of provisions of Corporate Governance Rules-2013 resulted in non-finalization of inquiries/ disciplinary case having financial impact of 104.03 million up to the Financial Years 2022-23.

Audit recommends that management needs to improve internal controls by taking actions in line with approved mechanism/SoPs to finalize the inquiries / disciplinary cases.

(Draft Para No.1251/2023-24)

3.13.23 Loss due to non-forfeiture of bid securities of bidders involved in corrupt and fraudulent practices – Rs.98.00 million

According to clause-19.6 (d) of Section-II: Bidding Data and Appendices, "the bid securities of the bidder (s) found involved in corrupt and fraudulent practices shall be forfeited." According to clause 1.1 of Section-IV, Part-I: General Conditions of Contract, "corrupt and fraudulent practices include *misrepresentation of facts* in order to influence a procurement process."

During Thematic Audit of procurement and material management in NTDC, it was observed that the bids of M/s Shandong Ruitai Glass Insulators Co. Ltd. China, M/s Nanjing Electric Group Co. Ltd. China and M/s Sichuan Yibin Global Group Co. Ltd. (SYGG), China against Tender No. TLM-10-2020 were rejected during bid evaluation process due to submission of false/ materially inaccurate information. Since the act of misrepresentation of facts in order to influence a procurement process fall under the ambit of corrupt and fraudulent practices, the bid securities of these bidders amounting to Rs.98.00 million were required to be forfeited. But neither bid securities of the said bidders were fortified nor the said bidders were blacklisted/ debarred.

Violation of provisions of bidding documents resulted in loss due to non-forfeiture of bid securities of the bidders involved in corrupt and fraudulent practices valuing Rs.98.00 up to the Financial Year 2022-23.

Audit recommends that the management needs to fix responsibility of loss for effecting recovery besides initiating process of blacklisting/ debarment of the bidder involved in corrupt and fraudulent practices.

(Draft Para No.1216/2023-24)

3.13.24 Irregular receipt of material from the manufacturer not specified in the contract agreement – Rs.80.713 million

According to Schedule-H & J to Bid against Tender No. TLM-10-2020, M/s Mosdorfer GmbH, Austria was described and approved as sub-contractor for supply of Grounding Material and manufacturer's authorization in this regard was submitted by the bidder with its bid.

During Thematic Audit of procurement and material management in NTDC, it was observed that Contract No. TLM-10-2020 for procurement of insulator hardware assemblies including 160 kN Glass Disc Insulators for 500 kV D/C Q/B Transmission Line from thar Block-I to Matiari Converter Station for power evacuation from coal power plants was awarded to M/s SEDIVER SAS. In the said contract, M/s Mosdorfer was approved as sub-contractor/ manufacturer for supply of grounding material. But contrary to this, grounding material manufactured by another manufacturer i.e. M/s Kumwell, Thailand valuing

Rs.80.713 million (equivalent to Euro 405,596 x Rs.199) was supplied which was against the provisions of the contract agreement.

Non-adherence to provisions of the contract agreement resulted in irregular receipt of material valuing Rs.80.713 million from the disapproved/ unspecified sub-contractor/ manufacturer up to the Financial Year 2022-23.

Audit recommends that the management needs to fix responsibility for irregular receipt of material from disapproved/ unspecified sub-contractor/ manufacturer.

(Draft Para No.1168/2023-24)

3.13.25 Undue financial favor to contractor due to receipt of AAAC Greely Conductor winded on unspecified reels – Rs.73.144 million

According the Bidding Documents of Tender No. TLM-11(R)-2022, the bidder was required to offer AAAC Greely Conductor on reels as per the standard reel design given in the bidding documents having weight of 550 Kg / per reel.

During Thematic Audit of procurement and material management in NTDC Warehouse(s), it was observed that instead of supplying AAAC Greely Conductor on reels as per standard reel design given in Bidding Documents, the contractor M/s Fast Cables supplied 846 reels of conductor on the auctioned/ used reels. The said used empty reels were provided to the Contractor by NTDC at the auctioned rate of Rs.23,541/- per reel. On the other hand, as per the Bid Evaluation Report, the price bid of one of the bidders i.e. M/s ZZT China was loaded/ added with the cost of underweight steel @ Rs.200 kg. Accordingly, the cost of one empty reel as per standard reel design stated in the bidding documents was Rs.110,000 (550kg x Rs.200). Due to non-receipt of conductor on reels as per standard reel design given in bidding documents, undue financial favor to the extent of Rs.73.144 million {(110,000 - 23,541) x 846 = 73,144,314} was accorded to the contractor.

Violation of provisions of the bidding documents resulted in undue financial favor to the contractor amounting to Rs.73.144 million up to the Financial Year 2022-23.

Audit recommends that the management needs to investigate the matter for fixing responsibility for extending undue financial favor besides recovering amount in question from the contractor.

(Draft Para No.1165/2023-24)

3.13.26 Unjustified allocation of Material for 132 kV Temporary Substation – Rs.68.88 million

According to Rule-5(5) of Public Sector Companies (Corporate Governance) Rules-2013, "the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety, objectivity, integrity and honesty and relationship with the stakeholders".

During thematic audit of procurement and material management in NTDC, it was observed that material was allocated for temporary arrangement regarding construction of 132 kV temporary substation (as interim arrangement) near Lucky Power Plant for feed-back supply to 660 MW Lucky Electric Power Company Limited (LEPCL) from exiting K-electric network for testing and commissioning purposes. NTDC made irregular expenditure outside the purview / mandate on temporary substation of 132 kV amounting to Rs.68.88 million which needs justification that why the original plan for construction of 132 kV substation was not executed and wasteful expenditure was incurred on temporary arrangements.

Non-adherence to corporate governance rules resulted in unjustified construction and allocation of material for 132 kV for temporary substation during the Financial Year 2022-23

Audit recommends that investigation may be made to fix responsibility upon the person(s) at fault for allocation of 132 kV material for temporary substation under report to audit.

(Draft Para No.1150/2023-24)

3.13.27 Irregular placement of electrical material belonging to Warehouse Jamshoro at DISCOs' Warehouses – Rs.42.07 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".

During Thematic Audit of procurement and material management in NTDC Warehouse(s), it was witnessed on test check basis that electrical material valuing Rs.42.07 belonging to Jamshoro Warehouse of NTDC was lying at the warehouses of DISCOs (SEPCO and QESCO) without security and safe custody.

The most of electrical material has turned out of design because it has been declared unserviceable, obsolete, broken, damaged, rusty and hardened in use. Due to negligence of the management, the material to the stated extent has not been utilized for the benefit of the company and eventually rendered useless. There are likely chances of misappropriation of electrical material which can cause a substantial loss to the company.

Ineffective material management resulted in massive loss and likely misappropriation of electrical material of NTDC Warehouse Jamshoro lying at SEPCO and QESCO Warehouses amounting to Rs.42.07 million up to the Financial Year 2022-23.

Audit recommends that the management needs to inquire the matter to fix responsibility upon the person(s) at fault besides ensuring the disposal of electrical materials lying at SEPCO & QESCO Warehouses under intimation to audit.

(Draft Para No.1254/2023-24)

3.13.28 Wasteful expenditure on rewinding of Conductor Reels having financial impact - Rs.40.11 million

According to NTDC Warehouse Control and Procedure Manual notified vide letter No. 6612-24 dated December 31, 2019, (JD-4), Deputy Manager (Inventory Control) is responsible for the implementation and administration of policies, procedures and systems for the efficient operation of the warehouse.

During Thematic Audit of procurement and material management in NTDC warehouses Jamshoro & Multan, it was observed that a contract of ACSR Rail, Drake & AAC Greeley Conductors for rewinding of damaged Reels to healthy was awarded to M/s MN Enterprises at a price of Rs.40.11 million. The said conductor Reels were damaged while lying/stored in the premises of warehouses under neglected conditions due to mismanagement and improper handling of inventory of warehouses, which caused loss to the company to the stated extent. In this regard, no inquiry has been conducted to probe into the matter to ascertain the loss and fix responsibility.

Non-adherence to Warehouse Control and Procedure Manual resulted in wasteful expenditure on rewinding of Conductor Reels having financial impact of Rs.40.11 million up to the Financial Year 2022-23.

Audit recommends that the management needs to inquire the matter and fix responsibility upon the person(s) at fault besides implementation of Warehouse Control and Procedure Manual in letter and spirit under report to audit.

(Draft Para No.1257/2023-24)

3.13.29 Irregular release of balance payment and performance guarantee due to acceptance of material without pre-shipment inspection/ Factory Acceptance Tests – Rs.26.381 million

According to Chief Engineer (T/L Design) NTDC letter No. CED/ NTDC/ MTL/G-204 (Hardware)/ 844-46 dated February 28, 2018, material comprising of grounding sets, being procured against Purchase Order No. 820, was rejected during pre-shipment inspection/ FATs due to non-conformance to the requirement of project specifications and the contractor was directed to re-offer the material for inspection after necessary rectification/ make up.

During thematic audit of procurement and material management in NTDC, it was observed that contrary to the above, material comprising of grounding sets which was procured against Purchase Order-820 was delivered by the contractor at NTDC Warehouse Multan without pre-shipment inspection/ Factory Acceptance Tests. Later on, Chief Engineer (T/L Design) NTDC nominated inspectors for carrying out of post-delivery inspection/ FATs of the grounding sets in October, 2018. However, the contractor did not offer the said material for post-delivery inspection uptill now. In the meantime, 10% balance payment and Performance Guarantee amounting US $ 80,062 and US $ 82,785/- (equivalent to Pk Rs.26.381 million @ 1 US$ = Rs.162) respectively was released to the contractor during December, 2018 & May 2022. In the absence of post-delivery inspection/ FATs, the material should not have been declared as “accepted” and hence, payment/ release of 10% balance payment/ performance guarantee was irregular and tantamount undue contractual favor to the contractor.

The acceptance of material without inspection/ Factory Acceptance Tests resulted in irregular release of balance payment and performance guarantee amounting to Rs.26.381 million.

Audit recommends that the management needs to investigate the matter for fixing responsibility of irregular release of balance payment & performance guarantee to contractor besides carrying out the post delivered inspection/ FATs of material.

(Draft Para No.1212/2023-24)

3.13.30 Substantial loss owing to dumping of surplus Tower material at sub-warehouse Rahim Yar Khan without receipt of MRN - RMB 24.532 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”.

During Thematic Audit of procurement and material management in NTDC, it was witnessed on test check basis that left over/surplus healthy tower material from Contract No. ADB-65(R)-2012, ADB Loan 2846-PAK (Package-I) Lot-1 M/s CNEEC, valuing 24.532 million (RMB) was lying at Sub-warehouse Rahim Yar Khan without receipt of MRN and taking it on records of WIMS. The subject tower material has been dumped unstacked which is lying in the mud grounds and without observing mandatory codal formalities of Warehouse Manual. The material reconciliation report has been finalized by the stakeholders on 27.01.2020 but the returned material by the EPC contractor has not been accounted for yet. Moreover, the return of such a huge quantity of surplus/left over material from the completed EPC Contract transpires that the survey, design and estimates were not prepared as per actual requirements of the project. This very act can lead to misappropriation of material to the stated extent due to ineffective material management and not taking it on the inventory management system of NTDC which may cause massive loss to company and further deterioration and decrease in salvage value of tower material.

Ineffective material management resulted in substantial likely loss owing to dumping of surplus Tower material at Sub-warehouse Rahim Yar Khan without receipt of MRN amounting to 24.532 million (RMB).

Audit recommends that the management needs to inquire the matter for fixing responsibility and expediting the disposal/allocation of returned material lying at RYK sub-warehouse in the best interest of company.

(Draft Para No.1221/2023-24)

3.13.31 Misappropriation of material due to less return of left-over material from Balloki Power House Transmission line to warehouse - Rs.13.856 million

According to Para-6 of NTDC Warehouse and Procedure Manual, at the completion of project or a specific work, the surplus material may be returned to a warehouse as “serviceable material”.

During thematic audit of procurement and material management in NTDC, it was observed that surplus material from Balloki Power House Transmission Line under Contract No. GPP-02-2015 valuing Rs.13.856 million was less returned to the NTDC Multan Warehouse. The quantities of material returned as per the Material Return Note (MRN) issued by the Warehouse Multan was less than that stated in MRN duly approved by the concerned Executive Engineer EHV.

Violation of NTDC Warehouse and Procedure Manual resulted in likely misappropriation of less returned surplus material up to Financial Year 2022-23.

Audit recommends that the management needs to investigate the matter for fixing responsibility for less return of surplus material to warehouse.

(Draft Para No.1252/2023-24)

3.13.32 Loss due to damage of Grid Station & Transmission line Material – Rs.10.39 million

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

During Thematic Audit of procurement and material management in NTDC, it was witnessed on test check basis that different types of Grid Station & Transmission line material valuing Rs.10.39 million lying at NTDC Warehouses(s) was damaged. However, any inquiry/disciplinary action against concerned persons/quarters was not forthcoming form the record available to audit. This very act renders to poor internal control system and accountability mechanism.

Ineffective material management resulted in loss due to damage of Grid Station & Transmission line Material lying at NTC Warehouse(s) - Rs.10.39 million up to the Financial Year 2022-23.

Audit recommends that the management needs to look into the matter for fixing responsibility upon the person(s) at fault to make the loss good.

(Draft Para No.1148/2023-24)

3.13.33 Potential risk of misappropriation due to non-accountal of returned balance material from ADB financed EPC Project at Warehouse Multan – 8.784 million (RMB)

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”.

During Thematic Audit of procurement and material management in NTDC, Warehouse(s), it was witnessed that the Asian Development Bank (ADB) financed EPC contract No. ADB-65(R)-2012 for Procurement of Plant, Design, Supply, Installation, Testing and Commissioning of 500 kV Transmission Line 3rd Circuit (Lot-II: Dadu to Goth Qazi Mahar) M/s TBEA CO. was completed and accordingly the contractor had returned the surplus balance material to the Warehouse Multan on September 16, 2021. In this regard, the MRNs for the balance/left over material from the completed project duly signed and forwarded by the Addl: Chief Engineer EHV-II Construction Project Multan were available in the office Deputy Manager Warehouse NTDC Multan. However, the material is lying dumped outside the boundary wall of warehouse in unsafe conditions and has not been taken on the record of Warehouse Multan and WIMS yet, therefore, resultantly it cannot be further allocated to any other project. Despite lapse of two years, the fate of returned healthy balance material to the stated extent has not been finalized yet by the management of Warehouse Multan which can lead to misappropriation of material and loss to the company.

Ineffective material management resulted in potential risk of misappropriation due to non-accountal of returned balance material from ADB financed EPC Project at Warehouse Multan – 8.784 million (RMB).

Audit recommends that the management needs to inquire the matter for fixing the responsibility and expediting utilization/disposal of balance/left over material under intimation to audit.

(Draft Para No. 1238/2023-24)

3.13.34 Non-recovery of cost of already completed and accepted type tests – Rs.8.525 million

According to provisions of Notification of Award Tender No. NPP-04 M (R)-2020, the cost of any type test, if already completed and accepted by Chief Engineer (T/L Design) NTDC, shall be deducted/ adjusted"

During Thematic Audit of procurement and material management in NTDC, it was observed that Notification of Award (NOA) against Tender No. NPP-04M(R)-2020 regarding Design, Manufacturing & Supply of complete hardware strings including Pre-RTV coated Disc. Insulators (porcelain or toughened glass) for 500 kV Double Circuit Quad Bundle Transmission Line for evacuation of power from K-2/ K-3 Nuclear Power Plants was issued to M/s Sediver SAS, France on June 09, 2023. In the light of provision of NOA, the cost of any type test, if already completed and accepted by Chief Engineer (T/L Design), shall be deducted/ adjusted. In this regard type test reports submitted by the contractor against hardware fittings, provided by M/s Mosdorfer GmbH, were already completed before award of the said contract. Hence cost of type testing amounting to Rs.8.525 million (Euro 38,750 x Rs.220) was required to be deducted/ adjusted from the contractor but same was not done.

Non-adherence to the provisions of the Notification of Award resulted in non-recovery of cost of already completed and accepted type tests valuing Rs.8.525 million from the contractor up to the Financial Year 2022-23.

Audit recommends that the management needs to investigate the matter for fixing responsibility of non-recovery besides effecting recovery of the same from the contractor.

(Draft Para No. 1217/2023-24)

3.13.35 Loss due to procurement of un-healthy 160 KN Disc Insulators – Rs.7.172 million

According to Rule-5(5) of Public Sector Companies Corporate Governance Rule 2013, "the Board shall establish a system of sound internal control, which shall be effectively implemented within Public Sector Corporate to ensure compliance with the fundamental principles of probity and propriety: objectivity, integrity and honesty and relationship with stakeholders."

During thematic audit of procurement and material management in NTDC, it was observed that 3,176 160 KN Disc Insulators were allocated from P.O ADB-

79-2015 (VI) to civil work contractor M/s NPCC against works to be carried out under Contract No. ADB-108-2017. Later on, the said disc insulators were declared as "unhealthy" and subsequently, the insulators from another purchase order were re-allocated to the contractor on December 13, 2019 with directions to return unhealthy disc insulator to Warehouse Multan. The exact quantity of the said unhealthy disc insulators valuing Rs.7.172 million were still lying in closing balance inventory at Warehouse Multan and were not issued since November, 2019. However, neither the reasons for un-healthiness of the disc insulators were determined nor the loss was made good from the concerned quarters.

Violation of Corporate Governance Rules has resulted in loss of Rs.7.172 million due to procurement of un-healthy 160 KN Disc Insulators up to the Financial Year 2022-23.

Audit recommends that the management needs to investigate the matter for fixing responsibility upon the delinquent (s).

(Draft Para No.1163/2023-24)

3.13.36 Non-supply of short transformer oil by contractor – Rs.5.405 million

According to Clause-24.2 of Particular Conditions of Contract NOR-70R2-2019, "Should a loss be sustained the supplier shall replace or repair any loss or damage and complete the supplies of Goods in accordance with the Contract as soon as possible after such loss or damage without waiting for the settlement of the insurance claim."

During thematic audit of procurement and material management, it was observed that shortage of 14,530 liters transformer oil in two (02) 220/132 kV auto transformer banks procured under Contract no. NOR-70R2-2019 was pointed out during Joint Insurance Survey. Although, the insurance claim for shortage of oil due to damage of oil tank was lodged with the insurance company but, in the light of contractual provisions, the short oil valuing Rs. {(14530 x 9.30 CNY = 135,129 CNY x Rs.40 = Rs.5,405,160/- (1 YEN=40 Pk Rs)} has not been supplied by the contractor so far.

Violation of contractual provisions has resulted in non-supply of short transformer oil by the contractor valuing Rs.5.405 million up to Financial Year 2022-23.

Audit recommends the management needs to investigate the matter for violation of contractual provisions besides ensuring supply of short transformer oil by the contractor.

(Draft Para No.1211/2023-24)

3.13.37 Irregular award of contract to ineligible/ debarred contractor – CNY 12.986 million

According to Clause-2.1.3 of NTDC's SOP for blacklisting of contractors dated July 25, 2017, "if it is established that the firms is involved in any kind of corruption or corrupt practices anywhere in the world, the said firm would be taken into consideration for debarment/ blacklisting by NTDC." According to Clause-4.4 of Section-1: Instructions to Bidders of bidding document for ADB-110-2021, "a firm shall not be eligible to participate in any procurement activities under ADB-financed, -administered, or -supported project while under temporary suspension or debarment by ADB Anticorruption Polity, whether such debarment was directly imposed by ADB, or enforced by ADB pursuant to the Agreement for Mutual Enforcement of Debarment Decisions. A bid from temporary suspended or debarred firm will be rejected."

During Thematic Audit of procurement and material management in NTDC, it was observed that invitation to Bids against tender No. ADB-110-2021 (Lot-I) for supply of 550 kV, 245 kV & 145 kV Current Transformer & 245 kV Coupling Capacitor Voltage Transformer was called on May 26, 2021 and Notification of Award valuing CNY 12.986 million was issued to M/s Sieyuan Electric Co. Ltd. China on December 21, 2021. The said supplier was debarred by African Development Fund on June 16, 2020 for a period of twelve (12) months due to fraudulent practices in a tender in Rwanda. In the light of Agreement for Mutual Enforcement of Debarment Decisions and NTDC's SOP for blacklisting, the said supplier was also ineligible for participation in ADB financed projects uptil June 16, 2021. Audit holds that the contractor was ineligible for availing any invitation to bid /bidding opportunities notified by procuring agency within the debarred period. Since the bids for the said tender was invited on May 26, 2021 i.e before expiry of debarment period, the said bidder was not entitled to participate in the bidding process of said tender. But contrary to this, contract valuing CNY 12.986 million was awarded to the said bidder.

Non-adherence to the provision of bidding documents/ NTDC's SOP for blacklisting of contractors resulted in irregular award of contract valuing 12.986 CNY to a debarred contractor up to the Financial Year 2022-23

Audit recommends that the management needs to investigate the matter for fixing responsibility of irregular award of contract to a debarred contractor.

(Draft Para No. 1158/2023-24)

3.13.38 Insufficient security measures and poor physical conditions at NTDC warehouses

According to NTDC Warehouse Control and Procedure Manual notified vide letter No. 6612-24 dated December 31, 2019, clause 2.1.3, effective security arrangements will be established to protect and safeguard materials against pilferage and theft, effective arrangement are: a) trained security guards on duty 24 hours per day. b) A perimeter walls or wire fence at least eight (8) feet high with three (3) strands of barbed wire on top. c) Minimum system of gate passes to control entrance and exit of personnel, vehicles and materials. d) Proper system of perimeter security lights for night security. e) Secured doors and windows in all buildings. f) Removal of trees and brush from all wall or fence areas.

During Thematic Audit of Procurement and Material Management in NTDC Warehouses Jamshoro and Multan, it was witnessed on test check basis that theft of control cable was reported by security sergeant, Jamshoro Warehouse because most of the electrical material was lying outside the boundary wall of Warehouse. Neither FIR report of this theft nor any action/inquiry thereon was found from the record available to audit. The security measures were not sufficient due to the inadequacy of necessary protective measures i.e. deficient security staff, non-installation of CCTV cameras and procurement of walkie-talkie etc. to safeguard its electrical material from theft, damage, unauthorized access, or other potential risks in future. Moreover, there was dry grass everywhere in grounds of warehouses where material was placed which may lead to any fire incident, and loss to the company. The ground area was uneven, muddy and open to sky. The material lying on the ground is at higher risk of deterioration and theft. Management is required to beef up security measures in conformity with provisions of Warehouse Control and Procedure Manual.

Owing to insufficient security arrangements and placement of material in poor physical condition cause theft of electrical material up to the Financial Year 2022-23.

Audit recommends that the management needs to look into the matter besides fixing responsibility upon the person(s) at fault and ensuring security measures in conformity with arrangements enlisted in Warehouse Control and Procedure Manual for the protection of electrical material worth billions of rupees from any such incident in future.

(Draft Para Nos. 1239 & 1249/2023-24)

3.14 Departmental Responses

3.14.1 Response to Audit Observation 3.13.1

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that, NTDC primarily procured materials for large projects while a small portion covers operational needs. Consequently, stock levels were kept adequate, including mandatory spares. As per procedure, Chief Engineer (MP&M) approved year-end stock reserves. The reply was not tenable as the material in both warehouses i.e., Jamshoro and Multan was lying unused for the last 40 years.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to provide policy of NTDC for inventory management and documentary evidence regarding aging of material along with approval of Procurement Plan.

3.14.2 Response to audit observation 3.13.2

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that, NTDC maintained substantial inventory for its vast transmission network due to long procurement times for critical equipment. This could lead to expired warranties, but was necessary to ensure network stability and quick response to emergencies. No documentary evidences in support of reply were furnished till finalization of audit report.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the stance with documentary evidence verified from audit within 30 days.

3.14.3 Response to audit observation 3.13.3

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that in order to address incidental charges, a committee formed by NTDC’s MD recommended real-time recording and the same would be implemented after approval of the Board's Audit Committee. The reply was not justified that the real-time recording of incidental charges not depicting the true picture of organization financials.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to share inquiry report alongwith agenda item with audit within 30 days.

3.14.4 Response to audit observation 3.13.4

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that material tenders include buffers (10%) and were based on inflated line lengths from project proposals (PC-1s). The high inventory levels due to long overseas procurement times accounted for these buffers. Existing inventory, like insulators at Jamshoro, would be used for upcoming lines to avoid redundant procurement. The reply was not tenable as no documentary evidences in support of reply were produced.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to inquire the matter and submit report to audit within 30 days.

3.14.5 Response to audit observation 3.13.5

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023.The management replied that as per provision of the contract, 24 months warranty was required and the same was provided by the contractor. However, the contractor had been advised to provide extended warranty of 5 years (60 months). As soon as it received the same would be provided to audit. The reply was not tenable as no expeditious efforts of the management were found on record.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to inquire the matter and submit report to audit within 30 days.

3.14.6 Response to audit observation 3.13.6

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that NTDC generally followed project-based procurement. Since most of the equipment/ material was imported from abroad so there were many issues involved in the award and execution processes, which might lead to variation in timelines of material delivery. The reply was not tenable as the proper planning was not made for the procurement of such material.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the stance with documentary evidence verified from audit within 30 days.

3.14.7 Response to audit observation 3.13.7

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that, recently the Stock taking/verification team had performed 100% Stock verification for the period ending June, 2023 at NTDC warehouses. The stock verification team had not claimed any dumped and untraced material at warehouses. The reply was not tenable as the stock verification reports showed clear remarks as the material was unstacked, uncountable, dumped, under FIA, NAB inquiry etc.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to inquire the matter and submit report to audit within 30 days.

3.14.8 Response to audit observation 3.13.8

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that material valuing Rs.1.95 million had been allocated to different formations in order to attend emergency situations for rehabilitation of collapsed material. The remaining material amounting to Rs.14.84 million was lying at warehouse Multan and ready for allocation as per requirement of T/L. The reply was not tenable as the material in both warehouses remained unallocated since 40 years.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the stance verified from audit with documentary evidence within 30 days.

3.14.9 Response to audit observation 3.13.9

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that as per previous practice the material was procured in EPC/Turnkey projects on the basis of tentative length of T/Line as mentioned in PC-I of projects. The balance /surplus material of said T/Line projects had been earmarked for upcoming T/Line projects and was also being allocated on day-to-day basis for O&M activities & ongoing T/Line construction projects. The reply was not tenable as no documentary evidences were furnished to audit in support of management stance.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to inquire the matter and submit report to audit within 30 days.

3.14.10 Response to audit observation 3.13.10

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that material was stored temporarily at new Moro warehouse due to overloading of Jamshoro warehouse. Officer and security deployed onsite and approval of remaining staff was awaited for approval from BoD. The reply was not tenable as the scattered placement of material made shortage of space in Jamshoro warehouse.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to expedite the matter.

3.14.11 Response to audit observation 3.13.11

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that incidental charges were initially estimated and added to material value (as per 2008 policy). Actual charges were recorded later on when documents arrived. A committee formed by MD NTDC recommended real-time recording, which would be implemented after approval of the Board's Audit Committee. The reply was not tenable as the real-time recording of incidental charges did not depict the real picture of financial position of the organization.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to share inquiry report alongwith agenda item with audit within 30 days.

3.14.12 Response to audit observation 3.13.12

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that in order to fast-track Iran-Gwadar power line construction as per PM's directive, NTDC had provided material to the contractor on loan basis from existing inventory. The contractor was procuring additional material and the cost of said material would be recovered from the contractor. The reply was not tenable as there was no clear instructions for provision of material to contractor on loan basis

The DAC in its meeting held on December 18 & 19, 2023 directed the management to share Prime Minister’s directives with audit and justify the issuance of material on loan basis.

3.14.13 Response to audit observation 3.13.13

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that the material arrived in 3 batches, but joint survey was delayed. Meanwhile, Design NTDC had allocated some towers to EHV Hyderabad for urgent Gwadar project after proper formalities. The reply was not tenable as the joint survey report was part and parcel for material management in the warehouse.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the stance with documentary evidence verified from audit within 30 days.

3.14.14 Response to audit observation 3.13.14

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that recent shipments incurred significant demurrage and detention charges due to a series of hurdles i.e. delays in document submission, temporary funding shortfalls, complex customs arrangements for reduced duty benefits and limited port free time all contributed. These unfortunate obstacles ultimately led to the unwanted additional costs. The reply was not tenable as imposition of demurrage and detention charges depicted poor performance of management in clearance of imported material.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to inquire the matter and submit report to audit within 30 days.

3.14.15 Response to audit observation 3.13.15

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that SYGG, the lowest bidder, was disqualified for submitting a fake certificate, violating clause 35.1 of the bidding documents. Their later attempt to provide a different certificate didn't change their non-responsive status. The case was currently under investigation by FIA Lahore (Inquiry No. 70/2023). Audit contends that expeditious efforts be made to pursue the case with FIA.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to pursue the case with FIA.

3.14.16 Response to audit observation 3.13.16

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that tenders TLM-09M and TLM-11 were floated, evaluated & processed during COVID-19 pandemic which was the reason for delay in contract award and refusal of bidders to extend bid validities owing to price volatility & market uncertainty during the pandemic, which led to scrapping of these tenders. The reply was not tenable as the NTDC hadn’t achieved milestones for effective procurement.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to inquirethe matter and share inquiry report with audit.

3.14.17 Response to audit observation 3.13.17

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that Chief Engineer MP&M NTDC had taken up the matter with Managing Director PPMC for utilization of the 132 kV Tower Material related to DISCOs system and lying in NTDC Warehouses from the time of unified WAPDA, . The reply was not tenable as no expeditious efforts were found on record.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the stance with documentary evidence verified from audit within 30 days.

3.14.18 Response to audit observation 3.13.18

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that in order to attend the emergency situations at site, material was issued to different field formations. Material was issued on emergency gate passes to save the process time of codal formalities at that moment. The supporting documents such as MRS, SS cheque and revised allocation from O/o Chief Engineer (T/L) Design and an amount Rs.47.49 million had been received and properly booked in record. The reply was not tenable as no documentary evidences in support of reply were furnished.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the stance with documentary evidence verified from audit within 30 days.

3.14.19 Response to audit observation 3.13.19

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that the bidders for disposalable material lying at Kot Lakhpat & Jamshoro had failed to submit required payment even after extensions. Resultantly bid securities were forfeited and contracts were cancelled. At present, the bidder had filed a court petition, which was under process. Meanwhile, surveys for material lying at Gatti & Multan warehouser were done.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the stance with documentary evidence verified from audit within 30 days.

3.14.20 Response to audit observation 3.13.20

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that recent delivery of NIEP & FPS (December 06, 2023 & December 08, 2023) for addressing DISCO system issues prompted NTDC to request C.E.(PD/GSC) North & South to expedite their installation at designated sites. The reply was not tenable as no documentary evidences were found on record to support the management stance.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the stance with documentary evidence verified from audit within 30 days.

3.14.21 Response to audit observation 3.13.21

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that

Bidder SYGG was disqualified for submitting a fake certificate, violating the bidding documents (clause 35.1). Their later attempt to provide a different certificate didn't change their non-responsive status. The original certificate, bearing the name and signature of Mr. Patanjali Sharma was verified as fake directly from POWERGRID India, confirming the validity of the decision. The reply was not tenable as no documentary evidences were found on record to support the management stance.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the stance with documentary evidence verified from audit within 30 days.

3.14.22 Response to audit observation 3.13.22

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that efforts were being made to improve internal controls by taking actions in line with approved mechanism / SoPs in order to finalize the inquiries / disciplinary cases expeditiously. The reply was not tenable as the cases for finalization of inquiries had been lying for awaiting decisions since long.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to inquire the matter and submit report to audit within 30 days.

3.14.23 Response to audit observation 3.13.23

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that same observations were taken previously and DP-954/2020-21 had already been framed. The reply was not agreed to as the said Draft Para did not relate with the instant audit observation.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to inquire the matter and submit report to audit within 30 days.

3.14.24 Response to audit observation 3.13.24

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that the bid submitted by M/s. Sediver SAS France included material from manufacturers/sub-contractors which was evaluated accordingly and consequently, the contract was awarded. The reply was not tenable as no documentary evidences were furnished to audit in support of management reply.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the stance with documentary evidence verified from audit within 30 days.

3.14.25 Response to audit observation 3.13.25

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that supplier's 10% balance payment was withheld and Performance Guarantee was also valid up to June 06, 2025. After consulting with CE (T/L Design), the amount would be deducted from future invoices of the contractor.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the stance with documentary evidence verified from audit within 30 days.

3.14.26 Response to audit observation 3.13.26

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that LEPCL construction began in 2020, but connecting facilities were delayed due to missing permits. To expedite things, NTDC built a temporary 132kV grid station using materials from another temporary substation under PPRA Rule 42(d)(iii) approval. The reply was not tenable as no documentary evidences for delay were furnished to audit.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the stance with documentary evidence verified from audit within 30 days.

3.14.27 Response to audit observation 3.13.27

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that due to lack of space and to avoid transportation cost, the material was not shifted and the material related to NTDC system was being used on need basis. However, currently major portion comprised 66 kV / 33 kV / 11 kV material had been offered to DISCOs on cash payment basis.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to expedite the matter.

3.14.28 Response to audit observation 3.13.28

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that unused spare conductor reels from past contracts risked deterioration. To prevent this and contribute to crucial projects, they were rewound and deployed in critical national projects like Gwadar-Iran and Thar-Matiari lines, ensuring timely completion. Audit held that the NTDC planning was very poor in the matter.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the stance with documentary evidence verified from audit within 30 days.

3.14.29 Response to audit observation 3.13.29

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that detailed response would be submitted after consultation with field formations. However, cost of 6 sets had already been recovered from supplier and amount of remaining grounding set, if required, would be recovered from any ongoing contracts. The reply was not tenable as the recovery from the contractor has not been made.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to submit revised reply to audit within 30 days.

3.14.30 Response to audit observation 3.13.30

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that material nearly worth Rs.40 million was lying at NTDC's Rahim Yar Khan sub-warehouse. EHV-II Hyderabad was actively reconciling the record of material, including physical counting and handing over procedures and WIMS system would be updated accodingly.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the stance with documentary evidence verified from audit within 30 days.

3.14.31 Response to audit observation 3.13.31

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that all payments in lieu of less return of material had been deducted. The reply was not tenable as no documentary were furnished to audit.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the stance with documentary evidence verified from audit within 30 days.

3.14.32 Response to audit observation 3.13.32

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that detailed reply would be furnished in due course of time.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to submit detailed reply to audit within 30 days.

3.14.33 Response to audit observation 3.13.33

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that material was properly stacked and placed within the defined boundary. Physical counting of material had been completed with contractor's representative. When the queries would be resolved and all the codal formalities i.e. physical counting of remaining material, formal handing/taking over of material and MRN from concerned formations fullfilled, the material would be recorded on WIMS. The reply was not tenable as no expeditious efforts were found on record in support of management reply.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the stance with documentary evidence verified from audit within 30 days.

3.14.34 Response to audit observation 3.13.34

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that performance guarantee of the contractor was valid up to August-2024. The cost of type test not done would be deducted from the PG of the manufacturer in consultation with the CE TL design and record would be provided to the audit for verification.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the stance with documentary evidence verified from audit within 30 days.

3.14.35 Response to audit observation 3.13.35

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that the committee constituted for amicable settlement with the contractor had asked for extended warranties and additional quantities of the insulators to cater for any mishap/breakage of insulators supplied under the said contracts. The reply was not tenable as no documentary evidences were produced to audit.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the stance with documentary evidence verified from audit within 30 days.

3.14.36 Response to audit observation 3.13.36

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that the matter had been taken up with the insurance company and a number of meetings were carried out. Since the shortage likely happened during transit, hence the claim against loss was to be paid by the Insurance Company i.e. NICL. Furthermore, NTDC had also recoverd an amount of Rs.2.4 million from the contractor against shortage of T/F Oil.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to get the stance with documentary evidence verified from audit within 30 days.

3.14.37 Response to audit observation 3.13.37

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that the bids for the subject tender were opened after the finishing date of debarment period (i-e June 16, 2021) of M/s Sieyuan, china. Moreover, after getting approval/no objection letter from ADB, NTDC issued Notification of Award (NOA) to M/s Sieyuan, China. There were no irregularities during award of contract to the responsive lowest bidder. The reply was not tenable as no documentary evidences were found on record.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to inquire the matter and submit report to audit within 30 days.

3.14.38 Response to audit observation 3.13.38

The matter was taken up with the management of NTDC in September, 2023 and reported to the Ministry in December, 2023. The management replied that at Multan warehouse all the possible precautionary measures had been taken collectively by all stakeholders to safeguard the NTDC Installations. The security staff at warehouses comply with same SoPs as defined by the management for the safety/security of NTDC installations. Audit contended that pictorial evidences depicted poor physical condition in the NTDC warehouse.

The DAC in its meeting held on December 18 & 19, 2023 directed the management to inquire the matter and submit report to audit within 30 days.

3.15 Recommendations

In view of audit findings and physical visit of 02 Warehouses of NTDC (Jamshoro & Multan), the following measures / suggestions are recommended for the management of NTDC to improve its procurement processes, inventory management and internal control lapses:-

- Purchases may be made in competitive manner through proper evaluation of bids by adhering to Public Procurement Rules and bidding clauses.
- Performance guarantee needs to be forfeited timely in case of default on the part of suppliers.
- The material needs to be properly inspected to ensure its receipt in accordance with the standard specifications without any alteration in joint inspection clause.
- Un-necessary procurement and retention of material over & above the Reserve Stock Limit needs to be avoided and procurement be made within the same year for which it was planned.
- Type tests of the material need to be ensured as per bidding documents / P.O. clauses and not to be waived off in lieu of extended warrantee.
- Asset management measures need to be beefed up in order to reduce the frequent instances of damage of electrical equipment and incidents of breakdown.
- The management is required to ensure judicious utilization of World Bank/ADB loans and working capital for procurement of material, through proper cost estimation/analysis.

- Economy, efficiency and transparency needs to be ensured in the inventory management system to maximize the benefit by allocating minimum financial and human resources besides taking appropriate action for any lapses in the matter.
- Ensure to follow timelines of tendering process in order to avoid cost/time overrun.
- NTDC management needs to strengthen its internal controls in an economic, efficient and effective manner to achieve the objectives by implementing Warehouse Control and Procedure Manual in letter and spirit for smooth running of the Company.
- Devise an effective procurement plan to avoid superfluous procurement and blockage of funds.
- Devise an effective inventory utilization plan /viable strategy to increase proper utilization and to reduce losses due to piling up of inventory and its obsolescence/deterioration. Moreover, expedite disposal of unserviceable material to avoid further deterioration and decrease in salvage value of material and the disposal/issuance process of 132 kV tower and line material as well as utilization/disposal of balance/left over material returned from completed projects.
- Ensure to complete implementation of procurement plan against which procurement was made.
- Upgrade WIMS in the most efficient and cost-effective way and individual item wise categorization showing detail of opening/closing balances etc in order to rationalize the discrepancies.
- Enhance the proper security and stacking system of designated warehouses of NTDC so that temporary arrangement of material at sub-warehouses (Moro and RYK) under unsafe/un-protected conditions could be avoided in order to save the funds of the company. Moreover, ensure security measures in conformity with arrangements enlisted in Warehouse Control and Procedure Manual for the protection of electrical material worth billions of rupees from any incident in future.
- Devise pre-defined criteria to ascertain the reserve stock limit in stores in order to avoid overstocking of material.

- Expedite the process of disposal of off-road vehicles and ensure availability of specific vehicles and equipment for efficient handling of material to avoid damages and unstacking.
- Investigate and fix responsibility in terms of;
  a) Demurrage and detention charges for delayed custom clearance and loss sustained by NTDC.
  b) Non-issuance of GRN or not taking inventory on record of WIMS
  c) Issuance of material to EPC Contractor on loan basis
  d) Damage of electrical material lying at warehouses of NTDC
  e) Non-disposal of un-serviceable/dumped material
  f) Theft of material from warehouses
  g) Non-return of surplus/left over material from completed projects

3.16 Conclusion

In the light of above narrated facts, it is concluded that:

- A transparent and efficient procurement and Inventory Management System is a pre-requisite for effective and efficient operations & service delivery. At present, there are procedural lapses in the procurement & inventory management procedures and maintenance of warehouses. Violations of PPRA provisions and NTDC Warehouse Control & Procedural Manual have also been highlighted in the report. Hence, strong adherence to procurement procedures, NTDC warehouse control and procedural manual & regulations along with an IT based Integrated Inventory Management System is required in order to ensure transparency and improvement in operational capacity of NTDC.
- NTDC, being a custodian of the nation's electricity transmission and distribution network, undertakes a spectrum of procurement contracts. These substantial contracts are being awarded without due diligence, procurement plan, assessing the factual position of material, resultantly NTDC is facing challenges with overstocking and unhealthy procurement of material.
- Information system/ Warehouse Inventory Management Control (WIMS), functional in NTDC, is not effective because procurement is not being planned by using this control system which resulted in wasted

resources, significant financial losses through overspending, missed savings opportunities, procurement of unhealthy material.

- NTDC compromises the spirit of project based procurement, eventually it contributes to piling up of material in warehouses of NTDC. Moreover, overstocking also led to blockage of funds by investing in huge quantity of same type of material without further utilization which indicates that the same was purchased beyond the requirement and it unsubstantiates the project based purchase.
- There are severe chances of mis-appropriation of material as the material was being issued to contractors without getting Material Requisition Slip (MRS) from concerned formations and sometime material was issued to contractor without taking on the record of WIMS or issuance of Goods Receipt Note (GRNs) against the material received in warehouses which may cause huge loss to the company.
- Owing to poor internal control, returned healthy surplus/balance material from EPC projects were not taken on record of WIMS. Resultantly, most of the returned healthy material of completed projects is lying dumped in unsafe conditions which may lead to mis-appropriations.
- Due to poor management of NTDC, material lying at sub-warehouses/DISCOs have become out of design because it has been declared/found unserviceable, obsolete, broken, damaged, rusty and hardened in use and non-compliance with essence of prudent transactions of material and maintenance of inventory records resulted in potential risk of misappropriation due to non accountal of issued/returned material on WIMS, resultantly it could not be further allocated to any other project yet.
- Ineffective management of material issued on rental basis resulted in non-recovery of rental charges and non-return of equipment from contractors which may cause misappropriation of material and loss to the company.
- Due to slack management of NTDC, the presence of material (conductor reels, tower and line material) lying outside the boundary

walls of the warehouse represent a significant security breach and likely potential loss to the company.

- Non-upgrading of WIMS resulted in non-provision of complete and comprehensive analysis of data for effective decision making in future. The WIMS does not reflect the material issued on Loan basis to different entities other than NTDC because “Allocation on loan basis” Module is not developed yet.
- Security measures in warehouses of NTDC are not in line with arrangements enlisted in Warehouse Control and Procedure Manual to ensure protection of electrical material worth billions of rupees.

CHAPTER-4

IMPACT AUDIT ON NET-METERING INITIATIVE IN LESCO AND IESCO

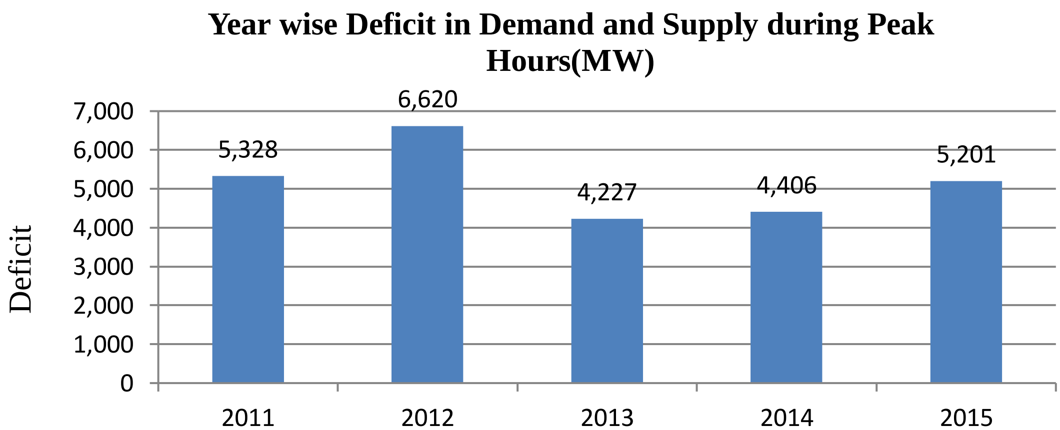
4. IMPACT AUDIT ON NET-METERING INITIATIVE IN LESCO AND IESCO

4.1 Introduction

Net energy metering is an electricity policy that enables consumers with renewable energy facilities to both consume electricity as needed and receive credit for supplying excess energy to the grid.

4.2 Background

In past, Pakistan has grappled with a substantial energy crisis characterized by a significant disparity between energy demand and supply. The nation frequently faced substantial energy deficit resulting in frequent load-shedding and severe power outages. The actual position of demand and supply of the electric power during peak hours in the NTDC's system have been reproduced in the following graph:



{Source: NEPRA State of Industry Report 2015 – (table 27)}

Recognizing these challenges, the Pakistan government has been actively promoting the use of renewable energy as a fundamental component of its future plans aimed at stabilizing the country's power sector. In pursuance of this vision of the GoP, NEPRA, referring to the international studies and the data indigenously collected, proposes that renewable energy projects are best suited to be commissioned as distributed generation, specifically for the scattered load. The preferable proposition for induction of renewable energy projects should be at the distribution network, near the load centers, and at locations where the adequate resource is available. This approach minimizes the need for extensive enhancements to the transmission network, streamlining the incorporation of renewable energy sources into the existing energy infrastructure.[3]The same vision led to the initiatives like net energy metering which was facilitated by the Alternative Energy Development Board. Under this scheme, individuals and businesses were encouraged to invest in renewable energy infrastructure, especially solar panels, which allowed them to not only meet their own electricity needs but also enabled them to contribute surplus energy to the national grid. This strategy aligned with Pakistan's endeavors to address its energy crisis while simultaneously promoting sustainable and greener energy solutions.

4.3 Role of the Program

On September 01, 2015, the National Electric Regulatory Authority (NEPRA) introduced the official Distributed Generation and Net energy metering Regulations. These regulations had broad implications, opening up opportunities for a wide range of electric grid customers, particularly those with three-phase connections, to participate in the Net energy metering program. This program enabled the installation of small-scale renewable energy systems by eligible customers, allowing them to seamlessly integrate their renewable energy generation with the existing grid infrastructure. Under these regulations, any customer with a three-phase connection can take advantage of Net energy metering, making it accessible to a more extensive segment of the population.[4]

4.4 Overview

The purposes for the promotion of net energy metering include the encouragement of the individuals, businesses, and industries to invest in renewable energy sources like solar and wind power, thereby reducing reliance on fossil fuels and promoting a cleaner and more sustainable energy mix.[5] Furthermore, net

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[3] 2015, State of Industry Report, NEPRA, p. 120
[4] 2015, SRO 892(1)/2015, NEPRA
[5] Notification dated 06, February, 2018, AEDB

energy metering initiative is undertaken to mitigate the country's chronic energy shortages by incentivizing the generation of additional electricity through distributed renewable energy systems, helping bridge the gap between supply and demand. The State of Industry Report of NEPRA 2022 highlights that net energy metering significantly contributes towards minimizing T&D losses and provides flexibility in investments for augmentation or development of distribution facilities.[6] As per the data acquired from AEDB, the current status of Net Energy Metering in Pakistan, up to June 30, 2023, is exhibited in the table below:

Table-1

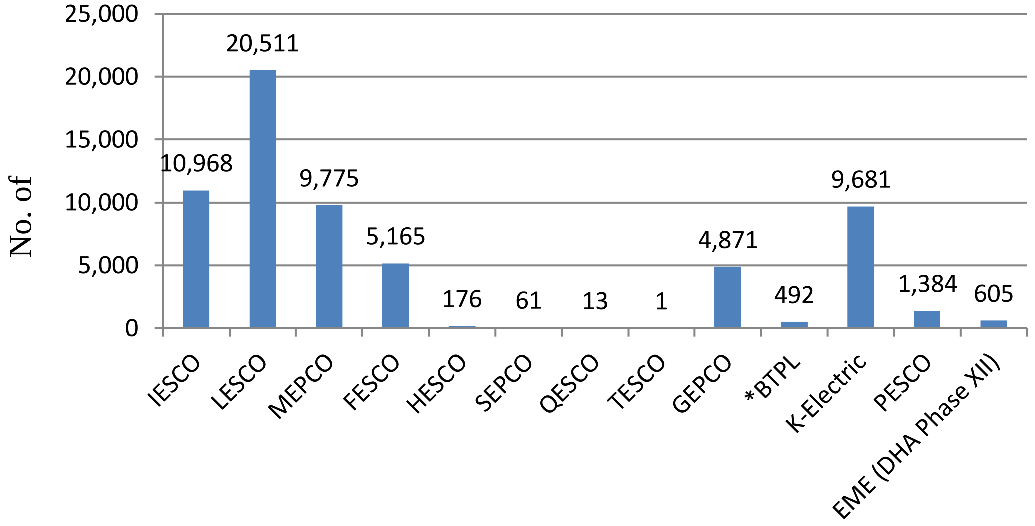
Sr. No.	Name of DISCO	Installed Net energy metering Connections	Capacity Installed (MW)
1	IESCO	10,968	130.5
2	LESCO	20,511	311.80
3	MEPCO	9,775	187
4	FESCO	5,165	92.11
5	HESCO	176	6.66
6	SEPCO	61	5.19
7	QESCO	13	.80
8	TESCO	1	.18
9	GEPCO	4,871	85.59
10	*BTPL	492	4.63
11	K-Electric	9,681	202.49
12	PESCO	1,384	20.97
13	EME (DHA Phase XII)	605	7.14
Total		**63,703**	**1,055.03**

(*Bahria Town Private Limited)

LESCO and IESCO lead the rest by having maximum numbers of net energy metering connections. However, the efforts of HESCO, TESCO, SEPCO and QESCO with regard to the promotion of net energy metering seem abysmal and discouraging.

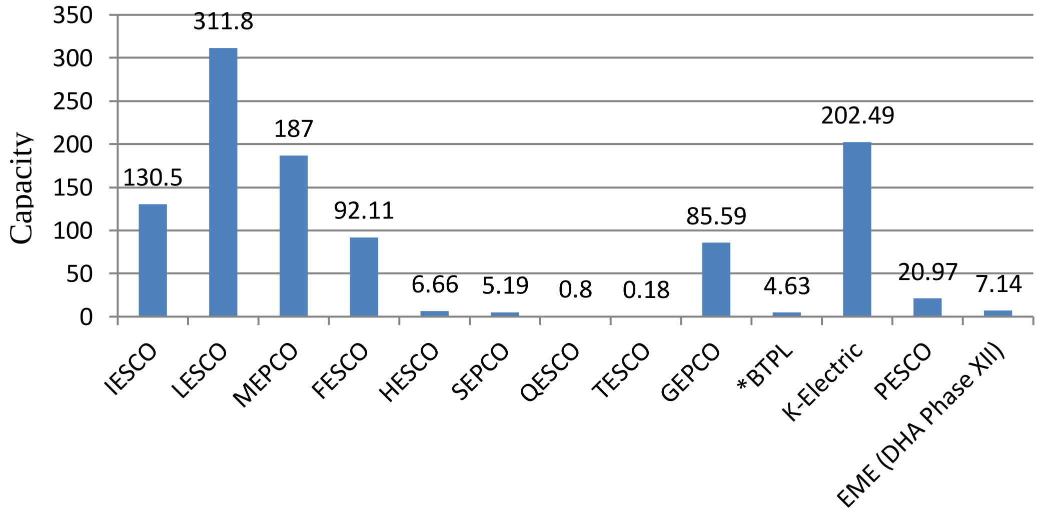
[6] 2022, State of Industry Report, NEPRA, p. 68

Installed Net Metering Connections



As far as the installed capacity for generation is concerned, LESCO is the frontrunner, followed by K-Electric and MEPCO.

Net energy metering Capacity Installed (MW)



4.5 Scope & Methodology

4.5.1 Scope

The impact audit was carried out during the year 2023-24 in two electricity distributing companies in Pakistan i.e., LESCO and IESCO, along with CPPA-G. The purpose of the audit was to understand any notable differences that were brought in by the net energy metering initiative.

In particular, the study sought to investigate whether the implementation of net energy metering has a measurable impact on reducing Transmission and Distribution (T&D) losses in the electricity grid. To address this question, a systematic sampling technique was used to identify feeders with the highest number of net energy metering connections. Due to constraints such as time limitations and other practical factors, a subset of the top 15 feeders was selected as sample for further inspection.

4.5.2 Methodology

The methodology employed for the impact audit consists of a broad and comprehensive approach, involving the collection of data from various key stakeholders in the power sector. These stakeholders include the distributing companies, the Central Power Purchasing Agency-Guaranteed (CPPA-G), the Alternative Energy Development Board (AEDB), and the National Electric Power Regulatory Authority (NEPRA). This diversified data was diligently gathered to form a strong and robust foundation for conducting in-depth analyses. To ensure the data was effectively utilized, it was meticulously organized into spreadsheets. This systematic arrangement facilitated comparisons and contrasts among different variables. Scatterplot tool was employed to ascertain a correlation between variables; furthermore, regression analysis was carried out to shed light on whether net energy metering can be associated with the reduction in T&D losses. Moreover, to gain insight into the viewpoints of Net energy metering Consumers, questionnaire was developed and administered. This qualitative aspect added depth to the study's findings, leading to a more comprehensive assessment of the implications and effectiveness of net energy metering from the consumer's standpoint.

4.6 Audit findings

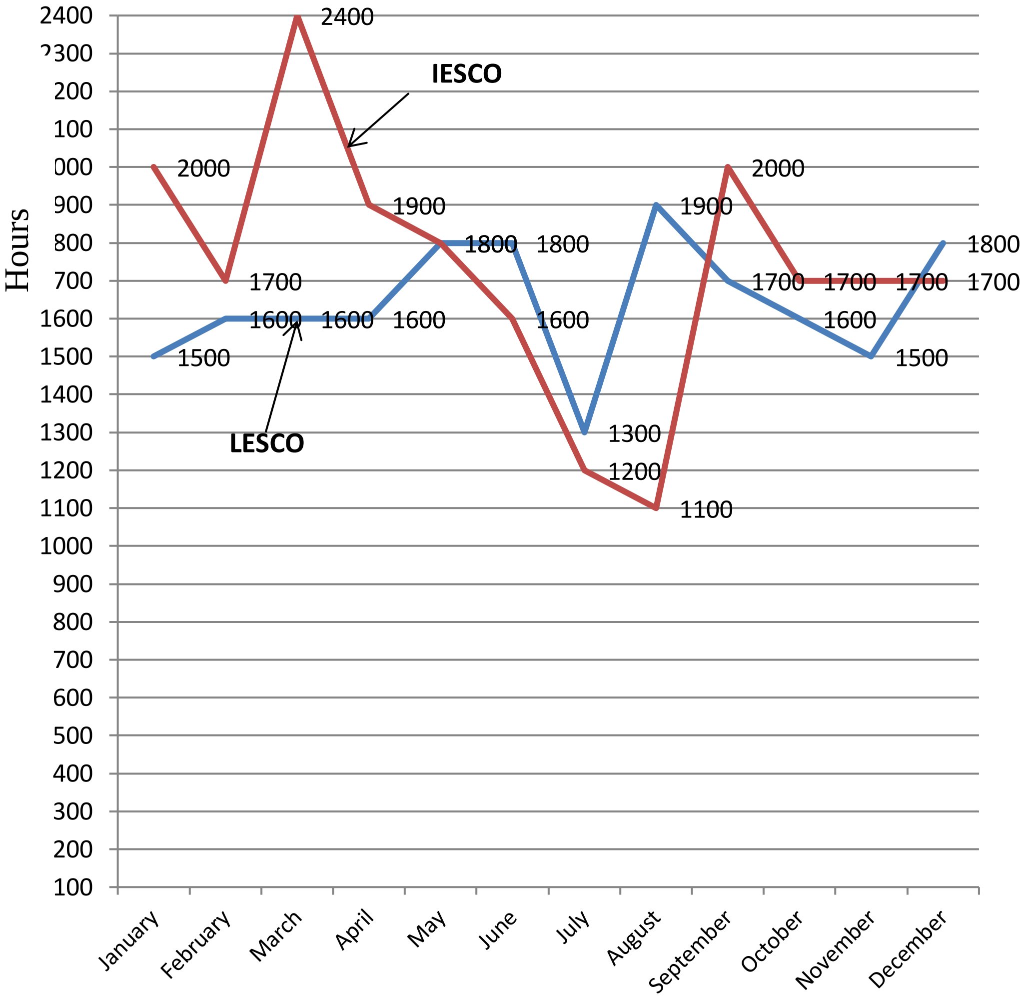
4.6.1 Impact of Net Energy Metering to Decrease the Deficit of Electricity during the Hours of Peak Demand in a Month

One of an important objective of the net energy metering initiative is to mitigate the shortage of electricity in the country especially during the time of peak demand. The data gathered from both LESCO and IESCO highlights that the peak demand for electricity typically occurs between 1300 and 1900 hours in LESCO and between 1100 and 2400 hours in IESCO in a day during the whole year.

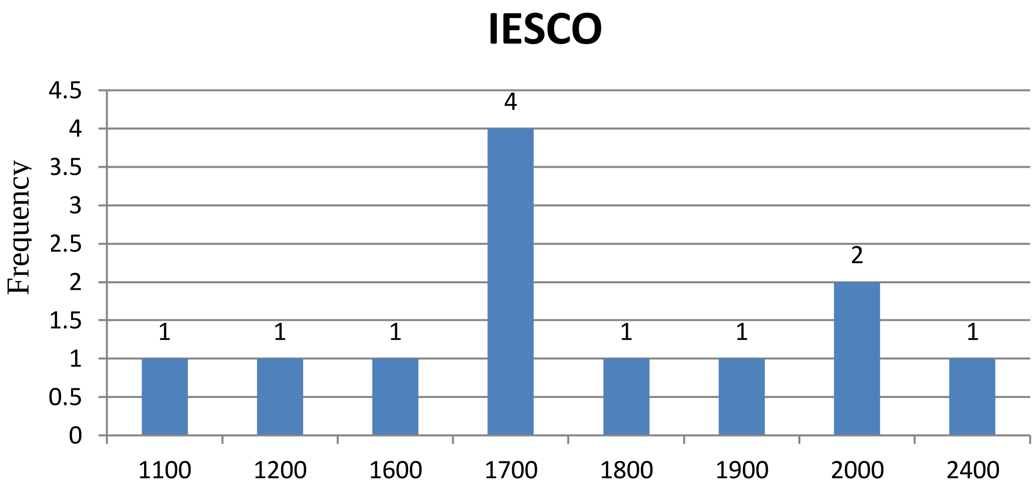
Table-2

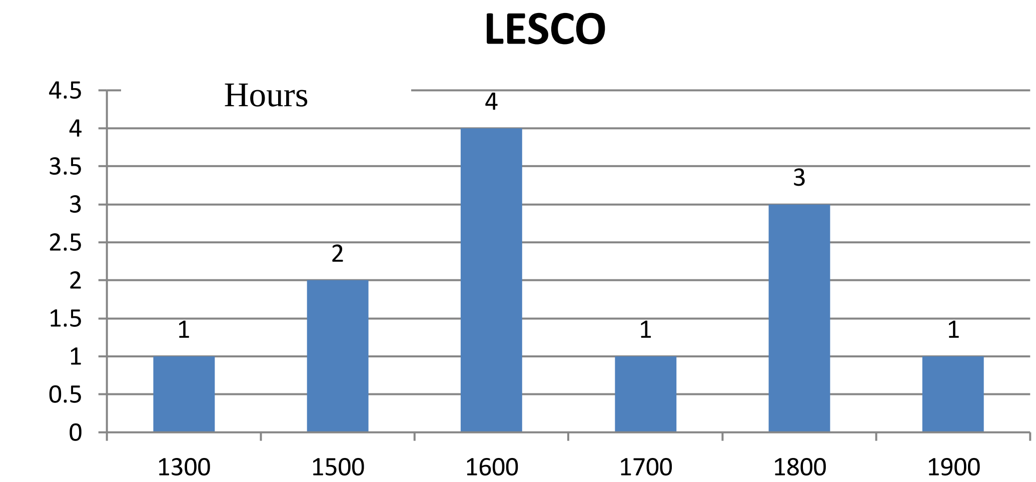
Period	Date & time of peak in LESCO	Date & time of peak in IESCO
July-2022	05-07-2022 (1500 HRS)	07.07.2022 (2000 HRS)
Aug-2022	13-08-2022 (1600 HRS)	10.08.2022 (1700 HRS)
Sept-2022	01-09-2022 (1600 HRS)	01.09.2022 (2400 HRS)
Oct-2022	04-10-2022 (1600 HRS)	01.10.2022 (1900 HRS)
Nov-2022	01-11-2022 (1800 HRS)	24.11.2022 (1800 HRS)
Dec-2022	27-12-2022 (1800 HRS)	29.12.2022 (1600 HRS)
Jan-2023	24-01-2023 (1300 HRS)	24.01.2023 (1200 HRS)
Feb-2023	01-02-2023 (1900 HRS)	03.02.2023 (1100 HRS)
Mar-2023	16-03-2023 (1700 HRS)	15.03.2023 (2000 HRS)
Apr-2023	17-04-2023 (1600 HRS)	17.04.2023 (1700 HRS)
May-2023	23-05-2023 (1500 HRS)	23.05.2023 (1700 HRS)
June-2023	14-06-2023 (1800 HRS)	23.06.2023 (1700 HRS)

The data reveals that in LESCO there is a consistent pattern in the occurrence of maximum demand of electricity; however, the pattern in IESCO for maximum demand in a day is more sporadic.



To be more exact, when we remove the outliers from the considerations, it can be deduced that the maximum demand in LESCO happened with greater frequency between 1500 and 1800 hours, while, the same phenomenon occurred in IESCO between 1700 and 2000 hours.





In order to develop a relation between the time of maximum demand and the contribution from net energy metering during the same time, it was necessary to look into the presence of sunshine, which is the primary element for the generation of energy through solar panels, during the hours of peak demands. As per the study conducted by the University of Queensland, Australia, "PV output rises with increasing sunshine levels."[7] The World Meteorological Organization

[7]https://sustainability.uq.edu.au/files/6527/SolarResourceKit_0818.pdf

defines sunshine as the sum of the time during the day for which the direct normal irradiance exceeds 120 W/m2.[8] If the fact of the availability of sunshine could be established then it will be easier to determine the efficacy of net energy metering during the hours of peak demands in both of the companies.
For this purpose, solar radiation data pertaining to Pakistan was collected from the World Bank website.[9] The threshold of 120 W/m2 was applied on the direct normal irradiance received in Lahore for the year 2016-17. The output highlights the availability of sunshine during the day. Thereafter, a comparison was made between the presence of sunshine and the time of the peak demand occurred during the day so that the contribution of net energy metering in the generation of electricity is determined.

Table-3

Lahore Electric Supply Company	
Date & Time of Peak Demand	**Avg. Time of Decline in Sunshine**
05-07-2022 (1500 HRS)	1623 HRS
13-08-2022 (1600 HRS)	1700 HRS
01-09-2022 (1600 HRS)	1620 HRS
04-10-2022 (1600 HRS)	1550 HRS*
01-11-2022 (1800 HRS)	1520 HRS**
27-12-2022 (1800 HRS)	1630 HRS**
24-01-2023 (1300 HRS)	1607 HRS
01-02-2023 (1900 HRS)	1637 HRS**
16-03-2023 (1700 HRS)	1647 HRS*
17-04-2023 (1600 HRS)	1723 HRS
23-05-2023 (1500 HRS)	1720 HRS
14-06-2023 (1800 HRS)	1813 HRS

**indicates that +/- 15 minutes net energy metering contributes in the system*
***points to no contribution of net energy metering in the system*

The analysis highlights a significant contribution of net energy metering towards the system from April to September and in January. However, October and March are categorized as medium in terms of energy generation during peak

[8]2014, World Meteorological Organization, https://library.wmo.int/viewer/56225?medianame=CIMO_Guide_2014_en_I_8_
[9] 2023, World Bank, https://datacatalog.worldbank.org/search/dataset/0038550/Pakistan---Solar-Radiation-Measurement-Data

demand. On the other hand, there is no observed contribution to energy generation during peak demand in November, December, and February.

Table-4

Islamabad Electric Supply Company	
Date & Time of Peak Demand	**Avg. Time of Decline in Sunshine**
07.07.2022 (2000 HRS)	1700 HRS*
10.08.2022 (1700 HRS)	1803 HRS
01.09.2022 (2400 HRS)	1723 HRS*
01.10.2022 (1900 HRS)	1630 HRS*
24.11.2022 (1800 HRS)	1323 HRS*
29.12.2022 (1600 HRS)	1623 HRS
24.01.2023 (1200 HRS)	1720 HRS
03.02.2023 (1100 HRS)	1717 HRS
15.03.2023 (2000 HRS)	1630 HRS*
17.04.2023 (1700 HRS)	1817 HRS
23.05.2023 (1700 HRS)	1720 HRS
23.06.2023 (1700 HRS)	1747 HRS

**points to no contribution of net energy metering in the system*

In the case of IESCO, it was observed that during July, September, October, November and March the sunshine diminished before the onset of peak demand time. Nevertheless, apart from these five months, net energy metering positively contributed towards the system during peak demand period.

The amount of contribution made by net energy metering in the system is reflected in the table below:

Table-5

IESCO					
Month	**Max Demand (MWH)**	**Drawl (MWH)**	**Shortfall (MWH)**	**Export by Net Metering (MWH)**	**% Shortfall saved by Net Metering**
Jul-22	2554	2140	414	7.6	1.80
Aug-22	2550	2285	265	8.2	3.00
Sep-22	2347	2019	328	9.8	2.90

Oct-22	1808	1717	91	12.1	11.74
Nov-22	1253	1237	16	11.1	40.96
Dec-22	1475	1279	196	8.9	4.34
Jan-23	1656	1356	300	7.5	2.44
Feb-23	1498	1383	115	10.1	8.07
Mar-23	1332	1200	132	14.2	9.71
Apr-23	1698	1652	46	19.7	29.98
May-23	2220	2009	211	23.9	10.17
Jun-23	3035	2644	391	20.5	4.98

Table No. 5 highlights that the shortfall of electricity during the peak demand time is curtailed by net energy metering. Had there been no net energy exported, the amount of shortfall would have risen by the equal amount. To elaborate further let's take the example of the month of July-2022. In this month IESCO faced the shortfall of 414 MW. Presumably, if there was no export witnessed from net energy metering during July the shortfall would have risen to 421.6 MW (414+7.6). Thus, the net energy metering saved the shortfall by 1.80% during that month.

However, it is important to mention here that in order to evaluate the data on realistic grounds table no. 5 needs to be read along with table no. 4. The comparison between both the tables will lead to the conclusion that the aversion of shortfall as described in table no. 5 may be disregarded for the months of November, December and February as there was no sunshine available during the time of peak demand.

Table-6

LESCO					
Month	**Max Demand (MW)**	**Drawl**	**Shortfall**	**Export by Net Metering**	**% Shortfall saved by Net Metering**
Jul-22	6099	5450	649	6.5	0.99
Aug-22	5539	4929	610	8.2	1.33
Sep-22	5115	4535	580	8.7	1.48
Oct-22	4411	3967	444	12.2	2.67
Nov-22	3042	2949	93	11.6	11.09
Dec-22	3033	2681	352	9.3	2.57

Jan-23	3288	2258	1030	7.5	0.72
Feb-23	3062	2792	270	11.8	4.19
Mar-23	3111	2801	310	17.1	5.23
Apr-23	4140	3756	384	22.5	5.54
May-23	5074	4660	414	22.6	5.18
Jun-23	5779	4980	799	20.6	2.51

Table No. 6 may also have the same explanation as given above with regard to table no. 5. Moreover, the comparison of table no. 6 is to be drawn with table No. 3 for considering the impact of sunshine on the contribution of net metering.

It may be concluded that net energy metering curtails the shortfall during the time of peak demand; however, it is influenced by other variables such as the availability of sunshine for the generation of energy through solar panels. Thus, if the time of the availability of sunshine and that of the peak demand of electricity coincide, net energy metering will have a valuable contribution margin to the system, reducing shortfall in the process.

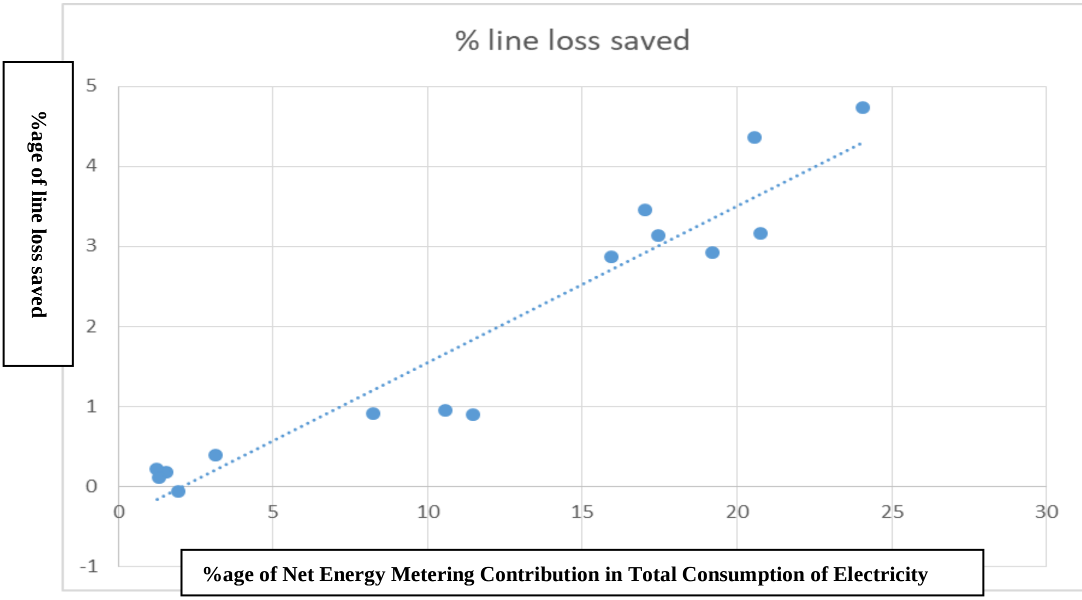
The finding was taken up with the management in August, 2023 and reported to the Ministry in December, 2023. The management of IESCO was unresponsive, however, LESCO management replied that they recognized the 2015 Distributed Generation & Net Metering Regulations, updating over time. The AEDB, now PPIB, played a key role, supporting the 2020 goal of 20-30% renewable energy by 2030. The 2021 and 2023 policies emphasized net metering and renewable targets, with LESCO compliant since 2016, aiming for 60% by 2030, improving system efficiency

The DAC in its meeting held on December 15 & 18, 2023 directed the management of IESCO & LESCO to take into consideration the Impact Audit on Net Metering and give their joint input within a month.

Audit recommends implementation of DAC’s decision.

4.6.2 Line Losses saved with the impact of Net energy metering - Rs.65.781 million

Line losses are generally defined as those losses that occur at HT lines due to distance of feeders from consumers, and excessive load on the feeders. As NMCs do not use HT lines therefore the amount of line losses equaling to the units exported through net energy metering are saved.



In order to analyze the above-mentioned argument, a sample of 15 feeders with maximum number of Net energy metering consumers was taken from LESCO and IESCO. The data was meticulously organized as reflected in table no. 7; Column no. 5 in the table elaborates the actual losses suffered by the respective feeder. However, in column no. 11, those losses are shown which could have occurred at the feeders had there been no energy supplied by the net energy metering consumers (NMCs). In the presumed absence of the NMCs, the exported units as shown in column 6 would have been transmitted by the feeder, thus enhancing the line losses.

In order to ascertain the correlation between percentages of net energy metering in total consumption of electricity (explanatory variable) and that of line losses saved (dependent variable), data was incorporated in scatterplot; the trend line exhibited a positive relationship between both the variables.

Table-7

FEEDER NAME	UNITS RECEIVED	UNITS BILLED	UNITS LOST	%LOSSES (5)	EXPORTED UNITS (6)	% of Total Consumption (7)	Units not lost due to Net energy metering (8)	Probable Units Lost without Net energy metering (9)	Probable % Line Losses (10)	% Line Losses saved (11)
LESCO										
RDC-14	13976100	12004131	1971969	14.11	390033	3.15	55,032.02	2,027,001	14.50	0.39
PHASE-8	21642060	19330586	2311474	10.68	344370	1.57	36,780.34	2,348,254	10.85	0.17
RDC-4	22720225	18670512	4049713	17.82	284345	1.24	50,682.40	4,100,395	18.05	0.22
EXPRESS FEEDER 4 PHASE-V	12417342	12805024	-387682	-3.12	248888	1.96	(7,770.54)	(395,452)	(3.18)	(0.06)
DEFENCE NO.6	19502360	17941273	1561087	8.00	264627	1.34	21,182.35	1,582,269	8.11	0.11
IESCO										
SECTOR-E	17456313	15310542	2145771	12.3	4150159	19.21	510,469.56	2,656,240.56	15.22	2.92
AOWHS	7324710	6433758	890952	12.2	1920926	20.78	234,352.97	1,125,304.97	15.36	3.16
NAVY-1	13490570	11236038	2254532	16.7	2775007	17.06	463,426.17	2,717,958.17	20.15	3.45
EX-LAWYER COLONY DHA-I	5572906	4632135	940771	16.9	1444104	20.58	244,053.58	1,184,824.58	21.26	4.36
SECTOR-B	10542147	8966571	1575576	14.9	2000488	15.95	298,072.71	1,873,648.71	17.77	2.87
SECTOR-H	5577997	4742853	835144	15	1768057	24.07	265,208.55	1,100,352.55	19.73	4.73
SECTOR-G	7571809	6451615	1120194	14.8	1605024	17.49	237,543.55	1,357,737.55	17.93	3.13
G-15 SECTOR	14471812	13051684	1420128	9.8	1319676	8.36	129,328.25	1,549,456.25	10.71	0.91
GULBERG-5	15030539	13992193	1038346	6.9	1952451	11.50	134,719.12	1,173,065.12	7.80	0.90
NEW RACE COURSE	11673271	10780670	892601	7.6	1382345	10.59	105,058.22	997,659.22	8.55	0.95

After establishing a strong correlation between the two variables a regression analysis was carried out. Following two hypotheses were tested:

H_o: There is no relationship between percentage of net energy metering in total consumption and percentage of line losses saved.

H_a: There is strong relationship between percentage of net energy metering in total consumption and percentage of line losses saved.

Microsoft Excel was used to execute the regression analysis:

Table-8

Summary Output of Regression Analysis carried out on Microsoft Excel	
Multiple R	0.9575
Coefficients for % of Total Consumption	0.19527
P-value	2.155E-08

Multiple R is the "correlation coefficient". It is a measure of the applicability of the regression model. Moreover, it also indicates the strength of the linear relationship between the variables. For example, a value of 1 means a perfect positive relationship and a value of zero means no relationship at all. In this case, the value of multiple R is .9575 i.e. 96% which is significantly on higher side showing a strong positive correlation between the two variables.

The coefficient for percentage of Total Consumption is approximately 0.195. The positive sign indicates that as Consumption of net energy metering increases, percentage of line losses saved also tends to increase. There is a positive correlation between these two variables. For every 1% increase in consumption of net energy metering in total share of electricity, percentage of line losses saved increases by an average of .195%. The p-values for the coefficients indicate whether the dependent variable is statistically significant. When the p-value is less than the significance level (.05), the null hypothesis can be rejected. In this case, the p-value of 2.155E-08 is extremely small. Such a minuscule p-value strongly suggests that the observed correlations between the percentage of net energy metering in total energy consumption and the percentage of line losses saved are not mere coincidences. Instead, they are highly statistically significant. Thus, the null hypothesis stands rejected. The results are conclusive enough to establish the argument that as the contribution of net energy metering increases in the system, the percentage of line losses saved is also increased.

Furthermore, the effect of other variables such as the sacking of line superintendents cannot be incorporated in this finding because it is the policy of the company to rotate and transfer the line superintendents as per the need. Moreover, during discussion with the management it was revealed that the company generally avoids transferring the line superintendents because of their knowledge and understanding of a particular area. So, due to the shortage of the availability of staff including the LSs, it is important that workers with broader experience are retained in the field. Lastly, the changes in line losses may not be solely attributable to a qualitative variable like sacking of line superintendent.

The finding was taken up with the management in August, 2023 and reported to the Ministry in December, 2023. The management of IESCO was unresponsive, however, LESCO management replied that they recognized the 2015 Distributed Generation & Net Metering Regulations, updating over time. The AEDB, now PPIB, played a key role, supporting the 2020 goal of 20-30% renewable energy by 2030. The 2021 and 2023 policies emphasized net metering and renewable targets, with LESCO compliant since 2016, aiming for 60% by 2030, improving system efficiency

The DAC in its meeting held on December 15 & 18, 2023 directed the management of IESCO & LESCO to take into consideration the Impact Audit on Net Metering and give their joint input within a month.

Audit recommends implementation of DAC's decision.

4.6.3 Shifting the burden of capacity purchase price (CPP) from Net energy metering consumers to Non net energy metering consumers in LESCO & IESCO - Rs.3,408.937 million

According to Section 7, 31(4) and 31(7) of the NEPRA Act 1997, NEPRA is mandated to determine a uniform consumer end tariff at national level.

During the activity of impact audit for the year 2022-23 on net energy metering it is observed that the cost of electricity is recovered through sale of energy to end consumers on volumetric basis i.e. the cost of electricity is distributed on units consumed by the consumers. As a result, the more the number of units are sold the lesser will be the per unit rate and vice versa. The shifting of net energy metering consumers on alternative resources results in increased cost of electricity for other non-net energy metering consumers. As per NEPRA determined consumer end tariff, dated July 22, 2022, the capacity purchase price component represented 49.7% of power purchase price during the year 2022-23, whereas the capacity charges for the financial year 2023-24 is worked out at around 71% of the total projected power purchase price of DISCOs as per NEPRA's determined power purchase reference for the financial year 2023-24. The net energy metering facility is not a firm capacity; therefore, a suitable size of firm capacity power plant is also required in order to meet the power demand of net meter consumer. The distribution companies have to reserve the energy quota for the net energy consumers as the net energy consumers are fully dependent on centralized generation during night hours for which the capacity payments have to be made to IPPs. Moreover, long term contracts with take or pay capacity regime are already committed resulting in capacity adequacy for next few years. As per state of industry report 2021-22, the installed capacity of power plants is 40,813MW against a peak demand of 28,253MW. The Indicative Generation Capacity Expansion Plan (IGCEP) has forecasted demand of 41,338MW against installed capacity of 69,372MW by the year 2031.

The financial impact of capacity charges due to reduced consumption of electricity from the national grid by the net energy metering consumers is allocated by DISCOs across its customer base. Thus the net energy metering increases the marginal cost of capacity charges for the consumers without net energy metering system. The net energy metering consumers averted the share of capacity purchase price to the extent of Rs 3,408.937 million [Average per unit cost of CPP X (Units produced by NM generators – Units purchased by IESCO & LESCO)] during the year 2022-23, which was shifted on the non-net energy metering consumers resulting in increase of per unit cost to non-net energy metering consumers.

The finding was taken up with the management in August, 2023 and reported to the Ministry in December, 2023. The management of IESCO was unresponsive, however, LESCO management replied that they guided by AEDB (now PPIB) and NEPRA, had embraced net metering since 2015. Actively implementing since 2016, these efforts aligned with policies targeting up to 30% renewable energy by 2030. The National Electricity Plan of 2023 aimed for 60% renewables, reflecting a nationwide, collaborative push for distributed generation and efficient energy use.

The DAC in its meeting held on December 15 & 18, 2023 directed the management of IESCO & LESCO to take into consideration the Impact Audit on Net Metering and give their joint input within a month.

Audit recommends implementation of DAC's decision.

4.6.4 Non-recovery of use of system charges (UoSc) from net energy metering consumers in LESCO & IESCO - Rs.638.300 million

According to Section 7, 31(4) and 31(7) of the NEPRA Act 1997, NEPRA is mandated to determine a uniform consumer and tariff at national level.

The Net energy metering consumers use DISCOs system wires for import and export of energy however the UoS charges and system services are not being recovered from them. Non-recovery of use of system charges and system charges increases the marginal cost of distribution, transmission and ancillary services and cause extra burden on non-metering consumers. The NTDC use of system charges and CPPA-G fee (System services) should also be applicable to all net energy metering consumers. This system service charge is not addressed in the existing regulation resulted in non-recovery of UoS charges for an amount of Rs.638.300

million [Average per unit cost of UoSc x (Units produced by NM generators – Units purchased by IESCO & LESCO)] during 2022-23.

The finding was taken up with the management in August, 2023 and reported to the Ministry in December, 2023. The management of IESCO was unresponsive, however, LESCO management replied that they guided by AEDB (now PPIB) and NEPRA, had embraced net metering since 2015. Actively implementing since 2016, these efforts aligned with policies targeting up to 30% renewable energy by 2030. The National Electricity Plan of 2023 aimed for 60% renewables, reflecting a nationwide, collaborative push for distributed generation and efficient energy use.

The DAC in its meeting held on December 15 & 18, 2023 directed the management of IESCO & LESCO to take into consideration the Impact Audit on Net Metering and give their joint input within a month.

Audit recommends implementation of DAC's decision.

4.6.5 Undue burden on Exchequer due to aversion of recovery of Inter DISCO Tariff Rationalization Surcharge (IDTRS) in LESCO & IESCO - Rs.549.238 million.

As per NEPRA Act Section 31.8 "Notwithstanding anything contained in this Act and in addition to the tariff, rates and charges notified under sub-section (7) and this sub-section, each electric power supplier shall collect such surcharges from any or all categories of consumers, as the Federal Government may charge and notify in the official Gazette from time to time, in respect of each unit of electric power sold to any or all categories of consumers and deposit the amount so collected in such manner as may be prescribed. The amount of such surcharges shall be deemed as a cost incurred by the electric power supplier and included in the tariff notified under sub-section (7):"

During the impact audit of LESCO & IESCO it is revealed that in order to maintain a uniform consumer end tariff at national level, the consumer end tariff of better preforming DISCOs is enhanced by inter DISCOs tariff rationalization surcharge which is built-in consumer end tariff to give relief to the consumers of inefficient DISCOs. However, the net energy metering consumers avoided the payment of IDTRS through self-generation of energy units to the extent of Rs.549.238 million [Average per unit cost of IDTRS X (Units produced by NM generators – Units purchased by IESCO & LESCO)] during the year 2022-23. Non-recovery of IDTRS from net energy consumers would be an extra burden on national exchequer as the GoP has to inject more subsidy into the system to maintain uniform rate of tariff.

The finding was taken up with the management in August, 2023 and reported to the Ministry in December, 2023. The management of IESCO was unresponsive, however, LESCO management replied that they guided by AEDB (now PPIB) and NEPRA, had embraced net metering since 2015. Actively implementing since 2016, these efforts aligned with policies targeting up to 30% renewable energy by 2030. The National Electricity Plan of 2023 aimed for 60% renewables, reflecting a nationwide, collaborative push for distributed generation and efficient energy use.

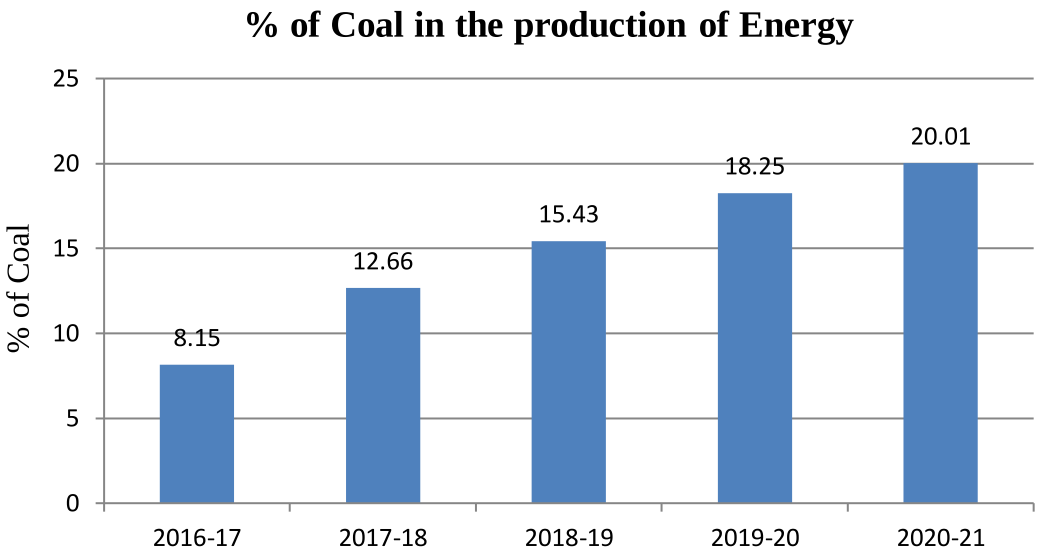
The DAC in its meeting held on December 15 & 18, 2023 directed the management of IESCO & LESCO to take into consideration the Impact Audit on Net Metering and give their joint input within a month.

Audit recommends implementation of DAC’s decision.

4.6.6 Environmental Impact of Net energy metering – Reducing Carbon Emissions by 374,206.5 tons a year

Net energy metering policy by NEPRA highlights the importance of net energy metering in the generation of cleaner and greener energy. Pakistan’s two-third electricity generation is based on fossil fuels and this has been a trend over the past decade.[10] Notably, in recent years Pakistan has shifted its focus towards coal-fired electricity, resulting in substantial growth in coal-based production of energy over the past five years.

[10] 2021, Dawar Butt, Sunil Dahiya, CO_2 Emissions from Pakistan Energy Sector



[Source: NEPRA State of Industry Report 2022 (p. 103)]

Here, a comparison is drawn examining the carbon footprints generated by coal and net energy metering to uncover any noteworthy environmental effects attributed to net energy metering.

The report titled "The Promise of Solar Energy: A Low-Carbon Energy Strategy for the 21st Century" published by United Nations mentions that the Carbon dioxide (CO2) emissions for PV panels are in the range of 25 to 32 g/kWh, while a coal-fired power plant emits about 200g/kWh.[11]

Table-9

Type	Capacity (MW)	Units kWh (million)	Per unit Carbon Footprints (grams)	Carbon Footprints (grams in million)	Carbon Footprints (tons)	Carbon emission Saved (Tons)	Carbon Footprints saved	Equal to Trees Plantation (M)
Solar	1005	1,496.6	32	47,892.7	52,792.62			
Coal	1005	1,936.8	200	387,367.2	426,999.1	374,206.5	87.6%	15.6

(*Calculation are attached as Annex-I)

[11] 2007, United Nations, https://www.un.org/en/chronicle/article/promise-solar-energy-low-carbon-energy-strategy-21st-century

It can be deduced from the table above that implementing net energy metering has a significant and beneficial impact on reducing carbon emissions. Even though the solar panels used in net energy metering do carry the "Carbon Debt" which means that the mining of the components used in solar panels, the production of solar panels and the transportation of the same cause carbon emission, yet, when it is compared with the carbon footprints of a coal-fired power plant, the adoption of net energy metering results in a remarkable reduction of 87.6% of carbon emissions into the atmosphere.

As the current installed capacity of net energy metering in Pakistan stands at 1,005 MW, almost 374,206.5 tons of carbon emission in the atmosphere is saved each year in comparison to a coal plant of the same generation capacity. This achievement is equivalent to the environmental benefit of planting approximately 15.6 million trees.

Pakistan ratified Paris Agreement in 2016, which necessitated the stricter greenhouse gases regulations. The Paris Agreement (Article 4, paragraph 2) requires each Party to prepare, and communicate to the UNFCCC, every five years, successive nationally determined contributions (NDCs) that it intends to achieve. Net energy metering can be an important factor contributing towards the satisfactory accomplishment of the goals set by Paris agreement.

The finding was taken up with the management in August, 2023 and reported to the Ministry in December, 2023. The management of IESCO was unresponsive, however, LESCO management replied that they complied with NERRA's updated Net Metering Regulations since 2015. Led by AEDB (now PPIB) and NEPRA, this initiative aligned with policies targeting 20-30% renewable energy by 2025-2030, aiming for 60% by 2030, necessitating continuous regulatory updates.

The DAC in its meeting held on December 15 & 18, 2023 directed the management of IESCO & LESCO to take into consideration the Impact Audit on Net Metering and give their joint input within a month.

Audit recommends implementation of DAC's decision.

4.6.7 Aversion of cost of establishing a Power Plant amounting to Rs.437,250.11 million

As per the Article 9 of the NEPRA ARE (Alternative & Renewable Energy) Distributed Generation/Net energy metering Rules issued by NEPRA in 2014, the responsibility of the installation and maintenance of the Distributing Generation system lies with the Distributed Generator. Thus, it emancipates the company as well as the government of Pakistan from bearing any burden of investment for the generation of electricity. A comparison is generated between the Quaid e Azam Solar Park and Net energy metering facilities to further elucidate the above-mentioned argument.

The first phase of Quaid e Azam solar Park was completed in 2015 with the capacity of generating 100 MW of electricity. As per NEPRA, the establishment of QeA Solar Park cost 144.92 million[12] dollars and the annual operating cost is 3.07 million dollars.

Table-10

Source	Capacity (MW)	CAPEX ($)	OPEX ($)
Quaid-e-Azam Solar Power Plant	100	144.92M	3.07M
Net energy metering	1055	1,528.9M**=Rs.437,250.11	32.39M***

*****Estimated Cost, had a solar power plant of the capacity of 1055MW was to be established (144.92*1055/100)***
****** (3.07*1055/100)***

To date, the cumulative installed capacity of net energy metering in the country stands at 1055 MW. This achievement has not incurred any expenses for the government, as there has been no investment required for the installation of net energy metering facilities. If a solar power plant with the capacity of 1055 MW was to be established then, extrapolating the cost of Quaid e Azam Solar Power Plant, the new project would have an estimated cost of 1582.5 million USD. Moreover, net energy metering has been saving the annual operational cost as well which would have had an impact of around 32.39 million USD per annum.

[12] Case no. NEPRA/TRF-303/QASPL-2015/8359-8361, NEPRA, dated: June 2nd, 2016, Page. No. 2

One of the key objectives of the net energy metering initiative is to promote renewable energy so that the dependence on expensive fuels may be minimized. The results drawn from the comparison of net energy metering with Quaid e Azam Solar Park underscores the notion that, in this regard, the initiative of net energy metering along with ensuring a cleaner and greener production of energy may also alleviate the national exchequer from any sort of expense-related burden.

The finding was taken up with the management in August, 2023 and reported to the Ministry in December, 2023. The management of IESCO was unresponsive, however, LESCO management replied that they complied with NERRA's updated Net Metering Regulations since 2015. Led by AEDB (now PPIB) and NEPRA, this initiative aligned with policies targeting 20-30% renewable energy by 2025-2030, aiming for 60% by 2030, necessitating continuous regulatory updates.

The DAC in its meeting held on December 15 & 18, 2023 directed the management of IESCO & LESCO to take into consideration the Impact Audit on Net Metering and give their joint input within a month.

Audit recommends implementation of DAC’s decision.

4.6.8 Credit unpaid to Distributed Generators - Rs.1,154.588 million

As per the clause 3 of rule 11 of the NEPRA ARE (Alternative & Renewable Energy) Distributed Generation/Net energy metering Rules issued by NEPRA in 2014, “if the kWh supplied by Distributed Generator exceed the kWh supplied by DISCO, the net kWh shall be credited against Distributed Generator’s next billing cycle for future consumption, or shall be paid by the DISCO to the Distributed Generator annually in accordance with the Applicable Tariff at the option of Distributed Generator.”

Out of total consumers of Net energy metering, LESCO and IESCO had credit balances to be received against 10,522 and 11,475 consumers respectively. The total amount to be paid to these consumers was Rs.1,154.588 million. According to the rule mentioned in the criteria, the Distributed Generators had the option to either get paid against the credited units in their favor or get the units stored in the system for future netting off against the imported units. The net credit balance in favor of 21,997 DGs in both companies highlighted that there was unwillingness on the part of the management to pay the Distributed Generators their due credit amounts.

<u>Table-11</u>

Company	Consumers with unpaid Credits	Total Amount of Credit (Rs.)
LESCO	10,522	528,888,374
IESCO	11,475	625,699,819
Total	21,997	**1,154.588 M**

The finding was taken up with the management in August, 2023 and reported to the Ministry in December, 2023. The management of IESCO was unresponsive, however, LESCO management replied that they complied with NERRA's updated Net Metering Regulations since 2015. Led by AEDB (now PPIB) and NEPRA, this initiative aligned with policies targeting 20-30% renewable energy by 2025-2030, aiming for 60% by 2030, necessitating continuous regulatory updates.

The DAC in its meeting held on December 15 & 18, 2023 directed the management of IESCO & LESCO to take into consideration the Impact Audit on Net Metering and give their joint input within a month.

Audit recommends implementation of DAC's decision.

4.7 Conclusion

With prudent management, the net energy metering program can prove to be a powerful tool to encourage distributed power generation from Pakistan's indigenous renewable resources and establish a distributed renewable energy industry in the country. The net metering offers significant benefits to increasing the supply of sustainable energy at peak demand time thus relieving the overburdened/ overloaded distribution system, reduction in T&D losses and improvement in voltage profile of local area network. Moreover, the Distribution Generation using solar helps control environmental degradation through reduced carbon emissions.

In this context of this study, following recommendations are proposed:

1. Encouraging the net energy metering program to promote distributed power generation from Pakistan's indigenous renewable resources, fostering a distributed renewable energy industry.

2. Addressing the financial implications for non-net metering consumers, as they bear the increased marginal costs of distribution, transmission, and ancillary services due to reduced electricity consumption from the national grid by net metered consumers.
3. Recovering Use of System charges from net metering consumers for the use of the distribution system, as net metering involves the wheeling of power from generators to consumers using the distribution system.
4. Reviewing tariff regulations for net metering consumers and the introduction of a two-part tariff in the schedule of tariff to recover capacity charges from net metering consumers
5. Carrying out a detailed technical study to determine the maximum feasible induction of net metering into the system, to ensure system stability and efficiency.

ANNEXURES

Annexure-I

MFDAC PARAS

(Rs.in million)

Sr. No.	Company	PDP No.	Subject	Amount
1.	PPMC	705/2023-24	Non-disposal of off-road vehicles valuing Rs.4.23 million	4.23
2.	PPMC	706/2023-24	Irregular payment made on account of hiring of office space at WAPDA House Lahore Rs.14.47 million	14.47
3.	PPMC	772/2023-24	Non-recovery on account of testing fee Rs.1.31 million	1.31
4.	FESCO	74/2023-24	Revenue loss due to abnormal line losses on feeders Rs.2,286.73 million	2,286.73
5.	FESCO	75/2023-24	Energy losses on independent feeders beyond permissible limit Rs.112.762 million	112.76
6.	FESCO	76/2023-24	Undue Generation of Revenue through overbilling Rs.60.019 million	60.02
7.	FESCO	84/2023-24	Non-availability of completion certificates with regard to removal of hazardous points Rs.27.31 million	27.31
8.	FESCO	87/2023-24	Non-utilization / dismantling of redundant feeders Rs.4.25 million	4.25
9.	FESCO	89/2023-24	Irregular capitalization of augmentation works without completion of reports / A-90s Rs.140.347 million	140.35
10.	FESCO	92/2023-24	Undue benefits due to electrification of illegal housing scheme	-
11.	FESCO	93/2023-24	Irregular adjustment / correction of wrong billing without units Rs.39.144 million	39.14
12.	FESCO	162/2023-24	Non-return of 630 kVA healthy transformers to store on account of temporary connections Rs.2.70 million	2.70
13.	FESCO	163/2023-24	Undue detection charged to the consumers to camouflage the line losses Rs.11.605 million	11.61
14.	FESCO	169/2023-24	Recoverable amount from independent consumers on account of energy losses beyond permissible limit Rs.15 million	15.00
15.	FESCO	259/2023-24	Undue generation of revenue through over billing Rs.220.47 million	220.47

16.	FESCO	418/2023-24	Loss due to Procurement at higher rates Rs.24.73 million	24.73
17.	FESCO	419/2023-24	Non-forfeiture of performance guarantee, bank guarantee and bid security Rs.4.93 million	4.93
18.	FESCO	420/2023-24	Non-disposal of SCRAP material Rs.70.98 million	70.98
19.	FESCO	513/2023-24	Non-mutation of grid station land in the name of FESCO Rs.17.13 million	17.13
20.	FESCO	516/2023-24	Loss due to wastage of Power Transformer Oil at 132 kV Grid Station at Pakistan Atomic Energy Commission (PAEC) Rs.0.80 million	0.80
21.	FESCO	518/2023-24	Non-return of dismantled/spared material to store Rs.37.85 million	37.85
22.	FESCO	520/2023-24	Non-allocation of budget @ 5% for Environment & Social Safeguards on the Project Cost Rs.79.86 million	79.86
23.	FESCO	533/2023-24	Non-energization of completed schemes Rs.7.929 million	7.93
24.	FESCO	535/2023-24	Non-saving of energy units by reducing line losses due to delay in execution of HT/ELR/DOP works Rs.6.765 million	6.77
25.	FESCO	573/2023-24	Non-return of un-utilized amount Rs.359.225 million	359.23
26.	FESCO	577/2023-24	Non-adjustment of saving on deposit work Rs.16.396 million	16.40
27.	FESCO	935/2023-24	Undue favour to the supplier due to non-invoking of risk & cost clause of purchase order Rs.237.51 million	237.51
28.	FESCO	946/2023-24	Irregular procurement of material due to violation of threshold limit of annual procurement plan Rs.89.75 million	89.75
29.	FESCO	947/2023-24	Loss due to un-authentic provision on account of free electricity Rs.4.19 million	4.19
30.	FESCO	1019/2023-24	Loss due to investment of TDRs at lower rates Rs.36.12 million	36.12
31.	FESCO	1063/2023-24	Non-transferring of adjusted security deposits of dead defaulters to revenue account Rs.52.30 million	52.30
32.	FESCO	1065/2023-24	Irregular charging of detection units to A-1, A-2 and A-3 consumers in violation of provision of Consumer Service Manual Rs.488.38 million	488.38

33.	FESCO	1067/2023-24	Huge over billing to Govt. connections Rs.258.27 million	258.27
34.	FESCO	1072/2023-24	Loss due to non-return of healthy Transformer to store Rs.25.75	25.75
35.	FESCO	1082/2023-24	Non-vetting of estimates of works by consultant Rs.1,075.20 million	1,075.20
36.	FESCO	1089/2023-24	Extra benefits afforded to consumers by giving credit with excess average rate per unit than average rate per unit debited Rs.1,049.95 million	1,049.95
37.	FESCO	1106/2023-24	Non-adjustment of longstanding retention money of contractors Rs.5.63 million	5.63
38.	FESCO	1109/2023-24	Non-recovery of O&M Charges against services provided at consumer's owned grid stations Rs.12.11 million	12.11
39.	FESCO	1111/2023-24	Loss due to excess invoicing of energy units by CPPA-G Rs.219.21 million	219.21
40.	FESCO	1112/2023-24	Irregular approval of connections of B-III, B-IV and Housing Colonies without obtaining NOC from Environmental Protection Agency (EPA) Punjab Rs.1,861.11 million	1,861.11
41.	FESCO	1130/2023-21	Loss due to non-recovery of cost of stolen material Rs.0.73 million	0.73
42.	FESCO	1131/2023-24	Extra financial burden in shape of rental charges due to non-completion of civil works Rs.1.80 million	1.80
43.	FESCO	1146/2023-24	Non-recovery of 5% E&S cost from sponsor of Housing Colonies Rs.26.90 million	26.90
44.	FESCO	1199/2023-24	Non-finalization of pension case due to inordinate delay in writing off pending audit liabilities of employee Rs.1.17 million	1.17
45.	FESCO	1201/2023-24	Loss due to non-verification/withheld claims of subsidy Rs.2,045.91 million	2,045.91
46.	FESCO	1230/2023-24	Violation of NEPRA's directions due to non-installation of industrial and agricultural connections up to 8 kW from common distribution transformers	-
47.	FESCO	1231/2023-24	Improper utilization of human resources by unjustified postings of Director Material Management and Chief of Audit	-

48.	GEPCO	24/2023-24	Huge over billing to Govt. connections Rs.19.98 million	19.98
49.	GEPCO	32/2023-24	Irregular amounts credited to un-registered (888) consumers Rs.1.03 million	1.03
50.	GEPCO	37/2023-24	Improper maintenance of distribution transformers Rs.3,055.14 million	3,055.14
51.	GEPCO	38/2023-24	Non-authenticity of expenditure incurred on repair of damaged transformers Rs.37.96 million	37.96
52.	GEPCO	40/2023-24	Irregular acting / additional charge to line superintendents as sub-divisional officers in violation of the PAC directives	-
53.	GEPCO	41/2023-24	Non recovery of cost of replaced energy meters from energy stealers Rs.0.67 million	0.67
54.	GEPCO	42/2023-24	Loss of envisaged energy savings due to non/delayed completion of LT/augmentation works Rs.681.66 million	681.66
55.	GEPCO	43/2023-24	Irregular capitalization of LT/augmentation works without completion reports/A-90s Rs.73.13 million	73.13
56.	GEPCO	46/2023-24	Energy losses on independent feeders beyond permissible limit Rs.126.52 million	126.52
57.	GEPCO	47/2023-24	Revenue loss due to abnormal line losses on feeders Rs.3,099 million	3,099.00
58.	GEPCO	48/2023-24	Undue generation of revenue through over billing Rs.776.19 million	776.19
59.	GEPCO	217/2023-24	Irregular assigning the look after charge of the post of SDO Civil to Sub Engineer Civil	-
60.	GEPCO	241/2023-24	Irregular capitalization of works without returning the material to store / adjusting the excess material as pointed out in Form-C of BARQAAB Rs.582.88 million	582.88
61.	GEPCO	246/2023-24	Non-utilization / consumption of electrical material drawn from store Rs.725.60 million	725.60
62.	GEPCO	250/2023-24	Non-return of PC Spun Poles by the contractor Rs.2.44 million	2.44

63.	GEPCO	269/2023-24	Irregular charging of written-off loss on account of theft of material to overheads Rs.1.60 million	1.60
64.	GEPCO	271/2023-24	Non-renewal of expired performance guarantee of contractor Rs.6.72 million	6.72
65.	GEPCO	272/2023-24	Less recovery of design vetting & supervision charges from DHA Gujranwala Rs.3.44 million	3.44
66.	GEPCO	273/2023-24	Non-recovery of environmental & social cost from sponsors of deposit works Rs.14.84 million	14.84
67.	GEPCO	274/2023-24	Non-utilization / consumption of electrical material drawn from store Rs.60.90 million	60.90
68.	GEPCO	275/2023-24	Non-return of left over material to store after completion of job Rs.11.24 million	11.24
69.	GEPCO	276/2023-24	Non-return of dismantled material to store Rs.22.87 million	22.87
70.	GEPCO	282/2023-24	Financial irregularities / discrepancies due to non-maintenance of key accounting/financial record Rs.74.99 million	74.99
71.	GEPCO	291/2022-23	Irregular charging of overheads without any project execution in PMU GEPCO Rs.54.84 million	54.84
72.	GEPCO	321/2023-24	Irregular award of revised work order in continuation to original work order Rs.11.66 million	11.66
73.	GEPCO	323/2023-24	Non-recovery of excess expenditure incurred on deposit works Rs.6.81 million	6.81
74.	GEPCO	344/2023-24	Non-adjustment of advances given CRRK / suppliers Rs.46.65 million	46.65
75.	GEPCO	346/2023-24	Extra benefits afforded to consumers by giving credit with more average rate than average rate debited Rs.114.750 million	114.75
76.	GEPCO	347/2023-24	Loss of revenue due to abnormally higher line losses on feeders Rs.403.48 million	403.48
77.	GEPCO	348/2023-24	Undue generation of revenue through overbilling Rs.13.68 million	13.68
78.	GEPCO	349/2023-24	Recoverable amount from independent consumers on account of energy losses beyond permissible limit Rs.4.85 million	4.85

79.	GEPCO	352/2023-24	Non-utilization /consumption of electrical material drawn from store Rs.202.92 million	202.92
80.	GEPCO	354/2023-24	Non-return of dismantled material to store as pointed out by BARQAAB Rs.17.80 million	17.80
81.	GEPCO	359/2023-24	Non-return of left over material to store after completion of job Rs.1.05 million	1.05
82.	GEPCO	364/2023-24	Loss due to return of transformers to store with zero value despite giving credit to consumers in estimates Rs.1.69 million	1.69
83.	GEPCO	366/2023-24	Non-implementation of equipment removal orders and non-recovery of arrears Rs.27.31 million	27.31
84.	GEPCO	512/2023-24	Loss to national exchequer due to less deduction of Income Tax Rs.33.80 million	33.80
85.	GEPCO	663/2023-24	Irregular debited of units to consumers due to wrong application of multiplying factor (MF) Rs.15.03 million	15.03
86.	GEPCO	712/2023-24	Non-achieving the milestone specific envisaged benefits of ERP project Rs.560.365 million	560.37
87.	GEPCO	733/2023-24	Loss due to illegal electrification work of Housing Society Rs.0.440 million	0.44
88.	GEPCO	734/2023-24	Non-recovery of LD charges from the contractor Rs.0.82 million	0.82
89.	GEPCO	736/2023-24	Non-capitalization of cost of replaced meters instead of expensing out to the cost of R&M Rs.885 million	885.00
90.	GEPCO	739/2023-24	Loss due to damage electrical material Rs.27.61 million	27.61
91.	GEPCO	744/2023-24	Less deposit in post-retirement benefits fund Account and non-audit of Pension Funds Account Rs.971 million	971.00
92.	GEPCO	771/2023-24	Overstated receivables on account of tax refund due from FBR Rs.14,761.51 million	14,761.51
93.	GEPCO	796/2023-24	Irregular hiring of legal services of lawyers and advocates Rs.18.98 million	18.98
94.	GEPCO	801/2023-24	Extra benefits to consumers due to excess average per unit credited than average per unit debited Rs.391.308 million	391.31

95.	GEPCO	802/2023-24	Irregular adjustment of temporary advances and re-reimbursement of expenditures Rs.1.52 million	1.52
96.	GEPCO	808/2023-24	Non-remittance of billing collection and its penal profit to GEPCO's main collection account by Pakistan Post Office Rs.531.07 million	531.07
97.	GEPCO	809/2023-24	Under-stated accounts due to non-settlement of accounts balances with CPPA-G Rs.3,643.90 million	3,643.90
98.	GEPCO	865/2023-24	Depriving the maximum profitability due to imprudent long term investment Rs.80.272 million	80.27
99.	GEPCO	866/2023-24	Irregular framing of estimates, issuance of work orders under supervision of electrical engineer in place of civil engineer Rs.124.368 million	124.37
100.	GEPCO	964/2023-24	Irregular sanction/approval of electrification of Housing Colonies on Dubious NOCs of Municipal Committees Rs.13.76 million	13.76
101.	GEPCO	992/2023-24	Irregular evaluation of tenders due to deficient bidding documents Rs.12,083.452 million	12,083.45
102.	GEPCO	993/2023-24	Irregular and unnecessary Procurement of single structure platform Rs.31.57 million	31.57
103.	GEPCO	994/2023-24	Unjustified expenditure on account of complaint management system Rs.71.443 million	71.44
104.	GEPCO	1076/2023-24	Non-transferring of adjusted security deposit of dead defaulters to revenue account Rs.262.896 million	262.90
105.	HESCO	412/2023-24	Non-submission of 80% Sindh Sales Tax returns by contractors Rs.8.12 million	8.12
106.	HESCO	683/2023-24	Non-encashment of performance bank guarantee Rs.2.78 million	2.78
107.	HESCO	686/2023-24	Excess payment on account of store charges and overhead valuing Rs.2.56 million	2.56
108.	HESCO	687/2023-24	Loss due to non-removal of pointed-out discrepancies during inspection Rs.58.50 million	58.50

109.	HESCO	790/2023-24	Unjustified debit adjustment of 703.634 million units against consumers in HESCO Rs.21,883.018 million	21,883.02
110.	HESCO	791/2023-24	Non-disposal of off-road vehicles Rs.32.70 million	32.70
111.	HESCO	814/2023-24	Defective/deficient bid evaluation due to non-prequalification of suppliers Rs.11.908 million	11.91
112.	HESCO	815/2023-24	Non-forfeiture of performance security for non-supply of vehicles by supplier Rs.13.601 million	13.60
113.	HESCO	817/2023-24	Loss due to award of purchase order to 2nd lowest bidder Rs.1.209 million	1.21
114.	HESCO	818/2023-24	Undue favor to supplier on account of late submission of Performance Security Rs.25.707 million	25.71
115.	HESCO	819/2023-24	Loss due to un-authentic provision on account of free electricity Rs.17.428 million	17.43
116.	HESCO	959/2023-24	Non-appointment of CEO HESCO on regular basis	-
117.	HESCO	960/2023-24	Excess payment due to overstay by tempering in Date of Birth (DoB) Rs.2.544 million	2.54
118.	HESCO	1016/2023-24	Irregular approval / sanction of estimates of transmission line Rs.446.62 million	446.62
119.	HESCO	1235/2023-24	Loss due to unjustified shifting of feeder Rs.7.31 million	7.31
120.	HESCO	1279/2023-24	Loss due to execution of electrification work from maintenance head instead of cost deposit basis Rs.1.120 million	1.20
121.	HESCO	1288/2023-24	Loss on account of exchange rate due to inordinate delay in payment to supplier Rs.49 million	49.00
122.	HESCO	1290/2023-24	Illegal encroachment of HESCO land (52 Acres) by private persons at Dhabeji	-
123.	HESCO	1292/2023-24	Violation of safety standards resulted in fatal accidents and loss of precious lives Rs.16.75 million	16.75
124.	HESCO	1307/2023-24	Non-recovery/non-reconciliation of outstanding street light dues from GoS Rs.3,163.88 million	3,163.88

125.	IESCO	142/2023-24	Loss of revenue due to abnormal line losses beyond NEPRA's targets Rs.2,874.144 million	2,874.14
126.	IESCO	150/2023-24	Wasteful expenditure on bifurcation / reconductoring of 11 kV feeders to reduce the line losses Rs.130.254 million	130.25
127.	IESCO	154/2023-24	Non-reconciliation with collecting bank branches Rs.603.812 million	603.81
128.	IESCO	155/2023-24	Non-remittance of IESCO revenue by collecting bank branches Rs.19.035 million	19.04
129.	IESCO	209/2023-24	Non-recovery of outstanding payment against M/s Sharer & Chattar Klass grid station AJK Rs.27.41 million	27.41
130.	IESCO	212/2023-24	Non-mutation of land acquired for construction of grid stations Rs.6.92 million	6.92
131.	IESCO	213/2023-24	Non-finalization of disciplinary cases against the employee involved in serious allegations	-
132.	IESCO	226/2023-24	Non-preparation of completion reports of completed works Rs.172.32 million	172.32
133.	IESCO	231/2023-24	Non-disposal of off-road vehicles Rs.1.70 million	1.70
134.	IESCO	710/2023-24	Non-consumption/installation of electrical material Rs.3.95 million	3.95
135.	IESCO	711/2023-24	Irregular award of contract without approval of next higher authority Rs.20.33 million	20.33
136.	IESCO	962/2023-24	Non-recovery of bank guarantee amounting to Rs.73.65 million	73.65
137.	IESCO	1010/2023-24	Un-necessary expenditure on purchase of doors Rs.5.96 million	5.96
138.	IESCO	1061/2023-24	Loss due to purchase of material on higher rates as compared to other DISCOs Rs.14.77 million	14.77
139.	IESCO	1062/2023-24	Non-deduction of Liquidated Damages Rs.3.66 million	3.66
140.	IESCO	1100/2023-24	Non-provision of land by the housing societies worth Rs.60 million	60.00
141.	IESCO	1141/2023-24	Unauthenticated Safety Hazard works of Rs.20.37 million	20.37
142.	IESCO	1184/2023-24	Misuse of vehicle by PPMC Rs.1.88 million	1.88

143.	IESCO	1185/2023-24	Non-removal of discrepancies/irregularities	-
144.	IESCO	1300/2023-24	Loss due to award of work in excess of estimated cost Rs.1.76 million	1.76
145.	IESCO	1302/2023-24	Loss due to levy of commitment charges due to non-utilization of ABD loans Rs.219.76 million	219.76
146.	LESCO	263/2023-24	Wasteful expenditure incurred on accounts of consultancy services due to non-execution of AMI Project Rs.43.897 million	43.90
147.	LESCO	264/2023-24	Loss on account of commitment charges due to non-utilization of ADB Loan No.3328 amounting to Rs.57.841 million	57.84
148.	LESCO	266/2023-24	Wasteful expenditure incurred due to non completion of abandoned project Rs.619.817 million	619.82
149.	LESCO	288/2023-24	Non-recovery of material cost from FESCO Rs.11.058 million	11.06
150.	LESCO	290/2023-24	Non-recovery / adjustment of receivables and advances Rs.6.856 million	6.86
151.	LESCO	314/2023-24	Irregular acceptance and booking of debit advices from the GSC Directorate Rs.7.77 million	7.77
152.	LESCO	316/2023-24	Irregular expenditure incurred on account of POL Rs.12.275 million	12.28
153.	LESCO	325/2023-24	Energy losses on independent feeders beyond permissible limit Rs.72.641 million	72.64
154.	LESCO	332/2023-24	Non-credited amounts to connections of Metropolitan Corporation and Punjab Government Departments due to over-billing Rs.402.23 million	402.23
155.	LESCO	336/2023-24	Irregular billing and non-recovery of fixed charges from consumers having tariff A-1a(01) A-2a(04) due to non-installation of ToU meters Rs.0.581 million	0.58
156.	LESCO	340/2023-24	Non mechanism for charging / recovery of markup against extended due dates of energy bills from consumers Rs.1.69 million	1.69
157.	LESCO	368/2023-24	Revenue loss due to abnormal line losses on feeders Rs.8,077.87 million	8,077.87

158.	LESCO	369/2023-24	Extra benefits afforded to consumers due to excess average rate per unit credited than average rate per unit debited Rs.4,536.17 million	4,536.17
159.	LESCO	442/2023-24	Non-recovery of LD charges from the contractors Rs.13.55 million	13.55
160.	LESCO	444/2023-24	Irregular capitalization of works without preparation of A-90s/completion reports and asset account Rs.3,689.86 million	3,689.86
161.	LESCO	445/2023-24	Blockage of funds due to non-utilization of material worth Rs.30.736 million	30.74
162.	LESCO	446/2023-24	No budgetary control over overhead expenditure Rs.622.87 million	622.87
163.	LESCO	448/2023-24	Non-disposal of off-road vehicles worth Rs.2.20 million	2.20
164.	LESCO	526/2023-24	Undue generation of revenue through over-billing Rs.1,951.20 million	1,951.20
165.	LESCO	527/2023-24	Non-capitalization of foundation charges into books of accounts Rs.4.08 million	4.08
166.	LESCO	530/2023-24	Non-capitalization of cost of vehicles due to non-transferring to intended completed projects Rs.33 million	33.00
167.	LESCO	531/2023-24	Non-confiscation of retention money Rs.1.27 million	1.27
168.	LESCO	619/2023-24	Non-utilization of funds against SDGs schemes/works Rs.445.46 million	445.46
169.	LESCO	651/2023-24	Recoverable amount from running and permanently disconnected consumers Rs.67.64 million	67.64
170.	LESCO	681/2023-24	Non-transferred of security amounts adjusted against arrears of dead defaulter consumers from security accounts to main revenue collection accounts and subsequently transferred to CPPA-G Rs.84.56 million	84.56
171.	LESCO	724/2023-24	Less investment in secondary transmission lines and grids than allowed by NEPRA Rs.9,674 million	9,674.00
172.	LESCO	843/2023-24	Irregular stocking of spun poles/HT steel structure at 3rd party storage Rs.227.42 million	227.42
173.	LESCO	844/2023-24	Non-reconciliation of store material Rs.6.45 million	6.45

174.	LESCO	854/2023-24	Less remittance of debt servicing surcharges (DSS/FCS) to CPPA-G Rs.4,429.93 million	4,429.93
175.	LESCO	855/2023-24	Non-recognition of Supplemental Charges in Financial Statement Rs.32,085.53 million	32,085.53
176.	LESCO	874/2023-24	Non-transfer of the title of vehicles in LESCO Rs.243.29 million	243.29
177.	LESCO	875/2023-24	Non-reconciliation of difference on account of free hold land Rs.21.285 million	21.29
178.	LESCO	876/2023-24	Non-deduction of Income Tax on services Rs.24.005 million	24.01
179.	LESCO	877/2023-24	Non-recovery of ex-gratia on account of fatal accident from officers Rs.36 million	36.00
180.	LESCO	879/2023-24	Non-forfeiture of bank guarantee of the supplier Rs.2.48 million	2.48
181.	LESCO	903/2023-24	Non-deduction and remittance of Punjab Sales Tax on services Rs.48.01 million	48.01
182.	LESCO	932/2023-24	Non-recovery of security deposit amount from the consumers prior to installation of electrical connection Rs.166.79 million	166.79
183.	LESCO	996/2023-24	Irregular revision of estimates without vetting from consultant Rs.210.63 million	210.63
184.	LESCO	999/2023-24	Non-recovery of subsidy claim on account of FPA Rs.5,470.34 million	5,470.34
185.	LESCO	1000/2023-24	Non-transfer of title of freehold land in the name of LESCO Rs.435.98 million	435.98
186.	LESCO	1001/2023-24	Non-vetting of estimates of works by the consultant M/s BARQAB Rs.3,291.99 million	3,291.99
187.	LESCO	1013/2023-24	Irregular expenditure incurred on Hazard works without approval of estimates from competent authority Rs.3.33 million	3.33
188.	LESCO	1092/2023-24	Unjustified credit of units given due to revision under adjustment type "F" Rs.87.11 million	87.11
189.	LESCO	1219/2023-24	Irregular payment of vehicle monetization allowance to company secretary Rs.2.86 million	2.86
190.	LESCO	1246/2023-24	Non-transfer of funds to company's main account Rs.4.07 million	4.07
191.	MEPCO	312/2023-24	Revenue loss due to abnormal line losses on feeders Rs.2,857.341 million	2,857.34

192.	MEPCO	313/2023-24	Non-accountal/non-consumption of electrical material Rs.57.299 million	57.30
193.	MEPCO	342/2023-24	Loss due to wrong application of tariff to Govt. connections Rs.2.373 million	2.37
194.	MEPCO	374/2023-24	Wasteful expenditure on bifurcation of 11 kV feeder Rs.15.20 million	15.20
195.	MEPCO	436/2023-24	Undue favor granted to contractor by retendering Rs.17.52 million	17.52
196.	MEPCO	438/2023-24	Non-finalization of inquiry committee on account of defective civil work Rs.7.40 million	7.40
197.	MEPCO	440/2023-24	Non-deduction / recovery of liquidated damages from suppliers Rs.50.75 million	50.75
198.	MEPCO	482/2023-24	Energy losses on independent feeders beyond permissible limit Rs.6.81 million	6.81
199.	MEPCO	521/2023-24	Substandard civil work during construction of office building Rs.24.91 million	24.91
200.	MEPCO	522/2023-24	Non-recovery the cost of Power Transformer from PESCO Rs.63.54 million	63.54
201.	MEPCO	523/2023-24	Loss due to delay in disposal of damaged / unserviceable material Rs.66.11 million	66.11
202.	MEPCO	638/2023-24	Extra benefits afforded to consumers due to excess average rate per unit credited than average rate per unit debited Rs.23.46 million	23.46
203.	MEPCO	640/2023-24	Non-recovery of energy loss on independent feeders beyond permissible limit Rs.26.49 million	26.49
204.	MEPCO	642/2023-24	Loss due to non-replacement of defective meters resulted in delayed billing	-
205.	MEPCO	643/2023-24	Non-transferred of security amounts adjusted against arrears of dead defaulter consumers from security accounts to main revenue collection accounts and subsequently transferred to CPPA-G Rs.37.06 million	37.06
206.	MEPCO	674/2023-24	Loss due to non-recovery of pending units to consumers pointed out by M&T data retrieval report Rs.24.15 million	24.15
207.	MEPCO	678/2023-24	Non-return of dismantled / healthy distribution transformers to store Rs.0.489 million	0.49

208.	MEPCO	725/2023-24	Non-recovery /updating of Security from Industrial Consumer B-III Rs.2.48 million	2.48
209.	MEPCO	893/2023-24	Loss due to non-recovery of supply charges against temporary connections amounting to Rs.84.314 million	84.31
210.	MEPCO	895/2023-24	Blockade of funds due to non-disposal of Scrapped material Rs.90.654 million	90.65
211.	MEPCO	898/2023-24	Non-forfeiture of performance guarantee Rs.4.05 million	4.05
212.	MEPCO	913/2023-24	Loss due to non-recovery against material issued to other DISCOs worth Rs.123.156 million	123.16
213.	MEPCO	940/2023-24	Non-adjustment/recovery of travelling advances Rs.12.51 million	12.51
214.	MEPCO	943/2023-24	Loss of revenue and security deposit due to undue favor to the consumer by allowing fewer loads than consumer's demand Rs.5.202 million	5.20
215.	MEPCO	1094/2023-24	Unjustified over-charging to consumers through adjustments made in category "C" Rs.353.99 million	353.99
216.	MEPCO	1297/2023-24	Undue favor to the supplier due to less collection of performance guarantee Rs.4.136 million	4.14
217.	PESCO	198/2023-24	Non-disposal of old material of redundant transmission lines Rs.143.68 million	143.68
218.	PESCO	201/2023-24	Non-disposal of surveyed off dismantle material Rs.617.24 million	617.24
219.	PESCO	203/2023-24	Non-disposal of unserviceable power transformers Rs.238.89 million	238.89
220.	PESCO	204/2023-24	Investment at risk due to overloading of power transformers Rs.2,754 million	2,754.00
221.	PESCO	205/2023-24	Non-removal of discrepancies at newly energized 132 kV grid stations	-
222.	PESCO	206/2023-24	Non-installation of 11 kV capacitors on power transformers	-
223.	PESCO	256/2023-24	Mis-procurement due to non-conducting pre-qualification of contractors before floating of tenders Rs.650.998 million	651.00
224.	PESCO	277/2023-24	Violation of PPRA rules due to award of work to 2nd lowest bidder Rs.29.52 million	29.52
225.	PESCO	278/2023-24	Loss due to cancellation of tenders without any solid reason Rs.2.72 million	2.72

226.	PESCO	317/2023-24	Loss due to work orders at higher rates to single bidders Rs.10.86 million	10.86
227.	PESCO	379/2023-24	Non-refund of savings to the sponsors of deposit works Rs.41.36 million	41.36
228.	PESCO	382/2023-24	Loss of revenue due to abnormal line losses beyond NEPRA's targets Rs.1,659.476 million	1,659.48
229.	PESCO	383/2023-24	Recoverable amount from independent consumers on account of energy losses beyond permissible limit Rs.485.867 million	485.87
230.	PESCO	384/2023-24	Undue generation of revenue through overbilling Rs.286.248 million	286.25
231.	PESCO	387/2023-24	Illegal encroachment of PESCO's land by private persons	-
232.	PESCO	504/2023-24	Non-updating of meter security of AJK connections Rs.52.240 million	52.24
233.	PESCO	506/2023-24	Loss of precious human life and financial loss due to procurement of sub-standard material Rs.3.50 million	3.50
234.	PESCO	547/2023-24	Recoverable amount from independent consumers on account of energy losses beyond permissible limit Rs.213.82 million	213.82
235.	PESCO	548/2023-24	Undue generation of revenue through over-billing Rs.2,274.80 million	2,274.80
236.	PESCO	551/2023-24	Less recovery from consumers due to non-inclusion of GST in estimates Rs.12.42 million	12.42
237.	PESCO	554/2023-24	Over-billing to Government Connections due to estimated billing Rs.79.14 million	79.14
238.	PESCO	565/2023-24	Loss of revenue due to abnormal line losses beyond NEPRA's targets Rs.77,803.91 million	77,803.91
239.	PESCO	570/2023-24	Wasteful expenditure on bifurcation and area planning of 11 kV feeders to reduce the line losses Rs.123.89 million	123.89
240.	PESCO	571/2023-24	Loss due to double payment of repair charges of under warranty damaged transformers Rs.1.024 million	1.02
241.	PESCO	606/2023-24	Loss due to illegal dual source supply to consumers Rs.1.94 million	1.94
242.	PESCO	929/2023-24	Irregular award of civil works on quotation basis by splitting the scope in	0.71

			order to avoid open tendering Rs.0.708 million	
243.	PESCO	988/2023-24	Unlawful expenditure on advertisement Rs.5.702 million	5.70
244.	PESCO	989/2023-24	Irregular procurement of material on quotation basis without competition Rs.48.263 million	48.26
245.	PESCO	1055/2023-24	Under-stated accounts payable due to non-settlement of accounts balances with CPPA-G Rs.94,943.244 million	94,943.24
246.	PESCO	1059/2023-24	Irregular charging of detection bills and debit notes without units to permanently disconnected consumers Rs.59.27 million	59.27
247.	PESCO	1095/2023-24	Non-recognition/adjustment of supplemental charges Rs.23,603.61 million	23,603.61
248.	PESCO	1097/2023-24	Wasteful expenditure on bifurcation, trifurcation and shifting of 11 kV feeders Rs.164.70 million	164.70
249.	PESCO	1098/2023-24	Non-replacement / repair of transformers damaged under warranty period Rs.33.00 million	33.00
250.	PESCO	1133/2023-24	Less recovery of rehabilitation charges from consumer Rs.1.190 million approx	1.19
251.	PESCO	1134/2023-24	Non-forfeiture of bid security despite late payment by bidders Rs.1.30 million	1.30
252.	PESCO	1137/2023-24	Significant revenue loss due to non-charging of pending units Rs.1.40 million	1.40
253.	PESCO	1138/2023-24	Less installation of material against bill of quantities (BoQ) Rs.1.57 million	1.57
254.	PESCO	1186/2023-24	Loss due to placing purchase orders to single bidder at higher rates due to pool rates and cartelization Rs.49.754 million	49.75
255.	PESCO	1188/2023-24	Irrational approval of ELR, DOP and Chain Augmentation cases of Swat Circle Rs.679.20 million	679.20
256.	PESCO	1189/2023-24	Huge receivables from Govt. of Pakistan and Associated Undertakings Rs.75,965.772 million	75,965.77
257.	PESCO	1242/2023-24	Illegal charging of detection bills to permanently disconnected consumers Rs.54.18 million	54.18

258.	PESCO	1276/2023-24	Loss of precious human lives due to non-observance of safety standards Rs.40 million	40.00
259.	PESCO	1319/2023-24	Irrational/unnecessary purchase of electrical material Rs.42.83 million	42.83
260.	QESCO	03/2023-24	Loss due to T&T losses beyond NEPRA target Rs.849.05 million	849.05
261.	QESCO	04/2023-24	Irregular execution of civil works without completion certificates Rs.57.53 million	57.53
262.	QESCO	06/2023-24	Investment at risk due to overloaded 11 kV feeders Rs.3,190 million	3,190.00
263.	QESCO	09/2023-24	Irregular execution of civil works in violation of PPRA rules Rs.57.50 million	57.50
264.	QESCO	175/2023-24	Non-recovery of liquidated damages from the supplier - Rs.3.595 million	3.60
265.	QESCO	176/2023-24	Non-deduction / recovery of Income Tax from the contractor Rs.12.306 million	12.31
266.	QESCO	177/2023-24	Violation of PPRA rules due to issuance of Purchase Order to higher bidder Rs.153.42 million	153.42
267.	QESCO	178/2023-24	Blockage of funds due to non-disposal of dismantled / unserviceable material Rs.44.007 million	44.01
268.	QESCO	181/2023-24	Non-recovery of liquidated damages from the contractor Rs.9.189 million	9.19
269.	QESCO	182/2023-24	Non-utilization of PSDP funds Rs.344.175 million	344.18
270.	QESCO	183/2023-24	Non-adjustment of advances to contractor Rs.400 million	400.00
271.	QESCO	184/2023-24	Non-recovery of advance against traveling expenses and other expenditure Rs.8.744 million	8.74
272.	QESCO	262/2023-24	Non-recovery on account of receivable General Sale Tax Rs.218.736 million	218.74
273.	QESCO	390/2023-24	Unjustified award of contract due to bid prices substantially exceeded the estimate Rs.59.027 million	59.03
274.	QESCO	393/2023-24	Non-receipt of funds from consumer against deposit work Rs.33.633 million	33.63
275.	QESCO	394/2023-24	Non-deduction of liquidated damages from contractors Rs.11.933 million	11.93
276.	QESCO	395/2023-24	Non-renewal of performance guarantees Rs.28.588 million	28.59

277.	QESCO	396/2023-24	Non-consumption / installation of electrical material Rs.26.492 million	26.49
278.	QESCO	397/2023-24	Non-execution of remaining works by the contractor Rs.20.855 million	20.86
279.	QESCO	398/2023-24	Non-mutation of land acquired for new Grid Stations Rs.15.013 million	15.01
280.	QESCO	422/2023-24	Irregular award of works at higher rates Rs.7.12 million	7.12
281.	QESCO	423/2023-24	Mis-appropriation of material by QESCO Staff Rs.2.06 million	2.06
282.	QESCO	426/2023-24	Non-utilization/installation of electrical material Rs.8.22 million	8.22
283.	QESCO	427/2023-24	Doubtful consumption/installation of material without preparing A-90 Rs.286.66 million	286.66
284.	QESCO	430/2023-24	Non-execution/completion of bifurcation of 11 kV Jinnah Road feeder due to stealing of poles Rs.0.90 million	0.90
285.	QESCO	431/2023-24	Irregular expenditure against dropped schemes Rs.3.86 million	3.86
286.	QESCO	450/2023-24	Recovery of grid sharing cost from Commercial Plaza Rs.2.14 million	2.14
287.	QESCO	451/2023-24	Recoverable amount from running and permanently disconnected consumers Rs.394.68 million	394.68
288.	QESCO	452/2023-24	Recoverable amount from independent consumers on account of energy losses beyond permissible limit Rs.85.61 million	85.61
289.	QESCO	453/2023-24	Undue generation of revenue through overbilling Rs.160.18 million	160.18
290.	QESCO	454/2023-24	Blockade of funds due to non-disposal/utilization of redundant independent feeders Rs.75 million (Approximately)	75.00
291.	QESCO	460/2023-24	Non-recovery/non-implementation of equipment removal order against running defaulters Rs.114.57 million	114.57
292.	QESCO	461/2023-24	Irregular charging of detection bills and debit notes without units to permanently disconnected consumers Rs.0.61 million	0.61
293.	QESCO	464/2023-24	Non-reconciliation with collecting bank branches Rs.393.04 million	393.04

294.	QESCO	465/2023-24	Wasteful expenditure on bifurcation of 11 kV feeders to reduce the line losses Rs.37.19 million	37.19
295.	QESCO	466/2023-24	Excess payment on account of General Sales Tax due to poor performance in recovery Rs.4,863.40	4,863.40
296.	QESCO	731/2023-24	Concealment of line losses and excess receivables against tube well consumers due to wrong application of load factor Rs.465.213 million	465.21
297.	QESCO	870/2023-24	Non-recovery from agricultural tubewell consumers Rs.476,345.22 million	476,345.22
298.	QESCO	1007/2023-24	Non-creation of independent pension fund Rs.42,524.93 million	42,524.93
299.	QESCO	1030/2023-24	Loss due to non-replacement of electrical material under warranty period Rs.1.54 million	1.54
300.	QESCO	1032/2023-24	Loss due to non-billing of electric supply Rs.64.49 million	64.49
301.	QESCO	1034/2023-24	Extra benefits to consumers due to excess average rate per unit credited Rs.6.75 million	6.75
302.	QESCO	1035/2023-24	Loss due to non-removal of illegal tubewell connections Rs.224.73 million	224.73
303.	QESCO	1081/2023-24	Non-transfer of adjusted amounts against arrears of dead defaulters to Main revenue collection accounts and subsequently non-transfer to CPPA-G Rs.43.95 million	43.95
304.	QESCO	1114/2023-24	Loss due to non-recovery of energy charges against temporary connections Rs.1.75 million	1.75
305.	QESCO	1233/2023-24	Retention and non-remittance of collection by General Post Office Rs.976.97 million	976.97
306.	QESCO	1270/2023-24	Unjustified grant of Extension of Time (EOT) to M/s EnMasse Rs.14.183 million	14.18
307.	QESCO	1272/2023-24	Non-disposal of unserviceable material Rs.27.03 million	27.03
308.	QESCO	1273/2023-24	Loss of precious human lives due to non-observance of safety standards Rs.21.66 million	21.66
309.	QESCO	1310/2023-24	Poor performance of Chief Executive Officer/Board of Directors-QESCO due to non-achievement of Key Performance	-

			Indicators set by Ministry of Energy (Power Division)	
310.	SEPCO	10/2023-24	Loss due to non-achievement of NEPRA Targets of T&G losses Rs.458.440 million	458.44
311.	SEPCO	13/2023-24	Loss due to non conversion of 66 kV grid stations / transmission lines into 132 kV system Rs.426 million	426.00
312.	SEPCO	14/2023-24	Non-disposal of unserviceable electrical material Rs.77.12 million	77.12
313.	SEPCO	19/2023-24	Non-reconciliation of discrepancy in accuracy of the meter installed at 11 kV feeder Rs.83.175 million	83.18
314.	SEPCO	230/2023-24	Blockage of funds due to non-completion of works Rs.1,209 million	1,209.00
315.	SEPCO	257/2023-24	Irregular capitalization of work Rs.71.74 million	71.74
316.	SEPCO	258/2023-24	Non-adjustment of retention money Rs.38.39 million	38.39
317.	SEPCO	267/2023-24	Non-reconciliation of 12% overhead charges with regional store Rs.338.99 million	338.99
318.	SEPCO	268/2023-24	Irregular recovery of dismantled / surplus electrical material Rs.7.24 million	7.24
319.	SEPCO	320/2023-24	Irregular payment due to non-revision of estimate Rs.45.193 million	45.19
320.	SEPCO	582/2023-24	In-fructuous expenditure on the execution of HT proposals Rs.64.91	64.91
321.	SEPCO	584/2023-24	Non-disposal of unserviceable material Rs.8.73 million	8.73
322.	SEPCO	587/2023-24	Delay in disposal of unserviceable material Rs.37.09 million	37.09
323.	SEPCO	601/2023-24	Irregular award of contract without approval of next higher authority Rs.54.22 million	54.22
324.	SEPCO	602/2023-24	Loss due to un-necessary purchase/dumping of material Rs.1.66 million	1.66
325.	SEPCO	658/2023-24	Non-adjustment of supplemental charges raised by CPPA-G on account of LPS Rs.15,135.29 million	15,135.29
326.	SEPCO	659/2023-24	Loss due to irregular rehabilitation of LT system Rs.9.37 million	9.37

327.	SEPCO	660/2023-24	Non-reconciliation of main and subsidiary records of security deposits Rs.1,304.55 million	1,304.55
328.	SEPCO	719/2023-24	Irregular grant of four increments and recovery of over-payment Rs.0.91 million	0.91
329.	SEPCO	1011/2023-24	Irregular award of contracts Rs.96.486 million	96.49
330.	SEPCO	1301/2023-24	Irregular execution of electrical work Rs.44.12 million	44.12
331.	TESCO	156/2023-24	Loss due to non-placing purchase order to lowest bidder Rs.2.561 million	2.56
332.	TESCO	185/2023-24	Substandard execution of civil works Rs.256.36 million	256.36
333.	TESCO	188/2023-24	Cancellation/termination of work order Rs.67.73 million	67.73
334.	TESCO	189/2023-24	Non-deduction of LD charges from the contractors Rs.2.54 million	2.54
335.	TESCO	192/2023-24	Inordinate delay in completion of works due to non-availability of funds Rs.126.33 million	126.33
336.	TESCO	194/2023-24	Non-disposal of dismantled transmission lines Rs.66 million	66.00
337.	TESCO	196/2023-24	Non-recovery of 5% environmental and social (E&S) Cost Rs.301.50 million	301.50
338.	TESCO	759/2023-24	Non-recovery of GST from B-III (industrial) consumers despite court decision Rs.5,251.14 million	5,251.14
339.	TESCO	811/2023-24	Non-disposal of redundant transmission line Rs.72.35 million	72.35
340.	TESCO	824/2023-24	Non-dismantlement of idle/redundant feeders Rs.120 million	120.00
341.	TESCO	826/2023-24	Non-received back the material issued on loan basis to other DISCO Rs.383.11 million	383.11
342.	TESCO	833/2023-24	Non-reconciliation of amount payable to CPPA-G Rs.244.493 million	244.49
343.	TESCO	861/2023-24	Non-recovery of receivables against express feeders Rs.3,941.60 million	3,941.60
344.	TESCO	983/2023-24	Unauthentic expenditure on electrification scheme under Khushhal Pakistan Program/Tameer e Pakistan Program and Peoples Works Program Rs.217.97 million	217.97

345.	TESCO	986/2023-24	Irregular installation of other DISCO's material against industrial B-II consumers Rs.9.63 million	9.63
346.	TESCO	987/2023-24	Loss due to non-confiscation of transformers running illegal/direct on site Rs.1.7 million	1.70
347.	TESCO	1044/2023-24	Non-recovery of excess expenditure incurred on deposit works Rs.7.94 million	7.94
348.	TESCO	1046/2023-24	Investment at risk due to poor test result of transformer Rs.110 million	110.00
349.	TESCO	1048/2023-24	Non-regularization of material drawn from store Rs.4.17 million	4.17
350.	TESCO	1050/2023-24	Non-recovery of liquidated damages charges from the suppliers Rs.4.67 million	4.67
351.	TESCO	1051/2023-24	Non-return of material to store due to revision of estimate Rs.4.46 million	4.46
352.	TESCO	1052/2023-24	Non-disposal of un-serviceable material Rs.20.19 million	20.19
353.	CPPA-G	98/2023-24	Over-claim of fuel cost on account of Energy Payment Price of National Power Parks Management Company Limited (Haveli Bahadur Shah) in fuel cost adjustment Rs.2,398.83 million	2,398.83
354.	CPPA-G	99/2023-24	Loss due to operation of power plants on partial load Rs.29,291.59 million	29,291.59
355.	CPPA-G	104/2023-24	Non-signing of Standby Letter of Credit (SBLC) agreement with K-Electric resulted in not-covering of credit / receivable risk of Rs.399.569 billion	399,569.00
356.	CPPA-G	106/2023-24	Non-finalization of agreement with NTDCL regarding use of system charges and losses being incurred in excess of the authority's allowed limit Rs.47.146 billion	47,146.00
357.	CPPA-G	110/2023-24	Non-conducting of Market Transactional Audit in compliance with Commercial Code approved by the regulator	-
358.	GENCO-II	695/2023-24	Irregular acceptance of unspecified material Rs.1.42 million	1.42
359.	GENCO-II	742/2023-24	Non-recovery of Electricity Charges from residents of Colony Rs.35.64 million	35.64
360.	GENCO-II	764/2023-24	Unjustified capacity payment due to non-establishment of Net Dependable Capacity of Power Plants Rs.26,181.22 million	26,181.22

361.	GENCO-II	768/2023-24	Unjustified expenditure on account of operation & maintenance Rs.39.55 million	39.55
362.	GENCO-II	769/2023-24	Unjustified expenditure against defunct Thermal Power Station Quetta Rs.31.81 million	31.81
363.	GENCO-II	777/2023-24	Non-adjustment of Management Fee paid to GENCO Holding Rs.127.94 million	127.94
364.	GENCO-II	1014/2023-24	Non-execution of technical audit by consultant as per TORs	-
365.	GHCL	627/2023-24	Unnecessary wasteful expenditure due to receiving rental claim of office accommodation Rs.3.071 million	3.07
366.	MoE	114/2023-24	Loss due to negligence of MoE on FBC Lakhara Project Rs.3.627 million	3.63
367.	MoE	115/2023-24	Recoverable amount of Rs.92.92 billion	92,920.00
368.	MoE	117/2023-24	Pending liability on account of K Electric, AJK and PCAA Rs.580.26 million	580.26
369.	MoE	136/2023-24	Unsustainable project of advanced metering infrastructure (AMI)	-
370.	NEPRA	55/2023-24	Irregular expenditure incurred on hiring the services of employees performing functions under CTBCM without amendments of NEPRA Service regulations Rs.11.157 million	11.16
371.	NEPRA	56/2023-24	Unauthentic O&M expenditure Rs.196.325 million	196.33
372.	NEPRA	59/2023-24	Non-disclosure of contingent assets in financial statements	-
373.	NEPRA	61/2023-24	Irregular settlement of dues against monetization paid to consultant of corporate social responsibility (CSR) Rs.0.634 million	0.63
374.	NEPRA	119/2023-24	Undue retention of surplus funds Rs.561.829 million	561.83
375.	NPPMC	747//2023-24	Less recovery from Power Purchaser Rs.173,604.43 million	173,604.43
376.	NPPMC	749/2023-24	Non-payment of Private Power and Infrastructure Board Fee Rs.371.78 million	371.78
377.	NPPMC	821/2023-24	Irregular procurement without obtaining performance guarantee Rs.2.58 million	2.58
378.	NPPMC	847/2023-24	Non-mutation of 03 Kanal 19 Marla Land amounting to Rs.2.73 million	2.73

379.	NPPMC	848/2023-24	Non-payment of Water Usage Charges Rs.85.20 million	85.20
380.	NTDC	67/2023-24	Non-charging of provincial sales tax on services invoices amounting to Rs.24.861 million	24.86
381.	NTDC	69/2023-24	Non-recovery from IPPs, NTDC and DISCOs against services of telecommunication Rs.30.67 million	30.67
382.	NTDC	70/2023-24	Non-rectification of faulty analog measurement at various grid stations/power plants of the SCADA LDS-II project	-
383.	NTDC	71/2023-24	Non-disposal of unserviceable material worth Rs.18.29 million	18.29
384.	NTDC	72/2023-24	Non-recovery of long-term advances from employees amounting to Rs.62.65 million	62.65
385.	NTDC	112/2023-24	Irregular appointment of Chief Internal Auditor	-
386.	NTDC	113/2023-24	Wrong classification of POL Expense Rs.18.28 million	18.28
387.	NTDC	121/2023-24	Excess payment to the consultants Rs.11.837 million	11.84
388.	NTDC	126/2023-24	Non-recovery from the contractor (PMLTC) on account of testing and commissioning at Matiari Convertor Station Rs.6.619 million	6.62
389.	NTDC	128/2023-24	Non-recovery of Service Charges on account of technical services from other formations Rs.62.70 million	62.70
390.	NTDC	129/2023-24	Non-maintenance of accounting record of Service Charges, testing commissioning and training charges relating to other NTDC formations Rs.150.545 million	150.55
391.	NTDC	130/2023-24	Loss due to delay in conduction of impedance test of battery banks within the specified period Rs.13.884 million	13.88
392.	NTDC	131/2023-24	Non-conduction of mandatory impedance test of battery banks by the concerned formations Rs.18.513 million	18.51
393.	NTDC	135/2023-24	Loss due to non open auction of scrap material Rs.8.648 million	8.65
394.	NTDC	157/2023-24	Irregular payment on account of TA/DA Rs.0.782 million	0.78

395.	NTDC	232/2023-24	Irregular capitalization of completed works Rs.3,735.912 million	3,735.91
396.	NTDC	341/2023-24	Non-submission of adjustment on account of advances Rs.34.97 million	34.97
397.	NTDC	376/2023-24	Non-return of material issued on loan basis to contractor Rs.102.46 million	102.46
398.	NTDC	469/2023-24	Loss due to negligence of NTDC Management Rs.126.27 million	126.27
399.	NTDC	470/2023-24	Non-extended/encashed performance guarantee Rs.439.62 million	439.62
400.	NTDC	473/2023-24	Irregular procurement of electrical equipment without tendering Process Rs.40 million	40.00
401.	NTDC	474/2023-24	Irregular execution of contract without obtaining acceptable Performance Security in accordance with bidding document Rs.204.79 million	204.79
402.	NTDC	475/2023-24	Irregular payment on account of crops compensation Rs.8.70 million	8.70
403.	NTDC	476/2023-24	Non-disposal of unserviceable material Rs.191.10 million	191.10
404.	NTDC	477/2023-24	Huge difference in the stock balances Rs.10.82 million	10.82
405.	NTDC	479/2023-24	Loss due to interest on delayed payments to contractor Rs.18.76 million	18.76
406.	NTDC	483/2023-24	Loss of revenue due to T&T losses beyond NEPRA's targets Rs.1,439.61 million	1,439.61
407.	NTDC	484/2023-24	Loss due to missing and defective of material Rs.50 million	50.00
408.	NTDC	485/2023-24	Non-preparation of material reconciliation report Rs.92.46 million	92.46
409.	NTDC	486/2023-24	Loss due to detention and demurrage charges Rs.43.68 million	43.68
410.	NTDC	489/2023-24	Loss due to issuance of defective material from store Rs.3.94 million	3.94
411.	NTDC	490/2023-24	Non-return vehicles by the contractor Rs.12.371 million	12.37
412.	NTDC	491/2023-24	Non-recovery of Telecom Service charges from the contractor Rs.5.26 million	5.26
413.	NTDC	494/2023-24	Non-provision of missing spares by the contractor Rs.60 million	60.00
414.	NTDC	496/2023-24	Non-submission of adjustment on account of advances Rs.34.97 million	34.97

415.	NTDC	497/2023-24	Loss due to demolish of executed work Rs.6.48 million	6.48
416.	NTDC	498/2023-24	Non-payment of Crop Compensation by Contractor Rs.8.91 million	8.91
417.	NTDC	499/2023-24	Irregular award of contracts at higher rates Rs.5.39 million	5.39
418.	NTDC	538/2023-24	Non-renewal of performance bank guarantee Rs.197.55 million	197.55
419.	NTDC	539/2023-24	Non-mutation/transfer of land in name of NTDC Rs.269.05 million	269.05
420.	NTDC	540/2023-24	Non-return of dismantling material to store/warehouse Rs.4 million	4.00
421.	NTDC	541/2023-24	Loss due to interest on delayed payment Rs.51.55 million	51.55
422.	NTDC	542/2023-24	Loss due to non-provision of vehicles from contractor amounting to Rs.18.73 million	18.73
423.	NTDC	543/2023-24	Huge loss to NTDC due to mismanagement of project Rs.6,341.40 million	6,341.40
424.	NTDC	558/2023-24	Irregular issuance of completion certificate Rs.160.01 million	160.01
425.	NTDC	559/2023-24	Revenue loss due to abnormal tripping on transmission lines Rs.362.38 million	362.38
426.	NTDC	580/2023-24	Non-disposal of unserviceable/scrap store material Rs.889.30 million	889.30
427.	NTDC	581/2023-24	Non-disposal of off-road vehicles Rs.3.65 million	3.65
428.	NTDC	589/2023-24	Irregular expenditure in excess than the provision of PC-I Rs.2,150.52 million	2,150.52
429.	NTDC	590/2023-24	Non-mutation of land in the name of company Rs.533.92 million	533.92
430.	NTDC	591/2023-24	Non-mutation/transfer for land in the name of NTDC Rs.229.76 million	229.76
431.	NTDC	593/2023-24	Non-recovery of receivables on account of O&M fee Rs.1,340.05 million	1,340.05
432.	NTDC	597/2023-24	Unjustified payment on account of Crops and Trees damage compensation Rs.55.78	55.78
433.	NTDC	608/2023-24	Non-recovery of rental charges from contractor Rs.2.86 million	2.86
434.	NTDC	609/2023-24	Over payment on account of acquisition of land Rs.10.42 million	10.42
435.	NTDC	610/2023-24	Non-renewal of performance bank guarantees Rs.264.89 million	264.89

436.	NTDC	617/2023-24	Receivable on account of land lease fee Rs.683.96 million	683.96
437.	NTDC	623/2023-24	Non-return of electrical material given to contractor on loan basis Rs.4.894 million	4.89
438.	NTDC	624/2023-24	Non-recovery of technical service charges from the contractor Rs.0.815 million	0.82
439.	NTDC	655/2023-24	Non-adjustment of advances on account of Crop Compensation Rs.344.61 million	344.61
440.	NTDC	656/2023-24	Non-delivery of Diesel Generator by Contractor Rs.18.90 million	18.90
441.	NTDC	669/2023-24	Non-provision of cooling system by the contractor Rs.7.48 million	7.48
442.	NTDC	670/2023-24	Loss due to non-supply of mandatory tools by M/s SiemensRs.1,165.89 million	1,165.89
443.	NTDC	671/2023-24	Unjustified commissioning of Project without issuance of completion certificate Rs.1,133.08 million	1,133.09
444.	NTDC	672/2023-24	Loss on account of commitment / interest charges on unutilized balance Rs.376.452 million	376.45
445.	NTDC	697/2023-24	Loss due to undue favor by temporarily attachment of GC Sub Division Rs.3.33 million per month	3.33
446.	NTDC	723/2023-24	Non-renewal of mobilization advance guarantee Rs.11.19 million	11.19
447.	NTDC	751/2023-24	Un-satisfactory utilization of loans Rs.205,880.71 million	205,880.71
448.	NTDC	752/2023-24	Loss due to unjustified payment made on account of Civil Works Rs.3.72 million	3.72
449.	NTDC	753/2023-24	Loss due to leakage of transformer oil at 500/200 kV Ghazi Barotha Grid Station Rs.1.60 million	1.60
450.	NTDC	805/2023-24	Non-mutation of land Rs.56.56 million	56.56
451.	NTDC	846/2023-24	Inordinate delay in determination of extension of time (EOT) due to inefficiency of Project Managers NESPAK and BARQAB	-
452.	NTDC	864/2023-24	Loss of revenue due to T&T losses beyond NEPRA's targets Rs.815.09 million	815.09
453.	NTDC	872/2023-24	Huge outstanding payment to PMLTC Rs.47,732.33 million	47,732.33
454.	NTDC	883/2023-24	Irregular payment to DISCOs and other companies on account of Pension Rs.2,833.28 million	2,833.28

455.	NTDC	884/2023-24	No-fixation of responsibility of delay in processing of EOT cases	-
456.	NTDC	891/2023-24	Violation of corporate governance rules by not appointing company secretary	-
457.	NTDC	952/2023-24	Un-justified / excess expenditure on rehabilitation works of boundary walls of grid stations effected during flood Rs.85.38 million	85.38
458.	NTDC	955/2023-24	Non-creation of provision for WPPF Rs.13,508 million	13,508.00
459.	NTDC	976/2023-24	Non-reconciliation of receivables with CPPA-G Rs.38,157.90 million	38,157.90
460.	NTDC	977/2023-24	Non-recovery from LESCO on account of completed 132 kV Transmission Line Rs.1,426.95 million	1,426.95
461.	NTDC	978/2023-24	Irregular payment of special executive allowance to Managing Director, DMDs, CFO, CS and GMs without concurrence of Finance Division (GoP) Rs.7.20 million	7.20
462.	NTDC	1008/2023-24	Irregular award of works due to non-preparation of annual requirement plan Rs.810.675 million	810.68
463.	NTDC	1009/2023-24	Non-supply of electrical material Rs.42.80 million	42.80
464.	NTDC	1021/2023-24	Non-recovery of receivables from PMLTC Rs.1,340.05 million	1,340.05
465.	NTDC	1023/2023-24	Excess withdrawal of POL than sanction limits Rs.21.34 million	21.34
466.	NTDC	1024/2023-24	Non-fixation of responsibility against the persons involved in irregularities in recruitment process	-
467.	NTDC	1036/2023-24	Loss on account of incremental commitment charges due to cancellation of loan proceeds – Rs.764.80 million	764.80
468.	NTDC	1039/2023-24	Hazardous energizing of Mansehra Grid Station with deficient Earthing System	-
469.	NTDC	1041/2023-24	Excess payment due to non-application of Bill of Quantity rates for execution of extra BoQ item at Nowshera Grid Station –Rs.2.14 million	2.14
470.	NTDC	1085/2023-24	Non-commissioning of Tele-Protection system at Mansehra Grid Station	-
471.	NTDC	1087/2023-24	Non-recovery of receivables from DISCO's Rs.1,229.27 million	1,229.27

472.	NTDC	1088/2023-24	Irregular appointment without original degree Rs.17.43 million	17.43
473.	NTDC	1090/2023-24	Non-availability of HVDC tested capacity due to frequent commutation failures 2800 MW	-
474.	NTDC	1117/2023-24	Procurement of technically non-qualified energy metering panels in violation of contractual specifications	-
475.	NTDC	1118/2023-24	Extra expenditure on account of security due to delay in project completion - Rs.30.01 million	30.01
476.	NTDC	1119/2023-24	Inordinate delay in completion of D.I Khan Substation	-
477.	NTDC	1121/2023-24	Extra contractual favour to contractor by irregular acceptance of extended warranty in lieu of type testing	-
478.	NTDC	1140/2023-24	Inordinate delay in project execution due to delay in establishment of effective date of contracts	-
479.	NTDC	1154/2023-24	Non-replacement of defective material Rs.7.8 million	7.80
480.	NTDC	1155/2023-24	Irregular procurement of material without type testing through educational orders Rs.425.65 million	425.65
481.	NTDC	1161/2023-24	Misrepresentation of inventory stock balance Rs.0.663	0.66
482.	NTDC	1162/2023-24	Irregular shipment of consignments being not supplied through Pakistan National Shipping Corporation (PNSC)	-
483.	NTDC	1169/2023-24	Unjustified recording of returned material as unserviceable Rs.2.75 million	2.75
484.	NTDC	1170/2023-24	Sub-optimal performance of Project Management Unit in execution of MFF-I Projects	-
485.	NTDC	1171/2023-24	Impediments in execution of MFF-I Projects due to high turnover of Managing Directors	-
486.	NTDC	1172/2023-24	Less utilization of ADB Loan 2290 Support Fund in hiring the consultancy services for capacity building of NTDC – Rs.599.36 million	599.36
487.	NTDC	1173/2023-24	Irregular completion / partial completion / taking-over / operational acceptance certificates despite non-completion of the	-

			projects and without receiving 'As Built Drawings' from the contractors	
488.	NTDC	1175/2023-24	Unprotected energizing of Bandala and Mansehra Grid Stations by compromising Protection System Requirements for 220/132 kV network	-
489.	NTDC	1176/2023-24	Extra financial burden due to non-acquisition of state land on lease basis for construction of Rohri Grid Station – Rs.32.71 million	32.71
490.	NTDC	1177/2023-24	Improper stacking of material at site under stagnant rain water by the contractor	-
491.	NTDC	1180/2023-24	Non-engagement of project execution personnel by the contractors in violation of bidding documents	-
492.	NTDC	1181/2023-24	Non-preparation of PC-IV & V for the projects executed under MFF-I	-
493.	NTDC	1190/2023-24	Irregular acceptance of electrical equipment without valid / complete Type Test, Factory Acceptance Test and Final Manufacturer's Data	-
494.	NTDC	1192/2023-24	Undue favour to contractor by furnishing incorrect performance certificate to LESCO	-
495.	NTDC	1193/2023-24	Revenue loss due to energizing of 220 kV Mardan-Chakdara transmission line without fulfilling requirements of pre commissioning tests	-
496.	NTDC	1195/2023-24	Unjustified inclusion of major deficiencies in punch list items and issuance of completion certificates to the contractor	-
497.	NTDC	1197/2023-24	Mis-procurement declared by ADB in Uch-Sibi Transmission Line	-
498.	NTDC	1203/2023-24	Non-reduction in system losses due to delay in completion of MFF-I projects - Rs.20,346.48 million	20,346.48
499.	NTDC	1206/2023-24	Non-replacement of defective auto transformer during warranty period	-
500.	NTDC	1208/2023-24	Hazardous energization of 500 kV Moro Switching Station without reliable and effective DC Supply system	-
501.	NTDC	1209/2023-24	Depriving NTDC from the financial benefits due to delay in completion of MFF-I projects – Rs.14,246.59 million	14,246.59

502.	NTDC	1213/2023-24	Irregular receipt of material due to defective Joint Survey Report	-
503.	NTDC	122/2023-24	Non-maintenance of reimbursement of consultancy charges from the donor under World Bank Loan No.8814 Rs.20.828 million	20.83
504.	NTDC	1222/2023-24	Non-disposal of off-road vehicles, cranes and lifters Rs.17.5 million (Approx)	17.50
505.	NTDC	1223/2023-24	Recoverable amount of rental charges from contractors	-
506.	NTDC	1224/2023-24	Inadequate reporting on WIMS for data analysis, rationalizing the discrepancies and future decision making	-
507.	NTDC	1226/2023-24	Non-performance of contractual obligation in respect of Type Test Rs.81.11 million	81.11
508.	NTDC	1229/2023-24	Unjustified payment on revision of contract price due to non-open bidding Rs.20.74 million	20.74
509.	NTDC	1234/2023-24	Time overrun in completion of projects executed under MFF-I	-
510.	NTDC	1236/2023-24	Loss due to non-execution of change order clause Rs.7.021 million	7.02
511.	NTDC	1250/2023-24	Non-return of balance/surplus material by the contractors	-
512.	NTDC	1258/2023-24	Non-charging of Sales Tax on material cost issued on cash basis Rs.4.06 million	4.06
513.	NTDC	1308/2023-24	Irregular award of contract on fake representation Rs.14,038.03 million	14,038.03
514.	NTDC	1311/2023-24	Sub-optimal performance of BoD in execution of MFF-I Projects	-
515.	NTDC	1312/2023-24	Poor performance of Auto-Transformers installed at Rohri Grid Station	-
516.	NTDC	1316/2023-24	Irregular capitalization of assets in the head of ‘other cost’ - Rs.33,285.60 million	33,285.60
517.	NTDC	1317/2023-24	Irregular payment on account of design services to the contractor – Rs.24.46 million	24.46
518.	NTDC	1318/2023-24	Non-return of surplus/balance material from the EPC completed projects Rs.43,745 million	43,745.00
519.	PPIB	1284/2023-24	Non-preparation of standalone Financial Statements	-

520.	PPIB	139/2023-24	Procurement of office suppliers/consumable items avoiding quotations/tendering Rs.9.865 million	9.87
521.	PPIB	66/2023-24	Non-maintenance a proper record of assets by way of tagging each asset for its proper tracking Rs.40.35 million	40.35
			TOTAL	**2,252,333.23**

Annex-A
Para-1.1.1

NON-RECOVERY ON ACCOUNT OF SALE OF ENERGY FROM DISCOS

Sr. No.	Government owned distribution companies	Payable my market participants (Rs. in thousands)
1	Lahore Electric Supply Company Limited (LESCO)	302,012,483
2	Faisalabad Electric Supply Company Limited (FESCO)	114,292,112
3	Multan Electric Power Company Limited (MEPCO)	184,361,693
4	Quetta Electric Supply Company Limited (QESCO)	487,524,581
5	Gujranwala Electric Power Company Limited (GEPCO)	58,045,540
6	Islamabad Electric Supply Company Limited (IESCO)	162,862,289
7	Peshawar Electric Supply Company Limited (PESCO)	497,948,125
8	Tribal Areas Electric Supply Company Limited (TESCO)	56,211,916
9	Hyderabad Electric Supply Company Limited (HESCO)	348,739,096
10	Sukkur Electric Power Company Limited (SEPCO)	318,647,939
		2,530,645,774

Annex-B
Para-1.4.5

DETAIL OF CHARGING OF OVERHEADS BEYOND PERMISSIBLE LIMIT TO CONSUMERS / WORKS

Sr. No.	Name of Company	Draft Para No.	No of Works	Amount (Rs.in million)
1.	FESCO	517 & 1069/2023-24	186	383.67
2.	GEPCO	26,44,245,270 & 799/2023-24	2,239	689.44
3.	HESCO	409 & 630/2023-24	24	68.67
4.	MEPCO	653/2023-24	57	2.44
5.	PESCO	298/2023-24	2,138	231.66
6.	SEPCO	253/2023-24	112	106.88
7.	TESCO	813/2023-24	15	21.87
8.	NTDC	1174/2023-24	11	7,658.66
		Total	**4,782**	**9,163.29**

Annex-C
Para-1.4.7

DETAIL OF NON-EARTHING / GROUNDING OF HT/LT POLES / STRUCTURES OF DISTRIBUTION SYSTEM

Sr. No.	Company	Draft Para No.	LT/HT Poles	Amount (Rs.in million)
1	FESCO	973/2023-24	93726	364.14
2	GEPCO	807/2023-24	359782	3,597.82
3	HESCO	1294/2023-24	261078	2,088.62
4	LESCO	1025/2023-24	356873	578.13
5	MEPCO	922/2023-24	486320	182.65
6	PESCO	835/2023-24	431226	86.28
7	QESCO	1027/2023-24	310562	0
8	TESCO	832/2023-24	114452	915.61
TOTAL			**2,414,019**	**7,813.25**