Auditor-General of Pakistan

February, 2026

AUDIT REPORT

ON

HYDERABAD ELECTRIC SUPPLY COMPANY (HESCO)

Report No: DGA POWER 25-009

Audit Year 2025-26

Financial Year 2024-25

PREFACE

Articles 169 & 170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Sections 7 to 15 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001, require the Auditor-General of Pakistan to conduct audit of receipts and expenditure of the Federation and the Provinces or the accounts of any authority or body established by or under the control of the federal or a Provincial government.

This report is based on audit of Hyderabad Electric Supply Company (HESCO) Hyderabad for the financial year 2024-25. The Directorate General Audit Power conducted audit during Audit Year 2025-26 on a test check basis with a view to make an independent assessment of the entity and provide reliable information to the stakeholders for making sound decision making. The report also aims at improving the internal controls of the entity, thereby allowing the management to take corrective action and improve operational efficiency.

The Audit Report includes key facts about the entity, audit snapshot, and findings on systemic issues for executive action. Audit findings indicate a number of matters related to financial management, operational processes, governance & compliance and environment & safety.

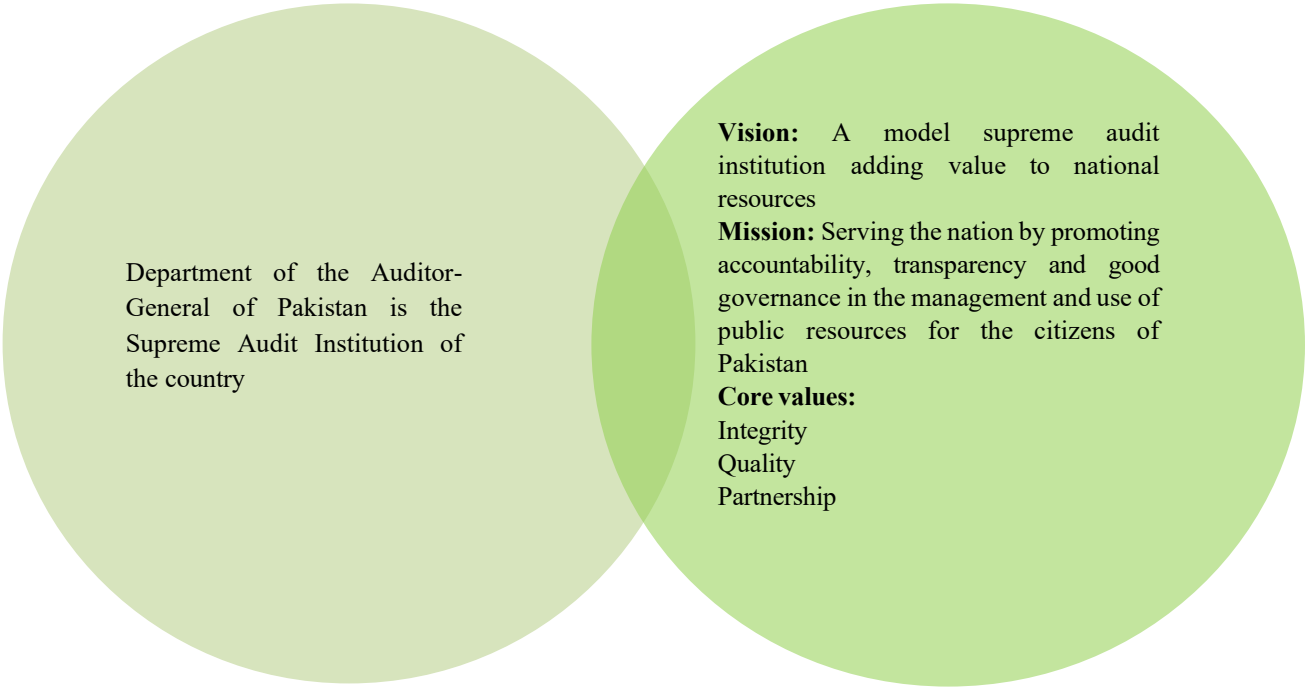
The report was shared with the entity as well as the Principal Accounting Officer (PAO) and executive responses were evaluated before finalization of this report. The report was discussed in Departmental Accounts Committee (DAC) meeting held on January 16, 2026 and the outcome of the meeting has been incorporated in the report.

The Audit Report is submitted to the President of Pakistan in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan 1973, for causing it to be laid before both houses of Majlis-e-Shoora (Parliament).

Sd/-
(Maqbool Ahmad Gondal)
Auditor-General of Pakistan

Islamabad
Dated: 24 February, 2026

Department of the Auditor-General of Pakistan



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

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

Highlights

AUDIT SNAPSHOT

Audit Report on Hyderabad Electric Supply Company (HESCO)

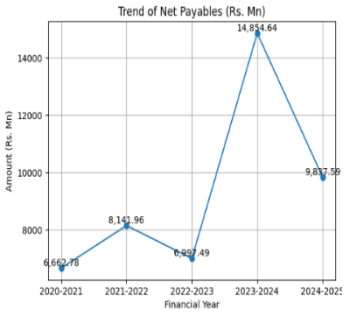
DGA-25-009 **February, 2026**

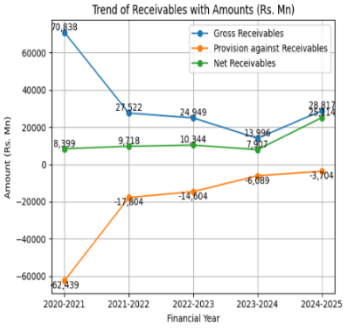
Why did we do this audit?

Hyderabad Electric Supply Company (HESCO) covers 12 districts of Sindh Province and is serving 1,237,534 consumers. The Auditor General Office conducts audit of risk areas following a financial risk & test of control-based strategy. Since HESCO is supplying electricity to general masses was selected for statutory audit review. Audit of HESCO was undertaken to examine key concerns relating to financial sustainability, operational effectiveness and governance within the organization. By evaluating key areas such as financial management, procurement practices, asset utilization, and compliance with regulatory standards, the audit sought to identify gaps, promote transparency and recommend improvements that would enhance accountability and support the company's goal of providing uninterrupted and high-quality electricity to its customers.

Key assessment

The financial position of HESCO for the FY 2024-25 is as under:
Financial Sustainability: Critical (accumulated losses rose to Rs. 513 billion exceeding total assets of Rs. 203 billion)
Revenue: 190,550.85 million as on June 30, 2025
Loss: (12,903.66) million as on June 30, 2025
Gross receivables declined from FY 2020-21 to FY 2023-24 and rebounded in FY 2024-25, while provisions reduced consistently, indicating improved credit quality and recovery performance. This led to a sharp improvement in net receivables in FY 2024-25 while net payables peaked in FY 2023-24 and declined in FY 2024-25, suggesting partial liability settlement and improved payable management. Figures are given in Annex-I.





What did we find?

- Accounts for FY 2023–25 are still unaudited, and prior years carry qualified opinions, highlighting ongoing weaknesses in financial management and compliance.
- Non-conducting of internal audit for FYs 2023-24 & 2024-25
- Irregular adjustment of Late Payment Surcharge (LPS) to consumers.
- Persistent withholding and non-verification of Government subsidy claims, resulting in liquidity constraints.
- Unreconciled bank balances with Pakistan Post Office, indicating weak financial controls and oversight.
- Overbilling due to weak controls and non-compliance with Commercial Procedures.
- Excess detection bills are being raised to mask losses than on a sound technical basis.
- Execution of projects without obtaining mandatory SEPA environmental NOCs, exposing the company to regulatory risk.

What did we recommend?

- The BoD should ensure early provision of audited financial statements of HESCO and conducting of internal audit for FYs 2023-24 & 2024-25.
- Review unauthorized LPS waivers/adjustments and enforce NEPRA billing compliance with stronger approval, monitoring, and audit trails.
- Expedite verification and recovery of withheld subsidy claims from the Power Division through follow-up, improved documentation, and regular reconciliations.
- Immediately reconcile Pakistan Post Office balances and reinforce bank reconciliation, supervisory review, and CFO-level reporting controls.
- Implement a verification system to ensure all detection charges are technically justified and compliant with the NEPRA Consumer Service Manual before billing.
- Ensure NEPRA safety compliance and formal investigations to assign accident responsibility.
- Require SEPA NOCs before project execution, supported by a monitoring and documentation tracking system.

Highlights

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Entity Summary Sheet

Description	Details
Legal Framework of Entity	HESCO is a state-owned enterprise under SOE Act, 2023. Incorporated on May, 1998 and registered under Companies Ordinance, 1984, started its operations as a Public Limited Company.
Key Responsibilities/Mandate and Objectives	HESCO is responsible for the distribution and supply of electricity within its assigned areas of Sindh, excluding Karachi. While HESCO manages operational, technical, and commercial functions. Its key mandate is to ensure reliable and efficient power distribution, maintain and upgrade the distribution network, minimize losses, manage billing & revenue collection and provide effective customer services in compliance with government policies and NEPRA regulations.
Total Assets i) Current Assets ii) Non-Current Assets	**Rs. 203,271.49 million as of June 30, 2025** Rs. 147,810.52 million as of June 30, 2025 Rs. 55,460.97 million as of June 30, 2025
Total Liabilities i) Current Liabilities ii) Non-Current Liabilities	**Rs. 533,461.2 million as of June 30, 2025** Rs. 429,467.01 million as of June 30, 2025 Rs. 103,994.19 million as of June 30, 2025
Other Income Revenue	Rs. 3,663.67 million as of June 30, 2025 Rs.190,540.85 million as of June 30, 2025
Government Grant	Nil
Expenditure	Rs. 20,614.04 million as of June 30, 2025
Cash Balances	Rs.17,248.22 million as of June 30, 2025
Total Investments	Nil
Funding Sources	HESCO is self-sustained generating revenues and cash flows through sale of electricity.
Accounting policy	Adopted accounting policies in accordance with International Accounting & Financial Reporting Standards applicable in Pakistan.
Status of Financial Statements	FY 2020-23 (Audited) and FY 2024-25 (un-audited/provisional)[1]
Compliance Status of audit recommendations	Follow up of DAC directives dated January 16, 2026 will be ensured

[1] Financial Statement for the FY 2024-25 are un-audited; hence assurance cannot be drawn upon them as these are subject to financial audit review and changes.

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ABBREVIATIONS & ACRONYMS

AMIS	Audit Management Information System
AT&C	Aggregate Technical and Commercial Losses
AQTA	Annual Quarterly Tariff Adjustment
BOD	Board of Directors
CEO	Chief Executive Officer
CP	Commercial Procedure
CPPA-G	Central Power Purchasing Agency (Guarantee)
CSM	Consumer Service Manual
DISCO / DISCOs	Distribution Company / Companies
DSU	DISCO Support Unit
EPA	Environmental Protection Agency
ERO	Equipment Removal Order
FY	Financial Year
GSC	Grid Systems Construction
GST	General Sales Tax
HESCO	Hyderabad Electric Supply Company
HSE	Health, Safety and Environment
HT	High Tension
IFRS	International Financial Reporting Standards
KPI / KPIs	Key Performance Indicator(s)
kV	Kilovolt
kWh	Kilowatt-hour
LPS	Late Payment Surcharge
LS	Line Superintendent
LT	Low Tension
MkWh	Million Kilowatt-hours
MW	Megawatt
MYT	Multi-Year Tariff
NEPRA	National Electric Power Regulatory Authority
NOC	No Objection Certificate
PDP	Proposed Draft Para
PITC	Power Information Technology Company
PMU	Project Management Unit
PO	Purchase Order
PPRA	Public Procurement Regulatory Authority
PPMC	Pakistan Power Planning & Monitoring Company
PPE	Personal Protective Equipment
RO	Revenue Officer
SDO	Sub-Divisional Officer

SEP	Sindh Environment Protection Act
S&I	Surveillance and Investigation
SOE / SOEs	State-Owned Enterprise(s)
SOP	Standard Operating Procedure
STG	Secondary Transmission Lines & Grid Stations
TDS	Tariff Differential Subsidy
WAPDA	Water and Power Development Authority
XEN	Executive Engineer

i) GLOSSARY OF TECHNICAL/FINANCIAL TERMS

Sr. No.	Technical Term	Definition
1	Aggregate Technical & Commercial (AT&C) Losses	Combined losses due to technical inefficiencies in transmission/distribution and commercial losses arising from theft, non-billing, and non-recovery.
2	Capacity Transfer Price (CTP)	Charges payable to CPPA-G when allocated electricity capacity is not fully utilized by DISCOs.
3	Circular Debt	Accumulated unpaid financial obligations within the power sector supply chain due to losses, subsidies, inefficiencies, and delayed recoveries.
4	Connected Load	Total electrical load physically connected at consumer premises, which may differ from sanctioned load.
5	Departmental Accounts Committee (DAC)	Committee responsible for discussing audit observations and ensuring corrective action by management.
6	Detection Bill	A penal bill issued by DISCOs upon detection of theft, meter tampering, or misuse of electricity.
7	Distribution Companies (DISCOs)	Public sector entities responsible for distribution and sale of electricity to consumers.
8	Energy Accounting	Process used by DISCOs to reconcile energy input, energy billed, and losses at feeder or grid station level.
9	Energy Charges	Variable charges based on actual electricity units consumed by a consumer, typically measured in kilowatt-hours (kWh).
10	Extension of Load	An increase in sanctioned load provided to a consumer by DISCOs, requiring approval, security deposit adjustment, and infrastructure assessment.
11	Feeder	An electrical line emanating from a grid station supplying electricity to a defined area under a DISCO.
12	Feeder-wise Losses	Losses calculated by DISCOs for each feeder to identify high-loss and theft-prone areas.
13	Independent Power Producers (IPPs)	Private entities generating electricity and selling it to the government under PPAs.
14	Late Payment Surcharge (LPS)	Penalty charged for delayed payments under Power Purchase Agreements.
15	Line Losses	Loss of electrical energy occurring in DISCO distribution networks due to resistance, overloading, ageing infrastructure, and poor maintenance.
16	Load Factor	The ratio of actual energy consumed over a period to the maximum possible energy that could have been consumed at peak demand during the same period, indicating utilization efficiency.
17	Load Management / Load Shedding	Planned reduction or suspension of electricity supply to manage demand or losses.
18	MDI (Maximum Demand Indicator)	A meter parameter used by DISCOs to record the highest electricity demand of a consumer for billing and tariff application.
19	Multi-Year Tariff (MYT)	Tariff framework approved for multiple years to ensure predictability and performance incentives.
20	National Electric Power Regulatory Authority (NEPRA)	Statutory regulator responsible for licensing, tariff determination, and performance standards.

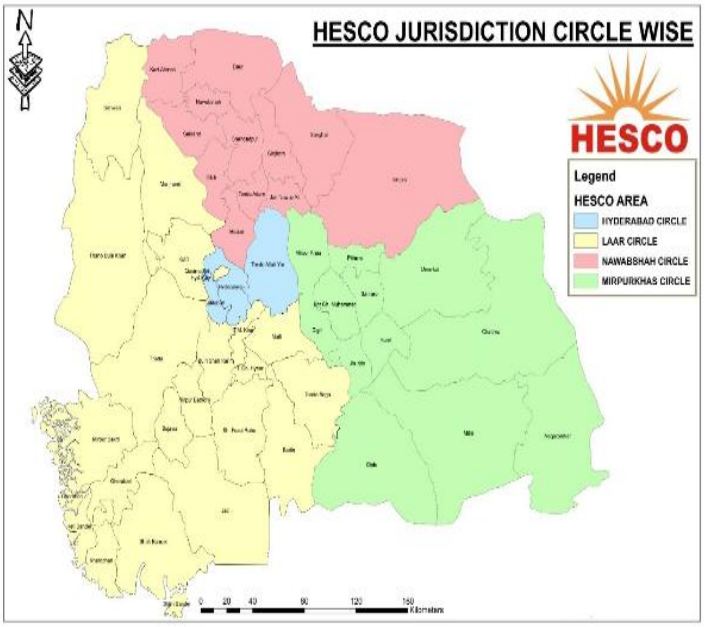
21	NEPRA Performance Targets	Benchmarks set by NEPRA for DISCOs relating to T&D losses, recovery rates, service quality, and operational efficiency.
22	Recovery Rate	The percentage of billed revenue actually collected by DISCOs from consumers within a billing period.
23	Rehabilitation Charges	Charges recoverable by DISCOs from consumers for restoration or upgradation of distribution infrastructure damaged or overloaded due to consumer actions.
24	Sanctioned Load	The approved electricity load assigned by DISCOs to a consumer, forming the basis for billing and infrastructure planning.
25	Security Deposit	An amount collected by DISCOs from consumers to safeguard against payment default, adjustable against future liabilities.
26	Supplemental Charges	These charges typically include, but are not limited to, late payment surcharges, markup on outstanding payables, prior-period adjustments, financing cost recoveries, and other pass-through items, which are billed by CPPA-G to DISCOs and subsequently passed on to consumers, subject to regulatory approval.
27	Tariff Differential Subsidy (TDS)	A subsidy provided by the Government to DISCOs to bridge the gap between cost-reflective tariffs and consumer-end tariffs.
28	Transmission & Distribution (T&D) Losses	Electricity losses occurring during transmission and distribution.
29	Under-utilized Capacity	Generation capacity paid for but not used due to low demand or load management.
30	Wrong / Excess Billing	Billing discrepancies by DISCOs arising from incorrect meter readings, wrong tariff application, or system errors.
31	Wrong Tariff Application	Application of an incorrect tariff category by DISCOs, resulting in billing discrepancies.
32	Accumulated Losses	Cumulative net losses incurred by a company over time, reported under equity. Persistent accumulated losses result in erosion of shareholders' equity.
33	Creditor Turnover (Days)	Average number of days taken to pay suppliers; reflects payment policy and liquidity management.
34	Current Ratio	Current assets divided by current liabilities; measures short-term liquidity.
35	Debtor Turnover (Days)	Average number of days taken to collect receivables; indicates collection efficiency.
36	Going Concern	An accounting assumption that the entity will continue its operations for the foreseeable future without intention or need to liquidate.
37	Gross Profit	Revenue minus cost of sales, representing profit before operating expenses.
38	Gross Profit Ratio	Gross profit divided by revenue, expressed as a percentage; measures production or service efficiency.
39	Net Profit Ratio	Net profit (or loss) divided by revenue, reflecting overall profitability.
40	Quick Ratio (Acid-Test Ratio)	(Current assets minus inventory) divided by current liabilities; a stricter measure of liquidity.

41	Restated Financials	Previously issued financial statements that have been revised to correct errors or reflect changes in accounting policies.
42	Return on Assets (ROA)	Net profit divided by total assets; measures efficiency in utilizing assets to generate earnings.
43	Return on Capital Employed (ROCE)	Earnings before interest and tax (EBIT) divided by capital employed; indicates return generated on long-term funds.

CP Form No.	Definition / Form Title
CP-21	Meter Reading List – General Consumers
CP-22	Line Losses, Billing and Arrears Analysis
CP-22A	Feeder Wise Line Losses Analysis
CP-22B	11 kV Feeder Wise Units Sent Out
CP-22C	Grid Station Meter Change Statement
CP-22D	Feeder Wise Units Taken/Transferred Statement
CP-22E	Statement showing Bundled Feeders / Load Shifted
CP-48	Bank Account Reconciliation
CP-52	Bill Adjustment Note
CP-75	Bill Adjustment Notes Register
CP-114	List of Outstanding Disconnection Orders
CP-114A	Outstanding Disconnection Orders (Aging)

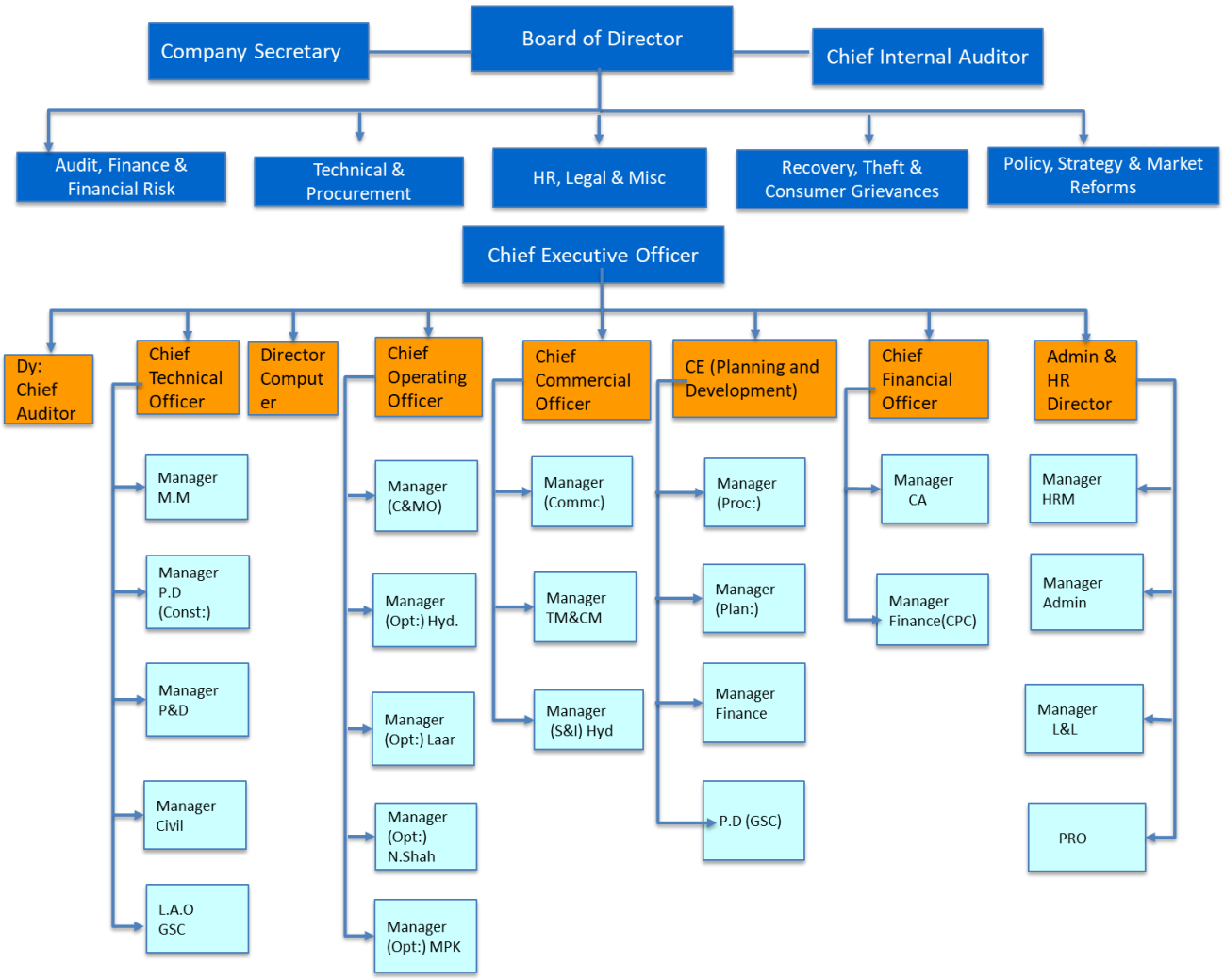
OVERVIEW OF THE ENTITY

Hyderabad Electric Supply Company (HESCO) is a state-owned public limited company established in 1998 as part of Pakistan's power sector reforms to enhance efficiency and commercialization in electricity distribution. Licensed and regulated by the National Electric Power Regulatory Authority (NEPRA), the company operates under the Companies Act, 2017, and commenced commercial operations on July 1, 1998. HESCO has administratively divided 12 districts of Sindh Province into 4 operation Circles, 17 operation Divisions and 72 operation Sub-divisions along with 6 construction divisions, and 5 M & T divisions and is providing electricity to about 1,237,534 consumers.



HESCO is governed by a Board of Directors supported by five specialized committees. The Board of Directors and executive management oversee strategic, financial, and operational matters, ensuring compliance with public sector regulations, NEPRA standards, and sound corporate governance practices to deliver reliable and transparent electricity services. In compliance with the State-Owned Enterprises (SOE) Act, 2023, the Company has formulated a five-year Distribution Integrated Investment Plan (DIIP) that sets measurable Key Performance Indicators (KPIs), with particular emphasis on reducing Transmission and Distribution (T&D) losses. Under the stewardship of the Chief Executive Officer, management is pursuing approval of a Rs. 110.3 billion strategic investment cycle intended to improve recovery performance and support HESCO's transition toward privatization.

ORGANIZATIONAL CHART



Source: ***www.hesco.gov.pk***

STATUS AND ANALYSIS OF FINANCIAL STATEMENTS

It is highlighted that there have been considerable delays in finalization of audited financial statements at the company. At the time of finalization of this audit report, financial statements for FYs 2023-24 and 2024-25 remained unaudited and unfinalized. Inconsistencies were noted in these provisional statements such as balances for June 2024 as reported in provisional balance sheet as at 30th June, 2024 were different from carried forward balances of 30th June, 2024 reflected in statement of financial position of as at 30th June, 2025. Moreover, the financial statements for FY 2024-25 did not contain cash flow statements, statements of changes in equity and full disclosures. Furthermore, in the audited financial statements (FY 2021 to FY 2023-24) provided to audit vide HESCO letter No.11159 dated 20th January 2026, apparently had incomplete disclosures. This has constrained the Auditor General Office from offering any substantive analytical views for the financial statements prepared by the company. However, provisional comments on data (except FY 2024-25) provided by management have been incorporated in this section of the report.

The financial audit raised certain qualifications in audited accounts relating to financial year 2022-23 which are reproduced as under: a) Property and equipment include operating fixed assets having net book value of Rs.30,901.57 million in respect of which, we noted that the fixed assets register maintained by the Company does not include all particulars including location of an assets as prescribed in TR-6 issued by The Institute of Chartered Accountants of Pakistan. Furthermore, we also noted that the management does not carry out a formal review for impairment assessment on operating fixed assets and capital work in progress as required by IAS 36. Furthermore, an exercise to physically verify the Company's property and equipment has not been performed since the formation of the Company in 1998. In absence of such details, impairment assessment and physical verification of the Company's property and equipment, we were not able to ensure the appropriate basis to determine the net book value and related depreciation of these assets and impairment, if any, on operating fixed assets and capital work in progress. Therefore, we were unable to determine whether any adjustments to these amounts were necessary; b) As disclosed in Note 20.1 to the financial statements, the Company has receivable balance of Rs. 1,062.79 million from its associated company Sukkur Electric Power Company Limited (SEPCO) as at 30 June 2023. Capital work-in-progress amounting to Rs. 1,367 million was transferred to SEPCO in December 2012 in compliance with the Supplementary Business Transfer Agreement (SBTA) between the Company and SEPCO dated 26 December 2012. Out of total stated amount, projects valuing Rs. 927.52 million were not acknowledged by SEPCO. Additionally, capital work-in-progress and materials

amounting to Rs. 1,756.13 million have been transferred to SEPCO during the year ended 30 June 2018. However, SEPCO have confirmed acceptance of Rs. 993.12 million only whereas the balance of Rs. 763.01 million was not acknowledged to be paid by SEPCO. Therefore, these balances appear to be irrecoverable but no allowance for expected credit losses have been maintained in the books of the Company against receivable from SEPCO. As further mentioned in Note 1.2 to the financial statements, further adjustments for the transfer of business under SBTA between these two companies were to be incorporated up to 30 June 2013 which is yet to be closed. Furthermore, in prior years, the Company and SEPCO jointly engaged independent consultant to identify and determine the adjustments to be incorporated in the books of both companies on account of capital work carried in the jurisdiction of SEPCO by the Company under the 'Transmission Enhancement and Distribution Improvement Program' funded by Asian Development Bank (Note 6). We have not been furnished with the status update on the matter nor with the consultant's final report thereof. In view of the pending determination of adjustments by consultant, non-closure of SBTA and non-confirmation by SEPCO of the transferred/outstanding balance, presently, we were not able to determine the amount of possible adjustments that may be required in the financial statements; c) Federal Investigation Agency (FIA) seized records related to expenses for the year 2017 to 2023 from various divisions as a result of on-going inquiry and investigation activity during the year and management does not possess copies of these records. Consequently, in absence of alternative means to obtain sufficient appropriate audit evidence, we were unable to verify accuracy, completeness, and existence of operating expenses amounting to Rs. 4,179.11 million. Furthermore, due to same reason, we were also unable to verify direct additions to property and equipment from operation divisions amounting to Rs. 948.75 million; d) The cash and bank balances reported in Note 23 amount to Rs. 14,504.88 million, which includes Rs.4,322.62 million pertaining to Pakistan Post Office (PPO) balances. The balance confirmed by PPO in this respect amounts to Rs. 202.1 million, in respect of which management was unable to provide reconciliation for the difference amounting to Rs.4,120.52 million. Consequently, we were unable to determine whether any adjustments to said balance was necessary; e) In current year HESCO reported total revenue of Rs.82,627.48 million from consumers across various categories and tariff slabs. This amount also includes Rs. 12,191.31 million generated from detection and penalties related to theft. NEPRA allows DISCOs to impose detection charge as per the consumer's service manual, however, we were unable to obtain sufficient evidence to confirm whether detection revenue was calculated as per said manual. Therefore, we are unable to obtain sufficient appropriate audit evidence as to the accuracy and occurrence of the said balance; f) As disclosed in Note 8.1 to the financial statements, the Company reported a liability amounting to Rs. 1,445.44 million on account of receipts against connections. The Company does not maintain a consumer-wise

breakup of this liability. In the absence of sufficient and appropriate audit evidence, including the inability to perform alternative procedures to verify the balance as of reporting date and the amounts required to be transferred to "Deferred Credit" for completed jobs, we were unable to determine whether any adjustments to the liability or related accounts were necessary. g) As mentioned in note 13.2 (iv) under the head "Other matter" to the financial statements, management has disclosed contingencies related to legal cases in respect of which we were unable to obtain sufficient and appropriate audit evidence. In absence of same, we were unable to determine whether any adjustments are required to be made in the financial statements; and h) As a significant period has lapsed between the date of statement of financial position and our reporting date, a complete review of subsequent events was not possible. Accordingly, we remained unable to determine the effect of subsequent events, if any, on the financial statements.

REPEATED RESTATEMENTS AND DELAY IN ACCOUNTS CERTIFICATION

Analysis of last five years revealed that there were abnormal delays in the finalization of certified annual accounts at HESCO. Illustratively:

Table-01: Status of Certification of Financial Statements

Financial Years	Certification Date	Delay beyond six months	Restatement
2024-25	Unfinalized		
2023-24	Unfinalized		
2022-23	17-Mar-25	15	
2021-22	20-Jul-23	7	FY 2019-20 & 2020-21
2020-21	6-Oct-22	10	FY 2018-19 & 2019-20

(Source: Financial Statements of HESCO)

The above facts illustrated that annual financial statements were finalized after abnormal delays at time exceeding one and half years. Moreover, even after such delayed compilation, errors were identified in the financial statements by the financial auditors leading to repeated restatements of the HESCO accounts. This picture indicated that accounts were not timely and transperatently being compiled by the Company.

PROFITABILITY ANALYSIS

Table-02: Profitability Ratios

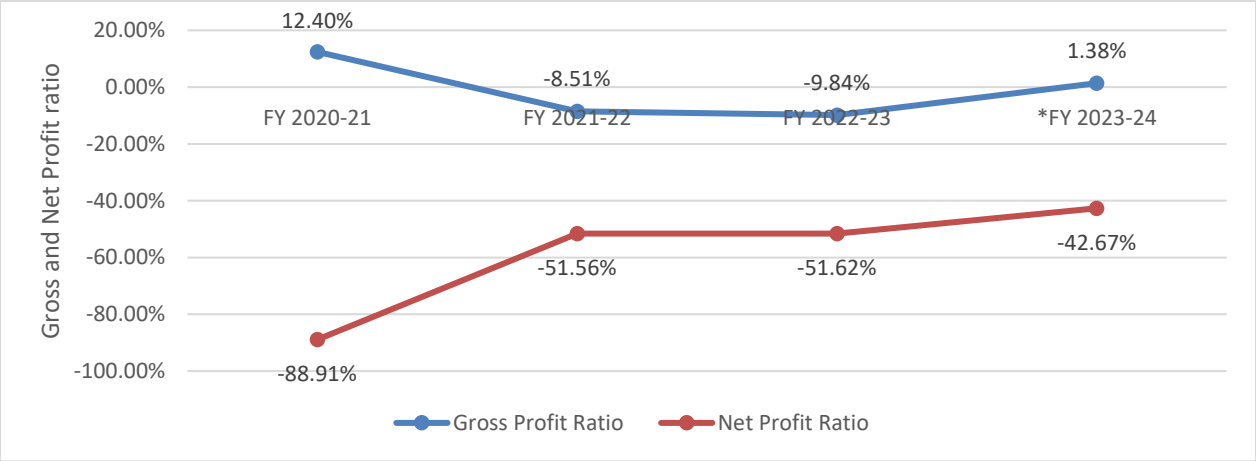
Profitability Ratios	*FY 2023-24	FY 2022-23	FY 2021-22	FY 2020-21
Gross Profit Ratio	1.38%	-9.84%	-8.51%	12.40%
Net Profit Ratio	-42.67%	-51.62%	-51.56%	-88.91%
Return on Assets (ROA)	-47.25%	-38.86%	-39.26%	-57.87%
ROCE (%)	-27.07	-27.01	-27.42	-40.48
*Financial Statements for the FY 2023-24 and 2024-25 are unaudited and unfinalized therefore, assurance can not be accorded on accounts of these two years.				

(Source Financial Statements FYs 2020-21 to 2023-24)

The profitability ratios for HESCO based on audited financial statements from FY 2020–21 to FY 2022–23 indicated persistent financial weakness and continued losses throughout the period. The net profit ratio remained substantially negative in all three audited years, standing at (88.91%) in FY 2020–21, improving to (51.56%) in FY 2021–22, and remaining broadly unchanged at (51.62%) in FY 2022–23. Despite some reduction in losses after FY 2020–21, the Company consistently failed to convert revenue into bottom-line profitability, reflecting a structurally loss-making operating model. Analysis of gross profitability during the audited period showed significant volatility and deterioration. The gross profit ratio, which was positive at 12.40% in FY 2020–21, turned negative in FY 2021–22 at (8.51%) and remained negative at (9.84%) in FY 2022–23. This reversal highlighted sustained pressure from high cost of electricity, system losses, and limited pricing flexibility, which eroded margins and offset any revenue growth.

The efficiency of asset utilization also remained weak over the audited period. Return on Assets (ROA) was negative in all three years, deteriorating from (57.87%) in FY 2020–21 to (39.26%) in FY 2021–22, and marginally improving to (38.86%) in FY 2022–23. Although some improvement was observed after FY 2020–21, the continued negative ROA indicated ineffective utilization of the asset base in generating operating returns.

Figure 01- Gross & Net Profit Ratio



(Source: Financial Statements FYs 2020-21 to 2023-24)

Similarly, Return on Capital Employed (ROCE) remained negative throughout the audited period, underscoring inefficiencies in capital deployment. The ratio stood at (40.48%) in FY 2020–21, improved to (27.42%) in FY 2021–22, and remained largely stable at (27.01%) in FY 2022–23. The consistently negative ROCE reflected that operating losses exceeded the returns generated on capital employed, indicating ongoing erosion of stakeholder value and structural inefficiencies in the Company's capital utilization.

Based on unaudited figures for FY 2023–24, a modest improvement in certain profitability indicators was observed. The gross profit

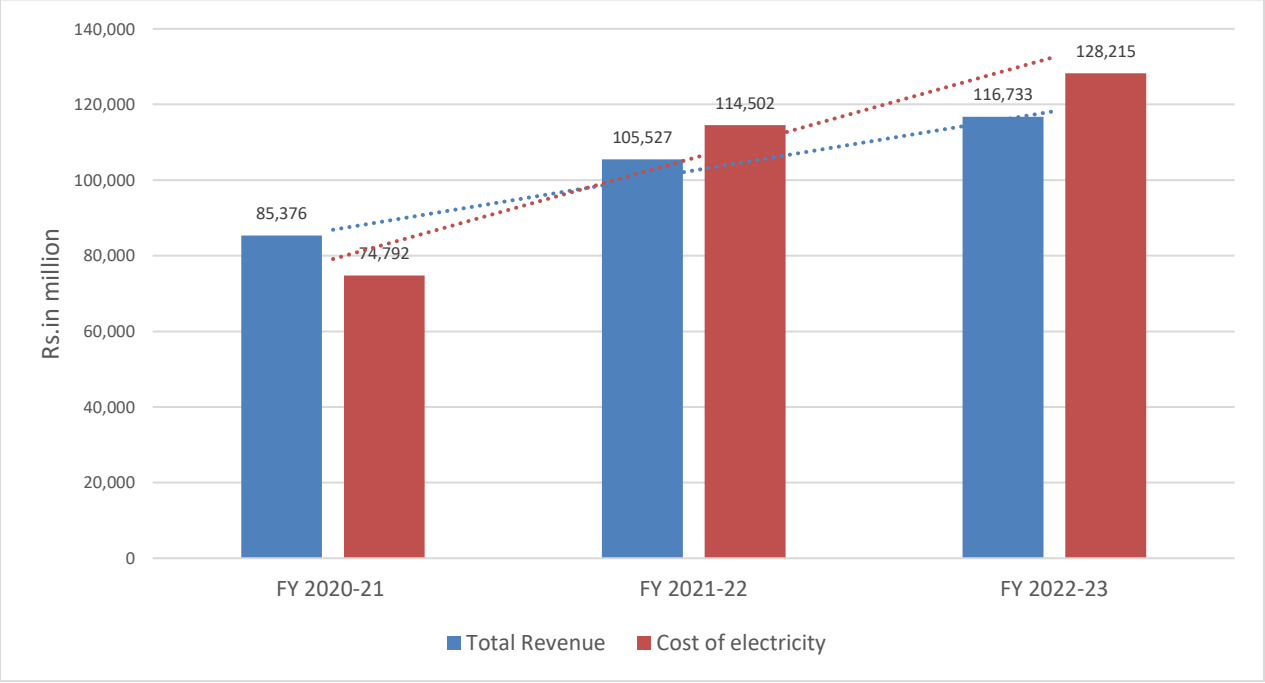
ratio turned positive at 1.38%, while the net loss margin narrowed to (42.67%). However, both ROA at (47.25%) and ROCE at (27.07%) remained negative, suggesting that despite some recovery at the gross margin level, overall profitability and capital efficiency continued to be constrained. As these figures are unaudited, the observed improvements remain indicative and subject to confirmation upon finalization of the audited financial statements.

SALES & COST OF SALES

Based on the audited financial statements for FY 2020–21 to FY 2022–23, HESCO recorded a gradual increase in revenue over the period. Total revenue increased from Rs. 85,376.09 million in FY 2020–21 to Rs. 116,732.67 million in FY 2022–23, reflecting growth in electricity sales and continued reliance on government subsidies. Cost of electricity rose from Rs. 74,791.58 million in FY 2020–21 to Rs. 128,215.06 million in FY 2022–23, representing an overall increase of approximately 73.07% from FY 2020–21 to FY 2022–23.

Based on unaudited figures for FY 2023–24, total revenue increased significantly to Rs.171,424.86 million, while cost of electricity rose to Rs.169,054.12 million. Consequently, the Company recorded a marginal gross profit of Rs. 2,370.75 million during the year. Although this indicates some improvement at the gross margin level compared to FY 2022–23, the margin remained weak, and given the unaudited status of the figures, the observed improvement is indicative and subject to confirmation upon finalization of the audited financial statements.

Figure 02: Sales & Cost of Sales



(Source: Financial Statements FYs 2020-21 to 2024-25)

RECEIVABLES AND PAYABLES

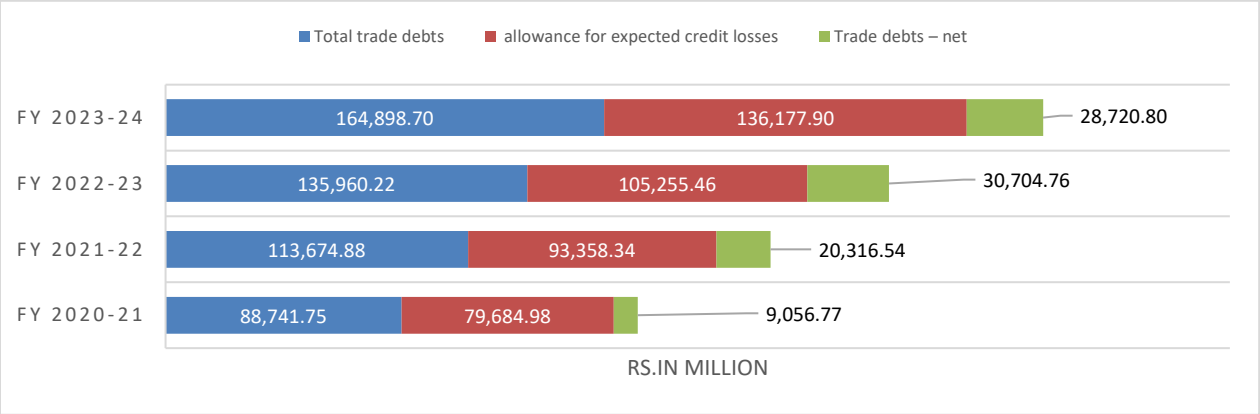
Table 03: Efficiency and Liquidity Ratios

Ratio Category	Ratio	2023-24	2022-23	2021-22	2020-21
Efficiency	Debtor Turnover (Days)	61	96	70	39
	Creditor Turnover (Days)	799	953	951	1398
Liquidity	Current ratio	0.25	0.29	0.28	0.28
	Quick Ratio	0.22	0.27	0.27	0.27
*Financial Statements for the FY 2023-24 and 2024-25 are unaudited and unfinalized therefore, assurance cannot be accorded on accounts of these two years.					

(Source: financial ratios calculated based on financial statement from FYs 2020-21 to 2023-24)

Debtor turnover days increased from 39 days in FY 2020–21 to 70 days in FY 2021–22 and further to 96 days in FY 2022–23, indicating a progressive weakening in recovery performance over the audited period. The deterioration in debtor days reflected increasing delays in the realization of dues from electricity consumers, which adversely affected cash inflows and heightened working capital pressures. This weakening recovery performance is further corroborated by the composition of trade debts, wherein a substantial portion of receivables was classified as doubtful.

Figure 03: Trade Debts

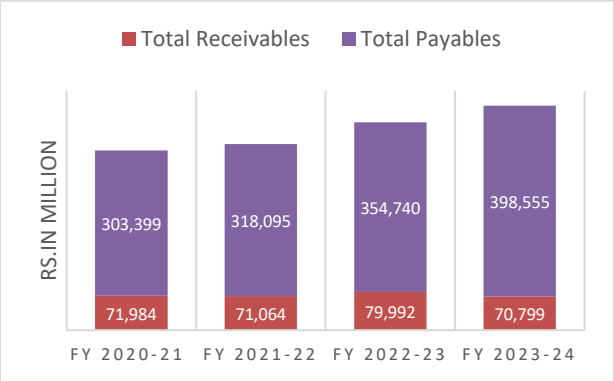


(Source: Financial Statements FYs 2020-21 to 2024-25)

Examination of the trade debts position revealed an alarming reliance on provisioning. During the audited period, gross trade debts increased from Rs. 88,741.75 million in FY 2020–21 to Rs. 113,674.88 million in FY 2022–23. However, the entire increase was effectively neutralized by a corresponding rise in allowances for expected credit losses, which stood at Rs. 79,684.98 million in FY 2021, Rs. 93,358.34 million in FY 2022, and Rs. 105,255.46 million in FY 2023. Consequently, net trade debts remained relatively modest, indicating that a significant proportion of receivables was considered unrecoverable. The growing

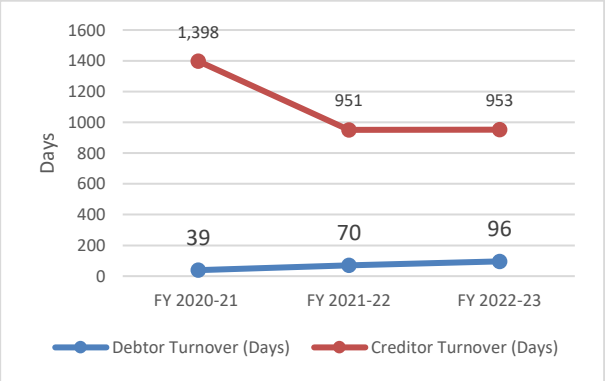
dominance of doubtful receivables underscores serious concerns regarding billing recoverability, credit risk management, and accumulation of long-outstanding dues, particularly from government entities and bulk consumers.

Figure 04- Trade debtor and Creditor



(Source: Financial Statements FYs 2020-21 to 2024-25)

Figure 05: Debtor and Creditor collection period



(Source: Financial Statements FYs 2020-21 to 2024-25)

On the liabilities side, the Company's payable position remained severely stressed throughout the audited period. Creditor turnover days were exceptionally prolonged, standing at 1,398 days in FY 2020–21, before improving to 951 days in FY 2021–22 and remaining broadly unchanged at 953 days in FY 2022–23. Despite some reduction after FY 2020–21, the payable cycle remained abnormally long, reflecting persistent accumulation of payables to associated undertakings, largely attributable to circular debt and deferred settlement of power purchase obligations.

The comparative assessment of receivable and payable cycles during the audited years highlighted a structural mismatch in working capital management. By FY 2022–23, the Company faced a receivable cycle of 96 days, while the settlement cycle for payables extended to 953 days, demonstrating a substantial gap between cash inflows and outflows. This imbalance indicates that the Company continued to finance its operations by deferring payments to suppliers and associated undertakings, as revenue collections—already weakened by high levels of doubtful receivables—were insufficient to meet the scale of its liabilities. Liquidity ratios during the audited period further highlighted the constrained financial position. The current ratio remained consistently low at 0.28 in FY 2020–21 and FY 2021–22, with only a marginal improvement to 0.29 in FY 2022–23. These levels were significantly below generally accepted benchmarks, indicating that the Company lacked adequate liquid resources to meet its short-term obligations and remained heavily dependent on continued rollover of payables and external support.

Based on unaudited figures for FY 2023–24, some improvement was observed in operational efficiency, with debtor turnover days declining to 61 days and creditor turnover days reducing to 799 days. However, the provisioning pattern remained extremely aggressive, as allowances for expected credit losses continued to offset the majority of gross trade debts, while liquidity indicators weakened further, reflected by a decline in the current ratio to 0.25 and the quick ratio to 0.22. As these figures are unaudited and unfinalized, the apparent

improvements and deteriorations should be regarded as provisional and subject to confirmation upon completion of the statutory audit.

STAFF RETIREMENT BENEFITS

Staff Retirement Benefits exhibited a significant upward trend over the audited period, reflecting the growing burden of employee-related obligations. The net liability stood at Rs. 51,812.66 million as at 30 June 2021 and increased substantially to Rs. 91,206.13 million by 30 June 2023. This increase was primarily driven by recurring service costs, interest costs, and significant actuarial remeasurements, particularly those recorded in FY 2022–23, which increased by Rs. 36.87 billion in the financial year.

HESCO's staff retirement benefits remain entirely unfunded, meaning there were no dedicated plan assets to offset these liabilities. Consequently, the total obligation is recognized as a net unfunded liability on the statement of financial position, exerting significant long-term pressure on the company's solvency.

As per the latest management accounts, the liability has further increased to Rs. 102,977.39 million (Rs. 102.98 billion) as at 30 June 2024. However, the figures for FY 2023–24 are provisional and subject to change upon finalization of the statutory audit.

Table 04: Staff retirement benefits as % of Sales

FYs	2020–21	2021–22	2022–23
% of liability to Sales	61%	72%	78%

(Source: Financial Statements FYs 2020–21 to 2022-23)

The staff retirement benefit liability consistently represented a highly material proportion of annual revenue, indicating a severe long-term obligation relative to the Company's revenue generation capacity. In FY 2020–21, the liability stood at Rs. 51,812.66 million against total revenue of Rs. 85,376.09 million (61% of sales). This ratio escalated sharply by FY 2022–23, where the liability reached Rs. 91,206.13 million against total revenue of Rs. 116,732.67 million, equating to a peak of 78% of annual sales.

Based on the latest management accounts, the liability had increased to Rs. 102,977.39 million in FY 2023–24. While total revenue grew to Rs. 171,424.86 million, bringing the liability-to-sales ratio down to approximately 60%, the absolute burden remains critically high.

The financial figures for FY 2023–24 were provided provisionally and based on unaudited management accounts. These figures are subject to adjustments upon the finalization of the statutory audit.

RESOURCES AGAINST THIRD PARTY CLAIMS

Table-05: Resources against third party claims

Ratio	FY 2022-23	FY 2021-22	FY 2020-21
Total Assets / Total Liabilities	32%	36%	35%
Total Assets (Rs.in million)	155,064.27	138,576.71	131,164.37
Total Liabilities (Rs.in million)	462,911.16	388,706.92	370,583.94

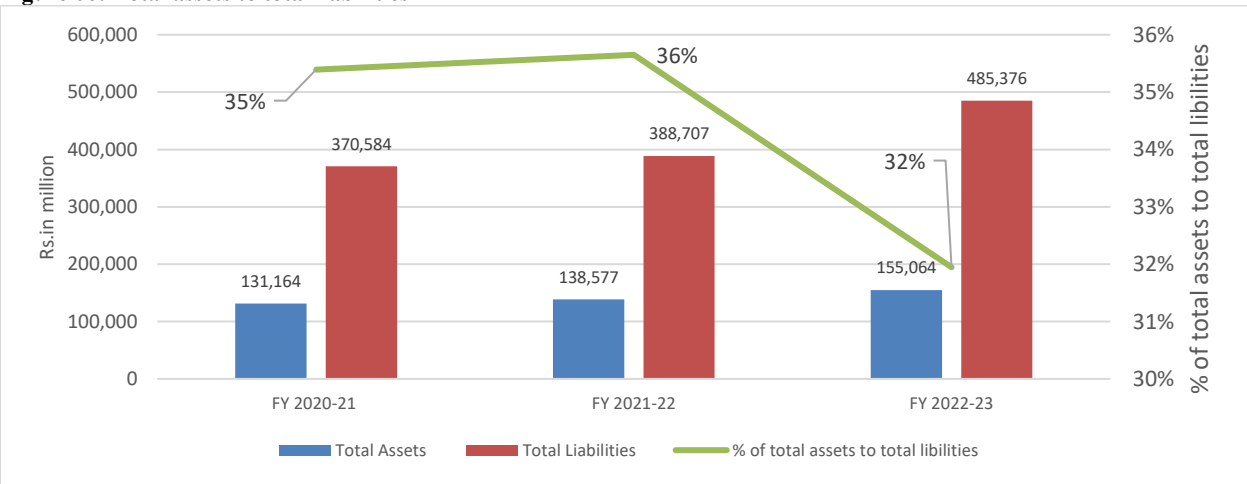
(Source: Financial ratios calculated based on financial statements from FYs 2020-21 to 2022-23)

Total liabilities heavily exceeded total assets during the years under review (from FYs 2020-21 to 2022-23). On 30 June 2023, audited total liabilities amounted to Rs.485,376.08 million against total assets of Rs. 155,064.27 million. This indicated that the Company's assets could only cover 32% of its total obligations, a condition that underscored a severely weakened capital structure and extreme financial strain.

During FY 2023–24, total liabilities reached Rs.543,281.91 million against total assets of Rs.154,798.54 million. Meanwhile, accumulated losses further increased to Rs.547,658.81 million. Under these provisional figures, the asset coverage ratio declined further to 28%.

The financial figures for FY 2023–24 were based on unaudited management accounts and were subject to adjustments upon finalization of the statutory audit.

Figure 06: Total assets to total liabilities



(Source: Financial Statements FYs 2020-21 to 2022-23)

SUBSIDY RECEIVABLES FROM GOVERNMENT OF PAKISTAN

During the audited period from FY 2020–21 to FY 2022–23, the subsidy receivable from the Government of Pakistan showed a declining trend. The balance fell from Rs. 41,504.17 million as of June 30, 2021, to Rs. 27,495.96 million in FY 2021–22, before ending at Rs. 28,311.75 million in FY 2022–23. This reduction reflected an improved settlement cycle for tariff differential subsidies.

For the year under review, FY 2023–24, the subsidy receivable balance increased

marginally to Rs. 29,790.31 million. However, the financial figures for FY 2023–24 were based on unaudited management accounts and were subject to adjustments upon finalization of the statutory audit.

STATEMENT OF CASH FLOWS

Table 06: Summary of Cash Flows (Consolidated) **(Rs. million)**

Particulars	FY 2021	FY 2022	FY 2023	FY 2024*
Net cash from / (used in) operating activities	2,140.73	(38,817.41)	(25,987.22)	(14,534.15)
Net cash from / (used in) investing activities	(1,676.78)	(1,765.43)	(4,360.46)	(3,901.41)
Net cash from financing activities	1,623.31	45,904.75	29,666.49	20,308.35
Net increase / (decrease) in cash	2,087.26	5,321.91	(681.19)	1,872.79
Cash & cash equivalents – opening balance	7,776.91	9,864.16	15,186.08	14,504.89
Cash & cash equivalents – closing balance	9,864.16	15,186.08	14,504.89	16,377.68
***Financial Statements for the FY 2023-24 and 2024-25 are unaudited and unfinalized therefore, assurance cannot be accorded on accounts of these two years.**				

(Source: Financial Statements FYs 2020-21 to 2023-24)

In FY 2020–21, the Company generated positive cash flows from operating activities of Rs. 2,140.73 million, largely attributable to favorable working-capital movements rather than sustainable operating profitability. However, this position deteriorated sharply in FY 2021–22, when net cash used in operating activities increased substantially to Rs. 38,817.41 million, reflecting heavy operating losses, sizeable payments towards staff retirement benefits, finance costs, and income taxes, coupled with weak recoveries. Although some moderation was observed in FY 2022–23, operating activities still consumed Rs. 25,987.22 million, indicating that core operations remained structurally incapable of generating positive cash flows despite marginal improvement compared to the preceding year.

Cash flows from investing activities remained consistently negative throughout the audited period, reflecting continued capital expenditure on operating fixed assets and capital work-in-progress. Net cash used in investing activities increased from Rs. 1,676.78 million in FY 2020–21 to Rs. 4,360.46 million in FY 2022–23, thereby adding sustained pressure on the Company's liquidity position without being supported by internally generated operating cash flows.

In contrast, financing activities constituted the principal source of liquidity support during the audited years. Net cash inflows from financing activities increased significantly to Rs. 45,904.75 million in FY 2021–22, primarily on account of deposits for issuance of shares and consumer-related receipts, before declining to Rs. 29,666.49 million in FY 2022–23.

As a result, net cash position improved in FY 2021–22 with an increase of Rs. 5,321.91 million, but deteriorated in FY 2022–23, when a net decrease of Rs. 681.19 million was recorded. Consequently, cash and cash equivalents declined from Rs. 15,186.08 million at the end of FY 2021–22 to Rs. 14,504.89 million at the end of FY 2022–23, reflecting continuing pressure on liquidity.

Based on unaudited figures for FY 2023–24, operating activities continued to generate significant cash outflows amounting to Rs. 14,534.15 million, while investing activities consumed a further Rs. 3,901.41 million. Although financing activities provided

inflows of Rs. 20,308.35 million, resulting in a net increase in cash of Rs. 1,872.79 million and a closing cash balance of Rs. 16,377.68 million, the improvement remained financing-driven rather than operationally generated. As these figures are unaudited and unfinalized, the analysis for FY 2023–24 should be considered provisional and subject to adjustment upon completion of the statutory audit

⟷ STATEMENT OF CHANGES IN EQUITY

The Statement of Changes in Equity for the period FYs 2020-21 to 2022-23 reflected a state of chronic technical insolvency. The Company's equity base remained deeply negative throughout the audited years, primarily driven by the consistent accumulation of net losses. As of June 30, 2021, accumulated losses stood at Rs.332,453.02 million, which increased to Rs. 472,927.34 million by June 30, 2023. This represented a staggering increase of 42% in the deficit over just two fiscal years. Consequently, the "Total Equity" position deteriorated further into the negative, underscoring that the Company was entirely dependent on government support and the deferral of liabilities to power producers to remain a going concern. For the year under review, FY 2023–24, the negative equity position reached an all-time high as significant factor in the equity movement was the recognition of actuarial losses related to staff retirement benefits. In FY 2022–23 alone, significant remeasurement losses were recognized directly in equity (Other Comprehensive Income), which contributed to the sharp deterioration of the net worth. While the Government of Pakistan provided some equity injections and deposit receipts for shares, these inflows were insufficient to offset the massive operational deficits and actuarial hits.

Accumulated losses further increased to Rs.547,658.81 million. The total equity remained severely eroded, with total liabilities continuing to far outweigh total assets. The financial figures for FY 2023–24 were based on unaudited management accounts and were subject to adjustments upon finalization of the statutory audit.

MATERIAL UNCERTAINITY RELATING TO GOING CONCERN

The financial auditors of the Company raised a qualification in note 1.1 of the audited financial statements for the FY 2022-23 stated that "the Company incurred a net loss after tax of Rs. 59,501.42 million during the year, leaving a negative equity of Rs. 330,311.79 million. The current liabilities of the Company on the balance sheet date exceeded its current assets by Rs. 256,983.35 million. These conditions, along with other matters as set forth in such note, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. However, the enclosed financial statements have been prepared on going concern basis for the reasons and mitigating factors mentioned in aforesaid note."

FINDINGS

1. FINANCIAL MANAGEMENT

This section highlights serious weaknesses in financial management and internal controls within the company. Significant issues were observed in the form of unreconciled bank balances, waiver/adjustment of Late Payment Surcharge (LPS), persistent non-verification of Government subsidy claims, and accumulation of unreconciled receivables against disowned connections. These lapses indicate deficiencies in reconciliation, oversight, and enforcement of financial policies, exposing the company to liquidity risks and potential financial irregularities.

1.1 Financial Reporting

1.1.1 Non-finalization of financial statements of HESCO

According to Companies Act, 2017 section 220, "Every Company shall prepare and keep at its registered office books of account and other relevant books and papers and financial statements for every financial year which give a true and fair view of the state of affairs of the company". Furthermore, Para 223 (5) of ibid Act "The financial statement shall be audited by the auditor of the company, in the manner hereinafter provided and the auditor's report shall be attached thereto."

During the audit of HESCO for the financial year 2024-25, it was observed that the management could not finalize its financial statements for the year ended on 30th June, 2024 and 30th June 2025. It was further noted that the financial statements for financial year 2022-23 were authorized by the board to be signed in February, 2025 after a significant delay. Audit is of the view that non- finalization of current year financial statements as well as abnormal delay in finalization of prior statements highlighted lack of financial transparency and accountability at the company. It was further noted that Auditor's reports on financial statements for the previous year, i.e. 2020-21, 2021-22 and 2022-23 had been qualified. The issuance of qualified reports by the Chartered Accountants reflect persistent weaknesses in financial reporting and internal controls, which continue to impair the reliability of the current-year accounts.

Non-adherence to preparation /maintenance of the company's financial statements resulted in violation of the Companies Act, 2017 during the financial year 2024-25. The management needed to take prompt action for the finalization of financial statements and get them rectified for effective decision making as well as transparency and reliability.

The matter was taken up with the management in November, 2025 and reported to the Ministry in January, 2026. The management replied that delay in finalizing accounts and financial statements was due to FIA/NAB enquiries, staff shortages, exceptional workload, however, efforts were being made by Finance Directorate to complete the pending accounts at the earliest. Audit contended that inquiries, staff shortages, and workload constraints do not absolve management from its statutory obligation under the Companies Act, 2017 to timely prepare and finalize financial statements. The prolonged delays and recurring qualified audit reports indicate persistent weaknesses in financial management and internal controls, necessitating urgent corrective action.

The DAC, in its meeting held on January 16, 2026, directed the management to resolve the issue of late finalization of financial statements and get the record of completed actions verified from Audit.

Audit recommends ensuring expeditious preparation and finalization of financial statements, besides rectifying the qualifications raised by the auditors.

(Draft Para No.1334/2025-26/AMIS 2025_COM0000000145_F01445)

1.1.2 Blockage of funds due to unreconciled difference in bank balances with Pakistan Post Office

As per HESCO's Accounting Manual, the Finance Director/Chief Financial Officer (CFO) is responsible for overseeing the Finance Department, controlling all financial activities, advising management on strategic decisions, and ensuring proper monitoring of financial transactions. According to Section 2.4.1, a Bank Reconciliation Statement (CP-48) is required to be prepared monthly by each AMCS office for every bank branch under its jurisdiction.

During the audit of HESCO for the financial year 2024-25, it was observed that a bank balance

of Rs. 4,120.52 million remained outstanding/unsettled with the Pakistan Post Office (PPO) since 2023. Being an important financial issue involving substantial cash/bank balances, this matter required timely reconciliation, which was not carried out. Further, the company failed to provide any documentary justification for this significant variance. The existence of such unreconciled balance reflects ineffective monitoring of bank transactions, posing serious risks of potential financial loss.

Weak financial oversight by the company resulted in unreconciled difference in bank balances with Pakistan Post Office amounting to the stated extent.

The matter was taken up with the management in November, 2025 and reported to the Ministry in January, 2026. The management replied that matter was being actively pursued with the Ministry of Energy (Power Division). GPO Hyderabad had acknowledged outstanding liabilities payable to HESCO amounting to Rs.3.43 billion as of April 2022. Despite repeated correspondence, reminders up to November 2024 no reconciliation details have been received to date by GPO Hyderabad. Audit contended that unreconciled difference of Rs.4,120.52 million in balances with the Pakistan Post Office reflects serious weaknesses in internal controls, bank reconciliation and financial oversight.

The DAC, in its meeting held on January 16, 2026, directed the management to make hectic efforts to reconcile the matter with GPO, Hyderabad, and outcomes be shared with Audit accordingly.

Audit recommends conducting reconciliation with Pakistan Post Office, ascertaining reasons for the difference of Rs.4,120.52 million besides recovery of reconciled amount of Rs.3.43 billion with GPO.

(Draft Para No.1371/2025-26/AMIS 2025_COM0000000145_F01519)

1.2 Payments

1.2.1 Waiving off late payment surcharge (LPS) to consumers

According to Section 6(a), Chapter-3 of State Owned Enterprise (Governance and Operations) Act-2023, every state-owned enterprise shall undertake its operations in accordance with the criteria for sound and prudent management, namely:- the business of the SOE is carried on with integrity, objectivity, due care and professional skills appropriate to the nature and scale of its activities.

During the audit of HESCO for the financial year 2024-25, it was observed that Late Payment Surcharges (LPS) amounting to Rs. 31.20 million for 11,035 private and Government consumers were waived of by field offices. Further review revealed that while HESCO waived off Rs. 31.20 million on account of LPS to its consumers, it was simultaneously obligated to pay supplemental charges to CPPA-G on delayed payments to Independent Power Producers (IPPs). CPPA-G had raised invoices amounting to Rs. 31,561.03 million, whereas LPS recovered and transferred by HESCO to CPPA-G stood at Rs.2,386.55 million, resulting in a net shortfall of Rs. 29,174.48 million during the financial year 2024-25. The abstract is as under:

Table 07: LPS recovery, waiver, and consumer impact summary **(Rs. in million)**

LPS recovered and transferred to CPPA-G	Supplemental charges and invoices raised by CPPA-G	Total LPS Waived off	Consumers whose LPS was waived		
			Category	Nos. of consumers	Amount
2386.55	31,561.03	31.20	Private	10986	26.36
			Government	49	4.84
			Total	11035	31.20

(Source: MIS data and financial data (Dr/Cr Advice) for the FY 2024-25)

The waiver of LPS occurred due to non-compliance with approved billing policies, weak internal controls and lack of oversight. This lapse not only reduced HESCO's potential revenue but also increased its financial burden as it had to pay supplemental charges for delayed payments to IPPs, thereby adversely affecting its cash flow and financial sustainability.

Imprudent management decision resulted in waiving off Late Payment Surcharge (LPS) to consumers amounting to Rs.31.20 million upto the financial years 2024-25.

The matter was taken up with the management in November, 2025 and reported to the Ministry in January, 2026. The management replied that LPS adjustments were delayed due to late posting of credits and were regularized through competent authority approvals, with no waiver or write-off of LPS and strict compliance with NEPRA directives on LPS recovery and accounting is being ensured through enhanced monitoring. Audit contended that adjustment of Late Payment Surcharge for 11,035 consumers, regardless of management's explanation of delayed credit postings, effectively resulted in waiver of LPS amounting to Rs.31.20 million, reflecting weak internal controls and non-compliance with prudent financial management principles. The practice adversely impacted HESCO's cash flows by increasing its exposure to supplemental charges payable to CPPA-G, thereby undermining financial sustainability and regulatory compliance.

The DAC, in its meeting held on January 16, 2026, directed the management to conduct an inquiry at CEO level, issue displeasure to the concerned Manager (Operations), and formally take up the matter with the higher authorities. It further directed that a revised reply, along with copies of correspondence and the inquiry committee's recommendations, be shared with the Ministry of Energy (Power Division), Finance Division, and Audit Department within 60 days.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1389/2025-26/AMIS 2025_COM0000000145_F01459)

1.3 Recoveries

1.3.1 Non-verification and withholding of Subsidy claims

According to Section 1.1 of SoP for budgetary allocation, requesting claims and paying subsidies to Power Distribution Companies/suppliers of last Resort, "The Concerned Entities shall submit their subsidy requirements to the Ministry of Energy (Power Division) as per the format/requirements of budget call circular. The subsidy requests should include a detailed head-wise breakdown, justification for the forthcoming financial year, and revised estimates for the current financial year. It should also include the additional information i.e., the type and no. of targeted consumers as per the approved Government Policy, estimated electricity consumption (kWh), elements of cross subsidy and outstanding

subsidy claim from previous years indicated separately, with reasons for any non-payment.

During the audit of HESCO for the financial year 2024-25, it was observed that HESCO claimed Rs.72,978.81 million from the Government on account of Tariff subsidies. Out of this, claims amounting to Rs.51,858.94 million were verified by the Subsidy Cell of the Power Division, leaving a substantial balance of Rs.21,119.87 million unverified/withheld for the year.

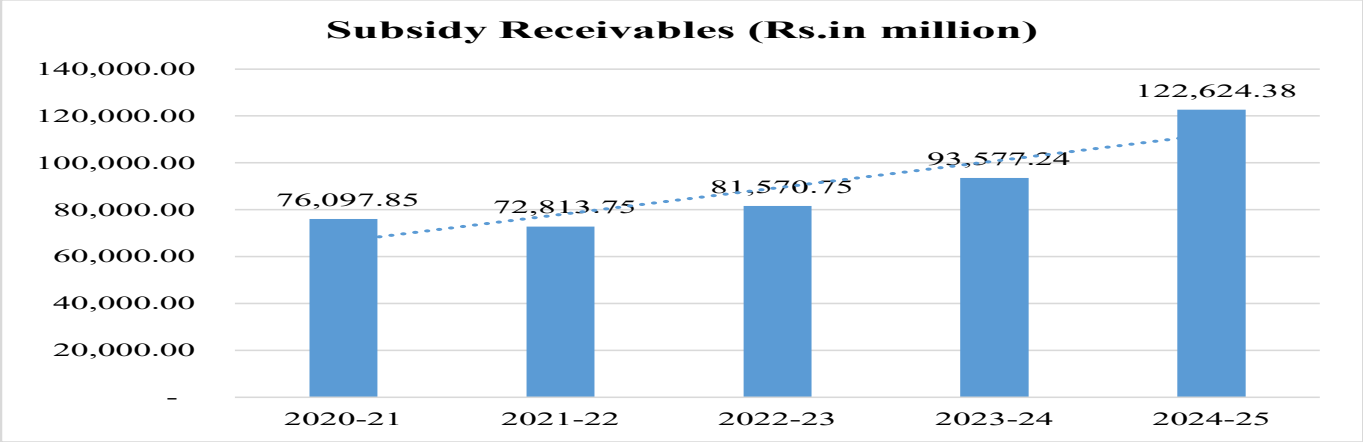
A review of subsidy claims over the last five years revealed a persistent pattern of significant portions of claims remaining unverified as summarized below.

Table 08: Subsidy claims over five years **(Rs. in million)**

Description	FY-2020-21	FY-2021-22	FY-2022-23	FY-2023-24	FY-2024-25
Subsidy Claims by HESCO	30,929.49	30,818.39	34,105.18	54,353.75	72,978.81
Subsidy Claims Verified by Subsidy Cell	20,955.55	20,799.84	24,120.71	43,584.88	51,858.94
withheld/Unverified	**9,973.94**	**10,018.55**	**9,984.47**	**10,768.87**	**21,119.87**
Subsidy Receivables	76,097.85	72,813.75	81,570.75	93,577.24	122,624.38

(Source: Subsidy data provided by Corporate Account Cell (Finance Dept) HESCO)

Figure 07: Subsidy receivable



(Source: Subsidy data provided by Corporate Account Cell (Finance Dept) HESCO)

The year-wise position shows that withheld/unverified claims remained at around Rs.10,768 million during financial year 2020–21 to 2023–24 but escalated sharply to Rs.21,119.87 million in financial year 2024–25. This persistent and growing backlog indicates systemic weaknesses in claim preparation, documentation, reconciliation, and compliance with the prescribed verification criteria of the Power Division. Moreover, the cumulative amount of withheld/unverified subsidy claims since 2006 stood at Rs.109,900.28 million up to June 2025, highlighting a chronic and unresolved accumulation of claims and prolonged delays in their verification and settlement by the Power Division.

Consequently, subsidy receivables continued to accumulate despite partial verification by Ministry, rising from Rs.76,097.85 million in financial year 2020-21 to Rs.122,624.38 million in financial year 2024-25, impacting the company's liquidity position and financial sustainability. The major reason for non-verification of subsidy claims was attributed to huge quantum of detection charged by the company. During the financial year 2024-25, detection was charged at 24% of the total units billed during the year. In a letter dated February 11, 2025, Subsidy and Tariff wing of Ministry of Energy (Power Division) had directed

HESCO to reduce the quantum of adjustment by taking action against kunda and illegal/ theft of electricity. It was further apprised that adjustment debited by HESCO during the month of January 2025 against domestic category remained around 16.19% which was abnormal and require justification owing to which Subsidy claims remained un-verified. A similar correspondence by subsidy and tariff wing for the month of July and August 2022 depicts that adjustment debited were 36% of total billed units indicating that issue is chronic and persistent.

Non-receipt of claimed subsidy had adversely affected HESCO's cash flows and its ability to meet operational and financial obligations.

The matter was taken up with the management in November, 2025 and reported to the Ministry in January, 2026. The management replied that subsidy claims were submitted strictly in accordance with the Ministry of Energy's prescribed procedure, subject to verification, policy decisions and funds availability. It was stated that out of Rs.72,978.81 million claimed for financial year 2024–25, Rs.51,858.95 million was received, while the balance Rs.21,119.87 million remains withheld under the Ministry's process. Audit contended that withholding of subsidy claims amounting to Rs.21,119.87 million reflects deficiencies in reconciliation and compliance with prescribed verification requirements, resulting in non-receipt of subsidy adversely impacting on HESCO's liquidity.

The DAC, in its meeting held on January 16, 2026, directed the management to take up the matter again with Ministry and to make efforts to resolve the issues relating to subsidy claims.

Audit recommends pursuing the matter with the Power Division for early verification and recovery of withheld subsidy claims to avoid financial loss to the company

(Draft Para No.1338/2025-26/AMIS 2025_COM0000000145_F01464)

1.3.2 Accumulation of receivables against electricity connections disowned by Government of Sindh (Energy Department)

According to Rule-5(5) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Board shall establish a system of sound internal control, effectively implemented at all levels within the public sector company, to ensure compliance with the fundamental principles of probity, propriety, objectivity, integrity, honesty and transparency in dealings with stakeholders.

During audit of the HESCO, for the financial year 2024-25, it was observed that the Energy Department, Government of Sindh, had disowned 242 electricity connections since November, 2023 with outstanding receivables amounting to Rs. 1,550.76 million. HESCO constituted joint verification committees to ascertain the ownership of these connections and reconcile the related receivables. However, the verification process was not completed and reconciliation statements were not finalized. As a result, receivables remained unverified, unreconciled, and unrecovered, creating ambiguity regarding ownership and responsibility for recovery. This situation indicated weak financial management, and lack of effective oversight by management, resulting in non-recovery of significant public funds.

Non-adherence to the rules resulted in non-reconciliation of disowned electricity connections of Government of Sindh (Energy Department) with arrears amounting to Rs.1,550.76 million.

The matter was taken up with the management in November, 2025 and reported to the Ministry in January, 2026. The management replied that ownership of connections were determined by the

Government of Sindh based on its SOPs and site verification with most disowned connections relating to public private partnership entities. HESCO is closely monitoring the process and through mutual coordination and outstanding arrears will be reconciled with the concerned owners based on revalidation outcomes.

The DAC, in its meeting held on January 16, 2026, directed the management to inquire the matter as to why the connections were not verified at the time of installation. DAC further directed to take up the matter with higher authorities of Government of Sindh regarding reconciliation. Outcomes be submitted to Audit within 30 days.

Audit recommends implementation of DAC decision.

(Draft Para No. 1345/2025-26/AMIS 2025_COM0000000145_F01471)

2. STATED MANDATE, ROLE AND RESPONSIBILITIES

This section highlights serious governance, regulatory, performance, and control deficiencies within the company. Weak BoD oversight of Strategic Roadmap targets, inefficient energy quota utilization causing excess capacity payments, repeated NEPRA penalties, and failure to meet T&D loss benchmarks were observed, along with ineffective anti-theft enforcement. Additionally, weaknesses in internal audit, and deficient AMR system oversight led to unresolved disputes and significant outstanding receivables, reflecting inadequate accountability, weak internal controls, and increased financial and compliance risks.

2.1 Governance Framework

2.1.1 Review of BoDs' monitoring against Strategic Road Map Targets (SRM)

According to Para 5.3.5 of National Electric Policy 2021, "In order to turnaround the performance of state-owned distribution companies, a strategic roadmap shall be developed by each of them, with the inputs and consultation of the Ministry of Energy (Power Division). The roadmap shall entail interventions for improvement of corporate governance, technical capabilities, safety, and commercial performance. The roadmap shall set out clear activities, and milestones to be achieved, with timely performance evaluations. The Ministry of Energy (Power Division) or its designated entity shall also be responsible for monitoring the performance of state-owned distribution companies in the context of the roadmap approved."

During the audit of HESCO for the financial year 2024-25, it was observed that Strategic Roadmap agreement was entered into on 21st day of Feb, 2025 between Ministry of Energy (Power Division) and BOD HESCO with the purpose of ensuring operational excellence improve financial performance and enhance service delivery to consumers through the stipulated target as detailed below:

Table 09: FY 2024–25 Targets vs. Achievements

Sr. No	Component	Units	Target FY 25	Progress ending June -2025	Increase/Decrease
1.	Recovery of Bad Debt (above three Years) through Write-offs	%	10%	0%	-10%
2.	Reduction Commercial Load-Shedding	%	25%	0%	-25%
3.	Development and Strengthening of Safety System	%	65%	25%	-40%
4.	Deployment of AMI (Three Phase Meters)	%	10%	4%	-6%
5.	Deployment of Computerized Energy Audit up to Distribution Transformer	%	14%	8%	-6%
6.	Implementation of SLA with CPP	%	100%	0%	-100%
7.	T&D Losses	%	26	27.8	1.81
8.	Recovery (Computed Billing)	%	85.37	74.26	-11.11
9.	AT&C Losses	%	36.82	46.38	9.56
10.	Feeder rehabilitated	No.	49	43	-6
11.	Distribution Transformer-Addition/Augmentation	No.	1,415	89	-1,326
12.	Grid Station- Addition/Augmentation	No.	8	0	-8
13.	Capacitor	No.	18	0	-18
14.	LT Line-Addition/Reconducting	km	267	44	-223
15.	Transmission Line -Addition/Reconducting	km	119	0	-119
16.	AMI Meter Installation (Smart Meters)	No.	6,700	4,478	-2,222

(Source: (PPMC correspondence performance against Strategic Roadmap FY-2024-25 targets)

From the above table, it can be assessed that overall performance remained low. There were such instances where achievements against targets were 0 %. Major shortcomings were seen in Distribution Transformers Augmentation and Transmission line reconducting. It was further observed from BoD Minutes of Meeting that only T&D losses and recovery were discussed as agenda in the meeting and no other targets of SRM was deliberated upon during meetings. Such a situation indicates weak monitoring and oversight by the BoD in implementation of the Strategic Roadmap and achievements of targets. Therefore, to meet the multi-year development plan, HESCO had to reinforce execution oversight, and

ensure timely completion of targets during financial year 2025–26.

Sub-optimal monitoring of BoD against Strategic Road Map Targets (SRM) resulted in low achievement against targets during the financial year 2024-25.

The matter was taken up with the management in November, 2025 and reported to the Ministry in January, 2026. The management replied that delays and shortfalls under the SRM Agreement were due to late execution & operational constraints and revised targets for FY-2025-26 have been prepared. Audit contended that despite management's explanation of late execution and operational constraints, the extremely low and zero achievements against several Strategic Roadmap targets reflect weak monitoring, inadequate oversight and ineffective governance by the Board of Directors during financial year 2024-25.

The DAC, in its meeting held on January 16, 2026, directed the management to arrange a meeting and develop a mechanism regarding the performance of the concerned offices with reference to their KPIs designation wise and outcomes may be provided to Ministry of Energy (Power Division) & Audit within 60 days.

Audit recommends improving BoD oversight through effective monitoring to ensure timely completion of all SRM targets.

(Draft Para No. 1388/2025-26/AMIS 2025_COM0000000145_F01458)

2.1.2 Non-utilization of allocated energy quota resulting in payment of surplus capacity payments to CPPA-G

According to NEPRA's Tariff Determination and Power Purchase Agreements (PPA) with CPPA-G, Distribution Companies (DISCOs) are required to manage power drawl efficiently and utilize the allocated quota in accordance with the approved demand forecast to ensure economy, efficiency and effectiveness in operations.

During the audit of HESCO for the financial year 2024-25, it was observed that 8,248,000 kW power quota was allocated against demand of 10,349,000 kW of the Company, however, it drawn only 6,388,000 kW of power which was 77% against allocated quota and resultantly implemented load management of about 3,961,000 kW.

This reflected that despite the availability of the allocated power, HESCO implemented load management plans, i.e. load shedding in specific areas, which resulted in underutilization of the sanctioned quota. This reflects weak operational planning and inefficient utilization of available power resources.

Table-10: Payment of surplus capacity payments to CPPA-G **(Rs. in million)**

FY	Demand (kW)	Allocated Quota (kW)	Drawn (kW)	Load Management (kW)	Financial Burden of CTP
2024-25	10,349,000	8,248,000	6,388,000	3,961,000	20,708.53

(Source: Finance Director-HESCO & Power Distribution Control)

Audit is of the view that non-utilization of allocated quota was an inefficiency on the part of the management and contributed to financial burden.

Non-adherence to the direction of Authority resulted in loss of Rs.20,708.53 million to the Company due to payment of Capacity transfer price to CPPA-G on load management on high losses feeders upto the financial year 2024-25.

The matter was taken up with the management in November, 2025 and reported to the Ministry in January, 2026. The management replied that load management was being implemented based on AT&C loss percentages of 11 kV feeders as directed by the Ministry of Energy across all DISCOs. Audit contended that under-drawl of allocated energy and AT&C based load shedding was violation of NEPRA's directions which resulted in potential revenue loss in term of capacity payment of these units to CPPA-G.

The DAC, in its meeting held on January 16, 2026, directed the management to inquire the matter at CEO level and recommendation of inquiry committee report may be provided to Ministry of Energy (Power Division) & Audit within 30 days.

Audit recommends implementation of DAC's decision.

(Draft Para No.1343/2025-26/AMIS 2025_COM0000000145_F01469)

2.2 Legal and Regulatory compliance

2.2.1 Imposition of penalties by NEPRA due to persistent non-compliance with regulatory directions

According to regulation-3 of NEPRA Fine Regulation, 2021, the authority may impose fines on a delinquent, proportional to the gravity of the violation.

According to regulation 9 (1&3) Fines of NEPRA Performance Standards (Distribution) Rules, 2005, if a distribution company does not comply with Performance Standard Rules, it shall be liable to pay fine proportionate to gravity, frequency of occurrence, duration and impact of non-compliance of Guaranteed Performance Standards

During the audit of HESCO for the financial year 2024-25, it was observed that the company repeatedly failed to comply with NEPRA's regulatory directions, performance standards, and governance requirements, resulting in the imposition of multiple penalties.

Table 11: Detail of Imposition of Penalty

Sr. No.	Reason of imposition of penalty	Fine
1.	Deterioration in operational performance, particularly excessive Transmission and Distribution (T&D) losses and weak recovery management	Rs.25.00 million
2.	Continued AT&C-Based Load Shedding in Violation of NEPRA Rules	Rs.100,000 per day
3.	Non-attendance of mandatory public hearing by CEO	Rs.10.00 million

(Source: NPERA show cause notices issued to HESCO)

Firstly, NEPRA issued a Show Cause Notice dated January 15, 2025 to HESCO due to deterioration in operational performance, particularly excessive Transmission and Distribution (T&D) losses and weak recovery management during financial year 2023-24. It was noted that HESCO's T&D losses increased to 27.62% compared to 27.53% in the financial year 2022-23, far exceeding NEPRA's allowed benchmark of 11.77%, causing an estimated financial loss of Rs. 23.20 billion compared to Rs 15.10 billion in FY 2022-23. After hearings and consideration of management's stance, NEPRA imposed a fine of Rs.25 million vide order dated August 08, 2025, which constituted an avoidable financial burden arising from ineffective operational management and non-compliance with prescribed performance standards.

Secondly, it was observed that HESCO continued the practice of Aggregate Technical and Commercial (AT&C)-based load shedding in violation of NEPRA Performance Standards (Distribution)

Rules, 2005. NEPRA had earlier imposed a penalty of Rs. 50 million on April 03, 2024 for the same violation. However, the company persisted with AT&C-based load management. NEPRA held that the continued practice demonstrated inefficiency in loss reduction and weak operational control and therefore ordered immediate cessation of AT&C-based load shedding along with imposition of an additional penalty of Rs.100,000 per day, effective from April 04, 2024, until compliance was ensured.

Thirdly, audit observed that HESCO failed to comply with NEPRA's directive requiring mandatory attendance of the Chief Executive Officer at the public hearing held on May 17, 2024 regarding quarterly adjustments for the 3rd quarter of FY 2023-24. Despite issuance of notice dated May 07, 2024, the CEO neither attended the hearing nor provided prior intimation or justification. NEPRA viewed this absence as negligent and unprofessional conduct, in violation of Section 48 of the NEPRA Act and the terms of the License and imposed a penalty of Rs.10 million.

The above violations collectively resulted in the imposition of penalties amounting to Rs.35.10 million during the financial year 2024-25, highlighting persistent regulatory non-compliance, weak governance and ineffective internal controls within HESCO.

The matter was taken up with the management in November, 2025 and reported to the Ministry in January, 2026. The management replied that load management on AT&C based losses is being carried out and implemented in line with Ministry of Energy directives. It further explained that T&D losses are due to geographical constraints. With regards to non-appearance of CEO at mandatory public hearing, it was replied that CEO had retired by the time and no incumbent CEO was available. Audit contended that repeated violations of NEPRA's regulatory directions, non-timely appointment of mandatory position of CEO by the Ministry reflected persistent non-compliance, weak governance and ineffective internal controls, which resulted in avoidable financial penalties of Rs.35.10 million during FY 2024-25.

The DAC, in its meeting held on January 16, 2026, directed the management to pursue the matter with NEPRA, expedite resolution and submit revised reply along with concrete justification regarding imposition of penalty in violation of NEPRA rules within 15 days to Audit accordingly.

Audit recommends fixing responsibility for repeated violations of NEPRA directives, strengthening internal controls and ensuring strict adherence to regulatory requirements.

(PDPNo.1337/2025-26/AMIS 2025_COM0000000145_F01463)
(PDPNo.1340/2025-26/AMIS 2025_COM0000000145_F01466)
(PDPNo.1376/2025-26/AMIS 2025_COM0000000145_F01524)

2.3 Performance against stated objectives

2.3.1 Non-observance of NEPRA's Benchmark

According to NEPRA's tariff determination under the Multi-Year Tariff (MYT) regime for FY 2020–21 to FY 2024–25, dated June 2, 2022, the target for Transmission and Distribution (T&D) losses for Hyderabad Electric Supply Company (HESCO) for the financial year 2024-25 was fixed at 17.55%.

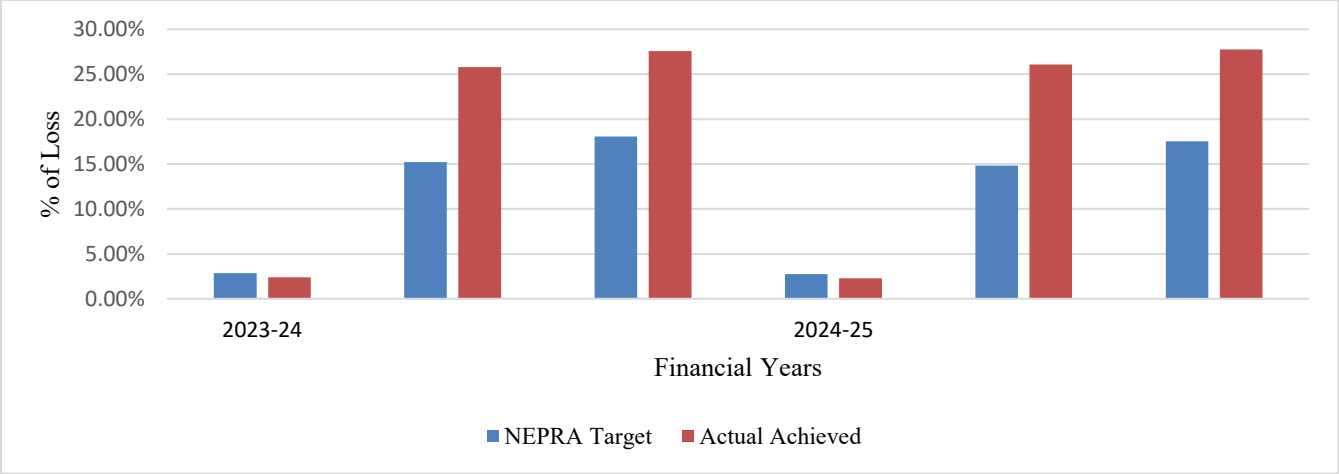
During the audit of HESCO for the financial year 2024-25, it was observed that the company could not achieve the Transmission & Distribution (T&D) loss target prescribed by NEPRA for the year. The position is summarized below:

Table 12: Transmission & Distribution (T&D) loss target prescribed by NEPRA **(Rs.in million)**

F. Y	Description	NEPRA Target	Actual Achieved	Total Unit Received (MkWh)	Total Units Billed (MkWh)	Units Lost (MkWh)	Units lost beyond NEPRA target (MkWh)	Financial Impact
2023-24	Transmission Losses	2.86%	2.40%	5121.60	3709.30	1412.30	487.34	19,266.16
	Distribution losses	15.20%	25.80%					
	Total T&D	**18.06%**	27.58%					
2024-25	Transmission Losses	2.73%	2.30%	5421.20	3915.80	1505.40	553.98	21,900.70
	Distribution losses	14.82%	26.10%					
	Total T&D	**17.55%**	**27.77%**					

(Source: Progress Report of HESCO FY-23-24 & 24-25)

Figure 08: T&D Losses



(Source: Progress Report of HESCO FY-23-24 & 24-25)

The above data shows that although HESCO's technical losses remained within limits but overall T&D losses remained far above NEPRA's approved limit. Against total energy received of 5,421.20 million units, only 3,915.80 million units were billed, resulting in overall loss of 1,505.40 million units (27.77%). NEPRA allowed a maximum loss of 17.55%, whereas HESCO exceeded this by 553.98 million units (10.22%), causing a financial impact of Rs. 21,900.70 million.

Further feeder-wise analysis revealed that out of 666 feeders, 199 feeders were operating with high line losses ranging from 20% to 100% against the NEPRA target of 17.55%, including 56 feeders with losses exceeding 50%. Abstract is as under:

Table-13: Feeder wise analysis

FY	Total No. of Feeders	No. of Feeders (High loss)	NEPRA Target %	Actual Loses (%)
2024-25	666	199	17.55%	20% to 100%

(Source: CP-22A FY 2024-25 & Feeder wise data provided by management)

Non-adherence to the NEPRA's targets resulted in financial loss due to excess energy losses beyond NEPRA benchmark for the financial year 2024-25.

The matter was taken up with the management in November, 2025 and reported to the Ministry in January, 2026. The management replied that T&D losses fixed by NEPRA's targets are unrealistic as per ground realities (law & order situation) and that ongoing loss-reduction measures supported by an independent study have been shared with NEPRA to determine actual losses. Audit contended that HESCO's inability to achieve NEPRA-approved T&D losses benchmarks resulted in excess losses of 553.98 million units, causing a significant revenue loss of Rs.21,900.70 million during financial year 2024-25, reflecting serious inefficiencies despite management's justification.

The DAC, in its meeting held on January 16, 2026, directed the management to make hectic efforts to reduce the losses and to submit the revised reply along-with feeder wise justification / analysis to Audit within 15 days for verification

Audit recommends that management adopt effective loss-reduction strategies including system upgradation, preventive maintenance and strict anti-theft enforcement, bring T&D losses within NEPRA's prescribed benchmark and safeguard revenues.

(Draft Para No.1284/2025-26/AMIS 2025_COM0000000145_F01361)
(Draft Para No.1332/2025-26/AMIS 2025_COM0000000145_F01443)
(Draft Para No.1414/2025-26/AMIS 2025_COM0000000145_F01487)
(Draft Para No.1553/2025-26/AMIS 2025_COM0000000145_F01644)

2.3.2 Ineffective enforcement / recovery efforts under the anti-theft campaign

As per the directions of the Prime Minister of Pakistan, a campaign to curb the menace of electricity theft was launched in September 2023, in all the distribution companies (DISCOs) of Pakistan with the underlining message of zero tolerance for over billing and corruption.

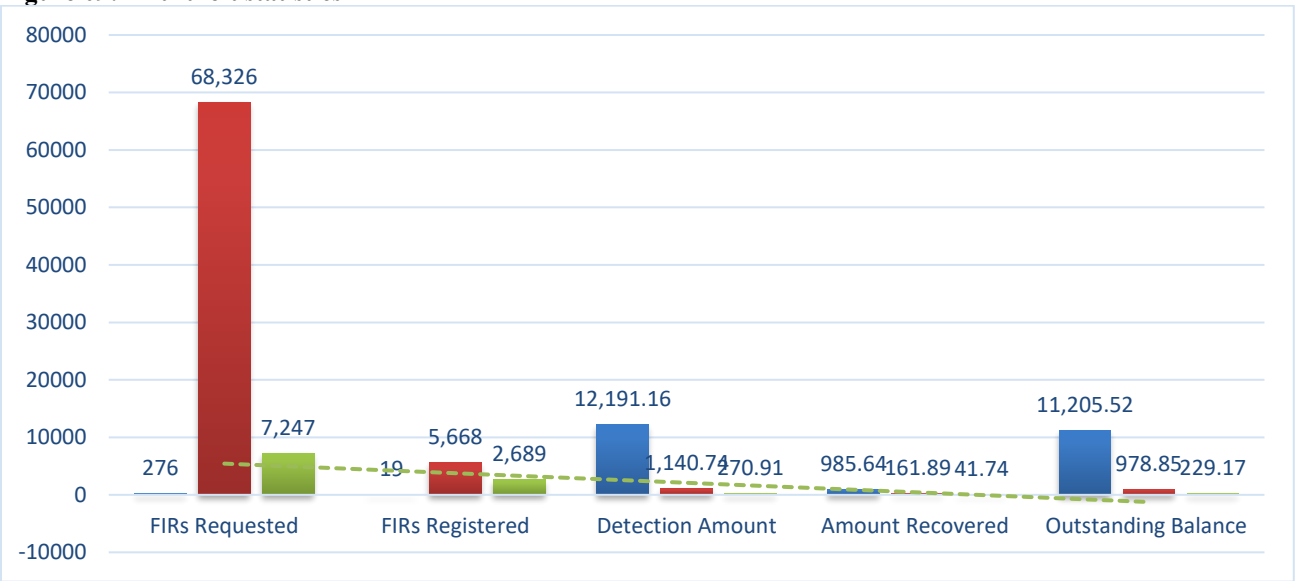
During the audit of HESCO for the financial year 2024-25, it was observed that 17,010 cases of electricity theft were detected during Anti-Theft Campaign across its operational circles. Out of these, 7,247 FIRs were requested, but only 2,689 FIRs (37%) were actually registered. The detected theft during the year involved a total assessment of Rs.270.91 million, whereas recoveries of only Rs.41.74 million were made representing a recovery rate of merely 15.4%. Consequently, a substantial balance of Rs. 229.17 million remained outstanding as of June 2025. The details are as under: -

Table 14: Statistics of Anti-Theft Campaign in HESCO **(Rs. in million)**

FY	Total Cases	FIRs Requested	FIRs Registered	Detection Amount	Amount Recovered	Outstanding Balance
2022-23	1,239,482	276	19	12,191.16	985.64	11,205.52
2023-24	77,363	68,326	5,668	1,140.74	161.89	978.85
2024-25	17,010	7,247	2,689	270.91	41.74	229.17

(Source: Anti-theft portal of HESCO)

Figure 09: Anti-theft statistics



(Source: Anti-theft portal of HESCO)

A comparative review of previous years indicated a declining trend in both the scale of detection and enforcement. In financial year 2022-23, HESCO had identified 1.24 million theft cases involving detection of Rs. 12,191.16 million with recoveries of Rs.985.64 million (8.1%), whereas in FY 2023-24, the number of detected cases sharply fell to 77,363 with assessed theft of Rs.1,140.74 million and recovery of Rs.161.89 million (14.2%). The progressive fall in detection cases, from over one million in 2022-23 to only sixteen thousand in 2024-25, shows diminishing vigilance and weakening of anti-theft field operations.

The progressive fall in theft cases from 1.239 million in 2022-23 i.e. prior to start of anti-theft campaign to only 17, 010 in 2024-25 during the campaign, clearly shows non-effectiveness of anti-theft field operation. This downward trend, if not addressed through timely corrective oversight and strengthened field monitoring, may seriously undermine the deterrence objective of the campaign.

Table 15: Circle wise position for the FY 2024-25 **(Rs. in million)**

Circle	Total Cases	FIRs Requested	FIRs Registered	Detection Amount	Amount Recovered	Recovery %
Hyderabad	5,090	1,911	809	112.9	4.54	4%
Laar	3,012	2,234	555	46.55	20.9	45%
Nawabshah	5,353	1,391	1,149	46.53	12.1	26%
Mirpurkhas	3,555	1,711	176	64.93	4.2	6%
TOTAL	**17,010**	**7,247**	**2,689**	**270.91**	**41.74**	**15%**

(Source: Anti-theft portal of HESCO)

Circle-wise analysis for FY 2024-25 revealed that Hyderabad Circle detected theft amounting to Rs.112.90 million but recovered only Rs.4.54 million (4%); Laar Circle recovered Rs.20.90 million against detection of Rs.46.55 million (45%); Nawabshah Circle recovered Rs.12.10 million out of Rs.46.53 million (26%); and Mirpurkhas Circle recovered Rs.4.20 million out of Rs.64.93 million (6%). Although Laar Circle showed comparatively better recovery efficiency, all circles recorded low

realization rates against detected amounts, reflecting systemic weaknesses in recovery follow-up and enforcement of anti-theft measures.

The matter was taken up with the management in November, 2025 and reported to the Ministry in January, 2026. The management replied that extensive anti-theft operations conducted by field formations & DISCO Support Unit (DSU) have resulted in significant detection, enforcement actions & recoveries. Audit contended that despite management's claims of extensive anti-theft operations, sharp decline in detections, low FIR registration and weak recovery rates during financial year 2024-25 reflect ineffective enforcement, weak monitoring and continued revenue leakage.

The DAC, in its meeting held on January 16, 2026, directed the management to inquire the matter at CEO level. DAC further directed to prepare a complete breakup Division/sub-division-wise showing the name of concerned XENs/SDOs and recommendations of inquiry committee report along with latest recovery status will be shared with Ministry of Energy (Power Division) & Audit Department within 60 days.

Audit recommends that management implement robust, result-oriented measures to address the root causes of weak performance. Continuous and focused efforts should ensure real-time tracking of cases from detection to recovery.

(Draft Para No.1383/2025-26/AMIS 2025_COM0000000145_F01453)

2.4 Accountability and Transparency

2.4.1 Weak functioning of internal audit department of the Company

According to Rule 22 (1) & (3) of Public Sector (Corporate Governance) Rules 2013, "there shall be an internal audit function in every Public Sector Company. The chief internal auditor, who is the head of the internal audit function in the Public Sector Company, shall be accountable to the audit committee and have unrestricted access to the audit committee. "Every Public Sector Company shall ensure that internal audit reports are provided for the review of external auditors. The external auditors shall discuss any major findings in relation to the reports with the audit committee, which shall report on matters of significance to the Board.

During the audit of HESCO for the financial year 2024-25, it was observed that the internal audit function was weak-operational, in contravention of Rule 22(1) and (3) of the Public Sector Companies (Corporate Governance) Rules, 2013, which require an independent internal audit reporting directly to the Audit Committee. The external auditor (CROWE), through its management letter dated 09.01.2025, also reported that the internal audit function lacked effectiveness and independence. It neither prepared annual audit plans nor conducted reviews of internal controls or financial systems. Despite substantial financial operations during financial year 2024-25, regarding expenditure of Rs.2,284.684 million, revenue of Rs.182,958 million, and procurement of Rs.4,279.59 million, no audit coverage was provided, and no relevant records were produced in response to audit requisition. Furthermore, the internal audit of field formation remained pending for last two years. Out of seventy-one (71) formations, internal audit of nine (09) formations for the financial year 2023-24 have been completed while internal audit of financial year 2024-25 has still not been initiated.

Table 16: Internal Audit Performance & Staffing Summary

Total Sanctioned Strength	Total Number of Staff (Existing)	Total ERE of Internal Audit (Rs. in million)	Total Formations	Number of Reports Completed during FY 2023-24
93	47	73.92	71	09

(Source: Sanctioned Strength as on 30.06.2025 & position of financial audit information provided by CIA HESCO)

Weak oversight by the Audit Finance and Risk Committee of BoD resulted in weak functioning of internal audit department of company for the financial year 2024-25.

The matter was taken up with the management in November, 2025 and reported to the Ministry in January, 2026. The management replied that Internal Audit functions in compliance with Corporate Governance Rules, operating under an Audit Committee approved plan. It further stated that audit plans for FYs 2023–24 to 2025–26 were duly approved and implemented, with regular audit and risk reports submitted to the Audit Committee. Audit contended that contrary to management's assertions, the internal audit function remained largely ineffective during financial year 2024–25, as evidenced by the absence of audit coverage over significant financial operations, pending field audits, and deficiencies highlighted by external auditors. These shortcomings indicate non-compliance with Corporate Governance Rules and weak assurance over internal controls and financial management.

The DAC, in its meeting held on January 16, 2026, directed management to issue a displeasure to the Chief Internal Auditor for weak performance. It further directed that all pending internal audit activities be completed within one month and a strong mechanism be developed to strengthen internal audit, with outcomes shared with Audit within 60 days.

Audit recommends the management to ensure annual audit planning, periodic reporting, and comprehensive coverage of financial and operational activities in line with statutory and governance requirements.

(Draft Para No.1280/2025-26/AMIS 2025_COM0000000145_F01356)
(Draft Para No.1377/2025-26/AMIS 2025_COM0000000145_F01525)
(Draft Para No.1410/2025-26/AMIS 2025_COM0000000145_F01481)
(Draft Para No.1557/2025-26/AMIS 2025_COM0000000145_F01640)

2.5 Data Security & Integrity

2.5.1 Deficient AMR system oversight and billing disputes with GOS resulting in outstanding receivables

As per decision of ECC Cabinet Division dated 25.11.2016, Automated Meter Reading (AMR) system was introduced for resolution of disputes regarding billing and collection of energy charged between HESCO and Government of Sindh.

During the audit of HESCO for the financial year 2024-25, it was observed that despite installation of Automated Meter Reading (AMR) system which was brought forth for maintaining accuracy of billed units, AMR system was not effectively utilized as the disputes regarding billing and adjustment persisted. Out of total 11,326 AMR connections 10,736 were reconciled for 49 months (May 2019 to May 2023) out of these billing against 492 connections could not be reconciled. Reasons for unreconciled figures were attributed to non-communication of data by AMR meters in the course of this period. BOD in its 260th meeting dated 20/05/2025 decided to set aside an amount of Rs. 808 million pending against these

connections. Moreover, it was noted that during the period from October 2023 to June 2024, The Energy Department deducted Rs. 289.65 million from monthly billing by HESCO on account of "disowned connections" (Rs. 137.93 million) and "variation of Meter Data Collection (MDC) data" (Rs. 151.22 million). The Energy Department sought adjustment of these deductions. The cumulative disputed amount of Rs. 1,098.61 million, arising from both non-communicated and communicated AMR data, reflected weaknesses in billing integrity and reconciliation controls, exposing HESCO to significant financial risks.

Table 17: Adjustment/deductions against GoS connections **(Rs. in million)**

Description	Period Covered	Deducted Amount
Deductions for "Disowned Connections"	Oct 2023 – Jun 2024	137.93
Deductions for "Variation of MDC Data"	Oct 2023 – Jun 2024	151.22
Total Deductions (Communicated Period)	**Oct 2023 – Jun 2024**	**289.65**
Proposed Adjustment (Non-Communicated Period)	May 2019 – Jun 2023	808.96
Aggregate Disputed/Adjustment Amount	**Cumulative (2019-2024)**	**1098.61**

(Source: Information/data provided by Commercial Dept. HESCO)

Audit further noted that the total outstanding dues of the Government of Sindh accumulated to Rs.26,359.10 million as of June 30, 2025. The continuous accumulation of arrears was mainly due to the Government of Sindh making payments only for AMR-communicated connections, while dues relating to AMR non-communicated and non-AMR connections remained unpaid. Furthermore, delays in reconciliation of accounts between HESCO and concerned Government departments, as well as non-inclusion of newly installed connections in the billing system, further aggravated the situation. Despite the deployment of AMR technology and related infrastructure, continued recovery issues with the Government of Sindh led to non-realization of substantial dues, which exerted pressure on cash flows, weakened the company's liquidity position, and raised concerns regarding its ability to continue as a going concern.

Non-adherence to the rules resulted in deficient AMR system oversight and billing disputes with GOS amounting to Rs. 1,098.61 million for the financial year 2024-25.

The matter was taken up with the management in November, 2025 and reported to the Ministry in January, 2026. The management replied that billing and payment process is carried out under the Government of Sindh's settlement approved by ECC, with centralized monthly payments and reconciliations for both communicated and non-communicated AMR meters. Despite initial delays due to the large-scale first-time AMR project, reconciliations have been completed for past periods, payments are being received regularly and issues have been resolved through mutual understanding, minimizing the impact of delays Audit contended that prolonged non-communication of AMR data, unilateral deductions without joint verification and failure to fix responsibility constituted serious deficiencies in system oversight and internal controls, in violation of the SOEs Act, 2023.

The DAC, in its meeting held on January 16, 2026, directed the management to take up the issue with Government of Sindh through formal correspondence with higher authorities of the concerned departments. An updated status is to be provided to Audit accordingly within 30 days.

Audit recommends conducting joint reconciliation with Govt. of Sindh to resolve disputed AMR data besides fixing responsibility through inquiry and recovery of dues.

(Draft Para No.1339/2025-26/AMIS 2025_COM0000000145_F01465)
(Draft Para No.1342/2025-26/AMIS 2025_COM0000000145_F01468)

3. PROCUREMENT

HESCO,s procurement audit highlights weaknesses in procurement planning and inventory management controls. Despite approval of procurement plan of Rs.7,967.13 million, Rs. 4,279.59 million[2] were executed. During the Financial Year 2024-25, 52 tenders were opened out of which 13 were scrapped and there was no participation in 07 tenders. Audit observed non-utilization of power transformers before expiry of warranty period, reflecting ineffective stock planning and delayed deployment. Such lapses undermined economy and efficiency in procurement.

[2] Draft Para No.1341/2025-26/AMIS 2025_COM0000000145_F01467

3.1 Procurement of goods and services/consultancy

3.1.1 Financial risk due to non-utilization of procured power transformers before warranty expiry

According to section 7(2) (a) the State-owned Enterprises (Governance and Operations) Act, 2023, in undertaking their primary objectives, shall have regard, amongst other matters, to the economic consequences of any decision in the long term.

According to clause 12 of purchase order, the supplier will furnish a warranty certificate that goods supplied conform exactly to the specifications laid down in PO/contract and are brand new and in the event of material being defective or not conforming to the specifications governing supply at the time of delivery and for a period of 24 months from the date of completion of supply, the supplier will be held responsible for all losses and that the unacceptable goods shall be substituted with the acceptable goods at the supplier expense and cost.

During the audit of HESCO for the financial year 2024-25, it was observed that 2436 nos. of 25kVA Distribution Transformers were procured at a total cost of Rs.629.01 million vide purchased order dated 12.09.2022 with replaceable warranty of 24 months. However, it was noted that 612 of these transformers, with a total value of Rs. 158.03 million, were found lying unused in the store after the expiry of their warranty period. This indicated weak inventory management and failure to ensure timely utilization of procured equipment with risk of financial loss in case of defects or failures. The non-utilization of such critical assets also reflected deficiencies in demand assessment, inventory planning, and controls. The procurement appeared to have been made without proper alignment with actual field requirements, resulting in unnecessary stock accumulation.

Weak inventory control resulted in unjustified procurement led to expired warranty on 25 kVA distribution transformers amounting to Rs.158.03 million during the financial year 2024-25.

The matter was taken up with the management in November, 2025 and reported to the Ministry in January, 2026. The management replied that procurement of 2,436 units of 25 kVA transformers was demand-based, approved by the Board and largely utilized with about 75% already installed and the balance steadily reducing. It further stated that maintaining buffer stock is operationally necessary to ensure system reliability and emergency response.

Audit contended that retention of 612 transformers valuing Rs.158.03 million beyond the warranty period reflects weak demand forecasting, ineffective inventory planning and inadequate utilization controls, exposing HESCO to avoidable financial and operational risk. Management's justification of buffer stock and partial utilization does not address the lapse in timely deployment that resulted in expiry of warranty coverage.

The DAC, in its meeting held on January 16, 2026, directed the management to submit revised reply with concrete justification along with supporting documentary evidence to Audit.

Audit recommends inquiring the matter for fixing responsibility besides improving inventory planning and ensuring timely use of procured transformers to prevent warranty expiration and financial loss.

(Draft Para No.1384/2025-26/AMIS 2025_COM0000000145_F01454)

3.1.2 Award of contract to supplier without authorization of manufacturer

According to clause of 13.3 (a) &(c) of bidding document. The documentary evidence of the bidder's qualifications to perform the contract if its bid is accepted shall establish to the satisfaction of Procuring Agency that:

a) in the case of a bidder offering to deliver goods under the contract which the bidder did not manufacture or otherwise produce, the bidder has been duly authorized by the goods' manufacturer or producer to deliver the goods in Pakistan;

c) in the case of a bidder not doing business within Pakistan, the bidder is or will be (if awarded the contract) represented by an Agent in Pakistan equipped, and able to carry out the supplier's maintenance, repair, and spare parts-stocking obligations prescribed in the conditions of contract and/or technical specifications.

During the audit of HESCO for the financial year 2024-25, it was observed that two purchase orders were issued to M/s Ittehad Electric for the supply of Tip Relay (VAJ) make Arteche Spain.

Table 18: Detail of Purchase Orders without manufacturer's authorization

Sr. No.	Name of Supplier	P.O No. and date	Amount in Rs. without GST
1	M/s Ittehad Electric	PO No. 169/2023-24/136-140 dated 08.07.24	11,748,000
2		PO No. 173/2024-25/4031-33 dated 14.04.25	2,280,000
TOTAL			**14,028,000**

(Source: Purchase orders)

As per clause 13.3 (a) &(c) of bidding documents only that bidder shall participate in the bidding process which have manufacturer's authorized letter, but M/s Ittehad Electric submitted a certificate issued by M/s EPESOL who was the authorized distributor of the manufacturer and not the manufacturer itself**.** Acceptance of bids without proper documentation (i.e., manufacturer's authorization letter) undermines transparency.

Non-adherence to the rules resulted in the award of contract amounting to Rs.14.03 million to supplier without authorization of manufacturer during the period 2024-25.

The matter was taken up with the management in October 2025 and reported to the Ministry in November, 2025. The management replied that the material for Tender Nos. 169 and 173 was required to be imported by M/s EPESOL being the official distributor. The bidder M/s Ittehad Electric, submitted the necessary authorization from M/s EPESOL. Audit contended that M/s ARTECHE issued authorization letter to M/s EPESOL participate in the tender for relays and purchase tender documents, submit bid and sign the contract for supply of material not to M/s Ittehad Electric. Hence the award of contract on the basis of non-compliant documentation potentially compromises the authenticity and quality of the procured equipment.

The DAC, in its meeting held on January 16, 2026, directed the management to provide original manufacturer record to Audit within two (02) days.

Audit recommends inquiring the matter for fixing responsibility besides identifying weaknesses in the evaluation and approval process.

(Draft Para No. 1426/2025-26 AMIS 2025_COM0000000145_F01534)

3.1.3 Award of electrical material tenders without fresh pre-qualification in violation of PPRA rules

According to Rule 15(1) of Public Procurement Rules 2004, a procuring agency, prior to the floating of tenders, invitation to proposals or offers in procurement proceedings, may engage in pre-qualification of bidders in case of services, civil works, turnkey projects and in case of procurement of expensive and technically complex equipment to ensure that only technically and financially capable firms having adequate managerial capability are invited to submit bids. Such pre-qualification shall solely be based upon the ability of the interested parties to perform that particular work satisfactorily.

During the audit of HESCO for the financial year 2024-25, it was observed that six tenders amounting to Rs.660.10 million were awarded based on expired pre-qualification certificates, in violation of Rule 15(1) of the Public Procurement Rules, 2004. The Rule mandates fresh pre-qualification before initiating tenders for technically complex and high-value procurements to ensure participation of capable and financially sound firms. HESCO's failure to conduct new/fresh pre-qualification exercise reflects lack of due diligence, exposing the organization to risks of reduced performance and financial irregularities. The detail is as under:

Table 19: Details of non-renewal of pre-qualification firms

Sr. No.	Tender No.	Firm Name	Pre-Qualification Reference	Expiry Status
1	1860/24	Ayesha Enterprises	HESCO Memo 01.12.2022	No renewal found
2	1855/24	EMCO Industries Ltd.	PQ-32/4-5 dated 09.06.2013	Expired 30.06.2014
3	1878/24	Vision Engineering (Pvt.) Ltd.	PQ-147 dated 21.07.2011	Expired 30.06.2014
4	1893/25	Grit (Pvt.) Ltd.	Memo dated 11.11.2019	No renewal found
5	1894/25	Siddique Sons Transformers	Memo dated 12.07.2019	No renewal found
6	1895/25	Vertex Electronics (Pvt.) Ltd.	Memo dated 10.06.2021	No renewal found

(Source: tender documents)

Non-adherence to the rules resulted in award of electrical material tenders without fresh pre-qualification in violation of PPRA rules valuing - Rs.660.10 million for the financial year 2024-25.

The matter was taken up with the management in October 2025 and reported to the Ministry in November, 2025. The management replied that procurement was conducted under PPRA rules through PPMC framework with BoD approval. Inter-DISCO pre-qualification is permissible and material inspection was ensured.

Audit contended that BoD approval, PPMC framework, inter-DISCO pre-qualification, and post-award material inspection do not substitute the mandatory requirement of fresh and valid pre-qualification under Rule 15(1) of PPRA Rules, 2004. Award of tenders valuing Rs.660.10 million on expired or non-renewed pre-qualification certificates constitutes a clear violation of PPRA Rules, reflecting weak internal controls and exposing HESCO to significant procurement and financial risks.

The DAC, in its meeting held on January 16, 2026, directed the management to seek clarification from PPRA through Ministry and clarification may be provided to Audit accordingly.

Audit recommends implementation of DAC decision.

(Draft Para No.1381/2025-26/AMIS 2025_COM0000000145_F01451)

3.1.4. Irregular Award of Contract Due to Expiry of Bid Validity

According to Rule 26(3) of the Public Procurement Rules, 2004,

"The procuring agency shall ordinarily be under an obligation to process and evaluate the bid within the stipulated bid validity period. However, under exceptional circumstances and for reasons to be recorded in writing, if an extension is considered necessary, all those who have submitted their bids shall be asked to extend their respective bid validity period. Such extension shall be for not more than the period equal to the period of the original bid validity."

During the audit of HESCO for the financial year 2024-25, it was observed that Tender No. 157/2023-24 (Lot-III) for the **s**upply of electrical equipment was opened on 12.03.2024**.** M/s Haavi Pvt. Ltd. Lahore was declared the lowest responsive bidder after technical and financial evaluation. The case was submitted for approval on 14.05.2024**,** approved by the BoD on 06.08.2024 and finally approved by the CEO on 12.08.2024**.** The bid validity period was 90 days from bid opening (i.e., up to 10.06.2024), as per bidding documents. However, the Purchase Order No.CE(Dev)/PMU/HESCO/PMU-157/2023-24/738-40 dated 28.08.2024 was issued after expiry of the original and grace bid validity period, without obtaining any documented extension of bid validity from the bidder. Lack of timely decision-making and non-adherence to procurement timelines, coupled with failure to comply with the requirement of obtaining bid validity extension**,** led to this irregularity. Issuance of purchase order after expiry of the bid validity period violated Rule 26(3) of the PPRA Rules and raised concerns over the transparency, fairness, and legal enforceability of the procurement process.

Non adherence of the rules resulted in irregular award of contract due to expiry of bid validity amounting to Rs.790.40 million during the financial year 2024-25.

The matter was taken up with the management in October 2025 and reported to the Ministry in November 2025. The management replied that procurement was conducted under PPRA rules through PPMC framework with BoD approval. Inter-DISCO pre-qualification is permissible and material inspection was ensured. Audit contended that adherence to the PPMC framework, BoD approval, or material inspection cannot rectify the award of the contract after the expiry of bid validity period without obtaining a formal extension, violating Rule 26(3) of PPRA Rules, 2004. Therefore, award of contract is irregular and reflects a lack of proper decision-making, non-compliance with procurement timelines.

The DAC, in its meeting held on January 16, 2026, directed the management to submit revised reply with concrete justification duly substantiated with documentary evidence to Audit.

Audit recommends implementation of DAC decision.

(Draft Para No.1430 /2025-26 AMIS 2025_COM0000000145_F01538)

3.1.5 Unjustified rejection of bidder resulting in single-bid award of contract

As per Rule 31 of Public Procurement Rules 2004, a procuring agency may seek clarification from bidders to rectify minor, non-material omissions or discrepancies, provided such clarification does not alter the substance of the bid.

During the audit of HESCO for the financial year 2024-25, it was observed that tender No. GSC-40/2024 was floated for construction of tower and pole foundations, erection, and stringing of SDT 132kV Sakrand–Nawab Shah Transmission Line from location No. 46 to 61. Out of six firms that purchased bidding documents, only two bidders participated, namely M/s M.R. Construction, Sukkur and M/s Imtiaz

Construction Co., Hyderabad. The Bid Evaluation Committee declared M/s M.R. Construction technically responsive, whereas the bid of M/s Imtiaz Construction was rejected at the technical stage solely on the ground of non-submission of the "Letter of Bid." Audit holds that this deficiency was documentary in nature and did not affect the substance of the proposal. The "Letter of Bid" is a standard declaration form and, under PPRA Rule 31 ("Clarification of Bids"), the procuring agency was empowered to seek post-bid clarification to cure such omissions. By failing to do so and returning the financial bid of M/s Imtiaz unopened, the procuring agency effectively converted the process into a single-bid procurement, thereby restricting competition, undermining transparency, and exposing the entity to the risk of avoidable higher cost. The actual financial impact could not be quantified as the financial offer of M/s Imtiaz was not opened; however, the possibility of a more economical bid cannot be ruled out. This reflects weak scrutiny by the evaluation committee and non-adherence to the spirit of PPRA Rules.

Non-adherence to PPRA Rules resulted in unjustified rejection of a bidder, restriction of competition and award of work on single-bid basis amounting to Rs.84.10 million during the financial year 2024-25.

The matter was taken up with the management in September, 2025 and reported to the Ministry in November, 2025. The management replied that tender was processed strictly in accordance with PPRA Rules, 2004 with proper advertisement, transparent evaluation, and award after completion of all codal formalities. Audit contended that rejection of a bid for a curable, non-material omission without seeking clarification directly contravenes Rule 31 of PPRA Rules and unjustifiably restricted competition, undermining transparency and economy.

The DAC, in its meeting held on January 16, 2026, directed the management to submit detailed justification duly substantiated with documentary evidence to Audit in three (03) days.

Audit recommends that management may looked into the matter for appropriate justification.

(Draft Para No.1468/2025-26 AMIS 2025_COM0000000145_F01580)

4. OPERATIONAL PROCESSES

This section highlights significant operational and supervisory control failures in revenue management and billing practices. Persistent non-implementation of Equipment Removal Orders, abnormal load factors, irregular detection billing, grid-sharing charge short recoveries, systemic billing adjustments, negative feeder discrepancies, and unauthorized load extensions were observed. These issues indicate weak enforcement of consumer regulations, deficient billing controls, and meagre monitoring mechanisms, resulting in overbilling, revenue leakage, accumulation of arrears, and substantial financial and compliance risks for the company.

4.1 Operational Processes

4.1.1 Non-implementation of Equipment Removal Orders (EROs) and accumulation of arrears

According to Para 8.2.5 of NEPRA's Consumer Service Manual 2021, If the consumer fails to pay the bills of third month along with arrears of previous two months within due date given on the third month bill, DISCO shall issue Equipment Removal Order (ERO) and remove the metering installation material and shall allot permanently disconnected code. The electric supply will only be restored upon payment of all outstanding dues (in full or installments) and completion of other codal formalities given in reconnection policy. However, if a DISCO does not remove the equipment for its own ease, the consumer shall not be held responsible for theft of electricity or material, if any.

During the audit of HESCO for the financial year 2024-25, it was observed that energy consumers of all categories had defaulted in payment of energy charges. Although Equipment Removal Orders (EROs) were issued for disconnection of such defaulting consumers, neither the EROs were implemented nor were the arrears recovered. As a result, these consumers continued to avail electric supply without clearance of dues.

Table 20: Equipment Removal Orders (EROs) **(Rs.in million)**

Financial Year	No. of consumers against which EROs not implemented	Amount of arrears
June 2023	380302	98,883.36
June 2024	395422	122,172.01
June 2025	400420	148,301.61

(Source: MIS Data from 2023 to 2025)

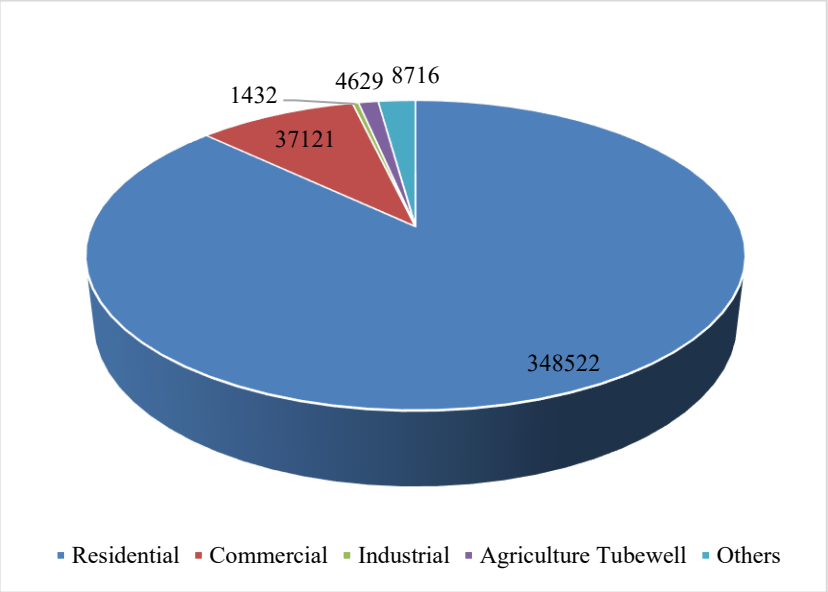
Above data revealed persistent non-implementation of EROs, which had resulted in a continuous buildup of arrears. The number of consumers against whom EROs were not implemented increased from 380,302 as on June 2023 to 395,422 as on June 2024 (3.98%), and further to 400,420 as on June 2025 (1.26%). Correspondingly, arrears rose sharply from Rs. 98,883.36 million in June 2023 to Rs. 122,172.01 million in June 2024 (23.55%), and further to Rs. 148,301.61 million in June 2025 (21.39%).

Table 21: ERO Tariff wise and age wise details **(Rs.in million)**

Tariff Category	No. of Consumers	Age (in month)	Amount	% age
Residential	348522	1-470	116,659.11	79%
Commercial	37121	1-436	3,202.22	2%
Industrial	1432	1-239	847.68	1%
Agriculture Tubewell	4629	1-231	8,442.32	6%
Others	8716	1-353	19,150.27	13%
TOTAL	**400420**		**148,301.61**	**100%**

(Source: MIS data, CP-114 of HESCO for FY 2022-23,2023-24 & 2024-25)

Figure 10: Tariff wise running defaulters



Tariff-wise and age-wise analysis of arrears showed that the residential category dominated with 348,522 consumers owing Rs.116,659.11 million (79%). This was followed by the "others" category with Rs.19,150.27 million (13%), agriculture tubewells with Rs.8,442.32 million (6%), commercial consumers with Rs.3,202.22 million (2%), and industrial consumers with Rs.847.68 million (1%). The age of arrears across all categories ranged from 1 to 470 months.

Further analysis identified that 253,673 private consumers (industrial, commercial & agricultural) out of 400,420 had not made any payment over the twelve-month period from July 2024 to June 2025. Despite this persistent non-payment and the mandatory disconnection policy after three months of default, electricity supply was continued. This added to arrears rising from Rs. 98,221 million to Rs. 122,355 million, an increase of Rs. 24,134 million attributable to these consumers alone.

This trend is part of a broader systemic issue where running arrears grew by approximately 50% over two years. The consumers in question were active and readily identifiable, and while EROs were issued, no effective disconnection or recovery action was taken.

The rising number of defaulting consumers and the significant increase in arrears highlight weak enforcement of the Consumer Service Manual and ineffective recovery mechanisms. The failure to act on issued EROs and to disconnect chronic defaulters represents a serious weakness in procedural compliance and points to management negligence in enforcing disconnections and ensuring the timely recovery of dues. This situation had resulted in substantial, avoidable revenue losses for the DISCO.

Non-adherence to CSM resulted in non-implementation of Equipment Removal Orders (EROs) and accumulation of arrears amounting to Rs.148,301.61 million during the financial year 2024-25.

The matter was taken up with the management in November, 2025 and reported to the Ministry in January, 2026. The management replied that intensive recovery campaigns are in progress, including disconnections, ERO implementation in coordination with district administration and DISCO Support Unit (DSU) since January 19, 2025. Audit contended that persistent non-compliance with the Consumer Service Manual led to failure in executing issued EROs, allowing defaulting consumers to continue electricity usage without clearing dues. This resulted in a continuous buildup of arrears amounting to Rs.148,301.61 million during financial year 2024-25. The lapse reflects serious deficiencies in internal controls, recovery mechanisms, and management oversight, causing substantial and avoidable revenue losses to the DISCO

The DAC, in its meeting held on January 16, 2026, directed the management to inquire the matter at CEO level and recommendation of inquiry committee report may be provided. DAC further directed that to prepare a breakup Division/Sub-Division-wise and revised reply along with recovery record be provided to Audit accordingly.

Audit recommends implementation of DAC's decision.

(Draft Para No.1372/2025-26/AMIS 2025_COM0000000145_F01520)
(Draft Para No.1380/2025-26/AMIS 2025_COM0000000145_F01528)

4.1.2 Inaccurate billing to Govt. connections by applying above 100% load factor

As per Annexure-V of NEPRA's Consumer Service Manual 2021, the acceptable range of load factors for various consumer categories is between 15% and 70%, depending on the nature of the connection.

During the audit of HESCO for the financial year 2024-25, it was observed that 19,460 consumers across multiple tariff categories exhibited 44,704 instances of load factors exceeding 100%, which is significantly above the prescribed threshold. This anomaly may be attributed to metering inaccuracies, billing system deficiencies, or unauthorized load usage.

Notably, 2,469 of these consumers were government connections, many of which operated well beyond their sanctioned load limits. 11,602 instances were recorded round the year where the load factor for these connections ranged from 100% to an alarming 9,131% against the authorized limit of 15% to 60% **(Circle wise detail is given in Annexure-II)**. Interestingly, 710 of these consumers had sanctioned load less than or equal to 1 kW. A detailed tariff-wise breakdown of these government connections and excessive units charged to them is given in the following tables:

Table 22: Excess load factor to Government connections

Tariff Category	No. of cases	S. Load (kW)	% age of LF	Actual Unit Charged (100% & above)	Unit as per Avg Load Factor	Units charged in excess of Avg load factor
				kWh	kWh	kWh
A-1	89	1.0 to 40	101 to 1512	850,151	78,236	771,915
A-3(A)(66)	9,638	0.76 to 740	100 to 9131	142,606,245	15,128,451	127,477,794
D-1b (45)T	1,875	1.0 to 160	100 to 6446	43,548,831	9,033,243	34,515,588
	11,602			187,005,227	24,239,930	162,765,297

(Source: MDI data and E-bill of consumers for the FY 2024-25)

It was pertinent to note that such an abnormal load factor pointed towards load running beyond sanctioned limit.

Non-adherence to CSM resulted in inaccurate billing to Govt. connections by applying above 100% load factor during the financial year 2024-25.

The matter was taken up with the management in November, 2025 and reported to the Ministry in January, 2026. The management replied that AMR-based billing for Government of Sindh connections has been in place since May, 2019 with centralized payments, and excess load factors may result from delayed AMR communication, accumulated billing and updated sanctioned loads. Audit contended that recording excessive load factors beyond NEPRA-prescribed limits, reflects serious deficiencies in metering accuracy, billing controls and enforcement of sanctioned load limits. Management's explanation

of AMR delays and centralized billing does not address the non-compliance with the CSM, load regularization, system controls to prevent recurrence.

The DAC, in its meeting held on January 16, 2026, directed the management to take up the matter with Government of Sindh regarding extension of loads. DAC further directed that to regularize extended load and revised reply alongwith concrete justification may be provided to Audit within 60 days.

Audit recommends probing the reasons for such an abnormal load factor charging and regularizing extended load.

(Draft Para No.1385/2025-26/AMIS 2025_COM0000000145_F01455)

4.1.3 Review of detection billing for low-consumption consumers

According to section 6.1.1 of NEPRA's Consumer Service Manual 2021, Meter reading of all the consumers of DISCO is carried out on a routine basis each month to record the consumption of energy consumed by each consumer during a given period (billing cycle/billing month). The meter reading program shall be prepared in such a way that the meters of a batch are normally read on the same dates each month.

According to para 9.1.3 of NEPRA CSM 2021, 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. Section 9.2.5 theft detection bills shall be issued separately, showing details i.e. reasons, number of units, amount, period of detection bill, taxes. The DISCO shall separately maintain record of theft detection bills issued and payments made by the consumers.

During the audit of HESCO for the financial year 2024-25, it was observed that electricity billing procedures were not consistently aligned with approved policies, indicating potential lapses in meter reading, detection bill issuance. Under normal practice, consumers were billed based on actual meter readings recorded through CP-21. In cases of verified electricity theft, detection bills were raised as per the CSM. However, analysis of MIS data revealed that 33,179 consumers were recorded with an actual meter consumption of only 0.2 million units through CP-21, indicating them as low-consumption consumers. Contrarily, these consumers also levied massive detection bills totaling 22.39 million units, amounting to Rs.358.70 million, in addition to their actual metered consumption on the grounds of alleged theft of electricity. This discrepancy suggests either a failure to record actual consumption accurately or the issuance of unjustified detection bills to low-consumption consumers. Detection units were charged on the grounds of alleged theft of electricity.

Further data analysis revealed that these detection bills were applied repeatedly over multiple billing cycles (up to 12 months in some cases) from July 2024 to June 2025, raising serious doubts about the authenticity and justification of these detection bills. The ratio of detection units to actual consumption was approximately 107:1, highlighting significant overbilling and possible misuse of authority. The pattern of repeatedly charging detection units indicated possible "parking" of units to conceal actual line losses, artificially improving reported figures. This practice underscored the need for strict adherence to accurate billing procedures, enhanced verification mechanisms for detection billing, and internal controls to prevent misuse of detection billing.

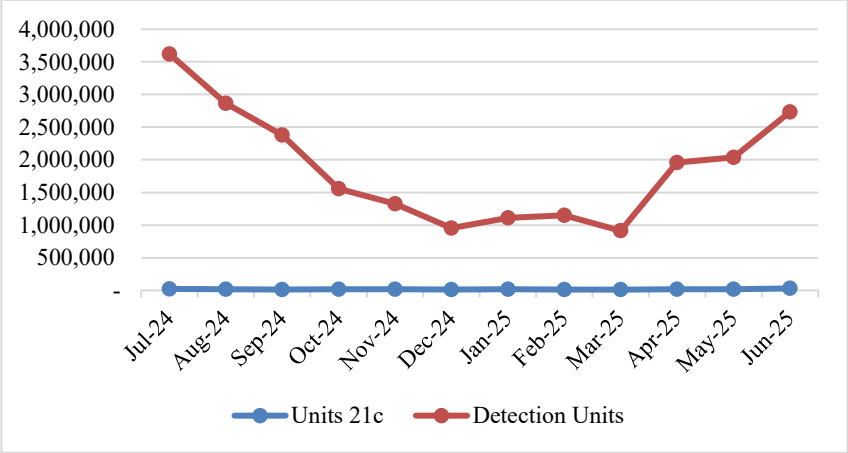
Table 23: Comparison of Billing and Payment as per CP-21 and detection charged

Sr. No.	Month	Total Billing	Payment	Units 21	Detection Units	Amount
1	Jul-24	64,933,527	1,754,849	24,897	3,596,136	64,786,992
2	Aug-24	50,311,056	1,355,936	18,626	2,844,911	50,169,494
3	Sep-24	33,222,113	1,698,394	14,213	2,366,891	32,857,171
4	Oct-24	31,917,129	1,098,002	17,010	1,538,357	31,813,490
5	Nov-24	15,582,402	933,569	15,206	1,309,209	16,481,262
6	Dec-24	11,989,174	1,281,370	11,761	942,353	12,217,648
7	Jan-25	13,712,154	1,364,774	19,053	1,093,423	14,929,346
8	Feb-25	14,609,823	1,929,759	12,041	1,138,354	16,322,095
9	Mar-25	12,647,963	953,887	11,290	901,251	13,520,425
10	Apr-25	29,669,792	1,405,467	17,211	1,941,492	31,258,529
11	May-25	32,281,516	1,496,161	17,521	2,018,481	32,109,260
12	Jun-25	41,643,648	1,558,897	29,983	2,700,551	42,234,370
	Total	**352,520,297**	**16,831,065**	**208,812**	**22,391,409**	**358,700,082**

(Source: CP-21 & CP-52 for year 2024-25)

Non-adherence to prescribed rules resulted in wrongful and irregular charging of detection valuing Rs.358.70 million to lifeline consumers for the financial year 2024-25.

Figure 11: Detection Charged in comparison to metered consumption



The matter was taken up with the management in November 2025 and reported to the Ministry in January 2026. The management replied that theft charges were applied under the Electricity Act 1910 and NEPRA's CSM 2021, as theft was widespread due to law-and-order issues. HESCO was conducting anti-theft campaigns with DISCOs Support Unit (DSU) and filing FIRs against offenders. The reply was not tenable. Audit contended that detection bills were excessive, repeatedly applied beyond prescribed limits, and disproportionate to actual consumption (ratio 107:1), indicating overbilling and weak internal controls requiring a detail probe in the matter. Reliance on law-and-order issues cannot excuse non-compliance with NEPRA-approved billing procedures.

The DAC, in its meeting held on January 16, 2026, directed the management to inquire the matter and share the outcome with Audit within 60 days.

Audit recommends implementation of DAC's decision.

(Draft Para No.1374/2025-26/AMIS 2025_COM0000000145_F01522)

4.1.4 Review of approval and short recovery of grid sharing charges due to load-splitting and non-aggregation of adjacent Abdullah Sports City schemes

As per GM (Commercial & Management) PEPCO Policy No. 5448-60 dated 01.10.2011, housing or commercial projects with ultimate load demand above 5 MW must provide a 4-acre piece of land for a grid station and bear 100% grid-sharing and transmission-line charges. Further, D.G NEPRA No. 834-46 dated 19.01.2022 and D.G NEPRA No. 37193-51 dated 21.11.2022 (Note III of Annex VI) clarify that different schemes or buildings in different names but belonging to the same owner or company and located adjacently shall be assessed in totality for load determination, grid sharing, and land acquisition obligations. Moreover, according to the NEPRA Consumer Service Manual (CSM-2021), cumulative load exceeding 5 MW but less than 10 MW attracts 50% grid-sharing charges plus 100% land cost, whereas load above 10 MW requires 100% grid-sharing charges including 4-acre land provision.

During the audit of HESCO for the financial year 2024-25, it was observed that Abdullah Sports City and its extension avoided full grid-sharing charges and land provision obligations. The main building was split into two cases (2,115 kW and 4,621 kW), even though the combined load of 6.74 MW exceeded the 5 MW threshold requiring 4 acres of land and 100% grid-sharing recovery. Similarly, the 16-acre extension was approved only for the 4-acre residential portion, while the commercial portion with an effective load of 29.9 MW was excluded from full charges. Management recovered only Rs. 1.243 million instead of the cumulative Rs. 148.85 million, resulting in a shortfall of Rs. 147.61 million and non-acquisition of required land, reflecting non-compliance with PEPCO and NEPRA policies and causing significant financial loss.

Table 24: Irregularities in Abdullah Sports City Schemes

Project / Case	Policy Requirement	Combined Load	Management Action	Violation	Financial Impact
Abdullah Sports City	>5 MW: Provide 4-acre land & 100% grid-sharing	6,736.71 kW (6.74 MW)	Case was split into two cases (2,115 kW + 4,621 kW)	Avoided grid-sharing recovery	Rs.147.61 million short recovery; 4 acres of land not acquired
Abdullah Sports City Extension	>10 MW: Provide 4-acre land & 100% grid-sharing	Effective load 29.9 MW	Only 4-acre residential approved; commercial portion ignored	Excluded commercial area from grid-sharing & land requirement	

(Source: Case file provided by Planning Dept. of HESCO)

Non-adherence to the rules resulted in irregular approval and short recovery of grid sharing charges due to load-splitting and non-aggregation of adjacent Abdullah Sports City schemes - Rs. 147.61 million up to the financial year 2024-25.

The matter was taken up with the management in November, 2025 and reported to the Ministry in January, 2026. The management replied that electrification of Abdullah Sports City, Abdullah Sports Towers and its Extension was carried out in accordance with applicable policies and evolving NEPRA guidelines, recovering assessed costs including transformer sharing charges. Audit contended that deliberate load-splitting and non-aggregation of adjacent schemes belonging to the same sponsor were in violation of PEPCO policy and NEPRA directives, resulting in avoidance of mandatory grid-sharing charges and grid-station land provision. Failure to assess the cumulative load of Abdullah Sports City and its extension led to short recovery of Rs.147.61 million and non-acquisition of the required four acres of land, reflecting irregular approval and weak regulatory compliance up to FY 2024–25.

The DAC, in its meeting held on January 16, 2026, directed the management to submit revised reply in the light of NEPRA Consumer Service Manual's amended time to time alongwith concrete justification and supporting evidence to Audit within 15 days.

Audit recommends inquiring the matter at higher level besides ensuring recovery of Rs.147.61 million and acquisition of 4 acres of grid-station land from the sponsor, as per NEPRA and PEPCO directives.

(Draft Para No.1348/2025-26/AMIS 2025_COM0000000145_F01485)

4.1.5 Systemic billing irregularities causing inflated detections and subsequent abnormal refunds

According to para 1.3 of WAPDA's Commercial Procedures Manual, "Executive Engineer is responsible for implementing the commercial policy laid down from time to time by the Authority through the Company and Efficient application of billing and collection procedures".

During the audit of HESCO for the financial year 2024-25, it was observed from record that 923.57 million units amounting to Rs.21,625.76 million were debited against 1,457,865 consumers and 28.44 million units were credited to 23,778 consumers amounting to Rs.1,784.59 million. The details are as below:

Table 25: Debit and Credit Units and Impact

Financial Year	Debit			Credit		
	Nos.	Units (kWh)	Amount (Rs. million	Nos.	Units (kWh)	Amount (Rs. million
2024-25	1,457,865	923.57	21,625.76	23,778	28.44	1,784.59

(Source: MIS Data of HESCO for the FY 2024-25)

Analysis showed that debit units accounted for 24% of total units billed (3,915.84 million units) during the year. Such a high proportion of detection charges pointed to systemic weaknesses in meter reading and billing controls, suggesting irregular adjustments and potential overbilling of consumers. The Chartered Accountants, in its financial year 2022-23's report (March 2025), noted that HESCO generated total revenue of Rs. 82,627.48 million, including Rs. 12,191.31 million from detection and theft-related penalties, but sufficient evidence was lacking to confirm compliance with the NEPRA CSM. This led to a qualification regarding the accuracy and occurrence of this revenue. It was also noted that total debit adjustments included 895 million units (Rs.19,841 million) for detection, whereas recovery against these bills was only Rs. 1,520 million, a low 7.66% realization. This recovery status highlights systemic weaknesses in billing and collection processes, indicating that detection bills were raised more to conceal line losses than on a sound technical or documentary basis. While such bills temporarily reduce reported losses and inflate revenue, they increase outstanding receivables and distort financial performance, undermining the reliability of accounts and necessitating a detailed probe.

The matter was taken up with the management in November, 2025 and reported to the Ministry in December, 2025. The management replied that detections were imposed according to Electricity Act, 1910 and NEPRA CSM to curb widespread electricity theft and mitigate financial losses in HESCO's jurisdiction. Anti-theft measures, consumer grievance redressal at multiple forums, and disciplinary actions under E&D Rules were being actively implemented to ensure compliance and accountability which results in refund of units to the consumers. Audit contended that non-adherence to NEPRA CSM

resulted in systemic billing irregularities, reflected disproportionate debit units causing inflated detections and subsequent abnormal refunds during financial year 2024–25.

The DAC, in its meeting was held on January 16, 2026, directed the management to inquire the matter and recommendations of inquiry committee report may be provided to Audit accordingly.

Audit recommends implementation of DAC's decision.

(Draft Para No.1378/2025-26/AMIS 2025_COM0000000145_F01526)
(Draft Para No.1391/2025-26/AMIS 2025_COM0000000145_F01461)

4.1.6 Discrepancy in units received and billed on distribution/independent feeders

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"**.**

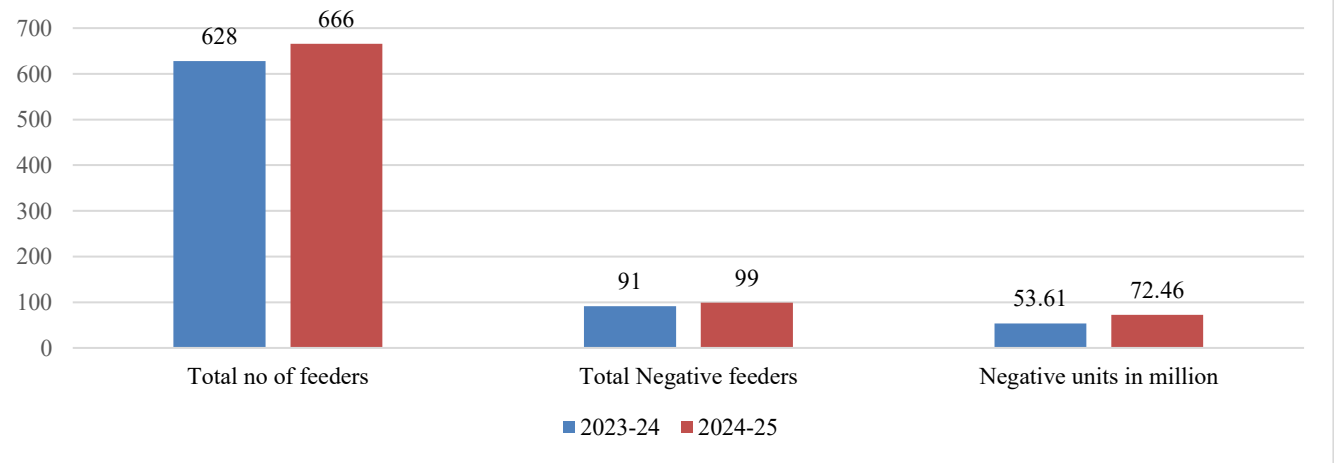
During the audit of HESCO for the financial year 2024-25, it was observed that 99 feeders were reported in negative figures during the year 2024-25 **(Annexure-III)**. Audit compared the feeder wise position with previous year and it was observed that the trend of negative figures persisted year to year basis. The negative figures revealed that the units billed were in excess of units received on feeders, resultantly an amount of Rs.2,897.80 million was overbilled to the consumers. The detail is as under:

Table 26: Negative Feeders Detail **(Rs in million)**

FY	Total no of feeders	No. of Negative feeders	Negative units (MkWh)	Financial impact
2023-24	628	91	53.61	2,228.20
2024-25	666	99	72.46	2,897.80

(Source: Feeder wise data provided by Management for FY 2024-25)

Figure 12: Comparison of Negative Feeders



(Source: Feeder wise data provided by management for FY 2024-25)

The anomaly occurred due to ineffective monitoring of billing record, weak internal controls over excess reading of energy units. Consequently, it led to undue financial burden on the consumers, overstatement of revenue and concealment of line losses.

Non-adherence to Commercial Procedure resulted in discrepancy in units received and billed on distribution/independent feeders amounting to Rs.2,897.80 million during the financial years 2024-25.

The matter was taken up with the management in November, 2025 and reported to the Ministry in January, 2026. The management replied that reported negative losses were attributed to timing differences between meter readings and billing cycles or earlier coding errors, while ongoing recovery actions and regular consumer payments confirm no actual revenue loss.

Audit contended that persistent negative losses on multiple feeders reflected ineffective monitoring of billing records and weak internal controls. Attributing the variances in units received and billed to timing or coding issues does not mitigate the fact that non-compliance with Commercial Procedures caused overbilling of consumers amounting to Rs.2,897.80 million and obscured actual line losses during FY 2024-25

The DAC, in its meeting held on January 16, 2026, directed the management that revised reply duly supported with proper justification of feeder-wise segregation, bundled & unbundled feeders, be provided to Audit within 60 days.

Audit recommends that matter of excess billing be inquired and responsibility be fixed upon officials/officers involved, billing as an increasing trend was observed with regard to number of feeders having negative losses. Further produce the record against Rs.2,897.80 million dully substantiated with CP-22 (A, B, C, D &E).

(Draft Para No.1283/2025-26/AMIS 2025_COM0000000145_F01360)
(Draft Para No.1413/2025-26/AMIS 2025_COM0000000145_F01486)
(Draft Para No.1552/2025-26/AMIS 2025_COM0000000145_F01643)

4.1.7 Unauthorized load extension by consumers

As per Para-8.2.10 of NEPRA's Consumer Service Manual 2021, if a consumer extends the existing load beyond the sanctioned load, a notice shall be issued to the consumer to apply for extension of load. The consumer shall apply for extension of load within fifteen days of the receipt of the notice. DISCO shall disconnect the power supply if the consumer fails to apply for extension of load and completes other formalities.

During the audit of HESCO for the financial year 2024-25, it was observed that a total of 224 industrial and commercial consumers, had extended their connected load without obtaining approval from the competent authority.

Table 27: Security and fixed charges against consumers **(Rs. in million)**

Type of Consumers	No. of Consumers	Security Amount	Fixed Charges	Total Amount
Commercial	107	166.58	-	**166.58**
Industrial	117	6.77	8.53	**15.30**
Total	**224**	**173.35**	**8.53**	**181.88**

(Source: MIS MDI data and E-Bill of consumers for the F.Y-2024-25)

It was further observed that 9,349 Consumers had been sanctioned with load between 0.1 to 1 kw in contrast to their consumption nature being Commercial, industrial and general. Due to non-provision of MDI recording in such low sanctioned load metering data, their actual load utilization remained non-transparent.

Table 28: Nos. of connections vs sanctioned Load

Sr. No.	Type of Consumers	No. of Connections	Sanctioned Load
1	Commercial	6,698	0.1 to 0.9 Kw
2	Industrial	59	0.1 to 1.0 Kw
3	Government	2,592	0.1 to 1.0 Kw
Total		**9,349**	

(Source: MDI industrial & commercial data of HESCO for the FY 2024-25)

Audit is of the view that unauthorized extension of load by the consumers results in system constraints, causing overloading, voltage fluctuations, and potential safety hazards severely effects the assets of the company. As a result of in-adequate monitoring of MDI reading and non-enforcement of supply condition. Moreover, HESCO was unable to recover mandatory security deposits and fixed charges leading to a financial loss of Rs.181.88 million to the company.

Non-adherence to Consumer Service Manual resulted in undue favor of extended load to industrial consumers on account of non-regularization of unauthorized extension of load up to the financial year 2024-25.

The matter was taken up with the management in November, 2025 and reported to the Ministry in January, 2026. The Management replied that directions have been issued to all field formations to coordinate with the M&T Directorate for division-wise checking of the commercial and industrial connections pointed out. Based on the M&T verification reports, demand notices will be issued within seven days in cases of load extension or short security. If load not regularized or no payment was made, the concerned consumers' electricity connections shall be disconnected as per rules.

The DAC, in its meeting held on January 16, 2026, directed the management to inquire into the matter of low sanctioned load at CEO level within 30 days. DAC further directed the management to provide updated status on actions taken against EOL consumers along with division/subdivision-wise breakup, showing the names of concerned XENs/SDOs/LSs with complete documentary evidence to Audit within 60 days.

Audit recommends implementation of DAC's decision.

(Draft Para No.1292/2025-26/AMIS 2025_COM0000000145_F01372)
(Draft Para No.1279/2025-26/AMIS 2025_COM0000000145_F01355)
(Draft Para No.1287/2025-26/AMIS 2025_COM0000000145_F01365)
(Draft Para No.1407/2025-26/AMIS 2025_COM0000000145_F01478)
(Draft Para No.1418/2025-26/AMIS 2025_COM0000000145_F01491)
(Draft Para No.1423/2025-26/AMIS 2025_COM0000000145_F01500)
(Draft Para No.1547/2025-26/AMIS 2025_COM0000000145_F01634)
(Draft Para No.1548/2025-26/AMIS 2025_COM0000000145_F01635)
(Draft Para No.1561/2025-26/AMIS 2025_COM0000000145_F01648)

5. ENVIRONMENTAL AND SAFETY POLICY

This section highlights serious non-compliance with environmental and safety regulations, reflecting weak governance and monitoring controls. Execution of transmission line and grid station projects without obtaining mandatory SEPA NOCs exposed the company to regulatory and environmental risks, while frequent fatal and non-fatal accidents indicated grave lapses in enforcement of safety standards, supervision, and use of protective measures. These deficiencies demonstrate unsatisfactory institutional oversight, non-adherence to statutory requirements, and heightened legal, operational, and reputational risks for the company.

5.1.1 Non-obtaining of No Objection Certificates (NOCs) from SEPA for transmission line and Grid Station projects

As per Section 17(1) of the Sindh Environmental Protection Act, 2014, No proponent of a project shall commence construction or operation unless he has filed with the Agency an initial environmental examination or environmental impact assessment, and has obtained from the Agency approval in respect thereof."

During the audit of HESCO for the financial year 2024-25, it was observed that twenty-seven (27) transmission line and grid station projects were executed during FY 2023-24 without obtaining No objection certificate (NOC) from Sindh Environmental Protection Agency (SEPA). It was further noted during the Audit of CEO, HESCO that no mechanism was available in the Planning & Monitoring department for obtaining such NOCs **(Annex-IV)**.

Non-adherence to EPA and SEPA regulations resulted in regulatory and environmental risks, including potential project delays during the financial year 2024-25.

The matter was taken up with management in November, 2025 and reported to the Ministry in January 2026. The management replied that B-3 & B-4 connections were sanctioned as per the NEPRA CSM and E&S charges to be applied after clarification from NEPRA. Audit contended that matter was not related to E&S charges rather NOC had to be obtained for execution of 27 transmission lines & Grid Station projects as they had environmental impact. Non obtaining of SEPA NOCs constitutes non-compliance with environmental regulations and weak monitoring controls.

. The DAC, in its meeting held on January 16, 2026, directed management to pursue the matter with NEPRA and to submit a revised reply along with outcomes substantiated with documentary evidence to Audit.

Audit recommends obtaining SEPA NOCs before initiating any construction work and maintaining proper environment related documentation.

(Draft Para No.1386/2025-26/AMIS 2025_COM0000000145_F01456)
(Draft Para No.1473/2025-26 AMIS 2025_COM0000000145_F01585)

5.1.2 Loss of precious human lives due to non-observance of safety standards

According to NEPRA Rule PSC-6.1 - Purpose, Scope & Philosophy of Safety Policy of Power Safety Code for Transmission & Distribution Licensees 2014, each licensee shall elaborate the purpose & scope of overall safety policy, vision of the licensee about safety, fundamentals of the power safety and the issuance of power safety manual to all concerns.

During the audit of HESCO for the financial year 2024-25, it was observed that twenty-eight (28) accidents occurred, including sixteen (16) fatal and twelve (12) non-fatal incidents, resulting in the death of sixteen individuals and injuries to twelve others. Preliminary investigations revealed safety violations, as field staff frequently worked on energized lines without obtaining the required Permit to Work (PTW) or ensuring feeder isolation. Linemen often used faulty or insufficient personal protective equipment (PPE) and carried out hazardous tasks without proper tools, operating rods, or safety clearances. These lapses indicate weak enforcement of NEPRA's safety policy, inadequate supervision, and negligence by divisional and sub-divisional officers who allowed unsafe practices and failed to ensure pre-job safety briefings. Detail is as under:

Table 29: Fatal and non-fatal accidents

Nature of Violation	Category	Fatal	Non-Fatal
NEPRA (Health Safety & Environment)	HESCO employees (Technical Staff)	02	07
	General Public	14	05
	Total	**16**	**12**
	Grand Total	**28**	

(Source: Fatal accidents reports (HESCO employees & General Public)

Non-adherence to the rules resulted in loss of precious human lives due to non-observance of safety standards during the financial year 2024-25.

The matter was taken up with the management in November, 2025 and reported to the Ministry in January, 2026. The management replied that Safety Directorate actively enforces workplace safety through monthly PPE and T&P inspections, daily safety briefings, and Safety Committee meetings. Audit contended that management could not address the root causes of the fatal & non-fatal accidents or to produce any documentary evidence of compliance with mandatory safety protocols. General claims of inspections and meetings cannot absolve management of responsibility for the loss of precious human lives; the absence of accountability and enforcement clearly confirms systemic negligence.

The DAC, in its meeting held on January 16, 2026, directed the management to inquire the matter for fixing responsibility. DAC further directed to expedite the widow's claims as well as jobs against deceased quota's and recommendations of inquiry committee report along with revised reply may be provided to Audit.

Audit recommends implementation of DAC's decision.

(Draft Para No.1358/2025-26/AMIS 2025_COM0000000145_F01506)

CONCLUSION

HESCO exhibited material deficiencies in financial reporting, governance framework and internal controls, most notably the non-finalization of annual financial statements for financial year 2023-25 coupled with non-provision of related disclosures for the financial statements of the previous years. Issues like non-verification and withholding of government subsidy claims amounting to Rs.21,119.87 million for financial year 2024–25 reflects weak oversight of BoD to proactively resolve such critical issues. Additional weaknesses include non-reconciliation with other stakeholders which resulted in unreconciled bank balance difference of Rs. 4,120.52 million with Pakistan Post Office, indicating weak financial oversight and potential exposure to irregularities. An irregular waiver of Late Payment Surcharge (LPS) of Rs. 31.20 million reflected non-compliance with billing policies. Furthermore, persistent non-recovery of arrears from disowned government connections and ineffective inventory management leading to warranty expiry on procured transformers collectively demonstrate systemic control failures.

Operational and governance failures further exacerbated HESCO's challenges. The company consistently failed to meet NEPRA's performance benchmarks, with Transmission & Distribution losses reaching 27.77% against a target of 17.55%, resulted in financial loss due to excess energy losses beyond NEPRA benchmark for the financial year 2024-25.

Weak enforcement of the anti-theft campaign, insignificant recovery of detection amounts and repeated regulatory violations leading to penalties highlight inadequate operational vigilance and managerial oversight. Moreover, deficiencies in internal audit functions, and non-compliance with environmental and safety regulations reflects ineffective control mechanisms and weak accountability.

RECOMMENDATIONS

i. BoD HESCO must ensure early finalization of the pending financial statements for financial years 2023-25 on priority basis as per SECP requirement.

ii. Improve BoD oversight for enforcement of Strategic Roadmap targets as agreed upon with Power Division and early completion of Internal Audit activities.

iii. Implement effective loss-reduction strategies to meet NEPRA's T&D loss benchmarks and enhance anti-theft enforcement through improved monitoring and recovery efforts.

iv. Investigate systemic billing irregularities and feeder-level discrepancies to prevent overbilling and ensure accurate energy accounting.

v. Review unauthorized waivers of Late Payment Surcharge and strengthen billing controls in accordance with NEPRA directives.

vi. Early reconciliation of bank balances with Pakistan Post Office to strengthen internal controls over financial reporting.

vii. Pursue withheld subsidy claims with the Power Division and conduct joint verification of disowned electricity connections with the Government of Sindh Energy Department.

viii. Fix responsibility for repeated violations of NEPRA directives and strengthen internal compliance mechanisms to avoid penalties.

ix. Strengthen the internal audit function through independent audit planning, comprehensive coverage, and regular reporting to the Audit Committee.

x. Implement mandatory pre-construction environmental compliance, including SEPA NOC acquisition and a tracking system for all projects.

xi. Enforce strict adherence to NEPRA safety standards, ensure use of PPE and PTW procedures, hold accountable those negligent in safety, and expedite support for victims' families.

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Appendices

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Appendix-I

Audit Objectives

The objective of the audit was to provide an independent assessment of HESCO's financial, operational, and governance performance, with a view to ensure transparency, accountability, and proper stewardship of public resources. The audit aimed to examine whether revenues, expenditures, assets, and liabilities were managed, recorded, and reported in accordance with applicable laws, rules, regulations, and prescribed financial reporting standards.

The audit further sought to evaluate the effectiveness of internal controls, governance arrangements, and risk management systems, including compliance of SOE Act's provisions, NEPRA regulations and government directives. Particular emphasis was placed on identifying weaknesses that could lead to revenue leakages, financial irregularities, inefficiencies, or misuse of public funds.

Additionally, the audit aimed to assess HESCO's operational efficiency and achievement of performance targets, including reduction of T&D losses, recovery performance and procurement practices. The ultimate objective was to highlight systemic issues, recommend corrective measures, and support management and oversight bodies in improving performance, service delivery, and financial sustainability.

Scope

The audit covered HESCO's financial, governance, operational and procurement activities for the financial year 2024-25, conducted on a test-check basis. It included examination of audited financial statements for the last three years (2020-21 to 2022-23) and un-audited of financial statements of 2023-24 & 2024-25, evaluation of the BoD's oversight functions, compliance with applicable laws and regulations, effectiveness of internal controls, and assessment of key performance and operational processes. Audit examined the accounts of four circles (Hyderabad, Laar, Nawabshah, Mirpur Khas) as well to ascertain the status of regulatory compliance at the divisional level.

Methodology

The audit was conducted in accordance with the auditing standards of the Auditor-General of Pakistan using a risk-based, test-check approach. It involved examination of records, analysis of financials to review of compliance with applicable laws and regulations, and evaluation of internal controls through discussions with management and scrutiny of supporting documents and physical verification of inventory at Regional Store Hyderabad.

Appendix-II

Extract of Financial Statements for FY 2021 to 2025

Hyderabad Electric Supply Company (HESCO)

Balance Sheet FYs 2021 to 2025

Rs.in million

Description	FY 2024-25	Inc/Dec (%)	FY 2023-24		FY 2022-23		FY 2021-22		FY 2020-21
Assets									
Non-Current Assets									
Property, Plant & Equipment (Net)	39,220.06	1.14%	38,778.95	-23.62%	50,768.02	7.97%	47,018.59	4.20%	45,124.90
Capital Work-in-Progress	16,240.91	-0.39%	16,305.14		-		-		-
Long term loans	-		-		-		-	-100.00%	1.29
Long ter deposits	-		-		259.15	-5.76%	275.00	-76.80%	1,185.15
Total Non-Current Assets	**55,460.97**	0.68%	**55,084.09**	7.95%	**51,027.17**	7.89%	**47,293.59**	2.12%	**46,311.34**
Current Assets							-		-
Stores & Spares (Net)	9,623.05	-13.78%	11,160.50	37.63%	8,108.95	98.67%	4,081.59	96.27%	2,079.61
Trade Debts (Considered Good)	34,151.98	-36.23%	53,554.24	74.42%	30,704.76	51.13%	20,316.54	124.32%	9,056.77
Loan and Advances	94.91	-43.07%	166.72		83.46	9.20%	76.43	75.73%	43.49
Due from Associated Undertakings	59,990.54	47.04%	40,799.50	283.76%	10,631.46	-21.44%	13,533.09	3.91%	13,024.06
Receivable from Government of Pakistan	-		-		28,311.75	2.97%	27,495.96	-33.75%	41,504.17
Other Receivables (Net)	25,113.85	217.62%	7,906.91	-23.56%	10,344.21	6.44%	9,718.32	15.71%	8,399.00
Advance Income Tax	1,463.64	9.98%	1,330.81	4.75%	1,270.47	74.75%	727.02	-12.71%	832.87
Accrued Mark Up	124.33	-37.87%	200.11	159.35%	77.16	-47.90%	148.09	202.87%	48.89
Cash & Bank Balances	17,248.22	4.23%	16,547.79	14.08%	14,504.89	-4.49%	15,186.08	53.95%	9,864.16
Total Current Assets	**147,810.52**	12.26%	**131,666.58**	26.56%	**104,037.10**	13.97%	**91,283.12**	7.58%	**84,853.03**
TOTAL ASSETS	**203,271.49**	**8.85%**	**186,750.67**	**20.43%**	**155,064.27**	11.90%	**138,576.71**	5.65%	**131,164.37**
Equity & Liabilities									
Issued Capital	0.01	0.00%	0.01	0.00%	0.01	0.00%	0.01	0.00%	0.01
Accumulated Loss	(513,070.75)	2.58%	(500,167.10)	5.76%	(472,927.34)	22.15%	(387,170.54)	16.46%	(332,453.01)
Deposit for Issuance of Shares	159,175.42	0.00%	159,175.42	11.61%	142,615.52	23.24%	115,722.04	58.46%	73,029.74
Deferred Credit	23,705.62	2.85%	23,048.59	2.60%	22,464.92	5.38%	21,318.28	6.57%	20,003.69
TOTAL EQUITY	**(330,189.70)**	3.85%	**(317,943.08)**	3.28%	**(307,846.89)**	23.07%	**(250,130.21)**	4.47%	**(239,419.57)**
Non-Current Liabilities									
Long-Term Financing (Non-Current)	2,695.28	-10.88%	3,024.46	-0.65%	3,044.31	-15.95%	3,621.84	-13.09%	4,167.28
Consumers Security Deposits	3,397.95	10.00%	3,089.05	6.31%	2,905.75	6.67%	2,723.94	5.71%	2,576.73
Receipt against Deposit work and Connections	6,133.38	17.60%	5,215.26	10.15%	4,734.49	11.94%	4,229.50	21.86%	3,470.72
Employees' Retirement Benefits	91,767.56	5.00%	87,397.62	-4.18%	91,206.13	67.86%	54,333.38	4.87%	51,812.66
Total Non-Current Liabilities	**103,994.19**		**98,726.39**		**101,890.68**	56.98%	**64,908.65**	4.65%	**62,027.39**
Current Liabilities									
Trade & Other Payables	9,837.59	-33.77%	14,854.64	112.29%	6,997.49	-14.06%	8,141.96	22.20%	6,662.78
Due to Associated Undertakings	397,397.38	7.42%	369,939.00	10.53%	334,681.24	12.15%	298,410.88	4.16%	286,506.24
Accrued Mark-up	15,319.44	5.00%	14,590.00	11.71%	13,061.13	13.16%	11,542.33	12.83%	10,229.87
Current and overdue portion of Longterm Financing	6,912.61	5.00%	6,583.43	4.82%	6,280.62	10.13%	5,703.10	10.58%	5,157.65
Total Current Liabilities	**429,467.01**	5.79%	**405,967.07**	12.45%	**361,020.48**	11.50%	**323,798.27**		**308,556.55**
Total Liabilities	533,461.19	5.70%	504,693.46	9.03%	462,911.16	19.09%	388,706.92		370,583.94
TOTAL EQUITY & LIABILITIES	**203,271.49**	**8.85%**	**186,750.67**	**20.43%**	**155,064.27**	11.90%	**138,576.71**	5.65%	**131,164.38**

Statement of Profit & Loss Account for the year 2020-21 to 2024-25

Rs.in million

	FY 2024-25	Inc/(Dec) %	FY 2023-24	Inc/(Dec) %	FY 2022-23	FY 2021-22	FY 2020-21
Electricity sales	143,987.27	22.99%	117,071.11	41.69%	82,627.49	74,708.40	54,449.07
Tariff subsidy	46,553.57	-14.35%	54,353.75	59.37%	34,105.18	30,818.39	30,927.02
	190,540.85	11.15%	**171,424.86**	**1.01**	**116,732.67**	**105,526.79**	**85,376.09**
Cost of electricity	(183,347.53)	8.49%	(169,007.10)	31.82%	(128,215.06)	(114,502.29)	(74,791.58)
Gross profit/(loss)	**7,193.32**	197.52%	**2,417.76**	**1.33**	**(11,482.39)**	**(8,975.50)**	**10,584.52**
Amortization of deferred credit	565.06	-34.85%	867.35	6.45%	814.79	773.20	725.52
Gross profit/(loss) before operating expenses	**7,758.37**	136.17%	**3,285.11**	**1.39**	**(10,667.60)**	**(8,202.30)**	**11,310.04**
Operating expenses excluding depreciation	(14,515.24)	28.38%	(11,306.26)	-54.95%	(25,099.65)	13,287.46	(10,970.28)
Depreciation	(2,395.17)	70.47%	(1,405.05)	6.32%	(1,321.51)	1,255.81	(1,244.00)
Provision for doubtful debts	(3,703.64)	-39.17%	(6,089.00)	-58.31%	(14,604.36)	17,804.05	(62,438.81)
Provision for doubtful subsidies	-	-100.00%	(10,527.93)	62.10%	(6,494.85)	11,886.97	(10,855.91)
Provision for slow moving stock	-		-	-100.00%	(635.26)	356.09	(15.87)
Other income	3,663.67	-11.72%	4,150.06	29.87%	3,195.44	2,006.03	2,407.05
	(16,950.38)	-32.68%	**(25,178.18)**	**(1.15)**	**(44,960.18)**	**46,596.41**	**(83,117.83)**
Operating profit / (loss)	**(9,192.01)**	-58.01%	**(21,893.07)**	**0.24**	**(55,627.78)**	**38,394.11**	**(71,807.79)**
Finance cost	(2,638.82)	-32.00%	(3,880.68)	8.23%	(3,585.46)	2,678.35	3,261.94
Profit / (loss) before taxation	(11,830.83)	-54.10%	(25,773.75)	0.33	(59,213.24)	41,072.46	(68,545.86)
Tax expense	(1,072.82)	-26.82%	**(1,466.01)**	40.66%	(1,042.27)	944.37	837.32
Profit / (loss) after taxation	(12,903.66)	-52.63%	(27,239.76)	0.73	(60,255.51)	42,016.82	(67,708.54)

HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2024
(Expressed in Rupees)

Description	Share Capital	Accumulated Loss	Deposit for Issuance of Shares	Total
Balance as at June 30, 2022	10,000	(387,170,535,939)	115,722,036,572	(271,448,489,367)
Comprehensive loss for the year				
Loss for the year ended	-	(60,255,509,356)	-	(60,255,509,356)
Other comprehensive loss	-	(25,501,297,944)	-	(25,501,297,944)
Non-cash settlement against deposit for shares	-	-	26,893,481,946	26,893,481,946
Total comprehensive loss for the year	-	(85,756,807,300)	26,893,481,946	(58,863,325,354)
Balance as at June 30, 2023	10,000	(472,927,343,239)	142,615,518,518	(330,311,814,721)
Loss for the year ended	-	**(73,146,714,269)**	-	**(73,146,714,269)**
Other comprehensive loss	-	**(1,584,747,536)**	-	**(1,584,747,536)**
Non-cash settlement against deposit for shares	-	-	**16,559,902,650**	**16,559,902,650**
Total comprehensive loss for the year	-	**(74,731,461,805)**	**16,559,902,650**	**(58,171,559,155)**
Balance as at June 30, 2024	**10,000**	**(547,658,805,044)**	**159,175,421,168**	**(388,483,373,876)**

The annexed notes from 1 to 39 form an integral part of these financial statements.

HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2024
(Expressed in Rupees)

	Note	2024	2023
Loss after taxation		**(73,146,714,269)**	(60,255,509,356)
Other comprehensive loss			
Items that will not be reclassified subsequently to profit or loss			
- Remeasurement of post-retirement benefits	9.3	**(1,584,747,536.0)**	(25,501,297,944)
Total comprehensive loss for the year		**(74,731,461,805)**	(85,756,807,300)

The annexed notes from 1 to 39 form an integral part of these financial statements.

Annexure-I

Receivables & Payables (FYs ending 30 June)

(Rs.in million)

Financial Year	Gross Receivables	Provision against Receivables	Net Receivables	Payables
2020-2021	70,837.81	(62,438.81)	8,399.00	6,662.78
2021-2022	27,522.37	(17,804.05)	9,718.32	8,141.96
2022-2023	24,948.57	(14,604.36)	10,344.21	6,997.49
2023-2024	13,995.90	(6,088.99)	7,906.91	14,854.64
2024-2025	28,817.49	(3,703.64)	25,113.85	9,837.59

(Source: Financial Statements for FYs 2020-2025 of HESCO)

Annexure-II

Para-4.1.2

Inaccurate billing to Govt. connections by applying above 100% load factor

Sr. No.	Name of Circle	Tariff Category	Tariff Description	No of consumer cases	Range of above 10o%Load Factor	Unit billed by applying above 100% load factor	units to be billed as per NEPRA determined load factor	Units billed in excess of NEPRA determined load factor under tariff category
1	Circle-I	Residential	A-1a, A-1b	61	102% to 1512%	280,014	14,682	265,332
2		Others	A-3, C-1,G-1,G-2	2119	100% to 4018%	31,499,566	3,258,084	28,241,482
3		Agriculture	D-1(a) (b)	666	100% to 841%	16,089,347	3,204,415	12,884,932
Total				**2,846**		**47,868,927**	**6,477,181**	**41,391,746**
1	LAAR	Residential	A-1(a)(b)	12	101% to 232%	60,865	8,950	51,915
2		Others	A-3, C-1 G-1,G-2	2847	100% to 9131%	64,814,331	6,777,650	58,036,681
3		Agriculture	D-1(a) (b)	234	107% to 2450%	10,909,012	1,581,287	9,327,725
Total				**3,093**		**75,784,208**	**8,367,887**	**67,416,321**
1	Nawab Shah	Residential	A-1a	1	671%	9,800	292	9,508
2		Others	A-3, C-1, G-1,G-2	2116	100% to 4256%	16,893,536	2,180,150	14,713,386
3		Agriculture	D-1 (a) (b)	701	101% to 655%	10,045,074	3,163,900	6,881,174
Total				**2,818**		**26,948,410**	**5,344,342**	**21,604,068**
1	Mirpur Khas	Residential	A-1	15	103% to 218%	499,472	54,312	445,160
2		Others	A-3, C-1, G-1	2556	100% to 4759%	29,398,812	2,912,567	26,486,245
3		Agriculture	D-1(b)	274	101% to 6446%	6,505,398	1,083,641	5,421,757
Total				**2,845**		**36,403,682**	**4,050,520**	**32,353,162**
Grand Total				**11,602**		**187,005,227**	**24,239,930**	**162,765,297**

(Source: HESCO Consumer MDI/MIS Data for the FY 2024-25)

Annexure-III

Para-4.1.6

Statement Regarding Feeders Overbilling in HESCO 2024-25

(Rs.in million)

Sr. No.	Formation	No. of Feeders	Unit Received	Units Billed	Excess Units	Average Unit Rate	Amount
1	Mir Pur Khas	5	26.14	29.85	3.71	40	148.00
2	Nawab Shah	51	185.93	229.71	43.78	40	1,751.00
3	Laar	43	257.91	282.88	24.97	40	998.80
Total		**99**	**469.98**	**542.44**	**72.46**		**2,897.80**

(Source: CP-22A of HESCO for the FY 2024-25)

Annexure-IV
Para 5.1.1

Grids & Transmission Line Projects in HESCO requiring NOC from SEPA

S. No.	Name of Project	Scope
1	In & Out Arrangement at Saeedabad G/S 2 No. L/Bays at Substation	In & Out Arrangement -11 KM - 41 Nos. Locations.
2	Sakrand – Nawabshah Society 02 No. L/Bays	New T/Line -20 KM along with 02 No. Line Bays 1 No. at Sakrand 1 No. at Nawabshah
3	132 KV Sujawal Golarchi T/L with Line Bays	New T/Line -51.24 KM-192 Locations
4	132KV G/S JAM NAWAZ ALI a/w allied T/L	New Grid -1x20/26 MVA, T/Bay along with 132KV D/C Kandiari – Jam Nawaz Ali T/Line -22KM
5	66/132KV Mithi	1x40 MVA, T/Bay along with 132KV Noukot – Mithi T/Line -46KM
6	66/132KV Islamkot	1x40 MVA, T/Bay along with 132KV Mithi -Islamkot T/Line -45KM
7	132kV T.M Khan - B.S Karim T/Line	New T/Line -42 KM -154 Nos. Locations.
8	132kV SDT B.S Karim - SujawalT/Line	New T/Line -38 KM -141 Nos. Locations.
9	132kV SDT Thatta - PirPathoT/Line	New T/Line -29 KM -119 Nos. Locations.
10	132kV SDT PirPatho - MirpurSakroT/Line	New T/Line -22 KM -87 Nos. Locations.
11	132kV D/C NTPS - Hala Road T/Line (Mid Spanning)	New T/Line -9.5 KM -33 Nos. Locations.
12	132kV SDT NTPS - T.M Khan	New T/Line -32.71 KM -115 Nos. Locations.
13	132 KV Mirpurkhas-II G/S	New Grid -2x40 MVA, T/Bay along with T/Line -15 KM
14	132KV BhitShah G/S	New Grid -1x40 MVA, T/Bay along with T/Line -5KM
15	132KV Kotri Site-II G/S	New Grid -2x40 MVA, T/Bay along with T/Line -3.5 KM
16	06 No.132KV T/Line from proposed 220 KV New Mirpurkhas Grid Station (of NTDC) to HESCO's Network	i. 132KV T/Line for Loop In & Out M.P.Khas - Kandiari (D/C) - 14KM-Lynx Conductor
		ii. 132KV T/Line for Loop In & Out M.P.Khas - Sanghar (D/C) - 15KM-Lynx Conductor
		iii. 132KV T/Line from M.P.Khas - New - M.P.Khas (SDT) - 10KM - Rail Conductor
		iv. 132KV T/Line form M.P.Khas - Kandari (SDT) - 44KM - Rail Conductor
17	132KV Sanghar-Shahpurclakar-Nawabshah-II-Nawabshah-I G/S	132KV, 74KM (Approx.) SDT Sanghar - S.P.Chakar-N.Shah - II - N.Shah - I T/Line on Rail Conductor and 01 Line Bay at 132KV Sanghar, 02 Line Bays at 132 GS Nawab shah II
18	132KV Nooriabad-II G/S	New Grid-2x20/26 MVA, L/bay alongwith D/C T/Line -05 KM on Greely
19	66 132KV Pataro	New Grid-2x20/26 MVA, alongwith S/C T/Line -10 KM on lynx
20	66 132KV Tandobago	1X20/26 MVA, alongwith S/C T/line
21	66 132KV Pangrio	132KV A, along with S C T Line- 10 KM or 132KV A, along with S C T Line- 10 KM
22	60 132KV Kalor	Pangro G/S & 25KM from Badin G/Son Cairo
23	132KV DC Inout Arrangement from Matli-Tandoghulam Ali T/Line at Sheik Bhirkio	132KV A, along with S/C T Line- 22 KM or 132KV A, along with S/C T Line- 10 KM or 132KVA, along with S/C T Line- 10 KM or 32KV A, along with S/C T Line- 10 KM or 132KV
24	In Out Arrangement from 132KV Tando Muhammad Khan - Talhar T/Line - at 132KV New Matli G/S	In Out feed DC Tline, 01 KM (Approx.) on Cairo Conductor, from 132KV T.M.Khan - Talhar, 02 No. line Bays for 132KV Tando Muhammad Khan and Talhar G/S at Matli Grid Station
25	132KV T-Line In & Out arrangement of existing 132KV Nooriabad Master Green Circuit at 132KV Grid Station kaluKohar	In & Out arrangement - 22KM- Greely Conductor.
26	132KV T-Line In & Out arrangement of existing 132KV Hala Road Hala Circuit at 132KV Grid Station Tando Adam	In & Out arrangement - 12KM- Rail Conductor.
27	132 KV Feed Line for Kaloi Grid Station from 132 KV Naukot G/S	30 Km Single Circuit T/Line on Cairo conductor

(Source: correspondence letter with PMU dated 18.10.2024 by PD GSC HESCO)

Appendix-III

List of MFDAC Paras (Audit Report 2025-26)

Sr. No.	Company	Draft Para No.	Subject
1.	HESCO	1276/2025-26	Loss due to damages of distribution transformers – Rs.18.23 million
2.	HESCO	1277/2025-26	Loss due to theft of electrical material – Rs. 5.88 million
3.	HESCO	1278/2025-26	Loss due to non-recovery of electricity charges against disconnected temporary connections – Rs.1.61 million
4.	HESCO	1281/2025-26	Weak enforcement of electricity theft cases resulted in non-recovery of detection amounts – Rs.60.7 million
5.	HESCO	1282/2025-26	Pending consumer deposits awaiting energization of connections – Rs.115.58 million
6.	HESCO	1285/2025-26	Loss due to waiving off late payment surcharge (LPS) to government consumers – Rs.2.24 million
7.	HESCO	1286/2025-26	Non-availability of record due to seizure by investigating agency
8.	HESCO	1288/2025-26	Poor mobile meter reading compliance poses serious risk to billing integrity
9.	HESCO	1289/2025-26	Non-finalization of books of accounts/ financial statements
10.	HESCO	1290/2025-26	Non reimbursement of WAPDA welfare fund claims - Rs.2.19 million
11.	HESCO	1291/2025-26	Energy losses on independent feeders beyond permissible limit -Rs. 1.99 million
12.	HESCO	1333/2025-26	Less recovery of revenue targets against billing -Rs. 40,528.60 million
13.	HESCO	1398/2025-26	Non-provision of Mandatory T.O.U metering and Incorrect Tariff Application for Consumers having Sanctioned load of 5 KW and Above
14.	HESCO	1402/2025-26	Loss due to damages of distribution transformers – Rs. 71.70 million
15.	HESCO	1403/2025-26	Loss due to theft of electrical material – Rs. 11.59 million.
16.	HESCO	1404/2025-26	Loss due to non-recovery of electricity charges against disconnected temporary connections – Rs. 5.29 million.
17.	HESCO	1405/2025-26	Energy losses on independent feeders beyond permissible limit -Rs. 21.62 million.
18.	HESCO	1406/2025-26	Prolonged delay in finalizing the disciplinary proceedings undermining accountability.
19.	HESCO	1408/2025-26	Non-Energization of Connections Despite Collection of Capital Cost and Security Deposits - Rs.12.13 million.
20.	HESCO	1409/2025-26	Non-Compliance with Mandatory Wiring Test Requirements for installing electricity connections.
21.	HESCO	1411/2025-26	Weak enforcement of electricity theft cases resulted in non-recovery of detection amounts – Rs. 34.4 million.
22.	HESCO	1412/2025-26	Retention of capital contribution awaiting connection –Rs. 350.02 million.
23.	HESCO	1415/2025-26	Non-Provision of Mandatory T.O.U Metering and Incorrect Tariff Application for Consumers Having Sanctioned Load of 5 KW and Above.
24.	HESCO	1416/2025-26	Non-availability of record due to seizure by investigating agency.
25.	HESCO	1417/2025-26	Waiving off/adjustment of Late Payment Surcharge (LPS) to Government/Pvt consumers – Rs.9.52 million.

26.	HESCO	1419/2025-26	Poor mobile meter reading compliance poses serious risk to billing integrity.
27.	HESCO	1420/2025-26	Irregular billing in disconnected villages and weak safeguarding of distribution assets -Rs. 38.58 million.
28.	HESCO	1421/2025-26	Non-finalization of books of accounts/ financial statements.
29.	HESCO	1422/2025-26	Non reimbursement of WAPDA welfare fund claims - Rs.3.61 million.
30.	HESCO	1424/2025-26	Unjustified acceptance of material without pre-shipment inspection – Rs. 0.41 million.
31.	HESCO	1425/2025-26	Failure to enforce contractual delivery timelines and liquidated damages, causing loss of Rs. 223.75 million.
32.	HESCO	1427/2025-26	Irregular issuance of material to GSC without submission of monthly progress report—Rs.91.824 million.
33.	HESCO	1429/2025-26	Less procurement of material of secondary transmission line & grid material than approved procurement plan 2024-25 - Rs.9378.13 million.
34.	HESCO	1431/2025-26	Unauthorized revision of Head Office allowance and unjustified drawal of Project management allowance – Rs.1.99 million.
35.	HESCO	1432/2025-26	Non processing of contractor dues and EOT requests with M/s Siemens Pakistan Engineering Co. Ltd – Rs. 356.76 million.
36.	HESCO	1433/2025-26	Unauthorized revision of Head Office Allowance.
37.	HESCO	1434/2025-26	Improper inter-DISCO loan adjustment resulting unsettled receivable of Rs. 5.70 million.
38.	HESCO	1435/2025-26	Contradictory Reporting and Weak Coordination on Hala Road Circuits Project.
39.	HESCO	1436/2025-26	Loss to Government due to Non-deposit of Sindh Sales Tax – Rs. 2.33 million.
40.	HESCO	1537/2025-26	Irregular issuance of material from STG budget for GSO-related works—Rs. 17.69 million.
41.	HESCO	1538/2025-26	Non-clearance of long-standing advances to suppliers and contractors — Rs. 95.88 million.
42.	HESCO	1539/2025-26	Non-preparation of PC-IV and PC-V of completed ADB & STG project amounting to Rs.29,235.69 million.
43.	HESCO	1540/2025-26	Irregular sanction of additional allowance for six months in violation of prescribed rules – Rs. 0.12 million.
44.	HESCO	1541/2025-26	Idle investment and inefficient planning in 132kv river bund grid station and Bhitshah grid station resulting in blocking of Rs. 134.88 million.
45.	HESCO	1542/2025-26	Irregular ex-post facto allocation of transmission line material without prior approvals – Rs.9.93 million.
46.	HESCO	1460/2025-26	Unjustified execution of work not included in MYT or ADP FY 2024-25–Rs.19.55 million
47.	HESCO	1461/2025-26	Non-preparation of trial balance/monthly accounts (expenditure Rs.1178.97 million)
48.	HESCO	1462/2025-26	Loss due to non-recovery of electricity charges against disconnected temporary connections – Rs.1.61 million
49.	HESCO	1463/2025-26	Non-capitalization of completed projects amounting to Rs. 700.45 million
50.	HESCO	1464/2025-26	Avoidable expenditure on Sandbags for Grid Station Protection – Rs. 1.92 million
51.	HESCO	1465/2025-26	Non-submission of Sindh sales tax returns and non-production of original invoices resulting in input tax loss – Rs. 15.11 million

52.	HESCO	1466/2025-26	Unsafe Completion of 132kV Thatta–Sujawal Transmission Line without dismantling – violation of NEPRA safety codes – Rs. 2.67 million
53.	HESCO	1469/2025-26	Non-execution of the approved remodeling of 132kV Sujawal – Bulri Shah Karim Transmission Line resulted in repeated collapses and avoidable expenditure of Rs. 44.18 million
54.	HESCO	1470/2025-26	Understatement of fixed assets due to non-capitalization of leasehold land – Rs. 119.6 million
55.	HESCO	1471/2025-26	Non-return of dismantled electrical material to store – Rs.4.83 million
56.	HESCO	1472/2025-26	Less Deduction of Liquidated Damages (LD) from Contractor – Rs. 0.31 million
57.	HESCO	1474/2025-26	Non-disposal of off-road vehicles worth Rs. 3.10 million (approximately)
58.	HESCO	1428/2025-26	Loss due to damages of distribution transformers – Rs. 91.88 million
59.	HESCO	1543/2025-26	Loss due to theft of electrical material – Rs. 14.51 million
60.	HESCO	1544/2025-26	Loss due to non-recovery of electricity charges against disconnected temporary connections – Rs. 6.24 million
61.	HESCO	15452025-26	Energy losses on independent feeders beyond permissible limit -Rs. 367 million
62.	HESCO	1546/2025-26	Prolonged delay in finalizing the disciplinary proceedings undermines accountability
63.	HESCO	1549/2025-26	Weak enforcement of electricity theft cases led to non-recovery of Rs. 25.6 million
64.	HESCO	1550/2025-26	Less recovery of rehabilitation charges from consumers - Rs. 12.17 million
65.	HESCO	1551/2025-26	Pending consumer deposits awaiting energization of connections – Rs.335.23 million
66.	HESCO	1554/2025-26	Non-availability of wiring test reports in connection files (connection category–1 & category–2)
67.	HESCO	1555/2025-26	Non-Provision of Mandatory T.O.U Metering and Incorrect Tariff Application for Consumers Having Sanctioned Load of 5 KW and Above
68.	HESCO	1556/2025-26	Waiving off/adjustment of Late Payment Surcharge (LPS) to Government/Pvt consumers – Rs.5.89 million
69.	HESCO	1558/2025-26	Unsatisfactory mobile meter reading compliance poses serious risk to billing integrity
70.	HESCO	1559/2025-26	Non-finalization of books of accounts/ financial statements
71.	HESCO	1560/2025-26	Non reimbursement of WAPDA welfare fund claims - Rs.8.77 million
72.	HESCO	1335/2025-26	Non-finalization and undue delay in disposal of departmental inquiries having financial impact Rs. 145.54 million
73.	HESCO	1336/2025-26	Non-recovery of revenue due to pending litigation and management deferrals - Rs. 2,446.15 million
74.	HESCO	1341/2025-26	Under-utilization of approved procurement plan reflecting weak planning and ineffective execution - Rs. 3,687.54 million
75.	HESCO	1344/2025-26	Non-preparation of Bank Reconciliation Statements
76.	HESCO	1346/2025-26	Unjustified scrapping of economical tenders for line materials resulting in loss of potential financial benefit – Rs.1.20 million
77.	HESCO	1347/2025-26	Non-installation of individual electricity meters in GoS housing colonies despite payment of Rs. 154.75 million
78.	HESCO	1349/2025-26	Non-resolution of 132kv network constraints under HESCO leading to system overloading and forced load management
79.	HESCO	1350/2025-26	Prolonged litigation due to ineffective legal follow-up resulting in financial exposure of Rs. 1,108.93 million

80.	HESCO	1351/2025-26	Unjustified approval of technically weak 11 Kv feeder despite negative annual saving – Rs. 17.15 million
81.	HESCO	1352/2025-26	Non-settlement of redundant and load reduction connections of Pakistan Railways Rs. 36.49 million
82.	HESCO	1353/2025-26	Revenue loss due to direct supply, metering anomalies, and unbilled units – Rs. 53.02 million
83.	HESCO	1354/2025-26	Unauthorized removal and non-return of transformers belonging to private housing scheme
84.	HESCO	1355/2025-26	Non-installation of AMR (smart) meters in government residential colony of central prison & correctional facility
85.	HESCO	1356/2025-26	Loss due to energy pilferage and defective metering in 06 industrial connections - Rs. 6.17 million
86.	HESCO	1357/2025-26	Improper installation and absence of earthing at 11kV structures reflecting weak technical supervision– Rs. 47.44 million
87.	HESCO	1359/2025-26	Prolonged non-payment of consultancy, technical evaluation, and data compilation charges to NTDC – Rs. 1.14 million
88.	HESCO	1360/2025-26	Prolonged delay in settlement of PWF claims due to weak financial and contract management - Rs. 47.69 million
89.	HESCO	1361/2025-26	Loss of material due to theft of conductors at field formations – Rs. 0.44 million
90.	HESCO	1362/2025-26	Loss due to low power factor at common distribution points (CDPs) – Rs. 25.08 million
91.	HESCO	1363/2025-26	Absence of standard operating procedures (SOPs) regarding metering & testing operations
92.	HESCO	1364/2025-26	Loss of tower material due to theft and weak contract enforcement with M/s Indus Security Pvt. Ltd – Rs. 0.52 million
93.	HESCO	1365/2025-26	Huge payable to CPPA-G on account of cost of electricity - Rs.361,017 million
94.	HESCO	1366/2025-26	Irregular continuation of billing without verification causing pendency of arrears and financial loss -Rs.42.42 million
95.	HESCO	1367/2025-26	Delayed transfer and non-reconciliation of utility bill collections by GPO to HESCO - Rs. 20,956.21 million
96.	HESCO	1368/2025-26	Weak recovery controls leading to accumulation of receivables on account of free electricity -Rs.5,372.33 million.
97.	HESCO	1369/2025-26	Non-disposal of unserviceable materials and vehicles valued at Rs. 52.98 million
98.	HESCO	1370/2025-26	Non-recovery of detection bills Rs. 4.39 million and irregular refund liabilities Rs. 1.05 million under kunda accounts
99.	HESCO	1373/2025-26	Non-recognition and non-reconciliation of supplemental charges to CPPA-G – Rs. 88,689.75 million
100.	HESCO	1375/2025-26	Under-utilization of capital budget for Civil Works – Rs. 605.35 million
101.	HESCO	1379/2025-26	Excessive billing to SSGC consumers resulting in over-billing - Rs. 28.76 million
102.	HESCO	1382/2025-26	Less recovery of rehabilitation charges from industrial consumers (B-3) – Rs.1.97 million
103.	HESCO	1387/2025-26	Inadequate documentation and record-keeping of security deposits-Rs.14.27 million
104.	HESCO	1390/2025-26	Unsustainable Build-Up of Receivables Undermining HESCO's Financial Viability -Rs.248,830.3 million
105.	HESCO	1467/2025-26	Potential collusion and procedural irregularities in award of tenders Nos. GSC-35/2024 & GSC-41/2024 – Rs.121.04 million