



**AUDIT REPORT
ON
THE ACCOUNTS OF
POWER DIVISION AND ITS ATTACHED
ENTITIES
AUDIT YEAR 2020-21**

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

ABC	Ariel Bundled cable
ACSR	Aluminum Conductor Steel Re-enforced
ADB	Asian Development Bank
AEDB	Alternative Energy Development Board
AES	Alternative Energy Scales
AEL	Annual Energy Loss
AGP	Auditor General of Pakistan
AJ&K	Azad Jammu and Kashmir
AMI	Advanced Metering Infrastructure
AMR	Automatic Meter Reading
APCF	Annual Plant Capacity Factor
AR	Audit Report
ARE	Alternative Renewable Energy
AT&C	Aggregate Technical & Commercial
B&C	Budget & Consolidation
BOD	Board of Directors
BOQ	Bill of Quantity
BOOT	Build Own Operate Transfer
BPS	Basic Pay Scale
BTA	Business Transfer Agreement
BTU	British Thermal Unit
CCPP	Combined Cycle Power Plant
CEO	Chief Executive Officer
CFL	Compact Florescent Lamps
CFO	Chief Financial Officer
CLO	Chief Law Officer
COD	Commercial Operation Date
CP	Commercial Procedure
CP-48	Bank Accounts Reconciliation
CP-49	Collection and Remittance Summary (for security deposits)
CP-102	Weekly Schedule of Bank Remittances by Bank Branches
CP-104	Divisional Collections Cash Book
CPGCL	Central Power Generation Company Limited
CPP	Capacity Purchase Price
CPPA-G	Central Power Purchasing Agency Guaranteed
DAC	Departmental Accounts Committee
DDO	Drawing & Disbursing Officer
DG	Director General
DISCOs	Distribution Companies
DOP	Development of Power
EAD	Economic Affairs Division
ECC	Economic Coordination Committee
ECF	Energy Conservation Fund
EHS	Extra High Strength

EHV	Extra High Voltage
ELR	Energy Loss Reduction
EMB	Electrical Measurement Book
EOT	Extension of Time
EPA	Energy Purchase Agreement
EPC	Engineering, Procurement and Construction
EPP	Energy Purchase Price
ERO	Equipment Removal Order
ERP	Enterprise Resource Planning
ESR	Employees Service Regulations
FAP	Foreign Aided Projects
FBR	Federal Board of Revenue
FC	Financial Closing
FD	Finance Director
FESCO	Faisalabad Electric Supply Company
FIA	Federal Investigation Agency
FIDIC	Federation Internationale Des Ingenieurs Conseils
FIR	First Information Report
FY	Financial Year
GCC	General Condition of contract
GENCOs	Generation Companies
GEPCO	Gujranwala Electric Power Company
GHCL	GENCO Holding Company Limited
GOP	Government of Pakistan
GSA	Gas Sales Agreement
GSC	Grid System Construction
GSO	Grid System Operation
GST	General Sales Tax
GT	Gas Turbine
GTPS	Gas Turbine Power Station
GWh	Gigawatt Hours
HBS	Haveli Bahadur Shah
HESCO	Hyderabad Electric Supply Company
HP	Horse Power
HR	Human Resource
HSD	High Speed Diesel
HT	High Tension
HVSC	High Voltage Short Circuit
IA	Implementation Agreement
IBRD	International Bank for Reconstruction and Development
IESCO	Islamabad Electric Supply Company
IPPs	Independent Power Producers
IT	Information Technology
JAC	Joint Advisory Committee
JICA	Japan International Cooperation Agency
JPGCL	Jamshoro Power Generation Company Limited

JV	Journal Voucher
KE	Karachi Electric
KESC	Karachi Electric Supply Company
KIBOR	Karachi Inter Bank Offer Rates
KPK	Khyber Pukhtunkhwa
KV	Kilo Volt
KVA	Kilo Volt Amps
KW	Kilo Watt
KWh	Kilo Watt Hours
LAC	Land Acquisition Collector
LC	Letter of Credit
LD	Liquidated Damages
LESCO	Lahore Electric Supply Company
LNG	Liquefied Natural Gas
LOI	Letter of Intent
LOS	Letter of Support
LT	Low Tension
MD	Managing Director
MDI	Maximum Demand Indicator
MEPCO	Multan Electric Power Company
MFDAC	Memorandum for Departmental Accounts Committee
MFF	Multitranch Financing Facility
MIS	Management Information System
MKWh	Million Kilo Watt Hour
MOF	Market Operating Fee
MOU	Memorandum of Understanding
MPS	Management Pay Scale
MP&M	Material Procurement & Management
MRN	Material Return Note
M&S	Monitoring and Surveillance
M&T	Metering and Testing
MSR	Material at Site Register
MTBF	Medium Term Budgetary Framework
MVA	Mega Volt Ampere
MW	Mega Watt
MWh	Mega Watt hour
NCB	National Competitive Bidding
NCPP	New Captive Power Plants
NEECA	National Energy Efficiency & Conservation Authority
NEPRA	National Electric Power Regulatory Authority
NGPS	Natural Gas Power Station
NPCC	National Power Control Centre
NPGCL	Northern Power Generation Company Limited
NPMV	Non-Project Missed Volume
NPPMCL	National Power Parks Management Company Limited
NTDC	National Transmission and Despatch Company

OGDCL	Oil and Gas Development Company Limited
OCR	Ordinary Capital Resources
O&M	Operation and Maintenance
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PAP	Power Acquisition Programs
PC Poles	Pre-stressed Concrete Poles
PC-I	Planning Commission Proforma-I
PD	Project Director
PDP	Proposed Draft Para
PEC	Pakistan Engineering Council
PEDO	Pakhtunkhwa Energy Development Organization
PEEIP	Pakistan Energy Efficiency Investment Program
PEPCO	Pakistan Electric Power Company
PESCO	Peshawar Electric Supply Company
PHL	Power Holding Limited
P&D	Planning and Development
PITC	Power Information Technology Company
PMO	Project Management Office
PMU	Project Management Unit
PO	Purchase Order
POL	Petrol, Oil and Lubricants
PPA	Power Purchase Agreement
PPIB	Private Power Infrastructure Board
PPRA	Public Procurement Regulatory Authority
PPTFC	Privately Placed Term Finance Certificate
PQEPC	Port Qasim Electric Power Company Ltd
PSDP	Public Sector Development Programme
PSO	Pakistan State Oil
PWP	Peoples Works Programme
QESCO	Quetta Electric Supply Company
RCO	Reconnection Order
RFO	Residual Furnace Oil
RFO	Request for Offer
RLNG	Re-gasified Liquefied Natural Gas
RO	Revenue Officer
ROW	Right of Way
SAP	System Augmentation Program
SBLC	Standby Letter of Credit
SCC	Special Conditions of Contract
SEPCO	Sukkur Electric Power Company
S&I	Surveillance & Intelligence
SNGPL	Sui Northern Gas Pipelines
SOP	Standard Operating Procedures
SPP	Small Power Producer
SR	Store Requisition

SRO	Statutory Regulatory Order
SSGCL	Sui Southern Gas Company Limited
STFF	Syndicated Term Finance Facilities
STG	Secondary Transmission and Grids
STL	Short-Circuit Testing Liaison
TA/DA	Travelling Allowance / Daily Allowance
T&D	Transmission & Distribution
T&T	Transmission and Transformation
TDS	Tariff Differential Subsidy
TESCO	Tribal Areas Electric Supply Company
T/L	Transmission Line
TOU Meter	Time of Use Meter
TPS	Thermal Power Station
USAID	United States Agency for International Development
VD	Voltage Drop
VO	Variation Order
WAPDA	Water and Power Development Authority
WCC	WAPDA Computer Centre
WCSR	WAPDA Composite schedule rates
XEN	Executive Engineer

Preface

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

The report is based on audit of the accounts of Power Division and its attached entities for the financial year 2019-20 as well as some observations pertaining to the previous audit years. The Directorate General Audit Power conducted audit of these entities during the year 2020-21 on test check basis with a view to reporting significant findings to the stakeholders. A sectoral analysis of overall power sector is added in the report, highlighting macro-level issues being faced in the sector, their impact and required strategic considerations.

The main body of the Audit Report includes important issues and audit findings. Relatively less significant issues have been listed in Annexure-I as MFDAC.

Audit findings indicate the need for adherence to the regularity framework besides strengthening of internal controls to avoid recurrence of similar violations and irregularities. The observations included in this report have been finalized in the light of discussions in the Departmental Accounts Committee meetings.

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

Islamabad
Dated: **22 FEB 2021**

Sd/-
(Javaid Jehangir)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General Audit Power carries out audit and evaluation of Power Division, its attached entities and NEPRA on behalf of the Auditor General of Pakistan as envisaged in Article 170(2) and further elaborated in Section 8 & 12 of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001. Director General Audit (Power) has the mandate to conduct audit of 151 formations working under the Power Division. Out of these formations the Directorate General Audit (Power) carried out compliance audit of 70 formations, during the audit year 2020-21. The subject report includes significant issues and audit findings which were highlighted in the compliance audit exercise. This report covers compliance of the auditee formations to the applicable laws, rules and procedures as well as assessment based on transparency and performance parameters. Moreover, the report also contains comments on the annual audited financial statements of 06 entities. Audit comments on financial statements of 13 entities could not be reported as the management failed to submit their audited accounts to this office by December 31st, 2020.

a. Sectoral analysis of the Power Sector for the financial year 2019-20

The power sector represents a broad canvas of entities ranging from government ministries to public sector entities and private power producing firms all having linkages with one another and having stakes in the power sector domain of the country. Some of the major players include, DISCOs: (10) Companies supplying, distributing and selling power (electricity) in their designated areas, CPPA-G: the power sector market operator, NEPRA: the authority determining power tariffs, IPPs: firms providing energy based on contracts with GoP and fuel supply agents such as PSO, SNGPL etc.¹

The Power Division under the Ministry of Energy as prescribed in Para 31B Schedule-II in the Rules of Business-1973 is exclusively assigned the responsibility to deal with matters pertaining to the power sector including aspects such as development of energy, engaging power sector contracts & managing electric utilities etc.

¹ Annexure-A: Role of major players in power sector

i) Goal of the Power Division

The Goal of the Power Division is “to develop the most efficient and consumer centric power generation system that meets the needs of its population and boosts its economy in a sustainable and affordable manner”². In order to achieve its Goal the following three medium term outcomes were assigned to the Division:

- Improving fuel mix for power generation with an aim to reduce reliance on expensive imported fuel.
- Improvement in efficiency, conservation and cost effectiveness of power generation.
- Reduction in circular debt.³

ii) Budget profile and utilization of Power Division

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

Table No. 1

(Rs. in million)

Demand No. 28	Final Budget 2018-2019	Expenditure 2018-2019	Unspent Budget %	Final Budget 2019-2020	Expenditure 2019-2020	Unspent Budget %
Main Secretariat	8,880.91	649.68	(92.68)	462.26	224.289	(51.48)

(Source: Appropriation Accounts of the Federal Government 2018-19 & 2019-20)

Planning, effective implementation and optimum use of resources are all linked with sound budget management and utilization. The performance of the division in this respect remained un-satisfactory as reflected in the above table.

iii) The High-Price Energy Mix

The energy-mix is the most vital factor in power sector as it determines the cost of energy to be notified by the government. Electricity demand of Pakistan is being met through a variety of fuel based sources like Residual Furnace Oil (RFO), Gas / RLNG, Coal and through other indigenous sources like Hydel, Nuclear, Wind and Solar. During the financial year 2019-20, total electricity generated in the country over CPPA-G/ NTDC

² MTBF of the Federal Government 2019 to 2022, Page-99

³ MTBF of the Federal Government 2019 to 2022, Page-100

system was 121,643.99 GWh⁴. This included hydel based energy generation of 38,987.96 GWh⁵ which was 32.05% of the total energy generation volume. Whereas, energy from more expensive thermal sources was 68,799 GWh⁶ which was 56.55% of the total energy generation. This indicated that generation of energy was highly skewed towards expensive fuel sources causing the unit price of energy to be costly.

iv) Extra Financial burden due to payments against high volume of idle/surplus capacity

The power sector in Pakistan now has at its disposal excess energy capacity significantly more than the current or short term expected demand of the country. The installed power generation capacity in the FY 2019-20 stood at 35,735 MW⁷ including IPP based power having a volume (IPP thermal 17,276 MW + IPP hydel 472 MW) of 17,748 MW⁸. The de-rated / or available capacity stood at 32,450 MW⁹ as on 30.06.2020. Whereas during June to September 2020, a maximum energy of 19,000 MW¹⁰ was generated and utilized for monthly consumption. Furthermore at present the total bearing capacity of the national grid / NTDC was only 25,520 MW¹¹.

Thus, capacity payments for idle/surplus capacity are being made to the IPPs as per binding PPAs' without this cost elements being set-off against any commercial activity. This implied that overall cost of energy was increasing in an un-economical manner.

During the financial year 2019-20, capacity payments of Rs.451.72 billion¹² were made to all power producing entities, whereas, an amount of Rs.641.31 billion, on account of capacity payments, was payable by CPPA-G to power producers as on June 30, 2020.

⁴ Para 3.3, NEPRA State of Industry Report-2020 page-27

⁵ Para 3.3, NEPRA State of Industry Report-2020 page-27

⁶ Para 3.3, NEPRA State of Industry Report-2020 page-27

⁷ Para 3.2, NEPRA State of Industry Report-2020 page-25

⁸ Para 3.2, NEPRA State of Industry Report-2020 page-25

⁹ CPPA-G letter No. CPPA-G/CTO/DGMT-CON/MT-C&R/1335 dated 25.01.2021

¹⁰ Table-22 NEPRA State of Industry Report-2020 page-121

¹¹ Para 4.3 NEPRA State of Industry Report-2020 page-35

¹² Data received from CPPA-G dated 18.02.2021 via email.

Prudent planning is required to ensure utilization of excess energy and for avoiding the risk of making material capacity payments without any consumption of energy.

v) Revenue Shortfall at the end of DISCOs¹³

In the FY 2019-20, units worth Rs.1,575,187 million were billed to consumers against which recovery of Rs.1,164,187 million was made indicating a recovery shortfall of Rs.410,228 million (73.96% of billing). The shortfall resulted in less receipt of revenue by the DISCOs. Revenue shortfall in DISCOs showed managerial inefficiencies and policy bottlenecks constraining CPPA-G to pay-off its energy procurement liabilities.

Compared with last financial year, there was a decrease of 5.1% (79.06% - 73.96%) in the revenue recovery. Recovery shortfall posed significant operational challenge for DISCOs. Shortfall of recovery in HESCO, TESCO, QESCO & SEPCO was 56.04%, 19.14%, 19.39% & 43.17% respectively (in the financial year 2019-20) was witnessed effecting the ability of these companies to operate as a going concern. Major policy interventions are needed to save the subject DISCOs from practical insolvency.

vi) Line losses over and above the limit allowed by NEPRA

NEPRA has determined certain percentage of admissible T&D losses for DISCOs that are built in the tariff. Losses beyond the limit set by NEPRA depict financial losses for the company as well as cyclic increase in the CPPA-G receivable amounts pertaining to the DISCOs. The trend of T&D losses in DISCOs and the financial impact thereof in the last two years is as follows:

Table No. 2

Years	Units	2018-19	2019-20
Units sold	M.kWh	93,887	92,792
Allowed T&D losses	%	15.5	16.99
Actual T&D losses	%	17.7	19.60
Excess losses of DISCOs	%	2.2	2.61

¹³ Annexure-C

Excess unit lost	M.kWh	2,263	2,243
Rate per unit	Rs per Kwh	15.58	18.89
Impact of excess loss	Rs. in million	35,798	42,362*

(Source: PEPCO Data FY -2018-19 & 2019-20)

*Data of all 10 DISCOs clubbed including those which remained within NEPRA targets.

The above table shows impact of excess loss of Rs.42,362 million beyond NEPRA targets in the power sector during the FY 2019-20. This implies that performance of DISCOs in reducing T&D losses remained unsatisfactory. Moreover, it also shows that the development initiatives being made in these companies for enhancing the power transmission and distribution system are yet to make any appreciable impact.

vii) Huge receivables from running and dead defaulters

Over the years the volume of receivables from running and dead energy defaulters have increased significantly and it has become an important cause for power sector debt accumulation. The total receivables from running and dead defaulters accumulated to Rs.909,569 million¹⁴ as on 30th June, 2020. Such huge amount of receivables has added to the financial crunch in the power sector that demands immediate consideration and intervention.

viii) DISCOs' receivables from the government

Due to delay in payments by the departments of federal/ provincial governments and other allied entities, significant volume of receivables of DISCOs receivables were held up. As on 30th June, 2020, this amount stood at Rs.499.98 billion¹⁵. These receivables are adding up into the overall circular debt of the power sector. Besides, an amount of Rs.222.29 billion¹⁶ was also receivable on account of subsidies i.e. Tariff Differential Subsidy, Agriculture Subsidy, Industrial Subsidy and Zero Rated Industry Rebate from Federal and Provincial Governments.

ix) Circular Debt in Power Sector

The phenomenon of *Circular Debt* arises when one party in a supply chain faces cash flow inadequacies to discharge its obligations to its suppliers affecting the entire supply chain and causing liquidity crunch. As on June 30,

¹⁴ Para 1.1.2 of Audit Report

¹⁵ Annexure-E

¹⁶ Annexure-I

2020 the total amount of circular debt stood at Rs.2,045,333 million including PHL loans of Rs.1,007,219 million as detailed below:

Table No. 3

(Rs. in million)

Circular Debt on 30 th June, 2020								
Fiscal Years	CPPA-G Payable to Power Producers					Payable by PHL		Total
	Energy Payment	Capacity Payments	LPS	*Others	Total	Principal	Markup	
1	2	3	4	5	6 = 2+3+4+5	7	8	9 = 6+7+8
2019-20	248,281	641,314	136,074	12,446	1,038,115	1,003,258	3,961	2,045,333
2018-19	227,421	369,553	95,368	15,330	707,671	805,787	4,053	1,517,511

(Source: CPPA-G data for the financial year 2018-19 & 2019-20)

The major constituents of the circular debt include outstanding capacity payments of Rs.641,314 million and energy payments of Rs.248,281 million. The overall circular debt has increased from Rs.1,517,511 million in FY 2018-19 to Rs.2,045,333 million in FY 2019-20 registering an increase of Rs.527,822 million or 34.78% from the previous year total.

x) Adhocism in Debt management

PHL loans represent an adhoc-mechanism adopted by the management to pay-off pending CPPA-G liabilities to the IPPs. As per record provided to audit, the principal amount of loan is not part of the electricity tariff being charged to the consumers. As highlighted earlier on June 30, 2020 Rs.1,003.258 billion is the loan volume of PHL. This implies that as the loan (principal) amounts become due there would be no clear receipt source to pay-off this debt. Either energy price would have to be increased or subsidy provided. This also carries additional risk. Government owned assets have been pledged/rights sold to different commercial banks, hence defaulting on the loan payback terms would entail loss of major government assets.

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

xi) Strategic re-organization & resilience of National Transmission Network and Distribution Network of DISCOs

Although interventions are being made to enhance the transmission and distribution networks, yet there is still a significant gap between the

power generation capacity of 35,735MW¹⁷ and the transmission capacity of 25,520 MW¹⁸. Moreover, there were allied network management issues such as network overloading and transmission tripping. At the DISCOs level, during the financial year 2019-20, out of 9,220 (11 KV) distribution feeders 2,226 feeders remained overloaded¹⁹.

Hence a more strategic and long term vision was needed to ensure a high capacity resilient National Distribution and Transmission Network. This required that such business models may be adopted which would ensure continuous un-interrupted supply across the country even in case of multiple disruption incidents.

xv) Sustainability Challenges

From the above discourse it is apparent that outstanding energy receivables as well as power sector debt remained the key high risk areas during FY 2019-2020. The nature of debt in the power sector had diversified causing its impact to be more complex and multifaceted. From simple loans to more recent IPPs BOOT model arrangements, all represented different manifestations of debt in the power sector each having unique payback dynamics based on sound guarantees. Making new projects, adding energy capacity and enhancing the power infrastructure alone will not alleviate the issues that are being faced in the sector. If the root causes of circular debt and its offshoots as highlighted above are not addressed, new interventions would become un-sustainable. Hence a strong National Policy of Energy Sustainability is needed in order to ensure that all the initiatives being introduced in the power sector remain financially viable.

Moreover, considering the present gap between power demand and excessive production capacity, there is a strong case for assessing future energy needs of the country, undertaking initiatives to increase the energy demand and endeavoring to make the energy mix more economically viable.

¹⁷ Table 6 of NEPRA State of Industry Report 2020, page 88

¹⁸ Para 2.3.1 NEPRA State of Industry Report 2020, page 10 (31900 MVA x 0.8)

¹⁹ Para 5.4(a) NEPRA State of Industry Report 2020, page 44

b. Scope of Audit

This office has the mandate to conduct audit of 151 formations working under the Power Division under the Ministry of Energy. Total expenditure and receipt of these formations were Rs.377.61 billion and Rs.1,100.28 billion respectively for the financial year 2019-20.

Audit coverage relating to expenditure for the current audit year comprises 70 formations of Ministry of Energy (Power Division) having a total expenditure of Rs.254.27 billion for the financial year 2019-20. In terms of percentage, the audit coverage for expenditure is 67.34% of auditable expenditure.

Audit coverage relating to receipts for the current audit year comprises 70 formations of Ministry of Energy (Power Division) having total receipts of Rs.665.24 billion for the financial year 2019-20. In terms of percentage, the audit coverage for receipts is 60.46% of auditable receipts.

Moreover, in a few cases audit observations identified during audit year 2020-21 have been reviewed and added as paras in the subject report based on the value and significance of respective observation. It also included the audit observations relating to funds released by Government of Baluchistan (Provincial PSDP) for the Village Electrification in Baluchistan during the year 2015-16 & 2016-17.

In addition to this compliance audit report, the Directorate General Audit, Power, Lahore conducted fourteen (14)²⁰ Financial Attest Audits of Foreign Aided Projects, two (02) Special Audit, two (02) Performance Audit and one (01) Information System Audit. Reports of these audits are being prepared separately.

c. Recoveries at the instance of audit

As a result of audit, a recovery of Rs.3,254,896 million²¹ was pointed out in this report which included accumulative power sector receivables. Recovery effected from January to December, 2020 was Rs.95,558.54 million which was verified by audit.

²⁰ Annexure-F

²¹ Audit Report 2020-21 Para No. 1.2.1, 1.2.2, 1.2.3, 1.2.4, 1.5.5, 1.13.1, 1.15.4, 1.16.1, 1.16.2

d. Audit Methodology

Audit activity started with detailed planning, development of audit programmes keeping in view resources and time. Desk review of Permanent Files was done to understand the systems, procedures and environment of the audit organization. Field activity included review of record, analysis of system data / reports, site visits and discussion with management. High value and high risk items were selected on professional judgment basis for substantive testing.

Moreover, during the subject audit year use of Computer Aided Audit Techniques (CAATs) were enhanced. For the first time ACL (Audit Command Language) software was used to run data analytics in selected DISCOs. Moreover a complete Information Systems Audit of LESCO was also carried out.

e. Audit Impact

As a result of the subject compliance audit review of power sector entities both at a macro as well as the operational level major issues were highlighted, facilitating the management into taking significant actions both in the short term and on a longer term basis. Apart from expediting major recoveries, significant audit observations were resolved to be reviewed exclusively by the BoD of the companies to take appropriate remedial measures. On the identification of audit, system based control lapses, long-outstanding major un-reconciled amounts and well as un-due passing-on of expense/charges to the consumers are being resolved by management.

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

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

f. Comments on Internal Controls and Internal Audit Department

An effective internal control mechanism is instrumental in smooth functioning of the organization and helps the management to achieve its

objectives. Since, the power sector is diverse in its business activities hence, the internal controls regulating those activities of power sector are equally diversified. A close audit review of the internal controls helped identify the weaknesses and ineffectiveness of these controls in different fields of activities.

In this context observations were highlighted where timely account of material was not being done by the field staff as per procedure. Similarly many reports defined for the maintenance and monitoring of feeders were not being populated, resulting in poor management of feeder-losses. Internal controls in the important areas of cash reconciliation and revenue collection were also found un-satisfactory in different highlighted cases.

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

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

g. Key Audit Findings:

- i. In 01 case, theft of material valuing Rs.78.54 million was pointed out.¹
- ii. In 25 cases, procurement / contractual irregularities involving Rs.26,719.97 million were pointed out.²
- iii. In 16 cases, violation of internal rules & regulations of auditee entities involving Rs.31,003.48 million were pointed out.³
- vi. In 22 cases, violations of Regulatory laws & regulations promulgated by constitutional authorities involving Rs.222,318.76 million were highlighted.⁴

- v. In 09 cases, recoveries of Rs.3,254,896 million were highlighted which included accumulative power sector receivables.⁵
- vi. In 04 cases, irregularities pertained to the value for money and service delivery issues involving Rs.11,388.24 million were pointed out.⁶
- vii. In 16 cases, others issues like non utilization of loan & commitment charges, non reconciliation of data, non availing of rebate/discount facility and shortage/ missing of material etc involving Rs.133,115.87 million were highlighted.⁷

¹Para-1.8.1

²Para-1.5.3, 1.5.4, 1.6.1, 1.6.3, 1.6.4, 1.6.5, 1.6.6, 1.6.7, 1.6.8, 1.6.9, 1.6.10, 1.6.12, 1.6.13, 1.6.14, 1.6.15, 1.6.17, 1.6.18, 1.6.19, 1.6.20, 1.6.21, 1.6.22, 1.6.23, 1.7.10, 1.10.9, 1.11.4

³Para-1.2.2, 1.3.2, 1.3.4, 1.4.1, 1.4.3, 1.5.1, 1.5.2, 1.5.6, 1.6.2, 1.6.11, 1.7.1, 1.7.3, 1.7.4, 1.7.8, 1.9.5, 1.15.3

⁴Para-1.2.1, 1.3.1, 1.4.2, 1.4.4, 1.4.7, 1.6.16, 1.7.2, 1.7.5, 1.7.6, 1.7.9, 1.10.3, 1.10.4, 1.10.5, 1.10.7, 1.10.8, 1.10.10, 1.11.1, 1.11.2, 1.11.6, 1.14.1, 1.14.2, 1.14.3

⁵Para-1.1.1, 1.1.2, 1.1.3, 1.1.4, 1.4.5, 1.12.1, 1.14.4, 1.15.1, 1.15.2

⁶Para-1.4.8, 1.5.5, 1.5.7, 1.10.2

⁷Para-1.3.3, 1.4.6, 1.5.8, 1.7.7, 1.9.1, 1.9.2, 1.9.3, 1.9.4, 1.9.6, 1.10.1, 1.10.6, 1.11.3, 1.11.5, 1.12.2, 1.12.3, 1.15.4

h. Recommendations

- i. Management may ensure strong supervision and improved internal controls in order to minimize theft cases.
- ii. Management may ensure that procurements are made in a transparent and efficient manner in line with PPRA provisions and procedures prescribed for the execution of works are adhered to in letter and spirit.
- iii. Management may ensure that targets/limits set by NEPRA specifically on the items of line losses and billed recovery are followed in letter and spirit.
- iv. Management may take necessary measures to rectify the lapses in the internal controls to avoid recurrence of similar irregularities by investigating and fixing responsibility against responsible officers / officials.
- v. Management may improve capacity of its employees and overall quality of its operations in order to ensure that the relevant commercial procedures and allied SOPs pertaining to the power sectors are well understood by the line staff and effectively implemented.
- vi. Efforts based on sound planning and a systematic problem solving approach, having due involvement of all stakeholders, may be made to expedite recovery. This may include taking measures such as detailed feeder-wise analysis, taking action on extension of load cases from 1st instance of the event, large scale deployment of automated metering, maintenance of an integrated information system for the power sector and timely resolution of recovery related cases.

CHAPTER-1

ISSUES OF THE POWER SECTOR

1. ISSUES OF THE POWER SECTOR

1.1 Piling up of energy receivables

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

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

The piling of energy receivables at the end of DISCOs can be categorized into different classifications and allied causes. The DISCOs remained un-able to recover 100% of the amount billed to the consumers during financial year causing increase in the receivables to the stated extent. Moreover, the DISCOs were maintaining a list of running and dead defaulters (consumers). These consumers belonging to different categories, i.e. industrial, commercial and agriculture etc. had failed to pay their energy dues over an extended period of time causing cash-shortfall as well as financial loss to the company.

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

On the above lines, audit has analyzed the issue of pilling up of energy receivables in the DISCOs from different aspects: broadly at a company level as

well as at operation circle & consumer level, on a sample analysis basis to highlight the piling up of receivables and causes illustrated in the following paras:

1.1.1 Receivable amount from Distribution Companies - Rs.2,067,250.84 million

As per Section –III of Memorandum of Association of Central Power Purchasing Agency (Guarantee) (CPPA-G), the Company is mandated to implement an administer market mechanism for electricity procurement from power generation companies and sale to Electricity Distribution Companies i-e DISCOs.

In CPPA-G, an amount of Rs.2,067,250.84 million was receivable from distribution companies on account of sale of energy. Due to this huge blockage of funds, power sector was under stiff financial crunch and payments to power producers were delayed. As a result of delayed payments, power producers charged late payment surcharges which ranged from KIBOR +2% to KIBOR + 4%. If this huge amount was recovered from distribution companies, it would have improved liquidity position of power sector, thereby eliminating the burden of circular debt and huge amount of late payment surcharge. The detail is as under:-

Sr. No.	Name of Company	Receivable amount as On 30.06.2020 (Rs. in million)
1.	FESCO	13,0975.22
2.	GEPCO	59,488.09
3.	HESCO	328,294.43
4.	IESCO	171,629.20
5.	LESCO	255,884.07
6.	MEPCO	201,344.22
7.	PESCO	477,250.15
8.	QESCO	436,610.51
9.	SEPCO	286,270.45
10.	TESCO	27,600.50
	Total DISCOs	2,375,346.84
	Govt. Equity Adjustments	(308,096.00)
	TOTAL	2,067,250.84

The above analysis was an illustration of the final impact of the shortfall in energy receivables originating at the DISCO level. From Rs.1,573,794.15 million as on 30-06-2019 to Rs.2,067,250.84 million as on 30.06.2020, the CPPA-G receivables have increased by Rs.493,456.69 million registering a 24%

increase for the financial year 2019-20. Moreover, receivables were significantly high against PESCO, QESCO and HESCO. This shows that the financial viability of these companies is doubtful.

The matter was taken up with the management and reported to the Ministry in December, 2020. The management replied that non-recovery of sale of energy is being monitored by the Secretary (Power Division) in the monthly progress report. However, further progress in the matter will be reported later on.

The DAC in its meetings held on January 04 - 07, 2021 directed Chief Executive Officer (CPPA-G) & Chief Financial Officer (CPPA-G) to hold meeting with Audit to discuss each and every para, resolve the issue / satisfy audit or come with implementable suggestions for the Government to take policy decisions for rectification of the matter and put up responses of CPPA-G under their signatures for consideration of the PAC within one week.

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

(Draft Para No. 898/2020-2021)

1.1.2 Recoverable amount from running and dead defaulters - Rs.909,569 million

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

In DISCOs, an amount of Rs.909,569 million was recoverable from running and permanently disconnected (P-Disc.) energy defaulters (Government and private). In this respect, no efforts were made by the management to accelerate the recovery from defaulters. The detail is as under:-

Sr. No.	Name of DISCO	Running Defaulters			Dead Defaulters			Grand Total
		Govt.	Private	Total	Govt.	Private	Total	
1.	LESCO	5,032	11,987	17,019	254	14,143	14,397	31,416
2.	GEPCO	17,144	3,384	20,528	22	948	970	21,498
3.	FESCO	601	2,985	3,586	-	812	812	4,399
4.	HESCO	104,504	2,121	106,625	65	332	397	107,022
5.	MEPCO	1,368	6,274	7,642	19	6,674	6,693	14,335
6.	PESCO	49,415	57,751	107,166	188	54,983	55,171	162,337

(Rs. in million)

7.	HESCO	10,422	64,030	74,452	902	15,536	16,438	90,890
8.	SEPCO*	13,961	97,961	111,922	685	14,406	15,091	127,013
9.	QESCO	22,555	274,052	296,607	333	1,992	2,325	298,933
10.	TESCO	1,886	46,113	47,999	324	3,403	3,727	51,726
TOTAL		226,888	566,658	793,546	2,792	113,229	116,021	909,569

(Source: PDP Nos. 196, 379, 433, 510, 556, 565, 604, 662, 665 & 726/2020-21 & *PEPCO Data Vide letter No. 283-4/GM/(R&CO)/DGC dated 09.02.2021)

The above table is based on a sample review of defaulting consumers in the respective DISCOs. It illustrates that the revenue collection procedures in the companies are not effective and material amount of revenue is held-up with energy defaulters over an extended period of time. The issue also represents a systemic bottleneck in which the distribution companies need active support of relevant government agencies in expediting recovery of long outstanding amounts on priority basis.

Further analysis of above scenario reveals the following main reasons:

- i. DISCOs made billing assessment of Rs.1,575,187 million²² to the consumers during the financial year 2019-20 against which an amount of Rs.1,164,959 million was recovered which was 73.96% of the assessment. Hence, an amount of Rs.410,228 million was less recovered causing piling up of DISCO's receivables towards consumers and their inability to pay off energy charges to CPPA-G. The highest recovery efficiency was of FESCO i.e 86.55% whereas the recovery efficiency of LESCO, GEPCO & MEPCO ranged from 81.32% to 82.15. However, poor efficiency of recovery was observed in IESCO, PESCO, HESCO, SEPCO, QESCO & TESCO which ranging from 19.42% to 75%.
- ii. Delay in implementation of Equipment Removal Orders (EROs) of connections was causing an accumulation of outstanding amounts against consumer leading the receivables to pile up.

The matter was taken up with the management during July to November, 2020 and reported to the Ministry during September to December, 2020. The management replied that in some cases outstanding amounts had been recovered and efforts were being made to recover the remaining amount.

²² Annexure-C

The DAC in its meetings held on January 04 - 08, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

Audit recommends implementation of DAC's decision besides management efforts for enhancing the recovery position of their respective companies.

1.1.3 Energy receivables from K-electric - Rs.212,526.74 million

Under power purchase agreement, invoicing and payment were to be made as per clause 9.3 of the Power Purchase Agreement (PPA), which essentially provided that any invoice was payable within a period of fifteen days from its delivery.

In CPPA-G, an amount of Rs.212,526.74 million was receivable from K-Electric on account of sale of energy. Due to this huge blockage of funds, power sector was under stiff financial crunch and payments to power producers were delayed. As a result of delayed payment, power producers charged late payment surcharges which ranged from KIBOR +2% to KIBOR + 4%. If, this huge amount is recovered from K-Electric, it would improve liquidity position of power sector, thereby eliminating the burden of circular debt and huge amount of late payment surcharge.

The matter was taken up with the management and reported to the Ministry in December, 2020. The management replied that non-recovery of sale of energy is being monitored by the Secretary (Power Division) in the monthly progress report. However, further progress in the matter would be reported later on.

The DAC in its meetings held on January 04 - 07, 2021 directed Chief Executive Officer (CPPA-G) & Chief Financial Officer (CPPA-G) to hold meeting with Audit to discuss each and every para, resolve the issue / satisfy audit or come with implementable suggestions for the Government to take policy decisions for rectification of the matter and put up responses of CPPA-G under their signatures for consideration of the PAC within one week.

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

(Draft Para No. 898/2020-2021)

1.1.4 Non-recovery of deficit O&M cost amount from GoB and GoP - Rs.692.46 million

As per minutes of meeting held on 3rd September, 2015 under the Chairmanship of the Honorable Chief Minister Balochistan in Chief Minister's Secretariat Quetta for resolving electricity related issues of Balochistan, it was discussed that nine (09) power houses are being run by WAPDA in Balochistan. Out of these, four (04) are provided fuel by the Provincial Government where as provision of fuel to the remaining five (05) is the responsibility of Federal Government. In the recent past, these five (05) power houses faced frequent closure on account of non supply of fuel supply by WAPDA. The Additional Secretary Ministry of Water & Power and Chief Executive QESCO ensured that fuel would be supplied to these five (05) power houses coming under the domain of Federal Government without interruption.

In QESCO, as per E-Form data of the small power houses, there was a huge deficit among the electricity revenue collected and the cost incurred by QESCO on generation of electricity for running of small power houses for supply of electricity to the consumers of specific area of Balochistan. As per decision, the monthly deficit of O&M cost was to be paid by the Government of Pakistan and Government of Balochistan but the same was not done. Resultantly, an amount of Rs.692.46 million (Rs.103.24 million & Rs.589.22 million) was outstanding up to the end of financial year 2019-20.

Non-adherence to above cited minutes of meeting resulted in non-recovery of deficit O&M cost amounting to Rs.180.89 million from both GoB and GoP up to the financial year 2019-20.

The matter was taken up with the management in September, 2020 and reported to the Ministry in December, 2020. The management replied that the matter was taken up with GoB and GoP and an amount of Rs.86.23 million had been recovered. The recovery of the remaining deficit amount was also under process with respective Governments.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. (*Details at Annex-II*)

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

(Draft Para No. 497/2020-21)

Concluding Recommendations

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

1.2 Significant line losses in the Power Sector

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

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

The Distribution network or grid comprises of cluster of 11KV feeders. At present there are 9706 feeders²³ spread across the domain of DISCOs. Feeders are actually meters through which energy, once received at the grid-station, is distributed along low-tension lines to the consumers. There are two types of

²³ NEPRA, *State of Industry report*, pg 43

feeders i.e independent feeder and general feeder. The independent feeder is installed for a single high-end commercial/industrial consumer whereas the general feeder provides energy to multiple / thousands of consumers (average varies company to company). Hence, general/mixed-load feeders indicate a specific area or locality to where electricity is being delivered. The information / data of these feeders is also a key point of calculating and analyzing line losses.

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

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

1.2.1 Loss of revenue due to line losses beyond NEPRA's targets - Rs.46,286.53 million

NEPRA fixed targets of energy losses ranging from 8.6% to 31.95% for the financial year 2019-20 in respect of following DISCOs.

In DISCOs, the percentage of line losses was more than the targets of losses set by the NEPRA. Hence, 2,450.32 million units valuing Rs.46,286.53 million were lost beyond the NEPRA's target. The detail is as under:-²⁴

(Rs. in million)

Sr. No.	DISCOs	2019-20				NEPRA Target % 2017-18	Excess %age lost	Allowed Units as per NEPRA Target	Unit Lost Beyond NEPRA Target	Loss of Amount
		Units (M.kwh)			%age losses					
		Purchased	Sold	Lost						
1	*LESCO	23,528	20,611	2,917	12.40	11.76	0.64	2,766.89	150.11	2,835.53
2	GEPCO	10,991	9,946	1,045	9.51	10.03	(0.52)	-	-	-
3	FESCO	14,510	13,123	1,387	9.56	10.24	(0.68)	-	-	-

²⁴ (Draft Para Nos. 190, 363, 380, 788, 980/2020-21 & Annexure-H)

4	IESCO	11,435	10,442	993	8.68	8.65	0.03	989.13	3.87	73.15
5	MEPCO	19,325	16,382	2,943	15.23	15.00	0.23	2,898.75	44.25	835.88
6	PESCO	14,792	9,043	5,749	38.87	31.95	6.92	4,726.04	1,022.96	19,323.64
7	TESCO	2,001	1,803	198	9.90	12.47	(2.57)	-	-	-
8	HESCO	5,471	3,890	1,581	28.90	22.59	6.31	1,235.90	345.10	6,518.96
9	SEPCO	4,253	2,710	1,543	36.28	29.75	6.53	1,265.27	277.73	5,246.37
10	*QESCO	6,604	4,842	1,762	26.68	17.50	9.18	1,155.70	606.30	11,453.01
TOTAL		112,910	92,792	20,118					2,450.32	46,286.53

(Source: PEPCO Data vide letter No. 283-4/GM/(R&CO)/DGC dated 09.02.2021* & CP-22A)

The above illustration shows that multiple DISCOs remained unable to control their line losses causing financial loss not only to the company but also to the sector. In this regard, line losses in PESCO, QESCO, HESCO and SEPCO remained extraordinarily high, implying their feasibility as going concern, at high risk due to the subject matter.

Further analysis was done on the issue and the following allied observations highlighted on sample test check basis:

1. The percentage of losses on selected 1189 Nos. general distribution feeders of seven companies ranged from 14.2% to 100%, which was abnormally high, representing major business problem areas. In particular, 755 Nos. of feeders with line losses figures ranging between 24.6% to 97.64 %, in PESCO, QESCO and SEPCO requires urgent attention of management. Detail is as under:-

Sr. No.	Name of Company	Draft Para No.	(%) losses on general feeder	No. of feeders
1.	FESCO	740/2020-21	14.2% to 41%	88
2.	GEPCO	444/2020-21	15.1% to 32.6%	84
3.	HESCO	564, 588/2020-21	23.02% to 100%	152
4.	MEPCO	493, 654/2020-21	17% to 39.4%	110
5.	PESCO	139, 451 & 713/2020-21	35.42% to 96.39%	299
6.	QESCO	291, 494 & 501/2020-21	24.6% to 86.2%	249
7.	SEPCO	540/2020-21	38.19 to 97.64%	207
TOTAL				1189

2. 6,928 consumers²⁵ of LESCO, MEPCO, PESCO, QESCO, SEPCO and TESCO were found involved in theft of electricity through

²⁵ (Draft Para No. 3, 54, 135, 229, 239, 284, 387, 548, 977/2020-21)

illegal direct connections, tempering in meters and bogus installation of meters.

3. Consumer's connections of various categories were physically checked by the Surveillance / M&T teams of the respective Companies and detection charges of Rs.9,767.19 million²⁶ identified upon the consumers.

The matter was taken up with the management in September, 2020 and reported to the Ministry during October to November, 2020. The management replied that NEPRA targets could not be achieved due to worst law and order situation in case of HESCO, while the line losses of IESCO & MEPCO were only 0.09% & 0.2% behind target respectively. NEPRA had requested for fixing line losses target of 16.6% for MEPCO on the basis of technical study. Whereas, SEPCO replied that with the creation of 44 new feeders, line losses were reduced upto 1.42% from (37.99% to 36.57%). Moreover, efforts were being made for recovery on account of kunda connections and detection charges from the concerned consumers and progress would be intimated accordingly.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. (*Details at Annex-II*)

Audit recommends implementation of DAC's decisions besides management efforts for reducing line losses in identified high-risk areas.

1.2.2 Energy losses on independent feeders beyond permissible limit - Rs.2,095.08 million

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

In DISCOs, annual energy losses (line losses), percentage of progressive losses on two hundred fifty (250) independent feeders remained over & above the

²⁶ (*Draft Para No. 133,198, 204, 224, 230, 238, 243, 303, 304, 417, 456, 472, 571, 637, 792/2020-21*)

permissible limit of 3%, which entailed loss of 115.8 million units amounting to Rs.2,095.08 million. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No. of feeders	Percentage (%) of losses	Units Lost beyond 3% (million)	Amount (Rs.in million)
1.	FESCO	377/2020-21	11	4% to 33.5%	3.32	49.78
2.	GEPCO	430/2020-21	15	15% to 33.1%	2.520	37.74
3.	HESCO	562,569&739/2020-21	35	3.15% to 100%	28.77	537.30
4.	IESCO	421& 476/2020-21	20	3.49% to 37.45%	3.01	45.21
5.	LESCO	371/2020-21	53	3.26% to 99.97%	32.882	493.24
6.	MEPCO	227/2020-21	4	3.23% to 4.65%	0.41	6.46
7.	PESCO	136, 454&624 /2020-21	43	3.56% to 100%	25.94	489.29
8.	QESCO	169 & 502/2020-21	8	5.9% to 68.8%	0.94	9.61
9.	SEPCO	330/2020-21	11	4% to 71%	1.22	21.86
10.	TESCO	359,727/2020-21	50	4.14% to 80.2%	16.788	404.59
TOTAL			250		115.8	2095.08

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

The matter was taken up with the management during September & October, 2020 and reported to the Ministry during November to December, 2021. The management replied that high losses on feeders were due to lengthy feeders, low voltage, difference in reading cycle and shifting / bifurcation of load. However, efforts were being made to reduce the line losses.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further, it was directed to hold an exclusive BoD meeting to review the

audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

Audit recommends implementation of DAC's decision besides recovery against relevant cases.

Concluding Recommendations

Line Losses is a key issue affecting the ability of DISCOs to operate viably as a going concern. It has a direct impact on circular debt accumulation. The matter needs to be reviewed not just at company level but also at feeder and operational-circle level ensuring that such system based interventions are made that would enable the company to transparently monitor and reduce its line losses. Effective supervision by senior DISCO management and strong enforcement of internal controls would facilitate the same.

1.3 Overbilling

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

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

1.3.1 Overbilling to the consumers - Rs.8,338.49 million

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

In DISCOs, the percentages of energy losses of 961 feeders were in negative figures during the financial year 2019-20. The negative losses reveal that the units billed were in excess of units received on feeders, which was an indication of overbilling of Rs.8,338.49 million to the consumers. Audit was of

the view that overbilling showed lack of control in the DISCOs and reduced the authenticity of their data. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No. of Feeders	Units Excess billed (million)	Amount (Rs.in millions)
1.	FESCO	301, 307 & 531/2020-21	97	45.83	687.50
2.	GEPCO	398/2020-21	85	19.35	290.24
3.	HESCO	563, 570, 591, 660 & 787/2020-21	78	67.15	1,342.42
4.	LESCO	01, 57, 263, 277 & 794/2020-21	427	41.45	1356.02
5.	MEPCO	226/2020-21	4	0.892	13.840
6.	PESCO	137, 318 & 622/2020-21	124	96.45	1,787.18
7.	QESCO	171 & 503/2020-21	56	38.12	381.30
8.	SEPCO	329/2020-21	68	129.38	2313.48
9.	TESCO	361 & 673/2020-21	22	9.33	166.51
TOTAL			961	447.952	8,338.49

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

The matter was taken up with the management during August to November, 2020 and reported to the Ministry during September to December, 2020. The management replied that negative losses were due to wrong coding of feeders, shifting / bifurcation of load and difference in billing cycle.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

1.3.2 Huge refund to consumers due to revision of reading / detection charges - Rs.7,362.53 million

According to instructions issued by the Managing Director PEPCO vide letter dated December 01, 2010, "strict disciplinary action, without any

exception, shall be taken against the officers and staff found involved in the overbilling”. As per Memorandum of understanding (MOU) signed between Ministry of Water & Power and DISCOs, “adjustment / bill corrections will be rationalized / minimized to less than 0.01% of total billing”.

In DISCOs, an amount of Rs.7,362.53 million was refunded to various consumers on account of wrong reading and detection revised through adjustment notes. This scenario indicates that over billing was made to consumers in one month and same was refunded in next month on account of wrong reading. Moreover, detection bills were not charged as per detection policy and had to be revised on consumers’ complaints. This was done just to conceal the actual line losses and theft of energy. No action was taken against the officers / officials involved in credit adjustments. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	GEPCO	101&116/2020-21	117.93
2.	HESCO	676 & 785/2020-21	1,068.64
3.	LESCO	11 & 374/2020-21	817.07
4.	PESCO	131,317 & 319/2020-21	5,271.19
5.	QESCO	509/2020-21	79.51
6.	SEPCO	295/2020-21	8.19
TOTAL			7,362.53

The above analysis had been done on sample test check basis at head-office and across different field offices of the respective companies. It illustrates that the irregular practice of overbilling has become an established norm in the distribution companies arising question about the credibility and accuracy of their business data.

The matter was taken up with the management during July to November, 2020 and reported to the Ministry during September to December, 2020. The management replied that bills were revised after fulfilling codal formalities and disciplinary actions had also been initiated against officials who were involved in wrong reading.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one

month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

1.3.3 Non-reconciliation of excess billing against AMR meters of Punjab Government Departments – Rs.183.77 million

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

In GEPCO, excessive billing of Rs.183.77 million was established as a result of difference of units charged by the Company and units recorded on AMR (Automatic Meter Reading) energy meters during August, 2016 to March, 2020 as conveyed by GM (R&C) PEPCO on June 30, 2020. The issue of excessive billing was required to be reconciled with the respective Energy Department under the pilot project "Reconciliation of Government Electricity Billing by Installing AMI Meters" but evidence of any such reconciliation was not forthcoming from the record made available to Audit.

Non adherence to the rules resulted in non-reconciliation of excessive billing of Rs.183.77 million against AMR meters of Punjab Government Departments up to the financial year 2019-20.

The matter was taken up with the management in September, 2020 and reported to the Ministry in November, 2020. The management replied that an inquiry committee was constituted on 06.05.2019 to dig out the facts of overbilling against Punjab Govt. connections. The committee submitted detailed report for information and for implementation of recommendations. As soon as this office gets any progress on it, the information would be conveyed accordingly.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one

month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

(Draft Para No. 400/2020-21)

1.3.4 Un-justified charging of detection to the life line consumers - Rs.132.42 million

As per Managing Director PEPCO letter vide dated June 12, 2018 regarding charging of detection bill, it is directed to take the following actions, "Disciplinary action should also be initiated against those persons held responsible for preparing wrong detection bills in the first instance".

In MEPCO, 19.26 million units valuing Rs.132.42 million were charged to 87,554 life line consumers during January to April, 2018 in Operation Circle Rahim Yar Khan & Multan. As per recommendations of inquiry report issued under the convenership of Chief Engineer (O&M) Multan, action was needed to be taken against the officers who did not follow the proper SoPs for preparation of detections bills. However, neither the departmental action was initiated against the Executive Engineers/Sub-Divisional Officers/Meter Inspectors nor unjustified detection was withdrawn to uphold the justice in the matter of wrong charging of detection to life line consumers.

Non adherence to the instructions, guidelines & departmental procedure resulted into unjustified charging of detection amounting to Rs.132.42 million to life line consumers up to the financial year 2019-20.

The matter was taken up with the management in September, 2020 and reported to the Ministry in October, 2020. The management replied that the disciplinary actions had been taken against some officials as per recommendations of enquiry committee report and remaining disciplinary actions against officers were under process.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

(Draft Para No. 219/2020-21)

Concluding Recommendations

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

1.4 Unsatisfactory Operational Management by the Distribution Companies

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

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

Similarly, another gray area, in operational management, was delay in non-replacement of defective meters. This lapse creates space for financial irregularities, make the whole billing process un-transparent causing material financial loss to the company on account of in-accurate energy bills.

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

1.4.1 Loss due to non-removal of illegal tube well connections - Rs.9,039.60 million

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

In QESCO, 15,000 illegal tube well connections were running at site as evident from CEO Office letter dated 05.03.2020. The 7,750 illegal tube well connections identified were running at site since long. A revenue loss of Rs.9,039.60 million sustained by the Company due to running of illegal tube well connections.

Non-adherence to Authority’s instructions resulted in revenue loss of Rs.9,039.60 million due to non-removal of illegal tube well connections up to the financial year 2019-20.

The matter was taken up with the management in September, 2020 and reported to the Ministry in December, 2020. The management replied that 1537 illegal tube wells had been uprooted. The detail of illegal tube wells was forwarded to the Ministry of Energy (Power Division) along with requirement of F.C’s Personnel for each Circle. However, field formations had also been directed to uproot illegal tube well for disconnecting connections.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

(Draft Para No. 542/2020-21)

1.4.2 Irregular reconnections without recovering outstanding arrears - Rs.4,651.23 million

According to Section 8.5 of Consumer Service manual, “A disconnected premises shall only be reconnected after recovery of all outstanding energy consumption charges and minimum/fixed charges and reconnection fee applicable.

In HESCO, reconnection orders (RCOs) of 50,339 disconnected connections with arrears amounting to Rs.4,658.98 million were issued. However, an amount of Rs.7.76 million was recovered only from 1,719 consumers which showed that 48,620 disconnected consumers were reconnected without recovery of outstanding dues of Rs.4,651.23 million in violation of RCO Policy, which needed justification.

Non-adherence to RCO Policy resulted in irregular reconnections of disconnected consumers without recovering outstanding arrears amounting to Rs.4,651.26 million during financial year 2019-20.

The matter was taken up with the management in November, 2020 and reported to the Ministry in December, 2020. The management replied that the matter would be investigated on receipt of information from MIS and the report would be submitted to audit accordingly.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

(Draft Para No. 781/2020-21)

1.4.3 Undue favour to the consumers for allowing use of unauthorized extension of load - Rs.2,731.47 million

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

In DISCOs, 6,273 consumers of different categories extended the load of their energy connections illegally without approval of competent authority. The field formations neither disconnected the energy connections nor regularized the un-

authorized extended load which is violation of the above condition. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No. of cases	Amount (Rs.in million)
1.	FESCO	293, 300, 306, 325, 353, 587 & 707/2020-21	276	129.04
2.	GEPCO	93, 113, 115, 142, 145 & 146/2020-21	254	88.05
3.	HESCO	561 & 597& 693/2020-21	669	182.39
4.	IESCO	419, 422,423, 475, 614, 701, 712 & 742/2020-21	3105	694.82
5.	LESCO	02, 55, 58, 264, 370 & 372/2020-21	979	729.56
6.	MEPCO	179, 181, 200, 236 & 272/2020-21	80	551.91
7.	PESCO	127,128, 132, 168, 462, 578, 580 & 583/2020-21	301	134.49
8.	QESCO	173,174,282& 424/2020-21	85	37.26
9.	SEPCO	201, 202 ,213 & 218/2020-21	335	116.33
10.	TESCO	286 & 670/2020-21	189	67.62
TOTAL			6273	2,731.47

The above analysis carried out on sample basis highlighted that DISCOs were unable to effectively monitor the load being provided to their consumers. The distribution network infrastructure was overloaded and material recovery was pending from the consumers on account of additional security deposit, feeder rehabilitation charges and substation cost etc. Moreover, a large amount i.e. Rs.729.56 million and Rs.694.82 million of subject cases were identified in LESCO and IESCO, highlighting the magnitude of the issue.

The matter was taken up with the management during July to October, 2020 and reported to the Ministry during September to December, 2020. The management replied that in some cases, extended load had been reduced / regularized after recovery of dues, while in remaining cases notices had been issued to the consumers.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

1.4.4 Non-recovery of over payment due to higher EPP rates - Rs.2,116.41 million

According to Section-31 of NEPRA Act December 16, 1997, “the Authority shall determine, modify or revise such rates, charges and terms & conditions in accordance with the directions issued by the Federal Government”.

In FESCO, the payment of Rs.2,116.41 million were made to Small Power Producers (SPPs) on account of purchase of electricity on behalf of CPPA-G, Islamabad. Subsequently, for reimbursement / adjustment of such payments, debit advices were issued to CPPA-G but CPPA-G denied to accept those advices as the payments were made in excess by applying high electricity tariff rate than the rate approved / determined by NEPRA.

Non-adherence to NEPRA’s Tariff resulted in non-recovery of over payment due to higher EPP rates amounting to Rs.2,116.41 million up to the financial year 2019-20.

The matter was taken up with the management in November, 2020 and reported to the Ministry in December, 2020. The management replied that total outstanding amount of Rs.2,116.41 million, on account of electricity purchased from SPPs, was a long outstanding issue mainly involving M/s Sitara Energy Limited (SEL). An amount of Rs.1,786 million relates to M/s SEL, out of which Rs.835 million pertains to difference of i) determined tariff and ii) provisionally paid amount for which enquiry at Ministry level was underway to find out the facts and fixation of responsibility. M/s SEL had also filed a writ-Petition in Islamabad High Court. No further progress was intimated.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

(Draft Para No. 576/2020-21)

1.4.5 Non-recovery of outstanding dues from industrial consumer - Rs.326.16 million

According to Para-1.3 of Commercial Procedures Manual of WAPDA Power Wing, “Revenue Officer and Assistant Manager are responsible for

implementing in conjunction with the Executive Engineer, the commercial policy laid down from time to time by the Authority through the Company efficient application of billing and collection procedures”.

In MEPCO, an amount of Rs.326.16 million was outstanding against M/s Suleman Spinning Mill. The said consumer applied for reconnection and agreed for payment of Rs.10 million each month and gave two cheques amounting to Rs.20 million against outstanding arrears which were returned by the Bank with reason “second signatory signatures missing”. FIR was lodged against Chief Executive of Spinning Mill for fraud and deceit. However, neither the amount was recovered nor connection of consumer was removed from site.

Non-adherence to commercial procedure resulted in non-recovery of outstanding dues of Rs.326.16 million from consumer up to the financial year 2019-20.

The matter was taken up with the management in September, 2020 and reported to the Ministry in December, 2020. The management replied that the connection was disconnected & the security deposit of Rs.7.60 million had been adjusted against arrears on 03.03.2020. However, recovery demand has been created under Land Revenue Act 1967 and notices for recovery under Section 81 were served to consumers by Tehsildar Mahal Kot Chutta.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

(Draft Para No. 429/2020-21)

1.4.6 Non-utilization/non-removal of 11 KV dedicated/independent feeders of permanently disconnected consumers – Rs.272.87 million

According to Clause 7 (2a) of NEPRA Notification issued on January 20, 2009, “upon removal or replacement of dedicated distribution system or any part thereof on account of permanent disconnection, the DISCO shall retain the dedicated distribution system or any part thereof as the case may be upon

payment in lump sum after adjustment of any arrear/pending bills in case of permanent disconnection within two months of date of disconnection”.

In MEPCO, five (5) connections with dedicated/independent 11 KV feeders defaulted on energy dues amounting to Rs.272.87 million and were permanently disconnected between 2012 to 2017. After disconnection, recovery was not made and these idle feeders were neither dismantled nor utilized for general distribution system of the Company.

Non-adherence to Authority’s instructions resulted in non-utilization/non removal of dedicated 11 KV feeders against energy dues amounting to Rs.272.87 million up to the financial year 2019-20.

The matter was taken up with the management in August, 2020 and reported to the Ministry during October to November, 2020. The management replied that feasibility plan was being prepared for utilization of 11 KV line of Al-Azhar Textile and Gulistan Textile Mills. Further, an enquiry committee was constituted for dismantling of old Bahaudin Zakariya University feeder which was not finalized. Moreover, process for recovery of outstanding arrears against M/s Amjad Textile and Mega Textile had already been initiated according to the procedure laid down in the Land Revenue Section 54-A of Electricity Act, 1910.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

(Draft Para No. 187, 237 & 274/2020-21)

1.4.7 Loss of revenue due to application of wrong tariff – Rs.156.11million

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

In DISCOs, 3,352 domestic, commercial & industrial consumers got their respective loads sanctioned whereas their connections were running illegally beyond their sanctioned load. Owing to non-conversion of tariff as per running load of

consumers, an amount of Rs.156.11 million on account of energy charges could not be recovered. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No. of cases	Amount (Rs.in million)
1.	GEPCO	103& 143/2020-21	164	32.38
2.	HESCO	598 & 658/2020-21	229	25.87
3.	IESCO	477 & 978/2020-21	25	19.26
4.	LESCO	369/2020-21	2727	11.57
5.	PESCO	129 & 581/2020-21	26	3.89
6.	QESCO	170 & 313/2020-21	116	34.91
7.	SEPCO	210,216 & 396/2020-21	65	28.23
Total			3352	156.11

The above analysis was done on sample test check basis in different DISCOs. It illustrated that the consumer profile was not being prepared accurately causing financial loss to the respective companies.

The matter was taken up with the management during July to November, 2020 and reported to Ministry during September to December, 2020. The management replied that recovery and regularization of cases would be made accordingly.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

1.4.8 Abnormal delay in replacement of defective energy meters

According to the minutes of Chairman's monthly conference of Chief Executive Officers dated February 25-26, 2003, in future, consumers should not be charged for the replacement of damaged meters. In turn such meters will be replaced and charged to operating budget. However, such meters will be sent to M & T for assessment of damage. Further, replaced meters shall be sent to M&T laboratory for test result and cost of meter shall be recovered only when the laboratory certifies that the defect in the meter has developed due to tampering like hole in the meter or body tampering of any part of meter (in case of non P.C meter)

In Operation Circle LAAR, HESCO, 8,582 energy meters became defective out of which, 6,412 energy meters were not replaced even after lapse of a considerable time period ranging from 03 to 48 months. Further, the energy meters were not being sent to M&T for assessing the causes of damage depriving thereby recovery of cost of damaged meters from consumers against fault developed due to tempering.

Non-adherence to operational instructions resulted in abnormal delay in replacement of defective meters up to the financial year 2019-20.

The matter was taken up with the management in October, 2020. The management replied that defective meters were being replaced. The management replied that actually the correct numbers of defective meters was 1,750. However, necessary directions had been given to all XENs concerned to investigate the matter and inform to audit accordingly. The stance of management was baseless as aging-analysis data provided by Director Commercial showed 6,412 numbers defective energy meters.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

(Draft Para No. 594/2020-21)

Concluding Recommendations

Unsatisfactory operational management constitutes an area of significant internal control lapses in the distribution companies. It entails both financial losses as well as operational in-efficiency in the power sector. Strict adherence to established standards and SoPs for tariff assessment, load management, extension of load and installation of additional equipment are needed to address the issue. Prompt action against all those responsible for the subject operational shortcomings is also required to be taken across the board. Furthermore, efforts are needed to expedite recoveries identified.

1.5 Unsatisfactory Asset Management

The companies are managing assets having worth billions of rupees. Further, every year additional assets were continuously being replaced / upgraded to meet the growing energy demands of the country. Each entity has a designated Material Management Department to manage the allocation and utilization of electrical equipment for different works and for their record keeping at different stores. In this context, gaps in the asset management practices are a major gray area and a significant operational challenge for the distribution companies.

The Material Management data is partially automated across the DISCOs/NTDC and use of manual forms and sheets remain entrenched in the companies. There are various anomalies in the manual record keeping processes. For example, there are differences between material issued from stores and those installed at sites. Return of surplus material to stores is commonly found wanting. The final utilization of material is not properly maintained on different occasions. Transfer of installed material from site A to site B is also based on manual records with no system-based reconciliation. Thus, there is an overall lack of transparency and accuracy in the material management process creating an environment vulnerable to irregular/illegal practices in the DISCOs/NTDC having financial implication and creating organizational in-efficiencies.

Moreover, allied aspects of asset management have entailed timely disposal of unserviceable material as well as rationalization of store items. Unnecessary purchase of material without planning and forecasting has resulted not only in blockage of company funds but also the material is losing its shelf-life and warranty without ever being put to use.

On the above lines, audit has analyzed the asset management issues in the DISCOs/NTDC from different aspects: firstly at company level and secondly on sample basis at operation / circle level to highlight the in-efficiencies, lack of transparency, irregularities and internal control lapses incurred by the companies as illustrated in the following paras:

1.5.1 Non-receipt of land from the housing societies - Rs.3.75 billion

According to memorandum of understanding signed between IESCO and Sponsors of the societies, the sponsors of housing societies shall provide/transfer a piece of 2 to 34 Kanal land to IESCO, free of cost, for construction of IESCO

complaint office / grid station. Moreover, as per Para-5 Clause – A sub-clause (i) of public sector companies (corporate governance) rules, 2013 amended up to April 21, 2017, “the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders in the following manner, namely: (a) the principle of probity and propriety entails that company’s assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to the following, namely: (i) handling of public funds, assets, resources and confidential information by directors, executives and employees”.

In IESCO, different memorandum of understandings (MOUs) were signed between IESCO and sponsors of twenty one (21) housing societies for electrification thereof. As per MOUs, the sponsors of housing societies were to provide / transfer a piece of 2 to 34 Kanal land, to IESCO, free of cost for construction of IESCO’s Complaint office or Grid Station. But, the societies were electrified without obtaining the required land of 250 Kanal from sponsors up till now. As a result, the Company has been deprived of land valuing Rs.3.75 billion.

Non-adherence to MOUs clauses resulted into non-receipt of land valuing Rs.3.750 billion up to the financial year 2019-20.

The matter was taken up with the management in October, 2020 and reported to the Ministry in December, 2020. The management replied that out of 250 Kanals, 77 kanals land was transferred to IESCO’s name. However, efforts are being made to get the remaining land transferred in the name of IESCO.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

(Draft Para No. 710/2020-21)

1.5.2 Blockage of funds due to un-necessary purchase of material – Rs.1,934.28 million

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

In MP&M NTDC, Lahore, material worth Rs.1,934.28 million was lying at FESCO Central Warehouse Nishatabad and NTDC warehouses since 2007 and 2015 respectively. The dumping of such a huge quantity of material without utilization indicated that the same was purchased beyond the requirement and caused blockage of funds to the stated extent.

Non-adherence of Authority’s instructions resulted in blockage of funds due to un-necessary purchase of material worth Rs.1,934.28 million up to the financial year 2019-20.

The matter was taken up with the management in November, 2020 and reported to Ministry in December, 2020. The management replied that the material was being used on need basis.

The DAC in its meetings held on January 04 - 07, 2021 directed the management and specifically MD NTDC to thoroughly review all the audit paras, under take necessary action and discuss the actions taken with audit within two months. *(Details at Annex-II)*

Audit recommends that the management needs to implement DAC’s decision besides fixing responsibility and expediting the utilization of the material in system.

(Draft Para Nos. 716 & 717/2020-21)

1.5.3 Non-return of material / equipment by the contractors - Rs.829.81 million

According to Rule-2A (a) of Public Sector Companies Corporate Governance Rule 2013 regarding sound and prudent management the business of the Public Sector Company is carried out with integrity, objectivity, due care and the professional skills appropriate to the nature and scale of its activities. As per Para-75 of WAPDA Accounting Manual 1978, on completion of the work, the excess material will be returned to godown or transferred to another work.

In NTDC, different types of material and equipment valuing Rs.828.75 million was either spared / unused or provided to the contractor on loan basis but the same was not handed over / returned by them despite completion of different projects. A theft incident also occurred at the site of work of 500 KV Port Qasim – Jamshoro transmission line and show cause notice was issued to the Additional Chief Engineer, EHV-II. The said material / equipment included two hydraulic machines along with allied accessories, which were handed over to M/s Powerline Construction Company on loan basis. However, neither the same were returned nor their cost of Rs.4 million and rental charges of Rs.1.06 recovered from the said contractor despite being debarred in the said contract and elapsing a considerable period.

Poor project management resulted in non-return of material / equipment valuing Rs.828.75 million and non-payment of rental charges of Rs.1.06 million by the contractors up to the financial year 2019-20.

The matter was taken up with the management during August to November, 2020 and reported to the Ministry in December, 2020. The management replied that in some cases left spare/unused material had been returned and the contractors were advised to return the balance material. However, any shortcoming of material would be recovered from any pending payments due to the contractor.

The DAC in its meetings held on January 05, 2021 regarding PDP-516/2020-21 directed the management to place the audit observations before BoD through an exclusive agenda item and within three months the BoD should report to the DAC that the issue has been resolved or certify that there was no violation of rules and loss to NTDC. As regard PDP-745 & 777/2020-21, DAC directed the management and specifically MD NTDC to thoroughly review all the audit paras, under take necessary action and discuss the actions taken with audit within two months. *(Details at Annex-II)*

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility and ensuring return of material / equipment or recovery of its cost along with rental charges from the contractors and pursue the case with NAB.

(Draft Para Nos. 516, 745 & 777/2020-21)

1.5.4 Non-replacement of electrical material damaged during warranty period – Rs.491.35 million

According to warranty clause of purchase orders, “the suppliers will be held responsible for all losses and that the un-acceptable goods will be substituted with acceptable goods at their own expense and cost”.

In DISCOs, distribution transformers and other equipment worth Rs.491.35 million were damaged under warranty period and not gotten replaced from the manufacturers / suppliers as required under the clauses of purchase orders. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No. T/F & Meters	Amount (Rs.in million)
1.	FESCO	513 & 584/2020-21	181& 760	47.26
2.	GEPCO	439/2020-21	136 & 588	42.47
3.	HESCO	88 & 687& 678/2020-21	64	147.40
4.	IESCO	704/2020-21	187	40.84
5.	LESCO	6, 60 & 262/2020-21	93	25.63
6.	MEPCO	220/2020-21	184	30.68
7.	PESCO	354 & 646/2020-21	277/1453	105.62
8.	QESCO	73, 276 & 507/2020-21	21	47.60
	SEPCO	388/2020-21	31	3.85
TOTAL			1174 & 2801	491.35

The above analysis had been done on sample selection basis across various DISCOs. It illustrates that due to unsatisfactory asset management, under-warranty damaged/broken electrical material was not being replaced from the manufactures. Such slackness would result in the warranty period getting expired after which replacement would not remain possible and the DISCOs would be constrained to repair the material at their own expense.

The matter was taken up with the management during July to November, 2020 and reported to the Ministry during September to December, 2020. The management replied that in some cases replacement of damaged material had been made from suppliers whereas replacement of balance material was under process.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one

month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

1.5.5 Blockade of public funds due to closed power plants - Rs.138.36 million

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

In QESCO, the generation plant "39 MW (25+14) Power Plant Panjgoor" was shut-down in 2003 due to shifting of electricity load of consumer to feeders connected with Iranian Grid System. As per stock verification report dated July 22, 2020, the value of machinery, stores and spare parts of the power plant was assessed as Rs.86.13 million. Apart from that, there was a stock of 492,534 litre HSD oil, 1,000 litre Lube Oil and 800 litre Transformer Oil with purchase price of Rs.16.82 million and current value of Rs.52.23 million. The said oil stock remained dumped at the closed power house and could not be utilized on other running power houses despite elapse of a considerable period of 17 years.

Operational mismanagement resulted in blockage of Company's funds due to non-utilization of oil valuing Rs.138.36 million dumped at closed power house up to the financial year 2019-20.

The matter was taken up with the management in September, 2020 and reported to the Ministry in December, 2020. The management replied that the Resident Engineer GTPS Panjgoor had been directed to provide the detail of stock position of HSD, Lube and Transformer Oil so that the committee could be constituted for verification and disposal of the same.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

(Draft Para No. 498 & 836/2020-21)

1.5.6 Un-necessary procurement of HT Spun Poles - Rs.112.60 million

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

In QESCO, a purchase order No. 1595 dated January 16, 2019 valuing Rs.51.53 million for procurement of 5,012 number H.T Spun pole (36") was issued on December 21, 2018. Afterwards, another supply order was issued through P.O. 1630 (T-1283) valuing Rs.61.07 million on August 09, 2019 for procuring 3000 number pole of same specification. Both the purchases seemed unjustified in the context that there were already 11,015 number poles available in stock on December 31, 2019. This scenario pointed out that despite consumption / issuance of poles throughout the calendar year, there was sufficient quantity available in stock before procurement quantity of 5,012 vide PO dated December 21, 2018 i.e. $11,015 - 5,012 - 3,000 = 3,003$ (excluding quantity issued during December, 2018 to December, 2019). Hence, in the presence of such huge quantity, the purchase made through above POs valuing Rs.112.604 million seemed irrational. The said purchase also raised a question about the existence of opening stock otherwise the purchase through these orders was definitely blockade of funds.

Non-adherence to Corporate Rules resulted in unnecessary procurement of HT Spun Poles up to the financial year 2019-20.

The matter was taken up with the management in September, 2020 and reported to the Ministry in December, 2020. The management replied that the amount of both the purchase orders was Rs.90 million instead of Rs.112.60 million. The quantity of 5,772 poles, already in stock, was of old specification. The poles purchased through P.O order No. 1595 were 3,334 instead of 5012 in number. The type of poles purchased through the P.O order No. 1595 & 1630 were different being LT spun and HT spun poles. The reserve stock limit of poles in store was 9,337 including 5,772 of old specifications instead of 11,015.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

(Draft Para No. 607/2020-21)

1.5.7 Abnormal delay in acquisition of land for construction of grid station - Rs.81 million

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

In GEPCO, an amount of Rs.22.50 million was placed with the Government of Punjab on May 11, 2009 for acquisition of 20 Kanals land at Muoza Dhullay, Tehsil City Gujranwala for construction of grid station. Despite lapsing a period of 11 years and making payment, the land could not be acquired up till June, 2020 and ultimately instigated the land owners to file petition in court of law. Further, in another case, a 52 kanal, 02 marla land valuing Rs.58.50 million for construction of grid station at Moza Chak shahbaz, Tehsil Phalia Distt: Mandi Baha Ud Din was selected by GEPCO Site Selection Committee in January, 2017 but the land could not be acquired up till September, 2020. Thus, non-acquisition of 72 kanal land valuing Rs.81 million for respective grid stations was affecting the system improvement of the Company.

Non-adherence to the rules resulted in abnormal delay in acquisition of land valuing Rs.81 million for construction of grid stations up to the financial year 2019-20.

The matter was taken up with the management in September, 2020 and reported to the Ministry in November, 2020. The management replied that in first case, an inquiry committee had already been constituted to probe the delay in Land Acquisition of Rajkot Mauza Dhully 132-KV Grid Station Site. At present, aforesaid matter of land acquisition is still pending in the Honorable

Court of law. While in second case, the matter of land acquisition was pending due to instructions of Minister of Energy (Power Division) Government of Pakistan. Presently, Deputy Commissioner Mandi-Bahauddin had been requested to process the case of land acquisition as per rules & regulations for new 132 KV Chak shahbaz Grid Station accordingly.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

(Draft Para No. 397/2020-21)

1.5.8 Loss due to shortage / missing of electrical material - Rs.57.40 million

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

In DISCOs, electrical material and transformer oil valuing Rs.57.40 million were found missing / short. Neither any departmental inquiry was conducted nor any action was taken against the responsible persons. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	FESCO	309/2020-21	0.63
2.	GEPCO	104/2020-21	0.25
3.	HESCO	659/2020-21	19.41
4.	LESCO	15 & 375/2020-21	23.43
5.	MEPCO	214 & 234/2020-21	4.65
6.	PESCO	487/2020-21	7.42
7.	SEPCO	326/2020-21	1.61
TOTAL			57.40

The above analysis was done on sample selection basis across different DISCOs. It has highlighted that were cases of "missing" of electrical material indicating loss to the company. Specifically above cited cases, a loss of

Rs.23.43 million were observed in LESCO and Rs.19.41 million in HESCO illustrating weak controls over asset management in these companies.

The matter was taken up with the management during July to December, 2020 and reported to the Ministry during September to December, 2020. The management replied that in some cases action was taken and recovery was affected and in remaining cases actions were under process.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. (*Details at Annex-II*)

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

Concluding Recommendations

Unsatisfactory asset management is a significant issue prevailing in the working of the DISCOs. It has created an environment for mal-practices and irregularities in their business. Practical steps from senior management of DISCOs were required, on a sustainable basis, to ensure real-time and transparent recording of assets and asset management processes. In addition, careful objective planning is needed to avoid over-stocking. Lastly, inquiries for fixing of responsibility and affecting the recoveries may be held against cases highlighted by audit to ensure improvement in the system.

1.6 Contract mismanagement and procurement shortcomings

The business process of DISCOs/NTDC entailed undertaking high-value contracts throughout the year. These included large-scale procurements of Electrical equipment (Transformers, poles etc), distribution network expansion/repair works, general civil works and IT purchases. Significant donor funded contracts were also executed. Prudence in contract making was essential to ensure that the contract works were completed within timeline with due regards to desired quality.

Contract mismanagement reflected anomalies and shortcomings present in contract process starting from the Bid preparation stage till the work completion point. This included instances where open competition was not observed, the bid

evaluation was un-transparent, reserve price formulation carried with little research, and cartelization among contractors was not guarded against. Once lapses occurred at the contract award stage, it led to further irregularities during work execution.

Some of the issues linked with work execution included abnormal Extension of time approvals (EOT) and short deduction of LD charges. In such cases the EOT was processed after the completion time of the contract rendering it un-justified. Short deduction of LD charges deprived the companies from due recovery.

Delays in execution of project-works not only resulted in cost overruns but more critically constituted a business failure case for the companies whereby they became unable to enhance/improve their business infrastructure from the desired project works. This meant that other activities linked with infrastructure development such as control over line losses also suffered.

Additionally, contract mis-management also included aspects of unsatisfactory equipment testing and non-renewal/acquiring of performance/bank guarantees, non-adjustment of contractor advances etc. Unsatisfactory testing led to procurement of sub-standard material suffering from frequent faults. Non-adjustment of advances meant high-risk of overpayment to the contractor while non-renewal of performance guarantee implied that the company had not secured its interest if the contractor defaults against the contract terms.

On the above lines, audit has analyzed the combined issue of contract mismanagement and procurement shortcomings found in the DISCOs/NTDC/GENCOs, on a sample analysis basis to highlight the in-efficiencies, lack of transparency, irregularities and internal control lapses which is illustrated in the following paras:

1.6.1 Non-termination of contract and non-forfeiture of performance guarantee – Rs.2,326.79 million

According to clause 42.2.2 of General Condition of Contract, “If the contractor has without valid reason failed to commence work on the facilities promptly or has suspended, other than pursuant to GCC Sub Clause-41.2, the progress of Contract performance for more than 28 days after receipt in a written instruction from the employer to proceed. Then the Employer may, without prejudice to any other rights it may possess under the Contract, given a notice to

the Contractor, stating the nature of the default and requiring the contractor to remedy the same. If the contractor fails to remedy or to take steps to remedy the same within 14 days of its receipt such notice, then the Employer may terminate the Contract forthwith by giving a notice of termination to the contractor that refers to this GCC sub clause 42.2.”

In Chief Engineer EHV-II NTDC Hyderabad, a contract agreement of Rs.2,112.39 million (US\$ 10.037 million (Rs.167.50/-) + Pak Rs.431.195 million) was signed between NTDC authorities and M/s Power China SEPCO-I Electric Power construction Co. Ltd for the work of Contract No. ADB-200-2018 (Lot-I) (Design, Manufacturing, Supply, Installation, Testing & Commissioning of 220 KV Mirpurkhas Substation and Extension at Hala Road Substation under ADB Loan No. 3577-Pak (Tranch-2)) on November 18, 2019. The notification of award was issued to contractor on July 4, 2019, the effective date of contract was established as January 17, 2020 with a completion period up to July 10, 2021 (completion period 540 days). Contractor was required to commence the work within 28 days of the receipt of commencement order on January 17, 2020. However, contractor failed to do so even after lapse of 8 months as evident from the Chief Engineer (PD/GSC) South NTDC Hyderabad letter date September 03, 2020. Employer was required to terminate the contract, forfeit the performance guarantee amounting to Rs.214.40 million (US\$ 1.280 million) and debar the firm from participating in future tenders according to contract agreement. However, nothing has been done on this account.

Non-adherence of contract clauses resulted in non-termination of contract and non-forfeiture of performance guarantee amounting to Rs.2,326.79 million during the financial year 2019-20.

The matter was taken up with the management in October, 2020 and reported to the Ministry in December, 2020. The management replied that the Contract Agreement was signed on 18.11.2019 and the Notice of Termination was issued to the Contractor on 14.09.2020. However, the contractor had mobilized its machinery at site and had already carried out the sub-soil investigation activities & contour of land was in progress. Whereas delay in commencement of activities by the contractor will be assessed at the time of EOT claim and LDs will be imposed on the Contractor (if applicable).

The DAC in its meetings held on January 04 - 07, 2021 directed the management and specifically MD NTDC to thoroughly review all the audit paras,

under take necessary action and discuss the actions taken with audit within two months. *(Details at Annex-II)*

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

(Draft Para No. 829/2020-21)

1.6.2 Irregular/unjustified acceptance of ACSR Drake Conductor without valid type test - Rs.1,614.48 millions

Clause 2.3 of NTDC Technical Provision stipulates that "certified copies of the report of all type tests for ACSR Drake Conductor shall be provided by the contractor during contract execution. In case the Type Test Reports are not available, these Type Test shall be carried out at one of the STL member laboratory or the laboratory approved by the purchaser".

In MP&M NTDC, a contract No.3217(R1)-3M for supply of ACSR Drake Conductor and EHS Galvanized Steel Shield wire for 500-KV Neelum-Jhelum to Domeli Transmission Line was awarded to M/s Newage Cables (Pvt) Limited Lahore at contract cost of Rs.1,614.48 million on 1st July, 2016. The contractor supplied the material and authorities accepted ACSR Drake conductor without valid type test. The contractor was required either to furnish certified copies of the report of all type tests or get the requisite Type Test carried out strictly in accordance with WAPDA / NTDC specification from any STL Lab. The acceptance of conductor without valid type test was irregular/unjustified increasing the risk of substandard procurement.

Non-adherence to the contract clauses resulted in irregular/unjustified acceptance of material valuing Rs.1,614.48 million without type test report of approved STL Lab during the financial year 2019-20.

The matter was taken up with the management in November, 2020 and reported to the Ministry in December, 2020. The management replied that the Type Test on ACSR Drake Conductor was arranged by the contractor. The reports of these tests were accepted by the Consultant and accordingly the material was accepted.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to place the audit observations before BoD through an exclusive agenda item and within three months the BoD should report to the DAC that the

issue has been resolved or certify that there was no violation of rules and loss to NTDC.

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

(Draft Para No. 776/2020-21)

1.6.3 Irregular award of contract to second and third lowest bidders – Rs.1,066.23 million

According to PPRA Rules 2004 Rule No.4 Principles of procurements, “Procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.”

In MP&M NTDC, three (03) contracts amounting to Rs.1,066.23 million were awarded to second and third lowest bidders in violation of PPRA rules. The total amount of three (03) lowest bidders was Rs.1,015.09 million, which resulted into extra financial burden of Rs.51.14 million to authority. The first lowest bidder in tenders TLC-07 & NOR-IT-11 was declared non responsive on the plea of non-inclusion of price for the works to be carried out under flowing water condition as required by the site and covered under clause 11.1 Section-V, GCC & SCC. Whereas, the site sketch clearly showed that there was no work under flowing water condition. Moreover, the contract under tender NOR-IT-10 was awarded on post bid reduced rate of contractor which was violation of PPRA rules.

Non-adherence to PPRA rules resulted into irregular award of contract to second and third lowest bidders amounting to Rs.1,066.23 million during the financial year 2019-20.

The matter was taken up with the management in November, 2020 and reported to the Ministry in December, 2020. The management replied that after due process and with the approvals of competent authority, the contracts were awarded on the recommendations of bid evaluation reports.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to place the audit observations before BoD through an exclusive agenda item and within three months the BoD should report to the DAC that the issue has been resolved or certify that there was no violation of rules and loss to NTDC.

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

(Draft Para No. 820/2020-21)

1.6.4 Doubtful completion of contracts - Rs.1,014.68 million

As per M/s BARQAB's office letter No.BQB.Ref.No.267/2201/132 KV/GS/LHR dated 12.03.2020 completion would be considered only when the entire work awarded to the contractor was completed and completion certificate issued by the Project Manager NTDC.

In NTDC, three (03) contracts under AFD Loan No. 8311-PAK, i) No. ADB-72R-2015 (Package-I) Lot-I: for the amount of Rs.311.23 million, ii) ADB-72R-2015 (Package-I) Lot-II: for amount of Rs.309.74 million and iii) No. ADB-72R-2015 (Package-II) Lot-II: for amount of Rs.393.70 million were declared as completed on 16.09.2018, 18.02.2019 and 19.04.2019 respectively. Field formations of NTDC showed these works as completed despite pendency of Secondary Area Works of Substations which was in progress.

Non-adherence to the rules resulted in doubtful completion of contracts amounting to Rs.1014.68 million during the financial year 2019-20.

The matter was taken up with the management in September 28, 2020. The management replied that detailed reply would be submitted after consulting the record.

The DAC in its meeting held on November 27, 2020 directed the management to produce completion certificate from M/s BARQAAB. No project would be considered completed until the consultant issue the completion report. The DAC also directed to get present status from M/s BARQAAB within one week. If BARQAAB was not satisfied, the show cause notices be issued to faulty persons who issued partial completion certificate pertaining to these works.

Audit recommends that the management needs to implement DAC directives.

(Draft Para No. 951/2020-21)

1.6.5 Non-recovery from defaulted contactor - Rs.714 million

According to clause 35.1(b) of General condition of contract, "In the event, the Purchaser terminates the Contract in whole or in part, pursuant to GCC Clause 35.1(a), the Purchaser may procure, upon such terms and in such manner as it deems appropriate, Goods or Related Services similar to those undelivered

or not performed, and the Supplier shall be liable to the Purchaser for any additional costs for such similar Goods. However, the Supplier shall continue performance of the Contract to the extent not terminated”.

In NTDC, a contract for design supply, installation, testing and commissioning of in and out arrangement of 500 KV Guddu-Multan 3rd circuit was awarded to M/s GAM ARAK dated 02.02.2011 with the scheduled completion date of 24.11.2012. The contractor caused massive delay resulting termination of contract by NTDC on 09.03.2015. The contractor M/s GAM ARAK invoked arbitration in International Court of Arbitration against NTDC. The tribunal in its award dated 21.04.2020 held all the contractor’s claim inadmissible and partially allowed NTDC’s counter claim against the contractor for a sum of Rs.714 million alongwith interest at the rate of 7.92% per annum from the date when NTDC filed its counter claim till the date of payment. However, the amount of claim still remained un-recovered from the contractor.

Non-adherence to the provision of contract resulted into non-recovery of Rs.714 million from defaulted contractor up to the financial year 2019-20.

The matter was taken up with the management and reported to the Ministry in December, 2020. The management replied that the case was in International Court of Arbitration and was being dealt by Chief Law Officer (CLO).

The DAC in its meetings held on January 04 - 07, 2021 directed the management and specifically MD NTDC to thoroughly review all the audit paras, under take necessary action and discuss the actions taken with audit within two months. *(Details at Annex-II)*

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

(Draft Para No. 891/2020-21)

1.6.6 Recoverable advances from Contractors / Consultants - Rs.703.07 million

According to Para 9.2.6 of WAPDA accounting manual, "advances made to the outside parties like advance made to building contractors shall be adjusted against the running bills as per the terms and conditions of the agreement / contract".

In NTDC, advances of different nature amounting to Rs.703.07 million were given to the contractors and consultants of various projects. The said

advances were required to be adjusted / recovered from the contractors / consultants but the same was not done.

Inefficient financial management resulted in recoverable advances amounting to Rs.703.07 million from contractors / consultants up to the financial year 2019-20.

The matter was taken up with the management in October & November, 2020. The management replied that some of the amount was adjusted and remaining advances would be recovered / adjusted accordingly.

The DAC in its meeting held on November 27, 2020 regarding the PDP No. 945/2020-21 directed the management to certify within one month with the certification of CFO that advance of Rs.91.17 million is either recovered or adjusted against remaining payment and charge sheet be issued in case of non-recovery. Furthermore, the DAC in its meetings held on January 04 - 07, 2021 regarding PDP-630/2020-21 directed the management to place the audit observations before BoD through an exclusive agenda item and within three months the BoD should report to the DAC that the issue has been resolved or certify that there was no violation of rules and loss to NTDC. As regards the PDP-824, DAC directed the management and specifically MD NTDC to thoroughly review all the audit paras, under take necessary action and discuss the actions taken with audit within two months. *(Details at Annex-II)*

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility and ensuring recovery of advances from contractors / consultants.

(Draft Para Nos. 630, 824 & 945/2020-21)

1.6.7 Non-receipt of mandatory spare parts from the contractors - Rs.625.20 million

As per Para 4.14 of contract agreement, the contractor shall provide the mandatory spare parts as specified in the Price Schedules and Technical Specifications.

In NTDC, mandatory spare parts of Rs.625.20 million were required to be provided by the Contractors i.e. M/S China National Electric Engineering Company Ltd. and M/s Sinosteel under Contract No.ADB-65(R)-2012 (Package-I) Lot-I, II & III for 3rd Circuit 500 KV Transmission Line, which was not done.

Non-adherence to Contract clause resulted in non-receipt of mandatory spare parts amounting to Rs.625.20 million from the contractors up to the financial year 2019-20.

The matter was taken up with the management in October, 2020. The management replied that in some cases material reconciliation report of the project was under process. The amount of returnable balance material as well as cost of mandatory spare parts would be adjusted/ recovered from any payment due to the Contractor. Whereas, maximum quantity of mandatory spare parts had been shifted by M/s Sinosteel to EHV site store but handing / taking over was still awaited.

The DAC in its meetings held on January 04 - 07, 2021 DAC directed the management and specifically MD NTDC to thoroughly review all the audit paras, under take necessary action and discuss the actions taken with audit within two months (*Details at Annex-II*). Regarding the PDP No.760, DAC directed the management to place the audit observations before BoD through an exclusive agenda item and within three months the BoD should report to the DAC that the issue has been resolved or certify that there was no violation of rules and loss to NTDC.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility and ensuring receipt of spare parts from the Contractors.

(Draft Para Nos. 515, & 760/2020-21)

1.6.8 Loss due to substandard work and irregular variation in contract – Rs.458.24 million

The inquiry committee dated April, 2017 concluded: i) the coordination within Nespak, EHV, MP&M, Design and contractor was not exercised in the best interest of company work to save expenditures. Every party is shifting its responsibility to other party. ii) A letter of displeasure may be issued to the consultant due to its omission in performing of its duties. iii) A letter of warning may be issued to the contractor due to its below mark work. iv) A piece of advice for more vigilance may be issued to GM GSC NTDC, CE (MP&P) NTDC, CE (Design) NTDC, the then CE (EHV-II) NTDC, PD (EHV-II) Multan NTDC etc. which are relevant to this work of transmission line.

In MD NTDC, a contract for “survey for tower stacking, foundation, erection, stringing, testing and commissioning of 132 KV Transmission Line

Jhimpir new T.M Khan Grid station from location No. 182 to 132 KV T.M Khan Grid Station (37 KM)” was awarded to M/s Usman & Company / SSC JV on 15.07.2015 for Rs.181.13 million. The contract price was adjusted to Rs. 458.24 million through a variation order which was 153% higher than original contract price. On pointation of issue by a member, BoD (NTDC) constituted inquiry committee who reported that the substandard material was used in project unnecessarily and variation order was issued due to change in design. The recommendation of the said report was not implemented despite lapse of more than three years.

Non-implementation of inquiry committee’s recommendations resulted into loss of Rs.458.24 million due to substandard work and irregular variation in contract up to 2019-20.

The matter was taken up with the management and reported to the Ministry in December, 2020 but no reply was given.

The DAC in its meetings held on January 04 - 07, 2021 directed the management and specifically MD NTDC to thoroughly review all the audit paras, under take necessary action and discuss the actions taken with audit within two months. *(Details at Annex-II)*

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

(Draft Para No. 929/2020-21)

1.6.9 Loss due to delay in procurement of material – Rs.414.68 million

According to Rule-33(1) of PPRA rules 2004, “The procuring agency may reject all bids or proposals at any time prior to the acceptance of a bid or proposal. The procuring agency shall upon request communicate to any supplier or contractor who submitted a bid or proposal, the grounds for its rejection of all bids or proposals, but is not required to justify those grounds.” According to clause 2.9.1(d) of consultancy agreement, “The client may terminate the contract. If the consultants submit to the client a statement which has a material effect on the rights, obligations or interests of the client and which the consultants know to be false.”

In MP&M NTDC, a tender No.3217-(R4)-4M-Phase-II (Lot-1) “Supply of 160-KN and 80-KN Porcelain Insulators for 500-KV D/C Quad Bundle Transmission Line from Domeli to 500-KV Gakkhar Substation” was called for and five bidders participated in the bidding process. In the Technical Bid

Evaluation Reports, M/s NGK Insulator Ltd, Japan was declared responsive out of five bidders including M/s Dalian Insulators, China. The financial bid was opened on 02.02.2018. However, the tender was scrapped without any valid reasons in violation of PPRA Rules-33(1). Further, M/s Dalian previously (Scrapped Tender 3217-R4) offered bid price of US\$ 5.630 million and later on the same contractor quoted US\$ 8.102 million for the same material through contract No.3217-(R5)-4M, which resulted in loss of Rs.414.68 million (US\$ 2.472 x 167.75). Owing to scraping of 1st tender and delay in awarding of contract resulted in loss to the Authority due to acceptance of bids at higher rate, which needs to be investigated.

Non-adherence to PPRA rules resulted in loss due to delay in procurement of material amounting to Rs.414.68 million up to the financial year 2019-20.

The matter was taken up with the management in November, 2020 and reported to the Ministry in December, 2020. The management replied that M/s Dalian was not responsive bidder during initial tendering process and bid price of the non-responsive bidder was not opened as the tender was floated under single stage two envelop process. Further, the issue had been framed on basis of complaint of M/s Dalian wherein they mentioned that they were low price bidder and stated some figures which were neither needed nor possible to verify since the bid of non-responsive bidder is returned un-opened. Acceptance of any such fact would tantamount to non-adherence to the spirit and methodology of single stage two envelop bidding process.

The DAC in its meetings held on January 04 - 07, 2021 directed the management and specifically MD NTDC to thoroughly review all the audit paras, under take necessary action and discuss the actions taken with audit within two months. *(Details at Annex-II)*

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

(Draft Para No. 853/2020-21)

1.6.10 Irregular procurement in violation of PPRA rules – Rs.295.13 million

According to Para 3 of SRO 827(I)/2001“only in cases of procurement by the government and in case of procurement by other public sector agencies,

bidders tendering for engineering goods produced in Pakistan shall be accorded a price preference in rupees up to a specific percentage (in proportion to the value addition) of the lowest quoted landed-cost of an item of foreign origin with similar specification as mentioned in tenders.”

In MP&M NTDC, three (03) Educational Orders amounting to Rs.295.129 million were issued to M/s. Fast Cables, Lahore without open competitive bidding for the supply of ACSR Drake and AAAC Greely Conductors. The NTDC authorities selected the firm without any open competition in shape of tendering and at higher cost, which was clear cut violation of PPRA rules and aforementioned SRO.

Non-adherence to the PPRA Rules and SRO resulted in irregular procurement of conductors amounting to Rs.295.13 million during the financial year 2019-20.

The matter was taken up with the management in November, 2020 and reported to the Ministry in December, 2020. The management replied that the Educational Orders, on prevailing market rates duly verified by the engineer and with the approval of competent authority, were placed as per SRO-827 issued by Ministry of Commerce.

The DAC in its meetings held on January 04 - 07, 2021 directed the management and specifically MD NTDC to thoroughly review all the audit paras, under take necessary action and discuss the actions taken with audit within two months. *(Details at Annex-II)*

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

(Draft Para No. 775/2020-21)

1.6.11 Non-recovery of penalty from contractors due to non-compliance of EPA Act 1997 - Rs.253.13 million

As per SOP of Environmental & Social Safeguards and Resettlement Policy, the implementation of Environmental Management & Monitoring Plan (EMMP) was mandatory requirement for all the projects. The contractor will comply with all applicable Laws (Pakistan Environmental Protection Act under PEPA-1997). In case of non-compliance, the employer has the right to suspend work and withheld payments till the remedial measures and impose penalty up to

10% of the total cost of the contract and no extension of time will be allowed to the contractor.

In DISCOs, payment of Rs.2,531.41 million was made to the contractors against sixty three (63) contracts of construction works. These payments were made to the contractors without getting clearance and verification from Environment & Social Cell as no contractor submitted the EMMP compliance report. Owing to non-compliance of environmental provision of contract, penalty @ 10% amounting to Rs.253.13 million was required to be imposed which was not done. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No. of Cases	Amount (Rs.in million)
2.	LESCO	984/2020-21	49	235.23
3.	TESCO	800/2020-21	14	17.90
TOTAL			63	253.13

The matter was taken up with the management in August & October, 2020 and reported to the Ministry in December, 2020.

The management replied that in future, no project would be initiated without getting NOC from Environment Protection Department, Government of Pakistan.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions towards their resolution and report its working to DAC in one month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

1.6.12 Loss due to procurement of inferior quality disc insulators – Rs.188.78 million

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

In MP&M NTDC, a huge quantity of 80-KN and 100-KN Disc Insulators amounting to Rs.188.78 million (CNY 7.919 million x Rs.23.84) were procured from EMCO and Dalian Companies under Contract No.WPP-05-2014 (Lot-IV) and Contract No.WPP-10-2016 (Lot-VIA) respectively. NTDC field formations reported frequent breakdowns on these transmission lines due to mechanical and electrical failure of disc insulators procured from aforementioned firms which not only indicate the acceptance of inferior quality disc insulators but are also causing recurring financial losses in shape of NPMV and LD charges due to unavailability of evacuation. The procurement of inferior quality disc insulators resulted in loss to the authority.

Non-adherence to authority's instructions/rules resulted in loss of Rs.188.78 million due to procurement of inferior quality disc insulators up to the financial year 2019-20.

The matter was taken up with the management in November, 2020 and reported to the Ministry in December, 2020. The management replied that the procurement was made in accordance with PPRA Rules/ Regulations. However, after installation of material, some issues were observed regarding quality of insulators. This created a dispute between the parties and after settlement agreement, M/s EMCO agreed to return the cost of disc insulators to the tune of Rs.83 million against return of faulty disc insulators.

The DAC in its meetings held on January 04 - 07, 2021 directed the management and specifically MD NTDC to thoroughly review all the audit paras, under take necessary action and discuss the actions taken with audit within two months. *(Details at Annex-II)*

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

(Draft Para No. 771/2020-21)

1.6.13 Loss due to sub-standard work of foundations backfilling under contract No. TLC-04-2019 - Rs.141.31 million

According to Para 36.1 (a) of General Condition of Contract, "All materials, Plant and workmanship shall be of the respective kinds described in the Contract and in accordance with the Engineer's instructions." Moreover, as per Para 1(b)(1.1) of Appendix A of Consultancy Agreement, "The monitoring and supervision of works at sites shall be carried out by the Consultants. They

will supervise the quality of works executed by the Contractor at the sites to ensure that the works are being executed as per technical specifications and as per standards laid down in the Construction Contract. The Consultants shall represent interest of NTDC viz a viz the Contract in all manner related to proper execution of the work at site.”

In Chief Engineer, EHV-II NTDC, Hyderabad, an amount of Rs.141.31 million has been paid to the contractor M/s Potential Engineers (Pvt.) Ltd up to December, 2019 on account of pile foundation and spread foundation work under contract No.TLC-04-2019 of 500 KV Transmission Line. Poor quality of backfilling works was repeatedly pointed out and intimated to contractor but the same remained un-attended & unaddressed even after energization of Transmission Line and till date nothing has been done for rectification of these substandard and poor quality Backfilling works. Keeping in view the above situation audit holds that amount paid against foundations work stands irregular. The following queries may also be attended to:- 1) If substandard work was carried out why the amount for foundation works were verified by the Consultants. 2) Why Consultant remained silent and had not forced contractor for the rectification of discrepancies and shortcomings. 3) Why Chief Engineer issued completion certificate dated: 31/12/2019 to Contractor as evident from letter No.310-14 dated: 13/02/2020, instead of deducting LD charges. 4) Which actions were taken by the Engineer against the Contractor, Consultant and Project Directorate (being site representative of Employer and Engineer)? 5) Which actions have now been taken for the rectification of discrepancies, with final status of rectification?

Non-adherence to contract/consultancy agreement resulted in loss of Rs.141.31 million due to sub-standard work of foundations backfilling under contract No.TLC-04-2019 during the financial year 2019-20.

The matter was taken up with the management in October, 2020 and reported to the Ministry in December, 2020. The management replied that the contractor has rectified the discrepancies and shortcomings in backfilling work of tower foundations. The re-inspection of backfilling of tower foundation would be carried out shortly and Audit would be intimated accordingly.

The DAC in its meetings held on January 04 - 07, 2021 directed the management and specifically MD NTDC to thoroughly review all the audit paras,

under take necessary action and discuss the actions taken with audit within two months. *(Details at Annex-II)*

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

(Draft Para No. 759/2020-21)

1.6.14 Non-return of material issued to the contractor on loan basis - Rs.127.13 million

As per Section 7 General condition of contract sub section-G, Risk Distribution clause 32.1, "the contractor shall be responsible for the care and custody of the facilities or any part thereof until the date of completion of the facilities and shall make good at his own cost any loss or damage that may occur to the facilities from any cause what so ever during such period".

In Chief Engineer EHV-1 NTDC Lahore, under Loan No. PAK-P-61(JICA), as per Manager Audit (NTDC) letter No.MGR/Audit/NTDC /Misc.(EHV)/1207 dated August 29, 2019, the material amounting to Rs.127.134 million was handed over to the contractor M/s. CCPG on loan and cash payment basis. Neither the material nor the cost of material amounting to Rs.127.13 million was recovered from the contractor.

Non-adherence to contract clauses resulted in non-recovery of material on loan basis or cost thereof amounting to Rs.127.13 million from the contractor by NTDC during the financial year 2019-20.

The matter was taken up with the management in August, 2020 and reported to the Ministry in September, 2020. The management replied that a request has been forwarded vide UO No.7354 dated 29-09-2020 to GM (PD/GSC) NTDCCL to arrange the approval of competent authority to constitute an independent inquiry for Return/ Recovery of Material from M/s CCPG China.

The DAC in its meetings held on January 04 - 07, 2021 directed the management and specifically MD NTDC to thoroughly review all the audit paras, under take necessary action and discuss the actions taken with audit within two months. *(Details at Annex-II)*

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

(Draft Para No. 48/2020-21)

1.6.15 Irregular procurement of Distribution Transformers without type tests – Rs.367.13 million

According to Clause-20 of the tender documents for procurement of distribution transformer, “over and above normal inspection, the office of the Chief Engineer (Quality Assurance & Inspection) Lahore will carry out all type tests including the routine tests once during the currency of PO at RTL Faisalabad/ HVSC Rawat or any other independent laboratory approved by the department.”

In HESCO, one thousands (1,000) distribution transformers of 100 & 200 KVA valuing Rs.367.13 million were procured during the financial year 2019-20. However, type tests of respective purchase orders were not carried out as depicted from the inspection certificates. Resultantly procurement of 100 & 200 KVA distribution transformers valuing Rs.367.13 million was made without ascertaining authenticity of technical specifications.

Violation of provisions of tender documents resulted into irregular procurement of distribution transformers without type tests valuing Rs.367.13 million during the financial year 2019-20.

The matter was taken up with the management in November, 2020 and reported to the Ministry in December, 2020. The management replied that the Inspection Certificate was issued after carrying out all relevant tests to ascertain the authenticity of technical specifications. For ascertaining the transparency and to the Audit’s satisfaction, this office requested the firm to send the test results and prototype approvals.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

(Draft Para No. 686/2020-21)

1.6.16 Irregular Purchase of Vehicles - Rs.244.92 million

According to Government of Pakistan Finance Division (Expenditure Wing) letter No.7(1) Exp.IV/2016-812 dated 21 August 2019 and letter No. 7(1)

Exp.IV/2016-430 dated 06 August 2020. There will be complete ban on purchase of all type of vehicles (excluding motorcycle) both for current as well as development expenditure.

In IESCO, ninety (90) field vehicles costing of Rs.244.92 million were purchased from two suppliers in defiance of Finance Division (Expenditure Wing) office memorandum dated 21st August, 2019 and letter No. 7(1) Exp. IV / 2016-430 dated 06th August 2020. The said matter was not placed before the Austerity Committee of the Government to review exigency in the matter. Hence, the procurement of the said vehicles could not be termed as regular.

Non-adherence to Finance Division's instructions resulted in irregular procurement of vehicles valuing Rs.244.92 million during the financial year 2019-20.

The matter was taken up with the management in October, 2020 and reported to the Ministry in December, 2020. The management replied that BoD of Autonomous Bodies are fully authorized under the provisions of the ordinance to take financial and administrative decisions independently and are not required to take approval from the Federal Government.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

(Draft Para No. 709/2020-21)

1.6.17 Loss due to procurement of Power Transformers at exorbitant rate - Rs.252.72 million

As per Clause 11.3 of Section-II (Instructions to Bidders) regarding documents establishing bidder's eligibility and qualifications, the documentary evidence to establish that the bidder / manufacturer has manufacturing / operational experience of material specified in this tender or of higher ratings as per Qualification & Experience Criteria mentioned in the Section-I (iv) anywhere in the field.

In Project Management Unit (PMU) MEPCO, a same tender for the procurement of 25 No. 132/11.5 KV, 31.5/40 MVA Power Transformers under MEPCO's own resources was floated twice and opened on 21.11.2017 and 13.09.2018 respectively. In both cases M/s Pak Electron Limited (PEL) Lahore stood lowest, offering the rate of Rs.44,500,000/- & Rs.55,000,000/- per Power Transformer respectively. As per bid evaluation report, award of purchase order was not made to M/s PEL by declaring it non-responsive due to unsatisfactory field performance and tenders were scrapped by the competent authority and called for re-tendering. For the third time, the same tender with reduces quantity of 12 No. Power Transformer was floated and opened on 12.04.2019 and again M/s Pak Electron Limited (PEL) was 1st lowest bidder with offer rate of Rs.62,500,000/-. The Purchase Order amounting to Rs.883.500 million was awarded on 07.11.2019 to the same manufacture at higher rate which was rejected twice due to unsatisfactory performance. Hence, MEPCO sustained a loss of Rs.252.72 million (Rs.62,500,000 – Rs.44,500,000 x 12) due to mis-management in the tendering process and purchase of power transformers at exorbitant rate.

Non-adherence to the rules resulted in loss of Rs.252.72 million due to award of purchase order at higher rate ignoring the 1st lowest bidder in the first tender during the financial year 2019-20.

The matter was taken up with the management in July, 2020 and reported to the Ministry in November, 2020. The management replied that tender No. PMU-MEPCO-65-2017 (ICB) for the procurement of 25-No. 31.5/40MVA power transformers was opened on 21.11.2017. The case was presented before Procurement Committee of MEPCO BoD for decision either to award the contract to 1st lowest bidder M/s PEL or to M/s Chint China being declared responsive by evaluation committee or to scrap off the tender. MEPCO's BoD scrapped the tender in its 138th meeting. Subsequently, the same was retendered as Tender No. PMU-MEPCO-143-2018 and opened on 13.09.2018. The Evaluation committee declared M/S HEC as lowest responsive bidder. The case was presented in 13th Procurement Committee of MEPCO BoD held on 30.01.2019 for award of contract to M/s HEC. M/s HEC was requested to extend the bid validity but M/s HEC refused to extend the bid validity further. Resultantly, the tender was scrapped by the competent Authority. Keeping in

view the financial constraints, the tender No. PMU-MEPCO-193-2019 was floated for procurement of 12 No. Power transformers and after opening, its evaluation was done by 3rd party i.e NTDC. After approval of the recommendation of the evaluation report by BoD, the tender was awarded to the 1st lowest bidder i.e. M/s PEL.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

(Draft Para No. 368/2020-21)

1.6.18 Extra financial obligation due to award of civil works contracts / work orders at higher rates – Rs.110.75 million

According to Public Procurement Rules, 2004, Principle of Procurement, “Procuring agencies, while engaging in procurements, shall ensure that procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.” Moreover, in its 101st meeting, BoD PESCO decided that civil works would not be awarded in excess of 25% above BoQ.

In PESCO, fifty three (53) civil works orders amounting to Rs.353.98 million were awarded to contractors at higher rates. Whereas, the estimated cost of these works were Rs.243.23 million. The percentages of rates above the estimated cost on which bids were accepted were ranging from 33.45% to 75%. Due to higher rate the company was put under extra financial obligation of Rs.110.75 million. The acceptance of higher rates is clear cut violation of PPRA rule regarding economy and was also against the BoD's directions, which needs to be investigated through a competent forum as per directions of the BoD. Moreover, after opening of bids, the lowest bidders were allowed to reduce their quoted rates in violation of PPRA rule.

Non-adherence to Public Procurement Rules-2004 and BoD instruction's resulted in unjustified award of civil work order causing extra financial

obligation amounting to Rs.110.75 million at post bid reduced rates during the financial year 2019-20.

The matter was taken up with the management in September, 2020 and reported to the Ministry in December, 2020. The management replied that estimate of all the works were framed on WSCR-2013 as per SoP. The percentage of premium above the estimated cost, on which the bid was accepted, is primarily due to escalation of basic prices in the past year since 2013. In fact, all works were awarded after analysis of market-rate inline with the PPRA's Rules. Hence contractor premium to be restricted up to 25% was not justified in any way.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

(Draft Para No. 543/2020-21)

1.6.19 Non-recovery of liquidated damages from the contractors - Rs.388.66 million

As per Sub Clause 27.1 conditions of contract, failure to meet the time for completion entitles the employer to reduce the contract price as percentage as 0.05% per day, maximum up to 20% of contract price.

In GENCO-II, a contract for designed, supply, installation, testing and commissioning of Natural Gas Booster Compressor Station was awarded to M/s Al-Tariq at a cost of (i) £ 7.390 million (ii) local currency component of Rs. 406.16 million. The contractor was required to complete the work within the period of fifteen (15) months after opening of letter of credit on 01.12.2015. However, the contractor could not complete the work within stipulated period i.e. up to 01.03.2017 and completed the same on 17.03.2019 with a delay of 531 days. Hence, LD charges of Rs.388.66 million needed to be recovered from the contractor, which was not done.

Non-adherence to the provisions of contract agreement resulted in non-recovery of LD charges of Rs.388.66 million from the contractor up to the financial year 2019-20.

The matter was taken up with the management in October, 2020 and reported to the Ministry in November, 2020. The management replied that Liquidated Damages as defined in the contract shall be deducted from the Contractor's cost on receiving the legal opinion. Moreover, Para No. 07 regarding LD already exists in the FY 2019-20.

The DAC in its meetings held on January 04 - 07, 2021 directed the Chairman of BoD GENCO-II, Chairman BoD of GHCL and CEO GENCO-II to furnish a joint report within one month suggesting the way forward with protecting commercial interest of GENCO-II, under the umbrella of GHCL, to Audit / DAC and if DAC concurs then implement those timelines.

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

(Draft Para No. 344/2020-21)

1.6.20 Loss due to non-encashment of performance bond - Rs.78.64 million

According to Performance Bond No.PL-0814-300501-E19, "Whenever the Contractor as declared by the Employer to be, in default under the Contract, the Surety may promptly on first written demand of the Employer and without cavil or arguments and without requiring the Employer to prove or to show grounds or reason for such demand, pay the Employer the amount required by Employer to complete the Contract in accordance with its terms and conditions up to a total not exceeding the amount of this Bond."

In MP&M (NTDCL), Lahore, a contract No.3217(R)-1C Lot-1 "Neelum-Jhelum Hydropower Plant up to 45 KM of the Transmission Line" was awarded to M/s. Powerline Construction Company Limited Lahore at a contract cost of Rs.786.41 million on 2nd September, 2014. The contractor did not complete the work within the schedule completion period and the contract was cancelled by NTDC authorities debarring the firm from participating in all NTDC tenders for two years vide letter dated 14.01.2019. As per Performance Bond NTDC authority (Employer) and M/s Adamjee Insurance Co Limited, Lahore (Surety) was bound for the encashment of the performance bond valuing Rs.78.64 million in case of default of M/s Powerline Construction Company Limited, Lahore (Contractor). However, the same had not been done and time was wasted in mere correspondence, which resulted into loss to authority up to the stated extent.

Non-adherence to condition of Performance Bond resulted into loss due to non-encashment of performance bond amounting to Rs.78.64 million during the financial year 2019-20.

The matter was discussed with management in November, 2020 and reported to the Ministry in December, 2020. The management replied that the observation is already taken up by audit at Para No. 773/2020-21 and in AR-2018-19 through DP No. 1340, 1344 & 1347 and raising the observation here would be duplication but no documentary evidence was provided.

The DAC in its meetings held on January 04 - 07, 2021 directed the management and specifically MD NTDC to thoroughly review all the audit paras, under take necessary action and discuss the actions taken with audit within two months. *(Details at Annex-II)*

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

(Draft Para No. 721/2020-21)

1.6.21 Unjustified extra payment to the contractor on account of sewerage, retaining wall, extra BoQ Items and boundary wall etc - Rs.75.53 million

As per scope of works, the contractor shall carry out all the works required for the design, construction, completion and maintenance of the civil works which includes prayer room, small kitchen, offices, wash rooms, sanitary, sewerage, water supply, electrification and boundary wall etc. The prices of all additional works, which are not shown in "Price Schedule" but specified in the contract documents, shall be included in the prices of other items of "Price Schedule". The contractor shall not claim additional cost for any item, which is required to be executed as per contract documents.

In MP&M NTDC, an amount of Rs.75.53 million was paid to the contractors under two contracts ADB-72-2015 (Package-I) Lot-I and contract No.ADB-73-2015 Lot-III on account of extra / additional work carried out against sewerage, retaining wall, extra BoQ and boundary wall items in contradiction to contract clauses which was not justified and needs to be recovered from the Contractors.

Non-adherence to the contract clauses resulted in extra payment of Rs.75.53 million to the contractors during the financial year 2019-20.

The matter was taken up with the management in November, 2020 and reported to the Ministry in December, 2020. The management replied that these works were not included in the Original Scope of the Contract.

The DAC in its meetings held on January 04 - 07, 2021 directed the management and specifically MD NTDC to thoroughly review all the audit paras, under take necessary action and discuss the actions taken with audit within two months. *(Details at Annex-II)*

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

(Draft Para No. 939/2020-21)

1.6.22 Loss due to improper planning and amendment in contract - Rs.46.29 million

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

In MP&M, NTDC Lahore, a contract valuing EURO 2.44 million (Pak Rs. 469.81 million) for consultant's services of project design and procurement (lump sum) under the National Transmission Modernization project-1 was awarded to Joint Venture of M/s DESCON international GMBH & Consulectra GMBH & ILF Pakistan (Pvt.) Ltd. Subsequently, the scope of work decreased up to 30% included in group 2 by making an amendment No. 2 in the contract. However, an amount of Euro 240,000 (equivalent to Pak Rs.46.29 million @ Rs.192.86) had already been disbursed on the same deleted works. The amount already disbursed on the deleted works resulted into excess expenditure of Rs.46.29 million to the company.

Improper planning and amendment in contract resulted into excess expenditure during the financial year 2019-20.

The matter was reported to the management in October, 2020 and reported to the Ministry in December, 2020. The management replied that under the contract for consultancy services, the consultant was liable for receiving payments for all of the work done on deliverable basis. As per Consultancy Contract Agreement, the consultant was to receive 30% of contract value (US\$ 730,958) linked to the deliverables related to group 02 Projects. The consultant, in-fact, had already designed the Projects work covered under group

No. 02 of NTMP-I Program before removal of these projects from the scope of NTMP-I. Therefore, the consultant was liable to receive the payments for the said works and an appropriate adjustment was agreed by both parties amounting to US\$ 240,000/-. These studies are now part of NTDC's catalogues and will be useful as and when the work is started on these projects. Further, the contract price was reduced as a result of this amendment and there was no loss to NTDC.

The DAC in its meetings held on January 04 - 07, 2021 directed the management and specifically MD NTDC to thoroughly review all the audit paras, under take necessary action and discuss the actions taken with audit within two months. *(Details at Annex-II)*

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

(Draft Para No. 947/2020-21)

1.6.23 Irregular purchase of furniture through Negotiated Tendering in violation of PPRA rules – Rs.29.99 million

According to Rule-8 of PPRA Rules – 2004 “Within one year of commencement of these rules, all procuring agencies shall devise a mechanism, for planning in detail for all proposed procurements with the object of realistically determining the requirements of the procuring agency, within its available resources, delivery time or completion date and benefits that are likely to accrue to the procuring agency in future.” Rule-12(2) “All procurement opportunities over three million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.” Rule-21 “Subject to the provisions of rules 22 to 37, the procuring agencies shall engage in open competitive bidding if the cost of the object to be procured is more than the prescribed financial limit which is applicable under sub-clause (i) of clause (b) of rule 42”.

In MP&M NTDC, a Purchase Order No. 844 vide No. 22252-63 dated 07.05.2019 was placed through negotiated tendering for the procurement of furniture amounting to Rs.26.09 million on M/s Practicka Furniture (Pvt) Ltd. Later on, a Variation Order amounting to Rs.3.99 million was also issued to the same firm in the same purchase order. Resultantly, a huge quantity of material

worth Rs.29.99 million was procured on negotiated tendering instead of open competitive bidding without publishing the procurement on authority's website and in print media. The procurement of such a huge quantity of material through negotiated tendering also discloses that this procurement was not part of the procurement plan of the authority.

Non-adherence to PPRA rules resulted in irregular purchase of furniture through negotiated tendering in violation of PPRA rules amounting to Rs.29.99 million during the financial year 2019-20.

The matter was taken up with the management in November, 2020 and reported to the Ministry in December, 2020. The management replied that NTDC has shifted some of its offices from WAPDA House to Shaheen Complex with the approval of BoD. A tender was floated for procurement of furniture for NTDC offices at Shaheen Complex, Lahore, however, the same got scrapped due to non-participation of any bidder. Further, another tender under World Bank Financing was floated including the procurement of furniture. However, the same got scrapped as well due to non-responsiveness of all participants. Therefore, in order to avoid time and money loss in another round of public Tendering, NTDC had to go for Negotiated Tendering as per PPRA Rules 2004 Clause 42 (d) as office working was suffering.

The DAC in its meetings held on January 04 - 07, 2021 directed the management and specifically MD NTDC to thoroughly review all the audit paras, under take necessary action and discuss the actions taken with audit within two months. *(Details at Annex-II)*

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

(Draft Para No. 821/2020-21)

1.7 Unsatisfactory Project Management

The companies undertook different mega projects comprising of a series of sub-tasks and works. Depending upon the complexity of the project, different works were executed either through company's own project offices or through collaboration with EPC contractors for delivery of specific good / services / tasks. Based on their projected financial outlay, PC-1 form was formally made for these projects and their approval was sought from the relevant government forum.

Generally in DISCOs/NTDC, the projects aimed at enhancing and improving the energy transmission / distribution system and allied assets of the companies. These projects represent the strategic milestones which were set by the government for the attainment of desired ²⁷goals and outcomes in the power sector.

Unsatisfactory project management refer to all such shortcomings and lapses on account of which the project could not be got executed in a timely, transparent and efficient manner. Lack of project planning and poor feasibility led to projects getting stuck up during execution. Delays in finalization of project documents, allocation of land, timely arrangement of financial sources etc led to significant cost overruns for a subject project. On the other hand, myopic need / unrealistic growth assessment of the projects led to mere procurement exercises with surplus stock getting piled up in the DISCOs/NTDC.

During course of completion of project, as the requirement and cost of a project changed, the revision of the PC-1 was mandated which in many cases was not sought making the project expense irregular and void of due administrative sanction.

Moreover, project completion reports were delayed/not prepared for completed projects which implied that management could not objectively review whether the project had been executed in a successful manner, due processes adopted and envisaged benefits materialized.

On the above lines, audit has analyzed the issue of unsatisfactory project management in the DISCOs/NTDC/GENCOs, on a sample analysis basis to highlight the in-efficiencies, lack of transparency, irregularities and internal control lapses which is illustrated in the following paras:

1.7.1 Irregular excess expenditure incurred on works - Rs.330.37 million

As per Sr. No. 2.1.2 & Note 2 of Section - II of book of financial power revised 2007, if technical sanction involves excess of more than 15% over the amount for which a work has been administratively approved, or may be deemed to have been approved, prior revised administration approval of the competent authority shall be required.

In DISCOs, forty two (42) works were completed with an excess expenditure of Rs.330.37 million over and above sanctioned estimates. The excess

²⁷ Please see the introduction Chapter-2 of the Audit Report 2020-21 for details

expenditure on works ranged from 20.31% to 355%. The excess expenditure was irregular and required to be regularized by the competent authority under the rules and in the absence of the revised approval, the expenditure incurred was irregular which needs justification. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No. of Works	Percentage (%) of Excess expenditure	Amount Rs.in million
1.	FESCO	67/2020-21	11	20.31% to 87.15%	250.68
2.	LESCO	278/2020-21	29	112.01% to 355.71%	65.82
3.	PESCO	619/2020-21	2	26% to 27%	13.87
TOTAL			42		330.37

The matter was taken up with the management in August to September, 2020 and reported to the Ministry during September to December, 2020.

The management of FESCO replied that at the time of framing estimates, the market prevailing rates were applied. After that prices of material increased day by day. Revision of estimates of twenty nine (29) works were under process in case of LESCO whereas no reply was given by PESCO.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. (*Details at Annex-II*)

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

1.7.2 Time Over-run and Cost Over-run of Project – Rs.1,200.69 million

According to PC-I Executive Summary, “Estimated Cost of the project is Rs.7,501 million including foreign component of Rs.3,782 million. The project is proposed to be financed through International Financial Institutes (IFIs) subject to approval of GoP. Execution of the project will be commenced in the year 2016-17 and is envisaged to be completed in the year 2019-20.”

In NTDC, PC-I of a project “Evacuation of Power from 2 x 1100 MW K2/K3 Coastal Power Plants Near Karachi amounting to Rs.7,501 million was approved by ECNEC in April, 2017 under PSDP, with an expected completion year of 2019-20. However, two contracts amounting to Rs.9,115.52 million were awarded in May, 2019 and September, 2020 with a completion period of 120 and

540 days respectively, which shows that NTDC failed to issue the contracts well in time resulting into time over-run and cost over-run of Rs.1,200.69 million. If these contracts had been issued well in time, Public Exchequer would have been saved from extra financial burden.

The matter was taken up with the management in October, 2020 and reported to the Ministry in December, 2020. The management replied that Chief Engineer (PD GSC) South NTDC Hyderabad was responsible for post award activities of project whereas pre-award activities come under the purview of Chief Engineer (MP&M).

The DAC in its meetings held on January 04 - 07, 2021 directed the management to place the audit observations before BoD through an exclusive agenda item and within three months the BoD should report to the DAC that the issue has been resolved or certify that there was no violation of rules and loss to NTDC.

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

(Draft Para No. 826/2020-21)

1.7.3 Irregular increase in cost of the project – Rs.52.70 million

As per clause 4.5 of section 4 of revised book of financial powers of NTDC 2007, Chief Executive Officer is competent to accord approval of variation / change order up to a maximum of 25% of total amount of original contract. However, 2 (a) of said clause states that prior approval of next authority shall be necessary with the bid received exceed by more than 15% of the approved cost of the work.

In NTDC, a contract valuing Rs.49.348 million for civil works, erection, testing and commissioning of extension at 500 KV Grid Station Rawat was signed with M/s Tran Mark on December 23, 2016 with a completion period of 120 days. Afterwards, the scope of work was changed and variation in contract price from Rs.49.348 million to Rs.102.052 million (106.8%) was made with an extension of time of 294 days. Resultantly, cost of the project was increased irregularly up to Rs.52.70 million.

The matter was taken up with the management in September, 2020 and reported to the Ministry in December, 2020. The management replied that due to severe constraints in the Islamabad region and non-availability of shutdowns for

augmentation works, the scope of work was changed from augmentation to extension to provide enhanced transmission capability at Rawat Sub Station. Amendment in the contract was issued after completing all codal formalities i.e. vetting of rates/prices by M/s. NESPAK and with the approval of ADB and BoD (NTDC).

The DAC in its meetings held on January 04 - 07, 2021 directed the management and specifically MD NTDC to thoroughly review all the audit paras, undertake necessary action and discuss the actions taken with audit within two months. *(Details at Annex-II)*

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

(Draft Para No. 950/2020-21)

1.7.4 Irregular excess expenditure incurred on deposit work - Rs.312.67 million

As per para-C(i) of Deposit Work "Deposit Work shall be undertaken only after getting full amount of sanctioned work. Estimate deposit with WAPDA, with an undertaking from the depositor to meet variation."

In the Project Director (GSC) FESCO, Faisalabad, thirteen (13) deposit works were in progress with estimated cost amounting to Rs.515.10 million. Against these deposit works only Rs.202.43 million have been deposited to the authority's accounts and authority has incurred an excess expenditure amounting to Rs.312.67 million against these works. No efforts have been made to recover the balance amount from the sponsoring agencies which was an extra financial burden on authority's funds.

Non-adherence to delegation of powers resulted in irregular excess expenditure incurred on deposit works amounting to Rs.312.67 million up to the financial year 2019-20.

The matter was taken up with the management in August, 2020 and reported to the Ministry in September, 2020. The management replied that expenditures were incurred within budgetary limit relating at Sr. No. 5, 6, 8, 9, 11, 12 & 13. In the remaining cases, as and when funds are received, Audit would be informed.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action

or suggest actions toward their resolution and report its working to DAC in one month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

(Draft Para No. 65/2020-21)

1.7.5 Unjustified purchase without approval of PC-I – Rs.274.53 million

According to Rule-2A (a) of Public Sector Companies Corporate Governance Rule 2013 regarding sound and prudent management the business of the Public Sector Company is carried out with integrity, objectivity, due care and the professional skills appropriate to the nature and scale of its activities.

In PESCO, an amount of Rs.274.53 million was payable to the M/s Newage Cables (Pvt.) Ltd since November, 2019 on account of Purchase Order No. 0701203/CEX/M(MM)/2018-19/106 dated July 16, 2019. Though, the said supplier approached the Secretary (Power Division) on July, 13, 2020 for help in release of payment, the management could not arrange finance for payment to the supplier due to unapproved PC-I and non-availability of funds for the project. Hence, the procurement was made without approval of PC-I of the project of ABC Cable.

Non-adherence to the rules resulted in unjustified purchase without approval of PC-I amounting to Rs.274.53 million during the financial year 2019-20.

The matter was taken up with the management in September, 2020 and reported to the Ministry in December, 2020. The management replied that approval of PC-I would be intimated to audit on receipt from the quarter concerned.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

(Draft Para No. 473/2020-21)

1.7.6 Non-completion of schemes under Provincial PSDP Village Electrification Schemes - Rs.742.49 million

Para-XIII of guidelines of the Cabinet Division Islamabad issued vide notification dated December 15, 2014 for implementation of the PAK MDGs adopted by QESCO for Village Electrification Programmes Baluchistan against Provincial PSDP funded schemes requires that “schemes identified for a specified financial year shall be completed within the same year.”

During audit of village electrification in QESCO, out of total 3,729 Nos. Schemes under Provincial PSDP funds, 288 Schemes with an estimated cost of Rs.742.49 million were not completed by QESCO despite lapse of considerable period of 3 years. This state of affair reflected slow pace of work by the executing agency.

Non-implementation of guidelines resulted in slow pace of work amounting to Rs.742.49 million up to the financial year 2019-20.

The matter was taken up with the management in July, 2020 and reported to the Ministry in December, 2020. The management replied that the works were delayed due to delay in issuance of material, far flung areas with deteriorated law and order situation and Outbreak of Covid-19. However, works were being completed by strenuous efforts at present.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

(Draft Para No. 608/2020-21)

1.7.7 Non-reconciliation of fund’s data regarding GoB release (Sponsor) and QESCO (Executing agency) receipts – Rs.400.34 million

According to Rule-17 (2) (b) of Public Sector Companies (Corporate Governance) Rules-2013 (b) the financial statements, prepared by the management of the Public Sector Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

In village electrification in QESCO, Provincial PSDP funds amounting to Rs.3,738.26 million were released through cheques by Secretary Energy Department (GoB) to QESCO for execution of village electrification in various districts of Baluchistan Province. Against these releases of funds, QESCO acknowledged Rs.3,337.92 million in their books of accounts. Hence, difference of Rs.400.34 million is questionable.

Violation of Public Sector Companies (Corporate Governance) Rules resulted in non reconciliation of funds amounting Rs.400.34 million up to the financial year 2019-20.

The matter was taken up with the management in July, 2020 and reported to the Ministry in December, 2020. The management replied that the reconciliation was under process, which would be completed in a short while and record would be produced to Audit for verification.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

(Draft Para No. 714/2020-21)

1.7.8 Unjustified expenditure on electrification works of SDGs achievement programme - Rs.55.34 million

According to Para-4.1.3 to 4.1.6 of Distribution Rehabilitation Guidelines-2003, total time for approval of work, execution and preparation of completion report would be 130 days.

In TESCO, ninety seven (97) electrification works under SDGs for the period 2018-19 and 2019-20 could not be completed well in time. These works remained incomplete for 02 years despite incurrence of expenditure of Rs.41.42 million as evident from job cards. Moreover, an expenditure of Rs.13.92 million was incurred against completed work for which no justification was given by the management. Hence, expenditure of Rs.55.34 million (Rs.41.42 + Rs.13.92 million) on incomplete electrification works alongwith expenditure on works

after completion cannot be termed as regular as the envisaged benefits of these electrification works could not be achieved as per SDGs objectives.

Non-adherence to Authority's instructions resulted in unjustified expenditure of Rs.55.34 million on electrification works up to the financial year 2019-20.

The matter was taken up with the management in October, 2020 and reported to the Ministry in December, 2020. The management stated that the matter was under consideration and proper reply would be submitted after consulting the record.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

(Draft Para No. 814/2020-21)

1.7.9 Irregular utilization of funds - Rs.32,000 million

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

In GENCO-III, an amount of Rs.32,000 million was released by CPPA-G to GENCO-III for the payment to PSO. But, this amount was utilized by GENCO-III towards the activities of 525 MW Combined Cycle Power Plant Nandipur during the financial years 2006-07 to 2005-16. The management of GENCO-III was not competent to divert this amount towards other activities as for the project development purpose, funds were to be obtained from the GoP (PSDP). But, the same was not done.

Non-adherence to corporate Governance Rules resulted in irregular utilization of funds Rs.32,000 million up to the financial year 2019-20.

The matter was taken up with the management in December, 2020. The management replied that the para does not pertain to CPPA-G. Hence, it would

be passed on the GENCO-III for proper reply as early as possible. No further progress was intimated till finalization of report.

Audit recommends that management needs to investigate the matter and fix responsibility of irregular utilization of funds.

(Draft Para No. 854/2020-21)

1.7.10 Non-obtaining of Insurance cover from contractor against work done – Rs.519.95 million

According to clause 17 of Contract Agreement, “Attention of Tenderers is drawn to the legal requirement that all insurance relating to Public Property shall be affected with the National Insurance Corporation (NIC) of Pakistan.

During the performance of audit certificate (USAID) Grant No.391-FST-FIP-013-001-37 of Merged (Ex-FATA) Secretariat-Rehabilitation of Power Distribution System of TESCO, various contracts amounting to Rs.519.95 million were awarded to different contractor and the same works had been completed by the contractors up to June, 2019. However, insurance cover from National Insurance Corporation (NIC) for works completed was not obtained by TESCO management from contractors, which was violation of contract agreement clauses.

Non-adherence to contract agreement clauses resulted in non-obtaining of insurance cover from contractor against work done amounting to Rs.519.95 million up to the financial year 2018-19.

The matter was taken up with the management in January, 2020 and reported to the Ministry in December, 2020. The management replied that all the relevant contractors had been asked to get the certificate from NIC and some of them had provided the same.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

(Draft Para No. 732/2020-21)

Concluding Recommendations

Project management is a reflection of the professionalism with which the relevant field experts can carry out a mega assignment. The above mentioned

shortcomings in project management reflect poor institutional work of the company and imply that the company's long-term targets envisaged through such projects were not being achieved. It is proposed that the ministry may look into the project-based shortcomings to identify control lapses and facilitate improvements in the project work of the companies.

1.8 Theft / Misappropriation / Fraud

As in any organization theft, misappropriation or fraud incidents highlighted material lapses and failures present in the relevant organization. The subject issue indicated mal-practices existing in the concerned organization, causing them financial losses as well as being a source of significant operational in-efficiencies.

In the following para audit has stated on a sample test check basis findings on the issue.

1.8.1 Loss due to theft of electrical material and vehicles - Rs.78.54 million

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

In DISCOs & NTDC, electrical material and vehicles valuing Rs.78.54 million were stolen by unknown culprits in 214 cases. Though FIRs were lodged with the concerned police station(s) but no administrative inquiry / action was carried out / finalized for fixing responsibility. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No. of cases	Amount (Rs.in million)
1.	FESCO	69, 247, 299, 305 & 529/2020-21	21	7.82
2.	GEPCO	94, 149 & 602/2020-21	29	9.34
3.	HESCO	160 & 677/2020-21	2	3.71
4.	IESCO	575/2020-21	9	2.59
5.	LESCO	10, 62, 253 & 256/2020-21	48	14.61
6.	MEPCO	231/2020-21	15	1.63
7.	PESCO	125, 273, 449, 488 & 635/2020-21	88	28.00
8.	QESCO	74/2020-21	1	1.90
9.	NTDC	514/2020-21	1	8.94
TOTAL			214	78.54

Non-implementation of rules for safeguarding the companies' assets resulted in loss of Rs.78.544 million due to theft of electrical material and vehicles during the financial year 2019-20.

The matter was taken up with management during July to November, 2020 and reported to the Ministry during September to December, 2020. The management replied that FIRs were lodged and in some cases departmental inquiries were finalized while in remaining cases administrative and legal actions were under process.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

Concluding Recommendations

Audit recommends strict actions against those responsible besides expediting recovery identified in the above para.

1.9 Unsatisfactory management of Foreign-Aided Loan initiatives

Despite financial constraints, the Government of Pakistan was actively engaged in making improvements in the working of the power sector enterprises through donor funded programmes. The loans were acquired from the donor agencies (such as the ADB, World Bank, JICA etc.) after detailed working of the tasks to be performed through such funding and envisaged benefits to be attained. In NTDCL and GENCOs, key objectives of these programmes were enhancement and modernization of the National Transmission Grid and development of new and more efficient power plants respectively.

In this context, audit observed under-utilization of loans due to lack of proper planning and delayed execution of projects. Resultantly, envisaged benefits from the donor-funded program could not be fully achieved. The project management also could not adequately resolve bottlenecks faced during execution of the projects. Delayed material procurements, design flaws, delays in

tendering processes and right of way problems contributed towards the slow execution of projects causing under-utilization of donor funds.

Moreover, the overall donor fund package was linked with commitment charges payable to the donor agency. The borrower i.e “the power sector entities” committed that they had demand for and would seek a certain amount of loan over a specified period of time from the donor. The donor agency then made arrangements for availability of such loan on defined timelines as agreed with the borrower and charged commitment charges accordingly. Due to poor planning and over-estimations, extra funds were sought from the donor which were eventually never drawn. Resultantly, commitment charges were paid to the donor for the whole loan amount causing extra financial burden on the companies.

Another indicator of us-satisfactory loan-management was poor utilization of material acquired through the donor funded programme. In a few instances, either excessive material was procured or procurement was made well in advance without proper timelines for the utilization of the said material. Warranties of material got lapsed and shelf-life diminished without drawing any benefit from these assets. The same indicated poor material management / procurement on part of the management towards carrying out a donor funded initiative.

On the above lines, audit has analyzed the issue of unsatisfactory management of Foreign-Aided Loan initiatives in NTDC and GENCOs on a sample basis to highlight shortcomings observed which are illustrated in the following paras:

1.9.1 Poor Utilization of loans / grant

According to loan agreements with different development partners, loan proceed was allocated to NTDC for execution of different projects within the loan closing period (Detail given in the Table below).

In NTDC, GENCO-I & DISCOs, thirteen (13) loan / grant amounting to US\$ 2345.14 million, JPY 23,300 million, Euro 75 million and Rs.891.27 million were obtained from ADB, World Bank, JICA and USAID respectively for execution of different projects of Grid Stations, Transmission Lines and Power Generation Project. However, loan amounts of US\$ 1,914.877 million, JPY

3,716.73 million, Euro 18.219 million and Rs.282.78 million could not be utilized, which caused less achievement of envisaged benefits. Detail is as under:-

Sr. No.	Loan Title	Loan / Grant ID	Donor Agency	Recipient (NTDC/ DISCOs/ PEPCO/ Ministry)	Date of Commencement	Closing Date of Loan		Loan Amount (In million)	Un-utilized amount (In million)
						Original	Revised		
1	Jamshoro Power Generation Project	3090-PAK	ADB	GENCO-I	20.11.14	31.03.19	30.06.22	US \$ 658	US \$ 560.911
2	Jamshoro Power Generation Project	3092-PAK	ADB	GENCO-I	20.11.14	31.03.19	30.06.22	US \$ 30	US\$ 19.958
3	Second Power Transmission Enhancement Investment Program-Tranche I	3419-PAK	ADB	NTDC	29.11.16	31.12.20	-	US \$ 70.900	US\$ 32.744
4	Second Power Transmission Enhancement Investment Program-Tranche I	3420-PAK	ADB	NTDC	29.11.16	26.08.26	-	US \$ 10	US\$ 8.199
5	MFF Power Transmission Enhancement Investment Program II Tranche 2	3577-PAK	ADB	NTDC	04.04.18	31.12.22	-	US \$ 260	US\$ 227.027
6	MFF Power Transmission Enhancement Investment Program II - Tranche 3	3677-PAK	ADB	NTDC	25.02.19	31.12.23	-	US \$ 280	US\$ 271.133
7	Power Transmission Enhancement Investment Program Tranche 4	8311-PAK/1036-AFD	ADB	NTDC	20.07.17	01.08.20		Euro 75	Euro 18.219
8	CASA electricity transmission and trade	5409-PAK	World Bank	NTDC	11.05.15	30.06.20		US \$ 120	US\$ 95.787
9	Transmission Modernization-I Project	8814-PAK	World Bank	NTDC	13.07.18	31.01.24	-	US \$ 425	US\$ 423.339
10	Power Transmission Enhancement Investment Program Tranche-III	2846 PAK	ADB	NTDC	21.02.12	30.10.17		US \$ 243.240	US\$ 80.429
11	Power Transmission Enhancement Investment Programme Tranche-IV	3203	ADB	NTDC	06.12.15	30.10.17		US \$ 248.00	US\$ 195.354
12	National transmission lines and grid station project	PK-P61	JICA	NTDC	07.10.10	01.03.13	07.10.19	JPY 23300	JPY 3,716.727

13	Ex-FATA Secretariat- Rehabilitation of Power Distribution System to TESCO	391-FST-FIP-013-001-37	USAID	TESCO	-	30.09.19	30.12.19	Rs.891.278	Rs.282.78
TOTAL								US \$ 2345.14	US \$ 1914.877
								JPY 23,300	JPY 3,716.73
								Euro 75	Euro 18.219
								Rs.891.278	Rs.282.78

The matter was taken up with the management during August to November, 2020 and reported to the Ministry in September & December, 2020. The management replied that the funds were utilized judiciously. However, in some projects, loan proceeds were substantially utilized. Whereas, less utilization of loan in some projects was due to right of way, land acquisition and environment & social safeguard related issues. Some of the projects were in preparatory phase and after start of implementation phase, major portion of the loan would be disbursed. Consequently, the payments for procurement of equipment and construction work would be expedited. The reply was not acceptable as funds available under Loan No. 3420-PAK was to be utilized over period of six (6) years also ADB extended the facility by co-financing the Loan No. ADB-8311/1036-PAK alongside AFD due to poor utilization of loan amount.

The DAC in its meetings held on September 02, 2020 and November 27, 2020 directed the management to submit revised reply with full justification and supporting documents for verification within a week regarding PDP-49, 953 & 750/2020-21. Regarding the PDP No.756/2020-21, the DAC directed the management that:- 1). Mr. Adnan, the current PD of project should always be available on site for the smooth activity as well as facilitation of contractor, till the execution of project and issuance of “completion report from Barqaab”. 2). Availability of Project Director should be ensured. In addition to that, Project Director would not be transferred until the completion of project. 3). CFO may calculate “commitment charges”, already paid for the delays. 4.) Furthermore, DAC observed that the then Project Directors & Chief Engineers were responsible for the delays happened earlier and asked PEPCO to start an inquiry so that necessary actions against them could be taken. In case of retirement of any of them, case would be referred to NAB. Regarding the PDP No. 734, 751,

752, 753, 754 & 948/2020-21, the DAC directed the management and specifically MD NTDC to thoroughly review all the audit paras, undertake necessary action and discuss the actions taken with audit within two months. Further progress was not reported till finalization of the report.

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

(Draft Para Nos. 49, 734, 748, 750, 751, 752, 753, 754, 756, 867, 948 & 953/2020-21)

1.9.2 Loss on account of commitment charges on un-utilized balance of ADB Loan-3090-PAK – Rs.703.82 million

As per Article-II, section 2.06 of loan agreement, the borrower shall pay commitment charges of 0.15% per annum. Such charge shall accrue on the full amounts of OCR Loan 2 (less amounts withdrawn from time to time), commencing 60 days after the date of this loan agreement.

In GENCO-I, an amount of US\$ 690 million (revised) under Loan No. 3090-PAK was obtained with commencement date November 20, 2014 and closing date March 31, 2019. Subsequently, the closing date of the loan was extended up to June 30, 2022 but the management could only utilize US\$ 60.73 million up to June, 2020. Resultantly, the management had to pay Rs.703.82 million on account of commitment due to non-utilization of loan US\$ 629.27 million within schedule period up to the financial year 2019-20. Such expenditure could have been saved if the loan had been utilized as per schedule period.

Non-utilization of loan amount within scheduled time period resulted into loss due to levy of commitment charges amounting to Rs.703.82 million up to the financial year 2019-20.

The matter was taken up with the management in September, 2020 and reported to the Ministry in December, 2020. The management replied that commitment charges will decrease with speed up of disbursement / drawl.

The DAC in its meetings held on January 04 - 07, 2021 upheld its earlier decision dated 27th November, 2020 wherein the management was directed to constitute an inquiry committee under the convenership of Joint Secretary (Admn), Power Division Ministry of Energy with Mr. Munawar Bhatti Chief Engineer and Chief Auditor PEPCO as members to look into the matter holistically and findings be presented to DAC within three (03) months.

Furthermore, DAC directed the CEO GHCL and CEO GENCO-I to justify / explain reasons for non-utilization in chronological order.

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

(Draft Para No. 749/2020-21)

1.9.3 Unjustified payment through own sources instead of ADB loans - Rs.284.33 million

As per Section 3.05 of the Loan Agreement, the Loan Closing Date for the purposes of the Loan Regulations shall be 30 September 2015 or such other date as may from time to time be agreed between the Borrower and ADB.

In Chief Engineer (Development) PMU LESCO, six (06) contract agreements ADB-LESCO-11-2013, ADB-LESCO-10-2013-R, ADB-LESCO-02(S)-2016(I&II), ADB-LESCO-03(S)- 2016 & ADB-LESCO-02(S)-2016 were signed for execution of works under ADB Loans. These projects could not be completed within the stipulated period and all the ADB loans expired on 31.01.2019. Owing to inordinate delay in finalization of contracts, the management has decided to make payments of ADB loans projects through LESCO's own resources amounting to Rs.284.33 million which shows negligence/poor planning of the management and extra burden on the part of company.

Non-utilization of loans before the closing date of loans resulted in extra burden in shape of excess expenditure from own sources of LESCO amounting to Rs.284.33 million during the financial year 2019-20.

The matter was taken up with the management in July, 2020 and reported to the Ministry in October, 2020. The management replied that the loan disbursement of ADB Tranche-II & IV loan remained more than 95%. The reasons for non-disbursement were RoW problems and Un-foreseen & Force Majeure conditions.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further, it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

(Draft Para No. 166/2020-21)

1.9.4 Unjustified utilization of loan without execution of work - Rs.3,564.13 million

As per construction schedule given by the contractor, the specified works / activities were to be performed during the financial years 2018-19 and 2019-20.

In Project Implementation Unit (PIU) CASA 1000 NTDC, first advance amounting to Rs.2,062.48 million was paid to M/s ABB AB Ludvika for supply and installation of Bi-Pole HVDC Converter Station in Pakistan. Subsequently, second advance of Rs.1,463.23 million was also paid to the contractor by the management without review of work progress. However, due to non-clearance/non-handing over of the site to the contractor within stipulated time period, the work could not be completed according to project construction schedule up to November 23, 2020 (24 months), despite the closure of loan in June, 2020. The amount paid to the contractor without execution of project cannot be termed as regular and needs justification.

Non-adherence to construction schedule resulted in unjustified utilization of loan without execution of work Rs.3,564.13 million during the financial year 2019-20.

The matter was taken up with the management in September, 2020 and reported to the Ministry in December, 2020. The management replied that the payment to contractor has been disbursed for advance payment only. The delay in handing over of site to contractor was due to political issues already taken up with Ministry of Energy and KPK Govt. The reply was not tenable as no point-wise reply alongwith documentary evidence was furnished.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to place the audit observations before BoD through an exclusive agenda item and within three months the BoD should report to the DAC that the issue has been resolved or certify that there was no violation of rules and loss to NTDC.

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

(Draft Para No. 837/2020-21)

1.9.5 Non-utilization of material purchased against AFD Loan No. 8311 - Rs.1,226.81 million

According to Para-5 of Memorandum dated January 17, 1978 on irregularities of purchases of stores and equipments, "purchases should be made

only of such items and in such quantities as are required for a specific work. In no case should these purchases be made for storing the items for indefinite period”.

In NTDC, under AFD Loan-8311, various types of material worth Rs.1226.81 million were procured in 2015 & 2016 for Power Distribution Enhancement Investment Program (PDEIP). The material was not utilized even after close of above said loan on May, 2020. Hence the chances of blockage of funds/surplus stocking of material cannot be ruled out.

Non-adherence to instructions/Rules & regulation of the authority resulted in blockade of funds valuing Rs.1,226.81 million during the financial year 2019-20.

The matter was taken up with the management in September 2020 and reported to the Ministry in December, 2020. The management replied that material for Lalian Substation was procured, which had major share in stock, could not be installed due to non-availability of land. Further, the quantities are always estimated which can be utilized in NTDC’s system for maintenance as and when required. Some spares are also procured which are mandatory in nature. Therefore, the material is useful and is not wastage at all. The reply was not tenable as the issue of land should be settled before procurement of material.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to place the audit observations before BoD through an exclusive agenda item and within three months the BoD should report to the DAC that the issue has been resolved or certify that there was no violation of rules and loss to NTDC.

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

(Draft Para No. 988/2020-21)

1.9.6 Payment through own sources instead of loan No. PAK-P-61(JICA) – Rs.416.62 million

As per letter No. JICA (4R) 10-03002 dated 04-10-2017 by M/s Japan International Corporation Agency closing date for the purpose of loan shall be 07-10-2019.

In Chief Engineer EHV-1 NTDC Lahore, under Loan No. PAK-P-61 (JICA), an agreement was signed for addition of 500/220 KVA Substations and Transmission Lines for strengthening the existing NTDC system. The project could not be completed within the stipulated period of Loan and the Loan expired on

31.01.2019. Due to inordinate delay in finalization of contract, the management has decided to make payments amounting to JPY 252.73 million equal to Pak Rs.416.62 million of loan project through NTDC's own resources which shows negligence/poor planning of the management and extra burden on the part of company.

Non-utilization of loans before the closing date of loans resulted in extra burden in shape of excess expenditure from own sources of NTDC amounting to Rs.416.62 million during the financial year 2019-20.

The matter was taken up with the management in August, 2020 and reported to the Ministry in September, 2020. The management replied that the matter for pending payment from NTDC's own sources are under approval with BoD. The reply was not tenable on the first aspect that the amount of JPY.3,716.73 million remained unspent with the management. Due to poor and defective planning, these works were executed through own resources beyond targeted date of loan i.e. 07.10.2019. These works had to be executed through loan instead of own sources which remained unutilized.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to submit revised reply with full justification for verification within a week. Further progress was not reported till finalization of the report.

Audit recommends that the matter may be investigated and responsibility be fixed upon the persons at fault.

(Draft Para No. 50/2020-21)

Concluding Recommendations

Unsatisfactory loan utilization was a significant issue with regard to the working of the NTDC and GENCOs. It implied that long-term initiatives, meant to enhance the performance of these companies, were not being well planned and executed. The Ministry may take a holistic view of the issue, look into the inefficiencies in the entire process with a view to take appropriate future remedial measures.

1.10 Unsatisfactory management of Power generation capacity, power purchase agreements and allied infrastructure

The "Power Sector" represents a network of entities linked with one another having key attributes of energy generation, transmission and utilization. Fuel generation companies (e.g PSO, SNGPL etc) provide fuel to power

generation companies (e.g IPPs and GENCOs) for generation of electricity. The “Energy” so generated is transmitted in-bulk over the national grid system and provided to the distribution companies, from where it is sold to the electricity consumers.

Efficient management of the power sector requires that the energy is generated from cheaper fuel alternatives and adequately utilized. However audit observed that there was imbalance in the demand and supply of energy and cheaper fuel sources were not fully utilized by the power sector which negatively impacted the economy.

In-line with power purchase agreements, the power generation companies maintained a certain generation capacity at all times and charged capacity payments to the CPPA-G accordingly. Idle capacity (i.e. surplus power generation capacity) in the system meant that the capacity payments being made could not be off-set with generation of revenue through electricity sale. This also attributed towards increase in the overall price of energy as the price of idle capacity was passed on to the consumers.

Another important aspect was the inadequacy of the power transmission network to efficiently evacuate energy from the generation facility and deliver it to the power distribution companies. Poor management of the transmission system including its limitation to sustain high energy loads meant that surplus energy could not be transmitted through the system.

On the above lines, audit has analyzed the issue of unsatisfactory management of power sector capacity and its allied infrastructure to highlight significant shortcomings which are illustrated in the following paras:

1.10.1 Extra financial burden due to non-providing of Gas to the power plants

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

In CPPA-G, utilization factor of six power plants namely Saif Power, Orient Power, Sapphire Electric Power, Halmore Power, NPPMCL-HBS and

NPPMCL Balloki remained at 26.47 %, 27.51%, 16.62 %, 19.99 %, 31.85 % and 42.40 % respectively during the year 2019-20. These were energy efficient power plants designed to run on natural gas. However the power plants had not used their full generating capacity as required gas was neither provided nor facilitated to generate the cheapest energy at full load. The impact of non-providing gas was dual as payments were made against idle capacity to the IPPs on the one hand and cheapest source of energy was not availed on the other hand.

Unsatisfactory power supply management lead to less utilization of gas efficient power plants resulting in generation of energy from more expensive fuel basis.

The matter was taken up with the management and reported to the Ministry in December, 2020. The management replied that since the para pertains to NTDC, therefore it may be passed on to the NPCC.

The DAC in its meetings held on January 04 - 07, 2021 directed Chief Executive Officer (CPPA-G) & Chief Financial Officer (CPPA-G) to hold meeting with Audit to discuss each and every para, resolve the issue / satisfy audit or come with implementable suggestions for the Government to take policy decisions for rectification of the matter and put up responses of CPPA-G under their signatures for consideration of the PAC within one week.

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

(Draft Para No. 869/2020-21)

1.10.2 Loss of energy due to non-evacuation of power - Rs.11,168.88 million

As per Section-6.2 of Energy Purchase Agreement (EPA) the Purchaser shall design, construct, finance and complete (excluding installation of the metering system, as provided in Section 7.2) and commission the Purchaser Interconnection facilities in accordance with the schedule -3 of the agreement.

In CPPA-G, thirty (30) wind/solar generation projects were being paid on account of Non-Project Missed Volume (NPMV). The electricity generated by these projects was to be included in national grid system, but the same could not be included due to system constraint of NTDC in its transmission lines. This was a clear inefficiency and incompetence of the power purchaser and custodian of national grid system. Hence due to poor planning of management, the power

sector had to suffer loss of Rs.11,168.88 million on account of payment made to wind/solar power generating IPPs.

Non-adherence to the EPA resulted in loss of Rs.11,168.88 million due to non-evacuation of power from wind/solar power projects for the period 2019-20 .

The matter was taken up with the management and reported to the Ministry in December, 2020. The management replied that it is the sole and prime responsibility of system operator to provide and give dispatch to power plants concerned across the National Grid.

The DAC in its meetings held on January 04 - 07, 2021 directed Chief Executive Officer (CPPA-G) & Chief Financial Officer (CPPA-G) to hold meeting with Audit to discuss each and every para, resolve the issue / satisfy audit or come with implementable suggestions for the Government to take policy decisions for rectification of the matter and put up responses of CPPA-G under their signatures for consideration of the PAC within one week.

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

(Draft Para No. 868/2020-21)

1.10.3 Power losses due to irrational locations of metering of CDPs for power projects at Jhimper Wind Cluster (JWC) – Rs.617.85 million

According to MR-3 of NEPRA distribution code, "Metering facilities shall be installed at the point of connection between the Applicant and Licensee's network. Metering between the generator and the Licensee's network would be installed at the high voltage side of the outgoing bus bars of the generating stations or Licensee side point of connection. Metering between the delivery point of the consumer and the Licensee's network would be installed as per relevant provision of Consumer Service Manual. In case of interconnection between the Licensee and the NTDC, the meter should always be on lower side of the interconnecting transformer. In the case of inter-DISCO 132kV or 11kV tie line, the metering shall be provided at the outgoing terminal tower/pole of the exiting Grid Station of the DISCO mostly exporting power to the other DISCO. Notwithstanding the above, the location of the metering point in each case shall be such that the cost of transformation losses shall be with the entity that owns the interconnecting transformer with the Licensee.

In HESCO, evacuation and disbursal losses of 26.862 million kWh units valuing Rs.617.85 million were being sustained by company due irrational CDP

metering. As reported by SE GSO letter dated 08.10.2020, location of those CDPs were not inline with NEPRA distribution code stating that location of metering point should be on lower side of the inter-connection.

Non-adherence to NEPRA distribution code regarding metering locations resulted in loss of Rs.617.85 million to the Company during the year 2019-20

The matter was taken up with the management in November, 2020 and reported to the Ministry in December, 2020. The management replied that every month the matter was brought into the knowledge of NEPRA with current position of losses. Response from NEPRA was awaited.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

(Draft Para No. 692/2020-21)

1.10.4 Irregular payment on account of Energy Purchase Price without verification and certification of coal procurement statement - Rs.119,509.71 million

According to upfront coal tariff for coal power plants approved by the NEPRA on 26.06.2014, the power producer shall furnish a monthly coal usage and coal procurement statement duly verified and certified by the CPPA-G for each month, alongwith the monthly energy bill. The statement shall cover detail such as:- i) Quantity of fuel (tons) consumed and procured for each source alongwith heating value during the month for power generation purposes, ii) Cumulative quantity (tons) of coal consumed and procured till the end of that month during the year source wise, iii) Actual (gross and net) energy generation (denominated in units) during the month, iv) Cumulative actual (gross and net) energy generation (denominated in units) until the end of that month during the year, v) Opening fuel stock quantity (tons), vi) Receipt fuel quantity (tons) at the power plant site and vii) Closing fuel stock quantity (tons) for available at the power plant site

In CPPA-G, an amount of Rs.119,509.71 million was paid to IPPs on account of Energy Purchase Price without verification of procurement source and heating value of coal and certification of coal procurement statement. In the absence of verification and certification by CPPA-G, the calculation of fuel cost as claimed by Power Producer could not be justified as the same was not in line with decision of the NEPRA regarding upfront tariff of coal power projects.

The violation of upfront tariff procedure/rules resulted in irregular payment made to IPPs on account of Energy Purchase Price of Rs.119,509.71 million for the financial year 2019-20.

The matter was taken up with the management and reported to the Ministry in December, 2020. The management replied that CPPA-G is working as power purchaser and market operator under commercial code and NEPRA Rules 2015. However verification of monthly coal usage and coal procurement statement of IPP did not fall under the scope of CPPA-G.

The DAC in its meetings held on January 04 - 07, 2021 directed Chief Executive Officer (CPPA-G) & Chief Financial Officer (CPPA-G) to hold meeting with Audit to discuss each and every para, resolve the issue / satisfy audit or come with implementable suggestions for the Government to take policy decisions for rectification of the matter and put up responses of CPPA-G under their signatures for consideration of the PAC within one week.

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

(Draft Para No. 901/2020-21)

1.10.5 Non-recovery/adjustment of advance on account of HUBCO's First Fuel Fill - Rs.802 million

According to Clause-8.1 regarding Initial Settlement and Billing Procedures 8.1.1, "initially CPPA-G shall follow the same procedures for settlement and billing, as followed by CPPA-G of NTDC, for a transition period not longer than two years. At the end of that period new procedures described in Clauses-8.2 to 8.8 shall come into effect. The initial procedures are described in Clause-8.1 and 8.8.3 to 8.6 will also apply".

In CPPA-G, an amount of Rs.802 million was paid to PSO by the Ministry of Finance on account of advance of HUBCO's First Fuel Fill.

However, neither cost of First Fuel Fill was adjusted nor recovery of interest against overdue on late payment charges invoiced by HUBCO was made.

Non-adherence to commercial code resulted in non-recovery/adjustment of advance on account of HUBCO First Fuel Fill Rs.802 million up to the financial year 2019-20.

The matter was taken up with the management and reported to the Ministry in December, 2020. The management replied that M/s HUBCO had objected the adjustment and filed case against the company in Sindh High Court on July 6, 2018 where matter is pending for adjudication.

The DAC in its meetings held on January 04 - 07, 2021 directed Chief Executive Officer (CPPA-G) & Chief Financial Officer (CPPA-G) to hold meeting with Audit to discuss each and every para, resolve the issue / satisfy audit or come with implementable suggestions for the Government to take policy decisions for rectification of the matter and put up responses of CPPA-G under their signatures for consideration of the PAC within one week.

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

(Draft Para No. 905/2020-21)

1.10.6 Non-receipt of proceed on account of carbon credit under the Kyoto Protocol

According to Para No. 8.33 of Energy Policy for Development of Renewable Energy for Power Generation 2006, all qualified Renewable Energy Power Project (initially wind and small hydro IPPs) for financing under the Clean Development Mechanism (CDM) shall be encouraged to register for certified emission reduction credit with the Executive Board of CDM either collectively or individually. The government shall also strive in collaboration with international development agencies and to the extents possible to facilitate the project application for such carbon credits in order to reduce the associated additional transaction cost for project sponsors.

In CPPA-G, 24 wind projects were launched for energy generation in CPEC program under the frame work of renewable policy 2006. Against these wind power generation project, neither these were registered for Certified Emission Reduction (CER) credits with the Clean Development Board nor Wind Generation Companies initiated the process for achievement of carbon credits.

Subsequently, NEPRA being a Regulator and CPPA-G being power purchaser did not take any action against these wind power generation companies.

The violation of Energy Policy for Development of Renewable Energy for Power Generation 2006 resulted in huge loss to the National Exchequer in the shape of carbon credit.

The matter was taken up with the management and reported to the Ministry in December, 2020. The management replied that matter has been taken up with all wind power projects through NEPRA to fully comply with the provision of EPA to settle pending issues amicably and share the detail of carbon credit accrued by the WPP so far. However further progress will be reported to audit later on.

The DAC in its meetings held on January 04 - 07, 2021 directed Chief Executive Officer (CPPA-G) & Chief Financial Officer (CPPA-G) to hold meeting with Audit to discuss each and every para, resolve the issue / satisfy audit or come with implementable suggestions for the Government to take policy decisions for rectification of the matter and put up responses of CPPA-G under their signatures for consideration of the PAC within one week.

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

(Draft Para No. 906/2020-21)

1.10.7 Non-confirmation of Brand New Machinery installed at coal power plants at Sahiwal Coal Power Plant and Port Qasim Coal Power Plant

According to upfront coal tariff for coal power plant approved by the NEPRA in its determination bearing No. NEPRA/TRF-UTC/2013/7195-7197 dated. 26-06-2014, defined eligibility criteria as under:- the upfront tariff shall be available for the brand new machinery only.

In CPPA-G, an agreement between CPPA-G and M/s Huaneng Shandong Ruyi Energy (Pvt) Limited was signed for power generation of 1320 MW coal power plant at Sahiwal. Similarly another agreement was also signed between CPPA-G and M/s Port Qasim for power generation of 1320 MW coal power plant at Port Qasim. The confirmation of new brand machinery installed at coal power plant Sahiwal and Port Qasim was not made at the time of COD by the Technical Officer CPPA-G as evident from the relevant files of coal power plants. In the absence of confirmation of brand new machinery, authenticity of

capital / EPC cost could not be ascertained. Hence expenditure of capital cost could not be termed as justified.

The violation of upfront tariff procedure/rules had made capital cost of the plant doubtful.

The matter was taken up with the management and reported to the Ministry in December, 2020. The management replied that new machinery was installed at Port Qasim and Sahiwal power Plant by the EPC contractor. However documentary evidence will be produced to audit.

The DAC in its meetings held on January 04 - 07, 2021 directed Chief Executive Officer (CPPA-G) & Chief Financial Officer (CPPA-G) to hold meeting with Audit to discuss each and every para, resolve the issue / satisfy audit or come with implementable suggestions for the Government to take policy decisions for rectification of the matter and put up responses of CPPA-G under their signatures for consideration of the PAC within one week.

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

(Draft Para No. 937/2020-21)

1.10.8 Irregular/unjustified signing of Energy purchase agreements of 11 wind projects

According to amendment in decisions of the cabinet committee on energy issued vide No. CCE/12/04/2019 dated. 27th February, 2019, the projects that have been issued LOI prior to the expiry of RE Policy, 2006 on March 08, 2018 but have not received a Tariff from NEPRA, may be allowed to proceed ahead subject to becoming successful in the competitive bidding process to be undertaken by AEDB Specifically designed for each technology under this category based on the quantum ascertained for each technology by Indicative Generation Capacity Expansion Plan (IGCEP) by NTDC. Once IGCEP by NTDC determines how much additional power it needs to induct in the system by June 2023 as approved by the regulator and NTDC confirms its interconnection including the completion of pre-requisites for the issuance of Power Acquisition Request, AEDB will conduct competitive bidding, one for each technology, for the capacity to be procured under each technology, with resource risk being born by the project.

In CPPA-G, eleven (11) Power Purchase Agreements (PPA) were signed with IPPs (Wind Power Projects) under cost plus tariff as per CPPA-G BoD

decision November 08, 2019. The execution/signing of agreements with these IPPs was irregular and unjustified in the light of Cabinet Decision cited above as these projects possessed only LOI and NEPRA had determined the tariff on 19&20.11.2018 after expiry of Renewable Energy Policy, 2006 i.e. March 08, 2018.

Non-adherence to Cabinet Committee Decisions resulted in irregular / unjustified issuance of energy purchase agreements of 11 wind projects during the financial year 2019-20.

The matter was taken up with the management and reported to the Ministry in December, 2020. The management replied that CPPA-G being a regulator is mandated to procure power and exercise its function under commercial code issued by the authority. Hence CPPA-G gave its consent for power procurement to all eleven wind power projects in the policy guide lines i.e. letter of intent, power evacuation certificate, tariff and financial closure etc.

The DAC in its meetings held on January 04 - 07, 2021 directed Chief Executive Officer (CPPA-G) & Chief Financial Officer (CPPA-G) to hold meeting with Audit to discuss each and every para, resolve the issue / satisfy audit or come with implementable suggestions for the Government to take policy decisions for rectification of the matter and put up responses of CPPA-G under their signatures for consideration of the PAC within one week.

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

(Draft Para No. 985/2020-21)

1.10.9 Irregular renewal of Standby Letter of Credit and non-recovery from defaulting Company - Rs.368.46 million

According to section 9.1 of Power Purchase Agreement (PPA), "the failure of the Company to make generation facility available for despatch for fifteen consecutive days during the Gas committed month would tantamount Company's (Seller) Event of Default". According to Section 9.3 of the PPA, "if the Company's event of default or the Power Purchaser's event of default, as the case may be, occurs and is continuing, the non-defaulting party may deliver a notice to the defaulting party, which notice shall specify in reasonable detail the Company's event of default or the Power Purchaser's event of default, as the case may be, giving rise to the notice of intent to terminate".

In HESCO, the Board of Directors (BoD) accorded approval for renewal of Standby Letter of Credit (SBLC) in favor of M/s Omni Power Private Limited of Rs.242 million for a further period of one year i.e. 05.12.2019 to 4.12.2020. The renewal of SLBC was not justified as M/s Omni Power Private Limited had stopped power supply to HESCO since 30th October, 2018 and committed default as per PPA. But HESCO had not terminated power supply agreement nor filed a recovery suit to recover an amount of Rs.368.46 million from M/s Omni Power Limited. The BoD HESCO showed its displeasure upon stern problem and negligence of HESCO management and raised astounding concern and views for not taking any legal action against M/s Omni. The BoD further directed management to fix responsibility on the delinquents.

Non-adherence to relevant clauses of PPA resulted in irregular renewal of SBLC and non-recovery of Rs.368.46 million from defaulting power supplier during the financial year 2019-20.

The matter was taken up with the management in November, 2020 and reported to the Ministry in December, 2020. The management replied that the legal notice had been served to M/s Omni Power (Pvt) Limited for restoration of power and pay an amount of Rs.368.46 million immediately. Moreover, HESCO had also taken-up the matter with NEPRA for resolution of dispute with M/s Omni Power (Pvt) Limited. Audit would be updated accordingly.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

(Draft Para No. 784/2020-21)

1.10.10 Loss due to export of energy with low power factor by Wind Power Producers – Rs.155.01 million

According to Clause-8 of Grid Code Addendum No. 1 dated April, 07, 2010 approved by NEPRA, “a Wind Power Plant shall manage at the point of interconnection the reactive power control to maintain the power factor within the range of 0.95 lagging to 0.95 leading, over the full range of plant operation,

as per dispatch instructions and / or voltage adjustments / requirements within the above range of power factor.”

In HESCO, nine (9) Wind Power Producers (WPPs) failed to maintain the power factor for the energy exported within the permissible limit of NEPRA. Resultantly, 6.74 million energy units were lost during the financial year 2019-20. The matter was reported to NEPRA who referred the matter to respective Wind Power Producers for taking necessary action. However, recovery of loss of Rs.155.01 million (6,739,549 x Rs.23) due to low power factor was not got effected from the defaulted WPPs. It is pertinent to mention here that out of these WPPs, 02 Nos. WPPs i.e. Sapphire Wind and Yunus Wind Farm were directly dispatching low power factor energy units to HESCO through 132 KV T/L Nooriabad-Jhampir.

Violation of provisions of Grid Code resulted in loss of 6.74 million energy units valuing Rs. 155.01 million due of low power factor by the WPPs during the financial year 2019-20.

The matter was taken up with the management in November, 2020 and reported to the Ministry in December, 2020. The management replied that matter was under scrutiny with NEPRA and CPPA-G. HESCO was awaiting the action from above authorities. HESCO would continue to pursue the matter till its finalization.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

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

(Draft Para No. 782/2020-21)

Concluding Recommendations

Unsatisfactory management of power sector capacity and its allied infrastructure was a mega and multi-faceted issue faced by all government stakeholders of the power sector. If not addressed, the same would continue to negatively impact the economy and create further financial bottlenecks for the

government. Moreover, highlighted cases of transmission failure and usage of expensive fuel may be looked into for future remedial measures.

1.11 Inadequate operations of government owned power generation units

The government is running certain power generation companies (GENCOs) to meet the energy needs of the country. Apart from being crucial to the power sector supply chain these companies represented major government investments and valuable commercial assets. Their efficiency enables the government to control power prices whereas their inefficiencies contribute to financial losses.

Inefficient operations of these state owned GENCOs due to high heat rate and high auxiliary consumption, has contributed to the financial loss being sustained by the generation companies. Heat rate was defined as the amount of fuel that was needed by a power plant to generate one KWH of energy. The higher the heat rate of a power plant the more fuel it would consume to generate a unit of energy. Excessive heat rates in state owned plants beyond NEPRA target meant that the plants were not maintained properly, had become financially un-viable and that the generation company was incurring losses.

Another indicator of unsatisfactory plant operations was abnormally high auxiliary power consumptions in these power plants. Auxiliary consumption is referred to that quantum to energy that is generated and used within the power plant locally rather than being exported and sold. NEPRA has set a permissible limit of auxiliary consumption for the power plants. Auxiliary power consumed beyond this limit resulted in a loss for the company and was indicative of poor operations of these plants. It implied that un-economically high volume of energy was being consumed in running these power plants.

Both of the above in-efficiencies had a cascading effect. The poor performing plants got relegated to bottom of the Economic Merit Order (i.e. Merit list maintained for acquiring energy from power producers) and were less utilized leading to further wear and tear causing more financial losses.

Furthermore the performance of a power plant was linked with the reliability of its operations. Breakdowns and allied plant failures indicated that the plants were being poorly maintained. Accidental breakdowns of these

generation plants led to power failure in the national grid and power outages for consumers.

On the above lines, audit has analyzed the issue of inadequate operations of government owned power generation units, on sample basis, to highlight significant shortcomings which are illustrated in the following paras:

1.11.1 Excessive Heat rate beyond NEPRA Target - Rs.1,274.36 million

NEPRA has determined the plant wise heat rates ranging from 6,964.80 BTU/kWh to 12,197 BTU/kWh in respect of GENCO-I & III.

In GENCOs, heat rate was excessive than the permissible limits fixed by NEPRA. As a result of excess heat rate, gas & furnace oil amounting to Rs.1,274.36 million was excess utilized in generation of electricity, which caused loss to Companies as detailed below:-

Sr. No.	Name of Company	Draft Para No.	NEPRA approved Heat Rate (Btu/kwh)	Actual Heat Rate (Btu/kwh)	Excess Heat Rate (Btu/kwh)	Amount (Rs. in million)
1	GENCO-I	413/2020-21	10,859 to 12,197	12,991 to 14,297	1,258 to 3438	865.60
2	GENCO-III	482/2020-21	6,964.80 to 10,941.60	7,032 to 13,184.27	67.20 to 1,971.29	408.76
TOTAL						1274.36

Note: Plant wise heat rate determined by NEPRA

Non-adherence to the NEPRA's standards resulted in loss of Rs.1,274.36 million to GENCOs during the financial year 2019-20.

The matter was taken up with the management in September & October, 2020 and reported to the Ministry in December, 2020.

The management of GENCO-I replied that startup cost had not been given in the tariff, for which JPCL had filed a revised tariff petition for startup cost charges. The heat rates would be revised and improved to some extent after the grant of startup cost vide NEPRA determination. The management of GENCO-II replied that NEPRA determined the heat rate during performance test of the complex at standard operating conditions with base load. However, the plant operates by following the instructions of regulator i.e NPCC at partial load. In additional aging of the plant also contributes in high heat rate.

The DAC in its meetings held on January 04 - 07, 2021 directed CEO GHCL to refer the matter to NEPRA and submit the report within 60 days.

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

1.11.2 Excessive Auxiliary Power Consumption beyond NEPRA Target - Rs.784.43 million

NEPRA determined auxiliary consumption as 7.95 to 8.98% for Units 1-4 of GENCO-I, and 7.09% to 9.64% for Units 1-6 of GENCO-III and for Nandipur Power Plant as 3% for the year 2019-20.

In GENCOs, the auxiliary consumption i.e. electricity used to run the power plant, remained higher than the permissible limit allowed by NEPRA. Resultantly, 36.99 MKWh units valuing Rs.784.43 million were excess utilized as auxiliary consumption.

Sr. No.	Name of Company	Draft Para No.	NEPRA approved target%	Actual % of consumption	Excess consumption (%)	Excess units utilized (MKWh)	Amount (Rs. in million)
1.	GENCO-I	414/2020-21	7.95% to 8.98%	10.14% to 10.76%	1.16% to 2.32%	4.64	139.26
2.	GENCO-III	481/2020-21	3% to 9.64%	3.41% to 110.31%	0.41% to 101.23%	32.35	645.17
TOTAL							784.43

Note: Plant wise heat rate determined by NEPRA

Non-adherence to NEPRA approved limits for auxiliary consumption resulted in loss of Rs.784.43 million during the financial year 2019-20.

The matter was taken up with the management in September & October, 2020 and reported to the Ministry during December, 2020. The management replied that NEPRA determined Auxiliary Consumption on the basis of outcome of performance test of the complex at standard operating conditions with base load. Plants often operate at different loading conditions as instructed by NPCC which change the percentage (%) of auxiliary consumption.

The DAC in its meetings held on January 04 - 07, 2021 directed CEO GHCL to refer the matter to NEPRA and submit the report within 60 days.

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

1.11.3 Loss due to costly generation of energy at 747 MW Power Plant Guddu - Rs.403.17 million

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

In GENCO-II, it was observed that cost of energy during the month of February, 2020 and May, 2020 remained at Rs.10.20 & Rs.13.40 per unit respectively whereas, in other ten months it remained between Rs.7.8 to 9.17 per unit. All of a sudden, this cost jumped to Rs.10.20 & 13.40 per kwh only in two months. This state of affair indicated that the plant was not properly operated and maintained by the staff or Gas Booster Compressor Station remained non-functional and idle. Resultantly, GENCO-II had sustained a loss of Rs.403.17 million in the shape of costly generation.

Weak operational management of power plant resulted in costly generation of energy amounting to Rs.403.17 million during the financial year 2019-20.

The matter was taken up with the management in October, 2020 and reported to the Ministry in November, 2020. The management replied that the actual cost of gas was Rs.1,871,707,481/- however, the same was wrongly taken as Rs.2,917,662,132/- as mentioned in E-form for the month of May, 2020. Therefore per unit cost reduced to Rs.9.45/kWh instead of Rs.13.40/kWh.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to resolve the matter with Audit within one week otherwise the matter would be placed before PAC.

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

(Draft Para No. 339/2020-21)

1.11.4 Non-recovery/adjustment of LD charges on account of forced outages from GENCOs - Rs.15,085.45 million

As per Section 9.4 (c) of PPA, The amounts of all the liquidated damages set forth in sections 9.4 (b) (c) shall be adjusted from time to time in accordance with Schedule 6.

In CPPA-G, extra forced-outages-hours were occurred than allowed outages under PPA during the financial year 2017-18 to 2019-20. However, invoices of Liquidated damages Rs.15,085.45 million on account of forced outages were raised to GENCOs but recovery of LD charges was not made.

Non-adherence to PPA resulted into non-recovery/adjustment of LD charges amounting to Rs.15,085.45 million on account of forced-outages from GENCOs during the financial year 2019-20.

The matter was taken up with the management and reported to the Ministry in December, 2020. The management replied that GENCOs served invoice dispute notices to CPPA-G against these L.D invoices. However matter is being resolved between GENCO's and CPPA-G.

The DAC in its meetings held on January 04 - 07, 2021 directed Chief Executive Officer (CPPA-G) & Chief Financial Officer (CPPA-G) to hold meeting with Audit to discuss each and every para, resolve the issue / satisfy audit or come with implementable suggestions for the Government to take policy decisions for rectification of the matter and put up responses of CPPA-G under their signatures for consideration of the PAC within one week.

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

(Draft Para No. 942/2020-21)

1.11.5 Revenue loss on account of non-generation of energy due to tripping

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

In GENCO-II, a tripping incident occurred on September 11, 2019 at 600 MW CCPP due to non-operation of condenser vacuum system which failed the cooling system and caused generation loss. An inquiry committee was constituted on October 23, 2019 but its recommendations were not vetted by the competent authority. To reinvestigate the matter, another inquiry committee was constituted on December 20, 2019 with the direction to submit the report before January 08, 2020. The inquiry committee could not finalize its report as the GENCO Holding Company (GHCL) took the notice and constituted an inquiry committee on February 04, 2020 with the directions to submit its report within 15

days. However, the management could not finalize its report despite elapsing a considerable period.

Weak operational management resulted in revenue loss on account of non-generation of energy due to tripping during the financial year 2019-20.

The matter was taken up with the management in October, 2020 and reported to the Ministry in November, 2020. The management replied that MD / CEO, GHCL, Islamabad constituted another Enquiry Committee vide letter No. GHCL/HR&Admn/Inq-12/G-II/981-84 dated: 04.02.2020. Finding of the enquiry will be produced to the Audit after finalization.

The DAC in its meetings held on January 04 - 07, 2021 directed GHCL to finalize the inquiry within 15 days, take remedial measures within 04 months and report to Audit.

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

(Draft Para No. 391/2020-21)

1.11.6 Blockage of funds due to non-utilizing of spare furnace oil at defunct projects – Rs.734.02 million

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

In Northern Power Generation Company Limited (GENCO-III), Muzaffargarh, 200-MW Power Plant at Piranghaib Multan was declared defunct in 2016 and 425 MW CCPP Nandipur has been converted on gas instead of furnace oil. The balance 9,627 Metric Ton furnace oil worth Rs.734.02 million was present in stores of the both projects since long. Neither the furnace oil was issued to other projects nor utilized in plants.

Non-adherence to Public Sector Companies Corporate Governance Rules resulted in blockage of funds amounting to Rs.734.02 million due to non-utilizing of spare furnace oil at defunct projects up to the financial year 2019-20.

The matter was taken up with the management in October, 2020 and reported to the Ministry in December, 2020. The management replied that consequent upon conversion of Nandipur gas turbines from liquid fuel (HSFO) to

Gas Fuel (RLNG), 19,859.782 M. Tons of HSFO had been shifted from CCPP Nandipur to TPS, Muzaffargarh for utilization. The total stock 3306.569 M.Ton of Furnace Oil was lying at NGPS, Multan, while all use-able Furnace oil i.e. 1774 M. Ton has been shifted to TPS Muzaffargarh in November-December, 2020. At present, only 1532.004 M.Ton dead stock of Furnace Oil is lying at NGPS, Multan which was not use-able.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to place the matter before its BoD and if it feels that it was so, then take necessary action and also prepare SoPs to ensure that no such loss occurs in future. DAC also directed GHCL to review and convey those SOPs to all GENCOs for compliance.

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

(Draft Para No. 479/2020-21)

Concluding Recommendations

GENCOs are significant commercial assets of the government in the power sector and should be made financially viable. The above highlighted issues may be examined thoroughly for addressing the inadequacies in these generation companies.

1.12 Unsatisfactory management of PHL loans

CPPA-G was faced constraints in clearing its liabilities towards the power producers, as DISCOs were unable to pay-off their liabilities towards CPPA-G. As a stop-gap arrangement funds through local financing (i.e through a consortium of Banks operative in Pakistan) were got arranged from Power Holding Limited (PHL) (A government owned company established specifically for this purpose) from time to time. As this was an ad-hoc arrangement, it was imperative that loans acquired by PHL are paid back on early basis and persistent use of this local financing option should have been avoided.

However, it was observed that since its formation in 2009, PHL had now become a consistent and unavoidable financial support mechanism in power sector without which the supply chain cannot sustain. As on 30th June 2020, the outstanding loan (principal) at PHL had accumulated up to Rs.1,003.258 million.

Re-payment of these loans was a significant future challenge for all government stakeholders in power sector.

Moreover, inadequacies in management of different financing transactions were also observed. In the following section, audit on sample test check basis has pointed out a few such shortcomings to highlight the issue.

1.12.1 Non-recovery/adjustment of markup on delayed payments from DISCOs - Rs.46.33 billion

According to Commercial Code, whenever, any distribution company fails to fully pay any monthly invoices raised by the CPPA-G, the calculation of the interests or any penalties that may be justified as per existing power purchase contracts, shall be reflected in the next monthly invoices. Furthermore, CPPA-G shall communicate the failure of any Distribution Company to fully pay any monthly invoice issued by CPPA-G to Authority, the Ministry of Water and Power and the Ministry of Finance in order to assure the enforcement of the Market values and Commercial Code or to assure that other suitable substitute actions may be taken by these institutions.

In CPPA-G, an amount of Rs.46.33 billion was recoverable from DISCOs as on June 30, 2020 on account of mark-up on delayed payments. However, neither the said amount was recovered / adjusted nor legal course of action has been taken. Non recovery of such a huge amount also contributed adversely on company`s financial position for payment to IPPs and ultimately piling up of circular debt for which CPPA-G had to obtain loans from PHL.

Non-adherence to condition to commercial code resulted in non-recovery/adjustment of markup on delayed payments from DISCOs Rs.46.33 billion up to the financial year 2019-20.

The matter was taken up with the management and reported to the Ministry in December, 2020. The management replied that LD charges Rs.46.33 billion would be recovered very soon.

The DAC in its meetings held on January 04 - 07, 2021 directed Chief Executive Officer (CPPA-G) & Chief Financial Officer (CPPA-G) to hold meeting with Audit to discuss each and every para, resolve the issue / satisfy audit or come with implementable suggestions for the Government to take policy

decisions for rectification of the matter and put up responses of CPPA-G under their signatures for consideration of the PAC within one week.

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

(Draft Para No. 936/2020-21)

1.12.2 Non-clearance / settlement of overdue principal and mark up payments of OGDCL with CPPA-G - Rs.124,985.82 million

As per terms and conditions of Privately Placed TFC, mark-up was to be serviced semi-annually in arrears. First such payment fell due and become payable at the end of 6th month from the disbursement, whereas Principal was to be paid in eight (8) equal semi-annual installments after completion of grace period. First Principal Payment fell due at the end of the 42nd month from the Disbursement.

In Power Holding Limited (PHL), Privately Placed Term Finance Facility (PPTFC) of Rs.82,000 million was obtained from OGDCL in order to reduce portion of circular debt in Power Sector for the period of eight (8) years inclusive of grace period of thirty six (36) months with six months KIBOR + 1% on the Guarantee of Ministry of Finance on behalf of President of Pakistan against which an amount of Rs.124,985.82 million (Mark-up Rs.4,2985.82 million and Principal Amount Rs.82,000 million) was receivable from CPPA-G, and payable to OGDCL up to 30.06.2020. It is further added that Debt Service Surcharge was imposed by Government of Pakistan on the consumer bills in 2015 for repayment of mark-up obligation of PHL. However, neither such surcharge fulfilled the PHL obligations nor there was any mechanism for repayment of this financing facility. Resultantly, these factors geared up the debt circular accumulation in power sector.

Financial mismanagement resulted in non-clearance/ settlement of overdue principal and mark up payments of OGDCL with CPPA-G Rs.124,985.82 million up to the financial year 2019-20.

The matter was taken up with the management in November, 2020 and reported to the Ministry in December, 2020. The management replied that Power Division and Finance Division are working on the settlement plan of over-due mark-up in respect of Rs.82,000 million OGDCL facility, and it is expected that the matter shall be resolved soon. Any further update regarding the settlement of over-due mark-up shall be communicated to the audit as and when the matter is resolved.

The DAC in its meetings held on January 04 - 07, 2021 observed that this is a structural issue and Govt. of Pakistan may take necessary steps to address the matter.

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

(Draft Para No. 806/2020-21)

1.12.3 Loss due to non-availing of rebate / discount facility - Rs.443.56 million

As per "Schedule-C" of the term finance agreement, PHL is entitled to discount / reduction in margin from 2% to 1% per annum if the markup payment is made by PHL to Syndicate Banks within thirty days of the due date.

In Power Holding Limited (PHL), Rs.6,453.80 million (Rs.1,503.88 million + Rs.4,949.92 million) markup payment of financing facilities were due and required to be paid within thirty days as per contract agreement. But the amounts had not been paid within due date, hence power sector was deprived to avail the offered rebate of Rs.443.56 million (Rs.103.36 million + Rs.340.20 million) indicating poor liquidity management.

Non-adherence to authority's instruction resulted into a loss of Rs.443.56 million during the financial year 2019-20.

The matter was taken up with the management in November, 2020 and reported to the Ministry in December, 2020. The management replied that the subject mark-up payments were released to the syndicate on 30-06-2020 after 92 days of the due date @ 3MK+1.00% and balance of Rs.443.56 million @ 1.00% has been withheld. The syndicate has been requested vide PHL letters dated 28.08.2020 & 26.10.2020 to waive off / allow rebate of 1.00% in respect of the subject mark-up installments, however their response is still awaited. Any further update regarding the waiver shall be communicated to the audit as and when response is received from the syndicate.

The DAC in its meetings held on January 04 - 07, 2021 observed that this is a structural issue and Govt. of Pakistan may take necessary steps to address the matter.

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

(Draft Para No. 842/2020-21)

Concluding Recommendations

The volume of PHL loans had accumulated to a point where they themselves represented a circular debt challenge for the government. Despite numerous constraints, efforts were needed to be made to resist the subject adhoc approach of local financing and pursue increase in DISCO revenue to address the issue on permanent basis. Moreover settlement/re-payment of existing loans in an efficient and timely manner was an important consideration to avoid future legal and financial complications.

1.13 Delay in finalization of Inquiry Cases

In order to achieve desired efficiency in the Power Sector, it was necessary that an effective mechanism of administrative check and balance was implemented i.e. those found involved in negligence, irregularities or fraud should have been promptly and decisively proceeded against. This was necessary to ensure a transparent working environment and to prevent spread of irregular practices. On the identification of irregularity/fraud etc. inquiries were initiated at the level of respective companies. More serious embezzlement/unlawful incidents were probed through inquiries by PEPCO which act as an overall monitoring body over the power sector government entities on behalf of the ministry. However, cases that were found to be even more serious in nature or un-resolved at lower levels were finally inquired by the ministry itself through a team of its own officers.

In the context of the above mechanism, it was analyzed that inquiries were not being concluded adequately in the power sector companies. There were instances where long delays were found in the processing of subject inquiries. Further even after finalization of inquiries by PEPCO/Company there were cases of delays and inaction on the findings of the inquiries by the respective companies. This scenario implied that identified miscreants were not timely proceeded against, creating a negative and irregularity prone environment in the subject companies.

On the above lines, audit has analyzed the issue of unsatisfactory inquiry management, on sample basis, and shortcomings found are illustrated in the following paras:

1.13.1 Non-finalization / implementation of recommendations in inquiry cases

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

In PEPCO, it was observed that 130 inquiries were initiated, out of which 69 were finalized whereas 61 were pending. All these inquiries were related to serious instances of irregularities, violation of rules and conduct which were being investigated by PEPCO authorities. PEPCO had a monitoring and supervisory role over the distribution companies and it facilitates the Ministry in ensuring standardization of procedure as well as working efficiency across the distribution companies. It was noted with concern that subject inquiries were not timely finalized by PEPCO. Moreover, there were also cases where management of DISCOs did take action against findings of inquiry proceeding. Some cases in this regard analyzed on sample basis were as under;

- i. PEPCO recommended in a fact finding report in March, 2019 regarding misappropriation of 609 transformers valuing Rs.280.11 million to conduct forensic audit of Nawab Shah Circle HESCO and fixing responsibility on the individuals but the same was not made.
- ii. PEPCO in its inquiry report in May, 2014 worked out that financial loss of Rs.76.60 million was sustained by the company on account of negligence, excessive journeys, exorbitant repair rates and other activities and amount of Rs.61.28 million was recommended to be recovered from the concerned officer. However, action from the respective management was still pending.
- iii. PEPCO recommended to take actions against delinquent in twelve (12) inquiries during 2017 to 2019 comprehending serious nature of allegations of corruption/ misuse of authority etc. but all the enquiries were closed by HESCO adopting Section-5 of the E&D

Rules without recording any justification in response to the conclusions of superior office i.e. PEPCO inquiry teams.

The above scenario illustrated that efficiency and disciplinary framework was not effectively working in the distribution companies adding to their organization and operational management issues.

The matter was taken up with the management and reported to the Ministry in December, 2020. The management replied in case of misappropriation of transformers no further action at this stage was required. In PDP-875 both the cases were under process and would be decided in due course of time after observing all codal formalities. Inquires involved in PDP-688 the PEPCO management was requested to conduct formal inquiries under Rule-6 of E & D Rules-1978 for those cases in which serious involvement of corruption / theft of electricity were noticed. In PDP-850, 114 inquiries had been completed / approved from the competent Authority and sent to concerned DISCOs for implementation.

The DAC in its meetings held on January 04 - 07, 2021 took the serious notice as the MD/CFO did not take any remedial measure and directed the management to resolve the matter within one month before the next DAC meeting and also directed the management to take action against those still in service and pension not to be released. Those retired, refer to FIA for recoveries. Else M.D PEPCO, GM S&I PEPCO and CEO/CFO of DISCOs concerned shall be liable for act of omission.

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

(Draft Para No. 688, 850, 875 & 989/2020-21)

Concluding Recommendations

Delay in finalization of inquiries and non-implementation of inquiry findings where the subject inquiries had been finalized, was an indicator of poor organizational management in the companies. In order to promote an efficient and transparent work-environment it was needed that all inquiries were probed without delay and actions proposed in the inquiry findings were implemented in letter and spirit.

1.14 Unsatisfactory maintenance of accounts

In order to have transparent and efficient business operations it was essential to maintain the accounts in an accurate and timely manner. Accounts represent a key final manifestation of the overall working of an organization and its business outcomes. Lapses in account management practices create an environment highly vulnerable towards financial misappropriations and irregularities.

In this context, audit observed instances of in-ordinate delay in account finalization, inaccurate recording of data etc. Comments on the financial statements of the companies are placed in Chapter-2 whereas shortcomings pertaining to account's management, analyzed on sample basis, are illustrated in the subsequent paras.

1.14.1 Mis-statement of progressive expenditure in the financial statements – Rs.2,429.98 million

As per IFRS (International Financial Reporting Standards) frame work, qualitative characteristic of financial statements to be reliable, the information in the financial statements must be complete within the bounds of materiality and cost. An omission can cause information to be false or miss leading and thus unreliable and deficient in term of its relevance.

In NTDC, closing balance (undrawn external assistance) of Loan No.PK-P-61 (JICA) as per financial statement provided by management was JPY 3,995.99 million. Accordingly, progressive expenditure of the loan came to JPY 19,304.00 million. However, in the financial statement for financial year 2019-20 management had retrospectively changed its previous audit expenditure by reducing the closing balance for financial year 2018-19 to JPY 2,439.01 million. Now the new progressive expenditure for the financial year 2018-19 came to JPY 20,860.99 million. Therefore, the progressive expenditure was restated/increased up to JPY 21,140.25 million. Resultantly, the difference of JPY 1,556.98 million (equal to Pak Rs.2,429.98 million) indicate financial mis-management because full expenditure was not disclosed in the prior statement which was a serious omission on part of management.

Non adherence to the rules resulted into mis-statement in the progressive expenditure under loan No. PAK-P-61 (JICA) to the tune of Rs.2,429.98 million.

The matter was taken up with the management in August, 2020 and reported to the Ministry in December, 2020. The management replied that Audit certificates were prepared on cash modified (IPSAS) International Public Sector Accounting Standard Basis. All previous Audit Certificates were prepared on the basis of disbursement made during the year which have been verified by Economic Affairs Division (EAD) and jointly signed by NTDCL & EAD.

The DAC in its meeting held on September 2, 2020 directed the management to investigate the matter through Inquiry Committee at Chief Auditor PEPCO level within one month. Further, progress was still awaited.

Audit recommends that the matter needs to be investigated for fixing the responsibility and for justifying the difference of JPY 1,556.982 million indicted in the financial statements.

(Draft Para No. 944/2020-21)

1.14.2 Non-preparation of audited financial statements for the financial years 2016-17 to 2019-20

According to Company's Act-2017 under 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 232 (5) "The financial Statements shall be audited by the auditor of the company, in the manner hereinafter provided and the auditor's report shall be attached".

In LESCO, expenditure (development & non-development) was incurred during the financial years 2016-17 to 2019-20 but the management did not maintain Trial Balance and Audited Financial Statements for the year ended 30th June 2020. Similarly the Company's financial statements for the years 2016-17, 2017-18 and 2018-19 had also not yet been finalized and certified by the Chartered Firm. The same shows poor financial management in LESCO.

Non-adherence to the preparation / maintenance of the companies trial balance and audited financial statements resulted in to the violation of the Companies act 2017 up to the financial year 2019-20.

The matter was taken up with the management in September, 2020 and reported to the Ministry in November, 2020. The management replied that the delay in the audit of said financial years was due to uncertain and undue reasons leading to delay in the audit of stated financial years. The Financial Statements for FY 2016-17 had been adopted in LESCO's 19th Annual General Meeting

(AGM) held on 14.12.2020. Whereas audit for FY 2017-18 and 2018-19 is also under process and the same would be finalized by FY 2020-21 positively. No intentional delay or violation had been made by LESCO management on account of adhering the directions laid in Companies Act, 2017.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. *(Details at Annex-II)*

Audit recommends that the management needs to fix responsibility for delayed audited financial statements.

(Draft Para No. 408/2020-21)

1.14.3 Non-preparation of audited financial statements for the financial years 2016-17 to 2019-20

According to Rule-10 (1) of Public Sector Companies (Corporate Governance) Rules, 2013, “Every Public Sector Company shall, within one month of the close of first, second and third quarter of its year of account, prepare a profit and loss account for, and balance-sheet as at the end of, that quarter, whether audited or otherwise, for the Board’s approval. Annual report including annual financial statements shall be placed on the Public Sector Company’s website.

In GENCO Holding Company Limited (GHCL), expenditure (development & non-development) was incurred during the year financial year 2019-20 but the management did not maintain Trial Balance and Audited Financial Statements for the year ended 30th June 2020. Similarly the Company’s financial statements for the years 2012-13 to 2019-20 had also not yet been finalized and certified by the Chartered Firm. The same shows poor financial management in GHCL.

Non-adherence to Companies Ordinance resulted in non-maintenance of final accounts / financial statements against the expenditure during the financial year 2019-20.

The matter was taken up with the management in October, 2020 and reported to the Ministry in December, 2020. The management replied that M/s Riaz Ahmad & Company, Chartered Accountants were conducting audit of

books of accounts of GHCL. The draft of annual financial statements for the financial year 2019-20 was ready and reviewed by the auditors. The formally approved and signed accounts would be ready during 3rd week of January, 2021. The status of the same would be reported to audit in due course.

The DAC in its meetings held on January 04 - 07, 2021 directed PEPCO to initiate inquiry on negligence of duty on part of CEO / CFO and fix responsibility on all incumbent CEOs / CFOs since 2012 and submit its report within one month. It was further directed to the sitting CEO/CFO to finalize the Audited financial statements from 2012 to 2019-20 and provide the same to Audit for its review by end of January, 2021 positively. Else the issue would be proceeded against them.

Audit recommends that the management needs to fix responsibility for delayed audited financial statements.

(Draft Para No. 655/2020-21)

1.14.4 Non-recognition of receivables on account of services rendered by NTDC – Rs.64.80 million

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

In NTDC, it was observed that payments on account of services rendered by NTDC to DISCOs / IPPs was recorded on actual basis instead of accrual basis. Accordingly in the financial year 2019-20 an amount of Rs.64.80 million was outstanding from DISCOs/IPPs on account of services rendered by NTDC but the same was not recognized / accounted for in the books of accounts. The non-recognition of receivables against services provided was not in line with standards of preparation of financial statements.

Non-adherence to the resulted in non-recognition of receivables on account of services rendered amounting to Rs.64.80 million during the financial year 2019-20.

The matter was taken up with the management and reported to the Ministry in December, 2020. The management replied that efforts were being made for recovery of outstanding services charges and any progress achieved would be informed to Audit.

The DAC in its meetings held on January 04 - 07, 2021 directed the management and specifically MD NTDC to thoroughly review all the audit paras, under take necessary action and discuss the actions taken with audit within two months. *(Details at Annex-II)*

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

(Draft Para No. 893/2020-21)

Concluding Recommendations

Maintaining accounts in a transparent and timely manner was a key obligation of the companies. To improve working of the power sector enterprises and to enable the government to make well-informed decisions it was important that all companies make efforts for maintaining accurate accounts on real-time data-entry basis and get their annual accounts certified without further delay.

1.15 Miscellaneous Issues

1.15.1 Non-existence of clearance house for settlement of outstanding dues from WAPDA/PEPCO entities - Rs.15,729.65 million

A clearing house acts as a mediator between any two entities or parties that are engaged in a financial transaction. Its main role is to ensure that the transaction goes smoothly between the parties²⁸.

In DISCOs, an amount of Rs.15,729.65 million was paid to the employees on behalf of WAPDA/other entities on account of pension, cash medical allowance and free electricity. The amount was outstanding for settlement between different entities, however, there was no clearing house / mechanism in place for timely clearance/reconciliation of dues which resulted in accumulation of receivables within companies to the stated extent. Delay in timely reconciliation/clearance of such dues increased the risk of unauthorized / bogus payments under these heads. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs.in million)
1.	FESCO	553& 812/2020-21	2,243.62
2.	LESCO	426/2020-21	11,244.76
3.	PESCO	458/2020-21	2,241.27
TOTAL			15,729.65

²⁸ <https://corporatefinanceinstitute.com/resources/knowledge/deals/clearing-house>, access on February 01, 2021.

The matter was taken up with the management in September & November, 2020 and reported to the Ministry during December, 2020. The management replied that a committee had been constituted by the MD (PEPCO) to form a uniform SOP for all DISCOs regarding re-imbursement claims of medical and free electricity etc of retired employees of other companies. Any progress regarding the matter would be intimated to Audit accordingly.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to review the paras, discuss them with audit, take appropriate action or suggest actions toward their resolution and report its working to DAC in one month. Further it was directed to hold an exclusive BoD meeting to review the audit paras and submit its report to DAC within two months. (*Details at Annex-II*)

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

1.15.2 Non-recovery against claims of electricity supply charges and differential sales tax - Rs.2,406.34 million

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

In GENCO-II, an amount of Rs.2,406.34 million was appearing as receivable from CPPA-G on account of invoices/claims against supply of electricity from TPS Quetta, rental power project Naudero-I and differential sales tax for the period from March, 2014 to June, 2014. A considerable period of more than six years had since been lapsed but recovery of huge amount was still outstanding, which resulted in blockage of company's revenue to the stated extent.

Non-adherence to the rules resulted in non-recovery against claims of electricity supply charges and differential sales tax amounting to Rs.2406.34 million up to the financial year 2019-20.

The matter was taken up with the management in October, 2020 and reported to the Ministry in November, 2020. The management replied that company is taking up the matter with NEPRA to authorize CPPA-G to verify and release above payments. The matter shall be resolved, at the earliest.

The DAC in its meetings held on January 04 - 07, 2021 took the serious notice that despite being professional of this sector, it reflects sheer lack of responsibility on the part of CEOs GHCL and GENCO-II that despite matter being pointed out they took six years to get generation license. Had they been diligent they should have done this prior to pointation by CPPA-G and even they have not submitted tariff petition till to date. DAC directed the PEPCO to draft a charge sheet against both under E&D rules also submit tariff petition to NEPRA within one month under intimation to DAC / Audit.

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

(Draft Para No. 338/2020-21)

1.15.3 Un-approved computerized system for accounting record / booking of expenditure / receipts

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

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

In PITC Lahore, it was observed that the Company adopted computerized system of financial / accounting record maintenance. The evidence of approval for the said computer system was not forthcoming from the record made available to Audit. Further, the following discrepancies were observed:

1. The rules & regulations to be adopted to run the business were not defined
2. Legal status of the computerized system was not forthcoming from the record
3. Accounting record was not signed, only computer generated record was being maintained.

4. The SOPs of the computerized system was not defined besides lapse of an accounting period i.e. 2018-19
5. The computerized system was adopted without any written and defined duties of the staff engaged / attached
6. Standards were not being observed for maintenance of the computerized accounting systems.
7. The computerized system was adopted without any test run of the system
8. The performance of the test run was required to be reported to the top management for evaluation / sanction before adoption of the computerized system.

Non-adherence to rules resulted in un-approved computerized system for accounting record / booking of expenditure / receipts up to financial year 2018-19.

The matter was taken up with the management in November, 2019 and reported to the Ministry in December, 2019. The management replied that PITC was using in-house developed accounting software. Hence, there was no financial implication involved in this case. However, the guidance of DAC was required if deemed necessary.

The DAC in its meeting held on December 26, 2019 directed the management to get the computerized system audited by a professional software auditing firm and prepare SOPs to ensure the security and secrecy of the whole computerized system. No further progress was reported till finalization of report.

Audit recommends that the management needs to implement DAC's decision besides investigating reasons for non formulation of Standard Procedures and Policies with regards to software development.

(Draft Para No. 1004/2019-20)

1.15.4 Unjustified retention of DISCO's advances for procurement of material -Rs.1,400.04 million

According to Rule-17 (2) (b) of Public Sector Companies (Corporate Governance) Rules-2013 (b) the financial statements, prepared by the management of the Public Sector Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

In NTDC, DISCOs advances amounting to Rs.1,400.04 million for procurement of material were outstanding since 2007-08. As appeared in the

consolidated trial balance for the month of June, 2020 of CFO NTDC. The figure represented the amount received form DISCOs in excess of the actual cost of material procured and had been unduly retained by the NTDC. The amount needed to be refunded to DISCOs. Moreover, the detail regarding total funds received, material procured and disbursed to respective DISCOs was not forthcoming from the record made available to Audit.

Non-adherence to the rules resulted into un-justified retention of amount of Rs.1,400.04 million of the DISCOs in excess of cost of material procured up to the financial year 2019-20.

The matter was taken up with the management and reported to the Ministry in December, 2020 but no reply was given.

The DAC in its meetings held on January 04 - 07, 2021 directed the management to place the audit observations before BoD through an exclusive agenda item and within three months the BoD should report to the DAC that the issue has been resolved or certify that there was no violation of rules and loss to NTDC.

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

(Draft Para No. 895/2020-21)

Chapter-2

Introduction of Entities and Comments on Financial Statements

2.1 PAKISTAN ELECTRIC POWER COMPANY (PEPCO)

2.1.1 Introduction

Pakistan Electric Power Company (Private) Limited (PEPCO) was incorporated as private limited company on May 13, 1998, under Companies Ordinance, 1984. PEPCO is responsible for the management of National Transmission and Dispatch Company (NTDC), PITCL and ten (10) Distribution Companies (DISCOs) working under independent Board of Directors. PEPCO is engaged in monitoring and controlling the different activities of distribution companies including technical, financial, operational, personnel, legal and IT related activities as an agent of the Government of Pakistan.

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2019-20	Expenditure audited FY 2019-20 (Rs.in million)	Revenue / Receipts audited FY 2019-20 (Rs.in million)
1.	Formations	01	01	613.04	373.34	410.39
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	N/A	N/A
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	Nil	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.1.2 Comments on Financial Statements

According to Section-223 of Companies Act 2017, “the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company”.

In PEPCO, financial statements of the company for the financial year 2019-20 could not be finalized by the management up till December 31, 2020.

2.1.3 Classified Summary of Audit Observations

Audit observation was raised in this audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Irregularities	
	A. HR/Employees related irregularities	0

2.2 FAISALABAD ELECTRIC SUPPLY COMPANY (FESCO)

2.2.1 Introduction

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

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

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	budget FY 2019-20 (Rs.in million)	Expenditure audited FY 2019-20 (Rs.in million)	Revenue / Receipts audited FY2019-20 (Rs.in million)
1.	Formations	10	06	28,156.68	23,930.42	189,541.02
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities/ Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.2.2 Comments on Financial Statements

2.2.3 Financial Overview

As per the audited Financial Statements for the year 2019-20 the Company earned profit at the year ended on 30th June, 2020 the Company turned from losses to profit. Accordingly, the accumulated loss decreased from Rs.89,194 million in the

financial year 2018-19 to Rs.78,597 million in the financial year 2019-20 registering 11.88% decrease. Moreover, the net electricity sale increased from Rs.188,926 million in the financial year 2018-19 to Rs.226,210 million in the financial year 2019-20 registering 19.73% increase. Increase in sales was one of the factors which resulted in the company turning from loss to profit.

2.2.4 Extracts of the Financial Statements

Statement of Financial Position as on June 30, 2020

(Rs.in million)

	2019-20	%	2018-19	%	2017-18
Equity and Liabilities :					
Accumulated Profit/(Loss)	(78,597)	11.88	(89,194)	-23.24	(72,377)
Deposits for the issuance of shares	19,859	-	19,859	2.31	19,411
Surplus on revaluation of operating	48,200	85.89	25,929	-2.66	26,638
Non-current liabilities	144,220	4.92	137,463	13.52	121,089
Trade and other Payables	119,371	56.38	76,332	33.70	57,090
Current portion of long term loans	1,431	35.51	1,056	61.47	654
Mark up payable	2,593	8.45	2,391	56.79	1,525
Current liabilities	123,395	54.67	79,779	34.60	59,269
	257,078	47.89	173,835	12.86	154,030
Non-Current Assets	126,898	29.48	98,005	3.45	94,733
Stores and spares	3,055	(2.46)	3,132	15.57	2,710
Trade debts	43,593	116.40	20,145	9.61	18,379
Short-term advances	62	3.33	60	9.09	55
Balance with statutory authorities	8,630	1.58	8,496	-0.21	8,514
Tariff differential subsidy	33,969	186.18	11,870	323.02	2,806
Other receivables	14,883	34.21	11,089	14.69	9,669
Interest accrued	177	11.32	159	165.00	60
Bank balances	25,811	23.62	20,879	22.07	17,104
Current assets	130,180	71.67	75,830	27.88	59,297
	257,078	47.89	173,835	12.86	154,030

(Source: Audited Financial Statement of FESCO Financial Year 2019-20 – Riaz Ahmad & Co., Chartered Accountant)

Statement of Profit & Loss Account For the year ended June 30, 2020

	2019-20	%	2018-19	%	2017-18
Revenue					
Sale (Billing to consumers)	167,648	13.36	147,887	27.06	116,392
Tariff differential subsidy from GoP	58,561	42.70	41,039	103.85	20,132
	226,210	19.73	188,926	38.38	136,524
Cost of electricity	194,741	10.32	176,517	13.85	155,042
Gross profit / (loss)	31,468	153.59	12,409	-167.01	(18,518)
Amortization of deferred credit	1,579	8.15	1,460	9.04	1,339
	33,047	138.28	13,869	-180.73	(17,179)
Operating expenses:					
Distribution cost	23,078	14.02	20,240	25.82	16,086
Administrative expenses	4,039	18.48	3,409	40.35	2,429
Customer services cost	2,396	12.12	2,137	24.03	1,723
Other income	5,642	31.61	4,287	47.17	2,913
Operating loss	9,177	220.29	(7,629)	-77.89	(34,505)
Finance cost	895	189.64	309	100.65%	154
Profit/ (loss) before taxation	8,282	204.33	(7,938)	-77.10	(34,659)
Taxation	2,208	129.28	963	21.44	793
Profit/ (loss) after taxation	6,074	168.24	(8,901)	-74.89	(35,452)

(Source: Audited Financial Statement of FESCO Financial Year 2019-20 – Riaz Ahmad & Co., Chartered Accountant)

2.2.5 Comments on Audited Accounts

i) Profitability

The Company earned a net profit of Rs.6,074 million during the financial year 2019-20. However, accumulated losses have reached to the tune of Rs.78,597 million resulting in net capital deficiency. As on June 30, 2020 the Company's current assets exceeded current liabilities by Rs.6,785 million indicating positive trend.

ii) Sales and Cost of sales

The sales of the Company were Rs.226,210 million including the subsidy received from Government of Pakistan for an amount of Rs.58,561 million and cost of sales of the company stood at Rs.194,741 million which was 86.09% of sale.

iii) Trade Debts and other Receivables

Major receivables of the Company were Rs.92,507 million as on June 30, 2020. This included an amount of Rs.33,969 million which receivable from Government of Pakistan against tariff differential subsidy, Rs.43,593 million from various consumers

There was a significant increase of trade debts amounting to Rs.23,448 billion (Rs.43,593 billion – Rs.20,145 billion) or 116.4% as compared with previous financial year including pending deferred payment due to Covid-19 pandemic. Huge pending receivables were a significant business sustainability risk for the Company and required long term rectification measures. Huge balance of receivables depicted poor recovery efforts of the Company, which needed justification.

iv) Trade and other Payables

Trade & Other payables of the Company substantially increased from Rs.76,332 million in the financial year 2018-19 to Rs.119,371 million in the financial year 2019-20. The major amount of Rs.97,745 million was payable to CPPA-G on account of purchase of electricity. Payables towards CPPA-G increased by Rs.37.190 billion from the previous financial year indicating significant increase of 61%. The same showed unsatisfactory financial management and poor liquidity position of the Company. Immediate short term measures and prudent long term action were needed to stop the accumulation of payables and ensure steady reduction of pending payables in the future.

v) Non-Recognition of Debit note of Rs.8,148.34 million on account of mark up paid by CPPA-G

The External Auditors of FESCO during certification audit exercise on FESCO accounts for the financial year 2019-20, highlighted that the Company had not given due disclosure of its liabilities towards CPPA-G as on June 30, 2020. The claims included supplementary charges, being the markup charged on CPPA-G by independent power producers on account of delayed payments aggregated to Rs.8,148 million. Had these charges been applied it would have enhanced the expenditure and put the Company into overall net loss. In order to avoid financial impediment in

the Power Sector supply chain it was necessary that difference between CPPA-G and FESCO was resolved timely.

vi) Operating expenses

The operating expenses of the Company increased from Rs.25,786 million during the financial year 2018-19 to Rs.29,513 million during the year 2019-20 registering an increase of Rs.3,727 million. Company need to control its operating expenses in order to operate efficiently.

vii) Re-valuation of Company Assets

As per detail given at note 15 of the Financial Statements, date of valuation of land has not been stated in the statements. The total land-freehold of the entire company has been valued at Rs.31,245 million only. Under IFRS 16.31 re-valuation should be carried out regularly so that the carrying amount of an assets does not differ materially from its fair value at the balance sheet date.

2.2.6 Classified Summary of Audit Observations

Audit observations amounting to Rs.11,280.19 million were raised in this audit. The amount also includes recoverables of Rs.6,642.62 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Reported cases of fraud, embezzlement, misappropriation and theft	7.82
2.	Irregularities	
	A. Procurement related irregularities	47.26
	B. Irregularities pertaining to violation of entity's own rules / regulations	947.74
	C. Irregularities pertaining to violation of Regulatory Laws & Regulations	3,634.11
	D. Recoveries	6,642.62
3.	Others	0.63

2.3 GUJRANWALA ELECTRIC POWER COMPANY (GEPCO)

2.3.1 Introduction

Gujranwala Electric Power Company (GEPCO) is a subsidiary of PEPCO. The Company started its operation as a Public Limited Company registered under Companies Ordinance 1984 (now Companies Act 2017) in May, 1998. The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA-G through NTDC system and sells it to various consumers within Gujranwala, Gujrat, Mandi Bahaudin, Narowal, Hafizabad and Sialkot Districts.

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

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2019-20 (Rs.in million)	Expenditure audited FY 2019-20 (Rs.in million)	Revenue / Receipts audited FY2019-20 (Rs.in million)
1	Formations	11	06	9,046.00	7,659.00	69,707.81
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.3.2 Comments on Financial Statements

According to Section-223 of Companies Act 2017, “the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial

statements, made up to the date of close of financial year adopted by the company”.

In GEPCO, financial statements of the company for the financial year 2019-20 could not be finalized by the management up till December 31, 2020.

2.3.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.23,488.25 million were raised in this audit. The amount also includes recoverables of Rs.21,498.00 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Reported cases of fraud, embezzlement, misappropriation and theft	9.34
2.	Irregularities	
	A. Procurement related irregularities	42.47
	B. Irregularities pertaining to violation of entity's own rules / regulations	243.72
	C. Irregularities pertaining to violation of Regulatory Laws & Regulations	1,429.70
	D. Recoveries	21,498.00
3.	Value for money and service delivery issues	81.00
4.	Others	184.02

2.4 HYDERABAD ELECTRIC SUPPLY COMPANY (HESCO)

2.4.1 Introduction

Hyderabad Electric Supply Company (HESCO) is a subsidiary of PEPCO. The Company started its operations as a Public Limited Company during July, 1998 and registered under Companies Ordinance 1984 (now Companies Act 2017) as a public limited company. The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA-G through NTDC system and sells it to various consumers in thirteen districts of Sindh Province.

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

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2019-20 (Rs.in million)	Expenditure audited FY 2019-20 (Rs.in million)	Revenue / Receipts audited FY2019-20 (Rs.in million)
1	Formations	10	06	13,539.64	22,695.06	9,586.96
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.4.2 Comments on Financial Statements

According to Section-223 of Companies Act 2017, “the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial

statements, made up to the date of close of financial year adopted by the company”.

In HESCO, financial statements of the company for the financial year 2019-20 could not be finalized by the management up till December 31, 2020.

2.4.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.113,240.97 million were raised in this audit. The amount also includes recoverables of Rs.90,890.00 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Reported cases of fraud, embezzlement, misappropriation and theft	3.71
2.	Irregularities	
	A. HR/Employees related irregularities	0
	B. Procurement related irregularities	882.99
	C. Irregularities pertaining to violation of entity's own rules / regulations	1,788.33
	D. Irregularities pertaining to violation of Regulatory Laws & Regulations	19,656.53
	E. Recoveries	90,890.00
3.	Value for money and service delivery issues	0
4.	Others	19.41

2.5 ISLAMABAD ELECTRIC SUPPLY COMPANY (IESCO)

2.5.1 Introduction

Islamabad Electric Supply Company (IESCO) is a subsidiary of PEPCO. The Company started its operations as a Public Limited Company during May, 1998 registered under Companies Ordinance, 1984. The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA-G through NTDC system and sells it to various consumers within Attock, Chakwal, Islamabad, Jhelum and Rawalpindi Districts.

The operational activities are performed through five Operation Circles, Grid System Construction, Project Construction and Grid System Operation Circles. The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2019-20 (Rs.in million)	Expenditure audited FY 2019-20 (Rs.in million)	Revenue / Receipts audited FY2019-20 (Rs.in million)
1.	Formations	11	06	18,591.00	8,283.00	58,810.00
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities/ Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.5.2 Comments on Financial Statements

According to Section-223 of Companies Act 2017, “the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company”.

In IESCO, financial statements of the company for the financial year 2019-20 could not be finalized by the management up till December 31, 2020.

2.5.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.111,957.25 million were raised in this audit. The amount also includes recoverables of Rs.107,022.00 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Reported cases of fraud, embezzlement, misappropriation and theft	2.59
2.	Irregularities	
	A. Procurement related irregularities	40.84
	B. Irregularities pertaining to violation of entity's own rules / regulations	4,490.04
	C. Irregularities pertaining to violation of Regulatory Laws & Regulations	401.79
	D. Recoveries	107,022.00

2.6 LAHORE ELECTRIC SUPPLY COMPANY (LESCO)

2.6.1 Introduction

Lahore Electric Supply Company (LESCO) started its operation as a Public Limited Company registered in July, 1998 under Companies Ordinance 1984 (now Companies Act 2017). The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA-G through NTDC system and sells it to various consumers within Kasur, Lahore, Okara, Nankana Sahib and Sheikhpura Districts.

The operational activities are performed through seven Operation Circles and Grid System Construction, Project Construction & Grid System Operation Circles. The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2019-20 (Rs.in million)	Expenditure audited FY 2019-20 (Rs.in million)	Revenue / Receipts audited FY2019-20 (Rs.in million)
1.	Formations	15	06	39,159.90	9,909.82	54,969.80
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.6.2 Comments on Financial Statement

According to Section-223 of Companies Act 2017, “the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company”.

In LESCO, financial statements of the company for the financial year 2019-20 could not be finalized by the management up till December 31, 2020.

2.6.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.47,463.41 million were raised in this audit. The amount also includes recoverables of Rs.42,660.76 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Reported cases of fraud, embezzlement, misappropriation and theft	14.61
2.	Irregularities	
	A. Procurement related irregularities	25.63
	B. Irregularities pertaining to violation of entity's own rules / regulations	2,340.91
	C. Irregularities pertaining to violation of Regulatory Laws & Regulations	2,113.73
	D. Recoveries	42,660.76
3.	Others	307.76

2.7 MULTAN ELECTRIC POWER COMPANY (MEPCO)

2.7.1 Introduction

Multan Electric Power Company (MEPCO) is a subsidiary of PEPCO. The Company started its operations as a Public Limited Company in May, 1998 registered under Companies Ordinance, 1984. The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA-G through NTDC system and sells it to various consumers within Multan, Khanewal, Sahiwal, Vehari, Bahawal Pur, Lodhran, Bahawal Nagar, Rahim Yar Khan, D.G Khan, Muzzafar Garh, Rajan Pur and Layyah Districts.

The operational activities are performed through nine Operation Circles, Grid System Construction Circle, Project Construction and Grid System Operation Circles. The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2019-20 (Rs.in million)	Expenditure audited FY 2019-20 (Rs.in million)	Revenue/ Receipts audited FY2019-20 (Rs.in million)
1.	Formations	16	05	16,876.11	4,856.46	87,168.41
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities/ Autonomous Bodies etc. under the PAO	Nil	Nil	Nil	Nil	Nil
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.7.2 Comments on Financial Statements

2.7.3 Financial Overview

As per the audited Financial Statements for the year 2019-20 the Company turned from continuous losses to profit and earned a marginal profit amounting to Rs.375.94 million at the year ended dated 30th June, 2020. Accordingly, the accumulated loss decreased from Rs.133,587.08 million in the financial year 2018-

19 to Rs.127,536.89 million in the financial year 2019-20 registering 4.53% decrease. Moreover, the net electricity sale increased from Rs.235,312.26 million in the financial year 2018-19 to Rs.278,931.12 million in the financial year 2019-20 registering 18.54% increase.

2.7.4 Extract of the Financial Statements

Statement of Financial Position as on June 30, 2020

	<i>(Rs.in millions)</i>				
	2019-20	%age	2018-19	%age	2017-18
Equity & Liabilities					
Issued, subscribed and Paid up Capital	10,823.64	-	10,823.64	-	10,823.64
Deposit for issue of Share Capital	31,337.63	-	31,337.63	2.44	30,590.26
Surplus on Revaluation	-	-	-	-	-
Accumulated Losses	(127,536.89)	(4.53)	(133,587.36)	25.81	(106,192.06)
Shareholders' Equity	(85,375.62)	(6.663)	(91,425.808)	41.16	(64,778.16)
Long term Loans/financing	8,117.63	(7.87)	8,811.43	(4.58)	9,234.63
Staff retirement benefits	80,582.68	1.78	79,175.42	12.47	70,394.15
Long term security deposits	10,179.38	10.89	9,179.84	12.44	8,164.54
Receipts against deposit work	25,803.03	24.51	20,722.98	1.34	20,448.94
Deferred Credit	59,724.03	4.42	57,195.88	9.53	52,220.17
Deferred mark-up	-	-	-	-	626.69
Total Non-current Liabilities	184,406.75	5.32	175,084.54	8.69	161,089.11
Trade & Other Payables	174,852.74	42.16	123,000.63	5.89	116,154.52
Accrued Markup	10,788.64	16.09	9,292.97	29.70	7,164.86
Provision for Taxation	1,275.96	-	-	-	-
Current portion of long term debt	6,031.86	12.20	5,376.17	20.20	4,472.65
Total Current Liabilities	192,949.19	40.15	137,669.77	7.73	127,792.02
Total Liabilities	377,355.93	20.66	312,754.31	8.26	288,881.13
Total Equity & Liabilities	291,980.32	31.92	221,328.50	(1.24)	224,102.96
Assets					
Property Plant & Equipment	117,672.02	8.07	108,889.82	8.86	100,028.34
Intangible assets	-	-	10.102	(63.13)	27.4
Long Term Advances	81.4	0.95	80.63	4.77	76.96
Long term deposits	0.05	-	0.05	-	0.05
Total Non-Current Assets	117,753.46	8.05	108,980.60	8.84	100,132.74
Stores, spares & loose tools	6,328.68	(21.90)	8,103.43	40.60	5,763.59
Trade Debts against sale of Electricity	51,201.85	73.63	29,489.19	(24.68)	39,154.33
Loans & Advances	320.79	(8.32)	349.92	(15.02)	411.79
Other Receivables	94,228.68	64.84	57,164.71	(0.92)	57,697.40
Tax refunds due from government	4,621.11	(30.81)	6,679.29	(37.42)	10,673.86

Total Receivables	156,701.11	(100.00)	101,786.54	(10.48)	113,700.97
Accrued Interest	157.82	52.51	103.48	113.36	48.5
Cash & Bank Balances	17,367.93	66.07	10,457.89	2.32	10,220.74
Total Current Assets	174,226.86	55.08	112,347.90	(9.38)	123,970.22
Total Assets	291,980.32	31.92	221,328.50	(1.24)	224,102.96

(Source: Audited Financial Statement of MEPCO Financial Year 2019-20 – Riaz Ahmad & Co., Chartered Accountant)

Statement of Profit & Loss Account For the year ended June 30, 2020

(Rs.in millions)

	2019-20	% Inc / Dec	2018-19	% Inc / Dec	2017-18
Sale of Electricity	199,343.17	20.56	165,347.63	18.13	139,972.30
Subsidy from Government of Pakistan on sale of Electricity	79,587.95	13.75	69,964.63	73.76	40,264.74
Sale of Electricity including Subsidy	278,931.12	18.54	235,312.26	30.56	180,237.04
Cost of Electricity	(248,407.08)	10.05	(225,725.41)	(217.14)	192,693.79
Gross Profit/(Loss)	30,524.04	218.40	9,586.84	(176.96)	(12,456.76)
Amortization of deferred Credit	2,952.29	7.02	2,758.53	10.78	2,490.17
Operating Expenses excluding Depreciation	33,476.33	171.17	12,345.37	(223.87)	(9,966.59)
Operating Expenses excluding Depreciation	(28,622.81)	(10.39)	(31,940.19)	46.01	(21,875.16)
Depreciation On Operating Fixed Assets	(5,121.21)	9.12	(4,693.12)	10.19	(4,259.09)
Amortization on Intangible Assets	(10.10)	(41.62)	(17.30)	-	(17.30)
Loss from Operations	(33,754.13)	(7.90)	(36,650.61)	40.15	(26,151.55)
Misc. Other Income	(277.80)	(98.86)	(24,305.24)	(32.71)	(36,118.15)
Financial Expenses	4,141.56	8.62	3,812.92	11.28	426.44
Profit/(Loss) before taxation	(2,211.86)	(4.26)	(2,310.17)	103.89	(1,133.02)
Taxation	1,651.90	(92.76)	(22,802.48)	(32.59)	(33,824.73)
Net Profit/(Loss) after Tax	(1,275.96)	-	-	-	-
Net Profit/(Loss) after Tax	375.94	98.35	(22,802.48)	(32.59)	(33,824.73)

(Source: Audited Financial Statement of MEPCO Financial Year 2019-20 – Riaz Ahmad & Co., Chartered Accountant)

2.7.5 Comments on Audited Accounts

i) Profitability

The Company earned a net profit of Rs.375.94 million during the financial year 2019-20. However, the total accumulated losses have reduced and reached to the tune of Rs.127,536.89 million resulting in net capital deficiency. As on June 30, 2020 the company's current liabilities exceeded current assets by Rs.18,722.33 million. This condition indicated existence of material uncertainty as to the Company's ability to continue as a going concern.

ii) Sales and Cost of sales

The Sales of the Company were Rs.278,931.12 million including the subsidy received from Government of Pakistan for an amount of

Rs.79,587.95 million and cost of sales of the company stood at Rs.248,407.08 million which was 89.06% of the sale.

iii) Trade Debts and other Receivables

Total receivables of the Company were Rs.150,372.43 million as on June 30, 2020. These included an amount of Rs.69,687.31 million receivable from Government of Pakistan against tariff differential subsidy, Rs.3,511.54 million from other Associated Companies, Rs.51,201.85 million from various consumers, Rs.20,730.72 million from consumers on account of sales tax and Rs.320.79 million from employees on account of loan and advances.

There was a significant increase of trade debts amounting to Rs.21.712 billion (Rs.51.201 billion – Rs.29.489 billion) as compared to previous financial year including pending deferred payment due to Covid-19 pandemic. Huge pending receivables were a significant business sustainability risk for the Company and required long term rectification measures. Huge balance of receivables depicted poor recovery efforts of the Company, which needed justification.

iv) Trade and other Payables

Payables of the Company substantially increased from Rs.123,000.63 million in the financial year 2018-19 to Rs.174,852.74 million in the financial year 2019-20. Major increase was in payables towards CPPA-G which endorsed from Rs.104.090 billion as on 30-08-2019 to Rs.155.443 billion as on 30-06-2020 resulting in 49.33% increase over the previous year. The same showed unsatisfactory financial management and poor liquidity position of the Company. Immediate short term measures and prudent long term action were needed to stop the accumulation of payables and ensure steady reduction of pending payables in the future.

v) Non-Recognition of Debit note of Rs.16,357.33 million on account of mark up paid by CPPA-G

The External Auditors of MEPCO during certification audit exercise on MEPCO accounts for the financial year 2019-20, highlighted that the Company had not given disclosure of its liabilities towards CPPA-G as on June 30, 2020. There was a difference of Rs.16,357.33 million between the claims made by CPPA-G towards MEPCO and those accepted by

MEPCO. The claims included supplementary charges and interest on syndicated loans. Had these charges been applied it would have enhanced the expenditure and increased the current year loss to the stated extent. In order to avoid financial impediment in the Power Sector supply chain it was necessary that difference between CPPA-G and MEPCO was resolved timely.

vi) Operating expenses

The Operating expenses of the company decreased from Rs.31,940.19 million during the financial year 2018-19 to Rs.28,622.81 million during the year 2019-20 registering a decrease of Rs.3,317.38 million which shows a positive impact of the company.

vii) Re-valuation of Company Assets

As per detail given at note 13.2 of the Financial Statements, date of valuation of land has not been stated in the statements. The total land-freehold of the entire company has been valued at Rs.395.86 million only. Under IFRS 16.31 re-valuation should be carried out regularly so that the carrying amount of an assets does not differ materially from its fair value at the balance sheet date. The same apparently in not being done in subject company.

2.7.6 Classified Summary of Audit Observations

Audit observations amounting to Rs.19,987.40 million were raised in this audit. The amount also includes recoverables of Rs.14,661.16 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Reported cases of fraud, embezzlement, misappropriation and theft	1.63
2.	Irregularities	
	A. Procurement related irregularities	283.40
	B. Irregularities pertaining to violation of entity's own rules / regulations	690.77
	C. Irregularities pertaining to violation of Regulatory Laws & Regulations	4,072.92
	D. Recoveries	14,661.16
3.	Others	277.52

2.8 PESHAWAR ELECTRIC SUPPLY COMPANY (PESCO)

2.8.1 Introduction

Peshawar Electric Supply Company (PESCO) started its operations as a Public Limited Company during May, 1998 registered under Companies Ordinance, 1984. The Company has obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within the defined geographical boundaries. The Company purchases electricity from CPPA-G through NTDC system and sells it to various consumers of whole area of Khyber Pakhtunkhwa (KPK).

The operational activities are performed through eight Operation Circles, Project Construction Circle, Grid System Construction Circle and Grid System Operation circle. The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2019-20 <small>(Rs.in million)</small>	Expenditure audited FY 2019-20 <small>(Rs.in million)</small>	Revenue / Receipts audited FY2019-20 <small>(Rs.in million)</small>
1.	Formations	14	06	20,646.41	6,727.13	37,117.52
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.8.2 Comments on Financial Statements

2.8.3 Financial Overview

As per the audited Financial Statements for the year 2019-20 the company remained in loss at the year ended dated 30th June, 2020. However, the loss decreased from Rs.46,953 million in the financial year 2019-20 to Rs.20,130 million in the financial year 2019-20 registering 42.87% decrease. Moreover, the net electricity sale increased from Rs.107,567 million in the financial year 2019-

20 to Rs.127,504 million in the financial year 2019-20 registering 84.36% increase.

2.8.4 Extracts of the Financial Statements

Statement of Financial Position as on June 30th 2020

	2020	%age	2019
	RUPEES		RUPEES
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
<i>Authorized:</i>			
5,000,000,000 (2019: 5,000,000,000) ordinary shares of Rupees 10 each	50,000,000,000		50,000,000,000
Issued, subscribed and paid up share capital	10,000		10,000
Deposits for issue of share capital	20,176,265,375		20,176,265,375
Accumulated loss brought forward	-302,052,301,314	7.14	-281,922,333,142
Shareholders' equity	-281,876,025,939	7.69	-261,746,057,767
Non-Current Liabilities			
Liabilities Against Government Investment	64,123,291,415	0.00	64,123,291,415
Long term loans – secured	5,505,018,658	-7.76	5,968,311,811
Staff retirement benefits	92,173,710,666	2.55	89,885,989,700
Deferred credit	32,775,068,620	4.08	31,490,360,961
Total Non-Current Liabilities	194,577,089,359	1.62	191,467,953,887
Current Liabilities			
Trade and other payables	412,708,039,201	16.41	354,530,198,375
Accrued markup	1,695,241,806	-61.24	4,373,187,130
Current maturity of long term loans	1,429,662,290	-39.00	2,343,761,213
Provision for taxation	2,019,209,304	33.07	1,517,458,320
Total CURRENT LIABILITIES	417,852,152,601	15.19	362,764,605,038
Total Liabilities	612,429,241,960	10.50	554,232,558,925
CONTINGENCIES AND COMMITMENTS	-		-
	330,553,216,021	13.01	292,486,501,158
ASSETS			
Non-Current Assets			
Property, plant and equipment	74,960,461,009	3.96	72,106,075,652
Long term loans - considered good	3,802,572	-69.89	12,629,948
Total Non-Current Assets	74,964,263,581	3.95	72,118,705,600

Current Assets

Stores, spare parts and loose tools	5,354,955,142	19.08	4,496,904,929
Trade debts	86,348,889,699	21.95	70,809,206,645
Loans and advances - considered good	2,229,655,063	49.93	1,487,151,175
Other receivables-considered good	87,781,001,058	-1.67	89,272,702,597
Receivable from GoP (Ministry of Finance)	62,986,942,131	26.33	49,858,392,293
Short term investments	-		2,521,587,904
Cash and bank balances	10,887,509,347	466.51	1,921,850,015
Total Current Assest	255,588,952,440	15.98	220,367,795,558
Total Assests	330,553,216,021	13.01	292,486,501,158

Statement of Profit or Loss Account For the year ended June 30, 2020

	2020		2019	
	RUPEES		RUPEES	
Sale of electricity	127,504,435,498	18.53	107,567,241,820	
Subsidy from Government of Pakistan on sale of electricity	73,409,804,040	25.52	58,483,587,527	
Sale of Electricity including Subsidy	200,914,239,538	21.00	166,050,829,347	
Cost of electricity	-199,594,294,214	18.09	-169,013,674,960	
Gross profit/(Loss)	1,319,945,324	-144.55	-2,962,845,613	
Amortization of deferred credit	1,707,923,028	6.53	1,603,180,954	
	3,027,868,352	-322.69	-1,359,664,659	
OPERATING COST				
Other operating cost excluding depreciation	-25,651,164,018	-3.01	-26,447,847,591	
Depreciation on property, plant and equipment	-3,026,256,302	5.40	-2,871,317,537	
	-28,677,420,320	-2.19	-29,319,165,128	
Operating loss	-25,649,551,968	-16.39	-30,678,829,787	
Other Income				
Rental and service income	46,146,266	0.53	45,902,585	
Others	13,673,877,244	137.50	5,757,335,400	
	13,720,023,510	136.42	5,803,237,985	
Finance Cost	-842,196,092	-70.66	-2,870,277,912	
Loss before taxation	-12,771,724,550	-53.97	-27,745,869,714	
Taxation	-1,850,750,984	21.97	-1,517,426,385	
Loss after taxation	-14,622,475,534	-50.03	-29,263,296,099	

Other Comprehensive Income:

Items that will not be reclassified to profit or loss

Actuarial profit/(loss) on measurement of post-retirement benefits

-5,507,492,638	-68.87	-17,689,201,241
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Total comprehensive loss for the year

-20,129,968,172	-57.13	-46,952,497,340
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2.8.5 Qualified Opinion given by the External Auditors on the Financial Statements of PESCO Financial Statements 2019-20

It was observed that External Auditors had qualified the accounts of PESCO for the financial year 2019-20 on the following basis:-

The company's major creditor, CPPA-G did not confirm the balance as per PESCO's books of accounts. The net difference of undisclosed receivable and payable amounts to Rs.42,595 million which among other items includes supplemental charges amounting to Rs.59,363 million. These supplemental charges are delayed payment charges of Independent Power Producers and PESCO has taken up the said matter with NEPRA who have not allowed the same to PESCO, rather asked PESCO to adjust the same against the late payment charges received from consumers. In the absence of any settlement between the company and CPPA-G, we remained unable to determine the adjustments to be accounted for in the financial statements.

2.8.6 Comments on Audited Accounts

i) Profitability

The company has suffered a net loss of Rs.20,130 million during the financial year ended June 30, 2020 and at that date, the accumulated losses reached to Rs.302,052 million. Similarly, the current liabilities exceed the current assets by Rs.162,263 million as at the year end. These factors indicate the existence of a material uncertainty, which may cast significant doubts on the company's ability to continue as a going concern. The company was suffering from consistent losses over the years which reflected operational inefficiencies as well policy bottlenecks requiring urgent remedial action.

ii) Sales and Cost of sales

The sale of the Company were 200,914 million including subsidy received from Government of Pakistan for an amount of Rs.73,410 million and cost of sales of the company stood at Rs.199,594 million which was 99.34% of

the sale. This meant that the company was unable to recover the operating expenses for the year.

iii) Trade Debts and other Receivables

Total receivables of the company were Rs.239,347 million as on June 30, 2019. An amount of Rs.62.987 million was receivable from Government of Pakistan (Ministry of Finance) against tariff differential subsidy, Rs.87,7811 million from other Associated companies, Rs.86,349 million from various consumers on account of electricity sold and Rs.2,230 million of loans and advances. Huge balance of receivables depicted poor recovery efforts of the company, which needed justification.

Trade Debts	86,348,889,699
Loans and advances – considered good	2,229,655,063
Other receivables – considered good	87,781,001,058
Receivable from GoP (Ministry of Finance)	62,986,942,131
Total	239,346,487,951

iv) Trade and other payables

Payables of the company substantially increased from 354,530 million during the financial year 2018-19 to Rs.412,708 million during the financial year 2019-20. The major amount of Rs.370,561 million was payable to CPPA-G on account of purchase of electricity which indicated the poor liquidity position of the company and needed justification. The CPPA-G payables has increased from Rs.317.694 billion to Rs.370.501 billion resulting in an increase of Rs.52.867 billion or 16.64% during financial year 2019-20.

v) Non-reconciliation of CPPA-G claims

The company’s major creditor, CPPA-G did not confirm the balance as per PESCO’s book of accounts. The net difference of undisclosed receivable and payable amounts to Rs.42,595 million which among other items include supplemental charges amounting to Rs.59,363 million. These supplemental charges are delayed payment charges of Independent Power Producers. PESCO has taken up the said matter with NEPRA who have not allowed the same to PESCO, rather asked PESCO to adjust the same against the late payment charges received from consumers. Had these charges been applied it would have enhanced the expenditure and increased the current year loss to the stated extent.

In order to avoid financial impediment in the Power Sector supply chain it was necessary that difference between CPPA-G and PESCO were resolved timely.

vi) Re-valuation of Company Assets

As per note 13.1 of the financial statements, no detail of that date of evaluation of assets has been given in the statements. The total land freehold of the entire company has been valued at Rs.792.53 million only. Under IFRS 16.31 re-valuation should be carried out regularly so that the carrying amount of an asset does not differ materially from its fair value at the balance sheet date. The same apparently is not being done in the subject company.

2.8.6 Classified Summary of Audit Observations

Audit observations amounting to Rs.228,794.51 million were raised in this audit. The amount also includes recoverables of Rs.164,578.27 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Reported cases of fraud, embezzlement, misappropriation and theft	28.00
2.	Irregularities	
	A. Procurement related irregularities	216.37
	B. Irregularities pertaining to violation of entity's own rules / regulations	5,908.84
	C. Irregularities pertaining to violation of Regulatory Laws & Regulations	58,055.62
	D. Recoveries	164,578.27
3.	Others	7.42

2.9 QUETTA ELECTRIC SUPPLY COMPANY (QESCO)

2.9.1 Introduction

Quetta Electric Supply Company (QESCO) is a subsidiary of PEPCO. The Company started its operation as a Public Limited Company registered under Companies Ordinance 1984 (now Companies Act 2017) in July, 1998. The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA-G through NTDC system and sells it to various consumers of Balochistan Province.

The operational activities are performed through six (06) Operation Circles and Grid System Construction, Project Construction & Grid System Operation Circles. The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2019-20 (Rs.in million)	Expenditure audited FY 2019-20 (Rs.in million)	Revenue / Receipts audited FY2019-20 (Rs.in million)
1.	Formations	12	06	4,314.18	1,742.76	23,107.47
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.9.2 Comments on Financial Statements

According to Section-223 of Companies Act 2017, “the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company”.

In QESCO, financial statements of the company for the financial year 2019-20 could not be finalized by the management up till December 31, 2020.

2.9.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.317,047.03 million were raised in this audit. The amount also includes recoverables of Rs.299,625.47 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Reported cases of fraud, embezzlement, misappropriation and theft	1.90
2.	Irregularities	
	A. Procurement related irregularities	47.60
	B. Irregularities pertaining to violation of entity's own rules / regulations	9,278.58
	C. Irregularities pertaining to violation of Regulatory Laws & Regulations	7,554.78
	D. Recoveries	299,625.47
3.	Value for money and service delivery issues	138.36
4.	Others	400.34

2.10 SUKKUR ELECTRIC POWER COMPANY (SEPCO)

2.10.1 Introduction

Sukkur Electric Power Company (SEPCO) is a subsidiary of PEPCO. The Company started its operation as a Public Limited Company in 2011 and registered under Companies Ordinance 1984 (now Companies Act 2017). The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA-G through NTDC system and sells it to various consumers of ten (10) Districts of Sindh Province.

The operational activities are performed through three Operation Circles and Grid System Construction, Project Construction & Grid System Operation Circles. The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2019-20 (Rs.in million)	Expenditure audited FY 2019-20 (Rs.in million)	Revenue / Receipts audited FY2019-20 (Rs.in million)
1	Formations	09	05	12,805.00	4,024.00	36,831.00
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.10.2 Comments on Financial Statements

According to Section-233 of Companies Act 2017, “the directors of every company shall at some date not later than eighteen months after the incorporation of the company and subsequently once at least in every calendar year lay before the company in annual general meeting a balance-sheet and profit and loss account or in the case of a company not trading for profit an income and expenditure account for the period.

In SEPCO, the balance sheet and profit & loss account of the Company for the years 2016-17 and 2017-18 could not be finalized by the management up till December 31, 2020.

2.10.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.19,829.69 million were raised in this audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Irregularities	
	A. Procurement related irregularities	3.85
	B. Irregularities pertaining to violation of entity's own rules / regulations	146.38
	C. Irregularities pertaining to violation of Regulatory Laws & Regulations	19,677.86
2.	Others	1.61

2.11 TRIBAL AREAS ELECTRIC SUPPLY COMPANY (TESCO)

2.11.1 Introduction

Tribal Areas Electric Supply Company (TESCO) is a subsidiary of PEPCO. The Company was incorporated on July 03, 2002 as a public limited company under Companies Ordinance 1984 (now Companies Act 2017). The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA-G through NTDC system and sells it to the consumers of FATA.

The operational activities are performed through one Operation Circle, one Construction Division and one SS&TL Division. The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2019-20 (Rs.in million)	Expenditure audited FY 2019-20 (Rs.in million)	Revenue / Receipts audited FY2019-20 (Rs.in million)
1.	Formations	05	02	1,169.00	499.35	12,455.00
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	02	02	1,220.242	355.769	Nil

2.11.2 Comments on Financial Statements

According to Section-223 of Companies Act 2017, “the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company”.

In TESCO, financial statements of the company for the financial year 2019-20 could not be finalized by the management up till December 31, 2020.

2.11.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.52,957.91 million were raised in this audit. The amount also includes recoverables of Rs.51,726.00 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Irregularities	
	A. Procurement related irregularities	519.95
	B. Irregularities pertaining to violation of entity's own rules / regulations	545.45
	C. Irregularities pertaining to violation of Regulatory Laws & Regulations	166.51
	D. Recoveries	51,726.00
2.	Others	0

2.12 GENCO HOLDING COMPANY LIMITED (GHCL)

2.12.1 Introduction

The Government of Pakistan constituted a Holding Company having representation of reputable persons from private sector on its Board to accelerate the process of giving four Generation Companies (GENCOs) to the private management with a view to improving the efficiency of power sector. Accordingly GENCO holding Company was established as managing agent of the Government owned generation companies. The GHCL is responsible for generating electricity efficiently and proper operations & maintenance system of the following power plant:-

- i) Jamshoro Power Generation Company (GENCO-I)
- ii) Central Power Generation Company (GENCO-II)
- iii) Northern Power Generation Company (GENCO-III)
- iv) Lakhra Power Generation Company (GENCO-IV)

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2019-20 (Rs.in million)	Expenditure audited FY 2019-20 (Rs.in million)	Revenue / Receipts audited FY2019-20 (Rs.in million)
1.	Formations	01	01	220.63	69.17	96.25
2.	Assignment Accounts (excluding FAP)	N/A	N/A	N/A	N/A	N/A
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.12.2 Comments on Financial Statements

According to Section-223 of Companies Act 2017, “the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company”.

In GHCL, financial statements of the company for the financial year 2019-20 could not be finalized by the management up till December 31, 2020.

2.12.3 Classified Summary of Audit Observations

Audit observation was raised in this audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Irregularities	
	A. Irregularities pertaining to violation of Regulatory Laws & Regulations	0

2.13 JAMSHORO POWER GENERATION COMPANY (GENCO-I)

2.13.1 Introduction

The Jamshoro Power Generation Company Limited, (JPGCL) was incorporated in August, 1998, under Companies Ordinance 1984 (now Companies Act 2017). It started its business from 1st March, 1999. The Company took over properties, rights, assets, obligations and liabilities of thermal power generation at Jamshoro and Kotri, owned by WAPDA through Business Transfer Agreement.

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

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2019-20 (Rs.in million)	Expenditure audited FY 2019-20 (Rs.in million)	Revenue / Receipts audited FY2019-20 (Rs.in million)
1.	Formations	01	01	31,941.87	8,673.39	6,213.72
2.	Assignment Accounts (excluding FAP)	N/A	N/A	N/A	N/A	N/A
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	03	03	9,480.00	5,830.782	Nil

2.13.2 Comments on Financial Statements

According to Section-223 of Companies Act 2017, “the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company”.

In GENCO-I, financial statements of the company for the financial year 2019-20 could not be finalized by the management up till December 31, 2020.

2.13.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.1,708.68 million were raised in this audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Irregularities	
	A. Irregularities pertaining to violation of Regulatory Laws & Regulations	1,004.86
2.	Others	703.82

2.14 CENTRAL POWER GENERATION COMPANY (GENCO-II)

2.14.1 Introduction

The Central Power Generation Company (CPGCL) was incorporated in October, 1998 as a public limited company under Companies Ordinance 1984 (now Companies Act 2017). It started its business from March 01, 1999. The Company took over properties, rights, assets, obligations and liabilities of thermal power generation at Guddu and Quetta through Business Transfer Agreement.

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

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2019-20 (Rs.in million)	Expenditure audited FY 2019-20 (Rs.in million)	Revenue / Receipts audited FY2019-20 (Rs.in million)
1.	Formations	01	01	101,261.00	34,924.00	37,454.00
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.14.2 Comments on Financial Statements

According to Section-223 of Companies Act 2017, “the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company”.

In GENCO-II, the financial statements of the company for the financial year 2019-20 could not be finalized by the management up till December 31, 2020.

2.14.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.3,198.17 million were raised in this audit. The amount also includes recoverables of Rs.2,406.34 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Irregularities	
	A. Procurement related irregularities	388.66
	B. Recoveries	2,406.34
2.	Others	403.17

2.15 NORTHERN POWER GENERATION COMPANY (GENCO-III)

2.15.1 Introduction

The Northern Power Generation Company Limited, (NPGCL) was incorporated on October 15, 1998 under Companies Ordinance 1984 (now Companies Act 2017). It started its business from March 01, 1999. The Company took over properties, rights, assets, obligations and liabilities of thermal power generation at Muzaffargarh, Faisalabad, Multan, Shahdara owned by WAPDA through Business Transfer Agreement.

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

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2019-20 (Rs.in million)	Expenditure audited FY 2019-20 (Rs.in million)	Revenue / Receipts audited FY2019-20 (Rs.in million)
1.	Formations	01	01	98,235.73	24,014.08	28,057.41
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.15.2 Comments on Financial Statements

2.15.3 Financial Overview

As per the audited Financial Statements for the year 2019-20 the Company remained in loss at the year ended dated 30th June, 2020. However, the loss increased from Rs.512.217 million in the financial year 2018-19 to Rs.681.275 million in the financial year 2019-20 registering 33.01% increase. Moreover, the net electricity sale decreased from Rs.51,496.725 million in the financial year 2018-19 to Rs.37,815.739 million in the financial year 2019-20 registering 26.57% decrease.

2.15.4 Extracts of the Financial Statements

Statement of Financial Position as on June 30, 2020

(Rs.in million)

	2020	% Inc/Dec	2019	% Inc/Dec	2018
Assets					
Non-current assets					
Property, Plant and Equipment	155,895,298,509	(2.32)	159,599,177,002	(1.49)	162,008,473,109
Long term advances	12,998,802	(33.21)	19,461,545	(21.53)	24,802,122
Long term deposits	946,557,364	-	946,557,364	-	946,557,364
	156,854,854,675	(35.53)	160,565,195,911	(23.02)	162,979,832,595
Current assets					
Stores and spare parts loose tools	3,771,999,933	(1.01)	3,810,563,356	(7.37)	4,113,669,972
Fuel stock	4,701,464,898	(58.19)	11,243,946,102	(20.62)	14,164,897,435
Trade debts	18,031,941,209	(16.37)	21,561,343,803	(30.76)	31,140,540,521
Loans, advances and prepayment	1,594,697,984	12.17	1,421,634,859	(18.21)	1,738,103,932
Tax refunds due from Government	17,593,037,401	(3.84)	18,295,883,983	1.79	17,974,690,036
Accrued interest	2,408,439	54.06	1,563,275	(71.11)	5,411,247
Other receivables	4,402,572,551	1.97	4,317,537,444	(24.87)	5,746,514,841
Cash and bank balance	4,742,604,141	22.27	3,878,735,541	(1.15)	3,923,697,353
	54,840,726,556	(15.02)	64,531,208,363	(18.12)	78,807,525,337
TOTAL ASSETS	211,695,581,231	(5.95)	225,096,404,274	(6.90)	241,787,357,932
Equity and Liabilities					
Share capital and reserves					
Issued, subscribed and paid up share capital	500,000	-	500,000	-	500,000
Deposit for shares	17,899,362,366	-	17,899,362,366	-	17,899,362,366
Accumulated loss	(35,739,929,879)	14.50	(31,213,372,081)	2.62	(30,415,517,430)
Surplus on revaluation of land	94,216,612,999	-	94,216,612,999	-	94,216,612,999
Total Equity	76,376,545,486	(5.60)	80,903,103,284	(0.98)	81,700,957,935
LIABILITIES					
Non-Current Liabilities					
Long term financing	18,754,500,805	(12.99)	21,554,121,334	(11.45)	24,341,459,705
Staff retirement benefits	27,684,896,367	26.41	21,900,931,883	8.17	20,247,626,986
Deferred grant	1,069,166,096	(3.37)	1,106,430,053	(3.24)	1,143,434,586
	47,508,563,268	6.61	44,561,483,270	(2.56)	45,732,521,277

Current liabilities

Trade and other payables	80,895,407,604	(13.72)	93,760,680,276	(14.34)	109,453,632,627
Accrued mark-up	2,940,680,978	14.06	2,578,115,390	35.84	1,897,850,823
Provision for taxation	756,017,767	300.47	188,781,677	100.00	-
Current portion of long term financing	3,218,366,128	3.68	3,104,240,377	3.39	3,002,395,270
	87,810,472,477	(11.87)	99,631,817,720	(12.87)	114,353,878,720
TOTAL LIABILITIES	135,319,035,745	(6.15)	144,193,300,990	(9.93)	160,086,399,997
TOTAL EQUITY AND LIABILITIES	211,695,581,231	(5.95)	225,096,404,274	(6.90)	241,787,357,932

(Source: Audited Financial Statement of GENCO-III Financial Year 2019-20 – Riaz Ahmad & Co., Chartered Accountant)

Statement of Profit & Loss Account For the year ended June 30, 2020

	2020	% Inc/Dec	2019	% Inc/Dec	2018
Sales	37,815,739,340	(26.57)	51,496,725,013	(33.20)	77,088,825,825
Cost of sales	(34,074,779,956)	(29.78)	(48,523,731,343)	(34.13)	(73,660,532,024)
Gross Profit	3,740,959,384	25.83	2,972,993,670	(13.28)	3,428,293,801
Administrative Expenses	(972,558,919)	5.38	(922,864,849)	(0.76)	(929,906,243)
Other expenses	(63,864,959)	(100.00)	-	(100.00)	(7,139,704)
Other Income	675,434,422	46.23	461,891,994	(38.54)	751,549,079
Finance Cost	(3,494,008,564)	23.23	(2,835,456,059)	17.05	(2,422,341,660)
Loss before taxation	(114,038,636)	(64.74)	(323,435,244)	(139.42)	820,455,273
Taxation	(567,236,090)	200.47	(188,781,677)	100.00	-
Loss after taxation	(681,274,726)	33.01	(512,216,921)	(162.43)	820,455,273
Loss per share – Basic	(13,625.49)	33.01	(10,244.34)	(162.43)	16,409.11
Loss per share – Diluted	(0.38)	31.03	(0.29)	(163.04)	0.46

2.15.5 Qualified Opinion given by the External Auditors on the Financial Statements of GENCO-III for Financial Year 2019-20

It was observed that External Auditors had qualified the accounts of GENCO-III for the financial year 2019-20 on the following basis:

- The balance due from Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) does not reconcile with the balance confirmed by CPPA-G and there was significant difference of Rs.16,492,991 million. The External Auditors were unable to determine the extent to which such receivable would be settled between CPPA-G and the Company and financial impact of such settlement.
- The capital work-in-progress included an amount of Rs.1,494 million

relating to finance cost incurred on Chichoki Mallian Power Project which had been closed by the Ministry of Energy (Power Division). Pending the decision of waiver of finance cost on Cash Development Loan (CDL) sanctioned by the Ministry of Finance, Management had not recognized impairment loss, if any, in the financial statement.

- iii. The property of the Company, plant and equipment were last revalued by an independent valuer on 30 June 2015 and not revalued again after the span of five years. In the absence of latest valuation, the External Auditors were unable to determine the financial impact on the financial statement in respect of this matter.

2.15.6 Comments on Audited Accounts

i) Profitability

The Company suffered a net loss of Rs.681.275 million during the financial year 2019-20. Total accumulated losses have reached to the tune of Rs.35,739.93 million resulting in net capital deficiency. As on June 30, 2020 the company's current liabilities exceeded current assets by Rs.32,970.746 million. This condition indicated existence of material uncertainty as to the Company's ability to continue as a going concern. The Company was suffering from consistent losses over the years which reflected operational inefficiencies as well as policy bottlenecks requiring urgent remedial action.

ii) Sales and Cost of sales

The sales of the Company were Rs.37,815.74 million and cost of sales of the company stood at Rs.34,074.78 million which was 90.11% of the sale. This meant that the Company was unable to recover the operating expenses for the year.

iii) Trade Debts and other Receivables

Total receivables of the Company were Rs.18,031.941 million as on June 30, 2020. An amount of Rs.16,492.991 million was receivable from CPPA-G due to differences of invoices issued by the company but not verified by the CPPA-G, Rs.17,593.037 million from tax authorities, Rs.1,594.698 million loan and advances and Rs.2,408 million on account of accrued interest. Huge pending receivables were a significant business sustainability risk for the Company and required long term rectification

measures. Huge balance of receivables depicted poor recovery efforts of the Company, which needed justification.

iv) Trade and other Payables

Payables of the Company decreased from Rs.93,760.680 million in the financial year 2018-19 to Rs.80.895.408 million in the financial year 2019-20. The major amount of Rs.73,628.292 million was payable to Pakistan State Oil Company Limited, and Rs.587.202 million to Sui Northern Gas Pipelines Limited on account of purchase of Oil and Gas which showed unsatisfactory financial management and poor liquidity position of the Company. Immediate short term measures and prudent long term action were needed to stop the accumulation of payables and ensure steady reduction of pending payables in future.

v) Operating expenses

The Operating expenses of the company increased from Rs.922.865 million during the financial year 2018-19 to Rs.1,036.424 million during the year 2018-19 registering an increase of Rs.113.559 million. As the Company was incurring losses, increase in its operating expenses required justification.

vi) SNGPL was charging late payment surcharge including arrears of RLNG on the Company aggregating to Rs. 2,779.151 million (2019: Rs. 1,696.845 million). The late payment surcharge was due to delay in payments to SNGPL. Delay in payment was due to delay in release of funds against invoices issued to CPPA-G. Such delays were attributing to accumulation of circular debt.

2.15.7 Classified Summary of Audit Observations

Audit observations amounting to Rs.33,787.94 million were raised in this audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
2.	Irregularities	
	A. Irregularities pertaining to violation of Regulatory Laws & Regulations	33,787.94

2.16 NATIONAL TRANSMISSION AND DESPATCH COMPANY (NTDC)

2.16.1 Introduction

National Transmission and Dispatch Company (NTDC) was incorporated under Companies Ordinance, 1984 during 1998. The Company obtained transmission license from NEPRA for a period of 30 years during December, 2002 for undertaking its obligations. The principal activity of NTDC was to receive electricity from Hydel / Thermal / Nuclear Power Stations, Renewable Energy Plants and IPPs, and transmit it through its 500 KV/220 KV System to all DISCOs and K-Electric for onward distribution to consumers. NTDC was also responsible for constructing, operating and maintaining 220 KV and 500 KV transmission system comprising of transmission lines and grid stations.

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

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2019-20 (Rs.in million)	Expenditure audited FY 2019-20 (Rs.in million)	Revenue/ Receipts audited FY2019-20 (Rs.in million)
1.	Formations	22	07	5,832.06	1,046.40	12,484.35
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	14	14	21,364.454	11,645.865	Nil

2.16.2 Comments on Financial Statements

According to Section-223 of Companies Act 2017, “the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial

statements, made up to the date of close of financial year adopted by the company”.

In NTDC, financial statements of the company for the financial year 2019-20 could not be finalized by the management up till December 31, 2020.

2.16.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.23,048.96 million were raised in this audit. The amount also includes recoverables of Rs.64.80 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Reported cases of fraud, embezzlement, misappropriation and theft	8.94
2.	Irregularities	
	A. Procurement related irregularities	9,135.49
	B. Irregularities pertaining to violation of entity's own rules / regulations	4,828.27
	C. Irregularities pertaining to violation of Regulatory Laws & Regulations	3,630.67
	D. Recoveries	64.80
3.	Others	5,380.79

2.17 POWER INFORMATION TECHNOLOGY COMPANY (PITC)

2.17.1 Introduction

Power Information Technology Company (PITC) started its operations as a Public Limited Company during June, 2010 and got registered under Companies Ordinance, 1984. PITC is a leading power sector IT Company in Pakistan. The Company is headed by Chief Executive Officer appointed by BoD / PEPCO. PITC is solely responsible for providing software support to ten (10) power distribution and transmission companies (DISCOs) of Pakistan.

The Company had four major units i.e. Operation & Customer Services, Engineering Solution Development, Research and Business Development.

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2019-20 (Rs.in million)	Expenditure audited FY 2019-20 (Rs.in million)	Revenue / Receipts audited FY2019-20 (Rs.in million)
1.	Formations	01	01	598.43	203.12	204.00
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities/ Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.17.2 Comments on Financial Statements

According to Section-223 of Companies Act 2017, “the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company”.

In PITC, financial statements of the company for the financial year 2019-20 could not be finalized by the management up till December 31, 2020.

2.17.3 Classified Summary of Audit Observations

Audit observations were raised in this audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Irregularities	
	C. Irregularities pertaining to violation of entity's own rules / regulations	0

2.18 MINISTRY OF ENERGY (POWER DIVISION)

2.18.1 Introduction

The Ministry of Energy (Power Division) is Government of Pakistan federal and executive level ministry created on August 4, 2017 after merging of the Ministry of Petroleum and Natural Resources with the power division of the Ministry of Water and Power, respectively. The ministry has two divisions i.e. petroleum and power. The Power Division is responsible for general monitoring of power generation, transmission and its distribution as well as the power projects in the implementation stages. The following power sector entities come under the supervision of Power Division:-

- Pakistan Electric Power Company (PEPCO) along with its corporate entities
- GENCO Holding Company Limited (GHCL) along with generation companies
- Alternative Energy Development Board (AEDB)
- Private Power Infrastructure Board (PPIB)
- National Energy Efficiency & Conservation Authority (NEECA)
- Central Power Purchasing Agency Guaranteed (CPPA-G)
- Power Holding Limited (PHL)
- National Power Parks Management Company Limited (NPPMCL)

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2019-20 (Rs.in million)	Expenditure audited FY 2019-20 (Rs.in million)	Revenue / Receipts audited FY2019-20 (Rs.in million)
1.	Formations	01	01	226,673.91	94,185.38	-
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	Nil	Nil	Nil	Nil	Nil
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.19 CENTRAL POWER PURCHASING AGENCY GURANTEED (CPPA-G)

2.19.1 Introduction

The Central Power Purchasing Agency (CPPA-G) was incorporated in January, 2009 under the Companies Ordinance, 1984. The Company is registered as non-profit organization with the object to implement and administer market mechanisms for electricity procurement and sale by undertaking and performing functions and discharging responsibilities as are or may be laid down from time to time for the company. Since June 2015, CPPA-G has assumed the business of National Transmission and Dispatch Company under Business Transfer Agreement (BTA) pertaining to the market operations and presently functioning as the Market Operator in accordance with Rule-5 of the NEPRA Market Operator (Registration, Standards and Procedure) Rules, 2015. On November 16, 2018 National Electric Power Regulatory Authority (NEPRA) has approved the registration of CPPA-G as market operator under Rule 3 of the Market Rules.

Being market operator CPPA-G purchases electricity on behalf of distribution companies and sell it on behalf of power generation companies. The CPPA-G is responsible for making payments to the power generation companies and IPPs on account of purchase of energy and capacity in accordance with the Power Purchase Agreements and received energy charges from DISCOs and K-Electric on account of electricity sold.

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2019-20 (Rs.in million)	Expenditure audited FY 2019-20 (Rs.in million)	Revenue / Receipts audited FY2019-20 (Rs.in million)
1.	Formations	01	01	883.52	445.19	883.52
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.19.2 Comments on Financial Statements

2.19.3 Financial Overview

As per audited financial statement the Company earned surplus of Rs.84.02 million during the financial year 2019-20 and registered decrease of 0.6% from the previous financial year. The total revenue of the Company increased from Rs.854.99 million in the financial year 2018-19 to Rs.873.11 million during the financial year 2019-20 registering an increase of 2.12%. However, receivables of the Company increased substantially from Rs.1,803,265.71 million in the year 2018-19 to Rs.2,331,395.36 million in the year 2019-20 registering an increase of Rs.528,129.65 million. This showed significant constrained faced by CPPA-G in paying off IPP dues during 2019-20.

2.19.4 Extracts of the Financial Statements

Statement of Financial Position as on June 30, 2020

	<i>(Rs.in million)</i>				
	2019-20	%	2018-19	%	2017-18
		Inc /		Inc /	
		(Dec)		(Dec)	
ASSETS					
Non-current assets					
Property and equipment	109.49	15.5	94.78	57.63	60.13
Intangible assets	36.29	-9.8	40.21	22.48	32.83
Right of use asset	223.73		-	-	-
Deferred tax asset	-		-	-	-
Long term security deposit	21.26		21.26	-	-
	390.77	150	156.25	68.08	92.96
Current assets					
Due from principals	2,236,377.59	30.8	1,709,214.29	32.57	1,289,325.36
Receivable from NTDC through loan notes	41,900.00	0.6	41,648.94	-1.8	42,412.17
Advances, prepayments and other receivable	6,733.39	1.75	6,617.35	2.84	6,434.48
Accrued mark-up	-		-	-	-
Taxation recoverable	45.328		-	-	-
Mark-up receivable	46,339.04	1.21	45,785.13	-21.13	58,049.36
Bank balances - deposit accounts	13,969.81	-43	24,520.54	50.27	16,317.69
	2,345,365.16	28.3	1,827,786.25	29.4	1,412,539.06
Total Assets	2,345,755.93	28.3	1,827,942.50	29.4	1,412,632.02
FUND AND LIABILITIES					
General fund	188.15	78.9	105.2	336.51	24.1
Net worth	-		-	-	7,163.23
LIABILITIES					
Non Current Liability					
Lease Liability	183.02		-	-	-

Current Liabilities

Energy payables swapped by Government of Pakistan

Energy and other payables

Current portion of lease liability

Provision for taxation

946,942.40	20.7	784,462.87	35.8	577,639.65
1,398,382.21	34	1,043,328.70	26.04	827,790.25
60.16				
-	-	45.73	209.2	14.79
2,345,384.77	28.3	1,827,837.30	30.85	1,405,444.69
2,345,567.79	28.3	1,827,837.30	29.39	1,412,632.02
Total liabilities				
Contingencies and commitments	-	-	-	-
2,345,567.79	28.3	1,827,942.50	29.4	1,412,632.02
Total fund and liabilities				

(Source: Audited Financial Statement of CPPA-G Financial Year 2019-20 – Riaz Ahmad & Co. Chartered Accountant)

Statement of Profit & Loss Account For the year ended June 30, 2020

	(Rs.in million)				
	2019-20	% Inc / (Dec)	2018-19	% Inc (Dec)	2017-18
INCOME					
Market operation fee	414.46	-20	520.9	30.51	399.12
Profit on bank accounts	458.65	37.3	334.1	38.41	241.38
	873.11	2.12	855	33.49	640.5
EXPENDITURE					
Operating expenses	-775.24	9.48	-708.1	7.74	-657.3
Finance cost - bank charges	-32.42	2375	-1.31	4.8	-1.25
	-807.66	13.8	-709.5	7.74	-658.5
Surplus / (Deficit) Before Taxation	65.45	-55	145.5	909.01	-17.99
TAXATION					
Current	73.27	-	-61.05	91.2	-31.93
Prior	-91.84	-	-	-	31.97
	18.57		-61.05	-100	0.004
Surplus / (Deficit) After Taxation	84.02	-0.6	84.49	570.7	-17.95

(Source: Audited Financial Statement of CPPA-G Financial Year 2019-20 – Riaz Ahmad & Co. Chartered Accountant)

2.19.5 Qualified Opinion given by the External Auditor on the Financial Statement of CPPA-G for the Financial Year 2019-20

It was observed that the External Auditor had qualified the accounts of CPPA-G for the financial year 2019-20 on the following basis:

- Power Purchase Agency Agreement with K-Electric had not been signed till the date of authorization for issue of these financial statements. However, the Company had accounted for the transactions relating to K-Electric in the accompanying financial statements as an agent of K-

Electric based on assessment by the management that it shall be successful in signing the Power Purchase Agreement with K-Electric with effect from back date as currently the matter is being dealt by Government of Pakistan directly. If the Power Purchase Agreement with K-Electric is not signed with back date effect, accounting for the transactions relating to K-Electric would not be done by the Company as its agent and will be routed through income and expenditure statement.

- ii. Government-owned distribution companies (DISCOs) and K-Electric do not acknowledge/ recognize delayed payment surcharge paid by the Company and NTDC, in periods prior to the transfer of Market Operations Undertaking under the Business Transfer Agreement (BTA) to the Company, to power producers passed through to DISCOs and K-Electric, on the grounds that the same is disallowed to them by NEPRA in their tariff determination. As on 30 June, 2020, DISCOs and K-Electric had not recognized delayed payment surcharge amounting to Rs.110.630 billion in their books of account and accordingly DISCOs had not confirmed the same in their balance confirmation. The Company had requested NEPRA for reconsideration of tariff determination of DISCOs.

2.19.6 Matter of Emphasis

It was found that commercial auditor had highlighted the following issue as emphasis of matter in their report:

- i. DISCOs had not acknowledged the transfer of mark up on syndicated term finance facility amounting to Rs.53,937 million.
- ii. There was balance of Rs.133,970 billion payables to WAPDA. The Company had adjusted Rs.53,500 million on account of loan obtained by WAPDA for DISCOs. This also includes Rs.2,318 million on behalf of Japan Power Generation Limited (JPGL) and Rs.2.445 million on behalf of SEPCOL.

2.19.7 Comments on Financial Statements

i) Surplus after taxation

During the financial year ended 30 June 2020, Company had a surplus of 84.02 million as compared to the financial year ended 30 June 2018 of Rs.84.49 million. This was due to significant increase in Profit on bank accounts which has an increase of 37.3% over the previous year.

However, Market Operating Fee of Rs. 414.45 million was recovered during the financial year 2019-20 which was 20% less as compared to the financial year 2018-19 of Rs. 520.89 million.

ii) Revenue and Operating expenses

The revenue of the Company was Rs.873.10 million during the year 2019-20 comprising of market operating fee allowed by NEPRA amounting to Rs.414.45 million and profit on bank accounts is Rs.458.65 million and operating expenses of the Company stood at Rs.807.65 million which was 92.50% of its revenue. It meant that the Company earned sufficient revenue to meet its operating expenses.

iii) Trade Debts and other Receivables

Total receivables of the Company were Rs.2,331,395.35 million as on June 30, 2020. An amount of Rs.2,236,377.58 million was receivable from DISCOs and K-Electric as Principal and Rs.46,339.04 million as mark up, Rs.41,900.00 million as loan from NTDC, Rs.45.328 million as tax recoverable and Rs.6,733.39 as advances from associated companies. Huge pending receivables were a significant business sustainability risk for the Company and required long term rectification measures. Huge balance of receivables depicted poor recovery efforts of the Company, which needed justification.

iv) Trade and other Payables

Payables of the Company substantially increased from Rs.1,827,942.51 million in the financial year 2018-19 to Rs.2,345,755.93 million in the financial year 2019-20. The major amount of Rs.2,345,324.60 million was payable to Power Generation Companies on account of purchase of electricity which showed unsatisfactory financial management and poor liquidity position of the Company. Immediate short-term measures and prudent long-term action were needed to stop the accumulation of payables and ensure steady reduction of pending payables in the future.

v) Non-recovery of advance from Lakhra Power Generation Company

Rs.5,490.87 million remained un-recovered from Lakhra Power Generation Company during the financial year 2019-20. Efforts were needed to be

made by the Company in order to avoid accumulation of bad debts.

2.19.8 Classified Summary of Audit Observations

Audit observations amounting to Rs.2,472,673.63 million were raised in this audit. The amount also includes recoverables of Rs.2,326,107.59 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Irregularities	
	A. Procurement related irregularities	15,085.45
	B. Irregularities pertaining to violation of Regulatory Laws & Regulations	120,311.71
	C. Recoveries	2,326,107.59
2.	Value for money and service delivery issues	11,168.88
3.	Others	0

2.19.9 Brief comments on the status of compliance with PAC directives

Name of Company	Year	No. of Directives	Status of compliance		
			Full	Partial	Outstanding
CPPA-G	2019-20	01	-	-	01 (21.4.1)

Position of compliance with PAC directives is not satisfactory.

2.20 POWER HOLDING LIMITED (PHL)

2.20.1 Introduction

Power Holding Private Limited was incorporated in 2009 under Companies Ordinance 1984 (now Companies Act 2017) as wholly owned and controlled by Government of Pakistan. It is a Special Purpose Vehicle (SPV) with core function to arrange bridge financing for repayment of liabilities of DISCOs for settling the circular debt of Power Sector on the terms and conditions approved by the Ministry of Finance with the concurrence of ECC. PHL has a function to park the loan taken for the power sector by performing swap financing arrangements and negotiating financing terms of the loans obtained. PHL executes the financing agreements with fund providers (Banks) and disburses the entire proceeds through CPPA-G for settlement of DISCOs liabilities towards power producers. The financing facilities are secured against unconditional and irrevocable guarantees of the Government of Pakistan.

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2019-20 (Rs.in million)	Expenditure audited FY 2019-20 (Rs.in million)	Revenue/ Receipts audited FY 2019-20 (Rs.in million)
1.	Formation	01	01	13.97	6.38	45.32
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.20.2 Comments on the Financial Statements

2.20.3 Financial Overview

As per the audited Financial Statements for the year 2019-20 the Company earned a profit amounting to Rs.71.248 million at the year ended dated 30th June, 2020 as compared to the previous year profit of Rs.13.105 million. However, its finance cost increased significantly from Rs.84.723 billion to Rs.136.19 billion registering a increase of Rs.51.467 billion or 60.70%. Its long-

term borrowing also increased by Rs.255.90 billion (Rs.832.52 billion – Rs.576.62 billion).

Extract of the Financial Statements

Statement of Financial Position as on June 30, 2020

	2019-20	2018-19	% age
Non-current Assets			
Property and equipment	595,930	549,976	8.36%
Long term deposits	260,500	160,500	62.31%
Deferred tax asset	34,188	45,935	-25.57%
Finance facilities - principal portion receivable	832,525,003,260	576,621,159,989	44.38%
Total Non-current Assets	832,525,893,878	576,621,916,400	44.38%
Current Assets			
Current portion of finance facilities receivable	330,411,549,122	341,920,899,135	-3.37%
Short term prepayments	-	48,055	-100.00%
Income tax withheld	20,472,750	7,802,090	162.40%
Other receivables	-	-	
Cash and bank balances	842,615,780	1,060,380,191	-20.54%
Total Current Assets	331,274,637,652	342,989,129,471	-3.42%
Total Assets	1,163,800,531,530	919,611,045,871	26.55%
Equity & Liabilities			
Share capital and Reserves			
Authorized Capital	15,000,000	15,000,000	0.00%
1,500,000 (2019: 1,500,000) ordinary shares of Rs. 10 each.			
Issued, Subscribed and Paid up Capital			
1,500,000 (2019: 1,500,000) ordinary shares of Rs. 10 each fully paid in cash.	15,000,000	15,000,000	0.00%
Accumulated profit	120,530,805	49,282,607	144.57%
Total Equity	135,530,805	64,282,607	110.84%
Non-current Liabilities			
Long term financing	832,525,003,260	576,621,159,989	44.38%
Current Liabilities			

Current portion of long term financing	171,357,166,666	229,165,959,939	25.23%
Markup accrued	68,234,101,833	54,230,114,113	25.82%
Bridge borrowing from CPPA-G - for MOF markup settlement	25,471,771,159	16,259,540,280	56.66%
Other payables	66,047,876,021	43,264,454,188	52.66%
Short term borrowings	-	191,935	100%
Provision for taxation	29,081,786	5,342,820	444.32%
Total Current Liabilities	331,139,997,465	342,925,603,275	-3.44%
Total Equity & Liabilities	1,163,800,531,530	919,611,045,871	26.55%

Statement of Profit & Loss Account For the year ended June 30, 2020

	2019-20	2018-19	%age
Grant - from power sector, GOP through CPPA-G	131,010,942,143	72,464,245,456	80.79%
Grant - from finance division, GOP	5,673,089,825	12,359,919,217	54.10%
Total Grant	136,684,031,968	84,824,164,673	61.14%
Utilization of Funds			
- Finance cost	136,191,959,236	84,723,668,252	60.75%
- Other expenses	492,072,732	100,496,421	289.64%
Total Utilization of Funds	136,684,031,968	84,824,164,673	61.14%
Other income	120,323,024	31,363,275	283.64%
Operating Expenses			
Operating cost	14,262,682	12,910,385	10.47%
Financial incidental charges	5,718,951	-	100%
Total Operating Expenses	19,981,633	12,910,385	54.77%
Profit for the year - before taxation	100,341,391	18,452,890	443.77%
Provision for taxation	(29,093,193)	(5,347,641)	444.04%
Net profit for the year - after taxation	71,248,198	13,105,249	443.66%

2.20.4 Comments on Audited Accounts

i) Profitability

The Company earned a net profit of Rs.71.248 million during the financial year 2019-20. Resultantly, the total accumulated profits have reached to the tune of Rs.120.530 million resulting in increase in total equity. As on June 30, 2020 the company's current assets exceeded current liabilities by Rs.134.640 million.

ii) Grants and utilizations

As the purpose of the company is not to earn profits, therefore they do not have any sales or generate any revenue by sales. However, PHL receives grants from power sector, GOP through CPPA-G and from finance division, GOP. Their total receipt for the financial year ended 30th June 2020 was 136,684.031 million which is utilized to settle finance cost of conventional and Islamic financing facilities and other expense. Other expenses comprises on participation and advisory fee, trustee fee, and legal counsel fee. As there is no sales and cost of sales therefore there is no concept of gross profit. Their total receipts are exactly equals to their total utilization.

iii) Finance facilities receivables

There was a significant increase in the receivables on account of finance facilities - principal portion receivable. Total receivables of the Company were Rs.832,525.003 million as on June 30, 2020, which were 44.38% higher than the previous year. These included an amount of Rs.807,525.003 million from Power Sector, GOP through CPPA-G and Rs.25,000 million from Finance Division, GOP through CPPA-G. The total receivable from Power Sector, GOP through CPPA-G is against syndicate term finance facilities, syndicate Islamic term finance facility, privately placed term finance certificates, term finance facilities, Pakistan energy Sukuk – I and Sukuk – II. Receivable from Finance Division is against syndicate term finance facilities and syndicate Islamic term finance facilities. Both are on behalf of under guarantee of Government of Pakistan for the purpose of funding the repayment liabilities of the DISCOs / power sector.

As Power Holding Limited was established solely for the purpose of facilitation to remove the bank borrowings of the Power Sector Companies. Therefore, the same amount receivable from Power Sector and Finance Division stands payable against syndicate term finance facilities, syndicate Islamic term finance facility, privately placed term finance certificates, term finance facilities, Pakistan energy Sukuk – I and Sukuk – II.

Huge pending receivables were a significant business sustainability risk for the Company and required long term rectification measures. Huge

balance of receivables depicted poor recovery efforts of the Company. If lenders call their loan of financing facility become mature it will be difficult for Power Holding to settle their claims.

iv) Current Liabilities

Total current liabilities are Rs.331,139.997 million at the year ended dated 30th June, 2020. There is a decrease in the total current liabilities of Rs.11,875.605 million. However, there is an increase in total markup accrued, bridge borrowing from CPPA-G, and other payables amounting to Rs.14,003.987 million, Rs.9,212.231 and Rs.22,783.422 million respectively at the end of current financial year.

v) Other Income

Power Holding Limited earns other income as profit on their deposits. These funds are remitted by CPPA-G to discharge financing liabilities of power sector. Due to difference in timings of funds remittance and actual payment, banks pay markup on these deposits. During the financial year ended 30th June 2020 earns an amount of Rs.120.323 million which is 283.64% higher than the previous year ended on 30th June 2019. This is a positive sign for the company they can meet their expense easily without having excess burden on the power sector.

vi) Operating Expenses

The Operating expenses of the company are increased from Rs.12.910 million during the financial year 2018-19 to Rs.14.262 million during the year 2019-20 registering an increase of Rs.1.35 million; as this is not a huge increase but power sector is sensitive to increase in any operational cost.

2.20.5 Classified Summary of Audit Observations

Audit observations amounting to Rs.125,429.38 million were raised in this audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Others	125,429.38

ANNEXURES

Annexure-I**MFDAC PARAS****(Rs. in million)**

Sr. No.	Company	DP No. (2020-21)	Subject	Amount
1	PEPCO	848/2020-21	Irregular expenditure on repair of vehicles - Rs.2.059 million	2.059
2	PEPCO	849/2020-21	Irregular grant of House Building Advance to the Deputation employees of PEPCO - Rs.11.466 million	11.466
3	PEPCO	851/2020-21	Illegal electrification of residential colonies and non-recovery of pending units from B-I industrial consumers - Rs.2.685 million	2.685
4	PEPCO	876/2020-21	Unjustified payment of conveyance allowance to the officers having company attached vehicles - Rs.2.472 million	2.472
5	PEPCO	877/2020-21	Unjustified payment of transport subsidy to officer Rs.0.886 million	0.886
6	PEPCO	888/2020-21	Irregular retention of balance deducted from employees transferred to DISCOs Rs.5.482 million	5.482
7	PEPCO	959/2020-21	Non-transparency in preparing the final account of repair and maintenance of vehicles amounting to Rs.2.969 million	2.969
8	PEPCO	960/2020-21	Loss due to provision of free electricity to bogus employees registered in LESCO as PEPCO's employees Rs.2.854 million	2.854
9	PEPCO	961/2020-21	Non-recovery from defaulter consumers running at site Rs.1.398 million	1.398
10	PEPCO	962/2020-21	Non-disposal of off-road vehicles Rs.1.845 million	1.845
11	PEPCO	990/2020-21	Extra financial burden on National Exchequer on account of outsourcing the working of PEPCO - Rs.104.571 million	104.571
12	FESCO	27/2020-21	Non recovery of LD charges from contractor Rs.6.089 million	6.089
13	FESCO	28/2020-21	Estimated loss due to delay in payments to contractors in foreign exchange fluctuation Rs.21.272 million	21.272
14	FESCO	29/2020-21	Loss due to irregular/unjustified award of contract to the highest bidder Rs.3.366 million	3.366
15	FESCO	30/2020-21	Non forfeiture of the Bank Guarantee from supplier Rs.3.509 million	3.509
16	FESCO	31/2020-21	Loss due to purchase of defective material Rs.0.899 million	0.899
17	FESCO	32/2020-21	Unjustified award of contract after expiry of bid validity period Rs.586.54 million	586.540
18	FESCO	33/2020-21	Irregular/excess expenditure than the budget allocation Rs.34.226 million	34.226
19	FESCO	34/2020-21	Loss due to irregular award of contract to higher bidder Rs.0.756 million	0.756

20	FESCO	66/2020-21	Non return of un spent balance of deposit works to sponsoring afencies Rs.12.809 million	12.809
21	FESCO	68/2020-21	Loss due to non finalization of inquiry Rs.1.532 million	1.532
22	FESCO	70/2020-21	Non recovery of standard rent from the employees of NTDC Rs.3.228 million	3.228
23	FESCO	105/2020-21	Irregular/unjustified expenditure incurred on 7th STG projects without the approval of PC-I amounting to Rs.4,318.761 million	4,318.761
24	FESCO	106/2020-21	Non completion of civil works Rs.50.316 million	50.316
25	FESCO	156/2020-21	Non recovery of balance amount from the sponsors of deposit work Rs.378.20 million	378.200
26	FESCO	241/2020-21	Irregular completion of works due to non-obtaining of revised administrative and technical sanctions Rs.21.49 million	21.490
27	FESCO	248/2020-21	Non-return of dismantled material to store Rs.4.01 million	4.010
28	FESCO	249/2020-21	Non-disposal of off road vehicles Rs.1 million	1.000
29	FESCO	250/2020-21	Recoverable amount of penalties imposed on officers/officials Rs.11.81 million	11.810
30	FESCO	283/2020-21	Loss of revenue due to non-pursuance of Court case Rs.1.200 million	1.200
31	FESCO	285/2020-21	Non recovery of Prime Minister Relief difference from Khadim Steel Mills Rs.2.23 million	2.230
32	FESCO	287/2020-21	Non-return of dismantled electrical material to store Rs.4.29 million	4.290
33	FESCO	302/2020-21	Loss of revenue due to non-billing to illegal installed connection of Private Housing Colony Rs.1.26 million	1.260
34	FESCO	308/2020-21	Non-accountal/non-consumption of electrical material Rs.9.45 million	9.450
35	FESCO	347/2020-21	Loss due to illegal supply of electricity to permanent defaulter consumers Rs.3.005 million	3.005
36	FESCO	356/2020-21	Loss due to non-return of transformers damaged under warranty period Rs.4.90 million	4.900
37	FESCO	357/2020-21	Un-justified issuance of reconnection under (RCO) of default consumer Rs.7.83 million	7.830
38	FESCO	376/2020-21	Non-return of dismantled electrical material to store Rs.2.51 million	2.510
39	FESCO	378/2020-21	Non recovery on account of Court cases decided in favour of FESCO Rs.71.99 million	71.990
40	FESCO	416/2020-21	Non recovery on account of court cases decided in favour of FESCO Rs.26.629 million	26.629
41	FESCO	528/2020-21	Non-return of elecctrical material supplied on loan basis Rs.11.220 million	11.220
42	FESCO	530/2020-21	Non-disposal of off road vehicles Rs.0.60 million	0.600
43	FESCO	532/2020-21	Un-necessary purchase of electrical equipments Rs.14.94 million	14.940
44	FESCO	551/2020-21	Loss due to rebate provided to zero rated industrial consumers Rs.29.688 million	29.688

45	FESCO	552/2020-21	Non-reconciliation to of collection accounts with CP-48 Rs.6.006 million	6.006
46	FESCO	554/2020-21	Loss of revenue due to non-billing of electricity on idle feeders Rs.28.137 million	28.137
47	FESCO	555/2020-21	Non-conducting of Stock Verification of store worth Rs.1,189.77 million	1,189.770
48	FESCO	557/2020-21	Non-return of dismantled electrical material to store Rs.17.89 million	17.890
49	FESCO	558/2020-21	Non-return of removed transformers to store Rs.0.30 million	0.300
50	FESCO	559/2020-21	Wasteful expenditure due to substandard construction of office building Rs.17.204 million	17.204
51	FESCO	577/2020-21	Irregular award of contract due to non-compliance of PPRA rules Rs.24.09 million	24.090
52	FESCO	585/2020-21	Non transfer title of fixed assets in the name of the company Rs.4,244.041 million	4,244.041
53	FESCO	586/2020-21	Non-disposal of Scrap material Rs.18.671 million	18.671
54	FESCO	600/2020-21	Over statement of bank receipts Rs.34.901 million	34.901
55	FESCO	628/2020-21	Irregular award of tender to non-responsive bidder Rs.1.942 million	1.942
56	FESCO	643/2020-21	Less verification of subsidy claims of agricultural consumers Rs.3.112 million	3.112
57	FESCO	644/2020-21	Unjustified expenditure on major repair of un-economical vehicles Rs.0.910 million	0.910
58	FESCO	653/2020-21	Non-recovery of penalty imposed by the authority Rs.1.537 million	1.537
59	FESCO	708/2020-21	Non-recovery from employees Rs.22.190 million	22.190
60	FESCO	741/2020-21	Non-recovery of liquidated damage charges from suppliers Rs.39.303 million	39.303
61	FESCO	802/2020-21	Non-recovery of employees advances Rs.1.140 million	1.140
62	FESCO	811/2020-21	Non-payment /non-adjusted equalization surcharge payable Rs.2,204.600 million	2,204.600
63	FESCO	967/2020-21	Non recovery of energy receivables against permanently disconnected private connections Rs.79.97 million	79.970
64	FESCO	968/2020-21	Loss due to supply of defective material worth Rs.20.10 million	20.100
65	GEPCO	90/2020-21	Non energization of feeder due to mismanagement entailing loss of Rs.26.333 million	26.333
66	GEPCO	91/2020-21	Inaccurate cost estimates in extension of load cases Rs.1.183 million	1.183
67	GEPCO	92/2020-21	Non recovery of late payment surcharges Rs.44.655 million	44.655
68	GEPCO	95/2020-21	Discrepancies of operational and billing systems entailing financial impact amounting to Rs.4.030 million	4.030
69	GEPCO	96/2020-21	Loss due to damage of distribution transformers Rs.123.960 million	123.960
70	GEPCO	97/2020-21	Recoverable amount on account of penalty imposed	9.850

			Rs.9.850 million	
71	GEPCO	98/2020-21	Non recovery of energy dues from consumers after court decisions in favour of company Rs.1.590 million	1.590
72	GEPCO	99/2020-21	Unauthentic reporting regarding damage of electrical equipment Rs.30.11 million	30.110
73	GEPCO	100/2020-21	Non return of dismantled material in lieu of extension of load Rs.2.76 million	2.760
74	GEPCO	102/2020-21	Non disposal of off road vehicles Rs.2.75 million	2.750
75	GEPCO	114/2020-21	Misappropriation of distribution transformers Rs.6.36 million	6.360
76	GEPCO	117/2020-21	Non recovery of supply charges against temporary connections Rs.2.08 million	2.080
77	GEPCO	144/2020-21	Loss on account of illegal usage of electricity by unelectrified housing society Rs.7.243 million	7.240
78	GEPCO	147/2020-21	Operational discrepancies entailing financial impact Rs.6.03 million	6.030
79	GEPCO	148/2020-21	Non recovery on account of misuse of agriculture tube well connection for commercial purpose Rs.5.89 million	5.890
80	GEPCO	177/2020-21	Non return of dismantled/damaged material to store Rs.22.901 million	22.901
81	GEPCO	337/2020-21	Irregular procurement from unregistered/un-enlistmed contractors Rs.406.244 million	406.244
82	GEPCO	381/2020-21	Non-recovery of liquidated damages from the contractor Rs.135.344 million	135.344
83	GEPCO	399/2020-21	Loss on account of interest due to delayed payment by ZTBL Rs.8.85 million	8.850
84	GEPCO	401/2020-21	Non-reconciliation of difference in amount payable to CPPA-G Rs.6,098.38 million	6,098.380
85	GEPCO	406/2020-21	Less receipt of subsidies from Government Rs.15,069.85 million	15,069.850
86	GEPCO	431/2020-21	Inaction on illegal execution of works for electrification of housing colonies	-
87	GEPCO	432/2020-21	Non-collection of tax from Steel Melters Rs.142.87 million	142.870
88	GEPCO	434/2020-21	Irregular provision of domestic and commercial connections to the illegal occupants/encroachers	-
89	GEPCO	435/2020-21	Less tariff differential subsidy claim on account of sale of electricity to AJK Rs.124.31 million	124.310
90	GEPCO	436/2020-21	Non adjustment of AJK receivables against GOP equity Rs.10,702.65 million	10,702.650
91	GEPCO	437/2020-21	Non-recovery of liquidated damages from suppliers Rs.9.73 million	9.730
92	GEPCO	438/2020-21	Non-recovery on account of embezzlement of dismantled conductor Rs.0.94 million	0.940
93	GEPCO	440/2020-21	Non-charging of difference of tariff to consumer Rs.2.636 million	2.640
94	GEPCO	441/2020-21	Non-receipt of material given on loan basis to other DISCO's Rs.19.83 million	19.830

95	GEPCO	442/2020-21	Non return/repair of distribution transformers from PTESU Rs.3.09 million	3.090
96	GEPCO	443/2020-21	Non-disposal of off-road vehicles and unserviceable equipment Rs.60.40 million	60.400
97	GEPCO	445/2020-21	Irregular debit on account of time barred claim of contractor Rs.3.10 million	3.100
98	GEPCO	446/2020-21	Unjustified relief package to the inelegible commercial /business consumers	-
99	GEPCO	447/2020-21	Wasteful expenditure due to non-achievement of the bebefits of bifurcation of feeders Rs.79.02 million	79.020
100	GEPCO	448/2020-21	Unjustified Aggregate Technical & Commercial losses	-
101	GEPCO	511/2020-21	Non-conducting of post execution evaluation of system improvement works worth Rs.280.33 million	280.330
102	GEPCO	512/2020-21	Irregular payment on account of hand receipt and cash memos Rs.1.22 million	1.220
103	GEPCO	601/2020-21	Non-recovery of liquidated damages from the contractors Rs.14.290 million	14.290
104	GEPCO	638/2020-21	Non-installation of electrical material Rs.12.560 million	12.560
105	GEPCO	639/2020-21	Non-affordingt of credit of dismantled material in estimates of electrification works Rs.4.06 million	4.060
106	GEPCO	640/2020-21	Non-submission of completion reports and capitalization of compelted works Rs.810.840 million	810.840
107	GEPCO	641/2020-21	Irregular execution of electrification works on accont of hazards Rs.7.5 million	7.500
108	GEPCO	642/2020-21	Non-return of dismantled material to store Rs.3.35 million	3.350
109	GEPCO	855/2020-21	Non-initialization action against defaulter contractor - Rs.8.368 million	8.368
110	GEPCO	856/2020-21	Non-recovery on account of arrear of pay & allowance - Rs.3.085 million	3.085
111	GEPCO	859/2020-21	Irregular execution of work without obtaining approval from competent authority - Rs.34.044 million	34.044
112	GEPCO	964/2020-21	Irregular award of tender worth Rs.13.38 million	13.380
113	GEPCO	965/2020-21	Non-preparation of completion report and capitalization of completed works Rs.1,278.80 million	1,278.800
114	GEPCO	966/2020-21	Non-return/utilization of dismantled power transformers Rs.242 million	242.000
115	HESCO	83/2020-21	Recoverable Sale Tax on Services from the Contractors Rs.20.489 million	20.489
116	HESCO	84/2020-21	Non recovery of LC opening charges from the contractor Rs.2.949 million	2.949
117	HESCO	85/2020-21	Non forfeiting the performance security amounting to Rs.133.404 million	133.404

118	HESCO	86/2020-21	Loss due to damage of 40 MVA power transformer Rs.32.450 million	32.450
119	HESCO	87/2020-21	Less recovery of liquidated damages from the contractor Rs.6.420 million	6.420
120	HESCO	161/2020-21	Non return of dismantled material to store Rs. 2.280 million	2.280
121	HESCO	162/2020-21	Non-disposal of off-road vehicles and unserviceable material Rs. 3.300 million	3.300
122	HESCO	163/2020-21	Irregular/unjustified award of contract in violation of PPRA rules Rs. 2.65 million	2.650
123	HESCO	164/2020-21	Irregular payment to contractor on account of Sindh sales tax Rs.2.78 million	2.780
124	HESCO	165/2020-21	Non mutation of land acquired for construction of grid stations Rs. 2.00 million	2.000
125	HESCO	251/2020-21	Non capitalization of completed works (Grid Stations) - Rs. 385.91 million	385.910
126	HESCO	268/2020-21	Non-accountal of huge material amounting to Rs.100.81 million	100.810
127	HESCO	269/2020-21	Non-disposal of off-road vehicles Rs. 1.500 million	1.500
128	HESCO	270/2020-21	Non-submission of Sindh Sales Tax return/ invoices by the constructors Rs.3.11 million	3.110
129	HESCO	271/2020-21	Non-capitalization of completed works Rs.101.66 million	101.660
130	HESCO	296/2020-21	Undue favor extended to contractors by non deducting of liquidated charges Rs. 2.201 million	2.201
131	HESCO	386/2020-21	Irregular advance payment on account of advance crops compensation Rs.8.83 million	8.830
132	HESCO	572/2020-21	Non-return of dismantled transformers to store Rs.2.37 million	2.370
133	HESCO	589/2020-21	Loss due to 100% line losses on feeders Rs.68.39 million	68.390
134	HESCO	590/2020-21	Non-recovery from consumers after court decisions in favour of Company Rs.21.78 million	21.780
135	HESCO	592/2020-21	Loss due to damage of distribution transformers Rs.48.38 million	48.380
136	HESCO	593/2020-21	Huge receivables amount from running and dead defaulters Rs.162.98 million	162.980
137	HESCO	595/2020-21	Non-achieving of envisaged saving of energy due to delay in execution of works Rs.3.24 million	3.240
138	HESCO	596/2020-21	Provision of electricity to defaulting consumers having multiple connections Rs.1.96 million	1.960
139	HESCO	599/2020-21	Improper maintenance of distribution transformers Rs.62.33 million	62.330
140	HESCO	679/2020-21	Loss due to unauthentic credit adjustments without pre-audit Rs.31.92 million	31.920
141	HESCO	680/2020-21	Non-renewal of expired bank guarantees of industrial consumers Rs.180.98 million	180.980
142	HESCO	681/2020-21	Irregular recovery due to non-revocation of Neelum Jhelum Surcharge Rs.385.51 million	385.510
143	HESCO	682/2020-21	Procurement line hardware material from	418.370

			suppliers/manufacturers involved in alleged bid rigging Rs.418.37 million	
144	HESCO	683/2020-21	Irregular procurement of distribution material from manufacturers having expired prototype approvals Rs.369.92 million	369.920
145	HESCO	684/2020-21	Irregular award of purchase order at the choice of supplier Rs.97.05 million	97.052
146	HESCO	685/2020-21	Irregular procurement of 100 KVA transformers without valid prototype approval against the quoted iron and copper losses Rs.86.87 million	86.870
147	HESCO	689/2020-21	Loss due to provision of free electricity to bogus employees registered in other DISCOs as HESCO's employees Rs.5.26 million	5.260
148	HESCO	690/2020-21	Recoverable amount of unjustified market operation fee from CPPA(G) Rs.7.54 million	7.540
149	HESCO	691/2020-21	Non-inclusions of 5% environmental and social management cost on B-3/housing schemes and commercial plazas estimates Rs.15.58 million	15.580
150	HESCO	694/2020-21	Un-authentic credit of dismantled material afforded to contractors on account of repair of damaged distribution transformers Rs.32.73 million	32.727
151	HESCO	695/2020-21	Un-authentic/dobtful expenditure incurred on purchase of stationery and payment of salaries Rs.3.64 million	3.638
152	HESCO	722/2020-21	Blockage of funds due to non-receipt of electrical material issued to SEPCO on loan basis Rs.44.99 million	44.990
153	HESCO	723/2020-21	Non-recognition of late payment charges in financial statements incurred on commercial loans debited by Central Power Purchase Agency Rs.20,522.74 million	20,522.740
154	HESCO	724/2020-21	Non-reconciliation of main and subsidiary records of receivables and security deposits Rs.672.34 million	672.340
155	HESCO	725/2020-21	Loss of precious human lives due to non-observance of safety standards Rs.17.50 million	17.500
156	HESCO	736/2020-21	Loss due to damage of distribution transformers Rs.354.03 million	354.030
157	HESCO	737/2020-21	Loss due to un-authentic provision on account of free electricity Rs.47.54 million	47.540
158	HESCO	738/2020-21	Non-billing of 5.02 million units on feeders Rs.115.52 million	115.520
159	HESCO	783/2020-21	Irregular charging of use of sytem charges by CPPA (G) Rs.627.84 million	627.840
160	HESCO	786/2020-21	Non-reconciliation of difference in amount payable to CPPA-G Rs.83,063.45 million	83,063.450
161	HESCO	789/2020-21	Unjustified COVID-19 relief to defaulters and disconnected consumers Rs.75.38 million	75.380
162	HESCO	790/2020-21	Irregular billing to permanent disconnected consumers Rs.49.58 million	49.580
163	HESCO	791/2020-21	Irregular billing to permanent disconnected	1.430

			consumers under defective code Rs.1.43 million	
164	HESCO	793/2020-21	Irregular re-instatement of HESCO employee	-
165	HESCO	815/2020-21	Non-recovery of cost of energy imported by Wind Power Producers from HESCO distribution system Rs.219.81 million	219.810
166	HESCO	843/2020-21	Loss due to non-recovery of rent and utility charges from illegal occupants of colony Rs.11.87 million	11.870
167	HESCO	844/2020-21	Excess billing of Energy Transfer Charges to HESCO by CPPA (G) - Rs.22.26 million	22.260
168	HESCO	845/2020-21	Unjustified billing of Capacity Transfer Charges to HESCO by CPPA(G) - Rs.34,711.57 million	34,711.570
169	HESCO	846/2020-21	Non-recovery of subsidies from Government - Rs.61,735.67 million	61,735.670
170	HESCO	847/2020-21	Non-reconciliation of the diference in payables / receivables with other Companies - Rs.25,561.77 million	25,561.770
171	HESCO	860/2020-21	Non-credited of long pending revenue remittances by the bank - Rs.702.46 million	702.460
172	HESCO	861/2020-21	Less recovery of energy dues from consumers against billing - Rs.15,223.20 million	15,223.200
173	HESCO	864/2020-21	Fake record of equipment removal orders entered in MIS - Rs.1,112.13 million	1,112.130
174	HESCO	865/2020-21	Duplicatge notices issued to energy defaulters - Rs.82.07 million	82.070
175	HESCO	866/2020-21	Non-recovery due to irregular charging of units under defective meter code to consumers included in the list of EROs - Rs.263.28 millon	263.280
176	HESCO	970/2020-21	Non-adjustment of credit raised by CPPA (G) on account of cost of direct energy payments to SPPs by HESCO Rs.2,613.69 million	2,613.690
177	HESCO	971/2020-21	Irreguar placement of security deposits in term deposit receipts (TDR) Rs.1,899.73 million	1,899.730
178	IESCO	89/2020-21	Loss due to unjustified award of contract Rs. 13.042 million	13.042
179	IESCO	119/2020-21	Loss due to award of purchase order to the single bidder Rs.1.45 million	1.450
180	IESCO	176/2020-21	Non/less recovery of liquidated damages from contractors Rs.112.44 million	112.440
181	IESCO	352/2020-21	Loss due to unjustified rejection of lowest bidders Rs.3.701 million	3.701
182	IESCO	382/2020-21	Non-provision of land for grid operating staff by the CDA Rs.40 million	40.000
183	IESCO	418/2020-21	Illegal RCOs to get electricity connections in banned area and CDA Acquired area	-
184	IESCO	420/2020-21	Non-recovery from permanent disconnected consumers Rs.36.069 million	36.069
185	IESCO	474/2020-21	Non-recovery of penalty imposed on employees Rs.15.26 million	15.260
186	IESCO	478/2020-21	Non-recovery of arrears of electricity charges Rs.46.245 million	46.245

187	IESCO	486/2020-21	Non-recovery of electricity charges consumed through installation of bogus meters Rs.1.947 million	1.947
188	IESCO	541/2020-21	Undue benefit to consumers by installing electricity connections through SCOs in banned area	-
189	IESCO	574/2020-21	Non-return of dismantled electrical material to store Rs.2.846 million	2.846
190	IESCO	612/2020-21	Non-recovery of standard rent from officers/officials Rs.1.05 million	1.050
191	IESCO	613/2020-21	Non-recovery of standard rent from illegal occupant Rs.2.80 million	2.800
192	IESCO	615/2020-21	Recoverable amount on account of illegal electrification of plotting area Rs.3.338 million	3.338
193	IESCO	616/2020-21	Un-justified execution of works Rs.30.760 million	30.760
194	IESCO	617/2020-21	Non return/auction of dismantled material Rs.8.514 million	8.514
195	IESCO	618/2020-21	Irregular booking of banking charges of Rs.120.610 million	120.610
196	IESCO	632/2020-21	Loss due to damaged transformers Rs.143.02 million	143.020
197	IESCO	657/2020-21	Non-disposal/auction of dismantled/unserviceable material amounting to Rs.29.412 million	29.412
198	IESCO	663/2020-21	Non-return of dismantled transformers removed under chain augmentation of Rs.14.681 million	14.681
199	IESCO	664/2020-21	Non-disposal of off road vehicles Rs.7.046 million	7.046
200	IESCO	699/2020-21	Issuance of material without allocation Rs.222.290 million	222.290
201	IESCO	700/2020-21	Non-recovery of liquidated damages from contractor Rs.21.008 million	21.008
202	IESCO	702/2020-21	Non-recovery of capital cost and non-acquisition of land Rs.24.61 million	24.610
203	IESCO	703/2020-21	Recoverable amount on account of design vetting, inspection and grid sharing cost, alongwith bank guarantee Rs.22.388 million	22.388
204	IESCO	711/2020-21	Provision of Illegal electrification through reconnection orders and change of name	-
205	IESCO	743/2020-21	Purchase of poor quality unit set Rs.42.664 million	42.664
206	IESCO	803/2020-21	Loss due to purchase from next higher bidder Rs.35.329 million	35.329
207	IESCO	807/2020-21	Excess payment on account of bogus measurement records in measurement book (MBs) Rs.11.950 million	11.950
208	IESCO	808/2020-21	Non-disposal/utilization of slow moving/inactive material Rs.34.92 million	34.920
209	IESCO	809/2020-21	Loss due to non-supply of material Rs.42.10 million	42.100
210	IESCO	810/2020-21	Non-renewal of temporary connection sanctioned to commercial building	-
211	IESCO	979/2020-21	Loss due to damage of power transformer T-2 31.5/40 MVA Rs.22.44 million	22.440

212	IESCO	981/2020-21	Non-adjustment of temporary advance Rs.3.168 million	3.168
213	LESCO	04/2020-21	Non accountal/non consumption of electrical material Rs.161.569 million	161.569
214	LESCO	05/2020-21	Loss due to damaged transformers Rs.74.60 million	74.600
215	LESCO	07/2020-21	Non capitalization of completed works of LT proposals Rs.72.621 million	72.621
216	LESCO	08/2020-21	Non recovery of electricity charges from running consumers Rs.54.730 million	54.730
217	LESCO	09/2020-21	Non implementation /recovery of penalties imposed on officers/officials Rs.12.698 million	12.698
218	LESCO	12/2020-21	Non finalization of disciplinary proceedings against the employee involved in serious allegation	-
219	LESCO	14/2020-21	Non recovery of energy dues from consumers after court decisions in favour of DISCO Rs.5.800 million	5.800
220	LESCO	16/2020-21	Irregular execution of work without EIA Rs.230.719 million	230.719
221	LESCO	17/2020-21	Non vetting of estimates by the consultant Rs.3,262.011 million	3,262.011
222	LESCO	18/2020-21	Non obtaining of NOC from Environmental Protection Agency (EPA) Punjab Rs.2,719.644	2,719.644
223	LESCO	19/2020-21	Loss due to levy of commitment charges due to non utilization of ADB loans Rs.1.898 million	1.898
224	LESCO	36/2020-21	Undue favour to the contractors due to non renewal of performance guarantees Rs.1.03 million	1.030
225	LESCO	37/2020-21	Non recovery of liquidated damages from contractors Rs.3.44 million	3.440
226	LESCO	38/2020-21	Non installation of electrical equipment drawn from warehouse Rs.179.87 million	179.870
227	LESCO	39/2020-21	Unjustified award of purchase order to single bidder Rs.646.283 million	646.283
228	LESCO	40/2020-21	Irregular award of tenders at rates reduced after opening of bids Rs.357.660 million	357.660
229	LESCO	41/2020-21	Non recovery of cost of grid from the University of Punjab Rs.392.749 million	392.749
230	LESCO	42/2020-21	Non disposal of dismantled material Rs.104.394 million	104.394
231	LESCO	43/2020-21	Blockage of funds due to procurement of dead items of electrical material Rs.8.972 million	8.972
232	LESCO	44/2020-21	Non recovery of 5% E&S cost Rs.3.801 million	3.801
233	LESCO	51/2020-21	Non return of power transformer from reclamation workshop Rs.93.30 million	93.300
234	LESCO	52/2020-21	Less recovery of cost of deposit works from sponsors Rs.24.18 million	24.180
235	LESCO	53/2020-21	Non recovery of liquidated damages from the suppliers Rs.4.476 million	4.476
236	LESCO	56/2020-21	Non recovery of electricity dues from running consumers Rs.103.842 million	103.842
237	LESCO	59/2020-21	Non capitalization of completed works of LT	22.270

			proposals Rs.22.270 million	
238	LESCO	61/2020-21	Non recovery of energy dues from consumers after court decisions in favour of LESCO Rs.5.029 million	5.029
239	LESCO	63/2020-21	Irregular procurement of furniture in violation of PPRA Rules Rs.2.557 million	2.557
240	LESCO	64/2020-21	Loss due to damaged transformers Rs.17.201 million	17.201
241	LESCO	118/2020-21	Non completion of LT proposal works Rs.38.825 million	38.825
242	LESCO	158/2020-21	Loss due to posting of incompetent staff resulted into excess line losses Rs.5443.30 million	5,443.300
243	LESCO	159/2020-21	Irregular detection units charged to the consumers Rs.655.19 million	655.190
244	LESCO	167/2020-21	Loss due to award of contract at higher rates Rs.58.276 million	58.276
245	LESCO	254/2020-21	Non-capitalization of completed electrification works Rs.1,707.299 million	1,707.299
246	LESCO	255/2020-21	Non-return of dismantled/healthy electrical material to store Rs.1.03 million	1.030
247	LESCO	261/2020-21	Loss due to damaged/burnt transformers Rs.738.18 million	738.180
248	LESCO	265/2020-21	Unjustified payment on account of motorcycle allowance Rs.1.41 million	1.400
249	LESCO	266/2020-21	Non return of healthy electrical material Rs.6.36 million	6.360
250	LESCO	267/2020-21	Non-recovery of subsidies from Government Rs.56,527 million	56,527.000
251	LESCO	279/2020-21	Non-return of dismantled electrical material to store Rs.23.939 million	23.939
252	LESCO	280/2020-21	Misuse of funds on electrification of Deras Rs.29.187 million	29.187
253	LESCO	281/2020-21	Non-return of surplus electrical equipment to store Rs.52.460 million	52.460
254	LESCO	294/2020-21	Non-disposal of off-road vehicles and unserviceable material Rs.31.40 million	31.400
255	LESCO	314/2020-21	Non-recovery of energy charges from temporary connections Rs.34.05 million	34.050
256	LESCO	355/2020-21	Non-return of dismantled /healthy electrical material to store Rs.15.65 million	15.650
257	LESCO	373/2020-21	Loss due to missing parts of transformers Rs.2.96 million	2.960
258	LESCO	536/2020-21	Non-recovery of 5% E&S cost from B-III connections Rs.128.082 million	128.082
259	LESCO	537/2020-21	Non deduction of income tax on rental income Rs.1.067 million	1.067
260	LESCO	795/2020-21	Non-recovery of liquidated damages from contractors Rs.1.62 million	1.620
261	LESCO	796/2020-21	Non-accountal/non-consumption of electrical material Rs.3.335 million	3.335

262	LESCO	797/2020-21	Non-billing of 7.40 million units on feeders Rs.111.09 million	111.090
263	LESCO	857/2020-21	Unjustified grant of extension of time of work - Rs.31.60 million	31.600
264	LESCO	982/2020-21	Non obtaining of NOC of estimates from Environmental Protection Agency (EPA) Punjab Rs.1,506.825 million	1,506.825
265	MEPCO	71/2020-21	Loss due to non submission of NIC insurance covers Rs.2.579 million	2.579
266	MEPCO	120/2020-21	Loss due to misappropriation of material Rs.7.57 million	7.570
267	MEPCO	121/2020-21	Non recovery of excess expenditure from the sponsor of the deposit works amount Rs.0.64 million	0.640
268	MEPCO	122/2020-21	Non return of dismantled material Rs.3.04 million	3.040
269	MEPCO	123/2020-21	Non return of excess drawn material Rs.1.49 million	1.490
270	MEPCO	178/2020-21	Non surrender of funds allocated under PAK-MDGs Community development programme Rs.14.239 million	14.239
271	MEPCO	180/2020-21	Non recovery of outstanding energy charges Rs.4.834 million	4.834
272	MEPCO	182/2020-21	Non removal of equipment and non recovery of outstanding energy chargers Rs.7.015 million	7.015
273	MEPCO	185/2020-21	Irregular award of work orders due to splitting in the tenders of civil works Rs.8.00 million	8.000
274	MEPCO	186/2020-21	Non recovery of deferred amount against tube well consumers Rs.1,098.76 million	1,098.760
275	MEPCO	191/2020-21	Non disposal of off road vehicles and unserviceable material valuing Rs.78.12 million	78.120
276	MEPCO	192/2020-21	Irregular recovery of Neelaum Jhelum Surcharge Rs.1633.130 million	1,633.130
277	MEPCO	193/2020-21	Non charging of 5% environmental and social cost in the estimates of housing schemes and industrial connections Rs.22.83 million	22.830
278	MEPCO	194/2020-21	Non recovery of shifting/relocation charges of 132 KV T/L from the consumer/sponsor Rs.19.960 million	19.960
279	MEPCO	195/2020-21	Non-recovery of testing fee National Testing Services Agency Rs.18.63 million	18.630
280	MEPCO	199/2020-21	Non-encashment of performance bond Rs.15.640 million	15.640
281	MEPCO	211/2020-21	Irregular approval and execution of LT proposal works Rs.4.57 million	4.570
282	MEPCO	215/2020-21	Irregular and unjustified expenditure on bifurcation of 11 KV feeders Rs.12.75 million	12.750
283	MEPCO	221/2020-21	Non-recovery of cost/receipt back of material issued to other DISCOs Rs.64.13 million	64.132
284	MEPCO	222/2020-21	Loss due to less remittance of revenue by bank Rs.5.89 million	5.890

285	MEPCO	223/2020-21	Unjustified excess billing on account of AMR meter Rs.17.714 million	17.714
286	MEPCO	228/2020-21	Non removal of equipment and non recovery of arrears Rs.10.32 million	10.320
287	MEPCO	232/2020-21	Non-removal of electrical equipment /non recovery of deferred amount - Rs.5.66 million	5.660
288	MEPCO	233/2020-21	Non-renewal of expired bank guarantees of industrial consumers Rs.20.523 million	20.523
289	MEPCO	235/2020-21	Illegal/Unauthorized absorption of Assistant Manager (IT) in MEPCO in violation of Service Rules/PEPCO transfer policy Rs.3.432 million	3.432
290	MEPCO	240/2020-21	Non-return of healthy transformers to store on account of extension of load cases Rs.7.21 million	7.210
291	MEPCO	244/2020-21	Non-reversal/adjustment of electricity dues agaisnt TMA Taunsa Rs.245.97 million	245.970
292	MEPCO	245/2020-21	Substandard procurement of single phase energy meters - Rs.195.390 million	195.390
293	MEPCO	246/2020-21	Non-recovery of liquidated damaged from supplier - Rs.1.79 million	1.790
294	MEPCO	252/2020-21	Over charging of fuel cost component adjustment by CPPA(G) - Rs.11,982 million	11,982.000
295	MEPCO	298/2020-21	Un-justified acceptance of substandard material due to waiving off inspection Rs.57.164 million	57.164
296	MEPCO	315/2020-21	Irregular recovery of civil work chargesfor erection of HT & LT steel structure Rs.43.45 million	43.450
297	MEPCO	316/2020-21	Wasteful expenditure on account of bifurcation/rehabilitation of 11 KV feeders Rs.31.218 million	31.218
298	MEPCO	323/2020-21	Non deduction /recovery of liquidated damages from suppliers Rs.65.916 million	65.916
299	MEPCO	324/2020-21	Loss due to mis-management in the tendering process Rs.9.99 million	9.990
300	MEPCO	351/2020-21	Irregular issuance of purchase order due to illegal modification of bid Rs.88.074 million	88.074
301	MEPCO	367/2020-21	Mis-procurement of electrical material due to award of contract to debarred frim Rs.282.309 million	282.309
302	MEPCO	384/2020-21	Non-recovery of risk & cost from defaulted firm due to breach of tender conditions Rs.23.026 million	23.026
303	MEPCO	385/2020-21	Irregular electrification of commercial connections without concurrence of Multan Development Authority Rs.15.42 million	15.420
304	MEPCO	395/2020-21	Loss due to embezzlement of cash through electricity bills Rs.12.00 million	12.000
305	MEPCO	427/2020-21	Irregular/un-justified payment on account of spare parts Rs.2.285 million	2.285
306	MEPCO	428/2020-21	Mis-procurement of single phase energy meter due to cartelization of bidders Rs.350.06 million	350.060
307	MEPCO	539/2020-21	Loss due to non-inclusion of consultancy charges in estimates of deposit works Rs.2.53 million	2.530

308	MEPCO	661/2020-21	Loss due to irregular acceptance and utilization of sub-standard electrical material Rs.23.16 million	23.160
309	MEPCO	991/2020-21	Non execution of schemes under local Government Development programme - Rs.16.68 million	16.680
310	PESCO	112/2020-21	Non recovery from consumers on account of court cases decided in favour of PESCO Rs.0.458 million	0.458
311	PESCO	124/2020-21	Loss due to damage of Distribution Transformers Rs.115.10 million	115.100
312	PESCO	126/2020-21	Non recovery of Arrears from private dead and running defaulters Rs.87.91 million	87.910
313	PESCO	130/2020-21	Non removal of electrical equipment and non recovery of arrears Rs.81.43 million	81.430
314	PESCO	134/2020-21	Non return of dismantled/healthy electrical material to store Rs.2.42 million	2.420
315	PESCO	138/2020-21	Less recovery from private consumers amounting to Rs.30,595.48 million against assessed amount	30,595.480
316	PESCO	242/2020-21	Non-disposal of dismantled/unserviceable material Rs.11.73 million	11.730
317	PESCO	257/2020-21	Non-completion of electrification works Rs.1,116.88 million	1,116.880
318	PESCO	258/2020-21	Non-disposal of the off road vehicle Rs.2 million	2.000
319	PESCO	259/2020-21	Blockage of funds due to un-necessary purchase of electrical material Rs.45.41 million	45.410
320	PESCO	260/2020-21	Non-disposal of off road vehicles Rs.5.70 million	5.700
321	PESCO	297/2020-21	Blockage of funds due to unnecessary purchase of stores/ electrical material Rs.233.68 million	233.680
322	PESCO	320/2020-21	Less recovery from consumers against assessed amount Rs.19,830.223 million	19,830.223
323	PESCO	321/2020-21	Loss due to damage of transformers Rs.5.615 million	5.615
324	PESCO	322/2020-21	Non recovery of unsettled/deferred amount of subsidy Rs.25,947.309 million	25,947.309
325	PESCO	350/2020-21	Non-return of dismantled/healthy material to store Rs.54.518 million	54.518
326	PESCO	383/2020-21	Irregular utilization of ADB material on other works Rs.233.68 million	233.680
327	PESCO	402/2020-21	Undue favour with supplier by not opening letter of credit Rs.391.209 million	391.209
328	PESCO	403/2020-21	Loss due to non-recovery of pending energy dues against temporary connections Rs.13.776 million	13.776
329	PESCO	404/2020-21	Wasteful expenditure on bifurcation of 11KV feeders to reduce the line losses Rs.243.93 million	243.930
330	PESCO	405/2020-21	Loss due to short installation of material in HT/LT works Rs.2.310 million	2.310
331	PESCO	411/2020-21	Less /non-recovery of liquidated damages from suppliers due to delayed supply as a result of late inspection Rs.110.912	110.912
332	PESCO	450/2020-21	Loss due to non-recovery of feeder cost from B-3 consumer Rs.2.50 million	2.500
333	PESCO	452/2020-21	Non-recovery of energy charges from running and	97.513

			and permanent disconnected consumers Rs.97.513 million	
334	PESCO	453/2020-21	Recurring loss due to defective agreement with cable operator Rs.6.52 million	6.520
335	PESCO	455/2020-21	Loss due to excess charging of units by CPPA(G) Rs.4,741.759 million	4,741.759
336	PESCO	457/2020-21	Illegal and unlawful expenditure from security deposits and deposit work funds Rs.409.905 million	409.905
337	PESCO	459/2020-21	Non-recovery of penalty imposed on employees Rs.11.45 million	11.450
338	PESCO	460/2020-21	Irregular expenditure incurred in excess of distribution margin beyond NEPRA's permissible limit Rs.3,466 million	3,466.000
339	PESCO	461/2020-21	Receivables from tax authorities Rs.41,553.678 million	41,553.678
340	PESCO	463/2020-21	Non-completion of HT/LT proposals despite drawl of material Rs.1,312.414 million	1,312.414
341	PESCO	464/2020-21	Non-recovery of standard rent Rs.1.304 million	1.304
342	PESCO	467/2020-21	Non-recovery of cost of issued transformers to GEPCO Rs.19.03 million	19.030
343	PESCO	468/2020-21	Irregular award of purchase orders at post bid reduced rates Rs.315.052 million	315.052
344	PESCO	469/2020-21	Less remittance of electricity bills in PESCO's main accounts by banks Rs.148.588 million	148.588
345	PESCO	470/2020-21	Irregular award of Civil Works Contracts / Work Orders through quotations Rs.3.425 million	3.425
346	PESCO	471/2020-21	Non forfeiture of performance bond due to non-fulfillment of contractual obligations Rs.2.538 million	2.538
347	PESCO	489/2020-21	Non-disposal of unserviceable scrap meters Rs.2.37 million	2.370
348	PESCO	538/2020-21	Non-reconciliation of negative collection-remittance balances of banks Rs.209.915 million	209.915
349	PESCO	566/2020-21	Loss of precious human lives due to non-observance of safety standards	-
350	PESCO	579/2020-21	Non-recovery/updating of security from commercial consumers Rs.0.871 million	0.871
351	PESCO	582/2020-21	Non-recovery of arrears from private dead and running defaulters Rs.35.274 million	35.274
352	PESCO	620/2020-21	Irregular payment of pension and commutation to retired employees Rs.5.836 million	5.836
353	PESCO	621/2020-21	Non-removal of electrical equipment and non-recovery of arrears Rs.27.869 million	27.869
354	PESCO	623/2020-21	Loss due to non-recovery of pending energy dues against temporary connections Rs.8.383 million	8.383
355	PESCO	631/2020-21	Wasteful expenditure due to unnecessary procurement of walk-through gates Rs.28.525 million	28.525
356	PESCO	633/2020-21	Loss due to less remittance of electricity bills in	16.107

			PESCO`s main accounts by banks Rs.16.107 million	
357	PESCO	634/2020-21	Non-disposal of off-road vehicles Rs.6.850 million	6.850
358	PESCO	636/2020-21	Excess payment on account of general sales tax Rs.1,312.339 million	1,312.339
359	PESCO	645/2020-21	Non-return of dismantled / healthy electrical material to store Rs.1.165 million	1.165
360	PESCO	647/2020-21	Wasteful expenditure on bifurcation of 11KV feeders to reduce the line losses Rs.28.317 million	28.317
361	PESCO	706/2020-21	Non-capitalization of completed works Rs.26.324 million	26.324
362	QESCO	75/2020-21	Non return of dismantled material to store Rs.1.37 million	1.370
363	QESCO	76/2020-21	Loss due to missing parts of 11kv outgoing panel Rs.1.2 million	1.200
364	QESCO	77/2020-21	Non return of replaced outgoing panels to ware house Rs.2.59 million	2.590
365	QESCO	78/2020-21	Non deduction of liquidated damages from contractors Rs.9.29 million	9.290
366	QESCO	79/2020-21	Non return of surplus/dual drawl of material against Grid Stations /Transmission lines Rs.4.393 million	4.393
367	QESCO	80/2020-21	Non capitalization of capital works and deposits works Rs.200.88 million	200.880
368	QESCO	81/2020-21	Non mutation of land acquired for new Grid Stations Rs.12.906 million	12.906
369	QESCO	107/2020-21	Non consumptin/installation of electrical material Rs.76.88 million	76.880
370	QESCO	108/2020-21	Non consumption/installation of electrical material Rs.227.69 million	227.690
371	QESCO	109/2020-21	Non return of dismantled material Rs.6.519 million	6.519
372	QESCO	110/2020-21	Wasteful expenditure due to suspension and stoppage of transmission line work by the Gwadar Development Authority Rs.1098.09 million	1,098.090
373	QESCO	111/2020-21	Blockage of funds due to unnecessary purchase of electrical material Rs.58.320 million	58.320
374	QESCO	172/2020-21	Non-billing to consumers despite issuance of SCO Rs. 21.18 million	21.180
375	QESCO	175/2020-21	Loss due to damage of Distribution Transformers Rs. 76.87 million	76.870
376	QESCO	183/2020-21	Loss of capital amount due to wrongly sanctioned connection Rs. 1.424 million	1.424
377	QESCO	184/2020-21	Non-billing of consumers due to non-energization of service connection order Rs. 8.20 million	8.200
378	QESCO	188/2020-21	Irregular / Unjustified approval and energization of works Rs. 5.596 million	5.596
379	QESCO	189/2020-21	Undue favor to the consumers due to non-consolidated of load Rs. 140 million	140.000
380	QESCO	205/2020-21	Non-removal of electrical material of permanently disconnected consumers Rs. 14.361 million	14.361
381	QESCO	275/2020-21	Non recovery of liquidated damages from the	5.290

			suppliers Rs.5.29 million	
382	QESCO	288/2020-21	Non-removal of electrical material of permanently disconnected consumers Rs.2.49 million	2.490
383	QESCO	289/2020-21	Less recovery of security from new electricity applicants Rs.0.94 million	0.940
384	QESCO	290/2020-21	Non-return of dismantled/healthy electrical material to store Rs.1.47 million	1.470
385	QESCO	292/2020-21	Revenue loss due to non removal of illegal tubewell connections Rs.250.78 million	250.780
386	QESCO	495/2020-21	Non-recovery of grid sharing cost from the sponsor of housing colony Rs.6.86 million	6.860
387	QESCO	496/2020-21	Issuing double work orders due to poor internal controls Rs.2.95 million	2.950
388	QESCO	499/2020-21	Non-completion of electrification work of QDA sponsored housing schemes Rs.9.509 million	9.509
389	QESCO	500/2020-21	Non-recovery of liquidated damages from suppliers Rs.5.66 million	5.660
390	QESCO	504/2020-21	Less recovery of energy dues from consumers against billing Rs.31,285 million	31,285.000
391	QESCO	505/2020-21	Non-recovery of energy dues due to dispute between QESCO & Technical Training Center Turbat Rs.21.896 million	21.896
392	QESCO	506/2020-21	Loss due to provision of electricity to ghost consumers Rs.27.216 million	27.216
393	QESCO	508/2020-21	Non-implementation of equipment removal orders and recovery of arrears Rs.709.43 million	709.430
394	QESCO	533/2020-21	Non conduction of enquiry of infructuous expenditure on grid station Rs.16.050 million	16.050
395	QESCO	534/2020-21	Non forfeiture of performance bond due to non completion of supply Rs.1.933 million	1.933
396	QESCO	535/2020-21	Unjustified implementation of market rent by QESCO management Rs.9.482 million	9.482
397	QESCO	544/2020-21	Irregular use of DOP budget for grid maintenance work Rs.2.13 million	2.130
398	QESCO	545/2020-21	Non completion of GIS mapping work by consultant Rs.46.749 million	46.749
399	QESCO	546/2020-21	Loss due to illegal sale of QESCO's owned property by unknown person Rs.5.0 million	5.000
400	QESCO	547/2020-21	Irregular release of material by disengaging Material Management directorate Rs.1,275.22 million	1,275.220
401	QESCO	549/2020-21	Loss due to un-authentic provision of free electricity to the employees Rs.7.70 million	7.700
402	QESCO	550/2020-21	Non-crediting of revenue to main revenue collection account Rs.317.74 million	317.740
403	QESCO	609/2020-21	Schemes initiated but not completed due to various reasons Rs.135.738 million	135.738
404	QESCO	625/2020-21	Less recovery of departmental charges due to irregular sanction of electricity connection of commercial plaza RS.5.29 million	5.290

405	QESCO	626/2020-21	Non initiation of action against bidder for submission of Fake Bank Guarantee Rs.171.27 million	171.270
406	QESCO	627/2020-21	Irregular acceptance of invalid Bank Guarantee before execution of extension work of industrial consumer Rs.11.500 million	11.500
407	QESCO	629/2020-21	Unjustified rejection of supplier's bid for transformers Rs.141.833 million	141.833
408	QESCO	648/2020-21	Non-maintenance of separate bank account and books of accounts on Village Electrification Programme Baluchistan Rs.3,738.26 million	3,738.260
409	QESCO	649/2020-21	Unjustified issuance of repeat order Rs.4.365 million	4.365
410	QESCO	650/202-21	Unjustified utilization of funds Rs.245.79 million	245.790
411	QESCO	651/2020-21	Unnecessary purchase of WASP conductor out of village electrification funds Rs.19.188 million	19.188
412	QESCO	652/2020-21	Irregular drawl of electrical material Rs.60.80 million	60.800
413	QESCO	696/2020-21	Non-reconciliation of departmental data of executing agency Rs.286.15 million	286.150
414	QESCO	697/2020-21	Non-capitalization of completed works Rs.1,934.843 million	1,934.843
415	QESCO	698/2020-21	Irregular award of contract and non-confiscation/realization of performance guarantee Rs.4.185 million	4.185
416	QESCO	705/2020-21	Irregular grant of advance increments on acquiring irrelevant higher education Rs.5.24 million	5.240
417	QESCO	715/2020-21	Irregular utilization of funds Rs.9.190 million	9.190
418	QESCO	816/2020-21	Irregular procurement of material without considering the collusion practice of bidders Rs.286.444 million	286.444
419	QESCO	817/2020-21	Irregular purchase of transformers Rs.33.099 million	33.099
420	QESCO	818/2020-21	Irregular award of contract for supply of material Rs.383.666 million	383.666
421	QESCO	82/2020-21	Non renewal of performance guarantees Rs.10.039 million	10.039
422	QESCO	862/2020-21	Unjustified execution of DOP works out of ELR budget - Rs.5.75 million	5.750
423	QESCO	863/2020-21	Irregular absorption of Junior Engineers against Court decision	-
424	QESCO	879/2020-21	Irregular purchase order without proper evaluation of the bid of single bidders - Rs.52.981 million	52.981
425	QESCO	881/2020-21	Non-completion of deposit work of private housing scheme - Rs.9.63 million	9.630
426	QESCO	882/2020-21	Irregular grant of advance increments to Junior Engineers on first appointment - Rs.1.33 million	1.330
427	QESCO	972/2020-21	Irregular external electrification of private housing schemes Rs.19.180 million	19.180
428	QESCO	973/2020-21	Illegitimate sanction of deputation in violation of	2.250

			court decision and extra financial burden on account of allowance Rs.2.25 million	
429	QESCO	974/2020-21	Irregular internal Special Audit Report of debit/credit adjustments Rs.390.86 million	390.860
430	QESCO	975/2020-21	Irregular confirmation of posting as CEO and grant of Special Allowance by the BoD Rs.1.91 million	1.910
431	QESCO	976/2020-21	Irregular award of contracts to the highest bidders worth Rs.56.52 million	56.520
432	QESCO	992/2020-21	Unrealistic calculation of benefit cost ratio for execution of electrification works - Rs.7.85 million	7.850
433	SEPCO	13/2020-21	Non deduction of liquidated damages from the contractors Rs.25.871 million	25.871
434	SEPCO	20/2020-21	Delays in completion of works due to nonpayment of Service Charges Rs.10.814 million	10.814
435	SEPCO	21/2020-21	Blockage of funds due to dispute between Govt. Departments since long Rs.17.356 million	17.356
436	SEPCO	22/2020-21	Unjustified excess charging of overheads Rs.15.543 million	15.543
437	SEPCO	23/2020-21	Wasteful expenditure due to poor planning /survey Rs.45.801 million	45.801
438	SEPCO	24/2020-21	Non disposal of off road vehicles Rs.1.600 million	1.600
439	SEPCO	25/2020-21	Non renewal of performance security Rs.22.615 million	22.615
440	SEPCO	26/2020-21	Unknown whereabouts of dismantle material Rs.75.45 millionb	75.450
441	SEPCO	150/2020-21	Non-recovery from official on account of non installation / misappropriation of material drawn Rs. 1.170 million	1.170
442	SEPCO	151/2020-21	Bogus / doubtful completion of feeder work Rs. 15.72 million	15.720
443	SEPCO	152/2020-21	Non-completion of 11 KV Subho Dero feeder work since long at the risk & cost of the contractor Rs. 18.73 million	18.730
444	SEPCO	153/2020-21	Non finalization of disciplinary actions against the officials Rs. 265.070 million	265.070
445	SEPCO	154/2020-21	Non-capitalization of completed works Rs. 664.03 million	664.030
446	SEPCO	155/2020-21	Non-return of dismantled / useable material to store Rs. 1.74 million	1.740
447	SEPCO	157/2020-21	Unjustified / irregular execution of village electrification works without verification of consultants under CMD program Rs. 6.91 million	6.910
448	SEPCO	197/2020-21	Loss due to damage of distribution transformers Rs.65.48 million	65.480
449	SEPCO	203/2020-21	Non recovery of receivables from bulk supply consumer Rs.59.581 million	59.580
450	SEPCO	206/2020-21	Doubtful collection/scrolling against billing Rs.3.18 million	3.180
451	SEPCO	207/2020-21	Non recovery of arrears from running defaulters Rs.142.02 million	142.020

452	SEPCO	208/2020-21	Non-return of dismantled/healthy electrical material to store Rs.4.82 million	4.820
453	SEPCO	209/2020-21	Non return of dismantled/healthy electrical material to store Rs.1.30 million	1.300
454	SEPCO	212/2020-21	Loss due to excess amount credited to the consumers Rs.106.194 million	106.190
455	SEPCO	217/2020-21	Loss due to non-billing of units to the consumers Rs.183.55 million	183.550
456	SEPCO	225/2020-21	Non return of dismantled/healthy electrical material to to store Rs.37.204 million	37.204
457	SEPCO	327/2020-21	Irregular / excess claims lodged against Prime Minister's Relief package for Small and Medium size Enterprises (SMEs) Rs.4.155 million	4.155
458	SEPCO	328/2020-21	Non deduction of advance income tax from the energy bills of industrial and commercial consumers Rs.6.52 million	6.520
459	SEPCO	331/2020-21	Recoverable amount of tariff differential subsidy from Government of Pakistan Rs.62,884 million	62,884.000
460	SEPCO	332/2020-21	Non-disposal of dismantled / scrap material Rs.6.135 million	6.135
461	SEPCO	333/2020-21	Loss due to non-finalization of inquiry regarding credit adjustment Rs.17.203 million	17.203
462	SEPCO	334/2020-21	Doubtful/ bogus issuance of store material Rs.1.951 million	1.951
463	SEPCO	348/2020-21	Non-disposal of off road vehicle Rs.4.55 million	4.550
464	SEPCO	349/2020-21	Non-recovery of standard rent from illegal/unauthorized occupants Rs.1.383 million	1.383
465	SEPCO	35/2020-21	Wasteful expenditure due to non installation/bifurcation of existing 11KV feeder Rs.11.932 million	11.932
466	SEPCO	362/2020-21	Non-return of material to store Rs.1.17 million	1.170
467	SEPCO	364/2020-21	Non-execution of work at the risk & cost of the contractors Rs.13.867 million	13.867
468	SEPCO	365/2020-21	Non-removal of electrical equipment and non-recovery of arrears Rs.329.059 million	329.059
469	SEPCO	366/2020-21	Non-recovery of liquidated damages charges from suppliers Rs.11.809 million	11.809
470	SEPCO	389/2020-21	Non-execution of 119 Schemes Rs.200.104 million	200.104
471	SEPCO	407/2020-21	Irregular sanction of housing scheme without obtaining the bank guarantee Rs.4.422 million	4.422
472	SEPCO	425/2020-21	Persistent revenue loss due to non-recruitment of vacant post in all cadres of the SEPCO	-
473	SEPCO	490/2020-21	Non-provision of required Bank Guarantee as per contract Rs.74.295 million	74.295
474	SEPCO	491/2020-21	Loss due to less deduction of LD charges Rs.4.97 million	4.970
475	SEPCO	492/2020-21	Loss due to fire incident occurred at 132 KV grid station Ghotki Rs.2.122 million	2.122
476	SEPCO	839/2020-21	Irregular release of funds without prior technical feasibility Rs.5.764 million	5.764

477	SEPCO	919/2020-21	Non-opening of separate bank accounts and non-maintenance of separate books of accounts Rs.309.06 million	309.060
478	SEPCO	920/2020-21	Irregular charging of administrative overheads on village electrification schemes against Prime Minister's SDGs Rs.5.98 million	5.980
479	SEPCO	921/2020-21	Non-surrender of savings of GoP Rs.47.44 million	47.440
480	SEPCO	922/2020-21	Non-preparation of PC-IV for completed SDG works	-
481	SEPCO	923/2020-21	Non-completion of village electrification schemes Rs.24.57 million	24.570
482	SEPCO	924/2020-21	Non-remittance of unspent balance of GoP Rs.7.345 million	7.345
483	SEPCO	925/2020-21	Non-certification of completed schemes by the consultant Rs.83.62 million	83.620
484	SEPCO	969/2020-21	Loss due to unjustified evaluation of bid Rs.119.30 million	119.300
485	TESCO	335/2020-21	Non-recovery of outstanding energy dues from consumers Rs.126.21 million	126.210
486	TESCO	336/2020-21	Non-recovery of taxes from the steel and ghee industries Rs.2322.48 million	2,322.480
487	TESCO	358/2020-21	Non-recovery of amount of penalty from official Rs.32.21 million	32.210
488	TESCO	360/2020-21	Loss of revenue due to non-billing of electricity at 11 KV feeder Rs.9.82 million	9.820
489	TESCO	666/2020-21	Non-submission of NIC insurance covers Rs.15.687 million	15.687
490	TESCO	667/2020-21	Loss due to purchase of defective material Rs.20.124 million	20.124
491	TESCO	668/2020-21	Less recovery of capital cost from industrial consumer Rs.1.152 million	1.152
492	TESCO	669/2020-21	Non-recovery from new industrial consumers Rs.221.502 million	221.502
493	TESCO	671/2020-21	Loss due to damage of power transformers Rs.12.97 million	12.970
494	TESCO	672/2020-21	Non-submission of purchase orders to National Accountability Bureau Rs.336.98 million	336.980
495	TESCO	674/2020-21	Unjustified award of contracts to single bidder in violation of PPRA rules Rs.214.099 million	214.099
496	TESCO	675/2020-21	Non-recovery of penalty imposed Rs.1.77 million	1.770
497	TESCO	728/2020-21	Irregular award of contracts at rates reduced after opening of bids Rs.540.742 million	540.742
498	TESCO	729/2020-21	Non-obtaining of performance bank guarantees Rs.136.038 million	136.038
499	TESCO	730/2020-21	Unnecessary purchase of stores / electrical material Rs.35.80 million	35.800
500	TESCO	731/2020-21	Non-disposal of unserviceable material Rs.6.69 million	6.690
501	TESCO	735/2020-21	Non-payment to CPPA-G Rs.428.38 million	428.380
502	TESCO	798/2020-21	Non-recovery of compensation and non-completion	2.190

			of write off process of loss Rs.2.19 million	
503	TESCO	799/2020-21	Non-obtaining of E&S clearance certificate Rs.565.636 million	565.636
504	TESCO	801/2020-21	Non-recovery of liquidated damages charges from the contractors Rs.24.426 million	24.426
505	TESCO	813/2020-21	Non-vetting of works estimates by the consultant (third party) Rs.295.508 million	295.508
506	TESCO	858/2020-21	Non-return of dismantled material - Rs.2.784 million	2.784
507	GENCO-I	310/2020-21	Irregular payment on account of rerouting of gas pipeline Rs.22.54 million	22.540
508	GENCO-I	311/2020-21	Non-recovery of rent, utility charges and bank loan from officer Rs.0.994 million	0.990
509	GENCO-I	312/2020-21	Non-recovery/adjustment of advances paid to companies/suppliers Rs.4.78 million	4.780
510	GENCO-I	345/2020-21	Non-supply/provision of coal mill blast gates as per contract provision	-
511	GENCO-I	346/2020-21	Non-recovery on account of damages occurred due to rock blasting by the contractor Rs.13.92 million	13.920
512	GENCO-I	410/2020-21	Non-carrying out the soil tests to verify the foundations design, soil stabilization, acidity/alkalinity, potential leaching elements by the contractor	-
513	GENCO-I	412/2020-21	Irregular award of contract without obtaining insurance coverage Rs.5.210 million	5.210
514	GENCO-I	520/2020-21	Un-justified deletion of component of continuous emission monitoring (CEM) from the scope of EPC contract valuing Rs.3,700.37 million and loss of Pak Rs.38.40 million on account of commitment charges paid on un-utilized loan	3,738.770
515	GENCO-I	521/2020-21	Un-justified acceptance of sub-standard condensate and auxiliary steam piping material valuing Rs.238.60 million	238.600
516	GENCO-I	656/2020-21	Irregular utilization of second and third tier sub-contractor by EPC contractor and acceptance of sub-standard quality of boiler foundation columns & chimney foundations	-
517	GENCO-I	878/2020-21	In-ordinate delay in award of EPC contract unit-2 - Rs.36,216.54 million	36,216.540
518	GENCO-I	983/2020-21	Unjustified incurred for construction of water tanks for 2x600 MW coal fired power project Rs.24.270 million	24.270
519	GENCO-II	340/2020-21	Loss due to damage of cooling water pump spare parts Rs.12.24 million	12.240
520	GENCO-II	341/2020-21	Irregular award of purchase order at exorbitant rates Rs.0.82 million	0.820
521	GENCO-II	342/2020-21	Less deduction of income tax from the payments to contractors Rs.1.47 million	1.470
522	GENCO-II	343/2020-21	Blockage of funds on account of non-recovery of advances from private companies Rs.235.81 million	235.810

523	GENCO-II	390/2020-21	Loss due to award of irregular contract at higher rate Rs.4.32 million	4.320
524	GENCO-II	392/2020-21	Non-recovery of liquidated damages from the suppliers Rs.0.62 million	0.620
525	GENCO-II	394/2020-21	Non-provision of adjustment account and audit certificate by the irrigation department Rs.3.13 million	3.130
526	GENCO-II	409/2020-21	Non-disposal of unserviceable electrical material and off road vehicles Rs.7.23 million	7.230
527	GENCO-II	485/2020-21	Loss due to award of purchase order to 4th lowest bidder Rs.3.78 million	3.780
528	GENCO-II	519/2020-21	Loss due to framing of unjustified estimate of the work Rs.3.43 million	3.430
529	GENCO-III	415/2020-21	Loss due to damage of 220KV/110V capacitor voltage transformer Rs.2.488 million	2.488
530	GENCO-III	465/2020-21	Loss due to huge quantity of chemical expired in store Rs.34.434 million	34.434
531	GENCO-III	466/2020-21	Non-recovery of outstanding dues from the suppliers/contractors Rs.30.349 million	30.349
532	GENCO-III	480/2020-21	Non-disposal of unserviceable material Rs.3.530 million	3.530
533	GENCO-III	483/2020-21	Non-recovery of standard rent from illegal / unauthorized occupants Rs.13.698 million	13.698
534	GENCO-III	484/2020-21	Loss due to non-disposal/repair of off road vehicles Rs.2.410 million	2.410
535	NTDC	45/2020-21	Non recovery of liquidated damages from the contractor Rs.1,103.731 million	1,103.731
536	NTDC	46/2020-21	Irregular award of contracts at rates reduced after opening of bids Rs.3,511.413 million	3,511.413
537	NTDC	47/2020-21	Less recovery of liquidated damages from the contractor Rs.1.109 million	1.109
538	NTDC	140/2020-21	Recoverable cost from contractor and consultant due to damage of transformer Rs.21.19 million	21.190
539	NTDC	393/2020-21	Loss due to levy of commitment charges on unutilized loan Rs.2.817 million	2.817
540	NTDC	517/2020-21	Non-renewal of performance guarantee Rs.347.411 million	347.411
541	NTDC	518/2020-21	Irregular expenditure beyond the provision of BOQ Rs.42.395 million	42.395
542	NTDC	522/2020-21	Irregular payment of Rs.27.301 million to civil contractors	27.301
543	NTDC	523/2020-21	Doubtful expenditure on account of salaries Rs.2.436 million	2.436
544	NTDC	524/2020-21	Doubtful expenditure against time barred cheques Rs.17.162 million	17.162
545	NTDC	525/2020-21	Loss due to non-receipt of healthy material from contractor amounting to Rs.1.750 million	1.750
546	NTDC	526/2020-21	Irregular allocation of ADB project material to other projects on loan basis Rs.5 million	5.000
547	NTDC	527/2020-21	Loss due to non-recovery of cost of non-returned	2.000

			material amounting to Rs.2 million	
548	NTDC	560/2020-21	Unjustified payment on account of crops compensation Rs.38.425 million	38.425
549	NTDC	567/2020-21	Irregular payment on account of 2nd advance Rs.1,463.240 million	1,463.240
550	NTDC	568/2020-21	Non capitalization of completed (grid stations /transmission lines) Rs.18,782.412 million	18,782.412
551	NTDC	573/2020-21	Excess payment to consultants under direct cost Rs.14.707 million	14.707
552	NTDC	603/2020-21	Non-recovery of AAAC Greeley conductor cost from contractor Rs.9.354 million	9.354
553	NTDC	605/2020-21	Recovery of liquidated damages from contractors Rs.326.596 million	326.596
554	NTDC	606/2020-21	Loss due to non-provision of transformer oil by contractor Rs.2 million	2.000
555	NTDC	610/2020-21	Loss due to non-finalization of inquiry on theft Rs.1.098 million	1.098
556	NTDC	611/2020-21	Loss due to fault in circuit breaker D2Q2 Rs.1.500 million	1.500
557	NTDC	718/2020-21	Non-disposal of salvage/obsolete/damage material Rs.42.823 million	42.823
558	NTDC	719/2020-21	Loss of Rs.13.589 million due to shortage of material and Rs.7.907 million due to non-accountal of surplus material	21.496
559	NTDC	720/2020-21	Non-recovery of loss sustained by authority due to shortage of material of Rs.2.918 million and non-accountal of surplus material Rs.0.798 million	3.716
560	NTDC	733/2020-21	Non handing over/capitalization of completed works Rs.3,176.159 million	3,176.159
561	NTDC	744/2020-21	Non-intimation of enquiry for loss due to damage of transmission line Rs.37.863 million	37.860
562	NTDC	746/2020-21	Non-fulfillment of requirements against material drawn on emergency basis Rs.11.27 million	11.270
563	NTDC	747/2020-21	Loss due to non-disposal of unserviceable vehicles and scrap material Rs.4.99 million	4.990
564	NTDC	755/2020-21	Irregular award of purchase without open competition Rs.22.576 million	22.576
565	NTDC	757/2020-21	Non-disposal of unserviceable vehicles and scrap material Rs.46.975 million	46.975
566	NTDC	758/2020-21	Undue favour to contractor by not recovering liquidated damages due to grant of extension of time Rs.11.26 million	11.260
567	NTDC	761/2020-21	Substandard civil work by contractor Rs.10.957 million	10.957
568	NTDC	762/2020-21	Non-disposal of Scrap material Rs.1.83 million	1.830
569	NTDC	763/2020-21	Non-recovery of damaged transformers from the contractors Rs.21.193 million	21.193
570	NTDC	764/2020-21	Non-return of healthy material by contractor Rs.1.290 million	1.290
571	NTDC	765/2020-21	Loss due to affording undue favour to the	135.910

			contractor by granting provisional EOT Rs.135.91 million	
572	NTDC	766/2020-21	Non-renewal of performance guarantee Rs.46.31 million	46.310
573	NTDC	767/2020-21	Non-electrification of residential colony Dera Murad Jamali by QESCO Rs.3.38 million	3.380
574	NTDC	768/2020-21	Irregular award of contract to single bidder without rate analysis amounting to Rs.6.870 million and less recovery of discount amounting to Rs.0.320 million	7.190
575	NTDC	769/2020-21	Irregular payment to the contractor Rs.10.027 million	10.027
576	NTDC	770/2020-21	Non-receipt of surplus material from the contractor Rs.5.04 million	5.040
577	NTDC	772/2020-21	Loss due to damage of wooden reels of conductor Rs.24.833 million	24.833
578	NTDC	773/2020-21	Loss due to non-recovery from the contractor against cost of additional material , balance work and liquidated damages charges Rs.78.972 million	78.972
579	NTDC	774/2020-21	Loss due to delay in procurement on higher rates Rs.23.613 million	23.613
580	NTDC	778/2020-21	Irregular procurement through variation order instead of open competitive bidding Rs.109.916 million	109.916
581	NTDC	779/2020-21	Loss due to short supply of Disc Insulator by the contractor Rs.0.117 million	0.117
582	NTDC	780/2020-21	Loss due to poor planning and design Rs.6.107 million	6.107
583	NTDC	819/2020-21	Non-submission of educational orders to National Accountability Bureau Rs.295.129 million	295.129
584	NTDC	822/2020-21	Non-obtaining insurance cover from contractor against works Rs.3 million	3.000
585	NTDC	823/2020-21	Irregular expenditure incurred by the consultant Rs.13.441 million	13.441
586	NTDC	825/2020-21	Irregular liability of rehabilitation work of Port Qasim-Dadu Transmission Line and Hub-Jamshoro (Shikarpur-Dadu Circuit) Rs.38.71 million	38.710
587	NTDC	827/2020-21	Loss due to shortage of material Rs.7.08 million	7.080
588	NTDC	828/2020-21	Non adjustment / recovery from contractor Rs.580.67 million	580.670
589	NTDC	830/2020-21	Excess payment made to contractors over and above BOQ items of work Rs.611.68 million	611.680
590	NTDC	831/2020-21	Irregular award of bonus Rs.0.137 million	0.137
591	NTDC	832/2020-21	Non-recovery of liquidated damages from contractors Rs.248.412 million	248.412
592	NTDC	833/2020-21	Non-recovery of excess payment made to the consultants Rs.3.363 million	3.363
593	NTDC	834/2020-21	Non-recovery of pending bills from the contractor Rs.0.788 million	0.788
594	NTDC	835/2020-21	Non-recovery of rental charges from the contractors	0.637

			Rs.0.637 million	
595	NTDC	840/2020-21	Non recovery form contractors on account of services rendered by TSG (south) NTDC, Hyderabad Rs.2.530 million	2.530
596	NTDC	841/2020-21	Irregular payment of items in excess over BoQ items of works Rs.47.922 million	47.922
597	NTDC	852/2020-21	Irregular/doubtful award of contract to previously declared non-responsive firm - Rs.1,324.622 million	1,324.622
598	NTDC	872/2020-21	Non-disposal of off-road vehicles - Rs.1.690 million	1.690
599	NTDC	873/2020-21	Irregular promotion of officers in violation of promotion criteria	-
600	NTDC	874/2020-21	Irregular procurement of material in violation of PPRA rules and financial rules - Rs.40.701 million	40.701
601	NTDC	884/2020-21	Loss due to procurement of substandard Disc insulators Rs.99.57 million	99.570
602	NTDC	885/2020-21	Recoverable amount due to misuse of vehicle facility Rs.1.09 million	1.090
603	NTDC	886/2020-21	Loss due to procurement of substandard material Rs.9.29 million	9.290
604	NTDC	887/2020-21	Irregular expenditure due to hiring of retired army officer Rs.6.755 million	6.755
605	NTDC	889/2020-21	Non-withholding the amount "as built-in" drawings from the contractor Rs.1.700 million	1.700
606	NTDC	890/2020-21	Undue favour to the contractor due to non-deduction of liquidated damages Rs.52.90 million	52.900
607	NTDC	892/2020-21	In-fructuous expenditure on emergent basis Rs.11.70 million	11.700
608	NTDC	894/2020-21	Non-deduction of income tax amounting on account of salary income Rs.5.778 million	5.778
609	NTDC	896/2020-21	Less booking on account of non-cash adjustment against UoSC Rs.1,636 million	1,636.000
610	NTDC	897/2020-21	Imposition of penalty by NEPRA on account of violation by NTDC Rs.2 million	2.000
611	NTDC	907/2020-21	Loss due to non-receipt of material issued on loan basis Rs.21.373 million	23.373
612	NTDC	908/2020-21	Undue favour to contractors due to non-renewal of performance bank guarantees Rs.100.836 million	100.836
613	NTDC	909/2020-21	Irregular payment of items in excess over BoQ items of works Rs.50.40 million	50.400
614	NTDC	910/2020-21	Non-finalization of inquiry for non-payment to contractors Rs.22.49 million	22.490
615	NTDC	911/2020-21	Non-reconciliation of unidentified adjustments of use of system charges Rs.5,398.83 million	5,398.830
616	NTDC	912/2020-21	Non-finalization /closure of inactive project accounts Rs.1,214.35 million	1,214.350
617	NTDC	913/2020-21	Loss due to non-pursuance of court case Rs.7.70 million	7.700
618	NTDC	914/2020-21	Non-adjustment / clearance of balances with	126,364.000

			DISCOs/GENCOs Rs.126.364 billion	
619	NTDC	915/2020-21	Irregular payment to consultant M/s Barqaab Rs.3.340 million	3.340
620	NTDC	916/2020-21	Irregular refund of liquidated damages Rs.26.355 million	26.355
621	NTDC	917/2020-21	Non-recovery of liquidity damages Rs.1.024 million	1.024
622	NTDC	918/2020-21	Unjustified over payment made to contractor Rs.2.238 million	2.238
623	NTDC	930/2020-21	Non-finalization of inquiry Rs.26.573 million	26.573
624	NTDC	931/2020-21	Over/ double payment to contractor on account of provincial sales tax Rs.10.765 million	10.765
625	NTDC	932/2020-21	Non-recovery of long term advance from employees transferred to NTDC Rs.36.699 million	36.699
626	NTDC	933/2020-21	Loss due to shortage of material Rs.20.220 million	20.220
627	NTDC	934/2020-21	Irregular payment of price adjustments/price escalation made to M/s. NCL-AEL joint venture amounting to Rs.17.14 million	17.140
628	NTDC	938/2020-21	Irregular award of contract to single bidder in violation of PPRA rules Rs.62.14 million	62.140
629	NTDC	940/2020-21	Recoverable rental charges from M/s ICC (Pvt.) Limited Rs.23.018 million	23.018
630	NTDC	941/2020-21	Less recovery of liquidated damages from suppliers /contractors Rs.290.680 million	290.680
631	NTDC	943/2020-21	Unjustified grant of provisional extension of time of works Rs.89.42 million	89.420
632	NTDC	946/2020-21	Irregular payment to the contractor/supplier Rs.9.353 million	9.353
633	NTDC	949/2020-21	Non-completion of work in progress amounting to Rs.1,979.23 million	1,979.230
634	NTDC	952/2020-21	Non-preparation of PC-IV/completion reports in respect of AFD loan No.8311-PAK amounting to Rs.10,570.24 million	10,570.240
635	NTDC	954/2020-21	Non-completion of contract work amounting to Rs.2.68 million	2.680
636	NTDC	955/2020-21	Non-utilization of remaining portion of funds in NPCC Rs.8.356 million	8.356
637	NTDC	956/2020-21	Non-recovery from employees on account of pending court cases Rs.1.157 million	1.157
638	NTDC	987/2020-21	Non-utilization of remaining portion of loan - Rs.71,142.37 million	71,142.370
639	PITC	838/2020-21	Non-disposal of off-road vehicles Rs.1.35 million	1.350
640	PITC	926/2020-21	Un-due favor to the contractor by awarding the contract to 2nd lowest bidder Rs.7.999 million	7.999
641	PITC	927/2020-21	Non recovery of foreign service contribution and long term loan from the deputationist Rs.1.56 million	1.560
642	PITC	963/2020-21	Recoverable amount from two officers Rs.3.97 million	3.970
643	Ministry of	141/2020-21	Unjustified saving on account of non payment of	239.506

	Energy Power Division		legal fee to Foreign Counsel of KARKEY KARADENIZ, and loan from GENCO-IV Rs.239.506 million	
644	CPPAGL	870/2020-21	Loss due to procurement of surplus capacity - Rs.167,182.75 million	167,182.750
645	CPPAGL	871/2020-21	Non-imposition of LD charges - Rs.1.41 million	1.410
646	CPPAGL	880/2020-21	Irregular reimbursement of workers profit participation fund - Rs.123.088 million	123.088
647	CPPAGL	883/2020-21	Less recovery of market operation fees from DISCOs Rs.187.355 million	187.355
648	CPPAGL	899/2020-21	Non-recovery / settlement of receivables from NTDC through loan notes Rs.41,900 million	41,900.000
649	CPPAGL	900/2020-21	Irregular appointment of two legal officers at the time of recruitment Rs.18.46 million	18.460
650	CPPAGL	902/2020-21	Irregular payment of insurance premium on risk of terrorism to IPPs Rs.199.74 million	199.740
651	CPPAGL	903/2020-21	Irregular issuance of two work orders by extending the completion period to facilitate the contractor Rs.79.85 million	79.850
652	CPPAGL	904/2020-21	Irregular payment made on account of internet services charges Rs.2.48 million	2.480
653	CPPAGL	935/2020-21	Irregular payment on account of reimbursement of withholding tax Rs.179.13 million	179.130
654	CPPAGL	986/2020-21	Irregular re-hiring of consultants - Rs.31.34 million	31.340
655	PHPL	804/2020-21	Excess burden on power sector Rs.5.899 billion	5,899
656	PHPL	805/2020-21	Irregular payment of markup Rs.19.569 billion	19,569
657	PHPL	957/2020-21	Loss due to non-availing of refinancing facilities Rs.578.167 million	578.167
TOTAL				1,172,818.16

**MINUTES OF DAC MEETING HELD ON JANUARY 04 – 07, 2021
AUDIT REPORT 2020-21**

Sr. No.	Formation	DAC Directives
1.	NTDC	<p>148 PDPs were issued on accounts of NTDC for the Audit Report 2020-21 and placed for discussion in this DAC,</p> <p>DAC observed that the head of the organization i.e. MD NTDC has not attended the meeting either in person or through video link and it is also not clear that whether he attended exit meetings with the audit teams and putting any effort towards addressing the deficiencies pointed out by audit. This reflects lack of interest and lack of sense responsibility of MD NTDC towards meeting out this constitutional and official responsibility as head of the organization.</p> <p>DAC directed the MD NTDC/ CFO NTDC to personally look into the audit paras and undertake necessary actions. After taking that necessary action, invite the audit team concerned, inform about the action taken, satisfy their concern and submit jointly signed report to DAC for consideration within two months. Mr. Khawaja Riffit (sitting MD NTDC) and Mr. Amir (sitting CFO NTDC) should do the needful as directed and in case they get transferred, they shall be responsible to get the same action done through the next MD/ CFO and the time lines of two months shall remain the same and the joint report still be required to bear the initial of KhawajaRiffat being responsible to complete the said exercise within the said time lines. In case of failure to submit the desired joint report to the satisfaction/ signature of respective audit teams within the timelines, the matter would be placed before PAC for taking necessary action.</p> <p>Out of 148 PDPs, about 20 No. PDPs (i.e. 45, 516, 517, 603, 630, 733, 760, 776, 820, 826, 837, 852, 895, 911, 912, 914, 944, 949, 951 & 988) DAC directed the management to place the audit observation before BoD through an exclusive agenda item and within three months the BoD should report to the DAC that the issue has resolved or certify that there was no violation of rules and loss to NTDC.</p>

2	DISCOs	<p>DISCOs Paras Directives (Less than Rs.10 millions)</p> <p>DAC directed the sitting Chief Executive Officer (FESCO, GEPCO, HESCO, IESCO, LESCO, MEPCO, PESCO, QESCO, SEPCO & TESCO) to take responsibility for compliance to the audit findings with amount less than Rs.10.00 million and in case of non-compliance, the Chief Executive Office would be liable for taking necessary actions against him by the Principal Accounting Officer. DAC further directed to submit a report, within one month, under joint signature of Audit and Chief Executive Officer depicting that audit has satisfied and compliance has been made by the CEO enabling DAC to settle the audit observation. In case of non-compliance, the negligence on their part and express act of omission under E&D Rules, pension cases would not be processed till settlement of Audit Paras.</p>
		<p>DISCOs Paras Directives (above Rs.10 millions)</p> <p>DAC directed the Chief Executive Officer / Chief Financial Officer to sit jointly with audit to examine / review each and every PDP to address the matter if possible. If the matter is not addressable then the action to be taken would be discussed with audit and after the concurrence of audit, suggest Government to take appropriate action. The said report should be submitted to DAC within one month. The DAC further instructed the Chief Executive Officer to send the said report to Board of Directors of the Company with directions of DAC to convene BoD meeting for discussion as an exclusive one point agenda item for thread bear review / understanding of the audit paras and submit their opinion (audit paras wise) within further 30 days from the preparation of said report by the management.</p>

ROLES OF MAJOR PLAYERS IN POWER SECTOR

Sr. No	Name of Entity	Functional Role
1.	Pakistan Electric Power Company (PEPCO)	PEPCO is the management company of the power sector distribution companies (DISCOs).
2.	National Transmission and Dispatch Company (NTDC)	NTDC controls the transmission network (i.e power lines of 220KV and above); its role is to pick (i.e evacuate) the electricity from the power generation companies and ensure its transmission to the concerned DISCOs.
3.	Distribution Companies (DISCOs)	DISCOs are supplying, distributing and selling power (electricity) in their designated areas. These companies receive electricity from power producing units and distribute it among end consumers and charge them as per NEPRA tariffs notified by Government of Pakistan.
4.	Generation Companies GENCOs	These are government owned power producing units operating mostly on furnace oil and natural gas basis.
5.	Water and Power Development Authority (WAPDA)	All hydel power general generation facilities (maintained at present) are being managed by WAPDA.
6.	Central Power Purchasing Agency-Guarantee (CPPA-G)	It is the power-sector's market operator. It purchases electricity on behalf of distribution companies and sells it on behalf of power generation companies. It bills the distribution companies for sold electricity and makes payments to the power generating units.
7.	National Power Control Center (NPCC)	It is a subordinate office of NTDC. It is responsible for real time monitoring of electricity demand and supply, power balancing and formulation of <i>Economic Merit Order</i> ensuring that adequate

		supply of electricity from cheapest available sources is made available to DISCOs.
8.	Power Holding Private Limited (PHPL)	It is responsible for arranging bridge financing/other financial instruments for repayment of liabilities of DISCOs in order to settle the circular debt of Power Sector on the terms and conditions approved by Government from time to time.
9.	National Electric Power Regulatory Authority (NEPRA)	NEPRA is a regulator of the power sector of Pakistan, it provides the basis for sale and purchase of electricity i.e. determination of tariffs.
10.	Private Power Infrastructure Board (PPIB)	It is responsible for preparing and executing implementation agreements with private parties willing to set up power projects in Pakistan
11.	Alternate Energy Development Board (AEDB)	It is responsible for facilitating, promoting and encouraging development of Renewable Energy in Pakistan. In this regard it is also responsible for preparing and executing implementation agreements with private parties willing to set up renewable power projects in Pakistan
12.	Independent Power Producers IPPs	These are private entities having sovereign contracts with the GoP for the sale of electricity being supplied by them.
13.	Bank Consortiums	They have been providing loans to PHPL to pay-off CPPA-G liability
14.	Gas Companies (SNGPL & SSGCL)	They provide natural gas and LNG procured to the domestic consumers, GENCOs and limited IPPs.
15.	Pakistan State Oil Company (PSO)	They provide fuel to fuel based GENCOs and IPPs

HIGH-PRICE ENERGY MIX

Sources	Installed Capacity (MW)	De-rated Capacity (MW)
Fuel based Sources		
Residual Furnace Oil (RFO)	4,782.582	4,405.080
Gas / RLNG	7247.130	6,782.136
Coal	4,620.000	4,338.134
Sub-Total	16,649.712	15,525.350
Other Indigenous Sources		
Hydel	9,830.820	9,830.820
Nuclear	1,330.000	1,230.518
Wind	1,232.175	1,232.175
Bagasse	254.000	254.000
Solar	430.000	430.000
GENCOS	4,731.350	3,939.758
Sub-Total	17,808.325	16,917.271
Grand Total	34,258.037	32,442.621

Source: (CPPA data)

REVENUE SHORT FALL IN DISCOS

DISCOs	2019-20				2018-19				Inc./Dec. (%age)
	Computed Billing	Current Collection	Short Fall	%age Recovery	Computed Billing	Current Collection	Short Fall	%age Recovery	
LESCO	382,306	310,907	71,399	81.32	319,553	278,049	41,504	87.01	-5.69
GEPCO	166,948	135,855	31,093	81.38	142,058	125,038	17,020	88.02	-6.64
FESCO	208,795	180,710	28,085	86.55	183,468	168,597	14,871	91.89	-5.34
IESCO	201,710	151,292	50,418	75	175,070	139,410	35,660	79.63	-4.63
MEPCO	239,410	196,682	42,728	82.15	209,568	182,484	27,084	87.08	-4.93
PESCO	160,485	112,453	48,032	70.07	134,894	101,703	33,191	75.39	-5.32
HESCO	65,357	36,629	28,728	56.04	59,072	31,997	27,075	54.17	1.87
SEPCO	47,867	20,664	27,203	43.17	42,110	16,229	25,881	38.54	4.63

QESCO	74,521	14,449	60,072	19.39	52,452	12,742	39,710	24.29	-4.9
TESCO	27,788	5,318	22,470	19.14	23,414	4,431	18,983	18.92	0.22
ALL DISCOs	1,575,187	1,164,959	410,228	73.96	1,341,658	1,060,680	280,978	79.06	-5.1

(Source: PEPCO Data up to June 30, 2020)

Annexure-D

HUGE RECEIVABLES FROM RUNNING AND DEAD DEFAULTERS **AS ON JUNE 30, 2020**

(Rs. in million)

Sr. No.	Name of DISCO	Running Defaulters			Dead Defaulters			Grand Total
		Govt.	Private	Total	Govt.	Private	Total	
1.	LESCO	5,032	11,987	17,019	254	14,143	14,397	31,416
2.	GEPCO	17,144	3,384	20,528	22	948	970	21,498
3.	FESCO	601	2,985	3,586	-	812	812	4,399
4.	IESCO	104,504	2,121	106,625	65	332	397	107,022
5.	MEPCO	1,368	6,274	7,642	19	6,674	6,693	14,335
6.	PESCO	49,415	57,751	107,166	188	54,983	55,171	162,337
7.	HESCO	10,422	64,030	74,452	902	15,536	16,438	90,890
8.	SEPCO*	13,961	97,961	111,922	685	14,406	15,091	127,013
9.	QESCO	22,555	274,052	296,607	333	1,992	2,325	298,933
10.	TESCO	1,886	46,113	47,999	324	3,403	3,727	51,726
TOTAL		226,888	566,658	793,546	2,792	113,229	116,021	909,569

(Source: PEPCO Data Vide letter No. 283-4/GM/(R&CO)/DGC dated 09.02.2021)

Annexure-E

DISCOS' RECEIVABLES FROM THE GOVERNMENT

Description	Amount (Rs. in billion)
Receivables of Agricultural Tube-well consumers in Baluchistan	266.48
Receivables for Supply of AJK	144.94
Receivables from Govt. Owned entities, departments	88.56
Sub Total	499.98
Receivable from KE	169.44
Grand Total	669.42

(Source: PEPCO Data 2019-2020)

FAP AUDIT CARRIED OUT IN AUDIT YEAR 2020-21

Sr. No.	Loan Title	Loan ID	Donor Agency	Recipient (NTDC/ DISCO/ PEPCO/ Ministry)	Date of Commencement	Closing Date of Loan		Loan Amount (US \$ In million)	Status of Loan Utilization as on 30-06-2020 (US \$ In million)	Loan Utilization During FY 2019-20 (US \$ In million)	Unutilized Loan	
						Original	Revised				Amount (US \$ in million)	Amount in Percentage (US \$ in million)
1	Jamshoro Power Generation Project	3090-PAK	ADB	GENCO	20.11.2014	31.03.2019	30.06.2022	658	97.09	36.36	560.91	85.24%
2	Jamshoro Power Generation Project	3092-PAK	ADB	GENCO	20.11.2014	31.03.2019	30.06.2022	30	10.04	0.24	19.96	66.53%
3	Second Power Transmission Enhancement Investment Program-Tranche 1	3419	ADB	NTDC	29.11.2016	31.12.2020	-	70.900	38.156	19.629	32.74	46.18%
4	Second Power Transmission Enhancement Investment Program-Tranche 1	3420	ADB	NTDC	29.11.2016	26.08.2026	-	10	1.801	0.674	8.20	81.99%
5	MFF Power Transmission Enhancement Investment Program II Tranche 2	3577-PAK	ADB	NTDC	04.04.2018	31.12.2022	-	260	32.973	21.361	227.027	87.32%
6	MFF Power Transmission Enhancement Investment Program II - Tranche 3	3677-PAK	ADB	NTDC	25.02.2019	31.12.2023	-	280	8.867	8.867	271.133	96.83%
7	CASA electricity transmission and trade	5409-PK	World Bank	NTDC	11.05.2015	30.06.2020	-	120	24.214	9.611	95.79	79.83%
8	Transmission Modernization I Project	8814-PK	World Bank	NTDC	13.07.2018	31.01.2024	-	425	1.661	0.462	423.34	99.6%
9	Power Transmission Enhancement Investment Program Tranch-III	2846 PKP	ADB	NTDC	21.02.2012	30.10.2017	-	243.240	162.811	0.016	80.429	33.07%
10	Power Transmission Enhancement Investment Programme Tranch-IV	3203	ADB	NTDC	06.12.2015	30.10.2017	-	248.00	52.546	0.353	195.45	78.81%
Total in US \$								2345.14	430.16	97.57	1914.984	81.66%
11	Punjab transmission lines & grid stations project	PK-P58	Japan	NTDC	27.10.2007	24.10.2015	31.12.2022	JPY 11,943	JPY 8,266.606	JPY 633.62	JPY 3,676.394	30.78%
12	National transmission lines and grid station project	PK-P61	Japan	NTDC	07.10.2010	7.10.2019		JPY 23,300	JPY 21,140.255	JPY 279.267	JPY 2,159.745	9.27%
Total in JPY								JPY 35,243	JPY 29,406.681	JPY 912.887	JPY 2,836.134	8.05%

13	Power Transmission Enhancement Investment Program Tranche 4	8311-PAK	ADB	NTDC	20.07.2017	01.08.2020	-	Euro 75	Euro 56.781	Euro 4.798	Euro 18.219	24.29%
14	Power Transmission Enhancement Investment Program Tranche 4	1036-AFD										

TRANSMISSION & DISTRIBUTION LOSSES OF SYSTEM (132 KV & BELOW)
FOR THE YEAR 2019-20

Sr. No.	DISCOs	2019-20				NEPRA Target %age	Excess %age lost	Allowed Units as per NEPRA Target	Unit Lost Beyond NEPRA Target	*Loss (Rs. in million)
		Units (M.kwh)			%age losses					
		Purchased	Sold	Lost						
1	LESCO	23,528	20,611	2,917	12.40	11.76	0.64	2,766.89	150.11	2,835.53
2	GEPCO	10,991	9,946	1,045	9.51	10.03	(0.52)	-	-	-
3	FESCO	14,510	13,123	1,387	9.56	10.24	(0.68)	-	-	-
4	IESCO	11,435	10,442	993	8.68	8.65	0.03	989.13	3.87	73.15
5	MEPCO	19,325	16,382	2,943	15.23	15.00	0.23	2,898.75	44.25	835.88
6	PESCO	14,792	9,043	5,749	38.87	31.95	6.92	4,726.04	1,022.96	19,323.64
7	TESCO	2,001	1,803	198	9.90	12.47	(2.57)	-	-	-
8	HESCO	5,471	3,890	1,581	28.90	22.59	6.31	1,235.90	345.10	6,518.96
9	SEPCO	4,253	2,710	1,543	36.28	29.75	6.53	1,265.27	277.73	5,246.37
10	QESCO	6,604	4,842	1,762	26.68	17.50	9.18	1,155.70	606.30	11,453.01
	TOTAL	112,910	92,792	20,118					2,450.32	46,286.53

(Source:- PEPCO DATA Vide letter No. 283-4/GM/R&CO/DGC dated 09.02.2021)

- Average rate of Rs.18.89/- per kWh calculated "Consumer-End Applicable Tariff" www.nepra.org.pk

ANNEXURE-H**STATEMENT SHOWING THE DETAILS OF 1189 GENERAL FEEDERS HAVING
ABNORMAL LINE LOSSES FOR THE YEAR 2019-20**

Sr. No.	Name of Company	Proposed Draft Para No.	(%) losses NEPRA	(%) losses on general feeder	No. of feeders	Units Lost beyond NEPRA target (million)	Amount (Rs.in million)
1.	FESCO	740/2020-21	10.20%	14.2% to 41%	88	55.09	826.45
2.	GEPSCO	444/2020-21	10.03%	15.1% to 32.6%	84	73.81	1,107.08
3.	HESCO	564, 588/2020-21	22.59%	23.02% to 100%	152	314.62	6,238.73
4.	MEPCO	493, 654/2020-21	11.87%	17% to 39.4%	110	196.39	3,045.98
5.	PESCO	139, 451 & 713/2020-21	31.95%	35.42% to 96.39%	299	1605.70	30,295.54
6.	QESCO	291, 494 & 501/2020-21	17.5%	24.6% to 86.2%	249	638.83	6,388.32
7.	SEPCO	540/2020-21	29.75%	38.19 to 97.64%	207	498.91	8,920.64
Total					1189	3383.35	56,822.74

ANNEXURE-I**OUTSTANDING SUBSIDY AMOUNT OF DISCOS UP TO JUNE 30, 2020**

Sr. No.	Name of Company	MFDAC Proposed Draft Para No.	Subsidy Amount (Rs.in million)
1.	GEPCO	406 & 435/2020-21	15,194.16
2.	HESCO	846/2020-21	61,735.67
3.	LESCO	267/2020-21	56,527.00
4.	PESCO	322/2020-21	25,947.31
5.	SEPCO	331/2020-21	62,884.00
TOTAL			222,288.14