Auditor-General of Pakistan

February, 2026

AUDIT REPORT

ON

ISLAMABAD ELECTRIC SUPPLY COMPANY (IESCO)

Report No: DGA POWER 25-003

Audit Year 2025-26

Financial Year 2024-25

PREFACE

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

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

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

The report was shared with the entity as well as the Principal Accounting Officer (PAO) and executive responses were evaluated before finalization of this report. The report was discussed in Departmental Accounts Committee (DAC) meeting held on February 19-20, 2026 and the outcome of the meeting has been incorporated in the report.

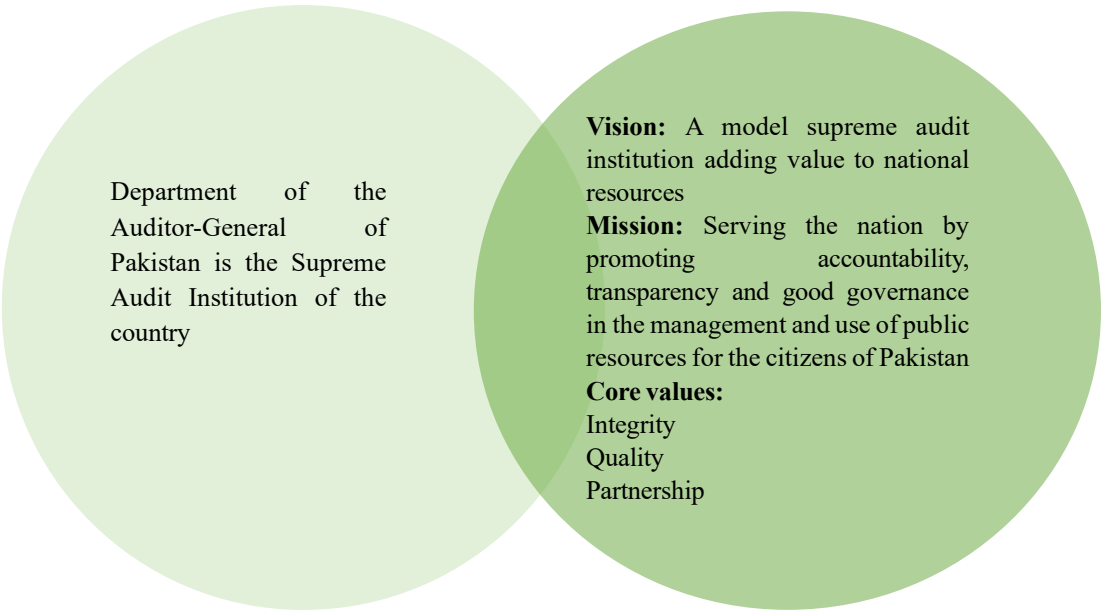
The Audit Report is submitted to the President of Pakistan in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan 1973, for causing it to be laid before both houses of Majlis-e-Shoora (Parliament).

Sd/-

Islamabad
Dated: 24 February, 2026

(Maqbool Ahmad Gondal)
Auditor-General of Pakistan

Department of the Auditor-General of Pakistan



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

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

Highlights

AUDIT SNAPSHOT

Audit Report on Islamabad Electric Supply Company (IESCO)

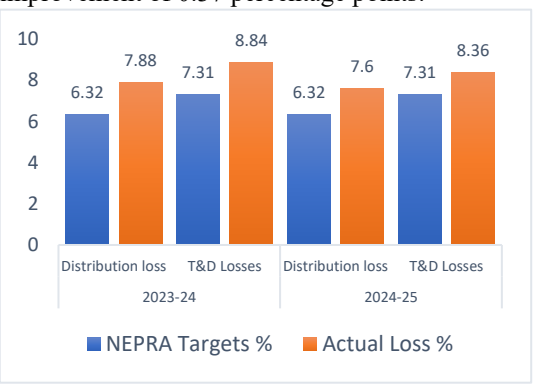
DGA-25-003 **February, 2026**

Why did we do this audit?

The audit of IESCO was conducted to ensure that the public funds are safeguarded, as IESCO is a government-owned power distribution company. Audit aims to assess compliance with applicable laws, rules and regulatory frameworks besides evaluation of financial management practices and operational activities. Overall, the audit was carried out to promote transparency, accountability, efficient use of resources and improved service delivery.

Key assessment

The financial position of IESCO is as under:
Financial Sustainability: moderately satisfactory
Revenue: 331,073.11 million
Net Loss: 1,415.59 million
IESCO's review of operational performance depicts a decreasing trend in Transmission and Distribution (T&D) losses of 8.39 % in FY 2025, as against 8.76 % in FY 2024, marking an improvement of 0.37 percentage points.



What did we find?

- Weak Board oversight, absence of KPIs, resulted in delayed strategic execution and weak internal audit functioning.
- Weak financial control including weak asset revaluation, unfunded employee benefits and unrecovered dues.
- Operational inefficiencies causing excess losses, unauthorized load extensions and abnormal billing.
- Procurement weaknesses marked by tender splitting, weak QA&I, and non-enforcement of contractual safeguards.
- Gaps in asset capitalization and digitization, resulting incomplete GIS records.

What did we recommend?

- Strengthen Board oversight through KPIs, milestone tracking, and timely corrective action.
- Strengthen financial controls through verification of revalued assets, actuarial funding of employee benefits and recovery of dues.
- Reduce revenue leakages through feeder monitoring, load regularization and billing reforms.
- Enforce PPRA compliance, independent inspections, and contractual remedies in procurement.
- Integrate ERP–FAM, complete GIS mapping.

Highlights

DGA-25-003 **February, 2026**

Entity Summary Sheet

IESCO	
Description	**Details**
Legal Framework of Entity	IESCO is a state-owned enterprise under SOE Act, 2023. Incorporated on May, 1998 registered under Companies Ordinance, 1984, started its operations as a Public Limited Company. The registered office of the Company is situated in Islamabad (ICT). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries.
Key Responsibilities/Mandate and Objectives	IESCO is mandated to ensure the reliable, safe, and efficient distribution of electricity within its jurisdiction by operating and maintaining the power distribution system. Its core objectives include minimizing technical and commercial losses, ensuring quality power supply, expanding the distribution network, and providing prompt customer services in accordance with NEPRA regulations and government policies.
Total Assets • Current • Non-current	**Rs. 546,674.51 million as of June 30, 2025** • Rs. 173,917.67 million • Rs. 372,756.85 million
Total Liabilities • Current • Non-current	**Rs. 449,819.64 million as of June 30, 2025** • Rs. 235,012.26 million • Rs. 214,807.38 million
• Revenue • Other Income	• Rs. 331,073.11 million as of June 30, 2025 • Rs. 14,819.72 million as of June 30, 2025
Government Grants	Nil
Expenditure	Rs. 349,846.51 million as of June 30, 2025
Cash Balances	Rs. 27,752.33 million as of June 30, 2025
Investments (Short term)	Rs. 1,243.85 million as of June 30, 2025
Funding Sources	IESCO is self-sustained, generating revenues and cashflows through electricity sale.
Accounting policy	Adopted accounting policies in accordance with International Accounting & Financial Reporting Standards applicable in Pakistan.
Status of financial statements	Finalized for the FY 2020-25
Compliance Status of audit recommendations	Follow up of DAC directives dated February 19-20, 2026 will be ensured.

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ABBREVIATIONS AND ACRONYMS

ABC	Aerial Bundled Conductor
AGP	Auditor-General of Pakistan
AMI	Advanced Metering Infrastructure
AMIS	Audit Management Information System
AT&C	Aggregate Technical & Commercial
BER	Bid Evaluation Report
BOD	Board of Directors
BOQ	Bill of Quantity
CDA	Capital Development Authority
CEO	Chief Executive Officer
CP	Commercial Procedure
CPP	Energy Purchase Price
CPPA-G	Central Power Purchasing Agency (Guarantee)
CSM	Consumer Service Manual
CSO	Customers Service Officers
DAO	District Accounts Officer
DDO	Drawing & Disbursement Officer
DDWP	Departmental Development Working Party
DISCO / DISCOs	Distribution Company / Companies
ECC	Economic Coordination Committee
EIA	Environmental Impact Assessment
ELR	Energy Loss Reduction
EMP	Environmental Mitigation Plan
EOL	Extension of Load
EPA	Environmental Protection Agency
EPP	Energy Purchase Price
ERP	Enterprise Resource Planning
FAM	Fixed Assets Management
FAR	Fixed Assets Register
FAT	Factory Acceptance Test
FBR	Federal Board of Revenue
FIA	Federal Investigation Agency
FIR	First Information Report
FY	Financial Year
GIS	Geographic Information System
GRC	Grievance Redressal Committee
GRN	Goods Receipt Note
GSC	Grid Systems Construction
GST	General Sales Tax
HOTO	Handing Over Taking Over
HSE	Health, Safety and Environment
HT	High Tension
IA	Internal Auditor
IAS	International Accounting Standards

IEE	Initial Environmental Examination
IESCO	Islamabad Electric Supply Company
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
IPPs	Independent Power Producers
IPPF	International Professional Practices Framework
IPSAS	International Public Sector Accounting Standards
JV	Joint Venture
KPI(s)	Key Performance Indicator(s)
Kv	Kilovolt
kWh	Kilowatt-hour
LPS	Late Payment Surcharge/ Ledger Posting Summary
LS	Line Superintendent
LT	Low Tension
M&T	Metering & Testing
MDI	Maximum Demand Indicator
MIRAD	Market Implementation and Regulatory Affairs Department
MIS	Management Information System
MKWh	Million Kilowatt-hours
MM	Material Management
MOU	Memorandum of Understanding
MVA	Megavolt-Ampere
MW	Megawatt
MYT	Multi-Year-Tariff
NAB	National Accountability Bureau
NADRA	National Database and Registration Authority
NCB	National Competitive Bidding
NEPRA	National Electric Power Regulatory Authority
NESPAK	National Engineering Services Pakistan (Pvt.) Limited
NGC	National Grid Company
NOC	No Objection Certificate
NTDC	National Transmission and Despatch Company
O&M	Operation and Maintenance
P&E	Planning and Engineering
PC-1	Planning Commission-1 (Proforma for Development Projects)
PEC	Pakistan Engineering Council
PEPCO	Pakistan Electric Power Company
PO	Purchase Order
PITC	Power Information Technology Company
PMC	Property Management Cell
PMLTC	Pak Matiari-Lahore Transmission Company
PMU	Project Management Unit
PO	Purchase Order
PPA	Power Purchase Agreement
PPE	Personal Protection Equipment
PPMC	Power Planning and Monitoring Company

PPR	Public Procurement Rules
PPRA	Public Procurement Regulatory Authority
PTW	Permit-to-Work
QA&I	Quality Assurance & Inspection
RCO	Re-connection Order
REPCO	Rawalpindi Electric Power Company
RFP	Request for Proposal
RO	Revenue Officer
ROW	Right of Way
RST	Retail Sales Tax
SAP	Systems, Applications and Products
SAP/SDGs	Sustainable Development Goals Achievement Programme
SBD	Standard Bidding Documents
SDO	Sub-Divisional Officer
SECP	Securities & Exchange Commission of Pakistan
SOE(s)	State-Owned Enterprise(s)
SOP(s)	Standard Operating Procedure(s)
SRO	Statutory Regulatory Order
STG	Secondary Transmission and Grids
T/F	Transformer
T&D	Transmission & Distribution
TORs	Terms of Reference
WAPDA	Water and Power Development Authority
WPPF	Workers' Profit Participation Fund
WWF	Workers Welfare Fund

GLOSSARY

This annexure presents definitions of technical, financial, contractual, and operational terms used in the Audit Report on Islamabad Electric Supply Company (IESCO).

Technical/Financial Terms & CP Forms

Sr. No.	Technical Term	Definition
1	ABC – Ariel Bundle Cable	A type of electrical cable used for overhead power distribution.
2	Capital Cost (New Connections)	The cost recoverable from consumers by DISCOs for infrastructure required to provide new electricity connections, including transformers, service lines, and meters.
3	Circular Debt	Accumulated unpaid financial obligations within the power sector supply chain due to losses, subsidies, inefficiencies, and delayed recoveries.
4	Connected Load	Total electrical load physically connected at consumer premises, which may differ from sanctioned load.
5	Defective Meter	A meter declared faulty due to incorrect recording of consumption, requiring replacement or billing on average basis.
6	Departmental Accounts Committee (DAC)	Committee responsible for discussing audit observations and ensuring corrective action by management.
7	Detection Bill	A penal bill issued by DISCOs upon detection of theft, meter tampering, or misuse of electricity.
8	Distribution Companies (DISCOs)	Public sector entities responsible for distribution and sale of electricity to consumers.
9	Energy Charges	Variable charges based on actual electricity units consumed by a consumer, typically measured in kilowatt-hours (kWh).
10	Extension of Load	An increase in sanctioned load provided to a consumer by DISCOs, requiring approval, security deposit adjustment, and infrastructure assessment.
11	Feeder	An electrical line emanating from a grid station supplying electricity to a defined area under a DISCO.
12	Feeder-wise Losses	Losses calculated by DISCOs for each feeder to identify high-loss and theft-prone areas.

13	HT / LT Network (High Tension / Low Tension Network)	Distribution voltage levels operated by DISCOs for supplying electricity to industrial, commercial, and domestic consumers.
14	Independent Power Producers (IPPs)	Private entities generating electricity and selling it to the government under PPAs.
15	Late Payment Surcharge (LPS)	Penalty charged for delayed payments under Power Purchase Agreements.
16	Line Losses	Loss of electrical energy occurring in DISCO distribution networks due to resistance, overloading, ageing infrastructure, and poor maintenance.
17	MDI (Maximum Demand Indicator)	A meter parameter used by DISCOs to record the highest electricity demand of a consumer for billing and tariff application.
18	Meter Reading Cycle	The periodic schedule followed by DISCOs for recording electricity consumption.
19	Metering & Testing (M&T)	Functions performed by DISCOs to install, test, verify and maintain electricity meters to ensure accurate billing.
20	Multi-Year Tariff (MYT)	Tariff framework approved for multiple years to ensure predictability and performance incentives.
21	National Electric Power Regulatory Authority (NEPRA)	Statutory regulator responsible for licensing, tariff determination, and performance standards.
22	NEPRA Performance Targets	Benchmarks set by NEPRA for DISCOs relating to T&D losses, recovery rates, service quality and operational efficiency.
23	Permanently Disconnected (P-Disc.) Consumer	A consumer whose electricity connection has been permanently disconnected by DISCOs due to prolonged default or illegal use.
24	Power Factor	The ratio of active power (kW) to apparent power (kVA), representing efficiency of electricity usage by a consumer.
25	Power Purchase Agreement (PPA)	Contract defining terms for purchase of electricity between power producer and CPPA-G.
26	Power Purchase Price (PPP)	Total cost of electricity comprising EPP and CPP.
27	Recovery Rate	Percentage of billed electricity revenue actually collected.
28	Recovery Rate	The percentage of billed revenue actually collected by DISCOs from consumers within a billing period.
29	Rehabilitation Charges	Charges recoverable by DISCOs from consumers for restoration or upgradation of distribution infrastructure damaged or overloaded due to consumer actions.

30	Sanctioned Load	The approved electricity load assigned by DISCOs to a consumer, forming the basis for billing and infrastructure planning.
31	Security Deposit	An amount collected by DISCOs from consumers to safeguard against payment default, adjustable against future liabilities.
32	Service Connection Charges	Charges payable by consumers to DISCOs for provision of new electricity connections.
33	Supplemental Charges	These charges typically include, but are not limited to, late payment surcharges, markup on outstanding payables, prior-period adjustments, financing cost recoveries, and other pass-through items, which are billed by CPPA-G to DISCOs and subsequently passed on to consumers, subject to regulatory approval.
34	Tariff Differential Subsidy (TDS)	A subsidy provided by the Government to DISCOs to bridge the gap between cost-reflective tariffs and consumer-end tariffs.
35	Transmission & Distribution (T&D) Losses	Electricity losses occurring during transmission and distribution.
36	Wrong / Excess Billing	Billing discrepancies by DISCOs arising from incorrect meter readings, wrong tariff application, or system errors.
37	Wrong Tariff Application	Application of an incorrect tariff category by DISCOs, resulting in billing discrepancies.

Sr. No.	**Financial Term**	**Definition**
1	Accumulated Losses	Cumulative net losses of a company over time that have not been offset by profits, reducing shareholders' equity.
2	Actuarial Gains / Losses	Changes in the present value of defined benefit obligations due to changes in actuarial assumptions or experience.
3	Assets	Economic resources owned or controlled by the Company expected to provide future economic benefits.
4	Basis of Preparation	Accounting framework and standards under which financial statements are prepared.
5	Capital Expenditure (CAPEX)	Funds used to acquire, upgrade, or maintain long-term assets.
6	Capital Structure	Composition of a company's financing, including equity and liabilities.
7	Cash and Cash Equivalents	Highly liquid assets readily convertible into known amounts of cash.
8	Collection Cycle / Debtor Days	Average number of days taken to collect cash from customers.

9	Cost of Sales (Cost of Electricity)	Direct costs incurred in the purchase and supply of electricity.
10	Creditor Days	Average number of days taken to settle obligations with suppliers.
11	Current Assets	Assets expected to be realized or consumed within one year.
12	Current Liabilities	Obligations expected to be settled within one year.
13	Current Ratio	Liquidity ratio measuring ability to meet short-term obligations.
14	Defined Benefit Obligation (DBO)	Present value of expected future employee benefit payments.
15	Equity	Residual interest in assets after deducting liabilities.
16	Financing Activities	Cash flows related to changes in equity and borrowings.
17	Gross Profit	Revenue minus cost of sales.
18	Gross Profit Ratio	Gross profit expressed as a percentage of revenue.
19	Investing Activities	Cash flows related to acquisition or disposal of long-term assets.
20	Liquidity	Ability of the Company to meet short-term financial obligations.
21	Net Cash Flow	Overall increase or decrease in cash during a period.
22	Net Defined Benefit Liability	Excess of defined benefit obligations over plan assets.
23	Net Profit / Net Loss	Residual income or loss after all expenses.
24	Net Profit Ratio	Net profit or loss expressed as a percentage of revenue.
25	Operating Cash Flows	Cash generated from core business operations.
26	Other Comprehensive Income (OCI)	Income and expenses not recognized in profit or loss.
27	Payables	Amounts owed to suppliers and power purchasing agencies.
28	Plan Assets	Assets held to meet employee benefit obligations.
29	Quick Ratio	Liquidity ratio excluding inventories from current assets.
30	Receivables (Trade Debts)	Amounts due from consumers for electricity supplied.
31	Return on Assets (ROA)	Net profit relative to total assets.
32	Return on Capital Employed (ROCE)	Operating profit relative to capital employed.
33	Revenue (Sales)	Income generated from sale of electricity and services.
34	Settlement Cycle	Average time taken to pay suppliers.
35	Statement of Cash Flows	Financial statement showing cash inflows and outflows.

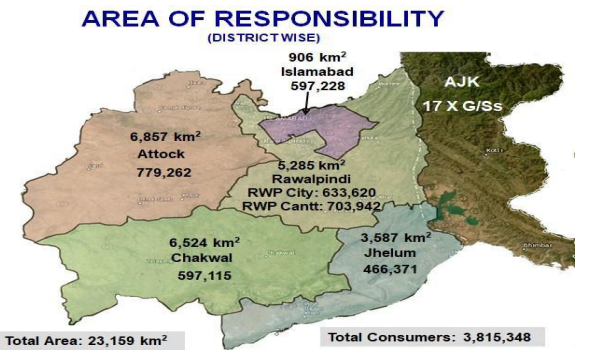
36	Statement of Changes in Equity	Statement showing movements in equity during the year.
37	Subsidy Receivable	Amounts due from Government against notified subsidy schemes.
38	Total Assets	Aggregate value of all assets owned by the Company.
39	Total Liabilities	Aggregate obligations of the Company.
40	Working Capital	Difference between current assets and current liabilities.

Sr. No.	CP Form No.	Definition / Form Title
1	CP-21	Meter Reading Record (General Consumers)
2	CP-22A	Feeder Wise Line Losses Analysis
3	CP-41	Return of Consumers Billing and Collection
4	CP-52	Bill Adjustment Note
5	CP-75	Bill Adjustment Notes Register
6	CP-152	Security Cost of Service Accounts & Reconnection Fee

OVERVIEW OF THE ENTITY

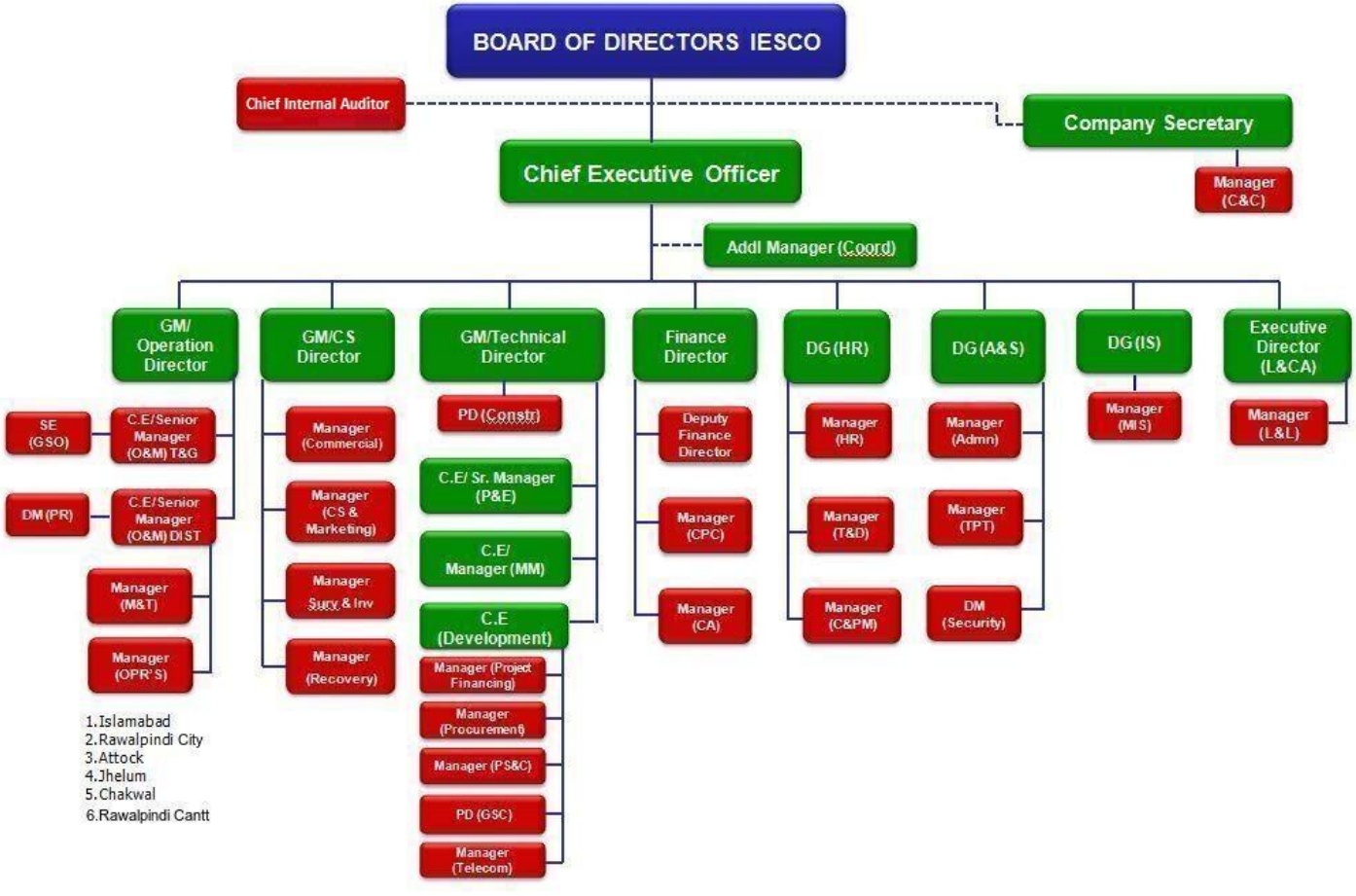
Islamabad Electric Supply Company Limited (IESCO) is a premier public unlisted company incorporated in 1998 under the Companies Ordinance 1984 and owned by the Government of Pakistan. As a key participant in the national power sector, IESCO operates under a permanent distribution license issued by the National Electric Power Regulatory Authority (NEPRA) to provide electricity services across its operational area, extending from Attock to Jhelum and from the Indus River to the Neelum River in Kashmir.

Islamabad Electric Supply Company (IESCO), is responsible for the delivery of electricity to its customers spanning six districts of Punjab, Federal Capital and adjacent area of AJ&K. Geographical service area of IESCO comprises Islamabad, Rawalpindi, Muree, Jhelum, Chakwal, Attock and Talagang Districts. The Company serves about 4.1 million registered consumers, covering a population of over 25 million across six districts. The company is governed by a dedicated Board of Directors assisted by five sub-committees. The Chief Executive Officer of the company oversees the strategic alignment of the organization in accordance with SOE Act and other federal regulatory frameworks.



IESCO's core mission is to provide reliable, safe, and affordable electric power while maintaining the financial viability of its operations through enhanced recovery efficiency and reduced transmission losses. The company is currently focused on modernizing its grid through the implementation of Advanced Metering Infrastructure and digital billing solutions to improve transparency and customer service.

IESCO ORGANOGRAM



ANALYSIS ON FINANCIAL STATEMENTS

This section presents a financial analysis of Islamabad Electric Supply Company Limited (IESCO) based on its audited financial statements for the five-year period from FY 2020-21 to FY 2024-25. The analysis has been carried out using the audited financial statements for all five years. However, the focus has been kept on FY 2024-25 as current audited year. Financial information for the period under review has been considered reliable for analytical purposes, subject to the qualifications and emphasis of matter highlighted in the respective audit reports.

For FY 2024-25 to FY 2022-23, the external auditors expressed unqualified opinions; however, Emphasis of Matter paragraphs were included, drawing attention to the existence of multiple contingencies pending resolution and the non-reconciliation of balances with Central Power Purchasing Agency-Guarantee (CPPA-G). The auditors reported unreconciled differences amounting to Rs. 209.96 million in FY 2024-25 and Rs. 7,067.85 million in FY 2023-24, which, if not resolved, may affect the accuracy of power purchase costs, related payables, and the overall financial position of the Company.

Over the reviewed period, IESCO experienced persistent financial pressure, reflected in recurring losses after taxation, a steadily increasing accumulated loss. Although the Company reported positive gross profit throughout the five-year period, high distribution costs, administrative expenses, finance costs, and statutory levies continued to erode operating performance, resulting in net losses in four out of the five years under review. As at June 30, 2025, accumulated losses had risen to Rs. 133.69 billion, significantly constraining equity despite sizeable capital reserves.

The balance sheet indicates a substantial expansion in total assets, primarily due to revaluation of property, plant and equipment and increasing receivables from the Government of Pakistan. Nevertheless, this growth was accompanied by a corresponding increase in liabilities, particularly trade and other payables, staff retirement benefits, and long-term borrowings. The Company's liquidity position remained weak, as current liabilities consistently exceeded current assets, highlighting continued dependence on external support and delayed recoveries.

For FY 2020-21, the external auditors expressed a qualified opinion on account of the treatment of revaluation surplus amounting to Rs. 48,965.99 million, whereby the resulting increase and decrease were not adjusted in the carrying values of the related assets. This accounting treatment was considered a departure from the requirements of International Accounting Standards (IAS) and affected the reliability of asset valuation and equity reported for that year.

Overall, the financial analysis of IESCO for FY 2020-21 to FY 2024-25 reveals ongoing structural challenges in profitability, liquidity, and financial sustainability. Despite unqualified audit opinions in recent years,

unresolved sectoral issues, audit emphases, historical accounting deviations, and rising accumulated losses underscore the need for strengthened financial controls, timely reconciliations, cost rationalization, and sustained policy support to ensure long-term financial viability.

BASIS OF PREPARATION

As disclosed by the financial auditor, the financial statements 2024-25 were prepared in accordance with the accounting and reporting standards applicable in Pakistan[1].

The financial auditors had indicated in the subject financial statements that "Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed." However, no disclosure highlighting any such variance from IFRS, due to compliance with Companies Act 2017, has been given in the financial statements.

PROFITABILITY ANALYSIS

Table-01: Profitability Ratios[2]

Ratio	Formula	FY 2024-25	FY 2023-24	FY 2022-23	FY 2021-22	FY 2020-21
Gross Profit Ratio	Gross profit/sales	11.17%	7.25%	12.66%	5.52%	11.16%
Net Profit Ratio	Net Profit/sales	-0.43%	-4.84%	0.06%	-6.83%	-0.87%
Return on Assets (ROA)	PAT/total assets	-0.26%	-4.04%	0.05%	-4.74%	-0.53%
Return on Capital Employed (ROCE)	PBIT/Total assets - current liabilities	0.76%	-2.19%	4.43%	-9.11%	-5.13%

Source Financial Statements of IESCO for the FYs 2020-21 to 2024-25

The profitability indicators of IESCO over the five-year period from FY 2020-21 to FY 2024-25 reflect a mixed performance with significant fluctuations in earnings and efficiency.

Sales revenue increased steadily from Rs. 161.19 billion in FY 2020-21 to Rs. 331.07 billion in FY 2024-25. However, the rise in revenue was partially offset by a proportionate increase in the cost of electricity, resulting in volatile gross profit levels. Gross profit increased from Rs. 17.99 billion in FY 2020-21 to Rs. 36.97 billion in FY 2024-25, with the gross profit ratio ranging between 5.52% in FY 2021-22 and 12.66% in FY 2022-23, indicating moderate improvement in operational efficiency during certain years.

At the net level, the Company faced inconsistent results. Net loss after taxation was reported at Rs. 1.41 billion in FY 2024-25 and Rs. 15.80 billion in FY 2023-24, while a small net profit of Rs. 177.68 million was

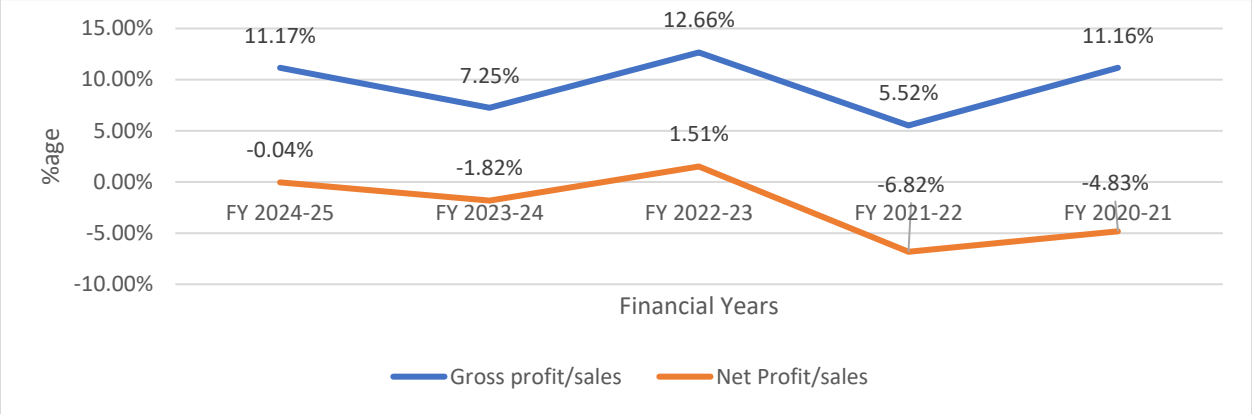
[1] Note 2.1 of the financial statements of IESCO for the FY 2024-25

[2] All financial values stated in the subject analysis have been taken from the respective audited financial statements of the company.

observed in FY 2022-23. The net profit ratio remained negative in most years, signaling that IESCO struggled to convert its revenue into net earnings consistently.

Return on assets (ROA) showed a declining trend in efficiency, with negative returns of -0.26% in FY 2024-25 and -4.04% in FY 2023-24, despite an increase in total assets from Rs. 267.02 billion in FY 2020-21 to Rs. 546.67 billion in FY 2024-25. This indicated that the growing asset base was not being utilized effectively to generate profits. Illustratively:

Figure 01- Gross & Net Profit Ratio



Source: Financial Statements of IESCO for the FYs 2020-21 to 2024-25

The Return on Capital Employed (ROCE) of the company showed a consistently weak and volatile trend over the period under review, indicating inefficient utilization of capital. ROCE remained negative in FY 2020-21 (-5.13%) and deteriorated further in FY 2021-22 (-9.11%) due to operating losses and a high-cost structure. Although FY 2022-23 witnessed a temporary improvement to 4.43% on account of positive operating profits, this recovery was not sustained, with ROCE again turning negative in FY 2023-24 (-2.19%). In FY 2024-25, ROCE improved marginally to 0.76%, supported by better gross margins and near break-even operating performance; however, this level remained significantly below an acceptable return and the cost of capital. Overall, the ROCE trend suggests that despite slight operational improvement in the latest year, the company continues to generate inadequate returns on its capital employed, reflecting ongoing inefficiencies and limited value creation.

Overall, persistent net losses, negative returns on assets, and adverse ROCE indicated inefficient asset utilization and suboptimal capital efficiency. Although marginal improvement was observed in certain years, it was insufficient to offset structural issues in cost management and capital deployment, resulting in continued value erosion.

SALES & COST OF SALES

Table-02: Cost of Sales to Sales Ratios **(Rs. in million)**

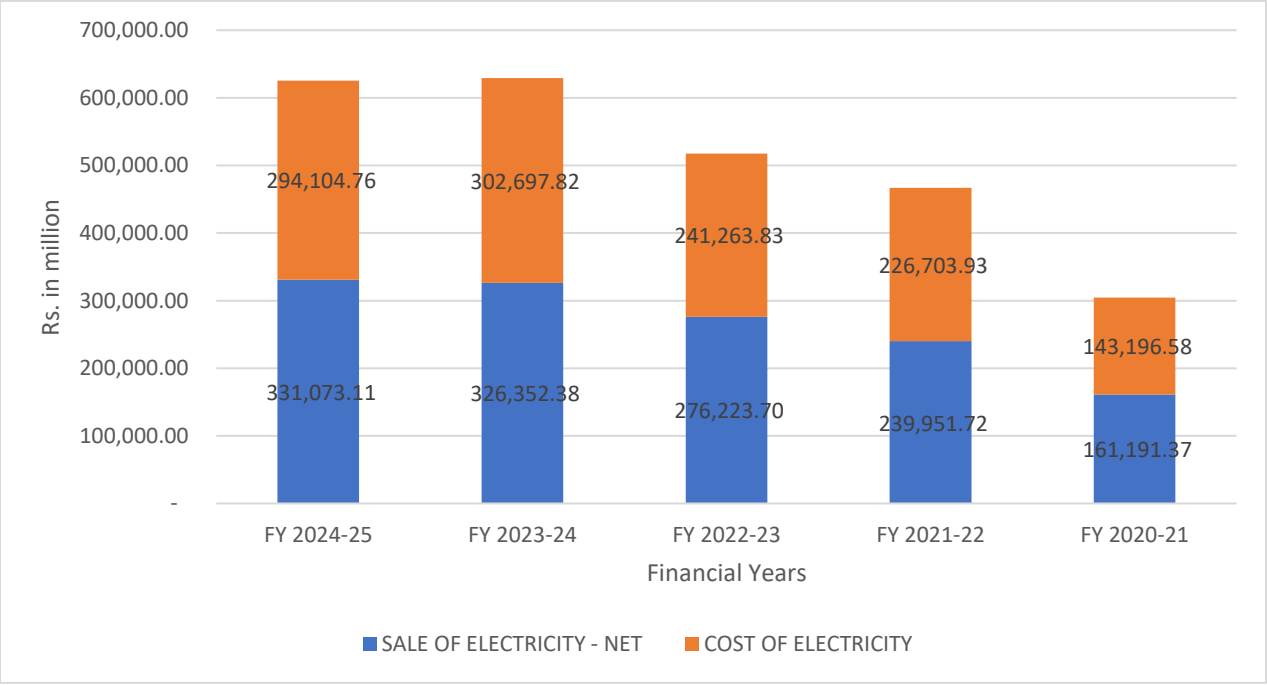
Particulars	FY 2024-25	FY 2023-24	FY 2022-23	FY 2021-22	FY 2020-21
Cost of sales to sales ratio	88.83%	92.75%	87.34%	94.48%	88.84%
Sale of electricity (Rs. in million)	331,073.11	326,352.38	276,223.70	239,951.72	161,191.37
Cost of electricity (Rs. in million)	294,104.76	302,697.82	241,263.83	226,703.93	143,196.58

Source: Financial Statements of IESCO for the FYs 2020-21 to 2024-25

The cost of sales to sales ratio remained consistently high during the period under review, ranging between 87.34% and 94.48%**,** indicating that a major portion of revenue was consumed by cost of sales. Despite steady growth in sales from Rs. 161,191.37 million in FY 2020-21 to Rs. 331,073.11 million in FY 2024-25, the ratio showed limited improvement, reflecting persistent cost pressures. The ratio peaked at 94.48% in FY 2021-22, signifying severe margin compression, while a temporary improvement was observed in FY 2022-23 (87.34%)**.** Although the ratio declined to 88.83% in FY 2024-25, it remains elevated, demonstrating structural inefficiencies and limited capacity to translate revenue growth into improved gross profitability.

Overall, the high ratio underscores weak cost management and highlights the need for effective cost control measures to enhance operational efficiency and financial sustainability. Illustratively:

Figure 02: Sales & Cost of Sales



Source: Financial Statements of IESCO for the FYs 2020-21 to 2024-25

RECEIVABLES AND PAYABLES

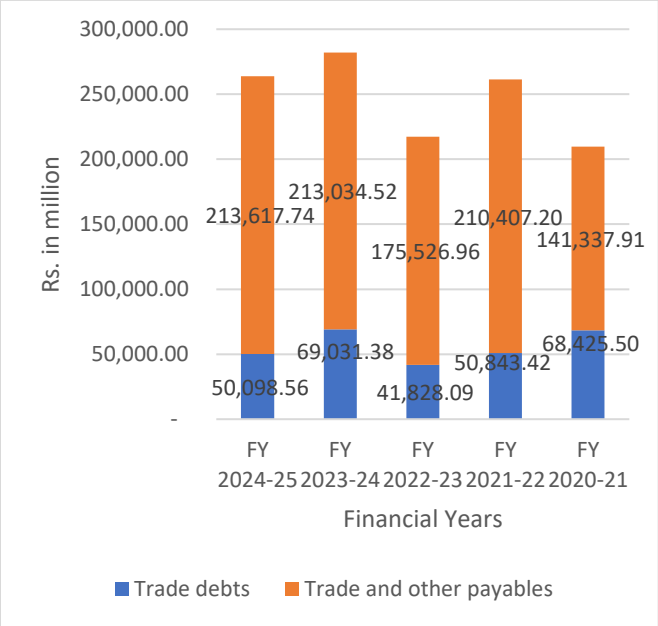
Table-03: Efficiency and Liquidity Ratios

Ratio Category	Ratio	Formula	FY 2024-25	FY 2023-24	FY 2022-23	FY 2021-22	FY 2020-21
Efficiency	Debtor Turnover	(Trade Debts / Total Revenue) × 365	55	77	55	77	155
	Creditor Turnover	(Trade Payables / Cost of Electricity) × 365	265	257	266	339	360
Liquidity	Current ratio	(Current Assets / Current Liabilities)	0.74	0.78	0.84	0.83	0.74

Source: Financial Statements of IESCO for the FYs 2020-21 to 2024-25

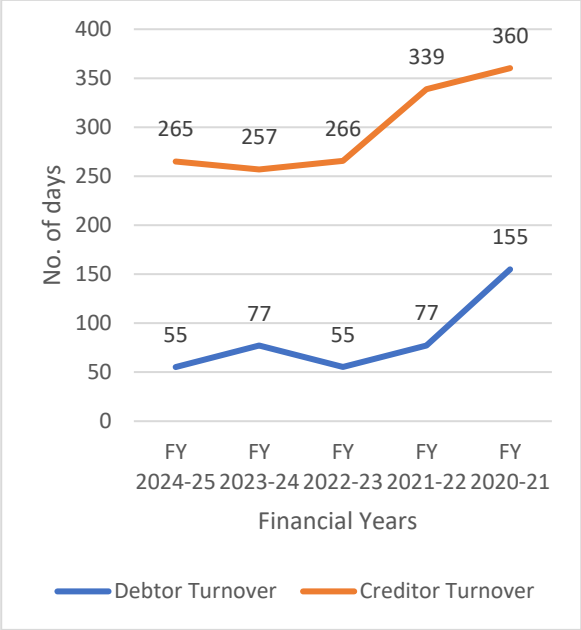
The efficiency and liquidity indicators reflected persistent working capital stress despite some improvements in collection performance. Trade debts declined from Rs. 68.43 billion in FY 2020-21 to Rs. 50.10 billion in FY 2024-25, with the debtor turnover period improving significantly from 155 days to 55 days, indicating enhanced recovery efforts and relatively faster realization of energy receivables. However, trade and other payables increased substantially from Rs. 141.34 billion to Rs. 213.62 billion over the same period, while the creditor turnover period, though improved from 360 days in FY 2020-21 to 265 days in FY 2024-25, remained considerably high, reflecting reliance on delayed payments to suppliers and statutory bodies, particularly electricity procurement liabilities. The current ratio remained below 1 throughout the period, ranging between 0.74 and 0.84, signifying that current assets were insufficient to meet short-term obligations. Illustratively:

Figure 03: Trade debtor and Creditor



Source: Financial Statements of IESCO for the FYs 2020-21 to 2024-25

Figure 04: Debtor and Creditor collection period



Source: Financial Statements of IESCO for the FYs 2020-21 to 2024-25

The receivable and payable cycles show a clear mismatch during the period under review. Although the debtor collection period improved from 155 days in FY 2020-21 to 55 days in FY 2024-25**,** the creditor payment period remained significantly longer, ranging between 360 and 265 days**.** This gap indicates reliance on delayed settlement of payables to manage cash flows, resulting in continued working capital and liquidity pressures.

RESOURCE AGAINST THIRD PARTY CLAIMS

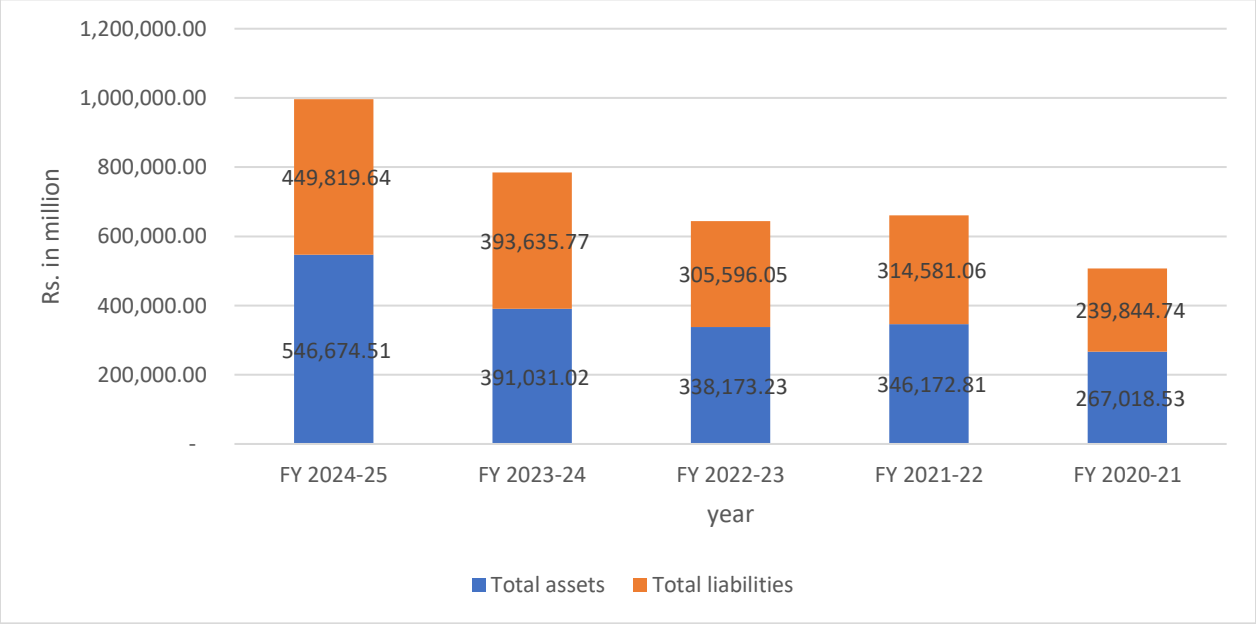
Table-04: Resources against Third Party Claims Ratios

Ratio	Formula	FY 2024-25	FY 2023-24	FY 2022-23	FY 2021-22	FY 2020-21
Resources against third party claims	Total Assets / Total Liabilities	1.22	0.99	1.11	1.10	1.11

Source: Financial Statements of IESCO for the FYs 2020-21 to 2024-25

The ratio of resources against third-party claims fluctuated around unity during the period under review, standing at 1.11 in FY 2020-21, improving marginally to 1.22 in FY 2024-25, but declining to 0.99 in FY 2023-24. While total assets increased from Rs. 267,018.53 million in FY 2020-21 to Rs. 546,674.51 million in FY 2024-25, total liabilities also rose significantly from Rs. 239,844.74 million to Rs. 449,819.64 million, thereby limiting the improvement in the ratio. The ratio remaining close to 1 indicates marginal coverage of liabilities by assets, reflecting continued solvency risk and financial vulnerability in meeting third-party obligations. Illustratively;

Figure 05: Total Assets and Total Liabilities

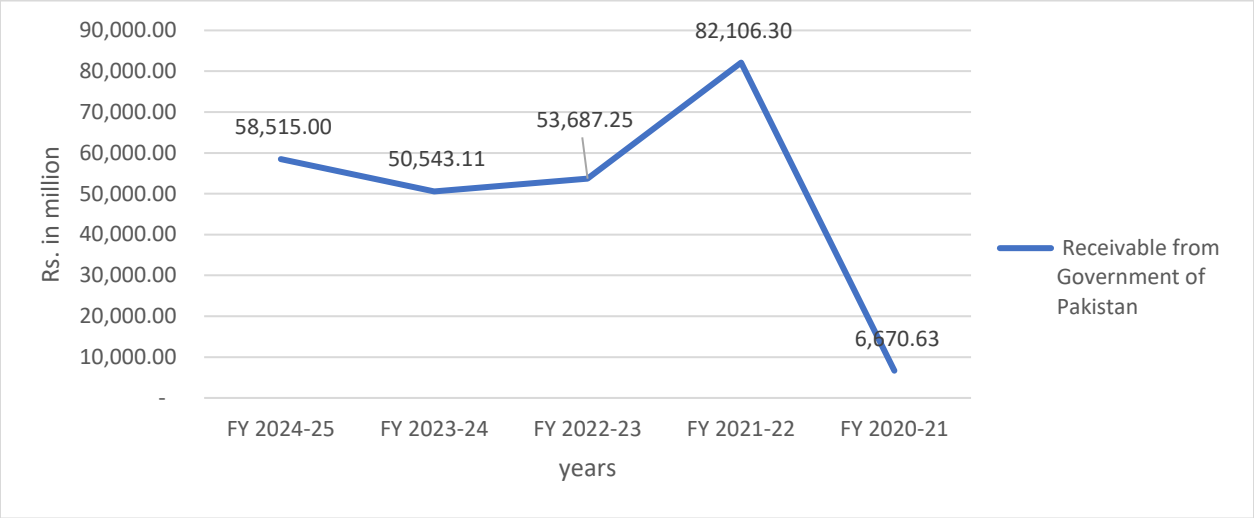


Source: Financial Statements of IESCO for the FYs 2020-21 to 2024-25

SUBSIDY RECEIVABLES FROM GOVERNMENT OF PAKISTAN

Receivables from the Government of Pakistan exhibited significant volatility during the period under review. The balance increased sharply from Rs. 6,670.63 million in FY 2020-21 to Rs. 82,106.30 million in FY 2021-22, indicating substantial accumulation of outstanding government dues. Although the receivable declined to Rs. 53,687.25 million in FY 2022-23 and Rs. 50,543.11 million in FY 2023-24, it again increased to Rs. 58,515.00 million in FY 2024-25. The consistently high outstanding balance reflects delays in settlement by the Government of Pakistan, adversely impacting the Company's liquidity position and increasing reliance on short-term financing and deferred payments to manage cash flows.

Figure 06: Subsidy receivable from Government of Pakistan

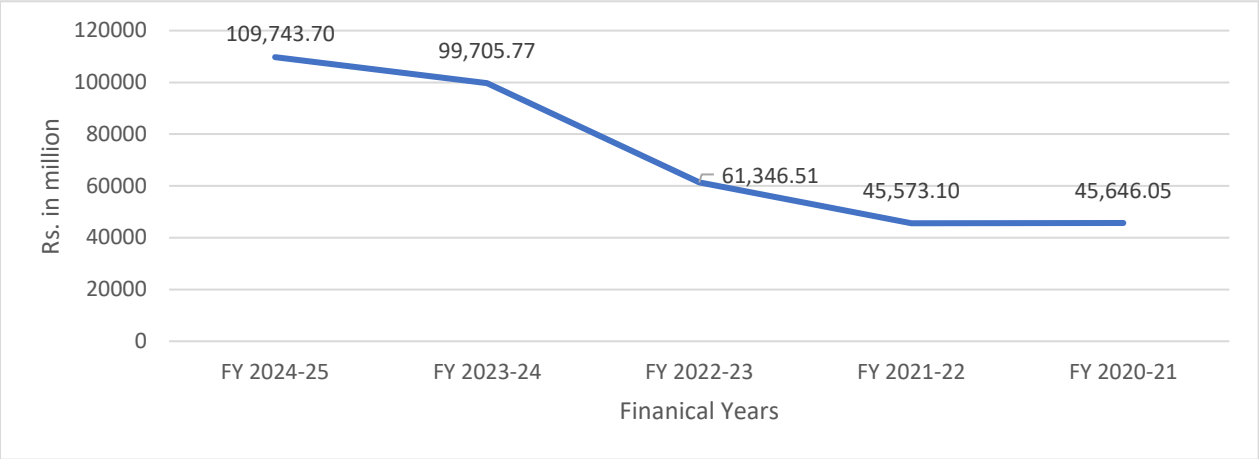


Source: Financial Statements of IESCO for the FYs 2020-21 to 2024-25

EMPLOYEES' RETIREMENT BENEFITS

Employees' retirement benefit obligations exhibited a pronounced upward trend over the period under review. The liability increased marginally from Rs. 45.65 billion in FY 2020-21 to Rs. 45.57 billion in FY 2021-22, before rising sharply to Rs. 61.35 billion in FY 2022-23 and further escalating to Rs. 99.71 billion in FY 2023-24 and Rs. 109.74 billion in FY 2024-25. This substantial increase reflects the impact of actuarial remeasurements, changes in financial and demographic assumptions, and the accumulation of long-term employee benefit obligations. The continuing growth of these liabilities represents significant long-term financial commitments, placing sustained pressure on the Company's future cash flows and overall solvency position.

Figure 07: Employees retirement benefits



Source: Financial Statements of IESCO for the FYs 2020-21 to 2024-25

PROPERTY PLANT AND EQUIPMENT

The company's assets are largely restricted or under third-party control. Under agreements with Power Holding Limited and Meezan Bank, lands in Rawalpindi, Islamabad, Jhelum, and Taxila, valued at PKR 25.09 million, have been pledged as security for the issuance of 10-year Sukuk certificates, while the company retains title only as a title agent. Additionally, lands worth PKR 45.17 billion are under the possession of the company but titled to third parties, primarily WAPDA, limiting the company's direct ownership rights. Vehicles with a carrying amount of PKR 1.54 million are in PEPCO's name, and a significant portion of distribution equipment is not in the company's possession, with disclosure considered impracticable due to the large number of consumers. Overall, these arrangements indicate that the company's tangible assets are largely encumbered or not directly controlled, restricting liquidity and operational flexibility.[3]

The Company's PPE has grown significantly over five years, from Rs. 154.23 billion in FY 2020-21 to Rs. 371.97 billion in FY 2024-25, mainly due to large revaluation of assets in FY 2024-25. Earlier growth (FY 2021-22 to FY 2023-24) was moderate, driven by capital expenditure on system upgrades and asset replacement**.** While the revaluation has strengthened the balance sheet, the increase is largely non-cash and has not improved profitability or operational efficiency. The value of these assets will depend on the Company's ability to control losses, recover costs, and manage operations effectively**.**

[3] Note 4.1.6 to 4.1.9 of the financial statements of IESCO for the FY 2024-25

GENERAL / EMPLOYEE'S PROVIDENT FUND

As disclosed by the financial auditor, the company makes statutory deductions from employees' salaries for contributions to the WAPDA-established General Employees Provident Fund and Welfare Fund. These funds are managed collectively for employees of multiple WAPDA power distribution and generation companies, and therefore, the company-specific amounts cannot be separately identified. As a result, while the company fulfills its employee benefit obligations, the related assets and liabilities are not individually reflected in its financial statements[4].

STATEMENT OF CASH FLOWS

Table-05: Summary of Cash Flow movements **(Rs. in million)**

Particulars	FY 2024-25	FY 2023-24	FY 2022-23	FY 2021-22	FY 2020-21
Net cash generated from operating activities	44,616.68	26,188.09	23,173.76	14,910.81	10,955.01
Net cash used in investing activities	(42,502.52) *	(35,387.60)	(23,166.50)	(11,986.42)	(8,353.92)
Net cash generated from financing activities	10,742.04	6,261.77	5,386.75	1,076.02	771.17
Net increase / (decrease) in cash and cash equivalents	12,856.20	(2,937.74)	5,394.01	4,000.42	3,372.27
Cash and cash equivalents at beginning of the year	14,904.76	17,830.01	12,577.07	8,576.64	5,204.37
Exchange (loss) / gain	(8.63)	12.50	(141.07)	-	-
Cash and cash equivalents at end of the year	27,752.33	14,904.76	17,830.01	12,577.07	8,576.64
*Complete disclosures of the said amount were not found in the Financial Statements.					

Source Financial Statements of IESCO for the FYs 2020-21 to 2024-25

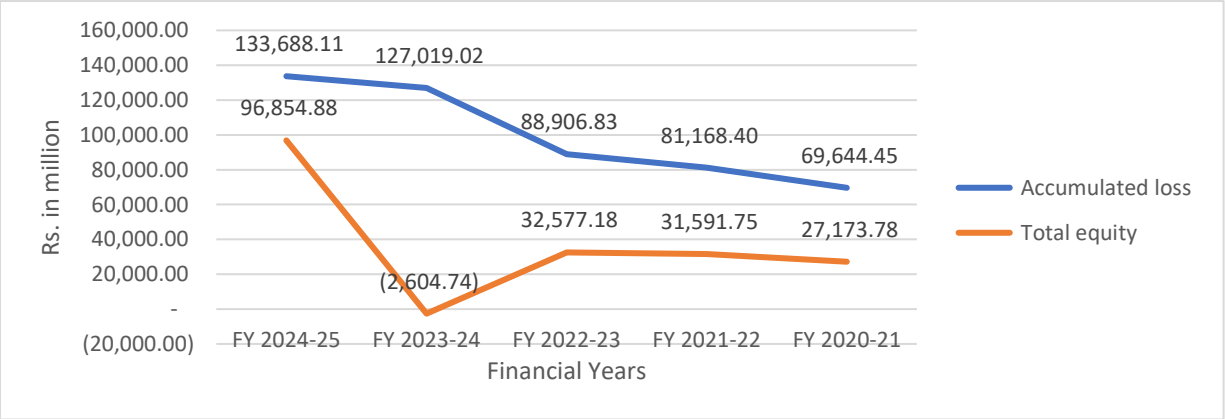
Over FY 2020-21 to FY 2024-25, the company's cash and cash equivalents increased significantly from Rs. 8.58 billion to Rs. 27.75 billion. Cash generation from operating activities strengthened markedly, reaching Rs. 44.62 billion in FY 2024-25, reflecting improved operational efficiency and collections. However, substantial investing outflows of Rs. 42.50 billion continue to exert pressure on liquidity, while financing inflows of Rs. 10.74 billion only partially offset these outflows. Overall, the company has successfully enhanced its cash position, but maintaining this growth will require careful management of investment spending and continued focus on operational cash generation.

[4] Note 2.2 of the financial statements of IESCO for the FY 2024-25

⇄ STATEMENT OF CHANGES IN EQUITY

Over FY 2020-21 to FY 2024-25, the company's equity position showed significant volatility, primarily driven by large accumulated losses and revaluation adjustments. Accumulated losses increased from Rs. 69.47 billion in FY 2020-21 to Rs. 133.69 billion in FY 2024-25, reflecting ongoing operational and non-operational deficits. Deposits for shares grew substantially from Rs. 15.98 billion in FY 2020-21 to Rs. 67.06 billion in FY 2024-25, including contributions from government-related entities, which improved the company's net resources. The surplus on revaluation of operating fixed assets increased sharply to Rs. 157.69 billion in FY 2024-25, largely due to comprehensive gains recognized in FY 2024-25, partially offsetting the negative equity impact of losses. Despite these inflows and revaluation gains, total equity remained under pressure until FY 2024, turning strongly positive to Rs. 96.85 billion in FY 2024-25, reflecting a combination of asset revaluation gains and settlement of deposits against share capital. Overall, while the company has made progress in improving its equity base, the high accumulated losses and reliance on non-cash government-supported deposits highlight ongoing solvency risks and the need for careful management of capital structure and operational performance. Illustratively:

Figure 08: Change in Equity



Source Financial Statements of IESCO for the FYs 2020-21 to 2024-25

As depicted in the graph, the improvement in the company's equity position during FY 2024-25 is mainly attributable to a substantial increase in revaluation surplus amounting to Rs. 89.55 billion recognized during the year[5]. This non-cash revaluation gains significantly strengthened shareholders' equity and offset the adverse impact of accumulated losses, resulting in a marked turnaround in the overall equity position.

[5] Note 19 of the financial statements of IESCO for the FY 2024-25

FINDINGS

1. FINANCIAL MANAGEMENT

This section highlights weaknesses in IESCO's financial management framework, beginning with gaps in physical verification, reconciliation, and ownership controls over revalued fixed assets, followed by significant unfunded employee benefit liabilities due to absence of actuarially aligned funding arrangements. Audit further noted short recovery of statutory and consumer-related charges, weak accounting and incomplete records over contract liabilities and consumer security deposits affecting the reliability of financial statements. Collectively, these conditions reflect weak financial controls, inadequate reconciliation mechanisms, and limited integration of regulatory and actuarial requirements into financial planning, increasing the risk of misstatement, statutory non-compliance, and fiscal vulnerability, particularly in the context of ongoing restructuring and proposed privatization.

1.1 Gaps in physical verification, reconciliation, and ownership controls over revalued fixed assets

In terms of IAS-16 (Property, Plant and Equipment), IPSAS-17, and Technical Release-6 (TR-6) issued by ICAP, entities are required to identify, physically verify, tag, and reconcile fixed assets with accounting and technical records to ensure completeness, existence, ownership, and accuracy. Section 6(2) of the State-Owned Enterprises (Governance and Operations) Act, 2023 requires maintenance of adequate accounting and related records to support prudent management, transparency, and statutory compliance. Section 42 of the Land Revenue Act mandates mutation of acquired land in the name of the acquiring entity to establish legal title. Further, under the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors (IIA), internal audit is an independent assurance and consulting activity, and Standards 2010, 2120 and 2130 require risk-based audit coverage and evaluation of governance, risk management, and internal control processes.

During the audit of IESCO for the FY 2024–25, it was observed that revaluation of operating fixed assets was carried out without comprehensive physical verification, tagging, and reconciliation, and without regularization of legal ownership of a significant portion of land assets. The revaluation exercise resulted in recognition of a substantial surplus and materially altered the Company's asset base; however, the underlying asset information had not been comprehensively verified across accounting, technical, and legal ownership records. Audit noted that:

- As stated by M/s KGT-A&K Consilium (JV) in their revaluation report, the engagement was of restricted scope and did not include TR-6–compliant preparation of a Fixed Assets Register, verification of ownership documents, comprehensive physical verification, or reconciliation between physical assets and accounting/technical records; only limited random inspection was carried out with management approval.
- Land asset records maintained by the Finance Directorate (revalued Fixed Assets Register) and the Property Management Cell were not reconciled prior to revaluation. Out of 188 properties covering an area of 5,392.54 Kanals reviewed, 54 properties (29%) exhibited discrepancies relating to land area, revaluation status, or possession, indicating material inconsistencies between

custodial and accounting records attributable to absence of property-wise reconciliation, non-tagging of land assets, lack of comprehensive physical verification, and non-compliance with TR-6 requirements. The discrepancies are summarized below:

Table-06: Non-reconciliation of IESCOs revalued properties

Sr. No.	Nos. of properties	Area as per PMC record (Kanals)	Area as per FAR (Kanals)	Difference (Kanals)	Remarks
1	33	1,227.85	1,489.96	-262.11	Excess land area recorded in FAR
2	2	0	39.00	-39.00	Excess land area recorded in FAR
3	19	742.08	546.15	195.93	Less land area recorded in FAR

Source: PMC IESCO data and FAR maintained by Finance Directorate IESCO

- On a sample basis in Islamabad (O) Circle, inconsistencies were noted among the Fixed Assets Register, GIS (P&E Directorate), and Commercial Services Directorate records for 11 kV feeders. Installed material (poles, conductors, transformers, and allied accessories) reflected instances of both overstatement and understatement in the revalued FAR when compared with GIS data, indicating reliance on unreconciled technical information.
- Audit further observed that 76 properties measuring 1,380 Kanals and 7.5 marlas, including major grid stations, residential colonies, and office buildings, had not been mutated in the name of IESCO. The Chartered Accountant also reported that properties valued at Rs. 45,167.43 million were not held under IESCO's legal title. In several cases, ownership documents were missing, while a number of properties remained under litigation, illegal occupation, or pending mutation for prolonged periods **(Annexure-I).**

In addition, no documented internal audit assurance or advisory engagement was available regarding the adequacy of controls, verification procedures, reconciliation mechanisms, or ownership validation prior to financial recognition of revalued assets. Given the material balance-sheet impact and the Company's proposed privatization, absence of risk-based internal audit involvement as well as advisory role reflected a governance gap in overseeing a high-risk strategic financial exercise.

Revaluation based on unreconciled and unverified asset information, coupled with absence of clear legal title for a substantial portion of properties,

undermines the reliability of the Fixed Assets Register and financial reporting, and exposes IESCO to risks of misstatement of Property, Plant and Equipment, encroachment, adverse possession, and litigation. The execution of a large-scale, balance-sheet-impacting revaluation exercise without comprehensive verification, effective internal controls, and robust internal audit and Audit Committee oversight indicates weaknesses in governance and oversight arrangements. In the context of IESCO's proposed privatization, these deficiencies heightened due-diligence and valuation risk and may adversely affect the credibility of asset valuation used for restructuring, regulatory assessment, and informed transactional decision-making.

The matter was taken up with management in December, 2025 and reported to the Ministry in January, 2026. The management replied that revaluation was mandatory under IAS-16 and that physical verification, mutation, and reconciliation are ongoing exercises; mutations were being pursued with relevant authorities under PM Office supervision with 29 cases settled, discrepancies arose due to non-receipt of NOCs from WAPDA and phased digitization/security exclusions, consultant had been engaged for verification, and differences between GIS (spatial mapping) and FAR are transitional and under reconciliation. The reply was not satisfactory, as IAS-16, IPSAS-17, and ICAP TR-6 require physical verification, reconciliation, and confirmation of ownership to ensure reliable financial reporting. Revaluation based on unverified and unreconciled records, with incomplete legal title, did not meet these standards. Moreover, post-revaluation corrective measures cannot mitigate the risk of material misstatement and governance deficiencies, particularly in the absence of timely risk-based internal audit assurance and oversight over a balance-sheet-impacting and privatization-sensitive exercise.

The DAC, in its meeting held on February 19-20, 2026, directed the management to reconcile GIS, FAR, and CSD records, complete physical verification and land mutation/NOC formalities in compliance with IAS-16, IPSAS-17, and TR-6, and submit by June 30, 2026 along with a property-wise status of reconciliation and verification before reliance on revalued figures for financial reporting or privatization.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 2161/2025-26 AMIS 2025_COM0000000145_F02268)
(Draft Para No. 2175/2025-26 AMIS 2025_COM0000000145_F02284)
(Draft Para No. 2233/2025-26 AMIS 2025_COM0000000145_F02341)
(Draft Para No. 2243/2025-26 AMIS 2025_COM0000000145_F02351)
(Draft Para No. 2254/2025-26 AMIS 2025_COM0000000145_F02362)

1.2 Significant unfunded employee benefit liabilities due to absence of actuarially aligned funding arrangements

According to IAS-19 (Employee Benefits), an entity is required to recognize the full present value of defined benefit obligations using the projected unit credit method, net of plan assets where applicable, supported by regular actuarial valuations. The standard further requires that funding policies and employer contributions be aligned with actuarial assumptions to ensure sustainability of benefit schemes and faithful presentation of long-term obligations. Where no plan assets exist, the entire obligation is required to be recognized as a liability, and entities are expected to adopt adequate funding arrangements to manage future cash outflows.

During the audit of IESCO for the FY 2024-25, review of the Actuarial Valuation Report (2025) revealed substantial unfunded liabilities across pension and other employee benefit schemes, reflecting prolonged under-funding and absence of structured funding mechanisms. Detail is as under:

Table-07: Unfunded employee benefit liabilities **(Rs. in million)**

Scheme	Present Value of Obligation	Fair Value of Plan Assets	Unfunded Liability	Funding Status
Pension Scheme	104,316.32	9,842.55	94,472.77	Partially funded
Free Electricity Benefit	4,797.35	Nil	4,797.35	100% unfunded
Post-Retirement Medical	7,479.66	Nil	7,479.66	100% unfunded
Leave Encashment	2,755.61	Nil	2,755.61	100% unfunded
Total	**119,348.94**	**9,842.55**	**109,505.39**	—

Source: Report on Actuarial Valuation of Retirement Benefit Schemes as at June 30, 2025

Audit observed that the pension scheme reflected a net unfunded liability of Rs. 94,472.77 million due to employer contributions remaining persistently below actuarial requirements, coupled with weak growth of plan assets and absence of an effective investment performance monitoring framework. In addition, three major employee benefit schemes Free Electricity, Post-Retirement

Medical, and Leave Encashment were entirely unfunded, with combined obligations of Rs. 15,032.62 million. No funded reserves or trusts had been established for these schemes, and IESCO relied solely on future operating revenues to meet obligations that continue to increase annually due to demographic and cost escalation factors. The Chartered Accountant also identified actuarial liabilities as a contributing factor to the Company's net loss[6].

The overall position indicates absence of a Board-approved long-term funding strategy, weak integration of actuarial projections into financial planning, and ineffective internal controls over benefit funding decisions. The sustained under-funding has resulted in material unfunded employee benefit liabilities amounting to Rs. 109,505.39 million, exposing the entity to significant long-term fiscal and liquidity risk.

The matter was taken up with management in December, 2025 and reported to the Ministry in January, 2026. The management replied that actuarial valuations were conducted in compliance with IAS-19, covering liabilities of serving and retired employees, while NEPRA allowed margin only on actual payments, resulting in a funding gap; however, monthly contributions have been increased from Rs.50 million to Rs.500 million to strengthen the pension fund. The reply was not tenable, as prolonged under-funding and the substantial unfunded liabilities indicate persistent non-alignment with actuarial requirements, exposing IESCO to significant long-term liquidity and fiscal risks.

The DAC, in its meeting held on February 19-20, 2026, directed the management to take up the matter of absence of actuarial aligned funding at appropriate forum and submit a comprehensive plan outlining measures to progressively address the unfunded pension liability.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.2166 /2025-26/AMIS 2025_COM0000000145_F02274)
(Draft Para No.2174 /2025-26/AMIS 2025_COM0000000145_F02283)

1.3 Weak controls and incomplete accounting of contract liabilities

According to IFRS-15 (paras 105–108), amounts received from customers in advance for goods or services to be provided in future are required to be recognized as contract liabilities and transferred to revenue or deferred credit only

[6] Directors' Report to the Members by the Chartered Accountant on financial statement for the FY 2024-25

upon satisfaction of related performance obligations. Further, IAS-1 (paras 31 and 55) requires material balances to be clearly classified, supported by reliable subsidiary records, and adequately disclosed. Sound internal control practices also require maintenance of customer-wise records, aging analysis, reconciliation of advances, deposit works and capital contributions, and linkage with completion of underlying works.

During the audit of IESCO for the FY 2024-25, it was observed that unsecured contract liabilities amounting to Rs. 41,679.40 million were reported under Note 25.3 of the financial statements, comprising advances from customers, receipts against deposit works, and capital contributions awaiting connections. Although a total amount of Rs. 9,846.30 million (Rs. 5,931.51 million from deposit works and Rs. 3,914.79 million from capital contributions) was transferred during the year to deferred credit, the Chartered Accountant reported that relevant supporting records were not adequately maintained to substantiate these balances. The Chartered Accountant further pointed out that the ERP system does not generate party-wise or consumer-wise aging reports, security deposit registers were not properly maintained at several revenue offices, and certain charges included in capital contributions were not clearly aligned with the prescribed customer service manuals **(Annexure-II)**. These weaknesses limited the ability to obtain reasonable assurance regarding the completeness, accuracy, classification, and timely settlement of contract liabilities.

The condition arose due to absence of an integrated system-based tracking mechanism, weak maintenance of subsidiary records at revenue offices, ERP limitations, and inadequate coordination between commercial, finance, and technical wings in monitoring advances, deposit works, and capital contributions.

Weak controls and incomplete records over contract liabilities undermined reliability of the reported balance, created uncertainty regarding timely recognition of revenue or transfer to deferred credit, and increased the risk of misstatement of liabilities, income, and deferred credit in the financial statements.

The matter was taken up with management in December 2025 and reported to the Ministry in January 2026. The management stated that

The management replied that office-wise and consumer-wise breakups were available at field formations, and that ERP limitations prevented generation of party-wise aging and work-wise details. The reply was not satisfactory, as IFRS-

15 and IAS-1 require contract liabilities to be supported by reliable subsidiary ledgers, aging analysis, and clear linkage with fulfillment of performance obligations, whereas dispersed office-wise data and reliance on manual records or ERP limitations cannot substitute essential accounting controls.

The DAC, in its meeting held on February 19-20, 2026, directed the management to ensure maintenance of reliable customer-wise subsidiary records and aging of contract liabilities, reconcile advances with completion of works in line with IFRS-15 and IAS-1, address ERP limitations, and submit a time-bound compliance report to Audit within thirty (30) days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 2265 /2025-26 / AMIS 2025_COM0000000145_F02373)

1.4 Non-creation and non-audit of Workers' Profit Participation Fund (WPPF)

According to Sections 3, 4, and 8 of the Companies Profits (Workers' Participation) Act, 1968, every applicable company is required to compute the Workers' Profit Participation Fund (WPPF), deposit the amount into the Fund within the prescribed time after finalization of accounts, maintain proper records, and ensure audit of the Fund.

During the audit of IESCO for the FY 2024–25, it was noted that although WPPF liability amounting to Rs. 5,568.98 million had been recognized as payable as at June 30, 2025, the Workers' Profit Participation Fund had not been constituted and no amount had been deposited against the accumulated liability. In addition, WPPF accounts had not been audited since 2018[7]. Audit further noted that no documented mechanism or approved plan existed for establishing the Fund and settling the outstanding liability, despite continued recognition of the provision in the financial statements. As a result, the statutory obligation has remained unsettled for several years without evidence of progressive compliance.

The condition occurred due to weak statutory compliance controls, absence of a mechanism for timely creation and audit of the WPPF, and inadequate management oversight without a structured monitoring framework.

[7] Management Letter of Chartered Accountant for the FY 2024-25

Non-creation and non-audit of WPPF led to accumulation of a substantial outstanding statutory liability, exposure to penalties and legal consequences, and continued non-compliance with the Companies Profits (Workers' Participation) Act, 1968, thereby undermining financial discipline and statutory governance.

The matter was taken up with management in December 2025 and reported to the Ministry in January 2026. The management stated that compliance with WPPF requirements was contingent upon registration of the WPPF Trust, which was presently not permissible in Islamabad. The reply was not considered satisfactory, as the Act requires computation, deposit, and audit of WPPF within prescribed timelines; however, the Fund remained uncreated, unpaid, and unaudited since 2018, reflecting persistent statutory non-compliance.

The DAC, in its meeting held on February 19-20, 2026, directed the management to take up the matter of registration of WPPF with relevant forum through Ministry of Energy (Power Division) for its resolution.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.2266/2025-26/ AMIS 2025_COM0000000145_F02374)

1.5 Weak financial controls over deposit works resulting in non-refund of savings and non-recovery of excess expenditure

As per Para-11 of the clarification on the NEPRA's Revised Consumer Service Manual (CSM), 2021 (issued on March 26, 2021), Distribution Companies are required to refund or adjust the cost of unused material/savings to the sponsors at the time of financial closure of deposit works, irrespective of whether the savings are below or above 10% of the sanctioned estimate. Further, Section-III (D)(1) of IESCO's Book of Financial Powers stipulates that deposit works shall be undertaken only after receipt of the full sanctioned estimate, along with an undertaking from the sponsor to meet any variation in cost, and that any excess expenditure is required to be recovered from the sponsor.

During the audit of IESCO for the FY 2024-25, systemic weaknesses were observed in the financial closure and cost reconciliation of deposit works, resulting in non-refund of surplus amounts retained from sponsors and non-recovery of excess expenditure incurred on completed works. Audit noted that in 248 cases, deposit works were completed and capitalized at costs lower than the amounts recovered from sponsors, yet the resulting savings were neither refunded nor

adjusted at financial closure, in violation of NEPRA directives. Whereas in 77 cases, works were completed and capitalized at costs exceeding the deposited estimates, but the excess expenditure was neither recovered from sponsors nor regularized, contrary to the Book of Financial Powers. The consolidated position is summarized below:

Table-08: Non-refund of savings **(Rs. in million)**

Nature of formation	No. of Works	Amount Deposited	Actual Cost	Savings / Excess	Financial Impact
Project Directorate GSC	3	736.22	603.85	Savings	132.36
CEO Office	245	3,524.35	2,544.18	Savings	980.17
				Total	**1,112.53**

Source: Capitalization data of IESCO for the FY 2024-25

Table-09: Non-recovery of excess expenditure **(Rs. in million)**

Nature of lapse	No. of Works	Amount Deposited	Actual Cost	Savings / Excess	Financial Impact
CEO Office	77	433.55	633.31	Excess	199.76
				Total	**199.76**

Source: Capitalization data of IESCO for the FY 2024-25

Non-adherence to NEPRA directives and internal financial regulations resulted in withholding of sponsors' funds amounting Rs. 1,112.53 million and non-recovery of excess costs amounting to Rs. 199.76 million during FY 2024-25, exposing IESCO to financial misstatement risk, weakened cost-recovery discipline, reputational concerns, and potential disputes with sponsors.

The matter was taken up with management in August 2025 & December 2025 and reported to the Ministry in November 2025 & January 2026. The management replied that refunds or adjustments can only be processed upon formal requests from the sponsors, none of which have been received, while any excess expenditure identified was under scrutiny for recovery. The reply was not tenable, as savings were required to be settled at the time of financial closure and cost variations recovered from sponsors; capitalization without refunding savings or recovering excess amounts reflects weak financial governance and non-compliance with prescribed procedures.

The DAC, in its meeting held on February 19-20, 2026, directed the Chief Engineer (Planning) to ensure compliance with NEPRA directives by processing refund/adjustment of retained balances within two weeks and completing scrutiny and recovery of excess expenditure within two months, and to furnish the relevant record and compliance report to Audit within the respective timelines.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 671/2025-26/ AMIS 2025_COM0000000145_F00763)
(Draft Para No.2177 /2025-26/AMIS 2025_COM0000000145_F02286)
(Draft Para No.2236 /2025-26/AMIS 2025_COM0000000145_F02344)

1.6 Non-recovery of Retailer Sales Tax due to incorrect classification of commercial consumers

Under Section 3(9) of the Sales Tax Act, 1990, sales tax on retailers (other than Tier-1) is required to be charged and collected through monthly electricity bills at the rate of 5% where the monthly bill does not exceed Rs.20,000 and 7.5% where it exceeds Rs.20,000. Distribution companies are responsible for correct consumer classification to ensure billing and recovery of applicable Retailer Sales Tax (RST).

During the audit of IESCO for the FY 2022-23 to FY 2024-25, a sample-based review of data relating to the charging of Retailer Sales Tax (RST) under the exempted classification codes "02600 to 02606 Hostels, Hotels, Rooming Houses, Camps and other Lodging Places" was undertaken. The review revealed that restaurants and marriage/wedding halls engaged in taxable commercial activities—had been classified under these exempted codes instead of being placed under the appropriate taxable consumer classification codes "01602 Eating Places, Restaurants and Cafeterias" and "01612 Marriage Halls", which were required to enable charging of RST through the electricity billing system.

Further analytical review of consumers billed under the said exempted codes established that, apart from restaurants and marriage/wedding halls, several other commercial consumers were also incorrectly classified. Examination of their sanctioned load, connected load, and electricity consumption patterns indicated usage characteristics inconsistent with those ordinarily associated with hotels or lodging establishments. This misalignment between business activity and assigned classification code substantiated systemic misclassification within the billing system. Consequently, Retailer Sales Tax amounting to Rs. 40.88 million was not charged and recovered through the electricity billing mechanism during the audited period. Detail is as under:

Table-10: Non-recovery of Retailer Sales Tax **(Rs. in million)**

Sr. No.	Circle / Formation	FY	No. of Consumers	RST Not Recovered
1	CEO IESCO, Islamabad	2024-25	75	7.10

2	Islamabad Circle, Islamabad	2023-24 to 2024-25	362	20.46
3	City Circle, Rawalpindi	2022-23 to 2024-25	270	13.32
Total			**707**	**40.88**

Source: MIS billing data of IESCO for the FYs 2022-23 to 2024-25

The condition occurred due to weak verification at the time of initial consumer classification, absence of periodic review and validation of classification codes, inadequate supervisory oversight, and ineffective system-based controls to identify and rectify misclassification of consumers liable to Retailer Sales Tax.

Incorrect application of exempted classification codes resulted in loss to the public exchequer, undermining statutory tax recovery through the electricity billing mechanism, and reflecting systemic weaknesses in commercial and billing controls.

The matter was taken up with management in December 2025 and reported to the Ministry in January 2026. The management replied that concerned formations have been directed to verify and correct the Standard Classification Codes, reconcile the related records, and ensure recovery/adjustment of outstanding amounts from the concerned consumers. Audit contended that non-recovery reflected weak monitoring of tax compliance obligations.

The DAC, in its meeting held on February 19-20, 2026, directed the General Manager (Technical) to look into the matter and ensure compliance within one month.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 2291/2025-26 AMIS 2025_COM0000000145_F02401)
(Draft Para No. 2315/2025-26 AMIS 2025_COM0000000145_F02425)
(Draft Para No. 2262/2025-26 AMIS 2025_COM0000000145_F02370)

1.7 Less recovery of security and rehabilitation charges against new / extension of load cases

According to Clause 5.2.3 of NEPRA's CSM 2021 issued on January 13, 2021, "in case of extension of load, the amount of security deposit shall be updated at prevailing rates for the entire load subject to adjustment of already paid security deposit." Further according to provision 2.6(xiv) of Consumer Service Manual, the rehabilitation charges are applicable in case of industrial category where connection is given from common 11kv feeder up to 1000 kW as per following Rate:

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

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

During the audit of IESCO for the FY 2024-25, it was observed that while processing applications for new connections and extension of load in respect of industrial, commercial, and agricultural (tube-well) consumers, security deposits and rehabilitation charges were not fully recovered in accordance with the applicable provisions. Audit scrutiny revealed short recovery amounting to Rs.11.77 million, as detailed below:

Table-11: Less recovery of security and rehabilitation charges (Rs. in million)

Sr. No.	Nature of Charges	Category of consumers	Nos. of consumer			Amount
			New	EOL	Total	
1	Security Deposit	Industrial/commercial/ agricultural	21	32	53	5.37
2	Rehabilitation Charges	Industrial	177	23	200	6.41
		Total	**198**	**55**	**253**	**11.77**

Source: Cost Estimates of IESCO for New/EOL connections for FYs 2022-23 to 2024-25

Non adherence to consumer service manual resulted in loss of Rs.11.77 million due to less recovery of security and rehabilitation charges from consumers during the FY 2024-25.

The matter was taken up with management in June 2025 & December 2025 and reported to the Ministry in September 2025 & January 2026. The management replied that notices have been issued to consumers for recovery of Security Deposits and rehabilitation charges were calculated and recovered on slab basis in accordance with NEPRA CSM-2021. The reply was not tenable, as CSM required recovery based on applied load and slab-based calculation resulted in short recovery and undue benefit to consumers.

The DAC, in its meeting held on February 19–20, 2026, directed the management to ensure recovery of short-recovered security deposits and to take up the matter regarding the methodology of calculation of rehabilitation charges with NEPRA for clarification.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 385/2025-26/AMIS 2025_COM0000000145_F00295)
(Draft Para No.2313 /2025-26/AMIS 2025_COM0000000145_F02423)
(Draft Para No.2288 /2025-26/AMIS 2025_COM0000000145_F02398)

1.8 Review of reconciliation of consumer security deposit balances between accounting and billing records

According to IAS-1 (para 15), financial statements are required to present fairly the financial position of an entity through reliable, consistent, and reconcilable balances. Further, as per Clause 5.4 of NEPRA's CSM, DISCOs are required to maintain accurate records of consumer security deposits.

During the audit of IESCO for the FY 2024-25, review of consumer security deposit balances revealed that figures reported in the trial balance and CP-41 were not reconciled as at June 30, 2025. The Trial Balance reflected consumer security deposits of Rs. 11,336.40 million, whereas billing records i.e. CP-41 reported Rs. 11,245.19 million, resulting in an unreconciled difference of Rs. 91.21 million. The variance indicated that consumer security balances were not fully aligned between accounting and billing records at year-end. Audit observed that the difference arose due to weak system integration and absence of effective month-end reconciliation controls between cash receipts recorded in the accounting system and posting of security deposits through CP-152 into the billing MIS.

The unreconciled position resulted in overstatement of consumer security deposits by Rs. 91.21 million in the Trial Balance, affecting the reliability and fair presentation of liabilities in the financial statements for FY 2024-25.

The matter was taken up with management in December 2025 and reported to the Ministry in January 2026. The management stated that the difference arose due to a timing mismatch, as security deposits received near month-end are recorded in the Trial Balance and subsequently reflected in CP-41 after posting of CP-152, with reconciliation carried out in the following period. The reply was not satisfactory, as unreconciled differences at the reporting date result in misstatement of year-end balances, and the absence of documented reconciliation between the Trial Balance and CP-41 did not meet the fair presentation and reliability requirements of IAS-1.

The DAC, in its meeting held on February 19-20, 2026, directed the management to ensure timely reconciliation at each reporting date, maintain proper documented evidence of such reconciliation, and strengthen controls to avoid year-end timing differences affecting financial presentation.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.2201 /2025-26/AMIS 2025_COM0000000145_F02308)

2. STATED MANDATE, ROLE AND RESPONSIBILITIES

This section highlights weaknesses in IESCO's governance and oversight arrangements, reflected in limited Board monitoring of Strategic Roadmap targets, absence of measurable KPIs, prolonged pendency of development works, gaps in pension administration leading to confirmed misappropriation, weak functioning of the Internal Audit Department, and absence of formal agreements for use of transmission infrastructure. Audit observed under-achievement of performance indicators, delayed execution of works involving significant financial outlay, deficient beneficiary verification controls, lack of risk-based internal audit coverage, and incurrence of material transmission charges without contractual backing. These conditions indicate weak oversight and internal controls, increasing exposure to operational inefficiencies, financial and regulatory risk, and heightened due-diligence concerns in the context of restructuring and proposed privatization.

2.1 Review of Board of Directors' Monitoring of Strategic Roadmap Targets (SRM) and absence of measurable KPIs in IESCO

Under Clause 5.3.5 of the National Electricity Policy, 2021, DISCOs are required to implement an approved Strategic Roadmap with clearly defined activities, milestones, and performance evaluation mechanisms. Further, Section 5 of the Stated Owned Enterprises (Governance & Operations) Act, 2023 requires Boards of Directors to ensure measurable and monitored performance through clearly defined and cascaded Key Performance Indicators (KPIs).

During the audit of IESCO for the FY 2024-25 it was revealed that 11 No. Secondary Transmission & Grids (STG) works and 396 No. HT/LT works, involving Rs. 7,266.66 million, remained incomplete well beyond prescribed timelines. Of these, 26 works were stalled due to non-availability of material, 123 works due to unresolved ROW issues, while 258 works remained pending due to weak execution control, partial progress, estimate revisions, and inadequate monitoring. Age-wise analysis showed pendency extending back to 2007, reflecting long-standing execution delays.

In the broader context, audit reviewed Board-level monitoring of Strategic Roadmap implementation and noted that although a Strategic Roadmap Agreement was executed on February 19, 2025 performance against FY 2024-25 targets showed significant under-achievement across most indicators. Out of 13 key performance components, 12 recorded negative variances, including deterioration in T&D losses (+1.08%) and AT&C losses (+0.50%), along with shortfalls in GIS mapping, HR reforms, feeder rehabilitation, transmission line augmentation, ABC cable deployment, capacitor installation, and AMI implementation. Detail is as under:

Table-12: Board of Directors' Monitoring of Strategic Roadmap Targets

Sr. No.	Component	Units	Target FY 25	Progress ending June-2025	Increase / Decrease
1	Recovery of Bad Debt (above three Years) through Write-offs	%	2%	0%	-2%
2	Development and Strengthening of Safety System	%	60%	58%	-2%
3	Completion of GIS Mapping & Tagging of HT Network	%	100%	85%	-15%
4	Completion of GIS Mapping & Tagging of LT Network	%	45%	28%	-17%

5	Amendment and updating of HR Manuals	%	100%	25%	-75%
6	T&D Losses	%	7.31	8.39	1.08
7	AT&C Losses	%	7.31	7.81	0.5
8	Feeder rehabilitated	No.	88	85	-3
9	Capacitor	No.	38	24	-14
10	Transmission Line – Addition/Reconducting	Km	354	182	-172
11	ABC Cable	Km	30	17	-13
12	AMI Meter Installation (Smart Meters)	No.	900,000	880,520	-19,480
13	AMI Metering at Transformers	No.	9,587	8,378	-1,209

Source: Annual Performance Assessment Report of DISCOs FY 2024-25 by PPMC

Audit assessment indicates that persistent non-completion of STG and HT/LT works represents a subset of broader performance-monitoring and governance gaps, characterized by limited milestone-based reporting, delayed corrective actions, and insufficient Board-level oversight of Strategic Roadmap targets. Weak linkage between approved plans, execution timelines, and Board-level performance monitoring constrained achievement of system improvement objectives, delayed realization of intended benefits from development expenditure, and exposed the entity to operational inefficiencies and service delivery risks.

Audit concludes that prolonged pendency of STG and HT/LT works, unresolved execution constraints and weak Board monitoring collectively contributed to under-achievement of Strategic Roadmap targets and non-realization of system improvement outcomes.

The matter was taken up with management in August 2025 & December 2025 and reported to the Ministry in November 2025 & January 2026. The management replied that certain grid and transmission works have been completed while the remaining were at advanced stages due to ROW/land issues, and that a portion of HT/LT works were deposit-based and dependent on external sponsors, with others ongoing. Audit contended that prolonged pendency of works initiated in earlier years and delays beyond prescribed timelines reflected systemic weaknesses in project execution, monitoring, and control, and further indicated inadequate Board-level oversight and absence of milestone-based KPIs necessary to ensure effective supervision and timely achievement of Strategic Roadmap targets.

The DAC, in its meeting held on February 19-20, 2026, directed the Chief Engineer (Technical) to ensure strict follow-up and completion of the uncompleted works by June 30, 2026; in case of non-compliance, responsibility shall be fixed against the concerned officer(s)/official(s) in accordance with the hierarchy and

the performance of the concerned shall be clubbed with their KPIs and shall be factored in their performance evaluation reports and placed in their dossiers and they shall not be considered for honorarium/bonus.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 1162/2025-26 AMIS 2025_COM0000000145_F01258)
(Draft Para No.2317 /2025-26/AMIS 2025_COM0000000145_F02427)

2.2 Governance gaps in employee benefit administration and pension processing

IAS-19 (Employee Benefits) requires entities to maintain reliable systems supported by complete and verified beneficiary data for accurate measurement of defined benefit obligations. The State-Owned Enterprises Act, 2023 requires effective governance and internal controls to safeguard public resources.

During the audit of IESCO for the FY 2024–25, it was observed that significant gaps existed in beneficiary verification, pension processing, and internal oversight. Annual verification of 11,575 pensioners and related beneficiaries was not carried out, and no biometric authentication, NADRA life-status validation, or field verification was undertaken for pension, post-retirement medical, or free electricity beneficiaries. Actuarial valuation reports also reflected incomplete employee data in 124 cases, including 94 employees with missing basic pay, where salaries were estimated on assumptions rather than verified records. Despite employee benefit liabilities aggregating Rs. 119,349.16 million, the Internal Audit Directorate did not conduct any audit of employee benefit schemes.

In this control environment, an inquiry report dated May 30, 2024 further confirmed irregular pension payments at the Pension Section, Tariqabad Division, arising from manipulation of service and pension records, including unauthorized alterations in service books, concealment of non-qualifying service, and processing of pension cases on falsified information. Verification checks by Drawing and Disbursing Officers and District Accounts Officers were not adequately evidenced. The inquiry confirmed embezzlement of Rs. 13.96 million, cross-verified with bank statements. The inquiry committee also recommended a special audit of pension payments in Tariqabad Division from 2012 onwards; however, no such audit had been conducted up to the time of audit.

These conditions were attributable to absence of a formal beneficiary verification framework, reliance on manual record-based processing, limited

segregation of duties, lack of system-based audit trails, and non-prioritization of employee benefit schemes in the internal audit programme.

The above resulted in confirmed misappropriation of Rs. 13.96 million and increased exposure to ineligible or duplicate beneficiaries, inaccurate actuarial inputs, and misstatement of employee benefit liabilities, thereby weakening assurance over governance, internal controls, and financial reporting.

The matter was taken up with management in December 2025 and reported to the Ministry in January 2026. The management replied that actuarial valuation was conducted to ensure compliance and avoid qualification in the audit report, beneficiary verification was being pursued, and in the identified embezzlement case disciplinary proceedings were concluded, recoveries were initiated, and criminal proceedings were referred to FIA. The reply was not tenable, as the absence of annual beneficiary verification and internal audit oversight over high-risk benefit schemes reflected a serious governance lapse. Moreover, post-facto disciplinary and recovery actions do not address the underlying control weaknesses, including reliance on manual processing, inadequate segregation of duties, limited verification by DDOs/DAOs, and non-implementation of the recommended special audit, which collectively created an environment conducive to the observed irregularities.

The DAC, in its meeting held on February 19-20, 2026, directed the management to depute a senior officer for biometric authentication, NADRA life-status validation, and field survey verification, and to submit a report within two months besides ensuring internal audit review. The DAC further directed the CEO to re-inquire the matter regarding embezzlement, specifically examining the role of the DDO who signed the cheque and the XEN who countersigned it, and to fix responsibility on the concerned SE, XEN, SDO, and other responsible officials, recording the same in their dossiers, linking it with KPIs, and excluding them from consideration for honorarium/bonus. The CEO shall also review any appeals of the dismissed officials in light of legal implications, complete the process within two months, and submit a report to Audit.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.2167/2025-26/AMIS 2025_COM0000000145_F02275)
(Draft Para No.2172 /2025-26/AMIS 2025_COM0000000145_F02280)

2.3 Weak functioning of the Internal Audit Department

According to Sections 19, 20 and 21 of the State-Owned Enterprises (Governance and Operations) Act, 2023, the Board of a State-Owned Enterprise is required to establish and maintain sound governance, risk management, and internal control arrangements, including an effective internal audit function operating under the oversight of the Audit Committee. Clause 6.3.1 of IESCO's Internal Audit Manual requires preparation of a risk-based Annual Internal Audit Plan for approval of the Audit Committee prior to commencement of each year. Further, under the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors (IIA), Standards 1000, 1110, 2010, 2060, 2120 and 2130 require that internal auditing function as an independent and objective assurance and advisory activity, operating under a Board-approved charter with organizational independence and functional reporting to the Board, implementing a risk-based audit plan, reporting periodically to the Board, and evaluating the effectiveness of governance, risk management, and internal control processes.

During the audit of IESCO for the FY 2024–25, it was observed that the Internal Audit Department did not provide documented audit coverage over the Company's key financial and operational activities during the year. Despite substantial financial operations including expenditure of Rs. 349,846.51 million, revenue of Rs. 331,073.11 million, procurement of Rs. 15,574.08 million, and recognition of a revaluation surplus of Rs. 89,550.15 million on operating fixed assets, no approved risk-based Annual Internal Audit Plan, audit reports, or evidence of audit execution and reporting to the Audit Committee was available on record. Audit further observed that although Rs. 135.95 million was incurred on the Internal Audit Directorate during FY 2024–25, its operational capacity remained severely constrained due to acute staff shortages. As of June 30, 2025, against a sanctioned strength of 133 posts, only 50 positions were filled, leaving 85 posts vacant. Detail is as under:

Table-13: Staffing Position and Expenditure of Internal Audit Directorate for FY 2024–25

Sanctioned Strength	Working Strength	Vacant Posts	Expenditure incurred on Internal Audit Directorate
133	50	85	Rs. 135.95 million

Source: IESCO Internal Audit' and Finance Directorate Data for FY 2024-25

Despite incurring expenditure of Rs. 135.95 million, the absence of risk-based planning, documented audit coverage, assurance outputs, and advisory engagement over high-risk areas including asset revaluation indicated that resources allocated to the Internal Audit Directorate were not translated into effective audit outcomes. The internal audit function did not demonstrably discharge its assurance and advisory responsibilities at a critical juncture when preparatory measures for privatization and asset restructuring were being undertaken by the Company.

Ineffective functioning of the Internal Audit Department, along with inadequate Audit Committee oversight, compromised the internal control environment, limited independent assurance over key financial and operational processes, and increased the risk of material misstatement and regulatory non-compliance, thereby impairing transparency, accountability, and corporate governance within the Company.

The matter was taken up with management in August 2025 and reported to the Ministry in November 2025. The management replied that Internal Audit was an independent formation and this office remained prepared to facilitate them. The reply was not tenable, as the absence of an internal audit represents a major weakness in the company's overall control and monitoring mechanism.

The DAC, in its meeting held on February 19–20, 2026, directed the management to immediately activate the Internal Audit function by preparing and approving a comprehensive risk-based Annual Internal Audit Plan covering major financial, procurement, and asset revaluation areas besides ensuring functional independence and periodic reporting to the Audit Committee besides completing the remaining internal audits by June 30, 2026.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 678/2025-26/ AMIS 2025_COM0000000145_F00766)

2.4 Absence of formal written agreements governing use of transmission system and lines

According to IAS-1 (Presentation of Financial Statements), paras 31 and 55, material transactions and obligations are required to be supported by clear contractual arrangements to ensure faithful representation of rights and obligations. Further, principles of sound public sector financial management

require that use of critical infrastructure be governed through formal written agreements clearly defining terms, charges, responsibilities, and dispute-resolution mechanisms, to safeguard the financial and legal interests of the entity.

During the audit of IESCO for the FY 2024-25, it was observed that system charges amounting to Rs. 6,498.86 million and national transmission line charges amounting to Rs. 8,266.61 million were recorded as payable to NTDC and PMLTC respectively, as invoiced through CPPA-G. Audit scrutiny revealed that no formal written agreement or interconnection/connection agreement was available on record between IESCO and NTDC/PMLTC governing use of the transmission system and national transmission lines. The charges were being billed and settled under interim arrangements through CPPA-G without documented contractual terms. The condition occurred due to absence of finalized interconnection agreements, weak coordination between commercial, legal and technical wings, and lack of management oversight to ensure execution of formal contracts prior to commencement of billing and settlement.

Non-existence of formal agreements weakened enforceability of rights and obligations, exposed the Company to legal and financial risk, reduced transparency over the legitimacy and accuracy of system charges, and created uncertainty regarding future settlement of transmission related liabilities an issue of particular significance in the context of IESCO's ongoing privatization and financial due diligence.

The matter was taken up with management in December 2025 and reported to the Ministry in January 2026. The management stated that the interconnection agreement was under finalization and would be shared with Audit. The reply was not satisfactory, as significant system and transmission line charges had already been incurred and settled without a formal written agreement.

The DAC, in its meeting held on February 19–20, 2026, directed the management to expedite the finalization of the interconnection agreement and provide the same to Audit within thirty (30) days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 2268 /2025-26 / AMIS 2025_COM0000000145_F02376)

3. PROCUREMENT

IESCO's procurement function exhibited significant weaknesses in planning, regulatory compliance, contract enforcement, quality assurance, and integrity safeguards during FY 2024-25. Against an approved procurement plan of Rs. 58,934.65 million, IESCO expended Rs.24,150.35 million[8] (40.98%), through 230 purchase orders which resulted in a shortfall of Rs.34,784.30 million (59.02%), indicating deficiencies in planning, follow-up, and monitoring. Audit further observed non-compliance with prototype testing and delivery terms, unjustified splitting of tenders to circumvent approval thresholds, weak enforcement of warranty and performance security requirements, acceptance of equipment without independent QA&I, lapses in beneficial ownership disclosures, irregular acceptance of single bids in pre-qualified procurements, and inconsistent application of blacklisting and grievance redressal provisions. These deficiencies indicate systemic weaknesses in procurement governance and oversight, undermining transparency, competition, contractual safeguards, and value for money, while exposing the entity to financial, operational, regulatory, and reputational risks.

[8] Proposed Draft Para No.2194 /2025-26 AMIS 2025_COM0000000145_F02301

3.1 Non-compliance with prototype testing and delivery terms in supply contracts

According to Clause 4.4.1 of the Bid Evaluation Report (BER) for Tender Nos. NCB-159 and NCB-189, the bidder was declared technically qualified subject to carrying out fresh type testing of the offered material within the quoted bid price and without affecting delivery timelines. Further, as per Contracts dated 31.10.2024 and 29.01.2025, the supplied material was required to undergo all tests specified in the bidding documents prior to acceptance.

During the audit of IESCO for the FY 2024-25, it was observed that in two tenders, M/s Tariq Electric (Pvt.) Ltd. was declared technically and financially responsive subject to provision of fresh type testing within the quoted bid price and without impact on delivery schedule. Accordingly, two Purchase Orders (NCB-159 dated October 30, 2024 and NCB-189 dated January 29, 2025) valuing Rs. 273.05 million were issued for supply of grid electrical material with a stipulated delivery period of 150 days. Audit scrutiny revealed that the supplier neither submitted type test reports at the bidding stage nor conducted mandatory prototype testing after award of contract. Consequently, the delivery period expired without supply of material, indicating non-fulfilment of contractual obligations and exposing the projects to potential delays and risk of procurement of non-compliant equipment.

The condition occurred due to acceptance of bids without ensuring completion of mandatory prototype testing, weak enforcement of contractual technical requirements, and inadequate monitoring of delivery milestones by the procuring formation.

Non-compliance with prototype testing and delivery terms resulted in stalled procurement amounting to Rs. 273.05 million, risk of project delays, and weakened assurance over quality and compliance of electrical equipment during FY 2024-25.

The matter was taken up with management in August 2025 and reported to the Ministry in December 2025. The management replied that Tender Nos. NCB-159 and NCB-189 were awarded on October 31, 2024 and January 29, 2025 with a 150-day delivery period; type tests of incoming panels were approved on December 11, 2025, 10 AC/DC auxiliary panels were inspected on September 15, 2025 and delivered on September 17, 2025, and the remaining material (except bus

coupler) was delivered on January 7, 2026, while Liquidated Damages (LD) would be imposed as per PO after receipt of complete material. The reply was not tenable, as prototype (type) testing was a mandatory condition to be conducted within the stipulated delivery period, whereas approval on December 11, 2025 and subsequent deliveries beyond the 150-day schedule indicate post-deadline compliance, reflecting deviation from tender conditions and weak contract enforcement.

The DAC, in its meeting held on February 19–20, 2026, directed the management to examine the deviation from prototype testing and delivery terms, ensure imposition and recovery of applicable Liquidated Damages as per contract provisions, fix responsibility for non-compliance with tender conditions, and submit a detailed compliance report to Audit within thirty (30) days. If negligence is established, the findings shall be clubbed with the performance record of the concerned officer(s)/ official(s) and placed in their respective dossiers.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 916 /2025-26 / AMIS 2025_COM0000000145_F01016)

3.2 Procurement of electrical material through splitting of tender without documented justification

According to Rule-4 of the Public Procurement Rules, 2004, procuring agencies are required to conduct procurement in a fair and transparent manner ensuring value for money. Further, Rule-9 of the ibid prohibits splitting or regrouping of planned procurements.

During the audit of IESCO for the FY 2024-25, it was observed that Tender No. IESCO-NCB-204, initially advertised on March 29, 2025 for procurement of electrical material was subsequently divided into two separate tenders (NCB-204 and NCB-205) through issuance of a corrigendum, accompanied by revision of eligibility criteria. Both tenders were opened on April 23, 2025 under the single-stage single-envelope procedure, and in each case, bids were received only from M/s Shaheen Traders, Lahore.

Table-14: Comparison of quantities and eligibility criteria (Original vs Revised Tenders)

(Rs. in million)

Tender No.	Item Description	Unit	Qty	Aggregated Net worth	Average Annual Turnover	Financial resources
As per Original Tender (NCB-204)	Mid Span Joint for Greely Conductor	No.	96	41.00	833.00	136.00
	Single tension fitting for Greely conductor	Set	1214			
	Single suspension fitting for Greely conductor	Set	444			
	Stock Bridge Damper for Greely Conductor	No	1788			
As per revised Tender (NCB-204)	Mid Span Joint for Greely Conductor	No.	96	25.00	512.00	84.00
	Single tension fitting for Greely conductor	Set	1214			
As per revised Tender (NCB-205)	Single suspension fitting for Greely conductor	Set	444	15.00	320.00	52.00
	Stock Bridge Damper for Greely Conductor	No	1788			

Source: Procurement record of PMU IESCO 2024-25

Audit noted that division of the original tender resulted in segregation of items into two lots with reduced financial eligibility thresholds; however, no documented technical or commercial justification or approval from the competent authority was available on record for such splitting or revision of criteria. Further, despite relaxation of eligibility requirements, bids in both tenders were received from the same single bidder, indicating that the restructuring neither enhanced competition nor achieved demonstrable value-for-money outcomes. Consequently, procurement was executed through two contracts valued at Rs. 72.55 million and Rs. 53.07 million respectively, aggregating Rs. 125.62 million, each remaining below the Rs. 100.00 million threshold requiring Board of Directors' approval.

Division of procurement into multiple lots without documented justification resulted in bypass of Board-level oversight, weakened procurement transparency and governance, and exposed the process to procedural and accountability risk during FY 2024-25.

The matter was taken up with management in August 2025 and reported to the Ministry in December 2025. The management stated that Tender No. NCB-204 was restructured through a corrigendum to lower eligibility thresholds and enhance competition, with certain items processed under two tenders under revised criteria,

asserting that the process complied with PPRA Rules and IESCO bidding documents. The reply was not tenable, as the originally advertised single tender was split into two tenders with reduced eligibility thresholds without documented justification, and despite such revision only a single bidder participated; the aggregation below the Rs.100 million threshold indicates avoidance of prescribed Board oversight.

The DAC, in its meeting held on February 19–20, 2026, directed the management to provide documented justification and competent approval for the tender restructuring, review compliance with PPRA Rules and prescribed approval thresholds, fix responsibility if the splitting was undertaken to circumvent Board approval, and submit a comprehensive report to Audit within one month. If negligence is established, the findings shall be clubbed with the performance record of the concerned officer(s)/ official(s) and placed in their respective dossiers.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 917 /2025-26 / AMIS 2025_COM0000000145_F01019)

3.3 Non-compliance with contractual warranty and performance guarantee requirements for supplied material

According to directions of Chief Engineer (Development), IESCO, the contractor M/s Paras Trading Company (Tender No. NCB-134-R/2023-24) was required to furnish an extended warranty of 36 months, in addition to the warranty period stipulated under SCC Clause 18.2, as a condition for allowing third-party Factory Acceptance Testing (FAT) in lieu of physical inspection. Further, as per letter of Additional Director (Procurement), PMU IESCO dated November 26, 2024, M/s Network Services International (Tender No. NCB-172/2024-25) was required to provide extended warranty for acceptance of Arteche-made tripping relays due to change of manufacturer.

During the audit of IESCO for the FY 2024-25, it was observed that two purchase orders valuing Rs. 93.17 million were awarded to M/s Paras Trading Company and M/s Network Services International for supply of electrical goods. In both cases, relaxation of testing/manufacturer conditions was allowed subject to submission of extended warranty. However, audit scrutiny revealed that material was received without obtaining the required extended warranty certificates and corresponding extended performance guarantees. The condition occurred due to

weak enforcement of contractual safeguards, inadequate monitoring of post-award compliance requirements, and absence of effective controls to ensure submission of mandatory warranties and guarantees prior to acceptance of material. Detail is as under:

Table-15: Original and extended warranty period in lieu of waiver of FATs/ change of manufacture

(Rs. in million)

Sr. No.	P.O No & Date	Name of supplier	Description of material	Amount of P.O	Amount of Performance guarantee	Relaxation granted	Original warranty Period	Extended Warranty Period
1	(NCB-134-R/2024 dt. June 04, 2024	M/s Paras Trading Company	Current T/Fs, Line T/Fs, Potential T/Fs	56.19	5.62	Waiver of FATs	24 months	36 months
2	NCB-172/2024 October 30, 2024	and M/s Network Services International	Relay Penal	36.98	4.36	Change of manufacturer	24 months	

(Source: Procurement record of PMU IESCO 2024-25)

Non-compliance with contractual warranty and guarantee requirements weakened protection of IESCO's interests and exposed the organization to operational and financial risk in case of defects or equipment failure, involving supplies valuing Rs. 93.17 million during FY 2024-25.

The matter was taken up with management in August 2025 and reported to the Ministry in December 2025. The management replied that for NCB-134-R (Contract dated June 04, 2024), third-party inspection was conducted on September 26–27, 2024, material was delivered on December 04, 2024, and the supplier extended the bank guarantee for 36 months on December 16, 2024; similarly, for NCB-172 (NOA dated September 23, 2024), performance guarantee was submitted on October 17, 2024, inspection was completed on February 28, 2025, material was delivered on March 11, 2025, and the end-user confirmed satisfactory performance, asserting that contractual safeguards were ensured and no operational or financial risk was involved. The reply was not tenable, as the mandatory extended warranties and corresponding performance guarantees were not secured before material acceptance, undermining the basis of the granted relaxations and indicating weak enforcement of contractual compliance controls.

The DAC, in its meeting held on February 19–20, 2026, directed the management to ensure that all conditional relaxations are supported by documented extended warranties and performance guarantees prior to material acceptance, fix responsibility for non-compliance, and submit a compliance report

to Audit within one month. If negligence is established, the findings shall be clubbed with the performance record of the concerned officer(s)/ official(s) and placed in their respective dossiers.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 922 /2025-26 / AMIS 2025_COM0000000145_F01031)

3.4 Lapses in procurement integrity, enforcement of blacklisting provisions, and grievance redressal mechanisms

According to Rule-4 of the Public Procurement Rules 2004, procuring agencies are required to ensure that procurements are conducted in a fair, transparent, and equitable manner, delivering value for money and maintaining integrity of the procurement process. Further, Rule 48 of PP Rules, 2004 requires that all admissible grievances be placed before the Grievance Redressal Committee (GRC) within prescribed timelines, that procurement proceedings be dealt with strictly in accordance with the Rules, and that decisions of the GRC be supported by documented analysis and justification. In addition, under the IESCO's Mechanism for Blacklisting of Contractors, Consultants and Manufacturers, submission of forged, false, or misleading documents attracts consequential actions including forfeiture of bid security and initiation/finalization of blacklisting proceedings.

During the audit of IESCO for the FY 2024–25, it was observed that significant weaknesses existed in the procurement evaluation and grievance redressal process relating to the procurement of steel poles under Tenders No. NCB-156, NCB-157 and NCB-158, opened on April 17, 2024 under the single-stage two-envelope procedure. The lapses primarily related to inconsistent treatment of bidders facing comparable allegations, weak enforcement of prescribed integrity safeguards, and absence of documented justification in grievance handling, undermining transparency and fairness of the procurement process.

In Tender No. NCB-158, M/s Jaffer Brothers (Pvt.) Ltd. Lahore was declared technically non-responsive on account of submission of forged financial reports and manufacturer's documents. The technical evaluation committee explicitly recommended forfeiture of the bid security and initiation of blacklisting proceedings in accordance with the applicable blacklisting mechanism. However,

despite the passage of considerable time, the bid security amounting to Rs. 8.19 million was not forfeited and the blacklisting proceedings were not finalized, leaving the enforcement action incomplete.

In the same procurement cycle, M/s Eagle Cables (Pvt.) Ltd. submitted a grievance against M/s Al-Hussain Traders, alleging submission of forged or misleading manufacturer documents. The Grievance Redressal Committee examined the complaint, accepted the grievance and declared M/s Al-Hussain Traders technically non-responsive. However, unlike the case of M/s Jaffer Brothers (Pvt.) Ltd., no evidence was available on record to show that forfeiture of bid security or initiation of blacklisting proceedings was considered or pursued against M/s Al-Hussain Traders, despite similarity of allegations and formal acceptance of the grievance.

Subsequently, during the re-tendering of NCB-156-R, NCB-157-R and NCB-158-R, M/s Al-Hussain Traders was allowed to participate again by submitting bids with a changed manufacturer, notwithstanding its earlier technical disqualification on the same procurement. This diluted the consequences of the established violation by permitting re-entry into the procurement process through substitution of the manufacturer, whereas enforcement action against M/s Jaffer Brothers (Pvt.) Ltd., including forfeiture of bid security and conclusion of blacklisting proceedings, remained pending. As a result, two bidders facing comparable allegations were subjected to materially different outcomes: one remained under unresolved enforcement action, while the other was facilitated to re-participate without any documented enforcement measures, reflecting unequal and inconsistent application of procurement integrity safeguards. Detail is as under:

Table-16: Evaluation/GRC decisions vs. required and actual actions against delinquent bidders

Sr. No.	Tender No.	Name of Bidder	Nature of Irregularity	Evaluation / GRC Outcome	Action Required under Rules	Action Taken
1	NCB-158	M/s Jaffer Brothers (Pvt.) Ltd.	Forged financial reports and manufacturer documents	Declared technically non-responsive; blacklisting & forfeiture recommended by evaluation committee	Forfeiture of bid security and finalization of blacklisting	Neither forfeiture nor blacklisting finalized

2	NCB-156 /157/ 158	M/s Al-Hussain Traders	Forged/fake manufacturer documents	Declared technically non-responsive by GRC	Forfeiture of bid security and finalization of blacklisting	No enforcement action initiated

Source: Procurement record of PMU IESCO for the FY 2024-25

Audit further observed that these lapses were not isolated and reflected broader systemic weaknesses in grievance handling and evaluation controls. In Tender No. Civil/NCB-180/2024-25 for construction works at 132-kV Grid Station SUPARCO (estimated cost Rs.160.96 million), the Grievance Redressal Committee overturned the earlier technical disqualification of M/s Usman & Company vide decision dated September 27, 2024 without recording analysis or justification in the minutes, raising concerns regarding transparency, consistency, and fairness of the evaluation process. Similarly, during procurement of consultancy services for asset revaluation, a grievance submitted by M/s G.K.S Building Services within the statutory timeframe was not placed before the Grievance Redressal Committee, procurement proceedings were not suspended, and the complaint was incorrectly treated as time-barred, in violation of Rule 48(3) and Rule 48(4) of the PP Rules, 2004.

The above conditions indicated weak enforcement of procurement rules, inconsistent application of integrity safeguards, inadequate documentation of grievance decisions, and ineffective oversight of the grievance redressal mechanism. These weaknesses undermined transparency, fairness, and credibility of the procurement process and exposed the organization to regulatory, legal, and reputational risks during FY 2024–25.

The matter was taken up with management in August & December 2025 and reported to the Ministry in December 2025 and January 2026. The management stated that procurement under NCB-156, 157 and 158 was conducted in accordance with the bidding documents and PPRA Rules; grievances were examined by the competent forums, and case was referred to the Blacklisting Committee for further action. It was further stated that in one instance the Grievance Committee accepted the appeal upon submission of corrected bank confirmation and sufficient financial evidence, whereas in another case the complaint was not processed on the ground that it was addressed to an inappropriate forum. The reply was not satisfactory, as the record reflects inconsistent and selective enforcement of bid security forfeiture and blacklisting

provisions, differential treatment of bidders facing similar allegations, absence of documented reasoning in Grievance Committee decisions, and non-placement of admissible grievances before the GRC within the prescribed framework, thereby undermining transparency, fairness, and credibility of the procurement process.

The DAC, in its meeting held on February 19–20, 2026, directed the Chief Engineer (Development) to comprehensively review the procurement and grievance handling process, ensure uniform and timely enforcement of forfeiture and blacklisting provisions in accordance with PPRA Rules, record detailed written justification for all GRC decisions, finalize pending enforcement actions, and submit a consolidated compliance report with complete documentary evidences to Audit within one month. The CEO was further directed to examine the matter personally and fix responsibility. If negligence is established, the findings shall be clubbed with the performance record of the concerned officer(s)/ official(s) and placed in their respective dossiers.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 923/2025-26 2025_COM0000000145_F01032 (AMIS)
(Draft Para No.936/2025-26 2025_COM0000000145_F01034 (AMIS)
(Draft Para No.937/2025-26 2025_COM0000000145_F01035 (AMIS)
(Draft Para No.2162 /2025-26/AMIS 2025_COM0000000145_F02269)

3.5 Review of procurement and quality assurance of 11 kV Industrial Metering Panels

As per decisions recorded in meetings between PEPCO and NTDC, read with Ministry of Energy (Power Division) letter No. 1(2)/2015-NTDC dated July 27, 2020, the responsibility for Quality Assurance and Inspection (QA&I) of distribution material (11 kV and below) was reverted to PEPCO (now PPMC) to ensure independent, standardized, and conflict-free inspection prior to acceptance. Further, as per Clause 13.3(b) of the Bid Data Sheet, bidders were required to possess valid prototype approvals for all critical components at the time of bid opening, and the approved technical specifications for 11 kV industrial metering panels further require verification of the originality of imported components at the inspection stage.

During the audit of IESCO for the FY 2024-25 it was revealed that 11 kV industrial metering panels valuing Rs. 200.15 million were procured and accepted against two purchase orders without ensuring compliance with prescribed QA&I

arrangements and mandatory technical requirements. Audit observed that the inspection clause in the purchase orders provided for inspection by the Chief Engineer (MM), IESCO, or his authorized representatives jointly with other IESCO representatives, instead of PPMC. This arrangement did not constitute an independent inspection mechanism, as both inspecting parties belonged to the same procuring entity. The clause neither ensured segregation of duties nor compliance with the approved QA&I framework, despite the equipment being technically sensitive and directly linked to revenue measurement. Audit further noted deficiencies in compliance with bid and technical specifications, including acceptance of panels containing components with expired or provisional prototype approvals at the time of bid opening, provision of a warranty period shorter than that required under prototype approvals, and non-verification of originality of imported components during inspection, despite a significant proportion of panel components being imported. These lapses indicated inadequate scrutiny during technical evaluation and inspection. Detail is as under:

Table-17: Procurement and quality assurance of 11 kV Industrial Metering Panels

(Rs. in million)

Sr. No	P.O/Date	Name of supplier	Description of material	Quantity	Amount	Remarks/ Violations
1	No. 4225 dt February. 06, 2025	M/s Tariq Electric (Pvt) Ltd.	11 KV Industrial Metering Penal	25	100.15	• Vague inspection clause in PO • Non-inspection of material independently by PPMC. • Non-provision of 05 years warranty of relays of penal. • Expired prototype approval of HT busbar tubing. • Non-verification of originality of imported components of material.
2	No. 4283 dt. June 05, 2025			25	100.00	
				Total	**200.15**	

Source: Procurement record of Material Management IESCO for the FY 2024-25

Non-compliance with approved QA&I arrangements and bid requirements led to acceptance of 11 kV metering equipment valuing Rs. 200.15 million without independent inspection and full technical compliance, exposing IESCO to risks of substandard quality, premature failure, inaccurate metering, warranty disputes, and potential revenue loss during FY 2024-25.

The matter was taken up with management in December 2025 and reported to the Ministry in January 2026. The management stated that inspection was carried out by technically competent internal wings independent of the procurement function. It was further contended that the five-year warranty requirement applied specifically to the ABB relay under NTDC approval, while the overall panel warranty was governed by the purchase order and performance guarantee; prototype validity of HT busbar sleeves related to unchanged design parameters, and the panels were accepted after successful FAT and high-voltage testing. The reply was not tenable, as the approved QA&I framework required independent third-party inspection (PPMC), and internal inspection does not satisfy the requirement of functional independence. Moreover, valid prototype approvals and stipulated warranty conditions were mandatory at the time of bid opening and award; reliance on FAT results cannot substitute compliance with bidding requirements, and verification of the originality of imported components was not adequately ensured.

The DAC, in its meeting held on February 19–20, 2026, directed the management to ensure strict adherence to the approved QA&I framework by engaging independent inspection as required; review compliance with prototype validity, warranty provisions, and verification of imported components; fix responsibility for lapses, if any; and submit a consolidated compliance report with supporting record to Audit within one month. If negligence is established, the findings shall be clubbed with the performance record of the concerned officer(s)/ official(s) and placed in their respective dossiers.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.2160/2025-26 AMIS 2025_COM0000000145_F02267)
(Draft Para No.2163/2025-26 AMIS 2025_COM0000000145_F02270)

3.6 Review of compliance with beneficial ownership disclosure requirements in procurement of consultancy services

As per Regulation 4 of S.R.O. 592(I)/2022 dated May 10, 2022 (Declaration of Beneficial Ownership Information), procuring agencies are required to mandatorily obtain Declaration of Ultimate Beneficial Ownership in the prescribed Performa for all public procurement contracts valuing Rs. 50.00 million and above, in accordance with Forms 42, 43 and 44 of the Securities &

Exchange Commission of Pakistan (SECP), to ensure transparency and integrity in public procurement.

During the audit of IESCO for the FY 2024-25, it was observed that consultancy services for vetting of works (ELR/DOP, HT/LT, Safety Hazard) and Rural Electrification Works valuing Rs. 166.27 million (excluding GST) were awarded to M/s Barqaab-En-Masse (JV). The notification of award was issued on May 06, 2025; however, the mandatory declaration of ultimate beneficial ownership information, required for contracts exceeding Rs. 50.00 million, was not available on record at the time of award, as confirmed by Planning & Engineering Wing vide letter dated October 20, 2025. The condition occurred due to weak enforcement of mandatory pre-award compliance checks, inadequate scrutiny by the procuring formation, and issuance of the Notification of Award without verification of statutory beneficial ownership disclosures.

Non-compliance with beneficial ownership disclosure requirements weakened procurement transparency and due diligence, exposed IESCO to governance and regulatory risk, and reduced safeguards against potential conflicts of interest during FY 2024-25.

The matter was taken up with management in December 2025 and reported to the Ministry in January 2026. The management replied that the Declaration of Ultimate Beneficial Ownership was received before the contract was signed. The reply was not satisfactory, as the mandatory Declaration of Ultimate Beneficial Ownership from M/s Barqaab-En-Masse (JV) was not available at the time of award; moreover, the Planning & Engineering Wing vide letter dated October 20, 2025 confirmed its non-submission, contradicting management's claim of compliance.

The DAC, in its meeting held on February 19–20, 2026, directed the management to ensure that all mandatory regulatory disclosures, including Ultimate Beneficial Ownership declarations, are verified and placed on record prior to issuance of Notification of Award; review the instant case for compliance gaps, fix responsibility, and submit a compliance report to Audit within one month. If negligence is established, the findings shall be clubbed with the performance record of the concerned officer(s)/ official(s) and placed in their respective dossiers.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 2231 /2025-26/AMIS 2025_COM0000000145_F02339)

3.7 Review of compliance with Performance Security requirements in consultancy contract for GIS mapping

As per Section VIII (Particular Conditions of Contract) of the Request for Proposal (RFP), Clause 13.3(b) requires that Performance Security be issued by a bank located outside Pakistan, while Clause 13.3(d) requires that Performance Security shall remain valid until three years after project completion to safeguard post-completion contractual obligations.

During the audit of IESCO for the FY 2024-25, examination of the contract awarded to National Engineering Services Pakistan (Pvt.) Limited (NESPAK) on September 27, 2022 for field survey and digitized GIS mapping of the distribution network revealed that performance security amounting to Rs. 26.04 million was issued by a local bank, contrary to RFP requirements. Audit further observed that the performance security expired on September 05, 2023 and was not renewed thereafter, despite contractual provisions requiring its continued validity. The lapse occurred due to weak contract administration, absence of an effective mechanism to monitor validity and enforceability of Performance Securities, and inadequate management oversight over contractual safeguard requirements.

Acceptance of a non-compliant and expired Performance Security exposed IESCO to contractual and financial risk by limiting its ability to enforce post-completion obligations, recover damages in case of defects or non-performance, and safeguard public funds amounting to Rs. 26.04 million.

The matter was taken up with management in December 2025 and reported to the Ministry in January 2026. The management stated that since the RFP was issued on an NCB basis without foreign participation, obtaining a foreign bank guarantee was not practicable; therefore, relying on GCC Clause 13.3(b) and the contract's order of precedence, a local bank guarantee in the prescribed form was accepted, and regarding its expiry, NESPAK has been asked to submit a renewed and compliant performance security while monitoring controls were being strengthened. The reply was not tenable, as under the agreed order of precedence the Particular Conditions of Contract (PCC) prevail over the General Conditions of Contract (GCC) in case of inconsistency; therefore, GCC cannot override the

explicit requirements of PCC Clauses 13.3(b) and 13.3(d) regarding the source and extended validity of the Performance Security.

The DAC, in its meeting held on February 19–20, 2026, directed the management to obtain a fully compliant and valid performance security in line with the RFP, fix responsibility for acceptance of the non-compliant and expired guarantee, strengthen monitoring controls, and submit a compliance report with supporting record to Audit within one month. If negligence is established, the findings shall be clubbed with the performance record of the concerned officer(s)/ official(s) and placed in their respective dossiers.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 2256 /2025-26/AMIS 2025_COM0000000145_F02364)

3.8 Acceptance of single bids in pre-qualified procurements of electrical material

According to Rule 38B(1) of the Public Procurement Rules, 2004, a procuring agency may consider a single responsive bid in goods, works, and services subject to fulfillment of prescribed conditions; however, the proviso to Rule 38B(1) explicitly restricts acceptance of single bids in procurements conducted through pre-qualification proceedings, except in the case of unsolicited proposals.

During the audit of IESCO for the FY 2024-25, it was observed that twenty-eight (28) tenders for procurement of various electrical materials (including termination kits, HT bus bars, straight joint kits, enameled copper, insulated conductors, meters, HT PC poles, GS wire, and 11 kV outgoing panels) were invited from pre-qualified firms. Although bidding documents were purchased by more than one pre-qualified bidder in these tenders, only a single firm submitted bids in each case. Subsequently, twenty-eight (28) purchase orders aggregating Rs. 1,850.97 million were awarded to these single bidders **(Annexure-III)**. Acceptance of single bids in procurements conducted through pre-qualification proceedings was not in accordance with the proviso to Rule 38B (1) of PPRA Rules. The condition occurred due to weak enforcement of procurement regulations and inadequate oversight at the bid evaluation and approval stages.

Non-adherence to PPRA provisions resulted in procurement of electrical material amounting to Rs. 1,850.97 million through single bidders, weakening competition, transparency, and assurance of value for money during FY 2024-25.

The matter was taken up with management in December 2025 and reported to the Ministry in January 2026. The management replied that the PPRA proviso applies to pre-qualification proceedings, not to procurement from pre-qualified firms. The reply was not tenable, as the proviso in Rule-38B(1) explicitly prohibits acceptance of single bids in procurements conducted through pre-qualification proceedings.

The DAC, in its meeting held on February 19–20, 2026, directed the management to take up the matter with PPRA for clarification.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 2192 /2025–26 / AMIS 2025_COM0000000145_F02299)

4. OPERATIONAL PROCESSES

This section highlights weaknesses in IESCO's operational processes, reflected through elevated feeder and distribution losses, unauthorized load extensions, imprudent billing adjustments, delayed execution of deposit works and weak metering controls. Audit noted excess technical losses, abnormal refunds and credits, repeated meter replacements without inquiry, overbilling due to discrepancies between units received & billed, and non-compliance with Consumer Service Manual provisions. These deficiencies indicate inadequate operational controls, monitoring, and accountability, resulting in revenue leakage, consumer disputes, regulatory non-compliance, and increased operational risk.

4.1 Review of Energy Losses on Independent 11 kV Feeders

As per the Distribution Rehabilitation Guidelines issued by the General Manager (Operation), WAPDA, Lahore (September 24, 2003), Table-5 (Maximum Permissible Voltage Drop & Losses) prescribes that the maximum allowable technical losses (AEL) for independent HT feeders, both rural and urban, shall not exceed 3%. Distribution companies are required to plan, operate and monitor feeders so that technical parameters remain within the prescribed limits.

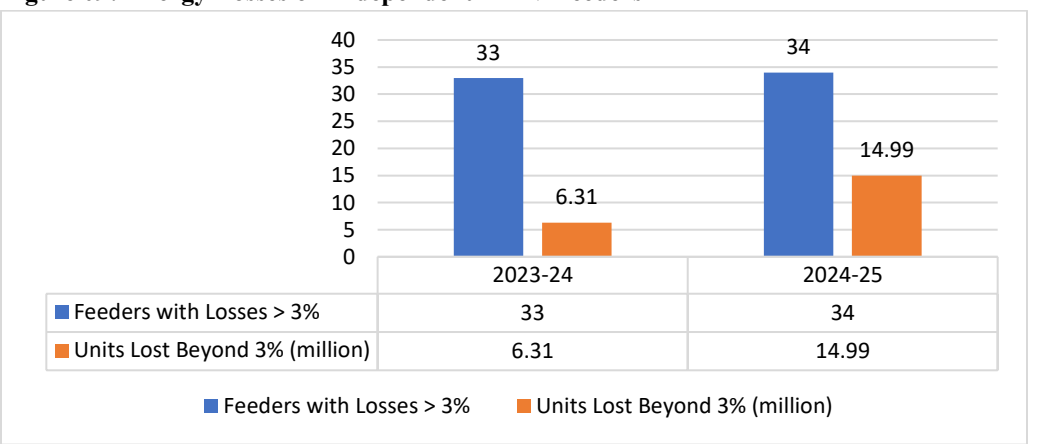
During the audit of IESCO for the FY 2024-25, it was observed from CP-22-A that 34 out of 301 independent 11 kV feeders exhibited energy losses exceeding the prescribed limit of 3%. The excess losses on these feeders amounted to 14.99 million units, with a corresponding financial impact of Rs.643.66 million during FY 2024-25 **(Annexure-IV)**. The position is summarized below:

Table-18: Energy Losses on Independent 11 kV Feeders **(Rs. & units in million)**

FYs	Feeders with Losses > 3%	Units Lost Beyond 3%	Financial Impact
2023-24	33	6.31	296.46
2024-25	34	14.99	643.66

Source: CP-22-A of IESCO for FYs 2023-24 & 2024-25; Energy rate @ Rs.42.95 per unit

Figure 09: Energy Losses on Independent 11 kV Feeders



Source: CP-22-A of IESCO for FYs 2023-24 & 2024-25; Energy rate @ Rs.42.95 per unit

Audit analysis indicates that the recorded losses on the identified feeders remained above the prescribed technical benchmark, and available records did not demonstrate feeder-wise technical justification or normalization of losses within the permissible limit during the audit period. Factors such as load conditions, conductor capacity, monitoring of feeder performance, and enforcement of load

regularization mechanisms could not be adequately correlated with the observed loss levels on the basis of documentation made available to audit.

Non-achievement of the prescribed loss threshold resulted in energy losses beyond the allowable limit amounting to Rs.643.66 million during FY 2024-25, highlighting the need for strengthened technical assessment and monitoring of independent feeders.

The matter was taken up with management in December 2025 and reported to the Ministry in January 2026. The management replied that feeder losses were attributable to operational constraints and billing cycle timing differences and that corrective measures have been initiated to bring losses within allowable limits. The reply was not tenable as feeder-wise compliance evidence was not substantiated.

The DAC, in its meeting held on February 19-20, 2026, directed the management to submit revised reply under the certificate of General Manager (Operation) duly supported with documentary evidence to Audit within one week.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.2205/2025-26/AMIS 2025_COM0000000145_F02312)
(Draft Para No.2306 /2025-26/AMIS 2025_COM0000000145_F02416)
(Draft Para No. 2273/2025-26/AMIS 2025_COM0000000145_F02384)

4.2 Unauthorized extension of load by commercial, industrial and bulk supply consumers

As per Clause 8.2.10 and 7.5.3 of the NEPRA's CSM, where a consumer extends load beyond the sanctioned limit, the DISCO is required to issue a notice for load extension, require the consumer to apply within fifteen days, and disconnect supply in case of non-compliance; additionally, where a consumer exceeds the prescribed MDI threshold (e.g., a B-1 consumer using load above 25 kW), the DISCO shall immediately issue a notice for change of tariff to B-2, with retrospective charging of tariff differential or power factor penalty restricted to a maximum period of six months.

During the audit of IESCO for the FY 2024-25, it was observed that 1,692 Commercial, Industrial, and Bulk Supply consumers were operating connections beyond their sanctioned load without approval of the competent authority. Analysis of MIS MDI data and consumer e-bills showed that unauthorized load extension persisted across multiple tariff categories, without effective enforcement

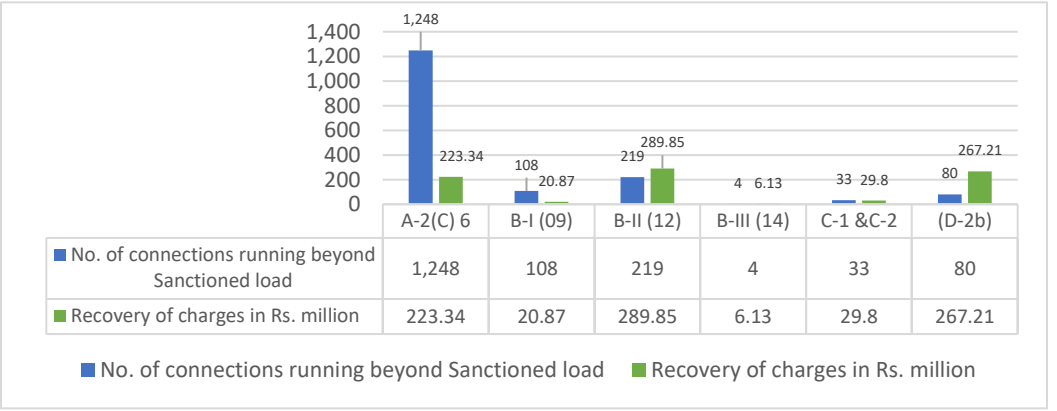
action by the field formations. Due to non-regularization of unauthorized load, mandatory recovery of security deposits, feeder rehabilitation charges, fixed charges and transformer/capital costs was not affected, resulting in a financial impact of Rs.837.13 million up to FY 2024-25. Audit observed that inadequate monitoring of MDI readings and non-enforcement of supply conditions allowed continued overloading, adversely affecting the distribution network and associated assets **(Annexure-V).**

Table-19: Unauthorized extension of load **(Rs. in million)**

Sr No	Consumer Nature	Tariff	No. of connections running beyond Sanctioned load	Security	Rehabilitation Charges	Cost of T/F	Fixed Charges	Grand Total
1	Commercial	A-2I 6	1,248	86.98	3.21	133.15	-	223.34
2	Industrial B-I	B-I (09)	108	4.96	0.79	13.35	1.77	20.87
3	Industrial B-II	B-II (12)	219	42.69	25.14	222.02	-	289.85
4	Industrial B-III	B-III (14)	4	3.01	3.12	-	-	6.13
5	Bulk supply	C-1 &C-2	33	29.80	-	-	-	29.80
6	Agricultural	(D-2b)	80	-	-	267.21	-	267.21
Total			**1,692**	**167.44**	**32.26**	**635.73**	**1.77**	**837.20**

Source: IESCO MIS Data and E-Bill of consumers for the FY 2024-25

Figure 10: Unauthorized extension of load



Source: IESCO MIS Data and E-Bill of consumers for the FY 2024-25

The condition occurred due to weak monitoring of MDI readings, non-enforcement of provisions of the Consumer Service Manual, ineffective supervisory oversight, and failure to initiate timely regularization, recovery, or disconnection actions against defaulting consumers.

Non-adherence to CSM resulted in undue favor extended to commercial, industrial and bulk supply consumers, loss of revenue in the form of unrecovered security deposits, rehabilitation charges, fixed charges and capital costs, and increased stress on the distribution system, culminating in a financial impact of Rs.837.13 million.

The matter was taken up with management in June 2025 & December 2025 and reported to the Ministry in September 2025 & January 2026. The management replied that notices have been issued to consumers for and recovery was under process. Audit contended that delayed enforcement resulted in undue financial benefit and weakened load management controls.

The DAC, in its meeting held on February 19-20, 2026, directed the management to furnish a consumer-wise breakup of notices issued for regularization of unauthorized extended load, ensure immediate action in case of non-compliance with strict monitoring to prevent unauthorized electricity use, and submit a compliance report within one month. The management shall also assign specific recovery targets through the administrative hierarchy and ensure recovery within two months, failing which a displeasure letter shall be issued and their performance shall be clubbed with their KPIs and same shall be placed in their dossier and the concerned officer(s) shall not be considered for honorarium/bonus.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 372/2025-26 AMIS 2025_COM0000000145_F00279)
(Draft Para No. 375/2025-26 AMIS 2025_COM0000000145_F00282)
(Draft Para No. 2281/2025-26 AMIS 2025_COM0000000145_F02392)
(Draft Para No. 2293/2025-26 AMIS 2025_COM0000000145_F02403)
(Draft Para No. 2199/2025-26 AMIS 2025_COM0000000145_F02306)

4.3 Waiving off late payment surcharge (LPS) to consumers

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

During the audit of IESCO for the FY 2024-25, it was observed that Late Payment Surcharges (LPS) amounting to Rs.278.72 million for 7,435 private and Government consumers were waived by field offices. Further review revealed that

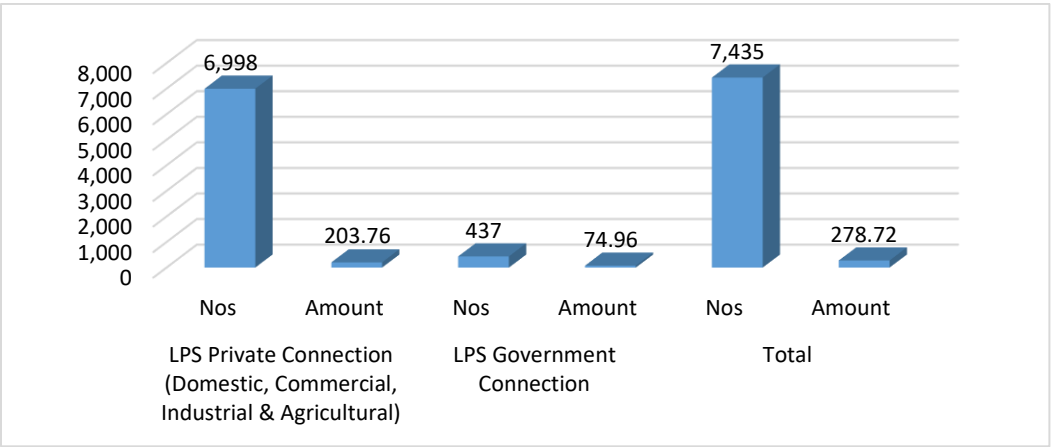
while IESCO waived LPS for its consumers, it was simultaneously obligated to pay supplemental charges to CPPA-G on delayed payments to Independent Power Producers (IPPs). CPPA-G had raised invoices amounting to Rs.6,548.57 million, whereas LPS recovered and transferred by IESCO to CPPA-G stood at Rs.4,742.33 million, resulting in a net shortfall of Rs.1,806.24 million during the FY 2024-25. The abstract is as under:

Table-20: Waiving off late payment surcharge **(Rs. in million)**

LPS recovered and transferred to CPPA-G	Supplemental charges invoices raised by CPPA-G	Difference	Total LPS Waived off	Formation	LPS Private Connection (Domestic, Commercial, Industrial & Agricultural)		LPS Government Connection		Total	
					Nos	Amount	Nos	Amount	Nos	Amount
4,742.33	6,548.57	1,806.24	18.701	CEO	1,034	44.58	77	7.28	1,111	51.86
				Islamabad	3,008	139.18	115	56.25	3,123	195.43
				Rawalpindi	2,940	19.54	102	7.87	3,042	27.41
				Chakwal	16	0.46	143	3.56	159	4.02
				Total	**6,998**	**203.76**	**437**	**74.96**	**7,435**	**278.72**

Source: IESCO MIS data and Financial Statement for the FY 2024-25

Figure 11: Waiving off LPS to consumers



Source: IESCO MIS data and Financial Statement for the FY 2024-25

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

Imprudent management decision resulted in waiving off late payment surcharge (LPS) to consumers amounting to Rs.278.72 million upto the FY 2024-25.

The matter was taken up with management in June 2025 & December 2025 and reported to the Ministry in September 2025 & January 2026. The management stated that waiver of LPS was granted by the competent authority. The reply was not tenable, as waiver of LPS, even if granted by the competent authority, cannot override the principles of prudent financial management, particularly when IESCO is itself liable to pay supplemental charges for delayed payments.

The DAC, in its meeting held on February 19-20, 2026, directed the management to furnish detailed justification along with documentary evidence in support of its reply with in thirty (30) days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.2180 /2025-26 AMIS 2025_COM0000000145_F02264)
(Draft Para No.2168 /2025-26/AMIS 2025_COM0000000145_F02276)
(Draft Para No.2301 /2025-26/AMIS 2025_COM0000000145_F02411)
(Draft Para No.2272 /2025-26/AMIS 2025_COM0000000145_F02383)
(Draft Para No. 379/2025-26/AMIS 2025_COM0000000145_F00288)

4.4 Refund to running consumers on account of segregation of electricity bills

According to Clause 6.4.2 of NEPRA's CSM, in cases where accumulated readings are recorded, segregated bills shall be prepared keeping in view the number of months for which the readings have accumulated to give slab benefit/relief to the consumers. The segregation of bill is only allowed to new connections and RCO cases on their accumulated units.

During the audit of IESCO for the FY 2024-25, it was observed that there was a huge amount of Rs.2,596.61 million was credited to domestic consumers of IESCO by segregating their electricity bills to provide slab benefit / relief of tariff during the FYs 2019-20 to 2024-25. Audit further analyzed the data and noted that Rs.567.71 million was credited to 5,472 consumers under type-B adjustment whose adjusted amount was Rs. 50,000 or above, as details given below:

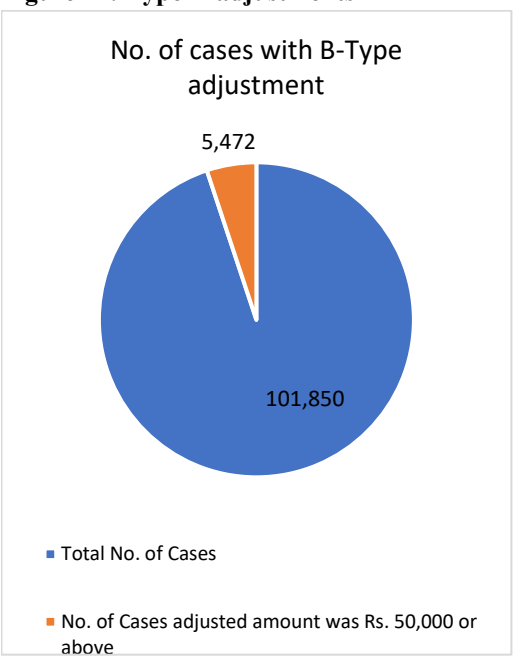
Table-21: Refund to running consumers on account of segregation (Rs. in million)

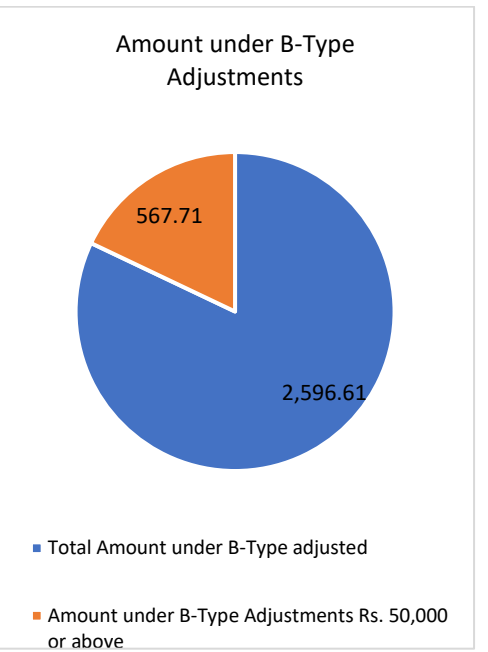
Sr. No.	Name of Formation	Total		Adjusted amount was Rs. 50,000 or above	
		No of Cases	Amount under B-Type adjusted	No of Cases	Amount under B-Type Adjustments
1	CEO IESCO	24,890	607.70	1,226	126.69

2	Islamabad Circle, Islamabad	25,387	1,160.24	2,021	255.40
3	City Circle, Rawalpindi	51,049	823.86	1,701	180.80
4	Chakwal Circle, Chakwal	524	4.82	524	4.82
	Total	**101,850**	**2,596.61**	**5,472**	**567.71**

Source: MIS data of IESCO for FYs 2022-23 to 204-25

Figure 12: Type-B adjustments





Source: MIS data of IESCO for FYs 2022-23 to 204-25

The segregation of bills was only allowed to new connections and RCO cases on their accumulated units. But, on sample basis checking of CP-75 and CP-52 revealed that huge amounts were credited to the running consumers on segregation of bills on their accumulated units of more than 2 months without taking actions against Meter Readers, Meter Inspectors and SDOs who were responsible to record and charge the units to consumers on their actual monthly consumption.

Non-adherence to NEPRA Consumer Service Manual resulted in unjustified refund of Rs.567.71 million given to running consumers on account of segregation of electricity bills up to the FY 2024-25.

The matter was taken up with management in June 2025 & December 2025 and reported to the Ministry in September 2025 & January 2026. The management replied that refunds were processed in accordance with NEPRA's CSM after due verification. The reply was not tenable, as no documentary evidence for approval from competent authority or action against responsible official (s) / officer (s) was produced, and the magnitude and recurrence of B-type credits reflect weak billing controls.

The DAC, in its meeting held on February 19-20, 2026, directed the management to produce the requisite record as desired by the Audit within fifteen (15) days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.2182 /2025-26 AMIS 2025_COM0000000145_F02272)
(Draft Para No. 2310/2025-26/AMIS 2025_COM0000000145_F02420)
(Draft Para No. 2286 /2025-26/AMIS 2025_COM0000000145_F02396)
(Draft Para No. 381/2025-26/AMIS 2025_COM0000000145_F00291)

4.5 Refund of overbilled units due to wrong reading and imprudent F-type credit adjustments to consumers

According to instructions issued by the Managing Director PEPCO vide letter dated December 01, 2010, "strict disciplinary action, without any exception, shall be taken against the officers and staff found involved in the over-billing".

During the audit of IESCO for the FY 2024-25, it was observed that 25.96 million units amounting to Rs.1,450.72 million were refunded/credited to 93,297 private and government consumers through adjustment notes on account of revision of incorrect readings and detection charges. Analysis revealed that 13.15 million units (Rs.680.61 million / 46.92%) were refunded through A-type adjustments (revision of incorrect readings), while 8.24 million units (Rs.510.82 million / 35.21%) were credited through F-type adjustments, which are required to be operated strictly on the directions and vetting of the Chief Auditor. Further scrutiny disclosed that multiple credit adjustments were repeatedly allowed to the same consumers within the same FY, indicating abnormal and atypical billing behavior and weak internal controls. The detail is as under:

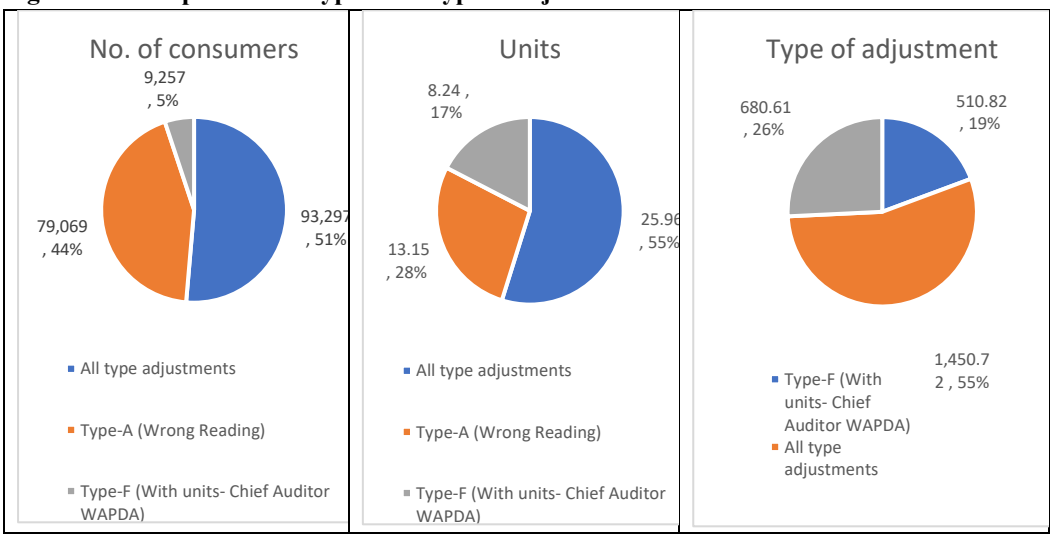
Table-22: Wrong reading and Imprudent F-Type Credit Adjustments

(Rs. & units in million)

Sr. No.	Name of Formation	All type adjustments			Type-A (Wrong Reading)			Type-F (With units- Chief Auditor WAPDA)		
		No. of Consumers	Units	Amount credited	No. of Consumers	Units	Amount credited	No. of Consumers	Units	Amount credited
1	CEO IESCO	17,497	4.80	329.65	13,390	1.82	144.90	3,255	2.17	136.67
2	Islamabad Circle, Islamabad	54,008	13.16	664.34	48,727	7.50	313.30	4,396	4.49	282.12
3	City Circle, Rawalpindi	21,792	8.01	456.74	16,952	3.83	222.42	1,606	1.58	92.03
Total		**93,297**	**25.96**	**1,450.72**	**79,069**	**13.15**	**680.61**	**9,257**	**8.24**	**510.82**

Source: MIS Credit Adjustment Data of IESCO for the FYs 2022-23 to 2024-25

Figure 13: Comparison of Type-A & Type-F adjustments



Source: MIS Credit Adjustment Data of IESCO for the FYs 2022-23 to 2024-25

Table-23: Consumers with Multiple Credit Adjustments **(Rs. in million)**

Adjustment category	No. of Consumers with Multiple Credit Adjustments	Total Units Credited Multiple Times	Amount Credited Multiple Times (Rs)
Type-A	838	226,238	18.77
Type-F	170	166,546	10.47

Source: MIS Credit Adjustment Data of IESCO for the FY 2024-25

However, on a sample basis, adjustment of units was examined during the FY 2024-25 and it was observed that units were first debited to the same consumers and subsequently credited in the following months. This pattern reflected atypical

and abnormal unit refunds, arising from a systemic practice of incorrect assessment and charging of consumers for erroneous readings and detection bills by the field formations. The abnormal refunds were attributable to weaknesses in meter reading, billing, and detection processes, compounded by ineffective supervisory oversight. Despite repeated and multiple adjustments in the same consumer accounts, responsibility for incorrect readings and erroneous detection charges was not fixed. Moreover, F-type credit adjustments were allowed beyond prudence, as no internal audit was conducted during the period of adjustment entries and the credits were not substantiated with documented vetting or directions of the Chief Auditor, indicating misuse of a control mechanism intended for exceptional cases.

Non-adherence to prescribed billing procedures, adjustment protocols, and accountability mechanisms resulted in staggeringly abnormal refunds of Rs.1,450.72 million due to systemic weaknesses in meter reading, billing, and detection processes, non-enforcement of responsibility, and imprudent use of adjustment categories upto the FY 2024-25, thereby distorting revenue realization and exposing serious deficiencies in billing integrity, internal controls, governance, and oversight within IESCO.

The matter was taken up with management in December 2025 and reported to the Ministry in January, 2026. The management replied that due to staff shortages and operational constraints in remote and mountainous areas, alternate/table readings are conducted and corrections are processed through IT adjustments or paper MCOs with withdrawal of F-code units; most wrong-reading credit cases relate to AMI issues (meter exchange, lock premises, defect codes), and bills were subsequently revised based on actual/snap readings, M&T data retrieval and NEPRA/Court orders. The reply was not tenable, as procedural explanations do not justify persistent debit–credit reversals in the same consumer accounts; no evidence of proper vetting, internal audit review, or disciplinary action was produced, and the magnitude and recurrence of such adjustments indicate systemic weaknesses in meter reading, billing validation, and supervisory oversight.

The DAC, in its meeting held on February 19-20, 2026, directed the management to submit the revised reply duly supported with documentary evidence of proper vetting, internal audit review and disciplinary action taken and get it verified from Audit within two weeks.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.2249/2025-26/ AMIS 2025_COM0000000145_F02357)
(Draft Para No.2294 /2025-26/AMIS 2025_COM0000000145_F02404)
(Draft Para No.2274 /2025-26/AMIS 2025_COM0000000145_F02385)

4.6 Non-inquiry into frequent replacement of energy meters of selective consumers

Under Section 20 of the SOEs Act, 2023, the Board is responsible for ensuring the integrity of internal control systems, and deviations from prescribed controls are subject to accountability under applicable policies. Sound metering controls also require technical investigation, testing, warranty enforcement, and accountability in cases of abnormal or repeated meter failures.

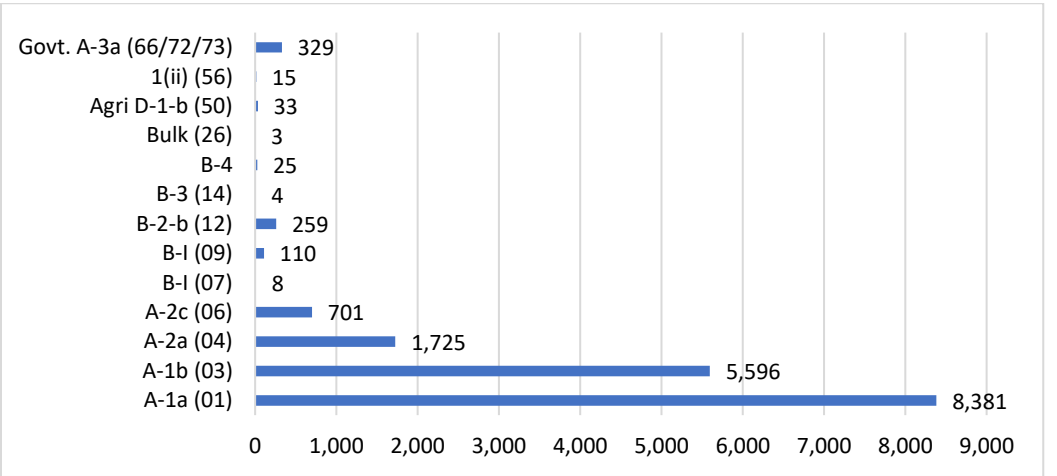
During the audit of IESCO for the FY 2024-25, it was revealed that a total of 17,188 energy meters of selective consumers were replaced repeatedly, ranging from two to six times within the same year. The repeated replacements covered domestic, commercial, industrial, agricultural, bulk and general service consumers. However, no technical analysis, testing reports, failure diagnostics, or inquiry proceedings from the Metering & Testing (M&T) were available on record to establish the root causes of such abnormal replacements. Audit further noted that no evidence of warranty claims lodged with meter manufacturers for defective meters was produced, despite multiple replacements of the same consumers' meters within short periods **(Annexure-VI)**.

Table-24: Tariff-wise Details of Consumers with Repeated Meter Replacements

A-1a (01)	A-1b (03)	A-2a (04)	A-2c (06)	B-I (07)	B-I (09)	B-2-b (12)	B-3 (14)	B-4	Bulk (26)	Agri D-1-b (50)	1(ii) (56)	Govt. A-3a (66/72/73)	Total consumers
8,381	5,596	1,725	701	8	110	259	4	25	3	33	15	329	17,188

Source: MIS Data of IESCO for the FY 2024-25

Figure 14: Tariff wise repeated meter replacement



Source: MIS Data of IESCO for the FY 2024-25

The repeated replacements occurred across multiple formations, indicating a systemic issue rather than isolated operational exceptions, and reflecting non-compliance with statutory instructions requiring investigation and accountability. The condition occurred due to absence of a structured inquiry mechanism, weak coordination with M&T, non-enforcement of warranty claim procedures, inadequate supervisory oversight, and ineffective internal controls over abnormal metering replacements.

Failure to inquire into repeated meter replacements weakened internal controls, increased the risk of financial loss and misuse and reflected systemic weaknesses in metering governance.

The matter was taken up with management in December 2025 and reported to the Ministry in January, 2026. The management replied that meters were replaced mainly due to voltage/environmental issues and lists were circulated to formations for review. The reply was not satisfactory, as the absence of inquiry indicated supervisory lapse, control weakness, and potential risk of manipulation.

The DAC, in its meeting held on February 19-20, 2026, directed the General Manager (Technical) to conduct a detailed inquiry into the under-reference meters, covering meter quality, warranty claims, replacement cost, and M&T data retrieval, within three months and present a sample of 50 cases; the GM (Operation) shall fix responsibility. If negligence is established, the findings shall be clubbed with the performance record of the concerned officer(s)/ official(s) in

accordance with the administrative hierarchy and placed in their respective dossiers

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 2284/2025-26 AMIS 2025_COM0000000145_F02394)
(Draft Para No. 2309/2025-26 AMIS 2025_COM0000000145_F02419)
(Draft Para No. 2203/2025-26 AMIS 2025_COM0000000145_F02310)

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

According to instructions issued by the Managing Director PEPCO vide letter dated December 01, 2010, "strict disciplinary action, without any exception, shall be taken against the officers and staff found involved in the overbilling".

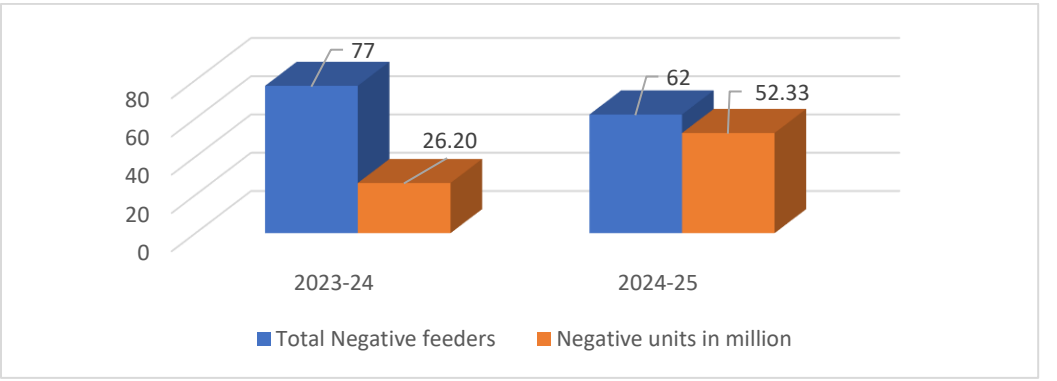
During the audit of IESCO for the FY 2024-25, it was observed that 62 feeders out of 1,448 were reported in negative figures in CP-22A during the year 2024-25. Audit compared the feeder wise position with previous year and it was observed that the trend of negative figures persisted year to year basis. The negative figures revealed that the units billed were in excess of units received on feeders, resultantly an amount of Rs.2,247.62 million was overbilled to the consumers **(Annexure-VII)**. The detail is as under:

Table-25: Discrepancy in units received and billed **(Rs. & units in million)**

FY	Total Negative feeders	Negative units	Financial impact
2023-24	77	26.20	1,231.19
2024-25	62	52.33	2,247.62

Source: CP-22A of IESCO and PPMC Report for the FY 2023-24 & 2024- 2025

Figure 15: Comparison of feeders with Negative units



Source: CP-22A of IESCO and PPMC Report for the FY 2023-24 & 2024- 2025

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

Non-adherence to Commercial Procedure resulted in Discrepancy in units received and billed on distribution/independent feeders amounting to Rs.2,247.62 million during the FY 2024-25.

The matter was taken up with management in December 2025 and reported to the Ministry in January, 2026. The management replied that the negative losses/overbilling were procedural, arising from timing differences between billing and energy recording, which were reconciled in subsequent cycles. Independent feeders were jointly read with consumers, while temporary variances in general feeders resulted from routine load shifting. The reply was not tenable, as no feeder-wise reconciliation or documentary evidence of subsequent adjustment or reversal of excess billed units was produced to substantiate the stance of management.

The DAC, in its meeting held on February 19-20, 2026, directed the Chief Executive Officer to undertake feeder-wise reconciliation of received versus billed energy units, verify adjustments of excess units, depute a focal officer to complete the exercise within three months in coordination with the concerned Manager (Operation), and fix responsibility. If negligence is established, the findings shall be clubbed with the performance record of the concerned officer(s)/ official(s) in accordance with administrative hierarchy and placed in their respective dossiers.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.2206 /2025-26/AMIS 2025_COM0000000145_F02313)
(Draft Para No.2300 /2025-26/AMIS 2025_COM0000000145_F02410)

4.8 Review of distribution losses with reference to 11 kV HT feeders' performance

As per NEPRA's Determination on IESCO's Investment Plan under Section 32 of the NEPRA Act for the MYT control period FY 2023-24 to FY 2027-28, the allowed T&D loss target for FY 2024-25 was 7.31%, comprising Transmission Losses of 0.98% and Distribution (HT/11kV/LT) Losses of 6.32%.

During the audit of IESCO for the FY 2024-25, it was observed that actual T&D losses stood at 8.36%, exceeding the NEPRA-approved benchmark of

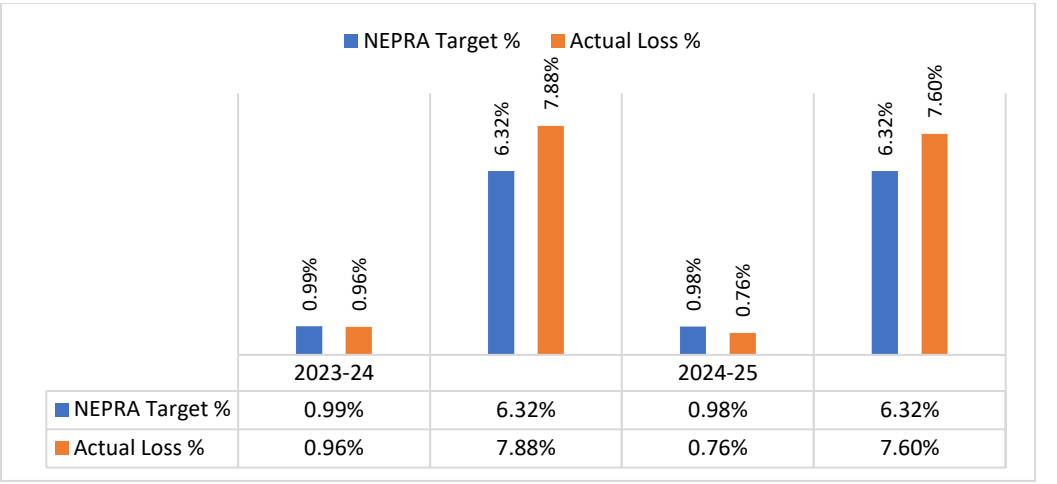
7.31%. Although transmission losses were contained within limits at 0.76%, distribution losses escalated to 7.60% against the allowable 6.32%. This resulted in excess energy losses of 164.75 million units, causing a financial impact of Rs. 7,076.01 million. The detail is as under:

Table-26: Distribution losses **(Rs. & units in million)**

FYs	Description of Loss	NEPRA Target %	Actual Loss %	units received kw at 11 KV	Units Sold KW	Unit Lost KW	%Excess units lost	Excess units KW lost	Per unit rate Rs.	Financial Impact
2023-24	Transmission Losses	0.99	0.96	12,113.68	11,154.58	953.93	1.56	188.97	46.81	8,845.69
	HT/LT Losses	6.32	7.88							
	T&D Losses	7.31	8.84							
2024-25	Transmission Losses	0.98	0.76	12,871.69	11,881.92	983.56	1.28	164.75	42.95	7,076.01
	HT/LT Losses	6.32	7.60							
	T&D Losses	7.31	8.36							

(Source: CP-22-A of IESCO for FYs 2023-24 & 2024-25

Figure 16: Comparison of T&D losses



(Source: CP-22-A of IESCO for FYs 2023-24 & 2024-25

The excess losses indicate systemic inefficiencies in the 11 kV and LT distribution networks, attributed mainly to overloaded feeders, defective and

sluggish meters, unmonitored unauthorized connections, weak enforcement against pilferage and insufficient system maintenance. The effect of these deficiencies led to avoidable financial loss to IESCO amounting to Rs. 7,076.01 million, erosion of company profitability, and non-compliance with NEPRA's performance benchmarks, ultimately burdening consumers and distorting energy efficiency targets.

Further scrutiny of CP-22-A revealed that, out of 1,542 feeders, 77 distribution feeders were classified as sick feeders, recording distribution losses exceeding 15% during FY 2024-25. These feeders constituted the highest loss category and operated significantly above the NEPRA-approved benchmark of 6.32%, resulting in excess energy losses of 102.75 million units with a corresponding financial impact of Rs. 4,413.11 million, as summarized below:

Table-27: Units lost in excess of NEPRA target **(Rs. in million)**

FY	Total Feeders	Feeders with Losses 7.60%–15%	Feeders with Losses ≥15%	NEPRA Target Loss %	Units Lost in Excess of Target (≥15%)	Financial Loss on feeders @ Rs 42.95/ kw
2024-25	1542	160	77	6.32%	102.75 MKh	4,413.11

Source: CP-22-A of IESCO for the FY 2024-25

The excess losses occurred due to ineffective feeder-level energy accounting, inadequate load balancing, overloaded transformers and feeders, unmetered and illegal connections, weak enforcement against pilferage, and delayed technical interventions such as feeder rehabilitation, transformer augmentation, and installation of capacitors by Distribution Operation Circles.

Non-adherence to NEPRA's approved loss benchmarks resulted in avoidable financial loss of Rs. 7,076.01 million, erosion of operational efficiency, violation of regulatory performance targets, and deterioration of system reliability during FY 2024-25.

The matter was taken up with management in December 2025 and reported to the Ministry in January, 2026. The management stated that NEPRA loss targets became unrealistic due to delayed project completion, change in PITC loss calculation formula, and non-materialization of projected benefits, and accordingly an appeal for target revision has been filed before the NEPRA Appellate Tribunal, contending that uniform feeder-wise benchmarking, particularly for long and rural feeders, was technically unjustified. The reply was

not tenable, as NEPRA-approved loss targets remain binding unless formally revised and filing an appeal does not suspend compliance; delayed projects or changes in the loss calculation formula do not absolve management of its responsibility to ensure operational efficiency and maintain feeder-level controls.

The DAC, in its meeting held on February 19-20, 2026, directed the management to submit a specific, technically revised reply to Audit within one week and to implement a time-bound feeder-wise loss reduction plan, strengthen energy accounting and vigilance, expedite technical interventions on high-loss feeders, fix responsibility for abnormal losses, and ensure adherence to existing NEPRA benchmarks. If negligence is established, the findings shall be clubbed with the performance record of the concerned officer(s)/ official(s) in accordance with administrative hierarchy and placed in their respective dossiers.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.2204 /2025-26/AMIS 2025_COM0000000145_F02311)

4.9 Review of implementation of inquiry committee recommendations for rehabilitation of underground distribution system in Red Zone areas

Under Section 6(1)(a) of SOEs Act 2023, SOEs are required to conduct their operations with due care, professional skill, and diligence. Further, recommendations issued by inquiry committees constituted on the directions of the Government are required to be implemented in letter and spirit to ensure systemic corrective action and strengthened governance.

During the audit of IESCO for the FY 2024-25, it was observed that a fact-finding committee was constituted by PPMC on the directions of the Ministry of Energy (Power Division) to investigate electricity supply failure in sensitive Red Zone areas, including the Minister's Enclave and adjacent Judicial Colony. The committee finalized its report and communicated its recommendations to IESCO on July 22, 2024. Key recommendations included comprehensive rehabilitation and re-configuration of the underground distribution network, detailed underground infrastructure surveys in coordination with civic agencies (including CDA), installation of automatic change-over systems, completion of GIS mapping and feeder single-line diagrams, identification of fault rectification works by F-6 Sub-Division, and urgent bifurcation of F-6 Sub-Division considering area sensitivity, network spread, and consumer load.

Audit scrutiny revealed that despite availability of these recommendations, IESCO proceeded with approval and execution of 29 underground rehabilitation works costing Rs. 485.34 million without documented evidence of a comprehensive underground survey, formal inter-agency coordination, or an approved consolidated implementation plan covering all inquiry committee directives. The rehabilitation works were processed in isolation rather than as part of a system-wide corrective framework. The condition reflects absence of a centralized governance mechanism to translate inquiry committee findings into an integrated rehabilitation strategy. Detail is as under:

Table-28: Rehabilitation works in Red Zone areas **(Rs. in million)**

Description	Nos. of Works	Total Estimated Cost
Completed	16	116.49
In Progress	13	368.85
Total	**29**	**485.34**

Source: P&E Directorate Data of IESCO for the FY 2024-25

Non-implementation of the inquiry committee's recommendations led to ad-hoc planning and execution of underground distribution works in sensitive Red Zone areas, increasing the risk of recurring power failures, inefficient utilization of funds, and weak governance oversight, in contravention of due care and government-mandated corrective actions.

The matter was taken up with management in December 2025 and reported to the Ministry in January, 2026. The management stated that in line with the inquiry committee's recommendations, 29 rehabilitation works (16 completed, 13 in progress) were undertaken in FY 2024–25 in coordination with CDA, with 14 additional works approved in FY 2025–26; it was further reported that GIS mapping and single-line diagrams have largely been completed and staff training conducted. The reply was not tenable, as the record did not demonstrate a structured, time-bound implementation plan covering all inquiry committee recommendations in an integrated manner.

The DAC, in its meeting held on February 19-20, 2026, directed the management to submit a consolidated, time-bound action plan in chronological order covering all inquiry recommendations, ensure effective coordination with civic agencies, and complete the remaining works by June 30, 2026, failing which responsibility shall be fixed and the performance of the concerned officer(s)/

official(s) shall be clubbed with their KPIs and the matter shall be factored into their performance evaluation reports and placed in their dossiers.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 2228/2025-26 AMIS 2025_COM0000000145_F02336)

4.10 Review of compliance with bill adjustment provisions for credit of overbilled units, meter replacement and data retrieval

According to NEPRA's CSM, Clause 4.3.1 to 4.3.3 requires that where a metering installation becomes defective, reversed, reset, or its accuracy is in doubt, the DISCO shall promptly replace the meter, retrieve consumption data from the impugned meter, and charge bills strictly on the basis of retrieved data after issuance of notice to the consumer. Billing on average basis is permitted only as a temporary measure and within prescribed time limits. Further, Para 4.3.2I specifically mandates that actual consumption as per retrieved data shall be charged, and any bills already issued on average basis shall be adjusted accordingly, ensuring accurate billing, recovery, and protection of consumer rights.

During the audit of IESCO for the FY 2024-25, sample-based examination of M&T data retrieval reports and related billing records, revealed deficiencies in implementation of prescribed meter replacement, data retrieval, and bill adjustment provisions. It was observed that:

- In two M&T Circles (Chakwal and Jhelum), examination of 3,399 impugned/defective meters revealed that 1.68 million units valuing Rs. 71.79 million were excess-charged to consumers as per M&T retrieval data; however, no corresponding bill adjustments or credits were afforded to consumers. Further, prescribed M&T retrieval data on required formats was not provided by four circles (Islamabad, City, Cantt, and Attock), restricting audit from ascertaining the complete quantum of refundable units. Review of M&T retrieval reports over multiple years also indicated that reports predominantly reflected debit units only, with no systematic reflection or processing of credit units, despite mandatory adjustment requirements. Detail is as under:

Table-29: Meter replacement, data retrieval, and bill adjustment provisions (Rs. & units in million)

Name of M&T Circle	No. of cases (≥50 credit units)	Unit rate (Rs/unit)	Units to be refunded	Amount to be refunded
M&T Circle Chaakwal	2,011	42.95	1.21	51.80
M&T Circle Jehlam	1,388		0.47	19.99
M&T Circle Islamabad	**Data/ information on prescribed format was not provided during audit.**			
M&T Circle City				
M&T Circle Cant				
M&T Circle Attock				
Total	**3,399**		**1.68**	**71.79**

Source: M&T data of IESCO for the FY 2024-25

- Examination of M&T data retrieval reports relating to M&T Lab IESCO Division Talagang/Chakwal, revealed that in 36 cases meters returned by M&T laboratories were reported as reversed or reset, rendering 0.42 million units charged through CP-21C unverifiable. Although M&T referrals clearly indicated abnormal meter behavior, no documentary evidence of prescribed follow-up actions such as theft assessment, recovery of detection charges, bill adjustment on retrieved data, or initiation of FIRs where applicable was available on record. Moreover, in 32 cases meter numbers of meters submitted for testing did not tally with PITC billing records, resulting in non-retrieval of consumption data for 0.68 million units charged through CP-21C. In certain cases, original impugned meters were not submitted to M&T laboratories at all, preventing authentication of actual consumption and resulting in continuation of billing without verification.

The deficiencies occurred due to weak enforcement of the Consumer Service Manual and M&T SOPs, inadequate follow-up on M&T referrals, inadequate coordination between M&T formations and field offices, failure to ensure submission of original impugned meters, and lack of an effective monitoring mechanism for timely bill adjustment based on retrieved data. Inadequate supervisory oversight and absence of accountability for non-credit of excess units and non-initiation of prescribed actions further contributed to the lapse.

Non-implementation of prescribed meter replacement, data retrieval, and bill adjustment procedures resulted in excess charging of 1.68 million units valuing Rs.71.79 million to consumers, denial of legitimate bill credits, and continued billing on unverifiable consumption in cases involving reversed/reset and mismatched meters. The failure to authenticate over 1.10 million units (0.42 + 0.68 units) charged through CP-21C exposed consumers to unjustified billing, distorted recovery and line loss figures, weakened anti-theft controls, and compromised the reliability, transparency, and fairness of IESCO's billing system during FY 2024-25.

The matter was taken up with the management in December, 2025 and reported to the Ministry in January, 2026. The management replied that adjustments would be processed, discrepancies were attributable to system updating errors, and the follow-up mechanism has been strengthened with corrective instructions issued to concerned formations. Audit, however, contended that non-affording of credit units deprived consumers of legitimate benefit, meter mismatches reflect supervisory lapse and potential concealment risk, and weak follow-up mechanisms expose the system to revenue leakage.

The DAC, in its meeting held on February 19-20, 2026, directed the concerned Manager (Operation) to examine the record of meter replacement, data retrieval, and billing adjustments; ensure immediate processing of pending adjustments, rectification of discrepancies, and affording of due credit units to consumers. The Manager (Operation) was further directed to investigate the 36 cases of reversed/reset and mismatched meters, verify the role and responsibility of officials concerned, and, if negligence is established, initiate disciplinary action against the responsible officers and their performance shall be clubbed with their KPIs and factored into their performance evaluation reports and placed in their dossiers. A consolidated compliance report, supported with documentary evidence, shall be submitted to Audit within one month

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 2229/2025-26 AMIS 2025_COM0000000145_F02337)
(Draft Para No. 2250/2025-26 AMIS 2025_COM0000000145_F02358)
(Draft Para No. 2251/2025-26 AMIS 2025_COM0000000145_F02359)

4.11 Overbilling due to charging of detection bills beyond permissible billing cycles

According to Clause 9.2.3(I)(i) of NEPRA's CSM, charging of detection bills is restricted to a maximum of three billing cycles for General Supply (A-1, A-2) and General Services (A-3) consumers. This period may be extended up to six months only with the explicit approval of the Chief Executive Officer (CEO) or a duly constituted committee comprising at least three officers of Chief Engineer/Director level, on a case-to-case basis after proper scrutiny, with action to be initiated against officials responsible for lack of vigilance.

During the audit of IESCO for the FY 2024-25, it was observed that 2.79 million detection units amounting to Rs. 104.51 million were charged to 1,127 consumers in A-1, A-2, and A-3 categories beyond the permissible three billing cycles. Audit scrutiny further revealed that 33 consumers were issued detection bills multiple times. No documentary evidence was available to substantiate approval by the CEO or scrutiny by a duly constituted committee for extension beyond the prescribed period. The condition occurred due to weak supervisory oversight, non-adherence to prescribed approval procedures, and inadequate internal controls over detection billing processes.

Charging detection units beyond the permissible billing cycles without documented approval resulted in overbilling of Rs. 104.51 million, exposing IESCO to consumer grievances, potential litigation, and financial irregularities during FY 2024-25.

The matter was taken up with management in December, 2025 and reported to the Ministry in January, 2026. The management replied that detection bills were levied strictly in accordance with NEPRA CSM, including standardized computation for direct supply cases up to the prescribed six-month period, based on field verification and internal controls. The reply was not satisfactory, as extension beyond three billing cycles is permissible only with explicit approval of the CEO or a duly constituted committee on a case-to-case basis; however, no such approvals were produced, and detection units were charged beyond the prescribed period, in some cases repeatedly to the same consumers.

The DAC, in its meeting held on February 19-20, 2026, directed the management to produce the requisite record i.e. explicit approval of the competent

authority as per CSM duly supported by documentary evidence and get it verified from Audit in sixty (60) days.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 2230 /2025-26/AMIS 2025_COM0000000145_F02338)

4.12 Systemic weaknesses in planning, procurement, execution, and certification of civil works

As per Clause 30.1 of the Pakistan Engineering Council (PEC) Standard Bidding Documents for Construction Works (2023), abnormally low bids (more than 15% below estimates) require documented price analysis and may warrant additional performance security, while bids 25% or more below estimates are liable to rejection. Further, standard engineering and procurement practices require civil works estimates to be vetted by competent Civil Engineers and evaluated with Civil Division representation, while Section 6 of the SOEs (Governance and Operations) Act, 2023 mandates due care, professional skill, and sound internal controls. In addition, safety-sensitive HT civil works are required to undergo material testing through accredited laboratories, and Para-12 of Section-VIII of the WAPDA Accounting Manual requires Measurement Books to bear dated initials of measuring officers to authenticate execution prior to certification and payment.

During the audit of IESCO for the FY 2024-25, it was observed that weaknesses existed across all stages of civil works management:

(i) Award at abnormally low bid rates without PEC safeguards

Twenty-nine (29) construction works with estimated cost of Rs. 555.30 million were awarded at Rs. 360.47 million, reflecting abnormally low bids ranging from 16.15% to 46.5% below estimates. Despite crossing PEC thresholds, no documented price analyses were obtained, no additional performance security was enforced, and bids exceeding rejection limits were not dealt with accordingly. Detail is as under:

Table-30: Award of civil works at abnormally low bid rates **(Rs. in million)**

Range of low bids (%)	No. of contracts	Estimated cost of contract	Awarded cost of contract
35.1% to 46.5%	14	314.54	184.50
25.1% to 35%	09	133.18	91.10

15.1% to 25%	6	107.58	84.87
Total	**29**	**555.30**	**360.47**

Source: P&E Directorate data of IESCO for the FY 2024-25

(ii) Absence of Civil Engineering vetting and representation

Out of 83 HT civil works contracts awarded during the year, a sample of 29 contracts (Rs. 360.47 million) revealed that estimates were processed without Civil Division vetting and no Civil Engineer was included in Bid Evaluation Committees.

(iii) Execution of civil works without material testing

Civil works amounting to Rs. 150.54 million relating to 72 HT overhead and underground projects (foundations, duct lines, manholes, etc.) were executed without any material testing reports (concrete strength, aggregates, steel reinforcement) from accredited laboratories.

(iv) Certification and payment without proper Measurement Book authentication

Sixteen (16) civil works valuing Rs. 65.84 million were certified and paid on Measurement Books lacking dated initials and verifiable evidence of physical measurement, raising concerns over authenticity of recorded quantities.

The condition occurred due to absence of integrated engineering oversight, weak enforcement of PEC bid evaluation safeguards, non-involvement of Civil Division at critical stages, lack of enforced quality-assurance mechanisms, and ineffective supervisory controls over measurement and certification processes.

These systemic lapses resulted in acceptance of abnormally low bids without safeguards, execution of works without technical vetting or material testing, and certification of payments on unverifiable measurements, exposing IESCO to risks of substandard construction, scope variations, execution delays, premature asset failure, irregular payments, and weakened value-for-money and governance controls during FY 2024-25.

The matter was taken up with management in December 2025 and reported to the Ministry in January, 2026. The management stated that procurement and execution were conducted under PPRA Rules, PEC Standard Bidding Documents, and Standard Design Instructions; estimates were based on Composite Schedule Rates, competitive bidding resulted in lower prices, abnormally low bids were analyzed, works were vetted and physically verified through a multi-tier

mechanism, and quality assurance measures, including material testing, were ensured. The reply was not tenable, as record did not evidence enforcement of PEC safeguards for low bids, formal Civil Division vetting and representation, availability of material testing reports, or proper MB authentication, indicating weak oversight across planning, execution, and certification stages.

The DAC, in its meeting held on February 19-20, 2026, directed the management to enforce PEC safeguards for abnormally low bids, ensure Civil Division vetting and representation in relevant works, obtain and place on record material testing reports, ensure strict compliance with Measurement Book requirements, fix responsibility, strengthen internal controls, and submit a consolidated compliance report to Audit within one month. If negligence is established, the findings shall be clubbed with the performance record of the concerned officer(s)/ official(s) in accordance with administrative hierarchy and placed in their respective dossiers.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.2159 /2025-26/AMIS 2025_COM0000000145_F02266)
(Draft Para No.2241 /2025-26/AMIS 2025_COM0000000145_F02349)
(Draft Para No.2255/2025-26/ AMIS 2025_COM0000000145_F02363)
(Draft Para No.2258/2025-26/ AMIS 2025_COM0000000145_F02366)

5. ENVIRONMENT & SAFETY POLICY

This section highlights weaknesses in IESCO's environment and safety governance, reflected through recurring fatal and non-fatal accidents, ineffective enforcement of safety standards, regulatory penalties, and widespread non-earthing of HT/LT structures. Audit further noted execution of transmission line projects without mandatory environmental approvals, IEE/EIA clearances, or Environmental Management Plans. These deficiencies indicate inadequate safety oversight and environmental compliance mechanisms, resulting in loss of life, avoidable financial penalties, elevated regulatory exposure, and heightened operational and reputational risk.

5.1 Review of safety governance, compliance with safety standards, and resultant financial and regulatory impact in IESCO

Under Section 6 and 7 of SOEs Act, 2023, the Board of Directors and management are responsible for establishing and maintaining effective internal control systems, including compliance with applicable laws, safety standards, and regulatory directives. Clauses 7.17.6, 7.24.11, and 7.24.13 of the NEPRA Power Safety Code require effective earthing/grounding of HT/LT structures, proper isolation, locking, tagging, and grounding of circuits, and observance of Permit-to-Work (PTW) procedures to prevent electric shock and fatal accidents. Para 12.4 of the IESCO HSE Manual mandates earthing of all poles/structures and periodic inspection and maintenance to address safety hazards. Further, PEPCO letter No. MD/ GM(HR)/ M(HSEQ) Cell/ PEPCO/141-57 dated March 30, 2019 requires recovery of ex-gratia payments from officials held responsible for fatal or non-fatal accidents due to non-compliance with safety SOPs. Licensees are also required to comply with NEPRA directives, Distribution and Safety Codes, and regulatory timelines, failure of which attracts financial penalties under the applicable regulatory framework.

During audit of IESCO for FY 2024–25, it was observed that persistent weaknesses existed in enforcement of safety standards and regulatory compliance, resulting in fatal and non-fatal accidents, non-recovery of safety-related dues, regulatory penalties, and unsafe distribution infrastructure. Detail is as under:

Table-31: Summary of safety incidents, financial impact and systemic safety gaps

Area	Period	Financial Impact / Observation
Safety Incidents	FY 2024–25	49 incidents reported (28 fatal and 21 non-fatal), involving both IESCO staff and the general public, indicating recurring lapses in compliance with prescribed safety standards.
Ex-gratia Compensation (Line Staff Fatalities)	FY 2019–20 to FY 2023–24	Ex-gratia compensation of Rs. 31.183 million paid in respect of six fatal accidents of line staff, without recovery from officials held responsible for non-implementation of PEPCO Safety SOP
Regulatory Penalties	FY 2024–25	NEPRA imposed penalties amounting to Rs. 260.00 million due to fatal and non-fatal accidents, lack of earthing/grounding, violations of Distribution and Safety Codes, and delays in Grid Interconnection Studies.

Earthing / Grounding Deficiencies	FY 2024–25	Out of 501,983 HT/LT poles/structures, 43,391 were without effective earthing/grounding, identified as a significant contributing factor to fatal and non-fatal incidents despite earthing cost being charged in scheme estimates.

Source: NEPRA Correspondence file of IESCO for the FY 2024-25

The condition occurred due to weak safety governance, inadequate field supervision, non-enforcement of safety SOPs and NEPRA Power Safety Code provisions and ineffective monitoring of safety-related works, including earthing/grounding of HT/LT structures. Insufficient accountability and weak follow-up on inquiry committee recommendations further contributed to recurrence of safety incidents and regulatory non-compliance.

Non-observance of prescribed safety standards resulted in loss of human lives and injuries, ex-gratia payments of Rs. 31.18 million, and regulatory penalties of Rs. 260.00 million. Continued non-earthing/grounding of HT/LT structures exposed the distribution system to elevated safety risks, reputational damage, increased regulatory scrutiny, legal exposure, and avoidable financial losses during the period under audit.

The matter was taken up with management in June 2025 & December 2025 and reported to the Ministry in September 2025 & January, 2026. The management stated that ex-gratia payments were made as per rules and disciplinary action initiated; earthing was being ensured though 43,391 poles remain pending; regulatory fines have been challenged; and comprehensive safety mechanisms, training, PPE, inspections, and an independent Safety Directorate were in place. The reply was not tenable, as recovery of ex-gratia from responsible officials was not evidenced, 43,391 poles remained without documented earthing in violation of safety codes, and regulatory penalties of Rs. 260 million reflected established non-compliance. The occurrence of 49 incidents (28 fatal) indicated systemic weaknesses in safety enforcement and oversight.

The DAC, in its meeting held on February 19-20, 2026, directed the CEO to re-inquire into the fatal/ non-fatal incidents to determine responsibility of the concerned SEs/XENs/SDOs, furnish evidence of recovery and compensation compliance, expedite completion of earthing by 30 June 2026, strengthen enforcement of PTW procedures and PPE requirements, address regulatory deficiencies and submit a consolidated compliance report to Audit within two months. If negligence is established, the findings shall be clubbed with the

performance record of the concerned officer(s)/ official(s) in accordance with administrative hierarchy and placed in their respective dossiers.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 373/2025-26 AMIS 2025_COM0000000145_F00280)
(Draft Para No. 2169/2025-26 AMIS 2025_COM0000000145_F02277)
(Draft Para No. 2171/2025-26 AMIS 2025_COM0000000145_F02279)
(Draft Para No. 2245/2025-26 AMIS 2025_COM0000000145_F02353)

5.2 Review of compliance with environmental and regulatory requirements in execution of transmission line projects

As per S.R.O. 339(I)/2000 dated 15 June 2000 issued under the Pakistan Environmental Protection Act, 1997, and the Pakistan Environmental Protection Agency (Review of IEE and EIA) Regulations, 2000, no project listed in Schedule I (below 11 kV) or Schedule II (11 kV and above) shall commence construction without prior approval of an Initial Environmental Examination (IEE) or Environmental Impact Assessment (EIA), as applicable. The Regulations further require implementation of an Environmental Management Plan (EMP) and compliance with all approval conditions.

During the audit of IESCO for the FY 2024-25, it was observed that 87 HT transmission line works and 1,537 LT works were completed or under execution under ELR/DOP and other development programmes; however, no documentary evidence of approved IEE/EIA, Environmental Management Plans, or environmental clearances/NOCs from the relevant authorities was available on record. Details are as under:

Table-32: environmental and regulatory requirements

Sr. No.	Head	No. of works	Status
1	HT ELR/DOP	43	Pending
		44	Completed
Total		**87**	
2	LT ELR/DOP	678	Pending
		859	Completed
Total		**1,537**	

Source: P&E Directorate data of IESCO for the FY 2024-25

The condition occurred due to weak internal oversight, inadequate coordination with environmental authorities, and failure of the Planning & Engineering Wing to enforce mandatory environmental compliance requirements at project approval and execution stages.

Execution of transmission line projects without approved IEE/EIA and EMP exposed IESCO to regulatory non-compliance, potential legal penalties, risk of project interruption, and reputational impact up to FY 2024-25, besides weakening environmental governance controls.

The matter was taken up with management in December 2025 and reported to the Ministry in January, 2026. The management stated that environmental compliance instructions for transmission line and grid station works were being implemented in accordance with PEPCO (PPMC) directives dated March 13, 2019 and EIA/IEE were not required for all works as per the said directives. The reply was not tenable, as IEE/EIA, EMPs, reports were required under Pakistan Environmental Protection Act, 1997, and the Pakistan Environmental Protection Agency (Review of IEE and EIA) Regulations, 2000.

The DAC, in its meeting held on February 19-20, 2026, directed the management to obtain requisite IEE/EIA approvals, EMPs, and environmental clearances for the cited works, ensure prior environmental compliance for future projects, fix responsibility and submit a consolidated compliance report to Audit within one month. If negligence is established, the findings shall be clubbed with the performance record of the concerned officer(s)/ official(s) in accordance with administrative hierarchy and placed in their respective dossiers.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.2237 /2025-26/AMIS 2025_COM0000000145_F02345)

6. Digitization

This section highlights weaknesses in IESCO's digitalization and asset management framework, reflected through capitalization of completed works without mandatory certification, GIS-verified handover, material reconciliation, or updation of the Fixed Assets Register, arising from structural gaps between the FAM control framework and ERP workflows. Audit further noted non-compliance with NEPRA license requirements for digitization and updating of LT distribution network maps. These deficiencies indicate inadequate system integration and control enforcement, weakening assurance over asset existence, valuation, custody transfer, and network data integrity, and increasing risks of asset misstatement, regulatory non-compliance, and impaired planning reliability.

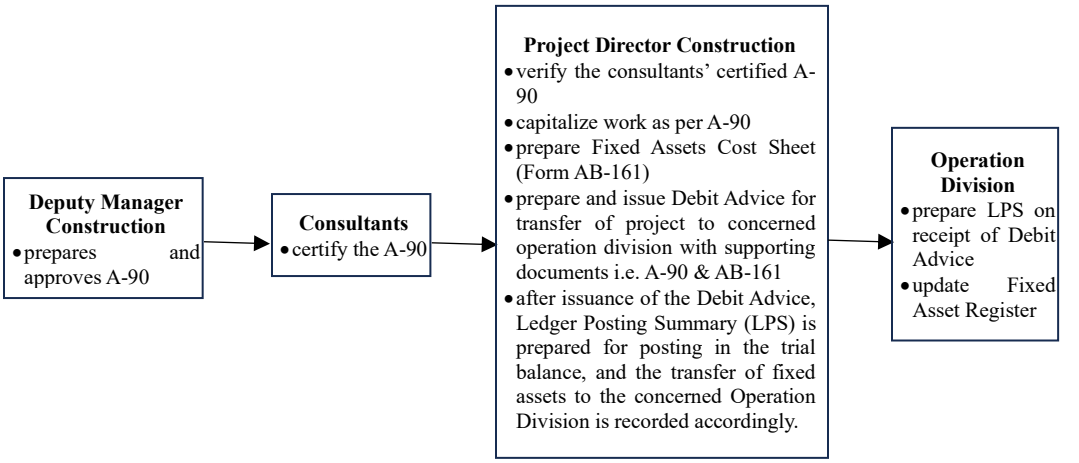
6.1 System gap analysis of capitalization process (FAM vs ERP)

Under IESCO's Accounting Manual, Fixed Assets Management (FAM) framework, and SOPs, capitalization of completed works is contingent upon mandatory certification, consultant-approved A-90 reports, reconciliation of withdrawn and installed material, GIS-verified Handing Over/Taking Over (HOTO), formal custody transfer to Operation Divisions, and updation of the Fixed Assets Register (FAR). These steps are intended to ensure asset existence, valuation accuracy, network mapping integrity, and segregation of duties prior to recognition in the financial records.

During the audit of IESCO for the FY 2024-25, it was revealed that 3,480 completed works amounting to Rs. 9,825.32 million were capitalized without compliance with prescribed certification, GIS verification, material reconciliation, and documented handover requirements. Sample examination of 95 works (Rs. 260.43 million) further disclosed non-availability or incomplete A-90 Completion Reports, absence of mandatory consultant certification, omission of withdrawn quantities and material variances, unsigned or non-GIS-verified HOTO papers, and non-updation of the Fixed Assets Register (FAR) by Operation Divisions prior to capitalization. Capitalization entries were recorded by the Construction Directorate based solely on completion status, without system-enforced confirmation of physical verification, custody transfer, or reconciliation. The deficiencies in A-90 documentation, including lack of consultant certification, were also highlighted by M/s Barqab vide letters dated February 19, 2025 and February 24, 2025.

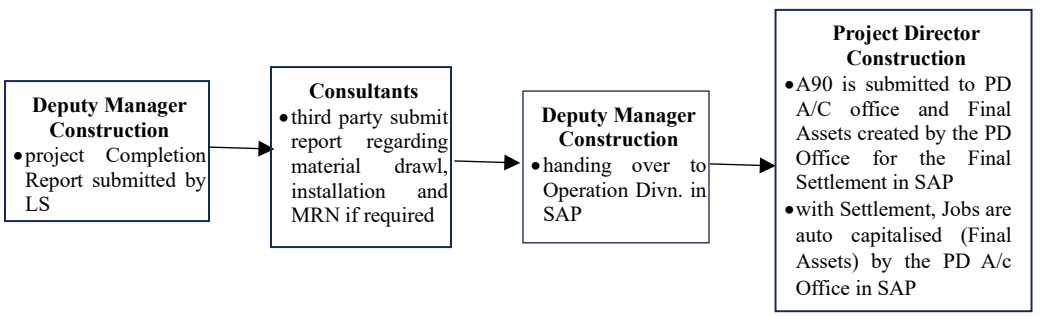
The issue reflects a structural digitization gap between the FAM control framework and ERP workflows. While FAM prescribes capitalization only after completion of control checkpoints, the ERP system triggers capitalization upon financial settlement without mandatory system dependencies for consultant certification, GIS validation, material variance disclosure, or FAR updation by operation divisions. The following figures depicted work flow chart from completion of works to update of FAR as per FAM and as per ERP:

Figure: 17 Flow Chart as per FAM depicting processes after completion of works – update of FAR



Source: Fixed Assets Management as per DISCOs Accounting Manual

Figure: 18 Flow Chart as per ERP depicting process after completion of works – update of FAR



Source: ERP architecture for Asset Management in IESCO

This misalignment compromised assurance over asset existence, custody transfer, valuation accuracy, and network data integrity, increasing the risk of asset misstatement, regulatory non-compliance, weakened accountability, and unreliable digital asset records during FY 2024-25. Controls intended as mandatory pre-capitalization gateways under the FAM framework operated within ERP as non-blocking or post-facto activities, effectively reversing the prescribed control sequence. This structural gap diluted segregation of duties and obscured responsibility fixation within the asset capitalization process.

The matter was taken up with management in December 2025 and reported to the Ministry in January, 2026. The management stated that most works were

executed and concerned formations are being approached to obtain GIS-verified HOTO documents for consolidation. It further contended that 757 deposit works were not subject to third-party vetting, 511 works were duly third-party inspected, and 2,212 works were outside the consultant's operational period and capitalized by a competent committee. Management also stated that assets were physically completed, energized, and operational, and joint verification by Construction and Operation Wings is being undertaken to reconcile capitalized works. The reply was not tenable, as capitalization without prescribed A-90 reports, consultant certification, material reconciliation, GIS-verified HOTO, Debit Advice, AB-161 Forms, and formal acknowledgment by Operation Divisions contravenes mandatory FAM pre-capitalization controls. Classification of works, committee approval, or technical completion did not substitute system-enforced verification and custody transfer. The ERP-driven capitalization process, operated without embedded FAM checkpoints, reflected a structural control gap that concealed material variances, weakened segregation of duties, and exposed IESCO to risk of asset misstatement and non-compliance with the Accounting Manual.

The DAC, in its meeting held on February 19-20, 2026, directed the management to regularize and reconcile all cited capitalized works through prescribed FAM procedures, obtain complete A-90 reports, consultant certifications, GIS-verified HOTO, Debit Advice, and FAR updation prior to recognition, embed mandatory FAM control checkpoints within ERP workflows to prevent system-triggered capitalization without verification and submit a comprehensive reconciliation and ERP-alignment action plan to Audit within two months.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No. 2225/2025-26 AMIS 2025_COM0000000145_F02333)
(Draft Para No. 2261/2025-26 AMIS 2025_COM0000000145_F02369)
(Draft Para No. 2295/2025-26 AMIS 2025_COM0000000145_F02405)

6.2 Gaps in digitization and updating of distribution network maps under NEPRA license requirements

As per Clause 3.3(i) and Article-12 of Distribution License No. DL/01/2023 dated April 06, 2023 issued by NEPRA, IESCO is required to complete digitized mapping of the 11 kV and LT distribution systems within prescribed timelines, maintain GIS-based maps of the entire distribution network

(including grid stations, transformers, and HT/LT lines), submit updated system maps annually, and furnish periodic progress reports to NEPRA.

During the audit of IESCO for the FY 2024-25, it was observed that digitization of the LT distribution network had not been completed within the stipulated timeframe. Audit further noted that GIS records were not updated to reflect executed and capitalized development and system improvement schemes, and complete GIS coordinates linked with Bills of Quantities (BOQs) for works completed during FY 2024-25 were not submitted to NEPRA. Consequently, the digitized database did not accurately represent the physical distribution infrastructure on ground. The condition occurred due to weak monitoring arrangements, inadequate coordination among Construction, Planning, and GIS Wings, and insufficient enforcement of regulatory reporting and documentation requirements.

Non-compliance with NEPRA's digitization directives undermined accuracy and traceability of executed works, weakened network planning and system reliability, and reduced audit assurance over asset capitalization and material utilization during FY 2024-25.

The matter was taken up with management in December 2025 and reported to the Ministry in January, 2026. The management replied that 11kV digitized mapping was completed and LT mapping was underway by M/s NESPAK. The reply was not tenable, as the NEPRA directive for complete digitization of the LT network within three years was not met, constituting a regulatory lapse.

The DAC, in its meeting held on February 19-20, 2026, directed the CEO to expedite digitization of distribution maps by June 30, 2026; if required, the timeline may be got extended from BoD based on justified progress and operational needs.

No further progress was intimated till finalization of the report.

Audit recommends implementation of DAC's decision.

(Draft Para No.2197 /2025-26/AMIS 2025_COM0000000145_F02304)

Conclusion

The audit of IESCO revealed pervasive weaknesses in governance, internal controls, and compliance with regulatory and statutory frameworks. Inadequate Board oversight, absence of effective performance monitoring, weak internal audit functioning, and inconsistent enforcement of procurement integrity safeguards adversely affected achievement of strategic objectives and operational discipline across key functional areas.

Financial management deficiencies were evident in revenue recovery, statutory compliance, reconciliation processes, asset governance, employee benefit administration, and limited risk-based internal audit coverage over major financial activities. These weaknesses resulted in unreliable financial reporting, misstatements of assets and liabilities, retention of consumer funds, confirmed misappropriation of pension payments, and significant unfunded obligations, thereby increasing fiscal and due-diligence risk, particularly in the context of restructuring and proposed privatization.

The audit further identified material lapses in procurement governance, including inconsistent application of blacklisting provisions, weak grievance redressal mechanisms, non-enforcement of contractual safeguards, and broader deficiencies in contract management, operational controls, safety governance, environmental compliance, and digital asset management. Non-compliance with PPRA Rules, uneven enforcement of bid security forfeiture, persistent energy losses, billing irregularities, safety violations, and gaps in digitization reflected a fragile control environment, undermining transparency, fairness, value for money, and service reliability.

Overall, the audit concludes that IESCO requires comprehensive institutional strengthening through enhanced governance oversight, activation of an independent and risk-based internal audit function, strict and uniform enforcement of regulatory and procurement rules, integration of system-based controls, and establishment of a culture of accountability. Timely implementation of audit recommendations is essential to safeguard public resources, improve operational efficiency, restore stakeholder confidence, and support credible restructuring and privatization processes.

Recommendations

- Strengthen Board oversight through measurable KPIs, milestone-based monitoring of Strategic Roadmap targets, and timely corrective actions.
- Enforce strict compliance with NEPRA, PPRA, SOE Act, QA&I, safety, environmental, and financial reporting requirements through system-driven controls, uniform enforcement of procurement integrity safeguards, and supervisory accountability.
- Improve financial discipline by ensuring accurate accounting, timely reconciliation of balances, recovery of withheld consumer funds, reliable financial reporting, and strengthened oversight of employee benefit schemes.
- Reduce revenue leakages by strengthening feeder-wise energy accounting, regularizing unauthorized loads and tightening billing and adjustment controls.
- Implement a Board-approved actuarial funding framework for employee benefits, supported by dedicated reserves, periodic beneficiary verification, and strengthened pension governance and internal audit review.
- Enhance procurement governance by preventing tender splitting, ensuring independent inspections, enforcing bid security forfeiture and blacklisting provisions uniformly, strengthening grievance redressal mechanisms, and fixing responsibility for procedural lapses.
- Strengthen project execution and asset governance through comprehensive physical verification, tagging, and property-wise and feeder-wise reconciliation of fixed assets; alignment of accounting, GIS, and custodial records; review of revalued figures based on verified data; ERP–FAM alignment; timely updation of the Fixed Assets Register; and expeditious mutation and regularization of land ownership to ensure clear legal title, particularly in view of proposed privatization.
- Improve operational controls over metering, feeder performance, civil works, and consumer adjustments.
- Reinforce safety and environmental compliance by expediting earthing/grounding works, implementing inquiry recommendations, obtaining mandatory approvals, and recovering safety-related losses.

- Activate and strengthen the Internal Audit function through a comprehensive risk-based Annual Internal Audit Plan, adequate staffing, functional independence, structured reporting to the Audit Committee, and focused assurance and advisory coverage over high-risk financial, procurement, asset revaluation, and restructuring activities.

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Appendix – I

Audit Objectives

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

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

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

Scope

The audit covered IESCO's financial, operational, procurement, and governance activities for the period FY 2024-25 on a test-check basis. It included examination of financial statements for the FY 2020-21 to 2024-25, assessment of compliance with applicable laws and regulations, review of internal control effectiveness, and evaluation of key operational and performance processes of selected formations, including the Manager (Operations) Islamabad Circle, City Circle Rawalpindi and Chakwal Circle.

Methodology

The audit was conducted in accordance with the auditing standards of the Auditor-General of Pakistan using a risk-based, test-check approach. It involved examination of records, analysis of financial and operational data, review of compliance with applicable laws and regulations, and evaluation of internal controls through discussions with management and scrutiny of supporting documents.

Appendix-II

Extract of Financial Statements & Annexures

Statement of Financial Position (Balance Sheet)

Particulars **(Rs. in million)**

Assets	**FY-2025**	**FY-2024**	**FY-2023**	**FY-2022**	**FY-2021**
Non-Current Assets					
Property, plant and equipment	371,971.40	209,599.59	177,635.16	161,423.88	154,229.60
Intangible asset	179.31	157.51	133.27	114.03	114.03
Long term loans	540.24	449.73	340.30	332.71	189.84
	372,690.96	**210,206.83**	**178,108.73**	**161,870.62**	**154,533.47**
Current Assets					
Stores, spares and loose tools	3,379.33	2,707.81	1,462.73	1,846.54	1,253.71
Trade debts	50,098.56	69,031.38	41,828.09	50,843.42	68,425.50
Loans and advances	1,100.03	5,561.98	5,112.98	5,219.17	275.21
Receivable from Government of Pakistan	58,515.00	50,543.11	53,687.25	82,106.30	6,670.63
Security deposits	229.55	217.88	95.40	73.74	73.74
Other receivables	3,567.77	5,552.24	4,563.22	6,882.44	4,151.42
Sales tax receivable	25,242.28	25,242.28	30,729.19	23,407.06	21,672.24
Advance taxation and levy	2,788.97	2,076.36	1,334.04	1,280.57	1,320.08
Short term investments	1,243.85	4,920.50	3,355.70	-	-
Cash and bank balances	27,752.33	14,904.76	17,830.01	12,577.07	8,576.64
	173,917.67	**180,758.30**	**159,998.61**	**184,236.30**	**112,419.16**
Non- current assets held for sale	65.89	65.89	65.89	65.89	65.89
	173,983.56	**180,824.19**	**160,064.50**	**184,302.19**	**112,485.05**
Total Assets	**546,674.51**	**391,031.02**	**338,173.23**	**346,172.81**	**267,018.53**

Equity and Liabilities

Particulars

Share Capital and Reserves

Authorized share capital

(Rs. in million)

	FY-2025	FY-2024	FY-2023	FY-2022	FY-2021
5,000,000,000 (2023: 5,000,000,000) Ordinary shares of Rupees 10 each	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00
Issued, subscribed and paid-up share capital	5,798.25	5,798.25	5,798.25	5,798.25	5,798.25
Accumulated loss	(133,688.11)	(127,019.02)	(88,906.83)	(81,168.40)	(69,644.45)
Capital reserves	-	-	-	-	-
Deposit for shares	67,055.99	49,173.40	44,386.75	33,787.23	15,977.87
Surplus on revaluation of operating fixed assets	157,688.74	69,442.63	71,299.00	73,174.67	75,042.11
	224,744.73	**118,616.03**	**115,685.76**	**106,961.90**	**91,019.98**
Total reserves	91,056.62	(8,403.00)	26,778.93	25,793.50	21,375.53
Total equity	**96,854.88**	**(2,604.74)**	**32,577.18**	**31,591.75**	**27,173.78**
Liabilities					
Non- Current Liabilities					
Long term loans	21,858.63	13,195.21	8,463.42	4,767.26	5,449.71
Long term security deposits	11,336.40	10,204.66	9,288.14	8,336.05	7,304.78
Staff retirement benefits	109,743.70	99,705.77	61,346.51	45,573.10	45,646.05
Deferred credit	46,893.56	39,585.25	35,900.41	32,910.82	29,768.76
Deferred income tax liability	24,975.09	-	-	-	-
	214,807.38	**162,690.89**	**114,998.48**	**91,587.23**	**88,169.30**
Current Liabilities					
Trade and other payables	213,617.74	213,034.52	175,526.96	210,407.20	141,337.91
Accrued mark- up	15,132.33	12,595.05	10,368.75	8,623.27	7,182.14
Current portion of long-term loans	6,262.18	5,315.31	4,701.85	3,963.36	3,155.40
	235,012.26	**230,944.88**	**190,597.57**	**222,993.83**	**151,675.45**
Total Liabilities	**449,819.64**	**393,635.77**	**305,596.05**	**314,581.06**	**239,844.74**
Contingencies and Commitments	-	-	-	-	-
Total Equity and Liabilities	**546,674.51**	**391,031.02**	**338,173.23**	**346,172.81**	**267,018.53**

Statement of Profit or Loss (Profit & Loss Account) **(Rs. in million)**

Particulars	FY-2025	FY-2024	FY-2023	FY-2022	FY-2021
Sale of Electricity – Net	247,676.38	254,039.08	204,723.50	212,051.66	138,780.78
Subsidies from the Government of Pakistan	83,396.73	72,313.30	71,500.20	27,900.05	22,410.59
	331,073.11	**326,352.38**	**276,223.70**	**239,951.72**	**161,191.37**
Cost of Electricity	(294,104.76)	(302,697.82)	(241,263.83)	(226,703.93)	(143,196.58)
Gross Profit	**36,968.35**	**23,654.56**	**34,959.88**	**13,247.79**	**17,994.79**
Amortization of Deferred Credit	2,538.07	2,193.45	1,987.71	1,813.50	1,640.06
	39,506.43	25,848.01	36,947.59	15,061.29	19,634.85
Operating Expenses:					
Administrative Expenses	(13,786.72)	(5,160.87)	(7,129.97)	(7,918.26)	(8,942.61)
Distribution Cost	(31,999.25)	(30,337.83)	(24,644.18)	(20,197.67)	(17,887.93)
Customer Services Cost	(1,935.42)	(1,821.78)	(1,540.03)	(1,245.85)	(1,101.48)
	(47,721.39)	**(37,320.48)**	**(33,314.19)**	**(29,361.78)**	**(27,932.03)**
(Loss) / Gain from Operations	(8,214.96)	(11,472.47)	3,633.40	(14,300.49)	(8,297.17)
Other Income	14,819.73	11,233.73	6,103.66	3,074.86	2,379.47
Finance Cost	(2,523.58)	(2,423.13)	(2,359.19)	(2,573.21)	(1,873.01)
(Loss) / Profit before Taxation and Levy	**4,081.19**	**(2,661.87)**	**7,377.87**	**(13,798.84)**	**(7,790.71)**
Levy	(4,229.57)	(3,266.68)	(3,200.74)	-	-
(Loss) / Profit before Taxation	**(148.38)**	**(5,928.55)**	**4,177.13**	**(13,798.84)**	**(7,790.71)**
Taxation	(1,267.21)	(9,871.61)	(3,999.45)	(2,594.06)	6,382.00
(Loss) / Profit after Taxation	**(1,415.59)**	**(15,800.15)**	**177.68**	**(16,392.90)**	**(1,408.71)**

Statement of Cash Flows

(Rs. in million)

Particulars	FY-2025	FY-2024	FY-2023	FY-2022	FY-2021
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit / (loss) before taxation & Levy	4,081.19	(2,661.87)	7,377.87	(13,798.84)	(7,790.71)
Adjustment for Non-cash charges and other items:	-	-	-	-	-
Depreciation	6,648.75	6,166.01	5,739.99	5,358.87	5,077.22
Amortization	3.04	-	-	4,655.66	17.76
Impairment loss	-	-	-	-	6,242.43
Loss of operating fixed assets due to theft	-	-	-	-	0.62
Gain on disposal of operating fixed assets	(24.94)	(17.31)	(25.17)	-	(22.92)
Amortization of Deferred credit	(2,538.07)	(2,193.45)	(1,987.71)	(1,813.50)	(1,640.06)
Charge/ (reversal) for expected credit losses	329.21	(351.99)	569.97	-	-
Provision for staff retirement benefits	11,428.20	10,883.28	7,963.53	5,425.90	4,560.24
Provision against tax litigation	-	-	1,450.92	-	-
Provision/ (reversal) against slow moving / obsolete items of stores, spares & loose tools	56.52	(90.42)	83.50	(45.60)	44.08
Profit on bank deposits	(3,008.47)	(2,745.87)	(1,533.49)	(710.06)	(235.95)
Profit on short term investment	(188.85)	(912.69)	(256.42)	-	-
Exchange loss / (gain)	8.63	(12.50)	141.07	-	(23.10)
Finance cost	2,514.95	2,435.63	2,218.12	2,573.21	1,873.01
Provision for workers profit participation fund	226.73	-	426.58	-	-
Worker's welfare fund written off	216.03	-	-	-	-
Reversal of impairment loss on operating fixed assets	(4,330.30)	-	-	-	-
	15,422.60	**10,498.83**	**22,168.75**	**1,645.66**	**8,102.61**
Working capital Changes:	-	-	-	-	-
(Increase) decrease in current assets:	-	-	-	-	-
Stores, spares & loose tools	(728.03)	(1,154.66)	300.31	(547.24)	111.52
Trade debts	18,603.61	(26,851.30)	36,609.42	(60,630.75)	59,732.94
Advances	4,508.21	(437.61)	104.50	(213.24)	157.85
Sales tax receivable	-	5,486.91	(7,322.14)	(1,734.82)	-
Receivable from GoP	(7,971.89)	3,144.14	(645.09)	(1,878.50)	787.91
Security deposits	(11.67)	(122.48)	(21.67)	-	-
Other receivables	1,843.56	(870.05)	2,301.42	(7,289.47)	(381.38)
	16,243.79	**(20,805.06)**	**31,326.76**	**(72,294.02)**	**60,408.83**

Increase in trade and other payables	17,642.60	41,523.48	(21,007.90)	89,026.50	(50,827.86)
	33,886.39	**20,718.42**	**10,318.86**	**16,732.48**	**9,580.97**
Cash generated from operations	**49,308.99**	**31,217.26**	**32,487.61**	**18,378.13**	**17,683.58**
Staff retirement benefits paid	(6,964.87)	(5,850.14)	(4,455.82)	(4,212.99)	(3,732.36)
Payment for fund contribution regarding pension obligation	(982.93)	(713.90)	(1,525.53)	(650.74)	(575.00)
Increase in deferred credit	9,846.39	5,878.29	-	4,955.56	-
Net increase in long term loans	(136.77)	(120.82)	(5.90)	(171.82)	(12.49)
Finance cost paid	(244.74)	(213.59)	(72.40)	(616.30)	(483.69)
Income tax & levy paid	(6,209.38)	(4,008.99)	(3,254.20)	(2,771.02)	(1,925.03)
Net cash generated from operating activities	**44,616.68**	**26,188.09**	**23,173.76**	**14,910.81**	**10,955.01**
CASH FLOW FROM INVESTING ACTIVITIES	-	-	-	-	-
Capital expenditure on property, plant & equipment	(49,303.63)	(37,355.54)	(21,624.44)	(12,553.16)	(8,624.56)
Proceeds from sale of property, plant & equipment	27.10	17.38	25.17	-	23.27
Capital expenditure on intangible asset under development	(24.84)	(24.24)	(19.24)	-	247.37
Short term investments made	(1,055.00)	(4,427.00)	(3,165.00)	-	-
Short term investments encashed	4,427.00	3,165.00	-	-	-
Profit on bank deposits and short term investments received	3,426.85	3,236.79	1,617.01	566.74	-
Net cash used in investing activities	**(42,502.52)**	**(35,387.60)**	**(23,166.50)**	**(11,986.42)**	**(8,353.92)**
CASH FLOW FROM FINANCING ACTIVITIES	-	-	-	-	-
Long term security deposits – net	1,131.74	916.52	952.09	1,031.27	771.17
Proceeds from long term loans	9,610.29	5,345.25	4,434.66	44.76	-
Net cash from financing activities	**10,742.04**	**6,261.77**	**5,386.75**	**1,076.02**	**771.17**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	12,856.20	(2,937.74)	5,394.01	4,000.42	3,372.27
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	14,904.76	17,830.01	12,577.07	8,576.64	5,204.37
Exchange (loss) / gain	(8.63)	12.50	(141.07)	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**27,752.33**	**14,904.76**	**17,830.01**	**12,577.07**	**8,576.64**

Statement of Changes in Equity

(Rs. in million)

Particulars	Share Capital	Deposit for Shares	Surplus on Revaluation of Operating Fixed Assets	Accumulated Loss	Total Reserves	Total Equity
Balance as at June 30, 2021	5,758.25	15,977.87	75,042.11	(69,466.45)	21,375.53	27,173.78
Non-cash settlement against deposit for shares	-	17,809.36	-	-	17,809.36	17,809.36
Loss for the year	-	-	-	(16,392.90)	(16,392.90)	(16,392.90)
Other comprehensive loss for the year	-	-	-	450.92	450.92	450.92
	-	-	-	(15,941.98)	(15,941.98)	(15,941.98)
Incremental depreciation transferred from surplus on revaluation of operating fixed assets to accumulated loss – net of deferred income tax	-	-	(1,867.44)	1,867.44	-	-
Balance as at June 30, 2022 Restated	**5,798.25**	**33,787.23**	**73,174.67**	**(81,168.40)**	**25,793.50**	**31,591.75**
Non-cash settlement against deposit for shares	-	10,599.52	-	-	10,599.52	10,599.52
Profit for the year **Restated**	-	-	-	177.68	177.68	177.68
Other comprehensive loss for the year	-	-	-	(9,791.77)	(9,791.77)	(9,791.77)
	-	-	-	(9,614.09)	(9,614.09)	(9,614.09)
Incremental depreciation transferred from surplus on revaluation of operating fixed assets to accumulated loss – net of deferred income tax	-	-	(1,875.67)	(1,875.67)	-	-
Balance as at June 30, 2023	**5,798.25**	**44,386.75**	**71,299.00**	**(88,906.83)**	**26,778.93**	**32,577.18**
Non-cash settlement against deposit for shares	-	4,786.65	-	-	4,786.65	4,786.65
Loss for the year	-	-	-	(15,800.15)	(15,800.15)	(15,800.15)
Other comprehensive loss for the year	-	-	-	(24,168.42)	(24,168.42)	(24,168.42)
	-	-	-	(39,968.57)	(39,968.57)	(39,968.57)
Incremental depreciation transferred from surplus on revaluation of operating fixed assets to accumulated loss – net of deferred income tax	-	-	(1,856.38)	1,856.38	-	-
Balance as at June 30, 2024	**5,798.25**	**49,173.40**	**69,442.63**	**(127,019.02)**	**(8,403.00)**	**(2,604.74)**
Non-cash settlement against deposit for shares	-	17,882.59	-	-	17,882.59	17,882.59
Loss for the year	-	-	-	(1,415.59)	(1,415.59)	(1,415.59)
Other comprehensive loss for the year	-	-	89,550.15	(6,557.53)	82,992.62	82,992.62
	-	-	89,550.15	(7,973.12)	81,577.03	81,577.03
Incremental depreciation transferred from surplus on revaluation of operating fixed assets to accumulated loss	-	-	(1,304.03)	1,304.03	-	-
Balance as at June 30, 2025	**5,798.25**	**67,055.99**	**157,688.74**	**(133,688.11)**	**91,056.62**	**96,854.88**

Annexure-I

Para No. 1.1

List of IESCO Lands/ Properties not mutated in the name of IESCO

Sr. No.	District	No. of properties	Kanals	Marlas	Title of Land
1	AJK	3	84	20	AJK & WAPDA
2	Attock	1	17	12	Central Govt of Pakistan & Sanjwal Factory
3	Islamabad	35	688	200	Nust, ASF & WAPDA
4	Jhelum	5	96	39	WAPDA
5	Murree	1	25	4	WAPDA
6	Rawalpindi	30	444	175	WAPDA & REPCO
7	Sohawa	1	3	18	Property not in possession with IESCO
Total		**76**	**1357**	**468**	
Total (Say 1,380 Kanals and 8 Marlas)					

Source: PMC IESCO data for the FY 2024-25

Annexure-II

Para No.1.3

Riaz Ahmad & Company
Chartered Accountants

2-A, ATS Centre, 30-West
Fazal-ul-Haq Road, Blue Area
Islamabad, Pakistan
T: +92 (51) 227 41 21 - 2
F: +92 (51) 227 88 59
racoisd@racopk.com
www.racopk.com

Chairman and Members of Audit Committee
Islamabad Electric Supply Company Limited
IESCO Head Office, Street 40
Sector G-7/4
ISLAMABAD

10 November 2025
Our ref: I-7-091

Ladies and Gentlemen

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED - AUDIT FOR THE YEAR ENDED 30 JUNE 2025

We have completed the audit of financial statements of Islamabad Electric Supply Company Limited for the year ended 30 June 2025.

We stress that our normal audit procedures are designed primarily with the basic objective of expression of our opinion on the financial statements, which are the responsibility of the Company's management and are not an attempt to indicate all possible improvements in internal controls, which a special review might develop. Our observations other than those explained in letter to Board of Directors, emanating from the examination of books of account and records are set out in succeeding paragraphs.

1 PROPERTY, PLANT AND EQUIPMENT

1.1 The ERP system is currently charging depreciation on certain computer and ancillary items recorded at zero cost. This likely results in an overstatement of depreciation expense. Additionally, our recalculation of depreciation on distribution equipment reveals a difference of Rupees 458 million. This discrepancy arises because the useful life used in the ERP system is 28.7 years, while our calculations reflect a useful life of 28.5714 years.

Management Comments

The actual depreciation rate of distribution equipment was 3.5% p.a. with a useful life of 28.5714 years (=100/3.5). When IESCO shifted to SAP ERP, the FICO consultant intimated that system will work out life as 28.50 years and Depreciation rate as 3.5087% (=100/28.50). However, the same will be got verified from Abacus (SAP implementation Vendor).

1.2 In the case of Project Directorate Construction, the Company deviated from the policy of charging labor and overheads from the allowed rates of 8% and 12%, respectively as per the following details:

Description	As per our calculation @ 20%	As per the books of accounts	Difference	Percentage charged
	----------Rupees in million----------			
Opening	2,727.25	2,415.81	-311.436	18%
Additions	1,398.64	1,583.57	184.924	23%
Deletion	1,444.92	1,699.40	254.481	24%
Closing Average	**1,856.94**	**1,899.59**	**42.657**	**21%**

Management Comments

The point has been forwarded to PD construction for compliance in future.

2 TRADE DEBTS

We noted un-identified cash receipts of Rupees 115.711 million outstanding as per Commercial Procedure (CP-41) for adjustment with the respective consumers' receivable balances as at 30 June 2025. We have been informed that such cash receipts are outstanding at various divisions mainly due to missing consumer number in some stubs received from banks. As a result, debtors are not updated in the respective subsidiary ledgers. The subsidiary ledger is updated when a customer lodges complaint and the Company get proper evidence of payment from specific customer.

Management Comments

The matter is being referred to Chief Engineer Customer Services Director (CSD) to ensure compliance in future regarding the timely adjustment of un-identified cash balances.

3 RECEIVABLE FROM WATER AND POWER DEVELOPMENT AUTHORITY (WAPDA)

Receivable from WAPDA amounting to Rupees 337.551 million on account of WAPDA current account which is outstanding from the date of detachment from WAPDA. Management should take up this matter with WAPDA to resolve it accordingly.

Management Comments

Subsequent to the close of Audit for FY 2024-25, a credit note has been received from CPPA(G) for clearance of all WAPDA receivables.

4 RECEIVABLE FROM TRUST INVESTMENT BANK LIMITED (TIBL)

As stated in Note 12.5 to the financial statements, the Company had made investment in Term Deposit Receipts (TDRs) of Trust Investment Bank Limited (TIBL) which matured in January 2013. TIBL was facing liquidity issues due to which the full amount of said investments could not be recovered on the maturity date. During the year ended 30 June 2014, under a settlement agreement dated 09 April 2014 between the Company and TIBL, the Company recovered an amount of Rupees 2.15 million in cash, and against the remaining amount of Rupees 96.681 million and accumulated interest thereon amounting to Rupees 10.30 million, TIBL transferred the possession of certain properties in the name of the Company.

The Company has been able to obtain transfer of legal ownership of two properties which were valued at Rupees 16.8 million and Rupees 49 million respectively at the time of transfer. These assets are classified as non-current assets held for sale in the statement of financial position under the International Financial Reporting Standard (IFRS) - 5 "Non-current Assets Held for Sale and Discontinued Operations". However, under IFRS – 5, an asset can only be classified under this category only when certain conditions (e.g. immediate availability of asset for sale etc.) are met which currently are not present. Therefore, the classification of these properties is not as per the accounting and reporting standards. Further, we have been apprised by the management

that recent estimates of the fair value of such properties are significantly lower than the carrying value and therefore conditions of impairment or inappropriate valuation at the time of transfer are obvious but since a proper assessment of impairment is not carried out by the management the financial impact has not been incorporated.

We recommend that a proper valuation for such properties should be carried out in order to assess the impairment loss, if any. Further, the remaining amount of receivable from TIBL should be assessed for recovery and an appropriate amount of provision should be accounted for in the books of account of the Company.

Management Comments

Noted for compliance to the extent it does not affect the legal proceedings as the case is sub-judice.

5 OTHER RECEIVABLE

Other receivables (Note 12), includes others which represents interoffice transactions / balances amounting to Rupees 69.551 million are still pending and not cleared till the reporting date.

We suggest that the Company should monitor these inter office transactions and take steps to clear them on a timely basis.

Management Comments

Matter is being forwarded to concerned offices for clearance of the same in FY 2025-26.

6 SALES TAX REFUNDABLE

The Company has sales tax refunds due from Federal Board of Revenue (FBR) amounting to Rupees 25,242.284 million. The management of the Company should make efforts for the recovery of these outstanding refunds.

Management Comments

Due to continuous efforts of the management IESCO got a refund of Rupees 5 billion in FY 2023-24. For the remaining amount, cases are pending at different forums. IESCO is making best efforts for refund of the remaining amount.

7 DEPOSIT FOR SHARES

The Company received debit / credit notes of Rupees 67,055.988 million (in-net) from CPPA-G till 30 June 2025 on account of Government of Pakistan's (GoP) investment in the Company for clearance of circular debts in the power sector. The Company had accounted for the aforesaid amount as deposit for shares by reducing it's payable to CPPA-G.

We learned that the Company had not received any further instructions from GoP / PPMC in respect of the issuance of shares against this amount as reflected in the financial statements. We suggest that the management should follow up the matter at appropriate forums and obtain clarification for further action, such as the issuance of shares against these balances.

Management Comment

The matter is being referred to Company Secretary IESCO to ensure compliance and follow-up with GoP/PPMC.

8 LONG OUTSTANDING RECONCILING ITEMS IN THE BANK RECONCILIATION STATEMENTS

The Company's bank reconciliation statements continue to reflect long outstanding reconciling items aggregating to Rupees 40.101 million which are not cleared to date. Age analysis of these items is as follows.

Duration since inception	Amount in Rupees
3 months to 1 year	(5,160,035.76)
1 year to 3 years	(32,970740.94)
3 years and above	(1,970,362.97)
	(40,101,139.67)

Management Comments

IESCO has switched over to collection through 1Link from April 2024 onwards and this issue has been controlled in current periods, however IESCO is making all possible efforts to clear old outstanding reconciliation differences as soon as possible.

9 LONG TERM LOANS

As given in Note 20 to the financial statements, the long-term loans represent re-lent loan facilities payable to GoP in respect of Asian Development Bank (ADB). Overdue principal and mark-up relevant to these financing is of Rupees 5,361.440 million and Rupees 15,097.009 million respectively. Economic Affairs Division, Government of Pakistan has demanded repayment of principal along with mark-up from the Company. We recommend that the Company should make repayment of the financing as well as interest accordingly.

Management Comments

In the privatization prospective of IESCO which is in the top priority line of the Govt. along with other two DISCOs, such policy issues where GoP has to make the final decision are likely to resolve in FY 2025-26 in restructured balance sheets on which GoP will offer the intending buyers.

10 CONTRACT LIABILITIES

10.1 As referred in Note 25.3.3 of the financial statements, capital contributions include rehabilitation charges of Rupees 136.353 million but according to the IESCO customer service manual it should include fixed charges in case of industrial category where the connection is given from Common 11 KV feeder up to 1000 kW load and in other cases the rehabilitation charges shall be as per actual cost incurred (if any) for upgradation of the system for the provision of connection from Common Distribution System. However, the Company also included the transformer sharing cost and meter testing charges in these rehabilitation charges. The company recognizes the liability but does not recognize the deferred credit or income against these charges. Consumer-wise detail of security deposits received against the connections installed during the year is not provided as the security deposit register is not maintained at numerous of the revenue offices of IESCO due to human resource deficiency.

Management Comments

The matter is being forwarded to General Manager/Operation Director IESCO to ensure compliance.

10.2 We noted that the Company's ERP system did not generate / maintain party wise / consumer-wise aging of advances from customers and capital contribution awaiting connection, resultantly ageing analysis was not made available to us.

Management Comments

The Advance Metering Infrastructure (AMI) is in the pipeline for implementation and there is a separate module in this billing software named as "Prepayments" and "New Connection" for advance from customer and capital contribution awaiting connection to cover such requirements in future.

11 WORKERS' PROFIT PARTICIPATION FUND (WPPF)

An amount of Rupees 5,568.975 million is recognized as the Company's liability on account of WPPF as at 30 June 2025. As per latest correspondence, PPMC had forwarded its recommendation to the Ministry of Energy (Power Wing) (MOE) for the extension of exemption to DISCOs, GENCOs, and NTDCL from the applicability of the Companies Profit (Workers' Participation) Act, 1968; decision from MOE is pending in this respect. Considering the above, the Company has not made any payments against the provision and interest till 30 June 2025.

Further, The WPPF accounts have not been audited since 2018 as required by the Companies Profit (Workers' Participation) Act, 1968.

We recommend the Board of Directors to follow up the matter with the MOE for an early resolution of the matter.

Management Comments

The MOE's decision will be implemented as soon as received.

12 TARIFF RATIONALIZATION SURCHARGE

The Company's trade and other payables include a balance of Rupees 4,410.241 million representing tariff rationalization surcharge collected from consumers pursuant to S.R.O. 569 (1) / 2015 dated 10 June 2015 issued by the Power Division, Ministry of Energy. The amount of surcharge is to be kept in the escrow account of CPPA-G for discharging of determined cost of power produced, by the CPPA-G. The Company has not made any payment to CPPA-G against tariff rationalization surcharge.

Management Comments

In the privatization prospective of IESCO which is in the top priority line of the Govt. along with other two DISCOs, such policy issues where GoP has to make the final decision are likely to resolve in FY 2025-26.

13 EQUALIZATION SURCHARGE

The Company's trade and other payables include a balance of Rupees 1,680.672 million representing equalization surcharge collected from consumers pursuant to S.R.O. 236 (1) 2011, dated 15 March 2011 issued by the Ministry of Energy. The amount was collected from customers during the period from April 2011 to May 2012 but further collection was discontinued subsequently on account of S.R.O. 506 (1) 2012, dated 16 May 2012. The management has informed us that the payment mechanism of equalization surcharge has not been conveyed to the Company by the Government of Pakistan and believes that it will be paid in full to the Government of Pakistan upon determination of the payment mechanism.

Management Comments

In the privatization prospective of IESCO which is in the top priority line of the Govt. along with other two DISCOs, such policy issues where GoP has to make the final decision are likely to resolve in FY 2025-26.

14 SALES

14.1 We observed that revenue is understated due to delay in meter reading after installation of new connections. The age analysis of delayed connections as per VAX-PC report is as follows:

Age	No. of consumers
1 to 3 months	5,224
3 to 6 months	164
6 to 12 months	3
>1 year	1
Total	**5,392**

Management Comments

Although the numbers pointed out by Audit are smaller when compared with consumer base of 3.9 million, however being sent to concerned quarters for improvement.

14.2 Exception reports on meter readings (Commercial Procedure - 87) were rarely communicated to management for executive review.

Management Comments

The Director MIS IESCO is being requested to give CP-87 wide circulation at senior management level in future.

15 STAFF TRAINING

In ever-evolving accounting practices as a result of changes in accounting and reporting standards, taxation, and corporate laws applicable to the Company, it is imperative to arrange training for the finance / non-finance staff to keep them updated with the changes. It will enhance the quality of the reporting output of the management.

Management Comments

The matter is being forwarded to Human Resource & Admin Directorate IESCO to ensure compliance.

16 ABSENCE OF WRITTEN AGREEMENTS

We observed that the Company recorded use of system charges amounting to Rupees 6,498.862 million and national transmission line charges amounting to Rupees 8,266.605 million as invoiced by National Transmission and Dispatch Company Limited (NTDCL) and Pak Matyari Lahore Transmission Company (PMLTC) respectively through CPPA-G. However, we were not provided with any written agreement with NTDCL and PMLTC related to use of these system and transmission line charges.

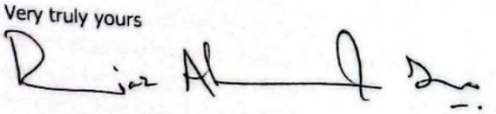
Management Comments

NTDC has to enter in to a connection agreement with IESCO after notification of CPPA (G) to act as handling agent. This agreement is pending at GOP level due to one or the other reason since long, due to which CPPA (G) has taken over the performance of functions of issuing use of system charges invoices on behalf of NTDC & PMTCL which is a stop gap arrangement and likely to replace existing mechanism as soon as connection agreement is signed. Furthermore, the NTDC has been further broken to National Grid Company (NGC), Independent System & Market Operator (ISMO) and Energy Infrastructure Development & Management Company (EIDMC). Now the event to get signing of connection agreement likely to go in smooth manner.

GENERAL

Finally, we wish to express our appreciation for the cooperation and courtesy extended to us by the management and other staff members in accomplishing our task.

Very truly yours



Annexure-III

Para-3.8

Detail of Procurement from Single Pre-Qualified Bidders i.r.o Material Management Directorate IESCO FY 2024-25

(Rs in million)

Sr. No.	Tender No.	Date of Opening of Tender	Description of Tendered Material	Quantity (Lot Wise)	No of bidder purchase bidding documents	Name of bidder purchase bidding documents	Name of Responsive Bidder	Purchase Order No.	Date of PO	Total Amount of PO	Renewal of Registration
1	27	24.07.24	Termination Kit 4/0 AWG 3/Core O/D	500	3	1. M/s MITECH Lahore 2. M/s associate Commercial Agencies (Pvt) Ltd. Lahore 3. M/s M.K Engineering Works Lahore	M/s MITECH	4162	11.10.24	13.50	2014
2	208	13.03.25	HT Bus Bar Tubing 30/12mm	1,000	1	1. M/s SGWI (Pvt) Ltd Lahore	M/s SGWI	4277	27.05.25	3.85	2015
			HT Bus Bar Tubing 15/6mm	1,000						3.65	
3	209	13.03.25	Straight Joint Kit S/C 2-AWG	50	1	1. M/s M.K Engineering Works Lahore	M/s M.K Eng.	4292	20.06.25	1.18	2016
4	210		Termination Kit 4/0 AWG S/C Indoor	50	1	1. M/s M.K Engineering Works Lahore	M/s M.K Eng.	4281	30.05.25	0.25	
5	211		Termination Kit 2-AWG S/C O/D	58	1	1. M/s M.K Engineering Works Lahore	M/s M.K Eng.	4284	11.06.25	1.45	
6	181	22.01.25	Rubber Insulating Boots Class-II, ARC Protected	200	2	1. M/s Ikram corporation Lahore 2. M/s Sarwar Electronics Lahore	M/s Ikram Corporation Lahore	4293	23.06.25	8.00	2013
7	184	22.01.25	Rubber Insulated Sleeves Class-II	150	1	1. M/s N.M Enterprises, Lahore	M/s N.M Enterprises Lahore	4290	18.06.25	8.34	2018
8	270	21.05.24	Enameled Copper wire 0.8mm	10000	5	1. M/s Swat Industries (Pvt) Ltd. Lahore 2. M/s Crown winding wire industries (pvT) Ltd Lahore 3. M/s copper house (Pvt) Ltd Lahore 4. M/s Universal Metal	M/s Universal Metals	4132	23.07.24	34.95	2015

						(Pvt) Ltd Lahore 5. M/s Atta Metals (Pvt) Ltd Lahore					
9	6	27.06.24	Insulated Dog Conductor	124	4	1. M/s Fast cables Ltd. Lahore 2. M/s Universal Cables industries Karachi 3. M/s Newage Cables (Pvt) Ltd. Lahore 4. M/s Mutahir Metal works Lahore	M/s Newage Cable	4143	13.08.24	76.26	2015
10	7	27.06.24	Insulated Rabbit Conductor	230	4	1. M/s Fast cables Ltd. Lahore 2. M/s Universal Cables industries Karachi 3. M/s Newage Cables (Pvt) Ltd. Lahore 4. M/s Mutahir Metal works Lahore	M/s Newage Cable	4144	13.08.24	80.25	2015
11	41	21.08.24	3/P Bi-Directional Meter	3220	5	1. M/s transfowpower industries (Pvt) Ltd. Lahore 2. M/s KBK electronics (Pvt) Ltd. Lahore 3. M/s creative electronics (Pvt) Ltd. Lahore 4. M/s PEL Ltd. Lahore 5. M/s Intelligent metering system (Pvt) Ltd. Lahore	M/s KBK Electronics	4149	04.09.24	86.78	2015
12	8	27.06.24	G.S Wire (6mm)	173			M/s Ibrahim Nizami	4150	04.09.24	88.23	2020
13	39	16.08.24	Nut & Bolt 5/8"x1.5"	100000	2	1. M/s Al-Raheem Engg. Lahore 2. M/s climate Engg. Co.Gujranwala	M/s Al-Raheem	4166	23.10.24	4.58	2023
14	46	09.09.24	Insulated Wasp	150	3	1. M/s Fast cables (Pvt) Ltd. Lahore 2. M/s Universal Cables industries Karachi	M/s FAST Cables	4191	23.12.24	74.25	2015

						3. M/s Newage Cables (Pvt) Ltd. Lahore					
15	63	08.10.24	HT PC Poles 45"	382	2	1. M/s M.R Electric concern (PvT) Ltd. Lahore 2. M/s Junaid Pvt) Ltd. Lahore	M/s M.R. Electric Concern	4192	30.12.24	36.29	2015
16	61	08.10.24	Single Phase Meter Lot-I	40000	7	1. M/s PEL Ltd. Lahore 2. M/s Accurate (Pvt) Lahore 3. M/s Creative Electronics (Pvt) Ltd Lahore 4. M/s WOSO metering (Pvt) Ltd. Lahore 5. M/s Intelligent metering system (Pvt) Ltd. Lahore 6. M/s Transfopower industries (Pvt) Ltd. Lahore 7. M/s KBK Electronics (Pvt) Ltd. Lahore	M/s Intelligent Metering Sys.	4193	31.12.24	186.00	2015
			Single Phase Meter Lot-II	40000						186.00	
17	106	04.12.24	AAC Wasp Conductor	283	4	1. M/s Fast cables Ltd. Lahore 2. M/s Universal Cables industries Karachi 3. M/s Universal Metal (Pvt) Ltd Lahore 4. M/s Eagle cables (Pvt) Ltd. Lahore	M/s Eagle Cables	4205	14.01.25	99.90	2014
18	105	04.12.24	ACSR Rabbit Conductor	353	5	1. M/s Fast cables Ltd. Lahore 2. M/s Universal Metal (Pvt) Ltd Lahore 3. M/s steel complex (PvT) Ltd. Lahore 4. M/s Eagle cables (Pvt) Ltd. Lahore 5. M/s Universal Cables industries Karachi	M/s Eagle Cables	4206	14.01.25	99.90	2014

19	56	08.10.24	Insulated Ant Conductor	377			M/s Specialist Group	4207	14.01.25	93.87	
20	118	04.12.24	11 KV Industrial Panel	25	3	1. M/s Siddique Sons Engg. Lahore 2. M/s Tariq Electric (Pvt) Ltd. Lahore 3. M/s PEL Lahore	M/s Tariq Electric	4225	06.02.25	84.88	2017
21	160	09.01.25	Disc Insulator	20000	1	1. M/s EMCO Industries Ltd. Lahore	M/s EMCO	4235	26.02.25	89.60	2015
22	164	09.01.25	GS Wire (10mm)	100	2	1. M/s Ibrahim Nizami Steel Wire Lahore 2. M/s Newage Cables (Pvt) Ltd. Lahore	M/s Ibrahim Nizami	4236	11.03.25	41.00	2020
23	151	09.01.25	Wasp	217	4	1. M/s Eagle cables (Pvt) Ltd. Lahore 2. M/s Pakistan Cables (Pvt) Ltd. Lahore 3. M/s Fast cables Ltd. Lahore 4. M/s Newage Cables (Pvt) Ltd. Lahore	M/s Eagle Cables	4239	11.03.25	76.60	2015
24	149	09.01.25	PVC 4/Core 25mm	149	5	1. M/s Pakistan Cables (Pvt) Ltd. Lahore 2. M/s Fast cables Ltd. Lahore 3. M/s Newage Cables (Pvt) Ltd. Lahore 4. M/s Pioneer Cables Ltd. Karachi 5. M/s Madni Cables (Pvt) Ltd. Lahore	M/s FAST Cables	4242	14.03.25	73.01	2015
25	150	09.01.25	Ant	450	4	1. M/s Eagle Cables (Pvt) Ltd. Lahore 2. M/s Pakistan Cables (Pvt) Ltd. Lahore 3. M/s Fast cables Ltd. Lahore 4. M/s Newage Cables (Pvt) Ltd. Lahore	M/s Eagle Cables	4245	19.03.25	89.55	2015
26	198	12.03.25	11 KV Outgoing Panel	25	4	1. M/s Ghafoor Engg. Lahore	M/s Siddique Sons Engg.	4282	05.06.25	92.45	2014

						2. M/s Siddique Engg. (Pvt) Ltd. Lahore 3. M/s PEL Ltd. Lahore 4. M/s Tariq Electric (Pvt) Ltd. Lahore					
27	199	12.03.25	11 KV Industrial Panel	25	3	1. M/s Ghafoor Engg. Lahore 2. M/s PEL Ltd. Lahore 3. M/s Tariq Electric (Pvt) Ltd. Lahore	M/s Tariq Electric	4283	05.06.25	84.75	2014
28	238	05.05.25	Paper Covered Copper Strip 4.5x4.5mm	7500	3	1. M/s Atta Metals Lahore 2. M/s copper house (Pvt) Ltd. Gujranwala 3. M/s Swat Industries (Pvt) Ltd. Lahore	M/s Copper House Gujranwala	4299	03.07.25	25.00	2014
			Paper Covered Copper Strip 4x5mm	2000						6.67	
Total										**1,850.97**	

Source: Procurment data of IESCO's Material Management Direcotrate for the FY 2024-25

Annexure-IV

Para-4.1

Energy Losses on Independent 11 kV Feeders in IESCO 2024-25

(Units and Rs. in million)

Sr. No.	Circle Name	Circle Code	No. of feeders Overbilled	% of losses beyond permissible limit	Units Loss beyond Permissible Limit 3%	Amount as per Average Unit Rate as Per CP-22
1	Islamabad	141	12	4.40% to 21.30%	5.25	225.46
2	Rawalpindi City	143	5	1.40% to 10.90%	0.54	23.02
3	Attock	142	12	4.00% to 31.70%	7.95	341.29
4	Jhelum	144	3	5.00% to 26.70%	0.56	23.89
5	Rawalpindi Cantt	146	2	5.10% to 6.40%	0.70	30.00
Total			**34**	**-**	**14.99**	**643.66**

Source: CP-22-A of IESCO for FY 2024-25; Energy rate @ Rs.42.95 per unit

Annexure-V

Para-4.2

Recoverable amount on account of Un-authorized Extension of Load

(Rs. in million)

Sr. No.	Circle / Formation	No. of Consumers	Security Deposit	Rehabilitation Charges	Transformer / Capital Cost	Fixed Charges	Total Impact
1	CEO IESCO, Islamabad	684	90.19	23.47	105.67	0	219.32
2	Islamabad Circle, Islamabad	611	45.34	4.66	25.63	0	75.63
3	City Circle, Rawalpindi	218	26.54	2.54	8.86	0	37.95
4	Chakwal Circle	179	5.36	1.59	495.57	1.77	504.23
	Total	**1692**	**167.44**	**32.26**	**635.73**	**1.77**	**837.13**

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

Annexure-VI

Para-4.7

Frequent replacement of Energy Meters

Sr. No.	Circle / Formation	Range of Replacements	No. of Meters Replaced
1	CEO IESCO	2 to 5 times	3,038
2	Islamabad Circle	2 to 6 times	1,526
3	City Circle, Rawalpindi	2 to 4 times	12,623
		Total	**17,188**

(Source: MIS MDI Data for the F.Y. 2024-25)

Annexure-VII

Para-4.8

Discrepancy in units received and billed in distribution / independent feeders in IESCO 2024-25

(Units and Rs. in million)

Sr. No.	Circle Name	Circle Code	No. of feeders Overbilled	Unit received	Units Billed	Units overbilled	Amount as per Average Unit Rate as Per CP-22 @ Rs. 42.95
1	Islamabad	141	28	145.03	153.56	(8.53)	(366.49)
2	Attock	142	13	179.69	219.10	(39.41)	(1,692.59)
3	Jhelum	144	5	15.53	16.02	(0.49)	(21.04)
4	Chakwal	145	3	2.72	2.86	(0.14)	(6.15)
5	Rawalpindi Cantt	146	13	75.59	79.34	(3.76)	(161.35)
		Total	**62**	**418.55**	**470.88**	**(52.33)**	**(2,247.62)**

Source: CP-22A of IESCO and PPMC Report for the FY 2023-24 & 2024- 2025

Appendix-III

List of MFDAC Paras

Sr. No.	Year of A/Cs	Formation	PDP No.	Subject
1	2019-2024	Manager Operation Chakwal IESCO, Islamabad	233/2025-26	Under generation of revenue through over billing -Rs. 648.55
2	2019-2024	Manager Operation Chakwal IESCO, Islamabad	234/2025-26	Non-regularization of transformers issued in emergency without allocation -Rs. 109.74 million
3	2019-2024	Manager Operation Chakwal IESCO, Islamabad	235/2025-26	Distribution system at risk due to overloaded transformers -Rs. 19.68 million
4	2019-2024	Manager Operation Chakwal IESCO, Islamabad	236/2025-26	Non-execution of deposit/hazard works amounting to -Rs. 44.86 million
5	2019-2024	Manager Operation Chakwal IESCO, Islamabad	237/2025-26	Irregular expenditure incurred on Hazard works without approval of estimates -Rs. 68.58 million
6	2019-2024	Manager Operation Chakwal IESCO, Islamabad	238/2025-26	Suspicious repair of independent distribution transformers from private workshops -Rs. 27.80 million
7	2019-2024	Manager Operation Chakwal IESCO, Islamabad	239/2025-26	Energy losses on independent feeders beyond permissible limit -Rs. 65.18 million
8	2018-2024	Reginal manger (M&T) IESCO, Islamabad.	240/2025-26	Mis-reporting regarding monthly progress report of repaired transformers -Rs.1.92 million
9	2018-2024	Reginal manger (M&T) IESCO, Islamabad.	241/2025-26	Non regularization of annual budget amounting to -Rs. 5.05 million
10	2018-2024	Reginal manger (M&T) IESCO, Islamabad.	242/2025-26	Loss due to damages of Meter Test Bench -Rs 7.50 million (approximately)
11	2018-2024	Reginal manger (M&T) IESCO, Islamabad.	243/2025-26	Non disposal of off-road vehicle -Rs. 4.50 million (approximately)
12	2018-2024	Reginal manger (M&T) IESCO, Islamabad.	244/2025-26	Loss due to less charging of assessed units against general connections -Rs. 10.89 million
13	2018-2024	Reginal manger (M&T) IESCO, Islamabad.	245/2025-26	Non-reconciliation of transformers in (TRW) Transformers Reclamation Workshops amounting to -Rs. 53.75 million
14	2018-2024	Reginal manger (M&T) IESCO, Islamabad.	246/2025-26	Weak internal controls due to non-downloading of meter reading data of 4,833 consumer meters
15	2018-2024	Reginal manger (M&T) IESCO, Islamabad.	247/2025-26	Non-confirmation of recovery of charged units against removed single and three phase meters -Rs. 35.72 million
16	2018-2024	Reginal manger (M&T) IESCO, Islamabad.	248/2025-26	Deficiency in meter data retrieval reports and consumer billing
17	2019-2024	Manager Operation Chakwal IESCO, Islamabad	369/2025-26	Loss due to theft of electrical material -Rs. 7.52 million

18	2019-2024	Manager Operation Chakwal IESCO, Islamabad	370/2025-26	Non-adjustment of security deposits against the arrears of permanently disconnected consumers Rs. 47.24 million
19	2019-2024	Manager Operation Chakwal IESCO, Islamabad	371/2025-26	No mechanism for costing of damaged transformers returned to store -Rs. 2.86 million
20	2019-2024	Manager Operation Chakwal IESCO, Islamabad	374/2025-26	Irregular approval of rejected hazardous work and undue favour to consumers in violation of CSM, resulting in financial loss of -Rs. 1.66 million
21	2019-2024	Manager Operation Chakwal IESCO, Islamabad	376/2025-26	Loss due to damage of distribution transformers -Rs. 105.81 million
22	2019-2024	Manager Operation Chakwal IESCO, Islamabad	377/2025-26	Recoverable amount against application of wrong tariff to government offices worth -Rs. 3.18 million
23	2019-2024	Manager Operation Chakwal IESCO, Islamabad	378/2025-26	Loss due to non-recovery of penalty imposed upon Mr.Waqas Raza LS-II -Rs. 1.31 million
24	2019-2024	Manager Operation Chakwal IESCO, Islamabad	380/2025-26	Non-removal of electrical equipment and non-recovery of arrears -Rs. 17.57 million
25	2019-2024	Manager Operation Chakwal IESCO, Islamabad	382/2025-26	Loss due to non-recovery of outstanding arrears -Rs. 40.15 million
26	2019-2024	Manager Operation Chakwal IESCO, Islamabad	383/2025-26	Non-capitalization of cost of consumer's self-purchased Power Transformers into books of account -Rs. 30.41 million
27	2019-2024	Manager Operation Chakwal IESCO, Islamabad	384/2025-26	Non-return of dismantled / healthy electrical material to store -Rs. 2.63 million
28	2019-2024	Manager Operation Chakwal IESCO, Islamabad	386/2025-26	Non-completion of chain augmentation/LT work valuing -Rs. 78.55 million
29	2019-2024	Manager Operation Chakwal IESCO, Islamabad	387/2025-26	Loss due to non-recovery of supply charges against temporary connections -Rs. 0.36 million
30	2024-25	Chief Engineer Development IESCO Islamabad	914/2025-26	Huge capital work in progress due to non-capitalization Rs.42,977.23 million
31	2024-25	Chief Engineer Development IESCO Islamabad	915/2025-26	Non-recovery of liquidated damages from suppliers Rs.54.24 million
32	2024-25	Chief Engineer Development IESCO Islamabad	918/2025-26	Unresolved litigation cases with potential financial implications Rs.97.93 million
33	2024-25	Chief Engineer Development IESCO Islamabad	919/2025-26	Non-disposal of damaged /unserviceable material Rs.400.82 million
34	2024-25	Chief Engineer Development IESCO Islamabad	920/2025-26	Delay in execution of transmission line due to non-issuance of NOC by CDA Rs.527.08 million
35	2024-25	Chief Engineer Development IESCO Islamabad	921/2025-26	Non-installation of capacitor banks on 132KV Grid Station Rs.198.00 million
36	2024-25	Chief Engineer Development IESCO Islamabad	924/2025-26	Non-clearance of long outstanding balances of capital work in progress Rs.29.54 million

37	2024-25	Chief Engineer Development IESCO Islamabad	925/2025-26	Irregular award of contract at post bid discounted price Rs.99.99 million
38	2024-25	Chief Engineer Development IESCO Islamabad	926/2025-26	Non-receipt of bank guarantee on total contract value from suppliers Rs.99.09 million
39	2024-25	Chief Engineer Development IESCO Islamabad	927/2025-26	Irregular and unjustified payment on account of AMI allowance Rs.0.73 million
40	2024-25	Chief Engineer Development IESCO Islamabad	928/2025-26	Non-clearance/adjustment of retention money on contract payments Rs.35.89 million
41	2024-25	Chief Engineer Development IESCO Islamabad	929/2025-26	Non-adjustment of long outstanding of balances of other advances Rs.16.57 million
42	2024-25	Chief Engineer Development IESCO Islamabad	930/2025-26	Blockage of funds due to inactive/slow-moving electrical material Rs.408.71 million
43	2024-25	Chief Engineer Development IESCO Islamabad	931/2025-26	Irregular reduction of tender quantities to bypass board approval Rs.218.17 million
44	2024-25	Chief Engineer Development IESCO Islamabad	932/2025-26	Non-acquisition of land causing delay in 7th STG project implementation
45	2024-25	Chief Engineer Development IESCO Islamabad	933/2025-26	Deficiencies in award of contract for procurement of power transformers Rs.964.00 million
46	2024-25	Chief Engineer Development IESCO Islamabad	934/2025-26	Awarding the contract to a higher bidder resulted in an additional cost Rs.165.00 million
47	2024-25	PD GSC IESCO	621/2025-26	Sub-Optimal performance in utilizing the allocated budget hampering development goals Rs.11,922.76 million
48	2024-25	PD GSC IESCO	622/2025-26	Non-provision of work completion and audit certificates for funds released by AJK electricity department Rs.499.80 million
49	2024-25	PD GSC IESCO	623/2025-26	Unauthorized deviation from approved GIS to AIS technology for construction of grid station Rs.1,331.39 million
50	2024-25	PD GSC IESCO	624/2025-26	Unapproved cost escalation in Rawat-II Grid Stations Boundary Wall Rs.106.84 million
51	2024-25	PD GSC IESCO	625/2025-26	Inordinate delay in completion of transmission line arrangement works under PC-I of Gulpur Hydro Power Project Rs.1,022.04 million
52	2024-25	PD GSC IESCO	626/2025-26	Improper handling and non-utilization of costly assets of power transformers Rs.30.00 million
53	2024-25	PD GSC IESCO	665/2025-26	Discrepancies of newly energized grid station
54	2024-25	PD GSC IESCO	666/2025-26	Vacant posts and staff shortage impeding timely execution of development projects amounting to Rs.11,321.73 million
55	2024-25	PD GSC IESCO	667/2025-26	Non closure and non-preparation of PC-IV & V of 6th STG Project
56	2024-25	PD GSC IESCO	668/2025-26	Delayed and substandard execution of shifting of transmission line work Risk to public safety Rs.6.88 million
57	2024-25	PD GSC IESCO	670/2025-26	Loss due to non-dismantling of redundant 66KV transmission lines
58	2024-25	PD GSC IESCO	672/2025-26	Unjustified execution of civil works by electrical engineers Rs.16.00 million
59	2024-25	PD GSC IESCO	673/2025-26	Deviation from PC-I scope in transformer installation 132 KV Khanpur Project Rs.15.84 million

60	2024-25	PD GSC IESCO	675/2025-26	unjustified extension of time (EoT) without assigning responsibility for delay Rs.8.37 million
61	2024-25	PD GSC IESCO	676/2025-26	Non-recovery of cost and delay in energization of 132KV Grid Station EMAAR Rs.402.44 million
62	2024-25	PD GSC IESCO	677/2025-26	Non-recovery of outstanding payment against 33KV AJK Rs.129.04 million
63	2024-25	PD GSC IESCO	679/2025-26	Non refund of retention money on contract payments Rs.151.29 million
64	2024-25	PD GSC IESCO	669/2025-26	Ineffective pursuance of litigation cases having financial implications Rs. 15.23 million
65	2024-25	Chief Engineer Development IESCO Islamabad	1098/2025-26	Sub-optimal performance in execution of scheduled works of grid station & transmission lines
66	2024-25	Chief Engineer Development IESCO Islamabad	1148/2025-26	Weak Strategic Planning in Grid Infrastructure Development
67	2022-25	Manager Operation, Rawalpindi Circle, IESCO, Islamabad	2271/2025-26	Revenue loss due to abnormal line losses on sick feeders – Rs.3,654.50 million
68	2022-25	Manager Operation, Rawalpindi Circle, IESCO, Islamabad	2275/2025-26	Loss of revenue due to long duration electrical interruptions on feeders – Rs.44.88 million
69	2022-25	Manager Operation, Rawalpindi Circle, IESCO, Islamabad	2276/2025-26	Non-removal of electrical equipment and non-recovery of arrears – Rs.549.46 million
70	2022-25	Manager Operation, Rawalpindi Circle, IESCO, Islamabad	2277/2025-26	Non-recovery of markup against extended due dates of energy bills from consumers – Rs.2.44 million
71	2022-25	Manager Operation, Rawalpindi Circle, IESCO, Islamabad	2278/2025-26	Loss due to non-recovery cost of shortage copper and other material found in damaged transformers – Rs.2.16 million
72	2022-25	Manager Operation, Rawalpindi Circle, IESCO, Islamabad	2279/2025-26	Non-capitalization of cost of consumer's self-purchased transformer into books of account – Rs.8.05 million
73	2022-25	Manager Operation, Rawalpindi Circle, IESCO, Islamabad	2280/2025-26	Theft of electrical material – Rs.0.86 million
74	2022-25	Manager Operation, Rawalpindi Circle, IESCO, Islamabad	2282/2025-26	Blocked recovery of energy charges from consumers due to non-decision of deferred amount by department & court – Rs.10.94 million
75	2022-25	Manager Operation, Rawalpindi Circle, IESCO, Islamabad	2283/2025-26	Un-cleared credited balances of P.Disc consumers – Rs.8.80 million
76	2022-25	Manager Operation, Rawalpindi Circle, IESCO, Islamabad	2285/2025-26	Non-updation of security amounts in consumer account/profile
77	2022-25	Manager Operation, Rawalpindi Circle, IESCO, Islamabad	2287/2025-26	Irregular excessive charging of Misc. charges to consumers of industrial and commercial – Rs.0.28 million
78	2022-25	Manager Operation, Rawalpindi Circle, IESCO, Islamabad	2289/2025-26	Non-maintenance/transferred of rehabilitation charges in separate bank account – Rs.0.75 million
79	2022-25	Manager Operation, Rawalpindi Circle, IESCO, Islamabad	2290/2025-26	Loss due to damages of distribution transformers – Rs.193.51 million

80	2022-25	Manager Operation, Rawalpindi Circle, IESCO, Islamabad	2292/2025-26	Repair of independent/dedicated distribution transformers from private workshops without observance of approved SOPs, weakening quality assurance and asset control
81	2023-25	Manager Operation Circle, IESCO Islamabad	2296/2025-26	Loss of revenue due to long duration electrical interruptions on feeders — Rs.39.52 million
82	2023-25	Manager Operation Circle, IESCO Islamabad	2297/2025-26	Non-removal of electrical equipment and non-recovery of arrears — Rs.4,082.32 million
83	2023-25	Manager Operation Circle, IESCO Islamabad	2298/2025-26	Blocked recovery of energy charges from consumers due to non-decision of deferred amount by department & court — Rs.252.70 million
84	2023-25	Manager Operation Circle, IESCO Islamabad	2299/2025-26	Non-recovery cost of shortage copper and other material found in damaged transformers — Rs.1.76 million
85	2023-25	Manager Operation Circle, IESCO Islamabad	2302/2025-26	Non-updation of security amounts in the consumer account/profile
86	2023-25	Manager Operation Circle, IESCO Islamabad	2303/2025-26	Revenue loss due to abnormal line losses on sick feeders — Rs.9,652.36 million
87	2023-25	Manager Operation Circle, IESCO Islamabad	2304/2025-26	Non-recovery of energy charges from unregistered (888) consumers — Rs.3.17 million
88	2023-25	Manager Operation Circle, IESCO Islamabad	2305/2025-26	Non-availability of completion certificates for Public Safety Hazard Works — Rs.45.70 million
89	2023-25	Manager Operation Circle, IESCO Islamabad	2307/2025-26	Non-recovery of electricity charges against temporary connections — Rs.5.68 million
90	2023-25	Manager Operation Circle, IESCO Islamabad	2308/2025-26	Un-cleared credited balances of P.Disc consumers — Rs.25.77 million
91	2023-25	Manager Operation Circle, IESCO Islamabad	2311/2025-26	Non-recovery of markup against extended due dates of energy bills from consumers — Rs.13.17 million
92	2023-25	Manager Operation Circle, IESCO Islamabad	2312/2025-26	Loss due to damages of distribution transformers — Rs.189.47 million
93	2023-25	Manager Operation Circle, IESCO Islamabad	2314/2025-26	Non-maintenance/transfer of rehabilitation charges in separate bank account — Rs.2.95 million
94	2023-25	Manager Operation Circle, IESCO Islamabad	2316/2025-26	Repair of independent/dedicated distribution transformers from private workshops without observance of approved SOPs, weakening quality assurance and asset control
95	2024-25	CEO IESCO	2164/2025-26	Duplication of installation charges in PC-1 estimates – Rs.17.54 million
96	2024-25	CEO IESCO	2165/2025-26	Non-preparation of completion report (PC-IV) of SAP/SDGs Program
97	2024-25	CEO IESCO	2170/2025-26	Non-completion of public-safety hazard works Rs.607.20 million
98	2024-25	CEO IESCO	2173/2025-26	Irregular excess charging of overheads to works – Rs. 324.96 million
99	2024-25	CEO IESCO	2176/2025-26	Theft of electrical material – Rs.29.39 million
100	2024-25	CEO IESCO	2178/2025-26	Irregular retention and non-documentation of dismantled healthy transformers – Rs. 16.02 million
101	2024-25	CEO IESCO	2179/2025-26	Irregular engagement of internal audit department in bid evaluation in violation of SOEs Ownership and Management Policy

102	2024-25	CEO IESCO	2181/2025-26	No mechanism of markup against extended due dates of energy bills from consumers - Rs.4.88 million
103	2024-25	CEO IESCO	2183/2025-26	Non-transferring of adjusted security deposit of dead defaulters to revenue account - Rs.13.29 million
104	2024-25	CEO IESCO	2184/2025-26	Non-implementation of equipment removal orders (EROs) and ineffective recovery of outstanding receivables from defaulting consumers - Rs.2,433.92 million
105	2024-25	CEO IESCO	2185/2025-26	Un-cleared credited balances of Permanent Disconnected Consumers Rs. 14.04 million
106	2024-25	CEO IESCO	2186/2025-26	Outstanding Sales Tax refunds of Rs. 25,242.28 million
107	2024-25	CEO IESCO	2187/2025-26	Non-updating of security amounts in consumer account/profile
108	2024-25	CEO IESCO	2188/2025-26	Blocked recovery of energy charges from consumers due to non-decision of deferred amount by department & court - Rs.3,050.92 million
109	2024-25	CEO IESCO	2189/2025-26	Non-recovery of electricity charges against temporary connections – Rs.4.71 million
110	2024-25	CEO IESCO	2190/2025-26	Non-adjustment of longstanding retention money of contractors/ suppliers - Rs. 8.27 million
111	2024-25	CEO IESCO	2191/2025-26	Undervaluation of dismantled material deducted from estimates resulted in over-estimation of HT works – Rs. 23.48 million
112	2024-25	CEO IESCO	2193/2025-26	Irregular procurement of material from non-responsive bidder – Rs.352.73 million
113	2024-25	CEO IESCO	2194/2025-26	Non-execution of Procurement Plan – Rs.34,784.30 million
114	2024-25	CEO IESCO	2195/2025-26	Irregular award of contracts for procurement of HT/LT PC Spun Hollow Poles - Rs.42.82 million
115	2024-25	CEO IESCO	2196/2025-26	Loss due to procurement of 100 KVA pad mounted transformers at higher rates – Rs. 3.96 million
116	2024-25	CEO IESCO	2198/2025-26	Improper preparation of PC-Is for LT works under SDGs without adherence to prescribed selection and justification criteria – Rs.1,115.07 million
117	2024-25	CEO IESCO	2200/2025-26	Damages of distribution transformers — Rs.408.45 million
118	2024-25	CEO IESCO	2202/2025-26	Loss of revenue due to long duration electrical interruptions on feeders — Rs.186.77 million
119	2024-25	CEO IESCO	2207/2025-26	Irregular booking of overhead charges to SDGs Schemes — Rs.123.78 million
120	2024-25	CEO IESCO	2208/2025-26	Non-capitalization and non-handing/taking over of physically completed works — Rs.6,176.37 million
121	2024-25	CEO IESCO	2217/2025-26	Expenditure beyond sanctioned estimates – Rs.497.56 million
122	2024-25	CEO IESCO	2226/2025-26	Non-reconciliation and non-settlement of subsidy receivables from Government of Pakistan Rs.57,048.34 million
123	2024-25	CEO IESCO	2227/2025-26	Non-recovery of IESCO dues from stealers of electricity pointed out in anti-theft campaign -- Rs.125.65 million
124	2024-25	CEO IESCO	2232/2025-26	Non-disposal of dismantled Incandescent Bulbs resulting in congestion of regional store
125	2024-25	CEO IESCO	2234/2025-26	Unjustified charging of meter rent to consumers – Rs.7.42 million
126	2024-25	CEO IESCO	2235/2025-26	Non-recovery of energy charges from unregistered (888) consumers – Rs.1.51 million
127	2024-25	CEO IESCO	2238/2025-26	Non-return of dismantled electrical material from completed 11 kV feeders – Rs.2.48 million
128	2024-25	CEO IESCO	2239/2025-26	Long-outstanding unresolved bank reconciliation differences resulting in misstatement of cash balances – Rs. 40.10 million
129	2024-25	CEO IESCO	2240/2025-26	Non-reconciliation of inter-office receivables – Rs. 69.55 million
130	2024-25	CEO IESCO	2242/2025-26	Irregular inclusion of CDA charges in estimates of HT works without formal MOU – Rs.13.39 million

131	2024-25	CEO IESCO	2244/2025-26	Non-disposal of scrapped/damaged material pointed out by stock verifier – Rs.23.42 million
132	2024-25	CEO IESCO	2246/2025-26	Non-recovery of liquidated damages due to delayed repair of distribution transformers – Rs.2.88 million
133	2024-25	CEO IESCO	2247/2025-26	Huge financial impact/burden shifted to consumers due to payment of Capacity Transfer Price to CPPA-G on Load Management – Rs. 5,350.63 million
134	2024-25	CEO IESCO	2248/2025-26	Significant consumer refunds resulting from revision of incorrect readings and detection charges – Rs. 3,491.40 million
135	2024-25	CEO IESCO	2252/2025-26	Unidentified cash receipts of Rs. 120.96 million not adjusted
136	2024-25	CEO IESCO	2253/2025-26	Irregular acceptance of substandard material – Rs.12.55 million
137	2024-25	CEO IESCO	2257/2025-26	Repair of irreparable 200 kVA distribution transformers in deviation from prescribed NTDC specification – Rs. 6.83 million
138	2024-25	CEO IESCO	2259/2025-26	Violation of ECC Directions Due to Non-Refund / Non-Adjustment of Neelum Jhelum Surcharge to Consumers – Rs. 2,968.93 million
139	2024-25	CEO IESCO	2260/2025-26	Improper classification of properties as "Non-Current Assets Held for Sale" – Rs. 65.89 million
140	2024-25	CEO IESCO	2263/2025-26	Non-recognition of impairment on residual unrecovered balance from Trust Investment Bank Limited (TIBL) – Rs. 41.18 million
141	2024-25	CEO IESCO	2264/2025-26	Prolonged non-regularization of Government Contribution accounted as "Deposit for Shares" against circular debt clearance – Rs. 67,055.99 million
142	2024-25	CEO IESCO	2267/2025-26	Accumulation and non-settlement of Tariff Rationalization Surcharge and Equalization Surcharge – Rs. 6,090.91 million
143	2024-25	CEO IESCO	2269/2025-26	Unreconciled differences in receivable and payable balances with Associated Undertakings -- net financial exposure Rs. 664.39 million
144	2024-25	CEO IESCO	2270/2025-26	Unjustified write-off of Workers' Welfare Fund (WWF) receivable instead of adjustment against own WWF liability – Rs. 216.03 million
145	2024-25	CEO IESCO	2318/2025-26	Loss due to shortage of electrical material – Rs.0.70 million