AUDIT REPORT
ON
THE ACCOUNTS OF
POWER DIVISION AND ITS ATTACHED ENTITIES
AUDIT YEAR 2021-22

AUDITOR-GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

AAAC	All Aluminum Alloy Conductor
ABC	Aerial Bundled cable
ACSR	Aluminum Conductor Steel Re-enforced
ACL	Audit Command Language
ADB	Asian Development Bank
AEDB	Alternative Energy Development Board
AEL	Annual Energy Loss
AGP	Auditor General of Pakistan
AIS	Air Insulated Sub-Station
AJ&K	Azad Jammu and Kashmir
AMI	Advanced Metering Infrastructure
AMR	Automatic Meter Reading
AR	Audit Report
ATB	Auto Transformer Bank
AT&C	Aggregate Technical & Commercial
B&C	Budget & Consolidation
BEC	Bid Evaluation Committee
BER	Bid Evaluation Report
BOD	Board of Directors
BOQ	Bill of Quantity
BOOT	Build Own Operate Transfer
BPS	Basic Pay Scale
BTA	Business Transfer Agreement
BTU	British Thermal Unit
CCPP	Combined Cycle Power Plant
CDWP	Central Development Working Party
CEO	Chief Executive Officer
CFL	Compact Florescent Lamps
CFO	Chief Financial Officer
CLO	Chief Law Officer
COD	Commercial Operation Date
CP	Commercial Procedure
CP-41	Return of Consumer Billing and Collection
CP-48	Bank Accounts Reconciliation
CP-49	Collection and Remittance Summary (for security deposits)
CP-102	Weekly Schedule of Bank Remittances by Bank Branches
CP-104	Divisional Collections Cash Book
CPGCL	Central Power Generation Company Limited
CPP	Capacity Purchase Price
CPPA-G	Central Power Purchasing Agency Guaranteed
CSO	Customer Services Officer
CNY	Chinese Yuan
DAC	Departmental Accounts Committee
DDO	Drawing & Disbursing Officer

DG	Director General
DISCOs	Distribution Companies
DPAC	District Price Assessment Committee
DOP	Development of Power
D&S	Design & Services
DTLP	Dasu Transmission Line Project
EAD	Economic Affairs Division
ECC	Economic Coordination Committee
ECF	Energy Conservation Fund
EHS	Extra High Strength
EHV	Extra High Voltage
ELR	Energy Loss Reduction
EMB	Electrical Measurement Book
EOT	Extension of Time
EPA	Energy Purchase Agreement
EPC	Engineering, Procurement and Construction
EPP	Energy Purchase Price
ERO	Equipment Removal Order
ERP	Enterprise Resource Planning
ESR	Employees Service Regulations
FAP	Foreign Aided Projects
FBR	Federal Board of Revenue
FC	Financial Closing
FD	Finance Director
FESCO	Faisalabad Electric Supply Company
FIA	Federal Investigation Agency
FIDIC	Federation International Des Ingenious Conseils
FIR	First Information Report
FY	Financial Year
GCC	General Condition of contract
GENCOs	Generation Companies
GEPCO	Gujranwala Electric Power Company
GFR	General Financial Rules
GHCL	GENCO Holding Company Limited
GIS	Gas Insulated Switchgear
GOB	Government of Baluchistan
GOP	Government of Pakistan
GOS	Government of Sindh
GSA	Gas Sales Agreement
GSC	Grid System Construction
GSO	Grid System Operation
GST	General Sales Tax
GT	Gas Turbine
GTPS	Gas Turbine Power Station
GWh	Gigawatt Hours
HBS	Haveli Bahadur Shah

HESCO	Hyderabad Electric Supply Company
HP	Horse Power
HR	Human Resource
HSD	High Speed Diesel
HT	High Tension
HVDC	High Voltage Direct Current
HVSC	High Voltage Short Circuit
IA	Implementation Agreement
IB	Instruction to Bidders
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
IESCO	Islamabad Electric Supply Company
IPPs	Independent Power Producers
IS	Information System
ISA	Information System Audit
IT	Information Technology
JAC	Joint Advisory Committee
JICA	Japan International Cooperation Agency
JPGCL	Jamshoro Power Generation Company Limited
JV	Journal Voucher
KE	Karachi Electric
KESC	Karachi Electric Supply Company
KEMA	Keuring van Elektrotechnische Materialen te Arnhem
KIBOR	Karachi Inter Bank Offer Rates
KPK	Khyber Pukhtunkhwa
KV	Kilo Volt
KVA	Kilo Volt Amps
KW	Kilo Watt
KWh	Kilo Watt Hours
LAC	Land Acquisition Collector
LC	Letter of Credit
LCIA	London Court of International Arbitration
LD	Liquidated Damages
LESCO	Lahore Electric Supply Company
LNG	Liquefied Natural Gas
LOI	Letter of Intent
LOS	Letter of Support
LT	Low Tension
mA	mili Ampere
MD	Managing Director
MDI	Maximum Demand Indicator
MEPCO	Multan Electric Power Company
MES	Military Engineering Services
MFDAC	Memorandum for Departmental Accounts Committee
MFF	Multi-tranche Financing Facility
MIS	Management Information System

MKWh	Million Kilo Watt Hour
MOF	Market Operating Fee
MOU	Memorandum of Understanding
MPS	Management Pay Scale
MP&M	Material Procurement & Management
MRN	Material Return Note
M&S	Monitoring and Surveillance
M&T	Metering and Testing
MSR	Material at Site Register
MTBF	Medium Term Budgetary Framework
MVA	Mega Volt Ampere
MW	Mega Watt
MWh	Mega Watt hour
NAB	National Accountability Bureau
NCB	National Competitive Bidding
NCPP	New Captive Power Plants
NEECA	National Energy Efficiency & Conservation Authority
NEPRA	National Electric Power Regulatory Authority
NOC	No Objection Certificate
NOL	No Objection Letter
NGPS	Natural Gas Power Station
NPCC	National Power Control Centre
NPGCL	Northern Power Generation Company Limited
NPMV	Non-Project Missed Volume
NPPMCL	National Power Parks Management Company Limited
NTDC	National Transmission and Despatch Company
OGDCL	Oil and Gas Development Company Limited
OCR	Ordinary Capital Resources
O&M	Operation and Maintenance
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PAP	Power Acquisition Programs
PC Poles	Pre-stressed Concrete Poles
PC-I	Planning Commission Proforma-I
PD	Project Director
P. Disc	Permanently Disconnect
PDP	Proposed Draft Para
PEC	Pakistan Engineering Council
PEDO	Pakhtunkhwa Energy Development Organization
PEEIP	Pakistan Energy Efficiency Investment Program
PEPCO	Pakistan Electric Power Company
PESCO	Peshawar Electric Supply Company
PHL	Power Holding Limited
P&CM	Procurement and Contract Management
P&D	Planning and Development
PITC	Power Information Technology Company

PMO	Project Management Office
PMU	Project Management Unit
PO	Purchase Order
POL	Petrol, Oil and Lubricants
PPA	Power Purchase Agreement
PPIB	Private Power Infrastructure Board
PPIW	Power Purchaser Interconnection Works
PPMC	Power Planning & Monitoring Company
PPRA	Public Procurement Regulatory Authority
PPTFC	Privately Placed Term Finance Certificate
PQEPC	Port Qasim Electric Power Company Ltd
PSC	Power Sector Companies
PSDP	Public Sector Development Programme
PSO	Pakistan State Oil
PST	Punjab Sales Tax
PWF	Pakistan WAPDA Foundation
PWP	Peoples Works Programme
QESCO	Quetta Electric Supply Company
QWSEIP	Quetta Water Supply and Environmental Improvement Project
RCO	Reconnection Order
RCOD	Required Commercial Operation Date
RFO	Residual Furnace Oil
RFO	Request for Offer
RLNG	Re-gasified Liquefied Natural Gas
RO	Revenue Officer
ROW	Right of Way
SAP	System Application and Products
SAP	System Augmentation Program
SBLC	Standby Letter of Credit
SCADA	Supervisory Control and Data Acquisition
SCC	Special Conditions of Contract
SCOD	Scheduled Commercial Operation Date
SDGs	Sustainable Development Goals
SEPCO	Sukkur Electric Power Company
SHPL	Star Hydro Power Limited
S&I	Surveillance & Intelligence
SNGPL	Sui Northern Gas Pipelines
SOP	Standard Operating Procedures
SPP	Small Power Producer
SR	Sulphate Resistant
SR	Store Requisition
SRO	Statutory Regulatory Order
SSGCL	Sui Southern Gas Company Limited
SS&TL	Sub Station and Transmission Line
STFF	Syndicated Term Finance Facilities
STG	Secondary Transmission and Grids

STL	Short-Circuit Testing Liaison
TA/DA	Travelling Allowance / Daily Allowance
T&D	Transmission & Distribution
T&T	Transmission and Transformation
TDR	Term Deposit Receipts
TDS	Tariff Differential Subsidy
TFIBL	Trust Fund Investment Bank Limited
TESCO	Tribal Areas Electric Supply Company
TFC	Term Finance Certificate
T/L	Transmission Line
TMA	Tehsil Municipal Administration
TOU Meter	Time of Use Meter
TPS	Thermal Power Station
TRW	Transformer Reclamation Workshop
TSW	Technical Services Wing
UoSC	Use of system charges
USAID	United States Agency for International Development
VD	Voltage Drop
VO	Variation Order
WAPDA	Water and Power Development Authority
WCC	WAPDA Computer Centre
WCSR	WAPDA Composite schedule rates
WeBOC	Web based One Custom
XEN	Executive Engineer

PREFACE

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

The report is based on audit of the accounts of Power Division and its attached entities for the financial year 2020-21 as well as some significant observations pertaining to the previous financial years (2017-18, 2018-19 and 2019-20). The Directorate General Audit Power conducted audit of these entities during the year 2021-22 on test check basis with a view to report significant findings to the stakeholders. A sectoral analysis of overall power sector is added in the report, highlighting macro-level issues being faced in the sector, their impact and required strategic considerations.

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

Thematic Audit – new concept, has been introduced and made part of this report at Chapter-3. It is an attempt to improve organization's performance through critically reviewing its business processes to identify those risks which are hindering it from achieving its intended objectives.

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

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

Sd/-
(Muhammad Ajmal Gondal)
Auditor-General of Pakistan

Islamabad
Dated: 24 FEB 2022

EXECUTIVE SUMMARY

The Directorate General Audit (Power) carries out audit and evaluation of Power Division, its attached entities, and NEPRA on behalf of the Auditor General of Pakistan as envisaged in Article 170(2) and further elaborated in Sections 8 & 12 of Auditor General Ordinance, 2001. The Directorate has the mandate to audit 151 formations, out of which 150 are working under the Power Division and one formation i.e. NEPRA is under Cabinet Division. During the audit year 2021-22, the Directorate carried out compliance audit of sixty (60) formations. The report comprises significant issues and audit findings highlighted in the compliance audit exercise. It covers compliance of the auditee formations to the applicable laws, rules and procedures, and assessment based on transparency and performance parameters. Moreover, it contains comments on the annual audited financial statements of 06 entities. However, Audit comments on the financial statements of 11 entities could not be reported because the management failed to submit audited accounts to the Directorate by December 31, 2021. The report also includes audit findings of the Thematic Audit of NTDC. Furthermore, 20 Audit Paras of significant nature, previously placed in MFDAC, are also part of the report.

a. Scope of Audit

Total budget/expenditure and receipt of 151 formations were Rs.651.236 billion and Rs.1,085.073 billion, respectively for the financial year 2020-21.

Audit coverage relating to expenditure for the current audit year comprises 60 formations of Ministry of Energy (Power Division) having a total expenditure of Rs.493.94 billion for the financial year 2020-21. Out of which audited expenditure amounts to Rs.204.40 billion i.e. 41.38%.

In addition to this compliance audit report, the Directorate General of Audit, Power, Lahore conducted fourteen (14) Financial Attest Audits of Foreign Aided Projects (FAP) and one (01) Thematic Audit. Reports of FAP audits are being prepared separately.

b. Recoveries at the instance of audit

As a result of audit, a recovery of Rs.848,899.94 million[1] was pointed out in this report which included accumulative power sector receivables of Rs.642,946.28 million[2]. Recovery effected from January to December, 2021 was Rs.1,633.89 million which was verified by audit.

c. Audit Methodology

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

Moreover, during the subject audit year, Computer Aided Audit Techniques (CAATs) were effectively used. For the first time, ACL (Audit Command Language) software was used to run data analytics in selected DISCOs.

d. Audit Impact

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

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

The transmission and distribution infrastructure was being enhanced and their controls strengthened to reduce the losses in the DISCOs. These initiatives

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[1] ***Audit Report 2021-22 Para No. 1.1.01, 1.1.03, 1.1.04, 1.1.05, 1.1.06, 1.1.07, 1.1.08, 1.4.02, 1.4.15, 1.4.18, 1.4.26, 1.5.10, 1.6.41, 1.10.05, 1.12.12, 1.13.08, 1.13.25, 1.13.30***

[2] ***Audit Report 2021-22 Para No. 1.1.01, 1.1.03, 1.1.05, 1.4.02***

were in-line with the persistent audit observations flagging the shortcomings and proposing way-forward.

e. Comments on Internal Controls and Internal Audit Department

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

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

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

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

f. Key Audit Findings:

i. In 01 case, misappropriation of store material valuing Rs.66.44 million was pointed out.[1]

ii. In 66 cases, procurement / contractual irregularities involving Rs.131,802.91 million were pointed out.[2]

iii. In 43 cases, violation of internal rules & regulations of auditee entities involving Rs.740,397.14 million were pointed out.[3]

vi. In 33 cases, violations of regulatory laws & regulations promulgated by constitutional authorities involving Rs.663,602.97 million were highlighted.[4]

v. In 18 cases, recoveries of Rs.848,899.94 million were highlighted which included accumulative power sector receivables.[5]

vi. In 13 cases, value for money and service delivery issues involving Rs.67,249.03 million were pointed out.[6]

vii. In 29 cases, other issues like non utilization of loan & commitment charges, non reconciliation of data, non availing of rebate/discount facility and shortage/ missing of material etc involving Rs.628,957.85 million were highlighted. [7]

[1]Para- 1.8.03

[2]Para- 1.4.11, 1.4.22, 1.4.24, 1.4.34, 1.4.42, 1.5.03, 1.5.12, 1.5.13, 1.5.14, 1.6.01, 1.6.02, 1.6.03, 1.6.04, 1.6.06, 1.6.07, 1.6.08, 1.6.10, 1.6.12, 1.6.13, 1.6.14, 1.6.15, 1.6.16, 1.6.17, 1.6.19, 1.6.20, 1.6.21, 1.6.22, 1.6.23, 1.6.24, 1.6.25, 1.6.26, 1.6.27, 1.6.28, 1.6.29, 1.6.30, 1.6.31, 1.6.32, 1.6.33, 1.6.34, 1.6.35, 1.6.36, 1.6.37, 1.6.38, 1.6.39, 1.6.40, 1.6.42, 1.6.43, 1.6.44, 1.6.45, 1.6.46, 1.6.47, 1.6.48, 1.6.49, 1.6.50, 1.6.51, 1.6.52, 1.6.53, 1.6.54, 1.6.55, 1.7.02, 1.10.03, 1.13.07, 1.13.10, 1.13.19, 1.13.26, 1.13.35

[3]Para-1.3.02, 1.3.03, 1.4.06, 1.4.07, 1.4.10, 1.4.12, 1.4.14, 1.4.16, 1.4.19, 1.4.20, 1.4.23, 1.4.25, 1.4.29, 1.4.33, 1.4.37, 1.4.38, 1.4.39, 1.4.40, 1.4.43, 1.4.44, 1.5.05, 1.5.06, 1.6.11, 1.7.06, 1.7.07, 1.7.08, 1.8.01, 1.8.02, 1.8.04, 1.8.06, 1.8.07, 1.11.05, 1.11.08, 1.12.01, 1.13.01, 1.13.17, 1.13.20, 1.13.21, 1.13.27, 1.13.29, 1.13.31, 1.13.36, 1.13.37

[4]Para- 1.2.01, 1.3.01, 1.4.01, 1.4.04, 1.4.05, 1.4.08, 1.4.13, 1.4.17, 1.4.28, 1.4.31, 1.4.32, 1.4.36, 1.5.01, 1.5.09, 1.6.18, 1.7.03, 1.7.04, 1.7.05, 1.7.10, 1.7.11, 1.10.02, 1.12.02, 1.12.03, 1.12.04, 1.12.08, 1.12.13, 1.13.12, 1.13.13, 1.13.14, 1.13.15, 1.13.24, 1.13.32, 1.13.39

[5]Para- 1.1.01, 1.1.03, 1.1.04, 1.1.05, 1.1.06, 1.1.07, 1.1.08, 1.4.02, 1.4.15, 1.4.18, 1.4.26, 1.5.10, 1.6.41, 1.10.05, 1.12.12, 1.13.08, 1.13.25, 1.13.30

[6]Para-1.4.09, 1.4.41, 1.5.02, 1.5.08, 1.6.05, 1.6.09, 1.7.01, 1.7.09, 1.7.12, 1.10.01, 1.10.04, 1.13.05, 1.13.16

[7]Para-1.1.02, 1.2.02, 1.4.03, 1.4.21, 1.4.27, 1.5.04, 1.5.07, 1.5.11, 1.8.05, 1.9.01, 1.9.02, 1.9.03, 1.9.04, 1.12.05, 1.12.06, 1.12.07, 1.12.09, 1.12.10, 1.12.11, 1.13.02, 1.13.03, 1.13.04, 1.13.06, 1.13.09, 1.13.11, 1.13.18, 1.13.22, 1.13.33, 1.13.34

g. Recommendations

i. Management may ensure strong supervision and improved internal controls in order to minimize theft cases.

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

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

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

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

vi. Efforts based on sound planning and a systematic problem-solving approach, having due involvement of all stakeholders, may be made to expedite recovery. This may include taking measures such as detailed feeder-wise analysis, taking action on extension of load cases from first instance of the event, large scale deployment of automated metering, maintenance of an integrated information system for the power sector and timely resolution of recovery related cases.

SECTORAL ANALYSIS OF THE POWER SECTOR FOR THE FINANCIAL YEAR 2020-21

SECTORAL ANALYSIS OF THE POWER SECTOR FOR THE FINANCIAL YEAR 2020-21

a) Introduction

The power sector envelopes a broad canvas of entities ranging from government ministries to public sector entities to private power producing firms. Some of the major players include

- DISCOs: ten companies supplying, distributing, and selling power (electricity) in their designated areas;
- CPPA-G: the power sector market operator;
- NEPRA: the authority that determines power tariffs;
- IPPs: providing energy, based on contracts with GoP and fuel supply agents such as PSO, SNGPL, etc.

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

b) Goal of the Power Division

The goal of the Power Division is "to develop the most efficient and consumer-centric power generation system that meets the needs of its population and boosts its economy sustainably and affordably". In order to achieve its goal, the following three medium-term outcomes were assigned to the Division:

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

c) Budget profile and utilization of Power Division

The Non-development budget profile and utilization for the Power Division during the last two Financial Years was as under:

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

Table No. 1

(Rs. in million)

Demand No. 28	Final Budget 2019-2020	Expenditure 2019-2020	Unspent Budget %	Final Budget 2020-2021	Expenditure 2020-2021	Unspent Budget %
Main Secretariat	462.26	224.29	(51.48)	792.20	682.97	(13.79)

(Source: Appropriation Accounts of the Federal Government 2019-20 & 2020-21)

Performance of an entity can be gauged from implementation and utilization of resources. It is evident from the above table that performance in terms of budget utilization has increased over the year but significant amount of budget remained un-spent.

d) The High-Price Energy Mix

The energy-mix is the most vital factor in power sector as it determines the cost of energy to be notified by the government. Electricity demand of Pakistan is being met through a variety of fuel-based sources like Residual Furnace Oil (RFO), Gas / RLNG, Coal and through other indigenous sources like Hydel, Nuclear, Wind and Solar. During the Financial Year 2020-21, total electricity generated in the country in CPPA-G/ NTDC system was 143,588.60 GWh[4]. This included hydel based energy generation of 38,800.54 GWh[5] which was 27.02% of the total energy generation volume. Energy from relatively expensive thermal sources was 86,588.50 GWh[6] which was 60.3% of the total energy generation. This indicated that generation of energy was highly skewed towards expensive fuel sources causing the unit price of energy to be costly.

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

The power sector in Pakistan has now excess energy capacity that is significantly higher than the expected demand in the country. The installed power generation capacity in the FY 2020-21 stood at 39,772 MW[7] including IPP based power having a volume (IPP thermal 17,276 MW + IPP hydel 472 MW) of 17,748 MW[8]. The de-rated / or available capacity stood at 37,271 MW[9] as on

[4] *Para 3.3, NEPRA State of Industry Report-2021 page-37*
[5] *Para 3.3, NEPRA State of Industry Report-2021 page-37*
[6] *Para 3.3, NEPRA State of Industry Report-2021 page-37*
[7] *Para 3.2, NEPRA State of Industry Report-2021 page-35*
[8] *Para 3.2, NEPRA State of Industry Report-2021 page-35*
[9] *Para 2.1.1, NEPRA State of Industry Report-2021 page-12*

30.06.2021. Whereas during July to September 2021, maximum energy of 14710.70 Gwh[10] was generated and utilized for monthly consumption. At present, the total bearing capacity of the national grid / NTDC is 30,610 MW[11]. Thus, capacity payments for idle/surplus capacity are being made to the IPPs as per binding PPAs' without setting off this component of cost against any commercial activity. Resultantly, overall cost of energy was increasing rampantly.

During the Financial Year 2020-21, capacity payments of Rs.613.92 billion[12] were made to all power producing entities, whereas, an amount of Rs.723.741 billion, on account of capacity payments, was payable by CPPA-G to power producers as on June 30, 2021.

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

f) Revenue Shortfall at the end of DISCOs

In the FY 2020-21, 99,370 MKWh units worth Rs.1,745,133 million were billed to consumers against which recovery of Rs.1,366,064 million was made (78.28%) as shown in Table-2. The Shortfall indicated less receipt of revenue by the DISCOs. ***(Annexure-A)***

Revenue Shortfall in DISCOs indicated managerial inefficiencies and policy bottlenecks constraining CPPA-G to pay-off its energy procurement liabilities. Although, the division showed a comparative increase in shortfall by 5.84% compared with the FY 2020-21, it still remained 24% less and constituted a significant operational issue for DISCOs. Recovery in QESCO & TESCO of 23.65% & 28.52% only (in the Financial Year 2020-2021) showed that major policy interventions were needed to save the subject DISCOs from practical insolvency.

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

NEPRA has determined certain percentage of admissible T&D losses for power sector and had made tariff determinations accordingly. Losses beyond the limit set by NEPRA meant financial losses for the company as well as cyclic

[10] Table-24 NEPRA State of Industry Report-2021 page-136
[11] Para 4.7 NEPRA State of Industry Report-2021 page-45
[12] Executive Summary Sate of Industry Report-2021 page-04

increase in the CPPA-G payables pertaining to the DISCOs. The trend of T&D losses in DISCOs in the last two years was as follows:

Table-2

Years	Units	2019-20	2020-21
Units sold	M.kWh	92,792	99,370
Allowed T&D losses	%	16.99	13.5
Actual T&D losses	%	19.60	17.3
Excess losses of discos	%	2.61	3.9
Excess unit lost	M.kWh	2,243	4,627
Rate per unit	Rs./kWh	18.89	18.3
Impact of excess loss	Rs. in Million	42,362	91,911

(Source: PEPCO Data FY -2020-2021)

The above table showed impact of excess loss of Rs.91,911 million beyond NEPRA targets in the power sector during the FY 2020-2021. This implies operational inefficiencies in the sector and development initiatives aimed at enhancing the power transmission and distribution system now yet to make any positive impact.

h) Huge receivables from running and dead defaulters

Over the years, the volume of receivables from running and dead energy defaulters has increased significantly and it has become an important cause for power sector debt accumulation. As of June 2021, the total receivables from running and dead defaulters amounted to Rs.950,045 million. (Rs.823,188 million i.e. 86.65% pertained to running defaulters and Rs.126,857 million i.e. 13.35% to dead defaulters respectively.)

i) DISCOs' receivables from the government

Due to un-resolved power-sector issues of the federal government with different other governments and bodies, Rs.718.58 billion were held up as on June 2021. Details were:

Table-3

Description	**Amount (Rs. in billion)**	**%age**
Receivables of Agricultural Tube-well consumers in QESCO/Baluchistan (consumer's share)	304.72	42.40
Receivables for Supply of AJK	89.73	12.48

Receivables from Govt. Owned entities, departments	99.15	13.79
Sub Total	493.60	68.98
Receivables from KE	224.98	31.31
Grand Total	**718.58**	

(Source: PEPCO Data 2020-2021)

j) Circular Debt in Power Sector

The phenomenon of *Circular Debt* arises when one party in a supply chain faces cash flow inadequacies to discharge its obligations to its suppliers; thus, affecting the entire supply chain and causing liquidity crunch. As on June 30, 2021, the total amount of circular debt stood at Rs.2,280,149 million including PHL loans of Rs.930,000 million as detailed below:

Table No. 4

(Rs. in million)

Circular Debt on 30th June, 2021						
Fiscal Years	**CPPA-G Payable to IPPs/GENCOs**					**Total**
	Due for Payments against verified invoices of Power Generation Companies	**Payables to GENCOs (Invoice based)**	**Payables to Fuel Suppliers by GENCOs**	**Total**	**Energy Payables by PHL**	
1	**2**	**3**	**4**	**5 = 1+2+3+4**	**6**	**7 = 5+6**
2020-21	1,244,835	105,314	-	1,350,149	930,000	2,280,149
2019-20	1,038,115	48,040	105,092	1,143,207	1007,218	2,150,425

(Source: NEPRA State of Industry Report, 2021)

The major constituents of the circular debt include outstanding payments against invoices of power generation companies of Rs. 1,244,835 million. The overall circular debt has increased from Rs. 2,150,425 million in FY 2019-20 to Rs.2,280,149 million in FY 2020-21 registering an increase of Rs. 129,724 million (6.03%).

k) Adhocism in Debt management

PHL loans represent an adhoc-mechanism adopted by the management to pay-off pending CPPA-G liabilities to the IPPs. As per record provided to audit, the principal amount of loan is not part of the electricity tariff which is being charged to the consumers. As highlighted earlier, an amount of Rs.930,000 million is the loan volume of PHL as on June 30, 2020. Implying that as the loan (principal) amounts become due, there would be no receipt source to pay-off the debt. Resultantly, either energy price would have to be increased or subsidy is to be provided. Government owned assets have been pledged/rights sold to different commercial banks, hence defaulting on the loan payback terms would entail loss of major government assets.

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

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

Although interventions are being made to enhance the transmission and distribution networks, yet there is still a significant gap between the power generation capacity of 36,934 MW[13] and the transmission capacity of 24,488 MW[14]. Moreover, there were allied network management issues such as network overloading and transmission tripping. At the DISCOs' level, during the Financial Year 2020-21, out of 10,188 (11 KV) distribution feeders 2,098 feeders remained overloaded[15]. Whereas during Financial Year 2019-20 out of 9,220 (11KV) distribution feeders 2,226 feeders remained overloaded, hence, as compared to previous year 2020-21 the percentage of overloaded feeders have decreased from 24% to 20.59% in 2021-22.

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

m) Sustainability Challenges

From the above discourse, it is apparent that outstanding energy receivables as well as power sector debt remained the key high risk areas during FY 2020-2021. The nature of debt in the power sector has diversified causing its impact to be more complex and multifaceted. From simple loans to more recent IPPs' BOOT model arrangements, all represented different manifestations of debt in the power sector each having unique payback dynamics based on sound guarantees. Making new projects, adding energy capacity and enhancing the power infrastructure alone will not alleviate the issues that are being faced in the

[13] Table 6 of NEPRA State of Industry Report 2021, page 102
[14] Para 2.4 NEPRA State of Industry Report 2021, page 21 (31900 MVA x 0.8)
[15] Para 5.7(b) NEPRA State of Industry Report 2021, page 56

sector. If the root causes of circular debt and its offshoots as highlighted above are not addressed, new interventions would become unsustainable. Hence, a strong National Policy of Energy Sustainability is needed in order to ensure that all the initiatives being introduced in the power sector remain financially viable.

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

CHAPTER-1

ISSUES OF THE POWER SECTOR

1. ISSUES OF THE POWER SECTOR

1.1 Piling up of energy receivables

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

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

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

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

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

1.1.1 Non-recovery of receivables from energy defaulters – Rs.316,131.30 million

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

In various DISCOs, an amount of Rs.316,131.30 million was recoverable from running and permanently disconnected (P-Disc.) energy defaulters (Government and private). In this respect, no efforts were made by the management to accelerate the recovery from defaulters. The detail is as under:-

Sr. No.	Name of Formation	Draft Para No.	No of consumers	Amount (Rs. in million)
1.	FESCO	276, 334 & 352/2021-22	3,611	55,218.34
2.	GEPCO	03 & 859/2021-22	2,695	11,445.57
3.	HESCO	12, 13, 15, 26 & 672/2021-22	2,085	4,460.91
4.	IESCO	533/2021-22	-	71,534.00
5.	LESCO	440 & 821/2021-22	-	147,985.71
6.	MEPCO	187, 278, 677, 681, & 736/2021-22	4,393	9,658.36
7.	QESCO	652/2021-22	96,523	2,551.18
8.	SEPCO	242/2021-22	754	1,907.08
9.	TESCO	575 & 852/2021-22	16,098	11,370.15
		Total	**126,159**	**316,131.30**

Non-adherence to WAPDA Commercial Procedure resulted into non-recovery of Rs.316,131.30 million from energy defaulters up to the financial year 2020-21.

Audit is of the view that subject matter was a significant issue and major business sustainability risks for the DISCOs. It is also a major source for accumulation of circular debt in the Power Sector.

The matter was taken up with the management during July to November, 2021 and reported to the Ministry during September to December, 2021. The management replied that in some cases amount had been recovered and efforts were being made to recover the remaining amount.

The DAC in its meetings held on December 30-31, 2021, January 6-7, 13, & 24-25, 2022 directed the management to produce the recovery record to Audit within a week and expedite recovery from remaining consumers by giving priority to top 100 defaulters as per the aging / significance of outstanding dues. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility for inordinate delay in clearance of arrears.

1.1.2 Delayed payment of CPPA-G's energy invoices – Rs.280,941.58 million

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

In SEPCO, the CPPA-G vide its memo dated 26.06.2021 served delayed payment notice to SEPCO amounting to Rs.93,404.00 million due to late / non-payment of CPPA-G Energy Invoices. At present, SEPCO had outstanding liability of Rs.280,941.58 million (2019: Rs.192,224.64, 2020: Rs.241,945.88 million), which were increasing day by day. Audit holds that delayed payment of energy invoices were loss to SEPCO as it entails additional charges in case of default. If payments were made in time, SEPCO could have been saved from these additional charges.

Non-adherence to Power Purchase Agreement resulted into delayed payment of Rs.280,941.58 million to CPPA-G's energy invoices up to the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in December, 2021. The management replied that efforts are being made to make 100% recovery from their consumers and bring the T&D losses down.

The DAC in its meetings held on January 24-25, 2022 directed the management to reconcile energy invoices with CPPA-G for clearance within 60 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility for inordinate delay in reconciliation of energy invoices with CPPA-G.

(Draft Para No. 858/2020-21)

1.1.3 Non-recovery on account of "consumer share" from the subsidized agricultural consumers – Rs.222,837 million

As per Ministry of Water and Power letter No. ECC-5/37/1989-PF dated 2nd July, 2015, the subsidy to the agriculture consumers has been provided. "The consumer will pay fixed bill @ Rs.10,000/- at each month. The remaining amount of bill would be paid by the GOP/GOB at the rate of 40/60% at each month."

In QESCO, an amount Rs.222,837 million was recoverable from 27,450 agricultural consumers on account of "consumer share" subsidized by the GOP and GOB. As per annual progress report of QESCO, for the financial year 2018-19, the consumers paid only Rs.1,287.17 million share against the billed amount of Rs.35,610 million which was 3.61%.

Non-adherence to the rules/regulation of the authority resulted into non recovery of Rs.222,837 million on account of "consumer share" from the agricultural consumers in the financial year 2018-19.

The matter was taken up with the management in October, 2019 and reported to the Ministry in November, 2019. The management replied that recovery was under process and Audit would be intimated accordingly.

The DAC in its meetings held on January 24-25, 2022 directed the management to expedite recovery and get the record verified from Audit within 15 days. No further progress was intimated till the finalization of report.

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

(Draft Para No. 753/2019-20)

1.1.4 Non-removal of electrical equipment and non-recovery of arrears – Rs.151,093.14 million

According to Para-3 of Authority's circular dated April 15, 1998, "disconnections will be effected through removal of meters, transformers, span or any other equipment to ensure that no possibility of loop hole is left for unauthorized use of energy during the period of disconnection. The equipment after having been removed from site was required to be returned to store".

In DISCOs, 469,770 consumers of all categories defaulted to pay energy charges of Rs.151,093.14 million. The equipment removal orders (EROs) were issued but not implemented. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No. of cases	Amount (Rs. in million)
1.	FESCO	355/2021-22	974	374.09
2.	GEPCO	50/2021-22	482	5,579.96
3.	HESCO	14 & 612/2021-22	455,821	79,440.23
4.	LESCO	706, 735 & 790/2021-22	10,234	13,082.56
5.	QESCO	756/2021-22	1,027	43,990.69
6.	SEPCO	254/2021-22	1,033	3,708.59
7.	TESCO	941/2019-20, 880/2019-20, 943/2019-20	199	4,917.02
		TOTAL	**469,770**	**151,093.14**

Non-adherence to Authority's instructions resulted into non-removal of electrical equipment and non-recovery of energy charges amounting to Rs.151, 093.14 million up to the financial year 2020-21.

The matter was taken up with the management during July to September, 2021 and reported to the Ministry during September to December, 2021. The management replied that efforts were being made to implement the EROs. However, further progress would be intimated accordingly. The reply was not accepted as non-implementation of EROs was not justified.

The DAC in its meetings held on December 30-31, 2021 and January 6-7 & 13, 2022 directed the management to provide the recovery record to Audit for verification within a week and expedite the remaining recovery or to implement the EROs. No further progress was reported till finalization of the report.

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

1.1.5 Non-recovery of subsidies from Government – Rs.97,872.38 million

As per Clause-9.6.2 of Commercial Code, each Distribution Company will continue to follow up with concerned ministries authorities for disbursement to CPPA-G against the verified claims of their subsidy claims.

In various DISCOs, an amount of Rs.161,988.38 million was claimed on account of Tariff Differential Subsidy, Agriculture Subsidy, Industrial Subsidy and

Zero Rated Industry Rebate from Federal and Provincial Governments. An amount of Rs.64,116.00 million was received leaving a balance of Rs.97,872.38 million. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs. in million)
1.	PESCO	564/2021-22	63,703.00
2.	SEPCO	486/2021-22	14,607.00
3.	TESCO	572/2021-22	19,562.38
		TOTAL	**97,872.38**

Non-receipt of subsidy increased the receivables of the Company amounting to Rs.97,872.38 million up to the financial year 2020-21.

The matter was taken up with the management in September & October and reported to the Ministry in December, 2021. The management replied that claiming and receipt of subsidies was a regular and continuous process. However, management is pursuing the matter with Ministry of Finance.

The DAC in its meetings held on December 30-31, 2021 and January 13, 2022 directed the management to follow up the matter and get the recovery effected verified from Audit within a month.

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

1.1.6 Non-recovery/adjustment of markup receivables from DISCOs – Rs.25,238.85 million

According to Commercial Code, whenever, any distribution company fails to fully pay any monthly invoices by the CPPA-G, the calculation of the interests or any penalties that may be justified by existing power purchase contracts shall be reflected in the next monthly invoices. CPPA-G shall communicate the failure of any Distribution Company to fully pay any monthly invoice issued by CPPA-G to Authority, the Ministry of Water and Power and the Ministry of Finance in order to assure the enforcement of the Market values and Commercial Code or to assure that other suitable substitute actions may be taken by these institutions.

In CPPA-G, an amount of Rs.25,238.85 million was recoverable from DISCOs on account of mark-up on Syndicated Term Finance facilities. However, neither the said amount was recovered / adjusted nor legal course of action taken.

Non recovery of such a amount also contributed adversely on company`s financial position for payment to IPPs and ultimately piling up of circular debt for which CPPA-G had to obtain loans from PHL.

Non-adherence to condition of commercial code resulted into non-recovery/adjustment of markup on STF from DISCOs Rs.25,238.85 million up to the financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in December, 2021. The management replied that servicing of loans from May 2012 to December 2014 was made from revenue collection till the imposition of surcharge in June, 2015. The shortfall has now been reduced to Rs.25.2 billion (2020: 46.3 billion) as on 30-Jun-2021. It is expected that this gap would be reduced to zero in next few months.

The DAC in its meetings held on January 6-7, 2022 directed the management to furnish revised reply to Audit within a week. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides ensuring the recovery/adjustment of mark-up from DISCOs.

(Draft Para No. 392/2021-22)

1.1.7 Non-recovery of temporary loan from CPPA-G as per recovery plan – Rs.3,420.00 million

According to letter No.19252 dated: 07/02/2020 MEPCO developed a recovery plan for recovery of temporary loan from CPPPA amounting to Rs.5,720/- up to June, 2021.

In MEPCO, the authority transferred an amount of Rs.8,060 million as temporary loan to CPPA-G out of funds of Security Deposits, Capital Receipt, Deposit Works and Pak MDGs/CDL/STG in violation of Companies Ordinance. When the issue was raised by Government Audit for recovery, MEPCO management prepared a recovery plan to recover the balance amount of Rs.5,720.00 million up to June, 2021. However, the record reveals that a amount of Rs.3,420.00 million was still recoverable from CPPA-G up to 10/2021, which shows negligence on the part of MEPCO management and require justification.

Non-adherence to recovery plan resulted into non-recovery of temporary loan from CPPA-G as per recovery plan amounting to Rs.3,420.00 million up to the financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in December, 2021. The management replied that balance amount will be recovered during the current financial year 2021-22 and audit would be informed accordingly.

The DAC in its meetings held on January 24-25, 2022 directed the management to get the stance and record verified from audit. No further progress was intimated till the finalization of report.

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

(Draft Para No. 638/2021-22)

1.1.8 Non-recovery of late payment surcharges – Rs.44.66 million

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

In Operation Circle Sialkot GEPCO, an amount of Rs.44.66 million on account of Late Payment Surcharge (LPS) pertaining to energy connections of MES & TMA Sialkot was lying outstanding since June, 2018. Any effort for recovery of the said amount was not forthcoming from the record made available to Audit.

Non-adherence to the rules resulted into non-recovery of late payment surcharge amounting to Rs.44.66 million up to the financial year 2019-20.

The matter was taken up with the management in July, 2020 and reported to the Ministry in September, 2020. The management replied that recovery from Govt. connections is an ongoing process and Audit would be intimated accordingly.

The DAC in its meetings held on December 30-31, 2021 directed the management to furnish latest status of the recovery and expedite the process of recovery under intimation to Audit. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides ensuring recovery of late payment surcharge from the concerned departments.

(Draft Para No. 92/2020-21)

Concluding Recommendations

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

1.2 Significant line losses in the Power Sector

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

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

The Distribution network or grid comprises of cluster of 11KV feeders. At present there are 9706 feeders[16] spread across the domain of all the DISCOs. Feeders are actually meters through which energy, once received at the grid-station, is distributed along low-tension lines to the consumers. There are two

[16] ***NEPRA, State of Industry report, pg 43***

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

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

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

1.2.1 Loss of revenue due to line losses beyond NEPRA's targets – Rs.170,518.52 million

NEPRA fixed targets of energy losses ranging from 9.34% to 21.33% for the financial year 2020-21 in respect of following DISCOs.

In DISCOs, the percentage of line losses was more than the targets of losses set by the NEPRA. Hence, 10,065.95 million units valuing Rs.170,518.52 million were lost beyond the NEPRA's target. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	NEPRA Target (%)	Actual %age of Loss	Units lost beyond NEPRA target (million)	Amount (Rs. in million)
1.	HESCO	25, 87 & 599/2021-22	19.74	28 to 62	1,923.34	28,831.51
2.	MEPCO	678/2021-22	14.90	20 to 100	160.41	2,576.26

3.	PESCO	467, 803 & 804/2021-22	21.33	38 to 100	5,026.30	90,469.40
4.	QESCO	461/2021-22	17.15	43	1212.38	18,185.64
5.	SEPCO	252 & 253/2021-22	18.11	31 to 97	1,664.45	29,960.04
6.	TESCO	421/2021-22	11.96	13 to 99	79.07	495.67
	TOTAL				**10,065.95**	**170,518.52**

Non-adherence to NEPRA's targets resulted into loss of revenue amounting to Rs. 170,518.52 million on account of line losses during the financial year 2020-21.

The matter was taken up with the management in July to October, 2021 and reported to the Ministry during October to December, 2021. The management replied that due to lengthy distribution system technical losses were on higher side and NEPRA's target was not framed on realistic ground. The reply was not tenable as the efforts were not made to contain the line losses within NEPRA, s target.

The DAC in its meetings held on December 30-31, 2021, January 6-7, 13, & 24-25, 2022 directed the management to carry out analysis of all the feeders including the feeders under observation for last two years to find out the reasons for line losses beyond NEPRA targets. It was further directed that the progressive line losses appearing in the CP-22-A be reconciled with CP-22 B, C, D & E for elucidating true picture within a month.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon the person at fault.

1.2.2 Revenue loss due to non-transmission of electricity caused by tripping – Rs.68.64 million

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

In NTDC, 500 KV transmission line Dadu-Moro and Moro-Rahim Yar Khan was executed under contract ADB-65-R-2012 (Package-I) and energized on November 14, 2018 & May 22, 2019 respectively. The said T/Line was not formally handed over to GSO formation. Two tripping incidents on the said T/Line occurred on May 25 & 26, 2020 and power transmission remained suspended for a period ranging 0.383 hours to 6.233 hours, which caused revenue loss of Rs.68.64 million.

Poor asset management resulted into revenue loss of Rs.68.64 million due to non- transmission of energy up to the financial year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that no loss was sustained by NTDC as power flow passed through other circuits during tripping hours. Audit contended that tripping of transmission line would definitely result in claims of IPPs for project missed volume.

The DAC in its meeting held on January 24-25, 2022 did not agree with the reply and directed the management to provide detailed / revised reply. No further progress was reported till finalization of the report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 926/2021-22)

Concluding Recommendations

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

1.3 Overbilling

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

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

1.3.1 Unjustified charging of Neelum Jhelum Surcharge to the consumers – Rs.5,816.39 million

The ECC of the Cabinet in its decision No.ECC-53/6/2021, dated 19.02.2021 removed Neelum Jhelum Surcharges (NJS) already imposed on electricity consumers @ Rs.0.10 / KWH for development of Neelum Jhelum Project from the date of taking over all units of Neelum Jhelum Projects by WAPDA. The Neelum Jhelum Surcharge collected after 28.12.2018 the date of taking over of the NJP by WPADA may be returned to the eligible consumers/adjusted in their forthcoming electricity bills.

In various DISCOs, the Neelum Jhelum Surcharge amounting to Rs.5,816.39 million was imposed on electricity bills of the consumers from December 18, 2018 to June 30, 2021. Subsequently the same was not adjusted in their forthcoming electricity bills. The violation of ECC decision had caused over billing to the consumers to the tune of Rs.5,816.39 million. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs. in million)
1.	HESCO	35, 84 & 606/2021-22	1,214.62
2.	MEPCO	674/2021-22	1,421.00
3.	PESCO	545/2021-22	1,808.49
4.	QESCO	818/2021-22	792.28
5.	SEPCO	259/2021-22	580.00
		TOTAL	**5,816.39**

Non-adherence to the ECC decision resulted into unjustified charging of Neelum Jhelum Surcharge amounting to Rs.5,816.39 million to the consumers up to the financial year 2020-21.

The matter was taken up with the management in July to September to October, 2021 and reported to the Ministry in September & December, 2021. The PESCO management replied that proper reply would be furnished after receiving the supportive detail from audit.

The DAC in its meeting held in January, 2022 directed the PESCO management to implement ECC decision without further delay.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

1.3.2 Unjustified overbilling to the consumers due to variation in number of days of billing – Rs.347.43 million

As per company's billing programs various dates were permanently assigned for billing of various batches in Sub-divisional offices each and every month.

In FESCO & HESCO, it was noticed that allowed number of billing days in a month by regulator were 30/31 days; however, number of days exceeded on average by six (06) days which resulted in irregular generation of revenue amounting to Rs.347.43 million. Resultantly, burden was shifted to consumers due to change in slabs.

Sr. No.	Name of Company	Draft Para No.	No. of extended days	Amount (Rs. in million)
1.	FESCO	501/2021-22	12	336.45
2.	HESCO	814/2021-22	09	10.98
		TOTAL	**13**	**347.43**

Non-adherence to rules resulted into irregular generation of revenue of Rs.347.43 million up to the financial year 2021-22.

The matter was taken up with the management in September, 2021 and reported to the Ministry in December, 2021. The management replied that the NEPRA decided to allow credit to consumers during billing month December, 2021 as relief.

The DAC in its meetings held on January 13 & 25, 2022 directed the management to conduct departmental inquiry and submit fact finding report within 30 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

1.3.3 Unjustified charging of adjustment on permanently disconnected consumers – Rs.53.99 million

According to Para-1.3 of Commercial Procedures, "Revenue Officer and Assistant Manager are responsible for implementing in conjunction with the

Executive Engineer, the commercial policy laid down from time to time by the Authority, ii) efficient application of billing and collection procedures".

In PESCO, an adjustments amounting to Rs.53.99 million was charged against 534 permanently disconnected consumers. The connections were declared permanently disconnected after implementation of equipment removal orders (EROs) and the security was adjusted against these connections. The charging of amount against the permanent disconnect consumers was irregular.

Non-adherence to the procedure resulted into irregular adjustment of Rs.53.99 million charged against permanently disconnected consumers during the financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in December, 2021. The management replied that proper reply would be furnished after receiving the details from Audit.

The DAC in its meetings held on December 30-31, 2021 directed the management to justify the matter and submit revised reply to audit within a week. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 550/2021-22)

Concluding Recommendations

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

1.4 Unsatisfactory Operational Management by the Distribution Companies

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

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

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

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

1.4.1 Non-implementation of ECC's decision regarding imposition of surcharge for servicing of financing facilities – Rs.240,810 million

The Economic Coordination Committee of Cabinet considered the Summaries submitted by the Power Division regarding syndicated Term Finance Facilities and decided that the servicing of new facility as well as principal amount will be done through imposition of surcharge, however, for the interim period of six months, the mark up- servicing will require GoP support and the same will be treated as equity in the Distribution Companies.

In PHL, Ministry of Energy (Power Division) had raised syndicated Term Finance Facility amounting to Rs.25,000 million, Rs.80,000 million, Rs.50,000 million (1^{st} tranche), Rs.50,000 million (2^{nd} tranche) and Rs.35,806 million (3^{rd} tranche) in order to repay the liabilities of the Distribution Companies and to reduce / settle the circular debt of the power Sector. However, neither ECC's decisions were implemented through imposition of surcharges nor strategy for repayment / servicing of these facilities was chalked out with the concerned stakeholders.

Non-adherence to ECC's decision resulted into accumulation of debt servicing by non-imposition of surcharge against financing facilities of Rs.240,810 million up to the financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in November, 2021. The management replied that the difference is due to the adjustments made by CPPA-G to PHL on the instructions of Ministry of Energy (Power Division) and Finance Division against the PHL facilities on which surcharge has not been imposed.

The DAC in its meetings held on January 6-7, 2022 directed the management to submit the revised reply within 15 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 292/2021-22)

1.4.2 Non-recovery of detection charges / pending units from consumers – Rs.6,105.60 million

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

In various DISCOs, energy meters of domestic, industrial, agricultural & commercial categories were physically checked by the Surveillance teams / metering & testing (M&T) of the company and detection charges of 269.700 million units amounting to Rs.6,105.60 million on account of slowness, tempering in meters and pending units etc. were approved for recovery from the consumers which was not recovered. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Units	Amount (Rs. in million)
1.	FESCO	230 & 239/2021-22	2,881,860	195.21
2.	GEPCO	772/2021-22	-	617.98
3.	HESCO	104/2021-22	41,687	0.83

4.	LESCO	349, 719 & 721/2021-22	241,675,000	4,840.40
5.	MEPCO	192, 193, 629 & 680/2021-22	24,065,410	421.17
6.	PESCO	474 & 568/2021-22	311,336	7.19
7.	SEPCO	217/2021-22	-	15.57
8.	TESCO	627/2021-22	725,120	7.25
		Total	**269,700,413**	**6,105.60**

Non-adherence to Commercial Procedure resulted into non-recovery of detection charges amounting to Rs.6,105.60 million from the consumers up to the financial year 2020-21.

The matter was taken up with the management during August to November, 2021 and reported to the Ministry during September to December, 2021. The management replied that in some cases detection charges had been recovered while efforts were being made to recover the remaining amount from consumers.

The DAC in its meetings held on December 30-31, 2021, January 6-7, 13, & 24-25, 2022 directed the management to produce the recovery record of completed actions within a week and expedite recovery in remaining cases. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility against the officers / officials primarily at fault.

1.4.3 Loss due to shortage / missing of electrical material – Rs.4,995.83 million

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

As per Barqaab, S&I reports and Transformer Reclamation Workshop Report, electrical material and transformer oil valuing Rs.4,995.83 million were found missing / short in various DISCOs & NTDC. Neither any departmental inquiry was conducted nor any action taken against the responsible persons. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs. in million)
1.	GEPCO	10 & 492/2021-22	120.55

2.	LESCO	720 & 723/2021-22	45.78
3.	MEPCO	640/2021-22	12.84
4.	PESCO	554, 559, 669, 660 & 661/2021-22	4,799.72
5.	SEPCO	222/2021-22	6.17
6.	NTDC	458/2021-22	10.77
		TOTAL	**4,995.83**

Non-adherence to Authority's instructions resulted into loss of Rs.4,995.83 million due to missing / shortage of electrical material up to the financial year 2020-21.

The matter was taken up with the management during August to November, 2021 and reported to the Ministry during September to December, 2021. The management replied that inquiry was under process in most of the cases and Audit would be intimated after finalization of inquiries.

The DAC in its meetings held on December 30-31, 2021, January 24-25, 2022 directed the management to finalize departmental inquiry proceedings within a month and provide reports to Audit. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's decision besides making the loss good.

1.4.4 Loss due to theft of electricity – Rs.2,817.97 million

According to Guidelines for Policy and Procedure on Detection Bills circulated vide letter dated October 26, 1999, "whoever found to connect his installation appliances and apparatus for the purpose of supply of energy without its (with the work of license) written consent commits an offence to be prosecuted under Section 39 & 39A of Electricity Act, 1910 which requires FIR to be lodged with police. Further to compensate the loss sustained on account of theft, assessment bills were to be served as per laid down procedures to such illegal and unregistered consumers".

In various DISCOs, an amount of Rs.2,817.97 million was recoverable from 437,841 consumers involved in theft of electricity through illegal direct connections, tempering in meters and bogus installation of meters. Departmental and legal actions were not taken for fixing responsibility and recovery of the energy charges. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No. of Cases	Amount (Rs. in million)
1.	LESCO	822/2021-22	8,297	1,604.84
2.	PESCO	471, 472, 473 & 563/2021-22	909	46.27
3.	QESCO	646/2021-22	2,477	46.92
4.	SEPCO	256/2021-22	426,158	1,119.94
		TOTAL	**437,841**	**2,817.97**

Non-adherence to Authority's instructions resulted into loss of Rs.2,817.97 million due to theft of electricity up to the financial year 2020-21.

Audit was of the view that theft of energy was material business risk issue for all DISCOs and needs strong remedial measures in collaboration with all stakeholders enabling the DISCOs to reduce their losses.

The matter was taken up with the management during September to November, 2021 and reported to the Ministry during November & December, 2021. The management replied that efforts were being made for recovery from the concerned and progress would be intimated accordingly.

The DAC in its meetings held on December 30-31, 2021 and January 24-25, 2020 directed the management to produce the record of completed actions and expedite the pending actions. No further progress was reported till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility against the officers / officials primarily at fault.

1.4.5 Sub-optimal performance of BoD due to inordinate delay in finalization of EOT claims of suppliers / contractors / consultants – Rs.2,398.84 million

As per General Conditions of Contract for EoT, the contractor shall submit to the project manager a notice of a claim for an extension of time for completion, together with particular of the event or circumstances justifying such extension as soon as reasonably practicable after the commencement of such event or circumstances. As soon as reasonably practicable after receipt of such notice and supporting particulars of claim, the employer and the contractor shall agree upon the period of such extension.

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that thirty six (36) Extention of Time (EoT) cases arising due to delayed execution of contractual obligations were lodged by the Suppliers / Contractors & Consultants. Out of 36 in 23 cases, 10% balance payments and LDs amounting to Rs.2,398.84 million (Rs.983.67 million + US$ 8.81 million + Euro 0.13 million) were withheld / deducted. All of the 36 EoT cases could not be decided and were still pending for want of decision by the BoD despite elapse of considerable period ranging from 03 to 12 years and expiry of defect liability period.

The majority of the contracts were financed from foreign loans and the same had been closed. Since, the release of withheld balance payments and LDs was hinged upon decision of EoT cases, therefore, delayed decisions of EOT cases would involve subsequent grave financial and contractual implications for NTDC. This could have been avoided, had the EoT decided in time and payments released within the Loan / Contract validity period.

Inefficient decision making resulted in sub-optimal performance of BoD due to inordinate delay in finalization of EOT claims of contractors / suppliers / consultants amounting to Rs.2,398.84 million up to the financial year 2020-21.

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that Board of Directors of NTDC had not delayed any EoT claims. The BoD had already described the SoPs for the processing of EoT cases and directed the management to prepare a list of all pending EOT claims so that the same could be finalized / processed to resolve this matter.

The DAC in its meeting held on January 19, 2022 did not agree with the reply and directed to hold an inquiry at Ministry level within 90 days.

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

(Draft Para No. 937/2021-22*)

1.4.6 Blockage of funds due to un-necessary procurement of electrical equipment – Rs. 1,029.15 million

According to Para-5 of WAPDA Office Memorandum dated January 17, 1978, purchases should be made only of such items and in such quantities as are required for a specific work. In no case should these purchases be made for storing an item for indefinite period. As per Section 2.13 of Project Manual for

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* *The said DP is also included in Chapter-3 of Thematic Audit*

ADB Loan-2289/2290, NTDC shall ensure that all Goods, Works and consulting services financed out of such proceeds are used exclusively in the carrying out of the Project.

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that electrical material / equipment valuing Rs.1,029.15 million procured under own resources and different foreign loans of ADB / IBRD was lying idle and unistalled in warehouses at the intended projects for a period ranging 01 year to more than 07 years. The said material consisted of items like Circuite Breakers, Current Transformers, Bus Isolators, Line Isolators, Lightening Arrestors, Potential Transformers and different types of Panels. In most of the cases their warranty had expired while the warranty in remaing cases was about to expire.

Ineffective Procurement management resulted in blockage of funds due to un-necessary procurement of electrical equipment valuing Rs.1,029.15 million up to the financial year 2020-21.

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management explained that item wise position of material would be furnished to Audit.

The DAC in its meeting held on January 19, 2022 directed the management to expedite preparation of item wise detail of material along with detailed reply to audit within 15 days.

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

(Draft Para No. 938/2021-22*)

1.4.7 Non-recovery of cost of independent grid stations from consumers – Rs.920.92 million

According to NEPRA instructions, "every consumer having load 5000 KW is required to provide independent grid station of his own including land, building, transformers, circuit barkers and other necessary equipment and apparatus". As per Tariff Determination, "B-4 tariff is applicable for supply for all loads of more than 5,000 KW supply at 66 KV, 132 KV".

* *The said DP is also included in Chapter-3 of Thematic Audit*

In various DISCOs, one (01) bulk supply and six (06) industrial consumers had qualified for provision of independent grid stations owing to extension of load more than 5,000 KW; however, no action was taken for installation of independent grid station. Hence, undue favour of Rs.920.92 million was extended to the consumers by non-recovery of the cost of independent grid stations. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No. of cases	Amount (Rs. in million)
1.	GEPCO	07 & 381/2021-22	5	820.92
2.	MEPCO	690/2021-22	1	60.00
3.	TESCO	423/2021-22	1	40.00
		TOTAL	**7**	**920.92**

Non-adherence to NEPRA's instructions resulted into non-recovery of cost of independent gird stations amounting to Rs.920.92 million from consumers up to the financial year 2020-21.

The matter was taken up with the management during September and October, 2021 and reported to the Ministry during October and November, 2021. The management replied that detailed reply would be submitted after consultation of record.

The DAC in its meeting held in December 30-31, 2021, January 13 & 24-25, 2022 directed to ensure recovery of cost of independent grid station by regularizing the extended load of the consumers and provide the record of completed actions to Audit within a month. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

1.4.8 Loss on account of penalty and default surcharge – Rs.867.51 million

According to Sales Tax Act 1990, **Section 33(5)** any person who fails to deposit the amount of tax due or any part thereof in the time or manner laid down under this Act or rules or orders made there under shall be liable to pay penalty. **Section 34(1)(a),** the person liable to pay any amount of tax or charge or the amount of refund erroneously made, shall pay default surcharge @ 12%, of the amount of tax due or the amount of refund erroneously made.

In CPPA-G, sales tax was less paid for an amount of Rs.3,854.279 million due to excess / illegal claim of input tax from December, 2015 to June, 2016. Thus, default surcharge amounting to Rs.646.45 million and penalty of Rs.221.06 million was imposed and recovered by Federal Board of Revenue (FBR). Resultantly, the company had sustained loss to the stated amount.

Non-adherence to provision of sales tax resulted into loss of Rs.867.51 million on account of penalty and default surcharge up to the financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in December, 2021. The management replied that tax reference was pending before the Division Bench of the Honorable Lahore High Court.

The DAC in its meetings held on January 6-7, 2022 directed the management to furnish revised reply to Audit within in a week. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing of responsibility on the officers / officials primarily at fault.

(Draft Para No. 481/2021-22)

1.4.9 Non-utilization of transmission line redundant due to abandonment of Karkay rental power project – Rs.786 million

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

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that a transmission line valuing Rs.786 million was constructed for evacuating the power from Karkay rental power project, which was later abandoned, rendering the transmission line redundant since long. No plan had been envisaged for either utilizing the transmission line to some other projects or outsourcing / selling the same to K-Electric which was operating in the area. Hence, the investment turned into wastage without reaping any benefits. Moreover, in financial statements the expenditure on the said transmission line still appeared as Capital Work in Progress and no impairment was being charged.

Non-adherence to the rules resulted in non-utilization of transmission line valuing Rs.786 million which became redundant due to abandonment of Karkay rental power project up to the financial year 2020-21.

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that the project could not be capitalized because NTDC possess the Power Dispatch License only for 500kV & 220kV Grid Stations and Transmission Lines for Power Evacuation whereas the subject Transmission Line is of 132kV. However, NTDC approached the authorities of K-Electric to take over the said project.

The DAC in its meeting held on January 19, 2022 directed the management to pursue the matter with K-Electric and submit utilization plan within 90 days.

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

(Draft Para No. 950/2021-22*)

1.4.10 Unjustified detection bills to disconnected consumers – Rs.670.87 million

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

In LESCO, as per statement of Division Wise Debit Adjustments against disconnected consumers, 35.408 million units of detection bills amounting to Rs.670.87 million were charged to various disconnected consumers in order to decrease line losses for window dressing. This state of affairs showed weak internal checks over charging of detection bills to the consumers and failure of authority over monitoring of detection bills.

Non-adherence to Commercial Procedure resulted into unjustified detection bills amounting to Rs.670.87 million charged to disconnected consumers up to the financial year 2020-21.

The matter was taken up with the management in November, 2021 and reported to the Ministry in December, 2021. The management replied that

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* *The said DP is also included in Chapter-3 of Thematic Audit*

whenever a disconnected consumer was found to have connected supply to LESCO system illegally, an FIR was registered with local police station and detection bill was charged to recover the amount. The management stance needs to be substantiated with documentary evidence.

The DAC in its meetings held on December 30-31, 2021 directed the management to submit revised reply to audit within a week. No further progress was intimated till the finalization of report.

Audit recommends that the management to inquire the matter to fix responsibility regarding charging of detection bills to disconnected consumers.

(Draft Para No. 792/2021-22)

1.4.11 Loss on account of compensation payment made to IPP due to late completion of power purchaser interconnection works – Rs.616.87 million

According to Section 6.5(b) of Power Purchase Agreement (PPA) of Patrind Hydropower Project, if the Power Purchaser has not completed, Commissioned and energized the Power Purchaser Interconnection Works then it would pay compensation charges under certain heads to the Company (Star Hydropower Limited (SHPL) and as per Section 9.6, in the event the Complex is not commissioned on or before the Required Commercial Operations Date, then the Company shall pay liquidated damages to the Power Purchaser.

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that a PPA was signed with Independent Power Produer (IPP) Star Hydro Power Limited (SHPL) on March 08, 2012 for 147 MW hydro-electric power generation facility / complex located at Patrind, Muzaffarabad, AJ&K and NTDC, being power purchaser, was required to arrange for interconnection works (transmission system). The complex was required to be completed and commissioned by March 20, 2017 but it achieved its Commercial Operation Date (COD) on November 08, 2017. The SHPL attributed delay to late completion of Power Purchaser Interconnection Works (PPIW) by 224 days and raised the invoices of Rs.2,487 million against NTDC but the same were disputed by NTDC and raised invoice of LD of US$ 2.80 million against SHPL for non-achieving the COD.

Later on, the matter was decided by an Expert, who held NTDC liable for delay of 146 days thereby exposing to a liability of Rs.616.87 million and held

SHPL for delay of 54 days exposing to pay LD of USD 649,250 to NTDC. However, BoD, NTDC resolved to contest the decision of Expert determination before London Court of Internation Arbitration (LCIA) despite observing the weak position of NTDC by a member of BoD and Chief Law Officer (CLO). Hence, NTDC had to bear the loss of Rs.616.87 million by making payment to IPP as determined by the Expert before going for arbitration.

Project mismanagement resulted in loss of Rs.616.87 million on account of compensation payment made to IPP due to late completion of power purchaser interconnection works up to the fianancial year 2020-21.

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that the case was currently pending adjudication before the London Court of International Arbitration (LCIA).

The DAC in its meeting held on January 19, 2022 directed the management to conduct departmental inquiry in this regard within 90 days.

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

(Draft Para No. 936/2021-22*)

1.4.12 Non-recovery of cost of independent feeders from consumers – Rs.560.75 million

As per Authority's instructions dated August 09, 2003, "the connections having load up to 1,000 KW are permissible from a mixed load feeder after recovery of feeder rehabilitation charges".

In MEPCO, twenty five (25) industrial consumers running on mixed load feeders had extended the load illegally above 500 KW; hence, were qualified for provision of electricity through independent feeders by recovering the capital cost and security amount of Rs.560.75 million, which was not done. ***(Annexure-B)***

Non-adherence to Authority's instructions resulted into non-recovery of Rs.560.75 million from consumers on account of cost of independent feeders during the financial year 2020-21.

The matter was taken up with the management during September to October, 2021 and reported to the Ministry during December, 2021**.** The

* *The said DP is also included in Chapter-3 of Thematic Audit*

management replied that notices had been served to the consumers and the cases would be pursued in terms with revised consumers' service manual.

The DAC in its meetings held on January 24-25, 2022 directed the management to get the record verified from audit. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para Nos. 185, 675 & 687/2021-22)

1.4.13 Non-verified claims of rebate granted to industrial consumers – Rs.445.35 million

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

In FESCO, claims of Rs.9,974.88 million on account of special relief package for zero rated industrial consumers were lodged to Ministry of Energy (Power Division) out of which, claims of Rs.9,529.53 million were verified by subsidy cell of Ministry of Energy (Power Division). However, an amount of Rs.445.35 million (4.46%) was not verified by the authority.

Non-adherence to Corporate Goverance Rules resulted into non-verified claims of Rs.445.35 million on account of rebate granted to industrial consumers by company up to financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in November, 2021. The management replied that matter has already been taken up with GoP Subsidy Cell Ministry of Energy.

The DAC in its meetings held on January 13, 2022 directed the management to follow up with Subsidy Cell and expedite the process of verification. No further progress was intimated till the finalization of report.

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

(Draft Para No. 272/2021-22)

1.4.14 Irregular retention of surplus funds by PITC – Rs.403.97 million

According to (vii) minutes of 5th BoD meeting dated 21/12/2012, PITC shall invest all amount held in cash account above 3 month expected expenditures by 4th of December through a transparent mechanism and as per company approved investment policy.

In PITC, an amount of Rs.403.97 million was held by PITC during July, 2020 to June, 2021 despite clear instruction given by Board of Directors to invest all amount held in cash account, which was not done. This state of affair shows complete negligence of the management because the return on investment could have been availed.

Non-adherence to authority's instructions resulted into irregular retention of funds Rs.403.97 million up to financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in November, 2021. The management replied that the retained funds have been invested in Pension Fund as approved by the BoD.

The DAC in its meetings held on January 24-25, 2022 directed the management to get the record verified from Audit within 15 days.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 306/2021-22)

1.4.15 Non-recovery of cost of grid from the University of Punjab – Rs.392.75 million

According to revised SOP for external electrification of housing schemes/colonies/societies as suggested by G.M (Technical Services) PEPCO WAPDA approved by BoD MEPCO in its 212th meeting held on 27.02.2020 and circulated vide Chief Engineer (P&D) LESCO office order No. dated 02.03.2020 "External electrification of housing schemes and recoverable amounts for load above 5 MW at one point supply will be given through their own 132-KV proposed grid station. The grid system shall be constructed by the sponsor/LESCO (at sponsor cost) according to the design approved by LESCO and as per option A(3) the land must not be less than 20 kanals for AIS and 12 kanals for GIS grid station. ii) As per Section-I 2.1.3 Note-1, deposit work shall be undertaken only after getting the full amount of sanctioned estimate deposited with Company, with an undertaking from the depositor to meet any variation.

In PMU LESCO, the LESCO was constructing a new 132-KV GIS Grid Station at the University of Punjab, Lahore at its own cost amounting to Rs.392.75 million by acquiring a piece of land measuring not more than 05 kanal instead of 12 kanal from the University. The load was more than 5 MW and the construction of independent grid station from the resources of LESCO was clear cut violation of the SOP as the University of Punjab is semi autonomous body and the work for construction of independent grid falls under the purview / scope of deposit work. The LESCO has awarded the work of construction of Grid Station to M/s DESCON-Chint Electric Co. Ltd. and an amount of Rs.40.64 million had also been paid to the contractor upto 06/2020. Moreover, on the Suo Moto action of the Honorable Supreme Court of Pakistan published in the Daily Dawn on 09.06.2018, regarding the handing over of 5 kanal land to LESCO, the University of Punjab Lahore vide letter No. D/600/R dated 21.06.2018 had stopped the construction / installation of machinery work till the clarity and reconsideration of lease agreement between LESCO and the University of the Punjab. Resultantly, the expenditure incurred amounting to Rs.40.64 million for the construction of independent grid has been blocked.

Non-adherence to Authority instruction's resulted into non-recovery of cost of grid station amounting to Rs.392.75 million from the sponsor up to the financial year 2019-20.

The matter was taken up with the management in July, 2020 and reported to the Ministry in September, 2020. The management replied that the construction of grid station was necessary to meet the load demand of the area adjacent to the Punjab University. The reply was not tenable as the connected load of the University was more than 5 MW and the grid station was constructed only to facilitate the Quaid-e-Azam Campus, University of the Punjab through LESCO resources.

The DAC in its meetings held on December 30-31, 2021 directed the management to furnish revised reply alongwith actions taken to resolve the issue. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to investigate the matter and recover Rs.392.75 million including Rs.40.64 million from the University of the Punjab.

(Draft Para No. 41/2020-21)

1.4.16 Undue favour to the consumers by non-regularization of unauthorized extended load – Rs.365.23 million

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

In DISCOs, 720 consumers of different categories extended the load of their energy connections illegally without approval of competent authority. The field formations neither disconnected the energy connections nor regularized the un-authorized extended load in violation of the above condition. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No. of cases	Amount (Rs. in million)
1.	FESCO	336, 337 & 353/2021-22	118	33.31
2.	GEPCO	127 & 494/2021-22	119	182.70
3.	HESCO	27 & 99/2021-22	157	51.05
4.	IESCO	541/2021-22	18	2.28
5.	LESCO	350/2021-22	68	9.43
6.	MEPCO	186 & 801/2021-22	183	52.65
7.	SEPCO	105/2021-22	55	25.43
8.	TESCO	625/2021-22	02	8.38
		TOTAL	**720**	**365.23**

Non-adherence to the Abridged Condition of Supply resulted into non-recovery of Rs.365.23 million from consumers on account of additional security deposit, feeder rehabilitation charges and capital cost due to unauthorized extension of load up to the financial year 2020-21.

The matter was taken up with the management during July to October, 2021 and reported to the Ministry during September to December, 2021. The management replied that in some cases, extended load had been reduced / regularized after recovery of dues, while in remaining cases notices had been issued to the consumers.

The DAC in its meetings held on December 30-31, 2021, January 6-7 & 13, 2022 directed the management to devise a built-in system so that the action could be initiated on the occurrence of event instantly. It was further directed to serve notices to the consumers strictly as per SoPs and after regularization of extended load, relevant record be provided to Audit for verification within a month. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

1.4.17 Insufficient cash balance against pending liability of receipt against consumer security – Rs.314.53 million

According to Consumer Service Manual Para 5.4, Special Account For Security Deposit, "MEPCO shall maintain a separate bank account for the security deposits in accordance with the provisions laid down under Section 217 of the Companies Act 2017. MEPCO shall not utilize this amount for any of its purposes. The profit so received from this security deposit account shall be mentioned in the tariff petition for passing on the benefit to the consumers".

In MEPCO, it was observed from consumer security cash book for the period 06/2021 that MEPCO has a balance of Rs.10.631 billion in the bank. However, CP-41 of the same period shows closing balance of the consumer security as Rs.10.95 billion. This indicates that MEPCO had insufficient cash balance of Rs.314.53 million against its pending liability of receipt against consumer security deposits and the amount received against meter security head has been utilized somewhere else, which was not only prohibited by consumer service manual but also NEPRA has time and again restrained MEPCO from unlawful utilization of consumer security deposits.

Non-adherence to authority rules/directions resulted into insufficient cash balance against pending liability of receipt against consumer security amounting to Rs.314.53 million up to the financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in December, 2021. The management replied that as per cash book of consumer security deposit our balance was Rs.12.405 billion as on 30/11/2021 and as per CP-41 the balance was Rs.11.296 billion, now the cash book balance is more than CP-41 balance.

The DAC in its meetings held on January 24-25, 2022 directed the management to get the record verified from Audit within 15 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 691/2021-22)

1.4.18 Non-recovery of electricity dues from consumers after court decisions in favour of DISCOs – Rs.291.27 million

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

In various DISCOs, 650 court cases involving an amount of Rs.291.27 million were decided in favour of the companies. The amount of decided court cases was required to be recovered from the consumers, which was not done. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No. of Cases	Amount (Rs. in million)
1.	FESCO	333/2021-22	118	23.36
2.	GEPCO	33/2021-22	55	4.60
3.	HESCO	740/2021-22	112	13.03
4.	IESCO	658/2021-22	362	23.04
5.	QESCO	648/2021-22	03	227.24
		TOTAL	**650**	**291.27**

Non-adherence to Commercial Procedure resulted into non-recovery of electricity dues of Rs.291.27 million from consumers up to the financial year 2020-21.

The matter was taken up with the management during July to September, 2021 and reported to the Ministry during September to December, 2021. The management replied that efforts were being made to recover the amount and progress would be informed accordingly.

The DAC in its meetings held on December 30-31, 2021, January 6-7, 13 & 24-25, 2022 directed the management to produce the record of completed actions to Audit within a week and expedite completion of pending actions. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

1.4.19 Non-recovery due to irregular charging of units under defective meter code to consumers – Rs.263.28 million

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

In Operation Circle Laar HESCO, data analysis of MIS statements of defaulters through Audit Command Language (ACL) showed that EROs issued to 1,750 consumers were being charged under 'defective code'. Instead of implementing EROs, the electricity was being supplied to consumers by charging under defective meter code by concealing the facts. The scenario resulted in increased receivables against defaulted consumers to the tune of Rs.263.28 million due to irregular charging of units under defective meter code.

Non-adherence to the Commercial Procedure resulted into non-recovery due to irregular charging of units amounting to Rs.263.28 million under defective meter code to consumers included in the list of EROs during the financial year 2019-20.

The matter was taken up with the management in October, 2020 and reported to the Ministry in December, 2020. The management replied that para had already been taken in pending EROs. The reply was not agreed to as only those consumers were highlighted in this observation to whom the EROs were issued due to default in making payment and also found in the list of consumers against whom replacement of meters were pending. Hence, a consumer simultaneously cannot fall in both categories i.e. EROs and defective meters.

The DAC in its meetings held on January 24-25, 2022 directed the management to share details of actions taken and get the record verified from Audit within 15 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to inquire the matter for fixing responsibility of concealment of facts due to irregular charging under defective meter code to the consumers included in the list of EROs.

(Draft Para No. 866/2020-21)

1.4.20 Non-accountal / non-consumption of electrical material – Rs.255.34 million

According to Para-4.5 (Section-8) of Distribution Stores Manual," the Line Superintendent will use the materials on the job for which he drew and will record the consumption in his Electrical Measurement Book (EMB) / Material at

Site Register (MSR) showing any materials left after the work has been completed".

In various DISCOs, electrical material valuing Rs.255.34 million was drawn by field staff from stores for installation at different sites but the accountal / consumption of material was not forthcoming from the record. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs. in million)
1.	GEPCO	17/2021-22	21.58
2.	LESCO	732 & 733/2021-22	232.58
3.	MEPCO	54/2021-22	1.18
		Total	**255.34**

Non-adherence to Distribution Stores Manual resulted into non-accountal / non-consumption of electrical material valuing Rs.255.34 million up to the financial year 2020-21.

The matter was taken up with the management during September, 2021 and reported to Ministry during September and December, 2021. The management replied that the record was ready for verification. No record was produced up till now.

The DAC in its meetings held on December 30-31, 2021 directed the management to take disciplinary actions against the persons at fault and produce the record to Audit within a week.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility for non-accountal/non-consumption of electrical material.

1.4.21 Non-receipt of surplus amount deposited in the treasury for acquisition of land – Rs.216.51 million

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

In EHV-I, NTDC, Lahore, an amount of Rs.702.56 million was deposited in District Treasuries Khusab and Sheikhupura for acquisition of land in 2019 through Land Acquisition Collector. However, the award of cost of land amounting to Rs.486.05 million was issued by the Land Acquisition Collector. Hence, the excess amount deposited in the District Treasuries amounting to Rs.216.513 was required to be recovered from the treasuries, but the same was not done upto August, 2021.

Non-adherence to Corporate Governance Rules resulted into non-receipt of surplus amount deposited in the treasury for acquisition of land amounting to Rs.216.51 million upto the financial year 2020-21.

The matter was taken up with the management in August, 2021 and reported to the Ministry in December, 2021. Management replied that the acquisition proceedings for land for 220 KV Grid Station Jaurahabad was under process due to security reasons. Moreover, acquisition proceedings for 550 KV Grid Station North Lahore could not be completed due to non receipt of Qabzul Wasool from the District Revenue Department Sheikhupura. Surplus amount has been returned to acquiring agency.

The DAC in its meetings held on January 24-25, 2022 directed the management to inquire the matter at the management level and get the record verified from audit within 15 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 700/2021-22)

1.4.22 Non-forfeiture of bid securities of the bidders involved in corrupt and fraudulent practices / misrepresentation – Rs.142.72 million

As per Clause IB 19.6. The Bid Securities of the bidder (s) found involved in corrupt and fraudulent practices shall be forfeited.

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that two (02) bidders participated in bidding process with fake / bogus performance certificate / mis-representation of facts, which resulted their non-responsiveness. Hence, their bid securities amounting to Rs.142.72 million was required to be forfeited along with taking other punitive actions in the light of bidding documents but the same was not done. The detail is as under:-

Sr. No.	Tender No.	Nature	Bidder	Value of bid security	Irregularity
1	NPP-04-M(R)-2020	Supply of complete hardware strings including pre-RTV coated disc insulators for 500KV double circuit quad bundle transmission lines for evacuation of power from K-2/K-3 Nuclear Power Plants	M/s SiChuanYiBin Global Group Co	Rs. 50.16 million eqv to US$ 300,000/- @ 1US$=Rs.167.20	The bidder was declared “Non-Responsive” due to submission of fake / bogus performance certificate.
2	ADB-201-2018	Procurement of plant, design, supply, installation testing and commissioning of 220KV/ transmission lines (Lot-IV)	M/s Netracon-SEPCC/CWTWC (JV)	Rs. 92.56 million eqv to US$ 800,000/- @ 1US$=Rs.115.70	Misrepresentation of facts which was considered as fraudulent practice under clause ITB 3.1 section-1 of bidding documents.

Non-adherence to the provision of bidding documents resulted in non-forfeiture of bid securities of Rs.142.72 million of the bidders involved in corrupt and fraudulent practices / misrepresentation up to the financial year 2020-21.

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that bid security of Tender NPP-04M(R)-2020 expired before establishment of allegations whereas there was no provision of forfeiture of Bid Security due to misrepresentation / fraudulent practice in the Bidding Documents for ADB-201-2018.

Audit contended that the process for ascertaining the end user certificates should have been concluded before expiry of bid security of M/s SiChuanYiBin Global Group Co in order to invoking the relevant clause of bidding document. As regards Tender ADB-201-2018, in bid evaluation report the bidder was required to be held responsible for misrepresentation of facts which was to be considered as fraudulent practice under Clause-ITB-3.1 Section-1 of bidding documents but the same was not done. Moreover, non-inclusion of clause for forfeiture of bid security due to fraudulent practice of bidder in bidding documents was reflective of non-standardized bidding documents as the same was incorporated in the Tender NPP-04M(R)-2020.

The DAC in its meeting held on January 19, 2022 directed the management to investigate the matter and submit inquiry report to Audit within 90 days.

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

(Draft Para Nos. 954 & 958/2021-22)*

1.4.23 Loss due to non-recovery of pending electricity dues against temporary connections – Rs.94.57 million

According to special condition of supply under Tariff-E of NEPRA schedule of electricity tariff, "the supply shall not be given by the Company without obtaining security equal to the anticipated supply and other miscellaneous charges for the period of temporary supply".

In various DISCOs, electricity dues of Rs.94.57 million were pending against the 1747 No. temporary connections. In contravention of special condition, the companies did not obtain security equal to the anticipated supply charges and resultantly had nothing to adjust against the outstanding dues. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No. of Consumers	Amount (Rs. in million)
1.	GEPCO	23/2021-22	36	2.54
2.	HESCO	101, 605 & 607/2021-22	883	24.75
3.	LESCO	314/2020-21	54	34.05
4.	MEPCO	188 & 683/2021-22	257	5.84
5.	PESCO	475 & 654/2021-22	517	27.39
		TOTAL	**1747**	**94.57**

Non-adherence to tariff condition resulted into loss of Rs.94.57 million due to non-recovery of electricity dues from temporary consumers up to the financial year 2020-21.

The above cases were identified on sample test check basis and more cases in DISCOs could not be ruled out. Audit was of the view that pending dues for temporary connections indicated weak internal checks as sufficient security deposit should have been obtained against electricity being supplied to temporary consumers supply.

The matter was taken up with the management in September to November, 2021 and reported to the Ministry in September to December, 2021.

* *The said DP is also included in Chapter-3 of Thematic Audit*

The management replied that proper reply would be submitted after consultation the record. No further progress was intimated.

The DAC in its meetings held on December 30-31, 2021 and January 24-25, 2022 directed the management to produce record of completed actions within a week and expedite completion of pending actions. No further progress was reported till finalization of the report.

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

1.4.24 Loss due to undue benefit extended to industrial consumers to avoid from late payment surcharge – Rs.131.00 million

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

In FESCO, 122 industrial consumers habitually got undue favor by extending due date of payment from company almost every month to avoid late payment surcharge amounting to Rs.131.00 million.

Non-adherence to authority's guideline resulted into loss due to undue benefit extended to industrial consumers to avoid from late payment surcharge Rs.131.00 million up to the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in November, 2021. The management replied that frequent extension of due date in a particular case could not be declared as loss. Extension in due date is a facility which was being provided to customers. There are no such instructions ever issued by the competent authority to refuse frequent due-date extension.

The DAC in its meetings held on January 13, 2022 directed the management to discourage habitual consumers and take necessary actions to recover the payment on due date under intimation to audit. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing of responsibility upon the officers/officials at fault.

(Draft Para No. 235/2021-22)

1.4.25 Extra financial cost on account of compensation claim by the contractor due to delay in site possession – Rs.130.78 million

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

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that a contract agreement No.ADB-72R-2016 (Lot-I) for civil works, erection, testing and commissioning at 220KV Lalian substation was signed with M/s Transmark Pvt Ltd on October 31, 2016 at price of Rs.360.77 million with completion period of 300 days up to September 12, 2017. The project was sponsored through foreign funding which lapsed in 2019. However, the proposed site for Lalian substation was finalized in February, 2021 with lapse of almost five years. Resultantly, the contractor raised a compensation claim of Rs.130.78 million due to delay in site possession.

Poor project management resulted in extra financial cost of Rs.130.78 million on account of compensation claim by the contractor due to delay in site possession up to the financial year 2020-21.

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that the project was delayed due to delay in land acquisition. However, presently land had been acquired and project would be completed soon. Audit contended that the project had already been delayed as it was intended to be completed in June, 2013 according to PC-I.

The DAC in its meeting held on January 19, 2022 directed the management to ensure timely completion of the project.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility for inordinate delay in completion of the project causing extra financial burden.

(Draft Para No. 953/2021-22*)

* *The said DP is also included in Chapter-3 of Thematic Audit*

1.4.26 Excess overhead costs charged than actual overheads of standard amount – Rs.97.20 million

As per General Manager Operation's instructions issued vide office letter No.14115-25 dated 24.09.2003, installation charges at the rate of 8% on cost of material will be applied while preparing the estimates by field formations.

In Construction Circle GEPCO, an amount of Rs.97.20 million was excessively booked to 105 completed works over and above the limit standard of 8% overheads. The J. Vs for capitalization of these works were also passed on to F.D office for capitalization thereof. The excessive booking of overheads was irregular and needs to be probed into for fixing of the responsibility as it could distort the asset accounts of the company to the tune of stated overheads excessively booked.

Non-adherence to Authority's instructions resulted into excessive charging of overheads to works amounting to Rs.97.20 million up to the financial year 2020-21.

The matter was taken up with the management in July, 2021 and reported to the Ministry in September, 2021. The management replied that excess overhead expenditure was mainly due to adjustment of employee's retirement benefits. The management further replied that it is the duplication of DP-65/2011 and the case was referred to Ministry of Law & Justice for clarification. In the light of clarifications, the BoD is empowered to deal with financial matters subject to any conditions enunciated in Companies Act-2017 and rules, regulations or instructions issued there under along-with any obligation under Article of Association of GEPCO.

The DAC in its meetings held on December 30-31, 2021 directed the management to get the record verified from the Audit. No Further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 67/2021-22)

1.4.27 Non-replacement of muted and non-installation of AMR meter – Rs.88.29 million

On the dispute of overbilling against Sindh Government and SEPCO, the ECC of the Cabinet fully and finally settled the old billing disputes upto July, 2016 vide Para 7(i) of the summary and it was agreed that: i) An automatic meter reading system (AMR/AMI) would be installed on all connections owned by GoS by 31.12.2016, 50% of the cost of which would be borne by GoS. The Energy Department of GoS will also prescribe a maximum limit of consumption for each connection/ meter to the DISCO, intimate to the respective DISCO when such limit is crossed and ask for disconnection of supplies of such consumer, ii). Any delay in identifying such connection shall be the responsibility of GoS which shall continue to pay the electricity charges as reflected on the bulk meter till installation of individual meter, iii) The remaining billing i.e august 2016 till installation of AMR / AMI meter shall be paid by GoS on the basis of average agreed billing for the 67 month i.e 555.82 million per month for SEPCO and these amounts will be cleared within 60 days from the date of issuance of particular bill.

In Operation Circle Dadu SEPCO, 1,111 AMR meters installed on Government connections were muted and non-communicating the data of billing and GoS denied to make the payment of electricity dues against the said connections as per agreement. Consequently, an expenditure of Rs.49.99 million (45,000 x 1,111) incurred on the said meters was wasted. On the other hand, the same could still not be replaced. Moreover, 851 connections with sanctioned load of 10,409.3 KW were running without AMR meters. As per agreement, the installation of AMR meters valuing Rs.38.30 million (851 * 45,000) were required to be made, which were not installed.

Operational mismanagement resulted into non-replacement of muted and non-installation of AMR meters valuing Rs.88.29 million on Government connections up to the financial year 2020-21.

The matter was taken up with the management in August, 2021 and reported to the Ministry in October, 2021. The management replied that a committee had been framed for vigilance of these meters and report of the committee would be submitted to audit for ready reference. No further progress was intimated till the finalization of report.

The DAC in its meetings held on January 24-25, 2022 directed the management to submit revised reply within 15 days showing the reasons of non-installation of 851 No. AMR meters on site alongwith verification of in hand stock. Moreover, an inquiry should be conducted and its findings be submitted within 30 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon the person at fault.

(Draft Para Nos. 156 & 157/2021-22)

1.4.28 Inadmissible inclusion of survey charges in cost estimates of SDGs schemes – Rs.73.22 million

According to Para-4(iii) d, 4(vii) of guidelines of the Cabinet Division Islamabad issued vide notification dated Feb 27, 2019 for implementation of Prime Minister's Global Sustainable Development Goals (SDGS) Achievement Programme, "there shall be no cushion available to meet any extra cost on any account and no administrative overheads shall be charged by any agency for execution of SDGs schemes''.

In Construction Circle FESCO, an amount of Rs.73.22 million on account of Survey Charges was included in the cost estimates of 184 capitalized SDGs schemes. The inclusion of survey charges in SDGs schemes was not admissible as the same was against the guidelines of the Cabinet Division.

Non-adherence of Cabinet Division guidelines resulted into inadmissible inclusion of survey charges in SDGs schemes amounting to Rs.73.22 million up to the financial year 2020-21.

The matter was taken up with the management in July, 2021 and reported to the Ministry in December, 2021. The management replied that approval for inclusion of survey charges to cope with expenses occurred on the works was conveyed by GM (Technical) FESCO Faisalabad dated 23.04.2012. However, detailed reply will be furnished after provision of detail of works.

The DAC in its meetings held on January 13, 2022 directed the management to conduct an Inquiry at PPMC level and submit its report to audit within 30 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 592/2021-22)

1.4.29 Irregular approval and execution of LT proposal works – Rs.65.71 million

As per para 2.2.9 of Feeder Rehabilitation Guidelines "Addition of New LT Lines Conversion of existing overloaded, extended, and deteriorated LT cables into single phase and three phase LT lines can also result in substantial reduction of losses and improvement of system reliability. New LT lines may be required even in the case of bifurcation of existing LT circuits through installing new transformers. In many residential areas, particularly in villages, vast networks of LT cables and service cable chains (service to service connections) should be rehabilitated."

In PESCO, after scrutiny of statement of approved LT Proposals, it was noticed that eighty five (85) LT proposals costing Rs.65.71 million were approved and executed. These LT lines were extended beyond three (3) to seventeen (17) LT poles. The LT rehabilitation proposals were not meant for new electrification. Such extension of LT lines seems to provide the supply to the un-electrified area and further lead to use of unlawful means for pilferage of electricity through use of direct hooks on LT distribution lines. The LT proposals executed in violation to prevailing guidelines and used as mean for new electrification cannot be termed as justified.

Non-adherence to the Authority instructions resulted into irregular and unjustified execution of LT proposals amounting to Rs.65.71 million during the financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in December, 2021. The management replied that proper reply would be furnished after receiving the supporting details from Audit.

The DAC in its meetings held on December 30-31, 2021 directed the management to justify the matter and submit revised reply to audit within a week. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 659/2021-22)

1.4.30 Loss due to provision of unauthentic free electricity to employees – Rs.53.06 million

According to Clause-4.7 of WAPDA Commercial Procedure, free electricity supply information with RO/CSO and computer centre will be revalidated every year in July by obtaining fresh applications. As per note to Clause-4.8, it would be the responsibility of the concerned Drawings & Disbursing Officer to ensure that the facility of free electricity is availed by the bona fide WAPDA employee.

In various DISCOs, free electricity amounting to Rs.53.06 million was supplied to the employees of different formations / DISCOs and 143 debit advices were issued accordingly. However, the said debit advices were not accepted by the concerned formations / DISCOs and reversed with the remarks that they were not their employees. No action to stop the free electricity was taken nor was fate of the loss of Rs.53.06 million was forthcoming from the record. The detail is as under:

Sr. No.	Name of Company	Draft Para No.	No. of Debit Advices	Amount (Rs. in million)
1.	HESCO	603/2021-22	09	4.32
2.	LESCO	786/2021-22	54	2.85
3.	PESCO	567/2021-22	80	45.89
		TOTAL	**143**	**53.06**

Non-adherence to Authority's instructions resulted into loss of Rs.53.06 million due to supply of free electricity to bogus employees during the financial year 2020-21.

The matter was taken up with the management in September & October, 2021 and reported to Ministry during December, 2021. The management replied that if any associated company rejected the claims with the remarks that said employee did not belong to that Company, then the supply of particular employee got cancelled and he had asked to get fresh supply form signed and endorsed from the Company. The reply was not tenable as no effort was made to get bogus employees deleted from the list of bona fide employees maintained in other DISCOs and the delinquents responsible for certifying such bogus employees to other DISCOs was not exposed which resulted in loss to GoP.

The DAC in its meeting held on December 30-31, 2021 and January 24-25, 2022 directed the management to follow up the matter and get verification of recovery within a month. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

1.4.31 Irregular posting of government receipts in the general public bills – Rs.48.79 million

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

In HESCO, government payments of Rs.48.79 million against electricity connections were made to clear electricity dues but the same were credited / posted against general public consumers in many Revenue Offices. In this situation, it was apprehended that these consumers were given extra ordinary favor at the cost of the payment made by the Government departments.

Non-adherence to the Company rule resulted into irregular posting of government receipts in the general public bills amounting to Rs.48.79 million during the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in December, 2021. The management replied that an inquiry committee had been constituted vide office order No. 868-73 dated 01.02.2021 under the Chairmanship of Manager (S&I) HESCO. The inquiry had not yet completed its proceedings. However, they assured that upon completion of inquiry, its report and implementation progress would be submitted to Audit.

The DAC in its meetings held on January 24-25, 2022 directed the management to expedite the matter and the record should be presented to Audit for verification. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 602/2021-22)

1.4.32 Undue favour to industrial consumers due to misuse of industrial relief package – Rs.31.38 million

According to Ministry of Energy Notification No. PI-4 (18)/2015-16 (ISP) dated 04 December, 2020, i) In case of "Minimum charges" no relief will be allowed on incremental consumption. ii) New connection, disconnection, reconnection consumers and consumers having no corresponding consumption, will be accommodated through slab wise consumption structure as provided in notification.

In GEPCO, a relief of Rs.31.38 million was given to industrial consumers running under B-3 tariff. The said consumers were not eligible to enjoy the relief package due to having minimum charges and non-charging slab wise consumption as specified under relief package. Hence, relief of Rs.31.38 million extended towards the said consumers was irregular and required to be recovered from them.

Non-adherence to Industrial relief package resulted into undue favor to Industrial consumers amounting to Rs.31.38 million during the financial year 2020-21.

The matter was taken up with the management during September 2021 and reported to the Ministry in December, 2021. The management replied that industrial relief package was granted to consumers in the light of NEPRA decisions and billing software developed by PITC.

The DAC in its meetings held on December 30-31, 2021 directed the management to get the record verified from Audit. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 498/2021-22)

1.4.33 Unjustified revalidation of expired released orders – Rs.25.01 million

According to Note-1 of the Released Orders "validity of the release order is (30 days) from the date of issuance after which it shall stand cancelled.

In SEPCO, as per statement of revalidation of expired released orders, twenty four (24) expired release orders amounting to Rs.25.01 million were revalidated after a period of 01 year to 03 years. The authority issued revalidation orders against these expired release orders without any justification and confirmation from respective stores as to whether the material was issued or not. Further, the utilization of the same material was not forthcoming from the record.

Non-adherence to Authority's instruction resulted into unjustified revalidation of expired released orders amounting to Rs.25.01 million up to the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in November, 2021. The management replied that revalidation of release order was due to non-availability of store items at the time of issuance and required that decision to complete remaining work.

The DAC in its meetings held on January 24-25, 2022 directed the management to conduct an inquiry under intimation to Audit. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 216/2020-21)

1.4.34 Non-recovery of risk & cost from defaulted firm – Rs.23.03 million

According to clause-26 (A) I, failure and termination of bidding documents, "if you (manufacturer / supplier) fail to deliver the stores or any consignment thereof within specified delivery period, the purchaser shall be entitled at his option either;- i) to cancel procurement at your risk and cost in the event of action taken under clause (ii) or (iii) above, you shall be liable for any loss which the purchaser may suffer on the account, but you shall not be entitled to any gain on repurchase made against the supply order".

In MEPCO, a Purchase Order amounting to Rs.312.81 million @ Rs.167,100/- per Transformer (without GST) was placed with M/s Validus Engineering Pvt. Limited Lahore for the procurement of 1600 transformers of 50 KVA on 01.11.2019 with delivery period of 120 days. The supplier could not supply the quantity of material upto March, 2020. However, MEPCO management was required to forfeit the performance bond / guarantee valuing Rs.15.64 million as the firm failed to supply the material. Subsequently, Purchase Order amounting to Rs.257.63 million for the procurement of 1200 transformers of 50 KVA @ Rs.183,500/- per T/F was placed with M/s. J.F. Industries Pvt. Ltd. Lahore on 16.12.2019. This revealed difference of Rs.16,400/- per transformer (without GST) as the previous procurement of 1600 transformer of 50 KVA was made @ Rs.167,100/- per transformer. This state of affair reflected loss of Rs.23.03 million (Rs.16,400 x 1200 T/F 50 KVA + 17% GST) as the said firm had breached the tender conditions and caused considerable financial loss to the MEPCO in terms of increased rates as well as hampering operational activities. Hence, risk and cost amounting to Rs.23.03 million was also required to be recovered besides black listing the said firm by invoking the tender condition clauses 04, 26 & 28 which was not done by the management.

Non-adherence to bidding conditions and PPRA Rules resulted into non-recovery of risk and cost amounting to Rs.23.03 million from defaulted firm. By that, MEPOC sustained that loss owing to breach of tender conditions during the financial year 2019-20.

The matter was taken up with the management in September, 2020 and reported to the Ministry in November, 2020. The management replied that action against the delinquent firm was under process as per procedure in vogue.

The DAC in its meetings held on January 24-25, 2022 directed the management to furnish details of actions taken to Audit for verification. No further progress was reported till finalization of the report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 384/2020-21)

1.4.35 Non-reconciliation of data between Bank & MIS – Rs.20.13 million

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

In Operation Circle Dadu SEPCO, there was a difference of Rs.20.13 million as per bank collection data and that of MIS collection data. The difference shows that bogus payments of consumer bills were shown whereas as per MIS data there was no payment. The matter of bogus payments of consumer bills is a issue and requires immediate attention of high ups for probing the facts through inquiry which caused loss to the Company.

Non-adherence to Commercial Procedure resulted into difference in bank collection data and MIS collection data amounting to Rs.20.13 million up to the financial year 2020-21.

The matter was taken up with the management in August, 2021 and reported to the Ministry in October, 2021. The management replied that difference was due to date of collection and remittance between Bank and MIS. The same would be rectified through reconciliation.

The DAC in its meetings held on January 24-25, 2022 directed the management to reconcile the matter internally by taking onboard concerned RO

& BAO Banking and this report should be submitted to audit within 30 days. No further progress was reported till finalization of the report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 106/2021-22)

1.4.36 Unjustified Covid-19 relief to defaulters and disconnected consumers – Rs.18.20 million

According to point 6 of PITC operational instruction, disconnected consumers and consumers having connection date greater than 29th of February 2020 will not be considered for relief.

In LESCO, based on data analysis of MIS Reports on Audit Command Language (ACL) relating to Covid-19 relief given consumers, it was found that Rs.18.201 million was given to 4,800 Permanently Disconnected Consumers (P-Disc) in violation of Standard Operating Procedures issued by Pakistan Information Technology Company. Covid-19 relief given to PDISC was unjustified and showed that internal controls mechanism in field formation was not robust enough to identify weaknesses in the system.

Non-adherence to SOPs issued by PITC in the light of instructions given by Ministry of Energy (Power Division) resulted into unjustified relief given to defaulters amounting to Rs.18.20 million.

The matter was taken up with the management in November, 2021 and reported to the Ministry in December, 2021. The management replied that during pandemic of Covid-19, Federal Government announced relief for small and medium size enterprise w.e.f May-2020 to Oct-2020. The relief was granted on the basis of software prepared by PITC which was applicable to all DISCOs, including LESCO. No human intervention was involved while affording the said relief.

The DAC in its meetings held on December 30-31, 2021 directed the management to submit revised reply with complete documentary evidence to audit within a week. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides conducting an inquiry in order to fix responsibility.

(Draft Para No. 820/2021-22)

1.4.37 Non-recovery of outstanding dues from independent idle feeder – Rs.14.59 million

According to Clause 7(2a) of NEPRA Notification issued on January 20, 2009, "upon removal or replacement of dedicated distribution system or any part thereof on account of permanent disconnection, the DISCO shall retain the dedicated distribution system or any part thereof as the case may be upon payment in lump sum after adjustment of any arrear/pending bills in case of permanent disconnection within two months of date of disconnection".

In Operation Circle Dadu SEPCO, an amount of Rs.14.59 million was outstanding against M/s Sadhoja Textile Mill Ltd having reference No.24-38341-0000140 (B-3) since bifurcation of HESCO and SEPCO. Furthermore, the said consumer was disconnected in 10/2007 by removing the cable only but the independent feeder bearing length of 1.8 K.M. was not removed uptill now.

Non-adherence to NEPRA Instruction's resulted into non-recovery of outstanding dues from independent idle feeder amounting to Rs.14.59 million up to the financial year 2020-21.

The matter was taken up with the management in August, 2021 and reported to the Ministry in October, 2021. The management replied that the lower formation is being directed to arrange with M/s Sadhoja Textile Mill for RCO or dismantling of material of feeders and recovery of outstanding dues.

The DAC in its meetings held on January 24-25, 2022 directed the management to conduct inquiry at its own level for fixing responsibility and to submit its report within 30 days. No further progress was reported till finalization of the report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 160/2021-22)

1.4.38 Loss due to violation of Safety SOPs that led to fatal accident – Rs.13.92 million

As per Authority letter No. GM (HR)/M (HESCO) Cell/PEPCO/1141-57 dated 30-03-2021 "Considering the above alarming situation; it has decided that the amount of ex-gratia should be recovered from the employees (officers / officials) who are held responsible for the fatal / non fatal accident of line staff and failed to implement the PEPCO Safety SOPs / Guideline / Instructions".

In HESCO, Deputy Manager (Safety) pointed out 57 safety violations in its survey report during the period 2020-21 and same was forwarded to the quarter concerned for implementation but it was not done. The ex-gratia amount of Rs.13.92 million paid by the company should have been recovered from the employees (officers / officials) primarily responsible for the fatal / non-fatal accident of line staff. However, no efforts were made by the HESCO management to accelerate the recovery from the concerned officers/officials.

Non-adherence PEPCO safety SOP resulted into loss of Rs.13.92 million that led to fatal accident during the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in December, 2021. The management replied that the fatal accidents of employees were investigated by the standing committee of HESCO and ex-gratia was paid on the recommendations of the said committee.

The DAC in its meetings held on January 24-25, 2022 apprised the management that it did not agree with its reply and direction was given to initiate an inquiry at PPMC level. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 670/2021-22)

1.4.39 Illegal/irregular electrification of private housing society – Rs.13.74 million

According to clause 2.7.2 of Consumer Service Manual approved on 13th January, 2021, (a) the material should be procured from PESCO's approved vender and the same shall be as per the standard/specification of PESCO, (b) the sponsor/applicant will not purchase/use any material bearing any distribution company's monogram/color scheme/identification, (c) in case distribution company's material is found installed, PESCO shall reserve the right to lodge FIR against the sponsor/applicant.

In PESCO, an estimate of Rs.13.74 million for external electrification of a private housing society namely M/s Durrani Media Colony was approved on September 21, 2018 as per Chief Engineer letter No. CE(P&E)/7355-62 dated September 11, 2019 but the sponsor of society did not deposit the amount and started work at site without intimation to PESCO. As per inquiry report of Addl.

D.G. (Confd.), PESCO vide No. 6455-59/Enq-11557 dated September 14, 2020, the work was completed by utilizing local material having tempered stamps of PESCO & TESCO. The inquiry committee recommended not to energize the colony till the recovery of outstanding dues and to ensure installation of the material as standard design / specification in addition to take disciplinary action against the responsible persons. However, documentary evidence regarding recovery of electrification charges of Rs.13.74 million and implementation of inquiry committee's recommendations was not forthcoming from the record.

Non-adherence to instructions resulted into illegal/irregular electrification of private housing society during the financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in December, 2021. The management replied that proper reply would be furnished after receiving the supporting details from Audit.

The DAC in its meetings held on December 30-31, 2021 directed the management to justify matter and to submit revised reply to audit within a week. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 552/2021-22)

1.4.40 Non-electrification of tube-wells schemes – Rs.13.00 million

As per paras 4.1.3 to 4.1.6 of Distribution Rehabilitation Guidelines September, 2003, "total time for approval of work, execution and preparation of completion report will be restricted to 130 days."

In Construction Circle QESCO, an amount of Rs.13.00 million deposited by Project Director Quetta Water Supply & Environmental Improvement Project (QWSEIP) for construction of dedicated feeder for electrification of eight (08) tube well during 2007. As per Executive Engineer RED-I QESCO Quetta letter No. XEN/RED-I/QESCO/DB/Pingo/77-81 dated July 05, 2021, the work was started and installed 194 HT PCC Pole at tail end of the feeder and remaining poles and allied material was also shifted to site by the contractor for installation but work has been withheld due to dispute since 2007. However, no efforts were made by the management to resolve the dispute so that works could be completed.

Non-adherence to the Distribution Rehabilitation Guidelines resulted into non-completion of electrification of tube-wells schemes amounting to Rs.13.00 million up to the financial year 2020-21.

The matter was taken up with the management in August, 2021 and reported to the Ministry in December, 2021. The management replied that dedicated feeder was to be constructed to energize 8 x tube well connections under Supply & Environmental Improvement Project (QWSEIP). Later on the work was cancelled and the material drawn for this purpose was returned to Store.

The DAC in its meetings held on January 24-25, 2022 directed the management to get the stance verified from audit within 15 days. No further progress was reported till finalization of the report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 643/2021-22)

1.4.41 Wasteful expenditure incurred on investment project – Rs.10.51 million

As per para 2.1.4 of Distribution Rehabilitation Guidelines September, 2003, overloaded or lengthy feeders are selected. Only one feeder is selected for bifurcation and a new feeder is essentially involved in this case. In many urban and rural areas, the existing HT lines / feeders are extremely overloaded and lengthy. Replacement of these lines with new 11 kV lines can result in considerable loss reduction. In addition to above the introduction of new HT line/feeders can result in improvement of quality of supply and reduction in losses.

In Operation Circle Dadu SEPCO, management allowed/ approved investment plan for an amount of Rs.10.51 million for two (02) projects in Dadu Circle in the financial year 2016-17 to reduce line losses. Instead of decreasing, the actual losses were increased in the financial year 2018-19 to 2020-21. Hence, the investment made during the year failed to achieve its desired objectives.

Non-adherence to Distribution Rehabilitation Guidelines resulted into wasteful expenditure of Rs.10.51 million incurred on investment project up to the financial year 2020-21.

The matter was taken up with the management in August, 2021 and reported to the Ministry in October, 2021. The management replied that the line losses were due to non-shifting of account numbers/proper coding and difference in billing cycle dates.

The DAC in its meetings held on January 24-25, 2022 directed the management to submit revised reply and get the stance verified from audit within 15 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 110/2021-22)

1.4.42 Loss due to non-recovery of payment made on account of repair of transformers – Rs.6.19 million

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

In PESCO, a fact finding report of Director Investigation (S&I) dated August 10, 2021 revealed that a work order for repair of damaged transformers was awarded to a private workshop M/s Bismillah Electric Company vide No. 47950-57 on June 9, 2016. An amount of Rs.6.19 million was paid to the said contractor for repair of 293 transformers of different capacities. Neither these transformers were repaired nor an amount of Rs.6.19 million recovered from the contractor.

Non-adherence to the guidelines resulted into loss due to non-recovery of payment of Rs.619 million made to private workshop upto the financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in December, 2021. The management replied that proper reply would be furnished after receiving the supporting details from Audit.

The DAC in its meetings held on December 30-31, 2021 directed the management to conduct inquiry at CFO level and submit the same to audit. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 653/2021-22)

1.4.43 Undue benefit on account of installation of industrial and commercial connections – Rs.6.15 million

According to Para-2.6(6) of Consumer Service Manual "industrial connections having load up to 8-KW can be given from the common distribution transformer".

In Operation Circle Peshawar PESCO, as per industrial MDI batches, forty one (41) industrial and commercial consumers were given connections from the general distribution transformers by avoiding independent transformers with sanctioned load ranging from 5 to 8 KW whereas their connected load was ranging from 19 to 75 KW. The said consumers had been given favour to avoid installation of independent transformer with substations resulting in an undue benefit of Rs.6.15 million to the consumers.

Non-adherence to Authority's instructions resulted into loss of Rs.6.15 million due to non-installation of independent transformers during the financial year 2020-21.

The matter was taken up with the management in November, 2021 and reported to the Ministry in December, 2021. The management replied that action would be taken in due course of time under intimation to Audit.

The DAC in its meetings held on December 30-31, 2021 directed the management to submit revised reply to audit within a week. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 469/2021-22)

1.4.44 Excess installation of material than material drawn from stores – Rs.6.10 million

According to Para-4.5 (Section-9) of Distribution Stores Manual, "the Line Superintendent will use the materials on the job for which he drew and will record the consumption in his Electrical Measurement Book (EMB) / Material at Site Register (MSR) showing any materials left after the work has been completed".

In Construction Circle MEPCO, as per reconciliation statement of material (Form-C) prepared by consultants, electrical material amounting to Rs.6.10 million was found short / less drawn due to excess installation of material at sites. These works were completed but neither the matter of excess installation of material was regularized nor was any inquiry conducted to dig out source of excess installation of material.

Non-adherence to Distribution Stores Manual resulted into excess installation of electrical material valuing Rs.6.10 million to store up to the financial year 2020-21.

The matter was taken up with the management in July, 2021 and reported to the Ministry in September, 2021. The management replied that an inquiry committee had been constituted vide office order No. 32161-64 dated December 31, 2021 to probe in to the matter. Audit would be intimated after finalization of inquiry.

The DAC in its meetings held on January 24-25, 2022 directed the management to finalize the inquiry within 30 days and to furnish its report for verification. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 45/2021-22)

Concluding Recommendations

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

1.5 Unsatisfactory Asset Management

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

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

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

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

1.5.1 Irregular investment of public money on private land – Rs.4,362.80 million

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

In QESCO, 132 KV Grid Stations, 33 KV Grid stations & XEN Office & Colony (New) Kalat was constructed on the Private Land. The land had not been mutated in the name of QESCO and the QESCO management made investment of Rs.4,362.8 million on these sites.

Sr. No.	Name of Grid Station / Colonies / Other Stations	Area (ARP)	Owner
1.	132 KV Grid Station Dukki	12-00-10	Private Land Owner
2.	132 KV Grid Station KhanzaiDist: Pashin	01-01-23	Private Land Owner
3.	132 KV Grid Station Mangochar	13-03-04	Private Land Owner
4.	33 KV Grid Station Musa Khail	-	Private Land Owner
5.	33 KV Grid Station Druk	-	Private Land Owner
6.	33 KV Grid Station Takht Johan Dist: Kalat	-	Private Land Owner
7.	33 KV Grid Station WahirDist: Kalat	-	Private Land Owner
8.	XEN Office & Colony (New) Kalat	05-00-03	Private Land Owner
9.	132 KV Grid Station Khanozai	00-32-16	Private Land Owner

The expenditure made on the above stated sites are at risk due to claim of the private land owner and the assets on the private land will have no utility if land was decided in favor of private owners.

Non-adherence to Public Sector Companies Corporate Governance Rules, 2013 QESCO management put at risk the public money amounting to Rs.4,362.8 million.

The matter was taken up with the management in September, 2021 and reported to the Ministry in December, 2021. The management replied that one land has been transferred in the name of QESCO while the other lands were either disputed or under process of finalization.

The DAC in its meetings held on January 24-25, 2022 directed the management to submit revised reply within 15 days alongwith completion of formalities processed and finalized till to date. No further progress was reported till finalization of the report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 645/2021-22)

1.5.2 Blockage of funds due to non-utilization of grid station, transmission lines and power transformer – Rs.1,988.37 million

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

In EHV-I NTDC, 220 KV grid station solar park Bahawalpur was commissioned in February, 2018, the said grid station including one 220/132kV, MVA transformer and one 132 kV DC transmission line was not in use since then. Further, the load flow study showed that the interconnection of 132 KV transmission lines with existing 132 KV MEPCO transmission line was not feasible in the long run. Hence, the assets of the Company remained blocked / unutilized for the period of more than two years which requires justification from the management along with fixing of responsibility of imprudent allocation of scare resources of NTDC.

Non-adherence to the Corporate Governance Rules resulted into blockage of assets of Rs.1,988.37 million due to imprudent allocation of scare resources of NTDC up to the financial year 2019-20.

The matter was taken up with the management in May, 2021 and reported to the Ministry in October, 2021. The management replied that 1000 MW generation from Solar Power Plant, as originally planned by Government of Punjab could not be completed by Government of Punjab. Therefore, the installation could not be utilized upto maximum level.

The DAC in its meetings held on January 24-25, 2022 directed the management to conduct fact finding inquiry at management level within 30 days. No further progress was reported till finalization of the report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 120/2021-22)

1.5.3 Loss due to non-replacement of electrical material damaged during warranty period – Rs.801.73 million

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

In various DISCOs, distribution transformers and meters worth Rs.801.73 million were damaged under warranty period and not got replaced from the manufacturers / suppliers as required under the clauses of purchase orders. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No. of Transformers	No. of Meters	Amount (Rs. in million)
1.	FESCO	395 & 586/2021-22	126	-	64.14
2.	GEPCO	18 & 496/2021-22	54	-	129.39
3.	IESCO	532, 535 & 538/2021-22	392	-	73.22
4.	LESCO	722/2021-22	25	-	6.37
5.	MEPCO	204 & 682/2021-22	119	189	28.88
6.	PESCO	556/2021-22	14	-	4.00
7.	QESCO	460/2021-22	17	-	5.02
8.	SEPCO	246, 325/2021-22	17	4,330	90.71
9.	NTDC	427/2021-22	02	-	400.00
		TOTAL	**766**	**4,519**	**801.73**

Non-adherence to warranty clause of purchase orders resulted into non-replacement of electrical material worth Rs.801.73 million damaged within warranty period, from manufacturers / suppliers up to the financial year 2020-21.

Audit was of the view that not getting under warranty goods replaced well in time showed unsatisfactory maintenance of Company assets by the DISCOs.

The matter was taken up with the management during August to November, 2021 and reported to the Ministry during September to December, 2021. The management replied that in some cases replaced material had been received from suppliers whereas replacement of balance material was under process.

The DAC in its meetings held on December 30-31, 2021, January 6-7, 13, & 24-25, 2022 directed the management to produce record of completed actions within a week and ensure replacement of remaining material expeditiously. Moreover, DAC also directed the SEPCO management to conduct an inquiry and furnished its report to Audit within 30 days. No further progress was reported till finalization of the report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

1.5.4 Non-mutation of land – Rs.744.46 million

According to Section-42 of Land Revenue Act, "any person acquiring by inheritance, purchase, mortgage, gift, or otherwise, any right in an estate as a land-owner, or a tenant for a fixed term exceeding one year, shall, within three months from the date of such acquisition, reports his acquisition of right to the Patwari of the estate, who shall enter in his register of mutations every report made to him".

In various DISCOs, twelve (12) lands valuing Rs.744.46 million were not yet transferred / mutated in the name of the Companies. Non-mutation of land would create dispute between land owners and companies. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Cases	Amount (Rs. in million)
1.	FESCO	581/2021-22	5	611.36
2.	GEPCO	61, 234 & 487/2021-22	3	45.18
3.	HESCO	455/2021-22	1	3.06
4.	MEPCO	203/2021-22	1	16.50
6.	QESCO	835/2021-22	1	16.56
7.	NTDC	525/2021-22	1	51.80
		Total	**12**	**744.46**

Poor asset management resulted into non-mutation of the land valuing Rs.744.46 million up to the financial year 2020-21.

The matter was taken up with management in August to November, 2021 and reported to the Ministry during September & December, 2021. The management replied that mutation of lands was under process and latest status would be informed accordingly.

The DAC in its meeting held on December 30-31, 2021, January 13 & 24-25, 2022 directed the management to produce the record of completed actions within 15 days and expedite completion of pending actions. Further progress was not reported till finalization of the report.

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

1.5.5 Non-return of surplus material to stores – Rs.663.83 million

As per Para-74 of WAPDA Accounting Manual 1978, on completion of the work, the excess material will be returned to godown or transferred to another work.

In various DISCOs & NTDC, electrical material/equipments amounting to Rs.663.83 million drawn against different works were found surplus/scattered but not returned to store by the concerned quarter. No efforts were made to recover the material from the concerned quarters. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs. in million)
1.	GEPCO	20 & 618/2021-22	38.60
2.	MEPCO	41, 52, 202 & 412/2021-22	32.28
3.	NTDC	56, 130, 143, 282 & 825/2021-22	582.26
4.	SEPCO	109 & 327/2021-22	10.69
		TOTAL	**663.83**

Non-adherence to WAPDA Accounting Manual resulted into non-return of surplus material valuing Rs.663.83 million to stores up to financial year 2020-21.

The matter was taken up with the management in August & September, 2021 and reported to the Ministry in September & December, 2021. The management replied that material of other works was installed for which store requisition was required to be drawn and disciplinary actions would be taken in the light of recommendations of inquiry report.

The DAC in its meeting held on December 30-31, 2021 and January 24-25, 2022 directed the management to get the record of completed actions verified from Audit within 15 days. Moreover, DAC also directed the GEPCO management to conduct inquiry regarding non return of surplus material and furnish inquiry report to audit within 60 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC’s decision besides fixing responsibility upon officers/officials primarily at fault.

1.5.6 Non-disposal of off-road vehicles and unserviceable material – Rs.236.04 million

According to Clause-1.4 of the WAPDA Disposal Procedure, “unserviceable vehicles and material are to be disposed off timely”.

In various DISCOs and NTDC, off-road vehicles and unserviceable material / equipments worth Rs.236.04 million were not disposed off. The vehicles and material were kept in the open yards and exposed to the adverse environmental conditions causing deterioration and further decrease in salvage value. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs. in million)
1.	FESCO	356 & 824/2021-22	12.42
2.	GEPCO	116/2021-22	2.30
3.	HESCO	95 & 454/2021-22	5.40

4.	IESCO	58 & 534/2021-22	59.25
5.	PESCO	555 & 566/2021-22	16.66
6.	QESCO	466 & 755/2021-22	29.82
7.	SEPCO	227 & 299/2021-22	61.49
8.	NTDC	31, 164, 363, 364, 377, 426, 436 & 457/2021-22	48.70
		Total	**236.04**

Non-adherence to WAPDA Disposal Procedure resulted into non-disposal of off-road vehicles and unserviceable material worth Rs.185.14 million up to the financial year 2020-21.

The matter was taken up with the management during July to October, 2021 and reported to the Ministry during September to December, 2021. The management replied that disposal process was under way and further progress would be informed accordingly.

The DAC in its meetings held on December 30-31, 2021, January 6-7, 13 & 24-25, 2022 directed the management to produce the record of completed actions within a week and expedite completion of pending actions. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's directives besides fixing responsibility upon officers/officials primarily at fault.

1.5.7 Loss due to fire incident caused by lack of proper preventative/ precautionary measures – Rs.181.15 million

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

In LESCO, a fire incident occurred at Chichoki Mallian (CKM) warehouse on June 12, 2019 due to weak safety measures which caused damage of material valuing Rs.181.15 million. PEPCO in its inquiry conducted vide letter No. 133-35WE/MD/PEPCO/DDE/EC-181/2020 dated January 18, 2021 declared LESCO's inquiry insufficient. Moreover, the inquiry recommended to initiating disciplinary action against SDO Operation concerned and LS Operation. The same was not done even after lapse of considerable period.

Lack of proper preventive /precautionary measures resulted into loss of Rs.181.15 million due to fire incident up to the financial year 2020-21.

The matter was taken up with the management in November, 2021 and reported to the Ministry in December, 2021. The management replied PPMC has inquired the matter and recommended certain actions to be taken at company's level.

The DAC in its meetings held on December 30-31, 2021 directed the management to furnish detail of actions completed in line with recommendations of inquiry report. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 712/2021-22)

1.5.8 Non-recovery on account of interest from land acquisition collector – Rs.79.71 million

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

In EHV-I NTDC, an amount of Rs.239.37 million was deposited with the District Treasury through Land Acquisition Collector EHV-I Lahore on October 12, 2017 for acquisition of land for construction of 500-KV Grid Station, Chakwal. Afterwards, the site of the Grid Station was changed and the deposited amount was returned by LAC in February, 2021. Resultantly, the said amount remained blocked / un-used for a period of more than three (03) years. Audit is of the view that this happened due to bad planning which not only resulted in time over run & cost overrun but also caused loss of Rs.79.71 million (@ 10% per annum) on account of interest.

Non-adherence to Corporate Governance Rules resulted into blockage of funds amounting to Rs.239.37 million due to bad planning and loss of Rs.79.71 million on account of interest upto the financial year 2020-21.

The matter was taken up with the management in August, 2021 and reported to the Ministry in December, 2021. The management replied that the amount was returned after 03 years on de-notification of land at the request of acquiring agency.

The DAC in its meetings held on January 24-25, 2022 directed the management to inquire the matter at management level within 30 days and share with Audit. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC’s decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 365/2021-22)

1.5.9 Loss due to purchase of land through private negotiation – Rs.63.88 million

As per Section-4 Part-II of Acquisition of Land Acquisition Act 1894, whenever it appears to the Collector of the District that land in any locality is needed or is likely to be needed for any public purpose or for a company, a notification to that effect shall be published in the official gazette and the Collector shall cause public notice of the substance of such notification to be given at convenient place in the said locality.

In GSC NTDC Lahore, a notification under Section IV of Land Acquisition Act 1894 for the acquisition of land measuring 1625 Kanal & 02 Marla in Village Kamalpur Tehsil Fateh Jang for Islamabad WEST Grid station was published in the official gazette on March 22, 2016. Later on, NTDC management decided to acquire the land through private negotiation and advised to de-notify the acquisition proceedings accordingly. Land measuring 232 kanal & 16 marlas was acquired through private negotiation amounting to Rs.495,000 per acre against the approved DC rate. Resultantly, an amount of Rs.63.88 million on account of excess negotiated price against the prevailing DC rate was purchased from land owners.

Non-adherence to the Land Acquisition Act clauses resulted into loss of Rs 63.88 million to the company during the financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in December, 2021. The management replied that land was acquired through private negotiation in line with resettlement action plan duly approved/endorsed by the World Bank.

The DAC in its meetings held on January 24-25, 2022 directed the management to inquire the matter for acquisition of land through private negotiation in contradiction to land acquisition act and report thereof be furnish to audit. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 527/2021-22)

1.5.10 Non-recovery of excess payment on account of land acquisition – Rs.28.07 million

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

In HVDC NTDC Lahore, an amount of Rs.28.07 million was recoverable from Land Acquisition Collector due to change in requirement of land for convertor station Head Balloki District Nankana Sahib. Initially the land requirement was assessed to be 371 Kanal and payment of Rs. 50.32 million was made to Land Acquisition Collector. Later on, the requirement of land was revised two times and finally land requirement was reduced to 164 kanal and two marlas. Resultantly, excess payment amounting to Rs.28.07 million was made which was not recovered after a lapse of a period of three years.

Non-adherence to general financial rules resulted into lack of internal control and non-recovery of Rs.28.07 million up to the financial year 2019-20.

The matter was taken up with the management in June, 2021 and reported to the Ministry in December, 2021. The management replied that the matter has been taken up with LAC and progress would be intimated to Audit.

The DAC in its meetings held on January 24-25, 2022 directed the management to expedite the matter with LAC for early recovery of amount. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 431/2021-22)

1.5.11 Loss to public exchequer due to non-resolving the issue of disputed distribution transformers – Rs.18.78 million

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

In SEPCO, five hundred and eight (508) transformers were handed over by field staff to PWF for repair before bifurcation of HESCO & SEPCO. After establishment of SEPCO, as an independent company, 233 of transformers were delivered to SEPCO’s staff on the demand of CEO SEPCO on July 26, 2011 whereas the ownership of these transformers was still under dispute. HESCO was demanding the transformers as the same were delivered to PWF Workshop Sukkur for repair by HESCO. In order to resolve the subject issue, a meeting was held between team of HESCO, SEPCO and WAPDA Foundation on November 12, 2020. After detailed deliberations, participants mutually agreed to constitute a committee with agreed TORs to reconcile/settle the issue amicably. A sufficient time period has been elapsed but no action was taken by the committee to resolve the long outstanding dispute.

Non-adherence to Corporate Governance Rules resulted into loss of Rs18.78 million to public exchequer due to non-resolving the issue of disputed transformers up to the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in November, 2021. The management replied that the departmental inquiry has been constituted under the convener-ship of Chief Engineer (Dev).

The DAC in its meetings held on January 24-25, 2022 directed the management to finalized the inquiry expeditiously and report be submitted within 30 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC’s decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 228/2021-22)

1.5.12 Loss due to repair of under warranty damaged distribution transformers – Rs.18.05 million

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

In PESCO, as pointed out by Manager (Internal) Audit PESCO vide IR No. I-2 for the period July, 2020 to June, 2021, an amount of Rs.18.05 million was paid to private reclamation workshop on account of repair of reclaimed 696 transformers damaged within warranty period. The same was not done.

Non-adherence to the Guidelines resulted into loss of Rs.18.05 million due to repair of under warranty damaged distribution transformers during financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in December, 2021. The management replied that proper reply would be furnished after receiving the supporting details from Audit.

The DAC in its meetings held on December 30-31, 2021 directed the management to justify the matter and submit revised reply to audit within a week. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 569/2021-22)

1.5.13 Non-recovery of cost of spare tower material from the contractor – Rs.16.09 million

The Contractor i.e. M/s ICC (Pvt) Limited vide letter No. 3316/8277 dated 06.06.2012 undertook that in case of failure to return any material to NTDC stores, NTDC may recover cost of material from retention money.

In NTDC, a contract No. ADB-43-2008 was awarded to M/s ICC Pvt. Limited Survey for tower stacking, foundations, erection, stringing, testing and commissioning of 220 KV D/C twin bundle and 132 KV D/C transmission lines Lot-I/220KV D/C twin bundle T/L from Dherki CCPP to Engro CCPP to 220 KV Rohri New Grid Station. After completion of the project, balance tower material was required to be returned to NTDC. Contrarirly, balance tower material valuing Rs.16.09 million was not returned by the contractor. In this regard, the recovery of said outstanding amount from the retention money of the contractor was not done. Detail is as under:

Sr. No.	Reference No.	Value of spare tower material (Rs.)
1.	XEN S&I Rahim Yar Khan letter No. 960-60 dated 21.03.2012	12,145,274/-
2.	XEN TLC Hyderabad letter No. 462-66 dated 08.02.2012	2,649,072/-

3.	XEN TLC Hyderabad letter No. 899 dated 16.10.2012	1,299,623/-
	Total	**16,093,969/-**

Non-recovery of cost of spare tower material valuing Rs.16.09 million resulted into undue favour to the contrctor up to the financial year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that the contractor had returned the spare material as depicted from the material reconciliation report.

The DAC in its meeting held on January 24-25, 2022 directed the management to get its stance verified from Audit. No further progress was reported till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 918/2021-22)

1.5.14 Loss due to substandard civil work at 132 KV Grid Station Besham – Rs.5.37 million

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

In GSC PESCO, a work order amounting to Rs.5.37 million for construction of remaining work of boundary wall & construction of metering room, CT, PT foundation for SMS project at 132 KV grid station Besham was awarded to M/s Shaheen construction Co, Dir vide work order No. 8710-14 dated October 6, 2020. Later on, SDO GC Sub Division GSC PESCO, Abbottabad vide letter No. 567-68/SDO/GC/PESCO dated March 10, 2021 pointed out that the contractor did not complete the subject work as per WAPDA approved drawing/design & specification. Punitive action in the light of contract agreement was required to be taken against the contractor, but the same was not done.

Non-adherence to the Authority's instruction/rules resulted into loss due to substandard civil work at 132 KV Grid Station Besham amounting to Rs.5.37 million during the financial year 2020-21.

The matter was taken up with the management in August, 2021 and reported to the Ministry in December, 2021. The management replied that the substandard civil work at 132 KV Grid Station Besham has been rectified by the contractor as per drawing/Design & specification, duly verified by the SDO GC Sub Division Abbottabad.

The DAC in its meetings held on December 30-31, 2021 directed the management to produce the record for verification to audit within a week. No further progress was intimated till the finalization of report.

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

(Draft Para No. 480/2021-22)

Concluding Recommendations

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

1.6 Contract mismanagement and procurement shortcomings

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

Contract mismanagement reflected anomalies and shortcomings present in contract process starting from the Bid preparation stage till the work completion point. This included instances where open competition was not observed, the bid evaluation was untransparent, reserve price assessment carried out with little research, and cartelization among contractors was not tackled properly. Once lapses occurred at the contract award stage, it led to further irregularities during work execution.

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

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

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

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

1.6.1 Non-recovery of liquidated damages from contractors/suppliers – Rs.34,885.90 million

According to Clauses of the Contracts, “the rate of liquidated damages is 0.05% to 0.10% for each day of delay in completion of the works subject to a maximum of 10% of contract price”.

In DISCOs, two hundred and seventeen (217) contracts were awarded to contractors for execution / construction of civil works, transmission lines and grid stations. The contractors could not complete the works within the stipulated period hence, they were liable to pay the liquidated damages of Rs.34,885.90 million but the same were not recovered. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No. of cases	Amount (Rs. in million)
1.	FESCO	289, 338, 577, 774, 798, 831 & 842/2021-22	16	210.23
2.	GEPCO	11 & 155/2021-22	8	103.61
3.	GENCO-I	311/2021-22	1	42.35
4.	HESCO	808/2021-22	4	3.77
5.	IESCO	48, 53, 393, 446, 656 & 759/2021-22	15	20.30
6.	LESCO	1032/2019-20 &734/2021-22	13	156.28
7.	MEPCO	213, 633, 684 & 800/2021-22	53	94.02
8.	NTDC	196/2019-20, 605/2020-21, 49, 121, 142, 168, 198, 201, 280, 301, 768 & 867/2021-22	48	34,174.19
9.	PESCO	90, 551, 738 & 805/2021-22	17	19.79
10.	QESCO	753, 833 & 855/2021-22	24	35.90
11.	SEPCO	179 & 251/2021-22	9	11.47
12.	TESCO	571 & 576/2021-22	9	13.99
		Total	**217**	**34,885.90**

Non-adherence to contract clauses resulted in non-recovery of liquidated damages amounting to Rs.34,885.90 million from the contractors/suppliers up to the financial year 2020-21.

The matter was taken up with the management during August to November, 2021 and reported to the Ministry during September to December, 2021. The management replied that in some cases, LD had been recovered / extension of time granted or works completed within time line while in remaining cases, recovery / EoT was under process.

The DAC in its meetings held in December 30-31, 2021, January 6-7, 13, & 24-25, 2022 directed the management to provide the record relating to completed actions within a week and expedite the finalization of remaining cases. Further progress was not reported till finalization of the report.

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

1.6.2 Irregular award of contracts due to defective / deficient bid evaluation – Rs.22,789.11 million

According to Clause-ITB-33.2 of Bidding Documents for Contract ADB-401-A, “the request of the Employer to the Bidder regarding information or documentation on nonconformities shall not be related to any aspect of the Price Bid. According to ITB-21.3 & ITB-21.4 of Request for Bids WB-04-2019, the original and all copies of the Bid shall be typed or written in indelible ink and shall be signed by a person duly authorized to sign on behalf of the Bidder and the name and position held by each person signing the authorization must be typed or printed below the signature. In the case that the Bidder is a JV, the Bid shall be signed by an authorized representative of the JV on behalf of the JV. According to Clause-4.2(a) of bidding documents of Tender WB-07E-2020 & WB-08A-2020, "the bidder should have experience in two contracts of similar nature of 220 kV or above substation within last ten (10) years and one of them outside the country of origin, with a value of at least US $ ten (10) million for each contract that have been successfully completed and operational for the last three years as on bid opening date."

During the thematic audit of procurement and contract management in NTDC for the FY 2020-21 on test check basis, it came to notice that in the presence of violations to the clauses of bidding documents, three (03) contracts valuing Rs.22,789.11 million were awarded to the contractors. The detail is as under: -

Sr. No.	Contract No.	Nature	Contractor	Value	Irregularity
1	ADB-401A	EPC contract for 500 kV transmission line from Suki Kinari Hydropower station to interconnection point of existing Neelum Jhelum 500 kV transmission line.	M/s China Energy Engineering Group North East No.02 Electric Power Construction Company Ltd. China (CEECNEPC-II)	Rs. 17,697.79 million	Clarifications relating to Price Bid were sought, offered and permitted to bidder.
2	WB - 04-2019	Augmentation works at 220 kV grid station Shikarpur	JV of M/s China National Technical Import & Export Corporation and Shanghai Electric Group Co. Ltd.	Rs. 868.67 million	• Power of attorney was vague as it was without the signature of legal representative of Principal i.e Mr. Zheng Jianhua of M/s Shanghai Electric Group Co. Ltd. • Signature of the authorized member of JV i.e. "Wu Dequan" on bidding documents as well on subsequent correspondence was mismatching from the signature on the power of attorney. • The power of attorney was valid till 21.08.2020 whereas Mr. "Wu Dequan" of M/s China National Technical Import & Export Corporation was acting as authorized representative of JV even after the lapse of

					validity of the power of attorney.
3	WB-07E-2020 & WB-08A-2020	EPC contract for augmentation works at 220 kV grid stations under National Transmission Modernization Project-I World Bank Loan No. 8814-PK	-do-	Rs. 4,222.65 million	Non-fulfilling the qualification criteria due to deficient specific experience regarding successful completion and operation of contract.

Violation of provisions of bidding documents resulted in irregular award of contracts valuing Rs.22,789.11 million due to defective / deficient bid evaluation up to the financial year 2020-21.

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that relevant formation of NTDC involved in evaluation process of the bids might be asked for clarification of observation regarding contract No. ADB-401A. As regards the contract No. WB-04-2019, the JV of China National Technical Import & Export Corporation and Shanghai Electric Group Co. Ltd authorized Mr. "Wu Dequan" and the power of attorney was signed by the legal representative of respective partners of the joint ventures and signature of Mr. Wu Dequan was not appended on it while in contracts No. WB-07E-2020 and WB-08A-2020, operational acceptance certificate submitted by the bidder was considered for determination of bidder's experience.

Audit contended that since the JV between China National Technical Import & Export Corporation and Shanghai Electric Group Co. Ltd was made well before the dead line for submission of bid, the power of attorney should have been signed by both members of JV but the same was not done. Further, the signature of Principal on the power of attorney was not affixed and the signature of "Mr. Wu Dequan" on the power of attorney was mismatching from the signature affixed on bidding documents as well as on subsequent correspondences. Further, in contracts WB-07E-2020 and WB-08A-2020, operational acceptance could not be regarded as successful completion of contract as required in the qualification criteria.

The DAC in its meeting held on January 19, 2022 did not agree with the replies of the management and directed to conduct inquiry at Ministry level within 90 days in contract No. ADB-401A and at PPMC level within 60-90 days in contracts Nos. WB-04-2019, WB-07E-2020 & WB-08A-2020.

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

(Draft Para Nos. 945, 947 & 948/2021-22[*])

1.6.3 Non-engagement of Design Review Consultants despite effectiveness of contracts for extension and augmentation works at 220 kV grid stations – Rs. 7,150.43 million

According to clause-2A (a) of Public Sector Companies (Corporate Governance) Rules, 2013, "the business of the Public Sector Company is carried on with integrity, objectivity, due care and the professional skills appropriate to the nature and scale of its activities".

During the thematic audit of procurement and contract management in NTDC for the FY 2020-21 on test check basis, it came to notice that design review consultants for four (04) World Bank funded contracts i.e. WB-08B-2020, WB-08A-2020, WB-07E-2020 and WB-09A-2020 valuing US $ 31.774 million + EURU 0.740 million + PKR 1,401.326 million for extension and augmentation works at different 220 kV grid stations were not engaged despite commencement of effectiveness dates of these contracts. Resultantly, not only the execution of these contracts for removal of critical system constraints were delayed but it would also result in arising out of subsequent EOT claims.

Non-adherence of Public Sector Companies (Corporate Governance) Rules resulted in delayed execution of extension and augmentation works at 220 kV grid stations valuing Rs.7,150.43 million due to non-engagement of Design Review Consultants.

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that the process of hiring services of the "Design Review and Construction Supervision Consultant" was under evaluation, however, already appointed consultants i.e. M/s Decon GmBH, Germany had been engaged for "Design Review" services since 20-09-2021. Hence, three (03) out of four (04) contracts became effective on or after 20-09-2021. As regard to contract's effectiveness for WB-08B-2020, non-availability of 'Design Review' consultant for such a shorter period of about one month might not result into applicability of EOT by the relevant contractor.

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[*] *The said DP is also included in Chapter-3 of Thematic Audit*

Audit contended that non-engagement of exclusive "Design Review and Construction Supervision Consultant" well before the effectiveness date of contracts would definitely cause complication at later stage.

The DAC in its meeting held on January 19, 2022 directed the management to get the record verified from audit and expedite the process of engaging exclusive "Design Review and Construction Supervision Consultant".

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

(Draft Para No. 946/2021-22*)

1.6.4 Non-recovery/adjustment of advances – Rs.3,809.64 million

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

In various DISCOs & NTDC, advances of different nature amounting to Rs.3.809.64 million were given to the contractors, suppliers, consultants, employees and other departments. The said advances were required to be adjusted / recovered but the same was not done. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs. in million)
1.	GEPCO	115/2021-22	26.23
2.	IESCO	456/2021-22	19.19
3.	NTDC	425, 429, 432, 515 & 526/2021-22	3,764.22
		TOTAL	**3,809.64**

Inefficient financial management resulted non-recovery/adjustment of advances of Rs.3,809.64 million up to the financial year 2020-21.

The matter was taken up with the management during June to October, 2021 and reported to Ministry in October & December, 2021. The management replied that efforts would be made for adjustment of advances however, some cases pertained to retention money /security deposit.

The DAC in its meetings held in December 30-31, 2021, January 6-7 & 24-25, 2022 directed the management to get the record verified from audit and also directed the management of IESCO to hold an inquiry at CEO level for

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* *The said DP is also included in Chapter-3 of Thematic Audit*

fixing of responsibility and submit its report within 30 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

1.6.5 Risk of imposition of penality due to delay in completion of power purchaser interconnection works – Rs.3,119.29 million

According to Power Purchase Agreement (PPA) of Suki Kinari Hydropower Project, if the Power Purchaser has not completed, Commissioned and energized the Power Purchaser Interconnection Works then it would pay compensation charges under certain heads to the Company (Suki Kinari Hydropower Limited (SKH). In the event the Complex is not commissioned on or before the Required Commercial Operations Date, then the Company shall pay liquidated damages to the Power Purchaser.

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that a PPA was signed with Independent Power Produer (IPP) Suki Kinari Hydro Pvt Limited (SKH). As per PPA, SKH had to construct 884 MW hydro-electric power generation facility / complex with Scheduled Commercial Operation Date (SCOD) of September 30, 2022 whereas NTDC was responsible to provide facility / back feed arrangement for evacualtion of power by February 02, 2022 i.e. 240 days prior to SCOD. Consequently, NTDC had awarded a contract No. ADB-401A for consturction of transmission line on the December 24, 2020 to M/s China Energy Engineering Group, which became effective on April 22, 2021 with scheduled completion date of April 11, 2023.

This depicted that the trnasmission line would be completed 12 months later than the SCOD agreed in PPA, hence, the NTDC would expose to pay Rs. 3,119.29 million equivalent to US $ 19.8 million (US $2.2 million per month) as liquidated damages for delayed completion of interconnection facility. Moreover, it was also worth considering that the IPP M/s SKH was a China based company and the contractor hired by NTDC for completion of transmission line was also China based i.e. M/s China Energy Engineering Group, hence, it was feared that if the later could not complet the transmission line within time then it would have to pay considerabley much less LD to NTDC and on the other hand NTDC would have to pay colossal amount on account of LD to IPP.

Ineffecient project mismanagement would result into risk of imposition of penality of Rs.3,119.29 million on account of late completion of power purchaser interconnection works.

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that the power producer has applied for force majeure and the SCOD of the power project was expected to be extended by almost 20 months and the completion of transmission line was well before the expected SCOD.

The DAC in its meeting held on January 19, 2022 directed the management to apprise the BoD about the state of affairs for taking appropriate measures to avoid risk of imposition of penalty.

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

(Draft Para No. 962/2021-22*)

1.6.6 Irregular expenditure due to excess execution of BoQ items – Rs.1,804.74 million

As per Book of financial Power NTDC- 2007, variation/ change orders in original contract/ work order 4.5 is: i) Chief Executive Officer Upto maximum 25% of total amount of original contract price ii) TD/TNO Upto 20% iii) Chief Engineer Upto 10% iv) Manager up to 05%.

In NTDC, thirteen (13) civil and electrical works were executed in excess than the BoQ items provided in contracts without change in design, justification and approval from the competent authority. Hence, execution of excess BoQ items amounting to Rs.1,804.74 million was irregular.

Non-adherence to financial powers resulted into irregular expenditure amounting to Rs.1,804.74 million due to excess execution of BoQ items during the financial year 2020-21.

The matter was taken up with the management in May, August & September, 2021 and reported to the Ministry in December, 2021. Management replied that the quantities given in the BoQ were estimated and provisional.

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* *The said DP is also included in Chapter-3 of Thematic Audit*

However, the payments were made on actual quantities of work executed by the contractor and verified by the engineer. Moreover, all the payment made to the contractor was within contract price.

The DAC in its meetings held on January 24-25, 2022 directed the management to get the record verified from audit. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para Nos. 699, 828 & 865/2021-22)

1.6.7 Loss due to inordinate delay and bungled bid evaluation process – Rs.1,754.43 million

According to ADB Procurement guidelines Para-2.57, borrowers shall complete evaluation of bids and award of contract within the initial period of bid validity so that extensions are not necessary. The extension shall be for the minimum period required to complete the evaluation, obtain necessary approvals, and award the contract.

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that a Tender No. ADB-300A-2018 for construction of 500/220/132KV Lahore north substation & extension work at 500/220/132KV Nokhar substation on EPC basis was floated on December 28, 2018, technical bids were opened on April 25, 2019 and NOL issued by ADB on February 13, 2020. Later on, price bids of three (03) technically qualified bidders were opened on February 18, 2020 and M/s SDEPCI, China was declared as lowest responsive bidder. However, the ADB disagreed with the financial bid evaluation and NTDC revisited the evaluation and prepared Supplementary Report of Price Bid Evaluation in June, 2020 accordingly. Resultantly, M/s Grid Solution SAS, France, which was 2nd lowest bidder earlier, became the 1st lowest bidder with quoted price of Rs.11,420.99 million. During the bid evaluation process, NTDC sought nine 909) extensions in bid validity period from bidders, which exhausted all the bidders and they eventually refused to extend their bid validity further. Hence, the contract could not be awarded.

Subsequently, BoD NTDC gave approval for "Limited Competitive Bidding" under the old tender and fresh bids were invited from same 10 bidders and M/s SEPCO III, China, which was at 3rd position in previous evaluation, became 1st lowest responsive bidder with quoted bid price of Rs.13,175.425 million in bid evaluation in August, 2021. Resultantly, notification for approval of award was issued by NTDC BoD Company Secretary on August 27, 2021. Later on, as a result of further clarification by ADB, the NTDC prepared Supplementary Bid Evaluation Report wherein M/s SEPCO III, China was disqualified and M/s CET China, non-qualified in 1st bid evaluation and 2nd lowest in 2nd bid evaluation, became the 1st lowest bidder with quoted bid price of Rs.14,874.36 million in October 2021.

This state of affairs of bid evaluation in NTDC, which was still far from materializing at the time of writing this report, underscored bungled bid evaluation punctuated by following grave issues

- Loss up to the extent of Rs.1,754.43 million due to increase in bidding value which was uneconomical.
- In ordinate delay of 03 years in preparation of BER and Revised BER for 04 times and 09 times extension of bid validity period defeated the very purpose of efficient procurement.
- Deficient bid evaluation resulted in acceptance of non-responsive bidders and rejection of responsive bidders.
- Standard Operating Procedures did not exist for specifying time lines for technical / financial bid evaluations.

Procurement mismanagement resulted in loss of Rs.1,754.43 million due to inordinate delay and bungled bid evaluation process which is still pending.

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that the evaluation of bids was completed in time. However, ADB took abnormal time in granting final NOL. Audit contended that inordinate time was consumed for evaluation of bids and discrepancies in bid evaluation report caused delay in grant of NOL by ADB.

The DAC in its meeting held on January 19, 2022 did not agree with the reply of management and directed to conduct inquiry at PPMC level within 60 days.

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

(Draft Para No. 949/2021-22*)

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* *The said DP is also included in Chapter-3 of Thematic Audit*

1.6.8 Award of further contract to the supplier already supplied substandard transformers – Rs.765.63 million

According to Rule-08 of PPRA Rules 2004, *"within one year of commencement of these rules, all procuring agencies shall devise a mechanism, for planning in detail for all proposed procurements with the object of realistically determining the requirements of the procuring agency, within its available resources, delivery time or completion date and benefits that are likely to accrue to the procuring agency in future"*. Moreover, according to the Rule-34 of Public Procurement, i) "if the procuring agency has rejected all bids under rule 33 it may call for a re-bidding. ii) The procuring agency before invitation for re-bidding shall assess the reasons for rejection and may revise specifications, evaluation criteria or any other condition for bidders as it may deem necessary".

In LESCO, tender # 2605 for procurements of 1050 of 50 KVA transformers opened on 08.02.2021. M/s Skypower (Pvt) Limited quoted lowest price of Rs.219,500 of each transformer for both Lots (Lot-I 525 and Lot-II 525) despite the fact that inquiry was under process against M/s Skypower; therefore, M/s Skypower should have been declared nonresponsive during technical evaluation. However, the same was not done. Later on, a penalty of Rs.3.368 million was imposed on M/s Skypower after finalization of inquiry in May 2021 on account of supplying sub-standard transformers.

Non-adherence to PPR-2004 resulted into non-award of contract to lowest bidder and bad procurement planning valuing of Rs.765.63 million during the financial year 2020-21

The matter was taken up with the management in November, 2021 and reported to the Ministry in December, 2021. The management replied that in tender No. 2605, M/s Skypower were declared the lowest responsive bidder and the case was put up before the Procurement Committee of BOD LESCO. But at that time there was an inquiry going on against M/s Skypower on account of supply of high loss transformers as compared to their quoted losses in the ongoing Purchase Orders. There were concerns about the quality of production and performance of M/s Skypower, therefore no directions were passed by the Procurement Committee of BoD to the management regarding procurement against said tender.

Procurement of 50 KVA transformers from second lowest bidder was not feasible due to higher TOC value (total owning cost).

The DAC in its meetings held on December 30-31, 2021 directed the management to provide inquiry report to audit. No further progress was intimated till the finalization of report.

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

(Draft Para No. 870/2021-22)

1.6.9 Loss due to non-award of contract within bid validity period – Rs.633.85 million

As per PPRA Rules 26 (3) the procuring agency shall ordinarily be under an obligation to process and evaluate the bid within the stipulated bid validity period. However, under exceptional circumstances and for reason to be recorded in writing, if an extension is considered necessary, all those who have submitted their bids shall be asked to extend their respective bid validity period. Such extension shall be for not more than the period equal to the period of the original bid validity.

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that a tender No. NPP-03M-2018 for procurement of transmission line material was floated on July 19, 2018. The technical bids were opened on September 26, 2018 and financial bids on December 21, 2018. The approval of BoD for award of contract to M/s Qingdao Qiangli China in Lot-I at a price of US $ 15.75 million was issued by Company Secretary on April 04, 2019. However, the contract could not be concluded as the said contractor had refused to extend its bid validity period. The second lowest bidder i.e. M/s Nanjing Daji with bid price of US $ 18.48 million was approached for price negotiation but it also refused to revise the price. Resultantly, the bidding process was scrapped on July 24, 2019.

During retendering, the 1st lowest bidder of previous bidding i.e. M/s Qingdao Qiangli China, again became the 1st lowest bidder but with increased quoted bid price of US $ 19.77 million and contract was awarded. Hence, inordinate delay in finalizing the award of contract within the bid validity period caused a loss of US$ 4.02 million equivalent to Rs.633.85 million to NTDC due to increased bid price from the same contractor in retendering.

Inefficient procurement process resulted in loss of Rs.633.85 million due to rate increase in retendering because of inordinate delay in bid evaluation within bid validity period up to the financial year 2020-21.

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that bid evaluation was carried out timely. However, delay occurred due to lengthy process for award of contract. Audit contended that the management failed to conclude the award process within the bid validity period which resulted into retendering and loss due to award of contract to the same bidder at higher rates.

The DAC in its meeting held on January 19, 2022 did not agree with the reply of management and directed to conduct holistic inquiry in the light of contents of audit para at PPMC level within 90 days

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

(Draft Para No. 951/2021-22*)

1.6.10 Non-renewal/forfeiture of performance guarantees – Rs.572.65 million

According to the conditions of contract, "The Contractor shall provide Performance Security to the Employer in the prescribed form. The said Security shall be furnished or caused to be furnished by the Contractor within 28 days after the receipt of the Letter of Acceptance. The Performance Security shall be of an amount equal to 10% of the Contract Price stated in the Letter of Acceptance.

In various DISCOs, performance bank guarantees in 54 of cases amounting to Rs.572.65 million submitted by the contractors were expired. The performance guarantees were to be renewed which was not done thereby putting the interest of the company at risk. Efforts were not forthcoming from record for renewal / forfeiture of the said performance guarantees. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No of cases	Amount (Rs. in million)
1.	FESCO	664 & 775/2021-22	2	15.00
2.	HESCO	608 & 742/2021-22	2	10.65

* *The said DP is also included in Chapter-3 of Thematic Audit*

3.	IESCO	76 & 78/2021-22	2	4.87
4.	MEPCO	197, 214, 628, 635, 676 & 689/2021-22	32	288.94
5.	NTDC	905/2021-22	1	163.28
6.	QESCO	752 & 857/2021-22	3	43.49
7.	SEPCO	158, 218, 221, 229, 249 & 266/2021-22	12	46.43
		TOTAL	**54**	**572.65**

Non-adherence to the conditions of contracts resulted into non-renewal / forfeiture of performance guarantees amounting to Rs.572.65 million up to the financial year 2020.21.

The matter was taken up with the management during September to November, 2021 and reported to the Ministry during September to December, 2021. The management replied that efforts would be made to renew expired bank guarantees and progress would be informed accordingly.

The DAC in its meetings held on December 30-31, 2021, January 6-7 & 13, 2022 directed the management to produce the record of completed actions within 15 days and expedite completion of pending actions. Further progress was not reported till finalization of the report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

1.6.11 Non-recovery of electrical material provided to DISCOs/contractors on loan basis – Rs.534.66 million

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

In various DISCOs & NTDC, electrical material worth Rs.534.66 million was issued on loan basis to other DISCOs and contractors but the same was not received back and resulted in blockage of funds to the stated extent. Detailed as below:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs. in million)
1.	IESCO	766/2021-22	51.15
2.	LESCO	838/2021-22	76.00
3.	NTDC	29, 437, 919 & 921/2021-22	372.13
4.	PESCO	360/2021-22	35.38
		TOTAL	**534.66**

Inefficient assets management resulted into blockage of funds amounting to Rs.534.66 million due to non-recovery of electrical material provided to DISCOs/contractors on loan basis up to the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in September & December, 2021. The management of replied that the matter was being pursued for return of material.

The DAC in its meetings held in December 30-31, 2021, January 6-7, 24-25, 2022 directed the management to submit revised reply with complete documentary evidence to audit within a week.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

1.6.12 Non-recovery of cost of balance material from contractor – Rs.508.39 million

As per Sub clause-90(a) Special condition of contract, the contractor shall be and is responsible to furnish the tower material, shield wire, OPGW, Conductor, Insulator, accessories, dampers & hardware for conductor, shield wire and OPGW for completion of line in all respect within the quoted cost considering all in the requirement for sag wastage and breakage etc., the material required for sag wastage and breakage shall be paid initially and paid amount shall be deducted upon material reconciliation.

In NTDC, transmission line of Goth Qazi Mehar to Rahim Yar Khan (Lot-III) under contract ADB 65(R)-2012 (Package-I) for procurement of plant, design, supply, installation, testing & commissioning of 500 kv transmission line 3rd Circuit Jamshoro-Moro-Dadu to Rahim Yar Khan was energized on no load on 22.05.2019. However, complete section comprising 333 KM from Moro-Rahim Yar Khan (163.5 KM out of complete section was in scope of M/s Sinosteel) was energized on load on 06.09.2019 and accordingly, completion certificate was issued on 17.09.2019. However, recovery of RMB 18.34 million as pointed out by the Consultant due to difference of material received and consumed by the Contractor had not been effected. ***(Annexure-C)***

Non-adherence to contract clause resulted into non-recovery of cost of balance material amounting to Rs.508.39 million from contractor up to the financial year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that payment invoices of the contractor had been withheld till the return of spare material.

The DAC in its meeting held on January 24-25, 2022 directed the management to resolve the matter with contractor expeditiously and share the progress with Audit. Further progress was not reported till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 928/2021-22)

1.6.13 Procurement of line hardware material from suppliers involved in alleged bid manipulation – Rs.418.37 million

According to Declaration of Fees, Commission and Brokerage etc. payable by the supplier of goods services & works, submitted with bids by bidder in the light of special condition-4 of the tender document, "the suppliers/ manufacturers certify that they have made and will make full disclosure of all agreements and arrangements with all persons in respect of or related to the transaction with GoP." According to Special Conditions-5 of the tender documents "cartel / pool rates are strictly prohibited and the firms found in collusive practice shall be dealt under PPRA Rules/ PEPCO instructions."

In HESCO, distribution line hardware material valuing Rs.418.37 million was procured from the four (4) manufacturers / suppliers i.e. M/s Ajmer Electric, M/s Al-Shams Engg, M/s Climate Engg and M/s A.M Associates Pvt. Ltd. These firms were involved in alleged bid manipulation as disclosed by Inquiry Report of Competitive Commission of Pakistan dated June 8, 2020. The inquiry report highlighted that these manufacturers were working under the umbrella of a Contractors and Manufacturers Association, which fell under the definition of "Prohibited Agreements" under section-4 of the Competitive Commission Act, and were involved in bid manipulation / suppression / rotation through collusive practices for achieving market sharing. Hence necessary action was required to be taken against these manufacturers in the light of provisions of tender documents for not disclosing agreement with Contractors and Manufacturers Association but the same was not done.

Violation of provisions of tender documents resulted into procurement of distribution line hardware material from manufacturers involved in alleged bid rigging valuing Rs.418.37 million during the financial year 2019-20.

The matter was taken up with the management and reported to the Ministry in November, 2020. The management replied that implementation on inquiry committee's recommendations is under process and Audit would be intimated accordingly.

The DAC in its meetings held on January 24-25, 2022 directed the management to furnish the record of action taken to Audit within 15 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers / officials responsible for delay in implementation of inquiry committee's recommendations.

(Draft Para No. 682/2020-21)

1.6.14 Unjustified issuance of performance certificate to the contractor – Rs.325.34 million

As per Clause-10(ii) of Purchase Order dated 12.01.2018 "10% of the value of the AMI Meters will be paid on Individual Meter Installation, Testing and Commissioning (Certificate to be issued by concerned SDO (Opr) XEN (Op) & S.E. (Op), iii) 10% of the value of Meters will be paid upon Successful Commissioning, Operation and Acceptance of AMI System (Acceptance Certificate to be issued by Committee constituted by Chief Executive Officer SEPCO, iv) remaining 10% of the value of Meters on completion of (01) year "Satisfactory Performance" (Project Acceptance Certificate to be issued by Committee constituted by Chief Executive Officer SEPCO".

In SEPCO, a Purchase / Work Order for design, supply, installation and commissioning of Advanced Metering Infrastructure was awarded to M/s KBK Electronics (Pvt) Ltd, Lahore for an amount of Rs.325.34 million on 12.01.2018. The supplier was required to install 17,167 Single Phase, 3-Phase & Time of Use (TOU) Energy Meters in Sukkur, Larkana and Dadu Circles with warrantee period of (36) months. The manager MIS vide No. Mang: (MIS)/SEPCO/Admn /2458-63 dated Novemember 10, 2020 pointed out poor performance of Installed AMR Meters and intimated that communicated meters were sub-standard. Out of 10,232 installed meters, 3,711 Meters (36.27%) were muted within only (09) months of their installation. However despite poor performance of AMI Meters, “Satisfactory Performance (Project Acceptance Certificate) was issued to the contractor which resulted into undue favour to the contractor.

Non-adherence to Clause of the Purchase Order resulted into un-justified issuance of Performance Certificate just to release payments of the contractor amounting to Rs.325.34 million during the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in December, 2021. The management replied that a number of meetings were held between M/s. KBK & SEPCO regarding other issues including Non-communicated/muted meters. It was clarified by M/s. KBK that meters were being non-communicated/muted due to failure of power supply, network problem and weak signals. M/s KBK has performed job as per agreement.

The DAC in its meetings held on January 24-25, 2022 directed the management to inquire the matter by PPMC for fixing responsibility and report be submitted within 60 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC’s decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 387/2021-22)

1.6.15 Irregular award of purchase orders at higher rates – Rs.315.48 million

According to Rule-4 of PPRA Rules 2004 Principles of Procurement, “Procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical”.

In PMU QESCO, a Purchase Orders for supply of ZM-30 and ZM-60 type towers amounting Rs.306.52 million (Tender No. STG-666) was awarded to M/s. Associated Technologies (Pvt.) Ltd. Similarly another Purchase Order dated 14.04.2021 for supply of Control Cables amounting Rs.8.96 million (Tender No. STG-678) was awarded to M/s Newage Cables (Pvt.) Ltd. As per comparative statements ***(Annexure-D)*** of both the tenders, the bidders M/s. Specialist Group Inc: Lahore and M/s Pioneer Cables Karachi were lowest. The competent authority awarded the contract to the highest bidders, which was a violation of PPRA rules.

Non-adherence to the PPRA Rules resulted into irregular award of purchase orders at higher rates amounting to Rs.315.48 million during the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in December, 2021. The management replied that the bid evaluation of two tenders were made as per PPRA Rules.

The DAC in its meetings held on January 24-25, 2022 directed the management to get the evaluation reports verified from audit within 15 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 748/2021-22)

1.6.16 Misprocurement of HT steel structures due to cartelization of bidders – Rs.287.47 million

According to Para-3 (2) of The Competition Act-2010, "An abuse of dominant position shall be deemed to have been brought about, maintained or continued if it consists of practices which prevent, restrict, reduce, or distort competition in the relevant market". As per Rule-2 (f), Definitions, of Public Procurement Rules-2004, "corrupt and fraudulent practices" includes collusive practices among bidders (prior to or after bid submission) designed to establish bid prices at artificial, non-competitive levels and to deprive the procuring agencies of the benefits of free and open competition".

In LESCO, a tender for procurement of 6500 HT steel structures by splitting into two (2) lots each for 3250 was opened on July 24, 2020. Two manufacturers had participated. M/s A.W Engineering had quoted the rates for Lot-I & and M/s A.M Engineering offered a price for Lot-II. Both the competitors had quoted almost the same rate of Rs.39,786 /HT Structure. This was clearly evident of their collusive practice / cartelization to distort open competition, for which no action was taken by the management. Accordingly, two purchase orders amounting to Rs.287.47 million were placed upon the said firms. Had the tender not been split up into lots, the manufacturers could not had taken the advantage of their dominant position by offering collusive rates.

Non-adherence to the Competition Act-2010 and Public Procurement Rules-2004 resulted into misprocurement of 6500 HT steel structures amounting to Rs.287.47 million due to collusive practice / cartelization of bidders during the financial year 2020-21.

The matter was taken up with the management in November, 2021 and reported to the Ministry in December, 2021. The management replied that PPRA did not restrict to divide the tender into lots and procurement was made in healthy competition in line PPRA rules. The reply was not tenable because procurement was not in line with provision of the competition act 2010 and both suppliers quoted rate of selected lot irrespective of both lots. Moreover, as per Rule-2 (f), Definitions, of Public Procurement Rules-2004, "corrupt and fraudulent practices" includes collusive practices among bidders (prior to or after bid submission) designed to establish bid prices at artificial, non-competitive levels and to deprive the procuring agencies of the benefits of free and open competition".

The DAC in its meetings held on December 30-31, 2021 directed the management to seek clarification from Public Procurement Authority and provide to audit within 15 days. Further progress was not intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 711/2021-22)

1.6.17 Unjustified payment to the contractor – Rs.186.48 million

As per General Condition-1 of Appendix-D to Bid of tender documents "The schedule of quantities shall be read in conjunction with the conditions of contract specifications and drawings. The schedules do not generally give a full description of the services to be performed under each item. Bidders shall be deemed to have read the technical specification and other sections of the Bidding documents and reviewed the drawings to ascertain the full scope of the requirements included in each item prior to filling in the rates and prices. The entered rates and prices shall be deemed to include for the full scope as aforesaid, including overheads and profits.

In EHV-II NTDC Hyderabad, a contract No. NOR-701-2019 dated 27.02.2019 for Civil work, Erection, Testing & commissioning of 220/132 kv Grid Station Jhampir-II awarded to M/S Al-Hussain Traders at a cost of

Rs.561.25 million. The contractor claimed the payment of additional work done due to change in design based on extra BOQ items under item No. 6 of associated Civil work of Section (a) which was challenged by the consultant M/S Barqaab with the comments vide letter dated 11.03.2021 issued to Project Director EHV-II NTDC Hyderabad that the Manager Design did not clarify any change in the design of foundation and super structure. The matter be proceeded as per contract provision, as there was no change of design of super structure and foundation. The foundation rate are not lump sum rate in BOQ. So the claim for additional BOQ items rate to the same foundation was not justified. By violating the consultant instructions an amount of Rs.186.48 million on account of extra work done under item No. 6 vide invoice No. 5 AHT/NOR-701/INV-07 dated 16.04.2021 has been paid to the contractor.

Non-adherence to the contract clause resulted into unjustified payment of Rs.186.48 million without executing additional civil work of Super Structure and foundation.

The matter was discussed with the management in September, 2021 and reported to the Ministry in November, 2021. The management replied that revised reply would be furnished after consulting the record.

The DAC in its meetings held on January 24-25, 2022 directed the management to furnish revised reply within 15 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to investigate the matter for fixing responsibility regarding unjustified payment to contractor without executing additional foundation civil works and change of super structure design.

(Draft Para No. 208/2020-21)

1.6.18 Non-deduction of withholding tax from the payments – Rs.165.51 million

According to Section-10 Chapter-II of Sales Tax Act-1990," if the input tax paid by a registered person on taxable purchase made during a tax period exceeds the output tax on account of zero rated local supplies or export made during that tax period, the excess amount of input tax shall be refunded to the registered person not later than forty five (45) days of filing of refund claim".

In DISCOs & NTDC, an amount of Rs.165.51 million on account of income/withholding tax was not deducted at the time of payment of contractors' claims and house acquisition bills of employees as detailed below:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs. in million)
1.	LESCO	728/2021-22	1.45
2.	PESCO	807/2021-22	5.29
3.	QESCO	754/2021-22	7.92
4.	NTDC	817/2021-22	150.85
		TOTAL	**165.51**

Non-pursuance of reimbursement claims resulted into non-deduction of withholding tax amounting to Rs.165.51 million up to the financial year 2020-21.

The matter was taken up with the management during August & September, 2021 and reported to the Ministry in December, 2021. The management of LESCO & PESCO replied that 5% amount would be recovered from third party owners regarding acquisition payments. Moreover the area where the works executed were declared exempted from income tax by FBR.

The DAC in its meetings held on December 30-31, 2021 & January 24-25, 2022 directed the management to deduct the income tax and produce relevant record to audit for verification within (30) days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's directives besides fixing responsibility upon officers/officials primarily at fault.

1.6.19 Excess payment to the contractor – Rs.146.89 million

As per clause 52.3 and clause 70.1 of General conditions of contract if the additions or deductions from the contract price are in excess of 15% of the "effective contract price" will be determined after consultation by the Engineer with the employer and the contractor. These shall be added to or deducted from the contract price such further sum as may be agreed between the contactor and the engineer.

In MP&M NTDC Lahore, it was observed from letters No. CE/MP&M/ MP/DM-1/HPP-02-2015/20783-87 dated 17.04.2020 and 1698-1701/CE/EHV/ ISB dated 15.07.2020, an amount of Rs.308.56 million was paid to the two contractors against the original contract cost Rs.258.44 million. As a result an amount of Rs.146.89 million has been paid in excess to the contractor, which is 69% and 132.57% over and above the original estimate respectively. The said expenditure was to be regularized as per contractor clause but the same was not done. Hence, unjustified payment was made to contractor in violation of contract.

Non-adherence to the contract clauses resulted intoto unjustified payment to the contractor amounting to Rs.146.89 million to the contractor.

The matter was taken up with the management in August, 2021 and reported to the Ministry in December, 2021. The management replied that the quantities given in the BoQ were estimated and provisional. However, the payments were made on actual quantities of work executed by the contractor and verified by the engineer.

The DAC in its meetings held on January 24-25, 2022 directed the management observed abnormal increase in the contract cost and directed to inquire the matter at PPMC level and report thereof may be furnished within 30 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 433/2021-22)

1.6.20 Cancellation of notified award for contract of Cranes due to mismanaged procurement – Rs.146.89 million

According to Clause 2.3.1 of Bidding Documents dealing with Contractual Experience, the bider must meet requirement of successful completion as main supplier within the last 10 (ten) years, of at least 2 (two) contracts each valued at Lot I USD 2,000,000.

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that a tender No.ADB-301D-2019 Lot-I for procurement of three (03) Cranes was opened on September 19, 2019. After issuance of NOL by ADB, BoD approved award of contract to M/s Zoomlion Pakistan (Pvt) for total price of USD 937,420/- equivalent to Rs.146.89 million on August 24, 2020. Later on, the Center of Investigative Journalism (CIJ) pointed out the non-responsiveness of the said bidder due to non-fulfilling the experience criterion. After reviewing the situation and record, ADB declared its earlier NOL void, held the bidder non-responsive and cancelled the bidding on January 04, 2021. Consequently, BoD had cancelled its earlierly issued award on April 26, 2021 but subject to fixing the responsibility and directed to come back within three weeks to present its requirements. However, no action against the responsible was forthcoming from the record. After elapse of nearly two years, the procurement process could not be materialized and caused inordinate delay.

Procurement mismanagement resulted in cancellation of notified award for contract regarding procurement of Cranes amounting to Rs.146.89 million up to the financial year 2020-21.

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that M/S Zoomlion China was mistakenly mentioned as Zoomlion Karachi Pakistan. However, withdrawal of NOL by ADB was not because of typographical error as the ADB did not accept the contracts executed by M/s Zoomlion China being manufacturer as per Clause 2.3.1, Section 3 of Bidding Document. As per need and demand for cranes, retendering process had been initiated.

The DAC in its meeting held on January 19, 2022 did not agree with the reply and directed the management to conduct a fact-finding inquiry regarding defective bid evaluation which caused withdrawal of NOL by the ADB and non-compliance of BoD directives regarding fixing of responsibility within 30 days.

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

(Draft Para No.934/2021-22[*])

1.6.21 Irregular procurement of stationery and other items – Rs. 132.34 million

According to PPRA rules 2004, Section 42 (b) (i) "Where the value of procurement is more than one hundred thousand Pakistani Rupee but does not exceed five hundred thousand Pakistani Rupee, the procuring agency may engage in procurement through request for three quotations from GST registered firms, original equipment manufacturers or authorized dealers, without resorting to bidding."

In IESCO, an amount of Rs.132.34 million was paid on local purchase of stationery items as well as other items from un-registered vendors having no

[*] *The said DP is also included in Chapter-3 of Thematic Audit*

NTN & GST numbers. In the absence of registered vendors, procurement of local purchase items as well as payment could not be termed as regular.

Non-adherence to company rules resulted into irregular procurement of stationery and other items amounting to Rs.132.34 during the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in December, 2021. The management replied that all the purchase has been made from the local market.

The DAC in its meetings held on January 6-7, 2022 directed the management to hold an inquiry at CEO IESCO level regarding purchase from un-registered vendors for fixing responsibility and submit its report within 30 days.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 695/2021-22)

1.6.22 Non-replacement of damaged equipment by the supplier – Rs.120.96 million

As per Clause No.24.2 of Special Conditions of the Contract, "should a loss be sustained the supplier shall replace or repair any loss or damage and complete the supplies of goods in accordance with the contract as soon as possible after such loss or damage without waiting for the settlement of the insurance claim."

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that a contract No.ADB-301D-Lot IV-2019 was signed on 14th May 2020 with M/s Translink International Sales Ltd for procurement and supply of three (3) units of integrated line insulator washer of 500KV and 200 Transmission lines under ADB Loan No.3677 Pak at price of US $ 2.426 million. During supply of goods, one (1) integrated live line washer unit costing US $ 0.767 million was damaged. However, after a lapse of considerable period, the supplier did not replace the damaged unit.

Non-adherence to the rules resulted in non-replacement of damaged equipment valuing Rs.120.96 million by the supplier up to the financial year 2020-21.

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that the matter has been taken up with the supplier for repair / replacement of damaged equipment.

The DAC in its meeting held on January 19, 2022 directed the management to expedite the matter.

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

(Draft Para No. 952/2021-22*)

1.6.23 Irregular procurement through variation order instead of open competitive bidding – Rs.109.92 million

As per Note-2, under Clause-B Section-II of the delegation of financial power NTDC, if the expenditure exceeded more than 15% of the estimated cost, approval of revised administrative and technical sanction was to be obtained.

In MP&M NTDC, a contract was awarded to M/s Dalian Insulator Group T&D Limited China on 28.06.2019 for the procurement/supply of 300,000 No. 160-KN & 50,000 No. 80-KN Disc Insulator at a cost of CNY 55,562,880. Subsequently, an additional order for procurement/ supply of new item 50,000 No. 100-KN Disc Insulator at a cost of Rs.109.92 million (CNY 4.630 million x 23.74) was also issued through variation order vide No. 2172-79 dated 30.07.2019. The procurement of new item was to be made through open competitive bidding but the Management procured 100-KN Disc Insulators through variation order without open competitive rates and rate analysis. Hence the procurement stands irregular.

Non-adherence to PPRA Rules resulted into irregular procurement of 100-KN Disc Insulator through variation order instead of open competitive rates amounting to Rs.109.92 million during the financial year 2019-20.

The matter was taken up with the management in November, 2020 and reported to the Ministry in December, 2020. The management replied that revised reply would be furnished after consulting the record.

* *The said DP is also included in Chapter-3 of Thematic Audit*

The DAC in its meetings held on January 24-25, 2022 directed the management to furnish revised reply within 15 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 778/2020-21)

1.6.24 Unjustified variation order against switchyard retaining wall and drainage water – Rs.98.05 million

As per Note-3, 5 & 6 of construction of associated civil works i) switchyard trenches shall be provided with gradual slope for proper disposal / drainage of rain water keeping in view the safety of other equipment in the switchyard ii) Any other item deemed necessary by the bidder for the successful completion and smooth operation of the project and not quoted above may also be quoted separately and mentioned herewith prior to the bid submission iii) Any item/ sub item and its quantity not mentioned above or not quoted separately by the bidder in his bid, shall not be paid after the award of the contract to the successful bidder

In EHV-II NTDC Hyderabad, an amount of Rs.98.05 million was made to the contractor by issuing variation order on account of retaining wall and water drain system (around switchyard). As per the above noted instructions, it was the responsibility of the contractor to provide the switchyard with gradual slope for proper disposal / drainage of rain water keeping in view the safety of other equipment in the switchyard. Contrary to this, variation order for retaining wall and drainage water valuing Rs.98.052 million was awarded to the contractor in violation to the contract.

Non-adherence to the contract clause resulted into undue favor to the contractor due to variation order for retaining wall and drainage water amounting to Rs.98.05 million during the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in November, 2021. Management replied that variation order has been approved by competent authority duly recommended by consultant. The payment would be made from the provisional sum of subject contract.

The DAC in its meetings held on January 24-25, 2022 directed the management to inquire the matter at management level and report thereof be furnished to Audit. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 302/2021-22)

1.6.25 Unjustified award of contract to single bidder in violation to PPRA Rules – Rs.77.83 million

According to guidelines of PPRA Rules-2004 (under frequently asked questions) circulated on April 22, 2010, whenever a procuring agency is confronted with such a situation whereby the rate quoted by the single bidder cannot be compared so as to declare it as the lowest rate or otherwise it may make a prudent decision. While making a decision, the following factors may be kept in view as the comparison of price of the goods, works or services if procured during the current financial year. a) Market price of the goods works and services to be procured. b) In case abnormal increase in prices is observed, the procuring agency may like to re-advertise the procurement opportunity, if time permits.

In MP&M NTDC Lahore, three contracts valuing Rs.77.83 million were awarded to the contractors. Scrutiny of the evaluation report revealed that these tenders were awarded to the single bidders in violation of PPRA Rules without any evaluation and market comparison.

Violation of PPRA's Rules 2004 resulted into unjustified award of contracts valuing Rs.77.83 million to the single bidder during the financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in December, 2021. The management replied that work was awarded with due consideration to PPRA rules and evaluation of rate analysis.

The DAC in its meetings held on January 24-25, 2022 directed the management to get the record verified from Audit within 15 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 517/2021-22)

1.6.26 Irregular reduction in tendered quantity after bidding – Rs.77.04 million

As per terms and conditions of the tender No. 174, No.5, this bid should be for full quantity of tender/lot and bid for less quantity of tender/lot will not be accepted, 7) IESCO reserves its rights to cancel/reject the conditional bid. Moreover, As per Query answered by PPRA "there is no express provision available under PPR-4 which allows to increase or decrease the quantity of items during continuation of a procurement process as same is against the spirit of PPRA rules because quantity always leads to the cost. In case of re-tendering, however quantity may be increased or decreased as it will provide level playing field to all prospective bidders. It is further added that after the completion of procurement process the procuring agency may place repeat orders which shall not exceed fifteen percent of the original procurement under rule 59(c)(iv) of PPR-14".

In IESCO, a tender No.174 was called for purchase of (71) 11KV 4-Way Pad Mounted Switches (RMU). Three (3) bidders participated in bidding process and technical bid was opened on 16.03.2020 by bid opening committee. After evaluation Chief Engineer (TSW) recommended M/s Simens Pakistan engineering Karachi technically responsive and financial bid was opened 04.05.2020. M/s Simens Pakistan engineering Karachi was declared lowest with Rs.1.15 million per unit which was 30.76% higher than the previous procurement. Later on, the supplier offered discount @ 6% per unit on its bid quoted price total value Rs.77.04 million. As per TEC recommendations, the same was forwarded to the CEO IESCO for approval. The Chief Executive Officer approved only 50% quantity of (35), whereas tender was floated for procurement of (71) 11KV 4-Way Pad Mounted Switches (RMU). The PPRA Rules only allow 15% increase during the bidding process or in case of retendering. Moreover, PPRA does not allow post bid negotiation. The decision of the authority regarding decrease in 50% as well as accepting post bid lower rates was not in line with PPRA Rules.

Non-adherence to PPRA Rules/Bidding Conditions resulted into irregular reduction in tendered quantity after bidding amounting to Rs.77.04 million during the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in December, 2021. The management replied that a proper response would be furnished within due course of time.

The DAC in its meetings held on January 6-7, 2022 directed the management to hold an inquiry at CEO IESCO level and submit its report along with recommendations within 30 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 846/2021-22)

1.6.27 Irregular payment on account of escalation to the contractor – Rs.43.28 million

As per clause 70.1 (e) of Particular Condition of Contract, if the contractor fails to complete the works within the time for completion prescribed under clause 43, adjustment of prices thereafter until the date of completion of the works shall be those the prescribed time for completion, or the current indices or prices, whichever is more favorably to the employer, provided that if an extension of time is granted pursuant to clause-44, the above provision shall only to adjustment made after the expiry of such extension of time.

In EHV-II NTDCL Multan, two (02) contracts were awarded to different contractor at cost Rs.2,484.11 million for the construction of transmission line work. The contractors were required to complete the works within stipulated time period but failed to complete the work within scheduled completion period. An amount of Rs.43.28 million was paid to the contractor on account of escalation of the extended period without the certification / verification of escalation invoices from the Engineers/ consultants of the contract. This resulted in irregular payment of Rs.43.28 million on account of escalation in violation to contract provision.

Non-adherence to the contact clause resulted into irregular payment of Rs.43.28 million on account escalation.

The matter was taken up with the management in October, 2021 and reported to the Ministry in December, 2021. The management replied that comprehensive reply would be furnished after scrutiny of record.

The DAC in its meetings held on January 24-25, 2022 directed the management to get the record verified from Audit within 15 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 516/2021-22)

1.6.28 Loss due to non-recovery of risk and cost from original contractor – Rs.34.22 million

According to Clause-63.1 of General Condition of Contract, in case of default on the part of the contractor in carrying out such instruction within the time specified therein or, if none, within a reasonable time, the employer shall be entitled to employ and pay other persons to carry out the same and all costs consequent thereon or incidental thereto shall, after due consultation with the employer and the contractor, be determined by the engineer and shall be recoverable from the contractor by the employer, and may be deducted by the employer from any monies due or to become due to the contractor and the engineer shall notify the contractor accordingly, with a copy to the employer.

In EHV-I NTDC Islamabad, a contract for construction of 500KV Double Circuit Quad Bundle Neelum-Jhelum to Domeli Transmission Line was awarded to M/s NCL-AEL JV at a cost of Rs.1,191.11 million. The contractor did not complete work. Subsequently, the remaining work was awarded to another contractor i.e. M/s National Pak Construction Company who completed the work at cost of Rs.34.22 million under NTDC Own Resources. The said amount was to be recovered from the original contractor or to be blacklisted by NTDC. But no action was taken by the management resulting loss to the stated extent.

Non-adherence to the contract clause resulted into loss of Rs.34.22 million due to non-execution of remaining works at risk and cost of original contractor.

The matter was taken up with the management in August, 2021 and reported to the Ministry in December, 2021. The management replied that the matter is subjudice in court of law. However, sufficient amount of the contractor is available to cover the risk and cost.

The DAC in its meetings held on January 24-25, 2022 directed the management to expedite the matter and get the stance verified from Audit within 15 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 442/2021-22)

1.6.29 Irregular payment on account of escalation – Rs.24.93 million

As per BoD NTDCL vide Company Secretary NTDCL Notification No.C.S/NTDC/1797-99 dated 29.08.2016 has accorded approval to grant Extension of Time (EoT) for the period 17.09.2011 to 31.10.2013 (776 days) without imposition of liquidated damage charges and without involvement of additional funds in favor of M/s ICC (Pvt) Limited Lahore.

In EHV-II NTDC Multan, a contract for tower stacking, foundations, erection, stringing, testing and commissioning of 220KV D/C twin bundle D.G.Khan-Loralai transmission line (Lot-I) under ADB Loan No.2289 (ADB-21-2009) was awarded to M/s ICC (Pvt) Limited Lahore at cost Rs.856.39 million on 12th July, 2010. The contractor was required to complete the work within 390 days i.e. upto 16.09.2011 but failed to complete the work within schedule time period. Board of Director (NTDCL) granted the Extension of Time (EoT) for the period 17.09.2011 to 31.10.2013 (776 days) subject to the condition that no liquidated damage charges will be imposed and without involvement of additional funds. Contrary to this, an amount of Rs.24.927 million was paid to M/s ICC (Pvt) Limited Lahore by the NTDCL through own resources on account of escalation vide Payment Voucher No.01 dated 31.12.2020 after the lapse of 10 years. This resulted in irregular payment of Rs.24.93 million on account of escalation in violation to BoD decision.

Non-adherence to the Authority decision resulted into irregular payment of Rs.24.93 million on account escalation.

The matter was taken up with the management in August, 2021 and reported to the Ministry in November, 2021. The management replied that EoT was granted to the contractor and price escalation was accordingly paid to the contractor.

The DAC in its meetings held on January 24-25, 2022 observed that EoT was granted with the remarks "without involvement of additional funds" DAC further directed the management to furnish the revised reply to Audit within 15 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 284/2021-22)

1.6.30 Unjustified payment to the contractor due to change in scope of work – Rs.17.81 million

As per Contract Clause 36 (b) the Project Manager shall not adjust rates from changes in quantities if thereby the Initial Contract Price is exceeded by more than 15 percent, except with the prior approval of the Employer.

In GSC IESCO, a civil work contract worth Rs.13.46 million was awarded to M/s Gravity Engineer (Pvt) Limited for construction of three (03) line bays along with extension of bus bar switchyard and extension of control at room 132 KV Fatehjang grid station under IESCO system constraints vide tender No. IESCO/PMU/CIVIL/NCB-62/2020 (LOT-II). Main estimate (Civil work + Electrical work) was prepared without prior approval of GLO/drawings. According to main estimate, three (3) line bays were approved. Later on, GLO/drawings were revised for the 4th line bay which was constructed without obtaining prior approval of the competent authority. Due to construction of 1 No. additional line bay cost of work enhanced to Rs.17.81 million from Rs.13.46 million (Rs.4.35 million) i.e 32.3% above (4.35/13.462 * 100) was paid to the contractor before revision of the estimate.

Non-adherence to the Contract Clause resulted into un-justified payment of Rs.17.81 million to the contractor during the financial year 2020-21.

The matter was taken up with the management in July, 2021 and reported to the Ministry in October, 2021. The management replied that 4th Line Bay was added for shifting of load on Ahmdal circuit from new Bus Bar. Design drawing of the same has already been approved on 29-10-2020. Case for revision of estimate is in process. The same has been submitted to C.E. (Development) IESCO.

The DAC in its meetings held on January 6-7, 2022 directed the management to get verified the record from audit within 15 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 122/2021-22)

1.6.31 Substandard purchase of distribution transformers– Rs.16.70 million

According to Clause-38b(2) of PPRA Rules 2004 “The procuring agency shall make a decision with due diligence and in compliance with general principles of procurement like economy, efficiency and value for money”.

In IESCO, 518 distribution 50 KVA transformers were procured from M/s W.O.E, out of which (97) transformers were damaged within warranty period i.e 18.7% of total quantity of transformers. The frequency of damage showed that due diligence was not exercised in procurement of transformers.

Non-adherence to the Rules resulted into substandard purchase of power transformers worth Rs.16.70 million in the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in December, 2021. The management replied that the as per Clause-9 of purchase order, the firm is bound to repair damaged transformers free of cost within warranty period whereas the firm has repaired and supplied 85 No. transformers out of 97 damaged transformers within warranty period and remaining 12 No. transformers will be recovered soon.

The DAC in its meetings held on January 6-7, 2022 directed the management to hold an inquiry at CEO IESCO level and submit its report along with recommendations within 30 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC’s decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 657/2021-22)

1.6.32 Unjustified deletion of type test clause from purchase order – Rs.15.66 million

As per Type Test Requirement Policy of NTDC, the validity of the Type Test Reports shall be 10 years from the date of issuance of reports. However, fresh Type Tests shall be required/repeated if, a) the applicable standards have changed, b) the validity of the Test Reports has expired, c) the material used for the manufacturing has changed, d) the design has changed, e) the sub-contractors/suppliers have changed, f) the manufacturing process has changed, g) country of origin has changed, h) manufacturing facility has changed.

In PMU SEPCO, a Purchase Order No. 1480-87 dated 29.10.2020 valuing Rs.15.66 million for procurement of Control Panels (CP-30 & CP-50) was issued to M/s Siemens Pakistan, Karachi. As these panels were subject to Type Test, the suppliers provided the expired Type Test Report which was issued in 2008 (validity of type test report for ten years). The subject matter was neither discussed in the Bid Evaluation Report carried out by CE (TSW) Islamabad nor the subject clause was included in the Purchase Order which require the subject Type Test. The deletion of said clause from PO was unjustified and cannot be termed as regular.

Non-adherence to the Clauses of Type Test Requirement Policy of NTDC resulted into unjustified deletion of Type Test Clause from Purchase Order amounting to Rs.15.66 million during the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in November, 2021. The management replied that all procurement is being done according to PPRA & other procurement rules.

The DAC in its meetings held on January 24-25, 2022 directed the management to conduct enquiry at its own level for fixing responsibility and submit report within 30 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 268/2021-22)

1.6.33 Irregular award of contract due to inaccurate bid evaluation – Rs.14.90 million

According to type test requirements of the bidding documents, "the supplier shall offer only pre-type tested equipment from the specified testing laboratories. Further no Inspection Reports issued by any STL member lab shall be acceptable. Only those type test reports of the equipments shall be acceptable, which have been performed at the premises of the STL members."

In PMU SEPCO, bids for Tender NCB-S-02/2019 (Lot-IV) for procurement of 132KV Lightening Arrester with SSS were opened on March 10, 2020. The bid evaluation report of the said tender revealed that the bidder M/s EMCO, Lahore furnished type test reports from Chinese independent laboratory along with its bid. The said type test report was deficient as the same was not in line with the type test requirements of the bidding documents wherein type test report from STL member laboratory was required. Further the contractor also failed to furnish end user certificates of different clients in order to substantiate quality of the offered material. Since the bidder failed to adhere to the requirements of the bidding documents, its bid was required to be declared as “Non-responsive” but contrary to this contract valuing Rs.14.90 million was awarded to the said bidder.

Violation of the provisions of bidding documents resulted into irregular award of contract valuing Rs.14.90 million due to inaccurate bid evaluation during the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in December, 2021. The management replied that type-test reports of offered type lightening arrestor from Chinese independent lab is available. Audit contended that Chinese independent lab is not accredited by STL. Moreover, the end user certificate of different clients was not provided.

The DAC in its meetings held on January 24-25, 2022 directed the management to submit revised reply within 15 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC’s decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 388/2021-22)

1.6.34 Loss due to non-invoking of contractual provision for change orders – Rs.14.85 million

According to Clause-33.3 of Section-IV: Part-II: Particular conditions of Contract CPP-04M(R)-2017, “The Purchaser may increase or decrease the quantities of Goods to the extent of 15% of the Contract Price during currency of the Contract without any change in the unit price or other terms and conditions of the Contract”.

During the thematic audit of procurement and contract management in NTDC for the FY 2020-21 on test check basis, it came to notice that two contracts i.e. CPP-04M-R-2017 Package II (Lot-I) and Package-III (Lot-I) for procurement of 245 & 247 Steel Towers 500 kV were awarded to M/s Nanjing Daji China at unit cost of US $ 43,612/- and US $ 40,743/-. Since there was a significant difference of US $ 2,869/- per unit cost of both the contracts, it was in favour of the company to invoke the contractual provisions for change order @ 15% by adjusting quantities of both the contracts but the same was not done. The same situation prevailed in case of CPP-04M-R-2017 Package-II (Lot-II) and Package-III (Lot-II) for procurement of All Aluminum Alloy Conductor (AAAC) Greely Conductor wherein there was a difference of US $ 107/- per unit cost of both these contracts. Resultantly, the company had to suffer a loss of Rs.14.85 million (11.677 + 3.168) due to procurement of 500 kV Towers and AAAC Greely Conductor at higher rates by not adjusting the quantities of the contracts.

Non-invoking of contractual provisions for change orders resulted into loss of Rs.14.85 million due to procurement of material at higher rates.

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that the basic purpose of Clause No. 33.3 was to cater for any unforeseen contingencies in supply of material. This was included in line with the proposition of "Repeat Orders" as per PPRA Rules. In case the advantage of this clause was achieved, there would have been no room for variation in quantities in case of any contingency or urgency. Audit contended that had the contract clause for variation order been invoked by prudent contract management, loss on account of payment of higher cost could have been avoided.

The DAC in its meeting held on January 19, 2022 directed the management to ensure compliance to variation clause in future purchase orders.

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

(Draft Para No. 944/2021-22*)

1.6.35 Unjustified obtaining of performance guarantee for lesser amount – Rs.14.70 million

According to GCC Clause-4.2 and PCC of the Contract No.ADB-78-2015(Lot-I), "the performance guarantee will be in the form of an unconditional bank guarantee in the account(s) of ten percent (10%) of the accepted contract amount".

In NTDC, a contract ADB-78-2015(Lot-I) valuing Rs. 622.82 million for civil work, erection, stringing, testing and commissioning of 220 kV

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* *The said DP is also included in Chapter-3 of Thematic Audit*

Transmission Lines for Grid Stations at D.I Khan and Lalian under Loan No. 3203-Tranche-IV was awarded to M/s ICC Pvt Ltd Lahore on May 04, 2016. Accordingly a performance bank guarantee for an amount of Rs.62.28 million was received from Contractor. Later on, contract price was extended up to Rs.769.86 million but instead of getting the extended performance bank guarantee of Rs.76.98 million, the performance bank guarantee of Rs. 62.28 million, at the original contract price, was obtained valid up to May 29, 2020. Hence, obtaining of performance bank guarantee for lesser amount i.e. Rs. 14.70 million (Rs. 76.99 million – Rs. 62.28 million) was unjustified.

Non-adherence to the contract clauses resulted into unjustified obtaining of performance guarantee for lesser amount - Rs. 14.70 million up to the financial year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that the amount of performance guarantee was not revised in the light of contractual provisions as increase in contract price was below the limit of 25%.

The DAC in its meeting held on January 24-25, 2022 directed the management to get its stance verified from audit. Further progress was not reported till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 904/2021-22)

1.6.36 Non-execution of works at the risk & cost of the original contracts – Rs.13.87 million

According to Clause 12.1 (Default by Contractor) if the contractor abandons the work, refuse or fails to comply with a valid instructions of the engineer/employer fails of proceed expeditiously employer may terminate work. The contractor shall then demobilize from the site leaving behind any contractor's equipment to be used for the completion of the works at the risk and cost of the contractor.

In SEPCO, two (02) Work Orders amounting to Rs.13.87 million were awarded to different contractors for construction works. The contractor was required to complete the work within stipulated time period from the date of commencement of work. Instead of completing the works, both the contractors abandoned the works at sites. The remaining works were to be executed at the risk and cost of the original contracts contractually but the same was not done. Furthermore the management also did not forfeit the security call deposits of the contractors amounting to Rs.0.693 million.

Non adherence of contract agreement resulted into non-execution of works at risk and cost of the original contracts amounting to Rs.13.87 million during the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in November, 2021. The management replied that 1 No. work would be completed and LD would be deducted accordingly. While in 2nd case, the matter was being taken up with concerned contractors to execute the remaining works without further loss of time.

The DAC in its meetings held on January 24-25, 2022 directed the management to get the stance verified from audit within 15 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 265/2021-22)

1.6.37 Irregular acceptance of expired type test report by bid evaluation committee – Rs.12.06 million

As per Type Test Requirement Policy of NTDC, the validity of the Type Test Reports shall be 10 years from the date of issuance of reports. However, fresh Type Tests shall be required/repeated if, a) the applicable standards have changed, b) the validity of the Test Reports has expired, c) the material used for the manufacturing has changed, d) the design has changed, e) the sub-contractors/suppliers have changed, f) the manufacturing process has changed, g) country of origin has changed, h) manufacturing facility has changed.

In PMU SEPCO, a tenders No.NCB-S-07/2020 (Lot-I & IV) for procurement of Transformer Differential Relay & DC Supervision Relay was opened on 02.12.2020. Four (04) bidders participated in the bidding process. The bidding documents along with bids prices were sent to the Chief Engineer (Technical Services), FESCO for evaluation. After evaluation the Chief Engineer (TS), FESCO sent its report with the remarks that approval of E-Lab Supervision Relay from System Protection Lab was not found attached with bid. Instead of fresh approval, M/s. Epesol (Pvt) Ltd, Lahore provided approval dated 02.03.1999. The same was accepted by the Chief Engineer (TS) FESCO. The Chief Engineer PMU issued Purchase Order No.2210-17, dated 16.06.2021 valuing Rs.12.058 million to M/s. Epesol (Pvt) Ltd, Lahore. Audit holds that undue favour was extended to the supplier by accepting 22 years old approval which was unjustified/irregular. Irregular evaluation of bid made by the Chief Engineer (Technical Services), FESCO and purchases of material their on required justification.

Non-adherence to the clause of Purchase Order and Type Test Requirement Policy of NTDC resulted into illegal acceptance of expired approval in bid evaluation report valuing Rs.12.06 million up to the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in November, 2021. The management replied that on the recommendations of TSW, IESCO, Islamabad E-Lab DC Supervision Replay was accepted.

The DAC in its meetings held on January 24-25, 2022 directed the management to conduct inquiry at its own level for fixing responsibility and submit report within 30 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 296/2021-22)

1.6.38 Irregular award of purchase order – Rs.11.28 million

As per Chief Engineer (D&S) NDC instruction and S.R.O. 827(1)/2001, dated 03.12.2001 issued by Ministry of Commerce, Government of Pakistan, "tender documents may not be issued to such new companies till the completion of educational orders ad satisfactory field performance.

In SEPCO, a Purchase Order dated 04.09.20 was issued to M/s Rabee Steel Metal Works & Suppliers, Hyderabad amounting to Rs.11.28 million for procurement of Single Structure Platform. The supplier was already issued Educational Purchase Order from Material Management, HESCO in 2017. As per requirement of NTDC and SRO-827(1)/2001, the supplier was to provide Completion Certification of Educational Order and satisfactory field performance during participation in bidding of SEPCO's tender but the same was not provided by the supplier. In the absence of above repots/certificates, the issuance of Purchase Order stands irregular because undue favour was granted during the evaluation of the bid.

Non-adherence to Authority's instructions/SRO resulted into irregular award of Purchase Order amounting to Rs.11.28 million during the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in November, 2021. The management replied that the contractor was prequalified with SEPCO in category M-11 and Prototype Test Report is not needed as per (S&S) Department. The PO was awarded to the firm on the basis of various purchase orders of other DISCOs.

The DAC in its meetings held on January 24-25, 2022 directed the management to get the stance verified from audit within 15 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 219/2020-21)

1.6.39 Non-recovery of rental charges from contractors – Rs.10.97 million

According to Contract No. ADB-65-R, Package-II, the Employer (NTDC) was not responsible for providing space to Contractor for establishing warehouse/stores. According to GCC Clause 24.7 of section-7, as soon as possible after completion, the contractor shall complete all outstanding minor items so that the facilities are fully in accordance with the requirements of the contract, failing which the employer will undertake such completion and deduct the costs thereof from any monies owing to the contractor.

In NTDC, three (03) contractors M/s TBEA, ICC & Al-Hussain Trader were enganged in execution of Contract No.ADB-65-R, Package-II, ADB-68R-2013 & No. ADB-41-2009 respectively. They were required to pay the rental charges of Rs.10.97 million for utilizing NTDC space / accomodation, however, no recovery was made from them despite completion of the works.

Non-adherence to Contract Clause resulted into non-recovery of rental charges of Rs.10.97 million from contractors up to the financial year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that the outstanding amount would be deducted from the contractors' retention money / invoice.

The DAC in its meeting held on January 24-25, 2022 directed the management to expedite recovery from the contractors and share the progress with Audit. Further progress was not reported till finalization of the report.

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

(Draft Para No. 897/2021-22)

1.6.40 Irregular award of works in violation of PPRA Rules – Rs.9.97 million

According to Rule-42b (i) of PPRA Rules-2004, a procuring agency shall engage in the quotation method of procurement only, if the cost of the object of procurement is below the prescribed limit of one hundred thousand rupees.

In GSC IESCO, fifty-two (52) No. quotations works carried out from the various contractors other than main contractors. Main estimate (Civil+ electrical) of twenty five (25) No different nature of works has already been approved including the quotation works. Later on quotation works were not incorporated in contract work and the same was awarded to the contractors through tenders. Audit is a view that required extra work/material would be carried out by the main contractor through variation order instead of quotation call. Resultantly, irregular execution of work amounting to Rs.9.97 million was done due to splitting of work.

Non-observance to PPRA rules resulted into irregular award of works amounting to Rs 9.97 million up to the financial year 2020-21.

The matter was taken up with the management in July, 2021 and reported to the Ministry in September, 2021. The management replied that complete record of this office has been scrutinized in detail but such 25-No. quotations cases have not been traced out. The IR Para along with detail of works is requested from the audit for the preparation of detailed reply.

The DAC in its meetings held on January 6-7, 2022 directed the management to submit the revised reply within week. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 79/2021-22)

1.6.41 Non-recovery of disputed invoices – Rs.9.56 million

As per Power Purchase Agreement clause-5(b) "The company shall pay the invoice amount to wapda no later than 25 days after delivery by wapda of invoice for liquidated damages late payments shall bear interest at a rate per annum equal to the Base Rate plus two percent per annum (or at the Base Rate in the event that the company has notified wapda within twenty five (25) day period that it disputes such payment and pays within such twenty five days period all undisputed amounts) compounded semi annual and shall be computed for the actual number of days on the basis of a three hundred sixty five (365) day year".

In EHV-I NTDC Lahore, a low power factor penalty of Rs. 9.50 million was charged to IPP i.e Pakistan Power Company. The invoice of said amount became disputed due to non-connection of 2nd transmission line of Pakistan Power to its designated location at terminal power station Muzffargarh. Hence, a loss to the public exchequer incurred due to non-recovery of invoice.

Non-adherence to the above resulted into loss due to non-recovery of low power factor penalty during the financial year 2019-20.

The matter was taken up with the management in May, 2021 and reported to the Ministry in December, 2021. The management replied that project feasibility and load flow studies are done by the office of General Manager (PSP) NTDC and this office has only execution scope of project after its approval from the competent authority.

The DAC in its meetings held on January 24-25, 2022 directed the management to inquire the matter at PPMC level within 30 days and share with Audit. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 366/2021-22)

1.6.42 Non-imposition of penalty on ERP contractor for delay – Rs.9.31 million

As per clause 20 of the contract agreement "the contractor will be bound to complete the requisite the requisite tasks as per contract, within specified time and quality parameters. If the contractor fails to complete these task within specified time and quality parameters, FESCO shall have the rights to get the tasks completed by a third party at the cost of contractors. If the contractors are unable to execute the contract according to satisfaction then FESCO may invoke any or all of the following clauses i.e. i. Forfeit the Performance Security ii. Termination of the contract; iii or in addition, may impose a penalty which will be decided by FESCO.

In PMU FESCO, contract agreement amounting to Rs.9.31 million for Evaluation, Quality Assurance and Internal Audit Control of SAP ERP was made with M/s A.F. Ferguson on November 7, 2017. The work was to be completed within eight (8) months but M/s A.F. Ferguson & Co, failed to implement within stipulated time. However, neither the project was completed in scheduled time nor any action i.e. imposition of penalty was taken against the ERP Contractor as per contract clause.

Non-adherence to contract clause resulted into Non-imposition of penalty on ERP contractor for delay Rs.9.31 million upto the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in December, 2021. The management replied that FESCO MIS department has also processed ERP HCM Payroll of December 2021 as final Go-Live month. 50% payment is still to be paid to M/S A.F Ferguson that will be paid after Go-Live the Project.

The DAC in its meetings held on January 13, 2022 directed the management to recover the LD charges immediately from the contractor and to get the record verified from audit. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 843/2021-22)

1.6.43 Non-recovery of outstanding amount from contractors/suppliers – Rs.7.67 million

According to Rule-213 (5) of GFR, "advances made for public expenditure will be held under objection until a detailed account duly supported by vouchers is furnished in adjustment of them."

In GSC IESCO, an amount of Rs.7.67 million was recoverable from suppliers/contractors since long. The age analysis of advances indicated that this amount was outstanding from September, 2013 to April, 2018. Efforts to recover such amount were not forthcoming from the record. This state of affairs put the company in to a loss in the shape of devaluation as well as less recovery from the sponsors. The background of outstanding amount was not found from record.

Non-adherence to government rules resulted into the non-recovery of outstanding amount of Rs.7.67 million from the contractor/ suppliers and sustained loss to the stated extent during the financial year 2020-21.

The matter was taken up with the management in July, 2021 and reported to the Ministry in September, 2021. The management replied that after the consultation of record, reply would be furnished.

The DAC in its meetings held on January 6-7, 2022 directed the management to submit the revised reply within week. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 80/2021-22)

1.6.44 Non-recovery on account of testing and commissioning at Matiari Convertor Station – Rs.6.62 million

As per the Section 8.2 and 8.3 of the Transmission Services Agreement signed between NTDC and the Project Company i.e M/S PMLTC. Tests prior and after synchronization of the HVDC transmission project shall be carried out by the contractor in the presence of Engineers and witness by the purchaser

In HVDC (NTDC) Hyderabad, an amount of Rs.6.62 million on account of testing of AC yard equipment's, protection relays and end to end testing, was conducted by the HVDC NTDC management through the O/o the Chief Engineer TSG South NTDC Hyderabad w.e.f February, 2020 to November, 2020. The invoices amounting to Rs.6.62 million for services provided by the concerned office were submitted to the M/s PMLTC for payment. Even after CoD on 01.09.2021, the amount of Rs.6.62 million was not paid by the Project Company PMLTC to NTDC.

Non-adherence to the agreement resulted into non-recovery of Rs.6.62 million on account of testing and commissioning during financial year 2020-21.

The matter was taken up with the management in August, 2021 and reported to the Ministry in November, 2021. The management replied that the invoices raised by TSG South which is chargeable to Chief Engineer HVDC Lahore is invalid and no payment chargeable to PMLTC in this case.

The DAC in its meetings held on January 24-25, 2022 directed the management to get the stance verified from Audit within 15 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 287/2021-22)

1.6.45 Unjustified change of purchase order clause to decrease quantity – Rs.6.11 million

As per Clause-B (viii) of Purchase Order No. 09/610 dated 24.03.2021 "SEPCO reserves the right to increase 15% quantity of this Purchase Order, as per PPRA Rules. Moreover, as per query answered by PPRA "there is no express provision available under PPR-4 which allows to increase or decrease the quantity of items during continuation of a procurement process as same is against the spirit of PPRA rules because quantity always leads to the cost. In case of re-tendering, however quantity may be increased or decreased as it will provide level playing field to all prospective bidders. It is further added that after the completion of procurement process the procuring agency may place repeat orders which shall not exceed fifteen percent of the original procurement under rule 59 (c)(iv) of PPR-14".

In SEPCO, a Purchase Order dated 24.03.2021 was issued to M/s Transfopower Industries (Pvt.) Ltd, Lahore for procurement of 50,000 static single phase electricity meter amounting to Rs.61.13 million. Contrary to the Rules, the authority solicited the approval for reduction of 5,000 electricity meters in Purchase Order. The PPRA Rules only allow 15% increase during the bidding process or in case of retendering. Furthermore the M/s Transfopower, Lahore vide its letter dated 01.07.21 also refuse to reduce the quantity as the meters were ready for final inspection. The decision of the authority was the result of poor planning and against PPRA Rules.

Non-adherence to Purchase Order Clause resulted into illegitimate change of Purchase Order clause against PPRA to the extent of Rs.6.11 million during the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in November, 2021. The management replied that as per bidding documents Clause-8, SEPCO reserves the right to increase / decrease the quantity to purchase at the time of award or during the currency of contract. Audit contended that the management cannot decrease the quantity as per PEPRA Rules.

The DAC in its meetings held on January 24-25, 2022 directed the management to get the stance verified from audit within 15 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 324/2021-22)

1.6.46 Irregular procurement of Aluminum Tubular Conductor without type tests & factory acceptance tests

According to clause-4 of Section 6 (Employer's Requirement) of Bidding Documents of ADB-41-2009, "The ordered plant / equipment shall be subjected to tests as per relevant provisions of the specifications."

In NTDC, an EPC Contract ADB-41-2009 for procurement of Rohri Grid Station was awarded to M/s Chint Electric Company Ltd. According to provisions of contract documents, all the items / equipments of the project were subject to tests as per relevant provisions of specifications. However, the Contractor had submitted inappropriate / incomplete TDS and type test reports of Aluminum Tubular Conductor manufactured by M/s Guangzhou White Lotus Electric Power Equipment Co. China thrice but the same were not accepted by the Manager Design. Later on, waiver of type tests / factory acceptance tests was granted with condition to perform certain tests from local laboratory. But the contractor failed to perform all the specified tests. Since, the said Chinese-make material was being installed for the first time in NTDC system—complete tests in the light of specifications mentioned in the contract agreement were mandatory. It was noticed that inspite of rejection, the offered material was accepted in lieu of extended warranty.

Non-adherence to the provisions of contract agreement resulted into irregular procurement of Aluminum Tubular Conductor without type tests & factory acceptance tests up to the financial year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that due to urgency, waiver of type / factory acceptance tests was granted with the condition that all the tests would be performed after procurement and the same was performed except one test for which extended warranty of 5 years was obtained. Audit contended that the contractor failed to perform all the specified tests for the material being installed for first time in NTDC system. The obtaining of extended warranty in lieu of specified tests was not in line with the contractual provisions.

The DAC in its meeting held on January 24-25, 2022 did not agree with the reply and directed the management to provide detailed / revised reply. No reply was furnished up till finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 906/2021-22)

1.6.47 Irregular acceptance of 11 KV termination kits without KEMA's final inspection type test report

According to the Minutes of Pre-Award Meeting against Tender No. ADB-67R-2012, for procurement of 220 KV AIS Mansehra, "the contractor i.e. M/s Chint Electric Co. Ltd. confirmed to provide requisite Type Test Reports or carryout the Type Tests during project execution stage complying with the specified requirement and the relevant clauses of the Bidding/ Contract Documents for the specified equipment/ materials.

In NTDC, a turnkey Contract ADB-67R-2012 valuing CNY 65.86 million + Rs.172.90 million for design, manufacturing, supply, erection, testing and commissioning of 220 KV Substation Mansehra was awarded to M/s Chint Electric Co. Ltd. According to contract agreement, the contractor was required to provide requisite type test reports of the offered material/ equipment. The contractor had submitted KEMA's inspection Type Report for 11 KV Termination Kits, which was referred to KEMA for authentication. The KEMA responded that the submitted Inspection Type Test Report was different from the

Final Report issued by it. Resultantly, the Design Office NTDC took the matter with the Contractor for provision of final KEMA's Inspection Type Test Report during June, 2016. The response of the contractor was not forthcoming from the record, in the absence of which, acceptance of Termination Kits without KEMA's Final Inspection Type Test Report was irregular.

Non-adhering to the provisions of the contract agreement resulted into irregular acceptance of 11 KV termination kits without KEMA's final inspection type test report up to the financial year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that type test reports of originally offered material were not authenticated by KEMA. However later on, the Contractor submitted the data of Raychem, Germany make Termination Kits, which were already installed in system and had proven track record. Audit contended that requisite type test reports of the offered material were required to be obtained from the contractor during the project execution stage. Further provision of suspicious type test reports by the contractor needed to be inquired.

The DAC in its meeting held on January 24-25, 2022 did not agree with the reply and directed the management to provide detailed / revised reply. No reply was furnished up till finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 908/2021-22)

1.6.48 Defective civil work for equipment foundations due to non-usage of Sulphate Resistant cement

According to SI-03.1 of Section 6-Employer Requirements of Bidding Documents, "soil conditions are such that only Sulphate Resistant (SR) cement is feasible for the civil works".

In NTDC, contrary to provisions of Bidding Documents, the contractor M/s Chint Electric Co. Ltd used Ordinary Portland Cement (OPC) in equipment foundations under Phase-I program of Rohri Grid Station. Use of OPC instead of SR Cement resulted into defective equipment foundations and put a question mark on the reliability of civil works.

Non-adherence to the provisions of Bidding Documents resulted into defective civil work for equipment foundations due to non-usage of Sulphate Resistant cement up to the financial year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that as per contractual provisions, the contractor could form its own opinion regarding the character of the work and of the materials as per soil conditions to meet with the specifications and satisfaction of the employer. Audit contended that Bidding Documents clearly stated usage of only Sulphate Resistant (SR) cement for civil works.

The DAC in its meeting held on January 24-25, 2022 did not agree with the reply and directed the management to provide detailed / revised reply. No reply was furnished up till finalization of report.

Audit recommends that the management needs to inquire the matter for fixing responsibility regarding usage of unspecified cement in equipment foundations by the Contractor in violation of Contractual provisions.

(Draft Para No. 915/2021-22)

1.6.49 Irregular procurement of shield wire hardware assembly from banned manufacturer

According to Manager (Proc) PMU MEPCO vide letter No 8253-55/M (Proc)/061241 dated August 13, 2015, MEPCO had imposed ban on M/s Shaheen Traders, Pakistan.

In NTDC, a turnkey Contract ADB-67R-2012 valuing CNY 65.86 million + Rs. 172.90 million for design, manufacturing, supply, erection, testing and commissioning of 220 KV Substation Mansehra was awarded to M/s Chint Electric Co. Ltd. The contractor requested for change of manufacturer for supply of Shield Wire Hardware Assembly to M/s Shaheen Traders Pakistan on September 19, 2017 with the justification that they had already used same material of D-Shackle for Tension and Suspension Assembly from the same manufacturer. In response, the Design Office refused to approve the said manufacturer being banned by MEPCO. The justification furnished by the Contractor for change of manufacturer revealed that he had procured Shield Wire Hardware Assembly from the said banned manufacturer, which was irregular.

Procurement of Shield Wire Hardware Assembly from banned manufacturer without the approval of Employer was irregular up to the financial year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that shield wire hardware assembly for 220 KV Grid Station NTDC Mansehra was procured from M/S “SUBCON” and installed at site. Audit contended that the contractor while requesting change of manufacturer stated that they had already used same material from the proposed manufacturer.

The DAC in its meeting held on January 24-25, 2022 did not agree with the reply and directed the management to provide detailed / revised reply. No reply was furnished up till finalization of report.

Audit recommends that the management needs to inquire the matter for fixing responsibility regarding procurement of Shield Wire Hardware Assembly from banned manufacturer by the Contractor.

(Draft Para No. 909/2021-22)

1.6.50 Non-preparation of annual procurement plan in NTDC

According to Rule-8 & 9 of Public Procurement Rules, 2004, “all procuring agencies shall devise a mechanism, for planning in detail for all proposed procurements and shall announce it for each financial year for proceeding accordingly without any splitting or regrouping by advertising in advance on the Authority’s website as well as on the website of the procuring agency.

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that the procurements in NTDC were at large scale and highly diversified through multi-contractual or Engineering Procurement Construction (EPC) / Turn-key contractual approaches financed through foreign development partners / local financial institutions and utilizing own financial resources. However, NTDC entered into fifty two (52) contracts amounting to Rs.70,000 million during the F.Y 2020-21 without any annual procurement plan.

Non-adherence to the PPRA Rules resulted in non-preparation of annual procurement plan in NTDC during the F.Y 2020-21.

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that 5-year Procurement Plan was under preparation and would be submitted for approval in due course of time.

The DAC in its meeting held on January 19, 2022 did not agree with the reply and directed to prepare annual procurement plan as required by PPRA within 30 days.

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

(Draft Para No. 931/2021-22*)

1.6.51 Irregular award of contract due to discriminative / stringent evaluation and qualification criteria

According to Rule-32 of PPRA, "No procuring agency shall introduce any condition which discriminates between bidders or that is considered to be met with difficulty. In ascertaining the discriminatory or difficult nature of any condition reference shall be made to the ordinary practices of that trade."

During the thematic audit of procurement and contract management in NTDC for the FY 2020-21 on test check basis, it came to notice that the evaluation and qualification criteria set for evaluating the awarded EPC contract No. ADB-401-A i.e. average annual turnover of US$ 54 million and bidder's experience for completion of 50 km 380 KV or higher voltage transmission line was stringent and discriminatory as compared to other similar nature tenders awarded by NTDC i.e. ADB-301A-2018, CASA 1000 /TL/ TW02/ Package TW02 for 500 kV HVDC line and FW(1) -002 for 500 kV Muzaffargarh Gatti T/L wherein lesser average annual turnover and bidders experience for completion of 220 kV or higher transmission lines was required. This state of affairs not only resulted into violation of PPRA Rules but also discouraged domestic bidders to participate in the bidding of the said tender. It also reflected that there was no standard bidding document prepared by NTDC with reference to evaluation and qualification criteria in similar nature contracts.

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* *The said DP is also included in Chapter-3 of Thematic Audit*

The discriminative and stringent evaluation and qualification criteria resulted in irregular award of contract due to violation of PPRA Rules as well as GoP policy regarding promotion of domestic entrepreneurship.

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that Suki Kinari project was unique in nature being involved in new type of conductor, towers and difficult hilly terrain. Therefore, bidder's experience for completion of 380 KV or higher voltage transmission and higher average annual turnover was set as qualification criteria by the NESPAK in consultation with the ADB. Audit contented that similar nature project i.e. 500 KV Neelum-Jehlum T/L was executed with the prevalent design experience of 220 KV or higher transmission line.

The DAC in its meeting held on January 19, 2022 directed the management to substantiate its stance with the contracts executed in the similar terrain.

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

(Draft Para No. 939/2021-22*)

1.6.52 Irregular enlistment of private agent in NTDC WeBOC without tendering process

According to Rule-20 of PPRA Rules, "the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works".

During the thematic audit of procurement and contract management in NTDC for the FY 2020-21 on test check basis, it came to notice that a private agent i.e. M/s PKG was approved for enlistment in NTDC WeBOC (Web based One Custom) without adopting tendering process. As the NTDC had already approved / authorized clearing agent i.e. M/s Daco International Transport Private Ltd. hence, enlisting another agent, without tendering process, would involve consequential potential impact of misusing the NTDC's NTN at later stages regarding recoveries / short payments / under invoicing / refund claims from Customs etc. The approval of enlistment of private agent in NTDC WeBOC without tendering process was irregular and depicted undue favour to M/s PKG.

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* *The said DP is also included in Chapter-3 of Thematic Audit*

Violation of PPRA Rules resulted in irregular enlistment of private agent in NTDC WeBOC without adopting tendering process.

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that no enlistment / access to Web based One Custom (WEBOC) had been granted to M/s. PKG to date. Audit contended that approval for enlistment of the said contractor without competitive bidding was granted by the MD NTDC.

The DAC in its meeting held on January 19, 2022 directed the management to furnish revised reply to Audit within 15 days.

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

(Draft Para No. 941/2021-22*)

1.6.53 Non-provision of extended warranty by the supplier

NTDC allowed 3rd party inspection for type test and pre-shipment inspection/FAT subject to provision of extended warranty of five (5) years for material delivered under the contract No.70R2-2019.

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that a contract agreement No.NOR-70-R2-2019 was signed with M/s TBEA Shenyang Transformer Group China for procurement of 07 Nos 250MVA 220/132/11KV Auto transformers for various 220/132KV substations at a cost of CNY 69.462 million. Due to prevalent Covid-19, the management of NTDC approved the request of the supplier for 3rd party inspection subject to provision for an extended warranty of five years. However, the contractor supplied the material without extended warranty and balance payment was released to him.

Non-adherence to the provision of contract resulted into non-provision of an extended warranty of equipment procured during the financial year 2020-21.

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that the manufacturer had been asked to provide the warranty certificate as per 3rd part

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* *The said DP is also included in Chapter-3 of Thematic Audit*

Factory Acceptance Test (FAT) conditions and the same would be ensured before issuance of acceptance certificate.

The DAC in its meeting held on January 19, 2022 directed the management to expedite provision of extended warranty from the contractor before release of balance payment.

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

(Draft Para No. 955/2021-22*)

1.6.54 Inordinate delay in award of contract and deficient bid evaluation highlighted by aggrieved bidder

According to Public Procurement Rules 4, Principles of Procurement, Procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that technical and financial bids against tender No.ADB-301A-2018 for procurement of plant-design, supply, installation, testing and commissioning of 500 kV transmission line Nokhar S/S- Lahore North S/S- Lahore HVDC switching / converter station were opened on November 26, 2018 and July 31, 2019 respectively. The BoD NTDC gave the approval for award of contract to M/s NETRACON-DAJI (JV) at bid Price of 7,013.63 million on September 25, 2019. However, ADB gave No Objection Letter (NOL) for award of contract to the said bidder on March 31, 2021.

After publication of evaluation results on April 02, 2021, certain grievances were shown by M/s China Electric Power Equipment & Technology. The Grievance Redressal Committee accepted the grievances and declared the M/s NETRACON-DAJI (JV) as non-responsive. Resultantly, the management issued notification of award / LOA to the next lowest responsive bidder i.e. M/s CET China on August 20, 2021 with a delay of almost three years at a price of Rs.7,472.72 million.

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* *The said DP is also included in Chapter-3 of Thematic Audit*

Inefficient bidding process resulted into inordinate delay in award of contract and deficient bid evaluation highlighted by aggrieved bidder up to the financial year 2020-21.

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that Bids evaluation / evaluation reports were concluded well within a reasonable time, however, issuance of NOL from ADB was delayed. Audit contended that inordinate time was consumed for evaluation of bids and discrepancies in bid evaluation report caused delay in grant of NOL by ADB.

The DAC in its meeting held on January 19, 2022 did not agree with the reply of management and directed to conduct holistic inquiry in the light of contents of audit para at PPMC level within 90 days.

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

(Draft Para No. 956/2021-22*)

1.6.55 Delay in procurement leading to potential risk of price hike due to non-award of contract within bid validity period

As per PPRA Rules 26 (3) the procuring agency shall ordinarily be under an obligation to process and evaluate the bid within the stipulated bid validity period. Moreover, as per PPRA Rule 4 Procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that a tender No.NOR-70M-2020 (Lot-V) for procurement of grid station material for 220/132KV Substation Jhampir-II was floated under own resources on September 28, 2020. The technical and financial bids were opened on November 03, 2020 and February 26, 2021 respectively and M/s Pakistan Cable was declared as the sole responsive bidder with bid Price of Rs.72.81 million. However, approval for award was given on April 05, 2021, after expiry of bid validity date on April 02, 2021. Meanwhile, the sole responsive bidder refused to

* *The said DP is also included in Chapter-3 of Thematic Audit*

extend its bid validity and tendering process was cancelled eventually. Later on, the retendering was made in July 2021, but no bidder participated in the tender. Hence, non-award of contract to the lowest responsive bidder within bid validity period not only delayed the procurement but would also caused risk of increase in price of material.

Inefficient bidding process resulted into delay in procurement of material leading to potential risk of price hike due to non-award of contract within bid validity period up to the financial year 2020-21.

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that price bid evaluation report was prepared and sent to GM (P&CM) on 04-03-2021 and the said office asked to prepare revised final bid evaluation reports. Accordingly, the same was prepared and sent to the office of GM (P&CM) on 22-03-2021. Audit contended that management failed to award contract within the bid validity period though the final bid evaluation report, stated to have been prepared and sent to GM P&CM on 22.03.2021 which needs to be investigated.

The DAC in its meeting held on January 19, 2022 did not agree with the reply of management and directed to conduct holistic inquiry in the light of contents of audit para at PPMC level within 90 days.

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

(Draft Para No. 957/2021-22*)

1.7 Unsatisfactory Project Management

The companies undertake different mega projects comprising of a series of sub-tasks and works. Depending upon the complexity of the project, different works were executed either through company's own project offices or through collaboration with EPC contractors for delivery of specific good / services / tasks. Based on their projected financial outlay, PC-1 form was formally made for these projects and their approval was sought from the relevant government forum. Generally, in DISCOs / NTDC, the projects aimed at enhancing and improving the electricity transmission / distribution system and allied assets of the companies.

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* *The said DP is also included in Chapter-3 of Thematic Audit*

These projects represent the strategic milestones which were set by the government for the attainment of desired goals and outcomes in the power sector.

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

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

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

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

1.7.1 Non-utilization of funds on a highly valuable project – Rs.2,449.17 million

As per Finance Division (Govt. of Pakistan) Endorsement No.FI (1)/2020-21/1120 dated 03.12.2020, a release of cash development loans to QESCO amounting to Rs.2,698.89 million was granted with the approval of President of Islamic Republic of Pakistan for a highly valuable project. According to PC-1 of the project, completion date of project was September, 2021.

In PMU QESCO, funds amounting to Rs.2,698.89 million were granted to QESCO for interconnection of Isolated Makran / Gawader area with National Grid System of Pakistan, out of which only funds of Rs.249.72 million were utilized which shows less utilization of funds amounting to Rs.2,449.17 million as well as poor execution of project.

Non-adherence to the provision of PC-1 and instructions of the Finance Division resulted into non-utilization of funds on a highly valuable project amounting to Rs.2,449.17 million up to the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in December, 2021. The management replied that the awarding of contract and procurement of material was a lengthy process which takes lot of time from preparing of bidding documents to award of work, moreover the process was also delayed due to Covid-19 and lockdowns in local/international markets.

The DAC in its meetings held on January 24-25, 2022 directed the management to get the stance verified from audit within 15 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 853/2021-22)

1.7.2 Incorrect bid evaluation by accepting deficient specific experience of bidder – Rs.1,081.74 million

According to Clause-13.4 (a) (ii) (Specific Experience) of bidding No. 350/PMU for EPC/ turnkey work regarding capacity enhancement of 132 kv transmission line circuits through re-conductoring/ replacement of existing rail conductor with High Temperature Low Sag Conductor (HTLS): i) "The manufacturer should have been manufacturing offered High Temperature Low Sage conductor for at least five (05) years and should have been successfully completed at least two (02) no. of contracts *of supply of same **offered** HTLS conductor* worldwide as per NTDC specification. Ii) *The **offered** high temperature low sag conductor* must be operating satisfactory in the field for at least two (02) consecutive years on bid opening date.

In PEPCO, an inquiry regarding the process of LESCO Tender No. 350/ PMU for EPC/Turnky works for capacity enhancement of 132 KV T/L circuit through re-conductoring/ replacement of existing rail conductor with High Temperature Low Sag (HTLS) conductor was conducted. The inquiry committee concluded that M/s LS Consortium, Korea, the lowest evaluated responsive bidder declared by bid evaluation committee, did not meet the specific experience criteria of the tender clause due to non-provision of end user certificates of offered HTLS type LSCC 550 m^2 conductor. The scenario depicted that evaluation of tender was not conducted in a fair and transparent manner and technically non-responsive bidder was declared responsive without establishing specific experience for supply and successful operation of offered HTLS type LSCC 550 m^2 conductor.

Violation of provision of tender documents resulted into incorrect bid evaluation by accepting deficient specific experience of bidder valuing Rs.1,081.74 million (US$ 5.34 million + PKR 130.418 million) (Lot-I & II) to M/s LS Consortium, Korea during the financial year 2020-21.

The matter was taken up with the management and reported to the Ministry in December, 2021. Management replied that inquiry was conducted by PEPCO and was transferred to LESCO for implementation and requested to transfer/shift para to LESCO for further pursuance.

The DAC in its meetings held on January 24-25, 2022 transfer the para to LESCO for proper reply and verification of record.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 880/2021-22)

1.7.3 Losses due non-approving the PC-I for replacement of LT Bare Conductor with ABC Cable in PESCO – Rs.410.54 million

As per Minutes of Pre-CDWP Meeting held on October 21, 2020, CDWP required from Ministry of Energy (Power Division) to present DISCO wise revenue losses and an analysis on subsidies and tariff structure to the CDWP within one month.

In Ministry of Energy Power Division Islamabad, a PC-1 for replacement of ABC cables with LT Bare conductor in PESCO was under approval from more than one year which was beneficial for reduction in line losses. The delay in the approval of PC-I was due to non-preparation of DISCO wise revenue analysis of losses as per monitoring framework. Had the PC-I was approved timely and project was completed in time, the company would have earned a profit of Rs.410.54 million each year through saving of 4089 MkWh electricity.

Non-adherence to minutes of Pre-CDWP meeting resulted into losses due to non-approving of PC-I for replacement of LT Bare conductor with ABC cable in PESCO amounting to Rs.410.54 million up to the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in October, 2021. The management replied that the delay in the approval of PC-I for project as CDWP approved the project for inclusion in PSDP at an indicative cost of Rs.2,806.4 million, without FEC subject to the condition that PESCO will carry out detailed feasibility study and modified PC-I will be reconsidered by the CDWP. Now CDWP approved the project after approval of feasibility study in January-2021.

The DAC in its meetings held on January 6-7, 2022 directed the management to get the stance verified from audit within 15 days.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 139/2021-22)

1.7.4 Irregular purchase of land for converter station at Lahore through private negotiation – Rs.350.38 million

As per Section-4 Part-II of Land Acquisition Act 1894, whenever it appears to the Collector of the District that land in any locality is needed or is likely to be needed for any public purpose or for a company, a notification to that effect shall be published in the official gazette and the Collector shall cause public notice of the substance of such notification to be given at convenient place in the said locality.

In HVDC NTDC, Lahore, a Contract for construction of HVDC Transmission Project was awarded to Pak MLTC (Pvt) Limited at a cost of Rs.1,658 million US $ (including taxes) on Build, Own, Operate and Transfer (BOOT) basis for 25 years. For the Construction of 660 KV HVDC Converter Station Lahore at Head Balloki District Nankana Sahib, the NTDC at its own, by seting aside the provision of Land Acquisition Act 1894, acquired 1144 Kanal and 02 Marla land valuing Rs.350.380 million through private negotiation. Audit held that Land Acquisition Act 1894 is intact and the land was to be acquired through Collector of the District. The question did arise that the cost of land @ 306,276/- per Kanal purchased by NTDC through private negotiation was at par the cost of land situated in the same locality or adjacent to subject land during the same period.

Non-adherence to Land Acquisition Act resulted into irregular acquiring of land valuing Rs.350.38 million through private negotiation instead of Collector of the District during the financial year 2020-21.

The matter was taken up with the management in August, 2021 and reported to the Ministry in December, 2021. The management replied that BoD NTDC had approved the acquisition of land for converter station Lahore through private negotiations to expedite the process as there were strict timelines for the completion of the project.

The DAC in its meetings held on January 24-25, 2022 directed the management to inquire the matter for acquisition of land through private negotiation in contravention to the provisions of Land Acquisition Act. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 703/2021-22)

1.7.5 Irregular transaction/activity in PESCO without approval of PC-I – Rs.279.52 million

As per Powers of PAO Regulations 2021 Rule 3. Head of financial management.—(1) The principal accounting officer shall be responsible for all financial matters relating to all offices under his administrative control and he shall be custodian and operator of the financial resources.

In Ministry of Energy (Power Division) Islamabad, M/s Newage Cable (Pvt.) Ltd. supplied ABC cable 95 MM2 4/C costing Rs.279.524 million in PESCO against purchase order No. 0701203/CEX/M(MM)/106 dated 16.07.2019 without approval of PC-I. No action was taken against the PESCO management despite the fact that the PC-I was under approval with Power Division. The situation exposed the weak internal controls of the Power Division, which may lead to litigation between the supplier and the PESCO.

Non-adherence to the rules resulted into irregular transaction/activity in PESCO without approval of PC-I Rs.279.52 million up to financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in October, 2021. The management replied that the material was procured with the approval of BoD PESCO.

The DAC in its meetings held on January 6-7, 2022 did not agree with the reply of management and directed PEPCO to inquire the matter for fixing responsibility against BoD PESCO for procurement of material without approved PC-I.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 134/2021-22)

1.7.6 Unknown whereabouts of electrical material – Rs.94.44 million

According to Section-III (1) of WAPDA Guidelines for enforcing responsibility for losses due to fraud, theft or negligence of individuals, 1982 (amended up to June 01, 2001), "all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

In various DISCOs, electrical material/equipments worth Rs.94.44 million removed from different sites/issued from stores was neither installed at other sites nor returned to stores. Hence their whereabouts were unknown. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs. in million)
1.	FESCO	207 & 705/2021-22	38.78
2.	HESCO	741/2021-22	15.81
3.	PESCO	547/2021-22	39.85
		TOTAL	**94.44**

Poor assets management resulted into unknown whereabouts of electrical material amounting to Rs.94.44 million during the financial year 2020-21.

The matter was taken up with the management during July to November, 2021 and reported to the Ministry in December, 2021. The management replied that proper reply would be furnished after receiving the supporting details from audit.

The DAC in its meetings held in December 30-31, 2021, January 13 & 24-25, 2022 directed the management to justify the matter and submit revised reply to audit within a week.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

1.7.7 Unjustified payment on account of tube well compensation to the land owners of Matiari – Rs.18.80 million

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

In HVDC (NTDC), land measuring 188 acres was required for Convertor Station Matiari and the compensation of Diesel Engine tubewell was fixed as Rs.75,000 and the compensation of diesel engine tubewell with room was fixed as Rs.100,000. The amount of Rs.18.80 million was deposited in the account of Land Acquisition Officer and paid to land owners on account of tubewell without assessing the actual existence of tubewells. The compensation of tubewell for each acre is not justified.

Non-adherence to the instruction resulted into unjustified payment of Rs.18.80 million on tube well compensation to the land owners upto financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in December, 2021. The management replied that comprehensive reply would be furnished after scrutiny of record.

The DAC in its meetings held on January 24-25, 2022 directed the management to furnished revised reply and get the record verified from Audit within 15 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 378/2021-22)

1.7.8 Irregular use of DOP funds for maintenance works – Rs.15.49 million

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

In SEPCO, six (06) maintenance works amounting to Rs.15.49 million were approved from Development of Power (DOP) budget instead of maintenance budget. The use of DOP budget for maintenance work was irregular and could not be justified as the same was meant for development of existing distribution system.

Inefficient budgetary controls resulted into irregular use of DOP budget of Rs.15.49 million for maintenance work during the year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in November, 2021. The management replied that six (06) works submitted by field formation regarding hazardous points for administrative approval under DOP/maintenance head. So, the budget incurred on six works from the head of maintenance. Audit contended that DOP funds were used for maintenance.

The DAC in its meetings held on January 24-25, 2022 directed the management to submit revised reply and get the stance verified from audit within 15 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 226/2021-22)

1.7.9 Inadmissible expenditure incurred on transportation of material – Rs.6.26 million

According to Para-8 &9.4 of Section 6-Employer's Requirements for Contract ADB-72R-2016 (Package-I-Lot-II)& ADB-72R-2016 (Package-II), "NTDC shall / supply goods plant/ equipment for the substations and the contractor shall be responsible (bear the cost) for the transportation of such goods/ plant/ equipment (stated at para-8) from NTDC's warehouses to the site.

In NTDC, while scrutinizing contracts ADB-72R-2016 (Package-I , Lot-II) & ADB-72R-2016 (Package-II) for Civil Works, Erection, Testing and Commission at 220 kV Grid Stations at D.I.Khan and Nowshera, it came to notice that a Tender Notice for "transportation, loading and un-loading of control relay panels and control cable from NTDC warehouse to D.I.Khan and Nowshera with estimated cost of Rs. 6.26 million was sent for publication on 10.05.2018. According to the provisions of contract agreement, the respective contractors were responsible for transportation of NTDC provided equipment from warehouse to site. Hence, initiating tender process and subsequent award of contract for transportation of material, for which the contractor was responsible, was not admissible and warranted recovery from the contractors. (The outcomes as a result of said publication i.e. award of contract and its cost was not made known to the audit during field audit execution. The same may be provided to ascertain the recoverable amount from the contractors).

Non-adherence to provision of contract documents resulted into inadmissible expenditure of Rs.6.26 million incurred on transportation of material from NTDC's warehouse to Project sites up to the financial year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that the contract ADB-72R-2016 was awarded for civil work and transportation was not included in the original BoQ, therefore same was arranged separately through tender after obtaining concurrence of competent authority. Audit contended that contractually, the transportation cost of goods / plant/ equipment from NTDC's warehouses to the site was the responsibility of the contractor.

The DAC in its meeting held on January 24-25, 2022 did not agree with the reply and directed the management to provide detailed / revised reply. No reply was furnished up till finalization of report.

Audit recommends that the management needs to recover the transportation cost from the contractor at the earliest.

(Draft Para No. 916/2021-22)

1.7.10 Non-preparation of PC-IV & V for the projects executed by NTDC

According to Para 1.55 of the Planning Commission Manual for Development Projects, "PC-IV form is required to be submitted at the time when the project is adjudged to be complete while the PC-V form is to be furnished on an annual basis for a period of five years by the agencies responsible for operation and maintenance of the projects".

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that the fifty five (55) projects were executed and completed during the FY 2018-19 to 2020-21, however, PC-IV & PC-V were not prepared and submitted to Planning Commission as such practice did not exist in NTDC. Hence, non-preparation of the said proforma deprived the most critical analysis of planned vs actual achievements of the completed projects.

Non-compliance to the Planning Commission Manual for Development Projects resulted in non-preparation of PC-IV & PC-V up to the financial year 2020-21.

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that the procedures were being developed for preparation of specific performas like PC-IV & V for compliance in future.

The DAC in its meeting held on January 19, 2022 directed the management to prepare PC-IV & V of all the projects executed under approved PC-I for the FY 2020-21 & 2021-22 and submit it to Planning Commission within 90 days.

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

(Draft Para No.932/2021-22**)

1.7.11 Non-revision of PC-I(s) for cost overrun / scope changing projects

According to Para 6.13 of the Manual for Development Projects (Revised 2019) of Ministry of Planning, Development and Reform, Government of Pakistan, if the total estimated cost, as sanctioned increases by a margin of 15 per cent or more, or if any significant variation in the nature or the scope of the project has been made, irrespective of whether or not it involves an increased outlay, the approval of ECNEC or competent forum shall be obtained in the same manner as in the case of the original scheme without delay.

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that in following four (04) projects comprising Transmission Lines / Grid Stations and Supervisory Control and Data Acquisition (SCADA) Phase-3 executed under foreign loan / own resources, the cost increased by more than 15% of the approved cost in PC-I. In 500 kV Substation Faisalabad West project the scope was also changed. However, the PC-I(s) were not revised through Planning Commission.

* *The said DP is also included in Chapter-3 of Thematic Audit*

(Rs. in million)

Sr. No.	Source of Funding	Description of Projects	PC-I Cost	Award Cost / Increased cost	Increase in cost	% Increase
1	NOR	Evacuation of Power from 2x1100 MW K-2/K-3 Nulear Power Plants Near Coastal Area of Karachi	7,501.41	9,115.52	1,200.69	15.17%
2	ADB	220 kV Dera Ismail Khan – Zhob Transmissionline alongwith 220 kV Zhob Substation	6,878.51	11,278.60	4,400.09	63.97%
3	JICA	500 kV Substation Faisalabad West	9,379	16,354.05	6,975.05	74.37%
4	ADB	Procurement of Plant, Design, Supply, Installation, Testing and Commissioning of of Supervisory Control and Data Acquisition (SCADA) Phase-3 and Revenue Metering System (RMS)	15,168.28 with excalation	17,784.58 (17,049.58 + PST Rs.735)	2,616.30	17.25%

Non-adherence to Manual for Development Projects resulted into non-revision of PC-I(s) for cost overrun / scope changing projects up to the financial year 2020-21.

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that PC-I of 220 kV Dera Ismail Khan – Zhob Transmission line alongwith 220 kV Zhob Substation was under process of revision whereas there was no requirement for revision of PC-I for Supervisory Control and Data Acquisition (SCADA) Phase-3 project as Punjab Sales Tax (PST) cost was not included in PC-I.

The DAC in its meeting held on January 19, 2022 directed the management to get clarification from the Planning Commission regarding inclusion of PST in PC-I cost and expedite the process of revision of PC-I.

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

(Draft Para No. 959/2021-22*)

1.7.12 Inordinate delay in project management right from planning to execution in NTDC

According to Rule-5(5) of Public Sector Companies Corporate Governance Rules-2013, "the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to

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* *The said DP is also included in Chapter-3 of Thematic Audit*

ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders".

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that there was entrenched trend of delayed completion of almost all projects right from conceptualization in PC-I to procurement process and execution. A delayed project ultimately not only led to time and cost overrun but also deprived reaping the envisaged financial, economic and technical benefits. A deep drill down analysis suggested that there were multifarious factors behind this chronic issue of delay, which could be attributed arguably to the following internal as well as external factors.

Internal Factors:-

- Lack of SOPs for restricting / setting time lines for preparation of PC-I of the projects by the Power Planning Department
- Lack of timelines for preparation of bidding documents by Design Department
- Lack of standardized bidding documents for transmission lines / grid stations triggers complaints, plethora of pre-bid clarifications and amendments.
- Use of outdated version of FIDIC Red Book-1987 for construction projects.
- Conflict of interest as the Design Department prepares the bidding documents and also performs bid evaluation.
- Lack of SOPs describing the timelines for technical / financial bid evaluation and seeking frequent extensions in bid validity period.
- Ineffective / deficient bid evaluations by Design Department and its review by Procurement & Contract Department caused revision / revisiting the bid evaluation reports in the wake of development partner's remarks / review.
- Lack of dedicated project manager leads to shifting ownership of the project management right from preparation of PC-I to arranging of finance, preparation of bidding documents, bid evaluations, award of contract and execution of project.

- Lack of priority planning / mechanism exist in NTDC and projects usually prioritized by urgency.

External Factors:-

- Non-arrangement of source of financing and acquisition of land before preparation of PC-I of the projects
- Average 02 to 03 months required for approval from Ministry of Finance and State Bank for opening of LC, which also determines the effectiveness of contract
- Right of way problems and litigations associated therewith.

Inefficient project / procurement management resulted in inordinate delay in project management right from planning to execution in NTDC up to the financial year 2020-21.

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that in order to address the external factors a separate land directorate has been established to tackle the issues of land acquisitions and ROW and to improve the LC opening timelines, the bidder were encouraged to quote in Chinese Yuan (CNY) currency to reserve the foreign exchequer of US Dollars. As regards internal factors, SOPs were introduced from time to time to improve the working of system and reduce procedural delay.

The DAC in its meeting held on January 19, 2022 directed the management to apprise the BoD for devising the appropriate policies to address the external and internal factors causing inordinate delay in project management as pointed out by Audit.

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

(Draft Para No. 961/2021-22[*])

Concluding Recommendations

Project management is a reflection of the professionalism with whom the relevant field experts can carry out a mega assignment. The above mentioned shortcomings in project management reflect poor institutional work of the

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[*] *The said DP is also included in Chapter-3 of Thematic Audit*

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

1.8 Theft / Misappropriation / Fraud

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

In the following paras, audit has stated on a sample test check basis its findings on the issue.

1.8.1 False reporting of electricity billing by revenue offices – Rs.1,217.56 million

According to note to Clause-9.11 of WAPDA Commercial Procedure, Revenue Officer is responsible for ensuring correct bank reconciliation. He will therefore, take action to correct the errors which give rise to the differences on CP-48B, before the next statement is due.

In LESCO, test checking of collection and remittance of banks with billing data as per CP-104 revealed that Assistant Manager (Customer Services), Defence and Phoolnagar regions have falsely reported billing data mentioned in CP-48 & 49 amounting to Rs.1,217.56 million. Such misrepresentation in billing data affected the fair reporting of billing statistics to higher authorities.

Non-adherence to commercial procedures manual resulted into false reporting of electricity billing amounting to Rs.1,217.56 million upto financial year 2020-21.

The matter was taken up with the management in November, 2021 and reported to the Ministry in December, 2021. The management replied that Special Audit of R.O. Defence by Internal Audit LESCO has been started and detailed report shall be produced to audit accordingly.

The DAC in its meetings held on December 30-31, 2021 directed the management to conduct special audit through internal audit department of

LESCO at the earliest and produce detailed report to audit. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 784/2021-22)

1.8.2 Doubtful record of equipment removal orders entered in MIS – Rs.1,112.13 million

According to Para-3 of Authority's circular dated April 15, 1998, "disconnections will be effected through removal of meters, transformers, span or any other equipment to ensure that no possibility of loop hole is left for unauthorized use of electricity during the period of disconnection. The equipment after having been removed from site was required to be returned to store".

In Operation Circle Laar HESCO, data analysis through Audit Command Language (ACL) showed that 34,500 Equipment Removal Orders (EROs) were issued to consumers on default of payment. ***Out of said cases, 6,284 EROs amounting to Rs.1,112.13 million ranging from 01 to 28 months were appearing without number and date, which seemed to be doubtful.*** This state of affairs showed weak and un-reliable internal control mechanism relating to data entry as ERO number was a unique feature in data punching without which system could not accept fake entries.

Non-adherence to Authority's instructions resulted into fake equipment removal orders of defaulting consumers amounting to Rs.1,112.13 million during the financial year 2019-20.

The matter was taken up with the management in September, 2020 and reported to the Ministry in December, 2020. The management replied that the necessary instructions had been given to all XENs/ROs to elaborate the matter as pointed out by audit.

The DAC in its meetings held on January 04 - 07, 2021 viewed the matter seriously and directed the management to resolve the matter within one month before the next DAC meeting and also directed the management to take action against those still in service and not to release the pension. The cases of retired personnel may be referred to investigating agencies for recoveries.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 864/2020-21)

1.8.3 Misappropriation of store material – Rs.66.44 million

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

In LESCO, difference of Rs.66.44 million was pointed out during reconciliation of ERP generated store statements and value of super subscribed cheques (SS cheques) collected from central field store during October, 2016 to August, 2020. The matter was inquired by the management and it was reported that material was misappropriated using fake documents by officers/officials of field stores. The disciplinary action against the delinquents was recommended in the inquiry which was not yet implemented.

Non-adherence to the guidelines resulted into misappropriation of store material valuing Rs.66.44 million upto the financial year 2020-21.

The matter was taken up with the management in November, 2021 and reported to the Ministry in December, 2021. The management replied that an inquiry committee was constituted to probe into the matter regarding the issuance of material beyond the value of SS Cheque in Field Store Central LESCO. The Chief Executive Officer LESCO referred the matter to FIA for investigation and initiation of criminal proceedings against all the accused.

The DAC in its meetings held on December 30-31, 2021 directed the management to conduct fresh departmental inquiry within 60 days and provide corrective measures taken and amendment in SOPs after incident. Responsibility may also be fixed upon outsourced firm / personnel relating to ERP for leakages / loopholes.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 615/2021-22)

1.8.4 Loss due to non-deposit of recovery made from domestic consumers into TESCO's accounts – Rs.50.57 million

As per Para-1.3 of Commercial Procedure, the Revenue Officer and Assistant Manager are responsible for; (i) implementing in conjunction with the Executive Engineer, the commercial policy laid down from time to time by the

Authority through the Company, (ii) efficient application of billing and collection procedures".

In TESCO, an inquiry committee was constituted to probe into the matter regarding collection of Rs.220/- per Consumer in the area of Bajour Sub Division TESCO. The Committee concluded that an amount of Rs.50.574 million was collected during 24.12.2009 to 2018 in the area of three feeders of Bajour Sub Division TESCO. The Committee further concluded that the same amount was not deposited into the accounts of TESCO. Hence TESCO sustained a loss up to the stated extent during the period from 12/2009 to 2018.

Non-observance of Commercial Procedure resulted into loss due to non deposit of recovery made from domestic consumers into TESCO's accounts amounting to Rs.50.57 million upto to the financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in December, 2021. The Management replied that the competent authority did not agree with the preliminary inquiry report and set aside its recommendations/findings. Another inquiry is under progress. Therefore, till the finalization of the inquiry report the Para may not be pressed.

The DAC in its meetings held on January 13, 2022 took stern notice of the matter of setting aside inquiry committee's recommendations and directed to immediately implement the recommendations of already conducted inquiry within 30 days under intimation to audit.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 620/2021-22)

1.8.5 Doubtful reconciliation of theft of material items – Rs.10.00 million

According to GCC contract clause 32.1 of section-7, "condition to care of facilities, the contractor shall be responsible for the care and custody of the facilities or any part thereof until the date of completion of the facilities pursuant to GCC Clause 24 or, where the contract provides for completion of the facilities in parts, until the date of completion of the relevant part, and shall make good at its own cost any loss or damage that may occur to the facilities or the relevant part thereof from any cause whatsoever during such period".

In NTDC, material comprising copper conductor 120 sq mm (5 Nos drums of earth Mesh) and 05 Nos drums of control cable and 09 pieces of tubler bus valuing Rs.10.00 million were stolen at 220 kV Loralai Grid station on August 05, 2014 at the time of energization of grid station as reported by SE GSO Circle, Quetta vide letter No. 1085 -91 dt. 12.12.2014 to the DOP Loralai. However, no action was taken by the employer i-e PD EHV-II, Hyderabad and the contractor M/s Siemens. Further handing / taking over of material was made between both the parties on May 19, 2015 after 2 years since energization of Grid Station and reconciliation on theft material items was made without any settlement. Subsequently, SE GSO brought the matter into the notice of higher ups with punch list items vide letter No. date. 25.05.2015 but no action was taken by the management.

Non-adherence to Contract Clause resulted into doubtful reconciliation of theft material items Rs.10.00 million up to the financial year 2019-20.

The matter was taken up with the management on September 25, 2020 and reported to the Ministry on December 29, 2020. The management replied that the issue had already been taken in DP-594/2015-16. However, inquiry was under process and audit would be updated after its finalization.

The DAC in its meeting held on January 24-25, 2022 directed the management to expedite the inquiry and furnish its report to audit for review. Further progress was not reported till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 920/2021-22)

1.8.6 Excess withdrawal of material by tempering / manipulating store requisitions – Rs.9.80 million

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

In LESCO, electrical material valuing Rs.9.80 million was withdrawn by manipulating store requisitions illegally by the line staff. Evaluation of internal controls regarding sanctioning, withdrawal and recording of material in the relevant books revealed that controls were breached in ERP module and showed weak cross referencing, over recording and consumption of material. However, neither the material was returned nor any administrative / disciplinary action against the concerned officers/officials was taken.

Non-adherence to authority's instruction resulted into loss of the Rs.9.80 million to the Company due to excess drawal of material by tempering/ manipulating store requisition up to the financial year 2020-21.

The matter was taken up with the management in November, 2021 and reported to the Ministry in December, 2021. The management replied that Para is duplicate with DP-615/2021-22. The reply was not tenable as issue is related with breach of internal control in ERP module of material.

The DAC in its meetings held on December 30-31, 2021 directed the management to produce record in support of its stance to audit within a week. Further progress was not intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 707/2021-22)

1.8.7 Unauthorized installation of connections in un-electrified area – Rs.7.00 million

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

In Operation Circle Southern LESCO, as per letter of explanation by S.E. Operation South Circle, served to Mr. Muhammad Rasheed LS-I of Kahna Sub Division LESCO, illegal connections were given to 293 consumers through installation of un-authorized LT line in un-electrified area. The illegal installation of connections in un-electrified area caused revenue loss of Rs.7.00 million to the company, as assessed by the inquiry committee.

Non-adherence to Authority instructions resulted into unauthorized installation of connections in un-electrified area amounting to Rs.7.00 million up to the financial year 2020-21.

The matter was taken up with the management in August, 2021 and reported to the Ministry in November, 2021. The management replied that on recommendation of inquiry report under Convenership of Director (M&S) LESCO, Disciplinary actions have been initiated against officers and officials.

The DAC in its meetings held on December 30-31, 2021 directed the management to provide inquiry report to audit within 30 days. Further progress was not intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 344/2021-22)

Concluding Recommendations

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

1.9 Unsatisfactory management of Foreign-Aided Loan initiatives

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

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

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

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

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

1.9.1 Non-repayment of foreign loan liabilities – Rs.21,032.99 million

As per Economic Affairs Division (budget section) Islamabad letter No. 6-16(5)/DMR-II/2011 dated 21st May, 2019 the overdue amount on account of principal, interest and Exchange Risk Fee against foreign loans relent to DISCOs was to be deposited to the Government Treasury and paid challan in original duly verified from the Federal Treasury Office/DAO concerned to be sent to EAD for confirmation and record.

In various DISCOs, an amount of Rs.21,032.99 million was overdue / outstanding for payment on account of principal, interest and exchange risk free against foreign relent loans as intimated by Economic Affair Division (EAD). Non-payment not only resulted into increased liability/obligation on the part of DISCOs but it also enhanced the amount of interest due to accumulated outstanding principal amount of loan and ex. Risk fee for an amount of Rs.21,032.99 million. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs. in million)
1.	FESCO	844/2021-22	9,013.61
2.	GEPCO	148/2021-22	3,400.66
3.	HESCO	673/2021-22	8,618.72
		TOTAL	**21,032.99**

Non-adherence to Economic Affairs Division Guidelines resulted into non-clearance of foreign loan liabilities amounting to Rs.21,032.99 million upto the financial year 2020-21.

The matter was taken up with the management in August and September, 2021 and reported to the Ministry in September and December, 2021. The management replied that the matter had constantly been taken up with PEPCO / Ministry of Energy (Power Division) in order to sought directions regarding payment / adjustment of loan liabilities.

The DAC in its meetings held on December 30-31, 2021 and January 13 & 25, 2022 directed the management to take up the matter with Ministry of Finance and get it resolved. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

1.9.2 Unjustified payment from own sources after closing of ADB loans – Rs.713.63 million

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

In PMU FESCO, FESCO entered into Turnkey Contracts with different contractors under ADB Loans. ADB Loans has been closed on 30.06.2018 and its extension period for processing of pending claims of contractors was also expired on 31.01.2019. The subject contract could not be executed within the stipulated period of ADB loan closing which resulted in payment of Rs.713.63 million through FESCO own source. The optimum amount could not be utilized due to contractual and financial mismanagement by FESCO.

Non-adherence to authority's instructions resulted into unjustified payment from own sources after closing of ADB loans amounting to Rs.713.63 million up to the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in December, 2021. FESCO stated that no payment was made to contractors from own sources which were due & to be disbursed out of

ADB Loans. Contractor's claims against executed works as well as Extension of Time & Exchange Rate to be applied were under consideration in BoD Committees of FESCO. Further action will be taken upon approval of the competent authority of FESCO.

The DAC in its meetings held on January 13, 2022 directed the management to submit revised reply to Audit within 15 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 776/2021-22)

1.9.3 Loss on account of commitment charges on un-utilized balance of ADB Loan – Rs.683.60 million

As per Article-II, section 2.03 of loan agreement, the borrower shall pay commitment charges of 0.15% per annum. Such charge shall accrue on the full amount of the loan (Less amounts withdrawn from time to time).

In NTDC & GENCO-I, an amount of Rs.683.60 million was paid on account of commitment charges due to non-utilization of loan within schedule period against the ADB loan No. 3090, 3419, 3420, 3577 & 3677. Such expenditure could be saved if the loan was utilized as per schedule period. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs. in million)
1.	NTDC	878/2021-22	331.60
2.	GENCO-I	522/2021-22	352.00
		TOTAL	**683.60**

In-efficient financial management resulted into loss of Pak Rs.683.60 million and on account of commitment charges on un-utilized balance of ADB Loan upto the financial year 2020-21.

The matter was taken up with the management in September & October, 2021 and reported to the Ministry in December, 2021. The management replied that commitment charges are inherent component of any loan which are incurred on unutilized portion of the loan and as such could not be avoided completely.

The DAC in its meetings held on January 13 & 24-25, 2022 directed the management to list down the objectives secured through these loans and share it with audit. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to investigate the matter and fix the responsibility for non-utilizing of loan within schedule period.

1.9.4 Irregular payment of ex-risk of repayment of loan – Rs.69.79 million

According to Para- 10 of General financial Rules, "every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money, according to cannons of financial propriety and probity".

In PMU LESCO, it was noticed from the cash vouchers for the month of 06/2021 that an amount of Rs.69.79 million was to be paid on account of ex-risk fee to the donor agency due to delay in repayment of ADB-2727 PK which was totally irregular / unjustifiable. The management did not give proper justification for the payment of ex-risk fee.

Non-adherence to the rules resulted into irregular payment of ex-risk fee Rs.69.792 million of said loan during the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in December, 2021. The management replied that payment of relent loan # 2727 PK was being made in accordance with the annual payment plan received from Economic Affairs Division. Exchange risk fee was a part of Amortization Schedule, which reflects the amount of Ex-Risk Fee i.e. 69.792 million against loan # 2727-PK to be made for FY 2020-21. Thus it was evident that all such payments being made as per Amortization Schedule and annual repayment plan issued by the Economic Affairs Division.

The DAC in its meetings held on December 30-31, 2021 directed the management to produce record for verification to audit within a week. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 862/2021-22)

Concluding Recommendations

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

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

The "Power Sector" represents a network of entities linked with one another having key attributes of electricity generation, transmission and utilization. Fuel generation companies (e.g PSO, SNGPL etc) provide fuel to power generation companies (e.g IPPs and GENCOs) for generation of electricity. The "Energy" so generated is transmitted in-bulk over the national grid system and provided to the distribution companies, from where it is sold to the electricity consumers.

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

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

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

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

1.10.1 Extra burden to consumer due to underutilized power plants – Rs.18,714.72 million

According to the Section-3.1(a) of Power Purchase Agreement (PPA), the Company shall from and after the Commercial Operation Date subject to the terms of this agreement: (i) make available to the Power Purchaser the Declared Available Capacity at the contract capacity, (ii) deliver and sell Despatch Net Electrical Output to the Power Purchaser at the Interconnection Point and (iii) provide to the Power Purchaser the Ancillary Service.

In CPPA-G, underutilization of RLNG Power plants and some other cost inefficient power plants were observed. Under-utilization of these power plants was due to their reducing efficiency. On the other hand, unutilized capacity was also increasing their per unit capacity payment. In case of their generation on partial load, these thermal plants were generally eligible for partial load adjustment charges as per PPA in addition to capacity charges. Resultantly, an amount of Rs.18,714.72 million ***(Annexure-E)*** was paid as Partial Load Adjustment charges (PLAC) during the financial year 2020-21 which increased the consumer end price of electricity to the stated extent. Audit held that such payment were an extra burden due to lack of demand in the system, weak transmission and distribution and poor governance.

Poor asset management resulted into extra burden to consumer amounting to Rs.18,714.72 million due to under-utilized power plants during the financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in December, 2021. The management replied that under Grid code, utilization and operation of power plants was the sole prerogative and responsibility of System operator-NPCC/NTDC. Based on the guidelines available in the Grid code, it operates plants connected with the national grid as per system requirements; the load on plants varies as system demand varies based on which NPCC gives Dispatch instructions to power plants. CPPA-G has no role in Dispatch instructions of Power plants which is entirely NPCC's domain, CPPA-G only rely on the verified data provided by NPCC/NTDC under the relevant terms of PPAs while processing the invoices of all power plants. As pointed out above the Dispatch of plant is entirely scope of NPCC/NTDC.

The DAC in its meetings held on January 6-7, 2022 directed the management to furnish revised reply to Audit within in a week. No further progress was intimated till the finalization of report.

Audit recommends the management to look into the matter with the concerned stack holder.

(Draft Para No. 322/2021-22)

1.10.2 Irregular procurement of electricity from Tavanir without approval of NEPRA – Rs.5,106.17 million

According to Provision-6 of NEPRA Notification (S.R.O.549(1)/2017 Dated 22.06.2017 regarding NEPRA (Import of Electric Power) Regulations, 2017, no amendment in terms and conditions of the PPA, affecting the rates or their conditions, shall be made except with prior approval of the Authority.

In CPPA-G, amendment No.6 of extension of tariff from 1^{st} January 2020 to 31^{st} December, 2021 for supply of 104 MW Electricity was made between CPPA-G & Tavanir, Iran on January 29, 2020 without prior approval of NEPRA. Thus, electricity of Rs.5,106.17 million procured during the year 2020-21 from Tavanir without approval of amendment No. 6 from NEPRA is termed as irregular.

Non-adherence to NEPRA Import of Electric Power Regulations, 2017 resulted into irregular procurement of electricity from Tavanir without approval of NEPRA Rs.5,106.17 million during the financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in November, 2021. The management replied that case was forwarded on February 16, 2021 to seek formal approval from NEPRA.

The DAC in its meetings held on January 6-7, 2022 directed the management to furnish revised reply to Audit within in a week. No further progress was intimated till the finalization of report.

Audit recommends the management to look into the matter besides seeking approval of 6^{th} amendment from NEPRA.

(Draft Para No. 315/2021-22)

1.10.3 Non-settlement of reimbursement claims against SNGPL – Rs.4,699.43 million

CPPA-G has executed the " Reimbursement Agreement" with SNGPL in respect of three RLNG based IPPs at Balloki, Bhiki and Heveli Bahadur Shah, Punjab. As per the Reimbursement Agreement, Upon the occurrence of a SNGPL Non-supply event solely due to which the company is not available for dispatch, SNGPL shall be liable to reimburse the capacity payments (or part thereof to the extent that the company is unavailable) to CPPA-G ,within a period of thirty (30) days of any notice received from it seeking such reimbursement of Capacity Payments or part thereof paid by CPPA-G to the company under the PPA during the period of the SNGPL Non-supply Event. Failure of SNGPL to timely reimburse the aforesaid undisputed payments shall entitled to deduct the same amount from payments due to SNGPL under the GSA.

In CPPA-G, claims were raised amounting to Rs.4,699.43 million against SNGPL during the period 2018-19 &2019-20 on account of Non supply Event in respect of three RLNG based IPPs at Balloki, Bhiki and Heveli Bahadur Shah. But, these claims against SNGPL were not settled despite elapse of a period.

Non-adherence to reimbursement agreement resulted into non-settlement of reimbursement claims against SNGPL Rs.4,699.43 million upto the financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in December, 2021. The management replied that the matter is under reconciliation and audit will be intimated as and when the matter is settled.

The DAC in its meetings held on January 6-7, 2022 directed the management to furnish revised reply to Audit within in a week. No further progress was intimated till the finalization of report.

Audit recommends the management to resolve the matter regarding reimbursement claims form SNGPL expeditiously.

(Draft Para No. 391/2021-22)

1.10.4 Loss due to payment on account of "Non-Project Missed Volume" without receiving electricity – Rs.3,293.53 million

According to Energy Purchase Agreements, "Non-Project Missed Volume or NPMV" is the volume of Net Delivered Energy not delivered by the complex which non-delivery is due to a Non-Project Event(s). As per NEPRA Grid code CC 4.2(b), the preliminary estimate for connection and registration fee, shall be determined and shall be payable on submission of application for connection, and shall cover the reasonable costs of all works anticipated to arise from investigating the application to connect and preparing the associated offer to connect. This should include additional capital cost related to the new connection, and to make the connecting transmission system at par with the system before the connection.

In CPPA-G, an amount of Rs.3,293.53 million was paid to twenty one (21) wind power producers on account of NPMV. The said projects were ready to dispatch the electricity but the NTDC system was not capable enough to sustain full load of wind energy. Hence, the payments of Rs.3,293.53 million were made to the said IPPs without receiving a single unit of electricity which caused loss to the Company.

Operational mismanagement resulted into loss of Rs.3,293.53 million due to payment on account of Non-Project Missed Volume without receiving electricity up to financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in November, 2021. But no reply was given by the management.

The DAC in its meetings held on January 6-7, 2022 directed the management to conduct an inquiry at PEPCO level and finalize its recommendations within in a month. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to look into the matter besides up-gradation of system to avoid NPMV.

(Draft Para No. 313/2021-22)

1.10.5 Non-recovery/adjustment of liquidity damages from IPPs – Rs.772.09 million

According to Section 9.4 (d) of PPA the amounts of all of the liquidated damages set forth in section 9.4(b) shall be adjusted from time to time in accordance with schedule 6

In CPPA-G, invoices of liquidated damages amounting to Rs.772.09 million on account of short fall of electricity / failure to achieve Dispatch Level were raised to IPPs. But, neither LD charges were recovered nor amounts were set off against payables of IPPs.

Non-adherence to PPA clauses resulted into non-recovery/adjustment of liquidated damages of Rs.772.09 million from IPPs during the financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in December, 2021. The management replied that recovery /adjustment of LDs were under process. No further progress was intimated.

The DAC in its meetings held on January 6-7, 2022 directed the management to furnish revised reply to Audit within in a week. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides ensuring the recovery/adjustment of LD charges from IPPs.

(Draft Para No. 504/2021-22)

Concluding Recommendations

Unsatisfactory management of power sector capacity and its allied infrastructure was a mega and multi-faceted issue faced by all government stakeholders of the power sector. If not addressed, the same would continue to negatively impact the economy and create further financial bottlenecks for the government. Moreover, highlighted cases of transmission failure and usage of expensive fuel may be looked into for future remedial measures.

1.11 Delay in finalization / implementation of Inquiry Cases

In order to achieve desired efficiency in the Power Sector, it was necessary that an effective mechanism of administrative check and balance was implemented i.e. those found involved in negligence, irregularities or fraud should have been promptly and decisively proceeded against. This was necessary to ensure a transparent working environment and to prevent spread of irregular practices. On the identification of irregularity/fraud etc. inquiries were initiated at the level of respective companies. Serious embezzlement/unlawful incidents were probed through inquires by PEPCO which act as an overall monitoring body over the power sector government entities on behalf of the ministry.

In the context of the above mechanism, it was analyzed that inquiries were not being concluded adequately in the power sector companies. There were instances where long delays were found in the processing of subject inquiries. Further even after finalization of inquiries by PEPCO/Company there were cases of delays and inaction on the findings of the inquiries by the respective companies. This scenario implied that identified miscreants were not timely proceeded against, creating a negative and irregularity prone environment in the subject companies.

On the above lines, audit has analyzed the issue of unsatisfactory inquiry management, on sample basis, and shortcomings found are illustrated in the following paras:

1.11.1 Doubtful and incomplete inquiry – Rs.113.78 million

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

In PEPCO, a complaint No. 05008/2176/20 was lodged against Mr. Ashraf Ali, XEN GEPCO regarding misappropriation and corruption in POL. An inquiry was conducted vide which Mr. Ashraf Ali, XEN City-1 Sialkot was declared innocent on the basis of already conducted GEPCO level inquiry committee. However, the inquiry committee of PEPCO did not bother to dig out the factual position regarding irregularities pointed out in Special Audit Report (Internal Audit) amounting to Rs.113.78 million.

Non-adherence to the Corporate Governance Rules resulted into doubtful and incomplete inquiry amounting to Rs.113.78 million during the financial year 2020-21.

The matter was taken up with the management in November, 2021 and reported to the Ministry in December, 2021. The management replied that the proper reply would be submitted after scrutiny of record.

The DAC in its meetings held on January 24-25, 2022 directed the management to submit revised reply to Audit. No further progress was intimated till the finalization of report.

Audit recommends that mater may be re-inquired at higher level and factual position be intimated at the earliest.

(Draft Para No. 963/2021-22)

1.11.2 Non-recovery of penalty imposed on employees – Rs.36.73 million

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

In DISCOs, penalty of Rs.36.73 million was imposed upon twenty nine (29) employees on account of shortage of material and others; however, recovery was not made from them. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	No. of cases	Amount (Rs. in million)
1.	FESCO	591/2021-22	07	11.58
2.	LESCO	09/2020-21	10	12.70
3.	MEPCO	51, 57 & 685/2021-22	04	7.81
4.	SEPCO	267/2021-22	04	2.21
5.	TESCO	422/2021-22	03	2.00
6.	NTDC	424/2021-22	01	0.43
		Total	**29**	**36.73**

Non-adherence to the rules resulted into non-recovery of penalty of Rs.36.73 million from employees up to the financial year 2020-21.

The matter was taken up with the management during July to October, 2021 and reported to the Ministry during July to September to December, 2021. The management replied that efforts were being made to recover the amount from the concerned officials.

The DAC in its meetings held in December 30-31, 2021, January 13 & 24-25, 2022 directed the management to get the completed actions verified from Audit within a week and expedite the pending actions in the light of recommendations of inquiry report. Further progress was not reported till finalization of the report.

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

1.11.3 Non-disposal of inquiry case transferred by NAB regarding theft of electricity – Rs.29.61 million

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

In PEPCO, an inquiry case against Mr. Rehmat ullah Baloch, Chief Executive Officer, QESCO and others regarding corruption and corrupt practices by misuse of authority causing loss to state exchequer through theft of electricity to the tune of 733,155 units amount to Rs.29.61 million was transferred by NAB Baluchistan to Managing Director PEPCO WAPDA House, Lahore in 2019 for disposal. It was observed from the record that no action was so far taken by the management which depicts the non-serious attitude of the management towards the important nature case sent by NAB.

Non-adherence of Corporate Governance Rules resulted into non-disposal of inquiry case transferred by NAB regarding theft of electricity amounting to Rs.29.61 million up to the financial year 2020-21.

The matter was taken up with the management and reported to the Ministry in December, 2021. The management replied that the disciplinary case was initiated against Mr. Rehmat Ullah Baloch the then CEO QESCO as per report of higher power PEPCO inquiry committee. However, during pendency of the case, Mr. Rehmat Ullah Baloch filed petition in Baluchistan High Court. The honorable court declared the letter issued to Mr. Rehmat Ullah Baloch as illegal and directed the Department to allow the application filed by the petitioner for his premature retirement.

The DAC in its meetings held on January 24-25, 2022 observed that no apex court appeal was filed against the judgment Baluchistan High Court which was required to be inquired into for fixing responsibility. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides justified and strict disciplinary action may be taken against person at fault.

(Draft Para No. 885/2021-22)

1.11.4 Non-implementation of the recommendations of inquiry committee regarding transformers – Rs.26.45 million

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

In PEPCO, a complaint No. 05008/2235/21 2021 was lodgeed against Mr. Abdul Sattar Khokher, Bismillah Electrical Company, Peshawar regarding non-settling of long outstanding issues/dues amounting to Rs.26.45 million. The matter was inquired by the management and recommended some actions to C.E.O PESCO, Peshawar. The most important recommendation was to get the 198 of transformers from Bismillah Electrical Engineer Company Peshawar, but the same was not done by the PESCO management.

Non-adherence of Corporate Governance Rules resulted into non-implementation of the recommendations of the inquiry committee amounting to Rs.26.45 million up to the financial year 2020-21.

The matter was taken up with the management and reported to the Ministry in December, 2021. The management replied that Director (S&I) PPMC (PEPCO) sent inquiry report with recommendations to CEO PESCO and Chairman BoD PESCO for implementation vide letter dated 14.10.2021.

The DAC in its meetings held on January 24-25, 2022 directed the Ministry to follow up PESCO for implementation of inquiry recommendations. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 884/2021-22)

1.11.5 Unjustified release of bid security / guarantee – Rs.13.10 million

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

In PEPCO, a complaint regarding massive corruption by M/s Skypower (Pvt.) Ltd. was lodged by Mr. Saleem Ahmad. The matter was inquired by PEPCO and recommended to initiate disciplinary action against Mr. Sohail Afzal the then

Director (Admin) MEPCO, on account of malafide intention, ulterior motives, betrayal of the Authority through leakage of inquiry report without prior approval of competent authority and pointed out that MEPCO sustained a loss of Rs.13.10 million due to refund of confiscated bid gurantee of M/s Skypower.

Non-adherence to Corporate Governance Rules resulted into unjustified release of bid security / guarantee amounting to Rs.13.10 million up to the financial year 2020-21.

The matter was taken up with the management in November, 2021 and reported to the Ministry in January, 2022. Management replied that inquiry was conducted by PEPCO and was transferred to MEPCO for implementation and requested to transfer/shift para to MEPCO for further pursuance.

The DAC in its meetings held on January 24-25, 2022 directed the management to revisit and re-inquire the matter within 30 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides recovering the amount from the firm.

(Draft Para No. 895/2021-22)

1.11.6 Non-finalization of inquiry regarding change in bidding documents – Rs.12.31 million

According to the Authority's instruction issued by WAPDA dated July 17, 1982, "All losses, whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charges they were, to fix the causes of the losses and the amount involved"

In QESCO, bid documents against Tender No. 1349 floated for procurement of cell phone was tempered during bidding process. An inquiry committee was constituted by Deputy Director Admin dated 02.05.2020, but despite of issuance of several reminders the members of inquiry committee did not provided relevant documents/ findings up till now. Non-finalization of inquiry indicates that undue favor was granted to M/s Shah Gee (contractor).

Non-adherence to authority instructions resulted into non-finalization of inquiry regarding changing in bidding documents during the financial year 2020-21. The matter was taken up with the management in September, 2021 and reported to the Ministry in December, 2021. The management replied that due to frequent transfer postings in the company, the report could not be finalized on time.

The DAC in its meetings held on January 24-25, 2022 directed the management to finalize the enquiry and report thereof be submitted within 30 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides responsibility be fixed against person(s) at fault.

(Draft Para No. 649/2021-22)

1.11.7 Non-finalization of action against officers on account of recoverable amount from consumers – Rs.4.47 million

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

In PEPCO a complaint No. 05008/2202/2021 was lodged against Mr. Shams ul Haq, XEN MEPCO City Bahawalpur and Mr. Barkat Ullah SDO MEPCO Abbasia Sub Division Bahawalpur regarding corruption and irregularities. The matter was inquired by the management and recommended that recovery of outstanding amount Rs.4.47 million may be affected from the consumers along with taking strict disciplinary action against the officers. However, neither the recovery has been made nor any action has so far been taken against the officers.

Non-adherence to the Corporate Governance Rules resulted into non-recovery of Rs.4.47 million from consumers and non-finalization of action against the officers during the financial year 2020-21.

The matter was taken up with the management and reported to the Ministry in December, 2021. Management replied that inquiry was conducted by PEPCO and was transferred to MEPCO for implementation and requested to transfer/shift para to MEPCO for further pursuance.

The DAC in its meetings held on January 24-25, 2022 transferred the para to MEPCO for proper reply and verification of record. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides taking disciplinary action against the officers.

(Draft Para No. 891/2021-22)

1.11.8 Non-implementation of inquiry findings

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

In SEPCO, two (02) complaints were filed by Mr. Muhammad Malook Balouch against Mr. Irfan Qazi LS due to his involvement in corruption and illegal sale and purchase of transformers in Salehpat Sub-Division to Atta Chakies, running of 162 Tube Wells. Deputy Manager (S&I) SEPCO, Sukkur in his investigation report dated November 9, 2020 fixed responsibilities on Mr. Tanveer Shaikh, LS, Mr. Deedar Ali Solangi, LM-II, Mr. Mansoor Bhutto, ALM and Mr. Irfan Qazi, LS and recommended strict action against the delinquent officials due to their involvement in illegal supply of electricity in two sub divisions. The investigation committee recommended to rectify discrepancies pointed out by S&I teams and take legal action against the stealers. The management did not take any action against the delinquents nor were the cases referred to any investigative agency.

Non-adherence to Corporate Governance Rules resulted into non-implementation of inquiry findings up to the financial year 2020-21

The matter was taken up with the management in September, 2021 and reported to the Ministry in November, 2021. The management replied that disciplinary actions against the involved officials as per recommendations of investigation report was under process.

The DAC in its meetings held on January 24-25, 2022 directed the management to submit inquiry report to Audit for verification. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing the responsibility upon the person at fault.

(Draft Para No. 261/2021-22)

Concluding Recommendations

Delay in finalization of inquiries, non-implementation of inquiry findings and non-conduct of inquiries according to ToRs was an indicator of poor organizational management in the companies. In order to promote an efficient and transparent work-environment it was needed that all inquiries were probed without delay and actions proposed in the inquiry findings were implemented in letter and spirit.

1.12 Unsatisfactory maintenance of accounts

In order to have transparent and efficient business operations it was essential to maintain the accounts in an accurate and timely manner. Accounts represent a key final manifestation of the overall working of an organization and its business outcomes. Lapses in account management practices create an environment highly vulnerable towards financial misappropriations and irregularities.

In this context, audit observed instances of in-ordinate delay in account finalization, inaccurate recording of data etc. Comments on the financial statements of the companies are placed in Chpater-2 whereas shortcomings pertaining to account's management, analyzed on sample basis, are illustrated in the subsequent paras.

1.12.1 Bogus accounting adjustment made in Enterprise Resource Planning (ERP) – Rs.567,459.93 million

According to International Accounting Standards (IAS)-1.15, "the financial statements must 'present fair' the financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income, and expenses set out in the Framework. The application of IFRS, with additional disclosure when necessary is presumed to result in financial statements that achieve a fair presentation".

In LESCO, 85 accounting entries worth Rs.567,459.93 million were made in Enterprise Resource Planning (ERP) for adjusting the untraceable trails of Remittances, IOT, Current Account (SS Cheques). These closing balances were not entered as opening balances in ERP module of respective heads and were adjusted illegally by passing bogus adjusting entries. These balances were pended against receivables from field formations on account of consumers billing, securities and capital cost and material issued and awaiting booking against SS Cheques etc.

Non-adherence to relevant provision of IFRS resulted into bogus adjustment of IOT amounting to Rs.567,459.93 million in ERP system of LESCO during the financial year 2020-21.

The matter was taken up with the management in November, 2021 and reported to the Ministry in December, 2021. The management replied that the BoD, accorded such approval after consultation with a firm of Chartered Accountants and an independent legal opinion from a law firm as well. Further, before taking up the matter with BoD, a comprehensive activity for verification of all the entries relating to IOT was carried out by another firm of Chartered Accountants i.e. M/s Deloitte. The said accounting entries have a net financial impact of Rs.251.70 million consist of Rs.2,782 million Credit and Rs.2,531 million Debit balance instead of Rs.567,459 million.

The DAC in its meetings held on December 30-31, 2021 directed the management to verify its stance with complete documentary evidence to audit within a week. Further progress was not intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 708/2021-22)

1.12.2 Non-recognition of Supplemental Charges in financial Statement – Rs.105,950.76 million

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

In PESCO & HESCO, invoices on account of supplemental charges were raised by CPP-G to the tune of Rs.105,950.76 million. Supplemental charges were delayed payment charges to be paid to Independent Power Producers (IPPs). PESCO & HESCO had neither paid this amount to CPPA-G nor recognized in its financial statement. Due to non-settlement of supplemental charges between PESCO and CPPA-G, Chartered Accountants had given a qualified report for the financial year 2019-20. Hence, the financial statements of PESCO & HESCO did not represent true and fair view of its financial strength to the stated extent in the aforementioned subject.

Financial indiscipline resulted into non-recognition of supplemental charges of Rs.105,950.76 million in financial statement during financial year 2020-21.

The matter was taken up with the management in September & October, 2021 and reported to the Ministry in December, 2021. The management replied that in the light of NEPRA determinations, the supplementary charges are booked by PESCO & HESCO up to the extent of late payment surcharge billed to the consumers.

The DAC in its meetings held on December 30-31, 2021 and January 24-25, 2020 directed the management to resolve the matter and recommendations in this regard may be made in financial statement to represent fair view of financial status of the company.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para Nos. 655 & 810/2021-22)

1.12.3 Violation of NEPRA's directive relating to tagging of Assets – Rs.85,322.53 million

According to Section-9 of NEPRA's Tariff MYT Determination of LESCO for financial year 2015-16 to 2019-20 dated 08.12.2020 directed to maintain a proper record of its assets by way of tagging each asset for its proper tracking and to provide an explanation on the concerns raised by the Authority in terms of its R&M cost not later than 30 June, 2016.

In LESCO, NEPRA in determination of tariff for the financial year 2015-16 to 2020-21 dated March 08, 2016 directed the LESCO to maintain a proper record of its assets by way of tagging each asset for its proper tracking. However, LESCO had not assigned tag to distribution transformers, plant & equipment and meters worth Rs.85,322.53 which might result in expensing out some of capitalized assets. Audit is of the view that tagging of assets was of utmost importance to properly classify the cost in terms of capital or expense.

Non-adherence to Authority's instructions resulted into violation of NEPRA's direction by non-tagging of operating assets of LESCO.

The matter was taken up with the management in November, 2021 and reported to the Ministry in December, 2021. The management replied that Ministry of Energy – Power Division in its road map for DISCOs has given the time-frame of June – 2023 to complete the digitization of its 11 kV and LT Network. For remaining works tender was called which was later on, scrapped. Now retendering is under progress.

The DAC in its meetings held on December 30-31, 2021 directed the management to complete the tagging of assets in line with NEPRA's direction and produce the record for verification to audit. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 613/2021-22)

1.12.4 Non-deposit of surplus amount into post retirement benefits fund – Rs.10,854.56 million

According to Para (13.1) of NEPRA Tariff Petition dated 08 December, 2020, "a separate post-retirement benefits funds has been opened and surplus amount after making actual payments of post-retirement benefits, has been deposited in the Fund."

In FESCO, a separate post retirement benefits fund has been opened in compliance of authority directions and deposited Rs. 6,376.46 million but the surplus amount of Rs. 10,854.56 million (17,231.028-6,376.46) was not deposited into the Fund. This state of affair shows irregular retention of surplus amount of Rs.10,854.56 million.

Non-adherence to authority's directions resulted irregular retention of amount Rs.10,854.56 million upto financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in December, 2021. The management replied that FESCO Employees Pension Fund Trust (FEPFT) was being made in line with the determination of NEPRA in FESCO's annual tariff. For FY 2018-19 the updated amount deposited in the Fund Trust was Rs.10,403 million. For FY 2019-20 & 2020-21, FESCO already submitted annual adjustments regarding Tariff Determination for said years to NEPRA, however, the decision was pending.

The DAC in its meetings held on January 13, 2022 directed the management to furnish detailed reply to Audit within 15 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 394/2021-22)

1.12.5 Under stated liabilities due to non-accepting debit raised by CPPA-G – Rs.3,870 million

As in the Companies Act, 2017 (220), Every company shall prepare and keep at its registered office books of account and other relevant books and papers and financial statements for every financial year which give a true and fair view of the state of the affairs of the company.

In HESCO, some debits for the amount of Rs.3,870 million were raised by CPPA-G but the same were not accounted for in the financial statements. As a result, the liabilities of the company were understated. Therefore, the financial statements of HESCO did not reflect true and fair view of company's financial health.

Non adherence to Companies Act resulted into under stated liabilities due to non-accepting debit raised by CPPA-G amounting to Rs.3,870 million up to the financial year 2020-21.

The matter was discussed with the management in September, 2021 and reported to the Ministry in December, 2021. The management replied that CPPA-G have issued debit advices on account of borrowing of loan and its mark up as arranged by Power Holding Company which being unauthorized has been disallowed by NEPRA and HESCO was not signatory to these loans.

The DAC in its meetings held on January 24-25, 2022 directed the management to resolve the issue with CPPA-G within 30 days and get the record verified from Audit. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 671/2021-22)

1.12.6 Non-booking of NTDC use of system charges in financial statement – Rs.3,793 million

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

In HESCO, invoices of Rs.3,793 million on account of NTDC use of system charges (UoSC)for the period 2014-15 to 2016-17 were raised by CPP-G, but the same were not booked by HESCO. Due to non-settlement of NTDC UoSC between HESCO and CPPA-G, the financial statements of HESCO did not represent true and fair view of its financial strength to the stated extent.

The matter was taken up with management in September, 2021 and reported to the Ministry in December, 2021. The management replied that the said invoices have been booked in the books of accounts.

The DAC in its meetings held on January 24-25, 2022 directed the management to get the record verified from the Audit. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 812/2021-22)

1.12.7 Understated liabilities due to non recognition of CPPA-G invoices – Rs.3,425.55 million

According to International Accounting Standard (IAS) – 01, the financial statement should present fairly the financial position, financial performance and cash flows of the enterprise.

In HESCO, invoices No. 13 & 14 amounting toRs.3,425.55 million on account of power purchase was raised by CPPA-G but the same were not accounted for / booked by HESCO. Hence, the liabilities of the company remained understated and financial statements did not reflect true and fair view financial health.

Inefficient financial management resulted into understated liabilities due to non recognition of CPPA-G invoices amounting to Rs.3,425.55 million upto the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in December, 2021. The management replied that invoices from CPPA-G have not so for been received.

The DAC in its meetings held on January 24-25, 2022 directed the management to take up the matter with CPPA-G for reconciliation and final resolution within 30 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 809/2021-22)

1.12.8 Less remittance of Debt Servicing Surcharges (DSS) to CPPA-G – Rs.2,696 million

As per SRO No. 908(1)/2014 dated 3 October, 2014, DSS was levied and collected by PESCO on behalf of Government of Pakistan and is being settled against debt servicing of loans arranged upto June, 2015.

In PESCO, an amount of Rs.18,905 million was collected against debt servicing surcharge (DSS) from the consumers during the year 2015-16 to 2020-21. Out of which, an amount of Rs.16,209 million could only be remitted to CPPA-G. Thus an amount of Rs. 2,696 million was less remitted to CPPA-G on account of DSS which resulted in delayed discharge of loan liabilities putting extra burden on exchequer.

financial indiscipline resulted into less remittance of debt servicing surcharge amounting to Rs.2,696 million to CPPA-G upto the financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in December, 2021. The management replied that total Difference of collection & Remittance from FY: 2015-2021 has reduced from 2,692 to 1,721 which will be brought to minimum at the close of current financial year 2021-22.

The DAC in its meetings held on December 30-31, 2021 directed the management to produce the record for amount remitted under DSS and clear the pending DSS up to June, 2022.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 557/2021-22)

1.12.9 Non-acceptance of debit advices by CPPA-G for electricity payments to SPPs – Rs.2,600 million

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

In PESCO, debit advices of Rs.2,077.37 million on account of electricity purchased from Small Power Producers (SPPs) were issued to CPPA-G for the period 2008-09 to 2017-18. Out of which, CPPA-G had accepted the advices of Rs.522.95 million only for the period 2008 to 2018, leaving balance of Rs.2,600 million un-settled. Moreover, the said position was not disclosed in the financial statements; hence, the financial statements did not reflect true and fair view to the stated extent.

Non-adherence to the rules resulted into non-disclosure of debit notes in financial statement to the tune of Rs.2,600 million upto financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in December, 2021. The management replied that out of total debit Advice of 5.43 billion debits amounting of Rs 2.83 billion has been accepted and the clarification regarding the balance of Rs. 2.6 billion has been provided which will be settled. The matter been taken up with CPPA-G.

The DAC in its meetings held on December 30-31, 2021 directed the management to reconcile the figures with CPPA-G and the matter may be resolved without further delay.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 531/2021-22)

1.12.10 Non-settlement/ adjustment of long outstanding provision included in DISCO billing – Rs.2,558 million

According to provision 6.1.2 For each billing period, CPPA-G shall calculate the capacity transfer rate and electricity transfer rate, in accordance with the Authority approved Transfer Pricing Mechanism, for the purposes of invoices against each Distribution Company for the electricity and capacity purchased during previous month.

In CPPA-G, a provisional cost amounting to Rs.2,558 million for purchase of electricity during the period 2009-2017 from Pehure and Jagran power projects (Rs.1,040 million & Rs.1,519 million) was included in the computation of Energy Transfer Rate (ETR). But said provisional cost was not adjusted till date. Non-adjustment of actual ETR instead of provisional ETR showed the slackness of the management to run the business of the company.

Poor financial management resulted into non-settlement/ adjustment of long outstanding provisional cost included in DISCO billing Rs.2558 million up to the financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in December, 2021. No reply was given.

The DAC in its meetings held on January 6-7, 2022 directed the management to furnish revised reply to Audit within in a week. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to look into the matter in order to ensure settlement/ adjustment of long outstanding provisions.

(Draft Para No. 413/2021-22)

1.12.11 Non-recognition of credit notes of CPPA-G – Rs.2,335.64 million

According to International Accounting Standard (IAS) – 01, the financial statement should present fairly the financial position, financial performance and cash flows of the enterprise.

In HESCO, credit notes of Rs.2,335.64 million issued by CPPA-G were not accounted for / booked by HESCO. Non-recognition of credit notes caused overstated receivables of CPPA-G in the books of HESCO. Therefore, the financial statement of HESCO did not reflect true and fair view of company's financial health.

Inefficient financial management resulted into non-recognition of credit notes of Rs. 2,335.64 million issued by CPPA-G upto the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in December, 2021. The management replied that CPPA-G have issued debit advices on account of borrowing of loan and its markup arranged by Power Holding Company which was unauthorized as HESCO was not signatory to these loans.

The DAC in its meetings held on January 24-25, 2022 directed the management to take up the matter with CPPA-G for final resolution within 30 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 813/2021-22)

1.12.12 Long outstanding / un-reconciled pension & medical balances receivable from associated companies – Rs.2,111 million

According to International Accounting Standards (IAS)-1.15, "the financial statements must 'present fairy' the financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. The application of IFRS, with additional disclosure when necessary is presumed to result in financial statements that achieve a fair presentation".

In LESCO, balances of pension & cash medical Rs.2,111 million were receivable from other associated companies since long but no efforts made to liquidate amount. The management did not reconcile pension & cash medical claims paid to employees of other associated undertakings.

Financial indiscipline resulted into long outstanding / un-reconciled pension & medical balances receivable from associated company's upto the financial year 2020-21.

The matter was taken up with the management in November, 2021 and reported to the Ministry in December, 2021. The management replied that an amount of Rs.460 million has been received for the year 2020-21. Rigorous efforts are being made to reconcile the balance amount.

The DAC in its meetings held on December 30-31, 2021 directed the management to reconcile the pending balances with associated companies and record may be produced to audit for verification.

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

(Draft Para No. 717/2021-22)

1.12.13 Wrong Charging of expenditure under the head of un-appropriated Surplus / (Deficit) – Rs.82.67 million

As in the Companies Act, 2017 (220), Every company shall prepare and keep at its registered office books of account and other relevant books and papers and financial statements for every financial year which give a true and fair view of the state of the affairs of the company.

In NTDC, an amount of Rs.82.67 million was actually the expenditure of pay & allowances during financial year 2020 and adjustment was shown under the head of un-appropriated surplus / (Deficit) erroneously, which needs justification.

Non-adherence to the Companies Act, 2017 (220) resulted the misrepresentation of book of accounts Rs.82.67 million for the financial year 2020-21.

The matter was taken up with the management in August, 2021 and reported to the Ministry in December, 2021. Management replied that the income is parked under suspense head and is ultimately settled through IOT.

The DAC in its meetings held on January 24-25, 2022 directed the management to furnish revised reply and get verified from audit within 30 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 398/2021-22)

Concluding Recommendations

Maintaining accounts in a transparent and timely manner is a key obligation of the companies. To improve working of the power sector enterprises and to enable the government to make well-informed decisions, it is important that all companies make efforts for maintaining accurate accounts on real-time data-entry basis and get their annual accounts certified without further delay.

1.13 Miscellaneous Issues

1.13.1 Unjustified payment of FCS/DSS out of revenue collection accounts of DISCOs – Rs.163,023.76 million

GoP guaranteed finance facilities amounting to Rs.930 billion have been executed as on June 30, 2020 through Power Holding Limited for reducing power sector payables. These finance facilities were executed after approval of ECC of the Cabinet on the terms and condition approved by the Finance Division.

In CPPA-G, an amount of Rs.344,419.76 million was paid to PHL from FCS/DSS accounts and DISCOs revenue collection accounts whereas only Rs.181,396.02 million was received from DISCOs on account of FCS/DSS as on

31.03.2021. Thus an amount of Rs.163,023.76 million was excess paid from revenue collection account of DISCOs which was not justified.

Poor financial management resulted into unjustified payment of Rs.163,023.76 million on account of FCS/DSS out of revenue collection accounts of DISCOs during the financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in November, 2021. The management replied that shortfall was due to non-imposition of additional surcharge as proposed in the ECC decisions of respective PHL Loan facility. As per the ECC decisions, surcharge was to be imposed by NEPRA but it could not be implemented due to limitation NEPRA Act, 1997. However, as per Section 31(8) of the Regulation of Generation, Transmission and Distribution of Electric Power (Amendment) Act 2021, the Federal Government has the authority to levy any surcharges subject to certain conditions. CPPA-G was waiting for the final decision of the Federal Government. The mechanism for recovery of FCS / DSS against shortfall of repayment of markup / profit of PHL Debt financing facilities was available but the decision was to be made by the Federal Government.

The DAC in its meetings held on January 6-7, 2022 directed the management to furnish revised reply to Audit within in a week. No further progress was intimated till the finalization of report.

Audit recommends the management to pursue the matter at appropriate forum for devising mechanism for recovery of such short fall.

(Draft Para No. 317/2021-22)

1.13.2 Non-reconciliation of differences in loan accounts between PHL and CPPA-G – Rs.85,000 million

As per IFRS (International financial Reporting Standards) frame work, the financial statements must" present fair" the financial position, financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the framework.

In CEO Power Holding Limited (PHL), Islamabad, an amount of Rs.930,000 million was reflected as payables to borrowers in its books of accounts; however, CPPA-G reflected payable balances of loans in its books of accounts amounting to Rs.854,000 million as on 30.06.2021. It has resulted in net difference of loan accounts balances Rs.85,000 million. Therefore, it concludes that the financial statements of PHL and CPPA-G do not reflect true and fair view of its financial health to the stated extent.

Poor financial management resulted into non-reconciliation of differences in loan accounts between PHL and CPPA-G to the extent of Rs.85,000 million during the financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in November, 2021. The management replied that the difference is due to the adjustments made by CPPA-G to PHL on the instructions of Ministry of Energy (Power Division) and Finance Division against the PHL facilities on which surcharge has not been imposed.

The DAC in its meetings held on January 6-7, 2022 directed the management to get the figure reconciled with CPPA-G and get it verified from Audit within 15 days.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 291/2021-22)

1.13.3 Non-adjustment of PHL debts against outstanding power sector subsidy claims – Rs.72,630 million

The ECC in its decision dated 15.10.2020 approved the supplementary grant of Rs.72,630 million with the condition that the same would be adjusted against outstanding power sector subsidy of XWDISCOs claims not paid as on June 2020. Power Division and Finance Division will reconcile the outstanding subsidies on half year basis.

In Power Holding Limited, supplementary grant amounting to Rs.72,630 million was issued during the financial year 2020-21 by Finance Division on account of "conversion of Power Holding Limited's Debt to Public Debt" against repayment of principal amounts of financing facilities. The payments of financing facilities made by PHL was cleared, however, the adjustment of this payment against PHL loan accounts and subsidies accounts of DISCOS was not confirmed. Moreover, no criteria for allocation and treatment of accounts with PHL, CPPA-G and DISCOs have been devised.

Non-adherence to ECCs Decision resulted into non-adjustment of PHL debts against outstanding power sector subsidy claims Rs.72,630 million upto the financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in November, 2021. The management replied that the subject payment was released to respective banks by PHL and CPPA-G was directed by the Finance Division to adjust the payments among respective DISCOs to clear their books of account against outstanding AJK subsidy claims in accordance with the decisions of the ECC of the Cabinet.

The DAC in its meetings held on January 6-7, 2022 directed the management to transfer the para to CPPA-G for prompted reply.

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

(Draft Para No. 309/2021-22)

1.13.4 Irregular adjustment of DISCO's equities for clearance of circular debt against AJK Claims – Rs.66,989.51 million

As per ECC decision dated June 19, 2019 , on account of AJ&K receivables of three DISCOs i.e. Rs.119.05 billion (IESCO Rs.80.58 billion + GEPCO Rs.15.08 billion + PESCO Rs.23.39 billion), Rs.18.6 billion are on account of taxes. From the balance Rs.100.5 billion in (Rs.119.05 - Rs.18.6), Rs.27 billion will be adjusted as cash @ Rs.9 billion per year, Rs.16 billion as non-cash against re-lent loans for the aforementioned DISCOs and balance Rs.57.7 billion as equity in the DISCOs in ratio equivalent to the percentage share of their outstanding liabilities against CPPA, claims of AJK subsidy beyond June 30, 2019 will be dealt with in accordance with agreement of GoAJK.

In CPPA-G, it was noticed that debit advices amounting to Rs.66,989.51 billion were raised to adjust of claims of AJK subsidy by the CPPA-G to all DISCOs except TESCO during the financial year 2020-21 for revision of GOP equity as per Ministry of Energy (Power Division) dated 23.12.2020. The adjustment of subsidy receivable claims of AJK was not in line with the ECC decision as these receivables were to be adjusted against IESCO, GEPCO and PESCO. The above position indicates that the book of accounts of CPPA-G and DISCOs did not reflect the true picture. Thus adjustment of equity against AJK

Claims Rs.66,989.51 million in the books of accounts CPPA-G and DISCOs termed as irregular.

Non-adherence to ECC,s decision and Finance Division (Memorandum Authorization) resulted into irregular adjustment of DISCO,s equities for clearance of circular debt against AJK Claims Rs. 66,989.51 million during the financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in December, 2021. The management replied that matter was adjusted after getting approval of Secretary Power Division, dated 23rd Dec 2020 wherein CPPA-G was authorized to issue necessary adjustment. Reply was not tenable as adjustment of equity against AJK Claims was not in line with the decision of ECC which needed justification.

The DAC in its meetings held on January 6-7, 2022 directed the management to furnish revised reply to Audit within in a week. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to look into the matter for justification with documentary evidence.

(Draft Para No. 770/2021-22)

1.13.5 Extra burden on Public Exchequer on account of interest on delayed payments to IPPs – Rs.35,724.06 million

According to Clause of Power Purchase Agreement (PPA), "late payments by either party of amounts due and payable under this agreement shall bear interest at a rate per annum equal to the Delayed Payment Rate".

In CPPA-G, an amount of Rs.35,724.06 million was paid to IPPs on accounts of interest on delayed payments. Had the payment been made within specified period, extra burden on public exchequer amounting to Rs.35,724.06 million on account of interest on delayed payments could have been avoided by managing recovery of receivables from DISCOs.

Poor financial management resulted into extra burden on Public Exchequer Rs.35,724.06 million on account of payment of interest on delayed payments to IPPs upto the financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in December, 2021. The management replied that payables on account of late payment interest to IPPs or the PHL loans were due to the non-performance of DISCOs. However, the markup rate of PHL loans which was on lower side. The reply was not tenable as extra payment on account of interest on delayed payments to IPPs was made due to short fall of recovery of DISCOs.

The DAC in its meetings held on January 6-7, 2022 directed the management to furnish revised reply to Audit within in a week. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to look into the matter and fix responsibility.

(Draft Para No. 866/2021-22)

1.13.6 Non-reconciliation with CPPA-G on account of cost of purchase of power – Rs.34,360 million

As per IAS-1 the financial statement should be present truly and fairly.

In HESCO, Rs.34,360 million were booked on account of purchase of power from CPPA-G whereas, the reconciliation for cost of power was not done by the HESCO. Resultantly, the books of account might not present true and fair position of the company which reflects poor fiscal governance of the entity.

Non adherence to the financial rules resulted into non-reconciliation with CPPA-G on account of Cost of Purchase of Power amounting to Rs.34,360 million upto the financial year 2020-21.

The matter was discussed with the management in September, 2021 and reported to the Ministry in December, 2021. The management replied that the cost of power purchase amounting Rs. 77.335 billion has been booked as per invoices issued by CPPA-G and there was not difference between CPPA-G and HESCO during the financial year 2020-21.

The DAC in its meetings held on January 24-25, 2022 directed the management to get the record verified from the Audit within 30 days. No further progress was intimated till the finalization of report.

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

(Draft Para No. 667/2021-22)

1.13.7 Financial implication on procurement of electricity from Neelum Jhelum Hydropower Project – Rs.26,482.67 million

According to provision 6.1.1 & 6.1.2 of commercial code, the invoices for electricity and capacity sold by generation companies, for each billing period, shall be sent to CPPA-G. For each billing period, CPPA-G shall calculate the capacity transfer rate and electricity transfer rate, in accordance with the Authority approved Transfer Pricing Mechanism, for the purposes of invoices against each Distribution Company for the electricity and capacity purchased during previous month.

In CPPA-G, procurement of electricity amounting to Rs.26,482.67 million was made by CPPA-G from Neelum Jhelum Hydro Power Project during the period Oct 2020 to June 21. But, neither invoices of said procurement of electricity was accepted by CPPA-G nor computed and included in the overall cost pool and allocated the cost to all DISCOs. Due to non- allocation of the cost of electricity of such procurement to the DISCOs in relevant period; it ultimately would be burden to the consumers. However, inordinate delay in finalization of invoices of such procurement of electricity may cause the delayed recovery from consumers and would be contributing factor to the circular debt. Moreover, no provision for this financial implication was made by purchaser in its books of accounts.

Poor financial management resulted into financial implication on procurement of electricity from Neelum Jhelum Hydropower Project Rs.26,482.67 million during the financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in November, 2021. The management replied that provisional costs cannot be included in the overall cost pool due to non-issuance of gazette notification by GoP for NEPRA determined tariff. The tariff from 17^{th} October 2020 to Jun-21 has been determined by Authority on 30^{th} July, 2021. Thus, the Company submitted its invoices and CPPA-G processed invoices accordingly.

The DAC in its meetings held on January 6-7, 2022 directed the management to furnish revised reply to Audit within in a week. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to look into the matter besides ensuring to resolve the financial implication on procurement of electricity from the Neelum Jhelum Hydro Power Project.

(Draft Para No. 314/2021-22)

1.13.8 Non-recovery/ adjustment of bridge financing loan from Finance Division – Rs.22,383.76 million

As per ECC decisions of Syndicated Term Finance Facility Rs. 80.00 billion, Rs.50.00 billion (1^{st} Tranche), Rs.50.00 billion (2^{nd} Tranche), Rs.35.806

billion,Rs.30.00 billion, Rs.25.00 billion and Rs.7.487 billion, these amounts would be utilized for the purposes of funding the repayment liabilities of Distribution Companies towards CPPA-G and ultimately the sectorial entities. Ministry of Finance would provide government guarantee for the requisite loan amounts.

In Power Holding Limited Islamabad, an amount of Rs.22,383.76 million was obtained from CPPA-G for repayment of accrued markup, principal payments and trustee& legal fee of above financing facilities guaranteed under Finance Division (Government of Pakistan) upto the financial year 2020-21 ended. But, the said loan amount was not recovered/ adjusted from the Finance Division. Resultantly, non-recovery/adjustment of repayments of financing facilities from Finance Division caused accumulation of circular debt of power sector.

Poor financial management resulted into non-recovery/adjustment of bridge financing loan from Finance Division Rs.22,383.76 million upto financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in November, 2021. The management replied that the PHL management is following up the matter of release of funds by the Finance Division and is taking necessary steps to address the issue.

The DAC in its meetings held on January 6-7, 2022 directed the management to pursue vigorously the case with Ministry of Finance for early released of funds.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 308/2021-22)

1.13.9 Less remittance of Debt Service Surcharge to PHL – Rs.20,965.40 million

According to Schedule-I of Market Operations, "the operations and responsibilities to be performed and discharged by the market operator, shall include in accordance with the grid code and the commercial code:- (e) Collection from the DISCOs and settlement to the market participants as per the commercial code".

In CPPA-G, an amount of Rs.39,812.68 million was received from DISCOs on account of Debt Service Surcharge against which Rs.18,847.28 million were paid to PHL during the financial year 2020-21. This shows that an amount of Rs.20,965.40 was less paid/remitted to PHL for repayment of Loans/Facilities. Moreover, detail of repayment of loan/Financing Facilities against which DSS charges received and remitted to PHL was not forthcoming into record. This scenario indicates that DSS funds were allocated to other purpose which was irregular and needs justification.

Poor financial management resulted into less remittance of Debt Service Surcharge to PHL Rs.20,965.40 million during the financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in December, 2021. No reply was given by the management.

The DAC in its meetings held on January 6-7, 2022 directed the management to furnish revised reply to Audit within in a week. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to look into the matter besides ensuring the utilization/allocation of balance amount of DSS charges.

(Draft Para No. 390/2021-22)

1.13.10 Non-creation of provision of electricity procured from KANUPP-2 – Rs.20,760.40 million

According to provision 6.1.1 & 6.1.2 of commercial code, the invoices for electricity and capacity sold by generation companies, for each billing period, shall be sent to CPPA-G. The mechanism for the electricity and capacity invoicing for Generation Companies is detailed in Annexure-I. For each billing period, CPPA-G shall calculate the capacity transfer rate and electricity transfer rate, in accordance with the Authority approved Transfer Pricing Mechanism, for the purposes of invoices against each Distribution Company for the electricity and capacity purchased during previous month.

In CPPA-G, it was noticed that electricity amounting to Rs.20,760.40 million was received from KANUPP-2 since Grid connection date March,2021without power purchase agreement. However, neither invoices of said procurement of electricity were accepted by CPPA-G nor provision was computed and included in the overall cost pool and allocated the cost to all DISCOs. Non- provision/allocation the cost of electricity to the DISCOs in relevant period would be burden to the consumers because of subsequent processing of arrear invoices. Moreover, inordinate delay in finalization of invoices, such procurement of electricity may cause the delayed recovery from consumers and also would be contributing the circular debts.

Poor financial management resulted into financial implication on procurement of electricity from KANUPP-2 Rs.20,760.40 million during the financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in December, 2021. The management replied that the invoices of K-2 would be processed after the tariff was got notified in the Official Gazette as per NEPRA's decision.

The DAC in its meetings held on January 6-7, 2022 directed the management to furnish revised reply to Audit within in a week. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to look into the matter and take steps to resolve the financial implication on procurement of electricity from the KANUP-2.

(Draft Para No. 319/2021-22)

1.13.11 Non-recognition of supplementary charges debited by CPPA-G – Rs.20,317.23 million

According to IFRS Conceptual Framework for financial Statements, "For financial information to be useful, it needs to meet the qualitative characteristics set out in the Framework. The fundamental qualitative characteristics are relevance and faithful representation. Faithful representation means the information must be complete, neutral and free from error."

In MEPCO, CPPA-G had issued Supplemental Charges Invoices being the mark-up charged by Independent Power Producers (IPPS) on account of delayed payments aggregating to Rs.20,317.23 million since 2009-10. However, MEPCO has not recognized the impact of debit notes issued by Central Power Purchasing Agency (Guarantee) Limited. Moreover, MEPCO has not shared any details with respect to the invoices raised by CPPA-G under the head of mark-up on delayed payments for FY 2015-16, FY 2016-17 and FY 2017-18 with NEPRA as evident from NEPRA tariff distribution determination for the FY 2018-19 and 2019-20. Therefore, the amount of LPS allowed for those financial years were not adjusted. Resultantly, financial statements of MEPCO do not represent true and fair view of its financial strength and it also contribute toward pilling up of circular debts.

Non-adherence to financial rules resulted into non-recognition of supplementary charges debited by CPPA-G amounting to Rs.20,317.23 million up to the financial year 2021.

The matter was taken up with the management in October, 2021 and reported to the Ministry in December, 2021. The management replied that MEPCO has taken into account the amount of supplemental charges equal to the amount of Late Payment Surcharge (LPS) of the respective year, However, the amount over and above the Late Payment Surcharge (LPS) has not taken into account in compliance to the NEPRA decision.

The DAC in its meetings held on January 24-25, 2022 directed the management to reconciled the matter with CPPA-G within a month and seek clarification from NEPRA. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 637/2021-22)

1.13.12 Over charging of fuel cost component adjustment by CPPA-G – Rs.11,982 million

In term of section 40 & 42 (Part-7) of NEPRA Guidelines for Determination of Consumer End Tariff-2015, the Power Purchase Price shall include fuel component, variable O & M, capacity charges & transmission charges. Each component of Power Purchase Price (PPP) is included in the revenue requirement of the petitioner company on the projected basis for the test years and these projected figures would be subject to adjustment as per actual being passed through.

In MEPCO, an amount of Rs.63,908 million was charged against the amount allowed by NEPRA Rs.51,926 million on account of Fuel Cost Component by the Central Power Purchasing Agency (CPPA-G) for the period July, 2017 to January, 2018. Hence, Rs.11,982 million were charged in excess on account of fuel cost component by the CPPA to the Company.

Non-observance of NEPRA Guidelines for determination of consumer end Tariff-2015 resulted into over charging of fuel cost component of Rs.11,982 million up to the financial year 2019-20.

The matter was taken up with the management in September, 2020 and reported to the Ministry in November, 2020. The management replied that revised reply would be furnished to audit after scrutiny of the record.

The DAC in its meetings held on January 24-25, 2022 directed the management to furnish revised reply within 15 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 252/2020-21)

1.13.13 Irregular retention of company funds over and above the distribution margin – Rs.5,021.96 million

As per NEPRA tariff determination Distribution Margin of HESCO is to be retained @ Rs 3.07/Kwh.

In CEO HESCO an excess amount of Distribution Margin (DM) worth Rs.5,021.96 million was retained as against NEPRA determination, as detailed attached. The mismanagement of funds resulted into irregular retention of Company funds worth Rs.5,021.96 million over the Distribution Margin (DM) set by NEPRA.

Non adherence to the above instructions resulted into irregular retention of company funds over and above the distribution margin amounting to Rs.5,021.96 million during the financial year 2020-21.

The matter was discussed with the management in September, 2021 and reported to the Ministry in December, 2021. The management replied that audit has taken amount inclusive of amount retained for taxes which was not part of distribution margin for O&M expenses.

The DAC in its meetings held on January 24-25, 2022 directed the management to furnish detailed reply duly substantiated with documentary evidence within 15 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 609/2021-22)

1.13.14 Non-segregation of stores & spares with respect to own resources and consumer finance – Rs.3,867.53 million

As per NEPRA tariff determination dated March 03, 2016 "In view of the aforementioned reasons the Authority considers that it will be unfair and unjust for the consumers to suffer due to the unlawful act of the Petitioner. Accordingly, the Authority has decided, to include the entire amount of receipts against deposit works as a part of Deferred Credits for the assessment of RAB for FY 2015-16. The Authority directs the Petitioner to ensure that in future consumer's deposits are not utilized for any other purpose. The Petitioner is also being directed to restrain from unlawful utilization of receipts against deposit works and security deposits, failing which, the proceedings under the relevant law shall be initiated against the Petitioner. *The Petitioner is also directed to give clear disclosures in its financial Statements with respect to the consumer financed spares and stores, work in progress and cash & bank balance."*

In LESCO, the management was required to maintain stores & spares amounting to Rs.3,867.525 million as per direction of NEPRA and give clear disclosure in its financial statements with respect to consumers financed stores & spares, work in progress and cash balances but no such disclosures were given in audited financial statements and violated regulator's direction in preparing financial statements. It was further observed that field formations did not observe due care to keep record of stores & spares bifurcated while preparing GRN and issuing material from stores. In absence of such record, impact of such bifurcation cannot be reflected in books of the Company.

Non-adherence to NEPRA's direction resulted into non-segregation of stores & spares amounting to Rs.3,867.53 million with respect to own resources and consumer finance up to the financial year 2020-21.

The matter was taken up with the management in November, 2021 and reported to the Ministry in December, 2021. The management replied that segregation between consumer finance and own resources can only be made at the time of issuance of material. These facts were explained to NEPRA in public hearing for 2020-21, therefore, in recent hearing for distribution margin.

The DAC in its meetings held on December 30-31, 2021 directed the management to conduct inquiry at PEPCO level and give findings within 60 days.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 710/2021-22)

1.13.15 Negative impact on applicable tariff due to reversal of write off amount by NEPRA – Rs.2,848 million

According to para 14.23 of Multi-Year Tariff (MYT) determination dated 08-03-2016 by NEPRA decided to allow an amount of Rs.2,848 million as write offs, instead of the requested amount of Rs.5,291 million, strictly on provisional basis, after adjusting for the impact of GST and other Government charges from the requested amount, subject to fulfillment of the laid down criteria. i) The connection has to be permanently disconnected for more than 3 years and due process of law to recover the outstanding dues as arrears of Land Revenue has been followed. ii) The amount to be written off shall be duly approved by the Board of Directors (BOD) of LESCO. iii) The amount of write off shall be duly supported with the details pertaining to the name & address of the premises/consumers, CNIC etc.

In LESCO, an amount of Rs.2,848 million of private defaulters was allowed for write off by NEPRA on provisional basis after adjusting the impact of GST and other Government charges subject to fulfillment of the laid down criteria. However, to write off arrears beyond 03-years, LESCO could not finalize the matter with Government of Punjab for recovery after lapse of five years. Resultantly, NEPRA decided to reverse back the written off amount which resulted into negative impact on applicable tariff and financial interest of LESCO due to slackness and inefficiency of management.

Non-adherence to directive given by NEPRA in in tariff determination resulted into reversal of allowed written off amount Rs.2,848 million during the financial year 2020-21.

The matter was taken up with the management in November, 2021 and reported to the Ministry in December, 2021. The management replied that recovery was not posted for the past many years. MD PEPCO was also approached to take up the matter with GoP for recovery. Reply was not tenable as NEPRA gave detailed SoPs for written off defaulter's amount at Company's request but due to poor performance of management, said amount could not be written off and reversed back which resulted in negative impact on tariff.

The DAC in its meetings held on December 30-31, 2021 directed the management to affect recovery from defaulters against which an amount of Rs.2,848 was to be written off and provide complete details to audit along with NEPRA's stance on this matter as soon as possible. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 614/2021-22)

1.13.16 Loss due to non-availing the discount/ rebate against repayment of 2nd installments of financing facilities – Rs.443.56 million

According to terms and conditions of syndicated term Finance Facility Agreement, it is agreed that the customer shall be entitled to discount/ reduction in the Margin from 2.00% to 1.00% per annum upon the customer making payment of the relevant installment of the mark-up portion of the purchase price within 30 (thirty) days of the installment date.

In Power Holding Limited (PHL), Islamabad, 2nd installment of Syndicated Term Finance Facilities of Rs.136.45 billion & Rs.41.457 billion was due in March 31st, 2020 with grace period of due date till April 29th, 2020 but the payment was made in June, 30th 2020 after elapse of grace period. Resultantly, company had been deprived to avail the discount/rebate facility of Rs.443.56 million due to non-arranging funds within grace period time

Poor financial management resulted into loss due to non-availed the discount / rebate against repayment of 2nd installments of financing facilities Rs.443.56 million during the financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in November, 2021. The management replied that delay was due to economic relief measures like deferment of installment payment by consumers which resulted in low recovery which negatively impacted the CPPA-G revenue leading to monetary shortfall.

The DAC in its meetings held on January 6-7, 2022 directed the management to convene meeting with concerned banks for subject rebates. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 293/2021-22)

1.13.17 Non-settlement of long outstanding unidentified cash – Rs.332.61 million

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

In DISCOs, an amount of Rs.332.61 million had been lying under suspense head "Un-identified" cash. The said amount pertained to different consumers with aging from 3 to beyond 10 years. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs. in million)
1.	GEPCO	04/2021-22	7.51
2.	PESCO	549/2021-22	325.10
		TOTAL	**332.61**

Inefficient financial management resulted into non-settlement of long outstanding unidentified cash under suspense head amounting to Rs.332.61 million up to financial year 2020-21.

The matter was taken up with the management in August to October, 2021 and reported to the Ministry in September & December, 2021. The GEPCO management replied that un-identified cash was credited by collecting agencies against incorrect reference numbers/consumers and was cleared on production of original receipt by the respective consumers. The PESCO management replied that proper reply would be furnished after receiving the supporting details from audit.

The DAC in its meeting held on January, 2022 directed the GEPCO management to get the record verified from audit. The DAC directed the PESCO management to inquire the matter at company level and furnished its recommendation for settlement of long outstanding un-identified cash to resolve the matter.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

1.13.18 Irregular excess retaining of market operation fees from collection accounts of DISCOs & KE – Rs.250.74 million

According to Schedule-I of Market Operations, "the operations and responsibilities to be performed and discharged by the market operator, shall include in accordance with the grid code and the commercial code:- (e) Collection from the DISCOs and settlement to the market participants as per the commercial code".

In CPPA-G, billing of Rs.520.29 million on account of Market operation fees was made to DISCOs and KE during the financial year 2020-21 against which an amount of Rs.731.23 million was retained from the collection accounts of DISCOs and KE. Resultantly, excess market operation fees amounting to Rs.250.74 million were retained upto June, 2021 which was irregular.

Poor financial management resulted into irregular excess retaining of market operation fees from collection accounts of DISCOs & KE Rs.250.74 million up to the financial year 2020-21.

The matter was taken up with the management in October, 2021. But no reply was given by the management.

The DAC in its meetings held on January 6-7, 2022 directed the management to furnish revised reply to Audit within in a week. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to look into the matter besides justification of excess retention of fee.

(Draft Para No. 414/2021-22)

1.13.19 Non-production of record on account of payment to Civil Contractors – Rs.184.17 million

According to the directives of the Public Accounts Committee issued on June 03, 2004, 'make available all information/record to audit as and when required by them. Otherwise disciplinary action would be initiated against persons responsible for the delay under Section 14-C (2) & (3) of the Auditor General's (Functions, Power s and Terms and conditions of Service) Ordinance 2001 it is obligatory for all the Government entities to provide record to Audit on demand.

In MEPCO, an amount of Rs.184.17 million was paid to various civil contractors through vouchers / running bills. In these vouchers / running bills, the purchased material was certified by the Engineer. However, the invoices and quotations of the contractor's running bills were not produced to audit.

Non-adherence to PAC directives resulted into irregular payment of Rs.184.17 million to civil contractors during the financial year 2020-21.

The matter was taken up with management in October, 2021 and reported to the Ministry in December, 2021. The management replied that the contract was awarded to income tax registered contractors and rendered the services from them for completion of civil works as per composite rate including material & labour cost and all the taxes has been deducted from their claims as per income tax rules after completion of civil works as per tender documents and the sale tax invoices were not required as per conditions of contract agreement.

The DAC in its meetings held on January 24-25, 2022 directed the management to get the record verified from Audit within 15 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 636/2021-22)

1.13.20 Loss due to less application of rate of dismantled Copper & Oil by TRW – Rs.129.70 million

According to Rule-10(i) of GFR, "every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money".

In IESCO, transformers of different capacities were repaired from different workshops during the financial year but pre-assessment report of damaged transformers was prepared by the reclamation workshop in the absence of IESCO, as such the weight/quantity of credit given cannot be authenticated. Moreover, the rational approach was not applied by the workshop management to decide the rate of dismantled copper and oil. Due to application of less rate of dismantled copper and dirty oil, the authority had sustained a loss of Rs.129.70 million.

Non-adherence to the company rules resulted into loss due to less application of rate of dismantled Copper & Oil by TRW Rs.129.70 million during financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in December, 2021. The management replied that a proper response would be furnished within due course of time.

The DAC in its meetings held on January 6-7, 2022 directed the management to submit the revised reply and get the stance verified from audit within 15 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 873/2021-22)

1.13.21 Non-deposit of 40% Share of Inspection Fee in the accounts of NTDC – Rs.81.25 million

According to DG (HR&A) NTDC letter No. HR-Dept/HR-Operations/ DEP-11/6884-92 dated 10.11.2020, "the revenue generated by the MI (PEPCO) department i.e Inspection fee against purchase orders of distribution material (0.5% of total order price in case of DISCOs Purchase Orders and 2.5% of total order price in case of Private Purchase orders) shall be deposited: The 60% of the revenue so generated in the shape of inspection fee shall be deposited in PEPCOs accounts while 40% share (of S&S NTDC department) shall continue to be deposited in the accounts of NTDC w.e.f 01.09.2020.

In PEPCO, an amount of Rs.203.12 million was received as inspection fee by the office of Material Inspection. As per Ministry's instruction the 40% share of above said fee i.e. Rs.81.25 million was required to be deposited in the account of NTDC but the same was not done.

Non-adherence of Authority instructions resulted into non deposit of Rs.81.25 million to NTDC during the financial year 2020-21.

The matter was taken up with the management and reported to the Ministry in December, 2021. Management replied that as per financial Modalities, agreed on reversion of Material Inspection from NTDC to PPMC (former PEPCO), a financial, Legal and Technical committee comprising the representatives of both companies will furnish a report that, those assets of Material Inspection to be transferred to PEPCO and assets to be retained by NTDC for monetization and closing of financial balances and afterward the proposal will be sent to BoD NTDC for final approval.

The DAC in its meetings held on January 24-25, 2022 directed the management to expedite the matter and decision of BoD may be conveyed to Audit within a month. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 889/2021-22)

1.13.22 Non-clearance of right of way problems – Rs.73.93 million

As per Section 6.1 (b) of Transmission Services Agreement, Any payment of the land fee and the ROW Area compensation fee for the initial term as specified under this agreement prior to the Commercial Operation date shall be paid in Pakistan Rupees on the basis of prevailing exchange rate between US$ and Pakistan Rupees on each payment date and shall in any case include all present and future federal, provincial, municipal or other lawful taxes applicable to the lesser as and when required under the Laws of Pakistan.

In HVDC (NTDC) Hyderabad, bills amounting to Rs.73.93 million on account of crops compensation remained unpaid and the area of the transmission line was also not cleared due to non-payment of compensation fee to the land owners. Even the commercial operation date had been achieved by the quarter concerned on 01.09.2021. Moreover, It was observed from the scrutiny of record vide Sub Divisional Officer HVDC (O&M) NTDC Salepat letter dated 11.08.2021 that due to non-payment of stringing & crop/trees damage compensation to effectees, few towers i.e from tower No. 564 to tower No. 603 and other in green land could not be accessed /checked. It revealed that non-payment to the effectees would create future problems for operation and maintenance of the transmission line as would as the contractor PMLTC would also not accept these claims after the commercial operation date.

Non-adherence to the Transmission Services Agreement and Land Acquisition Act 1894 resulted into non clearance of right of way and payment of compensation to the effectives during the financial year 2020-21.

The matter was taken up with the management in August, 2021 and reported to the Ministry in December, 2021. The management replied that Rs.46.152 million has been released while the remaining amount is still under process.

The DAC in its meetings held on January 24-25, 2022 directed the management to get the stance verified from Audit within 15 days and expedite the dispersal of remaining amount to farmers. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 520/2021-22)

1.13.23 Unjustified payment of dislocation allowance – Rs.59.56 million

According to PEPCO letter No. 2068-93 dated February 7, 2018 2(i). A dislocation allowance for every officer posted on promotion out of his parent Company equivalent to one month's basic pay per month. 1) According to PEPCO letter No.8263-82 dated 30.07.2019 (iii & v). The officers of DISCOs (including BPS-17) can also be posted out of their parent Companies in the interest of work or on administrative grounds. (v). All officers who A dislocation allowance for every officer posted on promotion out of his parent Company equivalent to one month's basic pay per month.

In PEPCO, officials were posted on deputation basis in PEPCO on different dates from LESCO & NTDC. Under the Federal Government Rules and according to Deputation Policy 20% of Basic pay and Rs.12,000/- whichever is less was allowed, but all the officials were drawing equal to one Running Basic Pay, which was against the Deputation Policy and PEPCO Dislocation Allowance Policy. As per BoD decision in its 73rd meeting in 2019, a dislocation allowance was allowed to all officers posted on promotion out of their parent Company equivalent to one month's basic pay per month. An order issued vide No.9729-40/MDP/E-1/10/3947/Officers/3/60 dated 17.09.2019 was not based on facts because the word deputation not mentioned in 173rd meeting of PEPCO. According to above mentioned clarity the payment made as dislocation allowance was unjustified and recoverable from concerned officials.

Non-adherence of Authority instructions resulted into unjustified payment of dislocation allowance amounting to Rs.59.56 million during the financial year 2020-21.

The matter was taken up with the management and reported to the Ministry in December, 2021. Management replied that the case was being represented before BoD of PPMC (former PEPCO) for consideration. The decision of BoD PPMC will be conveyed in due course.

The DAC in its meetings held on January 24-25, 2022 directed the management to expedite the matter and decision of BoD may be conveyed to

Audit within a month. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 882/2021-22)

1.13.24 Loss due to imposition of penalty by NEPRA – Rs.57.00 million

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

In various DISCOs, fine amounting to Rs.57.00 million was imposed on DISCOs by NEPRA on account of fatal/non-fatal accidents that claimed human life due to design fault, system deterioration, less clearance of HT/LT lines and lack of safety measures. The detail is as under:-

Sr. No.	Name of Company	Draft Para No.	Amount (Rs. in million)
1.	MEPCO	631/2021-22	16.00
2.	PESCO	560/2021-22	13.00
3.	SEPCO	223/2021-22	28.00
		TOTAL	**57.00**

Non-adherence to Authority instructions resulted into loss of Rs.57.00 million due to imposition of penalty during the financial year 2020-21.

The matter was taken up with the management in October, 2021 and reported to the Ministry in November & December, 2021. The PESCO management replied that enquiries had already been conducted and fixed responsibilities on delinquents. However an appeal had been filed in Islamabad High Court against the NEPRA's fine.

The DAC in its meetings held in December 30-31, 2021, January 24-25, 2022 directed the management to devise a comprehensive safety standards and actions taken against the delinquents be intimated to audit.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

1.13.25 Non-recovery of standard rent from unauthorized occupants – Rs.56.34 million

As per Director (Services) PEPCO office letter dated January 19 2010, "no one is competent to accord permission for unauthorized retention of official accommodation beyond admissible period according to instructions in vogue and recovery of market rent shall be effected from the employees who retained accommodation beyond admissibility".

In various DISCOs, GENCO & NTDC, an amount of Rs.56.34 million was recoverable from seventy eight (78) unauthorized occupants on account of standard rent. Neither efforts were made to get the accommodation vacated from these illegal / unauthorized occupants nor was standard rent of Rs.56.34 million recovered from these defaulters.

Sr. No.	Name of Company	Draft Para No.	No. of Occupants	Amount (Rs. in million)
1	GENCO-III	479, 484/2018-19	23	17.98
2	IESCO	537/2021-22	11	2.61
3	NTDC	211/2021-22	01	10.85
4	QESCO	1168/2018-19 & 465/2021-22	43	24.90
		TOTAL	**78**	**56.34**

Violation of the instructions resulted into non-recovery of Rs.56.34 million on account of standard rent from unauthorized occupants up to the financial year 2020-22.

The matter was taken up with the management in August, 2018 & May to October, 2021 and reported to the Ministry during November to December, 2021. The management replied that recovery was under process. However, notices were issued to all illegal occupants to vacate the accommodation.

The DAC in its meetings held on January 6 – 7 & 13, 2022 directed the management to get recovery verified from audit and expedite the remaining recovery from defaulter within 15 days.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

1.13.26 Loss on account of exchange rate due to inordinate delay in payment to supplier – Rs.54.30 million

According to Clause-5 a, b, c of Notification of Award for Tender No. ADB-02-2007, payment of material shall be made 10% advance payment within

28 days of signing of the contract – 80% payment upon shipment through Letter of Credit under ADB commitment proceudure and 10% payment with in 28 days upon receipt of Goods upon submission of the claim supported by Acceptance Certificate issued by the Purchaser.

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that 500 kV Auto Transformer Banks were procured from M/s Xian Electric Engg Co. China at a contract price of US$ 16.74 million under contract No.ADB-02-2007. The contract was awarded on July 13, 2007 and Letter of Credit (L/C) opend on October 07, 2007. The delivery was completed upto December 12, 2008 with delay and LD of US$ 1.67 million was imposed and adjusted against 10% retention money / balance payment of supplier.

Later on, BoD NTDC approved EoT of 165 days without LD on October 11, 2012 but retention money / balance payment of US$ 754,162 adjusted against LD was not released to the supplier and loan attained its financial closure on February 08, 2013 with expiry of L/C. However, one transformer bank could not be installed and lying idle at warehouse for a period of about 10 years, which was energized in 2019. Consequently, the supplier claimed its long standing payment of US$ 754,162 and NTDC had to pay it to him. This inordinate delay in payment caused loss of Rs.54.30 million on account of exchange rate, which could have been avoided had the payment made in 2012 (1US$=Rs.95 in 2012 and Rs.167 in 2021).

Contract mismanagement resulted in loss of Rs.54.30 million on account of exchange rate due to inordinate delay in payment to supplier up to the fianancial year 2020-21.

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that the utilization of the said material made it possible for addition of 500/220 KV Auto Transformer Bank (ATB) in record time at Ghatti Grid Station to provide relief to system and overcome the load shedding problem in load center of NTDC network.

The DAC in its meeting held on January 19, 2022 did not agree with the reply and directed PPMC to conduct an inquiry within 60 days in the light of the lapses highlighted in audit observation.

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

(Draft Para No.935/2021-22*)

1.13.27 Irregular hiring of legal services of Lawyers against the Standard Operating Procedures – Rs.53.56 million

According to section 10(i) GFR Every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety. Among the principles on which emphasis is generally laid are the following. "Every pubic officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money".

In LESCO, an amount of Rs.53.56 million was paid as legal charges for hiring services of lawyers without approved Standard Operating Procedures (SoPs). In most cases, services of lawyers to represent on behalf of LESCO before Court of Law were rendered on verbal orders.

Non-adherence to established Standard Operating Procedures to hire legal services resulted into irregular expenditure amounting to Rs.53.56 million.

The matter was taken with management in November, 2021 and reported the Ministry in December, 2021. The management replied that Open Competitive Bidding is the principal method/mode under PPRA Rules 2004 but Legal Directorate like all public sector legal departments operates on the "Alternative Method" of procurements described under Rule 42 (c)(v) of the PPRA Rules, 2004 i.e., on "Emergency" basis. PPRA Rules are therefore being followed and there is no breach of any SOP by Legal Directorate. As a minimum of 15 days are required for competitive bidding and their cases have shorter deadlines in addition to have 14,000 fresh cases each year. Hence, like all public sector legal departments, they use PPRA Alternative Mode of "Emergency" basis due to unsuitability of open competitive bidding.

The DAC in its meetings held on December 30-31, 2021 directed the management to produce relevant record in support of its stance within 15 days.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 879/2021-22)

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* *The said DP is also included in Chapter-3 of Thematic Audit*

1.13.28 Irregular expenditure on appointment of officers – Rs.50.99 million

According to office memorandum of Finance Division dated June 26, 1999, revision of Pay Scales / Salaries / Allowances in Corporations, Autonomous / Semi Autonomous bodies will require clearance from the Finance Division to ensure a rational basis and a degree of uniformity in such revision.

In NTDC Lahore, an amount of Rs.50.99 million was paid to eight (08) officers on account of pay and bonus during 2020-21. These officers were appointed on exorbitant rate without due consideration to Government of Pakistan pay scales. The package of pay and allowances was not regularized from the Finance Division, which was unjustified.

Non-adherence to GoP's instructions resulted into irregular expenditure of Rs.50.99 million on account of appointment of officers up to the financial year 2020-21.

The matter was taken up with the management in August, 2021 and reported to the Ministry in December, 2021. The management Management replied that the Board of Directors NTDC under the corporate governance rules is empowered to frame and amend policies of the company as per business requirement.

The DAC in its meetings held on January 24-25, 2022 directed the management to take up the matter with Finance Division for vetting and approval and progress thereof be intimated to Audit. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 372/2021-22)

1.13.29 Payment made on account of fatal accident – Rs.49.99 million

As per Para-4 of PEPCO letter No.MD/GM(HR)/M(HSEQ)Cill/PEPCO/ 141-57 dated March 30th , 2019, it was decided that the amount of ex-gratia should be recovered from the employees (Officers/Officials) who are held responsible for the fatal/non fatal accidents of line staff and failed to implement the PEPCO Safty SOPs/Guidelines/Instructions.

In IESCO, an amount of Rs.49.99 million was paid on account of fatal accident out of IESCO's fund instead of recovering from the employees (Officers / Officials) who were held responsible for the fatal / non fatal accidents of line staff and failed to implement the PEPCO Safety SOPs / Guidelines/Instructions. The fatal accidents were occurred due to non-observing the SOPs as per initial inquiry and a amount was spent on safety.

Non-observance of authority's instructions resulted into loss of precious human lives and financial loss of Rs.49.99 million during the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in December, 2021. The management replied that in previous fiscal year 2020-21, fatal accidents were occurred to five No. of IESCO employees and Ex-gratia payment of Rs.16.00 million was made to 4 No. employees.

The DAC in its meetings held on January 6-7, 2022 directed the management to hold an inquiry at PEPCO level to assess whether PEPCOs safety SOPs /Guidelines /instructions were adhered to and submit its fact finding report along with recommendations within 60 days.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 694/2021-22)

1.13.30 Recoverable excess land acquisition charges paid to land owners – Rs.17.60 million

As per section 23 (2) of the Land Acquisition Act, 1894, "In addition to the market-value of the land the Court shall award a sum of 15% on such market-value, in consideration of the compulsory nature of the acquisition, if the acquisition has been made for a public purpose and a sum of 25% on such market-value if the acquisition has been made for a Company".

In GSC PESCO, land acquisition charges amounting to Rs.17.60 million were paid to the land owners @ 25% instead of 15%. According to Land Acquisition Act-1894 compulsory fees would be charged @ 15% for Public purpose and @ 25% for a private. PESCO is Government owned entity and construction of grid stations were for public purpose and requires @ 15% compulsory acquisition charges to be paid to the land owners.

Non-adherence of Land Acquisition resulted into recoverable excess land acquisition charges paid to land owners Rs.17.60 million during the year 2020-21.

The matter was taken up with the management in August, 2021 and reported to the Ministry in December, 2021. The management replied that under the Land Acquisition Act-1894 refer section-23 sub section-2, 25% compulsory acquisition charges in addition to its own value was to be paid to land owners.

The DAC in its meetings held on December 30-31, 2021 endorsed audit point of view and directed the management to conduct inquiry and report thereof be furnished to audit within a month. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides ensuring excess recovery.

(Draft Para No. 420/2021-22)

1.13.31 Irregular approval for bifurcation of 11 KV feeders – Rs.16.63 million

According to Para-2.1.4 of Chapter-2 of Distribution Rehabilitation Guidelines (September 2003), "In this case, overloaded or lengthy feeders are selected. Only one feeder is selected for bifurcation and new feeder is essentially involved in this case. In many urban and rural areas, the existing HT lines/feeders are extremely overloaded and lengthy. Replacement of these lines with new 11 KV Line can result in considerable loss reduction. In addition to above the introduction of new HT line/feeders can result in improvement of quality of supply and reduction in losses".

In IESCO, the bifurcation of 11 KV Ghouri Garden and 11 KV Sudhran Feeders emanating from 132 KV Tramri for the reduction of line losses with B/C ratio of 2.81 for cost of Rs.16.63 million was approved in June, 2021. The Executive Engineer IESCO Operation division on November 10, 2021 reported B/C ratio as 0.3 for cost of Rs.17.04 million in 11/2020 with remarks it was not a viable proposal. Both the reports were contradictory, there was a time lag of only 6 month between two reports which led to conclusion that proposal approved was not based on technical parameters. Hence, the approval could not be considered regular/justified.

Non-adherence to the authority's guidelines resulted into wasteful expenditure of Rs.16.63 million during the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in December, 2021. The management replied that the B/C ratio was wrongly calculated by the XEN with parameters of low voltage in the FDRANA software, whereas it should be calculated by using the HT / 11 KV parameters in the Software. Therefore the proposal has been re-analyzed by using latest version of SynerGee Software which is presently being used and is proper Software for analysis of 11 KV feeders. As per analysis the B/C ratio comes to 2.81.

The DAC in its meetings held on January 6-7, 2022 directed the management to submit revised reply entailing the comments of the Engineer of the Project and get it verified from audit within 15 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 841/2021-22)

1.13.32 Irregular payment on account of transport monetization policy – Rs.15.67 million

According to office memorandum of Finance Division dated June 26, 1999, revision of Pay Scales / Salaries / Allowances in Corporations, Autonomous / Semi-Autonomous bodies will require clearance from the Finance Division to ensure a rational basis and a degree of uniformity in such revision.

In Project Director GSC GEPCO, an amount of Rs.15.67 million was paid to the officers of BPS-17 & above on account of transport monetization policy without concurrence of Finance Division, Government of Pakistan. Hence, in the absence of Finance Division's concurrence, the payment under the heads of driver salary, vehicle expenses, repair of vehicle and POL was irregular and unlawful.

Non-adherence to Government Rules resulted into Irregular payment of Rs.15.67 million on account of transport monetization policy up to financial year 2020-21.

The matter was taken up with the management in August, 2021 and reported to the Ministry in October, 2021. The management replied that the public sector companies operate under the Companies Ordinance 1984 and the BOD have the power and Authority to take decisions without the requirement of taking approval from the Government but stay within the guidelines provided in the "Public Sector Companies Corporate Governance Rules 2013".

The DAC in its meetings held on December 30-31, 2021 did not agree with the management reply and directed to conduct inquiry at PEPCO level and furnish report within 30 days.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 112/2021-22)

1.13.33 Non-production of record on account of (R&M) of Computers – Rs.13.10 million

According to Rule-10(i) of General financial Rules, "every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money".

In FESCO, an amount of Rs.23.15 million was spent on account of (Repair & Maintenance) of computers out of which the record of Rs.10.05 million was produced but the record of remaining Rs.13.10 million was not produced to audit for scrutiny. This state of affair needs justification. Moreover, the record was also incomplete and did not justify the R&M expense.

Non-adherence to the rules resulted into un-justified expenditure of Rs.13.10 million on account of (R & M) up to the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in November, 2021. The management replied that the budget of FY 2020-21 was allocated by FESCO Management for (R&M) under head 8040050(FESCO Computer Centre) amounting to Rs.12.32 million. The budget was utilized during the FY 2020-21 is Rs.10.05 million. All expenditures detail dully approved along with authentication of approving authority, so the expenditure are justified. The amount of 13.10 million pointed out Audit not relates to MIS department.

The DAC in its meetings held on January 13, 2022 directed the management to conduct departmental inquiry and submit fact finding report besides fixing responsibility within 30 days under intimation to audit. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 277/2021-22)

1.13.34 Unjustified payment of miscellaneous expenses paid to CRRK – Rs.10.50 million

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

In Chief Engineer (Development) PMU, PESCO Peshawar, an amount of Rs.269.57 million was paid to Chief Resident Representative Karachi on account of custom duty and taxes against Purchase Orders for supply of material. While checking of payment details, it was noticed that an amount of Rs.10.50 million was also paid to CRRK, Karachi as miscellaneous expenses without any justification as there was no provision for these charges. Due to unauthorized payment of Misc. Expenses company sustained a loss of Rs.10.50 million.

Non-adherence to Corporate Governance Rules resulted into unjustified payment of miscellaneous expenses paid to CRRK, Karachi amounting Rs.10.502 million up to the financial year 2020-21.

The matter was taken up with the management in August, 2021 and reported to the Ministry in October, 2021. The management replied that this amount was included in demands of funds on the estimated basis and later actual miscellaneous expenses of Rs.13,965,987 incurred for clearance of both shipments were in excess than the estimated demanded amount.

The DAC in its meetings held on December 30-31, 2021 directed the management to provide the detail of miscellaneous expenses to audit and get verified the record within 10 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 91/2021-22)

1.13.35 Potential financial burden due to interest claim by contractor on delayed payments – Rs.10.48 million

According to Rule-4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, "The chief executive is responsible for making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations".

In NTDC, a contract No. ADB-65-R-2012, Package-I for procurement of plant, design, supply, installation, testing and commissioning of 500 kV Transmission Line Jamshoro-Moro-Dadu to Rahim Yar Khan under Loan No. 2846 Tranche-III was awarded to M/s TBEA. The said contractor had lodged a claim of Rs.10.48 million on account of interest due to delay in payments under GCC Sub-Clause 12.3 and Appendix-I. Since, the said project was financed by the ADB, hence, delay in payments was incomprehensible, which would cause extra financial burden on account of interest of Rs. 10.48 million to the Company.

Financial mismanagement resulted into extra financial burden due to claim of interest of Rs.10.48 million on delay in payments to contractor up to the financial year 2019-20.

The matter was taken up with the management in September, 2020 and reported to the Ministry in December, 2020. The management replied that there was no extra financial burden as NTDCL didn't pay the interest amount and claim of the contractor was rejected. Audit contended that it needed to be intimated whether the said contract had been concluded successfully by settling all the claims / counter claims of M/s TBEA once and for all.

The DAC in its meeting held on January 24-25, 2022 directed the management to furnish revised reply. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 898/2021-22)

1.13.36 Non-removal of houses in the right of way line despite payment to the house owners – Rs.9.87 million

As per Section-16 of Land Acquisition Act 1894 regarding power to take possession, when the collector has made an award under section 11, he may take the possession of land, which shall thereupon free from all encumbrances.

In EHV-I NTDC Islamabad, an amount of Rs.9.87 million was paid to the house owners on account of compensation falling in the corridor of 132 KV Double Circuit Transmission Line Patrind to Rampura 132 KV Grid Station. The houses falling in the corridor of subject transmission line have not been dismantled after a lapse of years, though all the actual house owners have received the compensation payment for houses through District administration of Muzaffarabad AJ&K with the commitment through affidavits that they will remove their houses within 6 month but the same was not done.

Non-adherence toLand Acquisition Act resulted into non-dismantlement of houses by the owners despite the payment of Rs.9.87 million and sustain loss to the company.

The matter was taken up with the management in August, 2021 and reported to the Ministry in December, 2021. The management replied that the local administration committed and concerned house owners furnished affidavit dismantled within the month.

The DAC in its meetings held on January 24-25, 2022 expressed its concern over non-removal of houses and directed the management to investigate the matter. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 402/2021-22)

1.13.37 Illegal annual repair and maintenance of bungalow – Rs.9.07 million

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

In IESCO, an amount of Rs.9.07 million was incurred for special repair of CEO's Bungalow No. 6-F G-7/4, Islamabad during 2014 to 2021. As such a amount was spent on the said bungalow for an individual interest without observing rules and regulations as special repair of building is allowed. The expenditure incurred was irregular / unjustified.

Non-adherence to Corporate Governance Rules resulted into illegal annual repair and maintenance of bungalow amounting to Rs.9.07 million the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in December, 2021. The management replied that 06 No. work order amounting to Rs.8.925 million were issued for Repair /Maintenance works of said Bungalows during the period from 2014 to 2021 as the said bungalow is an old building constructed during WAPDA period in 1980s decade. During this period from 2014 to 2021 almost 05 CEOs of IESCO have resided there and works were done after completing all codal formalities.

The DAC in its meetings held on January 6-7, 2022 directed the management to hold an inquiry at PEPCO level regarding expenditure on R&M of bungalow in 5 year for fixing responsibility and submit its report within 60 days.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 847/2021-22)

1.13.38 Irregular upgradation of Divisional Accounts Officers from BPS-16 to BPS-17 – Rs.7.92 million

As per clarification PEPCO letter No. MDP/E-I/10/3043 dated 11/11/2019 wherein directed that the category of "Divisional Accounts Officer" does not fall under domain of "Dead Cadre" and cannot be termed be treated in GM(HR)PEPCO letter dated 28.06.2018.

In IESCO, twenty (22) Division Account Officers were given step scale upgradation from BPS-16 to BPS-17 w.e.f 28.08.2018 in the light of BOD IESCO decision dated April 20, 2019 by considering that DAO cadre was a dead cadre. The said decision of BAO IESCO was not in the line with the clarification of PEPCO. Resultantly, irregular time scale upgradation was given to DAO causing irregular payment of Rs.7.92 million.

Non-adherence to PECO's instructions/clarification resulted irregular time scale upgradation was given only those officials who were working as Divisional Accounts Officer as on 28-08-2018 against Dead End Cadre.

The matter was taken up with the management in September, 2021 and reported to the Ministry in December, 2021. The management replied that BoD being a Supreme Policy making body under Companies Ordinance Act-1984 is competent to allow /approve all such expenses.

The DAC in its meetings held on January 6-7, 2022 directed the management to provide rule position regarding promotion of DAO and provide the detail of incumbents. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 542/2021-22)

1.13.39 Recoverable amount on account of Income Tax and undue Tax Rebate – Rs.4.79 million

According to Sections 12 to 14 of the Income Tax Ordinance 2001, Clauses (1) to (56) of the part-I of the second schedule to Income Tax Ordinance-2001 and rule 03 to 09 of Income Tax Rule 2002, further clarified by FBR vide letter C.No.2{9}ITR/08 dated 06.08.2010 that "entire amount received by an employee on account of self-hiring shall become part of salary as per section 12 {2} [a] of the income Tax Ordinance, 2001, Income from self-hiring is to be included in salary for the purpose of deduction of tax on salary". As per Section 13 (1) of the Income Tax Ordinance 2001, "For the purpose of computing the income of an employee for a tax year chargeable to tax under the head "Salary", the value of any perquisite provided by an employer to the employee in that year that is included in the employee salary under section 12 shall be determined in accordance with this section". As Per Income Tax Ordinance 2001 170(1) ,"A tax payer who has paid tax in excess of the amount which the tax payer is properly chargeable under this ordinance may apply to the commissioner for a refund of the excess".

In NTDC, rebate was granted to (544) officers and officials of NTDC despite less deduction of income tax as per scheduled tax slabs from salaries. It is very alarming to point out that NTDC has not made an application income tax rebate.

Non-adherence of the above rule resulted into undue rebate to the employees of Rs 4.79 million for the financial year 2020-21.

The matter was taken up with the management in August, 2021 and reported to the Ministry in December, 2021. The management replied that comprehensive reply would be furnished after scrutiny of record.

The DAC in its meetings held on January 24-25, 2022 directed the management to inquire the matter and get the record verified from Audit within 15 days. No further progress was intimated till the finalization of report.

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

(Draft Para No. 374/2021-22)

1.13.40 Non-production of record by Ministry of Energy (Power Division)

According to the directives of the Public Accounts Committee issued on June 03, 2004, 'make available all information/record to audit as and when required by them. Otherwise disciplinary action would be initiated against persons responsible for the delay under Section 14-C (2) & (3) of the Auditor General's (Functions, Power s and Terms and conditions of Service) Ordinance 2001 it is obligatory for all the Government entities to provide record to Audit on demand.

In Ministry of Energy (Power Division), except (E&D) and Development Wing, no record was provided to Audit for scrutiny. The purpose was to assess and review the accuracy, completeness and transparency in execution of its core functions assigned with reference to:-

1. Matters relating to development of power resources of the country.
2. Matters relating to electric utilities.
3. Liaison with international engineering organizations in power sector.
4. Federal agencies and institutions for promotion of special studies in power sector.
5. (a) Electricity; (b) Karachi Electric
6. National Engineering (Services) Pakistan Limited.
7. Private Power and Infrastructure Board.
8. Administrative Control of Alternative Energy Development Board.
9. Federal Government functions in regard to National Electric Power Regulatory Authority.
10. National Energy Efficiency and Conservation Authority.

It is pertinent to mention here that despite many visits and requisitions to the administration of Power Division by Audit team, the concern Section Officers In-charge did not extend their cooperation in production of record with lame excuses like they were in meetings or with statement that the record would be produced subject to permission of top brass which showed hesitation in production of record.

Non-adherence to PAC directive resulted into non-production of record by Ministry of Energy (Power Division) during the financial year 2020-21.

The matter was taken up with the management in September, 2021 and reported to the Ministry in November, 2021. The management replied that the record point out is available which can be verified.

The DAC in its meetings held on January 6-7, 2022 directed the management to submit the revised reply and get the stance verified from audit within 15 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 195/2021-22)

1.13.41 Non-production of record relating to promotion cases of officers

According to the directives of the Public Accounts Committee issued on June 03, 2004, 'make available all information/record to audit as and when required by them. Otherwise, disciplinary action will be initiated against person's responsible for the delay under Section 14- C (2) & (3) of the Auditor General's (Functions, Power s and Terms and conditions of Service) Ordinance 2001 it is obligatory for all government entities to provide record to Audit on demand.

In PEPCO, requisition of record/documents etc. relating to promotion cases files of officers of DISCOs and NTDC from Executive Engineer to Superintending Engineer (BPS-17 to BPS-18), and Superintending Engineer to Chief Engineer (BPS-19 to BPS-20) and Chief Engineer to General Manager (BPS-19 to BPS-20) was placed on 13-10-2021 in order to ascertain transparency of promotion cases made during the year 2019-20 as it was one of core function of the PEPCO. In response to audit requisition, PEPCO did not provide requisite record of promotion cases files inspite of various requests. Hence non-supply of record was placed under non-production of records.

Non-adherence to PAC directive June, 2004 resulted into non-production of record relating to promotion cases of officers/functions of NEPRA up to the financial year 2020-21.

The matter was taken up with the management and reported to the Ministry in December, 2021. The management replied that the record is ready and requested that Audit may review the promotion cases.

The DAC in its meetings held on January 24-25, 2022 directed the management to get the record verified from Audit within 30 days. No further progress was intimated till the finalization of report.

Audit recommends that the management needs to implement DAC's decision besides fixing responsibility upon officers/officials primarily at fault.

(Draft Para No. 890/2021-22)

CHAPTER-2

INTRODUCTION OF ENTITIES AND COMMENTS ON FINANCIAL STATEMENTS

2.1 POWER PLANNING & MONITORING COMPANY (PPMC)

2.1.1 Introduction

Power Planning & Monitoring Company (PPMC) previously known as PEPCO was incorporated as private limited company on May 13, 1998, under Companies Ordinance, 1984. PEPCO is responsible for the management of National Transmission and Dispatch Company (NTDC), PITCL and ten (10) Distribution Companies (DISCOs) working under independent Board of Directors. PPMC is engaged in monitoring and controlling the different activities of distribution companies including technical, financial, operational, personnel, legal and IT related activities as an agent of the Government of Pakistan.

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2020-21 (Rs.in million)	Expenditure audited FY 2020-21 (Rs.in million)	Revenue / Receipts FY 2020-21 (Rs.in million)
1.	Formations	01	01	641.72	108.28	340.00
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	N/A	N/A
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	Nil	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.1.2 Comments on financial Statements

According to Section-223 of Companies Act 2017, "the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company".

In PPMC, financial statements of the company for the financial year 2020-21 could not be finalized by the management up till December 31, 2021.

2.1.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.1,409.96 million were raised in this audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification		Amount (Rs.in million)
1.	Irregularities		
	A.	HR/Employees related irregularities	233.87
	B.	Procurement related irregularities	1,081.74
	C.	Irregularities pertaining to violation of entity's own rules / regulations	94.35

2.2 FAISALABAD ELECTRIC SUPPLY COMPANY (FESCO)

2.2.1 Introduction

Faisalabad Electric Supply Company Limited (FESCO) started its operations as Public Limited Company in March, 1998 registered under Companies Ordinance, 1984. The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity to consumers within defined geographical boundaries. The Company purchases electricity from CPPA-G through NTDC system and sells it to various consumers within Faisalabad, Jhang, Toba Tek Singh, Chiniot, Sargodha, Mianwali, Khushab and Bhakkar districts.

The operational activities are performed through four Operation Circles, Grid System Construction, Project Director Construction & Grid System Operation Circles. The detail of formations and expenditure audited is as under:

Sr. No.	Description	Total Nos.	Audited	budget FY 2020-21 (Rs.in million)	Expenditure audited FY 2020-21 (Rs.in million)	Revenue / Receipts FY 2020-21 (Rs.in million)
1.	Formations	11	05	33,738.41	22,307.93	216,717.78
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities/ Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.2.2 Comments on financial Statements

2.2.2.1 Financial Overview

As per the audited financial Statements for the year 2020-21, the Company earned profit at the year ended on 30th June, 2021 and turned from losses to profit. Accordingly, the accumulated loss decreased from Rs.78,597 million in the financial year 2019-20 to Rs.63,938 million in the financial year 2019-20 registering 18.65%

decrease. Moreover, the net electricity sale increased from Rs. 226,210 million in the financial year 2019-20 to Rs.231,780 million in the financial year 2020-21 registering 2.46% increase. Increase in sales was one of the factors which resulted in the company turning from loss to profit.

2.2.3 Extracts of the financial Statements
Statement of financial Position as on June 30, 2021

(Rs.in million)

	2020-21	%	2019-20	%	2018-19
Equity and Liabilities:					
Authorized share capital	**50**		**50**		**50**
Accumulated Profit/(Loss)	- 63,938	-18.65	-78,597	11.88	-89,194
Deposits for the issuance of shares	15,641	-21.24	19,859	-	19,859
Surplus on revaluation of operating fixed assets	47,433	-1.59	48,200	85.89	25,929
Total Equity	**- 862**	-91.82	**-10,533**	**- 75.25**	**-42,561**
Non-current liabilities	**153,390**	6.36	**144,220**	4.92	**137,463**
Trade and other Payables	109,219	-8.50	119,371	56.38	76,332
Current portion of long-term loans	1,807	26.28	1,431	35.51	1,056
Mark up payable	3,472	33.90	2,593	8.45	2,391
Current liabilities	**114,499**	-7.21	**123,395**	**54.67**	**79,779**
	267,027	**3.87**	**257,078**	**47.89**	**173,835**
Non-Current Assets	**133,501**	5.20	**126,898**	**29.48**	**98,005**
Stores and spares	3,242	6.12	3,055	-2.46	3,132
Trade debts	43,549	-0.10	43,593	116.4	20,145
Short-term advances	76	22.58	62	3.33	60
Advances to employees against expenses	5,975	-30.76	8,630	1.58	8,496
Tariff differential subsidy	33,614	-1.04	33,968	186.18	11,870
Other receivables	16,869	13.34	14,883	34.21	11,089
Interest accrued	45	-74.58	177	11.32	159
Bank balances	27,883	8.03	25,811	23.62	20,879
Current assets	**133,525**	2.57	**130,180**	**71.67**	**75,830**
	267,027	**3.87**	**257,078**	**47.89**	**173,835**

(Source: Audited financial Statement of FESCO financial year 2020-21 – Riaz Ahmad & Co., Chartered Accountant)

2.2.4 Statement of Profit & Loss Account
For the year ended June 30, 2021

	2020-21		**%**	**2019-20**	**%**	**2018-19**
Revenue						
Sale (Billing to consumers)	172,602		2.96	167,648	13.36	147,887
Tariff differential subsidy from GoP	59,178		1.05	58,561	42.7	41,039
	231,780		**2.46**	**226,210**	**19.73**	**188,926**
Cost of electricity	193,010	-	0.89	194,741	10.32	176,517
Gross profit / (loss)	**38,770**		23.20	**31,468**	**153.59**	**12,409**
Amortization of deferred credit	1,746		10.58	1,579	8.15	1,460
	40,516		22.60	**33,047**	**138.28**	**13,869**
Operating expenses:						
Distribution cost	19,973	-	13.45	23,078	14.02	20,240
Administrative expenses	3,178	-	21.32	4,039	18.48	3,409
Customer services cost	2,340	-	2.34	2,396	12.12	2,137
Other income	5,196	-	7.90	5,642	31.61	4,287
Operating Profit/(loss)	**20,221**		120.34	**9,177**	**220.29**	**-7,629**
Finance cost	493	-	44.92	895	189.64	309
Profit/ (loss) before taxation	**19,728**		138.20	**8,282**	**204.33**	**-7,938**
Taxation	2,326		5.34	2,208	129.28	963
Profit/ (loss) after taxation	**17,402**		186.50	**6,074**	**168.24**	**-8,901**

(Source: Audited financial Statement of FESCO financial year 2020-21 – Riaz Ahmad & Co., Chartered Accountant)

2.2.5 Comments on Audited Accounts

i) Profitability

The Company earned a net profit of Rs.17,402 million during the financial year 2020-21. However, accumulated losses have reduced to Rs.63,938 million from Rs.78,597 resulting in net capital deficiency. As on June 30, 2021 the Company's current assets exceeded current liabilities by Rs.19,026 million indicating positive trend.

ii) Sales and Cost of sales

The sales of the Company were Rs.231,780 million including the subsidy received from Government of Pakistan amounting to Rs.59,178 million and cost of sales of the company stood at Rs.193,010 million which was 83.27% of sale.

iii) Trade Debts and other Receivables

Major receivables of the Company were Rs.92,507 million as on June 30, 2021. This included an amount of Rs.33,614 million which is receivable from Government of Pakistan against tariff differential subsidy, Rs.43,549 million from various consumers

The trade debts stood at Rs.43,549 million. The pending receivables were a significant business sustainability risk for the Company and required long term rectification measures. Huge balance of receivables depicts poor recovery efforts of the Company, which needs justification.

iv) Trade and other Payables

Trade & Other payables of the Company substantially decreased from Rs.119,371 million in the financial year 2019-20 to Rs.109,219 million in the financial year 2020-21. The major amount of Rs.86,711 million was payable to CPPA-G on account of purchase of electricity. Payables towards CPPA-G decreased to Rs.11,033 million from the previous financial year indicating decrease of 11.29%. Immediate short-term measures and prudent long-term action were needed to stop the accumulation of payables and ensure steady reduction of pending payables in the future.

v) Non-Recognition of Debit note of Rs.10,887.26 million on account of mark-up paid by CPPA-G

The External Auditors of FESCO during certification audit exercise on FESCO accounts for the financial year 2020-21, highlighted that the Company had not given due disclosure of its liabilities towards CPPA-G as on June 30, 2021. The claims included supplementary charges (the markup charged on CPPA-G by independent power producers on account of delayed payments) aggregated to Rs.10,887.26 million. Had these charges been applied, it would have enhanced the expenditure and put the Company into overall net loss. In order to avoid financial impediment in the power sector supply chain, it was necessary that difference between CPPA-G and FESCO was resolved timely.

vi) Operating expenses

The operating expenses of the Company decreased from Rs.29,512 million during the financial year 2019-20 to Rs.25,490 million during the year 2020-21 registering decrease of Rs.4,022 million (13.63%). The decrease in its operating expenses shows efficiency.

vii) Re-valuation of Company Assets

As per detail given at note 15 of the financial Statements, date of valuation of land has not been stated in the statements. The total land-freehold of the entire company has been valued at Rs.31,245 million only. Under IFRS 16.31 re-valuation should be carried out regularly so that the carrying amount of an assets does not differ materially from its fair value at the balance sheet date.

2.2.6 Classified Summary of Audit Observations

Audit observations amounting to Rs.78,398.06 million were raised in this audit. The amount also includes recoverables of Rs.55,811.00 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification		Amount (Rs.in million)
1.	Irregularities		
	A.	HR/Employees related irregularities	11.58
	B.	Procurement related irregularities	298.69
	C.	Irregularities pertaining to violation of entity's own rules / regulations	551.96
	D.	Irregularities pertaining to violation of Regulatory Laws & Regulations	11,373.13
	E.	Recoveries pointed out by Audit	55,811.00
2.	Others		10,351.70

2.3 GUJRANWALA ELECTRIC POWER COMPANY (GEPCO)

2.3.1 Introduction

Gujranwala Electric Power Company (GEPCO) is a subsidiary of PPMC. The Company started its operation as a Public Limited Company registered under Companies Ordinance 1984 (now Companies Act 2017) in May, 1998. The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA-G through NTDC system and sells it to various consumers within Gujranwala, Gujrat, Mandi Bahaudin, Narowal, Hafizabad and Sialkot Districts.

The operational activities are performed through five Operation Circles and Grid System Construction, Project Construction & Grid System Operation Circles.

The detail of formations and expenditure audited was is under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2020-21 (Rs.in million)	Expenditure audited FY 2020-21 (Rs.in million)	Revenue / Receipts FY2020-21 (Rs.in million)
1.	Formations	11	05	15,455.00	22,326.49	176,916.05
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.3.2 Comments on financial Statements

2.3.2.1 Financial Overview

As per the audited financial Statements for the year 20120-21, the Company turned from continuous losses to profit and earned a marginal profit amounting to Rs.1,076 million at the year ended dated 30th June, 2021. Accordingly, the accumulated loss decreased from Rs.26,178 million in the financial year 2019-20 to Rs.24,723 million in the financial year 2020-21 registering 5.56% decrease.

Moreover, the net electricity sale increased from Rs.121,626 million in the financial year 2019-20 to Rs.142,647 million in the financial year 2020-21 registering 17.28% increase.

2.3.3 Extract of the financial Statements
Statement of financial Position as on June 30, 2021

(Rs. in millions)

	2021	%age Inc/(Dec)	2020	%age Inc/(Dec)	2019
Equity & Liabilities					
Issued, subscribed and paid up share capital	0.01	-	0.01	-	0.01
Accumulated (losses) un-appropriated profit	(24,723.00)	-5.56	(26,178.00)	225.35	(8,046.00)
Deposit for issuance of share	15,498.00	0.00	15,498.00	87.70	8,257.00
Total Equity	(9,225.00)	-13.62	(10,680.00)	-5161.61	211.00
Non-current liabilities	124,978.00		-		-
Deferred credit	22,306.00	7.98	20,658.00	11.21	18,576.00
Long term financing –secured	11,451.00	34.02	8,544.00	9.04	9,393.00
Deferred liabilities	83,927.00	5.08	79,866.00	15.41	69,202.00
Security deposit	7,294.00	13.16	6,446.00	9.20	5,903.00
Total non-current liabilities	124,978.00	**8.19**	115,514.00	**12.07**	103,074.00
Current liabilities	-		-		-
Trade and other payable	42,788.00	-15.11	50,407.00	134.16	21,527.00
Current portion of long term financing	5,375.00	-19.81	6,703.00	55.20	4,319.00
Total Current liabilities	48,163.00	-15.67	57,110.00	120.96	25,846.00
Total equity and liabilities	163,916.00	**1.22**	161,944.00	25.41	129,131.00
	-		-		-
Non-Current Asset	-		-		-
Property, plant and equipment	57,883.00	6.38	54,412.00	8.94	49,947.00
long term loan- considered good	638.00	51.18	422.00	1047.18	426.00
Total Non-current assets	58,521.00	0.39	54,834.00	8.86	50,373.00
	-		-		-
Current Asset	-		-		-
Store and Spares	1,018.00	-49.53	2,017.00	12.62	1,791.00
Trade debts	35,546.00	-21.94	45,536.00	22.39	37,205.00
Loans and advances	296.00	122.56	133.00	29.13	103.00
Tax refunds due from Government	9,921.00	20.61	8,226.00	18.24	6,957.00
Receivable from Government of Pakistan	37,090.00	-0.54	37,291.00	73.43	21,502.00
Short term investments	7,798.00	41.04	5,529.00	256.48	1,551.00
Other receivables	7,128.00	14.07	6,249.00	8.41	5,764.00
Cash and bank balances	6,598.00	209.91	2,129.00	45.20	3,885.00
Total Current Assets	105,395.00	-1.60	107,110.00	36.00	78,758.00
Total Assets	163,916.00	**1.22**	161,994.00	**25.41**	129,131.00

Source: Audited financial Statements for the year ended 30 June 2021 and Un-audited financial Statements for year ended 30 June 2020

2.3.4 Statement of Profit and Loss Account For the year ended June 30, 2021

(Rs. in millions)

	2020-21	%age Inc/(Dec)	2019-20	%age Inc/(Dec)	2018-19
Sale of electricity	142,647	17.28	121,626	-5.48	128,682
Subsidy from Government of Pakistan on sale	22,663	-20.25	28,418	17.37	24,213
Total Sale	165,310	**10.17**	150,044	**-1.86**	152,895
Cost of Electricity	144,511	0.48	143,817	12.38	127,971
Gross profit	20,799	**234.01**	6,227	**-75.02**	24,924
Amortization of deferred credit	1,111	9.57	1,014	11.43	910
	21,910	202.58	7,241	-71.97	25,834
Operating expenses	-		-		-
Distribution cost	16,260	-10.66	18,200	22.89	14,810
Administrative expenses	6,036	13.05	5,339	27.73	4,180
Total operating expenses	22,296	5.28	23,539	**23.95**	18,990
	-		-		-
Operating profit / (loss) before interest and tax	386	-97.63	16,298	-338.14	6,844,000
	-		-		-
Other income	3,413	13.05	3,019	49.53	2,019
Financing cost	1,528	5.61	1,498	6.02	1,594
Net profit /(loss) after interest and before taxation	1,445	-109.78	14,777	**-303.29**	7,269
Taxation	369	7.89	342	-55.76	773
Net profit/(loss) after tax	1,076	**-107.12**	15,119	**-332.74**	6,496

Source: Audited financial Statements for the year ended 30 June 2020 and Un-audited financial Statements for year ended 30 June 2021

2.3.5 Comments on Audited Accounts

i) Profitability

The Company earned a net profit of Rs.1,076 million during the financial year 2020-21. However, the total accumulated losses have reduced and reached to the tune of Rs.24,723 million resulting in net capital deficiency. This condition indicated existence of material uncertainty as to the Company's ability to continue as a going concern. The Company has no strategic business plan to turn around the Company into a viable and sustainable profit making entity.

ii) Gap between Cost and Sales Revenues

Revenue from sale of electricity has increased by 17.28% in 2021 whereas the cost of electricity has decreased which caused increase in gross profit upto Rs.20,799 million from Rs.6,227 million. Net profit of Rs.1,076 million was earned in FY-2021.

iii) Heavy CPPA-G Payables

(Rs. in million)

	2021	% age Inc/(dec)	2020	% age Inc/(dec)	2019
CPPA-G Payable	21,382	38.54%	34,788	335.01%	7,997

CPPA-G Payables were Rs.7,997 million in 2019 which were increased by 335.01% in 2020. In 2021, CPPA-G Payables are 21,382 million which consist of 49.97% of total trade and other payables. Non-payment of CPPA-G's dues on time is the major cause of circular debt. It is recommended that in order to ensure timely payments of CPPA-G dues, the management of GEPCO should enhance its recovery/collection.

iv) Trade Debts and other Receivables

Major receivables of the Company were Rs.35,546 million as on June 30, 2021. This included an amount of Rs.3,993 million which was receivable from Government of Pakistan against tariff differential subsidy and Rs.3,653 million (Rs.7,646 million - Rs.3,993 million) was receivable from other Government institutions. There was a decrease in receivables from private consumers, however, Rs.10,418 million is still receivable from private consumers as on June 30, 2021. Huge pending receivables were a significant business sustainability risk for the Company and required long term rectification measures. The said balance receivables depict poor recovery efforts of the Company, which needs justification.

v) Operating expenses

The Operating expenses of the company decreased from Rs.23,539 million to Rs.22,296 million during financial year ended on June 30, 2021 and company managed to earn operating profit of Rs. 386 million which shows a positive impact of the company.

2.3.6 Classified Summary of Audit Observations

Audit observations amounting to Rs.22,738.79 million were raised in this audit. The amount also includes recoverables of Rs.17,695.31 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification		Amount (Rs.in million)
1.	Irregularities		
	A.	Procurement related irregularities	259.23
	B.	Irregularities pertaining to violation of entity's own rules / regulations	1,170.81
	C.	Irregularities pertaining to violation of Regulatory Laws & Regulations	47.05
	D.	Recoveries pointed out by Audit	17,695.31
2.	Others		3,566.39

2.4 HYDERABAD ELECTRIC SUPPLY COMPANY (HESCO)

2.4.1 Introduction

Hyderabad Electric Supply Company (HESCO) is a subsidiary of PPMC. The Company started its operations as a Public Limited Company in July, 1998 and registered under Companies Ordinance 1984 (now Companies Act 2017) as a public limited company. The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA-G through NTDC system and sells it to various consumers in thirteen districts of Sindh Province.

The operational activities are performed through four Operation Circles and Grid System Construction, Project Construction & Grid System Operation Circles.

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2020-21 (Rs.in million)	Expenditure audited FY 2020-21 (Rs.in million)	Revenue / Receipts audited FY2020-21 (Rs.in million)
1.	Formations	09	05	14,991.17	10,113.44	16,566.62
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.4.2 Comments on financial Statements

According to Section-223 of Companies Act 2017, “the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company".

In HESCO, financial statements of the company for the financial year 2020-21 could not be finalized by the management up till December 31, 2021.

2.4.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.211,734.31 million were raised in this audit. The amount also includes recoverables of Rs.83,939.76 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification		Amount (Rs.in million)
1.	Irregularities		
	A.	HR/Employees related irregularities	4.32
	B.	Procurement related irregularities	432.79
	C.	Irregularities pertaining to violation of entity's own rules / regulations	1,472.57
	D.	Irregularities pertaining to violation of Regulatory Laws & Regulations	64,698.90
	E.	Recoveries pointed out by Audit	83,939.76
2.	Others		61,185.97

2.5 ISLAMABAD ELECTRIC SUPPLY COMPANY (IESCO)

2.5.1 Introduction

Islamabad Electric Supply Company (IESCO) is a subsidiary of PPMC. The Company started its operations as a Public Limited Company in May, 1998 registered under Companies Ordinance, 1984. The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA-G through NTDC system and sells it to various consumers within Attock, Chakwal, Islamabad, Jhelum and Rawalpindi Districts.

The operational activities are performed through five Operation Circles, Grid System Construction, Project Construction and Grid System Operation Circles. The detail of formations and expenditure audited is as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2020-21 (Rs.in million)	Expenditure audited FY 2020-21 (Rs.in million)	Revenue / Receipts FY2020-21 (Rs.in million)
1.	Formations	12	04	24,705.00	21,193.92	102,297.00
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities/ Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

As per the audited financial Statements for the year 2019-20, the Company remained in loss of Rs. 12.728 billion at the year ended 30th June, 2020. However, the Company earned a net profit of Rs.3.440 billion in the financial year 2020-21. This resulted into minor reduction (4.79%) in accumulated losses of the Company from Rs.65.593 billion in 2019-20 to Rs. 62.592 billion in 2020-21. Moreover, the net electricity sale increased from Rs.145.892 billion in the financial year 2018-19 to Rs.161.191 billion in the financial year 2020-21 registering 10.49% increase in last two years.

2.5.2 Extracts of the financial Statements

2.5.2.1 Statement of financial Position as on June 30, 2021

(Rs. in million)

	2020-21	% Inc/Dec	2019-20	% Inc/Dec	2018-19
Assets					
Non-current assets					
Property, Plant and Equipment	153,935.39	51.34	101,717.25	1.93	99,792.71
Intangible asset under development	114.03	0.00	114.03	161.06	43.68
Long term loans	189.84	(0.87)	191.50	56.89	122.06
	154,239.26	51.18	**102,022.78**	2.07	**99,958.45**
Current assets					
tores, spares and loose tools	1,253.71	(11.04)	1,409.31	21.83	1,156.74
Trade debts	69,805.87	(45.53)	128,158.44	32.16	96,970.19
Advances	275.21	(36.97)	436.66	37.61	317.32
Receivable from Govt. of Pakistan	5,290.25	(29.07)	7,458.53	53.82	4,848.75
Security deposits	73.74	0.00	73.74	0.00	73.74
Other receivables	3,948.29	4.41	3,781.45	8.35	3,489.96
Sales Tax Receivable	21,672.24	0.00	21,672.24	(0.88)	21,864.38
Advance Income tax	1,320.08	(12.47)	1,508.23	73.03	871.67
Cash and bank balances	8,791.34	68.92	5,204.37	56.15	3,332.89
	112,430.73	(33.75)	**169,702.97**	27.67	**132,925.64**
Non-current assets held for sale	65.89	0.00	65.89	0.00	65.89
	112,496.62	(33.74)	169,768.86	27.65	132,991.53
TOTAL ASSETS	**266,735.88**	(1.86)	**271,791.65**	16.67	**232,949.98**
Share capital and reserves					
Authorized share capital 5,000,000,000 (2018: 5,000,000,000) Ordinary shares of Rupees 10 each	50,000.00	0.00	50,000.00	0.00	50,000.00
Issued, subscribed and paid-up capital	5,798.25	0.00	5,798.25	0.00	5,798.25
Revenue reserved-accumulated loss	(62,592.11)	(4.58)	(65,593.09	22.83	(53,403.43)
Capital reserves					
Deposits for the issuance of shares	15,977.87	-21.10	20,250.77	0.00	20,250.77
Surplus on revaluation of operating fixed assets-net	69,039.26	135.35	29,335.04	(3.93)	30,534.96
	85,017.13	71.45	49,585.81	(2.36)	50,785.73
Total reserves	**22,425.02**	(240.09)	**(16,007.27)**	511.50	**(2,617.70)**
Total equity	28,223.27	(376.45)	(10,209.02)	-	**3,180.55**
Long term loans	5,449.71	(13.02)	6,265.59	(11.16)	7,053.03
Long terms security deposits	7,304.78	11.80	6,533.61	8.08	6,045.08
Staff retirement benefits	45,646.05	6.57	42,832.87	4.00	41,187.41
Deferred credits	29,768.76	5.19	28,300.12	4.82	26,997.54
	88,169.29	5.05	**83,932.19**	3.26	**81,283.06**
Current liabilities					
Trade and other payables	140,142.54	(26.25)	190,022.96	33.26	142,595.90
Accrued mark-up	7,045.37	23.84	5,689.22	31.30	4,332.90
Current portion of long term loans	3,155.40	33.91	2,356.29	51.28	1,557.57

	150,343.32	(24.10)	198,068.47	33.39	148,486.38
TOTAL LIABILITIES	238,512.61	(15.42)	282,000.66	22.73	229,769.43
CONTINGENCIES AND COMMITMENTS	-		-		-
TOTAL EQUITY AND LIABILITIES	**266,735.88**	(1.86)	**271,791.65**	16.67	**232,949.98**

(Source: Audited financial Statement of IESCO financial year 2020-21)

2.5.3 Statement of Profit & Loss Account For the year ended June 30, 2021

(Rs. in million)

	2020-21	% Inc / Dec	2019-20	% Inc / Dec	2018-19
Electricity sale-net	138,780.78	4.44	132,878.34	3.07	128,926.73
Subsidy from Govt. of Pakistan	22,410.58	(7.61)	24,257.341	42.99	16,964.94
	161,191.37	2.58	157,135.68	7.71	145,891.67
Cost of electricity	143,196.57	(2.51)	146,881.53	(210.51)	(132,916.34)
Gross Profit/(Loss)	17,994.79	75.49	10,254.16	(20.97)	12,975.33
Amortization of deferred credit	1,640.06	7.11	1,531.25	6.93	1,432.07
	19,634.85	66.60	11,785.41	(18.20)	14,407.40
Operating expenses:					
Administrative Expenses	(5,816.29)	(16.67)	(6,979.84)	(6.73)	(7,483.59)
Distribution Costs	(15,066.03)	2.38	(14,716.40)	15.22	(12,772.71)
Customer Services Costs	(1,101.48)	17.58	(936.83	35.33	(692.26)
	(21,983.81)	(2.87)	(22,633.08)	8.04	(20,948.56)
Loss from operations	(2,348.95)	(78.35)	(10,847.67)	65.84	(6,541.16)
Other income	2,373.15	20.54	1,968.69	(12.24)	2,243.36
Finance Cost	(1,611.52)	(11.36)	(1,818.12)	9.75	(1,656.65)
Loss before taxation	(1,587.32)	(85.16)	(10,697.09)	79.65	(5,954.45)
Taxation	5,026.98	(347.48)	(2,031.27)	23.94	(1,638.92)
Loss after taxation	**3,439.66**	(127.02)	**(12,728.37)**	67.62	**(7,593.37)**

(Source: Audited financial Statement of IESCO financial year 2020-21)

2.5.4 Qualified Opinion given by the External Auditors on the financial Statements of IESCO for the financial year 2020-21:

It was observed that External Auditors had qualified the accounts of IESCO for the financial year 2020-21 on the basis that the Company carried out revaluation of land, buildings and distribution equipment in 2020-21 resulted revaluation surplus amounting to Rs.48,965.99 million. But the Company did not comply with the requirements of IAS-16 with respect to recording of increase in carrying amount of assets resulting from revaluation in the statement of Comprehensive Income or Statement of Profit or Loss. This effect of deviation from International financial Reporting Standards on the financial statements included but not limited to the effect on revaluation surplus, deferred income tax, profit for the year and accumulated loss, could not be determined.

2.5.5 Comments on Audited Accounts:

i) Profitability

The Company suffered a net loss of Rs.12,728.37 million during the financial year 2019-20. However, the position was changed in 2020-21 resulting in net profit of Rs.3,439.66 million. But the total accumulated losses have reached to the tune of Rs.62,592.11 million resulting in net capital deficiency in the year under review. The Company's short term financial position further worsened in 2020-21 as the current liabilities exceeded current assets by Rs.37,912.58 million which resulted in negative working capital and a bad impact on day to day operational efficiency. This condition indicated existence of material uncertainty as to the Company's ability to continue as a going concern.

ii) Sales and Cost of sales

The sales of the Company were Rs.161,191.37 million including the subsidy received from Government of Pakistan for the year 2020-21 as compared to sales of Rs.157,135.68 million for 2019-20 registering an increase of 2.58% only. On the other hand, cost of sales of the company were Rs.143,196.57 million in 2020-21 which was 88.84% of the sale. This meant that the Company earned Gross Profit of Rs.17,994.79 million (11.16%) and unable to recover the operating expenses.

iii) Trade Debts and other Receivables

Although the total receivables of the Company were reduced to Rs.100,991.86 million in 2020-21 from Rs.161,507.32 million in 2019-20. However, an amount of Rs.5,290.25 million was receivable from Government of Pakistan against tariff differential subsidy, Rs.3,948.29 million from other Associated Companies, Rs.69,805.87 million from various consumers for electricity sold, Rs.21,672.24 million from tax authorities, Rs.275.21 advances. Huge pending receivables were a significant business sustainability risk and depicted poor recovery efforts of the Company, which needs justification.

Furthermore, receivable from Trust Fund Investment Bank Limited

(TFIBL) amounting to Rs. 30.79 million was reflected in the accounts as on June 30th 2021. These represented investment made in the Term Deposit Receipts (TDRs) of TFIBL which were matured in 2013 but due to liquidity issues of bank, a settlement agreement was made in 2014 but recovery of the principal amount of Rs. 96.68 million and accumulated interest of Rs.10.29 million is still pending with NAB. The present status of such receivables may also be provided.

iv) Trade and other Payables

Trade and Other Payables of the Company were decreased from Rs.190,022.96 million in the financial year 2019-20 to Rs.140,142.54 million in the financial year 2020-21 registering a 26.25% decrease. However, the major amount of Rs. 95,728.02 million was payable to CPPA-G for which debit notes regarding alignments in certain account heads i.e. Payable to CPPA-G, Tariff Rationalization Surcharge, Finance Cost Surcharge etc. were issued by CPPA-G to the Company for which necessary adjustments were made in the accounts.

Furthermore, ECC of the cabinet through its decision No. ECC-53/6/2021 dated 19.02.2021 approved the Neelum Jhelum Surcharge revocation summary submitted by Ministry of Energy (Power Division). It was also approved that NJ surcharge collected by the DISCOs and transferred to WAPDA will be audited by the Auditor General of Pakistan and amount will be returned to the eligible consumers/adjusted in their forthcoming electricity bills. The amount of Rs. 2,936.49 million was added in the accounts in 2020-21, the fate of which is still to be decided. Immediate short term measures and prudent long term actions were needed to control the accumulation of payables and ensure steady reduction of pending payables in the future.

v) Non-acknowledgement of CPPA-G Payables

As per note 24.2 under the head "Contingencies and Commitments" regarding non agreement of books of accounts of the Company with the CPPA-G records in respect of amount payable to CPPA-G. There is a net difference of Rs. 4,210.19 million between the amount confirmed by CPPA-G and the amount recorded in the books of IESCO as on June 30, 2021. The major claims not acknowledged as debts by the Company are

Supplementary charges of Rs.6,864.324 million, Syndicated Loans Interests amounting to Rs.(3,865.02) million and power purchased amounting to Rs.1,605.28 million. Had these charges been applied, it would have enhanced the expenditure and increased the current year loss to the stated extent. In order to avoid financial crises, it was necessary that the difference between CPPA-G and IESCO were to be resolved without further delay.

vi) Abnormal deviation in operating expenses

The Operating expenses of the company decreased from Rs.22,633.08 million during the financial year 2019-20 to Rs. 21, 983.81 million during the year 2020-21 registering a minor decrease of 2.87%. The detail of abnormal increase in operating expenses is as under:

Description	2020-21	2019-20	Increase (Rs. in million)	%age increase
Miscellaneous- Admn Costs	64.68	35.80	28.88	80.67
Miscellaneous- Distribution Costs	165.93	65.14	100.79	154.73
Miscellaneous- Customer Service Costs	10.09	4.63	5.46	117.93
Power, Light & Water charges	48.70	16.30	32.4	198.77
Electricity bill collection charges-Admn Costs	143.18	124.13	19.05	15.35
Electricity bill collection charges-Customer Service Costs	178.20	134.59	43.61	32.40
Office Supplies and other expenses	129.38	108.17	21.21	19.61
Bank Charges-Finance Costs	41.44	4.57	36.87	806.78

As the Company was incurring losses, abnormal increase in its operating expenses needs to be arrested to make the concern viable.

vii) Un-necessary Provision/Reversal of Slow Moving Inventory items

The Stores, Spares and Loose tools were stood at Rs. 1,433.62 million in 2020-21 as against Rs. 1,545.14 million in 2019-20. The Company did not review the carrying amounts of Stores, Spares and Loose Tools on regular basis in order to show correct figures in the books of accounts which resulted in reversal of provision amounting to Rs.13.87 million in 2019-20 and again a large amount was provided amounting to Rs.44.08

million in 2020-21 which resulted in under/over increase in expenditure in last two years which needs justification.

2.5.6 Classified Summary of Audit Observations

Audit observations amounting to Rs.72,264.74 million were raised in this audit. The amount also includes recoverables of Rs.71,559.65 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification		Amount (Rs.in million)
1.	Irregularities		
	A.	HR/Employees related irregularities	7.92
	B.	Procurement related irregularities	379.10
	C.	Irregularities pertaining to violation of entity's own rules / regulations	318.07
	D.	Recoveries pointed out by Audit	71,559.65

2.6 LAHORE ELECTRIC SUPPLY COMPANY (LESCO)

2.6.1 Introduction

Lahore Electric Supply Company (LESCO) started its operation as a Public Limited Company registered in July, 1998 under Companies Ordinance 1984 (now Companies Act 2017). The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA-G through NTDC system and sells it to various consumers within Kasur, Lahore, Okara, Nankana Sahib and Sheikhupura Districts.

The operational activities are performed through seven Operation Circles and Grid System Construction, Project Construction & Grid System Operation Circles. The detail of formations and expenditure audited is as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2020-21 (Rs.in million)	Expenditure audited FY 2020-21 (Rs.in million)	Revenue / Receipts FY2020-21 (Rs.in million)
1.	Formations	15	05	168,842.56	49,086.05	191,033.31
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.6.2 Comments on financial Statement

According to Section-223 of Companies Act 2017, "the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company".

In LESCO, financial statements of the company for the financial year 2020-21 could not be finalized by the management up till December 31, 2021.

2.6.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.833,440.21 million were raised in this audit. The amount also includes recoverables of Rs.168,446.47 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	**Classification**		**Amount (Rs.in million)**
1.	Reported cases of fraud, embezzlement, misappropriation and theft		66.44
2.	Irregularities		
	A.	HR/Employees related irregularities	15.55
	B.	Procurement related irregularities	1,215.75
	D.	Irregularities pertaining to violation of entity's own rules / regulations	569,736.73
	E.	Irregularities pertaining to violation of Regulatory Laws & Regulations	93,662.55
	F.	Recoveries pointed out by Audit	168,446.47
3.	Others		296.72

2.7 MULTAN ELECTRIC POWER COMPANY (MEPCO)

2.7.1 Introduction

Multan Electric Power Company (MEPCO) is a subsidiary of PPMC. The Company started its operations as a Public Limited Company in May, 1998 registered under Companies Ordinance, 1984. The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA-G through NTDC system and sells it to various consumers within Multan, Khanewal, Sahiwal, Vehari, Bahawal Pur, Lodhran, Bahawal Nagar, Rahim Yar Khan, D.G Khan, Muzzafar Garh, Rajan Pur and Layyah Districts.

The operational activities are performed through nine Operation Circles, Grid System Construction Circle, Project Construction and Grid System Operation Circles. The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2020-21 (Rs.in million)	Expenditure audited FY 2020-21 (Rs.in million)	Revenue/ Receipts FY2020-21 (Rs.in million)
1.	Formations	16	04	25,786.56	19,387.38	134,935.58
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities/ Autonomous Bodies etc. under the PAO	Nil	Nil	Nil	Nil	Nil
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.7.2 Comments on financial Statements

2.7.2.1 Financial Overview

As per the audited financial Statements for the year 2020-21, the company earned profit at the year ended dated 30^{th} June, 2021. However, the profit decreased from Rs.13,241.68 million in the financial year 2019-20 to Rs.10,048.41 million in the financial year 2020-21 registering 24.12% decrease. Moreover, the net electricity sale increased from Rs.199,343.17 million in the financial year 2019-20 to Rs.216,780.89 million in the financial year 2020-21 registering 8.75% increase.

2.7.3 Extracts of the financial Statements
Statement of financial Position as on June 30, 2021

	NOTE	2020-21 RUPEES	% age	2019-20 RUPEES *Restated*
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized share capital				
5,000,000,000 (2020: 5,000,000,000) ordinary shares of Rupees 10 each		50,000,000,000	0.00	50,000,000,000
Issued, subscribed and paid up share capital	*3*	10,823,636,048	0.00	10,823,636,048
Deposit for shares	*4*	24,684,349,025	-21.23	31,337,632,169
Accumulated loss		(109,985,660,885)	-4.09	(114,671,154,094)
Total equity		(74,477,675,812)	2.71	(72,509,885,877)
LIABILITIES				
NON-CURRENT LIABILITIES				
Long term financing	*5*	7,529,178,204	-7.25	8,117,630,545
Staff retirement benefits	*6*	88,975,501,918	10.42	80,582,683,869
Long term security deposits	*7*	11,395,508,533	11.95	10,179,383,631
Receipt against deposit works	*8*	29,123,355,269	12.87	25,803,025,352
Deferred credit	*9*	62,619,719,376	4.85	59,724,026,331
		199,643,263,300	8.26	184,406,749,728
CURRENT LIABILITIES				
Trade and other payables	*10*	164,718,926,525	-6.16	175,529,885,039
Accrued markup	*11*	8,018,529,347	-25.68	10,788,639,164
Current maturity of long term financing	*5*	6,720,997,526	11.43	6,031,857,596
Provision for taxation		4,531,877,903	255.18	1,275,956,097
		183,990,331,301	-4.98	193,626,337,896
TOTAL LIABILITIES		**383,633,594,601**	1.48	**378,033,087,624**
CONTINGENCIES AND COMMITMENTS	*12*	-		-
TOTAL EQUITY AND LIABILITIES		**309,155,918,789**	1.19	**305,523,201,747**
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	*13*	123,160,370,471	4.66	117,672,020,684
Intangible assets	*14*	-		-
Long term advances	*15*	112,942,981	38.76	81,394,604
Long term deposits	*16*	49,185	0.00	49,185
TOTAL NON-CURRENT ASSETS		**123,273,362,637**	4.69	**117,753,464,473**
CURRENT ASSETS				
Stores and spare parts	*17*	5,738,771,532	-9.32	6,328,680,702
Trade debts	*18*	41,150,971,979	-19.63	51,201,853,926

Loans and advances	*19*	313,575,913	-2.25	320,793,215
Other receivables	*20*	110,511,305,910	2.54	107,771,553,341
Advance Income Tax		473,219,527	-81.45	2,551,409,801
Sales tax receivables	*21*	3,879,357,638	87.44	2,069,701,801
Accrued interest		265,611,799	68.30	157,817,812
Cash and bank balances	*22*	23,549,741,854	35.59	17,367,926,676
		185,882,556,152	-1.01	187,769,737,274
TOTAL ASSETS		**309,155,918,789**	1.19	**305,523,201,747**

Statement of Profit & Loss Account
For the year ended June 30, 2021

	NOTE	2020-21 RUPEES	% age	2019-20 RUPEES
Sale of electricity	23	216,780,894,077	8.75	199,343,165,359
Tariff Differential Subsidies	24	72,382,511,737	-22.28	93,130,828,267
		289,163,405,814	-1.13	292,473,993,626
Cost of electricity	25	(248,523,078,796)	0.05	(248,407,080,166)
Gross profit		40,640,327,018	-7.78	44,066,913,460
Amortization of deferred credit	9	3,147,935,782	6.63	2,952,291,619
		43,788,262,800	-6.87	47,019,205,079
OPERATING COST				
Operating expenses excluding Depreciation & Amortization	26	(28,707,483,141)	-2.02	(29,299,957,359)
Depreciation on Operating Fixed Assets	13.3	(5,457,344,407)	6.56	(5,121,211,315)
Amortization on Intangible Assets		-	-100.00	(10,101,690)
		(34,164,827,548)	-0.77	(34,431,270,364)
Profit from Operations		9,623,435,252	-23.55	12,587,934,715
Other Income	27	5,281,504,661	27.52	4,141,557,469
Finance Cost	28	(1,600,608,741)	-27.64	(2,211,859,833)
		3,680,895,920	90.75	1,929,697,636
Profit before taxation		13,304,331,172	-8.36	14,517,632,351
Taxation	29	(3,255,921,806)	155.18	(1,275,956,097)
Profit after taxation		**10,048,409,366**	-24.12	**13,241,676,254**
Earnings per share – Basic	30	9.28	-24.12	12.23
Earnings per share - Diluted	30	2.83	-9.87	3.14

2.7.4 Un-Qualified Opinion given by the External Auditors on the financial Statements of MEPCO financial Statements 2020-21

It was observed that External Auditors had given unqualified opinion on the accounts of MEPCO for the financial year 2020-21 besides giving emphasis on the following matters:-

i) The company has not recognized the impact of debit notes issued by Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) for supplementary charges, being the mark-up charged on CPPA-G by Independent Power Producers (IPPs) on account of delayed payments, aggregating to Rs.20,317.23 million.

ii) Interest on workers' profit participation fund amounting to Rupees 2,245.63 million was not accounted for by the Company. Moreover, workers' profit participation fund along with related interest was not paid to the workers due to pending decision of Economic Coordination Committee to exempt the corporate entities under the umbrella of WAPDA.

iii) Various matters regarding tax contingencies, the ultimate outcome of which cannot be presently determined, no provision for the same has been made in accompanying financial statements.

iv) The fuel price adjustment amounting to Rs.3,261.50 million which was to be charged to the consumers in the month of August and September, 2020 remained unbilled to the consumers during the year. No proper reason for non-billing was given by the Company.

2.7.5 Comments on Audited Accounts

i) Profitability

The company has gained a net profit of Rs.10,048.41 million for the financial year ended June 30, 2021 and at that date, the accumulated losses were Rs.109,985.66 million. Similarly, the current assets exceeded the current liabilities by Rs.1,892.22 million at the year end. The company was suffering from consistent losses over the years which reflected operational inefficiencies as well as policy bottlenecks requiring urgent remedial action.

ii) Sales and Cost of sales

The sale of the Company were 289,163.41 million including tariff differential subsidies received from Government of Pakistan for an amount of Rs.72,382.51 million and cost of sales of the company stood at Rs.248,523.08 million which was 85.95% of the sale. This meant that the company was able to recover the operating expenses for the year.

iii) Trade Debts and other Receivables

Total receivables of the company were Rs.156,594.04 million as on June 30, 2019. An amount of Rs.41,150.97 million from various consumers on account of electricity sold and Rs.313.575 million were advances made to employees, suppliers and current portion of long term loans and advances. An amount of Rs.110,511.31 million as other receivables which included an amount of Rs.82,063.35 million which was receivable from Government of Pakistan (Ministry of Finance) against tariff differential subsidy, Rs.150.01 million which was receivable from Government of Punjab against Agricultural subsidy, Rs.3,693.49 million which was receivables from other Associated companies. Huge balance of receivables depicts the poor recovery efforts of the company, which needs justification.

Trade Debts	41,150,971,979
Loans and advances	313,575,913
Other receivables	110,511,305,910
Advance Income Tax	473,219,527
Sales Tax Receivables	3,879,357,638
Accrued Interest	265,611,799
Total	**156,594,042,766**

iv) Trade and other payables

Payables of the company substantially decreased from Rs.175,529.89 million during the financial year 2019-20 to Rs.164,718.93 million during the financial year 2020-21. The major amount of Rs.146,283.12 million was payable to CPPA-G on account of purchase of electricity which indicated the poor liquidity position of the company and needs justification.

v) Non-reconciliation of CPPA-G claims

The company has not recognized the impact of debit notes issued by the major creditor i.e. Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) for supplementary charges, being the mark-up charged on

CPPA-G by Independent Power Producers (IPPs) on account of delayed payments, aggregating to Rs.20,317.23 million.

v) Non accountal of Workers' profit participation fund

Interest on workers' profit participation fund amounting to Rs.2,245.63 million was not accounted for by the Company. Moreover, workers' profit participation fund along with related interest was not paid to the workers due to pending decision of Economic Coordination Committee to exempt the corporatized entities under the umbrella of WAPDA.

vi) Matter of tax contingencies

The ultimate outcome of various matters regarding tax contingencies which cannot be presently determined hence, no provision for the same has been made in the financial statements.

vii) Non charging of fuel price adjustment to consumers

The fuel price adjustment amounting to Rs.3,261.50 million which was to be charged to the consumers in the month of August and September, 2020 remained unbilled to the consumers during the year. No proper reason for non-billing was given by the Company.

2.7.6 Classified Summary of Audit Observations

Audit observations amounting to Rs.51,501.53 million were raised in this audit. The amount also includes recoverables of Rs.13,505.37 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification		Amount (Rs.in million)
1.	Irregularities		
	A.	HR/Employees related irregularities	7.80
	B.	Procurement related irregularities	619.04
	C.	Irregularities pertaining to violation of entity's own rules / regulations	712.96
	D.	Irregularities pertaining to violation of Regulatory Laws & Regulations	16,309.79
	E.	Recoveries pointed out by Audit	13,505.37
2.	Others		20,346.57

2.8 PESHAWAR ELECTRIC SUPPLY COMPANY (PESCO)

2.8.1 Introduction

Peshawar Electric Supply Company (PESCO) started its operations as a Public Limited Company in May, 1998 registered under Companies Ordinance, 1984. The Company has obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within the defined geographical boundaries. The Company purchases electricity from CPPA-G through NTDCL system and sells it to various consumers of Khyber Pakhtunkhwa (KPK).

The operational activities are performed through eight Operation Circles, Project Construction Circle, Grid System Construction Circle and Grid System Operation circle. The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2020-21 (Rs.in million)	Expenditure audited FY 2020-21 (Rs.in million)	Revenue / Receipts FY2020-21 (Rs.in million)
1.	Formations	14	05	32,874.90	24,840.46	64,646.07
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.8.2 Comments on financial Statements

2.8.2.1 Financial Overview

As per the audited financial Statements for the year 2019-20, the company remained in loss at the year ended dated 30th June, 2020. However, the loss decreased from Rs.46,953 million in the financial year 2019-20 to Rs.20,130 million in the financial year 2019-20 registering 42.87% decrease. Moreover, the net electricity sale increased from Rs.107,567 million in the financial year 2019-20 to Rs.127,504 million in the financial year 2019-20 registering 84.36% increase.

2.8.3 Extracts of the financial Statements

Statement of financial Position as on June 30th 2020

	2020	%age	2019
	RUPEES		RUPEES
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized:			
5,000,000,000 (2019: 5,000,000,000) ordinary shares of Rupees 10 each	50,000,000,000		50,000,000,000
Issued, subscribed and paid up share capital	10,000		10,000
Deposits for issue of share capital	20,176,265,375		20,176,265,375
Accumulated loss brought forward	-302,052,301,314	7.14	-281,922,333,142
Shareholders' equity	**-281,876,025,939**	7.69	**-261,746,057,767**
Non-Current Liabilities			
Liabilities Against Government Investment	64,123,291,415	0.00	64,123,291,415
Long term loans – secured	5,505,018,658	-7.76	5,968,311,811
Staff retirement benefits	92,173,710,666	2.55	89,885,989,700
Deferred credit	32,775,068,620	4.08	31,490,360,961
Total Non-Current Liabilities	**194,577,089,359**	1.62	**191,467,953,887**
Current Liabilities			
Trade and other payables	412,708,039,201	16.41	354,530,198,375
Accrued markup	1,695,241,806	-61.24	4,373,187,130
Current maturity of long term loans	1,429,662,290	-39.00	2,343,761,213
Provision for taxation	2,019,209,304	33.07	1,517,458,320
Total CURRENT LIABILITIES	**417,852,152,601**	**15.19**	**362,764,605,038**
Total Liabilities	**612,429,241,960**	10.50	**554,232,558,925**
CONTINGENCIES AND COMMITMENTS	-		-
	330,553,216,021	13.01	**292,486,501,158**
ASSETS			
Non-Current Assets			
Property, plant and equipment	74,960,461,009	3.96	72,106,075,652
Long term loans - considered good	3,802,572	-69.89	12,629,948
Total Non-Current Assets	**74,964,263,581**	3.95	**72,118,705,600**
Current Assets			
Stores, spare parts and loose tools	5,354,955,142	19.08	4,496,904,929

Trade debts	86,348,889,699	21.95	70,809,206,645
Loans and advances - considered good	2,229,655,063	49.93	1,487,151,175
Other receivables-considered good	87,781,001,058	-1.67	89,272,702,597
Receivable from GoP (Ministry of Finance)	62,986,942,131	26.33	49,858,392,293
Short term investments	-		2,521,587,904
Cash and bank balances	10,887,509,347	466.51	1,921,850,015
Total Current Asset	**255,588,952,440**	15.98	**220,367,795,558**
Total Assets	**330,553,216,021**	13.01	**292,486,501,158**

Statement of Profit or Loss Account
For the year ended June 30, 2020

	2020		2019
	RUPEES		**RUPEES**
Sale of electricity	127,504,435,498	18.53	107,567,241,820
Subsidy from Government of Pakistan on sale of electricity	73,409,804,040	25.52	58,483,587,527
Sale of Electricity including Subsidy	200,914,239,538	21.00	166,050,829,347
Cost of electricity	-199,594,294,214	18.09	-169,013,674,960
Gross profit/(Loss)	1,319,945,324	-144.55	-2,962,845,613
Amortization of deferred credit	1,707,923,028	6.53	1,603,180,954
	3,027,868,352	-322.69	-1,359,664,659
OPERATING COST			
Other operating cost excluding depreciation	-25,651,164,018	-3.01	-26,447,847,591
Depreciation on property, plant and equipment	-3,026,256,302	5.40	-2,871,317,537
	-28,677,420,320	-2.19	-29,319,165,128
Operating loss	-25,649,551,968	-16.39	-30,678,829,787
Other Income			
Rental and service income	46,146,266	0.53	45,902,585
Others	13,673,877,244	137.50	5,757,335,400
	13,720,023,510	136.42	5,803,237,985
Finance Cost	-842,196,092	-70.66	-2,870,277,912
Loss before taxation	-12,771,724,550	-53.97	-27,745,869,714
Taxation	-1,850,750,984	21.97	-1,517,426,385
Loss after taxation	**-14,622,475,534**	-50.03	**-29,263,296,099**
Other Comprehensive Income:			
Items that will not be reclassified to profit or loss			

Actuarial profit/(loss) on measurement of post-retirement benefits	-5,507,492,638	-68.87	-17,689,201,241
Total comprehensive loss for the year	**-20,129,968,172**	-57.13	**-46,952,497,340**

2.8.4 Qualified Opinion given by the External Auditors on the financial Statements of PESCO financial Statements 2019-20

It was observed that External Auditors had qualified the accounts of PESCO for the financial year 2019-20 on the following basis:-

The company's major creditor i.e. CPPA-G did not confirm the balance as per PESCO's books of accounts. The net difference of undisclosed receivable and payable amounts to Rs.42,595 million which among other items includes supplemental charges amounting to Rs.59,363 million. These supplemental charges are delayed payment charges of Independent Power Producers and PESCO has taken up the said matter with NEPRA who had not allowed the same to PESCO, rather asked PESCO to adjust the same against the late payment charges received from consumers. In the absence of any settlement between the company and CPPA-G, the Audit remained unable to determine the adjustments to be accounted for in the financial statements.

2.8.5 Comments on Audited Accounts

i) Profitability

The company has suffered a net loss of Rs.20,130 million during the financial year ended June 30, 2020 and at that date, the accumulated losses reached to Rs.302,052 million. Similarly, the current liabilities exceeded the current assets by Rs.162,263 million at the year end. These factors indicate the existence of a material uncertainty, which may cast significant doubts on the company's ability to continue as a going concern. The company is suffering from consistent losses over the years which reflects operational inefficiencies as well policy bottlenecks requiring urgent remedial action.

ii) Sales and cost of sales

The sales of the Company were Rs.200,914 million including subsidy received from Government of Pakistan for an amount of Rs.73,410 million and cost of sales of the company stood at Rs.199,594 million which was 99.34% of the sale. This meant that the company was unable to recover the operating expenses for the year.

iii) Trade Debts and other Receivables

Total receivables of the company were Rs.239,347 million as on June 30, 2019. An amount of Rs.62.987 million was receivable from Government of Pakistan (Ministry of Finance) against tariff differential subsidy, Rs.87,7811 million from other Associated companies, Rs.86,349 million from various consumers on account of electricity sold and Rs.2,230 million of loans and advances. Huge balance of receivables depicted poor recovery efforts of the company, which needed justification.

(Amount in Rs.)

Trade Debts	86,348,889,699
Loans and advances – considered good	2,229,655,063
Other receivables – considered good	87,781,001,058
Receivable from GoP (Ministry of Finance)	62,986,942,131
Total	**239,346,487,951**

iv) Trade and other payables

Payables of the company substantially increased from 354,530 million during the financial year 2018-19 to Rs.412,708 million during the financial year 2019-20. The major amount of Rs.370,561 million was payable to CPPA-G on account of purchase of electricity which indicated the poor liquidity position of the company and needs justification. The CPPA-G payables have increased from Rs.317.694 billion to Rs.370.501 billion resulting in an increase of Rs.52.867 billion or 16.64% during financial year 2019-20.

v) Non-reconciliation of CPPA-G claims

The company's major creditor i.e. CPPA-G did not confirm the balance as per PESCO's book of accounts. The net difference of undisclosed receivable and payable amounts to Rs.42,595 million which among other items includes supplemental charges amounting to Rs.59,363 million. These supplemental charges are delayed payment charges of Independent Power Producers. PESCO has taken up the said matter with NEPRA who has not allowed the same to PESCO, rather asked PESCO to adjust the same against the late payment charges received from consumers. Had these charges been applied, it would have enhanced the expenditure and increased the current year loss to the stated extent. In order to avoid financial impediment in the Power Sector supply chain, it was necessary that difference between CPPA-G and PESCO had resolved timely.

vi) Re-valuation of Company Assets

As per note 13.1 of the financial statements, no detail of that date of evaluation of assets has been given in the statements. The total land freehold of the entire company has been valued at Rs.792.53 million only. Under IFRS-16.31, re-valuation should be carried out regularly so that the carrying amount of an asset does not differ materially form its fair value at the balance sheet date. Apparently, the same is not being done in the subject company.

2.8.6 Classified Summary of Audit Observations

Audit observations amounting to Rs.238,448.46 million were raised in this audit. The amount also includes recoverables of Rs.63,755.18 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification		Amount (Rs.in million)
1.	Irregularities		
	A.	HR/Employees related irregularities	45.89
	B.	Procurement related irregularities	53.40
	D.	Irregularities pertaining to violation of entity's own rules / regulations	556.58
	E.	Irregularities pertaining to violation of Regulatory Laws & Regulations	171,407.19
	F.	Recoveries pointed out by Audit	63,755.18
2.	Others		2,630.22

2.9 QUETTA ELECTRIC SUPPLY COMPANY (QESCO)

2.9.1 Introduction

Quetta Electric Supply Company (QESCO) is a subsidiary of PPMC. The Company started its operation as a Public Limited Company registered under Companies Ordinance 1984 (now Companies Act 2017) in July, 1998. The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA-G through NTDC system and sells it to various consumers of Balochistan Province.

The operational activities are performed through six (06) Operation Circles and Grid System Construction, Project Construction & Grid System Operation Circles. The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2020-21 (Rs.in million)	Expenditure audited FY 2020-21 (Rs.in million)	Revenue / Receipts FY 2020-21 (Rs.in million)
1.	Formations	12	04	7,667.55	3,706.86	47,122.10
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.9.2 Comments on financial Statements

According to Section-223 of Companies Act 2017, “the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company”.

In QESCO, financial statements of the company for the financial year 2020-21 could not be finalized by the management up till December 31, 2021.

2.9.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.295,947.32 million were raised in this audit. The amount also includes recoverables of Rs.269,631.01 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	**Classification**		**Amount (Rs.in million)**
1.	Irregularities		
	A.	HR/Employees related irregularities	12.31
	B.	Procurement related irregularities	399.89
	C.	Irregularities pertaining to violation of entity's own rules / regulations	42.82
	D.	Irregularities pertaining to violation of Regulatory Laws & Regulations	23,395.56
	E.	Recoveries pointed out by Audit	269,631.01
2.	Value for money and service delivery issues		2,449.17
3.	Others		16.56

2.10 SUKKUR ELECTRIC POWER COMPANY (SEPCO)

2.10.1 Introduction

Sukkur Electric Power Company (SEPCO) is a subsidiary of PPMC. The Company started its operation as a Public Limited Company in 2011 and registered under Companies Ordinance 1984 (now Companies Act 2017). The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA-G through NTDC system and sells it to various consumers of ten (10) Districts of Sindh Province.

The operational activities are performed through three Operation Circles and Grid System Construction, Project Construction & Grid System Operation Circles. The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2020-21 (Rs.in million)	Expenditure audited FY 2020-21 (Rs.in million)	Revenue / Receipts FY 2020-21 (Rs.in million)
1.	Formations	09	05	14,085.50	4,963.00	40,514.10
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.10.2 Comments on financial Statements

According to Section-233 of Companies Act 2017, “the directors of every company shall at some date not later than eighteen months after the incorporation of the company and subsequently once at least in every calendar year lay before the company in annual general meeting a balance-sheet and profit and loss account or in the case of a company not trading for profit an income and expenditure account for the period.

In SEPCO, the balance sheet and profit & loss account of the Company for the years 2020-21 could not be finalized by the management up till December 31, 2021.

2.10.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.333,714.40 million were raised in this audit. The amount also includes recoverables of Rs.20,238.24 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification		Amount (Rs.in million)
1.	Irregularities		
	A.	HR/Employees related irregularities	2.21
	B.	Procurement related irregularities	547.82
	C.	Management of accounts with commercial banks	20.13
	D.	Irregularities pertaining to violation of entity's own rules / regulations	152.70
	E.	Irregularities pertaining to violation of Regulatory Laws & Regulations	31,687.97
	F.	Recoveries pointed out by Audit	20,238.24
2.	Value for money and service delivery issues		10.51
3.	Others		281,054.82

2.11 TRIBAL AREAS ELECTRIC SUPPLY COMPANY (TESCO)

2.11.1 Introduction

Tribal Areas Electric Supply Company (TESCO) is a subsidiary of PPMC. The Company was incorporated on July 03, 2002 as a public limited company under Companies Ordinance 1984 (now Companies Act 2017). The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA-G through NTDC system and sells it to the consumers of Ex-FATA agencies.

The operational activities are performed through one Operation Circle, one Construction Division and one SS&TL Division. The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2020-21 (Rs.in million)	Expenditure audited FY 2020-21 (Rs.in million)	Revenue / Receipts FY 2020-21 (Rs.in million)
1.	Formations	05	01	1,695.00	442.85	16,606.00
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.11.2 Comments on financial Statements

According to Section-223 of Companies Act 2017, “the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company”.

In TESCO, financial statements of the company for the financial year 2020-21 could not be finalized by the management up till December 31, 2021.

2.11.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.36,467.41 million were raised in this audit. The amount also includes recoverables of Rs.35,856.80 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification		Amount (Rs.in million)
1.	Irregularities		
	A.	HR/Employees related irregularities	2.00
	B.	Procurement related irregularities	13.99
	D.	Irregularities pertaining to violation of entity's own rules / regulations	98.95
	E.	Irregularities pertaining to violation of Regulatory Laws & Regulations	495.67
	F.	Recoveries pointed out by Audit	35,856.80

2.12 JAMSHORO POWER GENERATION COMPANY (GENCO-I)

2.12.1 Introduction

The Jamshoro Power Generation Company Limited, (JPGCL) was incorporated in August, 1998, under Companies Ordinance 1984 (now Companies Act 2017). It started its business from 1st March, 1999. The Company took over properties, rights, assets, obligations and liabilities of thermal power generation at Jamshoro and Kotri, owned by WAPDA through Business Transfer Agreement.

The principal activity of the Company is to generate electricity (from furnace oil, natural gas) and sell it to CPPA-G. JPGCL was granted Generation License by NEPRA in July, 2002.

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2020-21 (Rs.in million)	Expenditure audited FY 2020-21 (Rs.in million)	Revenue / Receipts FY 2020-21 (Rs.in million)
1.	Formations	01	01	28,689.75	7,737.42	32,516.11
2.	Assignment Accounts (excluding FAP)	N/A	N/A	N/A	N/A	N/A
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	03	02	US$ 206.03	US$ 206.03	Nil

2.12.2 Comments on financial Statements

According to Section-223 of Companies Act 2017, "the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company".

In GENCO-I, financial statements of the company for the financial year 2020-21 could not be finalized by the management up till December 31, 2021.

2.12.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.394.35 million were raised in this audit. Summary of the audit observations classified by nature is as under:

Sr. No.	**Classification**	**Amount (Rs.in million)**
1.	Irregularities	
	A. Procurement related irregularities	42.35
2.	Others	352.00

2.13 NORTHERN POWER GENERATION COMPANY (GENCO-III)

2.13.1 Introduction

The Northern Power Generation Company Limited, (NPGCL) was incorporated on October 15, 1998 under Companies Ordinance 1984 (now Companies Act 2017). It started its business from March 01, 1999. The Company took over properties, rights, assets, obligations and liabilities of thermal power generation at Muzaffargarh, Faisalabad, Multan, Shahdara owned by WAPDA through Business Transfer Agreement.

The principal activity of the Company is to generate electricity from furnace oil, natural gas and high speed diesel and sell it to CPPA-G. NPGCL was granted Generation License by NEPRA in July, 2002. The Company has 30 units having installed capacity of 2,459 MW and de-rated capacity of 2,071 MW.

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2020-21 (Rs.in million)	Expenditure audited FY 2020-21 (Rs.in million)	Revenue / Receipts FY 2020-21 (Rs.in million)
1.	Formations	01	Nil	19,988.71	Nil	38,671.17
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.13.2 Classified Summary of Audit Observations

Audit observations amounting to Rs.17.98 million were raised in this audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs.in million)
1.	Irregularities	
	A. Recoveries pointed out by Audit	17.98

2.14 NATIONAL TRANSMISSION AND DESPATCH COMPANY (NTDC)

2.14.1 Introduction

National Transmission and Dispatch Company (NTDC) was incorporated under Companies Ordinance, 1984 in 1998. The Company obtained transmission license from NEPRA for a period of 30 years in December, 2002 for undertaking its obligations. The principal activity of NTDC was to receive electricity from Hydel / Thermal / Nuclear Power Stations, Renewable Energy Plants and IPPs, and transmit it through its 500 KV/220 KV System to all DISCOs and K-Electric for onward distribution to consumers. NTDC was also responsible for constructing, operating and maintaining 220 KV and 500 KV transmission system comprising of transmission lines and grid stations.

The Company operates and maintains fourteen (14) 500 KV Grid Stations and thirty eight (38) 220 KV grid stations along with 5,077 KM long 500 KV transmission lines, and 7,359 KM long 220 KV transmission lines in Pakistan.

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2020-21 (Rs.in million)	Expenditure audited FY 2020-21 (Rs.in million)	Revenue/ Receipts FY2020-21 (Rs.in million)
1.	Formations	22	11	102,854.01	16,730.88	117,994.94
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	15	13	US$ 120.56 JPY 1,758.95 Euro 0.528 Pak Rs.69.77	US$ 120.56 JPY 1,758.95 Euro 0.528 Pak Rs.69.77	Nil

2.14.2 Comments on financial Statements

According to Section-223 of Companies Act 2017, "the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company".

In NTDC, financial statements of the company for the financial year 2020-21 could not be finalized by the management up till December 31, 2021.

2.14.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.87,105.56 million were raised in this audit. The amount also includes recoverables of Rs.48.48 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification		Amount (Rs.in million)
1.	Irregularities		
	A.	HR/Employees related irregularities	51.42
	B.	Procurement related irregularities	74,516.61
	C.	Irregularities pertaining to violation of entity's own rules / regulations	2,060.91
	D.	Irregularities pertaining to violation of Regulatory Laws & Regulations	3,051.41
	E.	Recoveries pointed out by Audit	48.48
2.	Value for money and service delivery issues		6,613.48
3.	Others		763.25

2.15 POWER INFORMATION TECHNOLOGY COMPANY (PITC)

2.15.1 Introduction

Power Information Technology Company (PITC) started its operations as a Public Limited Company in June, 2010 and got registered under Companies Ordinance, 1984. PITC is a leading power sector IT Company in Pakistan. The Company is headed by Chief Executive Officer appointed by BoD / PPMC. PITC is solely responsible for providing software support to ten (10) power distribution and transmission companies (DISCOs) of Pakistan.

The Company had three major units i.e. i) Operation & Customer Services, ii) Engineering Solution Development and iii) Research and Business Development.

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2020-21 (Rs.in million)	Expenditure audited FY 2020-21 (Rs.in million)	Revenue / Receipts FY2020-21 (Rs.in million)
1.	Formations	01	01	778.86	379.70	1,710.07
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities/ Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.15.2 Comments on financial Statements

According to Section-223 of Companies Act 2017, “the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company”.

In PITC, financial statements of the company for the financial year 2020-21 could not be finalized by the management up till December 31, 2021.

2.15.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.403.97 million were raised in this audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification		Amount (Rs.in million)
1.	Irregularities		
	A.	Irregularities pertaining to violation of entity's own rules / regulations	403.97

2.16 MINISTRY OF ENERGY (POWER DIVISION)

2.16.1 Introduction

The Ministry of Energy (Power Division) is Government of Pakistan federal and executive level ministry created on August 4, 2017 after merging of the Ministry of Petroleum and Natural Resources with the power division of the Ministry of Energy, respectively. The ministry has two divisions i.e. petroleum and power. The Power Division is responsible for general monitoring of power generation, transmission and its distribution as well as the power projects in the implementation stages. The following power sector entities come under the supervision of Power Division:-

- Power Planning & Monitoring Company (PPMC) along with its corporate entities
- GENCO Holding Company Limited (GHCL) along with generation companies
- Alternative Energy Development Board (AEDB)
- Private Power Infrastructure Board (PPIB)
- National Energy Efficiency & Conservation Authority (NEECA)
- Central Power Purchasing Agency Guaranteed (CPPA-G)
- Power Holding Limited (PHL)
- National Power Parks Management Company Limited (NPPMCL)

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2020-21 (Rs.in million)	Expenditure audited FY 2020-21 (Rs.in million)	Revenue / Receipts FY2020-21 (Rs.in million)
1.	Formations	01	01	177.27	154.69	-
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	Nil	Nil	Nil	Nil	Nil
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.16.2 Classified Summary of Audit Observations

Audit observations amounting to Rs.690.06 million were raised in this audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification		Amount (Rs.in million)
1.	Irregularities		
	A.	Irregularities pertaining to violation of Regulatory Laws & Regulations	690.06

2.17 CENTRAL POWER PURCHASING AGENCY GUARANTEED (CPPA-G)

2.17.1 Introduction

The Central Power Purchasing Agency Guaranteed (CPPA-G) was incorporated in January, 2009 under the Companies Ordinance, 1984. The Company is registered as non-profit organization with the object to implement and administer market mechanisms for electricity procurement and sale by undertaking and performing functions and discharging responsibilities as are or may be laid down from time to time for the company. Since June 2015, CPPA-G has assumed the business of National Transmission and Dispatch Company under Business Transfer Agreement (BTA) pertaining to the market operations and presently functioning as the Market Operator in accordance with Rule-5 of the NEPRA Market Operator (Registration, Standards and Procedure) Rules, 2015. On November 16, 2018 National Electric Power Regulatory Authority (NEPRA) has approved the registration· of CPPA-G as market operator under Rule 3 of the Market Rules.

CPPA-G being a market operator, purchases electricity from power generation companies (GENCOs) and sells it to DISCOs. It bills the distribution companies for sold electricity and makes payments to the power generating units. It is responsible for making payments to the IPPs on account of electricity and capacity charges after ascertaining that payments & deductions are made in accordance with the Power Purchase Agreements.

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2020-21 (Rs.in million)	Expenditure audited FY 2020-21 (Rs.in million)	Revenue / Receipts FY2020-21 (Rs.in million)
1.	Formations	01	01	954.00	911.00	1,494.00
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.17.2 Comments on financial Statements

According to Section-223 of Companies Act 2017, “the board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company”.

In CPPA-G, financial statements of the company for the financial year 2020-21 could not be finalized by the management up till December 31, 2021.

2.17.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.395,446.84 million were raised in this audit. The amount also includes recoverables of Rs.26,010.94 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification		Amount (Rs.in million)
1.	Irregularities		
	A.	Procurement related irregularities	51,942.50
	B.	Irregularities pertaining to violation of entity’s own rules / regulations	163,023.76
	C.	Irregularities pertaining to violation of Regulatory Laws & Regulations	5,973.68
	D.	Recoveries pointed out by Audit	26,010.94
2.	Value for money and service delivery issues		57,732.31
3.	Others		90,763.65

2.18 POWER HOLDING LIMITED (PHL)

2.18.1 Introduction

Power Holding Private Limited was incorporated in 2009 under Companies Ordinance 1984 (now Companies Act 2017) as wholly owned and controlled by the Government of Pakistan. It is a Special Purpose Vehicle (SPV) with core function to arrange bridge financing for repayment of liabilities of DISCOs for settling the circular debt of Power Sector on the terms and conditions approved by the Ministry of Finance with the concurrence of ECC. PHL has a function to park the loan taken for the power sector by performing swap financing arrangements and negotiating financing terms of the loans obtained. PHL executes the financing agreements with fund providers (Banks) and disburses the entire proceeds through CPPA-G for settlement of DISCOs' liabilities towards power producers. The financing facilities are secured against unconditional and irrevocable guarantees of the Government of Pakistan.

The detail of formations and expenditure audited was as under:

Sr. No.	Description	Total Nos.	Audited	Budget FY 2020-21 (Rs.in million)	Expenditure audited FY 2020-21 (Rs.in million)	Revenue/ Receipts FY 2020-21 (Rs.in million)
1.	Formation	01	01	13.97	11.96	13.90
2.	Assignment Accounts (excluding FAP)	Nil	Nil	Nil	Nil	Nil
3.	Authorities / Autonomous Bodies etc. under the PAO	N/A	N/A	N/A	N/A	N/A
4.	Foreign Aided Projects (FAP)	Nil	Nil	Nil	Nil	Nil

2.18.2 Comments on the financial Statements

2.18.2.1Financial Overview

As per the audited financial Statements for the year 2020-21 the Company earned a profit amounting to Rs.61.157 million at the year ended dated June 30, 2021 as compared to the previous year profit of Rs.71.248 million. However, its finance cost decreased significantly from Rs. 136,192 million to Rs.91,572 million registering a decrease of Rs.44,619 million or -32.76%. Its long-term borrowing also decreased by Rs.114,271 million (Rs.718,253 million – Rs. 832,525 million).

Extract of the financial Statements
Statement of financial Position as on June 30, 2021

	2020-21	%	2019-20
Non-current Assets			
Property and equipment	512,235	-14.04	595,930
Long term deposits	260,500	0.00	260,500
Deferred tax asset	34,869	1.99	34,188
Finance facilities - principal portion receivable	718,253,452,444	-13.73	832,525,003,260
Total Non-current Assets	**718,254,260,048**	-13.73	**832,525,893,878**
Current Assets			
Current portion of finance facilities receivable	348,289,342,821	5.41	330,411,549,121
Income tax withheld	14,968,801	-26.88	20,472,750
Cash and bank balances	210,299,552	-75.04	842,615,780
Total Current Assets	348,514,611,174	5.20	**331,274,637,651**
Total Assets	**1,066,768,871,222**	-8.34	**1,163,800,531,529**
Equity & Liabilities			
Share capital and Reserves			
Authorized Capital	**15,000,000**	0.00	**15,000,000**
1,500,000 (2020: 1,500,000) ordinary shares of Rs. 10 each.			
Issued, Subscribed and Paid up Capital			
1,500,000 (2020: 1,500,000) ordinary shares of Rs. 10 each fully paid in cash.	15,000,000	0.00	15,000,000
Accumulated profit	181,688,030	50.74	120,530,805
Total Equity	**196,688,030**	45.12	**135,530,805**
Non-current Liabilities			
Long term financing	**718,253,452,444**	-13.73	**832,525,003,260**
Current Liabilities			
Current portion of long term financing	211,746,550,811	23.57	171,357,166,666
Markup accrued	67,485,019,299	-1.10	68,234,101,833
Bridge borrowing from CPPA-G - for MOF Principal/ markup settlement	22,383,758,292	-12.12	25,471,771,159
Other payables	46,678,421,953	-29.33	66,047,876,021
Provision for taxation	24,980,393	-14.10	29,081,786
Total Current Liabilities	**348,318,730,748**	5.19	**331,139,997,465**

Total Equity & Liabilities	**1,066,768,871,222**	-8.34	**1,163,800,531,530**

Statement of Profit or Loss
For the year ended June 30, 2021

	2020-21	%	2019-20
Grant - from power sector, GOP through CPPA-G	91,735,487,750	-29.98	131,010,942,143
Grant - from finance division, GOP	73,875,456	-98.70	5,673,089,825
Total Grant	**91,809,363,206**	-32.83	**136,684,031,968**
Less: Utilization of Funds			
- Finance cost	91,572,422,206	-32.76	136,191,959,236
- Other expenses	236,941,000	-51.85	492,072,732
Total Utilization of Funds	**91,809,363,206**	-32.83	**136,684,031,968**
Other income	**100,151,066**	-16.76	**120,323,024**
Operating Expenses			
Operating cost	12,204,427	-14.43	14,262,682
financial incidental charges	1,809,703	-68.36	5,718,951
Total Operating Expenses	**14,014,130**	-29.86	**19,981,633**
Profit for the year - before taxation	86,136,936	-14.16	100,341,391
Provision for taxation	-24,979,711	-14.14	-29,093,193
Net profit for the year - after taxation	**61,157,225**	-14.16	**71,248,198**

2.18.4 Comments on Audited Accounts

i) Profitability

The Company earned a net profit of Rs.61.157 million during the financial year 2020-21. Resultantly, the total accumulated profit has reached to the tune of Rs.181.688 million resulting in an increase in total equity. As on June 30, 2021 the company’s current assets exceeded current liabilities by Rs.195.880 million.

ii) Grants and utilizations

As the purpose of the company is not to earn profits, therefore it does not has any sales or generate any revenue by sales. However, PHL receives grants from power sector, from GOP through CPPA-G and from finance division, GOP. Its total receipt for the financial year ended June 30, 2021 was Rs.91,809.363 million which is utilized to settle finance cost of conventional and Islamic financing facilities and other expenses. Other expenses comprises of participation and advisory fee, trustee fee, and legal counsel fee. As there is no sales and cost of sales; therefore, there is no concept of gross profit. Its total receipts are exactly equal to total utilization.

iii) Finance facilities receivables

There was a significant decrease in the receivables on account of finance facilities - principal portion receivable. Total receivables of the Company were Rs.718,253.452 million as on June 30, 2021, which were 13.73% less than the previous year. These included an amount of Rs.199,966.80 million from Power Sector, and Rs.518,286.652 million from Finance Division, GOP. Receivable from Finance Division against syndicated term finance facilities, syndicated Islamic term finance facility, privately placed term finance certificates, term finance facilities and Pakistan Energy Sukuk-I on behalf and under guarantee of Government of Pakistan for the purposes of funding the repayment liabilities of the DISCOs / power sector.

Finance Division has taken over the Debt liability of PHL. In this regard, Rs.72.635 billion was allocated by the Finance Division during FY 2020-21 for principal repayment of PHL finance facilities and has been released to the lenders.

As the Power Holding Limited was established solely for the purpose of facilitation to remove the bank borrowings of the Power Sector Companies; therefore, the same amount receivable from Power Sector and Finance Division stands payable against syndicate term finance facilities, syndicate Islamic term finance facility, privately placed term finance certificates, term finance facilities, Pakistan energy Sukuk-I and Sukuk-II.

Huge pending receivables are a significant business sustainability risk for the Company and require long term rectification measures. Huge balance of receivables depicts poor recovery efforts of the Company.

iv) Current Liabilities

Total current liabilities of PHL are Rs.348,318.731 million at the year ended dated June 30, 2021. There is an increase in the total current liabilities of Rs.17,178.733 million. However, there is a decrease in total markup accrued, bridge borrowing from CPPA-G, and other payables amounting to Rs.749.083 million, Rs.3,088.013 and Rs.19,369.454 million respectively at the end of current financial year.

v) Other Income

Power Holding Limited earns other income its profit on their deposits. These funds are remitted by CPPA-G to discharge financing liabilities of power sector. Due to difference in timings of funds remittance and actual payment, banks pay markup on these deposits. During the financial year ended 30th June 2021, earned an amount of Rs.100.151 million which was 16.76% less than the previous year ended on June 30, 2020. This is a negative sign for the company as it may face difficulty to meet its expense.

vi) Operating Expenses

The Operating expenses of the company decreased from Rs.14.262 million during the financial year 2019-20 to Rs.12.204 million during the year 2020-21 registering decrease of Rs.2.058 million; this is not a decrease but a positive sign to decrease in operational cost.

2.18.5 Classified Summary of Audit Observations

Audit observations amounting to Rs.421,267.32 million were raised in this audit. The amount also includes recoverables of Rs.22,383.76 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification		Amount (Rs.in million)
1.	Irregularities		
	A.	Irregularities pertaining to violation of Regulatory Laws & Regulations	240,810
	B.	Recoveries pointed out by Audit	22,383.76
2.	Value for money and service delivery issues		443.56
3.	Others		157,630.00

CHAPTER-3

THEMATIC AUDIT REPORT OF PROCUREMENT AND CONTRACT MANAGEMENT IN NTDC

3. THEMATIC AUDIT REPORT OF PROCUREMENT AND CONTRACT MANAGEMENT IN NTDC

3.1 Introduction

National Transmission and Dispatch Company (NTDC) was incorporated in 1998 and got license from NEPRA in December, 2002. The principal activities of NTDC are to evacuate electricity from generating units of Hydel / Thermal / Nuclear Power Stations, Renewable Energy Plants, IPPs, bring it into National Grid and transmit it through its 500 / 220 KV system to all DISCOs and K-Electric.

Procurement and contract management in NTDC is the process of managing contracts related to procurement and purchases made as a part of legal documentation of developing work relationships with suppliers / contractors and consultants. It comprises negotiating the terms and conditions in contracts. Procurement contracts also include certifying compliance with the terms and conditions and documenting and agreeing on any changes by both parties.

NTDC controls the operations for timely acquisition of quality goods and services. Improving this strategic function's efficacy leads to cost savings, risk minimization, and better purchasing strategies. Contract management in NTDC helps in the smooth running of transactions, maintaining good relationships with suppliers, reducing risks, and the speedy resolution of problems.

3.2 Background

NTDC undertakes high-value contracts both National Contract Bidding and International Contract Bidding throughout the year, which includes large-scale procurements of electrical equipment, transmission lines, grid stations and consultancy services. The largest portion of the procurement was based on foreign loans, which were arranged by the GoP from development partners ADB, WB, JICA and AFD, etc. The procurements under foreign loan are made under the loan / project agreements in line with the specific procurement guidelines of the development partner. Each step in procurement is subject to review and approval of development partner including project conception, approval of bidding documents, bid evaluation reports, award of contract and monitoring of post award performance.

3.3 Establishing the Audit Theme

3.3.1 Reasons of selection

Procurement & contract management is an important domain that deals with timely, economical, efficient and transparent acquisition of goods/ services to support business processes. Large scale and highly diversified procurements are made in NTDC ranging from simple electrical, civil, consultancy contracts to more complex EPC / Turnkey national contracts awarded through NCB and ICB. Prudent procurement and contract management is essential to ensure economical, efficient and effective execution and completion of projects. This thematic audit was envisaged due to its high relevance, intensive review of past audit findings, government / corporate priorities and its relation to achieving SDG-07 (Targets-7.1, 7.2 and, 7.3) regarding provision of affordable, efficient, clean electricity to consumers. The theme was selected because significant audit findings highlighted irregularities vis-à-vis non-observance of PPRA Rules and development partners' procurement guidelines, violation of bidding/ contractual provisions and non-achieving of development targets of the government.

3.3.2 Purpose / Objective

The thematic audit of Procurement & Contract Management in NTDC was aimed at highlighting weaknesses of internal controls set for economical, efficient, effective procurement of material and services. The recommendations of audit would help NTDC to improve its procurement & contract management processes.

3.3.3 Scope

The thematic audit scope during field audit activity was to:

i. Sample based audit of pre-contract award activity of the Contracts / POs, whose bid evaluation was finalized / approved during financial year 2020-21.

ii. Sample based audit of post-contract award activities of the Contracts / POs awarded in prior years but in execution stage during financial year 2020-21.
iii. A number of offices / formations of NTDC were engaged in the process of procurement and contract management, however, the following offices, having significant role in said process were selected for thematic audit review:-
    - General Manager (Planning) NTDC Lahore
    - General Manager (Design & Engineering) NTDC Lahore
    - General Manager (Procurement and Contract Management) NTDC Lahore
    - Chief Engineer (Material Procurement & Management) NTDC Lahore
    - Chief financial Officer, NTDC, Lahore
    - Company Secretary, BoD NTDC, Lahore

3.4 Legal framework governing the Theme

- The Public Procurement Regulatory Authority Ordinance, 2002 (as amended up to July 7, 2020) provides for the establishment of a Public Procurement Regulatory Authority (PPRA) for regulating procurement of goods, services, works and disposal of public assets in the public sector and for matters connected therewith. The authority has been mandated to ensure transparency, economy, efficiency and accountability of the public sector agencies through proper implementation and monitoring of PPRA Rules - 2004 (as amended up to June 28, 2021).
- As per Rule 7 (2) (j) Public Sector Companies (Corporate Governance) Rules, 2013 (as amended up to July 01, 2019), the significant issues to be placed before the Board in order to formalize and strengthen the corporate decision-making process including policies related to the award of contracts and purchase and sale of raw materials, finished goods, machinery etc.

- Procurement guidelines of the development partners i.e Asian Development Bank and World Bank were to be adhered to loan-based procurements by NTDC.

3.5 Stakeholders and governmental organizations identified as directly / indirectly involved

Following stakeholders and governmental organizations were involved:

i. Public Accounts Committee
ii. Ministry of Energy (Power Division)
iii. Pakistan Electric Power Company
iv. National Transmission & Despatch Company
v. Public Procurement Rules Authority
vi. Development Partners i.e. Asian Development Bank (ADB), Japan International Cooperation Agency (JICA) and World Bank etc.

3.6 Role of important organizations

National Transmission & Despatch Company (NTDC) is directly related to the instant theme being involved in the process of Procurement and Contract Management. The worth of NTDC's property, plant and equipment was Rs.289.47 billion and its profit after tax for the FY 2018-19 was Rs.11.24 billion. The Company operates and maintains sixteen (16) 500 KV Grid Stations and forty five (45) 220 KV grid stations along with 7,238 KM 500 KV transmission lines and 11,281 KM 220 KV transmission lines in Pakistan. Its transmission system had the capacity to handle 26,252 MW demand during FY 2019-20. Besides incurring considerable expenditure for operating and maintaining the system, NTDC has to invest in its operational transmission system / network for augmentation, up-gradation and expansion in order to cater for upcoming generation capacity, overloading and system constraints.

3.7 Organization's financials

NTDC utilizes its own resources, receives PSDP funds and foreign loans from development partners'. The detail of budget and expenditure (FY-2020-21 up to May 2021) and ongoing projects with contracts / POs is as under:

Detail of Budget and Expenditure for the F.Y 2020-21

(Rs. in million)

Source of Funding	No. of Schemes / Projects	Budget 2020-21	Exp up to May-2021
Ongoing schemes / projects under PSDP-Loan approved by PC	47	37,748	27,567.74
Ongoing schemes / projects Self-Financed – A approved by BoD	32	15,240	10,704.82
Self-Financed-B (New schemes / projects approved by BoD	16	2,955	805.22
Total	**95**	**55,943**	**39,077.78**

Detail of ongoing Projects and Contracts / Purchase Orders

(Rs. in million)

Sr. No.	Financing Source	Loan /Agreement No.	No of Projects	No. of Contracts Awarded	Awarded during FY-2021	Project worth Approx	Project worth for Projects Awarded in FY 2020-21
1.	World Bank/IBRD	8814-PAK	4	14	9	14,500	13,800.00
2.	ADB MFF-II, Tranche-I	3419	3	4	0	5,300	-
3.	ADB MFF-II, Tranche-II	3577	4	8	2	28,218	35,000.00
4.	ADB MFF-II, Tranche-III	3677	3	6	1	3,504	310.00
5.	NTDC Own Resources			86	40	54,080	20,907
GRAND TOTAL				**118**	**52**	**105,602**	**Rs. 70,000**

3.8 Field Audit Activity

3.8.1 Methodology

The Following audit methodology was adopted during execution of Thematic Audit:-

- Interview and discussion with the management.
- Review of project-wise, Loan Tranche-wise PC-I(s)
- Examine the Loan Agreements, Project Agreement, Progress Reports, Development Partner Procurement Guidelines and PPRA Rules
- Evaluation of Tender / Bidding documents, Bid Evaluation Reports

- Award of Purchase Orders, Contracts, Consultancy Contracts, repeat / variation orders, EOT cases, Correspondence files of suppliers / contractors / consultants

3.8.2 Audit Analysis

3.8.2.1 Review of Internal Controls:

The internal controls for procurement of contract management in NTDC were not up to the mark. Poor internal controls were evident from the fact that almost all the contracts/ projects executed by NTDC failed to adhere to the time lines of PC-I/ Donor Agencies/ Contract Agreement. The following deficiencies in internal controls with reference to procurement and contract management in NTDC were observed:

- The Project Management Unit of NTDC was not functioning according to the international standards since dedicated Project Manager was not assigned for each project. Resultantly the projects were not effectively monitored and controlled. This deficiency in PMU of NTDC was also highlighted by the ADB at the time closure of Multi Finance Facility Agreement-I (MFF-I).
- The bidding process was initiated mostly without confirming the source of financing.
- The bidding documents were not based on the latest version of FIDIC. Deficient bidding documents were prepared as evident from numerous pre-bid clarifications by the prospective bidders in almost all the tenders. This resulted in subsequent amendments in bidding documents.
- No standard bidding documents were prepared with transparent / uniform evaluation & qualification criteria which resulted in discrimination in tenders of same nature.
- There were no SoPs describing timelines for bid evaluations which resulted in getting numerous extensions in bid validity from bidders due to non-finalization of bids during the original bid validity periods.
- There was severe conflict of interest as the bids were evaluated by the same department who prepared the bidding documents resultantly deficiencies in bidding documents were not being monitored / questioned.

- There was no mechanism of monitoring and reporting with reference to adherence of contractual provisions by contractor especially with regard to deployment of human resources as well as plant & machinery at site during execution of contracts.
- The approach of NTDC in the process of procurement and contract management was reactive rather than proactive.
- There was lack of proper mechanism of assigning priority to the projects. Priority was created by urgency instead of planning.
- There was lack of proper mechanism for confirming the authenticity documents submitted by bidders along with bids especially by Chinese bidders.
- Root cause analysis of reasons of rebidding was not carried out.
- No efforts were made for working on Project Management, Cost Management and Risk Management plans.
- There was no ownership or Project Management Office (PMO) resulting into overlapping of timelines and resources.
- Risk management registers and lessons learnt registers were not maintained resulting into repetition of mistakes and uncertain conditions

3.8.2.2 Critical Review:

The critical review of the different processes of procurement and contract management is as under:

<u>At Planning / Initial Project Stage:</u>

- No annual procurement plan for determining all the proposed annual requirements was chalked out by NTDC. This was required by PPRA in order to ensure the object of realistically determining the requirements and announcing it in an appropriate manner for each financial year. The procurements so planned were to be proceeded accordingly without any splitting or regrouping.

- The PC-I prepared and approved was not coherent as in most cases, time mentioned for project completion lapsed even before start of bidding process. This happened due to the following reasons:

- Financing was not confirmed at the time of preparation & approval of PC-I.
- Time required for arrangement of financing was not made part of PC-I.
- Time for Land Acquisition was not made part of PC-I.
- Timelines for bidding were not as per actual time taken in all activities.

- No timelines were defined regarding preparation of bidding documents, evaluation of bids and subsequent award of contracts, which was causing inordinate delay in bid evaluation and award of contract leading to refusal of extension in bid validity period by the bidders and increase in prices during retendering. This state of affairs defeated the very purpose of economical, efficient and effective procurement activities as required by PPRA.
- The projects execution was not prioritized keeping in view the urgency especially those exposing the risk of penalties by the IPPs due to delayed interconnection facilities. As NTDC sustained a loss of Rs.616.87 million on account of compensation paid to Independent Power Producer (IPP) Star Hydro Power Limited (SHPL) due to delayed provision of interconnection facility at 147 MW hydro-electric power generation facility / complex located at Patrind, Muzaffarabad, AJ&K.

  Likewise, in another PPA NTDC failed to award the contract for construction of interconnection facility at at 884 MW hydro-electric power generation facility / complex located at River Kunhar (a tributary of River Jhelum) District Mansehra, KPK well within the stipulated time schedule to meet with the Scheduled Commercial Operation Date (SCOD) as described in PPA. This would expose NTDC to bear colossal penalty of Rs. 3,119.29 million equivalent to US $ 19.8 million (US $2.2 million per month) in shape of liquidated damages payable to the Independent Power Producer (IPP) Suki Kinari Hydro Pvt Limited (SKH).

At Bidding Stage:

- A lot of time was being spent from sale of tenders to technical and financial evaluation of bids of the bidders. The deficient bidding documents invited plethora of frequent pre and post bid clarifications as well as meetings with the bidders. This caused issuance of subsequent amendments to the bidding documents, which also required to be approved from the development partner i.e. Asian Development Bank and Work Bank etc. This was also a significant contributory factor causing delay in award of contract and completion of procurement / project.

- Pre bid meetings with the prospective bidders were not effective as in many cases these meetings were attended by the local agents of foreign bidders without any input and subsequent amendments in future bidding documents.

- Discriminative qualification criteria in bidding documents of similar nature projects reflected their non-standardization. This cannot rule out the chances of favoritism while subsequent award of contract. Stringent qualification and evaluation criteria discouraged local industry due to non-participation of local bidders. This practice was not in line with the provisions of PPRA as no procuring agency should introduce any condition which discriminates between bidders or that is considered to be met with difficulty. Further, in ascertaining the discriminatory or difficult nature of any condition no reference was being made to the ordinary practices of that trade.

At Evaluation of Bids and Award of Contracts Stage:

- Deficient / defective technical and financial bid evaluations pointed out by development partners as well as aggrieved bidders caused subsequent significant revisions of bid evaluation reports, which put a question mark on the professional competency towards bid evaluation.

- Lack of pre-qualification of bidders and non-maintaining of data bank resulted in non-recording of historical data of the bidders depicting their operational experiences, financial worth, man power and availability of logistics / equipments & machineries required for successful timely completion of contractual obligations. Hence, every time the bidder had to be evaluated again. The departure of this critical aspect caused delay in bid evaluation subsequently led to delay in completion of projects.

- Wide open timelines in finalization of bidding process manifested that no SOPs were defined for restricting the timelines for different steps of procurement process. Resultantly, inordinate delay was being observed in bid evaluation and award of contract.

- Delayed redressal of bidders' grievances not only discouraged the bidders but also ended up in delayed award of contracts.

- The bidders involved in fraudulent practices by submitting fake / bogus documents and misrepresentations often got escaped scot-free as neither their bid securities were forfeited nor any punitive actions in the light of provisions of bidding documents initiated for debarring them to participate in future bidding.

<u>At the post contract award stage:</u>

- Extension of Time cases arising out due to delayed execution of contractual obligations lodged by the Suppliers / Contractors & Consultants were not being decided within reasonable time as required under provisions of the contracts, which caused following grave financial and contractual implications for NTDC:-
    - Straight loss on account of foreign exchange.
    - Burden on NTDC own resources / current PSDP budget for making payments of past years.
    - Difficulties in arranging foreign exchange due to closure loans from development partners.
    - Non-closure of the contracts and defect liability period

  - Release of balance payments and retention money to contractors.

- PC-IV & PC-V were not being prepared and submitted to Planning Commission as such practice did not exist in NTDC. The PC-IV & PC-V were meant for post-completion evaluation of the achievements of the objectives as envisaged in PC-I by analyzing financial, Economical, Technical, Social and Environmental benefits / impacts and ascertaining the risks taken and the mistakes committed along with the remedial measures adopted and the experience gained thereby. This departure from mandatory requirement of Planning Commission deprived the most critical analysis of ascertainment of planned vs actual achievements of the completed projects.

- Delay in preparation of revised PC-Is for cost overrun / significant design changes was prevalent in NTDC, which was against the provisions of Manual for Development Projects (Revised 2019) of Ministry of Planning, Development and Reform, Government of Pakistan. As per the directions of the GoP, in case increase in total estimated cost by a margin of 15 per cent or more, or if any significant variation in the nature or the scope of the project had been made, matter should be taken up for revision of PC-I irrespective of whether or not it involved an increased outlay.

- Liquidated damages were not being deducted timely instead LDs were adjusted against retention money / balance payments of the contractors / suppliers, which was against the provisions of contract agreements.

3.8.2.3 Significant Audit Observations:

The significant audit findings arising out during thematic audit are as under:-

3.8.2.3.1 Non-preparation of annual procurement plan in NTDC

According to Rule-8 & 9 of Public Procurement Rules, 2004, "all procuring agencies shall devise a mechanism, for planning in detail for all proposed procurements and shall announce it for each financial year for proceeding accordingly without any splitting or regrouping by advertising in advance on the Authority's website as well as on the website of the procuring agency.

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that the procurements in NTDC were at large scale and highly diversified through multi-contractual or Engineering Procurement Construction (EPC) / Turn-key contractual approaches financed through foreign development partners / local financial institutions and utilizing own financial resources. However, NTDC entered into fifty two (52) contracts amounting to Rs.70,000 million during the F.Y 2020-21 without any annual procurement plan.

Non-adherence to the PPRA Rules resulted in non-preparation of annual procurement plan in NTDC during the F.Y 2020-21.

(Draft Para No. 931/2021-22)

3.8.2.3.2 Non-preparation of PC-IV & V for the projects executed by NTDC

According to Para 1.55 of the Planning Commission Manual for Development Projects, "PC-IV form is required to be submitted at the time when the project is adjudged to be complete while the PC-V form is to be furnished on an annual basis for a period of five years by the agencies responsible for operation and maintenance of the projects".

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that the fifty five (55) projects were executed and completed during the FY 2018-19 to 2020-21, however, PC-IV & PC-V were not prepared and submitted to Planning Commission as such practice did not exist in NTDC. Hence, non-preparation of the said proforma deprived the most critical analysis of planned vs actual achievements of the completed projects.

Non-compliance to the Planning Commission Manual for Development Projects resulted in non-preparation of PC-IV & PC-V up to the financial year 2020-21.

(Draft Para No. 932/2021-22)

3.8.2.3.3 Cancellation of notified award for contract of Cranes due to mismanaged procurement – Rs.146.89 million

According to Clause 2.3.1 of Bidding Documents dealing with Contractual Experience, the bider must meet requirement of successful completion as main supplier within the last 10 (ten) years, of at least 2 (two) contracts each valued at Lot I USD 2,000,000.

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that a tender No.ADB-301D-2019 Lot-I for procurement of three (03) Cranes was opened on September 19, 2019. After issuance of NOL by ADB, BoD approved award of contract to M/s Zoomlion Pakistan (Pvt) for total price of USD 937,420/- equivalent to Rs.146.89 million on August 24, 2020. Later on, the Center of Investigative Journalism (CIJ) pointed out the non-responsiveness of the said bidder due to non-fulfilling the experience criterion. After reviewing the situation and record, ADB declared its earlier NOL void, held the bidder non-responsive and cancelled the bidding on January 04, 2021. Consequently, BoD had cancelled its earlierly issued award on April 26, 2021 but subject to fixing the responsibility and directed to come back within three weeks to present its requirements. However, no action against the responsible was forthcoming from the record. After elapse of nearly two years, the procurement process could not be materialized and caused inordinate delay.

Procurement mismanagement resulted in cancellation of notified award for contract regarding procurement of Cranes - Rs.146.89 million.

(Draft Para No. 934/2021-22)

3.8.2.3.4 Loss on account of exchange rate due to inordinate delay in payment to supplier – Rs.54.30 million

According to Clause-5 a, b, c of Notification of Award for Tender No. ADB-02-2007, payment of material shall be made 10% advance payment within 28 days of signing of the contract – 80% payment upon shipment through Letter of Credit under ADB commitment proceudure and 10% payment with in 28 days upon receipt of Goods upon submission of the claim supported by Acceptance Certificate issued by the Purchaser.

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that 500 kV

Auto Transformer Banks were procured from M/s Xian Electric Engg Co. China at a contract price of US$ 16.74 million under contract No.ADB-02-2007. The contract was awarded on July 13, 2007 and Letter of Credit (L/C) opend on October 07, 2007. The delivery was completed upto December 12, 2008 with delay and LD of US$ 1.67 million was imposed and adjusted against 10% retention money / balance payment of supplier.

Later on, BoD NTDC approved EoT of 165 days without LD on October 11, 2012 but retention money / balance payment of US$ 754,162 adjusted against LD was not released to the supplier and loan attained its financial closure on February 08, 2013 with expiry of L/C. However, one transformer bank could not be installed and lying idle at warehouse for a period of about 10 years, which was energized in 2019. Consequently, the supplier claimed its long standing payment of US$ 754,162 and NTDC had to pay it to him. This inordinate delay in payment caused loss of Rs.54.30 million on account of exchange rate, which could have been avoided had the payment made in 2012 (1US$=Rs.95 in 2012 and Rs.167 in 2021).

Contract mismanagement resulted in loss of Rs.54.30 million on account of exchange rate due to inordinate delay in payment to supplier up to the fianancial year 2020-21.

(Draft Para No. 935/2021-22)

3.8.2.3.5 Loss on account of compensation payment made to IPP due to late completion of power purchaser interconnection works – Rs.616.87 million

According to Section 6.5(b) of Power Purchase Agreement (PPA) of Patrind Hydropower Project, if the Power Purchaser has not completed, Commissioned and energized the Power Purchaser Interconnection Works then it would pay compensation charges under certain heads to the Company (Star Hydropower Limited (SHPL) and as per Section 9.6, in the event the Complex is not commissioned on or before the Required Commercial Operations Date, then the Company shall pay liquidated damages to the Power Purchaser.

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that a PPA was signed with Independent Power Produer (IPP) Star Hydro Power Limited (SHPL) on March 08, 2012 for 147 MW hydro-electric power generation facility

/ complex located at Patrind, Muzaffarabad, AJ&K and NTDC, being power purchaser, was required to arrange for interconnection works (transmission system). The complex was required to be completed and commissioned by March 20, 2017 but it achieved its Commercial Operation Date (COD) on November 08, 2017. The SHPL attributed delay to late completion of Power Purchaser Interconnection Works (PPIW) by 224 days and raised the invoices of Rs.2,487 million against NTDC but the same were disputed by NTDC and raised invoice of LD of US$ 2.80 million against SHPL for non-achieving the COD.

Later on, the matter was decided by an Expert, who held NTDC liable for delay of 146 days thereby exposing to a liability of Rs.616.87 million and held SHPL for delay of 54 days exposing to pay LD of USD 649,250 to NTDC. However, BoD, NTDC resolved to contest the decision of Expert determination before London Court of Internation Arbitration (LCIA) despite observing the weak position of NTDC by a member of BoD and Chief Law Officer (CLO). Hence, NTDC had to bear the loss of Rs.616.87 million by making payment to IPP as determined by the Expert before going for arbitration.

Project mismanagement resulted in loss of Rs.616.87 million on account of compensation payment made to IPP due to late completion of power purchaser interconnection works up to the fianancial year 2020-21.

(Draft Para No. 936/2021-22)

3.8.2.3.6 Sub-optimal performance of BoD due to inordinate delay in finalization of EOT claims of suppliers / contractors / consultants – Rs.2,398.84 million

As per General Conditions of Contract for EoT, the contractor shall submit to the project manager a notice of a claim for an extension of time for completion, together with particular of the event or circumstances justifying such extension as soon as reasonably practicable after the commencement of such event or circumstances. As soon as reasonably practicable after receipt of such notice and supporting particulars of claim, the employer and the contractor shall agree upon the period of such extension.

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that thirty six (36) Extention of Time (EoT) cases arising due to delayed execution of contractual obligations were lodged by the Suppliers / Contractors &

Consultants. Out of 36 in 23 cases, 10% balance payments and LDs amounting to Rs.2,398.84 million (Rs.983.67 million + US$ 8.81 million + Euro 0.13 million) were withheld / deducted. All of the 36 EoT cases could not be decided and were still pending for want of decision by the BoD despite elapse of considerable period ranging from 03 to 12 years and expiry of defect liability period.

The majority of the contracts were financed from foreign loans and the same had been closed. Since, the release of withheld balance payments and LDs was hinged upon decision of EoT cases, therefore, delayed decisions of EOT cases would involve subsequent grave financial and contractual implications for NTDC. This could have been avoided, had the EoT decided in time and payments released within the Loan / Contract validity period.

Inefficient decision making resulted in sub-optimal performance of BoD due to inordinate delay in finalization of EOT claims of contractors / suppliers / consultants amounting to Rs.2,398.84 million up to the financial year 2020-21.

(Draft Para No. 937/2021-22)

3.8.2.3.7 Blockage of funds due to un-necessary procurement of electrical equipment – Rs. 1,029.15 million

According to Para-5 of WAPDA Office Memorandum dated January 17, 1978, purchases should be made only of such items and in such quantities as are required for a specific work. In no case should these purchases be made for storing an item for indefinite period. As per Section 2.13 of Project Manual for ADB Loan-2289/2290, NTDC shall ensure that all Goods, Works and consulting services financed out of such proceeds are used exclusively in the carrying out of the Project.

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that electrical material / equipment valuing Rs.1,029.15 million procured under own resources and different foreign loans of ADB / IBRD was lying idle and unistalled in warehouses at the intended projects for a period ranging 01 year to more than 07 years. The said material consisted of items like Circuite Breakers, Current Transformers, Bus Isolators, Line Isolators, Lightening Arrestors, Potential Transformers and different types of Panels. In most of the cases their warranty had expired while the warranty in remaing cases was about to expire.

Ineffective Procurement management resulted in blockage of funds due to un-necessary procurement of electrical equipment valuing Rs.1,029.15 million up to the financial year 2020-21.

(Draft Para No. 938/2021-22)

3.8.2.3.8 Irregular award of contract due to discriminative / stringent evaluation and qualification criteria

According to Rule-32 of PPRA, "No procuring agency shall introduce any condition which discriminates between bidders or that is considered to be met with difficulty. In ascertaining the discriminatory or difficult nature of any condition reference shall be made to the ordinary practices of that trade."

During the thematic audit of procurement and contract management in NTDC for the FY 2020-21 on test check basis, it came to notice that the evaluation and qualification criteria set for evaluating the awarded EPC contract No. ADB-401-A i.e. average annual turnover of US$ 54 million and bidder's experience for completion of 50 km 380 KV or higher voltage transmission line was stringent and discriminatory as compared to other similar nature tenders awarded by NTDC i.e. ADB-301A-2018, CASA 1000 /TL/ TW02/ Package TW02 for 500 kV HVDC line and FW(1) -002 for 500 kV Muzaffargarh Gatti T/L wherein lesser average annual turnover and bidders experience for completion of 220 kV or higher transmission lines was required. This state of affairs not only resulted into violation of PPRA Rules but also discouraged domestic bidders to participate in the bidding of the said tender. It also reflected that there was no standard bidding document prepared by NTDC with reference to evaluation and qualification criteria in similar nature contracts.

The discriminative and stringent evaluation and qualification criteria resulted in irregular award of contract due to violation of PPRA Rules as well as GoP policy regarding promotion of domestic entrepreneurship.

(Draft Para No. 939/2021-22)

3.8.2.3.9 Irregular enlistment of private agent in NTDC WeBOC without tendering process

According to Rule-20 of PPRA Rules, "the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works".

During the thematic audit of procurement and contract management in NTDC for the FY 2020-21 on test check basis, it came to notice that a private agent i.e. M/s PKG was approved for enlistment in NTDC WeBOC (Web based One Custom) without adopting tendering process. As the NTDC had already approved / authorized clearing agent i.e. M/s Daco International Transport Private Ltd. hence, enlisting another agent, without tendering process, would involve consequential potential impact of misusing the NTDC's NTN at later stages regarding recoveries / short payments / under invoicing / refund claims from Customs etc. The approval of enlistment of private agent in NTDC WeBOC without tendering process was irregular and depicted undue favour to M/s PKG.

Violation of PPRA Rules resulted in irregular enlistment of private agent in NTDC WeBOC without adopting tendering process.

(Draft Para No. 941/2021-22)

3.8.2.3.10 Loss due to non-invoking of contractual provision for change orders – Rs.14.85 million

According to Clause-33.3 of Section-IV: Part-II: Particular conditions of Contract CPP-04M(R)-2017, "The Purchaser may increase or decrease the quantities of Goods to the extent of 15% of the Contract Price during currency of the Contract without any change in the unit price or other terms and conditions of the Contract".

During the thematic audit of procurement and contract management in NTDC for the FY 2020-21 on test check basis, it came to notice that two contracts i.e. CPP-04M-R-2017 Package II (Lot-I) and Package-III (Lot-I) for procurement of 245 & 247 Steel Towers 500 kV were awarded to M/s Nanjing Daji China at unit cost of US $ 43,612/- and US $ 40,743/-. Since there was a significant difference of US $ 2,869/- per unit cost of both the contracts, it was in favour of the company to invoke the contractual provisions for change order @ 15% by adjusting quantities of both the contracts but the same was not done. The same situation prevailed in case of CPP-04M-R-2017 Package-II (Lot-II) and Package-III (Lot-II) for procurement of All Aluminum Alloy Conductor (AAAC) Greely Conductor wherein there was a difference of US $ 107/- per unit cost of both these contracts. Resultantly, the company had to suffer a loss of Rs.14.85 million (11.677 + 3.168) due to procurement of 500 kV Towers and AAAC Greely Conductor at higher rates by not adjusting the quantities of the contracts.

Non-invoking of contractual provisions for change orders resulted into loss of Rs.14.85 million due to procurement of material at higher rates.

(Draft Para No. 944/2021-22)

3.8.2.3.11 Irregular award of contracts due to defective / deficient bid evaluation – Rs.22,789.11 million

According to Clause-ITB-33.2 of Bidding Documents for Contract ADB-401-A, "the request of the Employer to the Bidder regarding information or documentation on nonconformities shall not be related to any aspect of the Price Bid. According to ITB-21.3 & ITB-21.4 of Request for Bids WB-04-2019, the original and all copies of the Bid shall be typed or written in indelible ink and shall be signed by a person duly authorized to sign on behalf of the Bidder and the name and position held by each person signing the authorization must be typed or printed below the signature. In the case that the Bidder is a JV, the Bid shall be signed by an authorized representative of the JV on behalf of the JV. According to Clause-4.2(a) of bidding documents of Tender WB-07E-2020 & WB-08A-2020, "the bidder should have experience in two contracts of similar nature of 220 kV or above substation within last ten (10) years and one of them outside the country of origin, with a value of at least US $ ten (10) million for each contract that have been successfully completed and operational for the last three years as on bid opening date."

During the thematic audit of procurement and contract management in NTDC for the FY 2020-21 on test check basis, it came to notice that in the presence of violations to the clauses of bidding documents, three (03) contracts valuing Rs.22,789.11 million were awarded to the contractors. The detail is as under: -

Sr. No.	Contract No.	Nature	Contractor	Value	Irregularity
1	ADB-401A	EPC contract for 500 kV transmission line from Suki Kinari Hydropower station to interconnection point of existing Neelum Jhelum 500 kV transmission line.	M/s China Energy Engineering Group North East No.02 Electric Power Construction Company Ltd. China (CEECNEPC-II)	Rs. 17,697.79 million	Clarifications relating to Price Bid were sought, offered and permitted to bidder.
2	WB - 04-2019	Augmentation works at 220 kV grid station Shikarpur	JV of M/s China National Technical Import & Export Corporation and Shanghai Electric	Rs. 868.67 million	• Power of attorney was vague as it was without the signature of legal representative of Principal i.e Mr. Zheng Jianhua of M/s Shanghai Electric Group Co. Ltd.

			Group Co. Ltd.		• Signature of the authorized member of JV i.e. "Wu Dequan" on bidding documents as well on subsequent correspondence was mismatching from the signature on the power of attorney. • The power of attorney was valid till 21.08.2020 whereas Mr. "Wu Dequan" of M/s China National Technical Import & Export Corporation was acting as authorized representative of JV even after the lapse of validity of the power of attorney.
3	WB-07E-2020 & WB-08A-2020	EPC contract for augmentation works at 220 kV grid stations under National Transmission Modernization Project-I World Bank Loan No. 8814-PK	-do-	Rs. 4,222.65 million	Non-fulfilling the qualification criteria due to deficient specific experience regarding successful completion and operation of contract.

Violation of provisions of bidding documents resulted in irregular award of contracts valuing Rs.22,789.11 million due to defective / deficient bid evaluation up to the financial year 2020-21.

(Draft Paras Nos. 945, 947 & 948/2021-22)

3.8.2.3.12 Non-engagement of Design Review Consultants despite effectiveness of contracts for extension and augmentation works at 220 kV grid stations – Rs. 7,150.43 million

According to clause-2A (a) of Public Sector Companies (Corporate Governance) Rules, 2013, "the business of the Public Sector Company is carried on with integrity, objectivity, due care and the professional skills appropriate to the nature and scale of its activities".

During the thematic audit of procurement and contract management in NTDC for the FY 2020-21 on test check basis, it came to notice that design review consultants for four (04) World Bank funded contracts i.e. WB-08B-2020, WB-08A-2020, WB-07E-2020 and WB-09A-2020 valuing US $ 31.774 million + EURU 0.740 million + PKR 1,401.326 million for extension and augmentation works at different 220 kV grid stations were not engaged despite commencement of effectiveness dates of these contracts. Resultantly, not only the execution of these contracts for removal of critical system constraints were delayed but it would also result in arising out of subsequent EOT claims.

Non-adherence of Public Sector Companies (Corporate Governance) Rules resulted in delayed execution of extension and augmentation works at 220 kV grid stations valuing Rs.7,150.43 million due to non-engagement of Design Review Consultants.

(Draft Para No. 946/2021-22)

3.8.2.3.13 Loss due to inordinate delay and bungled bid evaluation process – Rs.1,754.43 million

According to ADB Procurement guidelines Para-2.57, borrowers shall complete evaluation of bids and award of contract within the initial period of bid validity so that extensions are not necessary. The extension shall be for the minimum period required to complete the evaluation, obtain necessary approvals, and award the contract.

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that a Tender No. ADB-300A-2018 for construction of 500/220/132KV Lahore north substation & extension work at 500/220/132KV Nokhar substation on EPC basis was floated on December 28, 2018, technical bids were opened on April 25, 2019 and NOL issued by ADB on February 13, 2020. Later on, price bids of three (03) technically qualified bidders were opened on February 18, 2020 and M/s SDEPCI, China was declared as lowest responsive bidder. However, the ADB disagreed with the financial bid evaluation and NTDC revisited the evaluation and prepared Supplementary Report of Price Bid Evaluation in June, 2020 accordingly. Resultantly, M/s Grid Solution SAS, France, which was 2nd lowest bidder earlier, became the 1st lowest bidder with quoted price of Rs.11,420.99 million. During the bid evaluation process, NTDC sought nine 909) extensions in bid validity period from bidders, which exhausted all the bidders and they eventually refused to extend their bid validity further. Hence, the contract could not be awarded.

Subsequently, BoD NTDC gave approval for "Limited Competitive Bidding" under the old tender and fresh bids were invited from same 10 bidders and M/s SEPCO III, China, which was at 3rd position in previous evaluation, became 1st lowest responsive bidder with quoted bid price of Rs.13,175.425 million in bid evaluation in August, 2021. Resultantly, notification for approval of award was issued by NTDC BoD Company Secretary on August 27, 2021.

Later on, as a result of further clarification by ADB, the NTDC prepared Supplementary Bid Evaluation Report wherein M/s SEPCO III, China was disqualified and M/s CET China, non-qualified in 1st bid evaluation and 2nd lowest in 2nd bid evaluation, became the 1st lowest bidder with quoted bid price of Rs.14,874.36 million in October 2021.

This state of affairs of bid evaluation in NTDC, which was still far from materializing at the time of writing this report, underscored bungled bid evaluation punctuated by following grave issues

- Loss up to the extent of Rs.1,754.43 million due to increase in bidding value which was uneconomical.
- In ordinate delay of 03 years in preparation of BER and Revised BER for 04 times and 09 times extension of bid validity period defeated the very purpose of efficient procurement.
- Deficient bid evaluation resulted in acceptance of non-responsive bidders and rejection of responsive bidders.
- Standard Operating Procedures did not exist for specifying time lines for technical / financial bid evaluations.

Procurement mismanagement resulted in loss of Rs.1,754.43 million due to inordinate delay and bungled bid evaluation process which is still pending.

(Draft Para No. 949/2021-22)

3.8.2.3.14 Non-utilization of transmission line redundant due to abandonment of Karkay rental power project – Rs.786 million

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

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that a transmission line valuing Rs.786 million was constructed for evacuating the power from Karkay rental power project, which was later abandoned, rendering the transmission line redundant since long. No plan had been envisaged for either utilizing the transmission line to some other projects or outsourcing / selling the same to K-Electric which was operating in the area. Hence, the investment turned into wastage without reaping any benefits. Moreover, in financial statements the expenditure on the said transmission line still appeared as Capital Work in Progress and no impairment was being charged.

Non-adherence to the rules resulted in non-utilization of transmission line valuing Rs.786 million which became redundant due to abandonment of Karkay rental power project up to the financial year 2020-21.

(Draft Para No. 950/2021-22)

3.8.2.3.15 Loss due to non-award of contract within bid validity period – Rs.633.85 million

As per PPRA Rules 26 (3) the procuring agency shall ordinarily be under an obligation to process and evaluate the bid within the stipulated bid validity period. However, under exceptional circumstances and for reason to be recorded in writing, if an extension is considered necessary, all those who have submitted their bids shall be asked to extend their respective bid validity period. Such extension shall be for not more than the period equal to the period of the original bid validity.

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that a tender No. NPP-03M-2018 for procurement of transmission line material was floated on July 19, 2018. The technical bids were opened on September 26, 2018 and financial bids on December 21, 2018. The approval of BoD for award of contract to M/s Qingdao Qiangli China in Lot-I at a price of US $ 15.75 million was issued by Company Secretary on April 04, 2019. However, the contract could not be concluded as the said contractor had refused to extend its bid validity period. The second lowest bidder i.e. M/s Nanjing Daji with bid price of US $ 18.48 million was approached for price negotiation but it also refused to revise the price. Resultantly, the bidding process was scrapped on July 24, 2019.

During retendering, the 1st lowest bidder of previous bidding i.e. M/s Qingdao Qiangli China, again became the 1st lowest bidder but with increased quoted bid price of US $ 19.77 million and contract was awarded. Hence, inordinate delay in finalizing the award of contract within the bid validity period caused a loss of US$ 4.02 million equivalent to Rs.633.85 million to NTDC due to increased bid price from the same contractor in retendering.

Inefficient procurement process resulted in loss of Rs.633.85 million due to rate increase in retendering because of inordinate delay in bid evaluation within bid validity period up to the financial year 2020-21.

(Draft Para No. 951/2021-22)

3.8.2.3.16 Non-replacement of damaged equipment by the supplier – Rs.120.96 million

As per Clause No.24.2 of Special Conditions of the Contract, "should a loss be sustained the supplier shall replace or repair any loss or damage and complete the supplies of goods in accordance with the contract as soon as possible after such loss or damage without waiting for the settlement of the insurance claim."

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that a contract No.ADB-301D-Lot IV-2019 was signed on 14th May 2020 with M/s Translink International Sales Ltd for procurement and supply of three (3) units of integrated line insulator washer of 500KV and 200 Transmission lines under ADB Loan No.3677 Pak at price of US $ 2.426 million. During supply of goods, one (1) integrated live line washer unit costing US $ 0.767 million was damaged. However, after a lapse of considerable period, the supplier did not replace the damaged unit.

Non-adherence to the rules resulted in non-replacement of damaged equipment valuing Rs.120.96 million by the supplier up to the financial year 2020-21.

(Draft Para No. 952/2021-22)

3.8.2.3.17 Extra financial cost on account of compensation claim by the contractor due to delay in site possession – Rs.130.78 million

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

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that a contract agreement No.ADB-72R-2016 (Lot-I) for civil works, erection, testing and commissioning at 220KV Lalian substation was signed with M/s Transmark Pvt

Ltd on October 31, 2016 at price of Rs.360.77 million with completion period of 300 days up to September 12, 2017. The project was sponsored through foreign funding which lapsed in 2019. However, the proposed site for Lalian substation was finalized in February, 2021 with lapse of almost five years. Resultantly, the contractor raised a compensation claim of Rs.130.78 million due to delay in site possession.

Poor project management resulted in extra financial cost of Rs.130.78 million on account of compensation claim by the contractor due to delay in site possession up to the financial year 2020-21.

(Draft Para No. 953/2021-22)

3.8.2.3.18 Non-forfeiture of bid securities of the bidders involved in corrupt and fraudulent practices / misrepresentation – Rs.142.72 million

As per Clause IB 19.6. The Bid Securities of the bidder (s) found involved in corrupt and fraudulent practices shall be forfeited.

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that two (02) bidders participated in bidding process with fake / bogus performance certificate / mis-representation of facts, which resulted their non-responsiveness. Hence, their bid securities amounting to Rs.142.72 million was required to be forfeited along with taking other punitive actions in the light of bidding documents but the same was not done. The detail is as under:-

Sr. No.	Tender No.	Nature	Bidder	Value of bid security	Irregularity
1	NPP-04-M(R)-2020	Supply of complete hardware strings including pre-RTV coated disc insulators for 500KV double circuit quad bundle transmission lines for evacuation of power from K-2/K-3 Nuclear Power Plants	M/s SiChuanYiBin Global Group Co	Rs. 50.16 million eqv to US$ 300,000/- @ 1US$=Rs.167.20	The bidder was declared "Non-Responsive" due to submission of fake / bogus performance certificate.
2	ADB-201-2018	Procurement of plant, design, supply, installation testing and commissioning of 220KV/ transmission lines (Lot-IV)	M/s Netracon-SEPCC/CWTWC (JV)	Rs. 92.56 million eqv to US$ 800,000/- @ 1US$=Rs.115.70	Misrepresentation of facts which was considered as fraudulent practice under clause ITB 3.1 section-1 of bidding documents.

Non-adherence to the provision of bidding documents resulted in non-forfeiture of bid securities of Rs.142.72 million of the bidders involved in corrupt and fraudulent practices / misrepresentation up to the financial year 2020-21.

(Draft Paras No. 954 & 958/2021-22)

3.8.2.3.19 Non-provision of extended warranty by the supplier

NTDC allowed 3rd party inspection for type test and pre-shipment inspection/FAT subject to provision of extended warranty of five (5) years for material delivered under the contract No.70R2-2019.

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that a contract agreement No.NOR-70-R2-2019 was signed with M/s TBEA Shenyang Transformer Group China for procurement of 07 Nos 250MVA 220/132/11KV Auto transformers for various 220/132KV substations at a cost of CNY 69.462 million. Due to prevalent Covid-19, the management of NTDC approved the request of the supplier for 3rd party inspection subject to provision for an extended warranty of five years. However, the contractor supplied the material without extended warranty and balance payment was released to him.

Non-adherence to the provision of contract resulted into non-provision of an extended warranty of equipment procured during the financial year 2020-21.

(Draft Para No. 955/2021-22)

3.8.2.3.20 Inordinate delay in award of contract and deficient bid evaluation highlighted by aggrieved bidder

According to Public Procurement Rules 4, Principles of Procurement, Procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that technical and financial bids against tender No.ADB-301A-2018 for procurement of plant-design, supply, installation, testing and commissioning of 500 kV transmission line Nokhar S/S- Lahore North S/S- Lahore HVDC switching / converter station were opened on November 26, 2018 and July 31, 2019 respectively. The BoD NTDC gave the approval for award of contract to M/s NETRACON-DAJI (JV) at bid Price of 7,013.63 million on September 25, 2019. However, ADB gave No Objection Letter (NOL) for award of contract to the said bidder on March 31, 2021.

After publication of evaluation results on April 02, 2021, certain grievances were shown by M/s China Electric Power Equipment & Technology. The Grievance Redressal Committee accepted the grievances and declared the M/s NETRACON-DAJI (JV) as non-responsive. Resultantly, the management issued notification of award / LOA to the next lowest responsive bidder i.e. M/s CET China on August 20, 2021 with a delay of almost three years at a price of Rs.7,472.72 million.

Inefficient bidding process resulted into inordinate delay in award of contract and deficient bid evaluation highlighted by aggrieved bidder up to the financial year 2020-21.

(Draft Para No. 956/2021-22)

3.8.2.3.21 Delay in procurement leading to potential risk of price hike due to non-award of contract within bid validity period

As per PPRA Rules 26 (3) the procuring agency shall ordinarily be under an obligation to process and evaluate the bid within the stipulated bid validity period. Moreover, as per PPRA Rule 4 Procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that a tender No.NOR-70M-2020 (Lot-V) for procurement of grid station material for 220/132KV Substation Jhampir-II was floated under own resources on September 28, 2020. The technical and financial bids were opened on November 03, 2020 and February 26, 2021 respectively and M/s Pakistan Cable was declared as the sole responsive bidder with bid Price of Rs.72.81 million. However, approval for award was given on April 05, 2021, after expiry of bid validity date on April 02, 2021. Meanwhile, the sole responsive bidder refused to extend its bid validity and tendering process was cancelled eventually. Later on, the retendering was made in July 2021, but no bidder participated in the tender. Hence, non-award of contract to the lowest responsive bidder within bid validity period not only delayed the procurement but would also caused risk of increase in price of material.

Inefficient bidding process resulted into delay in procurement of material leading to potential risk of price hike due to non-award of contract within bid validity period up to the financial year 2020-21.

(Draft Para No. 957/2021-22)

3.8.2.3.22 Non-revision of PC-I(s) for cost overrun / scope changing projects

According to Para 6.13 of the Manual for Development Projects (Revised 2019) of Ministry of Planning, Development and Reform, Government of Pakistan, if the total estimated cost, as sanctioned increases by a margin of 15 per cent or more, or if any significant variation in the nature or the scope of the project has been made, irrespective of whether or not it involves an increased outlay, the approval of ECNEC or competent forum shall be obtained in the same manner as in the case of the original scheme without delay.

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that in following four (04) projects comprising Transmission Lines / Grid Stations and Supervisory Control and Data Acquisition (SCADA) Phase-3 executed under foreign loan / own resources, the cost increased by more than 15% of the approved cost in PC-I. In 500 kV Substation Faisalabad West project the scope was also changed. However, the PC-I(s) were not revised through Planning Commission.

(Rs. in million)

Sr. No.	Source of Funding	Description of Projects	PC-I Cost	Award Cost / Increased cost	Increase in cost	% Increase
1	NOR	Evacuation of Power from 2x1100 MW K-2/K-3 Nulear Power Plants Near Coastal Area of Karachi	7,501.41	9,115.52	1,200.69	15.17%
2	ADB	220 kV Dera Ismail Khan – Zhob Transmissionline alongwith 220 kV Zhob Substation	6,878.51	11,278.60	4,400.09	63.97%
3	JICA	500 kV Substation Faisalabad West	9,379	16,354.05	6,975.05	74.37%

4	ADB	Procurement of Plant, Design, Supply, Installation, Testing and Commissioning of of Supervisory Control and Data Acquisition (SCADA) Phase-3 and Revenue Metering System (RMS)	15,168.28 with excalation	17,784.58 (17,049.58 + PST Rs.735)	2,616.30	17.25%

Non-adherence to Manual for Development Projects resulted into non-revision of PC-I(s) for cost overrun / scope changing projects up to the financial year 2020-21.

(Draft Para No. 959/2021-22)

3.8.2.3.23 Inordinate delay in project management right from planning to execution in NTDC

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

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that there was entrenched trend of delayed completion of almost all projects right from conceptualization in PC-I to procurement process and execution. A delayed project ultimately not only led to time and cost overrun but also deprived reaping the envisaged financial, economic and technical benefits. A deep drill down analysis suggested that there were multifarious factors behind this chronic issue of delay, which could be attributed arguably to the following internal as well as external factors.

Internal Factors:-

- Lack of SOPs for restricting / setting time lines for preparation of PC-I of the projects by the Power Planning Department
- Lack of timelines for preparation of bidding documents by Design Department
- Lack of standardized bidding documents for transmission lines / grid stations triggers complaints, plethora of pre-bid clarifications and amendments.
- Use of outdated version of FIDIC Red Book-1987 for construction projects.

- Conflict of interest as the Design Department prepares the bidding documents and also performs bid evaluation.
- Lack of SOPs describing the timelines for technical / financial bid evaluation and seeking frequent extensions in bid validity period.
- Ineffective / deficient bid evaluations by Design Department and its review by Procurement & Contract Department caused revision / revisiting the bid evaluation reports in the wake of development partner's remarks / review.
- Lack of dedicated project manager leads to shifting ownership of the project management right from preparation of PC-I to arranging of finance, preparation of bidding documents, bid evaluations, award of contract and execution of project.
- Lack of priority planning / mechanism exist in NTDC and projects usually prioritized by urgency.

External Factors:-

- Non-arrangement of source of financing and acquisition of land before preparation of PC-I of the projects
- Average 02 to 03 months required for approval from Ministry of Finance and State Bank for opening of LC, which also determines the effectiveness of contract
- Right of way problems and litigations associated therewith.

Inefficient project / procurement management resulted in inordinate delay in project management right from planning to execution in NTDC up to the financial year 2020-21.

(Draft Para No. 961/2021-22)

3.8.2.3.24 Risk of imposition of penality due to delay in completion of power purchaser interconnection works – Rs.3,119.29 million

According to Power Purchase Agreement (PPA) of Suki Kinari Hydropower Project, if the Power Purchaser has not completed, Commissioned and energized the Power Purchaser Interconnection Works then it would pay compensation charges under certain heads to the Company (Suki Kinari Hydropower Limited (SKH). In the event the Complex is not commissioned on or before the Required Commercial Operations Date, then the Company shall pay liquidated damages to the Power Purchaser.

During the thematic audit of procurement and contract management in NTDC for the F.Y 2020-21 on test check basis, it came into notice that a PPA was signed with Independent Power Produer (IPP) Suki Kinari Hydro Pvt Limited (SKH). As per PPA, SKH had to construct 884 MW hydro-electric power generation facility / complex with Scheduled Commercial Operation Date (SCOD) of September 30, 2022 whereas NTDC was responsible to provide facility / back feed arrangement for evacualtion of power by February 02, 2022 i.e. 240 days prior to SCOD. Consequently, NTDC had awarded a contract No. ADB-401A for consturction of transmission line on the December 24, 2020 to M/s China Energy Engineering Group, which became effective on April 22, 2021 with scheduled completion date of April 11, 2023.

This depicted that the trnasmission line would be completed 12 months later than the SCOD agreed in PPA, hence, the NTDC would expose to pay Rs. 3,119.29 million equivalent to US $ 19.8 million (US $2.2 million per month) as liquidated damages for delayed completion of interconnection facility. Moreover, it was also worth considering that the IPP M/s SKH was a China based company and the contractor hired by NTDC for completion of transmission line was also China based i.e. M/s China Energy Engineering Group, hence, it was feared that if the later could not complet the transmission line within time then it would have to pay considerabley much less LD to NTDC and on the other hand NTDC would have to pay colossal amount on account of LD to IPP.

Ineffecient project mismanagement would result into risk of imposition of penality of Rs.3,119.29 million on account of late completion of power purchaser interconnection works.

(Draft Para No. 962/2021-22)

3.9 Departmental Responses

3.9.1 Response to observation No. 3.8.2.3.1

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that 5-year Procurement Plan was under preparation and would be submitted for approval in due course of time.

The DAC in its meeting held on January 19, 2022 did not agree with the reply and directed to prepare annual procurement plan as required by PPRA within 30 days.

3.9.2 Response to observation No. 3.8.2.3.2

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that the procedures were being developed for preparation of specific performas like PC-IV & V for compliance in future.

The DAC in its meeting held on January 19, 2022 directed the management to prepare PC-IV & V of all the projects executed under approved PC-I for the FY 2020-21 & 2021-22 and submit it to Planning Commission within 90 days.

3.9.3 Response to observation No. 3.8.2.3.3

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that M/S Zoomlion China was mistakenly mentioned as Zoomlion Karachi Pakistan. However, withdrawal of NOL by ADB was not because of typographical error as the ADB did not accept the contracts executed by M/s Zoomlion China being manufacturer as per Clause 2.3.1, Section 3 of Bidding Document. As per need and demand for cranes, retendering process had been initiated.

The DAC in its meeting held on January 19, 2022 did not agree with the reply and directed the management to conduct a fact-finding inquiry regarding defective bid evaluation which caused withdrawal of NOL by the ADB and non-compliance of BoD directives regarding fixing of responsibility within 30 days.

3.9.4 Response to observation No. 3.8.2.3.4

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that the utilization of the said material made it possible for addition of 500/220 KV Auto Transformer Bank (ATB) in record time at Ghatti Grid Station to provide relief to system and overcome the load shedding problem in load center of NTDC network.

The DAC in its meeting held on January 19, 2022 did not agree with the reply and directed PPMC to conduct an inquiry within 60 days in the light of the lapses highlighted in audit observation.

3.9.5 Response to observation No. 3.8.2.3.5

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that the case was currently pending adjudication before the London Court of International Arbitration (LCIA).

The DAC in its meeting held on January 19, 2022 directed the management to conduct departmental inquiry in this regard within 90 days.

3.9.6 Response to observation No. 3.8.2.3.6

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that Board of Directors of NTDC had not delayed any EoT claims. The BoD had already described the SoPs for the processing of EoT cases and directed the management to prepare a list of all pending EOT claims so that the same could be finalized / processed to resolve this matter.

The DAC in its meeting held on January 19, 2022 did not agree with the reply and directed to hold an inquiry at Ministry level within 90 days.

3.9.7 Response to observation No. 3.8.2.3.7

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management explained that item wise position of material would be furnished to Audit.

The DAC in its meeting held on January 19, 2022 directed the management to expedite preparation of item wise detail of material along with detailed reply to audit within 15 days.

3.9.8 Response to observation No. 3.8.2.3.8

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that Suki Kinari project was unique in nature being involved in new type of conductor, towers and difficult hilly terrain. Therefore, bidder's experience for completion of 380 KV or higher voltage transmission and higher average annual turnover was set as qualification criteria by the NESPAK in consultation with the ADB. Audit contented that similar nature project i.e. 500 KV Neelum-Jehlum T/L was executed with the prevalent design experience of 220 KV or higher transmission line.

The DAC in its meeting held on January 19, 2022 directed the management to substantiate its stance with the contracts executed in the similar terrain.

3.9.9 Response to observation No. 3.8.2.3.9

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that no enlistment/ access to Web based One Custom (WEBOC) had been granted to M/s. PKG to date. Audit contended that approval for enlistment of the said contractor without competitive bidding was granted by the MD NTDC.

The DAC in its meeting held on January 19, 2022 directed the management to furnish revised reply to Audit within 15 days.

3.9.10 Response to observation No. 3.8.2.3.10

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that the basic purpose of Clause No. 33.3 was to cater for any unforeseen contingencies in supply of material. This was included in line with the proposition of "Repeat Orders" as per PPRA Rules. In case the advantage of this clause was achieved, there would have been no room for variation in quantities in case of any contingency or urgency. Audit contended that had the contract clause for variation order been invoked by prudent contract management, loss on account of payment of higher cost could have been avoided.

The DAC in its meeting held on January 19, 2022 directed the management to ensure compliance to variation clause in future purchase orders.

3.9.11 Response to observation No. 3.8.2.3.11

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that relevant formation of NTDC involved in evaluation process of the bids might be asked for clarification of observation regarding contract No. ADB-401A. As regards the contract No. WB-04-2019, the JV of China National Technical Import & Export

Corporation and Shanghai Electric Group Co. Ltd authorized Mr. “Wu Dequan” and the power of attorney was signed by the legal representative of respective partners of the joint ventures and signature of Mr. Wu Dequan was not appended on it while in contracts No. WB-07E-2020 and WB-08A-2020, operational acceptance certificate submitted by the bidder was considered for determination of bidder’s experience.

Audit contended that since the JV between China National Technical Import & Export Corporation and Shanghai Electric Group Co. Ltd was made well before the dead line for submission of bid, the power of attorney should have been signed by both members of JV but the same was not done. Further, the signature of Principal on the power of attorney was not affixed and the signature of “Mr. Wu Dequan” on the power of attorney was mismatching from the signature affixed on bidding documents as well as on subsequent correspondences. Further, in contracts WB-07E-2020 and WB-08A-2020, operational acceptance could not be regarded as successful completion of contract as required in the qualification criteria.

The DAC in its meeting held on January 19, 2022 did not agree with the replies of the management and directed to conduct inquiry at Ministry level within 90 days in contract No. ADB-401A and at PPMC level within 60-90 days in contracts Nos. WB-04-2019, WB-07E-2020 & WB-08A-2020.

3.9.12 Response to observation No. 3.8.2.3.12

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that the process of hiring services of the “Design Review and Construction Supervision Consultant” was under evaluation, however, already appointed consultants i.e. M/s Decon GmBH, Germany had been engaged for “Design Review” services since 20-09-2021. Hence, three (03) out of four (04) contracts became effective on or after 20-09-2021. As regard to contract’s effectiveness for WB-08B-2020, non-availability of ‘Design Review’ consultant for such a shorter period of about one month might not result into applicability of EOT by the relevant contractor. Audit contended that non-engagement of exclusive “Design Review and Construction Supervision Consultant” well before the effectiveness date of contracts would definitely cause complication at later stage.

The DAC in its meeting held on January 19, 2022 directed the management to get the record verified from audit and expedite the process of engaging exclusive “Design Review and Construction Supervision Consultant”.

3.9.13 Response to observation No. 3.8.2.3.13

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that the evaluation of bids was completed in time. However, ADB took abnormal time in granting final NOL. Audit contended that inordinate time was consumed for evaluation of bids and discrepancies in bid evaluation report caused delay in grant of NOL by ADB.

The DAC in its meeting held on January 19, 2022 did not agree with the reply of management and directed to conduct inquiry at PPMC level within 60 days.

3.9.14 Response to observation No. 3.8.2.3.14

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that the project could not be capitalized because NTDC possess the Power Dispatch License only for 500kV & 220kV Grid Stations and Transmission Lines for Power Evacuation whereas the subject Transmission Line is of 132kV. However, NTDC approached the authorities of K-Electric to take over the said project.

The DAC in its meeting held on January 19, 2022 directed the management to pursue the matter with K-Electric and submit utilization plan within 90 days.

3.9.15 Response to observation No. 3.8.2.3.15

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that bid evaluation was carried out timely. However, delay occurred due to lengthy process for award of contract. Audit contended that the management failed to conclude the award process within the bid validity period which resulted into retendering and loss due to award of contract to the same bidder at higher rates.

The DAC in its meeting held on January 19, 2022 did not agree with the reply of management and directed to conduct holistic inquiry in the light of contents of audit para at PPMC level within 90 days

3.9.16 Response to observation No. 3.8.2.3.16

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that the matter has been taken up with the supplier for repair/ replacement of damaged equipment.

The DAC in its meeting held on January 19, 2022 directed the management to expedite the matter.

3.9.17 Response to observation No. 3.8.2.3.17

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that the project was delayed due to delay in land acquisition. However, presently land has been acquired and project would be completed soon. Audit contended that the project had already been delayed as it was intended to be completed in June, 2013 according to PC-I.

The DAC in its meeting held on January 19, 2022 directed the management to ensure timely completion of the project.

3.9.18 Response to observation No. 3.8.2.3.18

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that bid security of Tender NPP-04M(R)-2020 expired before establishment of allegations whereas there was no provision of forfeiture of Bid Security due to misrepresentation / fraudulent practice in the Bidding Documents for ADB-201-2018.

Audit contended that the process for ascertaining the end user certificates should have been concluded before expiry of bid security of M/s SiChuanYiBin Global Group Co in order to invoking the relevant clause of bidding document. As regards Tender ADB-201-2018, in bid evaluation report the bidder was required to be held responsible for misrepresentation of facts which was to be considered as fraudulent practice under Clause-ITB-3.1 Section-1 of bidding documents but the same was not done. Moreover, non-inclusion of clause for forfeiture of bid security due to fraudulent practice of bidder in bidding documents was reflective of non-standardized bidding documents as the same was incorporated in the Tender NPP-04M(R)-2020.

The DAC in its meeting held on January 19, 2022 directed the management to investigate the matter and submit inquiry report to Audit within 90 days.

3.9.19 Response to observation No. 3.8.2.3.19

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that the manufacturer had been asked to provide the warranty certificate as per 3rd part Factory Acceptance Test (FAT) conditions and the same would be ensured before issuance of acceptance certificate.

The DAC in its meeting held on January 19, 2022 directed the management to expedite provision of extended warranty from the contractor before release of balance payment.

3.9.20 Response to observation No. 3.8.2.3.20

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that Bids evaluation / evaluation reports were concluded well within a reasonable time, however, issuance of NOL from ADB was delayed. Audit contended that inordinate time was consumed for evaluation of bids and discrepancies in bid evaluation report caused delay in grant of NOL by ADB.

The DAC in its meeting held on January 19, 2022 did not agree with the reply of management and directed to conduct holistic inquiry in the light of contents of audit para at PPMC level within 90 days.

3.9.21 Response to observation No. 3.8.2.3.21

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that price bid evaluation report was prepared and sent to GM (P&CM) on 04-03-2021 and the said office asked to prepare revised final bid evaluation reports. Accordingly, the same was prepared and sent to the office of GM (P&CM) on 22-03-2021. Audit contended that management failed to award contract within the bid validity period though the final bid evaluation report, stated to have been prepared and sent to GM P&CM on 22.03.2021 which needs to be investigated.

The DAC in its meeting held on January 19, 2022 did not agree with the reply of management and directed to conduct holistic inquiry in the light of contents of audit para at PPMC level within 90 days.

3.9.22 Response to observation No. 3.8.2.3.22

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that PC-I of 220 kV Dera Ismail Khan – Zhob Transmission line alongwith 220 kV Zhob Substation was under process of revision whereas there was no requirement for revision of PC-I for Supervisory Control and Data Acquisition (SCADA) Phase-3 project as Punjab Sales Tax (PST) cost was not included in PC-I.

The DAC in its meeting held on January 19, 2022 directed the management to get clarification from the Planning Commission regarding inclusion of PST in PC-I cost and expedite the process of revision of PC-I.

3.9.23 Response to observation No. 3.8.2.3.23

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that in order to address the external factors a separate land directorate has been established to tackle the issues of land acquisitions and ROW and to improve the LC opening timelines, the bidder were encouraged to quote in Chinese Yuan (CNY) currency to reserve the foreign exchequer of US Dollars. As regards internal factors, SOPs were introduced from time to time to improve the working of system and reduce procedural delay.

The DAC in its meeting held on January 19, 2022 directed the management to apprise the BoD for devising the appropriate policies to address the external and internal factors causing inordinate delay in project management as pointed out by Audit.

3.9.24 Response to observation No. 3.8.2.3.24

The matter was taken up with management in November, 2021 and reported to the Ministry in January, 2022. The management replied that the power producer has applied for force majeure and the SCOD of the power project was expected to be extended by almost 20 months and the completion of transmission line was well before the expected SCOD.

The DAC in its meeting held on January 19, 2022 directed the management to apprise the BoD about the state of affairs for taking appropriate measure to avoid risk of imposition of penalty.

3.10 Conclusion

Keeping in view the state of affairs of procurement and contract management in NTDC, it transpires that almost all the projects executed in NTDC had delayed completion. All the procurement and contract activities were performed in a reactive manner rather proactively and based on need basis rather than based on priority. Lack of procurement plan, standardized bidding documents, open time frame for bid evaluations, deficient bid evaluations and retendering and non-adherence to the provisions of contract agreements led not only to delayed completion of projects but also caused increase in cost of projects. There was no yardstick to gauge post completion financial and technical benefits associated with projects because PC-IV & PC-V were not prepared in practice in NTDC. It is imperative that all the gray areas of procurement and contract management highlighted in the instant Thematic Audit Report with pragmatic recommendations be considered for holistic improvement from conception of the projects to their final completion.

3.11 Recommendations

- Annual procurement plan needs to be prepared for planning all the proposed procurements in detail with the objective of realistically determining the requirements and announcing it in appropriate manner as required by PPRA.
- PC-IV & PC-V needs to be prepared and submitted to Planning Commission in order to ensure post completion evaluation of the achievements of the objectives envisaged in PC-I.
- Revision of PC-Is for time and cost overrun projects needs to be ensured through planning commission.

- SOPs need to be devised for setting the timelines for technical / financial bid evaluations within reasonable time in order to avoid seeking frequent extensions in bid validity period from bidder and retendering.
- Standardized bidding documents need to be prepared in order to avoid frequent pre and post bid clarifications and amendments in bidding documents as well as discrimination in evaluation criteria.
- Bid evaluations need to be made with due diligence in highly professional manner in order to avoid subsequent revision of bid evaluation reports significantly in the wake of ineffective / deficient bid evaluations pointed out by development partner/ aggrieved bidders.
- The projects need to be prioritized as per urgency, specially those including interconnection facilities in order to avoid hefty penalties from IPPs.
- Extension of time claims of the contractors / suppliers / consultants need to be decided within currency of contract in order to avoid financial and contractual implications.
- Comprehensive mechanism needs to be devised by preparation of historical data of bidders in order to ascertain authenticity of information / data regarding experience and financial strength furnished by bidders.
- The process for evaluating the mis-representation / fraudulent activities of the bidders needs to be concluded within the bid validity period in order to ensure forfeiture of their bid securities as well as black listing.
- Preparation of bidding documents and process of evaluation of bids need to be separated in order to avoid conflict of interest.
- Arrangement of source of financing and acquisition of land need to be ensured before approval of PC-I of the projects.

ANNEXURES

Annexure-I

MFDAC PARAS

(Rs. in million)

Sr. No.	Company	DP No.	Subject	Amount
1	PPMC	881	Non-pursuance of highly important cases regarding illegal write off of arrears - Rs.477.77 million	477.77
2	PPMC	883	Irregular payment made to NTDC employee against Prime Minister assistance package - Rs.6.20 million	6.20
3	PPMC	886	Recoverable amount on account of conveyance allowance - Rs.1.46 million	1.46
4	PPMC	887	Irregular payment of legal fee - Rs.14.33 million	14.33
5	PPMC	888	Non-recovery of excess payment made to officials - Rs.2.01 million	2.01
6	PPMC	892	Irregular payment of bonus / hardship allowance - Rs.18.12 million	18.12
7	PPMC	893	Irregular payment of pension worth Rs.4.33 million to Mr. Riffat Mehboob Alam	4.33
8	FESCO	205	Loss due to theft of electrical material - Rs.8.86 million	8.86
9	FESCO	206	Non-adjustment / non-recovery of advances from employee - Rs.2.34 million	2.34
10	FESCO	236	Irregular purchase of material at post bid reduced / negotiated rates - Rs.70.16 million	70.16
11	FESCO	237	Irregular procurement of LT PC Spun Hollow Poles by splitting into Lots at higher rates - Rs.237.72 million	237.72
12	FESCO	238	Irregular procurement of vehicles - Rs.73.99 million	73.99
13	FESCO	240	Unjustified refund to consumers on account of wrong reading and detection revised - Rs.1,293.65 million	1,293.65
14	FESCO	270	Irregular provision created on account of postretirement benefit fund - Rs.3,493.16 million	3,493.16
15	FESCO	271	Overbilling to consumers for concealment of actual line losses - Rs.83.83 million	83.83
16	FESCO	273	Loss of revenue due to application of wrong tariff - Rs.10.03 million	10.03
17	FESCO	274	Non-completion of pending HT proposals under DOP / ELR - Rs.1,842.90 million	1842.90
18	FESCO	275	Non-completion of pending LT proposals under DOP / ELR - Rs.294.04 million	294.04
19	FESCO	290	Loss due to theft of transformers - Rs.1.83 million	1.83
20	FESCO	330	Non-return of dismantled / healthy electrical material to store - Rs.3.21 million	3.21
21	FESCO	331	Loss due to damage of distribution transformers - Rs.70.52 million	70.52

22	FESCO	332	Non-return of damaged transformers to store - Rs.5.06 million	5.06
23	FESCO	351	Loss due to non-charging / non-recovery of slowness charges from consumers - Rs.2.58 million	2.58
24	FESCO	354	Non-charging of fixed charges due to misuse of tariff by consumers - Rs.1.32 million	1.32
25	FESCO	380	Excess payment on account of General Sales Tax on accrual basis - Rs.142.78 million	142.78
26	FESCO	411	Increase in (LPS) liability due to non-payment to CPPAG - Rs.484.00	484.00
27	FESCO	418	Irregular payment made on account of dislocation allowance to the officers - Rs.50.95 million	50.95
28	FESCO	419	Loss due to application of wrong tariff - Rs.6.66 million	6.66
29	FESCO	484	Non-transferring of balances kept in commercial bank accounts to Federal Consolidated Fund - Rs.2,274.24 million	2,274.24
30	FESCO	485	Irregular retention of funds beyond authorization of PEPCO - Rs.253.00 million	253.00
31	FESCO	502	Loss due to poor maintenance of transformers - Rs.67.78 million	67.78
32	FESCO	503	Irregular purchase order without proper evaluation of the bid of single bidder - Rs.87.67 million	87.67
33	FESCO	578	Non-return of dismantled transformers to store - Rs.20.85 million	20.85
34	FESCO	579	Irregular excess expenditure incurred on deposit work - Rs.166.57 million	166.57
35	FESCO	580	Non-capitalization of completed works - Rs.1,451.63 million	1,451.63
36	FESCO	582	Non-return of dismantled equipment to store - Rs.1.91 million	1.91
37	FESCO	583	Irregular work orders without proper evaluation of the bid of single bidders - Rs.69.27 million	69.27
38	FESCO	584	Loss due to non-recovery of cost of stolen material from contractor - Rs.0.63 million	0.63
39	FESCO	585	Loss due to damage of 31.5/40 MVA Power Transformer - Rs.40.00 million (approx)	40.00
40	FESCO	587	Irregular excess expenditure incurred on HT / LT / ELR works - Rs.115.45 million	115.45
41	FESCO	588	Non-capitalization of completed works - Rs.2,654.43 million	2,654.43
42	FESCO	589	Misuse of funds provided for schemes of village electrification of affixing signboards - Rs.2.86 million	2.86
43	FESCO	590	Non-return of dismantled material to store - Rs.4.91 million	4.91

44	FESCO	619	Irregular expenditure incurred over and above the sanctioned budget - Rs.10.12 million	10.12
45	FESCO	665	Loss on account of exchange rate due to delay in finalization of EOT claims of contractors - Rs.49.20 million	49.20
46	FESCO	666	Non-recovery of 5% Environmental & Social Management (E&S) cost - Rs.11.03 million	11.03
47	FESCO	773	Excess expenditure under 8th STG Works - Rs.152.00 million	152.00
48	FESCO	777	Unnecessary procurement electrical material and loss due to expiry of warranty period of unutilized electrical material / equipment - Rs.23.19 million	23.19
49	FESCO	797	Non-charging of store handling charges on NTDC transmission lines & grid station material - Rs.9.91 million	9.91
50	FESCO	845	Irregular excess expenditure incurred on deposit work - Rs.42.28 million	42.28
51	FESCO	869	Irregular procurement of electrical material without calling for tender - Rs.80.75 million	80.75
52	FESCO	874	Irregular procurement of electrical material from 2nd lowest bidder - Rs.863.89 million	863.89
53	GEPCO	1	Non-replacement of defective meters running at site resulting less billing - Rs.4.18 million	4.18
54	GEPCO	2	Loss due to theft of electrical material - Rs.7.36 million	7.36
55	GEPCO	5	Non-finalization of disciplinary cases	-
56	GEPCO	6	Huge refund /credits to consumers on account of wrong reading / revised detection - Rs.167.91 million	167.91
57	GEPCO	9	Irregular adjustment / correction of wrong billing without units to gloss over the line losses and to improve recovery status - Rs.108.27 million	108.27
58	GEPCO	16	Non-capitalization of completed (Grid Station/Transmission Lines) - Rs.947.00 million	947.00
59	GEPCO	19	Works physically completed but not capitalized - Rs.938.06 million	938.06
60	GEPCO	21	Non-return of dismantled material to store - Rs.14.86 million	14.86
61	GEPCO	22	Non-regularization of extra expenditure over estimated cost - Rs.130.92 million	130.92
62	GEPCO	32	Non-recovery of detection / pending units charges from consumers - Rs.20.75 million	20.75
63	GEPCO	34	Non-replacement of electrical material damaged during warranty period - Rs.13.22 million	13.22
64	GEPCO	38	Non-completion of LT works - Rs.410.35 million	410.35
65	GEPCO	39	Loss due to theft of material - Rs.0.77 million	0.77
66	GEPCO	59	Unjustified award of purchase order to single bidder in violation of PPRA Rules - Rs.2.655 million	2.66

67	GEPCO	60	Non-completion of works - Rs.2,438.20 million	2,438.20
68	GEPCO	62	Undue favour to the contractor M/s Munir & Co Lahore - Rs.1.01 million	1.01
69	GEPCO	63	Non-recovery of excess expenditure incurred on deposit works - Rs.4.85 million	4.85
70	GEPCO	64	Loss of energy units due to delay in execution of works - Rs.848.75 million	848.75
71	GEPCO	65	Loss due to non-disposal / repair of offroad vehicle - Rs.1.30 million (approximately)	1.30
72	GEPCO	66	Poor performance of consultants due to non-preparation of completion reports - Rs.159.33 million	159.33
73	GEPCO	68	Outstanding advances against different suppliers / contractors - Rs.10.90 million	10.90
74	GEPCO	69	Non-obtaining of NOC from National Highway Authority (NHA) - Rs.21.09 million	21.09
75	GEPCO	70	Excess award of work without amendment in contact - Rs.2.280 million	2.28
76	GEPCO	82	Non-finalization of disciplinary cases	-
77	GEPCO	111	Non-obtaining of NOC of estimates from Environmental Protection Agency (EPA) Punjab and estimates approved without vetting from consultants - Rs.97.55 million	97.55
78	GEPCO	113	Irregular payment of crop compensation - Rs.21.38 million	21.38
79	GEPCO	114	Less deduction of income tax from officers on taxable income - Rs.2.01 million	2.01
80	GEPCO	117	Non-recovery of recoverable amount - Rs.2.81 million	2.81
81	GEPCO	118	Non-disposal of dismantled material - Rs.23.59 million	23.59
82	GEPCO	119	Blockage of funds due to procurement of dead items of electrical material - Rs.13.87 million	13.87
83	GEPCO	124	Irregular payment on account of transport monetization policy without concurrence of Finance Division - (GoP) Rs.4.20 million	4.20
84	GEPCO	125	Non-recovery of recoverable amount on account of purchase of plot and GEPCO vehicle from retired officers - Rs.4.10 million	4.10
85	GEPCO	126	Non-clearance of GST - Rs.69.13 million	69.13
86	GEPCO	128	Non-return of dismantled equipment to store - Rs.17.72 million	17.72
87	GEPCO	149	Non-capitalization of completed works - Rs.5.24 million	5.24
88	GEPCO	181	Violation of PPRA Rules in bidding process - Rs.40.77 million	40.77
89	GEPCO	182	Non-adjustments / accountal of tender fee - Rs.0.51 million	0.51
90	GEPCO	183	Less deduction of income tax from officers on taxable income - Rs.0.84 million	0.84

91	GEPCO	215	Non-receipt of material from other companies - Rs.10.63 million	10.63
92	GEPCO	339	Irregular payment of allowances without concurrence of Finance Division (GoP) Rs.2.99 million	2.99
93	GEPCO	340	Irregular payment made on account of dislocation allowance and house acquisition to the officers - Rs.6.32 million	6.32
94	GEPCO	382	Undue generation of revenue through over billing - Rs.361.19 million	361.19
95	GEPCO	383	Loss due to theft of distribution transformers - Rs.14.31 million	14.31
96	GEPCO	384	Non-return of dismantled material to store - Rs.10.00 million	10.00
97	GEPCO	385	Loss due to damage of transformers - Rs.18.00 million	18.00
98	GEPCO	386	Non-implementation of recommendation of special audit - Rs.113.78 million	113.78
99	GEPCO	489	Unjustified payment of dislocation allowance to employees - Rs.13.25 million	13.25
100	GEPCO	493	Energy losses on independent feeders beyond permissible limit - Rs.57.42 million	57.42
101	GEPCO	495	Non-return of surplus material to store - Rs.54.57 million	54.57
102	GEPCO	497	Non-replacement of damaged capacitors at the 11 KV feeders - Rs.166.05 million	166.05
103	HESCO	24	Loss of revenue due to non-debiting of agreed amount of audit notes to the consumers - Rs.1,022.80 million	1,022.80
104	HESCO	85	Irregular adjustment / correction of wrong billing without units to gloss over the line losses and to improve recovery status - Rs.528.50 million	528.50
105	HESCO	86	Loss of revenue due to non-debiting of agreed amount of audit notes to the consumers - Rs.1,236.33 million	1,236.33
106	HESCO	88	Loss due to non-charging of pending retrieved units to the respective consumers - Rs.11.59 million	11.59
107	HESCO	89	Energy losses on independent feeders beyond permissible limit - Rs.21.16 million	21.16
108	HESCO	94	Non-adherence to commercial procedure manual resulted in loss - Rs.2.85 million	2.85
109	HESCO	96	Loss due to damage of distribution transformers - Rs.109.93 million	109.93
110	HESCO	97	Non-completion of LT proposals and chain augmentation works - Rs.425.55 million	425.55
111	HESCO	98	Non-recovery of substation cost from consumers - Rs.16.06 million	16.06
112	HESCO	100	Non-recovery of fixed charges due to wrong application of tariff - Rs.1.16 million	1.16

113	HESCO	102	Undue generation of revenue through over billing - Rs.7.53 million	7.53
114	HESCO	103	Unregistered / non-utilization of vehicles - Rs.2.00 million	2.00
115	HESCO	452	Non-return of dismantled material to store - Rs.18.67 million	18.67
116	HESCO	453	Non-capitalization of completed works - Rs.145.65 million	145.65
117	HESCO	594	Non-return of dismantled material amounting - Rs.1.07 million	1.07
118	HESCO	595	Irregular capitalization of works without vetting by consultant - Rs.116.52 million	116.52
119	HESCO	596	Non-preparation of (A-90) of completed deposit works - Rs.131.99 million	131.99
120	HESCO	597	Non-completion of DOP / ELR works - Rs.89.31 million	89.31
121	HESCO	598	Non-recovery of excess expenditure incurred over deposited amount from sponsors - Rs.7.52 million	7.52
122	HESCO	600	Irregular award of purchase order due to non-evaluation of bid submitted by the single bidder - Rs.40.84 million	40.84
123	HESCO	601	Misrepresentation of short term advances given to employees - Rs.2.53 million	2.53
124	HESCO	604	Irregular credit balances against operational circles of the company - Rs.431.82 million	431.82
125	HESCO	610	Non-receipt of huge receivables on account of pension payments to employees of other formations - Rs.2,194.15 million	2,194.15
126	HESCO	611	Unjustified renewal of standby letter of credit (SBLC) in favour of Omini Power Pvt. Ltd. - Rs.242.00 million	242.00
127	HESCO	668	Non-reconciliation of cash collection with CPPA-G - Rs.224.09 million	224.09
128	HESCO	739	Irregular expenditure on account of consultancy charges - Rs.3.12 million	3.12
129	HESCO	743	Non-receipt of material in the recipient store - Rs.12.51 million	12.51
130	HESCO	744	Irregular retention of pension funds in undesignated bank - Rs.1,792.62 million	1,792.62
131	HESCO	746	Non-capitalization of completed works - Rs.40.59 million	40.59
132	HESCO	747	Non-completion of pending housing schemes and new connection works - Rs.177.04 million	177.04
133	HESCO	811	Non-settlement of unknow Journal Voucher by Auditor of CPPA-G Rs.6.07 million	6.07
134	HESCO	856	Unjustified payment on account of crops compensation - Rs.5.18 million	5.18
135	HESCO	894	Loss due to damages of power transformer - Rs.72.33 million	72.33

136	IESCO	37	Unauthorized approval of 1st revised estimate of civil work - Rs.23.70 million	23.70
137	IESCO	47	Less recovery against deposit work - Rs.67.12 million	67.12
138	IESCO	77	Non-approval of railway crossing caused loss - Rs.9.00 million	9.00
139	IESCO	123	Loss due to non-recovery against the deposit works - Rs.525.02 million	525.02
140	IESCO	180	Unjustified expenditure booked under GSO maintenance head on account of installations & dismantling charges - Rs.19.75 million	19.75
141	IESCO	231	Irregular award of contract without retendering - Rs.23.69 million	23.69
142	IESCO	328	Irregular procurement - Rs.108.41 million	108.41
143	IESCO	329	Irregular payment to the contractor - Rs.4.75 million	4.75
144	IESCO	397	Dubious receipt of material in IESCO store - Rs.11.39 million	11.39
145	IESCO	443	Non-return of dismantled transformers to store - Rs.3.37 million	3.37
146	IESCO	444	Non-return of dismantled / useable material to store - Rs.2.07 million	2.07
147	IESCO	445	Loss due to purchase of damaged / un-serviceable LT distribution boxes - Rs.2.153 million	2.15
148	IESCO	447	Non-inclusion approved estimated BOQ items in tender / bidding documents - Rs.2.70 million	2.70
149	IESCO	448	Blockage of funds due to unnecessary purchase of material - Rs.277.69 million	277.69
150	IESCO	449	Non-preparation of completion report (A-90) of completed works - Rs.470.95 million	470.95
151	IESCO	508	Blockage of funds due to delay in completion of HT / LT works - Rs.268.46 million	268.46
152	IESCO	536	Loss due to theft of material - Rs.2.30 million	2.30
153	IESCO	539	Blockage of funds due to unnecessary purchase of stores / electrical material - Rs.8.90 million	8.90
154	IESCO	540	Non-regularization of transformers issued in emergency without allocation - Rs.14.86 million	14.86
155	IESCO	543	Blockage of funds due to unnecessary purchase of material - Rs.2.78 million	2.78
156	IESCO	696	Blockage of funds due to non-repair of repairable transformers - Rs.62.16 million	62.16
157	IESCO	758	Irregular payment to the contractor - Rs.8.89 million	8.89
158	IESCO	760	Irregular procurement - Rs.3.69 million	3.69
159	IESCO	761	Amount not credited into IESCO account by banks - Rs.198.51 million	198.51

160	IESCO	762	Non-recovery of GST claims from FBR - Rs.21,635.31 million	21,635.31
161	IESCO	763	Irregular / unjustified payment made to officer / officials beyond sanctioned strength - Rs.2.14 million	2.14
162	IESCO	764	Irregular adjustment against management fee and advertisement publicity - Rs.807.00 million	807.00
163	IESCO	765	Non-charging of Taxes and GST to consumers - Rs.912.00 million	912.00
164	IESCO	778	Irregular award of contract to the 2nd lowest bidder to wrong technical evaluation - Rs.5.75 million	5.75
165	IESCO	779	Non-remittances of collections to the company's account by banks - Rs.47.73 million	47.73
166	IESCO	782	Irregular execution of work without budgeting provisions - Rs.4.69 million	4.69
167	IESCO	783	Maintenance of pension interest account funds without consent of Ministry of Energy - Rs.3,027.00 million	3,027.00
168	IESCO	830	Irregular cost estimation of deposit work without inclusion the cost of dismantled material - Rs.1.52 million	1.52
169	IESCO	848	Irregular execution of civil works without approval - Rs.1.33 million	1.33
170	IESCO	896	Recoverable amount - Rs.2.32 million	2.32
171	LESCO	341	Loss due to damage of distribution transformers - Rs.89.10 million	89.10
172	LESCO	342	Energy losses on independent feeders beyond permissible limit - Rs.8.93 million	8.93
173	LESCO	343	Fraud / embezzlement in electricity bills payment - Rs.1.06 million	1.06
174	LESCO	345	Loss due to theft of electrical material - Rs.4.15 million	4.15
175	LESCO	346	Undue generation of revenue due to overbilling to consumers - Rs.111.87 million	111.87
176	LESCO	347	Irregular adjustment /correction of wrong billing without units to gloss over the line losses - Rs.27.05 million	27.05
177	LESCO	348	Loss due to 100% line losses on feeders - Rs.17.57 million	17.57
178	LESCO	709	Non-reconciliation of pension balances for Global Adjustment - Rs.5,111.74 million	5,111.74
179	LESCO	713	Non-implementation of target investment plan allowed by NEPRA - Rs.93,832.00 million	93,832.00
180	LESCO	714	Huge differences in amounts due to and due from Associated Companies / Undertakings - Rs.751.96 million	751.96
181	LESCO	715	Non-finalization of annual accounts for the financial years 2018-19, 2019-20 and 2020-21 in violation of NEPRA Rule - Rs.437,407.16 million	437,407.16
182	LESCO	716	Loss due to damage of distribution transformers - Rs.367.04 million	367.04

183	LESCO	718	Excess charging / billing against WASA - Rs.47.15 million	47.15
184	LESCO	724	Non-return of dismantled / surplus material to store - Rs.4.32 million	4.32
185	LESCO	725	Non-capitalization of completed works - Rs.1,534.49 million	1,534.49
186	LESCO	726	Non-completion of HT / LT proposals - Rs.411.69 million	411.69
187	LESCO	727	Non-completion of village electrification schemes - Rs.21.14 million	21.14
188	LESCO	729	Non-completion of HT proposal - Rs.4.26 million	4.26
189	LESCO	730	Non-return of dismantled material to store - Rs.1.30 million	1.30
190	LESCO	731	Non-return of dismantled material to store - Rs.5.32 million	5.32
191	LESCO	780	Non-capitalization of completed electrification works - Rs.2,051.91 million	2,051.91
192	LESCO	781	Undue generation of revenue through overbilling - Rs.2,451.35 million	2,451.35
193	LESCO	785	Irregular purchase of electrical material from single bidder - Rs.43.29 million	43.29
194	LESCO	787	Procurement of sub-standard transformers and non-imposition of penalty from the supplier - Rs.3.37 million	3.37
195	LESCO	788	Irregular issuance of material without allocation orders - Rs.106.19 million	106.19
196	LESCO	789	Loss to the company due to unauthorized and illegal use of Rest House - Rs.11.98 million	11.98
197	LESCO	791	Loss to due to theft of distribution transformers - Rs.8.67 million	8.67
198	LESCO	793	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs.209.66 million	209.66
199	LESCO	794	Loss due to submission of bogus completion report of LT proposals - Rs.1.05 million	1.05
200	LESCO	795	Irregular expenditure incurred over and above the sanctioned budget - Rs.974.88 million	974.88
201	LESCO	796	Irregular booking of excess expenditure against contract work - Rs.1.18 million	1.18
202	LESCO	823	Non-recovery of liquidated damages from contractors - Rs.1.62 million	1.62
203	LESCO	837	Non-execution of AMR / AMI Project in violation of NEPRA's directive - Rs.30,000.00 million	30,000.00
204	LESCO	868	Irregular cancellation of tender for procurement of distribution transformers - Rs.931.97 million	931.97
205	LESCO	871	Bogus material issued without receiving SS Cheques from field formation - Rs.64.96 million	64.96

206	LESCO	872	Unjustified increment in Salary Package of Chief Law Officer due to undue favor extended by Human Resource Director - Rs.2.89 million	2.89
207	MEPCO	42	Irregular installation of material at site without allocation and drawl from store - Rs.77.61 million	77.61
208	MEPCO	43	Loss due to theft of electrical material - Rs.1.09 million	1.09
209	MEPCO	44	Non-return f dismantled material to store - Rs.3.30 million	3.30
210	MEPCO	55	Non-capitalization of completed electrification works - Rs.576.32 million	576.32
211	MEPCO	150	Less recovery of cost of deposit works from sponsoring agencies - Rs.8.27 million	8.27
212	MEPCO	184	Loss due to damaged / burnt distribution transformers - Rs.436.22 million	436.22
213	MEPCO	189	Non-completion of low-tension proposals - Rs.80.41 million	80.41
214	MEPCO	190	Investment at risk due to overloading of transformers - Rs.249.56 million	249.56
215	MEPCO	191	Non-return of dismantled / healthy transformers to store - Rs.9.11 million	9.11
216	MEPCO	196	Non-remittance of electricity bills collections by bank / post offices - Rs.20.40 million	20.40
217	MEPCO	212	Misappropriation of left over material and spare parts - Rs.4.19 million	4.19
218	MEPCO	279	Non-return of dismantled material to store against issuance of new material - Rs.56.62 million	56.62
219	MEPCO	389	Non-return of dismantled electrical material to store - Rs.6.60 million	6.60
220	MEPCO	630	Irregular procurement of vehicles through direct contracting in violation of PPRA Rules - Rs.123.33 million	123.33
221	MEPCO	632	Irregular procurement of ambulances from single bidder in violation of Government orders and PPRA Rules - Rs.17.50 million	17.50
222	MEPCO	634	Undue generation of revenue through over billing - Rs.90.03 million	90.03
223	MEPCO	639	Loss due to theft of distribution transformers - Rs.21.44 million	21.44
224	MEPCO	679	Excess payment on account of General Sales Tax - Rs.415.47 million	415.47
225	MEPCO	686	Recoverable General Sales Tax from Tax Authorities - Rs.3,879.36 million	3,879.36
226	MEPCO	688	Huge refund to consumers against wrong reading / detection revised - Rs.628.84 million	628.84
227	MEPCO	692	Non-capitalization of completed works - Rs.1,582.05 million	1,582.05

228	MEPCO	693	Huge loss due to damage of distribution transformers - Rs.3,271.05 million	3271.05
229	MEPCO	737	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs.43.03 million	43.03
230	MEPCO	799	Wasteful / irregular expenditure on construction D-Type Flats (Cat-IV) (Double Story) - Rs.16.57 million	16.57
231	MEPCO	802	Irregular adjustment / correction of wrong billing without units to gloss over the line losses - Rs.373.94 million	373.94
232	MEPCO	875	Irregular award of work order without obtaining performance security - Rs.0.91 million	0.91
233	PESCO	71	Loss due to non-return of surplus material - Rs.7.36 million	7.36
234	PESCO	72	Non-submission of completion reports and non- capitalization of completed works - Rs.1,019.73 million	1,019.73
235	PESCO	73	Non-return of saving amount to Govt of Pakistan under SDGs Program - Rs.47.84 million	47.84
236	PESCO	74	Blockage of funds due to non-completion of works - Rs.255.72 million	255.72
237	PESCO	75	Non-return of dismantled material to stores - Rs.7.81 million	7.81
238	PESCO	81	Non-return of healthy transformers to store - Rs.7.76 million	7.76
239	PESCO	92	Unjustified charging of administrative overheads on village electrification schemes - Rs.19.72 million	19.72
240	PESCO	93	Irregular payment to consultant - Rs.4.57 million	4.57
241	PESCO	147	Irregular issuance of material - Rs.13.00 million	13.00
242	PESCO	169	Loss due to splitting of material procured - Rs.86.41 million	86.41
243	PESCO	170	Loss due to irregular issuance of purchase order to blacklisted firm - Rs.95.65 million	95.65
244	PESCO	171	Loss due to award of contract at higher rates - Rs.11.08 million	11.08
245	PESCO	172	Blockage of funds due to non-installation of material purchased against ADB loan - Rs.67.61 million	67.61
246	PESCO	358	Loss due to fire incident at 132 KVA grid station - Rs.160.68 million	160.68
247	PESCO	359	Non-mutation of grid stations land in the name of PESCO - Rs.203.14 million	203.14
248	PESCO	361	Non-capitalization of completed grid stations / transmission lines - Rs.1,141.51 million	1,141.51
249	PESCO	408	Loss due to theft of electrical material - Rs.1.45 million	1.45
250	PESCO	409	Non-return of dismantled transformers removed under chain augmentation - Rs.4.70 million	4.70

251	PESCO	410	Loss due to excess deduction of withholding tax - Rs.1.12 million	1.12
252	PESCO	468	Loss due to wrong application of tariff to industrial consumers - Rs.3.70 million	3.70
253	PESCO	470	Overstated consumer security deposit - Rs.379.42 million	379.42
254	PESCO	476	Unjustified bifurcation of 11KV Sreekh Feeder (Shabqadar) - Rs.21.42 million	21.42
255	PESCO	477	Wasteful expenditure due to irregular execution of bifurcation of 11 KV Ambadher feeder (Charsadda) - Rs.22.96 million	22.96
256	PESCO	478	Loss on feeders having insignificant active consumers - Rs.237.24 million	237.24
257	PESCO	479	Non-return / non-utilization of dismantled transformers removed under chain augmentation - Rs.201.33 million	201.33
258	PESCO	506	Non-completion of HT / LT proposals - Rs.460.20 million	460.20
259	PESCO	507	Un-justified charging of units to permanently disconnected consumers - Rs.29.45 million	29.45
260	PESCO	544	Non-charging of environmental and social cost to housing schemes and industrial connections - Rs.19.32 million	19.32
261	PESCO	546	Non-recovery of illegal material installed at private housing society - Rs.2.130 million	2.13
262	PESCO	548	Non-reconciliation with CPPA-G on account of cost of purchase of power - Rs.40.29 million	40.29
263	PESCO	553	Non-adjustment of temporary advances - Rs.5.34 million	5.34
264	PESCO	558	Non-disposal / utilization of slow moving / inactive material - Rs.103.79 million	103.79
265	PESCO	561	Non-reconciliation of cash remittance data with CPPA-G - Rs.4,691.65 million	4,691.65
266	PESCO	562	Irregular promotion of Assistant Managers - Rs.15.36 million	15.36
267	PESCO	565	Non-recovery of amount pointed out in Special Audit Report of PESCO Police Station - Rs.338.70 million	338.70
268	PESCO	570	Misappropriation of unaccounted transformers - Rs.1.55 million	1.55
269	PESCO	662	Loss due to theft of distribution transformers - Rs.11.55 million	11.55
270	PESCO	663	Undue burden on PESCO due to inadmissible input tax due to exempt energy supplies to PATA - Rs.8,241.00 million	8,241.00
271	PESCO	757	Non-obtaining of NOC from Environmental Protection Agency (EPA) projects - Rs.2,624.33 million	2,624.33
272	PESCO	806	Loss due to excess amount credited to consumers - Rs.513.42 million	513.42
273	PESCO	860	Unjustified execution of bifurcation of 11 KV Feeder - Rs.48.81 million	48.81

274	PESCO	861	Wasteful expenditure on account of bifurcation / rehabilitation of 11 KV Nauthia feeders Rs.9.63 million	9.63
275	QESCO	459	Non-completion of ELR / DOP works - Rs.327.28 million	327.28
276	QESCO	462	Non-recovery of Rs.63.38 million due to non-settlement of internal audit note	63.38
277	QESCO	463	Over billing of 17.12 million energy units - Rs.256.75 million	256.75
278	QESCO	464	Loss due to shortage of inventory - Rs.5.04 million	5.04
279	QESCO	641	Non-capitalization of completed electrification works - Rs.106.47 million	106.47
280	QESCO	642	Loss due to non-recovery of material cost from contractor - Rs.1.35 million	1.35
281	QESCO	644	Unjustified provision against advance from supplier - Rs.2.24 million	2.24
282	QESCO	647	Non-capitalization of completed works - Rs.388.40 million	388.40
283	QESCO	650	Non-submission of purchase orders to National Accountability Bureau - Rs.1,043.65 million	1,043.65
284	QESCO	651	Non-recovery from other formations / companies on account of pension - Rs.202.91 million	202.91
285	QESCO	749	Blockage of public funds - Rs.92.10 million	92.10
286	QESCO	750	Non-holding of inquiry for sub-standard rural electrification schemes - Rs.16.69 million	16.69
287	QESCO	751	Excess payment on account of General Sales Tax - Rs.5,562.97 million	5,562.97
288	QESCO	819	Blockage of funds due to unnecessary purchase of stores / electrical material - Rs.159.68 million	159.68
289	QESCO	832	Non-return of dismantled / useable material to store - Rs.1.15 million	1.15
290	QESCO	834	Over billing of 0.328 million energy units - Rs.4.93 million on independent feeders	4.93
291	QESCO	854	Poor performance in execution work relating to interconnection of isolated Makran Network at Basima via Nag Grid Station - Rs.17,421.44 million	17,421.44
292	SEPCO	83	Recoverable amount from independent consumers on account of energy losses beyond permissible limit - Rs.9.87	9.87
293	SEPCO	107	Non-charging of fixed charges to tube-well connection - Rs.76.39 million	76.39
294	SEPCO	108	Recoverable amount of GST from FBR - Rs.58.48 million	58.48
295	SEPCO	132	Non-charging of slowness of MDI meters - Rs.10.22 million	10.22
296	SEPCO	133	Non-completion of 6th STG works - Rs.269.00 million	269.00
297	SEPCO	159	Non-capitalization of completed works - Rs.636.36 million	636.36

298	SEPCO	161	Loss due to non-regularization of kunda connections - Rs.76.63 million	76.63
299	SEPCO	162	Irregular maintenance work against DOP head - Rs.3.54 million	3.54
300	SEPCO	220	Loss due to non-return of healthy transformers removed against augmentation works - Rs.10.53 million	10.53
301	SEPCO	224	Loss of revenue to non-debiting of agreed amount of audit notes to the consumers - Rs.23.50 million	23.50
302	SEPCO	225	Loss due to fire incident occurred at 11KV feeder at 132KV grid station - Rs.15.81 million	15.81
303	SEPCO	232	Non-completion of tender within bid validity period - Rs.7.19 million	7.19
304	SEPCO	233	Non-return of burnt / damaged transformers to store - Rs.6.42 million	6.42
305	SEPCO	241	Un-audited annual financial statements against the expenditure for the financial year 2018-19 & 2019-20 - Rs.42,321.64 million	42,321.64
306	SEPCO	243	Un-justified over billing on independent feeders - Rs.791.62 million	791.62
307	SEPCO	244	Loss due to non-return of removed static meters - Rs.100.21 million	100.21
308	SEPCO	245	Loss due to damage of distribution transformers - Rs.99.17 million	99.17
309	SEPCO	247	Irregular purchase of vehicles - Rs.43.42 million	43.42
310	SEPCO	248	Non-filling of application for "Superdari" of SEPCO owned material - Rs.2.42 million	2.42
311	SEPCO	250	Loss due to non-return of dismantled material to stores - Rs.1.46 million	1.46
312	SEPCO	255	Undue generation of revenue through over billing - Rs.2,790.77 million	2,790.77
313	SEPCO	257	Non-recovery of pending energy units pointed out by Manager (S&I) and Regional Manager (M&T) - Rs.792.11 million	792.11
314	SEPCO	258	Huge refund / credits to consumers on account of wrong reading / revised detection - Rs.711.72 million	711.72
315	SEPCO	260	Recoverable amount from independent consumer on energy losses beyond permissible limit - Rs.358.51 million	358.51
316	SEPCO	262	Huge difference in Neelum Jhelum Surcharge billed amounting to Rs.151.00 million and Rs.80.00 million in collection	231.00
317	SEPCO	263	Irregular issuance of purchase order to 2nd lowest bidder by unnecessary expulsion of bidder - Rs.40.59 million	40.59
318	SEPCO	264	Unjustified change in clause of purchase order / delivery period - Rs.34.29 million	34.29

319	SEPCO	269	Non-submission of completion reports (A-90) and non-capitalization of completed works - Rs.932.87 million	932.87
320	SEPCO	283	Non-recovery of Government of Sindh (GoS) dues due to non-AMI/Mute-AMI meters - Rs.2,839.59 million	2,839.59
321	SEPCO	297	Irregular purchase of material without samples testing - Rs.49.30 million	49.30
322	SEPCO	298	Irregular use of financial power for acceptance of tender - Rs.250.08 million	250.08
323	SEPCO	300	Irregular payment on account of consultancy charges - Rs.3.09 million	3.09
324	SEPCO	307	Non-return of dismantled material to store - Rs.3.94 million	3.94
325	SEPCO	326	Misuse of funds received against grid station up gradation charges - Rs.2.34 million	2.34
326	SEPCO	400	Blockage of funds due to delay in completion of works - Rs.959.97 million	959.97
327	SEPCO	450	Irregular tender evaluation by other DISCOs without approval of SEPCO BOD - Rs.1,225.00 million	1,225.00
328	SEPCO	451	Unnecessary delay in implementation of ERP / SAP project - Rs.349.41 million	349.41
329	SEPCO	499	Non-dismantlement of idle feeders - Rs.180.00 million	180.00
330	SEPCO	500	Irregular use of loan amount for purchase of electrical material - Rs.109.38 million	109.38
331	SEPCO	593	Non-completion of deposit works of private housing schemes - Rs.28.22 million	28.22
332	SEPCO	840	Irregular excess drawl of pension funds than requirement Rs.4.01 million	4.01
333	SEPCO	849	Non-recovery of excess expenditure from sponsors - Rs.147.21 million	147.21
334	TESCO	505	Non-opening of separate bank account for USAID Grant Funds - Rs.298.81 million	298.81
335	TESCO	573	Loss due to collapse of faulty erected 11 KV HT structured poles - Rs.28.75 million	28.75
336	TESCO	574	Non-recovery of arrears from temporary disconnected consumers - Rs.126.54 million	126.54
337	TESCO	621	Loss of revenue due to sick feeders - Rs.181.78 million	181.78
338	TESCO	622	Irregular purchase of vehicles - Rs.80.15 million	80.15
339	TESCO	623	Non-preparation of completion report (A-90) of completed works - Rs.114.95 million	114.95
340	TESCO	624	Non-completion of HT proposals - Rs.913.68 million	913.68
341	TESCO	626	Undue favour to the consumers on account of non-regularization of unauthorized extension of load - Rs.73.82 million	73.82

342	TESCO	839	Non-opening of separate bank account for USAID grant funds - Rs.88.21 million	88.21
343	TESCO	850	Energy losses on independent feeders beyond permissible limit - Rs.167.32 million	167.32
344	TESCO	851	Undue generation of revenue through over billing - Rs.317.44 million	317.44
345	GENCO-I	304	Loss due to excess consumption of heat rate from NEPRA standard - Rs.489.43 million	489.43
346	GENCO-I	305	Loss due to excess auxiliary consumption of electricity higher than NEPRA standard - Rs.42.92 million	42.92
347	GENCO-I	312	Undue favour to M/s PSO award of procurement order without obtaining the security deposits, call deposits and stamp duties - Rs.104.86 million	104.86
348	GENCO-I	407	Loss on account of commitment / interest charges on unutilized balance of ADB Loan 3092-PAK - Rs.19.92 million	19.92
349	GENCO-I	863	Loss due to stoppage of power plant - Rs.7,596.01 million	7,596.01
350	NTDC	8	Loss due to non-return of surplus material to store - Rs.569.23 million	569.23
351	NTDC	28	Non-provision of insurance coverage by the contractor - Rs.38.06 million	38.06
352	NTDC	30	Non-capitalization of completed works - Rs.926.32 million	926.32
353	NTDC	36	Loss due to damage of electrical material - Rs.10.36 million	10.36
354	NTDC	40	Irregular procurement of material - Rs.8.01 million	8.01
355	NTDC	46	Non utilization and non-capitalization of completed works - Rs.4.72 million	4.72
356	NTDC	129	Irregular award of work / purchases without open competition - Rs.0.92 million	0.92
357	NTDC	144	Irregular blockage of Govt funds & irregular investment made by the land acquisition collector - Rs.146.05 million	146.05
358	NTDC	145	Undue favour to the contractors due to non-provision of insurance coverage - Rs.165.86 million	165.86
359	NTDC	146	Inordinate delay in execution of work and blockage of funds - Rs.3,147.00 million	3,147.00
360	NTDC	151	Unjustified payment of price adjustments / price escalation made to M/s CCPG - Rs.27.29 million	27.29
361	NTDC	152	Irregular payment of mobilization advance to contractor - Rs.55.23 million	55.23
362	NTDC	153	Unjustified release of liquidity damages - Rs.35.04 million	35.04
363	NTDC	154	Non-return of unutilized healthy material to Store - Rs.1.86 million	1.86
364	NTDC	163	Non-capitalization of completed works - Rs.1,764.29 million	1,764.29

365	NTDC	165	Non-recovery of imposed penalty from the contractor - Rs.9.90 million	9.90
366	NTDC	166	Non-recovery of material issued on cash basis - Rs.3.93 million	3.93
367	NTDC	167	Unjustified payment of mobilization advance to contractor from NTDC own resources instead of JICA loan Pak-58 - Rs.55.23 million	55.23
368	NTDC	199	Non-obtaining of NOC for projects from Environmental Protection Agency (EPA) Sindh - Rs.13,351.99 million	13,351.99
369	NTDC	200	Non-recovery of 5% E&S cost - Rs.667.60 million	667.60
370	NTDC	209	Non-recovery of 10% penalty from the contractor due to non-compliance of Pakistan Environmental Protection Act 1997 - Rs.13,351.99 million	13,351.99
371	NTDC	281	Non-recovery of 5% E&S cost - Rs.757.43 million	757.43
372	NTDC	285	Non-recovery on account of crops compensation - Rs.20.55 million	20.55
373	NTDC	286	Non-submission of NIC insurance cover - Rs.24.95 million	24.95
374	NTDC	303	Non-recovery of 5% E&C cost - Rs.1,105.27 million	1,105.27
375	NTDC	357	Non-recovery of 10% penalty from the contractor due to non-compliance of Pakistan Environmental Protection Act 1997 - Rs.2,210.53 million	2,210.53
376	NTDC	362	Loss due to non-indemnification of insurance claims - Rs.3.67 million	3.67
377	NTDC	367	Unjustified payment of special allowance to employees due to non- verification of degrees from HEC - Rs.6.36 million	6.36
378	NTDC	368	Un-justified payment of / honorarium / bonus - Rs.25.06 million	25.06
379	NTDC	369	Non-recovery of huge receivables from different parties - Rs.381,498.85 million	381,498.85
380	NTDC	370	Non-recovery of amount of Rs.2.37 million on account of transport subsidy	2.37
381	NTDC	371	Non-finalization / recovery pointed out in audit observation - Rs.17,011.20 million	17,011.20
382	NTDC	373	Unauthorized payment on account of conveyance allowance - Rs.7.20 million	7.20
383	NTDC	375	Un-justified payments to the inadmissible promoted officers - Rs.1.60 million	1.60
384	NTDC	376	Non-recovery of TA and other expenses advances - Rs.11.65 million	11.65
385	NTDC	379	Recurring loss on account of line capacity charges - Rs. 366,000.00 million	366,000.00

386	NTDC	399	Non-reconciliation of inter office transactions - Rs.11,560.25 million	11,560.25
387	NTDC	401	Non-recovery of rental charges of T&P received by the contractor - Rs.3.23 million	3.23
388	NTDC	403	Loss due to negligence on part of NTDC management - Rs.5,879.91 million	5,879.91
389	NTDC	405	Loss due to non-deduction of Punjab Sales Tax from the contractor - Rs.15.43 million	15.43
390	NTDC	406	Unjustified payment on account of crop compensation to the land owners of Matiari - Rs.6.56 million	6.56
391	NTDC	428	Non-handing over and non-capitalization of completed works - Rs.366.98 million	366.98
392	NTDC	430	Irregular payment of crops compensation - Rs.222.99 million	222.99
393	NTDC	434	Loss due to acquiring of land at exorbitant rate for Islamabad West Grid Station - Rs.339.82 million	339.82
394	NTDC	435	Non return / non recovery of cost of material - Rs.1.51 million	1.51
395	NTDC	438	Loss due to acceptance of substandard 160 KN Disc insulators - Rs.69.75 million	69.75
396	NTDC	439	Loss due to negligence on part of NTDC management - Rs.616.87 million	616.87
397	NTDC	441	Irregular handing over of material to the contractor on loan basis - Rs.12.20 million	12.20
398	NTDC	490	Non-opening of separate bank account for IBRD Loan - Rs.69.77 million	69.77
399	NTDC	491	Excess burden on the consumers of power sector - Rs.6,491.45 million	6,491.45
400	NTDC	509	Non-recovery of service charges from consumers - Rs.13.32 million	13.32
401	NTDC	510	Irregular expenditure incurred over and above the sanctioned budget - Rs.27.02 million	27.02
402	NTDC	511	Inadmissible expenditure on account of POL due to simultaneous drawl of conveyance allowance and attachment of official vehicles - Rs.3.02 million	3.02
403	NTDC	512	Irregular deposit of funds in non-rated bank - Rs.228.22 million	228.22
404	NTDC	513	Non-recovery of cost of material issued to contractor - Rs.4.46 million	4.46
405	NTDC	514	Non-handing over and non-capitalization of completed works - Rs.83.67 million	83.67
406	NTDC	518	Irregular excess expenditure than the approved budget allocation - Rs.8.63 million	8.63

407	NTDC	519	Unjustified payment of land at exorbitant rate without filling protest - Rs.676.80 million	676.80
408	NTDC	521	Non-recovery of auxiliary units consumer at converter section - Rs.319.52 million	319.52
409	NTDC	523	Non-disbursement of funds to land owners - Rs.133.36 million	133.36
410	NTDC	524	Wasteful expenditure due to deficient EIA report - Rs.49.13 million	49.13
411	NTDC	528	Irregular payment to the contractor on account of variation order - Rs.2.43 million	2.43
412	NTDC	697	Non-recovery / adjustment of funds on account of land acquisition and land compensation - Rs.4,615.59 million	4,615.59
413	NTDC	698	Irregular / double inclusion on account of profit and tax - Rs.2.36 million	2.36
414	NTDC	701	Non-capitalization of completed work - Rs.3.89 million	3.89
415	NTDC	702	Non-return of dismantled transformer to store - Rs.109.40 million	109.40
416	NTDC	704	Irregular expenditure in excess of PC-I - Rs.1,389.81 million	1,389.81
417	NTDC	767	Loss due to extremely high and exorbitant prices quoted by the single bidder - Rs. 4,500.00 million	4,500.00
418	NTDC	815	Non-provision of vehicles as per contractual requirements - Rs.71.47 million	71.47
419	NTDC	816	Loss due to substandard execution of foundation work by the contractor - Rs.7,310.00 million	7,310.00
420	NTDC	826	Irregular acceptance of insurance guarantee instead of bank guarantee - Rs.61.46 million	61.46
421	NTDC	827	Irregular award of purchase order in violation of PPRA Rules - Rs.297.00 million	297.00
422	NTDC	829	Unjustified payment on account of crop compensation - Rs.53.24 million	53.24
423	NTDC	864	Un-satisfactory utilization of loan - Rs.1,686.83 million	1,686.83
424	NTDC	876	Non-preparation of independent / standalone financial statement for DASU Hydro Power Project - Rs.783.33 million	783.33
425	NTDC	877	Unsatisfactory utilization of loan - Rs.12,858.04 million	12,858.04
426	NTDC	899	Loss due to income tax payment by the NTDC - Rs. 2.00 million	2.00
427	NTDC	900	Unjustified GST claims by the contractor - Rs.32.49 million	32.49
428	NTDC	901	Irregular capitalization of grid stations - Rs.6,337.04 million	6,337.04
429	NTDC	902	Blockage of funds due to unnecessary purchase of stores / electrical material – Rs.933.31 million	933.31

430	NTDC	903	Irregular acceptance of insurance coverage other than NICL	-
431	NTDC	907	Non-replacement of Lighting Arrestors damaged during defect liability period	-
432	NTDC	910	Irregular supply of below specification 11 KV Surge Arresters	-
433	NTDC	911	Non-recovery from contractor on account of undelivered BoQ items - Rs. 2.70 million	2.70
434	NTDC	912	Undue favour granted to the contractor due to non-renewal of insurance policy	-
435	NTDC	913	Non-attending to persistent leakage of SF6 Gas within Defect Liability Period at Gas Insulated Substation Bandala	-
436	NTDC	914	Delay in submission of Schematic / Interconnection Wiring Diagrams of Control & Relay Panels for GIS Bandala Grid Station	-
437	NTDC	917	Avoidable expenditure incurred on modification of Gantry Foundations due to provision of incompatible foundation drawings – Rs.3.53 million	3.53
438	NTDC	922	Non-reconciliation and non-return of balance spare material on completion of transmission line	-
439	NTDC	923	Non-return of spare material by the contractor	-
440	NTDC	924	Unjustified acceptance of 23.71% social charges in award of consultancy contract - Rs.6.10 million	6.10
441	NTDC	925	Loss due to damaging fire protection system by improper handling - Rs. 1.20 million	1.20
442	NTDC	927	Wrong installation of Engro-Rohri Circuit with Bus Bar at Rohri Grid Station	-
443	NTDC	929	Improper and inappropriate receipt of spare material from contractor	-
444	NTDC	930	Loss due to theft of tower material - Rs.0.74 million	0.74
445	NTDC	933	Non-preparation of Contractors' Ledger in MP&M	-
446	NTDC	940	Non recovery of income tax from advance payment made to the contractor - Rs.62.90 million	62.90
447	NTDC	943	Non-recovery of insurance charges from supplier – Rs. 4.85 million	4.85
448	NTDC	960	Irregular bid evaluation and award of contract to technically non-responsive bidder - Rs.17,049.58 million	17,049.58
449	PITC	294	Irregular payment to COBOL consultant - Rs.2.11 million	2.11
450	PITC	295	Irregular grant of allowances - Rs.5.60 million	5.60
451	PITC	310	Unjustified expenditure on account of appointments of officer after superannuation age - Rs.30.69 million	30.69
452	PITC	323	Irregular procurement of vehicles - Rs.9.84 million	9.84

453	PITC	771	Non-recovery of long term advances from employees - Rs.77.70 million	77.70
454	MOE	131	Irregular expenditure on purchase through splitting of financial power - Rs.6.54 million	6.54
455	MOE	135	Accumulation of circular debt of power sector - Rs. 2,280,000.00 million	2,280,000.00
456	MOE	136	Non-recovery of interest on cash development loan to NPGCL - Rs.2,486.79 million	2,486.79
457	MOE	137	Accumulation of heavy late payment surcharge - Rs.38,879.56 million	38,879.56
458	MOE	138	Non-release of funds pertaining to assignment accounts - Rs.459.22 million	459.22
459	MOE	140	Non-decision about disposal of IBs - Rs.3.60 million	3.60
460	MOE	141	Non-execution of provincial schemes in KPK - Rs.326.95 million	326.95
461	MOE	173	Blockage of Government funds due to non-surrender of PSDP Budget savings - Rs.785.54 million	785.54
462	MOE	174	Irregular usage of Govt. vehicles on attachment - Rs.4.91 million (approx)	4.91
463	MOE	176	Misuse of funds through misclassification of heads of account - Rs.0.60 million	0.60
464	MOE	177	Loss due to bogus receipts of repair and maintenance - Rs.0.18 million	0.18
465	MOE	178	Irregular expenditure on POL and R&M of vehicles - Rs.1.66 million	1.66
466	MOE	194	Weak internal control due to non-execution of electricity schemes in PESCO - Rs.300.00 million	300.00
467	MOE	210	Non-maintenance of mandatory record and non-conducting of internal audit	-
468	MOE	616	Heavy outstanding amount of markup - Rs.125,021.32 million	125,021.32
469	MOE	617	Non-carrying out of physical verification of stores and stock	-
470	MOE	769	Wasteful expenditure on interconnection of Isolated Makran Network - Rs.548.97 million	548.97
471	MOE	964	Recoverable amount on account of irregular receipt of acquisition - Rs.0.67 million	0.67
472	CPPA-G	316	Non-recovery / adjustment of LD charges an account of forced outages from GENCOs - Rs.3,391.28 million	3,391.28
473	CPPA-G	318	Irregular hiring the services of legal firms/consultants and payment of legal fees - Rs.211.67 million	211.67
474	CPPA-G	320	Non-recovery on account of sale of energy from DISCOs - Rs.2,506,776.09 million	2,506,776.09

475	CPPA-G	321	Non-reconciliation of metering data differences between DISCOs and CPPA (G) - Rs.23,873.33 million	23,873.33
476	CPPA-G	415	Excess renewal of insurance premium of KAPCO & HUBCO - Rs.167.45 million	167.45
477	CPPA-G	416	Non-recovery of pension contribution funds from NTDC - Rs.22.39 million	22.39
478	CPPA-G	417	Irregular direct appointment of officers without promotion policy - Rs.7.42 million	7.42
479	CPPA-G	482	Non-forfeiture of performance bond against purchase order - Rs.1.14 million	1.14
480	CPPA-G	483	Huge accumulation of supplemental charges due to less recovery from DISCOs - Rs.282,182.00 million	282,182.00
481	CPPA-G	836	Non-actualization of provisional cost of energy procured from SPPs passing to consumers - Rs.8,196.34 million	8,196.34
482	PHL	396	Non-finalization of policy regarding repayment of principal and markup of loan facilities - Rs. 470,960.00 million	470,960.00
483	PHL	529	Non-clearance / settlement of overdue principal & mark-up payments along with liquidated charges - Rs.179,389.14 million	179,389.14
			TOTAL	**7,577,502.48**

Annexure-A

<u>REVENUE SHORT FALL IN DISCOS</u>

DISCOs	**2020-21**				**2019-20**				**Inc./Dec. (%age)**
	Computed Billing	**Current Collection**	**Short Fall**	**%age Recovery**	**Computed Billing**	**Current Collection**	**Short Fall**	**%age Recovery**	
LESCO	426,667	365,969	60,698	**85.77**	382,306	310,907	71,399	**81.32**	4.45
GEPCO	190,363	165,805	24,558	**87.10**	166,948	135,855	31,093	**81.38**	5.72
FESCO	241,627	216,789	24,838	**89.72**	208,795	180,710	28,085	**86.55**	3.17
IESCO	218,354	165,356	52,998	**75.73**	201,710	151,292	50,418	**75**	0.72
MEPCO	272,576	235,544	37,032	**86.41**	239,410	196,682	42,728	**82.15**	4.26
PESCO	176,074	129,165	46,909	**73.36**	160,485	112,453	48,032	**70.07**	3.29
HESCO	70,840	40,764	30,076	**57.54**	65,357	36,629	28,728	**56.04**	1.50
SEPCO	50,092	21,896	28,196	**43.71**	47,867	20,664	27,203	**43.17**	0.54
QESCO	68,357	16,168	52,189	**23.65**	74,521	14,449	60,072	**19.39**	4.26
TESCO	30,183	8,608	21,575	**28.52**	27,788	5,318	22,470	**19.14**	9.38
ALL DISCOs	**1,745,133**	**1,366,064**	**379,069**	**78.28**	**1,575,187**	**1,164,959**	**410,228**	**73.96**	4.32

(Source: PEPCO Data up to June 30, 2021) (Figure Extracted from Dashboard (PITC))

Annexure-B

STATEMENT SHOWING THE DETAILS OF RECOVERY OF SECURITY AND CAPITAL COST FROM B-3 CONSUMERS IN RESPECT OF MULTAN CIRCLE FOR THE PERIOD 2020-21

Sr. No	Reference No.	Tarrif	S/ Load	C/ Load	Diff	Amount of Security (Rs)				Requirement	Capital Cost (Rs.)	Total (Rs.)	Feeder Code	No of Consumers	Remarks
						Recovered @ Rs.2010	Recoverable								
							Rate	Total	Difference						
1	30-15118-0004301	B-2	480	506	26	964,800	2,890	1,462,340	497,540	Ind: Feeder	10,000,000	10,497,540	006503	117	B-3, Independent Feeder
2	27-15121-0175201	B-2	465	547	82	934,650	2,890	1,580,830	646,180	Ind: Feeder	10,000,000	10,646,180	016821	2992	B-3, Independent Feeder
3	27-15118-0004800	B-2	492	625	133	988,920	2,890	1,806,250	817,330	Ind: Feeder	10,000,000	10,817,330	006503	117	B-3, Independent Feeder
4	30-15118-1515700	B-3	750	996	246		2,890	710,940	710,940	Ind: Feeder	10,000,000	10,710,940	006503	117	Independent Feeder
5	30-15118-1518002	B-3	850	1166	316		2,890	913,240	913,240	Ind: Feeder	10,000,000	10,913,240	006531	56	Independent Feeder
Total Amount (Rs)												**53,585,230**			

(Proposed Draft Para No. 185/2021-22)

Annexure-B-1

STATEMENT SHOWING THE DETAILS OF RECOVERY OF SECURITY AND FEEDER COST FROM INDUSTRIAL B-3 CONSUMERS IN RESPECT OF MEPCO FOR THE FINANCIAL YEAR 2020-21

Sr. No.	Reference No.	Consumer Name	Tariff Name	Load (KW)			Security (Rs)		Feeder Cost	Total Amount (Rs)	Remarks
				Sanctioned	Connected	Extended	Rate	Total			
1	27154420009503	M/S SINCO STEEL RE-ROLING MILL	B3(14)T	2,800	2,840	40	2890	115,600	-	115,600	
2	30151180007800	MS AL WARIS INDUSTRIES	B3(14)T	749	847	98	2890	283,220	10,000,000	10,283,220	Ind: Feeder
3	30151950848504	FAZAL REHMAN FABRICS (LTD) WEAVING UNIT 2	B3(14)T	3,900	4,568	668	2890	1,930,520	-	1,930,520	
4	30156120005400	AHMAD ORIENTAL TEXTILE MILL	B3(14)T	2,000	2,224	224	2890	647,360	10,000,000	10,647,360	Ind: Feeder
5	30157120304101	MUHAMMAD ZULFIQAR ALI S-O CH.ROSHAN DIN NASIR	B3(14)T	997	1,676	679	2890	1,962,310	10,000,000	11,962,310	Ind: Feeder
6	30159212532501	FAQIR MUHAMMAD SABIR S-0 ELAHI BUX	B3(14)T	860	952	92	2890	265,880	10,000,000	10,265,880	Ind: Feeder
7	30159320000100	JAMHOOR TEXTILE MILLS	B3(14)T	2,540	2,884	344	2890	994,160	10,000,000	10,994,160	Ind: Feeder
8	30159340002503	M/S AWAIS USAMA PAPER MILLS	B3(14)T	1,426	1,704	278	2890	803,420	-	803,420	
9	30159340003201	MOIZ NAWAB PAPER MILLS	B3(14)T	940	998	58	2890	167,620	10,000,000	10,167,620	Ind: Feeder
Total (Rs)								**7,170,090**	**60,000,000**	**67,170,090**	

(Proposed Draft Para No. 675/2021-22)

Annexure-B-2

STATEMENT SHOWING THE DETAILS OF MEPCO B-3 CONSUMERS FROM WHOM COST OF INDEPENDENT FEEDER WAS NOT RECOVERED FOR THE FY 2020-21

Sr. No.	Application		Reference	Load (KW)				Independent Feeder Cost (Rs) Approx:	Remarks
	No	Date		Tariff	S/Load	Extension	Running		
1	601	29-06-2020	27-15162-0730912	B-3	490	950	950	40,000,000	Feeding from Mix Feeder needs independent Feeder
2	609	21-05-2021	27-15641-0001702	B-3	580	735	580	40,000,000	Feeding from Mix Feeder needs independent Feeder
3	598	05-03-2020	27-15118-0004006	B-3	450	850	850	40,000,000	Feeding from Mix Feeder needs independent Feeder
4	604	20-10-2020	27-15922-2529809	B-3	250	820	250	40,000,000	Feeding from Mix Feeder needs independent Feeder
5	613	01-09-2021	27-15618-1698403	B-3	493	970	493	40,000,000	Feeding from Mix Feeder needs independent Feeder
6	122	18-06-2020	M/s Hi-Tech Wanda Feeds (Pvt) Ltd	B-3	937			40,000,000	Independent Feeder of New Connection
7	120	09-05-2020	M/s Jadeed Feeds (Pvt) Ltd	B-3	525			40,000,000	Independent Feeder of New Connection
8	118	10-04-2020	Asmat & Akram Khan Nawar Marchant	B-3	507			40,000,000	Independent Feeder of New Connection
9	125	25-11-2020	HBK Textile (Pvt) Ltd	B-3	510			40,000,000	Independent Feeder of New Connection
10	126	25-11-2020	Al-Noor International	B-3	510			40,000,000	Independent Feeder of New Connection
11	123	06-07-2020	M/s M.M.C Chemical Industries	B-3	650			40,000,000	Independent Feeder of New Connection
Total (Rs)								**440,000,000**	

(Proposed Draft Para No. 687/2021-22)

Annexure-C
(Proposed Draft Para No. 928/2021-22)

Contract No. ADB-65[R]-2012 [Package-1]
500kV Transmission Line 3rd Circuit Jamshoro-Moro-Dadu to Rahim Yar Khan
(Lot-III: Goth Qazi Mahar-Rahim Yar Khan Section)
Contractor: M/s Sinosteel, China

Detail of Payments to M/s Sinosteel, China

Description	Amount	
	RMB	PKR
Contract Amount as per V.O. 2	122,222,321	592,834,336
Amount received by the Contractor against Plant Supplied [Price Schedule No. 1]	*	-
Amount recommended for Payment against Installation & Additional Work [Price Schedule No. 4 Item I & Item III] Up to Invoice No. MECC-NTDC-LCC-PP1-0145 vide NESPAK Letter 3206/169/CA/01/7161 dated July 18, 2019	-	482,683,531
Amount recommended for Payment against Local Transportation, Insurance etc. [Price Schedule No. 4 Item II]	-	*
Amount recommended for Payment against Vehicles [Price Schedule No. 4 Item IV]	-	34,714,960
Amount recommended for Payment against Secrity Plan [Price Schedule No. 4 Item V]	-	14,548,641
Amount to be recovered from the Contractor against Price Escalation/Adjustment **	(10,333,134)	-
Amount to be recovered from the Contractor against Material Reconciliation ***	(18,340,002)	-
Remaining Adjustment against Advance payment	*	-
Retention Money payable to the Contractor upon issuance of Completion Certificate	*	24,222,571
Retention Money payable to the Contractor upon issuance of Operational Acceptance Certificate	*	24,222,571
Liquidated Damages deducted	*	*

* : Details not available with NESPAK; NTDC to check at their end

** : Conveyed vide NESPAK Letter 3206/169/CA/01/3982 dated July 27, 2017

*** : Based on the material received and consumed as of Feb. 11, 2020. Verification of balance material at site is pending by the Contractor

Annexure-D
(Proposed Draft Para No. 748/2021-22)

COMPARATIVE STATEMENT

TENDER NO. STG-666 OPENED ON 25-06-2020 (11:30AM)

STG	Lot-I No.	Description	Qty	Unit	1. M/s Specialist Group Inc: Lahore		2. M/s Associated Technologies Lahore	
					Unit Price FCS basis without sales & other taxes (PkR)	Total Price FCS basis without sales & other taxes (PkR)	Unit Price FCS basis without sales & other taxes (PkR)	Total Price FCS basis without sales & other taxes (PkR)
666	I	ZM-1 Type Towers	361	Nos	682,510	246,386,110.00	768,300	277,356,300.00
		03 Mtr Extension for ZM-1 Type Tower	4	Nos	114,296	457,184.00	128,800	515,200.00
	II	ZM-30 Type Towers	145	Nos	Not-Quoted		1,249,300.00	181,148,500.00
	III	ZM-60 Type Towers	81	Nos	Not-Quoted		1,569,900.00	127,161,900.00
Total Calculated Bid Value						246,843,294.00		586,181,900.00
Amount of Bid Security					Rs.5,200,000.00 Bank guaranttee issued by Silk Bank of Limited Lahore dated 23-06-2020		Rs.12,000,000.00 Bank guaranttee issued by Silk Bank Limited Lahore dated 22-06-2020	

Asst: Manager Project Financing
PMU QESCO Quetta
(Member)

Dy. Manager (Procurement)
QESCO Quetta
(Member)

Manager (S&I) QESCO
Quetta
(Member)

25/06/2020

Chief Engineer (P&E)
QESCO Quetta
(Convener)

Annexure-D -1

COMPARATIVE STATEMENT

TENDER NO. STG-678 OPENED ON 27-10-2020 (2:30 PM)

STG	Lot No.	Description	Qty	Unit	M/s Pioneer Cables KHI		M/s Madni Cables LHR	M/s Newage Cables LHR	
					Unit Price FCS basis without sales & other taxes (PkR)	Total Price FCS basis without sales & other taxes (PkR)		Unit Price FCS basis without sales & other taxes (PkR)	Total Price FCS basis without sales & other taxes (PkR)
678	1	Control Cable 4 x 2.5 mm sq	2840	Mtr.	319.00	905,960.00	Not Participated	422.00	1,198,480.00
	2	Control Cable 8 x 2.5 mm sq	2445	Mtr.	485.00	1,185,825.00		600.00	1,467,000.00
	3	Control Cable 16 x 2.5 mm sq	3160	Mtr.	793.00	2,505,880.00		956.00	3,020,960.00
	4	Control Cable 4 x 6 mm sq	2490	Mtr.	539.00	1,342,110.00		690.00	1,718,100.00
	5	Control Cable 2 x 2.5 mm sq	750	Mtr.	Not Quoted			340	255,000.00
Total Calculated Bid Value						5,939,775.00			7,659,540.00
Amount of Bid Security					Rs.160,000.00 bid guarantee issued by Bank Al Habib Ltd, KHI dated 21-10-2020			Rs.160,000.00 bid guarantee issued by Faysal Bank Ltd, LHR dated 21-10-2020	

Asst: Manager Project Financing
PMU QESCO Quetta
(Member)

Dy. Manager (Procurement)
QESCO Quetta
(Member)

Manager (PS&C)PMU
QESCO Quetta
(Member)

Chief Engineer (P&E)
QESCO Quetta
(Convener)

Annexure-E

TABLE 40

Detail of Partial Load Adjustment Charges

S. No.	Name of Company	Verified Charges on account of Partial Load Adjustment (Rs. in Million)			
		FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
1	GENCO-I	1,418.12	894.87	177.74	41.73
2	GENCO-III	1,582.59	431.23	192.00	---
3	KAPCO	23.00	77.25	188.88	262.20
4	Hub Power	747.36	578.02	70.13	224.98
5	Attock Gen.	408.71	161.74	41.84	58.13
6	Atlas Power	---	---	99.56	1,337.38
7	Engro Powergen. Qadirpur	-4.83	43.64	453.89	674.48
8	Saif Power	---	---	419.62	489.50
9	Orient Power	---	---	444.99	538.67
10	Nishat Power	---	---	70.38	72.99
11	Nishat Chunian	---	---	96.83	92.84
12	Sapphire Electric	---	---	339.18	686.00
13	Halmore Power	---	---	388.91	442.17
14	Narowal Energy	90.36	100.46	79.11	68.00
15	Liberty Power Tech.	100.01	75.96	54.77	55.25
16	Foundation Power	19.63	151.70	764.15	678.99
17	Uch-II Power	159.56	90.55	715.67	557.25
18	Sahiwal Imported Coal	---	---	937.77	773.56
19	Quaid-e-Azam Thermal	378.94	3,681.59	3,774.47	4,172.34
20	NPPMCL – Haveli Bahadur Shah	381.67	3,863.69	4,387.76	4,007.62
21	NPPMCL – Balloki	---	2,812.61	4,432.36	3,074.56
22	Port Qasim Electric Power	---	---	573.44	406.08
	Total	**5,305.12**	**12,963.31**	**18,703.45**	**18,714.72**

Source: CPPA-G

(Proposed Draft Para No. 322/2021-22)