PERFORMANCE AUDIT REPORT
ON
POWER PLANNING & MONITORING COMPANY LIMITED (PPMCL)
AUDIT YEAR 2021-22

AUDITOR GENERAL OF PAKISTAN

PREFACE

The Auditor General of Pakistan conducts audit subject to 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. The Performance Audit of Power Planning & Monitoring Company Pvt Ltd (PPMCL) was carried out accordingly.

The Directorate General of Audit Power conducted Performance Audit of PPMCL during February-March 2022 for the financial years 2019-20 & 2020-21 with a view to report significant findings to the relevant stakeholders. The main objectives of the audit were to evaluate the economy, efficiency and effectiveness aspects of the PPMCL. In addition, audit also assessed, on test check basis, whether the management complied with applicable laws, rules and regulations in managing PPMCL. The Performance Audit Report indicates specific actions that, if taken, will help the management accomplish the objectives of PPMCL. The audit observations, included in this report, have been finalized in the light of discussions in the DAC meeting held on June 10, 2022.

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

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Islamabad
Dated: 27 April 2023

(Muhammad Ajmal Gondal)
Auditor-General of Pakistan

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EXECUTIVE SUMMARY

ABBREVIATIONS AND ACRONYMS

AGP	Auditor General of Pakistan
AJ&K	Azad Jammu & Kashmir
BoQ	Bill of Quantity
BoD	Board of Directors
CGR	Corporate Governance Regulations
CIA	Chief Internal Auditor
CFO	Chief Financial Officer
CEO	Chief Executive Officer
CPPA	Central Power Purchase Agency
DAC	Departmental Accounts Committee
DSS	Debt Servicing Surcharge
DISCO	Distribution Company
ECC	Economic Coordination Committee
EPA	Environmental Protection Agency
E&S	Environmental & Social Safeguards
EMMP	Environmental Management & Monitoring Plan
EIA	Environmental Impact Assessment
ESTA Code	Establishment Code
FESCO	Faisalabad Electric Supply Company
FCS	Financing Cost Surcharge
GENCOs	Generation Companies
GEPCO	Gujranwala Electric Power Company
G.M. (TS)	General Manager (Technical Services)
GoP	Government of Pakistan
GSO	Grid Station Operation
GST	General Sales Tax
HESCO	Hyderabad Electric Power Company
HR	Human Resources
IEE	Initial Environmental Examination
IESCO	Islamabad Electric Supply Company
IT	Income Tax
KESC	Karachi Electric Supply Company
LESCO	Lahore Electric Supply Company
MD	Managing Director
MEPCO	Multan Electric Power Company
MoW&P	Ministry of Water and Power
M&S	Monitoring & Surveillance
MVA	Mega Volt Ampere
NAB	National Accountability Bureau
NEPRA	National Electric Power Regulatory Authority
NTDC	National Transmission and dispatch Company
NOC	No Objection Certificate
NJS	Neelum Jhelum Surcharge
O&M	Operation & Maintenance
PAC	Public Accounts Committee

PEPA	Pakistan Environmental Protection Act
PHL	Power Holding Limited
POL	Petrol, Oil and Lubricants
PEPCO	Pakistan Electric Power Company Limited
PESCO	Peshawar Electric Supply Company
PITCL	Power Information Technology Company Limited
PPMCL	Power Planning and Monitoring Company Limited
PPRA	Public Procurement Regulatory Authority.
PST	Punjab Sales Tax.
PTV	Pakistan Television
Rs	Pakistan Rupees
SAP	System Augmentation Programme
SDGs	Sustainable Development Goals
T&D	Transmission & Distribution
WAPDA	Water and Power Development Authority

EXECUTIVE SUMMARY

Directorate General of Audit Power conducted Performance Audit of Power Planning & Monitoring Company Limited (PPMCL) for the financial years 2019-20 and 2020-21. The main objectives of the audit were to evaluate the economy, efficiency and effectiveness aspects of the PPMCL.

Power Planning & Monitoring Company Limited (PPMCL) was incorporated as private limited company on May 13, 1998, under Companies Ordinance, 1984. PPMCL is responsible for the management of National Transmission and Dispatch Company (NTDC), Power Information Technology Company Limited (PITCL) and ten (10) Distribution Companies (DISCOs) working under independent Board of Directors. PPMCL 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 Public Accounts Sub Committee No. 1 in its meeting held on 09-08-2021 directed to conduct Performance Audit of PPMCL. In compliance of PAC directives, Auditor General of Pakistan approved the assignment of Performance Audit of PPMCL for the financial year 2019-20 to 2020-21.

Key Audit Findings

i. Non-utilization (20% amount) of Village electrification funds for improvement/up-gradation of grids in DISCOS –Rs.4,793.99 million.[1]
ii. Non-completion of village electrification works - Rs.8,758.85 million.[2]
iii. Unjustified payment to deputationist employees - Rs. 43.395 million.[3]
iv. Irregular Payment on account of additional charge - Rs.1.209 million.[4]
v. Non-implementation of recommendations of inquiries due to poor management.[5]
vi. Less remittance of Debt Servicing Surcharges (DSS) to CPPA-G - Rs.10.757 billion.[6]
vii. Non-recognition of Supplemental Charges in Financial Statements - Rs.170.574 billion.[7]
viii. Non-diversification of working balances amounting to - Rs.267.939 million.[8]
ix. Non-recovery of accumulated receivables - Rs.1,495.00 billion.[9]
x. Poor asset management resulting in damage to transformers.[10]

1 Para-4.1.1
2 Para-4.1.2
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xi. Irregular collection of Neelum Jhelum Surcharge- Rs.5,545 million.[11]

xii. Poor monitoring to remit the PTV fee to Pakistan Television Corporation- Rs.36.00 million.[12]

xiii. Loss of revenue due to non-compliance of NEPRA's target - Rs.70,969.45 million.[13]

xiv. Non production of record of PAC/DACs minutes and compliance thereof by Chief Auditor PPMCL.[14]

xv. Payable electricity duty to Govt of Punjab - Rs.44,564.72 million.[15]

xvi. Non recovery of detection bills - Rs.28,728.00 million.[16]

xvii. Non recovery of 5% Environmental &Social Safeguard cost –Rs.799.49 million.[17]

xviii. Irregular approval of Estimates without obtaining NOC from Environmental Protection Agency (EPA), Punjab - Rs.15, 989.81 million.[18]

xix. Non recovery of 10% penalty from the contractor due to non-compliance of Pakistan Environmental Protection Act 1997–Rs.1,598.98 million.[19]

Recommendations: -

i) The PEPCO management needed to strengthen its internal controls in an economic, efficient and effective manner to achieve the objectives.

ii) Follow the Mechanism and rules issued by Establishment Division Govt of Pakistan to ensure the proper and timely execution of HR/ establishment related matters.

iii) Implement Pakistan Environmental Protection Act -1997.

iv) Realization of electricity duty & it's illegal adjustments against the outstanding dues of Punjab Govt electricity Connections.

v) Diversification of working balance.

vi) Remit the Debt Servicing Surcharge.

vii) Recognize the Supplemental Charges in Financial Statement.

viii) Achieve NEPRA targets in DISCOs regarding reduction of T&D losses.

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11 Para-4.4.1
12 Para-4.4.2
13 Para-4.4.3
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15 Para-4.4.5
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1. INTRODUCTION

Power Planning & Monitoring Company Limited (PPMCL) was formed as private limited company on May 13, 1998, under Companies Ordinance, 1984. PPMCL is responsible for the management of National Transmission and Dispatch Company (NTDC), PITCL, GENCOs and ten (10) Distribution Companies (DISCOs) working under independent Board of Directors. PPMCL 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.

PPMCL office was situated in WAPDA House Lahore, and now has been shifted from Lahore to 2nd Floor Evacuee Trust Building Islamabad.

2. AUDIT OBJECTIVES

The main objective of performance Audit is to ensure whether the PPMCL has successfully managed/ supervised all the DISCOs to ensure the implementation of rules and regulations and internal controls in an economical, efficient and effective manner with maximum utilization of resources specifically with respect to:

1. Assess the transparency in posting/transfer, promotion and deputation.
2. Check the SOPs regarding re-employment on contract basis.
3. Review the SOPs regarding hiring of consultants.
4. Ascertain the finalization of inquiry cases.
5. Check the issuance of bogus Inspection Certificates.
6. Ensure the compliance of internal controls
7. Review the finalization / implementation of NAB / FIA cases.
8. Review the BoD minutes of meeting and decisions.
9. Ensure the in-time issuance of Material Inspection Certificates.

3. AUDIT SCOPE AND METHODOLOGY

The period under review of Performance Audit consisted of financial years 2019-20 & 2020-21. During this period, total expenditure of $ 1,269.146 million was incurred up to June 2021. The auditable record was available in the office of Managing Director PPMCL, Islamabad. Audit activity started with the preparation of Preliminary Survey Report (PSR).

Following audit methodology was adopted during execution of Performance Audit:

- Interview and discussion with PPMCL management.
- Examination of selected record and necessary auditable documents.
- Examination of Service Agreement.

4. AUDIT FINDINGS AND RECOMMENDATIONS

4. AUDIT FINDINGS

4.1 Organization and Management

4.1.1 Non utilization of village electrification funds for improvement/ up-gradation of grids–Rs.4, 793.99 million

According to NEPRA directions in determination of multiyear consumer end tariff pertaining to financial years 2015-16 to 2019-20 for all DISCOs, PPMCL Authority vide letter No.292-305/GM(TS)/PPMCL dated 01.07.2020 issued instructions to all DISCOs to ensure utilization of 20% amount of village electrification funds for the improvement/ up-gradation of grids by preparation of separate account. Furthermore, according to serial no. 4 of annexure-III included in Cabinet Division's Memorandum No. F.14/26/2021-com dated 15.10.2021, "co-ordination and monitoring of SDGs scheme was the responsibility of PPMCL."

During Performance audit of Managing Director PPMCL for the financial years 2019-2020 & 2020-21, it was observed that separate account for deduction and utilization of 20% of the village electrification (SDGs) funds for improvement/up gradation of grids was not maintained as evident from letter No.292-305/GM (TS)/PPMCL dated 01.07.2020.

Contrary to the above instructions, the PPMCL management failed to monitor and maintain a separate account in respect of deduction and proper utilization of 20% village electrification funds for the improvement/ up gradation of grids. **(Annex-I)**

As a result of non-implementation and monitoring of NEPRA instructions by PPMCL management neither the deduction of 20% village electrification funds amounting to Rs.4,793.99 million nor improvement in grid systems could be made which showed inefficiency on the part of PPMCL.

The matter was taken up with the management in March, 2022 but no reply was given.

The DAC in its meeting, held on 10th June 2022, directed the management to formulate integrated plan in co-ordination with DISCOs and report thereof be furnished to Audit within 15 days.

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

4.1.2 Non-completion of village electrification works - Rs.8,758.85 million

According to Para-13 of guidelines of the Cabinet Division Islamabad issued vide Notification dated October 10, 2016 for implementation of the Prime Minister's Global Sustainable Development Goals SDGs Achievement, "Schemes identified for a specified financial year shall be completed within the same year." Furthermore, according to serial no. 4 of annexure-III included in Cabinet Division's Memorandum No. F.14/26/2021-com dated 15.10.2021, "Co-ordination and monitoring of SDGs scheme was the responsibility of PPMCL."

During Performance audit of Managing Director PPMCL for the financial years 2019-2020 & 2020-21, it was noticed that 26,113 No. village electrification works with estimated cost of Rs.23, 969.95 million under SDGs and SAP program relating to each DISCOs. Out of 26,113 No. village electrification works, 18,015 No. schemes were completed. Whereas remaining 8,091 No. schemes having estimated cost Rs.8,758.85 million could not be completed by the DISCOs. **(Annex-II)**

Being the monitoring agency, the PPMCL management failed to monitor the progress of completion of village electrification scheme under SDGs and SAP program in time.

Non-adherence to Cabinet Division guidelines resulted into non-completion of village electrifications works amounting to Rs.8,758.85 million.

The matter was taken up with the management in March, 2022. The management replied that PPMCL management had performed its duties as per SOPs, but DISCOs failed to complete SDGs schemes as per targets. The observation/ para would be transferred to the concerned DISCOs for proper compliance.

The reply was not tenable as PPMCL was responsible to monitor the progress and implementation of village electrification schemes.

The DAC in its meeting, held on 10th of June 2022, directed the management to furnish updated status of pending schemes along with cogent reasons to Audit within 15 days.

Audit recommends that management needs to comply with the DAC’s directives.

4.2 FINANCIAL MANAGEMENT

4.2 Financial Management

4.2.1 Unjustified payment to deputationist employees - Rs. 43.395 million

According to Chapter-3 of ESTA-Code (Serial No 27), establishment Division vide Additional Secretary's D.O. letter No. 4/1/84-R(A) dated 20.11.1986 communicated the following directives:

i) The normal period of deputation for all categories of government servants would be three years. This would be extendable by two years with the prior approval of the competent authority.

ii) On completion of the maximum period of five years, both the borrowing and the lending organization should ensure immediate repatriation of the deputationist.

iii) In case it is not possible to repatriate a person to his parent organization for compelling reasons, the case should be referred to the Establishment Division before the expiry of the maximum period of 5 years, fully explaining the circumstances due to which immediate repatriation is not possible and measures taken to obtain or groom a replacement as early as possible.

Moreover, Establishment Division vide their OM No. 1/28/75/D.II/R.3/R.1 dated 04.03.2005 communicated the following directives of the Prime Minister:

i. In all cases of appointment on contract, reemployment, secondment or deputation, the period of appointment should be clearly specified.

ii. On the last date of the specified period the officer should automatically stand relieved of his duties unless the orders of the competent authority have been obtained in advance for extending the period.

During Performance audit of Managing Director PPMCL for the financial years 2019-2020 & 2020-21, it was observed that twenty-five (25) No. officers / officials were working in PPMCL on Deputation. In spite of above cited clear instructions of Establishment Division, neither the cases of these officers/officials were forwarded to the Ministries for approval of extension for two years nor were they relieved from their duties on the expiry of specified period. Thus, they were continuously serving in the borrowing department (PPMCL) without approval of the competent authority.

Non-adherence of the Establishment Division's instructions resulted into extra financial burden on PPMCL in shape of deputation allowance paid to deputationists by ignoring economy.

The matter was taken up with the management in March, 2022. The management replied that the extension of the period of deputationist was under process as and when deputation cases approved Audit would be informed accordingly.

The reply was not convincing as the officers who had already availed the maximum deputation period of Five years permissible under the rules may immediately be repatriated to their parent departments. In case of non-compliance, appropriate action may be recommended.

The DAC in its meeting held on 10th of June 2022, directed the management to submit revised reply to Audit within 15 days.

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

4.2.2 Irregular Payment on account of additional charge - Rs.1.209 million

According to rule No. 12.9 of ESTA Code Reference Finance Division's circular O.M. No. F. 4(14)-R. 4/68, dated the 9th September 1971, the position has been reviewed and in order to afford sufficient compensation to a government servant entrusted with the additional charge of a vacant identical post, it has been decided, with the approval of the competent authority, that in case of additional charge arrangement, special allowance shall be admissible at a uniform rate of 20% of basic pay not exceeding Rs.6,000 p.m. with effect from 1st July 2005, subject to the fulfillment of the following conditions: -

(i) The work of the vacant post, may, as far as possible, be distributed among more than one government servant of the same status and designation available in the Ministries/ Divisions/Departments.

(ii) Where the Distribution of the work among more than one government servant is not feasible, the charge of the vacant post may be entrusted, in its entirety, to another government servant. This arrangement should not be made for a period less than one month and should not exceed three months, and it should be allowed with specific approval of the Secretaries/Additional Secretaries/Heads of Attached Departments/Heads of Department not below BPS 21. However, it may be extended by another three months with the approval of next higher authority.

(iii) Immediately on the expiry of six months of the full additional charge of the particular vacant post, the post shall be treated as having been abolished and its duties automatically becoming part of the normal duties of the other existing posts of the same category in the Divisions/Departments concerned. The post so treated as abolished shall not be reviewed without the concurrence of the Financial Adviser concerned.

During Performance Audit of the Managing Director PPMCL for the financial year 2019-20 & 2020-2021, it was observed that additional charge amounting to Rs.1.209 million was paid to the three (03) No. of officers named Mr. Basharat Ali (Chief Financial Officer), Col Rtd Syed Saleem Ahmed (Director Complaint) and Altaf Hussain (Budget & Account Officer) for more than maximum limit of six months in violation of rules. After expiry of six months of additional charge the post should have been abolished and its duties automatically becoming part of the normal duties of the other existing posts of the same category. The payment of Rs.1.209 million on account of additional charge is irregular and is clear violation of Government rules. **(Annex-III)**

Non-adherence to ESTA Code provisions and circulations issued by Finance Division resulted in to irregular payment of Rs.1.209 million on account of Additional Charge.

Had the proper financial supervision was carried out by the PPMCL, burden of incurrence of expenditure on account of Additional Charge could have been avoided.

The matter was taken up with the management in March, 2022. The management failed to reply to the audit observation during discussion. The additional charge beyond the period specified in the rules was sheer negligence on the part of HR Department of PPMCL.

The DAC in its meeting held on 10th of June 2022, directed the management to submit revised reply to Audit within 15 days.

Audit recommends that management needs to comply with the DAC directives.

4.2.3 Non-implementation of recommendations of inquiries due to poor management

According to serial no. 18 of annexure-III included in Cabinet Division's Memorandum No F.14/26/2021-com dated 15.10.2021, "coordination and inquiries referred by NAB/ FIA and final implementation of the recommendation by DISCOs" was the responsibility of PPMCL.

During Performance audit of Managing Director PPMCL for the financial years 2019-2020 & 2020-21, it was observed that one hundred and twenty No. Inquiries pertaining to different DISCOs were received and inquiries on all one hundred and twenty No. complaints were conducted. Out of one hundred and twenty No. inquiries, the results /outcome/finding of eighty No. inquiries were available, whereas outcome and whereabouts of forty No. inquires conducted were not available on record. **(Annex-IV)**

According to duties and functions of PPMCL, monitoring and implementation of the recommendations of inquiry report was the responsibility of PPMCL management. Inefficiency of PPMCL resulted into non-implementation of recommendations of inquiry committee.

The matter was taken up with the management in March, 2022. The management replied that the matter relates to DISCOs. The observations are being forwarded to DISCOs for strict pursuance of the recommendations. Audit would be informed accordingly. The reply was not acceptable as coordination and implementation of the recommendation was the responsibility of PPMCL.

The DAC in its meeting held on 10th of June 2022, directed the management to provide the follow-ups/ efforts made by PPMCL for the implementation of the recommendation of inquiry and the progress thereof be forwarded to Audit within 15 days.

Audit recommends that the management needs to comply with the DAC's directives

4.2.4 Less remittance of Debt Servicing Surcharges (DSS) to CPPA-G - Rs.10.757 billion

According to SRO No. 908(1)/2014 dated 3 October, 2014, Debt Servicing Surcharge/Financing Cost Surcharge was levied and collected by DISCOs on behalf of Government of Pakistan on account of recovering the debt servicing applicable to all the consumers of Distribution Companies. Furthermore, according to serial no. 8 of annexure-III included in Cabinet Division's Memorandum No F.14/26/2021-com dated 15.10.2021, "monitoring of cash collection, retention and remittance to CCPA (G) on account of purchase of power by DISCOs was the responsibility of PPMCL."

During Performance audit of Managing Director PPMCL for the financial years 2019-2020 & 2020-21, it was observed that DISCOs had to be billed and Finance cost surcharge @ 0.30 /Kwh on account of recovering the debt servicing applicable to all the consumers on per unit consumption in respect of the consumers of all distribution companies was to be collected. The DISCOs had billed the consumers Rs.188.642 billion and out of which an amount of Rs.160.818 billion was collected against DSS from the consumers during the year 2015-16 to 2019-20 and remitted an amount of Rs.150.433 billion to CPPA-G. **(Annex-V)**

Thus, an amount of Rs.10.575 billion was less remitted to CPPA-G showing irregular use of funds by the DISCOs towards other activities. Less remittance of DSS/FCS amount to CPPA-G delayed the transfer of funds to Power Holding Private Limited (PHPL). These delayed remittances by DISCOs resulted into levying of penalty and thereby causing loss to Distribution Companies.

Being the monitoring agency, the PPMCL management failed to monitor the remittance of total collected amount by the DISCOs to CPPA-G. PPMCL could not play an effective role in the matter.

Non-adherence to the SROs and the instructions of Cabinet Division resulted into less remittance of DSS to CPPA and levy of penalty due to delayed transfer to Power Holding Private Limited. This clearly showed the ineffectiveness, negligence on the part of Authority.

The matter was taken up with the management in March, 2022. The management failed to furnish the reply of audit observation during discussion.

The DAC in its meeting held on 10th of June 2022, directed the management to get the record verified from Audit within 15 days.

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

4.2.5 Non-recognition of Supplemental Charges in Financial Statements - Rs.170.574 billion

According to serial no. 8 of annexure-III included in Cabinet Division's Memorandum No F.14/26/2021-com dated 15.10.2021, "monitoring of cash collection, retention and remittance to CCPA (G) on account of purchase of power by DISCOs was the responsibility of PPMCL."

During Performance audit of Managing Director PPMCL for the financial years 2019-2020 & 2020-21, it was noticed from Ministry of Energy (Power Division) letter No. 05(04 CPPA)/2021-22 dated 23.08.2021 that Supplemental Charges (Late Payment Charges) amounting to Rs. 110.63 billion for the period from 2009-10 to 2014-15 was transferred by NTDC as receivable balance from DISCOs. However, the amount of Rs.110.63 billion has not been recovered from the DISCOs up till now and the same has not been recorded by the DISCOs in their Financial Statements. The amount of Rs.110.63 billion was also denied by the Regulator (NEPRA) in the Tariff determination process of DISCOs and stated that the period to which the expense pertained had already been lapsed and that the relief had already been passed on to the consumers in the tariff determinations of respective DISCOs.

It was further noticed from the financial statements for the years 2015-16 to 2019-20 that an amount of Rs.129.317 billion was raised by CPPA-G as Supplemental Charges to DISCOs. Out of which the DISCOs had paid to the CPPA-G an amount of Rs. 69.372 billion and recorded in their financial statements. Whereas an amount of Rs.59.944 billion is still recoverable from the DISCOs and the same amount of Rs.59.944 billion has not been booked by the DISCOs in their financial statements.

It was the responsibility of PPMCL management to account for the recoverable amounts in the financial statements of DISCOs. This may ensure true and fair picture of the financial position of DISCOs.

Non-adherence to the instructions of Cabinet Division resulted into non-recognition of Supplement charges/ Late Payment charges of Rs. 170.574 billion in the Financial Statements of the respective DISCOs.

The matter was taken up with the management in March, 2022. The management failed to furnish the reply of audit observation during discussion.

The DAC, in its meeting held on 10th of June 2022, directed the management to submit revised reply to Audit within 15 days.

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

4.2.6 Non-diversification of working balances amounting to - Rs.267.939 million

According to Circular No F.4(1)/2002-BR. II of Finance Division dated 2nd, July 2003 3(c) "The risk associated with keeping deposits should be diversified. Therefore, in case where total working balance of an enterprise exceeds Rs. 10 million, not more than 50% of such balance shall be kept with one bank"

During Performance audit of Managing Director PPMCL for the financial years 2019-2020 & 2020-21 it was noticed that an amount of Rs. 267.939 million has been deposited in the imprest account No. 0552-79004478-01 during the period from 30.06.2021 to 07.03.2022 in HBL WAPDA House Branch Lahore. Contrary to the instructions issued by Finance Division, the funds were retained in a single bank.

Non-adherence to the Finance division instructions resulted into non-diversification of funds amounting to Rs.267.939 million.

The matter was taken up with the management in March, 2022. The management replied that the matter of diversification of funds was under process, the progress would be informed accordingly.

Reply was not acceptable. The responsibility of non-implementation of Finance Division's circular may be fixed on the person(s) at fault.

The DAC in its meeting held on 10^{th} of June 2022, directed the management to submit revised reply to Audit within 15 days.

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

4.2.7 Non-recovery of accumulated receivables - Rs.1,495.00 billion

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

During performance audit of record for the year 2019-20 & 2020-21 it was observed from progress report of PPMCL that an amount of Rs.1,375.32 billion up to June, 2020 was recoverable from private consumers, AJ&K Government & Agriculture consumers. The said receivables were accumulated to Rs.1,495.00 billion in June, 2021 witnessing an increase of 8.7% in comparison to previous year.

Therefore, PPMCL management, being a monitoring agency, had made no efforts to accelerate the recovery from consumers which showed its ineffective performance.

The PPMCL management failed to perform the duties and functions assigned to it by Cabinet Division Government of Pakistan.

Non-adherence to the Commercial Procedure by DISCOs and the instructions of Cabinet Division by PPMCL management resulted in accumulation of company's dues amounting to Rs.1495.00 million up to the financial years 2020-21.

The matter was taken up with the management in March, 2022. The management replied that the matter was being forwarded to DISCOs for compliance.

The reply was not acceptable as it was the duty of PPMCL management to monitor and expedite the recovery position of receivables to minimize the Circular Debt.

The DAC in its meeting held on 10^{th} of June 2022, directed the management to efficiently monitor the progress and performance of DISCOs in close co-ordination with BOD of DISCOs. Performance agreement and progress achieved may be produced to Audit.

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

4.3 ASSET MANAGEMENT

4.3 Asset Management

4.3.1 Poor asset management resulting in damage to transformers

According to Chief Engineer (D&S) NTDC letter No 1957-67/CEDS/248 dated 05.04.2011, it was the responsibility of the field staff to adopt remedial measures to reduce the damage rate of transformer by checking its oil level, load on all three phases should be balanced and it should not be overloaded as it caused to reduce the life insulation of the transformer. Furthermore, according to serial no. 1 of annexure-III included in Cabinet Division's Memorandum No F.14/26/2021-com dated 15.10.2021, "monitoring of operational performance of DISCOs" was the responsibility of PPMCL.

During Performance audit of Managing Director PPMCL for the financial years 2019-20 & 2020-21 it was observed that 73,741 No. Distribution transformers of different capacities were damaged in all DISCOs. This revealed that the ratio of damages of transformers increased gradually from previous years as shown below:

Sr. No.	Year	No. of transformers damaged	Mega Volt Amperes (MVAs)
1	2017-18	13,292	1,486
2	2018-19	18,290	2,007
3	2019-20	21,592	2,124
4	2020-21	20,567	2,038
Total		**73,741**	**7,655**

As per above position it is clear that the PPMCL authority did not monitor and plan to reduce the damages of the transformers. The transformers were frequently damaged due to poor maintenance, over loading, moisture of oil, mal operation and ineffective and neglected load management by the DISCOs operational management.

Thus, the PPMCL authority has failed to take precautionary measures to reduce the damages of transformers. Hence, the PPMCL has sustained a huge financial loss on account of damages of physical assets i.e., operational transformers during the last five years.

The matter was taken up with the management in March, 2022. The management replied that the matter would be referred to concerned DISCOs for compliance. The reply was not satisfactory.

The DAC in its meeting held on 10^{th} of June 2022, directed the management that efforts/ progress to minimize and overcome the ratio of damaged transformers in DISCOs may be verified from Audit.

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

4.4 MONITORING AND EVALUATION (M&E)

4.4 Monitoring and Evaluation (M&E)

4.4.1 Irregular collection of Neelum Jhelum Surcharge- Rs.5,545 million

According to the Decision of Ministry of Energy (Power Division) issued by Office Memorandum vide letter No. F No. 5/29/2016-17 dated 02.07.2018; the Neelum Jhelum Surcharge was rescinded at the achievement of COD of the whole project w.e.f. 28.12.2018.

According to Para 4 of summary submitted on 12.02.2021 by Ministry of Energy (Power Division) issued by Office Memorandum vide letter No. PF No. 5/29-NJS/2020-21 dated 24.03.2021, it was decided that,

a) The Neelum Jhelum Surcharge already imposed on electricity consumers @ 0.10/ kwh for development of Neelum Jhelum Project may be revoked with immediate effect.

b) The NJ Surcharge collected by the DISCOs and transferred to WAPDA after 28.12.2018 i.e the date of taking over all units of NJP, be audited by Auditor General of Pakistan.

c) The NJ surcharge collected after taking over of the NJP by WAPDA may be returned to the eligible consumers/ adjusted in their forthcoming electricity bill.

During Performance audit of Managing Director PPMCL for the financial years 2019-2020 & 2020-21 it was noticed that as per the Office Memorandum issued by Ministry of Energy (Power Division) dated 24.03.2021 the Neelum Jhelum Surcharge was revoked w.e.f 28.12.2018 but contrary to clear instructions of Ministry of Energy (Power Division) Neelum Jhelum Surcharge is being deducted from consumers vide Chief Financial Officer letter No.CFO/DCF/3246-47 21.10.2021. An amount of Rs.21,771.00 million was deducted from consumers and out of which an amount of Rs. 16,326.00 million was remitted to WAPDA and the remaining amount of Rs.5,545.00 million is retained by DISCOs without cogent justifications.

PPMCL was responsible to monitor and ensure the implementation of discontinuation of Neelum Jhelum surcharge as per the instructions of Government of Pakistan but the same was not done by PPMCL which resulted into unjustified collection of Neelum Jhelum surcharge amounting to Rs.5,545.00 million from the consumers.

Had PPMCL authority taken appropriate action, undue generation of NJS would have been discontinued from the consumers and charged amount of NJS Rs.5,545.00 million after COD of Neelum Jhelum Project could have been remitted to consumers through adjustments in their electricity bills.

This resulted due to non-adherence, mismanagement, negligence, ineffectiveness on the part of PPMCL Authority.

The matter was taken up with the management in March, 2022. The management stated that detailed reply would be submitted after consulting the concerned organization. The reply would be furnished besides initiating disciplinary actions against the responsible for not performing their duties as per decision of Ministry of Energy (Power Division). This also showed inefficiency of PPMCL.

The DAC in its meeting held on 10th of June 2022, directed the management to efficiently monitor the implementation of ECC decision for return of NJS to eligible consumers and comprehensive report may be sought from DISCOs for taking up the matter with Ministry of Energy for finalizing the modalities of return of NJS to consumers.

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

4.4.2 Poor monitoring to remit the PTV fee to Pakistan Television Corporation- Rs.36.00 million

According to Clause-7 of Contract Agreement for collection of Television License fee "WAPDA shall make net payment after adjustment of service fee of Rs.5/- (Rupees five only) per bill to Pakistan Television Corporation Limited on collection basis by the end of second week of the following month.

During Performance audit of Managing Director PPMCL for the financial years 2019-2020 & 2020-21 it was noticed that as per contract agreement for collection of Television License fee through WAPDA electricity bills was signed between the Member Power WADPA and Managing Director PTV on 08.06.2004, all DISCOs will collect PTV fee of Rs. 5/- (Rupees five only) from consumer and after deduction of Rs 5/- as service charges on each bill will remit the TV fee to Pakistan Television Corporation limited.

According to Minutes of meeting regarding outstanding dues against DISCOs and K-Electric issued vide letter No. CFO/DCF/3354-55 dated 01.11.2021, it was noticed that DISCOs had collected PTV fee amounting to Rs.73, 295.00 million from consumers during the year 2008 to 2021. An Amount of Rs.66, 479 million was remitted to PTV and an amount of Rs. 6,780.00 million was retained as company share. Remaining amount of Rs. 36.00 million is still payable to PTV against the total collection of Rs. 73, 295.00 million.

Thus, the PPMCL management failed to perform the duties and functions assigned to PPMCL as per instructions of Cabinet Division Government of Pakistan.

Due to ineffective monitoring of PPMCL management, an amount of Rs.36.00 million is lying unremitted to Pakistan Television Corporation.

The matter was taken up with the management in March, 2022. The management stated that detailed reply would be submitted after consulting the concerned formation.

The DAC in its meeting held on 10th of June 2022, directed the management to submit revised reply to Audit within 15 days.

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

4.4.3 Loss of revenue due to non-compliance of NEPRA's target - Rs.70,969.45 million

According to serial no. 1 of annexure-III included in Cabinet Division's Memorandum No F.14/26/2021-com dated 15.10.2021, it was the responsibility of PPMCL management to monitor the "operational performance, recoveries, line losses, subsidies, constraint removals," of DISCOs and to reduce the T&D losses as per NEPRA targets.

Transmission and distribution losses refer to the losses that occur in transmission of electricity between the sources of supply and points of distribution.

During Performance audit of Managing Director PPMCL for the financial years 2019-2020 & 2020-21, it was noticed that NEPRA has determined certain percentage of admissible T&D losses for power sector and had made tariff determination accordingly. Losses beyond the limit set by NEPRA meant financial losses for the company as well as cycle increase in the CPPA-G payable pertaining to the DISCOs. The transmission and distribution losses are the integral part of the electric supply system. Some factors which cause reduction in T&D losses are as under.

- Avoiding procurement and installation of substandard electrical material.
- Timely maintenance of Grid station equipment and replacement of rusty conductors.
- Replacing incorrectly sized transformers
- Improving the connection quality of conductors (power lines)
- Increasing the availability of reactive power by installing capacitor banks along with transmission lines.
- Avoiding lengthy span and overloaded feeders,
- Controlling the installation of illegal connections, kunda connection, tempering of meters and unmetered supplies etc.

The PPMCL management failed to monitor the performance of Distribution companies in respect to minimize the T&D losses within targets set by the NEPRA resulting into loss of revenue amounting to Rs. 70,969.45 million. **(Annex-VI)**

Non-adherence to the instructions of Cabinet Division resulted into loss of revenue amounting to Rs.70,969.45 million due to abnormal T&D losses and also became main cause of increasing circular debt during 2020-21.

The DAC in its meeting held on 10th of June 2022, directed the management that the progress toward monitoring the reduction of line losses may be provided to Audit for verification.

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

4.4.4 Non production of record of PAC/DACs minutes and compliance thereof by Chief Auditor PPMCL

According to serial no. 2 of annexure-III included in Cabinet Division's Memorandum No F.14/26/2021-com dated 15.10.2021, Coordination for holding meetings of Public & Departmental Accounts Committee and compliance of Audit Paras was the responsibility of PPMCL.

During Performance audit of Managing Director PPMCL for the financial years 2019-2020 & 2020-21, it was noticed that as per the function and duties assigned by the Cabinet Division, it was the prime responsibility of the Chief Auditor PPMCL to hold the Public & Departmental Accounts Committee and ensure compliance of the directives of Public & Departmental Accounts Committee. The record relating to the performance of the Chief Auditor PPMCL regarding conducting of Departmental Accounts Committee PAC meeting and any other correspondence or instructions for implementation of directives issued in the PAC/DAC was neither maintained nor provided to Audit.

Due to poor internal control by PPMCL management the Chief Auditor PPMCL badly failed to perform its duties and functions as per the directions of Cabinet Division.

Non-adherence to the instructions of Cabinet Division resulted into non-maintenance and non-provision of record.

The matter was taken up with the management in March, 2022. The management failed to furnish the reply of audit observation during discussion.

The DAC in its meeting held on 10th of June 2022, directed the management to submit revised reply to Audit within 15 days.

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

4.4.5 Payable electricity duty to Govt of Punjab - Rs. 44,564.72 million

According to serial no. 5 of annexure-III included in Cabinet Division's Memorandum No F.14/26/2021-com dated 15.10.2021, "monitoring of cash collection, retention and remittance to CPPA-G on account of purchase of power by DISCOs" was the responsibility of PPMCL management. Furthermore, according to Article 157(2)(b) of the Constitution of Pakistan and Section-13 of Punjab Finance Act, 1964 empowered the Punjab Government to levy tax on the consumer of electricity of Punjab.

The Government of the Punjab Energy Department vide DO No. SO(P&P)/ED/1-31/2020 dated 27.10.2021 stated that the levy was recoverable from Private generators & consumers of Licensees (DISCOs) under Rule 8 of the Punjab Electricity Duty Rules, 2012. Each DISCO collects Electricity Duty from its consumers and is liable to pay the same in Government Treasury within 60 days of the month for which Electricity Duty is levied and if the licensee neglect or fails to deposit the amount of electricity duty in Government Treasury with the specific period, it is liable to pay Late Payment Penalty imposed by the Electric Inspector under Rule 8(3) of the Rules ibid.

During Performance audit of Managing Director PPMCL for the financial years 2019-2020 & 2020-21, it was observed that instead of transferring Electricity Duty in the relevant accounts of treasuries of Punjab, the DISCOs of Punjab were persistently retaining the amount of electricity duty so collected from the consumer of Punjab in their accounts and adjust the same unilaterally either against the outstanding dues of Punjab Government connections or GST subsidy of private agriculture tube well consumers of Punjab which was utterly unconstitutional.

In this context, the Government of Punjab claimed an amount of Rs.44,564.716 million payables by DISCOs/ PPMCL on account of Electricity Duty for the period from May, 2016 to August, 2021 which included the imposed penalties for its recovery as per Punjab Electricity Rules, 2012.

The PPMCL management was not vigilant to ensure the implementation of Punjab Finance Act, 1964 which resulted into non-realization of Electricity Duty amounting to Rs.44,564.716 million and made illegal adjustment of these Electricity dues against the outstanding dues of Punjab Government electricity Connections and GST Subsidy of Private Agriculture Tube wells consumers of Punjab.

The PPMCL management failed to perform the duties and functions assigned to PPMCL as per instructions of Cabinet Division Government of Pakistan.

Since, the PPMCL authority did not take appropriate action for realization of electricity duty to Government of Punjab, which revealed mismanagement, negligence, ineffectiveness on its part.

The matter was taken up with the management in March, 2022. The management stated that the detailed reply would be submitted after consulting the record.

The DAC in its meeting held on 10th of June 2022, directed the management to vigorously take up the matter with Punjab Govt for final decision. The reconciliation and mutual understanding for adjustment of electricity Duty may be produced to Audit within 15 days.

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

4.4.6 Non recovery of detection bills - Rs.28,728.00 million

According to Para-1.3 of Commercial Procedures Manual of WAPDA Power Wing, "Revenue Officer and Assistant Manager are responsible for implementing in conjunction with the Executive Engineer, the commercial policy laid down from time to time by the Authority through the Company efficient application of billing and collection procedures". Furthermore, according to serial no. 1 of annexure-III included in Cabinet Division's Memorandum No

F.14/26/2021-com dated 15.10.2021, monitoring the operational performance, recoveries, line losses, subsidies, constraint removal etc. was the responsibility of PPMCL.

During performance audit of PPMCL, it was noticed from progress report that 4,818,080 cases of detection charges were pointed out from July, 2020 to June, 2021 with the recoverable amount of Rs.36,999.00 million. Out of which an amount of Rs.8,271.00 million has been recovered from the consumers and balance of Rs.28,728.00 million was still outstanding. Which indicates that recovery percentage against detection bills was only 22.36 %. The PPMCL management had failed to recover the detection bills amounting to Rs.28,728.00 million. This shows the negligence and ineffective performance on the part of PPMCL management.

Non-adherence to instructions issued by the Cabinet Division resulted into recoverable detection bill amounting to Rs. 28,728.00 million from the defaulter consumers up to 06/2021.

The matter was taken up with the management in March, 2022. The management replied that PPMCL had pointed out the non-recovery of detection bills. CEOs of DISCOs were directed through performance monitoring letter. The para primarily related to DISCO and may be referred to DISCOs for appropriate action. The reply was not tenable as PPMCL was responsible to monitor the recoveries from the consumers of DISCOs. Therefore, PPMCL did not perform its functions and duties in true spirit.

DAC observed that detection was unduly charged to consumers with a view to conceal the line losses and causes loss to the company as GST was charged by tax authorities on assessment basis. Whereas on the other side, the undue detection remained unrecoverable causing financial burden on the company.

The DAC in its meeting held on 10th of June 2022, directed the management to inquire the matter at PPMCL level and report thereof be furnished to Audit.

Audit recommends that the management needs to comply with the DAC directives.

4.5 ENVIRONMENT

4.5 Environment

4.5.1 Non recovery of 5% Environmental & Social Safeguard cost –Rs.799.49 million

According to serial no. 17 of annexure-III included in Cabinet Division's Memorandum No. F.14/26/2021-com dated 15.10.2021, it was the prime responsibility of PPMCL management to monitor and to get ensure the recovery of 5% E&S cost from the estimates of the projects (Grid stations, T/Lines & Colonies). Furthermore, according to section 12, Financial Implication and delegation of powers (Policy) of SOP of Environmental & Social Safeguards, Resettlement Policy "minimum 5% budget of total cost of project (Grid stations, T/Lines & Colonies) to be allocated in Environmental & Social management head of own resources as well as deposit works.

During Performance audit of Managing Director PPMCL for the financial years 2019-2020 & 2020-21, it was noticed that 154 Nos (one hundred & fifty-four) estimates of transmission lines and grid stations amounting to Rs. 15,989.81 million were prepared and approved by DISCOs without including E&S cost @ of 5% which worked out to Rs.799.49 million from the estimates of total cost of project (Grid stations, T/Lines & Colonies).

Resultantly, an amount of Rs.799.49 million could not be recovered from the executing agencies. As such Authority sustained a loss of Rs.799.49 million as **Annex-VII**.

This depicted that the PPMCL Management showed ineffectiveness to ensure the implementation of Environmental Policies and recovery of 5% E&S cost.

Non-adherence to the SOP of Environmental & Social Safeguards, Resettlement Policy resulted into non-recovery of 5% E&S cost amounting to Rs.799.49 million.

The matter was taken up with the management in March, 2022. The management replied that necessary/ directions would be issued to concerned formations for strict compliance. The reply was not tenable as it was the responsibility of PPMCL management to monitor the compliance of SOPs by the concerned DISCOs formations.

The DAC in its meeting held on 10th of June 2022, directed the management to strongly monitor the compliance of Pakistan Environmental Protection Act 1997 by DISCOs and the progress of the same may be got verified from Audit.

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

4.5.2 Irregular approval of Estimates without obtaining NOC from Environmental Protection Agency (EPA), Punjab - Rs.15, 989.81 million

According to serial no. 17 of annexure-III included in Cabinet Division's Memorandum No F.14/26/2021-com dated 15.10.2021, it was the prime responsibility of PPMCL management to monitor and to get ensure that the requisite NOC for the health and safety environment has been obtained by concerned DISCOs prior to take the work in hand. Furthermore, according to

Section 12 (1) of the PEP Act 1997 "No proponent of a sub project shall commence construction or operation unless he has filed with the Federal or Provincial Agency an Initial Environmental Examination (IEE) or, where the project is likely to cause an adverse environmental effect, an Environmental Impact Assessment (EIA) has been obtained from Federal Agency approval in respect thereof.

According to Environmental Protection Agency (EPA), Punjab vide Notification No. SO (T)/EPD/1-26/2004 section-3 dated 09.08.2017 states that "all Environmental Impact Assessment studies are required to be prepared and submitted by EPA approved registered consultants only".

According to Schedule –II of SOP of Environmental & Social Safeguards, Resettlement Policy, The EIA is required for the construction of grid station and transmission lines (11 kv and above).

During Performance audit of Managing Director PPMCL for the financial years 2019-2020 & 2020-21, it was noticed that 154 No's (one hundred and fifty-four) estimates amounting to Rs.15,989.81 million relating to transmission line and grid stations were prepared and approved by DISCOs without getting NOC from Environment Protection Department, Government of Punjab. Moreover, as per approved SOPs of E&S without NOC DISCOs could not start construction activities. Contrary to that neither the compliance of Punjab Environmental Protection Act was ensured nor was the estimates vetted by the Environment office. Moreover, all these works were executed without obtaining the NOC from Environmental Protection Agency (EPA) Punjab.

The PPMCL management remained unable to monitor the Environmental Policies resultantly all these works were executed without obtaining mandatory NOC.

Non-adherence to monitoring and Environment Policies resulted into unjustified approval of 154 No works amounting to Rs.15,989.81 million.

The matter was taken up with the management in March, 2022. The management replied that detailed reply would be given after consulting the record. The management would take the matter with higher authorities for appropriate disciplinary action against the PPMCL management associated with such managerial lapses.

The DAC in its meeting held on 10th of June 2022, directed the management to strongly monitor the compliance of Pakistan Environmental Protection Act 1997 by DISCOs and the progress of the same may be got verified from Audit.

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

4.5.3 Non recovery of 10% penalty from the contractor due to non-compliance of Pakistan Environmental Protection Act 1997–Rs.1,598.98 million

According to Cabinet Division Memorandum No F.14/26/2021-com dated 15.10.2021 (Annex-III), Sr. 17, "monitoring the compliance to health safety and environment polices" was responsibility of PPMCL. Which was not performed by the PPMCL management and resultantly penalty @ 10% of estimates of works Rs.1,598.98 million was not imposed. Furthermore, according to SOP clause 5 of Environmental & Social Safeguards, Resettlement Policy, the implementation of Environmental Management & Monitoring Plan (EMMP) was mandatory requirement for all projects. The contractor will comply with all applicable Laws (Pakistan Environmental Protection Act under PEPA-1997).

The compliance was mandatory part of tender bidding documents and the Scope of (EMMP) work was mentioned with BOQ and the project estimates were to be vetted by Environment office. The payment to the contractor would be made after verification of PMU Environment and Social Cell regarding compliance with Environmental & Social aspects.

In case of non-compliance the employer has the right to suspend the work and withhold payments till the remedial measures are adopted, and impose penalty up to 10% of the total cost of the contract and no extension of time will be allowed to the contractor.

During Performance audit of Managing Director PPMCL for the financial years 2019-2020 & 2020-21 it was noticed that 154 No's (One Hundred and fifty-four) estimates of Rs.15, 989.81 million of Projects of transmission lines, grid stations, electrification schemes etc were approved in DISCOs. It was mandatory for all DISCOs, to comply with the SOP of (EMMP) for all projects. Contrary to above, neither the compliance of Pakistan Environmental Protection Act was ensured nor penalty @ 10% of estimates of works, was made/ recovered which worked out to Rs.1,598.98 million.

According to serial no. 17 of annexure-III included in Cabinet Division's Memorandum No F.14/26/2021-com dated 15.10.2021, "monitoring the compliance to health safety and environment polices" was responsibility of PPMCL. Which was not performed by the PPMCL management and resultantly penalty @ 10% of estimates of worksRs.1598.98 million was not imposed.

Non-adherence to monitor and implement the SOP of Environmental & Social Safeguards, Resettlement Policy by the PPMCL management resulted into non-recovery of Rs.1,598.98 million.

The matter was taken up with the management in March, 2022. The management stated that the reply would be finalized after consulting the concerned formations. The reply was not tenable as it was the responsibility of PPMCL management to monitor the compliance of SOP.

The DAC in its meeting held on 10th of June 2022, directed the management to strongly monitor the compliance of Pakistan Environmental Protection Act 1997 from DISCOs and the progress of the same may be got verified from Audit.

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

4.6 OVERALL ASSESSMENT

The Audit emphasizes that PPMCL lacked effective monitoring due to its own inefficiency. Keeping in view the performance of the organization during the period 2019-20 & 2020-21, the expenditure, that the organization bore, could be termed as an extra financial burden on national exchequer. The financial mismanagement by the Chief Financial officer in respect of collection of PTV Fee, Neelum Jhelum Surcharge, debt Servicing Surcharges and non-recognition of Supplement Charges in Financial statements were against the IFRs due to which the Financial Statements of respective DISCOs did not present true and fair view.

5. CONCLUSION

During execution, project management could not manage and closely monitor all the activities timely. Resultantly envisaged benefits of formation of PPMCL could not be achieved. The PPMCL management needs to strengthen its internal controls to achieve the objectives as monitoring the operational performance, recoveries, line losses, subsidies, coordination & monitoring of SDGs schemes, monitoring of cash collection, retention and remittances to CPPA-G on account of purchase of power by DISCOs and dispute resolution between the companies for smooth running of the distribution companies.

PPMCL should investigate and fix responsibility for non implementation of Pakistan Environmental Act Under PEPA-1997, non-realization of electricity duty & its illegal adjustments against the outstanding dues of Punjab Govt electricity Connections, non-diversification of working balance, less remittance of Debt Servicing Surcharge and non-recognition of Supplemental Charges in Financial Statements.

ACKNOWLEDGEMENT

We wish to express our appreciation to the management and staff of PPMCL for the assistance and cooperation extended to the auditors during this assignment.

ANNEXES

Annex-I
Para No. 4.1.1

Progress regarding completion of schemes under SDG & SAP since start of the programme upto 30-06-2021						
Sr. No	**DISCO**	**No. of Schemes identified**	**Fund transfer source (Power Division/Other**	**Total Cost (Million PKR)**	**Expenditure**	**Amount for 20% improvement/up-gradation of Grids**
1	IESCO	1,818	Provincial Govt and Power Division	2,337.25	2,164.178	467.45
2	LESCO	597	Provincial Govt.	490.90	473.052	98.18
3	FESCO	3,003	Provincial Govt (DC)	3,600.14	1,826.885	720.03
4	MEPCO	13,466	Provincial Govt (DC)	10,426.98	7,036.679	2,085.40
5	GEPCO	620	Power Division	459.45	255.807	91.89
6	SEPCO	284	Power Division	309.07	259.605	61.81
7	HESCO	85	Power Division	162.44	28.519	32.49
8	PESCO	5,537	Provincial Govt (DC)	5,513.03	2,691.429	1,102.61
9	TESCO	274	Provincial Govt (DC)	141.60	113.00	28.32
10	QESCO	429	Power division and Govt of Balochistan	529.10	361.948	105.82
Total		**26,113**		**23,969.95**	**15,211.10**	**4,793.99**

Annex-II
Para No. 4.1.2

Progress regarding completion of schemes under SDGs & SAP since start of the programme upto 30-06-2021

Sr. No.	DISCO	No. of Schemes identified	Fund transfer source (Power Division/Other	Total Cost (Million PKR)	Expenditure	Unspent balance	Completed schemes	On going schemes
1	IESCO	1,818	Provincial Govt and Power Division	2,337.25	2164.178	173.07	1,631	187
2	LESCO	597	Provincial Govt.	490.90	473.052	17.85	577	13
3	FESCO	3,003	Provincial Govt (DC)	3,600.14	1826.885	1,773.26	1,966	1,037
4	MEPCO	13,466	Provincial Govt (DC)	10,426.98	7036.679	3,390.30	9,963	3,503
5	GEPCO	620	Power Division	459.45	255.807	203.64	332	288
6	SEPCO	284	Power Division	309.07	259.605	49.46	268	16
7	HESCO	85	Power Division	162.44	28.519	133.92	23	62
8	PESCO	5,537	Provincial Govt (DC)	5,513.03	2691.429	2,821.60	2,768	2,769
9	TESCO	274	Provincial Govt (DC)	141.60	113.00	28.60	204	70
10	QESCO	429	Power division and Govt of Balochistan	529.10	361.948	167.15	283	146
Total		**26,113**		**3,969.95**	**15,211.10**	**8,758.85**	**18,015**	**8,091**

Annex-III
Para No. 4.2.2

Statement Showing detail of Additional Charge upto 30.06.2021

Sr. No	Name of Officer	Present Posting	Additional Charge	Date of assigning additional charge	Amount paid per Month	Total amount Paid
1	Mr. Basharat Ali	Chief Financial Officer	Chief Auditor PEPCO/PPMCL	17.07.2019 to 30.06.2021	12,000	282,000
2	Col Rtd Syed Saleem Ahmad	Director Complaint	Director Service PEPCO/PPMCL	15.02.2016 to 30.06.2021	12,000	756,000
3	Altaf Ahmad	Budget & Account Officer	Sr. Budget & Account Officer	23.04.2020 to 30.06.2021	12,000	171,200
Total						**12,092,00/-**

Annex-IV
Para No. 4.2.3

Statement Showing detail of non-implementation of recommendations of inquiries

Total No. of inquiries received	Total No. Inquiries conducted	Inquiries available at PPMCL	Inquiries not available in PPMCL
120	120	80	40

Annex-V
Para No. 4.2.4

Statement Showing detail of Billing, Collection and Remittance of DSS/FCS for the period upto 2019-20 by PPMCL to CPPA-G.

Distribution Company	DSS/FCS billing by DISCOs (in Billion)	DSS/FCS Collection by DISCOs (in Billion)	DSS/FCS Remittance to CPPA-G (in Billion)	Less Remittance (in Billion)
PESCO	19.49	16.19	12.83	3.36
QESCO	9.885	3.082	2.928	0.154
SEPCO	6.30	3.14	2.929	0.211
HESCO	8.83	5.41	4.992	0.418
MEPCO	32.68	30.84	29.66	1.18
IESCO	22.724	19.006	15.317	3.689
FESCO	28.070	26.241	25.250	0.991
GEPCO	20.118	19.155	18.587	0.568
LESCO	40.545	37.754	37.940	0.186
Total	**188.642**	**160.818**	**150.433**	**10.757**

Annex-VI
Para No. 4.4.3

Statement Showing trend of T&D Losses for the year 2020-21

Sr.No	Year	Units	2020-21
1	Units purchased	MWh	19,421.33
2	Allowed T&D losses by NEPRA	%	14.85
3	Avg actual T&D losses	%	17.50
4	Avg. Excess losses OF DISCOs	%	2.65
5	Excess unit lost	M. Kwh	3,625.25
6	Rate per unit	Rs. /Kwh	19.58
7	**Impact of excess loss**	**Rs. in million**	**70,982.395**

Annex-VII
Para no. 4.5.1

Statement showing detail of Non recovery of 5% Environmental & Social Safeguard for the period 2019-20 & 2020-21					
Sr.#	**Year**	**Name of Company**	**Total No. of estimates approved**	**Amount**	**5% E&S Cost**
1	2019-20	LESCO	16	3,262.01	163.10
2	2020-21	LESCO	66	5,034.12	251.71
3	2019 to 2021	IESCO	36	5,662.80	283.14
4	2019-20	MEPCO	3	474.00	23.70
5	2020-21	MEPCO	3	633.00	31.65
6	2019-20	FESCO	30	923.00	46.19
			154	15,988.93	799.49

LIST OF PARAS
(MFDAC)

Sr. No.	Para No.	Subject	Amount (Rs. In million)
1.	4.2.7	Recoverable amount on account of irregular receipt of House acquisition	0.325