



**SPECIAL AUDIT REPORT ON
REVIEW OF DISTRIBUTION OF
COMPACT FLORESCENT LAMPS (CFLs),
NON-RETURN OF INCANDESCENT
BULBS (IBs) AND NON-DISTRIBUTION
OF CFLs IN RESPECT OF PESCO/PEPCO
AUDIT YEAR 2022-23**

AUDITOR-GENERAL OF PAKISTAN

PREFACE

The Auditor General 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 special audit on review of distribution of Compact Florescent Lamps (CFLs), non-return of Incandescent Bulbs (IBs) and non-distribution of CFLs in respect of PESCO/PEPCO was carried out accordingly.

The Directorate General of Audit Power conducted special audit on review of distribution of Compact Florescent Lamps (CFLs), non-return of Incandescent Bulbs (IBs) and non-distribution of CFLs in respect of PESCO/PEPCO during October, 2022 for the period 2013-2022 with a view to reporting significant findings to stakeholders. Audit examined the distribution of CFLs and non-return of IBs in the light of SOPs issued by PESCO/PEPCO. The Special Audit Report indicates specific actions that, if taken, will help the management in recovering the losses due to improper distribution of CFLs and non-return of IBs to stores. Most of the observations included in this report have been finalized in the light of discussion in DAC meeting held on 23rd January, 2023.

The Special 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].

Islamabad
Dated: 26 October, 2023

(Muhammad Ajmal Gondal)
Auditor-General of Pakistan

TABLE OF CONTENTS

EXECUTIVE SUMMARY

SECTIONS	Page
1. INTRODUCTION	1
2. AUDIT OBJECTIVES	2
3. AUDIT SCOPE AND METHODOLOGY	2
4. AUDIT FINDINGS AND RECOMMENDATIONS	5
4.1 Financial Management	5
4.2 Monitoring and Evaluation	7
4.3 Overall Assessment	13
5. CONCLUSION	14
6. RECOMMENDATIONS	14
7. ACKNOWLEDGMENT	17
8. MFDAC	19
9. ANNEXES	23

ABBREVIATION AND ACRONYMS

ADB	Asian Development Bank
AFD	Agence Francaise de Development
CDM	Clean Development Mechanism
CE	Chief Engineer
CEO	Chief Executive Officer
CERs	Certified Emission Reductions
CFL	Compact Florescent Lamp
CPPA-G	Central Power Purchase Agency (Guaranteed)
DAC	Departmental Accounts Committee
DISCOs	Distribution Companies
DDT	Deputy Director Technical
EBCDM	Executive Board of Clean Development Mechanism
ECNEC	Executive Committee of the National Economic Council
EIRR	Economic Internal Rate of Return
EMB	Electronic Measurement Book
ENERCON	Energy Conservation Center
EBCDM	Executive Board of Clean Development Mechanism
FD	Finance Director
GRN	Goods Receipts Note
GHG	Green House Gas
GoP	Government of Pakistan
IAS	International Accounting Standards
IBs	Incandescent Bulbs
ICL	Incandescent Lamp
INTOSAI	International Organization of Supreme Audit Institutions
KESC	Karachi Electric Supply Company
KWH	Kilo Watt Hours
LS	Line Superintendent
MCR	Material Consumption Record
MIS	Management Information System
MoWP	Ministry of Water and Power
MRN	Material Return Note

MW	Mega Watt
NAB	National Accountability Bureau
NEPRA	National Electric Power Regulatory Authority
PC-I	Planning Commission Performa-I
PD	Project Director
PITC	Pakistan Information Technology Company
PEPCO	Pakistan Electric Power Company
PMU	Project Management Unit
PPMCL	Power Planning & Monitoring Company Limited
RO	Revenue Office
SAI	Supreme Audit Institutions
SDO	Sub-Divisional Officer
SECP	Securities & Exchange Commission of Pakistan
SEEIP	Sustainable Energy Efficiency Investment Program
PESCO	Peshawar Electric Supply Company
SOP	Standing Operating Procedure
WAPDA	Water and Power Development Authority
XEN	Executive Engineer

EXECUTIVE SUMMARY

The Directorate General Audit Power conducted special audit on ‘Distribution of Compact Florescent Lamps (CFLs) in PESCO’ in October, 2022 with a view to report significant findings to all the stakeholders in general and Public Accounts Committee in particular. The special audit was planned with an objective to examine distribution of CFLs among the non-defaulter domestic consumers for replacement and return of Incandescent Bulbs (IBs) to ensure energy conservation with minimum environmental impact.

In Peshawar Electric Supply Company (PESCO), 3,900,000 CFLs were allocated for distribution among non-defaulter domestic consumers against healthy Incandescent Bulbs under National CFLs project financed by ADB & AFD. Out of which 3,871,882 CFLs were issued and the balance of 28,118 CFLs remained undistributed and were lying in the stores since 2014-15. The audit was conducted in accordance with applicable standards of SAIs/INTOSAI.

On the basis of special audit, certain irregularities were pointed out in the initial draft and discussed with the management.

a. Key Audit Findings

- i. Non-disclosure/adjustment of amount of CFLs in the financial statements - Rs.546 million
- ii. Misappropriation of CFLs – Rs. 9.962 million
- iii. Misreporting regarding distribution of CFLs to PEPCO/Ministry (135194 Nos) costing - Rs.18.927 million
- iv. Non-observance of SOPs in distribution and non-accountal /consumption of CFLs – Rs.542.063 million
- v. Irregular distribution of CFLs against SOPs-Rs.6.948 million
- vi. Poor monitoring/non-implementation of the recommendations of enquiry report in CFLs distribution project
- vii. Unsaved energy due to non-distribution of CFLs worth Rs.24.047 million
- viii. Undue retention and non-distribution of CFLs within warranty period –Rs 27.406 million
- ix. Irregular drawl of CFLs by the line staff – Rs.215.365 million

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 its defined geographical boundaries. The Company purchases electricity from CPPA-G through NTDCL system and sells it to various consumers of Khyber Pakhtunkhwa (KPK) Province. The operational activities are performed through eight (8) Operation Circles, Project Construction Circle, Grid System Construction Circle and Grid System Operation Circle.

As per National CFLs Project, 30 million CFLs were to be distributed at 35 different locations in Pakistan. The project was approved by the Executive Committee of National Economic Council (ECNEC) on December 09, 2010 with a total cost of Rs.6,698.87 million. The core objective of the proposed CFLs replacement was to conserve the energy for useful utilization in the country and bridge the gap between supply and demand. The project involved purchase of 30 million CFLs under the Tranche-I of SEEIP for all DISCOs and KESC. To comply with the requirements prescribed by the Executive Board of Clean Development Mechanism (EBCDM), the consumers were obligated to return the equal number of IBs in use for the CFLs received by them. The IBs will be returned to regional / field stores where they will be destroyed and disposed-off by the DISCOs on behalf of government after third party verification. In this context, 3.90 million CFLs were allocated to PESCO at four destination points i.e. Regional Store Noshera, Field Store Peshawar, Field Store Abbottabad and Field Store Bannu for distribution to non-defaulter domestic consumers under its jurisdiction.

National Accountability Bureau (NAB) had highlighted the matter of corrupt practices/misappropriation of loan provided by ADB for distribution of Compact Florescent Lamps (CFLs) to consumers by officers/officials of PESCO/PEPCO. As a result of fact finding report “Case-referral-Inquiry against officers/ officials of PESCO/PEPCO & others regarding corruption and corrupt practices / misappropriation of loan provided by Asian Development Bank”

Ministry of Energy (Power Division) recommended to conduct Special Audit of the CFLs distribution in PESCO to ascertain the financial loss.

2. AUDIT OBJECTIVES

The main objectives of Special Audit on distribution of CFLs in PESCO were as under:

- i. To check the distribution of CFLs as per PC-I provision.
- ii. To examine the damage of CFLs under warranty period.
- iii. To examine the reasons of non-distribution of CFLs and non-return of IBs in stores and consequent loss in the process on account of non-compliance as per SOPs.
- iv. To examine the standards of internal controls.

3. AUDIT SCOPE AND METHODOLOGY

3.1 AUDIT SCOPE

The scope of the special audit included review of distribution, non-return of Incandescent Bulbs (IBs) and non-distribution of Compact Florescent Lamps (CFLs) in respect of PESCO/PEPCO, covering period with effect from 2013-2022.

3.2 AUDIT METHODOLOGY

Following audit methodology was adopted during the course of execution of this Special Audit:

- Defining audit objectives
- Developing audit procedures
- Field work covering audit of record as per audit procedures
- Evaluating results
- Conclusions
- Recommendations

4. AUDIT FINDINGS AND RECOMMENDATIONS

4. AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Financial Management

4.1.1 Non-disclosure/adjustment of amount of CFLs in financial statements - Rs.546 million

According to the IAS-1.15, “the financial statements must ‘present fairly’ the 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 definition and recognition criteria for assets, liabilities, income and expenses set out in the framework”.

During Special Audit on Review of Distribution of Compact Florescent Lamps (CFLs), non-return of Incandescent Bulbs (IBs) and non-distribution of CFLs in PESCO for the period 2013-2022, it was observed that 3.9 million CFLs valuing Rs.546 million, under National CFLs project financed by ADB, were received in various stores during August, 2013 to February, 2014. Proper disclosure/adjustment of the CFLs was not found in the books of Company/respective field formations which was against the International Accounting Standards and practice in vogue.

Non-adherence to the International Accounting Standards resulted in non-disclosure of value of CFLs amounting to Rs.546 million in the financial statements up to the financial year 2021-22.

The matter was taken up with the management in October, 2022 and reported to the Ministry in January, 2023. The management replied that PESCO’s Financial Statements were compiled as per International Reporting Standards and Companies Act 2017 /SECP as such proper disclosures were made as required. Accordingly, amount of CFLs had been recorded under the head of Work in Progress amounting to Rs.543.474 million. There were no specific instructions regarding the accounting treatment and its bookkeeping. Hence the booking was made by applying management assertion of prudence concept in this case.

The DAC in its meeting held on January 23, 2023, while agreeing with the contention of audit directed the management to recognize/disclose CFLs amount in financial statements with proper schedule of ADB Loan and to get it verified from Audit within 15 days.

Audit recommends implementation of DAC's directives.

4.1.2 Misappropriation of CFLs – Rs. 9.962 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982, 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.

During Special Audit on Review of Distribution of Compact Florescent Lamps (CFLs), non-return of Incandescent Bulbs (IBs) and non-distribution of CFLs in PESCO for the period 2013-2022, it was observed that 71,158 CFLs valuing Rs.9.962 million were drawn by Line Superintendents through store requisitions for distribution to non-defaulter domestic consumers. But in 2017, it was reported that all the CFLs distribution record was burnt in a mob attack. It is also worth mentioning here that no further follow up of the case was done by the PESCO management. The situation depicted that the CFLs were not distributed and chances of misappropriation could not be ruled out (**Annex-I**).

Non-adherence to Authority's instructions resulted into loss of Rs.9.962 million due to non-distribution of CFLs up to the financial year 2021-22.

The matter was taken up with the management in October, 2022 and reported to the Ministry in January, 2023. The management replied that as per inquiry report 3,869,526 CFLs were distributed amongst the consumers.

The DAC in its meeting held on January 23, 2023 directed the management to inquire the matter and provide report to Audit duly vetted by PPMCL within 30 days.

Audit recommends implementation of DAC's instructions.

4.1.3 Misreporting regarding distribution of CFLs to PEPCO/Ministry (135,194 Nos) costing - Rs.18.927 million

According to the IAS-1.15, "the financial statements must 'present fairly' the 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 definition and recognition criteria for assets, liabilities, income and expenses set out in the framework".

During Special Audit on Review of Distribution of Compact Florescent Lamps (CFLs), non-return of Incandescent Bulbs (IBs) and non-distribution of CFLs in PESCO for the period 2013-2022, it was observed that the management reported that the distribution of CFLs was completed and PEPCO forwarded the same information vide No 1297-1320/PEPCO/PD/PMU/ADB dated 04.09.2015 to the then MoWP. But after scrutiny of record, it was observed that 135,194 CFLs costing Rs.18.927 million were lying in stores of PESCO as on 30.09.2015. It was apprehended that misreporting of facts was made which put a question mark on the authenticity of distribution data/process of CFLs.

Non-adherence to the rules resulted into misreporting of facts regarding distribution of CFLs to PEPCO up to the financial year 2021-22.

The matter was taken up with the management in October, 2022 and reported to the Ministry in January, 2023. The management replied that as per record of the site, final issuance of CFLs was made by field stores; however, subsequent distribution to divisions was carried out slowly because of collections of IBs and distribution of CFLs. Now only 30,374 CFLs were pending.

The DAC in its meeting held on January 23, 2023, while disagreeing with the management's reply directed CEO PESCO to serve show cause notices to the reporting officers who misreported the facts and to take strict action against those responsible under E&D rules within 60 days.

Audit recommends implementation of DAC's directives.

4.2 MONITORING AND EVALUATION

4.2.1 Non-observance of SOPs in distribution and non-accountal /consumption of CFLs – Rs.542.063 million

According to SOPs for distribution of Compact Florescent Lamps (CFLs), the LS Feeder incharge will deliver two CFLs to each consumer and collect the one voucher from each consumer with two used IBs (in healthy condition). After delivering the CFLs, the LS incharge will hand over the collected vouchers to the SDO and collected Incandescent Lamps (ICLs/IBs) would be returned to stores through MRNs and SDO concerned would furnish the CFLs vouchers data to their revenue officer for onward submission to concerned computer center for data compiling. As per direction of the Ministry

of Water and Power, the distribution of CFLs to the consumers should be completed by April 30, 2015 by the DISCOs.

During Special Audit on Review of Distribution of Compact Florescent Lamps (CFLs), non-return of Incandescent Bulbs (IBs) and non-distribution of CFLs in PESCO for the period 2013-2022, it was observed that 3.87 million CFLs were drawn by the line staff for distribution amongst the consumers. While checking the record provided on sample basis, it was noticed that prescribed SOPs were not observed and record like issuance register, CFLs receiving Register and coupons/vouchers was not as per format circulated by the management. Moreover, punching of coupons/vouchers was not made by the MIS Directorate. In addition, accountal /consumption record of 1.5 million CFLs was not provided by line staff concerned. No departmental action was taken against the officials concerned for non-maintaining the requisite record. Hence, authenticity of distribution of CFLs without punching of coupons by MIS Directorate could not be ascertained.

Non-adherence to the SOPs for distribution of CFLs resulted in unauthentic distribution/non-accountal /consumption of CFLs amounting to Rs.542.063 million up to the financial year 2021-22.

The matter was taken up with the management in October, 2022 and was reported to the Ministry in January, 2023. The management stated that preprinted form of bill having coupon were received to MIS and bills were printed on those preprinted format having coupon already printed. However, reply would be submitted after obtaining list of Line Superintendents (LSs).

The DAC in its meeting held on January 23, 2023 directed the management to receive circle wise list of all consumers and get the relevant record verified from Audit within one month.

Audit recommends implementation of DAC's decision on priority besides conducting inquiry into the matter to fix responsibility on the person (s) at fault.

4.2.2 Irregular distribution of CFL against SOPs -Rs.6.948 million

"As per Criteria # 2, Compact Florescent Lamps (CFLs) were to be distributed to the non-defaulter domestic consumers in return of same number of Incandescent Bulbs (IBs).

During Special Audit on Review of Distribution of Compact Florescent Lamps (CFLs), non-return of Incandescent Bulbs (IBs) and non-distribution of CFLs in PESCO for the period 2013-2022, it was observed 49,627 CFLs were withdrawn by Mr. Nasrullah Khan from field store Bannu for distribution to non-defaulting consumers. However, five (5) to fifteen (15) CFLs were shown to have been distributed to consumers instead of two (2) in violations of the SOPs circulated by the management. Audit was of the view that criteria of CFLs distribution were not observed. Hence, the chance of misappropriation of CFLs could not be ruled out.

Non-adherence to the rules resulted into irregular distribution of CFLs worth Rs.6.948 million by PESCO.

The matter was taken up with the management in October, 2022 and reported to the Ministry in January, 2023. The management replied that since the official had retired on 31.12.2017, the matter would be dealt as per rules and disciplinary action would be taken accordingly.

The DAC in its meeting held on January 23, 2023 directed the management to furnish fact-finding report within 30 days.

Audit recommends implementation of DAC's decision.

4.2.3 Poor monitoring/non-implementation of recommendations of enquiry report

According to instructions issued by the Ministry of Water & Power to all the DISCOs vide letter No. F.1 (15)2014-DISCOs dated March 24, 2014, distribution of CFLs should be completed by April 30, 2014. Ministry of Water and Power took the notice very seriously and directed that DISCOs should strictly adhere to the given schedule and complete the distribution of CFLs by 30th April, 2014 without fail, otherwise, the officers/official responsible for the delay will be taken to task.

During Special Audit on Review of Distribution of Compact Florescent Lamps (CFLs), non-return of Incandescent Bulbs (IBs) and non-distribution of CFLs in PESCO for the period 2013-2022, it was observed that distribution of CFLs was initiated in January, 2014 after receiving 3.9 million CFLs. The deadline of distribution of CFLs was 30.04.2014 but the distribution of CFLs was far behind the schedule because 1,734,085 CFLs were still pending in stores on

30.6 2014. Overall, PESCO management largely failed to implement the project of distribution of CFLs in true letter and spirit. A high-level enquiry in the matter was conducted from 2019 to 2021 which found that SOPs and prescribed format for operation circles and field stores regarding distribution of CFLs, return of IBs and collection of vouchers were not followed and maintained. The enquiry report recommended to:

- i) initiate disciplinary action against LSs who drew the CFLs and did not distribute the same as per criteria; IBs were not returned in healthy condition which made all the process suspicious.
- ii) initiate disciplinary action against all the SDOs/XENs and DDTs of circles who failed to monitor the distribution process.
- iii) disciplinary action might be initiated against Manager MIS, Chief Engineer Development (PMU) and officers of project monitoring cell for non-monitoring the project activities according to prescribed SOPs.
- iv) carry out special audit to ascertain financial loss.

A period of more than one year had lapsed but recommendations of the enquiry report were not implemented by the management.

Non-adherence to the directions resulted into poor monitoring/non-implementation of the recommendations of enquiry report in CFLs distribution project.

The matter was taken up with the management in October, 2022 and reported to the Ministry in January, 2023. The management replied that constraints in the field were beyond the control of the offices concerned, i.e. shortage of staff / manual processing of data, shortage of vehicles for its transportation caused delay in distribution of CFLs, implementation of the recommendations of enquiry report was under process.

The DAC meeting held on January 23, 2023, while disagreeing with management contention directed conduct of an inquiry by G.M (T.S) PPMCL, implementation of the recommendation of earlier enquiry and submission of report thereof within 30 days.

Audit recommends implementation of DAC's decision.

4.2.4 Unserved energy due to non-distribution of CFLs worth - Rs.24.047 million

As per Para-5.2 of PC-I, “the core objective of proposed CFLs replacement is to conserve the energy for useful utilization in the economy and bridge the gap between supply and demand”.

During Special Audit on Review of Distribution of Compact Florescent Lamps (CFLs), non-return of Incandescent Bulbs (IBs) and non-distribution of CFLs in PESCO for the period 2013-2022, it was observed that 28,118 CFLs valuing Rs.4.788 million were lying undistributed in the stores till 2022. The initial deadline for complete distribution of CFLs was April 30, 2014 which was extended up to March 31, 2015 but the Company failed to distribute entire CFLs within original as well as extended time period. Hence, main objective of the project i.e. energy conservation could not be achieved due to non-distribution of remaining CFLs, which caused loss of energy saving worth Rs.24.047 million.

Non-adherence to the Authority’s instructions resulted into loss of energy due to non-distribution of CFLs Rs.24.047 million (**Annex II**).

The matter was taken up with the management in October, 2022 and reported to the Ministry in January, 2023. The management while stating that 28,118 CFLs which remained undistributed due to different reasons would be investigated and responsibility fixed against the concerned.

The DAC in its meeting held on January 23, 2023 directed the management to provide revised reply.

Audit recommends implementation of DAC’s directives and conduct of departmental enquiry as stated above.

4.2.5 Undue retention and non-distribution of CFLs within warranty period –Rs.27.406 million

According to Clause-13 (warranty) of the contract, “the warranty period will be expired within twenty-four months from the date of installation / commissioning / delivery from the date of delivery of consignment”. As per instructions of Ministry of Water & Power issued vide letter No. IPPs-(6(70)/2011 dated March 04, 2015, remaining CFLs be distributed to commercial and industrial consumers before March 31, 2015 according to SOPs.

During Special Audit on Review of Distribution of Compact Florescent Lamps (CFLs), non-return of Incandescent Bulbs (IBs) and non-distribution of CFLs in PESCO for the period 2013-2022, it was observed that 3.9 million CFLs were received under National CFLs project financed by ADB out of which 3,704,242 CFLs were issued and distributed among the consumers within original as well as extended deadline. The remaining 195,757 CFLs amounting to Rs.27.406 million were not distributed and were lying in the stores as on 30.06.2015. As a result, the warranty of un-distributed CFLs after the expiry date of June 30, 2015 could not be claimed.

Non-adherence to the instructions of Ministry / warranty clause resulted in undue retention and non-distribution of CFLs within warranty period of CFLs amounting to Rs.27.406 million.

The matter was taken up with the management in October, 2022 and reported to the Ministry in January, 2023. The management replied that warranty would be claimed when there was fault or damage observed in the product in a certain period. But, no such complaint was received and therefore no warranty was claimed. The contention of the management was not found satisfactory as the CFLs had not been issued from the stores in the first place and warranty there against could not be claimed as a matter of policy.

The DAC in its meeting held on January 23, 2023 directed the management to get the stance verified from Audit within 30 days.

Audit recommends implementation of DAC's directives besides providing justification in terms of non-issuance of stores costing hefty expenditure.

4.2.6 Irregular drawl of CFLs by line staff – Rs.215.365 million

According to instructions issued by the Ministry of Water & Power to all the DISCOs vide letter No. F.1 (15)2014-DISCOs dated March 24, 2014, distribution of CFLs should be completed by April 30, 2014.

During Special Audit on Review of Distribution of Compact Florescent Lamps (CFLs), non-return of Incandescent Bulbs (IBs) and non-distribution of CFLs in PESCO for the period 2013-2022, it was observed that 1,538,328 (1,734,085-195757) CFLs valuing Rs.215.365 million were drawn by the Line Superintendents for distribution to domestic non-defaulter consumers after

closing date i.e. April 30, 2014. As no CFLs coupon bills were printed and issued by the MIS Directorate for upcoming months till 30.6.2015, hence, drawal of CFLs after closing date was non-transparent and irregular.

Non-adherence to Ministry's instructions resulted in irregular drawal of CFLs valuing Rs.215.365 million.

The matter was taken up with the management in October, 2022 and reported to the Ministry in January, 2023. The management replied that preprinted coupon bills were provided by the authority just for 01 month which was printed in billing cycle 07/2013 once by MIS Directorate PESCO. The authority did not repeat its printing so as to avoid its misuse. The contention of the management was not tenable as it should have ensured printing of the coupons for data base and cross-check.

The DAC in its meeting held on January 23, 2023 directed the conduct of enquiry by G.M TS (PPMCL) within 30 days and advised verification of report thereto from audit on priority.

Audit recommends implementation of DAC's directives.

4.2.7 Inordinate delay in return of healthy IBs by the line staff

According to Para-2 of SOPs for Distribution of Compact Florescent Lamps (CFLs) dated April 03, 2014, " LS in-charge / team will deliver two (2) CFLs to each domestic consumer and collect the filled vouchers available with electricity bill along with two (2) Incandescent lamps (Used and healthy) which will be returned to stores through MRN.

During Special Audit on Review of Distribution of Compact Florescent Lamps (CFLs), non-return of Incandescent Bulbs (IBs) and non-distribution of CFLs in PESCO for the period 2013-2022, it was observed that 3,871,882 CFLs were drawn by the line staff from stores for distribution to the consumers, however, only 3,395,298 IBs were received and returned to store by the line staff. These IBs were returned from 2019 to 2021 near about 5 years later than the project completion date i.e. 30.04.2014 which apprehended that the process of return of IBs was started after initiating the enquiry proceedings on malpractices in distribution of CFLs in 2019. It was also pertinent to mention here that most of the returned IBs were unhealthy which were received by the field store against the SOPs.

Non-adherence to the SOPs for distribution of CFLs resulted in inordinate delay in return of healthy IBs by the line staff up to the financial year 2021-22.

The matter was taken up with the management in October, 2022 and reported to the Ministry in January, 2022. The management replied that as per Superintending Engineer (Operation) Swat Circle 76,846 IBs were destroyed in mob attack /fire incidents.

The DAC in its meeting held on January 23, 2023 directed the management to provide proper revised reply within 15 days. However, no reply was furnished till finalization of the report.

Audit recommends implementation of DAC's decision.

4.3 Overall Assessment

The special audit of CFLs distribution in PESCO revealed that the project did not achieve the target dates for distribution of CFLs till 30.06.2014. Inordinate delay in return of Incandescent Bulbs was also noted. There was no proper disclosure given in financial statements, misreporting in distribution was also observed besides misappropriation of CFLs. The SOPs and prescribed formats regarding distribution of CFLs, return of IBs and collection of vouchers were not followed and maintained. No proper monitoring was done by the PESCO as per PC-I provisions and tripartite Agreement. The overall performance of the CFLs distribution project remained unsatisfactory due to reasons narrated above.

5. CONCLUSION

In view of the audit findings, it was concluded that the whole process of the distribution of CFLs was not properly monitored, reported and recorded in PESCO by the MIS, Finance Directorate, Circle DDTs, XENs, SDOs and LSs.

6. RECOMMENDATIONS

In view of the Audit findings following steps are recommended: -

- i. To investigate the reasons of non-distribution of 28,111 CFLs
- ii. Enquire the reasons of non-return of IBs to store from the period 2014 to 2019 as only 59,888 IBs were reported as returned to stores till 2019.
- iii. PESCO management may initiate disciplinary action against SDOs, XENs and DDTs of the circles who failed to monitor the collection of IBs and vouchers during the distribution period of CFLs.
- iv. Investigate the matter for fixing responsibility on personnel of the Finance Directorate who did not disclose the value of CFLs in the financial statements properly.
- v. Disciplinary action may be initiated against the MIS directorate of the PESCO and CDM cell who failed to monitor the project.
- vi. Initiate disciplinary action against the Field/Regional Stores of PESCO for collecting IBs from the period 2014 to 2019 and non-disposing off IBs received afterwards till 2021.
- vii. Take disciplinary action against the person(s) at fault who did not take responsibility of stock taking of IBs for proper disposal of the same.

7. ACKNOWLEDGEMENT

We wish to express our appreciation to the management of PESCO for the assistance and cooperation extended to the Auditors during this assignment.

8. List of MFDAC Paras

Sr. No	Para No.	Subject
1	4.2.4	Loss due to damage of CFLs -Rs.70,840 MFDAC
2	4.2.5	Loss of certified emission reduction credits (CERs) - Rs.3.290 million and non-reduction of green-house gases emission-8649.52 Tons
3	4.2.7	Irregular acceptance of IBs in stores without value
4	4.2.10	Non-distribution of CFLs to commercial and industrial consumers

9. ANNEXES

Annex-I
(Para No. 4.1.2)

Detailed sheet of likely misappropriation of material

Sr. No.	Name of LS	CFL Drawn@Rs140	Value	Remarks
1	Ali Rehman (Retired)	9,000	1,260,000	No record produced i.e. Issuance Register, coupon/vouchers
2	Akhtar Munir	10,500	1,470,000	No record produced i.e. Issuance Register, coupon/vouchers because everything was burnt in mob attack
3	Muslim Khan	10,440	1,461,600	No record produced i.e. Issuance Register, coupon/vouchers because everything was burnt in mob attack
4	Dargai Sub Division	4,1218	5,770,520	No record produced i.e. Issuance Register, coupon/vouchers because everything was burnt in mob attack
Total		71,158	9,962,120	

Annex-II
(Para No. 4.2.4)

Statement showing energy loss due to non-distribution of CFLs

Wattage of IBs being replaced (<i>Source: PC-I</i>)	40, 60, 100 watts
Average watts (40+60+100=200/3)	67 watts
Wattage of 1 CFL (<i>Source: PC-I</i>)	23 watts
Energy saving per CFL (67-23)	44 watts
Energy could not be saved due to non-distribution of 28,118 CFLs (PESCO)	44 watts x 28,118 CFLs = 1,237,192 watts Per hour = 1,237 KWh Per day= 1,237 x 3.6 hrs = 4,453.2 KWh Per Month= 4453.2 x 30 = 133,596 For 12 months from last deadline = 133,596 x 12 = 1,603,152 units
Loss of energy due to non-distribution of remaining CFLs (approx.)	1,603,152 x Rs.15 = Rs. 24,047,280 Say Rs.24.047 million