



**SPECIAL STUDY REPORT
ON
LEGAL DIRECTORATE
LAHORE ELECTRIC SUPPLY COMPANY
(LESCO)
(FY2021-22)
AUDIT YEAR 2023-24**

AUDITOR-GENERAL OF PAKISTAN

PREFACE

The Auditor-General conducts audits in terms of 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 Study on Legal Directorate Lahore Electric Supply Company (LESCO) was carried out accordingly.

The Directorate General of Audit (Power) conducted this Special Study on Legal Directorate, LESCO from February to March, 2024 for the financial year 2021-22 with a view to report significant findings to relevant stakeholders. The main objective of the study was to examine the state of SoPs and internal controls for selecting / approving the advocates from the panel of counsels for issuance of Power of Attorney (Wakalatnamas) to plead on behalf of LESCO at different courts of law. Other objectives included assessment on test check basis whether the management complied with applicable laws, rules and regulations and SoPs in managing the affairs of Legal Directorate, LESCO. The study prescribes specific actions that, if taken will help the management in improving the existing functions of Legal Directorate, LESCO.

The audit observations included in this report have been finalized in the light of discussions in Departmental Account Committee meeting held on 07.06.2024.

The Special Study 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: 29 November, 2024

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(Muhammad Ajmal Gondal)
Auditor-General of Pakistan

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ABBREVIATIONS AND ACRONYMS

ADR	Alternate Dispute Resolution
AM	Assistant Manager
DAC	Departmental Accounts Committee
BoD	Board of Directors
CEO	Chief Executive Officer
CLM	Cornelius Lane and Mufti
CLO	Chief Law Officer
CPPA-G	Central Power Purchasing Agency
CRC	Circle Review Committee
FBR	Federal Board of Revenue
FIR	First Information Report
FY	Financial Year
HR	Human Resource
LESCO	Lahore Electric Supply Company
MIS	Management Information System
NEPRA	National Electric Power Regulatory Authority
NTDC	National Transmission and Despatch Company
PoA	Power of Attorney
PPMC	Power Planning & Monitoring Company
PPRA	Public Procurement Regulatory Authority
RRC	Regional Review Committee
SDO	Sub-Divisional Officer
SoP	Standard Operating Procedure
SSR	Special Study Report

EXECUTIVE SUMMARY

The Directorate General of Audit Power conducted Special Study on Legal Directorate, Lahore Electric Supply Company (LESCO) from February to March, 2024 for the financial year (FY) 2021-22. The main objective of the audit was to examine the state of SoPs and internal controls for selecting / approving the advocates from the Panel of Counsels for issuance of Power of Attorney (Wakalatnamas) to plead on behalf of LESCO at different courts of law.

LESCO is grappled with myriads of legal cases predominantly pertaining to consumer related issues and its Legal Directorate is responsible to manage the legal affairs. The state of compliance with applicable laws, rules, regulations, procedures, processes, SoPs and internal controls in managing the affairs of Legal Directorate was reviewed during study and were found flagrantly deficient specifically with reference to selecting / choosing the lawyers from panel of counsels and non-panel counsels. The instances of favoritism were observed in issuing Power of Attorney to the lawyers at the panel of LESCO. Moreover, there existed no tracking mechanism to monitor the progress of the legal cases and performance of panel lawyers. The exact status of legal cases was not even available thereby restricting the scope of study. This state of affairs necessitated to revamp the Legal Directorate by strengthening SoPs and internal controls in order to ensure transparency, accountability, fairness, efficiency and effectiveness in managing the affairs of the said directorate.

a) Key Audit Findings

- i. Blockage of revenue due to litigation cases and deferment of amounts by different courts of law – Rs.7,332.32 million¹
- ii. Engaging the panel & non-panel counsels for pleading the cases on behalf of LESCO without SoPs²

¹ Para-5.1

² Para-5.2

- iii. Discretion in awarding the power of attorneys / wakalatnamas to panel counsels / lawyers³
- iv. Deficient internal controls, procedures & processes in legal directorate⁴
- v. Irregular engagement of non-panel / private counsels without consultation and approval of Ministry of Law and Justice & Ministry of Human Rights – Rs. 6.59 million⁵
- vi. Cancellation of FIRs due to deficient case handling and improper follow-up by LESCO employees⁶
- vii. Non-implementation of inquiry committee's recommendations for improving the performance of legal directorate⁷
- viii. Irregular hiring the services of law firm without open competition - Rs. 2.99 million⁸
- ix. Non-recovery of irregularly paid amount from a law firm - Rs.4.98 million⁹
- x. Irregular issuance of power of attorneys and payment of fee to counsels after court decision - Rs.2.53 million¹⁰

³ Para-5.3

⁴ Para-5.4

⁵ Para-5.5

⁶ Para-5.8

⁷ Para-5.9

⁸ Para-5.11

⁹ Para-5.12

¹⁰ Para-5.13

b) RECOMMENDATIONS

In view of the key audit findings, the following measures / suggestions are recommended for the improvement of functions and activities of Legal Directorate, LESCO:

- Regional Review / Circle Review Committees need revamping in order to decrease the litigation trend besides vigorously pursuing the matter in Courts of law for recovery of legitimate revenue;
- Devising the SoPs for selecting / choosing the lawyers from panel of counsels and non-panel counsels besides adopting the available SoPs devised by the Government of Pakistan till the preparation and approval of SoPs by the LESCO BoD.
- Providing equal opportunity to all the panel counsels by awarding the cases on rotation / turn-wise with merit;
- Taking initiatives in order to revamp the legal directorate by strengthening the internal controls, devising SoPs, and processes;
- Decision to engage non-panel / private counsels with professional fee more than three lac needs consultation and approval of Ministry of Law and Justice;
- Cancellation of FIRs due to deficient cases and improper follow-up by LESCO employees warrants departmental inquiry for fixing of responsibility;
- All the recommendations of the departmental inquiry committee needs implementation;
- Hiring the services of non-panel lawyers / law firm with financial implication more than Rs.500,000/- needs observance of open competitive bidding besides formulating the guidelines for hiring method of non-panel lawyers in consultation with the Law Ministry through Ministry of Energy (Power Division).
- Ensuring the recovery of irregularly paid amount of Rs.4.98 million from a Law Firm;
- Irregular issuance of power of attorneys to counsels after court decision needs departmental inquiry for fixing of responsibility.

1. INTRODUCTION

Lahore Electric Supply Company (LESCO) started its operation as a Public Limited Company registered in July, 1998 under Companies Ordinance, 1984 (now Companies Act, 2017). The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA-G through NTDC system and sells it to various consumers within Kasur, Lahore, Okara, Nankana Sahib and Sheikhpura Districts.

LESCO has to face multiple legal issues pertaining to consumers, tariff, service, labor, civil, corporate, criminal, banking, taxation and energy sector litigation cases. Legal Directorate, LESCO is entrusted to manage and oversee all the legal matters of LESCO. However, issuance of Power of Attorney (Wakalatnama) of Kasur and Okara Operation Circles came under its jurisdiction w.e.f July 2023. The Legal Directorate issued 7,142 Power of Attorneys¹¹ to panel, non-panel and in-house counsels / lawyers / law firms to plead for the LESCO formations except Kasur and Okara Operation Circles during FY 2021-22.

Revenue to the tune of Rs. 7,332.32 million was blocked as deferred by the orders of the Courts against 54,355 energy consumers¹² up to June, 2022. The large portion of the said cases pertained to consumers. In order to manage the legal matters, the Legal Directorate, LESCO has an in-house legal team comprising Chief Law Officer, Legal Consultant, Deputy/Assistant Manager Legal and other staff including Circle Head Legal Counsels, Circle Legal Counsels and Legal Clerks posted at Operational Circles / Divisions. Besides this, 1,683 advocates / counsels, approved by Ministry of Law, are at the panel of

¹¹ *Statements in soft form provided by Legal Directorate*

¹² *MIS Data*

LESCO for pleading its cases in different courts of law. The detail of budget and expenditure ¹³on account of legal fee for the FY 2021-22 is tabulated as under:

(Rs. in million)

FY	Budget	Expenditure
2021-22	144.90	122.59

The Directorate General of Audit Power conducted Special Study on Legal Directorate Lahore Electric Supply Company (LESCO) during February and March, 2024. The irregularities / deficiencies observed regarding state of compliance with applicable laws, rules, regulations, SoPs and internal controls in managing the affairs of Legal Directorate have been highlighted in this report along with recommendations.

2. DEFINE STUDY

2.1 Purpose of Study:

The special study was carried out with the following objective to ascertain the state of internal controls / SoPs governing the functions/affairs of Legal Directorate, LESCO:

- Selection and approval of the advocates among the panel of counsels is one of the most significant functions of Legal Directorate of LESCO. In the absence of well-defined SoPs / internal controls, the risk of favoritism / nepotism in award of Power of attorneys (Wakalatnamas) to the favored ones cannot be ruled out.
- Despite having a vast panel of advocates, engagement of a few with numerous cases could have an adverse impact on the performance of lawyers and cause decline in the ratio of winning

¹³Source:- Statement of legal fee vs budget

the cases. Hence, it needs to be assessed as to how many advocates are engaged and whether each one has manageable volume of cases.

- Another area of risk, equally worth considering, is hiring of advocates / law firms / advisors / consultants other than the Panel of Counsels, which needs to be evaluated in order to identify the reasons / justification behind such an arrangement and what was the modus operandi.
- In cases where the LESCO is not a direct respondent e.g. electricity consumer vs FBR, engagement of in-house available human resource is a preferred and cost effective option. In this scenario engaging the Panel counsels as third party / proforma defendant is not desirable which puts unnecessary burden on company's exchequer.
- Increase in the volume of pending court cases, ratio of cases decided in favour or against the LESCO despite incurring huge expenditure and having a sizeable panel of counsels directly manifest the pursuance level of court cases. Hence, this significant area needs to be evaluated for ascertaining performance and effectiveness of Legal Directorate, LESCO.

2.2 Scope of Study:

The scope of special study on Legal Directorate, LESCO is limited for the financial year 2021-22 and based on test check basis to:

- a) review the existence of SoPs / internal controls for engaging / selecting the advocates from the panel of counsels for pleading the legal cases of LESCO in Courts of law;
- b) evaluate the state of compliance to SoPs / internal controls and level of transparency in selection and approval of the

advocates among the panel of counsels for award of Power of attorneys (Wakalatnamas);

- c) analyze how many panel counsels are engaged along with no. of cases awarded to each one;
- d) examine the procedure of hiring of the advocates / law firms / advisors / consultants other than the panel of counsels;
- e) identify the instances and examine the reasons for engaging panel counsels for pleading the cases of LESCO as third party / proforma defendant instead of utilizing in-house available legal team; and
- f) evaluate the overall performance of legal directorate with regard to allocation of budget vs expenditure, ratio of cases decided in favour or against the LESCO, reducing the pendency of cases etc.

The scope of special study on Legal Directorate, LESCO had the following limitations / constraints:

- Issuance of Power of Attorneys pertaining to Kasur and Okara Operation Circles was not under the jurisdiction of Legal Directorate during financial year 2021-22. Hence, it remained out of scope.

2.3 Beneficiaries of Study

The study would be beneficial to the Board of Directors / management of LESCO, policy makers in particular and public in general.

3. STUDY DESIGN

The study was designed and concluded as detailed below:

3.1 Time Period

The special study was carried out from February 19, 2024 to March 15, 2024.

3.2 Data

The data obtained was in soft as well as hard / manual form, which included existing Internal Controls / SoPs which predominantly pertained to selection and issuance of Power of Attorneys to Panel counsels and non-panel lawyers/law firms. Further data obtained comprised minutes of BoD / Legal Committee of BoD, issuance of Power of Attorney, management response to questionnaire, inquiry reports, internal audit reports, correspondence files and guidelines issued by Law and Justice Division.

3.3 Methodology

The test check methodology was adopted during execution of the study which was based on the sources of data, its availability, nature and pertinence. The salient features of the methodology are described below:

- Assessing the preliminary risk through interviews and discussions with the management and staff
- Examining the evidences / internal controls / policies, which included:
 - review of SoPs / criterion prevalent for selection of advocates among the panel of counsels
 - review of authority's approvals for issuing Wakalatnamas
- Designing the annotated proformas for data analysis
- Preparing the questionnaire

4. DATA ANALYSIS

The analysis carried out was based on limited available data:-

- Review of SoPs / Internal Controls and guidelines of Ministry of Law and Justice for selection / engagement of Panel and non-panel counsels
- Analysis of award of Power of Attorney panel of counsels wise
- Analysis of payments made to panel and non-panel counsels
- Evaluating the appointment of a law firm as legal advisor
- Examining the issues highlighted in inquiry reports and internal audit reports
- Analysis of deferment of revenue due to litigation cases

5. STUDY RESULTS

The results of this Special Study are being presented here in the shape of audit findings which came to light during the course of special study.

5.1 Blockage of revenue due to litigation cases and deferment of amounts by different Courts of law – Rs.7,332.32 million

According to Rule-5 (7) (c) of Public Sector Companies (Corporate Governance) Rules, 2013, the Board shall also formulate significant policies of the Public Sector Company, which may include the following, namely:- the identification and monitoring of the principal risks and opportunities of the Public Sector Company and ensuring that appropriate systems are in place to manage these risks and opportunities, including, safeguarding the public reputation of the Public Sector Company.

During Special Study on Legal Directorate, LESCO for the FY 2021-22, it was observed that LESCO's litigation cases predominantly pertained to consumer related issues comprising theft of electricity, overbilling, detection charges and tariff related issues. An amount of Rs. 7,332.32 million was outstanding against 54,355 energy consumers, which was deferred by Courts and resulted in blockage of huge revenue of LESCO as of June 2022 in FY 2022-23.

There was a slight decrease in litigation cases but a staggering increase in the deferred amount balance, which inflated to Rs. 22,693.28 million as of June, 2023. Non- identification of the root causes of litigations, its area of dominance, operational circle wise increasing trend and remedy to reduce the same exposed the company to the risk of not only blockage of revenue but also increasing litigation expenditure.

DETAIL OF AMOUNT DEFERRED BY COURTS

<i>Rs. in Millions</i>		
Financial Year	No. of Consumers	Amount
2022	54,355	7,332.32
2023	53,488	22,693.28

The matter was taken up with the management on March 26, 2024 and reported to the Ministry on April 26, 2024. The management replied that in-house lawyers had actively participated in 13,000 civil cases and 10,000 criminal cases during current Anti-Theft Campaign, which resulted in recovery of Rs. 2.32 billion. The panel lawyers had successfully disposed of 10,623 cases between June 2021 and July 2023. The reply was not agreed to as the substantial increase in blockage of revenue from Rs.7,332.32 million to Rs.22,693.28 million in just one year was manifestation of defective follow up by the management.

The DAC in its meetings held on June 07, 2024 directed the management to share the disclosures given in financial statement regarding the blocked revenue. DAC also directed to provide opinion of external auditor to include blocked/deferred amount in financial statements and the basis of the opinion.

Audit recommends identifying the causes and taking remedial actions for decreasing the litigation trend by revamping Circle Review Committees for resolving the consumer related issues at Company level besides vigorously pursuing the matter in Courts of law for recovery of legitimate revenue.

(Initial Para No. 5.13)

5.2 Engaging the panel & non-panel counsels for pleading the cases on behalf of LESCO without SoPs

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

During Special Study on Legal Directorate, LESCO for the FY 2021-22, it was observed that no SoPs / internal controls existed for engaging / selecting the panel counsels for deciding the award of Power of Attorneys (PoAs) / Wakalatnamas to plead the LESCO in different courts of law, which rendered it a sole prerogative of Chief Law Officer. Like-wise, no SoPs existed for selecting / engaging the non-panel lawyers / law firms with special fees in significant cases. During July 2021 to June 2022, 6,747 PoAs were issued to 225 'panel counsels and 122 PoAs awarded to 06 'non-panel lawyers / law firm in litigation cases pertaining to different LESCO formations except Kasur and Okara Operation Circles. Absence of SoPs made the internal controls deficient and decision making was prone to lack of transparency, accountability, fairness, competitiveness, quality, economy, efficiency and effectiveness in hiring the services of both the panel as well as non-panel lawyers. The said risks turned out to be true as the then CLO, posted w.e.f October 30, 2017 to June 14, 2019 was dismissed due to involvement in corruption, specifically in issuing multiple PoAs in a single case while another CLO, posted during November 18, 2020 to May 24, 2023, was terminated due to involvement in issuing engagement letters / power of attorney to favorite counsels, duplicate power of attorneys, corruption and misuse of powers as pointed out by inquiry committee in its report on September 26, 2022.

Deficient internal controls resulted in engaging the panel / non-panel counsels for award of PoAs / wakalatnamas without SoPs in Legal Directorate, LESCO during FY 2021-22.

The matter was taken up with the management on March 26, 2024 and reported to the Ministry on April 26, 2024. The management replied that this office was in the process of preparing detailed SoP in the light of directions and guidelines of Law and Justice Division. This process would take 2-3 months approximately and drafts SoPs would be placed before BoD for approval.

The DAC in its meetings held on June 07, 2024 directed the management to frame SoPs, get them approved from CEO/BoD within 15 days and get them verified from Audit.

Audit recommends inquiring the matter for fixing of responsibility regarding non-framing of SoPs with reference to selecting / engaging the lawyer in issuance of PoAs to panel and non-panel counsels besides devising the SoPs expeditiously. Audit also recommends adopting the available SoPs devised by the Government of Pakistan till the preparation and approval of SoPs by the LESCO BoD.

(Initial Para No. 5.1)

5.3 Discretion in awarding the power of attorneys / wakalatnamas to panel counsels / lawyers

According to Law and Justice Division, Government of Pakistan office memos issued during 2021 to 2024 regarding placement of services of the advocates on the panel of LESCO, “the LESCO may be advised to place the services of the afore mentioned advocates on their panel and assign cases of litigation to their panel advocates by rotation. In case the legal advisers are also presented in cases of litigation before various courts of laws their representation must be placed by rotation and on merit along with the panel advocates, in order to avoid any discrimination. It was also advised to provide equal opportunities to all panelists.

During Special Study on Legal Directorate, LESCO for the FY 2021-22, it was observed that 7,142 Power of Attorneys (PoAs) / wakalatnamas issued to panel, non-panel and in-house counsels / lawyers / law firms by the Legal Directorate to plead for the LESCO formations except Kasur and Okara

Operation Circles. A large number of counsels i.e. 1,683 advocates were at the panel of LESCO with the approval of Law and Justice Division whereas only 225 Panel counsels were engaged and awarded with 6,747 PoAs (*Annex-I*). Analysis of the same disclosed that 1,517 PoAs were issued to 05 panel counsels ranging from 201 to 544 PoAs to each of them, which constituted 22.48% viz-a-viz 11 panel counsels were awarded with 1,415 PoAs ranging from 101 to 200 cases to each of them and 23 panel counsels were issued 1,671 PoAs ranging from 51 to 100 cases to each of them. The detail is as under:-

Cases awarded to each counsel	No. of Panel counsels	No. of cases	%age
1 upto 10 cases awarded	117	367	5.44
11 upto 50 cases awarded	69	1,777	26.34
51 upto 100 cases awarded	23	1,671	24.77
101 upto 200 cases awarded	11	1,415	20.97
201 upto 544 cases awarded	5	1,517	22.48
Total	225	6,747	100%

The said analysis showed a stark disparity and discrimination in award of PoAs to panel counsels as only 225 panel counsels were engaged out of the large panel of 1683 advocates. Moreover, out of 225 counsels, only 16 were awarded 101 to 544 PoAs to each, which constituted 43.46% of total 6,747 PoAs. Hence, the criterion of rotation, merit and equal opportunity as prescribed by Law and Justice Division was violated.

Moreover, contrary to Law and Justice Division's instructions, Chief Law Officer (CLO) had issued an office order thereby limiting award of 100 cases to one lawyer on December 21, 2020 without getting it approved from Chief Executive Officer / BoD, which made this office order impugned. Even then the Legal Directorate violated its own order and issued more than 100 to 544 PoAs to a single counsel. It is worth mentioning here that two CLOs, posted on contract basis w.e.f October 30, 2017 to June 14, 2019 and November 18, 2020 to May 24, 2023, were terminated as the inquiry committees' had pointed out the corruption, award of multiple PoAs, issuance of engagement letters / PoAs to favorite counsels, duplicate power of attorneys and misuse of powers.

Violation of Law and Justice Division's instructions resulted in award the power of attorneys / wakalatnamas to panel counsels / lawyers during the FY 2021-22 without any merit / criteria.

The matter was taken up with the management on March 26, 2024 and reported to the Ministry on April 26, 2024. The management replied that the disciplinary actions had already been finalized against the CLOs who were involved in preferentialism / discrimination in issuance of PoAs / Wakalat Namas to panel counsels and was dismissed. The office order limiting the award of 100 cases to one lawyer issued on December 21, 2020 would be withdrawn.

The DAC in its meetings held on June 07, 2024 directed the CEO to devise internal controls regarding appointment of panel counsels and gauge their performance quarterly and share the same with Audit within 30 days.

Audit recommends doing away with the discretion in issuance of power of attorneys by following the instructions of Law and Justice Division and formulating the SoPs by ceasing the discretionary powers of CLO in selecting the Panel Counsels for award of cases.

(Initial Para No. 5.2)

5.4 Deficient internal controls, procedures & processes in Legal Directorate

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

During Special Study on Legal Directorate, LESCO for the FY 2021-22, it was observed that internal controls, procedures and processes were not effective which primarily challenge the performance / efficiency of Legal Directorate, reliability / integrity of its data and related potential risks. The significant findings, in this regard, are highlighted below:

- **Perpetual existence of lawyers on LESCO Panel and non-evaluation of their performance**

The approval of panel counsels for LESCO is received from Ministry of Law and Justice for a period of three (03) years associating its renewal with performance and Legal Directorate continuously enlisting them to its Panel. The panel had now bulged up to 1683 counsels however, neither any mechanism existed in LESCO to watch over their engagement period nor SoPs devised to gauge and report their performance to Ministry of Law for de-notification. Hence, they remain on LESCO's Panel of counsel for indefinite period.

- **No SoPs for assigning / allocating the cases to Panel counsels**

No SoPs existed for deciding the award of cases / Power of Attorneys (PoAs) to the panel counsels, even no segregation of counsels as per their area of expertise / practice was made. The entire hiring process was based on the mere discretion of Chief Law Officer.

- **No tracking mechanism to monitor the status of the cases**

Legal Directorate has no tracking mechanism to monitor the progress of the legal cases and performance of panel lawyers from issuance of PoA till decision.

- **Non compilation and maintenance of centralized data**

The operation circles and other LESCO offices were not reporting about the progress of litigation cases on monthly or quarterly basis to Legal Directorate, hence, no centralized data was being compiled in Legal Directorate.

- **Lack of permanent staff in Legal Directorate**

The Chief Law Officer was working on additional charge basis and four (04) officers were on contract. Fifteen (15) officials comprising Data Entry Supervisor, Technical Assistant, Sub-Station Operator,

Commercial Assistants, Line Men, Meter Readers and Assistant Line Men were working in Legal Directorate on attachment instead of permanent basis.

- **Unreliable / Unsanctified ‘Data Management’ in Legal Directorate**

The data of issuance of PoAs was available in manual form of registers up to December 2020, after which Legal Directorate moved on towards digital data recording on Ms-Excel and Ms-Access as a makeshift arrangement. This soft data was not reliable being prepared without any data entry authorization, maintenance, control & log protocols and can easily be altered / modified without any trace. Hence, without a customized / specified software solution with all security and back up features, the reliability, sanctity, integrity, completeness of data cannot be ensured.

- **Non-availability of exact status of cases**

There is a great contradiction regarding the reported numbers of cases at different forums e.g. as per MIS data 54,355 cases were pending as on June 2022 whereas PoA registers and soft data showed issuance of 35,602 PoAs during last four financial years up to June 2022. Moreover, an approximate figure of 31,677 pending legal cases was reported to audit but that pertained to June, 2023. Hence, Audit could not get a clear position of actual figures essentially required for data analysis.

Deficient state of internal controls, procedures and processes resulted in directionless functioning / performance of legal directorate, which was mandated to manage the entire legal activities of LESCO during the FY 2021-22.

The matter was taken up with the management on March 26, 2024 and reported to the Ministry on April 26, 2024. The management replied that after assumption of charge by Chief Law Officer on April 24, 2024, a number of steps were being taken up like issuance of SOP for handling litigation, pursuance of high value cases, framing of SOPs for out of court settlement, mechanism to

monitor the progress of cases as well as lawyers and centralizing litigation data system. Formation of detailed SOPs for Legal Directorate were in process.

The DAC in its meetings held on June 07, 2024 DAC directed the management to rectify seven instances of lapses pointed out by Audit within 30 days. DAC also directed to review performance of lawyers on quarterly basis.

Audit recommends taking initiatives in order to revamp the legal directorate by strengthening the internal controls, devising SoPs and processes.

(Initial Para No. 5.3)

5.5 Irregular engagement of non-panel / private counsels without consultation and approval of Ministry of Law and Justice & Ministry of Human Rights– Rs. 6.59 million

According to Para (V) of Policy / Guidelines for nomination / recommendations for appointment of legal advisors and engagement / placement of advocates on the panel of advocates of various departments issued by Ministry of Law and Justice dated June 03, 2015, “every Government Department or Semi Government or Public Corporate Body shall seek concurrence of the Law and Justice Division for engagement of lawyer where professional fee exceeds Rs.300,000/- (Rupees three lac). In such a case the concerned Department will send a panel of at least three (03) advocates for selection of one of them along with proposed professional fee for approval of the Law and Justice Division. Any failure in doing so will render the engagement of Advocates/Counsel etc void and no ex-post facto approval will be allowed”.

As per Rule 14 (1A) of the Rules of Business, 1973, “A Division may, for compelling reasons for a particular case, engage a private counsel and for that purpose shall refer the case to Law and Justice Division which may, after consultation with the Attorney General, allow engagement of such counsel on payment of fee by the Division concerned”. As per Law and Justice Division office memo dated May 16, 2022, “all the Ministries / Divisions / Attached Departments, are directed not to engage any Private Counsel without the prior consultation in term of Rule 14(1A) of the Rules of Business”.

During Special Study on Legal Directorate, LESCO for the FY 2021-22, it was observed that 122 Power of Attorneys (PoAs) / Wakalatnamas for pleading the legal cases in Supreme Court, High Court, Appellate Tribunal Inland Revenue and NEPRA were awarded to six (06) non-panel (private) counsels / lawyers / law firm (*Annex-II*). In sixteen (16) decided cases, payment of Rs.6.59 million was made on account of professional fee more than three lacs ranging from 315,000 to 785,000 in each case (*Annex-III*). The engagement of said counsels / law firms and payment of fee Rs.6.59 million thereof was irregular as the approval of Ministry of Law and Justice was not sought before their engagement.

Non-adherence to the guidelines of Ministry of Law and Justice resulted in irregular engagement of non-panel / private counsels and payment of fee of Rs. 6.59 million during the FY 2021-22.

The matter was taken up with the management on March 26, 2024 and reported to the Ministry on April 26, 2024. The management replied that the law firm M/s Cornelius, Lane & Mufti (CLM) was hired with the approval of BoD. The said firm was engaged as counsel with the prior approval of CEO, LESCO. Moreover, the BoD LESCO had the power to appoint the legal advisor and there was no need to consult Attorney General for Pakistan in the light of State Owned Enterprises Act, 2023 and policy. The guidelines of Law & Justice Division were not applicable on LESCO as BoD had full powers to take any decision. The reply was not agreed to as the observance of guidelines of Law and Justice Division for hiring the services of non-panel / private counsels was incumbent on LESCO.

The DAC in its meetings held on June 07, 2024 directed the management to submit revised reply in accordance with rules besides verifying the record within a week. DAC directed the management to inquire the matter at PPMC level and fix responsible against the official/officer within 30 days in the matter.

Audit recommends inquiring the matter for fixing of responsibility regarding engagement of counsels with professional fee more than three lac

without approval of Law and Justice Division besides ensuring compliance to the guidelines of Ministry of Law and Justice.

(Initial Para No. 5.4 and 5.6)

5.6 Irregular appointment of legal advisor without consultation with Attorney General for Pakistan

According to Policy Guide Lines issued by Ministry of Law and Justice office vide No.F.6/1/2013-LA dated June 03, 2015, “in terms of Clause (g) of Sub-Rule (1) of Rule 14 of the Rules of Business, 1973, only those recommendations / nominations shall be considered by the “Committee for Selection of Legal Advisors / Panel Advocates”, which are duly recommended by the concerned Departments / Organizations / Corporations for the appointment of Legal Advisor in consultation with the Attorney General for Pakistan”. As per Para ix of the said office memo, “the existing list of legal advisors and Panel of Advocates shall be reviewed by the said Committee and only those Advocates having expertise in the relevant field and satisfactory performance would be retained and the rest of Advocates would be de-notified”.

During Special Study on Legal Directorate, LESCO for the FY 2021-22, it was observed that the services of a Law Firm ‘Cornelius Lane and Mufti’ (CLM) as Legal Advisor were hired on quotations basis on May 03, 2008 and since then it had been the sole legal advisor to LESCO to date. The appointment of the said law firm as legal advisor was irregular as the same was done without consultation with the Attorney General for Pakistan. Moreover, the appointment of the said legal advisor was made for indefinite period as the said firm had been acting as a sole legal advisor to LESCO for more than fifteen (15) years without getting reviewed by the Committee constituted by Ministry of Law and Justice for ascertaining expertise and satisfactory performance.

Non-adherence to Ministry of Law and Justice Policy Guidelines resulted in irregular appointment of legal advisor without consultation with Attorney General for Pakistan up to the FY 2021-22.

The matter was taken up with the management on March 26, 2024 and reported to the Ministry on April 26, 2024. The management replied that at the time of appointment of M/S CLM as Legal Advisor, all legal formalities were adhered, hence, consultation of Attorney General for Pakistan was not necessary. The reply was not agreed to as the consultation of Attorney General for Pakistan for the appointment of legal advisor was incumbent on LESCO in the light of the guidelines of Law and Justice Division.

The DAC in its meetings held on June 07, 2024 directed the management to conduct inquiry at PPMC level and submit the inquiry report to Audit within 30 days.

Audit recommends inquiring the matter for fixing of responsibility regarding appointment of legal advisor without consultation with Attorney General for Pakistan and for indefinite period.

(Initial Para No. 5.5)

5.7 Non-clearance of disputed fee claims of lawyers due to issuance of multiple power of attorneys in single case

Legal Directorate, LESCO is mandated to issue Power of Attorney / Wakalatnama and Engagement Letter to the Advocates / Counsels to plead the cases in Courts of law on behalf of LESCO.

During Special Study on Legal Directorate, LESCO for the FY 2021-22, it was observed that multiple Power of Attorneys (PoAs) / Wakalatnamas were issued to different lawyers / counsels in a single case without issuing Engagement Letters by the CLO posted from October 30, 2017 to June 14, 2019. The said Ex-CLO was dismissed from LESCO employment due to involvement in corruption, specifically in issuing multiple PoAs in a single case and not providing the required engagement letter. This state of affairs led to a conflict / dispute over the payment of fee between Legal Directorate and lawyers as in estimated 2,300 cases multiple lawyers were claiming their fee / payment against a single case. In order to resolve this conflict as to which lawyer to make payment, a two (02) member HR committee was established on May 22, 2019.

Subsequently, the Legal Directorate was authorized for verification of payment claims of LESCO Counsels on January 31, 2023. However, clearance of all the disputed claims was not forthcoming from record up till now.

Deficient mechanism of PoAs issuance resulted in non-clearance of disputed fees claims of lawyers due to issuance of multiple power of attorneys in single case up to the financial year 2021-22.

The matter was taken up with the management on March 26, 2024 and reported to the Ministry on April 26, 2024. The management replied that the said committee evaluated the fee claim as per SOPs and cleared the disputed bills. Presently no fee claim of such period was pending.

The DAC in its meetings held on June 07, 2024 directed the management to get the record verified from Audit regarding clearance of disputed bills within a month.

Audit recommends inquiring the matter for fixing of responsibility regarding issuance of multiple PoAs without issuing engagement letters besides ensuring clearance of disputed fees claims of the lawyers expeditiously. Audit also recommends to strengthen the internal controls and procedures in order to prevent the recurrence of this issue in future.

(Initial Para No. 5.7)

5.8 Cancellation of FIRs due to deficient case handling and improper follow-up by LESCO employees

According to Section 20 of the State-Owned Enterprises (Governance and Operations) Act, 2023, “the Board shall ensure the integrity of the systems of internal control and any person who is found liable for a deviation or violation from the company's code of conduct or other systems of internal control shall be subject to disciplinary proceedings in accordance with the state-owned enterprise's internal policies”.

During Special Study on Legal Directorate, LESCO for the FY 2021-22, it was observed that 1,121 FIRs were lodged on account of theft of energy

against consumers by different Sub-Divisional Officers. However, the Deputy District Public Prosecutor reported that neither the complainant / SDOs or eyewitnesses followed the line of inquiry already submitted by the prosecution to build effective prosecution cases nor did they join the investigation thereby weakening the cases under review. Consequently, the Investigation Officer recommended the cases to be cancelled owing to non-verification of occurrence. The public prosecutor office recommended strict departmental action against concerned SDOs for committing gross negligence, mala-fide and non-joining the investigation, however, no inquiry / disciplinary action was taken against them by the management. This state of affairs reflected that either baseless FIRs were lodged against consumers on weak grounds to show progress on account of anti-theft campaign or deficiencies were left intentionally to the benefits of the accused at later stage.

Non-adherence to the code of conduct and SoPs resulted in cancellation of FIRs due to deficient case handling and improper follow-up by LESCO employees during the FY 2021-22.

The matter was taken up with the management on March 26, 2024 and reported to the Ministry on April 26, 2024. The management replied that the legal team at circle level prepared templates for registration of FIRs and delivered to LESCO offices but the instruction of legal team were not adhered by the Police and FIRs were registered having lots of lacunas. The reply was not agreed to as the Public Prosecutor clearly held the LESCO employees responsible for creating different defects intentionally and recommended strict departmental action against them.

The DAC in its meetings held on June 07, 2024 directed the management to inquire the matter of cancellation of FIRs at CEO level and fix responsibility within 30 days.

Audit recommends inquiring the matter for fixing of responsibility in the light of observations as pointed out by Deputy District Public Prosecutor besides strengthening the SoPs for proper handling and follow up of FIRs and coordination with Public Prosecutor and Police Authorities.

5.9 Non-implementation of inquiry committee’s recommendations for improving the performance of legal directorate

According to Section 20 of the State-Owned Enterprises (Governance and Operations) Act, 2023, “the Board shall ensure the integrity of the systems of internal control and any person who is found liable for a deviation or violation from the company's code of conduct or other systems of internal control shall be subject to disciplinary proceedings in accordance with the state-owned enterprise's internal policies”.

During Special Study on Legal Directorate, LESCO for the FY 2021-22, it was observed that an inquiry committee was constituted on 29.03.2019 to probe the matter of a complaint lodged against Mr. Sajjad Mehmood Butt the then Chief Law Officer of LESCO. In complaint, different allegations were raised against the said CLO i.e. breach of employment contract, providing blank power of attorneys to the complainant, engaging in private arrangement, charging fees for issuing power of attorneys and disregarding orders to refrain from exercising financial powers, undue litigation, unnecessary engagement of counsels and manipulation in official record. The inquiry committee submitted a comprehensive report with following recommendations: -

- Termination of employment contract of CLO.
- Restoring modus operandi for allocation of court cases in Legal Directorate and modify job description of AM (HR) at circle level with added responsibility on performance monitoring of legal cases.
- Conducting a study by a field expert to suggest ways and means to remove the vulnerabilities in the legal directorate.
- Making Regional Review Committee and Circle Review Committee more friendly and accessible to consumers besides being strict on billing matters. The CRC and RRC be directed to act as an Alternate Dispute

Resolution (ADR) Committee and the forum be publicized to the general public for their convenience and information.

- Adding litigation trend as one of the performance parameters along with success ratio critical indicators of circle level performance.
- Blacklisting the complainant, from the LESCO panel of counsel being hand in glove with the then CLO as long as mutual benefits coincided and parting ways on failing to settle a sharing formula on fees.

Though the said CLO was terminated on 14.06.2019, however, a period of almost three years had since been lapsed but implementation on other recommendations of inquiry report was not forthcoming from record up to June 2022. It was worth mentioning here that instead of blacklisting the complainant, the legal cases had continuously been awarded to her till to-date as 83 cases were awarded and fee of Rs.0.51 million was paid in 43 cases during July-2021 to June-2022.

Non-implementation of inquiry committee's recommendations resulted in undermining the effectiveness of the inquiry process as no significant improvement in the workings of the legal directorate was observed over the last three years up to the FY 2021-22.

The matter was taken up with the management on March 26, 2024 and reported to the Ministry on April 26, 2024. The management replied that all the recommendations of inquiry committee had been implemented.

The DAC in its meetings held on June 07, 2024 directed the management to ensure implementation of the inquiry recommendations and get the record verified from Audit within 30 days.

Audit recommends taking action against non-implementation of recommendations of inquiry besides implementing them expeditiously.

(Initial Para No. 5.9)

5.10 High turnover of Chief Law Officers and non-appointment / posting of permanent CLO

According to Rule-2A (1) (a) of Public Sector Companies (Corporate Governance) Rules, 2013, the business of the Public Sector Company is carried on with integrity, objectivity, due care and the professional skills appropriate to the nature and scale of its activities. According to BoDs resolution in its 237th meeting held on September 21, 2021, “legal Directorate shall be recognized as a separate department. The service rules for Legal Directorate shall be developed and it shall have its own separate legal cadre. All legal directorate officer vacancies shall be filled with practicing lawyers having licenses and experience as per Annexure C attached with the working paper within a period of 3 months from BoD approval. No transfer or temporary posting of officers from other departments shall be allowed into legal directorate unless they are qualified as per aforementioned Annexure C”.

During Special Study on Legal Directorate, LESCO for the FY 2021-22, it was observed that during last four (04) years there was high turnover of the key post of Chief Law Officer as four (04) officers were changed. It was worth noting that 02 out of 04 CLOs were terminated due to charges of corruption, awarding multiple PoAs, issuing engagement letters / PoAs to favorite counsels, duplicate power of attorneys and misuse of powers. This very aspect was grossly overlooked by the management. The Legal Directorate had been working without permanent Chief Law Officer since May 24, 2023 and its affairs were being managed by assigning the additional charge of CLO to Director General (Implementation now Admn) despite lapse of more than nine (09) months. This stop-gap arrangement was contrary to the directions of BoD issued in its 237th meeting wherein Legal Directorate was recognized as a separate department and BoD directed to fill its vacancies with practicing lawyers having licenses and experience and disallow the transfer or temporary posting of officers from other departments. Since legal directorate is a separate department solely responsible for all the legal affairs of LESCO, hence, a permanent qualified professional CLO should have been appointed / posted in order to manage its day-to-day

affairs besides rendering legal opinion to BoD/CEO and other LESCO departments.

Inefficient management resulted in high turnover of Chief Law Officers and non-appointment / posting of permanent CLO.

The matter was taken up with the management on March 26, 2024 and reported to the Ministry on April 26, 2024. The management replied that the advertisement for recruitment of CLO had been published on May 04, 2024 through newspapers, which was likely to be finalized shortly. The stay order in WP No.73162/23 was lastly heard on April 22, 2024 and the case adjourned for filing of comments by the Ministry of Energy (Power Division).

The DAC in its meetings held on June 07, 2024 directed the management to ensure regular appointment of CLO within 90 days.

Audit recommends taking robust control measures for proper check and balance and risk management with reference to duties, responsibilities and powers associated to the post of Chief Law Officer. Moreover, the stay order needs to be vacated by pursuing the matter in the court vigorously to ensure appointment / posting of permanent qualified professional CLO in Legal Directorate.

(Initial Para No. 5.10)

5.11 Irregular hiring the services of law firm without open competition - Rs. 2.99 million

According to Rule-20 of Public Procurement Rules, 2004, the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

During Special Study on Legal Directorate, LESCO for the FY 2021-22, it was observed that three (03) Power of Attorneys (PoAs) / Wakalatnamas for pleading the legal cases in Lahore High Court and NEPRA were awarded to a Law Firm ‘Cornelius Lane and Mufti’ (CLM) with fee ranging from Rs.0.70 million to Rs.1.5 million. The said law firm was engaged for award of

cases directly without open competition, which was against procurement rules, hence, hiring the services of the said law firm and payment of fee of Rs.2.99 million thereof was tantamount to mis-procurement (*Annex-IV*).

Non-adherence to PPRA Rule resulted in irregular hiring the services of law firm to plead on behalf of LESCO with payment of fee of Rs.2.99 million without open competition during the FY 2021-22.

The matter was taken up with the management on March 26, 2024 and reported to the Ministry on April 26, 2024. The management replied that the detailed reply had been given.

The DAC in its meetings held on June 07, 2024 directed the management to inquire the matter at PPMC level within 30 days and share the inquiry report with Audit.

Audit recommends inquiring the matter for fixing of responsibility regarding hiring the services of non-panel counsels / law firm in violation of PPRA Rules besides formulating the guidelines for hiring method of non-panel lawyers in consultation with the Law Ministry through Ministry of Energy (Power Division).

(Initial Para No. 5.11)

5.12 Non-recovery of irregularly paid amount from a law firm - Rs.4.98 million

According to Section 20 of the State-Owned Enterprises (Governance and Operations) Act, 2023, “the Board shall ensure the integrity of the systems of internal control and any person who is found liable for a deviation or violation from the company's code of conduct or other systems of internal control shall be subject to disciplinary proceedings in accordance with the state-owned enterprise's internal policies”.

During Special Study on Legal Directorate, LESCO for the FY 2021-22, it was observed that in the wake of a complaint against Chief Law Officer (CLO) an inquiry committee was constituted on January 14, 2022. After probing the

matter, the enquiry committee in its report dated September 23, 2022 had recommended the following actions:

- i) Strict disciplinary action be initiated against CLO Mr. Adnan Qureshi and amount of Rs.4.98 million illegally paid to a Law Firm may also be recovered.
- ii) Mr. Shafqat Minhas (Computer Operator) Mr. Akbar Ali (SDE) Mr. Muhammad Junaid (Commercial Assistant) be detached from Legal Directorate, LESCO as per SoP of rotational policy.
- iii) The contract of all counsels, who were issued maximum engagement letters, should be checked whether their contract period has expired or not.
- iv) Suitable LESCO officer of Manager level may be posted in Legal Directorate for issuance of PoAs/Engagement letters and handling other departmental financial issues to safeguard the interest of LESCO.
- v) CLO, LESCO may be restricted to the job of only appearing in the court of law as a counsel.

Though, the said CLO had been terminated but neither recovery of illegally paid amount of Rs.4.98 million was made nor implementation of other recommendations of inquiry was forthcoming from record.

Non-adherence to the State-Owned Enterprises Act, resulted in non-recovery of irregularly paid amount of Rs.4.98 million from the law firm as recommended by inquiry committee up to the FY 2021-22.

The matter was taken up with the management on March 26, 2024 and reported to the Ministry on April 26, 2024. The management replied that the recommendations of first inquiry committee were not approved by Chief Executive Officer and he constituted second inquiry committee to probe the matter again. Meanwhile, Legal Committee in its meeting held on 17.04.2023 expressed its concerns over poor performance of CLO and employment contract

of said CLO was terminated. After his termination the second inquiry was closed, hence, there were no recommendations to be implemented at present. The reply was not tenable being not clear rather dubious as on what grounds the CEO had disapproved the recommendations of 1st inquiry and ordered for 2nd one and that too was just closed under the pretext of termination of CLO.

The DAC in its meetings held on June 07, 2024 directed the management to review both the inquiries and share the outcome with Audit within 30 days.

Audit recommends ensuring implementation of inquiry committee's recommendations expeditiously.

(Initial Para No. 5.12)

5.13 Irregular issuance of power of attorneys and payment of fee to counsels after court decision - Rs.2.53 million

As per Clause 4 and 5 of LESCO SoPs for processing of lawyers' fee claims, Counsel appeared in a Court of Law after submission of Power of Attorney, issued by Legal Directorate, LESCO, shall be entitled to fee claim irrespective of the subsequent issuance of engagement letters. Fee shall not be admissible in case appearance was made on Court's call or at their own.

During Special Study on Legal Directorate, LESCO for the FY 2021-22, it was observed that the Internal Audit, LESCO pointed out that 304 Power of Attorneys (PoAs) were issued after / or on the same day of final judgment by the Court while in 18 cases, PoAs were issued just one or two days before / or on the same days of decision in Operation Circles of Kasur and Okara. The state of affairs raises serious concerns on the engagement of counsels and payment of fee of Rs.2.53 million to them as the issuance of PoA after the decision of court was beyond comprehension. However, no further action was taken by the management in the light of Internal Audit observation pertaining to FY 2020-22.

Weak control resulted in irregular issuance of PoAs and payment of fee of Rs.2.53 million to counsels after court decision up to the FY 2021-22.

The matter was taken up with the management on March 26, 2024 and reported to the Ministry on April 26, 2024. The management replied that letter for taking disciplinary action in the light of Internal Audit observations had been issued to Human Resources Directorate.

The DAC in its meetings held on June 07, 2024 directed the management to conduct the inquiry at PPMC level and fix responsibility within 30 days.

Audit recommends inquiring the matter for fixing of responsibility regarding issuance of PoA after final decision of court cases besides ensuring robust compliance to SoPs for avoiding the recurrence of the said issue in future.

(Initial Para No. 5.14)

5.14 Irregular issuance of power of attorneys by the Assistant Manager (Operations)

As per Clause 4 and 5 of LESCO SoPs for processing of lawyers' fee claims, Counsel appeared in a Court of Law after submission of Power of Attorney, issued by Legal Directorate, LESCO, shall be entitled to fee claim irrespective of the subsequent issuance of engagement letters. Fee shall not be admissible in case appearance was made on Court's call or at their own.

During Special Study on Legal Directorate, LESCO for the FY 2021-22, it was observed that Internal Audit, LESCO pointed out that in 401 cases, the Power of Attorneys (PoA) was issued to lawyers by Assistant Manager (Operation), Kasur and submitted in court of law and an amount of Rs.3.24million along with miscellaneous charges (20% of legal fee) in advance was paid to them. Later on, the competent authority i.e. Manager (Operation), Kasur Circle issued PoAs along with engagement letters, which showed that the counsels earlier appeared in courts without having PoAs approved and issued by competent authority. Hence, issuance of PoAs by Assistant Manager (operation) without approval of competent authority was irregular.

Non-adherence to SoPs resulted in irregular issuance of PoAs by the Assistant Manager (Operations) up to the FY 2021-22.

The matter was taken up with the management on March 26, 2024 and reported to the Ministry on April 26, 2024. The management replied that letter for taking disciplinary action in the light of Internal Audit Observations had been issued to Human Resources Directorate.

The DAC in its meetings held on June 07, 2024 directed the management to conduct the inquiry at PPMC level and fix responsibility within 30 days.

Audit recommends inquiring the matter for fixing of responsibility regarding irregular issuance of power of attorneys without any authority by the A.M (Operation) besides ensuring robust compliance to SoPs for avoiding the recurrence of the said issue in future.

(Initial Para No. 5.15)

5.15 Irregular / excess payment to legal counsels - Rs. 0.208 million

As per Clause 2(iv) of SoPs issued by CEO, LESCO for processing of fee claim of counsel on LESCO panel of Advocate dated 03.12.2019, “All fee claims must be substantiated with copy of judgment/final order/decreed passed by the court, showing the name of counsel appeared on behalf of LESCO”.

During Special Study on Legal Directorate, LESCO for the FY 2021-22, it was observed that Internal Audit pointed out that in Kasur and Okara Operation Circles, a payment of Rs.0.113 million was made to the counsels other than those appeared in courts as the name of LESCO representative was different in final orders / judgment / decision of Court. Moreover, duplicate/double payment of Rs.0.095 million to counsel was also pointed out by Internal Audit. However, no further outcome / action taken by the management in the light of Internal Audit observation pertaining to FY 2020-22 was forthcoming from record.

Non-adherence to SoPs resulted in irregular / excess payment of Rs. 0.208 million to legal Counsels up to FY 2021-22.

The matter was taken up with the management on March 26, 2024 and reported to the Ministry on April 26, 2024. The management replied that letter

for taking disciplinary action in the light of Internal Audit observations had been issued to Human Resources Directorate.

The DAC in its meetings held on June 07, 2024 directed the management to inquire the matter and fix responsibility within 30 days besides recovery of the amount.

Audit recommends inquiring the matter for fixing of responsibility regarding irregular payment made to legal counsels as pointed out by Internal Audit and ensuring the recovery in compliance to DAC decision. Moreover, management needs to also ensure robust compliance to SoPs for avoiding the recurrence of the said issue in future.

(Initial Para No. 5.16)

6. CONCLUSION

The main activity of engaging / selecting the panel as well as non-panel counsels in legal directorate LESCO was replete with grave concerns as there was / is still no SoPs devised and implemented by the LESCO in this regard. Likewise, allocation of cases among the counsels at the panel of LESCO was prone to favoritism by disregarding the guidelines issued by Ministry of Law and Justice. This very lacuna spoke volume against the transparency, accountability, fairness and competitiveness in hiring the services of both the panel as well as non-panel lawyers. The overall state of internal controls was also not found appreciable due to non-existence of mechanism to watch over engagement period and performance of panel counsels, non-monitoring the progress and exact status of the legal cases, non-compiling and maintaining of centralized data, lack of permanent staff in legal directorate and unreliable data management. Consequently, the functioning of legal directorate was exposed to multifarious potential risks.

The said state of affairs contributed towards blockage of revenue to the tune of Rs.7,332.32 million outstanding against 54,355 energy consumers due to deferment orders of the Courts up to June, 2022. However, this amount increased to rupees 22,693 million outstanding against 53,488 energy consumers upto June,

2023. In order to improve the working / performance, revamping of Legal Directorate is indispensable by taking initiatives such as strengthening the internal controls, devising SoPs and ensuring compliance to the guidelines issued by Ministry of Law and justice.

7. RECOMMENDATIONS

On the basis of findings of the Special Study, following steps are recommended for the management and policy makers:-

- Regional Review /Circle Review Committees need to be revamped in order to decrease the litigation trend by redressing / resolving consumer related issues at Company level besides vigorously pursuing the matter in Courts of law for recovery of legitimate revenue.
- SoPs for selecting the lawyers from Panel of Counsels and non-panel counsels for pleading on behalf of LESCO need to be devised in order to ensure transparency, accountability, fairness and deterrence against the discretionary practice. However, till the preparation and approval of SoPs by the LESCO BoD, the available SoPs devised by the Government of Pakistan needs to be adopted.
- Equal opportunity needs to be provided to all the panel counsels by awarding the cases on rotation / turn-wise with merit in order to do away with the practice of favoritism and ensure compliance to the directions of Law and Justice Division.
- Initiatives need to be taken in order to revamp the Legal Directorate by strengthening the internal controls, devising SoPs and processes / solutions for engaging the panel / non-panel counsels, evaluating their performance, monitoring and tracking the legal cases, compiling centralized / reliable and authentic data base.
- Decision to engage non-panel / private counsels with professional fee more than three lac needs to be made with the consultation and approval of Law and Justice Division.

- Hiring the services of Cornelius Lane and Mufti as legal advisor for indefinite period without consultation with Attorney General for Pakistan needs to be inquired into for fixing of responsibility.
- Clearance of disputed fee claims caused by issuance of multiple power of attorneys in a single case needs to be expedited as considerable time has already been elapsed besides strengthening the internal controls and procedures in order to prevent the recurrence of this issue in future.
- Cancellation of FIRs due to deficient cases and improper follow-up by LESCO employees as reported by Deputy District Public Prosecutor needs to be inquired into for fixing of responsibility. Strengthening the SoPs for proper handling and follow up of FIRs and coordination with Public Prosecutor and Police Authorities are also recommended.
- Recommendations of the departmental inquiry committees need to be implemented.
- Robust control measures need to be taken for proper check and balance and risk management specifically with reference to duties, responsibilities and powers associated with the post of Chief Law Officer.
- A qualified professional CLO needs to be appointed on permanent basis in Legal Directorate, LESCO instead of resorting to stop-gap arrangement of additional charge.
- Hiring the services of non-panel lawyers with financial implication of more than Rs.500,000/- needs to be made through open competitive bidding besides seeking for formulating the guidelines for hiring method of non-panel lawyers from Law Ministry through Ministry of Energy (Power Division).
- Recovery of irregularly paid amount Rs.4.98 million from a Law Firm needs to be ensured as recommended by the inquiry committee.

- Irregular issuance of power of attorneys to counsels and payment of fee thereof after court decision needs to be inquired into for fixing responsibility besides ensuring robust compliance to SoPs.

ANNEXES

Annex-I**Detail of Panel Counsel-Wise Power Of Attorney issued during financial year 2021-22
without Kasur and Okara Operation Circle**

Sr.No.	Name of Counsel	No. of POAs Awarded
1	Mehar Shahid Mehmood	544
2	Ch. Maqbool Hussain	318
3	Muhammad Azam Bhatti	230
4	Saeed Alvi	219
5	Saeed Ahmad Bhatti	206
6	Yasir Anwar Dogar	150
7	Syed Kashif Ali Bukhari	147
8	Rana Tariq Javaid	139
9	Ghazanfar Hussain Kamran	138
10	Ch. Muhammad Azeem	131
11	Rao Riaz Ahmed	131
12	Rana Zaheer-Ud-Din Babar	130
13	Muhammad Naseer	122
14	Ch. Amir Shahzad	117
15	Liaqat Ali Minhas	108
16	Yasir Rafi	102
17	Basharat Ali Mehmood	100
18	Nadeema Iqbal	98
19	Rai Liaqat Ali	95
20	Mian Muhammad Javaid	95
21	Samina Shahzadi	93
22	Nauman Rathore	91
23	Muhammad Sarwar	91
24	Samra Malik	84
25	Syed Asim Raza	84
26	Shazia Malik	83
27	Rai Shahid Abbas	70
28	Malik Tanveer Ahmad	68
29	Syed Gulzar Ali Shah	64
30	Nasir Mehmood Sandhu	62
31	Muhammad Jamshaid Ul Haq Akhtar	61
32	Mian Muhammad Mudassar Bodla	60
33	Mian Tabassum Ali	54
34	Dr. Mazhar Elahi	54

35	Muhammad Tasneem Nawaz	54
36	Muhammad Nadeem Kazim	53
37	Muhammad Iqbal Kamboh	53
38	Mujahid Akbar	53
39	Rana Sardar Ali	51
40	Abdul Rehman Khalil	50
41	Nida Gillani	47
42	Humaira Latif Ch.	46
43	Kunwar Riaz Ahmad Khan	45
44	Fayyaz Faisal	44
45	Rana Khalil Rasheed Joya	43
46	Ch. Abdul Waheed	43
47	Muhammad Saeed Alvi	41
48	Sardar Ali	41
49	Shanila Khalid	40
50	Muhammad Arif Malhi	39
51	Muhammad Zakir Hussain	39
52	Ch. Fiaz Ahmad Sanghaira	37
53	Mian Irfan Ahmed Spall	37
54	Rana Muhammad Siddique	36
55	Sh.Aftab Ahmad	36
56	Usman Haider Toor	35
57	Khalid Jamil	34
58	Habib-Ur-Rehman Mian	33
59	Asif Mehmood	33
60	Muhammad Bilal Munir	33
61	Muhammad Usman Azeem Malik	31
62	Ch. Nabeel Sattar	31
63	Zobia Naz	31
64	Mashkoor Haider Kazmi	31
65	Muhammad Shahid Mehmood	30
66	Ch. Tayyab Raza	30
67	Muhammad Saleem	29
68	Syed Zeeshan Haider	28
69	Muhammad Yousaf Raza	27
70	Zafar Iqbal Malik	27
71	Rehana Yousaf	26
72	Muhammad Ijaz	25
73	Umar Sharif	25

74	Anila Maqsood	24
75	Latif Ahmad Khan Watto	24
76	Nabila Kanwal	24
77	Rashid Nazir	23
78	Abid Ali Kharal	22
79	Ch. Muhammad Awais Kamboh	22
80	Misbah Kokab	20
81	Muhammad Ejaz Ch.	20
82	Muhammad Ashraf Joyia	20
83	Malik Makhsoos Hussain	19
84	Ch. Muhammad Abbas	18
85	Abid Ali	18
86	Saira Mumtaz	18
87	Muhammad Nadeem Butt	18
88	Rana Muhammad Aslam	16
89	Mirza Feroz Ahmad	16
90	Syed Haider Raza	16
91	Mian Muhammad Iqbal	16
92	Ch. Muhammad Yasin Zahid	15
93	Irfan Ahmed Chattha	15
94	Amanat Ali Mian	15
95	Jamil Akhtar	15
96	Muhammad Abid Ali Ch.	15
97	Tasneem Nawaz Akhtar	15
98	Ch. Muhammad Imtiaz Elahi	14
99	Ch. Muhammad Younas	14
100	Waqas Mushtaq	13
101	Saith Abdul Rehman	12
102	Fazal Elahi	11
103	Mushtaq Ahmad Ch.	11
104	Muhammad Riaz	11
105	Khawaja Mohsin Abbas	11
106	Nabila Shahzadi	11
107	Ch. Muhammad Tahir	11
108	Amir Alliya	11
109	Adnan Ramay	10
110	Malik Zahid Hussain	9
111	Syed Mehmood Hussain Shah	9
112	Ghulam Rasul Bhatti	9

113	Shahzad Ahmad Bhatti	8
114	Shazia Gillani	8
115	Ch. Muhammad Ammar Pasha	8
116	Pir Zada Mamoon-Ur-Rashid	8
117	Ch. Khalil Ur Rehman	8
118	Hafiz Imran Bhutta	7
119	Ch Muhammad Abbas	7
120	Faisal Iqbal Awan	7
121	Abdul Latif Tariq	7
122	Azhar Iqbal	7
123	Mian Qaiser Mehmood	7
124	Bashir Ahmad Mirza	6
125	Inam-Ul-Haq Pasha	6
126	Mehboob Ul Hassan Bhulla	6
127	Zain Ejaz	6
128	Ali Aman Shamsi	6
129	Muhammad Faisal Iqbal	5
130	Qaiser Abbas Bhatti	5
131	Rana Muhammad Rafique	5
132	Muzafar Aziz Khan	5
133	Tasawar Hussain	5
134	Maqsood Ullah Malik	5
135	Noureen Fatima	5
136	Muhammad Waqar Amanullah	5
137	Khalil Ahmad Bhulla	5
138	Sohail Azam	5
139	Ch. Muhammad Ashfaq Bhullar	4
140	Saeed Ahmed Barvi	4
141	Mehmood Khalid Mian	4
142	Muhammad Nadeem Qasmi	4
143	Zia-Ur-Rehman	4
144	Afzal Ahmad Butt	4
145	Attique Ur Rehman	4
146	Bilal Khalid	4
147	Miss Anila Jamil	4
148	Huzaifa Ali Saeed	4
149	Kashif Ikram	4
150	Mehmood Afzal Awan	4
151	Muhammad Akram Saqi	4

152	Rai Amir Rehman	4
153	Tajammal Hussain Daha	4
154	Ashfaq Ahmad Bhullar	4
155	Nadeem Ashraf Ch.	3
156	Muhammad Ajmal	3
157	Malik Bahadur Hussain	3
158	Usman Jamil	3
159	Muhammad Tayyab Tahir	3
160	Pir Zada Muhammad Aurang Zaib	3
161	Ch.Amir Shahzad	3
162	Shazia Mushtaq Toor	3
163	Irfan Ali	3
164	Nadeem Kazim	3
165	Shamim Akhtar	2
166	Arshad Mehmood	2
167	Syed Ali Raza Rizvi	2
168	Mumtaz Ahmad	2
169	Abdul Jabbar Rana	2
170	Ch Amir Shahzad	2
171	Ch.Muhammad Yasin Zahid	2
172	Kamran Javaid Malik	2
173	Muhammad Aoun Jamil Awan	2
174	Muhammad Shafique Sajjad	2
175	Kashif Parvaiz	2
176	Rizwan Ali	2
177	Waqar Aman Ullah	2
178	Rana Maqbool Ahmad	1
179	Asif Iqbal	1
180	Zia-Ud-Din Kasuri	1
181	Zulfiqar Ali	1
182	Sajid Rasool	1
183	Asif Ali Kahloon	1
184	Ch. Khalid Iqbal	1
185	Hafiz Shahzad Ahmad Cheema	1
186	Ch. Irshad Ali Anjum	1
187	Muhammad Rafique Alam	1
188	Mansoor Ali Sial	1
189	Rehana Riaz	1
190	Syed Awais Tirmizi	1

191	Aisf Mehmood	1
192	Amjad Pervaiz Maitla	1
193	Azam Bhatti	1
194	Ch. Muhammad Rafique Arraen	1
195	Ch. Mumtaz Ahmad Bhalwana	1
196	Ch.Abdul Waheed	1
197	Chaudhry Muhammad Yasir Zahid	1
198	Dr. Muhammad Irtiza Awan	1
199	Imran Bhutta	1
200	Jamshaid Akhtar	1
201	Khawar Nawaz Gohar	1
202	Mehmood Ahmad	1
203	Mian Muhammad Ajmal Pervaiz	1
204	Mian Waqar Amanullah	1
205	Mirza Fazal Ellahi	1
206	Mirza Muhammad Sajid Baig	1
207	Mrs.Tasneem Akhter	1
208	Muhammad Afzal Arrian	1
209	Muhammad Az	1
210	Muhammad Ijaz Bhatti	1
211	Muhammad Nasir Mehmood Sandhu	1
212	Muhammad Saeed Barvi	1
213	Muhammad Shahzad Saleem	1
214	Muhammad Zahid Hussain	1
215	Muhammad Zarif	1
216	Muhmmad Riaz Ch	1
217	Munawar Riaz Ahmad Khan	1
218	Nadeem Iqbal Hussain	1
219	Nasir Iqbal Siddiqui	1
220	Rai Asif Mehmood	1
221	Ran Muhammad Siddique	1
222	Riffat Maryum	1
223	Shazia Bashir Ahmad	1
224	Syed Ghazanfar Ali Shah	1
225	Syed Mumtaz Hussain Shah Hamdani	1
	Total	6,747

Annex-II

Detail of Power of Attorney issued to Non-Panel / Private Counsels / Law Firm during financial year 2021-22 without Kasur and Okara Operation Circle

Sr. No.	Name of Counsel	No. of PoAs Awarded
1	Munawar Us Salam (Cornelius Lane and Mufti Law Firm)	99
2	Kashif Rafique Rajwana	11
3	Ahmad Pervaiz	8
4	Adil Umar Bandiyal	2
5	Aashiq Hussain	1
6	Sohail Shafique	1
	TOTAL	122

Annex-III**Cases involving Legal Fee Above 3 Lacs**

Sr. No.	Name of Counsel / Law Firm	Invoice No.	Invoice Date	Invoice Amount	Case Title	POA No
1	M/s.Cornelius,Lane and Mufti Advocate and Solicitors.	26330	29-Nov-21	365,000	MUHAMMAD ABDULLAH	3848
2	M/s.Cornelius,Lane and Mufti Advocate and Solicitors.	28200	17-Mar-22	365,000	Muhammad Abdullah	6841
3	M/s.Cornelius,Lane and Mufti Advocate and Solicitors.	29208	12-May-22	385,000	LESCO VS Muhammad Yasin Saeed Etc.	868
4	M/s.Cornelius,Lane and Mufti Advocate and Solicitors.	29451	9-Jun-22	785,000	LESCO VS NEPRA Etc (Amendments)	2808
5	M/s.Cornelius,Lane and Mufti Advocate and Solicitors.	29449	9-Jun-22	365,000	M/S Abu Bakar Textile	20084
6	M/s.Cornelius,Lane and Mufti Advocate and Solicitors.	29448	9-Jun-22	365,000	Kamalia Steel Furnance	2008
7	M/s.Cornelius,Lane and Mufti Advocate and Solicitors.	29450	9-Jun-22	365,000	A.S Steel Mills	200
8	M/s.Cornelius,Lane and Mufti Advocate and Solicitors.	29446	9-Jun-22	700,000	LESCO VS NEPRA (MYT)	1844
9	M/s.Cornelius,Lane and Mufti Advocate and Solicitors.	29452	13-Jun-22	375,000	LESCO VS FBR	1303-04
10	M/s.Cornelius,Lane and Mufti Advocate and Solicitors.	29453	13-Jun-22	375,000	CTC Global Inc.	1339
11	Ahmad Pervaiz Advocate	30089	29-Jun-22	370,000	Paragon City Pvt LTD.	2646
12	Ahmad Pervaiz Advocate	30086	29-Jun-22	370,000	Naveed Ahsan	2656
13	Ahmad Pervaiz Advocate	30085	29-Jun-22	370,000	Mst Salma Kausar	3050
14	Adil Umar Bandial - Advocate	27559	16-Feb-22	315,000	FATIMA ENERGY LTD	376
15	Adil Umar Bandial - Advocate	29440	1-Jun-22	395,000	LESCO VS NEPRA	2151
16	Sohail Shafique - Advocate	29390	25-May-22	320,000	Rana Abid Dilshad (DM)	2128
	TOTAL			6,585,000		

Annex-IV**Cases with Fee above 5 Lacs**

Sr No	File No	PoA No	Case Title	Court	Name of Law Firm / Counsel	Invoice Amount
1	L-18082/21(2)	180	LESCO VS NEPRA	LHC	M/s. Cornelius, Lane and Mufti Advocate and Solicitors.	1,500,000
2	L-20026/21	2808	LESCO VS NEPRA	LHC	M/s. Cornelius, Lane and Mufti Advocate and Solicitors.	785,000
3	L-14631/20(M)	1844	LESCO VS NEPRA (MYT)	NEPRA	M/s. Cornelius, Lane and Mufti Advocate and Solicitors.	700,000
	TOTAL					2,985,000