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# PAKISTAN'S DISTRIBUTION UTILITY LEADERS GAIN INSIGHTS INTO FINANCIAL OPERATIONS & INTERNAL AUDITING BEST PRACTICES IN THAILAND

## EXECUTIVE EXCHANGE TO BANGKOK, THAILAND

**ISLAMABAD, PAKISTAN** – Senior financial managers from Pakistan's largest electricity distribution utilities recently gained exposure to commercially proven methods to improve financial operations and enhance internal auditing controls by meeting with the two key electric utilities in Thailand, as part of an ongoing project supported by the U.S. Agency for International Development (USAID).

USAID's Power Distribution Program (PDP) is a five-year project conducted jointly with government-owned electric power distribution companies in Pakistan to improve their performance in the areas of loss-reduction, revenue collection, and customer services. As part of the Power Distribution Program's capacity-building efforts in Pakistan, a delegation of thirteen financial and audit experts engaged in meetings, presentations, roundtable discussions, and site visits in Bangkok to identify relevant strategies and policies utilized throughout the electricity distribution sector in Thailand which could be adapted for implementation in Pakistan.

Core training providers in the program included the Provincial Electricity Authority (PEA), which is responsible for electricity distribution in most of Thailand, and the Metropolitan Electricity Authority (MEA), which is responsible for distribution in the capital region of Bangkok.



The delegation from nine Pakistani distribution companies assembles outside Thailand's Provincial Electricity Authority (PEA) headquarters in Bangkok. PEA Smart Home is the utility's planning and exhibition center for Thailand's planned smart grid network.

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## EXECUTIVE EXCHANGE HIGHLIGHTS

The weeklong program focused on best practices in distribution utility financial operations, including department structure and functions, billing, collections, auditing, and change management. Best practices in customer service were also relayed, including department organization and management, customer information systems and data collection, complaint management, revenue controls, and employee training programs. Enterprise resource planning issues were addressed in-depth as well.



The chief of the Provincial Electricity Authority's Audit Planning section reviews PEA's core principles of internal auditing. Resolution procedures for audit findings were of significant interest to the delegation.

### KEY TOPICS

**Internal auditing standards and best practices** were stressed by both PEA and MEA, and were of significant interest to the delegation. Emphasis was placed on the strict independence of the internal audit department, as well as a shift toward proactive auditing, as opposed to “after-the-fact” detective auditing. This has allowed the utilities to identify risks, trends, and breakdowns in their financial systems before problems occur.

**Enterprise Resource Planning (ERP)** was another major component of the program, as both utilities reviewed their experiences with selecting and implementing SAP. As Pakistan's distribution companies consider issuing tenders for software upgrades, they gained valuable insights into all aspects of the process, including specifications,

duration, implementation, costs, and training requirements for staff. Significant computer training was mandated for PEA and MEA staff in advance of their SAP rollouts, to ensure all workers were able to use the software properly. The utilities also had greatly varied experiences with SAP, providing both reassuring and cautionary tales to the Pakistani managers who will play large roles in tender design, vendor selection, and rollout in the near future.

**Measures to enhance revenue** were also emphasized by MEA and PEA, and were well-received by the delegation. These included regular meter inspection schedules, standardized and well-publicized criteria for disconnections, incentives for timely bill payment, and increasing payment options for customers while steering them toward lower-cost methods of interaction, such as online communication, kiosk payments, and 24-hour call centers. The delegation witnessed first-hand PEA and MEA customer service centers, where wait times were negligible.

### BACKGROUND ON PAKISTAN'S POWER & ELECTRICITY DISTRIBUTION SECTOR

Pakistan's power sector is confronted by significant challenges, including limited availability of reliable and affordable electric power, aging and inadequate transmission and distribution networks, and utility policies and practices that lag those of advanced utilities. For distribution utilities in Pakistan, these deficiencies translate into levels of financial performance that are not self-sustaining. Yet financial self-sufficiency is critical, as Pakistan's power industry is undergoing sweeping changes, including transitioning from Government-owned utilities to fully autonomous companies that will engage in power generation, transmission, and distribution under the Government's reform agenda. A similar industry structure exists and functions smoothly in many other countries today. In Pakistan, however, outdated policies, procedures and work practices, as well as low investment in infrastructure, are barriers to a successful transition. The PDP was designed to overcome those barriers.



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## EXECUTIVE EXCHANGE RESULTS

The Pakistani delegation had the opportunity to witness the financial operations, internal auditing, and enterprise resource planning philosophies and methodologies of two distinct and advanced electricity distribution utilities for one week in Thailand. These utilities shared many of the challenges experienced by those in Pakistan, and with varying levels of financial, technological and human resources to solve those challenges. While financial operations best practices were the foundational topics throughout the week of training, tangential topics including tariff policy, voltage standards, and human resources recruitment strategies were also included to provide an intensive, integrated program designed to improve knowledge, skills, and understanding of best practices throughout Pakistan's electricity distribution system.

As a result of this program, the delegation:

- Gained understanding of practical reforms to modernize their utilities' **financial operations**. The delegation received detailed information on how PEA and MEA have overhauled their billing and collection software, improved meter reading, re-designed bills, and increased their number of outlets for customer interaction.
- Understood that **internal auditing** requires complete internal independence to be most effective, and must be proactive instead of only reactive.
- Gained understanding of the challenges and improvements possible by adopting **enterprise resource planning** throughout all aspects of a utility's operations.
- Observed both modern and older **billing** systems, and received information on decisionmaking for outsourcing some utility functions while keeping others in-house.
- Received detailed specifications of advanced **communications systems** that have replaced analog radio communications as the new standard for linking meters, equipment, and workers with control rooms and dispatch centers.
- Established strong **professional relationships** with experts in numerous areas of electricity distribution with utilities in Thailand. These contacts all offered to answer follow-on questions or provide advice to the delegates after they returned to their duties in Pakistan.



MEA's Call Center had a simple citywide phone number (1130) for all customer inquiries, and featured excellent metrics on limited customer hold times, few dropped calls, and overall satisfaction.

## HOST ORGANIZATIONS

- Provincial Electricity Authority of Thailand (PEA)
- Metropolitan Electricity Authority of Thailand (MEA)

## UTILITY EXCHANGE PROGRAM PARTICIPANTS

COMPANY	NAME	TITLE
PESCO (Peshawar)	1. Anwar Ul Haq Yousafzai	Finance Director
	2. Muhammad Saeed	Manager Internal Audit
HESCO (Hyderabad)	3. Deen Muhammad	Manager Finance
IESCO (Islamabad)	4. Ghulam Shabbir	Manager CA Finance
GEPSCO (Gujranwala)	5. Muhammad Asad	Finance Director
	6. Yousaf Sani Mirza	Additional Chief Auditor
MEPCO (Multan)	7. Saeed Ahmed Khan	Deputy Manager Corporate Accounts
LESCO (Lahore)	8. Muhammad Atif	Deputy Manager Tariff
	9. Muhammad Ilyas Chaudhary	Manager Internal Audit
QESCO (Quetta)	10. Asghar Ali Mengal	Finance Director
FESCO (Faisalabad)	11. Rana Tariq Pervez	Additional DG Accounts
	12. Khadim Hussain Baloch	Additional Chief Auditor
SEPCO (Sukkur)	13. Imdad Hussain Meerani	Finance Director



MEA assembled extensive teams of experts in accounting, customer service, and financial operations in order to address all issues and questions raised by the delegation.