AUDIT REPORT
ON
THE ACCOUNTS OF
MINISTRY OF WATER RESOURCES
AND ITS ENTITIES
AUDIT YEAR 2021-22

AUDITOR-GENERAL OF PAKISTAN

PREFACE

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with Sections 8 and 12 of the Auditor General's (Functions, Powers, Terms and Conditions of Service) Ordinance 2001, require the Auditor-General of Pakistan to conduct audit of any authority or body established by the Federation. The Audit Report is based on the accounts of the Ministry of Water Resources and its entities for the Financial Year 2020-21.

The Directorate General of Audit Water Resources conducted audit of the Ministry of Water Resources, Water and Power Development Authority and Federal Flood Commission during the year 2021-22 on test check basis with a view to report significant findings to the relevant stakeholders. The main body of Audit Report includes systemic issues and significant audit findings. Relatively less significant findings have been listed in Annexure-I of this report as MFDAC. The audit observations listed in Annexure-I shall be pursued with Principal Accounting Officer (PAO) at the Departmental Accounts Committee (DAC) level and in all cases where the PAO does not initiate appropriate action, the audit observations shall be brought to the notice of Public Accounts Committee through the next year's Audit Report. Moreover, sectoral analysis has been added in this report covering strategic review and overall perspective of audit results.

Thematic Audit – new concept, has been introduced and made part of this report at Chapter-2. It is an attempt to improve organization's performance through critically reviewing its business processes to identify those risks which are hindering it from achieving its intended objectives.

Audit findings indicate the need for adherence to the regulatory framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities. Most of the observations included in this report have been finalized in the light of discussions in the DAC meetings.

The 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].

Sd/-

Islamabad
Dated: 24 FEB 2022

(Muhammad Ajmal Gondal)
Auditor-General of Pakistan

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ABBREVIATIONS & ACRONYMS

ADB	Asian Development Bank
AGPR	Accountant General Pakistan Revenues
AJ&K	Azad Jammu & Kashmir
BOQ	Bill of Quantities
CB&CJ	Chashma Barrage & Chashma Jhelum Link Canal
CCC	Central Contract Cell
CCECC	China Civil Engineering Construction Corporation
CCI	Council of Common Interests
CDWP	Central Development Working Party
CE	Chief Engineer
CEO	Chief Executive Officer
CF&AO	Chief Finance & Accounts Officer
CGGC	China Gezhouba Group Co. Ltd.
CGICOP	China Gansu International Corporation for Economic and Technical Cooperation
CIP	Carriage & Insurance Paid
CMA	Cash Medical Allowance
CPPA-G	Central Power Purchasing Agency-Guarantee
CRBC	Chashma Right Bank Canal
CSA	Consultancy Servicers Agreement
CT	Current Transformer
D.I Khan	Dera Ismail Khan
DAC	Departmental Accounts Committee
DBCG	Diamer Basha Consultants Group
DBDP	Diamer Basha Dam Project
DG	Director General
DHC	Dasu Hydropower Consultants
DHPP	Dasu Hydropower Project
DLP	Defects Liability Period
DP	Draft Para
E&D	Efficiency & Discipline
E&M	Electrical and Mechanical
ECNEC	Executive Committee of the National Economic Council
EOT	Extension of Time
FAO	Field Audit Office
FBR	Federal Board of Revenue
FC	Frontier Corps

FCC	Foreign Currency Component
FFC	Federal Flood Commission
FIDIC	Federation Internationale Des Ingenieurs-Conseils
FPSP	Flood Protection Sector Project
FWO	Frontier Works Organization
FY	Financial Year
GB	Gilgit-Baltistan
GCC	General Condition of Contract
GCF	Green Climate Fund
GCISC	Global Change Impact Studies Centre
GFR	General Financial Rules
GLOF	Glacial Lack Outburst Flows
GM	General Manager
GMRC	Glacier Monitoring & Research Centre
GoP	Government of Pakistan
GST	General Sales Tax
GWh	Gigawatt hours
GZD	Gomal Zam Dam
GZDP	Gomal Zam Dam Project
GZHPS	Gomal Zam Hydel Power Station
HPP	Hydropower Project
ICB	International Competitive Bidding
ICIMOD	International Centre for Integrated Mountain Development
IPC	Interim Payment Certificate
IPoE	International Penal of Experts
IRSA	Indus River System Authority
ITB	Instructions to Bidders
JV	Joint Venture
KC	Kachhi Canal
KCP	Kachhi Canal Project
KfW	Kreditanstalt Fur Wiederaufbau
KIBOR	Karachi Interbank Offered Rate
KKH	Karakoram Highway
KM	Kilometer
KPK	Khyber Pakhtunkhwa
KPRA	Khyber Pakhtunkhwa Revenue Authority
KPST	Khyber Pakhtunkhwa Sales Tax
KTDP	Kurram Tangi Dam Project

KV	Kilovolt
kVA	Kilovolt-Ampere
LC	Letter of Credit
LD	Liquidated Damages
M&S	Monitoring & Surveillance
m^2	Square Meter
m^3	Cubic Meter
MAF	Million Acre Foot
MAPT	Main Auxiliary Power Transformers
MDHP	Mohmand Dam Hydropower Project
MFDAC	Memorandum for Departmental Accounts Committee
MIV	Main Inlet Valve
MoCC	Ministry of Climate Change
MoPD&SI	Ministry of Planning and Development & Special Initiative
MoU	Memorandum of Understanding
MoWR	Ministry of Water Resources
MRP	Mangla Refurbishment Project
MW	Mega Watt
NCB	National Competitive Bidding
NCCP	Nation Climate Change Policy
NDMA	National Disaster Management Authority
NEPRA	National Electric Power Regulatory Authority
NESPAK	National Engineering Services Pakistan
NFPP	National Flood Protection Plan
NHA	National Highways Authority
NJHPC	Neelum Jhelum Hydropower Company
NOC	No Objection Certificate
NOL	No Objection Letter
NTDC	National Transmission and Despatch Company
NWC	National Water Council
NWP	National Water Policy
O&M	Operation & Maintenance
OEM	Original Equipment Manufacturer
P&G	Preliminary & General
PAC	Public Accounts Committee
PAEC	Pakistan Atomic Energy Commission
PAO	Principal Accounting Officer
PARC	Pakistan Agricultural Research Council

PCC	Particular Conditions of Contract
PC-I	Planning Commission Proforma-I
PCIW	Pakistan Commissioner for Indus Waters
PD	Project Director
PEC	Pakistan Engineering Council
PEPCO	Pakistan Electric Power Company
PESCO	Peshawar Electric Supply Company
PID	Punjab Irrigation Department
PMD	Pakistan Metrological Department
POL	Petroleum, Oil and Lubricants
PPA	Power Purchase Agreement
PPDU	Project Planning and Development Unit
PPRA	Public Procurement Regulatory Authority
PSDP	Public Sector Development Programme
PSIHP	Pakistan Snow and Ice Hydrology Project
PWD	Public Works Department
RBPR	Right Bank Periphery Road
RCP	Rainee Canal Project
RE	Resident Engineer
SBP	State Bank of Pakistan
SDGs	Sustainable Development Goals
SOP	Standard Operating Procedure
SP	Special Provisions
TBM	Tunnel Boring Machine
TDP	Tarbela Dam Project
TESCO	Tribal Area Electricity Supply Company
TOC	Taking Over Certificate
TOR	Terms of Reference
UAE	United Arab Emirates
UNDP	United Nation Development Programme
USAID	United States Agency for International Development
VO	Variation Order
WAPDA	Water and Power Development Authority
WCAP	Water Sector Capacity Building & Advisory Services Project
WEPS	WAPDA Equipment Protection Scheme

EXECUTIVE SUMMARY

The Directorate General (DG) Audit Water Resources carries out audit of accounts of Ministry of Water Resources (MoWR) and its entities i.e. Water and Power Development Authority (WAPDA), Indus River System Authority (IRSA), Federal Flood Commission (FFC) and Pakistan Commissioner for Indus Waters (PCIW) on behalf of the Auditor-General of Pakistan with the objective of promoting accountability, transparency and good governance in the management and use of public resources. The human resource available to DG Audit Water Resources for carrying out audit activities comprises 81 officers and staff having 20,248 man-days with a total annual financial outlay of Rs.108.49 million for the audit year 2021-22. With these resources, this office conducts compliance with authority audit, performance audit, special audit / studies, audit of thematic areas and financial attest audit of foreign aided projects under the MoWR.

a. Scope of Audit

The audit jurisdiction of DG Audit Water Resources covers 111 formations of MoWR and its entities having total expenditure of Rs.138.64 billion and receipts of Rs.112.98 billion for the FY 2020-21.

Audit coverage for the current audit year comprises forty-one (41) formations of MoWR and its entities as per approved Annual Audit Plan 2021-22. This coverage includes expenditure of Rs.126.50 billion and receipts of Rs.112.19 billion for the FY 2020-21. In terms of percentage, the planned audit coverage for expenditure is 91.24% of auditable expenditure and 99.31% of auditable receipts.

This audit report includes audit observations resulting from the audit of expenditure of Rs.123.09 billion and receipts of Rs.110.84 billion for the FY 2020-21 pertaining to thirty-five (35) formations of MoWR and its entities. This audit report also includes audit observations resulting from the audit of expenditure of Rs.5.29 billion and receipts of Rs.2.71 billion for the FY 2019-20 pertaining to nine (09) formations.

In addition to this compliance audit report, DG Audit Water Resources conducted fourteen (14) financial attest audits, one (01) special study and audit of two (02) thematic areas, whereas, another special study and performance audit have been planned for execution under Audit Plan 2021-22. Audit on thematic areas are included in this report as separate chapters, however, reports of financial attest audits have already been issued and reports of remaining audits will be published separately.

b. Recoveries at the instance of Audit

As a result of audit, recovery of Rs.6,688.43 million is pointed out in this report. Recovery effected and verified by Audit from January to December, 2021 was Rs.5,526.94 million.

c. Audit Methodology

Audit activity started with detailed planning and development of audit programmes keeping in view available resources and time. Desk review of permanent files was done to understand the systems, procedures and environment. Field activity included scrutiny of record, site visits and discussion with management. High value and high risk items were selected on professional judgment basis for detailed audit.

d. Audit Impact

Major issues related to procurement, contract and financial management were brought to the notice of the management for taking timely actions. Discrepancies in bid evaluation process and inclusion of contract clauses contrary to the Public Procurement Regulatory Authority (PPRA) Rules and guidelines of Pakistan Engineering Council (PEC) were reported. Non-adherence to austerity measures of Finance Division and award of contracts beyond the provisions of PC-I were also highlighted. As a result of observations raised by Audit and discussion with the management, the audited entities realized the need for strengthening of internal controls and procedures. The management is convinced to take corrective measures in line with contract clauses besides regularizing the irregularities pointed out by Audit as per applicable rules and regulations.

e. Comments on Internal Controls and Internal Audit Department

An effective internal control framework serves as a major tool for management to ensure effective operational and financial matters. Internal controls of the department were found weak and ineffective as various control lapses were identified during audit. There was lack of effective monitoring and appropriate measures for major civil, electrical and mechanical works. The report gives a significant insight about the ineffective internal control system due to increase in cases of violation of standard clauses of bidding documents, PPRA rules, PEC's instructions, non-recovery of excess / over payment to the contractors, non-recovery of liquidated damages (LD), frequent changes in design / scope of work and abnormal delay in completion of projects causing delay in achieving envisaged benefits.

Internal Audit has been set up as a part of internal control system in WAPDA. It carries out audit of expenditure and income of WAPDA in addition to the physical verification of stock held at various stores. The recurrence of frequent irregularities, however, cast doubt on effectiveness of internal audit.

f. Key audit findings

i. Irregularities in Procurement Management amounting to Rs.6,861.617 million were observed in eight (08) cases[1].

ii. Irregularities in Contract Management amounting to Rs.14,138.576 million were observed in twenty nine (29) cases[2].

iii. Financial Management related issues amounting to Rs.159,577.416 million have been pointed out in fifteen (15) cases[3].

iv. Assets Management issues amounting to Rs.754.767 million have been pointed out in two (02) cases[4].

v. Design related issue amounting to Rs.700 million was observed in one (01) case[5].

vi. Management of Accounts with Commercial Banks related issues

[1] **Paras-**1.5.1, 1.5.2, 1.5.3, 1.5.4, 1.5.5, 1.5.6, 1.5.7 & 1.5.8

[2] **Paras-**1.5.9, 1.5.10, 1.5.11, 1.5.12, 1.5.13, 1.5.14, 1.5.15, 1.5.16, 1.5.17, 1.5.18, 1.5.19, 1.5.20, 1.5.21, 1.5.22, 1.5.23, 1.5.24, 1.5.25, 1.5.26, 1.5.27, 1.5.28, 1.5.29, 1.5.30, 1.5.31, 1.5.32, 1.5.33, 1.5.34, 1.5.35, 1.5.36 & 1.5.37

[3] **Paras-**1.5.38, 1.5.39, 1.5.40, 1.5.41, 1.5.42, 1.5.43, 1.5.44, 1.5.45, 1.5.46, 1.5.47, 1.5.48, 1.5.49, 1.5.50, 1.5.51 & 1.5.52

[4] **Paras-**1.5.53 & 1.5.54

[5] **Paras-**1.5.55

amounting to Rs.3,009.174 million were noted in two (02) cases[6].

vii. HR & Pension related issues amounting to Rs.39.731 million were raised in three (03) cases[7].

viii. Issues relating to Value for Money and Service Delivery amounting to Rs.292.471 million were observed in three (03) cases[8].

ix. Other miscellaneous issues amounting to Rs.2,360.103 million were also reported in twelve (12) cases[9].

g. Recommendations

i. The management needs to ensure that procurements of goods and services are made in a transparent and efficient manner in line with PPRA Rules and procurement guidelines.

ii. The management needs to apply due care while framing contract documents in order to avoid violations of PEC Guidelines and instructions of Finance Division / Planning Commission.

iii. The management needs to review its internal controls in order to put in place sound financial management processes, especially taxation matters.

iv. The management should adhere to the instructions of Finance Division regarding opening and operation of bank accounts.

v. The management needs to expedite efforts for recovery of huge outstanding amount of sales revenue.

vi. The management needs to strengthen its internal controls to improve service delivery and to obtain fair value for money through public spending.

vii. The management must expedite rectification of faults in the power plants in order to avoid generation loss.

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[6] **Paras-**1.5.56 & 1.5.57
[7] **Paras-**1.5.58, 1.5.59 & 1.5.60
[8] **Paras-**1.5.61, 1.5.62 & 1.5.63
[9] **Paras-**1.5.64, 1.5.65, 1.5.66, 1.5.67, 1.5.68, 1.5.69, 1.5.70, 1.5.71, 1.5.72, 1.5.73, 1.5.74 & 1.5.75

CHAPTER-1

Ministry of Water Resources

1. Ministry of Water Resources

1.1 Introduction

MoWR is mandated for development of country's water and hydropower resources to meet current and future challenges of water shortage, provision of affordable, environmental friendly renewable energy and act as catalyst in the implementation of the National Water Policy (NWP) by taking all the stakeholders on board, through creativity, initiative, innovation and technology. WAPDA, IRSA, FFC and PCIW are working under the umbrella of MoWR to manage the water sector of Pakistan at federal level.

WAPDA was established through an Act of Parliament in 1958 as autonomous and statutory body under the administrative control of the Federal Government. The charter of duties of WAPDA is to investigate, plan and execute schemes for generation of power, irrigation, water supply and drainage, prevention of water logging and reclamation of waterlogged and saline lands and flood management. To discharge its duties, WAPDA is administratively structured in three wings namely; Water Wing, Power Wing and Co-ordination Wing.

IRSA was established vide Act No. XXII of 1992 passed by the Parliament and approved by the President of Pakistan on December 6, 1992. IRSA was established for regulating and monitoring the distribution of water resources of Indus River System in accordance with the Water Apportionment Accord, 1991 amongst the Provinces and to provide matters connected therewith and ancillary thereto.

FFC was established in January, 1977 for the purpose of integrated flood management at national level. FFC is mainly responsible for the preparation of National Flood Protection Plans and their implementation through concerned Provincial and Federal Line Agencies in the country.

PCIW is the part of the Permanent Indus Commission which is a bilateral commission consisting of officials from India and Pakistan, created to implement and manage the goals and objectives of the Indus Waters Treaty, 1960. The commission maintains and exchanges data and co-operates between the two countries under the provisions of the Treaty.

Table-1 Audit Profile of Ministry of Water Resources

(Rs. in million)

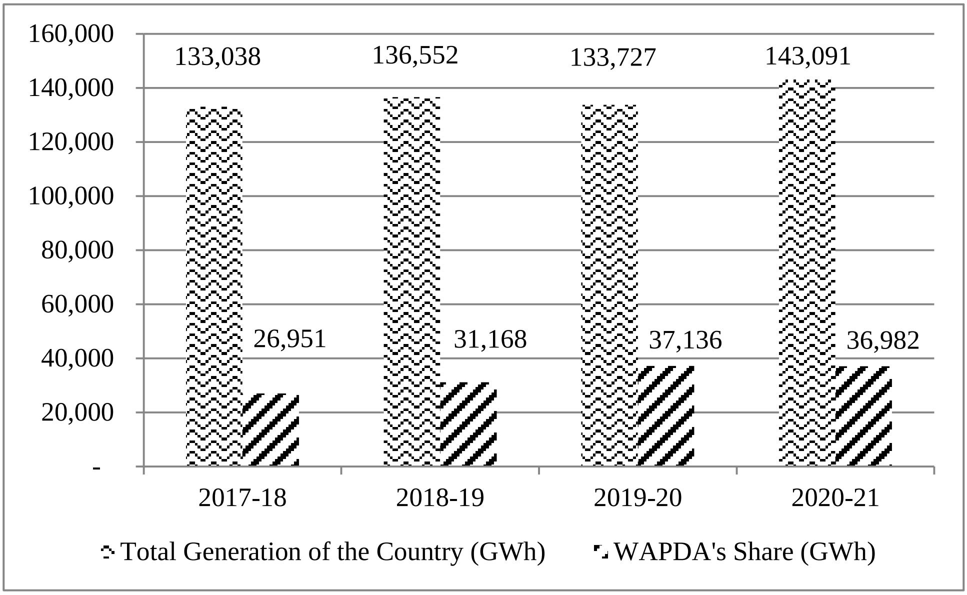
Description	Total Nos.	Audited	Expenditure Audited FY 2020-21	Revenue / Receipts Audited FY 2020-21
Authorities / Autonomous Bodies etc. under the PAO:	4	2	123,095.93	110,838.18
a. Formations	111	35	123,095.93	110,838.18
b. Assignment Accounts	24	21	US$7.15 and Rs.63,758.95	-
c. Foreign Aided Projects	14	14	12,878.25	-

1.2 Sectoral Analysis

Water security is an increasingly important issue that constitutes one of the biggest challenges to Pakistan's development. With the projected population of 263 million in the year 2050, Pakistan needs to put serious thought into how it will provide adequate water for agriculture, industry and human consumptions in the face of rapidly dwindling reserves. Pakistan's approach to water management involved large scale reservoirs, link canals and inter-basin transfers to support the agriculture sector which consumes 93% of total available surface and ground water resources.

Large scale water reservoirs are also important for availability, accessibility and affordability of electricity for the people across the country as well as for the economic progress and social uplift of the citizens. Of all the sources of electric power generation in a power system, hydel power is the cheapest in a generation mix. As such, ensuring availability of hydel power generation carries immense importance from the perspective of the energy security, sustainability and affordability of electricity. However, as per NEPRA's State of Industry Reports 2019-21, WAPDA's hydel generation decreased by 154 GWh from last year. Moreover, percentage of hydel generation in the energy mix also decreased from 27.77% to 25.85% from the last year. Therefore, WAPDA needs to bring in efficiencies in their existing hydel power plants. For instance, defective power generating units of Gomal Zam, Chashma, Jinnah and Golen Gol Hydel Power Stations, etc. must be rectified to reap maximum benefits of the huge capital expenditure made out of public funds and to provide cheap electricity to public.

WAPDA's Share in Total Electricity Generation of the Country



At present, WAPDA is implementing two (02) large scale projects in Upper Indus Basin. Diamer Basha Dam Project (DBDP) having storage capacity of 8.1 MAF and power generation capacity of 4,800 Mega Watt (MW) is being implemented at 315 KM upstream of Tarbela Dam. Dasu Hydropower Project (DHPP) with generation capacity of 4,320 MW is being implemented at 74 KM downstream of DBDP. Whereas, Mohmand Dam Hydropower Project (MDHP) having storage capacity of 0.676 MAF and power generation capacity of 800 MW is being implemented on Swat River at 5 KM upstream of Mohmand Tribal District.

Keeping in view the importance of these water sector projects for the socio-economic uplift of the country, a performance agreement was signed between Prime Minster of Pakistan and MoWR to achieve certain targets on these projects of national interest. Cumulative physical progress of 3.04% was achieved on DBDP against agreed target of 6%. Similarly, for DHPP the preparatory works, resettlement activities and the main works were all behind the schedule by 9.85%, 6.23% and 4.65% respectively. Progress on MDHP is also behind the target. Moreover, the PC-I of the Naulong Dam Project could not be approved as committed in the agreement. Overall progress on the said projects was very slow and far behind the targets set forth in the Performance Agreement.

After hectic efforts, National Water Policy (NWP) was formulated and formally approved by the Council of Common Interests (CCI) on April 24, 2018. The policy, inter alia, aimed at developing a National Planning Database to support an integrated information system in order to enable the planning and development of water and other related resources on a sustainable basis besides revitalizing and restructuring WAPDA. In addition, NWP required submission of periodical reviews to CCI on the implementation of NWP and achievement of its objectives.

NWP was framed to achieve its objectives within a given timeframe but it was found that no structural mechanism is in place in MoWR to monitor the implementation of NWP. The implementation framework has not yet been finalized despite lapse of three years. Moreover, no periodical reviews were submitted to CCI which showed that no documented mechanism is available to gauge the achievement of policy objectives. MoWR was responsible to propose and implement the restructuring plan to upgrade WAPDA within a year after approval of the policy but no steps have been initiated since approval of the policy.

In WAPDA, significant issues were observed in project implementation and contract management. Projects are initiated without proper planning, detailed designing, financial close and proper feasibility studies. Most of the projects are stuck during the initial phase of land acquisition. Estimates are prepared on outdated WAPDA Composite Schedule of Rates (WCSR) which, in turn, become irrelevant due to delays in approval of PC-I and award of contracts. Resultantly, contracts are awarded on exorbitantly higher percentages, sometimes even more than 100%, than PC-I estimates which eliminates the factor of adequacy of awarded price vis-à-vis approved estimates. Later on, the impact of defective designing becomes visible in the shape of excessive increase in BOQ quantities and variation orders, sometimes resulting into more cost than original contract price. As such, a major portion of expenditure remains outside of the ambit of competitive process. This also signifies poor role of the consultant right from the preparation of feasibility studies to designing and project monitoring.

Eventually, the mismanagement of the projects results in giving rise to disputes, termination of contracts and litigations causing time and cost overruns.

Significant risk areas related to procurement and contract management, financial management, assets management, design related issues and value for money etc. planned in the Audit Plan 2021-22 have been scrutinized during audit execution and reported to the PAO. In order that public funds are used efficiently, the PAO needs to take corrective measures, accordingly.

1.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.187,733.855 million were raised in this report during the current audit of MoWR and its entities. This amount also includes pointed out recoveries of Rs.6,688.430 million by the audit. Summary of the audit observations classified by nature is as under:

Table-2 Overview of Audit Observations

(Rs.in million)

Sr.	Classification of Audit Observations	Amount
A	Procurement Management	6,861.617
B	Contract Management	14,138.576
C	Financial Management	159,577.416
D	Assets Management	754.767
E	Design Related Issues	700.000
F	Management of Accounts with Commercial Banks	3,009.174
G	HR & Pension Related Issues	39.731
H	Value for Money and Service Delivery Issues	292.471
I	Others	2,360.103

Note: *The increase of total amount taken in audit observations over expenditure / receipt audited is due to the reason that progressive expenditure and total contract amount have been observed depending upon the nature of observations / issue.*

1.4 Comments on the status of compliance with PAC directives

Sr. No.	Name of Entity	Year	No. of Directives	Status of compliance		
				Full	Partial	Outstanding
1.	WAPDA	2012-13	5	-	1	4
2.	WAPDA	2018-19	9	-	-	9
3.	WAPDA	2019-20	2	-	-	2

Note: *Position of compliance with PAC directives is not satisfactory.*

1.5 Audit Paras

A. Procurement Management

1.5.1. Undue favour to the contractor by less recovery of mobilization advance due to change in contract clause after bidding evaluation - Rs.2,586.718 million

According to Clause-60.11/b (Financial Assistance to Contractor) of Contract, "Advance shall be recovered in equal installments, first installment at the expiry of third month after the date of payment of first part of Advance and the last installment two months before the date of completion of the works as per Clause-43 hereof". As per Instructions to Bidders IB.9 (9.1&9.2), at any time prior to the deadline for submission of bids, the Employer may, for any reason, whether at his own initiative or in response to a clarification requested by a prospective bidder, modify the Bidding Documents by issuing addendum.

During audit of accounts of the General Manager (GM) / Project Director (PD), Diamer Basha Dam Project for the period from July, 2020 to June, 2021, it was noticed that a contract for construction of Dam Part (Civil Works) and Tangir Hydropower Works was awarded to M/s PowerChina-FWO Joint Venture (JV) on May 13, 2020 at contract price of Rs.442,402.786 million. The mobilization advance of Rs.36,185.354 million was paid to the contractor in the month of June, 2020 in two equal installments. As per bidding document/contract, the recovery of mobilization advance was to be started after expiry of third month after the date of first part of advance, however, the standard clause of re-payment of mobilization advance was changed during pre-award meeting with the successful bidder after the bidding process. Due to this change of clause, recovery was started in the month of June, 2021 from the IPC-03 instead of from the month of September, 2020. Hence, an amount of Rs.2,586.718 million was less deducted from the IPCs of the contractor, which showed that undue favour was extended to the contractor.

Non-adherence to the aforementioned clauses resulted in undue favour to the contractor by less recovery of mobilization advance amounting to Rs.2,586.718 million due to change in contract clause after bid evaluation during the FY 2020-21.

The matter was taken up with the management in October, 2021 and reported to Ministry in December, 2021. The management replied that the contract clause relating to schedule of recovery of mobilization advance was agreed with the contractor in Minutes of Meeting (Clause-7) held on March 11, 2020 attached in the contract. The Employer agreed to start the recovery of the advance payment from the 3rd IPC till two months before Taking-Over Certificate (TOC).

The reply was not tenable because in view of Instructions to Bidders-9, conditions for repayment of the mobilization advance were not to be revised after deadlines for submission of bids.

The DAC in its meeting held on January 27, 2022 directed the management to submit revised reply with detailed justification regarding non-recovery of mobilization advance. DAC further directed to provide mechanism and plan for recovery from the contractor to Audit.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to enquire the matter regarding irregular change in condition of repayment of mobilization advance contrary to ITB-9 for fixing responsibility besides implementing DAC's decision,

(Draft Para No.209/2021-22)

1.5.2. Unjustified selection of sub-contractor having no capability of manufacturing main inlet valves of required capacity - Rs.2,456.508 million

According to Para-1.12 of Authority's minutes of meeting dated August 26, 2016, the sub-contractor M/s Hubei Hongcheng did not have capacity to manufacture 7m diameter main inlet valve (MIV) for Tarbela 4th Extension Project. The Authority accorded approval for manufacturing of MIV from M/s Voith instead of M/s Hubei Hongcheng.

During audit of accounts of the PD, Tarbela 5th Extension Hydropower Project for the period from July, 2020 to June, 2021, it was noticed that a contract for E&M works was awarded to M/s Harbin Electric International Company Ltd. and Harbin Electric Machinery Company Ltd. JV on June 25, 2021 at contract price of US$192.434 million and Rs.2,766.847 million. The main contractor proposed M/s Hubei Hongcheng as sub-contractor for manufacturing of three MIV at cost of Rs.2,456.508 million (US$15.257 million). As per record, M/s Hubei Hongcheng was also approved as sub-contractor for manufacturing of MIV for Tarbela 4th Extension Project having similar generating units of 470 MW each and MIV having diameter of 7.50m. However, during execution stage, the said sub-contractor was changed on the plea that it had no capability of manufacturing of MIV of such size/specification as conveyed by M/s Voith Hydro vide letter dated August 30, 2015. Moreover, as per list attached with Technical Proposal, M/s Hubei Hongcheng had never manufactured butterfly type MIV having size greater than 6m diameters in its 23 years' history since 1997 till 2020. Audit held that despite the proven incapability of the sub-contractor in Tarbela 4th Extension Project regarding manufacturing of MIV, acceptance of the same sub-contractor in Tarbela 5th Extension Project was unjustified and showed negligence and un-awareness of the facts on part of the management.

Lack of due diligence resulted in unjustified selection of sub-contractor having no capability of manufacturing MIV of required capacity valuing Rs.2,456.508 million during the FY 2020-21.

The matter was taken up with the management in September, 2021 and reported to Ministry in November, 2021. The management replied that the sub-contractor complied with all the eligibility criteria of post qualification documents, bidding documents and World Bank Procurement Guidelines. M/s Hubei Hongcheng was neither debarred/cross debarred nor sanctioned or suspended as per World Bank Procedure.

The reply was not tenable because the same sub-contractor was approved in Tarbela 4th Extension Project but later on replaced due to incapability of manufacturing MIV of the required size. This factor should have been kept in mind during bid evaluation process which was not done.

The DAC in its meeting held on January 6, 2022 directed the management to submit revised reply to Audit.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to justify selection of incapable sub-contractor in the light of discontinuation of its services at Tarbela 4th Extension

Project.

(Draft Para No.156/2021-22)

1.5.3. Inadmissible payment to the contractor due to unjustified award of contract - Rs.757.465 million

According to the Integrity Pact, the contractor accepted full responsibility and strict liability for making any false declaration, not making full disclosure, misrepresenting facts or taking any action likely to defeat the purpose of this declaration, representation and warranty. It further agreed that any contract, right, interest, privilege or other obligation or benefit obtained or procured as aforesaid shall, without prejudice to any other rights and remedies available to GoP under any law, contract or other instrument, be voidable at the option of GoP.

During audit of accounts of the GM / PD, Diamer Basha Dam Project for the period from July, 2020 to June, 2021, it was noticed that a contract for construction of Right Bank Periphery Road (RBPR-03) was awarded to M/s Hasnaat Brothers Construction Company-Shahid & Co. JV on July 27, 2020 for Rs.6,448.068 million. Scrutiny of record revealed that an amount of Rs.757.465 million had been paid to the contractor up to June, 2021 which was inadmissible as the award of contract was unjustified on the following grounds:

i. MoWR vide letter No.5(22)/2019/ICDBMD-DW dated March 20, 2020 directed to discourage participation of M/s Hasnaat Brothers in any further development of the DBDP because he was found guilty of indulging in unethical, suspicious, unwarranted activities and deliberate concealment of material facts in a project of strategic national importance.

ii. M/s Kohistan Highway Construction Company lodged complaint to PEC and Member (Water) WAPDA before issuance of letter of acceptance that M/s Hasnaat Brothers had submitted fake work orders and other related fake documents of their company to PEC for upgradation of category of its firm.

iii. M/s Shahid & Co. (Pvt.) Limited lodged complaint on February 19, 2021 to Chairman WAPDA that the MoU signed between them and M/s Hasnaat Brothers was fraudulent, as their signatures had been forged on the MoU. They neither recognized nor endorsed any of its terms and conditions and hence, denied the MoU in its entirety. They had also filed a case in Civil Court regarding the issue.

iv. Director (Legal) WAPDA offered comments on the issue that M/s Hasnaat Brothers had been entangled again in a controversy with a different contractor involving award of the contract to a JV on allegedly a fake/bogus document. Therefore, we should also approach the courts and payments be stopped immediately to the contractor.

Audit held that neither recommendations of MoWR were complied with nor any action was taken on the complaints of M/s Kohistan Highway Construction Co. and M/s Shahid & Co. Therefore, award of contract was unjustified and release of payment was inadmissible.

Non-adherence to integrity pact resulted in inadmissible payment of Rs.757.465 million due to unjustified award of contract during the FY 2020-21.

The matter was taken up with the management in October, 2021 and reported to Ministry in December, 2021. The management replied that the contract was awarded after following all the procedures and codal formalities and there was no unjustified payment. The advance payment had been made after obtaining verified bank guarantee and the IPCs were paid after the verification of work done by the consultants and the field staff of WAPDA.

The DAC in its meeting held on January 27, 2022 directed the Member (Finance) and Member (Water) WAPDA to conduct fact finding enquiry of the case and submit report to MoWR within 30 days.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC’s decision besides initiating actions against the contractor.

(Draft Para No.291/2021-22)

1.5.4. Irregular inclusion of cost of furnishing and maintaining the transport under the BOQ of civil works without PC-I provisions - Rs.505.340 million

According to PC-I of Tarbela 5th Extension Project approved by ECNEC on December 20, 2016 for an amount of Rs.82,361.600 million, there was provision of Rs.80.500 million for purchase of different types of vehicles for use of consultants and the Employer. As per PAC’s directive conveyed by the Cabinet Division on March 26, 2011, “there should be no deviation from the approved PC-I of the projects in any respect being implemented by the Federal Ministries/Divisions and its attached departments / autonomous bodies".

During audit of accounts of the PD, Tarbela 5th Extension Hydropower Project for the period from July, 2020 to June, 2021, it was noticed that a contract for civil works was awarded to M/s Power Construction Corporation of China Limited on May 06, 2021. As per PC-I, vehicles valuing Rs.80.500 million were to be purchased for the project that would become assets of the project. In addition to this provision for purchase of vehicles, the management included a provision of Rs.505.340 million for furnishing and maintaining transportation for the Employer and the Engineer on monthly rate basis vide BOQ item 6.8 to 6.12 of Schedule-B under civil works. Audit held that this arrangement under the civil works was made in violation of PC-I provisions which was irregular.

Non-adherence to the PC-I provisions and PAC's directives resulted in irregular inclusion of cost of Rs.505.340 million for furnishing and maintaining the transport under the BOQ of civil works during the FY 2020-21.

The matter was taken up with the management in September, 2021 and reported to Ministry in November, 2021. The management replied that the PC-I provision for purchase of vehicles was for design phase whereas it was not sufficient for supervision phase. Therefore, a provision was added in BOQ of civil works contract to meet the needs of construction activities which would reduce other costs of WAPDA.

The reply was not acceptable because specific provision for vehicles to be used by the consultants and the management was already included in PC-I, therefore, inclusion of huge amount for furnishing and maintaining transport in BOQ of civil works was violation of PC-I and irregular.

The DAC in its meeting held on January 6, 2022 directed the management to provide revised reply to Audit.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to enquire the matter and fix responsibility for this irregularity.

(Draft Para No.173/2021-22)

1.5.5. Unjustified payment due to irregular award of contract in violation of PEC's clarification - Rs.406.450 million

According to PEC's clarification issued vide letter No.PEC/Coord/ Adv/Pak-PWD/2019 dated July 3, 2019, if a procuring agency opts for National Competitive Bidding (NCB) as mode of procurement, the participation of foreign firms is restricted.

During audit of accounts of the GM / PD, Diamer Basha Dam Project for the period from July, 2020 to June, 2021, it was noticed that a contract for construction of RBPR-04 from Gais Bala to Darag Bridge (129+200 to 154+300) was awarded to M/s Zhongmie Engineering Group Limited-Ismail Construction Company JV on July 27, 2020 at a cost of Rs.4,064.512 million through invitation for bids on NCB. As per PEC's clarification, the participation of foreign firms was restricted in NCB mode of procurement, therefore, award of contract to a JV having participation of foreign firm was irregular. Hence, payment of Rs.406.450 million made up to June, 2021 was not justified.

Non-adherence to PEC's clarification resulted in unjustified payment of Rs.406.450 million due to irregular award of contract during the Financial Year 2020-21.

The matter was taken up with the management in October, 2021 and reported to Ministry in December, 2021. The management replied that the PEC works by-laws and guidelines had not placed restriction on foreign firms for participation under NCB. There was contradiction between PEC advice and PEC works by-laws. The procurement was made after obtaining approval of Authority. Hence, the award of contract to foreign firm JV through NCB was not irregular.

The reply was not tenable because participation of foreign firm in NCB process of procurement was restricted by PEC, therefore, award of contract was irregular.

The DAC in its meeting held on January 27, 2022 directed the Member (Water) WAPDA to obtain clarification from PPRA in the light of PEC's decision regarding restrictions of foreign firms in NCB method of procurement within one month.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC's decision.

(Draft Para No.290/2021-22)

1.5.6. Irregular purchase of vehicles as BOQ item through the construction contractors - Rs.61.500 million

According to Para-(i) of the austerity measures circulated by the Finance Division (GoP) vide office memorandums dated August 21, 2019 and August 06, 2020, "there will be a complete ban on purchase of all types of vehicles (excluding motorcycles) both for current as well as development expenditure".

During audit of accounts of two (02) formations of WAPDA for the period from July, 2020 to June, 2021, it was noticed that seven (07) vehicles amounting to Rs.61.500 million were purchased through construction contractors as BOQ item. Audit held that provision for purchase of vehicles by the Employer through the contractors was made just to avoid the austerity measures of the Government which was unjustified. The detail is as under:

(Rs. in million)

Sr. No.	DP No.	Name of Formation	Date of contract	No. of Vehicles	Amount
1.	216/2021-22	GM / PD, DBDP	July 27, 2020	6	55.000
2.	287/2021-22	CE / PD, Warsak 2nd Rehabilitation Project	July 22, 2019	1	6.500
TOTAL				**7**	**61.500**

Non-adherence to the instructions of Finance Division resulted in irregular purchase of vehicles amounting to Rs.61.500 million as BOQ item through construction contractors during the FY 2020-21.

The matter was taken up with the management in October, 2021 and reported to Ministry in December, 2021. The management of DBDP replied that the vehicles being the pre-requisite and essentially required for surveillance, supervision and monitoring during execution of contract had been procured against BOQ item on item rate basis as per contract provisions. The management of Warsak 2nd Rehabilitation Project replied that the vehicle was procured under line item of PC-I meant for Flood Management Component after obtaining NOL from donor agency.

The reply was not tenable because purchase of vehicles by the Employer through the contractor as BOQ item was made in violation of Finance Division's instructions regarding the austerity measures as it was not a specialized job.

The DAC in its meeting held on November 30, 2021 and January 27, 2022 directed the management of Warsak 2nd Rehabilitation Project to submit revised reply. In case of DBDP, the management was directed to ensure compliance of its earlier directives dated 17 & 19 December, 2020, wherein, it was directed to justify the purchase of these vehicles at exorbitant rates through BOQ / contractor instead of departmentally by adopting PPRA Rules and adherence to the instructions of Finance Division regarding approval of austerity committee.

DAC also directed the management of DBDP to place the items at the rightful place of PC-I instead of BOQ and discourage this practice. If some justifiable reasons exist, purchase of vehicles be made through provisional sum in future.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC's decision besides fixing responsibility for inclusion of vehicles in BOQ of contracts and violation of austerity measures.

1.5.7. Irregular inclusion of provision for income tax in the contract price - Rs.59.898 million

According to Clause-1.2, all duties, taxes and other levies payable by the contractor under the contract, in Pakistan or to Pakistan's authorities, as of the date twenty-eight (28) days prior to the deadline for submission of tenders, will be included in prices and rates, as quoted. As per Clause-ITB-14.7, the bidder shall identify in the bid price, as a separate amount, the VAT payable under the contract. Other taxes, duties and fees shall be deemed included in the contract.

During audit of accounts of the CE/PD, Warsak 2nd Rehabilitation Project for the period from July, 2020 to June, 2021, it was noticed that a single bidder M/s Technicon Enterprises submitted bid price of Rs.795.791 million in its letter of Financial Bid. However, it was observed from sub summary of its Bid that an amount of Rs.59.898 million was separately included over and above its bid price for income tax. Later on, the amount of income tax was directly included in the BOQ items of the contractor and as such bid price of the bidder was increased from Rs.795.791 million to Rs.855.689 million (excluding daywork and provisional sum) and the contract was signed on April 12, 2021. As per bidding documents, only value added tax was required to be shown separately whereas income tax was deemed to be included in the bid price as the income tax was to be levied on the income of the contractor. The PD, in its letter dated April 22, 2020 addressed to the GM (Hydel) Development also endorsed the stance of the consultants regarding non-inclusion of income tax in the bid price. However, the consultants and the management changed their stance and contract price was enhanced accordingly. Audit held that as per bidding documents, the amount of income tax was deemed to be included in the contract price, therefore, inclusion of amount of income tax in the contract price was not justified and undue favour to the contractor.

Non-adherence to the aforementioned provisions resulted in unjustified inclusion of provision for income tax amounting to Rs.59.898 million in the contract price during the FY 2020-21.

The matter was taken up with the management in October, 2021 and reported to Ministry in December, 2021. The management replied that the stance of bidder was accepted as per instructions of donor agency (AFD) in the best interest of work otherwise the procedure for rebidding could have resulted in delay as well as additional cost.

The DAC in its meeting held on January 27, 2022 directed the management to get the record in support of their stance verified from the Audit.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to enquire the matter in the light of PPRA Rules.

(Draft Para No.284/2021-22)

1.5.8. Undue favour to the consultant due to obtaining lesser bank guarantee - Rs.27.738 million

According to Annex-5, Clause-4.15 of Kreditanstalt Fur Wiederaufbau (KfW) procurement guidelines, the amount of the advance payment bond equals the amount of advance payment. As a rule, the bond will decrease pro rata in accordance with the value of the supplies and works provided. As per Annex-8, Clause-5.1 of Advance Payment, the provision of an advance payment guarantee is required if the advance payment exceeds 15% of the Order Value, and in any case if it exceeds Euro 150,000 (or the equivalent value in another currency).

During audit of accounts of the GM, Hydro Planning WAPDA, Lahore for the period from July, 2019 to June, 2020, it was noticed that an advance payment amounting to Euro 182,865.350 (15% of contract) equivalent to Rs.33.815 million was paid to M/s Harpo Consultants, a JV of Tracebel Engineering GmbH, Germany (former Lahmeyer International GmbH) and National Development Consultants, Pakistan. The project authorities were required to obtain the advance payment guarantee equal to the amount of advance payment in accordance with the guidelines of Operational Manual of donor but the same was not done. A contradictory Clause-6.4.2 (Advance Payment) to Operational Manual of donor was included in the contract document requiring bank guarantee for amount exceeding Euro 150,000 (equivalent to Rs.27.738 million). As such, project authorities gave undue favour to consultants by accepting less advance payment guarantee of Euro 32,865.350 equivalent to Rs.6.077 million only instead of Rs.33.815 million.

Non-adherence to the Operational Manual resulted in undue favour to the consultants due to obtaining of lesser bank guarantee of Rs.27.738 million up to the FY 2020-21.

The matter was taken up with the management in May, 2021 and reported to Ministry in October, 2021. The management replied that project donor was requested to clarify whether the bank guarantee was obtained from the consultants in line with clause-6.4.2 or otherwise. The project donor intimated on December 23, 2021 to take action in the light of contract provisions.

Audit contended that bank guarantee should have been obtained for whole amount of advance payment in line with Procurement Guidelines of the donor i.e. KfW.

The DAC in its meeting held on December 28, 2021 directed the management to submit revised reply to Audit.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to fix responsibility for incorporating a contradictory clause in the contract document and giving undue favour to the contractor.

(Draft Para No.30/2021-22)

B. Contract Management

1.5.9. Undue favour to the contractors owing to payment of mobilization cost despite payment of mobilization advance - Rs.4,458.525 million

According to Clause-60.11 (Financial Assistance to Contractor) of PEC's Standard Form of Bidding Documents, "Financial Assistance shall be made available to the contractor by the Employer by adopting any one of the following three alternatives:

- Alternative One: Mobilization Advance
- Alternative Two: Mobilization / Demobilization
- Alternative Three: Material Supplied by Employer

As per instructions to users of this document, "the General Conditions of Contract (GCC) and Particular Conditions of Contract (PCC) prepared by the PEC should be retained as such. Any further amendment in the PCC can be made by the users only as indicated by the PEC in Para-E hereinafter or within the PCC". As per Para-E (7), "the Employer should indicate as to which of the three alternatives is adopted, by deleting the other two alternatives".

During audit of accounts of two (02) formations of WAPDA for the period from July, 2020 to June, 2021, it was noticed that an amount of Rs.52,311.214 million was paid to the contractors as mobilization advance. Further probe into the matter revealed that a provision of Rs.21,756 million was also made as BOQ item on account of mobilization cost. Out of which, an amount of Rs.4,458.525 million had so for been paid to the contractors for mobilization and providing different facilities at sites to the contractor's personnel in addition to mobilization advance. The detail is as under:

(Rs. in million)

Sr. No.	DP No.	Name of Formation	Amount of Mobilization Advance	Amount of Mobilization Cost	Amount Paid
1.	38/2021-22	GM / PD, MDHP	16,125.861	4,970.250	1,400.371
2.	210/2021-22	GM / PD, DBDP	36,185.353	16,785.750	3,058.154
TOTAL			**52,311.214**	**21,756.000**	**4,458.525**

As per instructions contained in PEC's Standard Form of Bidding Documents, only one option could be provided to the contractors. However, the management granted undue favour to the contractors by allowing both the mobilization advance and mobilization cost (as BOQ item) in the contract in violation of PEC's bidding documents which was irregular.

Non-adherence to the PEC's bidding documents resulted in undue favour to the contractors due to payment of mobilization cost amounting to Rs.4,458.525 million despite payment of mobilization advance up to the FY 2020-21.

The matter was taken up with the management in August & October, 2021 and reported to Ministry in October & December, 2021. The management of MDHP replied that the contract was not based on PEC 2007 documents and instead it was ICB contract based on FIDIC 2010 Conditions of Contract. However, the matter had already been taken up with the office of GM (CCC) WAPDA for seeking contractual opinion. The management replied that Alternative One of the PEC's Standard Form of Bidding Documents was adopted in the contract for Main Works-1 of DBDP. No undue favor had been extended to the contractor and no violation of PEC's Clause-60.11 had been committed. The payments were made against lump sum item 'construction of contractor's camp & colony' on work done / achievement of milestone basis. This is not a payment of mobilization advance rather payment of BOQ item.

Audit contended that the mobilization cost had been paid for those items for which mobilization advance had already been paid to the contractor. Moreover, provision of mobilization cost in BOQ in addition to mobilization advance, especially in the wake of inclusion of overheads in the rates, was irregular. Therefore, the matter must be referred to PEC for clarification.

The DAC in its meeting held on December 28, 2021 and January 27, 2022 directed the management of MDHP to submit revised reply after obtaining opinion from GM (CCC) WAPDA. In case of DBDP, the management was directed to recover the amount of mobilization cost along with interest from next IPC of the contractor.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to enquire the matter for deviations from the PEC's Standard Form of Bidding Documents besides implementing DAC's decision.

1.5.10. Non-imposition of liquidated damages upon the contractors - Rs.2,708.808 million

According to standard Clauses of Contracts, liquidated damages (LD) shall be applicable for each day of delay in completion of the works at specified rates provided in respective contracts.

During audit of accounts of four (04) formations of WAPDA for the period from July, 2020 to June, 2021, it was noticed that five (05) contracts were awarded to different contractors during June, 2016 to January, 2019. The contractors could not complete the works within the stipulated period, therefore, they were liable to pay their respective applicable LDs which were not recovered. The detail is as under:

(Rs. in million)

Sr. No.	DP No.	Name of Formation	Amount of LD
1.	42/2021-22	PD, KTDP	835.800
2.	162 & 175 /2021-22	PD, MRP	1,249.457
3.	219/2021-22	GM / PD, DBDP	241.743
4.	248/2021-22	GM, Hydel Operation & Development	381.808
TOTAL			**2,708.808**

Non-adherence to the contracts' clauses resulted in non-recovery of LDs amounting to Rs.2,708.808 million from the contractors up to the FY 2020-21.

The matter was taken up with the management during August to October, 2021 and reported to the Ministry during October to December, 2021. The management replied that cases for grant of EOTs were under process and LDs, if any, would be imposed after determination of EOTs by the Engineers as per contract provisions.

The DAC in its meeting held on December 27, 2021 and January 6 & 27, 2022 directed the management of KTDP & MRP to submit revised reply justifying reasons for delay with evidence to Audit. In case of DBDP, the management was directed to provide detailed record to Audit for verification. In other case, the management was directed to expedite the determination of the Engineer for LD and share progress with the Audit.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC's decision.

1.5.11. Excess payment to the contractors due to non-adjustment of KPST from the contracts prices - Rs.1,358.980 million

According to ITB Clause-14.7 of the bidding documents, "all duties, taxes, and other levies payable by the contractor under the Contract, or for any other cause, as of the date 28 days prior to the deadline for submission of bids, shall be included in the rates and prices and the total Bid Price submitted by the Bidder". As per Clause-13.7 of GCC, "the contract price shall be adjusted to take account of any increase or decrease in cost resulting from a change in the laws of the country (including the introduction of new laws and the repeal or modification of existing laws) or in the judicial or official government interpretation of such laws, made after the base date, which affect the contractor in the performance of obligations under the contract". As per Khyber Pakhtunkhwa Revenue Authority's (KPRA) Notification No.506-15/2018 dated August 31, 2018, "rate of sales tax on contracting and construction services was reduced from 15% & 5% to 1%".

During audit of accounts of the GM / PD, Dasu Hydropower Project for the period from July, 2020 to June, 2021, it was noticed that bids for three (03) contracts were submitted by the contractors in July, 2015 and November, 2017 which were awarded to two different contractors on March 8, 2017 and October 18, 2018 respectively. The detail is as under:

(Rs. in million)

Sr. No.	DP No.	Name of Contractor	Name of Contract	Contract Price	Amount
1.	254/2021-22	M/s China Gezhouba Group Co. Ltd.	MW-1 & MW-2	179,429.887	1,243.702
2.	279/2021-22	M/s China Gansu International Corporation for Economic and Technical Cooperation (CGICOP)	PCI-01R	4,900.000	115.278
TOTAL				**184,329.887**	**1,358.980**

At the time of bidding, applicable rate of Khyber Pakhtunkhwa Sales Tax (KPST) was 15% and as per bidding documents, the rates to be quoted by the contractors were inclusive of all applicable taxes which were also clarified to the bidders before award of contracts. Later on in August, 2018, KPST on construction services was reduced from 15% & 5% to 1%. As per contract clauses, the contract prices were required to be adjusted to give effect of decrease in rates of KPST resulting from change in applicable law but needful was not done. At the time of making payment to the contractor, only 1% KPST was deducted and remaining 14% KPST was not recovered from the IPCs which resulted in excess payment of Rs.1,358.980 million to the contractors.

Non-adherence to the contract provisions resulted in excess payment of Rs.1,358.980 million to contractors due to non-adjustment of KPST from the contracts prices during the FY 2020-21.

The matter was taken up with the management in October, 2021 and reported to Ministry in December, 2021. The management replied that KPRA had been approached for clarification of law pertaining to i) applicable rate(s) 15% and 1% on invoice value or certain services and ii) kind of services that were subject to KPST under construction contracts. On receipt of reply from KPRA, the project office would proceed for the Employer’s claim pursuant to sub-clause -2.5 of conditions of contract.

The chair showed its concern for not reducing the contract price and effecting recovery as a result of reduction of rates of KPST despite unambiguous contract clause.

Audit contended that no such clarification was required and recovery must be effected at the earliest.

The DAC in its meeting held on November 30, 2021 and January 27, 2022 directed the management to take up the matter with KPRA, resolve the matter and submit report to MoWR and Audit within one month.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC’s decision besides ensuring recovery of excess paid amount without further delay.

1.5.12. Unjustified subletting of works to unapproved sub-contractor by M/s FWO-DESCON JV- Rs.1,228.465 million

According to Appendix-I of the Contract for construction of civil works along with design, supply, installation, testing and commissioning of hydraulic steel mechanical & electrical works, M/s AREAA was not included in the approved list of sub-contractors.

During audit of the accounts of the PD, Kurram Tangi Dam Project for the period from July, 2020 to June, 2021, it was noticed that a contract for construction of civil works along with design, supply, installation, testing and commissioning of hydraulic steel mechanical & electrical works was awarded to M/s FWO-DESCON JV. As per contract, there was a provision of subletting of some portion of works and names of sub-contractors were mentioned in the contract accordingly (Appendix-I). It was further observed that the works amounting to Rs.1,228.465 million were sublet to M/s AREAA who was not included in the approved list of sub-contractors which was unjustified.

Non-adherence to the contract provisions resulted in unjustified subletting of works amounting to Rs.1,228.465 million to unapproved contractor by M/s FWO-DESCON up to the FY 2020-21.

The matter was taken up with the management in August, 2021 and reported to Ministry in November, 2021. The management replied that the project consultants recommended M/s AREAA for additional subletting of works and requested specific approval of the Employer under the provisions of sub-clauses-4.1 of GCC & 2.1 (i) of PCC. Subsequently, WAPDA granted approval to M/s AREAA as “Sublet Contractor” for construction works.

The DAC in its meeting held on January 5, 2022 directed the management to provide revised detailed reply to Audit.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to enquire the matter vis-à-vis capability of M/s AREAA and percentage of whole works sublet to it besides implementing DAC’s decision.

(Draft Para No.138/2021-22)

1.5.13. Irregular payment to the contractor under provisional sum without obtaining supporting documents - Rs.848.286 million

According to Clause-58.3 of GCC, “the contractor shall produce to the Engineer all quotations, invoices; vouchers and accounts or receipts in connection with expenditure in respect of Provisional Sums, except where work is valued in accordance with rates or prices set out in the Tender”.

During audit of accounts of the Chief Executive Officer (CEO), Neelum Jhelum Hydropower Company (NHJPC) for the period from July, 2020 to June, 2021, it was noticed that initially a fixed percentage of 7% for Preliminary & General (P&G) items was provided in VO-16. In this regard, a meeting of Technical Committee was held on January 29, 2013 under the Chairmanship of the Member (Water) WAPDA wherein after detailed deliberation, the Chair concluded that fixing of percentage for P&G items was not justified for the VOs and payment should be made on substantiation of relevant items by the contractor. However, due to disagreement between the Employer and the contractor on the issue, the consultants (Engineer) under Clause-52.2 (Power of Engineer to Fix Rates) decided on December 26, 2018 that P&G items should be substantiated on actual basis (provisional sum) and paid accordingly instead of fixed percentage. The contractor was reminded time and again to provide quotations & invoices of the already paid amount of P&G items valuing Rs.848.286 million but no supporting documents had so far been provided by the contractor despite lapse of considerable period of time. Moreover, most of the unserviceable/scrap material pertaining to this item was being lifted by the contractor from site. Audit held that the payment of P&G items (provisional sum) without obtaining supporting documents was irregular.

Non-adherence to the contractual provisions resulted in irregular payment of Rs.848.286 million to the contractor under provisional sum without obtaining supporting documents up to the FY 2020-21.

The matter was taken up with the management in September, 2021 and reported to Ministry in November, 2021. The management replied that the contractor was in disagreement with the Engineer and the Employer on P&G items change from 7% of work cost to provisional sum. The matter was in contractual consultation, review & evaluation by the Engineer and the Employer to reach at a consensus. Recovery of Rs.848.286 million would be decided on the approval of VO-16R1.

Audit contended that due to disagreement on rates between the Employer and the contractor, the Engineer under Clause-52.2 had already decided that P&G items should be substantiated on actual basis. Therefore, either supporting documents to substantiate the payment of P&G items needed to be obtained from the contractor or recovery of this amount be effected from the contractor.

The DAC in its meeting held on December 28, 2021 directed the management to consider all available remedies and ensure recovery from the contractor.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC's decision.

(Draft Para No.99/2021-22)

1.5.14. Excess payment to the contractor due to execution of work at abnormally high rates and without seeking NOL from the World Bank - Rs.792.309 million

According to Clause-12.3 (b-iii) of the GCC, "each new rate or price shall be derived from any relevant rates or prices in the contract, with reasonable adjustments to take account of the matters described in sub paragraph (a) and or (b) as applicable".

During audit of accounts of the PD, Tarbela 4th Extension Hydropower Project for the period from July, 2020 to June, 2021, it was noticed that Authority in its meeting held on September 01, 2020 granted in-principal approval for execution of "remaining works at intake including permanent concrete plugging of T3 and T4 lower intakes" at a cost of Rs.1,101.933 million and US$16.862 million through VO No.43. This approval was granted without seeking NOL from the World Bank and the cost estimates were not properly analyzed in the light of BOQs of the existing contract. However, the World Bank and International Panel of Experts (IPoEs) showed their reservations on high estimation of the cost and the Bank didn't issue NOL. The consultants were asked to rationalize the cost and finally the cost was rationalized to Rs.710.468 million and US$1.894 million and the Bank agreed with the reduced/rationalized cost and asked the project management to convince the contractor on the rationalized cost. The matter was taken up with the contractor on February 09, 2021 but the contractor didn't agree with the revised cost. The revised rationalized/reduced cost was based on BOQ of the existing contract whereas principally approved cost was not based on the BOQ rates as evident from consultants' letter dated April 08, 2021. Further probe into the matter revealed that an amount of Rs.1,805.893 million had already been paid to the contractor till June 30, 2021 without finalization of rates, as such, an amount of Rs.792.309 million had been paid in excess of rationalized cost. Audit held that this excess payment had to be made due to obtaining of approval of Authority and issuance of instructions to the contractor for execution of work on unrealistic cost estimate without seeking NOL from the World Bank which needed to be recovered.

Non-adherence to the contract provisions resulted in excess payment of Rs.792.309 million to the contractor due to execution of work at abnormally high rates in violation of contract provisions and without seeking NOL from the World Bank during the FY 2020-21.

The matter was taken up with the management in August, 2021 and reported to Ministry in December, 2021. The management replied that NOL was not issued by the World Bank due to some observations on the basis of estimation of cost of VO. The consultant submitted revised cost of VO after incorporating change in scope and without any price adjustment against the previous cost of Rs.1,101.933 million and US$16.862 million, respectively. The contractor conveyed its disagreement on the consultant's revised working and reduced the cost of VO to Rs.1,022.300 million and US$10.360 million. Meanwhile, the consultant continued certification of cost of work done on provisional rates in accordance with sub-clause 12.3 of GCC. The contractor had shown its intention to refer the matter to the Dispute Board for arbitration.

The reply was not tenable because carrying out of work without approval of VO and NOL from World Bank was unjustified. The revision of basis of estimation and rates by the consultant at the later stage showed that proper working was not carried out by consultant at the initial stage which resulted in excess payment to the contractor. Moreover, the in-principle approval of the Authority, without NOL from the World Bank, had already weakened the case of management for arbitration.

The DAC in its meeting held on January 27, 2022 directed the management to ensure compliance of its earlier decision dated November 30, 2021 wherein the para was pended till finalization of arbitration process and the management was directed to submit revised reply to Audit justifying the approval of VO without NOL, carrying out of work without approval of VO and NOL, and basis of estimation of VO.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC's decision besides ensuring recovery of excess paid amount from the contractor.

(Draft Para No.234/2021-22)

1.5.15. Undue favour to the contractor by allowing advance payment for installation and other services of E&M works - Rs.729.885 million

According to Clause-14.7 of Special Stipulations (Part-B) of the contract of Mohmand Dam Hydropower Project, "the Employer shall pay the contactor in the following manner and at the following times, on the basis of Price Breakdown given in the section of Price Schedules…." As per Schedules-1 to 5 of E&M works, "ten percent (10%) of the CIP amount will be paid as advance payment for each Schedule". As per Payment Procedures for E&M works, "Whenever an event occurs, or work has been performed, which warrants payment under the contract, including the Advance Payment, the contractor shall submit a commercial invoice to the Employer with detail of Plant and Equipment and/or the Installation Services performed. The invoice shall be supported by the documentation as stated above, relevant for the Plant and Equipment and/or the Installation Services performed".

During audit of accounts of the GM / PD, Mohmand Dam Hydropower Project for the period from July, 2020 to June, 2021, it was noticed that a contract for construction of civil works including design, supply and installation of electrical and mechanical works and hydraulic steel structures was awarded to M/s CGGC-DESCON JV on March 26, 2019 for Rs.224.460 billion (including provisional sums). As per IPC-01 of Lot-4 (E&M works), 10% advance payment amounting to Rs.169.340 million and US$27.800 million for Schedule-1 (Plant and machinery, spare parts supplied from abroad), Schedule-3 (Design services) and Schedule-4 (Installation & other services) was claimed by the contractor and allowed by the management. As per contract, the payment was to be made according to price breakdown given in the respective sections of Price Schedules and on occurring of an event or performance of work which warranted payment under the contract. However, the management, instead of making payment for schedules of design and procurement of plant & machinery only, also allowed 10% advance payment amounting to Rs.729.885 million (Rs.26.270 million and US$4.310 million) for installation services (Schedule-4) of plant & machinery which had not so far been procured and delivered at project's site. Audit held that advance payment for installation services of electrical & mechanical works in violation of contract clauses was undue favour to the contractor and irregular.

Non-adherence to the contract clauses resulted in undue favour to the contractor by allowing advance payment amounting to Rs.729.885 million for installation services during the FY 2020-21.

The matter was taken up with the management in August, 2021 and reported to Ministry in November, 2021. The management replied that the particular event for the advance payment was submission of invoice and irrevocable advance payment security only which had been fulfilled. The rest of the amount would be certified on fulfilling the requirement/occurrence of related event.

The reply was not acceptable because there was no provision / timelines for making entire advance payment pertaining to all Price Schedules (1-5) at once and the payment was linked with the occurring of particular event.

The DAC in its meeting held on December 28, 2021 directed the management to submit revised reply.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to enquire the matter for extending undue favour to the contractor besides ensuring recovery along with interest.

(Draft Para No.79/2021-22)

1.5.16. Non-recovery of excess paid amount on account of hydraulic capacity of drill & blast tunnels - Rs.381.092 million

According to Clause-52.1 of the GCC, "all variations referred to in Clause-51 and any additions to the Contract Price which are required to be determined in accordance with Clause-52 (for the purposes of this Clause referred to as "varied work"), shall be valued at the rates and prices set out in the contract if, in the opinion of the Engineer, the same shall be applicable. If the contract does not contain any rates or prices applicable to the varied work, the rates and prices in the contract shall be used as the basis for valuation so far as may be reasonable, failing which, after due consultation by the Engineer with the Employer and the contractor, suitable rates or prices shall be agreed upon between the Engineer and the contractor. In the event of disagreement, the Engineer shall fix such rates or prices as are, in his opinion, appropriate and shall notify the contractor accordingly, with a copy to the Employer. Until such time as rates or prices are agreed or fixed, the Engineer shall determine provisional rates or prices to enable on-account payments to be included in certificates issued in accordance with Clause-60".

During audit of accounts of the CEO, NJHPC for the period from July, 2020 to June, 2021, it was noticed that an amount of Rs.16,010.967 million was paid to the contractor on provisional basis for increase in hydraulic capacity of drill & blast tunnels for Lots-C1, C2 & C3 under AP/VO-017(R4). After completion of work, actual amount of varied work based on actual quantities & revised rates was determined by the Engineer as Rs.15,629.875 million against already paid amount of Rs.16,010.967 million. Thus, an amount of Rs.381.092 million was paid in excess to the contractor which was required to be recovered from the contractor but needful was not done.

Non-adherence to the contract provision resulted in non-recovery of excess paid amount of Rs.381.092 million on account of hydraulic capacity of drill & blast tunnels during the FY 2020-21.

The matter was taken up with the management in September, 2021 and reported to Ministry in November, 2021. The management replied that as per expert opinion of CCC-WAPDA, Member (Water) advised to take the case for arbitration, formalities for which were being completed.

Audit contended that overpaid amount for which no work had been carried out must be recovered from the contractor without further loss of time.

The DAC in its meeting held on December 28, 2021 directed the management to expedite the arbitration proceedings with a view to ensure recovery from the contractor.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to ensure recovery of excess paid amount from the contractor at the earliest.

(Draft Para No.100/2021-22)

1.5.17. Non-conclusion of pending valley roads works - Rs.340.899 million

As per Clause-63.1 of Particular Condition of Contract, "in addition to the action taken by the Employer against the contractor under the clause, the Employer may also refer the case of default of the contractor to the PEC for punitive action under the Construction and Operation of Engineering Works By-Laws 1987".

During audit of accounts of the GM / PD, Diamer Basha Dam Project for the period from July, 2020 to June, 2021, it was noticed that two (02) contracts were awarded to M/s Hasnaat Brothers Construction Company and five (05) contracts were awarded to M/s Saleh Construction Company for constructions of valley roads and an amount of Rs.251.873 million was paid to the contractors against work done. Similarly, three (03) contracts were awarded to M/s Muhammad Haroon & Sons at contract prices of Rs.89.026 million. All the works were required to be completed during October to November, 2017 but the same were not completed despite lapse of more than three (03) years since completion dates. Neither these contracts were terminated at the risk & cost of the contractors after forfeiture of performance guarantees nor the matter regarding default of contractors referred to PEC for taking appropriate action against the contractors.

Non-adherence to the contract provisions resulted in non-conclusion of pending valley roads works amounting to Rs.340.899 million up to the FY 2020-21.

The matter was taken up with the management in October, 2021 and reported to Ministry in December, 2021. The management replied that the matter would be resolved according to the contractual provisions and Audit would be informed accordingly.

DAC showed its concerns on untidy reply by GM DBDP and express displeasure to CEO DBDC with a copy sent to the Chief Auditor, WAPDA.

The DAC in its meeting held on January 27, 2022 directed the management to submit detailed reply along with justification to Audit within 15 days.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to initiate actions against the contractors as per contract provisions besides fixing responsibility on the officials at fault for delayed execution of works.

(Draft Para No.237 & 243/2021-22)

1.5.18. Irregular payment to the contractor without work done - Rs.189 million

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

During audit of accounts of the GM Finance (Co-ordination) WAPDA, Lahore for the period from July, 2019 to June, 2020, it was noticed that a contract for construction of RBPR-01 at DBDP was awarded to M/S Sadaat Enterprises, Islamabad on May 02, 2017. As per contract, three (03) access roads at suitable locations through float crossing were required to be constructed at a cost of Rs.189 million for crossing of machinery across the Indus River. As per WAPDA's vigilance staff report, the contractor had shifted the machinery in parts through already existed lifts / floats of M/s Zhongmei and payment of Rs.189 million was made to the contractor in IPC No.2 without doing work at site which was irregular and loss to the Authority. The matter was required to be enquired for fixing responsibility but needful was not done.

Non-adherence to the Authority's instructions resulted in irregular payment of Rs.189 million to the contractor without work done up to the FY 2020-21.

The matter was taken up with the management in May, 2021 and reported to Ministry in November, 2021. The management replied that the observations of vigilance staff were not based on factual position. The contractor established its camp in Khanberry area at Right Bank of River and constructed 11 Nos. accesses roads instead of 03 as required, and also shifted its machinery through river crossing.

Audit contended that the access roads were to be constructed through float crossing. As per vigilance report, no float crossings were constructed by the contractor, therefore, evidence regarding construction of float crossings be provided. In case, no float crossings were constructed, the proportionate payment be recovered from the contractor as per rate analysis of this BOQ item.

The DAC in its meeting held on January 5, 2022 directed the management to get the following record verified from Audit to decide the fate of the para:

1. Undertaking/Certificate of work done on Access Roads.
2. Evidence regarding work done on Access Roads through construction of floats.
3. Access Roads required as per contract and actually constructed.
4. Rate Analysis of this BOQ item.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to enquire the matter for non-construction of float crossings and corresponding payment thereof besides implementing DAC's decision.

(Draft Para No.118/2021-22)

1.5.19. Loss of generation revenue due to delay in completion of project - Rs.184.836 million

According to Sub-Clause-1.1.35 of Preamble to Conditions of Contract regarding Time for Completion, "the contractor shall achieve provisional acceptance for each unit to the satisfaction of the Engineer for units 5 & 6 in 810 days from the date of commencement".

During audit of accounts of the CE / PD, Mangla Refurbishment Project for the period from July, 2020 to June, 2021, it was noticed that a contract for Mangla Refurbishment Project (Package I &VII) Turbine-Generators for Unit No.1 to 6 was awarded to M/s GE at total cost of Rs.10,810.713 million on August 16, 2016. The commencement date of works was October 03, 2016 and as per contract, maximum 810 days were allowed for the start of first & second units i.e. up to December 12, 2018. However, both the Units No. 5 and 6 could not be completed up till June 30, 2021. Due to delay in completion of works, 876 million energy units (8,760*200*1,000*0.50) could not be generated which caused revenue loss of Rs.184.836 million. No action was taken against the contractor for generation loss.

Non-adherence to the contract clauses resulted in loss of generation revenue amounting to Rs.184.836 million due to delay in completion of project during the FY 2020-21.

The matter was taken up with the management in September, 2021 and reported to Ministry in November, 2021. The management replied that the main reasons for delay were lack of local refurbishment activities, export and import of the turbine and generator shafts and rotor poles, defects in existing parts, delay in issuance of NOC's to Foreign Expatriates of the consultants and contractor, refurbishment of running power station done first time in Pakistan, impact of Covid-19, confined space and delay in release of FCC payment by State Bank of Pakistan (SBP) to the contractor. However, EOT claim of the contractor would be decided by the Engineer.

The reply was not tenable because most of the issues were in the knowledge of the contractor before submission of bid, therefore, responsibility for generation loss needed to be fixed upon the contractor.

The DAC in its meeting held on January 6, 2022 directed the management to provide record to Audit for verification.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC's decision besides initiating action against the contractor.

(Draft Para No.161/2021-22)

1.5.20. Non-recovery on account of not returning the Employer's equipment by the contractor - Rs.147.155 million

According to Clause-13.1 of the Special Provisions of Contract, "unless otherwise instructed, upon completion of the contract after receiving approval in writing from the Engineer, the contractor shall dismantle and remove all structures forming part of his camp, and shall arrange for the disconnection of utilities, remove drains and culverts, backfill trenches, fill in all latrine pits, soak ways and other sewage disposal excavations, with the exception of items and services which are required to return to the ownership of the Employer or which may be transferred to other contractors, and shall restore the site, as far as practicable, to its original condition and leave it neat, tidy and stable to the satisfaction of the Engineer".

During audit of accounts of the CEO, NJHPC for the period from July, 2020 to June, 2021, it was noticed that as per Engineer's clarification conveyed to the contractor on May 02, 2019, all the temporary structures and surplus items valuing Rs.133.682 million pertaining to VO-27 belonged to the Employer. Similarly, the Engineer clarified on April 30, 2020 that used drainage pipes and water supply lines pertaining to VO-22 having salvage value of Rs.13.473 million belonged to the Employer. As per contract, ownership of these equipment and material valuing Rs.147.155 million was required to be returned to the Employer by the contractor but needful was not done. Upon failure of the contractor to handover these equipment and material, the Engineer recommended to recover the amount of these items from the contractor, however, despite lapse of two years, the amount had not so far been recovered from the contractor.

Non-adherence to the contract provision resulted in non-recovery of Rs.147.155 million on account of not returning the Employer's equipment by the contractor up to the FY 2020-21.

The matter was taken up with the management in September, 2021 and reported to Ministry in November, 2021. The management replied that due to failure on the part of the contractor to handover these assets, the Engineer had recommended the adjustment/recovery calculated on the basis of salvage value and the Employer had agreed with this option of the Engineer. The adjustment/recovery of the amount would be made from the forthcoming IPC/final measurement of the contractor.

The DAC in its meeting held on January 5, 2022 directed the management to provide revised reply regarding the modalities of recovery and its time frame.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to ensure recovery of amount of Employer's equipment and material from the contractor at the earliest.

(Draft Para No.101 & 108/2021-22)

1.5.21. Irregular payment on account of construction of PH-IV Access Road beyond the scope of BOQ - Rs.122.520 million

According to Para-2 of Preamble to BOQ, "the basis of payment will be the actual quantities of work executed and measured by the contractor and verified by the Engineer and valued at the rates and prices entered in the priced BOQ". As per Clause-3.1.1 of Consultancy Services Agreement (CSA), "the consultants shall perform the services and carry out their obligations with all due diligence, efficiency and economy. The consultants shall always act as faithful advisers to the Client and shall at all times support and safeguard the Client's legitimate interests in any dealings with the sub-consultants or third parties".

During audit of accounts of the PD, Kurram Tangi Dam Project for the period from July, 2020 to June, 2021, it was noticed that there was a provision for construction of an access road from Kaitu Bridge to main dam site under BOQ Item No.B-4 of Bill No.C-1-B. However, an amount of Rs.122.520 million was certified by the Engineer and paid to the contractor against construction of another access road (PH-IV) which was not included in BOQ. Audit held that the certification and payment of Rs.122.520 million on account of construction of access road to PH-IV instead of construction of road from Kaitu Bridge to main dam site was irregular which showed that the consultants were not performing their duties with due diligence.

Non-adherence to provisions of Contract and CSA resulted in irregular payment of Rs.122.520 million on account of construction of PH-IV access road beyond the scope of BOQ up to the FY 2020-21.

The matter was taken up with the management in August, 2021 and reported to Ministry in November, 2021. The management replied that the construction of roads for PH-IV and PH-V were imperative for access to the construction site for movement of working machinery and transportation of plants and equipment during execution of civil works and installation, testing and commissioning of E&M works and also for future use during operation & maintenance (O&M) by the employer after TOC of the said works. In view of the above, shop drawings of contractor JV were approved in consultation with this office. Rates of said works were available in BOQ of the contract. Hence, this payment of Rs.122.520 million was justified being actual work done.

Audit contended that construction of PH-IV road was not included in the scope of contract, therefore, construction of this road instead of construction of road from Kaitu Bridge to main dam site was irregular.

The DAC in its meeting held on December 27, 2021 directed the management to conduct fact finding enquiry within two months on the following TORs:

1. Why the access road was not included in BOQs?
2. Who authorized to construct this road and why the Engineer certified the payment against the BOQ provision of access road of PH-IV?
3. Reasonability of rates at which this road was constructed and their comparison with access roads of the other projects.
4. Responsibility to be fixed for lapse on the person (s) at fault.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC's decision.

(Draft Para No.63/2021-22)

1.5.22. Excess payment to the contractor on account of O&M of contractor's residential camps - Rs.105.237 million

According to Clauses-20.2.7, 20.2.10 & 20.2.11 and 20.2.5, 20.2.8, 20.2.9 & 20.2.13 of contract No.MW-01 & MW-02 (Volume-2, Part-1), respectively, the cost for O&M of contractor's accommodations and relevant facilities will be treated as time related items and will be measured for payment accordingly. Payment for maintenance of the contractor's facilities shall be made at the unit price per month bided in BOQ. Provided that if, in opinion of the Engineer, proper maintenance is not being provided, then the Engineer may withhold payment until a satisfactory level of maintenance is provided by the contractor.

During audit of accounts of the GM / PD, Dasu Hydropower Project for the period from July, 2020 to June, 2021, it was noticed that two contracts i.e. MW-01 and MW-02 amounting to Rs.115,003.461 million and Rs.64,426.426 million respectively were awarded to M/s CGGC. As per provisions of contracts, the contractor was required to construct four residential camps, two for each contract, covering floor area of 70,382m^2 but the contractor constructed only two residential camps, one for each contract, covering floor area of 15,307m^2 only. Similarly, the contractor was required to provide 57,000 kVA for power supply and lighting system under both the contracts, whereas, the contractor actually provided only 22,549 kVA for the said system. It was observed that despite provision of partial facilities than provided in the contract, full amount of monthly O&M cost of residential camps, sewerage system, water supply and power supply system was paid to the contractor in both the contracts. Audit held that payment was required to be made as per actual constructed area, sewerage system, water supply system and power supply system but needful was not done which resulted in excess payment of Rs.105.237 million to the contractor.

Non-adherence to the contracts provisions resulted in excess payment of Rs.105.237 million on account of O&M of contractor's residential camps up to the FY 2020-21.

The matter was taken up with the management in October, 2021 and reported to Ministry in December, 2021. The management replied that the contract clause stipulated that monthly rates bid in Bill-A for time-related items would be measured for payment once the particular service had been initiated as instructed by the Engineer, and until the due date (or extended date) for completion of the works. The measurement clause for O&M had not linked the payment with the quantum of temporary facilities, thus, the monthly rate would remain the same. The Engineer certified the payments accordingly.

The reply was not tenable because as per contracts, the contractor was required to construct complete facilities in order to be eligible for full monthly payment on account of O&M of residential camps.

The DAC in its meeting held on January 27, 2022 directed the management to implement its earlier directives dated 17-19 December, 2020 on similar issue, wherein, the management was directed to take up the matter with contractor and consultants for adjustment / recovery of excess paid amount. The DAC further directed the PD and the Member (Water) WAPDA to share progress achieved in the matter with PAO within one month for onward submission to Audit.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC's decision.

(Draft Para No.260, 261, 262 & 264/2021-22)

1.5.23. Non-recovery of excess paid amount of micro seismic monitoring & rock burst prediction technique from the contractor - Rs.93.004 million

According to Clause-52.1 of the (GCC), "all variations referred to in

Clause-51 and any additions to the Contract Price which are required to be determined in accordance with Clause-52 (for the purposes of this Clause referred to as “varied work”), shall be valued at the rates and prices set out in the Contract if, in the opinion of the Engineer, the same shall be applicable. If the Contract does not contain any rates or prices applicable to the varied work, the rates and prices in the contract shall be used as the basis for valuation so far as may be reasonable, failing which, after due consultation by the Engineer with the Employer and the contractor, suitable rates or prices shall be agreed upon between the Engineer and the contractor. In the event of disagreement, the Engineer shall fix such rates or prices as are, in his opinion, appropriate and shall notify the contractor accordingly, with a copy to the Employer. Until such time as rates or prices are agreed or fixed, the Engineer hall determine provisional rates or prices to enable on-account payments to be included in certificates issued in accordance with Clause-60”.

During audit of accounts of the CEO, NJHPC for the period from July, 2020 to June, 2021, it was noticed that an amount of Rs.163.547 million was paid to the contractor for micro seismic monitoring and rock burst prediction technique under Appropriation Request No.022-4 as this item was not included in original BOQ. As per decision of the Engineer (Consultant) dated December 22, 2020, the actual amount of varied work was determined as Rs.70.543 million instead of Rs.163.547 million. Thus, an amount of Rs.93.004 million was paid in excess to the contractor, which was required to be recovered but needful was not done.

Non-adherence to the contract provision resulted in non-recovery of excess paid amount of Rs.93.004 million on account of micro seismic monitoring and rock burst prediction technique from the contractor during the FY 2020-21.

The matter was taken up with the management in September, 2021 and reported to Ministry in November, 2021. The management replied that the Employer & the Engineer had agreed on the recovery of the amount from the forthcoming IPC/final measurement of the contractor.

The DAC in its meeting held on January 5, 2022 directed the management to provide revised reply regarding the modalities of recovery and its time frame.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to ensure recovery of excess paid amount from the contractor at the earliest.

(Draft Para No.102/2021-22)

1.5.24. Irregular payment of charges on account of security services to the contractor (M/s CGGC-DESCON JV) - Rs.80.518 million

According to Memorandum of Understanding (MoU) signed between WAPDA and M/s CGGC-DESCON JV on March 07, 2019, "…the agreement made in this MoU shall take precedent over all the stipulations existing elsewhere in the contract, which are found to be in conflict with this agreement". As per Para-2.6 of the MoU, security arrangements for the project in coordination with Government and Private Security Agencies will be ensured by WAPDA for mobilization of the project.

During audit of accounts of the GM / PD, Mohmand Dam Hydropower Project for the period from July, 2020 to June, 2021, it was noticed that an amount of Rs.80.518 million was paid to the contractor M/s CGGC-DESCON JV on account of provision of security facilities up to IPC No.13. Moreover, an amount of Rs.3,632.320 million had also been paid to the Frontier Corps (FC) and other security agencies on account of provision of security facilities for the project by the Employer. As per aforementioned MoU, provision of security for mobilization of the project was the responsibility of the Employer and not the contractor, hence, payment of Rs.80.518 million on account of security facilities to the contractor was irregular.

Non-adherence to the aforementioned MoU resulted in irregular payment of Rs.80.518 million on account of security charges to the contractor up to the FY 2020-21

The matter was taken up with the management in August, 2021 and reported to Ministry in November, 2021. The management replied that payment had been made consequent to MoU between the contractor and WAPDA. The payments were made to secure the contractor's staff for project interests. This security component showed the internal security of the contractor's camp, colony, warehouse, laboratory, machinery and plants etc.

The reply was not acceptable because as per MoU, security arrangements for mobilization of the project were responsibility of WAPDA. Moreover, MoU took precedent over all stipulations pertaining to security arrangements stated elsewhere in the contract, therefore, separate payment was not justified.

The DAC in its meeting held on December 28, 2021 directed the management to provide revised reply along evidence of managements' stance regarding internal and external security arrangement to Audit.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC's decision besides ensuring recovery from the contractor.

(Draft Para No.43/2021-22)

1.5.25. Unjustified payment of insurance claim's deductibles to the contractor - Rs.80.120 million

According to Clause-25.7 of the Conditions of Particular Application, the contractor shall be paid on the basis of the lump sum amounts entered against the respective items in the BOQ /Price Schedule which shall be deemed to include the contractor's entire costs incidental to providing the specified insurances. As per contract, there was no specific provision of 'Insurance Deductibles' to be borne by the Employer.

During audit of accounts of the CEO, NJHPC for the period from July, 2020 to June, 2021, it was noticed that an amount of Rs.80.120 million (Equivalent to US$0.500 million) was paid to the contractor on account of 'Insurance Deductibles' in IPC-107. Further probe into the matter revealed that partially constructed works and machinery was damaged due to heavy rain fall / flood in the project area during July, 2010. The contractor lodged an insurance claim of US$4.260 million with the insurance company which was settled for US$2.600 million. The insurance company agreed to pay US$2.100 after deduction of insurance deductibles of US$0.500 million. The matter regarding payment of insurance deductibles remained under correspondence and on January 22, 2014, the Engineer (consultants) decided that the Employer was responsible for payment of these deductibles to the contractor and payment was made accordingly. Audit held that there was 'lump sum' provision for payment of insurance premium to the contractor in the contract, so the contractor was fully responsible for any deductibles as these were linked with the insurance premium (more deductibles, less premium). Moreover, in response to the query of DG, Insurance WAPDA regarding limit of deductibles, the contractor vide letter dated December 17, 2008 replied that there was no need to review the limit of deductibles because these were fully acceptable to the M/s CGGC-CMEC Consortium. As the acceptance of high deductibles was the choice of the contractor and not the Employer, therefore, payment of deductibles to the contractor was not justified.

Non-adherence to the contract provision resulted in unjustified payment of Rs.80.120 million on account of insurance claim's deductibles to the contractor up to the FY 2020-21.

The matter was taken up with the management in September, 2021 and reported to Ministry in November, 2021. The management replied that the matter was currently under arbitration. The Employer had challenged the Engineer's decision. Therefore, the said amount could not be recovered until concluded under arbitration.

Audit contended that there was no provision for insurance deductibles in the contract documents and the payment of insurance premium was also made to the contractor as lump sum item, therefore, inclusion and vetting of deductibles in the insurance policy was not justified.

The DAC in its meeting held on January 5, 2022 directed the management to provide revised reply justifying inclusion and vetting of insurance deductibles without provision in the contract and vigorously pursue the arbitration case for recovery from the contractor.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC's decision.

(Draft Para No.103/2021-22)

1.5.26. Excess payment of escalation to contractor in violation of PEC's instructions - Rs.55.457 million

According to Parameters Clause-B(1)(f)(iii) of Part-1 of standard procedure and formula for price adjustment issued by the PEC in March, 2009, "weightage of fixed portion shall never be less than 35 percent and the adjustable portion shall never be more than 65 percent of the Engineer's estimate".

During audit of accounts of the PD, Kurram Tangi Dam Project for the period from July, 2020 to June, 2021, it was noticed that an amount of Rs.295.770 million was paid to the contractor (M/s FWO-DESCON JV) on account of escalation from IPC No.30 to IPC No.40. This amount was paid by applying fixed portion of 20% instead of 35% and adjustable portion of 80% instead of 65% in violation of PEC's instructions. Due to increase in adjustable portion by 15% in the contract, an excess payment of Rs.55.457 million on account of price escalation was made to the contractor which was irregular.

Non-adherence to the PEC's instructions resulted in excess payment of escalation amounting to Rs.55.457 million to contractor during the FY 2020-21.

The matter was taken up with the management in August, 2021 and reported to Ministry in November, 2021. The management replied that as per the price adjustment already provided in Appendix-C (Price Adjustment) of contract documents, the fixed portion was 20%. However, the calculations provided in the Audit para were based on PEC's standards.

Audit contended that as per said formula, weightage of fixed portion would never be less than 35%, therefore, provision of 20% fixed portion in the contract was irregular

The DAC in its meeting held on December 27, 2021 pended the para and directed the management to submit revised reply by authenticating the basis of weightage used in Appendix-C of contract.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC's decision

(Draft Para No.65/2021-22)

1.5.27. Irregular payment of escalation on unused adjustable items in violation of instructions of PEC - Rs.50.796 million

According to Para-C (5) of the PEC's standard procedure and formula for price adjustment (March, 2009), "except labour and POL, if any other adjustable item(s) is not used in a particular billing period, then the ratio of current date price and base date price for that particular adjustable item(s) shall be considered as one".

During audit of accounts of the GM / PD, Diamer Basha Dam Project for the period from July, 2020 to June, 2021, it was noticed that two contracts for construction of RBPR-01 & RBPR-02 were awarded to M/s Sadaat Enterprises and M/s Zhongmei Engineering Group-Ismail Construction Company JV during May & June, 2017, respectively. As per price adjustment (escalation) formula, 35% weightage was assigned to fixed un-adjustable portion whereas 65% weightage was assigned to local labour (20%), high speed diesel (15%), cement (10%), reinforcing steel (10%) and asphalt cement / bitumen (10%) respectively. As per instructions of PEC, escalation was not payable on those adjustable items which were not used during a particular billing period. However, contrary to the said instructions, an amount of Rs.50.796 million was paid to the contractors on account of escalation on cement, steel and bitumen for those billing months where these adjustable items were not used. Therefore, the said payment was quite irregular.

Non-adherence to the instructions of PEC resulted in irregular payment of Rs.50.796 million on account of escalation on unused adjustable items up to the FY 2020-21.

The matter was taken up with the management in October, 2021 and reported to Ministry in December, 2021. The management stated that the clarification from PEC was under process. The outcome in this regard would be intimated to Audit accordingly.

The DAC in its meeting held on January 27, 2022 directed the management to provide copy of reference regarding matter taken up with PEC for clarification to Audit and pursue the matter with PEC vigorously.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC's decision.

(Draft Para No.213/2021-22)

1.5.28. Irregular payment on account of provision of standby generators to the contractor - Rs.45.723 million

According to Clause-2.1 of Special Provisions of contract, "power supply is not available in the project area. The contractor will arrange power supply either using generators or can extend power line from nearest area where available in accordance with the terms and conditions of the PESCO/TESCO/

NTDC without any financial implication to the Employer".

During audit of accounts of the GM / PD, Mohmand Dam Hydropower Project for the period from July, 2020 to June, 2021, it was noticed that an amount of Rs.45.723 million was paid to the contractor M/s CGGC-DESCON JV on account of provision of standby generators up to IPC No.13. As per contract, arrangement of power supply was the responsibility of the contractor without any financial implication to the Employer, hence, payment of Rs.45.723 million on account of provision of standby generators to the contractor was irregular.

Non-adherence to the contract clauses resulted in irregular payment of Rs.45.723 million on account of provision of standby generators to the contractor up to the FY 2020-21

The matter was taken up with the management in August, 2021 and reported to Ministry in November, 2021. The management replied that the provision of stand by generator in case of outages was as per SP-15.40.3.5 of the contract. It was clearly mentioned therein that cost on part of provision of standby generators was included in this item. Therefore, payment had been made pursuant to conditions of contract and was justified.

Audit contended that as per SP-2.1 of contract, it was the responsibility of the contractor to arrange standby generators without any financial implication to the Employer. Therefore, this payment was not regular.

The DAC in its meeting held on December 28, 2021 directed the management to submit revised reply along with documentary evidence to justify their stance on the matter.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC's decision besides ensuring recovery from the contractor.

(Draft Para No.44/2021-22)

1.5.29. Non-recovery of unspent amount of advance payment from the contractor - Rs.24.753 million (US$154,708)

According to Appendix-1 of contract No.Dasu-TL-01, "in respect of plant and equipment supplied from abroad, twenty percent (20%) of the total CIP amount shall be paid as 'advance payment' against receipt of invoice and an irrevocable advance payment security for the equivalent amount made out in favour of the Employer. The advance payment security may be reduced in proportion to the value of the plant and equipment delivered at site". As per Section-9.2.6 of WAPDA Accounting and Financial Reporting Manual, "advances may be requested to cover anticipated cash expenditures to be incurred on behalf of WAPDA for a sponsored event, prior to the event taking place. When the need for the advance is complete, the department shall return the unused cash, to the accounts and finance department".

During audit of accounts of the GM / PD, Dasu Hydropower Project for the period from July, 2020 to June, 2021, it was noticed that a contract for procurement, design, supply, installation, stringing, testing & commissioning of 132KV single circuit transmission line and grid station was awarded to M/s Power Construction Corporation of China on April 24, 2015. An amount of US$403,585 was paid to the contractor as 20% advance payment against procurement of foreign material. The contractor supplied the requisite material from abroad and an amount of Rs.24.753 million (US$154,708.080) remained unspent as on June 30, 2021. As there was no further need for procurement of foreign material, therefore, the remaining amount of advance payment was required to be recovered from the contractor but needful was not.

Non-adherence to the aforementioned clauses resulted in non-recovery of Rs.24.753 million on account of unspent amount of advance payment from the contractor during the FY 2020-21.

The matter was taken up with the management in October, 2021 and reported to Ministry in December, 2021. The management replied that the contractor was extending the guarantee against the advance payment for the remaining amount. Therefore, there was no risk in this regard. The adjustment of outstanding amount, if any, would be settled during final phase of the contract.

The DAC in its meeting held on January 27, 2022 directed the management to recover the amount at the earliest.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC's decision.

(Draft Para No.263/2021-22)

1.5.30. Non-recovery of irregular paid amount of finishing and repair works from the contractor - Rs.19.593 million

According to Clause-8.1 of the GCC, "the contractor shall, with due care and diligence, design, execute and complete the Works and remedy any defects therein in accordance with the provisions of the Contract…" As per Clause-20.1, "the contractor shall take full responsibility for the care of the Works and materials and Plant for incorporation therein from the Commencement Date until the date of issue of the TOC for the whole of the Works, when the responsibility for the said care shall pass to the Employer". As per Clause-50.1, "If any defect, shrinkage or other fault in the Works appears at any time prior to the end of the Defects Liability Period, the Engineer may instruct the contractor to search under the directions of the Engineer for the cause thereof. If such defect, shrinkage or other fault is one for which the contractor is liable, the cost of the work carried out in searching as aforesaid shall be borne by the contractor and he shall in such case remedy such defect, shrinkage or other fault at his own cost in accordance with the provisions of Clause-49".

During audit of accounts of the CEO, NJHPC for the period from July, 2020 to June, 2021, it was noticed that IPoEs during their visit in 2015 identified some shortcomings in the permanent works due to poor workmanship and recommended various repair and finishing works. The consultants instructed the contractor to carry out the consolidated grouting and repair work and an amount of Rs.19.593 million was paid to the contractor against these works. The Employer did not agree with the consultants to bear the cost of remedial works because as per contract, the contractor was responsible for the care of works and remedying defects during execution at his own cost. After detailed deliberation, the consultants, vide letter dated June 27, 2020 determined that the cost of said remedial works was the responsibility of the contractor and not the Employer and recommended to recover the already paid amount from the contractor. However, despite lapse of more than one year, the said amount had not so far been recovered from the contractor.

Non-adherence to the contract provision resulted in non-recovery of irregular paid amount of Rs.19.593 million on account of finishing and repair works from the contractor during the FY 2020-21.

The matter was taken up with the management in September, 2021 and reported to Ministry in November, 2021. The management replied that the Employer & the Engineer had agreed on the recovery of the amount from the forthcoming IPC/final measurement of the contractor.

The DAC in its meeting held on January 5, 2022 directed the management to provide revised reply regarding the modalities of recovery and its time frame.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to ensure recovery of irregular paid amount from the contractor at the earliest.

(Draft Para No.106/2021-22)

1.5.31. Non-recovery of proportionate electricity charges from the contractor - Rs.17.848 million

According to Clause-13.2.4 of the Special Provisions of contract, "electric power for the construction period will be supplied by the Employer at one central point at each site as indicated on the site plan drawings. The contractor shall be charged at the applicable tariff by the Employer for the electricity consumed by the contractor".

During audit of accounts of the CEO, NJHPC for the period from July, 2020 to June, 2021, it was noticed that electricity bills amounting to Rs.19.400 million for the months of November, 2020 to January, 2021 were paid by the Employer to the AJ&K Electricity Department. As per contract, the contractor (M/s CGGC-EMEC Consortium) was liable to pay the proportionate amount of Rs.17.848 million in respect of electricity consumed at site. The contractor requested the Employer to make payments of electricity bills to the electricity department and make deductions from its IPCs. However, despite lapse of more than 6 months, the amount of proportionate electricity charges was not recovered from the contractor.

Non-adherence to the contract provision resulted in non-recovery of Rs.17.848 million on account of proportionate electricity charges from the contractor during the FY 2020-21.

The matter was taken up with the management in September, 2021 and reported to Ministry in November, 2021. The management replied that the Employer and the Engineer had already agreed on the recovery of Rs.17.848

million from retention money and other payables to the contractor.

The DAC in its meeting held on December 28, 2021 directed the management to expedite the recovery from the contractor and get it verified from Audit.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC's decision.

(Draft Para No.85/2021-22)

1.5.32. Recoverable amount from the contractor on account of difference in paid and actual executed quantities of works & revision of rates - Rs.14.836 million

According to Clause-52.1 of the (GCC), "all variations referred to in Clause-51 and any additions to the Contract Price which are required to be determined in accordance with Clause-52 (for the purposes of this Clause referred to as "varied work"), shall be valued at the rates and prices set out in the Contract if, in the opinion of the Engineer, the same shall be applicable. If the Contract does not contain any rates or prices applicable to the varied work, the rates and prices in the Contract shall be used as the basis for valuation so far as may be reasonable, failing which, after due consultation by the Engineer with the Employer and the contractor, suitable rates or prices shall be agreed upon between the Engineer and the contractor. In the event of disagreement the Engineer shall fix such rates or prices as are, in his opinion, appropriate and shall notify the contractor accordingly, with a copy to the Employer. Until such time as rates or prices are agreed or fixed, the Engineer shall determine provisional rates or prices to enable on-account payments to be included in certificates issued in accordance with Clause-60".

During audit of accounts of the CEO, NJHPC for the period from July, 2020 to June, 2021, it was noticed that a provisional amount of Rs.103.130 million was paid to the contractor for execution of Tunnel Boring Machine (TBM) varied support work and other works under Appropriation Request No.022-7-3-2 R4. After completion of works, actual amount of varied works based on actual executed quantities & revised rates was determined as Rs.88.294 million against already paid amount of Rs103.130 million. The excess paid amount of Rs.14.836 million was required to be recovered from the contractor but needful was not done.

Non-adherence to the contract provision resulted in recoverable amount of Rs.14.836 million from the contractor on account of difference in paid and actual executed quantities & revision of rates during the FY 2020-21.

The matter was taken up with the management in September, 2021 and reported to Ministry in November, 2021. The management replied that the adjustment/recovery of the amount would be made in forthcoming IPC/final measurement of the contractor.

The DAC in its meeting held on January 5, 2022 directed the management to provide revised reply regarding the modalities of recovery and its time frame.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to ensure recovery of excess paid amount from the contractor at the earliest.

(Draft Para No.107/2021-22)

1.5.33. Increase in cost in the shape of extra installation charges due to delay in fulfillment of contractual obligations - Rs.13.894 million

According to Rule-8 of the PPRA Rules, 2004, "within one year of commencement of these Rules, all Procurement Agencies shall devise a mechanism, for planning in detail for all proposed procurements with the object of realistically determining the requirements of the procuring agency, within its available resources, delivery time or completion date and benefits that are likely to accrue to the Procuring Agency in future". As per Rule-10, "specifications shall allow the widest possible competition and shall not favour any single contractor or supplier nor put others at a disadvantage".

During audit of accounts of the CE (Power) Hydel Power Station, Tarbela for the period from July, 2020 to June, 2021, it was noticed that a contract for supply and installation of 220KV SF6 circuit breakers, associated disconnect switches, current transformers (CTs) and bus bars was awarded to M/s Transmark International on January 10, 2017. As per Clause-2.5 of the contract, the contractor was bound to deliver the material within 180 days. However, the CTs were not delivered within 180 days due to changes in technical specifications after award of the contract and delay in opening of LCs. The Delivery Clause was amended through amendment No.2 on February 23, 2018 as “the delivery will be made within 180 days from the date of final approval of technical drawings from the office of CE (Design) NTDC, being the Engineer in the contract or acceptance of LCs by the contractor, which one is later”. Later on, due to non-approval of drawings and non-establishment of LC, Delivery Clause was further amended through amendment No.4 on May 07, 2019 as “the delivery period will be thirteen (13) months from the date of acceptance of LC by the contractor”. However, no time schedule was mentioned for fulfillment of the required conditions since signing of the contract. Due to delay in delivery of the new CTs, other new equipment such as autotransformers, bus bars were being installed in the Switchyard with the old CTs through temporary arrangement to keep the system in operation. After delivery of the new CTs, the old CTs would be replaced with the new CTs for which extra charges on account of re-installation / adaptation works amounting to Rs.13.894 million had been included in the contract through Amendment No.5 dated May 29, 2020. It was pertinent to mention that drawings of CTs were approved on September 19, 2018 and LC was finalized on July 21, 2020. As such approval of drawings was delayed for 251 days and LC for 921 days. However, delivery of the CTs had not been made till September 20, 2021. Audit held that extra cost had to be included due to award of contract without finalizing the specifications in violation of PPRA Rules and delay in opening of LC for which no responsibility was fixed.

Non-adherence to PPRA Rules resulted in increase in cost of Rs.13.894 million in the shape of extra installation charges due to delay in fulfillment of contractual obligations up to the FY 2020-21.

The matter was taken up with the management in September, 2021 and reported to Ministry in December, 2021. The management replied that the amount had been included in the contract after approval of competent authority due to unavoidable circumstances. The additional amount to be claimed by the contractor was the cost of re-installation after arrival of new CTs because the contractor had no contractual obligation to perform the adaptation works and connecting flexible interconnection conductor between old CTs and new circuit breakers etc.

The DAC in its meeting held on January 27, 2022 directed the management to ensure compliance of its earlier decision dated November 30, 2021, wherein it was directed that Member (Power) WAPDA, Engineering Advisor, MoWR and one coopt member would conduct fact finding including reasonability of rates in the matter and submit report to MoWR and Audit within one month. DAC further directed to issue reminder for early completion of fact finding enquiry.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC's decision.

(Draft Para No.208/2021-22)

1.5.34. Non-recovery of cost of removal of irregular dumped material from the contractor - Rs.12.694 million

According to Clause-1.1 of the contract No.LRBV-11, "Earth work shall include carrying out excavation in all types of soil and lifting and transporting excavated material. The location of the temporary stockpiles and of the spoil banks shall be subject to the approval of the Engineer". As per Clause-1.2 (General Specifications), "the contractor shall coordinate his work with that of the other contractors at the site to whatever extent may be necessary to complete the Project in accordance with the Drawings and Specifications and other requirements of the Engineer. The contractor shall draw attention to the requirement that the other contractors may require to occupy various areas for the purpose of carrying out their works. The contractor shall carry out his works in such a manner that he does not interfere with the operations of other contractors".

During audit of accounts of the GM / PD, Dasu Hydropower Project for the period from July, 2020 to June, 2021, it was noticed that M/s Zhongmei dumped the excavated material pertaining to contract No. LBRV-11 & 12 at Loguro-A Tunnel Inlet area (Khoshee K-9 to 160) without prior approval of disposal site from the consultants. This site was to be used by another contractor M/s CCECC for execution of work pertaining to contract No. KKH-01. Later on, an amount of Rs.12.694 million was paid to M/s CCECC for removal of dumped material from this site on daywork rates basis. As per contract clauses, M/s Zhongmei was responsible for coordinating his work in such a way that other contractors could execute their work without any interference and excavated material should have been dumped at disposal sites approved by the consultants. Audit held that this payment had to be made to M/s CCECC due to default of M/s Zhongmei in discharging their contractual responsibilities and negligence of the consultants, therefore, this amount was required to be recovered from M/s Zhongmei but needful was not done.

Non-adherence to the contract provisions resulted in non-recovery of cost of removal of irregular dumped material amounting to Rs.12.694 million from the contractor during the FY 2020-21.

The matter was taken up with the management in October, 2021 and reported to Ministry in December, 2021. The management replied that the contractor proposed the spoil dumping location at Logro Tunnel inlet area. The Logro Tunnel was not part of the contract KKH-01 at the time of the contractor's proposed area. Therefore, the Engineer had agreed for the disposal of excavated material on the proposed location. When construction of Logro Tunnel was decided, the Engineer instructed the contractor to immediately stop the dumping, and after that decision, the already dumped material was to be removed by any of the contractor and payment was made to M/s CCECC in this regard.

The reply was not tenable because no such approval for disposal of excavated material was given by the Engineer to the contractor, therefore, this amount must be recovered from M/s Zhongmei.

The DAC in its meeting held on January 27, 2022 directed the management to recover the amount from the contractor within one month.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC's decision.

(Draft Para No.265/2021-22)

1.5.35. Unjustified payment to the contractor due to execution of work against specifications given in approved design - Rs.11.302 million

According to Clause-3.1.1 of CSA, "the consultants shall perform the services and carry out their obligations hereunder with all due diligence, efficiency and economy, in accordance with generally accepted professional standards and practices, and shall observe sound management practices and employ appropriate technology and safe and effective equipment, machinery, materials and method".

During audit of accounts of the GM / PD, Dasu Hydropower Project for the period from July, 2020 to June, 2021, it was noticed that an amount of Rs.11.302 million was paid to the contractor M/s CGICOP for Stone Masonry Dressed Coursed with Mortar in IPC-13. As per Technical Specifications, there should be one through-header after every two trenches in each course, mortar was required to be filled properly, stones were required to be wet before placing and there should be an expansion joint after every 20 meter. However, the work was executed by the contractor without observing these specifications and payment was certified by the consultants despite these flaws in the work which was not justified.

Non-adherence to the CSA resulted in irregular payment of Rs.11.302 million to the contractor due to execution of work against specifications given in approved design during the FY 2020-21.

The matter was taken up with the management in October, 2021 and reported to Ministry in December, 2021. The management replied that due to minor flaws, all payment of that item could not be withheld. However, the contractor had been instructed to rectify the flaws and, if the contractor would not comply with the instruction, then a certain amount would be withheld from the next IPC.

The DAC in its meeting held on January 27, 2022 directed the management to recover the amount from the contractor and get it verified from Audit.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC's decision.

(Draft Para No.266/2021-22)

1.5.36. Excess payment of remuneration and direct cost to the consultants - Rs.11.101 million

According to Clause-6.2 (b) of the CSA for feasibility study of Thakot Hydropower Project, "for foreign personnel, remuneration for period of less than one month shall be calculated on hourly basis for the time spent at home office / project office. The hourly rate shall be equal to 1/170th of the month and daily rate shall be equal to 1/30th of the month. Maximum working hours for a day is eight and a half (8.5) hours during the five (5) working days in a week (Monday to Friday)”. As per Appendix-D-4 of the CSA, the accommodation charges are allowed per person on per month basis as lump sum amount. As per Clause-6.2(b) of the CSA of DHPP, “for local personnel, remuneration for the period of less than one month shall be calculated on hourly basis for the time spent by the Head Office (Home Office) staff and directly attributable to the Services (one hour equivalent to 1/176th of a month), and on calendar day basis for time spent by the Field Office staff”.

During audit of accounts of two (02) formations of WAPDA for the period from July, 2019 to June, 2021, it was noticed that an amount of Rs.11.101 million on account of remuneration and direct cost was paid to the consultants in excess of their claims due to violation of CSA. The detail is as under:

(Rs. in million)

Sr. No.	DP No.	Name of Formations	Nature of Recovery	Amount
1.	6/2021-22	GM, Hydro Planning	Excess payment of remuneration of foreign consultants	8.300
2.	191/2021-22	GM, Hydro Planning	Excess payment of accommodation charges	1.100
3.	272/2021-22	GM / PD, DHPP	Excess payment of remuneration to the consultants	1.701
TOTAL				**11.101**

The excess paid amount was required to be recovered from the consultants but needful was not done.

Non-adherence to the CSA resulted in excess payment of Rs.11.101 million on account of remuneration and direct cost to the consultants up to the FY 2020-21.

The matter was taken up with the management in May & October, 2021 and reported to Ministry in July & December, 2021. The management of Hydro Planning replied that due amount would be recovered from the consultants. The management of DHPP replied that GoP applied lock-down in whole country and ordered to strictly follow the COVID-19 protocols i.e. work from home. As such at one side the said orders were followed and on other side the work at the site was also executed, and could not be halted. This practice was done only during the lock-down period.

The DAC in its meeting held on December 28, 2021 and January 5 & 27, 2022 directed the management to effect recovery from the consultants and get the recovered amount verified from Audit within 30 days.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC’s decision.

1.5.37. Non-recovery of irregular paid amount from the contractor - Rs.10.940 million

According to Clause-V-22-1.3.2, “TBM Support Equipment (Plant), which will not become the property of the Employer, will be measured per each listed item of TBM Support Equipment (Plant) furnished and paid at the price listed in the BOQ, less salvage value, for each item in Section 1.3.2. The price of TBM Support Equipment (Plant) shall be full payment for each piece of equipment furnished to the site and made operational. Payment for equipment under this section shall be based on invoice plus cost of insurance and freight to site less salvage value of equipment. Salvage value will not be less than 20% of the invoice price of equipment. No payment will be made until the contractor has provided the Engineer with acceptable proof that all costs and charges have been paid and an appropriate salvage value satisfactory to the Engineer has been established”. As per BOQ Item No.3.3.4.2 (Lot C-2), there was a lump sum provision of Rs.2.98 million for automatic recording of drilling depth and rate as well as flushing water pressure. As per Clause-73.7(a) of contract, “If the contractor's equipment including spare parts is not re-exported after removal from Site and is used elsewhere or sold in Pakistan, then the portion of any duties and taxes reimbursed under Sub-Clause - 73.5 proportionate to the residual value of the contractor's equipment including spare parts shall be paid back by the contractor to the Employer”.

During audit of accounts of the CEO, NJHPC for the period from July, 2020 to June, 2021, it was noticed that an amount of Rs.10.940 million was irregularly excess paid to the contractor. The detail is as under:

(Rs. in million)

Sr. No.	DP No.	Nature of recovery	Amount
1.	86/2021-22	Irregular payment of processing fee for TBM support equipment	2.980
2.	113/2021-22	Excess payment of automatic recording of drilling depth and rate	6.848
3.	155/2021-22	Non-recovery of duty drawbacks on unused material	1.112
TOTAL			**10.940**

The irregular paid amount of Rs.10.940 million was required to be recovered from the contractor but needful was not done.

Non-adherence to the contract provision resulted in non-recovery of irregular paid amount of Rs.10.940 million from the contractor up to the FY 2020-21.

The matter was taken up with the management in September, 2021 and reported to Ministry in November, 2021. The management replied that the Employer & the Engineer had agreed on the recovery of the amount from the forthcoming IPC/final measurement of the contractor.

The DAC in its meetings held on December 28, 2021 & January 5, 2022 directed the management to provide revised reply regarding the modalities of recovery and its time frame.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to ensure recovery of irregular paid amount from the contractor at the earliest.

C. Financial Management

1.5.38. Non-recovery on account of sale of energy and delayed payment charges from CPPA-G - 156,544.989 million

According to Power Purchase Agreement (PPA) between WAPDA & CPPA-G, "the due date for payment of invoice by CPPA-G shall be the date twenty-five (25) days following the dates of delivery of such invoice". According to Clause-1.1 of the Interim Tripartite PPA between CPPA-G, NJHPC and WAPDA, "Delayed payment rate is KIBOR Plus 2% per annum on any amounts payable in rupees and calculated for the actual number of days which the relevant amount remains unpaid on the basis of (365) day year". As per Clause-4.2 of PPA, the purchaser shall make payment for verified and undisputed amounts against each invoice submitted by the Company on or before the thirtieth (30^{th}) day (Due Date) following the day the invoice is delivered by the company provided that, in case the 30^{th} day is not a business day, the following business day shall be the Due Date.

During audit of accounts of two (02) formations of WAPDA for the period from July, 2019 to June, 2021, it was noticed that an amount of Rs.154,461.080 million against invoiced amount of sale of energy and an amount of Rs.2,083.909 million on account of delayed payment charges was recoverable from CPPA-G. The amount was required to be recovered from CPPA-G by taking the matter at appropriate level but no strenuous efforts were made for recovery of outstanding amount. The detail is as under:

(Rs. in million)

Sr. No.	DP No.	Name of Formation	Amount of Sale of Energy	Amount of Delayed Payment Charges	Total
1.	3/2021-22	GM Finance (Power)	110,787.000	-	110,787.000
2.	98, 109 & 110/2021-22	CEO, NJHPC	43,674.080	2,083.909	45,757.989
TOTAL			**154,461.080**	**2,083.909**	**156,544.989**

Non-adherence to the PPAs resulted in non-recovery of Rs.156,544.989 million on account of sale of energy and delayed payment charges from CPPA-G up to the FY 2020-21.

The matter was taken up with the management in April & September, 2021 and reported to the Ministry in June & November, 2021. The management of WAPDA replied that CPPA-G had made non-cash settlement of Rs.41 billion against Federal Government outstanding loans of WAPDA and Finance Division had directly paid Rs.25 billion to Government of KPK on account of Net Hydel Profit. However, CPPA-G was working on adjustments with WAPDA. The management of NJHPC replied that pending invoices had been raised after notification of tariff by NEPRA. However, efforts were being made to recover the overdue amount from CPPA-G through correspondence and personal interaction. Moreover, MoWR had been requested to intervene in this matter through Power Division (MoE).

The DAC in its meeting held on December 28, 2021 & January 5, 2022 directed the management to get the adjusted and recovered amount verified from Audit and expedite the recovery of the remaining amount.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC's decision.

1.5.39. Loss to the national exchequer due to non-deduction of income tax from contractor's bills - Rs.1,004.495 million

According to Clause-13.8(x) of the Accounting and Financial Reporting Manual of WAPDA, withholding tax shall be deducted from the gross amount of the contractor's bills at the prevailing tax rates, unless contractor provides Tax Exemption Certificate issued by the relevant tax authority for the related period. As per Particular Condition-14.1b(iii) of contract, "…the contractor is required to be fiscally registered and resident of project site area, and meet other conditions to remain eligible for tax concessions..." As per Section-153(1) of the Income Tax Ordinance 2001, "every prescribed person making a payment in full or part, including a payment by way of advance, to a resident person or permanent establishment in Pakistan of a non-resident person on the execution of a contract shall, at the time of making the payment, deduct tax from the gross amount payable at the specified rates".

During audit of accounts of the GM / PD, Mohmand Dam Hydropower Project for the period from July, 2020 to June, 2021, it was noticed that an amount of Rs.13,393.273 million was paid to the contractor M/s CGGC-

DESCON JV through various IPCs. At the time of making payments to the contractor, income tax amounting to Rs.1,004.495 million was not deducted by the project management. As per rules, income tax was required to be deducted and deposited into government treasury as no tax exemption was granted by the tax authorities to the contractor but needful was not done. Due to non-deduction of income tax from contractor's IPCs, national exchequer sustained loss to the stated extent.

Non-adherence to the aforementioned clauses resulted in loss of Rs.1,004.495 million to the national exchequer due to non-deduction of income tax from the contractor's bills up to the FY 2020-21.

The matter was taken up with the management in August, 2021 and reported to Ministry in November, 2021. The management replied that FBR served notice to submit applicable taxes which prompted the contractor to file writ petition under Article 199 of the Constitution of Pakistan in Peshawar High Court on July 27, 2019 against non-entitlement for exemption certificate.

The DAC in its meeting held on December 28, 2021 directed the management to pursue and expedite the matter. DAC further directed the management to submit urgent application for next hearing date.

No further progress was intimated till finalization of Audit Report.

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

(Draft Para No.80/2021-22)

1.5.40. Irregular charging of overheads in excess of PC-I provisions - Rs.623. 310 million

According to Ministry of Water and Power office letter No.4(4)/2010-B&F dated August 15, 2011, rate of authority overhead for Power Sector Projects was approved as 1% and supervisory overheads as 0.50% (totaling 1.50%). As per approved PC-I of Dasu Hydropower Project, there was a provision of Rs.185.300 million for meeting authority overhead for Stage-I of the project. As per PAC's directive conveyed by the Cabinet Division on March 26, 2011, "there should be no deviation from the approved PC-I of the projects in any respect being implemented by the Federal Ministries/Divisions and its attached departments/autonomous bodies".

During audit of accounts of the GM / PD, Dasu Hydropower Project for the period from July, 2020 to June, 2021, it was noticed that an amount of Rs.808.610 million on account of authority and supervisory overheads was charged to the project during February, 2014 to June, 2021. As per approved PC-I of the project, there was a provision of Rs.185.300 million under this head but the project authorities had charged excess expenditure of Rs.623.310 million to the project beyond the provisions of PC-I, which was irregular.

Non-adherence to the aforementioned instructions resulted in irregular charging of overheads amounting to Rs.623.310 million in excess of PC-I provisions up to the FY 2020-21.

The matter was taken up with the management in October, 2021 and reported to Ministry in December, 2021. The management replied that the process of preparing the revised PC-I of the project was underway wherein the provision of overheads would be included @1.5% of project base cost and the already incurred expenditures would be regularized.

The DAC in its meeting held on January 27, 2022 directed the Member (Finance) WAPDA to submit detailed response.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to fix responsibility for irregular payment of overheads beyond the PC-I provisions.

(Draft Para No.255/2021-22)

1.5.41. Irregular payment to consultants without verification of rates - Rs.309.897 million

According to Para-VIII (Conclusions and Negotiations) of Report on Negotiation with the consultants (DBCG), “some of the documents to verify status of personnel, payroll sheets, social charges, company’s overheads and various allowances have not been provided in-spite of repeated requests. However, these may be verified / authenticated at any point of time before making payments”. As per Model Form-1 of CSA, breakdown of rates will be verified at the submission of first invoice.

During audit of accounts of the GM / PD, Diamer Basha Dam Project for the period from July, 2020 to June, 2021, it was noticed that CSA was signed with Diamer Basha Consultants Group (DBCG) on May 11, 2020. As per agreement, payments were to be made subject to verification of breakdown of rates at the time of submission of first invoice but payments were made without fulfilling the said requirements. Hence, payment amounting to Rs.309.897 million made to the consultants without verification of rates was irregular.

Non-adherence to the CSA resulted in irregular payment of Rs.309.897 million to the consultants during the FY 2020-21.

The matter was taken up with the management in October, 2021 and reported to Ministry in December, 2021. The management replied that a committee was formed to verify the billing rates of local consultants. Moreover, no payments were made to the consultants until February, 2021 and provisional payments were made in March, 2021 because the consultants informed that due to non-payment of the invoices they were under severe financial crisis and their cash flow dried up. They further informed that consultants would be compelled to reduce the rate of progress or stop work, invoking Clause-6.7 of the CSA. However, adjustments would be made in consultancy invoices in light of findings of the committee which were still in process of verification of consultants billing rates.

Audit contended that evidence of billing rates was to be provided by the consultants and verified before award of contract, which was not done. This non-conformity of the bidding condition by the consultants compelled the management to link the payment of consultants' invoices with the verification of rates in the contract. However, consultants could not produce evidence of billing rates even at the time of processing invoices and the payment was made without verification of rates, which was irregular.

The DAC in its meeting held on January 27, 2022 directed the management to provide record to Audit for verification within 30 days or invoke the contractual remedies.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to enquire the matter for not verifying billing rates at the time of award of consultancy agreement and subsequent irregular payment without verification of rates.

(Draft Para No.214/2021-22)

1.5.42. Non-recovery of pending insurance claim - Rs.289.754 million

According to Clause-7.1.15(2) of WAPDA Accounting and Financial Reporting Manual, "all WAPDA Equipment of Grid Stations and Power Houses are protected under WAPDA Equipment Protection Scheme (WEPS). The functions of this Cell are to provide protection to the losses arising out of fire and damage to the equipment of Power Houses, Grid Stations, WAPDA House, WAPDA Printing Press, Reclamation Workshops and Research & Test Laboratories".

During audit of accounts of the RE, Jinnah Hydel Power Station for the period from July, 2020 to June, 2021, it was noticed that speed increaser gear box of Unit No.05 got damaged on August 26, 2019. As per WEPS procedure, insurance claim of subject equipment was lodged with the Insurance Directorate WAPDA on January 23, 2020. Despite lapse of more than 18 months, no action had been taken by the quarter concerned to finalize the case. Due to poor pursuance of the case, insurance claim of Rs.289.754 million could not be materialized.

Improper pursuance of insurance claim resulted in non-recovery Rs.289.754 million on account of pending insurance claim up to the FY 2020-21.

The matter was taken up with the management in September, 2021 and reported to Ministry in November, 2021. The management replied that the survey had been carried out in November, 2021 to check the physical conditions of Unit No.5. After receiving the report from the Insurance Directorate WAPDA, the same would be shared with the Audit.

Audit pointed out that the equipment was damaged in August, 2019 and survey was conducted in November, 2021 after lapse of more than two years which showed negligence on the part of Insurance Directorate WAPDA.

The DAC in its meeting held on December 27, 2021 expressed displeasure to the management and directed that if no result was achieved within one month, an enquiry would be constituted to fix responsibility.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to expedite the insurance claim besides implementing DAC's decision.

(Draft Para No.92/2021-22)

1.5.43. Non-deduction of KPST from payments made to the contractors and consultants - Rs.206.090 million

According to Clause-13.8(x) of the Accounting and Financial Reporting Manual of WAPDA, withholding tax shall be deducted from the gross amount of the contractor's bills at the prevailing tax rates, unless contractor provides Tax Exemption Certificate issued by the relevant tax authority for the related period. As per notification No.506-15/2018 dated August 31, 2018 issued by KPRA, one percent (1%) tax is to be levied on contracting & construction services. As per notification dated July 31, 2020, KPST @ 2% on construction services and allied services is to be levied.

During audit of accounts of two formations of WAPDA for the period from July, 2020 to June, 2021, it was noticed that an amount of Rs.19,685.400 million was paid to three contractors and consultants. At the time of making payments, KPST amounting to Rs.206.090 million was not deducted by the concerned project management. The detail is as under:

(Rs. in million)

Sr. No.	DP No.	Name of Formations	Name of Contractor	Amount
1.	82/2021-22	GM / PD, MDHP	M/s CGGC-DESCON JV	133.933
2.	222/2021-22	GM / PD, DBDP	M/s Power China-FWO JV	53.605
3.	225/2021-22	GM / PD, DBDP	M/s DBCG JV	18.552
TOTAL				**206.090**

As per rules, KPST was required to be deducted and deposited into government treasury because no tax exemption was granted by the KPRA to the contractors and consultants but needful was not done. Due to non-deduction of KPST from contractor's IPCs and consultants' invoice, public exchequer sustained loss to the stated extent.

Non-adherence to the aforementioned rules resulted in non-deduction of KPST on construction services amounting to Rs.206.090 million from payments made to the contractors and consultants during the FY 2020-21.

The matter was taken up with the management in August & October, 2021 and reported to Ministry in November & December, 2021. The management of MDHP replied that FBR served notice to submit applicable taxes which prompted the contractor to file writ petition under Article 199 of the Constitution of Pakistan in Peshawar High Court on July 27, 2019 against non-entitlement for exemption certificate. The management of DBDP replied that most of the working area fell under the jurisdiction of Gilgit-Baltistan. However, only 8 K.M stretch of land was undecided territory of GB and KPK. Therefore, tax law of GB was adopted.

Audit contended that the amount of KPST should have been withheld from the invoices of the contractor till decision of the territory as was being done in case of Income Tax.

The DAC in its meeting held on December 28, 2021 and January 27, 2022 directed the management of MDHP to pursue and expedite the matter. In case of DBDP, the Member (Finance) and CF&AO MoWR was directed to prepare report on the matter and pended the para till next meeting.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC's decision.

1.5.44. Irregular payment of advance to the contractor for powerhouse portion from PSDP funds - Rs.169.343 million

As per administrative approval of the Mohmand Dam Hydropower Project conveyed to the Chairman, WAPDA vide MoWR letter No.1(187)2011-AC dated July 04, 2018, "the ECNEC decided that out of total updated cost of the project amounting to Rs.309.558 billion, an amount of Rs.114.282 billion will be provided from Public Sector Development Programme (PSDP) for 'Dam Portion', while the remaining amount for 'Power Portion' will be arranged by WAPDA through its equity and commercial financing".

During audit of accounts of the GM / PD, Mohmand Dam Hydropower Project for the period from July, 2020 to June, 2021, it was noticed that an amount of Rs.169.343 million (local portion) was paid as advance payment to the contractor M/s CGGC-DESCON JV for Lot-4 (Design, supply and installation of Electrical and Mechanical works and Hydraulic Steel Structures). The advance payment was made to the contractor through Assignment Account out of PSDP funds in negation to the directions of ECNEC, which was irregular.

Non-adherence to the decision of ECNEC resulted in irregular payment of advance amounting to Rs.169.343 million to the contractor for powerhouse portion out of PSDP funds during the FY 2020-21.

The matter was taken up with the management in August, 2021 and reported to Ministry in November, 2021. The management replied that the advance payment was made to the contractor through Assignment Account out of PSDP funds in order to avoid further delay charges for continuous delay in making payment under sub-clause 14.6.

Audit contended that this amount was paid out of PSDP funds in violation of instructions of ECNEC. Therefore, this amount should be remitted back to Assignment Account.

The DAC in its meeting held on December 28, 2021 directed the management to provide revised reply and get the record verified from Audit.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to justify irregular payment for power house portion out of PSDP funds besides remitting back this amount to Assignment Account.

(Draft Para No.48/2021-22)

1.5.45. Non-deduction of income tax and KPST from the contractor's invoices - Rs.85.734 million

According to Section-153(1)(a)(b)(c), Division-III, Part-III of First Schedule of Income Tax Ordinance, rate of income tax is 7.50% of the gross amount payable on execution of contract. Moreover, provincial sales tax at the rate of 1% is to be charged.

During audit of accounts of the PD, Kurram Tangi Dam Project for the period from July, 2020 to June, 2021, it was noticed that an amount of Rs.1,008.63 million was paid to M/s FWO-DESCON-JV for different civil and E&M works executed during the year. As per rules, income tax and KPST amounting to Rs.85.734 million (@ 7.50% and 1% respectively), were required to be deducted on these IPCs but the same was not done despite the fact that the exemption certificate had been cancelled by the Chief Commissioner, (Inland Revenue) Regional Tax Office, Peshawar. Due to non-deduction of income tax and KPST, national exchequer sustained loss to the stated extent.

Non-adherence to aforementioned rules resulted in non-deduction of income tax and KPST amounting to Rs.85.734 million from the contractor up to the FY 2020-21.

The matter was taken up with the management in August, 2021 and reported to Ministry in November, 2021. The management replied that an amount of Rs.40 million out of total outstanding amount of income tax had been deducted and submitted to FBR. However, remaining amount would be recovered from upcoming invoices.

The DAC in its meeting held on December 27, 2021 directed the management to get the recovery record verified from Audit and recover the remaining amount from next IPC within 30 days.

As a result of verification, an amount of Rs.40 million had been verified whereas no progress towards recovery of remaining amount was intimated till finalization of the report.

Audit recommends the management to implement DAC's decision.

(Draft Para No.66/2021-22)

1.5.46. Non-recovery of interest on non-deducted amount of mobilization advance from the contractor - Rs.79.789 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses, "all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved". Moreover, as per Clause-60.10 of the Contract, compensation at the rate of KIBOR+2% per annum for local currency will be applied.

During audit of accounts of the GM / PD, Diamer Basha Dam Project for the period from July, 2020 to June, 2021, it was noticed that a contract was signed with M/s PowerChina-FWO JV on May 13, 2020 for construction of Dam Part (Civil Works) and Tangir Hydropower Works amounting to Rs.442,402.786 million. The mobilization advance amounting to Rs.36,185.353 million was paid in the month of June, 2020 in two equal installments. As per contract, recovery of mobilization advance was to be started after expiry of third month i.e. from the month of September, 2020 after the date of first part of advance but the recovery was started in the month of June, 2021 through IPC-03. Audit held that as an amount of Rs.2,497.187 million was less/not deducted from the IPCs. Therefore, interest of Rs.79.789 million on non-deducted amount of mobilization advance needed to be recovered from the contractor.

Non-adherence to Authority's instructions and contract clauses resulted in non-recovery of interest of Rs.79.789 million on non-deducted of mobilization advance up to the FY 2020-21.

The matter was taken up with the management in October, 2021 and reported to Ministry in December, 2021. The management replied that the contract clause relating to schedule of recovery of mobilization advance was agreed with the contractor in Minutes of Meeting (Clause-7) held on March 11, 2020 attached in the contract. The Employer agreed to start the recovery of the advance payment starting from the 3rd IPC till two months before TOC. As there was no default in recovery of mobilization advance, therefore, the question of recovery of interest did not arise.

The reply was not tenable because in view of Instructions to Bidders-9, conditions for repayment of the mobilization advance were not to be revised after deadlines for submission of bids. Therefore, undue mobilization advance along with its interest be recovered from the contractor.

The DAC in its meeting held on January 27, 2022 directed the management to submit revised reply with detailed justification. DAC further directed to provide mechanism and plan for recovery from the contractor to Audit.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to enquire the matter regarding irregular change in condition of repayment of mobilization advance contrary to ITB-9 for fixing responsibility besides implementing DAC's decision,

(Draft Para No.218/2021-22)

1.5.47. Loss due to excess payment of KPST on consultancy services - Rs.76.203 million

According to Finance Department (KPK) Notification No.BO(Res-III)/ FD/2-2/2019-20/Vol-I dated July 31, 2020, "rate of KPST on construction consultants, designing & supervision consultants was reduced from 15% to 2% with immediate effect".

During audit of accounts of the GM / PD, Dasu Hydropower Project for the period from July, 2020 to June, 2021, it was noticed that a contract for consultancy services for preparation and implementation of Dasu Hydropower Project was awarded to M/s Dasu Hydropower Consultants (DHC) JV on September 19, 2011. After levy of KPST @15% on consultancy services by the KPK Government w.e.f August 04, 2014, the amount of KPST was incorporated in the contract price (being responsibility of the Employer) through amendment No.3 in the existing consultancy agreement. Later on, rate of KPST was reduced from 15% to 2% vide notification dated July 31, 2020 but KPST @ 15% was applied on Invoice No.70 to 77 which were paid to the consultants during September, 2020 to February, 2021. Due to application of incorrect rate, an amount of Rs.76.203 million was paid in excess to the KPRA which caused loss to the project.

Non-adherence to the above referred notification resulted in loss of Rs.76.203 million due to excess payment of KPST on consultancy services during the FY 2020-21.

The matter was taken up with the management in October, 2021 and reported to Ministry in December, 2021. The management replied that adjustment of excess paid amount of KPST for the period from July, 2020 to January, 2021 would be made at the time of depositing of KPST pertaining to forthcoming invoices of the consultants.

The DAC in its meeting held on January 27, 2022 directed the Member (Finance) WAPDA to take up the matter with KPRA for recovery / adjustment of excess deducted amount and share relevant record with Audit.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC's decision.

(Draft Para No.259/2021-22)

1.5.48. Irregular expenditure out of PSDP funds in violation of PC-I provisions - Rs.59.035 million

According to approved PC-I of Mohmand Dam Hydropower Project, there was a provision of Rs.5,625 million (@ 2.25%) for meeting authority overhead and there was no provision for charging expenditure of other offices of WAPDA to the project. As per PAC's directive conveyed by the Cabinet Division on March 26, 2011, "there should be no deviation from the approved PC-I of the projects in any respect being implemented by the Federal Ministries/Divisions and its attached departments/autonomous bodies".

During audit of accounts of the GM / PD, Mohmand Dam Hydropower Project for the period from July, 2020 to June, 2021, it was noticed that an amount of Rs.59.035 million pertaining to expenditure of different offices of WAPDA i.e. Director Public Relations, Chief Auditor WAPDA and WAPDA Sports Board was charged to the project and paid out of PSDP funds meant for the project. This amount was paid out of PSDP funds of the project in addition to the payment of authority overheads provided in the approved PC-I @ 2.25%. As per rules, expenditures of other offices of WAPDA should have been met out of funds provided for the authority overheads as there was no separate provision for charging such expenditure in the approved PC-I. Hence, payment of share of common services offices, beyond the scope of PC-I, was irregular.

Non-adherence to the provisions of PC-I and PAC's directive resulted in irregular payment of expenditure of other offices of WAPDA amounting to Rs.59.035 million out of PSDP funds during the FY 2020-21.

The matter was taken up with the management in August, 2021 and reported to Ministry in November, 2021. The management replied that the Finance Division of WAPDA clarified that authority overhead and services were two different subjects and the services charged against the project should not be considered as authority overheads.

The reply was not tenable because there was no provision in PC-I for charging expenses of other offices of WAPDA except payment of 2.25% authority overheads. Therefore, charging of any expenditure beyond 2.25% was irregular.

The DAC in its meeting held on December 28, 2021 directed the management to submit revised reply with justification.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to recover / adjust the irregular charged expenditure of other offices.

(Draft Para No.51/2021-22)

1.5.49. Less deduction of income tax from the consultants - Rs.55.718 million

According to Section-153(1)(a)(b)(c), Division-III, Part-III of First Schedule of Income Tax Ordinance, rate of income tax was 8% of the gross amount payable on provision of services.

During audit of accounts of three (03) formations of WAPDA for the period from July, 2020 to June, 2021, it was noticed that income tax amounting to Rs.55.718 million was less deducted from payments made to the consultants. The detail is as under:

(Rs. in million)

Sr. No.	DP No.	Name of Formations	Amount
1.	71/2021-22	PD, KTDP	10.681
2.	128/2021-22	PD/RE Dargai Rehabilitation Hydro Electric Power Project	0.850
3.	224/2021-22	GM / PD, DBDP	44.187
TOTAL			**55.718**

Income tax against services provided by the consultants was to be deducted at the rate of 8% instead of 3%. Hence, an amount of Rs.55.718 million on account of income tax was less deducted which was not justified.

Non-adherence to the Income Tax Ordinance resulted in less deduction of income tax from the consultants amounting to Rs.55.718 million up to the FY 2020-21.

The matter was taken up with the management in August & October, 2021 and reported to Ministry in November & December, 2021. The management of KTDP replied that income tax @ 3% had been correctly deducted as per Section-152 (2A) Division-II, Part-III of first Schedule of the Income Tax Ordinance, 2001. The management of other formations replied that the Income Tax Ordinance was silent regarding definition of ‘Engineering Services’, therefore, the next authentic source i.e. PEC was adopted for tax purposes. The rate of tax was as per applicable law i.e. 3%.

Audit contended that there was no uniformity in application of income tax rates in different projects of WAPDA, therefore, the matter needed clarification.

The DAC in its meeting held on December 27, 2021 and January 6 & 27, 2022 directed Member (Finance) WAPDA to look into the matter across all WAPDA projects and obtain clarification of Engineering / Technical Services from FBR to bring uniformity.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to ensure recovery of less deducted amount of income tax from the consultants besides implementing DAC's decision.

1.5.50. Loss due to payment of cost of import of own energy to the CPPA-G - Rs.42.266 million

According to Clause-PMC-2.1(h) of Grid Code approved by NEPRA, "Installation of revenue meter and ancillary equipment at the substation for the point of connection shall be the responsibility of the Generator and other code participant / users. The Generators and other users connecting to the NTDC transmission system shall submit to the NTDC for approval of the engineering design for revenue metering, proposed location of metering equipment and ancillaries complete with wiring and installation drawings and bill of materials. The proposed metering location shall be adjacent to any telemetering, communication and data logging equipment".

During audit of accounts of the CEO, NJHPC for the period from July, 2020 to June, 2021, it was noticed that an amount of Rs.42.266 million was paid to the CPPA-G on account of import of energy recorded at the billing meter. Further probe into the matter revealed that when Unit No.2&4, where Main Auxiliary Power Transformers (MAPT) were installed, shut down then MAPT was energized from electricity fed from Unit No.1&3. However, due to auxiliary network design and location of meters, utilization of own energy through Unit No.1&3 was also recorded as 'import of energy' for which billing was made by the CPPA-G. Audit held that the loss occurred due to auxiliary network design and location of meters, therefore, responsibility for loss needed to be fixed besides its recovery from CPPA-G.

Non-adherence to the Grid Code resulted in loss of Rs.42.266 million due to payment of cost of import of own energy to the CPPA-G during the FY 2020-21.

The matter was taken up with the management in September, 2021 and reported to Ministry in November, 2021. The management replied that there was no design fault in the existing installation of main & backup revenue energy meters for Unit No.1 to 4. Location & design of energy meters were as per Grid Code and approved by NTDC. However, meetings were underway with the CPPA-G and NTDC to change the method of import of electricity. Latest progress when achieved would be shared with Audit.

Audit contended that cost of import of own energy was being paid to the CPPA-G due to flaws in metering and billing mechanism which must be rectified.

The DAC in its meeting held on January 5, 2022 directed the management to vigorously pursue the matter and share latest progress with Audit.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to ensure recovery of amount of import of own energy from CPPA-G.

(Draft Para No.104/2021-22)

1.5.51. Non-recovery of compensation amount from the landowners due to non-transfer of land to NJHPC - Rs.22.205 million

According to Section-50(1) of the Land Acquisition Act (amended up to February, 2020), "where any land acquired under this act for a public purpose or for a company becomes, wholly or partially surplus, the acquiring agency with the previous approval of the Government, shall handover the surplus land to the Collector who shall make its disposal in the manner hereinafter provided". As per Section-50(4) "where compensation of the land has been paid to the owners and all or any of them is not willing to reimburse cost of land, as aforesaid, the Collector shall dispose of the same to the extent of the share of the owner who declined to reimburse the cost to other willing co-shares at the prevailing market price and where co-shares are also not willing to accept offer of the Collector, he shall be at liberty to dispose-off the same through open auction in such manner as may be prescribed".

During audit of accounts of the CEO, NJHPC for the period from July, 2020 to June, 2021, it was noticed that an amount of Rs.22.205 million on account of land compensation (Rs.17.650 million) and trees/houses compensation (Rs.4.555 million) was paid to land owners for acquisition of 116 Kanal land at Mouza Panjkot vide Award No.07/2008 and Award No.12/2008 respectively. The landowners despite receiving compensation had not allowed entry in the land and the possession was still with the landowners. Due to non-taking of possession of land, the management was requesting concerned revenue authorities since June 13, 2014 for recovery of compensation amount but despite lapse of considerable period of time, the amount had not so far been recovered from the landowners. As per rules, property of landowners refusing to repay the compensation amount was required to be auctioned but needful was not done.

Non-adherence to the Land Acquisition Act resulted in non-recovery of compensation amount of Rs.22.205 million from the landowners due to non-transfer of land to NJHPC up to the FY 2020-21.

The matter was taken up with the management in September, 2021 and reported to Ministry in November, 2021. The management replied that the matter was consistently being pursued with AJ&K Government. Recently, the Senior Member (Board of Revenue) Government of AJ&K had also been requested for de-award of land vide letter No.4411-17 dated October 22, 2021.

The DAC in its meeting held on January 5, 2022 directed the management to raise the level of correspondence with Government of AJ&K. Moreover, also share status of mutation of land with Audit/PAO.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to ensure recovery of amount from the landowner at the earliest.

(Draft Para No.116/2021-22)

1.5.52. Non-recovery of excess paid amount of royalty from AJ&K Department of Mineral Resources - Rs.8.587 million

According to the Minutes of Meeting between NJHPC and AJ&K Department of Mineral Resources held on October 05, 2016, “the payment on the basis of actual quantity of extracted greenstone shall be made to the Mineral Resources Department through joint verification of the record certified by the

Neelum Jhelum Consultants".

During audit of accounts of the CEO, NJHPC for the period from July, 2020 to June, 2021, it was noticed that an amount of Rs.9.800 million was paid to AJ&K Department of Mineral Resources on December 09, 2015 as first installment for extraction of green stone. On completion of extraction work, actual quantity of extracted material was worked out as 80,850 ton for which royalty of Rs.1.213 million was determined. The matter for refund of excess paid amount of Rs.8.587 million was taken up with the concerned department who refused to refund the amount. Later on, the management filed a civil suit in the court of Additional District & Session Judge, Muzaffarabad for recovery of excess paid amount from the concerned department. The case was decided in the favour of NJHPC on April 29, 2021 and the court directed the Department of Mineral Resources to pay Rs.8.587 million to the NJHPC. However, the said amount had not so far been recovered from the concerned department.

Non-adherence to the minutes of meeting and decision of court resulted in non-recovery of Rs.8.587 million on account of excess paid amount of royalty from AJ&K Department of Mineral Resources during the FY 2020-21.

The matter was taken up with the management in September, 2021 and reported to Ministry in November, 2021. The management replied that as the matter was still under litigation, therefore, action for recovery would be taken on decision of the honorable court(s).

The DAC in its meeting held on December 28, 2021 directed the management to initiate recovery from Minerals Department of AJ&K by serving legal notice to the department and also raise the level of correspondence through Member (Finance) WAPDA for recovery of outstanding amount.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to ensure recovery of excess paid amount from the concerned quarter at the earliest.

(Draft Para No.87/2021-22)

D. Assets Management

1.5.53. Non-mutation of acquired land in the name of WAPDA - Rs.746.751 million

According to Section-42(1) of the West Pakistan Land Revenue Act, 1967, a person acquiring by inheritance, purchase, mortgage, gift, or otherwise, any right in an estate as a land-owner; or a tenant for a fixed term exceeding one year, shall, within three months from the date of such acquisition, report his acquisition of right to the Patwari of the estate for recording such report in the record.

During audit of accounts of the GM (Central) Water, Lahore for the period from July, 2018 to June, 2020, it was noticed that land measuring 8,884 Acres, 07 Kanals & 16 Marlas was acquired for different scarp projects. Out of total acquired land, land measuring 4,667 Acres, 01 Kanal & 11 Marlas valuing Rs.746.751 million (approx.) had not yet been transferred in the name of WAPDA. As per rules, the acquired land was required to be got mutated in the name of WAPDA, however, the needful was not done.

Non-adherence to the Land Revenue Act, 1967 resulted in non-mutation of acquired land valuing Rs.746.751 million in the name of WAPDA up to the FY 2020-21.

The matter was taken up with the management in March, 2021 and reported to Ministry in June, 2021. The management replied that the mutation of all the acquired land had not been completed by the concerned revenue offices so far. This office had been continuously pursuing concerned revenue offices for early mutation of acquired land.

The DAC in its meeting held on December 27, 2021 directed the management to pursue and expedite the matter for early mutation of land.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC’s decision.

(Draft Para No.1/2021-22)

1.5.54. Loss of revenue due to illegal encroachment on WAPDA land - Rs.8.016 million

According to letter No. CE&PD/CB&CRBC/admn/G-103/6314-15 dated

October 6, 2016 of CE/PD, Chashma Barrage that Pakistan Atomic Energy Commission (PAEC) authorities have occupied WAPDA land and under their use since long without any legal cover. As per Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses, “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

During audit of accounts of the CE/PD, Chashma Barrage & Chashma Jhelum (CB & CJ) Link Canal for the period from July, 2020 to June, 2021, it was observed that land measuring 501 Acres had been illegally occupied by PAEC without any agreement or NOC. Due to illegal encroachment of land, the said land could not be auctioned for lease. Resultantly, WAPDA sustained a loss of Rs.8.016 million (approx.). The project authority neither vacated the land nor the rent was recovered from PAEC.

Non-safeguarding of the WAPDA land resulted in loss of revenue amounting to Rs.8.016 million due to illegal encroachment of WAPDA land up to the FY 2020-21.

The matter was taken up with the management in July, 2021 and reported to Ministry in October, 2021. The management replied that mutation of land had been made in favour of WAPDA. Recovery of rent of land in occupation of PAEC was in process and efforts were being made to recover the amount.

The DAC in its meeting held on December 27, 2021 directed the management to pursue the case of recovery with PAEC and get the recovery record verified from Audit within 30 days.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC’s decision.

(Draft Para No.22/2021-22)

E. Design Related Issues

1.5.55. Non-recovery of loss from the consultants due to defective engineering estimates - Rs.700 million

According to Clause-3.4.1(a)(ii) of the Special Conditions of CSA, “except in case of gross negligence or willful misconduct on the part of the consultants or on the part of any person or firm acting on behalf of the consultants in carrying out the services, the consultants, with respect to damage caused by the consultants to the Client’s property, shall not be liable to the Client for any direct loss or damage that exceeds: (A) the total payments for professional fees and reimbursable expenditures made or expected to be made to the consultants hereunder: or (B) the proceeds the consultants may be entitled to receive from any insurance maintained by the consultants to cover such a liability, whichever of (A) or (B) is higher.

During audit of accounts of the PD, Gomal Zam Dam Project for the period from July, 2020 to June, 2021, it was noticed that a contract for management consultancy services was awarded to a JV led by M/s National Development Consultants on April 12, 2002. During execution of contract Package-GI & GII, quantities of the works were increased abnormally by Rs.700 million. As per GM (Projects) North letter dated November 01, 2019, the consultant had not physically verified the survey on which design drawings were prepared and cost was increased due to preparation of defective engineering estimate/BOQ by the consultants. As per special condition-3.4.1(a)(ii), the action against the consultants for recovery of loss sustained by WAPDA was initiated in November, 2019 but no recovery had so far been made from the consultants.

Non-adherence to the CSA resulted in non-recovery of loss amounting to Rs.700 million from the consultants due to defective engineering estimates / BOQ up to the FY 2020-21.

The matter was taken up with the management in September, 2021 and reported to Ministry in November, 2021. The management replied that the Umpire announced the Award on October 18, 2021 and held the Management Consultants responsible for certain “errors” and “omissions” at para-93 of his Award and allowed WAPDA to recover Rs.13.830 million. The Award was shared on October 22, 2021 with the WAPDA Counsel to provide legal opinion.

WAPDA Counsel vide email dated November 29, 2021 had opined that since the Award was in favour of WAPDA and in such circumstances, there was no place for WAPDA to challenge the same. The management was processing the case in Law Division of WAPDA to implement the decision.

The DAC in its meeting held on January 6, 2022 directed the management to provide revised reply with justification (reasons for delay with evidence) to Audit.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to ensure recovery of loss from the consultant.

(Draft Para No.176/2021-22)

F. Management of Accounts with Commercial Banks

1.5.56. Non-depositing of retention money in the designated bank accounts - Rs.1,760.003 million

According to Para-B of the clarification to Revised Procedure for Operation of Assignment Accounts of Federal Government, 2018 issued on June 21, 2019, “Retention Money may be withdrawn in the name of project authorities and be deposited in a designated bank account opened with the approval of Finance Division. The account shall be used for deposit of retention money only and no utilization shall be made out of it, except payment to the contractor at the end of the project subject to successful performance of the contract and in accordance with the agreed terms and conditions and rules on the subject. Such account shall be immediately closed on expiry of the contract or completion of project whichever is earlier, under intimation to Ministry of Finance and Accountant General Pakistan Revenues (AGPR). In case retention money is forfeited or not claimed within stipulated period, same may be deposited in the Federal Government Account or Provincial Government as the case me”.

During audit of accounts of three (03) formations of WAPDA for the period from July, 2020 to June, 2021, it was noticed that retention money amounting to Rs.1,760.003 million was deducted from the various IPCs of different contractors. As per above mentioned instructions, the said amount of retention money should have been withdrawn and kept in a separate designated bank account to be opened with the approval of the Finance Division. However, the said amount of retention money was not kept in designated bank accounts, which was irregular. The detail is as under:

(Rs. in million)

Sr. No.	DP No.	Name of Formation	Amount
1.	31/2021-22	PD, Kachhi Canal Project (KCP)	8.425
2.	40/2021-22	PD, KTDP	628.299
3.	81/2021-22	PD, MDHP	1,123.279
TOTAL			**1,760.003**

Non-adherence to the Revised Procedure for Operation of Assignment Account resulted in non-depositing of retention money amounting to Rs.1,760.003 million in the designated bank accounts during the FY 2020-21.

The matter was taken up with the management in July & August, 2021 and reported to the Ministry in October & November, 2021. The management replied that the case for obtaining approval from Finance Division for opening of separate bank accounts for retention money had already been submitted to the MoWR.

The DAC in its meetings held on December 27 & 28, 2021 directed the CF&AO (MoWR) and Representative of Finance Wing of WAPDA to conduct enquiry on the matter and submit report to MoWR within a month.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to ensure compliance of Finance Division's instruction for keeping the retention money in separate bank account besides implementing DAC's decision.

1.5.57. Irregular transfer of retention money in commercial bank instead of keeping in designated bank account - Rs.1,249.171 million

According to Assan Assignment Account Procedure (Local Currency), 2020, cash withdrawal or transfer of funds to any bank account is not allowed. Moreover, retention money may be withdrawn in the name of project authorities and be deposited in a designated bank account opened with the approval of Finance Division. The account shall be used for deposit of retention money only and no utilization shall be made out of it, except payment to the contractor at the end of the project subject to successful performance of the contract and in accordance with the agreed terms and conditions and rules on the subject. Such account shall be immediately closed on expiry of the contract or completion of project whichever is earlier, under intimation to Ministry of Finance and AGPR. In case retention money is forfeited or not claimed within stipulated period, same may be deposited in the Federal Government Account or Provincial Government as the case me.

During audit of accounts of the GM / PD, Diamer Basha Dam Project for the period from July, 2020 to June, 2021, it was noticed that retention money amounting to Rs.1,249.171 million was deducted from the various IPCs of the contractors. As per the above mentioned Revised Procedure of Assignment Account, the said amount of retention money should have been withdrawn and kept in a separate designated bank account to be opened with the approval of the

Finance Division. However, the said amount of retention money was deposited in commercial bank instead of transferring into the designated bank account which was irregular.

Non-adherence to the instructions of Finance Division resulted in non-depositing of retention money amounting to Rs.1,249.171 million in a designated bank account during the FY 2020-21.

The matter was taken up with the management in October, 2021 and reported to Ministry in December, 2021. The management replied that GM Finance (Water) had requested the MoWR to take up the matter with the Ministry of Finance for obtaining approval of opening of separate bank account for DBDP as per revised procedure for operation of Assignment Account. Once the designated bank account was opened, all retention money would be transferred to this account.

Audit contended that keeping of retention money in commercial bank account was irregular for which responsibility needed to be fixed. Moreover, profit earned, if any, be remitted to Government Treasury.

The DAC in its meeting held on January 27, 2022 directed the CF&AO MoWR and a representative of Finance Division of WAPDA to conduct enquiry on the matter and submit report to MoWR within a month.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to keep retention money in the designated bank account instead of commercial bank account besides implementing DAC's decision.

(Draft Para No.220/2021-22)

G. HR & Pension Related Issues

1.5.58. Unjustified expenditure on pay & allowances due to irregular appointment of retired employees as Advisors - Rs.14.196 million

According to Para 3(a) of Establishment Division's (GoP) letter No.F.No.2/10/2007/E-1 dated December 04, 2007 regarding re-employment beyond the age of superannuation, "it was directed to ensure that the proposal duly signed by the Secretary or Additional Secretary Incharge of the Ministry concerned is received in the Establishment Division 6 months before the officer is due to attain the age of superannuation and has the approval of Minister Incharge". As per Establishment Division's office memorandum dated June 21, 2005, "engagement of retired officers as consultants / Advisors etc. shall require prior permission of the government and re-employment rules should apply to those government servants who are appointed on contract as consultants or otherwise after superannuation without open competition".

During audit of accounts of two formations of WAPDA for the period from July, 2020 to June, 2021, it was noticed that eight (8) retired officers were re-appointed as Advisors on contracts. These Advisors were hired directly without any recruitment process / approval of the government which was irregular. The detail is as under:

(Rs. in million)

Sr. No.	DP No.	Name of Formations	No. of Advisors	Amount
1.	141/2021-22	PD, KTDP	2	4.207
2.	239/2021-22	GM / PD, DBDP	6	9.989
TOTAL			**8**	**14.196**

Hence, expenditure incurred on accounts of their pay & allowances amounting to Rs.14.196 million were unjustified.

Non-adherence to aforesaid instructions of government resulted in unjustified expenditure of Rs.14.196 million on pay & allowances due to irregular appointment of retired employees as Advisors up to the FY 2020-21.

The matter was taken up with the management in August & October, 2021 and reported to Ministry in November & December, 2021. The management of

KTDP replied that the Advisors were appointed as per Section-17 of WAPDA Act, 1958 owing to their experience in the field. The management of DBDP replied that the Advisors were appointed for one year contract as per procedure laid down in the Section-3.2 (Recruitment Procedure / Process) of SOP for Recruitment of Advisors / Individual Consultants / Experts, 2019.

The DAC in its meeting held on January 5 & 27, 2022 directed the management of KTDP to provide revised detailed reply to Audit. In case of DBDP, the management was directed to follow guidelines of PPRA and stop such hiring (without advertisement) forthwith. DAC further directed to comply with its earlier directions dated 17-19 December, 2020.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC's decision.

1.5.59. Irregular payment of cash medical allowance to ex-armed forces personnel - Rs.12.952 million

According to office memo No.PEN/COORD/24-XXVIII dated August 29, 2018, "retired armed forces persons on their re-employment are not entitled for drawing cash medical allowance (CMA) from WAPDA on their re-employment". As per WAPDA's Finance Division (Admn & Regulations)'s office memo No.FO(B&F)/3-42/Vol-14/1950-60 dated April 29, 2019, "ex-armed forces personnel (officials/ officers) re-employed in WAPDA may draw cash medical allowance (if admissible) or avail medical facility on provision of an undertaking, duly certified by their competent authority, to the effect that they are not drawing Cash Medical Allowance along with their armed forces pension or Medical Facility from CMH/MH/AFIC and Fauji Foundation Hospitals etc.".

During audit of accounts of four (04) formations of WAPDA for the period from July, 2020 to June, 2021, it was noticed that an amount of Rs.12.952 million on account of CMA was paid to ex-armed forces personnel working in WAPDA. The detail is as under:

(Rs. in million)

Sr. No.	DP No.	Name of Formations	Amount
1.	20/2021-22	GM, TDP	11.008
2.	126/2021-22	RE HPS, Chitral	0.612

Sr. No.	DP No.	Name of Formations	Amount
3.	132/2021-22	PD, Dargai Rehabilitation Hydropower Project	0.504
4.	183/2021-22	RE, GZD Hydel Power Station	0.828
TOTAL			**12.952**

These personnel were required to provide certificates from their competent authority regarding non-receiving of CMA with pension or non-availing of medical facility from their previous department but needful was not done. Audit held that the payment of CMA without receiving requisite certificates was irregular.

Non-adherence to the Authority's instructions resulted in irregular payment of CMA amounting to Rs.12.952 million to ex-armed forces personnel up to the FY 2020-21.

The matter was taken up with the management during July to September, 2021 and reported to Ministry in October & November, 2021. The management of TDP & GZHPS replied that the payment was made after obtaining requisite certificates/declaration. In other cases, payment of CMA had been stopped and amount would be recovered from the concerned employees.

Audit contended that these certificates must be obtained by the personnel from their respective pension paying authorities.

The DAC in its meeting held on December 27, 2021 and January 6, 2022 directed the management to submit requisite record to Audit for verification.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to discontinue payment of CMA and ensure recovery of irregular paid amount from the concerned employees.

1.5.60. Irregular payment of project allowance to the employees - Rs.12.583 million

According to Addl. DG Finance (Admn & Regulation) WAPDA Office Order No.FO(B&F)/3-8/VOL-12/1413-1512 dated June 17, 2013, the project allowance will cease to be admissible on transfer to an employee from the project to any of the office or on completion of specific project. As per Manager (A&F)

Regulations WAPDA's Office Order dated September 20, 2019, the officers / officials posted at project site are entitled for project allowance @ 50% of basic pay and officers / officials posted at its Project Director / Liaison office located at other than site are entitle for project allowance @ 25% of basic pay.

During audit of accounts of two (02) formations of WAPDA for the period from July, 2020 to June, 2021, it was noticed that project allowance was paid to employees of PD GZDP @ 50% of the running basic pay. The project allowance was admissible @ 25% of the running basic pay because the project office was situated in WAPDA Colony, D.I. Khan and project site was situated in South Waziristan Agency (District), which resulted in excess payment of Rs.8.027 million. Moreover, an amount of Rs.4.556 million was paid to the employees of Rainee Canal Project (RCP) after completion of project since June, 2014.Tthe detail is as under:

(Rs. in million)

Sr. No.	DP No.	Name of Formation	Amount
1.	140/2021-22	CE / PD, RCP	4.556
2.	166/2021-22	PD, GZDP	8.027
TOTAL			**12.583**

Audit held that payment of project allowance to the employees beyond the prescribed limit and after completion of project was irregular.

Non-adherence to the Authority's instructions resulted in irregular payment of Rs.12.583 million on account of project allowance to employees during the FY 2020-21.

The matter was taken up with the management in July & September, 2021 and reported to Ministry in November, 2021. The management of RCP replied that project allowance was paid to the employees as it was not considered to be completed as per Clause-12.2 of Manual of Development Project. As soon as, the project was handed over to the Irrigation Department (Government of Sindh), payment of project allowance to the employees would be stopped. The management of GZDP replied that the payment of 50% project allowance was justified for the staff performing duties at PD office, D.I. Khan due to location of project site and adverse security situation.

The reply was not acceptable because RCP had been completed since June, 2014 and project office of GZDP was situated at D.I Khan.

The DAC in its meeting held on January 5, 2022 directed the management of RCP to immediately discontinue the payment of project allowance of the completed project. DAC further directed the management to send a reference to Finance Division through MoWR for seeking clarification. The DAC directed the management of GZDP to provide revised reply to Audit along with posting plan /job description of project staff in order to ascertain the admissibility of project allowance to employees.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC’s decision.

H. Value for Money and Service Delivery Issues

1.5.61. Extra cost due to procurement of vehicles through contractors - Rs.197.933 million

According to Clause-1.3 (i) of WAPDA Procurement and Contract Manual, "the purpose of a good Public Procurement is to get best value for money. It is one of the basic principles that should be given due consideration. However, the lowest initial cost may not equate over the operating life of the project or an item". As per Rule-10 of General Financial Rules (GFR), "every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety among the principles on which emphasis is "Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money".

During audit of accounts of three (03) formations of WAPDA for the period from July, 2020 to June, 2021, it was noticed that the contractors provided 62 vehicles of different make and models at BOQ cost included in different contracts. Due to purchase of these vehicles through contractors, an amount of Rs.197.933 million had to be paid in excess due to difference in market value and BOQ cost, proportionate payment in foreign currency and escalation thereon. The detail is as under:

(Rs. in million)

Sr. No.	DP No.	Name of Formation	Amount
1.	45 & 46/2021-22	GM / PD, MDHP	126.180
2.	217/2021-22	GM / PD, DBDP	9.843
3.	267/2021-22	GM / PD, DHPP	61.910
TOTAL			**197.933**

Audit held that this overpayment had to be made due to inclusion of defective clause in the contracts which caused loss to the stated extent.

Non-adherence to the aforementioned instructions resulted in extra cost of Rs.197.933 million due to procurement of vehicles through contractors up to the FY 2020-21.

The matter was taken up with the management in August & October, 2021 and reported to the Ministry in November & December, 2021. The management replied that the contract was awarded to lowest qualified bidder after comprehensive bidding process. The procurement of vehicles had been made against BOQ item based on item rate as per provisions of contract. Moreover, being BOQ item, the O&M cost was also fixed at BOQ rates and escalation (price adjustment) had been rightly applied. No extra payment beyond the rate given in contract had been made to the contractor.

The DAC in its meeting held on December 28, 2021 directed the management of MDHP to provide record to Audit for verification. Further, the DAC in its meeting held on January 27, 2022 directed the management of DBDP & DHPP to ensure compliance of its earlier directives dated 17 & 19 December 2020, wherein, the management was directed to justify the purchase of these vehicles at exorbitant rates through BOQ / Contractor instead of departmentally by adopting PPRA Rules and adherence to the instructions of Finance Division regarding approval of austerity committee.

DAC also directed the management of DHPP & DBDP to place the items at the rightful place of PC-I instead of BOQ and discourage this practice. If some justifiable reasons exist, purchase of vehicles be made through provisional sum in future.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to fix responsibility upon the authority who accorded approval for inclusion of vehicles in BOQ for purchase through contractors besides implementing DAC's decision.

1.5.62. Unjustified provision of cost of maintenance of vehicles in BOQ to be paid to the contractor – Rs.66 million

According to Rule-10 of GFR, "every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money. The expenditure should not be prima facie more than the occasion demands".

During audit of accounts of the GM / PD, Diamer Basha Dam Project for the period from July, 2020 to June, 2021, it was noticed that a provision of six (06) vehicles to be provided by the contractor to Employer was made in the contract signed with M/s Hasnaat Brothers Construction Company-Shahid & Co. JV on July 27, 2020. As per Appendix-D (BOQ), the Employer will have to pay to the contractor fixed monthly charges on account of maintenance of vehicles without any log book and documentary evidence of POL consumption and repairs. The monthly rate for O&M of vehicles varied from vehicle to vehicle and ranged from Rs.100,000 for Suzuki Jimny to Rs.200,000 for Revo and Toyota Fortuner per vehicle. As such, the Employer would pay to the contractor a total sum of Rs.66 million during construction period of 60 months. Moreover, monthly fixed payment on account of vehicles' maintenance charges was on higher side because in the contract of RBPR-04, the contractor quoted rates for Revo and Toyota Fortuner amounting to Rs.110,000 and Rs.120,000 per month whereas in RBPR-03 O&M of vehicles cost for the same vehicles was Rs.200,000 each per month which was 74% higher. Audit held that this clause of the contract was defective and against the financial rules as in the absence of log books, bonafide /actual use of vehicles would not be ascertained and payment of huge fixed amount on account of O&M of vehicles was not justified.

Non-adherence to the GFR resulted in unjustified provision of cost of maintenance of vehicles amounting to Rs.66 million in BOQ to be paid to the contractor up to the FY 2020-21.

The matter was taken up with the management in October, 2021 and reported to Ministry in December, 2021. The management replied that the contractor had quoted the rates by considering the factors like more wear & tear due to hard terrain, difficulty of sites, insurance, arrangement of drivers in three shifts round the clock and high fuel consumption in mountainous area and complexity of sites. The contractor's bid was accepted after detailed evaluation.

The reply was not tenable because clause of the contract was defective and against the financial rules as in the absence of log books, bonafide / actual use of vehicles would not be ascertained and provision of huge fixed amount on account of O&M of vehicles was not justified.

The DAC in its meeting held on January 27, 2022 directed the management to submit detailed response with justification for provision of maintenance cost in BOQ.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC's decision.

(Draft Para No.241/2021-22)

1.5.63. Infructuous expenditure on consultancy services on hydrological and geological studies - Rs.28.538 million

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

During audit of accounts of the GM / PD, Diamer Basha Dam Project for the period from July, 2020 to June, 2021, it was noticed that a contract was signed between WAPDA and M/s MM Pakistan (Pvt.) Limited on November 22, 2016 for consultancy services of hydrology & geological studies, channelization of Nullahs and design review of structures in Thor Colony of DBDP for an amount of Rs.30.059 million and an amount of Rs.28.538 million was paid to the consultants. After completion the assignment, the consultants submitted reports and gave recommendations but WAPDA had not implemented the recommendations and remedial/protection works proposed for safety of colony including channelization of Thor Nullah as well as measures against landslides for want or review of protection works by the supervision consultants for economical and viable solutions. Reports of M/s MM Pakistan (Pvt.) Limited were sent to M/s DBCG for review and furnishing their firm recommendations for economical and viable solutions for executing remedial / protection works for safe utilization of Thor Colony. Audit held that as the WAPDA had not implemented the recommendations of the consultants, therefore, expenditure incurred thereon had gone wasted which needed investigation.

Non-adherence to Authority's instructions resulted in infructuous expenditure amounting to Rs.28.538 million up to the FY 2020-21.

The matter was taken up with the management in October, 2021 and reported to Ministry in December, 2021. The management replied that services of competent consultants were hired as per directions of Ministry.

Recommendations of competent consultants would be implemented after review by M/s DBCG and availability / allocation of funds for Thor Colony.

The DAC in its meeting held on January 27, 2022 directed the Member (Water) WAPDA to submit revised reply within 30 days justifying reasons for delay in implementation of directives of Prime Minister. DAC further directed to provide the status of remedial measures and reasons for not taking such measures.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC's decision.

(Draft Para No.246/2021-22)

I. Others

1.5.64. Generation loss due to non-rectification of faults of generating unit owing to delay in decision making - Rs.547.949 million

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

During audit of accounts of the RE, Jinnah Hydel Power Station for the period from July, 2020 to June, 2021, it was noticed that Unit No.01 of powerhouse had forced shut down on November 24, 2015 due to damage of Speed Increaser. A contract for dismantling along with installation, testing and commissioning of Speed Increaser was awarded to M/s Renken & Co. Germany at contract price of Euro 1.660 million on November 18, 2016. The contractor, after execution of work at different intervals during March 22 to November 11, 2019, demobilized from the site without commissioning the Speed Increaser and claimed EOT for 50 days with additional cost. The Authority accorded approval for EOT on May 14, 2020 with cost implications of Euro 142,000. However, due to un-reasonable time consumed on approvals, release orders and delay in establishment of letter of credit (LC), payment of EOT cost claim was not made to the contractor and the contractor had not re-mobilized from abroad despite lapse of 21 months. Audit held that the faults could not be removed due to undue delays in decision making/approvals at different forums which causing generation loss of Rs.547.949 million, for which no responsibility was fixed.

Non-adherence to the Authority's instructions resulted in generation loss of Rs.547.949 million due to non-rectification of faults of generating unit owing to delay in decision making up to the FY 2020-21.

The matter was taken up with the management in September, 2021 and reported to Ministry in December, 2021. The management replied that the Authority accorded approval for EOT on May 14, 2020 with cost implications of Euro 142,000. The verified invoice of Euro 71,400 had been sent to Original Equipment Manufacturer (OEM) for claiming services rendered by them. After the payment of additional services, schedule would be submitted by OEM for final testing and commissioning of Speed Increaser of Unit No.1.

Audit contended that the unit was damaged in November, 2015, which has not been rectified despite delay of six years and abnormal time was spent on procedural matters causing generation loss.

The DAC in its meeting held on January 27, 2022 directed the management to submit revised reply with justification regarding delay, contractual / legal remedy and way forward. DAC further directed to recover the balance amount from previous contractor.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to fix responsibility for abnormal delay in rectification of faults besides implementing DAC's decision.

(Draft Para No.236/2021-22)

1.5.65. Generation loss due to inordinate delay in procurement of equipment and execution of rectification works - Rs.447.286 million

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

During audit of accounts of the CE/RE, Chashma Hydel Power Station for the period from July, 2020 to June, 2021, it was noticed that some faults were observed in Unit No.8 of power house during October, 2015 to May, 2016 which had not yet been rectified. A fact finding enquiry committee was constituted to ascertain the causes of outages, steps/efforts taken to restore the units, causes of delays in restoration of the units and to fix responsibility for revenue loss to the authority, if any. The enquiry committee concluded that major causes were delay in admin approval for overhauling of Unit No.8 from Authority, award of work to the OEM through direct contracting, release orders and late establishment of LC. The committee also concluded that total time consumptions was unusual and required forensic examination at each office to sort factual position regarding the procedural time and undue time consumption to fix responsibility. It showed that the work order for procurement of equipment and rectification of faults was not awarded timely due to unusual delays at different forums causing generation loss of 201.480 million energy units amounting to Rs.447.286 million, for which no responsibility was fixed.

Operational mismanagement resulted in generation loss of Rs.447.286 million due to inordinate delay in procurement of equipment and execution of rectification works during the FY 2020-21.

The matter was taken up with the management in August, 2021 and reported to Ministry in December, 2021. The management replied that Unit No.8 was shut down on permanent mode due to rubbing of Rotor with Stator of main generator on May 28, 2016. The work was awarded to OEM and after dismantling of generator, the contractor identified that certain plants / spares were needed to overhaul the Unit. Therefore, under the contract, a variation order of major overhauling of Unit No.8 was signed after fulfilling the codal formalities involving technical clarifications and arrangement of cash foreign exchange from Ministry of Finance and approval of establishment of LC from SBP.

The DAC in its meeting held on January 27, 2022 directed the management to fix responsibility on the persons at fault in the light of previous enquiry committee's findings.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC's decision.

(Draft Para No.228/2021-22)

1.5.66. Generation loss on account of less generation than plant capacity - Rs.393.990 million

According to Item-11 of Operational Data of Form-E for the year 2020-21 of Jinnah Hydel Power Station, plant utilization factor on the basis of average maximum capacity was 42.49 MW. As per Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses, "all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

During audit of accounts of the RE, Jinnah Hydel Power Station for the period from July, 2020 to June, 2021, it was noticed from Yearly Form-E that against capacity of 42.49 MW, plant utilization factor was only 64.95%. Resultantly, 14.89 MW of electricity was less generated subject to availability of capacity. In this context, authority sustained loss of Rs.393.990 million due to less generation of power.

Non-adherence to Authority's instructions and mismanagement resulted into generation loss of Rs.393.990 million during the FY 2020-21.

The matter was taken up with the management in September, 2021 and reported to Ministry in November, 2021. The management replied that Jinnah Hydel Power Station was a run of river plant. Electricity generation was dependent upon hydrological factors i.e. quantity of water available during summer and winter season and volume of water released by the Irrigation Department. Moreover, during rainy season, huge influx of trashes (underwater & surface) came in the river water which chocked the intake trash racks of the Units, thus causing units unable to run on capacity predicted at 24:00 hrs.

Audit contended that average capacity of 42.49 MW against installed capacity of 96 MW was determined after considering these factors, therefore, non-achievement of average capacity needed to be investigated.

The DAC in its meeting held on December 27, 2021 directed the management to provide revised reply with documentary evidence such as date-wise flow of water versus electricity generated to prove their stance.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to enquire the matter regarding operation of plant below the average capacity.

(Draft Para No.89/2021-22)

1.5.67. Generation loss due to running of Unit No.01 at de-rated capacity - Rs.315.151 million

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

During audit of accounts of the CE, Chashma Hydel Power Station for the period from July, 2020 to June, 2021, it was noticed that Unit No.01 of Chashma Hydel Power Station having installed capacity of 23 MW was running on de-rated capacity with maximum load of 10 MW. Further scrutiny revealed that a fault occurred in Unit No.1 in December 2016 and after necessary repairs, the generating capacity of the unit remained fluctuating with decreasing trend and load was adjusted up to 10 MW in April, 2020. Due to running of unit at de-rated capacity, 141.960 million energy units amounting to Rs.315.151 million could not be generated which was loss to the Authority.

Non-adherence to the Authority's instructions resulted in generation loss of Rs.315.151 million due to running of unit at de-rated capacity during the FY 2020-21.

The matter was taken up with the management in August, 2021 and reported to Ministry in November, 2021. The management replied that Unit No.1 could not be loaded up to its capacity due to increased gap of Runner Blades and Discharge Ring which resulted in severe vibrations. Therefore, load on Unit No.1 was restricted to 10 MW. The permanent solution of the fault was overhauling of Turbine of Unit No.1. However, the same could not be started at this stage because two units i.e. Unit No.2&8 were already under repair. It was planned that overhauling of Unit No.1 would be carried out after completion of works on Unit No.2&8.

The DAC in its meeting held on January 6, 2022 directed the management to provide revised reply covering reasons of delay in repair of unit and timelines for repairing and bringing the unit to working condition. DAC further directed to certify that NEPRA had allowed reading from units and no penalty had been imposed by NEPRA.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC's decision.

(Draft Para No.142/2021-22)

1.5.68. Increase in cost of current transformers due to negligence in finalization of specifications before award of work - Rs.186.149 million

According to PEC's Standard form of bidding documents for procurement of E&M Works dated 11th June, 2007, "A set of precise and clear specifications is a prerequisite for bidders to respond realistically and competitively to the requirements of the user without qualifying their Bids. The specifications must be drafted to permit the widest possible competition and, at the same time, present a clear statement of the required standards of workmanship, materials, performance of the works. Only if this is done, objectives of economy, efficiency, and fairness in procurement will be realized and responsiveness of Bids can be ensured, and the subsequent task of bid evaluation can be facilitated".

During audit of accounts of the CE (Power) Hydel Power Station Tarbela for the period from July, 2020 to June, 2021, it was noticed that a contract for supply and installation of 220KV SF6 circuit breakers, associated disconnect switches, current transformers (CTs) and bus bars was awarded to M/s Transmark International on January 10, 2017. The bidder submitted his bid as per approved specifications mentioned in the bidding documents. After award of contract, it was pointed out that specifications of the CTs included in the contract were not compatible with specifications of the autotransformers and other equipment which were being upgraded under Tarbela 4th Extension Project. Upon asking the contractor for making changes in specifications of the CTs, the contractor informed that any change in the specifications would require additional time and additional cost. As such prices of CTs were increased through Amendment No.4 on May 07, 2019 which increased the contract cost by Rs.186.149 million. Audit held that as per PEC's instructions, the issue of compatibility was required to be settled through coordination with the management of T-4 Extension Project before finalization of specifications of CTs and award of work in order to save the additional cost and time which was not done.

Non-adherence to PEC's guidelines resulted in increase in cost of CTs by Rs.186.149 million due to lack of coordination and negligence in finalization of specifications before award of work up to the FY 2020-21.

The matter was taken up with the management in September, 2021 and reported to Ministry in December, 2021. The management replied that the specs / special design of 220KV CTs were changed for compatibility with upgradation of 500KV CTs due to which price was changed and this price change was not due to price escalation. Resultantly, amendment No.4 was made in the contract with the approval of Authority.

Audit contended that change of specs at later stage caused severe delays in the project besides exorbitant increase in cost beyond the competitive procurement process for which reasonability of rate could not be ascertained.

The DAC in its meeting held on January 27, 2022 directed the management to ensure compliance of its earlier decision dated November 30, 2021, wherein it was directed that Member (Power) WAPDA, Engineering Advisor, MoWR and one coopt member would conduct fact finding including reasonability of rates in the matter and submit report to MoWR and Audit within one month. DAC further directed to issue reminder for early completion of fact finding enquiry.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC's decision.

(Draft Para No.282/2021-22)

1.5.69. Non-completion of work against advance given to PESCO for electrification of villages - Rs.159.229 million

According to GM / PD, Dasu Hydropower Project Office letter No. GM / PD/Dasu HPP /E&M-13/95-102 dated January 03, 2017 written to CEO PESCO, the work for electrification of non-resettlement villages will be completed within stipulated time period of one year and audit certificate was required to be produced upon completion of the work.

During audit of accounts of the GM / PD, Dasu Hydropower Project for the period from July, 2020 to June, 2021, it was noticed that an amount of Rs.159.229 million was paid to the PESCO for electrification of various non-resettlement villages of District Kohistan. This amount was paid on December 29, 2016 with stipulated completion period of one (01) year. Despite lapse of more than four years, neither completion reports of the respective works were provided nor adjustment accounts along with audit certificate furnished by the PESCO to project authorities.

Non-adherence to the above referred office memo resulted in non-completion of work against advance of Rs.159.229 million given to PESCO for electrification of villages up to the FY 2020-21.

The matter was taken up with the management in October, 2021 and reported to Ministry in December, 2021. The management replied that the works were under process by PESCO and on intimation of completion of works, any under or over spent amount would be treated accordingly.

The DAC in its meeting held on January 27, 2022 directed the management to submit revised reply with justification regarding non-completion of works besides expediting the matter with PESCO.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC's decision.

(Draft Para No.256/2021-22)

1.5.70. Recurring generation loss due to damage of Unit No.1 of powerhouse - Rs.154.210 million

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

During audit of accounts of the RE, Gomal Zam Hydel Power Station for the period from July, 2019 to June, 2021, it was noticed that Unit No.1 of Gomal Zam Hydel Power Station was not in operation since 2016. Resultantly, 152.830 million energy units amounting to Rs.154.210 million could not be generated during FY 2019-20 & 2020-21 which was loss to the Authority. No responsibility for recurring generation loss due to defective powerhouse unit was fixed.

Non-adherence to Authority's instructions resulted in generation loss of Rs.154.210 million due to due to damage of Unit No.1 of power house up to the FY 2020-21.

The matter was taken up with the management in September, 2021 and reported to Ministry in November, 2021. The management replied that Unit No.01 of Gomal Zam was damaged during DLP. The repair of unit was under way in the office of CE / PD, GZD at the risk & cost of the contractor after taking consent from him. Audit would be updated on the matter.

Audit contended that the said unit was damaged in 2016 and despite lapse of 5 years, the same had not been got rectified at the risk & cost of the contractor due to which recurring generation loss had been sustained which needed fixation of responsibility and recovery from the contractor.

The DAC in its meeting held on January 6, 2022 directed the management to provide revised reply covering reasons for delay in repair of unit and timelines for repairing and bringing the unit to working condition. DAC further directed to certify that NEPRA had allowed reading from units and no penalty had been imposed by NEPRA.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to enquire the matter regarding non-rectification of faults at the risk & cost of the contractor besides implementing the DAC's decision.

(Draft Para No.182/2021-22)

1.5.71. Unjustified payment to the contractors without obtaining sales tax invoices - Rs.73.563 million

According to Para-4(ii) of Federal Board of Revenue (FBR)'s letter dated July 24, 2013, "in case of public works, it may please be ensured that the contractors engaged make purchases only from sales tax registered person. Since contractors carrying out government works against public tender are required to have a BOQ, the contracting department/organization must require such contractors to present sales tax invoices of all material mentioned in the BOQ as evidence of its legal purchase before payment is released to them".

During audit of accounts of the CE (Civil) Ghazi Barotha Hydropower Project, Hattian for the period from July, 2020 to June, 2021, it was noticed that an amount of Rs.73.563 million was paid to different contractors on account of work done (providing & fixing of metal guard rails / crash barriers, steel chain link fence with G.I pipes etc.). Contrary to the FBR's instructions, sales tax invoices were not obtained from the contractors while making payments to confirm that the purchases of specific material were made from Sales Tax Registered Firms. Thus, payment of amount in question was not justified and showed that undue favour was extended to the contractors.

Non-adherence to the instructions of FBR resulted in unjustified payment of Rs.73.563 million to the contractors without obtaining sales tax invoices during the FY 2020-21.

The matter was taken up with the management in September, 2021 and reported to Ministry in November, 2021. The management replied that in case of works/contracts, mandatory requirement of GST invoices pertaining to purchases against BOQ items was not clear. However, instructions had now been issued to lower formations for obtaining of GST invoices from the contractors in respect of their procurements against BOQ items.

The DAC in its meeting held on January 6, 2022 directed the management to submit revised reply.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to ensure receipt of GST invoices from the concerned contractors in compliance of FBR's instructions.

(Draft Para No.139 /2021-22)

1.5.72. Irregular payment of fuel cost to the contractor without finalizing enquiry regarding POL verification - Rs.44.959 million

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses, "all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved". As per office order No.CE&PD/NJHPC/2019/-26/7513-17 dated December 30, 2019 "the Committee was required to submit the report by January 10, 2020".

During audit of accounts of the CEO, NJHPC for the period from July, 2020 to June, 2021, it was noticed that an enquiry committee was constituted on December 30, 2019 to probe / investigate the matter of discrepancies observed in verification of POL (Diesel & Petrol) in the IPC-111. As per TORs, the committee was required to check/review the backup sheets of IPC-111 submitted by the contractor and compare with the summary verification done by the NJHPC's concerned offices and submit its report by January 10, 2020. A copy of said enquiry report and supporting documents of IPC-111 was called for by the Audit for examination but the same was not provided on the plea that it was not finalized due to lacking of certain documents required from the contractor and the consultants. The plea of the management was not justified as more than 20 months had been lapsed since constitution of enquiry committee. Moreover, one authorized verifier i.e. Additional DG (HR&A) had been transferred and another verifier i.e. Junior Engineer had resigned from Company's service. Audit held that payment of fuel cost amounting to Rs.44.959 million to the contractor without finalization of enquiry / fixing responsibility was irregular.

Non-adherence to the Authority's instructions resulted in irregular payment of fuel cost amounting to Rs.44.959 million to the contractor without finalizing enquiry regarding POL verification up to the FY 2020-21.

The matter was taken up with the management in September, 2021 and reported to Ministry in November, 2021. The management replied that the enquiry had been completed and action would be taken in the light of findings of the enquiry committee against responsible officers/officials.

The DAC in its meeting held on January 5, 2022 directed the management to provide detailed response within 15 days regarding recovery, the persons responsible and actions taken under E&D Rules.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to implement DAC's decision.

(Draft Para No.105/2021-22)

1.5.73. Loss due to misappropriation in POL, misuse of vehicles and fake repair of vehicles - Rs.14.745 million

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

During audit of accounts of the CE (Power) Ghazi Barotha for the period from July, 2020 to June, 2021, it was noticed that initially, an enquiry committee was constituted by CE (Power) Ghazi Barotha to probe into facts regarding the irregularities observed in transport section vide office order No.CE(P)GB/Admn/ EG-09/3954-58 dated February 03, 2020. The enquiry committee recommended Special Audit for further investigation & assessing exact loss to the Authority and also recommended for constitution of formal enquiry committee. Another enquiry committee was constituted under the convenership of Director (HR&Admn) Hydel by the GM (Hydel) Operation vide office order No.GMHO/ CEHO/G-6/10191-95 dated June 04, 2020. The committee also pointed out various irregularities and endorsed the view point of initial enquiry committee to conduct Special Audit to ascertain exact loss. The Special Audit was conducted by Chief Auditor (WAPDA) for the period from July, 2017 to June, 2020. As per report, various irregularities i.e. misappropriation in POL, misuse of vehicles, fake repair of vehicles, fake journeys, private use of vehicles etc. involving amount of Rs.14.745 million were noticed which was loss to the Authority. Neither action was initiated against the responsible(s) nor loss recovered.

Non-adherence to the Authority's instructions resulted in loss of Rs.14.745 million due to misappropriation in POL, misuse of vehicles and fake repair of vehicles up to the FY 2020-21.

The matter was taken up with the management in September, 2021 and reported to Ministry in November, 2021. The management replied that office of the Chief Auditor WAPDA had conducted Special Audit of Transport Section and Internal Audit had been requested to provide evidence of misappropriation for further scrutiny. Moreover, few other matters were under investigation by the GM (M&S) WAPDA.

The DAC in its meeting held on January 6, 2022 directed the management to complete the enquiry within 30 days and take action accordingly.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to fix responsibility for misappropriation of POL, misuse of vehicles and fake repairs.

(Draft Para No.133/2021-22)

1.5.74. Non-recovery from the contractor defaulted in Waran Canal Contract - Rs.12.822 million

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

During audit of accounts of the GM / PD, Diamer Basha Dam Project for the period from July, 2020 to June, 2021, it was noticed from the PD, GZDP office letter written to the GM / PD, DBDP on February 01, 2021 that due to default of contractor M/s Shoukat Khan & Co at Waran Canal Contract (GZD-03-F), his contract was terminated by the Authority & work was completed through VO. The assessment of remaining work done at his risk & cost was made by the consultants and an amount of Rs.12.822 million over & above the amount available with project's office was determined to be recovered from the defaulter contractor. The amount was required to be recovered from the claims of the same contractor working at DBDP, as requested by the PD, GZDP, but needful was not done.

Non-adherence to the Authority's instructions resulted in non-recovery of Rs.12.822 million from the claims of defaulter contractor up to the FY 2020-21.

The matter was taken up with the management in October, 2021 and reported to Ministry in December, 2021. The management replied that legal remedies available to Gomal Zam Authorities, emanating from the Gomal Zam Contract itself, should be separately and directly pursued. This office would proceed as per legal opinion to fulfill the contractual obligations in line with Authority approval.

The reply was not tenable because the amount of defaulter contractor at one project should have been recovered from his claims at other projects to save the Authority from loss.

The DAC in its meeting held on January 27, 2022 directed the WAPDA Authority for coordination between the projects and recover the outstanding amount from the contractor.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to ensure recovery from the defaulter contractor at the earliest.

(Draft Para No.227/2021-22)

1.5.75. Loss due to irregular verification and payment of fuel claims to the contractor without supporting documents - Rs.10.050 million

According to Clause-3.1.1 of CSA, "the consultants shall perform the Services and carry out their obligations with all due diligence, efficiency and economy in accordance with generally accepted professional techniques and practices, and shall observe sound management practices and employ appropriate advanced technology and safe methods. The consultants shall always act, in respect of any matter relating to this Contract or to the Services, as faithful advisers to the Client and shall at all times support and safeguard the Client's legitimate interests in any dealings with the sub-consultants or third parties". As per Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for

Losses, “all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved”.

During audit of accounts of the CEO, NJHPC for the period from July, 2020 to June, 2021, it was noticed that drawl of 28,024.15 liters Diesel and 3,737.01 liters Petrol was verified during December, 2018 to March, 2019 by different authorized officers /officials of different sections. As per POL verification sheets, the drawl quantity of fuel was verified without mentioning its source (contractor’s pump, slip number / Pakistan State Oil Fuel with Card etc.) and supporting documents. Moreover, fuel of four (04) vehicles was verified by the authorized persons of the Employer and the consultants at different project’s sites (C-1 & C-3) simultaneously, out of which 5,514 liters fuel was verified without mentioning its source / supporting documents. This scenario indicated that a huge quantity of fuel valuing Rs.10.050 million was verified irregularly and paid to the contractor in IPC.No.107 without supporting documents in collaboration with the staff of contractor and consultants which caused loss to the Company.

Non-adherence to the aforementioned clause / instructions resulted in loss of Rs.10.050 million due to irregular verification and payment of fuel claims to the contractor without supporting documents up to the FY 2020-21.

The matter was taken up with the management in September, 2021 and reported to Ministry in November, 2021. The management replied that an enquiry committee to probe the discrepancies observed by the Audit was constituted on October 12, 2021. The enquiry committee was likely to complete its assignment within next 3-4 weeks. Action would be taken as per recommendation of the enquiry under E&D rules.

The DAC in its meeting held on January 5, 2022 directed the management to expedite enquiry proceedings and share report with Audit.

No further progress was intimated till finalization of Audit Report.

Audit recommends the management to ensure recovery of irregular paid amount from the concerned.

(Draft Para No.148/2021-22)

CHAPTER-2

Thematic Audits

2.1 Impact of Glacier Melting on Water Infrastructure Development

2.1.1 Introduction

The world is in the midst of a climate emergency as average global temperatures have already peaked one degree celsius above preindustrial levels. The emission of greenhouse gases is the main cause behind global rise in temperatures. Many impacts are already being witnessed world-wide at current level of warming, which have contributed to melting of permafrost and glacial retreat in Arctic and Hindu Kush-Karakoram-Himalayan system also known as the third pole.

Climate change is a key concern in the third pole as the rate of warming is considerably more than the worldly average indicating increased susceptibility of cryosphere environment to climatic changes. As a result, the security and development of South Asian region is in peril. Pakistan and other adjoining countries are experiencing a number of ramifications associated with climate change. These include extreme weather events, water crisis and collapsing glaciers.

Glacial melting is directly associated with formation and growth of Glacial Lake Outburst Flows (GLOF). Occurrence of GLOFs in northern regions of Pakistan represents significant hazards due to their far-reaching destructive potential. Rising temperature and variation in weather conditions due to climate change will inevitably increase the magnitude and frequency of natural hazards in coming decades.

GLOFs have the potential to release millions of cubic meters of water and debris, with peak flows as high as 15,000 cubic meters per second, causing unprecedented damages to life and property especially large-scale public infrastructure projects on their way. Such events have already occurred in Pakistan and, thus are cause of major concern for the sustainability of water sector projects in the upper riparian of Indus cascade.

2.1.2 Background

Rapidly changing climatic conditions are causing glaciers in Pakistan to recede at a rate of 40 - 60 meters per decade[10]. According to ICIMOD, 5218 glaciers (15,040 sq km) and 2420 lakes are identified and mapped in Pakistan.

10 UNDP Project Document for Reducing Risks and Vulnerabilities from Glacier Lake Outburst Floods in Northern Pakistan.

Out of these, 52 lakes have been classified as potentially hazardous and likely to cause GLOFs over the next few years to decades.

In the last 50 years, the annual mean temperature in Pakistan has increased by roughly 0.5°C. The number of heat wave days per year has increased nearly fivefold in the last 30 years. Annual precipitation has historically shown high variability but has slightly increased in the last 50 years. Pakistan is expected to experience increased variability of river flows due to increased variability of precipitation and the melting of glaciers.

On average GLOF events occur in the Himalayan region every 3-10 years with varying degrees of socio-economic impacts. A total of 35 destructive GLOFs have been recorded form these regions in the past 200 years and at least 11 surges of exceptional scale have been recorded from the upper Indus Basin. Pakistan's melting glaciers have a history of forming GLOFs which swept away entire communities causing huge loss of lives and infrastructure.

Recent GLOF events in Pakistan have severely damaged communities, infrastructure and hydropower plants falling in their vicinity. Substantial damage to power houses has inevitably questioned the effectiveness of feasibility studies and design of dams. The very purpose of conducting detailed feasibilities and surveys is to design climate proof, robust and sustainable structures which can withstand adverse climatic effects. Moreover, this also questions the governmental policies and their implementation at departmental level as to why the adaptation measures being taken have not been successful in mitigating the impact of glacial melting and safeguarding water infrastructure.

2.1.3 Establishing the Audit Theme

2.1.3.1 Reasons of Selection

The National Climate Change Policy of 2012 and National Water Policy 2018 are Pakistan's guiding documents on climate change and water resources. These set out the goals of achieving climate-resilient infrastructure development for the country through mainstreaming climate change in priority sectors of the country[11].

11 Climate Change Profile of Pakistan (ADB)

The subject theme is directly in line with Sustainable Development Goals (SDGs) 6 and 13 which aim to combat climate change by integrating climate change measures in national policies and call for enhancement of national adaptive capacity to mitigate climate induced disasters by building climate resilient water infrastructure. While Goal 6 aims to ensure availability and sustainable management of water and sanitation for all, Goal 13 aims to take urgent actions to combat climate change and its impact.

The achievement of these goals inter-alia requires efficient water conservation and climate resilient storage capacity. Enhancement of large scale water storage capacity structures and provision of affordable & clean energy require intensive capital investment.

2.1.3.2 Purpose / Objectives

The thematic audit was conducted to ascertain the implementation status of the National Water Policy 2018. Moreover, the impacts of glacier melting and resulting GLOFs on water infrastructures were also studied. Coordination among various departments was reviewed with the view to highlight shortcomings in implementation of policies by the Ministry of Water Resources (MoWR), Ministry of Climate Change (MoCC), Federal Flood Commission (FFC) and WAPDA. The purpose was to streamline the future planning and design of climate resilient infrastructure projects. The main purpose and objectives of the thematic audit were:

a. To determine the effectiveness of the governmental policies and measures taken towards monitoring of glaciers for sustainable water resource management.

b. To determine as to how climate resilient water infrastructure is ensured at the project planning and approval phase.

c. To ascertain impacts of extreme weather events influenced by glacial melting in recent years on water infrastructure projects.

2.1.3.3 Scope

The scope includes audit of MoWR and MoCC to analyze the implementation of National Water Policy 2018 with reference to the policy measures related to the audit theme. It also involved analysis of performance targets of MoWR with reference to development projects.

Audit further examined as to how climate resilient water infrastructure is ensured at the project planning and approval phase at the ministry level. Analysis of policies related to glacier melting and their synchronization at MoCC and MoWR for better integration of water resource management was also carried out.

Scope of Audit will cover time period starting from approval of National Water Policy 2018 up to Financial Year ending 2021.

Thematic audit includes audit of FFC, Islamabad, with respect to checking mitigation measures taken to cater floods in the country, installation of early flood warning systems, execution of normal / emergent flood programme, and implementation of National Flood Production Plan-IV (NFPP-IV).

Audit of Glacier Monitoring and Research Centre (GMRC), WAPDA, Lahore, was conducted to ascertain the implementation of the project "Establishment of Pakistan Glacier Monitoring Network". Scope of audit covered the time period extending from project start date in 2016 up to June, 2021.

Moreover, thematic audit activity comprised audit of WAPDA projects including Golen Gol Hydropower Project, WAPDA, Chitral and Diamer Basha Dam Project, WAPDA, Chilas, GB.

2.1.4 Legal Framework Governing the Theme

The primary legislation includes the National Water Policy, Pakistan Water Charter and National Climate Change Policy 2012. National Water Policy 2018 & Pakistan Water Charter was approved by the Council of Common Interest (CCI) on April 24, 2018. The Water Charter was signed by the Prime Minister and by all Chief Ministers of provinces. Charter is the call to action and the declaration of a water emergency.

The National Climate Change Policy was approved in September, 2012. It is Pakistan's guiding document on climate change, setting out the goal of achieving climate-resilient development for the country through mainstreaming climate change in the economically and socially vulnerable sectors of the country.

The secondary legislation includes the performance agreement signed between MoWR and Prime Minister of Pakistan. MoWR committed to deliver the targets set out in this agreement for the financial year 2021. Moreover, the CCI approved the National Flood Protection Plan (NFPP-IV 2015-25) in its 31st meeting held on May 02, 2017.

Pakistan is also signatory to Paris Agreement 2015 and member of international climate change organizations, such as the Intergovernmental Panel on Climate Change (IPCC).

2.1.5 Stakeholders and Governmental Organizations Identified as Directly / Indirectly Involved

Directly involved stakeholders and governmental organization in thematic audit includes:

a. Ministry of Water Resources (MoWR)
b. Ministry of Climate Change (MoCC)
c. Federal Flood Commission (FFC)
d. Water and Power Development Authority (WAPDA)

Indirectly involved stakeholders and governmental organization in thematic audit includes:

a. Indus River System Authority (IRSA)
b. Pakistan Meteorological Department (PMD)
c. Punjab Irrigation Department (PID)
d. Sindh Irrigation Department
e. Baluchistan Irrigation Department
f. KP Irrigation Department
g. United Nation Development Programme (UNDP)

2.1.6 Role of Important Organizations

MoWR is mandated for development of country's water and hydropower resources to meet current and future challenges of water shortage, provision of affordable, environmental friendly renewable energy and act as catalyst in the implementation of the National Water Policy by taking all the stakeholders on board, through creativity, initiative, innovation and technology. WAPDA, IRSA, FFC and PCIW are working under the umbrella of MoWR to manage the water sector of Pakistan at federal level.

WAPDA is presently implementing two large scale projects in Upper Indus Basin. Diamer Basha Dam Project (DBDP) is located 315 km upstream of Tarbela Dam, 180 km below the town of Gilgit and 40 km downstream of Chilas. Upon completion, it would have installed capacity of 4,800 MW with live water storage of 8.1 MAF. Similarly, Dasu Hydropower Project having generation capacity of 4,320 MW is being implemented 74 km downstream of DBDP and 240 km upstream of Tarbela Dam near Dasu Town in District Kohistan. Besides this, WAPDA has completed numerous hydropower projects including construction of Golen Gol Hydropower Project in Chitral with installed capacity of 106 MW.

Pakistan Glacier Monitoring Network Project is also being implemented by WAPDA to improve and strengthen the monitoring of river flows and the weather conditions in the glaciated area of the Upper Indus Basin. Data generated by the project would help in studies and assessments related to climate change, the environment and disaster management.

FFC provides technical advisory services to the MoWR on issues like engineering, water and hydropower sector, including flood control, dams safety, irrigation, and drainage besides other allied engineering matters at national level. It has played an instrumental role in formulation and subsequent approval of 4th 10-year National Flood Protection Plan and National Water Policy (NWP) 2018.

MoCC is entrusted with the implementation of the Climate Change Policy 2012. The Ministry plays an important role in approval of PC-I of the projects relating to the climate change and issues administrative approvals and ensures that the envisaged projects are in line with the climate change policies.

2.1.7 Organization's Financials

MoWR was allocated with voted budget of Rs.145.87 million for the FY 2020-21 against which an expenditure of Rs.97.60 million was incurred. In addition, PSDP allocation of Rs.81,250 million including Rs.1,500 million for Normal/Emergent Flood Programme for the Water Resource Division was made in the budget for the FY 2020-21.

Golen Gol Hydropower Project was approved by ECNEC on September 02, 2002 for Rs.7,035.130 million, however, the 1st revised PC-I was approved on

September 30, 2016 for Rs.29,077.170 million.

DBDP was approved by the ECNEC on November 14, 2018 at a cost of Rs.479,686 million (dam part). The cost of the project colony in Thor Valley was anticipated to Rs.8,845 million. An expenditure of Rs.5,494.420 million had so far been incurred on the construction of the colony and of Rs.1,137 million on consultancy for the design of the project.

The financing of the project for Establishment of Pakistan Glacier Monitoring Network was agreed by the KfW Germany amounting to Euro 6 million in 2016 (Eq. Rs.892.480 million). However, total expenditure up to June 30, 2021 was just Euro 0.270 million (Eq. Rs.41.440 million) i.e. 4.60 % only.

FFC was allocated with budget of Rs.143.770 million for FY 2020-21 against which an expenditure of Rs.141 million was incurred.

MoCC was allocated with budget of Rs.223 million for FY 2020-21 against which an expenditure of Rs.210.550 million was incurred. The GLOF-II project titled "Scaling-up Glacier Lake Outburst Flood Risk Reduction in Northern Pakistan" was funded by Green Climate Fund (GCF) for US$37.460 million and Government of Gilgit-Baltistan for US$0.500 million.

2.1.8 Field Audit Activity

2.1.8.1 Methodology

Interviews with the management were conducted for assessment of the Impact of Glacial Melting on Infrastructure Development. Walk-through assessment of different sections of the auditee was made to familiarize with specific responsibilities of employees. Meetings were arranged with all tiers of the management to understand the audit theme and identify the high risk areas. Questionnaire was developed with reference to the theme on the basis of preliminary risk assessment.

Desk Audit was conducted to review the annual, monthly or quarterly progress reports to assess the work done by the organization with reference to the theme. Analysis of the available financial / performance data was performed. Audit observations were issued and exit meetings with the top management of the organizations for obtaining management response.

2.1.8.2 Audit Analysis

2.1.8.2.1 Review of Internal Control

Inherent risk with respect to the audit theme was considered to be high as the phenomena of GLOF was relatively new and gaining media and public attention. The risk has been recognized in national policies but implementation measures at ministry level are yet to be framed.

Control risk was also considered to be high because as per preliminary assessment reports, accurate data pertaining to glacial melting was not available. Moreover, the mitigation measures were also not properly incorporated in the hydropower projects with respect to glacial melting during the feasibility stage of project cycle. Although policy making had recognized the risks of glacial melting, it had not been successfully translated into successful projects and programmes which could effectively mitigate these risks.

2.1.8.2.2 Critical Review

Pakistan has recognized the need to integrate its climate change concerns into its overall development planning, and initiating on ground actions in priority sectors. To this end, Pakistan has ratified the United Nations Framework Convention on Climate Change and the Paris Agreement 2015. Being a signatory of these conventions, it is legally bound to build resilience to adapt to the impacts of climate change.

Ensuring that hydropower project's infrastructure is resilient to climate change can actually contribute towards the national commitment towards the Paris Agreement. The defining feature of climate-resilient hydropower infrastructure is that it is planned, designed, constructed and operated in such a way that it inherently anticipates, prepares for, and adapts to adversely changing climatic conditions. In order to be functional in the long-term and sustainable over the years, the power houses must withstand, respond to, and recover rapidly from disruptions and damages caused by these climatic conditions. Therefore, ensuring climate resilience is an on-going process throughout the useful life of the hydropower projects.

a. Deficiencies in Implementation of Legal Frameworks

The National Climate Change Policy 2012, its subsequent Implementation

Framework for Climate Change Policy (2014-2030) and National Water Policy 2018 have discussed at length the threats posed by climate change and its implications on water resources. However, measures and strategies devised in these policy documents to assess and mitigate GLOF induced damages have not particularly focused on critical vulnerability of power projects despite likelihood of more frequent and higher intensity GLOF hazards in coming decades.

b. GLOF incidents at Golen Gol Hydropower Project

The formation of glacial lakes is not an overnight phenomenon; rather a gradual process as the glacial lake starts to develop and its size increases, it becomes visible in the satellite imagery. In this regard, Pakistan Meteorological Department released an Update-II on Golen (Chitral) GLOF event stating that "the englacial lake started to develop on June 03, 2019. The event was triggered due to the lake which was formed two weeks ago shown in the satellite image. The lake ultimately results in an outburst that created a GLOF event on July 07, 2019".

After the occurrence of GLOF events in 2019 and 2020, Reynolds International, a German Consultant was hired by WAPDA authorities to conduct assessment of Golen Gol GLOF incidents. The report of the Consultant while mentioning its finding inter alia stated that "The Golen Gol HPP is located in the catchment area of several glaciers and adequate mitigation measures would need to be developed to reduce the risk of future GLOFs. Such measures have already been implemented in other parts of the world, such as Nepal and Peru. The goal was to drain the lake almost to the bottom of the lake". The Consultant has recommended carrying out a study in terms of GLOF and Climate Change Risk for the entire catchment area with the focus on potential lakes and potential outbreaks in the future.

c. Flash Flood Incident at Thor Colony Diamer Basha Dam Project

Similarly, climate change induced most recent catastrophic flood incident in Diamer Basha Project occurred on July 09, 2015 when the Thor colony was badly damaged. It was observed that the buildings were severely damaged as the boulders, debris mud and slush was swept in during the flood event. It was concluded in WAPDA's hazard assessment report dated March 14 that "the peak discharges of Thor Nullah and those of its tributary nullahs draining in the reach of the colony are grossly underestimated. The decision of finding a suitable site was made in haste without consideration of all the relevant factors such as threats of floods".

The report recognized that the colony was under grave threat of floods and may get inundated by floods of 10-25 years. Since no feasibility study to study the effects of GLOFs was conducted, therefore, WAPDA sustained a loss of 3-5 billion rupees whereas an additional cost of Rs.7.800 billion was proposed for flood protection works.

d. Delay in Establishment of Pakistan Glacier Monitoring Network

WAPDA Authority established a Glacier Monitoring Research Centre in 2012 by upgrading existing Pakistan Snow and Ice Hydrology Project (PSIHP) to carry out the advance monitoring of glaciers. A project "Establishment of Pakistan Glacier Monitoring Network" was approved by CDWP to improve and strengthen the monitoring of the river flows and weather conditions in the glaciated areas of the Upper Indus Basin but the project could not be implemented despite lapse of 5 years.

The Climate Change Profile of Pakistan prepared by the Asian Development Bank has dilated upon the interdepartmental coordination deficit in these words, "there is a considerable overlapping of scientific research related to climate change across these institutions as the country currently lacks a centralized coordinating system to keep track of research programs and avoid overlapping efforts. For example, WAPDA, GCISC, and the water wing of PARC are all working on glaciers, mainly in isolation. These institutions also suffer from lack of human and financial resources[12]".

e. Institutional and Technical Impediments

Institutional strengthening and technical capacity building is needed as acknowledged by the National Water Policy 2018 and National Climate Change Policy 2012. Glacio-hydrological flood forecasting, hydro-meteorological data gauging technology, automated weather systems, geographical information system, remote sensing technology and modern early warning systems need to be acquired. For efficient use of this technology, technical experts need to be

12 Climate Change Profile of Pakistan (ADB)

trained to analyze data, prepare simulation models and predict future climate scenarios.

The Climate Change Profile of Pakistan prepared by Asian Development Bank has summarized impediments to implementation of Climate Change Policy 2012 in these words, "The mainstreaming of NCCP into public sector discourse is not possible without effective vertical and horizontal coordination efforts with full involvement of all stakeholders[13]".

f. Unsatisfactory Progress of GLOF Projects

Having realized the constraints of limited national institutional (human and technical) capacities and the critical gap in baseline scientific knowledge of glaciers and glacial lakes, Pakistan launched two projects one after another; first project titled "Reducing Risks and Vulnerabilities from Glacier Lake Outburst Floods in Northern Pakistan" (GLOF-I). The objectives were to reduce climate change-induced risks of GLOFs by developing human and technical capacity of public institutions, enhance information and research on GLOF and reduce human and material losses through GLOF early warning and other adaptation measures. This project was continued by another project titled "Scaling-up Glacier Lake Outburst Flood Risk Reduction in Northern Pakistan" (GLOF-II). The objectives were to strengthen sub national institutional capacities, up-scaling of early warning systems and long term measures to increase adaptive capacity.

In order to assess the progress to the achievement of the project objectives, an interim evaluation final report was released in September 2020 which rated the overall project progress as unsatisfactory. The assessments against all individual targets were either rated as unsatisfactory or highly unsatisfactory[14]. The report stated that, "the review of the project's documents, meetings with stakeholders and analysis of the project's technical and progress reports indicated that the project was not able to achieve its mid-term targets and will not be able to achieve its end of project targets if it continues with the same rate of implementation and under the same operational and collaboration conditions".

13 Climate Change Profile of Pakistan (ADB)

14 GLOF-II, Interim Evaluation Final Report, September 2020 by International Evaluator Dr. Amal

g. Pakistan's Adaptation Deficit

Pakistan's adaptation need to address climate induced challenges is between US$7 to 14 billion per annum. With the given limited financial and technical resources, Pakistan's capacity to adapt to the adverse impacts of GLOF is low. As per Pakistan's compliance at national level of the Paris Agreement, Pakistan Climate Change Fund is envisaged under Pakistan Climate Change Act 2017. This fund shall mobilize resources from both domestic and international sources for providing finances to support mitigation and adaptation initiatives in the country[15].

2.1.8.3 Significant Audit Observations

Following observations were made during the course of thematic audit.

2.1.8.3.1 Non-establishment of Pakistan Glacier Monitoring Network by WAPDA

As per the PC-I of the project 'Establishment of Pakistan Glacier Monitoring Network' approved by the CDWP in 2016 implementation of the project was approved from April 01, 2016 to December 31, 2019.

During audit of Glacier Monitoring Research Centre (GMRC) WAPDA, it was noticed that GMRC was established in 2012 to carry out the advance monitoring of glaciers. GMRC was entrusted to undertake a project titled "Establishment of Pakistan Glacier Monitoring Network" which was approved by CDWP in 2016. The project was meant to improve and strengthen the monitoring of the river flows and weather conditions in the glaciated areas of the Upper Indus Basin. The project was financed through the grant from KfW (Germany) amounting to Euro 6 million which was to be disbursed upto December 30, 2019. However, the project could not be implemented within the planned timelines and the grant was further extended up to December 31, 2021. Audit held that despite extension and lapse of 5 years, only 4.6 % of the grant amounting to Euro 0.267 million could be utilized up till June 30, 2021 which showed non-seriousness of the management towards implementation of the project.

Implementation of the project could have averted the damages due to

15 Pakistan's intended nationally determined contribution (Pak-INDC)

floods and GLOFs in the glaciated areas of Pakistan, especially in the Golen valley Chitral and Thor valley Basha.

(Draft Para No 305/2021-22)

2.1.8.3.2 Lack of project planning and design to ensure sustainable water infrastructure development

According to Clause-19.1 of the NWP 2018, "The water-related infrastructure must have physical and functional sustainability for its design life and this requirement shall supersede all other considerations. All project proposals must certify that the applicable professional standards have been followed in the field of investigations, desk studies, designs, construction specifications and product quality, operational procedures and maintenance provisions".

During audit of FFC being secretariat of National Water Council (NWC) under the MoWR, it was observed that preliminary requirements of building climate resilient water sector infrastructure were not being observed to ensure physical and functional sustainability for design life of projects. Non-adherence to the provisions of NWP resulted in adverse consequences to various projects and caused generation losses to the national exchequer, as detailed below:

As per PC-I and the feasibility study of Golen Gol Hydopower Project, the project was required to be designed for flood by taking 1000 years return period with maximum flood of $1156m^3/s$, whereas the project was constructed on a reduced flood estimation of $583m^3/s$ and on a reduced weir length of 40 meters instead of 60 meters. Despite the fact that the design consultants later on updated their hydrological study after the flood of 2010, wherein, it was concluded that the estimated flood peaks would be 681m3/s as compared to their earlier estimate of 583m3/s. However, design of the project against flood was not revised in the light of the updated hydrological study and project was constructed at the maximum flood level of 583m3/s. After commissioning of the project, a GLOF having intensity of 659m3/s was witnessed on July 07, 2019. As a result whole of the intake area was submerged and the power house remained shut for 64 days till September 11, 2019 due to accumulation of huge boulders and stones in the weir area. During next year, GLOF of about same intensity was again witnessed on July 13, 2020 and the power house remained closed for 41 days till August 23,

2020. A third flash flood resulted in shut down of power house for 19 days till September 15, 2020.

Non-implementation of the provisions of NWP resulted in generation loss of Rs.794.590 million and damage to intake area. Further, non-execution of permanent rehabilitation works and non-clearance of the intake area resulted in further generation loss of Rs.3,300 million.

(Draft Para No 304/2021-22)

2.1.8.3.3 Non-conducting of climate change impact assessment studies before development of projects

According to Clause-5.1 of NWP 2018, "Environmental impact assessment studies are to be carried out concurrently with project feasibility studies for selecting project scope and layout, consistent with productivity, economic viability, social acceptability and environmental sustainability. Moreover, as per Clause-5.7, impacts of climate change on water resources development shall be assessed and monitored and remedial measures shall be reflected in the strategies of water resources planning, development and management".

During audit of FFC being secretariat of NWC under the MoWR, it was observed that no studies to assess climate change impacts on water resources were conducted which resulted in non-implementation of any adaptation measures to safeguard water infrastructure projects from climate change-induced damages such as those occurred at Thor Colony of DBDP as narrated below:

Thor colony at DBDP was designed and constructed without conducting any hydrological study on Thor nullah. As a result, the colony got severely damaged due a flash flood on September 07, 2015. An expenditure of Rs.5,494.420 million had already been incurred on the construction of the colony besides Rs.1,137 million on consultancy for the design of DBDP. After the event of floods, studies were carried out which concluded that it would take almost Rs.8,000 million for the protection measures to make the colony worth utilization. Inquiries were conducted by MoWR whereby the consultants and WAPDA official were held responsible for the negligence. Audit held that project colony site was selected without any hydrological study of the area and there was no mechanism available in MoWR and WAPDA to ensure the climate resilient infrastructure development.

Non-implementation of the provisions of NWP resulted in damages to water infrastructure development projects and future cost implications.

(Draft Para No.299/2021-22)

2.1.8.3.4 Non-achievement of objectives of National Water Policy, 2018

According to Clause-29.6 of the NWP 2018, the Water Resources Division will submit periodical reviews to the Council of Common Interests (CCI) on the implementation of National Water Policy to ensure inter-alia that the policy objectives listed in section-2 are achieved in timely and cost effective manner.

During audit of MoWR, it was observed that no periodical reviews were submitted to the CCI on the implementation of NWP to ensure that the policy objectives were achieved in timely and cost effective manner. As such, the status of achievement of prime objectives cannot be ascertained. No structural mechanism was available to gauge the progress towards hydro-meteorological disaster risk reduction complied integrated water resources management regime. Similarly, steps taken for enhancing water productivity through improved technologies, climate change impact assessment and capacity building of water sector institutions were not forth coming.

Audit held that periodical reviews were not submitted to the CCI which showed that no progress has been made towards achievement of objectives of NWP 2018 despite lapse of three years.

(Draft Para No. 301 & 324/2021-22)

2.1.8.3.5 Non-taking of adaptive measures to mitigate the impacts of climate change

According to Clause-8.1.13 of NWP 2018, "adaptive measures both short & long term, shall be worked out to mitigate impacts of climate change and policy measures related to water resources will be adopted in line with the provisions of the National Climate Change Policy (2012)". Moreover, as per Clause-5.6.2, measures were required to taken for flood risk planning and regulatory zones were to be declared in flood prone areas".

During audit of MoWR and FFC being secretariat of NWC, it was observed that no adaptive measures were taken to mitigate the impacts of climate change in short or long term despite the fact that NWP 2018 recognized intensification of floods as a major concern for Pakistan. Moreover, no measures were taken for flood risk planning and declaration of regulatory zones in flood prone areas. It was further observed that federal and provincial water sector organizations were required to develop a standardized and uniform mechanism for reliable assessment of water resources in the country. However, the standardized and uniform mechanism for data collection could not be developed. Similarly, MoWR was required to develop and improve a National Planning Data Base to support an integrated information system in order to enable the planning and development of water and other related resources on a sustainable base, including data on glacier melt and snow melt, which was not done. Moreover, National Flood Protection Plan (NFPP-IV) could not be implemented in letter and spirit since 2010.

Non-implementation of the provisions of NWP resulted in flood losses amounting to Rs.8,900 million and deaths of 3000 persons since 2010 as estimated by FFC in its Annual Report of 2020.

(Draft Para No.303, 307 & 322/2021-22)

2.1.8.3.6 Non-restructuring of WAPDA as per National Water Policy

According to Clause-29.5.7 of NWP 2018, MoWR will be responsible to propose and implement the re-structuring plan to upgrade WAPDA within a year i.e. 2019 after the approval of the policy.

During audit of MoWR, it was observed that NWP 2018 had recognized the need for re-structuring of WAPDA because with the passage of time, it had become too large for efficient management. WAPDA was unbundled in the year 2007 whereby the functions of its Power Wing were redefined as Hydel Power Generation and O&M of power houses. Following unbundling of its Power Wing, WAPDA's mandate was now exclusively limited to water sector, but most of its planning and design capacity had been transferred to PEPCO. There was an urgent need to upgrade and improve the capacity of WAPDA to plan, design and undertake feasibility studies and implement major hydro-electric projects.

Audit held that under NWP, MoWR was responsible to propose and implement the re-structuring plan to upgrade WAPDA within a year after the approval of the policy but despite lapse of three years no steps were taken towards re-vitalization and re-structuring of WAPDA development of water and hydropower resources in an efficient manner.

(Draft Para No.319/2021-22)

2.1.8.3.7 Non-achievement of performance targets on major projects of national interest

According to the Performance Agreement 2021 signed by the Secretary MoWR and the Prime Minister of Pakistan, the MoWR was committed to deliver the targets set out for the FY 2020-21.

During audit of MoWR, it was observed that a Performance Agreement was signed between Prime Minster of Pakistan and MoWR to achieve certain targets on the major projects of national interest such as DBDP, DHP and MDHP. Cumulative physical progress of 3.04% was achieved on DBDP against agreed target of 6%. Similarly for DHPP the preparatory works, resettlement activities and the main works were all behind the schedule, which was quite alarming. Progress on MDHP was also behind the target. Moreover, the PC-I of the Naulong Dam Project could not be approved as committed in the agreement. Overall the progress on the said projects was very slow and far behind the targets set forth in the Performance Agreement.

Status of targets in the Performance Agreement as compared to the actual progress on the projects was as under:

Sr. No.	Name of Project	Target up to 3rd Quarter	Progress up to 3rd Quarter
1.	Diamer Basha Dam Project	6 %	3.04%
2.	Dasu Hydropower Project a) Preparatory-Works b) Resettlement Works c) Main Works	 46.01 % 24.31 % 11.48 %	 36.16 % 18.08 % 6.83 %
3.	Mohmand Dam Hydropower Project	7.43%	6.92%
4.	Naulong Dam Project	Approval of PC-I	Not yet approved

It was evident from above position that the projects were not being efficiently executed by the departments under the administrative control of the

MoWR, leading towards delay of these national level projects, as well as violation of the Performance Agreement. The Ministry directed the concerned departments to ensure the achievement of targets or otherwise punitive action would be taken against the delinquents, neither any progress nor any action against poor performance was forthcoming from the record.

Non-adherence to the Performance Agreement resulted in delay of projects under the administrative control of MoWR.

(Draft Para No.318/2021-22)

2.1.9 Departmental Responses

2.1.9.1 Response to observation No. 2.1.8.3.1

The management of GMRC replied that less utilization of grant was due to complex nature of project. The consultant took extraordinary time to finalize the procurement documents and verification of sites in Upper Indus Basin. Moreover, stoppage of grant by KfW from September 25, 2020 to March 4, 2021 was also caused delays. Later on KfW informed in October, 2021 that the financing of the project will not be continued.

The reply was not tenable because inordinate delays in the project had already been brought to the notice of the management and PAO. As such, DAC in its earlier meeting dated April, 2019, directed the management to complete the project according to timeline (36 months) under intimation to Audit. In case of default, the GM concerned would be held personally responsible.

The DAC in its meeting held on November 30, 2021 regarding FAP certificate directed that Chairman, FFC MoWR will enquire the matter and submit report within one month. The DAC in its meeting held on January 27, 2022 directed the Member (Finance) WAPDA to conduct overall enquiry on the project within one month. DAC further directed the enquiry committee to look into the matter regarding the contention of Audit regarding delay of project and non-implementation of previous DAC directives on this project. Moreover, the lessons learnt and way forward from the project may also be looked into by the enquiry committee.

Audit recommends the management to fix responsibility for delays in implementation of the project.

2.1.9.2 Response to observation No. 2.1.8.3.2, 2.1.8.3.3 and 2.1.8.3.4

The management of FFC replied that their office only kept track on the progress of NWP, whereas, MoWR was the custodian of implementation of NWP. Moreover, proposals regarding capacity building were prepared and submitted to MoWR which are under consideration. MoWR replied that implementation framework of NWP was being prepared which would be implemented upon approval from National Water Council.

The reply was not tenable because FFC, being secretariat of NWP, could not provide any documentation with respect to monitoring of progress on NWP. Similarly, MoWR could not finalize the implementation framework of NWP despite lapse of 3 years.

2.1.9.3 Response to observation No. 2.1.8.3.5

MoWR replied that it has provided input for GLOF-II project being implemented by MoCC and GMRC has been established in WAPDA for advance monitoring of glaciers in Upper Indus Basin. Moreover, an MIS specialist had been hired to develop information management system to ensure implementation of NWP.

The management of FFC replied that a comprehensive report of Technical Review Committee on Adaptation has been submitted to MoCC on July 08, 2021. Moreover, implementation of NFPP-IV was delayed due to funding constraints. Now, Asian Development Bank (ADB) has been requested to indicate the availability of funds for implementation of Flood Protection Sector Project (FPSP-III) of NFPP-IV in a meeting held on December 13, 2021.

The reply was not tenable because no synchronized efforts for adaptive measures were forthcoming from the record at MoWR and implementation of NFPP-IV by FFC has been delayed since its approval in 2017 by CCI.

2.1.9.4 Response to observation No. 2.1.8.3.6

MoWR replied that the Project Planning and Development Unit (PPDU) had become effective w.e.f. July 01, 2021 and had been assigned the task to monitor the implementation of the NWP, 2018.

The reply was not tenable because as per NWP 2018, process of revitalization and restructuring was to be completed within a year but no initiative has so far been taken during last three years since approval of the policy.

2.1.9.5 Response to observation No. 2.1.8.3.7

MoWR replied that they took notice of the slow progress and issued letters to WAPDA for the purpose.

The reply was not tenable because Performance Agreement was signed by the MoWR, therefore, it was the responsibility of the Ministry to strictly monitor the achievement of performance targets.

2.1.10 Recommendations

a. Fast track implementation of Pakistan Glacier Monitoring Network project be ensured so that modern technologies and hi-tech equipment could be procured for developing independent national database for storing spatial and temporal distribution of rainfall, snow cover, GLOF and floods data.

b. Pre-disaster planning and mitigation should be given equal priority to that of relief efforts after GLOF event has occurred.

c. Mapping, recording and incorporating of the local knowledge on GLOF is important. Recommendations of the Reynold International Consultant regarding conducting assessment and feasibility studies may be taken up.

d. A structural mechanism needs to be devised and implemented at MoWR to ensure coordination among MoWR, MoCC, NDMA, FFC and other stakeholders for implementation and monitoring progress of NWP.

e. Adaptation deficit for water sector needs to be calculated so that plausible grounds can be established to mitigate impacts of climate change including but not limited to:

    i. Identification of GLOF hazard zones and vulnerability mapping be developed and updated regularly as per policy directives.

ii. Glacier research be coordinated with South Asian countries sharing Himalayan range. As proposed in National Climate Change Policy 2012, legislation on protection of HKH glaciers needs to be introduced.

f. Immediate re-structuring and re-vitalization of WAPDA be carried out so that effective planning, designing and implementation of sustainable water infrastructure development projects could be ensured.

g. Achievement of performance targets regarding major water infrastructure projects be ensured in a more efficient and systematic manner.

2.1.11 Conclusion

It was concluded that appropriate steps are yet to be taken in the light of NWP 2018 to cater the impact of glaciers melting due to the rapid climate changes. The project of 'Establishment of Glacier Monitoring Network could not be materialized since 2016 which shows slackness on the part of WAPDA. Lack of project planning and design was observed which caused ineffective project at Golen Gol. Heavy flood losses were witnessed due to non-development of flood forecasting and early warning systems.

Unless appropriate climate change adaptation measures are put in place, these glacier-fed lakes can have far-reaching impacts downstream as major revenue earning hydropower projects located in their way, face the risk of potential destruction. Building climate resilient dams is the way forward towards adaption to climatic changes. Efficient dam safety planning would have long term benefits in terms of meeting challenges posed by water scarcity and energy crisis. New approaches that take into account climate induced risks and efficiency of adaptation measures are thus needed.

It is imperative that climate resilience of these capital intensive assets of water sector is viewed in the national context and not as individual infrastructure as the interdependencies and linkages of climatic issues call for an integrated support from different departments such as MoWR, WAPDA, MoCC, NDMA, PMD, GMRC, FFC and IRSA. For this reason, a robust all-encompassing strategic approach is needed to ensure their climate resilience.

2.2 Financial Management During Award and Execution of Contracts for Development Projects

2.2.1 Introduction

WAPDA is mandated to develop major water infrastructure projects in Pakistan. Since, water infrastructure development projects require huge financing, both from PSDP and foreign loans; therefore, effective financial management is a prerequisite for successful implementation of projects. However, it is generally observed that water infrastructure development projects lack proper planning, adequate feasibility studies and detailed designing which ultimately result in inadequate financial management. The financial impact further aggravates due to use of outdated schedule of rates which, in turn, becomes irrelevant due to delays in approval of PC-Is and award of contracts. Resultantly, contracts are awarded on exorbitantly higher percentages, sometimes even more than 100% than PC-I estimates. In some cases, contracts of few components exceed the cost of whole of approved PC-I, thereby, eliminates the factor of adequacy of awarded price vis-à-vis approved limits of PC-I.

Moreover, the impact of improper planning becomes visible during the implementation phase in the shape of excessive increase in quantities and repetitive changes of scope. Despite the fact that Manual for Development Projects of Ministry of Planning and Development & Special Initiative (MoPD&SI) prescribes that the projects are to be implemented within the PC-I provisions and the implementing agencies do not have the authority to change and modify any approved parameter of the project on its own[16]. But, it is observed that projects are implemented in disregard to these guidelines causing huge financial implications to the public exchequer.

Foregoing in view, besides proper planning and estimation, there is dire need to focus on financial management during award and execution of contracts for development projects so as to ensure the efficacy, economy and effectiveness.

2.2.2 Background

In water infrastructure development projects, it is seen quite often that the management awards contracts of different components of projects beyond 15% of approved cost of PC-I of that respective component. This happens not only

16 Para-6.11 of Manual for Development Project 2019

without seeking revised administrative approval from the competent authority but also, in many cases, without having any technical sanction. In some cases, contracts are awarded on out-dated PC-Is without preparation of current estimates, thereby, leaving no reference point to ascertain the reasonability of bids. As such, bids are accepted in excess of PC-I provisions and in some cases single bids are accepted at higher rates without resorting to determine the reasonability of rates. ECNEC has time and again pointed out non-compliance to its instructions and guidelines of Manual for Development Projects while approving the revised PC-Is of the projects but these practices are continuously being followed by the executing agencies in disregard to the instructions of ECNEC.

It is also noted that financial limits are imposed for acceptance of bids in case of development projects in Government of the Punjab but no specific limits are available in WAPDA. The absence of financial limits for acceptance of bids results in award of contracts at higher costs. Since, schedule of rates are not updated regularly and detailed technical sanctioned estimates are not prepared, therefore, generic PC-I provisions are taken as reference point to compare the bids. As such, adequacy of received bids cannot be ascertained in the absence of financial limits.

Moreover, during execution of contracts, items having higher quoted BOQ rates than the estimated rates are executed in exorbitantly excess quantities than the items having less quoted BOQ rates. Variation orders are issued frequently to change the scope of works which ultimately result into huge financial implications.

Accordingly, this section of report aims to scrutinize the thematic area of financial management during award and execution of development projects in order to highlight the areas for improvement to avoid instances of financial mismanagement and to ensure better utilization of public exchequer.

2.2.3 Establishing the Audit Theme

2.2.3.1. Reasons of Selection

The theme of ‘Financial management during award and execution of contracts for development projects’ was selected in order to take a holistic view right from approval of projects to their implementation and monitoring so that better financial planning could be ensured through uniform set of rules across all development projects of Federal Government.

The selected theme is also indirectly linked with SDG 6 and 7. In this concern, the goal No.06 aims to 'Ensure availability and sustainable management for water and sanitation for all' while Goal No. 07 is to 'Ensure access to affordable, reliable, sustainable and modern energy for all'. Water infrastructure development projects also aim at achieving the same objectives.

2.2.3.2. Purpose/Objectives

The main objective of this thematic audit is to analyze the effectiveness of financial management practices during award and execution of contracts for development projects at federal level.

In this backdrop, a comparative analysis of water infrastructure development projects with other public owned infrastructure projects at federal level was carried out to get deep understanding of the financial aspects of such development initiatives and the areas that management can focus on and improve. For this reason, comparison of WAPDA's rules, regulations and practices has been done with NHA's rules, regulations and practices. In this specific report, office of DG Audit Works (Federal) assisted office of DG Audit Water Resources as partner Field Audit Office (FAO). The data that was collected has been used to shed light on major area of concern under the financial management during award and execution of contracts for development projects in both Governmental entities namely, WAPDA and NHA.

2.2.3.3. Scope

This audit theme covered 31 formations of WAPDA which were selected for compliance audit. The compliance audit teams were tasked to analyze the relevant data pertaining to this audit theme during the course of regular audit. The relevant data of NHA was obtained from the partner FAO i.e. DG Audit Works (Federal). Thorough scrutiny and comparison of data of both federal entities has been done as per the approved TORs.

2.2.4 Legal Frame Work Governing the Theme

Manual for Development Projects 1997 issued by Ministry of Planning, Development & Special Initiative (MoPD&SI) is the primary document that prescribes the criteria to examine development schemes, programs and proposals. This is used to maintain a continuous and constant review of the progress of development and provides rules and regulations that ought to be followed by development projects.

WAPDA's Book of Delegation of Financial Powers 2016 is the guiding document for exercising the financial powers for tendering, acceptance of bids and award of contracts. Moreover, WAPDA Composite Schedule of Rates is used as a baseline for preparation of estimates for the projects.

NHA Code 2005 provides the practical guidelines for functioning of NHA in order to implement development projects of national importance. NHA Code 2005 together with NHA Financial Manual, SOPs for payments to contractors/consultants and SOP for EOT cases were also analyzed during the course of this audit theme.

The Punjab Delegation of Financial Powers Rules 2016 provides a regulatory framework for the management of expenditure. It prescribes the financial powers for issuance of Administrative Approvals, Technical Sanction Estimates and Powers of Departmental Development Sub-Committee for approval of development schemes.

2.2.5 Stakeholders and Governmental Organizations Identified As Directly / Indirectly Involved

The list of stakeholders directly and indirectly involved is given below;

a. Ministry of Planning, Development & Special Initiative (MoPD&SI)
b. Ministry of Water Resources (MoWR)
c. Water & Power Development Authority (WAPDA)
d. Ministry of Communications (MoC)
e. National Highways Authority (NHA)

2.2.6 Role of Important Organizations

MoPD&SI provides leadership in planning of development programmes through Planning Commission in the shape of Public Sector Development Programme (PSDP). The expansion of public and state infrastructure is undertaken and reflected in Medium Term Development Framework.

MoWR is mandated for development of country's water and hydropower resources. It acts as catalyst in the implementation of the National Water Policy. WAPDA, IRSA, FFC and PCIW are working under the umbrella of MoWR to manage the water sector of Pakistan at federal level.

WAPDA is the prime agency for executing projects related to water storages to fulfill the water requirements for irrigation purposes besides playing its role for mitigation of flood hazards. WAPDA is presently implementing two large scale projects in Upper Indus Basin i.e. DBDP at Chilas and DHPP in District Kohistan. In addition, MDHP is being implemented on Swat river in Mohmand Tribal District.

Ministry of Communications is a central policy making body and administrative authority in, inter alia, roads infrastructure and road transportation. It is mandated to provide safe, reliable, sustainable and fully integrated communication services and road infrastructure to meet communication / mobility requirements of the people, businesses and goods.

NHA was created in 1991 through an Act of Parliament for planning, development, operation, repair and maintenance of national highways and strategic roads entrusted to it. NHA is a custodian of 39 national highways having a total length of 12,131 kilometers. It is 4.6% of total national roads network, however, it carries 80% of commercial traffic and N-5 which is blood line of Pakistan, carries 65% of this load in the country.

2.2.7 Organization's Financials

MoWR was allocated with voted budget of Rs.145.870 million for the FY 2020-21 against which an expenditure of Rs.97.600 million was incurred. In addition, PSDP allocation of Rs.81,250 million including Rs.1,500 million for Normal/Emergent Flood Programme for the Water Resource Division was made in the budget for the FY 2020-21.

NHA was allocated with a budget of Rs.88.950 billion against the ongoing schemes, whereas, Rs.29.720 billion was allocated for new schemes for the FY 2020-21 in the PSDP. The total PSDP budget allocation for the Communications Division for the FY 2020-21 was Rs.118.830 billion.

2.2.8 Field Audit Activity

2.2.8.1 Methodology

Audit activity started with detailed planning and development of audit programs keeping in view the available resources and time. Desk review of previous years audit and special audit reports was carried out. Governing laws, rules and regulations on the audit theme were reviewed. Meetings were held with DG Audit Works (Federal) for obtaining requisite record and data. Field audit activity included scrutiny of contracts record, site visits, discussion with the management and analysis of data obtained during the course of field audit.

2.2.8.2 Audit Analysis

2.2.8.2.1 Review of Internal Controls

An effective internal control framework serves as a major tool for management to ensure effective operational and financial methods. Internal control of departments was found weak and ineffective as various control lapses were identified. There was lack of effective monitoring and appropriate measures for major electric, civil and mechanical works. Ineffective internal control system resulted in overpayment made to the contractor beyond the provision of BOQs. Payments are made to the contractors beyond the approved cost of BOQ items and on account of variation orders at unprecedented percentages, without any regard to any financial limit. This shows that there is recurrence of frequent irregularities which cast doubt on effectiveness of internal audit.

2.2.8.2.2 Critical Review

Improper planning and estimation results in financial mismanagement right at the outset of the project initiation stage i.e. procurement and award of contracts. This mismanagement then has ice-ball effect on the public exchequer in the shape of foreign loans, commitment charges, delayed payment charges and ultimately non-availability of financial resources. Eventually, projects face disputes, terminations and litigations resulting into time and cost overruns. The guidelines of MoPD&SI[17] and WAPDA's Book of Delegation of Financial Powers[18] require that if the cost of the project to be awarded (when the project is to be implemented through a few major contracts and the bids received in response to tenders make it obvious that the sanctioned cost will be exceeded) is likely to increase by more than 15% of the sanctioned cost in the approved PC-I, the process to revise the PC-I shall be initiated immediately. In exceptional cases,

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17 Para-6.13 regarding Revised Cost Estimate of Manual for Development Projects 2019

18 Note-5 of Section-III regarding powers for according administrative approval and technical sanction to works, goods, services and tools & plants/stores of WAPDA's Book of Delegation of Financial Powers 2016

where the revised scheme cannot be prepared in time, recourse could be taken to obtain anticipatory approval of the Chairman, Executing Committee of the National Economic Council (ECNEC)[19] . A cursory glance of the table below is enough to substantiate the stance that financial mismanagement starts at the stage of award of contracts because contracts are awarded beyond the permissible limit of 15% of the sanctioned cost:

(Rs. in million)

Sr. No.	Name of Project	Amount of Contract	Amount of PC-I	Amount more than PC-I	% above PC-I
1.	DBDP, Chillas	442,402.790	336,500.000	105,902.790	31.47
2.	DHPP, Kohistan	30,803.770	13,496.900	17,306.870	128.00
3.	MRP, Mangla	1,683.860	648.000	1,035.860	160.00
4.	RMM, Muzaffargarh-3	3,134.470	1,368.250	1,766.220	129.00
5.	RMM, Muzaffargarh-4	2,965.600	1,422.420	1,543.180	108.00

(Source: Section-1.2 Sectoral Analysis at Page-4 of Audit Report on the accounts of MoWR for the year 2020-21)

According to National Economic Council (NEC)[20], detailed design and costing should be finalized and submitted to the competent authority within six months of project approval. Implementation of such project components, which require detailed designing, should be started only when these have been finalized. This entails that detailed engineering estimates be prepared on the basis of detailed design for obtaining technical sanction prior to award of contracts. According to WAPDA's Book of Delegation of Financial Powers, if technical sanction involves excess of more than 15 percent over the amount for which a work has been administratively approved, prior revised administrative approval of the competent authority (as per specified monetary limit) shall be required[21]. Since, detailed engineering estimates and technical sanctions are to be obtained prior to award of contracts, therefore, revised administrative approval

19 Para-6.13 regarding Revised Cost Estimate of Manual for Development Projects 2019

20 National Economic Council decision dated July 04, 1988 referred in Manual for Development Projects 1997 & 2019 at Para-4.5 and Para-6.23 respectively

21 Note-4 of Section-III regarding powers for according administrative approval and technical sanction to works, goods, services and tools & plants/stores of WAPDA's Book of Delegation of Financial Powers 2016

becomes inevitable in case the technical sanction estimates increase by more than 15% of the amount of the administrative approval. Instead, no technical sanction estimates are prepared and contracts are awarded beyond permissible limit without seeking revised administrative approval or anticipatory approval of the Chairman ECNEC.

Similarly, NHA Code 2005 prescribes that for each work proposed to be carried out, for which administrative approval and financial concurrence has been obtained, a properly detailed estimate based on the administrative approval and financial concurrence shall be prepared for the sanction of the competent authority. Technical Sanction is a guarantee that the proposal is structurally sound and that the estimates are accurately calculated and based on adequate data. Technical Sanction shall invariably be obtained before commencement of any construction work[22]. It is pertinent to mention that NHA Code 1999 provided that if the lowest bid/tender exceeds the engineer's estimates by (+)15%, revised technical sanction and other approvals as required in this Code shall be obtained before awarding the contract or retender as per decision by the committee. However, the same clause has been deleted in the revised NHA Code 2005[23]. As such, no upper limit has been prescribed for acceptance of bids exceeding the sanctioned costs.

Contrary to the above, well defined financial limits for technical sanctions and acceptance of tenders have been prescribed for development projects in the Punjab Government. The powers for technical sanction in case of original works are subject to the condition that the excess over the amount for which the administrative approval has been accorded does not exceed 10%. In case, the excess exceeds 10%, fresh administrative approval will be required[24]. Whereas, in case of acceptance of tenders, powers are subject to the condition that the rates quoted and / or amounts tendered are such that the total cost of a project / work will not exceed the amount for which technical sanction has been accorded, by more than 4.5%[25].

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22 Para-55 to 57 of Chapter-2 of NHA Code-2005 Volume-I

23 Para-51 of Chapter-3 of NHA Code-2005 Volume-I

24 Note under rule 3(1)(a) of Punjab Delegation of Financial Powers Rules, 2016

25 Note under rule 3(2)(a) of Punjab Delegation of Financial Powers Rules, 2016

In Golen-Gol Hydropower Project, mismanagement in award of contracts is also quite evident. Contracts are awarded at much higher rates than the approved PC-I[26]. The table below shows the contract costs and the percentages at which they have been awarded over and above the approved costs without prior approval from the competent authority:

(Rs. in million)

Sr. No.	Description	Cost as per Original PC-I	Lot No.	Contract Cost	Combined Contract Cost in	Excess than Original PC-I	%age above PC-I Provision
1	**2**	**3**	**4**	**5**	**6**	**7 = (6-3)**	**8**
1.	Civil Work & Hydraulic Steel Structure	2,059.280	2	7,521.645	9,433.817	(7,374.537)	+358%
2.			3.1	1,912.172			
3.	Hydro mechanical and Electrical Equipment	1,316.100	3.2	5,650.121	5,650.121	(4,334.021)	+329%
4.	Transmission System and Expansion	1,412.000	4.1	3,441.159	4,904.157	(3,492.157)	+247%
			4.2	1,462.998			
5.	Engineering & Supervision	115.570	CSA	750.924	750.924	(635.354)	+550%
		4,905.950		**20,739.018**	**20,739.018**	**(15,836.069)**	**+323%**

In Gomal Zam Dam Project, a contract GZD-03(A) for construction of Warran Canal and Appurtenant Structure was awarded to M/s FWO, being a single bidder, at a contract price of Rs.264.160 million against an estimated amount of Rs.159.410 million which was 65% above the Engineer's estimate[27].

Besides, financial implications at the time of award of contracts, inadequate planning and resultant scope changes also result in significant cost implications for the public exchequer during the execution phase of development projects as evident from the information tabulated below:

26 Para No.4.4.1 of Performance Audit Report on Golen Gol Hydropower Project for Audit Year 2020-21

27 DP No.34/2017-18 of Audit Report on the accounts of WAPDA for Audit Year 2017-18

(Rs. in million)

Title of Project	Cost Estimates of Approved PC-I	Cost Estimates of Revised PC-I	Cost Estimates of 2nd Revised PC-I	Expenditure of Project as on June 30th 2021	% increase in cost of project
	A	B	C	D	((C-A)/A) *100)
Golen-Gol Hydro Power Project	7,035	29,077	41,000	37,233	482%
Kachhi Canal Project (Phase-I)	31,204	57,562	80,352	76,577	157%

For instance, in case of Golen Gol Hydro Power Project, the original PC-I of project was approved by ECNEC on August 2, 2002 at a cost of Rs.7,035 million. The first revised PC-I was approved by ECNEC on September 30, 2016 at a cost of Rs.29,077 million. Second revised PC-I of the project is under approval. However, expenditure of Rs.37,233 million has so far been incurred uptill June 30, 2021. As such, an amount of Rs.8,146 million has been incurred in excess of 1st approved revised PC-I without getting approval from ECNEC[28].

In case of KCP, the project was under ten years Perspective Development Plan 2001-2011 and implementation of the project started on October 04, 2002. Original PC-I for KCP was approved by ECNEC at capital cost of Rs.31,204 million on September 27, 2003 with scheduled completion date of June, 2007. However, the work could not be completed as per original schedule. Consequently, 1st revised PC-I (phase-I) of KCP was approved by ECNEC for Rs.57,562 million on December 31, 2013, including additional lining of 97 KM and divided the project into three phases (phase-I, II & III) with expected completion date of phase-I as December 31, 2013. However, the project completion was again delayed. Subsequently, 2nd revised PC-I was approved by ECNEC for Rs.80,352 million on March 07, 2017 with completion date of (phase-I) Part-A as August 31, 2017 and partially completed Part-B as December 31, 2017 and to be completed in all respects up to December, 2018.

These repeated revisions of cost estimates that demand revised approvals of PC-I time and again could easily have been tackled if appropriate estimation was done at the first instance i.e. while making technical sanctions of the projects. Surprisingly, technical sanctions of none of the above discussed projects

28 Para No.4.4.3 of Performance Audit Report on Golen Gol Hydropower Project for Audit Year 2020-21`

were provided by project authorities to Audit. Non-availability of technical sanction showed that project authorities had bypassed clearly laid down rules and regulations.

Analysis of data collected from DG Audit Works (Federal) regarding NHA also shows that practices in NHA are not significantly different from WAPDA. Contracts in NHA are also awarded with significant delays with substantial cost overruns. For instance, performance audit report on the accounts of construction of four lane expressway (M-4) 184 Km (Faisalabad–Khanewal) by DGAW(F) highlighted that there was a cost overrun of Rs.26,922.184 million in this project as compared with PC-I provision due to inadequate funding, improper planning and mismanagement. Economic and social benefits were also delayed due to non-completion of the project in time, as there was time overrun of more than seven (07) years[29]. NHA sustained a loss of Rs.12,987.380 million in shape of increase in per km cost of the project due to delay in award of work in accordance with PC-I provision[30].

In the same project of NHA, a sum of Rs.13,453.037 million was provided for civil work of Package-II and III (Rs.6,811.065 million and Rs.6,641.972 million) in approved PC-I. However, four (04) new contracts i.e. Package-IIA, IIB, IIIA, IIIB were awarded for Rs.39,224.531 million which were 191.57% over & above the approved PC-I cost[31]. Hence, award of works without prior approval/revision of PC-I from competent forum was a serious irregularity and violation of Planning Commission Guidelines. Moreover, the project was to be completed in three years up to February 2011 but only Package-I having length of 58 Km (Faisalabad–Gojra) was completed upto the year 2015. The delay in achievement of the set objectives also delayed the desired benefits of the project valuing Rs.26,941.184 million, besides public inconvenience.

Moreover, as per Para-98 of NHA Code 2005 ‘if it is felt that issuance of a variation / change order is essential due to change in alignment, design or

29 Para No.4.4.1 of Performance Audit Report on the accounts of construction of four lane expressway (M-4) 184 km (Faisalabad-Khanewal) Audit Year 2016-17

30 Para No.4.3.3 of Performance Audit Report on the accounts of construction of four lane expressway (M-4) 184 km (Faisalabad-Khanewal) Audit Year 2016-17

31 Para No.4.3.1 of Performance Audit Report on the accounts of construction of four lane expressway (M-4) 184 km (Faisalabad-Khanewal) Audit Year 2016-17

specifications, the same shall be issued with the approval of the competent authority and the aggregate value of all variation orders issued against a contract shall not exceed 30% of original contract cost. But in the case of construction of four lane expressway (M-4) 184 km (Faisalabad–Khanewal), both the rules were violated. Contract was awarded at cost of Rs.1,115.844 million in September 2004. The cost of variation order No. 03 was approved for Rs.2,033.486 million and the contractor was paid Rs.1,952.836 million up-to IPC-33. Three items of works were paid to the contractor with some quantities as per contract rates and major quantities with revised/higher rates without approval of variation order. The bifurcation of quantity with original contract rates and revised rates taken in IPC No.32 & 33 were entirely different. This resulted in overpayment due to application of higher rates without approval of variation order of Rs.211.500 million[32].

The Punjab Government has issued specific instructions pertaining to financial management during execution of contracts to pre-empt excess payments. According to the said instructions, the final cost of the tender/payments shall be the same percentage above/below the amount of revised sanctioned estimate as were at the time of approval of the tender. As such, an analysis was carried out to ascertain the impact of this instruction on the completed projects of WAPDA and NHA. The summary of the analysis is tabulated below:

(Rs. in million)

Sr. No.	Contract Name with Organization	Amount as per Original Estimate	Amount as per Tender	%age above or below	Amount of completed works as per Estimated Rate	Paid amount of completed works as per Tender Rate	Payable amount as per Weighted Percentage	Excess Paid Amount
		A	B	C = {(B-A)/A}*100	D	E	F = D*(1+C/100)	G = E-F
1.	KC-6B(1R), KCP WAPDA	3,861.129	6,350.000	64.00%	3,159.727	5,625.807	5,181.953	433.854
2.	MGC-03, RMM WAPDA	2,864.823	3,134.465	9.41%	2,398.508	2,852.045	2,624.207	227.838
3.	MGC-04, RMM WAPDA	2,971.065	2,965.603	(0.18%)	1,862.173	1,896.728	1,858.964	37.764
4.	M-4 Extension, NHA	12,295.952	12,937.314	5.22%	10,746.647	11,086.999	11,307.622	(220.623)

The analysis showed that if the instructions of Punjab Government

32 Para No.2.5.27 of Audit Report on the accounts of NHA Audit Year 2019-20

regarding financial management were applied on the contracts of WAPDA, there would have been no excess payments to the contractors as shown in the above table. Therefore, it can be inferred that in WAPDA contracts, items having higher quoted rates are over executed or abnormally increase than items having low quoted rates than the estimated rates.

2.2.8.3 Significant Audit Observations

2.2.8.3.1 Excess execution of quantities than BOQ provisions - Rs.3,025.300 million

According to Clause-3.1.1 of CSA, "the consultants shall perform the Services and carry out their obligations with all due diligence, efficiency and economy in accordance with generally accepted professional techniques and practices, and shall observe sound management practices and employ appropriate advanced technology and safe methods. The consultants shall always act, in respect of any matter relating to this Contract or to the Services, as faithful advisor to the Client and shall at all times support and safeguard the Client's legitimate interests in any dealings with the sub-consultants or third parties.

In Kurram Tangi Dam Project, it was observed that quantities of general items for civil works, security plan and different items amounting to Rs.5,810.400 million were executed against the provision of Rs.2,785.10 million. The excess executed quantities amounting to Rs.3,025.300 million were in excess by 38.94%, 67.42% and 307.84% respectively against the BOQ provisions as detailed below.

(Rs. in million)

Sr. No.	DP No.	Description	BOQ provision	Actual executed	Excess executed	% of excess executed
1	2	3	4	5	6 = (5-4)	6/4 * 100
1.	70/2021-22	General Items for Civil Works	1,532.250	2,128.870	596.620	38.94%
2.	96/2021-22	Security Plan	594.000	994.500	400.500	67.42%
3.	193/2021-22	Different items of works	658.850	2,687.030	2,028.180	307.84%
TOTAL			**2,785.100**	**5,810.400**	**3,025.300**	

Audit held that the excess executed quantities were 22.91% (3,025.300/13,206.930*100) over and above the awarded cost of the contract, whereas, excess execution of above mentioned items alone exceeded the total cost of 1st revised PC-I by 14.36% (3,025.300/21,059.260*100) which showed that unrealistic estimates were prepared in the 1st revised PC-I as well.

Non-adherence to contractual provisions resulted in excess execution of quantities than BOQ provision amounting to Rs.3,025.300 million.

2.2.8.3.2 Excess excavated quantities of hard rock material – Rs.2,709.310 million

According to particular condition 2.1 of the contract, the Engineer shall obtain the specific approval of the Employer before carrying out his duties and Engineer's Authority to issue variation order is only 2% of contract price.

In DBDP, it was noticed that there was a provision of Rs.1,328.250 million in PC-I for excavation of surplus rock material (hard rock) on RBPR-01 whereas actual work of Rs.4,037.560 million was executed till June, 2021. Hence, excess quantities of hard rock material amounting to Rs.2,709.310 million were executed which was 203.98% above of BOQ item. The excess executed quantity was 66.12% of the contract price for which variation order was required to be prepared and got approved from the competent authority before making payment.

Non-adherence to the aforementioned contract clauses resulted in excess excavated quantities of hard rock material amounting to Rs.2,709.310 million.

(Draft Para No.211/2021-22)

2.2.8.3.3 Award of contract at excess cost than provision of PC-I – Rs.1,035.860 million

According to PC-I of Refurbishment & Up-gradation of Generating Units of Mangla Power Station enhancing the capacity from 1,000 MW to 1,310 MW, there was a provision of Rs.648 million for Package-IX (switchyard protection, metering and control system).

In Mangla Refurbishment Project, it was noticed that contract for Package IX switchyard (GMHD-09) was awarded to M/s China CAMC Engineering Co. Ltd. on June 13, 2018 at a contract price of Rs.1,683.860 million against provision of Rs.648 million in PC-I. Thus, the contract was awarded at excess cost of Rs.1,035.860 million (160% above) than the PC-I provision.

Non-adherence to the PC-I provisions resulted in award of contract at excess cost of Rs.1,035.860 million than provision of PC-I.

(Draft Para No.367/2020-21)

2.2.8.3.4 Award of consultancy contract in excess of PC-I provision – Rs.611.090 million

As per PC-I of Harpo Hydropower Project, there was a provision of Rs.325.380 million for Engineering & Supervision Services.

In Harpo Hydropower Project Skardu, it was noticed that a contract for procurement of consulting services for detailed engineering design, preparation of tender documents and implementation of the project including 132kv transmission line from Harpo to Skardu was awarded to M/S Harpo Consultants (JV) on April 26, 2019 at contract price of Rs.936.470 million against provision of Rs.325.380 million. The contract was awarded in excess of Rs.611.090 million (188% above) than PC-I provision.

Non-adherence to the PC-I provisions resulted in award of consultancy contract in excess of PC-I provision amounting to Rs.611.090 million.

(Draft Para No.117/2021-22)

2.2.9 Departmental Response

2.2.9.1 Response to observation No.2.2.8.3.1

The management of KTDP replied that BOQ provision for general items was for 33 months but due to EOT reasons, the project duration was extended and costs were increased. The increase in security cost was due to security situation, whereas, other BOQ items increased due to design changes in kaitu weir.

The reply was not tenable as the executed quantities were in excess of the BOQ provisions of 1st revised PC-I.

The DAC in its meeting held on December 27, 2021 directed the management to provide revised reply in line with Manual for Development Projects to Audit and expedite the approval of 2nd Revised PC-I. Further progress was not intimated till finalization of report.

2.2.9.2 Response to observation No.2.2.8.3.2

The management of DBDP replied that the estimation of BOQ quantities was made without perfect geological classification and proper survey. Later on, cross sections were revised on the basis of joint survey. The variation in excavation was occurred due to under estimation of BOQ quantities. BOQ was an estimated and provisional document and the payment was made as per actual and measured quantities. Moreover, revised cost of the project amounting to Rs.7,153 million has been approved by the ECNEC during approval of 2nd revised PC-I of LA&R and VO of the said work was under process and outcome in this regard would be intimated to Audit accordingly.

The reply was not tenable because only one item increased by 203.98% and the contract price was increased by 66.12% due to poor estimation. As such, major portion of the contract was executed beyond the ambit of competitive process.

The DAC in its meeting held on January 27, 2022 directed the Chief Engineering Advisor, MoWR to conduct enquiry into the matter within one month.

2.2.9.3 Response to observation No.2.2.8.3.3

The management of MRP replied that PC-I of the project was approved in 2013, whereas, the contract for Package-IX was awarded in 2018 to the lowest evaluated bidder. Moreover, out of eleven Packages, only cost of Package-IX was higher than provisions contained in PC-I and overall cost of all the Packages was within provisions of PC-I.

The reply was not tenable as the work was awarded at 160% above than the approved cost provided in the PC-I. Therefore, prior revised administrative approval of the competent authority was required to be obtained.

The DAC in its meeting held on December 28-29, 2020 directed the management to justify their stance in view of audit observation with supporting documents (Admn. Approval / Technical Sanction etc.) within one month. Further progress was not intimated till finalization of the report.

2.2.9.4 Response to observation No.2.2.8.3.4

The management of Harpo HPP replied that procurement process was started after approval of PC-I on March 28, 2014 but in 2016 project donors recommended annulment of evaluation process which delayed the hiring of consultants. However, approval of revised PC-I would be obtained from competent forum in due course of time.

The reply was not tenable as consultancy contract was awarded at 188% in excess of PC-I provision.

The DAC in its meeting held on January 5, 2022 pended the para till next meeting and further directed the management to pursue revision of PC-I.

2.2.10 Recommendations

a. It must be ensured that technical sanction estimates are prepared prior to award of contracts. In case, technical sanction estimates exceeds by more than 15% of the PC-I, revised administrative approval must be obtained prior to award of contracts.

b. Adequate financial limit, on the pattern of Government of the Punjab be fixed for acceptance of lowest evaluated bids. In case, lowest evaluated bid exceeds the prescribed financial limit, revised technical sanction estimates and administrative approval be obtained.

c. Specific instructions pertaining to financial management during execution of contracts to pre-empt excess payments be implemented in Federal Government projects on the analogy of the Punjab Government so that final cost of the tender/payments would be the same percentage above/below the amount of revised sanctioned estimate as were at the time of approval of the tender.

2.2.11 Conclusion

It is concluded that unless guidelines of Manual for Development Projects are not adhered to in letter and spirit or financial limits on acceptance of bids are not imposed, the cost of development projects would continue to increase than the approved PC-Is. Moreover, non-preparation of technical sanction estimates prior to award of contracts would continue to result into acceptance of bids without having any basis for comparison and ascertaining the reasonability of rates. Non-preparation of detailed estimates also leads to frequent changes in scope of works and increase in BOQ quantities, which in turn, gives leverage to the bidder to front load their bids against the quantities which are bound to increase. Therefore, mechanism to pre-empt excess payments must be implemented in Federal Government projects.

ANNEXURES

Annexure-I

MFDAC Paras

Sr. No.	Entity	DP No. (/2021-22)	Subject	Amount (Rs. in million)
1.	WAPDA	2	Loss due to irregular deduction of withholding tax by the banks - Rs.1.424 million	1.424
2.	WAPDA	4	Loss due to irregular deduction of withholding tax on profit by the banks - Rs.5.599 million	5.599
3.	WAPDA	7	Less deduction of income tax from invoices of the consultants – Rs.1.859 million	1.859
4.	WAPDA	9	Unauthorized appointment of Mr. Muhammad Salman Haidery due to wrong shifting of the name of Miss Iram Hanif in Punjab Women Quota from Punjab Open Merit - Rs.0.877 million	0.877
5.	WAPDA	10	Irregular execution of works through splitting in violation of PPRA Rules -Rs.2.054 million	2.054
6.	WAPDA	11	Irregular issuance of cheque to commercial bank from PSDP funds - Rs.1.792 million	1.792
7.	WAPDA	12	Irregular appointment of an overage candidate as Assistant Manager (A&F) - Rs.0.798 million	0.798
8.	WAPDA	13	Irregularity in appointment of Deputy Director (Vigilance) without fulfilling basic criteria - Rs.1.532 million	1.532
9.	WAPDA	14	Irregular appointment of Mr. Muhammd Hamid Mehmood as Advisor on Audit having lacking of basic audit experience - Rs.1.540 million	1.540
10.	WAPDA	15	Irregular appointment of officers due to less / unmatched required experience - Rs.5.693 million	5.693
11.	WAPDA	16	Irregular appointment of Audit Expert without advertisement and valid qualification / experience - Rs.1.500 million	1.500
12.	WAPDA	17	Loss on account of interest income due to irregular deduction of withholding tax on profits by the banks - Rs.1.181 million	1.181
13.	WAPDA	18	Loss due to use of substandard material by the contractor for construction of valley roads - Rs.257 million	257.000

Sr. No.	Entity	DP No. (/2021-22)	Subject	Amount (Rs. in million)
14.	WAPDA	19	Loss due to compensation on delayed payment to the contractor - Rs.33.334 million	33.334
15.	WAPDA	21	Non-imposition/recovery of liquidated damages from contractors due to non-completion of works within time - Rs.0.532 million	0.532
16.	WAPDA	23	Non-recovery of O&M cost from Pakistan Atomic Energy Commission (PAEC) - Rs.11.026 million	11.026
17.	WAPDA	24	Unjustified payment to supplier due to non-obtaining of required documents - Rs.0.667 million	0.667
18.	WAPDA	25	Irregular award of contracts without meeting the criteria - Rs.10.505 million	10.505
19.	WAPDA	26	Irregular award of civil works through splitting in violation of PPRA Rules - Rs.1.639 million	1.639
20.	WAPDA	27	Irregular withdrawals of cash from bank accounts for payments to employees - Rs.42.622 million	42.622
21.	WAPDA	28	Non-mutation of acquired land of Dubair Khwar - Rs.117.995 million	117.995
22.	WAPDA	29	Non-imposition of liquidated damages on the Contractor due to delay in completion of the works - Rs.6.700 million	6.700
23.	WAPDA	32	Non-recovery of liquidated damages - Rs.7.905 million	7.905
24.	WAPDA	33	Loss of revenue due to forced outages - Rs.9.248 million	9.248
25.	WAPDA	34	Loss of revenue due to excess auxiliary consumption than permissible limit in NEPRA - Rs.0.785 million	0.785
26.	WAPDA	35	Irregular expenditure on engagement of consultants without open competitive bidding in violation of PPRA Rules - Rs.7.071 million	7.071
27.	WAPDA	36	Non-deduction of provincial sales tax from consultants' invoices - Rs.2.283 million	2.283
28.	WAPDA	37	Undue favour to the contractor by not taking action for non-completion of work - Rs.23.126 million	23.126

Sr. No.	Entity	DP No. (/2021-22)	Subject	Amount (Rs. in million)
29.	WAPDA	39	Excess payment of financial charges to the contractor - Rs.99.747 million	99.747
30.	WAPDA	41	Loss due to interest on delayed payments - Rs.88.381 million	88.381
31.	WAPDA	47	Non-adjustments of advance paid for security infrastructure - Rs.2,110.140 million	2,110.140
32.	WAPDA	49	Unjustified payment of incentive to the employees of provincial government - Rs.16.429 million	16.429
33.	WAPDA	52	Irregular payment of escalation on unused imported material - Rs.1.056 million	1.056
34.	WAPDA	53	Loss due to payment of POL charges to security company at fixed rate - Rs.2.288 million	2.288
35.	WAPDA	54	Non-recovery of compensation charges from the consultants for delayed submission of design review and inception reports - Rs.1.300 million	1.300
36.	WAPDA	55	Irregular payment of insurance premium on daywork items - Rs.2.345 million	2.345
37.	WAPDA	56	Unjustified payment of escalation on works done through daywork items - Rs.2.499 million	2.499
38.	WAPDA	57	Excess payment of escalation due to incorrect application of base rate - Rs.4.404 million	4.404
39.	WAPDA	59	Unjustified taking over the surplus steel sheet piles from the contractor - Rs.31.110 million	31.110
40.	WAPDA	60	Unjustified payment to contractor without execution - Rs.5.610 million	5.610
41.	WAPDA	61	Loss of revenue due to excessive auxiliary consumption beyond NEPRA's approved limit - Rs.28.459 million	28.459
42.	WAPDA	62	Unknown whereabouts of vehicles - Rs.3.050 million	3.050
43.	WAPDA	64	Irregular/unjustified payment on account of procurement of penstock material from China instead of Pakistan / UAE by the contractor - Rs.159.451 million	159.451
44.	WAPDA	67	Excess payment of escalation to the contractor due to applying of wrong rate of miscellaneous material to the contractor - Rs.9.888 million	9.888

Sr. No.	Entity	DP No. (/2021-22)	Subject	Amount (Rs. in million)
45.	WAPDA	68	Unjustified payment of rent of vehicles to the consultants - Rs.18.399 million	18.399
46.	WAPDA	69	Irregular expenditure on account of consultancy services in excess of PC-I provision - Rs.260.944 million	260.944
47.	WAPDA	72	Irregular payment on account of ground breaking ceremony to the contractor - Rs.7 million	7.000
48.	WCAP	74	Irregular opening of LC amounting to Rs.58.480 million and loss in the shape of bank charges for opening and extension in LC - Rs.0.786 million	0.786
49.	WCAP	75	Non-retrieval of projects vehicles from WAPDA on closure of Project - Rs.10.367 million	10.367
50.	WCAP	76	Irregular reimbursement of custom duties to the supplier - Rs.2.120 million	2.120
51.	WAPDA	77	Unjustified payment on account of land compensation - Rs.1.528 million	1.528
52.	WAPDA	78	Unjustified payment on account of land compensation - Rs.12.383 million	12.383
53.	WAPDA	83	Non-renewal of insurance policy in violation of contract - Rs.15,187.970 million	15,187.97
54.	WCAP	84	Irregular reimbursement of sales tax to the supplier - Rs.7.500 million	7.500
55.	WAPDA	88	Loss due to excess power station consumption than metered auxiliary consumption - Rs.10.035 million	10.035
56.	WAPDA	90	Generation loss due to less generation of energy than plant utilization capacity - Rs.1,809.535 million	1,809.535
57.	WAPDA	91	Generation loss due to outage of unit - Rs.104.371 million	104.371
58.	WAPDA	93	Unjustified utilization of electricity charges recovered from the employees - Rs.0.305 million	0.305
59.	WAPDA	94	Unjustified payment of escalation on taken over the surplus steel sheet piles from the contractor - Rs.10.453 million	10.453

Sr. No.	Entity	DP No. (/2021-22)	Subject	Amount (Rs. in million)
60.	WAPDA	95	Delay in completion of the project resulting into time overrun of 19 years with cost overrun - Rs.1,672.260 million	1,672.260
61.	WCAP	97	Non-imposition of LD on delay in procurement - Rs.23.551 million	23.551
62.	WAPDA	111	Non-refund of excess received amount of Neelum Jhelum Surcharge to the DISCOs / consumers - Rs.2,640.972 million	2,640.972
63.	WAPDA	112	Non-recovery of refundable income tax from FBR - Rs.110.99 million	110.990
64.	WAPDA	114	Misuse of PSO fuel cards of vehicles at other than project's locations by the employees - Rs.0.888 million	0.888
65.	WAPDA	115	Loss due to irregular drawl of fuel against vehicles transferred to other projects - Rs.0.455 million	0.455
66.	WAPDA	119	Non-depositing of income tax and sales tax deducted from consultant's invoices into Government treasury - Rs.92.940 million	92.940
67.	WAPDA	120	Non-recovery of share of O&M cost of CRBC from KPK and Punjab Governments - Rs.156.725 million	156.725
68.	WAPDA	121	Non-recovery of unspent balance from Land Acquisition Collector - Rs.33.730 million	33.730
69.	WAPDA	122	Non-clearance of advances with Land Acquisition Collector from books of accounts - Rs.538.706 million	538.706
70.	WAPDA	123	Recurring annual loss due to non-construction of offices and residential colony - Rs.3.831 million	3.831
71.	WAPDA	124	Unjustified award of work at impractically low rate - Rs.1.159 million	1.159
72.	WAPDA	125	Non-completion of work at the risk and cost of the defaulter contractor - Rs.1.530 million	1.530
73.	WAPDA	129	Loss of revenue due to forced outages - Rs.92.654 million	92.654
74.	WAPDA	130	Non-recovery of standard rent from employee's formation - Rs.0.226 million	0.226

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75.	WAPDA	131	Non-recovery / deduction of rent of accommodations from the employees - Rs.0.408 million	0.408
76.	WAPDA	134	Loss of revenue due to non-billing of energy units to CPPA-G - Rs.1.282 million	1.282
77.	WAPDA	135	Less recovery of rent of residential accommodations allotted to private shopkeepers - Rs.1.107 million	1.107
78.	WAPDA	136	Non-imposition of liquidated damages upon the contractor - Rs.0.844 million	0.844
79.	WAPDA	137	Loss due to irregular payment on account of shifting of mud to the contractor without work done - Rs.25.219 million	25.219
80.	FFC	143	Wasteful Expenditure due to non-completion of emergent flood protection scheme and damage of works - Rs.426.550 million	426.550
81.	FFC	146	Loss on account of late payment surcharge due to delayed payments of electricity bills - Rs.0.461 million	0.461
82.	FFC	147	Unjustified expenditure due to irregular recruitment of Steno typist in violation of selection criteria - Rs.0.143 million	0.143
83.	WAPDA	149	Non-recovery / adjustment of advance amount on repatriation of officer to WAPDA - Rs.1.553 million	1.553
84.	WAPDA	150	Irregular attachment of project's vehicle with the Chief Secretary, AJ&K - 2.464 million	2.464
85.	WAPDA	151	Irregular payment of reward without finalization of enquiry proceedings - Rs.0.237 million	0.237
86.	WAPDA	152	Loss due to excess verification & payment of fuel cost to the contractor - Rs.0.113 million	0.113
87.	WAPDA	153	Non-authentication / accountal of unserviceable / scrap material received from the contractor - Rs.459.383 million	459.383
88.	WAPDA	154	Unjustified verification/payment of fuel cost to the contractor - Rs.0.430 million	0.430

Sr. No.	Entity	DP No. (/2021-22)	Subject	Amount (Rs. in million)
89.	WAPDA	157	Non-depositing of income tax deducted from contractor's bill into government treasury - Rs.693.142 million	693.142
90.	WAPDA	158	Non-depositing of provincial sales tax deducted from contractor's bill into government treasury - Rs.98.040 million	98.040
91.	WAPDA	159	Less deduction of provincial sales tax from contractor's payment Rs.0.980 million	0.980
92.	WAPDA	160	Non-completion of work at the risk and cost of the defaulter contractor - Rs.9.368 million	9.368
93.	WAPDA	163	Unjustified reimbursement of demurrage & container detention charges to the contractor - Rs.3.587 million	3.587
94.	WAPDA	164	Unjustified additional payment to the contractor on account of construction of camp - Rs.1.651 million	1.651
95.	WAPDA	165	Unjustified payment of withholding tax from USAID grant - Rs.43.063 million	43.063
96.	WAPDA	167	Non-refund of profit earned on USAID grant to the donor - Rs.3.021 million	3.021
97.	WAPDA	168	Irregular payment of hard area and project allowance to school staff - Rs.4.232 million	4.232
98.	WAPDA	169	Loss of revenue due to excessive auxiliary consumption beyond NEPRA's approved limit - Rs.30.902 million	30.902
99.	WAPDA	170	Unjustified execution of additional works without approval from competent authority - Rs.6.570 million	6.570
100.	WAPDA	171	Unjustified additional payment to the contractor on account of 'General Items' through variation orders - Rs.22.978 million	22.978
101.	WAPDA	172	Unjustified acceptance of sub-contracting for manufacturing of plant & equipment in violation of prequalification criteria - Rs.8,398.036 million	8,398.036
102.	WAPDA	174	Unjustified payment to the contractor for usage of tower crane by another contractor - Rs.1.856 million	1.856

Sr. No.	Entity	DP No. (/2021-22)	Subject	Amount (Rs. in million)
103.	WAPDA	177	Unjustified payments out of USAID grant - Rs.8.529 million	8.529
104.	WAPDA	178	Non-maintenance of assignment account for PSDP funds in violation of revised procedure for operation of assignment account	-
105.	WAPDA	179	Loss of revenue due to forced outages - Rs.13.341 million	13.341
106.	WAPDA	181	Less deduction of income tax from salaries of officers - Rs.1.895 million	1.895
107.	WAPDA	184	Overpayment made to the contractor against work done - Rs.1.074 million	1.074
108.	WAPDA	185	Unjustified payment to the contractor on account of construction of bridge through variation order and maintenance of existing road - Rs.32.790 million	32.790
109.	WAPDA	186	Undue favor to the contractor due to provision of cost of providing performance security - Rs.17.975 million	17.975
110.	WAPDA	187	Generation loss due to non-initiation of remedial measure for diverting water / shut down of power house due to flood - Rs.134.033 million	134.033
111.	WAPDA	188	Loss on account of interest due to delayed payments to the contractor - Rs.2.719 million	2.719
112.	WAPDA	189	Non-provision of third party insurance by the contractors - Rs.50 million	50.000
113.	WAPDA	192	Unjustified payment to contractor on account of arrear of previously paid IPC - Rs.3.011 million	3.011
114.	WAPDA	194	Non-imposition of liquidated damages upon the supplier - Rs.3.652 million	3.652
115.	WAPDA	195	Doubtful issuance of completion certificate of work to avoid imposition of liquidated damages - Rs.3 million	3.000
116.	WAPDA	196	Loss in the shape of penalty due to delay in filing of goods declaration and payment of duty, taxes and other charges with the custom upon arrival of shipments at port - Rs.2.288 million	2.288

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117.	WAPDA	197	Non-replacement of substandard material purchased from unqualified supplier-Rs.3.243 million	3.243
118.	WAPDA	198	Generation loss due to supply / non-replacement of substandard material by the supplier - Rs.10.161 million	10.161
119.	WAPDA	199	Non-recovery of standard rent from employees of other formations and retired employees - Rs.13.906 million	13.906
120.	WAPDA	200	Loss of revenue due to excessive auxiliary consumption beyond NEPRA's approved limit - Rs.4.284 million	4.284
121.	WAPDA	201	Non-imposition of liquidated damages upon the contractor - Rs.0.562 million	0.562
122.	WAPDA	202	Generation loss due to outage of power station despite availability of water in high flow season - Rs.19.626 million	19.626
123.	WAPDA	203	Generation loss due to keeping the power station in standby position despite availability of water in the high flow season - Rs.25.827 million	25.827
124.	WAPDA	204	Irregular procurement/execution of work in violation of WAPDA Procurement and Contracts Manual - Rs.43.792 million	43.792
125.	WAPDA	205	Non-imposition of liquidated damages upon the contractor for delay in completion of work - Rs.101.358 million	101.358
126.	WAPDA	206	Unjustified expenditure on account of POL and repair & maintenance due to irregular attachment of project's vehicle with the Ministry - Rs.7.645 million	7.645
127.	FFC	207	Non-implementation of normal/ emergent flood protection programme for the Financial Year 2020-21	-
128.	WAPDA	212	Less insurance coverage of 3 MW Hydro Power Project Thak Nullah for model village - 926.833 million	926.833

Sr. No.	Entity	DP No. (/2021-22)	Subject	Amount (Rs. in million)
129.	WAPDA	215	Non-recovery of insurance premium from contractors due to less insurance coverage - Rs.44.748 million	44.748
130.	WAPDA	221	Excess payment of remuneration cost to the consultants due to application of wrong foreign exchange rate - Rs.2.060 million	2.060
131.	WAPDA	223	Unjustified excess payment on account of carriage of material to the contractor - Rs.2.095 million	2.095
132.	WAPDA	226	Unjustified obtaining of insurance coverage of vehicles from private insurance company - Rs.9.300 million	9.300
133.	WAPDA	229	Increase in consultancy cost due to non-completion of intakes works by the civil contractor within agreed time schedule - Rs.2.015 million	2.015
134.	WAPDA	230	Unjustified expenditure on account of pay & allowances of seconded staff - Rs.21.975 million	21.975
135.	WAPDA	231	Loss on account of fixed charges and low power factor penalty due to bulk supply tariff - Rs.1.948 million	1.948
136.	WAPDA	232	Loss of revenue due to forced outages - Rs.4.494 million	4.494
137.	WAPDA	233	Loss due to uneconomical generation of electricity from Diesel Power Station, Garam Chashma - Rs.12.367 million	12.367
138.	WAPDA	235	Increase in contract cost due to change in specification issued by CDO WAPDA after award of contract - Rs.6.040 million	6.040
139.	WAPDA	238	Loss due to payment of idle claim charges to the Contractor - Rs.171.938 million	171.938
140.	WAPDA	240	Unjustified increase in excavated quantities in Contract CDT-01 due to poor designing by the Consultant M/s NESPAK - Rs.319.232 million	319.232
141.	WAPDA	242	Extra financial burden due to hiring of residential/office accommodations at Chillas for the Consultants - Rs.9.100 million	9.100

Sr. No.	Entity	DP No. (/2021-22)	Subject	Amount (Rs. in million)
142.	WAPDA	244	Unjustified payment to the contractor due to sub-standard work on penstock - Rs.188.403 million	188.403
143.	WAPDA	245	Less deduction of income tax from consultants' invoices - Rs.0.478 million	0.478
144.	WAPDA	247	Non-recovery of O&M cost of powerhouse from the Government of Gilgit-Baltistan - Rs.45.410 million	45.410
145.	WAPDA	249	Non-adjustment of advances given to different formations - Rs.2.182 million	2.182
146.	WAPDA	250	Loss due to interest on delayed payments - Rs.6.725 million	6.725
147.	WAPDA	251	Non-obtaining of insurance policy of the works from the contractor - Rs.1,076.737 million	1,076.737
148.	WAPDA	252	Loss due to levy of commitment charges/non-utilization fee on unused loans - Rs.43.182 million	43.182
149.	WAPDA	253	Non-recovery of interest on excess payment of financial charges to the contractor - Rs.24.140 million	24.140
150.	WAPDA	257	Unjustified payment of incentive to the employees of provincial government - Rs.113.130 million	113.130
151.	WAPDA	258	Non-imposition of of liquidated damages upon the contractor on account of delay in completion of work - Rs.101.682 million	101.682
152.	WAPDA	268	Irregular charging of pay & allowances of Finance Consultant to Authority to the project - Rs.8.311 million	8.311
153.	WAPDA	269	Irregular payment to the contractor on account of controlling of traffic at temporary access bridge - Rs.4.766 million	4.766
154.	WAPDA	270	Loss due to double payment on account of work executed on daywork basis - Rs.2.915 million	2.915
155.	WAPDA	271	Unjustified payment to the contractor on account of O&M of Basic Health Unit - Rs.2.328 million	2.328

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156.	WAPDA	273	Irregular reimbursement of POL & TA/DA expenses to the consultants - Rs.1.285 million	1.285
157.	WAPDA	274	Unjustified refund of amount of GST & Additional GST to the contractor - Rs.1.147 million	1.147
158.	WAPDA	275	Excess payment due to non-deduction of quantity for PVC pipe used for weep holes in retaining walls - Rs.0.717 million	0.717
159.	WAPDA	276	Overpayment to the contractor due to less recovery of income tax from IPCs - Rs.0.664 million	0.664
160.	WAPDA	277	Excess payment to the contractor on account of running of asphalt plant - Rs.0.628 million	0.628
161.	WAPDA	278	Irregular payment to the contractor due to incorrect certification of quantity of hours utilized for execution of work - Rs.0.364 million	0.364
162.	WAPDA	280	Irregular payment of hourly cost of daywork equipment without utilization on site - Rs.2.417 million	2.417
163.	WAPDA	281	Non-issuance of operational acceptance certificates to the contractor despite expiry of defects liability period	-
164.	WAPDA	283	Unjustified award of contract without increasing the amount of performance security due to unbalanced bid - Rs.866.293 million	866.293
165.	WAPDA	285	Blockade of funds in shape of advance payment to contractor due to abnormal delay in establishment of letter of credit and amendment in contract - Rs.9.913 million	9.913
166.	WAPDA	286	Increase in contract cost due to irregular amendments in the contract after award of contract - Rs.27.154 million	27.154
167.	WAPDA	288	Loss on account of interest due to unjustified withdrawal of loan from AFD - Rs.69.273 million	69.273
168.	WAPDA	289	Unjustified hiring of International Panel of Experts (IPoE) - Rs.475.445 million	475.445

Sr. No.	Entity	DP No. (/2021-22)	Subject	Amount (Rs. in million)
169.	WAPDA	292	Undue favour to the contractor due to non-obtaining of insurance coverage of the works - Rs.3.582 million	3.582
170.	WAPDA	293	Irregular/unjustified procurement of a double cabin vehicle in excess of the PC-I provision - Rs.4.786 million	4.786
171.	WAPDA	294	Irregular payment on account of procurement of vehicles in violation of contract provision and Austerity Measures - Rs.14.363 million	14.363
172.	WAPDA	295	Unjustified payment to Consultant M/s AHT Germany due to non-obtaining of insurance against liability and damages - Rs.41.437 million (Euro 0.276 million)	41.437
173.	WAPDA	296	Unjustified payment of rent of office building acquired due to non-construction of office building - Rs.5.107 million	5.107
174.	WAPDA	297	Non-finalization of tender for procurement of hydrometric equipment-supply and installation including related civil works - Rs.539.500 million	539.500
175.	WAPDA	298	Excess payment made to the contractor due to wrong classification of rock - Rs.12.313 million	12.313
176.	FFC	300	Non-conducting of research and information sharing under National Water Policy, 2018	-
177.	FFC	302	Lack of implementation towards preparation of legal framework in the light of National Water Policy, 2018	-
178.	WAPDA	306	Non-deduction of taxes from the payments made to the consultants - Rs.7.960 million	7.960
179.	FFC	308	Non-preparation of policy framework for implementation of National Water Policy, 2018	-
180.	FFC	309	Non-taking of steps towards information management under the National Water Policy	-
181.	FFC	310	Non-implementation of National Environmental Policy, National Climate Policy and National Disaster Risk Reduction Policy	-
182.	FFC	311	Non-development of a standardized and uniform mechanism for data collection in the country	-

Sr. No.	Entity	DP No. (/2021-22)	Subject	Amount (Rs. in million)
183.	MoWR	312	Weak Monitoring of the Ministry resulting in to cost and time overrun of the project (HPTI) - Rs.276.070 million	276.070
184.	MoWR	313	Irregular procurement of stationery in violation of PPRA Rules - Rs.9.555 million	9.555
185.	MoWR	314	Irregular procurement of plant & machinery and furniture & fixture in violation of PPRA Rules - Rs.9.271 million	9.271
186.	MoWR	315	Irregular payment of transport monetization to the officer of NESPAK working on deputation in MoWR - Rs.4.127 million	4.127
187.	MoWR	316	Unjustified expenditure due to in-transparent recruitments of staff - Rs.2.448 million	2.448
188.	MoWR	317	Irregular excess payment of pay and allowances due to wrong fixation of pay - Rs.2.249 million	2.249
189.	MoWR	320	Non-formulation of National Agenda for research for forecasting of glacier melt and snow melt	-
190.	MoWR	321	Non-development of the Information Management System regarding glacier and snow melt under National Water Policy	-
191.	MoWR	323	Non-implementation of National Climate Change Policy	-
192.	WAPDA	325	Loss due to delay in making payments to the contractor - Rs.3.786 million	3.786