Auditor-General of Pakistan

February, 2026

Audit Report on

DIAMER BASHA DAM PROJECT
(VOLUME-I)

(WATER AND POWER DEVELOPMENT AUTHORITY)

Report No: DGAWR 25-002

Audit Year 2025-26

Financial Year 2024-25

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PREFACE

Articles 169 & 170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Sections 8 & 12 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001, require the Auditor-General of Pakistan to conduct audit of receipts and expenditure of the Federation and the Provinces or the accounts of any authority or body established by or under the control of the Federal or a Provincial government.

This report is based on audit of Diamer Bash Dam Project (DBDP) executed by Water and Power Development Authority (WAPDA) under Ministry of Water Resources (MoWR). The Directorate General Audit, Water Resources conducted the audit of the project during August and September, 2025 for the period covering financial year 2024-25 with the view to make an independent assessment of the project's status & performance, highlight potential gaps, issues & risks and identify areas for improvement. The report also aims at improving the internal controls system of the project, thereby allowing the management to take corrective action and improve effectiveness of the overall project management processes.

At the outset, the report provides key facts and details about the project followed by an audit snapshot summarizing the reasons for conducting the audit, findings on a various matters and actionable recommendations. The Audit Report covers a variety of aspects of the project including project objectives & planning, procurement, contract management, financial management, human resource management and asset management. The report also includes conclusion and recommendations for executive action. In favour of a comprehensive assessment, the Audit Report also contains audit observations from previous financial years.

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The report was shared with the entity as well as the Principal Accounting Officer (PAO) and executive responses were evaluated before finalization this report. Departmental Accounts Committee (DAC) meeting could only be conducted for some paras despite several requests to the PAO as per laid down procedure.

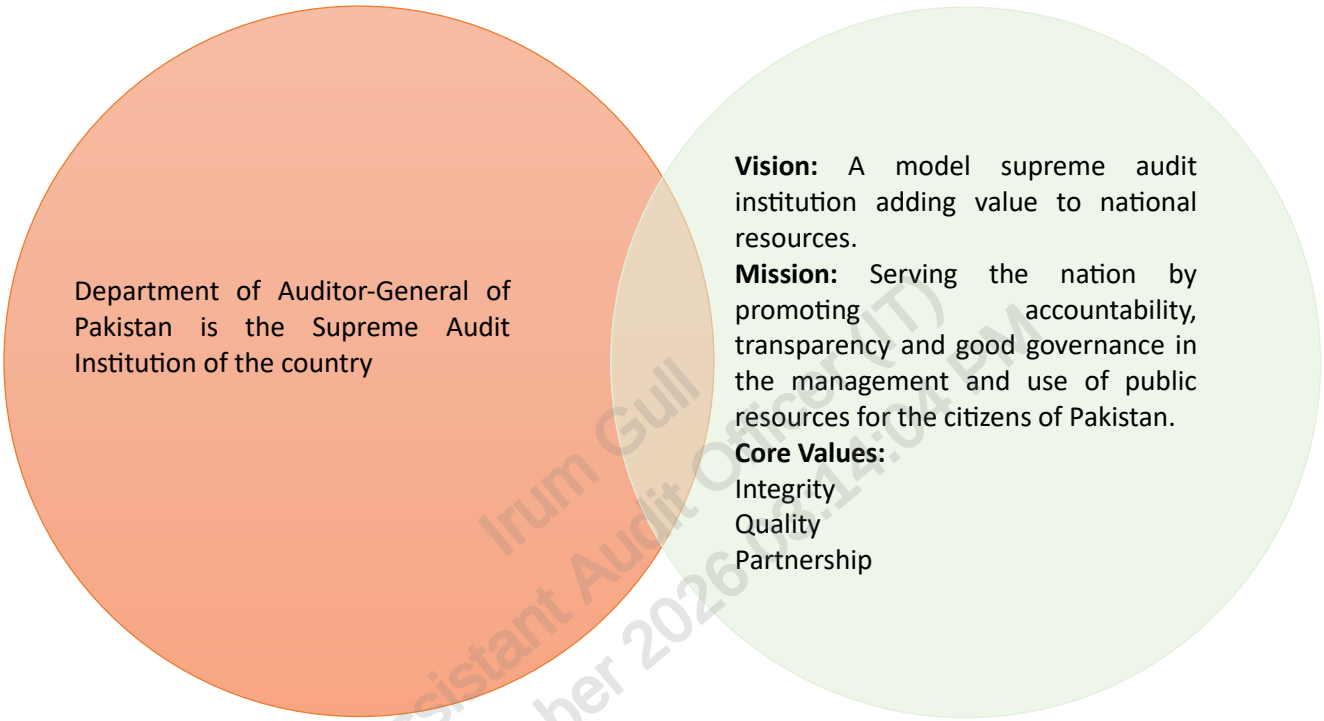
The Audit Report is submitted to the President of Pakistan in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 for causing it to be laid before both houses of Majlis-e-Shoora (Parliament).

Sd/-
(Maqbool Ahmad Gondal)
Auditor-General of Pakistan

Islamabad
Dated: 23 FEB 2026

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Department of Auditor-General of Pakistan



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The Auditor-General's organization is the prime institution in the country for ensuring public accountability and fiscal transparency in governmental operations. The organization aims to improve financial discipline and internal controls in the executive departments for minimizing the possibility of waste and fraud.

The Auditor-General of Pakistan is appointed under the Constitution of the country. The Auditor-General's reports are laid before the legislature and are discussed by the Public Accounts Committees of the respective Assemblies. The constitutional mandate enables the Auditor-General to strengthen legislative oversight by providing an independent and objective assessment of the process of governance at the federal, provincial and district level.

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AUDIT SNAPSHOT

Audit Report on
Diamer Basha Dam Project

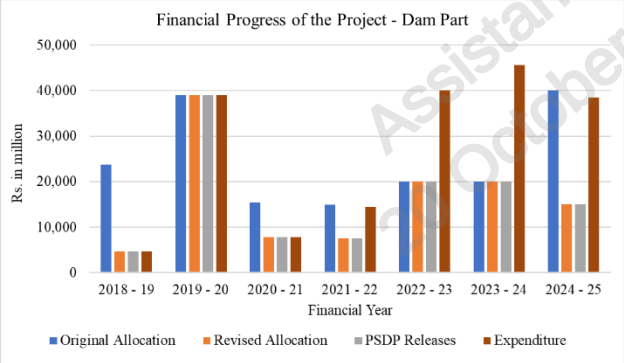
DGAWR-25-002 **February, 2026**

Why did we do this audit?

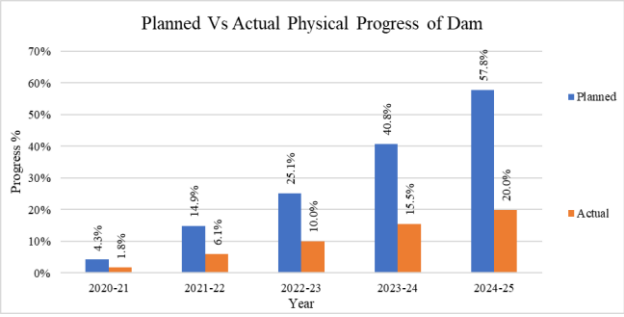
The audit was conducted to evaluate whether the progress of the project was in alignment with deliverables set for the achievement of its objectives as defined in PC-I and to assess compliance with applicable rules/regulations. The project was selected for audit by the office of the Auditor-General of Pakistan owing to its importance, size & scale, massive utilization of public funds and ongoing construction activities.

Key Assessment

- 19.95% physical progress against 39.67% financial progress pointing to inefficiency
- Non-achievement of planned contractual timelines
- Failure in acquisition of 100% land despite lapse of 17 years



(Details at Page-5)



(Details at Appendix - II)

What did we find?

- Delay in achievement of intended objectives of the project due to slow physical progress.
- Violation of procurement rules/guidelines in award of contract for consultancy services and construction of main dam.
- Weak contract administration and cost control due to repeated amendments in provisions of contracts.
- Unauthorized handling of funds of land acquisition and retention money.
- Non-mutation of acquired land exposing the project to legal risks.
- Human resource deficiencies such as unauthorized postings.

What did we recommend?

- Accelerate execution of works through effective measures and close monitoring to achieve project's intended objectives timely.
- Ensure adherence to applicable procurement rules/guidelines and approved procedures.
- Strengthen contract administration by avoiding repeated amendments and ensuring sanctity of original contract provisions.
- Ensure handling of funds of land acquisition and retention money as per instructions of Government and enforce accountability mechanism.
- Ensure mutation of acquired land to mitigate legal and ownership risks.
- Strengthen Human Resource (HR) management.

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Highlights	Audit Report on Diamer Basha Dam Project
DGAWR-25-002	February, 2026

Data Summary Sheet

Description	Details
Project Name and Code	Diamer Basha Dam Project Public Sector Development Programme (PSDP) Code No. 1053 (Dam Part) and 1054 (AL&R Part)
Location	On Indus River, 40 km downsteam of Chlias town in the District Diamer, Gilgit-Baltistan
Approving Forum & Dates	**PC-I (Dam Part):** • Original PC-I approved by Executive Committee of the National Economic Council (ECNEC) on November 14, 2018 **PC-I (Acquisition of Land and Resettlement (AL&R Part):** • Original PC-I approved by ECNEC on November 06, 2008 • 1st revised PC-I approve by ECNEC on March 02, 2015 • 2nd revised PC-I approved by ECNEC on September 10, 2021
Executing Entity	WAPDA through its subsidiary company - Diamer Basha Development Company (DBDC)
Feasibility Study	• Pre-feasibility study in 1984 by M/s MONENCO, a Canadian firm • Feasibility study in 2004 by M/s NEAC Consortium
Funding Sources (Govt/Donor agency)	• PSDP-Government of Pakistan (GoP) • Commercial Financing • WAPDA Equity
Approved cost	**Dam Part:** • Rs.479,686 million **AL&R Part:** • Rs.60,000 million (Original PC-I) • Rs.101,372 million (1st Revised PC-I) • Rs.174,700 million (2nd Revised PC-I)
Total Allocations (year-wise) up to 06/2025	**Dam Part:** Rs.114,170.98 million **AL&R Part:** Rs.149,918.29 million **(details at Page-5 & 6)**

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Total Releases (Year-wise & Date-wise) up to 06/2025	**Dam Part:** Rs.114,170.98 million **AL&R Part:** Rs.149,918.29 million **(details at Page-5 & 6)**
Expenditure (year-wise) up to 06/2025	**Dam Part:** Rs.190,304.88 million including funds from commercial financing and WAPDA equity **AL&R Part:** Rs.151,328.96 million including bridge financing from WAPDA **(details at Page-5 & 6)**
Status of project i.e. Completed or Ongoing	**Ongoing**
Cost Over-run (up to 06/2025)	**Dam Part:** Up to date expenditures are within approved cost of PC-I **AL&R Part:** Cost overrun is Rs.91,328.96 million as compared to approved cost of original PC-I
Stated Completion date	**Dam Part:** As per PC-I: June, 2027 As per contract: February, 2029 Expected completion: October, 2030 (As per EOT-I) **AL&R Part:** As per Original PC-I: June, 2016 As per 1st revised PC-I: June, 2021 As per 2nd Revised PC-I: June, 2029
Status of PC-II to V	• PC-II approved in 2006 • PC-III being submitted on iPAS portal • PC-IV and V not yet due
Time over-run	**Dam Part:** Still within approved timelines of PC-I **AL&R Part:** 9 years as compared to timelines of original PC-I
Scope of work (Targets / Deliverables of project)	**Target/Deliverables** • Construction of Roller Compacted Concrete (RCC) dam with height of 272 meters • Live storage of 6.40 Million Acre Feet (MAF) water • Construction of power house with installed capacity of 4,500 Megawatt (MW) • Expansion in low-cost clean energy
Sustainability	• Generation of clean energy • Increase in life of Tarbela Dam • Reduction in national water shortage

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Outcome of the project	• Additional Irrigation benefits in the Indus basin irrigation system • Flood control/mitigation • Annual Energy Generation of 18,097 Gigawatt (GWh)
Physical Progress in terms of %	**Dam Part:** 19.95% (June-2025) **AL&R Part:** 85.00% (June-2025)
Financial Progress in terms of %	**Dam Part:** 39.67% (June-2025) **AL&R Part:** 86.62% (June-2025)
Composite Risk Rating	Medium Risk (due to slow progress)
Compliance Status of audit recommendations	Awaited

(Source: Data provided by the project management)

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20 October 2026 03:14:04 PM

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20 October 2026 03:14:04 PM

CONTENTS	Page No.

ABBREVIATIONS AND ACRONYMS **1**

BACKGROUND AND OVERVIEW **3**

AUDIT FINDINGS **8**

1. PROJECT OBJECTIVES 9
2. PROJECT PLANNING 11
3. PROCUREMENT 13
4. CONTRACT MANAGEMENT 21
5. FINANCIAL MANAGEMENT 34
6. HUMAN RESOURCE MANAGEMENT 38
7. ASSET MANAGEMENT 41
8. OTHERS 42

CONCLUSION **44**

RECOMMENDATIONS **45**

APPENDICES **47**

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20 October 2026 03:14:04 PM

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20 October 2026 03:14:04 PM

ABBREVIATIONS AND ACRONYMS

AL&R	Acquisition of Land & Resettlement
BOD	Board of Directors
BOFP	Book of Financial Powers
BOQ	Bill of Quantities
CSA	Consultancy Services Agreement
DAC	Departmental Accounts Committee
DBCG	Diamer Basha Consultants Group
DBDC	Diamer Basha Development Company
DBDP	Diamer Basha Dam Project
DC	Deputy Commissioner
ECNEC	Executive Committee of the National Economic Council
EOI	Expression of Interest
GCC	General Conditions of Contract
GM	General Manager
GoP	Government of Pakistan
GWh	Gigawatt hour
GZDP	Gomal Zam Dam Project
HR	Human Resources
ICB	International Competitive Bidding
IPC	Interim Payment Certificate
IPOE	International Panel of Experts
JV	Joint Venture
LA&R	Land Acquisition & Resettlement
LAC	Land Acquisition Collector
MAF	Million Acre Feet
MoWR	Ministry of Water Resources
MW	Megawatt
O&M	Operation & Maintenance
PAO	Principal Accounting Officer
PAP	Project Affected Persons
PC	Planning Commission Proforma (e.g., PC-I)
PPRA	Public Procurement Regulatory Authority
PSDP	Public Sector Development Programme
QBS	Quality Based Selection
QCBS	Quality and Cost Based Selection
RCC	Roller Compacted Concrete
RFP	Request for Proposals
TOC	Taking-Over Certificate
VO	Variation Order
WAPDA	Water and Power Development Authority

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BACKGROUND AND OVERVIEW



Diamer Basha Dam Site

DBDP is a major hydropower and water storage initiative and constitutes a key component of Pakistan's long-term strategy for sustainable water & energy security. The project is located on the Indus River in Gilgit-Baltistan, approximately 40 kilometers downstream of Chilas town. It is designed to address critical national challenges relating to water scarcity, energy shortfall, flood management and climate change adaptation.

The project entails construction of a large reservoir with a live storage capacity of 6.4 MAF to regulate river flows, enhance water availability for irrigation and mitigate the adverse impacts of seasonal flooding. The dam is a RCC gravity structure with a height of 272 meters. The project also includes installation of twelve Francis turbines with a cumulative installed capacity of 4,500 MW contributing significantly to Pakistan's renewable energy mix and reducing dependence on fossil fuels.

The principal objectives of the project are to enhance national water storage capacity, improve water security, provide flood control and add low-cost hydropower to the national grid. Upon completion, the project is expected to generate approximately 18,097 GWh of electricity annually, strengthen flood management due to scale of reservoir, support agricultural productivity through increased and assured water release and extend the operational life of Tarbela Dam by 35 years by reducing the rate of sedimentation. The project is also envisaged to deliver long-term economic, environmental and social benefits at both regional and national levels.

The ECNEC while approving PC-I of Dam Part on November 14, 2018 directed that the project will be executed in company mode. Accordingly, DBDC was incorporated on January 15, 2019 under the Companies Act, 2017 as a private limited company and a wholly-owned subsidiary of WAPDA. As per its Memorandum of Association, the principal line of business of the company shall be rendering of consultancy and management services to WAPDA in the area of project management, strategic planning, supervisory services and all other ancillary services required for execution of the DBDP. Further, 100% ownership of the project shall lie completely with WAPDA and the company shall not own any assets of capital nature. The authorized capital of the company was Rs.1 million divided into 100,000 shares of Rs.10 each.

Execution of the project has been structured through three separate PC-Is, covering (i) AL&R Component, (ii) Dam Part, and (iii) Power Generation Facilities.

The original PC-I for the AL&R component was approved on November 06, 2008 at a cost of Rs.60,000 million. Owing to disputes with Project Affected Persons (PAPs) over compensation rates and delays in payment, the PC-I was revised in March, 2015, increasing the cost to Rs.101,372

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20 October 2026 03:14:04 PM

million. Subsequently, following demands by PAPs for payment of 25% harjana (penalty) due to delayed compensation, the 2nd revised PC-I was approved by ECNEC in September, 2021 at a rationalized cost of Rs.174,700 million.

Under the original PC-I, acquisition of 37,419 acres of land was planned for the project. This requirement was later rationalized in the 2nd revised PC-I to 35,924 acres, comprising 34,939 acres in Gilgit-Baltistan and 985 acres in Khyber Pakhtunkhwa. Land acquisition was carried out through the concerned Deputy Commissioners (DCs) / Land Acquisition Collectors (LACs). Up to June, 2025, a total of 32,790 acres had been acquired at a cost of Rs.51,296.359 million representing 91.27% of the total land requirement, while the remaining 3,134 acres are yet to be acquired.

The project was estimated to affect approximately 30,350 persons belonging to 4,102 households. Under the original PC-I, it was planned to resettle these households in nine Model Villages at an estimated cost of Rs.3,311.50 million requiring 3,623 acres of land, against which 5,990 acres were identified. In the first revised PC-I, the resettlement strategy was modified to develop three Composite Model Villages at an estimated cost of Rs. 8,668 million due to non-availability of previously identified land. Subsequently, owing to resistance and interference by local communities, land for two of the three proposed locations could not be acquired. As a result, the 2nd revised PC-I approved development of only one Composite Model Village at Harpan Das, Chilas, which remains under construction. An amount of Rs.151,328.96 million had been incurred on land acquisition and resettlement activities up to June, 2025.

The PC-I for the Dam Part was approved by ECNEC on November 14, 2018 at a cost of Rs.479,686 million. The construction contract for the dam was awarded to M/s Power China–FWO Joint Venture (JV) in May, 2020 at a contract price of Rs. 442,402.79 million. The project is being financed through a combination of PSDP allocations, commercial financing and WAPDA equity. Expenditure amounting to Rs. 190,304.88 million had been incurred on the Dam Part up to June, 2025.

As per the PC-I timelines, completion of the Dam Part was scheduled for June, 2027, whereas, the contractual completion date for the entire scope of works is February 05, 2029. Despite the strategic importance of the project, physical progress up to June, 2025 stood at 19.95% against a planned progress of 57.78%.

The PC-I for Power Generation Facilities was approved by ECNEC on April 06, 2023 at a cost of Rs. 1,424,359 million. However, no contract for construction of the powerhouse had been awarded up to the end of the audit period.

The project has experienced substantial delays, primarily attributable to prolonged land acquisition & resettlement issues including disputes with PAPs over compensation, delayed payments and repeated revisions of the resettlement framework. These challenges resulted in deferred availability of encumbrance-free land required for construction and necessitated revisions of the PC-I of A&LR. Additionally, financing constraints and reliance on phased funding arrangements also affected progress of works. Further delays arose due to major design revisions during execution which reflected deficient planning and feasibility study. These revisions led to significant modifications in the design of diversion schemes, spillways, powerhouses and allied structures.

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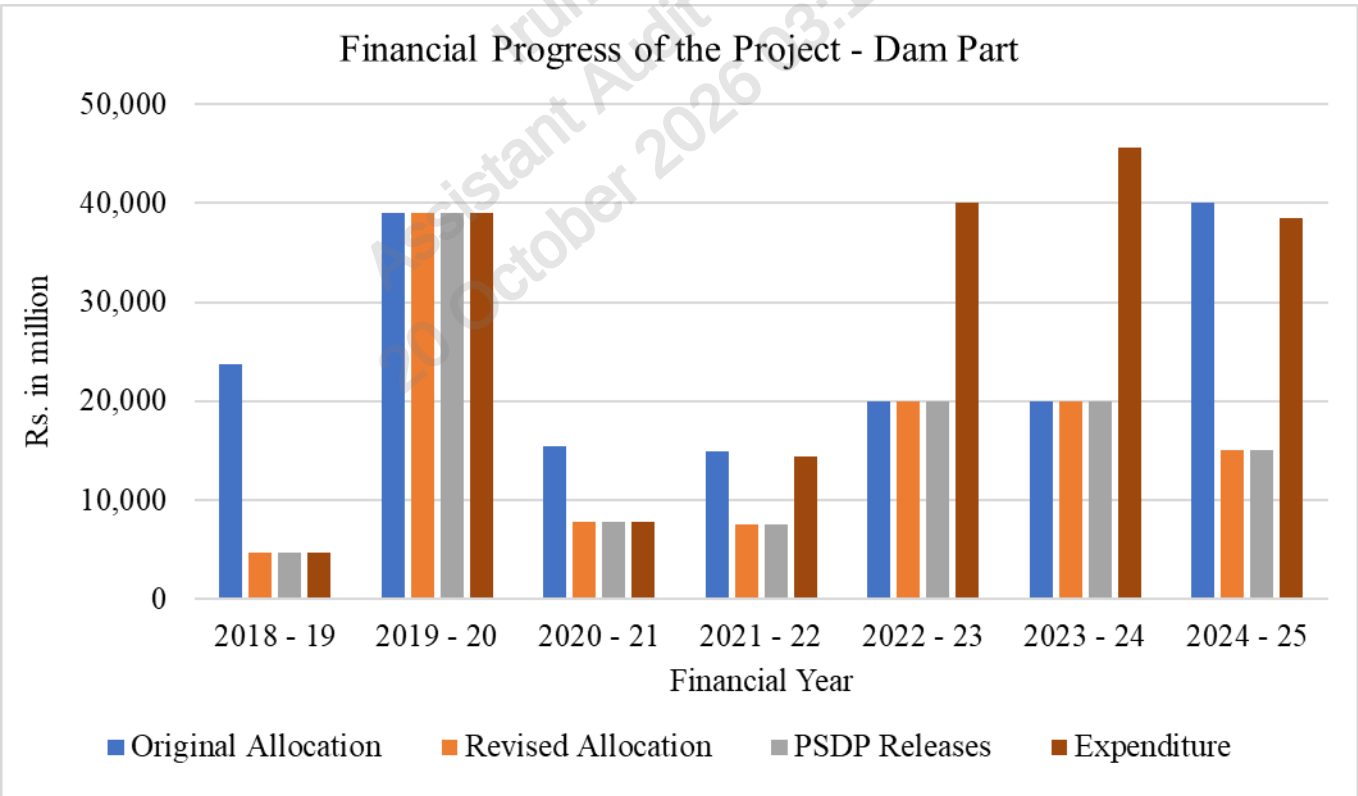
FINANCIAL PROGRESS OF THE PROJECT – DAM PART

Details of year wise allocations, releases and actual expenditure incurred through different funding sources pertaining to Dam Part are tabulated below along with graphical representation.

(Rs. in million)

Financial Year	Original Allocation	Revised Allocation	PSDP Releases	Expenditure				
				PSDP	WAPDA Equity	Commercial Financing	Loan from WAPDA	Total
2018 - 19	23,680.35	4,736.07	4,736.07	4,736.07	0	0	0	4,736.07
2019 - 20	39,088.00	39,069.01	39,069.01	39,069.01	0	0	0	39,069.01
2020 - 21	15,500.00	7,750.00	7,750.00	7,750.00	0	4.50	0	7,754.50
2021 - 22	15,000.00	7,500.00	7,500.00	7,500.00	3,385.66	3,589.64	0	14,475.30
2022 - 23	20,000.00	20,000.00	20,000.00	20,000.00	8,405.36	6,044.79	5,674.70	40,124.85
2023 - 24	20,000.00	20,000.00	20,000.00	20,000.00	13,617.85	8,123.18	3,913.74	45,654.77
2024 - 25	40,126.04	15,115.90	15,115.90	15,115.90	10,278.91	7,613.16	5,482.41	38,490.38
TOTAL	**173,394.39**	**114,170.98**	**114,170.98**	**114,170.98**	**35,687.78**	**25,375.27**	**15,070.85**	**190,304.88**

(Source: Data provided by the project management)



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FINANCIAL PROGRESS OF THE PROJECT - AL&R PART

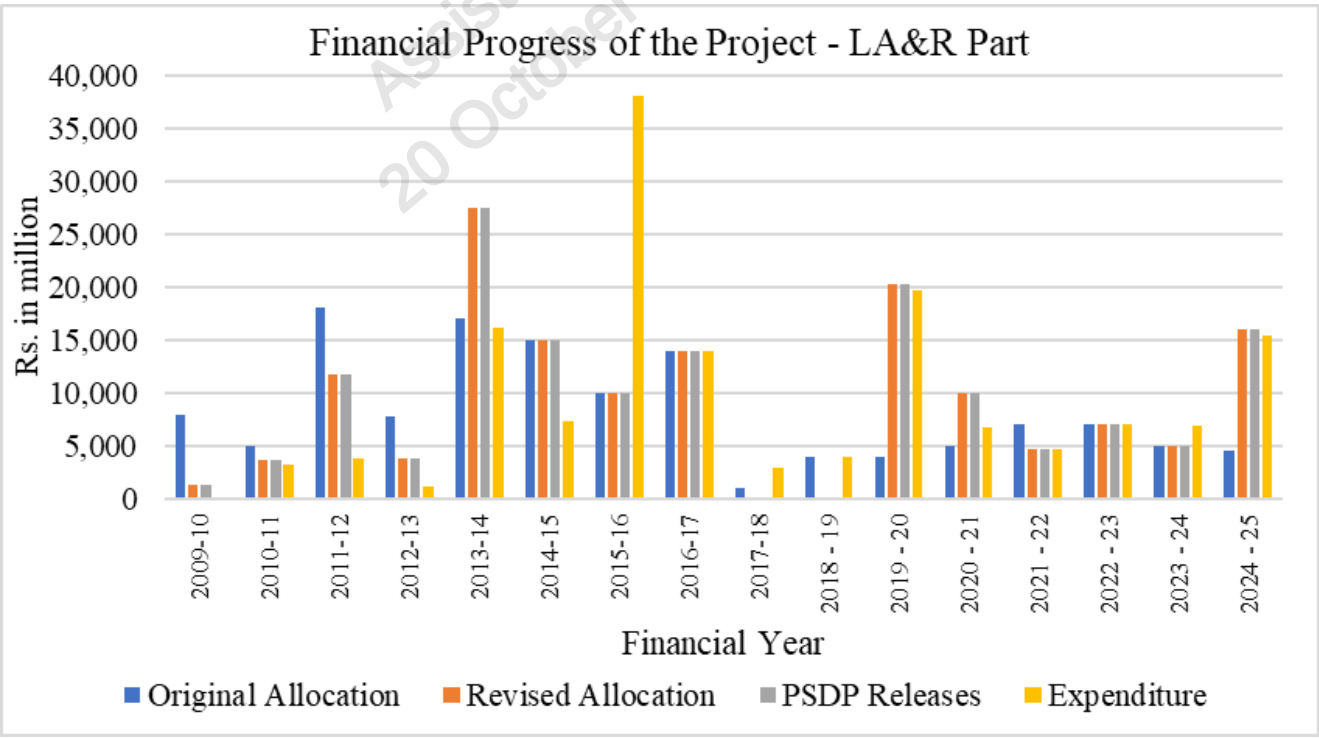
Details of year wise allocations, releases and actual expenditure incurred pertaining to AL&R are tabulated below along with graphical representation.

(Rs. in million)

Financial Year	Original Allocation	Revised Allocation	PSDP Releases	Expenditure
2009-10	8,000.00	1,302.60	1,302.60	92.00
2010-11	5,000.00	3,700.00	3,700.00	3,212.38
2011-12	18,000.00	11,700.00	11,700.00	3,849.47
2012-13	7,785.00	3,785.00	3,785.00	1,247.79
2013-14	17,000.00	27,500.00	27,500.00	16,101.39
2014-15	15,000.00	15,000.00	15,000.00	7,374.55
2015-16	10,000.00	10,000.00	10,000.00	38,102.48
2016-17	14,000.00	14,000.00	14,000.00	14,019.12
2017-18	1,000.00	0	0	2,988.41
2018 - 19	3,944.28	0	0	3,950.00
2019 - 20	4,000.00	20,212.00	20,212.00	19,625.33
2020 - 21	5,000.00	10,061.27	10,061.27	6,697.93
2021 - 22	7,000.00	4,650.00	4,650.00	4,650.00
2022 - 23	7,000.00	7,000.00	7,000.00	7,000.00
2023 - 24	5,000.00	5,000.00	5,000.00	6,930.21
2024 - 25	4,500.00	16,007.43	16,007.43	15,487.88
TOTAL	**132,229.28**	**149,918.29**	**149,918.29**	***151,328.96**

* Expenditure includes loan taken from WAPDA
(Source: Data provided by the project management)

Assistant Auditor General (IT)
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PROJECT DIRECTORS – INCUMBENCY PROFILE

The table given below shows the incumbency profile of the Project Directors posted on the project from time to time. The profile covers the period of preparatory works, feasibility study, land acquisition and ongoing execution works for the project.

Sr. No.	Name	Period	
		From	To
1	Dr. Izhar-Ul-Haq	07-03-2002	27-04-2011
2	Engr. Ajmal Farooq	28-04-2011	12-01-2012
3	Engr. Shoukat Hussain Bhatti	13-01-2012	10-07-2012
4	Engr. Muhammad Anwar	11-07-2012	04-02-2013
5	Engr. Shamshad M. Khan	05-02-2013	05-01-2015
6	Engr. Muhammad Nawaz Butt	19-01-2015	12-01-2018
7	Engr. Amir Bashir Chaudhary	15-01-2018	14-09-2020
8	Engr. Muhammad Yousaf Rao	15-09-2020	08-10-2022
9	Engr. Dr. Khawar Munir	12-10-2022	28-02-2023
10	Engr. Nazakat Hussain	01-03-2023	Till date

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AUDIT FINDINGS

Summary

DBDP, intended to deliver 6.4 MAF of critical live storage on the Indus River, 4,500 MW of hydropower generation with an annual output of approximately 18,097 GWh, acquisition of around 35,924 acres of land and proper resettlement of around 30,350 affected persons remains severely behind schedule as of June, 2025. Physical progress stands at only 19.95% against planned level of 57.78% with essential works on dam foundation excavation, abutments, diversion, flushing tunnels, intake structures and the 21 MW Tangir Hydropower facility (vital for site construction power) showing minimal advancement years after their baseline timelines. These chronic delays stem fundamentally from deficient upfront planning, unrealistically optimistic schedules prepared without finalized designs or adequate geological, geotechnical & seismic investigations and repeated post-award design revisions that disrupted sequencing and eroded schedule control, collectively deferring vital national benefits in regulated water availability, flood mitigation and low-cost renewable energy supply.

These execution shortfalls have been aggravated by pervasive weaknesses across procurement integrity, contract administration, financial controls, human resource management and asset safeguarding. Procurement and contract award processes exhibit serious procedural violations, while ongoing contract management shows repeated amendments, deferred recoveries, excess payments, unjustified reimbursements and wasteful expenditure linked to consultants-attributable design changes. Financial irregularities include massive unauthorized transfers to private bank accounts of LACs instead of government treasuries, operation of dozens of irregular private accounts holding billions of rupees, unauthorized retention of contractors' retention money and accrued profits outside designated accounts, non-adjustment of advances and failure to recover agreed Operation & Maintenance (O&M) liabilities from other entities. Human resource lapses encompass irregular grant of inadmissible allowances without Finance Division clearance and unauthorized postings of officers at non-project locations in violation of PC-I provisions while drawing salaries from the project. Mutation of acquired land remains incomplete exposing the project to future title risks. Collectively, these systemic deficiencies reflect weak internal controls, non-compliance with rules & contractual obligations and governance gaps within the project, underscoring the urgent need for high-level intervention to arrest further slippage, enforce accountability, recover avoidable losses and restore credible momentum toward this nationally strategic infrastructure project.

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1. PROJECT OBJECTIVES

Based on the approved PC-I documents, the objectives of DBDP are as follows:

1. To create hydro reservoir with a live storage capacity of 6.4 MAF.
2. To construct a powerhouse with installed generation capacity of 4,500 MW for annual generation of 18,097 GWh hydropower.
3. To acquire the land required for construction of dam and its allied works including reservoir area, project infrastructure, access roads and project colonies in accordance with approved plans and legal framework.
4. To resettle and rehabilitate the PAPs comprising approximately 30,350 persons from about 4,102 households through payment of compensation, provision of resettlement options and development of resettlement infrastructure.

The primary objective of the DBDP is to create large-scale storage on the Indus River to regulate flows, enhance downstream water availability and mitigate floods through provision of 6.4 MAF live storage. Achievement of this objective is critically dependent on timely river diversion, completion of dam foundations, construction of the dam body and subsequent reservoir impoundment. While river diversion works under Contract MW-1 have largely been completed, progress on essential downstream activities required for dam construction remains substantially behind schedule. As of June, 2025, excavation work of dam pit and right bank abutment had not been completed despite lapse of scheduled timelines of these components which will cause delay in construction of main dam. These delays are directly attributable to deficient project planning, unrealistic baseline scheduling and extensive post-award design changes mainly arising from inadequate geological and seismic investigations at the planning stage. Consequently, the objective of water storage does not seem to be achieved and remains deferred well beyond the original PC-I completion target of June, 2027 and contractual completion deadline of February, 2029.

The second major objective of the project is generation of 18,097 GWh of hydropower through construction of powerhouse of 4,500 MW and associated tunnels, intake and outlet structures. Realization of this objective depends on timely execution of diversion tunnels, power and flushing tunnels, intake structures and power infrastructure under Contract MW-1. Although certain intake and outlet excavation works have shown reasonable progress, key components including Diversion Tunnel-1, left bank flushing tunnel and Tangir Hydropower Works remain significantly incomplete despite lapse of their baseline timelines by June, 2025 reflecting inadequate planning, weak pre-execution preparedness and disruption caused by repeated design revisions introduced during construction.

It is further highlighted that the contract for Power Generation Facilities has not yet been awarded, which is a prerequisite for achieving the objective of electricity generation. Non-award of this critical contract, coupled with delays in hydropower related civil works has effectively stalled progress towards realization of the hydropower objective, thereby postponing commissioning of generation facilities and continued availability of low cost renewable energy to the national grid.

The third major objective is acquisition of 35,924 acres of land for the project. Out of total, 32,790 acres of land had been acquired up to June, 2025, representing 91.27% of the total land requirement. The remaining 3,134 acres is yet to be acquired.

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Assistant Audit Officer (IT)
20 October 2026 03:34:04 PM

The fourth major objective was resettlement of PAPs. Besides payment of compensation package, one Composite Model Village at Harpan Das, Chilas was also planned which is still under construction. An amount of Rs.12,380 million has been paid as compensation to 3,809 PAPs under the compensation package. A provision of Rs.6,775 million was provided in 2nd revised PC-I for construction of Harpan Das Composite Model Village. As per original layout, construction work for development of 1,350 plots was initially divided in seven contract packages relating to construction of roads, public buildings, water supply, sewerage system and electrification etc., which were awarded during April 28, 2011 to February 17, 2015 and have been completed. However, as per latest revised lay out plan, number of plots have been increased from 1,350 to 2,853 due to reduction in size of plots. Therefore, another contract for remaining/new works was awarded in July, 2024 which is under process of execution and its physical progress as on June, 2025 was 55.80%.

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:14:04 PM

2. PROJECT PLANNING

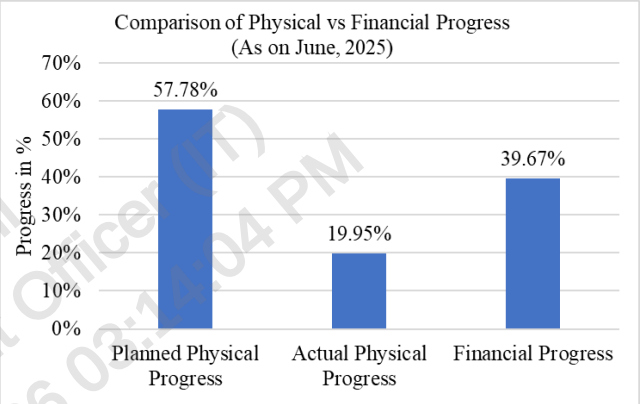
Project planning is the primary management function that translates approved scope into an executable roadmap covering design readiness, sequencing of critical works, realistic timelines, resource mobilization, risk mitigation and assured financing. For a project of the size and complexity of DBDP, credible planning requires

i. finalized/validated designs,
ii. complete geological, geotechnical and seismic investigations,
iii. a stable diversion and construction methodology, and
iv. an integrated construction schedule aligned with contracting strategy and funding availability.

A pre-feasibility study was carried out by M/s MONENCO, a Canadian firm in 1984. Feasibility study was again carried out by a consortium called M/s NEAC Consultants in 2004 and detailed engineering design was prepared by M/s Diamer Basha Consultants JV in 2008.

The approved PC-I envisaged completion of the Dam Part by June 2027, however, due to delay in award of civil works contract (MW-1) by two years, the contractual completion date was pushed to February 05, 2029. This reflected misalignment between planning assumptions and contractual realities from the very outset. Further, foundational works of diversion scheme (diversion tunnel-2) and coffer dam were executed through variation orders amounting to Rs.5,406 million. This indicated that the baseline schedule was established without finalized detailed engineering designs of works. Design issues coupled with an inherently unachievable schedule without proper integration of land acquisition & resettlement dependencies into the critical path directly caused repeated post-award design revisions, chronic disruption of work sequencing and persistent material deviation from planned progress. As of June 2025, physical progress stood at only 19.95% against the planned level of 57.78%, while financial progress reached 39.67%, reflecting a clear mismatch between incurred expenditure and actual physical outputs.

This is indicative of inefficiency in resource utilization and weak cost & schedule control over core deliverables, thereby deferring achievement of the project's principal objectives of live storage of water and generation of cheap electricity well beyond the originally sanctioned parameters.



The observed slippages are linked to systematic planning weaknesses including:

- baseline schedules prepared without adequate completion of geological /geotechnical/seismic investigations and without stable & finalized designs;
- major post-award design revisions that disrupted sequencing and eroded schedule control; and
- inadequate integration of land acquisition/ resettlement dependencies into the construction critical path, resulting in deferred availability of encumbrance-free land and repeated revisions of AL&R frameworks.

Audit also observed that delays in critical enabling works have compounded execution risk. The 21 MW Tangir Hydropower facility, intended to support construction power, remained delayed

Assistant Audit Officer (IT)
20 October 2026 03:14:04 PM

and the contractor had not completed essential accommodation/camp facilities for consultants and security as required, reflecting weak planning of logistics and enabling infrastructure. Further, the planning framework has not ensured timely readiness of the power generation stream. Although PC-I for Power Generation Facilities was approved in April, 2023, however, no contract for construction of the powerhouse had been awarded which materially defers achievement of the hydropower objective and weakens the overall integrated delivery plan.

The cumulative effect of these planning weaknesses is continued deferral of intended national benefits (storage and hydropower), increased exposure to time related cost escalation, higher likelihood of contractual disputes & variations (details at Appendix-III) and reduced assurance that the project can be delivered within approved parameters without decisive corrective management action.

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:14:04 PM

3. PROCUREMENT

Procurement is the process of acquiring goods, services or works from external sources usually through a structured and formal approach to meet the needs of an organization. It involves identifying requirements, selecting suppliers, negotiating contracts, ensuring value for money and managing the delivery and payment of purchased items. Effective procurement ensures timely availability of quality resources at the best possible cost while maintaining transparency, fairness and compliance with relevant laws, regulations and policies.

This section highlights audit observations on procurement activities of the project. Audit noted non-compliance with Public Procurement Regulatory Authority (PPRA) Rules & Regulations, WAPDA Procurement Manual, bid evaluation criteria and PC-I provisions in the award of contracts for works and consultancy services. Irregularities were also observed in hiring of vehicles by the DC/LAC and consultants.

3.1 Irregular award of contract of Diamer Basha Dam Project in violation of bid evaluation criteria / PPRA Rules

- According to Clause-2.5.1 of Eligibility and Qualification Criteria (contract of similar size and nature) of bidding documents, each local partner must have carried out at least one water sector project (Dam, Hydropower, Canal, Irrigation & Barrage etc.) amounting to Rs.3 billion within last 20 years.
- As per Clause-1.5(iv) of the Procurement and Contract Manual of WAPDA, an important part of procurement is advertising the proposed procurement of goods, works or services. The purpose is to ensure transparency and provide prospective bidders with a level play ground to all and defined requirements shall be adhered to by all procurements made for WAPDA. For projects which include procurement on the basis of International Competitive Bidding (ICB), apart from the above, the advertisement shall be published in foreign newspapers, journals and websites. Such invitations may also be forwarded to embassies and trade representatives of countries of likely suppliers and contractors.
- As per Rule-36(b)(v) of PPRA Rules, 2004, "the procuring agency shall evaluate the technical proposal in a manner prescribed in advance, without reference to the price and reject any proposal which does not conform to the specified requirements".

During audit of accounts of the General Manager (GM)/Project Director (PD), Diamer Basha Dam Project (DBDP), it was noticed that the prequalification process for award of construction of main dam (MW-1) of DBDP was annulled on January 31, 2019 due to the reason that none of the applicants met the qualification criteria. Later on, WAPDA invited bids through advertisement in local Newspapers as well as on WAPDA and PPRA Website on June 02, 2019 without resorting to the prequalification process. In response, two JVs i.e. M/s CGGC-GRC JV and M/s PowerChina-FWO JV submitted their bids up-to closing date i.e. August 21, 2019. After evaluation of technical bids, bid of M/s PowerChina-FWO JV was declared technically qualified for the subject works and the contract was awarded at contract price of Rs.442,402.79 million on May

Irfan Gul
Assistant Audit Officer (IT)
20 October 2025 05:14:34 PM

13, 2020 against PC-I provision of Rs.336,500 million (31.47% above PC-I provision).

Following irregularities were observed in award of the contract:

- As per Clause-2.5.1 of Eligibility and Qualification Criteria, each local partner must have carried at least one water sector Project (Dam, Hydropower, Canal, Irrigation & Barrage etc.) amounting to Rs.3 billion within last 20 years. The local JV partner i.e. M/s FWO was considered qualified on the basis of completion of contract No.GZD-02 (pertaining to Dam & Hydropower Component, Irrigation & Flood Component and Security Component of Gomal Zam Multipurpose Dam Project). As per available record, the Dam & Hydropower Component was carried out by the sub-contractor M/s Sinohydro Corporation, whereas, Irrigation & Flood Protection component was carried out by the sub-contractor M/s AREAA Constructions and M/s FWO only undertook the security component @ Rs.15 million per month. This fact was also mentioned in the Technical Evaluation Report of Mohmand Dam Hydropower Project where M/s FWO was declared non-responsive on the basis of this experience. Moreover, powerhouse completed by the M/s Sinohydro Corporation (sub-contractor of FWO) was not working satisfactorily since issuance of Taking-Over Certificate (TOC).

- As M/s PowerChina-FWO JV had not fulfilled the bid evaluation criteria, therefore, their bids should have been rejected as required under Rule-36(b)(v) of PPRA Rules, 2004 but instead of rejecting their technical proposal, the contract was awarded to them by extending undue favour.

It was further observed that the contract of Keyal Khwar Project amounting to Rs.14,544 million was also terminated by the WAPDA due to default of the contractor i.e. M/s Sinohydro Group Ltd. (new name Power Construction Corporation of China, Limited. i.e. PowerChina) but this fact was not considered at the time of bid evaluation. Audit held that despite non-fulfilment of aforementioned requirement by the single qualified bidder and in the absence of international competitive bidding and advertisement in violation of Procurement and Contract Manual of WAPDA, award of the project of such scale / complexities at 31.47% higher than PC-I cost to technically unqualified bidder was irregular. Neither due diligence was carried out in technical evaluation nor fair competition was ensured to ascertain the competitiveness of bid price which was undue favour to the JV partners especially in the wake of their poor past performance in WAPDA projects.

Non-adherence to the bid evaluation criteria/ PPRA Rules and without international public notice in violation of WAPDA Procurement and Contract Manual resulted in irregular award of contract amounting to Rs.442,402.79 million.

The matter was taken up with the management and reported to the Ministry. The management replied that experience of M/s FWO in Gomal Zam Dam Project (GZDP) was considered on the basis of letter of acceptance, TOC and balance work certificate issued to the contractor. Moreover, no restrictions were imposed by WAPDA on PowerChina Corporation for participating in any bidding process on account of termination of contract of Keyal Khwar Hydropower project. The bidding procedure was international competitive bidding and Notice Inviting Tender was published in local print and electronic media.

The reply was not acceptable because in GZDP, the work of construction of Dam & Hydropower

Assistant Audit Officer (IT)
20 October 2020 09:14:14 PM

Component was carried out by the subcontractor M/s Sinohydro Corporation and works of Irrigation & Flood Protection Component was carried out by the sub-contractor M/s AREAA Construction. M/s FWO only undertook the security component of the project. Moreover, as per Clause-1.5(iv) of Procurement and Contract Manual of WAPDA, for projects which include procurement on the basis of ICB, the advertisement shall be published in foreign newspapers, journals and websites. Such invitations may also be forwarded to Embassies and Trade Representatives of countries of likely suppliers and contractors. The guidelines contained in the said manual for award of contracts were not adhered to, due to which the contract was awarded on the basis of uncompetitive rates.

The DAC directed the management to justify award of contract in the light of audit observation along with supporting documents within one month.

No further progress was intimated till finalization of Audit Report.

Audit recommends that the matter needs to be investigated at apex level for fixing responsibility for award of contract in violation of bid evaluation criteria / PPRA Rules and at non-competitive price without accurate publicity.

(Para-1.5.1 of AR 2020-21)

3.2 Irregular award of contract for procurement of consultancy services for Diamer Basha Dam Project

- According to Regulation-3A(ii) (a & b)-Procedure for Selection under the Quality Based Selection (QBS) of the Procurement of Consultancy Services Regulations, 2010, a request for Expression of Interest (EOI) as laid down in Regulation-5 is advertised to invite interested applicants or firms to contest. A Request for Proposals (RFP) shall be prepared and sent to shortlisted consultants selected following the laid down criteria.
- As per Rule-30 of PPRA Rules, 2004, all bids shall be evaluated in accordance with the evaluation criteria and other terms and conditions set forth in the prescribed bidding documents.
- As per Regulation-10 of the Procurement of Consultancy Services Regulations, 2010, the committee of the procuring agency may negotiate with the highest ranked bidder regarding methodology, work plan, staffing and special conditions of contract. Provided that negotiations shall not seek changes in the rates quoted by the bidder in accordance with restriction imposed on financial negotiations under Rule-40 of the Public Procurement Rules, 2004.
- As per Clause-8.4.6 of Procurement and Contract Manual of WAPDA, financial negotiations shall include clarification of the consulting firm's (or each partner) tax liability in the country of the investment, and how this tax liability has been or would be reflected in the agreement.
- According to PC-I of the DBDP (Dam Part) approved by the ECNEC on April 17, 2018, there was a provision of Rs.11,000 million (excluding escalation factor) for consultancy services for Phase-I and PC-I for Phase-II has not yet been approved.
- As per office order issued by the Secretary WAPDA on April 26, 2018, without ensuring availability of finance, no purchase or procurement should be initiated.

Irfan Gul
Assistant Audit Officer (IT)
20 October 2020 03:14:04 PM

- As per Regulation-11 of the Procurement of Consultancy Services Regulations, 2010, the consultants selected and awarded a contract shall be liable for consequences of errors or omissions on its part. The extent of liability of the consultant should be incorporated in the contract and in no case should it be less than remuneration excluding the out of pocket expenses, nor should the liability exceed twice the remunerations.
- As per Rule-32 (discriminatory and difficult conditions) of PPRA Rules, 2004, save as otherwise provided, no procuring agency shall introduce any condition, which discriminates between bidders or that is considered to be met with difficulty.

During audit of accounts record of the GM/PD, DBDP, it was noticed that EOI for procurement of Consultancy Services for Construction Design & Drawings, Construction Supervision and Contract Administration through International Competitive Bidding was advertised on December 31, 2016 in leading national newspapers and also on WAPDA website with Quality and Cost Based Selection (QCBS) (90:10) method. The last date for submission of EOI was February 15, 2017 and six firms/JVs submitted their proposals by due date. The evaluation committee recommended three JVs for further evaluation and RFP documents were issued to these JVs on November 03, 2017. Out of three, two JVs i.e. M/s Lahmeyer International (Lead Firm) and M/s Mott MacDonald, UK (Lead Firm) submitted their Technical and Financial Proposals up to due date i.e. March 28, 2018. The technical evaluation committee evaluated the technical proposals of both the JVs and M/s Lahmeyer International in joint venture with other firms got 81.5/90 of technical score, whereas, M/s Mott MacDonald in joint venture with other firms (including M/s NESPAK) got 73.8/90 of technical score. The technical committee in May, 2018 recommended Authority to approve ranking of technical evaluation and allow the committee to open the financial proposals of two technically qualified joint ventures. After technical evaluation, Director (contracts) WAPDA vide letter No.GM/DBDP/W-10.12/ 787-88 dated June 21, 2018 sent Item Note to Secretary WAPDA for obtaining approval of Technical Evaluation Report from Authority. However, Secretary WAPDA office vide letter No.WAPDA Sectt/ Coord/03005/MTG/6059 dated July 23, 2018 returned the Item Note for record. Later on, the Authority, in its meeting held on September 28, 2018 accorded approval for discontinuation of process and returning financial proposals of both the consultant JVs, being time barred. Thereafter, Authority in its meeting held on October 03, 2018 accorded approval for engagement of consultants through RFP on QBS method with Local Firm as Lead Role on the plea of previous poor experience with foreign firms in Lead Role after 9/11 and that local firms would safeguard national interest and had sustained ownership. The RFP under QBS method was invited on October 23, 2018 which was opened on December 26, 2018 and only one Joint Venture M/s Diamer Basha Consultants Group (DBCG) with M/s NESPAK as Lead Firm submitted the technical and financial proposal. After technical and financial evaluation, consultancy agreement was awarded to M/s DBCG at a cost of Rs.27,182.09 million on May 11, 2020 for Phase-I & Phase-II. Following irregularities were observed in award of the contract:

- The initial process of hiring of consultants was deliberately delayed as Item Note was submitted for approval of Authority on June 21, 2018 well before expiry of validity of proposals i.e. September 24, 2018. As per record, no request was made to the technically evaluated

Irum Gull
Assistant Audit Officer (IT)
20 October 2025 05:41:04 PM

consultants for extension in their bid validity but M/s Lahmeyer International vide letter dated September 26, 2018 extended their bid validity until December 31, 2018 and their request was turned down by the management. Moreover, method of procurement under QCBS was changed to QBS without assigning any cogent reasons.

- Request for proposal was called without inviting Expression of Interest (EOI) for QBS method as required under Regulation-3A(ii) (a & b) Procurement of Consultancy Services Regulations, 2010.

- The financial proposal submitted by the single bidder was not as per the format provided in the RFP documents (Model Form-I). The prescribed percentages of remuneration charges provided in the bidding form were not adhered to by the bidder in its bid. Multiple negotiations were made with the consultants to finalize the consultancy cost and after eighth negotiation meetings, the consultancy cost for Dam Part was reduced from Rs.29,347.65 million to Rs.15,754.81 million and for Powerhouse Part was reduced from Rs.17,791.88 million to Rs.11,564.89 million. This was done in violation of Regulation-10 of Procurement of Consultancy Services Regulations, 2010 and Clause-8.4.6 of Procurement & Contract Manual of WAPDA.

- The contract was awarded without seeking complete audited financial statements of the firms showing provision of basic remuneration and true copies of salary slips / tax returns of employees to substantiate the actual rates of remunerations & other charges as required under Clause-1.3 and Sample Form in Section-4 of RFP. Moreover, some positions against permanent employees were nominated without names, hence, their status with consultancy firms (permanent / non-permanent), relevant experience and actual remuneration rates could not be verified. WAPDA itself noted in its negotiation report vide para-27(viii) that some of the documents to verify the status of personnel, payroll sheets, social charges, company overheads and various allowances were not provided by the consultants in-spite of repeated requests. It showed that bid was not evaluated as per Rule-30 of PPRA Rules which required that all bids shall be evaluated in accordance with the evaluation criteria but the contract was awarded in the absence of mandatory documents to verify the financial aspects of the proposal.

- The contract for consultancy services was awarded for two parts (Dam Part & Powerhouse Part), whereas, PC-I of only Dam Part was approved and its contract was awarded. Neither PC-I of Powerhouse was approved nor its contract was awarded which showed that the consultancy contract for Powerhouse Part was awarded in violation of PC-I's provisions and instructions of Authority dated April 26, 2018.

- M/s NESPAK vide letter dated November 02, 2018 requested to change the Clause-21.1 (Pre-Requisite for Local Lead Firm) of RFP on the plea that the criteria provided in the RFP was inadequate and should be enhanced. The management (including all Members) in meetings held on November 19 & 21, 2018 decided to fix minimum limit of 30% of key positions for local persons and 10% share of lead firm in key positions (local persons). It is worth mentioning here that the project management while submitting Item Note, changed the 30% limit with 40% limit at their own and got it approved from the Authority. Member (Finance) WAPDA also showed his reservations over fixation of this limit under QBS method. Moreover, length of the required

Asisstant Audit Officer (IT)
20 October 2020 05:14:04 PM

experience of the staff was also reduced on the request of M/s NESPAK. The change in Clause-21.1 (Pre-Requisite for Local Lead Firm) was made just to extend undue favour to M/s NESPAK (being large consultancy firm) in violation of Rule-32 (Discrimination and Difficult Condition) of PPRA Rules, 2004.

- Extent of liability of the consultants was reduced to Rs.1,000 million on the request of M/s DBCG instead of at least equal to the remuneration i.e. Rs.23,019.25 million to a maximum of twice the remuneration i.e. Rs.46,038.50 million as required under Regulation-11 of the Procurement of Consultancy Services Regulations, 2010.

Audit held that initial process for selection was deliberately delayed to change the mode of procurement from QCBS to QBS and criteria for Pre-Requisite for Local Lead Firm was changed for eliminating competition and giving undue favour to NESPAK as lead firm. No short listing or pre-qualification of consultants was carried out for a project of such scale and complexity through the mechanism of EOI. Despite repeated negotiations in violation of PPRA Regulations, the remuneration rates of consultants contained in the financial bid of the single bidder could not be finalized due to non-provision of mandatory documents, as such, value for money could not be achieved. Audit further held that award of consultancy services for Power House component without its approved PC-I was irregular.

Non-adherence to aforementioned rules/ conditions resulted in irregular award of contract amounting to Rs.27,182.09 million for procurement of consultancy services.

The matter was taken up with the management and reported to the Ministry. The management replied that:

- Initial process of Consultancy Services was not delayed deliberately but on directions of inquiry committee constituted by the Prime Minister Office to blacklist M/s Diamer Basha Consultant led by M/s Lahmeyer International and M/s Lahmeyer International extended the bid validity after its expiry.
- QBS method was most appropriate for DBDP due to its complexities.
- As per Procurement of Consultancy Services Regulations, 2010, there was no bar on calling RFP without EOI.
- Only extra allowances were discussed with consultants and no basic rates were negotiated.
- A condition has been included in the contract for verification of rates at the time of First Invoice for which a committee had been constituted.
- It was not possible to award consultancy agreement of technically complex project to different consultants for Dam Part and Powerhouse Part separately as these components are interlinked. The Phase-II will commence after written instructions by the Client.
- WAPDA Authority in its meeting held on October 03, 2018 accorded approval for inclusion of condition of local persons in key position as 40%.

Audit contended that similar events had occurred in case of award of consultancy contract of Mohmand Dam Hydropower Project where QCBS method was changed with QBS method in pretext of 9/11 events and cost was also increased from Rs.3,599.80 million to Rs.9,981.84 million abnormally. It appears that the same process was repeated in DBDP only to bring local consultants as lead partner. Therefore, award of consultancy agreement needs to be investigated in detail.

Irum Gull
Assistant Audit Officer (IT)
20 October 2020 05:14:04 PM

The DAC directed the management to justify award of Consultancy Agreement in the light of audit observation along with supporting documents within one month.

No further progress was intimated till finalization of Audit Report.

Audit recommends that the matter needs to be investigated at apex level for fixing responsibility of award of contract in violation of rules/ conditions of bidding documents.

(Para-1.5.2 of AR 2020-21)

3.3 Irregular hiring of vehicles and transfer of funds to DC/LAC in violation of Public Procurement Rules and Assan Assignment Account Procedures

According to Para-1(xv) of the Assan Assignment Account Procedure (local currency) circulated by the Controller General of Accounts on October 26, 2020, cash withdrawal or transfer of funds to any bank account is not allowed except employees related deductions like pension contribution, provident fund and general provident fund, etc. Payment shall be made only through crossed cheque to contractors, vendors, suppliers, employees, etc. As per Rule-20 of the PPRA Rules, 2004, "save as otherwise provided hereinafter, the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works". As per PC-I, there was no provision of hiring of vehicles on rental basis through the DC/LAC.

During audit of accounts of the Chief Executive Officer (CEO)/GM, DBDC along with GM, Land Acquisition & Resettlement (LA&R), Chilas for the period from July, 2024 to June, 2025, it was noticed that an amount of Rs.468.499 million was transferred/paid to the DC/LAC, Chilas for hiring of different types of private vehicles for use of staff of WAPDA, DC/LAC and different security agencies. As per PPRA Rules, these vehicles should have been hired by WAPDA through transparent bidding to have competitive rates. Further, there was no rule regarding transferring of funds from Assignment Account to the account of DC for further payments to vendors. Moreover, this payment was made to the DC on rates finalized by him without involvement of WAPDA, without assessing actual need and providing record of usage of vehicles. Audit held that hiring of private vehicles without competitive bidding in violation of PPRA Rules and transferring of funds to the account of DC in violation of Assan Assignment Account Procedure was irregular.

Non-adherence to Public Procurement Rules, 2004, Assan Assignment Account Procedure and PC-I resulted in irregular hiring of vehicles and transfer of funds amounting to Rs.468.499 million to DC/LAC during FY 2024-25.

The matter was taken up with the management in September, 2025 and reported to MoWR in November, 2025. The management replied that since the hiring of vehicles through tendering process required significant time period, therefore, to ensure safety of foreign nationals, decision was made for hiring of vehicles through DC Diamer. Later, tendering process was initiated by this office and tender notice was published in print and electronic media on June 12, 2024. Afterwards, a writ petition was filed against said tender notice and Gilgit Baltistan Chief Court suspended the tendering process. Subsequently, project office left with no other option and went for direct contracting with the existing vendor in the light of decision of Reginal Intelligence Committee and recommendations of local administration. However, transfer of funds for

Irfan Gull
Assistant Audit Officer (IT)
20 October 2025 05:14:04 PM

rented vehicles in the account of DC/LAC had been stopped and project office was directly paying to the vendor w.e.f. August 01, 2025. Further, tender for hiring of vehicles through open competitive bidding was under process.

The reply was not tenable because funds were being continuously transferred to the DC/LAC since long time for hiring of vehicles without any justification and at uncompetitive rates. Further, entering in direct contracting with the vendor was also not justified.

The para was discussed in DAC meeting held on January 23, 2026, however, minutes of DAC meeting were not provided by the PAO MoWR till finalization of this Audit Report.

Audit recommends the management to justify hiring of vehicles through DC/LAC in violation of PPRA rules and transferring of funds from Assignment Account besides fixing responsibility.

(Draft Para No.197/2025-26)

3.4 Unjustified excess expenditure on account of hiring of vehicles on rental basis

According to Para-7(1)(a) of Financial Management and Powers of Principal Accounting Officers Regulations, 2021, the PAO shall be responsible to adhere to and enforce the principles of financial propriety, including the compliance of laws, rules, regulations, maintaining high standard of prudence, vigilance, due diligence and ensuring value for money while incurring expenditure and collecting government receipts.

As per Clause-6.2 of the Consultancy Services Agreement (CSA), the client shall pay to the consultants reimbursable direct costs (non-salary costs) actually and reasonably incurred by the consultants in the performance of the services.

During audit of accounts of the CEO/GM, DBDC along with GM (LA&R), Chilas for the period from July, 2024 to June, 2025, it was noticed that the contract for consultancy services of main dam works was awarded to M/s DBCG Consultants in May, 2020. It was further observed from the invoices of the consultants that rental vehicles (Toyota Double Cabin) were hired @ Rs.350,000 per month. Further probe into the matter revealed that M/s BAK Consultants (supervising resettlement works) hired the similar type of vehicles @ Rs.100,000 per month. It reflected that the consultants (M/s DBCG) were not incurring expenditure reasonably with due diligence and the management had also not taken notice of such anomaly. Audit held that extra expenditure of Rs.17.569 million incurred and claimed by M/s DBCG as compared to the rates of M/s BAK Consultants was not justified.

Non-adherence to the aforementioned regulation & CSA resulted in unjustified excess expenditure of Rs.17.569 million on account of hiring of vehicles on rental basis during the FY 2024-25.

The matter was taken up with the management in September, 2025 and reported to MoWR in December, 2025. The management replied that the para would be conveyed to the consultants. As and when reply received, Audit would be informed accordingly.

No reply was furnished till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2025. Subsequently, as per procedure, two reminders were also issued on January 5 & 12, 2026, however, DAC meeting could not be scheduled.

Audit recommends the management to justify hiring and payment of rent of vehicles hired by the consultants at exorbitant rates.

(Draft Para No.215/2025-26)

Assistant Auditor General (IT)
Audit Office, Gilgit
20 October 2026 04:04 PM

4. CONTRACT MANAGEMENT

Contract management is the process whereby contracts are entered into, administered and concluded in a manner intended to safeguard the interests of the organization. It includes execution of agreements, monitoring of contractual obligations, verification of compliance with approved terms & conditions and handling of variations, if any. Weaknesses in contract management may result in non-achievement of intended objectives, financial losses and undue benefits to contractors. Effective contract management, therefore, is essential to ensure transparency, economy, efficiency and adherence to applicable rules & regulations.

This section presents audit observation relating to contract management. Audit observed pervasive contract mismanagement marked by non-adherence to contract provisions & approved procedures resulting in undue favour to contractors and consultants and substantial financial loss to the Authority. Contracts were irregularly amended, payments were made without execution of work and additional financial assistance was granted without contractual backing. Mobilization advances, retention money and other recoveries were either deferred, irregularly rescheduled or not recovered at all. The consultants failed to exercise due diligence in design, supervision, valuation of variations and certification of claims leading to wasteful expenditure, excess and unjustified payments. Payments were also made without approval of competent authority or supporting contemporary records.

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Assistant Audit Officer (D)
20 October 2026 05:14:04 PM

4.1 Undue favour to the contractor through amendment in contract without execution of work of BOQ item

According to Clause-6.18.2 of Technical Specifications (Vol-2A) of the contract No. MW-1, "RCC for permanent works and additional work includes formwork and lateral support system, aggregate, admixture (retarders/super retarders), mixing, delivery, placing, conveying, compaction, lift joint cleaning and preparations, curing, protection, thermal controls, any repairs necessary for defective work, and all other incidental aspects of the RCC work. Measurement for RCC shall be based upon the volume of RCC in "cubic metres" within the paylines of the structures as indicated on the drawings or approved by the Engineer. Measurement of RCC against excavation shall be based on the actual surveyed excavation line for excavation shown on the drawings or approved by the Engineer. Payment shall be made for costs (mixing, aggregate, admixture, delivery, placing, formwork and lateral support system for all faces, curing, covering in winter season, finishing, and others) associated with RCC placed in the permanent works as shown on the drawings or required by the specifications, and as approved by the Engineer". As per Bill of Quantities (BOQ) No.05.01.06.0010 (Roller Compacted Concrete), the contract quoted a rate of Rs.8,106.50 per m^3. As per Form of Technical Bid, the contractor declared to execute and complete such works and remedy any defects therein in conformity with the Appendices to bid, conditions of contract, specifications, drawings, bill of quantities and addenda. Further, no reservation was made on any condition of contract.

During audit of accounts of the CEO/GM, DBDC along with GM (LA&R), Chilas for the period from July, 2024 to June, 2025, it was noticed that a contract No.MW-1 was awarded to M/s Power China-FWO JV on May 13, 2020 at a contract price of Rs.442,402.786 million. As per provision

of contract, the contractor quoted a unit rate of Rs.8,106.50 per m^3 for placement of 17,100,000 m^3 RCC. Further scrutiny of the record revealed that an amount of Rs.10,171.849 million (Rs.6,310.244 million + USD11.728 million) was paid to the contractor by amending the contract clause-6.18.2 through amendment No.6 without execution of RCC placement work under the respective BOQ item. This amount was paid to the contractor by bifurcating existing BOQ rate into two pay items on pretext of meeting financial challenges of the contractor. It is pertinent to mention that neither payment of any Interim Payment Certificate (IPC) was pending on the part of employer nor entire amount of mobilization advance was yet recovered. Audit held that such payment to the contractor through amendment by bifurcating the method of payment of BOQ item without actual placement of RCC in violation of contract was an undue favour to the contractor.

Non-adherence to the provisions of contract resulted in an undue favour of Rs.10,171.849 million to the contractor through amendment in contract without execution of work of BOQ item during the FY 2024-25.

The matter was taken up with the management in September, 2025 and reported to MoWR in October, 2025. The management replied that the para would be conveyed to the consultants for reply. As and when the reply is received, Audit would be informed accordingly.

No reply was furnished till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2025. Subsequently, as per procedure, two reminders were also issued on January 5 & 12, 2026, however, DAC meeting could not be scheduled.

Audit recommends the management to justify the payment made to the contractor by amending the clause of BOQ item in violation of provisions of the contract besides fixing responsibility for the same.

(Draft Para No.111/2025-26)

Irum Gul
Assistant Audit Officer (IT)
20 October 2026 03:14:04 PM

4.2 Undue favour to the contractor on account of additional financial assistance

According to Clause-60.11 of the Special Stipulations of Contract, amount of financial assistance (mobilization advance) shall be 10% of the contract price stated in the Letter of Acceptance excluding provisional sums. Further, there was no provision for grant of additional financial assistance in the contract. As per minutes of WAPDA Authority's meeting dated December 18, 2024, Authority accorded approval of amendment No.5 regarding payment of additional financial assistance to the contractor subject to the condition that the contractor shall re-commence works on the Tangir Hydropower Project within 10 days. Following the resumption of works, the contractor will be entitled to receive the financial assistance payments.

During audit of accounts of the CEO/GM, DBDC along with GM (LA&R), Chilas for the period from July, 2024 to June, 2025, it was noticed that a contract No.MW-1 was awarded to M/s Power China-FWO JV on May 13, 2020 at a contract price of Rs.442,402.786 million. In line with contract provision, an amount of Rs.36,185.354 million was paid to the contractor as mobilization advance in June, 2020. Further scrutiny of record revealed that an amount of Rs.6,572.044 million was again paid to the contractor in February, 2025 as additional financial assistance through amendment No.5 to overcome contractor's cash flow issues without any provision in the contract. It was further observed that the said amount was

paid without resumption of work of Tangir Power House by the contractor, contrary to the decision of the Authority, even till June, 2025. Audit held that additional financial assistance to the contractor was not covered under the contract, therefore, its payment through amendment in contract and even without resumption of required work was an undue favour to the contractor.

Non-adherence to the aforementioned provision/decision resulted in undue favour of Rs.6,572.044 million to the contractor on account of additional financial assistance during the FY 2024-25.

The matter was taken up with the management in September, 2025 and reported to MoWR in November, 2025. The management replied that the para would be conveyed to the consultants for reply. As and when reply is received, Audit would be informed accordingly.

No reply was furnished till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2025. Subsequently, as per procedure, two reminders were also issued on January 5 & 12, 2026, however, DAC meeting could not be scheduled.

Audit recommends the management to justify the payment of additional financial assistance to the contractor without any provision in the contract besides fixing responsibility.

(Draft Para No.194/2025-26)

4.3 Undue favour to the contractor by non-recovery of due amount of mobilization advance in violation of provision of contract

According to Clause-60.11(b) of the Particular Conditions of Contract (PCC), the advance shall be recovered in equal instalments'; first instalment at the expiry of third month after the date of payment of first part of Advances and the last instalment two months before the date of completion of works as per clause-43 hereof.

During audit of accounts of the CEO/GM, DBDC along with GM (LA&R), Chilas for the period from July, 2024 to June, 2025, it was noticed that contract No.MW-1 was awarded to M/s Power China-FWO JV on May 13, 2020 at a contract price of Rs.442,402.786 million. As per provision of contract, an amount of Rs.36,185.354 million (@ 10% of contract price less provisional sum) was paid to the contractor as mobilization advance in June, 2020. It was further observed that recovery of instalments of mobilization advance amounting to Rs.1,125 million (for the months of June to August, 2024) was due in IPC-32. However, the management instead of recovering this amount accorded approval for its recovery from subsequent IPCs in 50 instalments of Rs.22.500 million each. Similarly, recovery of instalments of mobilization advance amounting to Rs.795 million (for the months of March & April, 2025) was due in IPC No. 36. However, the management vide letter dated June 17, 2025 accorded approval for suspension of its recovery on account of cashflow issues of the contractor. Audit held that suspension of recovery of due instalments of mobilization advance amounting to Rs.1,920 million and according approval for recovery of Rs.1,125 million in 50 instalments, in violation of provision of contract, was an undue favour to the contractor.

Non-adherence to the provision of the contract resulted in an undue favour to the contractor by non-recovery of due amount of mobilization advance amounting to Rs.1,920 million in violation of provision of contract during the FY 2024-25.

Ikram Gill
Assistant Audit Officer (IT)
28 October 2026 03:14:04 PM

The matter was taken up with the management in September, 2025 and reported to MoWR in October, 2025. The management replied that in accordance with Minutes of Meeting held on March 11, 2020, it was agreed that the quantum and the detailed schedule of recovery would be finalized during the execution stage. Considering the contractual provisions for revising the repayment mechanism, the Employer approved recovery in 50 installments acknowledging the impact on the contractor's cash flow due to the hefty deductions.

The reply was not tenable because non-recovery of due amount of mobilization advance on account of contractor's cash flow issues and further allowing recovery of Rs.1,125 million in 50 installments was not justified and undue favour to the contractor.

The para (PDP-112/2025-26) was discussed in DAC meeting held on January 19, 2026, however, minutes of DAC meeting were not provided by the PAO MoWR till finalization of this Audit Report.

Audit recommends the management to ensure recovery of entire due amount of mobilization advance from the contractor without further delay besides fixing responsibility for extending undue favour to the contractor.

(Draft Para No.112 & 209/2025-26)

4.4 Excess payment to the contractor due to less deduction of retention money

According to Clause-60.2 of Special Stipulations of contract No.MW-1, percentage of retention money is '10% of the amount of IPC'. As per Clause-5.2 (Priority of Contract Documents) of the PCC, Special Stipulations (Appendix A to Bid) are at Sr. No. (4) and General Conditions of Contract (GCC) are at Sr. No. (6) in the priority of contract documents.

During audit of accounts of the CEO/GM, DBDC along with GM (LA&R), Chilas for the period from July, 2024 to June, 2025, it was noticed that a contract No.MW-1 was awarded to M/s Power China-FWO JV on May 13, 2020 at a contract price of Rs.442,402.786 million. Scrutiny of record revealed that an amount of Rs.20,528.426 million was paid to the contractor through IPC No.32 to 36. As per Special Stipulation No.60.2, retention money of Rs.2,052.843 million @ 10% of amount of IPCs was required to be deducted, however, retention money of Rs.1,378.301 million was deducted after excluding the amount of escalation/price adjustment. Audit held that as per priority of documents, Special Stipulations had priority over GCC, therefore, deduction was required to be made as per Special Stipulations but the needful was not done, which resulted in excess payment of Rs.674.542 million to the contractor.

Non-adherence to the provisions of contract resulted in excess payment of Rs.674.542 million to the contractor due to less deduction of retention money during the FY 2024-25.

The matter was taken up with the management in September, 2025 and reported to MoWR in November, 2025. The management stated that detailed reply would be produced after scrutiny of record.

No reply was furnished till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2025. Subsequently, as per procedure, two reminders were also issued on January 5 & 12, 2026, however, DAC meeting could not be scheduled.

Audit recommends the management to justify less

Irum Gul
Assistant Audit Officer (IT)
20 October 2026 03:14:04 PM

deduction of retention money in violation of provisions of contract besides ensuring its recovery from the contractor.

(Draft Para No.196/2025-26)

4.5 Unjustified payment to the contractor on account of services charges for providing office and residential accommodation to consultants at exorbitant rates

According to Engineer's Instruction dated July 05, 2022 conveyed to the contractor vide letter dated July 07, 2022, the contractor was required to immediately commence the process for construction of consultants' accommodation at Area-6. As per Clause-3.1.1 of the CSA, the consultants shall perform the services and carry out the services with all due diligence, efficiency and economy in accordance with generally accepted professional techniques and practices, and shall observe sound management practices.

During audit of accounts of the CEO/GM, DBDC along with GM (LA&R), Chilas for the period from July, 2024 to June, 2025, it was noticed that a contract for civil works (Dam Part) was awarded to M/s Power China FWO-JV on May 13, 2020. The Engineer vide letter dated July 05, 2022 issued instructions to the contractor for construction of consultant's accommodation, however, these accommodations had not yet been constructed by the contractor despite lapse of period of three years. It was further noticed that the contractor accommodated the consultant's staff at his own premises which was constructed at the cost of Employer and exorbitant monthly charges (electricity charges Rs.154,762, services cost-Rs.38,250 & water supply charges Rs.6,240 per room) along-with escalation was being charged to the Employer. Audit held that the contractor was required to execute the work timely as instructed by the Engineer but the needful was not done, due to which service charges amounting to Rs.537.311 million were paid during the FY 2024-25 at exorbitant rates which was not justified. It also reflected that the consultants were not performing their duties with due diligence.

Non-adherence to the Engineer's instruction resulted in unjustified payment of Rs.537.311 million to the contractor on account of services charges for providing office and residential accommodation to consultants at exorbitant rates during the FY 2024-25.

The matter was taken up with the management in September, 2025 and reported to MoWR in December, 2025. The management stated that detailed reply would be produced after scrutiny of record in due course of time.

No reply was furnished till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 26, 2025. Subsequently, as per procedure, two reminders were also issued on January 5 & 12, 2026, however, DAC meeting could not be scheduled.

Audit recommends the management to justify payment of exorbitant services charges to the contractor for providing accommodations to the consultants constructed at employer's cost besides ensuring completion of required accommodations at the earliest.

(Draft Para No.307/2025-26)

Assistant Audit Officer (IT)
20 October 2026 03:14:04 PM

4.6 Unjustified payment to the contractor on account of rental charges for provision of accommodation to security staff

According to Clause-13.1.13 of Special Provisions of the Contract, the Employer may require the contractor to construct certain facilities and/or to provide to be deployed at the

project for security of the expatriate personnel. A provisional sum of Rs.200 million was included in the BOQ for providing such facilities and services at site as per requirement of the Employer.

During audit of accounts of the CEO/GM, DBDC along with GM (LA&R), Chilas for the period from July, 2024 to June, 2025, it was noticed that an amount of Rs.239.508 million on account of rent of accommodation provided to the security staff was paid to the contractor. The consultants vide letter dated June 28, 2022 directed the contractor to construct certain facilities/fabricated houses for security forces deployed at site within nine months. Further scrutiny of record revealed that an amount of Rs.256.205 million under the provisional sum had also been paid to the contractor for construction of required facilities up to IPC-36. However, the required accommodations were not constructed for the security forces and prefabricated containers /rooms were provided to the security forces for their accommodation on monthly rent. Audit held that as per contract, the contractor was required to construct facilities timely and there was no provision for providing of camps at rental charges, hence, payment of rental charges for accommodation provided to the security forces was unjustified.

Non adherence to the provision of contract resulted in unjustified payment of Rs.239.508 million to the contractor on account of rental charges for provision of accommodation to security forces up to the FY-2024-25.

The matter was taken up with the management in September, 2025 and reported to MoWR in December, 2025. The management stated that detailed reply would be produced after scrutiny of record in due course of time.

No reply was furnished till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 26, 2025. Subsequently, as per procedure, two reminders were also issued on January 5 & 12, 2026, however, DAC meeting could not be scheduled.

Audit recommends the management to justify payment of rent of accommodation of security staff to the contractor besides ensuring completion of required accommodations at the earliest.

(Draft Para No.297/2025-26)

Ilam Gul
Assistant Audit Officer (IT)
20 October 2026 03:14:04 PM

4.7 Wasteful expenditure due to change in design of diversion canal after execution of work

According to Clause-4 of Appendix-A of CSA, the objective of the assignment is to provide consultancy services for both the phases including review of detail design of DBDP, carry out construction design & drawings, construction supervision and contract administration as "The Engineer" and address the technical and logistical problems to facilitate the smooth construction and realization within minimum possible time. As per Clause-5.1, as a result of the design review, should the consultants deem it necessary that additional site investigations, surveys etc. are required, then the field work will be got carried out. As per Clause-3.4, "the consultants are liable for the consequence of errors and omissions on their part or on the part of their employees in so far as the design of the project is concerned to the extent and with the limitations. If the Client suffers any losses or damages as a result of proven faults, errors or omissions in the design of a project, the Consultants shall make good such losses or damages".

During audit of accounts of the CEO/GM, DBDC along with GM (LA&R), Chilas for the period

from July, 2024 to June, 2025, it was noticed that an amount of Rs.108.275 million was paid to the contractor on account of rock support material (installation of rock bolts and reinforcement steel welded mesh) at dam right abutment and diversion tunnel outlet. After execution of rock support work at the said locations, design of the diversion canal alignment was changed which significantly affected already executed rock support work and expenditure incurred thereon gone waste. As per CSA, the consultants were required to carry out their duties with due diligence and construction drawings were required to be issued to the contractor for execution of work only after proper site investigation and surveys but the needful was not done. Audit held that as the consultants were responsible for consequences of errors and omissions on their part, therefore, this loss was required to be recovered from them.

Non-adherence to the CSA resulted in wasteful expenditure of Rs.108.275 million due to change in design of diversion canal after execution of work up to the FY 2024-25.

The matter was taken up with the management in September, 2025 and reported to MoWR in December, 2025. The management replied that the matter was referred by DBDC to the International Panel of Experts (IPOEs) on March 22, 2022 for review. The IPOEs concluded that both the retaining guide wall and the diversion canal should be founded in their entirety on rock. Notwithstanding, the audit observation regarding wasteful expenditure has been noted.

The reply was not tenable because the consultants were required to approve design/issue construction drawings after detailed survey/investigation but the same was not done.

The para was discussed in DAC meeting held on January 19, 2026, however, minutes of DAC meeting were not provided by the PAO MoWR till finalization of this Audit Report.

Audit recommends the management to ensure recovery of loss sustained due to change in design after execution of work from the consultants.

(Draft Para No.198/2025-26)

Assistant Audit Officer (IT)
20 October 2026 03:14:04 PM

4.8 Unjustified payment of claim of accommodation charges provided to the security personnel

According to Clause-H (Section-IV) of the WAPDA BOFP, the G.M was authorized to accept contractor's other claims up to 2% of the original contract price or Rs.4 million whichever is less. As per Clause-53.1 of the GCC, "notwithstanding any other provision of the contract, if the contractor intends to claim any additional payment pursuant to any clause of these conditions or otherwise, he shall give notice of his intention to the Engineer, with a copy to the Employer, within 28 days after the event giving rise to the claim has first arisen". As per Clause-53.2 of GCC, "upon the happening of the event referred to in sub-clause 53.1, the contractor shall keep such contemporary records as may reasonably be necessary to support any claim he may subsequently wish to make. Without necessarily admitting the Employer's liability, the Engineer shall, on receipt of a notice under sub-clause 53.1, inspect such contemporary records and may instruct the contractor to keep any further contemporary records as are reasonable and may be material to the claim of which notice has been given. The contractor shall permit the Engineer to inspect all records kept pursuant to this sub-clause and shall supply him with copies thereof as and when the Engineer so instructs".

During audit of accounts of the CEO/GM, DBDC along with GM (LA&R), Chilas for the period from July, 2024 to June, 2025, it was noticed that a claim of the contractor (contract No.RBPR-02)

for providing accommodation and facilities to security personnel was certified by the M/s BAK Consulting Engineers JV for Rs.130.259 million out of which an amount of Rs.104.207 million was paid to the contractor in IPC No.53. As per BOFP, the said claim was required to be presented to WAPDA Authority for approval because its amount was beyond competency of the GM/PD but the same was paid without approval of Authority. Further probe into the matter revealed that the consultants were hired in February, 2024, whereas the said claim pertained to the period from May, 2018 to September, 2024 and was not earlier claimed by the contractor. However, the consultants certified the previous claim without knowing the factual position/contemporary record (actual usage of generator, provision of rooms and water, etc.). Audit held that the consultants did not supervise the previous security arrangements and claim was paid without approval of Authority, therefore, certification/payment of a previous claim without complete contemporary record and approval of competent authority was not justified.

Non-adherence to the provision of contract resulted in unjustified payment of Rs.104.207 million on account of claim of accommodation charges provided to the security personnel during the FY 2024-25.

The matter was taken up with the management in September, 2025 and reported to MoWR in December, 2025. The management replied that the Engineer evaluated the subject claim in accordance with his contractual obligations. The Engineer recommended payments to the contractor from the head of "Provisional Sum" against services indicated in the contract pursuant to Clause-58 of GCC. The contemporary record and Engineer's assessment/ determination would be provided to Audit for verification

The reply was not tenable because earlier the work of contract No. RBPR-02 was supervised by other consultants i.e. M/s DBCG but this claim was not vetted by them. Therefore, vetting the same by new consultants who were not involved in supervision work without knowing ground reality/contemporary record was not justified. Further, this amount was required to be paid after processing a claim by getting approval from WAPDA Authority. Therefore, responsibility needed to be fixed for payment of amount without approval of competent authority.

The para was discussed in DAC meeting held on January 19, 2026, however, minutes of DAC meeting were not provided by the PAO MoWR till finalization of this Audit Report.

Audit recommends the management to justify payment of claim of the contractor without approval of competent authority and provision of contemporary record besides ensuring recovery and fixing responsibility of irregular payment.

(Draft Para No.211/2025-26)

Assistant Audit Officer (D)
20 October 2026 05:19:54 PM

4.9 Excess payment to the contractor due to use of exorbitant rate in variation order

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, 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". As per Clause-20 (a) of CSA, the consultants shall perform the services and carry out the services with all due diligence, efficiency and economy in accordance with generally accepted professional techniques and practices, and shall observe sound management practices.

During audit of accounts of the CEO/GM, DBDC along with GM (LA&R), Chilas for the period from July, 2024 to June, 2025, it was noticed that a contract No.CDT-02 for external development works at Cadet College, Chilas was awarded to M/s Hasnat Brothers Construction Company in January, 2022 at a contract price of Rs.720.122 million. Scrutiny of record revealed that an amount of Rs.120.027 million was paid to the contractor up to IPC-15 for 'providing and laying of tuff tiles over 100mm thick compacted sand complete in all respect' under VO No.07-01. Further probe into the matter revealed that as per WAPDA Composite Schedule of Rates (WCSR) 2022, rate of said item was Rs.1,261.52/sqm, whereas, the consultants certified the work by using rate of Rs.4,100/sqm. Due to use of exorbitant rate, an amount of Rs.83.096 million was excess paid to the contractor. Audit held that as the rate of said item was available in WCSR, therefore, the same rate was required to be used for payment purpose but the needful was not done. It also reflected that due diligence was not performed by the consultants in the matter.

Non-adherence to the aforesaid provisions of contract and CSA resulted in excess payment of Rs.83.096 million to the contractor due to use of exorbitant rate in VO up to the FY 2024-25.

The matter was taken up with the management in September, 2025 and reported to MoWR in November, 2025. The management replied that rate of subject item had been finalized at Rs.1,892.28/sqm based on WCSR-2022 including escalation. The necessary adjustment would be made in upcoming invoice as per provision of contract.

No progress towards recovery/adjustment of excess paid amount was intimated to Audit till finalization of this Audit Report.

The para was discussed in DAC meeting held on January 23, 2026, however, minutes of DAC meeting were not provided by the PAO MoWR till finalization of this Audit Report.

Audit recommends the management to ensure recovery of excess paid amount from the contractor besides fixing responsibility.

(Draft Para No.199/2025-26)

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:14:01 PM

4.10 Irregular payment to the contractor on account of lead for disposal of surplus common material under variation order

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 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. As per Clause-1.7.2 of Technical Specification, any material surplus to these requirements or any material declared in writing by the Engineer to be unsuitable shall be disposed-off and levelled in thin layers by the contractor outside the right of way within 7 km of excavation. As per Clause-1.7.3.2, the quantity determined as provided shall be paid for at the contract unit price respectively for each of the particular BOQ items and payment shall

constitute full compensation for all costs involved in the proper completion of the work prescribed in this item.

During audit of accounts of the CEO/GM, DBDC along with GM (LA&R), Chilas for the period from July, 2024 to June, 2025, it was noticed that a contract No.CDT-02 for external development works at Cadet College, Chilas was awarded to M/s Hasnat Brothers Construction Company in January, 2022 at a contract price of Rs.720.122 million. Scrutiny of record revealed that VO No. 10 for landscaping works was issue to the contractor and rate for excavation of surplus common material was taken from original BOQ which also included cost of disposal of surplus material up to 7 km. Further probe into the matter revealed that an amount of Rs.23.235 million was paid to the contractor on account of lead for disposal of surplus excavated material (up to 1 km) under said VO. Audit held that as there was no separate provision for payment of lead for disposal of surplus common material in the contract, therefore, the said payment was irregular. It also reflected that due diligence was not performed by the consultants while certifying payments.

Non-adherence to the provisions of contract resulted in irregular payment of Rs.23.235 million to the contractor on account of lead for disposal of surplus common material under VO during the FY 2024-25.

The matter was taken up with the management in September, 2025 and reported to MoWR in November, 2025. The management replied that the lead provisionally paid for 1 km would be adjusted during the certification as per provision of contract.

No progress towards recovery/adjustment of irregular paid amount was intimated to Audit till finalization of this Audit Report.

The para was discussed in DAC meeting held on January 23, 2026, however, minutes of DAC meeting were not provided by the PAO MoWR till finalization of this Audit Report.

Audit recommends the management to ensure recovery of irregular paid amount from the contractor besides fixing responsibility.

(Draft Para No.200/2025-26)

Nur Gul
Assistant Audit Officer (IT)
20 October 2026 05:14:34 PM

4.11 Non-recovery of cost of rehabilitation of existing KKH road from the defaulter contractor

According to Clause-31.3 of PEC's standard form of Bidding Documents (Civil Works), 2007, "during the execution of the works, the contractor shall co-operate fully with other contractors working for the Employer at and in the vicinity of the Site and also shall provide adequate precautionary facilities not to make himself a nuisance to local residents and other contractors". As per Para-23(2) of Section-I(1) of WAPDA BOFP 2022, "any sum due to the Authority shall be recoverable as arrears of land revenues".

During audit of accounts of the CEO/GM, DBDC along with GM (LA&R), Chilas for the period from July, 2024 to June, 2025, it was noticed that VO No.17 for execution of rehabilitation work of old KKH was issued to M/s Power China-FWO JV (MW-1 Contractors). As per IPC-36, an amount of Rs.19.925 million was paid up to June, 2025 to contractor under this VO. Further probe into the matter revealed that M/s Hakas hired by NHA for relocation of KKH pushed down the excavated material (boulders) towards Indus River through old KKH for disposal. This practice caused severe damage to the pavement of old KKH at many locations. The matter was taken up by WAPDA with NHA for repair of damages caused by M/s Hakas but no repair work was done by the contractor. During a meeting held on June

20, 2023, CEO (DBDC) proposed to execute this work at the risk & cost of the contractor (M/s Hakas) but no amount was recovered from them so far. Audit held that this payment was made to due to default of M/s Hakas in discharging his contractual responsibilities, therefore, the same was required to be recovered from him but the needful was not done, which caused loss to the Authority to the stated extent.

Non-adherence to the PEC's instruction/BOFP resulted in non-recovery of cost of rehabilitation of existing KKH road amounting to Rs.19.925 million from the defaulter contractor during the FY 2024-25.

The matter was taken up with the management in September, 2025 and reported to MoWR in December, 2025. The management stated that detailed reply would be produced after scrutiny of record in due course of time.

No reply was furnished till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 26, 2025. Subsequently, as per procedure, two reminders were also issued on January 5 & 12, 2026, however, DAC meeting could not be scheduled.

Audit recommends the management to pursue the matter with NHA for ensuring recovery of cost of rehabilitation of damaged road from M/s Hakas.

(Draft Para No.299/2025-26)

4.12 Non-recovery of pay & allowances of drivers from the contractors

According to Clause-7.2.3 of RBPR-01 & RBPR-02, "the contractors shall be responsible for the running and maintenance of these vehicles which includes petrol, diesel, repair works, regular tuning, replacement of tires, registration, comprehensive insurance, annual renewal of registration, lubricants, servicing including providing drivers etc.".

During audit of accounts of the CEO/GM, DBDC along with GM (LA&R), Chilas for the period from July, 2024 to June, 2025, it was noticed that two contracts for construction of Right Bank Periphery Roads (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 Clause-7.2, both the contractors provided seven vehicles in 2017, however, despite receipt of monthly O&M cost (which also included provision for drivers), the services of drivers were not provided to the project by the contractors since provision of vehicles and the management deployed their own drivers on these vehicles. Audit held that the management was required to recover the salaries of drivers amounting to Rs.9.240 million (approx.) on account of non-provision of drivers from the contractors but the needful was not done.

Non-adherence to the provision of contracts resulted in non-recovery of pay & allowances of drivers amounting to Rs.9.240 million from the contractors up to the FY 2024-25.

The matter was taken up with the management in September, 2025 and reported to MoWR in December, 2025. The management stated that detailed reply would be produced after scrutiny of record in due course of time.

No reply was furnished till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2025. Subsequently, as per procedure, two reminders were also issued on January 5 & 12, 2026, however, DAC meeting could not be

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 01:11:04 PM

scheduled.

Audit recommends the management to ensure recovery of amount of pay & allowances on account of non-provision of drivers from the contractors.

(Draft Para No.221/2025-26)

4.13 Unjustified excess payment of escalation to the contractor after completion date

According to Clause-70.1(e) of the GCC, "if the contractor fails to complete the works within the Time for Completion prescribed under Clause-43, adjustment of prices thereafter until the date of completion of the works shall be made using either the indices or prices relating to the prescribed time for completion or the current indices or prices whichever is more favourable to the Employer".

During audit of accounts of the CEO/GM, DBDC along with GM (LA&R), Chilas for the period from July, 2024 to June, 2025, it was noticed that a contract for construction of Right Bank Periphery Road (RBPR-01) was awarded to M/s Sadaat Enterprises, Islamabad on May 02, 2017 at contract price of Rs.4,097.340 million. As per contract, original completion date was May 01, 2020 and EOT was granted to the contractor till July 12, 2022 but the contractor failed to complete the work till date and no further EOT was granted to the contractor. As per provision of contract, escalation for the period after completion date was required to be paid to the contractor by using indices applicable on date of completion (i.e. July 12, 2022) or current months indexes whichever was more favourable to the Employer. However, it was observed from IPC-32 that escalation for the months of July, 2022 to January, 2023 was paid on current indices (which were on higher side). Due to application of higher rates, an amount of Rs.7.623 million was paid to the contractor in excess of due amount which reflected that the consultants were not performing their duties with due diligence.

Non-compliance to GCC resulted in unjustified excess payment of escalation amounting to Rs.7.623 million to the contractor after completion date up to the FY 2024-25.

The matter was taken up with the management in September, 2025 and reported to MoWR in December, 2025. The management stated that detailed reply would be produced after scrutiny of record in due course of time.

No reply was furnished till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 26, 2025. Subsequently, as per procedure, two reminders were also issued on January 5 & 12, 2026, however, DAC meeting could not be scheduled.

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

(Draft Para No.245/2025-26)

Asstt. Audit Officer (IT)
20 October 2026 03:34:04 PM

4.14 Unjustified reimbursement of cost of POL of bullet proof vehicles to the contractor

According to Clause-34.1 of GCC, "the contractor shall, unless otherwise provided in the contract, make his own arrangements for the engagement of all staff and labour, local or other, and for their payment, housing, feeding and transport". As per Clause-3.1.1 of the 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. 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 subconsultants or third parties.

During audit of accounts of the CEO/GM, DBDC along with GM (LA&R), Chilas for the period from July, 2024 to June, 2025, it was noticed that 10 bullet proof vehicles were hired by the contractor M/s Power China-FWO JV from Askari Guards and Crown Services under VO No. 23P. These vehicles were hired by the contractor on the instructions of WAPDA/GoP for their movement and rent of vehicles was reimbursed to the contractors through IPCs. Further, scrutiny of record revealed that cost of POL amounting to Rs.5.795 million was also reimbursed to the contractors. Audit held that as the contractors were responsible for transportation of their staff and bullet proof vehicles were provided to them only for their safe transit, therefore, reimbursement of cost of POL (which otherwise had to be borne by the contractors) was not justified. It reflected that the consultants were not performing their duties with due diligence.

Non-adherence to the provision of contract/CSA resulted in unjustified reimbursement of cost of POL of bullet proof vehicles amounting to Rs.5.795 million to the contractor during the FY 2024-25.

The matter was taken up with the management in September, 2025 and reported to MoWR in December, 2025. The management stated that detailed reply would be produced after scrutiny of record in due course of time.

No reply was furnished till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2025. Subsequently, as per procedure, two reminders were also issued on January 5 & 12, 2026, however, DAC meeting could not be scheduled.

Audit recommends the management to justify reimbursement of POL charges to the contractor besides ensuring its recovery from the contractor.

(Draft Para No.220/2025-26)

Asstt. Audit Officer (IT)
20 October 2026 03:14:34 PM

5. FINANCIAL MANAGEMENT

Financial management is the process of planning, organizing, directing and controlling an organization's financial resources to achieve its objectives efficiently. It encompasses budgeting, revenue collection, expenditure control, investment of funds, ensuring proper internal controls and compliance with applicable rules & regulations. Effective financial management prevents losses, supports decision-making and ensures accountability & transparency in the use of public or organizational funds.

This section highlights weaknesses in financial governance characterized by non-compliance of various rules, regulations, instructions and agreement particularly Treasury Rules, Assan Assignment Account Procedure, Accounting and Financial Reporting Manual of WAPDA, provisions of PC-I and MOU for O&M of Thor powerhouse. Audit observed that the funds transferred to DC/LAC were not kept in treasury account and a huge amount was kept in different bank accounts. Further, amount of retention money & profit earned thereon was irregularly retained in commercial bank accounts, recovery of amount of O&M cost of powerhouse from Government of GB was not realized.

5.1 Unjustified transfer of funds for acquisition of land and resettlement packages into bank account of DC/LAC instead of Treasury Account

According to Para-649 (Vol-I) of Treasury Rules, "payments made to the Government by District Boards, Municipalities and other Local Bodies for the cost of land taken up on their behalf under the Land Acquisition Act, shall be received at the treasury in accordance with the procedure laid down in Paragraph-21 of Appendix-6". According to Paragraph-21 (Appendix-6), "in any case in which land is acquired for a municipality or other body financially independent of the Government, the Head of the local administration may direct that the payments instead of being made and audited in the same manner as the ordinary payments of such body, shall be made and audited as if the land were being acquired for the Government. If the Head of the Local Administration issues such an order, the Collector or other officer who makes payments on account of the land acquired, shall draw funds from the treasury and make payments in the manner laid down in these rules using the forms prescribed and shall render his accounts to the Accountant General. The municipality or other body will pay the estimated cost of the compensation to the credit of the Government in advance on such dates and in such installments as the Head of the Local Administration may direct further payment to the Government being required as soon as the Accountant General reports that the payments made exceed the amount received in advance. The Accountant General will deal with the accounts and payment as prescribed in these rules, debiting the payments against the advances received from the municipality or other body".

During audit of accounts of the CEO/GM, DBDC along with GM (LA&R), Chilas for the period from July, 2024 to June, 2025, it was noticed that an amount of Rs.73,319.080 million was transferred to the bank account of DC/LAC, Chilas during October, 2010 to June, 2021. This amount was transferred for acquisition of land and payment of resettlement packages to the affectees. As per Treasury Rules of the Federal Government, these funds were required to be deposited into Government Treasury for making further disbursements to the land owners/affectees but the needful was not done. Moreover, GM (LA&R) vide office letter dated July 10, 2025 also

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Assistant Audit Officer (IT)
20 October 2026 05:14:34 PM

requested DC/LAC, Chilas to deposit the amount in treasury account of National Bank of Pakistan. It is pertinent to mention that an amount of Rs.4,961.821 million was transferred by the DC/LAC in 24 different private banks from the account of land acquisition. Audit held that transfer of funds into bank account of DC/LAC instead of Government Treasury was not justified.

Non-adherence to the Treasury Rules resulted in unjustified transfer of funds amounting to Rs.73,319.080 million for acquisition of land and resettlement packages into bank account of DC/LAC instead of Treasury Account up to the FY 2024-25.

The matter was taken up with the management in September, 2025 and reported to MoWR in December, 2025. The management replied that the para would be conveyed to the quarter concerned. As and when reply received, Audit would be informed accordingly.

No reply was furnished till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2025. Subsequently, as per procedure, two reminders were also issued on January 5 & 12, 2026, however, DAC meeting could not be scheduled.

Audit recommends the management to justify transfer of funds into bank account of DC/LAC instead of Government Treasury besides depositing remaining funds into Government Treasury at the earliest.

(Draft Para No.208/2025-26)

5.2 Irregular depositing of retention money in private bank accounts instead of dedicated bank accounts and non-transfer of profit earned thereon to the Federal Government

According to Para-1(xvii) of the Assan Assignment Account Procedure (local currency) circulated by the Controller General of Accounts on March 06, 2023, "security deposit/retention money may be deposited in a designated bank account in case of perpetual organizations like the National Highway Authority but in case of projects/programmes or operational units or corporations, in a dedicated bank account opened with the approval of Finance Division or in Public Account. The account shall be used for deposit of retention money only and no utilization shall be made out of the account, except payment of retention money/security deposit. Such account shall immediately be closed on expiry of the contract or completion of project under intimation to Finance Division". As per Para-2(V) of Ministry of Water & Power (GoP) letter No. DW-1(13)/2013 dated September 26, 2016, profit earned by WAPDA so for by parking the PSDP funds in scheduled banks may be deposited into Government Treasury.

During audit of accounts record of the CEO/GM, DBDC along with GM (LA&R), Chilas for the period from July, 2024 to June, 2025, it was noticed that an amount of Rs.1,708.581 million was deducted as retention money from IPCs of five contractors. As per rules, the management was required to keep retention money in dedicated bank accounts to be opened with the approval of Finance Division. However, the same were not yet opened and amount of retention money was drawn from two Assignment Accounts and kept in bank accounts in MCB Bank, Chilas maintained for routine transactions in violation of instructions of GoP. Further scrutiny of record revealed that an amount of Rs.1,068.789 million was also earned as profit on these funds during the year but the same was also not transferred to the Federal Government. As per above mentioned instructions, the said amount of retention money was required to be kept in separate dedicated bank

Assistant Audit Officer (IT)
20 October 2026 03:42:04 PM

accounts to be opened with the approval of the Finance Division and profit earned thereon was required to be transferred to the GoP but the needful was not done, which was irregular.

Non-adherence to the aforementioned instructions resulted in irregular depositing of retention money amounting to Rs.1,708.581 million in private bank accounts instead of dedicated bank accounts and non-transfer of profit earned thereon amounting to Rs.1,068.789 million to the Federal Government during the FY 2024-25.

The matter was taken up with the management in September, 2025 and reported to MoWR in November & December, 2025. The management replied that the case for opening of dedicated/special Assignment Account for depositing retention money had been sent to MoWR for onward submission to Finance Division as per laid down procedure. The amount of retention money would be deposited/ transferred to the dedicated/special/non-lapsable assignment account once it gets opened. Moreover, the entire amount of interest would be transferred to Federal Government upon completion of Project after fulfilling all financial liabilities (if any).

The reply was not tenable because there was no provision in Assan Assignment Account Procedure to withdraw amount from assignment accounts for depositing in private bank account. Moreover, profit earned on this irregularly withdrawn amount should have been transferred to GoP.

The para was discussed in DAC meeting held on January 19, 2026, however, minutes of DAC meeting were not provided by the PAO MoWR till finalization of this Audit Report.

Audit recommends the management to deposit amount of retention money in dedicated bank accounts, transfer profit earned so far on this amount to the GoP and fix responsibility for violation of instructions of government.

(Draft Para No.195 & 210/2025-26)

Assistant Audit Officer (IT)
20 October 2026 03:14:04 PM

5.3 Non-adjustment of advance given to DC/LAC, Kohistan for acquisition of land

According to 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. All receipts shall be verified on advances being cleared. Any questionable receipts shall be referred to the Budget and Accounts Officer.

During audit of accounts of the CEO/GM, DBDC along with GM (LA&R), Chilas for the period from July, 2024 to June, 2025, it was noticed that an amount of Rs.498.877 million was paid in advance to the DC/LAC, Kohistan in October and November, 2024. This amount was paid for land acquisition in different areas falling within site of the project. As per rules, the amount was required to be adjusted after obtaining adjustment accounts of payments along with supporting documents/audit certificate from the concerned DC/LAC, however, no record/adjustment account showing further disbursement of said amount to the eligible landowners was provided by the LAC to WAPDA.

Non-adherence to the WAPDA Accounting and Financial Reporting Manual resulted in non-adjustment of advance amounting to Rs.498.877 million given to DC/LAC, Kohistan for acquisition of land during the FY 2024-25.

The matter was taken up with the management in September, 2025 and reported to MoWR in

December, 2025. The management replied that the para would be conveyed to the quarter concerned for reply. As and when reply received from concerned, Audit would be informed accordingly.

No reply was furnished till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2025. Subsequently, as per procedure, two reminders were also issued on January 5 & 12, 2026, however, DAC meeting could not be scheduled.

Audit recommends the management to obtain detailed adjustment account along with supporting documents/audit certificate from the concerned quarter in order to authenticate the disbursement of amount to the legitimate landowners.

(Draft Para No.216/2025-26)

5.4 Non-recovery of operation & maintenance cost of powerhouse from the Government of Gilgit-Baltistan

According to Para-2 of Memorandum of Understanding (MOU) signed between WAPDA and Water & Power Department (Gilgit-Baltistan), Operational cost of 3.6 MW Hydel Power Station, Thor Colony will be borne by Water and Power Department Gilgit-Baltistan.

During audit of accounts of the CEO/GM, DBDC along with GM (LA&R), Chilas for the period from July, 2024 to June, 2025, it was noticed that in June, 2020, WAPDA Authority accorded approval for execution of an MOU for operation of 3.6 MW powerhouse, Thor Colony with Water & Power Department Gilgit-Baltistan. This MOU was extended time & again and last extension was made on June 02, 2025. As per said MOU, an amount of Rs.40.408 million on account of annual O&M cost of power house was required to be recovered from Government of GB but no amount was recovered during the year. It reflected that strenuous efforts were not made by the management to recover this amount.

Non-adherence to aforementioned MOU resulted in non-recovery of O&M cost of powerhouse amounting to Rs.40.408 million from Government of GB during the Financial Year 2024-25.

The matter was taken up with the management in September, 2025 and reported to MoWR in December, 2025. The management stated that detailed reply would be produced after scrutiny of record in due course of time.

No reply was furnished till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 26, 2025. Subsequently, as per procedure, two reminders were also issued on January 5 & 12, 2026, however, DAC meeting could not be scheduled.

Audit recommends the management to take up the matter at appropriate level for recovery of outstanding amount from the concerned department.

(Draft Para No.298/2025-26)

Nasim Gull
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20 October 2026 01:14:04 PM

6. HUMAN RESOURCE MANAGEMENT

Human Resource Management (HRM) comprises planning, recruitment, deployment and administration of human resources to achieve organizational objectives. It includes performance management, compliance with applicable rules, regulations & laws, regulation of pay and benefits and maintenance of discipline and work environment. Weak HRM leads to misallocation of staff, inefficiency, non-compliance and reduced organizational performance. Effective HRM is, therefore, essential to ensure optimal utilization of human resources and improved organizational efficiency.

This section highlights major deviations from instructions of Finance Division and provisions of PC-I. Audit observed non-compliance in payment of various allowances to employees without clearance from the Finance Division and posting of officers outside project sites while charging their pay & allowances to the project's funds.

6.1 Unjustified expenditure on grant of different allowances to the employees without clearance from Finance Division

According to Finance Division's office memorandum dated June 26, 1999 regarding revision of salaries, allowances and perquisites of the supervisory and executive staff of public sector corporations, autonomous/semi-autonomous bodies, "such revisions may be carried out by the respective Board of Directors / Governors of these organizations and clearance from Finance Division would, however, be necessary to ensure a rational basis and a degree of uniformity in such revisions". Further, the Finance Division (Regulations Wing) Govt. of Pakistan has also clarified to WAPDA vide its letter F.No.14(2)R-3/2021-617 dated December 30, 2021 that the Disparity Reduction Allowance was granted only in favour of civil employees from BPS 1-19 of the Federal Government. As per Office Memorandum No.F.4(3)R-4/2011-Revision dated January 23, 2024, various autonomous/semi-autonomous bodies and corporations are continuing to grant allowances and monetary benefits which have not approved by the Finance Division. Any allowance or monetary benefit granted to government employee by autonomous/semi-autonomous bodies and corporations which has not been concurred with by Finance Division and thereafter approved by competent authority be stopped forthwith.

During audit of accounts of the CEO/GM, DBDC along with GM (LA&R), Chilas for the period from July, 2024 to June, 2025, it was noticed that an amount of Rs.263.830 million was paid to different employees on account of WAPDA Allowance and Disparity Reduction Allowances. As per Finance Division's clarifications dated December 30, 2021, Disparity Reduction Allowances were allowed to civil servants only. Further, as per Finance Division's instructions dated June 26, 1999, clearance from Finance Division was necessary to ensure a rational basis and a degree of uniformity in such revisions but the same was not obtained. Audit held that expenditure on payment of these allowances was not justified as the same were allowed/granted by the WAPDA Authority without clearance from the Finance Division (GoP).

Non-adherence to Finance Division's instructions resulted in irregular grant of different allowances amounting to Rs.263.830 million to employees during the FY 2024-25.

Assistant Audit Officer (IT)
20 October 2026 15:14:04 PM

The matter was taken up with the management in September, 2025 and reported to MoWR in December, 2025. The management stated that detailed reply would be produced after scrutiny of record in due course of time.

No reply was furnished till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 26, 2025. Subsequently, as per procedure, two reminders were also issued on January 5 & 12, 2026, however, DAC meeting could not be scheduled.

Audit recommends the management to justify grant of these allowances to the employees without obtaining clearance from Finance Division besides taking up the matter with Finance Division for clarification/clearance or recover the amount otherwise.

(Draft Para No.249 & 281/2025-26)

6.2 Irregular charging of pay & allowances of staff posted at places other than project in violation of PC-I

According to approved PC-I of DBDP (Dam Part), there was no post of Staff Officers (SO) to Chairman at Liaison Office, Islamabad. Further, there was one post of Chief Logistic Officer for Logistic Cell and no post of Advisor (HR and Logistics) was provided in PC-I. As per Para-5 of Administrative Approval of approved PC-I, all codal formalities and guidelines shall be observed strictly while implementing the scheme. As per Para-9.3.23 of WAPDA Budget Manual, the expenses of the Authority and its central offices are met as overhead cost charged to the cost of projects of Water and Power Wings at specified rates.

During audit of accounts of the CEO/GM, DBDC along with GM (LA&R), Chilas for the period from July, 2024 to June, 2025, it was noticed that two officers i.e. Director (Civil) and Deputy Director (PR) were attached as Staff Officers (SOs) with the Chairman WAPDA Office, Islamabad since September 09, 2021 and September 22, 2022, respectively. Similarly, one officer was appointed as Chief Logistic Officer (CLO) for DBDP on December 01, 2020. Later on, current charge of the post of GM (LA&R/HRD) WAPDA was also entrusted to him on October 11, 2022 and he remained posted at Lahore. The said officer was re-appointed as Advisor (HR & Logistics) on January 31, 2025 without any specific post in PC-I and was also serving at Lahore instead of Chilas. However, their pay & allowances amounting to Rs.25.744 million (Rs.17.717 million + Rs.8.027 million) were paid out of funds allocated for construction of dam. Audit held that the said officers were neither working at DBDP, Chilas nor performing their duties for the DBDP, therefore, charging of their pay & allowances to the project was not justified.

Non-adherence to the provision of PC-I and aforementioned rules resulted in unjustified expenditure of Rs.25.744 million due to irregular attachment of different officers at other than project up to the FY 2024-25.

The matter was taken up with the management in September, 2025 and reported to MoWR in December, 2025. The management replied that these officers were posted with Chairman Office in the best interest of Authority's work.

The reply was not acceptable because these officers were posted at Chairman Office, Islamabad and Lahore in violation of provisions of PC-I.

The para (PDP-219/2025-26) was discussed in DAC meeting held on January 23, 2026, however,

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20 October 2026 03:14:04 PM

minutes of DAC meeting were not provided by the PAO MoWR till finalization of this Audit Report.

Audit recommends the management to stop payment of salaries of these officers from project besides ensuring recovery of already paid amount from Coordination Wing WAPDA responsible for meeting expenditure of the Authority.

(Draft Para No.219 & 223/2025-26)

Irum Gull
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20 October 2026 03:14:04 PM

7. ASSET MANAGEMENT

Hydropower projects require significant investment and their assets must be managed effectively. Assets management in hydropower projects involves acquisition/procurement, installation, operation and maintenance of assets to ensure optimal performance.

Audit observed that acquired land was not mutated in WAPDA's name exposing the project to legal and operational risks.

7.1 Non-mutation of acquired land

According to Section-42 of 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". Further, as per directives of GB Board of Revenue conveyed vide Deputy Secretary (Law), Government of GB letter No. RC-(BOR)-3/2004 (Basha-Dam) dated August 10, 2019, the land acquired by WAPDA was required to be entered in the revenue record in WAPDA's name and mutations were to be attested to legalize the ownership of WAPDA.

During special audit of the funds provided for land acquisition and resettlement of DBDP (revised), it was noticed that total land measuring 32,121 acres was acquired for the project through DC/LACs Diamer and Kohistan. The said land was got transferred in the name of WAPDA. Audit held that the land acquired by DC/LAC was required to be got mutated in the name of WAPDA by entering the said acquisition in the revenue record, however, the needful was not done and only letters of transfer of land ownership were issued which did not account for proper mutation of land in WAPDA's name. Moreover, non-compliance of mutation process can cause serious future financial and operational implications as any person/entity can claim ownership of land at belated stage. This might lead to court cases and project of national importance along with the heavy investment made on it may be put at stake.

Non-adherence to the West Pakistan Land Revenue Act, 1967 and instructions issued by GB Board of Revenue resulted into non-mutation of acquired land measuring 32,121 acres in WAPDA's name.

The matter was taken up with the management and reported to MoWR. The management replied that since District Diamer is an unsettled area, land was transferred verbally and through stamp papers and priority land was handed over to DC/LAC DBDP Diamer. Mutations of land would be provided when resettlement is done.

The reply was not tenable as land was required to be got mutated in the name of WAPDA as per Land Revenue Act and directives of GB Board of Revenue. Moreover, letter of transfer did not account for proper mutation.

Audit recommends the management to expedite mutation of land by pursing the matter vigorously.

(Para-4.24 of SAR of funds provided for land acquisition in DBDP 2022-23)

Assistant Auditor General (IT)
20 October 2025 05:12:04 PM

8. OTHERS

8.1 Non-compliance to Public Sector Companies (Corporate Governance) Rules, 2013, Companies Act, 2017 and directions of Prime Minister of Pakistan

- As per Clause-9 (Business) of the Articles of Association of the DBDC incorporated on January 15, 2019, "the BOD of the Company shall get the major decisions ratified by WAPDA from time to time".
- As per Section-183 (Powers of Board) of the Companies Act, 2017, the business of the company shall be managed by the board and the board shall exercise the powers on behalf of the company by means of a resolution passed at their meeting to incur capital expenditure on any single item or dispose of a fixed asset in accordance with the limits as may be specified.
- As per Clause-5(5) of the Public Sector Companies (Corporate Governance) Rules, 2013 (amended up to 2017), the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety in handling of public funds, assets, resources and confidential information by directors, executives and employees.
- As per Clause-5(7) of the Public Sector Companies (Corporate Governance) Rules, 2013 (amended up to 2017), the Board shall also formulate significant policies of the Public Sector Company, which may include procurement of goods and services so as to enhance transparency in procurement transactions, acquisition or disposal of fixed assets and investments.
- As per Rule-10 of the Public Sector Companies (Corporate Governance) Rules, 2013 (amended up to 2017), every Public Sector Company shall, within one month of the close of first, second and third quarter of its year of account, prepare a Profit and Loss Account for, and Balance Sheet as at the end of, that quarter, whether audited or otherwise, for the Board's approval.
- As per Rule-4(3) of the Public Sector Companies (Corporate Governance) Rules, 2013 (amended up to 2017), the Company Secretary shall be responsible for ensuring that Board procedures are followed, and that all applicable laws, rules and regulations and other relevant statements of best practice are complied with.
- As per Rule 24(1) of the Public Sector Companies (Corporate Governance) Rules, 2013 (amended up to 2017), every Public Sector Company shall publish and circulate a statement along with its annual report to set out the status of its compliance with these rules, and shall also file with the Commission and the Registrar concerned such statement along with its annual report.
- As per Section-132 (1) of the Companies Act, 2017, "every company, shall hold, an annual general meeting within sixteen months from the date of its incorporation and thereafter once in every calendar year within a period of one hundred and twenty days following the close of its financial year".

During audit of accounts of the CEO/GM, DBDC along with GM (LA&R), Chilas for the period from July, 2024 to June, 2025, it was noticed that DBDC (Pvt.) Limited was incorporated on January 15, 2019 to run the affairs of project in

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20 October 2026 03:14:04 PM

company mode. The Federal Cabinet approved reconstitution of BOD of DBDC as conveyed by the MoWR on September 23, 2021, however, 4 out of 16 positions of Directors (including two independent Directors) were still vacant. As per directions of Prime Minister dated August 28, 2024, vacancies of BOD were required to be filled within two weeks but the needful was not done despite lapse of considerable period of time. Moreover, most of the decisions regarding contractual and administrative matter of the company were dealt through WAPDA Authority instead of BOD and compliance of various Sections of Public Sector Companies (Corporate Governance) Rules, 2013 and Companies Act, 2017 was not being made. It is worth mentioning that annual accounts of the company for the FY 2022-23 to FY 2024-25 were not still prepared.

Operational mismanagement resulted in non-compliance to Public Sector Companies (Corporate Governance) Rules, 2013, Companies Act, 2017 and directions of Prime Minister of Pakistan up to the FY 2024-25.

The matter was taken up with the management in September, 2025 and reported to MoWR in December, 2025. The management stated that detailed reply would be produced after scrutiny of record in due course of time.

No reply was furnished till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 26, 2025. Subsequently, as per procedure, two reminders were also issued on January 5 & 12, 2026, however, DAC meeting could not be scheduled.

Audit recommends the management to justify non-compliance to Corporate Governance Rules, 2013, Companies Act, 2017 and directions of Prime Minister besides ensuring running of affairs of the DBDC in company mode without further delay.

(Draft Para No.280/2025-26)

Assistant Audit Officer (IT)
20 October 2026 05:14:34 PM

CONCLUSION

Audit concluded that the DBDP intended to deliver 6.4 MAF live storage, annual electricity generation of 18,097 GWh requiring acquisition of 35,924 acres with resettlement of approximately 30,350 persons (4,102 households) remained significantly behind schedule as of June, 2025. The core dam works progress remained insufficient to credibly support timely achievement of intended outcomes. The most critical performance concern is the sustained divergence between planned and actual progress. Against planned physical progress of 57.78%, actual physical progress of the Dam Part was only 19.95% by June, 2025, while financial progress was 39.67% indicating that project execution has not translated expenditure into proportionate physical outputs and that schedule/cost discipline over core deliverables remains weak.

Audit further concluded that delays are not attributable to isolated operational issues alone, rather, they reflect systemic weaknesses across the project lifecycle. Deficiencies in front-end planning and design readiness, coupled with repeated post-award design changes, weakened schedule control and disrupted work sequencing. These issues were aggravated by shortcomings in procurement integrity and contract administration including repeated amendments and inadequate enforcement of original contractual provisions creating risks of undue advantage, inefficiency and avoidable financial exposure. Governance and financial control weaknesses further compromised project assurance. Serious irregularities were observed in handling of funds of land acquisition & retention money and asset management lapses (including non-mutation of acquired land) cumulatively indicating weak internal controls and insufficient management oversight in a project of strategic national importance. In addition, the project's hydropower delivery pathway remains materially uncertain due to non-award of the powerhouse construction contract despite approval of the PC-I for Power Generation Facilities in April, 2023. Without timely contracting and synchronized execution of hydropower related civil works, the energy objective will remain deferred irrespective of progress on selected ancillary works.

Accordingly, Audit concludes that high-level corrective action is required to arrest further slippage, restore credible delivery momentum and protect public funds. Priority focus is required on: (i) strengthening project planning and schedule governance through a design-validated, integrated master schedule and realistic re-baselining; (ii) tightening contract administration and change control to prevent avoidable amendments and enforce recoveries; (iii) regularizing financial arrangements for land acquisition funds and retention money strictly in accordance with applicable rules; (iv) ensuring mutation of acquired land to mitigate title and litigation risks; and (v) expediting award and execution of the powerhouse contract to safeguard achievement of the hydropower objective.

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20 October 2025 03:14:04 PM

RECOMMENDATIONS

i. The management needs to ensure that procurement of goods and services are made in a transparent and efficient manner compliant to PPRA Rules, PEC's procurement guidelines and instructions contained in the Manual for Development Projects.

ii. The management needs to take necessary steps at planning stage to ensure realistic surveys, comprehensive feasibility studies, detailed designing and accuracy in preparation of estimates to avoid unnecessary issuance of VOs resulting in giving undue benefits to the contractors.

iii. The management needs to comply with the provisions of contracts during execution and avoid subsequent amendments in contracts favorable to the contractors.

iv. The management needs to strengthen its functional controls to avoid incurrence of wasteful expenditure.

v. The management needs to ensure compliance to the instructions of government regarding opening of bank accounts and deposit of funds.

vi. The management needs to adhere to the instructions of the government regarding grant of different allowances to the employees.

vii. The management needs to ensure posting of project's staff at site instead of other locations in line with provision of PC-I.

viii. The management needs to proactively resolve land acquisition issues and safeguard its assets.

ix. The PAO must devise a mechanism for effective monitoring of projects to address cost & time overrun factor and take necessary measures with regards to recurrence of repeated irregularities.

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20 October 2026 03:14:04 PM

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20 October 2026 03:14:04 PM

APPENDICES

Appendix-I	Audit Objectives, Scope and Methodology
Appendix-II	Planned vs Actual Physical Progress of the Project
Appendix-III	Summary of Variation Orders

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20 October 2026 03:14:04 PM

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20 October 2026 03:14:04 PM

Appendix-I

Audit Objectives

The main objectives of the project audit were to:

- evaluate compliance with applicable rules, policies, regulations and instructions of GoP.
- evaluate whether the aspects of economy and efficiency were duly adhered to in incurring expenditure during execution phase of the project.
- evaluate whether internal and operational controls were in force and functioning effectively.
- examine whether the payments were made in accordance with the provision of the contracts and consultancy agreements.
- evaluate physical progress of the project

Audit Scope

The main scope of audit was to examine overall performance of the project, achievement of objectives and payments made by the management to the contractors, consultants and for meeting other project related expenditures for the financial year 2024-25.

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. Samples were selected on professional judgment basis for detailed audit.

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20 October 2026 03:14:04 PM

Appendix-II

Planned vs Actual Physical Progress of the Project

Fiscal Year	Planned Progress	Actual Progress
2020-21	4.26%	1.75%
2021-22	14.86%	6.09%
2022-23	25.11%	9.95%
2023-24	40.82%	15.47%
2024-25	57.78%	19.95%

(Source: Data provided by the project management)

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20 October 2026 03:14:04 PM

Appendix-III

Summary of Variation Orders (Contract No. MW-1)

Sr. No.	VO No.	VO Description	Estimated Amount (in Rs.)	Payment up to IPC-36		
				Total (in PKR)	Proportionate (in Rs.)	Proportionate (in USD)
1	VO-01	Connection of Diamer Basha Dam Reference Datum with Dasu HPP Reference Datum by precise two way detail levelling (117 Km)	3,486,340	3,486,340	3,486,340	-
2	VO-02	Installation of Additional Slope Monitoring Survey Monuments	10,333,457	-	-	-
3	VO-03	Construction of Consultant's Accommodation (DBCG Camp) at Area # 6	23,526,765	26,401,524	26,401,524	-
4	VO-04	Additional Works of Hydro-mechanical Equipment at Diversion Tunnel DT No. 2 Inlet and Outlet (BOQ Rates)	3,088,546,173	1,598,278,880	111,710,301	9,247,705
	VO-04	Additional Works of Hydro-mechanical Equipment at Diversion Tunnel DT No. 2 Inlet and Outlet (Current Rates)		932,202,366	932,202,366	-
5	VO-05	Payment for Varied Works of Drain Holes	60,426,390	60,426,390	39,277,154	131,566
6	VO-06	Permanent Road P01 to P02 (RD 0+010 to 0+150) due to Design Change	87,514,706	-	-	-
7	VO-07	Additional Payment for Core Preservation including Handling and Transportation of Core Extracted from Non-Core Part of Drilled Holes	3,177,968	3,177,968	3,177,968	-
8	VO-08	Testing Equipment for RCC Specialized Tests	-	255,632,343	84,633,083	1,063,759
9	VO-09	Support Works at Right Bank Dam Abutment – Varied Works of 7.5 cm Thickness Shotcrete	3,242,916	3,242,916	2,107,896	7,061
10	VO-10	Diversion Road / Bypass RKKH from Area 6 to Existing Zero of RKKH	1,218,808,799	303,865,706	197,512,709	661,605
11	VO-10P	Sliding of the Excavated Material from RKKH and Removal of Muck Material from Project Site	-	2,719,805	1,767,873	5,922

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21 October 2026 03:14:04 PM

12	VO-11P	Services for the Guest House at Area # 4 and Accommodation in Block-A	-	160,983,168	160,983,168	-
13	VO-12	Construction of pre-cast boundary wall along RKKH, Periphery roads and Tangir hydropower works	494,928,770	26,390,471	17,153,807	57,460
14	VO-13	Rental Cost Accommodations provided to the Employer's Security Forces	-	596,453,532	596,453,532	-
15	VO-14	Structural Steel Support Works in Test Adit and Grouting Galleries at EL. 1170 m	39,902,195	29,413,085	19,118,506	64,041
16	VO-15	Hydraulic Fracturing Tests for In-situ Stress Measurement (BOQ Rates)	92,350,570	41,818,410	32,079,692	60,583
	VO-15	Hydraulic Fracturing Tests for In-situ Stress Measurement (Current Rates)		27,010,297	97,130	167,423
17	VO-15P	Cofferdam for guidewall and construction of guidewall with foundation sealing element and maintenance & removal as shown on the drawings (BOQ Rates)	2,317,999,220	1,937,424,113	1,259,325,674	4,218,342
	VO-15P	Cofferdam for guidewall and construction of guidewall with foundation sealing element and maintenance & removal as shown on the drawings (Current Rates)		400,213,253	400,213,253	-
18	VO-16P	Removal of RBPR 01 Muck Material from Permanent Roads (P15-16, P17-18, P21-22)	-	5,790,448	3,763,791	12,608
19	VO-17	Rehabilitation of Old KKH (From RKKHZero Point to P01)	-	19,924,774	12,951,104	43,382
20	VO-18	Invert Concrete at DT-2	19,131,278	4,346,022	2,824,915	9,463
21	VO-19P	Services for PMC and Office Building #03	-	398,769,335	398,769,335	-
22	VO-21P	Construction of Security Check Posts on Dam Site and Tangir	116,097,082	89,386,758	89,386,758	-
23	VO-22	Filling of the Approved Geological Over-break in DT-2 with Concrete Lining	48,252,008	-	-	-
24	VO-23P	Rent and Fuel Cost of Bullet Proof Vehicles	-	172,654,527	172,654,527	-

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20 October 2026 03:14:04 PM

25	VO-24	Provision of items for security checkposts at KKH and RKHH	32,500,692	28,261,471	28,261,471	-
26	VO-24P	Rock Support Works of Permanent Roads	-	38,690,029	25,148,520	84,240
27	VO-25	Rehabilitation Works against the Geological Overbreak at DT#2 outlet	3,182,645	113,303	73,647	247
28	VO-25P	Additional Excavation Works for the Right Abutment of the Dam	-	61,533,333	39,996,667	133,976
29	VO-27	Installations of Tendons at Guidewall and DT-II outlet slope and installation of Lattice Girder in grouting gallery and LB Flushing Tunnel	49,531,777	10,696,506	6,952,729	23,289
30	VO-27P	RCC Specialized Test Laboratory	-	85,962,429	55,875,579	187,165
31	VO-28P	Supply and Installtion of Chain Link Fence (8-Feet Height)	-	1,587,200	1,031,680	3,456
32	VO-29P	Procurement and installations of electric supplu items at security checkposts	-	40,226,639	40,226,639	-
33	VO-30P	Procurement and Installation of 10KW Solar System and provision of 3KW Gasoline Generator to supply electricity and back-up power to security checkpost	16,959,211	11,314,601	7,354,491	24,635
Total				**7,378,397,942**	**4,772,973,829**	**16,207,928**

(Source: IPC-36 of contract No.MW-1)

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20 October 2026 03:14:04 PM