Auditor-General of Pakistan

February, 2026

Audit Report on

DASU HYDROPOWER PROJECT
(VOLUME-I)

(WATER AND POWER DEVELOPMENT AUTHORITY)

Report No: DGAWR 25-003

Audit Year 2025-26

Financial Year 2024-25

Assistant Audit Officer (IT)
20 October 2026 08:14:22 PM

Irum Gull
Assistant Audit Officer (IT)
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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 Dasu Hydropower Project (DHPP) 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 July & August, 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, project planning, procurement & contract management, financial management and human resource 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.

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).

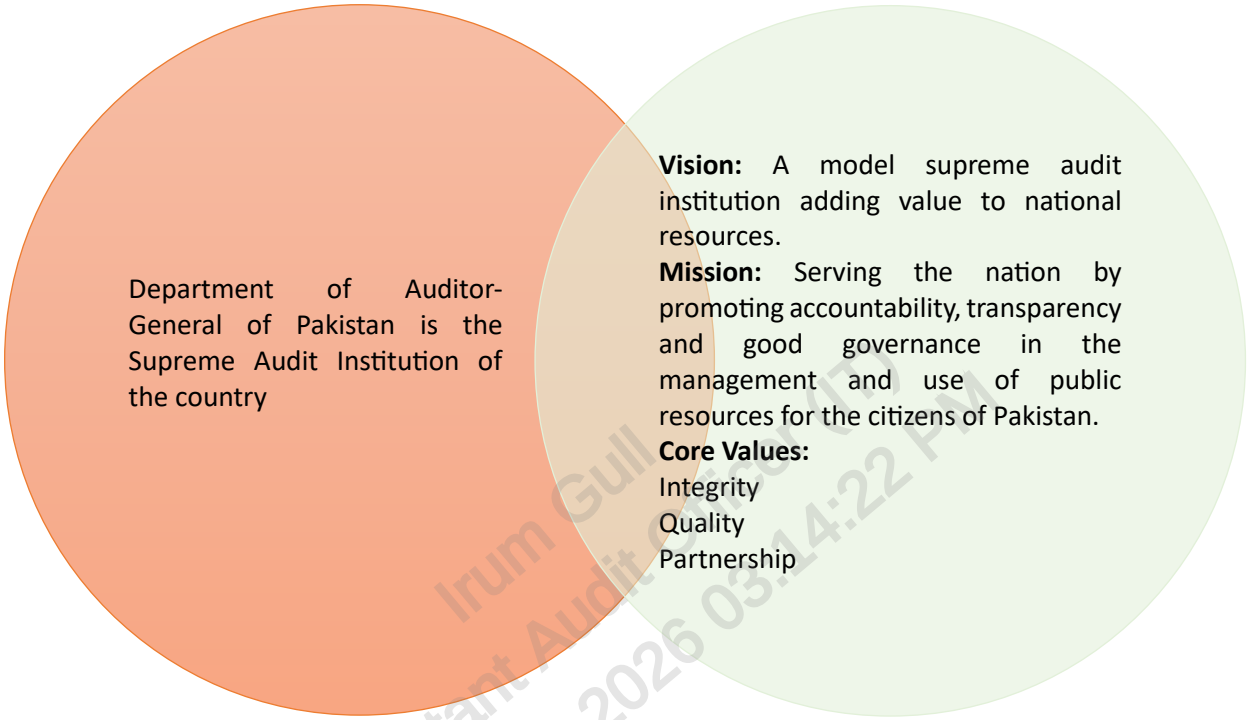
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Assistant Audit Officer (IT)
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Sd/-
(Maqbool Ahmad Gondal)
Auditor-General of Pakistan

Islamabad
Dated: 23 FEB 2026

Irum Gull
Assistant Audit Officer (IT)
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Department of Auditor-General of Pakistan



Irum Gull
Assistant Audit Officer (D)
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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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Assistant Audit Officer (IT)
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AUDIT SNAPSHOT

Audit Report on
Dasu Hydropower Project

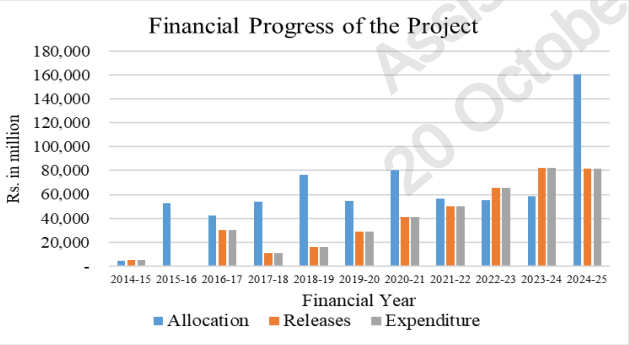
DGAWR-25-003 **February, 2026**

Why did we do this Audit?

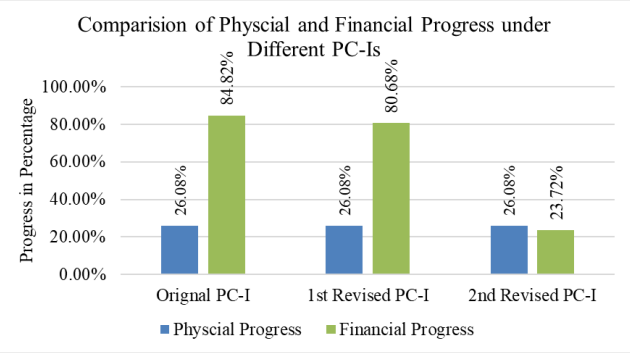
The audit was conducted to evaluate whether the progress of the project was in alignment with deliverables set for the achievement of its objectives as defined in PC-I and to assess compliance with applicable rules/regulations. The project was selected for audit by the office of the Auditor-General of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

Key Assessment

- 26.08% physical progress against 84.82% financial progress of original PC-I pointing to inefficiency
- Non-achievement of planned timelines
- Failure in acquisition of 100% land despite lapse of 11 years



(Details at Page-4)



What did we find?

- Delay in achievement of intended objectives of the project due to delay in land acquisition and slow physical progress of ancillary & support works necessary for timely execution of main works.
- 257% cost increase due to inadequate planning, frequent design changes through variation orders (VOs) and ineffective cost control.
- Weak contract administration due to non-adherence to provisions of contracts.
- Unauthorized handling of funds of land acquisition.
- Deficiencies in human resource management practices

What did we recommend?

- Accelerate execution of works through effective measures and close monitoring to achieve intended project's objectives timely.
- Ensure finalization of design before award of work in compliance with instructions contained in Manual for Development Projects to overcome design changes at belated stage and cost overruns
- Strengthen contract administration by ensuring sanctity of original contract provisions.
- Ensure proper handling of funds of land acquisition by Deputy Commissioner (DC) /Land Acquisition Collector (LAC)
- Complete land acquisition at the earliest
- Strengthen HR management by taking adequate measures in human resource practices.

Irum Gul
Assistant Audit Officer (IT)
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Irum Gull
Assistant Audit Officer (IT)
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Highlights	Audit Report on Dasu Hydropower Project
DGAWR-25-003	February, 2026

Data Summary Sheet

Description	Details
Project Name and Code	Dasu Hydropower Project (Stage-I) PSDP # 1026 (FY 2024-25)
Location	7-Km upstream of Dasu Town, District Kohistan Upper, Khyber Pakhtunkhwa.
Approving Forum & Dates	Executive Committee of the National Economic Council (ECNEC): • Original PC-I approved on March 28, 2014 • 1st revised PC-I approved on October 02, 2019 • 2nd revised PCI on May 14, 2025 (In-principle approval)
Executing Entity	WAPDA
Feasibility Study	Completed from 2006 – 2009
Funding Sources (Govt/Donor agency)	i. Loan of World Bank (IDA-I) ii. Loan of Credit Suisse (Foreign Commercial Financing) iii. Loan of World Bank (Additional financing with a mix of IDA and IBRD loans) iv. Loan from local banks (HBL Consortium) v. WAPDA's Equity
Approved cost	Rs.486,093.30 million (Original PC-I) Rs.510,980.20 million (1st revised PC-I) Rs.1,737,881 million (In-principle approval of 2nd revised PC-I)
Total Allocations (year-wise) (up to 06/2025)	Rs.695,066.48 million **(details at Page-4)**
Total Releases (year-wise) (up to 06/2025)	Rs.412,289.27 million **(details at Page-4)**
Expenditure (year-wise) (up to 06/2025)	Rs.412,289.27 million **(details at Page-4)**
Status of project i.e. Completed or Ongoing	Ongoing

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Cost Over-run (up to 06/2025)	Rs.1,251,787.70 million as compared to original PC-I of the Project
Stated Completion date	As per original PC-I: December, 2019 As per 2nd Revised PC-I: November, 2028
Status of PC-II to V	PC-II approved PC-III being submitted through iPAS portal PC-IV and V not yet due
Time over-run (up to 06/2025)	5.50 Years from December, 2019 to June, 2025 as compared with timelines of Original PC-I.
Scope of work (Targets/Deliverables of project)	**Targets/Deliverables** • Construction of Roller Compacted Concrete (RCC) dam with height of 242 meters. • Construction of 2 power houses with installed capacity of 4,320 (2,160 + 2,160) Megawatt (MW) • Expansion in low-cost clean energy in the country
Sustainability	• Generate reliable and clean energy with minimal environmental impacts • Support affected local communities in their socio-economic development
Outcome of the project	DHPP (Stage-I) will generate 12,225 Gigawatt hours (GWh) clean and cheap energy to meet the requirement of growing demand for energy in the country.
Physical Progress in terms of %	26.08% (June-2025)
Financial Progress in terms of %	84.82% (Original PC-I) 80.68% (1st Revised PC-I) 23.72% (2nd Revised PC-I)
Composite Risk Rating	Medium Risk (Due to slow progress)
Compliance Status of audit recommendations	Awaited

(Source: Data provided by the project management)

Irum Gul
Assistant Audit Officer (IT)
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CONTENTS	Page No.

ABBREVIATIONS AND ACRONYMS 1

BACKGROUND AND OVERVIEW 3

AUDIT FINDINGS 7

1. PROJECT OBJECTIVES 8

2. PROJECT PLANNING 11

3. PROCUREMENT AND CONTRACT MANAGEMENT 16

4. FINANCIAL MANAGEMENT 25

5. HUMAN RESOURCE MANAGEMENT 28

CONCLUSION 29

RECOMMENDATIONS 30

APPENDICES 31

Irum Gull
Assistant Audit Officer (IT)
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Assistant Audit Officer (IT)
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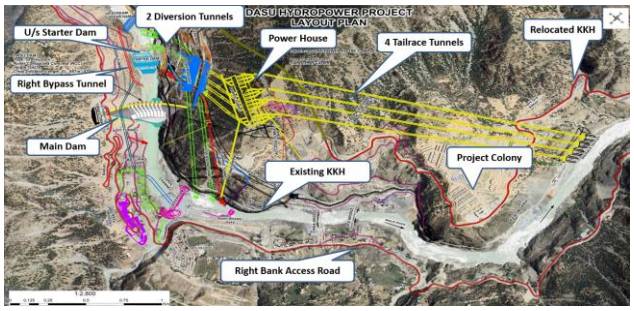
ABBREVIATIONS AND ACRONYMS

BOQ	Bill of Quantities
CGGC	China Gezhouba Group Co. Ltd.
DAC	Departmental Accounts Committee
DBDP	Diamer Basha Dam Project
DC	Deputy Commissioner
DHPP	Dasu Hydropower Project
ECNEC	Executive Committee of the National Economic Council
EOT	Extension of Time
ESMR	Enhanced Self-Management Resettlement
GCC	General Conditions of Contract
GM	General Manager
GWh	Gigawatt hours
HRM	Human Resource Management
IPC	Interim Payment Certificate
KKH	Karakoram Highway
km	Kilometer
KPST	Khyber Pakhtunkhwa Sales Tax
LAC	Land Acquisition Collector
MoWR	Ministry of Water Resources
MW	Megawatt
NBP	National Bank of Pakistan
NOL	No Objection Certificate
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PAPs	Project Affected Persons
PC-I	Planning Commission Proforma-I
PD	Project Director
PPRA	Public Procurement Regulatory Authority
RCC	Roller Compacted Concrete
SIFC	Special Investment Facilitation Council
USD	Unites States Dollar
VO	Variation Order
WAPDA	Water and Power Development Authority

Arshad Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:14:22 PM

Irum Gull
Assistant Audit Officer (IT)
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BACKGROUND AND OVERVIEW



Dasu Hydropower Project Site

DHPP is located on Indus River 7 km upstream of Dasu Town, District Kohistan Upper (Khyber Pakhtunkhwa).

DHPP is being constructed at 74 km downstream of Diamer Basha Dam Project (DBDP). It is a RCC gravity dam having a height of 242 meters with proposed total installed capacity of 4,320 MW. The project is structured in two main stages: Stage-I (comprising Phase-I and Phase-II) will provide an initial 2,160 MW of capacity with annual output of 12,225 GWh while Stage-II (comprising Phases-III and IV) will add another 2,160 MW to generate additional annual output of 9,260 GWh.

Original PC-I of the project (Stage-I) was approved by ECNEC on March 28, 2014 at a cost of Rs.486,093.30 million. Work on project commenced from June, 2017. 1st revised PC-I was approved by ECNEC on October 02, 2019 at a total cost of Rs.510,980.20 million whereas in-principle approval of 2nd revised PC-I was accorded by ECNEC on May 14, 2025 with cost of Rs.1,737,881 million.

As per original PC-I, the Stage-I of the project was expected to be completed within 5 years i.e. from 2015-19 and the construction of Stage-II was expected to be started after 4 years of completion of Stage-I. As per 2nd revised PC-I, the project is expected to be completed by November, 2028.

The project cost mainly includes civil works (dam and powerhouse), electro-mechanical works for six units, preparatory works such as Karakoram Highway (KKH) relocation, access roads, transmission line, project colony and resettlement sites.

The core objective of the DHPP is to significantly boost the Pakistan's energy output by harnessing the natural flow of Indus River. This will help in tackling the national energy crisis and to improve the energy mix by increasing the renewable energy share. The project is expected to add 4,320 MW to the national grid upon full completion of both phases.

The project is funded through a combination of foreign loans, commercial financing and WAPDA's equity. It involves an initial USD 517 million World Bank IDA credit, USD 350 million in foreign commercial loans and Rs.144 billion from a local HBL-led consortium. To cover a revised project cost of Rs. 1,737,881 million, WAPDA is injecting Rs. 288,900 million in equity, while the World Bank is currently processing an additional USD 1,000 million in financing to address cost increases.

As per original PC-I, 9,917.63 acres of land was required for the project. However, as per 2nd revised PC-I, total land required for the project was reduced to 5,685 acres. By the end of June 2025, all the 5031 acres of land in Kohistan has been acquired at total cost of Rs. 22,599 million. The remaining land of 654 acres in District Diamer is yet to be acquired.

The contracts for main civil works (MW-01 & MW-02) were awarded to M/s CGGC on March 08, 2017 and contract for E&M works was awarded to a JV of M/s GE Hydro China Co. Ltd. and Power China Zhongnan Engineering Corporation Ltd. on November 25, 2019. The consultancy contract was awarded to M/s Dasu Hydropower Consultants, a JV with M/s Nippon Koei (Japan) as lead firm, on September 19, 2011.

Current physical progress stands at 26.08% falling significantly short of planned progress of 70.60% which indicates substantial delays in onsite construction and infrastructure development. In contrast, the financial progress was 84.82% of original PC-I and 23.72% of 2nd revised PC-I. An expenditure of Rs.412,289.27 million has been incurred up till June, 2025.

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FINANCIAL PROGRESS OF THE PROJECT

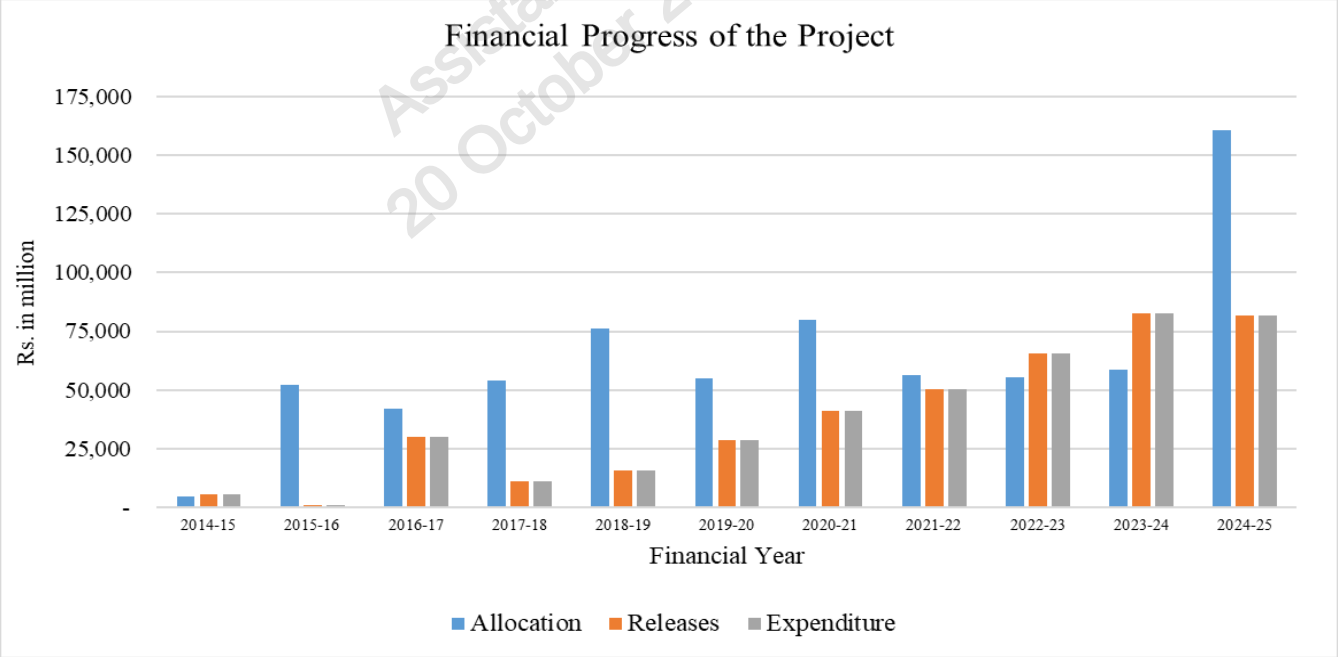
Details of year wise allocations, releases and actual expenditure incurred are tabulated below along with graphical representation.

(Rs. In million)

Financial Year	Allocation	Releases	Expenditure
2014-15	4,423.00	5,344.55	5,344.55
2015-16	52,360.00	807.32	807.32
2016-17	42,177.00	29,883.30	29,883.30
2017-18	53,775.00	10,877.33	10,877.33
2018-19	76,200.00	15,775.98	15,775.98
2019-20	54,681.48	28,645.65	28,645.65
2020-21	80,059.00	41,091.36	41,091.36
2021-22	56,514.00	50,255.82	50,255.82
2022-23	55,383.00	65,630.03	65,630.03
2023-24	58,597.00	82,430.65	82,430.65
2024-25	160,897.00	81,547.28	81,547.28
Total	**695,066.48**	**412,289.27**	**412,289.27**

(Source: Data provided by the management)

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Assistant Audit Officer (IT)
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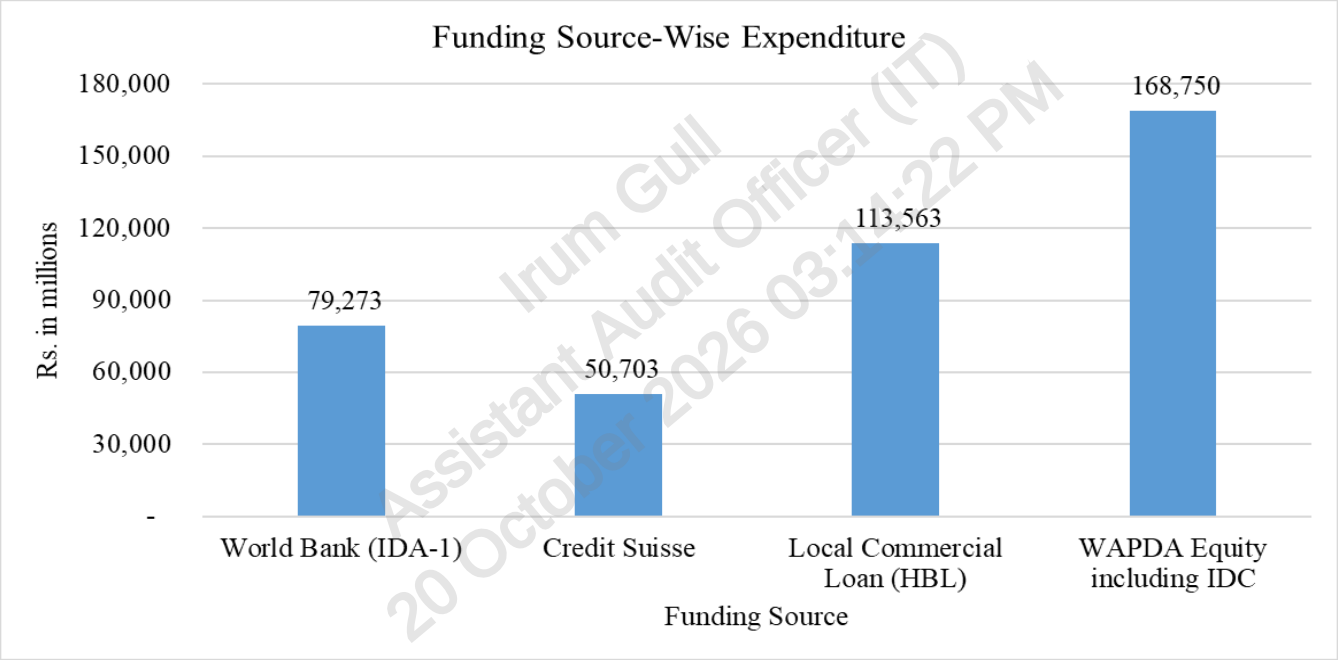


Funding Source-Wise Expenditure up to June-2025

Details of source wise actual expenditure incurred is tabulated below along with graphical representation.

Funding Source	Amount (Rs. in million)
World Bank (IDA-1)	79,273
Credit Suisse (Foreign Loan)	50,703
Local Commercial Loan (HBL)	113,563
WAPDA Equity including IDC	168,750
Total	**412,289**

(Source: Data provided by the management)



Irum Gull
Assistant Audit Officer (IT)
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The implementation of DHPP has faced critical challenges such as massive cost escalation from Rs.486,093.30 million to Rs. 1,737,881 million. Moreover, chronic delays in land acquisition and resettlement have pushed the completion date from 2019 to 2028. In addition to this, terrorist activities have directly interrupted the construction and significantly increased the cost.

PROJECT DIRECTORS – INCUMBENCY PROFILE

The table given below shows the incumbency profile of the Project Directors posted on the project from time to time.

Sr. No.	Name	Period	
		From	To
1	Muhammad Farooq Ahmad	03-08-2015	18-07-2016
2	A.Z.K Durrani	20-07-2016	13-11-2016
3	Javed Akhtar	14-11-2016	25-01-2019
4	Anwar-ul-Haque	25-01-2019	22-03-2024
5	*Amir Shafiq-Ur-Rehman	22-03-2024	Till date

*On current charge

Irum Gull
Assistant Audit Officer (IT)
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AUDIT FINDINGS

Summary

DHPP, intended to deliver 4,320 MW of hydropower generation with an annual output of approximately 21,485 GWh (Stage-I & II combined), remains severely behind schedule as of June, 2025. Physical progress stands at only 26.08% against planned level of 70.60% with essential works on main dam and appurtenant structures, underground powerhouse complex, electro-mechanical equipment and critical infrastructure including KKH relocation and access roads 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 completed land acquisition and repeated post-award design revisions necessitating massive VOs that disrupted sequencing and eroded schedule control collectively deferring vital national benefits in low-cost renewable energy supply and mitigation of energy crisis.

These execution shortfalls have been aggravated by pervasive weaknesses across procurement integrity, contract administration, financial controls and human resource management. Procurement and contract award processes exhibit serious procedural violations including award of consultancy contract for safe city to sitting consultants through direct contracting in violation of Public Procurement Regulatory Authority (PPRA) rules and PM directives, while ongoing contract management shows repeated VOs, deferred recoveries, excess payments, wasteful expenditure including descoping of under construction Shatial museum. Financial irregularities include failure to recover profit earned by DC/LAC on land acquisition funds and non-recovery of proportionate advance payment of helicopter from DBDP and avoidable expenditure on sales tax due to non-submission of exemption certificate. Contract management lapses encompass less-obtaining of performance securities due to increase in contract prices, non-recovery of advance paid against materials, undue favour through cost claims, irregular payments through VOs for power supply and protective/ remedial measures contrary to contract provisions, non-imposition of liquidated damages and non-adjustment of contract price on account of changes in legislation, etc. Human resource lapses include unjustified payment of incentives to the employees of provincial government without PC-I provision. The project has experienced massive cost escalation from original estimate to revised cost representing an increase of 257% with completion timeline extended from 2019 to 2028, representing a time overrun of nine years. Collectively, these systemic deficiencies reflect weak internal controls, non-compliance with rules and contractual obligations and governance gaps within DHPP management 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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Assistant Audit Officer (HQ)
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1. PROJECT OBJECTIVES

The main objective of the project was to deliver 4,320 MW of hydropower generation with an annual output of approximately 21,485 GWh (Stage-I & II combined). The project is structured in two main stages with each stage intended to provide 2,160 MW of capacity. Currently, work on Stage-I of the project is ongoing and given below is progress against each deliverables of the same.

1.1 Execution of Main Civil & Engineering Works

Main Dam and Appurtenant Structures (MW-01):

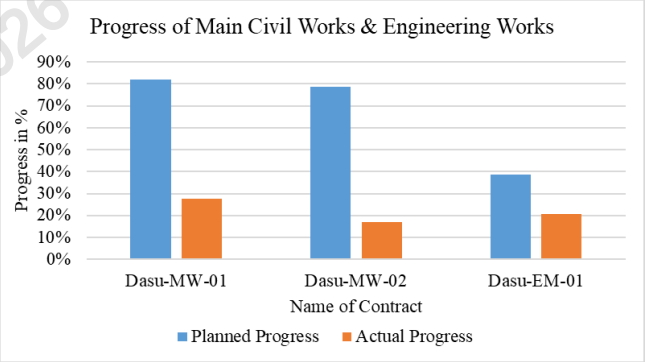
This work package focuses on the construction of primary dam and related structures. Current activities include concrete works for the 'Upstream Starter Dam' and river diversion. The total estimated cost of this work as per 2nd revised PC-I is Rs. 357,541 million and expenditure made till June, 2025 is Rs.55,612 million. The contractual completion date of said work was January 22, 2023 which has been extended to March 04, 2027 after grant of Extension of Time (EOT). As per project's progress report for June, 2025, its actual physical progress is 27.61% as compared to 81.80% planned.

Underground Powerhouse Complex (MW-02):

This involves the excavation of the underground power complex, tunnels and hydraulic steel structures. Major works currently include bench excavation for the power intake and support works for the transformer cavern. The total estimated cost of this work as per 2nd revised PC-I is Rs. 193,155 million and expenditure made till June, 2025 is Rs. 28,068 million. The contractual completion date of said work was February 21, 2023 which has been extended to January 12, 2027 after grant of EOT. As per project's progress report for June, 2025, its actual physical progress is 16.83% as compared to 78.80% planned.

Electro-Mechanical Equipment (EM-01):

This encompasses the design, supply and installation of hydro-mechanical & electrical equipment like turbines and generators. The total estimated cost of this work as per 2nd revised PC-I is Rs. 87,321 million and expenditure made till June, 2025 is Rs. 661.509 million and USD 57.021 million. The contractual completion date of said work was March 03, 2026 which has been extended to December 28, 2027 after grant of EOT. As per project's progress report for June, 2025, its actual physical progress is 20.06% as compared to 38.60% planned.



The progress of main works (Civil & Engineering Works) has been severely hampered by land acquisition, security issues and delays in preparatory works.

It is recommended that the management needs to ensure strict monitoring of agreed timelines and devise a recovery plan to expedite the completion of civil & engineering works without any further delay.

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1.2 Relocation and Infrastructure Works

Relocation of KKH-01

This critical package involves moving the first 20.4 km of the KKH to a higher elevation to clear the reservoir area. The work includes extensive open-cut excavations at various benches, construction of major bridges like Uchar & Barseen and several tunnels such as K-4 and Logro. The total provision available in 2nd Revised PC-I for this work is Rs.83,069 million against which expenditure made till June, 2025 is Rs. 29,871 million. The contractual completion date of said work was February 20, 2017 which has been extended to July 21, 2024 after grant of EOT. The actual physical progress of this work is 67.08% as compared to 100% planned. The work was finally supposed to be completed by July, 2024 as per accepted EOT.

Relocation of KKH-02

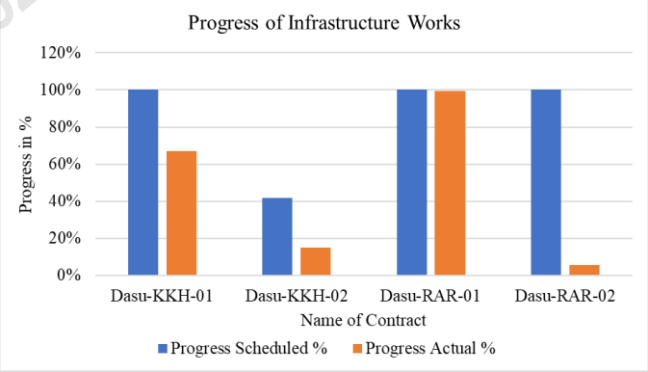
Continuing from the first section, this package relocates the 37 km of KKH from K24 up to K61. Major activities involve drilling, blasting and excavation on the main alignment with specific focus on the Looter, Gober and Shishal tunnels. The total provision available in 2nd Revised PC-I for this work is Rs.106,502 million against which expenditure made till June, 2025 is Rs.13,239 million. The contractual completion date of said work was May 12, 2024 which has been extended to July 13, 2027 after grant of EOT. The actual physical progress of this work is 15.12% as compared to 41.60% planned. The work is finally supposed to be completed by July, 2027 as per accepted EOT.

Right Bank Access Road-01

This 12 km road is a vital artery for the project, providing initial access for heavy machinery from Komila to the main dam site. The work was substantially completed with major asphalt work finished in early 2022 and a combined Taking Over Certificate for the original scope issued on August 3, 2022. The total estimated cost of this work as per 2nd revised PC-I is Rs.4,031 million against which expenditure made till June, 2025 is Rs.3,631 million. The actual physical progress of this work is 99.47% as compared to 100% planned.

Right Bank Access Road-02

This 41.7 km road extends the right bank access further from the dam site toward Uttar Gah. The total estimated cost of this work as per 2nd revised PC-I is Rs. 15,559 million against which expenditure made till June, 2025 is Rs.2,303 million. The contractual completion date of said work was May 12, 2023 which has been extended to April 18, 2024 after grant of EOT. The actual physical progress of this work is 5.62% as compared to 100% planned. The work was finally supposed to be completed by April, 2024 as per accepted EOT.



The work has been periodically halted at several sites due to local labor strikes, disputes over the social management and resettlement packages.

It is recommended that disputes need to be resolved and recovery plan be prepared to expedite the completion of infrastructure.

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Audit Officer (IT)
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1.3 Ancillary & Support Works

Transmission Line:

This work provides construction of 37 km Transmission Line from Dubair Khwar to the project site. Most tower foundations and erections are finished with final stringing and construction of grid station in progress. The total estimated cost of this work as per 2nd revised PC-I is Rs. 2,701 million against which expenditure made till June, 2025 is Rs.1,987 million and USD1.307 million. The contractual completion date of said work was June 19, 2016 which has been extended to February 17, 2024 after grant of EOT. The actual physical progress of this work is 97.10% as compared to100% planned.

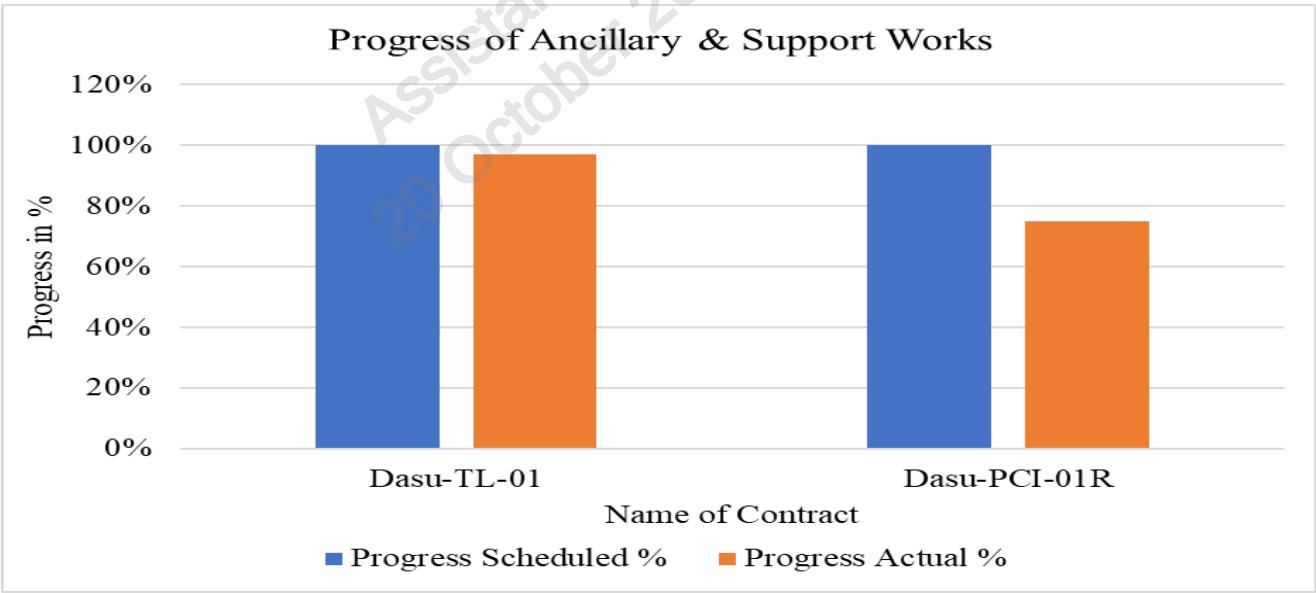
Project Colony and Infrastructure:

This work includes building, residential houses, offices and support facilities for the project staff. The total estimated cost of this work as per 2nd Revised PC-I is Rs.8,521 million against which expenditure made till June, 2025 is Rs.4,145 million. The contractual completion date of said work was May 17, 2021 which has been extended to September 12, 2023 after grant of EOT. The actual physical progress of this work is 75.09% as compared to 100% planned.

Causes of delay include resistance from local community regarding access to the site and demands for being hired as sub-contractors & employees.

As the early completion of Transmission Line (TL-01) is required for RCC placement in Main Dam, therefore, it is recommended that the transmission line of the project be completed to resolve the long outstanding issue of electricity for the project. In case of delays relating to completion of project colony, the contractor may be taken onboard to devise a recovery plan.

Irum Gul
Assistant Audit Officer (IT)
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2. PROJECT PLANNING

2.1 Time and cost overrun in case of Stage-I of DHPP

DHPP (stage-1) has experienced a massive cost escalation with budget increase of Rs.1,251,787.70 million from original estimate of Rs.486,093.30 million (Original PC-I, 2014) to approximately Rs. 1,737,881 million (2nd revised, 2025). This represents an increase of about 257%. The escalation is attributed mainly to multiple VOs representing changes in design and scope of contracts, particularly in case of main civil & electrical works and KKH relocation works.

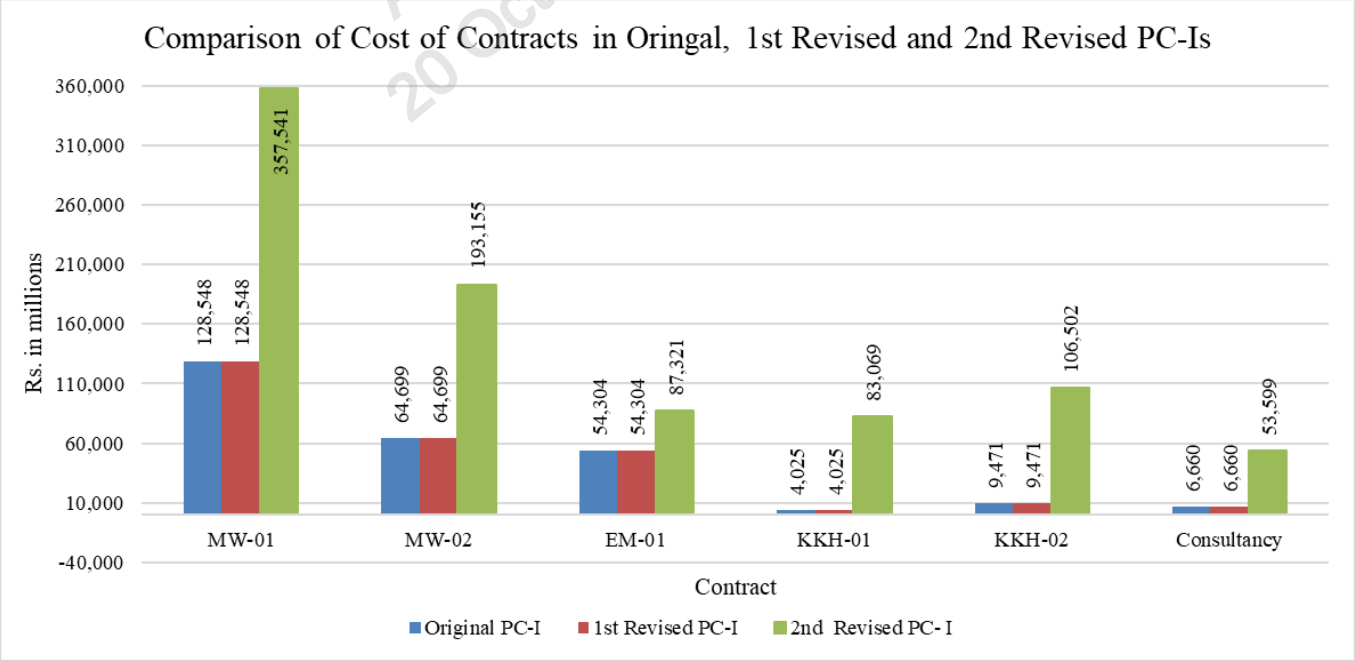
The table below shows the contract wise increase in cost in respective revisions of PC-I along with percentage increase.

(Rs. in millions)

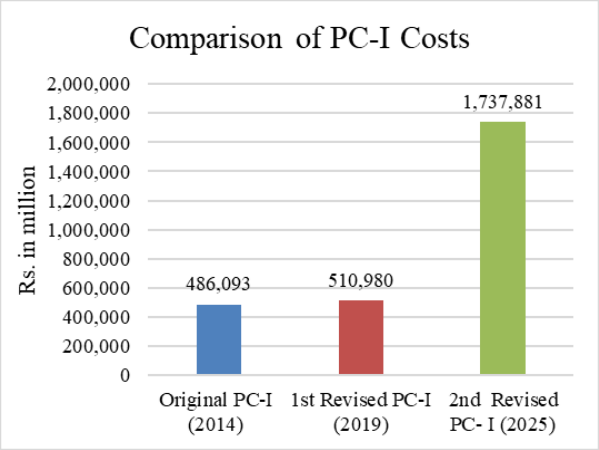
Component	Cost as per Original PC-I	Cost as per 2nd Revised PC-I	Increase in Cost	% Increase
MW-01	128,548	357,541	228,993	178%
MW-02	64,699	193,155	128,457	199%
EM-01	54,304	87,321	33,017	61%
KKH-I	4,025	83,069	79,044	1964%
KKH-II	9,471	106,502	97,031	1024%
Consultancy	6,660	53,599	46,939	705%

(Source: PC-Is of the Project)

Audit observed that another significant reason for price escalation is foreign exchange loss due to devaluation of Pakistani rupee against USD, as the exchange rate increased from Rs.100/USD in 2014 to Rs.280/USD in 2025. An amount of Rs.34,314.538 million has been incurred as foreign exchange loss up to June, 2025. Further, a provision of Rs.236,442 million against foreign exchange loss has been provided in the 2nd revised PC-I.



Arum Gul
Assistant Audit Officer (IT)
20 October 2026 03:14:43 PM



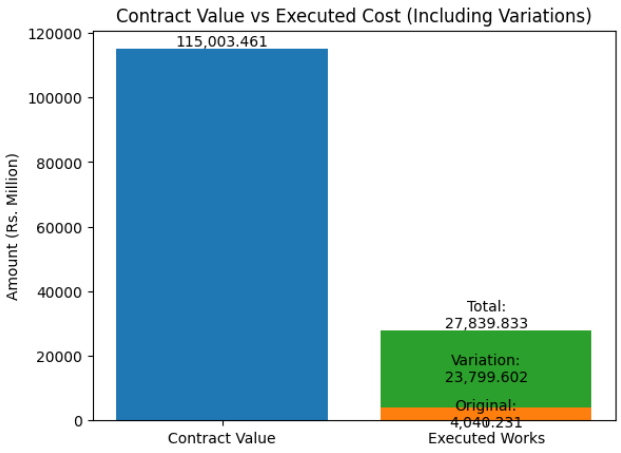
According to the original PC-I, the project was scheduled for completion within five years (2014–2019), however, under the 2nd revised PC-I, the completion date has been extended to 2028, resulting in a time overrun of nine years mainly due to slow progress caused by delays in land acquisition, security-related constraints and changes in project scope.

Audit recommends a third party technical and financial review of the massive increase in cost of the project in Stage-I of this project.

2.2 Improper planning leading to increase in contract cost due to issuance of variation orders

According to Para-4.5 of Manual for Development Projects, "within six months of project approval, detailed design and costing should be finalized and submitted to the competent authority. Implementation of such project components, which require detailed designing should be started only when these have been finalized". As per Rule-4 of PPRA Rules, "procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical". As per Clause-3.1.1 of General Conditions of Contract (GCC) of Consultancy Services Agreement, "the consultants shall perform the services and carry out their obligations hereunder with all due diligence, efficiency and economy, in accordance with generally accepted professional standards and practices, and shall observe sound management practices, and employ appropriate technology and safe and effective equipment, machinery, materials and methods".

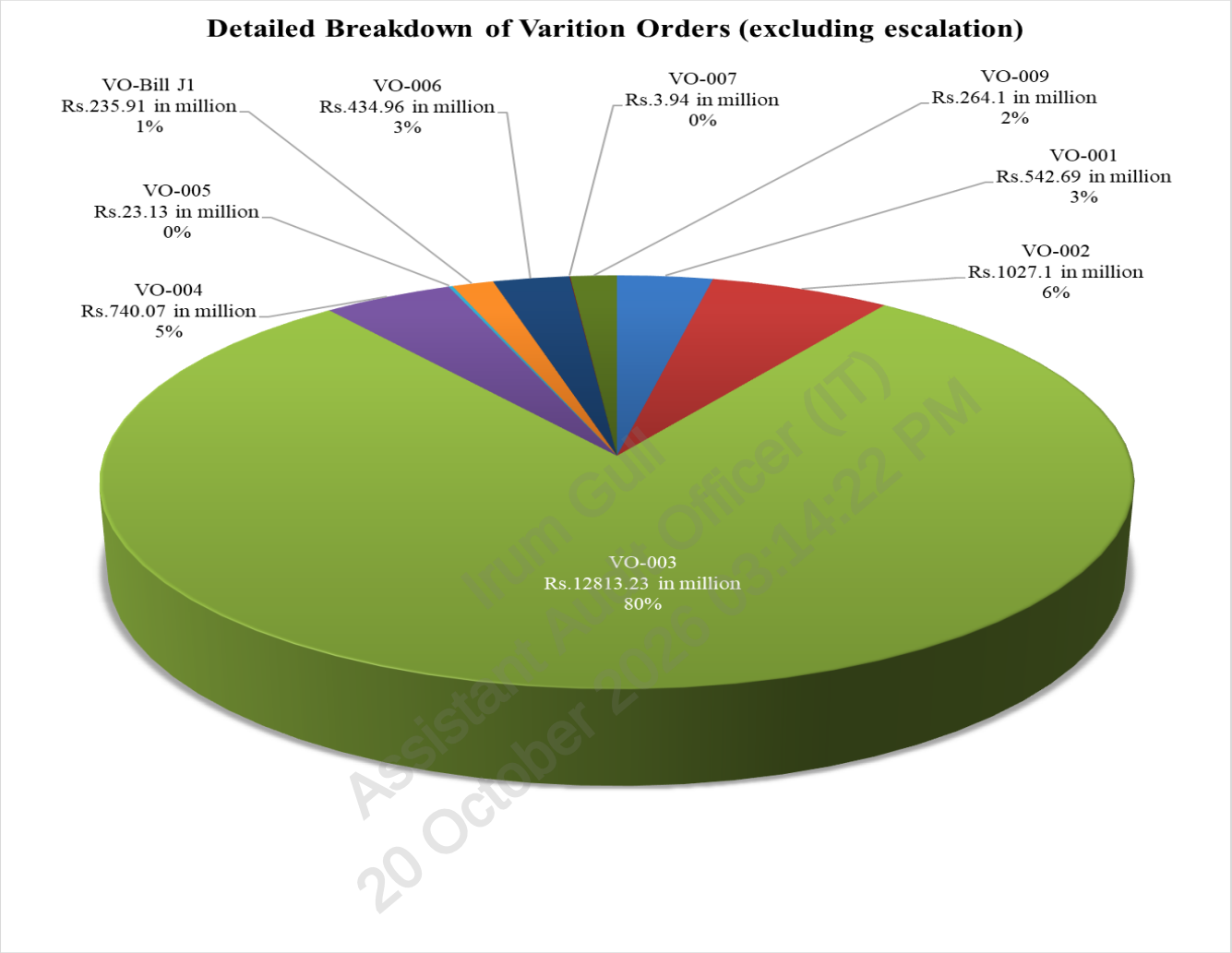
During audit of accounts of the General Manager (GM)/Project Director (PD), DHPP, it was observed that a contract No.MW-01 for construction of main hydraulic structure, spillway, low level outlets, river diversions and hydraulic steel structure was awarded to M/s China Gezhouba Group Co. Ltd (CGGC) at a contract price of Rs.115,003.461 million. The contract was awarded on March 08, 2017 and notice to commence the work was issued on June 20, 2017. It was further observed that soon after award of contract, the consultants revised design of tunnels. Out of total executed work of Rs.27,839.833 million during FY 2022-23, an amount of Rs.23,799.602 million was incurred against nine VOs mainly relating to diversion works and provision of power supply whereas remaining amount of Rs.4,040.231 million was paid under different items of original contract.



It was further observed that VOs had to be issued mainly due to slow physical progress at KKH-01, however, major change was due to revision of

Assistant Audit Officer (C)
20 October 2025 03:14:22 PM

design of the diversion tunnel. The consultants were well aware of the same before award of contract for MW-01. As per guidelines issued by the planning commission stated above, the detailed design and costing should have been finalized within six months after approval of project, which was not done and major changes in design after award of contract not only affected construction schedules but also resulted in huge cost increase.



Audit held that execution of most of the works through VOs showed lack of planning and poor performance of the consultants in preparation of original design.

Non-adherence to aforementioned rules and guidelines resulted in improper planning leading to increase in contract cost amounting to Rs.23,799.602 million due to issuance of nine VOs.

The matter was taken up with the management and reported to the Ministry. The management replied that the scope of work of MW-01 was changed due to delay in completion of KKH-01 owing to different reasons. Further, the said VOs were approved by WAPDA Authority after seeking No Objection Letter (NOL) from the World Bank.

The reply was not acceptable because the reasons stated in the management reply i.e. issue of land acquisition and disruption of work at KKH-01 was in the knowledge of both the consultants and the Employer at the time of award of contract for MW-01.

Audit recommends the management to inquire the matter for fixing responsibility regarding award of contract on existing design of MW-01 without taking into account physical progress of KKH-01 which resulted in issuance of VOs contrary to the guidelines of the Planning Commission.

(Para No. 1.5.8 of AR 2023-24)

2.3 Unjustified increase in cost of contracts by changing scope of works through variation orders in violation of PPRA rules and ignoring PC-I provisions

According to Para-4.12 of the Manual for Development Projects, "the physical and financial scope of a project, as determined and defined in the project document (PC-I), is appraised and scrutinized by the agencies concerned before submitting it for approval of the Central Development Working Party or ECNEC. Once approved, the executing agency is required to implement the project in accordance with the PC-I provisions. It has no authority to change and modify any approved parameter of the project on its own. As per Rule-20 of 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 Rule-4 of the same, "procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical".

During audit of accounts of the GM/PD, DHPP, it was noticed that PC-I of the project was approved by the ECNEC on March 28, 2014 at a cost of Rs.486,093 million. Later on, two contracts for relocation of Karakoram Highway (KKH) were awarded to different contractors during 2015 and 2017. However, the construction of relocated KKH, which was to be used as a bypass for diverted traffic of original KKH to avoid interference in the construction activities of the main works, couldn't be completed till date. Meanwhile, the contract for civil works (MW-0I) was awarded to M/s CGGC on March 08, 2017 with planned completion date of January 22, 2023. In order to avoid interference of open excavation work of relocated KKH with construction activities of the main work, avoid damages of main contractor's camp and divert public traffic of the old KKH, two VOs amounting to Rs.45,632.268 million were issued for re-alignment of the relocated KKH by including 15 (7+8) tunnels and 9 (3+6) bridges. It is pertinent to mention that similar work under VOs was not included in the scope of original contracts for construction of road, therefore, works of the VOs was not based on original Bill of Quantities (BOQ), hence, their rates were non-competitive. Audit held that as the amounts of VOs were abnormally high and scope of works was also changed from open-cut to tunnels & bridges, therefore, issuance of VOs of huge amount without obtaining competitive rates as required under PPRA rules and ignoring provisions of PC-I was not justified. The detail is as under:

Irfan Gul
Assistant Audit Officer (IT)
20 October 2026 04:14:52 PM

Rs in million

Sr. No.	Contract No.	Name of contractor	Date of award	Commencement date	Contractual completion date	Contract Price	Variation Order		
							Date of approval by Authority	Amount	%age of contract price
1	KKH-01	M/s CCECC	16-03-15	24-08-15	20-02-17	14,538.852	05-04-22	29,413.545	202.31%
2	KKH-02	M/s CGGC	25-04-17	15-05-22	12-05-24	16,264.917	22-02-24	16,218.723	99.71%
Total:						**30,803.769**		**45,632.268**	

Non-adherence to the PPRA Rules and instructions of Planning Commission resulted in unjustified increase in cost of contracts by changing scope of work through VOs amounting to Rs.45,632.268 million.

The matter was taken up with the management and reported to the Ministry. The management replied that the VOs were issued as per site requirements with the approval of the Authority and after obtaining NOL from World Bank.

The reply was not acceptable because the scope of work was changed through VOs in its entirety as compared to scope of original contract due to poor planning and the rates of VOs remained outside the ambit of competitive process on which the original contract was awarded.

Audit recommends the management to inquire the matter at a higher level for fixing of responsibility for award of an entirely redesigned work through a VOs and that too at uncompetitive rates.

(Para No. 1.5.1 of AR 2023-24 & 1.5.1 of AR 2024-25)

2.4 Failure to synchronize contract award with site readiness

A review of the DHPP revealed a lack of alignment between financial disbursement and site readiness. Three contracts amounting to Rs.22,889.26 million were awarded to different contractors for various works during 2016-17. An amount of Rs.4,585.89 million (Rs.3,035.37 million and USD14.76 million) on account of mobilization advance was paid to the contractors on different dates.

Although the management acted in accordance with Clause-14.2 by releasing mobilization advances totaling Rs.4,585.89 million during 2016-17, however, this capital was deployed prematurely because the land acquisition process had not been finalized prior to the award of contracts, the funds remained with the contractors for over two years without any corresponding physical progress. Audit identifies this as a failure in Integrated Project Planning.

The matter was taken up with the management and reported to the Ministry. The management replied that the work could not be commenced due to non-acquisition of land.

Audit recommends to fix responsibility for poor planning and fulfil the prerequisites especially regarding land acquisition as stated in Manual for Development Projects before issuing the Letter of Acceptance to the contractor, in future.

(Para No.1.5.12 of AR 2019-20)

Irum Gul
Assistant Audit Officer (D)
20 October 2025 05:14:22 PM

3. PROCUREMENT AND CONTRACT MANAGEMENT

Procurement is the process of acquiring goods, services or works from external sources 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. 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. Effective contract management, therefore, is essential to ensure transparency, economy, efficiency, and adherence to applicable rules and regulations.

This section highlights audit observations relating to irregularities in procurement and contract management.

3.1 Non-enhancement of amount of performance securities after increase in prices of contracts

According to the Clause-4.2 of the GCC, 'whenever the Engineer determines an addition or a reduction to the contract price as a result of a change in cost and/or legislation, or as a result of a variation, amounting to more than 25 percent of the portion of the contract price payable in a specific currency, the contractor shall at the Engineer's request promptly increase, or may decrease, as the case may be, the value of the Performance Security in that currency by an equal percentage.

During audit of accounts of the GM/PD, DHPP for the period from July, 2024 to June, 2025, it was noticed that two contracts for relocation of KKH were awarded to different contractors. It was further observed that 20 VOs (11 + 9) amounting to Rs.23,201.654 million and Rs.24,270.079 million respectively were issued to the contractors up to June 30, 2025. Resultantly, the contracts prices had been increased up to Rs.37,740.507 million and Rs.40,534.996 million (increased by 160% and 149% of original contracts prices) respectively. As per provision of contracts, in case of increase in contract price by more than 25%, performance securities were required to be increased accordingly. However, the contractors did not provide the requisite performance securities as per actual increase in contracts prices and performance securities of Rs.1,558.234 million were less provided by the contractors. The detail is as under:

(Rs. in million)

Sr. No.	PDP No.	Name of Contractor	Contract No.	Date of award	Performance Security Provided	Performance Security to be Provided	Performance Security less obtained
1	163/2025-26	M/s CCECC	KKH-01	16-03-2015	3,692.351	3,774.050	81.699
2	189/2025-26	M/s CGGC	KKH-02	25-04-2017	5,189.870	6,666.405	1,476.535
Total					**8,882.221**	**10,440.455**	**1,558.234**

(Source: Para files)

Assistant Audit Officer (IT)
20 October 2026 03:14:22 PM

Non-adherence to the provision of contracts resulted in non-enhancement of amount of performance securities by Rs.1,558.234 million after increase in prices of contracts during the FY 2024-25.

The matter was taken up with the management in August, 2025 and reported to MoWR in November, 2025. The management replied that the Engineer was of the view that the stipulation under GC Sub-Clause 4.2 [Performance Security] "or as a result of a variation amounting to more than 25% of the portion of the Contract Price payable" was not applicable to the VOs as whole, rather it is applicable for each VO. Therefore, additional performance security was not required for the other VOs. However, for VO-03, the amount of which exceeded 25% of the original contract price, additional performance security was duly required and obtained from the contractor.

The reply was not acceptable because the performance security was required to be obtained on all VOs beyond increase in contract price by 25%.

The para (189/2025-26) 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 obtain additional performance securities from the contractors as per provision of contracts.

3.2 Less recovery of advance paid to the contractor against materials

According to Clause-14.5 of the contract for main work, an amount equal to 80% of the cost of plant and materials brought by the contractor on site shall be paid to the contractor as advance payment. The amount of advance will be reduced when the contract value of such plant and materials is included in Interim Payment Certificate (IPC) as part of the permanent works.

During audit of accounts of the GM/PD, DHPP for the period from July, 2024 to June, 2025, it was noticed that an amount of Rs.5,190.163 million was paid to the contractor M/s CGGC as 80% advance payment against supply of materials (reinforcing steel, cement and pozzolanic material) up to IPC-62. As per measurement sheets, out of total advance, an amount of Rs.3,748.256 million was adjusted against materials used in different permanent works leaving an outstanding balance of Rs.1,441.907 million. However, as per statement of advance, value of physical stock of said material certified by the consultants was only Rs.377.472 million. It reflected that either less material was brought by the contractor on site against which advance was paid or the said material was used elsewhere in other works. Audit held that advance payment of Rs.1,064.435 million, in excess of amount of physical stock of material, should have been recovered from the contractor to bring the outstanding balance at par with the physical stock of materials which was not done.

Non-adherence to the provision of contract resulted in less recovery of Rs.1,064.435 million on account of advance paid to the contractor against materials up to the Financial Year 2024-25.

The matter was taken up with the management in August, 2025 and reported to MoWR in October, 2025. The management replied that the due amount of the contractor certified in IPC was not substantial enough to recover the advance against material. The Engineer had ensured to be more careful in future and make recovery from the upcoming IPC of the contractor.

The reply was not satisfactory because as per provision of contract, amount of advance against material was required to be recovered from the contractor.

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

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10 & 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 amount of advance payment in excess of physical stock of materials from the contractor at the earliest besides fixing of responsibility.

(Draft Para No.109/2025-26)

3.3 Undue favour to the contractor by making payment of cost claims on the basis of extended period instead of actual period

According to Clause-20.1, each payment certificate shall include such additional payment for any claim as has been reasonably substantiated as due under the relevant provision of the contract. Unless and until the particulars supplied are sufficient to substantiate the whole of the claim, the contractor shall only be entitled to payment for such part of the claim as he has been able to substantiate.

During audit of accounts of the GM/PD, DHPP for the period from July, 2024 to June, 2025, it was noticed that two contracts for constructions of Right Bank Access Road and relocation of KKH were awarded to M/s CGGC and M/s China Civil Construction Corporation on January 17, 2017 and March 16, 2015 at contract price of Rs.6,250.407 million and Rs.14,538.852 million, respectively. The works could not be completed within contractual completion period despite various extensions of time. As a result of delay, the contractors submitted cost claims for the extended period. A committee was constituted on January 03, 2025 headed by the Chief Auditor (WAPDA), representatives from Central Contract Cell, Coordination & Monitoring Directorate and Project Office to scrutinize the contractors' cost claims. The scrutiny committee submitted its report on January 31, 2025 and concluded that reasons may be sought from the Engineer why cost claims were assessed/evaluated for extended period and not for actual delay period? Further, the Engineer should also be asked to clarify why different principles/methodologies were adopted for evaluating the similar nature cost claims i.e. Roads contracts (KKH-01 & RAR-01) versus Main Works contracts (MW-01 & MW-02). Subsequently, an In-House-Discussion (IHD) was held on May 12, 2025 at Islamabad, wherein both the Engineer and scrutiny committee presented their stance regarding cost claims. During the IHD, Project Office was directed to put up these cost claims in next WAPDA Authority meeting for consideration. Later on, WAPDA Authority accorded approval for payment of cost claims of Rs.775.526 million (Rs. 441.608 million + Rs.333.918 million) for extended period instead of actual delayed period on the part of the Employer. Audit held that proper substantiation was not made for making payment of cost claims to the contractor. Neither minutes of meeting of IHD was recorded nor justification for payment of claims to the contractors for extended period was available. Therefore, payment of cost claims to the contractors on the basis of extended period instead of actual period (delay on the part of the Employer) without considering the view point of the scrutiny committee was not justified and an undue favour to the contractors.

Non-adherence to the provision of contracts resulted in undue favour to the contractors by payment of cost claims amounting to Rs.775.526 million for extended period instead of actual period during the FY 2024-25.

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

Asst. Irum Gull Audit Officer (D) 20 October 2026 05:14:22 PM

December, 2025. The management stated that reply would be furnished after referring record and contract documents.

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 & 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 cost claims to the contractor for extended period instead of actual period (delay on the part of Employer) in violation of provision of contracts and report of scrutiny committee besides fixing responsibility.

(Draft Para No.238/2025-26)

3.4 Undue favour to the contractor for provision of power supply through variation order in violation of contract provisions

According to Clause-8.2 of the General Requirement (Vol-2) of contract No.MW-01, the contractor shall be fully responsible for the provision of electricity, water, gas and other services as he may require for the performance of the contract. As per GCC-4.19, the contractor shall be responsible of all power, water and other services he may require for his construction activities and to the extent defined in the specifications for the tests. As per item No.11 of bid clarification meeting dated March 14, 2016, it was clarified that "WAPDA cannot guarantee power supply for construction for these facilities". As per item No.1 of bid clarification meeting dated April 21, 2016, "assurance for uninterrupted power supply during construction cannot be guaranteed to the contractors. Therefore, the contractors have to keep it in mind while making the bid proposal". As per item No.2 of bid clarification dated June 22, 2016, "it was clarified that the contractor shall be fully responsible for the provision of electric power source, therefore, bidders shall make due consideration within the unit rates and prices".

During audit of accounts of the GM/PD, DHPP for the period from July, 2024 to June, 2025, it was noticed that a Contract No. MW-01 was awarded to M/s CGCC on March 08, 2017. As per provisions of the contract and bid clarifications, the contractor was fully responsible for arrangement of electricity required for construction activities. The contractor vide letter dated February 26, 2019 submitted a notice to claim on account of non-availability of electricity from the main grid. The request of the contractor was turned down by the consultants as well as the employer in the light of provisions of the contract and bid clarifications. Further probe into the matter revealed that a meeting was held on September 16, 2022 between Chairman WAPDA and representative of M/s CGGC. After the said meeting, the consultants submitted a draft VO on September 21, 2022 and project office conveyed in-principle approval of VO on September 22, 2022. Later on, ex-post facto approval of VO No.06 for power supply amounting to Rs.1,772 million was accorded by WAPDA Authority on November 10, 2022. Accordingly, an amount of Rs.485.272 million on account of said VO was paid to the contractor through IPC No.51 to 62. Audit held that issuance of VO for provision of power supply in violation of contract provisions and contrary to the time & again bid clarifications was not justified, thus, payment on account of provision of power supply was an undue favour to the contractor.

Non-adherence to the provisions of the contract and bid clarifications resulted in an undue favour

Irfan Gull
Assistant Audit Officer (IT)
20 October 2026 03:14:22 PM

to the contractor by payment of Rs.485.272 million for provision of power supply through VO during the FY 2024-25.

The matter was taken up with the management in August, 2025 and reported to MoWR in October, 2025. The management stated that reply would be furnished after referring to record and contract documents.

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 & 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 said amount from the contractor besides fixing responsibility for authorization of such payment.

(Draft Para No.110/2025-26)

3.5 Unjustified award of consultancy contract for safe city in violation of public procurement rules

According to Point No. 06 of Minutes of Meeting (follow up meeting – visit of the Prime Minister to China) dated July 20, 2024, "WAPDA to seek exemptions through Special Investment Facilitation Council (SIFC) mechanism from advertising of procurement consultancies for establishing safe city in Dasu and Chilas (for Diamer Basha). In case multilateral donors are involved, Ministry of Finance may assist WAPDA and cite the example of exemptions granted in case of Federal Board of Revenue". As per Rule-20 (Principal method of procurement) of Public Procurement 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 Rule-42(c)(v) of PPRA Rules, 2004, a procuring agency shall only engage in direct contracting in case of an emergency, provided that the procuring agencies shall specify appropriate fora vested with necessary authority to declare an emergency. As per Regulation-4 of Procurement of Consultancy Services Regulations, 2010, the procuring agency shall not hire a consultant for an assignment in which there is possibility of conflict of interest.

During audit of accounts of the GM/PD, DHPP for the period from July, 2024 to June, 2025, it was noticed that a contract agreement for management consultancy services for safe city project at district Dasu (Kohistan Upper) was awarded to M/s NESPAK on October 02, 2024 for Rs.237.358 million through direct contracting. Further probe into the matter revealed that as per directives of Prime Minister, WAPDA was required to seek exemption from advertisement for establishing safe city in Dasu and Chilas through SIFC mechanism. However, the management instead of taking up the matter with SIFC, advertised the Request for Proposal on August 13, 2024 but this process of procurement was annulled on September 26, 2024 with the approval of WAPDA Authority. Later on, the said contract was awarded to M/s NESPAK who was already employed for Local Area Development Works. Audit held that award of consultancy agreement to M/s NESPAK was not justified on the following grounds:

- The directions from Prime Minister's office were issued on July 20, 2024, which were not adhered to. Later, advertisement was published on August 13, 2024 and procurement process was annulled on September 26, 2024 without any justification despite the fact that a reasonable time had already been consumed on this process. As per requirement of Rule-42 of PPRA rules, emergency was to be declared at

Irum Gull
Assistant Audit Officer (IT)
21 October 2026 05:14:22 PM

appropriate fora, which was not done. Further, procurement took almost 3 months which did not corresponds to an emergent nature of work.

- The contract was awarded to already sitting consultants i.e. M/s NESPAK through negotiation which was conflict of interest and an undue favour to the consultant.
- Award of contract having gestation period of 3 months and value of Rs. 237.358 million on direct contracting was not justified and was an undue favour to the sitting consultants.

Non-adherence to the aforementioned directions/ rules resulted in unjustified award of consultancy contract for safe city amounting to Rs.237.358 million during the FY 2024-25.

The matter was taken up with the management in August, 2025 and reported to MoWR in December, 2025. The management stated that reply would be furnished after referring record and contract documents.

No reply was furnished till finalization of this Audit Report.

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

Audit recommends the management to justify award of contract to sitting consultants through direct contracting in violation of directions of PM office & PPRA rules.

(Draft Para No.388/2025-26)

3.6 Irregular payment to the contractor for protective net and remedial measures in powerhouse transformer cavern through variation orders

According to Clause-4.1, the contractor shall design, execute and complete the works in accordance with the contract and with the Engineer's instructions, and shall remedy any defects in the works. The contractor shall be responsible for the adequacy, stability and safety of all site operations and of all methods of construction. According to Clause-17.2, the contractor shall take full responsibility for the care of the works and goods from the commencement date until the Taking-Over Certificate is issued. If any loss or damage happens to the works, goods or contractor's documents during the period when the contractor is responsible for their care, the contractor shall rectify the loss or damage at the contractor's risk and cost.

During audit of accounts of the GM/PD, DHPP for the period from July, 2024 to June, 2025, it was noticed that a contract No. MW-02 for construction of underground power complex, tunnels and hydraulic steel structures was awarded to M/s CGGC on March 08, 2017 at a contract price of Rs,64,426.426 million. Scrutiny of record revealed that an amount of Rs.128.595 million on account of protective net in powerhouse, additional & remedial support work for transformer cavern crown was paid to the contractor through VO No.3 & 4. Further scrutiny of record revealed that during excavation of the transformer cavern, the contractor deviated from the approved blasting design and excavation methodology, which led to the detachment of shotcrete and instability in the crown portion of the cavern. The consultants repeatedly expressed their concerns on the matter and directed the contractor vide letter dated January 18, 2024 to adhere to the approved construction sequence with the advice to re-evaluate its excavation methodology. The consultants further directed that in case of non-compliance, the contractor would be entirely responsible for all the consequences. Audit held that as per provisions of contract, the contractor was responsible for the adequacy, stability, and safety of the works and required to remedy any

Irum Gull
Assistant Audit Officer (IT)
21 October 2026 03:14:22 PM

damage or defects at his own expense until issuance of the taking-over certificate, therefore, issuance of VOs for protective net installation and associated remedial works was irregular.

Non-adherence to the provisions of contract resulted in irregular payment of Rs.128.595 million to the contractor on account of protective net and remedial measures in powerhouse transformer cavern through VOs during the FY 2024-25.

The matter was taken up with the management in August, 2025 and reported to MoWR in November, 2025. The management stated that reply would be furnished after referring record and contract documents.

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 & 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 irregular paid amount from the contractor.

(Draft Para No.165/2025-26)

3.7 Excess payment to the contractor due to non-adjustment of contract price on account of change in legislation

According to Clause-13.7 of GCC, "the contract price shall be adjusted to take account of any increase or decrease in cost resulting from a change in the laws of the country (including the introduction of new laws and the repeal or modification of existing laws) or in the judicial or official government interpretation of such laws, made after the base date, which affect the contractor in the performance of obligations under the contract". Further, as per Finance Act-2021 of Khyber Pakhtunkhwa Government, Khyber Pakhtunkhwa Sales Tax (KPST) on construction of hydropower project was applicable @ 2% w.e.f. July, 2021.

During audit of accounts of the GM/PD, DHPP for the period from July, 2024 to June, 2025, it was noticed that M/s China Gansu International Corporation for Economic and Technical Cooperation submitted bid for Construction of Project Colony and Infrastructure (Contract No.PCI-01R) on November 22, 2017. The bid of the firm for Rs.4,900 million was accepted by the management vide Letter of Acceptance dated August 27, 2018. At the time of bidding, applicable rate of KPST notified by the Khyber Pakhtunkhwa Revenue Authority on February 04, 2016 was 5%. As per bidding documents, the rates quoted by the contractor were inclusive of all applicable taxes. Later on in July, 2021, rate of KPST on construction services was reduced from 5% to 2% but no adjustment was made in the contract price by the management. Audit held that at the time of making payment to the contractor, deduction/adjustment of KPST equal to 3% from gross amount of IPCs was required to be made to give effect of decrease in rates of KPST resulting from change in applicable law but the needful was not done which resulted in excess payment of Rs.25.214 million to the contractor.

Non-adherence to the aforementioned provisions resulted in excess payment of Rs.25.214 million to the contractor due to non-adjustment of contract price on account of change in legislation during the FY 2024-25.

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

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:14:22 PM

November, 2025. The management replied that the employer had served notice of claim pursuant to sub-clause 2.5 (Employer's Notice) on December 09, 2022 which was duly acknowledged by the Engineer on January 11, 2023. The Engineer further requested the employer to submit supporting particular along with claimed amount. The employer was suggested to discuss this matter with WAPDA's tax division and submit the claim formally to the Engineer for his determination.

No progress was intimated till finalization of this Audit Report.

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 recover the excess paid amount from the contractor besides ensuring adjustment of contract price on account of reduction in rate of KPST as per provision of contract.

(Draft Para No.190/2025-26)

3.8 Non-imposition of liquidated damages upon the contractor for delay in completion of work

According to Clause-47.1 of Particular Conditions of the Contract "The liquidated damages for the whole of the works are 0.1 % per day. The maximum amount of liquidated damages for the whole of the works is 10% of the Accepted Contract Price".

During audit of accounts of the GM/PD, DHPP for the period from July, 2024 to June, 2025, it was noticed that a Contract No. DASU-LADP-SSKD for Sanitation and Sewerage System at Komila and Dasu was awarded to M/s Khyber Grace (Pvt.) Ltd. on November 29, 2021 at a contract price of Rs.188.522 million. The stipulated completion date for whole of the works was February 22, 2023. The contractor could not complete the works within stipulated period and an EOT for 117 days was granted to the contractor on December 28, 2023 with revised completion date of June 19, 2023. The contractor again failed to complete the works up to the revised completion date and no further EOT was granted, therefore, liquidated damages amounting to Rs.18.852 million @ 10% of contract price were required to be imposed upon the contractor but the needful was not done.

Non-adherence to the provision of contract resulted in non-imposition of liquidated damages amounting to Rs.18.852 million upon the contractor for delay in completion of works up to the FY 2024-25.

The matter was taken up with the management in August, 2025 and reported to MoWR in November, 2025. The management stated that reply would be furnished after referring record and taking up the matter with consultant.

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 & 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-imposition of liquidated damages upon the contractor for delay in completion of works besides ensuring its recovery from the contractor.

(Draft Para No.164/2025-26)

3.9 Wasteful expenditure due to descoping of under construction work of Shatial museum

According to Para-2.51 of the Planning Commission's Manual for Development Projects, "once approved, the executive agency is required to implement the project in accordance with the

Assistant Audit Officer (IV)
20 October 2026 03:14:22 PM

provisions. It has no authority to change or modify any approved parameter of the project". As per Section-II (2) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982 (amended to date), "the cardinal principle governing the assessment of responsibility in such cases is that every employee should exercise the same vigilance in respect of the Authority's expenditure and funds generally as a person of ordinary prudence would exercise in respect of the expenditure and the custody of his own money". As per Section-III (1), "all losses whether of public money or of stores, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

During audit of accounts of the GM/PD, DHPP for the period from July, 2024 to June, 2025, it was noticed that a contract for execution of the works for resettlement of village, Choochang and construction of Shatial museum was awarded to M/s Khyber Grace (Pvt) Limited on April 23, 2019 at a contract price of Rs.654.815 million. As per contract, estimated cost for construction of Shatial museum was Rs.42.026 million. The work was commenced on June 18, 2019 and the completion period was 546 days i.e. up to December 15, 2020. An expenditure of Rs.13.061 million had been incurred on different works of Shatial museum so far but the work remained incomplete. As per contractor's letter dated April 29, 2024, the work was stopped since January, 2021 because drawings of some of the activities were not issued by the consultants. Later on, the management vide letter dated July 13, 2024 accorded approval for descoping the remaining works related to the Shatial museum on account of illegal interference and stoppage of work by the local community. Audit held that the management was required to award the work after resolving the issues and implement the project's activities as per approved parameters but the needful was not done. Therefore, due to descoping of works, already incurred expenditure of Rs.13.061 million had gone waste, for which no responsibility was fixed.

Non-adherence to aforementioned guidelines resulted in wasteful expenditure of Rs.13.061 million due to descoping of under construction work of Shatial museum during the FY 2024-25.

The matter was taken up with the management in August, 2025 and reported to MoWR in November, 2025. The management stated that the reply would be furnished after referring record and taking up the matter with the consultant & the local administration.

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 & 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 wasteful expenditure due to descoping the works of Shatial museum besides fixing responsibility.

(Draft Para No.191/2025-26)

Assistant Audit Officer (IT)
20 October 2026 03:14:22 PM

4. 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 contract agreement. Audit observed that the profit earned by DC/LAC was not transferred to WAPDA, proportionate amount paid on behalf of DBDP was not recovered. Further, expenditure had to be incurred on tax & duties due to non-availing of exemption by WAPDA.

4.1 Non-recovery of profit earned by the Deputy Commissioner on funds transferred for payment of Enhanced Self-Management Resettlement (ESMR) package

According to Para-17.1 of WAPDA Accounting and Financial Reporting Manual, the respective GM Finance shall be responsible for revenue recognition and related matters. The respective GM Finance shall be responsible for providing guidance and assistance regarding revenue principles and monitor compliance with the requirements set forth in this policy. As per Para-17.3, miscellaneous income (markup) on bank investments was required to be recovered by the DDO and remitted at the end of each month to the GM Finance concerned.

During audit of accounts of the GM/PD, DHPP for the period from July, 2024 to June, 2025, it was noticed that funds were transferred by WAPDA to the DC), Kohistan for further disbursements to the Project Affected Persons (PAPs) under ESMR package. The DC maintained and operated a profit & loss sharing (PLS) account in National Bank of Pakistan (NBP) for making payments to PAPs. It was further observed that an amount of Rs.183.324 million was earned as profit by DC on these funds during the year but the same was not remitted to WAPDA. As per rules, the concerned DDO was required to recover the amount of profit from DC but the needful was not done.

Non-adherence to the WAPDA Accounting and Financial Reporting Manual resulted in non-recovery of profit of Rs.183.324 million earned by DC on funds transferred for payment of ESMR package during the FY 2024-25.

The matter was taken up with the management in August, 2025 and reported to MoWR in November, 2025. The management replied that DC/LAC office was requested for transfer of the profit earned on the undisbursed funds placed in a designated joint account maintained at NBP, Dasu on account of ESMR package. This office also approached the Finance Department of Khyber Pakhtunkhwa who advised that "if there is any provision for remittance of profit earned on designated bank account to the WAPDA in their accounting procedure/policy/ statute", the same may be shared with this department to proceed. The matter has been taken up with the Finance Department of WAPDA and upon receiving of response, the same would be taken up with district administration.

No progress was intimated till finalization of this Audit Report.

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 amount of profit from the concerned DC without further loss of time.

(Draft Para No.193/2025-26)

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Assistant Audit Officer (IT)
20 October 2026 03:42:23 PM

4.2 Non-recovery of irregular paid amount of advance for purchase of helicopter from Diamer Basha Dam Project

According to Clause-2.51 of Manual for Development Projects, no expenditure may be incurred on additional scope, beyond the approved scope and cost of the project, and if it is done, it will be considered as an inadmissible and illegal expenditure. As per Para-13.16 (ii) of Minutes of WAPDA Authority meeting dated April 17, 2015, initially, the payment will be made from DHPP and DBDP will refund 50% (Rs.70 million) immediately.

During audit of accounts of the GM/PD, DHPP for the period from July, 2024 to June, 2025, it was noticed that an amount of Rs.140 million on account of advance payment (security deposit) for purchase of two helicopters (for DHPP & DBDP) was paid to the contractor (M/s MMT&T Associates) on April 18, 2025. As per rules, advance payment of Rs.70 million (50%) on behalf of DBDP could not be made from the funds allocated for DHPP because it was beyond its scope. Further, the said amount was required to be recovered from DBDP but the needful was not done.

Non-adherence to the Manual for Development Projects resulted in non-recovery of irregular paid amount of Rs.70 million from DBDP during the FY 2024-25.

The matter was taken up with the management in August, 2025 and reported to MoWR in November, 2025. The management stated that reply would be furnished after referring record and taking up the matter with the concerned quarters.

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 & 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 advance payment for purchase of helicopter for DBDP out of funds of DHPP besides ensuring its recovery form the concerned.

(Draft Para No.186/2025-26)

Irum Gul
Assistant Audit Officer (IT)
20 October 2026 05:14:22 PM

4.3 Avoidable expenditure on account of sales tax and duties due to non-availing of exemption by WAPDA

According to Clause-21.4 of GCC, the contractor shall, at its own expenses, handle all imported materials and contractor's equipment at the point(s) of import and shall handle any formalities for customs clearance, subject to the Employer's obligations under GC Sub-Clause 14.2, provided that if applicable laws or regulations require any application or act to be made by or in the name of the Employer, the Employer shall take all necessary steps to comply with such laws or regulations.

During audit of accounts of the GM/PD, DHPP for the period from July, 2024 to June, 2025, it was noticed that a contract No. EM-01 for procurement, design, supply, installation, testing, and commissioning of hydro-mechanical & electrical equipment was awarded to M/s G.E. Hydro China Co. Ltd. & Power China Zhongnan Engineering Corporation Ltd. on November 25, 2019. Scrutiny of IPC No.24 revealed that an amount of Rs.37.732 million on account of sales tax and duties (pertaining to shipment No.4) was reimbursed to the contractor for clearance of shipment. The contractor had deposited this amount to the Government of Pakistan for clearance of shipment because WAPDA did not provide the sales tax exemption certificate

(Annexure-A) at the time of import clearance. The consultants vide letter dated June 26, 2025 also clarified that the Employer had not provided the requisite documents for availing sales tax exemption, therefore, the contractor was unable to obtain sales tax exemption for shipment No.4. Audit held that an amount of Rs.37.732 million had to be reimbursed to the contractor only due to non-submission of exemption certificate by the Employer, which could have been avoided by taking timely action by WAPDA.

Non-adherence to the provision of contract resulted in avoidable expenditure of Rs.37.732 million on account of sales tax and duties due to availing of exemption by WAPDA during the FY 2024-25.

The matter was taken up with the management in August, 2025 and reported to MoWR in December, 2025. The management stated that the reply would be furnished after referring record and contract documents.

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 & 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 inquire the matter for non-submission of exemption certificate to the contractor for fixing responsibility on the person(s) at fault.

(Draft Para No.241/2025-26)

Irum Gul
Assistant Audit Officer (IT)
20 October 2026 03:14:22 PM

5. 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 audit observation relating to irregularity in HRM.

5.1 Unjustified payment of incentive to the employees of provincial government

According to PC-I of DHPP approved by the ECNEC on March 18, 2014, there is no provision for payment of monthly incentive package to the employees of offices of Commissioner, Deputy Commissioners/District Police Officer/C&W department (KPK Government) etc. Further, Public Accounts Committee (PAC) in its meeting held on April 15, 2025 directed the PAO to immediately stop this practice (payment of incentive) and ensure recovery of the amount within 30 days. As per 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.

During audit of accounts of the GM/PD, DHPP for the period from July, 2024 to June, 2025, it was noticed that an amount of Rs.45.970 million was paid to the officers/officials of the offices of Commissioner, Hazara Division, District Administration and FC (KPK) on account of incentive package equal to one basic pay per month. As per PC-I, there was no provision for making such payment and there was no rule for making payment of incentive package to the employees of Provincial Government by the WAPDA. In the absence of provision of such payment in PC-I and rules, payment of monthly incentive package to the employees of Provincial Government was not justified and against the general financial rules and direction of PAC.

Non-adherence to the PC-I provision, PAC directions & aforementioned regulations resulted in unjustified payment of Rs.45.970 million on account of incentive to the employees of provincial government during the FY 2024-25.

The matter was taken up with the management in August, 2025 and reported to MoWR in December, 2025. The management stated that reply would be furnished after referring record and contract document.

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 & 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 incentive package to the employees of provincial government without any provision in PC-I besides ensuring its recovery from the concerned employees/departments.

(Draft Para No.207/2025-26)

Assistant Audit Officer (HD)
20 October 2026 03:14:12 PM

CONCLUSION

Audit concluded that the DHPP intended to deliver 4,320 MW installed capacity with annual electricity generation of 21,485 GWh. However, against planned physical progress of 70.60%, actual physical progress was only 26.08% by June, 2025, while financial progress stood at 84.82% of the original PC-I, indicating that project execution has not translated expenditure into proportionate physical outputs and that schedule/cost discipline over core deliverables remains critically weak.

Audit further concluded that delays reflect systemic weaknesses across the project lifecycle. Deficiencies in front-end planning and design readiness, coupled with post-award design revisions necessitating VOs, weakened schedule control and disrupted work sequencing. These issues were aggravated by shortcomings in procurement integrity and contract administration including award of contracts prior to land acquisition and inadequate enforcement of contractual provisions creating risks of undue advantage and avoidable financial exposure. Governance and financial control weaknesses further compromised project assurance. Wasteful expenditure due to descoping of work, contract management lapses and irregular payments through VOs cumulatively indicating weak internal controls and insufficient management oversight. The project has experienced massive cost escalation from Rs.486,093.30 million to Rs.1,737,881 million (257% increase) with completion date extended from 2019 to 2028 representing a time overrun of nine years.

Accordingly, Audit concludes that high-level corrective action is required to arrest further delays, restore credible delivery momentum and protect public funds.

Assistant Audit Officer (HD)
20 October 2026 03:14:23 PM

RECOMMENDATIONS

i. The management needs to strictly adhere to the planning procedure as mentioned in the Manual for Development Projects and fulfil pre-award requirements, particularly by ensuring completion of land acquisition, accurate designs and estimates before award of contracts.

ii. The management needs to expedite completion of critical infrastructure works including KKH relocation and transmission line to enable timely execution of main civil works and safeguard achievement of the hydropower objective.

iii. The PAO should devise an effective monitoring mechanism to strictly oversee agreed timelines, address cost & time overruns and prevent recurrence of irregularities. It is further recommended to resolve resettlement issues on priority basis and recovery plan be prepared to meet the targeted completion of November, 2028.

iv. The management needs to validate massive increase in cost of the project by conducting a third party technical and financial review.

v. 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.

vi. The management needs to comply with the provisions of contracts during execution and tighten contract administration and variation control to prevent avoidable amendments and enforce contractual recoveries.

vii. The management needs to adhere to the PC-I and instructions of the government in incurring expenditure.

Irum Gul
Assistant Audit Officer (IT)
20 October 2026 03:14:22 PM

APPENDICES

Appendix-I | Audit Objectives, Scope and Methodology

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:14:22 PM

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:14:22 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.

Irum Gul
Assistant Audit Officer (IT)
20 October 2026 03:14:22 PM