Auditor-General of Pakistan

February, 2026

Audit Report on

NEELUM JHELUM HYDROPOWER COMPANY

Report No: DGAWR 25-001

Audit Year 2025-26

Financial Year 2024-25

Assistant Audit Officer (IT)
20 October 2026 03:13:42 PM

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:13:42 PM

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 Neelum Jhelum Hydropower Company (NJHPC) for the financial year 2024-25. The Directorate General Audit, Water Resources conducted audit during Audit Year 2025-26 on a test check basis with a view to make an independent assessment of the entity and provide reliable information to the stake holders for making sound decision making. The report also aims at improving the internal controls of the entity, thereby allowing the management to take corrective action and improve operational efficiency.

The Audit Report includes key facts about the entity, audit snapshot, findings on systematic issues, conclusion and recommendations for executive action. Audit findings indicate a number of matters related to stated mandate, roles & responsibilities, financial performance & management, project objectives & planning, operational processes, contract management, human resource management and asset management. 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 of 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).

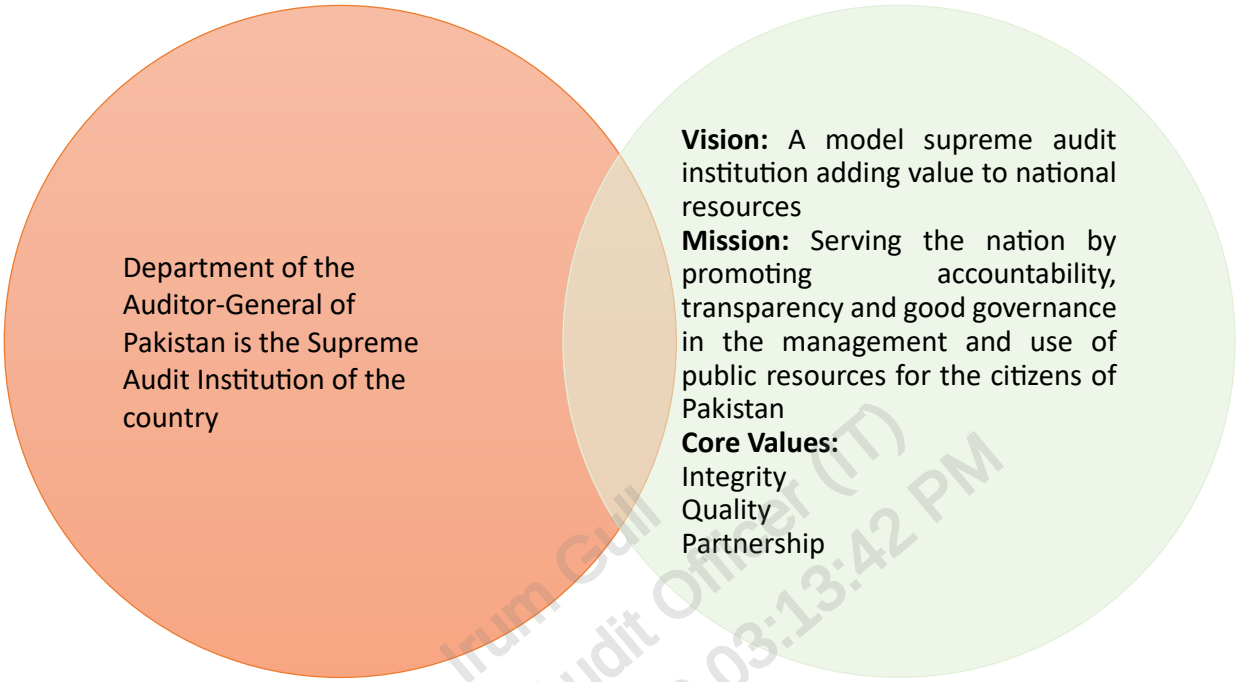
Nuim Gul
Assistant Audit Officer (IT)
20 October 2026 09:13:12 PM

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

Islamabad
Dated: 23 FEB 2026

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:13:42 PM

Department of Auditor-General of Pakistan



Assistant Audit Officer (IT)
20 October 2026 03:13:42 PM

The Auditor-General's organization is the prime institution in the country for ensuring public accountability and fiscal transparency in governmental operations. The organization is expected to bring about improvements in the financial discipline and internal control environment in the executive departments for minimizing the possibility of waste and fraud.

The Auditor-General of Pakistan is appointed under the Constitution of the Islamic Republic of Pakistan. His reports are laid before the legislature and are discussed in the Public Accounts Committees of the respective legislative Assemblies. His mandate enables him to strengthen the legislative oversight by providing an independent and objective assessment of the process of governance at the federal, provincial and local level.

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:13:42 PM

AUDIT SNAPSHOT

Audit Report on Neelum Jhelum Hydropower Company

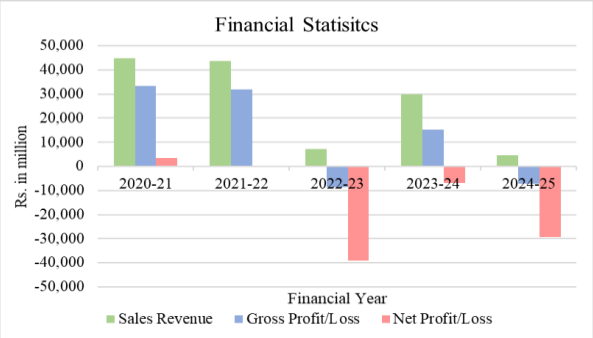
DGAWR-25-001 **February, 2026**

Why did we do this audit?

The audit was conducted to evaluate NJHPC's financial performance, compliance with applicable rules/regulations, economy & efficiency in incurring expenditure and fulfilment of its main objective of constructing, operating and maintaining a 969 Megawatt (MW) powerhouse. The company 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 operational issues.

Key Assessment

- Net Loss of Rs. 29,412.413 million during the FY 2024-25.
- Business interruption loss of around Rs.99,175.757 million due to complete shutdown of powerhouse owing to consecutive collapses of Tailrace Tunnel (TRT) & Headrace Tunnel (HRT).
- Debt Burden: High and increasing.
- Liquidity Position: Below Safe Operating Threshold.
- Shutdown of powerhouse since May, 2024 due to HRT collapse.



(Source: Financial Statements of the Company, Appendix: II)

What did we find?

- Non-finalization of inquiries regarding consecutive collapse of TRT and HRT and resulting revenue losses.s
- On-going Business Interruption Losses due to discontinued operation of powerhouse since May 1, 2024 and inaction of management to remedy defects.
- Non-approval of reference tariff by National Electric Power Regulatory Authority (NEPRA).
- Under-achievement of generation targets.
- Non-achievement of intended objectives of the project and payback reflecting loss of value of huge public investment.
- Inadequate insurance coverage of costly infrastructure/equipment, non-renewal of expired insurance policy and non-indemnification of insurance claim on account of loss due to TRT collapse.

What did we recommend?

- Take concrete and immediate action to finalize pending inquiries and to restore operation of powerhouse.
- Take remedial measures, such as conducting of Third Party Validation (TPV) and restoration of E-flow as per PC-I, for approval of reference tariff and achievement of generation targets.
- Ensure efforts for achievement of PC-I objectives.
- Ensure resolution of insurance related issues and obtain necessary insurance coverage for critical infrastructure of national importance.

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 05:13:12 PM

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:13:42 PM

Highlights	Audit Report on Neelum Jhelum Hydropower Company
DGAWR-25-001	February, 2026

Entity Summary Sheet

Description	Detail
Legal Framework of NJHPC	NJHPC was incorporated on November 18, 2004 as private limited company under the Companies Ordinance, 1984 (now the Companies Act, 2017). It is a subsidiary of Pakistan Water and Power Development Authority (WAPDA).
Key Responsibilities/ Mandate and Objectives	The main objective of establishment of the company is to construct, operate and maintain a powerhouse with installed capacity of 969 MW in order to generate cheap & clean energy.
Total Assets (Current/ Longterm) (as on 06/2025)	Current Assets: Rs.69,705.719 million Long Term Assets: Rs.352,482.030 million Total Assets: Rs.422,187.749 million
Total Liabilities (Current/ Longterm) (as on 06/2025)	Current Liabilities: Rs.377,599.526 million Long Term Liabilities: Rs.8,987.952 million Total Liabilities: Rs.386,587.478 million
Revenue [Financial Year (FY) 2024-25]	Rs.4,706.502 million (Late Payment Surcharge)
Government Grants (FY 2024-25)	Nil
Expenditure (FY 2024-25)	Rs.38,388.025 million
Receipts (Other income) (FY 2024-25)	Rs.6,998.511 million (mainly interest income)
Cash/Bank Balances (as on 06/2025)	Rs.45,013.712 million
Total Investments (as on 06/2025)	Rs.4,876.660 million
Funding Sources (Govt/Donor Agency) (FY: 2024-25)	Nil
Total Allocations (FY: 2024-25)	Nil

Assistant Audit Officer (HQ)
20 October 2025 03:12 PM

Accounting Policy	IFRS-compliant; prepared under Companies Act, 2017 and Public Sector Companies (Corporate Governance) Rules.
Status of Financial Statements	Financial Statements are audited up to FY 2024-25
Composite Risk Rating	High Risk (Due to non-operation of powerhouse)
Compliance status of audit recommendations	Awaited

(Source: Financial Statements of the Company FY 2024-25)

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:13:42 PM

CONTENTS		Page No.
ABBREVIATIONS AND ACRONYMS		**1**
OVERVIEW OF THE ENTITY		**3**
AUDIT FINDINGS		**5**
1.	STATED MANDATE, ROLE AND RESPONSIBILITIES	7
2.	FINANCIAL PERFORMANCE OF NJHPC	8
3.	FINANCIAL MANAGEMENT	16
4.	PROJECT OBJECTIVES	18
5.	PROJECT PLANNING	21
6.	OPERATIONAL PROCESSES	24
7.	CONTRACT MANAGEMENT	26
8.	HUMAN RESOURCE MANAGEMENT	27
9.	ASSET MANAGEMENT	29
CONCLUSION		**31**
RECOMMENDATIONS		**32**
APPENDICES		**33**

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:13:42 PM

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:13:42 PM

ABBREVIATIONS AND ACRONYMS

BOD	Board of Directors
CDL	Cash Development Loan
CEO	Chief Executive Officer
CPPA-G	Central Power Purchasing Agency (Guarantee) Limited
CSA	Consultancy Services Agreement
D&B	Drill and Blast
DAC	Departmental Accounts Committee
ECNEC	Executive Committee of National Economic Council
FY	Financial Year
GM	General Manager
GoP	Government of Pakistan
GWh	Gigawatt hour
HRT	Headrace Tunnel
IPOE	Independent Panel of Experts
kWh	kilowatt hour
MoWR	Ministry of Water Resources
MW	Megawatt
NEPRA	National Electric Power Regulatory Authority
NICL	National Insurance Company Limited
NJHP	Neelum Jhelum Hydropower Project
NJHPC	Neelum Jhelum Hydropower Company
PAO	Principal Accounting Officer
PAT	Profit After Tax
PBT	Profit Before Tax
PC-I	Planning Commission Proforma-I
PPA	Power Purchase Agreement
ROCE	Return on Capital Employed
TBMs	Tunnel Boring Machines
TPV	Third Party Validation
TRT	Tailrace Tunnel
WAPDA	Water and Power Development Authority

Irum Gul
Assistant Audit Officer (IT)
20 October 2026 03:13:42 PM

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:13:42 PM

OVERVIEW OF THE ENTITY



Neelum Jhelum Dam

NJHPC

NJHPC was incorporated in November, 2004 under the Companies' Ordinance, 1984 (now the Companies Act, 2017) as a private limited company and a wholly-owned subsidiary of WAPDA. The company was established to develop, construct, operate and maintain the 969 MW Neelum Jhelum Hydropower Project (NJHP). More specifically, it was created as a Special Purpose Vehicle to exclusively secure financing and to efficiently manage the development of this mega project of strategic importance i.e. NJHP. The NJHP has a complex underground infrastructure consisting of an extensive 'Tunneling System' of 68.60 km including Headrace and Tailrace Tunnels for carrying water with 11 km of access adits, and an 'Underground power house Complex' for generating electricity. These features make it one of the most complex and strategic hydropower projects ever undertaken in Pakistan. The strategic importance of the NJHP stems from the fact that one of its main objectives was to establish priority water rights of Pakistan on the Neelum River under the Indus Waters Treaty and to counter India's upstream Kishenganga project. The project diverts water from Neelum River through a diversion dam into a tunnel. The 60 meters high dam is located at Nauseri (41 kilometer from Muzaffarabad) whereas the underground powerhouse is located at Chattar Kalas (22 kilometer from Muzaffarabad).

The main objectives of the project, as per 4th revised PC-I, were to generate power of 969 MW with an annual average energy of about 5,150 Gigawatt hours (GWh) and to establish water rights of Pakistan over River Neelum/ Kishenganga. The original PC-I of the project was approved by Executive Committee of National Economic Council (ECNEC) on December 31, 1989 at a total cost of Rs.15,012 million. Later on, subsequent to three intermediary revisions of PC-I, 4th revised PC-I of NJHP was approved by ECNEC on May 22, 2018 at a total cost of Rs.506,808 million against which actual expenditure of Rs.428,296 million was incurred up to June, 2025.

Initially, excavation for construction of tunneling system was carried out through Drill and Blast (D&B) method and later on, Tunnel Boring Machines (TBMs) were deployed in 2011 at detailed design stage to reduce the implementation time of the project. It was anticipated that early availability of 969 MW power would help in reduction of load-shedding, enhancement of economic activity and would also help Pakistan to gain priority over water rights of Neelum River vis-à-vis Kishenganga Hydropower Project, a run of the river project having installed capacity of 330 MW.

The project was financed through Cash Development Loans (CDLs) from Government of Pakistan (GoP), WAPDA's Equity, Neelum

Audit Office (D)
20 October 2025 05:18:42 PM

Jhelum Surcharge from electricity consumers and local & foreign relent loans.

The NJHP became fully operational and commissioned by August, 2018. The project, however, could not achieve its intended generation of 5,150 GWh units annually due to decrease in water as a result of losing rights on Neelum River water in the International Court of Arbitration. Annual generation of the project from the year 2019 to 2021 remained at an average of 4,600 GWh and further fell down to 2,476 GWh in the year 2022 before coming to a complete halt on July 06, 2022 when the project suffered a major break down due to collapse in TRT. The powerhouse resumed operations in August, 2023 after completion of restoration works of the TRT but has again been shut down since May, 2024 due to collapse in HRT.

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:13:42 PM

AUDIT FINDINGS

Summary

Audit analysis revealed that although the company demonstrated initial stability during FYs 2018-19 to 2021-22, the NJHP could not achieve its financial, commercial and designed power generation objectives as envisaged in the approved PC-I. Persistent under-achievement of generation targets, non-approval of reference tariff, prolonged business interruptions due to structural failures and weak financial management cumulatively undermined the project's financial sustainability.

The powerhouse could not achieve the annual generation target of 5,150 GWh in any year since commissioning including during the years when it was fully operational. Extended shutdowns following the collapse of the TRT in July, 2022 and the HRT in May, 2024 resulted in further loss of generation revenue during FYs 2022-23 and 2024-25. In addition to operational deficiencies, the project suffered significant revenue loss due to non-approval of the reference tariff by NEPRA, arising from failure to conduct TPV of project costs despite repeated directives from ECNEC. Approval of a much lower provisional tariff caused an estimated regulatory revenue shortfall of Rs.77,346.642 million, preventing the company from recovering its full cost of generation and servicing its debt. The combined impact of under-generation and tariff differential resulted in substantial revenue erosion, while prolonged outages caused Business Interruption Loss amounting to Rs.99.18 billion during the financial years 2022-23 to 2024-25. During outage periods, revenue primarily comprised of Late Payment Surcharge receipts rather than income from electricity generation, reflecting loss of core operational performance.

Profitability indicators deteriorated sharply from FY 2022-23 onwards with negative operating margins, losses before and after tax and declining return ratios. The liquidity position remained critically weak, with current liabilities exceeding current assets by Rs.307.894 billion as of June 30, 2025, mainly due to defaults on debt repayments and reclassification of long-term loans as current liabilities.

The project also failed to achieve the planned payback period. Only Rs.180.170 billion could be recovered till FY 2024-25 against an approved project cost of Rs.418.885 billion. Further weaknesses were noticed in receivables management, with approximately 69% of receivables overdue beyond 120 days and in risk management, with assets valuing approximately Rs.267,000 million remaining uninsured during the review period.

Analysis in Chapter-4 'Project Objectives' and Chapter-5 'Project Planning' reveals that the NJHP could not achieve its intended objectives as envisaged in PC-I including securing of priority rights of Pakistan on waters on Neelum River. Serious planning and design issues led to repeated design changes during execution of project and cost/time overruns. Examination of the efficiency of operational processes reveals that operations of NJHP powerhouse were discontinued since May, 2024 but the management could neither restore operations of powerhouse till date nor finalize inquiries or

Assistant Audit Officer (IT)
01 October 2026 03:13:42 PM

fix responsibility regarding collapses of TRT and HRT. Insurance claim amounting to Rs.41,964.645 million owing to collapse of TRT could not be indemnified till date whereas insurance policy with a coverage of Rs.415,800 million was expired since 2023 and could not be renewed.

These issues were further coupled with weak cost control mechanisms and financial management. Human resource management was found deficient as sundry allowances were paid to employees without mandatory clearance from the Finance Division in face of operational and financial challenges. Shortcomings were noticed in contract management as consultancy payments were made beyond the approved contractual period without a valid amendment/extension. Asset management controls were inadequate as most of the vehicles were not recorded in the books of accounts.

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:13:42 PM

1. STATED MANDATE, ROLE AND RESPONSIBILITIES

The business of NJHPC is governed through its BOD which assists the company to achieve its principal objectives. The Public Sector Companies (Corporate Governance) Rules, 2013 require the board to exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company. The board of NJHPC comprises of seven directors including one executive director, four non-executive directors and two independent directors. The four non-executive directors are ex-officio directors from WAPDA and GoP. One independent director is a retired civil servant and other is a chartered accountant by profession. The BOD has constituted six different sub-committees to efficiently run the affairs of the company (Detail of Committees at Appendix-IV).

During the FY 2024-25, ten meetings of the BOD were held. Further, six meetings of audit committee, three meetings of human resource committee, three meetings of budget & finance committee were held. However, no meetings of nomination, risk management and procurement committees were held during the year.

This section highlights governance lapses within NJHPC. Audit observed following key issue:

1.1 Ineffective functioning of Risk Management Committee of NJHPC

According to Rule-12(b) of Public Sector Companies (Corporate Governance) Rules, 2013 (amended up to 2017), "the Board shall set up the risk management committee, in case of Public Sector Companies either in the financial sector or those having assets of five billion rupees or more, to effectively review the risk function".

It was noticed that the company has constituted a risk management committee under the convenership of an Independent Director with other two members. The Risk Management Committee was required to hold periodic meetings to oversee risk identification, risk assessment and timely mitigation. However, no meeting of the committee was held during the year despite the fact that the powerhouse suffered from occurrences of operational risks since May, 2024. The absence of such oversight as prescribed in the Public Sector Companies (Corporate Governance) Rules exposed the company to unmitigated risks and undermined the principles of sound corporate governance, as periodic review of risk exposers and management responses was a fundamental responsibility of the Board and its committees.

(Source: Director's Report of NJHPC for FY 2024-25)

Arjun Goll
Assistant Audit Officer (IT)
20 October 2026 03:13:42 PM

2. FINANCIAL PERFORMANCE OF NJHPC

The financial performance of NJHPC was reviewed for the financial years 2018-19 to 2024-25 in order to assess financial viability and recovery of public investment. Analysis of audited financial statements revealed that after initial stability through the years 2018-19 to 2021-22, the financial indicators show a negative trend in the years 2022-23 and 2024-25 mainly due to collapse in TRT and HRT respectively. Review of the financial statements for these years also show negative returns on capital employed and assets, operating losses and inadequate operating margins. Profit before and after tax are negative in the year 2018-19 due to high finance costs and depreciation expense as is common in large scale projects but the same are again negative in the years 2022-23 onwards reflecting severe operational issues.

2.1 Business Interruption Losses owing to prolonged outages due to Collapse of Tailrace Tunnel and Headrace Tunnel

Business Interruption Loss represents the financial impact arising from suspension of operations due to unforeseen events, resulting in loss of revenue while fixed and unavoidable costs continue to be incurred. In the case of NJHPC, prolonged shutdowns caused by the collapse of TRT and subsequently HRT led to significant business interruption losses.

The collapse of the TRT during the period July 06, 2022 to August 05, 2023 resulted in complete suspension of electricity generation, while the collapse of the HRT from May 01, 2024 onwards again rendered the powerhouse non-operational. These events caused substantial loss of projected revenues along with additional expenditure on rehabilitation works.

Business Interruption Loss was calculated using the following formula:

Business Interruption Loss = (Projected Revenue − Actual Revenue) − Saved Costs + Extra Expenses

Projected Revenue was calculated on the basis of average revenue during FY 2019-20 to FY 2021-22, when the powerhouse was operating at full capacity. It was assumed that the average revenue will remain stable. Similarly, an average of operational expenses during FY 2019-20 to FY 2021-22 was taken to determine saved costs, if any. Audit, however, noticed that no material savings were achieved in operating and administrative costs during the shutdown period, therefore, savings were not adjusted in the calculation. Extra expenses comprised of repair and restoration costs incurred on TRT and HRT.

Analysis revealed that cumulative Business Interruption Losses to the tune of Rs. 99.175 billion were incurred by the company due to outages of the powerhouse since 2022-23 and the on-going discontinuation of operations since May 01, 2024 thus, reflecting unresolved structural vulnerabilities and weak risk mitigation arrangements. These losses compounded the revenue shortfall already arising from tariff limitations and under-achievement of generation targets and severely impaired the financial sustainability of the project. Detailed calculation is given below:

Irfan Gull
Assistant Audit Officer (IT)
20 October 2025 03:15:12 PM

(In Rupees)

Financial Year	Projected Revenue	Actual Revenue	Extra Expenses	Saved Costs	Interruption Loss
	A	B	C	D	E=(A-B+C-D)
2022-23	44,568,855,060	7,253,429,000	3,867,517,000	-	41,182,943,060
2023-24	44,568,855,060	29,860,168,000	3,023,490,000	-	17,732,177,060
2024-25	44,568,855,060	4,706,502,000	398,284,000	-	40,260,637,060
Total					**99,175,757,181**

*Detailed Computations are given in the Appendix-V
*Period of Collapse of TRT (06-July-2022 to 05-August-2023)
*Period of Collapse of HRT (01-May-2024 to 30-June-2025)

2.2 Revenue Growth

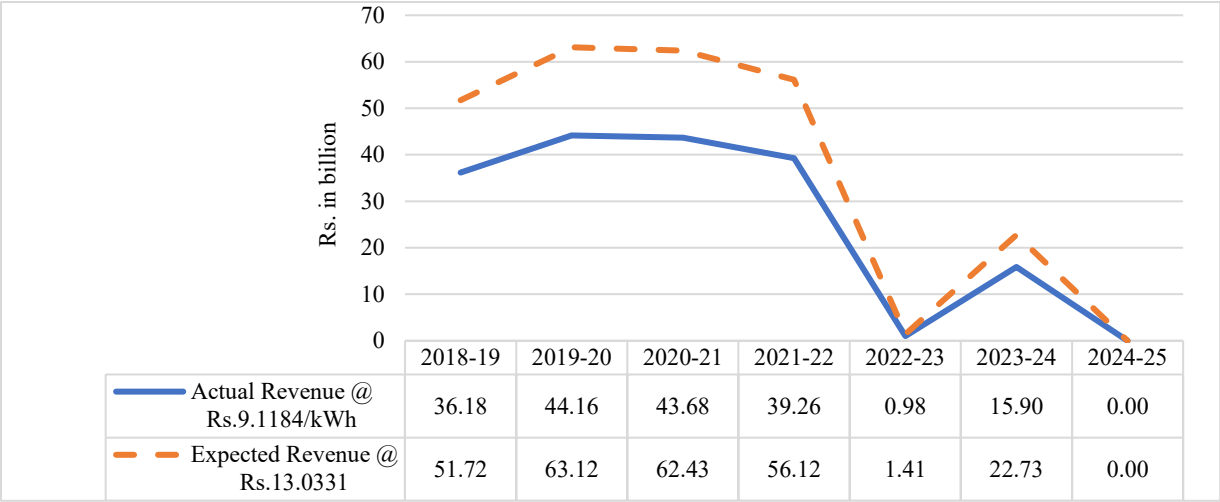
The sales revenue increased from Rs.27.798 billion in the FY 2018-19 to Rs.43.619 billion in the FY 2021-22 i.e. by 57% which reflected a stable and healthy growth pattern. However, during the year 2022-23, the sales took a dip due to the collapse of the TRT and shutdown of the power plant. Revenue from the sale of electricity remained discontinued from July 06, 2022 till August 05, 2023. Sales revenue during 2022-23 stood at only Rs.7.253 billion which mainly comprised of Late Payment Surcharge received from Central Power Purchasing Agency (Guarantee) Limited (CPPA-G). After restoration of the tunnel, the sales revenue increased during the year 2023-24 to Rs.29.860 billion. However, revenue from sale of electricity is again discontinued since May, 2024 due to the collapse of the HRT. The sales revenue during 2024-25 is Rs.4.707 billion which is again attributable to Late Payment Surcharge payments from CPPA-G.

2.2.1 Loss of revenue due to non-approval of reference tariff by NEPRA

According to 3rd revised PC-I of the NJHP dated December 19, 2015, ECNEC approved the PC-I of the project subject to the condition that TPV of cost estimates of PC-I may be carried out within three months to ensure transparency of cost estimates.

Audit observed that ECNEC while approving 3rd revised PC-I of the project directed to carry out TPV of the cost estimates of the PC-I within three months. However, TPV of the project had not so far been conducted despite repeated instructions of ECNEC while approving 4th revised PC-I of the project on May17, 2018. As per Tariff Petition filed with NEPRA, NJHPC demanded a reference tariff of Rs.13.0331/kWh for first 10 years, however, NEPRA accorded approval for provisional tariff of Rs.9.1184/kWh due to non-conducting of TPV of cost estimates by independent consultants. This difference between reference tariff claimed by NJHPC and provisional tariff allowed by NEPRA due to non-conducting TPV by the management resulted in a loss of Rs.77,346.642 million (19,758 million units * Rs.3.9147/unit) to the company. The year wise loss of revenue due to non-approval of reference tariff by NEPRA is depicted in the graph given below:

Irum Gul
Assistant Audit Officer (IT)
20 October 2025 03:13:42 PM

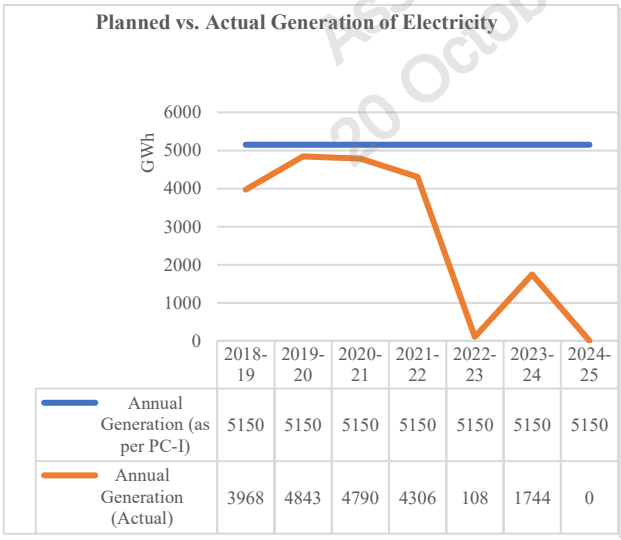


	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Actual Revenue @ Rs.9.1184/kWh	36.18	44.16	43.68	39.26	0.98	15.90	0.00
Expected Revenue @ Rs.13.0331	51.72	63.12	62.43	56.12	1.41	22.73	0.00

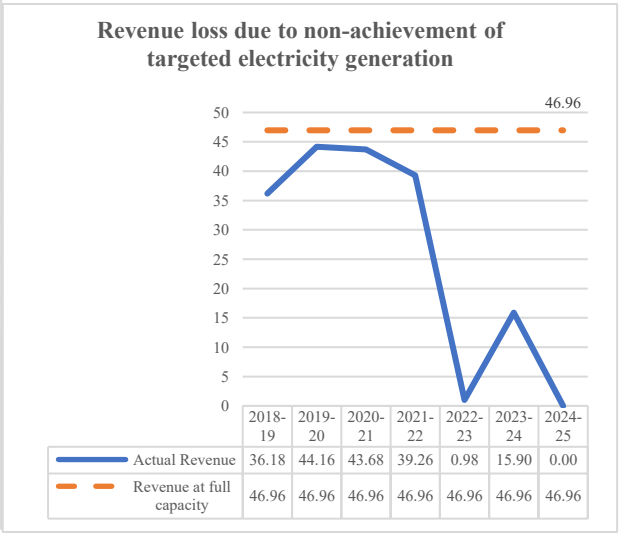
2.2.2 Loss of Revenue due to under-achievement of Energy Generation

As per the approved PC-I of NJHPC, the powerhouse was to generate 5,150 GWh of electricity each year. However, the powerhouse could not achieve this target in any year since its commissioning. Electricity units generated during the year 2018-19 were 3,968 GWh as the powerhouse became fully commissioned in December, 2018. Generation increased in the years 2019-20 to 2021-22 with average annual generation remaining at 4,646 GWh. Due to the collapse of TRT in July, 2022, the electricity generated during the year 2022-23 was only 108 GWh. After completion of restoration works of TRT, the powerhouse became operational in August, 2023 and 1,744 GWh electricity was generated during the year 2023-24. However, the powerhouse was completely shutdown in May, 2024 due to collapse in the HRT and no electricity is being generated since the year 2024-25.

Irfan Gull
Assistant Audit Officer (IT)
20 October 2026 03:13:42 PM



	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Annual Generation (as per PC-I)	5150	5150	5150	5150	5150	5150	5150
Annual Generation (Actual)	3968	4843	4790	4306	108	1744	0



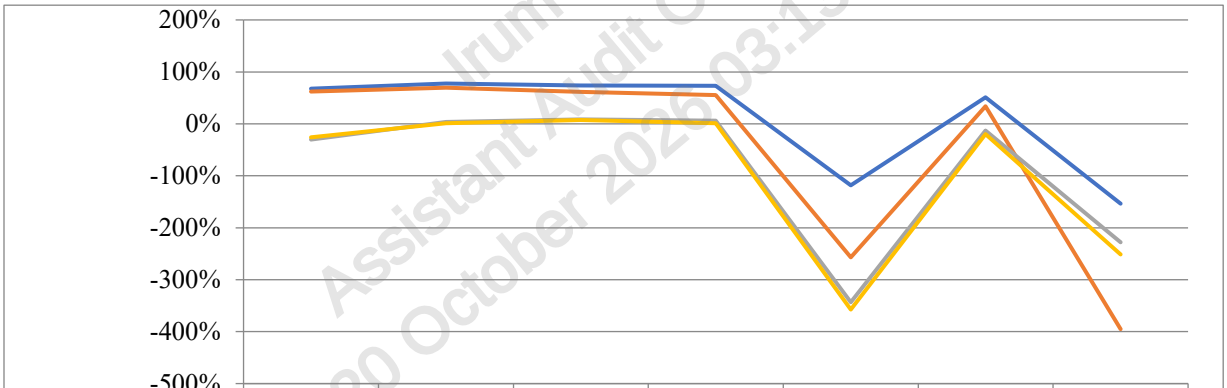
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Actual Revenue	36.18	44.16	43.68	39.26	0.98	15.90	0.00
Revenue at full capacity	46.96	46.96	46.96	46.96	46.96	46.96	46.96

2.3 Profitability

Audit analysis of profitability indicators revealed that NJHPC's profitability remained fragile throughout the review period and deteriorated significantly from FY 2022-23 onwards. Although marginal operational stability was observed during FYs 2019-20 to 2021-22, profitability could not be sustained due to structural, regulatory and operational deficiencies. Operating Profit Margins declined sharply during outage years, primarily because operating and administrative expenses did not reduce proportionately with the decline in revenue. Audit observed that despite complete shutdown of the powerhouse in FY 2022-23 and since FY 2024-25, the company continued to incur substantial fixed costs, including salaries, administrative expenses and overheads, indicating weak cost control mechanisms.

Profit Before Tax (PBT) and Profit After Tax (PAT) margins remained negative in FY 2018-19 due to high finance costs and depreciation, which is typical during initial operational years of large infrastructure projects. However, the re-emergence of negative PBT and PAT from FY 2022-23 onwards reflected severe operational failure rather than start-up constraints.

Audit recommends that the company needs to resume its operations as early as possible in order to be profitable besides cutting its avoidable operating and administrative expenses. The budgeting and cost control mechanisms need to be strengthened.



	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
GP Margin	67.50%	77.57%	74.08%	72.97%	-118.19%	51.31%	-153.68%
OP Margin	61.87%	69.59%	61.69%	55.11%	-256.84%	33.98%	-395.15%
PBT Margin	-30.46%	3.32%	8.57%	6.14%	-343.41%	-12.77%	-227.96%
PAT Margin	-26.12%	1.36%	7.39%	0.87%	-357.43%	-19.76%	-251.28%

Irum Gul
Assistant Audit Officer (IT)
20 October 2026 03:13:42 PM

2.4 Investment Trends

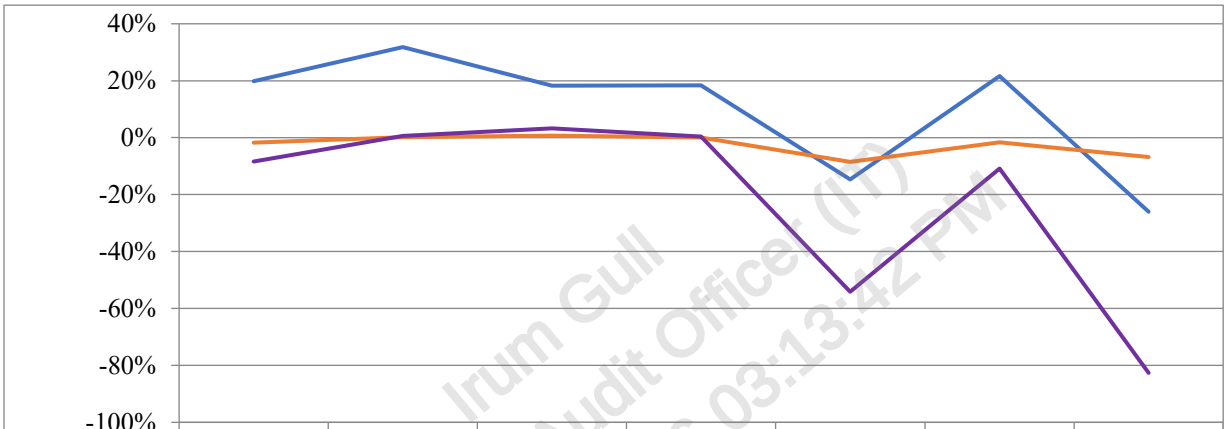
Analysis of investment performance indicated a persistent deterioration in capital efficiency. Return on Capital Employed (ROCE) and Return on Assets (ROA) remained positive only during years when the powerhouse was partially or fully operational. The ROCE decreases in the year 2020-21 mainly due to classification of Diminishing Musharakah facility as long-term debt which was previously classified as current liability. Both ratios turned negative during FY 2022-23 and FY 2024-25 due to accumulated losses arising

from prolonged shutdowns and additional restoration costs.

Audit observed that negative return ratios in a public sector infrastructure project of this magnitude represent a significant loss of value of public investment. The declining trend also reflected misalignment between regulatory approvals, operational reliability, and financing structures.

The sustained negative returns underscore the project's inability to generate adequate economic value from invested capital, thereby compromising long-term financial sustainability.

Negative return ratios are a matter of grave concern and the management needs to address operational issues on timely basis in order to regain profitability and maintain capital efficiency.



	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
ROCE	19.84%	31.81%	18.21%	18.37%	-14.67%	21.61%	-26.01%
ROA	-1.74%	0.14%	0.71%	0.08%	-8.50%	-1.60%	-6.81%
ROE	-8.36%	0.65%	3.26%	0.38%	-54.10%	-10.84%	-82.62%

Irum Gull
Assistant Audit Officer (IT)
20 October 2025 03:13:42 PM

2.5 Liquidity Position and Debt Servicing Capacity

Analysis of the liquidity position of the company revealed a critical imbalance between the current assets owned by the company and its current liabilities. Current liabilities exceeded current assets by Rs.307,894 million as on June 30, 2025. This was mainly due to classification of long-term financing as current liabilities, following defaults in repayment of principal and interest payable to the GoP on foreign relent loans and CDLs as per the schedules. Loans worth Rs.167.615 billion had become instantly due following the default on long-term liabilities and the management classified them as current liabilities.

The current ratio/quick ratio ranged between 0.18 times to 0.32 times throughout the financial years 2018-19 to 2024-25 and remained much below the threshold values of 1.5 – 2.0 and 1.0. This showed company's weak financial position to pay back its short-term liabilities from its short-term assets.

The state of affairs mentioned above reflects a misalignment between regulatory approvals

and debt repayment schedules which materially impaired the financial sustainability of the project. The situation highlights the need to operationalize the powerhouse on war-footing basis so the company can generate revenue and improve its liquidity position.

2.6 Receivables Management

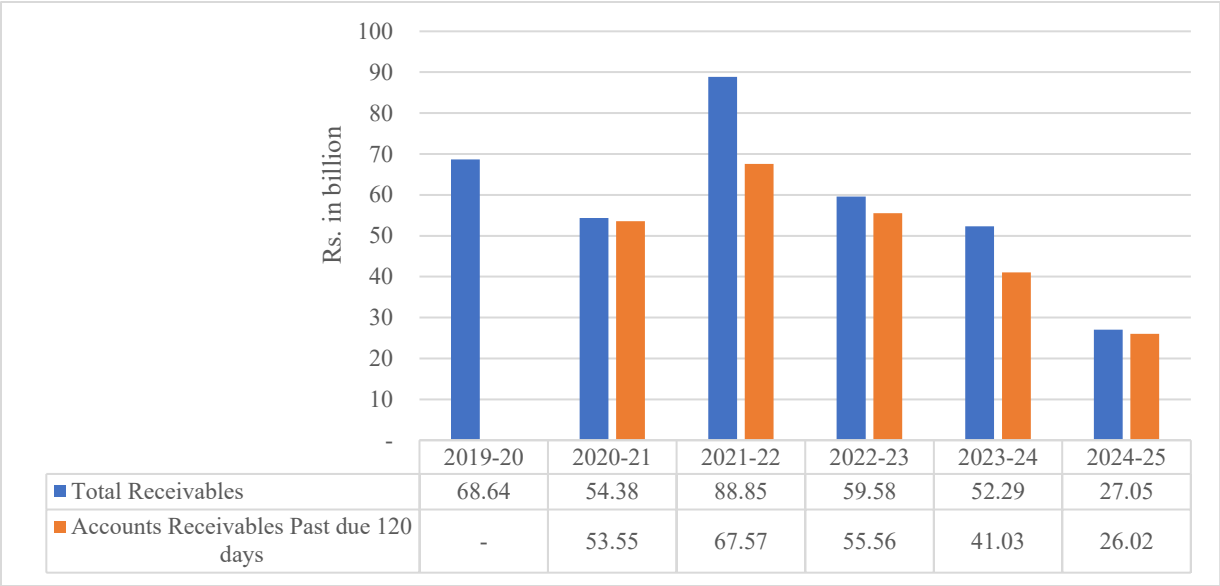
The analysis of receivable collection revealed that on average the receivables of Rs.40.622 billion about 69.48% of the total average receivables of Rs.58.465 billion remained overdue for a period of more than 120 days through the period of six years from FYs 2019-20 to 2024-25. The detail of overdue receivables is given as under:

(Rs. in billion)

Financial Year	Accounts Receivables Past due 120 days	Total (Gross) Receivables
2019-20	-	68.645
2020-21	53.553	54.379
2021-22	67.574	88.845
2022-23	55.555	59.584
2023-24	41.033	52.289
2024-25	26.018	27.048
Total	**243.733**	**350.791**
Average	**40.622**	**58.465**
Percentage	**69.48%**	**-**

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:13:42 PM

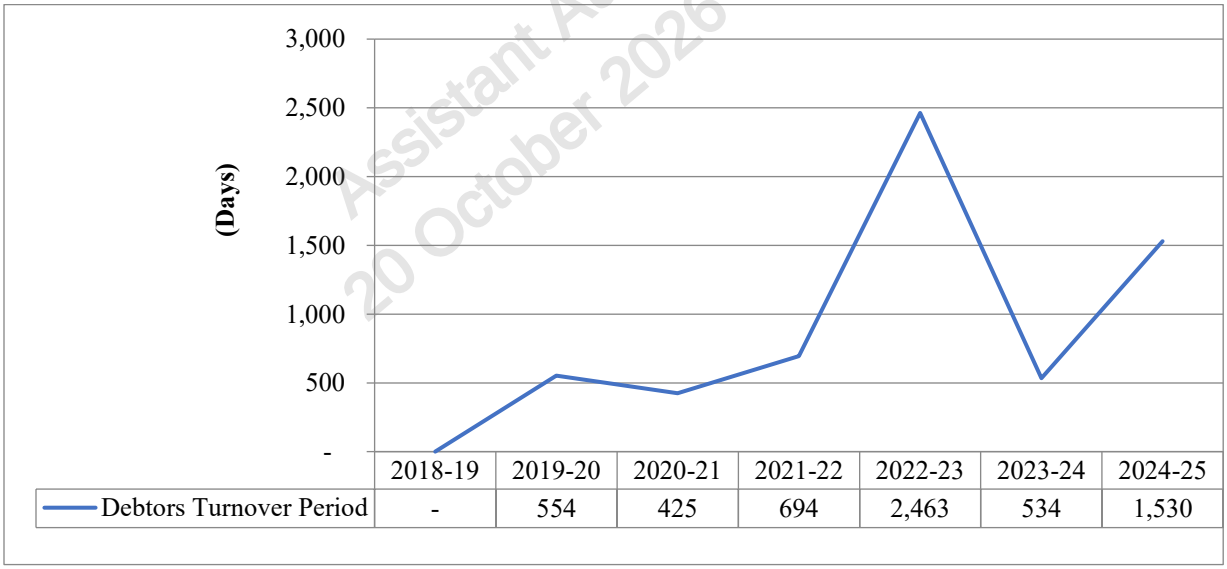
This was mainly because of the huge receivables on account of sale of electricity and delayed payment charges outstanding from CPPA-G. Although, these receivables were due from a government agency, they put considerable strain on the cash flows of the company. The company, therefore, could not recover revenues sufficient to meet its financing obligations which materially impaired the financial sustainability of the project. An analysis of the Debtors Turnover Period showed that the same was 1,530 days in the FY 2024-25.



	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Total Receivables	68.64	54.38	88.85	59.58	52.29	27.05
Accounts Receivables Past due 120 days	-	53.55	67.57	55.56	41.03	26.02

The company's receivables management was not very effective which increased credit risks and liquidity pressures besides losing the potential risk free returns. The impairment losses on receivables were booked by the company in 2023-24 and 2024-25 which showed increasing trend. The company, therefore, needs to improve its recovery mechanisms in order to off-set financial vulnerabilities.

Ilum Gul
Assistant Audit Officer (IT)
20 October 2026 05:43:42 PM



	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Debtors Turnover Period	-	554	425	694	2,463	534	1,530

2.7 Inadequate Insurance Coverage

In addition to financial weaknesses, significant gaps were noted in risk management arrangements. It was noticed that insurance policy with a coverage of Rs.415,800 million in respect of all risks of direct physical loss or damage or breakdown to electrical, mechanical and hydraulic machinery and business interruption of the project expired on June 14, 2023. The insurance policy was further extended by National Insurance Company Limited (NICL) for two months i.e. up to August 14, 2023. Afterwards, insurance policy was not got renewed by the management and all the stated risks remained uncovered. The case for renewal of said insurance policy was presented six times before Board of Directors (BOD) but the same could not be decided. Later on, faults occurred in the HRT on April 02, 2024 that forced the powerhouse to shut down. Due to expiry of insurance policy, all the material and consequential losses of the project remained uncovered. Subsequently, Board of Management of WAPDA Equipment Protection Scheme accorded approval on October 09, 2024 for insurance coverage of electrical & mechanical equipment of NJHPC for the period from February to December, 2024 which was further extended till June, 2025. However, assets with a carrying value of approximately Rs. 267,000 million remained uninsured during the year. The absence of complete insurance coverage exposed critical national infrastructure to substantial financial risk, contrary to prudent risk management practices expected in public sector projects of this magnitude.

Irum Gul
Assistant Audit Officer (IT)
20 October 2026 03:13:42 PM

3. FINANCIAL MANAGEMENT

Sound financial management is essential for ensuring economy, efficiency and effectiveness in the execution of large public sector projects involving significant financial resources. Weaknesses in financial management can lead to liquidity constraints, inefficient utilization of funds and increased fiscal risk. This section presents audit observations on the financial management of the NJHPC focusing on cash flow management, recovery of receivables, revenue realization and overall financial sustainability.

3.1 Non-recovery of delayed payment charges from Central Power Purchasing Agency

According to Interim Tripartite Power Purchase Agreement (PPA) between CPPA-G, NJHPC and WAPDA, "Delayed payment rate is KIBOR Plus two percent (2%) per annum on any amounts payable in rupees and calculated for the actual number of days for which the relevant amount remains unpaid on the basis of three hundred and sixty-five (365) day year". The purchaser shall make payment for verified and undisputed amounts against each invoice submitted by the company on or before the 30th day (due date) following the day the invoice is delivered by the company.

During audit of accounts of the Chief Executive Officer (CEO), NJHPC for the period from July, 2024 to June, 2025, it was noticed that an amount of Rs.10,109.037 million was recoverable from CPPA-G on account of interest on delayed payments. The said amount was recoverable on account of delay in payment of invoices of April, 2022 to March, 2024. However, no recovery was made from CPPA-G so far despite lapse of considerable period of time.

Non-adherence to the PPA resulted in non-recovery of Rs.10,109.037 million on account of delayed payment charges from CPPA-G during the FY 2024-25.

The matter was taken up with the management in July, 2025 and reported to Ministry of Water Resources (MoWR) in October, 2025. The management replied that the matter has been pursued with CPPA-G for early recovery. However, detailed reply would be submitted after consultation 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 pursue the matter at the Ministry level for recovery of delayed payment charges from CPPA-G without further loss of time.

(Draft Para No.114/2025-26)

Assistant Audit Officer (D)
20 October 2026 03:13:42 PM

3.2 Non-recovery of amount of sales proceeds of vehicles from Transport Directorate WAPDA

According to Para-9.1.3 (vi) & (vii) of WAPDA Accounting and Financial Reporting Manual, a diligent effort shall be made to collect all outstanding accounts in general, invoices shall be collected as expeditiously as possible. Regular recovery notices shall be sent

to all account receivables.

During audit of accounts of the CEO, NJHPC for the period from July, 2024 to June, 2025, it was noticed that four vehicles worth Rs.12.250 million were sold/transferred to Director Transport WAPDA vide Board's Resolution dated October 05, 2021. The management vide letter dated October 05, 2021 requested the Transport Directorate WAPDA to arrange advance cheque in favour of company prior to handing/taking over of these vehicles on priority basis. However, these vehicles were handed over on October 22, 2021 without receipt of payment. Despite lapse of a considerable period of time, the said amount had not yet been recovered. Audit held that strenuous efforts were required to be made at appropriate level to recover the due amount but the needful was not done.

Non-adherence to the WAPDA Accounting and Financial Reporting Manual resulted in non-recovery of Rs.12.250 million on account of sales proceeds of vehicles from Transport Directorate WAPDA up to the FY 2024-25.

The matter was taken up with the management in July, 2025 and reported to MoWR in November, 2025. The management replied that reminders had already been issued to concerned formation of WAPDA for payment. However, detailed reply would be submitted after consultation 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 take up the matter at appropriate level for ensuring recovery of due amount from the concerned formation.

(Draft Para No.138/2025-26)

Assistant Audit Officer (IT)
20 October 2026 05:18:42 PM

4. PROJECT OBJECTIVES

This section aims to analyze whether the project achieved its intended objectives by examining its performance against the goals defined at the PC-I stage. As mentioned earlier, the core objectives of the project were to address power shortages in the country by generating 5,150 GWh of annual cheap and clean energy and to establish priority water rights of Pakistan on Neelum River in response to India's Kishenganga Hydropower project. The evaluation is based on progress data and performance indicators from the operation of the powerhouse in late 2018 till June, 2025. By comparing planned targets with actual achievements to date, the analysis seeks to determine the extent to which the project objectives have been met and to identify any significant deviations, underlying causes, and implications for overall project success.

4.1 Non-achievement of objective of the project to generate annual energy of 5,150 Gigawatt hours

According to 4th revised PC-I of the project approved by ECNEC on May 22, 2018, the prime objective of the NJHP was to add about 969 MW of installed capacity with an annual average energy generation of about 5,150 GWh units.

During audit of the NJHP, it was noticed that ECNEC approved the 4th revised PC-I of the project in its meeting held on May 22, 2018 at a total cost of Rs.506,808 million. As per PC-I, the prime objective of the project was annual average generation of 5,150 GWh units but generation statistics showed that the project could not achieve the targeted generation in any of the years since its commissioning. The maximum generation achieved was 4,843 GWh units during FY 2019-20.

The matter was taken up with the management and reported to MoWR. The management replied that project was designed to generate 5,150 GWh units of energy annually, however, output was reduced due to the following reasons:

i. The design/output of NJHP was optimized without considering the construction of Kishenganga Hydroelectric Project.

ii. The annual energy of NJHP was reduced due to increase of environmental flow from 9 m^3/s to 20 m^3/s below the dam site.

The reply was not acceptable as above-mentioned factors were required to be taken in to account at the design stage of the project which was not done. Resultantly, prime objective of planned generation of electricity could not be achieved.

Audit recommends the management to justify non-achievement of objective of the project, as envisaged in PC-I.

(Source: Para-4.1.1.1 of PAR of NJHP 2022-23)

Assistant Audit Officer (IT)
20 October 2026 03:13:42 PM

4.2 Non-achievement of objective regarding establishment of water rights on River Neelum/Kishenganga

Cabinet Committee on Wuller Barrage and Storage Project dated February 08, 1988 decided that "Pakistan should seriously consider taking in hand the constructions of all

feasible projects on the tributaries of Jhelum for agricultural use and/or hydro-electrical use in order to forestall India from doing so". In this connection, it was pointed out that there was a scheme in Pakistan to divert the Neelum River (Tributary of the Jhelum) Waters for such use and India had a similar schedule in occupied Kashmir. It was further decided that Pakistan should make serious efforts to complete the scheme earlier than India otherwise India may implement such a scheme in the occupied Kashmir and deprive Pakistan of the advantages which would accrue to Pakistan in terms of Para-9 of Annexure-C to the Indus Water Treaty. Further, as per 3rd and 4th revised PC-I of the project, it was a stated objective that "the project will establish water rights on River Neelum/Kishenganga for Pakistan".

During audit of the NJHP, it was observed that in compliance to directions of the Cabinet Committee on Wuller Barrage and Storage Project, a PC-I of NJHP with proposed installed capacity of 500 MW was approved by ECNEC in 1989 which was to be completed in 1996. However, the execution of the project was delayed mainly due to absence of detailed feasibility study and technical engineering designs at that time. Political instability and unavailability of funds also contributed to the delay. A detailed feasibility was got conducted in 1996 and design of the project was finalized in 1997 wherein the generation capacity was increased from 500 MW to 969 MW. Later on, ECNEC approved 1st revised PC-I of the NJHP in 2002 having installed capacity of 969 MW with completion period of 8 years i.e. up to 2010 however, construction of the project started in 2008.

Meanwhile, India started construction of the Kishenganga Hydroelectric Project in occupied Kashmir in 2007. Pakistan initiated arbitration proceedings against India before the Permanent Court of Arbitration, The Hague, on May 17, 2010 under the Indus Waters Treaty. The Court found that India had already taken concrete steps on its project earlier than Pakistan and, therefore, acquired priority rights over the use of Neelum/Kishenganga River waters for power generation. However, the Court directed India to release a minimum environmental flow of 9 cumecs downstream at all times, or the full flow if it falls below this level in pursuance to Paragraph-15(iii) of Annexure-D to the Indus Waters Treaty 1960 which states that "where a Plant is located on a Tributary of the Jhelum on which Pakistan has any agricultural use or hydro-electric use, the water released below the plant may be delivered, if necessary, into another tributary but only to the extent that the then existing agricultural use or hydro-electric use by Pakistan on the former tributary would not be adversely affected". Since hydro-electric use by Pakistan did not exist at the time owing to delay in completion of NJHP so minimum E-flow of 9 cumecs was decided by the court. As a result of the decision, Pakistan lost priority water rights on the Neelum River. Consequently, one of the objectives of the Neelum–Jhelum Hydropower project to establish water rights could not be achieved due to delayed project completion in 2018 instead of 2010.

The matter was taken up with the management and reported to MoWR. The management replied that design/output of NJHP was optimized without considering the

Ilum Gul
Assistant Audit Officer (IT)
20 October 2026 03:19:45 PM

construction of Kishenganga Hydroelectric Project.

The reply was not acceptable as the above factor was required to be considered at the design stage of the project which was not done. Furthermore, time overrun of the project was a major factor with regards to non-achievement of the objective of securing water rights over River Neelum for which the management has not provided any justification.

Audit recommends the management to justify non-achievement of objective of the project regarding establishment of water rights on River Neelum/Kishenganga for Pakistan, as envisaged by the Cabinet Committee and in the 3rd & 4th revised PC-Is.

(Source: Para 4.1.1.2 of PAR of NJHP 2022-23)

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:13:42 PM

5. PROJECT PLANNING

Effective project planning is a critical prerequisite for the successful implementation of large-scale infrastructure projects, particularly hydropower projects involving complex engineering, long gestation periods, and significant public investment. Sound planning ensures realistic cost estimates, achievable timelines and stable project design, thereby minimizing execution risks. This section examines the adequacy of planning for the NJHP, including adherence to approved timelines and cost estimates, stability of project design and the extent to which planning assumptions were realized during implementation.

5.1 Inadequate Planning leading to Frequent Design Changes and revisions in planned cost/time estimates

During audit of NJHP, it was noticed that original PC-I of the project with proposed installed capacity of 500 MW was approved on December 31, 1989. It was further observed that technical feasibility (PC-II) was not carried out before approval of PC-I. After seven years of the approval of PC-I, a feasibility study was conducted by M/s Norconsult, which was finalized in December, 1996 with change of scope of work from 500 MW to 969 MW and detailed design of the project was finalized in 1997. 1st revised PC-I of the project with revised installed capacity of 969 MW was approved by ECNEC in 2002 with completion period of 8 years i.e. up to 2010. Despite this, the construction of the project could not start till 2008 owing to funding shortages, delays in award of contract and administrative delays including land acquisition. These issues indicated insufficient consideration of all relevant factors during the planning stage.

The design of the project was again reviewed in 2008 by new consultants hired for the purpose and a design inception report was presented by them in 2009 which considered alternative excavation methods and concluded that TBM excavation was not a reliable technology under the prevailing geological conditions and D&B method was concluded to be the best method at the time. Subsequently, in order to speed up the excavation work and to make up for delays, the design of the project was changed in 2011 and the traditional D&B method was replaced with deployment of TBMs without any revised feasibility study and without approval of competent forum. Approval for use of TBMs was given in the 2nd revised PC-I of the project, which was approved in July, 2013 with a massive cost escalation and extended completion date of November, 2016. Over time, further cost escalations and delays in execution necessitated a 3rd revision of PC-I which was approved in December, 2015. The 4th revised PC-I was approved by ECNEC on 22 May, 2018 which envisaged extended timeline for completion of project till mid-2018. The powerhouse was fully commissioned by December, 2018 but could only maintain smooth operations till July, 2022. In July, 2022, collapse of TRT resulted in complete shutdown of the powerhouse and discontinuation of operations. An Independent Panel of Experts (IPOEs) was hired to inquire and investigate the root causes of the collapse. As per root cause analysis conducted by the IPOE, besides other

Assistant Audit Officer Irum Gul
20 October 2026 03:13:42 PM

factors, probability of occurrence of collapse due to insufficient ground support and absence of concrete lining was 'high'. Further, as per joint inspection of the TRT carried out on January 19, 2019, the shotcrete of crown, left wall and right wall of the TRT in many locations was found spalled because this area had weak rocks. Furthermore, as per Geology Report and technical specifications of the contract, most of the area of the location under review had poor/very poor rock quality for which additional support of spiles/lattice girders was required which was not provided. However, no formal inquiry was conducted or finalized by the management on receipt of the IPOEs report. The TRT was repaired by incurring extra expenditure and the powerhouse resumed operation from August, 2023. Thereafter, collapse in HRT in May, 2024 again forced the management to completely shut down the operation of the powerhouse and status quo has existed since that time. Various high level inquiry committees have been formed since the incident but the same have not been finalized till date.

Audit held that the NJHP suffered from inadequate and ineffective planning at the outset which was manifested in repeated design changes, unrealistic cost and time estimates and delayed commencement of execution. Key planning deficiencies, including insufficient assessment of technical, geological, financial, and implementation risks resulted in frequent revisions of the PC-I and major alterations in project design during execution. These weaknesses undermined project stability, contributed to substantial cost overruns and time delays and ultimately impaired the achievement of the project's intended objectives.

Audit recommends that the management needs to investigate the matter for fixing responsibility regarding the planning and design issues mentioned above. In future, comprehensive project planning including detailed feasibility and risk analysis should be completed and approved prior to project commencement. Further, realistic cost and time estimates be ensured to minimize delays, cost overruns and operational risks.

(Source: Para-4.5.1 of PAR of NHJP 2016-17, Para 4.1.3.2 of PAR of NJHP 2022-23)

Assistant Audit Officer (IT)
20 October 2026 05:13:42 PM

5.2 Abnormal time and cost overrun

During audit of the NJHP, it was noticed that original PC-I of the project was approved by ECNEC on December 31, 1989 at a total cost of Rs.15,012 million and 1st revised PC-I was approved on February 28, 2002 at a total cost of Rs.84,502 million with completion period of eight years. Later on, subsequent to two intermediary revisions of PC-I, fourth revised PC-I of NJHP was approved by ECNEC on May 22, 2018 at a total cost of Rs.506,808 million with completion date of June 30, 2018. The project is yet to be concluded but actual expenditure of Rs.428,296 million has been incurred up to June, 2025 resulting in cost overrun of Rs.343,794 million and time overrun of nine years as compared to the cost of 1st revised PC-I.

The matter was taken up with the management and reported to MoWR. The management replied that preliminary design of the project was changed as per actual site conditions. A number of factors like Jhelum River crossing, rock burst in tunnel, identification of the fault line near the dam site, escalation, exchange

loss and Interest During Construction, etc. necessitated the change in design. However, there was a cost saving of Rs.78 billion after approval of 4th revised PC-I.

The reply was not tenable because all the design issues should have been addressed before award of contract. The contract is yet to be concluded despite start of commercial operation in 2018 which also contributed towards high rates of escalation and exchange rate.

Audit recommends the management to fix responsibility for abnormal cost and time overrun of the project in the light of provisions of Manual for Development Projects.

(Source: Para-4.1.1.3 of PAR of NHJP 2022-23)

5.3 Non-achievement of payback of the project

According to the clause-8 of the 4th Revised PC-I, "payback period of the NJHP is 17.7 years. As 12 years is construction period, it will take 5.17 years from the first year of operation to recover the investment cost."

The analysis of actual electricity units generated revealed that the project generated 19,759 GWh of electricity since its commissioning in the year 2018-19 till date and based on actual generation, could only recover Rs.180.170 billion till the year 2024-25. However, as per approved PC-I of the project, the project was to recover its initial investment cost of Rs.418.885 billion till the year 2023-24. The envisaged payback period as per PC-I could not be realized due to non-approval of reference tariff of Rs.13.0331/kWh and repeated business interruptions due to consecutive TRT and HRT collapses. Resultantly, payback amounting to Rs.238.715 billion was still to be recovered. The powerhouse has been non-operational since 2024-25 due to collapse in the HRT. It was further analyzed that after restoration of HRT and resuming the operations of the powerhouse, a further period of 6 years will be required to achieve the payback of the project as per calculation based on average generation during 2019-20 to 2021-22 when the powerhouse was fully operational.

(Source: Para 4.1.1.4 of PAR of NJHP 2022-23)

Asstt. Audit Officer (IT)
20 October 2025 03:15:42 PM

6. OPERATIONAL PROCESSES

Hydropower projects play a crucial role in meeting the energy demand of millions of people nationwide. These projects require significant investment and their plants & infrastructure must be managed effectively to ensure optimal performance, reliability and sustainability. For this purpose, the management needs to develop a comprehensive plan that includes condition assessment, risk assessment, maintenance planning and optimization strategies. Modern monitoring technologies such as remotely operated vehicles to monitor underground tunnels and identify anomalies can be used to detect potential failures before they occur. The management should prioritize maintenance plan based on identified risks and the criticality of the assets to the project's performance. Once a significant adverse event has occurred, management should promptly initiate a formal inquiry to determine root causes, assess accountability and implement corrective and preventive measures to avoid recurrence.

6.1 Non-finalization of Inquiries and delays in restoration works of HRT

According to Section-III (1) of WAPDA Guidelines for Enforcing Responsibility for Losses due to Fraud, Theft or Negligence of Individuals, 1982, "all losses whether of public money or of store, shall be subjected to preliminary investigation by the officer in whose charge they were, to fix the cause of the loss and the amount involved".

During audit of accounts of the CEO, NJHPC for the period from July, 2024 to June, 2025, it was noticed that a contract for construction of civil, mechanical and electrical works was awarded to M/s CGGC-CMEC Consortium on December 19, 2007 at a contract price of Rs.90,900.240 million and consultancy agreement was signed with Neelum Jhelum Consultants JV on May 15, 2008. It was further noticed that original PC-I of the project was approved by ECNEC on December 31, 1989 at a total cost of Rs.15,012 million. Later on, subsequent to three intermediary revisions of PC-I, fourth revised PC-I was approved on May 22, 2018 at a total cost of Rs.506,808 million against which actual expenditure of Rs.428,296 million was incurred up to June, 2025. The powerhouse achieved commercial operation w.e.f. July, 2018, however, the same was completely shut down in July, 2022 due to collapse in TRT. The TRT was restored in August, 2023 but damages/blockage in HRT again constrained the management to shut down the whole power plant on May 01, 2024. Huge revenue losses were incurred as a result of both shutdowns as already deliberated in previous sections of the report. As per directions of Prime Minister, various committees were constituted to investigate the causes of collapse of TRT and HRT but none of the committees could finalize its report till date. Audit held that huge generation and revenue loss had to be sustained due to collapses and delays in restoration works of TRT and HRT and on-going closure of powerhouse, for which responsibility needed to be fixed.

Non-adherence to the aforementioned guidelines resulted in non-finalization of inquiries and delays in operationalization of powerhouse and restoration works of HRT till date.

Assistant Audit Officer (IT)
20 October 2025 03:13:49 PM

The matter was taken up with the management in July, 2025 and reported to MoWR in October, 2025. The management replied that after dewatering of HRT, detailed inspection was carried out and collapsed areas were identified. The scope of HRT restoration works was accordingly estimated / determined. Besides that, the tender documents were prepared by NJHPC and also got vetted from Central Contract Cell WAPDA. The contract could not be awarded due to restriction by the Federal Government that work should not be commenced till conclusion of different inquiries. GoP has constituted a high-level commission with initial completion date of 90 days. However, due to ongoing commission's proceedings, the completion timeline has been extended for further 90 days. The proceedings for commission are underway and the timeline for its conclusion is not known. However, NJHPC Management, from time to time, pursued the case of start of HRT restoration works in parallel to inquiry proceedings. Unfortunately, restoration work of HRT was not allowed to start which as a result, accumulated the generation loss.

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 finalize the inquiries for fixing responsibility of generation/revenue loss sustained due to collapse of TRT and HRT and ensure utmost efforts for immediate restoration of powerhouse operations.

(Draft Para No.113/2025-26)

Irum Gul
Assistant Audit Officer (IT)
20 October 2026 03:13:42 PM

7. CONTRACT MANAGEMENT

Contract management is the process of managing contract from the inception to execution and eventually successful completion. Key activities involve drafting of contract documents, clauses negotiation, execution and performance monitoring to optimize operational & financial performance and to ensure risk mitigation. Efficient contract management is backbone for successful completion of works as well as achieving envisaged benefits from the project. This section examines the contract management aspect of the company.

7.1 Irregular payment on account of consultancy services beyond the scope of agreement

As per the amendment No. 7 to the Consultancy Services Agreement (CSA), the consultants' services were extended up to June 30, 2024.

During audit of accounts of the CEO, NJHPC for the period from July, 2024 to June, 2025, it was noticed that a CSA was signed with Neelum Jhelum Consultants on May 15, 2008 at a contract price of Rs. 4,070.637 million. It was further noticed that the said agreement was extended several times and last amendment No. 7 was signed for extension of services up to June, 2024. Scrutiny of the record revealed that no further extension was signed as amendment No. 8 was still under process when the consultants served notice of suspension of services on February 28, 2025. However, an amount of Rs.94.545 million pertaining to invoices of consultancy services beyond June, 2024 was paid to the consultants without approval of amendment, which was irregular.

Non-adherence to the provision of amendment No.7 to the CSA resulted in irregular payment of Rs.94.545 million on account of consultancy services beyond the scope of agreement during the FY 2024-25.

The matter was taken up with the management in July, 2025 and reported to MoWR in November, 2025. The management replied that there was provision for further extension of consultancy services beyond June, 2024 in amendment No.7. Services of consultants were required due to pending liabilities of main contract as well as HRT remedial works, therefore, they were asked to submit draft amendment No.8 to CSA, which is under process of approval. The said amount was paid for the period in which the consultants performed their services.

The reply was not tenable because payment was made to the consultants without signing of further extension (amendment No.8) which was irregular.

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 payment to the consultants beyond approved extension of time besides ensuring recovery/regularizing the matter.

(Draft Para No.136/2025-26)

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:15:42 PM

8. HUMAN RESOURCE MANAGEMENT

This section highlights significant deviations from instructions of the Finance Division, BOD and WAPDA in Human Resource Management. Audit observed unjustified payment of different allowances without clearance from the Finance Division and continuous retention of employees hired on temporary basis due to non-appointment of regular employees. These actions reflect a systematic disregard in payment of allowances and appointment of regular employees.

8.1 Non-appointment of regular employees and continuous retention of employees hired on temporary basis

According to Para-4 of Agenda-9 of Minutes of meeting of BOD held on September 30, 2013, BOD directed the CEO "to complete the company recruitment procedure within six (06) months i.e. up to March 31, 2014". As per office order of Director Establishment (HR & Admn.) WAPDA dated April 10, 2015, recruitment on temporary basis in BS-16 and above will be made for one year only or until the completion of the process for regular recruitment, whichever is earlier.

During audit of accounts of the CEO, NJHPC for the period from July, 2024 to June, 2025, it was noticed that three employees were hired on temporary/contract basis in BPS-17 during March, 2011 to June, 2013. These appointments were made purely on temporary basis and regular employees were required to be appointed till March 31, 2014 as per decision of BOD. However, instead of appointment of employees on regular basis, extensions in service contracts were granted to these employees time and again. Audit held that non-appointment of regular employees and extensions in service contracts of employees hired on temporary basis was violation of decision of BOD and instruction of WAPDA Authority, hence, expenditure incurred on account of their pay & allowances amounting to Rs.9.474 million was unjustified. Non-adherence to aforementioned decision of BOD and instructions of WAPDA resulted in unjustified expenditure of Rs.9.474 million on pay & allowances due to non-appointment of regular employees and continuous retention of employees hired on temporary basis up to the FY 2024-25.

The matter was taken up with the management in July, 2025 and reported to MoWR in December, 2025. The management replied that procedure had already been completed. However, detailed reply would be submitted after consultation 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 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 continuous retention of employees hired on temporary basis instead of appointment of employees on regular basis besides initiating the process of regular recruitment.

(Draft Para No.348/2025-26)

Irum Gul
Assistant Audit Officer (IT)
20 October 2026 03:18:42 PM

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

According to Finance Division's office memorandum dated June 26, 1999 regarding revision of salaries, allowances & perquisites of the supervisory and executive staff of public sector corporations, autonomous/semi-autonomous bodies, "it has been decided that such revisions may be carried out by the respective BOD/Board of Governors of these organizations. Such revisions should invariably be tagged with the financial position of the respective organization. Clearance from the Finance Division would, however, be necessary to ensure a rational basis and a degree of uniformity in such revisions". As per Para-2 of Finance Division's (Regulation Wing) office memorandum dated January 23, 2024 regarding grant of allowances and other monetary benefits to the employees of autonomous/semi-autonomous bodies, corporations, etc. "it is binding upon all the Administrative Ministries/Divisions to ensure that any change in the pay, allowances and privileges of executive/supervisory staff of autonomous/semi-autonomous bodies and corporations working under their administrative control are processed in accordance with Finance Division's O.M dated June 26, 1999".

During audit of accounts of the CEO, NJHPC for the period from July, 2024 to June, 2025, it was noticed that an amount of Rs.173.806 million was paid to the employees on account of different allowances (NJHPC Allowance, Disparity Reduction Allowances 2021 and 2022) after approval of BOD. 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 BOD without clearance from the Finance Division (GoP).

Non-adherence to the instructions of Finance Division resulted in unjustified expenditure of Rs.173.806 million on grant of different allowances to employees during the FY 2024-25.

The matter was taken up with the management in July, 2025 and reported to MoWR in November, 2025. The management replied that these allowances were given after approval of BOD which is competent. However, detailed reply would be submitted after consultation of record.

The reply was not tenable because as per instruction of Finance Division dated June 26, 1999, after decision of BOD, clearance from the Finance Division was necessary to ensure a rational basis and a degree of uniformity in such revisions.

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 payment on account of different allowances without clearance from Finance Division besides taking up the matter with Finance Division for obtaining clearance.

(Draft Para No.139/2025-26)

Irum Gul
Assistant Audit Officer (D)
20 October 2026 03:13:42 PM

9. ASSET MANAGEMENT

Hydropower projects require significant investment and their assets must be managed effectively. Assets management in hydropower projects involves procurement, installation, operation and maintenance of assets to ensure optimal performance. Audit observed that the insurance claim for loss sustained due to collapse of TRT was not indemnified yet and the management had not properly maintained record of assets.

9.1 Non-indemnification of insurance claim lodged for loss sustained due to collapse in Tailrace Tunnel

According to General Condition-4 of the Insurance Policy with M/s NICL, "in the event of loss insured hereunder, interim claim payments will be made to the insured if desired by the insured subject to claim being admissible under the policy and recommendation of the loss adjuster".

During audit of the NJHP, it was noticed that power house was forced shut down since July 06, 2022 due to collapse in the TRT. The management lodged an insurance claim worth Rs.41,964.645 million with the M/s NICL on February 06, 2023. However, neither interim claim payment of 50% could be recovered from the insurer nor final settlement of the claim was intimated by the insurer to the Company.

Non-adherence to the insurance policy resulted into non-indemnification of insurance claim amounting to Rs.41,964.645 million.

The matter was taken up with the management and reported to MoWR in March, 2023. The management replied that the documents required by the M/s NICL had been provided which were under evaluation by the loss adjuster. NJHPC has also requested M/s NICL for on account payment of interim claim.

However, status of indemnification of insurance claim was not intimated to Audit till finalization of the report.

Audit recommends the management to pursue the matter with the concerned insurance company for early indemnification of insurance claim for the amount of business loss till August 10, 2023 i.e. date of re-operation of power house.

(Para 4.1.6.1 of PAR of NJHP 2022-23)

Assistant Audit Officer(IT)
21 October 2026 03:53:42 PM

9.2 Non-accountal of vehicles in books of accounts

According to Section-7.1.1 of WAPDA Accounting and Financial Reporting Manual, the respective General Manager (GM) in coordination with respective GM Finance shall have the overall responsibility for the establishment of effective internal controls for the recording, safe guarding and proper management of fixed assets under their administrative control. The respective Drawing & Disbursing Officer shall be responsible for proper accounting, recording and capitalization of fixed assets and shall implement the procedures for their effective and accurate accounting and recording. As per Section-7.1.2, the respective GM Finance shall prepare, update and monitor procedures for the effective and accurate accounting and recording of fixed assets.

During audit of accounts of the CEO, NJHPC for the period from July, 2024 to June, 2025, it

was noticed that as per list of vehicles, 80 vehicles were under administrative control of the company. However, only 12 out of these 80 vehicles were appearing in the Trial Balance and remaining 68 vehicles worth Rs.198.196 million were not accounted for in the books of accounts. Audit held that as per WAPDA Accounting and Financial Reporting Manual, vehicles were required to be properly accounted for in the books of accounts but the needful was not done.

Non-adherence to the WAPDA Accounting and Financial Reporting Manual resulted in non-accountal of vehicles worth Rs.198.196 million in books of accounts up to the FY 2024-25.

The matter was taken up with the management in July, 2025 and reported to MoWR in December, 2025. The management stated that detailed reply would be submitted after consultation 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 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-accountal of vehicles in books of accounts besides ensuring the same as per rules /procedures.

(Draft Para No.282/2025-26)

Irum Gul
Assistant Audit Officer (IT)
20 October 2026 03:13:42 PM

CONCLUSION

Audit concluded that the NJHP could not achieve its intended objectives owing to fundamental weaknesses in planning, designing, execution and financial management. Inadequate upfront planning resulted in frequent design changes, repeated revisions of cost and time estimates and delayed commencement of execution which collectively led to substantial cost overruns and prolonged completion. Deficiencies in contract management coupled with weak financial management further exacerbated project delays, liquidity stress and revenue losses. Structural failures of critical components and delayed investigations into causes of such events highlighted gaps in risk management and accountability mechanisms. Moreover, delay in restoration works of collapsed tunnel caused recurring generation loss to the company for which no responsibility upon employer/consultants/contractors was fixed. Overall, the project could not deliver expected generation, financial viability and strategic outcomes underscoring the need for strengthened planning, governance and oversight mechanisms in the company.

Audit further concludes that the financial performance of the NJHP remained weak and unsustainable throughout the period under review. Persistent under-achievement of generation targets, prolonged operational shutdowns and non-approval of the reference tariff resulted in substantial and recurring revenue losses. These factors combined with high financing costs and liquidity constraints adversely affected the project's ability to meet its financial obligations and undermined the recovery of public investment.

Assistant Audit Officer (IT)
20 October 2026 03:13:42 PM

RECOMMENDATIONS

i. The management needs to comply with the Public Sector Companies (Corporate Governance) Rules, 2013 (amended up to 2017) by holding regular meetings of Risk Management Committee.

ii. The management needs to ensure strengthening of financial position of the company by resuming sales of electricity and expediting the matter with Planning Commission for initiating of TPV of cost of the project in order to obtain actual tariff from NEPRA.

iii. The management needs to expedite efforts for recovery of huge receivables to improve the financial health of the company.

iv. The management needs to identify the faults and repair the tunnel to achieve the core objective of the project.

v. The management needs to revise the generation target as per availability/flow of water.

vi. The management needs to strengthen operational controls to ensure reliable and efficient functioning of the powerhouse to prevent recurrence of generation losses and undertake prompt & comprehensive remedial measures for rectification of defects in the HRT to ensure sustainability of the project.

vii. The management needs to strictly adhere to the provisions of contracts during execution.

viii. The management needs to ensure transparent recruitment of employees in line with applicable rules and instructions.

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

x. The management needs to safeguard their assets with proper insurance coverage and ensure recording of all assets in the books of accounts.

Assistant Audit Officer (IT)
Irum Gul
20 October 2026 03:13:42 PM

APPENDICES

Appendix-I	**Audit Objective, Scope and Methodology**
Appendix-II	**Financial Statistics of the Company**
Appendix-III	**Financial Ratios**
Appendix-IV	**Board Committees**
Appendix-V	**Interruption Loss Computations**
Appendix-VI	**Glossary of Terms**

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:13:42 PM

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:13:42 PM

Appendix-I

Audit Objectives

The main objectives of the audit were to:

- evaluate compliance with applicable rules, policies, regulations and instructions of GoP.
- evaluate whether the aspects of economy & efficiency were duly adhered to in incurring expenditure during operation 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 financial performance & management of the company.

Audit Scope

The main scope of audit was to examine overall performance of the company, achievement of objectives and expenditure incurred & revenue generated during the FY 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.

Uzma Gull
Assistant Audit Officer (IT)
20 October 2026 03:13:42 PM

Appendix-II

Financial Statistics of the Company

(Rs. in million)

Financial Year	Sales Revenue	Gross Profit/(Loss)	Net Profit/(Loss)
2020-21	44,825.584	33,206.293	3,457.730
2021-22	43,618.579	31,827.449	402.769
2022-23	7,253.429	(8,573.157)	(38,983.618)
2023-24	29,860.168	15,155.116	(7,050.410)
2024-25	4,706.502	(7,233.115)	(29,412.431)
Total	**130,264.262**	**64,382.586**	**(71,585.960)**

Irum Gull
Assistant Audit Officer (IT)
20 October 2026 03:13:42 PM

Appendix-III

Financial Ratios

Financial Ratios		Financial Year						
Profitability Ratios		**2024-25**	**2023-24**	**2022-23**	**2021-22**	**2020-21**	**2019-20**	**2018-19**
Return on Capital Employed	%	(26.01)	21.61	(14.67)	18.37	18.21	31.81	19.84
Gross Profit Margin	%	(153.68)	51.31	(118.19)	72.97	74.08	77.57	67.50
Operating Profit Margin	%	(395.15)	33.98	(256.84)	55.11	61.69	69.59	61.87
Profit Before Tax Margin	%	(227.96)	(12.77)	(343.41)	6.14	8.57	3.32	(30.46)
Profit After Tax Margin	%	(251.28)	(19.76)	(357.43)	0.87	7.39	1.36	(26.12)
Asset Turnover Ratio	Times	0.01	0.07	0.02	0.09	0.09	0.09	0.06
Return on Total Assets	%	(6.81)	(1.60)	(8.50)	0.08	0.71	0.14	(1.74)
Return on Equity	%	(82.62)	(10.84)	(54.10)	0.38	3.26	0.65	(8.36)
Short-Term Liquidity Ratios								
Current Ratio	Times	0.18	0.22	0.21	0.30	0.32	0.25	0.20
Quick Ratio	Times	0.18	0.22	0.21	0.30	0.32	0.25	0.20
Working Capital Ratios								
Debtors Turnover Period	Days	1,530.00	534.00	2,463.00	693.82	424.66	553.56	-
Debt, Gearing & Leverage Ratios								
Debt to Equity Ratio	%	25.25	13.64	41.67	36.26	53.43	6.72	6.81
Gearing Ratio	%	20.16	12.00	29.41	26.61	34.82	6.30	6.38
Leverage Ratio	%	(438.50)	34.81	(541.70)	107.12	146.18	15.70	22.86
Interest Cover	Times	(0.77)	0.78	(0.67)	1.12	1.16	1.05	0.69

Irfan Gul
Assistant Audit Officer (IT)
20 October 2026 03:13:42 PM

Appendix-IV

Board Committees

RESOLVED

Board of Directors accorded approval for revised composition of Board Sub-Committees as under:

I.	HR Committee	i. Mr. Jamil Akhter M(P) – Convener ii. Mr. Haque Nawaz Independent Director –I Member iii. Mr. Muhammad Arfan – CEO Member
II.	Audit Committee	i. Mr. Javed Kazim Siddiqui Independent Director–II Convener ii. Mr. Naveed Asghar Ch. M(F) – Member iii. Mr. Haque Nawaz Independent Director -II – Member
III.	Procurement Committee	i. Mr. Jamil Akhter M(P) – Convener ii. Mr. Haque Nawaz Independent Director –I Member iii. Mr. Muhammad Arfan – CEO Member
IV.	Risk Management Committee	i. Mr. Javed Kazim Siddiqui Independent Director–II Convener ii. Syed Muhammad Mehar Ali Shah - Member iii. Mr. Muhammad Arfan – CEO Member
V.	Nomination Committee	i. Syed Muhammad Mehar Ali Shah - Convener ii. Mr. Javed Kazim Siddiqui Independent Director –II Member iii. Mr. Muhammad Arfan – CEO Member
VI.	Budget & Finance Committee	i. Mr. Naveed Asghar Ch. M(F) – Convener ii. Mr. Haque Nawaz Independent Director –I Member iii. Mr. Muhammad Arfan – CEO Member

Company Secretary
NJHPC

Chairman BoD
NJHPC

Assistant Audit Officer (HQ)
20 October 2026 03:15:12 PM

Appendix-V

Interruption Loss Computations

(In Rupees)

Financial Year	Revenue	Operational Expenditure
2019-20	45,262,402,181	9,033,571,033
2020-21	44,825,584,000	10,151,649,581
2021-22	43,618,579,000	11,791,130,000
Average	**44,568,855,060**	**10,325,450,205**

Projected Revenues and Operational Expenditure are based on the three years averages.

Extra Expenses Associated with TRT and HRT

(In Rupees)

Financial Year	TRT	HRT	Total
2022-23	3,867,517,000		3,867,517,000
2023-24	3,022,505,000	985,000	3,023,490,000
2024-25	122,107,000	276,177,000	398,284,000

Source: Financial Statement of the Company 2022-23, 2023-24 and 2024-25

Irfan Gul
Assistant Audit Officer (IT)
20 October 2026 03:33:49 PM

Appendix-VI

Glossary of Terms

Term	Explanation
Access Adit	An access adit in tunneling is a horizontal or near-horizontal, often inclined, passageway driven from the surface to the main tunnel alignment to facilitate construction, logistics and, in some cases, long-term ventilation or drainage.
Central Power Purchasing Agency	CPPA-G is an entity which buys electricity from NJHPC under the PPA
Delayed payment charges	Interest/penalty payable by the CPPA-G for delayed payment of invoices of sales of electricity.
Diversion dam	Dam at Nauseri that diverts Neelum River water into the headrace tunnel system.
Gross head	Vertical elevation difference (~420 m) between water intake on Neelum River and discharge point on Jhelum River.
Headrace Tunnel	Long tunnelling system carrying diverted water from Nauseri to the powerhouse
Powerhouse	Underground facility at Chattar Kalas containing four generating units for generation of electricity
Run-of-the-river	Hydropower scheme with no large storage reservoir and generation depends directly on available river flow.
Tailrace Tunnel	The tunnel which discharges water from powerhouse to Jhelum River.

Assistant Audit Officer (IT)
20 October 2025 03:13:42 PM