



**AUDIT REPORT
ON
THE ACCOUNTS OF
MINISTRY OF WATER RESOURCES
AND ITS ENTITIES
AUDIT YEAR 2024-25**

AUDITOR-GENERAL OF PAKISTAN

**SERVING THE NATION BY PROMOTING ACCOUNTABILITY, TRANSPARENCY AND GOOD
GOVERNANCE IN THE MANAGEMENT AND USE OF PUBLIC RESOURCES
FOR THE CITIZENS OF PAKISTAN**

PREFACE

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with Sections 8 and 12 of the Auditor-General's (Functions, Powers, Terms and Conditions of Service) Ordinance 2001, require the Auditor-General of Pakistan to conduct audit of any authority or body established by the Federation.

The Audit Report is based on the accounts of Ministry of Water Resources and its entities for the financial year 2023-24. It also contains audit observations of previous financial years. The Directorate General Audit, Water Resources conducted audit during the year 2024-25 on test check basis with a view to report significant findings to the relevant stakeholders. The main body of Audit Report includes systemic issues and significant audit findings. Relatively less significant findings have been listed in Annexure-I of this report as MFDAC. The audit observations listed in Annexure-I shall be pursued with Principal Accounting Officer (PAO) at the Departmental Accounts Committee (DAC) level and in all cases where the PAO does not initiate appropriate action, the audit observations shall be brought to the notice of Public Accounts Committee (PAC) through next year's Audit Report. Moreover, sectoral analysis has been added in this report covering strategic review and overall perspective of audit results.

Impact Audit has also been adopted as a new approach in auditing by evaluating final outcomes of specific interventions and made part of this report as a separate chapter.

Audit findings indicate the need for adherence to the regulatory framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities. All the observations included in this report have been finalized in the light of replies submitted by the management. DAC meeting could only be conducted for some paras despite several requests to the PAO as per laid down procedure.

There are certain audit paras which were also reported in last years' Audit Reports ranging from financial years 2019-20 to 2022-23. Recurrence of such irregularities is a matter of concern and needs to be addressed.

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].

Islamabad
Dated: 25 FEB 2025

Sd/-
(Muhammad Ajmal Gondal)
Auditor-General of Pakistan

TABLE OF CONTENTS

| | |
|--|------------|
| ABBREVIATIONS & ACRONYMS | i |
| EXECUTIVE SUMMARY | vi |
| CHAPTER-1 Ministry of Water Resources | 1 |
| 1.1 Introduction | 3 |
| 1.2 Sectoral Analysis..... | 4 |
| 1.3 Classified Summary of Audit Observations..... | 11 |
| 1.4 Comments on the status of compliance with PAC directives..... | 11 |
| 1.5 Audit Paras | 13 |
| A. Procurement Management..... | 13 |
| B. Contract Management..... | 22 |
| C. Financial Management | 107 |
| D. Assets Management | 141 |
| E. Management of Accounts with Commercial Banks..... | 150 |
| F. HR/Employees Related Issues..... | 155 |
| G. Value for Money and Services Delivery Issues..... | 159 |
| H. Others..... | 161 |
| CHAPTER-2 Impact Audit of Tarbela 4th Extension Hydropower Project | 189 |
| 2.1 Introduction | 191 |
| 2.2 Overview | 191 |
| 2.3 Methodology..... | 192 |
| 2.4 Findings..... | 193 |
| 2.5 Conclusion..... | 197 |
| ANNEXURE | 199 |
| I. MFDAC Paras | 201 |

ABBREVIATIONS & ACRONYMS

| | |
|-----------------|---|
| AC | Assistant Commissioner |
| ALHPP | Attabad Lake Hydropower Project |
| BOD | Board of Directors |
| BOQ | Bill of Quantities |
| C&M | Coordination and Monitoring |
| CB&CJ | Chashma Barrage and Chashma Jhelum |
| CCI | Council of Common Interests |
| CDM | Clean Development Mechanism |
| CDS | Common Distribution System |
| CE | Chief Engineer |
| CEA | Chief Engineering Advisor |
| CEO | Chief Executive Officer |
| CGGC | China Gezhouba Group Co. Ltd. |
| CGICOP | China Gansu International Corporation for Economic and Technical Cooperation |
| CHPS | Chashma Hydel Power Station |
| CIP | Carriage and Insurance Paid |
| CNIC | Computerized National Identity Card |
| CNY | Chinese Yuan |
| CO | Change Order |
| CO ₂ | Carbon Dioxide |
| CPPA-G | Central Power Purchasing Agency-Guarantee Limited |
| CSA | Consultancy Services Agreement |
| CSC | Consultant's Services Contract |
| DAC | Departmental Accounts Committee |
| DB | Dispute Board |
| DBDP | Diamer Basha Dam Project |
| DDO | Drawing & Disbursing Officer |
| DDS | Dedicated Distribution System |
| DG | Director General |
| DHPP | Dasu Hydropower Project |
| DISCOs | Distribution Companies |
| DLC | Defects Liability Certificate |

| | |
|-------|--|
| DNP | Defects Notification Period |
| DP | Draft Para |
| E&M | Electrical & Mechanical |
| ECC | Economic Coordination Committee |
| ECNEC | Executive Committee of the National Economic Council |
| EOT | Extension of Time |
| FBR | Federal Board of Revenue |
| FEC | Foreign Exchange Component |
| FESCO | Faisalabad Electric Supply Company |
| FFC | Federal Flood Commission |
| FIA | Federal Investigation Agency |
| FIDIC | Fédération Internationale Des Ingénieurs-Conseils |
| FOB | Free on Board |
| FWO | Frontier Works Organization |
| FY | Financial Year |
| GBF | Guarantee Backed Financing |
| GCC | General Conditions of Contract |
| GENCO | Generation Company |
| GFR | General Financial Rules |
| GGHP | Golen Gol Hydropower Project |
| GGHPS | Golen Gol Hydel Power Station |
| GIS | Geographic Information System |
| GM | General Manager |
| GMRC | Glacier Monitoring Network & Research Centre |
| GoGB | Government of Gilgit-Baltistan |
| GoP | Government of Pakistan |
| GoS | Government of Sindh |
| GRC | Grievance Redressal Committee |
| GWh | Gigawatt hours |
| GZDP | Gomal Zam Dam Project |
| HBL | Habib Bank Limited |
| HPS | Hydel Power Station |
| HR | Human Resource |
| HRT | Head Race Tunnel |

| | |
|----------------|--|
| IDA | International Development Association |
| IFC | Issued for Construction |
| IPC | Interim Payment Certificate |
| IPOEs | Independent Panel of Experts |
| IPPs | Independent Power Producers |
| IRSA | Indus River System Authority |
| JS | Joint Secretary |
| JV | Joint Venture |
| KCP | Kachhi Canal Project |
| KFD | Kuwait Fund for Development |
| K-IV | Greater Karachi Bulk Water Supply Scheme |
| KKH | Karakoram Highway |
| KM | Kilometer |
| KPK | Khyber Pakhtunkhwa |
| KPRA | Khyber Pakhtunkhwa Revenue Authority |
| KPST | Khyber Pakhtunkhwa Sales Tax |
| KTDP | Kurram Tangi Dam Project |
| KV | Kilovolt |
| KWh | Kilowatt hour |
| LA&R | Land Acquisition and Resettlement |
| LC | Letter of Credit |
| LD | Liquidated Damages |
| LESCO | Lahore Electric Supply Company |
| LLO | Low Level Outlet |
| LOA | Letter of Acceptance |
| M&S | Monitoring & Surveillance |
| m ² | Square Meter |
| m ³ | Cubic Meter |
| MAF | Million Acre Feet |
| MDHP | Mohmand Dam Hydropower Project |
| MFDAC | Memorandum for Departmental Accounts Committee |
| MIV | Main Inlet Valve |
| Mm | Millimeter |
| MoM | Minutes of Meeting |

| | |
|---------|---|
| MoPD&SI | Ministry of Planning, Development and Special Initiatives |
| MoU | Memorandum of Understanding |
| MoW&P | Ministry of Water and Power |
| MoWR | Ministry of Water Resources |
| MRP | Mangla Refurbishment Project |
| MW | Megawatt |
| NBP | National Bank of Pakistan |
| NDP | Naulong Dam Project |
| NEPRA | National Electric Power Regulatory Authority |
| NGDP | Nai Gaj Dam Project |
| NICL | National Insurance Company Limited |
| NJHPC | Neelum Jhelum Hydropower Company |
| NJHPP | Neelum Jhelum Hydropower Project |
| NJS | Neelum Jhelum Surcharge |
| NTDC | National Transmission & Despatch Company |
| NWP | National Water Policy |
| O&M | Operation & Maintenance |
| PAC | Public Accounts Committee |
| PAO | Principal Accounting Officer |
| PCC | Particular Conditions of Contract |
| PCCCL | Power Construction Corporation of China Limited |
| PC-I | Planning Commission Proforma-I |
| PCIW | Pakistan Commissioner for Indus Waters |
| PCRWR | Pakistan Council of Research in Water Resources |
| PD | Project Director |
| PEC | Pakistan Engineering Council |
| PEPCO | Pakistan Electric Power Company |
| PESCO | Peshawar Electric Supply Company |
| PFM | Public Finance Management |
| PITC | Power Information Technology Company |
| PPA | Power Purchase Agreement |
| PPMC | Power Planning and Monitoring Company |
| PPRA | Public Procurement Regulatory Authority |
| PSDP | Public Sector Development Programme |

| | |
|--------|--|
| R&M | Repair and Maintenance |
| RBPR | Right Bank Periphery Road |
| RE | Resident Engineer |
| RFP | Request for Proposal |
| SBP | State Bank of Pakistan |
| SCC | Special Conditions of Contract |
| T4HPP | Tarbela 4 th Extension Hydropower Project |
| T5HPP | Tarbela 5 th Extension Hydropower Project |
| TDP | Tarbela Dam Project |
| TFC | Term Finance Certificate |
| THPP | Tarbela Hydropower Project |
| TOC | Taking-Over Certificate |
| TORs | Terms of Reference |
| TPV | Third Party Validation |
| TRT | Tailrace Tunnel |
| UNFCCC | United Nations Framework Convention on Climate Change |
| USD | United States Dollar |
| VHF | Very High Frequency |
| VO | Variation Order |
| VVIP | Very Very Important Person |
| WAPDA | Water and Power Development Authority |

EXECUTIVE SUMMARY

The Directorate General Audit, Water Resources carries out audit of accounts of Ministry of Water Resources (MoWR) and its entities i.e. Water and Power Development Authority (WAPDA), Indus River System Authority (IRSA), Federal Flood Commission (FFC), Pakistan Commissioner for Indus Waters (PCIW) and Pakistan Council of Research in Water Resources (PCRWR) on behalf of the Auditor-General of Pakistan with the objective of promoting accountability, transparency and good governance in the management and use of public resources. The Human Resource (HR) available to Director General (DG) Audit, Water Resources for carrying out audit activities comprises 74 officers and staff having 18,500 man-days with a total annual financial outlay of Rs.159.678 million for the audit year 2024-25. With these resources, this office conducts compliance with authority audit, performance audit, impact audit, special audit/studies, thematic audit and financial attest audit of foreign aided projects falling under the MoWR.

Scope of Audit

The audit jurisdiction of DG Audit, Water Resources covers 110 formations of MoWR and its entities having a total expenditure of Rs.236.550 billion and receipts of Rs.103.746 billion for the Financial Year (FY) 2023-24.

Audit coverage for the current audit year comprises 50 formations of MoWR and its entities as per approved Annual Audit Plan 2024-25 which covers an expenditure of Rs.222.402 billion and receipts of Rs.102.624 billion for FY 2023-24. In terms of percentage, the planned audit coverage is 94.02% of auditable expenditure and 98.92% of auditable receipts.

This audit report includes audit observations resulting from the audit of expenditure of Rs.209.176 billion and receipts of Rs.102.367 billion for the FY 2023-24 pertaining to 38 formations of MoWR and its entities. This audit report also includes audit observations resulting from the audit of expenditure of Rs.11.991 billion and receipts of Rs.2.067 billion for the FY 2022-23 pertaining to 13 formations.

In addition to this compliance audit report, DG Audit, Water Resources conducted 27 financial attest audits and one impact audit, whereas, one special study has also been planned for execution under Audit Plan 2024-25. Findings of

impact audit have been included in this report as a separate chapter.

Recoveries at the instance of Audit

As a result of audit, recovery of Rs.9,585.746 million has been pointed out in this report. Recovery effected and verified by Audit from January to December, 2024 was Rs.47.439 million.

Audit Methodology

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

Audit Impact

Major issues related to procurement, contract, financial and assets management were brought to the notice of the management for taking timely actions. Discrepancies in bid evaluation process, violation of Public Procurement Regulatory Authority (PPRA) Rules, 2004 and non-adherence to the contract clauses were reported. Non-adherence to austerity measures of Finance Division and misuse of vehicles were also highlighted. Further, following actions were also committed by the management during the meetings for the improvement of systems and controls.

- On instance of Audit, the management accepted to ensure recovery/adjustment of Rs.501.964 million from the contractors.
- The management agreed to take steps for strengthening of internal controls and procedures.
- The management assured to take corrective measures in line with contract clauses besides addressing the irregularities pointed out by Audit.

Comments on Internal Controls and Internal Audit Department

An effective internal control framework serves as a major tool for management to ensure effectiveness in operational and financial matters. Internal controls of the department were found weak and ineffective as various control

lapses were identified during audit. There was lack of effective monitoring and appropriate measures for major Civil and Electrical & Mechanical (E&M) works. The report gives a significant insight into the ineffectiveness of internal control system due to increase in cases of violation of standard clauses of bidding documents, PPRA Rules, instructions of Pakistan Engineering Council (PEC), excess/over payment to the contractors, non-obtaining/renewal of insurance policies, frequent changes in design/scope of work and abnormal delays in rectification of faults in powerhouses resulting into generation losses.

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

Key audit findings

- i. Irregularities in Procurement Management amounting to Rs.17,616.940 million were observed in 6 cases¹.
- ii. Irregularities in Contract Management amounting to Rs.67,789.868 million were observed in 62 cases².
- iii. Financial Management related issues amounting to Rs.280,592.249 million have been pointed out in 26 cases³.
- iv. Assets Management issues amounting to Rs.1,002.510 million have been pointed out in 06 cases⁴.
- v. Management of accounts with commercial banks related issues amounting to Rs.5,866.377 million were observed in 03 cases⁵.
- vi. HR/Employees related issues amounting to Rs.2,034.766 million

¹ Paras-1.5.1, 1.5.2, 1.5.3, 1.5.4, 1.5.5 & 1.5.6

² Paras-1.5.7, 1.5.8, 1.5.9, 1.5.10, 1.5.11, 1.5.12, 1.5.13, 1.5.14, 1.5.15, 1.5.16, 1.5.17, 1.5.18, 1.5.19, 1.5.20, 1.5.21, 1.5.22, 1.5.23, 1.5.24, 1.5.25, 1.5.26, 1.5.27, 1.5.28, 1.5.29, 1.5.30, 1.5.31, 1.5.32, 1.5.33, 1.5.34, 1.5.35, 1.5.36, 1.5.37, 1.5.38, 1.5.39, 1.5.40, 1.5.41, 1.5.42, 1.5.43, 1.5.44, 1.5.45, 1.5.46, 1.5.47, 1.5.48, 1.5.49, 1.5.50, 1.5.51, 1.5.52, 1.5.53, 1.5.54, 1.5.55, 1.5.56, 1.5.57, 1.5.58, 1.5.59, 1.5.60, 1.5.61, 1.5.62, 1.5.63, 1.5.64, 1.5.65, 1.5.66, 1.5.67 & 1.5.68

³ Paras-1.5.69, 1.5.70, 1.5.71, 1.5.72, 1.5.73, 1.5.74, 1.5.75, 1.5.76, 1.5.77, 1.5.78, 1.5.79, 1.5.80, 1.5.81, 1.5.82, 1.5.83, 1.5.84, 1.5.85, 1.5.86, 1.5.87, 1.5.88, 1.5.89, 1.5.90, 1.5.91, 1.5.92, 1.5.93 & 1.5.94

⁴ Paras-1.5.95, 1.5.96, 1.5.97, 1.5.98, 1.5.99 & 1.5.100

⁵ Paras-1.5.101, 1.5.102 & 1.5.103

- were raised in 02 cases⁶.
- vii. Value for money and services delivery issues amounting to Rs.3,265.394 million was observed in 01 case⁷.
- viii. Other miscellaneous issues amounting to Rs.106,447.581 million were reported in 20 cases⁸.

Recommendations

- i. The management needs to ensure that procurement of goods and services are made in a transparent and efficient manner compliant to PPRA Rules, PEC's procurement guidelines and instructions contained in the Manual for Development Projects.
- ii. The management needs to secure employer's interests while drafting contract documents with more diligence in order to avoid subsequent disputes.
- iii. The management needs to take necessary steps at planning stage to ensure realistic surveys, comprehensive feasibility studies, detailed designing and accuracy in preparation of estimates to avoid unnecessary issuance of VOs resulting in give undue benefits to the contractors.
- iv. The management needs to expedite efforts for recovery of huge receivables to improve its financial health and take leverage of the same for borrowing/raising funds for mega projects.
- v. The management needs to ensure compliance to the instructions of government regarding opening of bank accounts.
- vi. The management needs to ensure compliance to the instructions of Federal Board of Revenue (FBR) and Provincial Revenue Authorities on taxation matters.
- vii. The management needs to proactively resolve land acquisition/ mutation issues, ensure proper utilization of vehicles and

⁶ Paras-1.5.104 & 105

⁷ Para-1.5.106

⁸ Paras-1.5.107, 1.5.108, 1.5.109, 1.5.110, 1.5.111, 1.5.112, 1.5.113, 1.5.114, 1.5.115, 1.5.116, 1.5.117, 1.5.118, 1.5.119, 1.5.120, 1.5.121, 1.5.122, 1.5.123, 1.5.124, 1.5.125 & 1.5.126

safeguard its assets.

- viii. The management needs to ensure transparency in recruitment process besides adhering to the instructions of the government regarding grant of different allowances to the employees.
- ix. The management needs to strengthen its functional controls to avoid incurrence of wasteful expenditure.
- x. The management must expedite rectification of faults in the powerhouses in order to avoid generation losses.
- xi. The PAO must devise a mechanism for effective monitoring of projects to address cost & time overrun factor and take necessary measures with regards to recurrence of repeated irregularities.

CHAPTER-1

Ministry of Water Resources

1. Ministry of Water Resources

1.1 Introduction

MoWR is mandated for development of country's water and hydropower resources to meet current and future challenges of water shortage, provision of affordable, environment friendly renewable energy and act as a catalyst in the implementation of the National Water Policy (NWP), 2018 by taking all the stakeholders on board, through creativity, initiative, innovation and technology. WAPDA, IRSA, FFC, PCIW and PCRWR are working under the umbrella of MoWR and are required to manage and holistically address the water sector issues of Pakistan at federal level.

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

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

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

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

PCRWR is an apex organization of the MoWR established through Act

No.I of 2007. Its mandate is to conduct, organize, coordinate and promote research on all aspects of water resources. It has a network of seven research and demonstration centers in different agro-climatic zones of the country.

Table-1 Audit Profile of MoWR

(Rs. in million)

| Description | Total Nos. | Audited | Expenditure Audited FY 2023-24 | Revenue/ Receipts Audited FY 2023-24 |
|---|------------|---------|--------------------------------|--------------------------------------|
| Authorities/Autonomous Bodies, etc. under the PAO | 08 | 02 | 209,176.430 | 102,367.690 |
| a. Formations | 110 | 38 | 209,176.430 | 102,367.690 |
| b. Assignment Accounts | 44 | 29 | 72,425.851 | - |
| c. Foreign Aided Projects | 27 | 27 | 76,527.421 | - |

1.2 Sectoral Analysis

Water, a basic right for human beings is getting precious day by day as water scarcity has become a major challenge to sustainable development. According to United Nations Habitat, one of four cities in the world is located in a region where the water demand surpasses the supply. Forecasts indicated that in 2025, at least 2/3 of the world's population will be living in areas affected by "water stress". Population at large will be impacted by water shortages due to increasing demand for water, reduction of water resources and increasing pollution of water driven by the continued growth in mega cities, climate change, agriculture and pollution. Pakistan with its annual water availability below 1,000 m³ per person, is also included in such regions of the world and is rapidly moving from water "stressed" to water "scarce" status. Pakistan faces not only water crisis but also has serious concerns regarding its future food security. Moreover, climate change is introducing critical challenges with increasing temperature, glacier melt, flash flooding and changing precipitation for water, energy, and food, as well as ecosystem processes at regional scales. Water, an indispensable resource for food security, energy and sustaining life itself, is encountering unprecedented challenges on a global scale. The integrity and availability of water systems are facing immense pressures, posing significant threats to worldwide sustainability. Addressing these challenges is of utmost

urgency, especially in Pakistan, which ranks among the top 10 most climate-vulnerable countries and is labelled as "critically water insecure" by the United Nations. Other than water scarcity and drought due to frequent variations in extreme temperatures, the frequency of flash floods has increased in Pakistan. The most recent flash flooding occurred from June to August, 2022 which affected 116 districts; 66 districts were declared completely 'calamity hit' with absolute loss of standing crops. Over 1,200 people lost their lives and 1,343 people faced traumatic injuries during the last floods of 2022. The recurrent drought and flood situation, groundwater depletion, inefficient water supply systems, and less crop per unit of water also result in low productivity of agricultural land due to increased costs of input and low outputs prices. This situation ultimately turns the water resource management into a challenge due to water and food security crises ultimately affecting the ability of government to progress the country's economic development⁹.

According to experts¹⁰, we do not have a water crisis; we have a failure of governance regarding water issues. It is essentially important to get leverage from technology for efficient water utilization; however, it is also crucial to choose the right innovation which can deliver the required solutions. The situation calls for rapid development and management of the country's water resources on a war footing. Only by devising and implementing appropriate adaptation measures, it will be possible to ensure water, food and energy security for the country as well as minimize the impact of natural disasters. There is a dire need to take timely cognizance of the emerging water crisis and issuance of guidelines for a comprehensive plan of action to address the same. Farmers can take advantage of precision watering through adoption of drip irrigation system rather than flooding their fields. Pakistan needs to put serious thought into how it will provide adequate water for agriculture, industry and human consumptions in the face of rapidly dwindling water reserves. Pakistan's approach to water management and security relies on large scale reservoirs, link canals and inter-basin transfers to support the agriculture sector which consumes 94% of total available surface and ground water resources.

In order to mitigate impending water crises in Pakistan, Council of

⁹ *Pakistan Water Week 2023 (PCRWR)*

¹⁰ *Pakistan's water security issue (Institute of Strategic Studies, Islamabad)*

Common Interests (CCI) formally approved the NWP on April 24, 2018. The policy, inter alia, aimed at developing a National Planning Database to support an integrated information system in order to enable planning and development of water and other related resources on a sustainable basis besides revitalizing and restructuring of WAPDA. In addition, NWP required submission of periodical reviews to CCI on the implementation of NWP and achievement of its objectives. NWP was framed to achieve its objectives within a given timeframe but it was found that no structural mechanism was in place in MoWR to monitor the implementation of NWP. The implementation framework has not yet been finalized despite lapse of six years. Moreover, no periodical reviews were submitted to CCI which showed that no documented mechanism was available to gauge the achievement of policy objectives. MoWR was responsible to propose and implement the restructuring plan to upgrade WAPDA within a year after approval of the policy but no steps have been initiated since then.

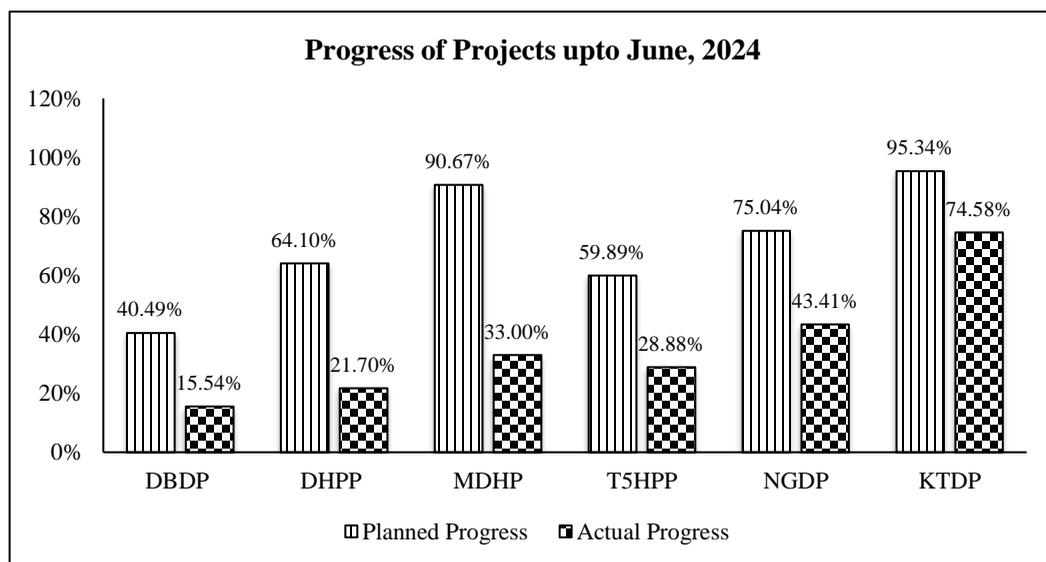
However, presently, WAPDA is executing three large scale projects on Indus River, one each on Swat, Kurram and Gaj rivers respectively. Diamer Basha Dam Project (DBDP) having gross storage capacity of 8.10 Million Acre Feet (MAF) and power generation capacity of 4,500 Megawatt (MW) is being constructed at 315 Kilometers (KMs) upstream of Tarbela Dam. Dasu Hydropower Project (DHPP) with power generation capacity of 4,320 MW is being constructed at 74 KMs downstream of DBDP. Tarbela 5th Extension Hydropower Project (T5HPP) having power generation capacity of 1,530 MW is being constructed at existing Tarbela Dam. Mohmand Dam Hydropower Project (MDHP) having gross storage capacity of 1.24 MAF and power generation capacity of 800 MW is being constructed on Swat River at 5 KMs upstream of Mohmand District. Kurram Tangi Dam Project (KTDP) having feeder tunnel discharge capacity of 633.40 cusecs and power generation capacity of 18.40 MW is being constructed on Kurram River at 32 KMs north of Bannu District, whereas, Nai Gaj Dam Project (NGDP) having gross storage capacity of 0.30 MAF is being constructed at 65 KMs upstream of north-west of Dadu city in Sindh Province.

Notwithstanding, the importance of these water sector projects for the socio-economic uplift of the country, performance/progress of the projects remained very slow and far behind the targets set up to June 30, 2024 as tabulated below:

Progress of Projects up to June, 2024

| Sr. No. | Name of Project | Planned Progress | Actual Progress | Progress Behind the Target |
|---------|-----------------|------------------|-----------------|----------------------------|
| 1 | DBDP | 40.49% | 15.54% | 24.95% |
| 2 | DHPP | 64.10% | 21.70% | 42.40% |
| 3 | MDHP | 90.67% | 33.00% | 57.67% |
| 4 | T5HPP | 59.89% | 28.88% | 31.01% |
| 5 | NGDP | 75.04% | 43.41% | 31.63% |
| 6 | KTDP | 95.34% | 74.58% | 20.76% |

(Source: Monthly progress reports of the projects-June, 2024)



Similarly, in order to overcome the shortage of water in Karachi city, the Greater Karachi Bulk Water Supply Scheme (K-IV) was planned for supply of water to Karachi city from Keenjhar Lake by the Government of Sindh (GoS). Later on, the Federal Government under arrangement with GoS has taken up implementation of the project as part of Prime Minister's Package for Karachi and directed WAPDA to take over the responsibilities for execution of the project since January, 2021. The construction under Phase-I was aimed at supply of 260 million gallons water per day which was divided into eight packages. The contracts for these packages were awarded during May, 2022 to September, 2022 with completion dates of up to February, 2024. However, the management failed

to achieve 100% physical progress of this project of vital importance despite lapse of contractual completion period as detailed below:

Progress of K-IV Project up to June, 2024

| Sr. No. | Contract Package No. | Planned Progress | Actual Progress | Progress Behind the Target |
|----------------|--|-------------------------|------------------------|-----------------------------------|
| 1 | KIV-IW (for Intake Works) | 100.00 % | 45.48% | 54.52% |
| 2 | KIV-AW (for Allied Works) | 100.00% | 68.33% | 31.67% |
| 3 | KIV-PL1 (for Pipeline Works) | 100.00% | 67.01% | 32.99% |
| 4 | KIV-PL2 (for Pipeline Works) | 100.00% | 32.26% | 67.74% |
| 5 | KIV-FP1 (for Filtration Plant-1 Works) | 100.00% | 22.44% | 77.54% |
| 6 | KIV-FP2 (for Filtration Plant-2 Works) | 100.00% | 26.57% | 73.43% |
| 7 | KIV-FP3 (for Filtration Plant-3 Works) | 100.00% | 22.15% | 77.85% |
| 8 | KIV-PS (for Pumping Station Works) | 100.00% | 26.43% | 73.57% |

(Source: Monthly progress report of K-IV project-June, 2024)

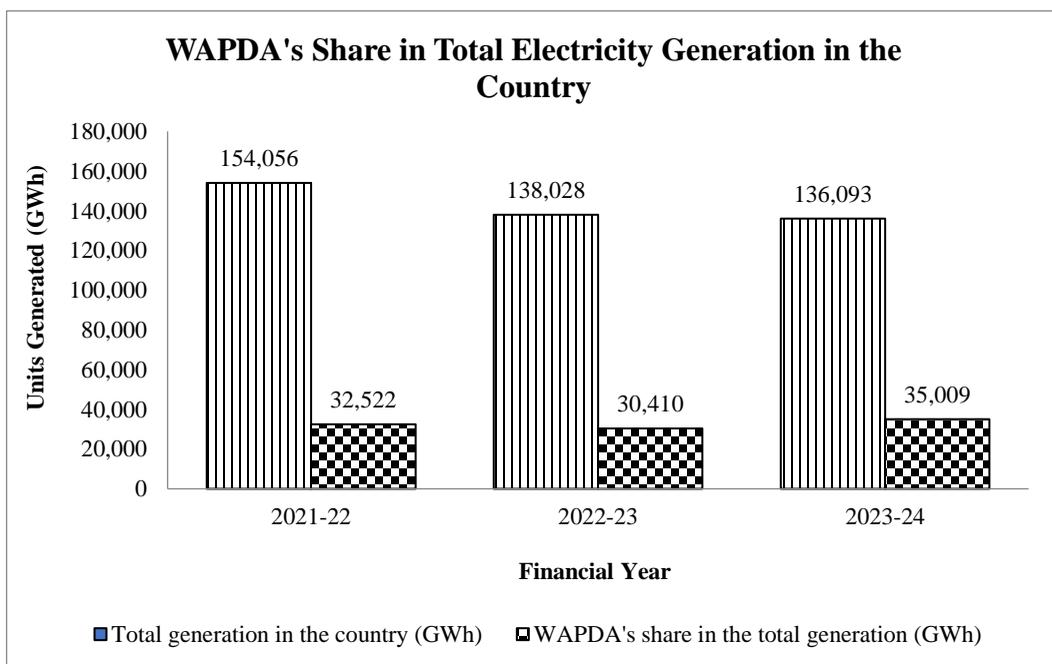
Due to delay in completion of K-IV Project, dense population of Karachi would face acute shortage of water during 2025-26 as existing approved quota of water for entire city of Karachi would be highly insufficient.

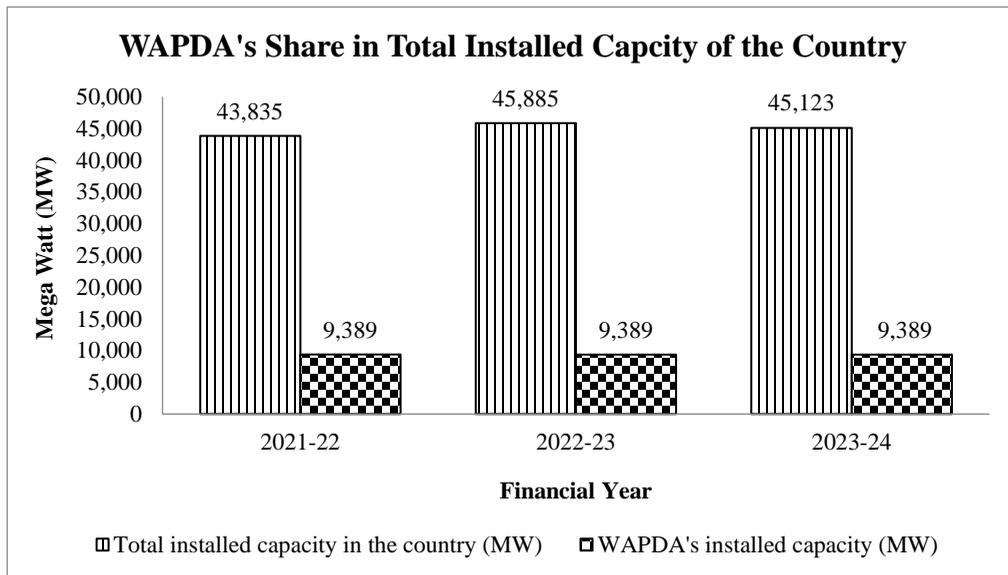
Large scale water reservoirs are also important for availability, accessibility and affordability of electricity for the people across the country as well as for the economic progress and social uplift of the citizens. Of all the sources of electric power generation in a power system, hydel power is the cheapest in a generation mix. As such, ensuring availability of hydel power generation carries immense importance from the perspective of the energy security, sustainability and affordability of electricity. As per National Electric Power Regulatory Authority's (NEPRA) State of Industry Report 2022-23 and Performance Evaluation Report of Operational Power Plants for the FY 2023-24, installed capacity of WAPDA's hydel generation remained the same i.e. 9,389 MW as compared to last two financial years which showed that no new power plant was commissioned during aforesaid period. Whereas, WAPDA's total hydel generation was increased by 4,599 Gigawatt hours (GWh) (from 35,009 GWh to 30,410 GWh in 2023-24) which was 15.12% more than the last year. Moreover, percentage of WAPDA's hydel generation in the energy mix also increased from 22.03% to 25.72% from the previous year.

WAPDA's Share in Total Electricity Generation in the Country

| Description | 2021-22 | 2022-23 | 2023-24 |
|--|---------|---------|---------|
| Total generation in the country (GWh) | 154,056 | 138,028 | 136,093 |
| WAPDA's share in the total generation (GWh) | 32,522 | 30,410 | 35,009 |
| Total installed capacity in the country (MW) | 43,835 | 45,885 | 45,123 |
| WAPDA's installed capacity (MW) | 9,389 | 9,389 | 9,389 |

(Source: NEPRA's State of Industry Report 2022-23 & NEPRA's Performance Evaluation Report of Operational Power Plants for the FY 2023-24)





In WAPDA, significant issues were observed in project execution and contract management. Projects have been initiated without proper feasibility studies, planning and detailed designing. Most of the projects are stalled during the initial phase due to land acquisition issues. The impact of defective designing becomes evident in the wake of excessive increase in Bill of Quantities (BOQ) and Variation Orders (VOs), surpassing even the original contract price on occasions. As such, a major portion of expenditure remains excluded from the competitive process. This also highlights questionable performance of the consultants right from the preparation of feasibility studies to designing and project monitoring.

Eventually, mismanagement of the projects results in giving rise to disputes, termination of contracts and litigations causing time and cost overruns. Significant risk areas related to procurement management, contract management, financial management, assets management and HR related issues, etc. were planned to be looked into in the Audit Plan 2024-25. Consequently, these areas have been examined during audit execution and reported to the PAO. In order to ensure that public funds are used efficiently, the PAO is required to take corrective measures, accordingly.

1.3 Classified Summary of Audit Observations

Audit observations amounting to Rs.484,615.685 million were raised in this report during the current audit of MoWR and its entities. This amount also includes recoveries of Rs.9,585.746 million pointed out by the Audit. Summary of the audit observations classified by nature is as under:

Table-2 Overview of Audit Observations

(Rs.in million)

| Sr. | Classification of Audit Observations | Amount |
|-----|--|-------------|
| A | Procurement Management | 17,616.940 |
| B | Contract Management | 67,789.868 |
| C | Financial Management | 280,592.249 |
| D | Assets Management | 1,002.510 |
| E | Management of Accounts with Commercial Banks | 5,866.377 |
| F | HR/Employees Related Issues | 2,034.766 |
| G | Value for Money and Service Delivery Issues | 3,265.394 |
| H | Others | 106,447.581 |

Note: The increase of total amount taken in audit observations over expenditure/receipt audited is due to the reason that in some cases, amount of progressive expenditure and receipts have been objected depending upon the nature of observations/issue.

1.4 Comments on the status of compliance with PAC directives

| Sr. No. | Audit Year | No. of Directives | Compliance received | Compliance Outstanding | %age of compliance |
|---------|------------|-------------------|---------------------|------------------------|--------------------|
| 1 | 1985-86 | 4 | 0 | 4 | 0 |
| 2 | 1986-87 | 1 | 0 | 1 | 0 |
| 3 | 1987-88 | 7 | 0 | 7 | 0 |
| 4 | 1988-89 | 6 | 0 | 6 | 0 |
| 5 | 1989-90 | 7 | 0 | 7 | 0 |
| 6 | 1990-91 | 5 | 0 | 5 | 0 |
| 7 | 1991-92 | 6 | 0 | 6 | 0 |
| 8 | 1992-93 | 2 | 0 | 2 | 0 |
| 9 | 1993-94 | 4 | 0 | 4 | 0 |
| 10 | 1994-95 | 3 | 0 | 3 | 0 |

| | | | | | |
|----|-----------|----|----|----|-----|
| 11 | 1995-96 | 3 | 0 | 3 | 0 |
| 12 | 1996-97 | 1 | 0 | 1 | 0 |
| 13 | 1997-98 | 1 | 0 | 1 | 0 |
| 14 | 1998-99 | 2 | 0 | 2 | 0 |
| 15 | 1999-2000 | 2 | 0 | 2 | 0 |
| 16 | 2000-01 | 4 | 0 | 4 | 0 |
| 17 | 2001-02 | 3 | 0 | 3 | 0 |
| 18 | 2002-03 | 2 | 0 | 2 | 0 |
| 19 | 2003-04 | 8 | 1 | 7 | 13 |
| 20 | 2004-05 | 1 | 1 | 0 | 100 |
| 21 | 2005-06 | 2 | 0 | 2 | 0 |
| 22 | 2006-07 | 7 | 1 | 6 | 14 |
| 23 | 2007-08 | 9 | 2 | 7 | 22 |
| 24 | 2008-09 | 4 | 0 | 4 | 0 |
| 25 | 2009-10 | 13 | 3 | 10 | 23 |
| 26 | 2010-11 | 12 | 4 | 8 | 33 |
| 27 | 2011-12 | 26 | 14 | 12 | 54 |
| 28 | 2012-13 | 10 | 2 | 8 | 20 |
| 29 | 2013-14 | 40 | 21 | 19 | 53 |
| 30 | 2014-15 | 17 | 9 | 8 | 53 |
| 31 | 2015-16 | 54 | 43 | 11 | 80 |
| 32 | 2016-17 | 32 | 16 | 16 | 50 |
| 33 | 2017-18 | 21 | 9 | 12 | 43 |
| 34 | 2018-19 | 11 | 2 | 9 | 18 |
| 35 | 2019-20 | 15 | 0 | 15 | 0 |

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

1.5 Audit Paras

A. Procurement Management

1.5.1 Unjustified increase in contract cost by changing scope after award of work in violation of PPRA Rules and ignoring PC-I provisions - Rs.16,218.723 million

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 Executive Committee of the National Economic Council (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 General Manager (GM)/Project Director (PD), DHPP for the period from July, 2023 to June, 2024, it was noticed that contract No.KKH-02 for relocation of Karakoram Highway (KKH) was awarded to M/s China Gezhouba Group Co. Ltd. (CGGC) on April 25, 2017 at a contract price of Rs.16,264.917 million against PC-I provision of Rs.9,471.400 million. The completion period of the work was 728 days but the ‘Engineer’ issued notification of commencement of work on May 15, 2022 i.e. after a delay of 1,846 days. It was further observed that soon after signing of the contract, the Engineer conducted design review of KKH-02 and in February, 2022 proposed re-alignment of road by constructing eight tunnels and six long-span bridges instead of an open-cut road. Accordingly, VO No.03 amounting to Rs.16,218.723 million (increase of 99.72% of original contract price) was issued to the contractor for re-alignment of KKH-02 after approval of WAPDA Authority on February 22, 2024. It is pertinent to mention that scope of tunnels & bridges

included in VO No.03 was not based on original BOQ, hence, their rates were non-competitive. Moreover, the original work was awarded on the basis of tender design/documents prepared by the same consultants (M/s Dasu Hydropower Consultants), therefore, review of design by the consultants soon after award of contract casts doubt on their professional capabilities. Audit held that as the amount of the said VO was almost equal to the original contract price and scope of work was also changed from open-cut to tunnels & bridges, therefore, issuance of VO of such a huge amount without obtaining competitive rates as required under PPRA Rules and ignoring provisions of PC-I was not justified.

Change in scope of work through VO resulted in unjustified increase in contract cost by Rs.16,218.723 million during FY 2023-24 which was contrary to PPRA Rules and instructions of Planning Commission.

The matter was taken up with the management in September, 2024 and reported to MoWR in November, 2024. The management replied that VO was issued as per site requirements with the approval of WAPDA Authority and after obtaining No Objection Letter (NOL) from World Bank. Moreover, effect of any change in the works would be incorporated in the revised PC-I.

The reply was not acceptable because the scope of work was changed altogether through a VO due to poor planning and the rates of VO remained outside the domain of competitive process on which the original contract was awarded.

A DAC meeting was scheduled on January 06, 2025 and the said para was included in the agenda of the meeting but could not be discussed.

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

(Draft Para No.199/2024-25)

1.5.2 Unjustified award of works of different contracts to another contractor through variation orders - Rs.581.947 million

According to Para-1.3 (General Consideration) of the World Bank Guidelines for Procurement of Goods, Works and Non-Consulting Services, open competition is the basis for efficient public procurement. Borrower shall select the most appropriate method for specific procurement. As per Clause-13.1 of

General Conditions of Contract (GCC), variations may be initiated by the Engineer at any time prior to the issuance of Taking-Over Certificate (TOC) for the works either by an instruction or by a request for the contractor to submit a proposal. There is no provision in contract for issuing VO pertaining to works under other contracts.

During audit of accounts of GM/PD, DHPP for the period from July, 2023 to June, 2024, it was noticed that a contract for construction of resettlement of village Choochang and construction of Shatial Museum was awarded to M/s Khyber Grace (Pvt.) Limited on June 18, 2019 for Rs.654.815 million. Further scrutiny of record revealed that different works amounting to Rs.581.947 million, pertaining to other contracts (LBRV-11, LBRV-12 & PCI-01R), were also awarded to the said contractor through four VOs. Audit held that VOs can only be issued for the contractors of the relevant contracts, therefore, award of works pertaining to other contracts through VOs instead of open competition was not justified and an undue favour to the contractor.

Non-adherence to the aforementioned rules resulted in unjustified award of works amounting to Rs.581.947 million pertaining to different contracts to another contractor through VOs up to FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in November, 2024. The management replied that VOs were initiated and processed in full compliance with the procedures outlined in the respective contracts. The decision to issue VOs instead of initiating a new tendering process was driven by the urgent nature of the works.

The reply was not tenable because there was no provision in the contract to execute the works of other contracts through variation orders and these works should have been awarded through competitive bidding.

A DAC meeting was scheduled on January 06, 2025 and the said para was included in the agenda of the meeting but could not be discussed.

Audit recommends the management to inquire the matter for fixing of responsibility for award of works pertaining to different contracts to another contractor through VOs instead of open competition.

(Draft Para No.252/2024-25)

1.5.3 Irregular transfer of funds to Deputy Commissioner (DC)/Land Acquisition Collector (LAC) for hiring of vehicles for use of WAPDA, consultants and other organizations - Rs.349.352 million

According to Para-1(xv) of the Assan Assignment Account Procedure (local currency) circulated by the Controller General of Accounts on October 26, 2020, cash withdrawal or transfer of funds to any bank account is not allowed except employees related deductions like pension contribution, provident fund and general provident fund, etc. Payment shall be made only through crossed cheque to contractors, vendors, suppliers, employees, etc. As per Para-2(e), as required under Section-23 of the Public Finance Management (PFM) Act, 2019, the PAO shall submit a certificate to the Finance Division on half yearly basis that public money has not been transferred to any other bank account. As per Rule-20 of the PPRA Rules, 2004, “save as otherwise provided hereinafter, the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works”. As per PC-I, there was no provision of hiring of vehicles on rental basis through the DC/LAC.

During audit of accounts of Chief Executive Officer (CEO)/PD, DBDP for the period from July, 2023 to June, 2024, it was noticed that an amount of Rs.349.352 million was transferred/paid to the DC/LAC, Chilas for hiring of different types of private vehicles for use of WAPDA, consultants, DC staff and different security agencies. As per PPRA Rules, these vehicles (if needed on actual basis) should have been hired by WAPDA through transparent bidding to have competitive rates as there was no rule regarding transferring of funds from Assignment Account to the account of DC for hiring of vehicles on behalf of WAPDA and further payments to vendors. Moreover, this payment was made to the DC on rates demanded by him without involvement of WAPDA, without assessing actual need and providing record of usage of vehicles. Audit held that transferring of funds for hiring of private vehicles in violation of PPRA Rules, Assan Assignment Account Procedure & PC-I was irregular.

Non-adherence to Public Procurement Rules, 2004, Assan Assignment Account Procedure and PC-I resulted in irregular transfer of funds amounting to Rs.349.352 million to DC/LAC for hiring of vehicles for WAPDA, consultants and other organizations during FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that tendering process was initiated for hiring of vehicles by WAPDA on June 12, 2024. Upon publishing of tender in newspapers, locals got stay order against the said tender from Chief Court of Gilgit-Baltistan. The outcome of case would be informed to Audit accordingly.

The reply was not tenable because funds were being continuously transferred to the DC/LAC since a long time for hiring of huge number of vehicles without any justification and at uncompetitive rates in violation of rules.

The para was discussed in DAC meeting held on January 06, 2025, however, minutes of DAC meeting were not provided by the PAO MoWR till finalization of this Audit Report.

Audit recommends the management to inquire the matter for fixing of responsibility for violation of PPRA Rules, Assan Assignment Account Procedure and PC-I besides ensuring recovery of already paid amount and discontinuation of further payments.

(Draft Para No.69 & 106/2024-25)

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide Para No.1.5.83 having financial impact of Rs.211.119 million. Recurrence of same irregularity is a matter of serious concern.

1.5.4 Irregular purchase of vehicles, machinery and equipment in violation of austerity measures - Rs.319.977 million

According to Para-(i)&(ii) of Federal Cabinet's instructions (regarding implementation of austerity measures) circulated by the Finance Division on February 27, 2023, there shall be a complete ban on purchase of all new durables and vehicles till June, 2024.

During audit of accounts of three formations of WAPDA for the period from July, 2023 to June, 2024, it was noticed that vehicles, machinery and equipment (pumps, scanners, printers, desktops and laptops, etc.) worth Rs.319.977 million were procured by the management. Audit held that as per aforementioned instructions regarding austerity measures, there was a complete ban on purchase of all durables, hence, procurement made in violation of austerity measures was held irregular. The detail is as under:

(Rs. in million)

| Sr. No. | Name of Formation | DP No. | Nature of Procurement | Amount |
|--------------|--|-------------|-------------------------------|----------------|
| 1 | PD, K-IV Project | 128/2024-25 | 04 Vehicles | 65.598 |
| 2 | PD, Tarbela 4 th Extension Hydropower Project (T4HPP) | 239/2024-25 | Misc. Equipment | 199.175 |
| 3 | GM/PD, Mangla Refurbishment Project (MRP) | 284/2024-25 | 02 Vehicles & bullet proofing | 55.204 |
| Total | | | | 319.977 |

Non-adherence to the instructions of Finance Division resulted in irregular purchase of vehicles, machinery and equipment worth Rs.319.977 million during FY 2023-24.

The matter was taken up with the management in August & September, 2024 and reported to MoWR in November, 2024. The management of K-IV project replied that the vehicles were purchased for essential operational requirements. The management of MRP replied that it was deemed that vehicles for security/movements of foreigners were exempt from austerity measures. The management of T4HPP replied that those items which were restricted to be purchased under said orders were initially included in the estimates but later on eliminated from the purchase list to follow the instructions of Government of Pakistan (GoP).

The reply was not tenable because as per instructions of Finance Division dated February 27, 2023, there was a complete ban on purchase of all new durables till June, 2024. Moreover, all the equipment/machinery pointed out in para of T4HPP were purchased during June, 2024. Therefore, procurements made in violation of instructions issued by the Finance Division were irregular.

The para was discussed in DAC meeting held on January 13, 2025, however, minutes of DAC meeting were not provided by the PAO MoWR till finalization of this Audit Report.

Audit recommends the management to inquire the matter for fixing of responsibility for procurement of vehicles, machinery and equipment in violation of austerity measures.

1.5.5 Irregular award of contract for procurement of furniture in violation of bidding criteria and instruction of the government - Rs.113.259 million

According to Clause-3.1(ii) (Qualification Criteria) of bidding documents, the bidder shall furnish documentary evidence to demonstrate that it has successfully completed at least two contracts within the last five years prior to the bid submission deadline, each with a value of at least Rs.20 million and that are similar in nature and complexity to the goods and related services under the contract. As per Para-(i) of Federal Cabinet's instructions (implementation of austerity measures) circulated by the Finance Division on February 27, 2023, there shall be a complete ban on purchase of all new durables till June, 2024. As per Section-III (A) (1) of the Financing Agreement with International Development Association (IDA), all goods, works, consulting services and non-consulting services required for the project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section-I of the Procurement Guidelines, and with the provisions of this Section.

During audit of accounts of GM/PD, DHPP for the period from July, 2023 to June, 2024, it was noticed that a contract for supply of furniture was awarded to M/s Dynamic Engineering Solutions on October 11, 2023 at a contract price of Rs.113.259 million. As per bidding documents, the bidder was required to furnish documentary evidence to demonstrate that it had successfully completed at least two contracts of similar nature of items each with a value of at least Rs.20 million, within the last five years prior to the bid submission deadline. As per list of previous works completed by the supplier, the amount of only one purchase order was beyond Rs.20 million which too pertained to supply of different items to Pakistan Telecommunication Company Limited and not similar in nature (i.e. furniture items). It was evident that the bidder had not met the required eligibility criteria for supply of furniture. Moreover, there was a complete ban on purchase of all new durables till June, 2024. Hence, award of

contract in violation of eligibility criteria and instructions of government was irregular.

Non-adherence to the bidding documents and instructions of the government resulted in irregular purchase of furniture valuing Rs.113.259 million during FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in November, 2024. The management replied that being foreign funded project, the same was exempted from austerity measures for which NOL was granted by World bank. Further, in the bidding documents, the term "similar in nature" was not specifically defined and evaluation of the bids was based on the understanding that "similar in nature" referred to procurement/supply projects, rather than projects involving the exact same type of goods (e.g. furniture items).

The reply was not tenable because as per notification of austerity measures, no exemption was granted to the foreign funded projects and payment was also made out of local funds instead of proceeds of foreign loans. Moreover, the contractor did not meet the eligibility criteria of bid (similar in nature and complexity to the goods), therefore, award of contract was irregular.

A DAC meeting was scheduled on January 06, 2025 and the said para was included in the agenda of the meeting but could not be discussed.

Audit recommends the management to inquire the matter for fixing of responsibility regarding award of contract for procurement of furniture in violation of eligibility criteria and instructions of the government.

(Draft Para No.194/2024-25)

1.5.6 Increase in cost of spare parts due to delay in procurement process - Rs.33.682 million

According to Section-III of WAPDA Guidelines for Enforcing the Responsibility for Losses Sustained by the Authority Through Fraud 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. If preliminary investigation shows that the loss is due to theft, fraud or neglect, the case will be

immediately submitted to the next higher authority for constitution of an inquiry committee to investigate the reported loss.

During audit of accounts of GM Hydel (Operations) & Development WAPDA for the period from July, 2023 to June, 2024, it was noticed that a proforma invoice of Euro 0.601 million to supply spare parts for Ghazi Barotha Powerhouse was submitted by M/s Voith Hydro (original equipment manufacturer) on September 09, 2021. The evaluation committee recommended the subject invoice at a reduced cost of Euro 0.583 million and approval of WAPDA Authority for the said procurement was obtained on September 12, 2022 after lapse of one year. The firm was requested on March 14, 2023 to extend bid validity and in response, the firm extended the bid validity till September 30, 2023 with a revised cost of Euro 0.691 million. WAPDA Authority, in its meeting held on December 01, 2023 again accorded approval for revised cost of the spare parts. Audit held that extra cost of Euro 0.108 million equivalent to Rs.33.682 million was attributed to delay in approval of procurement process, for which no responsibility was fixed.

Non-adherence to aforementioned guidelines resulted in increase in cost of spare parts by Rs.33.682 million due to delay in procurement process up to FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in December, 2024. The management replied that M/s Voith Hydro was requested to withdraw the increased rates of already approved proforma invoice but the firm refused the request on account of inflation and volatile global market.

The reply was not tenable because a considerable period of time was consumed on procedural matters/approval, which resulted in price increase.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to fix responsibility of loss sustained due to abnormal delay in procurement process.

(Draft Para No.472/2024-25)

B. Contract Management

1.5.7 Undue favour to the contractors due to non-recovery of balance amount of mobilization advances despite lapse of contractual completion period - Rs.9,207.306 million

According to Clause-14.2 of Particular Conditions of Contract (PCC), advance payment @15% of the accepted contract amount excluding provisional sum shall be paid by the Employer to the contractor within 14 days after signing of the contract agreement against bank guarantee issued by the scheduled bank in Pakistan acceptable to the Employer. This advance shall be recovered in equal installments; first installment when 15% of the accepted contract amount has been paid and the last installment when 90% of the accepted contract amount has been certified for payment or 3 months prior to the time of completion whichever is earlier.

During audit of accounts of PD, K-IV project for the period from July, 2023 to June, 2024, it was noticed that seven contracts for execution of different works were awarded to five contractors during May to September, 2022. An amount of Rs.14,712.137 million was paid to the contractors as mobilization advance during June and November, 2022. As per provisions of contracts, this advance was to be recovered in equal installments and the last installment was required to be recovered when 90% of the accepted contract amount had been certified for payment or 3 months prior to the time of completion whichever was earlier. It was further observed that the amounts of installments were not determined as per provisions of contracts and in most of the cases, recovery was made in unequal installments. Moreover, contractual completion time of all the contracts had lapsed from October, 2023 to February, 2024 but remaining mobilization advance amounting to Rs.9,207.306 million was not recovered from the contractors which makes it evident that an undue favour was extended to them.

Non-adherence to the provisions of contracts resulted in an undue favour to the contractors due to non-recovery of Rs.9,207.306 million on account of balance amount of mobilization advance despite lapse of contractual completion period during FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that in two cases, Extension of Time (EOT) had been granted to the contractors with revised completion dates of March & April, 2025 whereas EOTs of other contracts were under process, therefore, recovery of mobilization advance was in line with provisions of contracts.

The reply was not tenable because mobilization advance was required to be recovered in equal installments which was not done. Moreover, contractual completion period of contracts had lapsed and EOTs in five cases were not yet determined whereas EOT of two contracts was ending in March & April, 2025, therefore, entire amount of mobilization advance should have been recovered as per provisions of contracts.

The para was discussed in DAC meeting held on January 13, 2025, however, minutes of DAC meeting were not provided by the PAO MoWR till finalization of this Audit Report.

Audit recommends the management to justify non-recovery of mobilization advance from the contractors as per provisions of contracts besides ensuring recovery of remaining amount at the earliest.

(Draft Para No.125/2024-25)

1.5.8 Irregular payment to the contractor without opening of Letter of Credit (LC) in the name of approved manufacturer - Rs.6,678.115 million

According to Clause-A(i) of Schedule of Payment for pressurized water transmission MS Pipeline, 30% payment shall be made on production of LC in the name of approved Hot Rolled Steel Coil Manufacturer for procurement of Hot Rolled Coil Grade X-42 for fabrication of MS Pipes as per requirement.

During audit of accounts of the PD, K-IV project for the period from July, 2023 to June, 2024, it was noticed that an amount of Rs.6,678.115 million was paid to the contractor M/s CHEC-AFI JV against opening of LC for import of Hot Rolled Coil. Further probe into the matter revealed that LC against subject payment was opened in the name of the main contractor i.e. M/s CHEC instead of approved manufacturer i.e. M/s HBIS Group Co. Ltd. Tangshan Branch,

China. Audit held that as the LC was not opened in the name of approved manufacturer, therefore, said payment was irregular.

Non-adherence to provision of contract resulted in irregular payment of Rs.6,678.115 million to the contractor without opening of LC in the name of approved manufacturer of Hot Rolled Steel Coil during the FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to the Ministry in November, 2024. The management replied that the approved manufacturer did not hold export license, therefore, M/s CHEC was designated as authorized agent for the purpose of export of material.

The reply was not tenable because there was no such provision in the contract for nomination of the contractor as authorized agent and LC should have been opened in the name of approved manufacturer.

The para was discussed in DAC meeting held on January 13, 2025, however, minutes of DAC meeting were not provided by the PAO MoWR till finalization of this Audit Report.

Audit recommends the management to justify opening of LC in the name of contractor instead of approved manufacturer in violation of provision of contract besides fixing of responsibility for the same.

(Draft Para No.142/2024-25)

1.5.9 Unjustified reduction of the amount of performance securities - Rs.6,503.389 million

According to Clause-10.1 of Special Stipulations of the contract, “the performance security shall be of an amount not less than 10% of contract price stated in the Letter of Acceptance (LOA)”. As per Clause-10.2, “the performance security shall be valid until the contractor has executed and completed the works and remedied any defects therein in accordance with the contract”.

During audit of accounts of CEO, Neelum Jhelum Hydropower Company (NJHPC) for the period from July, 2023 to June, 2024, it was noticed that initially the contractor M/s CGGC-CMEC provided performance securities equal to 10% of the contract price in local & foreign currencies as per provisions of contract. Later on, Board of Directors (BOD) in its meeting held on December 19, 2022 accorded approval for amendment in clause of performance security for reduction

in amount from 10% to 5% and the contractors provided amended performance securities accordingly. It was further observed that BOD in its meeting held on June 19-20, 2023 once again accorded approval for amendment in clause of performance security for reduction in amount from 5% to 2.5%. As per contract, the performance securities were required to be valid until the completion of works and remedy of defects therein by the contractors. It is pertinent to mention here that Defects Liability Certificate (DLC) had not yet been issued to the contractors and performance securities were required to safeguard the Employer's risk against contractor's deficiencies/default. Audit held that reduction of amount of performance securities of Rs.6,503.389 million (2.5%) by amending the special stipulation of the contract in violation of provisions of contract was evident of the fact that an undue favour was extended to the contractor, which was not justified.

Non-adherence to the provisions of contract resulted in unjustified reduction of the amount of performance securities by Rs.6,503.389 million during FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that whole of the project was taken over w.e.f. September 22, 2020 and DLC was not issued due to some punch list items having minor financial impact. The amendment in the contract was made on the request of the contractors with the approval of BOD.

The reply was not acceptable because as per contract, the performance securities should not be less than 10% of contract price and were required to be valid until the completion of works and remedy of all defects therein by the contractors. Hence, reduction of amount of performance securities in violation of provisions of contract was unjustified.

The para was discussed in DAC meeting held on January 06, 2025, however, minutes of DAC meeting were not provided by the PAO MoWR till finalization of this Audit Report.

Audit recommends the management to inquire the matter for fixing of responsibility of unjustified reduction of amount of performance securities in violation of provisions of contract besides obtaining performance securities of full amount from the contractors.

(Draft Para No.171/2024-25)

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2023-24 vide Para No.1.5.9 having financial impact of Rs.10,953.945 million. Recurrence of same irregularity is a matter of serious concern.

1.5.10 Undue favour to the contractor through payment of mobilization advance on variation order in violation of provisions of contract - Rs.5,177.463 million

According to Clause-14.2 of PCC, total advance payment shall be twenty percent (20%) of the accepted contract amount payable in the currencies and proportions in which accepted contract amount is payable. As per Clause-1.1.4.1 of the GCC, 'accepted contract amount' means the amount accepted in the LOA for the execution and completion of the works and remedying of any defects. Further, there was no provision in contract for payment of mobilization advance on VO.

During audit of accounts of GM/PD, DHPP for the period from July, 2023 to June, 2024, it was noticed that a contract for relocation of KKH-02 was awarded to M/s CGGC on April 25, 2017 at accepted contract amount of Rs.16,264.917 million. As per provision of contract, mobilization advance @ 20% amounting to Rs.2,146.910 million & USD 10.590 million was paid to the contractor in 2017. The completion period of the work was 728 days but the 'Engineer' issued notification of commencement of work on May 15, 2022 i.e. after a delay of 1,846 days and the said amount remained unutilized due to non-mobilization of the contractor at site. On February 22, 2024, WAPDA Authority accorded approval for VO No.3 amounting to Rs.16,218.723 million regarding change in design due to realignment and addition of tunnels & bridges. However, contrary to the original provisions of the contract, an amount of Rs.5,177.463 million was again paid to the contractor as 20% mobilization advance on the amount of VO. Audit held that as there was no provision for allowing mobilization advance on VOs, therefore, grant of additional mobilization advance in violation of the provisions of contract was not justified and an undue favour to the contractor.

Non-adherence to the provisions of contract resulted in an undue favour to the contractor by payment of mobilization advance of Rs.5,177.463 million on VO during FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in November, 2024. The management replied that due to changes in the scope of work to be executed under VO No.03, the contractor needed to procure and deploy additional specialist & equipment. Moreover, payment of mobilization advance was made with the approval of World Bank.

The reply was not acceptable because there was no provision in the original contract whereby additional mobilization advance could be paid on VO.

A DAC meeting was scheduled on January 06, 2025 and the said para was included in the agenda of the meeting but could not be discussed.

Audit recommends the management to justify grant of additional mobilization advance to the contractor on VO in violation of contract besides fixing of responsibility and ensuring its recovery from the contractor.

(Draft Para No.200/2024-25)

1.5.11 Non-imposition of liquidated damages (LD) upon the contractors for delay in completion of works - Rs.4,919.857 million

According to Clause-8.7 of PCC, rate of LD shall be 0.10% for each day of delay in completion of the works subject to a maximum of 10% of the contract price.

During audit of accounts of PD, K-IV project for the period from July, 2023 to June, 2024, it was noticed that six contracts for execution of works were awarded to different contractors during May to September, 2022. These works were required to be completed during September, 2023 to February, 2024. However, the contractors could not complete these works within contractual completion period and physical progress of these works as on June, 2024 ranged from 22.15% to 68.33%. Hence, LD amounting to Rs.4,919.857 million was required to be imposed and recovered from the contractors but the needful was not done. The detail is as under:

(Rs. in million)

| Sr. No. | DP No. | Contract No. | Contract Price | Amount of LD |
|----------------|---------------|---------------------|-----------------------|---------------------|
| 1 | 90/2024-25 | K-IV PS | 17,401.981 | 1,740.198 |
| 2 | 91/2024-25 | IW & AW | 5,646.769 | 564.677 |
| 3 | 127/2024-25 | FP1, FP2 & FP3 | 26,149.820 | 2,614.982 |
| Total | | | 49,198.570 | 4,919.857 |

Non-adherence to contracts' provisions resulted in non-imposition of LD amounting to Rs.4,919.857 million upon the contractors for delay in completion of works during FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that the delays were beyond the reasonable control of the contractors and the Engineer is considering EOT for these contracts, hence, no LD were imposed upon the contractors.

No progress towards imposition and recovery of LD was intimated till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to justify non-imposition of LD despite lapse of a considerable period of time besides ensuring recovery of the same as per provision of contracts.

1.5.12 Recoverable amount of damages due to failure of wet testing of Low Level Outlet (LLO) - Rs.4,814.876 million

According to Clause-9.4 of the GCC, 'if the works, or a section, fail to pass the tests on completion repeated under sub-clause-9.3 (Retesting), the Engineer shall be entitled to, if the failure deprives the Employer of substantially the whole benefit of the works or section, reject the works or section (as the case may be). As per Clause-11.4 (Failure to Remedy Defects), if the contractor fails to remedy the defects or damage and this remedial work was to be executed at the cost of the contractor under sub-clause-11.2, the Employer shall then be entitled to recover all sums paid for the works or for such part (as the case may be), plus financing costs and the cost of dismantling the same, clearing the site and returning plant and materials to the contractor. As per Clause-3.4 of Special Conditions of Contract (SCC) for consultancy services, liability towards the client is limited except in case of gross negligence or willful misconduct on the part of the consultants or on the part of any person or firm acting on behalf of the consultants in carrying out the services.

During audit of accounts of PD, T4HPP for the period from July, 2023 to June, 2024, it was noticed that a contract for civil works was awarded to M/s Sinohydro Group Ltd, China on September 09, 2013. As per contract, the contractor was required to construct structure of LLO to discharge water from the reservoir to the tailrace independently of the turbines. The civil structure of LLO was completed in 2018 and its wet testing was scheduled in September, 2019 which was postponed due to issue of under-design dynamic seal and problem in hydraulic hoist. It was further noticed that wet testing of the LLO was conducted on June 25, 2023 but the test did not prove successful due to damages to transmission line during testing. The management vide letter dated October 03, 2023 clarified to the consultants that they were also responsible under the relevant provisions of consultancy agreement because they had approved the design documents and supervised the execution of construction of LLO. Later on, the said test was again conducted on July 05, 2024 which too was unsuccessful and resulted in unprecedented erosion, scouring in plunge pool, tail race area, etc. Thereafter, WAPDA served 'Employer's Notice of claim on LLO' to the contractor on July 24, 2024 for entitlement of recovery of all damages and losses on this account. Audit held that intended purpose of construction of LLO could not be achieved as evident from repeated test failures, therefore, entire cost of structure amounting to Rs.4,814.876 million should have been recovered from the contractor and consultants but the needful was not done.

Non-adherence to the aforementioned provisions resulted in recoverable amount of Rs.4,814.876 million on account of damages from the contractor and consultants due to failure of wet testing of LLO during FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in November, 2024. The management replied that claims had been notified to both the E&M and Civil works contractors w.r.t their responsibilities on T4 LLO. Moreover, 'Notice of Dispute' claiming therein loss to WAPDA would be issued to the consultants accordingly. However, efforts are being made for recovery of losses.

No further progress towards recovery of loss from the contractors and consultants was intimated till finalization of this Audit Report.

The para was discussed in DAC meeting held on January 13, 2025,

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

Audit recommends the management to inquire the matter at appropriate level for fixing of responsibility of wasteful expenditure besides ensuring recovery from the concerned.

(Draft Para No.286/2024-25)

1.5.13 Unjustified expenditure on remedial works despite non-issuance of Defects Liability Certificate - Rs.3,836.683 million

According to Clause-61.1 of the GCC, “only the DLC, referred to in Clause-62, shall be deemed to constitute approval of the works”. As per Clause-62.1 of the Conditions of Particular Application, “the contract shall not be considered as completed and contractor’s obligation to complete the works and remedy defects shall not be considered as discharged until a DLC shall have been signed by the Engineer and delivered to the Employer with a copy to the contractor, stating the date on which the contractor shall have completed his obligations to execute and complete the works and remedy any defects therein to the Engineer’s satisfaction”.

During audit of accounts of CEO, NJHPC for the period from July, 2023 to June, 2024, it was noticed that a contract for construction of civil engineering works along with design, supply and installation of hydraulic steel, mechanical and electrical works was awarded to M/s CGGC-CMEC on December 19, 2007. The powerhouse was commissioned on July 04, 2018 and was under operation when Tail Race Tunnel (TRT) experienced damages and blockage that forced shut down of the powerhouse on July 6, 2022. It is worth mentioning over here that DLC has not been issued to the contractor till date. Despite the fact that the original contract was not closed, a new contract for restoration works of TRT was awarded to the same contractor on August 25, 2022 at a contract price of Rs.2,499.994 million. It is pertinent to mention here that an expenditure of Rs.3,836.683 million was incurred on restoration works of TRT during FY 2023-24 which included payments made to the contractors. It was also observed that the Independent Panel of Experts (IPOEs) in their report pointed out that the collapse of the TRT and other damages were generated by a combination of root causes including absence of concrete lining having high probability which caused the occurrence of the collapse event. Furthermore, IPOEs in their report also

noted some defaults in grouting of the dowels and rock bolts used for the support work. Audit held that as the DLC was not issued to the contractor till the occurrence of event, therefore, instead of awarding a new contract for restoration of TRT to the same contractors, the remedial works should have been got executed through them as they were responsible to rectify the defects until issuance of DLC. Hence, payments made to the contractor including other cost paid by the Employer for restoration works of TRT was not justified.

Non-adherence to the provisions of contract resulted in unjustified expenditure of Rs.3,836.683 million on remedial works during FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that TRT was taken over with TOC of first unit with effective date of July 4, 2018 and DLP of TRT expired after one year. However, DLC was not issued due to some minor punch list items because as per contract, only one DLC could be issued. Therefore, non-issuance of DLC could not make the contractor liable for those works for which DLP had already been expired.

The reply was not acceptable because as per provisions of contract, the contract would not be considered as completed and the contractor's obligation to complete the works and rectify the defects would not be considered as discharged until a DLC had been signed by the Engineer stating the date on which the contractor had completed his obligations to execute and complete the works and remedy any defects therein to the Engineer's satisfaction.

The para was discussed in DAC meeting held on January 06, 2025, however, minutes of DAC meeting were not provided by the PAO MoWR till finalization of this Audit Report.

Audit recommends the management to inquire the matter regarding execution of remedial works by awarding a new contract to the same contractors despite the fact that DLC was not issued to them.

(Draft Para No.140/2024-25)

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2023-24 vide Para No.1.5.12 having financial impact of Rs.2,499.994 million. Recurrence of same irregularity is a matter of serious concern.

1.5.14 Undue favor to the contactors on account of accepting performance security in local currency instead of foreign currency - Rs.2,856.390 million

According to Clause-10.1 of PCC, the performance security shall be of an amount equal to ten percent (10%) of the contract price stated in the LOA. The performance security shall be unconditional and denominated in the types and proportions of currencies in which the contract price is payable.

During audit of accounts of CEO/GM, DBDP for the period from July, 2023 to June, 2024, it was noticed that contract No. MW-1 for execution of civil works (dam part) was signed with M/s Power China-Frontier Works Organization (FWO) Joint Venture (JV) on May 13, 2020 at a contract price of 442,402.786 million. As per provision of contract, the contractors were required to submit performance securities equal to 10% of the contract price in proportions to currencies stated in the contract i.e. equal to Rs.31,225.405 million and USD 80.963 million respectively. However, the contractors provided the performance securities of Rs.35,129.867 million and USD 56.674 million by converting the performance security of USD 24.289 million in rupees (Rs.3,904.462 million) at the base rate of Rs.160.75/USD in violation of provision of contract. Audit held that acceptance of performance security of USD in rupees led to deficiency of Rs.2,856.390 million as on June 30, 2024 due to exchange rate fluctuation. It was evident that an undue favour was extended to the contractors and rights of the Employer were not secured as per provision of contract.

Non-adherence to the provision of contract resulted in an undue favor of Rs.2,856.390 million to the contactor on account of providing performance security to the Employer in local currency instead of foreign currency up to FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in October, 2024. The management replied that local partner (M/s FWO) was unable to submit performance security in foreign currency due to restriction imposed by the State Bank of Pakistan (SBP). Therefore, the contractor was allowed to submit the required performance security in equivalent Pak Rupees by using the conversion rate of base date.

The reply was not acceptable because as per provision of contract, performance security was required to be obtained in foreign currency from JV instead of local partner. Further, fixing of base rate for conversion of USD to rupees @ 160.75 for obtaining performance security was detrimental to the rights of the Employer.

The para was discussed in DAC meeting held on January 06, 2025, however, minutes of DAC meeting were not provided by the PAO MoWR till finalization of this Audit Report.

Audit recommends the management to fix responsibility for obtaining performance security in local currency instead of foreign currency besides obtaining amended performance security from the contractor as per provision of contract.

(Draft Para No.66/2024-25)

1.5.15 Recoverable amount of loss from the contractor and consultants due to defective design of trash racks at intake - Rs.2,379.469 million

According to Clause-4.1(c) of GCC, “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. If the contract specifies that the contractor shall design any part of the permanent works, then unless otherwise stated in the particular conditions, the contractor shall be responsible for this part and it shall, when the works are completed, be fit for such purposes for which the part is intended as are specified in the contract”. As per Clause-11.1 of the GCC, “in order that the works and the contractor’s documents, and each outstanding work section, shall be in the condition required by the contract by the expiry date of the relevant Defects Notification Period (DNP) or as soon as practicable thereafter, the contractor shall (b) execute all work required to remedy defects or damage, as may be notified by (or on behalf of) the Employer on or before the expiry date of the DNP for the works or section (as the case may be)”. As per Clause-3.4 of SCC for consultancy services, liability towards the client is limited except in case of gross negligence or willful misconduct on the part of the consultants or on the part of any person or firm acting on behalf of the consultants in carrying out the services.

During audit of accounts of PD, T5HPP for the period from July, 2023 to

June, 2024, it was noticed that design, supply and installation of trash racks on Tunnel-3 & 4 of Tarbela Hydropower Project (THPP) were executed by M/s Sinohydro under T4HPP. A joint inspection of raised intakes of Tunnels-3 & 4 along with trash racks was carried out on February 24, 2022 during which some cracks were observed at the bottom two sets of trash racks on both raised intake tunnels showing damage to 40 Nos. of segments. The cracks were repaired by the contractor (under T4HPP) but the same reappeared. Therefore, in order to resolve the issue, VO No.06 amounting to Rs.2,379.469 million for installation of new trash racks at raised intake of Tunnel-3 was issued to the contractor this time under T5HPP. As per assessment report of the consultants, the original trash racks were designed by the contractor to operate at flow rate of 1700m³/sec instead of 2100m³/sec as required under the contract of T4HPP. It is worth mentioning here that the trash racks had never been exposed to flow rate greater than 1700 m³/s and there were significant flaws in the design of trash racks. Audit held that as the previously installed trash racks were damaged during DNP due to design failure, therefore, the contractor of T4HPP was responsible for repair/replacement of trash racks at his own cost and the consultants were also responsible for approving the defective design. Hence, issuance of VO No.6 under T5HPP for re-installation/replacement of trash racks of Tunnel-3 was unjustified and an undue favour to the contractor of T4HPP.

Non-adherence to the provisions of contract resulted in loss of Rs.2,379.469 million recoverable from the contractor and consultants due to defective design of trash racks at intake during FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in November, 2024. The management replied that the trash racks were repaired to enable the operation of the powerhouse through Tunnel-3, which would have otherwise been impossible. Therefore, the decision to repair the trash racks through VO No.06 was made to safeguard the project's operational continuity and financial interests.

The reply was irrelevant to the context of the para. The para was regarding unjustified issuance of VO No.6 for replacement of trash racks damaged during DNP of T4HPP for which the contractor was responsible.

A DAC meeting was scheduled on January 06, 2025 and the said para

was included in the agenda of the meeting but could not be discussed.

Audit recommends the management to inquire the matter for fixing of responsibility of loss and ensure recovery of additional cost incurred on replacement of trash racks from the contractor.

(Draft Para No.300/2024-25)

1.5.16 Undue favour to the contractor through reduction in amount of bank guarantee on advance payment - Rs.1,937.053 million

According to Para-2 of Terms & Conditions of VO No.51, “it is agreed that all contemporary record will be maintained by the contractor and presented to the Engineer for verification upon demand with respect to design, procurement & fabrication, transportation, including all taxes and duties paid in China and Pakistan, installation & removal of Trash Racks, etc. as well as day work activities as a support for adjustment of accounts prior to release of bank guarantee”.

During audit of accounts of PD, T4HPP for the period from July, 2023 to June, 2024, it was noticed that a contract for civil works was awarded to M/s Sinohydro Group Ltd, China on September 09, 2013. Later on, VO No.51 amounting to Rs.287.363 million and USD 8.637 million was issued for the replacement of trash racks of raised intake of Tunnel-4. The payment of said VO was agreed in advance against bank guarantee of equivalent amount of Rs.2,767.219 million. The works could not be completed within scheduled period and the consultants issued final notice to the contractor for renewal of bank guarantee for advance payment which was going to expire on February 29, 2024. The contractor requested for provision of bank guarantee equal to 30% of amount of original bank guarantee as 80% works with regard to removal/installation of new trash racks under VO had been completed. Upon the request of the contractor, the case for provision of a new bank guarantee equal to 30% i.e. Rs.830.165 million was approved by WAPDA Authority on March 05, 2024. Audit held that as per condition of VO, all the contemporary record was required to be presented to the Engineer as a support for adjustment of accounts prior to release of bank guarantee, but the same was not submitted by the contractor. Therefore, reduction in amount of performance security by Rs.1,937.053 million was unjustified and an undue favour to the contractor.

Non-adherence to the condition of VO resulted in an undue favour to the contractor due to unjustified reduction in bank guarantee of advance payment by Rs.1,937.053 million during FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that the Engineer through his letter dated February 28, 2024 confirmed that 80% of works under VO No.51 had been completed. Therefore, advance payment guarantee was reduced by 70%.

The reply was not tenable because amount of advance payment guarantee was reduced contrary to the condition of VO, which was unjustified and an undue favour to the contractor.

The para was discussed in DAC meeting held on January 13, 2025, however, minutes of DAC meeting were not provided by the PAO MoWR till finalization of this Audit Report.

Audit recommends the management to inquire the matter for fixing of responsibility for reduction in amount of advance payment guarantee in violation of condition of VO.

(Draft Para No.193/2024-25)

1.5.17 Undue favour to the contractor on account of payment of secured advance against plant and material - Rs.1,878.536 million

According to Clause-14.5 of GCC, “if no plant and/or materials are listed in the contract data for payment when shipped and/or payment when delivered, this sub-clause (payment on account of plant and material) shall not apply”. As per contract data (PCC), payment on account of plant and material was written as “not applicable”. Further, there was no provision of amendment to be made in contract data in the conditions of contract.

During audit of accounts of CE/PD, T5HPP for the period from July, 2023 to June, 2024, it was noticed that a contract for civil works was signed with M/s Power Construction Corporation of China Limited (PCCCL) on May 03, 2021 at a contract price of Rs.34,044.505 million and CNY 958.218 million. Further scrutiny of the record revealed that an amendment in sub-clause-14.5 of PCC was made and signed by the Employer and the contractor on September 22, 2023. Subsequently, an amount of Rs.1,878.536 million was paid to the

contractor on account of secured advance against plant and material. Audit held that as there was no provision for such secured advance in original contract agreement, therefore, its payment by amending the contract clause was unjustified and an undue favour to the contractor.

Non-adherence to provisions of contract resulted in unjustified payment of Rs.1,878.536 million on account of secured advance against plant and material to the contractor during FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in November, 2024. The management replied that amendment to sub-clause 14.5 was made with the mutual agreement of the Employer and the contractor. This decision was taken to address the contractor's cash flow shortages, which arose due to significant increases in material costs.

The reply was not tenable because there was no provision for amendment in the relevant contract clause and payment of such secured advance.

A DAC meeting was scheduled on January 06, 2025 and the said para was included in the agenda of the meeting but could not be discussed.

Audit recommends the management to inquire the matter for irregular amendment in contract clause for fixing of responsibility besides ensuring recovery of unjustified paid amount from the contractor.

(Draft Para No.303/2024-25)

1.5.18 Unjustified excess payment to the contractor without determining actual quantities of raw stone aggregate - Rs.1,775.418 million

According to Clause-56.1 of GCC, "the engineer shall, except as otherwise stated, ascertain and determine by measurement the value of works in accordance with the contract and the contractor shall be paid that value". As per Clause-60.4, "the engineer may by any Interim Payment Certificate (IPC) make any correction or modification in any previous IPC which shall have been issued by him and shall have authority, if any work is not being carried out to his satisfaction, to omit or reduce the value of such work in any IPC". Further, as per Clause-3.1.1 of the Consultancy Services Agreement (CSA), "the consultants shall always act, in respect of any matter relating to this contract or to the services, as faithful advisers to the client and shall at all times support and safeguard the client's legitimate interests in any dealings with sub-consultants or

third parties”.

During performance audit of the Neelum Jhelum Hydropower Project (NJHPP), it was noticed that VO No.40 amounting to Rs.1,310 million for procurement of 800,000 m³ raw stone for aggregate to be used in different works at Lots C1 and C2 was issued by the consultants. The consultants calculated the quantities of raw stone for aggregate to be procured under VO No.40 by analysing the available quantities with demanded quantities. As per IPC-111, an amount of Rs.3,085.418 million was paid to the contractor for procurement of 1,884,224 m³ of raw stone against approved amount of Rs.1,310 million, which resulted in unjustified excess payment of Rs.1,775.418 million. Due to abnormal increase in quantities, the Employer reminded/requested the engineer vide letters dated November 11, 2019, July 06, 2021, and October 21, 2021 to furnish final evaluation/determination of VO No.40 on the basis of following grounds:

- i. Actual quantity used according to as-built quantities of concrete;
- ii. Tender quantities of concrete/aggregate for which the contractor was responsible;
- iii. Quantities of SS-I stone/aggregate recovered from tunnel excavation;
- iv. Quantities of SS-I stone/aggregate obtained from tender stage designated quarries;
- v. Quantities of SS-I stone/aggregate made through VO No.40, and
- vi. Detail of VOs wherein separate aggregate procured cost was paid on unit rates.

Despite lapse of more than three (03) years, the engineer had failed to determine actual amount of VO which showed that the engineer / consultant was not performing duties/services with due diligence to safeguard the interest of the Employer.

Non-adherence to the provisions of the contract and CSA resulted into unjustified excess payment of Rs.1,775.418 million to the contractor.

The matter was taken up with the management and reported to MoWR in March, 2023. The management replied that the matter was being pursued with

the consultants and the excess paid amount would be recovered from the contractor's pending retention money at the time of upcoming IPC or final bill.

However, further progress regarding recovery from the contractor was not intimated to Audit till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated March 31, 2023. Subsequently, as per procedure, two (02) reminders were also issued on September 13, 2023 and October 10, 2023, however, DAC meeting could not be scheduled.

Audit recommends the management to inquire the matter of excess payment made to the contractor without determination of actual quantities of raw stone and to fix responsibility upon the person(s) involved in certifying and verifying the quantities besides ensuring recovery of the excess paid amount from the contractor.

(Para No.4.1.3.3 of PAR of NJHPP)

1.5.19 Non-recovery of excess paid amount of financing charges on delayed payments from the contractor - Rs.1,693.247 million

According to sub-clause-14.8 of GCC, "if the contractor does not receive payment in accordance with sub-clause-14.7 (timing of payment), the contractor shall be entitled to receive financing charges compounded monthly on the amount unpaid during the period of delay. Financing charges shall be calculated at the annual rate of two percent above the discount rate of SBP and shall be paid in the currencies of payment". As per Section-III of WAPDA Guidelines for Enforcing the Responsibility for Losses Sustained by the Authority Through Fraud 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. If preliminary investigation shows that the loss is due to theft, fraud or neglect, the case will be immediately submitted to the next higher authority for constitution of an inquiry committee to investigate the reported loss.

During audit of accounts of GM, Coordination & Monitoring (C&M) WAPDA, Lahore for the period from July, 2021 to June, 2024, it was noticed that an amount of Rs.1,693.247 million (USD 6.086 million) on account of financing charges on delayed payments was paid in excess to the contractor

(M/s FWO) at Gomal Zam Dam Project (GZDP). The then CE, GZDP vide letter dated March 26, 2015 intimated the contractor regarding recovery of amount paid in excess as per recommendation of the consultants. Later, a meeting was held on April 09, 2015 under the Chairmanship of GM (Central Contract Cell) wherein it was decided to defer the recovery till decision of the issue in the next meeting. However, despite lapse of more than nine years and discussion at various levels in WAPDA, the matter of recovery from the contractor could not be finalized which reflected that serious efforts for recovery of huge amount were not made by the management. Moreover, no responsibility for this overpayment and delay in recovery was fixed.

Non-adherence to the provisions of contract and guidelines of WAPDA resulted in non-recovery of excess paid amount of Rs.1,693.247 million on account of financing charges on delayed payments from the contractor up to FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in December, 2024. The management replied that pursuant to sub-clause-3.5 of GCC, Employer's determination for the recovery at USD rate of National Bank of Pakistan (NBP) was provided to the contractor on April 04, 2024. The project authorities had fully recovered the aforesaid amount.

The reply was not tenable because as per supporting documents, the said amount was not yet recovered from the contractor.

A DAC meeting was scheduled on January 06, 2025 and the said para was included in the agenda of the meeting but could not be discussed.

Audit recommends the management to justify delay in recovery of excess paid amount from the contractor besides fixing of responsibility for the same.

(Draft Para No.375/2024-25)

1.5.20 Non-obtaining of insurance policies from the contractors - Rs.1,320.034 million

According to standard contract clauses, the contractor shall arrange insurance policies for full replacement value of works at sites from commencement of works till issuance of DLC.

During audit of accounts of two formations of WAPDA for the period

from July, 2023 to June, 2024, it was noticed that the contractors had not provided the requisite insurance policies with a collective coverage of Rs.1,320.034 million. These insurance policies were required to be obtained as per contractual requirements to mitigate the risks of loss but the needful was not done. The detail is as under:

(Rs. in million)

| Sr. No. | Name of Formation | DP No. | Contract Clause | Amount of Coverage |
|--------------|---|-------------|-----------------|--------------------|
| 1 | GM/PD, MRP | 280/2024-25 | 43.1.2(2) | 987.221 |
| 2 | PD, Golen Gol Hydropower Project (GGHP) | 357/2024-25 | 23.2 & 25.5 | 332.813 |
| Total | | | | 1,320.034 |

Non-adherence to the provisions of contracts resulted in non-obtaining of insurance policies with a coverage of Rs.1,320.034 million up to FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in November & December, 2024. The management replied that the matter had already been taken up with the concerned contractors for provision of requisite insurance policies and progress would be intimated to Audit accordingly.

No further progress towards obtaining of insurance policies from the contractors was intimated till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to obtain required insurance policies from the concerned contractors without further loss of time.

1.5.21 Undue favour to the contractor through amicable settlement - Rs.1,091.830 million

According to Clause-4.4 b, c & d of GCC, the prior consent of the Engineer shall be obtained to other proposed subcontractors. The contractor shall give the Engineer not less than 28 days' notice of the intended date of the

commencement of each subcontractor's work, and of the commencement of such work on the site. As per Clause-5.1 of the GCC, "nominated subcontractor means a subcontractor: (a) who is stated in the contract as being a nominated subcontractor, or b) whom the Engineer, under Clause-13 [Variations and Adjustments], instructs the contractor to employ as a subcontractor. As per Clause-5.3, the contractor shall pay to the nominated subcontractor the amounts shown on the nominated subcontractor's invoices approved by the contractor which the Engineer certifies to be due in accordance with the subcontract. As per Clause-12.3, for each item of works, the appropriate rate or price for the item shall be the rate or price specified for such item in the contract or, if there is no such item, specified for similar work. However, a new rate or price shall be appropriate for an item of work if no rate or price is specified in the contract for this site".

During audit of accounts of PD, T4HPP for the period from July, 2023 to June, 2024, it was noticed that a contract for civil works was awarded to M/s Sinohydro Group Ltd, China on September 09, 2013. Further scrutiny of record revealed that in-principle approval of VO No.43 amounting to Rs.1,101.933 million and USD 16.862 million for completion of all intake works up to June 30, 2021 was accorded by WAPDA Authority on September 01, 2020 and conveyed to the consultants on September 09, 2020. The estimated cost of VO No.43 was based on market rates, which was later objected by the World Bank. In this regard, IPOEs also advised to follow the provisions of contract for estimation of the cost of the said VO. Accordingly, the consultants submitted a revised amount of Rs.877.164 million + USD 1.974 million for VO No.43 on January 28, 2021 by reviewing the cost as per provisions of contract and deleting one activity namely "removal of stop logs from lower intakes of Tunnel-3 & 4" from earlier scope of work. The contractor did not agree with the cost reduction, therefore, the matter was referred to the Dispute Board (DB) for resolution. As per decision of DB dated March 29, 2022, "it is open for either party to revisit the basis of cost estimation". However, the contractor served the 'Notice of Dissatisfaction' over the decision of DB and requested for amicable settlement. It is worth mentioning here that the dispute regarding extra cost of diving services arose mainly due to grant of in-principle approval of amount of VO on market rates in violation of provisions of the contract. The matter of amicable settlement

was also got reviewed by the Engineer who vide letter dated December 15, 2022 replied with recommendations that ‘the Employer was not to make an amicable settlement without contractual justification’. Later on, a payment of Rs.1,091.835 million on account of actual cost of hiring of sub-contractor for diving services was made to the contractor through amicable settlement after approval of WAPDA Authority. Audit held that the rates of the VO were required to be determined/paid on the basis of BOQ rates available in the original contract and the subcontractor was also required to be nominated as per provisions of the contract but the needful was not done. Therefore, payment of Rs.1,091.830 million on account of amicable settlement was unjustified and an undue favour to the contractor.

Non-adherence to the provisions of contract resulted in unjustified payment of Rs.1,091.830 million to the contractor through amicable settlement during FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that consent of the Engineer for appointment of sub-contractor under sub-clause 4.4 was not necessitated as the aforesaid provisions pertained to subcontracting for works included in the original contract and not for VOs. The Engineer was also well informed about involvement of diving expert. Moreover, there was no undue favour/irregularity because due contractual process was adopted for amicable settlement and the same was approved after obtaining NOL of World Bank.

The reply was not tenable because nomination of sub-contractor was required to be got approved from the Engineer as VO was also part of the contract and payment for diving services was required to be made on the rates revised by the consultants on the basis of available BOQ rates as per provision of the contract.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to inquire the matter for fixing of responsibility of irregular payment to the contractor in violation of provisions of

contract through amicable settlement besides ensuring its recovery from the contractor.

(Draft Para No.235/2024-25)

1.5.22 Less determination and non-recovery of LD from the contractor - Rs.1,086.924 million

According Clause-27.1 of PCC, if the contractor fails to complete the works within the relevant time prescribed for completion, then the contractor shall pay to the Employer the relevant stated sum, not as a penalty, but as LD for such default for every day. The Employer shall not assess LD for the contractor's non-timely performance in an amount in excess of 10% of the contract price plus all VOs. As per Clause-33.19, all payments to the contractor by the Employer shall be made in the currencies indicated in the schedule of prices.

During audit of accounts of GM/PD, MRP for the period from July, 2023 to June, 2024, it was noticed that a contract for design, execution and completion of works (Package I & VII - Turbine-Generators for Units 1-6) was awarded to M/s Alstom Hydro France (renamed as M/s GE Hydro France) on August 29, 2016 at a contract price equivalent to Rs.10,810.713 million. As per contract, the contractor was required to complete the works up to December 22, 2018 but the same was not done. A deliberation committee was constituted by Member (Power) to examine the case for EOT, applicability of LD and contractor's additional cost claims. The committee assessed an amount of Rs.1,081.071 million on account of LD for delay in completion of works. Audit held that as schedule of prices, the contract price was mentioned in four different currencies, therefore, amount of LD was required to be calculated separately for each currency as stated in the contract but the same was not done. As per prevailing exchange rates, total amount of LD should have been equal to Rs.2,167.995 million instead of Rs.1,081.071 million. Thus, LD of Rs.1,086.924 million was less assessed by the committee which was required to be recovered from the contractor but the needful was not done.

Non-adherence to the provisions of contract resulted in less determination and non-recovery of LD amounting to Rs.1,086.924 million from the contractor up to FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in December, 2024. The management replied that the case was under process for the decision of WAPDA Authority and any subsequent contractual processes would be followed after approval from the competent authority and deduction would be made in respective currencies.

No further progress was intimated till finalization of this Audit Report.

The para was discussed in DAC meeting held on January 13, 2025, however, minutes of DAC meeting were not provided by the PAO MoWR till finalization of this Audit Report.

Audit recommends the management to ensure imposition and recovery of LD in respective currencies as per provisions of the contract without further loss of time.

(Draft Para No.352/2024-25)

1.5.23 Loss due to unjustified finalization of final statement account of the contractor - Rs.977.231 million

According to Schedule A to Bid, “the bidder shall provide information on the proportion of various currencies in which he requires payment to be made.” As per contract, the contractor mentioned his requirement of 65% payment in USD for procuring of constructional machinery, equipment, plant, parts, tools, testing equipment, materials, services from countries other than Pakistan and for payment of salary & allowances of foreign staff. As per Clause-3.1.1 of GCC of CSA, “the consultants shall perform the services and carry out their obligations with all due diligence, efficiency and economy, in accordance with generally accepted professional techniques and practices, and shall observe sound management practices, and employ appropriate advance technology and safe methods.”. As per Section-III of WAPDA Guidelines for Enforcing the Responsibility for Losses Sustained by the Authority Through Fraud 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. If preliminary investigation shows that the loss is due to theft, fraud or neglect, the case will be immediately submitted to the next higher authority for constitution of an inquiry committee to investigate the reported loss.

During audit of accounts of PD, Darawat Dam Project for the period from July, 2020 to June, 2024, it was noticed that a contract for construction of Darawat Dam was awarded to M/s Sinohydro-MAJ JV on June 09, 2010 at a contract price of Rs.7,554.688 million. The contract was completed on August 31, 2014, DNP expired on August 31, 2017 and performance certificate was issued to the contractor on November 30, 2017. The consultants certified the draft final statement for Rs.23.669 million on June 24, 2021 subject to provision of supporting documents and utilization record of expenditure in local and foreign currencies. The project office reviewed the certification of final statement carried out by the consultants and agreed with the contractual interpretation of the matter. The final account statement certified by the project consultants was provided to the contractor for his consent but the contractor conveyed his dissatisfaction and requested for a high-level meeting to resolve the issue. Accordingly, a sole Arbitrator was appointed by WAPDA on April 20, 2021 after obtaining the consent of the contractor. After completing arbitration proceedings, the Arbitrator announced award of Rs.1,000.900 million in favour of the contractor on May 10, 2022. Further scrutiny of record revealed that the management as well as the consultants were of the view that foreign currency could only be paid to the contractor after provision of supporting documents for its utilization as envisaged in Schedule A to the Bid. However, the Arbitrator did not accept the stance of the Employer on the plea that the Employer never refused payments in foreign currency based on non-provision of supporting documents before this final payment statement and also argued that completion certificates as well as performance certificates had already been issued to the contractor on August 31, 2017 and November 30, 2017 respectively. The management instead of contesting the decision of Arbitrator made payment of Rs.1,000.900 million against previously certified amount of Rs.23.669 million. Audit held that loss of Rs.977.231 million was sustained to WAPDA due to negligence of the consultants and Employer for verifying the IPCs and issuing completion & performance certificates without demanding supporting documents from the contractor for which no responsibility was fixed.

Non adherence to the aforementioned provisions & guidelines resulted in loss of Rs.977.231 million due to unjustified finalization of final statement account of the contractor up to FY 2023-24.

The matter was taken up with the management in July, 2024 and reported to MoWR in December, 2024. The management replied that payment of award amounting to Rs.1,000.900 million announced by the Arbitrator was justified and all the contractual and legal procedures were followed.

The reply was not tenable because the management failed to defend its stance before the Arbitrator which was due to their negligence in verifying IPCs without seeking supporting documents regarding utilization of foreign currency.

A DAC meeting was scheduled on January 06, 2025 and the said para was included in the agenda of the meeting but could not be discussed.

Audit recommends the management to inquire the matter for fixing of responsibility of loss upon the person(s) at fault.

(Draft Para No.405/2024-25)

1.5.24 Extra financial burden due to award of contract without acquisition of land - Rs.894.719 million

According to Clause-4.7 of the Planning Commission's Manual for Development Projects, "it may be noted that many projects have suffered tremendously in the past from cost overrun and delay in implementation due to hasty selection of site. The project also suffers due to delay in acquisition of land. Therefore, the availability of land needs to be assured". As per Clause-7.5 "those responsible for not undertaking forward planning and causing delays in implementation of projects should be taken to task". As per Para-2.6 of the Planning Commission's Guidelines for Project Management, "it is important to watch that progress is not pushed at the cost of quality. It is also equally important that the works are not delayed/suspended or slowed down due to impediments in timely supply of materials, acquisition of land, and/or want of requisite funds at appropriate stages. All these strategic points must be sorted out well in advance by the PD in coordination with the concerned quarters to avoid time and cost over runs".

During audit of accounts of two formations of WAPDA for the period from July, 2022 to June, 2024, it was noticed that contract No.DASU-RAR-01 for construction of right bank access road in DHPP was awarded to M/s China Civil Engineering Construction Corporation on March 16, 2015 at a contract price of Rs.2,713.972 million. The original completion time of the contract was

364 days i.e. up to August 22, 2016. The work could not be completed within contractual completion period and three EOTs were granted to the contractor on account of disruption due to local affectees and delayed handing over of the land. Later on, WAPDA Authority in its meetings held on April 12, 2023 and August 04, 2023 accorded approval for payment of interim cost claims of Rs.894.719 million in respect of EOT-1, 2 & 3. Audit held that cost claims of the contractor were extra financial burden on the project which had to be paid due to award of works without acquisition of land and improper project planning for which no responsibility was fixed. The detail is as under:

(Rs. in million)

| Sr. No. | Name of Formation | DP No. | Amount |
|--------------|---------------------------|-------------|----------------|
| 1 | GM (Finance) Coordination | 54/2024-25 | 326.020 |
| 2 | GM/PD, DHPP | 248/2024-25 | 568.699 |
| Total | | | 894.719 |

Non-adherence to Planning Commission's instructions resulted in extra financial burden on account of cost claims of Rs.894.719 million due to award of contract without acquisition of land up to FY 2023-24.

The matter was taken up with the management in March & September, 2024 and reported to MoWR in July & November, 2024. The management replied that every effort was made to acquire the land as early as possible. However, all the land, especially critical areas, could not be handed over to the contractor on time due to the resistance by the local community.

The reply was not tenable because the contract was required to be awarded only after complete acquisition of land.

The DP-54/2024-25 was discussed in DAC meeting held on August 15 & 16, 2024, however, minutes of DAC meeting were not provided by the PAO MoWR despite issuance of request for the same till finalization of this Audit Report. Moreover, for DP-248/2024-25, the PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to inquire the matter for fixing of responsibility upon the person(s) at fault regarding award of contract without acquisition of land causing extra financial burden on account of cost claims.

1.5.25 Unjustified payment to the contractor for provision of power supply through variation order in violation of provisions of contract - Rs.762.981 million

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 test”. As per Point No.11 of bid clarification meeting dated March 14, 2016, it was clarified that “WAPDA cannot guarantee power supply for construction from these facilities”. As per Point No.1 of bid clarification meeting dated April 21, 2016, “assurance for the 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 Point 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 GM/PD, DHPP for the period from July, 2023 to June, 2024, it was noticed that contract No. MW-01 for construction of main hydraulic structure, spillway, LLO, river diversions and hydraulic steel structures was awarded to M/s CGGC on March 08, 2017. As per provisions of 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 of 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 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 the said 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 and an amount of Rs.762.981 million was paid to the contractor up to IPC No.50. Audit held that issuance of VO for provision of power supply in violation of provisions of contract and contrary to the time & again bid clarifications was not justified, thus, payment of Rs.762.981 million on account of provision of power supply to the contractor was unjustified.

Non-adherence to the provisions of the contract and bid clarifications resulted into unjustified payment of Rs.762.981 million to the contractor for provision of power supply through VO during FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in November, 2024. The management replied that the issuance of the VO was an interim temporary arrangement for the benefit of the project which had not yet been finalized and would be referred to DB. The decision of DB would be binding on both parties.

The reply was not tenable because the said VO was issued contrary to the provisions of the contract and multiple clarifications issued to the contractor.

A DAC meeting was scheduled on January 06, 2025 and the said para was included in the agenda of the meeting but could not be discussed.

Audit recommends the management to inquire the matter for fixing of responsibility for unjustified payment to the contractor and issuance of VO against the provisions of contract besides ensuring recovery of the said amount from the contractor.

(Draft Para No.201/2024-25)

1.5.26 Undue favour to the contractor on account of unjustified additional advance payment against variation order - Rs.740.731 million

According to Clause-14.2 of the PCC, total advance payment shall be 20% of the Accepted Contract Amount payable in the currencies and proportions in which the Accepted Contract Amount is payable. There was no provision for making advance payment on VO. As per Para-3 of Annexure-B (Terms & Conditions for the VO No.06), the Employer shall make an interest-free advance

payment in the amount of 20% of the value of this VO excluding the value of the projected price adjustment.

During audit of accounts of PD, T5HPP for the period from July, 2023 to June, 2024, it was noticed that a contract for civil works of powerhouse was awarded to M/s PCCCL on May 03, 2021 at a contract price of Rs.34,044.505 million + CNY 958.217 million. After award of contract, an amount of Rs.5,306.901 million and CNY 191.643 million (20% of contract price less provisional sum) was paid to the contractor as mobilization advance. Later, on July 18, 2023, VO No. 06 amounting to Rs.322.314 million and CNY 53.391 million was issued to the contractor. Contrary to the provisions of the contract, an additional 20% advance payment amounting to Rs.740.731 million (Rs.64.462 million + CNY 16.780 million) was also made to the contractor for the said VO. Further, this amount of advance included an amount of Rs.291.803 million paid on projected price adjustment which was also a violation of terms & conditions of the VO. It is pertinent to point out here that the contractor was asked to apply for advance payment in July, 2023 but the contractor did not provide the requisite advance payment bank guarantee for the said advance. However, as evident from IPC No.13 (for the month of June, 2023), 20% payment had already been made against work done without any supporting documents/measurement sheets. Audit held that as there was no provision in original contract for making advance payment against VO, therefore, this payment was unjustified and an undue favour to the contractor.

Non-adherence to the provisions of the contract resulted in unjustified advance payment amounting to Rs.740.731 million on the VO during FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in November, 2024. The management replied that advance payment was made with the approval of competent authority in the best interest of the project.

The reply was not tenable because there was no provision in the original contract whereby additional mobilization advance could be paid on a VO. Further, this advance was paid in violation of condition even of the VO itself.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were

also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to inquire the matter for fixing of responsibility regarding payment of additional advance on VO in violation of provisions of contract and VO.

(Draft Para No.312/2024-25)

1.5.27 Loss due to unfreezing of escalation in violation of original Memorandum of Understanding (MoU) - Rs.643.181 million

According to MoU signed on September 21, 2021 between WAPDA and M/s NEIE-SMAD-LILLY-RMS JV, the MoU was executed for completion of the project in all respect, based on terms & conditions dated May 25, 2021 in terms of Rule of Court dated July 08, 2021. As per MoU, the contractor shall complete all the remaining works of contract on already quoted bids rates as per provisions of contract in three years from the date of re-commencement of work. Escalation shall freeze at the cost indices on the date of termination (August, 2018) for next three years from the re-commencement of works. If the work is not completed within three years due to default of the Employer, it will be dealt as per provisions of contract for the extended period beyond three years.

During audit of accounts of Chief Engineer (CE)/PD, NGDP for the period from July, 2023 to June, 2024, it was noticed that a contract for construction of Nai Gaj Dam was awarded to M/s NEIE-SMADB-LILLEY-RMS JV on January 13, 2011 at a contract price of Rs.38,792.14 million. The said contract was terminated in August, 2018 due to submission of a fake bank guarantee by the contractor. Later on, a MoU was signed between the contractor and the Employer on September 21, 2021 on the directions of honorable Sindh High Court, whereby the contractor was directed to proceed with the re-commencement of works. Accordingly, the contractor was mobilized on site w.e.f. October 28, 2021 to proceed with re-commencement of works with revised completion date of October 28, 2024. Further probe into the matter revealed that the contractor filed a constitutional petition before honorable High Court of Sindh, Karachi on September 20, 2023 for grant of escalation on current rates on account of unprecedented price hike. As per Para-25 of the court order dated October 06, 2023, it was directed to “substitute the non-escalation clause in the settlement agreement by consent as endorsed by this court and replace it with the

PEC guidelines on price escalation which the Chairman WAPDA is directed to consider notwithstanding any MoU or other documents in the field vis-a-vis the petitioner's case after considering its written contentions and affording a personal hearing to the petitioner and thereafter issue a speaking order within six weeks of this order". In compliance to the court order, the matter was discussed with the contractor by Member (Water) on October 31, 2023 and Chairman WAPDA on November 15, 2023, wherein it was agreed to allow escalation to the contractor as per formula of original contract. Subsequently, amendment No.1 to MoU was made by allowing price adjustment w.e.f. issuance of the court order after approval by WAPDA Authority on March 15, 2024. It was further observed that an amount of Rs.643.181 million had been paid to the contractor due to unfreezing of the escalation clause. Audit held that the management should have filed an appeal against the decision of Sindh High Court to seek relief before amending the MoU but the same was not done. Further, the management and consultants failed to get the work completed within stipulated time of three years as required under the MoU which made it evident that the consultants were not performing their duties with due diligence due to which the Authority had to suffer such a huge loss.

Non-adherence to the provisions of MoU and contract resulted in loss of Rs.643.181 million due to unfreezing of escalation in violation of MoU during FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that WAPDA Authority approved escalation in accordance with provisions of contract agreement subsequent to decision of Sindh High Court and in consideration of unprecedented price hike in the year 2022-24.

The reply was not tenable because the management failed to get the work completed as per timelines of three years provided in the original MoU. Moreover, WAPDA did not appeal against the decision of Sindh High Court to seek relief.

The para was discussed in DAC meeting held on January 13, 2025, however, minutes of DAC meeting were not provided by the PAO MoWR till finalization of this Audit Report.

Audit recommends the management to inquire the matter for fixing of responsibility regarding non-completion of works in three years as per MoU and non-filing of appeal against the decision of Sindh High Court before amending the MoU.

(Draft Para No.176/2024-25)

1.5.28 Non-levy of Sindh Stamp Duty at the time of signing of contracts - Rs.456.105 million

According to Clause-15 (a) of Schedule to the Stamp (Sindh Amendment) Act, 2020, Stamp duty @ 35 paise per hundred rupees of the value of the agreement or against tender cost of any instrument in the nature of memorandum or agreement made or entered into by a contractor with Government, a corporation, local body, local authority, commercial or industrial concern, whether singly owned or, run through partnership, body registered under the Company Law, a cooperative society or any other organization to execute any works or to provide engineering consultancy services shall be applicable.

During audit of accounts of PD, K-IV project for the period from July, 2023 to June, 2024, it was noticed that eight contracts amounting to Rs.130,315.663 million were awarded to different contractors during May to September, 2022 without levying required stamp duty @ 35 paise per hundred on execution of contracts in Sindh Province. Audit held that as per rules, these contracts should have been signed/executed after levying of stamp duty @ 35 paise amounting to Rs.456.105 million but the needful was not done which was unjustified.

Non-adherence to provisions of Stamp (Sindh Amendment) Act, 2020 resulted in non-levy of stamp duty amounting to Rs.456.105 million at the time of signing of contracts up to FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that the Sindh Stamp Duty was specifically applicable to the contracts involving the Sindh government or entities operating under its jurisdiction. Further, it had been the standard practice that such duties were applicable to the provincial funded schemes only.

The reply was not tenable because no documents/clarification from Sindh Board of Revenue was provided to substantiate the stance.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to seek clarification regarding implementation of Stamp Duty Act on federally sponsored projects executed in Sindh province from Sindh Board of Revenue.

(Draft Para No.85/2024-25)

1.5.29 Less deduction of mobilization advance from the contractor due to incorrect calculation - Rs.440.144 million

According to Clause-13.6 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)”. As per contract data, deductions of advance payment would be made at the amortization rate of 25% of the amount of each IPC.

During audit of accounts of PD, T5HPP for the period from July, 2023 to June, 2024, it was noticed that a contract for civil works was signed with M/s PCCCL on May 03, 2021 at a contract price of Rs.34,044.505 million and CNY 958.218 million. As per contract, advance payment of Rs.5,306.901 million and CNY 191.643 million was paid to the contractor. Further scrutiny of record revealed that the contractor was also being paid reimbursement of 1% Khyber Pakhtunkhwa Sales Tax (KPST) due to change in legislation (increase in rate of KPST from 1% to 2%). Audit held that the amount of reimbursed tax was required to be added in the grand summary of IPC under head ‘change in legislation’ for calculation of instalment of mobilization advance but the needful was not done. Thus, mobilization advance of Rs.440.144 million was less deducted which was an undue favour to the contractor.

Non-adherence to the provisions of contract resulted in less deduction of mobilization advance amounting to Rs.440.144 million from the contractor due to incorrect calculation up to FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in November, 2024. The management replied that the audit observation is acknowledged and deductions would commence from next IPC.

No further progress was intimated till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to expedite recovery as per provisions of contract and accordingly produce relevant record for verification besides fixing of responsibility for less deduction of mobilization advance.

(Draft Para No.316/2024-25)

1.5.30 Non-imposition of LD upon the contractor due to delay in completion of works - Rs.406.451 million

According to Clause-47.1 of Special Stipulations, amount of LD shall be 0.05% of contract price stated in LOA for each day of delay in completion of the works subject to a maximum of 10% of the contract price stated in the LOA.

During audit of accounts of CEO/PD, DBDP for the period from July, 2023 to June, 2024, it was noticed that contract No.RBPR-04 for construction of road was awarded to M/s Zhongmei-ICC JV on July, 27, 2020 at a contract price of Rs.4,064.513 million. As per contract, the work was required to be completed on November 24, 2023. However, the contractor could not complete the said works within stipulated time period, hence as per provision of contract, LD amounting to Rs.406.451 million was 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 LD amounting to Rs.406.451 million upon the contractor for delay in completion of works during FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that the case for EOT was under evaluation and LD would be imposed upon the contractor on

completion of works, if delay would be attributable to the negligence of contractor.

No further progress regarding imposition and recovery of LD was intimated till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to justify non-imposition of LD upon the contractor despite lapse of a considerable period of time besides ensuring recovery of the same without further loss of time.

(Draft Para No.75/2024-25)

1.5.31 Increase in amount of variation order due to unjustified use of non-BOQ rates - Rs.402.259 million

According to Sub-clause-52.1 of the GCC, varied work shall be valued at the rates and prices set out in the contract if, in the opinion of the Engineer, the same shall be applicable. If the contract does not contain any rates or prices applicable to the varied work, the rates and prices in the contract shall be used as the basis for valuation so far as may be reasonable.

During audit of accounts of CE/PD, KTDP for the period from July, 2023 to June, 2024, it was noticed that four items amounting to Rs.727.405 million were included as 'non-BOQ' items in VO No.04 issued for varied works of Sheratalla Canal Tunnel. It was further observed that these were not non-BOQ items because rates for the same items were available in BOQ of original contract. Due to use of non-BOQ rates, amount of VO increased to Rs.727.405 million against Rs.325.146 million as worked out on the available BOQ rates. Thus, amount of VO increased by Rs.402.259 million which was not justified.

Non adherence to provision of the contract resulted in an increase of Rs.402.259 million due to unjustified use of non-BOQ rates up to FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in December, 2024. The management replied that the works under VO No.04 were entirely distinct from the original works. Moreover, due to

considerable length of the tunnel and to avoid additional costs & delays, the sub-contractor was instructed to execute the works using a Tunnel Boring Machine. This approach, being both efficient and cost-effective in the long term, necessitated revising the original BOQ rates.

The reply was not tenable because as per provision of contract, rates of VO should have been based on rates of existing BOQ items.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to justify inclusion of new rates in VO instead of using existing BOQ rates of contract in violation of provision of contract besides fixing of responsibility.

(Draft Para No.373/2024-25)

1.5.32 Recoverable amount of repair charges of Unit No.1 of Gomal Zam Powerhouse from the contractor - Rs.359.500 million

According to Clause-11.4 (Failure to Remedy Defects) of the contract agreement, “if the contractor fails to remedy any defects or damage by this notified date and this remedial work was to be executed at the cost of the contractor under sub-clause-(a), the Employer may carry out the work himself or by others, in a reasonable manner and at the contractor’s cost but the contractor shall have no responsibility for this work and the contractor shall subject to sub-clause-2.5 pay to the Employer the cost reasonably incurred by the Employer in remedying the defect or damage”.

During audit of accounts of GM (C&M) WAPDA, Lahore for the period from July, 2021 to June, 2024, it was noticed that a contract agreement for repair of unit No.1 (TG-I) of GZDP was signed between WAPDA and M/s AFI-ZOEC JV on March 19, 2022. It was further observed that TG-I unit was damaged due to a fire incident on October 07, 2016 and the contractor M/s FWO vide letter dated November 08, 2016 intimated that their sub-contractor had left the site. M/s FWO further informed that the work may be carried out by WAPDA at the risk & cost of the contractor as per contract agreement. The estimated cost of this repair/rectification work was determined as Rs.359.500 million by the new

contractor M/s AFI-ZOEC JV. Audit held that the amount of repair charges should have been recovered from M/s FWO before award of contract but the needful was not done.

Non-adherence to the provision of contract resulted in recoverable amount of Rs.359.500 million on account of repair charges of Unit No.1 of Gomal Zam Powerhouse from the contractor up to FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in December, 2024. The management replied that the project office vide letter dated January 12, 2024 had already recovered an amount of Rs.390.90 million in lieu of Employer's claim from the contractor.

The reply was not tenable because as per referred letter, the contractor was requested to remit the amount but no record showing actual recovery from the contractor was provided to Audit.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to ensure recovery of repair charges from the contractor without further delay.

(Draft Para No.467/2024-25)

1.5.33 Non-recovery of cost of un-executed work of telecommunication system from the contractor - Rs.341.600 million (USD 1.220 million)

According to Clause-60.1A of Conditions of Particular Application, advance payment of 5% & 25% shall be made to the contractor against Free on Board (FOB) value of plant and equipment. Further, as per Clause-60.4 of the GCC, the consultants may by any IPC make any correction or modification in any previous IPC which shall have been issued by him and shall have authority, if any work is not being carried out to his satisfaction, to omit or reduce the value of such work in any IPC.

During performance audit of the NJHPP, it was noticed that VO No.78 for up-gradation of Radio Link/Very High Frequency (VHF) System to Optical Fibre Link and Satellite Communication System (Site C1 to C3) and additions to

the existing telephone system was approved by the Employer on November 09, 2018. Despite lapse of a considerable period of time, the said telecommunication system could not be made operational. The matter was discussed in a joint meeting of the Employer, contractor and the consultants held on November 16, 2022, wherein, it was decided to recover the certified cost of items related to Radio Link, VHF System (Changed to Fibre Optic/Satellite Communication System). As per IPC No.EMH-75, 85% FOB price of this item i.e. USD 1.220 million was already paid to the contractor, therefore, the said amount was required to be recovered from the contractor but the needful was not done.

Non-adherence to the provisions of contract and Minutes of Meeting (MoM) resulted into non-recovery of USD 1.220 million (equivalent to Rs.341.600 million @ Rs.280/USD) from the contractor on account of cost of un-executed work of telecommunication system.

The matter was taken up with the management and reported to MoWR in March, 2023. The management replied that the matter had already been taken up with the consultants on November 16, 2022 for working out the cost of unexecuted works and on finalization, the amount would be recovered from the contractor's retention money.

However, the status of recovery was not intimated to Audit till finalization of the Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated March 31, 2023. Subsequently, as per procedure, two (02) reminders were also issued on September 13, 2023 and October 10, 2023, however, DAC meeting could not be scheduled.

Audit recommends the management to ensure recovery of agreed amount of unexecuted work from the contractor without further loss of time.

(Para No.4.1.5.1 of PAR of NJHPP)

1.5.34 Non-recovery of excess paid amount from the contractor - Rs.337.597 million

According to Clause-60.4 of the GCC, "the Engineer may by any IPC make any correction or modification in any previous IPC which shall have been issued by him and shall have authority, if any work is not being carried out to his satisfaction, to omit or reduce the value of such work in any IPC".

During audit of accounts of CEO, NJHPC for the period from July, 2023 to June, 2024, it was noticed that a committee was constituted by the Chairman WAPDA/BOD NJHPC vide notification dated January 17, 2024 for closure of main contract. As per report of the committee, an amount of Rs.337.597 million relating to different items was established as recoverable from the contractor. The said amount was required to be recovered from the contractor but the needful was not done.

Non-adherence to the report of the committee resulted in non-recovery of Rs.337.597 million from the contractor up to FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that report of the committee would be effective after approval from BOD and amount would be recovered from the final bill of the contractor accordingly.

No further progress towards recovery was intimated till finalization of this Audit Report.

The para was discussed in DAC meeting held on January 06, 2025, 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 established amount from the contractor without further loss of time.

(Draft Para No.92/2024-25)

1.5.35 Unjustified payment to the contractor on account of rent and escalation of office & residential accommodation of consultants' staff - Rs.282.270 million

According to Engineer's instruction dated July 05, 2022 conveyed to the contractor vide letter dated July 07, 2022, the contractor was required to immediately commence the process for construction of consultants' accommodation at Area-6 of project site. As per Clause-70.1 of PCC, "the amount payable to the contractor, pursuant to Sub Clause-60.1 shall be adjusted in respect of the rise or fall in the cost of labour, material and other inputs to the works, by applying to such amount the formula prescribed in this sub clause". Further, as per Price Adjustment Formula, "Pn" is a price adjustment factor to be applied to the amount for the payment of the work carried out in the month "n" determined in accordance with Paragraph 60.1(a) (the value of the permanent

work executed and to the amounts of variations and day work valued at base rates and prices).

During audit of accounts of CEO/PD, DBDP for the period from July, 2023 to June, 2024, it was noticed that a contract for civil works (Dam Part) was awarded to M/s Power China FWO-JV on May 13, 2020. The Engineer vide letter dated July 05, 2022 issued instruction to the contractors for construction of consultants' accommodation but the same was not constructed by the contractors despite lapse of a period of 24 months. The contractors accommodated the consultants' staff at their own premises constructed by them at the cost of Employer and also charged rent of Rs.162.888 million to the Employer for the same. Further, an amount of Rs.119.382 million was also paid to the contractors on account of escalation on the said rental payment. Audit held that the contractors were required to construct accommodations for the consultants within the required time as instructed by the Engineer but the needful was not done. Moreover, there was no provision of rental accommodation and the accommodation provided by the contractors was constructed at the land & cost of the Employer, hence, payment of rent and escalation thereon amounting to Rs.282.270 million to the contractors was not justified.

Non-adherence to the aforementioned instruction/provision of contract resulted in unjustified payment of Rs.282.270 million to the contractors on account of rent of office & residential accommodation of consultants' staff and escalation thereon up to FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that the buildings were handed over to the consultants at Employer's request under negotiated terms. Further, out of total amount, an amount of Rs.48 million pertained to rent whereas remaining amount of Rs.114 million covered the cost for electricity and power supply. As cost elements of labor, cement, equipment and diesel were also involved in the Operation & Maintenance (O&M) of the temporary buildings, therefore, the committee decided to use the price adjustment formula given in the contract.

The reply was not tenable because there was no provision in the contract for providing accommodation constructed at the land & cost of Employer to the consultants on rental basis and payment of escalation on the same.

The para was discussed in DAC meeting held on January 06, 2025, however, minutes of DAC meeting were not provided by the PAO MoWR till finalization of this Audit Report.

Audit recommends the management to justify payment of rent and escalation thereon to the contractors besides ensuring its recovery from the contractors.

(Draft Para No.76 & 110/2024-25)

1.5.36 Non-recovery of LD from the contractor due to delay in completion of works - Rs.274.907 million

According to Para-1 of Terms & Conditions of VO No.51, the contractor was required to replace 50 pieces of trash racks at Tunnel-4 raised intake in accordance with agreed method statement, specifications and within the agreed scheduled time for completion by February 24, 2024 in all respect with a grace period of five days for any unforeseen reasons. As per Para-9, in case of delay in completion of activities assigned under this VO in all respect, the Employer is entitled to apply LD maximum up to 10% of the agreed cost of VO and daily rate of LD would be equivalent to USD 75,000/day.

During audit of accounts of PD, T4HPP for the period from July, 2023 to June, 2024, it was noticed that a contract for modification of the Tunnel No.3 & 4 intakes, design, supply, installation and testing of penstock and construction of powerhouse was awarded to M/s Sinohydro Group Ltd, China on September 09, 2013 at a contract price of Rs.15,756 million and USD 104.623 million. Later on, VO No.51 for replacement of trash racks amounting to Rs.287.363 million and USD 8.637 million was issued to the contractor. As per terms & conditions of the VO, the contractor was required to complete the works within agreed scheduled period including grace period i.e. up to February 29, 2024 but the same was completed on March 15, 2024 with a delay of 15 days. Therefore, LD of Rs.274.907 million for delay in completion of work as per provisions of the VO was required to be imposed and recovered from the contractor but the needful was not done.

Non-adherence to the conditions of VO resulted in non-recovery of LD amounting to Rs.274.907 million from the contractor due to delay in completion of works during FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that as per contractual procedure, the Employer's claim for delay in completion/replacement of trash racks was notified by the Engineer on February 15, 2024. The Employer would proceed further as per determination of the claim by the Engineer.

No further progress for recovery of LD from the contractor was intimated till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to ensure recovery of LD from the contractor for delay in completion of works as per conditions of VO.

(Draft Para No.191/2024-25)

1.5.37 Unjustified payment to the contractor on account of rental charges for provision of accommodation to WAPDA security forces - Rs.274.309 million

According to Clause-13.1.13 of Special Provisions of the Contract, "the Employer may require the contractor to construct certain facilities and/or to provide services for the Police and Security Forces to be deployed at the project for security of the expatriate personnel. A provisional sum of Rs.200 million was included in the BOQ for providing such facilities and services at site as per requirement of the Employer".

During audit of accounts of CEO/PD, DBDP for the period from July, 2023 to June, 2024, it was noticed that an amount of Rs.274.309 million was paid to the contractor on account of rent of accommodation provided to WAPDA security forces. As per provision of contract, the contractor was required to construct certain facilities/fabricated houses up to May 08, 2022 for security forces deployed at site and an amount of Rs.224.504 million was paid to the

contractor for construction of the required facilities against a provisional sum of Rs.200 million. However, the required accommodation was not constructed or provided to the security forces and 132 prefabricated containers/rooms were provided to them on monthly rent. Audit held that as per contract, the contractor was required to construct facilities and there was no provision for rental charges, hence, payment of rental charges for accommodation provided to the security forces was unjustified.

Non-adherence to the provision of contract resulted in unjustified payment of Rs.274.309 million to the contractor on account of rental charges for provision of accommodation to WAPDA security forces up to the FY-2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that due to security challenges, it was required to reside the security forces in the temporary camps of contractor till construction of accommodation exclusively for WAPDA security forces. The contractor requested WAPDA to pay rent against the provided accommodation along with amenities till construction of the separate accommodation which was approved by WAPDA Authority.

The reply was not tenable because there was no provision in the contract for payment of rental charges of accommodation provided to the security forces.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to justify payment of rent of accommodation to the contractor for WAPDA security personnel besides ensuring its recovery from the contractor.

(Draft Para No.118/2024-25)

1.5.38 Non-recovery of LD from the contractors due to delay in completion of works - Rs.259.119 million

According to VO No.6, “replacement of 50 Nos. pieces of trash racks or screens, at the Tunnel-3 raised Intake, in accordance with an agreed method statement and specifications shall be done within the agreed scheduled time for completion of March 30, 2024, in all respects with a grace period of five days,

for any unforeseen reasons i.e. up to April 04, 2024”. In case of delay to the overall completion of the works shown in Annex-F of this VO, the Employer will be entitled to claim LD at the rate of USD 75,000/day. Maximum LDs will be 10% of the cost of this VO (This provision is the same as in VO No.51 for the T4HPP).

During audit of accounts of PD, T5HPP for the period from July, 2023 to June, 2024, it was noticed that VO No.06 for ‘design, procurement, manufacturing, delivery at site, installation of new screens at Tunnel-3 raised intake including testing and removal of the existing screens and shifting the same to WAPDA’s designated place within the project area, complete in all respects’ was issued to M/s PCCCL at a cost of Rs.322.314 and CNY 53.391 (equivalent to USD 9.091 million). As per terms & conditions of VO, a total of 50 trash racks were required to be replaced till April 04, 2024, whereas, the last trash rack was lowered on April 23, 2024. Due to delay in completion of the works, LD amounting to Rs.259.119 million was required to be recovered from the contractor as per provisions of the VO but the needful was not done.

Non-adherence to the provisions of VO resulted in non-recovery of LD amounting to Rs.259.119 million from the contractor during FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in November, 2024. The management replied that the Engineer was processing the contractor’s claim in accordance with conditions of contract to determine its validity. Once concluded, the Engineer would assess the Employer’s entitlement to LD and proceed accordingly.

No further progress was intimated till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to expedite the determination and recovery of LD from the contractor without further loss of time.

(Draft Para No.243/2024-25)

1.5.39 Undue favour to the contractors due to non-provision of spare parts - Rs.248.529 million

According to Special Provision-14 of contract agreement, the contractor shall provide the required spare parts as specified in the schedule of prices and specifications. Spare parts list showing the unit prices and quantities shall be submitted at the time of their delivery to Employer and the Engineer in the quantities given in Clause-SP-06-3.6. All required spare parts must be delivered to Employer's Warehouse (to be specified by Employer before delivery of the same) alongwith delivery of the relevant goods. All spare parts must be prepared and protected for long-term storage to preclude damage. Storage requirements shall be submitted to the Employer/Engineer.

During audit of accounts of CE/PD, GGHP for the period from July, 2023 to June, 2024, it was noticed that a contract for procurement/design, supply, erection, stringing, testing and commissioning of 113 KMs, 132 Kilovolt (KV) transmission lines and Chitral grid station was awarded to M/s NETRACON-NEIE/HOLLEY Consortium on September 05, 2013 at a contract price of Rs.3,202.585 million and USD 2.392 million. Another contract (Lot-4 Package-II) was also awarded to the same contractor on April 18, 2014 at a contract price of Rs.1,187.335 million and USD 2.570 million. As per provisions of both the contracts, the contractors were required to provide spare parts amounting to USD 308,858 and Rs.238.823 million, however, the contractors supplied spare parts amounting to USD 252,057 and Rs.6.099 million on November 26, 2021. The contractors did not supply remaining spare parts amounting to Rs.248.529 million (USD 56,801 and Rs.232.724 million). Audit held that as per contract, the contractors were bound to deliver the required spare parts but the same were not provided despite completion of contracts during September-December, 2018. Therefore, action was required to be initiated against the contractors for this default but the needful was not done.

Non-adherence to provisions of contracts resulted in an undue favour to the contractors due to non-provision of spare parts amounting to Rs.248.529 million up to FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in December, 2024. The management replied that the matter

was being pursued with the contractors and final outcome would be shared with Audit accordingly.

No further progress was intimated till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to justify inordinate delay in receipt of spare parts from the contractors besides ensuring receipt or recovery of the cost of the spare parts as per provisions of contracts.

(Draft Para No.358/2024-25)

1.5.40 Undue favour to the contractor by non-recovery of remaining amount of mobilization advance despite issuance of TOC - Rs.240.138 million

According to Clause-14.2 of the GCC, “if the advance payment has not been repaid prior to the issue of the TOC or prior to termination under Clause-15 as the case may be, the whole of the balance then outstanding shall immediately become due, payable by the contractor to the Employer”.

During audit of accounts of GM/ PD, DHPP for the period from July, 2023 to June, 2024, it was noticed that two TOCs of road works pertaining to contract No.RAR-01 were issued to the contractor w.e.f. July 25, 2021 (from K0 to K9) and w.e.f. April 26, 2022 (from K9 to K12) respectively. Further probe into the matter revealed that upon TOC, 50% retention money was also released to the contractor. At the time of 2nd TOC, remaining recoverable amount of mobilization advance was Rs.234.729 million & USD 1.012 million which was reduced to Rs.59.621 million & USD 0.645 million (Rs.240.138 million) up to IPC No.41. As per provision of contract, entire balance amount was required to be recovered from the contractor but the needful was not done and recovery was being made in instalments which was an undue favour to the contractor.

Non-adherence to the provision of contract resulted in an undue favour to the contractor by non-recovery of Rs.240.138 million on account of remaining amount of mobilization advance despite issuance of TOC during FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in November, 2024. The management replied that due to reduction in scope of work, full recovery was not initially possible and in order to mitigate this, the Engineer had already increased the amortization rate from 25% to 60%, starting from IPC-40. The outstanding advance payment would be recovered from the remaining balance work.

The reply was not tenable because as per provision of contract, entire amount of mobilization advance was required to be recovered at the time of issuance of TOC of works which was not done.

A DAC meeting was scheduled on January 06, 2025 and the said para was included in the agenda of the meeting but could not be discussed.

Audit recommends the management to inquire the matter regarding non-recovery of entire amount of mobilization advance in violation of provision of contract despite issuance of TOC and release of retention money besides ensuring recovery of remaining amount without further loss of time.

(Draft Para No.249/2024-25)

1.5.41 Undue favour to the contractor on account of payment without achievement of milestones - Rs.224.213 million

According to Schedule of Progress Payments, the payment will be made to the contractor based on the milestones for the completed work. No payment shall be included for partially completed milestones. Each milestone shall be deemed achieved when each activity described and listed is completed to the satisfaction of the Employer's Representative, in accordance with the scope and including all applicable sub-works relating to achieving the milestone.

During audit of accounts of PD, K-IV project for the period from July, 2023 to June, 2024, it was noticed that an amount of Rs.224.213 million on account of delivery of plant and equipment at site was paid to the contractor M/s Descon Engineering Limited. As per provision of contract, percentage payment on achieving of milestone regarding delivery of plant and equipment at site was 64% of BOQ amount and no partial payment was allowed. However, the management paid a partial amount of 38.40% (60% of 64%) to the contractor in IPC No.6 before complete achievement of respective milestones in violation of provision of contract, which was unjustified.

Non-adherence to the provision of contract resulted in an undue favour to the contractor due to payment of Rs.224.213 million without complete achievement of respective milestones during FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that a small subset of accessories required for installation and commissioning, constituting less than 10% of the total cost of the milestone, was yet to be delivered. In strict adherence to the principle of achieving milestones in full, 40% of the payment for the milestone was withheld to ensure delivery and availability of all remaining accessories before the milestone is deemed fully achieved. Payments were made strictly in accordance with the provisions of the contract.

The reply was not tenable because as per contract, no payment could be made for partially completed milestones and each milestone was to be deemed achieved once each activity described and listed was completed including all applicable sub-works related to achieving the milestones. Since, a subset of accessories was still required, therefore, milestone was not completely achieved and payment made was unjustified.

The para was discussed in DAC meeting held on January 13, 2025, however, minutes of DAC meeting were not provided by the PAO MoWR till finalization of this Audit Report.

Audit recommends the management to inquire the matter for fixing of responsibility for unjustified payment to the contractor in violation of provision of contract.

(Draft Para No.143/2024-25)

1.5.42 Unjustified expenditure through variation order for early completion of works - Rs.192.438 million

According to Clause-3.1.1 of the CSA, “the consultants shall perform the services and carry out obligations with all due diligence, efficiency and economy, in accordance with generally accepted professional techniques and practices, and shall observe sound management practices and employ appropriate advanced technology and safe methods”.

During audit of accounts of CEO, NJHPC for the period from July, 2023 to June, 2024, it was noticed that VO No.02 amounting to Rs.193.542 million

was issued to the contractor on February 10, 2023. The main purpose of this VO was to mobilize resources for early access to upstream areas of TRT in order to save 65 days based on contractor's 'best efforts schedule'. As per 'best efforts schedule' of the contractor dated November 29, 2022, entire work was required to be completed till June 16, 2023 but the subject work was completed on August 01, 2023 with a delay of 45 days. Audit held that the main purpose of introducing this VO was to complete the work 65 days earlier than the scheduled date which could not be achieved, therefore, expenditure of Rs.192.438 million incurred through said VO was unjustified. Further, the consultants also failed to perform their duties with due diligence and safeguarding interest of the Employer.

Non-adherence to the provision of CSA resulted in unjustified expenditure of Rs.192.438 million through VO for early completion of works up to FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that issuance of VO No.02 helped in carrying out work from upstream side of TRT which was not included in BOQ. However, detailed reply would be submitted after consultation of record.

No further 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, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to justify incurrence of expenditure through VO without achievement of intended objective besides ensuring its recovery from the contractor.

(Draft Para No.99/2024-25)

1.5.43 Loss due to negligence of the contractor and consultants - Rs.177.018 million

According to Clause-27.9, the contractor shall be responsible in respect of defects in the facilities or any part thereof, the plant, design or engineering or work executed that appear after completion of the facilities or any part thereof if such defects are the result of the gross negligence, fraud, or criminal or willful

action of the contractor. As per Clause-3.4 of SCC for consultancy services, liability towards the client is limited except in case of gross negligence or willful misconduct on the part of the consultants or on the part of any person or firm acting on behalf of the consultants in carrying out the services.

During audit of accounts of PD, T4HPP for the period from July, 2023 to June, 2024, it was noticed that a contract for design, supply, installation, commissioning and testing of electromechanical equipment was awarded to M/s Voith Hydro on February 14, 2014. As per design, height of transmission line was required to be 369 meters, however, the contractor executed the work at a level of 362.61 meters which resulted in a discrepancy of 6.39 meters. The said fault in the execution of work came to surface during testing of LLO on June 25, 2023. The management held the E&M contractor and consultants responsible for gross negligence by ignoring the design parameters. The E&M contractor was reluctant to accept the responsibility, therefore, the consultants recommended the management to replace the tower with minimum bottom level of 377 meters at their own cost and the same be deducted from the contractor's account. However, due to non-availability of funds in T4HPP, a VO for Rs.177.018 million was issued for rectification of faults out of financing of World Bank for T5HPP. Audit held that this extra cost had to be attributed to the negligence of the contractor and consultants for which no recovery was made.

Non-adherence to the provisions of contract resulted in loss of Rs.177.018 million due to gross negligence of the contractor and consultants during FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in November, 2024. The management replied that a claim had been lodged against E&M contractor as well as the consultants for non-adhering to tower-conductor height requirements and negligence on site supervision, respectively. The claim is under process and its outcome would be shared with Audit.

No further progress towards settlement of claim was intimated till finalization of this Audit Report.

The para was discussed in DAC meeting held on January 13, 2025, however, minutes of DAC meeting were not provided by the PAO MoWR till

finalization of this Audit Report.

Audit recommends the management to expedite the recovery of loss from the contractor and consultants.

(Draft Para No.272/2024-25)

1.5.44 Undue benefit to the contractor due to unreasonable determination of rates of variation order - Rs.169.174 million

According to Clause-52 of GCC, if the contract does not contain any rates or prices applicable to the varied work, the rates and prices in the contract shall be used as the basis for valuation so far as may be reasonable.

During audit of accounts of CEO/PD, DBDP for the period from July, 2023 to June, 2024, it was noticed that VO No.4 for executing the additional work of procurement & installation of hydraulic gates on Inlet and stop-logs on Outlet was approved by WAPDA Authority. The rates of these items were not available in the original contract and were determined by the consultants on the basis of quotation submitted by the contractor. Further scrutiny of the record revealed that only one quotation was obtained by the contractor from M/s Sinohydro Jiajiang Hydro Machinery Ltd., China for USD 7.334 million which was later reduced to USD 7.252 million. However, the procurement was made from M/s Sinohydro Bureau-7 Co. Ltd, China (A subsidiary of main contractor M/s Power China) at a cost of USD 6.655 million without any approval from the Engineer. Due to procurement of material from unapproved source by the contractor, undue benefit of Rs.169.174 million (USD 596,354) on account of difference in cost of these items was extended to the contractor.

Non-adherence to the provision of contract resulted in an undue benefit of Rs.169.174 million to the contractor due to unreasonable determination of rates of VO during FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that the contract did not require submission of three quotations for variations. The audit observation was based on the comparison between customs documents and approved quotation which also included cost of other equipment in addition to gates' equipment.

The reply was not tenable because quotation was obtained from M/s Sinohydro Jiajiang Hydro Machinery Ltd., China but the said material was supplied by another contractor without its approval from the Engineer and there was a difference of rates in supplied items.

The para was discussed in DAC meeting held on January 06, 2025, however, minutes of DAC meeting were not provided by the PAO MoWR till finalization of this Audit Report.

Audit recommends the management to justify issuance/approval of VO without determining reasonability of rates in violation of provision of contract besides ensuring recovery of excess paid amount from the contractor.

(Draft Para No.112/2024-25)

1.5.45 Non-recovery of balance amount with interest from the contractors - Rs.166.149 million

According to various undertakings submitted by the contractors (M/s SAMBU SARCO JV), the contractors were bound to reimburse the amount to PD office account soon after receiving the same from Donor i.e. Kuwait Fund for Development (KFD), for which authority to remit was given to bank manager for ease of reference. In addition, the countersign of bank manager was also taken on the undertakings as per requirement of the project office.

During audit of accounts of CE/PD, GGHP for the period from July, 2023 to June, 2024, it was noticed that various IPCs against work done were submitted by the contractors (M/s SAMBU SARCO JV) which were forwarded to KFD for payment. KFD released partial payment i.e. 54% of total payable amount to the contractors. In order to maintain the progress of works, WAPDA made payment of Rs.748.470 million to the contractors from its own sources against undertakings submitted by the contractors stating that upon receipt of the balance payment from KFD, the contractors would refund the said amount to WAPDA. Later on, KFD released the pending amount of partially paid IPCs to the contractors and the contractors, instead of reimbursing full amount of Rs.748.470 million to the project office, refunded an amount of Rs.605.265 million against the same on August 16, 2021. The contractors did not pay the remaining balance amount of Rs.143.205 million or the interest due on it. Audit held that balance amount along with interest as calculated by the management amounting to

Rs.166.149 million was required to be recovered from the contractors but neither said amount was recovered nor required action was taken against the contractors.

Non-adherence to the provisions of undertakings resulted in non-recovery of Rs.166.149 million on account of balance amount including interest from the contractors up to FY 2023-24.

The matter was taken up with the management in September 2024 and reported to MoWR in November, 2024. The management replied that the matter was in court of law and upon finalization, outcome of the case would be intimated to Audit accordingly.

No further progress was intimated till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to pursue the court case vigorously besides ensuring recovery from the contractors.

(Draft Para No.332/2024-25)

1.5.46 Doubtful payment to the contractors without any documentary evidences regarding executed quantity and rates - Rs.153.806 million

According to Sub-Clause 56.1 of GCC, the Engineer, shall except as otherwise stated, ascertain and determine by measurement the value of the works in accordance with the contract and the contractor shall be paid that value in accordance with Clause 60.

During audit of accounts of CE/PD, KTDP for the period from July 2023 to June 2024, it was observed from paid IPC-59 to 61 that an amount of Rs.153.806 million was paid to the contractors i.e. M/s FWO-DESCON JV under Bill No.C-1-R for work “Earthing/LPS System Architecture etc.” without showing its executed quantity and rates. Further probe into the matter revealed that neither any supporting documents regarding execution of the work were available in the relevant IPCs nor their rates were approved from the competent authority. Audit held that the consultants certified the IPCs and accordingly, Employer (WAPDA) paid for work which should have been executed and

measured strictly in accordance within provisions of the Contract Agreement/ VOs, approved by the competent authority. Thus, payment to the contractors without any measured quantity, approved rates and other supporting documents was doubtful.

Non adherence to conditions of the contract agreement resulted in doubtful payment amounting to Rs.153.806 million during FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in October, 2024. The management replied that on-account payments related to the VOs were certified in accordance with the contractual provisions. The subject VOs have been under the approval process and the rate determination of the items has been processed in accordance with the contract clauses.

Audit contended that matter be investigated by Federal Investigation Agency (FIA).

The DAC in its meeting held on November 27, 2024 directed the management to conduct inquiry into the matter comprising of following members:

- Joint Secretary (JS) MoWR, Mr. Ghulam Farooq
- Chief Engineering Advisor (CEA) FFC
- GM, Monitoring & Surveillance (M&S), Mr. Talib Naqvi

and submit report to Audit and Ministry within one month before proceeding to investigation.

No further progress of inquiry was intimated till finalization of this Audit Report.

Audit recommends the management to implement DAC's decision.

(Para No.4.1.2 of FAP Report of USAID grant No. 391-WPD-KTD-002-001)

1.5.47 Non-recovery from the consultants on account of penalty due to delay in issuance of construction drawings - Rs.149.545 million

According to Clause-3.4.3 of Consultant's Services Contract (CSC), "consultants are also liable for delays in design/design review and other services within the time frame agreed between the parties. Failure to comply with the schedule, due to the fault of the consultants will attract penalty. The

compensation to be paid by the consultants to the client in the event of any delay is PKR 50,000/- of per week of delay, with maximum aggregate limit of 1% of the total remuneration cost of consultancy agreement in accordance with terms of the contract”.

During audit of accounts of GM/PD, MDHP for the period from July, 2023 to June, 2024, it was noticed that a CSC for construction design, supervision and contract management was awarded to M/s Mohmand Dam Consultants Group on May 20, 2019. Further scrutiny of record revealed that the ‘Issued for Construction drawings (IFC)’ for Lot-02 were being delayed by the consultants on regular basis. Consequent to this delay in provision of IFC drawings, the contractors continuously complained about the delays in provision of drawings and also notified the same to the consultants for their entitlement for extension of time. Further probe into the matter revealed that 286 IFC drawings were delayed by the consultants having collective delay of 25,907 weeks with reference to agreed schedule. As per CSC, the compensation to be paid by the consultants to the Employer in event of any delay was Rs.50,000 per week for each IFC drawing, with maximum aggregate limit of 1% of his total remuneration cost. Audit held that a penalty of Rs.149.545 million was required to be recovered from the consultants for delay in issuance of drawings but the needful was not done.

Non-adherence to the provisions of CSC resulted in non-recovery of Rs.149.545 million from the consultants due to delay in issuance of IFC drawings during FY 2023-24.

The matter was taken up with the management in October, 2024 and reported to MoWR in November, 2024. The management replied that issuance of construction drawings was linked with the detailed time programme to be submitted by the contractors but the contractors couldn’t fulfil the requirements. Accordingly, the Engineer relied on the contractor’s ongoing progress to assess and issued the IFC drawings in a sequential manner and no delay in issuance of IFC drawings on part of the consultants occurred. Moreover, there was no clause in CSC regarding charging of penalty on delayed issuance of IFC drawings.

The reply was not tenable because as per Clause-3.4.3 of CSC, the consultants were liable to pay compensation for delays in design/design review

and other services. Therefore, issuance of IFC drawings by the consultants was part and parcel of design/design review.

A DAC meeting was scheduled on January 06, 2025 and the said para was included in the agenda of the meeting but could not be discussed.

Audit recommends the management to impose penalty upon the consultants for delay in issuance of 'IFC' drawings besides ensuring its recovery.

(Draft Para No.265/2024-25)

1.5.48 Unjustified payment to the contractor due to non-disposal of excavated material as per specifications - Rs.116.034 million

According to Clause-716.1 of the Technical Specifications of Contract, "excavated materials authorized to be wasted, including unsuitable materials, shall be disposed of in designated areas as shown on the drawings. The contractor shall make, at his cost, necessary arrangements for transportation of the surplus excavated materials to the designated disposal areas. Disposed material shall be deposited in layers and compacted as described in Clause-108.3.2 of specifications".

During audit of accounts of GM/PD, DHPP for the period from July 2023 to June 2024, it was noticed that VO No.05 was issued to the contractor for construction of tunnels and bridges under contract No.KKH-01. In cost evaluation report of VO No.05 submitted by the consultants, haulage of Rs.520.64/m³, Rs.734.41/m³, Rs.946.44/m³ for distance of 2.50 KMs, 5 KMs and 7.50 KMs respectively was provided in the unit price for tunnel excavation. During physical visit at site of Dasu Tunnel & Logro-B Tunnel, it was observed that the contractor was sliding excavated material into Uchhar Nullah and alongside existing KKH road from top of work area without observing the specifications mentioned in contract regarding its disposal. According to contract, unit price of tunnel excavation included the amount for hauling, spreading and compaction of the excavated material at designated area as per specifications. Audit held that an amount of Rs.116.034 million paid on account of haulage of excavated material was required to be deducted from the IPCs of the contractor for non-compliance with specifications but the needful was not done.

Non-adherence to provisions of contract resulted in unjustified excess payment of Rs.116.034 million due to non-disposal of excavated material as per specifications up to the financial year 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in October, 2024. The management replied that currently, the excavated material was being dumped at these sites as part of the first stage, and in the second stage, it would be picked up and dumped at the designated area.

The reply was not tenable because proportionate amount should have been deducted for non-disposal of excavated material as per technical specifications.

The DAC in its meeting held on November 27, 2024 directed the management to effect recovery and get it verified from Audit. DAC also directed to issue displeasure letter to project management that payment was made without work done.

No further progress towards recovery was intimated till finalization of this Audit Report.

Audit recommends the management to implement DAC's decision.

(Para No.4.1.1 of FAP Report of Loan No. IDA 5497-PK)

1.5.49 Non-encashment of bank guarantee for recovery of proportionate cost of Main Inlet Valve (MIV) seals from the contractor - Rs.112.552 million

According to Clause-27.6 of GCC, "if the repair, replacement or making good is of such a character that it may affect the efficiency of the facilities or any part thereof, the Employer may give to the contractor a notice requiring that tests of the defective part of the facilities shall be made by the contractor immediately upon completion of such remedial work, whereupon the contractor shall carry out such tests. If such part fails the tests, the contractor shall carry out further repair, replacement or making good, as the case may be, until that part of the facilities passes such tests. The tests shall be agreed upon by the Employer and the contractor". As per Clause-27.7, "if the contractor fails to commence the work necessary to remedy such defect or any damage to the facilities caused by such defect within a reasonable time (which shall in no event be considered to be less than fifteen days), the Employer may, following notice to the contractor, proceed

to do such work, and the reasonable costs incurred by the Employer in connection therewith shall be paid to the Employer by the contractor or may be deducted by the Employer from any monies due to the contractor or claimed under the performance security”.

During audit of accounts of PD, T4HPP for the period from July, 2023 to June, 2024, it was noticed that a contract for design, supply, installation, commissioning and testing of electromechanical equipment was awarded to M/s Voith Hydro on February 14, 2014 at a contract price CNY 1,104.076 million and Euro 63.548 million. The contractor performed the leakage check test of maintenance seal of MIV of Unit No.17 which did not meet the specification requirement of the contract. However, the said tests for Unit No.15 & 16 were not performed by the contractor and it was decided by the management to request the consultants to work out the cost of two extra seals of MIV including installation charges to cover the risk. Accordingly, the consultants worked out an estimated amount of Rs.112.552 million (CNY 2.921 million) and recommended that the said amount may be recovered through encashment of bank guarantee of the contractor but the same was not done.

Non-adherence to the provisions of contract resulted in non-recovery of proportionate cost of Rs.112.552 million from the contractor due to non-performing of leakage checking tests of MIV seals during FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that the consultants estimated the total cost of MIV maintenance seal of two units but not the cost of tests as no any additional testing material or specific equipment was required by the contractor to perform the tests.

The reply was not relevant because the cost of MIV seals along with installation cost was determined by the consultants on the request of the Employer due to non-conducting of tests of Units No.15 & 16, however, no status of recovery of this amount from the contractor was intimated.

The para was discussed in DAC meeting held on January 13, 2025, 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 as worked out by the consultants from the contractor through encashment of bank guarantee.

(Draft Para No.166/2024-25)

1.5.50 Unjustified payment on account of cost of electrician/custodian to the contractor - Rs.112.437 million

According to Clause-34.2 (Claims Assessment) of GCC, “when the Engineer has received full and detailed particulars of the contractor’s claim in accordance with sub-clause-34.1 and such further particulars as he may reasonably have required, he shall, after due consultation with the Employer and the contractor determine whether the contractor is entitled to additional payment and notify the parties accordingly. The Engineer may reject any claim for additional payment which does not comply with the requirements of sub-clause-34.1”.

During audit of accounts of CE/Resident Engineer (RE), Chashma Hydel Power Station (CHPS) for the period from July, 2023 to June, 2024, it was noticed that a contract for overhauling of generation unit No.2 was awarded to M/s Voith Hydro Germany on February 19, 2020 at a contract price of Euro 7.501 million. After dismantling of the generating unit, a VO for additional works and supply of spares for unit No.2 was approved by WAPDA Authority on April 29, 2022 for Euro 2.254 million. The procurement of FOB supply items could not be made due to non-opening of LC/non-arrangement of foreign exchange owing to restrictions of the government and the Employer issued a notice to the contractor for demobilization from site on August 04, 2022. Subsequently, the contractor submitted two claims of Euro 0.304 million & Euro 0.707 million on account of demobilization cost and EOT cost respectively. A review of EOT cost claim revealed that the contractor claimed an amount of Euro 11,700 per month for 31 months on account of cost of electrician/custodian requested by the insurance company from the contractor. It was further observed that a monthly payment of Euro 1,636 for 31 months was also paid as insurance cost by the contractor. Audit held that the claim was not evaluated by the management with due diligence and an amount of Rs.112.437 million (at exorbitant rate of Euro 11,700/month) against cost of electrician/custodian for suspension period was approved and paid to the contractor which was not justified.

Non-adherence to the provisions of contract resulted in unjustified payment of Rs.112.437 million on account of cost of electrician/custodian to the contractor during FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in December, 2024. The management replied that the contractor's claim for both insurance charges and electrician/custodian charges were justified as these were separate and legitimate expenses. Insurance charges mitigated potential risks, while custodian charges were necessary to meet the insurer's requirements for secure storage of materials and equipment.

The reply was not tenable because cost of electrician/custodian was exorbitant and unjustified in the presence of insurance cost.

A DAC meeting was scheduled on January 06, 2025 and the said para was included in the agenda of the meeting but could not be discussed.

Audit recommends the management to inquire the matter regarding unjustified payment on account of cost of electrician/custodian to the contractor during suspension period.

(Draft Para No.448/2024-25)

1.5.51 Undue favour to the E&M contractor due to unjustified increase in rate of advance payment for change order - Rs.97.346 million

As per Appendix-1 (Terms and Procedures of Payment) to the contract, ten percent (10%) of the total Carriage and Insurance Paid (CIP) amount was to be paid to the contractor as an advance payment.

During audit of accounts of PD, T5HPP for the period from July, 2023 to June, 2024, it was noticed that a contract for electromechanical works was signed with M/s HEI-HEC JV on June 25, 2021. Scrutiny of the record revealed that a Change Order (CO) No. CO-S-002 regarding interconnection of T5 to T4 500KV switchyard was approved on June 16, 2023. As per original contract, there was a provision of making advance payment @ 10%, however, advance payment of 20% was agreed to be made against said CO. Later on, an amount of Rs.20.864 million + USD 0.856 million was paid to the contractor as advance payment against said CO instead of Rs.13.040 million and USD 0.535 million (@ 10% of total CIP value). Thus, an amount of Rs.97.346 million (Rs.7.824 million + USD 0.321million) was excess paid to the contractor which was not justified and an

undue favour to the contractor.

Non-adherence to provision of contract resulted in an undue favour of Rs.97.346 million to the E&M contractor by unjustified increase in rate of advance payment for change order during FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in November, 2024. The management replied that increase in advance payment from 10% to 20% under Change Order CO-S-002 was made in consideration of the specific requirements associated with the interconnection of T5 to T4 500 KV switchyard. This adjustment was deemed necessary to facilitate the timely procurement of critical equipment and ensure the project progress without delays, aligning with its overall objectives and timelines.

The reply was not tenable because the rate of advance payment was increased in violation of provision of contract.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

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

(Draft Para No.275/2024-25)

1.5.52 Excess payment to the contractor due to non/less deduction of retention money - Rs.93.647 million

According to Special Stipulations (Appendix-A to Bid) of contract agreement, percentage of retention money is '10% of the amount of IPC'. As per Clause-5.2 of PCC regarding priority of contract documents, Special Stipulations (Appendix A to Bid) is at Sr.No.4 whereas GCC (Part-1) are at Sr.No.6.

During audit of accounts of CE/PD, NGDP for the period from July, 2023 to June, 2024, it was noticed that an amount of Rs.625 million was paid to the contractor in IPC No.88 but retention money amounting to Rs.62.500 million was not deducted. Similarly, an amount of Rs.108.954 million was paid to the contractor on account of work done under various IPCs. Retention money amounting to Rs.108.954 million @ 10% of amount of IPCs was required to be

deducted but only an amount of Rs.77.806 million was deducted after excluding amount of escalation in violation of provisions of contract which resulted in less deduction of retention money amounting to Rs.31.147 million. Audit held that as per principle applicable for priority of documents, 'Special Stipulations' (Appendix A to Bid) were at Sr.No.4 whereas GCC were at Sr.No.6, therefore, deduction of retention money was required to be made as per special stipulations. Thus, an amount of Rs.93.647 million was paid in excess to the contractor.

Non-adherence to the provisions of the contract resulted in excess payment of Rs.93.647 million to the contractor during FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that the retention money was deducted in accordance with the provisions of contract.

The reply was not tenable because as per Special Stipulations, percentage of retention money was '10% of the amount of IPC', therefore, retention money was required to be withheld before excluding amount of escalation.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to justify the non-deduction of retention money in violation of provisions of contract besides ensuring its recovery from the contractor.

(Draft Para No.178 & 182/2024-25)

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2022-23 & 2023-24 vide Paras No.1.5.12 & 1.5.30 having financial impact of Rs.365.050 million. Recurrence of same irregularity is a matter of serious concern.

1.5.53 Unjustified payment of compensation of cost of land and built-up property damaged due to construction activities of the contractor - Rs.83.927 million

According to Clause-22.1 of Fédération Internationale Des Ingénieurs-Conseils (FIDIC) GCC 1987, the contractor shall indemnify the Employer

against all losses and claims in respect of (a) death of or injury to any person, or (b) loss of damage to any property which may arise out of or in consequence of the works and remedying of any defects therein, and against all claims, proceeding, damages, costs, charges and whatsoever in respect thereof or in relation thereto.

During audit of accounts of CEO/PD, DBDP for the period from July, 2023 to June, 2024, it was noticed that damages to land & built-up property occurred during the construction of relocated KKH near Lal Banda Bridge No.1 and an amount of Rs.83.927 million was transferred to DC/LAC, Upper Kohistan on March 25, 2024 for payment of its compensation. As per FIDIC GCC, the contractor was responsible for indemnification of loss or damages occurred during course of execution of work and there was no provision of acquisition of said land in the 2nd revised PC-1. Audit held that payment of compensation for loss sustained due to construction activities of the contractor and acquisition of said land was unjustified.

Non-adherence to the FIDIC condition of contract resulted in unjustified payment of Rs.83.927 million on account of compensation for land and built-up property damaged due to construction activities of the contractor during FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that the para would be conveyed to concerned quarter and Audit would be informed upon receipt of reply accordingly.

No further 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, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to justify payment made for compensation of losses incurred due to negligence of the contractor besides ensuring recovery of said amount from the contractor.

(Draft Para No.114/2024-25)

1.5.54 Unjustified payments for compensation of additional land, trees and built-up property due to construction activities at periphery road at Khanbari - Rs.79.832 million

According to Clause-22.1 of FIDIC 1987, the contractor shall indemnify the Employer against all losses and claims in respect of (a) death of or injury to any person, or (b) loss of damage to any property which may arise out of or in consequence of the works and remedying of any defects therein, and against all claims, proceeding, damages, costs, charges and whatsoever in respect thereof or in relation thereto.

During special audit of the funds provided for land acquisition and resettlement (LA&R) of DBDP (revised), it was noticed that an award of Rs.79.832 million was made by DC/LAC DBDP Diamer on June 06, 2022 for compensation of additional land, trees and built-up property due to construction activities at periphery road at Khanbari. Further scrutiny revealed that damages to land, trees and built-up property had occurred during the construction of Right Bank Periphery Road (RBPR) at Khanbari. Instead of making recovery of damages from the contractor, GM (LA&R) gave go ahead for acquisition of damaged land. Resultantly, an amount of Rs.40.080 million was paid to acquire the said land and Rs.39.752 million was paid on account of compensation for damages to trees and built-up properties. As per FIDIC condition of contract, it was the responsibility of the contractor to indemnify losses occurred to persons or damage to property during execution and completion of works.

Audit held that land acquisition and payment of compensation by the DC/LAC DBDP Diamer on account of damages to land, trees and built-up property due to construction activities was unjustified.

Non-adherence to FIDIC condition of contract resulted into unjustified payment of Rs.79.832 million on account of compensation for additional land, trees and built-up property.

The matter was taken up with the management in June, 2023 and reported to MoWR in August, 2023. The management replied that partial damages were the responsibility of the contractor whereas in case of permanent damages, complete acquisition course is to be taken for which WAPDA is responsible. The

whole process of acquisition had been completed as per provisions of land acquisition act, 1894 and the law.

The reply was not tenable as it was the responsibility of the contractor to indemnify losses occurred to persons or damage to property during execution and completion of works as per FIDIC conditions of contract. Moreover, report of site engineer was not obtained regarding these damages which occurred due to construction of RBPR at Khanbari. Furthermore, the damage verification was not got conducted by SUPARCO/ Geographic Information System (GIS).

The PAO was requested to schedule a DAC meeting vide this office letter dated August 07, 2023. Subsequently, as per procedure, two reminders were also issued on September 13, 2023 and October 05, 2023, however, DAC meeting could not be scheduled.

Audit recommends the management to justify the acquisition of additional land besides ensuring recovery of compensation payment made to the affectees from the contractor.

(Para No.4.8 of SAR of DBDP)

1.5.55 Excess payment to the contractor due to non-deduction of rebate on varied works - Rs.55.274 million

According to Clause-52.1 of GCC, “all variations and any additions to the contract price which are required to be determined in accordance with Clause-52 (for purposes of this clauses referred to as “varied work”), shall be valued at the rates and prices set out in the contract if, in the opinion of the Engineer, the same shall be applicable. If the contract does not contain any rates or prices applicable to the varied work, the rates and prices in the contract shall be used as the basis for valuation so far as may be reasonable, failing which, after due consultation by the Engineer with the Employer and the contractor, suitable rates or prices shall be agreed upon between the Engineer and the contractor”. As per Clause-3.1.1 of Consultancy Agreement, “the consultants shall always act, in respect of any matter relating to contract or to the services, as faithful advisers to the client and shall at all times support and safeguard the client’s legitimate interest in any dealings with sub-consultants or third parties”.

During audit of accounts of CE/PD, NGDP for the period from July, 2023 to June, 2024, it was noticed that VO No.2 for construction of auxiliary spillway

(Ogee Type) at Dyke No.4 amounting to Rs.3,232.174 million in place of Orifice Reinforced Cement Concrete Gated Spillway was approved by WAPDA Authority in its meeting held on January 05, 2018. All the BOQ items of VO No.2 (Auxiliary Spillway) were taken from the BOQ of Main Spillway (Bill No.03) for calculation of amount of VO. At the time of preparation of VO, the rebate @ 20.4635% on BOQ items was not deducted. It was further observed that an amount of Rs.270.110 million was paid to the contractor against gross work done of Rs.285.930 million under VO No.02 (Auxiliary Spillway). This amount was paid after deduction of rebates @ 5% on VO and 0.5609% (given at the time of LOA) in various IPCs but rebate of 20.4635 % on BOQ items was not deducted. Audit held that rebate of 20.4635% was required to be applicable on VO as well but the needful was not done which resulted in excess payment of Rs.55.274 million to the contractor. It also showed that the consultants were not performing their duties with all due diligence with regards to efficiency & economy and failed to safeguard the client's legitimate interest.

Non-adherence to aforementioned provisions resulted in excess payment of Rs.55.274 million to the contractor due to non-deduction of rebate on BOQ items for varied works up to FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that the issue was discussed in earlier DAC meeting held in December, 2022, wherein it was directed to obtain clarification from the PEC which is still awaited.

No further progress was intimated till finalization of this Audit Report.

The para was discussed in DAC meeting held on January 13, 2025, however, minutes of DAC meeting were not provided by the PAO MoWR till finalization of this Audit Report.

Audit recommends the management to pursue the matter with PEC for obtaining opinion on the matter at the earliest.

(Draft Para No.231/2024-25)

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2022-23 & 2023-24 vide Paras No.1.5.13 & 1.5.37 having financial impact of Rs.264.266 million. Recurrence of same irregularity is a matter of serious concern.

1.5.56 Unjustified payment to the contractors on account of demurrage and container detention charges - Rs.51.568 million

According to Clause-48.2 of PCC, any demurrage charges and/or any consequential effects levied, consequent upon late submission of the shipping documents to the Employer, will be on contractor's account.

During audit of account of the GM/PD, MRP for the period from July, 2023 to June, 2024, it was noticed that an amount of Rs.51.568 million on account of demurrage and container detention charges were paid to the contractors (M/s GE Hydro France & M/s Sinohydro Corporation). As per contracts, demurrage charges were the responsibility of the contractors, hence, payment of Rs.51.568 million on account of demurrage and container detention charges to the contractors was not justified.

Non-adherence to the provision of contracts resulted in un-justified payment of Rs.51.568 million to the contractors on account of demurrage and container detention charges up to FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in November, 2024. The management replied that demurrage & detention charges were paid due to delay on the part of the Employer in availing required exemptions of duties and taxes and the contractor was not responsible for these delays.

The reply was not tenable because no responsibility for payment of demurrage & detention charges due to delay on the Employer was fixed.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to inquire the matter for fixing of responsibility for loss sustained due to payment of demurrage & detention charges.

(Draft Para No.234/2024-25)

1.5.57 Unjustified payment to the contractor due to use of unspecified marble tiles - Rs.38.642 million

According to Bid Drawings and Schedule of Price (BOQ), there was a provision of 'White Marble Tiles' on floors including skirting. As per Technical Specification, marble shall be of 300mm X 300mm size and 13mm to 25mm thick or as shown on the drawings.

During audit of accounts of GM/PD, DHPP for the period from July, 2023 to June, 2024, it was noticed that as per Finishing Schedules of floors provided in the bid drawings and BOQ Item No. B-(iv)(15), there was a provision for fixing white marble tiles and the contractor submitted his bid accordingly without any modification. Moreover, as per specification, white marble tiles shall be of 300mm X 300mm size and 13mm to 25mm thickness. However, the contractor used grey and China verona marble instead of white marble in residences & hostels. Further, as pointed out by the management, thickness of marble tiles was not as per required specification. Hence, payment of Rs.38.642 million made to the contractor against quantity of 16,114.10 m² was not justified.

Non-adherence to the provisions of contract resulted in unjustified payment of Rs.38.642 million to the contractor due to use of unspecified marble tiles on floors up to FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in November, 2024. The management replied that it was mutually agreed by the Employer and the Engineer that China verona marble would be utilized in certain buildings, while Ziarat grey marble would be used for other remaining buildings. Furthermore, the Engineer had already withheld a portion of the payment in the IPCs due to the marble tiles being supplied not meeting the required specifications. i.e. of lesser thickness.

The reply was no tenable because no rate analysis and price adjustment was made before changing color/type of marble. Moreover, no amount was withheld till IPC No.48.

A DAC meeting was scheduled on January 06, 2025 and the said para was included in the agenda of the meeting but could not be discussed.

Audit recommends the management to justify change in specification of marble without rate analysis and payment made thereon as pointed out by the M&S team of WAPDA besides fixing of responsibility.

(Draft Para No.207/2024-25)

1.5.58 Unjustified payment for acquisition of damaged land and compensation of crops and trees by the contractor during construction of Thak Powerhouse - Rs.38.257 million

According to Clause-22.1 of FIDIC 1987, the contractor shall indemnify the Employer against all losses and claims in respect of (a) death of or injury to any person, or (b) loss of damage to any property which may arise out of or in consequence of the works and remedying of any defects therein, and against all claims, proceeding, damages, costs, charges and whatsoever in respect thereof or in relation thereto.

During special audit of the funds provided for LA&R of DBDP (revised), it was noticed that an award for Rs.33.057 million was issued for acquisition of damaged land and trees and five awards totalling Rs.5.200 million for crops compensation were issued by the DC/LAC DBDP Diamer due to construction activities of Thak Powerhouse.

Audit observed the following shortcomings regarding this award:

- i. As per GCC, the contractor was responsible to indemnify the loss occurred to persons or damage to property during completion of works.
- ii. Verification was not conducted by SUPARCO/GIS to evaluate the exact area, location, trees and nature of damages due to construction of powerhouse.
- iii. Report submitted by the committee was not vetted by all members of the committee to re-verify the category of land and damages of land acquired for Thak Powerhouse.
- iv. Assessment of crops compensation was conducted by DC office staff (Patwari, Girdawar and Tehsildar), which were not the notified members of committee for the assessment of crops and tress.

- v. Approval from WAPDA Authority was not obtained for acquiring property including land and trees.

Due to the above shortcomings, the payment made for compensation of damages to land, trees and built-up property was not justified and loss to WAPDA Authority.

Non-adherence to FIDIC condition resulted into unjustified payment amounting to Rs.38.257 million for acquisition of damaged land and compensation of crops and trees by the contractor during construction of Thak Powerhouse.

The matter was taken up with the management in June, 2023 and reported to MoWR in August, 2023. The management replied that damages occurred in different times and irrigation channel was also cut off during the construction of activities. The contractor was responsible for partial damages to private property only. Damages occurred in Thak were of permanent nature, for which WAPDA was responsible.

The reply was not tenable as damages occurred due to construction activities, therefore, compensation needs to be recovered from contractor. Moreover, WAPDA Authority's approval was not obtained for the acquisition of additional land and GIS verification was not also carried out.

The PAO was requested to schedule a DAC meeting vide this office letter dated August 07, 2023. Subsequently, as per procedure, two reminders were also issued on September 13, 2023 and October 05, 2023, however, DAC meeting could not be scheduled.

Audit recommends the management to justify the payment made on account of compensation and acquisition of additional land as a consequence of works conducted by the contractor.

(Para No.4.10 of SAR of DBDP)

1.5.59 Undue favour to the contractor by adjustment of balance amount of advance payment against retention money - Rs.35.124 million

According to Appendix-1 (Terms and Procedures of Payment) of contract No.TL-01, 5% of the retention money shall be released upon issuance of the Completion Certificate whereas remaining 5% retention money shall be released

upon issuance of Operational Acceptance Certificate. Further, there was no provision for adjustment of any recoverable amount against retention money.

During audit of accounts of GM/PD, DHPP for the period from July, 2023 to June, 2024, it was noticed that an amount of Rs.35.124 million (USD 125,514.50) was recoverable from the contractor on account of balance amount of advance payment. Further probe into the matter revealed that the work was not yet completed but the said recoverable amount was adjusted in IPC No.69 against retention money out of which 5% was required to be released to the contractor upon issuance of Completion Certificate and 5% upon issuance of Operational Acceptance Certificate. Audit held that as the retention money was kept as per provisions of contract and there was no clause in the contract for such adjustment, therefore, adjustment of recoverable amount of advance payment against retention money was unjustified.

Non-adherence to the provisions of contract resulted in an undue favour to the contractor by adjustment of balance amount of advance payment of Rs.35.124 million against retention money during FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in November, 2024. The management replied that a mechanism for recovery was mutually agreed upon by the parties.

The reply was not tenable because adjustment of recoverable amount of advance payment against retention money in violation of provisions of contract was unjustified.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to justify adjustment of advance payment against retention money in violation of provisions of the contract besides ensuring its recovery from the contractor.

(Draft Para No.205/2024-25)

1.5.60 Excess payment to the contractor due to non-adjustment of contract price on account of changes in legislation - Rs.32.035 million

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 (KPK) Government, KPST on construction of hydropower project was applicable @ 2% w.e.f. July, 2021.

During audit of accounts of GM/PD, DHPP for the period from July 2023 to June 2024, it was noticed that bid dated 22.11.2017 of M/s China Gansu International Corporation for Economic and Technical Cooperation (CGICOP) for Contract No.PCI-01R was accepted by the management on 27.08.2018 at a contract price of Rs.4,900 million. At the time of bidding, applicable rate of Khyber Pakhtunkhwa Revenue Authority (KPRA) sales tax was 5% (vide KPRA notification dated February 04, 2016) and 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%. 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.32.035 million to the contractor.

Non-adherence to the provision of contract resulted in excess payment of Rs.32.035 million to the contractor due to non-adjustment of contract price on account of changes in legislation during the financial year 2023-24.

The matter was taken up with the management in October, 2024 and reported to MoWR in November, 2024. The management replied that working was being made to formulate a comprehensive claim which would be submitted to the Engineer for determination. After Engineer’s determination, the entitled amount to be recovered from the contractor would be included as a deduction in the contract price and payment certificates accordingly.

The DAC in its meeting held on November 27, 2024 directed the management to effect recovery and get it verified from Audit.

No further progress towards recovery was intimated till finalization of this Audit Report.

Audit recommends the management to implement DAC's decision.

(Para No.4.1.1 of FAP Report of Loan No. IDA 5498-PK)

1.5.61 Overpayment to the contractor due to incorrect certification of payment by the consultants - Rs.28.714 million

According to Clause-20.1 of General Conditions of CSC, “the consultants shall perform the services and carry out their obligations with all due diligence, efficiency and economy, in accordance with generally accepted professional techniques and practices, and shall observe sound management practices, and employ appropriate advanced technology, equipment and safe methods”.

During audit of accounts of PD, T5HPP for the period from July, 2023 to June, 2024, it was noticed that a contract for civil works was signed with M/s PCCCL on May 03, 2021 at a contract price of Rs.34,044.505 million and CNY 958.218 million. Further scrutiny of the record revealed that as per summary of cost of VO No.09 under IPC No. 20, the amount of work done was Rs.4.324 million and CNY 30,746. However, as per summary sheet for payment, an amount of Rs.19.439 million & CNY 0.385 million instead of Rs.4.324 million & CNY 30,746 was paid to the contractor which resulted in overpayment of Rs.28.714 million (Rs.15.204 million and CNY 0.354 million).

Non-adherence to the provisions of CSC resulted in overpayment of Rs.28.714 million to the contractor due to incorrect certification of payment by the consultants during FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in November, 2024. The management replied that upon identification of discrepancy, review was conducted in coordination with the consultants and the contractor. The consultants assured correction of overpaid amount in subsequent IPC and record would be submitted to Audit for verification upon recoveries.

No further progress towards recovery was intimated till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to ensure recovery of overpaid amount from the contractor at the earliest and provide relevant record accordingly.

(Draft Para No.314/2024-25)

1.5.62 Unjustified payment to the contractor due to providing & fixing of wooden doors contrary to technical specifications - Rs.22.749 million

According to Clause-9.1.3 of Technical Specifications of contract No.PCI-01R, “the timber shall be in accordance with the requirements of BS:1186. Best quality timber shall be from the heart of a sound tree, the sap wood shall be entirely removed, the wood shall be uniform in substance, straight in fiber, free from large or dead knots, flaws, shakes or blemishes of any kind. The colour of timber shall be uniform throughout and among coloured timbers; darkness of colour shall be an apparent indication of strength and durability. For best quality teak wood, the size of the knot shall not be more than 13mm and there should not be more than one knot in every sq. metre of timber. For best quality deodar wood, the size of the knot shall not be more than 25mm and there shall not be more than one knot in every 0.4 sq. metre of timber. Timber shall be properly seasoned. It shall be kiln or air dried to reduce the moisture content to a maximum of 15% of its natural weight”. As per Clause-14.6 (a) of GCC, “if anything supplied or work done by the contractor is not in accordance with the Contract, the cost of rectification or replacement may be withheld until rectification or replacement has been completed”. As per Clause-3.1.1 of GCC of CSA, “the consultants shall perform the services and carry out their obligations hereunder with all due diligence, efficiency and economy, in accordance with generally accepted professional standards and practices, and shall observe sound management practices, and employ appropriate technology and safe and effective equipment, machinery, materials and methods”.

During audit of accounts of GM/PD, DHPP for the period from July, 2023 to June, 2024, it was noticed that contract No.PCI-01R was awarded to M/s CGICOP on October 18, 2018 at a contract price of Rs.4,900 million. As per contract, the contractor was required to supply & fix solid wood paneled doors according to above mentioned specifications and an amount of Rs.22.749 million had been paid to the contractor against subject work up to IPC No.48. A team comprising of members from WAPDA and consultants visited the colony on June 14, 2023 to check the quality of wood work. As per observations of the team, the doors were not manufactured/fix as per provided technical specifications. The issue of poor quality of doors was also brought to the knowledge of project management by the M&S Team of WAPDA. The management vide letter dated October 10, 2023 informed the consultants about poor quality of doors. After taking notice of poor quality of work by the management and M&S Team, the consultants took up the matter with the contractor but neither the defective doors were replaced nor cost thereof was deducted from the IPCs of the contractor. Audit held that certification of amount against poor quality of wood work by the consultants and non-identification of these discrepancies by the supervisory staff of WAPDA at construction stage was evident of the fact that the consultants/supervisory staff were not performing their duties with due diligence. Hence, payment made to the contractor against this item was not justified.

Non-adherence to the provisions of contract resulted in unjustified payment of Rs.22.749 million to the contractor due to providing & fixing of wooden doors contrary to specifications up to FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in November, 2024. The management replied that an amount of Rs.5.687 million had been withheld to address the deficiencies associated with the solid wood paneled doors. The contractor has been formally notified to either rectify the defects or replace the defective solid wood paneled doors to ensure compliance with requirements of contract.

No further progress towards replacement of doors or recovery of cost thereof was intimated till finalization of this Audit of Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to either ensure replacement of defective doors as per specifications or effect recovery of the amount from the contractor besides fixing of responsibility on the consultants for certifying sub-standard work.

(Draft Para No.256/2024-25)

1.5.63 Unjustified payment to the contractor due to excess work certified by the consultants - Rs.14.560 million

According to Clause-12.2 (a) of GCC, except as otherwise stated in the contract and notwithstanding local practice, measurement shall be made of the net actual quantity of each item of the Permanent Works. As per Clause-3.1.1 of the CSA, “the consultants shall perform the services and carry out their obligations hereunder with all due diligence, efficiency and economy, in accordance with generally accepted professional standards and practices, and shall observe sound management practices and employ appropriate technology and safe and effective equipment, machinery, materials and method”.

During audit of accounts of GM/PD, DHPP for the period from July, 2023 to June, 2024, it was noticed that as per cross-sections of BOQ Item No. C-1.2(a)(iii) regarding excavation for clear water tank and chlorination room (under contract No.PCI-01R), design quantity of excavation material was 2,527.638 m³. Further probe into the matter revealed that excavation quantity of 13,837.58 m³ was paid to the contractor instead of actual design quantity. Due to incorrect certification of work, an amount of Rs.14.560 million was paid to the contractor in excess of due amount, which was unjustified. It was also evident that the consultants were not performing their duties with due diligence.

Non-adherence to aforementioned provisions resulted in unjustified payment of Rs.14.560 million to the contractor due to excess certification of work by the consultants during FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in November, 2024. The management replied that due to

issues related to land acquisition, local community declined to provide the required land for the proposed route of the water transmission line. The resolution of the land acquisition issue for the water supply route was significantly delayed. Nevertheless, during this period, excavation works for the raw water tank, slow sand filter, and clear water tank were carried out at the site. However, with the revised intake arrangement from the underground powerhouse, these components were no longer necessary to meet the revised requirements and Engineer's proposal to omit the raw water tank and slow sand filter was accepted by the Employer vide letter dated March 17, 2021.

The reply was not tenable because as per cross-section drawings, excavation quantity of clear water tank was 2,527 m³. However, as per measurement sheets, a total quantity of 13,837.58 m³ was paid against design quantity of 2,527 m³. Further, a quantity of 12,694.48 m³ was measured on July 24, 2023 which is contrary to the contention of the management that the execution of said work was discontinued from March 17, 2021.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to inquire the matter for fixing of responsibility of excess payment besides ensuring its recovery from the contractor.

(Draft Para No.251/2024-25)

1.5.64 Undue favour to the contractor due to non-renewal of insurance policy - Rs.14.300 million

According to Clause-18.1 of GCC, "if the insuring party fails to effect and keep in force any of the insurances it is required to effect and maintain under the contract, or fails to provide satisfactory evidence and copies of policies in accordance with this Sub-Clause, the other party may (at its option and without prejudice to any other right or remedy) effect insurance for the relevant coverage and pay the premiums due. The insuring party shall pay the amount of these premiums to the other party, and the contract price shall be adjusted accordingly". As per Clause-18.2, "the insuring party shall maintain this

insurance to provide cover until the date of issue of the performance certificate, for loss or damage for which the contractor is liable arising from a cause occurring prior to the issue of the TOC, and for loss or damage caused by the contractor in the course of any other operations”.

During audit of accounts of PD, T4HPP for the period from July, 2023 to June, 2024, it was noticed that the Contractor’s All Risk insurance policy of the project was not renewed by the contractor for the financial year 2023-24. As per provisions of contract, the contractor was required to keep the insurance coverage valid up till issuance of the performance certificate/TOC but the contractor did not extend the same, which resulted in high risk for the project. The insurance premium for the financial year 2023-24 was Rs.14.300 million (approx.) which was required to be recovered from the contractor but the needful was not done. It was evident that an undue favour was extended to the contractor.

Non-adherence to the provisions of contract resulted in an undue favour of Rs.14.300 million to the contractor due to non-renewal of insurance policies during FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in November, 2024. The management replied that no prominent activity was under process at site except for claims, however, the contractor was being pursued to fulfill the obligation under the contract.

The reply was not tenable because insurance coverage is not linked with site activity and is a contractual obligation. Non-renewal of insurance coverage resulted in high risk for the project. Further, undue favour was extended to the contractor due to non-recovery of the insurance premium amount in violation of the provisions of contract.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to fix responsibility for non-recovery from the contractor besides ensuring renewal of the insurance coverage as per provisions of contract.

(Draft Para No.287/2024-25)

1.5.65 Irregular payment on account of escalation on doubtful work without any measurement and approved rate - Rs.12.125 million

According to Sub-Clause 3.1.1 of CSA, the consultants shall perform the services and carry out their obligations with all due diligence, efficiency and economy in accordance with generally accepted professional techniques and practices and shall observe sound management practices and employ appropriate advanced technology and safe methods. Moreover, as per Sub-Clause-56.1 of GCC, the Engineer, shall except as otherwise stated, ascertain and determine by measurement the value of the works in accordance with the contract and the contractor shall be paid that value in accordance with Clause-60.

During audit of accounts of CE/PD, KTDP for the period from July 2023 to June 2024, it was noticed that consultancy service agreement was signed between WAPDA and consultants for construction supervision of KTDP on November 17, 2011. It was observed that value of work done under IPC-61 was Rs.233.832 million, on which, escalation was worked out and the contractor was paid Rs.268.831 million. Further probe into the matter revealed that Rs.81.010 million was included in total value of work done of IPC-61 without depicting its executed quantity and rate. Accordingly, escalation of Rs.12.125 million ($\text{Rs.81.010} \times 1.1496756 - \text{escalation factor} = 93.136$ million; $\text{Rs.93.136} - 81.010$ million) was paid on it. Audit held that inclusion of value of work in IPC-61 without recording its executed quantity, rate and measurement was doubtful and contrary to the conditions of the contract. Therefore, payment of escalation amounting to Rs.12.125 million was irregular and unjustified.

Non-adherence to the conditions of CSA resulted in irregular payment of escalation to the contractor amounting to Rs.12.125 million during FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in October, 2024. The management replied that excess amount of Rs.93.136 million, included in the VOs, was added due to a human error. This amount would be recovered/deducted from the contractor's upcoming IPCs under intimation to Audit.

Audit contended that matter be investigated by FIA.

The DAC in its meeting held on November 27, 2024 directed the management to conduct inquiry into the matter comprising of following members:

- JS MoWR, Mr. Ghulam Farooq
- CEA FFC
- GM (M&S), Mr. Talib Naqvi

and submit report to Audit and Ministry within one month before proceeding to investigation.

No further progress of inquiry was intimated till finalization of this Audit Report.

Audit recommends the management to implement DAC's decision.

(Para No.4.1.1 of FAP Report of USAID grant No. 391-WPD-KTD-002-001)

1.5.66 Unjustified excess payment of remuneration to the consultants - Rs.11.668 million

According to MoM of negotiation with the M/s Techno Consultants, reference date will be July, 2020 for local consultants whereas it will be proposal submission date for foreign consultants for verification of basic salary. The consultants proposed/agreed that the proposed remuneration rates including breakdown will be verified by WAPDA project authorities in accordance with Request for Proposal (RFP) through documentary evidences during execution of contract by considering these rates as the maximum.

During audit of accounts of PD, K-IV project for the period from July, 2023 to June, 2024, it was noticed that as per minutes of meeting of negotiation of WAPDA with the consultants (M/s Techno Consultants, JV), it was decided that reference month for determination of basic salaries of the local consultants would be July, 2020. In this regard, a committee was constituted on March 21, 2022 for verification of proposed remuneration rates for staff of the consultants. As per salary slips provided by the local consultants for the month of July, 2020, salary rates of four personnel were more than the agreed rates. However, since agreement, the payment was being made to the consultants for these personnel at higher rates instead of actual verified rates. Thus, an amount of Rs.11.668 million (including escalation) was paid to the consultants in excess of due amount, which was not justified.

Non-adherence to the minutes of meeting of negotiation committee resulted in unjustified excess payment of Rs.11.668 million on account of remuneration to the consultants during FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that the salary slips for July, 2020 for four personnel showed lower rates than those proposed in the RFP because they did not include the overdue increment, which was still awaiting final approval from their Board of Management. Once the escalation was approved by Consultant's Management, the revised salaries, including arrears, were paid to the experts in accordance with the rates specified in the CSA.

The reply was not tenable because as per minutes of meeting, reference date for verification of basic salary was July, 2020 and there was no provision for payment of increment or applicability of rates mentioned in RFP, therefore, excess payment was unjustified.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to ensure recovery of excess paid amount of remuneration from the consultants without further loss of time.

(Draft Para No.137/2024-25)

1.5.67 Unjustified payment of management fee to the contractor in violation of provision of the contract - Rs.8.373 million

According to Para-3 of Preamble to BOQ, "the rates and prices entered in the priced BOQ shall, except insofar it is otherwise provided under the contract, include all costs of the contractor's plant, labor, supervision, materials, execution, insurance, profit, taxes and duties, together with all general risks, liabilities and obligations set out or implied in the contract".

During audit of accounts of CE/PD, KTDP for the period from July, 2023 to June, 2024, it was noticed from VO No.4 regarding varied works of Sheratalla Canal Tunnel that 20% management fee was allowed to the contractor on four non-BOQ items and an amount of Rs.8.373 million was paid to the contractor up

to IPC-61. It was further noticed that these were not non-BOQ items and rate of the same were already available in BOQ of original contract which were required to be used while preparing said VO which was not done. As per original contract agreement, there was no such provision for payment of management fee on BOQ items whether in or outside VO. Audit held that as the rates of these items were available in original contract, therefore, payment of management fee by classifying these items as non-BOQ and without any provision in the contract was not justified.

Non-adherence to provision of contract resulted in unjustified payment of management fee amounting to Rs.8.373 million to the contractor up to FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in December, 2024. The management replied that due to inability of the main contractor to construct tunnel, M/s MHCE-SWEG JV, a specialized tunneling sub-contractor, was engaged to execute the works. The main contractor retained responsibility for the sub-contractor's activities, including supervision, coordination, and ensuring compliance with contractual and safety requirements. Therefore, payment of management fee was justified.

The reply was not tenable because there was no provision in the contract for payment of management fee to the contractor on BOQ items or variation order.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to justify payment of management fee to the contractor on BOQ items besides ensuring its recovery from the contractor.

(Draft Para No.374/2024-25)

1.5.68 Undue favour to the consultants due to non-black listing

According to Clause-11 of the Procurement of Consultancy Services Regulations, 2010, the consultants selected and awarded a contract shall be liable

for consequence of errors or omissions on its part. The consultants shall be held liable for all losses or damages suffered by the procuring agency on account of any misconduct and unsatisfactory performance by the consultants in performing the consulting services. As per Rule-19 of PPRA Rules, the procuring agency shall devise a comprehensive mechanism for blacklisting and debarment of bidders for a specified time in accordance with regulations made by the Authority, and the bidders shall be declared as blacklisted and henceforth cross debarred for participation in respective category of public procurement or disposal proceedings for a period of not more than three years.

During audit of accounts of two formations of WAPDA for the period from July, 2023 to June, 2024, it was noticed that consultancy agreements for T4HPP and T5HPP were awarded to M/s Mott McDonald Limited (United Kingdom) as lead firm on March 12, 2013 and April 13, 2019, respectively. Later on, staff of consultants suspended site activities and abandoned the site of T4HPP and T5HPP on May 17 & 16, 2024 respectively. Further, a ‘Notice to Terminate the Consultant’s Service Contract’ of T5HPP was served by the consultants to the Employer on May 17, 2024 on account of non-payment of their consultancy invoices. This notice was sent to the PD office of T5HPP by the Project Manager after leaving the site. It is pertinent to mention over here that as per contract clauses 2.9.2 & 19.1.3, the consultants were required to serve a written notice to the Employer at least 30 days before suspension of work which was not done. Consequently, Member (Water) and Chairman WAPDA issued letters of displeasure to the consultants on May 17 & 20, 2024 respectively regarding negligence in discharging their duties involving potential claims exceeding USD 18 million at T5HPP. Moreover, the management had already held the consultants responsible for events on account of gross negligence having a financial implication of Rs.177.018 million and USD 20.916 million at T4HPP. Audit held that as the act of leaving the site by the consultants was against conditions of the CSC, therefore, action was required to be taken against the consultants but the same was not done by the management. The detail is as under:

| Sr. No. | Name of Formation | DP No. |
|----------------|--------------------------|---------------|
| 1 | PD, T4HPP | 192/2024-25 |
| 2 | PD, T5HPP | 301/2024-25 |

Non-adherence to the aforementioned rules/regulations resulted in an undue favour to the consultants due to their non-black listing during FY 2023-24.

The matter was taken up with the management in August & September, 2024 and reported to MoWR in November, 2024. The management of T4HPP replied that remedy under the provision of relevant consultancy contract had already taken through issuing the notice of dispute on June 03, 2024. The management of T5HPP replied that the matter was thoroughly reviewed in consultation with the relevant authorities and the legal advisor. The process for blacklisting the consultants has been initiated under the applicable guidelines to ensure full compliance with the contractual and regulatory framework.

No further progress towards blacklisting of the consultants was intimated till finalization of this Audit Report.

The para was discussed in DAC meeting held on January 13, 2025, however, minutes of DAC meeting were not provided by the PAO MoWR till finalization of this Audit Report.

Audit recommends the management to expedite the process of black listing of the consultants and ensure recovery as per contracts.

C. Financial Management

1.5.69 Non-recovery of invoiced amount of sale of energy from Central Power Purchasing Agency-Guarantee - Rs.140,999.971 million

According to Power Purchase Agreement (PPA), “the invoice shall state the due date for payment of invoice on or before 25th following the delivery of invoice. In case, the 25th day is not business day, the following day shall be deemed to be the due date”. As per Clause-4.2 of Interim Tripartite PPA between Central Power Purchasing Agency-Guarantee Limited (CPPA-G), NJHPC and WAPDA “the company (NJHPC) shall submit one invoice monthly in arrear in original along with all relevant supporting information in reasonable detail to the Purchaser, provided that such invoice shall state the price, amount of invoice and the unit of Net Electrical Output at the Metering point, in Kilowatt hour (kWh), for the relevant month. The purchaser shall make payment for verified and undisputed amounts against each invoice submitted by the Company on or before the thirtieth (30th) day (Due Date) following the day the invoice is delivered by the company provided that, in case the 30th day is not a business day, the following business day shall be the Due Date”.

During audit of accounts of two formations of WAPDA for the period from July, 2023 to June, 2024, it was noticed that an amount of Rs.140,999.971 million was recoverable from CPPA-G against verified invoices of the sale of energy. As per PPAs, the amount of invoices was required to be recovered from CPPA-G but no amount pertaining to these invoices was received during the year. The detail is as under:

| (Rs. in million) | | | |
|------------------|--------------------|-------------|--------------------|
| Sr. No. | Name of Formation | DP No. | Amount |
| 1 | CEO, NJHPC | 79/2024-25 | 15,902.887 |
| 2 | GM (Finance) Power | 469/2024-25 | 125,097.084 |
| Total | | | 140,999.971 |

Non-adherence to PPAs resulted in non-recovery of Rs.140,999.971 million from CPPA-G against sale of energy during FY 2023-24.

The matter was taken up with the management in August & October, 2024 and reported to MoWR in November & December, 2024. The management of NJHPC replied that an amount of Rs.1,938 million had been recovered from

CPPA-G whereas GM (Finance) Power replied that an amount of Rs.56,242 million had been recovered during July to November, 2024. Further progress towards recovery would be intimated to Audit accordingly.

No further progress towards recovery was intimated till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to pursue the matter at appropriate level for recovery of outstanding dues and devise a mechanism on permanent basis to address this issue of huge receivables from CPPA-G besides provision of record of recovered amount for verification.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2021-22, 2022-23 & 2023-24 vide Paras No.1.5.38, 1.5.38 & & 1.5.39 having financial impact of Rs.156,544.989 million. Recurrence of same irregularity is a matter of serious concern.

1.5.70 Loss of revenue due to non-approval of reference tariff by NEPRA - Rs.77,270.705 million

According to 3rd revised PC-I of the NJHPP dated December 19, 2015, ECNEC approved the revised cost of the project subject to the condition that Third Party Validation (TPV) of cost estimates of PC-I may be carried out within three (03) months to ensure transparency of cost estimates.

During audit of accounts of CEO NJHPC for the period up to June, 2024, it was noticed 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 (03) 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 May 17, 2018. As per Tariff Petition filed with NEPRA, NJHPC demanded a reference tariff of Rs.13.0331/kWh for first ten (10) years but 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.77,270.705 million to the company. The detail is as under:

(Rs. in million)

| Sr. No. | Para/DP No. | Amount |
|--------------|--|-------------------|
| 1 | Para No.4.1.3.1 of Performance Audit Report of NJHPP | 70,443.298 |
| 2 | DP No.139/2024-25 | 6,827.407 |
| Total | | 77,270.705 |

Non-adherence to the instructions of ECNEC and subsequent non-approval of reference tariff by NEPRA resulted in loss of revenue amounting to Rs.77,270.705 million up to the FY 2023-24.

The matter was taken up with the management in March, 2023 and August, 2024 and reported to MoWR in March, 2023 and November, 2024. The management replied that the matter was being pursued with the Ministry of Planning, Development and Special Initiatives (MoPD&SI). It was informed that bidding process for hiring of TPV consultants was initiated twice but remained unsuccessful. However, MoWR has been requested on November 25, 2024 for taking up the matter with MoPD&SI to expedite the process of TPV, alternatively, approval of ECNEC be sought to set aside the pre-condition of TPV for tariff determination.

Further progress regarding TPV of cost of NJHPP was not intimated to Audit till finalization of this Audit Report.

The PAO was requested to schedule DAC meetings vide this office letters dated March 31, 2023 and December 10, 2024. Subsequently, as per procedure, two (02) reminders were also issued on September 13, 2023, October 10, 2023 and December 17 & 27,2024, however, DAC meetings could not be scheduled.

Audit recommends the management to pursue the matter to obtain approval of reference tariff from the NEPRA without further loss of time.

1.5.71 Non-charging and non-recovery of interest on delayed payments from CPPA-G - Rs.14,517.702 million

According to PPA, “any payment other than fixed charge payment and

variable charge payment due to WAPDA from National Transmission and Despatch Company (NTDC) shall be treated as supplementary payment which shall be invoiced by WAPDA on a monthly basis. Late payments shall bear interest at a rate per annum equal to the Base Rate plus two percent (2%) per annum compounded semi-annually and shall be computed for the actual number of days on the basis of a three hundred sixty-five (365) day year”. As per Interim Tripartite PPA between CPPA-G, NJHPC and WAPDA, “Delayed payment rate is Karachi Interbank Offered Rate plus two percent (2%) per annum on any amounts payable in rupees and calculated for the actual number of days which the relevant amount remains unpaid on the basis of a three hundred sixty-five (365) day year”.

During audit of accounts of two formations of WAPDA for the period from July, 2023 to June, 2024, it was noticed that invoices against sale of energy were raised by GM (Finance) Power to CPPA-G for the FY 2023-24. The amount was to be recovered from CPPA-G but the same was not recovered. Therefore, interest of Rs.6,765.694 million accrued thereon was required to be charged to CPPA-G which was not done. Similarly, an amount of Rs.7,752.008 million on account of interest on delayed payments pertaining to the invoices of NJHPC from May, 2021 to March, 2022 was to be recovered from CPPA-G but no recovery was affected till date. The detail is as under:

| (Rs. in million) | | | |
|-------------------------|--------------------------|---------------|-------------------|
| Sr. No. | Name of Formation | DP No. | Amount |
| 1 | CEO, NJHPC | 78/2024-25 | 7,752.008 |
| 2 | GM (Finance) Power | 383/2024-25 | 6,765.694 |
| TOTAL | | | 14,517.702 |

Non-adherence to the PPAs resulted in non-charging and non-recovery of interest on delayed payments amounting to Rs.14,517.702 million from CPPA-G up to FY 2023-24.

The matter was taken up with the management in August & October, 2024 and reported to MoWR in November & December, 2024. The GM (Finance) Power replied that GM (Hydel) Operation would raise invoices for late payment surcharge to CPPA-G. The management of NJHPC replied that CPPA-G has been making payments on first in first out method basis according to their fund position and progress achieved in the matter would be intimated to Audit in

due course of time.

No further progress towards charging and recovery of interest on delayed payments was intimated till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to pursue the matter at appropriate level and devise a mechanism to ensure timely charging and recovery of interest on delayed payments from CPPA-G.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2023-24 vide Para No.1.5.41 having financial impact of Rs.15,526.026 million. Recurrence of same irregularity is a matter of serious concern.

1.5.72 Non-finalization of disallowed invoices on account of sale of energy - Rs.12,791 million

According to Clause-15.1 of PPA, “in the event of any dispute arising out of the terms of this agreement, the parties shall make every effort through coordination committee if required to reach an amicable settlement within forty-five (45) days. If the dispute cannot be settled within such 45 days period, it shall be referred for determination to an expert agreed by both the parties”.

During audit of accounts of GM (Finance) Power for the period from July, 2023 to June, 2024, it was noticed that an amount of Rs.12,791 million against invoices raised for sale of electricity during the said period were disallowed by CPPA-G. As per PPA, the disallowed invoices were required to be finalized through coordination committee within 45 days but neither the disallowed amount was finalized nor the matter was referred to coordination committee for resolution. Due to non-finalization of disallowed invoices, the amount could not be recovered from the CPPA-G.

Non-adherence to the PPA resulted in non-finalization of disallowed invoices amounting to Rs.12,791 million during FY 2023-24.

The matter was taken up with the management in October, 2024 and reported to MoWR in December, 2024. The management replied that the matter had already been taken up by the o/o GM (Hydel) Operation with CPPA-G.

No further progress towards settlement of disallowed invoices was intimated till finalization of this Audit Report.

A DAC meeting was scheduled on January 06, 2025 and the said para was included in the agenda of the meeting but could not be discussed.

Audit recommends the management to pursue the matter for finalization of disallowed invoices as per PPA besides ensuring its recovery from CPPA-G.

(Draft Para No.470/2024-25)

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide Para No.1.5.41 having financial impact of Rs.2935.778 million. Recurrence of same irregularity is a matter of serious concern.

1.5.73 Irregular expenditure incurred in excess of 1st revised PC-I - Rs.8,999.129 million

According to Para-6.11 of Manual for Development Projects, once approved, the executing agency is required to implement the project in accordance with the PC-I provisions. It has no authority to change or modify any approved parameter of the project. If the project executing agency determines (based on detailed justification) that the project cannot be implemented under the approved parameters and it requires revision of scope, physical components or financial allocation, a revised PC-I must be submitted to the competent forum for approval immediately. No expenditure may be incurred beyond the approved scope and cost of the project, and if it is done, it would be considered as illegitimate expenditure.

During audit of accounts of CE/PD, GGHP for the period from July, 2023 to June, 2024, it was noticed that 1st revised PC-I of the project was approved by ECNEC in its meeting held on September 30, 2016 at a cost of Rs.29,077.173 million to be completed in May, 2018 whereas an expenditure of Rs.38,076.302 million was incurred up to June, 2024. The case was submitted to ECNEC for approval of 2nd revised PC-I in its meeting held on July 09, 2024 who directed that expenditure would be capped at approved cost of the 1st revised PC-I. It was further directed that MoPD&SI in consultation with MoWR would determine the

way forward on adjusting the remaining expenditure which was not done. Hence, expenditure of Rs.8,999.129 million incurred up to June, 2024 in excess of approved cost of 1st revised PC-I was irregular.

Non-observance of the instructions stated in Manual for Development Projects resulted in excess expenditure of Rs.8,999.129 million against 1st revised PC-I up to FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in December, 2024. The management replied that ECNEC in its meeting dated July 09, 2024 approved the 2nd revised PC-I of the project amounting to Rs.42,001 million. Hence, the said expenditure incurred was deemed regular.

The reply was not tenable as ECNEC capped/restricted the expenditure incurred on the project to the extent of 1st revised PC-I i.e. Rs.29,077.173 million and directed MoPD&SI to determine the way forward in consultation with MoWR for adjustment of the excess expenditure which was not done so far.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to implement directions of ECNEC without further loss of time.

(Draft Para No.443/2024-25)

1.5.74 Non-opening of dedicated bank accounts for deposit of retention money - Rs.7,215.493 million

According to Assan Assignment Account Procedure (Local Currency), 2020, “security deposit/retention money may be deposited in a designated bank account in case of perpetual organizations like the National Highway Authority but in case of projects/programmes or operational units or corporations, in a dedicated bank account opened with the approval of Finance Division or in Public Account. The account shall be used for deposit of retention money only and no utilization shall be made out of the account, except payment of retention money/security deposit. Such account shall immediately be closed on expiry of the contract or completion of project under intimation to Finance Division. In

case retention money is forfeited or not claimed within a stipulated period, the same may be deposited along with interest, if any, in the Federal/provincial government Account as the case may be”.

During audit of accounts of four formations of WAPDA for the period from July, 2023 to June, 2024, it was observed that an amount of Rs.7,215.493 million on account of retention money was deducted from various IPCs of the contractors. As per aforementioned instructions, the said amount of retention money should have been kept in separate dedicated bank accounts to be opened with the approval of the Finance Division but the needful was not done. The detail is as under:

| (Rs. in million) | | | |
|-------------------------|--------------------------|---------------|------------------|
| Sr. No. | Name of Formation | DP No. | Amount |
| 1 | PD, K-IV project | 86/2024-25 | 2,237.569 |
| 2 | GM/PD, DBDP | 115/2024-25 | 1,735.575 |
| 3 | PD, NGDP | 177/2024-25 | 195.972 |
| 4 | GM/PD, MDHP | 267/2024-25 | 3,046.377 |
| TOTAL | | | 7,215.493 |

Non-adherence to the Procedure for Operation of Assignment Account resulted in non-opening of dedicated bank accounts for deposit of retention money amounting to Rs.7,215.493 million up to FY 2023-24.

The matter was taken up with the management during August to October, 2024 and reported to MoWR in November, 2024. The management replied that the cases for opening of designated bank accounts for deposit of retention money were under process of approval. The concerned project offices were pursuing the matter vigorously and progress would be intimated to Audit accordingly.

No further progress towards opening of dedicated bank accounts for deposit of retention money was intimated till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to justify non-opening of dedicated

bank accounts for deposit of retention money besides ensuring compliance of the instructions of Finance Division without further delay.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2020-21, 2021-22, 2022-23 & 2023-24 vide Paras No.1.5.51, 1.5.56, 1.5.45 & 1.5.43 having financial impact of Rs.10,909.762 million. Recurrence of same irregularity is a matter of serious concern.

1.5.75 Non-recovery of unspent balance from DC/LACs of Diamer and Kohistan - Rs.5,144.210 million

According to Section-12.12.2 (2) of WAPDA Accounting and Financial Reporting Manual, “the Authority has to pay interest on the funds it receives from Government. It is, therefore, essential that a project should not keep in its bank accounts funds surplus to its immediate requirements”.

During special audit of the funds provided for LA&R of DBDP (revised), it was noticed that an amount of Rs.73,401.150 million and Rs.324.250 million was transferred to DC/LACs of Diamer and Kohistan respectively for making payments on account of acquisition of land and resettlement. It was further noticed that amounts of Rs.68,289 million and Rs.292.190 million were disbursed by the DC/LACs of Diamer and Kohistan respectively. However, remaining unspent balance of Rs.5,144.210 million was lying with DC/LAC DBDP Diamer. The unspent balance of DC/LAC Kohistan was lying in the treasury office.

Audit held that since authority had to pay interest on the funds it received from government, therefore, unspent balance lying with the DC/LACs of Diamer and Kohistan should have been recovered.

Non-adherence to WAPDA Accounting and Financial Reporting Manual resulted into non-recovery of unspent balance of Rs.5,144.21 million from DC/LACs of Diamer and Kohistan.

The matter was taken up with the management in June, 2023 and reported to MoWR in August, 2023. The management replied that the concerned DCs/LACs were requested to transfer the unspent amount and 15 reminders were issued but no response was received from them.

The reply was not tenable as considerable time had elapsed but neither

adjustment nor the recovery of unspent balance and interest thereon was made from DC/LACs concerned.

The PAO was requested to schedule a DAC meeting vide this office letter dated August 07, 2023. Subsequently, as per procedure, two reminders were also issued on September 13, 2023 and October 05, 2023, however, DAC meeting could not be scheduled.

Audit recommends the management to expedite recovery of unspent balance along with interest from concerned DC/LACs thereon.

(Para No.4.28 of SAR of DBDP)

1.5.76 Non-clearance of suspense account of completed projects - Rs.3,575.159 million

According to Para-18 (Section 24.1) of WAPDA Accounting and Financial Reporting Manual, “the GMs Finance (Co-ord., Water and Power) and the Manager Finance/Director (Budget and Accounts) shall occasionally pay visits to the projects/formations under their control to ensure that books of accounts are maintained strictly in accordance with the procedure approved by the Authority and that they are always kept up to date and that suspense has not been created unnecessarily”. As per minutes of meeting of WAPDA Authority dated December 28, 2023, it was decided that Member (Water) would form a team to work/facilitate project offices for financial closure of all completed projects.

During audit of accounts of GM Finance (Water) WAPDA, Lahore for the period from July, 2023 to June, 2024, it was noticed that an amount of Rs.3,575.159 million was appearing as suspense balance in the books of various completed projects. Due to this, financial closure of projects could not be achieved. As per WAPDA Accounting and Financial Reporting Manual, the management was required to keep the books of accounts up to date to avoid unnecessary balances of suspense accounts which was also endorsed by WAPDA Authority in its meeting dated December 28, 2023 but the needful was not done.

Non-adherence to WAPDA Accounting and Financial Reporting Manual and decision of WAPDA Authority resulted in non-clearance of suspense accounts of Rs.3,575.159 million pertaining to completed projects up to FY 2023-24.

The matter was taken up with the management in October, 2024 and reported to MoWR in December, 2024. The management replied that the matter for clearance of suspense balances had already been taken up by the O/o GM (C&M) Water, WAPDA on directions of WAPDA Authority. In this regard, GM (C&M) Water had issued instructions to all supervisory offices to constitute suspense clearing committees at their level for clearance of suspense balances of the projects under their jurisdiction so that financial closure could be achieved.

No further progress towards clearance of suspense balances was intimated till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to inquire the matter regarding non-clearance of suspense accounts of completed projects and ensure clearance of suspense accounts without further delay besides fixing of responsibility for abnormal delays in needful action.

(Draft Para No.459/2024-25)

1.5.77 Non-recovery on account of sale of energy from Government of Gilgit-Baltistan - Rs.1,764.540 million

ECNEC while approving the revised PC-1 of Satpara Dam Project in 2009 directed WAPDA to sell energy to Government of Gilgit-Baltistan (GoGB) at the rate of Rs.5.74/kWh.

During audit of accounts of GM Finance (Coordination) WAPDA, Lahore for the period from July, 2022 to June, 2023, it was noticed that as per original PC-1, WAPDA had to hand over Satpara Dam Project to GoGB after its completion but the same was not taken over by GoGB due to capacity issues. Later on, ECNEC while approving the revised PC-1 of the project directed WAPDA to sell energy to GoGB at the rate of Rs.5.74/kWh. As per direction of ECNEC, an amount of Rs.1,764.540 million on account of sale of energy was recoverable from GoGB but no efforts were made to recover this outstanding amount.

Non-adherence to ECNEC's direction resulted in non-recovery of Rs.1,764.540 million on account of sale of energy from GoGB up to FY 2022-23.

The matter was taken up with the management in March, 2024 and reported to MoWR in July, 2024. The management replied that Chief Minister, Gilgit-Baltistan had been requested to direct Water & Power Department for reimbursement of generation revenue of Satpara Dam Project. WAPDA was pursuing the matter, however, the same was still pending with GoGB.

No further progress towards recovery was intimated till finalization of this Audit Report.

The para was discussed in DAC meeting held on August 15 & 16, 2024, however, minutes of DAC meeting were not provided by the PAO MoWR despite issuance of request for the same till finalization of this Audit Report.

Audit recommends the management to pursue the matter for recovery of long outstanding amount of generation revenue from GoGB.

(Draft Para No.51/2024-25)

1.5.78 Financial loss due to placement of funds in current account instead of daily product account - Rs.1,492.490 million

According to Director Finance (B&C) letter No.29-I-B/General/2017-18/236-48 dated September 14, 2017, Member (Finance) WAPDA being competent authority has decided that all WAPDA formations will operate their official bank accounts (Interest bearing) with banks offering highest interest rates resultantly all existing bank accounts (non-interest bearing) will be deemed as non-operative. Further, as per Project Director DHPP letter No.3545-56 dated May 15, 2015, it was advised to DC/LAC Kohistan (upper) to open a separate bank account on daily product basis.

During special audit of the funds provided for land acquisition of DHPP (Stage-I) for the period from May, 2012 to May, 2023, it was observed that DC/LAC Kohistan (upper) had opened a current account in NBP in 2016 and an amount of Rs.23,947.669 million for land acquisition was placed in this account whereas the Project Director had requested the DC/LAC Kohistan (upper) in 2015 to open a separate interest-bearing bank account instead of current account. However, DC/LAC Kohistan (upper) held this amount in non-interest bearing

bank account. Resultantly, WAPDA had to suffer a financial loss of Rs.1,492.490 million on account of interest.

Non-adherence to the aforementioned directions/instructions resulted in a financial loss of Rs.1,492.490 million.

The matter was taken up with the management in June, 2023 and reported to MoWR in August, 2023. The management replied that bank account was opened in the NBP as per requirements of World Bank. Later on, GM/PD, DHPP requested for conversion of current account into PLS account vide letter dated May 28, 2018 and June 14, 2018.

The reply was not acceptable because separate bank account on daily product basis was not opened by the DC/LAC Kohistan (upper) in violation of given direction/instructions.

The PAO was requested to schedule a DAC meeting vide this office letter dated August 15, 2023. Subsequently, as per procedure, two (02) reminders were issued on September 13, 2023 and October 05, 2023, however, DAC meeting could not be scheduled.

Audit recommends the management to inquire the matter regarding non-opening of interest-bearing bank account and fix responsibility upon the person(s) at fault.

(Para No.4.11 of SAR of DHPP)

1.5.79 Non-recovery of Operation & Maintenance cost from provincial governments - Rs.1,471.985 million

According to decision of ECNEC, O&M cost of the Hub Dam project was recoverable from the Governments of Sindh (GoS) and Balochistan in the ratio of 63.3% & 36.7% respectively. As per MoM dated June 14, 2017 under the Chairmanship of JS (Water), Ministry of Water and Power (MoW&P), it was highlighted/cleared by the Chair and principally agreed by the representative of the Irrigation Department (Government of the Punjab) that O&M expenses of Chashma Jhelum link canal amounting to Rs.150 million per annum with 15% increase per year will be borne by the Punjab Irrigation Department, being the main beneficiary of canal. As per MoM dated April 07, 2021, Chairman, Planning & Development (GoS) concluded that an amount of Rs.163.417 million on account of O&M cost of Darawat Dam will be released to WAPDA at the

earliest. As per 2nd revised PC-I of the project, O&M of the project was the responsibility of the Irrigation & Power Department (GoS). As per Para-9.1.3 (vi) 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”.

During audit of accounts of four formations of WAPDA for the period from July, 2020 to June, 2024, it was noticed that an amount of Rs.1,471.985 million on account of O&M cost of different projects was recoverable from respective provinces being beneficiary of these projects. Audit held that the amount was required to be recovered from the respective provincial governments timely to meet the annual recurring O&M cost but the needful was not done. The detail is as under:

| (Rs. in million) | | | | |
|-------------------------|---|---------------|-------------------------|------------------|
| Sr. No. | Name of Formation | DP No. | Name of Province | Amount |
| 1 | PD, Hub Dam (O&M) Project | 152/2024-25 | Sindh and Balochistan | 395.179 |
| 2 | CE, Chashma Barrage and Chashma Jhelum (CB&CJ) Link Canal | 159/2024-25 | Punjab | 648.663 |
| 3 | PD, Darawat Dam Project | 324/2024-25 | Sindh | 163.417 |
| 4 | GM (Finance) Water | 390/2024-25 | Punjab and KPK | 264.726 |
| Total | | | | 1,471.985 |

Non-adherence to aforementioned decisions/rule resulted in non-recovery of O&M cost of Rs.1,471.985 million from the provincial governments up to FY 2023-24.

The matter was taken up with the management during July to October, 2024 and reported to MoWR in November & December, 2024. The management replied that persistent efforts were being made by involving MoWR for recovery of long outstanding amount from the concerned provinces and progress achieved in the matter would be intimated to Audit accordingly.

No further progress towards recovery of O&M cost was intimated till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to pursue the matter with the concerned provinces for recovery of outstanding amount of O&M cost.

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2022-23 vide Paras No.1.5.46 & 1.5.48 having financial impact of Rs.3,799.830 million. Recurrence of same irregularity is a matter of serious concern.

1.5.80 Non-refund of excess received amount of Neelum Jhelum Surcharge to the consumers - Rs.1,194.780 million

According to Ministry of Energy (Power Division) office memorandum No.PF No.5/29-NJS/2021 dated March 24, 2021, Economic Coordination Committee (ECC) in its meeting held on February 19, 2021 decided that Neelum Jhelum Surcharge (NJS) already imposed on electricity consumers @ Rs.0.10/kWh for development of NJP may be revoked with the immediate effect. The NJS collected after December 28, 2018 may be returned to the eligible consumers/adjusted in their forthcoming electricity bills.

During audit of accounts of CEO, NJHPC for the period from July, 2023 to June, 2024, it was noticed that an amount of Rs.9,989.920 million on account of NJS was received from various Distribution Companies (DISCOs) after December, 2018. Out of total receipt, an amount of Rs.1,194.780 million pertained to the billing period after December, 2018 whereas remaining amount pertained to receivables of previous billing period. As per decision of ECC, the amount of NJS collected by the DISCOs from the consumers and transferred to the NJHPC after its Commercial Operation Date i.e. December 28, 2018 was required to be returned to the respective DISCOs/consumers. However, despite lapse of more than three years, the said amount had not so far been transferred to the DISCOs for onward return to the eligible consumers.

Non-adherence to ECC's decision resulted in non-refund of excess received amount of NJS amounting to Rs.1,194.780 million to the consumers up to FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that Power Planning and Monitoring Company (PPMC) had already been requested to identify return mechanism but response was still awaited. After receiving response from PPMC, the amount would be returned accordingly.

No further progress was intimated till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to actively pursue the matter at appropriate level for ensuring refund of excess paid amount to the concerned consumers through DISCOs in compliance to the ECC's decision without further loss of time.

(Draft Para No.94/2024-25

1.5.81 Non-transfer of profit earned on public sector development funds to the Federal Government - Rs.1,007.561 million

According to Para-1(xvi) of the Assan Assignment Account Procedure (local currency) circulated by the Controller General of Accounts on October 26, 2020, "Security Deposit/Retention Money may be deposited in a dedicated bank account opened with the approval of Finance Division or in a Public Account. The account shall be used for deposit of retention money only and no utilization shall be made out of the account, except payment of retention money/security deposit. Such account shall be immediately closed on expiry of the contract or completion of project under intimation to Ministry of Finance. In case, retention money is forfeited or not claimed within stipulated period, the same may be deposited along with interest, if any, in the Federal/Provincial Government account as the case may be".

During audit of accounts of CEO/PD DBDP for the period from July, 2023 to June, 2024, it was noticed that funds for payment of retention money, etc. were drawn from Assignment Account and kept in MCB bank account due to non-opening of dedicated bank account for deposit of retention money with the approval of Finance Division. An amount of Rs.1,007.561 million was earned as

profit on these deposits during the stated period. As per above mentioned instructions, a designated bank account should have been opened with the approval of Finance Division and said amount of profit was required to be transferred to the Federal Government but the needful was not done.

Non-adherence to the Assan Assignment Account Procedure resulted in non-transfer of profit amounting to Rs.1,007.561 million earned on Public Sector Development Programme (PSDP) funds to the Federal Government during FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that the case of opening of new bank account for depositing of retention money was under process. The profit earned on retention money of the contractors would be transferred to Federal Government on expiry of contracts.

The reply was not tenable because the bank account for deposit of retention money was not opened with the approval of GoP, therefore, profit earned thereon should have been transferred to the Federal Government.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to justify opening of bank account without approval of Federal Government and non-transfer of profit earned on PSDP funds kept in commercial bank besides ensuring its immediate transfer to the Federal Government.

(Draft Para No.120/2024-25)

1.5.82 Unauthorized payment for expenditure of other formations including pensionary charges - Rs.947.331 million

According to approved PC-Is of MRP, NGDP, DHPP and Naulong Dam Project (NDP), there were no provisions for meeting expenses of other WAPDA formations and payment of pensionary charges except payment of 2.25% for Authority Overhead. According to Para-4 of the System of Financial Control and Budgeting issued by the Finance Division vide No.F.3(2) Exp.III/2006, the PAO is responsible not only for the efficient and economical conduct of the

Ministries/Divisions/ Departments, etc. but also continues to be personally answerable before the PAC. The funds allotted to a Ministry/Division, Attached Departments and Subordinate Offices are spent for the purpose for which they are allocated and the funds are spent in accordance with relevant rules and regulations. As per Para-xii of MoW&P letter No. DW-1(13)/2013 dated September 26, 2016, centralized share/expenses (training, medical, pensionary) should not be charged by WAPDA to different PSDP funded projects. According to directions of PAC conveyed by the Cabinet Division (GoP) vide memorandum dated March 26, 2011, “there should be no deviation from the approved PC-I of the projects in any respect being implemented by the Federal Ministries/ Divisions and its attached departments/ autonomous bodies”.

During audit of accounts of seven formations of WAPDA for the period from July, 2019 to June, 2024, it was noticed that an amount of Rs.947.331 million pertaining to expenditure of different offices of WAPDA and pensionary charges was charged to the projects and paid out of funds allocated for the projects. This amount was paid in addition to payment of ‘Authority Overheads’ provided in the approved PC-Is @ 2.25% to meet the expenses of WAPDA Authority and supervisory offices. Audit held that as there were no separate provisions in PC-Is for meeting expenses of other formations of WAPDA including pensionary charges out of project funds, therefore, such payments beyond the scope of PC-Is were unauthorized. The detail is as under:

| (Rs. in million) | | | |
|-------------------------|---------------------------|----------------------|----------------|
| Sr. No. | Name of Formation | DP No. | Amount |
| 1 | PD, K-IV Project | 83/2024-25 | 3.601 |
| 2 | PD, Hub Dam (O&M) Project | 158/2024-25 | 8.953 |
| 3 | GM/PD, MRP | 174/2024-25 | 12.057 |
| 4 | PD, NGDP | 179 & 184/2024-25 | 70.904 |
| 5 | GM/PD, DHPP | 208/2024-25 | 283.232 |
| 6 | PD, Darawat Dam Project | 321/2024-25 | 440.764 |
| 7 | PD, NDP | 422/2024-25 | 127.820 |
| Total | | | 947.331 |

Non-adherence to the provisions of PC-Is, instructions of ministry and PAC resulted in unauthorized payment of expenditure of other formations of

WAPDA including pensionary charges amounting to Rs.947.331 million up to FY 2023-24.

The matter was taken up with the management during July to September, 2024 and reported to MoWR in November & December, 2024. The management replied that the expenditure of supervisory offices, common services formations, WAPDA Sports Board was charged to the projects as per instructions of competent authority. Moreover, pensionary charges were part of salaries and emoluments of the employees, therefore, these were charged to the projects.

The reply was not acceptable because provision of ‘Authority Overheads’ @ 2.25% was provided in the PC-Is of the respective projects for meeting expenses of both the Authority and the concerned supervisory offices, therefore, payments of expenses beyond the provisions of approved PC-Is were unauthorized. Further, pensionary charges were charged to the projects in violation of the instructions of MoWR.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to recover/adjust the unauthorized charged expenditure of other offices and pensionary charges from the concerned formations and immediately discontinue such practices.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2021-22, 2022-23 & 2023-24 vide Paras No.1.5.48, 1.5.56 & 1.5.50 having cumulative financial impact of Rs.337.110 million. Recurrence of same irregularity is a matter of serious concern.

1.5.83 Non-recovery of rent - Rs.624.572 million

According to clarification issued by the Director Finance (Regulations), WAPDA on January 10, 2007, where the accommodation is allotted by one organization to the employees of other organization, the standard rent is to be charged by the formation concerned from the formation whose employees have been allotted accommodation. As per Section-23 of WAPDA Book of Financial Power, “any sum due to the Authority shall be recoverable as arrears of land

revenues”. As per Clause-9.1.3 of WAPDA Accounting and Financial Reporting Manual, the reconciliation of individual account balances to the control balance shall be performed periodically. A diligent effort shall be made to collect all outstanding accounts in general, invoices shall be collected as expeditiously as possible, but the cost of collection shall not be allowed to exceed the expected revenue. Regular recovery notices shall be sent to all account receivables.

During audit of accounts of various formations of WAPDA for the period from July, 2018 to June, 2024, it was observed that an amount of Rs.624.572 million on account of rent was recoverable from different individuals/formations/departments up to FY 2023-24. The outstanding rent was required to be recovered by taking up the matter at appropriate level but the needful was not done. The detail is as under:

| (Rs. in million) | | | |
|-------------------------|---------------------------------------|---------------------------|----------------|
| Sr. No. | Name of Formation | DP No. | Amount |
| 1 | GM (Projects) North | 04/2024-25 | 307.033 |
| 2 | GM (Finance) Coordination | 55/2024-25 | 10.054 |
| 3 | GM (Civil), Tarbela Dam Project (TDP) | 223/2024-25 | 24.350 |
| 4 | RE, Khanpur Dam (O&M) Project | 293 & 355/2024-25 | 3.066 |
| 5 | GM (Projects) South | 348, 349 & 407/2024-25 | 208.880 |
| 6 | GM (Hydel), Operation & Development | 392 & 479/2024-25 | 58.131 |
| 7 | CE (O&M) Hydel, Besham | 399 & 400/2024-25 | 9.738 |
| 8 | RE, Hydel Power Station (HPS), Jabban | 440/2024-25 | 3.320 |
| Total | | | 624.572 |

Non-adherence to the aforementioned rules & instructions resulted in non-recovery of rent amounting to Rs.624.572 million up to FY 2023-24.

The matter was taken up with the management during February to September, 2024 and reported to MoWR during May to December, 2024. The management replied that efforts were being made to recover outstanding rent from the concerned formations/departments and some amount had been

recovered. However, progress achieved in the matter would be intimated to Audit accordingly.

No further progress towards recovery was intimated till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to ensure recovery of rent from the concerned individuals/formations/departments without further delay and devise a mechanism to address this issue on permanent basis.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2022-23 & 2023-24 vide Paras No.1.5.59, 1.5.69 & 1.5.57 having financial impact of Rs.530.837 million. Recurrence of same irregularity is a matter of serious concern.

1.5.84 Unlawful payment on account of alternate resettlement package - Rs.524.100 million

According to Section-10(i) of General Financial Rules (GFR), every public office is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money. Further, as per Para-1.38 regarding accountability an audit under “Financial Administration” of the Handbook for Drawing & Disbursing Officer (DDO), “disbursing officer must demonstrate that the payments he made were authorized by law, authenticated by supporting documents, was correct and in strict accord with all formalities. The proof in each case must be completed, and must satisfy an independent auditing officer whose business it is to detect errors, irregularities or misrepresentations”. Further, as per Para-1.39, financial transactions must be supported by proper documentary proof. To determine the validity of a disbursement, an auditor will need to have evidence of the fact that the payment was made to the right person.

During special audit of the funds provided for LA&R of DBDP (revised), it was observed that as per provision of 2nd revised PC-I, an amount of Rs.13,562

million was paid to DC/LAC DBDP Diامر on June 24, 2020 on account of alternate resettlement package. Compensation payment for Alternate Resettlement Package started from October, 2020 and 3,809 affected households were paid out of a list of 4,102 households. However, discrepancies in 156 cases amounting to Rs.524.100 million were noticed as a result of comparison of field book-2007 of different mauzas with the acquaintance roll (A-Roll) as detailed below:

- In 41 cases, the names of households and “Kothas” were not found in field book-2007.
- In 115 cases, payments were made against masjid, shops, garden, cattle farms, road, grass and even to husband and wife separately in the same khasra. Cultivated and uncultivated land was also considered as household and paid under the same package.

Audit held that due diligence as required under the rules was not exercised while making payments, therefore, the payment of Rs.524.100 million to above mentioned 156 cases was unlawful.

Non-adherence to instructions contained in GFR and DDO handbook resulted into unlawful payment of Rs.524.100 million on account of alternate resettlement package.

The matter was taken up with the management in June, 2023 and reported to MoWR in August, 2023. The management replied that list of households finalized by WAPDA was approved by highest forum i.e. Cabinet Division but some households were missing in that list. Missing cases were compensated after getting approval from the authority.

The reply was not tenable as payment was made on account of alternate resettlement package (Chulah Package) outside its approved scope.

The PAO was requested to schedule a DAC meeting vide this office letter dated August 07, 2023. Subsequently, as per procedure, two reminders were also issued on September 13, 2023 and October 05, 2023, however, DAC meeting could not be scheduled.

Audit recommends the management to inquire the matter for fixing of responsibility of unlawful payments made on account of alternate resettlement package besides ensuring recovery of the same from the person(s) at fault.

(Para No.4.5 of SAR of DBDP)

1.5.85 Unjustified excess payment of supervisory charges - Rs.283.648 million

According to Office Order of MoW&P dated August 15, 2011, the competent authority decided that the rate of supervisory charges would be 0.50% for Power Wing.

During audit of accounts of CE (O&M), Tarbela 4th Extension, Hydel Power Station for the period from July, 2022 to June, 2024, it was noticed that an amount of Rs.283.648 million on account of supervisory charges was charged to the project beyond the authorized limit approved by ministry. Audit held that payment of supervisory charges in excess of allowed limit was not justified.

Non-adherence to the instructions of ministry resulted in unjustified excess payment of supervisory charges amounting to Rs.283.648 million up to FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in November, 2024. The management replied that matter would be taken up with head office and Audit would be informed accordingly.

No further progress was intimated till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to justify excess payment of supervisory charges than the approved limit besides its recovery from the concerned.

(Draft Para No.230/2024-25)

1.5.86 Non-transfer of profit earned by LACs on PSDP funds - Rs.164.928 million

According to Para-4.2.11 & 17.1 of WAPDA Accounting & Financial Reporting Manual, profit on bank deposit is recognized using effective interest method. 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-2(V) of MoW&P letter No.DW-1(13)/2013 dated September 26, 2016, “profit earned by WAPDA so far by parking the PSDP funds in scheduled banks may be deposited into Government Treasury”.

During audit of accounts of two formations of WAPDA for the period from July, 2023 to June, 2024, it was observed that an amount of Rs.164.928 million was earned as profit by the DCs/LACs, Mohmand & Kohistan on funds transferred by WAPDA for payment of land and other compensations. Audit held that as the said amount was transferred out of Federal PSDP funds, therefore, amount of profit earned thereon was required to be transferred to the Federal Government which was not done. The detail is as under:

(Rs. in million)

| Sr. No. | Name of Formation | DP No. | Amount |
|--------------|-------------------|-------------|----------------|
| 1 | PD, DHPP | 203/2024-25 | 128.962 |
| 2 | PD, MDHP | 270/2024-25 | 35.966 |
| TOTAL | | | 164.928 |

Non-adherence to the aforementioned instructions resulted in non-transfer of profit of Rs.164.928 million earned by LACs on PSDP funds to the Federal Government up to FY 2023-24.

The matter was taken up with the management in September & October, 2024 and reported to MoWR in November, 2024. The management replied that the matter was being pursued vigorously with the local administration for remittance of profit to WAPDA for onward transfer to the Federal Government.

No further progress on remittance of profit was intimated till finalization of this Audit Report.

A DAC meeting was scheduled on January 06, 2025 and the said para was included in the agenda of the meeting but could not be discussed.

Audit recommends the management to pursue the matter with the concerned LACs/DCs for transfer of profit earned on PSDP funds to the Federal Government at the earliest and address the issue on permanent basis.

Note: The issue was also reported earlier in the Audit Report for the Audit

Years 2023-24 vide Para No.1.5.49 having financial impact of Rs.308.519 million. Recurrence of same irregularity is a matter of serious concern.

1.5.87 Recoverable amount from power sector entities - Rs.126.982 million

According to Para-9.1.1 of WAPDA Accounting and Financial Reporting Manual, “the GM Finance (Co-ordination)/DGF (Co-ordination) shall be responsible for prescribing accounts receivable policies, procedures and guidelines, providing technical assistance to WAPDA regarding the accounting for receivables and monitoring and analyzing the receivables of WAPDA”. As per Para-9.1.3, “a diligent effort shall be made to collect all outstanding accounts in general, invoices shall be collected as expeditiously as possible, but the cost of collection shall not be allowed to exceed the expected revenue. Accounting data gathering systems shall recognize and preclude situations in which collection effort and potential benefits become imbalanced. Regular recovery notices shall be sent to all account receivables”.

During audit of accounts of Director, Transport WAPDA for the period from July, 2019 to June, 2023, it was noticed that an amount of Rs.126.982 million was recoverable on account of transport services provided to employees of different power sector entities (PEPCO, NTDC, PITC, LESCO, Thermal & GENCO). The said amount was required to be recovered from the concerned entities timely but no meaningful efforts were made in this regard.

Non-adherence to WAPDA Accounting and Financial Reporting Manual resulted in non-recovery of Rs.126.982 million from power sector entities up to FY 2022-23.

The matter was taken up with the management in May, 2024 and reported to MoWR in July, 2024. The management replied that efforts were being made to recover the outstanding amount from the concerned entities and progress achieved in the matter would be intimated to Audit accordingly.

No further progress was intimated till finalization of this Audit Report.

The para was discussed in DAC meeting held on August 15 & 16, 2024, however, minutes of DAC meeting were not provided by the PAO MoWR despite issuance of request for the same till finalization of this Audit Report.

Audit recommends the management to take up the matter at appropriate level and devise mechanism for ensuring recovery of outstanding amount from the concerned entities.

(Draft Para No.59/2024-25)

1.5.88 Non-recovery of water charges from the beneficiaries - Rs.121.867 million

According to Planning Commission's MoM held on March 29, 1997 regarding water availability and cost apportionment of Khanpur Dam Project, "the water will be supplied to all beneficiaries on pro-rata basis. Beneficiaries would pay water charges after they start getting water supply from the dam, water allocations should not be changed and all beneficiaries would stick to the earlier allocations made by ECNEC".

During audit of accounts of Executive Engineer (O&M), Khanpur Dam Project for the period from July, 2021 to June, 2024, it was observed that an amount of Rs.121.867 million on account of water charges was recoverable from Capital Development Authority, Irrigation Departments of KPK and Punjab. The amount was required to be recovered from the concerned organizations as per decision of the Planning Commission but the needful was not done.

Non-adherence to the decision of Planning Commission resulted in non-recovery of Rs.121.867 million on account of water charges from the beneficiaries up to FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in November, 2024. The management replied that efforts were being made to recover the amount from concerned organizations.

No further progress towards recovery was intimated till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to pursue the matter at appropriate level and devise a mechanism for early most recovery of outstanding amount of water charges from the concerned.

(Draft Para No.292/2024-25)

Note: The issue was also reported earlier in the Audit Report for the Audit Years 2022-23 vide Para No.1.5.51 having financial impact of Rs.501.779 million. Recurrence of same irregularity is a matter of serious concern.

1.5.89 Excess payment to the contractors and consultants due to less deduction of income tax and provincial sales tax - Rs.112.609 million

According to Section-152 (2A) (c) & 153 (1) (c) of Income Tax Ordinance, 2001, every prescribed person making a payment in full or part including a payment by way of advance to a non-resident/resident person or permanent establishment in Pakistan of a non-resident person on the execution of a contract shall, at the time of making the payment, deduct tax from the gross amount payable at the specified rate. As per Finance Act-2021 of KPK Government, KPST on construction of hydropower project was applicable @ 2% w.e.f. July, 2021.

During audit of accounts of two formations of WAPDA for the period from July, 2023 to June, 2024, it was noticed that an amount of Rs.112.609 million on account of income tax and KPST was less deducted from payments made to different contractors and consultants due to application of incorrect rates. Due to less-deduction of taxes contrary to prevailing rules, an amount of Rs.112.609 million was paid in excess to the contractors and consultants which was irregular. The detail is as under:

(Rs. in million)

| Sr. No. | Name of Formation | DP No. | Amount |
|----------------|--------------------------|-------------------|----------------|
| 1 | PD, K-IV Project | 131/2024-25 | 13.000 |
| 2 | GM/PD, DHPP | 254 & 289/2024-25 | 99.609 |
| TOTAL | | | 112.609 |

Non-adherence to the aforementioned rules resulted in excess payment of Rs.112.609 million to the contractors and consultants due to less deduction of income tax & provincial sales tax during FY 2023-24.

The matter was taken up with the management in August & September, 2024 and reported to MoWR in November, 2024. The management of K-IV project replied that the subsequent delay in making partial payment during September, 2023 did not affect the deduction of tax @ 7% in June, 2023. The management of DHPP replied that in one case, recovery would be made from the upcoming IPCs & invoices of the contractors and consultants whereas in other case, the issue had been referred to the DB by the contractor and tax matters would be dealt on the basis of DB's decision and recovery, if any, would be made in upcoming IPCs of the contractor.

The reply of management of K-IV project was not tenable because income tax was required to be deducted @ 8% applicable at the time of payment. Further, no progress towards recovery of income tax & KPST was intimated by the management of DHPP till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to ensure recovery of applicable taxes from the contractors and consultants as per rules.

1.5.90 Irregular payment of fixed daily allowance and dual charge allowance to the DC/LAC Diامر staff - Rs.112.071 million

According to 2nd revised PC-I of Acquisition of Land and Resettlement of DBDP approved by the ECNEC on September 10, 2021, there was no provision for payment of fixed daily allowance and dual charge allowance to staff of DC/LAC office, Chillas. The ECNEC while approving the 2nd revised PC-I directed that all legal, financial and codal formalities would be complied by the Sponsors/Executors. Further, as per directions of PAC conveyed by the Cabinet Division (GoP) vide memo dated March 26, 2011, there should be no deviation from the approved PC-I of the projects in any respect being implemented by the Federal Ministries/Divisions and its attached departments/autonomous bodies.

During special audit of the funds provided for LA&R of DBDP (revised), it was noticed that an amount of Rs.110.691 million was paid to the DC/LAC DBDP Diامر on account of 20 days fixed daily allowance per month from 2010

to April, 2023. It was further observed that an amount of Rs.1.380 million was also paid to the DC/LAC DBDP Diامر on account of 20% dual charge allowance.

Audit held that as there was no provision for making payment of fixed daily allowance for 20 days per month and 20% dual charge allowance to DC/LAC DBDP Diامر and its staff, therefore, payment of Rs.112.071 million in violation of the instructions of ECNEC and PAC was irregular.

Non-adherence to the 2nd revised PC-I and instructions of PAC resulted into irregular payment of Rs.112.071 million on account of fixed daily allowance and dual charge allowance to the DC/LAC staff.

The matter was taken up with the management in June, 2023 and reported to MoWR in August, 2023. The management replied that land to be acquired for the project was in a large stretched area and the DC/LAC staff had to address all matters relating to land acquisition. Twenty (20) days fixed daily allowance was given to DC/LAC staff as compensation for travelling and other related costs incurred. Further, amount of Rs.1.384 million paid to DC/LAC staff on account of 20% dual charge allowance had been recovered.

The reply was not tenable as there was no provision for payment of 20 days fixed daily allowance in 2nd revised PC-I. Moreover, LA&R had to be completed in 2021 which had still not been done. Amount of 20 days fixed daily allowance, therefore, required to be recovered. Moreover, recovery of 20% dual charge allowance may be got verified from Audit.

The PAO was requested to schedule a DAC meeting vide this office letter dated August 07, 2023. Subsequently, as per procedure, two reminders were also issued on September 13, 2023 and October 05, 2023, however, DAC meeting could not be scheduled.

Audit recommends the management to recover payment of 20 days fixed daily allowance from concerned employees/department. Moreover, recovery made on account of 20% dual charge allowance may be got verified from Audit.

(Para No.4.31 of SAR of DBDP)

1.5.91 Non-deposit of profit earned on PSDP funds into government treasury - Rs.46.608 million

According to Clause-13.7.3 of WAPDA Accounting and Financial Reporting Manual, the retention moneys shall be deposited in a separate bank account of the concerned GM Finance. As per Para-2 (v) of directives issued by MoW&P on September 26, 2016, profit earned by WAPDA so far by parking the PSDP funds in scheduled banks may be deposited into government treasury.

During special audit of the funds provided for LA&R of DBDP (revised), it was noticed that PSDP funds released by GoP were kept in scheduled private banks by WAPDA on which profit was earned up to April, 2023. However, profit earned amounting to Rs.36.200 million by WAPDA was not deposited into government treasury. PSDP funds amounting to Rs.7,890.872 million were released by GM (Finance) Power for payment to DC/LAC DBDP Diامر on December 15, 2016 for land compensation to affectees but formation kept the fund in revolving fund account maintained in Allied Bank up to December 23, 2016 and earned the profit/interest amounting to Rs.10.408 million. Later on the amount of interest was transferred to GM (Finance) Power on January 02, 2017.

Audit held that profit earned on PSDP funds was required to be deposited into government treasury but the needful was not done.

Non-adherence to WAPDA Accounting and Financial Reporting Manual and instructions issued by MoW&P resulted into non-deposit of profit amounting to Rs.46.608 million earned on PSDP funds into government treasury.

The matter was taken up with the management in June, 2023 and reported to MoWR in August, 2023. The management replied that the amount earned as profit on retention money would be transferred to Federal Government on expiry of contracts. Opening of new bank account for depositing of retention money is under process.

The reply was not tenable as a designated bank account was required to be opened for depositing retention money, which was not done. Moreover, profit earned was required to be transferred to federal treasury which was also not done.

The PAO was requested to schedule a DAC meeting vide this office letter dated August 07, 2023. Subsequently, as per procedure, two reminders were also

issued on September 13, 2023 and October 05, 2023, however, DAC meeting could not be scheduled.

Audit recommends the management to deposit the profit earned on PSDP funds into government treasury besides opening of separate bank account for depositing retention money.

(Para No.4.21 of SAR of DBDP)

1.5.92 Non-recovery of operation & maintenance cost of powerhouse from the Government of Gilgit-Baltistan - Rs.40.408 million

According to Clause-1, 2 & 3 of the MoU signed between WAPDA and Water & Power Department, (GoGB) on June 02, 2023, plant will be operated by WAPDA and Water and Power Department (GoGB) will rectify any fault occurred without any claim. O&M cost of 3.6 MW Hydel Power Station, Thor Colony including salaries of engineers and staff and other related cost will be borne by Water and Power Department.

During audit of accounts of CEO/PD, DBDP for the period from July, 2023 to June, 2024, it was noticed that an amount of Rs.40.408 million on account of O&M cost of powerhouse for one year (2023-24) was outstanding against GoGB. As per MoU, this amount was required to be recovered from the concerned department of GoGB but the needful was not done.

Non-adherence to aforementioned MoU resulted in non-recovery of O&M cost of powerhouse amounting to Rs.40.408 million from GoGB during FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that the matter had been persistently pursued with GoGB and progress achieved in the matter would be Audit accordingly.

No further progress was intimated till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to ensure recovery of O&M cost from the concerned without further delay of time.

(Draft Para No.119/2024-25)

1.5.93 Unjustified expenditure on renovation of rooms at Rawal Rest House, Islamabad - Rs.25.900 million

According to Clause-6.11 of 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 scrutinised 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. No expenditure may be undertaken beyond the approved scope and cost of the project, and if done, it would be considered as illegitimate expenditure. As per Para-4 (ii) & (iii) of System of Financial Control and Budgeting 2018, funds allotted to a Ministry/Division, its attached or subordinate offices are spent for the purpose for which they are allocated. The funds are spent in accordance with relevant rules and regulations. As per PC-Is, there were no provisions for incurring expenditure for renovation of Rawal Rest house, Islamabad out of funds of projects.

During audit of accounts of two formations of WAPDA for the period from July, 2023 to June, 2024, it was noticed that an amount of Rs.25.900 million was paid to the Director (Services & Estates) WAPDA for repair, maintenance and renovation work at Rawal Rest House, Islamabad. Audit held that as the said work was not performed for the intended purpose of the projects, therefore, payments beyond the scope of PC-Is were unjustified. The detail is as under:

| (Rs. in million) | | | |
|-------------------------|--------------------------|---------------|---------------|
| Sr. No. | Name of Formation | DP No. | Amount |
| 1 | PD, K-IV Project | 144/2024-25 | 10.500 |
| 2 | PD, T5HPP | 220/2024-25 | 15.400 |
| Total | | | 25.900 |

Non-adherence to the aforementioned rules/PC-I provision resulted in

unjustified expenditure of Rs.25.900 million on renovation of rooms at Rawal Rest House, Islamabad during FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in November, 2024. The management replied that these rooms were renovated purely for the purpose to accommodate and conduct high-level official meetings of the project officers with other government officials/officers relating to progress of the projects.

The reply was not tenable because there was no provision in PC-Is of the projects for incurring such expenditure which falls outside the scope of the projects.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to fix responsibility for authorizing this expenditure besides ensuring recovery from the concerned.

1.5.94 Unauthentic payment made on account of resettlement package - Rs.17 million

According to approved Terms of Reference (TORs)/Checklist of the Grievance Redressal Committee (GRC), when name of the applicant did not exist in the list prepared by WAPDA for resettlement (*Chula*) package, before making payment, it was required to check whether the name of the applicant existed as house owner in field book 2007-08 and age of applicant should be 18 years in 2007-08.

During audit of accounts of CEO/PD, DBDP for the period from July, 2023 to June, 2024, it was noticed that an amount of Rs.17 million was paid to four persons in different Mauzas by the DC/LAC, Diamer but according to 2007-08 household survey, names of these persons were not appearing in the approved list. Further scrutiny of the record revealed that names of two persons out of four were also not appearing in the field books as owners. Furthermore, GIS report and Computerized National Identity Cards (CNICs) of the recipients were also not available in the record to verify whether the recipients were over

18 years in 2007-08. Audit held that in view of these facts, authenticity of payments made on account of these resettlement packages could not be validated.

Non-adherence to the aforementioned TORs resulted in unauthentic payment of Rs.17 million on account of resettlement package during FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that the names mentioned in the audit para existed in the signed list submitted by WAPDA during household survey in 2007-08. However, some names and fathers' names were incorrect which were being corrected by GIS after going through the process adopted by GRC. Besides, the CNICs of the concerned individuals are also available.

The reply was not tenable as no evidence was provided by the management to substantiate their stance, therefore, payments of resettlement packages made without authentication of credentials of households was unjustified.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to inquire the matter for fixing of responsibility on person(s) at fault for making unauthentic payments besides ensuring recovery.

(Draft Para No.123/2024-25)

D. Assets Management

1.5.95 Unauthorized sale of WAPDA owned land at Steam Power Station, Faisalabad by GENCO-III to FESCO - Rs.576.180 million

According to Para-7.1.1(1) of WAPDA Accounting and Financial Reporting Manual 2014, “the respective GM in co-ordination 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”.

During audit of accounts of GM (Hydel) Operations & Development WAPDA for the period from July, 2023 to June, 2024, it was noticed that land measuring 12 kanal worth Rs.576.18 million (approx.) owned by WAPDA at Steam Power Station, Faisalabad was sold by GENCO-III to Faisalabad Electric Supply Company (FESCO). This land was sold during the year 2017 for construction of 132 KV Grid Station without prior consent of owner of the land i.e. WAPDA. The management of WAPDA took up the matter with GENCO-III on February 28, 2023 for taking over possession of the land. However, no action was taken by WAPDA for this unauthorized sale of land.

Non-adherence to WAPDA Accounting and Financial Reporting Manual resulted in unauthorized sale of WAPDA owned land worth Rs.576.180 million by GENCO-III to FESCO up to FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in December, 2024. The management replied that the matter had been taken up with the Principal, WAPDA Engineering Academy Faisalabad for furnishing detailed reply.

No further progress was reported till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to take-up the matter at appropriate level for retrieval of land from the concerned at the earliest.

(Draft Para No.473/2024-25)

1.5.96 Non-mutation of acquired land in the name of WAPDA - Rs.371.669 million

According to Section-42 of West Pakistan Land Revenue Act, 1967, “a person acquiring by inheritance, purchase, mortgage, gift, or otherwise, any right in an estate as a land-owner; or a tenant for a fixed term exceeding one year, shall, within three months from the date of such acquisition, report his acquisition of right to the Patwari of the estate for recording such report in the record”. Further, as per directives of Gilgit-Baltistan Board of Revenue conveyed vide Deputy Secretary (Law) letter No. RC-(BOR)-3/2004 (Basha-Dam) dated August 10, 2019, the land acquired by WAPDA was required to be entered in the revenue record in WAPDA’s name and mutations were required to be attested to legalize the ownership of WAPDA. As per Rule-36 of the KPK land acquisition Rules-2020, “the District Collector shall ensure attestation of mutation or registered deed, as the case may be, in favour of Acquiring Department within one month after issuance of award. The acquired land shall be mutated in the name of Provincial Government, Federal Government, as the case may be, and the name of Acquiring Department or Company, as the case may be, shall be entered in the column of cultivation”.

During audit of accounts of two formations of WAPDA for the period from July, 2023 to June, 2024, it was noticed that land measuring 38 acres (280 kanal) worth Rs.316.109 million was acquired for DBDP by DC/LAC, Diamer through four awards but was not transferred in the name of WAPDA as per rules. Similarly, land measuring 453.19 kanal worth Rs.116.253 million was acquired for the Golen Gol Hydel Power Station (GGHPS) out of which 155.89 kanal worth Rs.55.560 million was not transferred in the name of WAPDA till date. The detail is as under:

| (Rs. in million) | | | | |
|-------------------------|--------------------------|---------------|-----------------------------|----------------|
| Sr. No. | Name of Formation | DP No. | Area of Land (kanal) | Amount |
| 1 | GM/PD, DBDP | 121/2024-25 | 280.000 | 316.109 |
| 2 | RE, GGHPS | 454/2024-25 | 155.890 | 55.560 |
| Total | | | | 371.669 |

Non-adherence to the aforementioned Act/rules and instructions issued by the Gilgit-Baltistan Board of Revenue resulted in non-mutation of acquired land amounting Rs.371.669 million in the name of WAPDA during FY 2023-24.

The matter was taken up with the management in August & October, 2024 and reported to MoWR in November & December, 2024. The management replied that the matter regarding mutation of land was being pursued with the concerned quarters and progress achieved in the matter would be intimated to Audit accordingly.

No further progress towards mutation of land was intimated till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to ensure mutation of acquired land without further loss of time to comply with the rules and to overcome the associated risks.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2021-22, 2022-23 & 2023-24 vide Paras No.1.5.53, 1.5.65 & 1.5.54 having financial impact of Rs.6,783.905 million. Recurrence of same irregularity is a matter of serious concern.

1.5.97 Misuse of 21 vehicles due to attachment with unauthorized officers and irregular charging of O&M expenditure to the projects - Rs.42.952 million

According to Para-4 of Finance Division's Office Memorandum regarding System of Financial Control and Budgeting, the PAO is responsible not only for the efficient and economical conduct of the Ministries/Divisions/ Departments but also continues to be personally answerable before the PAC. The two main principles to be observed are economy (getting full value for money) and regularity (spending money for the purposes and in the manner prescribed by law & rules). As per Para-3 of Section-I (Chapter-III) of WAPDA Transport Rules, "the responsibility for the proper utilization, management and maintenance of

road transport is that of PDs and Heads of Division/Organizations in respect of vehicles allotted to them”. As per PC-Is of the projects, there were no provisions for use of vehicles outside the projects.

During audit of accounts of various formations of WAPDA for the period from July, 2020 to June, 2024, it was observed that 21 vehicles of varied makes and models, purchased for different projects/formations, were attached with other WAPDA offices and MoWR. Some of these vehicles were procured through the contractors and their fixed monthly O&M cost was being paid to the contractors. Audit held that as these vehicles were purchased for use of the specific projects/formations, therefore, their attachment with other offices was unauthorized and expenditure of Rs.42.952 million incurred on purchase and O&M of these vehicles was not justified. The detail is as under:

(Rs. in million)

| Sr. No. | Name of Formation/Project | DP No. | No. of Vehicles | Cost of Vehicles | O&M Expenditure | Total Amount |
|----------------|---|---------------|------------------------|-------------------------|----------------------------|---------------------|
| 1 | PD, Glacier Monitoring Network & Research Centre (GMRC) | 11/2024-25 | 1 | 4.592 | - | 4.592 |
| 2 | Chairman IRSA | 18/2024-25 | 2 | - | 2.312 | 2.312 |
| 3 | GM/PD, DBDP | 67/2024-25 | 9 | - | 14.369 | 14.369 |
| 4 | PD, Hub Dam (O&M) Project | 157/2024-25 | 1 | - | 0.832 | 0.832 |
| 5 | PD, NGDP | 188/2024-25 | 2 | 4.282 | - | 4.282 |
| 6 | GM (Civil) TDP | 225/2024-25 | 1 | - | 1.061 | 1.061 |
| 7 | PD, T5HPP | 245/2024-25 | 1 | - | 6.021 | 6.021 |
| 8 | GM/PD, MDHP | 263/2024-25 | 3 | - | 7.730 | 7.730 |
| 9 | PD, KTDP | 464/2024-25 | 1 | - | 1.753 | 1.753 |
| TOTAL | | | 21 | 8.874 | 34.078 | 42.952 |

Non-adherence to the aforementioned rules resulted in misuse of 21 vehicles due to attachment with unauthorized offices having a financial implication of Rs.42.952 million up to FY 2023-24.

The matter was taken up with the management during February to October, 2024 and reported to MoWR during May to December, 2024. The

management replied that vehicles were attached with other formations/officers to conduct different field visits at different locations in the best interest of WAPDA Authority.

The reply was not tenable because attachment of vehicles and charging of O&M cost to other projects/formations was unauthorized.

The para was discussed in DAC meeting held on January 06 & 13, 2025, however, minutes of DAC meeting were not provided by the PAO MoWR till finalization of this Audit Report.

Audit recommends the management to ensure return of the vehicles to their respective projects/formations along with recovery of O&M cost from the concerned without further delay besides fixing of responsibility on persons allowing this misuse.

Note: The issue was also reported earlier in the Audit Report for the Audit Years 2023-24 vide Para No.1.5.58 having financial impact of Rs.153.233 million. Recurrence of same irregularity is a matter of serious concern.

1.5.98 Loss due to theft of electrical material - Rs.9.110 million

According to Section-III of WAPDA Guidelines for Enforcing the Responsibility for Losses Sustained by the Authority Through Fraud 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. If preliminary investigation shows that the loss is due to theft, fraud or neglect, the case will be immediately submitted to the next higher authority for constitution of an inquiry committee to investigate the reported loss.

During audit of accounts of two formations of WAPDA for the period from July, 2023 to June, 2024, it was noticed that 844 meters single core copper earthing cable (size 185 mm²) worth Rs.4.672 million (approximately) was stolen at Ghazi Barotha Power Complex as reported by the Deputy Director (Security) on April 19, 2024. A fact-finding committee was constituted to probe into the matter which did not fix responsibility for theft. Similarly, electrical material, i.e. wires and damaged cables were stolen by unknown thieves during July to December, 2023 from different sites under administrative control of CE, Tarbela

Power Stations. An inquiry committee was constituted on March 12, 2024 which only determined that value of stolen material as Rs.4.438 million. Audit held that responsibility for loss due to theft of material was required to be fixed but the needful was not done. The detail is as under:

(Rs. in million)

| Sr. No. | Name of Formation | DP No. | Amount |
|--------------|------------------------------------|-------------|--------------|
| 1 | GM (Hydel) Operation & Development | 384/2024-25 | 4.672 |
| 2 | CE Tarbela HPS | 395/2024-25 | 4.438 |
| TOTAL | | | 9.110 |

Non-adherence to the aforementioned guidelines of WAPDA resulted in loss of Rs.9.110 million due to theft of electrical material during FY 2023-24.

The matter was taken up with the management in August & September, 2024 and reported to MoWR in December, 2024. The management of Tarbela HPS replied that an inquiry was conducted to investigate the matter of theft which was finalized and the committee gave valuable recommendations to concerned sections for compliance to avoid the same incidents in future. The management of Hydel Operation replied that First Information Report was lodged and the matter was being investigated by the police.

The reply was not acceptable because no responsibility of loss was fixed by the department.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to fix the responsibility of loss against the person(s) at fault.

1.5.99 Loss due to missing vehicle unauthorizedly attached with Planning Commission - Rs.2.599 million

According to Section-III of WAPDA Guidelines for Enforcing the Responsibility for Losses Sustained by the Authority Through Fraud 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. If preliminary investigation shows that the loss is due to theft, fraud or neglect, the case will be immediately submitted to the next higher authority for constitution of an inquiry committee to investigate the reported loss.

During audit of accounts of GM/PD, Kachhi Canal Project (KCP) for the period from July 2023 to June 2024, it was noticed that a vehicle bearing No. LEE-07-9561 (Toyota Double Cabin Pickup) worth Rs.2.599 million was temporarily attached with Member (Infrastructure) Planning Commission, Islamabad on November 02, 2012. The management of the project and GM (C&M) had requested the Planning Commission to return the said vehicle. The Planning Commission claimed that the vehicle had been returned and was under use of the consultants of KCP at the project site. A fact finding inquiry was also initiated to investigate the matter but the vehicle remained missing to date. Audit held that the said vehicle had neither been handed over to the KCP nor was in their use which resulted in a loss due to missing of vehicle for which no responsibility was fixed.

Non-adherence to the guidelines of WAPDA resulted in a loss of Rs.2.599 million on account of missing vehicle unauthorizedly attached with the Planning Commission up to FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in November, 2024. The management replied that an inquiry committee had been constituted by the Planning Commission of Pakistan on May 02, 2024. The inquiry is under process and upon receipt of inquiry report, Audit would be informed accordingly.

No further progress was intimated till finalization of this Audit Report.

A DAC meeting was scheduled on January 06, 2025 and the said para was included in the agenda of the meeting but could not be discussed.

Audit recommends the management to fix responsibility for unauthorized attachment of vehicle with Planning Commission and expedite the efforts for recovery of the missing vehicle.

(Draft Para No.308/2024-25)

1.5.100 Non-renewal of expired insurance policy by the management

According to Para-7.1.15.1 of WAPDA Accounting and Financial Manual, “WAPDA shall ensure that procedures exist to establish and maintain program that will underwrite damage to its assets other than those covered by WAPDA Equipment Protection Scheme to minimize its exposure and that of its officers and employees to a wide range of liabilities and protects its reputation. The program shall cover all risks of physical loss or damage e.g. risks covered are loss, destruction or damage caused by fire, lightning, storm or storm water, earthquake/landslip/subsidence, spoilage, burglary or theft and accidental damage”. As per Section-III of WAPDA Guidelines for Enforcing the Responsibility for Losses Sustained by the Authority Through Fraud 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. If preliminary investigation shows that the loss is due to theft, fraud or neglect, the case will be immediately submitted to the next higher authority for constitution of an inquiry committee to investigate the reported loss.

During audit of accounts of CEO, NJHPC for the period from July, 2023 to June, 2024, 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 BOD but the same could not be decided. Later on, faults occurred in the Head Race Tunnel (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. Audit held that insurance policy was required to be got renewed and kept valid by the project management for covering generation loss, restoration cost and business interruption loss but the needful was not done.

Non-adherence to the aforementioned manual/guidelines of WAPDA resulted in non-renewal of expired insurance policy with coverage of Rs.415,800

million by the management during FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that despite presenting the matter multiple times to BOD and calling of tender thrice by NICL, NJHPC could not get competitive rates. The exorbitant rate coupled with increased deductibles caused obstacles in getting this national asset insured. Currently, coverage has been obtained from WAPDA Equipment Protection Scheme to the extent of powerhouse equipment as per their policy.

The reply was not tenable as it was the responsibility of the management to get the insurance policy renewed timely to cover the risks which was not done.

The para was discussed in DAC meeting held on January 06, 2025, however, minutes of DAC meeting were not provided by the PAO MoWR till finalization of this Audit Report.

Audit recommends the management to inquire the matter at apex level for fixing of responsibility of loss due to non-renewal of insurance policy.

(Draft Para No.138/2024-25)

E. Management of Accounts with Commercial Banks

1.5.101 Unauthorized opening of bank accounts in private banks and retention of money in private banks by DC/LAC and ACs/LACs - Rs.5,451.770 million

According to instructions conveyed by Finance Department (GoGB) to all departments on September 27, 2018, it was directed to close all the bank accounts maintained in various scheduled and non-scheduled banks and further directed that head of the department to maintain only one bank account if required in the NBP with approval of Finance Department. Further, as per Section-23(2) of PFM Act, 2019 no authority shall transfer public moneys for investment or deposit from government account to other bank account without prior approval from the Federal Government. As per Para-6 of GFR Volume-I, “if a Government Officer receives in his official capacity moneys which are not Government dues or the deposit of which in the custody of Government has not been authorized by Government, he must open an account with a bank for their deposit. Such accounts may be opened without special sanction with a branch of SBP or the NBP acting as agent of the SBP or with Post Office. The prior approval of Government is required to their deposit in any other bank”.

During special audit of the funds provided for LA&R of DBDP (revised), it was noticed that DC/LAC of DBDP maintained and operated 24 bank accounts in different private banks having balance amounting to Rs.4,961.820 million as on April 30, 2023 in violation of instructions issued by Finance Department of GoGB. Further probe into the matter revealed that the DC/LAC DBDP Diامر also opened another NBP account on April 03, 2019 having balance of Rs.31.390 million while operating existing account in same bank opened on July 01, 2011 having balance of Rs.6.020 million. It was further observed that the funds received by other Assistant Commissioners (ACs)/LACs were also maintained in private banks by the concerned ACs/LACs. For instance, AC/LAC Chillas maintained and operated sixteen (16) bank accounts having a balance of Rs.313.130 million whereas ACs/LACs Goharabad, Dasses and ACs/LACs of Darel and Tangir maintained and operated 32 bank accounts having a balance of Rs.145.430 million.

Audit held that opening of bank accounts in private banks and additional account in NBP by the DC/LAC DBDP Diامر and retention of money of

Rs.5,451.770 million in these bank accounts was a violation of instructions of Finance Department of GoGB and GFR.

Non-adherence to the instructions of Finance Department (Government of GB) resulted into unauthorized opening of bank accounts in private banks and retention of money of Rs.5,451.770 million by DC/LAC and ACs/LACs.

The matter was taken up with the management in June, 2023 and reported to MoWR in August, 2023. The management replied that accounts were maintained in different banks with approval of GoGB. The government has also been approached to devise a policy for opening of accounts.

The reply was not tenable as opening of several number bank accounts maintained in different banks was a violation of instructions of Finance Department of GoGB. Furthermore, no approval of GoGB was shared with Audit.

The PAO was requested to schedule a DAC meeting vide this office letter dated August 07, 2023. Subsequently, as per procedure, two reminders were also issued on September 13, 2023 and October 05, 2023, however, DAC meeting could not be scheduled.

Audit recommends the management to inquire the matter besides fixing the responsibility for non-compliance of instructions issued by the Finance Department of GoGB.

(Para No.4.19 of SAR of DBDP)

1.5.102 Irregular retention of funds of land acquisition in private bank accounts and unauthorized utilization of funds - Rs.294.354 million

According to letter No.F.2(3)-BR-II/2000-1254 dated November 08, 2013 followed by letter No. F.A&A-2(20)/2017 dated September 27, 2018 of Finance Department (GoGB), all departments were directed to close all the bank accounts maintained in various scheduled and non-scheduled banks and further directed that head of the department to maintain only one bank account, if required, in the NBP with the approval of Finance Department. Further, as per Section-23(2) of PFM Act, 2019, “no authority shall transfer public moneys for investment or deposit from government account to other bank account without prior approval from the Federal Government”.

During audit of accounts of PD, Attabad Lake Hydropower Project (ALHPP) for the period from July, 2021 to June, 2024, it was noticed that funds amounting Rs.743.296 million were transferred to DC/LAC, Hunza for making payments for acquisition of land. Out of total funds, an amount of Rs.294.354 million was deposited in three bank accounts maintained with scheduled and unscheduled commercial banks whereas remaining amount was deposited in NBP. Further scrutiny of the record revealed that DC/LAC had been utilizing these funds for making payments other than those for acquisition of land till June, 2024. Audit held that deposit of land acquisition funds in scheduled and unscheduled commercial banks by DC/LAC was irregular and their utilization for other purposes was unauthorized.

Non-adherence to the aforementioned instructions resulted in irregular retention and unauthorized utilization of funds amounting to Rs.294.354 million during FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in December, 2024. The management replied that funds were transferred to the DC/LAC solely for land acquisition purposes. Any retention of funds in private bank accounts and its utilization for purposes other than land acquisition by the DC/LAC was beyond the jurisdiction of this office. The para had been forwarded to the office of DC/LAC for furnishing response/justification and progress achieved in the matter would be intimated to Audit accordingly.

The reply was not tenable because it was the responsibility of the management to ensure that the funds were used for the purpose for which they were transferred. Moreover, no further progress was reported by the DC/LAC till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to pursue the matter with concerned DC/LAC for justification of keeping funds in commercial banks and their

unauthorized utilization besides ensuring their transfer to NBP as per instructions issued by the government.

(Draft Para No.436/2024-25)

1.5.103 Loss due to deviation from government Guarantee Backed Financing (GBF) Funding Schedule - Rs.120.253 million

According to financing agreement, project evaluation fee shall be charged @ 0.25% p.a. of the balance of Term Finance Certificate (TFC)/Sukuk Issue upon deviation from the GBF Funding Schedule (as defined under the Framework Agreement executed between, inter alios, WAPDA (as the TFC Issuer and the Sukuk Issuer) and Pak Brunei Investment Company Limited (as the Sukuk Trustee and TFC Trustee) (the “Framework Agreement”) till the expiry of the Availability Period. The same to be payable on calendar semi-annual basis (when applicable). As per Section-III of WAPDA Guidelines for Enforcing the Responsibility for Losses Sustained by the Authority Through Fraud 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. If preliminary investigation shows that the loss is due to theft, fraud or neglect, the case will be immediately submitted to the next higher authority for constitution of an inquiry committee to investigate the reported loss.

During audit of accounts of GM Finance (Power) WAPDA for the period from July, 2023 to June, 2024, it was noticed that a financing agreement of Rs.144 billion was signed between WAPDA and a syndicate of commercial banks for financing of Stage-I of DHPP. As per Schedules-7 & 8 of GBF and WAPDA Assets Backed Financing respectively, an amount of Rs.144 billion was to be drawn during the period from April, 2017 to April, 2022. The said facility was further extended for two years up to May, 2024 but out of Rs.144 billion, only Rs.120 billion was withdrawn till May, 2024. Due to deviation from the Funding Schedules, an amount of Rs.120.253 million was paid on account of project evaluation fee on the undrawn portion, which was a loss to WAPDA for which no responsibility was fixed.

Non-adherence to financing agreement resulted in loss of Rs.120.253 million due to deviation from GBF during FY 2023-24.

The matter was taken up with the management in October, 2024 and reported to MoWR in December, 2024. The management replied that amounts were drawn on need basis, however, justification for deviation may be obtained from the concerned project.

The reply was not tenable because these funds were arranged by the Finance Wing which could not be utilized due to inefficient project and financial management causing loss to WAPDA, for which no responsibility was fixed.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to inquire the matter for non-utilization of funds as per agreed schedule in the financing agreement besides fixing of responsibility for the objected loss.

(Draft Para No.378/2024-25)

F. HR/Employees Related Issues

1.5.104 Unjustified grant of different allowances to the employees contrary to the directions of Finance Division - Rs.2,034.766 million

According to Finance Division's office memorandum dated June 26, 1999 regarding revision of salaries, allowances and perquisites of the supervisory and executive staff of public sector corporations, autonomous/semi-autonomous bodies, "such revisions may be carried out by the respective BOD/Board of Governors of these organizations and clearance from Finance Division would, however, be necessary to ensure a rational basis and a degree of uniformity in such revisions. 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 various formations of WAPDA & IRSA for the period from July, 2019 to June, 2024, it was noticed that an amount of Rs.2,034.766 million was paid to the officers/officials on account of different allowances approved by WAPDA & IRSA. Audit held that grant of these allowances was not justified as the same were allowed by WAPDA & IRSA without obtaining clearance from the Finance Division. The detail is as under:

(Rs. in million)

| Sr. No. | Name of Formation | DP No. | Amount |
|----------------|-------------------------------------|-----------------|---------------|
| 1 | PD, Surface Water Hydrology Project | 6/2024-25 | 3.247 |
| 2 | PD, GMRC | 12/2024-25 | 1.226 |
| 3 | Chairman, IRSA | 20/2024-25 | 151.838 |
| 4 | Director Services & Estates | 40/2024-25 | 9.791 |
| 5 | GM, Hydro Planning | 41 & 42/2024-25 | 48.018 |
| 6 | GM Finance (Coordination) | 48 & 49/2024-25 | 21.638 |
| 7 | Director' Transport WAPDA | 60 & 61/2024-25 | 55.897 |
| 8 | GM/PD, DBDP | 71& 111/2024-25 | 144.809 |
| 9 | PD, Dargai Rehabilitation Project | 102/2024-25 | 2.355 |

| | | | |
|--------------|--|---------------------------|------------------|
| 10 | PD, K-IV Project | 132/2024-25 | 12.572 |
| 11 | PD, MRP | 150 & 271/2024-25 | 21.032 |
| 12 | PD/SE (O&M), Hub Dam Project | 153/2024-25 | 5.942 |
| 13 | CE, CB&CJ Link Canal | 162/2024-25 | 83.847 |
| 14 | CEO, NJHPC | 164/2024-25 | 127.763 |
| 15 | PD, NGDP | 181 & 185/2024-25 | 51.139 |
| 16 | GM/PD, DHPP | 206/2024-25 | 74.266 |
| 17 | GM/PD, KCP | 296, 297 & 306/2024-25 | 63.258 |
| 18 | PD, Darawat Dam Project | 326/2024-25 | 2.150 |
| 19 | MS, WAPDA Hospital, Hyderabad | 329/2024-25 | 169.494 |
| 20 | RE, Power Station Mangla | 334 & 336/2024-25 | 158.300 |
| 21 | GM (Finance) Water | 359/2024-25 | 52.565 |
| 22 | RE, (Civil) Mangla Dam Organization | 363, 364 & 365/2024-25 | 236.265 |
| 23 | GM, (C&M) Water | 377/2024-25 | 35.890 |
| 24 | GM (Finance) Power | 379, 381 & 468/2024-25 | 48.737 |
| 25 | PD, Keyal Khwar Hydropower Project | 393 & 394/2024-25 | 19.807 |
| 26 | CE (O&M) Hydrel, Besham | 398 & 427/2024-25 | 154.012 |
| 27 | CE/PD, ALHPP | 402/2024-25 | 4.837 |
| 28 | PD, Harpo HPP | 403/2024-25 | 17.299 |
| 29 | GM (Projects), South | 406, 415 & 419/2024-25 | 39.609 |
| 30 | PD, NDP | 423/2024-25 | 7.170 |
| 31 | PD, Chitral HPS (Capacity Enhancement Project) | 425 & 426/2024-25 | 2.368 |
| 32 | RE, Jabban HPS | 442/2024-25 | 43.170 |
| 33 | CE/RE, Chashma HPS | 447/2024-25 | 108.719 |
| 34 | GM (Hydel), Operation and Development | 477 & 478/2024-25 | 55.736 |
| Total | | | 2,034.766 |

Non-adherence to the instructions of Finance Division resulted in unjustified expenditure of Rs.2,034.766 million on grant of different allowances to the employees up to FY 2023-24.

The matter was taken up with the management during February to October, 2024 and reported to MoWR during May to December, 2024. The

management replied that these allowances were granted to the employees after approval of competent authorities.

The reply was not acceptable because as per instructions of Finance Division dated June 26, 1999, clearance from Finance Division (GoP) was necessary. Moreover, DAC in its earlier meetings held on December 08, 17-19 & 28-29, 2020, December 08, 09, 20 & 21, 2022, January 16-17 and February 9-10, 2023 directed the management to refer all such paras pertaining to pay & allowances to Finance Division through MoWR for obtaining clarification which has not been done so far.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to justify grant of these allowances without seeking approval/clarification from the Finance Division as decided in earlier DAC meetings.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2020-21, 2022-23 & 2023-24 vide Paras No.1.5.52, 1.5.73 & 1.5.67 having financial impact of Rs.716.518 million. Recurrence of same irregularity is a matter of serious concern.

1.5.105 Unjustified appointment of Project Director without having required experience

According to Para-9.6 of Manual for Development Projects, the PD was required to have minimum five years' experience in the project management or implementation.

During audit of accounts of CEO/PD, DBDP for the period from July, 2023 to June, 2024, it was noticed that Mr. Nazakat Hussain was appointed as PD on promotion as GM vide office order dated January 31, 2023. As per Manual for Development Projects, PD is required to possess minimum five years' experience in project management or implementation. However, the officer did not possess five years' relevant experience in project management or implementation as required under rules. Moreover, Diamer Basha Dam is a

project of national significance with objectives including water storage, irrigation, flood alleviation and generation of electricity, therefore, appointment of an inexperienced person as PD of mega project could lead to serious consequences for the project. It is pertinent to point out that implementation progress of the project as on June, 2024 was only 15.54% as compared to planned progress of 40.49%. Audit held that appointment of said officer without having required experience as PD of a mega water sector project was unjustified.

Non-adherence to the provision of Manual for Development Projects resulted in unjustified appointment of PD without having required experience up to FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that the said officer was posted as PD with the approval of Chairman WAPDA and the matter pertained to the office of GM (HR).

The reply was not tenable because an inexperienced officer was appointed at a vital project of national importance in violation of guidelines of Planning Commission.

The para was discussed in DAC meeting held on January 06, 2025, however, minutes of DAC meeting were not provided by the PAO MoWR till finalization of this Audit Report.

Audit recommends the management to justify appointment of an officer as PD without eligibility in violation of Manual for Development Projects.

(Draft Para No.108/2024-25)

G. Value for Money and Services Delivery Issues

1.5.106 Unjustified expenditure on retrieval and re-installation of trash racks due to negligence of the consultants - Rs.3,265.394 million

According to Clause-20.1 of CSC, “the consultants shall perform the services and carry out the services 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. The consultants shall always act, in respect of any matter relating to this contract or to the services, as a faithful adviser to the Client, and shall at all times support and safeguard the Client’s legitimate interests in any dealings with the third parties”.

During audit of accounts of PD, T5HPP for the period from July, 2023 to June, 2024, it was noticed that a contract for execution of civil works was awarded to M/s PCCCL on May 03, 2021. Later on, VO No.07 for removal of old trash racks from Tunnel-3 & 4 low level intakes and their subsequent installation at Tunnel-5 low level intake was issued to the contractor by the Engineer on March 31, 2023 without prior agreement/consent of the Employer. The Employer sought clarification and justification on the matter from the consultants vide letter dated April 04, 2023, however, no plausible justification was provided by the consultants. It was further observed that these trash racks had an operational life of only two years and had outlived the same at Tunnel-3 & 4 during operation of T4HPP. Despite having knowledge of these facts, the consultants issued the said VO for retrieving of old trash racks from Tunnel-3 & 4 for re-installation at Tunnel-5 low level intake and an amount of Rs.3,265.394 million (Rs.211.184 million & CNY 79.268 million) was paid to the contractor against VO No.7 up to IPC No.20. It is worth mentioning here that a BOQ item pertaining to purchase of new screens (trash racks) for existing Tunnel-5 low level intake with a cost of Rs.18.029 million & CNY 6.767 million had already been included in the contract of T5HPP. In view of the forgoing, it was clearly evident that it was a matter of gross negligence on the part of the consultants. It is also pertinent to mention that the management had also endorsed these views about the gross negligence of the consultants and held that they had acted in bad faith regarding their decision on retrieval and re-installation of old trash racks.

However, no action was taken against the consultants for this wilful negligence.

Non-adherence to the provisions of CSC resulted in unjustified expenditure of Rs.3,265.394 million on retrieval and re-installation of trash racks due to negligence of the consultants during FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in November, 2024. The management replied that the decision to retrieve and reuse trash racks was made to address urgent requirements of project and complications/delays in importing new equipment at that time. While the site instruction for VO No.07 was issued without prior agreement from the Employer, the decision was taken in good faith to mitigate potential risks to the project's progress.

The reply was not tenable because the management had also issued a displeasure letter to the consultants pointing out their poor decision on the matter. However, the management had now deviated from their original stance which was not justified.

A DAC meeting was scheduled on January 06, 2025 and the said para was included in the agenda of the meeting but could not be discussed.

Audit recommends the management to inquire the matter for fixing of responsibility for incurrence of unjustified expenditure due to negligence of the consultants.

(Draft Para No.299/2024-25)

H. Others

1.5.107 Non-indemnification of insurance claim lodged for loss sustained due to collapse in Tail Race Tunnel - Rs.41,964.645 million

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 performance audit of the NJHPP, it was noticed that powerhouse 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 this Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated March 31, 2023. Subsequently, as per procedure, two (02) reminders were also issued on September 13, 2023 and October 10, 2023, however, DAC meeting could not be scheduled.

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 powerhouse.

(Para No.4.1.6.1 of PAR of NJHPP)

1.5.108 Non-conducting of inquiry for collapse in Tail Race Tunnel resulting into generation loss - Rs.20,387.422 million

According to Section-III of WAPDA Guidelines for Enforcing the Responsibility for Losses Sustained by the Authority Through Fraud 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. If preliminary investigation shows that the loss is due to theft, fraud or neglect, the case will be immediately submitted to the next higher authority for constitution of an inquiry committee to investigate the reported loss.

During performance audit of the NJHPP, it was noticed from incident report that unusual water seepage/leakage was observed in powerhouse on July 04, 2022 due to increased pressure in TRT. This blockage forced the management to completely shut down the generation plant on July 06, 2022. After initial inspection, it was found that major collapse had occurred in the TRT between field chainage of 0+250 to 0+293. As per reports of Independent Panel of Experts (IPOEs), main collapse was identified downstream from the first lined section at about 0+251 of field chainage. As per root cause analysis conducted by the IPOEs, besides other 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 including area falling within 0+260 to 0+297 of field chainage was found spalled because this area had weak rocks. Furthermore, as per Geology Report and technical specifications of the contract, most of the area between chainage 0+250 to 0+293 had poor/very poor rock quality for which additional support of spiles/lattice girders was required which was not provided. The closure of powerhouse since July, 2022 had resulted in generation loss of 2,235.85 million energy units (approx.) till December, 2022, which eventually caused revenue loss of Rs.20,387.422 million to the company. Audit holds that after receipt of report from IPOEs a formal inquiry to fix responsibility of loss should have been conducted which was not done.

The matter was taken up with the management and reported to MoWR in March, 2023. The management replied that IPOEs was engaged to identify the

root causes of the TRT incident. The final draft report received from IPOEs was under consideration with the consulting firms. The fate of inquiry would be decided upon finalization of the report. Moreover, first interim claim for Business Interruption of Rs.41.965 billion had already been lodged with M/s NICL, whose outcome is still awaited.

The reply of the management was not convincing as the claim for Business Interruption of Rs.41.965 billion lodged with M/s NICL has not so far been realized. Further, the IPOEs had submitted its 1st interim report on October 17, 2022. Since then, eighteen (18) months had been elapsed and the report was not finalized yet.

The PAO was requested to schedule a DAC meeting vide this office letter dated March 31, 2023. Subsequently, as per procedure, two (02) reminders were also issued on September 13, 2023 and October 10, 2023, however, DAC meeting could not be scheduled.

Audit recommends the management to finalize the report and fix responsibility for defective inspection before DLP leading to collapse in TRT, closure of generation plant and resulting revenue loss to the company.

(Para No.4.1.3.2 of PAR of NJHPP)

1.5.109 Generation loss due to collapse of Tail Race and Head Race Tunnels - Rs.16,392 million

According to Section-III of WAPDA Guidelines for Enforcing the Responsibility for Losses Sustained by the Authority Through Fraud 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. If preliminary investigation shows that the loss is due to theft, fraud or neglect, the case will be immediately submitted to the next higher authority for constitution of an inquiry committee to investigate the reported loss.

During audit of accounts of CEO, NJHPC for the period from July, 2023 to June, 2024, it was noticed that TRT and HRT of project experienced damages and blockage on July 6, 2022 and April 02, 2024 respectively that forced complete shutdown of powerhouse. Consequently, 1,797.704 million energy units could not be generated during FY 2023-24 which resulted in a generation

loss of Rs.16,392 million. However, no formal inquiry was conducted to determine the causes of collapse in TRT & HRT and fixing of responsibility for the loss.

Non-adherence to the aforementioned guidelines resulted in generation loss amounting to Rs.16,392 million due to collapse of TRT and HRT during FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that IPOEs were engaged for determining causes of collapse of TRT and HRT. The report on TRT could not be finalized because of differences among observations of IPOEs and point of view of the consultants and the Employer. Further, initial report of IPOEs in respect of collapse in HRT is awaited. Moreover, the government had also ordered to engage a consultancy firm of repute for ascertaining & fixing the responsibility. The process of engaging the consultants is underway. The Prime Minister of Pakistan has also constituted two Committees who have been separately investigating the causes of TRT and HRT issues. The outcome of the above efforts shall be shared with Audit when their reports are available.

No further progress was intimated till finalization of this Audit Report.

The para was discussed in DAC meeting held on January 06, 2025, 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 loss from the concerned or as per outcome of the inquiry.

(Draft Para No.80/2024-25)

1.5.110 Non-earning of revenue as per Clean Development Mechanism - Rs.14,037.240 million (equivalent to USD 50.133 million)

According to Clause-4.6, regarding Clean Development Mechanism (CDM) revenues, of the 4th revised PC-I of the NJHPP, the benefits arising from sale of carbon credits will be valued at USD 5 per ton of Carbon Dioxide (CO₂) gas produced. The Government will claim carbon credits from United Nations Framework Convention on Climate Change (UNFCCC) amounting to USD 12.533 million per annum.

During performance audit of the NJHPP, it was noticed from 4th revised PC-I of the project that after completion of the project, carbon credits @ USD 5 per ton of CO₂ gas produced could be claimed by the management from UNFCCC. As such, the project could earn CDM revenue amounting to USD 12.533 million per annum. It was further observed that the project had been commissioned for four (4) years but no efforts were made by the management to avail financial benefits amounting to Rs.14,037.240 million (USD 50.133 million x Rs.280) under CDM.

Non-adherence to the PC-I provisions resulted into non-earning of revenue amounting to Rs.14,037.240 million.

The matter was taken up with the management and reported to MoWR in March, 2023. The management replied that a case for CDM was prepared and submitted to WAPDA for onward submission to the concerned departments but the same could not be materialized before the implementation of the project.

The reply was not tenable as no responsibility was fixed for non-earning of CDM revenue as envisaged in PC-I of the project.

The PAO was requested to schedule a DAC meeting vide this office letter dated March 31, 2023. Subsequently, as per procedure, two (02) reminders were also issued on September 13, 2023 and October 10, 2023, however, DAC meeting could not be scheduled.

Audit recommends the management to fix responsibility for non-earning of CDM revenue from UNFCCC besides making efforts towards earning of the same.

(Para No.4.1.2.1 of PAR of NJHPP)

1.5.111 Unjustified payment due to change in land categories - Rs.5,800.275 million

According to PC-I of the project approved by ECNEC on March 28, 2014, there was no provision for change in land categories. Further, as per Section-11 of LAA, the Collector shall enquire into the objections which any person interested, Department of Government, a local Authority, or a Company, as the case may be, has stated regarding the measurements made under Section-8, and the value of the land at the date of the publication of the notification under Section-4 and shall make an award under his hand of - (i) the true area of the

land; (ii) the compensation which in his opinion should be allowed for the land; and (iii) the apportionment of the said compensation among all the persons known or believed to be interested in the land.

During special audit of the funds provided for land acquisition of DHPP (Stage-I) for the period from May, 2012 to May, 2023, it was observed that 39,239.08 kanal of land was acquired for DHPP by the DC/LAC Kohistan (upper) upto May, 2023. Notifications under Section-4 of LAA to acquire land for the project were issued by DC/LAC Kohistan (upper) during 2013 and 2014. Further scrutiny revealed that category of 6,183 kanal out of 39,239.08 kanal land was changed from barren to residential, cultivated and uncultivated land after imposition of Section-4 of LAA and in violation of category wise list of land approved by ECNEC in 2015. Consequently, an excess payment of Rs.5,800.275 million was made to the land owners.

Audit held that payment of compensation cost of land due to change in land categories was unjustified.

Non-adherence to the provisions of PC-I and LAA resulted in unjustified payment of Rs.5,800.275 million due to change in land categories.

The matter was taken up with the management in June, 2023 and reported to MoWR in August, 2023. The management replied that initial land categorization was based on estimates and categories of land were determined after completion of survey & preparation of revenue record.

The reply was not tenable as there was no provision for change in land categories in the PC-I and the same was done after imposition of Section-4 of LAA.

The PAO was requested to schedule a DAC meeting vide this office letter dated August 15, 2023. Subsequently, as per procedure, two (02) reminders were issued on September 13, 2023 and October 05, 2023, however, DAC meeting could not be scheduled.

Audit recommends the management to inquire the matter of change in land categories after imposition of Section-4 of LAA and without any provision in PC-I/approval of ECNEC to fix responsibility upon person(s) at fault.

(Para No.4.2 of SAR of DHPP)

1.5.112 Generation loss due to non-removal of operational constraints on permanent basis - Rs.3,477.412 million

According to Clause-1.1 (b) of the PPA, “WAPDA Power Station can withstand a full load rejection and remain in a safe operating condition and WAPDA Power Station’s auxiliaries will be kept in operating conditions continuously. Further, WAPDA Power Stations can be re-synchronized within thirty (30) minutes provided that the reason for the load rejection has been removed and no differential protection and any other protections warranting through checking/investigation of the equipment have operated”.

During audit of accounts of RE, GGHPS for the period from July, 2023 to June, 2024, it was noticed that the power station was required to generate 2,355.003 million energy units as per installed capacity of 108 MW but the actual generation was 178.083 million units. The main reasons for less generation were running of the power plant on partial load/isolation mode, due to repeated faults in the 132 KV transmission lines and accumulation of debris and boulders in weir and intake area of the powerhouse. Out of total 24,205 hours, the generating units remained under operation for only 10,985 hours and were kept in standby position for 13,520 hours. As such 2,176.920 million energy units were less generated which resulted in a revenue loss of Rs.3,477.412 million. Moreover, 132 KV transmission line was required to be handed over to Peshawar Electric Supply Company (PESCO) for further operation and maintenance but the same was also not done so far.

Non-adherence to the conditions of the PPA resulted in generation loss of Rs.3,477.412 million due to non-removal of operational constraints on permanent basis during FY 2023-24.

The matter was taken up with the management in October, 2024 and reported to MoWR in December, 2024. The management replied that insufficient water inflow compounded by design issues had reduced the generation capacity. An inquiry is required to assess the actual ground realities and establish realistic annual generation targets for GGHPS. Further, efforts were being made to address these issues.

The reply was not tenable because no concrete efforts were made for permanent removal of recurring nature of operational constraints and handing over of transmission line to PESCO.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to inquire the matter for fixing of responsibility of generation loss sustained due to non-removing of operational constraints on permanent basis and handing over of transmission line to PESCO.

(Draft Para No.453/2024-25)

Note: The issue was also reported earlier in the Audit Report for the Audit Year 2023-24 vide Para No.1.5.73 having financial impact of Rs.1,447.690 million. Recurrence of same irregularity is a matter of serious concern.

1.5.113 Increase in resettlement cost due to irregular addition of households in the project area - Rs.1,868.550 million

According to PC-I of the project approved by ECNEC on March 28, 2014, compensation was to be paid to 767 individuals/owners for houses which were going to be submerged/affected due to project activities. Further, as per Section-11(B) of Land Acquisition Act (LAA), “the whole process of acquisition of land should be completed within a period of six months from the date of notification under Section-4, or where it is not completed within the stipulated period, the reason for delay shall be explained by the Collector in his award, which, if not satisfactory, may hold him personally responsible for the delay and may result in disciplinary proceedings against him”.

During special audit of the funds provided for land acquisition of DHPP (Stage-I) for the period from May, 2012 to May, 2023, it was observed that as per approved PC-I of the project, total 767 households were required to be relocated from the project area. However, WAPDA Authority in its meeting held on March 03, 2021 accorded approval for payment of Enhanced Self-Managed Resettlement (ESMR) Package @ Rs.3.50 million to 3,066 households without obtaining approval from competent forum i.e. ECNEC. Further scrutiny of record revealed that payment of Rs.4,553.050 million was made to 1,302 households up

to May, 2023 under ESMR package. Furthermore, notifications under Section-4 of LAA were issued by DC/LAC Kohistan (upper) during 2013 and 2014 to acquire land for the project. The land acquisition process was required to be completed within a period of six months after imposition of notification under Section-4 but the same could not be completed within the stipulated period leading to illegal activities like construction of houses, structures, etc. The World Bank review mission of May, 2017 also expressed reservations on slow progress of land acquisition process and pointed out unauthorized construction activities in the project area which would have financial and legal implications for the project. Moreover, the DC/LAC Kohistan (upper) also acknowledged in the Project Steering Committee (PSC) meeting held in November, 2018 that more than 1,500 houses had been illegally constructed in the project area after imposition of Section-4.

Audit held that excess payment of Rs.1,868.550 million to 535 households (1,302-767) under ESMR Package in excess of approved list of PC-I was not justified.

Non-adherence to provisions of PC-I and the LAA resulted in unjustified compensatory payment of Rs.1,868.550 million.

The matter was taken up with the management in June, 2023 and reported to MoWR in August, 2023. The management replied that the initial survey of 767 households conducted in 2012 was not comprehensive. Secondly, the figure of 3,066 was projected based on households identified from revenue records, and approval was obtained from WAPDA Authority. Moreover, timeline of six months under Section-11(B) for land acquisition was intended for compulsory mode of acquisition only and applicable to settled districts, whereas, Kohistan (upper) was an unsettled district having no revenue record.

The reply was not tenable as the original list of 767 households was approved by ECNEC and therefore, any addition to the approved list required prior approval of the competent forum of ECNEC. Further, land acquisition process through compulsory mode as well as private negotiation was required to be completed within six months from the date of notification under Section-4 of LAA which was not done.

The PAO was requested to schedule a DAC meeting vide this office letter dated August 15, 2023. Subsequently, as per procedure, two (02) reminders were issued on September 13, 2023 and October 05, 2023, however, DAC meeting could not be scheduled.

Audit recommends the management to inquire the matter of illegal construction in the project area resulting in huge compensatory payments in violation of provision of PC-I and fix responsibility upon the person(s) at fault.

(Para No.4.1 of SAR of DHPP)

1.5.114 Generation loss due to testing of LLO by the contractor - Rs.919.622 million

According to Clause-9.4 (Failure to Pass Tests on Completion), if the works, or a section, fail to pass the tests on completion repeated under sub-clause-9.3 (Retesting), the Engineer shall be entitled to “(b) if the failure deprives the Employer of substantially the whole benefit of the works or section, reject the works or section (as the case may be), in which event the Employer shall have the same remedies as are provided in sub-paragraph (c) of sub-clause-11.4 (failure to remedy defects)”. As per Section-III of WAPDA Guidelines for Enforcing the Responsibility for Losses Sustained by the Authority Through Fraud 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. If preliminary investigation shows that the loss is due to theft, fraud or neglect, the case will be immediately submitted to the next higher authority for constitution of an inquiry committee to investigate the reported loss.

During audit of accounts of CE (O&M), Tarbela 4th Extension Hydel Power Station for the period from July, 2022 to June, 2024, it was noticed that civil structure of the LLO was completed in 2018 and its wet testing was scheduled in September, 2019 which was postponed due to design issues. The wet testing of LLO was conducted by the contractor on June 25, 2023 which did not prove successful. Thereafter, wet testing of LLO was again conducted by the contractor for which the powerhouse had to be shut down for 320 hours in June & July, 2024 but the test turned out to be unsuccessful. Due to closure of powerhouse for testing, 150.708 million energy units could not be generated which resulted in a generation loss of Rs.919.622 million. Audit held that since

successful testing of LLO was the responsibility of the contractor and powerhouse had to be closed again only for performance of this test, therefore, responsibility of generation loss was required to be fixed which was not done.

Non-adherence to provisions of contract and guidelines of WAPDA resulted in a generation loss of Rs.919.622 million up to FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in December, 2024. The management replied that the matter would be taken up with the office of T4HPP and detailed reply would be submitted accordingly.

No further progress was reported till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to inquire the matter at an appropriate level for fixing of responsibility for generation loss and recovery of the same from the concerned.

(Draft Para No.428/2024-25)

1.5.115 Generation loss due to non-resolving of issues and non-rectification of faults of powerhouse of Satpara Dam project- Rs.643.394 million

According to Section-III of WAPDA Guidelines for Enforcing the Responsibility for Losses Sustained by the Authority Through Fraud 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. If preliminary investigation shows that the loss is due to theft, fraud or neglect, the case will be immediately submitted to the next higher authority for constitution of an inquiry committee to investigate the reported loss.

During audit of accounts of GM Finance (Coordination) WAPDA, Lahore for the period from July, 2022 to June, 2023, it was noticed that two generating units of Powerhouse No. 4 of Satpara Dam project having installed capacity of 1.4 MW were shut down on May 12, 2014. GM Projects (Northern

Areas) informed Chairman WAPDA that these generating units were shut down due to water right issues, non-availability of parts, encroachment of land by locals and damage of water channel of the dam from Powerhouse No.3 to Powerhouse No.4. Chairman WAPDA vide noting dated December 14, 2022 directed to issue show cause notices to all the responsible(s) for negligence and further directed that repair work be completed by March, 2023. Due to non-resolving of these issues and non-rectification of faults of powerhouse timely, generation loss of Rs.643.394 million was sustained but no responsibility for the said loss was fixed.

Non-adherence to aforementioned guidelines and procedures resulted in a generation loss of Rs.643.394 million due to non-resolving of issues and non-rectification of faults of Powerhouse No. 4 of Satpara Dam project up to FY 2022-23.

The matter was taken up with the management in March, 2024 and reported to MoWR in July, 2024. The management replied that the Powerhouse No. 4 was shut down due to water rights issue. The Commissioner Baltistan Division, Skardu directed WAPDA to keep it shut down until the settlement of water rights issue. The spares of this powerhouse were forcibly used to keep Powerhouse No.3 operational to counter the energy crises in Skardu city.

The reply was not tenable because all the issues were required to be resolved timely to avoid generation loss but the needful was not done by the management.

The para was discussed in DAC meeting held on August 15 & 16, 2024, however, minutes of DAC meeting were not provided by the PAO MoWR despite issuance of request for the same till finalization of this Audit Report.

Audit recommends the management to inquire the matter for fixing of responsibility for loss sustained due to non-resolving of issues and non-rectification of faults of powerhouse despite lapse of more than ten years.

(Draft Para No.56/2024-25)

1.5.116 Loss on account of payment of cost of import of own energy to the CPPA-G - Rs.207.128 million

According to Clause-PMC-2.1(h) of Grid Code approved by NEPRA, "Installation of revenue meter and ancillary equipment at the substation for the

point of connection shall be the generator and other code participant/ users' responsibility. The generators and other user connecting to the NTDC Transmission System shall be submitted to the NTDC for approval of the engineering design for revenue metering, proposed location of metering equipment and ancillaries complete with wiring and installation drawings and bill of materials. The proposed metering location shall be adjacent to any telemetering, communication and data logging equipment”.

During performance audit of the NJHPP, it was noticed that an amount of Rs.207.128 million was paid to the CPPA-G on account of import of energy recorded at the billing meters from April, 2018 to September, 2022. The CE (O&M) vide letter dated May 20, 2021 informed the project consultants about flaws in design of Auxiliary System of Neelum Jhelum Power Stations. Further probe into the matter revealed that Main Auxiliary Power Transformers is energized from its own electricity fed from unit No.1 & 3 when unit No.2 & 4 are shut down. However, due to auxiliary network design and location of meters, utilization of its own energy through unit No.1 & 3 was also recorded as ‘import of energy’. Therefore, payment for import of its own energy to the CPPA-G was loss to the Company.

Non-adherence to the Grid Code resulted into a loss of Rs.207.128 million from April, 2018 to September, 2022 on account of payment of cost of import of its own energy to the CPPA-G.

The matter was taken up with the management and reported to MoWR in March, 2023. The management replied that scheme for the auxiliary consumption in the Neelum Jhelum plant has no design fault as similar schemes were also being implemented at other hydel power stations. NEPRA/CPPA-G treats NJHPC as an Independent Power Producer (IPP) and the implementation of this scheme for energy import/export is applicable to all IPPs.

The reply was not tenable because CE (O&M) NJHPP vide his letter dated May 20, 2021 had already pointed out design flaws in auxiliary system of Neelum Jhelum Power Station which contributed towards erroneous—energy import.

The PAO was requested to schedule a DAC meeting vide this office letter dated March 31, 2023. Subsequently, as per procedure, two (02) reminders were

also issued on September 13, 2023 and October 10, 2023, however, DAC meeting could not be scheduled.

Audit recommends the management to resolve the technical issues of installation of billing meters in collaboration with NTDC besides ensuring recovery of amount in question from CPPA-G.

(Para No.4.1.3.3 of PAR of NJHPP)

1.5.117 Unjustified payment of arrears of electricity bills of domestic and commercial consumers of Kohistan - Rs.199.894 million

According to PC-I of DHPP, there is no provision for payment of outstanding amount of electricity bills of domestic and commercial consumers of project area and there was no Clause in WAPDA Book of Financial Powers for incurring such expenditure. As per Para-4 of the System of Financial Control and Budgeting issued by the Finance Division vide No.F.3(2) Exp.III/2006, “the PAO is responsible not only for the efficient and economical conduct of the Ministries/Divisions/Departments, etc. but also continues to be personally answerable before the PAC. The two main principles to be observed are economy: (getting full value for money) and regularity: (spending money for the purposes and in the manner prescribed by law & rules). The GFR Vol-I emphasize the following principles: Propriety: The expenditure is incurred with due regard to high standards of financial propriety; and Prudence: The expenditure is not, prima facie, more than the occasion demands, and that every government servant exercises the same vigilance in respect of the expenditure incurred from public funds as a person of ordinary prudence would exercise in respect of the expenditure of his own money”.

During audit of accounts of GM/PD, DHPP for the period from July, 2023 to June, 2024, it was noticed that an amount of Rs.199.894 million was paid to PESCO on account of arrears of electricity bills of domestic and commercial consumers. This amount was paid on the basis of an agreement dated December 12, 2022 between Chairman WAPDA and the locals of Kohistan for resolution of issues for installation of transmission line. Audit held that there was no provision for incurrence of such expenditure in the PC-I. Further, this amount was spent to meet non-productive demand of the people which had no impact on social uplift of the area, therefore, such expenditure was unjustified.

Non-adherence to the provisions of PC-I and System of Financial Control and Budgeting resulted in unjustified payment of arrears of electricity bills amounting to Rs.199.894 million during FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in November, 2024. The management replied that WAPDA signed a MoU with the notables of Kohistan back in 2013 which also included a condition of provision of electricity to the residents of Kohistan on “special rate on electricity consumption up to (600 units/month) as per generation rate at powerhouse for 17,000 connections.” In 2021, the local Jirga of Kohistan stopped the construction activities on 132 KV transmission line on the plea of non-compliance of said condition. Therefore, in order to resolve the issue, WAPDA signed an agreement with the notables of Kohistan on December 12, 2022 in lieu of MoU of 2013. The financial impact would be charged to physical contingencies head of approved PC-1 that would be regularized upon revision of PC-1.

The reply was not tenable because payment of arrears of electricity bills of the consumers (a non-development expenditure) without any provision in PC-I was unjustified.

A DAC meeting was scheduled on January 06, 2025 and the said para was included in the agenda of the meeting but could not be discussed.

Audit recommends the management to justify payment of arrears of electricity bills of the consumers of Kohistan without provisions in the PC-I and without any rules.

(Draft Para No.250/2024-25)

1.5.118 Unjustified payment of incentive to the employees of provincial government - Rs.111.828 million

According to PC-Is of DHPP and MDHP, there are no provision for payment of monthly incentive package to the employees of District Government (KPK Government). As per directions of PAC conveyed by the Cabinet Division (GoP) vide office memorandum No.1/1/2011-A/Cs-III dated March 26, 2011, “there should be no deviation from the approved PC-I of the projects in any respect being implemented by the Federal Ministries/Divisions and its attached departments/autonomous bodies”.

During audit of accounts of two formations of WAPDA for the period

from July, 2023 to June, 2024, it was observed that an amount of Rs.111.828 million was paid to officers/officials of different offices of Districts Charsadda, Mohmand, Kohistan and Diamer on account of incentive package equal to one basic pay every month. Further, payment of administrative expenses for the office of DC/LAC, Diamer was also being made from funds of DHPP. As per approved PC-Is of DHPP and MDHP, there were no provisions for making such payments to the employees of provincial government by WAPDA. Audit held that all these payments were made not only in violation of provision of PC-Is but were also in contradiction to the directions of PAC, hence, unjustified. The detail is as under:

(Rs. in million)

| Sr. No. | Name of Formation | DP No. | Amount |
|--------------|-------------------|-------------------|----------------|
| 1 | GM/PD, DHPP | 197 & 198/2024-25 | 93.351 |
| 2 | GM/PD, MDHP | 269/2024-25 | 18.477 |
| TOTAL | | | 111.828 |

Non-adherence to the provisions of PC-Is and directions of PAC resulted in unjustified payment of Rs.111.828 million on account of incentive, etc. to the employees of provincial government during FY 2023-24.

The matter was taken up with the management in September & October, 2024 and reported to MoWR in November, 2024. The management replied that incentive was paid on the recommendations of Project Steering Committee of DHPP and Implementation Committee for Diamer Basha and Mohmand Dam Projects. Provisions had now been made in the revised PC-I, which would be submitted for approval of competent forum.

The reply was not acceptable because monthly incentive was paid to the employees of provincial government in violation of provisions of PC-Is and the directives of the PAC.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to justify payment of incentive

package to the employees of provincial governments in absence of any provisions in PC-Is and in violation of the directives of PAC besides ensuring its recovery from the concerned.

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2022-23 & 2023-24 vide Paras No.1.5.84 & 1.5.77 and MFDAC Report for the Audit Year 2021-22 vide Paras No.1.32 & 1.150 having financial impact of Rs.378.752 million. Recurrence of same irregularity is a matter of serious concern.

1.5.119 Extra financial burden on account of land compensation due to non-transfer of liabilities to the provincial government - Rs.105.306 million

According to Para-2.62 (iii) of Manual for Development Projects, “for the provincial and special areas projects, to be financed either fully or partially by the federal government, the land will be provided free-of-cost by the provincial or special areas’ governments”.

During audit of accounts of GM (Projects) North, Peshawar for the period from July, 2019 to June, 2023, it was noticed that Mardan Scarp, Swabi Scarp and Pehur high level canal projects were completed during 1993 to 2005 and handed over to the Provincial Irrigation Department of Government of KPK. As per Manual for Developments Projects, it was responsibility of provincial government to provide free of cost land to execute provincial projects through federal financing, therefore, liabilities of land compensation were also required to be transferred to the concerned department but the needful was not done. The MoWR vide letter dated November 21, 2022 also advised WAPDA to take up the matter with Government of KPK for transfer of all liabilities being the sole beneficiary of these projects but no efforts were made in this regard. Audit held that due to non-transfer of liabilities of land compensation, an amount of Rs.105.306 million had to be paid to the land owners which was an extra financial burden on WAPDA.

Non-adherence to the Manual for Development Projects resulted in extra financial burden of Rs.105.306 million on account of payment of land compensation due to non-transfer of liabilities to the provincial government up to FY 2022-23.

The matter was taken up with the management in February, 2024 and reported to MoWR in May, 2024. The management replied that pending liabilities regarding undecided court cases and unsettled contractual claims were not taken over by provincial irrigation department. The management further stated that the matter regarding handing/taking over of the project would be brought into the notice of court.

No further progress was intimated till finalization of this Audit Report.

The para was discussed in DAC meeting held on August 15 & 16, 2024, however, minutes of DAC meeting were not provided by the PAO MoWR despite issuance of request for the same till finalization of this Audit Report.

Audit recommends the management to justify non-transfer of liabilities of land compensation to the concerned provincial department besides ensuring transfer of liabilities and recovery of amount paid to the land owners after transfer of project from the concerned.

(Draft Para No.1/2024-25)

1.5.120 Revenue loss due to non-auction of WAPDA land for lease - Rs.98.700 million

According to Section-III of WAPDA Guidelines for Enforcing the Responsibility for Losses Sustained by the Authority Through Fraud 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. If preliminary investigation shows that the loss is due to theft, fraud or neglect, the case will be immediately submitted to the next higher authority for constitution of an inquiry committee to investigate the reported loss. As per minutes of WAPDA Authority meeting held on April 17, 2023, Re-auction of un-auctioned plots of all zones (not meeting criteria) will be carried out on separate date, after completing the major auction process of all zones”.

During audit of accounts of CE/PD, CB&CJ Link Canal, Chashma for the period from July, 2023 to June, 2024, it was noticed that WAPDA land measuring 5,600 Acres (56 plots) could not be auctioned for lease due to non-participation of bidders in major auction process of all zones held on July 19-21, 2023. As per minutes of WAPDA Authority’s meeting, the said un-auctioned

land was required to be auctioned after completion of major auction process of all zones but the needful was not done despite completion of major auction schedule in August, 2023. Due to non-auction of land, WAPDA sustained a revenue loss of Rs.98.700 million for which no responsibility was fixed.

Non-adherence to aforementioned guidelines resulted in revenue loss of Rs.98.700 million due to non-auction of WAPDA land for lease during FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that detailed reply would be submitted after consultation of record.

No further 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, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to justify non-auction of WAPDA land for lease resulting in huge revenue loss besides fixing of responsibility for this lapse.

(Draft Para No.228/2024-25)

1.5.121 Unjustified payment of resettlement package by grievance resettlement committee - Rs.75.200 million

According to approved TORs of the GRC, it was recommended that when name of an individual affectee did not exist in the field book but existed in the approved *Chula* list, individual affectee would be compensated under *Chula* Package subject to record of individuals' uncle/nephew existed in the field book, built-up property and payment record as house owner. When an enlisted individual possessed entry in field book or built-up property or payment record as house owner, his/her case for Chula package would be proceeded and payment would be made to him on the basis of availability of entry into one of above stated record.

During audit of accounts of CEO/PD DBDP for the period from July, 2023 to June, 2024, it was noticed that an amount of Rs.75.200 million (Rs.4.70

million x 16) was paid to 16 households under resettlement package against Khasra No.1 in Mauza Yashokal Hit (Circle Goharabad). Further scrutiny of the record revealed that neither field book of the said Mauza was prepared nor any payment was made for acquisition of land. Moreover, GIS report and CNICs of the recipients were also not available in the record. Audit held that payment made to 16 households under resettlement package against Khasra No.1 in the absence of any land record was unjustified.

Non-adherence to the aforementioned TORs resulted in unjustified payment of Rs.75.200 million on account of resettlement package to the landowners during FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that disbursement process of *Chula* package was done through GRC committee, which for their own satisfaction linked Field Book or Built of Property as evidence regarding correction of names, khasra, etc. for further payment.

The reply was not tenable as payment made on account of resettlement package without authentication of land record was unjustified.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to inquire the matter for fixing of responsibility on person(s) at fault for making unauthentic payments.

(Draft Para No.148/2024-25)

1.5.122 Loss due to charging of line losses of 11 KV feeder to Hub Dam Project - Rs.47.420 million

According to Section-4 (A) of the NEPRA Eligibility Criteria for Consumers of Distribution Companies-2003, Where a Common Distribution System (CDS) does not exist and a Sponsored Dedicated Distribution System (DDS) is required to be developed for the supply of power for the sole consumption of a specified area or a specified group of consumers, the Sponsored DDS shall be developed either by the Sponsor itself as per the approved standards of the distribution company or through the concerned

distribution company subject to mutually agreed terms and conditions. The Sponsored DDS other than service wire and meter may be converted into CDS on the request of the sponsor. In such case, the distribution company shall take over the system for its operation and maintenance purpose and thereby the augmentation and extension shall be carried out by the distribution company without any charges from the Sponsor. As per Section-8 (Part-III), the DDS, other than service wire and meter, may be converted into CDS with the written consent of the owner of the DDS in which case, the cost incurred by its owner shall be reimbursed by the licensee at mutually agreed terms.

During audit of accounts of PD (O&M) Hub Dam Project for the period from July, 2020 to June, 2024, it was noticed that a dedicated 11 KV feeder for supply of electricity to Dam/colony area was constructed about 40 years ago. With the passage of time, K-Electric provided electricity connections to a large-number of *Goths* through this dedicated 11 KV line without consent of WAPDA. It was further noticed that reading of electricity consumption was taken from meter installed at Grid Station for billing purposes and after deducting units used by *Goths*, remaining units which included line losses were being billed to WAPDA. Due to provision of electricity connections to a large number of *Goths*, the 11 KV line could not be deemed as DDS but a CDS and its Repair and Maintenance (R&M) including line losses was the responsibility of K-Electric. However, neither any energy meter was installed at Hub Dam site for actual billing purposes nor R&M of line was carried out by the K-Electric. An analysis of reading carried out by the management in 2021 by installing energy meter at dam showed that ratio of line losses was about 50.86% against actual energy being billed by K-electric. Audit held that due to non-installation of energy meter at Hub Dam, line losses of this feeder amounting to Rs.47.420 million (approx.) borne by WAPDA was a recurrent loss.

Non-adherence to aforementioned guidelines resulted in loss of Rs.47.420 million due to charging of line losses of 11 KV feeder to Hub Dam up to FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that the matter had already been taken up with K-Electric for resolution of the issue. Moreover,

the matter had also been taken-up with NEPRA in September, 2024 and outcome would be intimated to Audit accordingly.

No further progress was intimated till finalization of this Audit Report.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to pursue the matter with K-Electric and NEPRA for installation of separate energy meter at site for recording of actual consumption for billing purposes and R&M of feeder in the light of guidelines of NEPRA.

(Draft Para No.151/2024-25)

1.5.123 Unjustified expenditure on hiring of helicopter services for use of Chairman WAPDA - Rs.42.302 million

According to Clause-9.7 (Air Transportation Services) of DHPP contract, the primary purpose of these services will be for emergency situations such as traffic suspension due to landslides, any serious accident to be encountered during construction requiring the transport of injured or sick persons to Islamabad/Abbottabad and transport of Very Very Important Persons (VVIPs). The flying services provided will include medical evacuations, personnel transport, and other related services as required by the Engineer and Employer. As per WAPDA Transport Policy, 1987, WAPDA would provide 1300 CC Chauffeur driven cars for official and private use to Authority and there was no provision of helicopter facility in these rules.

During audit of accounts of two formations of WAPDA for the period from July, 2023 to June, 2024, it was noticed that an amount of Rs.42.302 million was paid to the contractors on account of provision of helicopter services for Chairman WAPDA during site visits of DBDP, DHPP and NJHPC. As per provision of contract, facility of helicopter services could only be availed during emergency or for VVIPs and not for site/routine visits. Moreover, as per rules, there was a provision of 1300 CC car for use of WAPDA Authority and there was no provision for use of helicopter by Chairman WAPDA, therefore, the

expenditure incurred amounting to Rs.42.302 million on account of hiring of helicopter services was unjustified. The detail is as under:

(Rs. in million)

| Sr. No | Name of formation | DP No. | Amount |
|--------------|-------------------|-------------|---------------|
| 1 | GM/PD DBDP | 77/2024-25 | 1.603 |
| 2 | GM/PD DHPP | 202/2024-25 | 40.699 |
| TOTAL | | | 42.302 |

Non-adherence to provision of contract and WAPDA Transport Policy resulted in unjustified expenditure of Rs.42.302 million on account of hiring of helicopter services for use of Chairman WAPDA during FY 2023-24.

The matter was taken up with the management in August & September, 2024 and reported to MoWR in November, 2024. The management replied that helicopter service was being used for the visit of Chairman WAPDA (the VVIPs) amid security concerns.

The reply was not tenable because Chairman WAPDA was not entitled to use helicopter services for routine visits of different projects.

The para was discussed in DAC meeting held on January 06, 2025, however, minutes of DAC meeting were not provided by the PAO MoWR till finalization of this Audit Report.

Audit recommends the management to justify incurrence of expenditure on use of helicopter services for routine visits of Chairman WAPDA in violation of provisions of the contract and transport policy besides fixing of responsibility for authorizing the expenditure and ensuring its recovery from the concerned.

1.5.124 Generation loss due to delay in overhauling of generation unit by the management - Rs.40.499 million

According to Section-III of WAPDA Guidelines for Enforcing the Responsibility for Losses Sustained by the Authority Through Fraud 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. If preliminary investigation shows that the loss is due to theft, fraud or neglect, the case will be immediately submitted to the next higher authority for constitution of an inquiry committee to investigate the reported loss.

During audit of accounts of CE/RE, CHPS for the period from July, 2023 to June, 2024, it was noticed that an agreement for overhauling of unit No. 2 of powerhouse was made with M/S Voith Hydro Germany on February 19, 2020. According to contract agreement, time required for overhauling of unit No. 2 was 16 months from the date of mobilization of the contractor at site. However, due to inefficiency of the management and the contractor, overhauling of unit No.2 could not be completed even after lapse of four years which resulted in a generation loss of 198.720 million units amounting to Rs.40.499 million during the year. No responsibility for delay in completion of rectification works and generation loss was fixed.

Non-adherence to the guidelines of WAPDA resulted in generation loss of Rs.40.499 million due to delay in overhauling of unit No. 2 by the project authority during FY 2023-24.

The matter was taken up with the management in September, 2024 and reported to MoWR in December, 2024. The management replied that utmost efforts were being made to timely bring Unit No.2 on bar after repair of its fault on permanent basis. The loss was consequential due to shut down of unit No.2 and was beyond the control of WAPDA due to involvement of other formations.

The reply was not tenable because the said generating unit could not be rectified despite lapse of more than four years, therefore, responsibility for generation loss was required to be fixed.

The PAO was requested to schedule a DAC meeting vide this office letter dated December 10, 2024. Subsequently, as per procedure, two reminders were also issued on December 17 & 27, 2024, however, DAC meeting could not be scheduled.

Audit recommends the management to inquire the matter regarding delay in rectification of generating unit causing huge generation loss.

(Draft Para No.444/2024-25)

Note: The issue was also reported earlier in the Audit Reports for the Audit Years 2021-22, 2022-23 & 2023-24 vide Paras No.1.5.65, 1.5.79 & 1.5.75 having financial impact of Rs.2,120.172 million. Recurrence of same irregularity is a matter of serious concern.

1.5.125 Excess payment to the land owners by re-categorization of land - Rs.28.744 million

According to Section-4 of Land Acquisition Act, 1894, “whenever it appears to the Collector of the District that land in any locality is needed or is likely to be needed for any public purpose or for a company, a notification to that effect shall be published in the official gazette, and the Collector shall cause public notice of the substance of such notification to be given at convenient places in the said locality”. As per Section-11, “on the day so fixed, or on any other day to which the enquiry has been adjourned, the Collector shall proceed to enquire into the objections (if any) which any person interested and a department of government, a local authority, or a company, as the case may be, has stated pursuant to a notice given under Section-9 to the measurements made under Section-8, and into the value of the land at the date of the publication of the notification under Section-4, sub-section (1), and into the respective interests of the persons claiming the compensation and shall make an award under his hand of - (i) the true area of the land; (ii) the compensation which in his opinion should be allowed for the land; and (iii) the apportionment of the said compensation among all the persons known or believed to be interested in the land, of whom, or of whose claims, he has information, whether or not they have respectively appeared before him”. There was no provision for change in category of land after imposition of Section-4. Moreover, there was no provision in 2nd revised PC-1 for acquisition of additional land.

During audit of accounts of CEO/PD, DBDP for the period from July, 2023 to June, 2024, it was noticed that one Notification under Section-4 for acquisition of land measuring 30 kanal and 16 marla was published on November 28, 2022. As per verification report of revenue staff dated February 01, 2023, entire land was categorized as ‘Banjar’ to be acquired at total cost of Rs.9.625 million. However, at the time of issuance of Award on June 24, 2024, category of land measuring 22 kanal & 8 marla out of 30 kanal and 16 marla was re-categorized as ‘Barani Cultivated’ due to the pressure from the locals of the area and award for Rs.33.425 million was announced. Similarly, another award of Rs.252.488 million to acquire 247 kanal land for construction of Batching Plant and E&M Yard, etc. for 21MW Tangir Hydropower Project was issued by DC/LAC, Diamer on June 24, 2024. As per field book and compensation papers

prepared by revenue staff, land measuring 156 kanal & 9 marla had been categorized as cultivated whereas land measuring 64 kanal & 17 marla was categorized as uncultivated. However, uncultivated land measuring 5 kanal & 13 marla was converted into cultivated land as per award dated June 24, 2024. The land categories in both the cases were changed after imposition of Section-4 and record relating to GIS verification was also not available. Due to re-categorization of land, an amount of Rs.28.744 million was paid in excess to the land owners. Moreover, there was no provision for acquisition of this land in the 2nd Revised PC-I. Audit held that excess payment made due to this re-categorization of land after imposition of Section-4 by DC/ LAC Diامر was unjustified.

Non-adherence to the provisions of Land Acquisition Act resulted in excess payment amounting to Rs.28.744 million to land owners by re-categorization of land during FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that a meeting for redressal of the grievances of locals was convened on October 21, 2023, wherein the elders of the area demanded for payment of land compensation under category of “cultivated/barani.” The rates and category were properly approved with community and WAPDA as part of negotiated acquisition and these were also approved from Implementation Committee on Diامر Basha and Mohmand Dams. Land Acquisition Act empowers the Collectors to re-measure and re-asses land before award and there was no legal requirement of GIS.

The reply was not tenable because land was re-categorized contrary to the original field verification reports of the concerned revenue staff.

The para was discussed in DAC meeting held on January 06, 2025, however, minutes of DAC meeting were not provided by the PAO MoWR till finalization of this Audit Report.

Audit recommends the management to inquire the matter regarding excess payment to the landowners due to re-categorization of land after imposition of Section-4 besides ensuring recovery of excess paid amount.

(Draft Para No.168/2024-25)

1.5.126 Non-inspection of Head Race Tunnel through remotely operated vehicle and non-conducting of inquiry for its collapse

As per IPOEs report, it was emphasized that the monitoring of HRT was extremely important task after TRT blockage incident and inspection of HRT be carried out as early as possible. MoWR was also of the same view. As per Section-III of WAPDA Guidelines for Enforcing the Responsibility for Losses Sustained by the Authority Through Fraud 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. If preliminary investigation shows that the loss is due to theft, fraud or neglect, the case will be immediately submitted to the next higher authority for constitution of an inquiry committee to investigate the reported loss. As per Prime Minister Office order dated May 20, 2024, the Prime Minister directed to constitute a committee to inquire into flaws/shortcomings in construction of NJHPP and also directed for submission of its report within a period of two weeks.

During audit of accounts of CEO, NJHPC for the period from July, 2023 to June, 2024, it was noticed that after collapse of TRT on July 06, 2022, the IPOEs emphasized in their report to conduct inspection of HRT as early as possible. However, inspection of HRT was not conducted and faults occurred in HRT during April, 2024. The powerhouse was completely shut down on May 01, 2024 which caused loss to the company. No departmental inquiry was conducted to ascertain the causes of collapse of HRT and to fix responsibility for the loss.

Non-adherence to the aforementioned instructions resulted in non-inspection of HRT and non-conducting of inquiry for its collapse up to FY 2023-24.

The matter was taken up with the management in August, 2024 and reported to MoWR in November, 2024. The management replied that three attempts were made for inspection of HRT under PPRA Rules but all attempts failed. The reports of IPOEs and inquiry committee constituted by the Prime Minister of Pakistan are already in process and would be shared with Audit upon finalization.

No further progress was intimated till finalization of this Audit Report.

The para was discussed in DAC meeting held on January 06, 2025, 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 inquiry proceedings and obtain report of IPOEs to ascertain the causes of collapse of HRT besides fixing of responsibility for the loss.

(Draft Para No.163/2024-25)

CHAPTER-2
Impact Audit of Tarbela 4th Extension
Hydropower Project

2. Impact Audit of Tarbela 4th Extension Hydropower Project

2.1 Introduction

Impact audit is an evidence based unique auditing approach employed to evaluate attributed outcomes of an initiative. Accordingly, impact audit of Tarbela 4th Extension Hydropower Project (T4HPP) was selected to determine impact of the project on energy generation and provision of water for irrigation purposes.

2.1.1 Background of the Project

The original Tarbela Hydropower Project (THPP) was completed in 1976 with initial generation capacity of 700 MW (Units 1-4) on Tunnel-1. The first and second extension projects added further six units of 175 MW each on Tunnel-2 (Units 5-10) and the third extension of the project added 1,728 MW on Tunnel-3 (Units 11-14) in 1992. Current project is fourth extension of THPP comprising of three power generating units having total installed capacity of 1,410 MW (Units 15-17) on Tunnel-4. T4HPP is located at Tarbela Dam on the River Indus, 110 KMs from Islamabad in Swabi and Haripur districts of Khyber Pakhtunkhwa province. The project was conceived to address power shortfalls in Pakistan by utilizing available hydel resources of Tarbela Dam. It was conceived that Tunnel-4, previously designated as irrigation tunnel, was to be converted into power tunnel without affecting the irrigation release capabilities.

2.1.2 Role of the Project

The main objective of this hydropower development project was to expand hydel power generation capacity of Tarbela Dam and reduce power shortages in the country without compromising water release capabilities for irrigation purposes. The project was expected to generate about 3,840 GWh of renewable energy annually.

2.2 Overview

The original PC-I of the project was approved by the ECNEC on August 16, 2012 with a total cost of Rs.83,601 million. 1st revised PC-I of the project was approved by the ECNEC on November 27, 2019 with an increased cost of Rs.122,977 million having Foreign Exchange Component (FEC) of Rs.60,700

million with implementation period from April, 2012 to December, 2022. The project was financed through loan from World Bank which was signed on April 12, 2012. As per PC-1, total installed capacity of the project was 1,410 MW and it was to be contributed by three generating units having power generation capacity of 470 MW each. The project was inaugurated on March 10, 2018 to the extent of one (Unit-17) out of three generating units. The project was expected to add 3,840 GWh annually to the national grid.

Prior to the current initiative, Tunnel-4 was being used exclusively for releasing water for irrigation purpose with a discharge capacity of 66,500 cusecs. The project also aimed to enhance the discharge capacity of Tunnel-4 for agriculture purpose to 77,692 cusecs through construction of two independent Low Level Outlets (LLOs).

2.3 Methodology

Difference-in-differences method was used to gauge impact of project on power generation of THPP. Annual average power generation data for seven years preceding the project (control group) was compared with annual average power generation data for seven years post commissioning of the project (Treatment group) to determine the difference-in-differences in actual power generation while keeping all other factors constant. Power Generation data was analyzed for a period from FY 2010-11 to FY 2023-24 for depicting power generation trends of THPP.

Condition with and condition without approach was used to ascertain the impact of the intervention on irrigation release capacity of Tunnel-4 of THPP. It is pertinent to mention here that Tunnel-4 was already being used exclusively for irrigation releases (condition without) and it was transformed into a power tunnel through the intervention without affecting the irrigation release capabilities (condition with). Changes in irrigation release capacity of Tunnel-4 have been analyzed and presented through percentage changes in irrigation discharge capacity before and after commissioning of the project.

2.4 Findings

2.4.1 Impact of T4HPP on installed capacity of THPP and WAPDA

During impact audit of T4HPP, it was observed that installed capacity of THPP was increased by 40.54% (1,410 MW) after commissioning of powerhouse of T4HPP and the installed capacity of WAPDA was increased by 17.91% as tabulated below:

| Description | Without T4HPP | With T4HPP | Increase in installed capacity after commissioning of T4HPP | |
|--|---------------|------------|---|--------|
| | (MW) | (MW) | (MW) | %age |
| Installed Hydropower Capacity of THPP | 3,478 | 4,888 | 1,410 | 40.54% |
| Installed Hydropower Capacity of WAPDA | 7,871 | 9,281 | 1,410 | 17.91% |

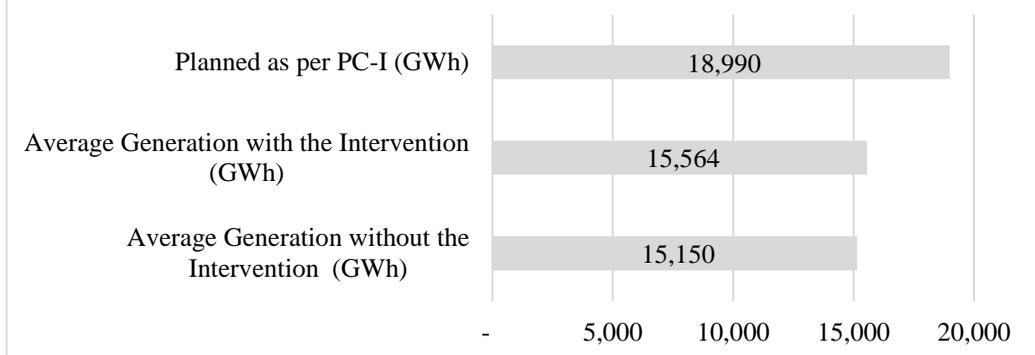
2.4.2 Impact of T4HPP on energy generation of THPP

During impact audit of T4HPP, it was observed that generation of old powerhouse (Units 1-14) of THPP before commissioning of the T4HPP for seven years was 106,053 GWh i.e. from 2010-11 to 2016-17. The average annual generation of THPP (Units 1-14) during this period without the installation of T4HPP (Units 15-17) was 15,150 GWh.

The total energy units generated by the T4HPP in seven years since its commissioning i.e. from FY 2017-18 to FY 2023-24 were 23,794 GWh. Average annual generation of all Tarbela generating units (1-17) after installation of additional three new units (15-17) under Tarbela 4th extension was 15,564 GWh.

There was an average annual increase of 2.73 per cent against a target of 25.3 per cent in overall power generation of THPP, as only 414 GWh of electric power could be generated against expected annual generation of 3,840 GWh.

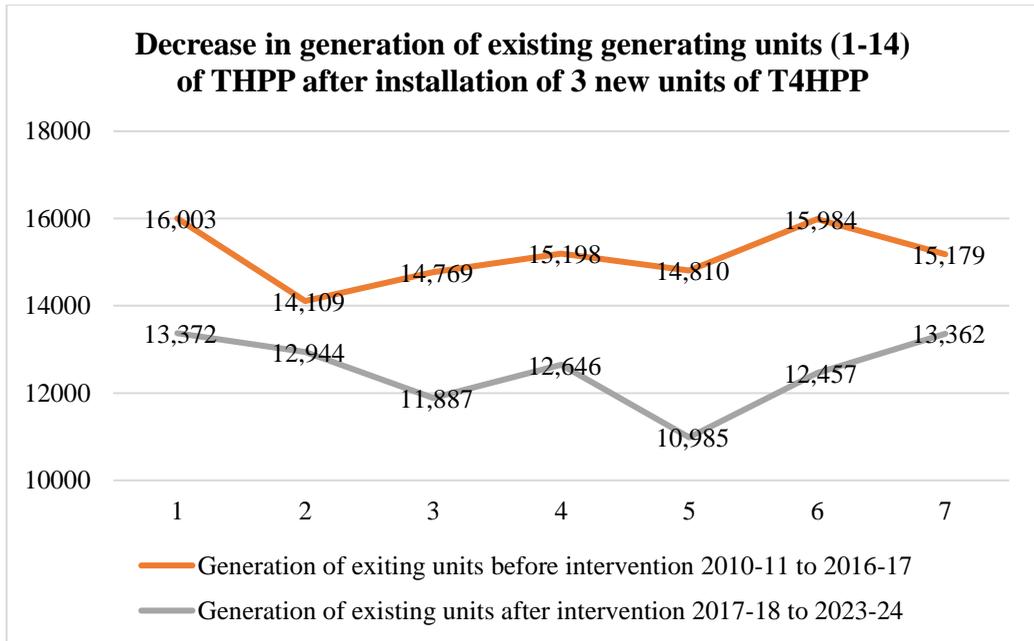
Average Generation With and Without Intervention



| Expected increase in Generation | Average annual generation of existing THPP Units 1-14 | Generation addition of T4HPP as per PC-I Units 15-17 | Total generation of all Tarbela generating Units 1-17 |
|---------------------------------|---|--|---|
| | GWh | GWh | GWh |
| | 15,150 | 3,840 | 18,990 |

It was observed that there was negative impact of new units installed under T4HPP on the existing installed units of THPP. The output of the exiting units (1-14) of T4HPP was decreased after installation of three new units (15-17) of Tarbela 4th extension.

| Years | Generation of exiting units before intervention 2010-11 to 2016-17 (GWh) | Generation of existing units after intervention 2017-18 to 2023-24 (GWh) |
|-------|--|--|
| 1. | 16,003 | 13,372 |
| 2. | 14,109 | 12,944 |
| 3. | 14,769 | 11,887 |
| 4. | 15,198 | 12,646 |
| 5. | 14,810 | 10,985 |
| 6. | 15,984 | 12,457 |
| 7. | 15,179 | 13,362 |



The management attributed the decrease in power generation of Units 1-14 of THPP to better generation efficiency of Units 15-17 of T4HPP and that priority was accorded to T4HPP units to maximize generation efficiency of the complex.

The reply of the management was not tenable because additional power generation to the targeted level was the main rationale behind undertaking the project which could be achieved to the extent of 10.8 per cent only. Therefore, the initiative could not make any significant impact on increasing actual power generation of THPP despite considerable project cost.

2.4.3 Decrease in capacity of irrigation releases from Tunnel-4 of Tarbela after installation of T4HPP

During impact audit of T4HPP, it was observed that as per PC-I of the project, maximum irrigation discharge capacity of the Tunnel-4 was 66,500 cusecs prior to the intervention.

The project was planned to keep the irrigation capability of the Tunnel-4 undisturbed while generating additional power through installation of turbines. As per PC-I of the project, maximum irrigation discharge capacity of Tunnel-4

was to increase to 77,692 cusecs with alternative discharge capacity of 46,690 cusecs through powerhouse of T4HPP when operationalized at maximum capacity. Accordingly, a structure was to be constructed adjacent to the new powerhouse to allow sediment flushing at low reservoir levels and emergency reservoir drawdown. The penstock design was to incorporate the functionality to discharge water from the reservoir to the tailrace independently of the turbines. It was envisaged that this would be achieved with two independent LLO branches with maximum discharge capacity of 77,692 cusec. The civil structure of LLO was completed in 2018. However, the engineer categorically refuted to take over LLO stating that complete installation, operation and dry/wet testing of LLO was yet to be completed. As per available record, the tests of the structure failed twice in 2023 and 2024 due to unprecedented erosion, scouring in plunge pool, tail race area while the testing also impacted the construction site of new transmission tower for Unit No. 15 adversely. However, as per model study conducted by the contractor, the reason behind the failure of the LLO was non-conformation to its design and hydraulic performance. Owing to intense vibration in emergency gates, LLO could not be tested again.

Due to non-operationalization of LLO, the irrigation releases could only be made through powerhouse of T4HPP during operational period with a maximum capacity of 46,690 cusecs and consequently, a decrease in the irrigation discharge capacity of Tunnel-4 by 30% was observed.

2.5 Conclusion

The commissioning of T4HPP added 1,410 MW to the installed capacity of THPP, intending to increase the annual generation by 3,840 GWh. This enhancement was expected to raise the overall annual average generation from 15,150 GWh (2010 to 2017) to approximately 18,990 GWh. However, subsequent analysis reveals that actual benefits were significantly less than anticipated. From 2018 to 2024, the total increase in annual generation was only 414 GWh, resulting in an annual average generation of 15,564 GWh against 18,990 GWh, thus achieving 10.8% of the expected increase. This shortfall was primarily due to reduced generation from existing units (1-14) of THPP after commissioning of T4HPP. Moreover, project implementation and design failures of LLO significantly reduced the irrigation discharge capacity of Tunnel-4 from 66,500 cusecs to 46,690 cusecs. To sum up, the project achieved only 10% of planned increase in power generation and suffered a 30% reduction in irrigation discharge and that too at maximum operating capacity of the powerhouse.

It is recommended that the matter of non-functioning of LLO be taken up with the contractor and consultants in the light of provisions of contract. Further, root cause analysis be conducted for outlining the reasons of the failure along with proposed solutions to address the issues of compromised irrigation capacity. Furthermore, assessment of impact of decrease in output of existing generating units of the project on the overall generation capacity of THPP before and after the intervention also needs to be probed through a high-powered technical committee.

ANNEXURE

Annexure-I**MFDAC Paras****(Rs. in million)**

| Sr. No. | Entity | DP No. (/2024-25) | Subject | Amount |
|----------------|---------------|--------------------------|--|---------------|
| 1 | WAPDA | 2 | Unjustified recurring annual expenditure on account of pay & allowances due to non-closing of clearance cell of defunct projects - Rs.8.416 million | 8.416 |
| 2 | WAPDA | 3 | Non-disposal of off-road vehicles and machinery/equipment - Rs.11.430 million | 11.430 |
| 3 | WAPDA | 5 | Non-placement of funds received for deposit work in separate liability account - Rs.1.803 million | 1.803 |
| 4 | WAPDA | 7 | Less deduction of retention money and non-depositing of deducted retention money in a separate bank account - Rs.0.829 million | 0.829 |
| 5 | WAPDA | 8 | Non-recovery of outstanding amount pertaining to different deposit works - Rs.4.911 million | 4.911 |
| 6 | WAPDA | 9 | Irregular expenditure on engagement of staff on daily wages basis - Rs.54.772 million | 54.772 |
| 7 | WAPDA | 10 | Unjustified procurement of medicine through green slips in excess of permissible limit - Rs.0.644 million | 0.644 |
| 8 | WAPDA | 13 | Loss of interest income due to irregular deposit of funds in non-interest-bearing account - Rs.0.456 million | 0.456 |
| 9 | WAPDA | 14 | Unjustified expenditure on account of pay & allowances of the lady medical officers due to working in excess than sanctioned strength - Rs.2.255 million | 2.255 |
| 10 | WAPDA | 15 | Unjustified extension in contracts of staff hired on locum basis - Rs.3.510 million | 3.510 |
| 11 | WAPDA | 16 | Less-recovery of hostel dues from employees of GEPCO & WAPDA Hospital, Gujranwala - Rs.0.333 million | 0.333 |
| 12 | WAPDA | 17 | Non-recovery of medical share from GEPCO - Rs.67.634 million | 67.634 |
| 13 | IRSA | 19 | Unjustified grant of honorarium to the employees of Ministry - Rs.3.994 million | 3.994 |
| 14 | IRSA | 21 | Excess payment of mobile phone charges to the employees than their entitlements - Rs.0.681 million | 0.681 |
| 15 | WAPDA | 22 | Non-replacement of expired medicines from the supplier - Rs.0.886 million | 0.886 |
| 16 | IRSA | 23 | Unjustified payment of POL charges in cash - Rs.3.588 million | 3.588 |
| 17 | WAPDA | 24 | Non-replacement of expired medicines from the suppliers - Rs.2.018 million | 2.018 |

| | | | | |
|----|-------|----|--|---------|
| 18 | WAPDA | 25 | Non-replacement/repair & maintenance of ETT machine by the supplier due to inserting less warranty period in the purchase order - Rs.2.925 million | 2.925 |
| 19 | WAPDA | 26 | Irregular expenditure on account of COVID vaccination program without authorization of NCOC - Rs.2.522 million | 2.522 |
| 20 | WAPDA | 27 | Non-recovery of medical share from PESCO - Rs.194.477 million | 194.477 |
| 21 | WAPDA | 28 | Non-disposal of off-road vehicles - Rs.0.750 million | 0.750 |
| 22 | WAPDA | 29 | Unjustified expenditure on account of pay & allowances of Dental Technician after transfer of Dental Surgeon - Rs.1.103 million | 1.103 |
| 23 | WAPDA | 30 | Unjustified expenditure on account of pay & allowances of Dental Surgeon attached with other hospital - Rs.3.099 million | 3.099 |
| 24 | PCIW | 31 | Over payment to Permanent Court of Arbitration - Rs.34.351 million | 34.351 |
| 25 | PCIW | 32 | Irregular expenditure on O&M of vehicles due to non-obtaining of authorization from Cabinet Division - Rs.4.216 million | 4.216 |
| 26 | PCIW | 33 | Irregular payment of foreign T.A/D.A - Rs.23.532 million | 23.532 |
| 27 | PCIW | 34 | Non-preparation of PC-II of the project - Rs.979.561 million | 979.561 |
| 28 | WAPDA | 35 | Irregular claims by DISCOs from WAPDA on account of non-WAPDA pensioners - Rs.15.787 million | 15.787 |
| 29 | WAPDA | 36 | Loss of rent due to non-complying with the approval of Authority - Rs.8.284 million | 8.284 |
| 30 | WAPDA | 37 | Less recovery of rent from United Bank Limited - Rs.0.680 million | 0.680 |
| 31 | WAPDA | 38 | Non-depositing of additional security deposits by the tenants of WAPDA House building - Rs.5.911 million | 5.911 |
| 32 | WAPDA | 39 | Non-recovery of security deposits from the officers residing in bachelor hostels - Rs.1.275 million | 1.275 |
| 33 | WAPDA | 43 | Unjustified award of contract through direct contracting at higher rate than Engineer's estimate - Rs.11.528 million | 11.528 |
| 34 | WAPDA | 44 | Inadmissible payment of reward to employees - Rs.1.141 million | 1.141 |
| 35 | WAPDA | 45 | Unjustified payment of monthly retainership fee and legal fees to Standing Counsel - Rs.2.988 million | 2.988 |

| | | | | |
|----|-------|----|--|---------|
| 36 | WAPDA | 46 | Unjustified payment of reward to Advisors, Consultant, Standing Counsel and employees of Ministry of Water Resources - Rs.1.241 million | 1.241 |
| 37 | WAPDA | 47 | Unjustified payments made through cash withdrawals - Rs.11.700 million | 11.700 |
| 38 | WAPDA | 50 | Unjustified expenditure incurred on account of vigilance services without supporting evidence - Rs.0.577 million | 0.577 |
| 39 | WAPDA | 52 | Excess payment to Advisors due to fixation of pay in excess of maximum allowed pay package - Rs.4.149 million | 4.149 |
| 40 | WAPDA | 53 | Non-recovery of difference of salary amount from ERP officers after withdrawal of integration on permanent basis - Rs.1.488 million | 1.488 |
| 41 | WAPDA | 57 | Unjustified grant of ex-gratia reward to WAPDA Employees - Rs.2.200 million | 2.200 |
| 42 | WAPDA | 58 | Unjustified payments to the officers/officials through open cheques - Rs.5.429 million | 5.429 |
| 43 | WAPDA | 62 | Blockage of funds of advance payment made to the contractor due to abnormal delay in execution of work - Rs.143.184 million | 143.184 |
| 44 | WAPDA | 63 | Excess expenditure on account of hiring of helicopter at uncompetitive rates - Rs.38.502 million | 38.502 |
| 45 | WAPDA | 64 | Excess payment to the contractor due to irregular reimbursement of income tax - Rs.2.856 million | 2.856 |
| 46 | WAPDA | 65 | Irregular reimbursement of storage charges levied due to delay in custom clearance of equipment - Rs.1.027 million | 1.027 |
| 47 | WAPDA | 68 | Loss due to compensation on delayed payment to the contractor - Rs.19.268 million | 19.268 |
| 48 | WAPDA | 70 | Irregular procurement of furniture in violation of PPRA Rules - Rs.15.158 million | 15.158 |
| 49 | WAPDA | 72 | Non-imposition of provincial sales tax on remuneration paid to the consultants - Rs.80.465 million | 80.465 |
| 50 | WAPDA | 73 | Irregular payment of Internal Security Allowance to Gilgit-Baltistan Police, GB Scouts and Khyber Pakhtunkhwa Police without provision in PC-I - Rs.72.729 million | 72.729 |
| 51 | WAPDA | 74 | Irregular payment of fixed daily allowance for 10 days a month to the DC/LAC, Diamer and his staff without any provision in PC-I - Rs.4.497 million | 4.497 |
| 52 | WAPDA | 81 | Undue favour to the contractors by non-initiating actions on account of non-supply of material - Rs.35.107 million | 35.107 |

| | | | | |
|----|-------|-----|--|-------------|
| 53 | WAPDA | 82 | Unjustified payment to the consultants on account of reimbursement of salary cost of survey staff - Rs.10.306 million | 10.306 |
| 54 | WAPDA | 84 | Irregular payment for steel under variation order against work done on lump sum basis - Rs.1.155 million | 1.155 |
| 55 | WAPDA | 87 | Blockage of mobilization advance due to non-completion of works - Rs.1,529.998 million | 1,529.998 |
| 56 | WAPDA | 88 | Unjustified expenditure on account of work executed through variation orders without approval - Rs.102.806 million | 102.806 |
| 57 | WAPDA | 89 | Non-renewal of expired insurance policies of contracts for construction period - Rs.116,810.390 million | 116,810.390 |
| 58 | WAPDA | 93 | Excess expenditure on restoration of Tailrace Tunnel due to increase in quoted rates of BOQ items after negotiation with the contractor - Rs.370.098 million | 370.098 |
| 59 | WAPDA | 95 | Non-recovery of proportionate electricity charges from the contractor - Rs.12.241 million | 12.241 |
| 60 | WAPDA | 96 | Irregular award of contract in violation of PPRA Rules and PEC's instructions - Rs.54.831 million | 54.831 |
| 61 | WAPDA | 97 | Loss on account of payment of cost of import of own energy to the CPPA-G - Rs.7.842 million | 7.842 |
| 62 | WAPDA | 98 | Non-imposition of liquidated damages upon the contractor due to delay in supply of material - Rs.28.752 million | 28.752 |
| 63 | WAPDA | 100 | Non-recovery of excess paid amount from the land owner- Rs.1 million | 1.000 |
| 64 | WAPDA | 101 | Irregular expenditure on engagement of staff on daily wages basis - Rs.6.905 million | 6.905 |
| 65 | WAPDA | 103 | Non-appointment of Directors against vacant posts in Diamer Basha Development Company (DBDC) | - |
| 66 | WAPDA | 104 | Unjustified exercise of powers / authorities of Chief Executive Officer (CEO), DBDC by WAPDA employee | - |
| 67 | WAPDA | 105 | Loss on account of excess payment made to land owners due to wrong demarcation of reservoir level - Rs.26.477 million | 26.477 |
| 68 | WAPDA | 107 | Unjustified replacement of key personnel of consultants with an expert having less than required experience | - |
| 69 | WAPDA | 109 | Irregular procurement of electronic items through quotations by splitting in violation of PPRA Rules - Rs.2.564 million | 2.564 |

| | | | | |
|----|-------|-----|--|-----------|
| 70 | WAPDA | 113 | Unjustified excess payment of escalation on current rates after scheduled completion date - Rs.9.149 million | 9.149 |
| 71 | WAPDA | 116 | Irregular grant of NOC for foreign visit by GM/PD DBDP and conducting factory acceptance test without participation of the Employer's representative | - |
| 72 | WAPDA | 117 | Unjustified issuance of Defects Liability Certificate to the contractor in contract CMV-II-06 (Thak Hydropower Project) | - |
| 73 | WAPDA | 122 | Non-compliance to Public Sector Companies (Corporate Governance) Rules, 2013 by Diamer Basha Development Company (DBDC) | - |
| 74 | WAPDA | 124 | Irregular award of contract of consultancy services for digitization of significant rock carvings - Rs.46.500 million | 46.500 |
| 75 | WAPDA | 126 | Non-imposition of liquidated damages upon the contractors for delay in completion of pipelines works - Rs.8,111.709 million | 8,111.709 |
| 76 | WAPDA | 129 | Unjustified payment of income tax to the contractors on provisional sums items - Rs.35.234 million | 35.234 |
| 77 | WAPDA | 130 | Avoidable expenditure on account of profit & overhead paid to the contractors on obtaining NOCs from government departments - Rs.16.418 million | 16.418 |
| 78 | WAPDA | 133 | Unjustified excess payment to the contractor due to non-withholding proportionate amount for unexecuted work- Rs.9.226 million | 9.226 |
| 79 | WAPDA | 134 | Excess payment of escalation to the contractors due to incorrect use of indices of current months - Rs.7.984 million | 7.984 |
| 80 | WAPDA | 135 | Unjustified payment to the contractors against provision of janitorial staff - Rs.6.740 million | 6.740 |
| 81 | WAPDA | 136 | Unjustified payment on account of escalation to the contractors after scheduled completion date - Rs.18.394 million | 18.394 |
| 82 | WAPDA | 141 | Non-adjustment of advances and delay in completion of works for construction of Intake Weir & installation of flow metering system at Makri - Rs.1,663.770 million | 1,663.770 |
| 83 | WAPDA | 145 | Unjustified payment against variation order at exorbitant rates - Rs.4.517 million | 4.517 |
| 84 | WAPDA | 146 | Non-deduction of cost of unsupplied mobile phones from the contractors - Rs.4.092 million | 4.092 |
| 85 | WAPDA | 147 | Unjustified excess payment to the contractor on construction of underground and overhead water tanks through variation order - Rs.4.526 million | 4.526 |

| | | | | |
|-----|-------|-----|--|---------|
| 86 | WAPDA | 149 | Irregular payment to the contractor on account of loss of profit due to decrease in excavation quantities than estimated quantities - Rs.7.302 million | 7.302 |
| 87 | WAPDA | 154 | Unjustified expenditure on account of pay due to irregular engagement of staff on contingent / daily wages basis - Rs.19.136 million | 19.136 |
| 88 | WAPDA | 155 | Loss of potential interest income due to non-opening of interest-bearing account - Rs.1.465 million | 1.465 |
| 89 | WAPDA | 156 | Non-imposition of Sindh Sales Tax on construction services - Rs.1.911 million | 1.911 |
| 90 | WAPDA | 160 | Non-recovery of standard rent/market rent and electricity charges from employees/private shopkeepers residing in the colony Rs.3.420 million | 3.420 |
| 91 | WAPDA | 161 | Irregular expenditure on engagement of staff on contingent/daily wages basis - Rs.7.249 million | 7.249 |
| 92 | WAPDA | 165 | Un-justified expenditure on account of pay & allowances due to irregular appointment of Advisor - Rs.14.432 million | 14.432 |
| 93 | WAPDA | 167 | Non-forfeiture of performance security due to non-supply of complete items - Rs.7.985 million | 7.985 |
| 94 | WAPDA | 169 | Unjustified excess payment to the contractor on account of escalation - Rs.312.060 million | 312.060 |
| 95 | WAPDA | 170 | Irregularities in procurement of air conditioners/electronic items - Rs.11.748 million | 11.748 |
| 96 | WAPDA | 172 | Unjustified payment to the contractor on account of transportation of local staff - Rs.15.840 million | 15.840 |
| 97 | WAPDA | 173 | Unjustified award of work after accepting post bid discount - Rs.8.253 million | 8.253 |
| 98 | WAPDA | 175 | Unjustified procurement of material from supplier - Rs.6.270 million | 6.270 |
| 99 | WAPDA | 180 | Non-deduction of Sindh Sales Tax from payments made to the contractor - Rs.54.477 million | 54.477 |
| 100 | WAPDA | 183 | Irregular payment to the contractor without obtaining sales tax invoices - Rs.17.750 million | 17.750 |
| 101 | WAPDA | 186 | Loss to public exchequer due to non-deduction of Sindh Sales Tax on Services - Rs.7 million | 7.000 |
| 102 | WAPDA | 187 | Non-disposal of off-road vehicles - Rs.4.425 million | 4.425 |
| 103 | WAPDA | 189 | Loss due to irregular deduction of withholding tax by the bank - Rs.1.320 million | 1.320 |
| 104 | WAPDA | 190 | Unjustified reimbursement of direct cost to the consultants - Rs.1.148 million | 1.148 |

| | | | | |
|-----|-------|-----|---|--------|
| 105 | WAPDA | 195 | Excess expenditure due to irregular imposition of Punjab Provincial Sales Tax instead of Khyber Pakhtunkhwa Sales Tax on consultancy services provided to the project from outside Pakistan - Rs.14.264 million | 14.264 |
| 106 | WAPDA | 196 | Less recovery of mobilization advance from the contractor upon termination of contract - Rs.10.725 million | 10.725 |
| 107 | WAPDA | 204 | Excess payment of escalation to the contractor due to incorrect application of adjusted base rates - Rs.25.944 million | 25.944 |
| 108 | WAPDA | 209 | Excess adjustment of recoverable amount of mobilization advance against payable amount of contractor due to non-deduction of applicable taxes - Rs.4.057 million | 4.057 |
| 109 | WAPDA | 210 | Excess payment made to the contractor on account of operation & maintenance of power supply and lighting system - Rs.9.567 million | 9.567 |
| 110 | WAPDA | 211 | Excess payment to the contractor on account of O&M of water supply system - Rs.8.506 million | 8.506 |
| 111 | WAPDA | 212 | Excess payment to the contractor on account of operation & maintenance of sewerage and sewage system - Rs.4.211 million | 4.211 |
| 112 | WAPDA | 213 | Unjustified award of purchase order for supply of Personal Protective Equipment (PPE) - Rs.6.046 million | 6.046 |
| 113 | WAPDA | 214 | Loss due to payment of interest on delayed payments - Rs.4.511 million | 4.511 |
| 114 | WAPDA | 215 | Unjustified excess payment to the contractor due to revision of variation order at exorbitant rates - Rs.24.488 million | 24.488 |
| 115 | WAPDA | 216 | Excess payment to the contractor for electrical works executed under lump sum item - Rs.4.805 million | 4.805 |
| 116 | WAPDA | 217 | Unjustified payment for supply & installation of air conditioners and electric geysers through variation order - Rs.2.501 million | 2.501 |
| 117 | WAPDA | 218 | Loss due to non-installation of capacitors by the contractor - Rs.5.569 million | 5.569 |
| 118 | WAPDA | 219 | Generation loss due to non-installation of brake dust collection/piping system on generating units by the contractor - Rs.14.766 million | 14.766 |
| 119 | WAPDA | 221 | Submission of non-compliant insurance policies by the civil contractor | - |
| 120 | WAPDA | 222 | Irregular award of contracts to a blacklisted contractor - Rs.3.016 million | 3.016 |

| | | | | |
|-----|-------|-----|--|-------------|
| 121 | WAPDA | 224 | Doubt full completion of civil works - Rs.1.886 million | 1.886 |
| 122 | WAPDA | 226 | Non-evacuation of WAPDA land from illegal occupant - Rs.2.200 million | 2.200 |
| 123 | WAPDA | 227 | Non-recovery of outstanding amount of lease rent from the land holders - Rs.22.102 million | 22.102 |
| 124 | WAPDA | 229 | Unjustified award of contracts in eight packages instead of one package - Rs.130,315.663 million | 130,315.663 |
| 125 | WAPDA | 232 | Non/less deduction of income tax from payments made to the consultants - Rs.0.708 million | 0.708 |
| 126 | WAPDA | 233 | Non- indemnification of insurance claim lodged for loss sustained due to damage of material - Rs.37.565 million | 37.565 |
| 127 | WAPDA | 236 | Irregular hiring of services of the consultants on monthly remuneration - Rs.3.204 million | 3.204 |
| 128 | WAPDA | 237 | Inaction against the bidder on account of provision of fake bid security - Rs.0.800 million | 0.800 |
| 129 | WAPDA | 238 | Non-disposal of dismantled/scrap material - Rs.27.140 million | 27.140 |
| 130 | WAPDA | 240 | Irregular expenditure over and above the approved PC-I - Rs.16,670 million | 16,670.000 |
| 131 | WAPDA | 241 | Irregular charging of expenditure of Tarbela 4th Extension project to Tarbela 5th Extension Project - Rs.2,154.515 million | 2,154.515 |
| 132 | WAPDA | 242 | Unjustified payment on account of unapproved variation orders - Rs.3,906.525 million | 3,906.525 |
| 133 | WAPDA | 244 | Overpayment due to incorrect assessment of maintenance period of downstream cofferdam - Rs.43.612 million | 43.612 |
| 134 | WAPDA | 246 | Less deduction of withholding income tax from the payments made to the contractor - Rs.2.629 million | 2.629 |
| 135 | WAPDA | 247 | Less deduction of Khyber Pakhtunkhwa Sales Tax from E&M contractor - Rs.0.797 million | 0.797 |
| 136 | WAPDA | 253 | Non-imposition of liquidated damages upon the contractor due to delay in delivery of furniture - Rs.11.325 million | 11.325 |
| 137 | WAPDA | 255 | Unauthorized adjustment of already deposited amount of income tax and provincial sales tax against IPCs of the contractor in next financial year - Rs.23.673 million | 23.673 |
| 138 | WAPDA | 257 | Unjustified expenditure on procurement of different items for use of Engineer and Employer through the contractor - Rs.16 million | 16.000 |
| 139 | WAPDA | 258 | Loss to the national exchequer due to non-deduction of income tax from the contractor's bills - Rs.2,193.391 million | 2,193.391 |

| | | | | |
|-----|-------|-----|---|-----------|
| 140 | WAPDA | 259 | Irregular expenditure on account of security cost in violation of PC-I provisions - Rs.1,046.049 million | 1,046.049 |
| 141 | WAPDA | 260 | Irregular payment to DC Mohmand on account of expenditure of land acquisition cell - Rs.57.302 million | 57.302 |
| 142 | WAPDA | 261 | Irregular and inadmissible expenditure on account of additional works in office building - Rs.11.435 million | 11.435 |
| 143 | WAPDA | 262 | Unjustified expenditure on account of telecom and internet facility through variation order despite already provision under BOQ item - Rs.83.452 million | 83.452 |
| 144 | WAPDA | 264 | Loss due to negligence of the contractor - Rs.780.900 million | 780.900 |
| 145 | WAPDA | 266 | Less recovery of mobilization advance from the contractor - Rs.1,382.217 million | 1,382.217 |
| 146 | WAPDA | 268 | Non-renewal of insurance policies by the contractor - Rs.1,920.738 million | 1,920.738 |
| 147 | WAPDA | 273 | Irregular payment to Asian Institute of Technology without submission of monitoring & evaluation reports & account closing statement - Rs.3.367 million | 3.367 |
| 148 | WAPDA | 274 | Non-verification of advance payment bank guarantee from issuing bank - Rs.8,308.414 million | 8,308.414 |
| 149 | WAPDA | 276 | Unjustified excess payment to the contractor on account of hiring of vehicles by the consultants - Rs.14.726 million | 14.726 |
| 150 | WAPDA | 277 | Unjustified award of contract for supply of main transformers - Rs.1,751.954 million | 1,751.954 |
| 151 | WAPDA | 278 | Non-recovery from the contractor on account of damage of Rupture Discs - Rs.14.441 million | 14.441 |
| 152 | WAPDA | 279 | Loss of generation revenue due to delay in completion of project - Rs.151.512 million | 151.512 |
| 153 | WAPDA | 281 | Unjustified approval of consultancy services cost more than 10% of project cost in violation of Planning Commission's instructions - Rs.1,085.318 million | 1,085.318 |
| 154 | WAPDA | 282 | Unjustified reimbursement of services sales tax to the contractor - Rs.149.908 million | 149.908 |
| 155 | WAPDA | 283 | Non-recovery of excess payment made to the contractors on account of reimbursement of service charges - Rs.24.629 million | 24.629 |
| 156 | WAPDA | 285 | Unjustified credit of funds in assignment account and non-reconciliation of AFD loan - Rs.1,513.277 million | 1,513.277 |

| | | | | |
|-----|-------|-----|---|-----------|
| 157 | WAPDA | 288 | Unjustified payment to the contractor against cost claim of variation order No.43 - Rs.17.305 million | 17.305 |
| 158 | WAPDA | 290 | Excess payment to the contractor on account of operation & maintenance of contractor's residential camps - Rs.8.265 million | 8.265 |
| 159 | WAPDA | 291 | Overpayment to the contractor on account of price adjustment due to use of current indices for diversion tunnels and Lot-I works - Rs.1,159.503 million | 1,159.503 |
| 160 | WAPDA | 294 | Non-compliance of instructions of Dams Safety Organization despite release of funds - Rs.13 million | 13.000 |
| 161 | WAPDA | 295 | Irregular constitution of committee for finalization of lease agreement between WAPDA and Green Tourism (Pvt.) Limited for lease of Khanpur Dam Sites | - |
| 162 | WAPDA | 298 | Unjustified payment to the contractor on account of excavation despite dumping of material from main spillway to the river bed - Rs.460.089 million | 460.089 |
| 163 | WAPDA | 302 | Excess payment of advance to the contractor in violation of PEC's instructions - Rs.3,172.731 million | 3,172.731 |
| 164 | WAPDA | 304 | Less deduction of Khyber Pakhtunkhwa Sales Tax from the contractor - Rs.3.593 million | 3.593 |
| 165 | WAPDA | 305 | Loss on account of compensation on delayed payments to the contractor - Rs.586.256 million | 586.256 |
| 166 | WAPDA | 307 | Non-disposal of off-road vehicles and unserviceable material - Rs.9.686 million | 9.686 |
| 167 | WAPDA | 309 | Unjustified payment to the contractor on account of separate item for dewatering of remedial work - Rs.142.500 million | 142.500 |
| 168 | WAPDA | 310 | Loss due to compensation for delayed payments - Rs.156.338 million | 156.338 |
| 169 | WAPDA | 311 | Irregular release of performance security to the contractor by misusing the power by General Manager/Project Director for issuance of Taking Over Certificate - Rs.14.005 million | 14.005 |
| 170 | WAPDA | 313 | Overpayment to the contractor due to irregular refund of retention money - Rs.293.987 million | 293.987 |
| 171 | WAPDA | 315 | Overpayment to the contractor on account of reimbursement of KPST - Rs.15.386 million | 15.386 |
| 172 | WAPDA | 317 | Recoverable amount from Public Health Engineering Department and PESCO on account of deposit works - Rs.14.602 million | 14.602 |
| 173 | WAPDA | 318 | Non-depositing of retention money in designated bank account - Rs.8.730 million | 8.730 |
| 174 | WAPDA | 319 | Non-disposal of scrap material and off-road vehicles - Rs.29.503 million | 29.503 |

| | | | | |
|-----|-------|-----|---|---------|
| 175 | WAPDA | 320 | Loss due to purchase of Garbage Management System at higher rates - Rs.10,430 million | 10.430 |
| 176 | WAPDA | 322 | Excess payment of Authority overheads beyond the provisions of PC-I - Rs.55.043 million | 55.043 |
| 177 | WAPDA | 323 | Non-recovery of amount of compensation charges paid to the contractor from Government of Sindh due to delay in acquisition of land - Rs.39.356 million | 39.356 |
| 178 | WAPDA | 325 | Non-conducting of inquiry regarding non-reflection of FEC in the PC-I cost and awarding contract with FEC | - |
| 179 | WAPDA | 327 | Usage of medicine without conducting test from drug testing laboratory - Rs.100.438 million | 100.438 |
| 180 | WAPDA | 328 | Unjustified expenditure on account of pay & allowances due to irregular extension in contract of doctor and staff nurses appointed on lumpsum basis - Rs.10.286 million | 10.286 |
| 181 | WAPDA | 330 | Non-replacement of expired medicines from the suppliers - Rs.0.415 million | 0.415 |
| 182 | WAPDA | 331 | Generation loss due to non-restoration of transmission line on permanent basis as proposed by Project Consultants and Central Design Office - Rs.435.895 million | 435.895 |
| 183 | WAPDA | 333 | Unjustified charging of inspection and troubleshooting cost to the power station, Mangla - Rs.27.987 million | 27.987 |
| 184 | WAPDA | 335 | Blockage of funds due to non-disposal of dismantled material - Rs.242.501 million | 242.501 |
| 185 | WAPDA | 337 | Loss due to damage of new (spare) shaft seal segments - Rs.1.492 million | 1.492 |
| 186 | WAPDA | 338 | Unjustified expenditure on pay & allowances of officials attached with other formations - Rs.2.427 million | 2.427 |
| 187 | WAPDA | 339 | Non-imposition of liquidated damages upon the contractor - Rs.10.068 million | 10.068 |
| 188 | WAPDA | 340 | Non-imposition of liquidated damages upon the contractors - Rs.0.409 million | 0.409 |
| 189 | WAPDA | 341 | Non-recovery of medical share from various corporate entities & other WAPDA formations - Rs.484.589 million | 484.589 |
| 190 | WAPDA | 342 | Non-initiating contractual action against the suppliers due to non-supply of medicines - Rs.23.932 million | 23.932 |
| 191 | WAPDA | 343 | Unjustified expenditure on account of pay & allowances due to irregular extension in services of officers/officials appointed on temporary basis - Rs.25.308 million | 25.308 |

| | | | | |
|-----|-------|-----|---|-----------|
| 192 | WAPDA | 344 | Blockage of funds due to non-disposal of off-road vehicles - Rs.4.375 million | 4.375 |
| 193 | WAPDA | 345 | Loss of interest income due to non-opening of interest-bearing bank account - Rs.1.780 million | 1.780 |
| 194 | WAPDA | 346 | Unjustified expenditure on account of pay & allowances due to irregular extension in contract of doctors hired on locum basis - Rs.2.691 million | 2.691 |
| 195 | WAPDA | 347 | Unjustified payment of diet charges to the contractor due to irregular extension in the contract - Rs.2.052 million | 2.052 |
| 196 | WAPDA | 350 | Excess payment on account of commutation and pension due to irregular conversion of appointment allowance into appointment pay - Rs.1.351 million | 1.351 |
| 197 | WAPDA | 351 | Non-billing to CPPA-G for the generation during test period before commissioning - Rs.0.806 million | 0.806 |
| 198 | WAPDA | 353 | Un-justified payment to Asian Institute of Technology for training of staff without validation - Rs.887.521 million | 887.521 |
| 199 | WAPDA | 354 | Non-disposal of scrap material and off-road vehicles - Rs.376.151 million | 376.151 |
| 200 | WAPDA | 356 | Unjustified issuance of variation order for additional works in park and play ground - Rs.17.059 million | 17.059 |
| 201 | WAPDA | 360 | Loss due to award of contract to 2nd lowest bidder - Rs.2.164 million | 2.164 |
| 202 | WAPDA | 361 | Non-recovery on account of rent of shops, offices and residences - Rs.11.338 million | 11.338 |
| 203 | WAPDA | 362 | Non-recovery of amount on account of consumption of electricity - Rs.49.701 million | 49.701 |
| 204 | WAPDA | 366 | Loss due to delay in finalization of tendering process - Rs.8.301 million | 8.301 |
| 205 | WAPDA | 367 | Irregular expenditure on account of pay & allowances of staff hired on daily wages basis - Rs.38.730 million | 38.730 |
| 206 | WAPDA | 368 | Irregular incurrence of expenditure after expiry of implementation period of original PC-I - Rs.43.782 million | 43.782 |
| 207 | WAPDA | 369 | Undue favour extended to consultant on account of non-obtaining of insurance coverage - Rs.295.688 million | 295.688 |
| 208 | WAPDA | 370 | Inordinate delay in opening of foreign currency assignment accounts - Rs.4,490.223 million (Euro 15.10 million equivalent) | 4,490.223 |
| 209 | WAPDA | 371 | Non-recovery of receivables from corporate entities - Rs.1.472 million | 1.472 |
| 210 | WAPDA | 372 | Non-fixation of responsibility for missing of original vouchers - Rs.9.155 million | 9.155 |

| | | | | |
|-----|-------|-----|--|---------|
| 211 | WAPDA | 376 | Extra financial burden due to imposition of penalty by Khyber Pakhtunkhwa Revenue Authority - Rs.88.576 million | 88.576 |
| 212 | WAPDA | 380 | Irregular procurement of services of legal advisor without open competitive bidding - Rs.10.045 million | 10.045 |
| 213 | WAPDA | 382 | Irregular expenditure on account of pay of staff hired on daily wages basis - Rs.1.098 million | 1.098 |
| 214 | WAPDA | 385 | Irregular expenditure on engagement of staff on daily wages basis - Rs.7.777 million | 7.777 |
| 215 | WAPDA | 386 | Irregular award of consultancy services contract in violation of PPRA Rules - Rs.68.164 million | 68.164 |
| 216 | WAPDA | 387 | Irregular excess payment of Project Allowance to the Employees - Rs.2.122 million | 2.122 |
| 217 | WAPDA | 388 | Non-recovery of maintenance charges from the allottees of official accommodation - Rs.3.500 million | 3.500 |
| 218 | WAPDA | 389 | Extra payment made to the contractor due to delay in opening of Letter of Credit - Rs.140.627 million | 140.627 |
| 219 | WAPDA | 391 | Non-achievement of pre-determined objectives of Medical Dispensary despite incurrence of expenditure on its construction - Rs.7.981 million | 7.981 |
| 220 | WAPDA | 396 | Non-forfeiture of performance security and completion of work at risk and cost of the defaulted contractor - Rs.2.096 million | 2.096 |
| 221 | WAPDA | 397 | Non-recovery from suppliers due to waiver of factory acceptance tests - Rs.6.105 million | 6.105 |
| 222 | WAPDA | 401 | Irregular expenditure on engagement of staff on daily wages basis - Rs.17.506 million | 17.506 |
| 223 | WAPDA | 404 | Irregular excess expenditure on account of pay & allowances due to deployment of Project Director (BPS-20) beyond PC-I provision - 1.462 million | 1.462 |
| 224 | WAPDA | 408 | Loss due to charging of house acquisition rate instead of standard rent to the residents of other formations - Rs.7.311 million | 7.311 |
| 225 | WAPDA | 409 | Mis- procurement due to irregular award of various works by splitting in violation of PPRA Rules - Rs.3.917 million | 3.917 |
| 226 | WAPDA | 410 | Irregular award of work order through quotation instead of tendering - Rs.0.507 million | 0.507 |
| 227 | WAPDA | 411 | Less deduction of income tax from payment made to the officers on account of salary and perquisites - Rs.0.259 million | 0.259 |
| 228 | WAPDA | 412 | Loss to the national exchequer due to non-depositing of deducted amount of income tax with FBR - Rs.1.810 million | 1.810 |

| | | | | |
|-----|-------|-----|--|---------|
| 229 | WAPDA | 413 | Undue favour to shopkeepers due to non-recovery of rent/cancelation of agreements - Rs.1.330 million | 1.330 |
| 230 | WAPDA | 414 | Unjustified payment on account of reward to employees in addition to overtime - Rs.1.181 million | 1.181 |
| 231 | WAPDA | 416 | Irregular expenditure on account of POL & repair of vehicles due to non-maintenance of log books - Rs.3.057 million | 3.057 |
| 232 | WAPDA | 417 | Overpayment of pension due to inclusion of amount of orderly allowance twice in determining the amount of pension - Rs.0.493 million | 0.493 |
| 233 | WAPDA | 418 | Non-recovery of difference of rent from employees due to allotment of flats beyond their entitlement - Rs.1.285 million | 1.285 |
| 234 | WAPDA | 420 | Blockage of funds due to non-disposal of off-road vehicles - Rs.0.530 million | 0.530 |
| 235 | WAPDA | 421 | Non-disposal of off-road vehicle - Rs.0.500 million | 0.500 |
| 236 | WAPDA | 424 | Un-justified hiring of vehicle on rental basis in violation of provisions of PC-I - Rs.2.137 million | 2.137 |
| 237 | WAPDA | 429 | Non deduction of withholding tax on remuneration paid to consultants against staff posted at Lahore - Rs.4.501 million | 4.501 |
| 238 | WAPDA | 430 | Overpayment to the consultants on account of remuneration due to replacement/posting of key person - Rs.1.700 million | 1.700 |
| 239 | WAPDA | 431 | Un-justified/fictitious expenditure on account of office rent of consultants and salary of Chowkidar without posting of staff at site - Rs.1.023 million | 1.023 |
| 240 | WAPDA | 432 | Non-submission of insurance policies against liability by the consultants - Rs.188.166 million | 188.166 |
| 241 | WAPDA | 433 | Irregular payment to the consultants on account of remuneration against non-key experts without documentary evidences regarding their status - Rs.64.377 million | 64.377 |
| 242 | WAPDA | 434 | Unjustified expenditure on account of pay & allowances due to irregular posting of BPS-20 officer as Project Director in violation of PC-I - Rs.8.401 million | 8.401 |
| 243 | WAPDA | 435 | Irregular charging of supervisory charges to the project without provision in approved PC-I - Rs.48.032 million | 48.032 |
| 244 | WAPDA | 437 | Irregular procurement of office equipment through quotations in violation of PPRA Rules - Rs.1.507 million | 1.507 |

| | | | | |
|-----|-------|-----|--|-----------|
| 245 | WAPDA | 438 | Non-utilization of amount of foreign loan despite expiry of revised deadline for disbursement leading to risk of loss of funding - Rs.3,938.907 million | 3,938.907 |
| 246 | WAPDA | 439 | Unjustified payment to the contractor on account of unapproved variation orders - Rs.958.033 million | 958.033 |
| 247 | WAPDA | 441 | Irregular expenditure due to unjustified engagement of staff on contingent/daily wages basis - Rs.15.902 million | 15.902 |
| 248 | WAPDA | 445 | Non-recovery of standard rent & electricity charges from employees of other offices/formations residing in the CHP colony Chashma - Rs.14.379 million | 14.379 |
| 249 | WAPDA | 446 | Irregular expenditure on account of pay of employees hired on daily wages basis against the policy of Authority - Rs.19.016 million | 19.016 |
| 250 | WAPDA | 449 | Unjustified payment to the contractor on account of varied works without determination of rates/approval of the Employer - Rs.53.502 million | 53.502 |
| 251 | WAPDA | 450 | Unjustified excess payment to the consultants on account of O&M of vehicles in excess of contract ceiling without approval of the competent authority - Rs.1.441 million | 1.441 |
| 252 | WAPDA | 451 | Non recovery of rental charges from the consultants on account of unentitled stay at WAPDA officers' hostel - Rs.27.728 million | 27.728 |
| 253 | WAPDA | 452 | Irregular excess expenditure due to purchase of vehicles in violation of austerity measures and PC-I provision - Rs.48.217 million | 48.217 |
| 254 | WAPDA | 455 | Irregular procurement of furniture through quotations instead of tendering in violation of PPRA Rules - Rs.8.400 million | 8.400 |
| 255 | WAPDA | 456 | Irregular execution of work through quotations to avoid tendering in violation of PPRA Rules - Rs.1.254 million | 1.254 |
| 256 | WAPDA | 457 | Irregular procurement of electrical & mechanical items through quotations instead of tendering in violation of PPRA Rules - Rs.1.927 million | 1.927 |
| 257 | WAPDA | 458 | Avoidable expenditure due to non-restoration of 11 KV transmission line - Rs.1.489 million | 1.489 |
| 258 | WAPDA | 460 | Less deduction of maintenance charges from the allottees of official accommodations - Rs.0.422 million | 0.422 |
| 259 | WAPDA | 461 | Unjustified expenditure on account of earth work of access road - Rs.122.153 million | 122.153 |
| 260 | WAPDA | 462 | Duplicate payment to the contractors on account of escalation - Rs.119.757 million | 119.757 |

| | | | | |
|-----|-------|-----|--|---------|
| 261 | WAPDA | 463 | Increase in contract cost due to issuance of unjustified variation order in violation of provisions of contract - Rs.149.260 million | 149.260 |
| 262 | WAPDA | 465 | Overpayment of escalation to the contractor due to application of incorrect current rates - Rs.17.651 million | 17.651 |
| 263 | WAPDA | 466 | Loss of revenue due to non-handing over of auctioned land to the successful bidder - Rs.10.660 million | 10.660 |
| 264 | WAPDA | 471 | Unjustified execution of repair work and variation order without approval of the Employer - Rs.10.128 million | 10.128 |
| 265 | WAPDA | 474 | Loss on account of reversal of ownership of land due to non-pursuance of court case - Rs.693 million | 693.000 |
| 266 | WAPDA | 475 | Loss due to non-evacuation of land encroached by illegal occupants - Rs.23.208 million | 23.208 |
| 267 | WAPDA | 476 | Non-disposal of dismantled material and wood of fallen trees - Rs.31.837 million | 31.837 |