



**SPECIAL AUDIT REPORT
ON
FUNDS PROVIDED FOR LAND
ACQUISITION OF DASU HYDROPOWER
PROJECT (STAGE-I) 2,160 MW
AUDIT YEAR 2022-23**

AUDITOR-GENERAL OF PAKISTAN

PREFACE

Articles 169 and 170 of the constitution of the Islamic Republic of Pakistan 1973, read with Sections 8 and 12 of the Auditor-General's (Functions, Powers, Terms and Conditions of Service) Ordinance 2001, require the Auditor-General of Pakistan to conduct an audit of receipts and expenditure from the Federal Consolidated Fund and Public Accounts as well as Government commercial undertakings and of any authority or body established by the Federation.

The Directorate General of Audit, Water Resources conducted special audit of funds provided for land acquisition of Dasu Hydropower Project (DHPP) Stage-I 2,160 MW for the period up to May, 2023 with a view to report significant findings to stakeholders. The special audit report is aimed to validate land cost assessment, disbursements to land owners and use of accrued interest, if any, on funds provided by Water and Power Development Authority (WAPDA) to the Land Acquisition Collector (LAC) for DHPP. The audit report suggests measures which, if considered, would avoid delay in acquisition process and abnormal increase in compensation cost in addition to ensuring more transparency in the process, while availing substantial benefit of bank interest.

The observations included in this report have been finalized in the light of replies submitted by the management. However, Departmental Accounts Committee (DAC) meeting was not convened despite several requests to Principal Accounting Officer (PAO).

The special 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: 20 JAN 2025

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(Muhammad Ajmal Gondal)
Auditor-General of Pakistan

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Abbreviations and Acronyms

CNIC	Computerized National Identity Card
DAC	Departmental Accounts Committee
DC	Deputy Commissioner
DDO	Drawing & Disbursing Officer
DHPP	Dasu Hydropower Project
ECNEC	Executive Committee of National Economic Council
ESMR	Enhanced Self-Managed Resettlement
FRC	Family Registration Certificate
FWO	Frontier Works Organization
GM	General Manager
GWh	Gigawatt hour
KM	Kilometer
KP	Khyber Pakhtunkhwa
LAA	Land Acquisition Act
LAAU	Land Acquisition & Assessment Unit
LAC	Land Acquisition Collector
MoWP	Ministry of Water & Power
MoWR	Ministry of Water Resources
MW	Megawatt
NADRA	National Database & Registration Authority
NBP	National Bank of Pakistan
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PAP	Project Affected Person
PC-I	Planning Commission Proforma-I
PD	Project Director
PLS	Profit & Loss Sharing
PPRA	Public Procurement Regulatory Authority
PSC	Project Steering Committee
PTDC	Pakistan Tourism Development Corporation
RCC	Roller Compacted Concrete
RSC	Review & Scrutiny Committee
SMBR	Senior Member Board of Revenue
SMR-IC	Self –Managed Resettlement Implementation Committee
SOP	Standard Operating Procedure
TMA	Tehsil Municipal Administration
WAPDA	Water and Power Development Authority

EXECUTIVE SUMMARY

The Directorate General Audit, Water Resources conducted a special audit of funds provided for land acquisition of DHPP Stage-I during May to June, 2023. The main objectives of this special audit were to examine the cost assessment of the land, management of funds provided by WAPDA to Deputy Commissioner (DC) / LAC Kohistan (upper), disbursements to landowners and use of accrued interest, if applicable, related to the acquisition of land and resettlement for DHPP. The special audit was conducted according to applicable standards.

During special audit, entire land acquisition process was scrutinized in the light of relevant sections of Land Acquisition Act, 1894 including acquisition, transfer of land in the name of WAPDA and compensation payments made to the Project Affected Persons (PAPs). Several lapses were found in land acquisition process which included increase in cost due to changes in land categories and illegal construction in the project area after imposition of Section-4, partial mutation of acquired land and unjustified payment under Enhanced Self-Managed Resettlement (ESMR) package. Further, funds provided by WAPDA were placed by the DC/LAC Kohistan (upper) in current account instead of interest bearing account due to which interest could not be earned on the unspent funds in the bank accounts. In order to complete the land acquisition process in an efficient, transparent and effective manner, DC/LAC Kohistan (upper) and the management should have implemented Land Acquisition Act & Resettlement Action Plan alongwith relevant SOPs, instructions, etc. in letter & spirit. Accordingly, on the basis of special audit, key audit findings are given below:

Key Audit Findings:

- i. Increase in resettlement cost due to irregular addition of households in the project area – Rs.1,868.550 million
- ii. Unjustified payment due to change in land categories – Rs.5,800.275 million
- iii. Unjustified payment on account of built-up properties in violation of provision of PC-I – Rs.556.616 million
- iv. Unjustified payment on account of plantation in violation of provision of PC-I – Rs.223.665 million

- v. Non-reconciliation & non-adjustment of funds transferred to Land Acquisition and Assessment Unit (LAAU) – Rs.674.783 million
- vi. Irregular payment of resettlement/relocation charges without approval of SMR Implementation Committee – Rs.69.950 million
- vii. Overpayment of TMA tax and registration fee on account of transfer of land – Rs.66.592 million
- viii. Non-transfer of land in the name of Dasu Hydropower Project – Rs.49.199 million
- ix. Less deposit of stamp duty on transfer of land – Rs.31.859 million
- x. Unjustified payment on account of resettlement/relocation charges – Rs.101.150 million
- xi. Financial loss due to placement of funds in current account instead of daily product account – Rs.1,492.490 million
- xii. Non-transfer of profit/interest earned on ESMR package bank account – Rs.136.331 million
- xiii. Avoidable payment of interest charges due to delay in issuance of awards – Rs.20.028 million
- xiv. Non-refund/adjustment of funds transferred by WAPDA to DC/LAC in excess of requirement – Rs.1,666.753 million
- xv. Un-justified retention of funds provided by WAPDA in bank account of DC/LAC despite issuance of awards – Rs.2,293.453 million
- xvi. Unjustified payment of incentive to staff – Rs.430.683 million
- xvii. Non-deposit of registration fee and TMA tax Rs.1.006 million into Government treasury and non-refund of excess paid amount to WAPDA – Rs.15.555 million
- xviii. Irregular procurement through direct contracting/quotation basis to avoid PPRA rules and in excess of approved sanction – Rs.3.672 million
- xix. Irregular disbursement of funds through bank in the form of cash – Rs.36.654 million
- xx. Non-transfer of land acquired from FWO and PTDC in the name of DHPP – Rs.40.290 million

1. INTRODUCTION

WAPDA was established through an Act of Parliament in 1958 as an autonomous and statutory body under 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.

Dasu Hydropower Project (DHPP) is located seven Kilometers (KMs) North of Dasu Village in District Kohistan (upper) of Khyber Pakhtunkhwa (KP) Province and 350 KMs north of Islamabad. The dam site is located 74 KMs downstream of Diamer Basha Dam site on Indus River. It is a Roller Compacted Concrete (RCC) gravity dam having a height of 242 meters with proposed total installed capacity of 4,320 Megawatt (MW). The installed capacity of DHPP (stage-I) would be 2,160 MW with estimated annual electricity generation of 10,743 GWh units.

The main objective of the project was to enhance hydel generation capacity of the country by using water of River Indus which would not only produce clean energy but will help to overcome energy crises. PC-I of the project was approved by Executive Committee of National Economic Council (ECNEC) on March 28, 2014 at a cost of Rs.486,903.300 million. As per PC-I, 9,917.63 acres of land was required for the project and funds of Rs.12,026.800 million were allocated for payment of land compensation. After initiation of process for land acquisition, land owners did not accept land compensation rates approved by ECNEC and raised protest for enhancement of rates. Subsequently, this issue was discussed in the Project Steering Committee (PSC) which recommended increase in the already approved land compensation rates. Thereafter, the enhanced rates were approved by ECNEC on November 14, 2015 and amount of land compensation component was increased to Rs.19,163 million. However, the land owners again demanded higher land compensation rates which were approved by ECNEC on October 02, 2019 on the recommendation of PSC and funds for land compensation were increased to Rs.36,914 million.

As per PC-I, implementation period of DHPP(stage-I) was five years with

expected completion date of June 30, 2019 and land acquisition activity was required to be completed up to December, 2014. However, despite lapse of considerable period of time and award of contracts, the process of land acquisition could not be completed and only 4,904.88 acres of land (49.46% of total required land) had been acquired up to May, 2023.

Land Acquisition Procedure

Land acquisition matters, for public purpose, are dealt under the provisions of Land Acquisition Act (LAA)-1894. Acquisition of land for such purpose is responsibility of DC/LAC of the concerned District. The acquiring department/agency requests the concerned DC/LAC for acquisition of land who notifies it in the official gazette and at convenient places of the locality falling under Section-4 of the Act. The concerned DC/LAC prepares and provides cost estimates for the purpose to the acquiring department/agency which places required funds at his disposal. As per Section-11(B) of the LAA, the whole process of land acquisition should be completed within six months from issuance of notification under Section-4 of the above stated Act.

2. RATIONALE FOR SELECTION OF SPECIAL AUDIT

The special audit was conducted upon the request of Ministry of Planning, Development and Special Initiatives conveyed to the Auditor-General of Pakistan vide MoWR letter No.10 (11)2022-Audit dated December 27, 2022.

3. AUDIT SCOPE

The scope of special audit was to scrutinize assessed cost of land, funds transferred by WAPDA to DC/LAC Kohistan (upper), its onward disbursement to land owners/PAPs and utilization of accrued interest on funds, if any, up to May 31, 2023. Entities having major role in the land acquisition process included DC/LAC Kohistan (upper) and General Manager (GM) / Project Director (PD) DHPP. For this purpose, funds of Rs.23,947.669 million were transferred to DC/LAC Kohistan (upper) by WAPDA up to May 31, 2023, out of which funds amounting to Rs.19,911.092 million had been utilized for payment of compensation of land & assets and resettlement packages up to May 31, 2023. Entire process of land acquisition was carried out by DC/LAC Kohistan (upper), therefore, record of cost assessment, ownership, categorization of land and its payments was relevant to his office.

3.1 Audit Objectives

The main objectives of audit were to scrutinize assessment of land cost, payments made to land owners and utilization of accrued interest, if any, on account of acquisition of land and resettlement for DHPP.

3.2 Audit Methodology

Audit methodology included collection of data, consultation and analysis of record, discussion with relevant staff, site visits, etc. as detailed below:

- i. Review of PC-I of the project, procedure adopted for land acquisition under LAA-1894, court cases, SOPs, etc.;
- ii. Scrutiny of funds received and transferred to DC/LAC by WAPDA for the purpose;
- iii. Scrutiny of selected record i.e. payment record, mutation documents, reconciliation of bank statements and utilization of accrued interest, if any;
- iv. Discussions with the management along-with site visits, and
- v. Evaluation of quality of internal controls.

4. SPECIAL AUDIT RESULTS

LAND COST ASSESSMENT

4.1 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 the 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.

(Original Para No.10)

4.2 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 kanals 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 kanals out of 39,239.08 kanals 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.

(Original Para No.3)

4.3 Unjustified payment on account of built-up properties in violation of provision of PC-I – Rs.556.616 million

According to PC-I of DHPP approved by ECNEC in its meeting held on March 28, 2014, there was a provision of Rs.2,538.400 million for compensation of built-up properties/structures. Further as per Section-11(B) of the LAA-1894, “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 there was a provision of Rs.2,538.400 million for compensation of built-up properties / structures in the approved PC-I of the project. However, payment of Rs.3,095.016 million was made to the landowners up to May, 2023 which was in excess of Rs.556.616 million from the provision of approved PC-I. Further, notifications under Section-4 for land acquisition were issued during 2013 and 2014 and the land acquisition process was required to be completed within six months as per Section-11(B) of LAA but the same was not done. Consequently, illegal construction activities were carried out by the landowners which led to unjustified payment on account of built-up properties which was also evident from the correspondence between District Collector, Revenue staff, and WAPDA. These reservations were also expressed by the World Bank review mission in May, 2017.

Audit held that payment of Rs.556.616 million on account of built-up properties/structures was made in violation of provisions of PC-I and LAA, hence, the same was unjustified.

Non-adherence to the provisions of PC-I and LAA resulted in unjustified payment of Rs.556.616 million on account of built-up properties.

The matter was taken up with the management in June, 2023 and reported to MoWR in August, 2023. The management replied that initial provision for built-up-properties mentioned in PC-I was based on estimates and actual valuation was determined after completion of field surveys by the joint assessment teams. Moreover, timelines 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 acceptable as there was no provision in PC-I regarding change and increase in valuation of built-up properties as field survey was conducted in 2012 whereas PC-I of the project was approved in March 2014. Further, land was required to be acquired within six months after imposition of Section-4 of LAA but the same 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 unjustified payment of built-up properties in violation of provision of PC-I and delay in land acquisition process after imposition of Section-4 of LAA and to fix responsibility upon the person(s) at fault.

(Original Para No.7)

4.4 Unjustified payment on account of plantation in violation of provision of PC-I – Rs.223.665 million

According to PC-I of DHPP approved by ECNEC in its meeting held on March 28, 2014, there was a provision of Rs.589.400 million for compensation of plantation. Further, as per Section-11(B) of the LAA-1894, 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 there was a provision of Rs.589.400 million for compensation of plantation in the approved PC-I of the project. However, payment of Rs.813.065 million was made to the landowners up to May, 2023 which was in excess of Rs.223.665 million from the provision of PC-I. Further, notifications under Section-4 for land acquisition were issued during 2013 and 2014, and the land acquisition process was required to be completed within six months as per Section-11(B) of LAA but the same was not done. Resultantly, illegal plantation activities were carried out by the land owners which was also evident from correspondence between District Collector and WAPDA.

Audit held that payment of Rs.223.665 million on account of plantation in violation of provisions of PC-I and LAA was unjustified.

Non-adherence to the provisions of PC-I and LAA resulted in unjustified payment of Rs.223.665 million.

The matter was taken up with the management in June, 2023 and reported to MoWR in August, 2023. The management replied that initial provision for plantation mentioned in PC-I was based on estimates and actual valuation was determined after completion of field surveys by the joint assessment teams. Moreover, timelines 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 acceptable as there was no provision in PC-I regarding change and increase in valuation of plantation as field survey was conducted in 2012 whereas PC-I of the project was approved in March 2014. Further, land was required to be acquired within six months after imposition of Section-4 of LAA but the same 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 unjustified payment of plantation in violation of provision of PC-I and delay in land acquisition process after imposition of Section-4 of LAA and to fix responsibility upon the person(s) at fault.

(Original Para No.8)

PAYMENTS MADE TO LAND OWNERS

4.5 Non-reconciliation & non-adjustment of funds transferred to Land Acquisition and Assessment Unit (LAAU) – Rs.674.783 million

According to Section-12.16.3 of WAPDA Accounting & Financial Reporting Manual, monthly reports shall be prepared to document the reconciliation of each bank account and review of entries in the financial records. Reconciliation reports shall be completed and reviewed in a timely manner after the bank statements have been received. As per Section-9.2.6, advances may be requested to cover anticipated cash expenditure to be incurred on behalf of WAPDA for a sponsored event, prior to the event taking place. When the need for advance is complete, the department shall return the unused cash to the Accounts and Finance Department. All receipts shall be verified on advances being cleared.

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 two separate bank accounts were opened in the National Bank of Pakistan (NBP) for disbursement of salaries and incentives of LAAU, Dasu, Kohistan (upper). According to bank statements provided by DC/LAC Kohistan (upper), an amount of Rs.1,000.054 million was credited in these bank accounts. However, statement provided by WAPDA revealed that an amount of Rs.979.482 million was transferred to DC/LAC Kohistan (upper). Hence, there was a difference of Rs.20.572 million between the funds credited in the bank accounts and statements provided by WAPDA. Moreover, record for adjustment of funds amounting to Rs.654.211 million was not provided by DC/LAC Kohistan (upper) to WAPDA.

Audit held that reconciliation and adjustment of funds transferred to DC/LAC Kohistan (upper) was required to be made on regular basis but needful was not done.

Non-observance of aforementioned rules resulted in non-reconciliation & and non-adjustment of funds of Rs.674.783 million transferred to LA AU by WAPDA.

The matter was taken up with the management in June, 2023 and reported to MoWR in August, 2023. The management replied that an amount of Rs.4.777 million was wrongly credited by NBP which was reversed by the bank and remaining amount of Rs.15.270 million was transferred by DHPP to the bank account of DC/LAC Kohistan (upper). On the same date, an amount of Rs.15.288 million was transferred by the DC/LAC Kohistan (upper) to the bank account of incentive package, hence, no discrepancies existed between the bank statement of DC/LAC Kohistan (upper) and funds released by DHPP. Moreover, adjustment accounts of these funds have been received up to June, 2020, whereas, the project was pursuing hard for adjustment of remaining amount.

The reply was not acceptable as no evidence was provided for the reverse entry by the bank and the difference pointed out by Audit was of Rs.20.572 million. Moreover, no justification was provided by DC/LAC Kohistan (upper) regarding absence of adjustment of funds amounting to Rs.654.211 million for more than three years.

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 reconcile the difference in amount and ensure adjustment of remaining funds without further loss of time.

(Original Para No.22)

4.6 Irregular payment of resettlement/relocation charges without approval of SMR Implementation Committee – Rs.69.950 million

According to Para-1.10 of minutes of WAPDA Authority meeting held on March 03, 2021, the decision to provide ESMR package to each eligible affected household will be made by the Review and Scrutiny Committee (RSC) and approved by the Self-Managed Resettlement Implementation Committee (SMR-IC). All approved cases will be signed by RSC Members.

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 an amount of Rs.69.950 million was paid to twenty affected individuals on account of ESMR package without getting approval of convener of SMR-IC (Deputy Commissioner). Scrutiny and verification proformas for ESMR package payments were required to be signed by the Members / Chairman of SMR-IC but needful was not done.

Audit held that payment made to affected persons without signatures/approval of SMR-IC cannot be termed as regular.

Non-adherence to decision of WAPDA Authority resulted in irregular payment of Rs.69.950 million on account of resettlement / relocation charges without approval of SMR-IC.

The matter was taken up with the management in June, 2023 and reported to MoWR in August, 2023. The management replied that all such proformas had been got signed from convener of SMR-IC.

The reply was not acceptable as proformas were not signed by the convener of SMR-IC upto May, 2023 in the absence of which the payment was held irregular. Further, the management did not substantiate their stance with supporting evidence.

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 probe the matter of payment of resettlement/relocation charges without approval of SMR Implementation Committee.

(Original Para No.13)

4.7 Overpayment of TMA tax and registration fee on account of transfer of land – Rs.66.592 million

According to KP Revenue & Estate Department notification No.18910-60/LR-III/IGR, dated July 29, 2020 and Local Government Department notification No.SOG/LG/3-6/LCB/2021 dated July 29, 2020, registration fee @

0.5% and local council tax @ 2% on transfer of immovable property were exempt from July, 2020 to June, 2022. The local council tax was restored vide notification No.SOG/LG/7-4/Notification/2022 dated July 14, 2022 w.e.f July 01, 2022.

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 a payment of Rs.133.998 million was made to Tehsil Municipal Administration (TMA) for TMA tax and registration fee on account of transfer of land during the period from March 06, 2020 to August 28, 2020. TMA tax and registration fee were exempt from July, 2020 to June, 2022 and payment of Rs.67.406 million only on account of TMA tax and registration fee for the period 06.03.2020 to 30.06.2020 was required to be made. However, a payment of Rs. 66.591 million for the exempt period from 03.08.2020 to 28.08.2020 was made on account of TMA tax and registration fee which was excess and is tabulated below:

Sr. No.	Tax/Fee	Period of Land Transfer/ Registration Deed	TMA Tax/ Registration Fee Payable (Rs.)	TMA Tax / Registration Fee paid (Rs.)	Overpayment (Rs.)
1	TMA Tax	06.03.2020 to 28.08.2020	53,925,044	107,424,501	53,499,456
2	Registration Fee		13,481,261	26,573,342	13,092,081
Total			67,406,305	133,997,843	66,591,537

Non-adherence to the aforementioned notifications resulted in overpayment of Rs.66.592 million on account of TMA tax and registration fee on transfer of land during exempt period.

The matter was taken up with the management in June, 2023 and reported to MoWR in August, 2023. The management replied that amount for land acquisition was deposited in the account of DC/LAC Kohistan (upper) and the payment pointed out by Audit was deducted at source by district administration. The matter had been taken up with Senior Member Board of Revenue (SMBR), Government of KP and progress achieved in this regard would be intimated to Audit.

Further progress regarding recovery of excess paid amount of TMA tax and registration fee was not intimated to Audit till finalization of the report.

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 also issued on September 13, 2023 and October 05, 2023, however, DAC meeting could not be scheduled.

Audit recommends the management to pursue the matter with SMBR for recovery of excess paid amount.

(Original Para No.24)

4.8 Non-transfer of land in the name of Dasu Hydropower Project – Rs.49.199 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 Section-36 of the Khyber Pakhtunkhwa 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 or Federal Government, as the case may be, and the name of the Acquiring Department or company, as the case may be, shall be entered in the column of cultivation”.

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 noticed that land measuring 251.37 kanals was acquired after payment of Rs.68.480 million to the landowners against award of land Nos. 46, 78 & 90. However, land measuring 63.10 kanals only was transferred by the Sub-Registrar in the name of DHPP up to May, 2023. Remaining land measuring 188.27 kanals worth Rs.49.199 million was not transferred in the name of DHPP / WAPDA as required under the rules which may result into legal complications at a belated stage.

Non-adherence to aforementioned act and rules resulted in non-transfer of land worth Rs.49.199 in the name of Dasu HPP.

The matter was taken up with the management in June, 2023 and reported to MoWR in August, 2023. The management replied that possession of acquired land measuring 251.37 kanals under these awards had been taken over by WAPDA.

The reply was not tenable as observation was regarding non-transfer of title of land in the name of WAPDA rather than possession of land.

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 justify delay in transfer of land besides ensuring completion of needful action without further loss of time.

(Original Para No.5)

4.9 Less deposit of stamp duty on transfer of land – Rs.31.859 million

According to Article-23 (Schedule-I) of Stamp Act-1899 as amended vide KP Finance Act 2007, stamp duty on transfer of land was recoverable @ 2% of the value of property. Registration fee was recoverable @ 0.5% of the value of property. However, registration fee was waived-off on registered deeds vide Revenue & Estate Department (Government of KP) notification No.18910-60/LR-III/IGR dated July 29, 2020.

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 noticed that land measuring 4,881.35 acres worth Rs.18,226.852 million was transferred in the name of DHPP from March 06, 2020 to May 09, 2023. Stamp duty amounting to Rs.364.537 million @ 2% of the value of land was required to be deposited as per Stamp Act-1899, however, stamp duty of Rs.332.678 million was deposited into Government treasury. Resultantly, stamp duty amounting to Rs.31.859 million was less deposited on account of transfer of land which may affect the validity of title of land leading towards legal complications.

Non-adherence to the provisions of Stamp Duty Act resulted in less deposit of stamp duty amounting to Rs.31.859 million on account of transfer of land.

The matter was taken up with the management in June, 2023 and reported to MoWR in August, 2023. The management replied that the amended Stamp Duty Act, 1899 was applicable w.e.f. May 31, 2018 and since land had been acquired before May 31, 2018 hence, no stamp duty was applicable to it.

The reply was not acceptable as transfer of land took place during March 06, 2020 to May 09, 2023 and stamp duty was to be deducted at the time of transfer of land and not at the time of acquisition. Moreover, as per clarification given by the Deputy Director land record KP vide letter dated November 18, 2021 to the DC/LAC Kohistan (upper), FATA and PATA had been merged in the Province of KP after 25th amendment and all the provincial laws including Stamp Act, 1899 were enforced in the merged areas. Therefore, an amount of Rs.31.859 million on account of shortage of stamp duty needs to be deposited.

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 also issued on September 13, 2023 and October 05, 2023, however, DAC meeting could not be scheduled.

Audit recommends the management to deposit the differential of stamp duty without further loss of time.

(Original Para No.4)

4.10 Unjustified payment on account of resettlement/relocation charges – Rs.101.150 million

According to Para-3 of eligibility criteria for entitlement of ESMR package notified by the DC, Kohistan (upper) vide No.18/Admin/LAAU/DHPP/2037-44/DC(KH) dated March 01, 2002, it was mandatory for a household to be resident and owner of the land and house. Moreover, as per Para-4 of the same, all those households who were not included in the household list were required to provide marriage certificate, Family Registration Certificate (FRC) and husband & wife Computerized National Identity Card (CNIC) with addresses of that affected village and were residing there where the ESMR package was applied.

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 an amount of Rs.101.150 million was paid to 29 households under ESMR package @ Rs.3.50 million per household. As per FRC issued by the NADRA, these

families / persons were registered in other districts having present address outside district Kohistan (upper). It was further observed that the recipients had subsequently changed their CNIC addresses to become eligible for ESMR Package. Therefore, payment of Rs.101.150 million was unjustified.

Non-implementation of eligibility criteria for ESMR package resulted in unjustified payment of Rs.101.150 million on account of resettlement / relocation charges.

The matter was taken up with the management in June, 2023 and reported to MoWR in August, 2023. The management replied that PSC had removed the discrepancy of eligibility criteria and allowed ESMR allowance to all those affected households who had their permanent addresses of Kohistan (upper). Initially, all the affected households with temporary or permanent addresses out of district Kohistan (upper) were rejected due to non-compliance of eligibility criteria but subsequently, the eligibility for ESMR package was refined. Hence, payment made to affected households was in accordance with the eligibility criteria.

The reply was not tenable because as per FRC, individuals belonging to twenty nine families were registered in other districts and had subsequently changed their CNIC addresses to become eligible for ESMR Package.

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 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 regarding unjustified payment of ESMR Package and fix responsibility upon the person(s) at fault.

(Original Para No.11, 12 & 14)

UTILIZATION OF INTEREST ACCRUED

4.11 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.

(Original Para No.9)

4.12 Non-transfer of profit/interest earned on ESMR package bank account – Rs.136.331 million

According to Section-17.3 of WAPDA Accounting & Financial Reporting Manual, mark-up on bank investments (profit) on the funds provided by WAPDA was required to be recovered by the DDO and remitted at the end of each month to the GM Finance concerned.

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 noticed that DC/LAC Kohistan (upper) maintained and operated a profit & loss sharing (PLS) bank account for making payments to PAPs under ESMR package. An amount of Rs.136.331 million was earned as interest/profit on the funds provided by WAPDA and retained in PLS account by DC/LAC Kohistan (upper) but the same was not remitted to WAPDA as required under the rules.

Audit held that non-transfer of profit/interest earned on the funds provided by WAPDA to DC/LAC Kohistan (upper) for payment of ESMR package was a violation of WAPDA Accounting & Financial Reporting Manual.

Non-adherence to aforementioned rule resulted in non-transfer of profit/interest Rs.136.331 million to WAPDA.

The matter was taken up with the management in June, 2023 and reported to MoWR in August, 2023. The management replied that the matter was taken up with the concerned DC/LAC and in response DC/LAC Kohistan (upper) informed that permission had been sought from Commissioner, Hazara for remittance of profit. Further status would be shared with Audit in due course of time.

The reply was not acceptable as profit/interest was being earned by DC/LAC Kohistan (upper) since the year 2021 but the matter had not been pursued timely by WAPDA for remittance on monthly basis.

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 justify delay in transfer of profit earned by DC/LAC Kohistan (upper) to WAPDA besides ensuring its early transfer and future compliance.

(Original Para No.21)

4.13 Avoidable payment of interest charges due to delay in issuance of awards – Rs.20.028 million

According to para-4 (iii) of guidelines for the implementation of the LAA-1894 issued vide No.495-70/210-LA-II dated February 02, 1970 the Commissioners are advised to keep in view while issuing the notification under Section-5 and 17 that (a) the Collector of the district has carefully and prudently calculated the estimated cost of the land sought to be acquired in terms of Section-23 and 24 of the Act and (b) these funds have been physically placed at the disposal of the Land Acquisition Collector and deposited in the treasury under the head “Revenue Deposit”. Further, as per Para-4 (vi) of the guidelines, the powers under Section-17 should be exercised very carefully and only in genuine cases of urgency. While considering the requests for issuing notifications under Section-17, it should also be kept in view that delivery of possession immediately starts a liability for payment of compound interest which is clearly avoidable in many cases.

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 three awards for acquisition of land for DHPP were issued for which possession of the land was to be taken over under Section-17 of LAA as tabulated below.

(Amount Rs. in million)

Award No. & Date	Land Quantity (Kanal)	Notification date under Section 17 of LAA	Deposit of Funds to DC/LAC	Cost of land	Delay in days	Interest on delayed payments
1	2	3	4	5	1-3	6
46 dated 29.06.2018	103.20	30.08.17	12.09.17	16.981	294	0.821
49 dated 18.08.2018	834.472	05.10.17	15.09.17	300.265	303	14.956
50 dated 27.09.2018	362.775	27.10.17	21.09.17	256.081	101	4.251
Total	1,300.447	--	--	573.327	698	20.028

The required funds were deposited in designated bank account of DC/LAC Kohistan (upper) before issuance of notifications under Section-17 and

taking possession of the acquired land, except for award No.46 where funds were deposited after three days of due possession date of land which was attributable to WAPDA whereas remaining delay of 291 days was attributable to DC/LAC Kohistan (upper). Furthermore, in case of award No.49 & 50, the funds were placed in the account of DC/LAC Kohistan (upper) before issuance of awards. Hence, issuance of the awards was inordinately delayed which resulted in payment of interest to the affectees amounting to Rs.20.028 million.

Audit held that the payment of interest charges was avoidable and loss to the Authority.

Non-adherence to the provisions of LAA resulted in avoidable payment of interest charges amounting to Rs.20.028 million due to delay in issuance of awards.

The matter was taken up with the management in June, 2023 and reported to MoWR in August, 2023. The management replied that awards under Section-17(4) were issued only in cases where the land was required on urgent basis and non-availability of land could have resulted in financial loss. Moreover, payment was not made at the time of possession of land because the instant land was under title disputes.

The reply was not tenable because required funds were available in the bank account of DC/LAC Kohistan (upper) at the time of award and proceedings under Section-17 of LAA should have been made after resolution of title disputes if any to avoid payment of interest charges.

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 proceedings of Section-17 of LAA before resolution of title disputes and fix responsibility upon the person(s) at fault.

(Original Para No.6)

MISCELLANEOUS

4.14 Non-refund/adjustment of funds transferred by WAPDA to DC/LAC in excess of requirement – Rs.1,666.753 million

According to Section-12.12.2 of the WAPDA Accounting & Financial Reporting Manual, at the request of Project Directors, routed through the concerned GM, the funds will be transferred from their bank accounts to the bank accounts of the projects. 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 land acquisition of DHPP (Stage-I) for the period from May, 2012 to May, 2023, it was noticed that WAPDA had transferred an amount of Rs.23,871.251 million to the DC/LAC Kohistan (upper) for acquisition of land, built-up properties, trees and payment of taxes for DHPP, whereas, awards of Rs.22,204.498 million were issued by the DC/LAC Kohistan (upper). Therefore, excess funds of Rs.1,666.753 million were transferred to DC/LAC Kohistan (upper) by WAPDA which were required to be refunded but needful was not done.

Non-adherence to WAPDA Accounting & Financial Reporting Manual resulted in non-refund/adjustment of funds transferred by WAPDA to the DC/LAC Kohistan (upper) in excess of the requirement.

The matter was taken up with the management in June, 2023 and reported to MoWR in August, 2023. The management replied that surplus funds had been returned to WAPDA by the DC/LAC Kohistan (upper).

The reply was not acceptable as funds demanded by DC/LAC Kohistan (upper) from WAPDA in excess of the requirement/disbursement were required to be returned to WAPDA but the same was not done till May, 2023. Further, the management did not substantiate their stance with supporting documents/evidence.

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 justify the matter of retention of funds in excess of the requirement by DC/LAC Kohistan (upper) besides ensuring compliance of the rules henceforth.

(Original Para No.15)

4.15 Un-justified retention of funds provided by WAPDA in bank account of DC/LAC despite issuance of awards – Rs.2,293.453 million

According to Section-31 of the LAA-1894, “when the Collector has made an award under Section-11(A), if the persons interested entitled to compensation under the award and the Provincial Government [“or the Federal Government, where the land has been acquired for the Federal Government,”] accept the award and intimate their acceptance in writing the cool or before the expiry of the period prescribed in sub-section (2) of Section-18 for making an application to the Collector for referring the award to the court, or in sub-section (4) of the said section for referring the award to the Court by the Provincial Government, [“or the Federal Government, as the case may be,”] whichever is later, or if the period specified in sub-section (2) of the said section for making an application to the Collector or in sub-section (4) for referring the award in the Court has expired and no such application or reference has been made, the Collector shall, before taking possession of the land, tender payment of the full amount of compensation awarded by him to the persons entitled thereto according to the award, and shall pay it to them unless prevented by some one or more of the contingencies”.

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 noticed that DC/LAC Kohistan (upper) issued awards of Rs.22,280.963 million for compensation of land, built-up properties, trees and payment of taxes for DHPP, whereas, payment of Rs.19,911.092 million was made to the PAPs up to May, 2023. It was further noticed that funds of Rs.76.418 million were transferred back to WAPDA due to partial de-notification of land. Thus, unspent balance of Rs.2,293.453 million was lying in current account with DC/LAC Kohistan (upper).

Audit held that retention of unspent funds of Rs.2,293.453 million provided by WAPDA in current account of DC/LAC despite issuance of awards was unjustified.

Non-adherence to provisions of LAA resulted in un-justified retention of funds amounting to Rs.2,293.453 million in bank account of DC/LAC Kohistan (upper) despite issuance of awards.

The matter was taken up with the management in June, 2023 and reported to MoWR in August, 2023. The management replied that compensation was not paid to the land owners by the DC/LAC Kohistan (upper) due to title disputes and the matter was sub-judice after issuance of awards.

The reply was not tenable as excess funds were either required to be paid to PAPs or deposited in the court of law if the acquisition was sub-judice instead of being retained in current account of DC/LAC Kohistan (upper) which may give rise to claim of interest charges due to delayed payments to affectees. Further, the management did not substantiate their stance with supporting evidence.

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 provide documentary evidence to substantiate their stance and take remedial actions immediately with regards to unspent balance retained in current account of DC/LAC Kohistan (upper).

(Original Para No.16)

4.16 Unjustified payment of incentive to staff – Rs.430.683 million

According to PC-I of DHPP approved by ECNEC in its meeting held on March 28, 2014, there was no provision for payment of incentive to the staff of Commissioner Hazara Division, Deputy Commissioner Kohistan, Communication & Works, Forest, Agriculture and Law Department of KP. Further, 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 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 an amount of Rs.430.683 million was paid as incentives to the staff of Commissioner Hazara Division, Deputy Commissioner Kohistan, Communication & Work, Forest, Agriculture and Law Departments involved in land acquisition process.

Audit held that payment of monthly incentive package to the employees of provincial government without any provision of the same in PC-I and contrary to the instructions of PAC was not justified.

Non-adherence to provisions of PC-I and directions of PAC resulted in unjustified payment of incentive amounting to Rs.430.683 million to the provincial employees.

The matter was taken up with the management in June, 2023 and reported to MoWR in August, 2023. The management replied that incentive package (one month basic) was approved by the PSC in its meeting held under the Chairmanship of Secretary, MoWR (the then MoWP) in order to motivate staff involved in land acquisition process and updation of revenue record.

The reply was not tenable as the mandate of PSC was to provide only planning and strategic guidelines for the project implementation and not to decide on matters like payment of incentive to provincial employees. Hence, payment of incentive without any provision of PC-I and against the directives of PAC was not justified.

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 recover the payment of incentive to provincial employees without any provision in PC-I and against the directives of PAC.

(Original Para No.17)

4.17 Non-deposit of registration fee and TMA tax Rs.1.006 million into Government treasury and non-refund of excess paid amount to WAPDA – Rs.15.555 million

According to Law, Parliamentary Affairs & Human Rights Department, (Government of KP) clarification issued vide No.SO(OP-1)/LD/15-1/2022/KC/2444-46 dated June 02, 2022, WAPDA being a corporate body, established under Section-3(2) of WAPDA Act, 1958 cannot claim exemption from the provincial taxes i.e. the stamp duty and mutation or registration fee levied under the provincial laws.

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 land measuring 99 kanals and 5 marlas was directly acquired by WAPDA from FWO and PTDC for Rs.40.286 million. The registration fee amounting to Rs.0.201 million @ 0.5% and TMA tax amounting to Rs.0.805 million @ 2% of the cost of land was required to be deposited into account of Provincial Government but the same was not done. It was further observed that an amount of Rs.15.756 million on account of registration fee against the said land was transferred to DC/LAC Kohistan (upper) which was in excess by Rs.15.555 million and was required to be refunded back to WAPDA but the same was also not done.

Non-observance of aforementioned rules resulted in non-deposit of registration fee amounting to Rs.0.201 million & TMA tax amounting to Rs.0.805 million into Government treasury and non-refund of excess paid amount Rs.15.555 million on account of registration fee from DC/LAC Kohistan (upper) to WAPDA.

The matter was taken up with the management in June, 2023 and reported to MoWR in August, 2023. The management replied that the said land was acquired directly from the FWO and PTDC through registration deeds and would be mutated in the name of WAPDA. Further, registration fee was directly deposited into Government treasury, therefore, the said amount was not reflected in bank statement of DC/LAC Kohistan (upper).

The reply was not acceptable as evidence regarding depositing of registration fee & TMA tax into Government treasury was neither produced nor was the excess paid amount on account of registration fee refunded to WAPDA.

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 substantiate their stance with documentary evidence besides completion of the registration and mutation process as per rules.

(Original Para No.18 & 27)

4.18 Irregular procurement through direct contracting/quotation basis to avoid PPRA rules and in excess of approved sanction – Rs.3.672 million

According to Rules-9 & 20 of PPRA Rules, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works. Further, as per WAPDA Authority's minutes of meeting held on July 11, 2014 circulated vide No.A/AD(Coord) /03003/MTG/2327-28 dated July 24, 2014, the Authority accorded approval for one time contingent expenditure amounting to Rs.2.329 million for LAAU, Dasu.

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 furniture, computer, generators and other accessories amounting to Rs.3.839 million were procured by the district administration during 2015-16 from different suppliers through direct contracting and on quotation basis without observing the PPRA rules. However, payment was made by issuing single cheque for the entire procurement. Moreover, WAPDA Authority accorded approval for an amount of Rs.2.329 million resulting into incurrence of excess expenditure of Rs.1.510 million than the sanctioned amount.

Audit held that procurement made through direct contracting to avoid PPRA rules as well as payment made in excess of the sanctioned amount was irregular.

Non-adherence to PPRA rules and Authority's instructions resulted in irregular procurement of Rs.3.839 million.

The matter was taken up with the management in June, 2023 and reported to MoWR in August, 2023. The management replied that PPRA rules were not applicable on the district management of KP which allows alternate methods of procurement as per Rule-10 (a) & (b). The computer and related accessories were procured from one supplier in view of the fact that other entities were the co-proprietors of the recipient agency. Moreover, GM /PD clarified that the approved budget was fixed but its heads of expenses were flexible. The expenditure can be made on requirement basis from other heads within annual allocation / approved grant.

The reply was not acceptable as the procurement was made from single supplier to avoid tendering process under PPRA rules and expenditure was made in excess of approved sanction.

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 procurement in violation of PPRA rules and incurrence of expenditure in excess of the sanction of the Authority to fix responsibility upon the person(s) at fault.

(Original Para No.19 & 20)

4.19 Irregular disbursement of funds through bank in the form of cash – Rs.36.654 million

According to Section-12.12.2(5)(v) of WAPDA Accounting & Financial Reporting Manual, the disbursement shall not be made for cash payment. Further, Para-3.4.2.4 of Manual of Accounting Principles issued by Govt. of Pakistan applicable to centralized and self accounting entities within the control of the Federal and Provincial Government, all payments will be made by cheque, transfer or direct debit unless otherwise authorized by the Ministry of Finance or the Auditor-General.

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 from bank statement of account No.4114676385 that an amount of Rs.36.654 million was disbursed through cash. As per stated rules, all payments were required to be made through cheques. Hence, disbursement made through cash withdrawal was irregular.

Non-observance of the rules resulted in irregular disbursement of funds amounting to Rs.36.654 million.

The matter was taken up with the management in June, 2023 and reported to MoWR in August, 2023. The management replied that no open cheques were issued to any PAP and that the staff of NBP had entered the codes inadvertently for “cash withdrawals” instead of “cheque” or “transfer”. Further, Manager (NBP) Dasu branch had been requested to provide copies of crossed cheques deposited in the bank, copies of deposit slips and evidence of clearance of the same in the relevant accounts.

The reply was not acceptable because no documentary evidence in support of reply was provided by the management.

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 substantiate their stance with documentary evidence.

(Original Para No.23)

4.20 Non-transfer of land acquired from FWO and PTDC in the name of DHPP – Rs.40.290 million

According to Para-10 of Board of Revenue (Government of KP) letter No.REV:V/4/Notification/122HO-312 dated February 27, 2018, the District Collector will ensure attestation of mutation in favor of acquiring department within one month after issuance of award.

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 land

measuring 99 kanals and 5 marlas was directly purchased by WAPDA from FWO and PTDC for Rs.40.290 million through a sale agreement on Rs.200 stamp paper. As per rules, the purchased land was required to be transferred through registration deed and got mutated in the name of DHPP/WAPDA but the same was not done.

Non-observance of rules resulted in non-transfer / mutation of land worth Rs.40.290 million acquired from FWO and PTDC in the name of DHPP.

The matter was taken up with the management in June, 2023 and reported to MoWR in August, 2023. The management replied that the said land was acquired directly from the FWO and PTDC through registration deeds and matter of mutation was taken up with concerned department.

The reply was not acceptable as the registration of the land purchased by WAPDA from FWO and PTDC was neither made in accordance with the rules by DC/LAC Kohistan (upper) nor was the land mutated in the name of WAPDA.

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 justify non-adherence to the rules for purchase of land and the delay in mutation of acquired land in the name of WAPDA besides ensuring early most fulfillment of required actions.

(Original Para No.26)

5. Recommendations

- i. District Collector/LAC needs to follow the mandatory provisions laid in the LAA so that timely execution of land acquisition process could be ensured.
- ii. Proper coordination should be ensured by WAPDA with the district administration for conducting realistic revenue surveys and preparation of land record in order to complete acquisition process within stipulated period.
- iii. District administration needs to ensure that no illegal development and construction work are started after imposition of Section-4 of LAA.
- iv. District Collector/LAC needs to ensure that no changes should be made in the revenue record after imposition of Section-4 of LAA.
- v. District Collector/LAC needs to ensure that no compensations are paid for any development or built up properties or change in land category after imposition of Section-4 of LAA.
- vi. Land acquiring agency should ensure placement of sufficient funds at the disposal of DC/LAC before taking possession of land to avoid interest payment.
- vii. District Collector should keep funds, transferred by acquiring agency on account of land compensation, in a daily product account in any A⁺ Credit rating commercial bank instead of current account.
- viii. District administration should develop such a mechanism to ensure that payment under ESMR package are made only to those affectees who are genuinely residing in the affected area and their physical relocation and resettlement is involved.
- ix. The LAC/Sub-Registrar is required to observe all relevant rules regarding taxes, duties and fees carefully and vigilantly to avoid any less /over-deduction.
- x. The LAC/Sub-Registrar needs to ensure transfer/registration of title of land in the name of acquiring agency within stipulated period after issuance of award and compensation payment.

- xi. The land acquiring agency should prepare cost estimates for transfer of funds in advance with due care and diligence to avoid excessive transfer of funds and financial loss, particularly in a situation where the same are borrowed from foreign lenders at high interest rate.
- xii. Incentive/honoraria shall only be paid to those employees who achieve targets and show best performance. The payment of incentive/honoraria should be based on performance and not be considered a routine payment.

6. Conclusion

The special audit was conducted within the defined audit objectives relating to land acquisition for the project. It was concluded from audit findings that main reason behind delayed acquisition of land was poor implementation of LAA. Additional financial burden had to be borne by the project due to subsequent changes in categories of land, illegal construction & plantation in the notified area, unjustified payment of ESMR package to non-entitled persons/families and payment of incentives to the employees of Provincial Government. Further, funds were transferred to DC/LAC Kohistan (upper) without assessing immediate requirement out of which heavy amounts remained idle in current account on different occasions causing loss of profit opportunities. Based on the findings of special audit, Audit opined that WAPDA & district administration need to implement Resettlement Action Plans as well as LAA in letter & spirit to mitigate social impacts and timely acquisition of land for successful completion of the project.

