



**AUDIT REPORT
ON
THE ACCOUNTS OF
AZAD JAMMU AND KASHMIR COUNCIL
2013-2014**

AUDITOR GENERAL OF AZAD JAMMU & KASHMIR

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ABBREVIATIONS AND ACRONYMS

AJ&K	: Azad Jammu and Kashmir
B&RDC	: Buildings & Roads Department Code
BOQ	: Bill of Quantities
CPWA	: Central Public Works Account Code
CPWD	: Central Public Works Department Code
CSR	: Composite Schedule of Rates
DAC	: Departmental Accounts Committee
DDO	: Drawing & Disbursing Officer
FY	: Financial Year
GFR	: General Financial Rules
GST	: General Sales Tax
IRO	: Inland Revenue Officer
IT	: Income Tax
KA & GB	: Kashmir Affairs and Gilgit Baltistan
KLC	: Kashmir Liberation Cess
LG&RDD	: Local Government and Rural Development Department
MA	: Mobilization Advance
MB	: Measurement Book
PAC	: Public Accounts Committee
PAO	: Principal Accounting Officer
SA	: Secured Advance

Preface

Section 50-A of the Azad Jammu and Kashmir Interim Constitution Act, 1974 read with Sections 9 and 13 of the Auditor General of Azad Jammu and Kashmir (Functions, Powers and Terms and Conditions of Service) Act, 2005 requires the Auditor General to conduct audit of expenditure and receipts of Azad Jammu and Kashmir Council Consolidated Fund and Public Account.

The report is based on audit of the accounts of various departments of Azad Jammu and Kashmir Council for the financial year 2011-12 & 2012-13. It also includes observations relating to the accounts of certain formations for previous years. The audit was conducted by Directorate General of Audit Azad Jammu and Kashmir during 2013-14 on test check basis with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings having value of Rs. 1 million or more. Relatively less significant issues are listed in the Annexure-I of the Audit Report. The Audit observations listed in the Annexure-I shall be pursued with the Principal Accounting Officer at the DAC level and in all cases where the PAO does not initiate appropriate action, the Audit observation will be brought to the notice of the Public Accounts Committee through the next year's Audit Report.

Audit findings indicate the need for adherence to the regularity framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities.

The report highlights the significant cases of financial irregularities, losses and wastage of funds, which indicate the need for adherence to the regulatory framework and strengthening of internal controls to avoid recurrence of similar violations and irregularities.

Most of the observations included in this report have been finalized in the light of discussions in the DAC meetings.

The Audit Report is submitted to the Chairman of Azad Jammu and Kashmir Council in pursuance of Section 50-A (6) of Azad Jammu and Kashmir Interim Constitution Act, 1974 for causing it to be laid before the Azad Jammu and Kashmir Council.

Dated:

(Muhammad Akhtar Buland Rana)
Auditor General
Azad Jammu and Kashmir

EXECUTIVE SUMMARY

The Directorate General Audit, Azad Jammu and Kashmir is responsible for conducting the audit of Azad Jammu and Kashmir Council. For the purpose, the Director General Audit, Azad Jammu and Kashmir has 104 officers and staff constituting 15840 man-days. The budget of Directorate General for the Financial Year 2013-14 was Rs 95.863 million. The mandate of this office includes conducting financial attest, compliance with authority audit, audit of sanction and propriety of the Council's expenditure and receipts.

The Auditor General of Pakistan is also the Auditor General of Azad Jammu and Kashmir. There are 42 formations of AJ&K Council. Audit of expenditure and receipts of 30 formations was planned during 2013-14, through 08 field audit teams utilizing 235 man days, and 26 formations were audited which is 87% coverage.

a) Scope of Audit

Expenditure audited

Against the total budget of Rs.9594.589 million (Dev: Rs 1915.686 million and Non Dev: Rs. 7678.903 million) of AJ&K Council, the expenditure of Rs 8120.608 million was incurred i.e. about 85 % of the total budget. The budget allocation of 08 formations audited was Rs 2489.399 million and the expenditure of Rs 1052.426 million was audited which was 42.28 % of the total AJ&K Council expenditure.

Receipts audited

The audit of receipts is based on Revenue Receipts upto Financial Year 2011-12. As regards total budgeted receipts for the FY 2011-12 were Rs.6000.000 million. whereas actual receipts were 6395.171 million which were 6.59% excess of estimated receipts. 18 formations were included in audit plan for the year 2012-13 covering 100% audit of receipts.

b) Recoveries at the instance of audit

Audit pointed out recoverable amounts of Rs 29.125 million as a result of the audit of expenditures, out of which recovery of Rs 0.895 million was effected until the compilation of this Report. The Taxes of Rs 452995.476 million were recoverable as pointed out and recovery of Rs 0.714 million was effected.

c) Audit methodology

The auditors examined the record made available by AJ&K Council Secretariat and its formations, keeping in view the policies, procedures, rules, regulations framed.

d) Comments on Internal Controls

Internal Control is an important executive tool to improve performance, prevent losses, avoid misuse of public money and ensure safeguarding of Government assets. The key Audit findings of the report indicate that majority of the observations raised by the Audit are due to inadequate placement and implementation of the internal controls.

The result of weak internal controls is evident from the following deficiencies in the financial management system of AJ&K Council:

The Principal Accounting Officer needs to ensure strengthening of internal controls in each formation and proper implementation of rules, regulations and procedures.

e) AJ&K Council has its own Internal Audit Section but it is still not functioning properly.

f) Key audit findings of the Report

Expenditure Audit

- i. Irregular/Unauthorized expenditure (02 Paras) Rs 270.138 million.¹
- ii. Overpayment to the contractors (10 Paras) Rs 735.112 million.²
- iii. Non/less deduction of Government dues (04 Paras) Rs 28.230 million.³
- iv. Non rendition of detail accounts (01 Para) Rs 1.494 million.⁴

Revenue Receipts Audit

- v. Non/ Short recoveries of Government taxes (04 Paras) Rs 452,531.631 million⁵
- vi. Non recovery of penalty (01 Para) Rs0.946 million.⁶
- vii. Concealment of Tax (01 Para) Rs 3.287 million.⁷
- viii. Loss due to wrong/ fictitious adjustment of Input Tax (02 Paras) Rs 237.962 million.⁸
- ix. Non production of record (01 Para) Rs 769.653 million.⁹

¹ Para 2.1.10,3.1.7

² Para 2.1.2,2.1.3,2.1.4,2.1.5,2.1.6,2.1.7,3.1.1,3.1.2,3.1.3,3.1.4

³ Para 2.1.8,2.1.9, 3.1.5,3.1.6

⁴ Para 2.1.1

⁵ Para 4.1.1,4.1.3,4.1.8,4.1.9

⁶ Para 4.1.16

⁷ Para 4.1.13

⁸ Para 4.1.4,4.1.14

⁹ Para 4.1.2

- x. Less /non realization of Tax, Education Cess (07 Paras) Rs 185.830 million.¹⁰

Recommendations

Principal Accounting Officer needs to ensure;

- i. Compliance with canons of financial propriety, rules and regulations through, monitoring, evaluation and accountability of departmental functionaries.
- ii. Proper documentation and maintenance of financial records.
- iii. Prevention of recurrence of irregularities.
- iv. Recovery of Government dues and their prompt deposit into Government Account.
- v. Timely production of relevant record to Audit.
- vi. Holding meetings of DAC regularly.
- vii. Instituting the Internal Audit system directly under his/her supervision.

¹⁰ Para 4.1.5,4.1.6,4.1.7,4.1.10,4.1.11,4.1.12,4.1.15

SUMMARY TABLES & CHARTS

EXPENDITURE

I. Table 1 Audit Work Statistics

Sr. No	Description	Budget	
		No.	(Rs. Million)
1	Total Entities (Ministries/PAO's) in Audit Jurisdiction	01	9594.589
2	Total formations in audit jurisdiction	42	9594.589
3	Total Entities (Ministries/PAO's) Audited	01	1052.426
4	Total formations Audited	08	1052.426
5	Audit & Inspection Reports	08	1052.426
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

II. Table 2 Audit observations regarding Financial Management

Sr.#	Description	Amount Placed under Audit Observation (Rs. Million)
1	Unsound asset management	-
2	Weak financial management	763.342
3	Weak Internal controls relating to financial management	270.138
4	Others	1.494
	Total	1034.974

III. Table 3 Outcome Statistics

Sr.No	Description	Expenditure on Acquiring Physical Assets (Procurement)	Civil Works	Receipts	Others (Rs million)	Total current year 2012-2013 (Rs million)	Total last year 2011-2012 (Rs million)
1	Outlays Audited	-	-	-		1052.426	1264.540
2	Monetary Value of audit observations/irregularities of audit	-	-	-		1034.974	485.171
3	Recoveries Pointed Out at the instance of Audit	-	-	-		29.125	20.812
4	Recoveries Accepted /Established at the instance of Audit	-	-	-		29.125	20.812
5	Recoveries Realized at the instance of Audit	-	-	-		0.895	4.373

IV. Table 4: Table of Irregularities pointed out

Sr.#	Description	Amount Placed under Audit Observation (Rs million)
1	Violation of Rules and regulations and violation of principal of propriety and probity in public operations.	1005.25
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	-
3	Accounting Errors (accounting policy departure from NAM, misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	-
4	If possible quantify weaknesses of internal control systems.	-
5	Recoveries and overpayments, representing cases of establishment overpayment or misappropriations of public money	28.230
6	Non –production of record.	1.494
7	Others, including cases of accidents, negligence etc.	-

V. Table 5 Cost-Benefit

Sr.#	Description	Amount (million) 2011-12	Amount (million) 2012-13	Amount (million) 2013-14
1	Outlays Audited (Items 1 of Table 3)	2483.818	1264.540	1052.426
2	Expenditure on Audit	38.256	22.176	37.245
3	Recoveries realized at the instance of Audit	3.298	4.373	0.895
	Cost-Benefit Ratio(2/3)	11.60	5.07	41.61

REVENUE RECIEPTS**SUMMARY TABLES & CHARTS****VI. Table 1 Audit Work Statistics**

Sr.#	Description	No.	Budget(million)
1	Total Entities (Ministries/PAO's) in Audit Jurisdiction	01	6000.000
2	Total formations in audit jurisdiction	18	6000.000
3	Total Entities(Ministries/PAO's) Audited	01	1636.646
4	Total formations Audited	18	1636.646
5	Audit & Inspection Reports	18	1636.646
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

VII. Table 2: Audit observations regarding Financial Management

Sr.#	Description	Amount Placed under Audit Observation (Rs. In Millions)
1	Unsound asset management	-
2	Weak financial management	452473.924
3	Weak Internal controls relating to financial management	485.732
4	Others	769.653
	Total	453729.309

VIII. Table 3 Outcome Statistics

Sr.#	Description	Expenditure on Acquiring Physical Assets (Procurement)	Civil Works	Receipts (Million)	Other	Total current year 2012-13	Total last year 2011-12
1	Outlays Audited	-	-			1636.646	491.875
2	Amount Placed under Audit Observation /Irregularities of Audit					453729.309	511.309
3	Recoveries Pointed Out at the instance of Audit					452473.924	429.023
4	Recoveries Accepted /Established at the instance of Audit					452573.924	429.023
5	Recoveries Realized at the instance of Audit					0.714	Nil

IX. Table 4: Table of Irregularities pointed out

Sr.#	Description	Amount Placed under Audit Observation
1	Violation of Rules and regulations and violation of principal of propriety and probity in public operations.	61.863
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	-
3	Accounting Errors (accounting policy departure from NAM, misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	-
4	If possible quantify weaknesses of internal control systems.	-
5	Recoveries and overpayments, representing cases of establishment overpayment or misappropriations of public money	452897.793
6	Non production of record.	769.653
7	Others, including cases of accidents, negligence etc.	-

X. Table 5 Cost-Benefit

Sr.#	Description	Amount (million) 2011-12	Amount (million) 2012-13	Amount (million) 2013-14
1	Outlays Audited (Items 1 of Table3)	2063.444	491.875	1636.646
2	Expenditure on Audit	10.669	7.360	7.032
3	Recoveries realized at the instance of Audit	Nil	Nil	0.714
4	Cost-Benefit Ratio	Nil	Nil	9.85

CHAPTER 1

AJ&K COUNCIL SECRETARIAT

1.1 Introduction

The Azad Jammu and Kashmir Council (AJ&K Council) is a statutory body established under the provisions of Section 21 of the AJ&K Interim Constitution Act, 1974 promulgated on 24th August, 1974. The Prime Minister of Pakistan is the Chairman of AJ&K Council, President of AJ&K Vice-Chairman and Prime Minister of AJ&K or a person nominated by him is a Member of the Council. Moreover, 05 Members are nominated by Prime Minister of Pakistan from Federal Cabinet and 06 Members are elected by the AJ&K Legislative Assembly from amongst State Subjects in accordance with the system of proportional representation by means of single transferable vote. The Federal Minister for KA&GB is also an ex-officio member.

This composition enables the AJ&K Council to work as a bridge between the Government of Pakistan and the Azad Government of the State of AJ&K. The executive authority of the Council extends to all matters with respect to which the Council has powers to make laws and is exercised by the Chairman, AJ&K Council (Prime Minister of Pakistan) in the name of the Council in terms of Section 21(7) of AJ&K Interim Constitution Act, 1974 through its Secretariat in Islamabad. Traditionally, the Federal Minister for KA&GB and the Secretary, KA&GB act as Minister Incharge and Secretary, AJ&K Council Secretariat respectively. Under the AJ&K Interim Constitution Act, 1974, the Council has a unique constitution as status and has clearly defined legislative, executive and judicial powers

1.2 Comments on Budget Accounts (Variance Analysis)

Budget allocation and expenditure of the Azad Jammu and Kashmir Council for the Financial Year 2012-13 is as under.

Description	Budget Allocation (Rs Million)	Expenditure Incurred (Rs Million)	Percentage Utilized
Development	1,915.686	1,302.034	67.96%
Non-Development	7678.903	6818.574	88.80%
Total	9594.589	8120.608	84.63%

The budget allocation utilized under Development and Non Development budget was 67.96% and 88.80% respectively. A variance Analysis for last two financial years is as under:

Sr. No.	Particulars	FY 2012-13 Rs million	FY 2011-12 Rs million	Variance	
				(Rs million)	%
1.	Budget Allocation	9,594.589	8,467.675	1126.914	13.31%
2.	Total Expenditure	8,120.608	7,337.287	783.321	10.67%
3.	Audited Expenditure	1,052.426	1,243.079	190.653	15.33%

1.3 Brief Comments on Status of PAC Directives

Compliance of PAC directives on Audit Reports relating to Azad Jammu and Kashmir Council is as under:-

Year	Total Paras	No. of Paras Discussed	Compliance made	Compliance awaited	%age
2009-10	36	36	16	20	44%
2010-11	64	64	17	47	27%
2011-12	37	--	--	37	0%
2012-13	30	--	--	30	0%

CHAPTER 2

COMPLIANCE AUDIT ISSUES

The following issues were observed during Compliance with Authority Audit of AJ&K Council.

2.1 AUDIT PARAS

2.1.1 Non rendition of detailed accounts and non production of record Rs. 1.494 million

According to Section 15 of the Auditor General of Azad Jammu and Kashmir (Functions, Powers and Terms and Conditions of Service) Act, 2005, it is the responsibility of the department to provide all the auditable record /information to the audit. According to Treasury Rules Para No.668 detailed accounts for advance drawl are necessary to render to the Accounts office before the closing of financial year.

During Audit of the accounts of AJ&K Council Secretariat Islamabad for the year 2012-2013, it was observed that detailed accounts/ adjustment certificate of advances and relevant record of expenditure was not provided to Audit due to which expenditure cannot be authenticated. The detail is as under:-

Sr.#	Para No. AIR	Nature	Amount
1.	27	Non production of detailed accounts and record against advance drawl.	1,494,280
		Total	1,494,280

The matter was brought to the notice of the DDO in November 2013 and PAO in December 2013.

DAC in its meeting held in December 2013 directed to provide record for examination but no progress has been made till finalization of this report.

Audit recommended that the record may be provided for examination and verification. Timely production of record and adjustment of advances be ensured in future.

Advance Para no.274

2.1.2 Overpayment against the approved quantities Rs. 645.445 million

According to Building and Road Department Code Para No.2.88, 2.89, 2.110 and Central Public Works Department Code Para No.72,98, changes in BOQ/ specifications require to be prepared and revised estimates are necessary to obtain approval of the competent authority. Items not part of BOQ cannot be paid without prior permission/ approval of the competent authority i.e., the sanctioning of the deviation statements.

During Audit of the accounts of AJ&K Council Secretariat Islamabad for the year 2012-2013, it was observed that payment was made over and above the approved quantities of BOQ in different items without obtaining approval of revised estimates from competent authority. The detail of overpayment is as under:-

Sr.#.	Para No. AIR	Nature	Amounts
1.	13	Payment without items in the BOQ	290,585,433
2.	16	Payment over and above than the BOQ	354,859,723
		Total	645,445,156

The matter was brought to the notice of the DDO in November 2013 and PAO in December 2013.

The DAC in its meeting held in December 2013 directed to recover the amount overpaid but no progress has been made till the finalization of this report.

Audit recommended that the overpaid amount be recovered and remitted into AJ&K Council account and Internal Control needs to be strengthened to avoid the recurrence of such lapses in future.

Advance Para No.272

2.1.3 Excess payment to contractors on account of escalation/price adjustment Rs. 48.011 million.

According to clause 12.4 of contract agreement escalation is required to be paid to the contractors on the basis of the rates approved by the competent authority.

During Audit of the accounts of AJ&K Council Secretariat Islamabad for the year 2012-13, it was observed that excess payment has been made to the contractors on account of escalation /price adjustment over and above, as per detail given below.

Sr.#	AIR Para No	Nature of observation.	Amount
1	3	Excess payment of price adjustment of escalation by applying excessive rate and adding 6.4% in addition to escalation.	3,579,779
2	10(ii)	Excess payment of escalation	356,940
3	17	Excess payment on account of price adjustment/escalation.	2,157,126
4	52	Excess payment on account of price adjustment/escalation.	41,916,966
		Total	48,010,811

The matter was brought to the notice of the DDO in November 2013 and PAO in December 2013.

The DAC in its meeting held in December 2013 directed to recover the excess amount but no progress has been made till the finalization of this report.

Audit recommended that over paid amount be recovered and remitted into AJK Council account under intimation to audit and remedial measures to stop the recurrence in future may be adopted.

Advance Para No.281

2.1.4 Undue payment to contractors on account of escalation/price adjustment Rs. 2.074 million.

According to clause 70 of contract agreement payment of escalation is required to be paid on the basis of weightages fixed by the employer on Appendix-C to bid.

During Audit of the accounts of AJ&K Council Secretariat Islamabad for the year 2012-13, it was observed that undue payment has been made to the contractors on account of escalation /price adjustment, as per detail given below.

Sr.#	AIR Para No	Nature of observation.	Amount
1	4(1)	Undue payment of price adjustment/ escalation due to non provision in the bidding document.	249,776
2	10(i)	Undue payment of escalation due to no variation in the prices.	1,279,775
3	11(ii)	Undue payment of escalation due to no provision in the bidding document.	544,188
		Total	2,073,739

The matter was brought to the notice of the DDO in November 2013 and PAO in December 2013.

The DAC in its meeting held in December 2013 directed to recover the undue paid amount but no progress has been made till the finalization of this report.

Audit recommended that undue paid amount be recovered and remitted into AJK Council account under intimation to audit and remedial measures to stop the recurrence in future may be adopted.

Advance Para No.281

2.1.5 Overpayment to contractors beyond the applicable rates Rs. 2.349 million.

According to Para 221 of the Central Public Works Code concerned officers and technical staff is responsible for accuracy of calculations recorded in the Measurement Books of the various constructional work before making payment to the concerned contractors.

During Audit of the Accounts of the AJ&K Council Secretariat Islamabad for the year 2012-13, it was observed that an over payment of Rs. 2,348,877 was made to the different contractors against different items due to wrong calculations recorded in the respective Measurement Books. The detail is given as under:-

Sr.#	AIR Para No	Nature of observation.	Amount
1	5(i)	Over payment to contractor beyond the applicable rate	1,396,908
2	6,11(4)	Over payment to contractor on higher rates	841,719
3	15	Over payment to the contractor beyond the approved rates	110,250
		Total	2,348,877

The matter was brought to the notice of the DDO in November 2013 and PAO in December 2013.

The DAC in its meeting held in December 2013, directed to recover the overpaid amount but no progress has been reported till finalization of the report.

Audit recommended that the overpaid amount be recovered and remitted into AJK Council Account under intimation to audit and remedial measures to stop the recurrence of such overpayments in future may be adopted.

Advance para No. 265

2.1.6 Overpayment to contractors due to wrong calculations in the Measurement Books Rs. 16.045 million.

According to Para 208 of Central Public Works Department Code payment is required to be mad to the contractors against actual work done at site and according to Para 221 of the Central Public Works Code concerned officers and technical staff is responsible for accuracy of calculations recorded in the Measurement Books of the various constructional work before making payment to the concerned contractors.

During Audit of the Accounts of the AJ&K Council Secretariat Islamabad for the year 2012-13, it was observed that an overpayment of Rs.16,044,872 was made to the different contractors due to wrong calculations in the Measurement Books. The detail of overpayment is as under:-

Sr.#	AIR Para No	Nature of observation.	Amount
1	2	Over payment due to wrong calculation.	855,802
2	21	Over payment to contractor than actual work done	15,189,070
		Total	16,044,872

The matter was brought to the notice of the DDO in November 2013 and PAO in December 2013.

The DAC in its meeting held in December 2013, directed to recover the overpaid amount but no progress has been reported till finalization of the report.

Audit recommended that the overpaid amount be recovered and remitted into AJK Council Account under intimation to audit and remedial measures to stop the recurrence of such overpayments in future may be adopted.

Advance para No. 265

2.1.7 Irregular payments on account of pay and conveyance allowance Rs. 1.033 million

According to Civil Servants (amendments) Act, 1973 Section 13, a civil servant shall retire on completion of the Sixtieth year of his age and as per supplementary rules 7-A Conveyance allowance is not admissible during leave.

During Audit of the accounts of AJ&K Council Secretariat Islamabad for the year 2012-2013, overpayments amounting to Rs.1,032,957as detailed below were noticed in violation of above rules.

Sr.#.	Para No. AIR	Nature	Amount
1.	30	Less deduction of Conveyance Allowance during leave.	56,581
2.	43	Excess payment of pay due to non retirement on attaining the age of superannuation	976,376
		Total	1,032,957

The matter was brought to the notice of the DDO in November 2013 and PAO in December 2013.

DAC in its meeting held in December 2013 directed to recover the amount but no progress has been made till finalization of the report.

Audit recommended that the amount be recovered and remitted into AJ&K Council account under intimation to Audit and remedial measures to stop the recurrence of these irregularities in future may be adopted.

Advance Para No.273

2.1.8 Non/ less deduction of Government dues Rs. 14.691 million

According to the Sales tax Act 1990 and Finance Act 2009 read with the Para 26 General Financial Rules Vol-I taxes are required to be deducted by the DDO /Department at the time of payments. It is also primary responsibility of the Department /DDO to ensure timely and promptly assessment and depositing of the Government dues in the Government treasury.

During Audit of the accounts of AJ&K Council Secretariat Islamabad for the year 2012-2013, it has been noticed that Government dues were not deducted or less deducted as detailed below:-

Sr.#.	Para No. AIR	Nature	Amount
1.	29	Non deduction of GST/IT	23,688
2.	4(ii),50	Non/Less deduction of Income Tax	57,390
3.	42	Non recovery of HBA	268,545
4.	20	Less deduction of security deposit from contractors.	14,330,887
5.	31	Less deduction / deposit of private duty charges	10,308
		Total	14,690,818

The matter was brought to the notice of the DDO in November 2013 and PAO in December 2013.

DAC in its meeting held in December 2013 directed to recover the Government dues but no progress has been made till finalization of the report.

Audit recommended that the amount be recovered and remitted into AJ&K Council account under intimation to audit and timely recovery of Government dues be ensured in future.

Advance Para No.267

**2.1.9 Non recovery of mobilization advance giving undue favour to contractors
Rs. 8.718 million**

According to Public Works Department financial Rules Para 7.36, the amount of mobilization advance is required to be recovered from the contractor @ 20% from the first five running bills and the remaining amount from the final bill of the contractor.

During Audit of the accounts of AJ&K Council Secretariat Islamabad for the year 2012-2013, it was observed that an amount of Rs.8,718,052 was paid to different contractors on account of mobilization advance against the bank guarantees, but despite the expiry of bank guarantees, neither mobilization advances were recovered nor the bank guarantees found renewed.

The matter was brought to the notice of the DDO in November 2013 and PAO in December 2013.

The DAC meeting was held in December 2013 and directed to recover the amount from the concerned but no progress has been reported till the finalization of this report.

Audit recommended that the amount be recovered and remitted into AJ&K Council account under intimation to the audit and Internal Control needs to be strengthened to avoid the recurrence of such lapses in future.

Advance Para No.269

2.1.10 Irregular payment without detailed measurements Rs.266.582 million

According to Central Public Works Accounts Code Para 208, payment of work done is required to be made after recording of detailed measurement of work done on the Measurement Books.

During Audit of the accounts of AJ&K Council Secretariat Islamabad for the year 2012-2013, it was observed that lump sum amount of Rs.266,581,613 was paid to different contractors without recording the detailed work done quantities in the Measurement Books. In the absence of record of detailed measurements, the amount paid to contractors cannot be authenticated.

The matter was brought to the notice of the DDO in November 2013 and PAO in december2013.

DAC in its meeting held in December 2013, directed to recover the amount but no progress has been made till the finalization of this report.

Audit recommended that after recording the detail of actual work done in Measurement Books the record be provided to Audit and remedial measures to stop the recurrence of these irregularities in future may be adopted.

Advance Para No.271

CHAPTER 3

LOCAL GOVERNMENT AND RURAL DEVELOPMENT

3.1 AUDIT PARAS

3.1.1 Overpayment to contractors against the approved rates Rs. 2.149 million.

According to Central Public Works Account Code Para 164 and 296 the rates entered in estimates should generally agree with the schedule rates, but if where considered not sufficient, the deviation should be prepared and according to Central Public Works Department Code Para 44 provides that divisional officer is responsible for excess of actual overestimated of work.

Scrutiny of the bills / Measurement Books of the under mentioned offices, (AJ&K Council funded) revealed that the payments were made beyond the approved rates/ quantities resulting overpayment of Rs. 2,149,264. The detail is as under:-

S. No	Name of office	Period of Audit	Para No.	Nature of payment	Over paid Amount (Rs.)
1	Assistant Director Local Government Bhimber	7/2011to 6/2012	18	Overpayment beyond the approved rates	455,240
2	Assistant Director Local Government Mirpur	7/2011to 6/2012	17	Overpayment beyond the approved rates	292,125
3	Assistant Director Local Government Kotli	7/2011to 6/2012	22,24	Overpayment beyond the schedule rates	337,543
4	Assistant Director Local Government Rawalakot	7/2012 to 6/2013	15,16,17	Overpayment beyond the schedule rates	268,561
5	Assistant Director Local Government Neelum	7/2012 to 6/2013	24	Overpayment beyond the approved rates	130,867
6	Assistant Director Local Government Muzaffarabad	7/2012 to 6/2013	22	Overpayment beyond the approved rates	504,917
7	Assistant Director Local Government Rawalpindi	7/2012 to 6/2013	16	Overpayment beyond the approved rates	160,011
				Total	2,149,264

Audit brought the matter to the notice of the DDOs in September, October and November 2013 and PAO in September and November 2013, but no reply

received. Despite requests the department did not convene the DAC meeting till finalization of this report.

Audit recommended that overpaid amount be recovered and deposited into AJK Council's account and responsibility be fixed against person(s) at fault. Internal controls be strengthened to avoid the recurrence of such lapses in future.

Advance Para No.88,184

3.1.2 Overpayment to contractors against the approved quantities Rs. 11.226 million.

According to Central Public Works Department Code Para 208 payment is required to be mad to the contractors against actual work done at site and Para 44 provides that divisional officer is responsible for excess of actual overestimated of work.

During scrutiny of the bills / Measurement Books of the under mentioned offices, (AJ&K Council funded) revealed that the payments were made beyond the approved quantities resulting overpayments of Rs. 1,126,061. The detail is as under:-

S. No	Name of office	Period of Audit	Para No.	Nature of payment	Over paid Amount (Rs.)
1	Assistant Director Local Government Bhimber	7/2011to 6/2012	20	Overpayment beyond the approved quantity	46,474
2	Assistant Director Local Government Mirpur	7/2011to 6/2012	16	Overpayment beyond the measurement	79,741
3	Assistant Director Local Government Kotli	7/2011to 6/2012	12	Overpayment beyond the measurement	3,971,395
4	Assistant Director Local Government Kotli	7/2011to 6/2012	25	Overpayment beyond the approved measurement	5,619,185
5	Assistant Director Local Government Pallandri	7/2011to 6/2012	20	Overpayment beyond the measurement	1,256,080
6	Assistant Director Local Government Mirpur	7/2012 to 6/2013	20,22	Overpayment beyond the approved quantity	253,186
Total					11,226,061

Audit brought the matter to the notice of the DDOs in September, October and November 2013 and PAO in September and November 2013, but no reply received. Despite requests the department did not convene the DAC meeting till finalization of this report.

Audit recommended that overpaid amount be recovered and deposited into AJK Council's account and responsibility be fixed against person(s) at fault. Internal controls be strengthened to avoid the recurrence of such lapses in future.

Advance Para No.88,184

3.1.3 Overpayment to contractors on account of beyond the work done Rs.6.234 million.

According to Central Public Works Accounts Code Paras 208 and 209 the payments for work done are to be made according to the work done recorded in Measurement Book. Paras 221 and 222 state that Divisional officer is responsible for accuracy of calculation of Measurement Books. Furthermore, Para 44 of Central Public Works Department Code states that Divisional Officer is responsible for the correct payments.

During Audit of the accounts of under mentioned offices of AJ&K Local Government (Council funded) for the year 2011-13, it was observed that overpayment of Rs. 6,233,614 was made to various contractors in violation of above rules. The detail of over payment is as under:-

S. No	Name of office	Para No.	Period of Audit	Nature of payment	Over paid Amount (Rs.)
1	Assistant Director Local Government Kotli	30	7/2011 to 6/2012	Overpayment beyond the work done	1,385,162
2	Assistant Director Local Government Kotli	29	7/2011 to 6/2012	Overpayment beyond the work order	2,794,000
3	Assistant Director Local Government Bagh	8	7/2012 to 6/2013	Overpayment than the approved the work order	1,797,000
4	Assistant Director Local Government Rawalakot	16	7/2011 to 6/2012	Overpayment beyond the work done	161,452
5	Assistant Director Local Government Bagh	12	7/2011 to 6/2012	Overpayment beyond the work done	96,000
Total					6,233,614

Audit brought the matter to the notice of the DDO in October 2012 and PAO in November 2012, January and September 2013, and PAO in October and November 2013, but no reply received. Despite requests the department did not convene the DAC meeting till finalization of this report.

Audit recommended that over paid amount of Rs. 6,780,083 be recovered and remitted in AJ&K Council's account and responsibility be fixed against person(s) at fault. Remedial measures be adopted to stop such irregularities in future.

(Advance Para No.82,84 annexure 2012-13)
Advance Para No.89,91,183,186

**3.1.4 Overpayment to contractors on account of wrong calculations
Rs.0.546 million.**

According to Central Public Works Accounts Code Paras 221 and 222 provide that Divisional officer is responsible for accuracy of calculation of Measurement Books. Furthermore, para 44 of Central Public Works Department Code states that Divisional Officer is responsible for the correct payments.

During Audit of the accounts of under mentioned offices in AJ&K Local Government (Council funded) for the year 2011-13, it was observed that overpayment of Rs. 0.546 million was made to various contractors in violation of above rules. The detail of over payment is as under:-

Sr.#	Name of office	AIR Para No	Period of audit	Nature of observation.	Amount
1.	Assistant Director Local Government Jammu Rawalpindi	13	7/2011 to 6/2012	Overpayment due to wrong calculation on MB	152,830
2	Assistant Director Local Government RawalaKot	18	7/2012 to 6/2013	Overpayment due to wrong calculation on MB	206,434
3	Assistant Director local Government Rawalpindi	20,24, 26	Incep to 6/2011	Over payment due to wrong calculation on MB	91,204
4	Assistant Director local Government Rawalpindi	22	Incep to 6/2011	Loss to Government due to double payment	96,000
Total					546,468

Audit brought the matter to the notice of the DDO in October 2012 and PAO in November 2012, January and September 2013, and PAO in October and November 2013, but no reply received. Despite requests the department did not convene the DAC meeting till finalization of this report.

Audit recommended that over paid amount of Rs. 6,780,083 be recovered and remitted in AJ&K Council's account and responsibility be fixed against person(s) at fault. Remedial measures be adopted to stop such irregularities in future.

(Advance Para No.82,84 annexure 2012-13)
Advance Para No.89,91,183,186

3.1.5 Non/Less deduction of Security Deposit Rs.3.127 million

According to Public Works Department Code Para 89-e and Building and Roads Department Code Para 2.66 the deduction of Security deposit is necessary and as per Central Public Works Account Code Para 395 provides that security deposit can be released after completion of maintenance period of the work.

In violation of the above rules, in the following offices (AJK Council funded) security deposit was not deducted from the bills of the contractors of development projects during the period 2011-2013:-

Sr.#	Name of office	AIR Para No	Period of Audit	Amount (Rs.)
1	Assistant Director Local Government Pallandri	22	7/2011 to 6/2012	731,245
2	Assistant Director Local Government Bhimber	21	7/2011 to 6/2012	144,000
3	Assistant Director Local Government Rawalakot	22	7/2012 to 6/2013	2,215,938
4	Assistant Director Local Government Bagh	5	7/2012 to 6/2013	35,800
			Total	3,126,983

Audit brought the matter to the notice of the DDO in March, April, September and October 2013 and PAO in November 2013, but no reply received. Despite requests the department did not convene the DAC meeting till finalization of this report.

Audit recommended that the amount be recovered and remitted into AJ&K Council account under intimation to audit, responsibility be fixed against person(s) at fault and timely recovery of Government dues be ensured in future.

Advance Paras No.87 and 182

**3.1.6 Loss to Government due to non/less deduction of Government dues
Rs. 1.694 million**

According to the General Sales Tax Act 1990 Para 3 (2)(A) and Section 153(3) of the Income Tax ordinance 2001, sales tax and income tax are required to be deducted. As per Para 26 of General Financial Rules Vol-I, it is the responsibility of the Department /DDO to ensure timely and promptly assessment and depositing of the Government dues into the Government treasury.

Scrutiny of the vouchers of various offices of Local Government for the year 2011-13 revealed that government dues were either not deducted or less deducted. The detail is at *Annexure "A"*

Audit brought the matter to the notice of the DDO in September and October 2012 and PAO in November 2012, and September, October, November 2013, but no reply received. Despite requests the department did not convene the DAC meeting till finalization of this report.

Audit recommended that the amount be recovered and remitted into AJ&K Council account under intimation to audit, responsibility be fixed against person(s) at fault and timely recovery of Government dues be ensured in future.

(Advance Para No.83 annexure-I of Audit Report 2012-13)
Advance Para No.90,185

**3.1.7 Irregular payment without recording detailed measurements
Rs.3.556 million**

According to Para 208 & 209 of Central Public Works Accounts Code, payment of work done is required to be made after recording the detailed measurements of work done in the Measurement Books. Further, Para 44 of Central Public Works Department Code says that the Divisional Officer is responsible for making the correct payments.

Scrutiny of the record of Assistant Director Local Government Kotli for the year 2011-12, it has been observed that lump sum payments of Rs. 3,556,470 were made to the contractors without recording the detailed work /done measurements in the MB in violation of above rules.

The matter was brought to the notice of the DDO in April 2013 and PAO in September 2013, but no reply received. Despite requests the department did not convene the DAC meeting till finalization of this report.

Audit recommended that after recording the detail of actual work done in Measurement Books, the record be provided to Audit for verification and responsibility be fixed against person(s) at fault. Remedial measures be adopted to stop such irregularities in future.

Advance Para No.92

CHAPTER 4

EXCISE AND TAXATION DEPARTMENT

4.1. AUDIT PARAS

4.1.1. Loss to Government due to non recovery of arrears of Government dues Rs. 452073.075 million

As per Para 1,6,37 of Financial Rules AJK Vol-I and Para 26 of General Financial Rules Vol. I, it is the duty of the Departmental Controlling Officer to see that all sums due to Government are regularly and promptly assessed, realized and duly credited into public account. Furthermore as per section 48 of Sales Tax Act 1990 and as per section 14 of Federal Excise Duty Act 2005, the Department is required to recover the amount of arrears of sales tax and excise duty etc. and remit into Government Treasury.

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2012 & 2013 revealed that the department did not collect arrears of Sales Tax, Excise Duty and penalty from the concerned for the period from July 2000 to June 2013. The omission has resulted in a financial loss of Rs. 452,073,075,212 to the AJ&K Council treasury. The detail is as under.

S #	Name office	AIR Para #	Amount (Rs.)
1	IRO Kotli	11	1,317,840
2	IRO Provincial Taxes Mirpur	10 , 12	452,071,757,372
Total			452,073,075,212

The matter was brought to the notice of the DDO in April & November, 2013 but no reply has yet been received. The matter was also brought to the notice of the department through advance Para in December 2013 but the department did not convene the DAC meeting till finalization of this report.

Audit recommended that the arrears amount of Sales Tax, Excise Duty and Penalty may be recovered and remitted into Government Treasury under intimation to audit and timely collection of the Government dues be ensured in future by strengthening the Internal Control System of the department.

Advance Para No: 15

4.1.2. Non provision of challans / exemption certificates in support of payment of income tax Rs.769.653 million

According to section 114 (2) of the Income Tax Ordinance 2001, a return of Income;

- (a) Shall be in the prescribed form and shall be accompanied by such annexure, statements or documents as may be prescribed
- (b) Shall fully state all the relevant particulars or information as specified in the form of return, including a declaration of the records kept by the tax payer.
- (c) Shall be signed by the person, being an individual, or the person's representative where section 172 applies.

Furthermore, as per Circular No. 3 of 2002 of FBR dated 04-05-2002:

- I. Competent tax authorities of Pakistan and AJ&K will issue the exemption certificates to their tax payers in suitable cases as per the provision of law / rules, under various provisions of income tax ordinance, 1979, and both authorities would accept these certificates such as
- II. Credit of taxes paid in Pakistan and AJ&K will be allowed by the respective tax authorities on basis of original challans of payment and after necessary verification.

Scrutiny of the record of various offices of Inland Revenue Department for the tax years 2012 & 2013 revealed that the taxpayers have not provided the requisite documents such as deposit challans and exemption certificates or the documents for claiming the exemption amounting to Rs. 769,652,982 with their tax returns as required under above referred section of Income Tax Ordinance, 2001. The omission can result in a financial loss. The detail of incomplete returns are as follows.

S. N	Formation	AIR Para	Nature of Evidence required	Amount
1	Company Circle Mirpur	02, 07	Income Tax payment challans, Exemption Certificate	751,529,664
2	Salary Circle Mirpur	04, 06	Break up of pay & Allowances, Tax payment challans	1,368,995
3	Prof. Circle Mirpur	04, 06	Income Tax payment challans, at source deduction certificates, evidence of tax deposited by WHT agents	5,373,608
4	Business Circle Mirpur	01, 03	Evidence of tax deposit by WHT agents, Income Tax payment challans, at source deduction certificates	2,411,872
5	Salary Circle Mzd	03	Income Tax payment challans	30,804
6	Business Circle Mzd	05, 07	Evidence of tax deposited by WHT agents, Tax payment challans, at source deduction	6,817,316
7	Prof. Circle Mzd	02	Evidence of tax deposited by WHT agents	2,120,723
Total				769,652,982

The matter was brought to the notice of the Department through Audit and Inspection Reports in April & November, 2013 but no reply has been received. The matter was also brought to the notice of the Head of Department through Advance Paras in October & November, 2013 but the department did not convene the Departmental Accounts Committee meeting.

Audit recommended that the evidence of payment may be provided under intimation to audit otherwise arrear amount of Government dues may be recovered and remitted into Government Treasury.

Advance Para No: 13

4.1.3. Loss to Government due to non recovery of arrears of Income Tax, Education Cess, penalty and Professional Tax Rs. 435.450 million

According to Para 26 of the GFR Vol-I it is the duty of the Departmental Controlling Officer to see that all sums due to Government are regularly & promptly assessed, realized and duly credited into the Public Account.

Furthermore as per section 138(1) of Income Tax Ordinance 2001, for the purpose of recovering any tax due by the taxpayer, the Commissioner may serve upon notice in the prescribed form requiring him to pay the said amount within such time as may be specified in the notice and according to section 138A(1) of said ordinance, The Commissioner may forward to the District Officer (Revenue) of the district in which the taxpayer resides or carries on business or in which any property belonging to the taxpayer is situated, a certificate specifying the amount of any tax due from the taxpayer, and, on receipt of such certificate, the District officer (Revenue) shall proceed to recover from the taxpayer the amount so specified,

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax years 2012 & 2013 revealed that the department did not collect the arrears of Income Tax, Education Cess & Penalty relating to previous years resulting a loss of Rs. 435,450,689 to the Government. The detail is as under.

S #	Name of Office	AIR Para #	Tax Year	Income Tax	Education Cess	Penalty	Prof. Tax	Total O/S as on 30.06.13 (Rs.)
1	Company Circle Mirpur	01	2012	299,535,369	17,898,048	0	0	317,433,417
2	IRO Bhimber	07	2012	19,817	28,781	319,700	0	368,298
3	IRO Bagh	07	2012,2013	8,208,671	431,805	316,867	1,650	8,958,993
4	IRO Sudhnuti	06	2012,2013	162,625	8,131	0	1,100	171,856
5	IRO	08	2012,2013	3,099,240	212,745	656,789	2,250	3,971,024

	Rawalakot		013					
6	IRO Kotli	05	2012	39,147,000	0	0	0	39,147,000
7	IRO Dadyal	05,08	2012	44,694,387	1,262,005	0	52,462	46,008,854
8	IRO Chaksawari	02	2012	18,463,571	899,276	0	28,400	19,391,247
Total				413,330,680	20,740,791	1,293,356	85,862	435,450,689

The matter was brought to the notice of the Department through Audit and Inspection Reports in April & November, 2013 but no reply has been received. The matter was also brought to the notice of the Head of Department through Advance Paras in October & November, 2013 but the department did not convene the Departmental Accounts Committee meeting.

Audit recommended that the arrear amount of Government dues may be recovered and remitted into Government Treasury under intimation to audit and timely collection of the Government dues be ensured in future by strengthening the Internal Control System of the department.

Advance Para No: 06, 07

4.1.4. Loss to Government due to inadmissible and doubtful adjustment of input sales tax Rs. 236.222 million

As per Section 7(2) of Sales Tax Act 1990 a registered person shall not be entitled to deduct input tax from output tax unless:-

- i. In case of claim for input tax in respect of a taxable supply made, he holds a tax invoice in his name and bearing his registration number in respect of such supply for which a return is furnished.
- ii. In case of goods imported into Pakistan, he holds bill of entry or goods declaration in his name and showing his sales tax registration number, duly cleared by the customs under Section 79 or Section 104 of the Customs Act, 1969 (IV of 1969).
- iii. In case of goods purchased in auction, he holds a treasury challan in his name and bearing his registration number showing payment of sales tax.

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax years 2012 & 2013 revealed that some registered persons have adjusted Input Tax against output payable tax without production of the documentary evidences to prove the status of their claims in light of above 3 conditions. The amount mentioned below was inadmissible / doubtful which has

resulted in a financial loss of Rs. 236,222,189 to the Government Treasury. The detail is as under.

Sr.#	Name of Formation	Para No. of the AIR	Tax Year	Amount adjusted (Rs.)
1	IRO Bhimber	12, 13	2012	5,919,048
2	IRO Kotli	12	2012	28,486,263
3	IRO Provincial Taxes Mzd.	03	2012,2013	7,150,106
4	IRO Provincial Taxes Mirpur.	05	2012,2013	194,666,772
			Total	236,222,189

The matter was brought to the notice of the Department through Audit and Inspection Reports in April & November, 2013, but no reply has yet been received. The matter was also brought to the notice of the Head of Department in October & December 2013, but the department did not convene the DAC meeting.

Audit recommended that record of input Sales Tax of above registered firms be provided to the Audit for verification otherwise the amount be recovered and deposited in to Government Treasury under intimation to audit and without documentary evidence, as recommended above, adjustment of output tax against input tax may not be allowed in future.

Advance Para No: 11 A, 11 B

4.1.5. Less realization of sales tax Rs. 84.462 million

According to Section 3 of Sales Tax Act 1990, Subject to the provisions of this Act, there shall be charged, levied and paid a tax known as sales tax at the rate of seventeen percent of the value of;

- (a) taxable supplies made by a registered person in the course or furtherance of any taxable activity carried on by him; and
- (b) goods imported into Pakistan.

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax years 2012 & 2013 revealed that some sales taxpayers under assessed their sales tax amount due to which sales tax was short levied. The

omission resulted in a financial loss of Rs. 84,461,955 to the Government Treasury. The detail is as under.

S #	Name of office	AIR Para #	Amount (Rs.)
1	IRO Kotli	15	48,781
2	IRO Provincial Taxes Mzd.	02	11,642
3	IRO Provincial Taxes Mirpur	03,04,07,08,09	84,362,652
4	IRO Kotli	10(AR 2012-13Annexure I)	38,880
Total			84,461,955

The matter was brought to the notice of the Department through Audit and Inspection Reports in April & November, 2013 but no reply has yet been received.

The matter was also brought to the notice of the Head of department through advance paras in October & December 2013, but the department did not convene the DAC meeting.

Audit recommended that the amount of Sales Tax may be recovered and remitted into Government Treasury under intimation to audit and timely collection of the Government dues be ensured in future by strengthening the Internal Control System of the department.

Advance Para No: 13, (AR 2012-13Annexure I)

4.1.6. Loss to Government due to non realization of Education Cess on Withholding Tax Rs. 70.521 million

According to Section 2 of the Education Cess Act 1975 there shall be levied a cess known as Education Cess chargeable at the rate of 5% of the amount of Income Tax /Super Tax assessed and payable except Government employees and all employees of autonomous bodies and Semi-Government organization.

According to Section 2 (63) of the Income Tax Ordinance 2001 tax means any tax imposed under Chapter II, and includes any penalty, fee or other charge or any sum or amount leviable or payable under this Ordinance.

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax years 2012 & 2013 revealed that the department collected an amount of Rs. 1,410,672,013 as withholding tax during the year but did not collect the Education Cess on such amount from different Withholding Agents.

The omission has resulted in a loss of Rs. 70,521,013 to the Government. The detail is given in *Annexure “B”*.

The matter was brought to the notice of the Department through Audit and Inspection Reports in April & November, 2013 but no reply has yet been received.

The matter was also brought to the notice of the Head of Department through advance paras in October & December 2013, but the department did not convene the DAC meeting.

Audit recommended that the arrears of Education Cess may be recovered and remitted into Government Treasury under intimation to audit and timely collection of the Government dues be ensured in future by strengthening the Internal Control System of the department.

Advance Para No: 03,05,03

**4.1.7. Loss to Government due to less / non-realization of income tax
Rs.17.668 million**

According to Section 137(1) the tax payable by a tax payer on the taxable income of the taxpayer [including the tax payable under section 113 or 113A] for a tax year shall be due on the due date for furnishing the tax payer’s return of income for that year.

According to Section 04 (1) & Section 113 of the Income Tax Ordinance 2001, Income Tax shall be imposed for each tax year, at the rate or rates specified in [Division I, IB or II] of Part I of the First Schedule, as the case may be , on every person who has taxable income for the year.

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2012 revealed that some taxpayers did not pay Income Tax and some tax payers paid less Income Tax . The omission has resulted in a financial loss of Government Rs.17,668,647 the detail is as under.

S #	Name office	AIR Para #	Tax Due	Tax Paid /Charged	Education Cess Due	Professional Tax Due	Amount Recoverable (Rs.)
1	IRO Company Circle Mirpur	3	24,777,384	8,293,056	0	0	16,484,328

2	IRO Business Circle Mzd	6	85,950	36,046	0	0	49,904
3	IRO Professional Circle Mzd	5, 10	263,084	0	13,169	850	277,103
4	IRO Business Circle Mirpur	2	663,954	136,347	26,020	50	553,677
5	IRO Professional Circle Mirpur	14	617,423	314,538	0	750	303,635
Total			26,407,795	8,779,987	39,189	1,650	17,668,647

The matter was brought to the notice of the Department through Audit and Inspection Reports in April & November, 2013 but no reply has yet been received.

The matter was also brought to the notice of the Head of department through advance paras in October & December 2013, but the department did not convene the DAC meeting.

Audit recommended that the arrears amount of Income Tax, Education Cess and professional Tax may be recovered and remitted into Government Treasury under intimation to audit and timely collection of the Government dues be ensured in future by strengthening the Internal Control System of the department.

Advance Para No: 22

4.1.8. Loss due to less / non-realization of income tax Rs. 13.994 million

According to Section 113 of the Income Tax Ordinance 2001, This section shall apply to a resident company, an individual (having turnover of five million rupees or above in the tax year 2009 or in any subsequent tax year) and an association of persons (having turnover of five million rupees or above in the tax year 2007 or in any subsequent tax year) where, for any reason whatsoever allowed under this Ordinance, including any other law for the time being in force.

- (a) Loss for the year;
- (b) The setting off of a loss of an earlier year;
- (c) Exemption from tax;
- (d) The application of credits or rebates; or

- (e) The claiming of allowances or deductions (including depreciation and amortization deductions) no tax is payable or paid by the person for a tax year or the tax payable or paid by the person for a tax year is less than one percent of the amount representing the person's turnover from all sources for that year:

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2012 revealed that six taxpayers filed their income tax returns with normal tax while they were required to pay minimum tax as per above referred Section. The omission has resulted in a financial loss of Government Rs. 13,994,593. The detail is as under.

S #	Name office	AIR Para #	No. of tax payers	Income Tax Due U/S 113	Normal Tax Paid / Charged	Education Cess	Amount Recoverable (Rs.)
1	Business Circle Mirpur	5	02	2,619,435	1,308,193	65,562	1,376,804
2	Company Circle Mirpur	6	03	16,566,352	5,495,008	0	11,071,344
3	Business Circle Mzd	3	01	4,284,364	2,737,919	0	1,546,445
Total			06	23,470,151	9,541,120	65,562	13,994,593

The matter was brought to the notice of the Department through Audit and Inspection Reports in April & November, 2013 but no reply has yet been received.

The matter was also brought to the notice of the Head of Department through advance paras in October & December 2013, but the department did not convene the DAC meeting.

Audit recommended that the arrear amount of Income Tax may be recovered and remitted into Government Treasury under intimation to audit and timely collection of the Government dues be insured in future by strengthening the Internal Control System of the department.

Advance Para No: 07

4.1.9. Non transfer of amount of income tax into Government account Rs. 8.805 million.

According to FBR Circular 3 of 1980 dated 29-1-1980, the income tax is required to be deposited/transferred into concerned Government account at where contracts are being executed, irrespective of place where the contract is made or payment is received.

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2012 revealed that some taxpayers executing their contracts in Azad Jammu and Kashmir Territory have filed their Income Tax Returns and shown Tax deduction at source by the withholding agents in Pakistan but proof regarding transfer of money into Government Account of AJ&K not available on record. The detail is as under.

S #	Name office	AIR Para #	Amount (Rs.)
1	Professional Circle Muzaffarabad	01	1,809,785
2	IRO Bhimber	09	409,015
3	IRO Professional Circle Mirpur	01	3,576,819
4	IRO Sudhnuti	07	779,594
5	IRO Bagh	12	2,230,473
Total			8,805,686

The matter was brought to the notice of the Department through Audit and Inspection Reports in April & November, 2013 but no reply has yet been received.

The matter was also brought to the notice of the Head of Department through advance paras in October & December 2013, but the department did not convene the DAC meeting.

Audit recommended that the arrear amount of Government dues may be recovered and remitted into Government Treasury under intimation to audit and timely collection of the Government dues be ensured in future by strengthening the Internal Control System of the department.

Advance Para No: 09,05

**4.1.10. Non realization of penalty due to late / non filing of sales tax returns
Rs. 5.203 million.**

According to Section 33(1) of the Sales Tax Act 1990, Where any person fails to furnish a return within the due date, such person shall pay a penalty of five thousands rupees. Provided that incase a person files a return within fifteen days of the due date, he shall pay a penalty of one hundred rupees for each day of default.

Contrary to above, Scrutiny of the record of various offices of Inland Revenue Department for the tax years 2012 & 2013 revealed that 97 number of Sales Tax registered persons filed Sales Tax Returns of various tax periods too late after the due dates and 113 number of sales tax registered persons did not file Sales Tax Returns of various tax periods. The Department did not impose penalty as per section 33(1) of the Sales Tax Act 1990. The omission resulted in a loss of Rs. 5,202,500 to the Government Treasury. The detail is as under.

S #	Name office	AIR Para #	No. of Late filers	No. of Non filers	Amount (Rs.)
1	IRO Bhimber	11	20	0	249,600
2	IRO Bagh	11,10	07	20	365,300
3	IRO Sudhnuti	11,10	05	23	993,100
4	IRO Rawalakot	11,10	04	17	1,200,600
5	IRO Kotli	13,14	12	17	624,000
6	IRO Provincial Taxes Mzd.	04,05	11	24	1,385,100
7	IRO Provincial Taxes Mirpur.	01,02	38	12	384,800
Total			97	113	5,202,500

The matter was brought to the notice of the Department through Audit and Inspection Reports in April & November, 2013 but no reply has yet been received.

The matter was also brought to the notice of the Head of Department through advance paras in October & December 2013, but the department did not convene the DAC meeting.

Audit recommended that the amount of penalty may be recovered from the concerned and deposited in Government Treasury forthwith and imposition of penalty at prescribed rates on each defaulter be insured in future besides realization of actual GST recoverable and surcharge thereon.

Advance Para No: 10 A, 10 B

4.1.11. Non realization of penalty for late/non filing of income tax returns Rs. 3.337 million

According to Section 182(1) of the Income Tax Ordinance 2001, where any person fails to furnish a return of income or a statement as required under section 115 or wealth statement or wealth reconciliation statement or statement under section 165 within the due date, such person shall pay a penalty equal to 0.1% of the tax payable for each day of default subject to a minimum penalty of five thousand rupees and maximum penalty of 25% of the tax payable in respect of that tax year.

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2012 revealed that 237 taxpayers filed their Income Tax returns after the due date and 437 tax payers did not file their Income Tax Returns. The department did not impose/recover the amount of penalty resulting a loss of Rs. 3, 337,298. to the Government Exchequer. The detail is given in *Annexure "C"*.

The matter was brought to the notice of the Department through Audit and Inspection Reports in April & November, 2013 but no reply has yet been received.

The matter was also brought to the notice of the Head of Department through advance paras in October & December 2013, but the department did not convene the DAC meeting.

Audit recommended that the amount of penalty may be recovered and remitted into Government Treasury and imposition and collection of such penalty at the time of submission of Income Tax Return be ensured in future.

Advance Para No: 01 A,01 B

4.1.12. Loss due to less / non-realization of income tax for Rs.3.386 million

According to Section 04 (1) & Section 113 of the Income Tax Ordinance 2001, Subject to this Ordinance, income tax shall be imposed for each tax year, at the rate or rates specified in [Division I, IB or II] of Part I of the First Schedule, as the case may be , on every person who has taxable income for the year.

According to Section 137(1) the tax payable by a tax payer on the taxable income of the taxpayer [including the tax payable under section 113 or 113A] for a tax year shall be due on the due date for furnishing the tax payer's return of income for that year.

Contrary to above, Scrutiny of the record of various offices of Inland Revenue Department for the tax year 2012 revealed that one hundred and seventy four (174) taxpayers filed their income tax returns and their liability was Rs7,378,975. but they paid Rs 3,992,673. only leaving balance of Rs. 3.386 million outstanding and department have not collected such amount till date of Audit. The omission has resulted a financial loss of Government Rs3,386,302. The detail is given in *Annexure "D"*.

The matter was brought to the notice of the Department through Audit and Inspection Reports in April & November, 2013 but no reply has yet been received.

The matter was also brought to the notice of the Head of Department through advance paras in October & December 2013, but the department did not convene the DAC meeting.

Audit recommended that the arrear amount of Income Tax may be recovered and remitted into Government Treasury under intimation to audit besides imposition of penalties/ surcharge as admissible under law and timely collection of the Government dues be insured in future by strengthening the Internal Control System of the department.

Advance Para No: 16, 08, AR 2012-13(annexure I)

4.1.13. Concealment of income tax liability by reducing the value of stock and changing the figures of opening and closing stock balances Rs. 3.287 million.

According to Section 114 (2) of Income Tax Ordinance 2001 a return of Income

- (a) shall be in the prescribed form and shall be accompanied by such annexure , statements or documents as may be prescribed
- (b) shall fully state all the relevant particulars or information as specified in the form of return, including a declaration of the records kept by the tax payer.
- (c) shall be signed by the person , being an individual , or the person’s representative where section 172 applies.

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2011-12 revealed that in a number of returns of the taxpayers the Opening Stock value of the tax year was not shown exact to that value recorded as Closing Stock Balance during the previous tax year just to understate the tax liability for the said tax year. Due to non-availability of figures of the sale value of concealed stock, the Audit was not in a position to calculate the tax liability on that value of the stock itself. Concealment of the stock value would have definitely affected the sale revenue. The detail is as under.

S #	Name of Office	AIR Para No	Closing Stock (2011)	Opening Stock (2012)	Difference (Rs.)
1	IRO Company Circle Mirpur	9	6,601,907	4,135,659	2,466,248
2	IRO Business Circle Mzd.	4	1,973,000	1,151,400	821,600
Total			8,574,907	5,287,059	3,287,848

The matter was brought to the notice of the Department through Audit and Inspection Reports in April & November, 2013 but no reply has yet been received.

The matter was also brought to the notice of the Head of Department through advance Paras in October & December 2013, but the department did not convene the DAC meeting.

Audit recommended that the concerned tax offices should reopen and recalculate the tax liabilities against tax payers taking the exact figures of the sales value at their end and the results be communicated to Audit with documentary evidence of recoveries made from each tax payers as a result of such exercise. Further care be taken in future to compare and verified the value of the opening stock recovered in returns of tax payers with that of the previous tax year's closing balance in each and every case and measures be adopted to prove the departmental Internal Check System as meaningful, strengthening and effective.

Advance Para No: 21

4.1.14. Loss to Government due to excess / unjustified claim of income tax paid at import stage - Rs. 1.740 million

According to Section 148 (1) of Income Tax Ordinance 2001, the Collector of Customs shall collect advance tax from every importer of goods on the value of the goods at the rate specified in part II of the first schedule.

{(2) Nothing contained in Sub-Section (1) shall apply to any goods or class of goods or person or class of person importing such goods or class of goods as may be specified by the Board.}

Scrutiny of the record of Inland Revenue Office Company Circle Mirpur for the tax year 2012 revealed that two tax payers have claimed the payment of advance tax at import stage in respect of the raw materials imported during the year 2011-12, but after verification of Income Tax record the value of raw materials imported as per Income Tax Return did not agree with the calculated value of raw materials imported due to which less income tax was paid. The omission has resulted a loss of Government Rs. 1,740,018. The detail is as under.

S #	Company	NTN	Value of Raw Materials Imported (As per Income Tax Return)	Tax Deducted	Value of Raw Materials (As per Calculation)	Tax due	Inadmissible Tax adjusted
1	Oriental Synthetic	17513	Nil	137,430	4,581,000	Nil	137,430
2	Pakistan Resins	13174	172,412,485	6,774,963	225,832,100	5,172,374	1,602,588
Total			172,412,485	6,912,393	230,413,100	5,172,374	1,740,018

The matter was brought to the notice of the Department through Audit and Inspection Reports in April & November, 2013 but no reply has yet been received.

The matter was also brought to the notice of the Head of Department through advance paras in October & December 2013, but the department did not convene the DAC meeting.

Audit recommended that the arrear amount of Government dues may be recovered and remitted into Government Treasury under intimation to audit and timely collection of the Government dues be ensured in future by strengthening the Internal Control System of the department.

Advance Para No: 23

**4.1.15. Loss due to non realization of arrears of miscellaneous taxes
Rs. 1.560 million**

According to Paras 06 and 37 of the Financial Code read with Para 26 of the GFR Vol.-I all Government revenues including Income Tax, Sales Tax, Federal Excise, Motor Vehicle Tax, Registration Fees & TQT etc should be collected & deposited into Government Treasury within due time by the concerned department.

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax years 2012 & 2013 revealed that the department did not collect Motor Tax, Income Tax, Education Cess & Kashmir Liberation Cess from the owners of the vehicles. The omission has resulted in a financial loss of Rs. 1,559,862 to the Government Treasury. The detail is given in *Annexure "E"*.

The matter was brought to the notice of the Department through Audit and Inspection Reports in April & November, 2013 but no reply has yet been received.

The matter was also brought to the notice of the Head of Department through advance paras in October & December 2013, but the department did not convene the DAC meeting.

Audit recommended that the amount of Motor Tax, Income Tax, and Education Cess & Kashmir Liberation Cess may be recovered from the concerned and deposited in Government Treasury under intimation to the audit.

Advance Para No: 12 A, 12 B, (AR 2012-13Annexure I)

4.1.16. Loss to Government due to non imposition of penalty and non submission of withholding tax statements Rs. 0.946 million

According to Section 182(2) of the Income Tax Ordinance 2001, any person who, without reasonable excuse, fails to furnish, within time allowed under this ordinance, any statement required under section 165 shall be liable for a penalty of five thousand rupees.

Pursuant to sub Section (2) of Section 165, in addition to the annual statement required to be furnished under sub section (1), a person collecting tax under Division II of this part or chapter XII or deducting tax under Division III of this part or Chapter XII may be required to furnished statements on a monthly, quarterly or six monthly basis as may be prescribed.

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2012 & 2013 revealed that forty three (43) withholding agents did not file withholding statements for the tax year 2012 and the department did not impose the penalty for non filing of withholding statements. The omission resulted a loss of Government Rs.946,000. The detail is given in *Annexure "F"*.

The matter was brought to the notice of the Department through Audit and Inspection Reports in April & November, 2013 but no reply has yet been received.

The matter was also brought to the notice of the Head of Department through advance paras in October & December 2013, but the department did not convene the DAC meeting.

Audit recommended that the amount of penalty may be recovered and remitted into Government Treasury under intimation to audit and timely collection of the Government dues be ensured in future by strengthening the Internal Control System of the department.

Advance Para No: AR 2012-13 (annexure I) , 20 , 06

Annexure “A”

**Loss to Government due to non/less deduction of Government dues
Rs. 1.694 million**

Sr.#	Name of office	AIR Para #	Period of Audit	Nature of observation.	Amount (Rs.)
1	Assistant Director Local Government Jammu Rawalpindi	17	7/2011 to 6/2012	Non deduction of 4% contingent expenditure	250,794
2	Assistant Director Local Government Jammu Rawalpindi	20	7/2011 to 6/2012	Non deduction of Income tax, Sales tax , Tajveed-ul-quran trust fund	13,838
3	Assistant Director Local Government Valley Rawalpindi	15	7/2011 to 6/2012	Non deduction of 4% contingent expenditure	73,861
4	Assistant Director Local Government Muzaffarabad	14	7/2011 to 6/2012	Less deposit Sales Tax, Income Tax , Tajveed-ul- Quran trust fund	313,988
5	Assistant Director Local Government Muzaffarabad	15	7/2011 to 6/2012	Non deposit of private duty charges	37,965
6	Assistant Director Local Government Rawalakot	20	7/2012 to 6/2013	Non deduction of Income tax, Education Cess , Tajveedulquran trust fund	30,875
7	Assistant Director Local Government Muzaffarabad		7/2012 to 6/2013	Non deduction of Income tax, sales tax , Education Cess, Tajveedulquran trust fund	24,080
8	Assistant Director Local Government Muzaffarabad	18	7/2012 to 6/2013	Non deduction of Government duty	19,734
9	Assistant Director Local Government Muzaffarabad	20	7/2012 to 6/2013	Non deduction of Government duty	235,160
10	Assistant director local Government Rawalakot	9,17	7/2011 to 6/2012	Non deduction of Income Tax, Education Cess, General Sales Tax, Tajveed-ul-Quran Trust Fund and Stamp Duty	588,391
11	Assistant director local Government Muzaffarabad	24,27	7/2011 to 6/2012	Non remittance of Government receipts into treasury	33,444
12	Assistant director local Government Bagh	10	7/2011 to 6/2012	Non remittance of Government receipts into treasury	11,958
13	Assistant director local Government Bagh	15	7/2011 to 6/2012	Non deduction of Income Tax, Education Cess, Tajveed-ul-Quran Trust Fund	59,500
				Total	1,693,588

Annexure “B”

**Loss to Government due to non-realization of education cess on
withholding tax Rs. 70.521 million**

S #	Name of Offices	AIR Para #	With Holding Tax Collected	Education Cess O/s (Rs.)
1	IRO Neelum	01	45,289,000	2,264,450
2	IRO Withholding Circle Mzd	01	9,931,946	496,597
3	IRO Bhimber	06	94,516,000	4,725,800
4	IRO Bagh	09,13	8,305,218	415,262
5	IRO Sudhnuti	08	1,138,455	56,923
6	IRO Kotli	04,07	257,215,390	12,860,769
7	IRO Dadyal	04,07,	354,200,204	17,710,010
8	IRO Chaksawari	04,06	89,946,174	4,497,307
9	IRO Salary Circle Mirpur	05	37,015,144	1,850,757
10	IRO Professional Circle Mirpur	05	8,972,235	445,125
11	IRO Company Circle Mirpur	05	479,268,759	23,963,438
12	IRO Professional Circle Mzd	03	4,546,020	227,301
13	IRO Business Circle Mzd	08	12,366,978	609,227
14	IRO Business Circle Mirpur	04	7,960,930	398,047
Total			1,410,672,453	70,521,013

Annexure “C”

**Non realization of penalty for late/non filing of income tax returns
Rs.3.337 million**

S #	Name of Office	AIR Para #	No. of Returns Late Filing	No. of Returns Non Filing	Penalty to be Recovered (Rs.)
1	IRO Salary Circle Muzaffarabad	4, 5	13	12	113,500
2	IRO Salary Circle Mirpur	8, 9	24	20	220,000
3	IRO Professional Circle Mirpur	10, 12	19	25	220,000
4	IRO Company Circle Mirpur	11, 12	09	17	130,000
5	IRO Business Circle Mirpur	8, 9	15	15	150,000
6	IRO Professional Circle Mzd	6, 8	12	52	320,000
7	IRO Bhimber	4, 5	07	18	125,000
8	IRO Neelum	2, 3	04	01	9,000
9	IRO Business Circle Muzaffarabad	10, 11	34	37	355,000
10	IRO Bagh	4, 3	17	33	250,000
11	IRO Sudhnuti	3, 2	11	22	165,000
12	IRO Rawalakot	4, 3	57	47	520,000
13	IRO Kotli	3, 1	01	43	217,298

14	IRO Dadyal	2, 1	06	55	305,000
15	IRO Chaksawari	11, 01	08	40	237,500
Total			237	437	3,337,298

Annexure “D”

Loss due to less / non-realization of income tax for Rs.3.386 million

S #	Name office	AIR Para #	No. of Taxpayer	Tax Due	Tax Paid	Amount Recoverable (Rs.)
1	IRO Bhimber	2	12	635,749	558,148	77,601
2	Salary Circle Mzd	6, 8	41	981,297	353,425	627,872
3	Salary Circle Mirpur	10, 2	25	862,052	691,938	170,114
4	IRO Neelum	4	11	96,453	49,031	47,422
5	IRO Prof.Circle Mirpur	2	02	41,483	7,221	34,262
6	IRO Bagh	05,01	24	621,553	552,316	69,237
7	IRO Sudhnuti	04	14	381,334	102,124	279,210
8	IRO Rawalakot	05,01	20	804,432	683,891	120,541
9	IRO Kotli	08	04	98,841	70,793	28,048
10	IRO Dadyal	06,	03	75,425	63,014	12,411
11	IRO Chaksawari	08,09,10	18	2,508,504	860,772	1,647,732
12	IRO Prof.Circle Mzd	AR 2012-13(annexure I)		271,852	0	271,852
Total			174	7,378,975	3,992,673	3,386,302

Annexure “E”**Loss due to non-realization of arrears of miscellaneous taxes Rs. 1.560 million**

S #	Name office	AIR Para #	Motor Tax	Education Cess	Income Tax	Kash mir Liberation Cess	Amount (Rs.)
1	IRO Bagh	08	41,557	5,302	0	0	46,859
2	IRO Sudhnuti	09	100,292	0	0	0	100,292
3	IRO Rawalakot	09	67,908	0	0	0	67,908
4	IRO Kotli	10	43,486	12,320	225,448	668	281,922
5	IRO Provincial Taxes Mzd.	01	95,271	0	0	0	95,271
6	IRO Provincial Taxes Mirpur	19	289,072	9,732	195,046	0	493,850
7	IRO Bhimber	14	27,620	1,523	22,384	0	51,527
8	IRO Neelum	05	4,224	212	0	200	4,636
9	IRO Bhimber	10(AR 2012-13Annexure I)	5606	355	3575	276	9,812
10	IRO Kotli	08(AR 2012-13Annexure I)	65762	10340	171685	976	248763
11	IRO Sudhnuti	10(AR 2012-13Annexure I)	44340	2558	18660	1258	66,816
12	IRO Rawalakot	09(AR 2012-13Annexure I)	92206	0	0	0	92206
Total			877,344	42,342	636,798	3378	1,559,862

Annexure “F”**Loss to Government due to non imposition of penalty and non submission of withholding tax statements Rs. 0.946 million**

S #	Name office	AIR Para #	NO. of withholding agents	Amount (Rs.)
1	IRO Rawalakot	05	AR 2012-13(annexure I)	285,000
2	IRO Bhimber	12	AR 2012-13(annexure I)	25,000
3	IRO Bagh	07	AR 2012-13(annexure I)	140,000

4	IRO Palandari	09	AR 2012-13(annexure I)	85,000
5	IRO Company Circle Mirpur	12	AR 2012-13(annexure I)	116,000
6	IRO Prof. Circle Mirpur	13	10	50,000
7	IRO Bagh	06	8	40,000
8	IRO Sudhnoti	05	7	35,000
9	IRO Rawalakot	05	18	170,000
Total			43	946,000

Memorandum for Departmental Accounts Committee

Sr.#	Name of offices	Para No. AIR	Period of Audit	Nature	Amount
1.	AJ&K Council Secretariat Islamabad	39	7/2012 to 6/2013	Excess drawl of POL charges than the actual amount	64,485
2.	AJ&K Council Secretariat Islamabad	10	7/2011 to 6/2012	Loss due to theft of RCC Columns	100,000
3.	Business circle Mirpur	9	7/2007 to 6/2012	Non Production Of Record	197,911
4.	Inland revenue officer Bhimber	3,9	7/2004 to 6/2012	Non Production Of Record	308,018
5.	Inland revenue officer Chakswari	3	7/2007 to 6/2012	Non Production Of Record	308,027
6.	Salary circle Mirpur	04	7/07 to 6/12	Irregular Payment of conveyance allowance having the facility of Government vehicle	32,240
7.	Professional Circle Muzaffarabad.	09	Inception to 6/12	Irregular Payment of conveyance allowance having the facility of Government vehicle	155,145
8.	Professional Circle Muzaffarabad.	05	7/07 to 6/12	Irregular payment of conveyance allowance during leave	25,018
9.	Income tax officer Neelum	03	7/07 to 6/10	Irregular Payment of conveyance allowance having the facility of Government vehicle	29,760
10.	Salary Circle Muzaffarabad	04	7/2011 to 6/12	Irregular Payment of conveyance allowance having the facility of Government vehicle	29,670
11.	Business Circle I Muzaffarabad	02	7/08 to 6/12	Irregular Payment of conveyance allowance having the facility of Government vehicle	119,040
12.	Business Circle I Muzaffarabad	03	7/08 to 6/12	Irregular payment of conveyance allowance during leave	23,138
13.	Professional Circle Mirpur	03	Inception to 6/12	Irregular Payment of conveyance allowance having the facility of Government	117,520

				vehicle	
14.	Business Circle Mirpur	02	7/07 to 6/12	Irregular Payment of conveyance allowance having the facility of Government vehicle	60,760
15.	Company Circle Mirpur	02	7/07 to 6/12	Irregular Payment of conveyance allowance having the facility of Government vehicle	112,260
16.	Girls Vocational Centre Abbottabad	02	7/10 to 6/12	Irregular Payment of conveyance allowance having the facility of Government vehicle	29,760
17.	Girls Vocational Centre Abbottabad	3,4	7/10 to 6/12	Irregular payment of conveyance allowance during leave	9,681
18.	Girls Vocational Centre Rawalpindi	02	7/10 to 6/12	Irregular Payment of conveyance allowance having the facility of Government vehicle	89,280
19.	Girls Vocational Centre Muzaffarabad	03	7/10 to 6/12	Irregular Payment of conveyance allowance having the facility of Government vehicle	59,520
20.	Girls Vocational Centre Bhimber	08	7/10 to 6/12	Irregular Payment of conveyance allowance having the facility of Government vehicle	29,760
21.	Girls Vocational Centre Pallandari	03	7/10 to 6/12	Irregular Payment of conveyance allowance having the facility of Government vehicle	29,760
22.	Girls Vocational Centre Rathian Jhelum	02	7/10 to 6/12	Irregular Payment of conveyance allowance having the facility of Government vehicle	29,760
23.	Girls Vocational Centre Rathian Jhelum	3,8	7/10 to 6/12	Irregular payment of conveyance allowance during leave and due to residing in office premises	117,603
24.	Girls Vocational Centre Rathian Jhelum	07	7/09 to 6/12	Irregular Payments of House Rent Allowance having the facility of Government accommodation	394,728
25.	Girls Vocational Centre Abbottabad	08	7/10 to 6/12	Irregular Payments of House Rent Allowance having the facility of Government accommodation	56,201
26.	Girls Vocational Centre Abbottabad	09	7/10 to 6/12	Irregular payment of Conveyance Allowance residing in the office premises	13,800
				Total	2,542,845

Revenue

S #	Name of Office	Para No. AIR	Period of Audit	Nature	No. of tax Payers	Amount
1	IRO Salary Circle Muzaffarabad	02	7/2011 to 6/2012	Non realization of penalty for non submission of wealth/ reconciliation statements	08	40,000
2	IRO Salary Circle Mirpur	07	7/2011 to 6/2012	Non realization of penalty for non submission of wealth/ reconciliation statements	13	65,000
3	IRO Professional Circle Mirpur	11	7/2011 to 6/2012	Non realization of penalty for non submission of wealth/ reconciliation statements	10	50,000
4	IRO Professional Circle Muzaffarabad	07	7/2011 to 6/2012	Non realization of penalty for non submission of wealth/ reconciliation statements	25	125,000
5	IRO Bhimber	01	7/2011 to 6/2012	Non realization of penalty for non submission of wealth/ reconciliation statements	03	15,000
6	IRO Bagh	02	7/2011 to 6/2012	Non realization of penalty for non submission of wealth/ reconciliation statements	02	10,000
7	IRO Sudhnuti	01	7/2011 to 6/2012	Non realization of penalty for non submission of wealth/ reconciliation statements	01	5,000
8	IRO Rawalakot	02	7/2011 to 6/2012	Non realization of penalty for non submission of wealth/ reconciliation statements	05	25,000
9	IRO Kotli	02	7/2011 to 6/2012	Non realization of penalty for non submission of wealth/ reconciliation statements	12	60,000
10	IRO Dadyal	03	7/2011 to 6/2012	Non realization of penalty for non submission of wealth/ reconciliation statements	09	45,000
11	IRO Chaksawari	03	7/2011 to 6/2012	Non realization of penalty for non submission of wealth/ reconciliation statements	03	15,000
12	IRO Salary Circle Mirpur	11	7/2011 to 6/2012	Loss of Government due to late transfer of tax money into Government		1,541

				account		
13	IRO Professional Circle Mirpur	15	7/2011 to 6/2012	Loss of Government due to late transfer of tax money into Government account		176,021
14	IRO Company Circle Mirpur	13	7/2011 to 6/2012	Loss of Government due to late transfer of tax money into Government account		30,883
15	IRO Business Circle Mirpur	10	7/2011 to 6/2012	Loss of Government due to late transfer of tax money into Government account		37,651
16	IRO Bhimber	10	7/2011 to 6/2012	Loss of Government due to late transfer of tax money into Government account		53,093
17	IRO Neelum	08	7/2011 to 6/2012	Loss of Government due to late transfer of tax money into Government account		17,556
18	IRO Rawalakot	06	7/2011 to 6/2012	Loss of Government due to late transfer of tax money into Government account		36,364
19	IRO Kotli	09	7/2011 to 6/2012	Loss of Government due to late transfer of tax money into Government account		178,314
20	IRO Chaksawari	05	7/2011 to 6/2012	Loss of Government due to late transfer of tax money into Government account		58,699
21	IRO Provincial Taxes Mirpur	13	7/2011 to 6/2013	Less payment of Excise Duties		36,055,805
					Total	37,100,927

Non realization of professional tax

S #	Name office	AIR Para #		Amount (Rs.)
1	IRO Professional Circle Muzaffarabad	8	Non realization of professional tax	320,100
2	IRO Bhimber	13	Non realization of professional tax	20,300
3	IRO Bhimber	8	Non realization of professional tax	18,600
4	IRO Professional Circle MZD	9	Non realization of professional tax	45,300
Total				404,300

Inadmissible tax rebate

S #	Name	AIR Para No	No. of Taxpayer	Tax Due	Tax Paid after deduction of 75% (Rs.)	Amount of Income Tax Rebate
1	Salary Circle Mzd	9	16	33,626	8,127	25,499
2	Salary Circle Mirpur	3	01	307,716	76,214	231,502
Total			17	341,342	84,341	257,001

Loss of Government due to unjustified expenditure

Sr.#	AIR Para	No. of Taxpayer	G.P as per return	Add. Un justified expenditure	Gross profit	Income Tax Due	Tax Assessed / Paid	Edu. Cess	Amount to be recovered
1	9	1	518,970	450,000	968,970	120,525	26,513	6,026	100,038
Total		1	518,970	450,000	968,970	120,525	26,513	6,026	100,038

Loss of Government due to incorrect application of tax rate / incorrect calculation of profit and loss account

Sr. #	Formation	AIR Para	Tax Due	Tax Paid / Charged	E.Cess Due	P. Tax Due	Outstanding
1	Salary Circle Mzd	07	266,718	237,491	0	0	29,227
2	Salary Circle Mirpur	01	1,444,462	1,357,141	0	0	87,321
3	Prof. Circle Mirpur	2, 3	101,328	59,468	0	0	41,860
4	Company Circle Mirpur	08	96,883	60,156	0	0	36,727
5	Business Circle Mzd	1, 2	558,500	28,500	26,463	100	556,563
6	IRO Bhimber	03	232,857	0	0	0	232,857
Total			2,700,748	1,742,7568	26,463	100	984,555

Loss of Government due to inadmissible / wrong tax credit

Sr.#	Formation	AIR Para	No of Tax Payers	Tax Due	Tax Assessed / Paid	Difference
1	Prof. Circle Mirpur	7, 8	03	622,130	339,309	282,821
2	Business Circle Mirpur	6	01	34,017	16,745	17,272
Total			4	656,147	356,054	300,093

Loss due to less / non realization of minimum income tax

S #	Name office	AIR Para #	Amount (Rs.)
01	IRO Chaksawari	07	242,724

Non deposit of advance income tax

S #	Name of office	AIR Para #	Amount (Rs.)
1	IRO Provincial Taxes Mzd.	08	76,500
2	IRO Provincial Taxes Mirpur	14	55,500
Total			132,000

Loss to Government due to non furnishing of profit and loss statements in Income Tax returns Rs.61.863 million

Sr.#	Formation	AIR Para	No of Taxpayers	Amount
1	Prof. Circle Mzd	04	09	1,483,207
2	Business Circle Mirpur	07	03	6,082,339
3	Business Circle Mzd	09	18	40,141,084
4	Company Circle Mirpur	10	02	14,156,548
Total			32	61,863,178

Non realization of penalty for late registration of vehicles Rs. 0.077 million

S #	Name office	AIR Para #	Amount (Rs.)
1	IRO Rawalakot	13	7,000
2	IRO Palandari	11	23,000
3	IRO Neelum	07	1,200
4	IRO Sudhnuti	12	30,125
5	IRO Provincial Taxes Mzd.	06	7,500
6	IRO Provincial Taxes Mirpur	17	7,700
Total			76,525