



**AUDIT REPORT
ON
THE ACCOUNTS OF
FEDERAL BOARD OF REVENUE
(CUSTOMS)
AND
ISLAMABAD CAPITAL TERRITORY
(RECEIPTS)
AUDIT YEAR 2012-2013**

AUDITOR-GENERAL OF PAKISTAN

TABLE OF CONTENTS

	Page
ABBREVIATIONS & ACRONYMS	i
PREFACE	iii
EXECUTIVE SUMMARY	v
SUMMARY TABLES & CHARTS	
I <i>Audit Work Statistics</i>	xi
II <i>Audit Observations classified by categories</i>	xi
III <i>Outcome Statistics</i>	xii
IV <i>Irregularities Pointed Out</i>	xii
V <i>Cost-Benefit</i>	xiii
CHAPTER 1 <i>Public Financial Management Issues</i>	1
1.1 <i>Audit Paras</i>	1
CHAPTER 2 FEDERAL BOARD OF REVENUE	7
2.1 <i>Introduction</i>	7
2.2 <i>Comments on Budget & Accounts</i>	7
2.3 <i>Brief Comments on the Status of Compliance with PAC Directives</i>	9
2.4 AUDIT PARAS	10
<i>Fraud and Misappropriation</i>	10
<i>Non Production of Record</i>	11
<i>Systemic Issues</i>	12
<i>Irregularity & non compliance</i>	14
<i>Internal Control Weaknesses</i>	58
<i>Performance:</i>	
2.5 <i>Auction of Goods</i>	60
2.6 <i>Duty and Taxes Remission for Export</i>	67
2.7 <i>Benefits of Duty Free Import to Export Oriented Units</i>	80
2.8 <i>Adjudication & Recovery</i>	90
CHAPTER-3 MINISTRY OF INTERIOR (ICT)	99
3.1 <i>Introduction</i>	99
3.2 <i>Comments on Budget & Accounts</i>	99
3.3 AUDIT PARAS	101
<i>Irregularity & non compliance</i>	101
<i>Internal Control Weaknesses</i>	102
Annexure-1 MFDAC	105
Annexure-2 Audit Impact Summary	132
Annexure-3 to 31 Audit Paras	133-168

ABBREVIATIONS & ACRONYMS

AR	:	Audit Report
AGPR	:	Accountant General Pakistan Revenue
AIR	:	Audit Inspection Report
APPM	:	Accounting Policies and Procedures Manual
BCA	:	Bank Credit Advice
CAATs	:	Computer Assisted Auditing Techniques
CD	:	Customs Duty
CGO	:	Customs General Order
CIF	:	Cost Insurance and Freight
Cus	:	Customs
DAC	:	Departmental Accounts Committee
DFSL	:	Duty Free Shop Limited
DLSC	:	Defence Logistic Support Centre
DP	:	Draft Para
DR&S	:	Directorate of Research and Statistics
DTRE	:	Duty and Taxes Remission for Exports
EDB	:	Engineering Development Board
EDS	:	Export Development Surcharge
EOL	:	Extra Ordinary Leave
EXP	:	Expenditure
FAM	:	Financial Audit Manual
FBR	:	Federal Board of Revenue
FED	:	Federal Excise Duty
FTA	:	Free Trade Agreement
GD	:	Goods Declaration
GPO	:	General Post Office
HS	:	Harmonized System
I&I	:	Intelligence and Investigation
ICT	:	Islamabad Capital Territory
IGM	:	Import General Manifest
IOCO	:	Input Output Co-efficient Organization
ISAF	:	International Security Assistance Force
LTU	:	Large Taxpayers Unit
MCC	:	Model Customs Collectorate
MFDAC	:	Memorandum for Departmental Accounts Committee
MR	:	Management Report
NAM	:	New Accounting Model
NBP	:	National Bank of Pakistan
NOC	:	No Objection Certificate

NTN	:	National Tax Number
OGDCL	:	Oil and Gas Development Company Limited
OIO	:	Order in Original
OMC	:	Oil Marketing Company
PDC	:	Post Dated Cheque
PAC	:	Public Accounts Committee
PaCCS	:	Pakistan Customs Computerized System
PAO	:	Principal Accounting Officer
PARCO	:	Pak Arab Refinery Company
PCA	:	Post Clearance Audit
PCT	:	Pakistan Customs Tariff
PDL	:	Petroleum Development Levy
PMBQ	:	Port Muhammad Bin Qasim
POL	:	Petroleum Oil Lubricants
PRAL	:	Pakistan Revenue Automation Limited
PSO	:	Pakistan State Oil
RTO	:	Regional Tax Office
SBP	:	State Bank of Pakistan
SED	:	Special Excise Duty
SRO	:	Statutory Regulatory Order
ST	:	Sales Tax
SWH	:	State Warehouse
UNICEF	:	United Nations International Children's Emergency Fund
WHT	:	Withholding Tax

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 and Terms and Conditions of Service) Ordinance 2001, require the Auditor-General of Pakistan to conduct audit of expenditure and receipts of Government of Pakistan.

The report is based on compliance with authority audit of revenue receipts and expenditure of Federal Board of Revenue (Customs) and receipts of Islamabad Capital Territory for the financial year 2011-12. The report also includes observations relating to previous years as well. The Directorate General of Audit Customs & Petroleum conducted audit during the period from July to Nov, 2012 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 carrying 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 observations 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 regularity framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities.

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

The Audit Report is submitted to the President in pursuance of the 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].

Dated: 05 March 2013

(Muhammad Akhtar Buland Rana)
Auditor-General of Pakistan

EXECUTIVE SUMMARY

The Directorate General of Audit Customs & Petroleum is responsible for audit of revenue receipts and expenditure of Federal Board of Revenue (Customs) and receipts of Islamabad Capital Territory. Audit of 153 out of 209 formations was conducted by utilizing 17,092 man-days, incurring expenditure of Rs 64.74 million.

a. Scope of Audit

Target of customs duty for the financial year 2011-12 was Rs 215.00 billion against which actual collection was Rs 216.92 billion, reflecting excess receipts of Rs1.92 billion (0.89%). Customs duty was collected through FBR's field offices consisting of 15 MCCs and other sister offices. Expenditure of FBR on Customs Wing during the year was Rs 4.53 billion.

Target of other indirect taxes in Islamabad Capital Territory (ICT) for the financial year 2011-12 was Rs 1.81 billion against which actual collection was Rs 1.76 billion, reflecting short receipts of Rs 0.05 billion (2.88%). These receipts were collected through ICT's six field offices.

The Directorate General of Audit Customs & Petroleum conducted audit of above receipts and expenditure on test check basis in accordance with audit methodology as envisaged in Financial Audit Manual.

b. Recoveries at the instance of Audit

Recovery of Rs 41,806 million was pointed out by Audit in this report. Out of this, recovery of Rs 22,136 million was not in the notice of tax collecting authorities. FBR and ICT affected recovery of Rs 331 million out of which a recovery of Rs 239 million affected at the instance of Audit during 16th Jan, 2012 to 15th Jan, 2013.

c. Audit Methodology

Audit activity started with detailed planning, development of audit programmes, establishing resource requirements and timing. The planned activities were

executed as per audit programmes and results thereof were evaluated at appropriate levels before issuance to auditee organizations. High value and high risk items were selected on professional judgement basis for substantive testing. Audit was conducted by applying CAATs.

d. Audit Impact

FBR has retrospectively amended the rule 220(e) of the Customs Rules 2001, vide SRO (I)/2012 dated 20.12.2012 to allow duty drawback on export made to Afghanistan pointed out by Audit in DP No. 231-Cus of AR 2010-11. FBR has also introduced the policy in 2012 for allocation of rooms in its rest houses.

Further, matters such as issuance of SRO in violation of import policy order, zero rating of finished goods imported by commercial importers under SRO 283(I)/2011, non-inclusion of petroleum levy in value of supply for sales tax purpose, concession of duties on goods imported under SRO 659(I)/2007 from Hong Kong, use of luxury vehicles by the department, etc. were referred to FBR for policy guidelines and clarifications.

e. Comments on Internal Controls and Internal Audit Department

Internal controls of the department were found weak and ineffective as various control lapses were identified during audit. There was poor monitoring of collection of customs duty and related taxes, weak reconciliation mechanism, inadequate coverage of internal audit and non conduct of physical verification of inventories and assets. The report witnesses that internal control system is deteriorating day by day as alteration of the invoice, packing list and goods declaration, releasing of imported goods without realizing the assessed revenue and feeding of lesser rates of customs duty in the PRAL. It was extreme failure of controls. Further, retention of sale proceeds of auction in current account of the Collector showed that the management itself was defeating the controls as well.

Internal Audit is an appraisal activity established within the department as a service to the entity. Its functions include, amongst other things, examining, evaluating and monitoring the adequacy and effectiveness. Internal audit is an integral part of internal controls, sound financial management, and accountability structure.

Statutory audit placed a requisition for provision of internal audit reports for the last three years of the Directorate General to evaluate the performance of internal audit and its productivity to FBR. The Internal Audit did not respond to the requisition and during discussion it was informed that the reports were yet to be compiled. Thus, Audit could not evaluate the performance of the internal audit organization.

Audit emphasizes proper implementation of financial reporting mechanism and enforcement of laws and regulations in letter and spirit for improving the internal controls and internal audit of the department.

f. The Key Audit Findings of the Report

FBR

- i) Loss of revenue due to alteration of import record/PRAL data for Rs 1.29 million¹
- ii) Non-production of record by nine offices ²
- iii) Use of government property in violation of constitution and rules³
- iv) Loss of revenue of millions of rupees due to under invoicing⁴
- v) Non-realization of revenue due to inadmissible exemptions and concessions of SROs for Rs 2,272.61 million⁵
- vi) Blockage of revenue for Rs 4,264.61 million⁶
- vii) Short-assessment of revenue due to non-inclusion of petroleum levy in import value for sales tax purpose for Rs 731.26 million⁷
- viii) Short realization of revenue due to misclassification of imported goods for Rs 408.80 million⁸
- ix) Short-realization of revenue due to under valuation of imported goods for Rs 356.77 million⁹
- x) Non-realization of withholding tax for Rs 1,511.98 million¹⁰
- xi) Loss of revenue due to un-lawful permission to avail facility of two manufacturing licenses for Rs 277.93 million¹¹
- xii) Non-recovery of adjudged government dues for Rs 2,351.56 million¹²
- xiii) Loss of revenue due to non-finalization of provisional assessment for Rs 152.45 million¹³
- xiv) Non authentication of receipt of POL products from ISAF and DLSC for Rs 3,818.01 million¹⁴

- xv) Non-realization of revenue from licensees not having valid analysis certificates for Rs 310.41 million¹⁵
- xvi) Non-conduct of post-exportation audit for Rs 969.34 million¹⁶
- xvii) Procedural and financial irregularities were observed during audit of focused areas i.e. Auction of goods, DTRE, Benefit of Duty Free Import to Export Oriented Units and Adjudication and recovery for Rs 22,075 million¹⁷

ICT

- i) Blockage of revenue due to non-finalization of mutation cases for Rs 4.67 million¹⁸

g. Recommendations

FBR should;

- i) take action to prevent alteration of import record/PRAL data
- ii) take appropriate measures to ensure production of auditable record
- iii) issue policy guidelines and rules for use of confiscated vehicles

¹ Para	2.4.1
² Para	2.4.2
³ Para	2.4.3
⁴ Para	2.4.4
⁵ Para	2.4.5
⁶ Para	2.4.6, 2.4.10, 2.4.16, 2.4.19, 2.4.25 & 2.4.26
⁷ Para	2.4.7
⁸ Para	2.4.8
⁹ Para	2.4.9
¹⁰ Para	2.4.11 & 2.4.12
¹¹ Para	2.4.13
¹² Para	2.4.15
¹³ Para	2.4.22
¹⁴ Para	2.4.37
¹⁵ Para	2.4.50
¹⁶ Para	2.4.56
¹⁷ Para	2.5.1 - 2.5.7, 2.6.1 - 2.6.14, 2.7.1 - 2.7.15, 2.8.1 - 2.8.11
¹⁸ Para	3.3.1

- iv) take appropriate measures to stop misuse of law by the importers
- v) ensure that exemptions and concessions were granted according to rules
- vi) issue instructions for timely disposal of confiscated goods/vehicles and other cases causing blockage of revenue
- vii) take action to remove ambiguities in various laws and rules
- viii) ensure classification of goods according to law
- ix) ask the field offices to assess the value as per section 25 of the Act and valuation rulings issued by the DG; Valuation, Karachi
- x) devise a uniform mechanism to ensure collection/deduction of WHT on exports
- xi) direct the field offices to comply with rules to avoid usage of two licences by one unit
- xii) ensure compliance of recovery rules
- xiii) advise the field offices to finalize the provisional assessment to recover the revenue
- xiv) ensure timely submission of reconciliation statements by DTRE users
- xv) instruct the field offices for timely renewal of licenses and analysis certificates
- xvi) issue instructions to the field offices to conduct post-exportation audit

ICT should

- i) develop mechanism for early finalization of mutation cases

SUMMARY TABLES

Table 1: Audit Work Statistics

(Rs in million)

Sr. No	Description	No.	Budget	
			Receipts ¹	Expenditure ²
1	Total Entities (Ministries/PAOs) in Audit Jurisdiction	2	218,671	4,532
2	Total formations in audit jurisdiction	209	218,671	4,532
3	Total Entities(Ministries/PAOs) Audited	2	218,671	4,532
4	Total Formations Audited	153	195,513	4,150
5	Audit & Inspection Reports	153	-	-
6	Performance Audit Reports	-	-	-

1. Customs receipts Rs 216,916 million

ICT receipts Rs 1,755 million

2. Expenditure relates to Customs only

Table 2: Audit Observations Regarding Financial Management

(Rs in million)

S.No	Description	Amount Placed under Audit Observations
1	Unsound Asset Management	1,108
2	Weak Financial Management	40,698
3	Weak Internal Controls Relating to Financial Management	-
4	Others	-
Total		*41,806

*This figure includes an amount of Rs 1,451 million being contested by the department

Table 3: Outcome Statistics*(Rs in million)*

Sr. No	Description	Receipts	Expenditure	Total current year	Total last year
1	Outlays Audited	195,513	4,150	199,663	152,006
2	Amount Placed under Audit Observations/Irregularities of Audit	41,662	144	41,806	41,471
3	Recoveries Pointed out by Audit	30,099	18	30,117	39,921
4	Recoveries Accepted/Established at the instance of Audit	20,667	18	20,685	26,331
5	Recoveries Realized at the instance of Audit	330	1	*331	247

* The amount also includes a recovery of Rs 239 million affected at the instance of audit which was verified from 16th January, 2012 to 15th January, 2013.

Table 4: Table of Irregularities Pointed Out*(Rs in million)*

Sr. No	Description	Amount Placed under Audit Observation
1	Violation of rules and regulations and violation of principles of propriety and probity in public operations.	21,094
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	1
3	Accounting Errors (accounting policy departure from NAM ¹ , 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	Weaknesses of internal control systems.	26
5	Recoveries and overpayments, representing cases of established overpayment or misappropriations of public monies.	20,685
6	Non-production of record.	Nine offices
7	Others, including cases of accidents, negligence etc.	-

¹The Accounting Policies and Procedures prescribed by the Auditor- General of Pakistan which are IPSAS (Cash) compliant.

Table 5: Cost Benefit

(Rs in million)

SR. No.	Description	Amount
1	Outlays Audited (Items 1 of Table 3)	199,663
2	Expenditure on Audit	64
3	Recoveries realized at the instance of Audit	331*
Cost-Benefit Ratio		1 : 5

* *Figures are up to 15.01.2013*

CHAPTER-1 PUBLIC FINANCIAL MANAGEMENT ISSUES [AGPR and FBR]

Audit Paras

Significant paras pointed out during audit of customs revenue and expenditure for the year 2011-12 are as under:

1.1 Federal Board of Revenue (Customs)

1.1.1 Need to open new detailed head of account for customs refund and rebate under major head B-020 and B-021

Risk Categorisation: High

Criteria

According to NAM, customs receipts are booked under the head B-020 and B-021, whereas, refunds & rebates being deduct receipts are booked under the head B02204-Customs Surcharge.

Observation

The refund & rebate of customs was booked under the head B02204-Customs Surcharge which was not appropriate. It is pertinent to mention that refunds of Income Tax (B-011), Sales Tax (B-023) and Federal Excise (B-024) were booked under Refund of Income Tax (B-01189), Refund of Sales Tax (B-02368) and Refund of Federal Excise (B-02490) respectively. On the same analogy, refund & rebate of customs were required to be booked under a separate detailed head under the heads B-020 and B-021.

Implication

In the absence of separate head of account for refund of custom duty, the figures of receipts were inflated and lead to unfair presentation of financial statements. Separate head of account is needed for segregation of receipts and deduct receipts.

Management Reply

The matter was discussed with AGPR in a meeting held on 5th Dec, 2012. AGPR agreed with the recommendations of Audit. A representative of CGA

office also participated in this meeting and noted the recommendations. It was decided that the matter be taken up at a high level in a meeting comprising CGA, AGPR, FBR and Audit Department.

DAC's Recommendations

DAC meeting was not convened till finalization of the report.

Audit Comments

Audit emphasizes creation of a new detail head of account for refund & rebate under the head B-020 and B-021-Customs.

[Para No.6 of MR-CGA]

1.1.2 Overstatement of revenue due to non disposal of duty drawback cases for Rs 1,016.61 million

Risk Categorisation: High

Criteria

According to rule 222 of the Custom Rules 2001, exporters falling under gold category are allowed duty drawback within seventy two hours of receipts of complete requisite documents, while exporters falling under silver category are allowed duty drawback within fifteen days.

Further, according to para 51 (vii) of the Chapter-13 of the CGO 12 dated 15.06.2002, all duty drawback claims found in order are paid serially to ensure that no claim is left out without proper justification, a register for recording the dates of receipt and disposal of claims shall be maintained by the Section. The Collector shall personally check the register fortnightly. In case of any deviation the rebate section concerned must indicate the reasons thereof.

Observation

MCCs Faisalabad and Sialkot did not process rebate cases within the prescribed period of time which resulted in non processing of rebate cases for Rs 1,016.61 million. The delay was ranging from one month to thirty six months.

Implication

The financial statements did not present the factual position as the same were overstated by the amount involved in the pending cases.

Management Reply

The department did not furnish reply till finalization of the report.

DAC's Recommendations

DAC meeting was not convened till finalization of the report.

Audit Comments

Audit emphasizes that duty drawback cases be processed according to law.

[Para No.23 of MR-FBR]

[DP No.178-Reb]

1.1.3 Unauthorized/excess expenditure over and above the budgetary allocation for Rs 446.76 million

Risk Categorisation: High

Criteria

According to paras 12, 88 & 106 of the General Financial Rules read with paras 4 (iv) and 5 (b) of the System of Financial Control and Budgeting 2006, the actual expenditure should not exceed the budgetary allocation.

Observation

Customs Wing of FBR incurred expenditure of Rs 4,532.06 million against final grant of Rs 4,085.29 million which resulted in excess expenditure of Rs 446.77 million (11%) over and above the budgetary allocation.

Implication

Customs Wing forecasted the expenditure poorly and did not expend the funds objectively.

Management Reply

The department did not furnish reply till finalization of the report.

DAC's Recommendations

DAC meeting was not convened till finalization of the report.

Audit Comments

Budget being the most important instrument of financial control be prepared meticulously and instructions thereon be complied with to avoid such lapses in future.

[Para No.1 of ML]

1.1.4 Wrong consolidation of figures of customs receipts by DR&S, FBR for the purpose of reconciliation with AGPR Islamabad, at macro level for Rs 17,914.40 million

Risk Categorisation: High

Criteria

According to para 5 (d) of System of Financial Control and Budgeting 2006, each Principal Accounting Officer is required to make sure that the accounts of receipts are maintained properly and reconciled on monthly basis.

Observation

The consolidated figures of revenue collection presented by the Directorate of Research and Statistics at the time of reconciliation with the AGPR Islamabad, at macro level, were at lower side by Rs 17,914.40 million, as tabulated below;

(Rs in million)

Head of Account	Figures taken by DR&S	Actual Figures in Reconciliation Statements *	Variation Excess taken/ (Less taken)
B020-B022 Customs (Exc. EDS)	150,361.10	168,275.50	(17,914.40)

* Figures from reconciliation statements of MCCs Islamabad, Hyderabad, Quetta and Peshawar.

Implication

The counter checking system placed by FBR in the shape of DR&S was not working effectively as it failed to carry out a meaningful reconciliation at macro level. The figures of receipts booked by AGPR were adopted to finalize the reconciliation instead of presenting the departmental figures based on initial accounts and source documents.

Management Reply

The department stated that the issues will be examined on case to case basis (treasury-wise) and would be rectified in reconciliation of June (Final), 2012.

DAC's Recommendations

DAC meeting was not convened till finalization of the report.

Audit Comments

Audit emphasizes stopping of practice of adopting AGPR's figures, besides, justification for variation.

[Para No.2 of MR-FBR]

CHAPTER 2 FEDERAL BOARD OF REVENUE

2.1 Introduction

The Central Board of Revenue (CBR) was created on April 01, 1924 through the CBR Act, 1924. CBR was renamed as Federal Board of Revenue (FBR) in July, 2007. Revenue Division was created for effective formulation and implementation of fiscal policy measures. The Chairman FBR/Secretary Revenue Division is assisted by two main Operational Members i.e. Member Customs and Member Inland Revenue, with other assisting members/Directors General and is responsible for:

- Formulation and administration of fiscal policies,
- Levy and collection of federal taxes and
- Quasi-judicial function of hearing of appeals.

Pakistan Customs is the guardian of Pakistan borders against movement of contraband goods and is facilitator of bona-fide trade. It provides a major source of revenue to the Government of Pakistan in the form of duties and taxes levied on the goods traded across the borders. It also helps to protect the domestic industry, discourage consumption of luxury goods and stimulate development in the under-developed areas. The Member Customs has the support of three Chief Collectors (North, South and Central) and fifteen Model Customs Collectorates besides organization of Collectorates of Adjudication and Appeals and Directorates General of Intelligence & Investigation, Internal Audit, Post Clearance Audit, Valuation and Training & Research.

2.2 Comments on Budget and Accounts

This chapter deals with customs duty collected by the Customs department of FBR and expenditure thereof.

2.2.1 Revenue Collection vs Targets

FBR was assigned a revenue target for customs duty of Rs 206.40 billion during FY 2011-12. Subsequently, the revenue targets were revised to

Rs 215.00 billion. FBR, however, collected customs duty of Rs 216.92 billion during the financial year, which was 0.89 % above the revised target as follows:

(Rs in billion)

Tax Head	Original Target	Revised Target	Collection 2011-12	Difference from Revised Target	
				Absolute (4-3)	Percent
1	2	3	4	5	6
Customs Duty	206.40	215.00	216.92	1.92	0.89

Source: Federal Budget & Financial Statements of Federal Government, 2012-13

2.2.2 Variance analysis of Revenue Collection in FY 2011-12 and FY 2010-11

A comparison of net collection in FY 2011-12 vs FY 2010-11 is tabulated below:

(Rs in billion)

Tax Heads	Collection		Difference	
	FY: 2011-12	FY: 2010-11	Absolute	Percentage
Customs Duty	216.92	184.85	32.07	17.35

Source: Financial Statements of Federal Government 2011-12 & 2012-13

FBR's collection for the FY 2011-12, was Rs 216.92 billion, depicted an increase of Rs 32.07 billion or 17.35% over Rs 184.85 billion for FY 2010-11.

2.2.3 Budget vs Actual Expenditure

A comparison of original grant, final grant and actual expenditure for the FY 2011-12 is shown in the table as follows:

(Rs in million)

Grant No.	Original Grant	Supplementary Grant	Final Grant*	Actual Expenditure	Excess/ (Saving) (5-4)	%age (6/4)
1	2	3	4	5	6	7
38-Land Customs	3,602.17	483.12	4,085.29	4,532.06	446.77	10.94

Source: Federal Budget 2012-13, Appropriation & Re-appropriation Accounts 2011-12

There was an excess expenditure of Rs 446.77 million. The excess expenditure is unjustified despite obtaining Supplementary Grant of Rs 483.12 million. This showed that the department did not incur its expenditure objectively.

2.3 Brief Comments on the Status of Compliance with PAC Directives

Sr.No.	Audit Report Year	PAC's Directives	Compliance received	Compliance not/partially received	Percentage of compliance
1	1985-86	32	29	03	91
2	1986-87	32	15	17	47
3	1987-88	26	0	26	0
4	1988-89	0	0	0	0
5	1989-90	10	07	03	70
6	1990-91	63	22	41	35
7	1991-92	53	46	07	87
8	1992-93	66	48	18	73
9	1993-94	09	03	06	33
10	1994-95	50	21	29	42
11	1995-96	45	23	22	51
12	1996-97	31	24	07	77
13	1997-98	66	49	17	74
14	Special 97	13	12	01	92
15	Special 98	03	0	03	0
16	1998-99	63	42	21	67
17	1999-00	30	19	11	63
18	2000-01	26	14	12	54
19	2001-02	04	0	04	0
20	2004-05	17	05	12	29
21	2005-06	26	17	09	65
22	2006-07	27	18	09	67
23	2008-09	65	29	36	45
Total		757	443	314	58

The table shows that compliance of PAC directives is not satisfactory. The compliance of the directives needs to be improved by FBR.

2.4 AUDIT PARAS

Fraud and Misappropriation

2.4.1 Loss of revenue due to alteration of import record/PRAL data for Rs 1.29 million

According to section 32A (1d) (2) of the Customs Act 1969, if any person, in connection with any matter related to customs alters, mutilates or suppresses any finding of the customs functionary on any document or in the computerized record and any duty or tax charged or fee or fine and penalty levied under any provision of law was not levied or was short levied or was refunded, the person liable to pay any amount along with any other amount imposed as fine or penalty under the provisions of this Act.

MCC Lahore, neither detected nor took penal action against one importer who got the imported goods released after altering the invoice, packing list and goods declaration and three importers who did not deposit the assessed customs dues. Likewise, in MCC Peshawar, the concessionary rates of customs duty fed in the PRAL's data were lower than the rates fixed in terms of SRO 659(I)/2007 which resulted in loss of revenue for Rs 1.29 million.

The irregularity was pointed out to the department in Nov, 2012. MCC Peshawar, replied that the demand notices were issued. In the meeting held in Dec, 2012, DAC directed the MCC Lahore, to submit fact finding inquiry for defacing of record by 15.02.2013 and take action according to law where assessed revenue was evaded. Further progress was not reported till finalization of the report.

Audit requires that amount involved be recovered, existing systems be strengthened to plug in such irregularities in future, besides, fixing responsibility against officers and officials.

[DP No.80, 113, 277-Cus]

Non-Production of Record

2.4.2 Non-Production of Record

According to section 14(2) and (3) of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001, the officer-in-charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition. Any person or authority hindering the auditorial functions of the Auditor General regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules.

Nine field offices of FBR did not produce complete auditable record and four MCCs did not provide the soft data of imports, exports and rebate despite pursuance by Audit. Resultantly, Audit could not verify the accuracy of revenue collection or amount of expenditure. The statutory obligation was intentionally violated to conceal the irregularities committed by the department.

The irregularity was pointed out to the department during Nov, to Dec, 2012. MCCs replied that the record is now available for inspection by Audit. In its meeting held in Dec, 2012 and Jan, 2013, DAC took the issue seriously and directed all the MCCs to produce the requisite record immediately. Further progress was not reported till finalization of the report.

Audit emphasizes issuance of strict instructions to ensure the timely production of record to Audit, besides, fixing responsibility for non production of record.

[Annexure-3]

Systemic Issues

2.4.3 Misuse of government property due to non-framing of rules for use of confiscated vehicles as operational vehicles

According to section 182 of the Customs Act 1969, when any goods are confiscated under this Act, they shall forthwith vest in the federal government provided that the Board may authorize the use of confiscated vehicles for operational purposes by the Board or, with approval of the Board, its subordinate offices.

The above section is contradictory to article 25 of the Constitution which provides 'the equality before law'. If a common man cannot ply the non-duty-paid vehicles, how the customs officers can ply these vehicles. In addition to this, FBR did not frame rules for use, maintenance, deterioration, responsibility in the event of theft, major loss and subsequent replacement of confiscated vehicles. The Board, at the time of authorization, provides blanket permission of given number of vehicles to its field offices to use confiscated vehicles for operational purposes and seldom specify the make, model, chassis numbers and number plates of vehicles which resulted in mis-use of government property including luxury vehicles. The vehicles once required some repairs are replaced by new ones frequently. In this way, the precious assets are spoiled and fetch low bids as these are put in auction late.

Further, a huge number of tampered vehicles are also available with the customs department. Audit proposes that a system of issuance of duplicate chassis number, centrally controlled by the Board, be devised and allotted to tampered vehicles. In this way, they would be able to put in auction and fetch revenue of millions of rupees not only to the Federal Government but also to Provincial Governments in the shape of registration fee, motor vehicle tax etc. Use of luxury vehicles is banned by virtue of Cabinet Division's decision.

The irregularity was pointed out to the department in Dec, 2012 with the request that a reference be made to the Ministry of Law & Justice for their comments. The department did not furnish reply in DAC meeting held in Dec, 2012. Further progress was not reported till finalization of the report.

Audit requires FBR to frame rules immediately to stop misuse of public property.

[DP No.756-Cus]

2.4.4 Loss of revenue of millions of rupees due to under invoicing of imported goods

According to para 389 read with para 391 of the Customs Rules 2001, all imported cargo entered into customs area for clearance shall be accompanied with a copy of packing list and invoice which shall be placed on the inner side of the door of container. Liability of placing such documents vests with the owner of goods as well as on the carrier. The owner of goods and the carrier will explicitly stipulate the requirement of placing documents in the manner prescribed above as an obligatory condition, to the person packing or shipping the cargo.

MCC Lahore, released the imported goods by charging a penalty of Rs 5,000 per container which were not carrying packing list and invoices therein. It was a recurring and non transparent phenomenon as forty three percent (43%) containers were found without packing lists and invoices. Importers and the carriers committed this to conceal the invoice value and declaration of physical description of imported goods. The customs authorities were free to assess the value of imported goods at its own. The law is misused by both the importers and the customs authorities for financial benefits in terms of under invoicing and assessment of less import value.

The irregularity was pointed out to the department during Nov, 2012. DAC in its meeting held in Dec, 2012 suggested that the Audit should take up the matter with the Board for stopping of such practice or increasing the penalty. Further progress was not reported till finalization of the report.

Audit requires stoppage of violation of law to curb under invoicing, besides, fixing responsibility against the persons who did not act according to law.

(DP No. 663-Cus)

Irregularity & Non-Compliance

2.4.5 Non-realization of revenue due to inadmissible exemptions and concessions for Rs 2,272.61 million

Concessions in duty, exemptions and zero rating of tax, notified under SROs issued in terms of sections 19, 20 and 21 of the Customs Act 1969, and rules made there-under were admissible subject to fulfilment of certain conditions.

Fourteen MCCs and two field offices of Director General (I&I), Islamabad, extended the benefit of exemptions and concessions of duties and taxes under certain SROs without fulfilment of conditions which resulted in non realization of revenue for Rs 2,272.61 million.

The irregularity was pointed out to the department during Nov, 2012. DAC in its meetings held in Dec, 2012 and Jan, 2013 directed the MCCs to expedite recovery where demand notices were issued and submit detailed reply in cases under examination. A number of cases were contested by the department. In all the contested cases, MCCs were directed to revisit the cases, refer the cases to FBR for clarification, where required. It was further directed to produce the required documents, certificates etc. for verification. Further progress was not reported till finalization of the report.

Audit requires implementation of DAC directives, besides, fixing responsibility for providing undue financial benefit.

[Annexure-4]

2.4.6 Blockage of revenue due to non-disposal of confiscated goods for Rs 1,107.83 million

According to section 182 of the Customs Act 1969, read with sections 82, 89, 169 and 201 of the Act *ibid*, CGO 12 dated 15th June, 2002 and rule 58(1) of the Customs Rules 2001, confiscated goods are required to be disposed off after observing codal formalities within the shortest possible time.

Thirteen MCCs and the sub-offices of the Directors General, Intelligence & Investigation, did not dispose of confiscated goods which resulted

in blockage of revenue for Rs 1,107.83 million. Further MCCs Lahore and Islamabad, put the confiscated goods in auction with the delay ranging from 134 to 2568 days after passing of orders-in-original.

The irregularity was pointed out to the department during Nov, 2012. MCCs Faisalabad, Sialkot, Peshawar, Hyderabad, Director (I&I) Lahore, Deputy Directors (I&I) Islamabad and Gujranwala informed that certain confiscated goods were auctioned whereas in certain cases the matter was pending with the Court of Law. During DAC meeting held in Dec, 2012, the department reported a recovery of Rs 17.25 million and a sum of Rs 4.96 million was also verified as not due. Some vehicles were also reported as auctioned and released yet not verified. Two MCCs reported the cases were pending with Appellate Tribunal and Court for decision. MCC Sialkot, reported that the un-delivered parcels were deposited in the state warehouse for recovery of outstanding government dues through auction. MCCs Faisalabad and Multan, reported that demand notices were issued. DAC directed the department to expedite disposal of remaining vehicles/goods, get the position verified by Audit and pursue the cases pending for decision. Further progress was not reported till finalization of the report.

Audit requires expeditious auction, besides, fixing responsibility against the officers/officials for delaying the process unnecessarily.

[Annexure-5]

2.4.7 Short-assessment of revenue due to non-inclusion of petroleum levy in import value for sales tax purpose for Rs 731.26 million

According to section 2(46)(d) of the Sales Tax Act 1990, value of supply means in case of imported goods, the value determined under section 25 of the Customs Act 1969, including the amount of customs duty and central excise duty levied thereon. Further, according to notification issued under section 3 of the Petroleum Product (Petroleum Development Levy) Ordinance 1961, Petroleum Levy is to be collected at the time and in the manner of custom dues at import stage and federal excise mode in the local supply, as the case may be.

MCCs Lahore and Faisalabad, did not include the amount of petroleum levy in the value for the purpose of sales tax. In case of local supply, the amount of PDL is being included in the value of supply at the time of clearance of POL

products from refineries. While in case of imports, the amount of petroleum levy was not included in the value of supply for the purpose of sales tax which resulted in short-realization of sales tax for Rs 731.26 million.

The irregularity was pointed out to the department in June and Nov, 2012. During DAC meeting held in Dec, 2012 the MCCs contested the cases. DAC directed MCC Faisalabad, to refer the matter to Board for obtaining clarification and MCC Lahore, to revisit the para and get it verified by Audit. Further progress was not reported till finalization of the report.

Audit requires implementation of DAC directives, besides, fixing responsibility for allowing undue financial benefit to the importers.

[DP Nos. 216, 394, 396-Cus]

2.4.8 Short-realization of revenue due to misclassification of imported goods for Rs 408.80 million

Imported goods at the time of clearance are classified under Pakistan Customs Tariff headings as provided in the First Schedule of the Customs Act, 1969.

Seven MCCs misclassified the imported goods and lesser rates of duty were applied which resulted in short-realization of revenue for Rs 408.80 million.

The irregularity was pointed out to the department in Nov, 2012. During DAC meetings held in Dec, 2012 and Jan, 2013 the department reported that demand notices in some cases were issued while some cases were contested. In remaining cases, progress regarding recovery was reported whereas position was yet to be verified by Audit. DAC directed the department to expedite recovery, get the position regarding contested cases verified by Audit and refer the matter to FBR for clarification. Further progress was not reported till finalization of the report.

Audit requires implementation of DAC directives, besides, fixing responsibility for short realization of revenue.

[Annexure-6]

2.4.9 Short-realization of revenue due to under valuation of imported goods for Rs 356.77 million

Section 25 of the Customs Act 1969, provides the detail procedure for determination of value of the imported goods. The Directorate of Valuation Karachi, may also fix the value of imported goods or class of goods.

Eleven MCCs assessed imported goods either at value lower than that fixed by the Directorate of Valuation Karachi, or by not including the freight, insurance, duties and taxes to arrive at the duty paid value which resulted in short-realization of revenue for Rs 356.77 million.

The irregularity was pointed out to the department during May to Nov, 2012. In DAC meetings held in Dec, 2012 and Jan, 2013 a sum of Rs 59.59 million relating to MCC Lahore, was verified as not due. Demand notices were issued in some cases and remaining cases were contested. DAC directed the MCCs to report further progress and get the contested position reconciled with Audit. DAC directed the department to pursue all cases for early recovery of revenue. Further progress was not reported till finalization of the report.

Audit requires implementation of DAC directives, besides, fixing responsibility for providing undue financial benefits to importers.

[Annexure-7]

2.4.10 Blockage of revenue due to non-clearance of bonded goods for Rs 1,247.14 million

Under section 98 of the Customs Act 1969, non-perishable imported goods may remain in warehouse for a period of six months and if goods are not removed from the warehouse within the time allowed, the duties and taxes together with rent, penalties, surcharge and other charges are required to be recovered from the owner of the warehoused goods under section 111(b) and 112 of the Act *ibid*.

Ten MCCs did not take action for removal of imported goods from the bonded warehouses after expiry of warehousing period or surcharge was not realized where the goods were removed after stipulated period which resulted in blockage of revenue for Rs 1,247.14 million.

The irregularity was pointed out to the department in Nov, 2012. During DAC meetings held in Dec, 2012 and Jan, 2013, the department informed that certain bonders applied for extension in warehousing period, a partial recovery of Rs 5.93 million was reported and two cases valuing Rs 246.95 million were contested being duplication. In some cases the department did not furnish replies and remaining cases were reported under process of recovery. DAC directed MCCs to expedite recovery and to get the other facts verified by Audit. Further progress was not reported till finalization of the report.

Audit requires recovery, besides, fixing responsibility for unnecessarily blocking government revenue.

[Annexure-8]

2.4.11 Non/short realization of withholding tax on imported goods for Rs 420.85 million

Section 148 of Income Tax Ordinance 2001, provides the rates for collection of withholding tax at import stage.

Five MCCs did not collect withholding tax on certain imported goods or collected at lower rates while allowing inadmissible exemption under concessionary SROs which resulted in non/short realization of withholding tax for Rs 420.85 million.

The irregularity was pointed out to the department during Nov, 2012. In DAC meeting held in Dec, 2012 the department reported that demands in various cases were raised, the MCC Multan, reported a meagre recovery of Rs 0.09 million. However, remaining cases were contested by the department. DAC directed the MCC Multan, to get the position verified from Audit, expedite recoveries and re-examine the contested cases or refer the matter to FBR for clarification. Further progress was not reported till finalization of the report.

Audit emphasizes recovery, besides, fixing responsibility for allowing undue financial benefit to the importers.

[Annexure-9]

2.4.12 Non-realization of withholding tax on exports for Rs 1,091.13 million

Sections 148 and 154 of the Income Tax Ordinance 2001, provide the procedure for collection of withholding tax at specified rates at import and

export stage respectively. Further, according to clause 47(c), Part IV of 2nd schedule to the Income Tax Ordinance 2001, the provisions of section 154(I) of the said Ordinance shall not apply to an exporter in respect of export of cooking oil or vegetable ghee exported to Afghanistan from whom advance tax has been collected at import stage under section 148 of the said Ordinance.

Three MCCs did not realize withholding tax @ 1% on exported goods and the irregularity was not taken into account at the time of payment of rebate by the department. Further, commercial banks did not deduct withholding tax on the bank credit advices which resulted in non-realization of revenue for Rs 1,091.13 million.

The irregularity was pointed out to the department in Nov, 2012. DAC in its meeting held in Dec, 2012, directed the MCCs Sialkot and Peshawar to revisit the cases. MCC Lahore, was directed to ensure the deductions including withholding tax before issuance of rebate. Further progress was not reported till finalization of this report.

Audit requires implementation of DAC directives, besides, fixing responsibility for not monitoring the deduction of withholding tax by the commercial banks.

[DP No.179, 294, 377-Cus]

2.4.13 Loss of revenue due to un-lawful permission to avail facility of two manufacturing licenses for Rs 277.93 million

According to rule 8(2) of the Export Oriented Units and Small and Medium Enterprises Rules 2008, “a unit shall be allowed to avail license either under these rules or under Chapter XV of the Customs Rules, 2001”.

MCC Lahore, allowed the benefit to a manufacturer to avail two licenses i.e one under Export Oriented Units and Small and Medium Enterprises Rules 2008 (No.01/LHR/MFG/2008) and other license under the Chapter XV of the Custom Rules 2001, (09/BWH/MFG/2002) which resulted in loss of government revenue of Rs 277.93 million.

The irregularity was pointed out to the department in Nov, 2012. During DAC meeting held in Dec, 2012 MCC contested the para on the plea that one licence was issued by MCC Lahore and the other by MCC Faisalabad, therefore,

both the units are separate entities with separate jurisdiction, whereas the amended rule 8(2) of SRO 327(I)/08 dated 29.03.2008 issued vide SRO 494(I)/09 dated 13.06.2009 restricts issuance of two licenses to one unit. DAC directed the MCC to submit the case to FBR for clarification. Further progress was not reported till finalization of the report.

Audit requires that revenue be recovered from the licensee and one license be cancelled immediately, besides, fixing responsibility.

[DP No.372-Cus]

2.4.14 Non-realization of regulatory duty on export of yarn for Rs 356.60 million

According to SRO 323(I)/2010 dated 13.05.2010 amended through SRO (I)/2010 dated 14.05.2010, the regulatory duty @ 15% ad-valorem shall be levied on export of all types of yarn for sixty days w.e.f 13.05.2010 to 11.07.2010. However, no regulatory duty shall be levied on the export of yarn made from the material temporarily imported under SRO 492(I)/2009 dated 13.06.2009, DTRE and the scheme of manufacturing bonds licensed under chapter XV of the said rules. Further, through amended notification dated 14.05.2010, regulatory duty on export of yarn or component of blended yarn made from the material imported under any temporary import-cum-export scheme was exempted.

MCC Lahore, did not realize regulatory duty on export of cotton yarn made from imported material for the period on 14.05.2010 and made from locally procured material for the period 13.05.2010 to 11.07.2010 from the licensees which resulted in non-realization of revenue for Rs 356.60 million.

The irregularity was pointed out to the department in April, 2012. During DAC meeting held in Dec 2012, the MCC submitted that the exports were not affected through MCC Appraisal Lahore. Rather, the exports were made through Custom House, Karachi. Accordingly, it will be in the fitness of things that reply if any be sought from Custom House Karachi. DAC directed the MCC to seek report from Custom House Karachi, as to whether any regulatory duty was collected on the GDs annexed with audit observation or otherwise and conduct the audit of the concerned export oriented units. Further progress was not reported till finalization of the report.

Audit emphasizes that amount pointed out be recovered and the proper internal checking system be devised to plug in such irregularities in future, besides, fixing responsibility.

[DP No.331-Cus]

2.4.15 Non-recovery of adjudged government dues for Rs 2,351.56 million

Section 202 of the Customs Act 1969, read with the Customs Rules 2001, provides the procedure for recovery of government dues.

Eight MCCs and Director (I&I) Sukkur, did not take appropriate action for recovery of adjudged revenue which resulted in non-recovery of revenue for Rs 2,351.56 million.

The irregularity was pointed out to the department during Sep to Nov, 2012. During DAC meetings held in Dec, 2012 and Jan, 2013 the department reported a recovery of Rs 60.48 million and the balance amount was under process of recovery or adjudication. DAC directed the MCCs to get the recovered amount verified from Audit, pursue the recovery of balance amount, pursue the case in adjudication and submit its report to Audit. Further progress was not reported till finalization of the report.

Audit requires expeditious recovery, besides, fixing responsibility for non recovery of adjudged government dues.

[Annexure-10]

2.4.16 Blockage of revenue due to non-encashment of bank guarantees and post-dated cheques for Rs 1,117 million

According to section 18 of the Customs Act 1969, all the goods imported into Pakistan are released on payment of customs duty and other taxes. Further, under section 81 the goods assessed provisionally, under various concessionary SROs, shall be released without payment of duty and taxes on submission of bank guarantees or post-dated cheques. On non-fulfilment of required conditions the government dues are required to be recovered by encashment of bank guarantees and post-dated cheques.

Nine MCCs did not encash the bank guarantees and post-dated cheques despite, the importers failed to fulfil the required conditions which resulted in blockage of revenue for Rs 1,117 million.

The irregularity was pointed out to the department during Nov, 2012. During DAC meetings held in Dec, 2012, and Jan, 2013 the department reported a recovery of Rs 2.25 million, an amount of Rs 0.05 million was claimed as not due. In some cases demands for recovery were raised and remaining cases were reported as pending for adjudication. DAC directed the MCCs to get the position of recovery verified by Audit and pursue the cases for early adjudication and recovery. Further progress was not reported till finalization of the report.

Audit requires that bank guarantees and PDCs be encashed immediately where importers failed to fulfil requisite conditions. The responsibility needs to be fixed for intentional blocking of government revenue.

[Annexure-11]

2.4.17 Non-realization of value addition tax for Rs 109.67 million

According to rule 58(B) of Sales Tax Special Procedure Rules 2007, the sales tax on account of minimum value addition shall be levied and collected on goods at import stage @ 2% and w.e.f. 04.06.2011 @ 3% of the value of goods in addition to the tax chargeable under section 3 of the Sales Tax Act 1990.

Three MCCs and the Directorate of Intelligence & Investigation Lahore, did not recover value addition tax at the time of clearance of goods which resulted in non-realization of revenue for Rs 109.67 million.

The irregularity was pointed out to the department in Dec, 2012. During DAC meeting held in Dec, 2012 the department reported that demand notices were issued while remaining cases were contested. DAC directed the department to expedite recovery and refer the cases to FBR for clarification. Further progress was not reported till finalization of the report.

Audit requires implementation of DAC directives, besides, fixing responsibility for providing undue financial benefits to importers.

[Annexure-12]

2.4.18 Excess payment of rebate for Rs 58.83 million

Rates of duty drawback or rebate on exported goods are provided in SROs 209 to 212(I)/2009 all dated 05.03.2009.

MCCs Lahore, Sialkot and Islamabad, allowed rebate at rates higher than admissible under above said SROs which resulted in excess payment of rebate for Rs 58.83 million.

The irregularity was pointed out to the department in June to Nov, 2012. During DAC meeting held in Dec, 2012 the MCC Sialkot reported a meagre recovery and an amount of Rs 0.18 million as under process of recovery. MCC Islamabad reported that demands were raised in some cases. DAC directed the MCC Sialkot, that issue of payment of rebate on scissors be referred to the Board for clarification. It was further directed that the matter of M/s Diligent Medical Devices along with copy of observation may be referred to RTO Sialkot, for further investigation. MCC Islamabad, was directed to expedite the recovery in two cases and get the stated position verified by Audit. Further progress was not reported till finalization of the report.

Audit requires implementation of DAC directives, besides, fixing responsibility for extending undue financial benefits to the exporters.

[Annexure-13]

2.4.19 Blockage of revenue in subjudice cases despite the expiry of stay period for Rs 713.07 million

According to section 82 read with sections 201 and 202 of the Customs Act 1969, in case the imported goods are not cleared for home consumption etc. within the stipulated period, the appropriate officer is empowered to recover the government dues through sale of the imported goods. Further, according to section 196(7) of Customs Act 1969, where recovery of duty has been stayed by the High Court by an order, such order shall cease to have effect on the expiration of a period of six months following the day on which it is made unless the reference is decided, or such order is withdrawn by the High Court earlier.

MCCs Islamabad, Lahore and Sialkot, did not take appropriate action for recovery of revenue where the stay period of six months was expired which resulted in non-recovery of revenue for Rs 713.07 million.

The irregularity was pointed out to the department in Nov, 2012. DAC in its meeting held in Dec, 2012 directed the MCCs to get the stated position verified by Audit by 10.01.2013. Further progress was not reported till finalization of the report.

Audit requires expeditious recovery, besides, fixing responsibility for delaying recovery process despite the fact that stay orders were vacated.

[DP No. 170, 374,534, 535-Cus]

2.4.20 Short-realization of revenue due to non-levy of income tax on imported goods for Rs 192.65 million

The Honourable Supreme Court of Pakistan ordered that no sooner the goods entered into any territory of Pakistan (Karachi), the Collector Customs is bound to deduct advance tax from every importer of goods on the value of the goods at the rates specified in Part-II of the First Schedule to the Income Tax Ordinance 2001, notwithstanding the fact, that the said goods had been brought into Pakistan for the purpose of consumption in the Tribal Territory of NWFP or otherwise.

MCC Peshawar, did not collect the advance income tax from two importers on import of RBD Palm Oil and RBD Palm Olein which resulted in short-realization of revenue for Rs 192.65 million. The data of imports of the importers for the period w.e.f. 29.12.2004 to 30.06.2011 and w.e.f. 07.05.2004 to 30.06.2011 respectively was required to be provided to Audit for calculating the tax liability.

The irregularity was pointed out to the department during Sep to Oct, 2012. During DAC meeting held in Dec, 2012, MCC contested the para on the grounds that the Honourable High Court Peshawar, had decided the case in favour of the importers. DAC directed the MCC to re-visit the para in the light of relevant laws, Constitution of Pakistan, decision of Apex Court and submit its reply to Audit. Further progress was not reported till finalization of the report.

Audit requires that amount pointed out be recovered from the importers at the earliest, besides, fixing responsibility for non implementation of decision of Supreme Court of Pakistan.

[DP Nos.270, 271-Cus]

2.4.21 Non/short-realization of federal excise duty on imported goods for Rs 159.87 million

According to section 3 of the Federal Excise Act 2005, read with SRO 24(I)/2006 dated 07.01.2006 federal excise duty at import stage was imposed on specified items at rates given in the table thereof.

MCCs Lahore, Sialkot, Faisalabad, Islamabad and Peshawar, released the imported goods without realization of federal excise duty which resulted in non/short-realization of revenue for Rs 159.87 million.

The irregularity was pointed out to the department during March to Nov, 2012. In DAC meeting held in Dec 2012, the department reported a recovery for Rs 0.12 million (yet to be verified), issued demand notices in some cases. MCC Lahore, however, contested the para. MCC Faisalabad, reported that the licensee provided the clarification according to which the non-edible products falling within the respective PCT headings were not covered under the provisions of SRO 24(I)/2006 dated 07.01.2006. DAC directed the department to get the stated position verified by Audit. Further progress was, however, awaited till finalization of the report.

Audit requires recovery of revenue, besides, fixing responsibility for not taking appropriate action to realize the revenue.

[Annexure-14]

2.4.22 Loss of revenue due to non-finalization of provisional assessment for Rs 152.45 million

Under section 81 of the Customs Act 1969, the assessment of goods and the liability of payment may be determined provisionally subject to payment of additional amount on the basis of provisional assessment secured through bank guarantee or post-dated cheque of a schedule bank along with an indemnity bond.

MCCs Lahore, PaCCS and Appraisement Karachi, did not finalize the provisional assessments within the stipulated period. Post-dated cheques and indemnity bonds were not en-cashed/enforced to recover the revenue which resulted in loss of revenue for Rs 152.45 million.

The irregularity was pointed out to the department during Nov, 2012. DAC in its meetings held in Dec, 2012 and Jan, 2013 directed the department to pursue the cases vigorously in High Court and to get the latest position verified by Audit and pursue the cases under recovery. Further progress was, however, awaited till finalization of the report.

Audit requires expeditious recovery, besides, fixing responsibility for non-encashment of bank guarantees.

(Annexure- 15)

2.4.23 Release of imported goods without authentic exemption orders involving duty and taxes for Rs 94.18 million

According to section 20 of the Customs Act 1969, and section 13 of the Sales Tax Act 1990, under circumstances of exceptional nature, the Board may, subject to such conditions, limitations or restrictions, if any, as it thinks fit to impose, by special order in each case recording such circumstances, exempt any goods from payment of the whole or any part of the customs duty, or as the case may be, sales tax chargeable thereon.

MCC PaCCS Karachi, did not realize customs duty and sales tax to the tune of millions of rupees saying that FBR issued special exemption orders in all these cases. A sample of twenty cases involving special exemption of customs duty and sales tax for Rs 94.18 million pertaining to the year 2011-12, was selected to examine the circumstances/criteria for granting exemption. MCC did not provide relevant details, information along with special exemption orders supported by documentary evidence, if any, for verification of the genuineness of these exemptions.

The irregularity was pointed out to the department in Dec, 2012. DAC in its meeting held in Jan, 2013 directed the MCC to obtain the reasons of exemptions from FBR along with providing the relevant exemption orders to Audit by the Member Customs. DAC further directed the MCC and requested the Member Customs, FBR to provide the relevant exemption orders to Audit. Further progress was, however, awaited till finalization of the report.

Audit requires implementation of DAC directives.

[DP No.311-CD/K]

2.4.24 Short-realization of revenue due to non-disposal of wastage for Rs 29.32 million

According to section 95(2)(a) of the Customs Act 1969, read with rule 352(10) of the Customs Rules 2001, dated 30.06.2001, no wastage of input goods in terms of quantity, volume, weight or number, as the case may be, shall be allowed except as determined in the analysis certificate and no duty and taxes shall be charged on such wastage of the warehoused input goods, provided that such wastage is either destroyed in the presence of an officer of Customs, not

below the rank of an Assistant Collector, or leviable federal excise duty and sales tax is paid on such wastage before removal.

MCCs Sialkot, Faisalabad and Exports Karachi, did not take action for disposal of wastage produced during the process of manufacturing of finished goods in manufacturing bonds and recovery of government revenue. In one case relating to MCC Exports Karachi, the waste was however, sold in local market on payment of sales tax only, no customs duty and withholding tax was recovered. It resulted in short-realisation of revenue for Rs 29.32 million.

The irregularity was pointed out to the department in Nov and Dec, 2012. During DAC meetings held in Dec, 2012 and Jan, 2013 MCC Faisalabad, reported recovery of Rs 0.13 million whereas an amount of Rs 0.27 million was also verified as not due. MCC Sialkot, reported partial recovery of Rs 0.51 million and contested in some cases. MCC Exports Karachi, in one case contested the para on the plea that no customs duty was recoverable in view of rule-352 (10) of the Customs Rules 2001. The Audit pointed out that the said rule was contrary to the provision of section 95 of the Customs Act and in such position the Act will prevail while remaining cases were reported under process of recovery. DAC settled the para to the extent of amount recovered/not due and directed the department to get the position of recovery verified by Audit and expedite the recovery in remaining cases. MCC Exports Karachi, was directed to follow the provisions of section 95 of the Customs Act. Further progress was not reported till finalization of the report.

Audit requires implementation of DAC directives, besides, fixing responsibility for inordinate delay in disposal of wastage.

[Annexure- 16]

2.4.25 Blockage of revenue due to non-disposal of tampered/cut and weld vehicles for Rs 40.59 million

The Federal Board of Revenue vide its C. No.10(1)AS/2004, dated 24.06.2006, issued instructions that tampered and fake chassis number vehicles are not liable to be disposed off through public auction but offered to federal and provincial departments and authorities for their official use on nominal/token price.

MCC Multan, and two sub-offices under D.G (I&I) Islamabad, did not dispose of confiscated tampered/cut and weld vehicles, as required under the policy decision of FBR despite lapse of reasonable period which resulted in blockage of revenue for Rs 40.59 million.

The irregularity was pointed out to the department in Oct, 2012. During DAC meeting held in Dec 2012, Directors (I&I) Multan and Faisalabad, stated that the vehicles are cut and weld and could not be auctioned. Director (I&I) Faisalabad, further stated that some of the vehicles were already pointed out by Audit in previous years. MCC Multan, informed that most of the vehicles were allotted to different offices and in remaining cases requests for allotment were awaited. DAC directed both the Directorates to dispose of the vehicles as per law or recover the amount and report progress. MCC Multan, was directed to get the position verified by Audit. Further progress was not reported till finalization of the report.

Audit requires that list of such vehicles be placed on the website of FBR and circulated monthly basis as well as to federal and provincial departments/authorities and autonomous bodies to make use of tampered vehicles, besides, fixing responsibility in case of violation of rules.

[DP Nos.246, 448, 473-Cus]

2.4.26 Blockage of revenue due to non-clearance of unclaimed import general manifest for Rs 38.98 million

According to section 82 of the Customs Act 1969, if any goods are not entered and cleared for home consumption or warehoused or transhipped within 20 days of the date of unloading thereof at a customs station or within such extended period as the appropriate officer may allow, such goods may, after due notice given to the owner be sold under the orders of the appropriate authority.

MCC Lahore did not take any action against non-clearance of four import general manifests (IGM) within the stipulated period of twenty days which resulted in blockage of revenue for Rs 38.98 million.

The irregularity was pointed out to the department in Nov, 2012. During DAC meeting held in Dec, 2012, MCC reported that notices under section 82

were issued in two cases, goods were marked for examination. After examination & assessment the consignments shall be put into auction. In other cases, the MCC did not submit reply. DAC directed the MCC to expedite the auction proceedings. Further progress was not reported till finalization of the report.

Audit requires that un-cleared IGMs be dealt with in the light of provisions of section 201 of the Customs Act 1969, to recover the revenue. Responsibility also needs to be fixed for non disposal off imported goods as per law.

[DP Nos.407, 447, 719, 720-Cus]

2.4.27 Loss of revenue due to application of incorrect rate of petroleum levy for Rs 91.17 million

According to notification issued under section 3 of the Petroleum Product Ordinance, 1961, petroleum levy is to be collected in time and manner of custom dues at import stage and federal excise in local supplies as the case may be. According to sections 30, 30A and 79 of the Customs Act 1969, read with clarification of Ministry of Law, Justice and Parliamentary Affairs' issued vide U.O.No. 279/2011-Law-I, dated 21.06.2011, controversial view points were submitted by the Ministry of Petroleum and Natural Resources which were considered under section 30(b) and 104 of the Customs Act 1969. As per judgment of Honourable High Court Sind, reported in PTCL 1990 CL 217, and reported in 2002 CLC 616 (Lahore), it has been categorically confirmed that in respect of bonded goods, the duty is to be charged at the rate prevailing on the day of actual removal of the goods from warehouse for consumption. "The cumulative effect would be that the petroleum levy is recoverable at the time of physical removal of products in as much as the filing of goods declaration could be legally postponed as well. Under the provisions of the Sales of Goods Act, 1930, the property in goods passes at the time of actual delivery; therefore this Division is of the view that the date applicable for charging the petroleum levy would be the date of physical removal of product and not the date of filing the ex-bond goods declaration".

MCC Faisalabad did not apply the rate of petroleum levy applicable on the date of physical removal of high speed oil removed from public bonds of M/s PARCO Ltd., Faisalabad. In twelve cases, GDs were filed by M/s PSO in

June 2011, applying the rate of exchange of the GD filing date instead of actual removal of oil from bonds which resulted in loss of revenue for Rs 91.17 million.

The irregularity was pointed out to the department in Nov, 2012. During DAC meeting held in Dec, 2012, MCC Faisalabad, contested the observation. DAC did not agree with view point of MCC and directed to issue demand notice to M/s PSO. Further progress was not reported till finalization of the report.

Audit requires that compliance of rules be ensured in letter and spirit to plug in such irregularities in future, besides, fixing responsibility for application of incorrect rate.

[DP No. 100-Cus]

2.4.28 Non-realization of special excise duty for Rs 28.01 million

According to Sr. No. 24 of the table to SRO 655(1)/2007, dated 29 June 2007, imports under DTRE scheme were not liable to special excise duty. However, local supplies under DTRE scheme were not exempt from SED.

MCCs Islamabad and Multan extended approvals of local purchases of molasses and beverages concentrates. The goods were procured by the DTRE approval holders without payment of SED. The customs authorities neither demanded nor recovered SED which resulted in non-realization of revenue for Rs 28.01 million.

The irregularity was pointed out to the department in May, 2012. During DAC meeting held in Dec, 2012, MCC Multan, stated that DTRE user did not avail exemption under SRO 655(I)/2007 dated 29.06.2007. Local purchase of molasses is exempt under rule 302 of DTRE Rules and a DTRE user is entitled to acquire input goods without payment of customs duty, excise duty, sales tax or withholding tax. Special Excise Duty @ 1% is not recoverable as the molasses were acquired under valid DTRE approval. The MCC Islamabad reported that the exporters were asked to submit their view point. DAC directed the MCC Multan to get the clarification from FBR on the issue and directed the MCC Islamabad, to seek the latest position duly verified by Audit. Further progress was, however, awaited till finalization of the report.

Audit requires implementation of DAC directives.

[DP Nos.603, 607-Cus]

2.4.29 Non-realization of government revenue for Rs 19.64 million

According to rule 307-A (2) (C) of the Customs Rules 2001, a DTRE user may with the permission of the Regulatory Collector dispose of the input goods through local sale on payment of duties and taxes leviable at the time of such sale.

Certain DTRE users under MCCs Islamabad, Multan, and Faisalabad, failed to consume the local and imported raw material for the approved purpose. The DTRE approval holders did not deposit the custom duty and allied taxes which resulted in non-realization of revenue for Rs 19.64 million.

The irregularity was pointed out to the department in May, 2012. During DAC meeting held in Dec, 2012, MCCs Faisalabad and Multan did not respond. MCC Islamabad informed that seven audit teams have been constituted in order to complete the task. DAC directed the MCC Islamabad, to get the position verified by Audit. Further progress was not reported till finalization of the report.

Audit requires implementation of DAC directives, besides, fixing responsibility for providing undue financial benefits to importers.

[DP Nos. 600, 604, 606-Cus]

2.4.30 Inadmissible remission of duties and taxes for Rs 19.69 million

According to the Customs Rules 2001, the DTRE approval holders are allowed to import approved input goods free of duties and taxes and their consumption as per analysis certificates.

MCCs Faisalabad and Sialkot, did not take appropriate action against the DTRE approval holders who imported goods not covered under the DTRE approval, claimed excess wastage, and failed to consume or export the imported goods which resulted into inadmissible remission of duties and taxes for Rs 19.69 million.

The irregularity was pointed out to the department in June, 2012. During DAC meeting held in Dec, 2012, MCC Sialkot reported that contravention reports were submitted before Adjudication Authority. DAC directed the MCC

Sialkot, to expedite recovery. Further progress was not reported till finalization of the report.

Audit requires implementation of DAC directives, besides, fixing responsibility for allowing inadmissible remission of duties and taxes.

[Annexure-17]

2.4.31 Non-realization of withholding tax for Rs 13.72 million

SRO 492(I)/2009 dated 13th June 2009 provides exemption of customs duty and sales tax on temporary importation of goods for subsequent export.

MCCs Faisalabad and Lahore, released the imported goods without realization of withholding tax on the basis of SRO *ibid*, whereas, no such exemption was available in respect of withholding tax under the said SRO which resulted in non-realization of revenue for Rs 13.72 million.

The irregularity was pointed out to the department during March to Nov, 2012. DAC in its meeting held in Dec 2012 directed the department to refer the issue to FBR for clarification. Further progress was, however, awaited till finalization of the report.

Audit requires implementation of DAC directives, besides, fixing responsibility for non-realization of withholding tax.

[DP Nos.197, 382, 437, 643-Cus]

2.4.32 Short-realization of revenue due to short accountal of imported material for Rs 13.23 million

According to rule 358 of the Customs Rules 2001, if any licensee fails to give proper account of warehoused goods, input goods or finished goods to the satisfaction of an officer of customs not below the rank of an assistant collector, the licensee shall pay on demand an amount equal to the customs duty, central excise duty, sales tax and income tax leviable thereon as if they were imported and used for home consumption and shall also be liable to penalties imposed for such violation under the Act.

MCCs Faisalabad and Lahore, did not take appropriate action against the licensees who failed to keep proper record of warehoused goods and did not recover the government revenue for excess material used. Further, no record of exports was produced to ensure that the raw material imported by the licensees was consumed. In two cases, some imported goods were not included while calculating the duty and taxes which resulted in short-realization of revenue for Rs 13.23 million.

The irregularity was pointed out to the department in Oct and Nov, 2012. DAC in its meeting held in Dec, 2012 directed the MCC Faisalabad, to issue demand notices in two cases and in other case to investigate the matter and submit its findings. MCC Lahore, was directed to get the latest position verified by Audit. Further progress was, however, awaited till finalization of the report.

Audit requires expeditious recovery, besides, fixing responsibility for short realization of revenue.

[Annexure- 18]

2.4.33 Loss of revenue due to application of incorrect rate of exchange for Rs 16.41 million

According to notification issued under section 3 of the Petroleum Product Ordinance 1961, petroleum levy is to be collected in time and manner of custom dues at import stage and federal excise in local supplies as the case may be. According to sections 30, 30(A) and 79 of the Customs Act 1969, read with clarification of Ministry of Law, Justice and Parliamentary Affairs' U.O. No.279/2011-Law-I, dated 21.06.2011, controversial view points were submitted by the Ministry of Petroleum and Natural Resources which were considered under section 30(b) and 104 of the Customs Act 1969. As per judgment of Honourable High Court Sind reported in PTCL 1990 CL 217, and 2002 CLC 616 (Lahore), it has been categorically confirmed that in respect of bonded goods, the duty is to be charged at the rate prevailing on the day of actual removal of the goods from warehouse for consumption.

MCC Faisalabad did not apply the rate of exchange applicable on the date of physical removal of high speed diesel removed from public bonds of PARCO Ltd, Faisalabad. In twelve cases, GDs were filed by M/s PSO in June, 2011 and applied the rate of exchange of the GD filing date instead of actual

removal of oil from bonds which resulted in short-realization of revenue for Rs 16.41 million.

The irregularity was pointed out to the department in Nov, 2012. DAC in its meeting held in Dec 2012 directed to issue demand notice in the case and submit its report to Audit. Further progress was, however, awaited till finalization of the report.

Audit requires implementation of DAC directives, besides, fixing responsibility.

[DP No. 220-Cus]

2.4.34 Non-realization of regulatory duty for Rs 44.64 million

According to SRO 1185(I)/ 2007 dated 05.12.2007 and SRO 482(I)/ 2009 dated 13.06.2009 regulatory duty, at specified rates was chargeable at import stage on certain items.

MCCs PaCCS, Exports and Gawadar, did not realize regulatory duty for Rs 44.64 million in 155 cases.

The irregularity was pointed out to the department in Dec, 2012. DAC in its meeting held in Jan, 2013, MCC PaCCS informed that 147 cases of Rs 19.60 million were subjudice in Islamabad High Court. MCC Exports informed that demand was raised in two cases involving Rs 0.91 million. DAC directed the MCCs to pursue the cases in the court. Further progress was, however, awaited till finalization of the report.

Audit requires adherence to DAC directive.

[DP Nos.241, 252, 291, 472-CD/K]

2.4.35 Non-realization of warehousing surcharge on edible oil for Rs 11.82 million

According to SRO 486(I)/2003 dated 07.06.2003 1% warehousing surcharge on imported edible oil is to be paid @ 25% of the amount due at the time of in bonding of the goods and the remaining 75% shall be exempt if the goods are cleared from the warehouse within one month. If the goods are cleared

after the expiry of one month, then 75% of warehousing surcharge shall be recovered from the importer/bonder.

MCC Port Muhammad Bin Qasim did not recover 75% warehousing surcharge in seven cases where the bonders had failed to clear the goods from the warehouse within the stipulated period of one month which resulted in non-realization of government revenue for Rs 11.82 million.

The irregularity was pointed out to the department in Dec, 2012. Reply was not furnished by MCC in the DAC meeting.

Audit requires an early holding of DAC meeting for realization of the warehousing surcharge and fixing the responsibility accordingly.

[DP Nos. 467 & 468-CD/K]

2.4.36 Short realization of warehousing surcharge due to mis-declaration of import value for Rs 13.97 million

According to section 10 of the Finance Act 1991, surcharge equal to one percent of the value of imported goods is to be recovered at the time of clearance of goods for in bonding.

MCC Preventive Karachi, did not realize the surcharge where the value of imported goods was mis-declared at the time of clearance of goods for in-bonding which resulted in short realization of revenue for Rs 13.97 million.

The irregularity was pointed out to FBR in Dec, 2012. DAC in its meeting held in Jan, 2013 directed the MCC to pursue the case for early recovery. Further progress was, however, awaited till finalization of the report.

Audit emphasizes early recovery of the short realized surcharge, besides, fixing responsibility.

[DP No.192-CD/K]

2.4.37 Non-authentication of receipt of quantity of POL products from ISAF and DLSC for Rs 3,818.01 million

According to rule 307 (6) of the Customs Rule 2001, export of POL products to International Security Assistance Force (ISAF) or Defence Logistic Support Centre (DLSC) in Afghanistan under DTRE shall be verified and

accounted for on the basis of authentication of receipt of the quantity by ISAF or DLSC, as the case may be, to be produced by the oil exporting company or refinery for appropriate action under this or any other chapter.

MCC Islamabad, allowed DTRE approvals to M/s Attock Petroleum Ltd. for supply of POL products to ISAF and DLSC. The company made supplies of POL products involving duties and taxes worth Rs 3,818.01 million which were not authenticated by the destination.

The irregularity was pointed out to the department in May, 2012. DAC in its meeting held in Dec, 2012 directed the MCC to provide the proof of exports as per requirement of SRO. Further progress was not reported till finalization of the report.

Audit requires implementation of DAC directives, besides, fixing responsibility against the persons as fault.

[DP No. 605-Cus]

2.4.38 Non-deposit of gold and foreign currency in State Bank of Pakistan worth Rs 8.27 million

According to para 33 of the Customs General Order No.12/2002, as soon as possible, the valuables, after being seized, should be sent to the State Bank of Pakistan for safe custody and the entries in the stock account should be immediately made.

MCC Preventive Karachi, seized 3.10 Kg gold, four items of fine gold jewellery and foreign currency total valuing Rs 8.27 million in 08 cases but the goods were not deposited with the State Bank of Pakistan for safe custody despite lapse of a period ranging from 06 to 18 months.

The irregularity was pointed out to the department in Dec, 2012. During DAC meeting held in Jan, 2013, MCC informed that in one case currency valuing Rs 0.95 million was released to the lawful owner which is however, yet to be verified. DAC directed the MCC to deposit the valuables in the SBP for safe custody. Further progress was not reported till finalization of the report.

Audit requires that valuables be treated strictly according to law in order to avoid any theft and the relevant cases be decided at the earliest, besides, fixing responsibility for negligence against the officers and officials.

[DP Nos. 273, 275-CD/K]

2.4.39 Non-deduction of advance income tax from sales proceeds for Rs 1.20 million

According to section 236A of the Income Tax Ordinance 2001, any person making sale by public auction of any property or goods confiscated or attached belonging to the government is required to deduct/collect advance income tax @ 5% on the basis of gross sale proceed of such property from the successful bidder.

MCCs Lahore, Islamabad and Director General (I&I), Islamabad did not collect advance income tax @ 5% on the auctioned goods which resulted in loss of revenue for Rs 1.20 million.

The irregularity was pointed out to the department in June, 2012. During DAC meeting held in Dec, 2012, the department reported that demands were raised for recovery. DAC directed the department to pursue the cases for early recovery. Further progress was not reported till finalization of the report.

Audit requires that revenue be recovered at the earliest, besides, fixing responsibility.

[DP Nos.735, 738, 741-Cus]

2.4.40 Short-realization of revenue due to application of incorrect rate of duty for Rs 2.73 million

According to section 18 of the Customs Act 1969, customs duties shall be levied at such rates as are prescribed in the First Schedule or under any other law for the time being in force on goods imported into Pakistan.

MCCs Peshawar, Sialkot and Lahore released imported goods at incorrect rate of customs duty which resulted in short-realization for Rs 2.73 million.

The irregularity was pointed out to the department in May to Oct, 2012. During DAC meeting held in Dec, 2012, MCC Lahore informed that cases were under adjudication, however, MCC Sialkot and Peshawar did not agree with observation of the Audit. DAC directed the MCC Lahore to expedite adjudication process. MCC Peshawar was directed to get the position verified by Audit. The case of MCC Sialkot was discussed at length and DAC observed that unnecessary benefits were extended to the commercial importers in the garb of SRO 283(I)/2011 and such paras be consolidated and the matter be taken up with FBR to resolve the issue. Further progress was not reported till finalization of the report.

Audit requires that duty and taxes be realized at prescribed rates and benefits of SROs be extended on merit, besides, fixing responsibility.

[Annexure- 19]

2.4.41 Short-realization of revenue due to miscalculation for Rs 9.61 million

Duty and taxes on goods imported into Pakistan are collected under section 18 of the Customs Act 1969.

MCCs Lahore, Multan, Islamabad, and Appraisal Karachi, released the imported goods by miscalculating the duty and taxes which resulted in short-realization of revenue for Rs 9.61 million.

The irregularity was pointed out to the department in Nov, 2012. During DAC meeting held in Dec, 2012, it was reported that the demand notices were issued. DAC directed the department to pursue the cases for early recovery. Further progress was not reported till finalization of the report.

Audit requires expeditious recovery, besides, fixing responsibility.

[Annexure-20]

2.4.42 Non-realization of revenue due to irregular release of imported goods for Rs 4.66 million

Under SRO 492(I)/2009 dated 13.06.2009, temporarily importation of goods for subsequent exportation was exempt from customs duty and sales tax

subject to certain conditions and restrictions. However, import of fabric and leather were not allowed under the said SRO.

MCC Islamabad released the textile fabric, without realization of leviable duty and taxes by extending the benefit of the SRO ibid which resulted in non-realization of revenue for Rs 4.66 million.

The irregularity was pointed out to the department in Nov, 2012. During DAC meeting held in Dec, 2012, the MCC reported that demand notice was being issued to the importer-cum-manufacturer for recovery. DAC directed the MCC to pursue the case for recovery. Further progress was not reported till finalization of the report.

Audit requires expeditious recovery, besides, fixing responsibility for non-realization of duty and taxes.

[DP No.527-Cus]

2.4.43 Non-realization of revenue due to non-levy of additional customs duty for Rs 4.06 million

According to SRO 693(I)/2006, dated 01.07.2006, certain auto parts are liable to additional customs duty at the rates specified in Appendix-I and II of the said SRO.

MCCs Lahore and Peshawar, released imported auto parts without charging additional customs duty as leviable under SRO ibid which resulted in non-realization of revenue for Rs 4.06 million.

The irregularity was pointed out to FBR in Oct, 2012. During DAC meeting held in Dec, 2012, MCC Peshawar, reported a meagre recovery of Rs 0.25 million (yet to be verified). MCCs Lahore and Peshawar reported that demand notices were issued in most of the cases. DAC directed the MCCs to recover the amount and get it verified by Audit. Further progress was not reported till finalization of the report.

Audit requires expeditious recovery, besides, fixing responsibility for non realization of revenue.

[Annexure-21]

2.4.44 Short-realization of revenue due to computation of incorrect reserve price for Rs 7.04 million

According to rule 58 of the Customs Rules 2001, the reserve price shall consist of the appraised value, duty and taxes and other charges.

MCCs Islamabad and Peshawar appraised the value of certain confiscated goods ripped for auction by taking the appraised value as reserve price without adding leviable duty and taxes. This resulted in lesser/incorrect computation of reserve price which caused less bidding of auctioned goods and loss of revenue for Rs 7.04 million.

The irregularity was pointed out to the department during Nov, 2012. DAC in its meeting held in Dec, 2012 directed the department to re-consider the para for calculation of reserve price and get the latest position verified by Audit. Further progress was, however, awaited till finalization of the report.

Audit requires recovery as determined according to law, besides, fixing responsibility for providing undue financial benefit to the bidders.

[DP Nos.291, 512, 515-Cus]

2.4.45 Non-realization of redemption fine and penalty for Rs 1.72 million

SRO 499(I)/2009 dated 13.06.2009 read with section 156 of the Customs Act 1969, imposes redemption fine and penalty in case of certain contraventions.

Four MCCs and Director I&I Faisalabad, released goods without realization of the redemption fine and penalty, resulted in non-realization of revenue for Rs 1.72 million.

The irregularity was pointed out to the department during Aug, to Nov, 2012. During DAC meeting held in Dec, 2012 the department reported that demand notices were issued in some cases, and one case was subjudice in the Court. DAC directed the department to pursue the cases with the court vigorously, re-examine the cases, get the position of further recovery etc. verified by Audit and expedite the recovery process in all remaining cases. Further progress was, however, awaited till finalization of the report.

Audit requires expeditious recovery of revenue, besides, fixing responsibility.

[Annexure-22]

2.4.46 Non-realization of withholding tax from importers of export oriented units for Rs 8.08 million

Withholding tax leviable under section 148 of the Income Tax Ordinance 2001, was not exempt on import of machinery and input goods under SROs 326(I)/2008 and 327(I)/2008 dated 29.03.2008.

MCC Lahore, granted exemption of withholding tax on import of machinery and input goods under said SROs. Further, the same was neither assessed nor realized at the time of import which resulted in non-realization of revenue for Rs 8.08 million.

The irregularity was pointed out to the department during Nov, 2012. DAC in its meeting held in Dec, 2012 directed the MCC to submit the comprehensive report to Audit and FBR. Further progress was, however, awaited till finalization of the report.

Audit requires recovery of the unrealized amount of withholding tax and fixing the responsibility.

[DP No.330-Cus]

2.4.47 Illegal release of goods in violation of import policy order 2009 for Rs 40.28 million

According to Import Policy Order 2009, issued vide SRO 766(I)/2009 dated 04.09.2009, import of certain items is banned or allowed on fulfilment of certain conditions.

MCCs Lahore and Sialkot, released banned/restricted items on or without payment of redemption fine which resulted in illegal release of imported goods and non-realization of revenue for Rs 40.28 million.

The irregularity was pointed out to the department during Nov, 2012. DAC in its meeting held on Dec, 2012 directed the department to re-visit the cases and report to Audit. Further progress was, however, awaited till finalization of the report.

Audit requires strict adherence to the import policy and recovery of taxes/redemption fine, besides, fixing responsibility.

[Annexure- 23]

2.4.48 Loss of revenue due to illegal release of confiscated smuggled goods for Rs 4.09 million

According to SRO 499(I)/2009 dated 13.06.2009 no option shall be given to pay fine in lieu of confiscation in respect of smuggled goods falling under section 2(s) of the Customs Act 1969.

MCCs Lahore, Faisalabad, Islamabad, Sialkot, Gawadar and Directorate General Intelligence & Investigation Islamabad, irregularly released the smuggled goods/vehicles on payment of duty and taxes which were liable to be confiscated. It resulted in loss of revenue for Rs 4.09 million.

The irregularity was pointed out to the department during Nov, 2012. DAC in its meeting held on Dec, 2012 and Jan, 2013 directed the department to re-examine the cases and submit report to Audit. Further progress was, however, awaited till finalization of the report.

Audit requires strict adherence to government policy, besides, fixing responsibility for unlawful release of smuggled goods.

[Annexure-24]

2.4.49 Non-realization of anti-dumping duty on imported goods for Rs 5.12 million

According to 1st Schedule to the Customs Act 1969 and DTRE Rules 2001, anti dumping duty at prescribed rates is recoverable on the steel sheets in coils of secondary quality, classifiable under PCT heading 7210.1210 if imported from USA and goods produced/exported under DTRE.

MCCs Faisalabad and Peshawar, did not recover anti-dumping duty on sheets in coils of secondary quality imported from USA and polyester staple fibre imported under DTRE Scheme which resulted in non-realization of revenue for Rs 5.12 million.

The irregularity was pointed out to the department in Nov, 2012. DAC in its meeting held on Dec, 2012 directed the MCC Peshawar, to report progress by 31.03.2013. Further progress was, however, awaited till finalization of the report.

Audit requires recovery of unrealized amount, besides, fixing responsibility.

[DP No.272, 602-Cus]

2.4.50 Non-realization of revenue from licensees not having valid analysis certificates for Rs 310.41 million

According to rule 352(1) of the Customs Rules 2001, the input goods for production of finished goods according to the specification approved in the analysis certificate shall be procured by the licensee of a manufacturing bond in the prescribed manner.

MCCs Sialkot, Lahore and Islamabad did not recover the duty and taxes on raw material imported by the licensees of the manufacturing bonds free of duty and taxes that did not hold analysis certificates for consumption of imported raw material which resulted in non-realization of revenue for Rs 310.41 million.

The irregularity was pointed out to the department during Nov, 2012. DAC in its meeting held on Dec, 2012 directed the MCC Lahore, to expedite the issuance of analysis certificate in one case and in another case to get the position verified by Audit. MCC Islamabad, was also directed to re-examine the para. Further progress was, however, awaited till finalization of the report.

Audit requires expeditious recovery of unrealized revenue, besides, fixing responsibility.

[DP No.176, 370, 397, 542-Cus]

2.4.51 Non-realization of revenue due to misuse of DTRE facility for Rs 1.42 million

According to rules 302 (1) and 306 of the Customs Rules 2001, DTRE user shall be entitled to acquire input goods without payment of customs duty, excise duty, sales tax or withholding tax in accordance with his DTRE approval. Goods Declaration filed for the export of DTRE consignment under this chapter shall contain DTRE approval number and shall be subject to all formalities for other declaration or endorsement.

MCC Sialkot, did not recover the government dues on goods imported/acquired under DTRE scheme from users of DTRE who did not fulfil the

requirements and formalities as per rules which resulted in non-realization of revenue for Rs 1.42 million.

The irregularity was pointed out to the department in May 2012. DAC in its meeting held on Dec, 2012, directed the MCC Sialkot, to report further progress to Audit. Further progress was, however, awaited till finalization of the report.

Audit requires implementation of DAC directives, besides, fixing responsibility.

[DP-598-Cus]

2.4.52 Irregular abatement in appraised reserve price of motor vehicles for auction resulted in short realization of revenue for Rs 13.86 million

Reserve price of auctionable vehicles is to be determined in accordance with provision of section 25 of the Customs Act 1969, read with CGO 14/2005 dated 06.06.2005.

MCC Preventive Karachi, allowed inadmissible abatement in reserve price of vehicles in six cases causing short realization of revenue for Rs 13.86 million.

The irregularity was pointed out to the department during Dec, 2012. DAC in its meeting held in Jan, 2013 directed the MCC to submit a comprehensive reply within one week. Further progress was, however, awaited till finalization of the report.

Audit requires accurate calculation of the reserve price as per law, besides, recovery and fixing responsibility.

[DP No. 280-CD/K]

2.4.53 Non-realization of duty and taxes on import of inadmissible material against expired licences for Rs 3.56 million

According to rule 344 of the Customs Rules 2001, the licence for manufacturing in bond shall be issued for a period of three years and the same shall be renewed from time to time by the Collector of customs after satisfaction of certain conditions. The licensee shall be entitled to import the material, for

manufacture of export goods, as approved by the Collector and in respect of which an analysis certificate is approved.

MCC Hyderabad did not renew licences in case of six bonders and released two consignments without payment of duty and taxes imported by one bonder. The material was also not approved even in the expired licence and no analysis certificate was ever issued in respect of the material, resulting in non-realization of government dues for Rs 3.56 million.

The irregularity was pointed out to the department in Dec, 2012. DAC in its meeting held in Jan, 2013 directed the MCC to pursue for early recovery and finalization of adjudication as well as renewal. Further progress was, however, awaited till finalization of the report.

Audit emphasizes implementation of DAC directives, besides, fixing responsibility for non realization of duty and taxes.

[DP No.327, 330-CD/K]

2.4.54 Incorrect reporting of arrears of revenue for Rs 658.18 million

Section 202 of the Customs Act 1969, read with the Customs Rules 2001, provides the procedure for recovery and maintenance of record of arrears of government dues.

A comparison of monthly recovery/arrear statements along with master recovery register and relevant case files in MCC Exports Karachi, revealed a difference for Rs 658.18 million between the actual recoverable amount of arrears and the figures reported by MCC to FBR in monthly statements.

The irregularity was pointed out to the department during Dec, 2012. DAC in its meeting held in Jan, 2013 directed the MCC to produce all recovery registers to Audit for reconciliation and verification of the factual position. Further progress was, however, awaited till finalization of the report.

Audit requires implementation of DAC directives, besides, fixing responsibility against those who did not report correct position.

[DP No.340-CD/K]

2.4.55 Clearance of imported goods without obtaining financial guarantees for Rs 80.24 million

According to section 86 of the Customs Act 1969, the owner of warehoused goods shall submit to the Collector of customs, an indemnity bond and post-dated cheque equivalent to the duty assessed in respect of these goods and shall bind himself to observe all provisions of Customs law and to pay all duties and taxes demanded in a notice issued under section 112 of the Act in respect of these goods.

MCC Gawadar, did not obtain the indemnity bonds and post-dated cheques to secure the government revenue involved in nine cases of warehoused goods which resulted in non-securing of government revenue for Rs 80.24 million. Non-obtaining of financial guarantees made the revenue unsecure.

The irregularity was pointed out to the department in Dec, 2012. But the department failed to hold DAC meeting as well as rendering any reply.

Audit requires a requisite action under the law for clearance of imported goods without financial guarantees, besides, fixing the responsibility.

[DP No.316-CD/K]

2.4.56 Non-conduct of post-exportation audit for Rs 969.34 million

According to rule 307E (1) of the Customs Rules, 2001, the post-exportation audit of a DTRE approval is to be carried out and completed satisfactorily by the Regulatory Collector within a period of three months after the utilization period of 24 months, specified in rule 305, or after filing of reconciliation statement under rule 307D, whichever is earlier.

MCC Exports Karachi did not conduct audit of hundreds of DTRE approvals where utilization period was elapsed or the reconciliation statements had been received since years. Huge amounts of duty and tax remission were involved in these cases pertaining to the years 2005-06 to 2009-10. Audit selected sixty cases of DTRE approvals involving duty and tax remission for Rs 969.34 million, pertaining to the year 2009-10 to know the audit status of

these cases in which utilization period had expired and reconciliation statements were received much earlier but the cases had not yet been audited by the MCC.

The irregularity was pointed out to the department in Dec, 2012. DAC in its meeting held in Jan, 2013 directed the MCC for early finalization of all pending audits and intimate the progress to Audit without further delay. Further progress was, however, awaited till finalization of the report.

Audit emphasizes that pending audits be conducted expeditiously as per DAC directives.

[DP No.347-CD/K]

2.4.57 Excess deduction of commission by GPO for Rs 1.81 million

According to para 90 of CGO 12 of 2002 dated 15th June 2002, GPO, Karachi is authorized to collect customs duty and sales tax on inward postal parcels after due assessment by the customs authorities. According to the laid down procedure, the Senior Postmaster shall issue two cheques i.e. for customs duty and sales tax to the MCC Preventive, Karachi. On receipt of cheques, the Collector shall make payment of commission charges to GPO @ 12% of the amount of duty and tax collected by the postal authorities.

The Postal Appraisal Department of International Mail Office Karachi, deducted commission at source @ 14.52% instead of 12% of the collected amount of customs duty and sales tax which resulted into excess payment of commission for Rs 1.81 million.

The irregularity was pointed out to the department during Dec, 2012. DAC in its meeting held in Jan, 2013 directed the MCC to pursue the case with FBR for early finalization of the matter and recovery of government dues. Further progress was, however, awaited till finalization of the report.

Audit requires early recovery from Postal Department, besides, fixing responsibility for allowing excessive commission.

[DP No.281-CD/K]

2.4.58 Excess expenditure on pay and allowances for Rs 76.26 million

Paras 12, 88 and 106 of General Financial Rules, read with para 5(b) of system of Financial Control and Budgeting 2006, provide that the expenditure in

excess of the amount of grant or appropriation as well as the expenditure not falling within the scope or intention of any grant or appropriation, unless regularized by a supplementary grant or a technical supplementary grant shall be treated as unauthorized.

The working strength of officers and staff of MCC Islamabad, Director I&I Peshawar and Director PCA Lahore was excess than the sanctioned strength. According to statement of sanctioned and working strength for the year 2011-12, resulting in excess payment of Rs 76.26 million on pay and allowances.

The irregularity was pointed out to the department in Nov 2012. DAC in its meeting held in Dec, 2012 directed the department to pursue the case with FBR for resolving the issue and regularisation of the amount by 31.01.2013. Further progress was not reported till finalization of the report.

Audit requires implementation of DAC directive.

[DP No.324, 491,729-Exp]

2.4.59 Un-authorized expenditure on POL, repair and maintenance of vehicles for Rs 22.55 million

According to the Staff Car Rules 1980, proper record i.e. log books, movement registers and requisition slips are required to be maintained in respect of all government vehicles for effective control on expenditure on POL and repair & maintenance of official vehicles.

Twelve offices under FBR incurred expenditure on POL and repair/maintenance of official vehicles without maintaining the requisite record. Expenditure was also incurred on vehicles which were not even on the strength of the department, resulting in an un-authorized expenditure for Rs 22.55 million.

The irregularity was pointed out to the department in Dec, 2012. DAC in its meeting held in Dec 2012, directed the department to attend the issue and get the fact verified by audit. Further progress was, however, awaited till finalization of the report.

Audit emphasizes investigation for the unauthorised expenditure, besides, fixing responsibility.

[Annexure- 25]

2.4.60 Unauthorised payment of salaries and gas charges from public consolidated fund not relating to public service for Rs 9.74 million

Para 10 of the GFR provides that the expenditure is not prima facie more than that the occasion demands and that every government servant exercises the same vigilance in respect of expenditure incurred from public fund as a person of ordinary prudence would exercise in respect of expenditure of his own money.

MCCs Appraisement Karachi and Faisalabad paid pay and allowances to staff of customs laboratory for Rs 7.72 million and Rs 1.64 million respectively and MCC Preventive Karachi, paid gas charges of Rs 0.38 million and retained the revenue generated from the laboratory fee in “common pool fund” instead of depositing the same into government treasury. This resulted in unauthorised expenditure for Rs 9.74 million.

The irregularity was pointed out to the department in Nov 2012, but no reply was rendered. DAC in its meeting held in Dec, 2012 and Jan, 2013 directed the MCCs to examine the issue as per law and report the progress to Audit. Further progress was, however, awaited till finalization of the report.

Audit requires that earnings of the laboratories being run at government expense be deposited into government treasury, besides, taking appropriate action for such an unlawful utilization of government money.

[DP Nos. 258/Exp, 111/Exp/K & 212/Exp/K]

2.4.61 Excess payment of rent on account of office and residential accommodation for Rs 8.69 million

According to Government of Pakistan, Ministry of Housing and Works Notification No.F-2(3)/2003-Policy, dated 31.07.2004 and No.F-2(1)/2000/Policy, dated 14.04.2008, read with section 17 of the Registration Act 1908, there are certain pre-requisite for acquiring of accommodation for office building.

The Directorate of Internal Audit Customs Lahore and the MCC Islamabad have hired the buildings for office and residential accommodation without keeping in view the criteria laid down in the law. Similarly, MCC Exports Karachi and Directorate General of Customs Training Karachi, made

inadmissible payment of rent for residential accommodation to their employees which resulted in inadmissible payment for Rs 8.69 million.

The irregularity was pointed out to the department in Nov, 2012. DAC in its meeting held in Dec, 2012 directed the department to revisit the case in the light of law and also recover the amount from the concerned officers. Further progress was not reported till finalization of the report.

Audit requires implementation of DAC directive, recovery from the concerned functionaries and fixing responsibility for the violation.

[DP No.492, 693, 696-Exp]

2.4.62 Unlawful expenditure due to unauthorised use of operational vehicles and non recovery of cost of monetized vehicles for Rs 7.99 million

As per Rule (xv) of rules/policy for monetization of transport facility for civil servants (BS-20 to BS-22), issued vide No. 6/7/2011-CPC Islamabad, dated 12th Dec, 2011 by the Cabinet Division; Ministries /Divisions /Departments needing operational vehicles shall get their authorization of such vehicles fixed from the Vehicle Committee. Finance Division and the respective Ministry/Division/Department and no POL/repair was allowed from government expense on these vehicles with effect from 01.01.2012.

- i) Five MCCs and five departments of FBR, maintained a pool of one hundred and ninety one operational vehicles ranging from 1000-cc to 3500-cc without authorization of such vehicles from the vehicle committee which resulted in unlawful expenditure for Rs 7.20 million.
- ii) The Chief Collector Customs (North), DG Internal Audit Customs and DG I&I Islamabad, did not deduct the cost of the vehicles and pay of the driver from pay of the officers in accordance with the monetization policy which resulted in non realization for Rs 0.67 million.
- iii) MCC Port Muhammad Bin Qasim Karachi, incurred expenditure on account of POL & CNG on monetized vehicles in the month of Jan 2012, resulting in unauthorized expenditure for Rs 0.12 million.

The irregularity was pointed out to the department in Dec, 2012. DAC in its meeting held in Dec, 2012 and Jan, 2013 directed the offices concerned to obtain fresh authorisation of vehicles from the vehicle committee and recover the amount regarding monetized vehicles and get the latest position verified by Audit by 31.1.2013. Further progress was not reported till finalization of the report.

Audit requires implementation of DAC directives, besides, fixing responsibility for the violation.

[Annexure-26]

2.4.63 Excess expenditure on operational vehicles of “CARE Project Office” for Rs 3.32 million

According to rule 2 of Staff Car Rules 1980, the operational vehicle means a motor vehicle used by the staff of technical department for operational duties.

MCC PaCCS Karachi, allocated thirteen operational vehicles to the Directorate of CARE Project Custom House Karachi. An amount of Rs 3.32 million was paid on POL charges and repair etc. without justification. These vehicles were allocated to an office comprising a total staff of only six members. Moreover, allocation of five vehicles to one officer i.e the Project Director is further contrary to the government policy of the Cabinet Division.

The irregularity was pointed out to the department in Dec, 2012. The MCC informed that these vehicles were under operational use of both the offices i.e MCC PaCCS and CARE project. DAC in its meeting held in Jan, 2013 directed the MCC to get the record verified by Audit. Further progress was not reported till finalization of the report.

Audit requires proper investigation for unlawful use of thirteen vehicles by the office of Project Director CARE, having staff of six members only, with limited operational activity, keeping in view the fact that MCC PaCCS has a separate fleet of vehicles. It is further needed that unlawful expenditure be recovered, besides, fixing responsibility.

[DP No. 262/Exp/K]

2.4.64 Inadmissible payment of conveyance allowance for Rs 2.50 million

According to rule 7(A) of Supplementary Rules, conveyance allowance is not admissible during leave or temporary transfer. Rule 5 (9) of the Staff Car Rules 1980, provides that the use of staff car shall not be allowed to an officer who is in receipt of conveyance allowance under Supplementary Rule 25.

Ten offices under FBR failed to deduct conveyance allowance from the pay of officers/officials who availed leave on full pay / half pay or were transferred or were allowed the facility of official motor vehicle which resulted in inadmissible payment for Rs 2.50 million.

The irregularity was pointed out to the department in Nov, 2012. DAC in its meeting held in Dec, 2012 and Jan, 2013 directed the MCCs to recover the amount from the concerned persons and get the position verified by Audit. Further progress was not reported till finalization of the report.

Audit requires implementation of the DAC directives.

[Annexure-27]

2.4.65 Inadmissible payment of utility charges for Rs 2.44 million

Para 10 of the GFR, provides that the expenditure is not prima facie more than the occasion demands and that every government servant exercises the same vigilance in respect of expenditure incurred from public funds as a person of ordinary prudence would exercise in respect of expenditure of his own money.

MCC Preventive Karachi, paid electricity charges for Rs 2.37 million and gas charges for Rs 0.07 million for a guest house and sports club. Whereas the revenue generated from the guest house booking and monthly subscriptions of the sports club members, was kept in common pool fund instead of getting it deposited into government treasury.

The irregularity was pointed out to the department in Dec, 2012. DAC directed the department to re-examine the issue and take action as per law. Further progress was not reported till finalization of the report.

Audit requires that earnings of the guest house and sports club being run at government expense be deposited into public treasury, besides, taking appropriate action for such an unlawful utilization of government money.

[DP No.220, 227/Exp/K]

2.4.66 Non-deposit of training and license fee into government account for Rs 1.82 million

According to SRO 449(1)/2011 dated 20.05.2011 fee for training and issuance of licenses of Customs Agents was required to be recovered @ Rs 5,000 by the Directorate of Training & Research Islamabad. Rule 4-8 of GFR, provided that all moneys recovered as due to the Government are required to be deposited/credited into public account. The rules 76 to 81 of the Federal Treasury Rules provided that money tendered as dues of Government or for deposit should not pass through the hands of department's officers unnecessarily. The monetary transactions should be entered into cash book which should be closed and tallied on monthly basis with the bank account when cash is deposited into bank.

The Directorate of Training and Research (Customs) Islamabad, collected an amount of Rs 1.82 million on account of training and issuance of licenses of Customs Agents, but did not deposit it into Government account for the year 2011-12. The said amount was kept in a private bank account No. 001106-06, NBP Holiday Inn branch Islamabad by the departmental authorities which was irregular.

The irregularity was pointed out to the department in Sep, 2012 the para was not discussed in the DAC meeting held in Dec 2012. Further progress was not reported till finalization of the report.

Audit requires that training and license fee be deposited into government treasury instead of keeping in private account, besides, fixing responsibility.

[DP- 332 /Exp]

2.4.67 Illegal expenditure on account of utilities for Rs 1.61 million

According to section 14A of the Customs Act 1969, any agency or person managing or owning a customs-port, a customs-airport or a land customs station shall provide at its or his own cost adequate accommodation to customs staff for offices, examination of goods, detention and storage of goods and for other

departmental requirements to be determined by the Collector of Customs and shall pay utility bills, rent and taxes in respect of such accommodation.

MCC Sialkot, incurred expenditure on account of utility bills i.e. telephone bills, electricity bills, diesel purchased for generator and rent of official building itself, whereas, the same facilities were to be provided or managed by the Dryport Trust, Sialkot which resulted in irregular expenditure for Rs 1.61 million.

The irregularity was pointed out to the department in Oct, 2012. In the DAC meeting held in Dec, 2012, MCC did not submit reply. Further progress was not reported till finalization of the report.

Audit requires proper investigation for the irregular expenditure on utilities and emphasizes recovery from the Dryport Trust.

[DP No.157-Exp]

2.4.68 Unjustified expenditure on operational vehicles for Rs 1.48 million

According to rule 2 of Staff Car Rules 1980, the operational vehicle means a motor vehicle used by the staff of technical department for operational duties.

The Directorate of Post Clearance Audit Karachi, incurred expenditure on account of POL, CNG & Repair of Transport on eight operational vehicles. These vehicles were allocated to the Director, Additional Directors I & II, Data Base Administrator and Deputy Directors Team , A, B, C & D without justifying and providing the details of operational duties/activities performed by them which resulted in un-justified expenditure for Rs 1.48 million.

The irregularity was pointed out to the department in Dec, 2012. In the DAC meeting held in Dec, 2012, department did not submit reply. Further progress was not reported till finalization of the report.

Audit requires proper investigation for unjustified expenditure on the operational vehicles.

[DP No. 169/Exp/K]

2.4.69 Illegal consumption of fuel for Rs 1.47 million

The standards of financial propriety under para 10 of the GFR provide that the expenditure is not prima facie more than the occasion demands and that every Government servant exercises the same vigilance in respect of expenditure incurred from public funds as a person of ordinary prudence would exercise in respect of expenditure of his own money.

MCC Exports Karachi, incurred expenditure for Rs 1.47 million, 72% of the total budget under heads POL & CNG through fleet cards on four out of twenty-one operational vehicles at an average cost of Rs 0.37 million per vehicle per year without any justification and providing detail of activities/operational duties performed. It resulted in irregular consumption of POL & CNG for Rs 1.47 million.

The irregularity was pointed out to the department in Dec, 2012. The MCC informed that all these vehicles were performing operational activities. DAC in its meeting held in Jan, 2013 directed the MCC that CNG and POL bifurcation and purpose of journey on requisition slips be provided to Audit. Further progress was not reported till finalization of the report.

Audit requires proper investigation for illegal consumption of fuel, besides, fixing responsibility.

[DP No. 199/Exp/K]

2.4.70 Non-adjustment of T.A. advance for Rs 1.38 million

According to the provisions of Rule 269 of GFR read with para 5.107, T.A advance should be adjusted through T.A. bill immediately on return to headquarter on or 30th June whichever is earlier.

Five offices of FBR granted T.A advance for Rs 1.38 million but adjustment of the advance was not made. Due to non-compliance with the procedures laid down for the purpose, the public money became the source of personal benefit to the officers.

The irregularity was pointed out to the department in Dec, 2012. The DAC in its meeting held in Dec, 2012 and Jan, 2013 settled the para of MCCs

Faisalabad and Export Karachi subject to verification and directed the MCC Peshawar to expedite the recovery and get the position verified by Audit by 10.01.2013. In other two cases the departments stated that TA/DA is being adjusted and Audit will be informed accordingly. Further progress was not reported till finalization of the report.

Audit requires implementation of DAC directives.

[DP No.313, 369-Exp, 103,203,&248/Exp/K]

2.4.71 Illegal payment of house rent allowance for Rs 1.29 million

According to the Ministry of Finance, O. M.No.F 2(3)2003-Policy, dated 1st July 2004 every department shall ensure the recovery of house rent allowance from the allottees of government accommodation.

MCC Islamabad and Preventive Karachi, allowed hiring of houses for residential accommodations to their employees but failed to recover the house rent allowance which resulted in loss for Rs 1.29 million.

The irregularity was pointed out to the department in Dec, 2012. In the DAC meeting held in Dec, 2012 and Jan, 2013 MCC Islamabad, replied that an amount of Rs 0.031 million was recovered. DAC directed the MCCs to pursue recovery. Further progress was not reported till finalization of the report.

Audit requires expeditious recovery, besides, fixing responsibility.

[DP No. 505-Exp and 207/Exp/K]

2.4.72 Excess payment of reward for Rs 1.22 million

The FBR's circular C.No.6 (I) S&M/2007, dated 14-6-2007 read with Unified Reward Rules 2006, issued under SRO No. 1213(I)/2006, dated 01.12.2006 provides that recommendation for reward should not exceed 40% of the total working strength of the concerned unit/department and it shall be ensured that payment of reward in a financial year do not exceed two basic pays.

MCC Sialkot, paid cash reward to 4 officers and 48 officials more than two pays. Further, 115 officials, 85.19% of total working strength of 135

officials were paid cash reward, meaning thereby, 45.19% officials were paid reward in excess of prescribed limit. It resulted in excess payment of reward for Rs 1.22 million.

The irregularity was pointed out to the department in Dec, 2012. In the DAC meeting held in Dec, 2012 MCC did not submit reply. Further progress was not reported till finalization of the report.

Audit requires recovery of excess paid reward, besides, fixing responsibility for non observance of rules.

[DP No. 156-Exp]

Internal Control Weaknesses

INTOSAI defines internal control as the plans of an organization, including management's attitude, methods, procedures and other measures that provide reasonable assurance to achieve general objectives in an economical, efficient and effective manner. Internal controls safeguard the resources against loss due to waste, abuse, mismanagement, errors and other irregularities. Management can assure adherence to laws, regulations and its directives through internal controls. Audit assesses the effectiveness of the design and operation of internal controls.

Audit identified and evaluated the control environment and the effectiveness of the internal controls that were in place and observed the weaknesses like:

- a) Monitoring system was not appropriate to ensure correct assessments, leakage of revenue through bonded warehouses and non-encashment of bank guarantees/indemnity bonds
- b) There was no effective internal control mechanism to watch compliance of provisions of customs laws and rules
- c) Wrong practices were being followed in violation of rules

2.4.73 Unlawful retention of sale proceeds of auction in current account of the Collector for Rs 26.13 million

According to rule 7 of Federal Treasury Rules, all money recovered on behalf of Federal Government are without any undue delay was required to be deposited in full with the government treasury (Customs treasury) so as to include the same into the federal consolidated fund of the government.

MCC Lahore and DG (I&I) Islamabad, did not transfer the sale proceeds of auctioned goods kept in the current account of the Collector of Customs, whereas, the same was required to be transferred to the custom treasury immediately after finalization of bids. This resulted in un-lawful retention for Rs 26.13 million.

The irregularity was pointed out to the department during Sep and Oct, 2012. In DAC meeting held in Dec, 2012 the paras were not discussed. Further progress was not reported till finalization of the report.

Audit requires early transfer of sales proceeds to the national exchequer.
[DP Nos.666, 711,712,723]

Performance

2.5 Auction of Goods

Auction of imported, confiscated and cargo goods is dealt under sections 82, 168, 169, 182 and 201 of the Customs Act 1969, read with Customs Rules, 2001. If the imported goods are not cleared and removed from state warehouse can be sold in auction after due notice given to the owner. Seized goods are liable to confiscation and the property of the confiscated goods vests in the government. The competent authority passes the orders directing the concerned Deputy/Assistant Collector (Auction) for the sale of the goods so confiscated.

Disposal of such goods is made through auction or through other prescribed outlets i.e. Canteen Store Department, Utility Store Corporation and Co-operative Stores etc. Before auction the Reserve Price of auctionable goods has to be determined in accordance with Customs Rules 2001, read with relevant provisions of the Customs Act 1969.

The objectives of audit were to see whether:

- the provisions of the Customs Act 1969, rules, regulations and procedures etc. are being enforced and observed in letter and spirit.
- the goods required for auction has been disposed off and the sale proceeds credited to the Government Accounts.
- the reserve price has been worked out correctly.
- there exist proper internal controls to monitor the performance of auction.

Auction of goods is a high risk area and it was specially focused and audited on test check basis during March, 2012 to June 2012 for the period 2008-09 to 2010-11. This revealed that auction cells of the department were not working efficiently and effectively. The results are given in the succeeding paras.

2.5.1 Non production of record

According to a section 14(2)&(3) of the Auditor- General's (Functions, Powers and Terms & Condition of Service) Ordinance 2001, the officer incharge of any office or department shall afford all facilities and produce record for audit

and inspection and comply with requests for information in as complete in form as possible and with all reasonable expedition.

The field audit teams requisitioned record but was not provided despite repeated requests, by the following offices:

- MCC Lahore
- Director Intelligence and Investigation, Karachi
- MCC (Appraisal), MCC (Preventive) and MCC Port Muhammad Bin Qasim, Karachi

The irregularity was pointed out to the department during March to June, 2012. DAC in its meeting held on 18.10.2012 directed the MCCs to provide the relevant record to Audit by 30.11.2012. Further progress was not reported till finalization of the report.

Audit emphasizes FBR to ensure timely production of relevant record, besides, fixing responsibility.

2.5.2 Late deposit of sale proceeds in violation of rules for Rs 41.71 million

According to rule 7 of Federal Treasury Rules, all money collected on behalf of Federal Government was required to be deposited into Government Treasury without any delay. As per Rule 67 of Custom Rules 2001, (Chapter V, Auction), 25% earnest money was required to be deposited by the successful bidder after the fall of hammer.

The department violated the rules and regulations repeatedly as is evident from the following:

- (a) A public auctioneer received 25% earnest money of Rs 105.44 million but deposited Rs 103.16 million into Government Treasury. As per rules no money can be retained by the public auctioneer from earnest money. The violation of rules resulted in loss of revenue of Rs 2.28 million.
- (b) The public auctioneers late deposited the earnest money of Rs 73.01 million received from successful bidders in the treasury or the State Bank of Pakistan ranging from 4 to 202 days. Resultantly, the public money

remained out of the Government Exchequer for a considerable period without any cogent reason. In most cases the balance amount of 75% of bids were deposited earlier than the deposit of earnest money. If this amount was timely deposited the government might have earned possible interest of Rs 0.44 million.

- (c) As per rule 69 of Customs Rules 2001, if the balance amount of the final bid is not paid by the successful bidder in cash or through bank draft to the NBP/Treasury within seven days or within the period extended under rule 68 by the Additional Collector / Collector, as the case may be earnest money received would be forfeited. The records revealed that 147 bidders had not paid the balance amount of Rs 38.98 million within specified time. Earnest money was required to be forfeited.
- (d) The record of MCC Lahore and I & I, Lahore, revealed that the sale proceeds of auctioned goods were temporarily kept in current account of the Collector of Customs as under:

Customs Receipt	CA121
Sales Tax Receipt	CA741
Income Tax (236A) Receipt	CA122

As per rule the amount collected on account of sale proceeds was required to be deposited and transferred to the treasury. The receipts from current account to proper head of account were transferred after expiry of period ranging from 20 to 343 days.

The irregularity was pointed out to the department during March to June 2012. The department stated that recovery notices were issued to the auctioneers. DAC in its meeting held on 18.10.2012 directed the department to recover the amount and follow the legal provisions for auction amount / earnest money/commission, and also directed to complete the action and submit a comprehensive reply by 30.11.2012. Further progress was not reported till finalization of the report.

Audit requires early transfer of sales proceeds to the national exchequer.

2.5.3 Under-assessment of reserve price for Rs 68.93 million

The reserve price of confiscated goods is determined in accordance with the provisions of section 25 read with section 18 of the Customs Act 1969. Rule 58(2) of Customs Rules 2001, states that the reserve price consists of appraise value, duty, taxes and other charges.

In 132 cases of two MCCs the reserve price was under assessed due to miscalculation and undue benefit was given to the successful bidder for Rs 68.93 million.

The irregularity was pointed out to the department during March to June, 2012. DAC in its meeting held on 18.10.2012 directed the department to submit a comprehensive reply. Further progress was not reported till finalization of the report.

Audit requires uniform practice under auction rules for calculating the reserve price.

2.5.4 Irregular abatement in reserve price of Rs 102.69 million

According to section 27 of the Customs Act 1969, if before the examination of any imported goods the owner thereof informs in writing to an officer of customs not below the rank of the Assistant Collector that the value of the goods as declared in the goods declaration has diminished as a result of some damage or deterioration sustained by them before or during unloading at the port of destination, that officer may appraise the value of the damaged or deteriorated goods and the owner shall be allowed abatement of duty in proportion to the diminution of value so appraised, whether duty is leviable ad valorem or otherwise. Whereas as per Rule 58(2) of the Customs Rules 2001, reserve price of auctionable goods is to be determined in accordance with the provisions of section 25 of Customs Act 1969.

The Secretary Law & Procedure, FBR allowed abatement of 10 to 15% per year with a maximum depreciation up to 50% in respect of auctionable goods vide letter C.No.3(11)/L&P/92 dated 15.04.2004. On the basis of the same, abatement was given by MCCs (A), (P) and (PMBQ) Karachi, which resulted in to reduction of reserve price for Rs 102.69 million as calculated in 81 cases.

It is worth mentioning that there was sufficient provision to handle the situation in Rule 73, wherein if the amount of the highest bid given by a bidder at an auction is up to eighty percent of the reserve price, the Deputy Collector/Assistant Collector (Auction), in case up to sixty percent of the reserve price, the Additional Collector and in case less than sixty percent, the Collector may accept the bid. In the presence of above provision of law the letter issued by the Secretary FBR was also found to be ultra virus.

Audit observed that the letter of FBR reduced the portion of government duty and taxes which was retainable from the sales proceeds under Section 201 of the Customs Act 1969. Non-observing of codal provision be clarified and ultra vires letter in question be withdrawn henceforth and loss due to reduction in reserve price also be quantified and recovered.

The irregularity was pointed out to the department during March to May 2012. DAC directed the MCC to submit a comprehensive reply to Audit by 30.11.2012. Further progress was not reported till finalization of the report.

Audit requires FBR to observe the codal provisions of law relating to auction of confiscated goods. The allowing of maximum depreciation upto 50% reduced the reserve price in the light of above referred letter also be justified.

2.5.5 Non/delayed issuance of notice under section 82 of the Customs Act 1969

According to section 82 of the Customs Act 1969, if any goods are not cleared for home-consumption or warehoused or transhipped or not loaded on the conveyance for export or removed from the port area within twenty days of their arrival at a customs station or within such extended period not exceeding ten days, an officer not below the rank of the Assistant Collector may allow, and such goods may, after the due notice given to the owner, to the carrier, shipping or customs agent, the goods may be sold in auction notwithstanding the fact that adjudication of the case under Section 179, or an appeal under Section 193, or 196, or a proceeding in any court is pending.

According to rule 58(1) of Customs Rules 2001 as soon as the goods at any place in the custody of any person have reached the stage of being sold under the Act, or in the opinion of such person as required to be sold by auction,

shall be brought to the notice of the Deputy Collector or the Assistant Collector of the area concerned by that person giving a list of such goods.

In 212 cases of six MCCs notices under section 82 were not issued or late issued ranging a period from 44 to 7153 days.

The irregularity was pointed out in March 2012 to June 2012. During DAC meeting held on 18.10.2012, MCCs replied that the action was initiated under section 82 and will be communicated to Audit. Further progress was not reported till finalization of the report.

Audit requires early disposal of goods as per law.

2.5.6 Blockage of revenue due to non-auction of goods/vehicles for Rs 84.23 million

According to section 82 of the Customs Act, 1969, if any goods are not cleared for home consumption or warehoused or transhipped or exported or removed from the port within 20 days extendable for 10 days after unloading or filing of goods declaration. If any goods are not cleared for home consumption of their arrival at custom station and such goods may after the due notice given to the owner may be sold in auction.

In 92 cases of three formations of FBR, cases ripe for auction involving reserve price of Rs 84.23 million were pending for disposal since 2008.

The irregularity was pointed out to the department during March to June, 2012. DAC directed the MCC to submit a comprehensive reply to Audit by 30.11.2012. Further progress was not reported till finalization of the report.

Audit emphasizes FBR to follow the provision of law, besides, fixing responsibility for blockage of revenue.

2.5.7 Theft of government property due to insufficient security measures for Rs 1.60 million

Para 20 of General Financial Rules Vol-I requires that any loss of public money, departmental revenue or receipts, stores, etc. held by or on behalf of government caused by defalcation or otherwise must be reported to Audit immediately even if such loss has been made good by the party responsible.

Confiscated goods were found short from the warehouse of MCC Lahore and remained unchecked due to improper security measures. An officer namely Mr. Israr Hussain, Deputy Superintendent and other officials were found involved in theft of confiscated goods at state warehouse Shah Noor. An FIR was also lodged on 27.3.2012 by the department against them for loss of revenue of Rs 1.60 million and departmental inquiry is under process.

The irregularity was pointed out to the department in Nov, 2012. The para was not discussed in the DAC meeting held in Dec, 2012. Further progress was not reported till finalization of the report.

Audit requires early recovery, besides, fixing responsibility for theft.

[Annexure-28]

2.6 Duty and Tax Remission for Exports

Federal Board of Revenue, Islamabad, introduced the scheme of Duty and Tax Remission for Exports (DTRE) in the year 2001 which was included in Customs Rules, 2001 notified vide SRO 450(I)/2001 dated 18th June, 2001 with the aim to provide incentives to exporters to promote exports to earn foreign exchange. The DTRE scheme was earlier regulated by Sales Tax Department. However, the regulatory authority of DTRE scheme was transferred to Customs Department w.e.f. 01.07.2009.

The goods imported under DTRE are released free of duty and taxes under security instrument furnished by the DTRE users. The liability of a DTRE user to pay duty and taxes under a security instrument shall not be discharged unless post-exportation audit is carried out and completed satisfactorily within a period of three months after the period specified in rule 305 or after filing of reconciliation statement under rule 307D, whichever is earlier.

The objectives of audit were to review the system of DTRE to determine efficiency of system and leakage of government revenue. Audit intended to examine whether the prevailing performance levels commensurate with the set objectives for which this scheme was introduced.

DTRE is a high risk area and it was specially focused and audited on test check basis during Jan to June 2012 for the periods 2009-10 & 2010-11. This revealed that DTRE cells of the department were not working efficiently and effectively for watching the interest of public exchequer as is evident in the succeeding paras.

2.6.1 Non-production of record and data

According to section 14(2) & 3 of the Auditor-Generals' (Functions, Powers and Terms and Conditions of Service) Ordinance 2001, the officer-in-charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

Following record and data requisitioned in connection with audit of DTRE scheme for the period from July, 2008 to Dec, 2011 was not provided to Audit despite repeated requests/ reminders.

Sr. No.	Name of MCC	Detail of record not produced
1	MCC Export Karachi	268 DTRE files, DTRE approval 2009-2011, Contravention/adjudication record/files with amount adjudged and recovered, Record and number of cases which have been adjudicated/ or are subjudice / pending in the courts of law, List/Details of Unaudited DTRE approvals (cases) which have become due for audit. Soft data from MCC, PaCCS as per Proforma B, C & D. Soft data of One Custom as per Proforma E & F
2	MCC Lahore	60 DTRE files
3	MCC Lahore	30 DTRE files

The irregularity was pointed out to the department during Feb, to June, 2012. DAC in its meeting held on 18.10.2012 directed the MCCs to provide the relevant record to Audit by 30.11.2012. Further progress was not reported till finalization of the report.

Audit requires FBR to ensure the timely production of record to Audit by its field offices in future, besides, taking suitable action against the responsible persons.

2.6.2 Failure of the department to conduct mandatory audit of DTRE approvals involving duty and taxes of Rs 4,426.03 million

According to rule 307-E (1) of the Customs Rules 2001, the liability of a DTRE user to pay duty and taxes under a security instrument furnished by him under this sub-chapter, shall not be discharged unless post-exportation audit is carried out and completed satisfactorily within a period of three months.

Post exportation audit of 1020 cases were pending either with the concerned DTRE branch or with Post Clearance Audit. The cases pertained to years 2002, 2005, 2006, 2007, 2008 and 2009, so the security instruments furnished by the DTRE holders stood expired. The inaction of the department has endangered the duty and taxes of Rs 4,426.03 million, as detailed below:

(Rs. in million)

S.No.	Name of Collectorate	No. of cases	Amount	Remarks
1	MCCs Lahore, Islamabad, Faisalabad, Sambrial and Multan	284	893.19	Pending with the DTRE Cell
2	MCCs Lahore and Islamabad	207	3395.39	Pending with post clearance audit
3	MCC Islamabad	1	84.34	Pending with LTU Islamabad
4	MCC Export Karachi	316	-	Pending with the DTRE Cell
5	-do-	193	-	Pending with post clearance audit
6	MCC Lahore	19	53.12	Pending with the DTRE Cell

The irregularity was pointed out to the department during Feb to June, 2012. DAC in its meeting held on 18.10.2012 directed the MCCs to undertake audit of all the DTRE approvals by 31.12.2012. Further progress was not reported till finalization of the report.

Audit emphasizes early completion of post exportation audit.

2.6.3 Unauthentic export to Afghanistan involving government taxes of Rs 1,339.71 million

According to para 7(2)(i) of the Export Policy Order 2008-09, the proof that goods exported from Pakistan have reached Afghanistan shall be verified on the basis of copy of import clearance documents by Afghan customs authorities across the border.

- a) Certain DTRE approval holders exported approved goods to Afghanistan. However, the relevant Afghanistan customs clearance documents were neither produced by the DTRE holders nor verified by the department. In

the absence of Afghanistan customs clearance documents, the export cannot be considered authenticated involving government taxes of Rs 1,261.10 million.

b) M/s Amco Paint Ind. Lahore were allowed following DTRE approvals

(Rs in million)

DTRE Approval No.	PDC amount
STL/2678/15122008	20.39
LHR/3117/24082009	11.41
LHR/3243/05112009	58.00

Audit of above DTRE approvals was conducted by the department. The auditor narrated in the audit report that “documents issued by the Government of Afghanistan were provided by the approval holder as required under the Export Policy Order. However, the same were written in Persian language so it was difficult for us to understand the same”. The security instruments given by the DTRE user were released on the basis of such audit report despite the fact that actual export of goods to Afghanistan remained un-verified. It was further noticed that according to PACCS data, nothing was exported in respect of DTRE No. LHR/3117/2408200 & STL/2678/15122008 as the whole quantity was shown in the closing stock. Unless, the documents issued by Afghanistan customs department and PaCCS data were provided, the amount of Rs 89.80 million was recoverable from the unit concerned.

The irregularity was pointed out to the department during Feb to June, 2012. DAC in its meeting held on 18.10.2012 directed the MCC Lahore to advise the concerned exporters to approach Afghan Customs Authorities for obtaining English version of the relevant documents for submission to MCC and inform progress to Audit by 30.11.2012. Further progress was not reported till finalization of the report.

Audit requires that relevant export documents be provided at the earliest.

2.6.4 Failure of the department to check non consumption of goods imported under DTRE involving revenue for Rs 860.62 million

According to rule 307-D of the Customs Rules 2001, within sixty days of the expiry of utilization period allowed under this sub-chapter, or earlier after export, a DTRE user shall file to the Regulatory Collector a reconciliation statement in the form as set out in Appendix III.

During scrutiny of DTRE files, it was observed that neither the DTRE users had submitted the reconciliation statement nor the Collectorate had pursued the matter despite lapse of considerable time. Moreover, no PaCCS data was provided as required under the rules meaning thereby that no exports had been made. The DTRE holders were thus liable to pay remitted amount of duty and taxes of Rs 860.62 million which was not realized. The original PDCs and indemnity bonds were also missing in some files which show that same had been returned to users without audit of DTRE. The lapse shows weak internal control and inefficiency of departmental audit.

The irregularity was pointed out to the department during Feb to June, 2012. DAC directed the MCC to provide the requisite data maintained by PaCCS/WEBOC to Audit by 30.11.2012. Further progress was not reported till finalization of the report.

Audit requires that relevant rules be enforced to avoid recurrence of such irregularities in future, besides, recovery of government dues.

2.6.5 Non-protection of government interests due to acceptance of PDCs / indemnity bond / bank guarantee for lesser amount for Rs 53.44 million

According to rule 300(2) of the Customs Rules 2001, the amounts suspended by the Regulatory Collector in respect of leviable customs-duties, excise duty, sales tax and withholding tax shall be secured for a period of thirty months.

Certain manufacturers were granted DTRE approvals for import of Polyester Staple Fiber (Hs Code 5503.2010). The goods were classified under Hs Code 5503.2010 and liable to CD @10%. PDCs, Indemnity Bonds and Bank Guarantee were required to be obtained accordingly. It was, however, observed that PDCs were furnished and accepted against custom duty calculated @ 6.5%

or 4.5% under SRO 567(I) /2006 dated 05.06.2006 (S.No.124). The said SRO was not valid for import under DTRE. The lapse was not checked by the department and PDC, indemnity bond and B.G. for a lower amount were accepted. Resultantly, the government revenue of Rs 53.44 million remained unsafe which reflect weak internal controls and inefficiency.

The irregularity was pointed out to the department during Feb to June, 2012. DAC directed the MCC to re-examine the cases and action taken where necessary, report progress to Audit and FBR by 30.11.2012. Further progress was not reported till finalization of the report.

Audit requires that relevant rules be enforced to avoid recurrence of such irregularities in future, besides, recovery of government dues.

2.6.6 Non-realization of government revenue due to misuse of DTRE approval for Rs 8.33 million

According to rule 302 (1) of the Customs Rules 2001, a DTRE user shall be entitled to acquire input goods without payment of customs duty, excise duty, sales tax or withholding tax in accordance with his DTRE approval.

During scrutiny of DTRE approval and audit files it was observed that the DTRE approvals were granted in favour of two DTRE users in 06 cases for import of duty/tax free import of input goods for the manufacture of export goods. However, the import/export GDs and documents were in the name of persons other than the DTRE users. Resultantly the DTRE approvals were not used by the genuine users but by the persons other than the actual DTRE users. Hence the remission of duty and taxes in these cases was irregular causing non-realization of government revenue amounting to Rs 8.33 million.

The irregularity was pointed out to the department during May and June, 2012. DAC directed the MCC to submit a comprehensive reply to Audit and FBR by 30.11.2012. Further progress was not reported till finalization of the report.

Audit requires that relevant rules be enforced to avoid recurrence of such irregularities in future, besides, recovery of government dues.

2.6.7 Non realization of duty and taxes on unconsumed input goods for Rs 5.69 million

According to rule 307-A (2) (C) of the Customs Rules 2001, a DTRE user may with the permission of the Regulatory Collector dispose of the input goods through local sale on payment of duties and taxes leviable at the time of such sale.

Certain DTRE approval holders failed to utilize the local & imported raw materials for the approved purpose within the prescribed period. The DTRE user was liable to pay duty & taxes on un-consumed quantity which was not recovered. This resulted in short-realization of government revenue of Rs 5.69 million.

The irregularity was pointed out to the department during May and June, 2012. DAC directed the MCCs to recover duty and taxes on the left over/unutilized raw material by 30.11.2012. Further progress was not reported till finalization of the report.

Audit requires that relevant rules be enforced to avoid recurrence of such irregularities in future, besides, recovery of government dues.

2.6.8 Short-realization of duty and taxes due to application of incorrect rate of duty for Rs 5.10 million

According to rule 307 A (2) of the Customs Rules 2001, if the duty and tax free imported input goods are not used in the manufacture of export goods or the manufactured goods cannot be exported due to circumstances beyond the control of the DTRE user, a DTRE user may, with the permission of the Regulatory Collector, dispose of the input goods or output goods within the prescribed utilization period in the manner given therein including local sale on payment of duties and taxes leviable at the time of such sale.

Two DTRE users M/s Gul Ahmed Textile Mills Ltd. and M/s Mudia Exports of MCC Exports Karachi obtained seven (07) DTRE approvals and imported duty/tax free input goods during 2008-09 and 2009-10 for manufacture of export goods. After two years of import, the DTRE users sought permission to pay duty and taxes in respect of the goods imported under DTRE approvals on the ground that due to increase in price of input goods and other cost they were unable to export the finished goods at the contract price and the contract with the

buyer had been cancelled. The DTRE users then deposited the amount of duty/taxes, assessed at the time of import, along with surcharge.

It was noticed that:

- a) copies of contracts, any correspondence made by the DTRE users with the foreign buyers for increase in price/ cancellation of contract with the foreign buyers were not available in the files.
- b) there was nothing in the relevant files to show that the Collector had granted permission to the DTRE users for local sale of imported input goods on payment of duty/taxes.
- c) duty and taxes in all these cases were paid as had been assessed at the time of import and not the one leviable at the time of local sale (as required under the law). This resulted in short-realization of government revenue amounting to Rs 5.09 million during 2010-2011.

The irregularity was pointed out to the department during May to June, 2012. DAC directed the MCC to recover the amount of duty and taxes as were due at the time of sale of the raw material as required in the SRO 450(I)/2001. Further progress was not reported till finalization of the report.

Audit requires that relevant rules be enforced to avoid recurrence of such irregularities in future, besides, recovery of government dues.

2.6.9 Non-imposition of penalty on submission of fake documents

According to section 32A (1)(a) of the Customs Act 1969, if any person in connection with any matter relating to customs, causes to submit documents including those filed electronically which are concocted, altered, mutilated, false, forged, tampered or counterfeit to a functionary of customs, he shall be liable to penal action under section 156(14) of the Act.

A DTRE user under MCC Faislaabad, succeeded to get DTRE approval on the basis of the fake sale contract and was liable to penalty action under section 32A(1) and section 156(14) of the Customs Act 1969. However, no action was taken by the department to penalize the applicant concerned for contravening the provision of law.

The irregularity was pointed out to the department during Feb to June, 2012. DAC directed the MCC to immediately undertake legal proceedings on the charge of submitting fake and forged documents to MCC. DAC conveyed its displeasure to MCC for inaction against the defaulting unit and allowing the DTRE facility subsequently. DAC further directed the MCC to submit a comprehensive report to Audit by 30.11.2012. Further progress was not intimated till finalization of the report.

Audit requires that relevant rules be enforced to avoid recurrence of such irregularities in future, besides, recovery of government dues.

2.6.10 Non recovery of duty and taxes pointed out during internal audit for Rs 203.94 million

In the following cases, amount pointed out during departmental audit was not recovered despite the lapse of a reasonable time. In these cases, the persons responsible for blockade of government revenue were required to be identified and taken to task.

- a) Audit of DTRE approvals was conducted by departmental auditors and Directorate of Internal Audit, a huge amount was pointed out as recoverable. However, the pointed out amount of Rs 142.48 million was pending for recovery since long.
- b) Attock Petroleum Ltd Islamabad was issued DTRE approvals for export of Petroleum Product to Afghanistan. Audit of the said DTRE was conducted by the department which revealed that quantity of JP-8 and High Speed Diesel was lost during transit to Afghanistan. It was the responsibility of carrier M/s Venus Pakistan Pvt. Ltd. to pay duty and taxes of Rs 43.59 million alongwith default surcharge which were not recovered. DAC directed the MCC to pursue 3 cases as are pending /subjudice one each with Collectors Appeal, Appellate Tribunal and Islamabad High Court.
- c) Departmental audit of DTRE approval of M/s Riaz Bottle Lahore was conducted and an amount of Rs 17.86 million was pointed out as recoverable. The audit reports were issued in June, 2009 and immediate action was required for recovery of amount pointed out but unfortunately, the files were kept dumped upto 21.02.2012 i.e. for a period of 32

months. Due to inefficiency and negligence of the dealing staff, government revenue of Rs 17.86 million has been put to risk. The reasons for dumping of these cases for 32 months also needed to be justified.

The irregularity was pointed out to the department during Feb to June, 2012. DAC directed the MCCs to expedite the recovery by 30.11.2012. Further progress was not reported till finalization of the report.

Audit emphasizes recovery cell to improve its performance and expedite recovery, besides, fixing responsibility.

2.6.11 Inefficiency of Input Output Co-efficient Organization

According to the provisions of rule 298(4) of DTRE rules, IOCO or, as the case may be, EDB upon receipt of a reference from the Regulatory Collector, shall determine input-output ratios and wastages, as may be deemed appropriate, and forward their findings to the Regulatory Collector within a period of thirty days, or such shorter period as may be specified by the Regulatory Collector in any specific case.

MCC Export Karachi granted twenty eight DTRE approvals in fifteen cases on provisional basis but approved 100% of the quantity applied by the users without imposing the restriction of 25% of the quantity applied for as provided in the rules and referred the cases to the Input Output Co-efficient Organization (IOCO) for determination of input-output ratios and wastages. The finalization of cases by the IOCO regarding the input-output ratios and wastages in all these cases were awaited till the date that the MCC had conducted the post-exportation audit of these cases and issued NOCs/released indemnity bonds/post-dated cheques, etc. This resulted into irregular/unlawful import of input goods to the extent of 75% involving government revenue of Rs 63.77 million during the period 2008-09 to 2010-11.

Similarly the MCC Exports Karachi, issued provisional DTRE approvals to ten users allowing the input-output ratios and wastages provisionally in 19 cases. In all these cases, neither the IOCO/EDB finalized the provisionally allowed input-output ratios and wastages nor the Regulatory Collectorates reminded the IOCO for taking timely action in this regard. This has almost become a normal practice of the IOCO and the Collectorates not to finalize the

provisionally allowed input-output ratios/ wastages and the final/actual input-output ratios/ wastages were not being determined in such cases.

The irregularity was pointed out to the department during April to June, 2012. DAC directed the MCC (Export) Karachi to submit a comprehensive reply to Audit by 30.11.2012. Further progress was not reported till finalization of the report.

Audit requires proper monitoring, implementation of internal controls and enforcement of relevant laws and rules to improve the internal controls of the department in order to make the DTRE scheme more effective.

2.6.12 Non-confirmation of remittances of foreign exchange for Rs 48.92 million

According to the provision of Customs Rules 2001, DTRE approvals are issued subject to fulfilment of prescribed conditions.

Certain DTRE users had submitted reconciliation statement but the relevant bank credit advices along with bank statement were not provided for verification. In the absence of BCAs, actual export of the goods was not evidenced. Either all the bank credit advices along with bank statement be provided for verification or the remitted amount of duty and taxes Rs 48.92 million be recovered along with penalty and default surcharge.

The irregularity was pointed out to the department during April to June, 2012. DAC directed the MCC to re-examine the cases and action taken where necessary, report progress to Audit by 30.11.2012. Further progress was not reported till finalization of the report.

Audit requires early confirmation of remittance of foreign exchange.

2.6.13 Excess claim of wastage involving government taxes for Rs 29.82 million

According to the provision of Customs Rules 2001, DTRE approvals are issued subject to fulfilment of prescribed conditions.

Certain DTRE users had claimed excess wastage of input goods against that approved/allowed by the IOCO Karachi. The DTRE user were required to

pay duty and taxes on excess wastage amounting to Rs 29.82 million which were neither demanded nor recovered by the concerned Regulatory Collector.

The irregularity was pointed out to the department during Feb to June, 2012. DAC directed the MCC to re-examine the cases and action taken where necessary, report progress to Audit by 30.11.2012. Further progress was not reported till finalization of the report.

Audit requires that provisions of rules be enforced to avoid recurrence of such irregularities in future, besides, fixing responsibility.

2.6.14 Misuse of DTRE facility due to excess import of input goods resulting in non-realization of government revenue for Rs 2.88 million

According to the provision of Customs Rules 2001, DTRE approvals are issued subject to fulfilment of prescribed conditions.

- a) Certain DTRE approval holders had imported input goods in excess of the quantity approved by the Regulatory Collector. The release of excess quantity free of duty and taxes resulted in non-realization of government revenue of Rs 2.53 million

The department should hold enquiry as to how excess quantity of input goods were released without payment of duty and taxes and the person held responsible should be dealt with under rules.

- b) Crescent Textile Mills Ltd. Faisalabad were issued DTRE approval No. STF/2608/05-11-2008 for import of Polyester Yarn 23500 kg (Hs Code 5402-3000) for use in the manufacturing of Grey Air Jet Woven Fabric 161300 meters. The DTRE approval involving government taxes of Rs 0.35 million was issued on the basis of commercial contract No. 21758 dated 02-10-2008. The contract was for supply of Polyester Cotton 52%-48% combed x150 Resin/135x70 Grey Jet woven 161300 meters. However, the DTRE user had actually exported the fabric with 65%-35% combed instead of 52%-48%. Further, the supply contract was executed with M/s GUILLEN FERREO SA Spain but the goods were exported to M/s Global Investors Spain without any approval from the Regulatory Collector.

The irregularity was pointed out to the department during Feb to June, 2012. DAC directed the MCC Sambrial to recover the amount and directed the MCC Faisalabad to get the position of adjudication and recovery verified by Audit. Further progress was not reported till finalization of the report.

Audit emphasizes implementation of DAC directives, besides, recovery of government revenue.

[Annexure-29]

2.7 Benefits of Duty Free Import to Export Oriented Units

The scheme of benefit of duty free import to Export Oriented Units was introduced for manufacturers having in house manufacturing facility including Small and Medium Enterprises vide SROs 326 & 327(I)/2008 dated 29.03.2008. The units will obtain license and will be called Export Oriented Units. The salient features of the scheme are that the export oriented units may import the input goods as well as plant, machinery, equipment and apparatus including capital goods for manufacturing of output goods without payment of customs duty, sales tax and federal excise duty furnishing security of govt. dues through indemnity bonds and PDCs subject to export at least 80% of its production to other countries if established before 1st July, 2007 or 100% of its production to other countries if established on/after 1st July, 2007. The local input goods liable to sales tax and federal excise duty shall be supplied to the licensee against zero rated invoices. The Collector shall issue analysis certificate showing the actual quantity of input goods used and wastage occurred in the manufacture of one unit of output goods. The licensee shall arrange or install in his export oriented unit such online automated system to record and display details of input goods, manufactured goods and output goods exported, besides, inventory position on daily basis. The liability of a licensee to pay duty and taxes under a security instrument furnished by him shall not be discharged unless post-exportation audit is carried out and completed at the end of financial year and the collector of customs shall also confirm or otherwise the annual quantum or percentage of annual production.

The main objectives of audit were to:

- i. review performance of the Collectorate against the objectives.
- ii. assess whether benefits were given with due regard to economy, efficiency and effectiveness.
- iii. review compliance with applicable rules, regulations and procedures.
- iv. examine achievement of export targets.

Audit was conducted on test check basis during Jan, to June, 2012 for the periods 2008-09 to 2010-11 in the light of legal provisions provided in the Act, Rules and SROs. Audit also evaluated internal controls and checked the

efficiency and effectiveness of the scheme. The results are given in the succeeding paras.

2.7.1 Non-monitoring of activity of export oriented units

According to rule 14(1) of SRO 327(I)/2008 dated 29.03.2008, the licensee shall arrange or install in his export oriented unit such online automated system to record and display the details of input goods, manufactured goods, and output goods exported besides inventory position on daily basis as may enable the collector to monitor all the activity being done by him.

- a) All the export oriented units under the jurisdiction of MCCs (Export) Karachi, Lahore, Faisalabad and Sialkot did not arrange or install such online automated system despite expiry of a period of four years after issuance of SRO 327(I)/2008 dated 29.03.2008. Due to non-fulfilment of this condition, the Collectors could not monitor the activity of the unit on daily basis meaning thereby that the activity is being done by the export oriented units without check.
- b) There was no provision in the SRO to maintain all records in the collectorate such as import and export GDs got cleared by the export oriented units from any customs station, zero rated sales tax invoices of suppliers, bank credit advices, refund and rebate payment orders paid to the licensees, daily production statements etc. Due to non availability of that record, the activity of the export oriented units was not being monitored.
- c) The record could not be produced to audit as the concerned Collectors were handicapped only to the information as and when provided by the licensees. The notices were issued to the export oriented units to provide the record by the department but they did not respond. The available record with collectorate was also produced to Audit in piece meal. Besides, a monthly return (Appendix-V) was introduced to get information of input goods, manufactured goods and exported goods. These returns were not submitted regularly by the export oriented units and where submitted, full information was not given, in the absence of which input output ratios as determined in the analysis

certificates were not verifiable. These monthly returns were also not being scrutinized by the in-charge of the formation.

The irregularity was pointed out to the department during March to June 2012. DAC in its meeting held on 18.10.2012 directed the Collectorates to enforce/implement the online system as required in SRO 327 by 30.11.2012. DAC further directed the MCCs to ensure proper/complete filling of Appendix V and also to ensure capturing of relevant data/information since issuance of aforementioned SRO by 31.12.2012. Further progress was not reported till finalization of the report.

Audit emphasizes implementation of DAC directives.

2.7.2 Irregular import due to grant of two licenses at one time for Rs 1,949.97 million

According to rule 8(2) of SRO 327(I)/2008 dated 29.03.2008, as amended through SRO 494(I)/2009 dated 13.06.2009, the unit shall be allowed to avail license either under chapter XV of the Customs Rules 2001 or these rules at one time.

Six licensees of the export oriented units, under the jurisdiction of MCC, Lahore were granted license under SRO 327(I)/2008 dated 29.03.2008 and at the same time they also continued to import input goods free of taxes under chapter XV of the Customs Rules 2001. The irregularity resulted into non realization of government dues for Rs 1,949.97 million.

The irregularity was pointed out to the department during March to June 2012. DAC in its meeting held on 18.10.2012 directed the FBR to examine the issue and give comments and guidance by 30.11.2012. Further progress was not reported till finalization of the report.

Audit emphasizes to comply with the directives of the DAC without delay.

2.7.3 Irregular import of raw material due to non inclusion in analysis certificates for Rs 2.83 million

According to rule 2(f) of SRO 327(I)/2008, dated 29.03.2008, input goods means all goods whether imported or procured locally by an export

oriented unit from the tariff area used in the manufacture of output goods as approved by the Collector in the analysis certificate.

Polyethylene having specific gravity of less than 0.94 (LDPE) imported as input goods for manufacture of polythene garbage bags of different sizes by M/s KPI Pvt. Ltd. Faisalabad and Fleece fabric imported by M/s Cress Style for manufacture of Ladies Duffer elephant teeth coat were not included in analysis certificates. As such exemption from taxes on import was irregular. The irregularity resulted in non-realization of govt. revenue for Rs 2.83 million.

The irregularity was pointed out to the department during March to June 2012. DAC directed the MCC to furnish the reply and get the position verified by Audit. Further progress was not reported till finalization of the report.

Audit requires expeditious recovery of government dues.

2.7.4 Irregular import due to non obtaining of analysis certificate/license for Rs 1,300.40 million

According to rule 2(f) of SRO 327(I)/2008 dated 29.03.2008, input goods means all goods whether imported or procured locally by an export oriented unit from the tariff area such as raw material, accessories, sub components, components, assemblies and sub-assemblies used in the manufacture of output goods as approved by the collector in the analysis certificate which will be issued to the licensee under rule 9 determining the input and output ratio of input goods by the collector within 30 days of receipt of application of licensee showing the actual quantity of input goods used and wastage occurred in the manufacture of one unit of output goods.

Twenty two licensees imported machinery and consumed input goods imported as well as locally procured goods free of taxes without obtaining analysis certificates. As such taxes for Rs 1,300.40 million not paid on import of machinery were recoverable.

The irregularity was pointed out to the department during March to June 2012. DAC directed the MCCs to furnish the reply and get the position verified from Audit by 30.11.2012. Further progress was not reported till finalization of the report.

Audit requires recovery of government dues.

2.7.5 Un-proportionate consumption of input goods in accordance with analysis certificate involving duty and taxes for Rs 2.95 million

According to rule 9 of SRO 327 (I)/2008 dated 29.03.2008, the licensee shall apply to the Collector within seven days of import of input goods for issuance of an analysis certificate. The Collector or the officer authorized by him in this behalf shall after such verification as he deems necessary, issue an analysis certificate within 30 days of receipts of such application showing the actual quantity of input goods used and wastage occurred in the manufacture of one unit of output goods.

MCC Lahore did not take any action against a licensee who has utilized the input goods involving duty and taxes of Rs 2.95 million at rates lower than provided in the analysis certificate.

The irregularity was pointed out to the department during March to June 2012. DAC directed the MCCs to provide reply to Audit by 30.11.2012. Further progress was not reported till finalization of the report.

Audit emphasizes that the analysis certificate be amended as per actual consumption of input goods.

2.7.6 Non-confiscation of imported goods not allowed in Import Policy Order involving duty and taxes for Rs 6.98 million

According to Para 11 of Import Policy Order 2009, issued vide SRO 766(I)2009 dated 04.09.09, the import of inputs by manufacturer cum exporter is allowed except items mentioned in Appendix-A, B and C thereof.

Contrary to above, two licensees under the jurisdiction of MCC Faisalabad imported the input goods (Chemicals- Impron and Sanitized-T) for manufacturing of output goods which were not importable as the same were mentioned in the Appendix-B. As such, the goods were required to be confiscated alongwith penal action against the licensee. The irregularity resulted in non-confiscation of imported goods involving duty and taxes of Rs 6.98 million.

The irregularity was pointed out to the department during March to June 2012. DAC directed the MCC to provide reply to Audit by 30.11.2012. Further progress was not reported till finalization of the report.

Audit requires penal action for violation of provisions of laws, besides, recovery of duty and taxes on import and to strengthen the monitoring system.

2.7.7 Non-realization of government revenue due to non cancellation of license for Rs 3.61 million

According to rule 12 of SRO 327 (I)/2008 dated 29.03.2008, the input goods shall be utilized in the manufacture and export of output goods within two years from the date of their import.

MCCs Faisalabad, Sialkot and Karachi did not initiate any action against six licensees who did not utilize the raw material imported free of taxes during the prescribed period. This showed the lack of monitoring of the Collectorates. The irregularity resulted in non realization of government revenue on import of raw material for Rs 3.61 million.

The irregularity was pointed out to the department during March to June, 2012. DAC directed the MCCs to provide reply to Audit by 30.11.2012. Further progress was not reported till finalization of the report.

Audit emphasizes to strengthen the monitoring system to avoid violation of provisions of laws as well as recovery and penal action against the licensees.

2.7.8 Irregular payment of rebate/duty drawback to export oriented units for Rs 5.46 million

According to SRO 327(I)/2008 dated 29.03.2008, the licensee may procure customs or federal excise duty paid input goods manufactured locally for production of output goods and the licensee shall be entitled to payment of drawback of such duties, worked out on the basis of standard customs or federal excise duty drawback notifications, provided that the f.o.b. value for claiming such drawback, shall be the value excluding the duty-free value of input goods imported under these rules.

MCCs Faisalabad and Sialkot, paid rebate on import of duty free input goods to three export oriented units which resulted in irregular payment of rebate for Rs 5.46 million.

The irregularity was pointed out to the department during March to June, 2012. DAC directed the MCCs to provide reply to Audit by 30.11.2012. Further progress was not reported till finalization of the report.

Audit emphasizes to enforce the provisions of law to avoid recurrence of irregularities in future, besides, recovery of government dues.

2.7.9 Irregular refund of sales tax for Rs 1,218.64 million

According to rule 10(1)(b) of SRO 327(I)2008 dated 29.03.2008, the local input goods liable to sales tax shall be supplied to the licensee against a zero rated sales tax invoice.

Twenty one licensees under the jurisdiction of MCCs Export Karachi, Faisalabad and Sambrial (Sialkot) were paid refund of sales tax as evident from their monthly sales tax returns. The irregularity resulted into inadmissible refund of sales tax for Rs 1,218.64 million.

The irregularity was pointed out to the department during March to June 2012. DAC in its meeting held on 18.10.2012 directed the MCCs to provide reply to Audit by 30.11.2012. Further progress was not reported till finalization of the report.

Audit requires recovery of inadmissible refund paid to the licensees.

2.7.10 Non-realization of income tax from importers of export oriented units for Rs 333.18 million

Withholding tax leviable under Section 148 of the Income Tax Ordinance 2001 was not exempted on import of machinery and input goods under SRO 326(I)/2008 and 327(I)/2008 dated 29.03.2008.

MCC Export Karachi granted exemption of withholding tax on import of machinery and input goods under SROs 326(I)/2008 and 327(I)/2008 dated 29.03.2008 and the same was neither assessed nor realized at the time of import which resulted non-realization of government revenue for Rs 333.18 million.

The irregularity was pointed out to the department during March to June 2012. DAC in its meeting held on 18.10.2012 directed the MCCs to take

immediate action for the recovery of withholding tax by 30.11.2012. Further progress was not reported till finalization of the report.

Audit emphasizes recovery of revenue, besides, fixing responsibility.

2.7.11 Non-realization of government dues on local sales for Rs 1,322.27 million

According to rule 10(6) of SRO 327(I)/2008 dated 29.03.2008, the factory rejects or output goods not conforming to the export standards shall be allowed disposal in the local market as per provisions of the Import Policy Order, for the time being in force, after filing of GD for home consumption by the licensee provided that factory rejects allowed at the appraised value and customs duty, sales tax and federal excise duty shall be levied as if the said material had been imported into Pakistan in that condition.

Thirteen export oriented units, under the jurisdiction of MCCs Lahore, Faisalabad and Sialkot disposed off their products in local market without filing of goods declaration for home consumption but government dues for Rs 1,322.27 million treating the same as import into Pakistan were not recovered.

The irregularity was pointed out to the department during March to June 2012. DAC in its meeting held on 18.10.2012 directed the MCCs to implement relevant provisions of SRO 327(I)/2008 dated 29.03.2008 and recover the amount expeditiously. Further progress was not reported till finalization of the report.

Audit emphasizes recovery of revenue, besides, fixing responsibility.

2.7.12 Non-initiation of recovery proceedings and penal action due to non achievement of 80% export target of production and local sales of goods for Rs 150.04 million

According to rule 10(6) read with clause (d) (1) of rule 2 of SRO 327(I)/2008 dated 29.03.2008, the factory rejects or output goods not conforming to the export standards shall be allowed disposal in the local market as per provisions of the Import Policy Order 2009, for the time being in force, after filing of GD for home consumption by the licensee and if 80% of annual production of the export oriented unit has not been achieved by the export

oriented unit, the collector shall initiate the proceedings for the recovery of leviable duty and taxes, besides penal action under rule 14(5).

Twenty two licensees under the jurisdiction of MCCs Lahore, Faisalabad, Sialkot and Export, Karachi did not achieve the 80% target of its production. They sold output goods (yarn, cloth, grey cloth and made ups) in local market without filing of goods declaration for home consumption. As such, the govt. dues for Rs 150.04 million treating the material as import into Pakistan in that condition were recoverable.

The irregularity was pointed out to the department during March to June 2012. DAC directed the MCCs to implement relevant provisions of SRO 327(I)/2008 dated 29.03.2008 and recover the amount expeditiously. Further progress was not reported till finalization of the report.

Audit emphasizes to initiate recovery proceedings without delay.

2.7.13 Non-realization of revenue on clearance of returned goods for Rs 59.84 million

According to section 22(b) of the Customs Act 1969, if goods produced or manufactured in and exported from Pakistan are subsequently imported into Pakistan, such goods shall be liable to customs duty.

MCCs Lahore, Faisalabad and Sialkot did not recover the duty and taxes at the time of clearance of returned goods which resulted in non-realization of revenue for Rs 59.84 million.

The irregularity was pointed out to the department during March to June 2012. DAC directed the MCCs to give factual position regarding re-export of the consignments under reference by 30.11.2012. Further progress was not reported till finalisation of report.

Audit emphasizes to initiate recovery proceedings at the earliest.

2.7.14 Non-realization of revenue due to non-disposal of wastage for Rs 22.16 million

According to section 95(2)(a) of the Customs Act 1969, read with condition 11 (b) of SRO 327(I)/2008 dated 29.03.2008, no duty and taxes shall

be charged on wastage of the warehouse input goods, provided that such wastage is either destroyed as per law or leviable Federal Excise/Customs Duty and Sales Tax is paid on such wastage before removal as it had been imported into Pakistan in that form.

The wastage of input goods was not destroyed by the six licensees under the jurisdiction of MCCs Export Karachi, Lahore, Faisalabad and Sialkot. Further, wastage was claimed without approval of the collector through analysis certificate and also in excess of that allowed to similar unit which resulted in non realization of government revenue for Rs 22.16 million.

The irregularities were pointed out to the department during March to June 2012. DAC directed the MCCs to provide reply to Audit by 30.11.2012. Further progress was not reported till finalization of the report.

Audit emphasizes that proceedings for recovery of government revenue be expedited.

2.7.15 Non-realization of revenue on import of nonwoven fabric for Rs 3.08 million

According to SRO 492(I)/2009 dated 13.06.2009, the customs duty and sales tax is exempted on temporary importation of goods excluding fabric for manufacturing of garments and textile made ups for subsequent exportation.

Two licensees under the jurisdiction of MCC Faisalabad, imported non-woven fabric in their export oriented units without payment of government dues which resulted into non-realization of revenue for Rs 3.08 million.

The irregularity was pointed out to the department during March to June 2012. DAC directed the MCC to provide reply to Audit by 30.11.2012. Further progress was not reported till finalization of the report.

Audit emphasizes recovery of revenue, besides, fixing responsibility.

[Annexure-30]

2.8 Adjudication and Recovery

Under section 179 of the Customs Act 1969, the cases involving confiscation of goods or imposition of penalty under the Act or the rules made there under, the jurisdiction and powers of the officers of customs in terms of amount of duties and other taxes involved, excluding the conveyance shall be as follows:

1. Additional Collector Without limit
2. Deputy Collector Not exceeding eight hundred thousand rupees
3. Assistant Collector Not exceeding three hundred thousand rupees

The cases shall be decided within 120 days of the issuance of show cause notice or within such period extended by the Collector for which reasons shall be recorded in writing, but such extended period shall in no case exceed sixty days.

However, Federal Board of Revenue shall have the powers to regulate the system of adjudication including transfer of cases and extension of time limit in exceptional circumstances.

According to section 202 of the Customs Act 1969, the power to recover government dues have been assigned to the officers of customs. Custom Recovery Rules have also been framed through SRO 450(I)/2001, dated 18.06.2001 by devising a detailed procedure for recovery of customs dues. Recovery Cells are working in each Model Custom Collectorate in all over Pakistan to pursue the recoveries of government dues.

The objectives of audit were to examine the efficiency and effectiveness of Adjudication Branch and Recovery Cell.

Audit was conducted with a view to see:

1. whether adjudication powers were utilized within the prescribed limits, cases decided within the time limit provided in law and the objectives of adjudication viz-a-viz recovery was being made efficiently, effectively and economically.
2. whether proper internal controls exist to monitor the system and legal procedure is being followed for recovery of arrears.

The audit was carried out during March to June, 2012. The significant irregularities are discussed in the succeeding paras:

2.8.1 Unlawful release of smuggled goods for Rs 3.85 million

According to section 2 (s) (ii) of the Customs Act 1969, if the value of seized goods is less than Rs 0.05 million and the same are also otherwise releasable an option under section 181 of the Customs Act can be exercised. This value, however, has now been enhanced from Rs 0.05 million to Rs 0.15 million through Finance Act, 2010.

MCCs Sialkot, Faisalabad and Preventive Karachi, released the smuggled goods without observing the limit of Rs 0.05 million and Rs 0.15 million, as the case may be, in thirteen cases which resulted in illegal release of smuggled goods for Rs 3.85 million.

The irregularity was pointed out to the department during April to June, 2012. DAC in its meeting held on 18.10.2012 directed the MCCs to submit a comprehensive reply by 30.11.2012. Further progress was not reported till finalization of the report.

Audit requires compliance of rules, besides, fixing responsibility against the officers and officials who did not act according to law.

2.8.2 Incorrect assessment causing loss of revenue for Rs 16.37 million

Section 25 of the Customs Act 1969, provides detailed procedure for determination of customs value of imported goods and section 79 of the Act deals with declaration and assessment of goods.

MCCs Lahore, Multan and Faisalabad did not recover the adjudged revenue in five cases which resulted in loss of revenue for Rs 16.37 million. Further, it was established that the under assessment was made in connivance and collusion of importers, clearing agents and customs staff.

The irregularities were pointed out to the department during March to June, 2012. DAC in its meeting held on 18.10.2012 directed the MCC Lahore, to submit a comprehensive reply, directed the MCC Multan that as the clearance was made under the rules, a legible copy of the decision of the Appellate

Tribunal orders be provided to Audit and re-examine the issue while MCC Faisalabad was directed to conduct inquiry and fix responsibility in the light of O.I.O Nos. and provide a copy of inquiry report to Audit. MCC Islamabad was directed to expedite re-adjudication proceedings, provide copies of outcome of disciplinary proceedings initiated against two appraisers and three examiners by 30.11.2012. Further progress was not reported till finalization of the report.

Audit emphasizes implementation of DAC directives, besides, fixing responsibility.

2.8.3 Non levy of duty and taxes on imported vaccines causing loss of revenue for Rs 882.10 million

Section 19 of the Customs Act 1969, empowers Federal Government to exempt the imported goods from payment of custom duties and section 20 empowers the Board to grant exemption from duty in exceptional circumstances.

As per O.I.O No. 06/2011, passed by the Additional Collector (Adjudication) Air Freight Unit Islamabad, M/s National Institute of Health (NIH), Islamabad imported 57 consignments of vaccines for its EPI Programme during the period from July 2005 to June 2009 and got the same cleared without payment of duty and taxes by availing exemptions admissible to privileged Persons/ Agencies of UNO and to the Diplomats/ Embassies/ Consulates by classifying the imported goods under PCT headings 9901 and 9902 while the imported vaccines were correctly classifiable under PCT headings 3002-2010, 3002-2020 and 3002-2090. M/s NIH availed exemption from leviable duty and taxes on the strength of exemption certificate issued by the UNICEF and certified by the Ministry of Foreign Affairs.

The case was adjudged and established vide O.I.O No. 06/2011, dated 23.05.2011 that no exemption from duty and taxes was available to M/s NIH because no concurrence of the Federal Board of Revenue was obtained. The importer violated provisions of the Customs Act resulting in non payment of Rs 882.10 million

The irregularity was pointed out to the department in May 2012. DAC in its meeting held on 18.10.2012 directed the MCC to take action in the light of

OIO No. 6/2011 dated 23.05.2011 and submit comprehensive reply by 30.11.2012. Further progress was not reported till finalization of the report.

Audit emphasizes early recovery of revenue, besides, fixing responsibility.

2.8.4 Non-determination of value of imported parts of Toyota vehicles by committee for Rs 62.41 million

Section 25 and 25A of the Customs Act 1969, empowers the Customs Authorities to determine the customs value.

As per O.I.O No. 27/2011, dated 21.01.2011 of MCC Islamabad, it was reported that certain importers and clearing agents were evading government legitimate duties and taxes in the import of auto parts in collusion with customs staff through mis-declaration/ manipulation of description, quantity, weight and non application of notified values. Further that auto parts were being assessed on unit basis in violation of statutory standard unit of measurement of quantity as prescribed in PCT. On these bases the matter was discussed thoroughly in the above O.I.O and consequently a committee consisting of appraisal staff, intelligence and investigation and importers was constituted. The exercise was ordered to be conducted in a transparent manner and whatever determined the same to be recovered immediately from the respondents. The committee was directed to complete the whole exercise within one month's time. In this O.I.O an amount of Rs 61.26 million is involved. Similarly as per O.I.O No. 80, dated 02.07.2011, where duty & taxes of Rs 1.15 million were involved, the adjudicating authority ordered that the judgment passed in O.I.O 27/2011 shall also apply to this case being of similar nature. Now a period of more than one year is over but there were no results available in the record.

The irregularity was pointed out to the department in May, 2012. DAC in its meeting held on 18.10.2012 directed the MCC to intimate the latest position to Audit by 30.11.2012. Further progress was not reported till finalization of the report.

Audit requires that matter be resolved immediately to safeguard possible revenue, besides, fixing responsibility.

2.8.5 Ex-parte decision due to non-pursuance of case in Appellate Tribunal causing loss for Rs 22.02 million

Appeals to the Appellate Tribunal are filed under Section 194-A and order of Appellate Tribunal is covered u/s 194-B of the Customs Act 1969.

The case of M/s New National Corporation (O.I.O 11-31/2009 MCC Multan) was set-aside by the Appellate Tribunal. As per O.I.O it was established that the party managed the clearance of some consignments with active connivance of customs staff.

In reply for recovery, the counsel of the party vide a letter dated 03.05.2011 informed that the recovery is uncalled for as the O.I.O 11-31/2009 had already been set aside by the Customs Tribunal on 16.09.2010 and provided a copy of said judgment. Ultimately the department withdrew the recovery notice of Rs 22.02 million on 27.05.2011.

As per this judgment the Tribunal passed orders against the department by mentioning “the Customs department did not submit parawise comments in spite of opportunity given. The case on the request of Departmental Representative was adjourned for 16.09.2010. None appear on behalf of the respondent on the said date. In these circumstances, I am left with no other alternative but to decide the appeal ex-parte on the basis of available record”.

The irregularity was pointed out to the department in April, 2012. DAC in its meeting held on 18.10.2012 directed the MCC to pursue the case. Further progress was not reported till finalization of the report.

Audit emphasizes that matter be investigated for fixing of responsibility against the responsible persons for non pursuance of the case properly.

2.8.6 Non-realization of adjudged amount of revenue for Rs 3,071.19 million

Under section 202 of the Customs Act 1969, read with chapter–XI, Recovery Rules, 2001 notified through SRO 450 (I)/2001 dated 18.06.2001, the Customs authorities have powers to recover the government revenue from the defaulters in the ways and means specified therein.

Twelve MCCs did not recover an amount of Rs 3,071.19 million adjudged as recoverable. Detail is as under;

S. No	Name of MCC	Amount unrecovered (Rs in million)	Remarks
1.	Port MBQ Karachi	2.59	The Adjudicating officer ordered to 03 importers to deposit the amount
2.	Appraisalment Karachi	1.45	The goods were not auctioned
3.	Port MBQ Karachi	70.88	In 125 cases demand notices for short amount were not issued
4.	Port MBQ Karachi	275.62	The goods were not re-exported to Afghanistan by 32 importers etc.
5.	Preventive Karachi	31.00	The amount of recovery of Rs 30.900 million and penalty of Rs 0.100 million was not made good from M/s Javed & Co (O.I.O No.21/2011, 27.09.2011)
6.	Preventive Karachi	2.37	As per Os.I.O No. 69/2010, dated 07.12.2010 and 61/2010, dated 04.12.2010, the amount was not recovered on account of misdeclaration of mobile phones.
7.	Lahore	20.80	The appeals of M/s Supreme Tech Int were dismissed. No valid stay orders were provided, but dues were not recovered.
8.	Faisalabad& Sambrial	16.86	In different cases the recovery was not pursued
9.	PaCCS & Appraisalment Karachi	2532.82	The MCCs did not recover the adjudged amount in 396 cases
10.	Islamabad	0.89	The action for recovery (O.I.O No. 11/2011, dated 08.09.2010) against M/s Ghani Overseas etc was delayed
11.	Lahore	81.76	As per O.I.O No. 24/2010 dated 21.10.2009, the amount from M/s Siagol Qinggi Motors Ltd was recoverable because the stay orders were u/s 199 {4 (A)}

12.	Sialkot	34.15	An amount was lying recoverable since long but it was not recovered from M/s Saga Sports.
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The irregularity was pointed out to the department during March to June, 2012. DAC in its meeting held on 18.10.2012 directed the MCC Islamabad to expedite the adjudication proceedings and the remaining MCCs to expedite recovery by 30.11.2012. Further progress was not reported till finalization of the report.

Audit emphasizes that matter be looked into and take corrective action as per law for early recovery of government dues, besides, fixing responsibility.

2.8.7 Issuance of incorrect demand for Rs 2.35 million

Additional Collector (HQ) MCC Islamabad, vide O.I.O No. 14/2011, dated 29.12.2010 ordered to recover an amount of Rs 5.95 million from M/s Khan Traders and M/s Wahaj Enterprises. However, the Deputy Collector, Islamabad Dry port, sent demand for payment of government dues after six months vide letter dated 07.08.2011 to the parties for payment for Rs 3.59 million.

MCC Islamabad made a short recovery of Rs 2.35 million against adjudged Rs 5.95 million vide O.I.O No. 14/2011, dated 29.12.2010. The O.I.O was issued on 31.01.2011 but even after lapse of a period of 15 months, no progress was made to affect recovery of government dues.

The irregularity was pointed out to the department in May, 2012. The department replied that recovery is being made. DAC in its meeting held on 18.10.2012 directed the MCC to recover the amount by 30.11.2012. Further progress was not reported till finalization of the report.

Audit emphasizes expeditious recovery, besides, fixing responsibility.

2.8.8 Undue delay in recovery for Rs 11.50 million

Section 202 of the Customs Act 1969, and rules made there under provide a detailed procedure for recovery of government dues.

As per O.I.O No. 26/2005, dated 28.05.2005, an amount of Rs 11.50 million was adjudged against M/s Royal Sheffield (Pvt) Ltd by the Additional Collector of Customs (Adjudication) Lahore. The date of institution of the case was 11.08.2001 and date of judgment 28.05.2005 but recovery notice was issued on 05.06.2010 and no recovery was affected so far.

The irregularity was pointed out in March, 2012. DAC in its meeting held on 18.10.2012 directed the MCC to submit a comprehensive reply by 30.11.2012. Further progress was not reported till finalization of the report.

Audit requires recovery of the amount, besides, fixing responsibility.

2.8.9 Wrong preparation of recovery notice and non entry of demand for Rs 1.05 million

Section 202 of the Customs Act 1969, and the rules made there-under deal with the recovery process of government dues.

- a) MCC Islamabad did not recover penalty of Rs 0.03 million adjudged vide O.I.O No. 130/2009 dated 07.10.2009 and MCC Lahore did not recover an amount of Rs 0.78 million adjudged vide O.I.O Nos. 160/2010, dated 30.11.2010 and 159/2010, dated 23.12.2010.
- b) MCC Sialkot did not enter an amount of Rs 0.24 million adjudged vide O.I.O No. 224/2011, dated 26.12.2011 in Master Recovery Register.

The irregularity was pointed out to the department during March, 2012. DAC in its meeting held on 18.10.2012 directed the MCCs to submit a comprehensive reply, maintain the record according to law and report to Audit by 30.11.2012. Further progress was not reported till finalization of the report.

Audit emphasizes implementation of DAC directives, besides, fixing responsibility.

2.8.10 Short-recovery of revenue due to release of smuggled goods on redemption fine for Rs 4.91 million

According to conditions set out in preamble of SRO 499(I)/2009 dated 13.06.2009, no option shall be given to pay fine in lieu of confiscation in respect

of goods notified under SRO 566(I)/2005 dated 06.06.2005 and according to serial No 27, 28 , 29, and 34 of table of SRO 566 (I)/2005 dated 06.06.2005 cotton, cotton yarn and fabrics, man-made fibers, man-made yarn and fabric, wool, woolen yarn and fabrics, PVC and PVC materials were included for the purpose of Section 2(s) of the Customs Act 1969.

MCC Preventive Karachi did not invoke above provisions of law but allowed release of seized fabric, plastic material against payment of redemption fine and usual taxes and duties in eleven cases during the financial year 2010-11 which resulted in short-recovery of revenue of Rs 4.91 million.

The irregularity was pointed out to the department in April 2012. DAC in its meeting held on 18.10.2012 directed the MCC to submit a comprehensive reply by 30.11.2012. Further progress was not reported till finalization of the report.

Audit emphasizes expeditious recovery, besides, fixing responsibility.

2.8.11 Non-recovery of arrears for Rs 4,332.29 million

Section 202 of the Customs Act 1969, and rules made there under provides a detailed procedure for recovery of government dues.

Five MCCs did not recover arrear of Rs 4,332.29 million as on 30.06.2011. Further, there was an upward trend of accumulation of arrear which depicted that the recovery cells, despite having legal force and requisite logistics were not so efficient to recover the heavy outstanding dues.

The irregularity was pointed out to the department during March to June, 2012. DAC in its meeting held on 18.10.2012 directed the MCCs to pursue the subjudice cases and recovery should be made within two months under intimation to Audit. Further progress was not reported till finalization of the report.

Audit requires expeditious recovery of arrears, besides, fixing responsibility.

[Annexure-31]

CHAPTER 3 ISLAMABAD CAPITAL TERRITORY (ICT)

3.1 Introduction

The Government of Pakistan established a new capital Islamabad on February 24, 1960 but for purposes of administration, it being in the jurisdiction of Rawalpindi district, was then under administrative control of Deputy Commissioner, Rawalpindi. However, from Jan 1, 1981, administrative functions were assumed by the Federal Government with direct administration by the President or an Administrator appointed by him, and the Islamabad Capital Administration was established and assigned all the powers and functions of a Provincial Government.

Under Article 1 of Constitution, Islamabad Capital Territory is laid down as Constituent of the State, after four provinces. Under President's Order No.18 of 1980, executive authority of Federation is exercised by the President through an administrator known as Chief Commissioner. He is assisted by the office of the Deputy Commissioner in performing its revenue collection duties.

3.2 Comments on Budget and Accounts

This chapter deals receipts categorized as Other Taxes collected by the ICT. These receipts consist of Registration Fee, Stamp Duty, Motor Vehicle Taxes, Vend Fee, Professional Tax and Mutation Fee etc.

3.2.1 Revenue Collection vs Targets

ICT was assigned a revenue target of Rs 1.81 billion during FY 2011-12. ICT collected receipts of Rs 1.76 billion during the year, which was 2.88 % below the target as follows:

(Rs in billion)

Tax Head	Target	Collection 2011-12	Difference from Target	
			Absolute (3-2)	Percent
1	2	3	4	5
Other Taxes	1.81	1.76	(0.05)	2.88

Source: Federal Budget & Financial Statements of Federal Government, 2012-13

3.2.2 Variance analysis of Revenue Collection in FY 2011-12 and FY 2010-11

A comparison of net collection in FY 2011-12 vs FY 2010-11 is tabulated below:

(Rs in billion)

Tax Heads	Collection		Difference	
	FY: 2011-12	FY: 2010-11	Absolute	Percentage
Other Taxes	1.76	1.61	0.15	9%

Source: Financial Statements of Federal Government 2011-12 & 2012-13

ICT's collection for the FY 2011-12 Rs 1.76 billion depicted an increase of Rs 0.15 billion or 9 % over Rs 1.61 billion for FY 2010-11.

3.3 AUDIT PARAS

Irregularity and Non Compliance

3.3.1 Blockage of revenue due to non-finalization of mutation cases for Rs 4.67 million

According to Sr. No. 7 of notification No.3007-78/1516-LRI dated 22.11.1978 issued by the Board of Revenue Punjab adopted by Islamabad Capital Territory, entry based on oral sale of land in rural areas is to be charged with the mutation fee @ 5.1 % of the value of land and on Hibba (gift), this fee is to be charged @ 2.1% of the value of land.

A large number of mutation cases were lying pending in all Mauzas of ICT Islamabad. These cases were lying pending due to non-recovery of mutation fee by Tehsildar, Islamabad which resulted into blockage of revenue for Rs 4.67 million.

The irregularity was pointed out to the department in Sep, 2012. In the meeting held in Dec, 2012, the department reported a recovery of Rs 1.83 million and remaining amount of Rs 2.84 million was under recovery. The Tehsildar, Islamabad was directed to expedite the recovery. Further progress was not reported till finalization of the report.

Audit requires expeditious recovery, besides, fixing responsibility.

[DP No. 17-ICT]

Internal Control Weaknesses

3.3.2 Loss of revenue due to non-fixation of value of the land situated in the villages/rural areas of ICT

According to section 27-A of the Stamp Act 1899, where any instrument chargeable with ad valorem duty under articles 23 and 31 of Schedule-I relates to land only or land with any building or structure thereon, the value shall be calculated according to the valuation table notified by the District Collector. This provision is applicable for urban land. However no such provision exists in ICT for valuation of the land situated in the villages and rural areas of Islamabad.

Record of the Joint Sub-Registrar and Sub-Registrar (Rural), ICT, Islamabad, revealed that the District Collector vide notification No.1(30)-HVC/98/4995, dated 11.09.2004 had circulated the valuation table meant for urban properties only. Whereas the Government of the Punjab even for the year 2012-13 had asked all the District Collectors in the Punjab to revise valuation tables for urban and rural areas. Further the Government of the Punjab vide notification No.1930-2010/1519-St(I), dated 02.07.2010 had made certain amendments in the Punjab Stamp (valuation table in respect of Urban Land) Rules 1999 where appendixes have also been framed for draft valuation in respect of land located in a city, town and in rural areas. However no such provision had been adopted by the Administration of Islamabad Capital for valuation of land etc. situated in the villages of ICT. Therefore, sale deeds of almost in all villages located in the ICT, Islamabad were being registered on very low rates due to non-existence of valuation table in respect of the villages.

The irregularity was pointed out to the department in Aug, 2012. In the meeting held in Dec, 2012, the department reported that the matter had already been taken up with the quarters concerned. It was directed to the department to pursue the matter vigorously. Further progress was not reported till finalization of the report.

Audit requires an early action for finalization of the issue.

[DP Nos. 7, 20-ICT]

3.3.3 Loss of revenue due to non-revision of value of property in urban areas of ICT, Islamabad

The properties located in the urban area of Islamabad are being registered on the value fixed by the District Collector vide notification No.1(30)-HVC/98/4995, dated 11.09.2004.

The valuation of properties was not revised after issuance of the above notification since Sep, 2004. On the other hand, the Government of Punjab has adopted a policy of periodical revision of the valuation tables by the District Collectors after every one year as envisaged under the Punjab Stamp (valuation table in respect of urban/rural land) Rules 1999. The ICT, Administration is usually follower of the Government of Punjab. However, even after lapse of eight years, the valuation table was not revised when due to inflation there was an upward trend of prices of the real estate. This was resulting in recurring heavy loss on account of short realization of stamp duty and registration fee to the national exchequer.

The irregularity was pointed out to the department in Aug, 2012. In the meeting held in Dec, 2012, the department reported that the matter had already been taken up with the quarters concerned. The department was directed to pursue the matter vigorously. Further progress was not reported till finalization of the report.

Audit requires an early action for finalization of the issue.

[DP No. 11-ICT]

3.3.4 Non-charging of penalty in case of late payment of bus stand fee.

The Chief Commissioner, ICT Islamabad, issued a notification bearing No. 5(29)B&A/2007(Vol-III) on 30.09.2009 which is regarding enhancement of route permit fee, motor vehicles' fitness certificates and bus stand fee.

Penalty at prescribed rate is leviable as per above notification, in case of late payment of route permit fee and late production of a vehicle for fitness certificate. However, this notification was silent about levy of any penalty in case of late/non-payment of bus stand fee. The department was therefore, requested for consideration of this issue so that due amount become into the public exchequer in due time.

The irregularity was pointed out to the department in July, 2012. In the meeting held in Dec 2012, it was directed to the department to frame a case for charging of penalty on late/ non payment of bus stand fee. Further progress was not reported till finalization of the report.

Audit requires an early action for finalization of the issue.

[DP No. 1-ICT]

3.3.5 Non recovery of bed tax due to non registration of hotels and guest houses

Under section 12 of West Pakistan Finance Act 1965, bed tax is recoverable from hotels at prescribed rate.

The Excise & Taxation Department, ICT Islamabad, did not register all hotels, motels and guest houses for bed tax purpose. As per departmental record, there were only 36 hotels etc. (out of which six were closed) where bed tax was assessed and collected during 2011-12. However there were some other hotels, motels and guest houses identified by Audit which were liable to pay bed tax.

The irregularity was pointed out to the department in Oct, 2012. In the meeting held in Dec, 2012, the department reported that the matter was under process. The department was directed to finalize the matter immediately. Further progress was not reported till finalization of the report

Audit emphasizes that a survey be carried out immediately for early recovery of government dues for broaden the tax net.

[DP No. 34-ICT]

Annexure-1**MFDAC****Statement of observations/paras included in MFDAC***(Rs in million)*

S. No	DP/ Para #	Name of Office	Amount pointed out	Nature of observation
1.	95	MCC Lahore	-	Self-contradictory SRO issued in violation of import policy order, 2009 needs justification/revision
2.	96	MCC Lahore	-	Illegal clearance of auto parts in used/second hand condition imported in violation of import policy order, 2009
3.	154	MCC Sialkot	-	Illegal clearance of auto parts in used/second hand condition imported in violation of import policy order, 2009
4.	180	MCC Sialkot	0.529	Non-deduction of export development surcharge @ 0.25% by the commercial banks
5.	378	MCC Lahore	0.104	Non realization of EDS
6.	713	MCC Lahore	0.325	Non-forfeiture of earnest money
7.	159	MCC Sialkot	0.121	Excess/doubtful payment of law charges
8.	160	MCC Sialkot	0.128	Irregular expenditure from the head payment made to other for services rendered
9.	161	MCC Sialkot	0.020	Non-disposal of replaced auto parts/news papers
10.	254	MCC Faisalabad	0.323	Non/short deduction of group insurance
11.	255	MCC Faisalabad	0.398	Non-recovery of income tax from salaries of employees
12.	257	MCC Faisalabad	-	Illegal use of luxury vehicles
13.	311	MCC Peshawar	0.360	Non-disposal of replaced auto parts of vehicles
14.	312	MCC Peshawar	0.062	Non-recovery of 5% house rent from the pay of officers to whom govt. accommodation allocated

15.	323	MCC Peshawar	0.018	Short-recovery of income tax
16.	336	DG Training Islamabad	-	Un-authorized expenditure on a/c of electricity charges incurred (proportionately) on electricity used in canteen
17.	337	DG I&I Islamabad	0.006	Excess payment of pay & allowances due to wrong punching of computer change
18.	338	DG I&I Islamabad	-	Unjustified travelling & usage of official/operational vehicles
19.	340	DG I&I Islamabad	0.002	Non-deposit into government account the amount lying un-disbursed
20.	341	DG I&I Islamabad	0.002	Excess payment of hotel charges being included in travelling allowance and daily allowance
21.	359	DG I&I Islamabad	0.068	Un-authorized payment of pay and allowances
22.	360	DG I&I Islamabad	0.005	Excess payment of travelling allowance and daily allowance on foreign tours due to non-observance of financial propriety as well as shortest and feasible route
23.	362	DG I&I Islamabad	0.019	Non- recovery of income tax due from the suppliers of petroleum products other than petrol pump operators
24.	388	MCC Lahore	-	Loss of government due to unauthorized use of vehicles.
25.	389	MCC Lahore	0.057	Short deduction of income tax due to non-inclusion of value of rental ceiling in salary
26.	390	MCC Lahore	0.047	Short deduction of income tax due to non inclusion of value of perquisite in salary
27.	391	MCC Lahore	-	Illegal use of vehicles causing loss of government revenue

28.	408	MCC Lahore	0.010	Short deduction of income tax due to non inclusion of value of perquisite in salary
29.	409	MCC Lahore	0.028	Short deduction of income tax from salary
30.	410	MCC Lahore	0.039	Non recovery of normal rent
31.	412	MCC Lahore	0.073	Short recovery of normal rent
32.	413	MCC Lahore	0.329	Short deduction of income tax from salary
33.	478	MC Multan	0.542	Irregular payment of travelling allowance
34.	480	MC Multan	0.200	Payment against doubtful sales tax supply of uniforms
35.	482	MC Multan	0.133	Non- recovery of loans and advances
36.	484	MC Multan	0.061	Doubtful payments on accounts of stationery charges
37.	485	MC Multan	0.059	Excess payment made to suppliers due to non deduction of sales tax
38.	486	MC Multan	0.055	Non deduction of income tax while making the payment
39.	495	MCC Islamabad	0.447	Irregular acceptance of time barred claim
40.	501	MCC Islamabad	0.177	Non recovery of interest on motor cycle advance
41.	530	MCC Islamabad	0.257	Lapse of funds due to non surrendering
42.	695	MCC Lahore	0.450	Non-fixation of responsibility upon theft of vehicle
43.	697	MCC Lahore	0.214	Improper maintenance of stationery stock register
44.	698	MCC Lahore	0.127	Non disposal of old/ obsolete / unserviceable stores valuing
45.	699	MCC Lahore	0.080	Irregular payment of medical charges/bill
46.	700	MCC Lahore	0.064	Expenditure incurred without calling quotation as desired in public procurement rules 2004 resulted squandering of government money

47.	701	MCC Lahore	0.038	Non deduction of 5% house rent charges
48.	705	MCC Lahore	0.326	Issuance of incomplete/defective last payment certificate resulting in non- recovery of balance house building advance
49.	726	MCC Lahore	0.043	Non recovery of arrears as mentioned in last pay certificate in respect of additional director
50.	736	DG I&I Islamabad	0.037	Non realization of flood relief surcharge on income tax
51.	737	Director I&I Lahore	0.015	Non realization of flood relief surcharge on income tax
52.	739	MCC Islamabad	0.021	Non realization of flood relief surcharge on income tax
53.	740	MCC Peshawar	0.626	Non realization of flood relief surcharge on income tax
54.	742	MCC Lahore	0.278	Non realization of flood relief surcharge on income tax
55.	4.2.7 SSR on Auction	MCC Lahore & Director I&I Lahore	0.968	Unlawful payment of storage charges of confiscated goods
56.	4.2.7 SSR on EOUs	MCC Lahore & MCC Sialkot	0.463	Non-realization of revenue on items not covered in the definition of input and plant & machinery
57.	4.2.5 SSR on DTRE	MCC Export Karachi	0.550	Irregular approval of DTRE
58.	127 & 187/Exp/K	MCC Export Director I & I Karachi	0.233	Irregular expenditure on POL and repairs of vehicles
59.	91/Exp/K	Director Internal Audit Karachi	0.107	Unjustified expenditure on government vehicles
60.	281/Exp/K	MCC Hyderabad	0.500	Non-disposal of motor vehicle
61.	115/EXP/K	MCC (Appraisalment) Karachi	0.819	
62.	2	ICT	0.065	Non-realization of renewal fee from the holder of “c” & “d” class stands

63.	3	ICT	0.104	Non-realization of government revenue due to non-renewal of expired route permits
64.	4	ICT	0.850	Non-recovery of bus stand renewal license fee due to non-finalization of cases.
65.	5	ICT	0.088	Short realization of government revenue due to application of incorrect rate of stamp duty and registration fee
66.	13	ICT	-	Non recording of value of land and non recovery of mutation fee
67.	15	ICT	0.217	Non-realization of government revenue
68.	16	ICT	0.434	Non/short realization of mutation fee on oral sale of land in rural area
69.	23	ICT	0.614	Non-realization of advance tax on registration of new locally manufactured motor vehicles
70.	24	ICT	0.210	Non / short realization of fee on allocation of special registration number
71.	25	ICT	0.095	Non / short realization of late registration fee
72.	26	ICT	0.071	Non-realization of professional tax
73.	27	ICT	0.182	Non-payment of education cess
74.	28	ICT	0.067	Non-realization of government revenue due to non-renewal of certificates of real estate agents / motor vehicles dealers
75.	29	ICT	0.137	Non / short realization of advance tax u/s 231B
76.	30	ICT	0.036	Non / short realization of advance tax u/s 234 on motor vehicles
77.	31	ICT	0.238	Non-realization of advance tax on registration of new locally manufactured motor vehicles
78.	32	ICT	0.112	Non-realization of token tax

79.	35	ICT	0.066	Non-realization of advance tax at the time of collecting motor vehicle tax
80.	106	MCC Lahore	0.079	Release of imported goods by accepting post dated cheque of lesser amount due to non-inclusion of customs duty in duty paid value
81.	107	MCC Lahore	-	Release of imported goods without proper examination and appraisal
82.	108	MCC Lahore	23.505	Release of imported goods by accepting post dated cheque of lesser amount
83.	134	MCC Lahore	0.050	Short-realization of government revenue due to re-assessment of imported goods without proper evidence
84.	153	MCC Sialkot	-	Release of returned goods exported from bonds without realization of duties and taxes leviable on imported inputs to be used in manufacturing of goods
85.	177	MCC Sialkot	-	Manufacturing of goods without valid manufacturing license and improper maintenance of record
86.	221	MCC Faisalabad	-	Non-cancellation of license
87.	226	MCC Faisalabad	-	Non maintenance of master register to be maintained by the recovery cell
88.	227	MCC Faisalabad	0.555	Blockade of revenue due to non-disposal of confiscated goods
89.	239	MCC Faisalabad	-	Unjustified handing over and utilization of vehicles by the director general post clearance audit, Islamabad
90.	289	MCC Peshawar	0.645	Auction made in violation of rules
91.	342	DG Internal Audit Islamabad	-	Late issuance of audit reports and follow up thereon

92.	469	MCC Multan	0.066	Short realization of government revenue due to short assessment of weight
93.	528	MCC Islamabad	0.290	Non realization of additional 20% amount due to late payment of bank guarantee
94.	541	MCC Islamabad	362.862	Non realization of revenue due to irregular zero rating of sales tax on export to Afghanistan
95.	655	MCC Lahore	0.679	Short-realization of revenue due to mis-declaration
96.	309	MCC Peshawar	-	Wrong feeding of data by the PRAL resulting in incorrect reporting to FBR
97.	310	MCC Peshawar	4.000	Irregular realization of customs duty in advance.
98.	1/1/F-52	SWH DG Rangers	-	Non-disposal of confiscated liquor
99.	7/1/F-51	MCC Lahore	-	Non confiscation of motor cycle imported against the import policy order, 2009
100.	1/1/F-98	MCC Lahore	0.016	Non realization of revenue due to non disposal of wastage
101.	2/1/F-98	MCC Lahore	-	Non conducting of annual audit/stock taking
102.	2/1/F-62	MCC Lahore	0.034	Non-deduction of special pay
103.	5/1/F-62	MCC Lahore	0.008	Non-deduction of conveyance allowance
104.	1/2/F-62	MCC Lahore	-	Non-conducting of internal check
105.	1/1/F-61	MCC Lahore	0.140	blockage of revenue due to non-disposal of confiscated goods
106.	2/1/F-61	MCC Lahore	0.132	blockage of revenue due to non-disposal of confiscated goods
107.	1/1/F-40	Directorate of Internal Audit Islamabad	-	Non-issuance of audit reports in compliance with annual audit plan
108.	18/1/F-43	DG I & I Islamabad	0	Procedural short comings in hiring cases
109.	5/1/F-31	Directorate of Training and Research	0	Non-verification of certain permanent assets of office during physical verification

		Islamabad		
110.	1/II/F-27	Deputy Director I & I Faisalabad	0	Non-disposal of old news papers and old and used spare parts
111.	2/II/F-27		0	Non-maintenance of broad sheets / GPF ledger of Class-IV employees
112.	3/II/F-27		0	Non-conduct of physical verification of store/stock and surprise checking of cash book
113.	4/II/F-27		0	Non-conduct of internal audit
114.	2/1/F-30	MCC Faisalabad	0.734	Unauthorized sale of vehicle contrary to monetization policy
115.	1/II/F-30		0	Non-disposal of old news papers and old and used spare parts
116.	2/II/F-30		0	Non-updating of service book
117.	3/II/F-30		0	Non-maintenance of GPF ledger/Broad of Class-IV employees
118.	4/II/F-30		0	Non-conduct of surprise visit of cash book and physical verification of store/stock
119.	5/II/F-30		0	Non-conduct of internal audit
120.	6/II/F-30		0	Non-issuance of audit reports in compliance with annual audit plan
121.	2/1/F-39	MCC Lahore	0	Doubtful description of imported raw materials having resemblance with the finished goods
122.	1/1/F-40		0	Revamping of SRO 542(1)/2006 and delinking of exemption of sales tax on import of mobiles from the condition of presentation of mobile phone to the cellular company operator for activation or energization
123.	2/1/F-14	MCC Sambrial Sialkot	0	Late transfer of confiscated goods for disposal to auction branch
124.	1/II/F-16		0.003	Irregular expenditure on printing and publication
125.	2/II/F-16		0	Non-maintenance of leave account
126.	3/II/F-16		0	Non-conduct of surprise visit of cash book and physical

				verification of store/stock
127.	4/II/F-16		0	Non-updation of service books
128.	1/II/F-15		0	Payment of rebate on parts of electric fans without confirmation of the fact that condition of export of goods in CKD condition being set by the board was fulfilled by the exporter or not
129.	1/II/F-71	MCC Lahore	0.056	Short-realization of revenue due to mis-classification and grant of inadmissible benefit of SRO
130.	2/II/F-71		0.055	Short-realization of govt. revenue due to under valuation
131.	3/II/F-71		0.055	Short-realization of govt. revenue due to under valuation of imported goods
132.	4/II/F-71		0.036	Short-realization of govt. revenue due to non inclusion of insurance in CIF value
133.	1/II/F-72		0.025	Loss of govt. revenue due to misclassification of seized goods upon releasing
134.	2/II/F-72		0.020	Short-realization of duty & taxes on releasing of goods due to under valuation and wrong calculation of sales tax resulting loss of govt. Revenue
135.	3/II/F-72		0.013	short-levy of sales tax and withholding tax resulting loss of govt. Revenue
136.	4/II/F-72		0	Non-disposal of liquor
137.	1/II/F-55		0	Un-justified delay in auction of vehicles
138.	3/1/F-93		0.014	Short-realization of govt. revenue due to inadmissible benefit of PCT heading of 9909
139.	4/1/F-93		0.009	Non-realization of federal excise duty on imported cosmetics
140.	5/1/F-93		0.007	Short-realization of withholding tax
141.	1/II/F-80		0	Sales of goods in commercial

				quantities
142.	1/II/F-77		0	Incomplete description mentioned in detention memo
143.	1/1/F-		0.007	Abatement allowed beyond the jurisdiction resulting loss of revenue
144.	1/1/F-95		0	Incomplete information regarding passenger
145.	2/1/F-95		0	Lack of coordination in promulgation of SRO 666(I)/2006 regarding baggage rules
146.	1/II/F-66		0	Non-conduct of internal Audit
147.	2/II/F-66	DDO (I & I) (Expenditure) Lahore	0	Non-maintenance of GPF ledger/broad sheets of class-IV employees
148.	3/II/F-66		0	Non-updating of service books
149.	1/II/F-73		0	Non-conduct of internal Audit
150.	2/II/F-73	DDO Internal Audit (Expenditure) Lahore	0	Non-maintenance of GPF ledger/broad sheets of class-IV employees
151.	3/II/F-73		0	Non-updating of service books
152.	1/II/F-63		0	Physical verification of stores/stocks
153.	2/II/F-63	DDO DOT (Expenditure) Lahore	0	Excess payment due to non deduction of conveyance allowance from the pay
154.	1/1/F-81	Director Valuation (Exp) Lahore	0.108	Improper maintenance of stationery/stock register resulted in squandering govt. expenditure
155.	3/1/F-81		0	Non-conduct of internal audit
156.	1/II/F-69		0	Non-conduct of internal audit
157.	2/II/F-69	DDO (PCA) Exp. Lahore	0	Non-maintenance of GPF ledger/broad sheets of class-IV employees
158.	3/II/F-69		0	Non-updating of service books
159.	4/II/F-69		0	Financial viability is unfeasible due to meagre amount of recovery
160.	1/II/F-15	MCC Multan	0.006	Non-realization of value added tax

161.	2/II/F-15	MCC Islamabad	0.005	Short-realization of revenue due to undervaluation
162.	3/II/F-15		0.001	Short-realization of govt. revenue due to non levy of income tax surcharge
163.	4/II/F-15		-	Improper maintenance of record
164.	2/I/F-13		0.927	Delay in payment of earnest money
165.	3/I/F-12		0.626	Releasing of imported goods without realization of duty & taxes
166.	10/I/F-12		0.005	Short-realization of income tax due to incorrect application of income tax rate
167.	5/I/F-16		0.370	Non-realization of customs duty
168.	13/I/F-16		0.027	Short-realization of govt. revenue
169.	3/I/F-17		0.225	Irregular payment of reward
170.	8/I/F-17		0.080	Late submission of change statement for recovery weak internal controls
171.	1/II/F-17		0	Non-maintenance of GPF ledger of Class-IV employees
172.	2/II/F-17		0	Non-conducting of physical verification of stock
173.	3/II/F-17		0	Non-conducting of internal audit
174.	10/I/F-44		0.027	Short-realization of warehousing surcharge
175.	6/I/F-47		0.045	Non-realization of 15% flood relief surcharge
176.	7/I/F-47		0.042	Non-realization of govt. revenue due to irregular duty taxes free release of imported fabric
177.	1/II/F-49		0.008	Non/short-realization of govt. Revenue
178.	2/II/F-49		-	Non-conducting of stock verification
179.	4/I/F-50		0.010	Irregular expenditure on POL and repair
180.	2/I-F-51		0.022	Non-recovery of govt. revenue
181.	3/I-F-51	0.010	Non-recovery of govt. revenue	
182.	4/I-F-51	0.005	Short-realization of govt. revenue due to misclassification	

183.	21/I/F-52		0.019	Non-deduction of group insurance from pay	
184.	1/II/F-52		0.004	Non-realization of withholding tax	
185.	2/II/F-52		0.002	Excess payment of sales tax	
186.	1/I/F-17	MCC Peshawar	0.568	Short realization of govt. revenue due to application of incorrect rate of custom duty	
187.	2/I/F-17		0.730	Irregular realization of custom duty in advance	
188.	1/II/F-17		0	Improper maintenance of import record	
189.	2/II/F-17		0.004	Short realization of revenue due to inadmissible exemption of sales tax under sixth schedule	
190.	1/I/F-27		0.228	Excess payment of medical charges	
191.	5/I/F-27		85.569	Irregular payment of special allowance	
192.	9/I/F-27		0.034	Irregular drawal of residential charges	
193.	13/I/F-27		0.217	Non-surrendering of saving	
194.	16/I/F-27		0.031	Non-recovery of 5% house rent	
195.	1/II/F-27		-	Non-conducting of internal audit	
196.	2/II/F-27		-	Non-conducting of physical verification of stock	
197.	5/I/F-28		120.032	Irregular realization of custom duty in advance	
198.	15/I/F-28		0.198	Short-realization of govt. revenue due to misclassification	
199.	21/I/F-28		-	Existence of higher rates of customs duty than statutory rates in SRO 656(I)/2007	
200.	1/II/F-29		0.006	Short-realization of govt revenue due to under valuation	
201.	7/I/F-20		Director I & I Peshawar	0.025	Irregular drawal of overtime allowance
202.	1/II/F-20			0	Non-conducting of internal audit
203.	2/II/F-20	0		Non-conducting of physical verification of stock	
204.	2/I/F-8	Joint Sub-	0.190	Loss of government revenue due	

		Registrar Islamabad		to irregular reduction in rate of stamp duty and registration fee
205.	8/1/F-8		0	Non-inclusion of value of construction /structure for the purpose of stamp duty and registration fee
206.	1/II/F-8		0.008	Short realization of registration fee
207.	2/II/F-8		0.005	Short assessment of surrendered lease
208.	1/II/F-11	DC (Refund) Islamabad	0.002	Doubtful issuance of refund of stamp papers
209.	2/II/F-11		0.000	Non-deduction of court fee
210.	13/1/F-12	ETO	-	Revision of rates of certain taxes
211.	15/1/F-12	Islamabad	0.005	Non realization of transfer fee
212.	4.1.5 SSR on Auction	Director I & I	17.449	Frequently utilization of discretionary powers / acceptance of lower bid price
213.	4.1.8	Assistant Collector MCC Peshawar	126.743	Double reporting of collection figure by auction cell
214.	4.1.9.	MCC Islamabad and Peshawar	0	Non-observance of provision of auction rules
215.	4.1.9	MCC Peshawar	0	Non-observance of provision of auction rules
216.	4.2.1	MCC Lahore	0	Irregular/unlawful payment of balance amount of sale proceed to the owner of the auctioned goods
217.	4.2.3	MCC Islamabad	79.769	Excessive reporting of custom duty
218.	4.2.4	MCC Lahore	1.266	Fictitious achievement of custom receipts/non transfer of amount collected through auction from MAI fund
219.	4.2.4	MCC Lahore and Director I & I	0.449	Fictitious achievement of custom receipts/non transfer of amount collected through auction from MAI Fund
220.	4.1.3(e)	DC Auction	1.777	Understatement of reserve price

		Islamabad		
221.	4.1.3(g)	MCC Lahore and Dir I & I	122.732	Understatement of reserve price
222.	4.1.5 SSR on DTRE	MCC, Islamabad Sialkot & Lahore	-	Irregular acceptance of post dated cheques
223.	4.1.10	MCC Sialkot Lahore and MCC Export Karachi	2.168	Non-realization of govt revenue due to irregular grant of DTRE
224.	4.1.13	MCC Export Karachi	0	Late submission of Appendix-IV
225.	4.1.14	MCC Export Karachi	0	Nominal value addition in case of exports of same stated goods
226.	4.1.15	MCC Export Karachi	0	Delay in completion of audit of DTRE cases
227.	4.1.16	MCC Export Karachi	0	Late submission of reconciliation statement
228.	4.1.17	MCC Export Karachi	0	Non-finalization of contravention cases
229.	4.3.1	MCC Lahore	0	Non transfer of DTRE files by sales tax department
230.	4.1.2(b) SSR on Adjudication	MCC Appraisement Karachi	0	Unlawful releasing of smuggled goods
231.	4.1.3	MCC (Preventive) Karachi & MCC Sialkot	0	Orders-in-original issued by an inappropriate authority causing unauthorized releasing of goods
232.	4.1.4	MCC Faisalabad	0	Non issuance of orders-in-original
233.	4.1.7	MCC Islamabad	0	Penalty imposed not proportionate to the value of goods, gravity of offence
234.	4.1.9	MCC (Port Bin Qasim) Karachi	5.674	Delay in issuance of show cause notices caused non-realization of evaded amount of duty & taxes and non-confiscation of goods.
235.	4.1.11	MCC Lahore	0	Non maintenance of master

		& Faisalabad		recovery register	
236.	4.1.12	MCC Faisalabad & Islamabad	0	Procedural shortcomings	
237.	4.2.9	MCC Lahore	0	Non/late issuance of recovery notices	
238.	4.1.3 SSR on Export Oriented Units	MCC Export Karachi Lahore and Sambrial	0	Non-compliance of provisions of conducting of post exportation audit at the end of financial year	
239.	4.1.12	MCC Export Karachi	0	Non-submission of insurance policy	
240.	6	MCC Hyderabad	0.013	Short realization of revenue due to under assessment	
241.	320-CD/K		2.856	Non-disposal of confiscated goods	
242.	452-CD/K		0.117	Non-recovery of government revenue	
243.	453-CD/K		0.450	Non-recovery of penalty	
244.	3		0.162	Blockade of govt. revenue due to non disposal of seized/confiscated goods	
245.	4		0.010	Blockade of govt. revenue due to non disposal of seized/confiscated goods	
246.	3		0.044	Non-deduction of GP Fund instalment	
247.	4		0.040	Short appropriation of fund	
248.	5		0.016	Non-deduction of income tax from cash reward	
249.	II/1		0.006	Non-deduction of advance income tax on supply of goods	
250.	II/2		0.006	Non surrender of savings	
251.	18		MCC Exports Karachi	0	Non maintenance of dead stock/fixed assets register
252.	196-Exp/K			0	Unauthorized disposal of old stocks/assets
253.	24	0.060		Unjustified expenditure on advertisement & publicity	
254.	344-CD/K	-		Fee on account of seals and	

				sealing/de-sealing of containers
255.	198-Exp/K		2.587	Unlawful expenditure on operational vehicles
256.	26		0.026	Unjustified expenditure on repair of split air conditioner
257.	29		0.035	Excess payment on courier service
258.	30		0.051	Irregular expenditure on payment of liabilities of previous years
259.	31		0.210	Irregular expenditure on stationery
260.	39		-	Non carrying out physical verification of stores
261.	40		-	Non carrying out internal check
262.	239-CD/K		0.098	Non-recovery of regulatory duty
263.	337-CD/K		128.876	Reduction in demand of adjudged government dues
264.	342-CD/K		5.223	Incorrect exclusion of demand from master recovery register
265.	350-CD/K		1,925.609	Outstanding duty drawback claims
266.	464-CD/K		-	Non production of record
267.	165-Exp/K	Directorate of Post Clearance Audit	0.600	Lapse of money due to non-surrender of savings
268.	166-Exp/K		0.400	Irregular expenditure on payment of liabilities of previous years
269.	167-Exp/K		-	Improper maintenance of movement registers and log books
270.	170-Exp/K		0.276	Short payment of income tax on salary income
271.	171-Exp/K		0.288	Irregular payment of pay & allowances on transfer
272.	9		-	Improper maintenance of dead stock/fixed asset register
273.	10		0.002	Inadmissible payment of integrated allowance
274.	173-Exp/K		0.550	Unauthorized expenditure over and above budget grant
275.	174-Exp/K		0.340	Unauthorized payment of pay & allow on temporary post
276.	175-Exp/K		-	Excess working strength

277.	14		-	Non-carrying out physical verification of stores	
278.	15		-	Non carrying out internal check	
279.	135-Exp/K	DG Training & Research Karachi	1.724	Lapse of govt. money due to non-surrender of savings	
280.	145-Exp/K		0.070	Inadmissible payment of medical charges	
281.	146-Exp/K		0.120	Unjustified expenditure on courier service	
282.	147-Exp/K		0.011	Inadmissible payment of personal internet charges	
283.	15		-	Improper maintenance of movement registers and log books	
284.	17		0.027	Excess payment of electricity charges	
285.	18		0.019	Unjustified expenditure on news paper	
286.	20		-	Unjustified expenditure on CNG	
287.	24		0.008	Inadmissible payment of integrated allowance	
288.	25		0.196	Short payment of income tax on salary income	
289.	26		-	Excess working strength	
290.	102-Exp/K		Chief Collector of Customs (South)	0.020	Irregular expenditure on mobile telephone charges
291.	104-Exp/K			0.079	Short payment of income tax on salary income
292.	107-Exp/K	-		Improper maintenance of movement registers and log books	
293.	105-Exp/K	0.008		Inadmissible payment of integrated allowance	
294.	106-Exp/K	0.142		Unauthorized expenditure over and above budget grant	
295.	7	0.200		Irregular expenditure on secret service	
296.	108-Exp/K	0.002		Excess payment on purchase of mobile cards	
297.	9	-		Non-maintenance of dead stock/fixed asset register	
298.	10	-		Non-carrying out physical	

				verification of stores
299.	11		-	Non carrying out internal check
300.	96-Exp/K	Collector of Customs Appeals Khi	1.097	Lapse of money due to non-surrender of savings
301.	97-Exp/K		0.042	Irregular expenditure on purchase of envelopes
302.	98-Exp/K		0.050	Unauthorized expenditure on operational vehicles
303.	99-Exp/K		0.012	Non-recovery of conveyance allowance
304.	101-Exp/K		0.146	Improper maintenance of movement registers and log books
305.	7		0	Non-maintenance of dead stock/fixed asset register
306.	8		0	Non-carrying out physical verification of stores
307.	9		0	Non carrying out internal check
308.	232-Exp/K		DG Customs Valuation Karachi	0.207
309.	233-Exp/K	0.184		Irregular expenditure on payment of liabilities of previous years
310.	5	1.808		Unjustified expenditure on operational vehicles
311.	236-Exp/K	0.078		Unjustified expenditure on purchase of tyres
312.	8	0.120		Non-disposal of replaced auto parts
313.	238-Exp/K	0.011		Non recovery of conveyance allowance
314.	11	0.290		Irregular expenditure on stationery
315.	12	-		Improper maintenance of cash book
316.	16	-		Non-carrying out physical verification of stores
317.	243-Exp/K	Chief Coordinator Computerization & Programming, Karachi	0.040	Inadmissible payment of performance allowance
318.	244-Exp/K		0.100	Lapse of money due to non-surrender of savings
319.	245-Exp/K		0.022	Unauthorized payment of medical

				charges
320.	246-Exp/K		0.013	Excess payment of rent of residential accommodation
321.	247-Exp/K		0.150	Non-deduction of income tax on rental income
322.	249-Exp/K		0.010	Non recovery of conveyance allowance
323.	8		0.415	Non recovery of house building advance
324.	250-Exp/K		0.017	Non-realization of stamp duty
325.	251-Exp/K		0.374	Short payment of income tax on salary income
326.	252-Exp/K		5.425	Rush of expenditure in the month of June
327.	253-Exp/K		0.006	Non-deposit of bidding document price
328.	254-Exp/K		3.323	Unauthorized expenditure over and above budget grant
329.	14		-	Non-maintenance of dead stock/fixed asset register
330.	255-Exp/K		0.005	Inadmissible payment of integrated allowance
331.	256-Exp/K		-	Irregular utilization of budget upto the month of December
332.	17		-	Non-completion of service books
333.	18		-	Non-carrying out physical verification of stores
334.	19		-	Non carrying out internal check
335.	92-Exp/K	Directorate of Internal Audit Karachi	0.060	Non-disposal of replaced auto parts
336.	9		-	Improper maintenance of movement registers and log books
337.	12		-	Non-carrying out physical verification of stores
338.	167-CD/K	MCC PaCCS Karachi	2.359	Short recovery of revenue due to under valuation
339.	169-CD/K		3.274	Short recovery of revenue due to under valuation
340.	170-CD/K		0.893	Short recovery of government revenue due to under valuation
341.	171-CD/K		3.044	Short recovery of government

				revenue due to under valuation
342.	172-CD/K		3.029	Short recovery of government revenue due to under valuation
343.	173-CD/K		1.181	Short recovery of government revenue due to under valuation
344.	174-CD/K		0.266	Short recovery of government revenue due to under valuation
345.	175-CD/K		2.070	Short recovery of government revenue due to under valuation
346.	257-Exp/K		1.719	Lapse of money due to non-surrender of savings
347.	259-Exp/K		0.055	Non-realization of stamp duty
348.	260-Exp/K		0.436	Non-disposal of old batteries
349.	263-Exp/K		12.796	Unauthorized expenditure over and above budget grant
350.	11		0.052	Unauthorized payment of office telephone charges
351.	267-Exp/K		0.209	Non-disposal of replaced auto parts
352.	272-Exp/K		0.054	Non-deduction of income tax on rental income
353.	219-Exp/K	MCC Preventive Karachi	0.105	Inadmissible reimbursement of medical charges
354.	222-Exp/K		0.012	Non-deposit of bidding document price
355.	223-Exp/K		0.016	Payment of telephone charges in excess of ceiling
356.	19		0.040	Irregular payment of Law charges
357.	20		0.020	Unauthorized payment of medical charges
358.	28		-	Improper maintenance of movement registers and log books
359.	29		-	Non-carrying out physical verification of stores
360.	30		-	Non carrying out internal check
361.	4 PART -1		2.853	Short realisation of warehousing surcharge
362.	7 PART -1		0.710	Short realisation of warehousing surcharge
363.	8 PART -1		0.229	Short realisation of warehousing

				surcharge
364.	445-CD/K		0.013	Under assessment of government dues
365.	446-CD/K		0.011	Under assessment of government dues
366.	1 Of part II		0.002	Under valuation of goods
367.	2 Of part II		0.001	Under valuation of goods
368.	1 Of part II		-	Non conducting of physical verification
369.	278-CD/K		0.096	unlawful release on late deposit of earnest money
370.	279-CD/K		0.031	Under assessment of government revenue
371.	1 of Part-II		0.009	Under assessment of government revenue
372.	277-CD/K		0.179	Non-proof of payment of govt. Revenue
373.	503-CD/K		0.982	Non realization of government dues
374.	1 of part II		-	Non clearance of warehoused goods
375.	2 of part II		-	improper maintenance of warehouse register
376.	1 of part II		-	Non clearance of warehoused goods
377.	1 of part II		-	Non conducting of physical verification
378.	261-CD/K		27.702	Non encashment of bank guarantee
379.	265-CD/K		0.092	under assessment of government dues
380.	A.O 1 to 9		1.366	Short payment of government dues
381.	A.O 1 to 12		1.890	Short payment of government dues
382.	443-CD/K		0.314	Non-recovery of penal surcharge
383.	2		-	Non-deposit of lab test fee
384.	10	MCC PMBQ Karachi	0.10	Irregular expenditure on secret service
385.	13		-	Improper maintenance of movement registers and log books
386.	14		-	Irregular payment of pay &

				allowances on transfer
387.	17		-	Non-maintenance of dead stock/fixed asset register
388.	283-CD/K		0.096	Inadmissible baggage allowance
389.	284-CD/K		0.050	Non imposition of penalty
390.	331-CD/K		-	Non disposal of valuable goods
391.	332-CD/K		-	Non disposal of liquors
392.	1 of Part I		-	Non production of record
393.	2 of Part I		8.127	Non encashment of securities
394.	117-Exp/K	MCC Appraisement Karachi	0.098	Irregular payment of rent for residential accommodation
395.	118-Exp/K		0.075	Irregular payment of rent for residential accommodation
396.	119-Exp/K		0.020	Irregular payment of law charges
397.	120-Exp/K		0.021	Non-deduction of advance income tax on supply of goods
398.	15		-	Non-reconciliation of monthly expenditure statement
399.	16		-	Non-availability of information regarding scrap/disposed items
400.	17		-	Non-carrying out physical verification of stores
401.	18		-	Improper maintenance of stock register
402.	19		-	Non-completion of service books
403.	374-CD/K		1.606	Non recovery of adjudged amount
404.	380-CD/K		6.800	Non finalization of provisional assessment
405.	388-CD/K		0.207	Misclassification of vehicles
406.	385-CD/K		0.307	Short recovery of govt. revenue
407.	394-CD/K		0.050	Non submission of bank guarantee
408.	11 of Part II		-	Non production of record
409.	364-CD/K		0.721	Short recovery of govt. Revenue
410.	372-CD/K		3.647	Non encashment of bank guarantee
411.	369-CD/K		0.846	Non realisation of government dues
412.	366-CD/K		0.492	Non encashment of bank guarantee
413.	367-CD/K		0.052	Non realisation of sales tax and

			income tax
414.	373-CD/K	38.650	Blockade of government revenue due to non finalization of provincial assessment
415.	199-CD/K	0.025	Under assessment of government dues
416.	200-CD/K	0.025	Under assessment of government dues
417.	201-CD/K	0.068	Under assessment of government dues
418.	208-CD/K	0.718	Under assessment of government dues
419.	209-CD/K	1.235	Under assessment of government dues
420.	220-CD/K	0.028	Under assessment of government dues
421.	221-CD/K	0.033	Under assessment of government dues
422.	222-CD/K	0.025	Under assessment of government dues
423.	223-CD/K	4.172	Under assessment of government dues
424.	224-CD/K	13.525	Under assessment of government dues
425.	226-CD/K	0.450	Under assessment of government dues
426.	227-CD/K	0.268	Under assessment of government dues
427.	228-CD/K	0.017	Under assessment of government dues
428.	229-CD/K	0.024	Under assessment of government dues
429.	230-CD/K	1.697	Irregular exemption of duty
430.	231-CD/K	1.697	Irregular exemption of duty
431.	233-CD/K	0.484	Under valuation
432.	234-CD/K	0.020	Under valuation
433.	424-CD/K	0.121	Under assessment of government dues
434.	418-CD/K	0.105	Under assessment of government dues
435.	419-CD/K	0.011	Under assessment of government

				dues
436.	420-CD/K		0.047	Under assessment of government dues
437.	494-CD/K		0.025	Under assessment of government dues
438.	501-CD/K		0.068	Under assessment of government dues
439.	502-CD/K		1.235	Under assessment of government dues
440.	391-CD/K		1.136	Non-realization of govt revenue on non-failure to submit re-warehousing
441.	1	MCC Quetta	1.184	Unauthorized expenditure over and above budget grant
442.	1		29.056	Unauthorized expenditure over and above budget grant
443.	283-Exp/K		1.400	Non-disposal of motor vehicles
444.	3		0.041	Non-deduction of advance income tax on supply of goods
445.	4		0.035	Non-deduction of income tax on rental income
446.	5		1.500	Irregular utilization of budget due to defective tender
447.	2 of part I		-	Non production of record
448.	1 of part I		3.810	Non realisation of sales tax
449.	1 of Part I		9.065	Non realisation of government revenue
450.	2 of Part I		0.065	Non realisation of government revenue
451.	3 of Part I		0.014	Irregular exemption of government dues
452.	4 of Part I		0.013	Short realisation of government revenue
453.	5 of Part I		-	Irregular clearance of goods
454.	1 of Part II		0.004	Non realisation of government revenue
455.	2 of Part II		0.001	Non realisation of government revenue
456.	484-CD/K		0.080	Non realisation of export development S/C
457.	1 of Part II		0.001	Excess refund of sales proceeds

458.	2 of Part I		0.009	Non realisation of S/C
459.	478-CD/K		0.181	Non realisation of withholding tax
460.	4 of Part I		0.016	Non realisation of sales tax
461.	2 of Part I		0.028	Non realisation of sales tax
462.	3 of Part I		-	Un authorised assessment of value of almond
463.	1 of Part II		0.004	Non realisation of sales tax
464.	485-CD/K		0.085	Non-recovery of 15% surcharge
465.	1	MCC Gawadar	3.652	Unauthorized expenditure over and above budget grant
466.	284-Exp/K		-	Non-carrying out physical verification of stores
467.	1		3.765	Unauthorized expenditure over and above budget grant
468.	1		-	Non-maintenance of dead stock register
469.	2		-	Non-maintenance of stationery stock register
470.	3		-	Non-maintenance of service postage stamp register
471.	4		-	Non-maintenance of liveries stock register
472.	6 of Part I		-	Contravention of law by master of vessel and customs officers
473.	7 of Part I		-	Non submission of monthly return
474.	1 of Part I		0.049	Non disposal of whisky and liquors
475.	185-CD/K		-	Improper compliance of condition of rules
476.	1 of Part I		0.049	Non realisation of revenue
477.	2 of Part I		0.028	Non realisation of sales tax
478.	1 of Part I		0.009	Short realisation of revenue
479.	1 of Part I		0.125	Non disposal of confiscated goods
480.	6 of Part I		0.302	Short realization of S/C on income tax
481.	7 of Part I		0.090	Short realisation of revenue
482.	1	Director Intelligence & Investigation Quetta	10.450	Unauthorized expenditure over and above budget grant
483.	2		2.205	Lapse of money due to non-surrender of savings
484.	3		0.014	Short/non-realization of advance

				tax and surcharge
485.	4		0.014	Unauthorized expenditure over and above budget grant
486.	1 of Part 1		0.115	Non disposal of perishable goods
487.	3 of Part 1		1.486	Non disposal of confiscated goods
488.	4 of Part 1		0.100	Non realization of adjudged dues
489.	123-Exp/K	Director Intelligence & Investigation Karachi	0.889	Unauthorized expenditure on pay & allowances
490.	125-Exp/K		0.346	Irregular expenditure on repair of vehicles
491.	128-Exp/K		0.073	Inadmissible payment of house rent allowance
492.	129-Exp/K		0.022	Inadmissible payment on TA/DA
493.	12		-	Non-carrying out physical verification of stores
494.	13		-	Improper maintenance of stock register
495.	180-CD/K		0.805	Under valuation of confiscated goods
496.	181-CD/K		0.619	Short payment of government dues
497.	182-CD/K		0.221	Under valuation of confiscated goods
498.	184-CD/K		0.100	Non realization of token money
499.	185-CD/K		0.097	Non realization of sales tax
500.	186-CD/K		0.013	Short realization of income tax
501.	13 Part 1		-	Non conducting of physical verification
502.	183-CD/K		0.100	Non-realization of token money
503.	5 of Part 1		0.014	Non realization of sales tax
504.	AIR Paras 12 & 6	MCCs Lahore and Islamabad	0	Abnormal delay in disposal of confiscated goods after passing the order-in original
505.	AIR Paras 7 & 2	MCC Lahore and Director I&I Lahore	0	Huge revenue loss due to long storage of confiscated goods and vehicles in the state warehouses
506.	AIR Paras 6 & 6, AO No.16	MCCs Lahore Sialkot and Export Karachi	0	Non-determination of production capacity and non-existence of system of monitoring of plant & machinery imported free of taxes
507.	Paras 1,2,3,	MCCs Lahore Multan,	0	Late issuance of orders in original

	9 and 13	Islamabad Faisalabad & Sialkot		in decided cases
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Audit Impact Summary

After due deliberations in DAC meeting, it was unanimously decided that the following matters may be referred to the Federal Board of Revenue for necessary amendments in the laws/rules and issuance of policy guidelines/instructions/clarifications for uniform application of law/rules across the board;

- Use of luxury confiscated and tampered vehicles by Board and its field offices,
- Issuance of self-contradictory SRO in violation of Import Policy Order 2009,
- Short-realization of government revenue due to misapplication of rate of withholding tax,
- Guiding rules to govern the goods exported from Pakistan, re-imported for repairs/removal of defects,
- Zero-rating of sales tax under SRO 283(I)/11 to finished goods imported by commercial importers,
- Contradiction between SRO 638(I)/2005 and Income Tax Ordinance 2001 on value of imported goods for charging of withholding tax at import stage,
- Inclusion of petroleum levy, in value of supply, for sales tax purpose,
- Exemption of withholding tax to goods imported under SRO 327(I)/2008; and
- Benefit of Free Trade Agreement with China to goods imported from Hong Kong

Annexure-3*Para 2.4.2***Statement showing the Non-Production of Record**

Sr.#	DP No.	Formation
1	173	MCC Sialkot
2	351	DG PCA Islamabad
3	532	MCC Islamabad
4	692	Director Internal Audit Lahore
5	Para 30 of AIR	MCC Sialkot
6	718, 724 & 728	MCC Appraisalment Lahore
7	725	DG PCA Lahore
8	282, 323,324, 379	MCC PMBQ Karachi
9	463,482-CD/K	MCC Quetta
10		MCC Appraisalment Karachi

Annexure-4
Para 2.4.5

Statement showing the non-realization of revenue due to inadmissible exemption/concessions of SROs for Rs 2,272.618 million

(Rs in million)

Sr.#	DP No.	Formation	Amount pointed out
1	85	MCC Lahore	1.412
2	86	-do-	0.494
3	92	-do-	6.636
4	93	-do-	86.618
5	110	-do-	7.420
6	115	-do-	0.113
7	116	-do-	0.230
8	117	-do-	66.552
9	120	-do-	19.497
10	121	-do-	0.254
11	123	-do-	19.984
12	125	-do-	13.377
13	126	-do-	1.313
14	132	-do-	0.122
15	133	-do-	0.410
16	138	MCC Sialkot	19.823
17	165	-do-	0.160
18	167	-do-	0.017
19	168	-do-	0.059
20	188	-do-	8.296
21	192	DD (I&I) Gujranwala	0.230
22	195	MCC Faisalabad	0.431
23	196	-do-	0.169
24	198	-do-	1.200
25	199	-do-	3.717
26	201	-do-	0.983
27	210	-do-	3.695
28	217	-do-	1.036
29	230	-do-	0.083
30	232	-do-	0.056
31	250	-do-	0.015

32	274	MCC Peshawar	1.233
33	285	-do-	0.689
34	288	MCC Peshawar	1.378
35	293	-do-	0.187
36	295	-do-	0.372
37	296	-do-	0.708
38	297	-do-	0.150
39	298	-do-	7.069
40	300	-do-	4.044
41	307	-do-	0.032
42	379	MCC Lahore	1.269
43	384	-do-	52.238
44	386	-do-	1.283
45	387	-do-	1.550
46	395	-do-	3.225
47	398	-do-	2.173
48	400	-do-	1.208
49	402	-do-	0.668
50	406	-do-	0.136
51	415	-do-	0.021
52	421	-do-	33.829
53	424	-do-	1.819
54	427	-do-	2.021
55	430	-do-	34.409
56	431	-do-	3.500
57	439	-do-	283.000
58	462	MCC Multan	0.018
59	463	-do-	1.021
60	474	-do-	0.122
61	514	MCC Islamabad	0.660
62	521	-do-	0.183
63	526	-do-	7.837
64	545	-do-	0.378
65	557	-do-	47.175
66	558	-do-	11.224
67	561	-do-	5.324
68	564	-do-	1.013
69	565	-do-	0.914
70	566	-do-	0.844
71	567	-do-	0.602

72	568	MCC Islamabad	2.931
73	570	-do-	0.322
74	573	MCC Islamabad	0.153
75	574	-do-	421.253
76	576	-do-	31.301
77	577	-do-	19.168
78	578	-do-	17.207
79	579	-do-	9.335
80	580	-do-	7.833
81	582	-do-	2.750
82	585	-do-	1.047
83	586	-do-	0.332
84	588	-do-	0.256
85	614	MCC Lahore	118.361
86	615	-do-	36.106
87	617	-do-	22.721
88	619	-do-	13.472
89	620	-do-	5.465
90	623	-do-	1.631
91	624	-do-	1.273
92	626	-do-	0.281
93	639	-do-	41.895
94	640	-do-	22.547
95	642	-do-	21.141
96	644	-do-	3.826
97	650	-do-	1.280
98	651	-do-	1.177
99	653	-do-	0.774
100	689	-do-	0.445
101	690	-do-	0.104
102	691	-do-	0.081
103	743	MCC Lahore	0.087
104	744	-do-	0.029
105	745	-do-	0.022
106	343-CD/K	MCC (Export) Karachi	2.752
107	339-CD/K	-do-	11.627
108	298-CD/K	MCC (PaCCS) Karachi	2.408
109	297-CD/K	-do-	3.016
110	416-CD/K	-do-	0.362
111	295-CD/K	-do-	4.696

112	296-CD/K	MCC (PaCCS) Karachi	3.324
113	293-CD/K	-do-	6.848
114	292-CD/K	-do-	7.193
115	427-CD/K	MCC (Appraisement) Karachi	4.145
116	433-CD/K	-do-	1.697
117	359-CD/K	-do-	1.179
118	255-CD/K	-do-	308.514
119	262-CD/K	-do-	4.873
120	390-CD/K	-do-	323.450
Total			2,272.618

Annexure-5*Para 2.4.6***Statement showing the blockage of revenue due to non-disposal of
confiscated / imported goods for Rs 1,107.834 million***(Rs in million)*

Sr.#	DP No.	Formation	Amount pointed out
1	187	MCC Sialkot	109.033
2	190	DD (I&I) Gujranwala	10.800
3	228	MCC Faisalabad	4.200
4	231	-do-	11.500
5	233	-do-	10.800
6	235	-do-	1.400
7	236	-do-	14.368
8	237	-do-	27.750
9	240	-do-	70.000
10	244	-do-	3.850
11	245	-do-	13.050
12	302	MCC Peshawar	3.017
13	303	-do-	4.002
14	304	-do-	0.966
15	305	-do-	2.099
16	306	-do-	9.125
17	416	MCC Lahore	0.204
18	449	MCC Multan	33.625
19	452	-do-	5.864
20	472	-do-	51.882
21	511	MCC Islamabad	37.887
22	520	-do-	26.516
23	664	MCC Lahore	44.100
24	665	-do-	5.800
25	710	-do-	16.030
26	721	-do-	13.126
27	722	-do-	7.687
28	727	-do-	2.327
29	754	-do-	0
30	166	MCC Sialkot	0.233

31	249	MCC Faisalabad	0.057
32	451	MCC Multan	0.781
33	176-CD/K	I&I Karachi	34.847
34	178-CD/K	I&I Karachi	13.096
35	179-CD/K	-do-	19.733
36	455-CD/K	-do-	4.700
37	456-Cd/K	-do-	3.176
38	458-Cd/K	-do-	1.628
39	471-CD/K	MCC Quetta	0.367
40	477-CD/K	-do-	9.000
41	486-CD/K	-do-	0.662
42	487-CD/K	-do-	32.264
43	488-CD/K	-do-	7.600
44	489-CD/K	-do-	4.140
45	362-Cd/K	MCC Appraisalment Khi	14.702
46	470-CD/K	-do-	171.790
47	474-CD/K	MCC Gawadar	16.402
48	475-CD/K	-do-	0.100
49	318-CD/K	MCC Hyderabad	12.503
50	459-CD/K	-do-	3.595
51	460-CD/K	-do-	3.000
52	317-CD/K	-do-	3.300
53	319-CD/K	-do-	5.113
54	462-CD/K	MCC PMBQ Karachi	0
55	267-CD/K	MCC Preventive Karachi	44.411
56	268-CD/K	-do-	12.399
57	269-CD/K	-do-	10.973
58	270-CD/K	-do-	6.703
59	272-CD/K	-do-	10.753
60	274-CD/K	-do-	14.190
61	276-CD/K	-do-	17.627
62	444-CD/K	-do-	0
63	447-CD/K	-do-	16.364
64	395-CD/K	MCC Appraisalment Karachi	34.385
65	354-CD/K	MCC Gawadar	2.169
66	353-CD/K	-do-	9.678
67	177-CD/K	Director (I&I) Karachi	24.385
Total			1,107.834

Annexure-6
Para 2.4.8

**Statement showing the short-realization of revenue due to misclassification
of imported goods for Rs 408.799 million**

(Rs in million)

Sr.#	DP No.	Formation	Amount pointed out
1	81	MCC Lahore	0.871
2	83	-do-	1.333
3	87	-do-	0.721
4	94	-do-	108.160
5	97	-do-	8.174
6	98	-do-	33.752
7	103	-do-	0.141
8	104	-do-	0.105
9	114	-do-	171.398
10	119	-do-	0.326
11	128	-do-	0.483
12	142	MCC Sialkot	0.709
13	206	MCC Faisalabad	0.537
14	207	-do-	0.062
15	208	-do-	0.317
16	241	-do-	0.383
17	243	-do-	0.021
18	273	MCC Peshawar	1.246
19	299	-do-	0.394
20	403	MCC Lahore	0.037
21	404	-do-	0.528
22	423	-do-	0.159
23	425	-do-	6.361
24	432	-do-	0.138
25	441	-do-	0.042
26	443	-do-	0.014
27	459	MCC Multan	0.019
28	464	-do-	0.873
29	544	MCC Islamabad	1.280
30	560	-do-	5.595
31	569	-do-	0.325
32	591	-do-	0.689

33	608	MCC Islamabad	2.057
34	609	MCC Lahore	4.027
35	616	-do-	28.106
36	618	-do-	6.253
37	628	-do-	0.185
38	630	-do-	0.104
39	636	-do-	0.026
40	645	-do-	3.620
41	647	-do-	2.476
42	652	-do-	1.036
43	654	-do-	0.750
44	686	-do-	2.710
45	687	-do-	1.079
46	688	-do-	0.959
47	715	-do-	0.034
48	747	-do-	0.012
49	437	MCC Export Karachi	0.409
50	440	-do-	9.553
51	388-CD/K	-do-	0.207
Total			408.799

Annexure-7
Para 2.4.9

**Statement showing the short-realization of revenue due to under valuation
of imported goods for Rs 356.768 million**

(Rs in million)

Sr.#	DP No.	Formation	Amount pointed out
1	84	MCC Lahore	0.856
2	89	-do-	0.395
3	91	-do-	2.051
4	146	-do-	0.306
5	150	-do-	0.185
6	191	-do-	0.328
7	205	MCC Faisalabad	3.743
8	275	MCC Peshawar	1.689
9	279	-do-	0.553
10	281	-do-	0.110
11	282	-do-	0.525
12	283	-do-	0.693
13	284	-do-	0.093
14	381	MCC Lahore	0.028
15	411	-do-	0.281
16	417	-do-	0.381
17	426	-do-	65.621
18	429	-do-	0.141
19	436	-do-	0.161
20	540	MCC Islamabad	0.835
21	559	-do-	7.642
22	563	-do-	2.039
23	633	MCC Lahore	0.090
24	638	-do-	103.582
25	646	-do-	2.689
26	649	-do-	1.670
27	657	-do-	0.461
28	658	-do-	0.399
29	659	-do-	0.308
30	660	-do-	0.221
31	661	-do-	0.185
32	714	-do-	0.341

33	748	MCC Lahore	0.010
34	304-CD/K	MCC (PaCCS) Karachi	0.189
35	188-CD/K	MCC (Preventive) Karachi	0.055
36	271-CD/K	MCC (Preventive) Karachi	0.093
37	421-CD/K	MCC (Appraisalment) Karachi	0.296
38	436-CD/K	-do-	0.267
39	435-CD/K	-do-	0.480
40	434-CD/K	-do-	0.113
41	432-CD/K	-do-	0.393
42	423-CD/K	-do-	0.119
43	422-CD/K	-do-	0.245
44	196-CD/K	-do-	0.357
45	197-CD/K	-do-	0.176
46	198-CD/K	-do-	0.349
47	431-CD/K	-do-	0.089
48	166-CD/K	-do-	0.111
49	168-CD/K	-do-	1.224
50	195-CD/K	-do-	0.191
51	204-CD/K	-do-	0.093
52	205-CD/K	-do-	0.593
53	210-CD/K	-do-	0.740
54	218-CD/K	-do-	1.452
55	219-CD/K	-do-	0.362
56	225-CD/K	-do-	0.450
57	232-CD/K	-do-	0.051
58	235-CD/K	-do-	0.233
59	254-CD/K	MCC PMBQ Karachi	0.744
60	356-CD/K	MCC (Appraisalment) Karachi	147.191
61	358-CD/K	-do-	0.554
62	430-CD/K	-do-	0.067
63	429-CD/K	-do-	0.039
64	428-CD/K	-do-	0.036
65	426-CD/K	-do-	0.131
66	425-CD/K	-do-	0.029
67	499-CD/K	-do-	0.029
68	500-CD/K	-do-	0.033
69	498-CD/K	-do-	0.092
70	497-CD/K	-do-	0.093
71	496-CD/K	-do-	0.064
72	495-CD/K	-do-	0.062

73	469-CD/K	MCC (PaCCS) Karachi	0.067
74	264-CD/K	MCC (Preventive) Karachi	0.133
75	266-CD/K	-do-	0.076
Total			356.768

Annexure-8
Para 2.4.10

Statement showing the blockage of revenue due to non-clearance of bonded goods for Rs 1,247.135 million

(Rs in million)

Sr.#	DP No.	Formation	Amount pointed out
1	169	MCC Sialkot	0.581
2	223	MCC Faisalabad	0.120
3	224	-do-	0.500
4	446	MCC Lahore	0
5	473-CD/K	MCC Gawadar	3.037
6	361-CD/K	MCC Appraisement Karachi	7.220
7	360-CD/K	-do-	319.219
8	363-CD/K	-do-	20.171
9	328-CD/K	MCC Hyderabad	285.995
10	326-CD/K	-do-	29.144
11	263-CD/K	MCC Preventive Karachi	0.649
12	465-CD/K	MCC PMBQ Karachi	312.772
13	325-CD/K	MCC Hyderabad	246.947
14	352-CD/K	MCC Gawadar	15.343
15	466 & 476-CD/K	MCCs Gawadar and PMBQ	5.437
Total			1247.135

Annexure-9
Para 2.4.11

Statement showing the non/short realization of withholding tax on imported goods for Rs 420.854 million

(Rs in million)

Sr.#	DP No.	Formation	Amount pointed out
1	194	MCC Faisalabad	0.592
2	202	-do-	0.748
3	212	-do-	12.900
4	327	-do-	78.707
5	276	MCC Peshawar	31.624
6	328	MCC Sialkot	60.775
7	329	MCC Lahore	144.188
8	380	-do-	0.016
9	383	-do-	57.669
10	385	-do-	22.387
11	399	-do-	4.558
12	444	-do-	0.398
13	466	MCC Multan	0.313
14	470	-do-	0.061
15	476	-do-	0.093
16	522	MCC Islamabad	0.130
17	546	-do-	0.328
18	562	-do-	3.697
19	584	-do-	1.090
20	589	-do-	0.211
21	632	MCC Lahore	0.102
22	635	-do-	0.067
23	662	-do-	0.100
24	717	-do-	0.101
Total			420.854

Annexure-10*Para 2.4.15***Statement showing the non-recovery of adjudged government dues
for Rs 2,351.561 million***(Rs in million)*

Sr.#	DP No.	Formation	Amount pointed out
1	225	MCC Faisalabad	1.098
2	373	MCC Lahore	145.756
3	519	MCC Islamabad	5.000
4	489	-do-	11.832
5	457-CD/K	I&I Sukkur	10.828
6	392-CD/K	MCC Appraisalment	2.382
7	386-CD/K	-do-	0.235
8	341-CD/K	MCC Export Karachi	1,088.193
9	333-CD/K	-do-	26.574
10	438-CD/K	-do-	8.683
11	345-CD/K	-do-	0.950
12	338-CD/K	-do-	435.587
13	451-CD/K	MCC Hyderabad	176.911
14	260-CD/K	MCC PaCCS Karachi	88.082
15	256-CD/K	MCC Preventive Karachi	40.985
16	377-CD/K	MCC Appraisalment G-II, Karachi	0.200
17	383-CD/K	-do-	1.353
18	257-CD/K	MCC Preventive Karachi	306.913
Total			2,351.561

Annexure-11*Para 2.4.16***Statement showing the blockage of revenue due to non-encashment of bank guarantees/post-dated cheques for Rs 1,116.998 million***(Rs in million)*

Sr.#	DP No.	Formation	Amount pointed out
1	172	MCC Sialkot	163.680
2	200	MCC Faisalabad	63.968
3	222	-do-	25.591
4	375	MCC Lahore	2.683
5	376	-do-	9.329
6	455	MCC Multan	150.000
7	456	-do-	5.740
8	524	MCC Islamabad	57.785
9	525	-do-	79.324
10	679	MCC Lahore	58.503
11	680	-do-	276.959
12	681	-do-	9.044
13	682	-do-	1.151
14	684	-do-	16.544
15	685	-do-	48.165
16	193-CD/K	MCC Preventive Oil Sector	1.064
17	194-CD/K	-do-	0.791
18	190-CD/K	-do-	80.972
19	191-CD/K	-do-	24.478
20	365-CD/K	MCC Appraisement (B.G) Karachi	33.077
21	461 & 285-CD/K	MCC PMBQ Karachi	8.150
Total			1116.998

Annexure-12*Para 2.4.17***Statement showing the non-realization of value added tax
for Rs 109.671 million***(Rs in million)*

Sr.#	DP No.	Formation	Amount pointed out
1	99	MCC Lahore	0.338
2	109	-do-	0.850
3	111	-do-	10.407
4	112	-do-	12.024
5	124	-do-	8.148
6	147	MCC Sialkot	0.253
7	204	MCC Faisalabad	0.566
8	248	-do-	0.054
9	420	MCC Lahore	0.024
10	422	-do-	0.507
11	428	-do-	4.212
12	440	-do-	0.589
13	461	MCC Multan	0.024
14	539	MCC Islamabad	9.680
15	572	-do-	0.190
16	575	-do-	55.512
17	583	-do-	2.531
18	621	MCC Lahore	3.397
19	454/CD/K	MCC Hyderabad	0.092
20	357-CD/K	MCC Exports Karachi	0.274
Total			109.671

Annexure-13*Para 2.4.18***Statement showing the excess/inadmissible payment of rebate
Rs 58.832 million***(Rs in million)*

Sr.#	DP No.	Formation	Amount pointed out
1	129	MCC Lahore	0.266
2	130	-do-	0.049
3	131	-do-	1.039
4	181	MCC Sialkot	0.184
5	182	-do-	45.125
6	183	-do-	4.103
7	184	-do-	3.715
8	185	-do-	0.045
9	186	-do-	0.019
10	548	MCC Islamabad	1.400
11	549	-do-	1.080
12	550	-do-	0.770
13	551	-do-	0.208
14	552	-do-	0.668
15	553	-do-	0.053
16	554	-do-	0.014
17	751	MCC Lahore	0.084
18	752	-do-	0.010
Total			58.832

Annexure-14
Para 2.4.21

**Statement showing the Non/short-realization of federal excise duty on
imported good for Rs 159.871 million**

(Rs in million)

Sr.#	DP No.	Formation	Amount pointed out
1	88	MCC Lahore	0.411
2	118	-do-	0.346
3	163	MCC Sialkot	0.072
4	211	MCC Faisalabad	1.865
5	287	MCC Peshawar	0.954
6	556	MCC Islamabad	155.962
7	571	-do-	0.242
8	746	MCC Lahore	0.019
Total			159.871

Annexure-15*Para 2.4.22***Statement showing the loss of revenue due to non-finalization of provisional assessment for Rs 152.446 million***(Rs in million)*

Sr.#	DP No.	Formation	Amount pointed out
1	641	MCC Lahore	10.952
2	683	-do-	12.501
3	259-CD/K	MCC (PaCCS) Karachi	96.277
4	376-CD/K	MCC (Appraisalment) Karachi	2.330
5	393-CD/K	-do-	6.598
6	389-CD/K	-do-	23.788
Total			152.446

Annexure-16

Para 2.4.24

**Statement showing the blockage/short-realization of government revenue
due to non-disposal of wastage for Rs 29.319 million**

(Rs in million)

Sr.#	DP No.	Formation	Amount pointed out
1	174	MCC Sialkot	3.273
2	218	MCC Faisalabad	0.411
3	219	-do-	0.514
4	334-CD/K	MCC Exports Karachi	22.804
5	349-CD/K	-do-	2.316
Total			29.319

Annexure-17

Para 2.4.30

**Statement showing the loss of revenue due to non-fulfilment of DTRE
conditions for Rs 19.694 million**

(Rs in million)

Sr.#	DP No.	Formation	Amount pointed out
1	592	MCC Sialkot	11.955
2	593	-do-	0.771
3	595	-do-	0.111
4	596	-do-	0.207
5	597	-do-	1.143
6	599	-do-	0.381
7	601	MCC Faisalabad	5.126
Total			19.694

Annexure-18

Para 2.4.32

**Statement showing the Short-realization of revenue due to short accountal
of imported materials for Rs 13.227 million**

(Rs in million)

Sr.#	DP No.	Formation	Amount pointed out
1	213	MCC Faisalabad	0.093
2	214	-do-	1.275
3	215	-do-	0.048
4	371	MCC Lahore	9.647
5	629	-do-	0.139
6	648	-do-	2.026
Total			13.227

Annexure-19

Para 2.4.40

Statement showing the Short-realization of revenue due to application of incorrect rate of duty for Rs 2.729 million

(Rs in million)

Sr.#	DP No.	Formation	Amount pointed out
1	151	MCC Sialkot	0.121
2	203	MCC Faisalabad	0.257
3	301	MCC Peshawar	1.411
4	433	MCC Lahore	0.030
5	438	-do-	0.909
6	671	-do-	0.222
Total			2.729

Annexure-20*Para 2.4.41***Statement showing the short-realization of revenue due to miscalculation
for Rs 9.607 million***(Rs in million)*

Sr.#	DP No.	Formation	Amount pointed out
1	418	MCC Lahore	0.008
2	434	-do-	0.013
3	450	MCC Multan	0.074
4	467	-do-	0.286
5	516	MCC Islamabad	0.512
6	590	-do-	0.073
7	750	MCC Lahore	0.015
8	370-CD/K	MCC Appraisalment Karachi	3.998
9	371-CD/K	-do-	0.651
10	368-CD/K	-do-	3.976
Total			9.607

Annexure-21

Para 2.4.43

Statement showing the Non-realization of revenue due to non-levy of additional customs duty for Rs 4.064 million

(Rs in million)

Sr.#	DP No.	Formation	Amount pointed out
1	79	MCC Lahore	1.788
2	90	-do-	1.866
3	122	-do-	0.075
4	278	MCC Peshawar	0.321
5	308	-do-	0.014
Total			4.064

Annexure-22
Para 2.4.45

**Statement showing the non-realization of redemption
fine/penalty for Rs 1.716 million**

(Rs in million)

Sr.#	DP No.	Formation	Amount pointed out
1	209	MCC Faisalabad	0.404
2	247	DD I&I Faisalabad	0.400
3	460	MCC Multan	0.024
4	475	-do-	0.100
5	513	MCC Islamabad	0.334
6	382-CD/K	MCC Appraisalment Karachi	0.021
7	384-CD/K	-do-	0.297
8	387-CD/K	-do-	0.137
Total			1.716

Annexure-23*Para 2.4.47***Statement showing the illegal release of goods in violation of import policy order, 2009 for Rs 40.280 million***(Rs in million)*

Sr.#	DP No.	Formation	Amount pointed out
1	189	MCC Sialkot	6.358
2	193	-do-	0.934
3	229	MCC Faisalabad	0.432
4	533	MCC Islamabad	25.395
5	536	-do-	1.588
6	537	-do-	1.114
7	538	-do-	0.350
8	667	MCC Lahore	1.137
9	668	-do-	0.932
10	669	-do-	0.609
11	670	-do-	0.196
12	753	MCC Lahore	1.233
13	755	-do-	-
Total			40.280

Annexure-24

Para 2.4.48

**Statement showing the loss of government revenue due to illegal release of
confiscated and smuggled goods for Rs 4.085 million**

(Rs in million)

Sr.#	DP No.	Formation	Amount pointed out
1	82	MCC Lahore	3.759
2	627	-do-	0.254
3	634	-do-	0.072
4	637	-do-	-
5	355-CD/K	MCC Gawadar	-
Total			4.085

Annexure-25
Para 2.4.59

Statement showing the irregular/un-authorized expenditure on POL and repair/ maintenance of vehicles for Rs 22.552 million

(Rs in million)

Sr.#	DP No.	Formation	Amount pointed out
1	260	MCC Faisalabad	-
2	263	-do-	1.044
3	264	-do-	0.104
4	268	DD (I&I) Faisalabad	0.400
5	269	-do-	0.150
6	315	MCC Peshawar	0.111
7	318	-do-	1.450
8	322	Director (I&I) Peshawar	0.291
9	325	-do-	2.131
10	333	DOT Islamabad	0.611
11	344	PCA Customs Islamabad	-
12	365	DG (I&I) Islamabad	-
13	393	MCC, Lahore	0.117
14	414	-do-	10.700
15	477	MCC Multan	0.969
16	531	Chief Collector Customs (North) Islamabad	0.220
17	694	Internal Audit Customs Lahore	2.780
18	730	Director PCA Lahore	1.474
Total			22.552

Annexure-26*Para 2.4.62***Statement showing the unlawful expenditure due to unauthorised use of operational vehicle for Rs 7.994 million***(Rs in million)*

Sr.#	DP No.	Formation	Amount pointed out
1	269/Exp/K	MCC PaCCS, Karachi	-
2	230/Exp/K	MCC Preventive Karachi	-
3	202/Exp/K	MCC Exports Karachi	-
4	112/Exp/K	MCC Appraisement Karachi	7.206
5	163/Exp/K	MCC PMBQ Karachi	-
6	109/Exp/K	Director Internal Audit Karachi	-
7	172/Exp/K	Director Post Clearance Audit Karachi	-
8	151/Exp/K	DG Training & Research Karachi	-
9	237/Exp/K	DG Valuation Karachi	-
10	100/Exp/K	Collector of Custom (Appeals) Karachi	-
11	161/Exp/K	MCC (PMBQ) Karachi	0.123
12	361-Exp	DG I&I Islamabad	0.005
13	339-Exp	DG internal Audit Islamabad	0.310
14	529-Exp	MCC Islamabad	0.350
Total			7.994

Annexure-27

Para 2.4.64

Statement showing the inadmissible/irregular payment of conveyance allowance for Rs 2.502 million

(Rs in million)

Sr.#	DP No.	Formation	Amount pointed out
1	483	MCC Multan	0.077
2	703	DG Internal Audit Lahore	0.003
3	158	MCC Sialkot	0.061
4	335	DG Internal Audit Islamabad	0.056
5	500	MCC Islamabad	0.742
6	134/Exp/K	DG Training Karachi	0.359
7	274/Exp/K	MCC PaCCs Karachi	0.03
8	275/Exp/K	-do-	0.263
9	217/Exp/K	MCC Preventive Karachi	0.065
10	218/Exp/K	-do-	0.619
11	191/Exp/K	MCC Exports Karachi	0.01
12	192/Exp/K	-do-	0.034
13	168/Exp/K	Directorate of PCA Karachi	0.183
Total			2.502

Annexure-28

Performance of FBR in respect of auction of goods

Sr. No.	AR Para No.	AIR Para Nos.
1.	2.5.1	a) AIR Para No. 11 of MCC Lahore b) AIR Para Karachi
2.	2.5.2	a) AIR Para No. 02-MCC Isd. and 02-I&I Isd. b) AIR Para No. 01-MCC Isd, 01-I&I Isd. and 01/MCC Psw. c) AIR Para No. 4,MCC Peshawar, 1,MCC Lhr, 5,MCC I&I Lhr & Khi, DP No 290 MCC Peshawar
3.	2.5.3	a) AIR Para Nos. 6, 8, 10 and 12 of MCC Peshawar b) AIR Para No. 8 of MCC Islamabad
4.	2.5.4	AIR Karachi
5.	2.5.5	a) AIR Para No. 7 of MCC Peshawar b) AIR Para No. 10&13 of MCC Islamabad c) AIR MCC(A,P&PQ) Karachi
6.	2.5.6	a) AIR Para No. 14&9 of MCC Lahore b) AIR Para No. 6 Director I&I Lahore

Annexure-29

Performance of FBR in respect of DTRE

Sr. No.	AR para No.	AIR Para Nos.
1.	2.6.1	Para 01 MCC Export Karachi and Paras 09 & 45 of MCC Lahore
2.	2.6.2	Paras 01, 03, 06, 08, 12, 25, 27, 31, 32 of MCC Lahore, Paras 02, 05, 08 of MCC Islamabad, Para 2 Sambrial, Para 1 Multan, Para 1 Faisalabad, Para 5 of AIR MCC Karachi
3.	2.6.3	Paras 04, 07, 19, 29 of AIR MCC Lahore, Para 04 Islamabad, Para 28 Sambrial
4.	2.6.4	Paras 2,5,10,14,15,17,20,22 Lahore, Paras 6,10,15 Islamabad, Para 2 Fsd, Para 4 Sambrial, Paras 4.15 MCC Karachi, Para 3 Export Karachi
5.	2.6.5	Para 2 Multan, Para 5 Faisalabad
6.	2.6.6	Para 16 of AIR MCC Karachi
7.	2.6.7	Para 14 Islamabad, Para 36 Lahore, Para 14 Sambrial, Paras 21,22,23 Export Karachi
8.	2.6.8	Para 13 of AIR MCC, Exports, Karachi
9.	2.6.9	Para 16 of AIR MCC Faisalabad
10.	2.6.10	Paras 13 16,18,24,30, 41,43 of AIR MCC Lahore, Para 09 of AIR MCC Islamabad, Paras 4&9 Multan, Para 30 Faisalabad, Paras 3,27,29 Sambrial
11.	2.6.11	Paras 09,12 of AIR MCC Karachi
12.	2.6.12	Para 3 Multan, Paras 5,6,9 Faisalabad, Para 21 Lahore
13.	2.6.13	Para 18 Export Karachi, Paras 11,12 Islamabad, Paras 17,19,21,25 Sambrial, Para 10 Multan, 14 Fsd
14.	2.6.14	Para 17 of AIR MCC Faisalabad, Paras 11,26, Sambrial

Annexure-30**Performance of FBR in respect of duty free import to
export oriented units**

Sr. No.	AR para No.	AIR Para Nos.
1.	2.7.1	Paras 1,2,3,4,18&23 of AIR, MCC Lahore, Paras 1,2,3,4,&21 of MCC FSD, Paras 1,2,3,4 of Sambrial and AO 7,15&21 of MCC Export Karachi
2.	2.7.2	Para 7(a) (b) of AIR, MCC Lahore, Para 19 of MCC Sambrial, Paras 06 & 19 of AIR MCC Faisalabad
3.	2.7.3	Para 09(a) AIR MCC FSD
4.	2.7.4	Paras 9(a,b,c,d,e,f,g), 15 of MCC Lahore, Paras 9(b,c,d,e,f), 14 & 17 of MCC Faisalabad, Paras 7, 9(a,b,c,d,e,f), & 14 of MCC, Sambrial, AO No. 13 & 20 of MCC Export Karachi
5.	2.7.5	Paras 19,20(a)(b),22,25&26 of AIR MCC Lahore, Para 16(a)(b) of AIR MCC FSD, Para 16 of AIR of MCC Sialkot
6.	2.7.6	Para 20 of AIR MCC FSD
7.	2.7.7	Paras 22,23&25 of AIR MCC Faisalabad, Para 22 MCC, Sambrial & AO 01,06 &16 MCC Karachi
8.	2.7.8	Para 24(a)(b) MCC Faisalabad and Para 20 MCC Sambrial
9.	2.7.9	Para 26 MCC Faisalabad, Para 21 MCC, Sambrial & AO Nos.04,23,24,25,26 of MCC Export Karachi
10.	2.7.10	AO 27 to 61of MCC Export Karachi
11.	2.7.11	AO 05&09 of MCC (Export) Karachi), Para 11(a)(b) of MCC Lahore, Para 11 MCC Sambrial, Para 08 MCC Faisalabad
12.	2.7.12	Para 11&13 of AIR MCC Faisalabad, Paras 12,14(a)(b) MCC Lahore, AO No.02&11 of MCC Export Karachi, Para 12 of AIR MCC Sambrial
13.	2.7.13	Paras 13, 12, 13 MCC, Lahore, FSD, Sambrial respectively
14.	2.7.14	Para 15 of Sambrial & AO Nos.3,8,10&62 of MCC Export Karachi
15.	2.7.15	Para 10 of AIR MCC Faisalabad

Annexure-31

Performance of FBR in respect of adjudication and recovery

Sr. No.	AR para No.	AIR Para Nos.
1.	2.8.1	Paras 2&9 Sialkot Para 7 Islamabad Para 6 Faisalabad Para 12.2 Preventive Karachi of AIRs
2.	2.8.2	Para 4 Lahore Para 3 Multan Para 3 Faisalabad of AIRs
3.	2.8.3	Para 2 (b) of AIR Islamabad
4.	2.8.4	Para 4 of AIR Islamabad
5.	2.8.5	Para 1 of AIR Multan
6.	2.8.6	Paras 6,9 Lahore Paras 11,12 Sialkot Para 10 Faisalabad Para 10 Islamabad and MCC Karachi of AIRs
7.	2.8.7	Para 6 of AIR Islamabad
8.	2.8.8	Para 7 of AIR Lahore
9.	2.8.9	Paras 11,4&8(b) Lahore Para 14 Sialkot of AIRs
10.	2.8.10	Para 11 of AIR Karachi
11.	2.8.11	Para 10 Sialkot Para 5 Islamabad Para 7 Multan Para 5 Lahore Para 10 Faisalabad of AIRs