AUDIT REPORT
ON
THE ACCOUNTS OF
FEDERAL BOARD OF REVENUE
(CUSTOMS)
AND
ISLAMABAD CAPITAL TERRITORY
(RECEIPTS)
AUDIT YEAR 2014-2015

AUDITOR-GENERAL OF PAKISTAN

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ABBREVIATIONS & ACRONYMS

AFU	:	Air Freight Unit
AGP	:	Auditor General of Pakistan
AGPR	:	Accountant General Pakistan Revenues
AIR	:	Audit and Inspection Report
AY	:	Audit Year
BCA	:	Bank Credit Advice
BG	:	Bank Guarantee
CAATs	:	Computer Assisted Auditing Techniques
C&F	:	Cost and Freight
CBR	:	Central Board of Revenue
CD	:	Customs Duty
CFS	:	Container Freight Services
CGO	:	Customs General Order
CIF	:	Cost, Insurance and Freight
CKD	:	Completely Knocked Down
CPF	:	Common Pool Fund
Cus	:	Customs
DA	:	Daily Allowance
DAC	:	Departmental Accounts Committee
DC	:	Deputy Collector
DFSL	:	Duty-Free-Shop Limited
DG	:	Director General
DP	:	Draft Para
DTRE	:	Duty and Tax Remission for Exports
EDB	:	Engineering Development Board
EDS	:	Export Development Surcharge
EOL	:	Extra Ordinary Leave
Exp	:	Expenditure
FBR	:	Federal Board of Revenue
FDI	:	Foreign Direct Investment
FED	:	Federal Excise Duty
FTA	:	Free Trade Agreement
FY	:	Financial Year
GD	:	Goods Declaration
GPO	:	General Post Office
GFR	:	General Financial Rules
HS Code	:	Harmonized System of Coding
ICT	:	Islamabad Capital Territory
I&I	:	Intelligence and Investigation

INTOSAI	:	International Organization of Supreme Audit Institutions
IOCO	:	Input Output Co-efficient Organization
IOR	:	Input Output Ratio
IRS	:	Inland Revenue Service
KIBOR	:	Karachi Inter-Bank Offered Rate
LUMS	:	Lahore University of Management Sciences
MBCO	:	Manufacturing Bond Co-efficient Organization
MCC	:	Model Customs Collectorate
MT	:	Metric Ton
NLC	:	National Logistic Cell
NOC	:	No Objection Certificate
OEMs	:	Original Equipment Manufacturers
OIO	:	Orders-in-Original
PAO	:	Principal Accounting Officer
PAC	:	Public Accounts Committee
PaCCS	:	Pakistan Customs Computerized System
PCA	:	Post Clearance Audit
PCT	:	Pakistan Customs Tariff
PDC	:	Post Dated Cheque
PMBQ	:	Port Muhammad Bin Qasim
POL	:	Petroleum, Oil and Lubricants
PRAL	:	Pakistan Revenue Automation Limited
RBD	:	Refined, Bleached and Deodorized
SAARC	:	South Asia Association for Regional Cooperation
SAFTA	:	South Asia Free Trade Area
SKD	:	Semi Knocked Down
SRO	:	Statutory Regulatory Order
TA	:	Travelling Allowance
WHT	:	Withholding Tax
WeBOC	:	Web Based One Customs

Preface

Articles 169 and 170 of the Constitution of 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 2013-14. 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 November 2014 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 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 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 Article 171 of the Constitution of Islamic Republic of Pakistan 1973, for causing it to be laid before both houses of Majlis-e-Shoora [Parliament].

Dated: 4th March,2015

(Muhammad Akhtar BulandRana)
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 162 out of 289 formations was conducted by utilizing 17,983 man-days, incurring expenditure of Rs 85 million.

a. **Scope of Audit**

Target of customs duty for the financial year 2013-14 was Rs 241.00 billion against which actual collection was Rs 242.81 billion, reflecting excess receipts of Rs 1.81 billion (0.75%). Customs duty was collected through FBR's field offices consisting of seventeen MCCs and other sister offices. Expenditure of FBR on Customs Wing during the year was Rs 5.84 billion.

Target of other taxes in Islamabad Capital Territory (ICT) for the financial year 2013-14 was Rs 3.86 billion against which actual collection was Rs 2.42 billion, reflecting short receipts of Rs 1.44 billion (37.31%). 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 38,066 million was pointed out by Audit in this report. Out of this, recovery of Rs 22,151 million was not in the notice of tax collecting authorities. FBR and ICT effected recovery of Rs 1,005 millionduring February 2014 to January 2015 at the instance of Audit which includes recovery pertaining to the previous years as well.

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 the basis of professional judgement for substantive testing. Audit was conducted by applying CAATs.

d. **Audit Impact**

FBR and ICT effected recovery of Rs 202 million at the instance of Audit. Further, Audit pointed out certain issues contained in previous years' audit reports as well as the current report in response to which following actions and changes are likely to be considered in the rules and regulations:

- Issues like imposition of additional sales tax on baggage, grant of benefit of PCT heading 9915 to LUMS, imposition of upward penalty due to non-availability of invoices and packing lists from the containers, withholding tax on re-import of repaired goods, withholding tax on returned goods under section 22of the Customs Act 1969grant of benefit of SRO 492(I)/2009 on import of items in finished form and benefit of SRO 565(I)/2006 to goods imported in SKD condition were referred to Board for clarification.

- Issue of classification of AC compressors for vehicles was referred to Classification Committee, Karachi.

- Issues whether goods imported in SKD condition are covered under the definition of raw material or not, inclusion of petroleum levy in value for the purpose of calculation of sales tax, rebate on tailor, embroidery and household scissors were referred to Ministry of Law, Justice and Parliamentary Affairs for clarification.

- Issues of importability of old & used auto parts and the status of goods imported on or after 01.01.2013 under Free Trade Agreement with Chinawere referred to Ministry of Commerce for clarification.

- Issue of valuation of feature films was referred to DG, Valuation, Karachi for fixation of import value.

e. **Comments on Internal Controls and Internal Audit Department**

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 of internal controls. Internal audit is an integral part of internal controls, sound financial management, and accountability structure.

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 by internal audit and non-conducting of physical verification of inventories and assets. The report highlights that the system of already inadequate internal controls is deteriorating day-by-day.

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 fraud – Rs 160.96 million[1]
ii) non-production of record[2]
iii) inadmissible exemptions and concessions - Rs 16,254.75 million[3]
iv) blockage of revenue – Rs15,243.53 million[4]
v) no-recovery of adjudicated amount – Rs 2,880.29million[5]
vi) short realization of duty and taxes-Rs 1,519.74million[6]
vii) loss of revenue due to under-valuation and misclassification of imported goods - Rs 825.77 million[7]
viii) excess payment of rebate - Rs 321.16 million[8]
ix) Un-lawful permission of two manufacturing licenses - Rs 68.58 million[9]
x) Un-authorized / irregular expenditure on POL and repair of vehicles - Rs 45.55 million[10]

ICT

i. recurring loss of government revenue - Rs 2,395.23 million[11]
ii. issuance of notification without concurrence of Finance Division - Rs 9.46 million[12]
iii. non/short realization of government revenue – Rs 78.43 million[13]

[1]Para 2.4.1, 2.4.2, 2.4.3
[2]Para 2.4.4
[3]Para 2.4.5, 2.4.27
[4]Para 2.4.6, 2.4.8,2.4.9,2.4.10,2.4.11, 2.4.21,2.4.31
[5]Para 2.4.7
[6]Para 2.4.12,2.4.15,2.4.16,2.4.23,2.4.28,2.4.30,2.4.32,2.4.36,2.4.37,2.4.38,2.4.39
[7]Para 2.4.13, 2.4.14, 2.4.25,2.4.29, 2.4.34
[8]Para 2.4.17
[9]Para 2.4.26
[10]Para 2.4.44
[11]Para 3.3.1, 3.3.6, 3.3.9
[12]Para 3.3.2
[13]Para 3.3.3, 3.3.4, 3.3.5, 3.3.7, 3.3.8

Audit paras for the audit year 2014-15 involving procedural violations including internal control weaknesses and irregularities not considered worth reporting to the PAC have been included in Annexure-I.

g. **Recommendations**

FBR should:

i) take stern action against persons at fault,
ii) ensure production of auditable record,
iii) take measures thatexemptions and concessions are granted according to law,
iv) direct field formations to early dispose of the confiscated goods, finalized cases under adjudication and clearance of unclaimed IGMs,
v) expedite recovery of government revenue, and
vi) issue instructions to field offices to grant licenses and rebate as per law,

Commissioner ICT should:

i. ensure immediate fixation of rates of land and hotel tax,
ii. seek concurrence of Finance Division for reduction in rate of registration fee / stamp duty, and
iii. expedite recovery of government revenue.

SUMMARY TABLES

SUMMARY TABLES & CHARTS

Table 1: Audit Work Statistics

(Rs in million)

Sr. No	Description	No.	Budget	
			Receipts*	Expenditure**
1	Total Entities (Ministries/PAOs) in Audit Jurisdiction	2	245,232	5,835
2	Total Formations in Audit Jurisdiction	289	245,232	5,835
3	Total Entities(Ministries/PAOs) Audited	2	245,232	5,835
4	Total Formations Audited	162	230,663	4,882
5	Audit & Inspection Reports	162	-	-
6	Performance Audit Reports	1	-	-

** Customs receipts Rs 242,810 million, ICT receipts Rs 2,422 million*

*** Expenditure relates to Customs Wing only*

Table 2: Audit Observations Regarding Financial Management

(Rs in million)

Sr.No	Description	Amount Placed under Audit Observations
1	Unsound Asset Management	-
2	Weak Financial Management	42,360
3	Weak Internal Controls Relating to Financial Management	8
4	Others	-
Total		**42,368**

Table 3: Outcome Statistics

(Rs in million)

Sr. No	Description	Receipts	Expenditure	AY 2014-15	AY 2013-14
1	Outlays Audited	230,663	4,882	235,545	244,187
2	Monetary Value of Audit Observations	42,304	64	42,368	47,219
3	Recoveries Pointed out by Audit	38,050	16	38,066	35,977
4	Recoveries Accepted/Established at the instance of Audit	16,111	12	16,123	23,817
5	Recoveries Realized at the instance of Audit	1,002	3	1,005*	763

**The amount was verified from 01.02.2014 to 31.01.2015*

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.	26,238
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	-
3	Accounting Errors (accounting policy departure from IPSAS, 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.	8
5	Recoveries and overpayments, representing cases of established overpayment or misappropriations of public monies.	16,122
6	Non-production of record.	Nine Offices
7	Others, including cases of accidents, negligence etc.	-

Table 5: Cost-Benefit

(Rs in million)

Sr. No.	Description	AY 2014-15	AY 2013-14	AY 2012-13
1	Outlays Audited (Items 1 of Table 3)	235,545	244,187	199,663
2	Expenditure on Audit	85	78	64
3	Recoveries realized at the instance of Audit	1,005	763	331
Cost-Benefit Ratio		**1 : 12**	**1 : 10**	**1 : 5**

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

Audit Paras

Significant paras, pointed out during audit of revenue and expenditure of customs for the financial year 2013-14, are as under:

1.1 <u>Federal Board of Revenue (Customs)</u>

1.1.1 Variation in the figure of customs duty collected by NBP branches and entered in SAP by DAOs - Rs 1,673.54 million

Risk Categorisation: High

Criteria

According to Section 3.4, Chapter 6 of Accounting Policies and Procedures Manual, every DAO is required to prepare a monthly reconciliation statement for expenditures and receipts as set out in direction 6.3.5.1 of the Manual. Accountant General is required to prepare a consolidated monthly reconciliation statement for each government bank account as set out in direction 6.3.5.2 of the Manual.

Observation

Audit observed that NBP branches collected customs duty of Rs 5,731.42 million but District Accounts Offices booked customs duty of Rs 4,057.88 million in SAP system thus there was a difference of Rs 1,673.54 million between the figures of NBP and DAO Offices during financial year 2013-14.

Implication

Short reporting of custom duty amounting to Rs 1,673.54 million to AGPR sub-offices may impair the completeness of accounts of Federal Government. This also showed the weakness of bank reconciliation process and violation of relevant provisions of the Manual.

Management Reply

AGPR agreed to take up the matter with DAOs to ensure timely entry of data in SAP.

DAC's Recommendations

DAC meeting was not convened till finalization of the report.

Audit Comments

Figures of tax receipts need to be reconciled with concerned branches of NBP by the respective DAOs in collaboration with FBR. Further, as envisaged in Section 3 of the Manual, reconciliation should also be carried out by field offices of the FBR with respective NBP branches and DAOs to ensure completeness of booking of tax receipts.

[Para 2 - MR]

1.1.2 Variation in figures of customs duty between FBR and SBP - Rs 10,692.20 million

Risk Categorisation: High

Criteria

According to Para 3.4.2.12 of the Accounting Policies and Procedural Manual, each entity is required to reconcile its books of accounts with the bank record at the close of each month. This reconciliation is to be performed in accordance with the policies and procedures set out in Manual, GFR and Federal Treasury Rules.

Observation

Audit observed that SBP, Main Office, Karachi showed collection of customs duty of Rs 253,502.20 million whereas DR&S (FBR) showed booking of customs duty of Rs 242,810.00 million during financial year 2013-14. Thus, a variation of Rs 10,692.20 million was noted between the figures reported by FBR and SBP.

Implication

This impaired true and fair picture of financial statements.

Management Reply

The matter was discussed with DR&S (FBR) in a meeting held on 02.12.2014. The DR&S (FBR) agreed to obtain complete figures of tax receipts for the FY 2013-14 from SBP, Karachi to reconcile them with the figures of FBR.

DAC's Recommendations

DAC meeting was not convened till finalization of the report.

Audit Comments

Variation in figures needs to be reconciled between FBR and SBP on regular basis.

[Para 2 - MR]

1.1.3 Advance collection of customs duty to achieve revenue targets - Rs 90.14 million

Risk Categorisation: High

Criteria

According to Para 2 (b) (i) of Customs Treasury Procedure 1980, the payment of Customs Duty at Custom House and Dry port shall be collected on bill of entry, shipping bill and not on challans.

Observation

Model Customs Collectorates (Preventive & Appraisement), Lahore collected Rs 55.14 million and MCC Islamabad collected Rs 35 million customs duty in advance on treasury challans with the implicit purpose of achieving the revenue targets during financial year 2013-14.

Implication

The collection of customs duty in advance and later its adjustment in the next financial year showed poor financial management and internal controls at FBR. The revenue collection was also overstated.

Management Reply

Reply from management was awaited.

DAC's Recommendations

DAC meeting was not convened till finalization of the report.

Audit Comments

The practice of advance collection of customs duty should be stopped and revenue targets be met as per law.

[Para 15 - MR]

1.1.4 Overstatement of revenue due to non-disposal of cases of duty drawback - Rs 9,129.20 million

Risk Categorisation: High

Criteria

According to Rule 222 of sub-chapter 2 of the Customs 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. Para-51 vii of chapter-13 of the CGO-12 dated 15.06.2002 provides 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 date of receipt and disposal of claim shall be maintained by the Section. The Collector shall personally check the register fortnightly. In case of any deviation the rebate Section must indicate the reasons thereof.

Observation

Audit observed that 1,964 cases of duty drawback of Rs 9,129.20 million were lying pending either for processing or for issuance of cheques at MCC, Export Port Qasim, Karachi, MCC Islamabad and MCC Lahore during financial year 2013-14.

Implication

The financial position of Government of Pakistan did not reflect the factual position due to over statement of Rs 9,129.20 million.

Management Reply

Reply from management was awaited.

DAC's Recommendations

DAC meeting was not convened till finalization of the report.

Audit Comments

Audit emphasizes that delayed disposal of duty drawback/rebate cases be justified.

[Para 16 - MR]

CHAPTER-2 FEDERAL BOARD OF REVENUE

2.1 Introduction

The Central Board of Revenue was created on 01.04.1924 through the CBR Act 1924. The Central Board of Revenue 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 Deputy Chairmen i.e. Customs and Inland Revenue, five support members and four functional members, with other assisting Directors General and is responsible for:

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

Pakistan Customs is the guardian of Pakistan's 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 four Chief Collectors (North, Central and South (Appraisement and Enforcement) and seventeen Model Customs Collectorates besides organizations of Collectorates of Adjudication, Appeals and Directorates General of Intelligence & Investigation, Training & Research, Internal Audit, Post Clearance Audit, Transit Trade, and Valuation.

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 279.00 billion during FY 2013-14. Subsequently, the revenue target was revised downward to

Rs 241.00 billion. FBR, however, collected customs duty of Rs 242.81 billion during the financial year as follows:

(Rs in billion)

Tax Head	Original Target	Revised Target	Collection 2013-14	Difference from Revised Target	
				Absolute (4-3)	Percent
1	**2**	**3**	**4**	**5**	**6**
Customs Duty	279.00	241.00	242.81	1.81	0.75

Source: Federal Budget 2014-15 & Financial Statements of Federal Government 2013-14

From the above table, it is evident that the revenue collection targets of FBR were revised downward to Rs 241 billion from original target of Rs 279 billion (a decrease of 14%). Audit was of the view that if FBR takes adequate and effective measures to curb malpractices such as under-invoicing, mis-declaration, under-valuation of imported goods, grant of unauthorized exemptions and concessions, and recovers revenue in cases which have been adjudicated, finalizes provisionally assessed cases and prevents smuggling of goods, there would be no need for downward revision of original revenue targets.

2.2.2 Variance analysis of Revenue Collection in FY 2013-14 and FY 2012-13

A comparison of net collection in FY 2013-14 and FY 2012-13 is tabulated below:

(*Rs in billion)*

Tax Heads	Collection		Difference	
	FY: 2013-14	FY: 2012-13	Absolute	Percentage
Customs Duty	242.81	233.84	8.97	3.84

Source: Financial Statements of Federal Government 2013-14 & 2012-13

FBR's collection of Rs 242.81 billion for the FY 2013-14 showed an increase of Rs 8.97 billion (3.84%) in absolute terms as compared to the preceding year.

2.2.3 Budget vs Actual Expenditure

A comparison of original grant, final grant and actual expenditure for the FY 2013-14 is as follows:

(Rs in million)

Grant No.	Original Grant	Supple-mentary Grant	Final Grant	Actual Expenditure	Excess/ (Saving) (5-4)	%age (6/4)
1	2	3	4	5	6	7
39-Land Customs	5,479.83	347.82	5,827.65	5,835.32	7.67	0.13

Source: Federal Budget 2014-15, Appropriation & Re-appropriation Accounts 2013-14

There was an excess expenditure of Rs 7.67 million which was less than one per cent of the final grant.

2.3 Brief Comments on the Status of Compliance with PAC Directives

S.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	132	78	54	59
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	41	22	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		**889**	**520**	**369**	**59**

The table showed that compliance of PAC directives was far from satisfactory. The compliance of the directives needs to be improved by FBR by taking audit observations seriously.

2.4 Audit Paras

A. Compliance with Authority Audit

Fraud & Misappropriation

2.4.1 Loss of revenue due to clearance of goods on fake invoices - Rs 108.58 million

According to Section 32 (1) (a) read with Section 156 (1) (14) of the Customs Act 1969, if any person, in connection with any matter of customs makes or signs or causes to be made or signed, or delivers or causes to be delivered to an officer of customs any fake declaration, notice, certificate or other document whatsoever, he shall be guilty of an offence under this Section and such person shall be liable to a penalty not exceeding twenty five thousand rupees or three times the value of the goods in respect of which such offence is committed, whichever be greater.

MCC (Appraisement), Lahore cleared three consignments of lubricating oil without considering original insurance documents. On verification, it transpired that the value of goods insured was higher than the declared/invoiced value as tabulated below;

(In US$)

S.No.	GD No./date	Invoice value	Insured value	Value concealed	%age
1	10/01.07.13	207,495	299,396	91,901	44%
2	1263/23.11.13	287,582	345,860	58,278	20%
3	1499/10.12.13	276,660	415,828	139,168	50%

This resulted in total loss of Rs 108.58 million; Rs 15.51 million on account of evasion of duty and taxes, and Rs 93.07 million which was not realized due to non-imposition of penalty for violation of Section 32.

The lapse was pointed out to the department in October 2014. The department informed that all the cases were under scrutiny. Audit did not agree with the reply of the department being vague and non-specific. Audit was of the view that it was a case of intentional concealment of facts and under-invoicing by the importer to evade duty and taxes, which was not possible without connivance of customs authorities. In the DAC meeting held in January 2015, the DAC directed the department to revisit these cases immediately and submit comprehensive reply. No reply was received till finalization of the report.

Audit recommends early recovery, holding of inquiry in all such cases and fixing of responsibility against the persons concerned.

[DP No. 1670-Cus]

2.4.2 Loss due to clearance of goods at rates not covered in the Free Trade Agreement with China - Rs 33.54 million

The Governments of Pakistan and China entered into a treaty in 2007 under which Government of Pakistan allowed exemption/concession of customs duty at rates specified in the SRO 659(I)/2007 on goods produced or manufactured in China and imported into Pakistan.

Audit noticed that computerized system was altered and PCT headings and rates of customs duty were fed in the system which were not agreed upon in the Agreement. This resulted in undue financial benefits to importers and loss of revenue of Rs 33.54 million. However, MCC, Islamabad did not initiate penal action against either customs staff or PRAL who had altered the computerized system.

The irregularity was pointed out to the department in October 2014. The MCC reported that demand notices had been issued for recovery. Audit was of the view that it was a case of systemic fraud being committed with connivance of the customs authorities and employees of PRAL. It also put a big question mark on security of the computerized system that lower staff penetrated and altered it. The matter was also brought to the knowledge of the department in last year’s Audit Report but requisite action had not been taken as yet. The DAC in its meeting held in January 2015 directed the department to inquire into the matter seriously and communicate the outcome to Audit. Further progress was not reported till finalization of the report.

Audit recommends early recovery, holding of inquiry to ascertain quantum of revenue lost since inception of Free Trade Agreement besides fixing responsibility against the persons at fault.

[DP No.2282-Cus]

2.4.3 Loss due to sale of goods at duty free shops at lesser value - Rs 18.84 million

According to CGO No. 28/1999 dated 02.08.1999, when M/s DFSL fails to correlate marks, numbers given in the relevant into-bond bill of entry at the time of sale, withholding tax @5% shall be charged on actual sale value charged by the DFSL from the passengers.

MCC, Islamabad did not take penal action against M/s EURO and M/s Zainab duty-free-shops who paid withholding tax on sale price of bonded goods which was 7 to 8 times less than the value determined at the time of in-bonding. This resulted in short-realization of withholding tax of Rs 18.84 million.

The irregularity was reported to the department in October 2014. The MCC, Islamabad reported that demand notices had been issued for recovery of revenue. Audit was of the view that it was a blatant misuse of provisions of law by M/s DFSL which took place due to negligence of customs authorities. The DAC in its meeting held in January 2015 directed the MCC to expedite recovery. Further progress was not reported till finalization of the report.

Audit recommends early recovery, holding of inquiry to find into sales from all duty-free-shops at Islamabad to determine the actual quantum of revenue loss besides fixing responsibility against persons at fault.

[DP Nos. 2192&2193-Cus]

Non-Production of Record

2.4.4 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.

Eight field offices of FBR did not produce auditable record related to receipts and expenditure and denied access to WeBOC despite insistence by Audit. Resultantly, Audit could not verify the accuracy of revenue collection or amount of expenditure incurred. The statutory obligation was violated to hinder the auditorial function. Audit apprehended that the record was not produced intentionally to conceal certain irregularities committed by the department.

The irregularity was pointed out to the department during October 2014. In DAC meeting held in January 2015, the department replied that the record was now available for inspection by Audit. DAC took the issue seriously and directed the department to produce the requisite record immediately. Further progress was not reported till finalization of the report.

Audit recommends that access to the WeBOC system be immediately provided, all auditable record be produced besides fixing responsibility on persons who hindered the auditorial work.

[Annexure-03]

Irregularity & Non-Compliance

2.4.5 Non-realization of revenue due to inadmissible exemptions and concessions - Rs 16,188.74 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 thereunder are admissible subject to fulfilment of certain conditions.

Fifteen MCCs and Directorate of I&I, Faisalabad extended the benefit of exemptions and concessions in duties and taxes under various SROs without fulfilment of requisite conditions. For instance, benefit under SRO 1125(I)/2011 was extended to the importers not covered under five prescribed sectors and to black listed/suspended/inactive taxpayers, benefit under free trade agreement with China was extended to goods of other origins, benefit under SRO 492(I)/2009 was allowed to goods imported in finished form and benefit of zero rating of sales tax was provided to goods not covered under SRO 549(I)/2008. This resulted in non-realization of revenue of Rs 16,188.74 million.

The irregularity was pointed out to the department during March to December 2014. The department reported Rs 1.84 million as recovered, cases of Rs 89.08 million as written off/ not due, recovery of Rs 634.65 million as under process, cases of Rs 12,163.48 million were contested while cases of Rs 1.32 million were under appeal. The department did not furnish reply for cases of Rs 3,298.36 million. Audit was of the view that grant of such inadmissible exemptions/ concessions by customs officers after years of service/experience shows that undue benefit was being extended to the importers unlawfully. The DAC in its meetings held in January 2015, directed the department to expedite recovery, pursue the cases under appeal, refer seven cases to the Board and five cases to the Law Division for clarification and furnish comprehensive reply for cases being contested/not responded. Further progress was not reported till finalization of the report.

Audit recommends implementation of DAC's directives, besides fixing responsibility for extending inadmissible concessions and exemptions.

[Annexure-04]

2.4.6 Non-encashment of financial instruments - Rs 8,748 million

According to Section 81 of the Customs Act 1969, the imported goods may be assessed provisionally. Further, imported goods may be cleared without payment of duty and taxes on submission of bank guarantees or post-dated cheques under various provisions of the Act and concessionary SROs. On non-fulfilment of prescribed conditions, these instruments are required to be encashed to recover government dues.

Ten MCCs and the DG Transit Trade, Karachi did not encash financial instruments despite expiry of maturity period and failure of importers to fulfil the requisite conditions. This resulted in blockage of revenue of Rs 8,748 million.

The irregularity was pointed out to the department during October to December 2014. The department reported that cases of Rs 1,396.87 million were under recovery, cases of Rs 149.68 million were written off/released, cases of Rs 249.07 million stuck up in courts, cases of Rs 6,438.58 million were contested and reply was not furnished about cases of Rs 500.88 million. Audit was of the view that this happened because of apathy of the staff and lack of meaningful accountability in the department. The delay in encashment of securities also benefited the importers who retained government's share of revenue for their business use. The DAC in its meetings held in January 2015, directed the department to expedite recovery process, pursue the cases stuck up in the courts and submit reply in respect of cases being contested/not responded. Further progress was not reported till finalization of the report.

Audit recommends timely encashment of financial instruments, besides fixing responsibility for inordinate delay in encashment.

[Annexure-05]

2.4.7 Non-recovery of adjudged government dues - Rs 2,880.24 million

Section 202 of the Customs Act 1969 read with the Customs Rules 2001 provides the procedure for recovery of government dues like deduction or requiring any other officer of Customs, Federal Excise and Sales Tax to deduct such amount from any money owing to such person, attachment and sale of any movable or immovable property of the defaulter or the guarantor, person, company, bank or financial institution of the defaulter, arrest and detention of the defaulter within a period not exceeding fifteen days etc.

Eight MCCs did not take action for recovery of revenue in 374 adjudged cases despite lapse of considerable period of time. This resulted in non-recovery of revenue of Rs 2,880.24 million.

The irregularity was pointed out to the department during August to December 2014. The department reported recovery of Rs 2.97 million, Rs 1,390.79 million under recovery process, provided evidence of Rs 23.44 million being vacated/not due, cases of Rs 894.54 million as subjudice and did not furnish reply for cases of Rs 568.50 million. Audit was of the view that recovery of government revenue was not being effected due to apathy and neglect of responsibilities by the customs officers/officials. Further, the systemic feature of the problem seemed to be due to the absence of meaningful control and accountability mechanism in the department. In its meeting held in January 2015, the DAC directed the department to expedite recovery of the balance amount, pursue cases in the courts and furnish reply in cases not responded. Further progress was not reported till finalization of the report.

Audit recommends prompt realization of government revenue besides fixing responsibility against persons at fault.

[Annexure-06]

2.4.8 Non-finalization of adjudication cases - Rs 2,816.09 million

According to Section 179 (3) of Customs Act 1969, seizure/contravention cases shall be decided within 120 days of the issuance of show cause notice or within such period as extended by the Collector, for which reasons shall be recorded in writing, but such extended period shall in no case be extended beyond sixty days.

Four MCCs, Director I&I and the Directorate General Transit Trade, Karachi did not finalize 63 adjudication cases within stipulated or extended period. This resulted in blockage of revenue of Rs 2,816.09 million.

The lapse was pointed out to the department during August to December 2014. The department reported that cases of Rs 285.82 million had been adjudicated, an amount of Rs 2.44 million had been recovered, cases of Rs 277.47 million were under recovery, cases of Rs 5.92 million were not due, cases of Rs 7.52 million were pending with appellate fora and contested cases of Rs 2,522.75 million. Audit was of the view that delay in finalizing of cases reflected poor performance and lack of interest by officers/officials in the discharge of their responsibility. The DAC in its meeting held in January 2015 directed the department to expedite recovery, provide evidence of adjudicated cases, pursue the cases in appellate fora and submit a comprehensive reply for contested cases. Further progress was not reported till finalization of the report.

Audit recommends that all cases be adjudicated within the stipulated time and an adequate and effective monitoring mechanism, to watch the performance of adjudicating officers, be put in place. Further, recovery of revenue realizable in the adjudged cases, be effected promptly.

[Annexure-07]

2.4.9 Non-realization of revenue after expiry of stay orders - Rs 1,345.56 million

According to Article 199 (4A) of the Constitution of the Islamic Republic of Pakistan 1973, an interim order made by a High Court against assessment or collection of public revenues shall cease to have effect on the expiration of a period of six months following the day on which it is made.

Five MCCs did not initiate action for recovery of revenue against the importers who had been granted stay orders by the Islamabad, Lahore and Sindh High Courts and the same had expired after lapse of six months. This resulted in non-realization of revenue of Rs 1,345.56 million.

The lapse was pointed out to the department during March to October 2014. The department reported that an amount of Rs 48.41 million was under recovery, cases of Rs 1,225.60 million were stuck up in courts and no reply was furnished for cases of Rs 71.55 million. Audit was of the view that non-recovery of government revenue in such cases was due to negligence and lack of interest by the customs authorities. In the DAC meetings held in January 2015, the DAC directed the department to expedite recovery, pursue the cases vigorously in courts and furnish reply for cases not responded. Further progress was not reported till finalization of the report.

Audit recommends implementation of DAC’s directives besides fixing responsibility against the persons at fault.

[Annexure-08]

2.4.10 Non-realization of revenue due to non-disposal of confiscated goods - Rs 1,330.71 million

According to Section 182 of the Customs Act 1969 read with Sections 82, 89, 169 and 201 of the Act, CGO 12 dated 15.06.2002 and Rule 58 (1) of the Customs Rules 2001, confiscated goods are required to be disposed of after observing codal formalities within the shortest possible time.

Ten MCCs and five field offices of Directorate of I & I did not dispose of confiscated goods which included perishable goods as well. Due to the very nature of perishable items, the chances of deterioration in value and quality and becoming unfit for human consumption were very high. This resulted in non-realization of revenue of Rs 1,330.71 million besides posing risk to human health.

The irregularity was pointed out to the department during March to December 2014. The department reported that recovery of Rs 10.99 million had been made, recovery of Rs 1,152.59 million was under process, cases for Rs 12.06 million were written off/vacated/not-due, cases for Rs 74.30 million were under adjudication/subjudice, cases for Rs 0.29 million were contested and no reply was furnished for Rs 80.48 million. Audit did not agree with reply of the department because reasons for delay in disposal of goods were not given. Audit was of the view that delayed disposal of goods through auction was taking place due to lack of meaningful monitoring and accountability in the department. The DAC in its meetings held in January 2015, directed the department to expedite the recovery process, finalize adjudication, actively pursue the cases in the courts and furnish reply for cases being contested/not responded. Further progress was not reported till finalization of the report.

Audit recommends that all confiscated goods be disposed of promptly and action be taken against customs employees responsible for delay in disposal of goods and consequent deterioration in their value.

[Annexure-09]

2.4.11 Non-realization of revenue due to non-clearance of unclaimed Import General Manifest - Rs 749.66 million

According to Section 82 of the Customs Act 1969, if any goods are not entered and cleared for home consumption or warehoused or trans-shipped within twenty 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.

Four MCCs did not initiate action for clearance of 2,159 import general manifests within the stipulated period of 20 days. These import general manifests were lying un-claimed despite delay of considerable period ranging from 20 days to 3,311days (9 years). This resulted in blockage of revenue of Rs 749.66 million.

The irregularity was pointed out to the department during October to December 2014. The department reported that recovery of Rs 1.11 million had been made and recovery of Rs 1.89 million was not due, while cases for the balance amount were under process. Audit was of the view that such inordinate delay was caused due to lack of interest by customs officials and non-existence of meaningful monitoring and accountability mechanism in the department. The DAC in its meetings held in January 2015, directed the department to expedite disposal of non-cleared goods. Further progress was not reported till finalization of the report.

Audit recommends early disposal of uncleared goods for realization of government revenue besides fixing responsibility.

[Annexure-10]

2.4.12 Loss of revenue due to non-inclusion of petroleum levy for determination of sales tax at import stage - Rs 538.99 million

According to Section 3 read with Section 2(46) of the Sales Tax Act 1990, there shall be charged, levied and paid sales tax at the rate applicable from time to time on duty paid value of imported goods determined under Section 25 of the Customs Act 1969 including customs duty and federal excise duty. Further, according to 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 customs dues at import stage and federal excise mode in case of local supply, as the case may be.

MCCs (Appraisement), Lahore and Faisalabad did not include the amount of petroleum levy in duty paid value of imported POL products for calculation of sales tax at import stage. This resulted in short-realization of sales tax of Rs 538.99 million.

The irregularity was pointed out to the department in October 2014. The department replied that the case had been referred to FBR for clarification and the Board had agreed vide letter C.No.3(5) TAR-12012 dated 11.12.2014 that petroleum levy was not to be included in the value for the purpose of calculation of sales tax at import stage. Audit was of the view that there was a duality of practice in inclusion of petroleum levy for purpose of calculation of sales tax at import stage and for locally produced and sold POL which needed to be removed for ensuring uniformity. The DAC in its meeting held in January 2015 directed the MCCs to refer the matter to the Law and Justice Division for further clarification. Further progress was not reported till finalization of the report.

Audit recommends removal of duality regarding inclusion or non-inclusion of petroleum levy in duty paid value at both stages.

[DP Nos. 2004, 2404-Cus]

2.4.13 Loss of government revenue due to acceptance of incorrect transaction value of imported films - Rs 519. 27 million

According to Section 25 (1) of the Customs Act 1969, the customs value of imported goods, subject to the provisions of the Section and the Rules, shall be the transaction value, that is the price actually paid or payable for the goods when sold for export to Pakistan. Further, withholding tax on imported feature films is leviable @ 12%.

MCC (Preventive), Lahore cleared 218 imported English and Indian feature films at nominal import values ranging from US$ 200 to US$ 400 only which had no comparison with the earnings from exhibition of these films in the country. Transaction value of these films would be the price paid for purchase of exhibition rights of these films which, according to rough estimates, would have been in tens of hundreds of US$. For instance, if transaction value of Rs 20 million per film had been taken as import value, revenue of Rs 519.27 million could have been realized.

The irregularity was pointed out to the department in June 2014. The MCC replied that films were correctly cleared at statutory rate of duty and taxes. Audit was of the view that it was not a matter of rate of duty and taxes rather an issue of under-invoicing and mis-declaration of transaction value. Further, Audit considered that duty and taxes being levied by the custom authorities, on the basis of length of film-roll, were no more applicable in the modern times when films were stored on a chip/CD. Instead of levying tax on the basis of per KB or MB, the custom authorities continued to use the old rate of Rs 5/meter of film-roll on digital data. In its meeting held in January 2015, the DAC directed the MCC to refer the matter to DG Valuation, Karachi through FBR. Further progress was not reported till finalization of the report.

Audit recommends that amendments in the customs tariff be made immediately in line with the modern times besides implementation of DAC's directives.

[DP No. 1747-Cus]

2.4.14 Short-realization of revenue due to under-valuation of imported goods - Rs 177.17 million

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

Nine MCCs assessed and cleared imported goods like tractor parts, brush, tissue paper, circuit breaker, baby feeder etc. at values lower than the value fixed by the Directorate General of Valuation, Karachi. This resulted in short-realization of revenue of Rs 177.17 million.

The irregularity was pointed out to the department during March to December 2014. The department reported that recovery of Rs 0.53 million had been made, cases of Rs 32.11 million were under recovery, an amount of Rs 2.25 million was not due, cases of Rs 0.82 million were under adjudication, cases of Rs 30.50 million were contested and no reply was furnished for cases of Rs 110.96 million. Audit did not agree with the reply of the department because reasons and causes leading to less valuation were not communicated to Audit. Audit considered that goods were intentionally under-valued to provide benefit to the importers. In its meetings held in January 2015, the DAC directed the department to expedite recovery, take up the matter with DG Valuation (where necessary) and furnish reply for cases contested/not responded. Further progress was not reported till finalization of the report.

Audit recommends recovery of revenue lost due to under-valuation of goods besides fixing responsibility against persons at fault.

[Annexure-11]

2.4.15 Non/short-realization of withholding tax - Rs 354.61 million

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

Eight field offices of FBR either did not collect withholding tax on imported goods or collected it at lower rates. This resulted in non/short-realization of revenue of Rs 354.61 million.

The irregularity was pointed out to the department during March to December 2014. The department replied that recovery of Rs 0.11 million had been made, cases for Rs 8.57 million were under recovery process, cases for Rs 69.19 million were contested and no reply was furnished for cases of Rs 276.74 million. Audit was of the view that these irregularities were committed due to slackness of the customs staff. In its meetings held in January 2015, the DAC directed the department to expedite recovery, seek clarification from the Board (where necessary) and submit reply for cases contested/not responded. Further progress was not reported till finalization of the report.

Audit recommends expeditious recovery of the stated amount besides fixing responsibility for application of incorrect rate of WHT.

[Annexure-12]

2.4.16 Non-realization of value addition tax - Rs 344.21 million

According to Rule 58B 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 at the rate of three per cent of the value of goods.

Nine MCCs, the Director General Transit Trade, Karachi and Director I&I, Faisalabad did not recover value addition tax at the time of clearance of imported goods or release of confiscated goods. This resulted in non-realization of revenue of Rs 344.21 million.

The irregularity was pointed out to the department in March to December 2014. The department reported recovery of Rs 0.12 million, recovery of Rs 12.23 was under process, cases for Rs 94.94 million were under adjudication, did not furnish reply for cases of Rs 10.55 million, cases for Rs 4.45 million were contested and provided evidence for already recovered amount of Rs 221.92 million. Audit was of the view that law for imposition of value addition tax was very clear but was not applied deliberately to benefit the importers and smugglers. In its meetings held in January 2015, the DAC directed the department to expedite recovery, finalize the cases under adjudication and furnish reply for cases being contested. Further progress was not reported till finalization of the report.

Audit recommends recovery of the amount involved besides fixing responsibility for non-realization of value addition tax.

[Annexure-13]

2.4.17 Excess payment of rebate - Rs 321.17 million

According to SROs 209 to 212(I)/2009 all dated 05.03.2009, rebate is to be paid on duty paid raw materials used in manufacturing of exported goods. Further, according to Rules 302 and 352 of the Custom Rules 2001, input goods may be imported without payment of duty & taxes.

Three MCCs paid rebate on the goods manufactured/exported under DTRE facility and manufacturing bond scheme, in respect of which no duty/taxes were involved. Further, rebate was also paid either at higher rates than admissible or on the goods not covered under the SROs and in cases which were time-barred. This resulted in excess payment of rebate of Rs 321.17 million.

The irregularity was pointed out to the department during October 2014. The department reported recovery of Rs 0.05 million, cases of Rs 0.71 million under recovery, an amount of Rs 0.05 million not due, an amount of Rs 65.54 million was contested and did not furnish reply about cases of Rs 254.82 million. Audit was of the view that rebate was allowed illegally. In its meetings held in January 2015, DAC directed the department to expedite recovery and refer the issue of payment of rebate on non-surgical scissors to the Law Division for clarification. Further progress was not reported till finalization of the report.

Audit recommends recovery of overpaid amount of rebate besides fixing responsibility for payment of rebate on not rebateable items.

[Annexure-14]

2.4.18 Short-realization of foreign exchange - Rs 241.01 million

According to Rule 307-E (3), in case of commercial exporter holding a DTRE approval for same-state-goods, the Regulatory Collector may discharge the security instrument if such exporter, on the basis of purchase and export documents in his possession, proves that the goods acquired by him against such approval have been exported in full.

MCC (Exports), Custom House, Karachi, did not take notice of short remittance of foreign exchange of US$ 2.47 million in a case where a DTRE user purchased approved quantity of 21,000 MT molasses and exported it against value of US$ 2.6 million. Out of this amount, only US$ 0.13 million were realized whereas evidence for the remaining amount equivalent to Pak rupees 241.01 million was not provided. This resulted in short-remittance of foreign exchange.

The lapse was pointed out to the department in December 2015. The MCC replied that entire amount of foreign exchange was realized through banking channel. Audit was of the view that this occurred due to non-existence of effective monitoring and coordination mechanism to ensure that required amount of foreign exchange from goods exported by DTRE user was remitted. In the DAC meeting held in January 2015, the DAC directed the department to obtain BCAs from the relevant banks on prescribed format equivalent to US$ 2.47 million. Further progress was awaited till finalization of the report.

Audit recommends that adequate and effective monitoring mechanism be put in place to watch foreign exchange remittances of these kind, besides implementation of DAC's directives.

[DP No.985- CD/K]

2.4.19 Import of abnormal quantity of textile accessories

SRO 492(I)/2009 dated 13.06.2009 provides the manufacturers-cum-exporters with the facility to import goods free of duty and taxes subject to the condition that importers shall export temporarily imported goods after due processing within 18 months of their import.

MCC (Appraisement), Lahore did not take notice of import of abnormal quantities of textile accessories such as zippers, eyelets, tags, etc valuing Rs 634 million by M/s Style Textile Mills, Lahore holding a licence under manufacturing bond within a short period of six months. The import of other input goods to be used in manufacturing of goods for the same period was Rs 260 million only. It is apprehended that the importer might have sold imported accessories in the local market without paying duty and taxes, as monthly statements of the licencee did not show any local purchase of input goods.

The issue was pointed out to the department in October 2014. The department contested the para on the grounds that SROs 450(I)/2001 and 492(I)/2009 were two independent SROs and MCC was restricted to accountal of goods imported under the former SRO only whereas the imports under the later SRO were accounted for by the concerned importing station. Audit was of the view that raw materials imported under both SROs were required to be exported within the stipulated time and it was the duty of customs staff to watch post-importation movements of these goods. In its meeting held in January 2015, the DAC directed the MCC to examine the matter and get the position verified from Audit. Further progress was not reported till finalization of the report.

Audit recommends that inquiry be conducted to ascertain facts to determine possible evasion of duty and taxes besides fixing responsibility.

[DP No. 2410-Cus]

2.4.20 Non-realization of revenue due to non-consumption of imported input goods - Rs 223.51 million

According to Rule 12 of Export Oriented Units and Small and Medium Enterprises Rules notified vide SRO 327(I)/2008 dated 29.03.2008, the input goods shall be utilized within 2 years from the date of import.

Four MCCs did not initiate action for recovery of revenue against licencees who imported duty-free input goods for manufacture and export of finished goods but failed to consume and export finished goods within the prescribed time. This resulted in non-realization of revenue of Rs 223.51 million.

The lapse was pointed out to the department in October to December 2014. The department reported recovery of Rs 0.29 million, Rs 221.28 million under recovery, provided evidence for export of goods of Rs 0.05 million, cases of Rs 0.60 million were contested and no reply was furnished of cases of Rs 1.29 million. Audit was of the view that such irregularities took place due to lack of supervisory controls by the higher management. In its meetings held in January 2015, the DAC directed the department to expedite recovery of the balance amount, and submit a comprehensive reply about cases being contested/not responded. Further progress was not reported till finalization of the report.

Audit recommends early implementation of DAC's directives, besides fixing responsibility for non-realization of government revenue.

[Annexure-15]

2.4.21 Non-recovery of duty and taxes on overstayed goods in bonds - Rs 221.01 million

According to Section 98 of the Customs Act 1969, non-perishable imported goods may remain in warehouse for a period of six months. The period can be extended by the competent authority for further three months.

Four MCCs did not initiate action for recovery of duty and taxes from licencees of bonded warehouses who failed to clear the warehoused goods within the stipulated period. This resulted in non-recovery of revenue of Rs 221.01 million.

The lapse was pointed out to the department during August to December 2014. The department reported recovery of Rs 44.47 million, provided evidence for already cleared goods of Rs 1.48 million, replied that cases for Rs 172.46 million were under recovery and contested cases of Rs 2.60 million. Audit was of the view that delay in clearance of bonded goods occurred due to weak monitoring by the department. In its meeting held in January 2015, the DAC directed the department to expedite recovery of the balance amount and to submit comprehensive reply for the cases contested. Further progress was not reported till finalization of the report.

Audit recommends early recovery of duty and taxes, besides fixing responsibility for inordinate delay in clearance of bonded goods.

[Annexure-16]

2.4.22 Blockage of revenue due to non-finalization of provisional assessment - Rs 148.04 million

According to Section 81 of the Customs Act 1969, when the assessment of goods and the liability of payment of customs & taxes is determined provisionally and additional amount is secured through bank guarantee or post dated cheques along with an indemnity bond, the correct amount of duty & taxes and other charges shall be determined within six months which may be extended for a period not more than ninety days.

Six MCCs did not finalize provisionally assessed cases, within the stipulated period of six months or extended period. Further, action was not taken to enforce the financial securities to recover government revenue. This resulted in blockage of revenue of Rs 148.04 million.

The irregularity was pointed out to the department in October to December 2014. The department reported recovery of Rs 0.74 million, provided evidence for already recovered amount of Rs 26.80 million, replied that cases for Rs 8.05 million were sub-judice, cases for Rs 76.35 million were under recovery and did not furnish reply for cases of Rs 36.10 million. Audit was of the view that this took place due to non-existence of meaningful accountability mechanism. The DAC in its meetings held in January 2015, directed the department to expedite recovery, actively pursue the cases in courts, refer the matter to the FBR for clarification (where necessary) and submit reply for cases not responded. Further progress was not reported till finalization of the report.

Audit recommends immediate realization of government revenue in all provisionally assessed cases where required time period has expired, besides fixing responsibility for inordinate delay.

[Annexure-17]

2.4.23 Non-realization of advance income tax on import of finished goods - Rs 136.77 million

According to Clause 72-B of the Part-IV of Second Schedule to the Income Tax Ordinance 2001 read with circular issued by the Federal Board of Revenue vide No.08/2013 dated 03.09.2013, the exemption certificate for exemption of advance income tax under Section 148, shall be issued only for the raw material imported for own use.

MCC (Appraisement), Lahore cleared imported finished goods such as LED TVs, LED panels, adopters, speakers, etc by granting exemption of withholding tax without taking into consideration that this exemption was permissible for import of raw material only. Further, exemption from WHT was also granted to goods imported in excess than the quantity allowed in the exemption certificate. This resulted in non-realization of revenue of Rs 136.77 million.

The irregularity was pointed out to the department in October 2014. The MCC contended that the raw material had not been defined specifically under the Income Tax Ordinance, 2001 and the customs authorities relied on the exemption certificates fed into WeBOC system. Audits was of the view that imported goods were either in SKD conditions and, therefore, were not of the nature of raw material or were greater than the permissible quantity of raw material. The department was deliberately trying to confuse the difference between raw material and SKD goods. In the DAC meeting held in January

2015, the DAC directed the MCC to expedite recovery, submit detailed reply for cases not responded and referred the issue to the Law Division for clarification. Further progress was not reported till finalization of the report.

Audit recommends that government revenue be recovered from the defaulters besides implementation of DAC's directives.

[Annexure-18]

2.4.24 Non-realization of revenue due to irregular exemptions under Chapter 99 - Rs 56.77 million

Chapter 99 of First Schedule to the Customs Act 1969 provides for special exemptions of customs duty and sales tax for the imports or goods received as gifts and donations, subject to the fulfilment of conditions and limitations specified therein, such as the importer should be a charitable institution or non-profit making institution approved under Section 2 (36) of the Income Tax Ordinance 2001, goods not being produced locally or re-import of repaired machinery by industrial concern.

Four MCCs granted exemption of customs duty under chapter 99 of First Schedule to the Customs Act 1969 on goods imported by some institutions/individuals without taking into consideration the fact that these institutions/importers were neither charitable or not-for-profit institutions nor industrial concerns. Further, in some cases exemption was granted on imports of goods which were also being produced locally. Therefore, they did not qualify for these exemptions. This resulted in loss of Rs 56.77 million.

The irregularity was pointed out to the department in October 2014. The department reported that an amount of Rs 15.74 million was under recovery, cases for Rs 11.24 million were contested and no reply was furnished for cases of Rs 29.79 million. Audit was of the view that the FBR issued certificates declaring these institutions as non-profit institutions without taking into consideration their on-ground status. The grant of few scholarships, stipends or patronage of some orphans constituted a part of corporate social responsibility and did not make an organization eligible for status of a charitable or non-profit institution. Moreover, exemptions were granted on goods which were being manufactured locally. In its meeting held in January 2015, the DAC directed the department to expedite recovery, refer the matter to the Board for clarification (where necessary) and submit reply for cases being contested/not responded. Further progress was not reported till finalization of the report.

Audit recommends that revenue loss due to grant of special exemptions be recovered, besides fixing responsibility for granting undue benefit to importers.

[Annexure-19]

2.4.25 Loss due to non-imposition/realization of fine and penalty - Rs 68.96 million

SRO 499(I)/2009 dated 13.06.2009 and Section 32 read with Section 156 of the Customs Act 1969 provide the rates of redemption fine and penalty for offences covered therein such as mis-declaration of weight, quantity, value and description or origin of goods, etc.

Five MCCs did not impose/ recover fine and penalty in cases where the importers committed offences such as mis-declaration of weight, quantity, value and description or origin of goods, etc. This resulted in non-realization of fine and penalty of Rs 68.96 million.

The irregularity was pointed out to the department during March to December 2014. The department reported recovery of Rs 0.05 million, cases for Rs 2.38 million under recovery, provided evidence for Rs 4.06 million being not due, cases for Rs 54.50 million under scrutiny and cases for Rs 7.97 million were contested. Audit was of the view that provisions for imposition of fine and penalty were very clear but such offences were still not being penalized by the customs authorities to provide unlawful benefits to importers. In its meeting held in January 2015, the DAC directed the department to expedite recovery proceedings and furnish reply for cases being contested/under scrutiny. Further progress was not reported till finalization of the report.

Audit recommends recovery of fine and penalty from the concerned importers besides fixing responsibility for providing unlawful benefits to the importers.

[Annexure-20]

2.4.26 Illegal grant of licence under two SROs - Rs 68.58 million

According to Rule 8 (2) of Export Oriented Units and Small and Medium Enterprises Rules issued under SRO 327(I)/2008 dated 29.03.2008, the premises shall be used only and exclusively for the export oriented unit. The unit shall be allowed to avail licence either under manufacturing bond or under Export Oriented Units and Small and Medium Enterprises Rules, at one time.

MCC (Preventive), Lahore issued two licences simultaneously, one under manufacturing bond under SRO 450(I)/2001, and other under Export Oriented Units and Small and Medium Enterprises Rules under SRO 327(I)/2008, to five manufacturers-cum-exporters to import duty-free raw material. The illegal grant of two licences at the same time resulted in non-realization of duty and taxes of Rs 68.58 million.

The lapse was pointed out to the department in October 2014. The MCC contested the para. The reply of the MCC was not accepted being vague and non-specific. Audit was of the view that two licences were granted simultaneously to provide undue benefit to the importers which reflected existence of poor internal controls and lack of meaningful accountability mechanism in the department. In its meeting held in January 2015, the DAC directed the department to submit a comprehensive reply. No reply was received till finalization of the report.

Audit recommends that extra licences granted to the importers be cancelled, loss sustained by government be made good from them, besides fixing responsibility on persons at fault.

[DP Nos.1741&1954-Cus]

2.4.27 Loss due to grant of unlawful exemption in sales tax - Rs 66.01 million

Serial No. 20 of the SRO 575(I)/2006 dated 05.06.2006 provides concession in customs duty to imports meant for initial installation, balancing, modernization, replacement or expansion of oil refining (mineral oil, hydro-cracking, and other value added petroleum product), petrochemical and petrochemical downstream products.

MCC (Preventive), Lahore extended illegal benefit of exemption in sales tax under serial No. 20 of the SRO to plant, machinery, equipments and spares imported by M/s Fatima Fertilizer Company. Previously, the importer under question, used to import under serial No. 21 of the same SRO meant for machinery imported by industrial concerns. Grant of exemption in sales tax to an importer who did not qualify for the exemption caused loss of Rs 66.01 million.

The irregularity was pointed out to the department in October 2014. The department replied that exemption was granted on merit in the light of clarification issued by the Board in case of M/s Pak Arab Fertilizer Company. Audit was of the view that FBR issued a specific clarification and accorded benefit to this company. The DAC directed the MCC to submit detailed reply after addressing the issues raised by Audit. No reply was received till finalization of the report.

Audit recommends recovery of the amount of sales tax from the concerned company, besides fixing responsibility for granting undue benefit to the importer.

[DP Nos. 1748 & 2300-Cus]

2.4.28 Short-realization of revenue due to excess claim of wastage - Rs 52.58 million

According to Rule 299 (1) of sub-chapter 7 of the Customs Rules 2001 read with Section 95 of the Customs Act 1969, no wastage of input goods in terms of quantity, volume, weight or number, as the case may be, shall be allowed except as determined and approved in the analysis certificate.

MCCs Exports, Customs House, Karachi and Hyderabad did not recover duty and taxes from three DTRE users and licencees of manufacturing bond who claimed wastage in excess than permitted. The grant of excess wastage than permissible resulted in loss of revenue of Rs 52.58 million due to non-realization of duty and taxes.

The lapse was pointed out to the department during August to December 2014. The department reported that Rs 34.11 million were under recovery, cases for Rs 16.70 million were contested and did not furnish reply for cases of Rs 1.77 million. Audit was of the view that excess allowance than permissible was authorized by the customs officers/officials to provide undue benefit to persons at the cost of government revenue. The DAC in its meeting held in January, 2015 directed the department to expedite recovery and submit detailed reply for cases being contested/not responded. Further progress was not reported till finalization of the report.

Audit recommends recovery of the amount lost due to unlawful authorization of excess wastage than permissible besides fixing responsibility against persons at fault.

[DP Nos.897,941& 943-CD/K]

2.4.29 Short-realization of revenue due to misclassification of imported goods - Rs 47.15 million

According to Section 18 of the Customs Act 1969, imported goods are classified under the First Schedule to the Act.

Eight MCCs cleared imported goods like car mats, weather strips, 100% cotton denim fabric, petroleum jelly, soft drinks, drinking glass, auto AC parts, microwave oven, etc which were classified under incorrect PCT headings with lower rates of customs duty instead of correct PCT headings with higher rates. This resulted in short-realization of revenue of Rs 47.15 million.

The irregularity was pointed out to the department during March to December 2014. The department reported recovery of Rs 0.02 million, cases for Rs 0.81 million as not-due/regularized, cases of Rs 6.86 million were under recovery, cases for Rs 16.52 million were under adjudication/sub-judice, cases for Rs 0.58 million were contested and no reply was furnished for cases of Rs 22.36 million. Audit held that general rules for interpretation and classification of goods were self-explanatory but the goods were intentionally misclassified to benefit the importers. The DAC in its meetings held in January 2015, directed the department to expedite recovery, finalize adjudication proceedings, actively pursue the cases in courts and furnish reply for cases being contested/not responded. Further progress was not reported till finalization of the report.

Audit recommends early recovery of revenue lost due to misclassification of goods besides fixing responsibility.

[Annexure-21]

2.4.30 Short-realization of revenue due to application of incorrect rates of duty and taxes - Rs 40.27 million

Goods imported into Pakistan are liable to customs duty under Section 18 of the Customs Act, 1969 and are classified according to Pakistan Customs Tariff, Vol-I, for the purpose of levy of customs duty and allied taxes.

Six MCCs and DG, I&I, Islamabad cleared imported goods by charging lesser rates of duty and taxes than applicable. This resulted in short-realization of revenue of Rs 40.27 million.

The lapse was pointed out to the department in October to December 2014. The department reported recovery of Rs 12.41 million, cases of Rs 9.81 million under recovery, contested cases for Rs 3.30 million and did not furnish reply about cases of Rs 14.75 million. Audit was of the view that customs staff deliberately applied lesser rates to benefit the importers which reflected lack of meaningful accountability mechanism in the department. In DAC meeting held in January 2015, the DAC directed the department to expedite recovery and submit reply for cases being contested/not responded. Further progress was not reported till finalization of the report.

Audit recommends immediate recovery of the amount involved besides fixing responsibility for deliberate application of lesser rates of duty & taxes.

[Annexure-22]

2.4.31 Non-realization of revenue due to non-disposal of wastage - Rs 32.50 million

According to Rule 307A (e) of the Customs Rules 2001 read with SRO 327(I)/2008 dated 29.03.2008, a DTRE user may, with the permission of the Regulatory Collector, dispose of through local sale; B-grade products, factory rejects or wastage on payment of leviable duty and taxes.

Four MCCs did not take appropriate action for disposal of wastage produced during manufacturing of goods under DTRE scheme/export oriented units. This resulted in non-realization of revenue of Rs 32.50 million.

The lapse was pointed out to the department in October to December 2014. The department reported recovery of Rs 0.19 million, Rs 20.93 million under recovery, contested cases for Rs 3.41 million and did not furnish reply for cases of Rs 7.97 million. Audit was of the view that delayed disposal of wastage occurred due to weak internal controls. In its meeting held in January 2015, the DAC directed the department to expedite recovery and submit reply for cases being contested/not responded. Further progress was not reported till finalization of the report.

Audit recommends immediate disposal of wastage to realize government revenue in the form of duty and taxes.

[Annexure-23]

2.4.32 Non-realization of Federal Excise Duty - Rs 21.93 million

Federal Excise Duty is leviable under Section 3 of the Federal Excise Act, 2005 at the rates specified in the First Schedule to the Act. Aerated waters and concentrates thereof are liable to Federal Excise Duty @ 6% and 50% of retail price respectively.

Three MCCs either misclassified imported aerated waters and concentrates under incorrect PCT headings to avoid levy and collection of FED or charged FED at lower rates than provided in the First Schedule to the Federal Excise Act 2005. This resulted in short-realization of revenue of Rs 21.93 million.

The irregularity was pointed out to the department in October 2014. The department reported that recovery of Rs 21.93 million was under process. Audit was of the view that goods were deliberately misclassified under incorrect PCT headings to provide unlawful benefit to the importers. In its meeting held in January 2015, the DAC directed the department to expedite recovery and submit reply for the cases contested. Further progress was not reported till finalization of the report.

Audit recommends recovery of the amount of FED lost due to misclassification of goods besides fixing responsibility on persons involved in causing loss to the public exchequer.

[Annexure-24]

2.4.33 Illegal use of fee realized from laboratory tests of samples of imported/exported goods - Rs 18.15 million

According to Section 200 of the Customs Act 1969, any facilities or assistance required for any examination of imported goods shall be provided by or at the expense of the owner of goods. Further, according to Rule 7 of Federal Treasury Rules, all moneys recovered on behalf of Federal Government, without any undue delay, are required to be deposited in full with the government treasury.

MCCs Faisalabad and Appraisement (West), Karachi generated a revenue of Rs 18.15 million from laboratory fee but retained the same in common pool fund (which was maintained for private use by customs staff), instead of depositing it in the national exchequer. This resulted in loss of revenue of Rs 18.15 million due to utilization of government money for private purposes.

The irregularity was pointed out to the department in December 2014. The department reported that laboratory charges were the government revenue and correctly deposited in the Common Pool Fund. Audit argued that all moneys generated in connection with official operations of government should have been deposited in the national exchequer instead of utilization for purposes not authorized by the government. In its meeting held in January 2015, the DAC directed the MCC Appraisement (West), Karachi to deposit laboratory charges into government treasury immediately and fix responsibility for non-compliance and directed the MCC, Faisalabad to get the matter regularized. Further progress was not reported till finalization of the report.

Audit recommends recovery of government money besides fixing responsibility against the persons at fault.

[DP Nos. 1976-CD, 870-CD/K]

2.4.34 Loss due to irregular release of an imported vehicle - Rs 13.22 million

According to Section 82 of the Customs Act 1969, if any goods are not cleared for home-consumption from the port area within twenty days of their arrival, such goods may, after due notice given to the owner, be sold in auction notwithstanding the fact that adjudication of the case or a proceeding in any court is pending.

MCC Islamabad released an imported Mercedes Benz car to Mr. Muhammad Kamran Zafar on payment of duty and taxes in May 2014. The said car was imported in August 2012 by Mr. Naheem Ashraf who failed to get the vehicle cleared within 30 days. After non-clearance within the prescribed time, the vehicle was required to be disposed off through open auction. This resulted in loss of Rs 13.22 million due to un-authorized release of the vehicle.

The lapse was pointed out to the department in October 2014. The MCC informed that the vehicle was correctly assessed and released to the concerned importer. Audit did not accept the point of view of the department as documentary evidence was not provided to Audit. Audit was of view that loss was caused to government by un-authorized release of the vehicle by customs staff. The DAC in its meeting held in January 2015 directed the MCC to submit a detailed reply duly supported with relevant documents to Audit. Further progress was not reported till finalization of the report.

Audit recommends recovery of the vehicle besides fixing responsibility.

[DP No. 2251-Cus]

2.4.35 Illegal splitting of the value of smuggled goods - Rs 12.63 million

According to Sections 2 (s) (ii) and 156 of the Customs Act 1969 read with SRO 566(I)/2005 dated 06.06.2005, when value of the notified smuggled goods exceed one hundred and fifty thousand rupees, such goods are liable to confiscation and person involved liable to penalty not exceeding ten times the value of goods.

MCC Islamabad and DG I&I, Islamabad released smuggled goods in the light of O.I.Os on payment of duty and taxes without taking into account the following short-comings therein;

- At the time of seizure of goods, one or two persons claimed ownership, but later on the smugglers managed to produce a number of persons who claimed the ownership of seized goods and adjudicating authority accepted their verbal claim of ownership and split the value of smuggled goods to avoid application of provisions of Section 2 (s).

- In all cases, duty and taxes were deposited by a single person.

The customs authorities did not file appeals against the impugned O.I.Os. Further, the adjudicating officers misused the powers and released the goods liable to confiscation which resulted in loss of Rs 12.63 million.

The irregularity was reported to the department in September 2014. The MCC Islamabad replied that the para pertained to Collector of Adjudication Islamabad, while DG I&I, Islamabad contested the para on the grounds that it was the discretionary power of adjudicating authority. Audit was of the view that it was blatant misuse of authority by the adjudicating officer as no discretionary powers were vested in him/her and all cases had to be decided as per law. Further, by not filing appeals where required at higher fora, the concerned customs officers proved their slackness in the discharge of their duties and caused loss of government revenue. The DAC in its meeting held in January 2015, directed the formations to submit comprehensive reply to Audit. Further progress was not reported till finalization of the report.

Audit recommends that the unlawful practice of releasing smuggled goods be discontinued forthwith besides fixing of responsibility.

[DP Nos. 2152&2203-Cus]

2.4.36 Non/short-realization of late payment surcharge - Rs 11.24 million

According to Section 83 (2) of the Customs Act 1969, where the importer fails to pay import duty and other charges within ten days from the date of assessment, a surcharge at the rate of KIBOR plus three per cent on import duty and other charges shall be paid by the importer and where the goods are not removed within stipulated period of time from the bond under Section 98 of the Act, the importer shall pay surcharge at the rate of one per cent per month on duty and taxes.

Four MCCs either did not recover late payment surcharge or recovered it at lower rate from importers, in 357 cases, who either failed to pay duty and taxes within ten days of date of assessment or did not ex-bond the warehoused goods within the stipulated period. This resulted in non/short-realization of revenue of Rs 11.24 million.

The lapse was pointed out to the department in October 2014. The three MCCs reported that cases of Rs 3.42 million were under recovery, contested cases for Rs 1.75 million and no reply was furnished for cases of Rs 6.07 million. The MCC Sialkot contested the para claiming that the late payment surcharge was correctly calculated in each case for default period. Audit did not accept the contention of the MCC Sialkot as correct amount of surcharge was not calculated. In its meeting held in January 2015, the DAC directed the MCC Sialkot to refer the issue to FBR for clarification and directed remaining MCCs to expedite recovery. Further progress was not reported till finalization of the report.

Audit recommends recovery of the amount of surcharge, besides fixing responsibility for non-recovery of legitimate government revenue.

[Annexure-25]

2.4.37 Non-realization of anti-dumping duty - Rs 7.91 million

Anti-dumping duty is leviable on steel sheets in coils of secondary quality, classifiable under PCT heading 7210.1210, at rates notified by National Tariff Commission of Pakistan.

MCC Peshawar did not charge anti-dumping duty on imported steel sheets of secondary quality which resulted in loss of Rs 7.91 million to government.

The lapse was pointed out to the department in October 2014. The department reported that recovery was under process. Audit was of the view that charging and collection of anti-dumping duty was not made by customs officers/officials concerned to provide undue benefit to the importer. In its meeting held in January 2015, the DAC directed the MCC to expedite recovery. Further progress was not reported till finalization of the report.

Audit recommends early recovery of government revenue besides fixing responsibility against persons at fault.

[DP No. 2046-Cus]

2.4.38 Loss due to non-realization of additional customs duty - Rs 7.40 million

According to SRO 693(I)/2006 dated 01.07.2006, additional customs duty was required to be charged on goods mentioned in Appendix-I and Appendix-II at the rates specified therein.

Four MCCs cleared imported goods mentioned in Appendix-I&II of the said SRO without realization of leviable additional customs duty. This resulted in loss of Rs 7.40 million.

The irregularity was pointed out to the department during July to December 2014. The department reported that an amount of Rs 5.08 million was under recovery, provided evidence of already recovered amount of Rs 0.37 million, cases of Rs 0.83 million were contested and no reply was furnished for cases of Rs 1.12 million. Audit was of the view that aforementioned SRO was very clear but despite that additional custom duty was not realized deliberately by the concerned customs staff to provide unlawful benefit to the importers. In its meeting held in January 2015, the DAC directed the department to expedite recovery process and furnish comprehensive reply for cases being contested/not responded. Further progress was not reported till finalization of the report.

Audit recommends that additional customs duty involved be recovered besides fixing responsibility on the persons at fault.

[Annexure-26]

2.4.39 Short-assessment of revenue due to non-inclusion of fixed amount of FED in duty-paid value - Rs 3.83 million

According to Section 2 (46) (d) of the Sales Tax Act 1990 states that sales tax at import stage shall be charged on assessed customs value plus duties and taxes levied thereon. The Federal Board of Revenue levied fixed amount of federal excise duty at the rate of Re 1/Kg on RBD Palm/Olein oil and vegetable ghee & cooking oil at import stage vide SRO 24(I)/2006 dated 07.01.2006, in lieu of federal excise duty at the production or manufacturing stage of said items.

MCC Hyderabad realized less duty and taxes from an importer who imported RBD Oil/RBD Olein due to non-inclusion of the fixed amount of FED in the duty paid value for the purpose of calculation of FED in sales tax mode at import stage. This resulted in short-realization of revenue of Rs 3.83 million.

The lapse was pointed out to the department in August 2014. The MCC replied that FBR on 03.03.2014 had clarified that the fixed amount of Federal Excise Duty at the rate of Re 1/kg at import stage would not be added in the value for charging of Federal Excised Duty in sales tax mode. Audit was of the view that the clarification made by the FBR was in conflict with the provisions of the Sales Tax Act 1990 and, therefore, was not accepted. In its meeting held in January 2015, the DAC directed the department to seek clarification from the Law Division. Further progress was not reported till finalization of the report.

Audit recommends recovery of government revenue besides implementation of DAC's directives.

[DP No.958-CD/K]

2.4.40 Illegal clearance of goods imported in violation of import policy order

Import of certain items is banned or allowed on fulfilment of certain conditions in terms of Import Policy Order 2013.

Five MCCs cleared fourteen cases of imported goods which were either banned or restricted under the Import Policy Order 2013 valuing Rs 7.95 million on payment of duty & taxes of Rs 2.69 million. The goods were required to be confiscated forthwith for subsequent disposal through auction. This resulted in loss to government revenue of Rs 7.95 million due to non confiscation/unlawful clearance of banned goods.

The irregularity was pointed out to the department during December 2014. The department reported that the goods were not banned items and were cleared according to IPO. Audit disagreed with the contention of department because the goods in question were not permissible for import under IPO 2013 and any SRO issued in contravention to the any of the provision of the Policy would be considered null and void. In DAC meetings held in January 2015, the DAC directed the department to re-visit the cases and submit detailed reply. Further progress was awaited till finalization of the report.

Audit recommends strict adherence to the provisions of Import Policy Order, besides fixing responsibility.

[Annexure-27]

2.4.41 Grant of undue benefit to importers by misusing the provisions of Section 79(1) of the Customs Act, 1969

According to Section 79 (1) of the Customs Act 1969, if the importer of used goods before filing of goods declaration, shows his inability to make correct and complete declaration of goods then he may be allowed by customs authorities to examine the goods and thereafter make entry of such goods by filing a goods declaration after having assessed and paid his liabilities of duties, taxes and other charges.

Further, according to clause 1(d) of SRO 499(I)/2009 dated 13.06.2009, quantum of fine on confiscated goods shall be 35% for mis-declaration of value of goods, in case the difference between declared and ascertained value is more than 30%.

Audit observed that MCC Islamabad, in 51 cases, granted undue benefit to some importers of old and used auto parts by releasing the goods after assessment without imposition of any fine despite the fact that the difference between the declared value by the importer and ascertained value by the customs officials ranged from 31% to 229%, with declared value on the lower side. It was also revealed that the same importers were repeatedly being granted unlawful benefit. This resulted in loss of revenue of Rs 15.51 million due to non-imposition of fine for mis-declaration of value of goods.

The lapse was pointed out to the department in October 2014. The department replied that the matter was under scrutiny. Audit did not agree with the reply of the department because specific reply was not given and was of the view that the law had been deliberately violated by the concerned customs officers to provide undue benefit to the importers. In its meeting held in January 2015, the DAC directed the department to look into the matter seriously and address the issues raised by Audit.

Audit recommends that necessary amendments be made immediately in the law to prevent frequent violations of mis-declaration of value of goods by the importers besides fixing responsibility on the customs officers/officials concerned.

[DP No. 2264-Cus]

2.4.42 Non-reporting of government losses to Audit - Rs 55,042.55 million

According to para 20 of GFR and para 104 of CGO 12 of 2002, all losses to public exchequer due to fraud, tax evasion or any other incident are required to be reported by the executive to the Audit office immediately. Further, 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 comply with requests for information in as complete a form as possible and with all reasonable expedition.

Various news clippings in print and electronic media highlighted major cases of fraud, tax evasion, smuggling of gold and non-realization of foreign exchange during FY 2013-14. The magnitude of loss in these cases was reported to be Rs 55,042.55 million. In some cases FIRs had also been lodged and some arrests were also reported in this connection. The MCC Exports, Custom House, Karachi and MCC Exports, PMBQ were approached to provide details of these cases but no information was provided to Audit.

The issue was pointed out to the department in October 2014. The MCC Exports, Customs House, Karachi informed that four cases of Rs 29.95 million were lying before Special Judge (Customs & Excise), Karachi, cases of Rs 12.6 million were reported twice. MCC Exports, PMBQ replied that cases of smuggling of gold involving Rs 55,000 million were detected by the FIA, so they were not in a position to comment on it. Audit was of the view that the department was bound to provide information to Audit in all such cases of fraud and smuggling causing loss to public exchequer. Further, such heavy smuggling through ports could not take place without the active connivance of customs officials. In DAC meeting held in January 2015, the department did not discuss the para. Progress was also not reported till finalization of the report.

Audit recommends that the department should report all cases of loss of government revenue to Audit, and provide documentary record, as and when needed, so that Audit might carry out its statutory obligations.

[ML/K]

2.4.43 Unlawful remission of duty and taxes to DTRE users

According to the second proviso to Rule 299 (4) of the Customs Rules 2001, when a DTRE approval is granted provisionally, the quantity approved by the Regulatory Collector shall not exceed twenty-five per cent of the quantity applied for by the exporter or twenty-five percent of the capacity of the producing or manufacturing unit, whichever is less.

MCCs Exports, Customs House and (PMBQ), Karachi granted DTRE approvals on provisional basis to six persons but allowed 100% quantity of input goods free of duty & taxes for import and export instead of 25% quantity admissible under the law. This resulted in illegal remission of duty and taxes of Rs 66.70 million.

The lapse was pointed out to the department during September and October 2014. The department contested cases of Rs 42.40 million, cases of Rs 10.16 million as not due which was verified by Audit, and did not furnish reply for cases of Rs 14.14 million. Audit held that despite provisional approval of DTRE cases, where only 25% quantity input goods was admissible, customs officers/officials concerned allowed undue benefit to the persons by allowing 100% of the quantity of input goods. The DAC in its meeting held in January 2015 directed the department to submit a comprehensive reply for cases being contested/not responded. No reply was furnished till finalization of the report.

Audit recommends that adequate and effective steps be taken to prevent the recurrence of this lapse, besides fixing responsibility on persons at fault.

[DP Nos. 895&911-CD/K]

2.4.44 Irregular expenditure on POL and repair of vehicles - Rs 45.55 million

According to Monetization Policy 2011, authorization from Vehicle Committee of the Cabinet Division was required for use of vehicles for operational purposes. Further, as per Rule 15 of 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 over expenditure on POL and repair & maintenance of official vehicles. Further, according to Section 182 of the Customs Act 1969, the Board may authorize the use of confiscated vehicles for operational purposes by the Board or, with approval of the Board to its subordinate offices.

Twenty field formations of FBR incurred expenditure of Rs 45.55 million on POL and repair & maintenance of vehicles and committed following irregularities:

i. movement registers were not maintained.
ii. vehicles were used by the officers whose nature of job did not require any field operations.
iii. nature of operations was defined neither by the Board nor by any field office.
iv. vehicles were used which were not on pool of the respective offices.
v. when vehicles required some repair work, these were replaced by the new confiscated ones through an internal committee, which had no legality.
vi. duplicate number plates were used on several vehicles at the same time.
vii luxury vehicles such as Toyota Land Cruiser, Pajero, Parado, Toyota Crown Car, Surf, etc. were being used by the field offices.

Further, the Board has not framed SOPs for use of these vehicles for operational purposes due to which the vehicles are being allocated and misused by different customs staff. In view of aforementioned discrepancies, un-authorized and irregular expenditure of Rs 45.55 million on account of POL and repair & maintenance of vehicles was incurred.

The irregularity was pointed out to the department in August to December 2014. The department replied that all the vehicles were used for operational purposes only and movement registers and log books were being maintained. Audit was of the view that record should be maintained strictly in accordance with staff car Rules in respect of operational vehicles. In its meeting held in January 2015, the DAC directed the department to get the stated position verified from Audit. Further progress was not reported till finalization of the report.

Audit recommends that FBR should obtain authorization from Vehicle Committee and frame SOPs for use of confiscated vehicles specifying make, model, chassis and engine numbers of vehicles at the time of authorization. Further, use of luxury vehicles be stopped forthwith besides maintaining the record as prescribed.

[Annexure-28]

2.4.45 Unauthorized/excess payment of rent for residential accommodation - Rs 8.24 million

According to Ministry of Housing & Works, Islamabad vide its O.M.No.F-6(1)/2009-E-III dated 25.11.2009, assessment committees for hiring of private owned residential accommodations for federal government employees at Lahore, Karachi, Quetta and Peshawar have been constituted for approval from Pak PWD/Estate office. Further, Ministry of Housing & Works, Islamabad notification No. F-2(3)/2003-Policy dated 31.07.2004 certain pre-requisite for acquiring residential accommodation.

Five MCCs made payment of Rs 8.24 million for residential accommodations to their employees without fulfilling the required pre-requisites as given below;

i. MCCs Peshawar, Appraisement (West) and Exports Custom House, Karachi made assessment for hiring of private residential accommodation for 29 employees through their own assessment committees instead of assessment committee of Pak PWD/ Estate office during the year 2013-14 and incurred an expenditure of Rs 5.62 million.

ii. MCC Peshawar paid rent of Rs 1.33 million to some other person instead of the owner.

iii. MCC Appraisement (West), Karachi paid rent of Rs 0.12 million for a house with less covered area than prescribed.

iv. MCC Islamabad provided facility of hiring to some officers/officials who were transferred to MCC Gilgit but continued to avail the facility of hiring at Islamabad amounting to Rs 1.17 million.

The lapse was pointed out to the department during August to December 2014. The department replied that in four cases of Rs 0.96 million, approval from the Estate Office had been obtained whereas recovery of Rs 7.28 million was under process. The DAC in its meeting held in January 2015, directed to expedite recovery of the balance amount. Further progress was not reported till finalization of the report.

Audit recommends that department should expedite recovery and fix responsibility against persons who violated the laid-down procedures for hiring of residential accommodation.

[Annexure-29]

2.4.46 Inadmissible expenditure on pay and allowances - Rs 3.55 million

Rule 7 (A) of Supplementary Rules states that conveyance allowance is not admissible during leave and according to Revised Leave Rules 1980, EOL may be granted without pay on any ground upto a maximum period of 5 years at a time. Further, according to Performance Allowance Guidelines 2012, performance allowance shall not be admissible for period of leave exceeding forty eight days in a calendar year.

Thirteen field formations of FBR paid inadmissible pay and allowances to the employees during leave. This resulted in inadmissible expenditure of Rs 3.55 million.

The irregularity was pointed out to the department during Aug to December 2014. The department reported recovery of Rs 0.25 million, Rs 0.04 million as not due, Rs 2.28 million under recovery and contested an amount of Rs 0.46 million while no reply was furnished for Rs 0.52 million. Audit was of the view that due to slackness and sluggish attitude towards performance of official duty, excess expenditure was incurred which benefited the concerned official/officers. In its meeting held in January 2015, the DAC directed the department to expedite recovery of Rs 2.28 million and submit detailed reply for cases being contested/not responded. Further progress was not reported till finalization of the report.

Audit recommends recovery of overpaid amount be made immediately, besides fixing responsibility for overpayments.

[Annexure-30]

2.4.47 Doubtful/wasteful expenditure on POL for generators - Rs 2.54 million

According to para 10 of General Financial Rules, every public officer authorized to incur expenditure from the public funds should observe the high standards of financial propriety and is expected to exercise the same vigilance in respect of expenditure from public money, as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Three field offices of FBR at Lahore made an expenditure of Rs 2.54 million for the purchase of POL for generators. Following irregularities were noticed:

(a) At Directorate of I&I, Lahore it was found that the log book showed consumption of 11,073 litres of POL whereas the sanction was granted for 18,396 litres. The balance POL of 7,323 litres amounting to Rs 0.78 million was misappropriated.

   i. meter of the generator was out of order for the last one year but action was not taken for its repair,
   ii. running time of the generator was not mentioned in the log book,
   iii. cash memos were written by one person in the same handwriting.
   iv. the log book was not submitted to a higher authority for counter-signature,
   v. cash memos with consecutive serial numbers were noted without a break in serial number which were later on arranged in chronological order this shows that these cash memos were managed for the purpose of fake claim only,
   vi. all the payments were made in cash instead of crossed cheque,
   vii. log books showed consumption of diesel of Rs 0.90 million for continuous running of generator from 40 to 60 litres per day while no load shading was observed for the period from August 2013 to February 2014.

(b) The Directorate of Internal Audit, Lahore withdrawn Rs 0.06 million against POL of generator from 01.03.2014 to 22.05.2014, whereas, the generator was purchased on 23.05.2014. Thus an amount of Rs 0.06 million was misappropriated.

(c) MCC (Preventive), Lahore used heavy duty generator with a capacity of 400 KVA. It was observed that all electrical appliances such as ACs/heaters, fans & tube lights running on the generator were of considerably less aggregate watts/power than the output produced by the generator leading to significant wastage in the form of POL consumed and expenditure incurred on upkeep and repair & maintenance of the generator. Thus wasteful expenditure of Rs 0.80 million was made.

These lapses were pointed out to the department during August to November 2014. The department replied that expenditure was incurred on an old generator at Directorate of Internal Audit, Lahore; at Directorate I & I, Lahore expenditure was incurred due to unscheduled load-shedding whereas no reply was furnished by the MCC (Preventive) Lahore. Audit was of the view that public funds had been misappropriated rather than being spent for lawful purposes. The DAC in its meeting held in January 2015 directed the department to submit comprehensive reply and get the position verified from Audit. MCC (Preventive) Lahore was directed to make the generator cost-effective. Further progress was not reported till finalization of the report.

Audit recommends that fraudulently drawn amount of Rs 0.84 million be recovered from the officers/officials at fault besides taking disciplinary action against them. Further, generator of optimum capacity be utilized during load shedding.

[DP Nos. 2456, 2494, 2511 & 2512-Exp]

2.4.48 Overpayment of Hard Area Allowance - Rs 1.87 million

According to Finance Division's notification No. F 4(8)/92-policy dated 04.04.2013 read with notification No. F 1(5) Imp/2011-419 dated 04.07.2011, Federal Government allowed 50% Hard Area Allowance and 25% Special Pay to the officers and officials posted at Gilgit. Both these allowances stand frozen at the level of admissibility as on 30.06.2011.

MCC Islamabad paid some employees hard area allowance @ 50% of their running basic pay instead of payment at frozen level of basic pay. Further, the allowance continued to be paid to employees who either did not join at MCC Gilgit or, after joining, were transferred back to Islamabad. This resulted in unauthorized overpayment of Rs 1.87 million.

The irregularity was pointed out to the department during August 2014. The department replied that recovery had been initiated from the concerned employees. Audit was of the view that the department made over-payment of hard area allowance to employees which showed slackness of officers/officials involved in making over-payment. In its meeting held in January 2015, the DAC directed the department to expedite recovery. Further progress was not reported till finalization of the report.

Audit recommends recovery of the over paid amount besides fixing responsibility on persons at fault.

[DP Nos.2159,2165-Exp]

2.4.49 Excess expenditure due to delayed payment of electricity bills - Rs 1.65 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 (Preventive), Karachi paid surcharge of Rs 1.65 million due to delayed payment of electricity bills in the financial year 2013-14, despite the fact that sufficient budget and time was available for payment within due date. Due to negligence of the MCC, the government suffered a loss of Rs 1.65 million.

The lapse was pointed out to the department during December 2014. The department did not submit its reply. Audit was of the view that government sustained loss due to negligence and apathy of the officers/officials concerned. In its meeting held in January 2015, the DAC directed the department to submit comprehensive reply and get it verified from Audit. Further progress was not reported till finalization of the report.

Audit recommends that adequate and effective measures be taken to prevent recurrence of this nature besides fixing responsibility against persons found guilty of neglect and dereliction in the discharge of duties.

[DP No. 438-Exp/K]

2.4.50 Non-adjustment/overpayment of TA/DA - Rs 1.07 million

According to Para 269 of GFR Vol-I, TA advances may be made to a government servant subject to adjustments upon the government servant's return to headquarters or 30th June, whichever is earlier.

Eight field formations of FBR did not recover/adjustment of TA advance Rs 0.87 million and excess/irregular TA Rs 0.20 million. This resulted in irregular payment of Rs 1.07 million.

The irregularity was pointed out to the department during August to December 2014. The department reported that recovery/adjustment of Rs 0.08 million had been made and recovery of Rs 0.99 million was under process. Audit was of the view that the officers/officials concerned did not exercise vigilance in making payments and recovering government money due to want of adequate supervisory controls and absence of meaningful accountability mechanism. In its meeting held in January 2015, the DAC settled the para to the extent of recovered amount and directed the department to expedite adjustment/recovery of the balance amount. Further progress was not reported till finalization of the report.

Audit recommends recovery of the amount overpaid/not recovered besides taking disciplinary action against persons at fault.

[Annexure-31]

Systemic Issues

2.4.51 Illegal clearance of old & used auto parts in violation of Import Policy Order 2013

According to para 5 A (vii) of the Import Policy Order 2013 issued by Ministry of Commerce vide SRO 193(I)/2013 dated 08.03.2013, goods specified in Appendix-C were banned for import in second-hand or used condition. Auto parts in used & second-hand condition fall at S. No. 11 of Appendix-C of the Policy.

Field offices of FBR cleared huge quantities of old & used auto parts after charging redemption fine at the rate of 20% in terms of SRO 499(I)/2009 dated 13.06.2009, whereas, the same were liable to be confiscated being imported in violation of Import Policy Order 2013. This resulted in illegal clearance of old & used auto parts in violation of Import Policy Order 2013.

The irregularity was pointed out to the department during October 2014. The department replied that the matter was under scrutiny. Audit did not agree with the reply of the department being vague and non-specific. Audit was of the view that provisions of SRO 499(I)/2009 were ultra vires the IPO and a systemic violation of explicit policy of the Federal Government, stipulated in the IPO. Further, the matter was referred to the FBR two years ago but response was still awaited. In its meeting held in January 2015, the DAC directed the department to revisit the cases and furnish a detailed reply to Audit. Further progress was not reported till finalization of the report.

Audit recommends immediate cancellation of concerned provisions of the said SRO, besides fixing responsibility for violation of explicit provisions of the Import Policy Order.

[DP No. 2280-Cus]

2.4.52 Loss of revenue due to under invoicing and mis-declaration

According to Rules 389 and 391 of the Customs Rules 2001 read with Section 156 (1) of the Customs Act 1969, if any person contravenes any provision of this Act or any Rules made thereunder, such person shall be liable to a penalty not exceeding rupees fifty thousand.

MCC (Appraisement), Lahore cleared imported goods by charging nominal penalty of Rs 5,000 where invoices and packing lists were not found placed inside the containers without taking into consideration the fact that the same importers kept on repeating this malpractice again and again. The percentage of containers not carrying invoices and packing lists varied from 39% to 80%. It was an intentional violation of law to conceal actual invoice and to avoid correct declaration of imported goods for financial benefits.

The lapse was pointed out to the department in October 2014. The MCC replied that penalty was charged in all the cases where invoices and packing lists were not found in the containers. Audit was of the view that customs authorities treated these importers leniently and violated the law for extending undue benefit to them. In its meeting held in January 2015, the DAC directed the MCC to take up the matter with the Board for upward revision of penalty on each successive violation. Further progress was not reported till finalization of the report.

Audit recommends that necessary amendments be made in the law to prevent recurrence of such cases by increasing the amount of penalty for repeated violations.

[DP Nos. 1829 & 2131-Cus]

Performance

2.4.53 Non-conduct of post-exportation audit of DTRE cases - Rs 1,701.27 million

According to Rule 307E (1) of sub-chapter 07 of SRO 450(I)/2001 dated 18.06.2001, the liability of a DTRE user to pay duty and taxes under security instruments furnished by him shall not be discharged unless post exportation audit is carried out and completed satisfactorily within a period of three months.

Four MCCs did not conduct post-exportation audit of 474 DTRE users despite lapse of considerable period of time ranging from 25 days to 7 years. Due to non-conduct of post-exportation audit of these cases the admissibility or otherwise for remission of duty and taxes of Rs 1,701.27 million could not be ascertained.

The irregularity was pointed out to the department in October 2014. The department reported that post-exportation audit had been carried out for 219 cases of Rs 111.61 million while audit of the remaining 255 cases was underway. Audit was of the view that the department did not conduct required post-exportation audit due to slackness of its officers/officials. In its meeting held in January 2015, the DAC directed the MCCs to conduct audit of the remaining DTRE cases and provide its results to Audit. Further progress was not reported till finalization of the report.

Audit recommends that an adequate and affective monitoring mechanism be devised and implemented to ensure that post exportation audit is carried out within prescribed time-limit. Moreover, action should also be initiated against those officers/officials found responsible for slackness.

[Annexure-32]

2.4.54 Non-filing of appeals against orders of adjudicating authority - Rs 138.26 million

According to conditions (b) and 2 (f) of the SRO 499(I)/2009 dated 13.06.2009, lawfully registered conveyance involved in smuggling of notified goods of value exceeding one hundred and fifty thousand rupees, both the vehicle and goods shall be confiscated and if the value not exceeds one hundred and fifty thousand rupees, the vehicle shall be charged redemption fine @ 20% of value of vehicle.

MCC, Islamabad and DG I&I, Islamabad did not file appeals against the decisions of adjudicating authority where the adjudicating authority decided and ordered for non-confiscation of vehicles used wholly and exclusively in smuggling of goods, non-confiscation of goods meant for transit to Afghanistan and non-imposition of 20% redemption fine on vehicles. Despite the fact that a significant amount of Rs 138.26 million was involved which could have potentially gone into government exchequer, if appeals had been lodged against these cases.

The irregularity was reported to the department in September 2014. The MCC, Islamabad informed that the audit para pertained to Collector of Adjudication, Islamabad and DG I&I, Islamabad contested the para on the plea that imposition of redemption fine on vehicles involved in transportation of smuggled goods was discretionary power of the adjudicating authority. Audit was of the view that it was an instance of misuse of powers by the adjudicating officer as all cases had to be decided as per law instead of self-proclaimed discretionary powers. The DAC in its meeting held in January 2015 directed the MCC to obtain incorporation certificate from the relevant formation and directed DG I&I, Islamabad to submit a comprehensive reply to Audit. Further progress was not reported till finalization of the report.

Audit recommends penal action against persons who did not watch public interest and caused potential loss to the government by not filing appeals with higher fora.

[Annexure-33]

2.4.55 Poor performance of Recovery Cell

According to guidelines for admissibility of Performance Allowance 2012, the performance allowance shall be de-notified/discontinued in respect of employee whose performance is not up to the mark. Further, Section 202 of the Customs Act 1969 read with the Customs Rules 2001 provides the procedure for recovery of government dues like deduction or requiring any other officer of Customs, Central Excise and Sales Tax to deduct such amount from any money owing to such person, attachment and sale of any movable or immovable property of the defaulter or the guarantor, person, company, bank or financial institution of the defaulter, arrest and detention of the defaulter a period not exceeding fifteen days etc.

Recovery Cell at MCC Islamabad did not make serious efforts to recover arrears of government revenues. The diary register revealed receipt of six letters only and dispatch register showed dispatch of 38 letters only during the entire year. Further, notices for recovery of government dues were not issued. Detail of recovery effected and expenditure incurred during FY 2013-14 is tabulated below:

(Rs in million)

Particulars	Amount
Recovery effected	1.83
Expenditure incurred on salaries & performance allowance	9.56
Cost-Benefit Ratio	1 : 0.20

The performance of recovery cell in terms of recovery and cost-benefit ratio could not be called satisfactory as the Collectorate recovered a meagre amount of Rs 1.83 million against total recoverable of Rs 178.80 million during the FY 2013-14.

The poor performance of the Collectorate was pointed out to the department in September 2014. The department reported that steps had been taken to strengthen the performance of the Recovery Cell. The DAC directed the MCC to communicate the results of measures taken to Audit. Further progress was not reported till finalization of the report.

Audit recommends that adequate and effective monitoring mechanism be put in place to ensure recovery of government arrears and key performance indicators be developed to gauge and evaluate the performance of the employees.

[DP No. 2188-Cus]

2.4.56 Unsatisfactory performance of departmental audit

The Directorate General, Internal Audit and Directorate General, Post Clearance Audit were created under Sections 3B and 3DD of the Customs Act, 1969. The functions/objectives of the Internal Audit are to conduct audit and send reports to the concerned field formations for initiation of recovery whereas Directorate of PCA is required to safeguard govt revenue against losses and fraud.

The cost-benefit ratio of the Directorate of Post Clearance Audit, Lahore and the Directorate of Internal Audit, Lahore is tabulated below.

(Rs in million)

Name of office	**Year**	**Amount pointed out**	**Amount recovered**	**Expen-diture**	**Cost benefit ratio**	**Remarks**
PCA	2013-14	257.06	6.21	35.59	1: 0.2	Cost benefit ratio based on amount recovered
Internal Audit	2013-14	1407.28	24.56	62.03	1: 0.3	-do-

From the above table, it was evident that both PCA and Internal Audit had an unsatisfactory cost-benefit ratio which reflected poor performance of these offices.

This lack-lustre performance was pointed out to the department in October 2014. The Director Post Clearance Audit, Lahore replied that primary objective of PCA was to safeguard govt revenue against losses and frauds. Directorate Internal Audit, Lahore replied that the office conducted internal audit and submitted reports to the concerned field formations for initiation of recovery. Audit was of the view that the department should take adequate and effective measures to justify the *raison deter* of these offices. In its meeting held in January 2015, the DAC directed the formations to submit fresh reply to address the observation of Audit. Further progress was not reported till finalization of the report.

Audit recommends that FBR should take effective measures to improve the performance of these offices by developing key performance indicators and benchmarks for these offices for the purpose of evaluation. Further, internal audit reports be provided to Audit as and when required.

[DP Nos.2490, 2546-Cus]

Other

2.4.57 Grant of benefits under lapsed Free Trade Agreement with China

According to para 3(1) of Article 8 of the Free Trade Agreement between the Government of Islamic Republic of Pakistan and the Government of the People's Republic of China in 2006, the modalities for review and modification of tariff reduction shall be reviewed and modified after every five years by the Committee on Trade in Goods and the first review and modification shall be undertaken either at the end of the fourth year or at the beginning of the fifth year of entry into force of this Agreement.

All field offices of the FBR continued to extend the benefits of exemptions or concessions in customs duty under the Free Trade Agreement with China on goods imported on or after 01.01.2013 without seeking required guidance from the Board or Ministry of Commerce. Neither did the Board refer the matter to the Ministry of Commerce for clarification nor did the Ministry itself take up the matter with the Chinese authorities to decide the modalities for tariff reduction as envisaged in the Agreement. This resulted in irregular exemption and concession of customs duty of Rs 4,184.46 million.

The irregularity was pointed out to the department in October 2014. The department contested the para on the grounds that exemptions and concessions were correctly granted. Audit was of the view that five years' period of the FTA ended and expired on 31.12.2012, hence all subsequent concessions extended on imports under FTA from China were irregular. In its meeting held in January 2015, the DAC directed the department to take up the matter with the Board and Ministry of Commerce. Further progress was not reported till finalization of the report.

Audit recommends that the case of extension in FTA or otherwise be resolved on top priority basis, besides fixing responsibility on persons who treated goods according to defunct FTA and caused loss to the government.

[Annexure-34]

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.

Internal control environment of FBR's field formations was evaluated while conducting regularity audit for the year 2013-14. Weaknesses of internal controls observed are given in succeeding paragraphs:

2.4.58 Non-realization of income tax and EDS - Rs 7.53 million

According to Finance Act 1991, a special customs duty as Export Development Surcharge (EDS) on the exportation of all goods shall be charged at the rate of 0.25 per cent of the value of the goods and income tax is to be deducted on prescribed rates on realization of foreign exchange from exported goods in terms of Section 154 of the Income Tax Ordinance 2001.

Five MCCs paid rebate to exporters against bank credit advices (BCAs) which did not show deductions of income tax and EDS. The department, at the time of payment of rebate, did not ensure that deductions of income tax and EDS had been made by the banks. This resulted in non-realization of income tax and EDS of Rs 7.53 million.

The irregularity was pointed out to the department during October to December 2014. The MCC Lahore and the MCC (Exports), Customs House, Karachi contested the audit paras whereas MCC Sialkot and MCC (Exports), PMBQ, Karachi informed that cases of Rs 0.01 million were under recovery, and cases of the balance amount awaited action. Audit was of the view that it was the responsibility of customs authorities to ensure that, before processing of rebate cases, government dues had been paid by the exporters. In its meeting held in January 2015, the DAC directed the department to perform reconciliation of deductions with the banks to ensure that proper realization of income tax and EDS had been made and get it verified from Audit. Further progress was not reported till finalization of the report.

Audit recommends implementation of DAC’s directives, besides fixing responsibility on persons found guilty of negligence in the discharge of their duties.

[Annexure-35]

The following additional weaknesses were also noted after identification and evaluation of both the control environment and the effectiveness of internal controls:

a) there was no appropriate monitoring system 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.

Recommendations

Audit recommends that above mentioned weaknesses in internal controls need to be addressed on top priority basis. Moreover, adequate and effective internal controls need to be put in place to guard against recurring violations of rules to ensure that losses of revenue are minimised.

B. Performance Audit

2.5 Cash Reward

FBR had made "Unified Reward Rules for Employees of CBR and Registered Informers, 2006" for grant of reward for CBR Employees and for informers. The main purpose to introduce reward Rules was to motivate the employees of FBR to take interest in official work to increase the government revenue with extra efforts. It is pertinent to mention here that all officers/officials have already been receiving 100% performance allowance.

Reward can be sanctioned to officers/officials for meritorious services not more than two months basic salary, to informer for giving any lead or information in respect of smuggled goods and field officers for seizures or confiscation of specified goods according to rates given in reward Rules. Reward sanctioning authority of each field formation shall constitute a committee of three officers not less than BS 17. The committee shall examine the case record and suggest the name of officers, staff and informer entitled to reward. The committee shall make recommendations to sanction 50% of reward to informer immediately after the seizure of the goods. Reward sanctioning authority for BS 1 to BS 16 is Head of field formations, for BS 17 to BS 19 Member Incharge and for BS 20 and above Chairman FBR.

The following employees are entitled for cash reward:

i) Officers and staff of Central Board of Revenue or its subordinate offices under its control that render meritorious services or show extra ordinary performance in their duties or are awarded certificate of gallantry.
ii) Duly registered informer giving a specific lead or information in respect of seizure and confiscation of specified smuggled goods or drugs.
iii) Officers and staff of CBR or its field offices who make seizures of specified goods under any enactment enforced by the CBR.

An amount of cash reward of Rs 57.90 million, honorarium of Rs 3.21 million and Secret Service Fund of Rs 15.36 million was incurred by the Customs Wing of FBR.

The main objectives were to:

- Examine the legality of reward Rules.
- Assess the adequacy of existing procedures/Rules for grant of the reward.
- Review the criteria to evaluate the performance of staff under reward Rules.
- Examine the level of compliance with applicable Rules, regulations and procedures.
- Offer suggestions conforming to the principles of financial propriety.

Audit of cash reward of Customs Wing of FBR was carried out in the light of the directions of Public Accounts Committee. The general attitude of management was not appropriate as the record of cash reward was not produced by FBR (HQ), and record pertaining to utilization of secret service fund was not provided by all the offices visited by Audit.

2.5.1 Non-production of record

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973 (as amended by 18th amendment) read with Section 14 of the Auditor-General's Ordinance 2001, empowers the Auditor-General of Pakistan to inspect any office of accounts including treasuries and such offices responsible for the keeping of initial or subsidiary accounts and to require that any accounts, books, papers and other documents which deal with, or form, the basis of or otherwise relevant to the transactions to which his duties in respect of audit extend, shall be sent to such place as he may direct for his inspection.

FBR Headquarter and eighteen field offices of Customs Wing sanctioned cash reward and honorarium to customs officers and utilized Secret Service funds but had not provided the relevant record requisitioned by Audit for performance audit of cash reward. It is further added that eleven offices of FBR (Customs) had not provided the record of cases for which secret service fund was utilized during last seven years (2007-08 to 2013-14). Apparently this was committed to conceal the irregularities / violations of Rules and procedures. Non-production of record is a serious violation of law (the Constitution) and hindrance in performance of auditorial functions of the AGP. Moreover, there is no justification to allocate the secret service fund to the offices of Post Clearance Audit as per their functions.

The matter was pointed out to the department in June 2013. Department replied that the accounts of secret service expenditure were not subject to scrutiny by the Audit Authorities in terms of para 37(5) of GFR. DAC in its meeting dated 20-23 August 2013, directed to FBR to provide the Secret Service Fund record in the light of Supreme Court's decision. Further progress was not reported till finalization of the report.

Audit emphasizes to produce the record by the department as per directions of DAC.

[Annexure-36]

2.5.2 Violation of powers to make reward Rules/orders

According to Rule 1 to 6 of GFR part I, the Secretary Finance Division on behalf of the President of Pakistan is the competent authority for framing Rules pertaining to the financial matters Sanction and payment of cash reward is a financial matter pertaining to disbursement of money from the Federal Consolidated Fund. Therefore, issuance and amendment of reward Rules or the reward order is the subject matter of the Finance Division.

The Unified Reward Rules 2006 were issued by the Revenue Division/FBR (under the signature of Member Admin/ex-officio Additional Secretary of Revenue Division) instead of Finance Division. Due to this, sanction and disbursement of cash reward was not valid.

The matter was pointed out to the department in June 2013. No reply was received till finalization of this report. Thus, the para was not discussed in the DAC meeting held on 20-23 August, 2013 because no working papers received from the department.

Audit suggests that the impugned reward Rules may be sent to Finance Division and Law Division simultaneously for their opinion regarding its validity.

[F-59 Para2]

2.5.3 Inadmissible grant of cash reward for routine duties by the customs officers / staff - Rs 64.127 million

According to Rule 2(a) read with Rule 8 of Unified Reward Rules issued vide SRO 1213(I)/2006 1.12.2006, officers and staff of the CBR or its subordinate offices who render meritorious services or show extra ordinary performance in their duties or are awarded certificate of gallantry, are eligible for reward. Meritorious services shall include an outstanding performance in one or more of the following spheres;

(a) making original contribution in any field relating to the customs and displaying extra ordinary devotion to duty
(b) exceeding budgetary targets through extra ordinary planning and efforts;
(c) displaying exceptional overall results in the detection of evasion of duty and allied taxes, anti-smuggling operations or recovery of arrears

Further, the reward sanctioning authority shall constitute a committee to examine the case record and suggest the name of officers/staff entitled to reward on the basis of performance.

Twenty one offices of Federal Board of Revenue (Customs Wing) granted cash reward of Rs 64.13 million to the officers/officials who neither rendered meritorious services or showed extra ordinary performance nor awarded any certificate of gallantry. Further, no committee for evaluation of their performance was constituted during last seven years (2007-08 to 2013-14). It is pertinent to mention that five MCCs had not achieved their revenue target during 2013-14 that resulted into overall short-fall of Rs 7200.31 million and officers/officials were already receiving 100% performance allowance in addition to their pay and allowances.

The matter was pointed out to the department during June 2013, September 2103 and September 2014. In reply, it was stated by the department that there was significant improvement in import related activities, outstanding dues had been recovered and litigation cases were defended. Regarding constitution of committee, it was stated that reward had been sanctioned by the competent authority. It was further stated that 100% performance allowance was admissible to the officers/officials who were selected through Internal Job Posting (IJP).

Audit was of the view that recovery of arrears, defending the cases and clearance of the imported goods are routine duties of customs authorities. Constitution of committee is mandatory to evaluate the performance of the staff under the law. The DAC in its meeting held on 20-23 August, 2013 directed FBR to provide the detailed justification for awarding of cash reward. Further progress was not reported till finalization of the report.

Audit emphasizes:-

- Early implementation of DAC's directives
- Compliance of performance standards envisaged in reward Rules
- Constitution of committee to examine the case record.

[Annexure-37&38]

2.5.4 Irregular sanction of honorarium - Rs 13.49 million

According to para 8 (17) of Annexure-I to the System of Financial Control & Budgeting 2006, the head of department is empowered to sanction the undertaking of work for which an honorarium is offered and the grant of acceptance of an honorarium is up to the level of Section Officer and equivalent, provided that the amount should not exceed one month's pay of the government servant concerned on each occasion. In the case of recurring honoraria, this limit applies to the total of recurring payment made to an individual in a financial year. Further as per Financial Rule 46 (c), a competent authority may grant honorarium for doing certain work subject to fulfilment of following conditions:

(i) The work is occasional in character,
(ii) Is so laborious or of such special merit as to justify special award,
(iii) The competent authority has given prior consent to the undertaking of work and the amount of honorarium is settled in advance.

Eight field offices of Federal Board of Revenue (Customs Wing) sanctioned honorarium of Rs 13.49 millions to the officers/officials during last seven years 2007-08 to 2013-14, but none of them was performed the specified work. The nature of work performed in the subject cases was not occasional in character and prior consent of competent authority had not been obtained. No specific justification was recorded while recommending honorarium.

The matter was reported to the department in June 2013 and in September 2014. DG PCA Islamabad, Director General, I & I Islamabad and Director I & I Lahore replied that honorarium has been sanctioned by head of the department as per powers delegated to him. Audit was of the view that powers were granted to the head of the department in the light of criteria and not discretionary. Para was not discussed in the DAC meeting held on 20 to 23 August 2013 as no working papers received from the department.

Audit emphasizes:-

- To record the specific and proper justifications and reasons for granting of honorarium be maintained.
- To comply with the standards envisaged in the Rules while sanctioning honorarium.

[Annexure-39]

2.5.5 Inadmissible sanction of reward for vehicles released on payment of duty and taxes - Rs 4.10 million

According to clause 1 and 2 of an order for grant of reward issued vide SRO 416(I)/2002 dated 26.06.2002 to the persons giving information leading to the seizure of smuggled goods or evasion of duty & taxes and staff and officers actually involved in the operation of seizure of smuggled goods or detecting cases of evasion of duty & taxes as per rates mentioned in clause 2 of the SRO ibid. In case of seizure of smuggled vehicle scale of reward shall be 25% of the CIF value of the vehicle.

Further, according to the charter of functions of Directorate General Intelligence and Investigation Islamabad read with C.No.10(17)L&P/05 dated 8.03.2006, it is the duty of DG I&I to perform enforcement functions and to carry out preventive operations throughout the country relating to smuggling, evasion of customs duties throughout the country relating to smuggling, evasion of customs duties though clandestine removal of dutiable goods, mis-declarations, valuation frauds, fraudulent claims of refund and rebate etc and to detect and investigate cases cognizable under the Prevention of Smuggling Act, 1966 and to launch a forceful and aggressive campaign to seize the smuggled vehicles.

Three offices of FBR sanctioned cash reward of Rs 4.10 million to the customs officers / officials, informer and CPF, which was inadmissible on the following grounds:

i) government introduced the SRO 574/2005 dated 6.06.2005 to regularize the smuggled vehicles on payment of duty and taxes. For the purpose, a campaign was launched and it was the duty of the staff to force and motivate the public to regularize the vehicles.
ii) reward was sanctioned for confiscation of smuggled vehicles to officers /officials ranging from 8 to 28 persons per case including wireless operator, personal assistant, Deputy Superintendent Police and a sub Inspector of Police which was not justified.
iii) reward was sanctioned in two cases (17/2006 and 18/2006 dated 23.04.06) on seizure of two vehicles from one person at the same date and place and in three cases (34/2006, 37/2006 and 38/2006 dated 13.04.06) on seizure of three vehicles from another person at the same date and place. Interestingly, same three persons were rotated as informer, in-charge and member of the party in different cases.
iv) reward sanctioned to informer, CPF and Customs officers/officials for a vehicle detained on 17.06.2005 for which Embassy of the Islamic Republic of Iran had already been informed to Customs Collector Rawalpindi and requested for NOC on 5.04.2005, meaning thereby, there was no role of informer as matter was already in the knowledge of Customs Authorities.

Keeping in view the above facts, the reward was sanctioned for the job which was the primary and routine duty of the staff. Furthermore, above mentioned discrepancies clearly reflect that persons included in the list were not actually involved in provision of information or seizure of vehicles and attempted to draw excessive reward.

The matter was pointed out to the department during June 2013. Department replied that reward was granted to staff on their contribution in confiscation of vehicles. If they did not intercept the vehicles, government revenue could not be recovered.

Audit was of the view that sanction of reward to 8 to 28 persons on confiscation of one vehicle was unjustified. Further, sanction of reward to the officials who had no role in the field operations and staff of offices other than FBR was also irregular. Para was not discussed in DAC meeting held on 20 to 23 August 2013 as no working papers received from the department.

Audit emphasizes:-

- that recovery of reward in the said cases may be affected not only from officers/officials of FBR but also from the officers of offices other than FBR;
- moreover, cash reward should be sanctioned in cases involving extra ordinary and gallantry efforts to persons who had active role in operations.

[Annexure-40, 41 & 42]

2.5.6 Irregular grant of reward for primary duty of customs staff - Rs 2.29 million

According to order for grant of reward issued vide SRO 603(I)/73 dated 24.04.1973, Government of Pakistan pleased to reward the officers and staff of the Customs Department who were instrumental in detection of evasion of government revenue. As per law amount of reward admissible was required to be distributed equally between customs staff, informer and common pool fund. Further according to Section 79 to 81 and 86 to 88 of The Customs Act 1969, on receipt of goods declaration an officer of customs shall satisfy himself regarding the correctness of the particulars of imports. When any dutiable goods have been entered for warehousing and assessed the owner shall apply for leave to deposit on furnishing an indemnity bond and post-dated cheque equivalent to the duty assessed. The goods along with a pass having full information shall be handed over to an appropriate officer for warehousing. The appropriate officer of customs, authorized by the concerned Assistant Collector of Customs, shall conduct stock taking and detailed audit of a warehouse as per law.

A bonded ware house (private) under the jurisdiction of MCC Lahore removed the bonded goods without payment of duty and taxes. Instead of penalizing the concerned officers/officials appointed at bonded ware house, an amount of Rs 2.29 million was awarded to officers/officials who review the record of concerned BWH which was irregular as it was the duty of customs authorities to ensure that the goods had been properly warehoused and removed on payment of duty and taxes. Further, stock taking and detailed audit of bonder's record were to be conducted from time to time. The reward was sanctioned on the routine duties without taking into account that the bonder had itself paid an amount of Rs 0.86 million well before initiation of any action by the customs authorities.

The matter was pointed out to the department in June 2013. No reply has been received from the department till finalization of the report. Para was not discussed in DAC meeting held on 20 to 23 August 2013 as no working papers received from the department.

Audit recommends to initiate disciplinary action against the officers/officials appointed at the bonder's premises, besides effecting recovery of cash reward in the instant cases.

[Annexure-43]

2.5.7 Irregular sanction of cash reward - Rs 1.60 million

In accordance with the Rule 3 of Cash Reward Rules issued vide SRO No. 1386 (1)/2012 dated 26.11.2012 "Cash reward shall be sanctioned to the persons in cases involving evasion of duty and other taxes and confiscation of goods to the officers and officials of the Pakistan Custom Services to the contribution to providing credible information leading to such confiscation or detection as the case may be or for meritorious services".

A sum of Rs 1.60 million was sanctioned by the MCC, Export, Karachi which was held under objection on the following grounds.

- the detail of the cases of cash rewards sanctioned was not produced.
- irregular sanction of Rs 0.72 million for welfare fund.

This resulted into irregular sanction of cash reward of Rs 1.60 million.

The omission was pointed out to MCC Exports, Karachi in June, 2013, but no reply was furnished. The DAC was also not convened by the department.

Audit recommends that the justification for non-production of sanctioning of reward and welfare fund cases be provided and responsibility be fixed.

[A.O 1, /Karachi]

2.5.8 Inadmissible grant of reward without any detection - Rs 0.93 million

According to order for grant of reward issued on 25.11.1984, grant of reward to the persons giving information leading to detection of evasion of central excise duties/sales tax and officer and staff of Central Excise Department or other government agencies, who are actually involved in the detection of evasion of central excise duty/sales tax. Further according to Section 11(2) of Sales Tax, 1990 read with Section 14 of Federal Excise Act, 2005, it is the duty of an officer to make an assessment of Sales tax/Federal Excise Duty actually payable by the person where that person has not paid or short paid tax on supplies and to impose a penalty and charge additional tax in accordance with Section 33 and 34. According to the charter of Functions of Directorate General Intelligence and Investigation-FBR, it was the duty of DG I & I to collect information and intelligence about evasion of Customs duties and to propose and take measures considered necessary to check leakage of revenue.

Directorate General I & I Islamabad sanctioned cash reward of Rs 0.93 million to the customs officers/officials, informer and CPF on the performance of such assignments which was the routine duty of the concerned Collectorates. Further, no action had been initiated against the officers/officials who did not perform their official duties.

The matter was pointed out to the department during June 2013. No reply has been received till finalization of the report. Para was not discussed in DAC meeting held on 20 to 23 August 2013 as no working papers received from the department.

Audit recommends to discourage the payment of cash reward at routine duties and to initiate the action against the officers/officials who did not perform their duties diligently alongwith the recovery of amount involved.

[Annexure-44]

2.5.9 Excess payment of cash reward beyond prescribed limit - Rs 0.50 million

According to Para (a & b) of Board's notification C. No. 6(1)S&M/2007 dated 14.06.2007 read with clause 2(a) of Unified Reward Rules 2006, the officials (BS-1 to 16) recommended for reward should not exceed 40 % of the total working strength of the concerned unit/department (as the case may be) and approved by the concerned RCs/Director General/Collectors out of this 40% staff, 50% of the staff was required to be paid equal to one month salary while other 50% of the staff was required to pay @ two month salary.

Four offices of FBR sanctioned cash reward to employees of BPS 1-16 without observing the condition of 40% of working strength viz-a-viz limit of 50%:50% which resulted into excess payment of reward of Rs 0.50 million.

The matter was pointed out to the department in June 2013. No reply has been received from the department.

Audit emphasizes to recover the excess paid amount of reward from the concerned employees.

[Annexure-45]

2.5.10 Inadmissible payment of cash reward - Rs 0.231 million

According to SRO 1386 (I)2012 dated 26.11.2012 read with Sections 32(I), 156(9)(14) of Customs Act 1969, and SRO 499(I)/2009 dated 13.06.2009 cash reward shall be sanctioned under these Rules to the officers and officials of Pakistan Customs Service for their contribution in cases involving evasion of duty and other taxes, and confiscation of goods and informer providing credible information leading to such confiscation or detection as the case may be. If any person, in connection with any matter of customs submits any false statement or document electronically through automated clearance system regarding any matter of customs knowing or having reason to believe that such document or statement is false in any material particular, he shall be guilty of an offence under this Section. If any person commits an offence under Section 32, he shall be liable to a penalty not exceeding [twenty five thousand] rupees or three times of the value of the goods in respect of which such offence is committed, whichever be greater; and such goods shall also be liable to confiscation and upon conviction by a Special Judge he shall further be liable to imprisonment for a term not exceeding three years, or to fine, or to both.

MCC Islamabad sanctioned and paid to officers/officials for pointing out mis-declaration and under-invoicing of goods imported which was a matter of routine during clearance of goods as WeBOC system provides customs clearing staff with the facility to analysis and compare in real time the goods of similar/identical character being imported, assessed, classified and cleared across the country. It was further added that matter had been adjudicated and penalized vide Section 156(1)(9)(14) of Customs Act, 1969 by imposing a penalty of Rs 25,000 instead of three times of value of goods in respect of which the offence committed but no appeal was filed by the Collectorate. All this resulted in inadmissible payment of cash reward of Rs 0.23 million during FY 2013-14.

The matter was pointed out to the department in August, 2014. The department replied that the detection of mis-declaration of value and under invoicing of the imported goods i.e. Orizaba was not a matter of routine duty. Audit was of the view that it was mere comparison of description of goods imported at other customs stations and WeBOC system enables this easily.

The DAC in its meeting held on 15.01.2015 directed the MCC to get verify the stated position from Audit.

Audit recommends to recover the reward from the concerned employees besides non-processing of like cases of reward in future.

(DP No 2164 Exp.)

2.5.11 Irregular payment of Cash Reward

Para 4 (ii) of the System of Financial Control and Budgeting issued vide No.F.3(2)Exp.III/2006 dated 13.09.2006, and the General Financial Rules (GFR) Vol.I emphasize that the funds allotted to a Ministry/Division, Attached Departments and Subordinate Offices are spent for the purpose for which they are allocated.

The MCC Sialkot sanctioned and paid cash reward to the officers/ officials for the previous financial year in which FBR did not/ short allocate the funds to the Collectorate from the budget of current financial year as detailed below:

(Rs in million)

Budget Year	Payment for Year	Amount
2012-13	2011-12	1.700
2013-14	2012-13	0.438

Nine officers/officials were already paid 2 months pay as reward and they were once again paid two month's pay while 3 officials were paid one month pay who were already paid 2 months pay during 2012-13. Moreover, it is pertinent to mention here that during both the FYs Collectorate could not achieve its targets.

Department replied that 3 or 4 month's pay in a year actually belongs to previous two years (2012-13 & 2013-14). Audit was of the view that as per standing instructions of FBR, in no case reward exceeds two months pay during a financial year. DAC directed the MCC Sialkot in its meeting held on 13.01.2015 to get verified the stated position from Audit.

(DP No 1938)

Audit emphasizes to recover the excess paid amount of reward from the concerned employees.

2.5.12 Key issues for future:

Cash reward is being sanctioned and paid to officers / officials at the performance of their routine duties and no action has been initiated against the officers/officials who did not perform their duties. Moreover, the reasons were either not recorded or recorded routine duties of officers/officials while granting the reward. In future, at the time of sanctioning the reward performance should be analyzed and recorded on merit and disciplinary action should be initiated against the persons who did not perform their duty.

2.5.13 Lessons identified:

It is concluded that reward Rules were framed to motivate and provide incentives to the customs officers/officials to increase the revenue collection. Due to this incentive, in some of the cases best efforts were reflected for revenue increase and anti smuggling by the customs officers and officials. On the other hand, reward was being sanctioned without analyzing the performance of officers and officials and reward was granted for routine duties.

2.6 Exemption and Concession

The Federal Government, over the period, had allowed various exemptions and concessions through SROs for both the general and specific sectors. Given the fast pace of economic changes around the world and their impact on economies of developing countries a resort to SROs, allowing exemptions/ concessions, sometimes becomes necessary to protect specific sectors. But, having said this, indiscriminate use of concessionary SROs cannot be condoned, especially when they are designed to benefit a particular group or firm. To ensure that SROs are issued in a transparent manner and are not misused, it is important that clear rules and regulations are made and objective criteria and strict condition are laid down governing their application. The state of affairs, however, in Pakistan is not so fair and transparent. As ordered by the government of the day and sometimes on its own, FBR kept issuing concessionary SROs to cover specific cases and sectors. According to one estimate, more than 4500 SROs have been issued over the last few decades. As per latest economic survey, the amount lost through exemptions and concessions totalled around Rs 900 billion in the last five years only. The objectives of the government while giving exemptions/ concessions briefly were:

- i) to promote trading activities among the trading partner countries
- ii) to increase exports in order to enhance foreign exchange reserves
- iii) to support and promote local business and industry by lowering the cost of their inputs and machinery
- iv) to incentivize export oriented industry through duty and tax remission
- v) to provide the relief to general public and charitable institutions
- vi) to attracts FDI and encourage local investors and
- vii) to facilitate introduction of new/upgraded technologies.

The exemption of customs duty can be categorized as under:

- i) exemptions/Concessions to manufacturing sector
- ii) general exemptions

Exemptions/concessions of customs duty to manufacturing sectors were mainly given on raw materials, components, plants and machinery imported by industry particularly export oriented sectors while general exemptions were granted to facilitate a particular class/sector of society. Some of these exemptions were extended on account of international bilateral/multilateral agreements with our trading partners like China, Malaysia, SAARC countries and SAFTA agreement. The extent of such exemptions in customs duty during last fiscal year 2012-13 was around Rs 25 billion involving SROs: SRO 558(I)/2004, SRO 1261(I)/2007, SRO 1274(I)/2006, SRO 659(I)/2007, SRO 570(I)/2005, SRO 894(I)/2006, SRO 1151(I)/2007.

The table below depicts substantial loss of revenue on account of exemptions in customs duty for the last four years:

(Rs in billion)

Sr. No.	FY	Revenue loss due to exemptions	Gross collection of customs duty	Percentage
1	2008-09	61	156	39
2	2009-10	73	166	45
3	2010-11	95	193	49
4	2011-12	92	225	41

The main beneficiaries of exemptions concessions are Auto Sector, Iron & Steel Industry, manufacturers of Electronics, Paint & Varnish and Pesticides. The exemptions/concessions to manufacturing sector were earlier granted on the basis of "Deletion Programme" to encourage indigenization of commodities. However, from 01.07.2006, the deletion programme was replaced by the Tariff Based System.

The table below indicates downward trend in the production and revenue of some important sectors:

Production of selected industrial items

FY	Refrig erators	Electric Bulbs	Electric Tubes	TV sets No	Paint & Varnis hes	Motor tyres	Motor Car	Jeeps	Tractors	Motor cycles
2005-06	874,200	143,600	19,992	935,100	17,147	5,942	170,487	2,472	48,887	520,124
2006-07	937,600	144,800	21400	608,600	23,936	7,027	176,016	3,298	54,098	467,267

2007-08	689,300	129,800	19,524	716,100	26,308	6,990	164,710	1,590	53,256	660,593
2008-09	605,347	91,800	11,101	402,300	29,831	7,102	84,308	932	59,968	509,054
2009-10	707,884	75,000	2,905	348,400	30,752	8,672	121,647	1,172	71,607	736,861
2010-11	733,400	80,584	1,065	44,508	26,619	9,496	133,972	883	70,770	838,665
2011-12	745,421	-	-	-	-	-	154,255	451	48,120	828,576

Exports

The manufacturers of export oriented goods were granted exemptions/concessions to promote exports of the country. The powerful lobbies such as trade body, textile manufacturers, auto assemblers etc. continuously misguided the finance ministry that the elimination of exemptions may adversely affect the export activities. In-spite of concessionary regime in vogue, however, a comparison of last five year's exports of different sectors as in the table below tells the story otherwise:

(US $ 000)

FY	Textile	Leather	Sports	Surgical	Carpets
2007-08	8,649,600	338,600	244,500	202,600	182,300
2008-09	7,905,500	252,900	227,200	211,700	126,700
2009-10	8,461,700	255,800	236,500	190,100	117,000
2010-11	13,528,076	465,014	330,000	260,598	132,432
2011-12	12,039,764	445,799	338,019	303,940	120,778

Auto Sector

The data of fluctuating production of auto sectors for the last five years is given below along with the figures of revenue collected on sales thereof:-

FY	Cars	Motorcycles	Buses	Tractors
2007-08	164,710	660,593	1,146	53,256
2008-09	84,308	509,054	662	59,968
2009-10	121,647	736,861	628	71,607
2010-11	133,972	838,665	490	70,770
2011-12	154,255	828,576	568	48,120

Revenue collections from auto sector

(Rs in million)

FY	CD	Sales Tax	FED
2007-08	25,809	4,310	-
2008-09	17,554	10,736	2,185
2009-10	25,234	16,089	115

The table shows a gradual decrease in production of automobiles and revenue thereof. The entire auto market in Pakistan is Ruled by a few leading car manufacturers and assemblers while no room left for a majority of other investors and car manufacturers in the country.

For the purpose of grant of concessionary rate of duty following main SROs were issued by the Government:

(i) **SRO 565(I)/2006 dated 05.06.2006.** Manufacturers of specified goods are allowed import of raw materials, sub components & components on concessionary rate of duty subject to fulfilment of prescribed conditions.

(ii) **SRO 655(I)/2006dated 22.06.2006(for vendors of auto sector).** The Federal Government exempted raw materials, sub-components, components and sub-assemblies, as are not manufactured locally, imported for the manufacture of components and assemblies as specified in Table-I of the SRO from so much of customs-duties leviable under the First Schedule to the Customs Act, 1969 as are in excess of the specified rates.

(iii) **SRO 656(I)/2006dated 22.06.2006 (for assemblers/manufacturers of auto sector).** The Federal Government exempted components (which include sub-components, components, sub-assemblies and assemblies but exclude consumables), imported in any kit form, for assembly or manufacture of vehicles falling under Chapter 87 of the First Schedule to the Customs Act, 1969, from so much of customs duties, as specified in the said First Schedule, as are in excess of the rates specified in column (4) of the Table of the SRO.

(iv) **SRO 727(I)/2011 dated 01.08.2011** Registered manufacturers/ industrial importers were allowed import of plant and machinery without payment of sales tax on prescribed conditions.

(v) **SRO 492(I)/2009 dated 13.06.2009** provides exemption of the whole of the customs duty and sales tax on temporary import of specified goods for subsequent export subject to certain conditions.

(vi) **SRO 678(I)/2004 dated 07.08.2004** provides exemption/concessionary rate of customs duty and sales tax on such machinery, equipments etc. as are not manufactured locally, imported by the Oil Exploration and Production Companies, their contractors, sub-contractors and service companies, subject to fulfilment of condition provided therein.

(vii) **SRO 327(I)/2008 dated 29.03.2008**, the manufacturers-cum-exporters licenced as export oriented units are allowed duty and tax free import of input goods and plant & machinery subject to certain conditions. The fulfilment of conditions is secured through indemnity bonds and post dated cheques.

(viii) **SRO 575(I)/2006 dated 05.06.2006** allowed exemption of whole or any part of custom duty or whole of sales tax subject to fulfilment of certain conditions.

(ix) SRO 1296(1)/2006 dated 31.12.2006, SRO 558(1)/2004 dated 01.07.2004, SRO 570(1)/2005 dated 06.06.2005, SRO 894(1)/2006 dated 31.08.2006, SRO 1274(1)/2006 dated 31.08.2006, SRO 659(1)/2007 dated 30.06.2007,SRO 1261(1)/2007 dated 31.12.2007

The objectives of performance audit were:

- to examine whether the purpose, for which exemptions/concessions were granted, was achieved.
- to see whether the provisions of the Customs Act 1969, Rules, Regulations, SROs and procedures are being enforced and observed in letter and spirit.
- to review the system of concessions/exemptions in order to determine the efficiency of system and to pinpoint leakages of revenue;
- to assess whether the prevailing performance levels commensurate with the departmental objectives;
- to evaluate whether the internal controls are in place to monitor the performance and to suggest remedial measures in order to avoid leakage of revenue.

2.6.1 Organization and Management

The Federal Board of Revenue issues SROs of exemptions/concessions on imports of raw materials, components, sub components, plant and machinery in order to facilitate and promote the local industries as per policy of the government. The field formations are the executing wings of the policies and decisions of FBR. The need for on job training to the staff in the field formations seldom can be Ruled out. The tendency of using departmental precedents while extending benefit of exemptions/concessions is very much prevalent.

The departmental behaviour towards production of record was not satisfactory. Record of major beneficiaries of manufacturing sector was not produced for audit. The maintenance of record of grant of exemptions and concessions of duty and taxes on imports was not satisfactory.

2.6.2 Non- production of auditable record.

According to article 170 of the Constitution of Islamic Republic of Pakistan read with Section 14 of the Auditor General’s (Functions, Powers and Terms and Conditions of Service) Ordinance 2001, any officer in-charge of any office or department shall afford all facilities and produce record for audit inspection and comply with requests for information in as complete in form as possible and with all reasonable expedition.

Seven field offices of the FBR failed to produce the auditable record despite repeated requests and reminders. Audit could not verify the accuracy of revenue collection, grant of concessions, and compliance of conditions laid down in the SROs/Rules.

The lapse was pointed out to the department in June 2013. The Industrial Survey Branch of MCC Lahore, reported in August 2013 that the record was available now. In the DAC meeting held on 20th August 2013, the department did not furnish the working papers, therefore, the issue was not discussed.

[Annexure-46]

FBR should issue appropriate instructions to all field offices for production of record, besides taking action under the Rules in the instant cases.

2.6.3 Non-confirmation of consumption of input goods

Under SRO 565(I)/2006 dated 05.06.2006, the manufacturers of specified goods are entitled to import raw material, sub components, components, assembly and sub assembly on concessionary rate of duty. The goods so imported will be consumed within a period of one year. The Collector of customs may get the record of any importer-cum-manufacturer audited and may also get the stock verified. If it is found that the inputs were not properly accounted for or consumed for manufacture and supply of goods, the Collector may initiate recovery proceeding of leviable duty and taxes besides penal action.

Certain imported raw material, components, assembly, sub assembly, parts etc. for manufacturing of goods under SRO 565(I)/2006 dated 05.06.2006 against indemnity bonds/post dated cheques which were released on receipt of a formal letter from the importers that they had consumed the imported raw material. Neither the department conducted audit of importers concerned to confirm actual consumption of imported goods nor the record was produced to the audit team despite repeated requests. Hence, the actual consumption of raw materials, components remained unconfirmed. The omission resulted in non-confirmation of consumption of raw material, sub components, components involving government revenue of Rs 2,498.49 million as detailed below:

(Rs in million)

Formation	No. of cases	Amount
DC (BG) AFU Lahore	82	16.51
DC (BG) Mughalpura Lahore	1,587	2,350.86
DC (BG) NLC Lahore	210	131.12
Total	**1,879**	**2,498.49**

The lapse was pointed out to the department in June 2013. The Industrial Survey Branch reported in August 2013 that audit against such cases may be initiated as per specific direction of the competent authority as per clause VIII of the SRO. It was transpired that the department did not consider necessary to conduct audit of even a single case out of 1879 cases. In the DAC meeting held on 20th August, 2013, the department did not furnish the working papers, therefore, the issue was not discussed.

The department should justify the lapse, take immediate action to conduct audit of all beneficiaries to verify the consumption of input goods not only in the instant cases but also for future consumption.

2.6.4 Non confirmation of consumption of imported raw material

Under SRO 565(I)/2006 dated 05.06.2006, the manufacturers of specified goods are entitled to import raw material, sub components, components, assembly and sub assembly on concessionary rate of duty. The goods so imported will be consumed within a period of one year. The Collector of customs may get the record of any importer-cum-manufacturer audited and may also get the stock verified. If it is found that the inputs were not properly accounted for or consumed for manufacture and supply of goods, the Collector may initiate recovery proceeding of leviable duty and taxes besides penal action.

M/s Descon Chemicals Pvt. Ltd. Lahore was issued following provisional certificates for import of crude soybean oil for manufacturing of “Alkyd Resins”:

S.No.	Certificate No. and date	Quantity allowed
1	LTU/ST/E&C/F.09/2010/5872 dated 26.04.2010	4,200,000 kg
2	LTU/ST/E&C/F.09/1652 dated 30.07.2010	4,200,000 kg

The importer requested for issuance of final certificates on 03.02.2011. The importer was asked to provide month-wise details of quantity imported, consumed, produced, supplied, balance and monthly sales tax returns, from July 2010 to April 2011 for issuance of final certificate. However, requisite information was not provided by the importer despite lapse of a period of more than two years. Resultantly, the actual consumption of goods imported on concessionary rate was not confirmed. This rendered the revenue of Rs 217.37 million unsafe as detailed below:-

(Rs in million)

Description	Soybean oil degummed Qty 4,200,000 kg
Value	319.85
CD @ 10%	31.99
ST @ 16% on CD	56.29
WHT @ 5% on CD and ST	20.41
Total recoverable	**217.37**

Further payment of sales tax on supply of manufactured “Alkyd Resins” also remained unchecked. It was therefore, requested that either complete record of crude soybean oil imported against the above certificates be produced as already demanded by the department or the amount involved be recovered from the importer concerned.

The lapse was pointed out during March to June 2013. In August 2013, the department reported that demand cum show cause notice had been issued. In the DAC meeting held on 20th August 2013, the department did not furnish the working papers, therefore, the issue was not discussed.

The department should justify the lapse, take immediate action for recovery of dues involved and internal controls be strengthened.

2.6.5 Non-recovery of government revenue on excess import of raw material due to delayed action of IOCO

Under SRO 565(I)/2006 dated 05.06.2006, the manufacturers of specified goods are entitled to import raw material, sub components/components, assembly sub assembly on concessionary rate of duty.

M/s PEL and M/s Descon were issued provisional import authorization certificates for import of raw material on concessionary rate for manufacture of specified goods. The certificates were issued for quantity applied for and their cases were referred to EDB for determination of final input output ratio. The input-output ratio determined by the EDB was, however, lower than that of declared/shown by the applicants. Hence at the time of issuance of final certificate, the concerned Collectorates of customs were asked to recover the differential amount involved on excess imported raw material in 153 cases. However, no evidence was produced from MCC, Lahore for recovery of differential amount. Resultantly, a huge amount was pending recovery since long. This also reflects inefficiency of IOCO which took years to finalize the entitlement of input and output.

The lapse was pointed out during March to June 2013. In August 2013, the department reported that the demands cum show cause notices had been issued. In the DAC meeting held on 20th August, 2013, the department did not furnish the working papers, therefore, the issue was not discussed.

The department should justify the in-action, take immediate action for recovery of dues involved and internal controls be strengthened.

2.6.6 Non enforcement of indemnity bonds and non encashment of post dated cheques - Rs 8,068.75 million

According to condition (vii) of SRO 565(I)/2006 dated 5th June, 2006 the importer-cum-manufacturer shall communicate to the concerned Collector of Customs in writing about the consumption of imported items within sixty days of consumption of goods. The post dated cheque shall be released or cancelled on receipt of written confirmation regarding consumption of goods by the importer-cum-manufacturer. In case of non-consumption within one year from the date of import, the importer shall pay the customs-duty and other taxes involved or obtain extension from the Collector of Customs giving plausible reasons for a reasonable period. Further, under SRO 727(I)/2011 dated 21.05.2011, exemption of sales tax was allowed on import of machinery and plant subject to prescribed conditions.

Four MCCs did not take action for enforcement/encashment in 1,676 cases, where the concerned importers failed to fulfil the mandatory conditions prescribed in the relevant SROs. This resulted in non-enforcement of financial instruments of Rs 8,068.75 million as detailed below: -

(Rs in million)

Formation	No. of cases	Amount	Reference
DC (BG), AFU Lahore	310	53.41	Para 02 of AIR
-do-	36	11.39	Para 03 of AIR
DC (BG), CFS, NLC Lahore	171	188.73	Para 01of AIR
DC (BG), Dryport, Mughalpura Lahore	807	561.17	Para 02 of AIR
MCC Preventive, Appraisement & PMBQ Karachi	262	7,152.07	Para 4.2 of PAR
DC (BG), AFU, Lahore	64	74.98	Para 01 of AIR
DC (BG), CFS, NLC, Lahore	26	27.00	Para 02 of AIR
Total	**1,676**	**8,068.75**	

The lapse was pointed out during March to June 2013. In August 2013, 11 cases of CFS Lahore involving Rs 16.41 million were verified as regularized and 02 cases of Rs 3.07 million were not due being duplicate. Further progress of remaining cases was not reported. In the DAC meeting held on 20th August 2013, the department did not furnish the working papers, therefore, the issue was not discussed.

The department should justify the lapse, take immediate action for recovery of dues involved and internal controls be strengthened.

2.6.7 Non-enforcement/encashment of Indemnity Bonds/Post dated cheques despite non-submission of export documents against temporary imported goods - Rs 1,005.03 million

According to SRO 492(I)/09, dated 13th June, 2009 whole of the duty and taxes shall be exempted on temporary importation of goods for subsequent exportation within the stipulated period subject to certain conditions. The importer shall submit an indemnity bond along with post dated cheque equivalent to the amount of duty & taxes otherwise leviable thereon. The importer shall export temporarily imported goods after due processing within eighteen months on their import which shall be automatically extended upon request once only upto a further period of six months and the utilization period shall in no case be extended beyond eighteen months.

Certain importers imported goods without payment of duty & taxes by providing indemnity bond and post dated cheques (PDC) under the benefit of above SRO. The importers failed to submit the export documents against temporarily imported goods. The MCCs, Lahore and Karachi, also did not encash/enforce the PDCs/Indemnity bonds. This resulted in non-realization of government revenue of Rs 1,005.03 million as detailed below:

(Rs in million)

S. No.	Name of Formations	Para	No of Cases	Amount
1	MCC (Appraisement), Karachi	5	4	18.33
2	DC (BG) AFU, Lahore	1	2242	986.70
	Total	**6**	**2246**	**1,005.03**

The irregularity reflects the inefficiency and weak internal control on the part of department to monitor the validity date of the post dated cheques.

The lapse was pointed out to the department during March to June, 2013. No reply was furnished by the department. In the DAC meeting held on 20th August, 2013, the department did not furnish the working papers, therefore, the issue was not discussed. The department, however, did not convene DAC meeting at Karachi.

The management should:

- Ensure the timely submission of export documents against temporary import.
- Take action against the defaulters for negligence.
- Strengthen the internal controls to avoid occurrence of such lapse in future

2.6.8 Non-existence of monitoring mechanism to watch the compliance of Small and Medium Enterprises Rules, 2008 - Rs 195.10 million

According to Rule 10(e) of Small and Medium Enterprises Rules 2008 issued vide SRO 327(I)/2008 dated 29.03.2008, the unit shall be allowed to avail exemption from custom duty, sales tax and federal excise duty on import of plant, machinery, equipment and apparatus including capital goods to be used solely within the limit of an export oriented unit, provided that plant, machinery, equipment and apparatus including capital goods imported for an export oriented unit shall be retained for a period of ten years from the date of importation.

Further the disposal of plant, machinery, equipment and apparatus before the expiration of ten year shall be subjected to following reduced rates of duty and taxes leviable at the time of importation:

Disposal Period	Duty and Taxes
If sold or otherwise disposed of before the expiration of five years from the date of importation	Full
If sold or otherwise disposed of after five and before seven and half years from the date of importation	50%
If sold or otherwise disposed of after seven and half years and before ten years from the date of importation	25%
If sold or otherwise disposed of after ten years from the date of importation	0%

At MCC (Exports), Karachi, various importers claimed benefit of SRO without fulfilment of prescribed conditions. This resulted into loss of Rs 195.10 million of government revenue on the imports.

The lapse was pointed out to the department during March, 2013 to June, 2013. The department neither furnished reply nor convened the DAC meeting.

The management should either justify violation of the conditions of SRO or recover the government dues.

2.6.9 Non observance of the procedures laid down in SRO 655 (I)/2006 resulted in recurring loss of revenue - Rs 17.59 million

According to condition (ix) of SRO 655 (I)/2006, dated 22.06.2006, the manufacturer-cum-importer shall communicate to the concerned Collector of Customs in writing about the consumption of imported items within sixty days of consumption of goods. In case of non-consumption within one year from the date of import, the importer shall pay the customs-duty and other taxes involved or obtain extension from the Collector of Customs giving plausible reasons for a reasonable period.

The record of the MCC (Appraisement) Lahore, revealed that Auto Industry was obliged to submit report regarding consumption of imported materials within the stipulated period, but did not furnish the same (as no proof in this respect was furnished to Audit in spite of repeated requests) and no subsequent action was taken by the customs authorities upon such default. This resulted in non realization of millions of rupees from the importers of automobile parts. Similarly, imported items for manufacturing of motor vehicle's were assessed and cleared through the MCCs Appraisement and PMBQ, Karachi, under SRO 655(I)/2006 at concessionery rate of duty/taxes. As per data provided by the MCCs, the importers filed their last GDs in 2010 and after that there was no further import till 30th June, 2012 and there was also no evidence that the importers had consumed these imported goods for the purpose of manufacturing of items as required under the SRO within a period of one year. It was requested that either the position may be justified or the pointed out amount of Rs 17.59 million at statutory rate of duty be recovered.

The matter was brought to notice of office concerned for corrective action. In August 2013, the MCC, Lahore, reported that consumption certificates as envisaged under SRO 655(I)/2006 are being timely submitted by the importers and are available in the files of the Bank Guarantee Section. Audit holds that such certificates were not provided to Audit in spite of repeated requests. No reply was, however furnished by the MCCs of Karachi till finalization of the report.

In the DAC meeting held on 20th August 2013, the department did not furnish the working papers, therefore, the issue was not discussed. Audit suggested that the record of the importers should be got audited as per clause (x) of SRO to find out the factual position and for effective control and monitoring of prescribed conditions as it involved substantial government revenue which was exempted to the importers.

The department should justify the position and record of all importers should be audited properly for effective control and monitoring.

2.6.10 Loss of government revenue due to acceptance of lesser value postdated cheques - Rs 6.67 million

According to condition (v) of SRO No 565(I)/2006 dated 5th June, 2006 the importer-cum-manufacturer shall file goods declaration on the prescribed format and manner with complete details of authorization of imported inputs for clearance. The Collector of Customs on satisfaction of correct declaration shall allow clearance of imported inputs after obtaining post dated cheque for the differential amount of statutory tax and concessionary taxes.

Model Customs Collectorate, Appraisement, Karachi accepted post dated cheques of lower value. This irregularity resulted in non-compliance of provisions of Act and Rules made thereunder and of government revenue of Rs 6.67 million was not secured.

The lapse was pointed out during March to June 2013. In the DAC meeting held on 20th August, 2013, the department did not furnish the working papers, therefore, the issue was not discussed.

The department should justify acceptance of post dated cheques of lesser value and should enforce the provisions of law in letter and spirit in future.

2.6.11 Delay in determination of input and output ratios by IOCO of - Rs 11.42 million

According to condition (ii) of SRO No 565(I)/2006 dated 05.06.2006 if the Collector or authorized person is not satisfied with declared input output ratios of the items to be manufactured because of their being prima-facie not in accordance with the prevalent average of the relevant industry or for any other reason, he may, after allowing a reasonable provisional quantity, make a reference to the IOCO for final determination thereof. The Collector or authorized person shall then determine the final annual quantitative entitlement of inputs and the applicant shall proceed to consume imported inputs in accordance with the input output ratios and quantities so determined.

The references made to IOCO were being delayed badly. The said authorization was taking years in finalization of entitlement of input and output. For example, Large Tax Payer Unit, Lahore being regulatory authority made reference to the Input Output Co-efficient Organization (IOCO) in the year 2008 vide reference Memo No. STF/565/10/08/33000 dated 25th July, 2008. The Input Output Co-efficient Organization (IOCO) of FBR did not take cognizance of the case and took more than four years to make a decision vide Survey Certificate C.No. 3(37)IOCO/Sandal/2009 dated 31.10.2012 and the same was issued by the Director vide Memo C No. 3(37)IOCO/Sandal/ 2009/282 dated 31.10.2012. Audit further observed that the validity period of post dated cheque was one year, hence a decision in each case should be made within the stipulated period of one year as to avoid encashment of post dated cheque in each case. The delay in finalization of determination of input and out ratios of input goods imported by an importer-cum manufacturer resulted into blockage of government revenue of Rs 11.42 million.

The lapse was pointed out to the Model Customs Collectorate, Appraisement, Karachi in June 2013 with request to refer the matter to FBR for issue of directive to the IOCO for early determination of input output ratios of use of raw materials, sub-components and components in making finished goods within the time allowed under the law. The position of encashment and discharge of post dated cheques may also be furnished alongwith details and supportive documents.

The MCC did not furnish reply to Audit till the finalization of report. In the DAC meeting held on 20th August 2013, the department did not furnish the working papers, therefore, the issue was not discussed.

The department should take required action at the earliest.

2.6.12 Incorrect acceptance of corporate guarantee not covering the exempted amount of sales tax from Petroleum Sector Company - Rs 11.30 million

According to clause (vii) of the conditions with reference to clauses (1) (2) and (2a) of SRO 678(I)/2004, dated 07.08.2004, all petroleum sector companies, corporations and organizations including their contractors and sub-contractors and service companies shall be entitled to import machinery, equipment, helicopters, aircrafts, drilling bits, drilling and seismic (on shore or off shore) vessels, drilling rigs etc. for the purpose of construction, erection, exploration and production of petroleum projects on an import-cum-export basis without payment of duties and taxes against a corporate guarantee valid for a period of two years equal to the value of import duties and taxes exempted.

In MCC Lahore, the importers were required to furnish corporate guarantees equal to the value of import duties and taxes exempted. It was, however, observed that the importers had submitted corporate guarantees equal to the amount of exempted customs duty only and amount of sales tax was not included. This rendered the clearance of imported goods irregular. The omission resulted in loss of government revenue of Rs 11.30 million. It reflects the inefficiency and weak internal controls on the part of the department.

The lapse was pointed out to the department during March to June, 2013. No reply was furnished by the department. In the DAC meeting held on 20th August 2013, the department did not furnish the working papers, therefore, the issue was not discussed.

The management should:

- Explain non-inclusion of amount of Sales Tax in Corporate guarantee.
- Strengthen the internal controls to avoid occurrence of such lapse in future.
- Take action against those who are responsible for negligence.

2.6.13 Inadmissible grant of exemptions/concessions of duties and taxes - Rs 8,305.33 million

According to SRO 656(I)/2006 dated 22.06.2006, the components imported in any kit form, and direct materials for assembly or manufacture of vehicles falling under Chapter 87 of the First Schedule to the Customs Act 1969 are exempt from so much of customs duties, as specified in the said First Schedule, as are in excess of the rates specified in column (4) of the SRO.

In the MCCs Appraisement and PMBQ Karachi, some importers imported sub-components, components and sub-assemblies for manufacuring of components and assemblies of various vehicles under SRO 655(I)/2006 and paid customs duty at the rate of 5%, 10%, 15% & 20% respectively. This SRO was basically for vendors of Automotive Sector. The importers were assemblers and OEMs of auto vehicles and fall in the SRO 656(I)/2006 dated 22.06.2006 which attracts customs duty at higher rates i.e. 15% to 32.5% than SRO 655(I)/2006. The importers, therefore, deliberately imported the items under SRO 655(I)/2006 for evasion of duty & taxes. This resulted in short realization of government revenue of Rs 8,305.33 million.

The lapse was pointed out to the department in June, 2013. In the DAC meeting held on 20th August, 2013, the department did not furnish the working papers, therefore, the issue was not discussed.

- The assemblers/OEMs of auto sector may not be allowed imports under SRO 655(I)/2006.
- Amount pointed out may be recovered.

2.6.14 Misuse of facility of concessionary rate of duty - Rs 37.35 million

According to SRO 565(I)/2006 dated 05.06.2006, the manufacturers of specified goods are allowed concessionary rate of duty on import of raw materials.

M/s Karachi Tube Mills (Pvt) Ltd was authorized to import HR/CR steel coils falling under H.S.Code 7208-1090. However the goods imported by him were classifiable under HS Code 7208.2790 and 7209.1690 or 1790. Therefore departmental audit in November 2011 pointed out short recovery of customs dues of Rs 33.16 million and Rs 4.19 million pertaining to FYs 2008-09 and 2009-10 respectively on account of undue benefit of SRO 565(I)/2006 due to misclassification. The matter was under adjudication and the importer filed a petition in Sindh High Court Karachi. The learned Court referred the case to FBR for remedial action. The FBR amended the SRO 565(I)/2006 dated 05.06.2006 vide SRO 475(I)/2011 dated 03.06.2011 and existing HS codes were substituted with new one with immediate effect. In the subject case, the amount pointed out related to previous period but nothing was available on record regarding fate and progress of adjudication.

The lapse was pointed out during March to June 2013. In August 2013, the department reported that demand cum show cause notice had been issued. In the DAC meeting held on 20th August 2013, the department did not furnish the working papers, therefore, the issue was not discussed.

The department should intimate latest position of the amount of Rs 33.16 million and Rs 4.19 million and internal controls may be strengthened.

2.6.15 Short-realization of government revenue due to inadmissible concession of customs duty under SRO 655(I)/06 - Rs 1.42 million

SRO 656(I)/2006 dated 22.06.2006 exempts components imported in any kit form, [and direct materials] for assembly or manufacture of vehicles falling under Chapter 87 of the First Schedule to the Customs Act, from so much of customs duties, as specified in the said First Schedule, as were in excess of the rates specified in column (4) of the Table.

MCC, Lahore granted the benefit of concession of customs duty @ 10% under SRO 655(I)/2006 to M/s Briter Engineering company (Pvt) Limited on imported parts in CKD condition, whereas, the goods being in CKD condition qualify for benefit under SRO 656(I)/2006 with custom duty @ 15%. This resulted in short-realization of revenue of Rs 1.42 million.

The matter was brought to notice of the department for corrective action in June, 2013. However, in August 2013, the department reported that the benefit of SRO 655(I)/2006 was granted in the light of EDB's letter No.IOR-V-017/SRO655/Tech dated 5.11.2010 valid upto 30.6.2012. Audit was of the view that the parts were in CKD condition the department should had taken up the matter with EDB to ascertain the nature and condition of imported parts before granting the benefit. In the DAC meeting held on 20th August 2013, the department did not furnish the working papers, therefore, the issue was not discussed.

The department should recover the amount pointed out and internal controls be strenghtened to safegaurd government revenue.

2.6.16 Irregular benefit of concessionary rate of custom duty on goods imported in SKD condition - Rs 906.12 million

Import of SKD kits of LCD/LED was allowed at concessionary rate of duty under SRO 565(I)/2006 subject to condition that the imported SKD kits do not contain packing material, carton boxes, broachers and printed material.

M/s SVA Ruba (Pvt) Ltd. had imported SKD kits of LCD/LED alongwith packing material. As per condition the goods were not entitled for concessionary rate, but the same were cleared on concessionary rate of duty which resulted in non-realization of government revenue of Rs 906.12 million.

The lapse was pointed out during March to June 2013. In August 2013, the department reported that the case was being scrutinized. In the DAC meeting held on 20th August 2013, the department did not furnish the working papers, therefore, the issue was not discussed. No further progress was reported.

The department should justify the grant of concession, besides recovery of government revenue.

2.6.17 Non-realization of revenue due to grant of inadmissible exemption/concession - Rs 131 million

SRO 575 (1)/2006 dated 05.06.2006 provides concessions/exemptions of custom duty and sales tax on certain imported goods subject to fulfilment of conditions laid therein.

MCCs PaCCS, Appraisement and PMBQ, Karachi extended the benefit of concessions and exemptions of duty & tax without fulfilment of the requirements resulting in non/short realization of revenue of Rs 131 million in 10 cases during the period 2008-2012.

The lapse was pointed out during March to June, 2013, but no reply was furnished till finalization of report. Further no DAC meeting was convened to discuss the issue.

The management should:

- recover the amount pointed out.
- strengthen the internal controls to avoid occurrence of such lapse in future.
- take action against responsible.

Key issues for the future:

i) Management audit of concessionary SROs was not conducted.

ii) IOCO's working was not upto the mark as the organization took years to finalize the input output ratios.

iii) Imports were allowed against provisional certificates which remained un-finalized for years.

iv) Non initiation of penal action against the importers who failed to fulfil the mandatory conditions.

v) Undue benefit of concessionary SROs was granted.

vi) Acceptance of lesser value of Bank guarantees/post-dated cheques.

Lesson identified:

i) Record of a large number of beneficiaries was not produced to Audit. So the actual consumption of imported raw material/components could not be verified.

ii) There was no effective monitoring and evaluation mechanism to prevent misuse of concessionary SROs.

iii) The main objectives of the exemptions/concessions were not achieved in true manner

2.7 Bonded Warehouses

A bonded warehouse is building or other secured areas in which dutiable goods may be stored, manipulated, or undergoes manufacturing operations without payment of duty. It may be managed by the state or by a private enterprise. In the later case a customs bond must be posted with the government. This system exists in all developed countries. Upon entry of goods into the warehouse, the importer and warehouse proprietor incur liability under a bond. This liability is generally cancelled when the goods are:

- exported; or deemed exported;
- withdrawn for supplies to a vessel or aircraft in international traffic;
- destroyed under Customs supervision; or
- withdrawn for consumption domestically after payment of duty.

Prior to the establishment of bonded warehouses in Pakistan, the payment of duties on imported goods had to be made at the time of importation, or a bond with security for future payment given to the revenue authorities. The inconveniences of this system were many:

- It was not always possible for the importer to find sureties, and he had often to make an immediate sale of the goods, in order to raise the duty, frequently selling when the market was depressed and prices low.
- The duty, having to be paid in a lump sum, raised the price of the goods by the amount of the interest on the capital required to pay the duty.
- Competition was stifled from the fact that large capital was required for the importation of the more heavily taxed articles.

To resolve these difficulties and to put a check upon frauds on the revenue, the system of warehousing was introduced. The imported goods are to be placed in warehouses approved by the customs authorities, and importers were to give bonds for payment of duties when the goods were removed. The system of bonded warehouse allows the firms to bring imported goods into their warehouses without paying import duty, use the goods in their production, and export the output. The facility has been given to the manufacturers-cum-exporters especially who may import duty free raw material and export the finished goods. The other imports may import goods in bulk quantity and file in-bond GDs and afterwards may ex-bond the imported goods partially on payment of leviable duty and taxes plus warehousing surcharge.

In Pakistan, bonded warehouses operate under Customs Rules, 2001 which provides for four types i.e. Public, Private, Common and Manufacturing warehouses as detailed below:

(i) A Public Bonded Warehouse" means a warehouse licenced by the Collector under Section 12 of the Customs Act, 1969 at any warehousing station. The Collector of Customs may after receipt of application on a proper format, from time to time, appoint or licence public warehouses wherein dutiable goods may be deposited without payment of customs duty.

(ii) A Private Bonded Warehouse" means a warehouse licenced by the Collector under Section 13 of the Customs Act, 1969 at any warehousing station. The Collector of Customs may after receipt of application on a proper format, from time to time, licence private warehouses wherein dutiable goods may be deposited without payment of customs-duty.

(iii) A common warehouse means a warehouse licenced by the Collector under Rule 343 for warehousing of goods without payment of customs duty, sales tax, central excise duty or with-holding tax, free import of goods primarily meant for manufacture of finished goods by the Small & Medium Enterprises or indirect exporters.

(iv) A Manufacturing Bond means a bonded warehouse, having manufacturing facility, licenced by the Collector under Rule 343.

The maximum period for which goods can be warehoused under Section 98 of the Customs Act, 1969 is six months for non-perishable and three months for perishable goods. However, in case of manufacturing bonds, this period is two years.

Performance audit refers to an independent examination of a program, function, operation or the management systems and procedures of a governmental or non-profit entity to assess whether the entity is achieving economy, efficiency and effectiveness in the employment of available resources. The examination is objective and systematic and is carried out using structured and professionally adopted methodologies. INTOSAI, the International Association of Supreme Audit Institutions, has published generally accepted accounting principles of performance auditing in its implementation guidelines.

Performance audit of bonded warehouse was conducted to evaluate and conclude whether the manufacturer-cum-exporters, general importers and any other bonder to whom the facility of bonded warehouse has been provided is meeting with the requirements and conditions as prescribed in the relevant laws and procedures and also check performance of customs authorities in this sector.

The major objectives of the audit were:

- to examine whether the facility of bonded warehouses given to manufacturing units was being used properly.
- to assess whether the objectives of granting the facility of warehousing have been achieved.
- to evaluate the mechanism in place by the customs authorities to monitor that the goods manufactured from duty free imported raw material have been exported.
- to examine whether the relevant Rules and procedures have been observed in true spirit.
- to assess whether the economy, efficiency and effectiveness were ensured by the customs authorities in their operations.

The performance audit of bonded warehouses was conducted in respect of the MCCs Lahore (Appraisement and Preventive), PMBQ, Hyderabad, Karachi (Exports and PaCCS) for the period from July, 2008 to December, 2012. Due to constraints of time and finance, the scope of this audit was limited to seven MCCs only. The audit was carried out based on examination of relevant documents and record.

Audit activity started with detailed planning, development of audit programmes, determining resource requirements and time frame. The planned activity was executed after examination of available data and testing of internal controls. Analytical and substantive tests were also applied.

During performance audit, following major issues were observed:

The Collector of Customs can assign any officer/official to perform any function relating to customs under provisions of the Customs Act, 1969. The owner of the warehoused goods may remove the goods from warehouse under Section 100 of the Act. A register of bonds is maintained under Section 114 of the Act which shows proper record of in-bonding and ex-bonding goods declaration, accountal of imported goods, payment of duty and taxes, rent, surcharge etc. According to Section 117 of the Act, the imported warehoused goods, both of public & private bonded warehouses, are kept under lock and key of the warehouse-keeper and the appropriate officer appointed by the Collector of Customs. During the course of audit it was found that although the register of bonds was being maintained but the department was least interested to provide the same to Audit, despite repeated requests incomplete record was produced after lapse of one month.

2.7.1 Non-maintenance/production of record

According to Section 14 (2) & (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 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 Efficiency and Discipline Rules. Whereas, according to Rule 362 of the Customs Rules, 2001, the licencee of warehouse shall maintain proper record of all warehouses goods in the manner prescribed in the Acts or the Rules made there-under or by the Collector.

MCC Lahore had not maintained import, export and other relevant records except monthly returns submitted by the licencees. The import and export record was requisitioned on 27.02.2013 which was not provided and even list of operative bonded warehouses was not provided.

The lapse was pointed out to the department in June 2013. The department replied that the record of M/s U.S Apparel & Textiles Pvt. Ltd was provided on 10th & 20th May, 2013. Regarding GDs that were not found in PRAL data, it was stated that the same relate to WeBOC data. The department further replied that all records were now available for inspection by audit team. About record of M/s PSO, it was replied that the record is maintained at Machikey Bond office and Audit may send a team for inspection of the record.

The DAC in its meeting in August, 2013 directed the department to get the compliance verified from Audit. However no record was produced to Audit for verification till finalization of report.

Audit recommends that FBR may take disciplinary action against the officers/officials concerned and ensure maintenance and production of record.

2.7.2 Non-monitoring of manufactured and exported goods

According to Rule 352 of Customs Rules, 2001 issued vide SRO 450(I)/2001 dated. 18.06.2001, monthly returns would be examined, stamped and signed by the supervising customs official every month and item-wise record of input goods received, manufactured and exported shall be maintained in the format as set out in Appendix IV. Further, as per Rule 358, if any licencee fails to give proper account of the warehoused goods, input goods or finished goods, the licencee 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.

The MCC (Appraisement) Lahore received the monthly returns just for record keeping and did not analyze the information provided by the importers/manufacturers. Thus, the pilferage of raw material remained unchecked. For example, for M/s Royal Crown Flatware Products, Lahore reduced the amount of customs duty & sales tax on stock in the warehouse from 15 to 7.5 million. During the year 2011-12 the licencee imported only 03 consignments involving customs duty and sales tax Rs 1.61 million. In the year 2012-13 (up to December, 2012), input goods were not imported at all. Had this information, been examined, stamped and signed by the customs authorities, any action would have been taken for the better performance of licencee. Similarly, M/s Sirtaj Poly Sacks imported 49.5 MT plastic moulding compound polypropylene for manufacturing of polypropylene woven bags and as per monthly returns of September 2009 to September, 2011 a quantity of 200,000 bags was lying in the bonded warehouse. However, in monthly returns of October to December 2011, the closing balance was shown as 90,000 kgs, 50,000 kgs and NIL, respectively. Meaning thereby, that all the finished goods had been exported, but from the export GDs, the position was not reconciled.

The lapse was pointed out to the department in June, 2013. The department replied that the instructions have been issued for strict compliance of the audit recommendations. In case of M/s Royal Crown Flatware Products, Lahore the department replied that the licencee could not import/export during the pendency of renewal of the licence. No reply was received from the department in case of M/s Sirtaj Poly Sacks. The DAC, in its meeting held in August, 2013 directed the department to get the compliance verified from Audit. Nothing was produced for verification. Further progress was not reported till finalization of report.

- Monthly returns should be scrutinized and put up to higher authorities and compliance of law may be enforced and the action be taken against supervising customs officials who are not examining, stamping and signing the monthly returns
- Internal control may be designed to avoid occurrence of such violation of law in future
- Consumption, manufacturing and export figures should be got reconciled from Audit

2.7.3 Non-submission of quarterly returns

According to Rule 352(2) of the Customs Rules, 2001 issued vide SRO 450(I)/2001 dated 18.06.2001, a copy in the form of quarterly return in the same format as Appendix IV to Chapter XV shall be submitted to the Collector before the 10^{th} day of the following quarter. Further, according to Rule 351(6) and (7) of the said Rules, improved efficiency of the manufacturing operations may lead to improvement in consumption of input or output ratios and the licencee shall declare the excess material at the end of the relevant year to the Customs authorities. If the improvement is beyond one percent on higher side, the input or output ratio shall be amended, thereafter, in accordance with the newly established input or output ratio.

MCCs Lahore and Exports Karachi did not take appropriate action against the licencees who failed to submit quarterly returns to the Collector, or did not declare the excess quantity of materials during last five years on account of improved efficiency of operations when they had modernized or improved the manufacturing operations of the existing plant & machinery through balancing, modernization and replacement. It reflected that the finished goods manufactured with excess quantities of input materials were being sold in the local market and the public exchequer had to sustain loss of foreign exchange on recurring basis.

The lapse was pointed out to the department in June, 2013. The department replied that the instructions had been issued for strict compliance. The DAC, in its meeting held in August, 2013 directed the MCC, Lahore to get the compliance verified from Audit. No DAC was convened at Karachi. Further progress was not reported till finalization of report.

- The Collector may place internal control for submission of quarterly return. Action may be taken against those who are responsible for negligence from their responsibility.
- Quarterly returns may be submitted for examination to the Collector and results intimated and got verified from Audit.
- Details of excess materials should be taken from the licencees of all the previous years and duties and taxes may be recovered immediately.
- Survey should be conducted every year by the department to check the excess quantity of raw material.

2.7.4 Inadmissible exemption of duty and taxes due to non-issuance of analysis certificate - Rs 345.74 million

According to Rule 351 & 352 of Chapter XV of the Customs Rules, 2001 issued vide SRO 450(I)/2001 dated 18.06.2001, the Collector or the officer authorized by him on his behalf shall issue an analysis certificate showing the actual quantity of input goods used and wastage occurred in manufacturing of one unit of finished goods within 30 days after detailed survey and the input goods for production shall be imported/procured by the licencee of a manufacturing bond according to the specification approved in the analysis certificate.

In MCC Lahore, analysis certificates were not issued in three cases as detailed below:

- M/s U.S Apparel & Textile Pvt. Ltd Lahore was issued a provisional analysis certificate on 08.06.2009 for import of sodium met-bisulphate for manufacture of readymade garments but no final certificate was issued so far. In another case, IOCO sent an ascertainment certificate determining per unit consumption but final analysis certificate was not issued.
- M/s Abdul Haq Pipe Industries Pvt Ltd was manufacturing the finished goods by using duty free raw material without analysis certificate.
- M/s Din Textile Mills Ltd was manufacturing the goods on the basis of provisional analysis certificate dated 03.12.2008 which was required to be finalized by the IOCO. For other raw materials i.e. viscose, polyester staple fiber, lycrafiber and raw cotton, neither provisional nor final analysis certificate was issued.

All this resulted in non accrual of Rs 345.74 million of duty and taxes due to non-issuance and non-finalization of analysis certificates on the part of department.

The lapse was pointed out to the department in June, 2013. The department replied that the analysis certificates had been issued in respect of M/s U.S. Apparel & Textile (Pvt) Ltd. and the analysis certificates in respect of M/s Abdul Haq Pipe Industries Pvt. Ltd and M/s Din Textile Mills Ltd Lahore were under process. The DAC in its meeting held in August, 2013 directed the department to get the compliance verified from Audit. Further progress was not reported till finalization of the report.

- Customs functionaries should ensure issuance of analysis certificates and in case provisional certificates are issued, it should be finalized within six months time period.

- The action may be taken against those who are not adhering to the Rule for the time period for issuance of analysis certificate.
- The detailed reasons of non-issuance of analysis certificates of all units may also be provided.

2.7.5 Non-recovery of duty and taxes on un-exported manufactured goods - Rs 53.07 million

According to Rule 352(6) of Chapter XV of the Customs Rules, 2001 issued vide SRO 450(I)/2001 dated. 18.06.2001, removal of finished goods for home consumption on filing of bill of entry may be up to forty percent of the annual production of the manufacturing bond.

In MCC Lahore, two manufacturing bond licencees imported input goods without payment of leviable duty/taxes during the period November, 2007 to December, 2012 but failed to export the manufactured finished goods. The department did not take any action to recover the amount of duty/taxes which were exempted at the time of import of the input goods. This resulted in non-realization of government revenue of Rs 53.07 million.

The lapse was pointed out to the department during June, 2013. The DAC in its meeting held in August, 2013 directed the department to get the compliance verified from Audit. During verification, the department provided a statement showing export of goods by M/s U.S. Apparel & Textile Pvt. Ltd. However, 20 consignments out of 318 were not verified. The position in respect of M/s Standard Manufacturing was that one consignment was exported and other were ex-bonded. Further progress was not reported till finalization of the report.

Internal controls may be strengthened to ensure export of finished goods and reconciliation process be initiated immediately after such export.

2.7.6 Manufacturing of finished goods not in accordance with analysis certificate

According to Rule 351 of Chapter XV of the Customs Rules, 2001 issued vide SRO 450(I)/2001 dated 18.06.2001, finished goods will be manufactured as per analysis certificate containing input output ratio of input goods vis-à-vis finished goods alongwith wastages.

At MCC Lahore, it was found that two licencees namely M/s U.S Apparels & Textile Pvt. Ltd and M/s Standard Manufacturing Lahore were allowed to manufacture readymade garments as per analysis certificate. Two firms showed different usage of raw material The analysis certificates showed that different materials had been shown consumed in the same finished goods. For example, two raw materials sodium metabisulphate and valumax A-376 were consumed in manufacturing of readymade garments, in some cases only sodium metabisulphate was consumed and in the other cases only valumax A-376 which means that in some cases raw materials were consumed in manufacturing of readymade garments while in other cases, the same raw materials had not been used. As such the manufacturing was not according to the analysis certificate. There is very likelihood of pilferage of raw material. Similar position was found in respect of M/s Standard Manufacturing. The department did not take any action to ascertain the material used such as laboratory test, which showed weakness of internal control as well as negligence from duty.

The lapse was pointed out to the department in June 2013. The department replied that the licencee submitted the consumption of duty free imported raw material in the sales tax monthly return, other materials imported or procured locally (without duty & taxes). Audit did not agree with the departmental reply. The DAC in its meeting held in August, 2013 directed the department to get the compliance verified from Audit. No further progress was reported till finalization of this report.

- Separate analysis certificates should be issued so as to avoid risk of pilferage.
- Samples should be drawn and tested from laboratory to ascertain the raw material consumed in finished goods.
- Action may be taken against those who are responsible for negligence.

2.7.7 Non-submission of information regarding raw material procured locally

Under Rule 352(2) of Chapter XV of the Customs Rules, 2001 issued vide SRO 450(I)/2001 dated. 18.06.2001, the record of input goods received, manufactured and exported shall be maintained in the format as set out in Appendix IV, provided that one copy in the form of monthly return shall be submitted to the collector before the 10th of the following month.

A licencee under the jurisdiction of MCC Lahore was required to provide complete information including consumption of locally procured raw material as required under column No. 02 of the return. The licencee was showing only imported raw material in its monthly returns. But despite availability of raw material imported free of duty and taxes in the hand, the local purchase of same raw material was not understood. Since this information was not being monitored by the manufacturing bond Section which may result in pilferage of government revenue.

The lapse was pointed out to the department in June, 2013. The department replied that local purchase has not been made by M/s U.S Apparel & Textile Pvt. Ltd. The DAC in its meeting held in August, 2013 directed the department to get the position verified from Audit.

The department replied that the licencees had not made any purchase from local market. The departmental reply was evasive as all the raw materials shown in the analysis certificates had not been imported by the licencee which was necessary to be used in manufacturing process. Audit was of the view that the same were procured locally and despite availability of free import, local purchase was not understandable. Further, as the licencee may import goods free of duty and taxes, there is no need to allow import under SRO 492(I) 2009 dated 13.06.2009. It will help in blocking pilferage. It is pertinent to mention here that as the licencees working under SRO 327(I)/2008 cannot import under SRO 450(I)/2001 dated 18.06.2001 likewise licencee of SRO 450(I)/2001 should not be allowed import under SRO 492(I) 2009. Further progress was not reported till finalization of report.

- Audit recommends that import under SRO 492(I) 2009 should be disallowed to the licencees working under SRO 450(I)/2001.
- Detail of raw materials procured locally and consumption thereof should be shown in monthly returns.

2.7.8 Non-conduct of stock taking and detailed audit

According to Rule 361 of Customs Rules, 2001 an appropriate officer of customs, authorized by the concerned Assistant Collector of Customs, shall conduct stock taking and detailed audit of a warehouse as and when so directed but at least once in a year. The auditors specifically will examine the mandatory requirements of the scheme, availabilities of all prescribed records set out in this scheme, input or output ratios actually consumed for the manufacturing of finished goods, opening stocks of the year, inward or outward input goods during the year, finished goods stocks, wastages or rejects (losses during the year if any), due approvals of the customs authorities, and shall submit its findings or report to the concerned Collectorate and a copy thereof to the licencee for his records.

At MCC Lahore, audit of bonded warehouses was not conducted at least once in a year in almost all the cases.

The lapse was pointed out to the department in June 2013. The department replied that audit instructions had been noted for compliance. The DAC in its meeting held in August 2013 directed the department to get the compliance verified from Audit. During verification, Audit found that the DAC directives had not been complied with. Further progress was not reported till finalization of report.

Audit recommends that periodical stock taking and detailed audit of all the licencees should be conducted.

2.7.9 Removal of finished goods for home consumption without permission of the customs authorities

According to Rule 352(6) of Chapter XV of the Customs Rules, 2001 issued vide SRO 450(I)/2001 dated. 18.06.2001, removal of finished goods for home consumption on filling of Bill of Entry may be allowed subject to the limitation and restrictions provided in the Import Policy Order for the time being in force, on payment of duties and taxes leviable thereon, upto forty percent of the annual production of the manufacturing bond.

At MCC Lahore, from the internal audit report, it was revealed that a quantity of 2,811,609 kg of finished goods (yarn) was locally sold by M/s Din Textile Mills Ltd Lahore but neither the permission was obtained nor procedure for clearance through GDs was adopted.

The lapse was pointed out to the department in June 2013. No reply was received from the department. The DAC in its meeting held in August 2013 directed the department to look into the matter. Further progress was not received from the department till finalization of the report.

- Internal audit reports should be submitted to higher authorities for review.
- Amount pointed out should be recovered alongwith penal action as required Rule 358 of SRO 450(I)/2001.
- Action should be taken against those who are responsible for negligence.

2.7.10 Excess determination of input ratios in manufacturing of finished goods

According to Rule 351 of Chapter XV of the Customs Rules, 2001 issued vide SRO 450(I)/2001 dated. 18.06.2001, finished goods will be manufactured as per analysis certificate containing input output ratio of input goods vis-à-vis finished goods alongwith wastages. The licencees of the manufacturing bonded warehouses were facilitated to boost export to import raw material without payment of duty and taxes for manufacturing of finished goods for export. The collector shall issue an analysis certificate which will contain consumption of raw material in one unit of finished goods.

The licencee of manufacturing bonded warehouse M/s U.S Apparel & Textile Pvt. Ltd Lahore & M/s Bedouin Pvt Ltd were not issued analysis certificate. However, M/s U.S Apparel & Textile (Pvt) Ltd was working as per input ratio determined in the ascertainment certificate by the IOCO. When actual consumption shown in the monthly return was compared with the ratio of this ascertainment certificate, it revealed that the consumption of raw material in one unit of finished goods was determined in excess in the ascertainment certificate. On the other hand, in case of licencee, M/s Royal Crown Flatware Products, Lahore the consumption of raw material in one unit of finished goods was below than determined. Further, the wastage in respect of 13 inch tools was determined ranging from 33% to 50.33% which appears on much higher side. Further, M/s Bedouin Pvt. Ltd consumed ‘Fabrics’ of different kinds and ‘Foam’ in manufacturing of Quilted Zipped Mattress Covers for export but the manufacturing licence and analysis certificate was not provided to Audit. As the government revenue is at stake there is need to check and issue licence and analysis certificate and re-determine wastage percentage.

The lapse was pointed out to the department in June 2013. The department replied that the consumption had been made in accordance with Analysis Certificate approved by IOCO. Further Analysis Certificate was issued as a tentative weight/ratio of finished goods and wastage per piece, whereas, after manufacturing bulk quantity for shipment, net weight was taken for preparing the return, thus, minor variations cannot be avoided to match the Analysis Certificate. The DAC in its meeting held in August 2013 directed the department to get the compliance verified from Audit.

The reply was not to the point. The ratios of inputs/output and wastage should be very clear which was not in the instant case. In view of actual consumption which was less against determined consumption in respect of M/s U.S Apparel while wastage ratio was shown on much higher side it was recommended that as the government dues were at stake, there was need to check and re-determine wastage percentage. No further progress was reported till finalization of the report.

- Management should carry out the detailed survey of manufacturing process periodically to check and verify the actual input-output ratio, percentage of wastage and analysis certificate be got revised accordingly.
- Amount of dues should be calculated and recovered on excess consumed quantity against determined quantity.

2.7.11 Non-observance of law regarding issuance of revised analysis certificates after every three years

According to Rule 351 of the of the Customs Rules, 2001 issued vide SRO 450(I)2001 dated 18-06-2001, the improved efficiency of the manufacturing operations may lead to improvement in consumption of input or output ratios and the licencee shall declare the excess material at the end of the relevant year to the Customs authorities. If the improvement is higher than one percent, the input or output ratio thereafter shall be amended in accordance with the newly established input or output ratio. If the change in input or output ratio is within one percent, the ratios shall remain unchanged. And if due to lower efficiency, the input or output ratio is less than that approved by the Customs, the licencee will have no right of refund. However, the input or output ratio shall in any event be revised every three years.

At MCC, Exports, Karachi neither any licencee had ever declared the excess quantity of materials to the customs, nor the customs authorities ever took any action in this regard. Resultantly no single analysis certificate of any licencee had been revised on the basis of improved or lower efficiency in manufacturing operations. The licencees were preparing their accounts of manufacturing operations, production and export of manufactured goods on the basis of analysis certificates from four to ten years old and some were more than ten years old. The intent of law for issuance of revised input/out ratios on the basis of improved efficiency of manufacturing operations is to increase the quantity of export goods resultantly to earn more foreign exchange for the country. Ignoring the issuance of revised input/output ratios every three years, the very purpose of law has been very much defeated.

The lapse was pointed out to the department in June 2013. No reply was received from the department. No DAC was convened at Karachi.

Management should review/revise all those analysis certificates which were issued before three years besides fixing responsibility against the persons at fault for non-observance of provisions of law.

2.7.12 Non-recovery of duty and taxes exempted under SRO 450(I)/2001 due to export of manufactured goods without valid licence - Rs10.20 million

According to Rule 346 of Chapter XV of the Customs Rules, 2001 the licence shall be issued for a period of three years and the same shall stand revalidated for a further period of up to three years [before every expiry date] by the Collector on the request of the licencee provided the Collector is satisfied that no action under the Acts is pending against the licencee and the licencee has duly submitted a revalidated insurance policy for a further period of three years, and the changes, if any, in the documents furnished under Rule 344.

At MCC, Lahore M/s Royal Crown Flatware Products was issued licence for a period of three years from 09.12.2009 to 08.12.2011. The licencee applied for revalidation of licence vide application dated 26.12.2011 but the same was not revalidated so far. Similarly, the licence of M/s Sirtaj Poly Sacks Lahore had not been revalidated so far despite that the application was submitted on 03.09.2009. This resulted in non-import of input goods and non-exports of manufactured goods upto 31.12.2012 except one consignment vide export GD No. KPPE-58-89245 dated 12.04.2012. Thus, the government was deprived of foreign exchange as a result of non-export. M/s Abdul Haq Pipe Industries Pvt. Ltd Lahore also utilized expired licence. The dues of Rs 10.20 million, which were not paid at the time of import of raw material under SRO 450(I)/2001 were now recoverable. Besides, this position not only reflects weakness of internal controls but also shows negligence from duty.

The lapse was pointed out to the department in June 2013. MCC Lahore replied that all the exports were made after having obtained formal, periodical permission from competent authority, the input raw materials were imported during the currency of the valid licence period and its exports cannot be denied to merely on account of non-renewal of licence and due to on-going slump in the export market, the licencee did not press upon the Collectorate for renewal. The DAC in its meeting held in August 2013 directed the department to get the position verified from Audit.

Reply is not tenable. The legal provisions were required to be strictly complied with to improve the exports. The licencee M/s ‘Royal Crown Flatware

Products' had requested to accord post-facto approval of shipment which had not been accorded so far. Further progress was not reported till finalization of the report.

- Internal controls should be in place so that licences and revalidation thereof could be granted well in time to accelerate circle of export.
- The details of licences issued, revalidated/under issue and under revalidation may be provided.
- Issuance/revalidation should be expedited to achieve zero percent level of failure.
- Action should be taken against those who are responsible for negligence from their duty.
- Revised insurance policy covering the entire amount of duty/ taxes may be obtained from the licencee besides taking similar action in all like cases.

2.7.13 Non-disposal/determination of wastage

According to Rule 352(10) of the Customs Rules, 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.

At MCC Lahore the wastage of raw material of hot rolled coils of M/s Abdul Haq Pipe Industries Pvt. Ltd Lahore had not been determined so far. The licencee, however, sold wastage weighing 547.603 MT (including 35 MT from locally procured raw material) in the local market (documents not provided). While 32.641 MT and 100.543 MT from locally procured material was lying awaiting disposal. The record of wastage in respect of other licencees was not provided.

The lapse was pointed out to the department in June, 2013. The department replied that the analysis certificate was still under approval by the FBR. The DAC in its meeting held in August 2013 directed the department to get the position verified from Audit. No further progress was reported till finalization of the report.

- Wastage should be determined in the analysis certificate in respect of all licencees.
- Record regarding wastage sold may be provided.
- Wastage lying un-disposed off may be got sold or destroyed.

2.7.14 Unauthentic exports to Afghanistan resulting in huge loss to government

According to Rule 352(1)(i) of Chapter XV of the Customs Rules, 2001 issued vide SRO 450(I)/2001 dated. 18.06.2001, the input goods may be imported by the licencee without payment of custom duty, central excise duty and sales tax after declaring on the bill of entry that input goods are being imported under manufacturing bond for manufacture of export goods.

At MCC Lahore, M/s Abdul Haq Pipe Industries Pvt. Ltd Lahore exported a quantity of 6389.737 MT of M.S pipe classifiable under PCT heading 7306-1900 to Afghanistan in 177 cases. The verification from Afghanistan Customs Authorities was not made to confirm the authenticity of the export documents. Even, the authenticity of export was not got confirmed from MCC Peshawar. Recently, exports to Afghanistan in respect of five licencees of steel sector were found fake and FIRs were lodged against them.

The lapse was pointed out to the department in June, 2013. The department replied that verification from Chaman Border was received against 154 GDs out of total 163 GDs. Verification of remaining GDs was pending from Torkham Border. The DAC in its meeting held in August, 2013 directed the department to get the stated position verified from Audit.

An unattested list of 152 shipping bills and 13 shipping bills verifying export form Chaman by respective MCC was provided. Details of exports to Afghanistan of all units may be provided and got confirmed from Afghan Customs Authorities as well as from respective MCC under intimation to Audit. If documents are found bogus and fake, government dues may be recovered along with penal action against the licencees. No further progress was reported till finalization of the report.

Audit recommends that verification of exports from Afghan Customs Authorities should be made as a regular feature.

2.7.15 Non-compliance of law regarding submission of monthly returns

According to Rule 352(2) of Chapter XV of the Customs Rules, 2001 issued vide SRO 450(I)/2001 dated. 18.06.2001, item-wise record of input goods received, manufactured and exported shall be maintained in the format as set out in Appendix IV which shall be examined, stamped and signed by the supervising customs official every month.

M/s U.S Apparel & Textile Pvt. Ltd Lahore did not submit monthly returns for the months of July and October, 2011 and May and December 2012 but the department did not take any action which revealed that the department had not taken care of submission of this return and it is received just for record. This tantamount non-serious behaviour and also reflected negligence on the part of supervising customs officials who are required to examine, stamp and sign the monthly return every month. Monitoring of activity of licencee was not being done by the department.

The lapse was pointed out to the department in June, 2013. The department replied that all the monthly returns for the month of July, October 2011 and May and December, 2012 as pointed out by the Audit were available. The DAC in its meeting held in August 2013 directed the department to get the position verified from Audit.

The reply was not to the point. The spirit of the Rule that return should be examined, stamped and signed by the supervising customs official every month, is to monitor the activity of the licencee. No further progress was reported till finalization of the report.

- A consolidated return in this regard should be prepared by the department to watch that the licencees are submitting monthly returns timely.
- Action should be taken against the licencees and officials responsible for non-compliance of SRO directives.

2.7.16 Non-realization of duty and taxes on input goods against bogus and fake export - Rs 1,869.31 million

According to Rule 358 of Chapter XV of the Customs Rules, 2001 issued vide SRO 450(I)/2001 dated. 18.06.2001, If any licencee fails to give proper account of the warehoused goods, input goods or finished goods to the satisfaction of an officer of customs not below the rank of an Assistant Collector, the licencee 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 Acts.

At MCC Lahore, certain licencees were indulged in fake and bogus export of steel pipes to Afghanistan. MCC, Peshawar lodged FIRs against these units while they had filed writ petitions against the MCC. The copy of FIR and correspondence made with the concerned licencees and MCC Peshawar were also not provided to Audit. As per import data of PRAL, these licencees had imported raw material free of duty and taxes under the benefit of SRO valuing Rs 3,529.03 million. This resulted in non-realization of duty and taxes Rs 1,869.31 million involved therein.

The lapse was pointed out to the department in June, 2013. The department replied that the whole position was reported to Audit on 20.06.2013. The DAC in its meeting held in August 2013 directed the department to get the position verified from Audit. No further progress was reported till finalization of the report.

- Verification of exports from Afghan Customs Authorities and MCC Peshawar should be ensured.
- The import and export data of each licencee may be taken from online system each month and a print thereof be placed in record and all the records should be provided to Audit.

2.7.17 Non-realization of government revenue due to expiry of prescribed time for warehousing - Rs 1.61 million

According to Rule 350(4), the period will not in any event exceed two years from the date of in-bonding or procurement of locally purchased goods.

For duly justified reasons extension may be granted for another one year by special written approval of an officer not below the rank of additional collector of customs w.e.f 28.06.2010. Prior to that the Rule was that input goods imported or purchased locally may remain in warehouse for three years.

A licencee, M/s Sirtaj Poly Sacks, imported a quantity of 64 MT and 16 MT of Polypropylene Granules vide GD No. 666 & 667 both dated 26.01.2007. The goods were not consumed within stipulated period of three years i.e 26.01.2007 to 25.01.2010. The licencee did not seek any extension for remaining goods in the bonded warehouse well in time before expiry of time period. After one year and three months of expiry of stipulated period, the licencee requested for condonation of delay. After getting extension from FBR upto 31.12.2011, the goods remained in the warehouse about five years in violation of prescribed time limit of 3 years. Thus, government dues alongwith penal surcharge amounting to Rs 1.61 million were recoverable.

The lapse was pointed out to the department in June, 2013. The department replied that there is no requirement in the law to seek extension within the limitation of period. The DAC, in its meeting held in August, 2013 directed the department to get the position verified from Audit.

The reply of the department is not tenable. As stipulated period of leftover quantity of input warehoused goods had expired, the government dues were recoverable but the department did not take any action. The licencee applied for condonation of delay when a period of one year and three months had elapsed after limitation period. The licencee cannot be given an infinite period for applying condonation of delay. The government dues were required to be recovered and disciplinary action also taken against those who did not initiate proceedings for recovery of government dues. No further progress was reported till finalization of the report.

- Extension should be sought well in time before expiry of stipulated period and as this period ends leviable duty and taxes should be recovered
- Discretionary powers should not be exercised to create discrimination

2.7.18 Non-realization of government revenue due to non-fulfilment of prescribed conditions - Rs 178.37 million

Under Rule 343 of the Customs Rules 2001 issued vide SRO 450(I)/2001 dated 18.06.2001, the Collector shall issue licence to the applicant for operating manufacturing bonded warehouse.

The MCC, Lahore issued a licence for operating of manufacturing bonded warehouse to M/s U.S Apparel & Textile Lahore with the condition that the stock to be held at any time in the warehouse shall be such that customs duty and sales tax chargeable thereon do not exceed 12 million. This limit was enhanced from 12 to 50 million on 26.05.2012. The licencee violated this condition and the amount of duty and taxes on the stock of warehoused goods exceeded the prescribed limit at various point of time. So, the duty and taxes were required to be charged on input goods above the limit of 12 million of duty and taxes. The department did not take any action for recovery of duty and taxes which resulted into non-realization of Rs 178.37 million.

The lapse was pointed out to the department in June, 2013. The department replied that at times, export shipments are delayed on account of some extraneous factors however, the details of export shipping bills confirmed that whole quantity imported in term of manufacturing in-bond licence during the period of February to May 2012 had been exported. The DAC in its meeting held in August 2013 directed the department to get the position verified from Audit.

The reply of the department is not tenable. The condition of stock value at any time in the bond should be abided by the licencee and monitored by the customs officials. No further progress was reported fill finalization of the report.

Audit recommends that consumption quantity of raw materials should be reviewed periodically for reduction/increase of stock at any time and any violation should be submitted to higher authority for penal action.

[Annexure-47]

The completion of this audit led to identification of following key issues and lessons:-

(i) The department has no effective monitoring over the bonded warehouses, weather public or private, which needs proper monitoring.

(ii) Least attention was being paid towards increase in revenue as licences were not issued/revalidated timely, which may be issued/revalidated timely to increase the exports volume.

(iii) Warehousing as well as manufacturing bonds Rules were not being observed in letter and spirit, which resulted into misuse of warehousing facility. Strict observance of relevant Rules and procedures is needed.

(iv) The Customs staff posted at bonded warehouse tried to shift the responsibility for production of record to audit. This created doubts whether the goals and objectives of warehousing facility were being achieved. Customs authorities should look into the matter and post hard working and honest staff to achieve the said objectives.

Lessons identified

(i) The facility of bonded warehouse helped the manufacturers-cum-exporters to import duty free raw materials in bulk quantity at competitive prices in order to produce finished goods for export. This facility helped to solve the liquidity problems of the manufacturers.

(ii) On the other-hand, misuse of warehousing facility, due to non-monitoring resulted not only in evasion of duty and taxes but also in non-achievement of objectives. Hence, increase in exports volume remained inconsistent during the FYs 2009-10 to 2013-14.

CHAPTER 3 ISLAMABAD CAPITAL TERRITORY (ICT)

3.1 Introduction

The Government of Pakistan established a new capital, Islamabad, on 24.02.1960 and for purposes of administration, it remained under the jurisdiction of the Deputy Commissioner, Rawalpindi District. However, from 01.01.1981, 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(b) of the Constitution of the Islamic Republic of Pakistan 1973, Islamabad Capital Territory is laid down as territory of Pakistan among other constituent units. Under Presidential Order No.18 of 1980, executive authority of Federation is exercised by the President through an administrator known as the Chief Commissioner. He is assisted by office of the Deputy Commissioner in performing its functions of revenue collection.

3.2 Comments on Budget and Accounts

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

3.2.1 Revenue Collection vs Targets

ICT was assigned revenue target of Rs 3.86 billion during FY 2013-14. ICT collected receipts of Rs 2.42 billion during the year which was 37.31% less than the target as mentioned in the following table:

(Rs in billion)

Tax Head	Target	Collection	Difference from Target	
			Absolute (3-2)	Per cent
1	2	3	4	5
Other Taxes	3.86	2.42	1.44	37.31

Source: Federal Budget & Financial Statements of Federal Government 2013-14

Audit was of the view if ICT had taken adequate and effective measures to fix the rates of land of rural areas including leftover portion of urban areas, timely finalization of sales transactions, revision of valuation table continually, licensing of bus stands, timely revision of hotel and other taxes, the revenue targets could be achieved.

3.2.2 Variance analysis of revenue collection in FY 2013-14 and FY 2012-13

A comparison between net collections for the FY 2013-14and FY 2012-13 is tabulated below:

(Rs in billion)

Tax Heads	Collection		Difference	
	FY: 2013-14	FY: 2012-13	Absolute	Percentage
Other Taxes	2.42	2.55	(0.13)	5.10

ICT's collection for the FY 2013-14 of Rs 2.42 billion depicted a decrease of Rs 0.13 billion (5.10%) compared to the previous year.

3.3 AUDIT PARAS

Irregularity & Non-Compliance

3.3.1 Recurring loss of government revenue due to non-fixation of land rates - Rs 2,281.72 million

The Chief Commissioner, ICT, Islamabad directed the Deputy Commissioner/Commissioner (Revenue) and Additional Deputy Commissioner (Revenue) /District Collector, ICT, to fix the rates of land for stamp duty purposes with the approval of the Chief Commissioner vide O.M. No. 1(169)-Rev.Br/2013-2503 dated 17.07.2013. Further, the Memorandum also clarified that rates fixed for land of villages by Rawalpindi administration, which previously fell in the jurisdiction of Rawalpindi district and now included in ICT, were not applicable.

The Chief Commissioner, Islamabad Capital Territory, Islamabad did not fix the rates of land of entire rural areas and 60% of urban areas of Islamabad Capital Territory since 1980. Audit observed that during the financial year 2013-14, the transfer of land took place at rates ranging from Rs 96/marla to Rs 10,000/marla which were many times lower than the prevailing market rates. The khasra-wise per marla rate of land of mozas which previously fell in the jurisdiction of Rawalpindi district and now included in the ICT are tabulated below:

(In rupees)

S. No.	Name of moza	Rate/marla
1	Khanna Dak (Residential)	66,000
2	Khanna Dak (Off Road)	66,000
3	Khanna Kak (Residential)	66,000
4	Khanna Kak (Off Road)	66,000
5	Shakrial (Residential)	66,000
6	Shakrial (Off Road)	66,000
7	Gangal	60,000
Total		**456,000**
Average rate/marla		**65,143**

When the above average rate of Rs 65,143 per marla was applied for valuation of transferred land in the financial year 2013-14, it transpired that leaving aside the prevailing market rates, even if the rates of Rawalpindi District had been applied to these transfers, an additional amount of Rs 2,281.72 million could have gone into national exchequer during financial year 2013-14. Since the data from 1980-81 to 2012-13 was not made available to Audit, therefore, the total loss since then could not be calculated.

The irregularity was pointed out to the department in December 2014. In a meeting held on 31.12.2014, it was decided that the matter should be referred to Chief Commissioner Islamabad through the Deputy Commissioner for fixation of rates of land in the rural and urban areas of Islamabad at the earliest. Further progress was not reported till finalization of the report.

Audit recommends early fixation of rates of land to avoid recurring loss to government, besides fixing responsibility.

[DP Nos.1837 & 1842-ICT]

3.3.2 Loss of revenue due to issuance of notification without concurrence of Finance Division - Rs 9.46 million

According to article 1(b)(i) of Table of Fees of the Registration Act 1908, registration fee shall be charged @ 1% of the recorded value of the instrument and according to Section 27-A of the Stamp Act 1899 read with article 23 (b), stamp duty shall be charged @ 4% on the value of conveyance deed. According to Ministry of Interior’s O.M. No.2/17/88-ICT dated 22.04.1989, the Justice Division authorized the Administration of Islamabad Capital Territory to perform the functions of the Provincial Government under any law for the time being in force in Islamabad Capital Territory subject to such general or special instructions as may from time to time be issued by the Federal Government.

The Chief Commissioner, Islamabad Capital Territory, Islamabad reduced the rate of registration fee and stamp duty on mortgage deeds from 1% to 0.25% vide O.M. No. 5(29)-B&A/98 (Vol-II) dated 02.02.2008 without concurrence of Finance Division. Whereas, para 12 of Rules of Business 1973 required the Chief Commissioner to consult the Finance Division while issuing an order which directly or indirectly affected the finances of Federation. The application of illegally reduced rates of registration fee on mortgage deeds resulted in irrecoverable loss of Rs 9.46 million to the government.

The irregularity was pointed out to the department in December 2014. In a meeting held on 31.12.2014, it was decided that the matter should be referred to the Finance Division for its clarification/concurrence. Further progress was not reported till finalization of the report.

Audit recommends that the said notification be cancelled immediately till concurrence of the Finance Division besides fixing responsibility.

[DP Nos. 1838, 1839, 1843 & 1844-ICT]

3.3.3 Non/short-realization of Capital Value Tax on sale of immoveable property - Rs 53.55 million

According to Section 7 (1) of Finance Act 1989 read with circular No. 03 of 2012 (Capital Value Tax) issued by the Federal Board of Revenue vide C.No.4 (60) ITP/2012-106335-R dated 1.08.2012, the capital value tax shall be charged at rates prescribed therein.

The Chief Commissioner, Islamabad Capital Territory, Islamabad charged and collected Capital Value Tax on rates below the prescribed rates on transfer of immoveable property. This resulted in non/short-realization of Capital Value Tax of Rs 53.55 million.

The irregularity was pointed out to the department in December 2014. The department reported that an amount of Rs 2.48 million had been recovered and recovery of the balance amount of Rs 51.07 million was under process. In a meeting held on 31.12.2014, it was decided to expedite the efforts for recovery. Further progress was not reported till finalization of the report.

Audit recommends early recovery of government revenue besides fixing responsibility.

[DP No. 1847-ICT]

3.3.4 Non/short-realization of Mutation Fee - Rs 19.78 million

According to S. No. 7 of the notification No.3007-78/1516-LRI dated 22.11.1978 issued by the Board of Revenue, Punjab and 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.

The Chief Commissioner, Islamabad Capital Territory either did not recover the Mutation Fee or recovered it at rates below the prescribed rate of 5.1%. This resulted in non/short-realization of Mutation Fee amounting to Rs19.78 million.

The irregularity was pointed out to the department in December 2014. The department reported that an amount of Rs 13.53 million had been recovered, provided evidence for already recovered amount of Rs 4.24 million which was verified by Audit, recovery of Rs 1.29 million was in process and did not submit any reply regarding recovery of Rs 0.72 million. In a meeting held on 31.12.2014, it was decided to expedite recovery of balance amount of Rs 1.29 million and submit a reply for cases of Rs 0.72 million. Further progress was not reported till finalization of the report.

Audit recommends early recovery of government revenue besides fixing responsibility.

[DP No. 1848-ICT]

3.3.5 Non-realization of revenue due to non-renewal of route permits-Rs 1.18 million

According to the Motor Vehicle Rules 1969, route permits are issued for a specific period and required to be renewed or surrendered to the issuing authority before one month of expiry. Further, route permit renewal fee and penalty for non-renewal is charged at rates prescribed in the notification issued vide No.5(29)-B&A/2007(Vol-III) dated 30.09.2009.

The Secretary, Islamabad Transport Authority, Islamabad did not take action against the owners of vehicles for expired route permits. The same were neither renewed nor surrendered by the owners of vehicles to the authority till close of audit on 18.09.2014. This resulted in non-realization of government revenue of Rs 1.18 million.

The irregularity was pointed out to the department in December 2014. The department reported that an amount of Rs 0.02 million had been recovered and provided evidence of already recovered amount of Rs 0.02 million and recovery of Rs1.14 million was under process. In a meeting held on 31.12.2014, it was decided that the department would expedite efforts for recovery of balance amount of Rs 1.14 million. Further progress was not reported till finalization of the report.

Audit recommends early recovery of government revenue.

[DP No. 1851-ICT)

3.3.6 Recurring loss of revenue due to non-registration of bus stands - Rs 3.34 million

According to notifications issued by the Chief Commissioner, Islamabad Capital Territory, Islamabad in the years 1996 and 2009, licence fee for “C” Class and “D” class bus stands shall be charged at rates prescribed therein.

The Secretary, Islamabad Transport Authority, Islamabad did not take appropriate action for registration or demolition of twenty-one inter-city bus stands operating illegally at Islamabad. This resulted in recurring loss of government revenue amounting to Rs 3.34 million.

The irregularity was pointed out to the department in December 2014. In a meeting held on 31.12.2014, it was decided that either the bus stands might be demolished immediately or the necessary amendments might be made in the relevant law for licensing of bus stands. Further progress was not reported till finalization of the report.

Audit recommends implementation of decision of the meeting.

[DP No. 1850-ICT]

3.3.7 Non-realization of Capital Gain Tax on transfer of immoveable property - Rs 1.70 million

According to FBR's notification issued vide C. No. 4(90)ITP/2007 dated 02.07.2012, every person responsible for registering or attesting transfer of any immoveable property shall at the time of registering or attesting the transfer collect from the seller or transferor advance tax at the rate of 0.5% except in the case of Federal Government, Provisional Government or a Local Government. The only condition where tax is not to be withheld is where the seller produces evidence that the sale of property is being made after a period of more than two years from the date of purchase.

The Chief Commissioner, Islamabad Capital Territory, Islamabad did not recover capital gain tax where the resale of property took place within the period of two years of first purchase and the seller failed to produce evidence that the sale of property was being made after a period of more than two years from the date of purchase. This resulted in non-realization of capital gain tax of Rs 1.70 million.

The irregularity was pointed out to the department in December 2014. The department reported that an amount of Rs 0.28 million had been recovered, provided evidence of already recovered amount of Rs 0.06 million and stated that balance amount of Rs 1.36 million was under recovery. In a meeting held on 31.12.2014, it was decided to settle the para to the extent of amount recovered/not due. It was further decided that efforts be expedited for recovery of balance amount. Further progress was not reported till finalization of the report.

Audit recommends early recovery of government revenue besides fixing responsibility on persons guilty of non-realization of capital gain tax.

[DP Nos. 1845, 1849-ICT]

3.3.8 Non/short-realization of duty and taxes - Rs 2.22 million

According to Section 231B of the Income Tax Ordinance 2001, advance tax will be collected at the time of registration of new locally manufactured motor vehicles at rates specified in Division VII of Part IV of the First Schedule.

Further, advance income tax, registration fee, token tax, education cess, bed tax are required to be collected at prescribed rates.

The Chief Commissioner, Islamabad Capital Territory either did not collect advance income tax, registration fee, token tax, education cess, bed tax or collected it at rates lesser than applicable. This resulted in non/short realization of duty and taxes of Rs 2.22 million.

The irregularity was pointed out to the department in December 2014. The department reported that an amount of Rs 0.49 million had been recovered, provided evidence of already recovered amount of Rs 0.88 million and stated that balance amount of Rs 0.85 million was under recovery. In a meeting held on 31.12.2014, it was decided that efforts be expedited for recovery of balance amount. Further progress was not reported till finalization of the report.

Audit recommends early recovery of government revenue besides fixing responsibility against persons guilty of non-realization of duty and taxes at prescribed rates.

[Annexure-48]

Performance

3.3.9 Recurring loss of revenue due to non-revision of rates of Hotel Tax - Rs 110.17 million

According to Section 12 of West Pakistan Finance Act 1965, tax on hotels at the rate of Re 1 per day per lodging unit and at the rate of 50 paisas per day per lodging unit in case of first class hotels and second class hotels respectively was levied. However, the Government of Punjab enhanced the rate of hotel tax from Re 1 per day per lodging unit and @ 50 paisas per day per lodging unit to 7.5% of room rent through Punjab Finance Act, 1990 and then to 8% vide Punjab Finance Act 1996.

The Chief Commissioner, Islamabad Capital Territory, Islamabad did not revise the rates of hotel tax fixed in 1965 despite lapse of 49 years. If the rate of 8% of room rent notified by the Government of Punjab in 1996 had been applied on three prime hotels i.e. Marriott Hotel, Serena Hotel and Islamabad Hotel assuming 60% occupancy, an amount of Rs 110.17 million could become the part of national exchequer. Further, if a meaningful survey was conducted and serious efforts were made to bring newly established hotels and rest houses in the tax net, the collection from hotel tax could increase substantially.

The irregularity was pointed out to the department in December 2014. In a meeting held on 31.12.2014, it was decided that the matter may be followed vigorously with the quarter concerned for revision of rates of hotel tax. Further progress was not reported till finalization of the report.

Audit recommends early conducting of survey to determine the actual number of different categories of hotels and restaurants at Islamabad and revision of rates of hotel tax in line with rates notified by the Government of Punjab.

[DP No. 1852-ICT]

3.3.10 Recurring loss of revenue due to non-revision of valuation table

The value of land falling in the urban area of Islamabad Capital Territory was fixed in 2004,vide O.M. No.1(30)-HVC/98/4995 dated 11.09.2004.

The Chief Commissioner, Islamabad Capital Territory did not revise the valuation table despite lapse of a considerable period of more than ten years and transfer/conveyance of property took place on the basis of rates fixed way back in 2004. The valuation table in all provinces of Pakistan were revised regularly on yearly basis. If the valuation table had been revised annually keeping in view the inflation rate in real estate business in Pakistan in the last decade, the revenue might have increased significantly. The non-revision of valuation table caused a recurring loss of millions of rupees to national exchequer.

The irregularity was pointed out to the department in December 2014. In a meeting held on 31.12.2014, it was decided that concrete efforts may be made to update valuation table at the earliest. Further progress was not reported till finalization of the report.

Audit recommends early revision of valuation table keeping in view the current market position of real estate business to avoid recurring loss of government revenue.

[DP No. 1846-ICT]

3.3.11 Loss of revenue due to non-revision of rates of duty and taxes

According to the provisions contained in article 4 (a) read with article 18 (4) & 19 (1) of the Presidential Order No. 1 of 1970, it was decided that in the Islamabad Capital Territory, all taxes, fee and other charges levied under any law in force shall continue to be levied prevailing in the West Pakistan. So, the rate of Education Cess, Licence Fee, Token Tax, Professional Tax, Entertainment Duty and Tobacco Dealer Licence Fee were adopted and implemented. From 01.07.1980 the provisions of Punjab Revenue Act, 1967 were adopted and implemented in the Islamabad Capital Territory for the purposes of all taxes, fees and other charges.

The Excise & Taxation Department, Islamabad Capital Territory, Islamabad continued to implement the rate of Education Cess, Licence Fee, Token Tax, Professional Tax, Entertainment Duty and Tobacco Dealer Licence Fee fixed way back in 1970s and 1980s. These rates were never revised, whereas, the Provincial governments kept on revising these rates from time to time. At present, there was a big gap between the rates prevailing in the Islamabad Capital Territory and the rates applicable in the province of Punjab. If the rates of above-mentioned taxes applicable in the Punjab are applied in the ICT, the collection of revenue from these taxes can be increased many times.

The lapse was pointed out to the department in December 2014. In a meeting held on 31.12.2014, it was decided that the matter be followed vigorously with the concerned quarters for revision of rates of Token Tax, Professional Tax, Entertainment Duty, Education Cess, Tobacco Dealer Licence Fee. Further progress was not reported till finalization of the report.

Audit recommends early revision of rates of taxes in line with notifications issued by the government of Punjab.

[DP No. 1864-ICT]

ANNEXURES

Annexure - 1

MFDAC

Statement of observations/paras included in MFDAC

(Rs in million)

S.No.	Name of Office	DP No. / File No./ Para No./ Part	Amount	Nature of observation
1.	Directorate I&I Faisalabad	F-64-13/I	0.14	Difference in sanctioned and actual figures of expenditures due to procedural lapse
2.	Directorate I&I Faisalabad	F-64-14/I	0.01	Unauthorized expenditure on purchase of goods not used for public interest
3.	Directorate I&I Faisalabad	F-64-15/I	0.00	Non-conduct of physical verification of stores / stocks and non maintenance of stock registers required for dead stock and stationery and domestic use goods.
4.	Directorate I&I Faisalabad	2018	0.05	Irregular payment of arrears due to non production of detail and due drawn statements of arrears paid on up gradation and non deduction of income tax
5.	Directorate of I&I Faisalabad	2015	0.03	Excess payment of law charges
6.	Directorate of I&I Faisalabad	2017	0.08	Excess payment of law charges
7.	Directorate of I&I Faisalabad	2013	0.41	Irregular/doubtful expenditure on repair of vehicles
8.	Directorate I&I Faisalabad	2021	2.07	Irregular payment through cash instead of cross cheques

9.	Directorate I&I Faisalabad	F-66-4/I	0.39	Non-observance of prescribed procedure and non-deposit of earnest money into bank account
10.	MCC Faisalabad	F-65-10/1	0.02	Non/short deduction of professional tax from employees
11.	MCC Faisalabad	F-65-12/1	0.00	Non-conduct of physical verification of store/stock and non maintenance of stock register.
12.	MCC Faisalabad	F-65-13/I	0.02	Excess payment of pay and allowances due to non-deduction of 5 % tax on monetization of transport
13.	MCC Faisalabad	2012	0.16	Excess/Unauthorized Expenditure
14.	MCC Faisalabad	1975	8.45	Irregular payment through cash instead of cross cheques
15.	MCC Faisalabad	1981	0.22	Excess payment of law charges
16.	MCC Faisalabad	1984	0.47	Un-authorized/un-justified expenditure on POL due to doubtful and excessive bills by the petrol pumps and improper monitoring while sanctioning the amount
17.	MCC Faisalabad	F-61-11/I	0.00	Non-realization of government revenue due to showing excess wastage of raw material imported under SRO 450(I)/2001.
18.	MCC Faisalabad	F-61-12/I	0.00	Improper maintenance of record required under Rules vide SRO 327 (I)/2008 and shown the excess consumption of raw material due to miscalculation of square meters

19.	MCC Faisalabad	2007	3.64	Short-realization of warehousing surcharge due to not ex-bonding of ware housed edible oils within prescribed time
20.	MCC Faisalabad	F-62-1/1	0.00	Need for improvement in record maintenance and issuance of notices for recovery of arrears.
21.	MCC Faisalabad	F-57-13/I	0.03	Short realization of government revenue due to un due benefit of concessionary SRO and incorrect rates of customs duty
22.	MCC Faisalabad	1993	8.77	Short-realization of government revenue due to irregular granting of benefit of SRO 659(I)/2007 without verification of FTA certificates
23.	MCC Faisalabad	1996	17.48	Short-realization of government revenue due to inadmissible exemption of sales tax/additional sales tax to traders/importers
24.	MCC Faisalabad	1962	4.86	Non-realization of government revenue due to non-submission of export documents against temporary imports
25.	DG I&I Islamabad	F-104-2/II	0.00	Non-conduct of surprise visit of cash book, physical verification of store/stock
26.	DG I&I Islamabad	F-104-7/I	0.02	Inadmissible sanction and payment of medical charges
27.	DG I&I Islamabad	F-104-10/I	0.01	Inadmissible sanction and payment of medical charges
28.	DG I&I Islamabad	2134	0.23	Excess expenditure on mobile phones

29.	DG I&I Islamabad	2135	0.51	Illegal expenditure on account of payment made to others for service rendered
30.	DG I&I Islamabad	2137	0.14	Non/short deduction of Group Insurance and Benevolent Fund
31.	DG I&I Islamabad	2143	0.00	Unauthorized utilization of vehicle by an officer transferred to FBR(HQ)
32.	MCC Islamabad	2281	27.25	Suspicious duty free import of vehicles in the garb of PCT heading 9918
33.	MCC Islamabad	F-103-1/II	0.00	Non-disposal of replaced auto parts
34.	MCC Islamabad	F-103-2/II	0.00	Non-conduct of surprise visit of cash book, physical verification of store/stock
35.	MCC Islamabad	2172	0.06	Inadmissible payment of instructional allowance
36.	MCC Islamabad	2158	3.00	Irregular payment of honorarium amounting
37.	MCC Islamabad	2175	0.03	Excess payment of law charges
38.	MCC Islamabad	2176	0.03	Excess payment of law charges
39.	MCC Islamabad	2177	0.01	Excess payment of law charges
40.	MCC Islamabad	2180	0.01	Excess payment of law charges
41.	MCC Islamabad	2161	0.84	Short recovery of Normal rent
42.	MCC Islamabad	2166	0.21	Short-recovery of Income Tax from salaries of employees
43.	MCC Islamabad	2167	0.21	Inadmissible reimbursement of medical charges
44.	MCC Islamabad	2170	0.12	Non/short deduction of Group Insurance and Benevolent Fund
45.	MCC Islamabad	2171	0.10	Inadmissible withdrawal of house rent allowance by the officers/officials being

				provided with residential accommodations
46.	MCC Islamabad	2173	0.04	Inadmissible reimbursement of medical charges
47.	MCC Islamabad	F-101-25/I	3.33	Non-realization of revenue due to inadmissible benefit of PCT 9903
48.	MCC Islamabad	F-100-2/I	17.06	Short realization of government revenue due to under valuation of sack kraft
49.	MCC Islamabad	F-100-5/I	1.80	Short realization of government revenue due to addition of actual cost of insurance instead of 1% cost of insurance in customs value
50.	MCC Islamabad	2248	7.28	Non -realization of revenue due to inadmissible benefit of SRO 659(I)/2007 on good imported from country other than China
51.	MCC Islamabad	2303	15.57	Non realization of duty and taxes due to inadmissible benefit of SRO 766(I)/2009, Import Policy Order
52.	MCC Islamabad	2207	0.32	Loss of government due to late auction of goods at a price lower than offered in earlier auction
53.	Collector (Adjudication) Lahore	F-205-1/I	0.00	Un-authorized expenditure on account of re-imbursement of medical charges
54.	Collector (Adjudication) Lahore	F-205-2/I	0.05	Non deduction of income tax from the salary
55.	Collector (Adjudication) Lahore	F-205-3/I	0.54	Non Recovery of government dues
56.	Collector Appeal	2457	0.88	Un-authorized expenditure

	Lahore			on account of re-imbursement of medical charges
57.	Director (SWH) I&I Lahore	F-215-6/I	30.00	Non-accountal of public stores-chances of loss to state
58.	Director (Valuation) Lahore	F-213-2/I	0.03	Un-authorized expenditure on account of re-imbursement of medical charges
59.	Director (Valuation) Lahore	F-213-4/I	0.01	Purchase of books at excessive rate loss to state
60.	Directorate of I&I Lahore	F-203-1/I	0.02	Un-authorized expenditure on account of re-imbursement of medical charges.
61.	Directorate of I&I Lahore	F-203-10/I	0.00	Purchase of books at excessive rate loss to state
62.	Directorate of I&I Lahore	F-203-12/I	0.42	Irregular payment of rent of residential building due to illegal (Back Dated) Lease Agreement
63.	Directorate of I&I Lahore	F-203-15/I	0.13	Non recovery of sale/income tax
64.	Directorate of I&I Lahore	F-203-21/I	0.00	Non-conduct of physical verification of stores/stock
65.	Directorate of I&I Lahore	F-203-24/I	0.01	Excess payment of travelling allowance
66.	Directorate of I&I Lahore	F-203-27/I	0.04	Misappropriation of funds on account of purchase of software
67.	Directorate of I&I Lahore	F-203-36/I	0.00	Non provision of information
68.	Directorate of I&I Lahore	2504	0.12	Misappropriation of Funds on account of Repair of office building
69.	Directorate of I&I Lahore	2513	0.00	Non Maintenance of Ledger staff cars
70.	Directorate of I&I Lahore	2520	0.02	Un authorized payment on account of Printing & Publication

71.	Directorate of I&I Lahore	2523	0.05	Misappropriation of Public Funds on account of POL/repair of vehicle
72.	Directorate of I&I Lahore	2524	0.19	Misappropriation of Public Funds on account of POL/repair of vehicle
73.	Directorate of I&I Lahore	2525	0.02	Misappropriation of Public Funds on account of Repair of vehicle
74.	Directorate of I&I Lahore	2526	6.81	Unlawful expenditure on operational vehicles without fresh authorization
75.	Directorate of I&I Lahore	2510	2.50	Non Utilization of Public Stores
76.	Directorate of Internal Audit Lahore	F-209-7/I	0.00	Non-conduct of physical verification of stores/stock
77.	Directorate of Internal Audit Lahore	F-209-9/I	0.04	Un-authorized expenditure on account of re-imbursement of medical charges
78.	Directorate of Internal Audit Lahore	F-209-13/I	0.04	Purchase of books at excessive rate loss to state
79.	Directorate of Internal Audit Lahore	2495	0.13	Misappropriation of Public Money on account of Vehicles POL and maintenance on fake/ unverifiable cash memos, Loss to state
80.	Directorate of Internal Audit Lahore	2491	0.08	Irregular Expenditure on account of Electronic communication
81.	Directorate of Internal Audit Lahore	2493	0.06	Un-authorized expenditure on account of re-imbursement of medical charges
82.	MCC (Preventive) Lahore	2349	1.76	Loss of Govt. Revenue due to non-forfeiture of earnest money
83.	Directorate of PCA	F-207-2/I	0.00	Non-conduct of physical

	Lahore			verification of stores/stock
84.	Directorate of PCA Lahore	F-207-11/I	0.01	Purchase of books at excessive rate
85.	Directorate of PCA Lahore	F-207-12/I	0.34	Un authorized retention of amount pertain to common pool fund
86.	Directorate of PCA Lahore	F-207-14/I	0.03	Incurring of unauthorized expenditure through doubtful/fake billing
87.	Directorate of PCA Lahore	2540	0.02	Misappropriation of funds on account of purchase of software
88.	Directorate of PCA Lahore	2550	0.00	Non-existence of internal control
89.	Directorate of PCA Lahore	2552	0.14	Misappropriation of Public Money on account of Vehicles POL and maintenance on fake/ unverifiable cash memos
90.	Directorate of PCA Lahore	2553	0.02	Incurring of unauthorized expenditure through doubtful/fake billing
91.	Directorate of PCA Lahore	2543	0.08	Un-authorized expenditure on account of re-imbursement of medical charges
92.	Directorate of PCA Lahore	2549	0.00	Non Maintenance of Ledgers of staff Cars
93.	MCC (Appraisement) Lahore	1695	6.97	Loss of revenue due to time barred show-cause notice
94.	MCC (Appraisement) Lahore	2473	2.90	Unlawful expenditure on operational vehicles without fresh authorization
95.	MCC (Appraisement) Lahore	F-201-1/I	0.03	Un-authorized expenditure on account of re-imbursement of medical charges
96.	MCC (Appraisement) Lahore	F-201-2/I	0.08	Un-authorized expenditure on account of re-imbursement of medical charges

97.	MCC (Appraisement) Lahore	F-201-4/I	0.02	Non-recovery of income tax from the payment of law charges
98.	MCC (Appraisement) Lahore	F-201-6/I	0.00	Non-conduct of physical verification of stores/stock
99.	MCC (Appraisement) Lahore	F-201-7/I	0.04	Un-authorized expenditure on account of re-imbursement of medical charges
100.	MCC (Appraisement) Lahore	F-201-10/I	0.83	Unauthorized expenditure on telephone & trunk calls
101.	MCC (Appraisement) Lahore	F-201-12/I	0.42	Non recovery of rent & allied charges
102.	MCC (Appraisement) Lahore	F-201-17/I	0.10	Doubtful expenditure on account of repair of IT equipment
103.	MCC (Appraisement) Lahore	F-201-24/I	0.18	Excess payment of rent of residential building due to non extension in lease agreement
104.	MCC (Appraisement) Lahore	F-201-35/I	0.00	Non provision of information
105.	MCC (Appraisement) Lahore	2471	0.68	Non transfer of govt. revenue from Collector's account to govt. exchequer on account of agent license fee
106.	MCC (Appraisement) Lahore	2475	0.13	Un authorized payment on account POL
107.	MCC (Appraisement) Lahore	2477	0.10	Irregular expenditure on Repair of Machinery
108.	MCC (Appraisement) Lahore	2478	0.08	Misappropriation of Funds on account of purchase of software
109.	MCC (Appraisement)	2481	0.05	Misappropriation of Public Money on account of

	Lahore			Vehicles POL and Maintenance through fake/unverifiable cash memos
110.	MCC (Appraisement) Lahore	2474	0.23	Irregular Expenditure on account of Electronic communication
111.	MCC (Appraisement)LHR	F-211-2/I	0.00	Non-conduction of physical verification of stores/stock
112.	MCC (Appraisement) Lahore	2462	0.01	Non deduction of 1/5th of income tax
113.	MCC (Appraisement) Lahore	1814	0.00	Non disposal of vehicles entered in the amnesty scheme register
114.	MCC (Appraisement) Lahore	F-175-2/I	0.24	Short-realization of govt. revenue due to inadmissible exemption of sales tax SRO 551(I)/2008
115.	MCC (Appraisement) Lahore	F-168-14/I	1.07	Short realization of govt. revenue due to misclassification of imported radio
116.	MCC (Appraisement) Lahore	F-168-27/I	0.12	Short realization of govt. revenue due to application of incorrect rates of additional customs duty on imported goods
117.	MCC (Appraisement) Lahore	1667	297.56	Non-realization of income tax on imported goods
118.	MCC (Appraisement) Lahore	1674	0.11	Non-realization of Federal Excise Duty due to misclassification of imported goods
119.	MCC (Appraisement) Lahore	1675	0.16	Short-realization of government revenue due inadmissible exemption of sales tax under SRO 1125(I)/2011
120.	MCC (Appraisement)	1676	0.11	Short-realization of government revenue due to

	Lahore			under valuation of imported goods
121.	MCC (Appraisement) Lahore	1679	0.79	Short realization of govt revenue due to inadmissible exemption of CD under SRO 575(I)/2006
122.	MCC (Appraisement) Lahore	1683	85.85	Improper examination of imported goods causing possible loss to national exchequer
123.	MCC (Appraisement) Lahore	1689	0.60	Inadmissible exemption of customs duty
124.	MCC (Appraisement) Lahore	1812	1.84	Irregular release of confiscated vehicles under amnesty scheme causing loss to govt.
125.	MCC (Appraisement) Lahore	1815	0.00	Doubtful release of non-duty paid vehicles under amnesty scheme
126.	MCC (Appraisement) Lahore	1816	0.00	Inadmissible release of vehicles under amnesty scheme where were not presented at NLC Dryport
127.	MCC (Appraisement) Lahore	F-193-/I	13.16	Non-export of finished goods manufactured with duty free raw material exempted at the time of import
128.	MCC (Appraisement) Lahore	F-192-1/II	0.01	Non-realization of penal surcharge
129.	MCC (Appraisement) Lahore	F-73-1/II	1.90	Irregular payment of rebate
130.	MCC (Appraisement) Lahore	F-73-2/II	0.02	Doubtful payment of rebate-short realization of government revenue
131.	MCC (Appraisement) Lahore	F-73-3/II	0.01	Doubtful claim of rebate due to non availability of bank credit advice

132.	MCC (Appraisement) Lahore	F-73-10/I	3.27	Concealment of exported goods due to misdeclaration of weight. Short realization of foreign currency
133.	MCC (Appraisement) Lahore	F-179-21/I	0.00	Proper fire and rescue arrangements at Prem Nagar Dry Port premises
134.	MCC (Appraisement) Lahore	1827	0.18	Short deposit of government dues (ST & IT) and lack of proof of deposit of advance CD
135.	MCC (Appraisement) Lahore	1836	0.00	Safety of public revenue during transit by road from Karachi Port inland ports
136.	MCC (Appraisement) Lahore	F-171-11/I	1.36	Non-realization of duty & taxes due to grant of inadmissible exemption
137.	MCC (Appraisement) Lahore	F-171-3/I	1.70	Short realization of government revenue due to non-observing the conditions of SRO 655(I)/2006
138.	MCC (Appraisement) Lahore	F-171-14/I	0.48	Short realization of government revenue due to grant of inadmissible benefit of SRO 659(I)/2007
139.	MCC (Appraisement) Lahore	F-171-16/I	0.43	Short realization of government revenue due to grant of irregular benefit under SRO 1261(I)/2006
140.	MCC (Appraisement) Lahore	F-171-23/I	0.11	Short realization of government revenue due to inadmissible benefit of SRO 1125(I)/2011
141.	MCC (Appraisement) Lahore	F-171-31/I	0.06	Short realization of government revenue due to under valuation of imported goods
142.	MCC (Appraisement) Lahore	F-171-1/II	0.02	Short-realization of government revenue due to inadmissible benefit of SRO

143.	MCC (Appraisement) Lahore	F-171-2/II	0.02	Short realization of government revenue due to short assessment
144.	MCC (Appraisement) Lahore	F-171-3/II	0.01	Inadmissible benefit of SRO 575(I)/2006 through misclassification of imported goods
145.	MCC (Appraisement) Lahore	F-171-4/II	0.01	Short recovery of income tax
146.	MCC (Appraisement) Lahore	F-171-5/II	0.00	Short realization of government revenue due to under assessment of value of imported goods
147.	MCC (Appraisement) Lahore	F-171-6/II	0.00	Short realization of government revenue due to short assessment of imported goods
148.	MCC (Appraisement) Lahore	F-171-7/II	0.00	Undue releasing of imported goods
149.	MCC (Appraisement) Lahore	F-191-17/I	0.87	Short-realization of revenue due to non-application of rates of customs duty under SRO 497(I)/2009 on goods imported from China
150.	MCC (Appraisement) Lahore	1697	3.08	Non realization of withholding tax on export
151.	MCC (Appraisement) Lahore	1707	0.22	Short realization of government revenue due to grant of irregular benefit of SRO 659(I)/2007 and non imposition penalty u/s 156
152.	MCC (Appraisement) Lahore	1711	3.24	Non-realization of income tax
153.	MCC (Appraisement) Lahore	1715	0.93	Short realization of government revenue due to inadmissible benefit of SRO 659(I)/2007

154.	MCC (Appraisement) Lahore	1719	267.68	Irregular release of imported goods without fulfilling condition of SRO 678(I)2004, dated 07.08.2004
155.	MCC (Appraisement) Lahore	1720	0.22	Non-Charging of redemption fine
156.	MCC (Appraisement) Lahore	1723	0.10	Inadmissible benefit of SRO 659(I)/2007
157.	MCC (Appraisement) Lahore	1725	0.10	In admissible benefit of FTA under SRO 659(I)/2007
158.	MCC (Appraisement) Lahore	2384	13.16	Short-realization of revenue due to non-application of rates of customs duty under SRO 497(I)/2009 on goods imported from China
159.	MCC (Appraisement) Lahore	1693	2.59	Non-protection of government revenue due to acceptance of PDCs / indemnity bonds / bank guarantees for lesser amount
160.	MCC (Appraisement) Lahore	2416	0.52	Non realization of duty & taxes on un-utilized quantity of imported goods
161.	MCC Preventive Lahore	2446	3.80	Unlawful expenditure on operational vehicles without fresh authorization
162.	MCC (Appraisement) Lahore	2421	0.77	Non realization of duty & taxes on un-utilized quantity of imported goods
163.	MCC (Preventive) Lahore	F-199-4/I	0.00	Excess payment on account of telephone charges
164.	MCC (Preventive) Lahore	F-199-5/I	0.09	Un-authorized expenditure on account of travelling allowance
165.	MCC (Preventive) Lahore	F-199-7/I	0.23	Un-authorized expenditure on account of travelling

				allowance
166.	MCC (Preventive) Lahore	F-199-16/I	0.00	Non-conduction of physical verification of stores/stock
167.	MCC (Preventive) Lahore	F-199-29/I	0.84	Irregular expenditure of public funds on A/c of contingent paid staff
168.	MCC (Preventive) Lahore	F-199-35/I	0.88	Unauthorized expenditure on telephone & trunk calls
169.	MCC (Preventive) Lahore	F-199-37/I	0.00	Non provision of information
170.	MCC (Preventive) Lahore	2434	0.07	Inadmissible payment of house rent allowance
171.	MCC (Preventive) Lahore	2438	0.47	Non deduction of Income tax from the rent of office building
172.	MCC (Preventive) Lahore	2444	0.17	Doubt full expenditure on registration of motor vehicles
173.	MCC (Preventive) Lahore	2454	0.19	Un-authorized grant of sanction of expenditure over and above the available budget
174.	MCC (Preventive) Lahore	2431	0.23	Un-authorized expenditure on account of re-imbursement of medical charges
175.	MCC (Preventive) Lahore	2443	96.30	wastage of public resources-irregular expenditure on pay & allowance
176.	MCC (Preventive) Lahore	2453	0.45	Irregular Expenditure on account of Electronic communication
177.	MCC (Preventive) Lahore	2455	0.16	Un-authorized expenditure on account of re-imbursement of medical charges
178.	MCC (Preventive) Lahore	2561	1.68	Non recovery of conveyance allowance from officers using staff car
179.	MCC (Preventive)	2562	2.64	Non recovery of

	Lahore			conveyance allowance from officers using staff car
180.	MCC (Preventive) Lahore	2362	32.84	Non protection of government interest due to acceptance of PDCs/ Indemnity bond/ Bank guarantee for lessor
181.	MCC (Preventive) Lahore	F-167-24/I	0.01	Inadmissible payment of rebate on time barred case
182.	MCC (Preventive) Lahore	1796	1.96	Doubtful claim of rebate due to issuance of Form-E and bank credit advice by different banks
183.	MCC (Preventive) Lahore	2331	0.02	Excess payment of rebate due to application of incorrect rate under SRO 2009(I)/2009
184.	MCC (Preventive) Lahore	1797	1.66	Doubtful claim of rebate due to non availability of bank credit advice
185.	MCC (Preventive) Lahore	1798	1.06	Irregular payment of rebate
186.	MCC (Preventive) Lahore	1799	0.66	Inadmissible payment of rebate due to non deduction of withholding tax and export development surcharge
187.	MCC (Preventive) Lahore	1803	0.19	Irregular payment of rebate
188.	MCC (Preventive) Lahore	F-169-9/I	0.01	Short realization of government dues due to miscalculation
189.	MCC (Preventive) Lahore	1789	1.33	Short-realization of government revenue due to grant of inadmissible benefit
190.	MCC (Preventive) Lahore	2327	3.31	Non realization of sales tax due to inadmissible benefit of SRO 551(I)/2008
191.	MCC (Preventive) Lahore	1792	0.44	Short-realization of withholding tax
192.	MCC (Preventive)	F-170-138/I	0.03	Non realization of

	Lahore			government revenue due to irregular exemption of SRO 326, 327(I)/2008
193.	MCC (Preventive) Lahore	F-170-139/I	0.01	Non realization of government revenue due to irregular exemption of SRO
194.	MCC (Preventive) Lahore	F-176-7/II	1.91	Non-realization of government revenue due to irregular exemption of sales tax
195.	MCC (Preventive) Lahore	F-176-22/II	69.96	Loss of Government revenue due non-confiscation of banned items from India
196.	MCC (Preventive) Lahore	1740	34.95	Short realization of income taxes due to application of incorrect rate
197.	MCC (Preventive) Lahore	2290	262.98	Non realization of govt. revenue due to irregular grant of port-clearance of exported goods
198.	MCC (Preventive) Lahore	1734	434.03	Non realization of govt. revenue due to irregular grant of port-clearance of exported goods
199.	MCC (Preventive) Lahore	2308	0.00	Loss of Govt. Revenue due to Dubious Invoices
200.	MCC (Preventive) Lahore	1744	17.84	Non availability of proof of payment of duty and taxes relating to import of defence stores under SRO 567(I)/2006
201.	MCC (Preventive) Lahore	1746	10.48	Non realization government revenue
202.	MCC (Preventive) Lahore	1751	7.35	Non imposition of penalty for not filing of GD within stipulated period
203.	MCC (Preventive) Lahore	1757	4.31	Non realization of government revenue
204.	MCC (Preventive) Lahore	1780	0.11	Short realization of income taxes

205.	MCC (Preventive) Lahore	1781	0.02	Short realization of government revenue due to inadmissible benefit of SRO 1125 (I)/2011 dated 31.12.2011
206.	MCC (Preventive) Lahore	1945	21.35	Short realization of income taxes due to application of incorrect rate
207.	MCC (Preventive) Lahore	F-188-1/II	1.87	Non realization of sales tax due to irregular benefit of Sixth Schedule
208.	MCC (Preventive) Lahore	2318	5.51	Short-realization of sales tax due to application of incorrect rate under SRO 1125(I)/2011
209.	MCC (Preventive) Lahore	2320	1.95	Non-realization of duty and taxes due to irregular benefit of SRO 492(I)/2009
210.	MCC (Preventive) Lahore	2315	28.68	Non protection of government interest due to acceptance of PDCs/ Indemnity bond/ Bank guarantee for lessor amount
211.	MCC (Preventive) Lahore	2347	0.00	Improper maintenance of record
212.	MCC (Preventive) Lahore	2351	0.00	Abnormal delay in disposal of confiscated vehicles for 1st auction after passing the order-in-original
213.	Directorate of Transit Trade, Peshawar	F-54-7/I	0.00	Non deduction of income tax on property income
214.	Directorate of Transit Trade, Peshawar	F-54-1/II	0.20	Non-payment of amount through crossed cheques
215.	Directorate of Transit Trade, Peshawar	F-54-2/II	0.00	Non-conducting of physical verification of stock/stores
216.	Directorate of Transit Trade, Peshawar	2102	0.30	Wrong use of confiscated vehicles

217.	MCC Peshawar	F-51-1/II	0.05	Irregular payment of night duty allowance
218.	MCC Peshawar	F-51-2/II	0.12	Non inviting of quotation/preparation of comparative statements for purchase of official items
219.	MCC Peshawar	F-51-3/II	0.03	Doubtful purchase of charcoal
220.	MCC Peshawar	F-51-4/II	0.04	Excess payment of TA/DA due to non availability of sales tax invoice
221.	MCC Peshawar	F-51-5/II	0.04	Irregular expenditure from budget grant
222.	MCC Peshawar	F-51-6/II	0.00	Working of staff over and above the sanctioned strength.
223.	MCC Peshawar	F-51-7/II	0.00	Non-conducting of internal audit
224.	MCC Peshawar	F-51-8/II	0.00	Non-conducting of physical verification of stock/stores
225.	MCC Peshawar	F-51-9/II	0.00	Uneconomical purchase and consumption of certain goods
226.	MCC Peshawar	2030	0.07	Short deduction of Sales Taxes on payment for uniform and liveries
227.	MCC Peshawar	2038	0.02	Non-deduction of sales tax on payment of advertisement charges
228.	MCC Peshawar	2042	0.03	Non-recovery of guest house charges
229.	MCC Peshawar	2022	0.19	Non-recovery of house rent allowance and 5% house rent from the pay of officers to whom allocated government accommodation
230.	MCC Peshawar	2024	1.30	Wrong use of confiscated vehicles
231.	MCC Peshawar	2025	0.15	Non-recovery of 5% house rent from performance

				allowance of officers to whom allocated government accommodation
232.	MCC Peshawar	2031	0.23	Excess payment of law charges
233.	MCC Peshawar	2035	0.20	Irregular payment of overtime allowance
234.	MCC Peshawar	2039	0.03	Irregular payment of law charges
235.	MCC Peshawar	2044	0.13	Irregular drawl of medical charges
236.	MCC Peshawar	F-55-2/I	0.02	Late realization of Govt. revenue due to non-encashment of BGs/Post dated cheques in time
237.	MCC Peshawar	F-59-1/II	2.21	Short-realization of government revenue due to grant of inadmissible benefit of SRO 727(I)/2011
238.	MCC Peshawar	F-59-2/II	0.00	Short realization of government revenue due to misclassification of imported goods
239.	MCC Peshawar	F-59-3/II	0.00	Short-realization of government revenue due to inadmissible benefit allowed under SRO 659 (I)/2007
240.	MCC Peshawar	F-59-4/II	0.00	GDs filed prior to 10 days from the IGM No
241.	MCC Peshawar	2081	4.53	Short realization of government revenue due to import against the provisions of Import Policy Order
242.	MCC Peshawar	2085	0.44	Short-realization of revenue due to insertion of manufactured rates of customs duty not provided

				in the SRO 659(I)/2007
243.	MCC Peshawar	2086	1.05	Non-realization of government revenue due to irregular exemption of sales tax
244.	MCC Peshawar	2095	0.06	Short-realization of additional customs duty
245.	MCC Peshawar	F-56-1/II	0.00	Miscellaneous irregularities
246.	MCC Peshawar	F-57-1/II	0.01	Short realization of revenue due to wrong calculation of duty & taxes
247.	MCC Peshawar	F-57-2/II	0.00	Short realization of government revenue due to non-levy of additional customs duty
248.	MCC Peshawar	F-57-3/II	0.00	Short realization of advance income tax
249.	MCC Peshawar	F-57-4/II	0.00	Short-realization of government revenue due to non levy of petroleum surcharge
250.	MCC Peshawar	F-58-7/I	1.54	Non realization of govt. revenue due to irregular benefit of PCT code
251.	MCC Peshawar	F-58-1/II	0.02	Non realization of withholding tax and export development surcharge
252.	MCC Peshawar	F-58-2/II	0.00	Export of goods by non-observing the contents of Form-E
253.	MCC Peshawar	F-60-1/II	15.40	Non-declaration of the name of exporter-possible loss of revenue due to non-charging of anti dumping duty
254.	MCC Peshawar	2045	42.06	Short realization of govt. revenue due to grant of inadmissible benefit of SROs
255.	MCC Peshawar	2068	17.18	Undue reduction of reserve

				price--short fetching of revenue
256.	MCC Peshawar	2047	3.01	Short realization of warehousing surcharge (additional customs duty) on edible oil
257.	MCC Peshawar	2069	0.79	Non-forfeiture of earnest money
258.	MCC Peshawar	2070	0.18	Irregular grant of extension for payment
259.	MCC Peshawar	2071	0.17	Doubtful auction
260.	MCC Peshawar	2072	0.15	Non acceptance of reasonable bid--sale of vehicles to the same persons
261.	MCC Sialkot	F-61-3/I	0.47	Irregular payment of Utility Bills
262.	MCC Sialkot	F-61-9/I	0.03	Non-deduction of with-holding tax
263.	MCC Sialkot	F-61-10/I	0.02	Non realization of Withholding Tax on property income
264.	MCC Sialkot	1933	1.75	Non confirmation of exports to Afghanistan involving government revenue
265.	MCC Sialkot	1942	0.06	Non deduction of instalments of House Building Advance
266.	MCC Sialkot	1943	0.01	Excess payment on purchase of stationery items
267.	MCC Sialkot	1936	1.17	Excess payment of pay and allowances
268.	MCC Sialkot	1940	0.17	Non deduction of Income Tax
269.	MCC Sialkot	1941	0.08	Non recovery of House Rent
270.	MCC Sialkot	F-50-20/I	0.10	Non realization of Govt Revenue
271.	MCC Sialkot	1884	26.73	Irregular release of imported goods due to

				acceptance of indemnity bond and post-dated cheques for lesser amount
272.	MCC Sialkot	1886	7.20	Non–realization of government dues due to non encashment of postdated cheques
273.	MCC Sialkot	1887	7.07	Non realization of government Revenue due to irregular release of imported goods
274.	MCC Sialkot	1890	2.00	Non realization of government revenue
275.	MCC Sialkot	1899	0.19	Non realization of additional sales tax on import of motor vehicles
276.	MCC Sialkot	F-51-2/I	0.01	Blockade of government revenue due to non-disposal of un-delivered parcels
277.	MCC Sialkot	F-55-5/I	0.02	Non realization of duty and taxes due to inadmissible benefit of SRO 492(I)/2009
278.	MCC Sialkot	1911	80.93	Irregular release of imported goods due to acceptance of indemnity bond and post-dated cheques for lesser amount
279.	MCC Sialkot	F-57-5/I	0.01	Short realization of sales tax on import of Fabrics
280.	MCC Sialkot	F-57-6/I	0.01	Short realization of government revenue
281.	MCC Sialkot	1930	11.02	Non realization of government revenue due to grant of inadmissible benefit of DTRE
282.	Director I&I, Karachi	881-CD/K	5.62	Non-reconciliation and deposited of receipts of revenue
283.	MCC, Export, Customs House, Karachi	900-CD/K	5.99	Non-realization of income tax from proceeds of foreign exchange received export of goods

284.	MCC, Export, Customs House, Karachi	901-CD/K	0.09	Non-realization of duty and taxes on imported goods short accounted
285.	MCC, Appraisement (West), Karachi	907-CD/K	100.31	Non-deposit of auctioned money into Government account
286.	MCC, Exports, PMBQ, Karachi	910-CD/K	11.90	Non-accountal/entering recovery cases in Master Recovery Register
287.	MCC, Exports, PMBQ, Karachi	916-CD/K	24.69	N/recovery of remitted amount of duty/taxes on non-export of DTRE goods
288.	MCC, Exports, PMBQ, Karachi	917-CD/K	172.61	Irregular claim/refund of input tax
289.	MCC, Exports, PMBQ, Karachi	920-CD/K	327.57	Irregular claim/refund of input tax
290.	MCC, Appraisement (East), Karachi	934-CD/K	10.12	Loss of revenue due to irregular exemption of sales tax
291.	MCC, Hyderabad	940-CD/K	50.23	Non-realization of duty/taxes on DTRE inputs not exported
292.	MCC, Hyderabad	955-CD/K	36.83	Non-realization of duty/taxes on imports by a licensee having no analysis certificate
293.	MCC, Hyderabad	957-CD/K	0.00	Production of export goods against provisional analysis certificate
294.	MCC, Hyderabad	959-CD/K	1.91	Blockage of revenue doe to N/disposal of wastage
295.	MCC, Exports, PMBQ, Karachi	967-CD/K	-	Non- cancellation of license on non-utilization and exports against expired license
296.	MCC, Exports, PMBQ, Karachi	968-CD/K	0.83	Blockage of revenue due to N/disposal of wastage
297.	MCC, Appraisement (West), Karachi	973-CD/K	0.30	Non-forfeit of security deposit
298.	MCC,	974-CD/K	93.94	Short realization of

	Appraisement (West), Karachi			Government revenue due to miscalculation
299.	MCC, Appraisement (West), Karachi	984-CD/K	1.53	Non-observance of auction rules, resulted likely loss of revenue of due to non-forfeited of earnest money
300.	MCC, Appraisement (West), Karachi	988-CD/K	-	Non Clearance of IGMs After Expiry of stipulated period
301.	MCC, Appraisement (West), Karachi	989-CD/K	1.12	Loss of Government revenue due to misdeclaration of value vide GD No.KAPW-HC-86068 dt,08/01/2014
302.	MCC, Appraisement (West), Karachi	995-CD/K	64.80	Late cancellation of bank guarantees
303.	MCC, Appraisement (West), Karachi	996-CD/K	25.04	Late encashment of bank guarantees
304.	MCC, Appraisement (East), Karachi	1008-CD/K	1,123.39	Loss of revenue due to irregular exemption/concession
305.	MCC, Appraisement (East), Karachi	1012-CD/K	0.71	Short-realization of government revenue due irregular exemption and concession
306.	MCC, Appraisement (East), Karachi	1017-CD/K	15.13	Short realization of govt. revenue due to irregular exemption and concession
307.	MCC, PMBQ, Karachi	1063-CD/K	4793.05	Non- realization of government revenue due to irregular exemption and concession
308.	Dir Transit Trade, Karachi	1161-CD/K	2.65	Loss of revenue due to non-production of cross boarder certificate.
309.	Internal Audit, Customs, Karachi	1164-CD/K	-	Poor performance of Internal Audit.
310.	Internal Audit, Customs, Karachi	1166-CD/K	-	Poor performance due to non-submission of audit report during 2013-14.

311.	Internal Audit, Customs, Karachi	1167-CD/K	-	Poor performance due to non-submission of audit report after laps of five months
312.	MCC, Appraisement (West), Karachi	1174-CD/K	1.70	S/R of Duty and Taxes
313.	MCC, Appraisement (West), Karachi	1182-CD/K	3.64	S/R of Duty and Taxes
314.	MCC, Appraisement (West), Karachi	1183-CD/K	0.74	Short realization of duty & taxes due to miscalculation
315.	MCC, Appraisement (West), Karachi	1184-CD/K	7.78	S/R of Duty and Taxes
316.	MCC, Appraisement (East), Karachi	1214-CD/K	0.95	Short realization of revenue due to under valuation of imported goods.
317.	MCC, Appraisement (West), Karachi	1223-CD/K	17.65	S/R of duty and taxes due to undervaluation
318.	MCC, Appraisement (West), Karachi	1230-CD/K	74.34	N/R of Additional CD and S/R of other taxes
319.	MCC, Appraisement (West), Karachi	1231-CD/K	0.02	Loss of revenue due to assessment on lower side
320.	MCC, Preventive, Karachi	1233-CD/K	32.20	Non-disposal of seized narcotics
321.	MCC, Preventive, Karachi	1235-CD/K	8.08	Irregular abatement given on reserve price
322.	MCC, Preventive, Karachi	1236-CD/K	0.39	Non-forfeiture of earnest money
323.	MCC, Preventive, Karachi	1239-CD/K	50.47	Blockade of government revenue due to non-disposed of seized/ confiscated miscellaneous items
324.	MCC, Preventive, Karachi	1244-CD/K	1.30	Loss of government revenue due to excess

				deduction of commission charges by GPO
325.	MCC, Preventive, Karachi	1249-CD/K	-	Non-disposal of detained whisky, wines and liquors.
326.	MCC, Appraisement (East), Karachi	1262-CD/K	0.63	Non-imposition and realization of penalty on account of non-removal of goods.
327.	MCC, Appraisement (East), Karachi	1266-CD/K	0.20	Non-imposition and realization of penalty on account of non- removal of goods
328.	MCC, Preventive, Karachi	1276-CD/K	0.03	Short realization of revenue due inadmissible exemption
329.	MCC, Appraisement (West), Karachi	1278-CD/K	35.91	Loss of govt. revenue due to irregular exemption
330.	MCC, Appraisement (West), Karachi	1294-CD/K	0.10	Irregularities noticed in auction
331.	MCC, Appraisement (West), Karachi	1295-CD/K	0.00	Irregularities noticed in auction
332.	MCC Appr.Gr-I(West), Kar	Para-1	4.49	Non-realization of CD due to misclassification
333.	MCC Appr.Gr-I(West), Kar	Para-1	0.07	N/R of duty/taxes due to non-clearance of GD
334.	MCC, Prev/AC, Drug Enforce	Para-1/I	39.98	Non-deposit of Gold & F/currency in SBP
335.	MCC, Prev/AC, U/A Baggage	Para-1/I	0.01	Short realization of duty/taxes
336.	MCC, Prev/ AC, Mishandling	Para-1/I	0.00	Non-deposit of seized goods having value
337.	MCC, Hyderabad (AiR No.06)	Para-10	0.29	Non-disposal of wastage
338.	Director I & I, Karachi	Para-10/I	0.00	Non- realization of earnest money
339.	MCC Appr.Gr-VI(West), Kar	Para-15	0.00	Non-realization of adjudged Govt. dues
340.	MCC, Prev/AC Intl Dep. JIAP	Para-2/I	324.19	Non-export of gold jewellery/ precious metals

341.	MCC, Prev/AC Intl Arrival JIAP	Para-2/I	0.02	Short realization of duty/taxes
342.	MCC, Prev/AC Postal Appr.	Para-2/I	0.01	Short realization of duty/taxes
343.	MCC, Prev/AC Baggage WW	Para-2/I	0.01	Short realization of duty/taxes
344.	MCC, Prev/AC, U/A Baggage	Para-2/I	0.01	Irregular condonation of delay
345.	MCC, Prev/ AC, Mishandling	Para-2/I	0.00	Inadequate monitoring/ control of BWHs
346.	MCC, Prev/ A.C. Oil Section	Para-3/I	0.00	Non-imposition of fines & penalties
347.	MCC, Prev/AC Intl Arrival JIAP	Para-3/I	0.02	Short realization of duty/taxes
348.	MCC, Prev/AC Postal Appr.	Para-3/I	0.00	Short realization of duty/taxes
349.	MCC, Prev/AC, Auction (Hqrs)	Para-3/I	0.00	Auction of goods W/o observing provision of law
350.	MCC, Prev/AC Baggage WW	Para-3/I	0.00	Non- realization of duty/taxes
351.	MCC, Prev/AC Baggage EW	Para-3/I	0.00	Non- realization of duty/taxes
352.	MCC, Prev/AC, U/A Baggage	Para-3/I	0.00	Short realization of duty/taxes
353.	MCC, Prev/ A.C. Oil Section	Para-4/I	0.00	Non-imposition of fines & penalties
354.	MCC, Prev/AC, SWH-I	Para-4/I	0.00	Non-conduct of physical stock taking
355.	MCC, Prev/AC Intl Arrival JIAP	Para-4/I	0.02	Short realization of duty/taxes
356.	MCC, Prev/AC Postal Appr.	Para-4/I	0.00	Irregular clearance of parcel
357.	MCC, Prev/AC, Auction (Hqrs)	Para-4/I	0.00	Auction of vehicle w/o approval of C. authority
358.	MCC, Prev/AC Baggage WW	Para-4/I	0.00	Non- realization of duty/taxes
359.	MCC, Prev/AC Baggage EW	Para-4/I	0.00	Short realization of duty/taxes
360.	MCC, Prev/AC, U/A Baggage	Para-4/I	0.00	Short realization of duty/taxes
361.	MCC Appr.Gr-III(West), Kar	Para-5	0.07	S/R of duty/taxes due to under-valuation

362.	MCC Appr.Gr-VII(West), Kar	Para-6	0.00	Non-realization of adjudged Govt. dues
363.	MCC, Prev/ A.C. Oil Section	Para-6/I	0.00	Inadequate monitoring/ control of BWHs
364.	MCC, Prev/AC Intl Arrival JIAP	Para-6/I	0.02	Non-disposal of seized/confiscated goods
365.	MCC, Prev/AC Intl Arrival JIAP	Para-7/I	0.01	Short realization of duty/taxes
366.	Director I & I, Karachi	Para-9/I	0.44	Short realization of earnest money
367.	MCC, Appraisement (West), Karachi	CRA/Part I	4.28	loss of revenue due to mis-classification
368.	MCC, Preventive, Karachi	CRA/Part I	-	Non-furnishing of data and record relating to revenue receipts for the period from July to December-2013
369.	MCC Appraisement (West), Khi	DP-412/Cus/ Exp/K	13.91	Unauthorized payment of pay & allowances from public consolidated fund not relating to public service
370.	MCC Appraisement (West), Khi	DP-417/ Cus/Exp/K	0.39	Illegal expenditure on unauthorized vehicles
371.	MCC Appraisement (West), Khi	DP-421/ Cus/Exp/K	0.08	Misclassification of expenditure
372.	MCC Appraisement (West), Khi	F-01-9/I	0.91	Inadmissible payment of cash reward for meritorious services from irrelevant head of account
373.	MCC Appraisement (West), Khi	F-01-11/I	0.29	Rush of expenditure in the month of June, 2014
374.	MCC Appraisement (West), Khi	F-01-13/I	0.04	Unauthorized expenditure under the head Honoraria without availability of the budget grant
375.	MCC Appraisement (West), Khi	F-01-14/I	0.00	Non-completion of service books
376.	Collector Adjudication-I, Khi	DP-500/Cus/Exp	0.25	Unjustified expenditure on purchase of stationery items
377.	Collector	DP-503/	0.05	Unjustified purchase of

	Adjudication-I, Khi	Cus/Exp		uniforms
378.	Collector Adjudication-I, Khi	DP-504/ Cus/Exp	0.06	Misclassification of expenditure
379.	Collector Adjudication-I, Khi	DP-501/ Cus/Exp	2.27	Rush of expenditure in the month of June, 2014
380.	Collector Adjudication-I, Khi	F-02-1/I	0.76	Unjustified expenditure on floor polish, coloring and glass cleaning work
381.	Collector Adjudication-I, Khi	F-02-7/I	0.00	Non-maintenance of cash book
382.	Collector Adjudication-I, Khi	F-02-1/II	0.00	Non-carrying out physical verification of stores
383.	MCC Appraisement (East), Khi	F-04-10/I	0.10	Illegal purchase of items without tendering system and splitting the procurement in parts
384.	MCC Appraisement (East), Khi	F-04-13/I	0.10	Loss of government money on account of late payment surcharge due to late deposit of electricity charges
385.	MCC Appraisement (East), Khi	F-04-14/I	0.01	Non-realization of Stamp Duty
386.	MCC Appraisement (East), Khi	F-04-1/II	0.00	Non-carrying out physical verification of stores
387.	MCC Appraisement (East), Khi	F-04-2/II	0.00	Improper/Non- maintenance of Fixed Assets Register
388.	MCC Appraisement (East), Khi	DP-519/ Cus/Exp/	0.62	Irregular expenditure on courier services
389.	MCC Exports (Custom House & PMBQ), Khi	DP-436/ Cus/Exp/	4.51	Unauthorized payment of pay & allowances from public consolidated fund not relating to public service
390.	MCC Exports (Custom House & PMBQ), Khi	DP-437/ Cus/Exp/K	0.23	Unauthorized advance payment of POL charges to M/s PSO Ltd
391.	MCC Exports (Custom House & PMBQ), Khi	F-04-6/I	2.23	Irregular payment of cash reward for meritorious services from irrelevant head of account

392.	MCC Exports (Custom House & PMBQ), Khi	F-04-9/I	0.00	Non-maintenance of cash book
393.	MCC Exports (Custom House & PMBQ), Khi	F-04-1/I	0.00	Non-carrying out physical verification of Stores
394.	MCC Exports (Custom House & PMBQ), Khi	F-04-2/II	0.00	Non- maintenance of dead stock/ Fixed Assets Register
395.	MCC PMBQ, Khi	DP-425/ Cus/Exp/K	0.31	Irregular purchase of furniture & fixture without tendering system and splitting the procurement in parts
396.	MCC PMBQ, Khi	DP-426/ Cus/Exp/K	0.13	Misclassification of expenditure
397.	MCC PMBQ, Khi	DP-428/ Cus/Exp/K	0.43	Irregular expenditure on purchase of Stationery due to splitting the procurement into various parts to avoid competitive bidding
398.	MCC PMBQ, Khi	DP-430/ Cus/Exp/K/	0.19	Non-disposal of replaced auto parts of repaired vehicles
399.	MCC PMBQ, Khi	F-04-6/I	0.21	Irregular expenditure on repair of furniture & fixture
400.	MCC PMBQ, Khi	F-04-10/I	0.00	Personal and official use of operational vehicles
401.	MCC PMBQ, Khi	F-04-12/I	0.00	Unauthorized use of operational vehicles due to non-surrender of vehicles in excess of need
402.	MCC PMBQ, Khi	F-04-13/I	0.01	Short deduction of withholding tax on services
403.	MCC PMBQ, Khi	F-04-14/I	0.00	Non-maintenance of cash book
404.	MCC PMBQ, Khi	F-04-15/I	0.00	Non-carrying out physical verification of Stores/Stocks
405.	MCC PMBQ, Khi	F-04-16/I	0.00	Non- maintenance of dead

				stock/ Fixed Assets Register
406.	MCC Preventive, Khi	DP-440/ Cus/Exp/K	2.82	Non-deduction of Group Insurance subscription
407.	MCC Preventive, Khi	DP-439/ Cus/Exp/K	0.42	Non deposit rent of canteen and utilities charges in govt. account
408.	MCC Preventive, Khi	DP-445/ Cus/Exp/K	0.04	Payment of telephone charges in excess of ceiling
409.	MCC Preventive, Khi	DP-446/ Cus/Exp/K	0.23	Irregular expenditure on courier services
410.	MCC Preventive, Khi	DP-447/ Cus/Exp/K	0.08	Misclassification of expenditure
411.	MCC Preventive, Khi	DP-448/ Cus/Exp/K	0.03	Loss of government money due to short deduction of Benevolent Fund subscription
412.	MCC Preventive, Khi	F-06-2/I	0.60	Irregular payment through cash instead of cross cheques
413.	MCC Preventive, Khi	F-06-13/I	0.01	Non-deposit of tender documents fee/price into government account
414.	MCC Preventive, Khi	F-06-14/I	0.00	Non-carrying out physical verification of stores
415.	DG Training & Research, Khi	DP-486/Cus /Exp/K	0.12	Irregular expenditure on courier services
416.	DG Training & Research, Khi	DP-488/Cus/ Exp/K/	0.13	Non-disposal of replaced tyres & batteries
417.	DG Training & Research, Khi	DP-489/Cus/ Exp/K/	0.08	Non-deduction of Group Insurance subscription
418.	DG Training & Research, Khi	F-07-5/I	0.53	Inadmissible payment of cash reward for meritorious services from irrelevant head of account
419.	DG Training & Research, Khi	F-07-9/I	0.24	Irregular payment of messing charges
420.	DG Training & Research, Khi	F-07-11/I	0.01	Loss of government money on account of late payment surcharge due to late deposit of electricity charges

421.	DG Training & Research, Khi	F-07-12/I	0.00	Unauthorized payment of telephone charges
422.	DG Training & Research, Khi	F-07-13/I	0.00	Non-carrying out physical verification of Stores
423.	DG Valuation, Khi	DP-478/Cus/ Exp/K	0.37	Irregular expenditure on courier services
424.	DG Valuation, Khi	DP-481/Cus/ Exp/K	0.11	Non-deduction of monthly Group Insurance subscription
425.	DG Valuation, Khi	F-10-10/I	0.00	Possible use of operational vehicles for both personal and official purpose
426.	DG Valuation, Khi	F-10-12/I	0.48	Non- recovery of House Building Advance
427.	Directorate Reforms & Automation, Khi	DP-462/Cus/ Exp/K	0.26	Excess payment of advance rent for residential accommodation
428.	Directorate Reforms & Automation, Khi	DP-464/Cus/ Exp/K	0.30	Non-deduction of monthly Group Insurance subscription
429.	Directorate Reforms & Automation, Khi	DP-469/Cus/ Exp/K/	0.00	Non- accountal of I.T. equipments and assets worth millions of Rupee
430.	Directorate Reforms & Automation, Khi	DP-470/Cus/ Exp/K	0.00	Blockade of government money due to non-disposal of dismantled telecommunication tower
431.	Directorate Reforms & Automation, Khi	F-09-9/I	0.02	Excess payment on account repair & maintenance of air purification system
432.	Directorate Reforms & Automation, Khi	F-09-11/I	0.33	Non- recovery of House Building Advance
433.	Directorate Reforms & Automation, Khi	F-09-12/I	0.00	Non-carrying out of physical verification of stores
434.	Directorate of Internal Audit, Khi	DP-491/Cus/ Exp/K	0.11	Non-deduction of monthly Group Insurance subscription
435.	Directorate of Internal Audit, Khi	DP-492/Cus/ Exp/K	0.33	Rush of expenditure in the month of June
436.	Directorate of Internal Audit, Khi	DP-493/Cus/ Exp/K	0.12	Non-disposal of replaced parts

437.	Directorate of Internal Audit, Khi	DP-496/Cus/ Exp/K	0.32	Irregular expenditure on purchase of stationery items due to splitting the procurement in parts to avoid tendering system
438.	Directorate of Internal Audit, Khi	DP-497/Cus/ Exp/K	0.04	Unauthorized expenditure on courier services
439.	Directorate of Internal Audit, Khi	F-15-8/I	0.16	Irregular expenditure on purchase of Toners/Cartridges
440.	Directorate of Internal Audit, Khi	F-15-9/I	0.00	Personal and official use of operational vehicles
441.	Directorate of Internal Audit, Khi	F-15-13/I	0.00	Non-carrying out of physical verification of stores
442.	Directorate of Post Clearance Audit, Khi	DP-453/Cus/ Exp/K	0.37	Irregular payment of expenditure
443.	Directorate of Post Clearance Audit, Khi	F-13-6/I	0.00	Personal and official use of operational vehicles
444.	Directorate of Post Clearance Audit,Khi	F-13-7/I	0.00	Non-deduction of withholding tax on services
445.	Directorate of Post Clearance Audit, Khi	F-13-8/I	0.00	Non-carrying out physical verification of Stores
446.	Collectorate of Customs Appeals, Khi	DP-451/Cus/ Exp/K	0.06	Irregular expenditure on courier services
447.	Collectorate of Customs Appeals, Khi	F-14-4/I	0.00	Non- maintenance of dead stock/ Fixed Assets Register
448.	Collectorate of Customs Appeals, Khi	F-14-5/I	0.00	Non-carrying out physical verification of Stores/Stocks
449.	Collectorate of Customs Appeals, Khi	F-14-6/I	0.00	Non-carrying out Internal Check
450.	Collector Adjudication-II, Khi	DP-526/Cus/ Exp/K	0.02	Irregular expenditure on courier services
451.	Collector	F-16-3/I	0.20	Unjustified expenditure on

	Adjudication-II, Khi			purchase of hardware
452.	Collector Adjudication-II, Khi	F-16-4/I	0.01	Non-adjustment of TA/DA advance
453.	Collector Adjudication-II, Khi	F-16-5/I	0.03	Unjustified expenditure on maintenance of garden
454.	Collector Adjudication-II, Khi	F-16-6/I	0.00	Non- maintenance of Fixed Assets Register
455.	Collector Adjudication-II, Khi	F-16-7/I	0.00	Non-carrying out physical verification of stores
456.	Chief Collector Appraisement (South), Khi	DP-458/Cus/ Exp/K	0.02	Misclassification of expenditure
457.	Chief Collector Appraisement (South), Khi	F-17-1/I	0.05	Irregular expenditure without obtaining quotations
458.	Chief Collector Appraisement (South), Khi	F-17-4/I	0.00	Non- maintenance of dead stock/ Fixed Assets Register
459.	Chief Collector Appraisement (South), Khi	F-17-5/I	0.00	Non-carrying out physical verification of Stores
460.	Chief Collector Appraisement (South), Khi	F-17-6/I	0.00	Non-carrying out Internal Check
461.	Chief Collector Enforcement (South), Khi	DP-459/Cus/ Exp/K	0.08	Irregular expenditure on courier services
462.	Chief Collector Enforcement (South), Khi	DP-460/Cus/Exp/K	0.05	Misclassification of expenditure
463.	Chief Collector Enforcement (South), Khi	DP-461/Cus/ Exp/K	0.48	Irregular purchase of I.T. equipments without observing PPRA Rules
464.	Chief Collector Enforcement (South), Khi	F-18-2/I	0.06	Irregular expenditure without obtaining quotations
465.	Chief Collector Enforcement (South), Khi	F-18-5/I	0.00	Non- maintenance of dead stock/ Fixed Assets Register
466.	Chief Collector Enforcement (South), Khi	F-18-6/I	0.00	Non-carrying out physical verification of Stores

467.	Chief Collector Enforcement (South), Khi	F-18-7/I	0.00	Non-carrying out Internal Check
468.	MCC,Hyderabad	DP-407Cus/ Exp/K	0.43	Irregular expenditure on account of courier and pilot services
469.	MCC,Hyderabad	F-12-3/I	0.35	Irregular/unauthorized advance payment of electricity charges
470.	MCC,Hyderabad	F-12-4/I	1.84	Non- recovery of advances from employees of MCC, Hyderabad
471.	MCC,Hyderabad	F-12-6/I	0.08	Unjustified expenditure on account of rates and taxes
472.	MCC,Hyderabad	F-12-7/I	0.07	Unjustified expenditure on account of development charges included in rent of plot
473.	MCC,Hyderabad	F-12-10/I	0.00	Irrational expenditure during the month of June, 2014
474.	MCC,Hyderabad	F-12-11/I	0.00	Non-deposit of tender fee
475.	MCC,Hyderabad	F-12-1/II	0.00	Un-authentic revenue and expenditure figures for the 2013-14
476.	MCC,Hyderabad	F-12-2/II	0.00	Loss of public money due to excess payment
477.	MCC,Hyderabad	F-12-3/II	0.00	Non-Maintenance of G.P. Fund registers in respect of Class-IV employees
478.	MCC,Hyderabad	F-12-4/II	0.00	Non-conduct of physical stock-taking of dead stock /stores
479.	MCC,Hyderabad	F-12-5/II	0.00	Non-conduct of internal audit
480.	Director, I & I, Karachi	DP-506/Cus/ Exp/K	1.92	Non-accountal of Store articles.
481.	Director, I & I, Karachi	F-06-8/I	0.00	Non-carrying of internal checks
482.	Director, I & I,	F-06-9/I	0.00	Non-production of physical

	Karachi			verification report
483.	Director, Transit Trade, Karachi	DP-513/Cus/ Exp/K	0.00	Non-maintenance of Cash Book
484.	Director, Transit Trade, Karachi	F-07-3/I	0.09	Irregular expenditure due to non-carrying out of printing from govt. press
485.	Director, Transit Trade, Karachi	F-07-4/I	0.06	Discrepancies noticed in TA/DA.
486.	DG Valuation, Karachi	475/Exp/K	1.84	Excess payment of law charges
487.	MCC Appraisement (East), Karachi	523/Exp/K	0.46	Excess payment of law charges
488.	MCC Exports, Custom House,Khi	435/Exp/K	0.28	Excess payment of law charges
489.	MCC Appraisement (West), Karachi	420/Exp/K	3.86	Unlawful expenditure on operational vehicles without fresh authorization
490.	MCC Preventive, Karachi	441/Exp/K	14.75	Unlawful expenditure on operational vehicles without fresh authorization
491.	MCC Exports, Custom House, Karachi	434/Exp/K	0.00	Unlawful expenditure on operational vehicles without fresh authorization
492.	MCC Appraisement (East), Karachi	520/Exp/K	0.00	Unlawful expenditure on operational vehicles without fresh authorization
493.	DG Valuation, Karachi	473/Exp/K	2.10	Unlawful expenditure on operational vehicles without fresh authorization
494.	Collector of Customs (Appeals) Karachi	450/Exp/K	0.00	Unlawful expenditure on operational vehicles without fresh authorization
495.	Directorate of PCA, Karachi	455/Exp/K	0.00	Unlawful expenditure on operational vehicles without fresh authorization
496.	MCC PMBQ, Karachi	427/Exp/K	5.49	Unlawful expenditure on operational vehicles without fresh authorization
497.	Directorate of Customs, Internal	494/Exp/K	0.00	Unlawful expenditure on operational vehicles without

	Audit, Karachi			fresh authorization
498.	DG Training & Research, Karachi	485/Exp/K	0.00	Unlawful expenditure on operational vehicles without fresh authorization
499.	Excise and Taxation Officer, ICT, Islamabad	F/26-14/I	0	Improper parking arrangements for taxpayers
500.	Excise and Taxation Officer, ICT, Islamabad	F/26-15/I	0	Slow process of service delivery and revenue collection due to posting of officers/ officials at Dharna
501.	Excise and Taxation Officer, ICT, Islamabad	F/26-16/I	0	Loss of government revenue non-conducting survey on regular basis
502.	Excise and Taxation Officer, ICT, Islamabad	F/26-17/I	0	Improper maintenance of record of token tax and demand & collection registers
503.	Excise and Taxation Officer, ICT, Islamabad	F/26-18/I	0	Non-monitoring of field staff by the supervisory officers during field duty
504.	Directorate of PCA Lahore	2547	1.76	Unlawful expenditure on operational vehicles without fresh authorization

Annexure-2

Audit Impact Summary

In last year audit report certain issues were highlighted, in response to them following changes have been made in the rules and regulation;

FBR and ICT effected recovery of Rs 202 million at the instance of Audit. Further, Audit pointed out certain issues contained in previous years' audit reports as well as the current report in response to which following actions and changes are likely to be considered in the rules and regulations:

- Issues like imposition of additional sales tax on baggage, grant of benefit of PCT heading 9915 to LUMS, imposition of upward penalty due to non-availability of invoices and packing lists from the containers, withholding tax on re-import of repaired goods, withholding tax on returned goods under section 22 of the Customs Act 1969 grant of benefit of SRO 492(I)/2009 on import of items in finished form and benefit of SRO 565(I)/2006 to goods imported in SKD condition were referred to Board for clarification.

- Issue of classification of AC compressors for vehicles was referred to Classification Committee, Karachi.

- Issues whether goods imported in SKD condition are covered under the definition of raw material or not, inclusion of petroleum levy in value for the purpose of calculation of sales tax, rebate on tailor, embroidery and household scissors were referred to Ministry of Law, Justice and Parliamentary Affairs for clarification.

- Issues of importability of old & used auto parts and the status of goods imported on or after 01.01.2013 under Free Trade Agreement with China were referred to Ministry of Commerce for clarification.

- Issue of valuation of feature films was referred to DG, Valuation, Karachi for fixation of import value.

Annexure-03
Para 2.4.4

Non-Production of Record

S.No.	DP No.	Name of Office
1	1704	MCC Appraisement Lahore
2	1817	MCC Appraisement Lahore
3	1830	MCC Appraisement Lahore
4	2120	MCC Appraisement Lahore
5	2407	MCC Appraisement Lahore
6	1808	MCC Preventive Lahore
7	2309	MCC Preventive Lahore
8	2324	MCC Preventive Lahore
9	2011	MCC Faisalabad
10	2238	MCC Islamabad
11	972-CD/K	MCC Exports PMBQ Karachi
12	1082-CD/K	MCC Imports PMBQ Karachi
13	1124-CD/K	MCC Imports PMBQ Karachi
14	1062-CD/K	MCC Appraisement (East) Karachi
15	1060-CD/K	MCC Appraisement (East) Karachi
16	1163-CD/K	MCC Adjudication-I Karachi
17	1168-CD/K	Director PCA Karachi

Annexure-4
Para 2.4.5

Non-realization of revenue due to inadmissible exemptions and concessions - Rs 16,188.74 million

(Rs in million)

S.No.	DP No.	Name of Office	Amount
1	1666	MCC Appraisement Lahore	24.07
2	1669	MCC Appraisement Lahore	78.39
3	1677	MCC Appraisement Lahore	0.28
4	1685	MCC Appraisement Lahore	0.20
5	1686	MCC Appraisement Lahore	0.25
6	1709	MCC Appraisement Lahore	0.21
7	1712	MCC Appraisement Lahore	3.14
8	1717	MCC Appraisement Lahore	0.44
9	1718	MCC Appraisement Lahore	0.25
10	1728	MCC Appraisement Lahore	0.06
11	1818	MCC Appraisement Lahore	68.24
12	1820	MCC Appraisement Lahore	188.40
13	1823	MCC Appraisement Lahore	0.41
14	1824	MCC Appraisement Lahore	0.61
15	1825	MCC Appraisement Lahore	0.34
16	2112	MCC Appraisement Lahore	0.62
17	2116	MCC Appraisement Lahore	0.18
18	2123	MCC Appraisement Lahore	25.53
19	2125	MCC Appraisement Lahore	47.52
20	2126	MCC Appraisement Lahore	12.54
21	2367	MCC Appraisement Lahore	0.46
22	2376	MCC Appraisement Lahore	0.81
23	2377	MCC Appraisement Lahore	13.81
24	2378	MCC Appraisement Lahore	11.70
25	2381	MCC Appraisement Lahore	0.45
26	2382	MCC Appraisement Lahore	3.94
27	2383	MCC Appraisement Lahore	24.48
28	2386	MCC Appraisement Lahore	0.36
29	2399	MCC Appraisement Lahore	1.35

30	2401	MCC Appraisement Lahore	0.09
31	2402	MCC Appraisement Lahore	0.51
32	2405	MCC Appraisement Lahore	6.93
33	2406	MCC Appraisement Lahore	1.91
34	1735	MCC Preventive Lahore	166.33
35	1739	MCC Preventive Lahore	44.63
36	1743	MCC Preventive Lahore	19.34
37	1754	MCC Preventive Lahore	5.22
38	1755	MCC Preventive Lahore	4.73
39	1758	MCC Preventive Lahore	3.41
40	1760	MCC Preventive Lahore	2.69
41	1762	MCC Preventive Lahore	2.24
42	1764	MCC Preventive Lahore	2.11
43	1765	MCC Preventive Lahore	1.63
44	1776	MCC Preventive Lahore	0.52
45	1778	MCC Preventive Lahore	0.12
46	1779	MCC Preventive Lahore	0.12
47	1786	MCC Preventive Lahore	38.00
48	1791	MCC Preventive Lahore	2.17
49	1955	MCC Preventive Lahore	2.52
50	1956	MCC Preventive Lahore	2.69
51	1957	MCC Preventive Lahore	3.66
52	1959	MCC Preventive Lahore	82.87
53	1960	MCC Preventive Lahore	62.44
54	2292	MCC Preventive Lahore	2.63
55	2301	MCC Preventive Lahore	3.86
56	2304	MCC Preventive Lahore	1.31
57	2306	MCC Preventive Lahore	180.12
58	2311	MCC Preventive Lahore	62.41
59	2312	MCC Preventive Lahore	394.54
60	2322	MCC Preventive Lahore	31.43
61	2326	MCC Preventive Lahore	0.07
62	2355	MCC Preventive Lahore	25.99
63	1888	MCC Sialkot	4.15
64	1889	MCC Sialkot	3.52
65	1891	MCC Sialkot	1.52

66	1901	MCC Sialkot	0.07
67	1903	MCC Sialkot	0.05
68	1910	MCC Sialkot	223.00
69	1912	MCC Sialkot	38.69
70	1913	MCC Sialkot	11.62
71	1986	Directorate of I&I Faisalabad	0.08
72	2059	MCC Peshawar	0.43
73	2060	MCC Peshawar	0.06
74	2062	MCC Peshawar	0.10
75	2074	MCC Peshawar	19.82
76	2076	MCC Peshawar	5.10
77	2082	MCC Peshawar	2.22
78	2083	MCC Peshawar	3.72
79	2084	MCC Peshawar	0.43
80	2092	MCC Peshawar	0.15
81	2097	MCC Peshawar	0.01
82	2098	MCC Peshawar	1.32
83	2184	MCC Islamabad	0.38
84	2185	MCC Islamabad	4.56
85	2186	MCC Islamabad	3.66
86	2210	MCC Islamabad	2.60
87	2211	MCC Islamabad	12.18
88	2212	MCC Islamabad	0.12
89	2217	MCC Islamabad	0.92
90	2220	MCC Islamabad	3.64
91	2221	MCC Islamabad	0.65
92	2222	MCC Islamabad	0.08
93	2223	MCC Islamabad	0.08
94	2225	MCC Islamabad	1.51
95	2228	MCC Islamabad	11.64
96	2232	MCC Islamabad	0.88
97	2233	MCC Islamabad	0.84
98	2234	MCC Islamabad	0.68
99	2239	MCC Islamabad	10.81
100	2241	MCC Islamabad	866.12
101	2242	MCC Islamabad	22.78

102	2244	MCC Islamabad	0.30
103	2245	MCC Islamabad	1.12
104	2250	MCC Islamabad	0.06
105	2252	MCC Islamabad	3.41
106	2253	MCC Islamabad	0.97
107	2259	MCC Islamabad	0.11
108	2260	MCC Islamabad	2.74
109	2261	MCC Islamabad	3.66
110	2266	MCC Islamabad	196.94
111	2267	MCC Islamabad	0.06
112	2269	MCC Islamabad	0.23
113	2272	MCC Islamabad	4.36
114	2274	MCC Islamabad	1.60
115	2275	MCC Islamabad	6.02
116	2279	MCC Islamabad	0.00
117	2284	MCC Islamabad	14.63
118	2287	MCC Islamabad	291.23
119	2288	MCC Islamabad	54.98
120	2289	MCC Islamabad	64.20
121	1018-CD/K	MCC Appraisement (East) Karachi	10.54
122	1019-CD/K	MCC Appraisement (East) Karachi	26.91
123	1020-CD/K	MCC Appraisement (East) Karachi	193.08
124	1021-CD/K	MCC Appraisement (East) Karachi	0.89
125	1022-CD/K	MCC Appraisement (East) Karachi	484.79
126	1023-CD/K	MCC Appraisement (East) Karachi	2.49
127	1024-CD/K	MCC Appraisement (East) Karachi	117.18
128	1025-CD/K	MCC Appraisement (East) Karachi	5.54
129	1026-CD/K	MCC Appraisement (East) Karachi	19.99
130	1027-CD/K	MCC Appraisement (East) Karachi	6.21
131	1028-CD/K	MCC Appraisement (East) Karachi	9.09
132	1029-CD/K	MCC Appraisement (East) Karachi	87.80
133	1031-CD/K	MCC Appraisement (East) Karachi	12.67
134	886-CD/K	MCC Appraisement (East) Karachi	4.13
135	1010-CD/K	MCC Appraisement (East) Karachi	161.11
136	1013-CD/K	MCC Appraisement (East) Karachi	358.12
137	1009-CD/K	MCC Appraisement (East) Karachi	0.77

138	1014-CD/K	MCC Appraisement (East) Karachi	1.09
139	1035-CD/K	MCC Appraisement (East) Karachi	3.85
140	1041-CD/K	MCC Appraisement (East) Karachi	2.44
141	935-CD/K	MCC Appraisement (East) Karachi	9.85
142	1052-CD/K	MCC Appraisement (East) Karachi	20.91
143	1084-CD/K	MCC Imports PMBQ Karachi	65.95
144	1085-CD/K	MCC Imports PMBQ Karachi	139.26
145	1086-CD/K	MCC Imports PMBQ Karachi	1.98
146	1087-CD/K	MCC Imports PMBQ Karachi	337.38
147	1088-CD/K	MCC Imports PMBQ Karachi	135.69
148	1089-CD/K	MCC Imports PMBQ Karachi	256.30
149	1090-CD/K	MCC Imports PMBQ Karachi	0.35
150	1091-CD/K	MCC Imports PMBQ Karachi	1.22
151	1093-CD/K	MCC Imports PMBQ Karachi	34.91
152	1094-CD/K	MCC Imports PMBQ Karachi	33.77
153	1095-CD/K	MCC Imports PMBQ Karachi	23.99
154	1096-CD/K	MCC Imports PMBQ Karachi	168.88
155	1097-CD/K	MCC Imports PMBQ Karachi	4.77
156	1098-CD/K	MCC Imports PMBQ Karachi	499.75
157	1099-CD/K	MCC Imports PMBQ Karachi	0.94
158	1100-CD/K	MCC Imports PMBQ Karachi	79.87
159	1101-CD/K	MCC Imports PMBQ Karachi	2.07
160	1102-CD/K	MCC Imports PMBQ Karachi	9.53
161	1103-CD/K	MCC Imports PMBQ Karachi	3.37
162	1104-CD/K	MCC Imports PMBQ Karachi	19.31
163	1105-CD/K	MCC Imports PMBQ Karachi	4.46
164	1106-CD/K	MCC Imports PMBQ Karachi	5.82
165	1107-CD/K	MCC Imports PMBQ Karachi	2.37
166	1108-CD/K	MCC Imports PMBQ Karachi	11.64
167	1109-CD/K	MCC Imports PMBQ Karachi	22.82
168	1110-CD/K	MCC Imports PMBQ Karachi	12.75
169	1111-CD/K	MCC Imports PMBQ Karachi	0.82
170	1112-CD/K	MCC Imports PMBQ Karachi	2.94
171	1113-CD/K	MCC Imports PMBQ Karachi	0.40
172	1114-CD/K	MCC Imports PMBQ Karachi	292.91
173	1115-CD/K	MCC Imports PMBQ Karachi	188.34

174	1116-CD/K	MCC Imports PMBQ Karachi	2.59
175	1117-CD/K	MCC Imports PMBQ Karachi	2070.60
176	1118-CD/K	MCC Imports PMBQ Karachi	91.31
177	1120-CD/K	MCC Imports PMBQ Karachi	57.74
178	1121-CD/K	MCC Imports PMBQ Karachi	15.24
179	1073-CD/K	MCC Imports PMBQ Karachi	10.43
180	1066-CD/K	MCC Imports PMBQ Karachi	87.85
181	1075-CD/K	MCC Imports PMBQ Karachi	8.77
182	1072-CD/K	MCC Imports PMBQ Karachi	3595.07
183	1065-CD/K	MCC Imports PMBQ Karachi	485.55
184	1064-CD/K	MCC Imports PMBQ Karachi	1349.81
185	1016-CD/K	MCC Imports PMBQ Karachi	11.38
186	1080-CD/K	MCC Imports PMBQ Karachi	40.4
187	1092-CD/K	MCC Imports PMBQ Karachi	7.64
188	1119-CD/K	MCC Imports PMBQ Karachi	129.52
189	1131-CD/K	MCC Preventive Karachi	4.77
190	1271-CD/K	MCC Preventive Karachi	3.30
191	1279-CD/K	MCC Preventive Karachi	12.30
192	1280-CD/K	MCC Preventive Karachi	0.01
193	1281-CD/K	MCC Preventive Karachi	599.49
194	1282-CD/K	MCC Preventive Karachi	6.52
195	921-CD/K	MCC Exports Custom House Karachi	62.17
196	1150-CD/K	MCC Appraisement West Karachi	0.43
197	1173-CD/K	MCC Appraisement West Karachi	0.26
198	1177-CD/K	MCC Appraisement West Karachi	41.44
199	1227-CD/K	MCC Appraisement West Karachi	0.92
200	999-CD/K	MCC Appraisement West Karachi	0.69
201	1222-CD/K	MCC Appraisement West Karachi	0.41
202	1226-CD/K	MCC Appraisement West Karachi	0.92
203	1229-CD/K	MCC Appraisement West Karachi	0.52
204	1292-CD/K	MCC Appraisement West Karachi	11.59
Total			**16,188.74**

Annexure-05
Para 2.4.06

Blockage of revenue due to non-encashment of bank guarantees and post-dated cheques – Rs 8,748 million

(Rs in million)

S.No.	DP No.	Name of Office	Amount
1	1665	MCC Appraisement Lahore	4.41
2	1706	MCC Appraisement Lahore	9.28
3	1729	MCC Appraisement Lahore	0.04
4	2425	MCC Appraisement Lahore	40.40
5	1782	MCC Preventive Lahore	1.03
6	2354	MCC Preventive Lahore	873.19
7	2357	MCC Preventive Lahore	21.42
8	2358	MCC Preventive Lahore	16.35
9	2359	MCC Preventive Lahore	7.89
10	2356	MCC Preventive Lahore	83.74
11	2361	MCC Preventive Lahore	7.85
12	1928	MCC Sialkot	85.52
13	1963	MCC Faisalabad	25.14
14	2183	MCC Islamabad	98.78
15	2057	MCC Peshawar	32.74
16	1048-CD/K	MCC Appraisement (East) Karachi	162.30
17	1046-CD/K	MCC Appraisement (East) Karachi	80.53
18	1047-CD/K	MCC Appraisement (East) Karachi	5,711.21
19	1049-CD/K	MCC Appraisement (East) Karachi	27.38
20	1050-CD/K	MCC Appraisement (East) Karachi	77.11
21	1042-CD/K	MCC Appraisement (East) Karachi	93.17
22	1122-CD/K	MCC Imports PMBQ Karachi	639.72
23	993-CD/K	MCC appraisement West Karachi	104.45
24	994-CD/K	MCC appraisement West Karachi	98.24
25	997-CD/K	MCC appraisement West Karachi	17.64
26	1132-CD/K	MCC Preventive Karachi	3.87
27	1135-CD/K	MCC Preventive Karachi	1.30
28	1160-CD/K	D.G. Transit Trade Karachi	28.02
29	1171-CD/K	D.G. Transit Trade Karachi	153.41
30	1172-CD/K	D.G. Transit Trade Karachi	19.54
31	1274-CD/K	MCC Preventive Karachi	222.33
Total			**8,748**

Annexure-06
Para 2.4.7

Non-recovery of adjudged government dues - Rs 2,880.24 million

(Rs in million)

S.No.	DP No.	Name of Office	Amount
1	2189	MCC Islamabad	0.53
2	2262	MCC Islamabad	32.30
3	2271	MCC Islamabad	112.35
4	2423	MCC Appraisement Lahore	53.39
5	2412	MCC Appraisement Lahore	361.72
6	1973	MCC Faisalabad	18.54
7	1907	MCC Sialkot	222.34
8	1925	MCC Sialkot	69.32
9	2337	MCC Preventive Lahore	241.81
10	889-CD/K	MCC Exports PMBQ Karachi (KEPZ)	365.33
11	1037-CD/K	MCC Appraisement (East) Karachi	237.96
12	1040-CD/K	MCC Appraisement (East) Karachi	265.11
13	1045-CD/K	MCC Appraisement (East) Karachi	272.46
14	1077-CD/K	MCC Appraisement (East) Karachi	46.56
15	922-CD/K	MCC Exports Custom House Karachi	467.37
16	971-CD/K	MCC Exports PMBQ Karachi	0.30
17	1134-CD/K	MCC Preventive Karachi	2.78
18	1248-CD/K	MCC Preventive Karachi	31.00
19	1270-CD/K	MCC Preventive Karachi	78.71
20	1234-CD/K	MCC Preventive Karachi	0.20
21	1246-CD/K	MCC Preventive Karachi	0.16
Total			**2,880.24**

Annexure-07
Para 2.4.8

Blockage of revenue due to non-finalization of adjudication cases–Rs 2,816.09 million

(Rs in million)

S.No.	DP No.	Name of Office	Amount
1	876-CD/K	Director I & I Karachi	55.48
2	890-CD/K	MCC Exports PMBQ Karachi	199.34
3	914-CD/K	MCC Exports PMBQ Karachi	1583.56
4	950-CD/K	MCC Hyderabad	31.01
5	925-CD/K	MCC Appraisement West Karachi	6.33
6	1159-CD/K	D.G. Transit Trade Karachi	1.19
7	1162-CD/K	MCC Adjudication-II Karachi	729.33
8	1170-CD/K	MCC Adjudication-II Karachi	209.86
Total			**2,816.09**

Annexure-8
Para 2.4.9

Non-realization of revenue after expiry of stay orders – Rs 1,345.56 million

(Rs in million)

S.No	DP No.	Name of Office	Amount
1	1736	MCC Preventive Lahore	71.55
2	2426	MCC Appraisement Lahore	1.30
3	2427	MCC Appraisement Lahore	0.85
4	2428	MCC Appraisement Lahore	3.10
5	1883	MCC Sialkot	32.57
6	2191	MCC Islamabad	15.84
7	2236	MCC Islamabad	290.79
8	1079-CD/K	MCC Imports PMBQ Karachi	751.27
9	939-CD/K	MCC Hyderabad	167.01
10	942-CD/K	MCC Hyderabad	11.28
Total			**1,345.56**

Annexure-09
Para 2.4.10

Blockage of revenue due to non-disposal of confiscated goods and vehicles - Rs 1,330.71 million

(Rs in million)

S.No.	DP No.	Name of Office	Amount
1	1904	MCC Sialkot	19.50
2	1905	MCC Sialkot	13.95
3	1968	MCC Faisalabad	14.32
4	1969	MCC Faisalabad	19.84
5	1972	MCC Faisalabad	75.00
6	1985	Directorate of I& I Faisalabad	27.62
7	1988	Directorate of I& I Faisalabad	7.14
8	2052	MCC Peshawar	9.22
9	2053	MCC Peshawar	12.60
10	2054	MCC Peshawar	1.02
11	2067	MCC Peshawar	56.61
12	2144	Directorate General of I&I Islamabad	21.36
13	2148	Directorate General of I&I Islamabad	34.61
14	2153	Directorate General of I&I Islamabad	1.50
15	2155	Directorate General of I&I Islamabad	14.46
16	2194	MCC Islamabad	80.73
17	2195	MCC Islamabad	43.78
18	2197	MCC Islamabad	3.09
19	2200	MCC Islamabad	29.79
20	2201	MCC Islamabad	8.70
21	2208	MCC Islamabad	2.50
22	2334	MCC Preventive Lahore	13.90
23	2335	MCC Preventive Lahore	80.19
24	2340	MCC Preventive Lahore	0.30
25	2341	MCC Preventive Lahore	19.90
26	2342	MCC Preventive Lahore	44.93
27	2343	MCC Preventive Lahore	0.00
28	2346	MCC Preventive Lahore	5.90
29	2350	MCC Preventive Lahore	30.64

30	2352	MCC Preventive Lahore	15.57
31	862-CD/K	MCC Appraisement (West) Karachi	9.26
32	863-CD/K	MCC Appraisement (West) Karachi	28.96
33	864-CD/K	MCC Appraisement (West) Karachi	68.02
34	866-CD/K	MCC Appraisement (West) Karachi	1.29
35	869-CD/K	MCC Appraisement (West) Karachi	2.34
36	875-CD/K	MCC Appraisement (West) Karachi	31.09
37	877-CD/K	Director I & I Karachi	37.31
38	878-CD/K	Director I & I Karachi	19.52
39	879-CD/K	Director I & I Karachi	16.32
40	880-CD/K	Director I & I Karachi	9.00
41	951-CD/K	MCC Hyderabad	7.46
42	952-CD/K	MCC Hyderabad	2.48
43	975-CD/K	MCC Appraisement (West) Karachi	26.92
44	976-CD/K	MCC Appraisement (West) Karachi	35.04
45	977-CD/K	MCC Appraisement (West) Karachi	15.01
46	983-CD/K	MCC Appraisement (West) Karachi	27.59
47	1237-CD/K	MCC Preventive Karachi	56.20
48	1238-CD/K	MCC Preventive Karachi	29.21
49	1240-CD/K	MCC Preventive Karachi	54.70
50	1241-CD/K	MCC Preventive Karachi	19.08
51	1242-CD/K	MCC Preventive Karachi	7.02
52	1243-CD/K	MCC Preventive Karachi	69.47
53	1245-CD/K	MCC Preventive Karachi	5.54
54	1247-CD/K	MCC Preventive Karachi	15.45
55	1252-CD/K	MCC Preventive Karachi	17.02
56	1253-CD/K	MCC Preventive Karachi	0.51
57	1255-CD/K	MCC Preventive Karachi	5.69
58	1269-CD/K	Director I & I Karachi	2.94
59	1291-CD/K	Director I & I Karachi	1.60
Total			**1,330.71**

Annexure-10
Para 2.4.11

Blockage of revenue due to non-clearance of unclaimed import general manifests – Rs 749.66 million

(Rs in million)

S.No.	DP No.	Name of Office	Amount
1	2227	MCC Islamabad	13.76
2	2285	MCC Islamabad	1.80
3	2302	MCC Islamabad	72.10
4	1054-CD/K	MCC Appraisement (East) Karachi	17.33
5	1056-CD/K	MCC Appraisement (East) Karachi	28.24
6	1058-CD/K	MCC Appraisement (East) Karachi	40.35
7	1208-CD/K	MCC Appraisement (East) Karachi	1.59
8	1083-CD/K	MCC Imports PMBQ Karachi	44.87
9	1217-CD/K	MCC Appraisement West Karachi	519.56
10	933-CD/K	MCC Appraisement West Karachi	9.00
11	1212-CD/K	MCC Appraisement West Karachi	1.06
Total			**749.66**

<u>Annexure-11</u>
Para 2.4.14

Short-realization of revenue due to under valuation of imported goods - Rs 177.17 million

(Rs in million)

S.No.	DP No.	Name of Office	Amount
1	1664	MCC Appraisement Lahore	4.47
2	1678	MCC Appraisement Lahore	1.44
3	1716	MCC Appraisement Lahore	0.86
4	1826	MCC Appraisement Lahore	0.33
5	2109	MCC Appraisement Lahore	0.57
6	2110	MCC Appraisement Lahore	21.04
7	2114	MCC Appraisement Lahore	4.15
8	2115	MCC Appraisement Lahore	1.22
9	2118	MCC Appraisement Lahore	1.28
10	2119	MCC Appraisement Lahore	0.27
11	2127	MCC Appraisement Lahore	0.84
12	2128	MCC Appraisement Lahore	0.82
13	2130	MCC Appraisement Lahore	5.22
14	2379	MCC Appraisement Lahore	1.01
15	2380	MCC Appraisement Lahore	0.17
16	2385	MCC Appraisement Lahore	5.24
17	1997	MCC Faisalabad	0.31
18	1999	MCC Faisalabad	0.06
19	2048	MCC Peshawar	0.08
20	2049	MCC Peshawar	0.04
21	2050	MCC Peshawar	0.04
22	2100	MCC Peshawar	0
23	2205	MCC Islamabad	1.25
24	2229	MCC Islamabad	3.82
25	2246	MCC Islamabad	1.54
26	2265	MCC Islamabad	36.72
27	2276	MCC Islamabad	5.13
28	2286	MCC Islamabad	0.28
29	2296	MCC Preventive Lahore	2.21
30	1067-CD/K	MCC Imports PMBQ Karachi	0.85
31	948-CD/K	MCC Hyderabad	0.26
32	908-CD/K	MCC Appraisement West Karachi	0.80
33	923-CD/K	MCC Appraisement West Karachi	0.05

34	930-CD/K	MCC Appraisement West Karachi	0.37
35	931-CD/K	MCC Appraisement West Karachi	0.20
36	932-CD/K	MCC Appraisement West Karachi	1.27
37	1002-CD/K	MCC Appraisement West Karachi	0.63
38	1003-CD/K	MCC Appraisement West Karachi	0.49
39	1004-CD/K	MCC Appraisement West Karachi	0.07
40	1144-CD/K	MCC Appraisement West Karachi	1.42
41	1146-CD/K	MCC Appraisement West Karachi	0.90
42	1147-CD/K	MCC Appraisement West Karachi	0.55
43	1149-CD/K	MCC Appraisement West Karachi	0.50
44	1154-CD/K	MCC Appraisement West Karachi	0.09
45	1156-CD/K	MCC Appraisement West Karachi	0.05
46	1175-CD/K	MCC Appraisement West Karachi	0.31
47	1176-CD/K	MCC Appraisement West Karachi	0.28
48	1179-CD/K	MCC Appraisement West Karachi	1.18
49	1181-CD/K	MCC Appraisement West Karachi	0.28
50	1186-CD/K	MCC Appraisement West Karachi	27.65
51	1187-CD/K	MCC Appraisement West Karachi	0.41
52	1189-CD/K	MCC Appraisement West Karachi	0.11
53	1190-CD/K	MCC Appraisement West Karachi	0.18
54	1191-CD/K	MCC Appraisement West Karachi	0.48
55	1192-CD/K	MCC Appraisement West Karachi	1.30
56	1196-CD/K	MCC Appraisement West Karachi	2.11
57	1197-CD/K	MCC Appraisement West Karachi	0.42
58	1199-CD/K	MCC Appraisement West Karachi	3.48
59	1202-CD/K	MCC Appraisement West Karachi	0.78
60	1219-CD/K	MCC Appraisement West Karachi	0.04
61	1220-CD/K	MCC Appraisement West Karachi	0.05
62	1228-CD/K	MCC Appraisement West Karachi	0.12
63	1275-CD/K	MCC Appraisement West Karachi	1.21
64	1011-CD/K	MCC Appraisement (East) Karachi	0.68
65	1194-CD/K	MCC Appraisement (East) Karachi	24.14
66	1195-CD/K	MCC Appraisement (East) Karachi	0.16
67	1206-CD/K	MCC Appraisement (East) Karachi	1.46
68	1257-CD/K	MCC Appraisement (East) Karachi	0.65
69	1258-CD/K	MCC Appraisement (East) Karachi	0.40
70	1259-CD/K	MCC Appraisement (East) Karachi	0.25
71	1290-CD/K	MCC Appraisement (East) Karachi	0.13
Total			**177.17**

Annexure-12
Para 2.4.15

Non/short-realization of withholding tax - Rs 354.61 million

(Rs in million)

S.No.	DP No.	Name of Office	Amount
1	1819	MCC Appraisement Lahore	68.72
2	2066	MCC Peshawar	0.00
3	2182	MCC Islamabad	0.81
4	2190	MCC Islamabad	1.90
5	2218	MCC Islamabad	0.09
6	2224	MCC Islamabad	0.25
7	2254	MCC Islamabad	1.20
8	2294	MCC Preventive Lahore	0.86
9	2314	MCC Preventive Lahore	271.50
10	2325	MCC Preventive Lahore	0.30
11	2336	MCC Preventive Lahore	0.02
12	1906	MCC Sialkot	0.03
13	2056	MCC Peshawar	0.03
14	2073	MCC Peshawar	0.08
15	892-CD/K	MCC Exports Custom House Karachi	5.11
16	965-CD/K	MCC Appraisement West	3.27
17	1136-CD/K	MCC Preventive Karachi	0.44
Total			**354.61**

Annexure-13
Para 2.4.16

Non-realization of value addition tax - Rs 344.21 million

(Rs in million)

S.No.	DP No.	Name of Office	Amount
1	1713	MCC Appraisement Lahore	0.09
2	1810	MCC Appraisement Lahore	0.74
3	2113	MCC Appraisement Lahore	0.58
4	2373	MCC Appraisement Lahore	0.18
5	2422	MCC Appraisement Lahore	2.77
6	1749	MCC Preventive Lahore	8.32
7	1947	MCC Preventive Lahore	94.94
8	1958	MCC Preventive Lahore	1.37
9	2321	MCC Preventive Lahore	0.20
10	1893	MCC Sialkot	0.32
11	1902	MCC Sialkot	0.06
12	1966	MCC Faisalabad	0.24
13	1971	MCC Faisalabad	0.36
14	1998	MCC Faisalabad	0.80
15	1987	Directorate of I& I Faisalabad	0.23
16	2064	MCC Peshawar	0.02
17	2078	MCC Peshawar	1.00
18	2213	MCC Islamabad	1.99
19	2216	MCC Islamabad	0.05
20	2219	MCC Islamabad	4.07
21	2230	MCC Islamabad	0.43
22	2258	MCC Islamabad	3.41
23	2263	MCC Islamabad	0.21
24	979-CD/K	MCC Appraisement West Karachi	89.14
25	980-CD/K	MCC Appraisement West Karachi	31.02
26	981-CD/K	MCC Appraisement West Karachi	71.63
27	982-CD/K	MCC Appraisement West Karachi	28.69
28	1148-CD/K	MCC Appraisement West Karachi	0.51
29	1256-CD/K	DG Transit trade Karachi	0.84
Total			**344.21**

Annexure-14
Para 2.4.17

Excess payment of rebate - Rs 321.17 million

(Rs in million)

S.No.	DP No.	Name of Office	Amount
1	1700	MCC Appraisement Lahore	1.78
2	1701	MCC Appraisement Lahore	0.07
3	1703	MCC Appraisement Lahore	0.48
4	1793	MCC Preventive Lahore	53.29
5	1794	MCC Preventive Lahore	41.75
6	1800	MCC Preventive Lahore	0.55
7	1802	MCC Preventive Lahore	0.21
8	1806	MCC Preventive Lahore	112.23
9	2328	MCC Preventive Lahore	15.15
10	2329	MCC Preventive Lahore	0.12
11	2330	MCC Preventive Lahore	0.45
12	2332	MCC Preventive Lahore	0.06
13	2333	MCC Preventive Lahore	16.06
14	1914	MCC Sialkot	65.54
15	1915	MCC Sialkot	5.43
16	1916	MCC Sialkot	4.40
17	1918	MCC Sialkot	1.91
18	1919	MCC Sialkot	1.21
19	1920	MCC Sialkot	0.48
Total			**321.17**

Annexure-15
Para 2.4.20

Non-realization of government revenue due to non-consumption of imported input goods – Rs 223.51 million

(Rs in million)

S.No.	DP No.	Name of Office	Amount
1	1691	MCC Appraisement Lahore	1.29
2	2409	MCC Appraisement Lahore	0.99
3	2415	MCC Appraisement Lahore	0.33
4	2001	MCC Faisalabad	0.29
5	2002	MCC Faisalabad	5.65
6	2005	MCC Faisalabad	0.60
7	2006	MCC Faisalabad	0.14
8	2008	MCC Faisalabad	0.19
9	893-CD/K	MCC Exports Custom House Karachi	5.94
10	896-CD/K	MCC Exports Custom House Karachi	117.35
11	964-CD/K	MCC Exports PMBQ Karachi	5.46
12	970-CD/K	MCC Exports PMBQ Karachi	0.63
13	944-CD/K	MCC Hyderabad	16.93
14	945-CD/K	MCC Hyderabad	56.27
15	956-CD/K	MCC Hyderabad	11.45
Total			**223.51**

Annexure-16
Para 2.4.21

Blockage of revenue due to non-clearance of bonded goods - Rs 221.01 million

(Rs in million)

S.No.	DP No.	Name of Office	Amount
1	2369	MCC Appraisement Lahore	3.22
2	2414	MCC Appraisement Lahore	2.60
3	953-CD/K	MCC Hyderabad	114.18
4	954-CD/K	MCC Hyderabad	64.43
5	960-CD/K	MCC Hyderabad	1.76
6	986-CD/K	MCC Appraisement West Karachi	13.87
7	1140-CD/K	MCC Appraisement West Karachi	5.21
8	1141-CD/K	MCC Appraisement West Karachi	2.06
9	1142-CD/K	MCC Appraisement West Karachi	4.30
10	1143-CD/K	MCC Appraisement West Karachi	6.02
11	1272-CD/K	MCC Preventive Karachi	3.36
Total			**221.01**

Annexure-17
Para 2.4.22

Blockage of revenue due to non-finalization of provisionally assessed cases Rs 148.04 million

(Rs in million)

S.No.	DP No.	Name of office	Amount
1	1964	MCC Faisalabad	1.91
2	2360	MCC Preventive Lahore	73.03
3	2429	MCC Appraisement Lahore	1.47
4	1821	MCC Appraisement Lahore	33.46
5	909-CD/K	MCC Appraisement West Karachi	3.32
6	1001-CD/K	MCC Appraisement West Karachi	2.90
7	1130-CD/K	MCC Preventive Karachi	31.95
8	1051-CD/K	MCC Appraisement East Karachi	-
Total			**148.04**

Annexure-18
Para 2.4.23

Application of incorrect rate of advance income tax on goods imported in finished form - Rs 136.77 million

(Rs in million)

S.No.	DP No.	Name of Office	Amount
1	1668	MCC Appraisement Lahore	44.63
2	2121	MCC Appraisement Lahore	24.87
3	2122	MCC Appraisement Lahore	48.23
4	2124	MCC Appraisement Lahore	6.33
5	2397	MCC Appraisement Lahore	0.60
6	2403	MCC Appraisement Lahore	11.35
7	2319	MCC Preventive Lahore	0.76
Total			**136.77**

<u>Annexure-19</u>
Para 2.4.24

Non realization of govt. revenue due to irregular exemptions under Chapter 99 of Customs Tariff – Rs 56.77 million

(Rs in million)

S.No.	DP No.	Name of Office	Amount
1	1738	MCC Preventive Lahore	7.62
2	1759	MCC Preventive Lahore	6.81
3	1771	MCC Preventive Lahore	0.42
4	1790	MCC Preventive Lahore	1.33
5	1950	MCC Preventive Lahore	3.13
6	1951	MCC Preventive Lahore	7.70
7	1953	MCC Preventive Lahore	2.82
8	1822	MCC Appraisement Lahore	1.71
9	2235	MCC Islamabad	7.94
10	2237	MCC Islamabad	11.23
11	2278	MCC Islamabad	6.06
Total			**56.77**

Annexure-20

Para 2.4.25

Non-realization of fine and penalty - Rs 68.96 million

(Rs in million)

S.No	DP No.	Name of Office	Amount
1	1727	MCC Appraisement Lahore	0.07
2	2393	MCC Appraisement Lahore	43.29
3	1769	MCC Preventive Lahore	0.55
4	1949	MCC Preventive Lahore	10.49
5	2338	MCC Preventive Lahore	4.06
6	2339	MCC Preventive Lahore	1.00
7	2344	MCC Preventive Lahore	0.11
8	1965	MCC Faisalabad	0.05
9	2055	MCC Peshawar	0.15
10	2061	MCC Peshawar	1.22
11	2077	MCC Peshawar	3.30
12	2079	MCC Peshawar	0.44
13	2089	MCC Peshawar	0.17
14	2090	MCC Peshawar	0.25
15	1158-CD/K	MCC Appraisement West Karachi	2.81
16	1039-CD/K	MCC Appraisement West Karachi	0.92
17	1076-CD/K	MCC PMBQ Karachi	0.08
18	1078-CD/K	MCC PMBQ Karachi	-
Total			**68.96**

Annexure-21
Para 2.4.29

Short-realization of revenue due to misclassification of imported goods - Rs 47.15 million

(Rs in million)

S.No.	DP No.	Name of Office	Amount
1	1672	MCC Appraisement Lahore	0.36
2	1673	MCC Appraisement Lahore	0.41
3	1690	MCC Appraisement Lahore	0.06
4	1710	MCC Appraisement Lahore	7.41
5	2117	MCC Appraisement Lahore	1.51
6	2364	MCC Appraisement Lahore	0.71
7	2370	MCC Appraisement Lahore	3.92
8	2372	MCC Appraisement Lahore	0.66
9	2375	MCC Appraisement Lahore	11.19
10	2390	MCC Appraisement Lahore	0.71
11	1750	MCC Preventive Lahore	7.48
12	1772	MCC Preventive Lahore	1.48
13	2293	MCC Preventive Lahore	1.25
14	1896	MCC Sialkot	0.26
15	1900	MCC Sialkot	0.15
16	1967	MCC Faisalabad	0.02
17	1989	MCC Faisalabad	0.14
18	1991	MCC Faisalabad	0.18
19	1992	MCC Faisalabad	0.13
20	1995	MCC Faisalabad	0.29
21	2063	MCC Peshawar	0.05
22	2094	MCC Peshawar	0.02
23	2096	MCC Peshawar	0.03
24	2099	MCC Peshawar	0.46
25	2215	MCC Islamabad	0.07
26	2240	MCC Islamabad	0.05
27	906-CD/K	MCC Appraisement West Karachi	4.06
28	978-CD/K	MCC Appraisement West Karachi	0.23
29	987-CD/K	MCC Appraisement West Karachi	1.27
30	1203-CD/K	MCC Appraisement West Karachi	1.56
31	1205-CD/K	MCC Appraisement West Karachi	1.03
Total			**47.15**

Annexure-22
Para 2.4.30

Short-realization of revenue due to application of incorrect rates of duty and taxes - Rs 40.27 million

(Rs in million)

S.No	DP No.	Name of Office	Amount
1.	2206	MCC Islamabad	0.12
2.	2231	MCC Islamabad	4.73
3.	2243	MCC Islamabad	0.69
4.	2247	MCC Islamabad	0.05
5.	2255	MCC Islamabad	0.80
6.	2283	MCC Islamabad	0.03
7.	1767	MCC Preventive Lahore	0.79
8.	2305	MCC Preventive Lahore	0.12
9.	2348	MCC Preventive Lahore	0.95
10.	2365	MCC Appraisement Lahore	0.29
11.	2398	MCC Appraisement Lahore	1.00
12.	2408	MCC Appraisement Lahore	0.54
13.	1970	MCC Faisalabad	0.49
14.	1974	MCC Faisalabad	0.29
15.	2149	Directorate General of I&I Islamabad	0.40
16.	2150	Directorate General of I&I Islamabad	0.17
17.	1885	MCC Sialkot	11.86
18.	1921	MCC Sialkot	1.38
19.	1922	MCC Sialkot	0.58
20.	2058	MCC Peshawar	12.39
21.	924-CD/K	MCC Appraisement West Karachi	0.31
22.	1145-CD/K	MCC Appraisement West Karachi	1.33
23.	1151-CD/K	MCC Appraisement West Karachi	0.42
24.	1152-CD/K	MCC Appraisement West Karachi	0.28
25.	1153-CD/K	MCC Appraisement West Karachi	0.17
26.	1155-CD/K	MCC Appraisement West Karachi	0.06
27.	1157-CD/K	MCC Appraisement West Karachi	0.03
Total			**40.27**

Annexure-23
Para 2.4.31

Non realization of revenue due to non-disposal of wastage – Rs 32.50 million

(Rs in million)

S.No	DP No.	Name of Office	Amount
1	1931	MCC Sialkot	2.21
2	1934	MCC Sialkot	0.68
3	2413	MCC Appraisement Lahore	5.08
4	898-CD/K	MCC Exports Custom House Karachi	1.59
5	919-CD/K	MCC Exports PMBQ	19.53
6	969-CD/K	MCC Exports PMBQ	3.41
Total			**32.50**

Annexure-24
Para 2.4.32

Non-realization of Federal Excise Duty – Rs 21.93 million

(Rs in million)

S.No.	DP No.	Name of Office	Amount
1	2087	MCC Peshawar	0.45
2	2249	MCC Islamabad	0.87
3	2256	MCC Islamabad	15.00
4	2257	MCC Islamabad	0.71
5	2268	MCC Islamabad	2.75
6	2273	MCC Islamabad	0.32
7	2366	MCC Appraisement Lahore	0.06
8	2371	MCC Appraisement Lahore	1.77
Total			**21.93**

Annexure-25
Para 2.4.36

Short-realization of government revenue on account of surcharge Rs 11.24 million

(Rs in million)

S.No.	DP No.	Name of Office	Amount
1	1892	MCC Sialkot	0.80
2	2003	MCC Faisalabad	0.09
3	2,047	MCC Peshawar	3.01
4	2,051	MCC Peshawar	0.02
5	2,088	MCC Peshawar	1.75
6	2363	MCC Preventive Lahore	0.39
7	2368	MCC Appraisement Lahore	5.18
Total			**11.24**

Annexure-26
Para 2.4.38

Non-realization of additional customs duty - Rs 7.40 million

(Rs in million)

S.No.	DP No.	Name of Office	Amount
1	1687	MCC Appraisement Lahore	0.86
2	2111	MCC Appraisement Lahore	1.27
3	2374	MCC Appraisement Lahore	0.93
4	2400	MCC Appraisement Lahore	0.06
5	1990	MCC Faisalabad	0.50
6	2075	MCC Peshawar	0.67
7	2091	MCC Peshawar	0.13
8	2277	MCC Islamabad	2.98
Total			**7.40**

Annexure-27
Para 2.4.40

Illegal clearance of goods imported in violation of Import Policy Order

(Rs in million)

S.No.	DP No.	Name of Office	No. of Cases	Value of Goods	Duty& Taxes Realized
1	1831	MCC Appraisement Lahore	01	2.26	1.22
2	2080	MCC Peshawar	05	2.26	1.47
3	2093	MCC Peshawar	01	0	0
4	2101	MCC Peshawar	01	0	0
5	1277-CD/K	MCC Preventive Karachi	06	3.43	0
Total			**14**	**7.95**	**2.69**

Annexure-28
Para 2.4.44

Un-authorized/irregular expenditure on POL and repair of Vehicles – Rs 45.55 million

(Rs in million)

S.No.	DP No.	Name of Office	Amount
1.	2447	MCC Preventive, Lahore	3.80
2.	2461	Collector of Customs (Appeals), Lahore	0.63
3.	2472	MCC Appraisement, Lahore	2.90
4.	2487	MCC Appraisement Lahore	1.6
5.	2489	Directorate of Internal Audit, Lahore	1.66
6.	2514	Directorate of I&I, Lahore	6.81
7.	2521	Directorate of I&I, Lahore	0.08
8.	2523	Directorate of I&I, Lahore	0.05
9.	2535	Director Valuation, Lahore	0.70
10.	2539	Director Valuation Lahore	0.70
11.	2545	Directorate of PCA, Lahore	1.76
12.	2026	MCC, Peshawar	1.29
13.	1983	MCC Faisalabad	1.90
14.	2138	DG I&I, Islamabad	0.70
15.	490/Exp/K	Directorate of Internal Audit, Karachi	0.95
16.	449/Exp/K	Collector of Customs (Appeals), Karachi	0.29
17.	511/Exp/K	Director General Transit Trade, Karachi	0.36
18.	512/Exp/K	Director General Transit Trade, Karachi	0.23
19.	483/Exp/K	DG (Training & Research), Karachi	4.03
20.	432/Exp/K	MCC Exports, Custom House, Karachi	2.91
21.	502/Exp/K	Collector Adjudication-I, Karachi	0.64
22.	415/Exp/K	MCC Appraisement (West), Karachi	3.86
23.	416/Exp/K	MCC Appraisement (West), Karachi	0.10
24.	471/Exp/K	Director General Valuation, Karachi	1.79
25.	474/Exp/K	Director General Valuation, Karachi	0.69
26.	514/Exp/K	MCC Appraisement (East), Karachi	3.86
27.	487/Exp/K	DG Training & Research, Karachi	0.45
28.	454/Exp/K	Directorate of PCA, Karachi	0.81
29.	510/Exp/K	Directorate of Intelligence & Investigation, Karachi	0.00
Total			**45.55**

Annexure-29
Para 2.4.45

Irregular payment of rent for residential accommodation - Rs 8.24 million

(Rs in million)

S.No.	DP No.	Name of Office	Amount
1.	2023	MCC, Peshawar	5.35
2.	2160	Expenditure-MCC, Islamabad	1.17
3.	2036	MCC, Peshawar	1.21
4.	2037	MCC, Peshawar	0.12
5.	431/Exp/K	MCC Exports, Custom House, Karachi	0.11
6.	414/Exp/K	MCC Appraisement (West), Karachi	0.17
7.	413/Exp/K	MCC Appraisement (West), Karachi	0.11
Total			**8.24**

Annexure-30
Para 2.4.46

Inadmissible expenditure on pay and allowances - Rs 3.55 million

(Rs in million)

S.No.	DP No.	Name of Office	Amount
1.	2432	MCC Preventive Lahore	0.59
2.	2464	MCC Appraisement Lahore	0.35
3.	2488	Directorate of Internal Audit Lahore	0.10
4.	2519	Directorate of I&I Lahore	0.01
5.	2544	Directorate of PCA Lahore	0.41
6.	2178	MCC Islamabad	0.02
7.	2181	MCC Islamabad	0.01
8.	2136	DG I&I Islamabad	0.10
9.	1944	MCC Sialkot	0.01
10.	1939	MCC Sialkot	0.26
11.	2174	MCC Islamabad	0.04
12.	2469	MCC Appraisement Lahore	0.72
13.	2169	MCC Islamabad	0.14
14.	498/Exp/K	Directorate of Customs, Internal Audit, Karachi	0.02
15.	499/Exp/K	Directorate of Customs, Internal Audit, Karachi	0.01
16.	442/Exp/K	MCC Preventive, Karachi	0.19
17.	443/Exp/K	MCC Preventive, Karachi	0.11
18.	444/Exp/K	MCC Preventive, Karachi	0.22
19.	429/Exp/K	MCC PMBQ, Karachi	0.03
20.	522/Exp/K	MCC Appraisement (East), Karachi	0.05
21.	418/Exp/K	MCC Appraisement (West), Karachi	0.06
22.	419/Exp/K	MCC Appraisement (West), Karachi	0.10
Total			**3.55**

Annexure-31
Para 2.4.50

Non-adjustment/overpayment of TA/DA - Rs 1.07 million

(Rs in million)

S.No.	DP No.	Name of Office	Amount
1.	2041	MCC Peshawar	0.03
2.	2527	Directorate of I&I Lahore	0.11
3.	465/Exp/K	Directorate of Reforms & Automation, Karachi	0.08
4.	479/Exp/K	DG Valuation, Karachi	0.08
5.	482/Exp/K	DG (Training & Research), Karachi	0.22
6.	484/Exp/K	DG (Training & Research), Karachi	0.07
7.	524/Exp/K	MCC Appraisement (East), Karachi	0.06
8.	424/Exp/K	MCC PMBQ, Karachi	0.32
9.	457/Exp/K	Chief Collector Appraisement (South), Karachi	0.10
Total			**1.07**

Annexure-32
Para 2.4.53

Non-conduct of post-exportation audit of DTRE users - Rs 1,701.27 million

(Rs in million)

S.No.	DP No.	Name of Office	Amount
1	1927	MCC Sialkot	-
2	1929	MCC Sialkot	26.09
3	1692	MCC Appraisement Lahore	220.96
4	2418	MCC Appraisement Lahore	0.00
5	894-CD/K	MCC Exports Custom House Karachi	661.54
6	918-CD/K	MCC Exports PMBQ Karachi	792.68
Total			**1,701.27**

Annexure-33
Para 2.4.54

Non-filing of appeals against O.I.Os passed against the law - Rs 138.26 million

(Rs in million)

S.No.	**DP No.**	**Name of Office**	***Amount***
1	2145	Directorate General I&I Islamabad	*1.62*
2	2146	Directorate General I&I Islamabad	*37.06*
3	2147	MCC Islamabad	*3.00*
4	2196	MCC Islamabad	*31.00*
5	2198	MCC Islamabad	*28.99*
6	2199	MCC Islamabad	*25.42*
7	2202	MCC Islamabad	*8.57*
8	2204	MCC Islamabad	*2.60*
Total			***138.26***

Annexure-34
Para 2.4.57

Irregular grant of concession/exemption of customs duty under un-modified free trade agreement

(Rs in million)

S.No.	DP No.	Name of Office	Amount
1	1733	MCC Preventive Lahore	1,054.70
2	2291	MCC Preventive Lahore	775.67
3	2394	MCC Appraisement Lahore	1,334.23
4	1882	MCC Sialkot	110.78
5	2226	MCC Islamabad	501.93
6	2270	MCC Islamabad	407.16
Total			**4,184.46**

Annexure-35
Para 2.4.58

Non-realization of income tax and export development surcharge – Rs 7.53 million

(Rs in million)

S.No.	DP No.	Name of Office	Amount
1	1698	MCC Appraisement Lahore	0.64
2	1699	MCC Appraisement Lahore	1.53
3	1917	MCC Sialkot	3.91
4	2065	MCC Peshawar	0.01
5	899-CD/K	MCC Exports Custom House Karachi	1.11
6	966-CD/K	MCC Exports PMBQ	0.33
Total			**7.53**

Annexure-36
Para 2.5.1

Non-production of record of Cash Reward, Honorarium and Secret Service Fund

S. No	Name of Office	AIR No	Part	Para	Subject
1	FBR Headquarter	Para-1 F-59	I	1	Non-production of record of Cash Reward, Honorarium and Secret Service Fund
2	Chief Collector Lahore	Para-3 F-107	I	3	Non-production of record
3	Chief Collector Islamabad	Para-1 F-57	I	1	Non-production of record
4	Chief Collector Customs South (App), Karachi	AO 9 Karachi	1	1	Non-production of record
5	Chief Collector Customs South (Enforcement), Karachi	A.O 9 Karachi	1	1	Non-production of record
6	Director General, Afghan Transit Trade, Karachi	A.O 9 Karachi	1	1	Non-production of record
7	Collector of Appeal, Karachi	A.O 9 Karachi	1	1	Non-production of record
8	Collector, MCC (Preventive), Karachi	A.O 9 Karachi	1	1	Non-production of record
9	MCC Lahore	Para-10 F-102	1	10	Non-production of record
10	MCC Islamabad	Para-4 F-58	1	4	Non-production of record
11	MCC Peshawar	Para-3 F-31	1	3	Non-production of record
12	MCC Faisalabad	Para-3 F-36	1	3	Non-production of record
13	MCC Sialkot	Para-4 F-31	1	5	Non-production of record
14	MCC Multan	Para-3 F-21	1	3	Non-production of record

15	DG PCA	Para-4 F-61	1	4	Non-production of record
16	Director I & I Lahore	Para-7 F-103	1	7	Non-production of record
17	Director I & I Peshawar	Para-8 F-32	1	8	Non-production of record
18	Director Internal Audit Lahore	Para-3 F-105	1	3	Non-production of record
19	Director General I & I Islamabad	Para-13 F-63	1	13	Non-production of record

Annexure-37
Para 2.5.3

Inadmissible grant of cash reward amounting to Rs. 64.127 million for the performance of routine duties by the officer / staff (without any meritorious services)

S.No.	Name of Office	File No.	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Total
1	MCC Lahore	Para-6 F-102	0	3.100	0.847	0.700	4..100	0	0	8.747
2	MCC (Appraisement), Lahore	Para 16 F-201	0	0	0	0	0	0	0.906	0.906
3	MCC (Preventive), Lahore	Para-22 F-199	0	0	0	0	0	0	1.496	1.496
4	Model Customs Collectorate, Islamabad.	DP No.2157-Exp	1.088	0.366	0.595	1.428	1.297	0	4.408	9.182
5	Directorate of Training & Research, Islamabad	Para-1 F-60	0.074	0.163	0.248	0.404	0.558	0	0	1.447
6	Directorate of Internal Audit(Customs), Islamabad	Para-1 F-62	0.759	0.299	0.523	0.349	0.600	0	0	2.530
7	Director General, Intelligence & Investigation, Islamabad.	Para-11 F-63	0	0	1.049	0.994	0.751	0	0	2.794
8	Director General, Post Clearance Audit, Islamabad.	Para-1 F-61	0	0	0.305	0.450	0.583	0	0	1.338
9	Model Customs Collectorate, Peshawar	Para-1 F-31 AO No. 19	0	0.720	0	0.219	2.500	0	1.042	4.481
10	Directorate of Intelligence & Investigation, Peshawar.	Para-5 F-32	0	0.348	0.482	0.526	0.721	0	0	2.077
11	Model Customs Collectorate, Sialkot	Para-1 F-31	0	0.721	0	0.219	2.500	0	0	3.440

12	Model Customs Collectorate, Faisalabad	Para-1 F-36	0	0.100	0.100	0.200	0.213	0	0	0.613
13	Model Customs Collectorate, Multan	Para-1 F-21	0.946	0	2.056	0.699	1.100	0	0	4.801
14	Directorate of Intelligence & Investigation, Lahore	Para-4 F-103 AO No. 25	0	0	0.251	0.498	1.548	0	1.500	3.797
15	Directorate of Training, Lahore	Para-1 F-106	0	0.047	0.550	0.103	0.807	0	0	1.507
16	Directorate of Internal Audit(Customs), Lahore	Para-1 F-105 Para No. 12	0	0	0.395	0.550	0.946	0	0.720	2.611
17	Directorate of Post Clearance Audit, Lahore	Para-1 F-108, Para No. 17	0	0	0.438	0.404	0.300	0	0.253	1.395
18	Collectorate of Appeal, Lahore	Para-1 F-104 Para No. 4	0	0.130	0.165	0.162	0.250	0	0.238	0.945
19	Chief Collector Lahore	Para-1 F-107	0.099	0	0.387	0	0	0	0	0.486
20	Collectorate Adjudication, Lahore	Para-4 F-205	0	0	0	0	0	0	0.301	0.301
21	MCC Appraisement, East Karachi		0	0	0	0	0	3.032	1.584	4.616
22	MCC, Quetta		0	0	0	0	1.250	1.250	1.858	4.358
23	Collector Appeals Karachi		0	0	0	0	0	0.178	0.027	0.205
24	Collector Adjudication II, Karachi		0	0	0	0	0	0	0.052	0.052
Total			**2.966**	**5.994**	**8.391**	**7.905**	**20.024**	**4.460**	**14.385**	**64.125**

Annexure-38
Para 2.5.3

Shortfall of targets for the financial year 2013-14

(Rs. in million)

S.No.	Name of Office	Revenue Target FY 2013-14	Actual Collection FY 2013-14	Short Fall	Cash Reward Grant in FY 2013-14
1	MCC (Appraisement) Lahore	18,298.31	16,444.25	1,854.06	0.906
2	MCC Islamabad	11,139.27	8,808.51	2,330.76	4.408
3	MCC Peshawar	19,066.00	16,067.00	2,999.00	1.042
4	MCC Faisalabad	327.04	269.13	57.91	0.344
5	MCC Sialkot	-845.10	-803.69	-41.42	1.723
Total				**7,200.312**	**8.423**

Annexure-39
Para 2.5.4

Irregular payment of honorarium - Rs 13.49 million

(Rs. in million)

S. No.	Office /Department	File No.	2013-14	2011-12	2010-11	2009-10	2008-09	2007-08	Total
1	Directorate of I&I Peshawar	Para-7 F-32	0	0	0	0.401	0.445	0	**0.85**
2	Directorate of I&I Lahore	Para-6 F-103	0	0	0	0	0.600	0.400	**1.00**
3	MCC Peshawar	Para-3 F-31	0	0	1.000	0	0.500	0	**1.50**
4	MCC Islamabad	Para-3 F-58	3.000	0.123	0.987	0	4.149	0.200	**8.45**
5	MCC Sialkot	Para-2 F-31	0	0	0	0	0.098	0	**0.10**
6	MCC Lahore	Para-8 F-102	0	-	0.101	0	0.504	0.501	**1.11**
7	DG PCA (Customs) Islamabad	Para-3 F-61	0	0.194	0.201	0	0	0	**0.39**
8	DG Internal Audit Islamabad	Para-3 F-62	0	0	0.050	0	0	0.035	**0.09**
Total									**13.49**

Annexure-45
Para 2.5.9

Excess Payment of Cash Reward beyond prescribed limit- Rs. 0.50 million

(Rs in million)

S. No.	Name of office	File No.	Total Working Strength	40% Admissible	Granted	Excess Paid	Amount
1	Collector Appeal, Lahore	Para-2 F-104	18 (1.7.2007)	7	8	1	0.02
2	D.G Training & Research, Karachi		66	26	37	11	0.05
S. No.	**Name of Office**	**Double Salary**	**Single Salary**			**Excess**	**Amount**
1	Director, Internal Audit (Customs), Karachi	19	8	0	0	6	0.09
2	Chief Coordinator, Computerization & Programming, Customs House, Karachi	4	2	0	0	1	0.01
3	DG Customs (Valuation), Karachi	DP No. 472	0	8	18	10	0.33
Total							**0.50**

Annexure-46
Para 2.6.2

Non-production of record

S. No.	Name of Office	Para No.
1	DC (Import) NLC, Lahore	Para 25 of AIR
2	MCC PMBQ, Karachi	AO No. 16
3	Five field offices of FBR in Karachi	
4	DC (Industrial Survey) NLC, Lahore	Para 16 of AIR
5	MCC Appraisement, Karachi	Para 4.7 of PAR Karachi
6	MCC Appraisement, Karachi	AIR Para Karachi
7	MCC Preventive, Karachi	AO No.27

<u>Annexure-47</u>
Para 2.7.18

Non-realization of Rs 178.37 million due to non-fulfillment of conditions

S.No.	Date	Balance amount of duty and taxes	Limit of duty and taxes of stock on any date	Duty and taxes recoverable
1	31.01.2012	21.13	12	9.13
2	28.02.2012	58.79	12	46.79
3	31.03.2012	71.06	12	59.06
4	30.04.2012	75.39	12	63.39
		226.37		**178.37**

(Para No.27, A.Obs No.37/MBCO)

Annexure-48
Para 3.3.8

Non/ short-realization of duty and taxes Rs 2.22 million

Sr.#	DP No.	Amount Pointed Out (Rs. in million)	Amount Recovered (Rs. in million)	Amount Not Due (Rs. in million)	Amount Under Recovery (Rs. in million)
1	1853	1.54	0.310	0.802	0.428
2	1854	0.159	0.041	0.024	0.094
3	1855	0.165	0.005		0.160
4	1856	0.082	0.017	0.023	0.042
5	1857	0.070	0.054		0.016
6	1858	0.050	0.021	0.002	0.027
7	1859	0.039	0.017		0.022
8	1860	0.036	0.010		0.026
9	1861	0.035		0.029	0.006
10	1862	0.031	0.004	0.007	0.020
11	1863	0.010	0.006		0.004
Total		**2.217**	**0.485**	**0.887**	**0.845**