



**AUDIT REPORT
ON
THE ACCOUNTS OF
REVENUE RECEIPTS
GOVERNMENT OF KHYBER PAKHTUNKHWA
AUDIT YEAR 2020-21**

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS & ACRONYMS

AP	Advance Para
BOR	Board of Revenue
CTR	Central Treasury Rules
CVT	Capital Value Tax
DAC	Departmental Accounts Committee
DAO	District Accounts Officer
DC	Deputy Commissioner / District Collector
DG	Director General
ETO	Excise & Taxation Officer
FBR	Federal Board of Revenue
GFR	General Financial Rules
KPRA	Khyber Pakhtunkhwa Revenue Authority
MC	Municipal Committee
MFDAC	Memorandum for Departmental Accounts Committee
MRA	Motor Vehicle Registration Authority
MVE	Motor Vehicle Examiner
NBP	National Bank of Pakistan
NOC	No Objection Certificate
NT	Naib Tehsildar
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PDA	Peshawar Development Authority
PTA	Provincial Transport Authority
RTA	Regional Transport Authority
SAP	System Applications & Products in data processing
SBP	State Bank of Pakistan
TMA	Tehsil/Town Municipal Administration

Preface

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973 read with sections 8 and 12 of the Auditor General (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 require the Auditor General of Pakistan to conduct audit of expenditures and receipts which are payable into the Consolidated Fund or Public Account of the Federal Government and of each Province and in the accounts of each district.

The report is based on audit of receipts of Government of Khyber Pakhtunkhwa for the financial year 2019-20. Some audit observations on the accounts of financial year 2018-19 have also been included in this report. The Director General Audit Khyber Pakhtunkhwa conducted audit during 2020-21 on a test check basis, with a view to report significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying substantial value. 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 Officers at the DAC level and in all cases where the PAO does not initiate appropriate action, the Audit observations will be brought to the notice of the Public Accounts Committee through the next year's Audit Report.

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

Departmental Accounts committee meetings were not convened by Excise, Taxation & Narcotics Control Department and Irrigation Department despite repeated requests.

The report is submitted to the Governor of Khyber Pakhtunkhwa in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan 1973, for causing it to be laid before the Provincial Assembly of Khyber Pakhtunkhwa.

(Javaid Jehangir)
Auditor General of Pakistan

Islamabad
Dated:

Executive Summary

This Audit Report presents results of audit of receipts of the Government of Khyber Pakhtunkhwa for the financial year 2019-20. Some audit observations on the accounts of financial year 2018-19 have also been included in this report. The Director General Audit, Khyber Pakhtunkhwa conducts the audit of revenue receipts collected by Excise, Taxation & Narcotics Control Department, Khyber Pakhtunkhwa Revenue Authority, Revenue & Estate Department, Irrigation Department, Transport & Mass Transit Department and Food Department on account of Urban Immovable Property Tax, Motor Vehicle Tax, Motor Vehicle Registration Fee, Professional Tax, Tobacco Development Cess, Hotel Tax, Provincial Excise, Sales Tax on Services, Stamp Duty, Registration Fee, Mutation Fee, Capital Value Tax, Agriculture Income Tax, Land Tax, Water Rates, Route Permit Fee, Motor Vehicle Fitness Fee, Sugar Cane Development Cess and Advance Income Tax.

A detailed comparison of budget estimates, revised estimates and actual receipts of each Department for the financial year 2019-20 is deliberated in the sectoral analysis and relevant chapters of this report.

a. Scope of Audit

This office conducts audit of revenue receipts of 239 formations working under 6 PAOs. Total receipts of these formations were Rs. 25,332.55 million for the financial year 2019-20.

Audit coverage relating to receipts for the current audit year comprises 33 formations of 4 PAOs having total receipts of Rs. 3,312.67 million for the financial year 2019-20. In terms of percentage, the audit coverage is 13 % of the receipts.

This audit report also includes audit observations resulting from the audit of receipts of Rs. 954.83 million for the financial year 2018-19 pertaining to 13 formations of 3 PAOs.

b. Recoveries at the instance of audit

As a result of audit, a recovery of Rs 398.33 million was pointed out in this report. Recovery effected from January to December 2020 was Rs. 74.71 million which was verified by audit.

c. Audit Methodology

Desk audit techniques were applied during the audit year 2019-20. This was facilitated by availability of permanent and planning files. Desk review helped auditors in understanding the systems, procedures, environment, and the audit entity before starting field activity. This greatly facilitated in the identification of high risk areas for substantive testing in the field.

d. Audit Impact

Due to repeated pointation of Audit, the following impacts have been observed in the Provincial Government departments:

Recoveries accepted / established at the instance of audit are deposited into Government Treasury duly verified by Audit. Recovery amounting to Rs. 74.71 million was effected during the year. Out of this total recovery an amount of Rs. 33.95 million was not in the notice of the Executive before Audit.

As a result of audit, misappropriation and late deposit of Government revenue has been minimized.

Recoveries of Federal Taxes like Advance Tax/ Withholding tax on purchase and sale of immovable property and motor vehicles are ensured by Revenue & Estate Department and Excise Department respectively.

Most of the irregularities noticed in the previous year were repeated in the current year as well, because departments failed to convene DAC meetings in time. Due to non-conducting DACs and non-implementation of DAC directives, the departments failed to implement a proper system of financial management and internal controls.

e. Comments on Internal Controls

Internal Control is a major tool of management. This includes plans, methods and procedures used to meet missions, goals and objectives of an organization or a department. The main objective of internal controls system is to ensure safeguarding the resources against fraud, waste, and mismanagement. Internal Audit has a very important role not only to check the working of an organization but also to improve the activities and monitoring of its functions.

Due to non-existence of internal audit, the exact quantum of financial irregularities cannot be ascertained. Findings of the audit report are result of test check showing un-recovered amount of Rs. 398.33 million. It is obvious that total volume of un-recovered amount would be much higher.

Non-existence of internal controls system resulted into following short comings:

- Non-recovery of government dues which resulted in accumulation of huge amount of arrears on account of Property Tax, Water Rates, Route Permit Fee etc.
- Non / Short assessment of government revenue.
- DAC meetings are not convened regularly and delay in implementation of PAC and DAC directives.
- Improper maintenance of revenue receipts record and non-reconciliation of Government revenue with District Accounts Offices and Accountant General Office.
- Shortfall of Government revenue due to non-achievement of revenue targets.

It is concluded that financial discipline needs improvement. An elaborate and effective internal controls system should be established to increase and safeguard the government revenue.

f. Key audit findings of the report:

- i. Loss to Government due to non-realization of Property Tax, Hotel Tax, Professional Tax and Motor Vehicle Tax Rs. 324.42 million in nine cases.¹
- ii. Loss to Government due to non-realization of Water Rates (Abiana) Rs. 4.58 million in one case.²
- iii. Loss to Government due to non-realization of Stamp Duty & Professional Tax from contractors Rs. 1.50 million in one case.³
- iv. Loss to Government due to non/short-assessment of Mutation Fee, Stamp Duty, Registration Fee, Capital Value Tax, Land Tax, Agriculture Income Tax and Local Rate Rs. 44.02 million in five cases.⁴
- v. Loss to Federal Government due to non/short-assessment of Advance Tax Rs. 10.94 million in two cases.⁵
- vi. Doubtful deposit of government revenue into Treasury Rs. 6.95 million in one case.⁶
- vii. Loss to Government due to non-realization of Route Permit Fee and License Renewal Fee Rs 4.51 million in two cases.⁷
- viii. Doubtful deposit of government revenue into Treasury Rs. 1.41 million in one case.⁸

Summary table of key audit findings

Para	1	2.5.1	2.5.2	2.5.3	2.5.4	2.5.5	2.5.6	2.5.7	2.5.8	2.5.9
Para	2	3.5.1								
Para	3	3.5.2								
Para	4	4.5.1	4.5.2	4.5.3	4.5.4	4.5.5				
Para	5	4.5.6	4.5.7							
Para	6	4.5.8								
Para	7	5.5.1	5.5.2							
Para	8	5.5.3								

g. Recommendations

- i. An effective recovery mechanism needs to be developed to recover long outstanding arrears of Government revenue on account of Property Tax, Motor Vehicle Tax, Professional Tax, Water Rate and Route Permit Fee.
- ii. Appropriate action is required to be taken against tax functionaries in cases of non/under assessments, non/short-recovery of taxes to prevent huge accumulation of arrears and to minimize the risk of leakage of Government revenue.
- iii. Improvement is required in the areas of maintenance of record and reconciliation of Government revenue with District Accounts Offices and Accountant General Office.

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Chapter-1

SECTORAL ANALYSIS

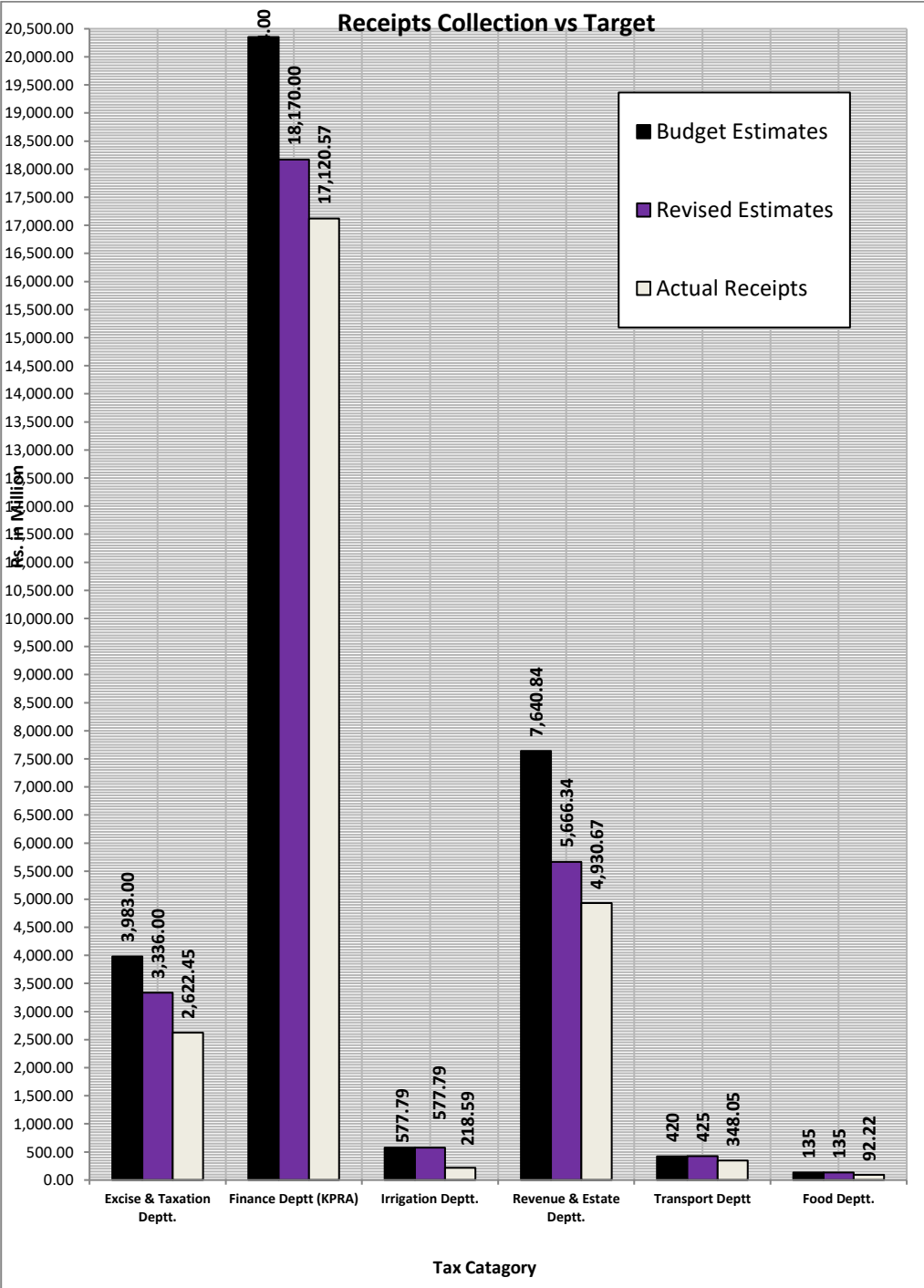
The Provincial Assembly in its budget approved for the financial year 2019-20 had given the revenue target of Rs. 33,110.63 million to the Excise, Taxation & Narcotics Control Department, Khyber Pakhtunkhwa Revenue Authority, Revenue & Estate Department, Irrigation Department, Transport & Mass Transit Department and Food Department. The target was revised to Rs. 28,310.13 million. Against the revised target Rs. 25,332.55 million was realized which was 10% short of the revised target. The major component of receipts was Sales Tax on services i.e. Rs. 16,966.02 million which was 67% of the total receipts.

Excise, Taxation & Narcotics Control Department collected total revenue of Rs. 2,622.45 million which was 21.39% less than the revised target of Rs. 3,336.00 million. Khyber Pakhtunkhwa Revenue Authority collected Rs. 17,120.57 million, which was 5.78% less than the revised target of Rs. 18,170.00 million. Irrigation Department collected Rs. 218.59 million, which was 62.17% less than the revised target of Rs. 577.79 million. Revenue & Estates Department collected Rs. 4,930.67 million, which was 12.98% less than the revised target of Rs. 5,666.34 million. Transport & Mass Transit Department collected Rs. 348.05 million which was 18.11% less than the of Rs. 92.22 million, which was 31.69% less than the revised target revised target of Rs. 425.00 million. Food Department collected total revenue of Rs. 135 million. A comparison of budget estimates, revised estimates and actual receipts of each Department for the financial year 2019-20 is tabulated below:

(Rs. in Million)

Department	Budget Estimates	Revised Estimate	Actual Receipts (As per Finance Account)	Variation Short (-) Excess (+)	Percentage of Variance
Excise Taxation & Narcotics Control	3,983.00	3,336.00	2,622.45	-713.55	-21.39
Khyber Pakhtunkhwa Revenue Authority	20,354.00	18,170.00	17,120.57	-1,049.43	-5.78
Irrigation	577.79	577.79	218.59	-359.20	-62.17
Revenue & Estate	7,640.84	5,666.34	4,930.67	-735.67	-12.98
Transport & Mass Transit	420.00	425.00	348.05	-76.95	-18.11
Food	135.00	135.00	92.22	-42.78	-31.69
Total:	33,110.63	28,310.13	25,332.55	-2,977.58	-10.52

The following graph shows budget estimates, revised estimates and actual receipts for the year 2019-20.



The major sources of revenue were Sales Tax on Services (Rs. 16,966.02 million), Land Revenue (Rs. 2,438.17 million), Stamp Duty (Rs. 1,699.22 million), Property Tax (Rs. 882.48 million), Motor Vehicle Tax (Rs. 708.30 million), Capital Value Tax (Rs. 448.96 million) and Tobacco Development Cess (Rs. 369.30 million).

The receipts target of Excise, Taxation & Narcotics Control Department was Rs. 3,983.00 million which was reduced to Rs. 3,336.00 million. Actual receipts of the department were Rs. 2,622.45 million 21.39 % less than the revised estimates of the receipts. The receipts target during the year was decreased from Rs. 3,983.00 million to Rs. 3,336.00 million showing a decrease of Rs. 647 million. However, collection of the Infrastructure Development Cess, which was part of the Excise Department receipts, was transferred to KPRA during the year and revised estimates do not include Infrastructure Development Cess. Hence the actual decrease in receipts estimates was 477 million (12%). A review of taxes collected by Excise, Taxation & Narcotics Control Department shows decrease in the collection of almost all the taxes against revised budget estimates except Tobacco Development Cess and Provincial Excise Duty. A huge amount of Property Tax is outstanding against the assesseees but no concrete measures have been taken for recovery. Similarly 15% provincial government share of Property Tax was not recovered from most of the cantonment boards within the province. Moreover no improvement has been noticed in Motor Vehicle Tax collection due to non-existence of monitoring system. Had there been proper monitoring system in the department, these lapses could have been easily avoided.

The receipts target of the Khyber Pakhtunkhwa Revenue Authority for 2019-20 was reduced from Rs. 20,354.00 million to Rs. 18,170.00 million despite the shifting of Infrastructure Development Cess from Excise & Taxation Department to the Authority. However, the Authority was unable to achieve this revised target too and collected an amount of Rs. 17,120.57 million.

Irrigation Department was unable to achieve the target of Abiana for the last many years. Millions of rupees on account of Water Rates remained pending for recovery and the Department was not taking reformative steps for

the accurate assessment and collection of Abiana. However the Provincial Government has taken cognizance of the issue and the responsibility for the recovery of Abiana has been transferred to the Board of Revenue w.e.f. Kharif crops 2019 along with old arrears. However, the Board of Revenue has not yet started the recovery of Water Rate which resulted in shortfall of government revenue.

Receipts target of Revenue & Estate Department during the year was decreased from Rs. 7,640.84 million to Rs. 5,666.34 million showing a decrease of Rs. 1974.50 million (26%). Despite revised target department was unable to collect the required taxes. It indicates that proper survey/research was not carried out while preparing the budget estimates. This issue needs to be looked into by the Department.

Transport & Mass Transit Department was also unable to achieve the target given by the government for Route Permit Fee and Motor Vehicles' Fitness Fee. A considerable amount of government revenue on account of Route Permit Fee was outstanding against permit holders but no interventions made by the relevant government authorities to recover the government revenue.

Food Department was given a target of Rs. 135.00 million for Sugar Cane Development Cess. The department failed to achieve the target and collected Rs. 92.22 million during the year, which was 31.69% less than the revised estimates.

Chapter-2

EXCISE, TAXATION AND NARCOTICS CONTROL DEPARTMENT

2.1 Introduction

The Excise, Taxation and Narcotics Control Department is primarily engaged in collection of various provincial taxes, duty, fees and cess items.

A. Main functions of Excise, Taxation & Narcotics Control Department

- Collection of Property Tax according to the assessment of property units.
- Assessment and collection of Motor Vehicle Registration Fee and Motor Vehicle Tax from the owners of vehicles.
- Issuance of Registration Marks and Certificates to Motor vehicles.
- Issuance of Duplicate Registration Certificates of the vehicles, Change of Ownership, Change of Engine Number, etc.
- Assessment and collection of tax on Professions, Trades, Calling and Employments.
- Assessment and collection of Hotel Tax.
- Assessment and collection of Tobacco Development Cess.
- Collection of License Fee from Real Estate Agents & Motor Vehicle Dealers
- Assessment and collection of Provincial Excise Duty.
- To seize Intoxicant Liquors, Narcotics and illegal/smuggled Vehicles.
- Collection of Advance Income Tax on behalf of Federal Government at the time of registration / transfer of a vehicle and collection of Motor Vehicle Tax respectively.

Table A: Audit Profile of Excise, Taxation & Narcotics Control Department

Sr. No.	Description	Total No.	Audited	Revenue Receipts Audited FY 2019-20 (Rs. in million)
1	Formations	32	11	1,688.80

B. Comments on Budgeted Receipts (Variance Analysis)

During the financial year 2019-20, the Excise, Taxation and Narcotics Control Department collected an amount of Rs. 2,622.45 million which was 78.61% of the revised estimates of Rs. 3,336.00 million.

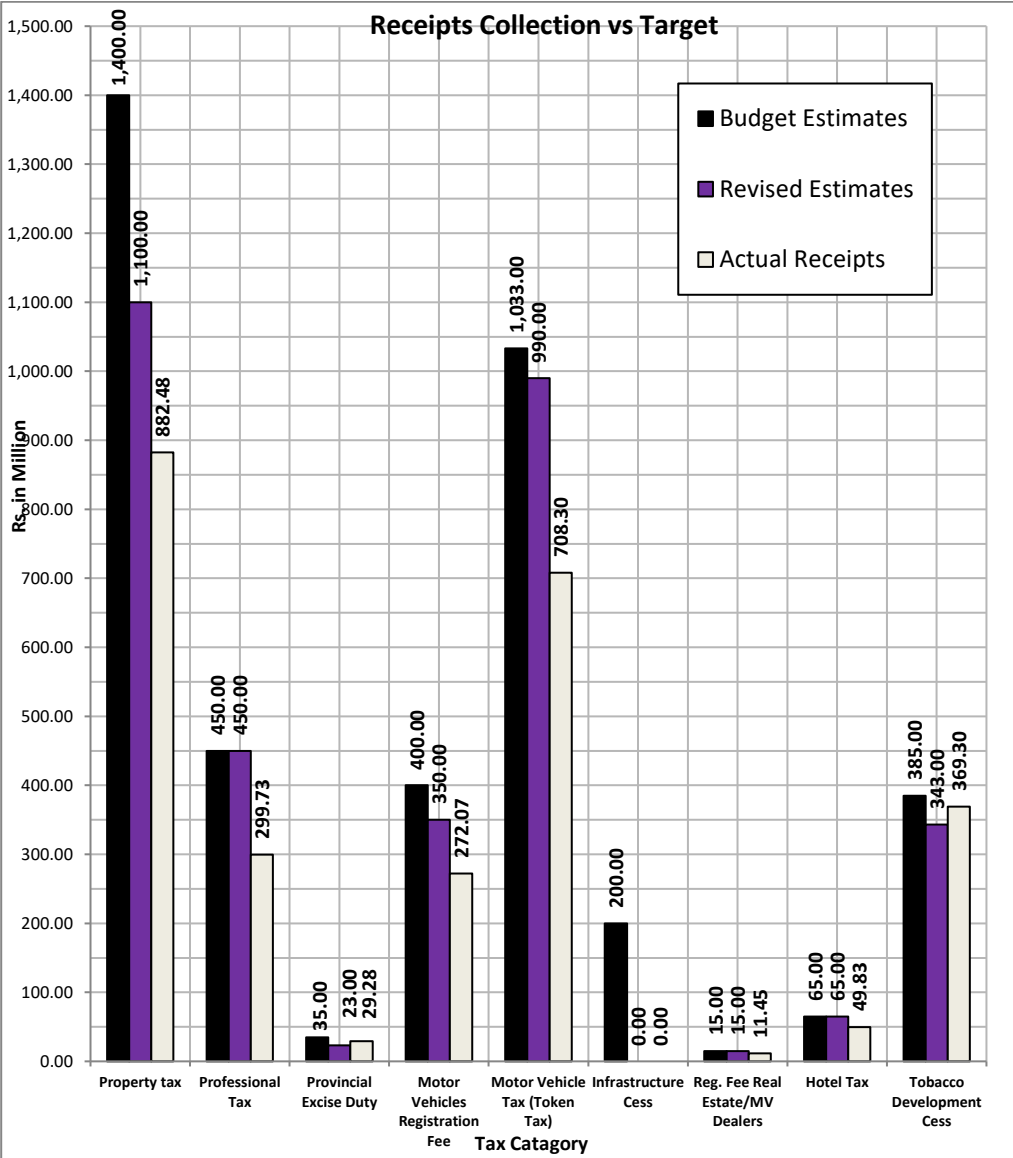
A comparison of budget estimates, revised estimates and actual receipts for the year 2019-20 is tabulated below. The variation between the revised estimates and actual receipts is depicted in both absolute and percentage terms.

Table B: Variance Analysis

(Rs. in million)								
Sr. No.	Category of Receipts	Head of Account	Budget Estimates	Revised Estimates	Actual Receipts (As per Finance Account)	%age of Total Receipts	Short (-) Excess (+) (Col.6-5)	Variance %age
1	2	3	4	5	6	7	8	9
1	Property tax	B01301	1,400.00	1,100.00	882.48	33.65	-217.52	-19.77
2	Professional Tax	B01601	450.00	450.00	299.73	11.43	-150.27	-33.39
3	Provincial Excise Duty	B026	35.00	23.00	29.28	1.12	6.28	27.32
4	Motor Vehicles Registration Fee	B02801	400.00	350.00	272.07	10.37	-77.93	-22.27
5	Motor Vehicle Tax (Token Tax)	B02803	1,033.00	990.00	708.30	27.01	-281.70	-28.46
6	Infrastructure Cess	B03030	200.00	-	-	0.00	0.00	0.00
7	Reg. Fee Real Estate/MV Dealers	B03053	15.00	15.00	11.45	0.44	-3.55	-23.66
8	Hotel Tax	B03056	65.00	65.00	49.83	1.90	-15.17	-23.33
9	Tobacco Development Cess	B03080	385.00	343.00	369.30	14.08	26.30	7.67
Total :			3,983.00	3,336.00	2,622.45	100.00	-713.55	-21.39

The above figures show that actual receipts were 21.39 % less than the revised estimates of the receipts. The receipts target during the year was decreased from Rs. 3,983.00 million to Rs. 3,336.00 million showing a decrease of Rs. 647 million. However, collection of the Infrastructure Development Cess, which was part of the Excise Department receipts, was transferred to KPRA during the year and revised estimates do not include Infrastructure Development Cess. Hence the actual decrease in receipts estimates was 477 million (12%).

The following graph shows budget estimates, revised estimates and actual receipts of the Excise, Taxation & Narcotics Control Department.



Comparison of taxes and duty disclosed no major changes in their rates during 2018-19 and 2019-20. Analysis of taxes/duty showed a decrease in the collection of almost all the taxes against revised budget estimates except Tobacco Development Cess and Provincial Excise Duty.

The budgeted receipts estimates and revised estimates for the years 2018-19 & 2019-20 for Excise, Taxation & Narcotics Control Department are given below.

Table C: Receipts estimates and revised estimates for 2018-19 & 2019-20

(Rs. in million)					
Year	Budget Estimates	Revised Estimate	Actual Receipts (As per Finance Account)	Variation	Percentage of Variance
2018-19	3,469.00	3,364.00	3,355.46	-8.54	-0.25
2019-20	3,983.00	3,336.00	2,622.45	-713.55	-21.39

2.2 Classified Summary of Audit Observations

Audit observations amounting to Rs.324.42 million were raised in this report during audit of Excise, Taxation & Narcotics Control Department. The entire amount pointed out by the audit is recoverable. Summary of the audit observations classified by nature is as under:

Table D: Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs. in million)
1	Irregularities	
A	Non/short-recoveries	324.42
B	Non/short-assessment	-
Total		324.42

2.3 Brief Comments on the Status of Compliance with PAC Directives

Table E: The status of compliance with PAC directives:

Sr. No.	Audit Report Year	Total Paras	Paras Discussed	Paras Settled	Paras Stand	Percentage of compliance	Remarks
1	2002-03	12	12	0	12	0 %	-
2	2003-04	15	15	3	12	20 %	-
3	2004-05	14	-	-	-	-	Yet to be discussed in PAC
4	2005-06	14	14	6	8	43 %	-
5	2006-07	15	-	-	-	-	Yet to be discussed in PAC
6	2007-08	15	-	-	-	-	-do-
7	2008-09	10	10	0	10	0 %	-
8	2009-10	10	10	3	7	30 %	-
9	2010-11	13	-	-	-	-	Yet to be discussed in PAC
10	2011-12	18	-	-	-	-	-do-
11	2012-13	10	10	2	8	20 %	-
12	2013-14	10	-	-	-	-	Yet to be discussed in PAC
13	2014-15	8	-	-	-	-	-do-
14	2015-16	9	-	-	-	-	-do-
15	2016-17	15	-	-	-	-	-do-
16	2017-18	11	-	-	-	-	-do-
17	2018-19	19	-	-	-	-	-do-
18	2019-20	10	-	-	-	-	-do-
Total		228	71	14	57	20 %	

Compliance with the PAC directives is poor mainly because of the lack of pursuance by the Department. It is worth mentioning here that partial recoveries have been effected by the Department. However, paras will be considered for settlement once complete recoveries are effected and verified.

2.4 Issues of the Excise, Taxation & Narcotics Control Department

One of the major issues in the Excise, Taxation and Narcotics Control Department is non-recovery of Property Tax which resulted in accumulation of huge amount of arrears. This is due to weak internal controls and inefficiency of the department. Audit has raised many observations regarding this issue over the years but no concrete steps have been taken by the department for recovery of these arrears.

Audit recommends to analyze the reasons of non-recovery and take concrete steps for timely collection of government money and apprise the Public Accounts Committee on the results of new interventions.

Another longstanding issue in Excise Department is non-recovery of Motor Vehicle Tax (Token Tax). As per record of every ETO a large number of Motor Vehicles are defaulters. According to Excise authorities, these vehicles are paying Motor Vehicle Tax in other Districts of the Khyber Pakhtunkhwa and in some cases in other provinces. However, the department has not developed any system to ascertain that whether these vehicles are actually paying tax and in which ETO or province. This issue is depriving the province a huge amount of revenue.

It is recommended that the Department should launch a program for the vehicles' owners to deposit Provincial Motor Vehicle Tax in the relevant head of account in the province of KPK and also take steps for intra districts updation and reconciliation of the tax on monthly basis.

Under Presidential Order No.13 of 1979 fifteen per cent share of net proceeds of property tax collected by a cantonment board within its limits is payable to the provincial government concerned. Audit observed that various Cantonment Boards did not pay 15% Provincial Government share of property tax. This is a longstanding issue and millions of rupees are outstanding against Cantonment Board in the Province.

The Provincial government should take up the issue with the Federal Government at appropriate level.

Audit observed that in Excise & Taxation Offices revenue target fixed under various heads of receipts had not been fully achieved by the concerned authorities which led to short fall of receipts. This was due to non-enforcement of provisions of relevant laws and fixing of unrealistic targets. It also indicates that proper survey/research was not carried out while preparing the budget estimates.

The department should streamline and digitize the collection process for plugging the loopholes.

It was noticed that the District Excise and Taxation Officer Bannu and Haripur had neither assessed nor created demand for collection of hotel tax in respect of all hotels in their jurisdiction liable to pay the tax which results in loss to the Government exchequer and non-availability of resources to Government for efficient and effective use.

Audit recommends to assess and collect the Hotel Tax and progress be reported to PAC.

(APs No. 29, 43, 51, 97, 117, 145 & 156 /2019-20)

(APs No. 35, 58, 59, 75, 89, 99, 149 & 158/2019-20)

(APs No. 32, 44 & 147/2019-20)

(APs No. 6, 38, 49, 56, 77, 93, 103, 121, 152 & 162/2019-20)

(APs No. 101 & 160/2019-20)

2.5 AUDIT PARAS

2.5.1 Loss due to non-realization of Property Tax-Rs. 97.09 million

According to Section 16 of the Urban Immovable Property Tax Act, 1958, any sum due on account of Property Tax which remains unpaid after the due date without sufficient cause to the satisfaction of the collector is required to be recovered as arrears of land revenue.

During audit of the Excise & Taxation Offices in various districts for the financial year 2019-20, it was observed that Government revenue on account of Property Tax Rs. 97.09 million had not been recovered as detailed below:

(Amount in Rupees)				
Sr. No.	Excise and Taxation Office	AP No.	No. of cases	Amount pointed out
1	ETO Mardan	29/2019-20	46	7,501,824
2	ETO II, Peshawar	43/2019-20	128	26,950,618
3	ETO III, Peshawar	51/2019-20	128	5,1046,266
4	ETO Bannu	97/2019-20	21	2,816,429
5	ETO VI, Peshawar	117/2019-20	56	6,029,769
6	ETO DI Khan	145/2019-20	46	924,389
7	ETO Haripur	156/2019-20	29	1,824,690
Total:			454	97,093,985

The loss occurred due to weak internal controls and in-efficiency of the department.

When pointed out it was replied by the management that efforts would be made for the recovery of outstanding amount.

The department was requested for holding of the DAC meeting vide letter dated 07-12-2020 followed by the reminder dated 24-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends prompt recovery of outstanding Government dues from defaulters.

2.5.2 Loss due to non-realization of Property Tax from Autonomous Bodies - Rs. 56.54 million

According to Section 4 read with Section 16 of the Urban Immovable Property Tax Act, 1958, recovery proceedings are required to be initiated against the defaulters.

During the financial year 2019-20, Excise & Taxation Offices did not recover Property Tax amounting to Rs. 56.54 million from Peshawar Municipal Corporation, Peshawar Development Authority, TMA Bannu and TMA D. I. Khan as detailed below:

(Amount in Rupees)			
Sr. No.	Excise and Taxation Office	AP No.	Amount pointed out
1	ETO II Peshawar	45/2019-20	12,008,000
2	ETO III Peshawar	54/2019-20	18,784,875
3	ETO Bannu	96/2019-20	3,058,862
4	ETO VI Peshawar	116/2019-20	22,186,741
5	ETO D I Khan	148/2019-20	499,840
Total:			56,538,318

The loss occurred due to weak internal controls and in-efficiency of the department.

When pointed out it was replied by the management that the amount would be recovered from the defaulters.

The department was requested for holding of the DAC meeting vide letter dated 07-12-2020 followed by the reminder dated 24-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends prompt recovery of outstanding Property Tax.

2.5.3 Loss due to non-realization of Hotel Tax-Rs. 30.32 million

According to Section 4 of the Khyber Pakhtunkhwa Finance Ordinance, 2002 read with Section 7 of the Khyber Pakhtunkhwa Finance Act 2019, there shall be levied and collected every year a tax on hotels, payable by the owner or management thereof at the rate of ten percent of the room rent per lodging unit per day, on the basis of fifty percent of the total number of lodging units available in the hotel concerned.

During the financial year 2019-20, Excise & Taxation Offices in various Districts did not recover Hotel Tax amounting to Rs. 30.32 million as detailed below:

(Amount in Rupees)				
Sr. No.	Excise and Taxation Office	AP No.	No. of cases	Amount pointed out
1	ETO IV Peshawar	1/2019-20	29	29,877,524
2	ETO Mardan	33/2019-20	07	398,570
3	ETO D I Khan	151/2019-20	03	45,016
Total			39	30,321,110

The loss occurred due to in-efficiency of the department.

When pointed out, it was replied by the management that hotels are closed due to COVID-19. In current year relief/concession from 20% to 25% has also been granted. All the arrears would be recovered.

The department was requested for holding of the DAC meeting vide letter dated 07-12-2020 followed by the reminder dated 24-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends prompt recovery of outstanding Government dues.

2.5.4 Loss due to non-realization of 15% Provincial Government share of Property Tax from Cantonment Boards-Rs. 17.24 million

According to Presidential Order No.13 of 1979, dated 22.08.1979, fifteen percent share of net proceeds of Property Tax collected by a cantonment board within its limits is payable to the Provincial Government concerned.

During the financial year 2019-20, under mentioned Excise & Taxation Offices failed to realize 15% Provincial Government share of Property Tax from the Cantonment Boards:

(Amount in Rupees)			
Sr. No.	Excise and Taxation Office	AP No.	15% Prov. Govt. share recoverable
1	ETO Mardan	32/2019-20	750,000
2	ETO II Peshawar	44/2019-20	14,853,998
3	ETO D I Khan	147/2019-20	1,637,075
Total			17,241,073

The loss occurred due to weak internal controls.

When pointed out, it was replied by the management that the matter would be taken with the cantonment boards authorities and efforts would be made for recovery of Provincial Government share.

The department was requested for holding of the DAC meeting vide letter dated 07-12-2020 followed by the reminder dated 24-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends expeditious recovery of Provincial Government share of Property Tax from Cantonment Boards.

2.5.5 Loss due to non-realization of Professional Tax-Rs. 10.27 million

According to Section 7 of the Khyber Pakhtunkhwa Finance Act, 1990 read with Appendix-II to the Finance Act 2019, Professional Tax shall be levied and collected from persons engaged in professions, trades, callings or employment of different categories.

During the financial year 2019-20, Excise & Taxation Offices in various Districts did not recover Professional Tax amounting to Rs. 10.27 million as detailed below:

(Amount in Rupees)				
Sr. No.	Excise and Taxation Office	AP No.	No. of cases	Amount pointed out
1	ETO IV Peshawar	2/2019-20	125	5,855,000
2	ETO Mardan	31/2019-20	62	1,495,000
3	ETO Bannu	98/2019-20	26	1,064,000
4	ETO D I Khan	146/2019-20	24	995,000
5	ETO Haripur	157/2019-20	18	856,000
Total			255	10,265,000

The loss occurred due to weak internal controls and in-efficiency of the department.

When pointed out, it was replied by the management that closure of businesses due to COVID-19 made the recovery difficult. Efforts would be made to recover the pointed out amount.

The department was requested for holding of the DAC meeting vide letter dated 07-12-2020 followed by the reminder dated 24-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends prompt recovery of outstanding Government dues from defaulters.

2.5.6 Loss due to non-realization of Property Tax from owners of buildings rented out to banks-Rs. 5.41 million

According to Sr. No. 2 of Schedule-II to the Urban Immovable Property Tax Act 1958 as amended vide Section 2 of the Khyber Pakhtunkhwa Finance Act 2019, Building acquired for the use by Government, Semi-Government, Non-Government Organizations, Development Financial Institutions, private commercial organizations, guest houses, hostels or by Banks shall be assessed and taxed 18 percent of the actual annual rent. In case building other than those exempted under section 4 of the Act, which is owned and occupied by such organizations, the tax shall be levied on the assessed annual rental value of such buildings on the rate prescribed hereinbefore.

During the financial year 2019-20, Excise & Taxation Office VI, Peshawar did not recover the Property Tax from the owners of buildings acquired for the use as banks.

The loss occurred due to weak internal controls and in-efficiency of the department.

When pointed out, it was replied by the management that Covid-19 hampered the routine recovery efforts. Now that the situation has stabilized, the recovery would be made within this fiscal year.

The department was requested for holding of the DAC meeting vide letter dated 07-12-2020 followed by the reminder dated 24-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends prompt recovery of Government dues from defaulters.

(AP No. 118/2019-20)

2.5.7 Loss due to non-realization of Property Tax from Daewoo Express Bus Service-Rs. 3.11 million

According to Sr. No. 2 of Schedule-II to the Urban Immovable Property Tax Act 1958 as amended vide Section 2 of the Khyber Pakhtunkhwa Finance Act 2019, Building acquired for the use by Government, Semi-Government, Non-Government Organizations, Development Financial Institutions, private commercial organizations, guest houses, hostels or by Banks shall be assessed

and taxed 18 percent of the actual annual rent. In case building other than those exempted under section 4 of the Act, which is owned and occupied by such organizations, the tax shall be levied on the assessed annual rental value of such buildings on the rate prescribed hereinbefore.

During audit of the Excise & Taxation Officer-II, Peshawar for the financial year 2019-20, it was noticed that Property Tax amounting to Rs. 3.11 million had not been recovered from the Daewoo Express Bus Service Peshawar.

The loss occurred due to weak internal controls and in-efficiency of the department.

When pointed out it in August 2020, the management stated that reply would be given in due course of time.

The department was requested for holding of the DAC meeting vide letter dated 07-12-2020 followed by the reminder dated 24-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends prompt recovery of Government dues.

(AP No. 48/2019-20)

2.5.8 Loss due to non-realization of Property Tax from owners of buildings used for erection of Mobile Phone Towers-Rs. 1.73 million

According to Sr. No. 14 of Schedule-II to the Urban Immovable Property Tax Act, 1958, as amended vide Section 2 of the Khyber Pakhtunkhwa Finance Act 2019, Buildings and Lands used for the erection of Mobile Phone Towers shall be assessed and taxed at the rate of Rs. 40,000 at Provincial Headquarter, Rs. 30,000 at Divisional Headquarters and Rs. 20,000 at District Headquarters per annum.

During the financial year 2019-20, Excise & Taxation Offices did not recover Property Tax amounting to Rs. 1.73 million from owners of buildings and lands used for the erection of mobile phone towers as detailed below:

(Amount in Rupees)				
Sr. No.	Excise and Taxation Office	AP No.	No. of cases	Amount pointed out
1	ETO II Peshawar	46/2019-20	9	700,380
2	ETO III Peshawar	55/2019-20	5	432,000
3	ETO VI Peshawar	119/2019-20	6	596,973
Total			20	1,729,353

The loss occurred due to weak internal controls and in-efficiency of the department.

When pointed out it was stated by the ETO II, Peshawar that reply would be given in due course of time. ETO III & VI replied that Covid-19 hampered the routine recovery efforts. Now that the situation has stabilized, the recovery would be made within this fiscal year.

The department was requested for holding of the DAC meeting vide letter dated 07-12-2020 followed by the reminder dated 24-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends prompt recovery of outstanding Government dues from defaulters.

2.5.9 Loss due to non-realization of Motor Vehicle Tax-Rs. 102.71 million

According to Section 3 of the Motor Vehicles Taxation Act, 1958, Motor Vehicle Tax is leviable on every motor vehicle at specified rate. Failure to pay the tax within the stipulated period without sufficient cause attracts levy of penalty under Section 9 of the Act *ibid*. The unpaid tax along with penalty is recoverable as arrears of land revenue under section 11 of the Act *ibid*. Besides, registration of defaulting vehicle is also liable to be suspended or canceled under section 34 & 35 of the Motor Vehicles Ordinance, 1965.

During the financial year 2019-20, Excise & Taxation Offices in various Districts did not recover Motor Vehicle Tax amounting to Rs. 102.71 million as detailed below:

(Amount in Rupees)				
Sr. No.	Excise and Taxation Office	AP No.	No. of cases	Amount pointed out
1	ETO Mardan	35/2019-20	15	193,854
2	ETO I Peshawar	58/2019-20	2352	96,528,123
3	ETO I Peshawar	59/2019-20	333	2,016,625
4	ETO Swat	75/2019-20	78	1,150,000
5	ETO V Peshawar	89/2019-20	227	2,252,415
6	ETO Bannu	99/2019-20	34	195,902
7	ETO D I Khan	149/2019-20	26	155,550
8	ETO Haripur	158/2019-20	22	214,652
Total:			3087	102,707,121

The loss occurred due to weak internal controls and in-efficiency of the department.

When pointed out it was replied by the management that efforts would be made for recovery of the pointed out amount from defaulters.

The department was requested for holding of the DAC meeting vide letter dated 07-12-2020 followed by the reminder dated 24-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends prompt recovery of outstanding Government dues from defaulters.

Chapter-3

IRRIGATION DEPARTMENT

3.1 Introduction

Irrigation Department is responsible for matters concerning irrigation in the province. The main goal of the Department is to provide sufficient water for irrigation both through conservation and development to meet the food and fiber requirements of the growing population.

A. Main functions of the Irrigation Department

- Construction and maintenance of canal system for irrigation.
- Supply of water to water courses for irrigation purpose
- Approval of maps of water courses.
- Levy and collection of water rates and surcharge for late payments of such water rates.
- Plan, design, construct, operate and maintain the irrigation drainage, storage reservoir and flood control infrastructure.
- Undertake any works, incur expenditure and procure machinery, plant & stores required by the Department.

Table A: Audit Profile of Irrigation Department

Sr. No.	Description	Total No.	Audited	Revenue Receipts Audited FY 2019-20 (Rs. in million)
1	Formations	16	4	29.75

B. Comments on Budgeted Receipts (Variance Analysis)

During the financial year 2019-20, the Irrigation Department, Government of Khyber Pakhtunkhwa collected an amount of Rs. 218.59 million which was 37.83% of the estimates of Rs. 577.79 million.

A comparison of budget estimates, revised estimates and actual receipts for the year 2019-20 is tabulated below. The variation between the revised estimates and actual receipts is depicted in both absolute and percentage terms.

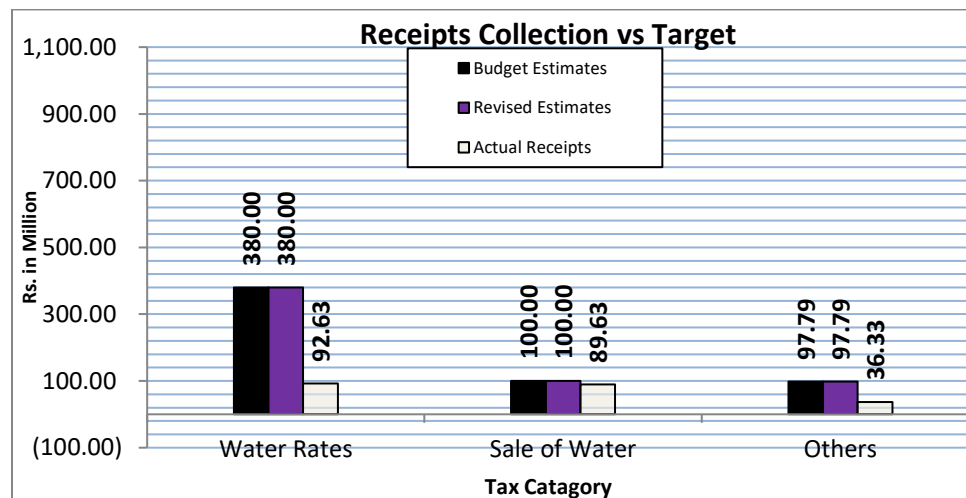
Table B. Variance Analysis

(Rs. in million)

Sr. No.	Category of Receipts	Head of Account	Budget Estimates	Revised Estimates	Actual Receipts (As per Finance Account)	%age of Total Receipts	Short (-) Excess (+) (Col.6-5)	Variance %age
1	2	3	4	5	6	7	8	9
1	Direct Receipts on Account of Water Rates	C03431	380.00	380.00	92.63	42.38	-287.37	-75.62
2	Direct Receipts on Account of Sale of Water	C03432	100.00	100.00	89.63	41.00	-10.37	-10.37
3	Others	C03434	97.79	97.79	36.33	16.62	-61.46	-62.85
Total :			577.79	577.79	218.59	100.00	-359.20	-62.17

The above figures show that actual receipts were 62.17 % less than the estimates of the receipts. The main reason for less collection of Water Rates was due to the fact that recovery of the Water Rates was transferred to the Board of Revenue w.e.f. Kharif crops 2019 along with old arrears. However, the Board of Revenue has not yet started the recovery of Water Rate which resulted in shortfall of government revenue.

The following graph shows budget estimates, revised estimates and actual receipts of the Irrigation Department.



Comparison of taxes and duties disclosed no major changes in their rates during 2018-19 & 2019-20.

The budgeted receipts estimates and revised estimates for the years 2018-19 & 2019-20 of Irrigation Department are given below. In both years budget estimates were decreased but the department was unable to achieve the revised targets.

Table C: Receipts estimates and revised estimates for 2018-19 & 2019-20

(Rs. in million)

Year	Budget Estimates	Revised Estimate	Actual Receipts (As per Finance Account)	Variation	Percentage of Variance
2018-19	590.00	570.00	374.13	-195.87	-34.36
2019-20	577.79	577.79	218.59	-359.20	-62.17

3.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 6.08 million were raised in this report during audit of Irrigation Department. The pointed out amount also include arrears and observation relating to the previous year. Entire amount pointed out by the audit is recoverable. Summary of the audit observations classified by nature is as under:

Table D: Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs. in million)
1	Irregularities	
A	Non-recoveries	6.08
B	Non-assessment	-
Total		6.08

3.3 Brief Comments on the Status of Compliance with PAC Directives

Table E: The status of compliance with PAC directives:

Sr. No.	Audit Report Year	Total Paras	Paras Discussed	Paras Settled	Paras Stand	Percentage of compliance	Remarks
1	2002-03	1	1	-	1	0%	-
2	2003-04	5	5	1	4	20%	-
3	2004-05	3	-	-	-	-	Yet to be discussed in PAC
4	2005-06	4	-	-	-	-	-do-
5	2006-07	7	-	-	-	-	-do-
6	2007-08	8	-	-	-	-	-do-
7	2008-09	9	-	-	-	-	-do-
8	2009-10	6	-	-	-	-	-do-
9	2010-11	9	-	-	-	-	-do-
10	2011-12	11	-	-	-	-	-do-
11	2012-13	4	4	1	3	25%	-
12	2013-14	6	-	-	-	-	Yet to be discussed in PAC
13	2014-15	4	-	-	-	-	-do-
14	2015-16	3	-	-	-	-	-do-
15	2016-17	2	-	-	-	-	-do-
16	2017-18	2	-	-	-	-	-do-
17	2018-19	3	-	-	-	-	-do-
18	2019-20	3	-	-	-	-	-do-
Total		90	10	2	8	20%	

Compliance with the PAC directives is poor mainly because of the lack of pursuance by the Department. It is worth mentioning here that partial recoveries have been effected by the Department. However, paras will be considered for settlement once complete recoveries are effected and verified.

3.4 Issues of the Irrigation Department

Non recovery of Water Rates (Abiana) resulted in accumulation of huge amount of arrears. This was due to weak internal controls and in-efficiency of the department. Audit has raised many observations regarding this issue over the years but no concrete steps were taken by the department for recovery of arrears.

Recovery of the Water Rates was transferred to the Board of Revenue w.e.f. Kharif crops 2019 along with old arrears. However, the Board of Revenue has not yet started the recovery of Water Rate which resulted in shortfall of government revenue and only 24% of the revised target of Rs. 380 million was recovered.

Audit recommends to analyze the reasons of non-recovery and take appropriate steps for the efficiency of the department and accurate and timely recovery of government money.

Audit observed that in the offices of Divisional canals Officer Swabi Irrigation Division-I & II government receipts of Rs. 457,600 had been misclassified while depositing into bank due to non-observance of rules and weak internal controls. The deposited amount had not been credited to the provincial government account/consolidated fund against the relevant head and also not appearing in SAP data of AG office.

Department should timely reconcile the figures with Accountant General Office.

Divisional Canal Officers Swabi Irrigation Division-I & II were requested to provide the following important information for audit analysis but the same was not provided due to the reasons that it was not maintained by the department

1. Detail of water sector schemes completed and new area added under irrigation during 2019-20.
2. Detail of revenue increase commensurate to the new irrigation schemes and implementation of policy of the department for modernization of revenue assessment and collection.

Audit recommends to work on the said record and provide detail to the PAC.

(APs No. 128, 129, 171 & 172/2019-20)

3.5 AUDIT PARAS

3.5.1 Loss to Government due to non-realization of Water Rates (Abiana)-Rs. 4.58 million

According to Section 45 of the Canal and Drainage Act 1873, any sum lawfully due and certified by the Divisional Canal Officer to be so due, which remains unpaid after the day on which it becomes due, shall be recovered as arrears of land revenue.

During the financial year 2018-19, Divisional Canal Officer Bannu Canal Irrigation Division did not initiate proceedings against the defaulters for recovery of outstanding Water Rates (Abiana) amounting to Rs. 4.58 million.

The loss occurred due to weak internal controls and in-efficiency of the department.

When pointed out, the management replied that efforts would be made for recovery of the pointed out amount.

The department was requested for holding of the DAC meeting vide letter dated 07-12-2020 followed by the reminder dated 24-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends expeditious recovery of the outstanding Government dues.

(AP No. 207/2018-19)

3.5.2 Loss due to non-realization of Professional Tax & Stamp Duty from contractors-Rs. 1.50 million

According to Serial No. 13 of Appendix II to the Khyber Pakhtunkhwa Finance Act, 2019, Professional Tax is required to be recovered from contractors according to the value of goods supplied or services rendered during the preceding financial year at the prescribed rates. Further in terms of Article 22(A) of the Schedule-I to the Stamp Act, 1899 as amended vide Finance Act 2007, Stamp Duty is required to be charged on “agreements to execute work” at the prescribed rates.

During the financial year 2019-20, various Divisional Canal Offices did not recover Professional Tax & Stamp duty from contractors amounting to Rs.1.50 million as detailed below:

(Amount in Rupees)

Sr. No.	Divisional Canal Office	AP No.	No. of cases	Amount pointed out
1	Swabi Irrigation Division-I	125/2019-20	07	200,000
2	-do-	126/2019-20	07	85,000
3	Mardan Irrigation Division	153/2019-20	05	90,000
4	-do-	154/2019-20	03	18,750
5	Charsadda Irrigation Division	167/2019-20	41	701,850
6	Swabi Irrigation Division-II	169/2019-20	30	319,250
7	-do-	170/2019-20	04	83,000
Total			97	1,497,850

The loss occurred due to non-observance of rules and weak internal controls.

When pointed out in November 2020, the management replied that recovery would be effected from the contractors.

The department was requested for holding of the DAC meeting vide letter dated 07-12-2020 followed by the reminder dated 24-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends expeditious recovery of the Government dues.

Chapter-4

REVENUE AND ESTATE DEPARTMENT

4.1 Introduction

The Board of Revenue was the successor of the office of the Financial Commissioner. It was originally constituted under the provisions of the West Pakistan Board of Revenue Act, 1957, which on dissolution of One Unit in 1970 became the Board of Revenue, Khyber Pakhtunkhwa.

The Revenue and Estate Department is the controlling authority in all matters connected with the administration of land, collection of Government dues including land taxes, land revenue, preparation of land records and other matters relating thereto. Senior Member Board of Revenue is incharge of the Department.

The Revenue and Estate Department is the custodian of the rights of the land holders and is the highest revenue court in the province with Appellate/Provisional jurisdiction against orders of subordinate revenue officers/courts including collectors. All Revenue Officers and Revenue Courts are subject to the general superintendence and control of the Revenue and Estate Department. The Department itself is subject to the administrative control of the Provincial Government.

A. Main functions of the Revenue & Estate Department

- Assessment and collection of Land Revenue, Agriculture Income Tax and Land Tax.
- Land surveys and record of rights, including restrictions over transfer of title.
- Laws regarding land tenure, relations between landlords and tenants, special remission of land revenue and remission under sliding scales.
- Compulsory acquisition of land, Land Acquisition Act and Rules made thereunder.
- Matters connected with the recruitment, training, pay, allowances, promotions, leave, postings and transfers of revenue staff.
- Registration of document including collection of Registration Fees.

- Stamps and Court Fees, Judicial and non-Judicial.
- Revenue Settlement and Re-assessment.
- Preparation of Gazetteers, Land Laws.
- Territorial adjustment and changes, Boundary Dispute, Land Commission.
- Land Settlement.
- Collection of Capital Value Tax on transfer of immovable property.

Table A: Audit Profile of Revenue & Estate Department

Sr. No.	Description	Total No.	Audited	Revenue Receipts Audited FY 2019-20 (Rs. in million)
1	Formations	156	16	1,306.82

B. Comments on Budgeted Receipts (Variance Analysis)

During the financial year 2019-20, Revenue & Estate Department, Government of Khyber Pakhtunkhwa collected an amount of Rs. 4,930.67 million which was 87% of the revised estimates of Rs. 5,666.34 million.

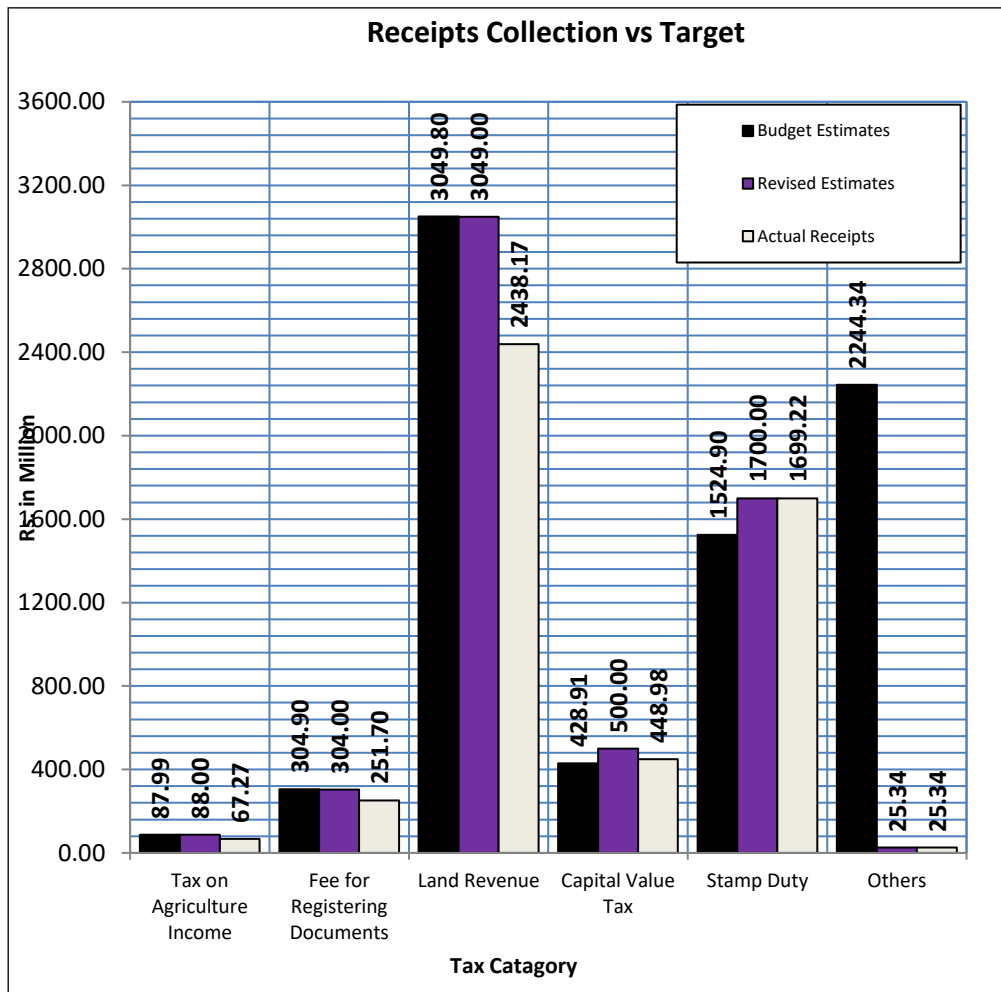
A comparison of budget estimates, revised estimates and actual receipts for the year 2019-20 is tabulated below. The variation between the revised estimates and actual receipts is depicted in both absolute and percentage terms.

Table B: Variance Analysis for Revenue and Estate Department

(Rs. in million)								
Sr. No.	Category of Receipts	Head of Account	Budget Estimates	Revised Estimates	Actual Receipts (As per Finance Account)	%age of Total Receipts	Short (-) Excess (+) (Col.6-5)	Variance %age
1	2	3	4	5	6	7	8	9
1	Tax on Agriculture Income	B01175	87.99	88.00	67.27	1.36	-20.73	-23.56
2	Fee for Registering Documents	B01311, 12 & 20	304.90	304.00	251.70	5.10	-52.30	-17.20
3	Land Revenue	B014	3,049.80	3,049.00	2,438.17	49.45	-610.83	-20.03
4	Capital Value Tax	B01701	428.91	500.00	448.98	9.11	-51.02	-10.20
5	Stamp Duty	B027	1,524.90	1,700.00	1,699.22	34.46	-0.78	-0.05
6	Others	C03805, 24, 31, 32 & 70	2,244.34	25.34	25.34	0.51	0.00	0.00
Total :			7,640.84	5,666.34	4,930.67	100.00	-735.67	-12.98

The above figures highlight that actual receipts were 12.98% less than the revised estimates. The receipts target during the year was decreased from Rs. 7,640.84 million to Rs. 5,666.34 million showing a decrease of Rs. 1974.50 million (26%). However, the Department was unable to achieve this revised target. It shows poor fiscal planning. It also indicates that proper survey/research was not carried out while preparing the budget estimates. This issue needs to be looked into by the Department.

The following graph shows budget estimates, revised estimates and actual receipts of the Revenue and Estate Department. The graph shows that the department has achieved the targets of all the Taxes/Fees except Registration Fee.



Comparison of taxes and duties disclosed no major changes in their rates during 2018-19 & 2019-20.

The budgeted receipts estimates and revised estimates for the years 2018-19 & 2019-20 are illustrated below. The department did not achieve the revised target during 2019-20 despite substantial decrease in budget estimates.

Table C: Receipts estimates and revised estimates for 2018-19 & 2019-20

(Rs. in million)					
Year	Budget Estimates	Revised Estimate	Actual Receipts (As per Finance Account)	Variation	Percentage of Variance
2018-19	4,525.34	4,625.34	5,152.78	527.44	11.40
2019-20	7,640.84	5,666.34	4,930.67	-735.67	-12.98

4.2 Classified Summary of Audit Observations

Audit observations amounting to Rs.55.16 million were raised in this report during audit of Revenue & Estate Department. The pointed out amount also include arrears and observation relating to the previous year. The entire amount pointed out by the audit is recoverable. Summary of the audit observations classified by nature is as under:

Table D: Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs. in million)
1	Irregularities	
A	Non/short-recoveries	35.83
B	Non/short-assessment	19.13
C	Doubtful deposit of Govt. revenue	6.95
Total		61.91

4.3 Brief Comments on the Status of Compliance with PAC Directives

Table E: The status of compliance with PAC directives:

Sr. No.	Audit Report Year	Total Paras	Paras Discussed	Paras Settled	Paras Stand	Percentage of compliance	Remarks
1	2002-03	5	5	2	3	40%	-
2	2003-04	4	4	3	1	75%	-
3	2004-05	5	-	-	-	-	Yet to be discussed in PAC
4	2005-06	6	-	-	-	-	-do-
5	2006-07	5	-	-	-	-	-do-
6	2007-08	12	12	10	2	83%	-
7	2008-09	13	13	7	6	54%	-
8	2009-10	4	-	-	-	-	Yet to be discussed in PAC
9	2010-11	6	-	-	-	-	-do-
10	2011-12	8	-	-	-	-	-do-
11	2012-13	5	5	2	3	40%	-
12	2013-14	6	-	-	-	-	Yet to be discussed in PAC
13	2014-15	5	-	-	-	-	-do-
14	2015-16	9	-	-	-	-	-do-
15	2016-17	7	-	-	-	-	-do-
16	2017-18	9	-	-	-	-	-do-
17	2018-19	9	-	-	-	-	-do-
18	2019-20	7	-	-	-	-	-do-
Total		125	39	24	15	62%	

Compliance with the PAC directives is satisfactory. It is worth mentioning here that partial recoveries have been effected by the Department. However, paras will be considered for settlement once complete recoveries are effected and verified.

4.4 Issues of the Revenue & Estate Department

Recurrence of typical irregularities like non-assessment and short assessment of government revenue continued as before. No remedial measures appear to have been taken to check their recurrence. Inadequate monitoring and lack of effective internal controls led to these shortcomings which resulted in non-recovery of government revenue.

Audit observed that in the offices of the Tehsildar Bannu and D.I. Khan receipts collected were not reconciled with Accounts/Treasury Office receipts figures due to weak internal control. The authenticity of figures reported as deposited into Provincial Government Accounts cannot be ensured in absence of monthly reconciled statement.

Audit recommends that the concerned revenue officers must carry out monthly reconciliation with the District Accounts Offices and updated position of reconciled figures to be shared with Board of Revenue on monthly basis. Progress to be shown to PAC.

In the office of Tehsildar D. I. Khan Mutation fee had been deposited after attestation of mutations late by twenty to one hundred & sixty two days. In the instance cases Revenue Officer has attested the mutations prior to deposit of government receipts due to weak internal control and carelessness which caused late deposit of government money Rs.1,545,441 in the illustrative cases.

It is recommended that the concerned Tehsildars should not attest the mutation without evidence of deposit of mutation fee and the Board of Revenue should strengthen its internal audit system so that government revenue is remitted timely into government treasury

Computerization of Land Record was started in 2013 in Khyber Pakhtunkhwa to improve land management and local planning by providing clear and accurate information and to make the land record transparent and accessible online. Date of completion of this project was June 2019, however, only partial computerization has been completed in some districts.

Audit recommends to timely complete the computerization of land record and progress be shown to PAC.

(APs No. 225, 227/2018-19 & 114/2019-20)

4.5 AUDIT PARAS

4.5.1 Loss due to non-recovery of Mutation Fee from Ministry of Defense-Rs. 32.52 million

- i. According to Sr. No. 8 of the Government of Khyber Pakhtunkhwa, Revenue & Estate Department Notification No. TOSD/Mutation Fee/2014/26365-402 dated 29-06-2018, Mutation Fee is recoverable at the rate of 2% of the value on transfer of property through a mode other than those mentioned at Sr. No 1 to 7 of the said notification
- ii. According to Para No.5 of Board of Revenue notification No. REV:V/4/Notification/12280-310 dated 27.02.2018, the mutation attested on the basis of award are taxable. The mutation fee and other taxes both Federal and Provincial will be applicable.

During test audit of the Tehsildar Kabal Swat for the financial years 2015-16 to 2019-20, it was noticed that land was acquired by Ministry of Defense, through awards under Section 11 of the Land Acquisition Act 1894. The land was transferred to Ministry of Defense through mutations but Fee amounting to Rs. 32.52 million on transfer of land was not recovered as detailed below:

(Amount in Rupees)					
Sr. No.	Mouza	AP No.	Mutation No. & Date	Value of land transferred	Mutation Fee Recoverable @ 2%
1	Dheri	105/2019-20	813/09-06-2016	382,035,000	7,640,700
2	Koza Bandi	106/2019-20	3567/14-05-2019	1,244,069,244	24,881,385
Total				1,626,104,244	32,522,085

The loss occurred due to non-observance of rules.

When pointed out in September 2020, the management replied that the matter would be taken up with the relevant authority for recovery.

The department was requested for holding of the DAC meeting vide letter dated 24-12-2020. However, no DAC meeting was convened till the finalization of this report.

Audit recommends that action should be taken under the law for recovery of Government dues.

4.5.2 Loss due to short-assessment of Mutation Fee, Stamp Duty and Registration Fee-Rs.3.74 million

According to Section 27-A of the Stamp Act, 1899, where any instrument chargeable with ad valorem duty under clause (b) of Article 23 or clause (b) of Article 31 of Schedule-I relates to land only or land with any building or structure thereon, the value of the land shall be calculated according to the valuation table notified by the collector in respect of land situated in the area or locality concerned.

During the financial years 2018-19 & 2019-20, Tehsildars/Sub Registrars in different tehsils calculated value of the land transferred at lower rates than the notified rates of District Collectors. This caused short assessment of Government revenue of Rs. 4.13 million as Annexed at “A”.

The loss occurred due to weak internal controls and in-efficiency of the department.

When pointed out the management accepted audit observation for recovery.

Some of the Audit Paras were discussed in the DAC meetings held on 13th August, 23rd October and 17th November 2020. DAC decided to get the amount recovered and verified from Audit or provide proper justification for non-recovery of the pointed out amount. An amount of Rs. 0.39 million was got verified from Audit leaving recoverable balance of Rs. 3.74 million.

Audit recommends prompt recovery of Government dues.

(APs No. 217, 230/2018-19)

(APs No. 13, 25, 66, 68, 72, 79, 86, 104, 122, 137, 138, 174, 181/2019-20)

4.5.3 Loss due to non-assessment of Mutation Fee on exchange & gift of land-Rs. 3.27 million

According to Board of Revenue Notification No. TOSD/Mutation/2014/26365-402 dated 29-06-2018, Mutation Fee is exempted only on exchange of agricultural land within the same revenue circle and gift mutation to legal heirs. In other cases of exchange and gift, Mutation Fee was chargeable at the rate of 2% of the value of land.

During the financial year 2019-20, Tehsildars in different tehsils did not assess Mutation Fee on exchange of residential/commercial land and gift of land to other than legal heirs. This caused non-assessment of Government revenue Rs. 3.50 million, as detail below:

(Amount in Rupees)

Sr. No.	Formation	AP No.	No. of cases	Amount pointed out	Amount verified	Balance
1	Tehsildar D I Khan	222/2018-19	04	44,200	-	44,200
2	Tehsildar City Peshawar	16/2019-20	03	156,266	-	156,266
3	Tehsildar City Peshawar	20/2019-20	01	85,596	-	85,596
4	Tehsildar Badhaber Peshawar	23/2019-20	10	1,109,192	238,286	870,906
5	Tehsildar Bannu	107/2019-20	05	133,250	-	133,250
6	Tehsildar Bannu	112/2019-20	60	1,008,233	-	1,008,233
7	NT Chamkani Peshawar	141/2019-20	02	81,406	-	81,406
8	Tehsildar Oghi, Mansehra	177/2019-20	06	22,962	-	22,962
9	Tehsildar Charsadda	186/2019-20	05	862,948	-	862,948
Total			96	3,504,053	238,286	3,265,767

The loss occurred due to weak financial control.

When pointed out, it was stated by the management that detailed reply would be submitted after scrutiny of the record.

DAC meetings were held on 23rd October and 17th November 2020 in which Audit Paras No. 222/2018-19 and 23/2019-20 were discussed. DAC directed to get the recovered amount verified from Audit and recover the balance within one month. Recovery of Rs. 0.24 million was got verified from Audit leaving recoverable balance of Rs. 3.27 million.

Audit recommends prompt recovery of Government dues.

4.5.4 Loss due to non-realization of Land Tax, Agriculture Income Tax and Local Rate-Rs. 3.31 million

According to the Khyber Pakhtunkhwa Land Tax and Agriculture Income Tax Ordinance 2000, Land Tax and Agriculture Income Tax are recoverable for every assessment year in respect of cultivable land of an owner at the rates specified in the First and Second Schedule of the said ordinance as amended vide Khyber Pakhtunkhwa Finance Acts 2014 & 2019. Further, according to Government of Khyber Pakhtunkhwa Local Govt. & Rural Development Department Notification No.SO (LG-II) LG-7-33/80

dated 17-06-1980, local rate will be levied and collected twice a year on the land situated within the local area of a district Council other than those shown as “Ghair Mumken” or “ Banjar Qadeem” in the revenue record, at the specified rates.

During the financial years 2018-19 and 2019-20, Tehsildars in the following tehsils did not recover Land Tax, Agriculture Income Tax and Local Rate amounting to Rs. 3.31 million as detailed below:

(Amount in Rupees)			
Sr. No.	Formation	AP No.	Amount pointed out
1	Tehsildar D I Khan	226/2018-19	25,000
2	Tehsildar City Peshawar	21/2019-20	213,880
3	Tehsildar Daraban D I Khan	164/2019-20	70,800
4	Tehsildar Charsadda	180/2019-20	2,881,370
5	Tehsildar Charsadda	183/2019-20	116,610
Total			3,307,660

The loss occurred due in-efficiency of the department and resulted in loss to the Government.

When pointed out, management stated that reply would be given after checking the record.

Para No. 226/2018-19 was discussed in the DAC meetings held on 23rd October 2020. DAC directed that recovered amount be got verified from Audit within fifteen days. The department was requested for holding of the DAC meeting vide letter dated 24-12-2020 to discuss the remaining audit paras. However, no DAC meeting was convened till the finalization of this report.

Audit recommends prompt recovery of Government dues.

4.5.5 Loss due to non-assessment of Capital Value Tax on transfer of immovable property-Rs. 1.18 million

Under Section 2 of the Khyber Pakhtunkhwa Finance Act, 2010 as amended vide Khyber Pakhtunkhwa Finance Acts, 2011 and 2014, Capital Value Tax is chargeable on transfer of immovable property at the rates specified in the said Act. Provided that recorded value of landed area shall not be less than that specified in the valuation table notified by the District Collector.

During the financial year 2019-20, Tehsildars/Sub Registrars in different tehsils did not assess Capital Value Tax amounting to Rs. 1.18 million on transfer of immovable property as detailed below:

(Amount in Rupees)			
Sr. No.	Formation	AP No.	Amount pointed out
1	Tehsildar City Peshawar	12/2019-20	540,922
2	Sub Registrar II Peshawar	42/2019-20	324,300
3	Sub Registrar Mardan	65/2019-20	76,000
4	Tehsildar Kohat	85/2019-20	239,737
Total			1,180,959

The loss occurred due to weak internal controls and in-efficiency of the department.

When pointed out, management stated that detailed reply would be given later on.

DAC meeting was held on 17th November 2020. DAC decided to get the amount recovered and verified from Audit within one month or provide proper justification for non-recovery of the pointed out amount.

Audit recommends prompt recovery of Government dues.

4.5.6 Loss due to non-assessment of Advance Tax on purchase of immovable property-Rs.9.37 million

According to Section 236K of the Income Tax Ordinance 2001 as amended by Federal Finance Act 2019 any person responsible for registering or attesting transfer of any immovable property shall at the time of registering or attesting transfer collect from the purchaser or transferee an Advance Tax at the rate of 1% of the fair market value. Further, as per Rule-1 of Tenth Schedule to the Ordinance, tax from persons not appearing in the active taxpayers' list, shall be increased by hundred percent of the rate.

During the financial years 2018-19 & 2019-20, different Tehsildars/Sub Registrars did not assess Advance Tax on purchase / transfer of immovable property. This resulted in non-assessment of Government revenue Rs. 9.37 million as Annexed at “**B**”.

The loss occurred due to weak controls and in-efficiency of the department.

When pointed out the management stated that detailed reply would be given after consulting the record.

Some of the Audit Paras were discussed in the DAC meetings held on 13th August, 23rd October and 17th November 2020. DAC decided to get the amount recovered and verified from Audit or provide proper justification for non-recovery of the pointed out amount within one month. No further progress was reported by the department till finalization of this report

Audit recommends expeditious recovery of Government revenue.

(APs No. 216,234/2018-19)

(APs No. 15,18, 24,27,63,64,71,78, 81,84,110,135,139,163,173,175,184/2019-20)

4.5.7 Non-assessment of Advance Tax on sale of immovable property- Rs. 1.57 million

According to Section 236C of the Income Tax Ordinance 2001 as amended by Federal Finance Act 2019 any person responsible for registering or attesting transfer of any immovable property shall at the time of registering or attesting the transfer collect from the seller or transferor Advance Tax at the rate of 1% of the gross amount of the consideration received Advance Tax under this section shall not be collected if the immovable property is held for a period exceeding five years. Further, as per Rule-1 of Tenth Schedule to the Ordinance, tax from persons not appearing in the active taxpayers' list, shall be increased by hundred percent of the rate.

During the financial years 2018-19 & 2019-20, different Tehsildars/ Sub Registrars did not assess Advance Tax on sale/transfer of immovable property from sellers who sold their property within five years of acquisition. This resulted in non-assessment of Advance Tax Rs. 1.57 million as Annexed at "C".

The loss occurred due to weak internal controls and in-efficiency of the department.

When pointed out the management stated that detailed reply would be given after consulting the record.

DAC meetings were held on 23rd October and 17th November 2020 in which Audit Paras No. 221/2018-19 and 26/2019-20 were discussed. DAC decided to get the recovered amount verified from Audit and provide proper justification for non-recovery within one month. No further progress was reported by the department till finalization of this report.

Audit recommends recovery of the Government revenue at the earliest.

(APs No. 221/2018-19 & 14, 19, 26, 73, 80, 83, 109, 136, 142, 187/2019-20)

4.5.8 Doubtful deposit of government revenue into Treasury Rs. 6.95 million

According to Para 26 of General Financial Rules, it is the duty of the departmental officer to see that all sums due to government are regularly and promptly credited to the government account. He should accordingly arrange to obtain from their subordinates monthly accounts and return in suitable form claiming credit for so much paid into the treasury or otherwise account far and compare them with the statement of treasury credit furnished by the Accountant General to see that the amount reported as collected have been duly credited in the public account. If any credits are claimed but not found in the accounts, enquiries should be made first of the responsible departmental officer concerned.

During audit of the under mentioned Tehsildars for the years 2018-19 & 2019-20 it was noticed that in some cases Challans through which Mutation Fee amounting to Rs. 6.14 million was reported to be deposited were not found in SAP data of Accountant General office. This indicates that amount had not been credited into government Treasury.

(Amount in Rupees)

Sr. No.	Formation	AP No.	Amount pointed out
1	Tehsildar D I Khan	224/2018-19	229,480
2	Tehsildar Bannu	113/2019-20	5,907,070
3	Tehsildar Oghi, Mansehra	178/2019-20	818,146
Total			6,954,696

The laps occurred due weak financial controls and unauthentic system of reconciliation of revenue figures with District Account Offices.

When pointed out, the management replied that the matter would be taken up with the District Accounts Offices.

DAC meeting was held on 23rd October in which Audit Paras No. 224/2018-19 was discussed. DAC decided that Deputy Commissioner D. I. Khan may probe the case and submit the report within fifteen days. However, no progress was reported till finalization of this report.

Audit recommends that matter may be investigated in detail to know the factual position besides taking remedial action.

Chapter-5

TRANSPORT & MASS TRANSIT DEPARTMENT

5.1 Introduction

A. Main functions of the Transport & Mass Transit Department

- Administration of Motor Vehicle Ordinance, 1965 and Rules framed thereunder.
- Administration of Directorate of Transport Khyber Pakhtunkhwa, Provincial Transport Authority, Regional Transport Authorities.
- Inspection & Certification of roadworthy vehicles.
- Formulation of Transport Policy & Planning.
- Monitoring and evaluation of Transport related projects.
- Issuance of route permits for stage carriages and contract carriages.
- Route Permits, fare/freights, matters relating to traffic speeds, loading, parking and halting places.
- Maintenance/Management of Public Bus Stands throughout the Province.
- Classification of routes for public service vehicles.
- Settlement of disputes among the Regional Transport Authorities.
- Settlement of terms and conditions for public service vehicles.

Table A: Audit Profile of Transport & Mass Transit Department

Sr. No.	Description	Total No.	Audited	Revenue Receipts Audited FY 2019-20 (Rs. in million)
1	Formations	20	2	15.15

B. Comments on Budgeted Receipts (Variance Analysis)

During the financial year 2019-20, the Transport & Mass Transit Department, Government of Khyber Pakhtunkhwa collected an amount of Rs. 348.05 million which was 82% of the revised estimates of Rs. 425.00 million.

A comparison of budget estimates, revised estimates and actual receipts for the year 2019-20 is tabulated below. The variation between the

revised estimates and actual receipts is depicted in both absolute and percentage terms.

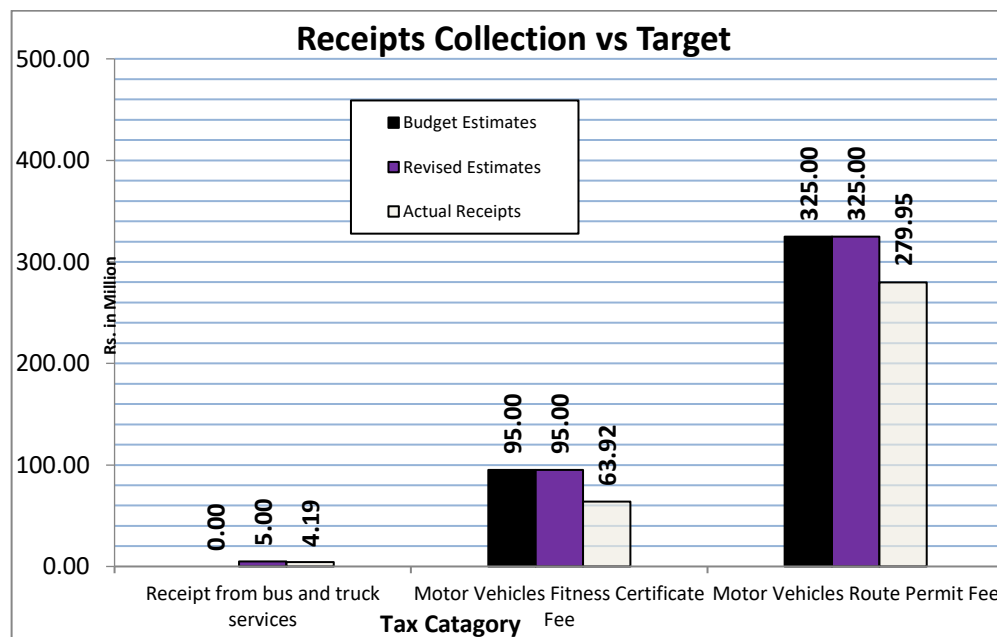
Table B: Variance Analysis for Revenue and Estate Department

(Rs. in million)

Sr. No.	Category of Receipts	Head of Account	Budget Estimates	Revised Estimates	Actual Receipts (As per Finance Account)	%age of Total Receipts	Short (-) Excess (+) (Col.6-5)	Variance %age
1	2	3	4	5		7	8	9
1	Receipt from bus and truck services	B02804	0.00	5.00	4.19	1.50	-0.81	-16.29
2	Motor Vehicles Fitness Certificate Fee	B02811	95.00	95.00	63.92	18.36	-31.08	-32.72
3	Motor Vehicles Route Permit Fee	B02812	325.00	325.00	279.95	80.43	-45.05	-13.86
Total :			420.00	425.00	348.05	100.29	-76.95	-18.11

The above figures show that actual receipts were 18% less than the revised estimates of the receipts. The receipts target during the year was increased from Rs. 420 million to Rs. 425 million showing an increase of Rs. 5 million (1%). However, the Department was unable to achieve this revised target which shows poor fiscal planning.

The following graph shows budget estimates, revised estimates and actual receipts of the Transport & Mass Transit Department.



Comparison of taxes and duties disclosed no major changes in their rates during 2018-19 & 2019-20.

The budgeted receipts estimates and revised estimates of Transport & Mass Transit Department for the years 2018-19 & 2019-20 are illustrated below. The estimates show that the Department was unable to achieve the revised targets in both years:

Table C: Receipts estimates and revised estimates for 2018-19 & 2019-20

(Rs. in million)					
Year	Budget Estimates	Revised Estimate	Actual Receipts (As per Finance Account)	Variation	Percentage of Variance
2018-19	770.00	785.00	743.80	-41.20	-5.25
2019-20	420.00	425.00	348.05	-76.95	-18.11

5.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 5.92 million were raised in this report during audit of Transport & Mass Transit Department. The pointed out amount also include arrears and observation relating to the previous year. The entire amount pointed out by the audit is recoverable. Summary of the audit observations classified by nature is as under:

Table D: Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs. in million)
1	Irregularities	
A	Non/short-recoveries	4.51
B	Suspected Misappropriation	1.41
C	Non/short-assessment	-
Total		5.92

5.3 Brief Comments on the Status of Compliance with PAC Directives

Table E: The status of compliance with PAC directives:

Sr. No.	Audit Report Year	Total Paras	Paras Discussed	Paras Settled	Paras Stand	Percentage of compliance	Remarks
1	2002-03	1	1	0	1	0%	-
2	2003-04	1	1	0	1	0%	-
3	2004-05	2	-	-	-	-	Yet to be discussed in PAC
4	2005-06	3	-	-	-	-	-do-
5	2006-07	2	-	-	-	-	-do-
6	2007-08	3	3	0	3	0%	-
7	2008-09	2	2	0	2	0%	-
8	2009-10	1	-	-	-	-	Yet to be discussed in PAC
9	2010-11	2	-	-	-	-	-do-
10	2011-12	3	-	-	-	-	-do-
11	2012-13	3	3	0	3	0%	-
12	2013-14	2	-	-	-	-	Yet to be discussed in PAC
13	2014-15	1	-	-	-	-	-do-
14	2015-16	2	-	-	-	-	-do-
15	2016-17	3	-	-	-	-	-do-
16	2017-18	3	-	-	-	-	-do-
17	2018-19	3	-	-	-	-	-do-
18	2019-20	3	-	-	-	-	-do-
Total		40	10	0	10	0%	

Compliance with the PAC directives is very poor mainly because of the lack of pursuance by the Department. It is worth mentioning here that partial recoveries have been effected by the Department. However, paras will be considered for settlement once complete recoveries are effected and verified.

5.4 Issues of the Transport & Mass Transit Department

Non-recovery of Route Permit Fee resulted in accumulation of huge amount of arrears. This is due to weak internal controls and in-efficiency of the department. Audit has raised many observations regarding this issue over the years but no concrete steps have been taken by the department for recovery of these arrears.

Audit recommends to analyze the reasons of non-recovery and take concrete steps for timely collection of government money and apprise the Public Accounts Committee on the results of new interventions.

Audit observed that revenue target fixed for receipts had not been achieved by the Regional Transport Authorities which led to short fall of receipts. This was due to non-enforcement of provisions of relevant laws and fixing of unrealistic targets. It also indicates that proper survey/research was not carried out while preparing the budget estimates.

The department needs to streamline and digitize the collection process for plugging the loopholes and update the PAC of the outcome of departmental actions.

In the offices of Regional Transport Authority Peshawar, Bannu, Kohat and Dera Ismail Khan 3% share of Provincial Government due from local authorities (TMAs/MCs) on account of auction of bus stands has not been assessed and realized due to weak internal controls which resulted in loss to the Government.

Audit recommends to recover the 3% share from TMAs/MCs and update the PAC of the outcome.

(APs No. 194, 199/2018-19 & 7, 130/2019-20)

(APs No. 198, 202/2018-19 & 11/2019-20)

(APs No. 197, 204/2018-19 & 8, 133/2019-20)

5.5 AUDIT PARAS

5.5.1 Loss due to non-realization of Route Permit Fee & Penalty Rs. 2.97 million

Under Section 60 of the Motor Vehicles Ordinance 1965 read with Rules 71, 85 & 91 of the Motor Vehicles Rules 1969, route permit is issued for a specific period. The same is required to be got renewed one month before the expiry of its validity on payment of fee prescribed by the Government in Notification No. BO(Res-III)/FD/2-2/2018-19/Vol-III dated 26-06-2019, or surrendered to the issuing authority. In case of default exceeding three months, registration of the vehicle is liable to be suspended/cancelled under Section 34(1)(b) of the Motor Vehicles Ordinance 1965.

During the financial years 2018-19 & 2019-20, following Transport Authorities neither recovered Route Permit Fee & Penalty from the defaulters nor suspended/canceled registration of the defaulting vehicles. This resulted in non-realization of Government revenue amounting to Rs. 2.97 million as detailed below:

(Amount in Rupees)

Sr. No.	Secretary Transport Authority	AP No.	No. of cases	Amount pointed out
1	RTA Peshawar	194/2018-19	168	1,459,061
2	RTA Bannu	199/2018-19	53	473,200
3	RTA Kohat	7/2019-20	52	575,550
4	RTA D I Khan	130/2019-20	40	457,300
Total			313	2,965,111

The loss occurred due to in-efficiency of the department.

When pointed out it was replied by the management that efforts would be made to recover the outstanding amount as soon as possible.

In the DAC meeting held on 7th January 2021, the department was directed to get the recovered amount verified from Audit and recover the balance amount within three months. However, no progress was reported till the finalization of this report.

Audit recommends expeditious recovery of outstanding Government dues from defaulters.

5.5.2 Non-realization of License renewal Fee from Bus Stands & Goods Forwarding Agencies-Rs. 1.54 million

According to Rules 197, 253 & 254 of Motor Vehicles Rules 1969, read with Govt. of Khyber Pakhtunkhwa Transport & Mass Transit Department Notification No. BO(Res-III)/FD/2-2/2018-19/Vol-III dated 26-06-2019, annual license renewal fee from vehicles' body building workshops, bus stands and goods forwarding agencies is recoverable at the rates specified in the said notification.

During the financial years 2018-19 & 2019-20, the following Regional Transport Authorities did not realize license renewal fee amounting to Rs. 1.54 million from bus stands, goods forwarding agencies and vehicles' body building workshops as detailed below:

(Amount in Rupees)

Sr. No.	Secretary Transport Authority	AP No.	No. of cases	Amount pointed out
1	RTA Peshawar	195/2018-19	04	126,448
2	RTA Peshawar	196/2018-19	18	572,000
3	RTA Bannu	200/2018-19	02	310,000
4	RTA Bannu	201/2018-19	03	75,000
5	RTA Kohat	9/2019-20	10	370,000
6	RTA D I Khan	131/2019-20	12	51,000
7	RTA D I Khan	132/2019-20	04	32,000
Total			53	1,536,448

The loss occurred due to in-efficiency of the department.

When pointed out, it was replied by the management that recovery of Government dues would be effected.

In the DAC meeting held on 7th January 2021, the department was directed to recover the amount from defaulters. However, no progress was reported till the finalization of this report.

Audit recommends expeditious recovery.

5.5.3 Doubtful deposit of government revenue into Treasury-Rs.1.41 million

According to Para 26 of General Financial Rules, it is the duty of the departmental officer to see that all sums due to government are regularly and

promptly credited to the government account. He should accordingly arrange to obtain from their subordinates monthly accounts and return in suitable form claiming credit for so much paid into the treasury or otherwise account for and compare them with the statement of treasury credit furnished by the Accountant General to see that the amount reported as collected have been duly credited in the public account. If any credits are claimed but not found in the accounts, enquiries should be made first of the responsible departmental officer concerned.

During audit of the under mentioned Regional Transport Authorities for the year 2019-20 it was noticed that in some cases Challans through which Route Permit Fee amounting to Rs. 1.41 million was reported to be deposited were not found in SAP data of AG office. This indicates that amount had not been credited into government Treasury.

(Amount in Rupees)			
Sr. No.	Secretary Transport Authority	AP No.	Amount pointed out
1	RTA Kohat	10/2019-20	365,038
2	RTA D I Khan	134/2019-20	1,049,000
Total			1,414,038

The laps occurred due weak financial controls and unauthentic system of reconciliation of revenue figures with District Account Offices.

When pointed out, the management replied that the matter would be taken up with the District Accounts Offices Kohat and D.I. Khan.

In the DAC meeting held on 7th January 2021, Secretaries RTA Kohat and D. I. Khan stated that National Bank sends the summary of challans to the District Accounts Offices alongwith detail of individual challans. The DAOs instead of posting the individual challans, post the consolidated figures shown in the summary forwarded by the banks through bank scrolls due to which challans are not traceable in the Treasury data. DAC decided that record be got verified from Audit. However, no progress was reported till the finalization of this report.

Audit recommends that matter may be investigated in detail to know the factual position besides taking remedial action.

ANNEXURE – 1
(MFDAC Paras)

Sr. No.	AP No./Year & Department	Amount (Rs.)	Subject
1	APs No. 3, 36, 76, 100, 150 & 159/2019-20 (Excise & Taxation Department)	463,500	Non-realization of license renewal fees from real estate agents/ motor vehicle dealers
2	AP No. 34/2019-20 (Excise & Taxation Department)	225,000	Non assessment of penalty on late payment of Tobacco Development Cess
3	APs No. 4 & 95/2019-20 (Excise & Taxation Department)	218,631	Short / Doubtful deposit of Government revenue into Treasury
4	APs No. 101 & 160/2019-20 (Excise & Taxation Department)	-	Non assessment of Hotel Tax
5	AP No. 168/2019-20 (Irrigation Department)	242,610	Loss due to non-auction of water mills
6	APs No. 17, 69, 87, 108, 143, 176 & 185/2019-20 (Revenue & Estate Department)	774,146	Non-realization / deposit of Mutation Fee
7	AP No. 218/2018-19 (Revenue & Estate Department)	494,100	Loss due to splitting up of value to avoid assessment of Advance Tax on purchase of immovable property
8	APs No. 220 & 223/2018-19 APs No. 111, 144& 182/2019-20 (Revenue & Estate Department)	208,000	Non-assessment of Mutation Fee on Dower (Haq-e-Mehr) and Exchange mutations
9	AP No. 219/2018-19 (Revenue & Estate Department)	198,170	Under assessment of mutation fee due to application of incorrect rate
10	APs No. 74 & 140/2019-20 (Revenue & Estate Department)	176,680	Embezzlement of government revenue
11	AP No. 227/2018-19 (Revenue & Estate Department)	1,545,441	Late deposit of government revenue into Treasury
12	APs No. 225/2018-19 AP No. 114/2019-20 (Revenue & Estate Department)	192,299,135	Non-reconciliation of receipts figures with Treasury office figures
13	APs No. 197 & 204/2018-19 APs No. 8 & 133/2019-20 (Transport Department)	-	Loss due to non-realization of 3% Provincial Government share from TMAs/MCs

Annexure-A

4.5.2 Loss due to short-assessment of Mutation Fee, Stamp Duty and Registration Fee - Rs. 3.74 million

(Amount in Rupees)

Sr. No.	Formation	AP No.	No. of cases	Amount pointed out	Amount verified	Balance
1	Tehsildar D I Khan	217/2018-19	19	1,329,051	-	1,329,051
2	Sub Registrar Bannu	230/2018-19	09	238,303	137,777	100,525
3	Tehsildar City Peshawar	13/2019-20	06	102,898	-	102,898
4	Tehsildar Badhaber Peshawar	25/2019-20	09	308,459	249,823	58,636
5	Sub Registrar Mardan	66/2019-20	04	46,247	-	46,247
6	Tehsildar Matta Swat	68/2019-20	44	601,768	-	601,768
7	Tehsildar Mattani Peshawar	72/2019-20	04	54,579	-	54,579
8	Tehsildar Shah Alam Peshawar	79/2019-20	04	21,136	-	21,136
9	Tehsildar Kohat	86/2019-20	09	55,891	-	55,891
10	Tehsildar Kabal Swat	104/2019-20	26	79,927	-	79,927
11	Sub Registrar Babuzai Swat	122/2019-20	23	715,870	-	715,870
12	Sub Registrar-1 Peshawar	137/2019-20	03	23,843	-	23,843
13	Naib Tehsildar Chamkani Peshawar	138/2019-20	07	138,646	-	138,646
14	Tehsildar Oghi, Mansehra	174/2019-20	28	138,242	-	138,242
15	Tehsildar Charsadda	181/2019-20	28	270,226	-	270,226
Total			223	4,125,086	387,600	3,737,485

Annexure-B

4.5.6 Loss due to non-assessment of Advance Tax on purchase of immovable property-Rs. 9.37 million

(Amount in Rupees)

Sr. No.	Formation	AP No.	No. of cases	Amount pointed out
1	Tehsildar D I Khan	216/2018-19	09	2,006,480
2	Sub Registrar Bannu	234/2018-19	03	515,262
3	Tehsildar City Peshawar	15/2019-20	36	1,131,914
4	Tehsildar City Peshawar	18/2019-20	38	159,276
5	Tehsildar Badhaber Peshawar	24/2019-20	65	367,477
6	Tehsildar Badhaber Peshawar	27/2019-20	01	26,376
7	Sub Registrar Mardan	63/2019-20	47	1,802,295
8	Sub Registrar Mardan	64/2019-20	16	205,709
9	Tehsildar Mattani Peshawar	71/2019-20	44	1,105,307
10	Tehsildar Shah Alam Peshawar	78/2019-20	102	109,898
11	Tehsildar Shah Alam Peshawar	81/2019-20	03	51,269
12	Tehsildar Kohat	84/2019-20	27	287,194
13	Tehsildar Bannu	110/2019-20	09	76,400
14	Sub Registrar-I Peshawar	135/2019-20	01	26,400
15	Naib Tehsildar Chamkani Peshawar	139/2019-20	08	105,199
16	Tehsildar Daraban D I Khan	163/2019-20	13	94,704
17	Tehsildar Oghi, Mansehra	173/2019-20	13	283,470
18	Tehsildar Oghi, Mansehra	175/2019-20	27	135,172
19	Tehsildar Charsadda	184/2019-20	42	883,855
Total:			504	9,373,657

Annexure-C

4.5.7 Non-assessment of Advance Tax on sale of immovable property Rs. 1.57 million

(Amount in Rupees)

Sr. No.	Formation	AP No.	No. of cases	Amount pointed out
1	Tehsildar D I Khan	221/2018-19	05	99,450
2	Tehsildar City Peshawar	14/2019-20	03	88,556
3	Tehsildar City Peshawar	19/2019-20	06	27,200
4	Tehsildar Badhaber Peshawar	26/2019-20	09	48,131
5	Tehsildar Mattani Peshawar	73/2019-20	06	50,700
6	Tehsildar Shah Alam Peshawar	80/201-20	21	41,927
7	Tehsildar Kohat	83/2019-20	49	802,525
8	Tehsildar Bannu	109/2019-20	01	20,000
9	Sub Registrar-1 Peshawar	136/2019-20	04	299,460
10	Naib Tehsildar Chamkani Peshawar	142/2019-20	05	57,620
11	Tehsildar Charsadda	187/2019-20	03	37,400
Total:			112	1,572,969

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