



**AUDIT REPORT  
ON  
THE ACCOUNTS OF  
AZAD JAMMU AND KASHMIR COUNCIL  
2015-2016**

**AUDITOR GENERAL OF AZAD JAMMU & KASHMIR**

# TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS.....	ii
Preface	iii
EXECUTIVE SUMMARY .....	iv
SUMMARY TABLES & CHARTS .....	vii
EXPENDITURE .....	vii
I. Table 1 Audit Work Statistics.....	vii
II. Table 2 Audit observations regarding Financial Management.....	vii
III. Table 3 Outcome Statistics.....	viii
IV. Table 4: Table of Irregularities pointed out .....	viii
V. Table 5 Cost-Benefit .....	ix
REVENUE RECIEPTS.....	ix
SUMMARY TABLES & CHARTS .....	ix
VI. Table 1 Audit Work Statistics.....	ix
VII. Table 2: Audit observations regarding Financial Management.....	ix
VIII. Table 3 Outcome Statistics.....	x
IX. Table 4: Table of Irregularities pointed out .....	x
X. Table 5 Cost-Benefit .....	x
CHAPTER 1.....	1
AJ&K COUNCIL SECRETARIAT.....	1
1.1 Introduction.....	1
1.2 Comments on Budget Accounts (Variance Analysis).....	1
1.3 Brief Comments on Status of PAC Directives .....	2
CHAPTER 2.....	3
COMPLIANCE AUDIT ISSUES .....	3
2.1 AUDIT PARAS .....	3
LOCAL GOVERNMENT AND RURAL DEVELOPMENT .....	15
3.1 AUDIT PARAS .....	15
CHAPTER 4.....	21
EXCISE AND TAXATION DEPARTMENT.....	21
4.1. AUDIT PARAS .....	21
CHAPTER 5.....	24
5.1 GIRLS VOCATIONAL CENTRE.....	24
5.2 AUDIT PARAS .....	24
CHAPTER 6.....	27
EXCISE AND TAXATION DEPARTMENT .....	27
6.2 AUDIT PARAS .....	27
Annexures .....	50
Memorandum for Departmental Accounts Committee .....	54

## **ABBREVIATIONS AND ACRONYMS**

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

## Preface

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

The report is based on audit of the accounts of various departments of Azad Jammu and Kashmir Council for the financial year 2012-13 & 2013-14. It also includes observations relating to the accounts of certain formations for previous years. The audit was conducted by Directorate General of Audit Azad Jammu and Kashmir during 2014-15 on test check basis with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings having value of Rs. 1 million or more. Relatively less significant issues are listed in the Annexure-I of the Audit Report. The Audit observations listed in the Annexure-I shall be pursued with the Principal Accounting Officer at the DAC level and in all cases where the PAO does not initiate appropriate action, the Audit observation will be brought to the notice of the Public Accounts Committee through the next year's Audit Report.

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

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

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

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

Dated:

(Rana Asad Ameen)  
**Auditor General**  
**Azad Jammu and Kashmir**

## **EXECUTIVE SUMMARY**

The Directorate General Audit, Azad Jammu and Kashmir is responsible for conducting the audit of Azad Jammu and Kashmir Council. For the purpose, the Director General Audit, Azad Jammu and Kashmir has 104 officers and staff constituting 16425 man-days. The budget of Directorate General for the Financial Year 2014-15 was Rs 123.215 million. The mandate of this office includes conducting financial attest, compliance with authority audit, audit of sanction and propriety of the Council's expenditure and receipts.

The Auditor General of Pakistan is also the Auditor General of Azad Jammu and Kashmir. There are 42 formations of AJ&K Council. Audit of expenditure and receipts of 31 formations was planned during 2014-15, through 08 field audit teams utilizing 239 man days, and 25 formations were audited which is 74% coverage.

### **a) Scope of Audit**

#### **Expenditure audited**

Against the total budget of Rs.9295.927 million (Dev: Rs 1494.165 million and Non Dev: Rs. 7801.762 million) of AJ&K Council, the expenditure of Rs 9036.786 million was incurred i.e. about 97 % of the total budget. The total expenditure was planned for audit during the financial year Rs.3, 723.860. The budget allocation of 07 formations audited was Rs 3353.667 million and the expenditure of Rs 587.100 million was audited which was 15.77 % of the total AJ&K Council planned expenditure.

#### **Receipts audited**

The audit of receipts is based on Revenue Receipts up to Financial Year 2012-13. As regards total budgeted receipts for the FY 2012-13 were Rs.8000.000 million, whereas actual receipts were 7704.000 million which were 3.7% less than estimated receipts. 18 formations were included in audit plan for the year 2013-14 covering 100% audit of receipts.

### **b) Recoveries at the instance of audit**

Audit pointed out recoverable amounts of Rs 120.964 million as a result of the audit of expenditures, no recovery was effected until the compilation of this Report. The Taxes of Rs 1339.946 million were recoverable as pointed out and recovery of Rs 0.870 million was effected.

### **c) Audit methodology**

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

**d) Comments on Internal Controls**

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

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

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

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

**f) Key audit findings of the Report**

**Expenditure Audit**

- i. Irregular/Unauthorized expenditure (08 Paras) Rs 163.608 million.<sup>1</sup>
- ii. Overpayment to the contractors (06 Paras) Rs 198.220 million.<sup>2</sup>
- iii. Non/less deduction of Government dues (06 Paras) Rs 120.964 million.<sup>3</sup>
- iv. Non rendition of detail accounts (03 Paras) Rs 10.871 million.<sup>4</sup>

**Revenue Receipts Audit**

- v. Non/ Short recoveries of Government taxes (10 Paras) Rs 1264.365 million<sup>5</sup>
- vi. Non recovery of penalty (03 Paras) Rs 11.513 million.<sup>6</sup>
- vii. Concealment of Tax (02 Paras) Rs 1.996 million.<sup>7</sup>
- viii. Loss due to wrong/ fictitious adjustment of Input Tax (01 Para) Rs 57.969 million.<sup>8</sup>

---

<sup>1</sup> Para 2.1.9,2.1.10, 2.1.11,2.1.12,2.1.13,3.1.6,4.1.2,5.1.1

<sup>2</sup> Para 2.1.2,2.1.3,2.1.4,3.1.2,3.1.3,5.1.2

<sup>3</sup> Para 2.1.5,2.1.6,2.1.7,2.1.8, 3.1.4,3.1.5

<sup>4</sup> Para 2.1.1,3.1.1,4.1.1

<sup>5</sup> Para 6.1.1,6.1.2,6.1.4,6.1.5,6.1.6,6.1.8,6.1.9,6.1.10,6.1.14,6.1.15

<sup>6</sup> Para 6.1.7,6.1.13,6.1.16

<sup>7</sup> Para 1.1.3

<sup>8</sup> Para 6.1.11,6.1.12

## **Recommendations**

Principal Accounting Officer needs to ensure;

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

## SUMMARY TABLES & CHARTS

### EXPENDITURE

#### I. Table 1 Audit Work Statistics

Sr. No	Description	Budget	
		No.	(Rs. Million)
1	Total Entities (Ministries/PAO's) in Audit Jurisdiction	01	9295.927
2	Total formations in audit jurisdiction	42	9295.927
3	Total Entities (Ministries/PAO's) Audited	01	587.100
4	Total formations Audited	07	587.100
5	Audit & Inspection Reports	07	587.100
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

#### II. Table 2 Audit observations regarding Financial Management

Sr.#	Description	Amount Placed under Audit Observation (Rs. Million)
1	Unsound asset management	-
2	Weak financial management	319.554
3	Weak Internal controls relating to financial management	163.608
4	Others	10.871
	<b>Total</b>	<b>493.663</b>



### III. Table 3 Outcome Statistics

Sr.No	Description	Expenditure on Acquiring Physical Assets (Procurement)	Civil Works	Receipts	Others (Rs million)	Total current year 2013-2014 (Rs million)	Total last year 2012-2013 (Rs million)
1	Outlays Audited	-	-	-		587.100	1052.426
2	Monetary Value of audit observations/irregularities of audit	-	-	-		587.100	1034.974
3	Recoveries Pointed Out at the instance of Audit	-	-	-		120.964	29.125
4	Recoveries Accepted /Established at the instance of Audit	-	-	-		120.964	29.125
5	Recoveries Realized at the instance of Audit	-	-	-		-	0.895

### IV. Table 4: Table of Irregularities pointed out

Sr.#	Description	Amount Placed under Audit Observation (Rs million)
1	Violation of Rules and regulations and violation of principal of propriety and probity in public operations.	361.828
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	-
3	Accounting Errors (accounting policy departure from NAM, misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	-
4	If possible quantify weaknesses of internal control systems.	-
5	Recoveries and overpayments, representing cases of establishment overpayment or misappropriations of public money	120.964
6	Non –production of record.	10.871
7	Others, including cases of accidents, negligence etc.	-

**V. Table 5 Cost-Benefit**

Sr.#	Description	Amount (million) 2012-13	Amount (million) 2013-14	Amount (million) 2014-15
1	Outlays Audited (Items 1 of Table 3)	1264.540	1052.426	587.100
2	Expenditure on Audit	22.176	37.245	37.638
3	Recoveries realized at the instance of Audit	4.373	0.895	--
	Cost-Benefit Ratio(2/3)	5.07	41.61	--

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

Sr.#	Description	No.	Budget(million)
1	Total Entities (Ministries/PAO's) in Audit Jurisdiction	01	8000.000
2	Total formations in audit jurisdiction	18	8000.000
3	Total Entities(Ministries/PAO's) Audited	01	2010.421
4	Total formations Audited	18	2010.421
5	Audit & Inspection Reports	18	2010.421
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

**VII. Table 2: Audit observations regarding Financial Management**

Sr.#	Description	Amount Placed under Audit Observation (Rs. In Millions)
1	Unsound asset management	-
2	Weak financial management	1279.978
3	Weak Internal controls relating to financial management	59.968
4	Others	---
	<b>Total</b>	<b>1339.946</b>

**VIII. Table 3 Outcome Statistics**

Sr. #	Description	Expenditure on Acquiring Physical Assets (Procurement)	Civil Works	Receipt (Million)	Other	Total current year 2013-14	Total last year 2012-13
1	Outlays Audited	-	-			2010.421	1636.646
2	Amount Placed under Audit Observation /Irregularities of Audit					1838.326	453729.309
3	Recoveries Pointed Out at the instance of Audit					1339.946	452473.924
4	Recoveries Accepted /Established at the instance of Audit					1339.946	452573.924
5	Recoveries Realized at the instance of Audit					0.870	0.714

**IX. Table 4: Table of Irregularities pointed out**

Sr.#	Description	Amount Placed under Audit Observation
1	Violation of Rules and regulations and violation of principal of propriety and probity in public operations.	59.968
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	-
3	Accounting Errors (accounting policy departure from NAM, misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	-
4	If possible quantify weaknesses of internal control systems.	-
5	Recoveries and overpayments, representing cases of establishment overpayment or misappropriations of public money	1279.978
6	Non production of record.	--
7	Others, including cases of accidents, negligence etc.	-

**X. Table 5 Cost-Benefit**

Sr.#	Description	Amount ( million) 2012-13	Amount (million) 2013-14	Amount ( million) 2014-15
1	Outlays Audited (Items 1 of Table3 )	491.875	1636.646	2010.421
2	Expenditure on Audit	7.360	7.032	7.073
3	Recoveries realized at the instance of Audit	Nil	0.714	0.870
4	Cost-Benefit Ratio	Nil	9.85	8.13

## CHAPTER 1

### AJ&K COUNCIL SECRETARIAT

#### 1.1 Introduction

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

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

#### 1.2 Comments on Budget Accounts (Variance Analysis)

Budget allocation and expenditure of the Azad Jammu and Kashmir Council for the Financial Year 2013-14 is as under.

<b>Description</b>	<b>Budget Allocation (Rs Million)</b>	<b>Expenditure Incurred (Rs Million)</b>	<b>Percentage Utilized</b>
Development	1494.165	1494.165	100%
Non-Development	7801.762	7542.621	96.68%
<b>Total</b>	<b>9295.927</b>	<b>9036.786</b>	<b>97%</b>

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

Sr. No.	Particulars	FY 2013-14 Rs million	FY 2012-13 Rs million	Variance	
				(Rs million)	%
1.	Budget Allocation	9295.927	9,594.589	298.662	3.11%
2.	Total Expenditure	9036.736	8,120.608	916.178	11.28%
3.	Audited Expenditure	587.100	1,052.426	465.326	44.21%

### 1.3 Brief Comments on Status of PAC Directives

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

Year	Total Paras	No. of Paras Discussed	Compliance made	Compliance awaited	%age
2009-10	36	36	16	20	44%
2010-11	64	64	17	47	27%
2011-12	37	--	--	37	0%
2012-13	30	--	--	30	0%
2013-14	33	--	--	33	0%

## CHAPTER 2

### COMPLIANCE AUDIT ISSUES

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

#### 2.1 AUDIT PARAS

##### 2.1.1 Non rendition of detailed accounts and non production of record Rs. 2.431 million

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

During Audit of the accounts of AJ&K Council Secretariat Islamabad for the year 2013-2014, it was observed that detailed accounts/ adjustment certificate of advances and relevant record of expenditure was not provided to Audit due to which expenditure cannot be authenticated. The detail is as under:-

Sr.#	Para No. AIR	Nature	Amount
1.	37	Non production of detailed accounts and adjustment certificates.	1,120,000
2.	42,43	Non production of record	1,310,698
		Total	<b>2,430,698</b>

Audit brought the matter to the notice of the DDOs in November, 2014 and PAO in December 2014, but no reply received. The department did not convene the DAC meeting till finalization of this report.

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

Advance Para no.244

### **2.1.2 Over payment to contractors Rs. 85.104 million.**

According to General Financial Rules Para 10 every officer incurring or authorizing expenditure from Public Funds should be guided by high standards of financial propriety. Among the principles on which emphasis is generally laid is (i) every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money. According to Central Public Works Account Code Para 164 and 296 the rates entered in estimates should generally agree with the schedule rates, and according to Central Public Works Department Code Para 44, the Divisional officer is responsible for excess payment than the actual calculations.

During scrutiny of the Bills / Measurement Books of the work titled “construction of AJK Council Office cum parliamentary building” executed by the AJ&K Council Secretariat Islamabad during the financial year 2013-14, Audit observed that the payments were made irregularly and unauthorized as under:

1. According to MB 56(9) page 10 payment was made to contractor Rs.515,238,988, including therein an amount of Rs.70,604,252 paid for Heating Ventilation and Air Conditioning. This item of work was advertised separately and M/S MIA Corporation Ltd. selected 1<sup>st</sup> Lowest and the work was required to be allotted to them but the payment made to the main contractor irregularly.
2. Similarly payment relating to lift work for Rs.14,500,000 a separate tender was found to have called for and the rates of Ziaf Company were lowest but payment made to the main contractor irregularly.

AIR Para No.11(iv)

Audit brought the matter to the notice of the DDOs in November, 2014 and PAO in December 2014, but no reply received. The department did not convene the DAC meeting till finalization of this report.

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

Advance Para No.254

### **2.1.3 Over payment due to making payments over and above the approved rates Rs.10.317million**

According to Buildings and Roads Department Code para 2.109 and 2.110 Revised Sanction to the Estimates from the competent authority is required to be obtained in case of execution of work more than that approved rates/ quantities and according to Central Public Works Department code para 44, the Divisional officer is responsible for excess of actual overestimated cost of work.

During the scrutiny of Measurement Books of AJ&K Council Secretariat Islamabad for the year 2013-14, Audit observed that in many cases over and above payments were made as per detailed below:-

S.No	AIR Para No	Nature of observation.	Amount (Rs.)
1.	12	Allotment of contract on higher rates	5,280,000
2.	16	Excess payment to the contractor due to higher rates	5,037,396
		Total	10,317,369

Audit brought the matter to the notice of the DDOs in November, 2014 and PAO in December 2014, but no reply received. The department did not convene the DAC meeting till finalization of this report.

Audit recommended that the overpaid amount be recovered and remitted into AJK Council's Account under intimation to Audit. Internal Controls also need to be strengthened to avoid the recurrence of such lapses in future.

Advance Para No.245

### **2.1.4 Non recovery of mobilization advance Rs.73.043 million**

According to Para 7.36, of departmental Financial Rules, the amount of mobilization advance was required to be recovered from the contractor @ 20% from the first five running bills and the remaining amount from the final bill of the contractor.

During the scrutiny of contract files of AJ&K Council Secretariat Islamabad for the year 2013-14, Audit observed that an amount of Rs.73,042,700 against mobilization advance paid to the contractors was not deducted/recovered from bills of the contractors.



AIR Para No.7,11(i)

Audit brought the matter to the notice of the DDOs in November, 2014 and PAO in December 2014, but no reply received. The department did not convene the DAC meeting till finalization of this report.

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

Advance para No. 249

### **2.1.5 Non recovery of advances Rs. 15.417million**

According to para 253-A(v) of General Financial Rules, advances are recoverable at the rate of monthly instalments of not less than 20% of the pay of the Government servant concerned from his pay bills.

During scrutiny of the Accounts of AJ&K Council Secretariat Islamabad for the year 2013-14, Audit observed that the advances granted to the employees during posting in AJ&K Council amounting to Rs.15,416,571 were not recovered.  
AIR para No.24

Audit brought the matter to the notice of the DDOs in November, 2014 and PAO in December 2014, but no reply received. The department did not convene the DAC meeting till finalization of this report.

Audit recommended that amount be recovered and remitted into AJ&K Council's Account under intimation to audit. Responsibility be fixed against person(s) at fault and timely recovery of advances be ensured in future.

Advance para No. 257

**2.1.6 Irregular Payment/ non recovery of Secured Advance  
Rs.10.866million**

According to Buildings and Roads Department Code para 2.98 Secured Advances to the contractor can be paid 75% of the value of material at site after recording the same on Site Stock Register.

During scrutiny of the Measurement Books relating to various construction works executed by the AJ&K Council Secretariat Islamabad during the year 2013-14, Audit observed that the Secured Advance amounting to Rs. 10,865,702 has been found paid irregularly to the contractor without taking entry of value of the material in the Site Stock Register duly authenticated by XEN concerned. The amount paid is also recoverable from the concerned contractors.

AIR Para No.8(i)

Audit brought the matter to the notice of the DDOs in November, 2014 and PAO in December 2014, but no reply received. The department did not convene the DAC meeting till finalization of this report.

Audit recommended that the amount be recovered and remitted into AJK Council account under intimation to Audit. Officer responsible in violation of above rules may be penalized and Internal Controls also need to be strengthened to avoid the recurrence of such lapses in future.

Advance Para No.255

**2.1.7 Loss to government due to non/ less deduction of Govt. dues  
Rs. 7.918million**

According to the Sales Tax/Income Tax Act 1990 and Finance Act 2009, GST/Income Tax is required to be deducted at prescribed rate from suppliers and as per para 26 of General Financial Rules Vol.Ist, it is the responsibility of the Department/DDO to insure timely and promptly assessment/collection and depositing of the Govt. dues into the Govt. treasury.

During scrutiny of the Accounts of AJ&K Council Secretariat Islamabad for the year 2013-14, Audit observed that Govt. taxes were either not deducted or less deducted resulting in a loss of Rs. 7,918,409 to the AJ&K Council as detailed below:

S.No	AIR Para No	Nature of observation.	Amount (Rs.)
1.	6,10,13(i),20, 23,39	Less deduction of Income Tax	7,909,059
2.	38	Non deduction of GST	9,350
		<b>Total</b>	<b>7,918,409</b>

Audit brought the matter to the notice of the DDOs in November, 2014 and PAO in December 2014, but no reply received. The department did not convene the DAC meeting till finalization of this report.

Audit recommended that amount be recovered and remitted into AJ&K Council's Account under intimation to audit. Responsibility be fixed against person(s) at fault and timely recovery of Govt. dues be ensured in future.

Advance Para No.248

### **2.1.8 Irregular payments without detailed measurement Rs. 113.549 million**

As per Para 208, 209 of Central Public Works Accounts Code, payment of work done is required to be made after recording of detailed measurements of work done in the Measurement Books.

During scrutiny of the contract files of AJ&K Council Secretariat Islamabad for the year 2013-14, Audit has observed that a lump amount of Rs.113,549,438 was paid to contractors without recording the detailed measurements regarding work done /quantities in the Measurement Books.

AIR Para No.11(iii),30

Audit brought the matter to the notice of the DDOs in November, 2014 and PAO in December 2014, but no reply received. The department did not convene the DAC meeting till finalization of this report.

Audit recommended that after recording the detail of actual work done in Measurement Books, the record be provided to Audit. Responsibility be fixed against person(s) at fault and in future no payment be made without recording the detail measurement in MB.

Advance Para No.247

**2.1.9 Undue and unjustified payment of 15% Coordination charges  
Rs. 20.503 million.**

According to General Financial Rules Para 10 every officer incurring or authorizing expenditure from Public Funds should be guided by high standards of financial propriety. Among the principles on which emphasis is generally laid is (i) every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During scrutiny of the Bills / Measurement Books of the work titled “construction of Council Lodges building and construction of AJK Council Office cum parliamentary building” executed by the AJ&K Council Secretariat Islamabad during the financial year 2013-14, Audit observed that the payments were made irregularly and unauthorized as under:

An amount of Rs.15,865,683 has been found paid to the main contractor as coordination charges for Heating Ventilation and Air conditioning work and an amount of Rs.4,636,859 15% coordination charges for lift work undue because Heating Ventilation and Air conditioning works was advertised separately and M/S MIA Corporation Ltd was selected 1<sup>st</sup> lowest and contract was required to be allotted to them but the work found allotted to the main contractor with 15% coordination charges irregularly because there is no provision of contracts allotment such like in rules.

AIR Para No.8(iii),11(v)

Audit brought the matter to the notice of the DDOs in November, 2014 and PAO in December 2014, but no reply received. The department did not convene the DAC meeting till finalization of this report.

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

Advance Para No.256

### **2.1.10 Irregular payment of refund of call deposit Rs.7.000 million**

According to Para 09 of GFR Vol-I as a general rule no authority may incur expenditure or enter into any liability involving expenditure from the Public Funds until the funds are provided in the authorized grant and appropriations for the year.

During scrutiny of the record of AJ&K Council Secretariat Islamabad for the year 2013-14, it was revealed that an irregular payment of refund of Call Deposit /Securities amounting to Rs.7,000,000 was made against the Demand No.11 whereas there was no provision for payment/refund of Call Deposit /Securities under that Demand.

AIR Para No.44

Audit brought the matter to the notice of the DDOs in November, 2014 and PAO in December 2014, but no reply received. The department did not convene the DAC meeting till finalization of this report.

Audit recommended that payment made without Budget Provision be justified and Internal Controls be strengthened to avoid the recurrence of such lapses in future. Irregularity may be regularized by taking ex-post facto sanction from the competent authority

Advance Para No.252

### **2.1.11 Undue and irregular payment to the contractor Rs.4.804 million**

According to Buildings and Roads Department Code para 2.109 and 2.110 Revised Sanction to the Estimates from the competent authority is required to be obtained in case of execution of work more than approved rates/ quantities or items not included in the BOQ.

During the scrutiny of the record of AJ&K Council Secretariat Islamabad for the year 2013-14, it was observed that the contract titled "Construction of Road Sunvarian to Pidhot Muzaffarabad" (5KM) was awarded to M/S Shaheen & sons. According to PC-I the project was sanctioned for 5 km Road costing Rs. 98.000 million. But vide MB No.56 page 8 to 16 payment was made to the firm for 6 km Road instead 5 km without approval of the competent authority which resulted a loss of Rs.4,803,719 to the Council's exchequer.

AIR Para No.5

Audit brought the matter to the notice of the DDOs in November, 2014 and PAO in December 2014, but no reply received. The department did not convene the DAC meeting till finalization of this report.

Audit recommended that irregular and overpaid amount be recovered and remitted into AJK Council's Account. Remedial measures to stop the recurrence of such irregularities in future may be adopted.

Advance Para No.246

**2.1.12 Irregular and Unjustified payment on account of vehicles /POL  
Rs.1.188 million**

According to Staff Car Rules 1980 Para 04 officer in charge shall be responsible for the proper utilization and up keeping of the car and the maintenance of record of the Staff Car, and according to para 08 the Movement Register shall be personally signed by the officer using the Staff Car, further an unsigned entry in the Movement Register shall be treated as private journey and shall be charged from the officer using that vehicle. Moreover in terms of para 15(ii) a bound register shall be maintained as the vehicle log Book by the officer in charge of the Staff Car and vide office order No.G-9/2003 AJKC Dated 5-5-2005 limit of POL/Diesel has been fixed category wise/ Scale wise for entitled officers.

During scrutiny of the record/Log Books of the vehicles used in the AJ&K Council Secretariat Islamabad for the year 2013-14, Audit observed following irregular payments.

S.No	Para No.	Nature of observations	Period of audit	Amounts
1	15	Un-authorized use of two vehicles instead of one vehicle	7/2013 to 6/2014	100,821
2	18	Un-authorized expenditure on account of POL and as per Log Books vehicles were not found used by any officer	7/2013 to 6/2014	419,574
3	19	Excess drawl due to wrong calculation of meter reading of vehicle	7/2013 to 6/2014	15,040
4	25	Without justification changing average of vehicle	7/2013 to 6/2014	194,853
5	26	Drawl of POL over and above fixed ceiling	7/2013 to 6/2014	138,499
6	27	Amount drawn on account of POL but not recorded on the Log Books	7/2013 to 6/2014	108,322
7	33	Excess /fictitious drawl of POL than actual consumption	7/2013 to 6/2014	19,073
8	35	Fictitious drawl on account of repair of vehicles because as per Log Books vehicles were not found to have repaired nor went to any workshop	7/2013 to 6/2014	191,560



9	39	Excess drawl of POL charges than the actual amount	7/2012 to 6/2013 Annexure (I) 13-14	64,485
			Total	1,252,227

Audit brought the matter to the notice of the DDOs in November, 2014 and PAO in December 2014, but no reply received. The department did not convene the DAC meeting till finalization of this report.

Audit recommended that the irregularly paid amount be recovered and remitted into AJK Council account. Disciplinary action be taken against the person(s) at fault.

Advance Para No.253

## CHAPTER 3

### LOCAL GOVERNMENT AND RURAL DEVELOPMENT

#### 3.1 AUDIT PARAS

##### 3.1.1 Overpayment to contractors against the approved rates Rs.8.425 million.

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

Scrutiny of the bills / Measurement Books of the under mentioned offices, (AJ&K Council funded) revealed that the payments were made beyond the approved rates/ quantities resulting overpayment of Rs. 8,425,139 The detail is as under:-

S. No	Name of office	Period of Audit	Para No.	Nature of payment	Over paid Amount (Rs.)
1	Assistant Director Local Government Pallandri	7/2013to 6/2014	26	Overpayment beyond the approved rates	318,705
2	Assistant Director Local Government Hattian	7/2013to 6/2014	25,30,32, 33,34	Overpayment beyond the approved rates	2,070,183
3	Assistant Director Local Government Hattian	7/2013to 6/2014	36	Overpayment beyond the approved rates	405,522
4	Assistant Director Local Government Rawala Kot	7/2014to 6/2015	19	Overpayment beyond the schedule rates	2,349,381
5	Assistant Director Local Government Pallandri	7/2014to 6/2015	13,17,19	Overpayment beyond the approved rates	580,515
6	Assistant Director Local Government Bhimber	7/2014to 6/2015	23	Overpayment beyond the schedule rates	325,472
7	Assistant Director Local Government Kotli	7/2014to 6/2015	30	Overpayment beyond the schedule rates	1,037,539
8	Assistant Director Local Government Bagh	7/2014to 6/2015	27	Overpayment beyond the schedule rates	47,942
9	Assistant Director Local Government Hattian	7/2014to 6/2015	16	Overpayment beyond the schedule rates	1,289,880

				Total	8,425,139
--	--	--	--	-------	-----------

Audit brought the matter to the notice of the DDOs in December 2014, September 2015 and PAO in October 2015, but no reply received. Despite requests the department did not convene the DAC meeting till finalization of this report.

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

Advance Para No.210

### **3.1.2 Overpayment to contractors against the approved quantities Rs. 9.282 million.**

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

During scrutiny of the bills / Measurement Books of the under mentioned offices, (AJ&K Council funded) revealed that the payments were made beyond the approved quantities resulting overpayments of Rs.9,282,265 The detail is as under:-

S. No	Name of office	Period of Audit	Para No.	Nature of payment	Over paid Amount (Rs.)
1	Assistant Director Local Government Mirpur	7/2014to 6/2015	29	Overpayment beyond the approved quantity	1,526,507
2	Assistant Director Local Government Muzaffarabad	7/2014to 6/2015	35	Overpayment beyond the approved quantity	5,290,991
3	Assistant Director Local Government Bhimber	7/2014to 6/2015	18	Overpayment beyond the approved quantity	2,367,908
4	Assistant Director Local Government Bagh	7/2014to 6/2015	30	Overpayment beyond the approved quantity	96,859
<b>Total</b>					<b>9,282,265</b>

Audit brought the matter to the notice of the DDOs in December 2014, September 2015 and PAO in October 2015, but no reply received. Despite requests the department did not convene the DAC meeting till finalization of this report.

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

Advance Para No.210

### 3.1.3 Non/Less deduction of Security Deposit Rs.3.502 million

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

In violation of the above rules, in the following offices (AJK Council funded) security deposit was not deducted from the bills of the contractors of development projects during the period 2014-2015:-

Sr.#	Name of office	AIR Para No	Period of Audit	Amount (Rs.)
1	Assistant Director Local Government Pallandri	28	7/2013 to 6/2014	275,040
2	Assistant Director Local Government Mirpur	30	7/2014 to 6/2015	2,146,115
3	Assistant Director Local Government Kotli	28	7/2014 to 6/2015	1,081,270
			Total	<b>3,502,425</b>

Audit brought the matter to the notice of the DDOs in December 2014, September 2015 and PAO in October 2015, but no reply received. Despite requests the department did not convene the DAC meeting till finalization of this report.

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

Advance Para No.209

### 3.1.4 Loss to Government due to non/less deduction of Government dues Rs. 4.438 million

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

Scrutiny of the vouchers of various offices of Local Government for the year 2013-15 revealed that government dues were either not deducted or less deducted.

The detail is as under.

Sr.#	Name of office	AIR Para #	Period of Audit	Nature of observation.	Amount (Rs.)
1	Assistant Director Local Government Hattian Bala	24	7/2013 to 6/2014	Non remittance of Government receipts into treasury	16,562
2	Assistant Director Local Government Pallandri	23	7/2013 to 6/2014	Non deduction of Income tax	62,400
3	Director General Local Government Muzaffarabad	34	7/2014 to 6/2015	Non deduction of 1/5 of General Sale Tax	12,162
4	Director General Local Government Muzaffarabad	39	7/2014 to 6/2015	Non deduction of Income tax	42,491
5	Director General Local Government Muzaffarabad	47	7/2014 to 6/2015	Non deduction of General Sale Tax	50,255
6	Assistant Director Local Government Mirpur	31	7/2014 to 6/2015	Non deduction of Income Tax, General Sal Tax, TQT, KLC and Education Cess	1,258,041
7	Assistant Director Local Government Rawalakot	21	7/2014 to 6/2015	Less deduction of Contractor profit	1,564,956
8	Assistant Director Local Government Rawalakot	20	7/2014 to 6/2015	Non remittance of confiscated receipts into treasury	184,021
9	Assistant Director Local Government Pallandri	14	7/2014 to 6/2015	Non deduction of Income Tax, TQT, Education Cess,	155,040
10	Assistant Director Local Government Muzaffarabad	42	7/2014 to 6/2015	Non remittance of Government receipts into treasury	206,931
11	Assistant Director Local Government Muzaffarabad	43	7/2014 to 6/2015	Non deduction of Income Tax, General Sal Tax, TQT and Education Cess	22,417
12	Assistant Director Local Government Kotli	27,31, 32,33, 34,37, 41	7/2014 to 6/2015	Non deduction of Income Tax, General Sal Tax, TQT and Education Cess	701,233
13	Assistant Director Local Government Kotli	39	7/2014 to 6/2015	Non remittance of Government receipts into treasury	47,331
14	Assistant Director Local Government Bagh	31	7/2014 to 6/2015	Non deduction of Income Tax, General Sal Tax, TQT, KLC and Education Cess	114,105

				Total	4,437,945
--	--	--	--	-------	-----------

Audit brought the matter to the notice of the DDOs in December 2014, September 2015 and PAO in October 2015, but no reply received. Despite requests the department did not convene the DAC meeting till finalization of this report.

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

Advance Para No.212

### 3.1.5 Irregular payment without work done Rs.10.002 million

According to Para 208 & 209 of Central Public Works Accounts Code, payment of work done is required to be made after recording the detailed measurements of work done in the Measurement Books. Further, Para 44 of Central Public Works Department Code says that the Divisional Officer is responsible for making the correct payments and according to local government rules para 13(4) no advance payment can be made to the contractor against the development project.

Scrutiny of the record of the following offices funded by AJ&K Council for the year 2014-15, it has been observed that payments of Rs. 1,002,384 were made to the contractors without work done in violation of above rules as detailed under.

Sr.#	Name of office	AIR Para No	Period of Audit	Nature of payment	Amount (Rs.)
1	Assistant Director Local Government Bagh	24	7/2014 to 6/2015	Advance payment to the contractor without work don.	4,536,000
2	Assistant Director Local Government Haveli Kahutta	19,22	7/2014 to 6/2015	Overpayment beyond the work done.	5,132,384
3	Assistant Director Local Government Bhimber	19	7/2014 to 6/2015	Overpayment beyond the work done	334,000
			Total		<b>10,002,384</b>

Audit brought the matter to the notice of the DDOs in December 2014, September 2015 and PAO in October 2015, but no reply received. Despite requests the department did not convene the DAC meeting till finalization of this report.

Audit recommended that the payment without work done be recovered and responsibility be fixed against person(s) at fault. Remedial measures be adopted to stop such irregularities in future.

Advance Para No.211

**2.1.13 Over payment to contractors due to wrong calculation Rs.90.230 million.**

According to Para 221-222 of Central Public Works Accounts Code, Sub Divisional officer is responsible for making only admissible payment after applying 100% check on the arithmetical calculations of the bills in comparison with the entries recorded in the measurement books of the relevant project/works. During scrutiny of contract files of the Projects in the AJ&K Council Secretariat Islamabad for the year 2013-14, Audit has observed following over payments made in different items of works:

S.No	AIR Para No	Nature of observation.	Amount (Rs.)
1.	04	Overpayment due to wrong calculation and totaling	742,777
2.	02,9	Overpayment of price adjustment and payment over and above to the PC-I cost.	17,820,397
3.	8(ii),11(vi)	Overpayment to contractors than the provision allowed in the PC-I	71,123,000
4.	28	Payment of escalation without provision in PC-I	544,189
		<b>Total</b>	<b>90,230,363</b>

Audit brought the matter to the notice of the DDOs in November, 2014 and PAO in December 2014, but no reply received. The department did not convene the DAC meeting till finalization of this report.

Audit recommended that the overpaid amount be recovered and remitted into AJK Council's Account under intimation to Audit. Disciplinary action be taken against the person(s) at fault. Remedial measures to stop the recurrence in future be adopted.

Advance Para No.243

## CHAPTER 4

### EXCISE AND TAXATION DEPARTMENT

#### 4.1. AUDIT PARAS

##### 4.1.1. Non production of record amounting to Rs0.814 million

According to Section 15 of the Auditor General of Azad Jammu and Kashmir (Functions, Powers and Terms and Conditions of Service) Act, 2005, and General Financial Rule Para 17, it is the responsibility of the department to provide record /information to audit.

During scrutiny of the cash book of the following offices for the year 2004 to 2012, the record i.e. bills of repair of vehicles, POL etc were not provided to audit on requisition during audit inspection.

S. No.	Name of Department	Audit year	Para No. AIR	Amount(Rs.)
1	Business circle Mirpur	7/2007 to 6/2012	9	197,911
2	Inland revenue officer Bhimber	7/2004 to 6/2012	3,9	308,018
3.	Inland revenue officer Chakswari	7/2007 to 6/2012	3	308,027
			Total	813,956

The matter was brought to the notice of the department through AIR in March, April, and September 2013, but no reply is received.

Audit recommended that the record be produced to the audit for further action and timely production of record should be ensure in future

Advance Para No.249(2013.14)



#### 4.1.2. Irregular payment of conveyance allowance amounting to Rs.0.704 million

According to Staff car Rules 1980, Para No. 5(9) the use of staff car shall not be allowed to any officer who is in receipt of conveyance allowance, and according to supplementary rules 7(A) conveyance allowance is not admissible during leave. During audit of the accounts of Inland Revenue Department for 7/2008 to 6/2012. It was observed that the officer who has availed the facility of Govt. vehicles and during leave were also paid conveyance allowance as detailed below:-

S.No	Name of offices	Para No. AIR	Period of Audit	Nature	Amount
1.	Salary circle Mirpur	04	7/07 to 6/12	Irregular Payment of conveyance allowance having the facility of Govt.vehicle	32,240
2.	Professional Circle Muzaffarabad.	09	Inception to 6/12	Irregular Payment of conveyance allowance having the facility of Govt. vehicle	155,145
3	Professional Circle Muzaffarabad.	05	7/07 to 6/12	Irregular payment of conveyance allowance during leave	25,018
4	Income tax officer Neelum	03	7/07 to 6/10	Irregular Payment of conveyance allowance having the facility of Govt.vehicle	29,760
5	Salary Circle Muzaffarabad	04	7/2011 to 6/12	Irregular Payment of conveyance allowance having the facility of Govt.vehicle	29,670
6	Business Circle I Muzaffarabad	02	7/08 to 6/12	Irregular Payment of conveyance allowance having the facility of Govt.vehicle	119,040
7	Business Circle I Muzaffarabad	03	7/08 to 6/12	Irregular payment of conveyance allowance during leave	23,138
8	Professional Circle Mirpur	03	Inception to 6/12	Irregular Payment of conveyance allowance having the facility of Govt.vehicle	117,520

9	Business Circle Mirpur	02	7/07 to 6/12	Irregular Payment of conveyance allowance having the facility of Govt.vehicle	60,760
10	Company Circle Mirpur	02	7/07 to 6/12	Irregular Payment of conveyance allowance having the facility of Govt.vehicle	112,260
				Total	704,641

The matter was brought to the notice of the department in March, May, September 2013, but no reply was received.

Audit recommended that irregular paid amount be recovered and deposited into AJK Council account and remedial measures be taken to control such financial irregularities in future.

Advance para No.250(2013.14)

## CHAPTER 5

### 5.1 GIRLS VOCATIONAL CENTRE

#### 5.2 AUDIT PARAS

##### 5.1.1 Irregular payment of conveyance allowance amounting to Rs.0.494 million

According to Staff car Rules 1980, Para No. 5(9) the use of staff car shall not be allowed to any officer who is in receipt of conveyance allowance, and according to supplementary rules 7(A) conveyance allowance is not admissible during leave.

During audit of the accounts of Girls vocational Centers for 7/2009 to 6/2012. It was observed that the officer who has availed the facility of Govt. vehicles and during leave were also paid conveyance allowance as detailed below:-

S.No	Name of offices	Para No. AIR	Period of Audit	Nature	Amount
1	Girls Vocational Centre Abbottabad	02	7/10 to 6/12	Irregular Payment of conveyance allowance having the facility of Govt.vehicle	29,760
2	Girls Vocational Centre Abbottabad	3,4	7/10 to 6/12	Irregular payment of conveyance allowance during leave	9,681
3	Girls Vocational Centre Rawalpindi	02	7/10 to 6/12	Irregular Payment of conveyance allowance having the facility of Govt.vehicle	89,280
4	Girls Vocational Centre Muzaffarabad	03	7/10 to 6/12	Irregular Payment of conveyance allowance having the facility of Govt.vehicle	59,520
5	Girls Vocational Centre Bhimber	08	7/10 to 6/12	Irregular Payment of conveyance allowance having the facility of Govt.vehicle	29,760
6	Girls Vocational Centre Pallandari	03	7/10 to 6/12	Irregular Payment of conveyance allowance	29,760

				having the facility of Govt.vehicle	
7	Girls Vocational Centre Rathian Jhelum	02	7/10 to 6/12	Irregular Payment of conveyance allowance having the facility of Govt.vehicle	29,760
8	Girls Vocational Centre Rathian Jhelum	3,8	7/10 to 6/12	Irregular payment of conveyance allowance during leave and due to residing in office premises	117,603
				Total	395,124

The matter was brought to the notice of the department in March, April, July and September 2013, but no reply was received. December 2013 DAC meeting was held in which an amount of Rs.3240 against S.No. 2 and an amount of Rs.6513 still recoverable.

Audit recommended that irregular paid amount be recovered and deposited into AJK Council account and remedial measures be taken to control such financial irregularities in future.

Advance para No.247(2013.14)

**5.1.2 Excess /undue payment of house rent and conveyance allowance Rs.0.465 million**

According to Para No. 20,23(4),83 of General Financial Rules Vol-I, it is the responsibility of the department/DDO to make correct payments according to the entitlement.

During audit of the accounts of Girls vocational Centers for 7/2009 to 6/2012, it was observed that excess and undue payments were made as under:-

S. No	Name of offices	Para No. AIR	Period of Audit	Nature	Amount
1.	Girls Vocational Centre Rathian Jhelum	07	7/09 to 6/12	Irregular Payments of House Rent Allowance having the facility of Govt. accommodation	394,728
2.	Girls Vocational Centre Abbottabad	08	7/10 to 6/12	Irregular Payments of House Rent Allowance having the facility of Govt. accommodation	56,201
3	Girls Vocational Centre Abbottabad	09	7/10 to 6/12	Irregular payment of Conveyance Allowance residing in the office premises	13,800
				Total	464,729

The matter was brought to the notice of the department in July 2013, but no reply was received.

Audit recommended that excess paid amount be recovered and remitted into AJK Council account and remedial measures be taken to control such financial irregularities in future.

Advance para No.248(2013.14)

## CHAPTER 6

### EXCISE AND TAXATION DEPARTMENT

#### 6.2 AUDIT PARAS

##### 6.1.1 Loss of Government due to non-transfer of amount of income tax into government account Rs. 717.522 million.

According to FBR Circular No. 03 of 1980 dated 29-01-1980, the income tax is required to be deposited / transferred in to concerned Government account at where the contract is actually executed, irrespective of the place where the contract is made or payment is received.

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2012-13 revealed that some taxpayers executing their contracts in Azad Jammu & Kashmir territory have filed their Income Tax Returns and shown Tax deduction at source by the withholding agents in Pakistan but proof regarding transfer of money into Government Account of AJ&K was not available on record. The detail is as under.

S #	Name office	AIR Para #	Amount (Rs.)
1	IRO Kotli	07	1,976,080
2	IRO Bhimber	06	1,222,532
3	IRO Dadyal	01	5,182,227
4	Chaksawari	01	1,174,513
5	Professional Circle Mzd	01	5,073,304
6	Professional Circle Mirpur	01	4,072,774
7	Company Circle Mirpur	12, 13	698,821,092
Total			<b>717,522,522</b>

The matter was brought to the notice of the Department through Audit and Inspection Reports in March, 2014 but no reply has been received. The matter was also brought to the notice of the Head of Department through Advance Paras in June, 2014 but the department did not convene the DAC meeting.

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

**Advance Para 08:**

**6.1.2 Loss of Government due to non-recovery of arrears of Government dues Rs. 437.361 million.**

According to Para 1,6,37 of Financial Rules AJK Vol-I and Para 26 of the General Financial Rules Vol-I, it is the duty of the Departmental Controlling Officer to see that all sums due to Government are regularly & promptly assessed, realized and duly credited into the Public Account.

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

Contrary to above, scrutiny of the record of various offices of the Inland Revenue Department for the tax year 2012-13 revealed that the department did not collect the arrears of Income Tax, Education Cess & Penalty relating to previous years which resulting a loss of Rs. 437,361,176/- to the Government. The detail is as under.

S #	Name of Office	AIR Para #	Income Tax	Prof. Tax	Education Cess	Penalty	Total O/S (Rs.)
1	IRO Chaksawari	10	11,231,000	-	-	-	11,231,000
2	IRO Company Circle Muzaffargarh	05	420,088,538	-	-	-	420,088,538
3	IRO Bhimber	05	27,000	-	3,850	35,000	65,850
4	Business Circle Muzaffargarh	10	2,746,541	3,400	137,327	-	2,887,268
5	Business Circle Muzaffargarh	02	109,923	4,750	2,503,239	-	2,617,912

6	Prof. Circle Mzd	09	431,488	3,150	35,970	-	470,608
Total			<b>434,634,490</b>	<b>11,300</b>	<b>2,680,386</b>	<b>35,000</b>	<b>437,361,176</b>

The matter was brought to the notice of the Department through Audit and Inspection Reports in March, 2014 but no reply has been received. The matter was also brought to the notice of the Head of Department through Advance Paras in June, 2014 but the department did not convene the DAC meeting.

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

**Advance Para 11:**



**6.1.3 Loss of Government due to inadmissible / doubtful adjustment of input sales tax Rs. 57.972 million.**

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

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

Contrary to above, scrutiny of the record of following offices of Inland Revenue Department for the tax year 2012-2103, revealed that some registered persons have adjusted Input Tax against output payable tax without production of the documentary evidences to prove the status of their claims in light of above 3 condition. The amount mentioned below was inadmissible / doubtful which has resulted in a financial loss of Rs. 57,972,374/- to the Government Treasury. The detail is as under;

S.No	Name of Formation	Para No. of the AIR	Amount adjusted (Rs.)
01	IRO Kotli	08	54,177,837
02	IRO Bhimber	08	3,794,537
Total			57,972,374

The matter was brought to the notice of the Department through Audit and Inspection Reports in March, 2014 but no reply has been received. The matter was also brought to the notice of the Head of Department through Advance Paras in June, 2014 but the department did not convene the DAC meeting.

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

**Advance Para 14**

**6.1.4 Loss of Government due to non / less realization of education cess  
Rs. 37.469 million.**

According to Section 2 of The Education Cess Act 1975 there shall be levied a cess known as Education Cess chargeable at the rates of 5% on the amount of Income Tax as defined in Section 2(63) of the Income Tax Ordinance 2001 except salary of Government employees and all employees of autonomous bodies and Semi-Government organizations.

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2012-2013 revealed that the department collected an amount of Rs. 749,376,255 as income tax but did not recover the amount of Education Cess on such amount of income tax, which resulting a loss of Rs. 37,468,811 to the Government Treasury. The detail is as under:-

S #	Name	AIR Para No	Income Tax Collected	EC Not Paid(Rs.)
01	Company Circle Mirpur	06, 08	694,135,867	34,706,793
02	Business Circle Mirpur	06	32,775,524	1,638,776
03	IRO Chaksawari	04	9,393,223	469,661
04	Salary Circle Mzd	06	1,698,862	84,943
05	Prof. Circle Mzd	03	5,724,079	286,203
06	IRO Dadyal	04	5,648,700	282,435
<b>Total</b>			<b>749,376,255</b>	<b>37,468,811</b>

The matter was brought to the notice of the Department through Audit and Inspection Reports in March, 2014 but no reply has been received. The matter

was also brought to the notice of the Head of Department through Advance Paras in June, 2014 but the department did not convene the DAC meeting.

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

**Advance Para 03**

**6.1.5 Loss of Government due to less receipts of excise duty Rs. 36.05 million**

According to Section 3(1) & 3 A (1) of the Federal Excise Duty Act 2005 there shall be levied & collected Federal Excise Duty & Special Excise Duty on manufacturing of goods in Pakistan & goods imported into Pakistan.

Contrary to above, Scrutiny of the record of Inland Revenue Office Provincial Taxes Mirpur for the year 2011-12 & 2012-13, it was observed that the department did not collect the excise duty from the different manufactures / firms. This resulted in a financial loss of Rs. 36,055,805/- to the Government Treasury.

The matter was brought to the notice of the Department through Audit and Inspection Reports in April & November, 2013 but no reply has been received. The matter was also brought to the notice of the Head of Department through Advance Paras in October & December, 2013 and Audit Report 2013-14 in Annexure-I but the department did not convene the DAC meeting.

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

**AR 2013-14(Annexure I)**

**6.1.6 Loss of Government due to less / non-realization of income tax  
Rs. 27.555 million.**

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

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

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2012-13 revealed that some taxpayers did not pay Income Tax and some tax payers paid less income tax. The omission has resulted in a financial loss of Rs. 27,555,133 to the Government. The detail is given in Annexure "C".

The matter was brought to the notice of the Department through Audit and Inspection Reports in March, 2014 but no reply has been received. The matter was also brought to the notice of the Head of Department through Advance Paras in June, 2014 but the department did not convene the DAC meeting.

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

**Advance Para 05**

**6.1.7 Non realization of penalty for late/non filing of income tax returns Rs. 10.871 million.**

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

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the Tax year 2012-2013 revealed that **54** taxpayers filed their Income Tax returns after the due date and **415** tax payers did not file their Income Tax Returns. The department did not impose / recover the amount of penalty. The omission resulting a loss of Rs. 10,871,833/= to the Government Exchequer. The detail is given in Annexure "A".

The matter was brought to the notice of the Department through Audit and Inspection Reports in March, 2014 but no reply has been received. The matter was also brought to the notice of the Head of Department through Advance Paras in June, 2014 but the department did not convene the DAC meeting.

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

**Advance Para 1**

**6.1.8 Loss due to less / non-realization of minimum Income Tax and Education Cess Rs. 7.727 million.**

According to Section 113 & 113B of the Income Tax Ordinance 2001, a retailer being an individual or association of persons,-

- (a) whose turnover exceeds five million rupees; and
- (b) who is subject to special procedure for payment of sales tax under <sup>i</sup>[Chapter II of the Sales Tax Special Procedures Rules, 2007], shall pay final tax at the <sup>ii</sup>[following rates] which shall form part of single stage sales tax <sup>iii</sup>[ ] as envisaged in the aforesaid rules <sup>iv</sup>[;]

<sup>v</sup> [S.No.	Amount of turnover	Rate of tax
1.	Where turnover exceeds Rs.5,000,000 but does not exceed Rs. 10,000,000	Rs.25,000 plus 0.5% of the turnover exceeding Rs.5 ,000,000
2.	Where turnover exceeds Rs.10,000,000	Rs. 50,000 plus 0.75% of the turnover exceeding Rs.10,000,000.

- (c) The retailer shall not be entitled to claim any adjustment of withholding tax collected or deducted under any head during the year <sup>vi</sup>[:] ]

<sup>9</sup>[Provided that turnover chargeable to tax under this section shall not include the sale of goods on which tax is deducted or deductible under clause (a) of subsection (1) of section 153.] and according to Section 113 of the Income Tax Ordinance 2001, This section shall apply to a resident company [, an individual (having turnover of fifty million rupees or above in the tax year 2009 or in any subsequent tax year) and an association of persons (having turnover of fifty million rupees or above in the tax year 2007 or in any subsequent tax year)] where, for any reason whatsoever allowed under this Ordinance, including any other law for the time being in force.

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

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

Contrary to above, Scrutiny of the record of following offices of Inland Revenue Department for the tax year 2012-13 revealed that some taxpayers filed their income tax returns with normal tax instead of minimum tax. The omission has resulted in a loss of Government revenue amounting Rs. 7,727,170/-. The detail is as under.

S #	Name office	AIR Para #	Income Tax Due	Normal Tax Paid / Charged	E.Cess due	Amount Recoverable (Rs.)
01	IRO Kotli	01	89,775	6,452	4,489	87,812
02	IRO Chaksawari	08	128,791	17,915	6,440	117,316
03	Business Circle Mirpur	01	4,802,936	182,993	0	4,619,943
04	IRO Dadyal	08	427,509	206,877	21,375	242,007
05	Company Circle Mirpur	01	5,508,976	3,091,608	0	2,417,368
06	IRO Chaksawari (AR 2013-14 Anx.I)	07	326,085	94,309	10,948	242,724
<b>Total</b>			<b>11,284,072</b>	<b>3,600,154</b>	<b>43,252</b>	<b>7,727,170</b>

The matter was brought to the notice of the Department through Audit and Inspection Reports in March, 2014 but no reply has been received. The matter was also brought to the notice of the Head of Department through Advance Paras in June, 2014 but the department did not convene the DAC meeting.

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

Advance Para 06,AR 2013-14(Annexure I)

**6.1.9 Loss of Government due to non-realization of Education Cess on withholding tax Rs. 2.332 million.**

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

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

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for tax year 2012-13 revealed that the department collected an amount of Income tax Rs. **46,640,140/-** as withholding tax during the year but did not collect the Education Cess on such amount from different Withholding Agents. The omission has resulted in a loss of Rs. **2,332,007/-** to the Government. The detail is as under: -

S #	Name of Offices	AIR Para #	With Holding Tax Collected	Education Cess O/s (Rs.)
01	IRO Kotli Circle	05	4,848,280	242,414
02	IRO WithHolding Circle Mzd	01	8,561,000	428,050
03	IRO Neelum Circle	01	2,448,000	122,400
04	IRO Bhimber Circle	04	511,340	25,567
05	Salary Circle Mirpur	05	20,919,560	1,045,978
06	Prof. Circle Mirpur	04	9,351,960	467,598
Total			46,640,140	2,332,007

The matter was brought to the notice of the Department through Audit and Inspection Reports in March, 2014 but no reply has been received. The matter was also brought to the notice of the Head of Department through Advance Paras in June, 2014 but the department did not convene the DAC meeting.



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

Advance Para 04

**6.1.10 Loss of Govt. Revenue due to late transfer of tax money into Government Treasury Rs. 1.913 million.**

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

During Scrutiny of record for the year 2012 & 2013, The various IROs collected Income tax amount from different tax payers through banks, but banks did not credit the same amount in time into Government treasury and utilized the same amount in its own business purpose. The late transfer of Revenue into Government treasury is against the procedure. This omission has resulted loss of Rs. 1,913,092/- on account of interest. The detail is given in Annexure-D.

The matter was brought to the notice of the Department through Audit and Inspection Reports in March, 2014 but no reply has been received. The matter was also brought to the notice of the Head of Department through Advance Paras in June, 2014 and Audit Report 2013-14 in Annexure I but the department did not convene the DAC meeting.

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

Advance Para 07:AR 2013-14 (Annexure-I)

**6.1.11 Loss of Government revenue due to claim of inadmissible tax rebate / credit Rs. 1.012 million.**

According to Income Tax Ordinance 2001, deduction of any expenditure in computing income chargeable under the head income from property has been disallowed in the finance act 2006, which is no more allowable now and according to Para 02 of Part III of second schedule of income tax ordinance 2001, the tax payable by full time teacher or researcher, employed in a non profit education or research institution duly recognized by higher Education Commission, A board of Education or a university recognized by the HEC, including govt. training and research institution, shall be reduced by an amount equal to 75% of tax payable on his income from salary.

According to Section 15 of the Income Tax Ordinance 2001, Division 4, Part 1 of the 1<sup>st</sup> Schedule, property will be taxed as separate block of Income and its taxation is final Taxation.

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

S #	Name of office	AIR Para No	Tax Due	Tax Paid	Difference
01	Professional Circle Mirpur	05	98,050	39,608	58,442
02	Salary Circle Mirpur	02, 04	810,220	488,864	321,356
03	Business Circle Mirpur	09	44,630	4,423	40,207

04	IRO Dadyal	05	63,250	27,691	35,559
05	Salary Circle Mzd. (AR 2013-14,Anx.I)	9	33,626	8,127	25,499
06	Salary Circle Mirpur (AR 2013-14,Anx.I)	3	307,716	76,214	231,502
07	Prof. Circle Mirpur AR 2013-14 (Annexure-I)	7, 8	622,130	339,309	282,821
08	Business Circle Mirpur AR 2013-14 (Annexure-I)	6	34,017	16,745	17,272
<b>Total</b>			<b>2,013,639</b>	<b>1,000,981</b>	<b>1,012,658</b>

During the scrutiny of income tax record for the tax year 2011-12 & 2012-2013 in respect of following Inland Revenue Offices, it was observed that some tax payers claimed tax credit which is not allowed and some private institutions teachers claimed 75% tax rebate which is only allowed to teachers & researchers in Government institutions & in nonprofit organizations. The omission has resulted in a loss of Rs. **1,012,658/-** to the Government Treasury. The detail is as under: -  
The matter was brought to the notice of the Department through Audit and Inspection Reports in March, 2014 but no reply has been received. The matter was also brought to the notice of the Head of Department through Advance Paras in June, 2014 but the department did not convene the DAC meeting.

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

Advance Para 09 ,AR 2013-14 (Annexure-I)

**6.1.12 Loss of Government due to incorrect application of tax rate / incorrect calculation of profit and loss account - Rs. 0.984 million**

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

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

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

According to Section 12 (1) of the Income Tax Ordinance 2001, any Salary received by an employee in a Tax year, other than salary that is exempt from tax under this ordinance, shall be chargeable to the Tax in that Tax year under the head “Salary”.

Contrary to above, Scrutiny of the record of various offices of Inland Revenue Department for the tax year 2011-12 revealed that some taxpayers applied incorrect tax rates due to which tax was short levied. The omission has resulted in a loss of Rs. 984,555/- to the Govt. Treasury. The detail is as under.

S.No	Formation	AIR Para	Tax Due	Tax Paid / Charged	E.Cess Due	P. Tax Due	Outstanding
1	Salary Circle Mzd	07	266,718	237,491	0	0	29,227
2	Salary Circle Mirpur	01	1,444,462	1,357,141	0	0	87,321
3	Prof. Circle Mirpur	2, 3	101,328	59,468	0	0	41,860
4	Company Circle	08	96,883	60,156	0	0	36,727
5	Business Circle Mzd	1, 2	558,500	28,500	26,463	100	556,563
6	IRO Bhimber	03	232,857	0	0	0	232,857
Total			2,700,748	1,742,756	26,463	100	984,555

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

The matter was also brought to the notice of the Head of Department through

Advance Paras in October & December, 2013 and Audit Report 2013-14 in Annexure-I but the department did not convene the DAC meeting.

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

Advance Para No: 17 AR 2013-14(Annexure I)

**6.1.13 Non realization of penalty for non- submission of wealth/ withholding tax statements Rs. 0.565 million.**

According to Section 116 (2) every resident taxpayer [being an individual] filing a return of income for any tax year [whose last declared or assessed income [or the declared income for the year], is five hundred thousand rupees or more] shall furnish a wealth statement [and wealth reconciliation statement] for that year along with such return and according to Section 165(2) Every person collecting tax under Division II of this Part [or Chapter XII] or deducting tax from a payment under Division III of this Part [or Chapter XII] shall, [ ] furnish to the Commissioner a [monthly] statement in the prescribed form setting out–

- (a) the name, Computerized National Identity Card Number, National Tax Number and address of each person from whom tax has been collected under Division II of this Part [or Chapter XII] or to whom payments have been made from which tax has been deducted under Division III of this Part [or Chapter XII] in each month;
- (b) the total amount of payments made to a person from which tax has been deducted under Division III of this Part [or Chapter XII] in each month
- (c) the total amount of tax collected from a person under Division II of this Part [or Chapter XII] or deducted from payments made to a person under Division III of this Part [or Chapter XII] in [each month; and
- (d) such other particulars as may be prescribed  
{ Provided that every person as provided in sub-section (1) shall be required to file withholding statement even where no withholding tax is collected or deducted during the period.]

In case of failure in both cases penalty shall be charged Under Section 182(1) of the Income Tax Ordinance 2001.

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the Tax year 2012-2013 revealed that 100 tax payers filed their income tax returns but did not file their wealth statements and 13 withholding agents did not file withholding tax statement but the department did not impose / recover the amount of penalty. The omission resulting a loss of Rs. 565,500/= to the Government Treasury. The detail is given in Annexure “B”.

The matter was brought to the notice of the Department through Audit and Inspection Reports in March, 2014 but no reply has been received. The matter was also brought to the notice of the Head of Department through Advance Paras in June, 2014 but the department did not convene the DAC meeting.

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

Advance Para 02, AR 2013-14(Annexure I)



**6.1.14 Loss of Government due to non- realization of professional tax  
Rs.0.404 million**

According to Section 02 of the Azad Jammu & Kashmir Finance Act 1991, contractors enlisted for supplying to the Azad Kashmir Government, Federal or any provincial government or any local authority, goods , commodities and services of the value will have to pay professional tax at the following rates:-

- |      |   |           |
|------|---|-----------|
| I.   | Exceeding Rs. 25 Lacs                               | Rs. 3000/ |
| II.  | Exceeding Rs. 10 Lacs but not exceeding Rs. 25 Lacs | Rs. 500/- |
| III. | Not exceeding Rs. 10 Lacs                           | Rs. 300/- |

Contrary to above, Scrutiny of the record of various offices of Inland Revenue Department for the tax year 2011-12 & 2012-13 revealed that the tax payers registered as contractor and providing goods or services to the government of Azad Jammu & Kashmir did not pay professional tax along with return of income tax as per Law. The department did not recover professional tax from such contractors. The omission resulted a loss of government revenue amounting to Rs. 404,300 on account of professional tax. The detail is as under.

S #	Name office	Tax Year	Amount (Rs.)
01	IRO Professional Circle Muzaffarabad	2011-12	320,100
02	IRO Bhimber	2011-12	20,300
03	IRO Bhimber	2012-13	18,600
04	IRO Professional Circle MZD	2012-13	45,300
Total			404,300

The matter was brought to the notice of the Department through Audit and Inspection Reports in April & November, 2013 but no reply has been received. The matter was also brought to the notice of the Head of Department through Advance Paras in October & December, 2013 and Audit Report 2013-14 in Annexure-I but the department did not convene the DAC meeting.

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

Advance Para No: 8 AR 2013-14(Annexure I)

### **6.1.15 Loss to Government due to non- deposit of advance Income Tax**

**Rs. 0.132 million**

According to Section 231 (B) & 234 of the income tax ordinance 2001, Advance Income tax payable at the time of registration of vehicles.

Contrary to above, Scrutiny of the record of following offices of Inland Revenue Department for the tax year 2011-12 & 2012-13 revealed that department did not collect Advance Income Tax from the owners of the vehicles. The omission has resulted in a financial loss of Rs.132,000. to the Govt. Treasury

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

The matter was brought to the notice of the Department through Audit and Inspection Reports in April & November, 2013 but no reply has been received. The matter was also brought to the notice of the Head of Department through Advance Paras in October & December, 2013 and Audit Report 2013-14 in Annexure-I but the department did not convene the DAC meeting.

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

Advance Para No: 15, AR 2013-14(Annexure I)

**6.1.16 Loss of Government due to non- realization of penalty for late registration of vehicles Rs. 0.077 million**

According to Section 25 of the Motor Vehicle Ordinance 1971, each vehicle should be registered within sixty days from the date of purchase otherwise penalty will be charged Under Section 23 (A) and Sub Section 06 of the Motor Vehicles Ordinance 1971.

Contrary to above, Scrutiny of the record of various offices of Inland Revenue Department for the tax year 2011-12 & 2012-13 revealed that in certain cases the department has either not or less collected fee for late registration of motor vehicles. The omission has resulted in a financial loss of Rs. 76,525/- to the Government Treasury. The detail is as under.

S #	Name office	AIR Para #	Amount (Rs.)
01	IRO Rawalakot	13	7,000
02	IRO Palandari	11	23,000
03	IRO Neelum	07	1,200
04	IRO Sudhnuti	12	30,125
05	IRO Provincial Taxes Mzd.	06	7,500
06	IRO Provincial Taxes Mirpur	17	7,700
Total			76,525

The matter was brought to the notice of the Department through Audit and Inspection Reports in April & November, 2013 but no reply has been received. The matter was also brought to the notice of the Head of Department through Advance Paras in October & December, 2013 and Audit Report 2013-14 in Annexure-I but the department did not convene the DAC meeting.

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

Advance Para No: 14, AR 2013-14(Annexure I)

## Annexures

### Annexure “A”

**Non realization of penalty for late/non filing of Income Tax returns  
Rs. 10.871 million.**

S #	Name of Office	AIR Para #	No. of Returns Late Filing	No. of Returns Non Filing	Penalty to be Recovered (Rs.)
1	IRO Salary Circle Muzaffarabad	02, 03	05	10	75,000
2	IRO Salary Circle Mirpur	08, 09	6	10	80,000
3	IRO Dadyal	07	0	15	75,000
4	IRO Professional Circle Mirpur	07, 09	3	09	60,000
5	IRO Company Circle Mirpur	03, 04	16	233	9,771,833
6	IRO Chaksawari	06	0	15	75,000
7	IRO Business Circle Mirpur	07, 08	12	45	285,000
8	IRO Professional Circle Muzaffarabad	06, 07	6	36	210,000
9	IRO Bhimber	03	0	07	35,000
10	IRO Neelum	02	0	6	30,000
11	IRO Business Circle Muzaffarabad	06, 07	06	20	130,000
12	IRO Kotli	04	0	09	45,000
<b>Total</b>			<b>54</b>	<b>415</b>	<b>10,871,833</b>

### Annexure “B”

**Non realization of penalty for non-submission of wealth/ reconciliation statements  
Rs. 0.455 million**

S #	Name of Office	AIR Para #	No. of tax Payers	Penalty to be Recovered (Rs.)
1	IRO Neelum	03	2	10,000
2	IRO Bhimber	01	2	10,000
3	IRO Salary Circle Mirpur	03, 07	10	50,500
4	IRO Professional Circle Mirpur	08, 10	8	40,000
5	IRO Salary Circle Muzaffarabad (AR 2013-14 ,Anx.I)	02	08	40,000

6	IRO Salary Circle Mirpur (AR 2013-14 ,Anx.I)	07	13	65,000
7	IRO Professional Circle Mirpur (AR 2013-14 ,Anx.I)	11	10	50,000
8	IRO Professional Circle Muzaffarabad (AR 2013-14 ,Anx.I)	07	25	125,000
9	IRO Bhimber (AR 2013-14 ,Anx.I)	01	03	15,000
10	IRO Bagh (AR 2013-14 ,Anx.I)	02	02	10,000
11	IRO Sudhnuti (AR 2013-14 ,Anx.I)	01	01	5,000
12	IRO Rawalakot (AR 2013-14 ,Anx.I)	02	05	25,000
13	IRO Kotli (AR 2013-14 ,Anx.I)	02	12	60,000
14	IRO Dadyal (AR 2013-14 ,Anx.I)	03	09	45,000
15	IRO Chaksawari (AR 2013-14 ,Anx.I)	03	03	15,000
<b>Total</b>			<b>113</b>	<b>565,500</b>

Annexure “C”

**Loss to government due to less / non-realization of income tax  
Rs. 27.555 million.**

S #	Name office	AIR Para #	Tax Due	Tax Paid	Tax Recoverable (Rs.)
01	Salary Circle Mzd	01, 04, 05	4,454,527	3,927,746	526,781
02	IRO Kotli	02, 03, 09	576,670	439,402	137,268
03	IRO Neelum	04	61,700	35,855	25,845
04	IRO Bhimber	02, 09	151,109	76,861	74,248
05	Business Circle Mzd	04, 05	102,936	36,208	66,728
06	Prof Circle Mzd	05	25,480	7,076	18,404
07	Prof. Circle Mirpur	02, 11	735,232	429,168	306,064
08	Salary Circle Mirpur	10	718,000	493,089	224,911
09	IRO Chaksawari	09	28,875	0	28,875
10	Business Circle Mirpur	03, 04	30,338,769	20,395,466	9,943,303
11	Company Circle Mirpur	07, 11	31,436,370	15,233,664	16,202,706
<b>Total</b>			<b>68,629,668</b>	<b>41,074,535</b>	<b>27,555,133</b>

Annexure “D”

**Loss of govt. revenue amounting Rs. 1.913 million due to late transfer of tax money into government treasury.**

S #	Name office	AIR Para #	Amount of Interest to be Recovered (Rs.)
01	IRO Neelum	07	29,155
02	Company Circle Mirpur	10	1,186,731
03	Business Circle Mirpur	11	107,084
04	IRO Salary Circle Mirpur (AR 2013-14,Anx.I)	11	1,541
05	IRO Professional Circle Mirpur(AR 2013-14,Anx.I)	15	176,021
06	IRO Company Circle Mirpur (AR 2013-14,Anx.I)	13	30,883
07	IRO Business Circle Mirpur (AR 2013-14,Anx.I)	10	37,651
08	IRO Bhimber (AR 2013-14,Anx.I)	10	53,093
09	IRO Neelum (AR 2013-14,Anx.I)	08	17,556
10	IRO Rawalakot (AR 2013-14,Anx.I)	06	36,364
11	IRO Kotli (AR 2013-14,Anx.I)	09	178,314
12	IRO Chaksawari (AR 2013-14,Anx.I)	05	58,699
<b>Total</b>			<b>1,913,092</b>

Annexure “E”

**Non production of proof / evidence in lieu of figures shown in the income statement Rs. 219.467 million.**

S #	Name office	AIR Para #	Amount (Rs.)	Documents required
01	IRO Chaksawari	03	40,634	Tax Payment Challans
02	Business Circle Mzd.	01, 03	831,982	Tax Payment Challans & Proof of Tax paid in advance
03	Business Circle Mirpur	05	270,389	Tax Payment Challans
04	IRO Dadyal	03, 09	2,409,500	Tax Payment Challans & P&L Account
05	Salary Circle Mirpur	06	750	Proof of Tax paid

06	Company Circle Mirpur	02	215,082,151	Proof of Tax paid
07	Professional Circle Mirpur	03	142,444	Proof of Tax paid in advance
08	Professional Circle Mzd.	02, 04	688,768	Tax Payment Challans & Proof of Tax paid in advance
Total			219,466,618	



## Memorandum for Departmental Accounts Committee

Sr.#	Name of offices	Para No. AIR	A .P No.	Period of Audit	Nature	Amount
1.	AJ&K Council Secretariat Islamabad	17	250	7/2013 to 6/2014	Non deduction of conveyance allowance during leave	92,990
2.	AJ&K Council Secretariat Islamabad	40	250	7/2013 to 6/2014	Un-authorized payment of Audit and Accounts Allowance to section officer	13,000
3.	AJ&K Council Secretariat Islamabad	34	251	7/2013 to 6/2014	Los due to theft of Govt Vehicle	550,500
					Total	656,490

## Revenue

S #	Name office	AIR Para #	Motor Tax	Edu. Cess	Income Tax	KLC	Amount (Rs.)
1	IRO Bhimber	10	146,627	2,235	34,650	-	183,512
2	IRO Neelum	05	6,500	76	-	160	6,736
Grand Total			<b>153,127</b>	<b>2,311</b>	<b>34,650</b>	<b>160</b>	<b>190,248</b>

### Non realization of penalty due to late /non filing of Sales Tax returns

S #	Name office	AIR Para #	No of Non Filer	No of Late Filer	Total O/S
01	IRO Kotli	11	04	07	87,500
02	IRO Bhimber	07	02	05	16,700
<b>Total</b>			<b>6</b>	<b>12</b>	<b>104,200</b>

