



**AUDIT REPORT
ON
THE ACCOUNTS OF
AZAD JAMMU AND KASHMIR COUNCIL
2016-2017**

AUDITOR GENERAL OF AZAD JAMMU & KASHMIR

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ABBREVIATIONS AND ACRONYMS

AJ&K	:	Azad Jammu and Kashmir
AJ&KC	:	Azad Jammu and Kashmir Council
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
EC	:	Education Cess
FY	:	Financial Year
GFR	:	General Financial Rules
GST	:	General Sales Tax
IRO	:	Inland Revenue Officer
IT	:	Income Tax
KA & GB	:	Kashmir Affairs and Gilgits 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
TQT	:	Tajweed-ul-Quran Trust
WWF	:	Worker Welfare Fund

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 years 2014-15 & 2015-16. It also includes observations relating to the accounts of certain formations for previous years. The audit was conducted by Directorate General Audit Azad Jammu and Kashmir during 2015-16 & 2016-17 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 PAO 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.

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.

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 Assad Amin)
Auditor General
Azad Jammu and Kashmir

EXECUTIVE SUMMARY

The Auditor General of Pakistan is also the Auditor General of Azad Jammu and Kashmir. The Directorate General Audit, Azad Jammu and Kashmir is responsible for conducting the audit of Azad Jammu and Kashmir Council. For the purpose, the Directorate General Audit, Azad Jammu and Kashmir has 104 officers and staff constituting 16450 man-days. The budget of Directorate General for the Financial Year 2015-16 was Rs 133.315 million. The mandate of this office includes conducting financial attest, compliance with authority audit, audit of sanctions, special audit, performance audit and propriety of the Council's expenditure and receipts.

There are 42 formations of AJ&K Council. Audit of expenditure and receipts of 20 formations was planned during 2016-17 through 03 field audit teams utilizing 235 man days, and 20 formations(02 expenditure +18 receipts) were audited which is 48% coverage of total formations.

Objectives:

- i. Audit of the provision of funds to ascertain whether or not the funds shown as expenditure in the accounts were authorized for the purpose for which they were spent.
- ii. Audit of rules and regulations to see that the expenditure incurred was in conformity with the laws, rules and regulations framed to regulate the procedure for spending public money.
- iii. Audit of sanctions of expenditure to see that every item of expenditure was incurred with the approval of the competent authority in the Government for spending the public money.
- iv. Propriety audit which extends beyond scrutinizing mere formality of expenditure to its wisdom and waste of public money.

a) Scope of Audit

(1) Expenditure audited

Against the total budget of Rs.21,843.027 million (Dev: Rs 5,248.000 million and Non Dev: Rs. 16,595.027 million) of AJ&K Council, the expenditure of Rs 14,133.033 million was incurred i.e. about 65 % of the total budget. The total

budget planned for audit during the year was Rs.6,105.163 million which was 28% of the total budget of AJ&K Council.

(2) Receipts audited

The audit of receipts is based on Revenue Receipts in Financial Year 2014-15. Total budgeted receipts for the FY 2014-15 were Rs.11,960.000 million, whereas actual receipts were Rs.11,037.605 million which were 7.71% less than estimated receipts. The total receipts planned and audited during the year were 11,037.605 million.

b) Recoveries at the instance of audit

Audit pointed out recoverable amounts of Rs. 27.114 million as a result of the audit of expenditures, and recovery of Rs.4.017 million was effected till the compilation of this Report. Receipts of Rs.75,187.674 million were recoverable as pointed out including Rs.72,552.038 million arrears from WAPDA on account of General Sales Tax. However no recovery was effected till the compilation of this report.

c) Audit methodology

- Understanding audit entity
- Conducting risk assessment
- Defining detailed audit objectives
- Developing audit programmes
- Testing the controls
- Evaluating results
- Reporting and
- Follow up

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 many deficiencies in the financial management system of AJ&K Council. The PAO needs to ensure strengthening of internal controls in each formation and proper implementation of rules, regulations and procedures.

AJ&K Council has its own Internal Audit Section which is not functioning properly.

e) Key audit findings of the Report

(1) Expenditure Audit

- i. Non production of record (01 Para) Rs 0.700 million.¹
- ii. Irregular/Unauthorized expenditure on account of POL and without recording detail measurement in MBs etc. (03 Paras) Rs. 25.755 million.²
- iii. Overpayment to the contractors on account of inadmissible Escalation, rates and quantities etc.(03 Paras) Rs 11.359 million.³
- iv. Non/less deduction of Government dues (02 Paras) Rs 15.755 million.⁴
- v. Loss due to theft (01 Para) Rs.0.551 million.⁵

(2) Revenue Receipts Audit

- i. Non/ Short recoveries of Government taxes (24 Paras) Rs 74,344.134 million⁶
- ii. Non recovery of penalty on account of late non filing of withholding tax returns (04 Paras) Rs 22.645 million.⁷
- iii. Loss due to wrong/ fictitious adjustment of Input Tax (02 Paras) Rs 820.635 million.⁸

Recommendations

PAO needs to ensure;

- i. Strengthening of Internal controls to avoid the recurrence of irregularities.
- ii. That remedial measures are adopted to stop the over payments in future.
- iii. Recovery of Government dues and their prompt deposit in to AJ&K Council Account.
- iv. Holding the meetings of DAC regularly.

¹Para 2.1.1

² Para 2.1.4,3.1.5,3.1.6

³ Para 2.1.2,3.1.1,3.1.2

⁴ Para 3.1.3,3.1. 4

⁵ Para 2.1.3

⁶ Para4.1.1,4.1.4,4.1.5,4.1.6,4.1.7,4.1.8,4.1.9,4.1.10,4.1.11,4.1.12,4.1.13,4.1.14,4.1.16,4.1.17 , 4.1.19 ,4.1.20,4.1.21,4.1.22,4.1.24,4.1.26,4.1.27,4.1.28,4.1.29,4.1.30

⁷ Para 4.1.15,4.1.18,4.1.23,4.1.25

⁸ Para 4.1.2,4.1.3

SUMMARY TABLES & CHARTS
EXPENDITURE

I. Table 1 Audit Work Statistics

Sr. No	Description		
		No.	(Rs. Million) Budget
1	Total Entities (Ministries/PAO's) in Audit Jurisdiction	01	21,843.027
2	Total formations in audit jurisdiction	42	21,843.027
3	Total Entities (Ministries/PAO's) Audited	01	6,105.163
4	Total formations Audited	02	6,105.163
5	Audit & Inspection Reports	02	6,105.163

II. Table 2 Audit observations Classified by Categories

Sr.#	Description	(Rs. Million) Amount Placed under Audit Observation
1	Unsound asset management	Nil
2	Weak financial management	27.114
3	Weak Internal controls relating to financial management	26.306
4	Others(non production of record)	0.700
	Total	54.120

III. Table 3 Outcome Statistics

Sr. No	Description	Expenditure on Acquiring Physical Assets Procurement	Civil Works	Receipts	(Rs million) Others	(Rs million) Total current FY 2015-16	(Rs million) Total last year 2014-15
1	Outlays Audited	8.975	3,809.665	Nil	2,286.523	6,105.163	701.655
2	Monetary Value of audit observations/ irregularities of audit	Nil	36.293	Nil	17.827	54.120	701.655
3	Recoveries Pointed Out at the instance of Audit	Nil	11.359	Nil	15.755	27.114	7.940
4	Recoveries Accepted /Established at the instance of Audit	Nil	11.359	Nil	15.755	27.114	7.940
5	Recoveries Realized at the instance of Audit	Nil	4.017	Nil	Nil	4.017	Nil

IV. Table 4: Table of Irregularities pointed out

Sr.#	Description	(Rs million) Amount Placed under Audit Observation
1	Violation of Rules and regulations and violation of principal of propriety and probity in public operations.	25.755
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	0.551
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.	Nil
4	If possible quantify weaknesses of internal control systems.	Nil
5	Recoveries and overpayments, representing cases of establishment overpayment or misappropriations of public money	27.114
6	Non –production of record.	0.700
7	Others, including cases of accidents, negligence etc.	Nil
	Total	54.120

V. Table 5 Cost-Benefit

Sr.#	Description	Amount(million) F.Y 2015-16
1	Outlays Audited (Items 1 of Table 3)	6,105.163
2	Expenditure on Audit	23.793
3	Recoveries realized at the instance of Audit	4.017
	Cost-Benefit Ratio(2/3)	1: 0.16

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

Sr.#	Description	No.	Budget(million)
1	Total Entities (Ministries/PAO's) in Audit Jurisdiction	01	11,960.000
2	Total formations in audit jurisdiction	18	11,037.605
3	Total Entities(Ministries/PAO's) Audited	01	11,037.605
4	Total formations Audited	18	11,037.605
5	Audit & Inspection Reports	18	11,037.605
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

VII. Table 2 Audit observations Classified by Categories

Sr.#	Description	(Rs. In Millions) Amount Placed under Audit Observation
1	Unsound asset management	-
2	Weak financial management	75,187.414
3	Weak Internal controls relating to financial management	-
4	Others	-
	Total	75,187.414

VIII. Table 3 Outcome Statistics

Sr. #	Description	Expenditure on Acquiring Physical Assets (Procurement)	Civil Works	Receipt (Million)	Other	Total current FY 2015-16	Total Last FY 2014-15
1	Outlays Audited	Nil	Nil	11,037.605	Nil	11,037.605	3,342.186
2	Amount Placed under Audit Observation /Irregularities of Audit	Nil	Nil	75,187.414	Nil	75,187.414	21,506.271
3	Recoveries Pointed Out at the instance of Audit	Nil	Nil	75,187.414	Nil	75,187.414	21,506.271
4	Recoveries Accepted /Established at the instance of Audit	Nil	Nil	75,187.414	Nil	75,187.414	21,506.271
5	Recoveries Realized at the instance of Audit	Nil	Nil	00	Nil	00	0.555

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.	Nil
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	Nil
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.	Nil
4	If possible quantify weaknesses of internal control systems.	Nil
5	Recoveries and overpayments, representing cases of establishment overpayment or misappropriations of public money	75,187.414
6	Non production of record.	Nil
7	Others, including cases of accidents, negligence etc.	Nil

X. Table 5 Cost-Benefit

Sr.#	Description	(Millions)Amount F.Y 2015-16
1	Outlays Audited (Items 1 of Table vi)	11,037.605
2	Expenditure on Audit	13.408
3	Recoveries realized at the instance of Audit	00
4	Cost-Benefit Ratio	1:0

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 and expenditure 2015-16 (Variance Analysis)

Description	(Rs Million) Budget Allocation	(Rs Million) Expenditure Incurred	Savings / excess	Percentage
Development	5,248.000	1,855.880	3,392.120	65%
Salary	1,430.289	1,291.229	139.060	10%
Non salary	15,164.738	10,985.924	4,178.814	28%
Total	21,843.027	14,133.033	7,709.994	35%

The budget allocation utilized under Development and salary and non salary budget was 35%, 90% and 72% respectively. A variance Analysis for last two financial years is as under:

Sr. #	Particulars	Rs million FY 2015-16	Rs million FY 2014-15	Rs million Variance	%age
1.	Budget Allocation	21,843.027	16,430.912	5,412.115	24.78%
2.	Total Expenditure	14,133.033	10,479.160	3,653.873	25.85%
3.	Audited Expenditure	1,084.548	701.655	382.893	35.30%

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%
2014-15	28	--	--	28	0%
2015-16	39	--	--	39	0%

CHAPTER 2

AJ&K COUNCIL SECRETARIAT

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 production of record amounting to -Rs. 0.700 million

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

During scrutiny of Cash book of AJ&K Council Secretariat Islamabad for the year 2013-14, auditable record was demanded but the AJ&K Council Secretariat did not provide relevant record of expenditure to the tune of Rs. 0.700 million as per detail given below:-

S.No	Para No.AIR	Period of Audit	Nature of Observation	Amount
1	43	July, 2013 to Jun, 2014	Non production of record on account of provision of Electricity to Kashmiri refugees at Adyala	700,000
			Total	700,000

Audit observed that irregularity was occurred due to non compliance of Section 15 of Auditor General's (Functions, Powers and Terms and Conditions of Service) Act, 2005.

Audit brought the matter to the notice of the Management and PAO and also through annexure-I of Audit Report 2015-16, in April 2016, but no reply was received. The department convened the DAC meeting in January 2017, but this para was not discussed in the DAC meeting due to non reply of the department.

Audit recommends that record be provided for scrutiny and verification. Responsibility be fixed against person(s) at fault. Timely production of record be ensured in future.

2.1.2 Overpayment to contractors of Inadmissible Escalation -Rs.1.598 million.

According to Para 221 and 222 of Central Public Works Accounts Code, Divisional officer is responsible for making only admissible payment to the contractor.

During scrutiny of contract files of the Projects in the AJ&K Council Secretariat Islamabad for the year 2014-15, Audit observed that Overpayment of Escalation was made on items of works i.e. Labour, Cement, Steel, Bitumen and Diesel amounting to Rs.2,013,300.

Audit observed that overpayment was made due to weak financial controls.

Audit brought the matter to the notice of the Management and PAO. The department convened the DAC meeting in January 2017, in which an amount of Rs.797,977 was recovered and Rs.415,687 was settled. DAC directed to recover the remaining amount of Rs.1,597,613 from the contractor but no progress has been intimated till finalization of this report.

Audit recommends 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.

2.1.3 Loss due to theft of Government vehicle costing -Rs. 0.551 million.

According to General Financial Rules Para 51 it is the primary responsibility of the administration of each Department to take measures for the safeguard of Govt. Assets, Stores from theft or misappropriation.

During Audit of the accounts of AJ&K Council Secretariat Islamabad for the year 2013-14, it was observed that vehicle No.MDGA-554 was stolen and as per Inquiry Report, the Inquiry Officer recommended to recover the depreciated amount Rs.275,635 from the officer concerned which has not been recovered by the Department. On the other hand from perusal of the record audit observed that the AJ&K Council Secretariat has auctioned another vehicle No.MRGA-655 of (same model and same year of purchased) at a price of Rs. 550,500. Hence the Government sustained the loss of Rs. 550,500 instead of Rs. 275,635.

Audit observed that Government loss was occurred due to weak internal controls.

Audit brought the matter to the notice of the Management and PAO and also through annexure-I of Audit Report 2015-16, in April 2016. The department convened the DAC meeting in January 2017, but this para was not discussed in the DAC meeting due to non reply of the department.

Audit recommends that the cost of stolen vehicle on the basis of auctioned price of similar vehicle may be recovered and remitted into AJK Council's account under intimation to Audit. Responsibility be fixed against person(s) at fault. Internal controls be strengthened to avoid the recurrence of such lapses in future.

2.1.4 Irregular and Unjustified payment on account of POL charges -Rs.0.821 million

According to Staff Car Rules 1980 Para 04 officer incharge shall be responsible for the proper utilization and up keep 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 incharge 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 FY 2013-14, Audit observed following irregular, excess and unjustified payments on account of POL charges.

S.#	Para No.	Period of audit	Nature of observations	Amounts
1	18	7/2013 to 6/2014	Un-authorized expenditure on account of POL and as per Log Books vehicles were not found used by any officer	419,574
2	19	7/2013 to 6/2014	Excess drawl due to wrong calculation of meter reading of vehicle	15,040
3	25	7/2013 to 6/2014	Without justification changing average of vehicle	194,853
4	27	7/2013 to 6/2014	Amount drawn on account of POL but not recorded on the Log Books.	108,322
5	33	7/2013 to 6/2014	Excess /fictitious drawl of POL than actual consumption	19,073
6	39	7/2013 to 6/2014	Excess drawl of POL charges than the actual amount	64,485
			Total	821,347

Audit observed that irregular payments were made due to weak financial controls.

Audit brought the matter to the notice of the Management and PAO and also through annexure-I of Audit Report 2015-16, in April 2016. The department convened the DAC meeting in January 2017, but this para was not discussed in the DAC meeting due to non reply of the department.

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

CHAPTER 3

LOCAL GOVERNMENT AND RURAL DEVELOPMENT DEPARTMENT

3.1 AUDIT PARAS

3.1.1 Overpayment to contractors beyond the approved schedule rates -Rs. 7.915 million.

According to CPWA 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 CPWD Code Para 44 the Divisional Officer is responsible for excess of actual overestimated work, and according to CPWD Code Para 208 payment is required to be made to the contractors against actual work done at site.

During scrutiny of the bills/ Measurement Books of the 8 offices of Local Government and Rural Development Department (Council funded) it was revealed that the payments were made beyond the schedule rates resulting in overpayment of Rs.7,915,447. The detail is in annexure "A".

Audit observed that overpayment was made due to weak financial controls.

Audit brought the matter to the notice of the Management and PAO but no reply was received. Despite frequent requests, the department did not convene the DAC meeting till finalization of this report.

Audit recommends 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.

3.1.2 Excess payment to the contractor over and above the approved estimates -Rs.1.846 million

According to B&R Department Code Para 5.4 revised sanction to the estimates from the competent authority is required to be obtained in case of execution of work more than the approved estimates and according to CPW Department code Para 44, the Divisional Officer is responsible for excess of actual overestimated cost of work.

During the scrutiny of Measurement Books of Assistant Director Local Government Rawalakot (Council funded) for the year July 2015 to June 2016, Audit

observed that the payment was made amounting to Rs.1,846,200 over and above the sanctioned estimates & by changing the scope of work without obtaining approval from the competent authority. Detail is as under:-

Sr.#	Name of work	Sanctioned estimates/ work order	Amount paid	Excess paid
1	Construction of road Galla Gujran Rawalakot	7,91,100	14,62,100	6,71,000
2	Construction of road lower Sumlari Kotari Tian	7,72,000	14,24,400	6,52,400
3	Construction of road Nackroo Tola Banguian	6,25,000	11,47,800	5,22,800
			Total	18,46,200

Audit observed that excess payment was made due to weak financial controls.

Audit brought the matter to the notice of the Management and PAO but no reply was received. Despite frequent requests, the department did not convene the DAC meeting till finalization of this report.

Audit recommends that the excess amount be recovered from the concerned under intimation to Audit.

3.1.3 Loss to Government due to non/ less deduction of Government dues -Rs. 4.438 million.

According to the GST Act 1990 Para 3 (2)(A) and Section 153(3) of the Income Tax Ordinance 2001, Section 13 of Education Cess Act 1975, notification no Admin /H-10(66)/91 dated 06-01-1992, Finance Act 2012, Section 07 Sub Section 01, GST, IT, EC, TQT and KLC respectively are required to be deducted while making payments, 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 10 offices of LG & RDD revealed that Government dues were either not deducted or less deducted. Detail is in annexure "B"

Audit observed that loss/ less receipts occurred due to non-observance of rules and weak financial controls.

Audit brought the matter to the notice of the Management and PAO but no reply was received. Despite frequent requests, the department did not convene the DAC meeting till finalization of this report.

Audit recommends that the amount be recovered and remitted into concerned account, responsibility be fixed against person(s) at fault and timely recovery of Government dues be ensured in future.

3.1.4 Non remittance of unspent amount -Rs.11.317 million

According to Para 104 and 115 of AJK Financial Code, money must never be drawn from Government treasury unless it is wanted at once for disbursement and according to Para 117 any unexpended balance of money must be refunded into Government treasury without delay.

During audit of the accounts of Director General Local Government Muzaffarabad for the FY 2015-16 (Council funded). In violation of the above rules, it was observed that the unexpended amount of Rs.11,316,876 was found laying in Summit Bank Branch Muzaffarabad account No.1-10-5-20311-714-115656 which was not deposited into AJ&K Council account at the end of the financial year.

Audit observed that unspent amount was not deposited into AJ&K Council's account due to weak financial controls.

Audit brought the matter to the notice of the Management and PAO but no reply was received. Despite frequent requests, the department did not convene the DAC meeting till finalization of this report.

Audit recommends that the unspent amount be remitted immediately into concerned account, responsibility be fixed against person(s) at fault and timely refunding of unspent balance in to concerned account be ensured in future.

3.1.5 Irregular payment without recording detailed measurements -Rs.23.840 million

According to Para 208 & 209 of CPWA Code, payment of work done is required to be made after recording the detail measurements of work done in the Measurement Books. Further, Para 44 of CPWD Code, provides that the Divisional Officer is responsible for making the correct payments.

During scrutiny of the record of Assistant Director Local Government Kotli (Council funded) for the FY 2015-16, it has been observed that lump sum payments of Rs.23,839,749 were made to the contractors in Seven Development Schemes without recording the detailed measurements of work done in the MBs in violation of above rules.

Audit observed that irregular payments were made due to weak financial controls.

Audit brought the matter to the notice of the Management and PAO but no reply was received. Despite frequent requests, the department did not convene the DAC meeting till finalization of this report.

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

3.1.6 Irregular payment without work done and over and above the approved estimate -Rs.1.094 million

According to Local Government Rules Para 13(4) no advance payment can be made to the contractor against the development project. Further, as per B&RD Code Para 5.4 revised sanctions to the estimates from the competent authority is required to be obtained in case of execution of work more than that approved estimates.

(i) During scrutiny of the record of the Assistant Director Local Government Kotli (Council funded) for the FY 2015-16, it has been observed that advance payment of Rs.5,58,400 was made without work done in two development schemes.

(ii) Scrutiny of the record of the Assistant Director Local Government Rawalakot (Council funded) for the year 2015-16, revealed that in construction of road Surmela to Arnela the work done was recorded on the MB for Rs.2,71,400 where as the project leader was paid Rs. 8,07,000. Hence Rs.5,35,000 has been paid in excess without work done. Hence total of Rs.10,94,000 was paid in excess.

Audit observed that irregular payments were made due to weak financial controls.

Audit brought the matter to the notice of the Management and PAO but no reply was received. Despite frequent requests the department did not convene the DAC meeting till finalization of this report.

Audit recommends that the payments made without work done, over and above the approved estimate be recovered and remitted into AJ&K Council's accounts under intimation to audit, responsibility be fixed against person(s) at fault. Remedial measures be adopted to stop such irregularities in future.

CHAPTER 4

EXCISE AND TAXATION DEPARTMENT

4.1 AUDIT PARAS

4.1.1 Loss of Government due to non-recovery of arrear of sales tax, excise duty- Rs. 73,743.618 million

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

Contrary to above, scrutiny of the record of 04 offices of Inland Revenue Department for the tax year 2015 revealed that the department did not collect arrears of Sales Tax & Excise Duty from the concerned for the period July 2014 to June 2015. The omission has resulted in a financial loss of Rs. 73,743,617,607 to the Govt. Treasury. The detail is as under.

S#	Name of Formation	Para #	Amount (Rs.)
1	Excise & Sales Tax Circle Muzaffarabad	05	284,423,834
2	Excise & Sales Tax Circle Mirpur	06	72,818,652,540
3	Inland Revenue Office Rawalakot	18	643,984
4	Inland Revenue Office Kotli	16	639,897,249
Total			73,743,617,607
Out of the total amount, Rs.72,818,652,540 is recoverable as arrears under the head Sales Tax from WAPDA Mangla			

Audit observed that the non-receipts of the arrears occurred due to inefficiency of the department.

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

Audit recommends that the arrears amount of Sales Tax & Excise Duty may be recovered and remitted in to Government Treasury under intimation to Audit and

timely collection of the Government dues be ensured in future by strengthening internal control system of the Department.

4.1.2 Loss of Government due to inadmissible and un-authorized adjustment of Sales Tax -Rs. 700.894 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 08 offices of Inland Revenue Department for the tax year 2015 revealed that some registered persons have adjusted Input Tax against output payable tax in Sales Tax returns without production of the documentary evidences to prove the status of their claims in light of above 3 conditions. The amount was inadmissible / unauthorized which has resulted in a financial loss of Rs. 700,893,723 to the Government Treasury. The detail is in annexure "C".

Audit observed that the loss occurred due to non-observance of relevant rules.

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

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

4.1.3 Inadmissible input tax adjustment due to non-verification of banking channel amounting to -Rs. 119.743 million.

According to Section 73 of Sales Tax Act 1990, (1) Notwithstanding anything contained in this Act or any other law for the time being in force, payment of the amount for a transaction exceeding value of fifty thousand rupees, excluding payment against a utility bill, shall be made by a crossed cheque drawn on a bank or by crossed bank draft or crossed pay order or any other crossed banking instrument showing transfer of the amount of the sales tax invoice in favor of the supplier from the business bank account of the buyer.

Further part (2) of above Section stated that the buyer shall not be entitled to claim input tax credit, adjustment or deduction, or refund, repayment or draw-back or zero-rating of tax under this Act if payment for the amount is made otherwise than in the manner prescribed in sub-section (1),

Contrary to above during scrutiny of record of the Excise and Sales Tax Circle Mirpur for the tax year 2015 it was observed that 02 registered persons have paid input sales tax transactions exceeding fifty thousand rupees but did not verify the payment of these transactions through the banking channel as per invoice summary as required under above rule. The omission resulted in inadmissible input tax adjustment amounting Rs.119,743,783.

Audit observed that in admissible input tax adjustment occurred due to non-observance of rules and regulations of the concerned.

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

Audit recommends that the department may recover the amount of input Sales Tax Rs. 119,743,783 for which they did not make payment through banking channel as per Section 73 of the Sales Tax Act, 1990 along with the default surcharge under section 34 & penalty under Section 33 of the Sales Tax Act, 1990 under intimation to audit and steps may be taken to strengthen internal control system of the department to avoid such lapses in future.

4.1.4 Non deduction of advance tax and Education Cess on purchase under Section 153 -Rs. 118.941 million.

According to section 153 of the Income Tax Ordinance, 2001 every prescribed person making a payment in full or part including a payment by way of

advance to a resident person or permanent establishment in Pakistan of a non-resident person:-

- (a) for the sale of goods;
- (b) for the rendering of or providing of services; and
- (c) on the execution of a contract, including contract signed by a sports person but not including a contract for the sale of goods or the rendering of or providing services, shall, at the time of making the payment, deduct tax from the gross amount payable (including sales tax, if any) at the rate specified in Division III of Part III of the First Schedule.

According to Division III of Part III of the First Schedule The rate of tax to be deducted from a payment referred to in clause (c) of sub-section (1) of section 153 shall be:

- (i) 7% of the gross amount payable in the case of companies; and
- (ii) 7.5% of the gross amount payable in the case of other taxpayers.

According to Section 153(7)(i)(j) a person registered under the Sales Tax Act 1990 is a prescribed person as referred in above Section and the tax payers are required to deduct advance tax while making payment to the supplier.

Contrary to above, scrutiny of the record of 06 offices of Inland Revenue Department for the tax year 2015 revealed that different tax payers were falling under above rule but they didn't deduct tax from their suppliers on purchases as required under above rule as per detail given below;

S#	Formation	AIR Para	Income Tax on Purchases	Income Tax on Services	Total
1	Inland Revenue Office Business Circle Mirpur	11	20,568,579	0	20,568,579
2	Inland Revenue Office Company Circle Mirpur	20	3,593,198	43,336,178	46,929,376
		21	24,241,836	0	24,241,836
3	Inland Revenue Office Dadyal	12	7,769,072	0	7,769,072
4	Inland Revenue Office Business Circle Muzaffarabad	14	6,857,384	0	6,857,384
5	Inland Revenue Office Professional Circle Mirpur	12,13	8,267,347	1,795,390	10,062,737
6	Inland Revenue Office Professional Circle Muzaffarabad	12,16	208,076	2,304,390	2,512,466
Total			71,505,492	47,435,958	118,941,450

Audit observed that non deduction of advance tax and Education Cess occurred due to negligence of the concerned.

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

Audit recommends that the department may obtain original purchase invoices from the relevant tax payers and investigate the matter and recoveries if any be made under intimation to audit.

4.1.5 Non-levy of Workers Welfare Fund -Rs. 75.540 million.

According to section 4 (1) of Workers Welfare Fund Ordinance 1971, every industrial establishment, (read with section 2 (f) (iv) which reads “any establishment, to which the West Pakistan Shops and Establishment Ordinance 1969 (W.P. Ordinance No. VIII of 1969), for the time being applies” the total income of which in any year of account is not less than five lakh of rupees shall pay to the Fund in respect of that year a sum equal to two percent of its total income (i) where return is required, the profit before taxation or provision for taxation as per accounts or the declared income as per the return of income, whichever is higher; and (ii) where Return of Income is not required to be filed, the profit before taxation or provision for taxation as per accounts or four percent of the receipt as per the statement filed under section 115 of the Ordinance, whichever is higher.

Contrary to above during the course of audit relating to receipts in respect of Inland Revenue Office Company Circle Mirpur AJK for the tax year 2015, it was observed that following registered person depicted profit in their Income Tax returns but failed to pay WWF as leviable according to the above law which has resulted in non-levy of WWF amounting to Rs. 75,539,870. The tax authorities also did not take any action to recover the Government dues from the tax payer.

S #	Company	NTN	Profit	WWF due@ 2%	Paid	Balance
1	M/S Dura Industries Pvt.Ltd	14957	62,701,956	1,254,039	-	1,254,039
2	Laraib Energy Pvt.Ltd	14617	3,684,845,000	73,696,900	-	73,696,900
3	Nobal Foam pvt.Ltd	14996-8	16,410,641	328,213	-	328,213
4	Sun Gas Pvt.Ltd	14914	49,337,144	986,743	726,025	260,718
Total			3,813,294,741	76,265,895	726,025	75,539,870

Audit observed that the lapse occurred due to negligence of the concerned.

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

Audit recommends that the department may take appropriate action to recover & deposit the amount of worker welfare fund in to the Government Treasury under intimation to Audit and steps may be taken to realize & credit the Government Revenue in time.

4.1.6 Less realization of sales tax due to excess adjustment of input sales tax -Rs. 62.114 million.

According to Section 8-B of the Sales Tax Act 1990, a registered person shall not be allowed to adjust input tax in excess of 90% of the output tax for that tax period. Furthermore as per Section 06 (2), the tax in respect of taxable supplies made during a tax period shall be paid by the registered person at the time of filing of sales tax return in respect of that period.

Contrary to above, scrutiny of the record of 06 offices of Inland Revenue Department for the tax year 2015 revealed that 24 Sales Tax registered person adjusted their input tax in excess of 90% output tax which is against the above rules and due to nonpayment of 10% Sales Tax, Sales Tax was short levied. The omission resulted in a financial loss of Rs. 62,114,171 to the Government Treasury. The detail is as under.

S #	Formation	AIR Para	No of Person	Sales Tax due on sales	In Put Tax claimed by taxpayer	Allowed as per rules 90%	Excess claimed
1	Excise & Sales Tax Muzaffarabad	3	4	62,977,501	62,977,501	56,679,751	6,297,750
2	Excise & Sales Tax Circle Mirpur	3	3	226,926,150	251,191,879	204,233,535	46,958,344
3	Inland Revenue Office Sudhnuti	13	2	4,807,921	4,807,922	4,327,129	480,793
4	Inland Revenue Office Kotli	15	7	10,819,244	10,583,666	9,737,320	846,346
5	Inland Revenue Office Rawalakot	17	3	33,311,141	33,201,291	29,980,027	3,221,264
6	Inland Revenue Office Bagh	18	5	44,241,017	44,126,589	39,816,915	4,309,674
Total			24	383,082,974	406,888,848	344,774,677	62,114,171

Audit observed that less realization of sales tax occurred due to non-observance of relevant rules.

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

Audit recommends that the amount of short realization of Sales Tax may be recovered and remitted into Government Treasury under intimation to Audit and steps may be taken to strengthen internal controls of the department to avoid such lapses in future.

4.1.7 Loss of Government due to non-transfer of amount of Income Tax in to Government Account -Rs. 60.513 million.

According to FBR Circular No. 03 of 1980 dated 29-01-1980, the Income Tax is required to be deposited / transferred to concerned Government account 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 10 offices of Inland Revenue Department for the tax year 2015 revealed that 50 taxpayers executing their contracts in Azad Jammu & Kashmir territory have filed their Income Tax Returns and shown deduction of Tax 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 in annexure "D"

Audit observed that loss of Government occurred due to non-observance of relevant rules.

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

Audit recommends that the Department may furnish the verification/ supporting documents to Audit in token of proof and transfer above mentioned amounts and the Department may not accept incomplete tax returns in future as required under the law.

4.1.8 Government loss due to short/ non realization of minimum tax -Rs. 59.780 million

According to Section 113(1) 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. Further part (e) of section above 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 per cent of the amount representing the person's turnover from all sources for that year:

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.

Contrary to above, scrutiny of the record of 08 offices of Inland Revenue Department for the tax year 2015 revealed that 24 tax payers having turnover of more than fifty million or above were required to charge minimum income tax as required under above law but they didn't charge Minimum tax and department did not recover such tax from tax payers. The Omission resulted in a loss of Rs. 59,779,877 to the Government Treasury. The detail is in annexure "E"

Audit observed that the short receipts occurred due to inefficiency of the concerned.

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

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

4.1.9 Irregular allowing of exemptions on account of Income Tax amounting to -Rs. 43.508 million

According to Section 21(m) of the Income Tax Ordinance 2001, Except as otherwise provided in this Ordinance, no deduction shall be allowed in computing the

income of a person under the head “Income from Business” for any salary paid or payable exceeding fifteen thousand rupees per month other than by a crossed cheque or direct transfer of funds to the employee’s bank account, further, according to section 61 (4) of the Income Tax Ordinance 2001, A cash amount paid by a person as a donation shall be taken into account under clause (a) of component C of sub-section (2) only if it was paid by a crossed cheque drawn on a bank.

Contrary to above, scrutiny of the record of 06 offices of Inland Revenue Department for the tax year 2015 revealed that some educational institutions claimed huge salary expense but no evidence was attached for the salary payments of more than fifteen thousand routed through banking channel and in some cases donations were claimed but proof regarding payment of such donations made through crossed cheques was not available on record which resulted in doubtful adjustment of Income Tax as detailed below;

S#	Formation	AIR Para	Adjusted Amount	Nature
1	Inland Revenue Office Business Circle Mirpur	15	13,075,461	Salary Expense Claimed
2	Inland Revenue Office Company Circle Mirpur	17	10,385,864	Donation Claimed
3	Inland Revenue Office Chaksawari	13	4,789,587	Salary Expense Claimed
4	Inland Revenue Office Dadyal	17	14,490,711	Salary Expense Claimed
5	Inland Revenue Office Professional Circle Muzaffarabad	14	580,000	Salary Expense Claimed
6	Inland Revenue Office Professional Circle Mirpur	9	186,036	Donation Claimed
Total			43,507,659	

Audit observed that the allowing of irregular exemptions occurred due to non-observance of relevant rules.

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

Audit recommends that the Department may furnish the relevant / supporting documents to audit in order to justify its authenticity of amounts claimed by the tax payer for the tax year 2015 otherwise tax on outstanding amount may be calculated and recovered from the tax payers and collection of complete income tax record be ensured in future by strengthening the Internal Control System of the department.

**4.1.10 Non deduction of advance tax and Education Cess on sales to retailers’
-Rs. 39.306 million.**

According to Section 236-H (1) of Income Tax Ordinance 2001; Every manufacturer, distributor, dealer, wholesaler or commercial importer of electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector, at the time of sale to retailers, shall collect advance tax at the rate specified in Division XV of Part IV of the First Schedule, from the aforesaid person to whom such sales have been made.

Further Section 2 of the Education Cess Act 1975 provides that 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 and according to Section 02 of the Azad Jammu & Kashmir Finance Act 1991, Taxpayer will have to pay Professional Tax at the prescribed rates.

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2015 revealed that different tax payers were required to deduct advance tax as required under above law but they didn’t deduct such advance tax and department did not recover such tax from tax payers. The Omission resulted in a loss of Rs. 39,306,201 to the Government Treasury. The detail is in annexure “F”

Audit observed that the short receipts occurred due to inefficiency of the concerned.

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

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

**4.1.11 Less payment of 2% Extra Sales Tax on specified goods
-Rs. 32.010 million**

As per Rule 58S of Sales Tax Special Procedures Rules 2007 of chapter XIII special procedure for payment of extra sales tax on specified goods of foam or spring mattresses and other foam products for household use.

Further Rules 58T of Sales Tax special Procedure Rules 2007 Mode, manner and rate applicable for payment of extra amount of tax (1) extra amount of sales tax

@ 2% of value of supplies shall be levied and collected on the supplies of specified goods by manufactures and importers in addition to tax payable under sub section (1) and (2) of section 3 of the Act, as the case may be.

Contrary to above during the scrutiny of the record of the Inland Revenue Excise & Sales Tax Circle Mirpur for the tax year 2015, it was observed that 03 registered companies deal in specified goods (Foam or spring mattresses and other foam products for household use) but did not pay 2% extra sales tax as per above referred rules. The omission resulted in a financial loss of Rs.32,010,509.

Audit observed that the less receipts of Sales tax occurred due to negligence of the concerned.

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

Audit recommends that the Department may take steps to recover the amount of extra Sales Tax under intimation to Audit. Steps may be taken to strengthen internal control system of the department to avoid such lapses in future.

4.1.12 Short realization of Income Tax and Education Cess due to concealment of income -Rs. 28.133 million.

According to Section 111(1)d any person who has concealed income or furnished inaccurate particulars of income including —

- (i) the suppression of any production, sales or any amount chargeable to tax; or
- (ii) the suppression of any item of receipt liable to tax in whole or in part,

and the person offers no explanation about the nature and source of the amount credited or the investment, money, valuable article, or funds from which the expenditure was made suppression of any production, sales, any amount chargeable to tax and of any item of receipt liable to tax or the explanation offered by the person is not, in the Commissioner's opinion, satisfactory, the amount credited, value of the investment, money, value of the article, or amount of expenditure suppressed amount of production, sales or any amount chargeable to tax or of any item of receipt liable to tax shall be included in the person's income chargeable to tax under head "Income from Other Sources to the extent it is not adequately explained:

Contrary to above, scrutiny of the record of 05 offices of Inland Revenue Department for the tax year 2014 & 2015 revealed that 23 Tax payers concealed their

income by showing different sales figures in Income Tax Returns & Sales Tax Returns due to which Income Tax was short Levied. Detail is in annexure “G”

Audit observed that the lapse occurred due to negligence of the concerned.

The matter was brought to the notice of the Management and PAO and also through annexure “I” of Audit Report 2015-16, but no reply was received. Despite frequent requests, the department did not convene the DAC meeting till finalization of this report.

Audit recommends that the department may take appropriate action to recover & deposit the outstanding amount in to the Government Treasury under intimation to Audit and steps may be taken to realize & credit the Government Revenue in time.

4.1.13 Non levy of Education Cess on Income Tax collection -Rs. 24.684 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.

Contrary to above, scrutiny of the record of 14 offices of Inland Revenue Department for the tax year 2015 revealed that department collected income tax from different tax payers but did not collect Education Cess as required under above rule from such tax payers. The Omission resulted in a loss of Rs. 24,684,267 to the Government Treasury. The detail is in annexure “H”

Audit observed that the short receipts occurred due to negligence of the concerned.

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

Audit recommends that the amount of Education Cess Rs. 24,684,267 may be recovered and deposited into AJ&K Govt. Treasury under intimation to Audit and recurrence of such practice negligence may be avoided in future.

4.1.14 Government loss due to non-recovery of arrears of Government dues -Rs. 13.575 million

According to Para 1,6 and 37 of Financial Rules AJK Vol- I and Para 26 of the GFR Vol-I, it is the duty of the Departmental Controlling Officer to see that all

sums due to Government are regularly and promptly assessed, realized and duly credited into Public Account.

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

Contrary to above, scrutiny of the record of 12 offices of Inland Revenue Department for the tax year 2015 revealed that department did not collect the arrears of Income Tax, Education Cess & Penalty relating to previous years which resulted a loss of Rs. 13,575,192 to the Government. The detail is in annexure "I"

Audit observed that the short receipts occurred due to negligence of the concerned.

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

Audit recommends 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 ensured in future by strengthening the Internal Control System of the department.

4.1.15 Non realization of penalty due to late/ non filing of withholding tax statements -Rs. 11.480 million.

According to clause (16) of Part III of the Second Schedule the minimum penalty for failure to furnish statement under section 115, 165 or 165A as mentioned in column (3) against serial No. (1A) in the Table given in sub-section (1) of section 182 shall be reduced to ten thousand rupees.

Contrary to above, scrutiny of the record of 14 offices of Inland Revenue Department for the tax year 2015 revealed that 52 withholding agents filed their withholding tax statements after the due date and 120 withholding agents did not file withholding tax statements for different periods but the department did not impose /

recover the amount of penalty. The Omission resulted in a loss of Rs. 11,480,000 to the Government Treasury. The detail is in annexure “J”

Audit observed that the non-imposition of penalty occurred due to negligence of the concerned.

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

Audit recommends 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.

4.1.16 Loss of Government due to non/ less realization of Income Tax, Education Cess and Professional Tax -Rs. 9.797 million

According to section 137 (1) of the Income Tax Ordinance 2001 the tax payable by a tax payer on the taxable income of the tax payer 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, subject to this Ordinance, income tax shall be imposed for each tax year, at the rate or rates specified in Division I, IB or II of Part I of the First Schedule, as the case may be, on every person who has taxable income for the year. According to Section 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. Further according to Section 02 of the Azad Jammu & Kashmir Finance Act 1991, Taxpayer will have to pay Professional Tax at the prescribed rates.

Contrary to above, scrutiny of the record of 15 offices of Inland Revenue Department for the tax year 2015 revealed that 268 tax payers did not pay income tax and some tax payers paid less income tax. The omission has resulted a loss of government revenue amounting to Rs. 9,796,983. The detail is in annexure “K”

Audit observed that the short receipts occurred due to inefficiency of the concerned.

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

Audit recommends that the amount of Income tax, Education Cess& 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.

4.1.17 Less realization of Sales Tax -Rs. 8.348 million.

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

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

Contrary to above, scrutiny of the record of 04 offices of Inland Revenue Department for the tax year 2015 revealed that Sales tax rates was 17% while 04 sales taxpayers either calculated their sales tax at the rate of 16% which is 1% less and 03 paid no/less Sales Tax due to which sales tax was short levied. The omission resulted in a financial loss of Rs. 8,348,491 to the Govt. Treasury. The detail is as under.

S#	Formation	AIR Para	Sales Tax Due	Sales Tax Paid	Sales Tax Outstanding
1	Excise & Sales Tax Circle Muzaffarabad	8	255,000	-	255,000
2	Excise & Sales Tax Circle Mirpur	7	126,825,244	125,280,304	1,544,940
		13	2,346,014	2,068,365	277,649
		14	1,312,420	784,074	528,346
		18	5,824,849	227,226	5,597,623
3	Inland Revenue Office Bhimber	11	1,304,328	1,227,603	76,725
4	Inland Revenue Office Kotli	11	611,031	542,823	68,208
Total			138,478,886	130,130,395	8,348,491

Audit observed that the short receipts occurred due to inefficiency of the concerned.

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

Audit recommends that the amount of short realization of Sales Tax may be recovered and remitted into Government Treasury under intimation to Audit and Steps may be taken to strengthen internal control system of the department to avoid such lapses in future.

4.1.18 Non realization of penalty due to late/ non filing of sales tax returns -Rs. 5.625 million.

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

Contrary to above, scrutiny of the record of 08 offices of Inland Revenue Department for the tax year 2015 revealed that 71 number of Sales Tax registered persons filed Sales Tax Returns of various tax periods too late after the due dates and 105 number of sales tax registered persons did not file Sales Tax Returns of various tax periods. The Department did not impose penalty as per section 33(1) of the Sales Tax Act 1990. The omission resulted in a loss of Rs. 5,625,300 to the Govt. Treasury. The detail is in annexure "L"

Audit observed that the non-imposition of penalty occurred due to non-application of prevailing rules by the concerned.

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

Audit recommends that the amount of penalty may be recovered and remitted into Government Treasury under intimation to Audit. And Imposition of penalty at prescribed rates on each defaulter be ensured in future.

4.1.19 Non deduction of Income Tax and Education Cess on directorship fee amounting to -Rs. 4.536 million

According to Section 149(3) of the Income Tax Ordinance 2001 Notwithstanding anything contained in sub-sections (1) and (2), every person

responsible for making payment for directorship fee or fee for attending board meeting or such fee by whatever name called, shall at the time of payment, deduct tax at the rate of twenty percent of the gross amount payable.

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.

Contrary to above during the scrutiny of Income Tax record pertaining to 11 companies for the tax year 2015 it was observed that these companies paid directorship fee but they did not deduct the Income Tax as per above law while paying directorship fee as per detail in annexure "M"

Audit observed that the short receipts occurred due to negligence of the concerned.

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

Audit recommends that the department may take appropriate action to recover the amount of default surcharge from the tax payer and deposit into AJ&K Council's Treasury under intimation to Audit and Steps may be taken to realize & credit the Government Revenue in time.

4.1.20 Non-deduction of advance tax and Education Cess on sale to distributors, dealers & wholesalers -Rs. 4.498 million.

According to Section 236 G (1) Every manufacturer or commercial importer of electronics, sugar, cement, iron and steel products, fertilizer, motorcycles, pesticides, cigarettes, glass, textile, beverages, paint or foam sector, at the time of sale to distributors, dealers and wholesalers, shall collect advance tax at the rate specified in Division XIV of Part IV of the First Schedule, from the aforesaid person to whom such sales have been made.

- (2) Credit for tax collected under sub-section (1) shall be allowed in computing the tax due by the distributor, dealer or wholesaler on the taxable income for the tax year in which the tax was collected.

Contrary to above during the scrutiny of the Income Tax record pertaining to 02 formations for the tax year 2015 it was observed that 09 tax payers didn't deduct

Advance Tax & Education Cess as required under above mentioned Section of the Income Tax Ordinance. Detail is given as under;

S #	Formation	AIR Para	Sale	Advance tax due on sales @.1%	Paid advance tax	Educational Cess on advance tax @5%	Short payment
1	Inland Revenue Office Company Circle Mirpur	10	4,181,454,636	4,181,455	15,600	209,073	4,374,927
2	Inland Revenue Office Dadyal	14	117,177,571	117,178	0	5,859	123,036
Total			4,298,632,207	4,298,633	15,600	214,932	4,497,963

Audit observed that the short receipts occurred due to negligence of the concerned.

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

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

4.1.21 Non recovery of default surcharge on late payment of Sales Tax and excise duty -Rs. 4.314 million.

As per Section 34 (1) of the Sales Tax Act 1990, Notwithstanding the provisions of section 11, if a registered person does not pay the tax due or any part thereof, whether willfully or otherwise, in time or in the manner specified under this Act, rules or notifications issued there under or claims a tax credit, refund or makes an adjustment which is not admissible to him, or incorrectly applies the rate of zero percent to supplies made by him, he shall, in addition to the tax due, pay default surcharge at the rate of KIBOR plus three percent per annum of the amount of tax due or the amount of refund erroneously made.

Contrary to above during the scrutiny of the record of Inland Revenue department of the following offices for the tax year 2015, it was observed that 02 registered companies paid sales tax and excise duty after due date and department did not collect default surcharge as per above referred section for late payment of Govt.

Dues. The omission resulted in a financial loss of Rs. 4,314,423. The detail is as under.

S#	Formation	AIR Para	Amount of Default surcharge
01	Excise & Sales Tax Circle Mirpur	04	2,465,947
		09	1,848,476
Total			4,314,423

Audit observed that the short receipts occurred due to non-observance of relevant rules and regulations by the concerned.

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

Audit recommends that the Department may take steps to recover the amount of Default Surcharge under intimation to Audit and steps may be taken to strengthen internal control system of the department to avoid such lapses in future.

4.1.22 Non deduction of advance tax and Education Cess on property rent -Rs. 4.312 million.

According to Section 155 of the Income Tax Ordinance 2001, Every prescribed person making a payment in full or part (including a payment by way of advance) to any person on account of rent of immovable property (including rent of furniture and fixtures, and amounts for services relating to such property) shall deduct tax from the gross amount of rent paid at the rate specified in Division V of Part III of the First Schedule. 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. Further according to Section 02 of the Azad Jammu & Kashmir Finance Act 1991, Taxpayer will have to pay Professional Tax at the prescribed rates.

Contrary to above, scrutiny of the record of 12 offices of Inland Revenue Department for the tax year 2015 revealed that 66 tax payers filed their income tax returns and depicted building rent payment in their returns but they did not deduct advance tax as required under above rule while paying building rent and department did not recover the amount of Advance Tax and Education Cess from such tax payers. The Omission resulted in a loss of Rs. 4,311,524 to the Government Treasury. The detail is in annexure "N"

Audit observed that the short receipts occurred due to inefficiency of the concerned.

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

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

**4.1.23 Non realization of penalty for late/ non filing of income tax returns
-Rs. 3.790 million.**

According to serial No (1) in the Table given in sub-section (1) of section 182 of the Income Tax Ordinance 2001, Where any person fails to furnish a return of income as required under section 114 within the due date Such person shall pay a penalty equal to 0.1% of the tax payable in respect of that tax year for each day of default subject to a maximum penalty of 50% of the tax payable provided that if the penalty worked out as aforesaid is less than twenty thousand rupees or no tax is payable for that tax year such person shall pay a penalty of twenty thousand rupees.

Contrary to above, scrutiny of the record of 13 offices of Inland Revenue Department for the tax year 2014 & 2015 revealed that 150 taxpayers filed their Income Tax returns after the due date and 39 tax payers did not file their Income Tax Returns. The Department did not impose/recover the amount of penalty which resulted in a financial loss of Rs.3,790,000 to the Government Exchequer. The detail is in annexure "O"

Audit observed that the non-imposition of penalty occurred due to inefficiency of the department.

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

Audit recommend that the amount of penalty may be recovered and remitted into Government Treasury under intimation to Audit and Imposition and collection of penalty at prescribed rate on each defaulter be ensured in future.

4.1.24 Non recovery of default surcharge on late payment of Income Tax -Rs. 2.001 million.

According to Section 205 (1A) A person who fails to pay advance tax under section 147 shall be liable for default surcharge at a rate equal to 18 per cent per annum on the amount of tax unpaid computed for the period commencing on the date on which it was due and ending on the date on which it was paid or date on which the return of income for the relevant tax year was due, whichever is earlier. &

(1B) Where, in respect of any tax year, any taxpayer fails to pay tax under sub-section (4A), or (6) of section 147 or the tax so paid is less than ninety per cent of the tax chargeable for the relevant tax year, he shall be liable to pay default surcharge at the rate of 18 percent per annum on the amount of tax so chargeable or the amount by which the tax paid by him falls short of the ninety percent, as the case may be; and such default surcharge shall be calculated from the first day of April in that year to the date on which assessment is made or the thirtieth day of June of the financial year next following, whichever is the earlier.

During the scrutiny of the income tax record of the Inland Revenue Office Company Circle Mirpur it was observed that Jubilee Life Insurance having NTN 14964 was required to deposit tax in advance under Section 147 of the Income Tax Ordinance but they didn't deposit such tax on due date and the Department didn't impose default surcharge under above referred Section. Detail of nonpayment and penalty is given as under;

Instalment	Advance Tax due U/S 147	Due date for deposit	Amount paid	Date of deposit	Days delay	Default surcharge @ 18%
1st	2,895,963	9/25/2013	2,500,000	11/26/2014	427	609,818
2 nd	2,895,963	12/25/2013	1,000,000	12/8/2014	348	496,995
3 rd	2,895,963	3/25/2014	2,494,653	1/6/2015	287	409,878
4 th	2,895,963	6/15/2014	2,750,000	5/20/2015	339	484,142
Total	11,583,852		8,744,653			2,000,833

Audit observed that the short receipts occurred due to negligence of the concerned.

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

Audit recommends that the department may take appropriate action to recover the amount of default surcharge from the tax payer and deposit into AJ&K Council's Treasury under intimation to Audit and steps may be taken to realize & credit the Government Revenue in time.

4.1.25 Non realization of penalty for non-deduction of advance tax on property rent -Rs. 1.750 million.

According to serial No (15) in the Table given in sub-section (1) of section 182 of the income tax ordinance 2001, where any person who fails to collect or deduct tax as required under any provision of this ordinance or fails to pay the tax collected or deducted under section 155 within the due date, such person shall pay a penalty of twenty five thousand rupees or the 10% of the amount of tax whichever is higher in respect of that tax year.

Contrary to above, scrutiny of the record of 12 offices of Inland Revenue Department for the tax year 2015 revealed that 71 tax payers filed their income tax returns and depicted building rent payment in their returns but they did not deduct advance tax as required under above rule while paying building rent and department did not impose / recover the amount of penalty. The Omission resulted in a loss of Rs. 1,750,000 to the Government Treasury. The detail is in annexure "P"

Audit observed that the non-imposition of penalty occurred due to negligence of the concerned.

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

Audit recommends 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.

4.1.26 Loss of Government revenue due to claim of inadmissible tax rebate/ unjustified deduction of expenses -Rs. 1.528 million

According to Para 2 of Part III of the Second Schedule of Income Tax Ordinance 2001 the tax payable by a full time teacher or a researcher, employed in a nonprofit education or research institution duly recognized by Higher Education Commission, a Board of Education or a University recognized by the Higher Education Commission, including government training and research institution, shall be reduced by an amount equal to 40% of tax payable on his income from salary.

According to Income Tax ordinance 2001, Clause 139 B part 1 of second schedule 10% of basic salary is allowed, if employee is not entitled for free medical treatment or reimbursement of medical expense.

Contrary to above, scrutiny of the record of 06 offices of Inland Revenue Department for the tax year 2015 revealed that 34 tax payers working on administrative posts were not entitled to full time teacher and researcher rebate but they claimed such rebate without justification and in some cases 75% exemption was claimed instead of 40% which was not admissible. In few cases taxpayers deducted expenses from their income which was not allowed due to which they paid less income tax and department did not collect such tax from the tax payers which resulted in a financial loss of Rs. 1,527,602 to the Government. The detail is as under:-

S #	Formation	AIR Para	Amount	Details
1	Inland Revenue Office Business Circle Muzaffarabad	12	56,216	Senior Citizen Rebate
		15	51,589	Expense Claim
2	Inland Revenue Office Professional Circle Mirpur	16	627,627	Senior Citizen Rebate
		17	150,800	Full Time Teacher Rebate
3	Inland Revenue Office Professional Circle Muzaffarabad	19	83,073	Senior Citizen Rebate
4	Inland Revenue Office Professional Circle Muzaffarabad	21	193,298	Expense Claim
5	Inland Revenue Office Salary Circle Muzaffarabad	6	33,708	Full Time Teacher Rebate
6	Inland Revenue Office Salary Circle Mirpur	6	331,291	Full Time Teacher Rebate
Total			1,527,602	

Audit observed that the short receipts occurred due to non-observance of the relevant rules.

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

Audit recommends 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 ensured in future by strengthening the Internal Control System of the department.

4.1.27 Non deduction of advance tax and Education Cess on functions/ gatherings -Rs. 1.355 million

According to Section 236 (D) of the Income Tax Ordinance, 2001, Every prescribed person shall collect advance tax 10 % at the rate specified in division XI of Part IV of the first Schedule on the total amount of the bill from a person arranging or holding a functions in a marriage hall, marquee hotel, restaurant, commercial loan, club, a community place or any other place used for such purpose.

Contrary to above, scrutiny of the record of 03 offices of Inland Revenue Department for the tax year 2015 revealed that 08 tax payers running business of marriage hall and they were required to deduct advance tax as per above law they didn't deduct such Advance Tax & Education Cess on functions and gatherings. The department did not recover such tax from 08 marriage hall owners. The Omission resulted in a loss of Rs. 1,354,714 to the Government Treasury. The detail is given below;

S#	Formation	AIR Para	Tax Outstanding	Education Cess Due	Total
1	Inland Revenue Office Business Circle Mirpur	12	762,269	59,831	822,101
2	Inland Revenue Office Dadyal	16	332,250	16,613	348,863
3	Inland Revenue Office Rawalakot	10	175,000	8,750	183,750
Total			1,269,519	85,194	1,354,714

Audit observed that the short receipts occurred due to inefficiency of the concerned.

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

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

4.1.28 Doubtfull adjustment of Income Tax due to non-provision of Income Tax deduction certificates -Rs. 1.235 million

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

- (a) Shall be in 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 returns including a declaration of the record kept by the tax payer.
- (c) Shall be sign by the person, being an individual, or the person representative where section 172 applies.

Contrary to above, scrutiny of the record of 10 offices of Inland Revenue Department for the tax year 2015 revealed that 27 tax payers claimed tax deduction at source but evidence regarding such advance deduction was not available on record which resulted in doubtful adjustment of Income Tax. Detailed is in annexure “Q”

Audit observed that the lapse occurred due to negligence of the concerned.

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

Audit recommends that the Department may furnish the relevant / supporting documents to audit in order to justify its authenticity of amounts claimed by the tax payer for the tax year 2015 otherwise tax on outstanding amount may be calculated and recovered from the tax payers and collection of complete income tax record be ensured in future by strengthening the Internal Control System of the department.

**4.1.29 Loss of Government due to non-realization of Professional Tax
-Rs.0.320 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. 3,000
II.	Exceeding Rs.10 Lac but not exceeding Rs. 25 Lacs	Rs. 500
III.	Not exceeding Rs. 10 Lac	Rs. 300

Contrary to above, scrutiny of the record of 08 offices of Inland Revenue Department for the tax year 2014 & 2015 revealed that the 141 tax payers registered as contractors 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 in loss of government revenue amounting to Rs. 320,200 on account of professional tax. The detail is in annexure "R"

Audit observed that the non-receipts occurred due to inefficiency of the concerned.

The matter was brought to the notice of the Management and PAO and through annexure –I of Audit Report 2015-16 but the Department did not convene the DAC meeting till finalization of this report.

Audit recommends that the amount of 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.

**4.1.30 Loss of Government due to non-realization of advance tax & Education
Cess amounting to -Rs. 0.170**

According to Income Tax Ordinance 2001 Section 231B every Motor Vehicle Registration Authority of Excise & Taxation Department shall collect advance tax at the time of registration of a new locally manufactured motor vehicle at the rates specified in Division VII of Part IV of the First Schedule.

Contrary to above, scrutiny of the record of 03 offices of Inland Revenue Department for the tax year 2014 & 2015 revealed that the department did not collect

advance tax as required under above law from the owners of the vehicles. The omission has resulted in a financial loss of Rs. 170,125 to the Govt. Treasury. The detail is as under.

S.No	Name of Formation	Tax Year	AIR Para	Advance Tax due	E.Cess	Total
01	Excise & Sales Tax Circle Muzaffarabad	2015	06	50,000	2,500	52,500
02	Excise & Sales Tax Circle Muzaffarabad (AR 2015-16 Annex "I")	2014	08	102,500	5,125	107,625
03	Inland Revenue Office Rawalakot (AR 2015-16 Annex "I")	2014	21	10,000	0	10,000
Total				162,500	7,625	170,125

Audit observed that the short receipts occurred due to inefficiency of the concerned.

The matter was brought to the Management and PAO and also annexure-I of Audit Report 2015-16, but no reply was received. Despite frequent requests, the department did not convene the DAC meeting till finalization of this report.

Audit recommends that the amount of Advance Tax & Education Cess may be recovered from the concerned and remitted in to Government Treasury under intimation to Audit and timely collection of the Government dues be insured in future by strengthening internal control system of the Department.

Annexure-I

Memorandum for Departmental Accounts Committee Expenditure

Sr. #	Name of offices	Para No. AIR	A .P No.	Period of Audit	Nature	Amount
1	AJ&K Council Secretariat Islamabad	33	201	7/2014 to 6/2015	over payment to the supplier on account of purchase of vehicle	314,000
2	AJ&K Council Secretariat Islamabad	20	203	7/2014 to 6/2015	Non deduction of withholding of sales tax	148,176
3	AJ&K Council Secretariat Islamabad	23	203	7/2014 to 6/2015	Less deduction of salary income tax	170,444
					Total	632,620

Receipts

S#	Formation	AIR Para	Motor Tax	Insurance	Income Tax	E.Cess	KL C	Life time Token	Total
1	Inland Revenue Office Bhimber	15, 16, 17	71,010	37,900	12,500	625	-	-	122,035
2	Inland Revenue Officer Sudhnuti	14, 15, 16	56,450	19,400	118,250	5,912	-	-	200,012
3	Inland Revenue Office Rawalakot	19, 20, 21	32,900	25,000	49,100	2,100	962	-	110,062
4	Excise & Sales Tax Circle Mirpur	15, 16, 17	123,789	49,000	189,900	12,284	-	-	374,973
5	Inland Revenue Officer Bagh	19, 20	126,581	38,000	-	-	-	-	164,581
6	Inland Revenue Office Neelum	05	-	-	-	-	-	3,600	3,600
Total			410,730	169,300	369,750	20,921	962	3,600	975,263

1	Excise & Sales Tax Circle Muzaffarabad	07, 09, 10, 11, 12	143,900	65,800	48,320	2,412	1,920	1,850	42,200	306,402
2	Inland Revenue Officer Neelum	4, 6	7,790	5,400	-	210	380	-	-	13,780
3	Inland Revenue Office Kotli	18, 19, 20	83,450	30,900	180,800	9,951	1,690	6,300	-	313,091
4	Inland Revenue Office Sudhnuti	17	-	0	-	-	-	-	16,300	16,300
5	Inland Revenue Office Rawalakot	22	-	0	-	-	-	-	5,700	5,700
6	Excise & Sales Tax Circle Mirpur	10	-	0	-	-	-	-	2,000	2,000
Total			235,140	102,100	229,120	12,573	3,990	8,150	60,500	657,273

S#	Formation	AIR Para	Due	Paid	o/s	E.Cess	Total Amount
1	Inland Revenue Office Business Circle Muzaffarabad	11	491,028	377,826	113,202	5,272	118,474
		9	18,000	0	18,000	900	18,900
2	Inland Revenue Office Business Circle Mirpur	14	301,548	102,055	199,493	11,704	211,197
3	Professional Circle Muzaffarabad	18	102,493	71,095	31,398	0	31,398
		15	267,802	179,270	88,532	13,390	101,922
		23	98,615	12,119	86,496	4,325	90,821
4	Inland Revenue Office Bagh	11	912,813	791,105	121,708	6,085	127,793
		Total	2,192,299	1,533,470	658,829	41,676	700,505

S#	Formation	AIR Para	Tax Due	E.Cess	Short payment
1	Inland Revenue Office Chaksawari	6	199,959	9,998	209,957
2	Inland Revenue Office Business Circle Muzaffarabad	8	127,280	6,364	133,644
3	Inland Revenue Office Dadyal	15	186,080	9,304	195,384
Total			513,319	25,666	538,985

S.No	Name of Formation	Para No.A IR	A.P No.	Period of Audit	Nature	Amount
1	Excise & Sales Tax MZD	08	12	07/2013 to 06/2014	non realization of advance tax	107,625
2	IRO Rawalakot	21	12	07/2013 to 06/2014	non realization of advance tax	10,000
3	Professional Circle Mirpur	11	23	07/2013 to 06/2014	non realization of professional tax	75,000
4	Inland Revenue Office Bagh	6	23	07/2013 to 06/2014	non realization of professional tax	21,000
5	Business Circle Muzaffarabad	4	23	07/2013 to 06/2014	non realization of professional tax	6,000
6	Inland Revenue Office Bhimber	9	23	07/2013 to 06/2014	non realization of professional tax	3,800
7	Professional Circle Muzaffarabad	15	23	07/2013 to 06/2014	non realization of professional tax	72,000
8	Salary Circle Muzaffarabad	8	23	07/2013 to 06/2014	non realization of professional tax	22,200
9	Business Circle Muzaffarabad	12	29	07/2013 to 06/2014	Concealment of income tax liability	223,550
10	Professional Circle Muzaffarabad	11	29	07/2013 to 06/2014	Concealment of income tax liability	139,215
11	Inland Revenue Department Company Circle Mirpur	5	32	07/2013 to 06/2014	interest due to late transfer of tax money	259,752
					Total	940,145

Annexure "A"

Overpayment to Contractors against the approved rates/ quantities
-Rs.7.915 million.

Sr.#	Name of office	Period of Audit	Para No.	Nature of observation	Over paid Amount (Rs.)
1	Assistant Director Local Govt. Kotli	July 2015 to June 2106	35,36,37	Over and above payment than the schedule rates	4,171,407
2	Assistant Director Local Govt. Muzaffarabad	July 2015 to June 2106	39	Over and above payment than the schedule rates	1,84,7059
3	Assistant Director Local Govt. Mirpur	July 2015 to June 2106	25	Over and above payment than the schedule rates	138,253
4	Assistant Director Local Govt. Bhimber	July 2015 to June 2106	20	Over and above payment than the schedule rates	80,308
5	Assistant Director Local Govt. Sudhenuti/Pallandri	July 2015 to June 2106	17	Over and above payment than the schedule rates	250,804
6	Assistant Director Local Govt. Bagh	July 2015 to June 2106	38	Over and above payment than the approved quantity	145,305
7	Assistant Director Local Govt. Rawalakot	July 2015 to June 2106	22	Over and above payment than the schedule rates	1,058,311
8	Assistant Director Local Govt. Hattian	July 2015 to June 2106	15	Over and above payment than the schedule rates	19,7000
				Total	7,915,447

Annexure "B"

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

Sr. #	Name of office	AIR Para #	Period of Audit	Nature of observation.	Amount (Rs.)
1	Assistant Director Local Government Kotli	43, 44	7/2015 to 6/2016	Non deduction of IT , TQT, KLC and EC	1,637,610
2	Assistant Director Local Government Bagh	29	7/2015to 6/2016	Non deduction of IT, TQT, KLC and EC	416,880
3	Assistant Director Local Government Rawalakot	20	7/2015 to 6/2016	Non remittance of IT, GST, TQT and E C into Government treasury	41,478
4	Assistant Director Local Government Rawalakot	25	7/2015to 6/2016	less deduction of contractor profit	527,940

5	Assistant Director Local Government Rawalakot	36	7/2015 to 6/2016	Non remittance of IT, GST, TQT and EC into Government treasury	149,793
6	Assistant Director Local Government Muzaffarabad	37, 41	7/2015 to 6/2016	Non deduction of IT, GST, TQT, KLC and EC	46,791
7	Director General Local Government Muzaffarabad	32, 46	7/2015 to 6/2016	Non deduction of IT, GST, TQT, KLC and EC	122,862
8	Director General Local Government Muzaffarabad	41, 47	7/2015 to 6/2016	Non remittance of IT, GST, TQT and EC into Government treasury	763,246
9	Assistant Director Local Government Hattian	9	7/2015 to 6/2016	Non remittance of IT, GST, TQT and EC into Government treasury	18,935
10	Assistant Director Local Government Sudhenuti	18	7/2015 to 6/2016	Non deduction of IT	552,783
				Total	4,27,8347

Annexure “C”

Loss of Government due to inadmissible and un-authorized adjustment of Sales Tax -Rs. 700.894 million

S#	Formation	AIR Para No	Un-authorized Adjustment
1	Excise & Sales Tax Circle Muzaffarabad	4	72,367,537
2	Excise & Sales Tax Circle Mirpur	2	487,661,135
3	Inland Revenue Officer Sudhnuti	11	4,807,922
5	Inland Revenue Office Bhimber	13	36,020,117
6	Inland Revenue Office Kotli	13	22,709,132
7	Inland Revenue Officer Rawalakot	15	33,201,291
8	Inland Revenue Officer Bagh	16	44,126,589
Total			700,893,723

Annexure “D”

Loss of Government due to non-transfer of amount of income tax in to Government Account -Rs. 60.513 million.

S#	Formation	AIR Para	Amount not transferred
1	Inland Revenue Office Chaksawari	11	5,679,363
2	Inland Revenue Office Dadyal	13	16,155,078
3	Inland Revenue Office Business Circle Muzaffarabad	7	714,025

4	Inland Revenue Office Professional Circle Mirpur	15	11,879,515
5	Inland Revenue Office Professional Circle Muzaffarabad	13	2,441,065
6	Inland Revenue Office Bagh	4	6,470,511
7	Inland Revenue Office Sudhnuti	3	1,828,179
8	Inland Revenue Office Rawalakot	4	5,191,555
9	Inland Revenue Office Bhimber	7	3,464,253
10	Inland Revenue Office Kotli	8	6,689,480
Total			60,513,024

Annexure “E”

**Loss of Government due to short / non realization of minimum tax
-Rs. 59.780 million**

S#	Formation	AIR Para	Tax Due	Tax Paid	Tax Outstanding	Education Cess @ 5% of Tax Outstanding	Total
1	Inland Revenue Office Business Circle Mirpur	10	9,689,975	878,446	8,811,529	471,576	9,283,106
2	Inland Revenue Office Company Circle Mirpur	19	8,026,616	0	8,026,616	-	8,026,616
3	Inland Revenue Office Chaksawari	9	5,367,122	0	5,367,122	268,356	5,635,478
4	Inland Revenue Office Dadyal	11	1,904,196	95,251	1,808,945	90,448	1,899,393
5	Inland Revenue Office Professional Circle Mirpur	11	29,759,183	391,703	29,367,480	1,487,959	30,855,439
6	Inland Revenue Office Professional Circle Muzaffarabad	11	3,946,811	1,216,407	2,730,404	197,341	2,927,745
7	Inland Revenue Office Bagh	2	522,924	0	522,924	26,146	549,070
8	Inland Revenue Office Rawalakot	2	574,314	0	574,314	28,716	603,030
Total			1,097,238	2,581,807	1,097,238	54,862	59,779,877

Annexure “F”

**Non deduction of advance tax and Education Cess on sales to retailers’
-Rs. 39.306 million.**

S#	Formation	AIR Para	Advance Tax Due	EC	P Tax	Total Dues
1	Inland Revenue Office Business Circle Mirpur	6	4,578,454	228,923	-	4,807,376
2	Inland Revenue Office Company Circle Mirpur	11	9,562,841	478,142	-	10,040,983
3	Inland Revenue Office Chaksawari	5	2,815,979	140,799	-	2,918,746
4	Inland Revenue Office Dadyal	7	778,850	38,943	-	817,793
5	Inland Revenue Office Business Circle Muzaffarabad	4	47,965	2,398	-	50,363
6	Inland Revenue Office Professional Circle Mirpur	6	14,137,832	706,892	-	14,844,723
7	Inland Revenue Office Professional Circle Muzaffarabad	8	1,665,121	83,256	-	1,177,848
8	Inland Revenue Office Bagh	1	1,011,242	50,554	1,200	1,062,996
9	Inland Revenue Office Sudhnuti	1	977,422	48,871	800	1,027,093
10	Inland Revenue Office Rawalakot	1	887,853	44,393	800	933,046
11	Inland Revenue Office Bhimber	14	574,092	28,704	400	603,196
12	Inland Revenue Office Kotli	17	973,179	48,659	200	1,022,038
Total			38,010,830	1,900,534	3,400	39,306,201

Annexure “G”

Short realization of Income Tax and Education Cess due to concealment of income -Rs. 28.133 million.

S#	Formation	AIR Para	Tax Year	Concealed Sale/ Difference	Income Tax @ 33%	E.Cess	Amount
1	Inland Revenue Office Business Circle Mirpur	16	2015	3,614,620	626,155	0	433,985
2	Inland Revenue Office Company Circle Mirpur	7	2015	29,482,650	9,729,275	486,464	10,215,738
3	Inland Revenue Office Chaksawari	14	2015	1,194,552	89,455	4,473	94,328
4	Inland Revenue Office Business Circle Muzaffarabad	13	2015	50,064,543	15,442,414	772,120	16,203,093
5	Inland Revenue Office Professional Circle Muzaffarabad	22	2015	313,378,870	783,447	39,172	822,620

6	Inland Revenue Office Business Circle Muzaffarabad (AR 2015-16 ANNEX "I")	12	2014				223,550
7	Inland Revenue Office Professional Circle Muzaffarabad (AR 2015-16 ANNEX "I")	11	2014				139,215
Total				397,735,235	26,670,746	1,302,229	28,132,529

Annexure "H"

Non levy of Education Cess on Income Tax collection -Rs. 24.684 million.

S#	Formation	AIR Para	Amount of Income Tax deducted	Education Cess due @ 5%
1	Inland Revenue Office Business Circle Mirpur	5	795,740	39,787
2	Inland Revenue Office Company Circle Mirpur	8, 9	383,554,780	19,177,739
3	Inland Revenue Office Chaksawari	4	5,679,360	283,968
4	Inland Revenue Office Dadyal	6	4,904,760	245,238
5	Inland Revenue Office Business Circle Muzaffarabad	3	5,669,380	283,469
6	Inland Revenue Office Withholding Circle Muzaffarabad	2	20,262,000	1,013,100
7	Inland Revenue Office Professional Circle Mirpur	5	15,530,320	776,516
8	Inland Revenue Office Professional Circle Muzaffarabad	7	19,699,300	894,965
9	Inland Revenue Office Salary Circle Mirpur	7	13,945,680	697,284
10	Inland Revenue Office Bagh	7	6,470,520	323,526
11	Inland Revenue Office Sudhnuti	6	1,828,180	91,409
12	Inland Revenue Office Rawalakot	7	5,191,540	259,577
13	Inland Revenue Office Bhimber	4	3,464,220	173,211
14	Inland Revenue Office Kotli	5	6,689,560	334,478
Total			493,685,340	24,684,267

**Loss of Government due to non-recovery of arrears of Government dues
-Rs. 13.575 million**

S#	Formation	AIR Para	Income Tax / Penalty	Educational Cess	Professional Tax	Amount
1	Inland Revenue Office Business Circle Mirpur	9	247,825	10,141	2,100	260,066
2	Inland Revenue Office Company Circle Mirpur	18	6,476,011	0	0	6,476,011
3	Inland Revenue Office Chaksawari	8	202,375	8,686	1,719	212,780
4	Inland Revenue Office Dadyal	10	1,019,208	49,710	0	1,068,918
5	Inland Revenue Office Business Circle MZD	6	522,900	26,145	2,400	551,445
6	Inland Revenue Office Professional Circle Mirpur	10	2,173,623	108,681	2,100	2,284,404
7	Inland Revenue Office Salary Circle	7	502,949	0	0	502,949
8	Inland Revenue Office Bagh	6	476,202	23,810	2,450	502,462
9	Inland Revenue Office Sudhnuti	5	117,190	5,860	1,800	124,850
10	Inland Revenue Office Rawalakot	6	370,589	20,388	2,850	393,827
11	Inland Revenue Office Bhimber	5	304,440	15,223	0	319,663
12	Inland Revenue Office Kotli	6	836,016	41,801	0	877,817
Total			13,249,328	310,445	15,419	13,575,192

**Non realization of penalty due to late/non filing of withholding tax statements
-Rs. 11.480 million.**

S#	Formation	Late Filers		Non Filers		Total Penalty Due
		AIR Para	No. of Person	AIR Para	No. of Person	
1	Inland Revenue Office Business Circle Mirpur	2	2	3	15	1,650,000
2	Inland Revenue Office Company Circle Mirpur	4	5	5	14	4,550,000

3	Inland Revenue Office Chaksawari	-	-	2	2	240,000
4	Inland Revenue Office Dadyal	2	2	3	7	820,000
5	Inland Revenue Office Withholding Circle Muzaffarabad	-	-	1	1	120,000
6	Inland Revenue Office Professional Circle Mirpur	2	37	3	54	1,000,000
7	Inland Revenue Office Professional Circle Muzaffarabad	2	3	3	6	510,000
8	Inland Revenue Office Salary Circle Mirpur	2	1	3	2	260,000
9	Inland Revenue Office Bagh	-	-	13	7	840,000
10	Inland Revenue Office Sudhnuti	-	-	9	1	120,000
11	Inland Revenue Office Rawalakot	-	-	12	3	360,000
12	Inland Revenue Office Bhimber	-	-	8	3	360,000
13	Inland Revenue Office Kotli	-	-	9	5	600,000
14	Inland Revenue Office Business Circle Muzaffarabad	2	2	-	-	50,000
Total			52		120	11,480,000

Annexure "K"

Loss of Government due to non / less realization of Income Tax, Education Cess and Professional Tax -Rs. 9.797 million

S#	Formation	AIR Para	Tax outstanding	Education Cess	Professional Tax	Amount
1	Inland Revenue Office Business Circle Mirpur	8	89,216	26,372	1,600	117,188
		17	30,931	0	0	30,931
2	Inland Revenue Office Company Circle Mirpur	16	4,983,969	249,198	0	5,233,167
3	Inland Revenue Office Chaksawari	12	49,000	22,346	600	71,946
4	Inland Revenue Office Dadyal	9	27,049	5,419	1,000	33,468
5	Inland Revenue Office Business Circle Muzaffarabad	5	225,189	317,769	6,200	549,158
6	Inland Revenue Office Neelum	1	24,591	0	2,000	26,591

7	Inland Revenue Office Professional Circle Mirpur	8	816,080	900,680	2,800	1,719,560
8	Inland Revenue Office Professional Circle Muzaffarabad	10	270,097	55,100	2,350	327,547
9	Inland Revenue Office Salary Circle Muzaffarabad	4	278,205	459	4,200	282,864
10	Inland Revenue Office Salary Circle Mirpur	4	500,055	46,283	4,000	550,338
11	Inland Revenue Office Bagh	3	43,121	0	5,200	48,321
12	Inland Revenue Office Sudhnuti	2	118,772	0	1,600	120,372
13	Inland Revenue Office Bhimber	1	181,108	0	0	181,108
14	Inland Revenue Office Rawalakot	3	175,280	0	0	175,280
15	Inland Revenue Office Kotli	1	329,144	0	0	329,144
Total			8,141,807	1,623,626	31,550	9,796,983

Annexure “L”

**Non realization of penalty due to late / non filing of sales tax returns
-Rs. 5.625 million.**

S#	Formation	AIR Para No		No. of Late Filers	No. of Non Filers	Total Penalty
		Late Filers	Non Filers			
1	Excise & Sales Tax Circle Muzaffarabad	1	2	16	11	300,500
2	Excise & Sales Tax Circle Mirpur	1	8	13	44	2,913,900
3	Inland Revenue Office Sudhuti	10	12	10	8	610,000
4	Inland Revenue Office Neelum	3	-	3	-	1,500
5	Inland Revenue Office Bhimber	12	-	13	-	148,100
6	Inland Revenue Office Kotli	12	14	7	15	1,050,900
7	Inland Revenue Office Rawalakot	14	16	1	5	110,000
8	Inland Revenue Office Bagh	15	17	8	22	490,400
Total				71	105	5,625,300

Non deduction of Income Tax and Education Cess on directorship fee amounting to -Rs. 4.536 million

S#	Name of Formation	Name of Tax Payer	Directorship Fee Paid	Income Tax Due @ 20%	Outstanding Income Tax	Education Cess Due	Total Outstanding
1	Inland Revenue Office Company Circle Mirpur	MS Indento 12511	2,725,000	545,000	299,996	27,250	327,246
		WattanTobacco 12669	1,800,000	360,000	360,000	18,000	378,000
		Dura Industries 14957	4,200,000	840,000	840,000	42,000	882,000
		Noble Foam 7014996-8	3,530,424	706,085	706,085	35,304	741,389
		Sheraz Industries 17441	2,039,040	407,808	407,808	20,390	428,198
		Azad Mega Mart 15918	787,809	157,562	157,562	7,878	165,440
		Fredman Pharmaceuticals 17511	720,000	144,000	144,000	7,200	151,200
		King Hero 17506	792,000	158,400	158,400	7,920	166,320
		vetconpharama 12352	1,200,000	240,000	240,000	12,000	252,000
		Imperial Industries 17518	724,000	144,800	144,800	7,240	152,040
		Sohail and Haider Marble 16806	792,000	158,400	158,400	7,920	166,320
		Personal Touch 7412	400,000	80,000	80,000	4,000	84,000
2	Inland Revenue Office Salary Circle Mirpur	Sheikh Muhammad Akhter14543 Spintex	4,804,418	960,884	594,018	48,044	642,262
Total			24,514,691	4,902,939	4,291,069	245,146	4,536,415

Annexure “N”

**Non deduction of advance tax and Education Cess on property rent
-Rs. 4.312 million.**

S#	Formation	AIR Para	Income Tax Due	Education Cess @ 5%	Professional Tax	Total
1	Inland Revenue Office Business Circle Mirpur	7	821,005	41,050	-	862,056
2	Inland Revenue Office Company Circle Mirpur	13	1,824,832	91,242	-	1,916,073
3	Inland Revenue Office Chaksawari	7	42,000	2,100	-	44,100
4	Inland Revenue Office Dadyal	8	157,250	7,863	-	165,743
5	Inland Revenue Office Professional Circle Mirpur	7	355,500	17,775	-	373,275
6	Inland Revenue Office Professional Circle Muzaffarabad	9	156,350	7,818	-	164,168
7	Inland Revenue Office Salary Circle Muzaffarabad	3	6,600	330	-	6,930
8	Inland Revenue Office Bagh	5	90,600	4,530	200	95,330
9	Inland Revenue Office Sudhnuti	4	28,200	1,410	400	30,010
10	Inland Revenue Office Rawalakot	5	430,890	21,545	2,200	454,635
11	Inland Revenue Office Bhimber	2	74,575	3,729	600	78,904
12	Inland Revenue Office Kotli	3	114,000	5,700	600	120,300
Total			4,101,802	205,092	4,000	4,311,524

Annexure “O”

**Non realization of penalty for late / non filing of income tax returns
-Rs. 3.790 million.**

S#	Name of Formation	Late Filers		Non-Filers		Penalty Due Rs.
		AIR Para No	No of Person	AIR Para No	# of Person	
1	Inland Revenue Office Company Circle Mirpur	2	19	1	17	720,000
2	Inland Revenue Office Professional Circle Muzaffarabad	1	29	-	-	615,000
3	Inland Revenue Office Salary Circle Muzaffarabad	1	10	-	-	200,000

4	Inland Revenue Office Salary Circle Mirpur	1	10	-	-	200,000
5	Inland Revenue Officer Chaksawari	1	11	-	-	220,000
6	Inland Revenue Officer Dadyal	1	9	-	-	180,000
7	Inland Revenue Office Business Circle Muzaffarabad	1	18	-	-	360,000
8	Inland Revenue Office Professional Circle Mirpur	1	18	-	-	360,000
9	Inland Revenue Office Business Circle Mirpur	1	16	-	-	320,000
10	Inland Revenue Office Bhimber	-	-	3	5	120,000
11	Inland Revenue Office Kotli	-	-	4	17	340,000
12	Inland Revenue Office Bagh	14	5	-	-	55,000
13	Inland Revenue Office Rawalakot	13	5	-	-	100,000
Total			150		39	3,790,000

Annexure "P"

Non realization of penalty for non-deduction of advance tax on property rent -Rs. 1.750 million.

S#	Formation	AIR Para	No.of Person	Penalty
1	Inland Revenue Office Business Circle Mirpur	4	15	375,000
2	Inland Revenue Office Company Circle Mirpur	6	9	225,000
3	Inland Revenue Office Chaksawari	3	6	150,000
4	Inland Revenue Office Dadyal	4	6	125,000
5	Inland Revenue Office Professional Circle Mirpur	4	5	125,000
6	Inland Revenue Office Professional Circle Muzaffarabad	4	7	175,000
7	Inland Revenue Office Salary Circle Muzaffarabad	2	1	25,000
8	Inland Revenue Office Bagh	8	1	25,000
9	Inland Revenue Office Sudhnuti	7	2	50,000
10	Inland Revenue Office Rawalakot	8	11	275,000
11	Inland Revenue Office Bhimber	6	5	125,000
12	Inland Revenue Office Kotli	7	3	75,000
Total			71	1,750,000

Annexure “Q”

Doubtfull adjustment of income tax due to non-provision of income tax deduction certificates -Rs. 1.235 million

S#	Formation	AIR Para	Without Evidence
1	Inland Revenue Office Business Circle Mirpur	13	141,932
2	Inland Revenue Office Business Circle Muzaffarabad	10	414,396
3	Inland Revenue Office Neelum	2	12,500
4	Inland Revenue Office Professional Circle Muzaffarabad	20	23,201
5	Inland Revenue Office Salary Circle Mirpur	9	310,293
6	Inland Revenue Office Bagh	9	61,634
7	Inland Revenue Office Sudhnuti	8	40,500
8	Inland Revenue Office Rawalakot	9	9,650
9	Inland Revenue Office Bhimber	10	125,169
10	Inland Revenue Office Kotli	10	95,240
Total			1,234,515

Annexure “R”

Loss of Government due to non-realization of professional tax Rs.0.320 million.

S#	Formation	AIR Para	Tax Year	Amount
1	Inland Revenue Office Chaksawari	10	2015	3,000
2	Inland Revenue Office Professional Circle Mirpur	14		33,000
3	Inland Revenue Office Professional Circle Muzaffarabad	17		25,700
4	Inland Revenue Office Salary Circle Muzaffarabad	5		2,800
5	Inland Revenue Office Salary Circle Mirpur	5		18,200
6	Inland Revenue Office Bagh	10		21,000
7	Inland Revenue Office Bhimber	9		16,500
8	Inland Revenue Office Professional Circle Mirpur (AR 2015-16 ANNEX “I”)	11	2014	75,000
9	Inland Revenue Office Bagh (AR 2015-16 ANNEX “I”)	6		21,000
10	Inland Revenue Office Business Circle Muzaffarabad (AR 2015-16 ANNEX “I”)	4		6,000
11	Inland Revenue Office Bhimber (AR 2015-16 ANNEX “I”)	9		3,800
12	Inland Revenue Office Professional Circle Muzaffarabad (AR 2015-16 ANNEX “I”)	15		72,000
13	Inland Revenue Office Salary Circle Muzaffarabad (AR 2015-16 ANNEX “I”)	8		22,200
Total				320,200

