



**AUDIT REPORT
ON
THE ACCOUNTS OF
REVENUE RECEIPTS
GOVERNMENT OF KHYBER PAKHTUNKHWA
AUDIT YEAR 2022-23**

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS & ACRONYMS

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



Preface

Article 170(2) of the Constitution of the Islamic Republic of Pakistan 1973 read with section 12 of the Auditor General (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 require the Auditor General of Pakistan to conduct audit of all receipts which are payable into the Consolidated Fund or Public Account of the Federal Government and of each Province and in the accounts of each district.

The report is based on audit of receipts of Government of Khyber Pakhtunkhwa for the financial year 2021-22. Some audit observations on the accounts of previous years have also been included in this report. The Director General Audit Khyber Pakhtunkhwa conducted audit during 2022-23 on a test check basis, with a view to report significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying substantial value. Relatively less significant issues are listed in the Annexure-I of the Audit Report. The Audit observations listed in the Annexure-I shall be pursued with the Principal Accounting Officers at the DAC level and in all cases where the PAO does not initiate appropriate action, the Audit observations will be brought to the notice of the Public Accounts Committee through the next year's Audit Report.

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

Departmental Accounts committee meetings were not convened by Excise, Taxation & Narcotic Control Department and Transport & Mass Transit Department despite repeated requests.

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

(Muhammad Ajmal Gondal)
Auditor General of Pakistan

Islamabad
Dated:

Executive Summary

The Directorate General Audit Khyber Pakhtunkhwa conducts, on test check basis, audit of tax and non-tax revenue receipts of Government of Khyber Pakhtunkhwa, collected by Excise, Taxation & Narcotics Control Department, Khyber Pakhtunkhwa Revenue Authority, Revenue & Estate Department, Transport & Mass Transit Department and Food Department

This Audit Report presents results of the audit regarding receipts of the Government of Khyber Pakhtunkhwa for the financial year 2021-22. Some audit observations on the accounts of previous years have also been included in this report. The Director General of Audit, Khyber Pakhtunkhwa conducted audit of revenue receipts collected on account of Urban Immovable Property Tax, Motor Vehicle Tax, Motor Vehicle Registration Fee, Professional Tax, Tobacco Development Cess, Hotel Tax, Provincial Excise, Stamp Duty, Registration Fee, Mutation Fee, Agriculture Income Tax, Land Tax, Route Permit Fee and Advance Income Tax.

A detailed comparison of budget estimates, revised estimates and actual receipts of each Department for the financial year 2021-22 is deliberated in the sectoral analysis and relevant chapters of this report.

a. Scope of Audit

This office conducts audit of revenue receipts of 229 formations working under 5 PAOs. Total receipts of these formations were Rs. 42,877.69 million for the financial year 2021-22.

Audit coverage relating to receipts for the current audit year comprises 18 formations of 3 PAOs having total receipts of Rs. 2,248.63 million for the financial year 2021-22. In terms of percentage, the audit coverage is 5 % of the receipts.

This audit report also includes audit observations resulting from the audit of receipts of Rs. 2,451.56 million for the financial year 2020-21 pertaining to 39 formations of 3 PAOs. In terms of percentage, the audit coverage is 7 % of the receipts.

b. Recoveries at the instance of Audit

As a result of audit, a recovery of Rs. 604.02 million was pointed out in this report. Recovery affected from January to December 2022 was Rs. 98.88 million which was verified by audit.

c. Audit Methodology

Desk audit techniques were applied during the audit year 2021-22. This was facilitated by availability of permanent and planning files which were prepared covering all the areas of activities of the auditee formations including their budget, organizational and legal framework. This greatly facilitated in the identification of high risk areas for substantive testing in the field. This is followed by issuance of tour programs in line with risk analysis. Subsequently, the execution files prepared according to the standard working paper kit issued by Auditor General of Pakistan. On conclusion of field audit, a formal exit meeting is held with management of the auditee formations. Audit inspection report and proposed draft paras are issued after incorporating management's response and PAOs are requested to convene DAC meetings to discuss the paras.

d. Audit Impact

Audit contributed towards the amount recovered at the instance of Audit which had escaped from revenue collecting authorities while making assessment of revenue. Audit provided deterrence against leakage of government revenue which ultimately helped the departments in achieving the revenue targets

Recoveries accepted / established at the instance of audit are deposited into Government Treasury duly verified by Audit. Recovery amounting to Rs. 98.88 million was affected during the year. Out of this total recovery an amount of Rs. 52.31 million was not in the notice of the Executive before Audit.

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

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

e. Comments on Internal Controls

Internal controls in government departments comprise systems, processes, cultures and tasks to support management in achieving the objectives. The ultimate objective of an internal control system is to ensure compliance with laws, observance of rules and regulations, safeguarding assets and efficient operations.

Due to absence of proper Internal Control system in the Provincial Government Departments, failures in the following areas are identified in this report:

- Non-recovery of government dues which resulted in accumulation of huge amount of arrears on account of Property Tax, Motor Vehicle Tax, Water Rates, Route Permit Fee etc.
- Non / Short assessment of government revenue on account of Mutation Fee, Stamp Duty, Registration Fee and Advance Income Tax.
- Shortfall of Government revenue due to non-achievement of revenue targets.

f. The key audit findings of the report:

- i. Loss to Government due to non-realization of Property Tax, Professional Tax, Motor Vehicle Tax and License Fee-Rs. 534.33 million in seven cases.¹
- ii. Loss to Government due to unauthentic bank challans-Rs. 3.51 million in one case²
- iii. Loss to Government due to short-assessment/realization of Mutation Fee, Stamp Duty and Registration Fee -Rs. 22.17 million in five cases³
- iv. Loss to Government due to non-realization of Water Rates (Abiana)-Rs. 2.17 million in one case⁴
- v. Loss due to misappropriation of Advance Tax on transfer of immovable property-Rs. 2.85 million in one case⁵
- vi. Loss to Federal Government due to non-assessment/realization of Advance Tax on transfer of immovable property -Rs. 28.66 million in eight cases⁶
- vii. Loss to Government due to non-realization of Route Permit Fee, License Fee from Bus Stands & Goods Forwarding Agencies-Rs. 5.09 million in two cases.⁷
- viii. Non-realization of 3% Provincial Government share from TMAs on account of auction of Bus Stands-Rs. 5.24 million in one case⁸

¹ Para 2.4.1, 2.4.2, 2.4.3, 2.4.4, 2.4.5, 2.4.6, 2.4.8

² Para 2.4.7

³ Para 3.4.2, 3.4.5, 3.4.6, 3.4.10, 3.4.12

⁴ Para 3.4.8

⁵ Para 3.4.3

⁶ Para 3.4.1, 3.4.4, 3.4.7, 3.4.9, 3.4.11, 3.4.13, 3.4.14, 3.4.15

⁷ Para 4.4.1, 4.4.3

⁸ Para 4.4.2

g. Recommendations

- i. An effective recovery mechanism needs to be developed to recover long outstanding arrears of Government revenue on account of Property Tax, Motor Vehicle Tax, Professional Tax, Abiana and Route Permit Fee.
- ii. A proper system should be developed to ensure the correct valuation of land for computation of Mutation Fee, Stamp Duty and Withholding Tax.
- iii. Monthly reconciliation of Government revenue should be carried out to ensure that all revenue reported as deposited has reached the Treasury.
- iv. Action should be taken against officials in cases of misappropriation, under assessments and non-recovery of Government revenue.
- v. DAC meeting should be convened by the PAOs regularly and compliance of DAC directives need to be ensured.

Chapter - 1

SECTORAL ANALYSIS

The Provincial Assembly approved the revenue estimates of Rs. 43,445 million for the financial year 2021-22. The revenue target was to be realized by the Excise, Taxation & Narcotics Control Department, Khyber Pakhtunkhwa Revenue Authority, Revenue & Estate Department, Transport & Mass Transit Department and Food Department. The target was revised to Rs. 44,641 million. Against the revised target revenue amounting to Rs. 42,878 million was collected by the aforementioned departments, which was 4 percent less than the revised target.

The major sources of the tax and non-tax revenue are Sales Tax on Services, Stamp Duty, Land Revenue, Infrastructure Cess, Property Tax, Motor Vehicle Tax, and Tobacco Development Cess.

A comparison of budget estimates, revised estimates and actual receipts of each Department for the financial year 2021-22 is tabulated below:

(Rs. in million)

Department	Budget Estimates	Revised Estimate	Actual Receipts (As per Finance Account 2021-22)	Variation Short (-) Excess (+)	Percentage of Variance
Excise, Taxation & Narcotics Control	5,655	5,361	3,194	-2167	40
Finance (KPRA)	27,000	30,000	30,342	342	1
Revenue & Estate	9,999	8,489	8,657	168	2
Transport & Mass Transit	640	640	576	-64	10
Food (Sugarcane Dev. Cess)	151	151	109	-42	28
Total:	43,445	44,641	42,878	-1,763	4

The above figures show that actual receipts collected by Excise, Taxation & Narcotics Control Department were 40 % less than the revised estimates of receipts. Budget estimates were reduced by 5% but the department was still unable to achieve this revised target. It shows poor financial planning. It also indicates that proper survey/research was not carried out while preparing the budget estimates.

Khyber Pakhtunkhwa Revenue Authority is a major revenue collecting agency of the Provincial Government. KPRA collected Rs. 30,342 million,

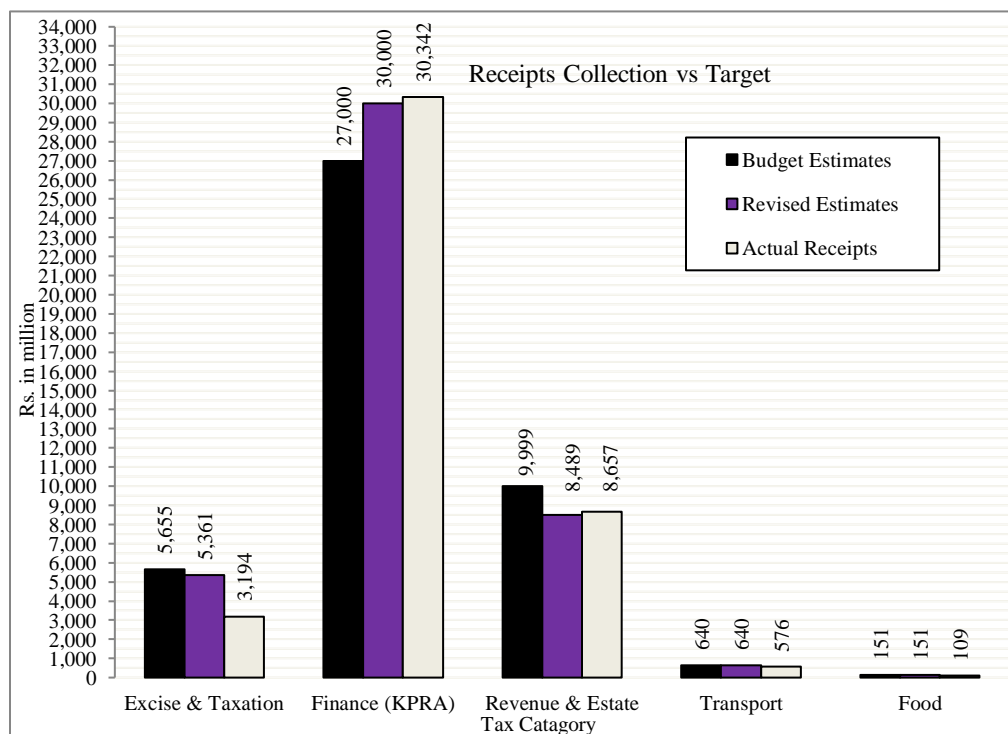
which was 1% more than the revised target of Rs. 30,000 million. The receipts target during the year was increased from Rs. 27,000 million to Rs. 30,000 million showing an increase of Rs. 3,000 million (11%). The Authority successfully achieved this revised target.

Budget estimates of Revenue & Estate Department were decreased from Rs. 9,999 million to 8,489 million (15%). The department collected Rs. 8,657 million against the original target of Rs. 9,999 million which was 13% less than the original target and 2% more than the revised target of Rs. 8,489 million.

Transport Department was given a target of Rs. 640 million against which the department collected Rs. 576 million which was 10% less than the revenue target.

Food Department was also unable to achieve the target of Rs. 151 million under the head Sugar Cane Development Cess. The department collected Rs. 109 million which was 28% less than the revenue target.

The comparison of the budget estimates, revised estimates and actual receipts for the year 2021-22 is also depicted in the following graph;



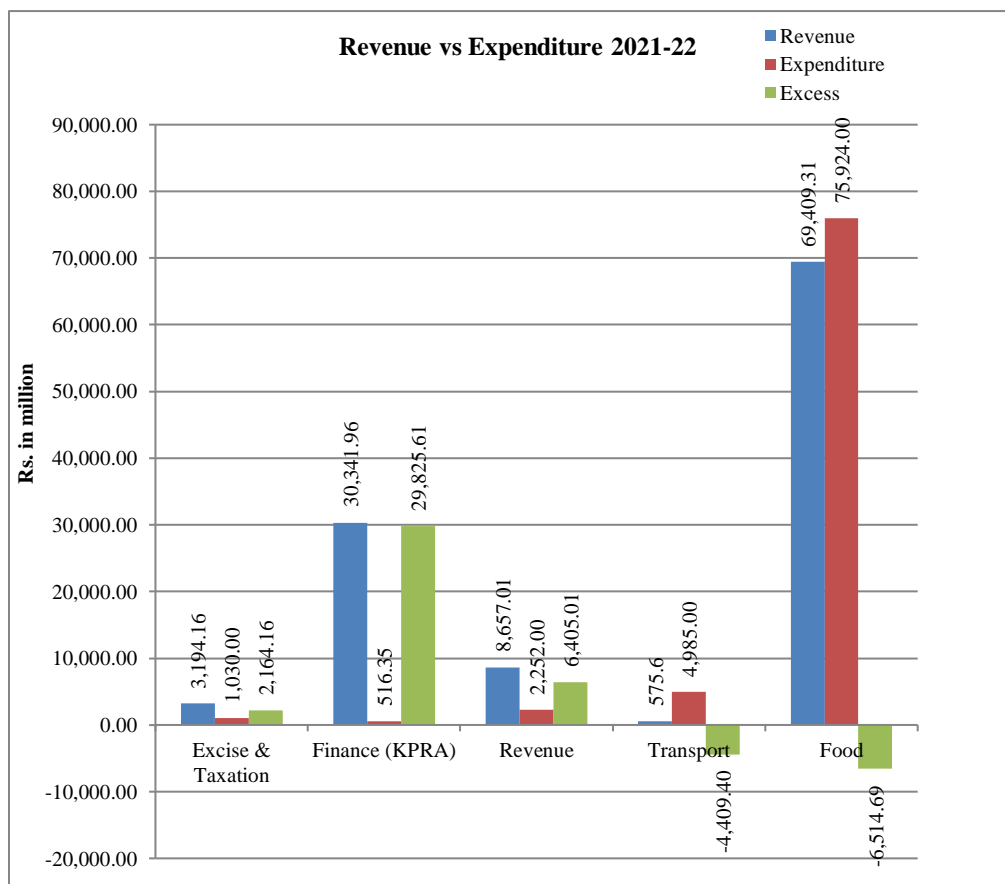
Financial and administrative weaknesses of revenue collecting departments resulted in accumulation of a huge amount of arrears on account of Property Tax, Motor Vehicles Tax, Water Rates (Abiana) and Route Permit Fee. No concrete steps have been taken for recovery of these arrears. Similarly 15% Provincial Government share of Property Tax was not recovered from most of the cantonment boards within the province as evident from the subsequent observation and systematic issues pointed out in the report. No improvement has been noticed in Motor Vehicle Tax collection. Had there been proper monitoring system in the departments, these lapses could have easily been avoided.

The tax collecting machinery of the province needs to revisit the entire operations process of tax collection and administration. This may lead to enhanced performance through a more systematic and integrated planning and execution.

Expenditure vs Revenue 2021-22

A comparison of the revenue and expenditure of major revenue collecting departments i.e. Excise, Taxation & Narcotics Control, Finance (KPRA), Revenue & Estate and Transport Department for the financial year 2021-22 is given below in tabulated form and graph:

(Rs. in million)					
Sr. No.	Department	Revenue (2021-22)	Expenditure (2021-22)	Excess of Revenue over expenditure	Cost Benefit Ratio
1	Excise, Taxation & Narcotics Control	3,194.16	1,030.00	2,164.16	1:3.1
2	Finance (KPRA)	30,341.96	516.35	29,825.61	1:58.8
3	Revenue & Estate	8,657.01	2,252.00	6,405.01	1:3.8
4	Transport & Mass Transit	575.60	4,985.00	(4,409.40)	1:0.12
5	Food	69,409.31	75,924.00	(6,514.69)	1:0.91

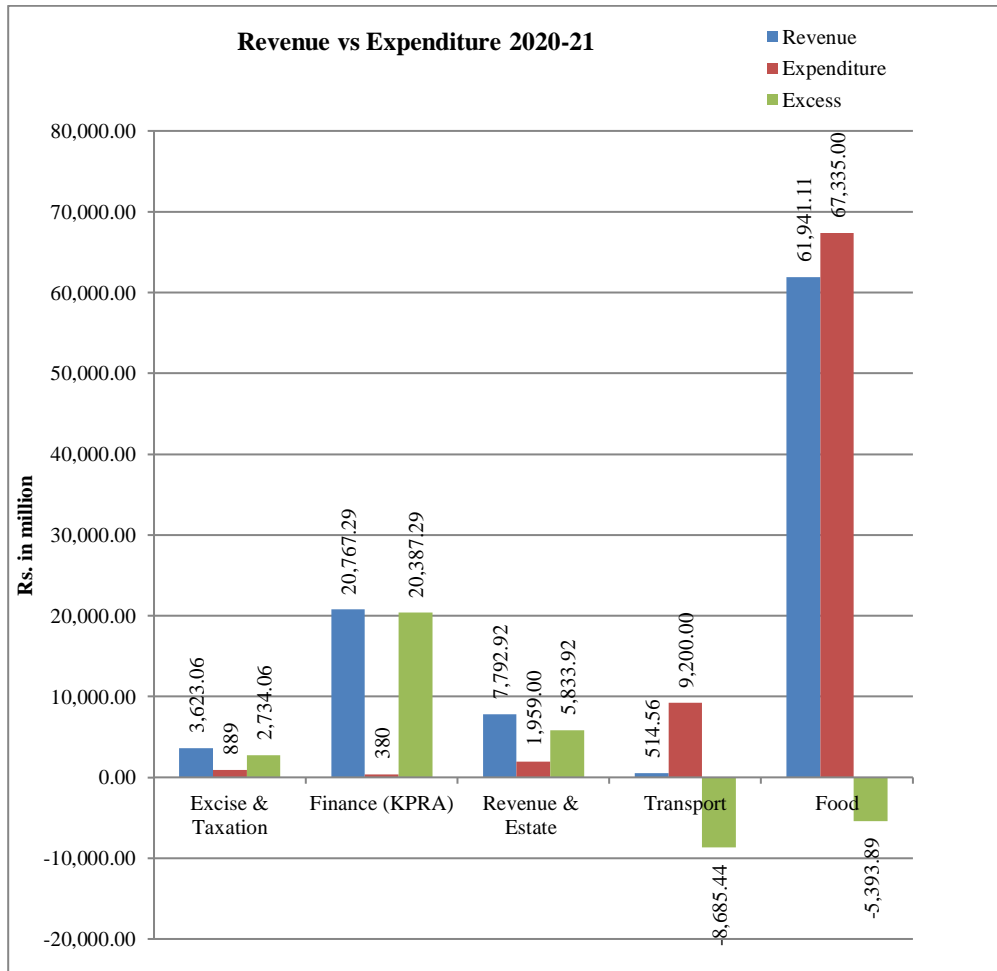


Expenditure vs Revenue 2020-21

A comparison of the revenue and expenditure of major revenue collecting departments i.e. Excise, Taxation & Narcotics Control, Finance (KPRA), Revenue & Estate and Transport Department for the financial year 2020-21 is given below in tabulated form and graph:

(Rs. in million)

Sr. No.	Department	Revenue (2020-21)	Expenditure (2020-21)	Excess of Revenue over expenditure	Cost Benefit Ratio 2020-21
1	Excise, Taxation & Narcotics Control	3,623.06	889.00	2,734.06	1:4.08
2	Finance (KPRA)	20,767.29	380.00	20,387.29	1:54.7
3	Revenue & Estate	7,792.92	1,959.00	5,833.92	1:3.98
4	Transport & Mass Transit	514.56	9,200.00	(8,685.44)	1:0.06
5	Food	61,941.11	67,335.00	(5,393.89)	1:0.92



A comparison of the cost benefit ratios of the above departments for the financial years 2020-21 and 2021-22 show that actual receipts collected by these Departments reduced the benefits against the actual cost incurred on the function of these departments except KPRA which is also marginal without any substantive effect on the overall revenue collection. It shows poor financial planning and subsequent execution and follow-up in order to meet the budgetary targets. It also indicates that proper survey/research was not carried out while preparing the budget estimates.

Chapter - 2

EXCISE, TAXATION AND NARCOTICS CONTROL DEPARTMENT

2.1 Introduction

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

2.1 A) Main functions of Excise, Taxation & Narcotics Control Department

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

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

Sr. No.	Description	Total No.	Audited	Revenue Receipts Audited FY 2021-22 (Rs. in million)
1	Formations	32	12	2,121

2.1 B) Comments on Budgeted Receipts (Variance Analysis)

During the financial year 2021-22, the Excise, Taxation & Narcotics Control Department collected an amount of Rs. 3,194 million which was 60% of the revised estimates of Rs. 5,361 million.

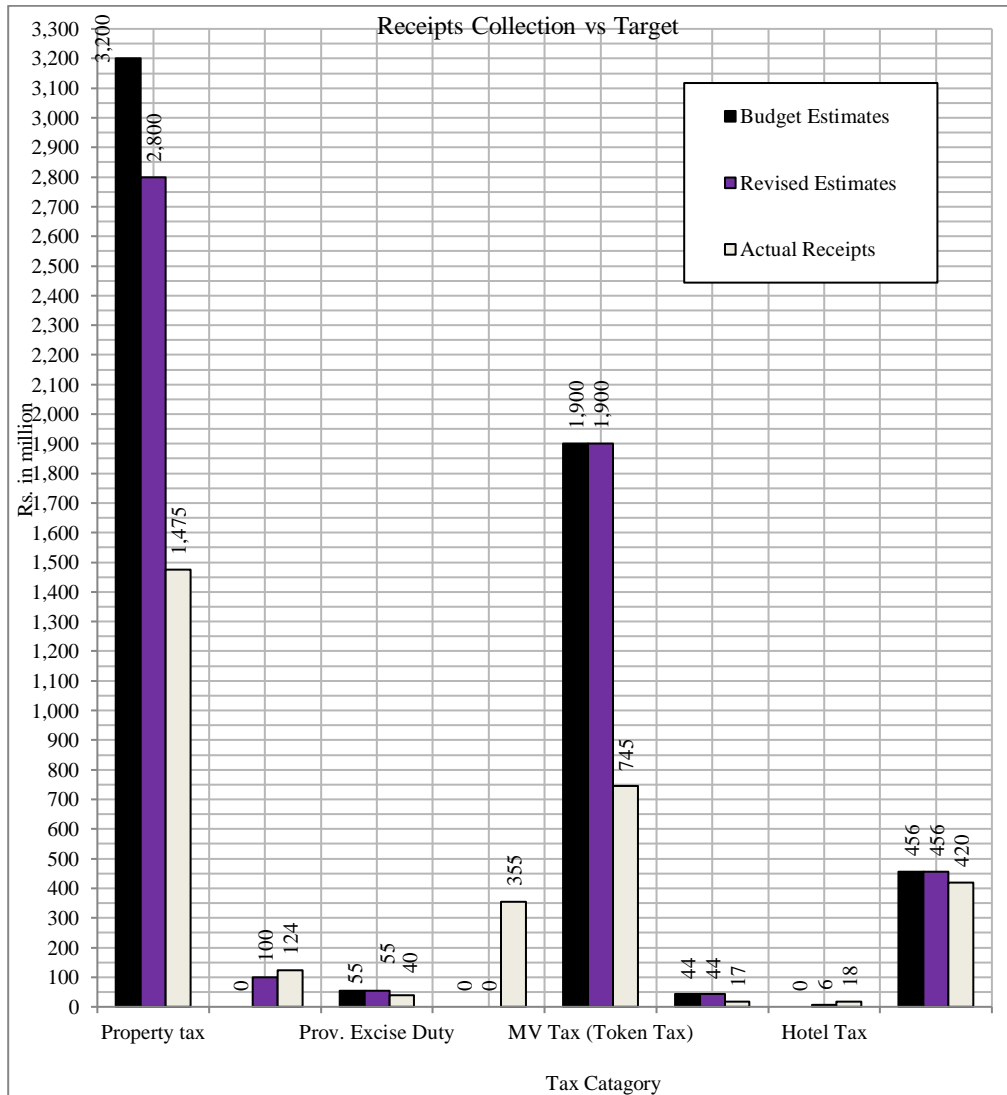
A comparison of budget estimates, revised estimates and actual receipts for the year 2021-22 is tabulated below. The variation between the revised estimates and actual receipts is depicted in both absolute and percentage terms.

Table B: Variance Analysis of Excise, Taxation & Narcotics Control Department

(Rs. in million)								
Sr. No.	Category of Receipts	Head of Account	Budget Estimates	Revised Estimates	Actual Receipts (As per Finance Account 2021-22)	%age of Total Receipts	Short (-) Excess (+) (Col.6-5)	Variance %age
1	2	3	4	5	6	7	8	9
1	Property Tax	B01301	3,200	2,800	1,475	46.2	-1,325	-47.33
2	Professional Tax	B01601	-	100	124	3.9	24	24.10
3	Provincial Excise Duty	B026	55	55	40	1.3	-15	-27.74
4	Motor Vehicles Registration Fee	B02801	-	-	355	11.1	355	-
5	Motor Vehicle Tax (Token Tax)	B02803	1,900	1,900	745	23.3	-1,155	-60.79
6	Reg. Fee Real Estate/MV Dealers	B03053	44	44	17	0.5	-27	-61.25
7	Hotel Tax	B03056	-	6	18	0.6	12	193.89
8	Tobacco Development Cess	B03080	456	456	420	13.1	-36	-7.81
Total :			5,655	5,361	3,194	100	-2,167	-40

The above figures show that actual receipts were 40 % less than the revised estimates of the receipts. The receipts target during the year was decreased from Rs. 5,655 million to Rs. 5,361 million showing a decrease of Rs. 294 million. However, the Department was unable to achieve this revised target. It shows poor fiscal planning. It also indicates that proper survey/ research was not carried out while preparing the budget estimates. This issue needs to be looked into by the Department.

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



Registration Fee on Motor Cars, Jeeps, Vans, and Pickups etc. having engine power up to 2500 cc was reduced to Rs. 1 by the Government in October 2021. However, MV Registration Fee on Motor Cars, Jeeps, Vans, Pickups etc. having engine power above 2500 cc, Motorcycles, Trucks, Buses, and other commercially used vehicle was recoverable at the rate of 1 %. Revenue amounting to Rs. 355 million was collected under the head MV Registration Fee during the year. However, no revenue estimate was given for the aforementioned Fee which needs justification.

A review of the taxes shows that initially no revenue estimates were given for Professional Tax, Motor Vehicle Registration Fee, Hotel Tax and

Registration Fee of Real Estate Agents/Motor Vehicles Dealers. The reason was exemption granted on these taxes through KP Finance Act 2020, to the persons registered with the KPRA for Sales Tax on services and are active taxpayers. Revised estimates were given for the aforementioned taxes.

Table C: Receipts estimates and revised estimates for 2020-21 & 2021-22

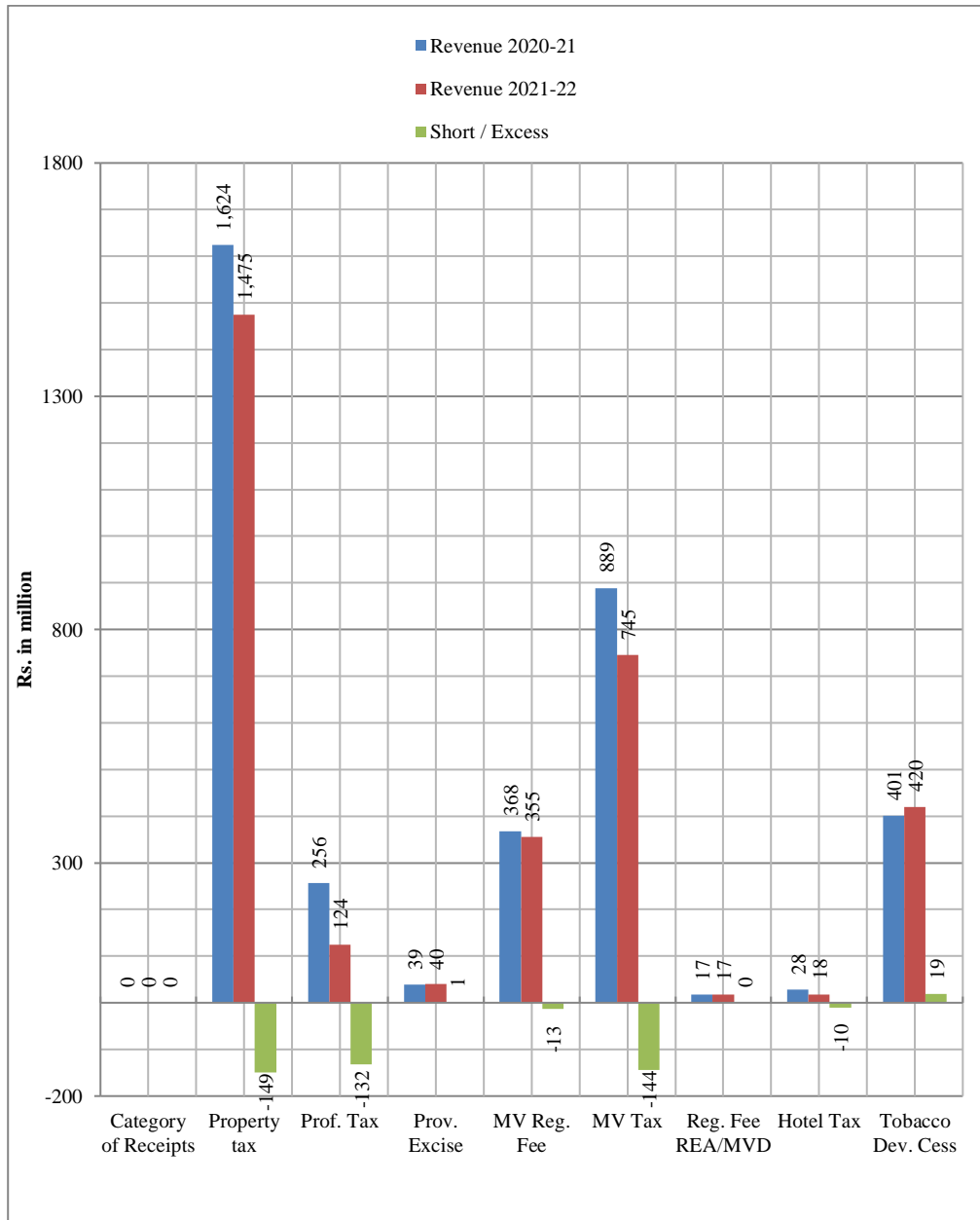
The budgeted receipts estimates and revised estimates for the years 2020-21 & 2021-22 for Excise, Taxation & Narcotics Control Department are given below. In both years the targets were revised downward but the department failed to achieve these reduced targets.

(Rs. in million)					
Year	Budget Estimates	Revised Estimate	Actual Receipts (As per Finance Account)	Variation	Percentage of Variance
2020-21	4,000	3,749	3,623	-126	-3.4
2021-22	5,655	5,361	3,194	-2,167	-40

Table D: Comparison of Revenue collected during 2020-21 & 2021-22

A comparison of revenue collected during the financial years 2020-21 and 2021-22 is given below in tabulated form and graph:

(Rs. in million)						
Sr. No.	Category of Receipts	Head of Account	Revenue 2020-21	Revenue 2021-22	Short (-) Excess (+)	Variance %age
1	Property Tax	B01301	1,624	1,475	-149	-9
2	Professional Tax	B01601	256	124	-132	-51
3	Provincial Excise Duty	B026	39	40	1	2
4	Motor Vehicles Registration Fee	B02801	368	355	-13	-3
5	Motor Vehicle Tax (Token Tax)	B02803	889	745	-144	-16
6	Reg. Fee Real Estate/MV Dealers	B03053	17	17	-	-
7	Hotel Tax	B03056	28	18	-10	-38
8	Tobacco Development Cess	B03080	401	420	19	5
Total :			3,622	3,194	428	-12



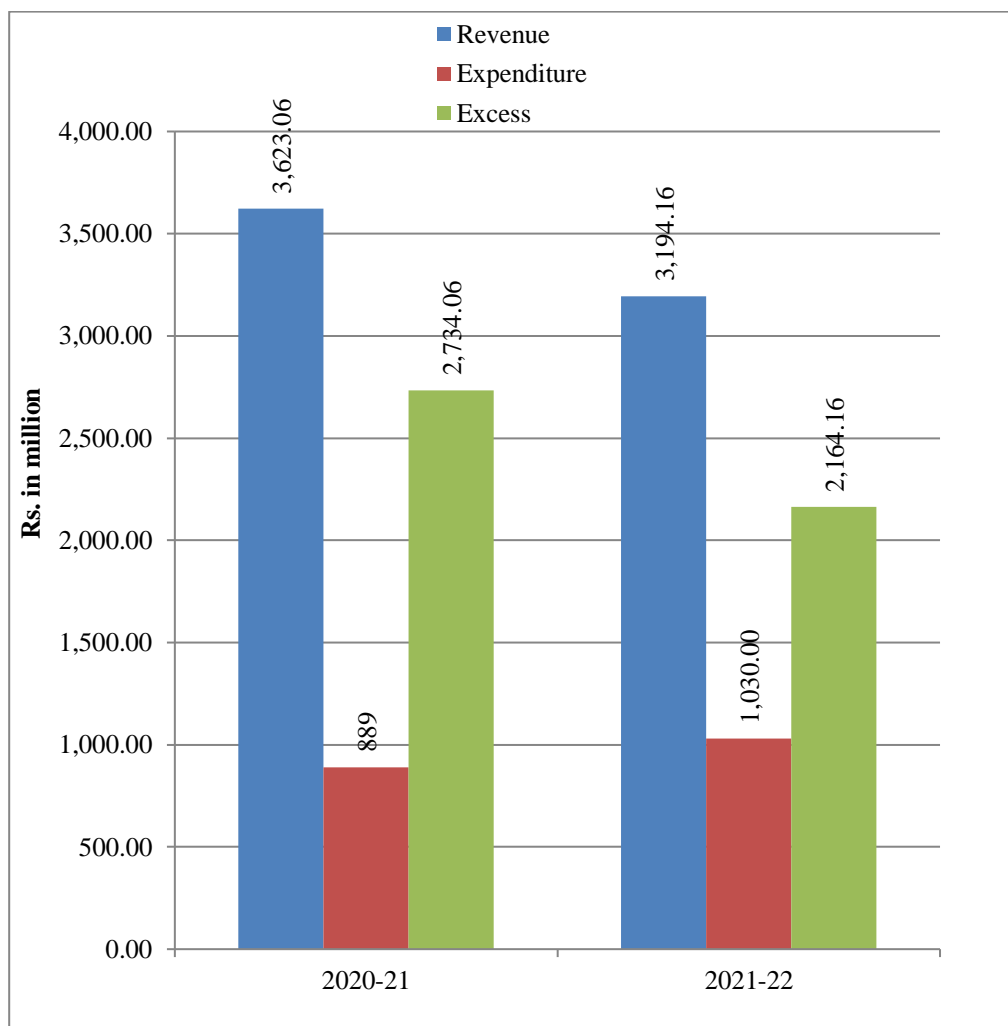
Comparison of the revenue collected during 2020-21 and 2021-22 shows that recovery of the revenue decreased during 2021-22 in all heads of receipts except Provincial Excise Duty and Tobacco Development Cess. Overall revenue collected during 2021-22 is 12% less than 2020-21 which is a substantial decrease and needs attention of the tax collecting authorities.

Table E: Comparison of Expenditure and Revenue for 2020-21 & 2021-22

A comparison of revenue and expenditure of the Excise, Taxation & Narcotics Control Department for the financial years 2020-21 and 2021-22 is given below in tabulated form and graph:

(Rs. in million)

Year	Revenue collected	Expenditure	Excess of Revenue over expenditure	Cost Benefit Ratio
2020-21	3,623.06	889.00	2,734.06	1:4.1
2021-22	3,194.16	1,030.00	2,164.16	1:3.1



A comparison of the cost benefit ratios of the Excise & Taxation Department for the financial years 2020-21 and 2021-22 shows that actual receipts collected by the Departments reduced the benefits against the actual cost incurred on the function of the department. It shows poor financial planning and subsequent execution and follow-up in order to meet the budgetary targets.

2.1 C) Issues in the Excise, Taxation & Narcotics Control Department

A major issue in Excise, Taxation & Narcotics Control Department is non-recovery of Property Tax which resulted in accumulation of huge amount of arrears. Millions of rupees on account of Property Tax are outstanding against WAPDA (PESCO). Similarly in many cases Provincial Government share of Property Tax has also not been recovered from the Cantonment Boards in the Province. This is due to weak internal controls and in-efficiency of the department. Audit has raised many observations regarding this issue over the years but no concrete steps have been taken by the department for recovery of these arrears.

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

2.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 537.84 million were raised in this report during audit of Excise, Taxation & Narcotics Control Department. The pointed out amount also include arrears and observation relating to the previous years. The entire amount pointed out by the audit is recoverable. Summary of the audit observations classified by nature is as under:

Table F: Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs. in million)
1	Non production of record	-
2	Reported cases of fraud, embezzlement & misappropriation	-
3	Irregularities	-
A	Non/short-recoveries	537.84
4	Others	-
Total		537.84

2.3 Brief Comments on the Status of Compliance with PAC Directives

Table G: The status of compliance with PAC directives:

Sr. No.	Audit Report Year	Total Paras	Paras Discussed	Paras Settled	Paras Stand	Percentage of compliance	Remarks
1	2002-03	12	12	0	12	0 %	-
2	2003-04	15	15	3	12	20 %	-
3	2004-05	14	-	-	-	-	Yet to be discussed in PAC
4	2005-06	14	14	6	8	43 %	-
5	2006-07	15	-	-	-	-	Yet to be discussed in PAC
6	2007-08	15	-	-	-	-	-do-
7	2008-09	10	10	0	10	0 %	-
8	2009-10	10	10	3	7	30 %	-
9	2010-11	13	-	-	-	-	Yet to be discussed in PAC
10	2011-12	18	-	-	-	-	-do-
11	2012-13	10	10	2	8	20 %	-
12	2013-14	10	-	-	-	-	Yet to be discussed in PAC
13	2014-15	8	-	-	-	-	-do-
14	2015-16	9	-	-	-	-	-do-
15	2016-17	15	-	-	-	-	-do-
16	2017-18	11	-	-	-	-	-do-
17	2018-19	19	-	-	-	-	-do-
18	2019-20	10	-	-	-	-	-do-
19	2020-21	9	-	-	-	-	-do-
Total		237	71	14	57	20 %	

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

2.4 AUDIT PARAS

2.4.1 Loss to Provincial Government due to non-recovery of Property Tax from WAPDA (PESCO)-Rs. 307.97 million

According to Sr. No.2 of Schedule-II to the Urban Immovable Property Tax Act 1958 as amended vide Section 3(g) of the Khyber Pakhtunkhwa Finance Act 2020, Buildings acquired for the use by Government, Semi-Government, Non-Governmental Organizations etc. shall be assessed and taxed at the rate of fifteen percent of the actual annual rent. In case building other than those exempted under section 4 of the Act, which are owned and occupied by such organizations, tax shall be levied on the assessed annual rental value of such buildings on the rate prescribed hereinbefore.

During audit of the Excise & Taxation Offices for the financial years 2020-21 & 2021-22, it was noticed that a huge amount of Property Tax on properties owned by WAPDA (PESCO) was outstanding since long. This resulted in non-realization of Provincial Government revenue amounting to Rs. 307.97 million as detailed below:

(Amount in Rs.)			
Sr. No.	Excise and Taxation Office	PDP No.	Amount pointed out
1	ETO Kohat	163/2020-21	3,175,060
2	ETO Haripur	202/2020-21	2,298,013
3	ETO Swabi	243/2020-21	12,618,528
4	ETO Hangu	304/2020-21	4,942,885
5	ETO Tank	321/2020-21	10,434,987
6	ETO Kohat	31/2021-22	1,905,120
7	ETO Swabi	42/2021-22	1,264,000
8	ETO Mansehra	48/2021-22	7,925,970
9	ETO II, Peshawar	57/2021-22	181,936,476
10	ETO VI, Peshawar	77/2021-22	55,005,458
11	ETO Abbottabad	110/2021-22	587,952
12	ETO III, Peshawar	120/2021-22	25,876,225
Total:			307,970,674

The lapse occurred due to non-enforcement of rules and resulted in loss to the Provincial Government.

When pointed out it was replied by the management that matter would be taken up with PESCO for recovery of Property Tax.

The loss was reported to the department during January to September 2022. In the DAC meeting held on 26th July 2022 Audit Paras No. 163 and 202/2020-21 were discussed. DAC kept the paras stand till complete recovery of Government dues. Rest of the paras was not discussed in DAC meeting despite issuance of reminder till finalization of this Report.

Audit recommends expeditious recovery of Provincial Government dues from PESCO.

2.4.2 Loss due to non-realization of Property Tax-Rs. 173.49 million

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

During the financial years, 2020-21 & 2021-22, Excise & Taxation Offices in various districts did not recover Government revenue on account of Property Tax amounting to Rs. 173.49 million as per detail in the Annexure "A".

The loss occurred due to inefficiency of the department and weak internal controls.

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

The matter was reported to the department during January to September 2022. In the DAC meeting held on 26th July 2022 Audit Paras No. 162, 166 and 201/2020-21 were discussed. DAC directed to recover the amount within two months. Rest of the paras was not discussed in DAC meeting despite issuance of reminder till finalization of this Report.

Audit recommends prompt recovery of outstanding tax from defaulters.

(PDPs No. 162, 166, 201, 242, 285, 306, 322 / 2020-21
30, 33, 41, 47, 56, 75, 76, 104, 109, 117, 118 / 2021-22)

2.4.3 Loss due to non-realization of 15% Provincial Government share of Property Tax from Cantonment Boards-Rs. 21.35 million

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

During the financial years 2020-21 & 2021-22, under mentioned Excise & Taxation Offices did not realize an amount of Rs. 21.35 million on account of 15% Provincial Government share of Property from the Cantonment Boards Kohat, Peshawar and Abbottabad as per detail given below:

(Amount in Rs.)			
Sr. No.	Excise and Taxation Office	PDP No./Year	15% Prov. Govt. share recoverable
1	ETO Kohat	164/2020-21	2,500,000
2	ETO Kohat	32/2021-22	1,800,000
3	ETO II, Peshawar	59/2021-22	8,548,500
4	ETO Abbottabad	107/2021-22	8,500,000
Total			21,348,500

The lapse occurred due to non-enforcement of rules and resulted in loss to the Provincial Government exchequer.

When pointed out, it was replied by the management that the matter would be taken up with the cantonment board authorities for recovery of the Provincial Govt. share of Property Tax.

The lapse was reported to the department during January to September 2022. Audit Para No. 164 was discussed in the DAC meeting held on 26th July 2022, DAC directed the department to get verify the recovered amount from Audit and recover the balance amount within two months. DAC meeting was not convened to discuss rest of the paras despite issuance of reminder till finalization of this Report.

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

2.4.4 Non-realization of Property Tax from TMAs and PDA-Rs. 17.43 million

According to Section 4 of the West Pakistan Urban Immovable Property Tax Act, 1958, land and properties owned or administered by autonomous bodies when used for purposes of profit are not exempted from Property Tax. In case of default, recovery proceedings are required to be initiated against the defaulters under Section 16 of the Act.

During the financial years 2020-21 & 2021-22, Excise & Taxation Offices did not recover Property Tax from TMA Kohat, Hangu, Mansehra, Abbottabad and Peshawar Development Authority. This resulted in non-realization of Property Tax amounting to Rs. 17.43 million as per detail given below:

(Amount in Rs.)			
Sr. No.	Excise and Taxation Office	PDP No.	Amount pointed out
1	ETO Kohat	165/2020-21	2,279,872
2	ETO Hangu	305/2020-21	3,743,146
3	ETO Mansehra	49/2021-22	5,011,014
4	ETO Abbottabad	108/2021-22	905,533
5	ETO III, Peshawar	119/2021-22	5,486,940
Total:			17,426,505

The loss occurred due to non-enforcement of rules.

When pointed out it was replied by the management that matter would be taken up with TMAs for recovery of the amount.

The matter was reported to the department during January to September 2022. The department was requested to convene DAC meeting. However, the meeting was not convened despite issuance of reminder till finalization of this Report.

Audit recommends recovery of the outstanding Property Tax.

2.4.5 Loss due to non-realization of Motor Vehicle Tax-Rs. 6.77 million

According to Section 3 of the Motor Vehicles Taxation Act, 1958, Motor Vehicle Tax is leviable on every motor vehicle at specified rate. Failure to pay the tax within the stipulated period without sufficient cause attracts levy of penalty under Section 9 of the Act *ibid*. The unpaid tax along with penalty

is recoverable as arrears of land revenue under section 11 of the Act *ibid*. Besides, registration of defaulting vehicle is also liable to be suspended or canceled under section 34 & 35 of the Motor Vehicles Ordinance, 1965.

During the financial year 2020-21 & 2021-22, Excise & Taxation Offices in various Districts did not recover Motor Vehicle Tax amounting to Rs. 6.77 million as detailed in the Annexure “B”.

The lapse occurred due to non-enforcement of rules and resulted in loss to the government exchequer.

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

The matter was reported to the department during January to September 2022. In the DAC meeting held on 26th July 2022 Audit Paras No. 168 and 204/2020-21 were discussed. DAC directed to recover the amount within two months. Rest of the paras was not discussed in DAC meeting despite issuance of reminder till finalization of this Report.

Audit recommends prompt recovery of outstanding Government dues from defaulters.

(PDPs No. 168, 204, 245, 258, 266, 269, 286, 307, 323 / 2020-21
2, 9, 15, 25, 35, 43, 52, 100, 112 / 2021-22)

2.4.6 Loss due to non-realization of arrears of Professional Tax- Rs. 5.95 million

Professional Tax was levied under Section 7 of the KP Finance Act 1990. However, as per amendment made vide Section 7 of the KP Finance Act 2020, no Professional Tax shall be leviable and payable for the year 2020-21, if the persons engaged in profession, trade etc. are registered with the Khyber Pakhtunkhwa Revenue Authority (KPRA) for Sales Tax on services and are on their active taxpayer list. Provided that arrears upto June 2020 shall be collected by the Excise Department.

During audit of record in Excise & Taxation Offices for the financial years 2020-21 & 2021-22, it was noticed that contrary to the above quoted

provision of law, arrears of Professional Tax were not recovered from the assesseees. This resulted in loss of Rs. 5.95 million as detailed below:

(Amount in Rs.)			
Sr. No.	Excise and Taxation Office	PDP No.	Amount pointed out
1	ETO Kohat	167/2020-21	1,330,000
2	ETO Haripur	203/2020-21	788,500
3	ETO Swabi	244/2020-21	865,000
4	ETO Kohat	34/2021-22	1,209,000
5	ETO Mansehra	51/2021-22	361,000
6	ETO Abbottabad	106/2021-22	1,397,400
Total			5,950,900

The loss occurred due to non-enforcement of rules.

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

The matter was reported to the department during January to September 2022. In the DAC meeting held on 26th July 2022 Audit Paras No. 167 and 203/2020-21 were discussed. DAC directed to recover the amount within two months. Rest of the paras was not discussed in DAC meeting despite issuance of reminder till finalization of this Report.

Audit recommends prompt recovery of outstanding Government dues from defaulters.

2.4.7 Loss to Government due to unauthentic bank challans Rs. 3.51 million

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

During audit of revenue receipts record in Excise & Taxation Office III & VI Peshawar for the financial years 2020-21 & 2021-22, while comparing bank challans with Treasury receipts statement (SAP data), it was noticed that certain bank deposit challans through which an amount of Rs. 3.51 million was shown deposited under the head of “BO1301-UIP Tax” were not found in the Treasury receipts statement. This indicates that the amount claimed deposited was not credited into the public account. Detail is given below:

(Amount in Rs.)			
Sr. No.	Excise and Taxation Office	PDP No.	Amount pointed out
1	ETO-III, Peshawar	64/2020-21	1,020,136
2	ETO-VI Peshawar	81/2020-21	1,000,000
3	ETO III, Peshawar	123/2021-22	1,486,703
Total			3,506,839

The loss occurred due to non-enforcement of rules and unauthentic system of reconciliation with Treasury.

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

The matter was reported to the department during January to September 2022. DAC in its meeting held on 26th July 2022 kept the paras stand till complete recovery of Government dues. No further progress was reported by the department till finalization of this Report.

Audit recommends expeditious recovery of the amount.

2.4.8 Loss due to non-realization of annual Renewal Fee from Real Estate Agents & Motor Vehicle Dealers-Rs. 1.37 million

According to Excise & Taxation Department Notification No.26866/ Finance Bill-1995 dated. 20.09.95, real estate agents and motor vehicle dealers are required to pay Renewal Fee by the end of each year.

During the years 2019-20 to 2021-22, Excise & Taxation Offices in various districts did not recover annual Renewal Fee from real estate agents and motor vehicle dealers which caused loss of Rs. 1.37 million to the government as per detail given in Annexure “C”.

The loss occurred due to inefficiency of the department and weak internal controls.

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

The loss was reported to the department during July 2020 to September 2022. Audit paras for the years 2019-20 & 2020-21 were discussed in the DAC meetings held on 24th February 2021 and 25th July 2022. The department was directed to get the recovered amount verified from Audit and recover the balance within two months. DAC meeting was not convened to discuss rest of the paras despite issuance of reminder till finalization of this Report.

Audit recommends prompt recovery of outstanding tax from defaulters.

**(PDPs No. 3, 36, 76, 100, 150, 159, 195, 216, 301 / 2019-20
20, 29, 55, 114, 120, 169, 205, 246, 267 / 2020-21
27, 36, 44, 53, 111 / 2021-22)**

Chapter - 3

REVENUE AND ESTATE DEPARTMENT

3.1 Introduction

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

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

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

3.1 A) Main functions of the Revenue & Estate Department

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

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

Table A: Audit Profile of Revenue & Estate Department

Sr. No.	Description	Total No.	Audited	Revenue Receipts Audited FY 2021-22 (Rs. in million)
1	Formations	160	5	119

3.1 B) Comments on Budgeted Receipts (Variance Analysis)

During the financial year 2021-22, Revenue & Estate Department, Government of Khyber Pakhtunkhwa collected an amount of Rs. 8,657 million which was 102% of the revised estimates of Rs. 8,489 million.

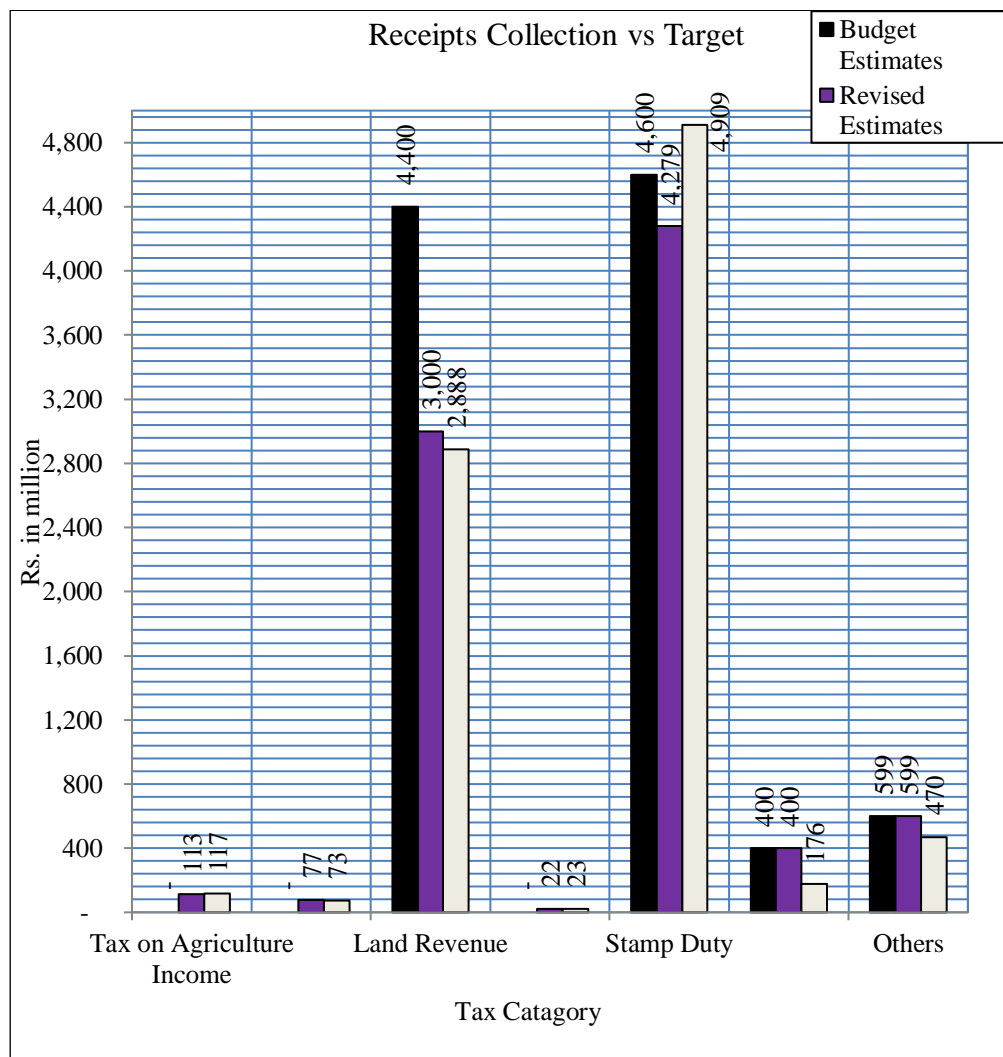
A comparison of budget estimates, revised estimates and actual receipts for the year 2021-22 is tabulated below. The variation between the revised estimates and actual receipts is depicted in both absolute and percentage terms.

Table B: Variance Analysis of Revenue & Estate Department

(Rs. in million)								
Sr. No.	Category of Receipts	Head of Account	Budget Estimates	Revised Estimates	Actual Receipts (As per Finance Account 2021-22)	%age of Total Receipts	Short (-) Excess (+) (Col.6-5)	Variance %age
1	2	3	4	5	6	7	8	9
1	Tax on Agriculture Income	B01175	-	113	117	1	4	4
2	Fee for Registering Documents	B01311, 12 & 20	-	77	73	1	-4	-5
3	Land Revenue	B014	4,400	3,000	2,889	33	-112	-4
4	Capital Value Tax	B01701	-	21	23	0	2	9
5	Stamp Duty	B027	4,600	4,279	4,909	57	631	15
6	Water Rates (Abiana)	C03431	400	400	176	2	-224	-56
7	Others	C03824	599	599	470	6	-129	-22
Total :			9,999	8,489	8,657	100	168	2

The above figures highlight that actual receipts were 2% more than the revised estimates. The receipts target during the year was revised downward from Rs. 9,999 million to Rs. 8,789 million showing a decrease of Rs. 1,510 million (15%). The Department achieved this increased target. However, recovery of Water Rates (Abiana) was very poor and only 44% of the target was recovered. This needs to be looked into by the concerned revenue collecting authorities.

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



Comparison of taxes and duties disclosed no major changes in their rates during 2020-21 & 2021-22. However, Registration Fee and Capital Value Tax were exempted by the Government on transfer of immovable property

Table C: Receipts estimates and revised estimates for 2020-21 & 2021-22

The budgeted receipts estimates and revised estimates for the years 2020-21 & 2021-22 are illustrated below. Budget estimates in 2020-21 were revised upward and in 2021-22 revised downward. However, the department was able to achieve the revised targets in both years.

(Rs. in million)

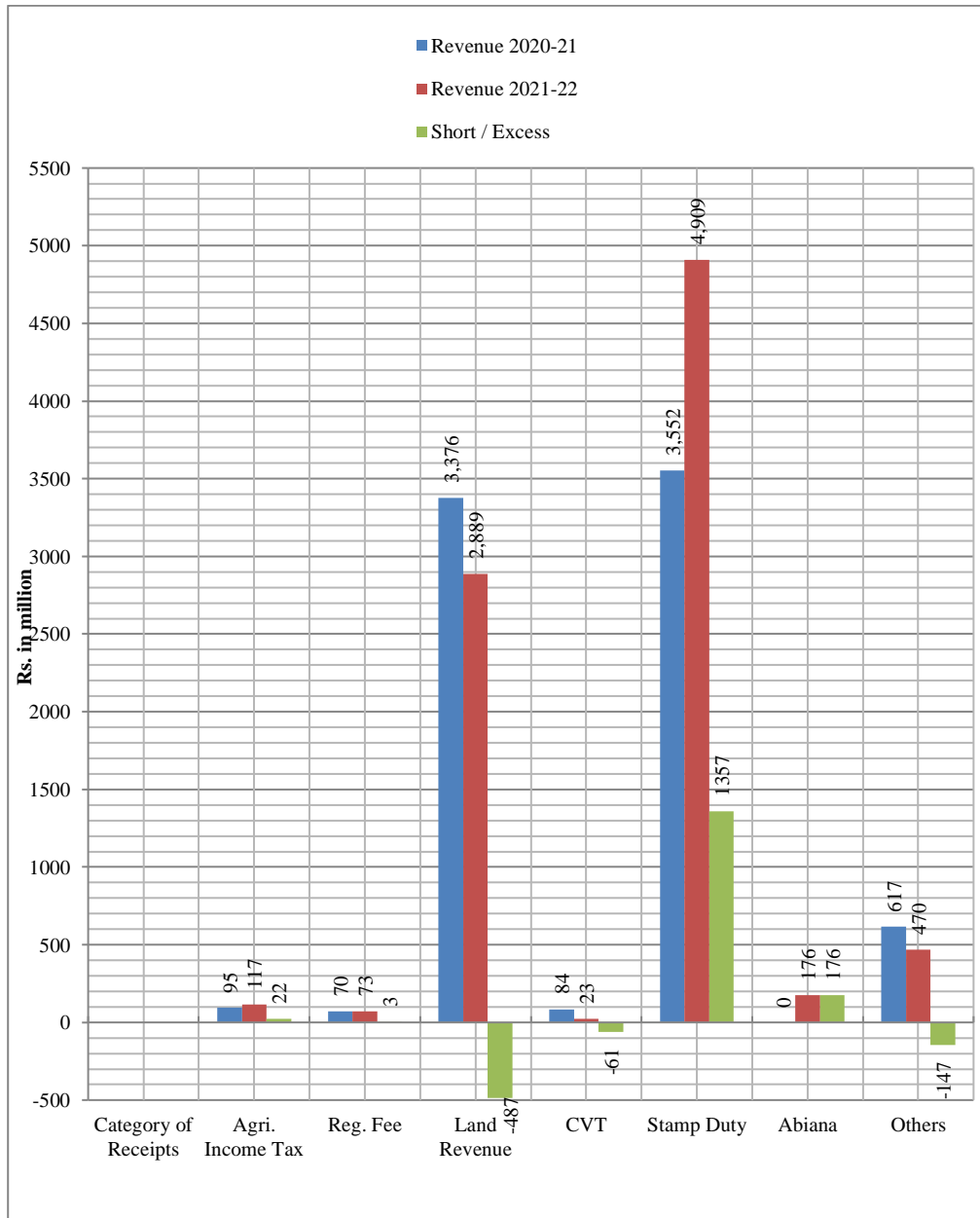
Year	Budget Estimates	Revised Estimate	Actual Receipts (As per Finance Account)	Variation	Percentage of Variance
2020-21	4,788	7,724	7,793	69	0.9
2021-22	9,999	8,489	8,657	168	2

Table D: Comparison of Revenue collected during 2020-21 & 2021-22

A comparison of revenue collected during the financial years 2020-21 and 2021-22 is given below in tabulated form and graph:

(Rs. in million)

Sr. No.	Category of Receipts	Head of Account	Revenue 2020-21	Revenue 2021-22	Short (-) Excess (+)	Variance %age
1	Tax on Agriculture Income	B01175	95	117	22	24
2	Fee for Registering Documents	B01311, 12 & 20	70	73	3	4
3	Land Revenue	B014	3,376	2,889	-487	-14
4	Capital Value Tax	B01701	84	23	-61	-72
5	Stamp Duty	B027	3,552	4,909	1357	38
6	Water Rates (Abiana)	C03431	-	176	176	100
7	Others	C03824	617	470	-147	-24
Total :			7,794	8,657	863	11

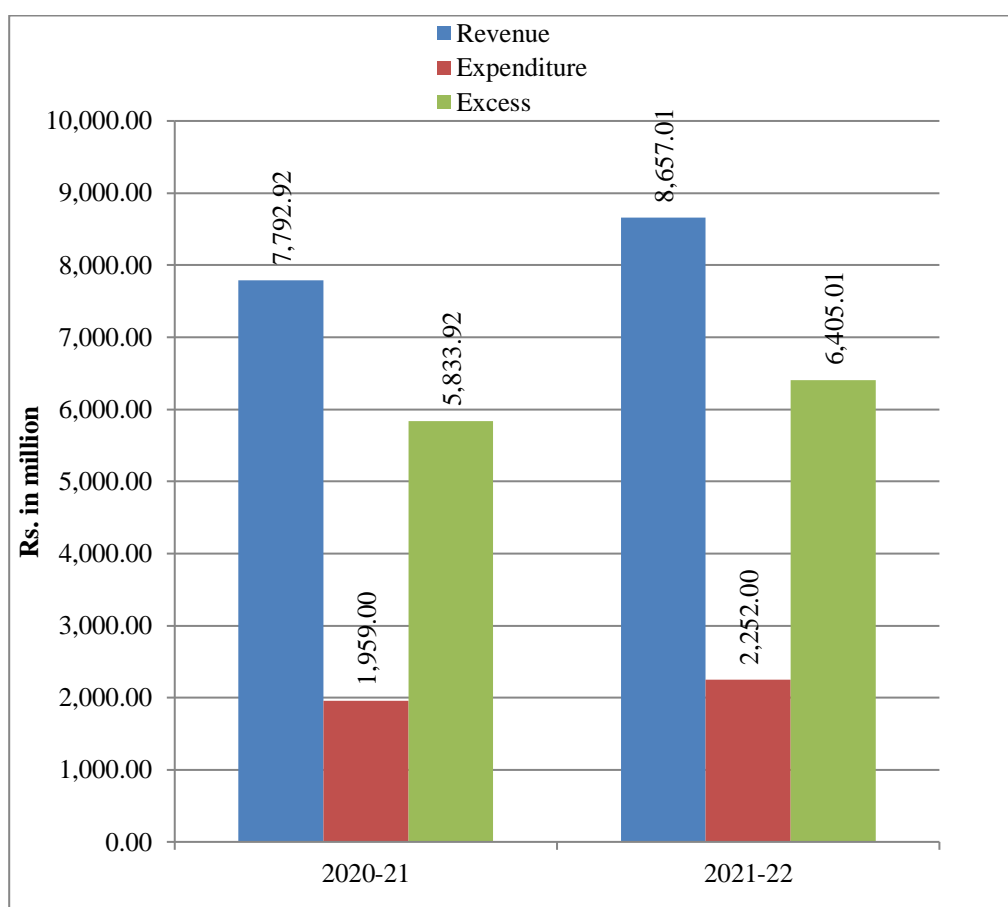


Comparison of the revenue collected during 2020-21 and 2021-22 shows that overall recovery of the revenue increased by 11% during 2021-22 however, there was a decrease of 14% in collection of Land Revenue and 24% in other receipts. Recovery of Capital Value Tax was 72% less than 2020-21, however, it was due to exemption of CVT granted by Govt. on transfer of immovable property.

Table E: Comparison of Expenditure and Revenue for 2020-21 & 2021-22

A comparison of revenue and expenditure of the Revenue & Estate Department for the financial years 2020-21 and 2021-22 is given below in tabulated form and graph:

(Rs. in million)				
Year	Revenue Collected	Expenditure	Excess of Revenue over expenditure	Cost Benefit Ratio
2020-21	7,792.92	1,959.00	5,833.92	1:3.98
2021-22	8,657.01	2,252.00	6,405.01	1:3.84



A comparison of the cost benefit ratios for the financial years 2020-21 and 2021-22 shows that actual receipts collected by the Departments reduced the benefits against the actual cost incurred on the function of the department. It shows poor financial planning, subsequent execution and follow-up in order to meet the budgetary targets.

3.1 C) Issues in the Revenue & Estate Department

Recurrence of typical irregularities like non-assessment and short assessment of government revenue on account of Mutation Fee, Stamp Duty and Advance Income Tax on transfer of immovable property continued as before. No remedial measures have been taken to check their recurrence. Abiana was previously collected by Irrigation Department. Millions of rupees on account of Abiana remained pending for recovery and Irrigation Department was unable to recover this amount. However the Provincial Government has taken cognizance of the issue and the responsibility for the recovery of Abiana was transferred to the Revenue & Estate Department w.e.f. Kharif crops 2019 along with old arrears. However, recovery of the Abiana has not been improved and Revenue & Estate Department has not taken concrete steps in this regard. In some cases Government revenues was misappropriated but there was no adequate monitoring and effective internal controls to detect and avoid such losses.

3.2 Classified Summary of Audit Observations

Audit observations amounting to Rs. 55.85 million were raised in this report during audit of Revenue & Estate Department. The pointed out amount also include observations relating to the previous year. The entire amount pointed out by the audit is recoverable. Summary of the audit observations classified by nature is as under:

Table F: Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs. in million)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	2.85
3	Irregularities	-
A	Non/short-recoveries	53.00
4	Others	-
Total		55.85

3.3 Brief Comments on the Status of Compliance with PAC Directives

Table G: The status of compliance with PAC directives:

Sr. No.	Audit Report Year	Total Paras	Paras Discussed	Paras Settled	Paras Stand	Percentage of compliance	Remarks
1	2002-03	5	5	2	3	40%	-
2	2003-04	4	4	3	1	75%	-
3	2004-05	5	-	-	-	-	Yet to be discussed in PAC
4	2005-06	6	-	-	-	-	-do-
5	2006-07	5	-	-	-	-	-do-
6	2007-08	12	12	10	2	83%	-
7	2008-09	13	13	7	6	54%	-
8	2009-10	4	-	-	-	-	Yet to be discussed in PAC
9	2010-11	6	-	-	-	-	-do-
10	2011-12	8	-	-	-	-	-do-
11	2012-13	5	5	2	3	40%	-
12	2013-14	6	-	-	-	-	Yet to be discussed in PAC
13	2014-15	5	-	-	-	-	-do-
14	2015-16	9	-	-	-	-	-do-
15	2016-17	7	-	-	-	-	-do-
16	2017-18	9	-	-	-	-	-do-
17	2018-19	9	-	-	-	-	-do-
18	2019-20	7	-	-	-	-	-do-
19	2020-21	8	-	-	-	-	-do-
Total		125	39	24	15	62%	

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

3.4 AUDIT PARAS

3.4.1 Loss due to short-assessment/realization of Advance Income Tax on sale & purchase of immovable property-Rs. 6.02 million

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

During the financial year 2020-21 Tehsildars in District Peshawar did not assess or assessed short Advance Tax on Sale and purchase of immovable property due to under valuation of land and application of the rate of 1% instead of 2% from the persons not appearing in the active taxpayers list. This caused loss of Rs. 9.81 million to government exchequer as detailed below:

(Amount in Rs.)

Sr. No.	Formation	PDP No.	Amount pointed out	Amount recovered & verified	Balance
1	Tehsildar Badhaber Peshawar	123/2020-21	251,112	195,551	55,561
2	-do-	124/2020-21	225,000	-	225,000
3	-do-	129/2020-21	187,800	-	187,800
4	Naib Tehsildar Dalazak Peshawar	137/2020-21	3,295,950	2,982,800	313,150
5	-do-	138/2020-21	208,262	-	208,262
6	-do-	141/2020-21	2,507,095	471,180	2,035,915
7	Tehsildar Mattani, Peshawar	172/2020-21	230,629	-	230,629
8	-do-	173/2020-21	83,000	-	83,000
9	-do-	174/2020-21	53,600	-	53,600
10	Naib Tehsildar Chamkani, Peshawar	181/2020-21	598,600	132,000	466,600
11	Tehsildar Shah Alam, Peshawar	218/2020-21	1,147,535	-	1,147,535
12	-do-	219/2020-21	741,240	-	741,240
13	-do-	222/2020-21	60,186	-	60,186
14	Tehsildar Mathra, Peshawar	281/2020-21	58,728	-	58,728
15	-do-	282/2020-21	157,000	-	157,000
Total			9,805,737	3,781,531	6,024,206

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

When pointed out by Audit it was replied by the management that reply would be furnished after consulting the record.

The matter was reported to the department during November 2021 to February 2022. In the DAC meetings held on 28th February, 15th June and 13th September 2022, the department was directed to recover the pointed out amount within one month. An amount of Rs. 3.78 million was recovered and got verified from Audit leaving recoverable balance of Rs. 6.02 million. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

3.4.2 Loss due to short-assessment/realization of Mutation Fee-Rs. 3.99 million

According to Sr. No. 8 of the Government of Khyber Pakhtunkhwa, Revenue & Estate Department Notification No. TOSD/Mutation Fee/2014/26365-402 dated 29-06-2018 Mutation Fee is recoverable at the rate of 2% of the value on transfer of property through a mode other than those mentioned at Sr. No 1 to 7 of the said Notification.

District Collector Peshawar issued Valuation Table vide No.1650/DC(P) DK dated 16-07-2020 notifying rates of the different types of land in the District for the year 2020-21. Mutation fee was required to be charged on the recorded value of land transferred or on the value notified by the District Collector, whichever is high.

During the financial year 2020-21 Tehsildars in District Peshawar calculated value of the land transferred at lower rates than the notified rates of District Collector in certain cases. This caused short assessment of Government revenue. Further in some cases Mutation Fee was not recovered on exchange of other than agriculture land. This caused loss of Rs. 4.19 million to government exchequer as detailed below:

(Amount in Rs.)					
Sr. No.	Formation	PDP No.	Amount pointed out	Amount recovered & verified	Balance
1	Tehsildar Badhaber Peshawar	122/2020-21	266,963	202,100	64,863
2	-do-	125/2020-21	458,972	-	458,972
3	-do-	126/2020-21	15,600	-	15,600
4	Naib Tehsildar Dalazak Peshawar	136/2020-21	2,850,090	-	2,850,090
5	-do-	139/2020-21	127,869	-	127,869

6	-do-	140/2020-21	232,166	-	232,166
7	Tehsildar Mattani, Peshawar	177/2020-21	105,810	-	105,810
8	Tehsildar Shah Alam, Peshawar	220/2020-21	11,600	-	11,600
19	-do-	221/2020-21	60,186	-	60,186
10	Tehsildar Mathra, Peshawar	280/2020-21	58,728	-	58,728
Total			4,187,984	202,100	3,985,884

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

When pointed out by Audit it was replied by the management that reply would be furnished after consulting the record.

The matter was reported to the department during November 2021 to February 2022. In the DAC meetings held on 28th February, 15th June and 13th September 2022, the department was directed to recover the pointed out amount within one month. An amount of Rs. 0.20 million was recovered and got verified from Audit leaving recoverable balance of Rs. 3.99 million. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

3.4.3 Loss due to misappropriation of Advance Tax on transfer of immovable property-Rs. 2.85 million

Para-23 of GFR provides that every Government officer should realize fully and clearly that he would be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

During audit of the Tehsildars in District Peshawar for the financial year 2020-21, while comparing Computerized Payment Receipts (CPRs) of Advance /Withholding Tax on purchase and sale of immovable properties with FBR data, tempered CPRs were found attached with the mutations. The online verifications of CPRs revealed that payment dates and name of purchasers /sellers in actual CPRs do not tally with the dates and name of purchasers/ sellers given in the CPRs attached with mutations. Certain CPRs did not exist in FBR online data.

This caused loss of Rs. 2.99 million to Federal Government exchequer as detailed below:

(Amount in Rs.)

Sr. No.	Formation	PDP No.	Amount pointed out	Amount recovered & verified	Balance
1	Naib Tehsildar Dalazak Peshawar	135/2020-21	2,043,160	-	2,043,160
2	Naib Tehsildar Chamkani, Peshawar	180/2020-21	736,440	140,320	596,120
3	Tehsildar Shah Alam, Peshawar	217/2020-21	209,400	-	209,400
Total:			2,989,000	140,320	2,848,680

The loss occurred due to misappropriation of Advance Tax.

When pointed out by Audit it was replied by the management that detail reply would be furnished after consulting the record.

In the DAC meetings held on 28th February and 15th June 2022, DAC directed to recover the amount within one month. An amount of Rs. 0.14 million was recovered and got verified from Audit leaving recoverable balance of Rs. 2.85 million. No further progress was reported till finalization of this report.

Audit recommends recovery of the Government revenue and fixing responsibility against persons at fault.

3.4.4 Loss due to short-assessment/realization and misappropriation of Advance Income Tax on sale & purchase of immovable property- Rs. 3.59 million

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

Para-23 of GFR provides that every Government officer should realize fully and clearly that he would be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he

will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

During the financial year 2020-21 Tehsildar and Sub Registrar in District Abbottabad did not assess or assessed short Advance Tax on sale and purchase of immovable property. Further, in Tehsildar Abbottabad office, while comparing Computerized Payment Receipts (CPRs) of Advance / Withholding Tax on purchase and sale of immovable properties with FBR data, tempered CPRs were found attached with the mutations. The online verifications of CPRs revealed that payment dates and name of purchasers /sellers in actual CPRs do not tally with the dates and name of purchasers/ sellers given in the CPRs attached with mutations. Certain CPRs did not exist in FBR online data. This caused loss of Rs. 4.06 million to government as detailed below:

(Amount in Rs.)

Sr. No.	Formation	PDP No.	Amount pointed out	Amount recovered & verified	Balance
1	Tehsildar Settlement Havalian	240/2020-21	720,384	-	720,384
2	Sub Registrar Abbottabad	291/2020-21	1,300,840	353,000	947,840
3	-do-	293/2020-21	840,750	-	840,750
4	-do-	294/2020-21	114,500	-	114,500
5	Tehsildar Abbottabad	310/2020-21	824,400	-	824,400
6	-do-	312/2020-21	257,304	111,015	146,289
Total			4,058,178	464,015	3,594,163

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

When pointed out by Audit it was replied by the management that reply would be furnished after consulting the record.

The matter was reported to the department during November 2021 to February 2022. In the DAC meetings held on 13th & 20th September 2022, the department was directed to recover the pointed out amount and record produced to Audit for verification within 15 days. An amount of Rs. 0.46 million was recovered and got verified from Audit leaving recoverable balance of Rs. 3.59 million. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

3.4.5 Loss due to non/short-assessment/realization of Mutation Fee and non-deposit of Registration Fee-Rs. 1.71 million

According to Sr. No. 8 of the Government of Khyber Pakhtunkhwa, Revenue & Estate Department Notification No. TOSD/Mutation Fee/2014/26365-402 dated 29-06-2018 Mutation Fee is recoverable at the rate of 2% of the value on transfer of property through a mode other than those mentioned at Sr. No 1 to 7 of the said Notification.

District Collector Abbottabad issued Valuation Table vide No.376-393/DK dated 24-07-2020 notifying rates of the different types of land in the District for the year 2020-21. Mutation fee was required to be charged on the recorded value of land transferred or on the value notified by the District Collector, whichever is high.

According to Para 8 of GFR, subject to such general or specific instruction as may be issued by Government in this behalf it is the duty of the Revenue or Administrative Department concerned to see that the dues of Government are correctly and promptly assessed collected and paid into the treasury.

During the financial year 2020-21 Tehsildars in District Abbottabad calculated value of the land transferred at lower rates than the notified rates of District Collector in certain cases. This caused short assessment of Government revenue. In some cases Mutation Fee was not recovered on exchange of other than agriculture land. Further, in some cases Mutation Fee & Registration Fee was not deposited into Treasury by Sub Registrar and Tehsildar Abbottabad. This caused loss of Rs. 1.71 million to government as detailed below:

(Amount in Rs.)			
Sr. No.	Formation	PDP No.	Amount pointed out
1	Tehsildar Settlement Havalian, Abbottabad	239/2020-21	720,384
2	Sub Registrar Abbottabad	292/2020-21	230,775
3	Tehsildar Abbottabad	311/2020-21	666,122
4	-do-	313/2020-21	55,650
5	-do-	314/2020-21	41,273
Total			1,714,204

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

When pointed out by Audit it was replied by the management that reply would be furnished after consulting the record.

The matter was reported to the department in June 2022. In the DAC meetings held on 13th & 20th September 2022, the department was directed to recover the pointed out amount within one month. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

3.4.6 Loss due to short-assessment/realization of Mutation Fee and Stamp Duty-Rs. 13.13 million

According to Sr. No. 8 of the Government of Khyber Pakhtunkhwa, Revenue & Estate Department Notification No. TOSD/Mutation Fee/2014/26365-402 dated 29-06-2018 Mutation Fee is recoverable at the rate of 2% of the value on transfer of property through a mode other than those mentioned at Sr. No 1 to 7 of the said Notification.

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

During the financial year 2020-21 Tehsildar and Sub Registrar in District Mansehra calculated value of the land transferred at lower rates than the notified rates of District Collector. This caused short assessment of Mutation Fee and Stamp Duty. Further in some cases Mutation Fee was not recovered on transfer of land. This resulted in loss of Rs. 13.13 million to government exchequer as detailed below:

(Amount in Rs.)			
Sr. No.	Formation	PDP No.	Amount pointed out
1	Tehsildar Settlement Mansehra	327/2020-21	9,907,102
2	-do-	331/2020-21	119,074
3	Sub Registrar Mansehra	342/2020-21	3,104,177
Total			13,130,353

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

When pointed out by Audit it was replied by the management that reply would be furnished after scrutiny of the record.

The matter was reported to the department in June 2022. In the DAC meeting held on 20th September 2022, the department was directed to recover the pointed out amount within one month in respect of Audit paras mentioned at Sr. No 1 to 3 above. In case of Audit para No. 342/2020-21 DAC directed that spot verification through an impartial party including Deputy Director Audit may be carried out by Deputy Commissioner Mansehra for assessing the nature of land. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

3.4.7 Loss due to short-assessment of Advance Income Tax on purchase of immovable property-Rs. 3.74 million

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

During the financial year 2020-21 Tehsildar and Sub Registrar in District Mansehra did not assess or assessed short Advance Tax on purchase of immovable property due to under valuation of land and application of the rate of 1% instead of 2% from the persons not appearing in the active taxpayers list. This caused loss of Rs. 3.89 million to government exchequer as detailed below:

(Amount in Rs.)					
Sr. No.	Formation	PDP No.	Amount pointed out	Amount recovered & verified	Balance
1	Tehsildar Settlement Mansehra	328/2020-21	308,000	-	308,000
2	-do-	329/2020-21	164,800	80,000	84,800
3	-do-	330/2020-21	160,000	-	160,000
4	-do-	333/2020-21	112,063	74,966	37,097
5	Sub Registrar Mansehra	341/2020-21	3,154,309	-	3,154,309
Total			3,899,172	154,966	3,744,206

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

When pointed out by Audit it was replied by the management that reply would be furnished after scrutiny of the record.

The matter was reported to the department in June 2022. In the DAC meeting held on 20th September 2022, the department was directed to get the recovered amount verified from Audit and recover the balance amount within fifteen days. An amount of Rs. 0.15 million was recovered and got verified from Audit leaving recoverable balance of Rs. 3.74 million. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

3.4.8 Loss to Government due to non-realization of Water Rates (Abiana)- Rs. 2.17 million

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

During the financial year 2021-22, Tehsildar Kohat did not initiate proceedings against the defaulters for recovery of outstanding Water Rates (Abiana) amounting to Rs. 2.17 million for the crops seasons of Rabi 2020-21 & Kharif 2021.

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

When pointed out, the management replied that matter has been noted for future compliance. The recovery of Abiana for Rabi crop has been recovered hundred percent except Military farms, while the recovery for Kharif crop would be expedited. Instruction has been issued to all Patwaris to recover the remaining Abiana in next two months.

The matter was reported to the department in September 2022. In the DAC meetings held on 1st December 2022, the department was directed to get the recovered amount verified from Audit and recover the balance amount. No further progress was reported till finalization of this report.

Audit recommends expeditious recovery of the outstanding Abiana.

(PDP No. 81/2021-22)

3.4.9 Loss due to non-assessment of Advance Income Tax on sale & purchase of immovable property-Rs. 2.02 million

According to Section 236C & 236K of the Income Tax Ordinance 2001 any person responsible for registering or attesting transfer of any immovable property shall at the time of registering or attesting transfer collect from the seller and purchaser an Advance Tax at the rate of 1% of the fair market value. Further, as per Rule-1 of Tenth Schedule to the Ordinance, tax from persons not appearing in the active taxpayers' list, shall be increased by hundred percent of the rate. Further, Advance tax was required to be charged on the recorded value of land transferred or on the value notified in the valuation table, whichever is high.

During the financial year 2021-22 Tehsildar and Sub Registrar in District Kohat did not assess or assessed short Advance Tax on Sale and purchase of immovable property due to under valuation of land and application of the rate of 1% instead of 2% from the persons not appearing in the active taxpayers list. This caused loss of Rs. 2.02 million to government exchequer as detailed below:

(Amount in Rs.)			
Sr. No.	Formation	PDP No.	Amount pointed out
1	Tehsildar Kohat	82/2021-22	519,670
2	-do-	85/2021-22	154,080
3	-do-	86/2021-22	48,685
4	Sub Registrar Kohat	90/2021-22	1,263,433
5	-do-	93/2021-22	34,300
Total			2,020,168

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

When pointed out by Audit it was replied by the management that instructions/notices have been issued to the concerned for recovery of the government dues.

The matter was reported to the department in September 2022. DAC in its meeting held on 1st December 2022, kept the para stand till complete recovery of the pointed out amount. No further progress was reported till finalization of this report.

Audit recommends expeditious recovery of the government dues.

3.4.10 Loss due to short-assessment/realization of Mutation Fee, Stamp Duty & Registration Fee-Rs. 1.15 million

According to Sr. No. 8 of the Government of Khyber Pakhtunkhwa, Revenue & Estate Department Notification No. TOSD/Mutation Fee/2014/26365-402 dated 29-06-2018 Mutation Fee is recoverable at the rate of 2% of the value on transfer of property through a mode other than those mentioned at Sr. No 1 to 7 of the said Notification.

District Collector Kohat issued Valuation Table vide No.476/DC-Kt/DRA dated 03-08-2021 and vide No.ADC(Kohat)3073/2021 dated 08-10-2021, notifying rates of the different types of land in the District for the year 2020-21. Mutation fee was required to be charged on the recorded value of land transferred or on the value notified by the District Collector, whichever is high.

Under Article-35(a) (iii) of Schedule-I to the Stamp Act, 1899 as amended vide Finance Act, 2007, where the lease purports to be for a term in excess of three years but not more than twenty years, the Stamp Duty is recoverable @ 3% of the amount or value of the average annual rent reserved. Registration Fee on Lease Deed was recoverable at the rate of 5/8th of the value of stamp duty payable on the lease.

During the financial year 2020-21 Tehsildar and Sub Registrar in District Kohat calculated value of the land transferred at lower rates than the notified rates of District Collector. This caused short assessment of Mutation Fee and Stamp Duty. In a case of lease deed, Stamp Duty was not calculated according to the above mentioned provision of law. Further, Registration Fee was not recovered on lease of immovable property. This caused loss of Rs. 1.15 million to government exchequer as detailed below:

(Amount in Rs.)			
Sr. No.	Formation	PDP No.	Amount pointed out
1	Tehsildar Kohat	83/2021-22	440,670
2	-do-	84/2021-22	198,120
3	-do-	87/2021-22	38,698
4	-do-	88/2021-22	12,000
5	Sub Registrar Kohat	91/2021-22	384,434
6	-do-	92/2021-22	66,050
7	-do-	94/2021-22	12,692
Total			1,152,664

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

When pointed out by Audit it was replied by the management that instructions/notices have been issued to the concerned for recovery of the government dues.

The matter was reported to the department in September 2022. DAC in its meeting held on 1st December 2022, kept the para stand till complete recovery of the pointed out amount. No further progress was reported till finalization of this report.

Audit recommends expeditious recovery of the government dues.

3.4.11 Loss due to non-assessment of Advance Income Tax on sale & purchase of immovable property-Rs. 3.81 million

According to Section 236C & 236K of the Income Tax Ordinance 2001 any person responsible for registering or attesting transfer of any immovable property shall at the time of registering or attesting transfer collect from the seller and purchaser an Advance Tax at the rate of 1% of the fair market value. Further, as per Rule-1 of Tenth Schedule to the Ordinance, tax from persons not appearing in the active taxpayers' list, shall be increased by hundred percent of the rate. Further, Advance tax was required to be charged on the recorded value of land transferred or on the value notified in the valuation table, whichever is high.

During the financial year 2020-21 Tehsildars in District Bannu did not assess or assessed short Advance Tax on Sale and purchase of immovable property. This caused loss of Rs. 4.23 million to government exchequer as detailed below:

(Amount in Rs.)

Sr. No.	Formation	PDP No.	Amount pointed out	Amount recovered & verified	Balance
1	Tehsildar Domail, Bannu	225/2020-21	3,320,536	173,660	3,146,876
2	-do-	226/2020-21	749,850	244,610	505,240
3	-do-	230/2020-21	56,112	-	56,112
4	Tehsildar Maryan, Bannu	235/2020-21	106,407	-	106,407
Total:			4,232,905	418,270	3,814,635

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

When pointed out by Audit it was replied by the management that detail reply would be furnished after scrutiny of the relevant record.

The matter was reported to the department in March 2022. DAC in its meeting held on 13th September 2022, directed recovery of the amount and its verification from Audit within fifteen days. An amount of Rs. 0.42 million was recovered and got verified from Audit leaving recoverable balance of Rs. 3.81 million. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

3.4.12 Loss due to short-assessment/realization of Mutation Fee-Rs. 2.19 million

According to Sr. No. 8 of the Government of Khyber Pakhtunkhwa, Revenue & Estate Department Notification No. TOSD/Mutation Fee/2014/26365-402 dated 29-06-2018 Mutation Fee is recoverable at the rate of 2% of the value on transfer of property through a mode other than those mentioned at Sr. No 1 to 7 of the said Notification.

During the financial year 2020-21 Tehsildar in District Tank did not recover/deposit Mutation Fee on transfer of land through sale. Further in some cases Mutation Fee was not recovered on exchange of other than agriculture land. This caused loss of Rs. 8.05 million to government exchequer as detailed below:

(Amount in Rs.)					
Sr. No.	Formation	PDP No.	Amount pointed out	Amount verified	Balance
1	Tehsildar Tank	276/2020-21	7,921,244	5,840,719	2,080,525
2	Tehsildar Tank	278/2020-21	124,472	16,632	107,840
Total			8,045,716	5,857,351	2,188,365

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

When pointed out by Audit it was replied by the management that missing treasury receipts are with Ex-Tehsildar Tank. He could not produce those due to deteriorating health and has promised to produce those at later stage.

The matter was reported to the department in April 2022. DAC in its meeting held on 20th September 2022, directed recovery of the amount and its verification from Audit within fifteen days. An amount of Rs. 5.86 million was got verified from Audit leaving recoverable balance of Rs. 2.19 million. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

3.4.13 Loss due to short-assessment of Advance Income Tax on purchase of immovable property-Rs. 6.42 million

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

During the financial year 2020-21 Tehsildar and Sub Registrar in District Tank did not assess or assessed short Advance Tax on purchase of immovable property. This caused loss of Rs. 8.19 million to government exchequer as detailed below:

(Amount in Rs.)					
Sr. No.	Formation	PDP No.	Amount pointed out	Amount recovered & verified	Balance
1	Sub Registrar Tank	256/2020-21	392,295	151,435	240,860
2	Tehsildar Tank	277/2020-21	7,793,244	1611433	6,181,811
Total			8,185,539	1,762,868	6,422,671

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

When pointed out by Audit it was replied by the Sub Registrar that pointed out amount would be recovered from the Deed holders and deposited into government treasury. Tehsildar Tank replied that the receipts are with Ex-Tehsildar Tank. He could not produce those due to deteriorating health and has promised to produce those at later stage.

The matter was reported to the department in April 2022. DAC in its meeting held on 20th September 2022, directed recovery of the amount and its verification from Audit within fifteen days. An amount of Rs. 1.76 million was got verified from Audit leaving recoverable balance of Rs. 6.42 million. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

3.4.14 Loss due to non-assessment of Advance Income Tax on sale & purchase of immovable property-Rs. 1.03 million

According to Section 236C & 236K of the Income Tax Ordinance 2001 any person responsible for registering or attesting transfer of any immovable property shall at the time of registering or attesting transfer collect from the seller and purchaser an Advance Tax at the rate of 1% of the fair market value. Further, as per Rule-1 of Tenth Schedule to the Ordinance, tax from persons not appearing in the active taxpayers' list, shall be increased by hundred percent of the rate. Further, Advance tax was required to be charged on the recorded value of land transferred or on the value notified in the valuation table, whichever is high.

During the financial year 2020-21 Tehsildar in District Lakki Marwat did not assess or assessed short Advance Tax on sale and purchase of immovable property. This caused loss of Rs. 1.03 million to government exchequer as detailed below:

(Amount in Rs.)			
Sr. No.	Formation	PDP No.	Amount pointed out
1	Tehsildar Lakki Marwat	187/2020-21	921,758
2	Tehsildar Lakki Marwat	190/2020-21	60,507
3	Tehsildar Lakki Marwat	191/2020-21	44,688
Total			1,026,953

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

When pointed out by Audit it was replied by the management that detail reply would be furnished after scrutiny of the record.

The matter was reported to the department in February 2022. DAC in its meeting held on 15th June 2022, directed recovery of the amount and its verification from Audit within one month. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

3.4.15 Loss due to non-assessment of Advance Income Tax on purchase of immovable property-Rs. 2.03 million

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

As per S.R.O. 1213(I)/2018 issued by FBR on 05-10-2018, provisions for deduction and collection of Withholding Tax shall not apply on the individuals domiciled in the PATA and FATA w.e.f. 01-06-2018 to 30-06-2023.

During the financial year 2021-22 Tehsildar and Sub Registrar in District Shangla did not assess Advance Income Tax on purchase of immovable property by the persons not domiciled in PATA/FATA. As per record the purchasers were from Karachi, Sukhar, Peshawar & Swabi. According to the above quoted provision of law only those individuals and companies are exempt from tax that are domiciled/resident of FATA/PATA. The purchasers of immovable property in these cases are not domiciled in FATA or PATA and are liable to pay Advance Income Tax. This caused loss of Rs. 2.03 million to government exchequer as detailed below:

(Amount in Rs.)			
Sr. No.	Formation	PDP No.	Amount pointed out
1	Tehsildar Alpuri, Shangla	70/2021-22	150,000
2	Sub Registrar Alpuri, Shangla	99/2021-22	1,877,220
Total			2,027,220

The loss occurred due to non-observance of rules.

The matter was reported to the department in September 2022. DAC in its meeting held on 1st December 2022, decided that the matter would be taken up with FBR for clarification and kept the Para stand. No further progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

Chapter - 4

TRANSPORT & MASS TRANSIT DEPARTMENT

4.1 Introduction

4.1 A) Main functions of the Transport & Mass Transit Department

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

Table A: Audit Profile of Transport & Mass Transit Department

Sr. No.	Description	Total No.	Audited	Revenue Receipts Audited FY 2021-22 (Rs. in million)
1	Formations	33	1	8.45

4.1 B) Comments on Budgeted Receipts (Variance Analysis)

During the financial year 2021-22, the Transport & Mass Transit Department, Government of Khyber Pakhtunkhwa collected an amount of Rs. 576 million which was 90% of the revised estimates of Rs. 640 million.

A comparison of budget estimates, revised estimates and actual receipts for the year 2021-22 is tabulated below. The variation between the revised estimates and actual receipts is depicted in both absolute and percentage terms.

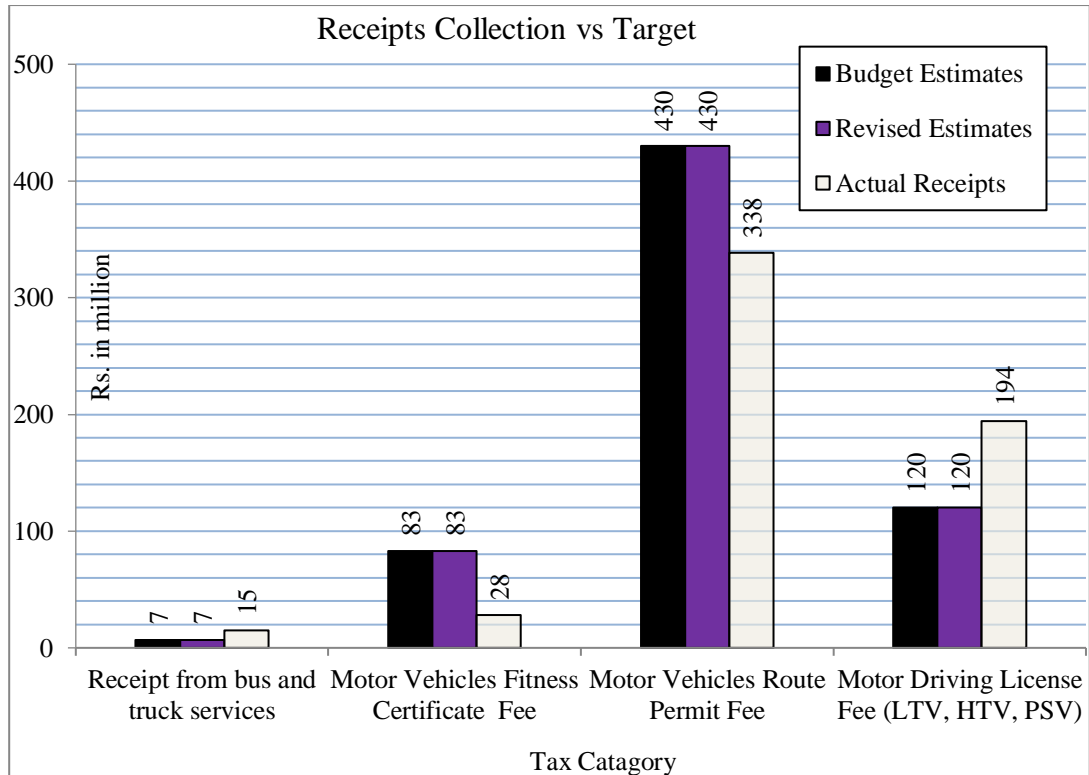
Table B: Variance Analysis of Transport & Mass Transit Department

(Rs. in million)

Sr. No.	Category of Receipts	Head of Account	Budget Estimates	Revised Estimates	Actual Receipts (As per Finance Account 2021-22)	%age of Total Receipts	Short (-) Excess (+) (Col.6-5)	Variance %age
1	2	3	4	5	6	7	8	9
1	Receipt from bus and truck services	B02804	7.00	7.00	15.21	2.64	8.21	117.22
2	Motor Vehicles Fitness Certificate Fee	B02811	83.00	83.00	28.03	4.87	-54.97	-66.23
3	Motor Vehicles Route Permit Fee	B02812	430.00	430.00	338.27	58.77	-91.73	-21.33
4	Driving License Fee (LTV, HTV, PSV)	C0355A	120.00	120.00	194.09	33.72	74.09	61.75
Total :			640.00	640.00	575.60	100	-64.40	-10.06

The above figures show that actual receipts were 10% less than the revised estimates of the receipts. The Department was unable to achieve this revised target which shows poor fiscal planning.

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



Comparison of taxes and duties disclosed no major changes in their rates during 2020-21 & 2021-22.

Table C: Receipts estimates and revised estimates for 2020-21 & 2021-22

The budgeted receipts estimates and revised estimates of Transport & Mass Transit Department for the years 2020-21 & 2021-2 are illustrated below. The targets were increased upward but the Department was unable to achieve the revised targets in both years:

(Rs. in million)

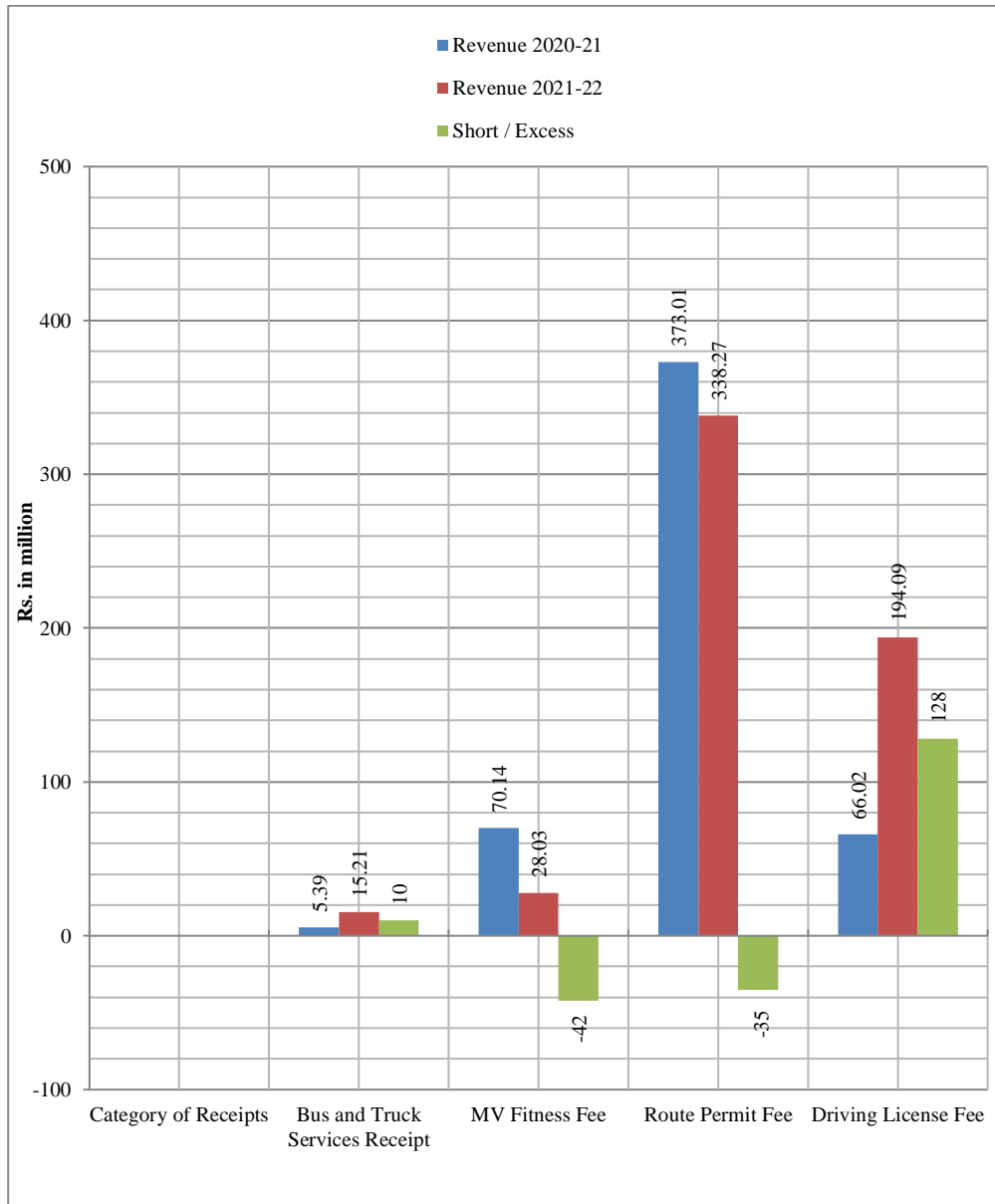
Year	Budget Estimates	Revised Estimate	Actual Receipts (As per Finance Account)	Variation	Percentage of Variance
2020-21	338	519	515	-4.6	-0.9
2021-22	640	640	576	-64	-10

Table D: Comparison of Revenue collected during 2020-21 & 2021-22

A comparison of revenue collected during the financial years 2020-21 and 2021-22 is given below in tabulated form and graph:

(Rs. in million)

Sr. No.	Category of Receipts	Head of Account	Revenue 2020-21	Revenue 2021-22	Short (-) Excess (+)	Variance %age
1	Receipt from bus and truck services	B02804	5.39	15.21	10	182
2	Motor Vehicles Fitness Certificate Fee	B02811	70.14	28.03	-42	-60
3	Motor Vehicles Route Permit Fee	B02812	373.01	338.27	-35	-9
4	Motor Driving License Fee (LTV, HTV, PSV)	C0355A	66.02	194.09	128	194
Total :			514.56	575.60	61	12

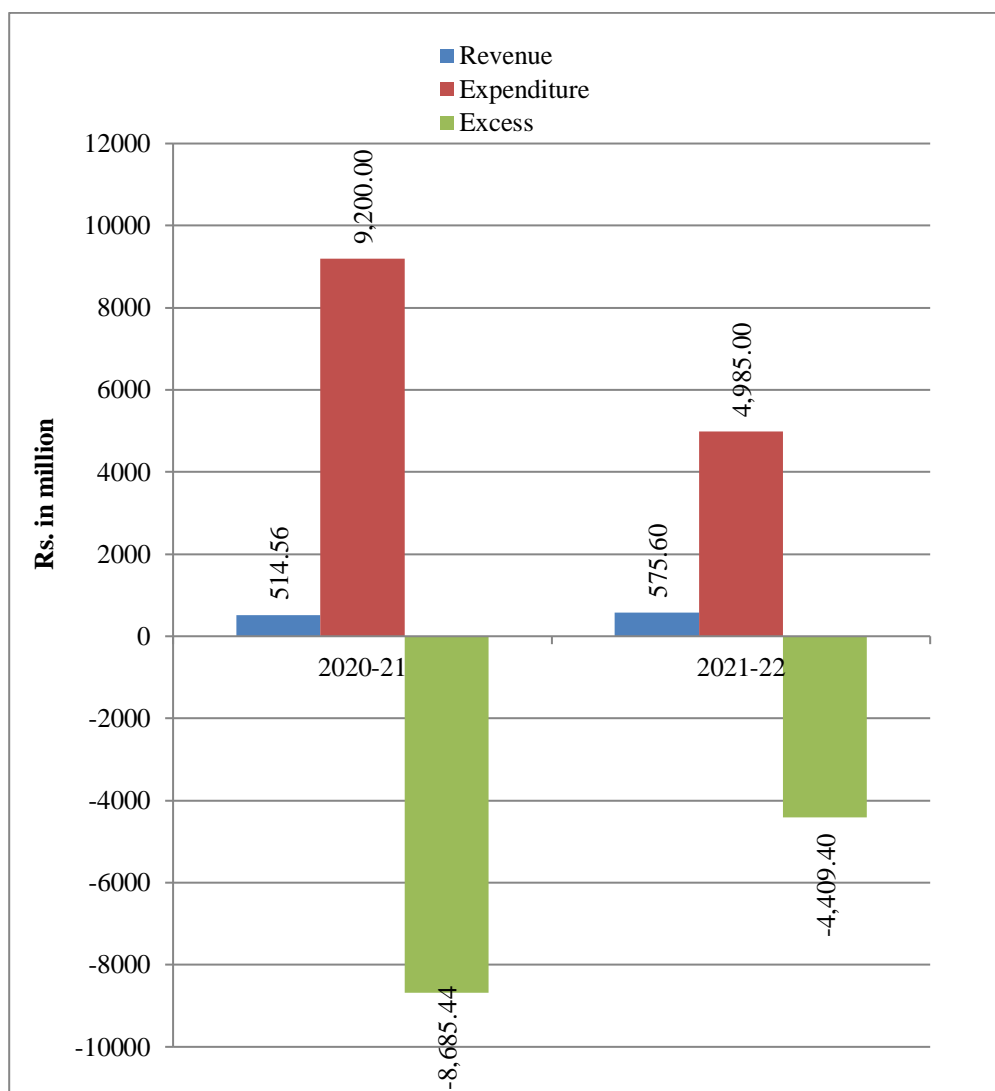


Comparison of the revenue collected during 2020-21 and 2021-22 shows that overall recovery of the revenue increased by 12% during 2021-22. However, there was a decrease of 60% in collection of Motor Vehicles Fitness Fee and 9% in Route Permit Fee, which is a substantial decrease and collecting authorities should look into the matter.

Table E: Comparison of Expenditure and Revenue for 2020-21 & 2021-22

A comparison of revenue and expenditure of the Transport & Mass Transit Department for the financial years 2020-21 and 2021-22 is given below in tabulated form and graph:

(Rs. in million)				
Year	Revenue Collected	Expenditure	Excess of Revenue over expenditure	Cost Benefit Ratio
2020-21	514.56	9,200.00	(8,685.44)	1:0.06
2021-22	575.60	4,985.00	(4,409.40)	1:0.12



A comparison of the cost benefit ratios for the financial years 2020-21 and 2021-22 shows slight improvement in revenue collection as well as reduction in expenditure incurred in 2021-22. However, despite that the cost incurred on operational activities surpassed the revenue generated.

4.1 C) Issues in the Transport & Mass Transit Department

Non-recovery of Route Permit Fee resulted in accumulation of huge amount of arrears. This was due to weak internal controls and in-efficiency of the department. Audit has raised many observations regarding this issue over the years but no concrete steps have been taken by the department for recovery of these arrears. License Fee from Bus Stands, Goods forwarding Agencies and 3% share of Provincial Government due from local authorities (TMAs/MCs) on account of auction of bus stands has not been assessed and realized due to weak internal controls which resulted in loss to the Government.

4.2 Classified Summary of Audit Observations

Audit observations amounting to Rs 10.33 million were raised in this report during audit of Transport & Mass Transit Department. The pointed out amount also include arrears and observation relating to the previous years. The entire amount pointed out by the audit is recoverable. Summary of the audit observations classified by nature is as under:

Table F: Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs. in million)
1	Non production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	Non/short-recoveries	10.33
4	Others	-
Total		10.33

4.3 Brief Comments on the Status of Compliance with PAC Directives

Table G: The status of compliance with PAC directives:

Sr. No.	Audit Report Year	Total Paras	Paras Discussed	Paras Settled	Paras Stand	Percentage of compliance	Remarks
1	2002-03	1	1	0	1	0%	-
2	2003-04	1	1	0	1	0%	-
3	2004-05	2	-	-	-	-	Yet to be discussed in PAC
4	2005-06	3	-	-	-	-	-do-
5	2006-07	2	-	-	-	-	-do-
6	2007-08	3	3	0	3	0%	-
7	2008-09	2	2	0	2	0%	-
8	2009-10	1	-	-	-	-	Yet to be discussed in PAC
9	2010-11	2	-	-	-	-	-do-
10	2011-12	3	-	-	-	-	-do-
11	2012-13	3	3	0	3	0%	-
12	2013-14	2	-	-	-	-	Yet to be discussed in PAC
13	2014-15	1	-	-	-	-	-do-
14	2015-16	2	-	-	-	-	-do-
15	2016-17	3	-	-	-	-	-do-
16	2017-18	3	-	-	-	-	-do-
17	2018-19	3	-	-	-	-	-do-
18	2019-20	3	-	-	-	-	-do-
19	2020-21	3	-	-	-	-	-do-
Total		40	10	0	10	0%	

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

4.4 AUDIT PARAS

4.4.1 Loss due to non-realization of Route Permit Fee & Penalty Rs. 3.66 million

Under Section 60 of the Motor Vehicles Ordinance 1965 read with Rules 71, 85 & 91 of the Motor Vehicles Rules 1969, route permit is issued for a specific period. The same is required to be got renewed one month before the expiry of its validity on payment of prescribed fee. In case of default exceeding three months, registration of the vehicle is liable to be suspended / cancelled under Section 34(1) (b) of the Motor Vehicles Ordinance 1965.

During the financial years 2020-21 & 2021-22 following Transport Authorities neither recovered Route Permit Fee & Penalty from the defaulters nor suspended/canceled registration of the defaulting vehicles. This resulted in non-realization of Government revenue amounting to Rs. 3.66 million as detailed below:

(Amount in Rs.)			
Sr. No.	Secretary Transport Authority	PDP No.	Amount pointed out
1	RTA Mardan	156/2020-21	1,355,900
2	PTA Peshawar	209/2020-21	458,550
3	PTA Peshawar	210/2020-21	307,400
4	RTA Abbottabad	262/2020-21	575,350
5	RTA Kohat	19/2021-22	962,800
Total			3,660,000

The loss occurred due to non-enforcement of rules.

When pointed out it was replied by the management that efforts would be made to recover the outstanding Government dues.

The matter was reported to the department during January to July 2022. The department was requested to convene DAC meeting. However, the meeting was not convened despite issuance of reminder till finalization of this Report.

Audit recommends expeditious recovery of Government dues from defaulters.

4.4.2 Non-realization of 3% Provincial Government share from TMAs on account of auction of Bus Stand-Rs. 5.24 million

According to Rule 259(3c) of the Motor Vehicles Rules 1969, such additional sums not exceeding 3% of the gross receipts from fees as may be agreed between the RTA & the local authority (Municipal Committee) should be recovered from the concerned TMA and deposited into Provincial Government Treasury.

During the financial years 2020-21 & 2021-22, Regional Transport Authority Mardan, Abbottabad and Kohat did not assess / realize 3% of the gross receipts of auction of Bus Stands from TMAs and MCs amounting to Rs. 5.24 million as per detail given below:

(Amount in Rs.)			
Sr. No.	Secretary Transport Authority	PDP No.	Amount pointed out
1	RTA Mardan	155/2020-21	4,287,743
2	RTA Abbottabad	261/2020-21	948,709
3	RTA Kohat	20/2021-22	Figures not provided
Total			5,236,452

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

When pointed out it was replied by the management that matter would be taken up with the concerned TMAs for recovery of 3% Provincial Government share.

The matter was reported to the department during January to July 2022. The department was requested to convene DAC meeting. However, the meeting was not convened despite issuance of reminder till finalization of this Report.

Audit recommends recovery of Provincial Government share from TMAs.

4.4.3 Non-realization of License renewal Fee from Bus Stands & Goods Forwarding Agencies-Rs. 1.43 million

According to Rules 253 & 254 of Motor Vehicles Rules 1969, read annual license renewal fee from vehicles' body building workshops, bus stands and goods forwarding agencies is recoverable at the rates fixed by the Regional Transport Authority.

During the financial years 2019-20 to 2021-22, the following Regional Transport Authorities did not realize license renewal fee amounting to Rs. 1.43 million from bus stands and goods forwarding agencies as detailed below:

(Amount in Rs.)			
Sr. No.	Secretary Transport Authority	AP No.	Amount pointed out
1	RTA Peshawar	207/2019-20	40,000
2	RTA Peshawar	208/2019-20	40,000
3	RTA Peshawar	209/2019-20	11,000
4	RTA Peshawar	86/2020-21	275,000
5	RTA Peshawar	87/2020-21	100,000
6	RTA Mardan	157/2020-21	475,000
7	RTA Mardan	158/2020-21	65,000
8	RTA Abbottabad	263/2020-21	237,500
9	RTA Abbottabad	264/2020-21	30,000
10	RTA Kohat	21/2021-22	130,000
11	RTA Kohat	23/2021-22	25,000
Total			1,428,500

The loss occurred due to non-enforcement of rules and in-efficiency of the department.

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

The matter was reported to the department during January 2021 to July 2022. The department was requested to convene DAC meeting. However, the meeting was not convened despite issuance of reminder till finalization of this Report.

Audit recommends expeditious recovery of the license renewal fee.

ANNEXURE – 1
(MFDAC Paras)

Sr. No.	PDP No./Year & Department	Amount (Rs.)	Subject
Excise, Taxation & Narcotics Control Department			
1	PDPs No. 208, 249, 288, 308, 324/2020-21 PDPs No. 8, 14, 16, 26, 39, 46, 54, 60, 79, 101, 115, 122/ 2021-22	2,014,293,852	Non achievement of revenue target
2	PDP No. 50/2021-22	645,882	Non realization of arrears of Hotel Tax
3	PDPs No. 1, 5, 28/2021-22	557,400	Non assessment / deposit of Income Tax on registration of vehicles
4	PDPs No. 287/2020-21 PDPs No. 10, 29/2021-22	395,940	Short assessment of motor vehicles' Registration Fee
5	PDPs No. 206, 207, 247/2020-21 PDPs No. 40, 105, 116/2021-22	-	Non assessment of Professional Tax, Hotel Tax & Property Tax
Revenue & Estate Department			
6	PDPs No. 142, 193, 214, 231, 237, 334/2020-21 PDP No. 69/2021-22	2,519,026	Doubtful deposit of government revenue
7	PDP No.178/2020-21	75,000	Short realization of Land Tax and Local Rate
8	PDPs No. 130, 133, 148, 151, 153, 188, 189, 192, 228, 229, 234, 299, 336/2020-21 PDPs No. 65, 71, 72, 73, 96, 97/2021-22	2,342,077	Non/Short-assessment of Mutation Fee & Stamp Duty on transfer of land.
9	PDPs No. 131, 132, 145, 149, 152, 252, 300, 301/2020-21 PDPs No. 66, 67/2021-22	1,918,523	Non/short-assessment of Advance Income Tax on transfer of immovable property
10	PDPs No.253/2020-21 PDP No. 64/2021-22	175,402	Non-realization of Registration Fee
Transport & Mass Transit Department			
11	PDPs No. 265/2020-21 PDPs No. 24/2021-22 (Transport Department)	9,623,592	Short fall of revenue receipts due to non-achievement of target

Annexure-A

2.5.2 Loss due to non-realization of Property Tax-Rs. 173.49 million

(Amount in Rs.)			
Sr. No.	Formation	PDP No.	Amount pointed out
1	ETO Kohat	162/2020-21	7,867,672
2	ETO Kohat	166/2020-21	1,174,235
3	ETO Haripur	201/2020-21	2,002,831
4	ETO Swabi	242/2020-21	8,278,183
5	ETO Lakki Marwat	285/2020-21	1,024,503
6	ETO Hangu	306/2020-21	2,766,507
7	ETO Tank	322/2020-21	1,580,420
8	ETO Kohat	30/2021-22	9,178,116
9	ETO Kohat	33/2021-22	498,975
10	ETO Swabi	41/2021-22	822,316
11	ETO Mansehra	47/2021-22	4,025,969
12	ETO II, Peshawar	56/2021-22	30,305,414
13	ETO VI, Peshawar	75/2021-22	12,193,020
14	ETO VI, Peshawar	76/2021-22	2,013,474
15	ETO Abbottabad	104/2021-22	5,600,256
16	ETO Abbottabad	109/2021-22	589,275
17	ETO III, Peshawar	117/2021-22	50,083,660
18	ETO III, Peshawar	118/2021-22	33,483,201
Total			173,488,027

Annexure-B

2.5.5 Loss due to non-realization of Motor Vehicle Tax-Rs. 6.77 million

(Amount in Rs.)

Sr. No.	Formation	PDP No.	Amount pointed out
1	ETO Kohat	168/2020-21	130,184
2	ETO Haripur	204/2020-21	258,510
3	ETO Swabi	245/2020-21	250,550
4	ETO Buner	258/2020-21	371,550
5	ETO Malakand	266/2020-21	1,427,000
6	ETO Malakand	269/2020-21	79,654
7	ETO Lakki Marwat	286/2020-21	265,562
8	ETO Hangu	307/2020-21	39,719
9	ETO Tank	323/2020-21	285,125
10	ETO I, Peshawar	2/2021-22	446,415
11	ETO V, Peshawar	9/2021-22	957,464
12	ETO Upper Dir	15/2021-22	695,500
13	ETO Lower Dir	25/2021-22	480,825
14	ETO Kohat	35/2021-22	108,332
15	ETO Swabi	43/2021-22	253,695
16	ETO Mansehra	52/2021-22	184,400
17	ETO Battagram	100/2021-22	388,350
18	ETO Abbottabad	112/2021-22	145,138
Total			6,767,973

Annexure-C

2.5.8 Loss due to non-realization of annual Renewal Fee from Real Estate Agents & Motor Vehicle Dealers-Rs. 1.37 million

(Amount in Rs.)			
Sr. No.	Formation	PDP No.	Amount pointed out
1	ETO IV Peshawar	3/2019-20	112,500
2	ETO Mardan	36/2019-20	58,000
3	ETO Swat	76/2019-20	154,000
4	ETO Bannu	100/2019-20	46,000
5	ETO D I Khan	150/2019-20	48,000
6	ETO Haripur	159/2019-20	45,000
7	ETO Mansehra	195/2019-20	72,500
8	ETO Karak	216/2019-20	30,000
9	ETO Abbottabad	301/2019-20	50,000
10	ETO Abbottabad	20/2020-21	87,500
11	ETO Mansehra	29/2020-21	42,500
12	ETO Mardan	55/2020-21	56,000
13	ETO Nowshera	114/2020-21	71,500
14	ETO Charsadda	120/2020-21	24,000
15	ETO Kohat	169/2020-21	48,000
16	ETO Haripur	205/2020-21	27,500
17	ETO Swabi	246/2020-21	60,000
18	ETO Malakand	267/2020-21	46,000
19	ETO Lower Dir	27/2021-22	44,000
20	ETO Kohat	36/2021-22	44,000
21	ETO Swabi	44/2021-22	72,500
22	ETO Mansehra	53/2021-22	87,500
23	ETO Abbottabad	111/2021-22	42,500
Total			1,369,500
