



**AUDIT REPORT  
ON  
THE ACCOUNTS OF  
AZAD JAMMU AND KASHMIR COUNCIL  
2017-2018**

**AUDITOR GENERAL OF AZAD JAMMU & KASHMIR**

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## **ABBREVIATIONS AND ACRONYMS**

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

## Preface

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

The report is based on audit of the accounts of various departments of Azad Jammu and Kashmir Council for the financial years 2015-16 & 2016-17. It also includes observations relating to the accounts of certain formations for previous years. The audit was conducted by Directorate General Audit Azad Jammu and Kashmir during 2016-17 & 2017-18 on test check basis with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings having value of Rs. 1 million or more. Relatively, less significant issues are listed in the Annexure-I of the Audit Report. The audit observations listed in the Annexure-I shall be pursued with the PAO at the DAC level and in all cases where the PAO does not initiate appropriate action, the audit observations will be brought to the notice of the Public Accounts Committee through the next year's Audit Report.

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

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

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

Dated:

(Javaid Jehangir)  
**Auditor General**  
**Azad Jammu and Kashmir**

## EXECUTIVE SUMMARY

The Auditor General of Pakistan is also the Auditor General of Azad Jammu and Kashmir. The Directorate General Audit, Azad Jammu and Kashmir is responsible for conducting the audit of Azad Jammu and Kashmir Council. For the purpose, the Director General Audit, Azad Jammu and Kashmir have 104 officers and staff constituting 920 man-days. The budget of Directorate General for the Financial Year 2016-17 was Rs 123.408 million. The mandate of this office includes conducting financial attest, compliance with authority audit, audit of sanctions, special audit, performance audit and propriety of the Council's expenditure and receipts.

There are 42 formations of AJ&K Council. Audit of expenditure and receipts of 20 formations was planned during 2017-18 through 04 field audit teams utilizing 650 man days, and 18 formations(0 expenditure +18 receipts) were audited which is 43% coverage of total formations.

### Objectives:

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

### a) Scope of Audit

#### (1) Expenditure audited

Against the total budget of Rs 19,682.043 million (Dev: Rs 2,500.695 million and Non Dev: Rs. 17,181.348 million) of AJ&K Council, the expenditure of Rs 15,725.349 million was incurred i.e. about 80 % of the total budget. The total

budget planned for audit during the year was Rs. 3,730.784 million which was 24% of the total budget of AJ&K Council.

**(2) Receipts audited**

The audit of receipts is based on Revenue Receipts in Financial Year 2015-16. Total budgeted receipts for the FY 2015-16 were Rs.13,875.000 million, whereas actual receipts were Rs.12,956.433 million which were 6.62% less than estimated receipts. The total receipts planned and audited during the year were Rs.12,956.433 million.

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

Audit pointed out recoverable amounts of Rs. 96.083 million as a result of the audit of expenditures, and recovery of Rs.2.867 million was effected till the compilation of this Report. Receipts of Rs.22,739.321 million were recoverable as pointed out including Rs. 17,072.949 million arrears from WAPDA on account of General Sales Tax. However recovery amounting to Rs.0.097 million was effected till the compilation of this report. Out of the total recoveries Rs. 96.083 million (expenditure) and Rs.22,739.321 million (Receipts) was not in the notice of the executive before audit.

**c) Audit methodology**

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

**d) Comments on Internal Controls**

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

The result of weak internal controls is evident from the many deficiencies in the financial management system of AJ&K Council. The PAO needs to ensure

strengthening of internal controls in each formation and proper implementation of rules, regulations and procedures.

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

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

**(1) Expenditure Audit**

- i. Non production of record (01 Para) Rs 0.314 million.<sup>1</sup>
- ii. Irregular/Unauthorized expenditure on account of Purchase of furniture and without recording detail measurement in MBs etc. (02 Paras) Rs. 63.149 million.<sup>2</sup>
- iii. Overpayment to the contractors on account of inadmissible Escalation, rates and quantities etc.(03 Paras) Rs 111.692 million.<sup>3</sup>
- iv. Non/less deduction of Government dues (03 Paras) Rs 93.216 million.<sup>4</sup>
- v. Loss due to non transparent tendering (01 Para) Rs.4.538 million.<sup>5</sup>

**(2) Revenue Receipts Audit**

- i. Non/ Short recoveries of Government taxes (23 Paras) Rs 22,602.703 million<sup>6</sup>
- ii. Non recovery of penalty on account of late non filing of withholding tax returns (06 Paras) Rs.21.786 million.<sup>7</sup>
- iii. Loss due to wrong/ fictitious adjustment of Input Tax (02 Paras) Rs. 114.832 million.<sup>8</sup>
- iv. Non production of record (02 Paras) Rs 1,124.970 million

**Recommendations**

PAO needs to ensure;

- i. Strengthening of Internal controls to avoid the recurrence of irregularities.
- ii. That remedial measures are adopted to stop the over payments in future.

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<sup>1</sup>Para 2.1.1

<sup>2</sup> Para 2.1.7,3.1.3

<sup>3</sup> Para 2.1.2,2.1.3,2.1.4,3.1.1

<sup>4</sup> Para 2.1.5 ,2.1. 6,3.1.2

<sup>5</sup> Para 2.1.4

<sup>6</sup> Para4.1.3,4.1.4,4.1.5,4.1.7,4.1.8,4.1.9,4.1.11,4.1.12,4.1.13,4.1.14,4.1.15,4.1.16 , 4.1.18, 4.1.20,4.1.21,4.1.22,4.1.24,4.1.25,4.1.28,4.1.29,4.1.30

<sup>7</sup> Para 4.1.17, 4.1.19,4.1.23,4.1.26,4.1.27,4.1.31

<sup>8</sup> Para 4.1.6,4.1.10

<sup>9</sup> Para 4.1.1,4.1.2

- iii. Recovery of Government dues and their prompt deposit in to AJ&K Council Account.
- iv. Holding the meetings of DAC regularly.



**SUMMARY TABLES**  
**EXPENDITURE**

**I. Table 1 Audit Work Statistics**

Sr. No	Description		
		No.	(Rs. Million) Budget
1	Total Entities (Ministries/PAO's) in Audit Jurisdiction	01	19,682.043
2	Total formations in audit jurisdiction	42	19,682.043
3	Total Entities (Ministries/PAO's) Audited	0	2881.684
4	Total formations Audited	0	2881.684
5	Audit & Inspection Reports	0	2881.684

**II. Table 2 Audit observations Classified by Categories**

Sr.#	Description	(Rs. Million) Amount Placed under Audit Observation
1	Unsound asset management	Nil
2	Weak financial management	204.908
3	Weak Internal controls relating to financial management	67.687
4	Others(non production of record)	0.314
	Total	272.909

### III. Table 3 Outcome Statistics

Sr. No	Description	Expenditure on Acquiring Physical Assets Procurement	Civil Works	Receipts	(Rs million) Others	(Rs million) Total current FY 2016-17	(Rs million) Total last year 2015-16
1	Outlays Audited	Nil	2500.00	Nil	381.684	2881.684	1,084.548
2	Monetary Value of audit observations/irregularities of audit	Nil	272.909	Nil		272.909	54.120
3	Recoveries Pointed Out at the instance of Audit	Nil	207.775	Nil		207.775	27.114
4	Recoveries Accepted /Established at the instance of Audit	Nil	207.775	Nil		207.775	27.114
5	Recoveries Realized at the instance of Audit	Nil	2.867	Nil	Nil	2.867	4.017

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

Sr.#	Description	(Rs million) Amount Placed under Audit Observation
1	Violation of Rules and regulations and violation of principal of propriety and probity in public operations.	67.687
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	Nil
3	Accounting Errors (accounting policy departure from NAM, misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	Nil
4	If possible quantify weaknesses of internal control systems.	Nil
5	Recoveries and overpayments, representing cases of establishment overpayment or misappropriations of public money	204.908
6	Non –production of record.	0.314
7	Others, including cases of accidents, negligence etc.	Nil
	Total	272.909

**V. Table 5 Cost-Benefit**

Sr.#	Description	Amount(million) F.Y 2015-16
1	Outlays Audited (Items 1 of Table 3)	2881.684
2	Expenditure on Audit	41.677
3	Recoveries realized at the instance of Audit	2.867
	Cost-Benefit Ratio(2/3)	1:14.53

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

Sr.#	Description	No.	Budget(million)
1	Total Entities (Ministries/PAO's) in Audit Jurisdiction	01	13875.000
2	Total formations in audit jurisdiction	18	12,956.433
3	Total Entities(Ministries/PAO's) Audited	01	12956.433
4	Total formations Audited	18	12956.433
5	Audit & Inspection Reports	18	12956.433
6	Special Audit Reports	-	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

**VII. Table 2 Audit observations Classified by Categories**

Sr.#	Description	(Rs. In Millions) Amount Placed under Audit Observation
1	Unsound asset management	-
2	Weak financial management	22,739.321
3	Weak Internal controls relating to financial management	-
4	Others	1,124.970
	Total	

**VIII. Table 3 Outcome Statistics**

Sr. #	Description	Expenditure on Acquiring Physical Assets (Procurement)	Civil Works	Receipt (Million)	Other	Total current FY 2015-16	Total Last FY 2014-15
1	Outlays Audited	Nil	Nil	12,956.433	Nil	12,956.433	3,342.186
2	Amount Placed under Audit Observation /Irregularities of Audit	Nil	Nil	23,864.291	Nil	23,864.291	21,506.271
3	Recoveries Pointed Out at the instance of Audit	Nil	Nil	23,864.291	Nil	23,864.291	21,506.271
4	Recoveries Accepted /Established at the instance of Audit	Nil	Nil	23,864.291	Nil	23,864.291	21,506.271
5	Recoveries Realized at the instance of Audit	Nil	Nil	0.097.00	Nil	0.097.00	0.555

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

Sr.#	Description	Amount Placed under Audit Observation
1	Violation of Rules and regulations and violation of principal of propriety and probity in public operations.	Nil
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	Nil
3	Accounting Errors (accounting policy departure from NAM, misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	Nil
4	If possible quantify weaknesses of internal control systems.	Nil
5	Recoveries and overpayments, representing cases of establishment overpayment or misappropriations of public money	22,739.321
6	Non production of record.	1,124.970
7	Others, including cases of accidents, negligence etc.	Nil

**X. Table 5 Cost-Benefit**

Sr.#	Description	(Millions)Amount F.Y 2015-16
1	Outlays Audited (Items 1 of Table vi )	12956.433
2	Expenditure on Audit	8.590
3	Recoveries realized at the instance of Audit	0.097
4	Cost-Benefit Ratio	1:88.56

## CHAPTER 1

### AJ&K Council Secretariat

#### 1.1 Introduction

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

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

#### 1.2 Comments on Budget and expenditure 2016-17 (Variance Analysis)

Description	(Rs Million) Budget Allocation	(Rs Million) Expenditure Incurred	Savings / excess	Percentage
Development	2,500.695	2,466.357	34.338	1.37%
Salary	1,087.214	1,024.901	62.313	6%
Non salary	16094.134	12234.091	3860.043	23.98%
Total	19,682.043	15725.349	3956.694	20%

The budget allocation utilized under Development and salary and non salary budget was 98.63%, 94% and 76.02% respectively. A variance Analysis for last two financial years is as under:

Sr. #	Particulars	Rs million FY 2016-17	Rs million FY 2015-16	Rs million Variance	%age
1.	Budget Allocation	19682.043	21,843.027	2160.984	10.97%
2.	Total Expenditure	15725.349	14,133.033	1592.316	10%
3.	Audited Expenditure	2881.684	1,084.548	1797.136	62%

### 1.3 Brief Comments on Status of PAC Directives

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

Year	Total Paras	No. of Paras Discussed	Compliance made	Compliance awaited	%age
2009-10	36	36	16	20	44%
2010-11	64	64	17	47	27%
2011-12	37	--	--	37	0%
2012-13	30	--	--	30	0%
2013-14	33	--	--	33	0%
2014-15	28	--	--	28	0%
2015-16	39	--	--	39	0%
2016-17	40	--	--	40	0%

## CHAPTER 2

### AJ&K COUNCIL SECRETARIAT

#### COMPLIANCE AUDIT ISSUES

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

#### 2.1 AUDIT PARAS

##### 2.1.1 Non production of record amounting to -Rs. 0.314 million

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

During scrutiny of Cash book of AJ&K Council Secretariat Islamabad for the year 2014-15, the Council Secretariat did not provide relevant record of expenditure to the tune of Rs 314,000 as per detail given below:-

Sr.No	AIR Para No.	Nature of Observation	Amount (Rs.)
1.	51	Non production of record	314,000
		<b>Total</b>	<b>314,000</b>

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

The matter was brought to the notice of the Department in May 2017, through the annexure-1 but no reply was received.

The department convened the DAC meeting in December 2017, but record was not provided in the DAC meeting and DAC directed to provide record but no progress has been made till the finalization of this report.

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

**(Advance Para No.201**

**Annexure-1 2016-17 )**



### **2.1.2 Overpayments due to over and above schedule rates -Rs.60.980 million**

According to Para 2.58 B&R Code, payment should be made for quantities and rates mentioned in the Bill of quantity/Technical sanction and according to CPWA Code Para No. 164 and 296 rates entered in estimates should generally agree with the schedule rates, but if where considered not sufficient, the deviation should be prepared.

During the Audit of the Contracts files of Azad Jammu & Kashmir Council secretariat, for the year 2015-16, it has been observed that Payments were made over and above the schedule rates in the different items of works without revised estimates and approval from the competent authority.

Sr. #	Para No.	Nature	Amount
1.	57	Overpayment than the schedule rates	60,980,036
		Total	60,980,036

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

The matter was brought to the notice of the department in May 2017 and PAO in September 2017, but no reply was received. The department convened the DAC meeting in December 2017, but justification was not provided in the DAC meeting and DAC directed to verified the rates and if not justify, recover the overpaid amount but no progress has been made till the finalization of this report.

Audit recommends that the overpaid amount be recovered and remitted into AJK council's Account. Disciplinary action be taken against the person(s) at fault. Internal controls need to be strengthened to avoid the reoccurrence of such lapses in future.

**Advance Para No.128**

### **2.1.3 Overpayment to contractors against civil work Amounting to -Rs.17.690 million.**

According to Para 221-222 of Central Public Works Accounts Code, Divisional officer is responsible for making only admissible payment after applying 100% check on the arithmetical calculations of the bills in comparison with the entries recorded in the measurement books of the relevant project/works.

During scrutiny of contract files of the Projects of the AJ&K Council Secretariat Islamabad for the year 2015-16, Audit has observed following over payments made in different items of works:

Sr.No	AIR Para No	Nature of observation.	Amount (Rs.)
1	12	Overpayment to contractor in civil work	17,689,925
		<b>Total</b>	<b>17,689,925</b>

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

Audit brought the matter to the notice of the Department in May 2017 and PAO in September 2017. The department convened the DAC meeting in December 2017, in which DAC directed to recover the amount from the contractor but no progress has been made till finalization of this report.

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

**Advance Para No117.**

#### **2.1.4 Non-transparent tendering process loss to council exchequer amounting to -Rs.4.538 million**

According to Public Procurement Regulatory authority ordinance 2002 (xx II of 2002), Procuring agencies, while engaging in procurement, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. According to rule 9 of PPRA regulation 2009 the annual requirement of the organization would be advertised in advance on the authority website of PPRA as well as on the website to the procuring agency.

During the scrutiny of record of AJ&K Council secretariat, for the year 2015-16, it has been observed that contract for purchase of furniture and carpets etc for Masjed in Council Secretariat was awarded to M/S Inyat Builders under No.D-02/7/2013- AJKC dated 18-4-2016 costing Rs.49.420 Million. As per MB No.133 page 4 item No.2 Joynamaz for Masjed 715 sft @ 6250 sft Rs.4,468,750 + premium @ 4.48% Rs.200,200 total 4,668,950 has found claimed. Whereas in market, superior quality Joynamaz rates are available @ 182.81per sft including 17% sales tax. The actual amount 715 sft @ 182.81=130,709 was required to be paid to the contractor whereas an amounting to Rs.4,538,241 has been overpaid.

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

Audit brought the matter to the notice of the Department in May 2017 and PAO in September 2017. The department convened the DAC meeting in December

2017, in which DAC directed to recover the amount from the concerned but no progress has been made till finalization of this report.

Audit recommends that the overpaid amount be recovered and remitted into AJK council's Account. Disciplinary action be taken against the person(s) at fault. Internal controls need to be strengthened to avoid the reoccurrence of such lapses in future.

AIR Para No.33

**Advance Para No.123**

**2.1.5 Loss to government due to non/ less deduction of govt. dues  
-Rs.86.239 million**

According to the Income Tax ordinance 2009, Clause-C sub section 3 of section 153 and Finance Act 2015, GST 17% and Income Tax @ 4.5% from filer and 6.5% from non filer was required to be deducted at prescribed rate from suppliers and as per Para 26 of General Financial Rules Vol.Ist, it is the responsibility of the Department/DDO to ensure timely and promptly assessment/collection and depositing of the Govt. dues into the Govt. treasury and according to Finance Department letter No.50(FR)/9-7-2002 dated 29-12-2003 the earnest money shall be 2% of the estimated/bid cost. The successful bidder shall pay 10% of bid cost as tender security.

During scrutiny of the Accounts of AJ&K Council Secretariat Islamabad for the year 2014-16, Audit observed that Govt. taxes were either not deducted or less deducted resulting in a loss of Rs. 86,238,809 to the AJ&K Council as detailed below:

S. No	AIR Para No	Period of Audit	Nature of observation.	Amount (Rs.)
1.	7,56,61	2015-16	Non/ less deduction of Income Tax	83,582,333
2.	4	2015-16	Non deduction of withholding of GST	1,579,647
3.	11	2015-16	Non/less deduction of GST	92,630
4.	6	2015-16	Overpayment of Sales tax due to excess addition in rates.	113,369
5.	16	2015-16	Overpayment of advance tax	440,000
6	31	2015-16	Less deduction of security deposit	112,210
7	20	2014-15	Non deduction of withholding of GST	148,176

8	23	2014-15	Less deduction of salary income tax	170,444
			<b>Total</b>	<b>86,238,809</b>

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

The matter was brought to the notice of the department in May 2017 and PAO in September 2017, but no reply was received. The department convened the DAC meeting in December 2017, in which an amount of Rs. 2,825 against serial No.3 has recovered and DAC directed to recover remaining amount but no progress has been made till the finalization of this report.

Audit recommends that the amount be recovered and remitted into AJ&K Council's Account under intimation to audit. Responsibility be fixed against person(s) at fault and timely recovery of Govt. dues be ensured in future. Advance Para No.120 & (AP No.203 Annexure-1 2016-17)

### **2.1.6 Non recovery of mobilization advance Rs.3.884 million**

According to Central Public Works Accounts Code Para No.228, the amount of mobilization advance was required to be recovered from the contractor in stipulate time frame given in the contract agreement.

During Audit of the accounts of AJ&K Council Secretariat Islamabad for the year 2015-2016, it was observed that an amount of Rs.3,883,517 as per contract agreements was required to be recovered from the contractors on amount of mobilization advance but the said amount has not been recovered which is the clear violation of the contract agreements.

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

The matter was brought to the notice of the department in May 2017 and PAO in September 2017, but no reply was received. The department convened the DAC meeting in December 2017, and DAC directed to recover the amount but no progress has been made till the finalization of this report.

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

AIR Para No.5, 23, 24

**Advance Para No.126**

### **2.1.7 Irregular and unjustified expenditure Rs 31.171 million.**

According to PPRA Rule (2) of rule 12 provides that all the procurement opportunities over two million rupees should be advertised on the Authority's website as well as in print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies and must be incurred in economical manner and after advertisement lowest bidder should be awarded the contract and according to General Financial Rules Para 10 every officer incurring or authorizing expenditure from Public Funds should be guided by high standards of financial propriety. Among the principles on which emphasis is generally laid is (i) every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During scrutiny of the Bills of AJ&K Council Secretariat Islamabad for the year 2015-16, it has been observed that irregular and unjustified expenditure has been incurred as per detail given below:

Sr.#	Para No.	Nature	Amount
1	10	Irregular expenditure on account of purchase of furniture	31,170,900
		<b>Total</b>	<b>31,170,900</b>

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

The matter was brought to the notice of the department in May 2017. The matter was brought to the notice of the department in May 2017 and PAO in September 2017, but no reply was received. The department convened the DAC meeting in December 2017, in which DAC directed to obtain necessary approval from the competent authority but no progress has been made till the finalization of this report.

Audit Recommends that Irregular paid amount be regularized after getting necessary relaxation in the relevant rules from the competent authority. Responsibility be fixed against person(s) at fault. Internal controls be strengthened to avoid the recurrence of such lapses in future.

**Advance Para No.122**

## CHAPTER 3

### LOCAL GOVERNMENT AND RURAL DEVELOPMENT DEPARTMENT

#### 3.1 AUDIT PARAS

##### 3.1.1 Overpayment to Contractors Against the Approved Quantities/ wrong calculation Rs. 18.945 million.

According to B & R Department Code Para 2.109 and 2.110 revised sanction to the estimates from the competent authority is required to be obtained in case of execution of work more than that approved estimates and according to CPWD Code Para 208 payment is required to be made to the contractors against actual work done at site and Para 44 provides that Divisional Officer is responsible for excess of actual overestimated of work.

During scrutiny of the bills / Measurement Books of the under mentioned offices, (AJ&K Council funded) revealed that the payments were made beyond the approved quantities/wrong calculation resulting overpayments of Rs.18,944,711 The detail is as under:-

S. No	Name of office	Nature of observation	Period of Audit	Para No.	Over paid Amount (Rs.)
1	Assistant Director Local Government Kotli	Over payment beyond the approved quantity	7/2016 to 6/2017	25	18,028,451
2	Assistant Director Local Government Kotli	Over payment due to wrong calculation	7/2016 to 6/2017	32	916,260
				Total	<b>18,944,711</b>

Audit observed that overpayment was made due to weak financial controls and loss to government treasury.

Audit brought the matter to the notice of the DDOs in September 2017, and PAO in October 2017, but no reply was received. Despite frequent requests, the department did not convene the DAC meeting till finalization of this report.

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

#### **Advance Para No.129**

##### 3.1.2 Loss to Government due to non/less deduction of Government dues -Rs. 3.093 million.

According to the GST Act 1990 Para 3 (2)(A) and Section 153(3) of the Income Tax Ordinance 2001, Section 13 of Education Cess Act 1975, notification no Admin /H-10(66)/91 dated 06-01-1992, Finance Act 2012, Section 07 Sub Section 01, GST 17%, IT 10%, EC 10%, TQT 0.2% and KLC 0.1% respectively are required

to be deducted while making payments and As per Para 26 of General Financial Rules Vol-I, it is the responsibility of the Department /DDO to ensure timely and promptly assessment and depositing of the Government dues into the Government treasury.

Scrutiny of the vouchers of various offices of Local Government for the year 2016-17 revealed that government dues were not deducted and not remitted into Government treasury detail is as under.

Sr #	Name of office	AIR Para #	Period of Audit	Nature of observation.	Amount (Rs.)
1	Assistant Director Local Government Kotli	28	7/2016 to 6/2017	Non deduction of IT , TQT, KLC and EC	2,903,423
2	Assistant Director Local Government Kotli	29	7/2016 to 6/2017	Non remittance of Road roller rent into Government treasury	190,000
				Total	<b>3,093,423</b>

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

Audit brought the matter to the notice of the DDOs in September 2017 and PAO in October 2017, but no reply was received. Despite requests, the department did not convene the DAC meeting till finalization of this report.

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

**Advance Para No.131**

### **3.1.3 Irregular payment without work done Rs.31.978 million**

According to Local Government Rules Para 13(4) no advance payment can be made to the contractor against the development project According to Para 208 & 209 of CPW Accounts Code, payment of work done is required to be made after recording the detailed measurements of work done in the Measurement Books. Further, Para 44 of CPW Department Code says that the Divisional Officer is responsible for making the correct payments.

Scrutiny of the record of Assistant Director Local Government Kotli (funded by AJ&K Council) for the year 2016-17, it has been observed that payments

of Rs. 31,978,240 were made to the five contractors without work done in advance which is violation of above rules.

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

Audit brought the matter to the notice of the DDOs in September 2017 and PAO in October 2017, but no reply was received. Despite requests the department did not convene the DAC meeting till finalization of this report.

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

AIR Para No.27

**Advance Para No.130**



## CHAPTER 4

### EXCISE AND TAXATION DEPARTMENT

#### 4.1 AUDIT PARAS

##### 4.1.1 Non production of record amounting to –Rs.590.097 million

According to General Financial Rules it is the responsibility of Department to produce all Auditable record for the purpose of audit with complete in all respects for detail scrutiny. According to Section 15 of the Auditor General of Azad Jammu & Kashmir (Function's Power and Terms & Conditions of Service) Act, 2005, it is the responsibility of the Department to provide record /information to Audit

Contrary to above during the scrutiny of record pertaining to the Inland Revenue Department for the Tax Year 2016, it was observed that relevant record for the purpose of Audit was not provided to Audit Party. As per detail given below;

S#	Name of Formation	AIR Para No	Record not Provided	Amount (Million)
1	Salary Circle Muzaffarabad	10	Withholding Tax Record	356.905
2	Business Circle Mirpur	23	Misc Record	233.192
3	Company Circle Mirpur	18	Refunds Record	-
			<b>Total</b>	590.097

Audit observed that the non-provision of record occurred due to negligence of the concerned.

The matter was brought to the notice of the Management and PAO through Audit and Inspection Reports some formations replies were received and Paras were partially settled in the light of reply. The matter was again communicated to the department through Advance Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

Audit recommends that the said record be provided to Audit for scrutiny & timely provision of auditable record be insured in future. **Advance Para 37**

#### 4.1.2 Non production of record amounting to –Rs.534.873 million

According to General Financial Rules it is the responsibility of Department to produce all Auditable record for the purpose of audit with complete in all respects for detail scrutiny. According to Section 15 of the Auditor General of Azad Jammu & Kashmir (Function’s Power and Terms & Conditions of Service) Act, 2005, it is the responsibility of the Department to provide record /information to Audit

Contrary to above during the scrutiny of record pertaining to the Inland Revenue Department (Provincial Taxes) for the Tax Year 2016, it was observed that relevant record for the purpose of Audit was not provided to Audit Party. As per detail given below;

S#	Detail of non-production	
	Excise Circle Muzaffarabad	Excise Circle Mirpur
1	PC Hotel Sales Tax Record for the Tax Year 2016	Sales Tax returns of M/S Walton Tobacco for the Tax Year 2016
2	Muslim Book Land Sales Tax Record for the Tax Year 2016	Federal Excise Duty Record for the Tax Year 2016 Rs.524,712,619
3	Abdullah Autos Sales Tax Record for the Tax Year 2016	Excise Duty on medicine Record for the Tax Year 2016 Rs.1,293,824
4	Adeel Autos Sales Tax Record for the Tax Year 2016	Real Estate Agents License Record for the Tax Year 2016 Rs.135,900
5	Riaz Autos Sales Tax Record for the Tax Year 2016	
6	Valley Tracker Sales Tax Record for the Tax Year 2016	
7	Azad Book Depot Sales Tax Record for the Tax Year 2016	
8	Danyal Corporation Sales Tax Record for the Tax Year 2016	
9	Unique Business Solutions Sales Tax Record for the Tax Year 2016	
10	Standard Furniture Sales Tax Record for the Tax Year 2016	

11	Road Toll Record Rs. 8,731,000	
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Audit observed that the non-provision of record occurred due to negligence of the concerned.

The matter was brought to the notice of the Management and PAO through Audit and Inspection Report but no reply was received. The matter was again communicated to the department through Advance Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

Audit recommends that the said record be provided to Audit for scrutiny & timely provision of auditable record be insured in future. **Advance Para 14**

**4.1.3 Loss of government due to non-recovery of arrear of sales tax, excise duty - Rs. 17,072.949 million**

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

Contrary to above, scrutiny of the record of Excise Circle Mirpur for the tax year 2016 revealed that the department did not collect arrears of Sales Tax & Excise Duty from the concerned for the period July 2015 to June 2016. The omission has resulted in a financial loss of Rs. 17,072,948,500 to the Government Treasury.

Audit observed that the non-recovery of arrears of sales tax and federal excise occurred due to in efficiency of the department.

The matter was brought to the notice of the Management and PAO through Audit and Inspection Report but no reply was received. The matter was again communicated to the department through Advance Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

Audit recommends that the arrears amount of Sales Tax & Excise Duty may be recovered and remitted in to Government Treasury under intimation to Audit & timely collection of the Government dues be insured in future by strengthening of the Department. **Advance Para 05**

**4.1.4 Loss of government due to non-recovery of arrears of government dues  
- Rs. 5,128.747 million**

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

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

Contrary to above, Scrutiny of the record of various offices of Inland Revenue Department for the tax year 2016 revealed that department did not collect the arrears of Government Dues relating to previous years which resulted a loss of Rs. 5,128,699,196 to the Government. The detail is given in annexure “A”

The matter was brought to the notice of the Management and PAO through Audit and Inspection Reports some formations replies were received and Paras were partially settled in the light of reply. The matter was again communicated to the department through Advance Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

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

**Advance Para 30**

#### **4.1.5 Loss of government due to short / non realization of minimum tax and education cess amounting to - Rs. 122.319 million**

According to Section 113(1) this section shall apply to a resident company an individual (having turnover of fifty million rupees or above in the tax year 2009 or in any subsequent tax year and an association of persons having turnover of fifty million rupees or above in the tax year 2007 or in any subsequent tax year where, for any reason whatsoever allowed under this Ordinance, including any other law for the time being in force.

According to Section 113(2) the person shall pay as income tax for the tax year instead of the actual tax payable under this Ordinance, minimum tax computed on the basis of rates as specified in Division IX of Part I of First Schedule;

Contrary to above, Scrutiny of the record of various offices of Inland Revenue Department for the tax year 2016 revealed that some tax payers having turnover more than fifty million or above were required to charge minimum income tax as required under above law but they didn't charge Minimum tax and department did not recover such tax from tax payers. The Omission has resulted in a loss of Rs. 122,318,908 to the Government Treasury. The detail is given in annexure "B"

The matter was brought to the notice of the Management and PAO through Audit and Inspection Reports some formations replies were received and Paras were partially settled in the light of reply. The matter was again communicated to the department through Advance Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

Audit recommends that the amount of Minimum Tax and Education Cess may be recovered and remitted into Government Treasury under intimation to Audit & timely collection of the Government dues be ensured in future by strengthening the Internal Control System of the department. Advance Para 28

#### **4.1.6 Inadmissible input tax adjustment due to non-verification of banking channel amounting to Rs. 82.838 million.**

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

(2) The buyer shall not be entitled to claim input tax credit, adjustment or deduction, or refund, repayment or draw-back or zero-rating of tax under this Act if

payment for the amount is made otherwise than in the manner prescribed in sub-section (1), provided that payment in case of a transaction on credit is so transferred within one hundred and eighty days of issuance of the tax invoice.

(3) The amount transferred in terms of this section shall be deposited in the business bank account of the supplier, otherwise the supplier shall not be entitled to claim input tax credit, adjustment or deduction, or refund, repayment or drawback or zero-rating of tax under this Act.

In term of Sales tax general order # 13, dated 28-12-1999 all registered person are required to make all payment (against purchase of taxable goods and inputs) exceeding fifty thousand rupees , in the shape of “crossed cheque” , “crossed bank ” or crossed pay order and keep a copy of the same for their record , duly reflected in bank statements (where applicable) to claim input tax adjustment , credit, deduction , or zero rating for the tax paid in such transactions , in case of transactions or payment for transactions (for amount exceeding rupees 50,000) being not inconformity with the provision of section 73 of the Sales Tax Act 1990, no input tax credit , adjustment , deduction , refund or zero rating shall be admissible on such purchase of taxable goods.

Contrary to above during scrutiny of the sales tax record only sales tax returns cum payment challans & purchase summary of the Excise Circle Mirpur for the tax year 2016 it was observed that 3 registered persons did not verify the payment of transaction amount paid through the banking channel as per invoice summary as required under above rule the omission resulted the inadmissible input tax adjustment amounting Rs. 82,838,033 as per detail given below.

S#	Sales Tax Registered Person	Period	Amount of Purchases not verified Through Banking Channel
1	Noble Foam	Jul-15	22,370,968
2	Capital Foam	Jun-16	59,966,863
3	Diamond Polymer	Jan-16	500,202
Total			82,838,033

Audit observed that the irregular adjustment of the input tax occurred due to non-observance of the relevant rules.

The matter was brought to the notice of the Management and PAO through Audit and Inspection Report but no reply was received. The matter was again communicated to the department through Advance Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

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

**Advance Para 15**

**4.1.7 Non deduction of advance tax under section 148a amounting to -Rs. 63.089**

According to Section 148A (1) of the Income Tax Ordinance 2001, the manufacturers of cooking oil or vegetable ghee, or both, shall be chargeable to tax at the rate of two percent on purchase of locally produced edible oil.

(2) The tax payable under sub-section (1) shall be final tax in respect of income accruing from locally produced edible oil.

Contrary to above during the scrutiny of the Income Tax record of the Assistant Commissioner Inland Revenue Company Circle Mirpur for the Tax Year 2016 it was observed that M/S Salam Oil & Ghee Mills Mirpur depicted an amount of Rs. 2,867,666,913 as purchases in their Income Tax Returns and they had to pay tax as per in above referred Section but they didn't pay such tax and the department failed to recover the outstanding amount from the tax payer which resulted in a financial loss of Rs. 57,353,338 on account of Income Tax and Rs. 5,735,334 on account of Education Cess to the Government Treasury.

The matter was brought to the notice of the Management and PAO through Audit and Inspection Reports reply of the formation regarding the Para was not satisfactory. The matter was again communicated to the department through Advance

Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

Audit recommends that the outstanding amount of Income Tax and Education Cess be recovered and remitted in to the Government Treasury under intimation to Audit and timely realization of Government Dues be insured in future.

### **Advance Para 38**

#### **4.1.8 Non deduction / payment of advance tax & education cess under section 236 G&H - Rs. 41.388 million.**

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

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

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

Contrary to above, Scrutiny of the record of various offices of Inland Revenue Department for the tax year 2016 revealed that different tax payers were required to deduct advance tax as required under above laws but they didn't deduct such advance tax and in some cases Tax payers were required to pay Advance tax under Section 236 H which was not deducted from them and department did not



recover such tax from tax payers. The Omission resulted in a loss of Rs. 41,387,991 to the Government Treasury. The detail is given in annexure “C”

The matter was brought to the notice of the Management and PAO through Audit and Inspection Reports some formations replies were received and paras were partially settled in the light of reply. The matter was again communicated to the department through Advance Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

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

**Advance Para No.26**

**Annexure “T” AR 2016-17**

**4.1.9 Less / non-payment of 2% extra sales tax on specified goods**

**- Rs. 39.220 million**

As per Rule 58S of Sales Tax Special Procedures Rules 2007 of chapter XIII special procedure for payment of extra sales tax on specified goods. As per serial number 03 of the said rule “Foam or spring mattresses and other foam products for household use” are also included in in specified goods.

As per Rule 58T of Sales Tax Special Procedures Rules 2007 of chapter XIII special procedure for payment of extra sales tax on specified goods

- (1) Extra amount of sales tax @ 2% of value of supplies shall be levied and collected on the supplies of specified goods by manufactures and importers in addition to tax payable under sub section (1) and (2) of section 3 of the Act, as the case may be.
- (2) Extra amount of sales tax so charged and collected by the above listed registered person shall be declared in the monthly return against relevant supplies and shall be deposited without any adjustment against the same.

Contrary to above during the scrutiny of the record of the Deputy Commissioner Inland Revenue Excise Circle Mirpur for the tax year 2016, it was

observed that some registered companies were dealing in specified goods (Foam or spring mattresses and other foam products for household use) but did not paid 2% extra sales tax as per above referred rules. The omission resulted in a financial loss of Rs. 39,220,422.

AIR Para	No of Persons	Sales	2% Extra Sales Tax Due	2% Extra Sales Tax Deducted	Short Payment
3	2	3,621,566,548	72,431,331	46,360,723	26,070,608
4	1	657,490,707	13,149,814	-	13,149,814
Total	3	4,279,057,255	85,581,145	46,360,723	39,220,422

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

The matter was brought to the notice of the Management and PAO through Audit and Inspection Report but no reply was received. The matter was again communicated to the department through Advance Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

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

#### **Advance Para 06**

#### **4.1.10 Loss of government due to inadmissible and irregular adjustment of sales tax - Rs. 31.994 million**

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

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

iii In case of goods purchased in auction, he holds a treasury challans in his name and bearing his registration number showing payment of sales tax.

Contrary to above, scrutiny of the record of following 03 offices of Inland Revenue Department for the tax year 2016 revealed that 7 registered persons have adjusted Input Tax against output payable tax without production of the documentary evidences to prove the status of their claims in light of above 3 conditions. The amount adjusted as mentioned below was inadmissible / irregular which has resulted in a financial loss of Rs. 31,994,403 to the Government Treasury. The detail is as under.

S#	Formation	AIR Para No	No of Person	Doubt full Adjustment
1	Excise Circle Mirpur	9	4	27,567,393
2	Excise Circle Muzaffarabad	3	1	3,675,534
3	AC Bhimber	18	2	751,476
Total			7	31,994,403

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

The matter was brought to the notice of the Management and PAO through Audit and Inspection Reports some formations replies were received and partially settled in the light of reply. The matter was again communicated to the department through Advance Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

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

**Advance Para 02**

#### 4.1.11 Less realization sales tax - Rs. 21.931 million.

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

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

Contrary to above, scrutiny of the record of 03 offices of Inland Revenue Department for the tax year 2016 revealed that Sales tax rates was 17% while some sales taxpayers either calculated their sales tax at the rate of 16% or paid no Sales Tax due to which sales tax was short levied. The omission resulted in a financial loss of Rs. 21,931,031 to the Government Treasury. The detail is as under.

S #	Name	AIR Para	Turnover	Sales Tax @ 17%	GST Paid	GST Short
1	Excise Circle Mirpur	7	43,146,670	7,334,934	2,407,104	4,927,830
2	Excise Circle Muzaffarabad	2	150,538,222	25,591,498	8,640,921	16,950,577
3	AC Bhimber	19, 21	-	-	-	52,625
Total			193,684,892	32,926,432	11,048,025	21,931,031

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

The matter was brought to the notice of the Management and PAO through Audit and Inspection Reports some formations replies were received and partially settled in the light of reply. The matter was again communicated to the department through Advance Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

Audit recommends that the amount of short realization of Sales Tax may be recovered and remitted into Government Treasury under intimation to Audit and steps

may be taken to strengthen internal control system of the department to avoid such lapses in future.

**Advance Para 04**

**4.1.12 Loss of government due to non / less realization of income tax & education cess amounting to - Rs. 21.360 million**

According to section 137 (1) of the Income Tax Ordinance 2001 the tax payable by a tax payer on the taxable income of the tax payer [including the tax payable under Section 113 or 113A] for a tax year shall be due on the due date for furnishing the tax payer's return of income for that year.

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

Contrary to above, Scrutiny of the record of various offices of Inland Revenue Department for the tax year 2016 revealed that some tax payers did not pay income tax and some tax payers paid less income tax. The omission has resulted in a loss of government revenue amounting to Rs. 21,359,602. The detail is given in annexure D:-

The matter was brought to the notice of the Management and PAO through Audit and Inspection Reports some formations replies were received and Paras were partially settled in the light of reply. The matter was again communicated to the department through Advance Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

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

**Advance Para 29**

**4.1.13 Non deduction / payment of advance tax & education cess on purchase under section 153 - Rs. 18.318 million.**

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

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

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

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

Contrary to above, Scrutiny of the record of various offices of Inland Revenue Department for the tax year 2016 revealed that different tax payers were falling under above rule but they didn't deduct tax from their suppliers on purchases as required under above rule as per detail given below;

S#	Name of Formation	AIR Para No	Tax Due	Tax Paid	Difference	E. Cess Outstanding	Total
1	IRO Dadyal	12	4,136,631	-	4,136,631	413,663	4,550,294
2	DC Prof. Circle Mzd	14	29,052,452	18,677,312	10,375,140	2,905,245	13,280,386
3	Company Circle Mirpur	13	443,084	-	443,084	44,308	487,392
Total			33,632,167	18,677,312	14,954,855	3,363,216	18,318,072

The matter was brought to the notice of the Management and PAO through Audit and Inspection Reports some formations replies were received and Paras were partially settled in the light of reply. The matter was again communicated to the

department through Advance Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

Audit recommends that the department may obtain original purchase invoices from the relevant tax payers and investigate the matter and recoveries if any be made under intimation to audit. Result of such investigation may be communicated to Directorate of Revenue Receipts Audit Mirpur A.K. **Advance Para 33**

#### **4.1.14 Short realization of the excise duty amounting - Rs. 16.499 million.**

According to Section 3(1) of the Federal Excise Duty Act 2005, subject to the provision of this Act and rules made there under, there shall be levied and collected in such manner as may be prescribed duties of excise on

- (a) Goods produced or manufactured in Pakistan
- (b) Goods imported in to Pakistan
- (c) Such goods as the Federal Government may, by notification in the official gazette specify, as are produced or manufactured in the non-tariff areas and are brought to the tariff areas for sale or consumption therein; and
- (d) Services provided in Pakistan including the services originated outside but rendered in Pakistan

During the scrutiny of the Federal Excise record for the Tax Year 2016 in respect of Asst. Commissioner Inland Revenue Circle – 08 Bhimber, it was observed that The Federal Excise Duty was paid by 04 tax payers at a lesser rate and the Department didn't take any steps to recover the outstanding amount. The omission resulted in a financial loss of Government Revenue amounting to Rs. 16,498,909.

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

The matter was brought to the notice of the Management and PAO through Audit and Inspection Reports some formations replies were received and partially settled in the light of reply. The matter was again communicated to the department

through Advance Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

The Department may take steps to recover the amount of excise duty under intimation to Audit & steps may be taken to strengthen internal control system of the department to avoid such lapses in future.

**Advance Para No.9**

**4.1.15 Non levy of education cess on income tax collection- Rs.14.331 million.**

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

Contrary to above, Scrutiny of the record of various offices of Inland Revenue Department for the tax year 2016 revealed that department collected Income Tax from different tax payers but did not collect Education Cess as required under above rule from such tax payers. The Omission resulted in a loss of Rs.14,330,640 to the Government Treasury. The detail is given in annexure “E”

The matter was brought to the notice of the Management and PAO through Audit and Inspection Reports some formations replies were received and Paras were partially settled in the light of reply. The matter was again communicated to the department through Advance Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

Audit recommends that the outstanding amount of Education Cess may be recovered and deposited into AJ&K Government Treasury under intimation to Audit & recurrence of such practice negligence may be avoided in future.

**Advance Para 25**

**4.1.16 Less realization of sales tax due to excess adjustment of input sales tax - Rs. 13.936 million.**

According to Section 8-B of the Sales Tax Act 1990, a registered person shall not be allowed to adjust input tax in excess of 90% of the output tax for that tax



period. Furthermore as per Section 06 (2), the tax in respect of taxable supplies made during a tax period shall be paid by the registered person at the time of filing of return in respect of that period

Contrary to above, Scrutiny of the record of Excise Circle Mirpur for the tax year 2016 revealed that 3 Sales tax registered person who calculated their tax liability by unlawfully adjusting the input tax at the rate 100% of output Sales Tax of the relevant period which is against above rule and didn't pay 10% Sales Tax due to which sales tax was short levied. The omission resulted in a financial loss of Rs. 13,936,181 to the Government Treasury. The detail is as under.

AIR Para	No of Person	Sales	Sales Tax Due @ 17%	Amount Adjusted	90% Allowed	Short Payment
5	3	513,592,779	87,310,772	85,690,072	71,753,891	13,936,181

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

The matter was brought to the notice of the Management and PAO through Audit and Inspection Report but no reply was received. The matter was again communicated to the department through Advance Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

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

**Advance Para 03**

**4.1.17 Non realization of penalty due to late/non filing of withholding tax statements - Rs. 9.590 million.**

According to serial no (1A) in the Table given in sub-section (1) of section 182 of the Income Tax Ordinance 2001, Where any person fails to furnish a statement as required under section 115, 165 or 165A within the due date Such person shall pay

a penalty of Rs. 2,500 for each day of default subject to a minimum penalty of fifty thousand rupees.

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

Contrary to above, Scrutiny of the record of various offices of Inland Revenue Department for the tax year 2016 revealed that 49 tax payers filed their income tax returns but did not file their wealth statements and 57 withholding agents did not file withholding tax statements for different periods but the department did not impose / recover the amount of penalty. The Omission resulted in a loss of Rs. 9,590,000 to the Government Treasury. The detail is given in annexure F;

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

The matter was brought to the notice of the Management and PAO through Audit and Inspection Reports some formations replies were received and Paras were partially settled in the light of reply. The matter was again communicated to the department through Advance Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

Audit recommends that the amount of penalty may be recovered and remitted into Government Treasury under intimation to Audit and imposition of penalty at prescribed rates on each defaulter be ensured in future. **Advance Para 17**

#### **4.1.18 Short realization of sales tax due to suppression of sale- Rs. 5.814 million.**

According to section 3 of the Sales Tax Act, 1990 there shall be charged, levied and paid sales tax at the rate of Seventeen per cent of the value of taxable supplies made by a registered person in the course or furtherance of any taxable activity carried on by him or the goods imported in Pakistan.

Contrary to above rule it was observed during the Scrutiny of the Sales Tax record Four (04) taxpayers under the jurisdiction of Asst. Commissioner Excise Circle Mirpur had shown their sales at lesser value in their Sales Tax Returns as compared with the figure of sales as shown in their Income Tax Returns filed for the Tax year 2016. This transpired that the sales in the Sales Tax Returns were suppressed by the taxpayer which were liable to Sales Tax at the prescribed rate as per above provision of law. The tax authorities also did not take notice of this omission. The irregularity resulted in short payment of Sales Tax amounting Rs. 5,813,717 during the Tax year 2016. Detail is given below;

S#	Sales Tax Registered Person	Sales as per Income Tax Returns	Sales as per Sales Tax Return	Short	Sales Tax	2% Extra Sales Tax	Total
1	Capital Industries	1,452,625,496	1,451,871,094	754,402	128,248	15,088	143,336
2	Azad Mega Mart	167,833,605	160,644,886	7,188,719	1,222,082	-	1,222,082
3	Noble Foam	765,942,271	743,799,452	22,142,819	3,764,279	442,856	4,207,136
4	Rupyal Hotel	11,972,000	10,553,398	1,418,602	241,162	-	241,162
	Total	2,398,373,372	2,366,868,830	31,504,542	5,355,772	457,944	5,813,717

Audit observed that the loss occurred due to in efficiency of the concerned.

The matter was brought to the notice of the Management and PAO through Audit and Inspection Report but no reply was received. The matter was again communicated to the department through Advance Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

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

#### **Advance Para 08**

#### **4.1.19 Non realization of penalty for late / non-filing of income tax returns**

**- Rs. 4.907 million.**

According to serial no (1) in the Table given in sub-section (1) of section 182 of the Income Tax Ordinance 2001, Where any person fails to furnish a return of income as required under section 114 within the due date Such person shall pay a

penalty equal to 0.1% of the tax payable in respect of that tax year for each day of default subject to a maximum penalty of 50% of the tax payable provided that if the penalty worked out as aforesaid is less than twenty thousand rupees or no tax is payable for that tax year such person shall pay a penalty of twenty thousand rupees.

Contrary to above, Scrutiny of the record of various offices of Inland Revenue Department for the tax year 2016 revealed that 43 taxpayers filed their Income Tax returns after the due date and 202 tax payers did not file their Income Tax Returns. The Department did not impose/recover the amount of penalty which resulted in a financial loss of Rs.4,907,012 to the Government Exchequer. The detail is given in annexure “G”

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

The matter was brought to the notice of the Management and PAO through Audit and Inspection Reports some formations replies were received and paras were partially settled in the light of reply. The matter was again communicated to the department through Advance Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

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

#### **Advance Para 16**

##### **4.1.20 Non deduction of income tax & education cess on director fee amounting to - Rs. 4.623million**

According to Section 149(3) of the Income Tax Ordinance 2001 Notwithstanding anything contained in sub-sections (1) and (2), every person responsible for making payment for directorship fee or fee for attending board meeting or such fee by whatever name called, shall at the time of payment, deduct tax at the rate of twenty percent of the gross amount payable.

Contrary to above during the scrutiny of Income Tax record pertaining to Assistant Commissioner Inland Revenue Company Circle for the tax year 2016 it was observed that following companies paid Director fee but they did not deduct the Income Tax as per above law while paying director fee as per detailed given in annexure H;

The matter was brought to the notice of the Management and PAO through Audit and Inspection Reports some formations replies were received and Paras were partially settled in the light of reply. The matter was again communicated to the department through Advance Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

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

#### **Advance Para 34**

##### **4.1.21 Non deduction of advance tax & education cess on property rent**

**- Rs. 3.971 million.**

According to Section 155 of the Income Tax Ordinance 2001, Every prescribed person making a payment in full or part (including a payment by way of advance) to any person on account of rent of immovable property (including rent of furniture and fixtures, and amounts for services relating to such property) shall deduct tax from the gross amount of rent paid at the rate specified in Division V of Part III of the First Schedule.

*Explanation.*- "gross amount of rent" includes the amount referred to in sub-section (1) or (3) of section 16, if any.

- [(3) In this section, "prescribed person" means –
- (i) the Federal Government;
  - (ii) a Provincial Government;
  - (iii) Local Government;
  - (iv) a company;
  - (v) a non-profit organization or a charitable institution;
  - (vi) a diplomatic mission of a foreign state;

- (via) a private educational institution, a boutique, a beauty parlor, a hospital, a clinic or a maternity home;
- (vi-b) individuals or association of persons paying gross rent of rupees one and a half million and above in a year; or
- (vii) any other person notified by the Board for the purpose of this section.

Contrary to above, Scrutiny of the record of various offices of Inland Revenue Department for the tax year 2016 revealed that some tax payers filed their income tax returns and depicted building rent payment in their returns but they did not deduct advance tax as required under above rule while paying building rent and department did not recover the amount of Advance Tax and Education Cess from such tax payers. The Omission resulted in a loss of Rs. 3,970,723 to the Government Treasury. The detail is given in annexure “I”

The matter was brought to the notice of the Management and PAO through Audit and Inspection Reports some formations replies were received and Paras were partially settled in the light of reply. The matter was again communicated to the department through Advance Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

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

#### **Advance Para 22**

#### **4.1.22 Short realization of income tax & education cess due to concealment of income - RS.2.886 million.**

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

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

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

Contrary to above, Scrutiny of the record of various offices of Inland Revenue Department for the tax year 2016 revealed that different salaried Tax payers concealed arrears received through manual bills and honorarium and some tax payers concealed their income by showing different Sales figures in Income Tax Returns & Sales Tax Returns due to which Income Tax Was short levied detail is given as under;

S #	Name of Formation	AIR Para No	Tax Due	Tax Paid	Outstanding	E.Cess Due	Total Outstanding
1	Salary Circle MZD	6	3,441,073	2,470,045	971,028		971,028
		9	1,249,081	1,123,015	126,066		126,066
2	IRO Kotli	10	1,498,135	989,805	508,330		508,330
		18	92,226	34,393	57,833	5,783	63,616
		19	549,291	-	549,291	54,929	604,220
3	Rawalakot	10	571,838	349,332	222,506	-	222,506
4	IRO Bagh	9	927,334	763,847	163,487		163,487
5	IRO Sudhnuti	8	376,288	223,411	152,877		152,877
		13	99,187	32,483	66,704	6,670	73,374
Total			8,804,453	5,986,331	2,818,122	67,383	2,885,505

The matter was brought to the notice of the Management and PAO through Audit and Inspection Reports some formations replies were received and Paras were partially settled in the light of reply. The matter was again communicated to the

department through Advance Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

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

#### **Advance Para 35**

#### **4.1.23 Non realization of penalty for late / non-filing of wealth statements**

##### **- Rs. 2.700 million.**

According to Sub Section (2) of the Section 116 of the Income Tax Ordinance 2001, every resident taxpayer being an individual filing a return of income for any tax year shall furnish a wealth statement and wealth reconciliation statement for that year along with such return. Provided that every member of an association of persons shall also furnish wealth statement and wealth reconciliation statement for the year along with return of income of the association.

According to Section 114(2)(e) A return of income shall be accompanied with a wealth statement as required under section 116.

According to serial no (1AA) in the Table given in sub-section (1) of section 182 of the Income Tax Ordinance 2001, where any person fails to furnish wealth statement or wealth reconciliation statement Such person shall pay a penalty of 0.1% of the taxable income per week or Rs. 20,000 whichever is higher.

Contrary to above, Scrutiny of the record of various offices of Inland Revenue Department for the tax year 2016 revealed that 135 taxpayers either filed their wealth statement after the due date or didn't file the wealth statement along with their Income Tax Returns. In some cases the wealth statements were filed blank. The Department did not impose/recover the amount of penalty which resulted in a financial loss of Rs. 2,700,000 to the Government Exchequer. The detail is given in annexure J;



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

The matter was brought to the notice of the Management and PAO through Audit and Inspection Reports some formations replies were received and paras were partially settled in the light of reply. The matter was again communicated to the department through Advance Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

Audit recommends that the amount of penalty may be recovered and remitted into Government Treasury under intimation to Audit and imposition of penalty at prescribed rates on each defaulter be ensured in future. **Advance Para 19**

**4.1.24 Loss of government revenue due to claim of inadmissible tax rebate / unjustified deduction of expenses - Rs. 2.430 million**

According to Division I of the Part I of the First Schedule clause (IB) where the taxable income in a tax year, other than income on which the deduction of tax is final, does not exceed one million rupees of a person-

- (i) holding a National Database Registration Authority's Computerized National Identity Card for disabled persons; or
- (ii) a taxpayer of the age of not less than sixty years on the first day of that tax year; the tax liability on such income shall be reduced by 50%.

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

According to Section 67(1) of the Income Tax Ordinance read with Income Tax Rule 13 "Subject to this Ordinance, where expenditure relates to –

- (a) the derivation of more than one head of income; or
- (ab) derivation of income comprising of taxable income and any class of income to which sub-sections (4) and (5) of section 4 apply, or;
- (b) the derivation of income chargeable to tax under a head of income and to some other purpose,

the expenditure shall be apportioned on any reasonable basis taking account of the relative nature and size of the activities to which the amount relates.

(2) The Board may make rules under section 237 for the purposes of apportioning deductions.

According to Section 22(1) of the Income Tax Ordinance 2001, Subject to this section, a person shall be allowed a deduction for the depreciation of the person's depreciable assets used in the person's business in the tax year.

(2) Subject to sub-section (3), the depreciation deduction for a tax year shall be computed by applying the rate specified in Part I of the Third Schedule against the written down value of the asset at the beginning of the year.

(3) Where a depreciable asset is used in a tax year partly in deriving income from business chargeable to tax and partly for another use, the deduction allowed under this section for that year shall be restricted to the fair proportional part of the amount that would be allowed if the asset was wholly used to [derive] income from business chargeable to tax.

According to Part I of the Third Schedule the rate of annual depreciation on vehicle is 15% per annum.

Contrary to above, Scrutiny of the record of various offices of Inland Revenue Department for the tax year 2016 revealed that some tax payers who were working on administrative posts were not entitled to full time teacher and researcher rebate but they claimed such rebate without justification and in some cases 75% exemption was claimed which was not admissible. In few cases taxpayers deducted expenses from their income which were not allowed due to which they paid less income tax and department did not collect such tax from the tax payers which resulted in a financial loss of Rs. 2,430,167 to the Government. The detail is as under:-

S#	Name of Formation	AIR Para No	Tax Due	Tax outstanding due to Inadmissible Rebate/Exemption Claimed	E.Cess Due	Total Outstanding
1	Salary Circle Mirpur	4	4,209,737	1,754,082	-	1,754,082
		8	1,722,819	107,436	-	107,436
2	IRO Kotli	17	607,850	275,322	27,532	302,854
3	IRO Rawalakot	19	175,025	108,474	6,638	115,112
4	IRO Prof. Circle Mirpur	15	190,606	141,453	9,230	150,683
Total			6,906,037	2,386,767	43,400	2,430,167

The matter was brought to the notice of the Management and PAO through Audit and Inspection Reports some formations replies were received and Paras were partially settled in the light of reply. The matter was again communicated to the department through Advance Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

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

**Advance Para 32**

**4.1.25 Non deposit of extra sales tax deducted from non-registered person amounting to - Rs. 2.351 million.**

According to sub section (1A) of the Section 3 of the Sales Tax Act 1990, subject to the provision of sub section (6) of section 8 or any notification issued there under, where taxable supplies are made to a person who has not obtained registration number, there shall be charged, levied and paid a further tax at the rate of two percent of the value in addition to the rate specified in sub sections 1), (1B), (2), (5) and (6) provided that the Federal Government may, by notification in the official Gazette, specify the taxable supplies in respect of which the further tax shall not be charged, levied and paid.

According to Section 3B of the Sales Tax Act 1990, Collection of excess sales tax etc. (1) Any person who has collected or collects any tax or charge, whether under misapprehension of any provision of this Act or otherwise, which was not payable as tax or charge or which is in excess of the tax or charge actually payable and the incidence of which has been passed on to the consumer, shall pay the amount of tax or charge so collected to the Federal Government.

Contrary to above scrutiny of the Sales Tax record of Excise Circle Mirpur for the Tax Year 2015 & 2016 it was observed that 04 Sales Tax registered person withheld extra Sales Tax from un registered person but the same was not deposited in to Government treasury and it was adjusted against input tax which was not allowed

as per rule. The omission resulted in financial loss of Rs. 2,350,567 to the Government Treasury.

AIR Para	No of Persons	Sales	2% & *1% Extra Sales Tax Due
6	4	144,712,060	2,350,567

Audit observed that the non-deposit of extra sales tax occurred due to inefficiency of the concerned.

The matter was brought to the notice of the Management and PAO through Audit and Inspection Report but no reply was received. The matter was again communicated to the department through Advance Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

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

\*Rate under section 3(1A) was @ 1% for tax year 2015 which was enhanced by finance act 2015 to 2% for tax year 2016.

**Advance Para 07**

**4.1.26 Non realization of penalty due to late / non-filing of sales tax returns - Rs. 2.039 million.**

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

Contrary to above, Scrutiny of the record of 07 offices of Inland Revenue Department for the tax year 2016 revealed that 55 number of Sales Tax registered persons filed Sales Tax Returns of various tax periods too late after the due dates and 35 number of sales tax registered persons did not file Sales Tax Returns of various tax periods. The Department did not impose penalty as per section 33(1) of the Sales

Tax Act 1990. The omission resulted in a loss of Rs. 2,039,300 to the Government Treasury. The detail is as under.

S#	Formation	AIR Para No	No. of Late Filers	No. of Non-Filers	Total Penalty
1	Excise Circle Mirpur	1	13	13	769,000
2	Excise Circle Muzaffarabad	1	19	6	523,800
3	Inland Revenue Officer Sudhnuti	1	1	1	10,000
4	AC Inland Revenue Bhimber	8	7	1	124,000
5	DC Inland Revenue Kotli	20	5	4	344,400
6	Inland Revenue Officer Rawalakot	20	7	6	182,000
7	Inland Revenue Officer Bagh	17	3	4	86,100
Total			55	35	2,039,300

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

The matter was brought to the notice of the Management and PAO through Audit and Inspection Reports some formations replies were received and partially settled in the light of reply. The matter was again communicated to the department through Advance Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

Audit recommends that the amount of penalty may be recovered and remitted into Government Treasury under intimation to Audit and imposition of penalty at prescribed rates on each defaulter be ensured in future. **Advance Para 01**

**4.1.27 Non realization of penalty for non-deduction of advance tax on property rent - Rs. 1.550 million.**

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

Contrary to above, scrutiny of the record of various offices of Inland Revenue Department for the tax year 2016 revealed that 62 tax payers filed their income tax returns and depicted building rent payment in their returns but they did not deduct advance tax as required under above rule while paying building rent and department did not impose / recover the amount of penalty. The Omission resulted in a loss of Rs. 1,550,000 to the Government Treasury. The detail is given in annexure **K**;

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

The matter was brought to the notice of the Management and PAO through Audit and Inspection Reports some formations replies were received and paras were partially settled in the light of reply. The matter was again communicated to the department through Advance Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

Audit recommends that the amount of penalty may be recovered and remitted into Government Treasury under intimation to Audit and imposition of penalty at prescribed rates on each defaulter be ensured in future. **Advance Para 18**

#### **2.1.28 Non provision of income tax deduction certificates - Rs. 1.525 million**

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

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

Contrary to above, Scrutiny of the record of various offices of Inland Revenue Department for the tax year 2016 revealed that some tax payers claimed tax

deduction at source but evidence regarding such advance deduction was not available on record which resulted in doubtful adjustment of Income Tax as detailed below;

S#	Name of Formation	AIR Para No	Amount of tax claimed without Evidence
1	Salary Circle Mirpur	5	246,859
2	IRO Neelum	3	309,603
3	IRO Chaksawari	13	12,000
4	AC Business Circle Mirpur	12	301,228
5	DC Prof. Circle MZD	13	609,289
6	IRO Prof. Circle Mirpur	14	45,500
Total			1,524,479

The matter was brought to the notice of the Management and PAO through Audit and Inspection Reports some formations replies were received and paras were partially settled in the light of reply. The matter was again communicated to the department through Advance Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

Audit recommends that the Department may furnish the relevant / supporting documents to audit in order to justify its authenticity of amounts claimed by the tax payer for the tax year 2016 otherwise tax on outstanding amount may be calculated and recovered from the tax payers. Collection of complete income tax record be ensured in future by strengthening the Internal Control System of the department.

#### **Advance Para 31**

#### **2.1.29 Less/ nonpayment of income tax due to inadmissible claim of advance income tax on electricity bills amounting to - RS. 1.192 million.**

According to Section 235 (1) there shall be collected advance tax at the rates specified in Part-IV of the First Schedule on the amount of electricity bill of a commercial or industrial consumer. Further as per sub section (4) of this section, under this section,

(a) in the case of a taxpayer other than a company, tax collected up to bill amount of thirty thousand rupees per month shall be treated as minimum tax on the income of such persons and no refund shall be allowed;

(b) in the case of a taxpayer other than a company, tax collected on monthly bill over and above thirty thousand rupees per month shall be adjustable; and

(c) in the case of a company, tax collected shall be adjustable against tax liability.

Contrary to above during the scrutiny of the Income Tax record pertaining to following offices of the Inland Revenue Department for the tax year 2016, it was observed that some tax payers claimed adjustment of advance tax on electricity bills who had monthly electricity bills less than Rs. 30,000 per month hence they paid either less or in some cases no Income Tax in contravention of above mentioned Section of Income Tax Ordinance 2001 which clearly says that income tax adjustment shall only be allowed if the monthly bill will be in excess of Rs. 30,000. The inadmissible adjustment resulted in a financial loss of Government Revenue amounting to Rs.1,191,703.

S#	Name of Formation	AIR Para No	Advance Tax on E.Bills Claimed
1	IRO Kotli	15	10,648
2	Rawalakot	17	9,144
3	Bagh	13	33,282
4	IRO Sudhnuti	14	18,153
5	IRO Chaksawari	11	123,245
6	IRO Dadyal	10	201,681
7	AC Business Circle Mirpur	10	544,736
8	IRO Prof. Circle Mirpur	10	135,541
9	AC Bhimber	14	115,273
Total			1,191,703



The matter was brought to the notice of the Management and PAO through Audit and Inspection Reports some formations replies were received and Paras were partially settled in the light of reply. The matter was again communicated to the department through Advance Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

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

### **Advance Para 36**

#### **2.1.30 Recovery of motor tax and other government dues on - Rs. 2.863 million.**

According to Para 06, 37 of the Financial Code read with Para 26 of the GFR Vol – I all government revenues including Income Tax, Sales Tax, Federal Excise, Motor Vehicle Tax, Registration Fees & TQT etc should be collected & deposited into Government Treasury within due time by the concerned Department.

According to Azad Jammu & Kashmir Finance Act 2012 date 10-07-2012 Sr. No. 08 Motor tax should be collected and deposited into Government treasury within due time by the concerned department.

Contrary to above during the scrutiny of Motor Tax record of various offices of Inland Revenue Department for the Tax Year 2016 it was observed that the department did not collect motor tax and other Government Dues from Vehicle owners. The omission resulted in a financial loss of Rs. 2,862,661 to the Government Treasury. Detail is given in annexure “M”

Audit observed that the non-recovery of Government dues occurred due to negligence of the concerned.

The matter was brought to the notice of the Management and PAO through Audit and Inspection Reports some formations replies were received and partially settled in the light of reply. The matter was again communicated to the department through Advance Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

The amount of Motor Tax, Registration, Income Tax, Education Cess and Insurance may be recovered from the concerned and remitted in to Government Treasury under intimation to Audit & timely collection of the Government dues be insured in future by strengthening internal control system of the Department.

**Advance Para 10, 11**

**Annexure “T” AR 2016-17**

**2.1.31 Non realization of penalty on concealment of income Rs. 1.000 million.**

According to serial no (12) in the Table given in sub-section (1) of section 182 of the Income Tax Ordinance 2001, where a person has concealed income or furnished inaccurate particulars of such income, Such person shall pay a penalty of twenty five thousand rupees or an amount equal to the tax which the person sought to evade whichever is higher.

Contrary to above, Scrutiny of the record of various offices of Inland Revenue Department for the tax year 2016 revealed that 40 taxpayers concealed their income due to which Income Tax was under realized. The Department did not impose/recover the amount of penalty which resulted in a financial loss of Rs. 1,000,000 to the Government Exchequer. The detail is as under;

S#	Name of Formation	AIR Para	No of Person	Penalty Due
1	Salary Circle Muzaffarabad	4	12	300,000
2	IRO Kotli	6	10	250,000
3	Rawalakot	6	4	100,000
4	IRO Bagh	5	5	125,000
5	IRO Sudhnuti	4	1	25,000
6	IRO Chaksawari	6	4	100,000
7	AC Business Circle Mirpur	5	3	75,000
8	Company Circle Mirpur	2	1	25,000
Total			40	1,000,000

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

The matter was brought to the notice of the Management and PAO through Audit and Inspection Reports some formations replies were received and paras were partially settled in the light of reply. The matter was again communicated to the department through Advance Paras but DAC meeting was not convened despite 02 reminders till the finalization of this report.

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

### **Advance Para 21**

#### **2.1.32 Loss of government due to incorrect application of tax rate / wrong calculation of profit and loss account Rs. 0.701 million**

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

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

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

Contrary to above, Scrutiny of the record of various offices of Inland Revenue Department for the tax year 2015 revealed that some tax payers applied incorrect tax rates and in some cases incorrect calculated their profit and loss account due to which tax was short levied as detailed below;

S#	Formation	AIR Para	Due	Paid	o/s	E.Cess	Total Amount
1	Business Circle Muzaffarabad	11	491,028	377,826	113,202	5,272	118,474
		9	18,000	0	18,000	900	18,900
2	Business Circle Mirpur	14	301,548	102,055	199,493	11,704	211,197
3	Professional Circle Muzaffarabad	18	102,493	71,095	31,398	0	31,398
		15	267,802	179,270	88,532	13,390	101,922
		23	98,615	12,119	86,496	4,325	90,821

4	IRO Bagh	11	912,813	791,105	121,708	6,085	127,793
Total			2,192,299	1,533,470	658,829	41,676	700,505

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

The matter was brought to the notice of the Department through Audit and Inspection Reports in February, March, April & May 2016 but no reply was received.

The matter was also brought to the notice of the Head of the Department through Advance Paras in August 2016 and reminder No:84/KC/DRRA/Mirpur/2016 Dated:21/11/2016 but the Department did not convene the Departmental Accounts Committee meeting.

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

**Annexure “T” AR 2016-17**

**4.1.33 Loss of govt. on account of interest due to late transfer of tax money Rs. 0.260 million.**

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

Contrary to above, Scrutiny of the record of of Inland Revenue Department Company Circle Mirpur for the tax year 2014 revealed that Department collected Income Tax from various tax payers & deposited into Kashmir Council Account, but the bank credited the same amount of Income Tax to the Kashmir Council’s Treasury too late and utilized government money and didn’t pay interest on it. The omission resulted in a financial loss of Rs. 259,755 on account of interest.

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

The matter was also brought to the notice of the Head of the Department through Advance Paras in May 2015, reminder No:84/KC/DRRA/Mirpur/2016 Dated:21/11/2016 and Audit Report 2015-16 in Annexure I but the Department did not convene the Departmental Accounts Committee meeting.

Audit recommended that the department may take appropriate action to recover the amount of Interest i.e. Rs. 259,755 from the National Bank and deposit into AJ&K Council’s Treasury under intimation to Audit and steps may be taken to realize & credit the Government Revenue in time.

**Annexure “T” AR 2016-17**

## Annexure-I

### Memorandum for Departmental Accounts Committee

#### Expenditure

Sr. #	Name of offices	Para No. AIR	A .P No.	Period of Audit	Nature	Amount
1	AJ&K Council Secretariat	17	121	2015-16	Overpayment on account of purchase of vehicle	106,189
2	AJ&K Council Secretariat	47	121	2015-16	Overpayment of petrol beyond the average	9,985
3	AJ&K Council Secretariat	45	121	2015-16	Irregular drawl of POL	35,503
	AJ&K Council Secretariat	22	127	2015-16	Overpayment due to wrong measurement in work done.	572,458

#### Receipts

Sr #	Name of office	Para No AIR	A P No	Period of Audit	Nature	Amounts
1	Assistant Commissioner Salary Circle Mirpur		24	2016	Non transfer of amount of income tax	617,639
2	Excise Circle Mirpur		13	2016	Non recovery of surcharge on late payment of sales tax	558,454
3	Excise Circle Mirpur		12	2016	Non realization of penalty due to late deposit of sales tax	250,000

S #	Name of Formation	AIR Para	No of Person	Penalty Due
1	Salary Circle Muzaffarabad	3	2	10,000
2	IRO Kotli	5	9	45,000
3	Rawalakot	5	5	25,000

4	IRO Bagh	4	29	145,000
5	IRO Sudhnuti	3	10	50,000
6	IRO Chaksawari	5	3	15,000
7	IRO Business Circle MZD	5	2	10,000
8	IRO Dadyal	5	6	30,000
9	DC Prof. Circle Muzaffarabad	4	1	5,000
10	Company Circle Mirpur	3	5	100,000
11	AC Bhimber	5	7	35,000

S#	Name of Formation	AIR Para No	Tax Due	Tax Paid	Difference	E. Cess Outstanding	Total
1	IRO Business Circle MZD	13	305,167	9,300	295,867	25,717	321,584
2	IRO Dadyal	16	58,163	-	58,163	5,816	63,979
3	AC Business Circle Mirpur	15	53,050	-	53,050	5,305	58,355
4	AC Bhimber	16	16,750	-	16,750	1,675	18,425
Total			433,130	9,300	423,830	38,513	462,343

S#	Name of Formation	AIR Para No	Professional Tax
1	IRO Neelum	5	21,000
2	IRO Kotli	11	12,000
3	IRO Bagh	16	9,000
4	IRO Sudhnuti	9	12,000
5	IRO Business Circle MZD	12	3,000
6	DC Prof. Circle MZD	11	12,000
7	IRO Prof. Circle Mirpur	13	45,000
8	AC Bhimber	10	32,000
Total			146,000

**Revenue****Annexure: A”****Loss of government due to non-recovery of arrears of government dues  
- Rs. 5,128.747 million**

S#	Name of Formation	AIR Para No	Tax Due
1	Salary Circle Mirpur	7	112,886
2	IRO Neelum	4	24,107
3	Salary Circle Muzaffarabad	7	218,600
4	IRO Kotli	12	529,825
5	Rawalakot	11	1,004,067
6	IRO Bagh	10	142,955
7	IRO Sudhnuti	10	655,048
8	IRO Chaksawari	15	3,294,447
9	IRO Business Circle MZD	9	621,670
10	IRO Dadyal	14	13,780,159
11	AC Business Circle Mirpur	14	1,250,083
12	DC Prof. Circle MZD	7	962,219
13	IRO Prof. Circle Mirpur	19	12,423,275
14	Company Circle Mirpur	16	5,093,458,192
15	AC Bhimber	11	269,663
Total			5,128,747,196

**Annexure: B”****Loss of government due to short / non realization of minimum tax and education  
cess amounting to - Rs. 122.319 million**

S#	Name of Formation	AIR Para No	Tax Due	Tax Paid	Difference	E. Cess Outstanding	Total
1	IRO Kotli	14	1,543,663	65,058	1,478,605	126,911	1,605,516
2	IRO Rawalakot	15	648,944	-	648,944	64,894	713,838
3	IRO Bagh	12	1,275,547	-	1,275,547	127,555	1,403,102
4	IRO Sudhnuti	12	1,222,554	-	1,222,554	122,255	1,344,809
5	IRO Chaksawari	10	6,027,707	481,726	5,545,981	554,598	6,100,579
6	IRO Dadyal	9	624,686	-	624,686	62,469	687,155
7	AC Business Circle Mirpur	9	2,800,222	500,757	2,299,465	203,339	2,502,804

8	DC Professional Circle MZD	9	910,250	-	910,250	91,025	1,001,275
9	IRO Professional Circle Mirpur	8	3,046,736	410,010	2,636,726	286,269	2,922,995
10	AC Company Circle Mirpur	12	93,579,944	48,076	93,531,868	9,352,211	102,884,079
11	AC Bhimber	13	1,047,960	-	1,047,960	104,796	1,152,756
Total			112,728,213	1,505,627	111,222,586	11,096,322	122,318,908

**Annexure: C”**

**Non deduction / payment of advance tax & education cess under section 236 G&H - Rs. 41.388 million.**

S#	Name of Formation	AIR Para No	Tax Due	Tax Paid	Difference	E. Cess Outstanding	Total
1	IRO Kotli	16	2,668,148	-	2,668,148	266,815	2,934,963
2	Rawalakot	18	1,182,726	10,431	1,172,295	117,229	1,289,524
3	Bagh	14	228,644	-	228,644	22,864	251,508
4	IRO Sudhnuti	15	835,114	-	835,114	150,897	986,011
5	IRO Chaksawari	14	1,805,761	-	1,805,761	180,576	1,986,337
6	IRO Dadyal	13	35,900	-	35,900	3,590	39,490
		15	37,098	-	37,098	3,710	40,808
7	AC Business Circle Mirpur	16	502,139	-	502,139	50,214	552,353
8	DC Prof. Circle MZD	10	630,665	-	630,665	63,066	693,731
9	IRO Prof. Circle Mirpur	17	14,661,972	-	14,661,972	1,466,197	16,128,169
10	Company Circle Mirpur	8	11,092,839	-	11,092,839	1,109,284	12,202,123
		7	2,455,248	-	2,455,248	245,525	2,700,773
11	AC Bhimber	15	948,378	-	948,378	94,838	1,043,216
12	IRO Chaksawari	6	199,959	-	199,959	9,998	209,957



	(Annexure I AR 2016-17)						
13	Business Circle Muzaffarabad (Annexure I AR 2016-17)	8	127,280		127,280	6,364	133,644
14	IRO Dadyal (Annexure I AR 2016-17)	15	186,080		186,080	9,304	195,384
Total			37,597,951	10,431	37,587,520	3,774,805	41,387,991

**Annexure: D”**

**Loss of government due to non / less realization of income tax & education cess amounting to - Rs. 21.360 million**

S#	Name of Formation	AIR Para No	Tax Due	Tax Paid	Difference	E. Cess Outstanding	Total
1	Salary Circle Mirpur	6	2,324,009	1,585,638	738,371	0	738,371
2	IRO Neelum	2	960,782	585,825	374,957	20,901	395,858
3	Salary Circle MZD	5	2,161,541	1,299,325	862,216	28,624	890,840
4	IRO Kotli	9	981,640	505,164	476,476	2,500	478,976
5	Rawalakot	9	116,500	70,000	46,500	3,500	50,000
		12	10,499,139	0	10,499,139	1,049,914	11,549,053
		14	76,250	50,000	26,250	2,625	28,875
		16	150,521	0	150,521	11,484	162,005
6	IRO Bagh	8	324,744	147,611	177,133	0	177,133
		15	237,075	105,816	131,259	15,183	146,442
7	IRO Sudhnuti	7	71,129	42,678	28,451	0	28,451
8	IRO Chaksawari	9	34,040	9,030	25,010	3,404	28,414
9	IRO	8	134,110	92,158	41,952	6,509	48,461

	Business Circle MZD	11	33,720	0	33,720	3,372	37,092
		14	2,353,084	1,087,018	1,266,066	126,607	1,392,673
10	IRO Dadyal	8	23,000	10,567	12,433	1,746	14,179
		17	121,250	8,570	112,680	12,125	124,805
		18	103,480	67,538	35,942	10,348	46,290
		19	86,405	13,070	73,335	7,334	80,669
11	AC Business Circle Mirpur	8	668,651	424,758	243,893	11,917	255,810
		13	95,943	51,675	44,268	4,427	48,695
		17	139,025	0	139,025	13,903	152,928
		18	199,565	60,693	138,872	19,957	158,829
		19	614,422	260,024	354,398	35,440	389,838
12	DC Prof. Circle MZD	12	1,661,744	584,156	1,077,588	126,699	1,204,287
13	IRO Prof. Circle Mirpur	7	647,564	345,332	302,232	26,965	329,197
		9	1,414,934	1,071,807	343,127	28,695	371,822
		12	16,555	0	16,555	1,656	18,211
		16	56,867	0	56,867	2,818	59,685
		18	1,612,618	1,529,248	83,370	161,262	244,632
14	Company Circle Mirpur	15	167,699	34,997	132,702	16,770	149,472
		17	1,040,000	0	1,040,000	104,000	1,144,000
15	AC Bhimber	8	667,456	531,687	135,769	0	135,769
		9	717,722	439,882	277,840	0	277,840
Total			30,513,184	11,014,267	19,498,917	1,860,685	21,359,602

**Annexure: E”****Non levy of education cess on income tax collection - Rs.14,331 million.**

S#	Name of Formation	AIR Para No	Income Tax	E.Cess Due	E.Cess Paid	E.Cess Outstanding
1	Salary Circle Mirpur	3	8,765,350	876,535	-	876,535
2	Withholding Circle Muzaffarabad	2	21,550,000	2,155,000	-	2,155,000
3	IRO Kotli	8	15,569,271	1,556,927	572,373	984,554
4	Rawalakot	8	3,655,644	218,631		218,631
5	IRO Bagh	7	279,499	35,138	12,150	22,988
6	IRO Sudhnuti	6	1,517,743	151,774	-	151,774
7	IRO Chaksawari	8	8,565,748	856,575	14,848	841,727
8	IRO Business Circle MZD	7	7,582,374	758,237	-	758,237
9	IRO Dadyal	7	4,128,523	412,852	81,105	331,747
10	AC Business Circle Mirpur	7	1,310,630	131,064	29,646	101,418
11	DC Prof. Circle Muzaffarabad	6	3,474,177	347,418	161,031	186,387
12	IRO Prof. Circle Mirpur	6	52,228,819	5,222,882	195,204	5,027,678
13	Company Circle Mirpur	6	1,047,524	104,752	54,000	50,752
14	AC Bhimber	7	26,713,243	2,645,387	22,176	2,623,211
Total			156,388,545	15,473,173	1,142,533	14,330,640

**Annexure: F”****Non realization of penalty due to late/non filing of withholding tax statements - Rs. 9.590 million.**

S#	Name of Formation	AIR Para no	No of Person		Penalty Due
			Late	Non	
1	Salary Circle Mirpur	2	10	2	340,000
2	Withholding Circle MZD	1		1	120,000
3	IRO Kotli	2		5	600,000

4	Rawalakot	2		9	1,080,000	
5	IRO Chaksawari	2		3	360,000	
6	IRO Business Circle MZD	2		3	360,000	
7	IRO Dadyal	2		7	530,000	
8	AC Business Circle Mirpur	2	2	15	1,740,000	
9	IRO Prof. Circle Mirpur	2	18	10	2,020,000	
10	Company Circle Mirpur	4	19	1	2,320,000	
11	AC Bhimber	2		1	120,000	
Total				49	57	9,590,000

**Annexure: G”**

**Non realization of penalty for late / non-filing of income tax returns  
- Rs. 4.907 million.**

S#	Name of Formation	AIR Para	No of Person		Penalty Due
			Late	Non	
1	Salary Circle Mirpur	1	3	20	460,000
2	IRO Neelum	1	1	-	20,000
3	Salary Circle Muzaffarabad	1	-	6	120,000
4	IRO Kotli	1		8	160,000
5	IRO Rawalakot	1		14	278,208
6	IRO Bagh	1	4	-	80,000
7	IRO Sudhnuti	1	-	17	340,000
8	IRO Chaksawari	1	-	27	540,000
9	IRO Business Circle MZD	1		24	480,000
10	IRO Dadyal	1	7	3	200,000
11	AC Business Circle Mirpur	1	7	32	778,804
12	DC Prof. Circle Muzaffarabad	1	3	14	340,000
13	IRO Prof. Circle Mirpur	1	18		370,000
14	Company Circle Mirpur	1	-	29	580,000
15	AC Bhimber	1		8	160,000
Total			43	202	4,907,012

**Annexure: H''****Non deduction of income tax & education cess on director fee amounting to  
- Rs. 4.623million**

S#	Name	Director Fee Paid	Tax Due	Education Cess Due	Total o/s
1	Khalid Parvez Manga 12699 Wattan tobacco	1,710,000	342,000	34,200	376,200
2	Vetcon Pharma 12352	1,284,000	256,800	25,680	282,480
3	Sammar Industries 17583	1,440,000	288,000	28,800	316,800
4	Shafi Industries 17600	540,000	108,000	10,800	118,800
5	King Hero 17506	792,000	158,400	15,840	174,240
6	Sun Gas 14914	2,221,560	444,312	44,431	488,743
7	Sohail and Haider Marbles 16806	792,000	158,400	15,840	174,240
8	Siddiqui Flour And General Mills	540,000	108,000	10,800	118,800
9	Unique Polypropylene 14963(2015)	900,000	180,000	18,000	198,000
10	Unique Polypropylene 14963(2016)	1,440,000	288,000	28,800	316,800
11	Dura Industries 14957	4,200,000	840,000	84,000	924,000
12	Noble Foam 7014996-8	4,012,500	802,500	80,250	882,750
13	Shafi Industries	540,000	108,000	10,800	118,800
14	Walton Tobacco	600,000	120,000	12,000	132,000
Total		21,012,060	4,202,412	420,241	4,622,653

**Annexure: I'****Non deduction of advance tax & education cess on property rent  
- Rs. 3.971 million.**

S#	Name of Formation	AIR Para No	Tax Due	Tax Paid	Difference	E. Cess Outstanding	Total
1	IRO Kotli	7	273,199	-	273,199	27,320	300,519
2	IRO Rawalakot	7	712,200	-	712,200	71,220	783,420
3	IRO Bagh	6	377,074	75,746	301,328	16,237	317,565
4	IRO Sudhnuti	5	9,000	-	9,000	900	9,900
5	IRO Chaksawari	7	164,200	-	164,200	16,420	180,620
6	IRO Business Circle MZD	6	526,715	-	526,715	52,672	579,387
7	IRO Dadyal	6	42,000	-	42,000	4,200	46,200
8	AC Business Circle Mirpur	6	622,090	-	622,090	62,209	684,299
9	DC Prof. Circle Mzd	5	63,600	-	63,600	6,360	69,960
10	IRO Prof. Circle Mirpur	5	607,990	202,400	405,590	42,979	448,569
11	Company Circle Mirpur	10	485,708	-	485,708	48,571	534,279
12	AC Bhimber	6	14,550	-	14,550	1,455	16,005
Total			3,898,326	278,146	3,620,180	350,543	3,970,723

**Annexure: J'****Non realization of penalty for late / non-filing of wealth statements  
- Rs. 2.700 million.**

S#	Name of Formation	AIR Para	No of Person	Penalty Due
1	Salary Circle Muzaffarabad	2	9	180,000
2	IRO Kotli	4	1	20,000

3	Rawalakot	4	13	260,000
4	IRO Bagh	3	29	580,000
5	IRO Sudhnuti	2	11	220,000
6	IRO Chaksawari	4	20	400,000
7	IRO Business Circle MZD	4	4	80,000
8	IRO Dadyal	4	7	140,000
9	AC Business Circle Mirpur	4	10	200,000
10	DC Prof. Circle Muzaffarabad	3	1	20,000
11	IRO Prof. Circle Mirpur	4	22	440,000
12	AC Bhimber	4	8	160,000
Total			135	2,700,000

**Annexure: K”**

**Non realization of penalty for non-deduction of advance tax on property rent - Rs. 1.550 million.**

S#	Name of Formation	AIR Para	No of Person	Penalty Due
1	IRO Kotli	3	5	125,000
2	Rawalakot	3	10	250,000
3	IRO Bagh	2	4	100,000
4	IRO Chaksawari	3	4	100,000
5	IRO Business Circle MZD	3	8	200,000
6	IRO Dadyal	3	1	25,000
7	AC Business Circle Mirpur	3	12	300,000
8	DC Prof. Circle Muzaffarabad	2	2	50,000
9	IRO Prof. Circle Mirpur	3	9	225,000
10	Company Circle Mirpur	5	5	125,000
11	AC Bhimber	3	2	50,000
Total			62	1,550,000

**Annexure: L”**

**Non-recovery of motor tax and other government dues on - Rs. 2.863 million.**

S#	Formation	AIR Para	Motor Tax	E.Cess	KLC	Income Tax	Edu. Cess	Prof. Tax	Insurance / Life time token	Penalty	Total
1	Excise Circle Mirpur	11	129,549	-	-	192,410	19,241	-	55,400		396,600
2	Excise Circle MZD	4, 5	105,450	2,960	3,210	91,950	8,655	6,000	28,700	38,400	285,325
3	AC Bhimber	22	123,432			6,525	597		18,700		149,254
4	IRO Sudhnuti	18	24,026			12,200	1,220	600	6,800		44,846
5	IRO Bagh	18	90,112			133,000		1,600	17,200		241,912
6	IRO Rawalakot	21, 22	41,900	1,528	1,000	12,100	1,160		24,500	30,000	112,188
7	AC Bhimber (Annexure "I" AR 2016-17)	15, 16, 17	71,010	625	-	12,500			37,900		122,035
8	IRO Sudhnuti (Annexure "I" AR 2016-17)	14, 15, 16	56,450	5,912	-	118,250			19,400		200,012
9	IRO Rawalakot (Annexure "I" AR 2016-17)	19, 20, 21	32,900	2,100	962	49,100			25,000		110,062
10	Excise Circle Mirpur (Annexure "I" AR 2016-17)	15, 16, 17	123,789	12,284	-	189,900			49,000		374,973
11	Bagh (Annexure "I" AR 2016-17)	19, 20	126,581	-	-	-			38,000		164,581
12	Neelum (Life Time Token) (Annexure "I" AR 2016-17)	5	-	-	-	-			3,600		3,600
S#	Formation	AIR Para	Motor Tax	E.Cess	KLC	Income Tax	Edu. Cess	Prof. Tax	Insurance / Life time token	Penalty	Total
13	Excise Circle Muzaffarabad (Annexure "I" AR 2016-17)	07, 09, 10, 11, 12	143,900		1,920	48,320	2,412	1,850	65,800	42,200	306,402
14	Inland Revenue Officer Neelum (Annexure "I" AR 2016-17)	4, 6	7,790		380	-	210	-	5,400	-	13,780



15	Dy. Commissioner Inland Revenue Kotli (Annexure "I" AR 2016-17)	18, 19, 20	83,450		1,690	180,800	9,951	6,300	30,900	-	313,091
16	IRO Sudhnuti (Annexure "I" AR 2016-17)	17	-							16,300	16,300
17	IRO Rawalakot (Annexure "I" AR 2016-17)	22	-							5,700	5,700
18	Excise Circle Mirpur (Annexure "I" AR 2016-17)	10	-							2,000	2,000
Total			1,160,339	25,409	9,162	1,047,055	43,446	16,350	426,300	134,600	2,862,661