

**Revenue Division
Federal Board of Revenue
Government of Pakistan**



**MANUAL
OF
INTERNAL AUDIT
(INLAND REVENUE)
(REVENUE & EXPENDITURE)**

2011

**Directorate-General of Internal Audit
(Inland Revenue)
Islamabad**

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PREFACE

Internal control in an organization is an essential tool by which the organization may accomplish its specific aims or objectives. It helps to monitor and measure resources of the organization. It also plays an important role in preventing and detecting leakages and irregularities.

The Federal Board of Revenue exercises internal control through the Directorate-General of Internal audit (Inland Revenue). The Directorate-General of Internal Audit (Inland Revenue) provides a progressive internal control system and suggests corrective measures. Internal auditing involves measuring compliance with the entity's law and procedures and is primarily directed at improving internal control.

Consequent upon promulgation of the Income Tax Ordinance, 2001, tax reforms, restructuring of FBR, amendments in the law relating to the functions, jurisdiction and powers of the Directorate-General of Inspection and Internal Audit conferred through SRO No.660 (1)/2005 dated 30th June, 2005, Policy Directives issued in 1993 were revisited for the purpose of streamlining the functions of the organization and Manual of Inspection and Internal Audit (Revenue and Expenditure) was issued in 2005. The Manual of Inspection and Internal Audit (Revenue and Expenditure) 2005 was revised in 2008 whereby changes in the prescribed forms for reporting of performance and time frame for follow up action were introduced. Subsequently, as a result of further changes in the organizational structure through reforms and restructuring of FBR, the Manual of Internal Audit, 2008 was improved and updated in 2009 to make the organization of Internal Audit compatible with the functional set up of the department.

With the creation of Inland Revenue Service and renaming of Income Tax Authorities as the Officers of Inland Revenue, the Board vide its order C. No 1 (6) IR-Judicial/2009 dated 11-11-2009, has conferred powers under the Income Tax Ordinance, 2001 to the redesignated officers. Similarly powers conferred to the authorities under the Sales Tax Act, 1990 and the Federal Excise Act, 2005 have also been conferred to the Officers of Inland Revenue vide SRO No. 282 (1)/2010 dated 20-04-2010 and SRO NO. 284 (1)/2010 dated 29-04-2010 respectively. Further, the Board vide notification No. 1046-02/SSM/2010 dated 28-04-2010 has renamed the Directorate-General of Internal Audit (Direct Taxes) as the **Directorate-General of Internal Audit (Inland Revenue)** and the Regional Directorates of Internal Audit (Direct Taxes) have also been renamed in similar manner.

The mandate of Directorate-General of Internal Audit (Inland Revenue) at present stands extended to Sales Tax and Federal Excise functions. It has, therefore, become imperative to revise the Manual of Internal Audit (Revenue and Expenditure), 2009 to cater for both direct and indirect taxes. This

inter alia, requires redefining functions of various authorities, jurisdiction, scope, procedures, etc.

The Manual has been issued with the approval of Chairman, Federal Board of Revenue vide Board's letter F.No.1 (27) E&A-ST/2010-25601-R dated 23-02-2011 and shall come into force with immediate effect.

(RAANA MIRZA)
Director-General

**MANUAL OF INTERNAL AUDIT
(INLAND REVENUE)
(REVENUE & EXPENDITURE), 2011**

With the creation of Inland Revenue Service, renaming of Income Tax authorities as the officers of Inland Revenue and restructuring of the Income tax department, the mandate of the Directorate-General stands extended to Sales Tax and Federal Excise functions, so it has become expedient to amend, improve and update the Manual of Internal Audit (Revenue & Expenditure), 2009 to achieve the objectives of the organization. In exercise of powers therefore, specified vide Notification No. SRO 660 (I)/2005, dated 30th June, 2005 issued by the Board under sub-section (2) of section 228 of the Income Tax Ordinance, 2001(XLIX of 2001), these guidelines/ procedures are laid down to be implemented by Internal Audit (Inland Revenue) authorities. These guidelines and procedures supersede all previous directives for Inspection and Internal Audit and shall be enforced in the manner specified herein:-

In this Manual, unless the context otherwise provides, various expressions shall derive meanings as follows:

- 1 **“Additional Commissioner** “means Additional Commissioner Inland Revenue as defined in the Income Tax Ordinance, 2001.
- 2 **“Additional Director”** means Additional Director of Internal Audit (Inland Revenue).
- 3 **“Commissioner”** means Commissioner Inland Revenue as defined in Income Tax Ordinance, 2001.
- 4 **“Department”** means an office sub-ordinate to the Federal Board of Revenue.
- 5 **“Director General”** means Director General of Internal Audit (Inland Revenue).
- 6 **“Director”** means Director of Internal Audit (Inland Revenue).

- 7 **“Directorate”** means Directorate of Internal Audit (Inland Revenue) having specific jurisdiction.
- 8 **“Deputy Director”** means Deputy Director of Internal Audit (Inland Revenue) and includes Assistant Director/Extra Assistant Director of Internal Audit (Inland Revenue).
- 9 **“Expenditure Audit”** includes audit of expenditure incurred by various offices of Inland Revenue and Federal Board of Revenue.
- 10 **“Focal Person”** means any officer of Internal Audit (Inland Revenue), RTO, LTU or any other office, appointed to act as a coordinator between the respective offices of Internal Audit (Inland Revenue) and the field offices of the FBR (RTOs, LTUs or any other office) for the purpose of disposal of inspection reports and audit (revenue & expenditure) reports and reporting of progress in respect of the said inspection reports and audit (revenue & expenditure) reports.
- 11 **“Inspection”** includes inspection of qualitative aspects of assessments, amendments and other aspects of cases of the taxpayers concerning Inland Revenue Service.
- 12 **“Manual”** means the Manual of Internal Audit, 2011.
- 13 **“Revenue Audit”** includes audit of quantitative aspects of assessments, amendments and other aspects of cases of the taxpayers concerning Inland Revenue Service.
- 14 **“Taxation Officer”** means Taxation Officer as defined in the Income Tax Ordinance, 2001.
- 15 **Tax Authorities** or designations not defined here shall bear the same meaning as they carry in the Income Tax Ordinance, 2001, the Sales Tax Act, 1990 and the Federal Excise Act, 2005 and rules made there under:

PART-I

INSPECTION

Objectives:

The objective of inspection is to examine, identify and report fairly and impartially, tax evasion, under-reporting, under-assessment and loss of revenue; due to negligence, inefficiency, omissions and commissions. The basic aim of inspection is to ensure correct, judicious and legal application of rules and procedures, in order to maintain internal control and ensure high standard of statutory audit, desk audit, amendment of assessment, detection of cases of incorrect determination of income and to rule out inefficiency and maladministration. Inspection also covers the qualitative aspect of taxpayers' declarations as well as the departmental actions including assessment of income, amendment of assessments and disposal of other matters.

The object of inspection is not only to keep control on the quality of work but also to ensure implementation of the FBR's policies for bringing about improvement in tax administration. The purpose of inspection is also to create a fair, transparent and independent working environment in order to enhance the revenue generation capability of the FBR and to guide, educate and assist the field formations to improve the overall quality of work.

TYPES OF INSPECTION

(1) Regular Inspection

Regular inspection shall be conducted by the Additional Director in respect of a Division, Unit of a Division or any other office of the RTO/LTU or a functional Unit/ office as per the Annual Schedule issued by the Director.

(2) Special Inspection

Special inspection shall be conducted by the Director/Additional Director/Deputy Director as may be assigned by the Director-General or the FBR, in respect of assessment records of a particular taxpayer or taxpayers or inspection of records of a Division, Unit of a Division or any other office of the RTO/LTU or a functional Unit, apart from the Annual Schedule of Regular Inspection.

SCOPE/AREAS OF INSPECTION

Inspection shall focus on the qualitative aspect of performance of the officers with reference to the respective duties and functional jurisdictions and also to evaluate the efficiency of the officers in carrying out their statutory duties inter alia, the following areas of work:-

(i) Audit Division

Income Tax

- Conducting of audit u/s 177 of the Income Tax Ordinance, 2001.
- Qualitative and quantitative disposal by amendment of assessments u/s 122 of the Ordinance.
- Computation of taxable income, giving effect to appeal orders and rectifications of orders in respect of cases related to audit.
- Assessments u/s 120, 120A, 143, 144 and 145 of the Ordinance.
- Revision of assessments u/s 122A & 122B of the Ordinance.
- Provisional assessments u/s 123 of the Ordinance.
- Best judgment assessment u/s 121 read with sub section (10) of section 177 of the Ordinance in respect of cases under audit.
- Imposition of penalty in respect of cases selected for audit, loss cases and set-aside cases, finalization of complaints of existing taxpayers and any other functions assigned to Audit Division.

Sales Tax and Federal Excise

- All audits including desk audits /investigative / composite / post refund audits.
- Special Audit under Section 32-A.
- Determination and assessment of taxes/duties/liabilities and progress made on previous inspection/audit reports of Directorate of Internal Audit.
- Review of internal controls as applicable in the organization.
- Conformity to prescribed procedures and maintenance of prescribed records.
- Any other function as may be assigned.

(ii) Enforcement & Collection Division

Income Tax

- Timely compliance of filing statutory returns and statements, charge of tax on defaulting withholding agents, collection and deduction of tax at source and issuance of exemption certificates.
- Timely disposal of internal and external audit observations/objections/paras.
- Proper communication of assessment orders/penalty orders and demand notices and giving appeal effect in the cases falling under the jurisdiction of Enforcement & Collection Division, rectification of orders, imposition of penalty under Part-X of Chapter-X, in the cases not related to audit u/s 177 of the Ordinance.
- Best judgment assessment u/s 121 of the Ordinance, except in cases under audit.
- Revision of assessment u/s 122A of the Ordinance, in respect of cases other than under audit.
- Provisional assessment u/s 122C of the Ordinance.
- Collection and recovery of taxes under Part-IV, Chapter-X of the Ordinance, and issuance of refund including refund adjustment, charge of additional tax and broadening of tax base.

Sales Tax and Federal Excise

- Accounting of tax receipts / tax collections.
- Review of maintenance of taxpayers' profile.
- Timely disposal of internal and external audit observations/objections/paras.
- Timely compliance of filing statutory returns.
- Identification of non/nil/short/null filers and appropriate action thereon.
- Charging of default surcharge and imposition of penalties, if required by law.
- Receipt and processing of returns, declaration, statements, profiles and issuance of various notices under the statutory provisions.
- Analysis and dissemination of information to taxpayers.
- Functioning of system soft-wares like STARR, STMS, ERS etc.
- Monitoring of collection and recoveries.
- Processing and issuance of refunds/rebates.
- Issuance of installation and consumption certificates etc. and various approvals under the law, involving any remission or concession of duty and taxes.
- Study / review of the cost of exemption/concession, their benefits to a specific sector / industries and their impact over the national economy.
- Any other function as may be assigned.

(iii) Legal Division

Income Tax

- Maintenance and processing of the records relating to follow up action/time limitations in respect of appeals before Commissioner (Inland Revenue) (Appeals) and Appellate Tribunal Inland Revenue (ATIR).
- Maintenance and processing of the records relating to follow up action/time limitations in respect of filing of references/petitions before the Hon' able High Courts and Supreme Court of Pakistan.

- Maintenance and processing of the records relating to follow up action/time limitations in respect of matters relating to the Federal Tax Ombudsman (FTO).
- Maintenance and processing of the records relating to follow up action/time limitations in respect of Alternate Dispute Resolution (ADR) matters.
- Study of functions and working of Review / ADR Committees.
- Maintenance and processing of the records relating to follow up action/time limitations in respect of representations before the President of Islamic Republic of Pakistan.
- Approval of Non-Profit Organization u/s 2(36) of the Ordinance.
- Matters relating to appointment of Departmental Representatives.
- Matters relating to appointment of Legal Advisors and their remunerations.
- Matters relating to Civil Suits, petitions etc filed against the department or filed by the department.

Sales Tax and Federal Excise

- Defend appeals before Commissioner (Inland Revenue) (Appeals), institute and defend departmental appeals and references under Chapter-VIII of the Sales Tax Act, 1990 and Chapter-V of the Federal Excise Act, 2005.
- Maintenance and updation of record in cases of adjudication and adherence to the prescribed time frame in the issuance of show cause notices and assessment orders / orders-in-appeal.
- Review of all cases in which orders-in-original have been issued with a view to ascertain the legality/propriety of the same and follow up in these cases.
- Maintenance and updation of records, adherence to time frame in follow up actions, relating to the **FTO**.
- File/defend representation before the President of Islamic Republic of Pakistan.
- Maintenance and updation of records. Adherence to time frame in follow up actions, relating to appeals, Appellate Tribunals, High Courts and Supreme Court.
- Scrutiny of orders by appellate forums with a view to legally evaluate directions/decisions, indicating loss due to negligence of tax adjudication functionaries.

- Review of the defence offered by the respective Divisions in cases pending before various appellate forums in order to safeguard the State revenue.
- Performance review of legal counsels with specific recommendation to the FBR for their future nomination.
- Maintenance and processing of the records relating to follow up action / time limitations in respect of Alternate Dispute Resolution (ADR) matters.
- Study of the functions and working of Review / ADR Committees.
- Recovery of tax
- Any other function as may be assigned.

(iv) Information Processing Division (Inland Revenue)

- Maintenance of physical and electronic records of taxpayers.
- Data entry of communication from Functional Divisions/Inland Revenue Authorities.
- Cross-matching of information collected from taxpayers and other sources and issuance of discrepancy reports to respective Divisions.
- Issuance of assessment records on demand to tax functionaries and maintenance of records in this regard.
- Receipt of communication from Functional Divisions and other Inland Revenue Authorities for service / process.
- Management of record and creation of the data base of taxpayers.
- Receipt and dispatch of information and record from and to other Divisions within the RTO / LTU or any other organization.
- Any other function related to record and information processing.

(v) Taxpayers' Facilitation & Human Resource Management Division (Inland Revenue)

- Receiving of returns, statements, statutory notices, documents, applications from taxpayers, mail from other Inland Revenue authorities.

- Receiving of tax payment receipts (Challans) from banks, and all outside communications.
- Sorting and dissemination of information, documents, returns, statements and mail to concerned quarters.
- Communication of assessment orders/penalty orders to taxpayers.
- Guidance to taxpayers in indirect tax matters.
- Education of taxpayers on new procedures as prescribed by FBR.
- Redress of grievances and providing assistance.
- Any other function falling under the tax facilitation work.
- Maintenance of employees' profiles and personal files.
- Matters relating to training of employees.
- Finalization of disciplinary proceedings and allied matters.
- Matters relating to posting, transfer, appointment and promotion of employees including allied matters like seniority issues etc.

SCHEDULE OF INSPECTION

1. The Director will prepare a schedule of inspection by 15th of June of each financial year under intimation to the Director General, showing inspections assigned to the Additional Directors of the Directorate to be conducted during the next financial year following the said date. The Director would also monitor and ensure the implementation of the schedule within the given time frame and the quality of Inspection Notes. Any change in the schedule, necessitated by special circumstances, will also be notified by the Director to all concerned. The cases / records once inspected shall not be inspected again on the same issue during a financial year except when specific directions in this regard are issued by the Director-General or the Director.

2. No inspection shall be conducted in the month of June.

ORGANIZATION AND CONSTITUTION OF INSPECTION TEAM

Inspection teams would be constituted by the Director for regular inspection keeping in view the jurisdiction, workload and potential of the respective RTOs/LTUs. The team may consist of an Additional/Deputy Director and as many support staff members as required. Special teams may also be constituted by the Director General or Director for conducting special inspections. The Director may also conduct regular inspection and associate Officers and staff with the inspection work as he may deem fit or as may be directed by the Director General.

SELECTION OF CASES

Selection of cases of taxpayers for inspection should be made after taking into account the jurisdiction and the revenue potential of each case. Selection may be based upon any one or more criteria, including inter alia the following:

1. Desk Audit
2. Cases selected for audit/amended assessments.
3. Refund cases.
4. Exemption certificate, exemption/concession cases.
5. Record relating to appeals.
6. Record relating to Advance tax u/s 147 of the Income Tax Ordinance, 2001.
7. Record of Withholding Agents.
8. Record relating to notices issued u/s 120(3) of the Income Tax Ordinance, 2001.
9. Important sectors/trades/professions etc.
10. Information available through print and electronic media and Information Technology etc.
11. Concessionary regimes susceptible to misuse.
12. Software System analysis where systems have taken over manual operations.
13. New legislative/procedural changes where revenue risk is yet to be determined.
14. Adjudication, appeals, recoveries.
15. Bonds, guaranties and securities etc.
16. Any other criteria relating to the functions of various Divisions.

METHOD OF INSPECTION

The Inspecting authority will intimate to the respective field officer in LTUs/RTOs regarding inspection schedule and personally visit the concerned office of the RTO/LTU to discuss the inspection work plan. The requisition of MPR/performance data and record of cases will be made by the Inspection authority who shall have access to all requisite information and relevant records including computerized record, diskettes, floppies, hard discs and data base available in the office as well as available or maintained by any functionary / agency of the FBR. The Inspecting authority shall communicate observations to the respective field officer through inspection report. The officer shall take remedial action and furnish reply within the prescribed time.

INSPECTION REPORTS

On completion of the inspection work according to the prescribed method, final inspection notes will be serialized and incorporated in the Inspection Report alongwith Annex-A on the prescribed format and delivered to the respective officer. The Inspection Authority will furnish the copies of the said Inspection Report to the Chief Commissioner LTU/RTO and the Commissioner of the respective Division. The Director shall forward a copy of the Inspection Report to the Director General alongwith his comments and the Inspection Control Format (Annex-B). Each Directorate shall maintain year-wise computerized Inspection Control record and annotated lists of Inspection Notes.

MAINTENANCE OF RECORD OF INSPECTION REPORTS

The office inspected will send/communicate a copy of the Inspection Report to the Commissioner of the Division within 03 days of its receipt from the Inspecting Authority of Internal Audit. The Commissioner shall maintain a list of pending inspection reports (alongwith copies) in annotated form to avoid loss of the information and monitoring of compliance by the respective officers. The said officer will intimate to the Commissioner regarding finalization of the Inspection Reports so that master annotated list of the Division is updated.

**TRANSFER OF INSPECTION NOTE/ADVANCE PARA/
PRINTED PARA ON THE POINT OF JURISDICTION**

In case, the Inspection Report includes any action relevant to another jurisdiction in respect of the said action the officer of the office inspected shall send the copy of Inspection to him / them, within 07 days of issuance, under intimation to the Inspection Authority for necessary follow up at his level. In the case of disagreement on the point of jurisdiction, the officer will report to the respective Additional Commissioner within the said 07 days for resolution of the issue. If the matter of jurisdiction is resolved, the Additional Commissioner will intimate to the Additional Director regarding settlement of jurisdiction within 03 days of reference of the matter to him. In case the point of jurisdiction is not resolved, the Additional Commissioner will issue directions to the office inspected to highlight the reasons for non-resolution of the issue of jurisdiction in the final compliance report under intimation to the Additional Director who will look into the matter and send a copy of the inspection note to the officer having jurisdiction over the matter.

RETRIEVAL ACTION**1. TRANSFER OF OFFICERS**

On receipt of the original Inspection Report, the officer in charge will finalize retrieval action within the prescribed time limit. In case, the said officer is transferred during the prescribed time limit or jurisdiction over the matter is transferred / assigned to any other officer, he/she will issue / leave a handing over note for his/her successor in office for retrieval action, failing which the officer, who received the original inspection report shall be held responsible for any lapse on this account including time-barring of any action.

2. TIME LINE

- (i) Retrieval action on inspection report will be finalized within 60 days of receipt of inspection report.

- (ii) If the compliance report is not received within 60 days, the Additional Director, upon a written request from the officer concerned may extend the time upto 45 days with the approval of the Director General.
- (iii) The Director General may allow further extension of 30 days in exceptional circumstances.

FOLLOW UP ACTION.

In order to settle objections or comments made in each serialized Para of the inspection report and to retrieve the loss of revenue, if any, follow up action shall be taken independently at each level as under:-

- i) The Deputy Director shall pursue the matter with the respective officer and furnish compliance report within 30 days of the delivery of inspection report.
- ii) The respective Additional Director shall take cognizance of the unsettled notes on the basis of follow up report of the Deputy Director and will take up the matter with the respective Commissioner to ensure compliance within 10 days. In case the matter is not resolved, the Additional Director will report the matter to the Director under intimation to the Commissioner. Besides, the Additional Director may convert an inspection Note into Inspection Para.
- iii) The Director shall take up the matter with the Chief Commissioner LTU/RTO to ensure resolution within next 10 days. If the matter remains unresolved, the Director will furnish report to the Director General under intimation to the Chief Commissioner LTU/ RTO highlighting measures adopted for follow up and disposal of the matter. The Director may convert an Inspection Para into Advance Inspection Para and Advance Inspection Para into Printed Inspection Para in the manner prescribed in this Manual.
- iv) The Director General may allow 15 days' time for compliance to the respective Chief Commissioner of the LTU/RTO.
- v) In case compliance is not made after the expiry of 15 days, the Director-General of Internal Audit (IR) may take up the matter with Chief Commissioner RTO/LTU, the concerned Member or refer the matter to the Chairman, FBR as would be considered appropriate. Besides, the Director

General may direct to hold quarterly or bi-annual meetings on disposal of Advance Inspection Paras, Printed Inspection Paras as may be deemed fit.

- vi) Without prejudice to above, the Director General may issue necessary instructions for follow up of the matter to any of the sub-ordinate offices as would be considered appropriate.

CONVERSION OF INSPECTION NOTE INTO INSPECTION PARA/ADVANCE PARA/PRINTED PARA

1. If the officer or the office to whom Inspection Report has been issued is in disagreement with the observations recorded in the Inspection Notes, he /she may contest the observations and submit report for the settlement of the observation through the Commissioner of the Division or the head of the office who will record his/her comments on the reasons of contesting the observations given by the officer and forward the report.

2. In case the compliance report is not received by the due date (original or extended), the Additional Director will, subject to the follow up action prescribed in the Manual, convert the Inspection Note into Inspection Para and will assign a reference number to each Inspection Para which will be cited in subsequent correspondence in this regard.

3. After the expiry of 40 days from the date of conversion of an Inspection Note into Inspection Para, if the compliance report is not received or the report received is considered unsatisfactory, the Additional Director will send a report to the Director who may approve conversion of Inspection Para into Advance Inspection Para.

4. After 10 days of Inspection Para into Advance Inspection Para, if the Para is still not settled either due to non-compliance by the officer or due to unsatisfactory compliance, the Director on his own or upon receipt of a report in this regard from the Additional Director, may convert the Advance Inspection Para into Printed Inspection Para.

5. Progress on the disposal of Advance Inspection Para and Printed Inspection Paras will be discussed in the meetings chaired by the Director General on bi-annual or

quarterly basis. The Chief Commissioner of the respective RTOs/LTUs will also attend the meeting convened by the Director General in this regard alongwith the concerned Commissioner and officers of the respective Divisions.

6. An advance Inspection Para or Printed Inspection Para will only be settled once approval in this regard is issued by the Director.

7. The Director General may take up the matter of non-compliance by any officer with the Chairman, FBR alongwith such recommendations as may be deemed fit.

FINAL COMPLIANCE REPORT

1. The Director shall make final appraisalment of the officers of Inland Revenue and the Inspection Authorities on completion of follow up action at any stage in the manner stated above, with a view to:

- a) highlighting inefficiency and malpractices;
- b) recording problems encountered by Inspection Authorities during inspection;
- c) taking into account problems being faced by field formations in compliance of Inspection Report;
- d) settlement of an Advance Inspection Para or Printed Inspection Para; and
- e) recommending reward for loss of revenue detected and charged and other meritorious services.

2. Final compliance in respect of each Inspection Report shall be reported to the Director-General on prescribed format as soon as possible but in no case later than the prescribed time-line from the date of delivery to the field officer in LTUs / RTOs. The Director-General may close the file upon receipt of report from the Director or may issue further directions as may be deemed fit.

PART-II

INTERNAL AUDIT (REVENUE)

Objectives:

The purpose of audit is to ensure compliance of tax laws and to act as deterrence to tax evasion / avoidance by taxpayers. Its objective includes examining fairly, independently and impartially, leakages and loss of revenue due to negligence, inefficiency, omission or commission and reporting its retrieval. Its aim is also to check the accuracy of calculation of various taxes which are due in relation to payments', declaration of income, filling of returns and statement and payments of taxes. Under SRO 660 (1)/2005 dated 30.06.2005 the Director General of Internal Audit (Inland Revenue) has been entrusted to **“carry out internal audit of cases or offices involving tax revenues and expenditures”**. Thus, one of the most important tasks assigned to the Directorate- General of Internal Audit (Inland Revenue) is to conduct “audit” with an object to verify the correct application of law and rules by field Officers.

The aim of audit is to educate and assist field formations in correct application of law, rules and regulations so as to create a fair, transparent and efficient working environment.

AREAS OF AUDIT (REVENUE)

Income Tax

- i) Checking arithmetic accuracy of computation of income, expenditure, assets and liabilities.
- ii) To detect improper application of tax rates.
- iii) Detection of misreporting, under-reporting and over-reporting of Direct Taxes Collection.
- iv) Detecting miscalculations of various allowances, tax credits, tax rebates and refunds.

- v) To check the accuracy of depreciation, initial allowance and amortization allowance.
- vi) Checking correctness of carry forward and set off of losses.
- vii) Identifying improper deduction of Zakat, charge of Workers' Welfare Fund, Workers' Participation Fund, personal medical expenses, double credit on the basis of received and receivables, and detection of recouped expenditures.
- viii) Detection of wrong and time barred rectification of mistakes, time barred refund applications and wrong issuance of refunds.
- ix) Pointing out mismanagement / maladministration in the LTUs/RTOs due to non-maintenance or improper maintenance of prescribed records.
- x) To cross check the entries of salary statement u/s 165 with returned and assessed income.
- xi) Detection of fraudulent and fake challans of tax payment.
- xii) To check the correctness of brought forward arrear demand, additions and deletions thereof.
- xiii) To check Incorporation Certificates in case of transfer and receipt of arrear demand.
- xiv) To check the charge of additional taxes and imposition of penalties.
- xv) Pointing out lapses in monitoring of withholding taxes and enforcement of statements u/s 165.
- xvi) Any other area.

Sales Tax and Federal Excise Duty

- i) To review the criteria in vogue/in use for selection of audit cases.
- ii) To evaluate the audit cases in so much as to the extent that the said audit was warranted.

- iii) Review/evaluate the depth and quality of the audit conducted and the record examined by the auditors.
- iv) To ascertain as to whether the conclusion of the audit is supported by the law and the procedure and appropriate penalties for offences detected have been considered.
- v) To review whether the record of the case and evidences/facts support the conclusion of the audit.
- vi) To review the time cycle of the audit conducted and probe into the reasons in case of exceptional delays.
- vii) To review the internal control as applicable in the organization to ensure the authenticity and transparency of the audit.
- viii) To discover misreporting, under-reporting and over-reporting of indirect taxes collection.
- ix) To check arithmetic accuracy of computation of tax liabilities.
- x) To detect improper application of tax rates.
- xi) To check examination/classification aspects.
- xii) To examine valuation aspects.
- xiii) To identify inadmissible exemptions/concessions.
- xiv) To point out mismanagement/maladministration in the Directorates General/LTUs/RTOs due to non-maintenance or improper maintenance of prescribed records.
- xv) To detect wrong and time-bared actions, time-barred refund applications and wrong processing and issuance of refunds.
- xvi) To check the arrears/guarantees/bonds etc and recovery status thereof.
- xvii) Any other area covered under law.

SCHEDULE OF AUDIT (REVENUE)

The Director of Internal Audit will prepare annual schedule of Internal Audit (Revenue) by 15th June of financial year in respect of the financial year following the said date which will be intimated to the Director-General. The same will be circulated by the Director to the respective officers, well in advance, under intimation to the Director General (IA). Any change in the schedule, necessitated by special circumstances will also be notified by the Director to all concerned.

No audit shall be conducted in the month of June.

**ORGANIZATION AND CONSTITUTION
OF AUDIT (REVENUE) TEAM**

Audit team will be authorized for conducting audit by the Director of Internal Audit (Inland Revenue) keeping in view the jurisdiction and potential of RTOs/LTUs concerned. An Audit party will consist of Deputy Director, an Inspector, and one UDC and may be assisted by such other officials as directed by Additional Director in writing. Special audit of cases assigned by the Director General or Director may also be conducted by the Deputy Director along with his team as constituted by the Director-General/Director/Additional Director.

METHOD OF AUDIT (REVENUE)

The Audit team will intimate to the officer in the RTOs/LTUs, regarding audit schedule and visit his/her office to discuss the audit plan. The officer concerned will allow access to the requisite records including MPR / performance data and record of proceedings conducted. Having access to the requisite record, the audit team will prepare and communicate audit observations to the officer for necessary retrieval action within the stipulated time.

AUDIT (REVENUE) REPORT

On completion of audit work final audit observations and unsettled issues will be serialized and incorporated in the audit report alongwith Annex-D in the prescribed format. The audit authority will deliver the audit report to the respective officer with copies to the Chief Commissioner LTU/RTO, Commissioner and Additional Commissioner of the Division. The Director will forward the audit report alongwith the prescribed performa with his comments to the Director General. Year-wise computerized audit control record shall be maintained in the office of each Directorate.

MAINTENANCE OF RECORD OF AUDIT (REVENUE) REPORTS

The office audited will send/communicate a copy of the audit report to the Commissioner of the Division within 03 days of its receipt from the audit Authority of Internal Audit. The Commissioner shall maintain a list of pending audit reports (along with copies) in annotated form to avoid loss of information and monitoring of compliance by the field officers. The officer will intimate to the Commissioner regarding finalization of the audit reports so that master annotated list of the Division is updated.

**TRANSFER OF AUDIT (REVENUE) NOTE/ADVANCE PARA/
PRINTED PARA ON THE POINT OF JURISDICTION**

In case, the audit report includes any action relevant to another jurisdiction, the officer of the office audited shall coordinate with the officer (s) holding jurisdiction in respect of the said action and shall send the copy of audit note to them, within 07 days of issuance, under intimation to the audit authority for necessary follow up at his level. In case of disagreement on the point of jurisdiction, the officer will report to the respective Additional Commissioner within the said 07 days for resolution. If the matter pertaining to the jurisdiction is resolved, the Additional Commissioner will intimate to the Additional Director of Internal Audit regarding settlement of jurisdiction within 03 days of reference of the matter to him. In case the point of jurisdiction is not resolved, the Additional Commissioner will issue directions to the office audited to highlight the reasons for non-resolution of the issue of jurisdiction in the final compliance report under intimation to the Additional Director who will look into the matter and send a copy of the audit report to the Officer having jurisdiction over the matter.

RETRIEVAL ACTION

1. TRANSFER OF OFFICERS

On receipt of the original Audit Report, the officer will finalize retrieval action within the prescribed time limit. In case, the said officer is transferred during the prescribed time limit or jurisdiction over the matter is transferred / assigned to any other officer, he/she will issue / leave a handing over note for his/her successor in office for retrieval action, failing which the officer, who received the original audit report shall be held responsible for any lapse on this account.

2. TIME LINE

- (i) Retrieval action on audit report will be finalized within 60 days of receipt of audit report.
- (ii) If the compliance report is not received within 60 days, the Additional Director, upon a written request from the officer concerned may extend the time upto 45 days with the approval of the Director General.
- (iii) The Director General may allow further extension of 30 days in exceptional circumstances.

FOLLOW UP ACTION.

In order to settle audit observations/unsettled issues and to retrieve the loss of revenue, follow up action shall be taken at each level in the following manner:-

- (i) The Deputy Director shall pursue the matter with the respective officer and furnish compliance report within 30 days of the delivery of the audit report.
- (ii) In case of non-compliance by the respective officer within 30 days, the Additional Director shall take up the matter with the respective Commissioner to ensure compliance within 10 days. In case the matter is not resolved, the Additional Director will report the matter to the Director of Internal Audit and

will highlight the pending audit observations and unsettled issues of the audit report under intimation to the Commissioner. Besides, the Additional Director may convert the Audit Observation into Audit Para in the manner prescribed in this Manual.

- (iii) The Director shall take up the matter with the respective Chief Commissioner to settle the pending Audit Paras within next 10 days. If the matter remains unresolved, the Director will furnish report to the Director General, Internal Audit (IR) under intimation to the Chief Commissioner LTUs/ RTOs highlighting measures adopted for follow up and disposal of the matter. The Director may convert the Audit Para into Advance Audit Para and Advance Audit Para into Printed Audit Para in the manner prescribed in this Manual.
- (iv) The Director General may allow 15 days for compliance to the Chief Commissioner of the LTU/RTO.
- (v) In case compliance is not made after the expiry of 15 days, the Director-General of Internal Audit (IR) may take up the matter with Chief Commissioner RTO/LTU, the concerned Member or refer the matter to the Chairman, FBR as would be considered appropriate.
- (vi) The Director-General may direct to hold progress appraisal meetings on quarterly or bi-annual basis to discuss progress on Advance Audit Paras and Printed Audit Paras and may issue such directions as may be deemed fit.
- (vii) Without prejudice to above the Director-General of Internal Audit may issue necessary instructions for follow up of the matter to any of subordinate offices as would be considered appropriate.

CONVERSION OF AUDIT (REVENUE) OBSERVATION INTO AUDIT (REVENUE) PARA, ADVANCE AUDIT (REVENUE) PARA AND PRINTED AUDIT (REVENUE) PARA

1. If the officer or the office to whom Audit Report has been issued is in disagreement with the Audit observations, he /she may contest the observations and submit report for the settlement of the observations through his/ her respective Commissioner of the Division or the head of the office who will record his comments on the reasons of contesting the observations given by the officer and forward the report to the Director.
2. In case the compliance report is not received by the due date, the Additional Director will convert the Audit observations into Audit Para and will assign a reference number to each Audit Para which will be cited in subsequent correspondence in this regard.
3. After the expiry of 40 days from the date of conversion of Audit observations into Audit Para, if the compliance report is not received or the report received is considered unsatisfactory, the Additional Director will send a report to the Director who may approve conversion of Audit Para into Advance Audit Para.
4. After 10 days of conversion of Audit Para into Advance Audit Para, if the Para is still not settled either due to non-compliance by the officer concerned or due to unsatisfactory compliance, the Director on his own or upon receipt of a report in this regard from the Additional Director, may convert the Advance Audit Para into Printed Audit Para.
5. Progress on the disposal of Printed Audit Paras will be discussed in the meetings chaired by the Director-General, Internal Audit (IR) on bi-annual or quarterly basis. The Chief Commissioner of the respective RTOs/LTUs will also attend the meeting alongwith the concerned Commissioner and officers of the respective Divisions.
6. An advance Audit Para or Printed Audit Para will only be settled once approval in this regard is issued by the Director.

7. The Director-General may take up the matter of non-compliance by any officer with the Chairman, FBR alongwith such recommendations as may be deemed fit.

FINAL COMPLIANCE REPORT

1. The Director shall make final appraisalment of the officers of Inland Revenue and the Audit Authorities on completion of follow up action at any stage in the manner stated above, with a view to:

- a) highlighting inefficiency and malpractices;
- b) recording problems encountered by Audit Authorities during Audit;
- c) taking into account problems being faced by field formations in compliance of Audit Report;
- d) settlement of an Advance Audit Para or Printed Audit Para; and
- e) recommending reward for loss of revenue detected and charged and other meritorious services.

2. Final compliance in respect of each Audit Report shall be reported to the Director-General on prescribed format within the prescribed time-line who may direct to close the file or issue directions to take any further action as may be deemed fit.

PART-III

INTERNAL AUDIT (EXPENDITURE)

Objectives:

In order to minimize audit objections from the AGPR, an internal control mechanism was devised at our own level to conduct internal audit (expenditure) mandated by the SRO. 660(1)/2005 dated 30.6.2005. The objectives of internal audit is to conduct and report an independent, impartial and fair audit of all the expenditures of the offices of Inland Revenue to enforce proper maintenance of expenditures recorded and check arithmetic accuracy of prescribed books of accounts and financial statements, deduction and prevention of errors and mistakes by omission or commission in the accounts.

AREAS OF INTERNAL AUDIT (EXPENDITURE)

Income Tax, Sales Tax and Federal Excise.

The Audit Team shall mainly focus on the following areas:

- Monthly/annual reconciliation of expenditure with AGPR.
- Cash book.
- Budget Control Register.
- Stores/Stock Register.
- Stationery Register.
- Log book of vehicles.
- Telephone Register.
- Long term/short term advances Register.
- Photocopies Register.
- Consumable stores Register.
- Newspaper Register.
- TA Register.
- Service books of the officials.

- Vouchers, contingent bills, T.A. bills, advance bills etc.
- History and particulars of Machinery & Equipment (Fax, Photocopiers, Computers etc.)
- Economical and efficient use of resources.
- Embezzlement in expenditure.
- Proper deduction, collection and deposit of Income Tax & Sales Tax and Federal Excise Duty.
- Maintenance of Bank Account in the name of DDO or his personal account, if any.
- To reviews previous years' Audit Report
- Checking of Establishment Bills.
- Leave Accounts of the staff.
- Travelling Allowance Bills of officers/staff.
- Medical reimbursement Bills of retired/in service officers/staff.
- Contingent paid vouchers.
- Monthly progress report.
- Registers/lists pertaining to weeding of old record.
- Scrutiny of history of service of offices.
- Advances/loan from CPF if any.
- Income Tax deduction and pay.
- Casual leave account.
- Register of PDP.
- Auction sale account.
- Stock verification record.
- Attendance registers.
- Sanctioned strength of officers/staff and Disposition lists.
- Postage stamp registers.
- Cash imprest.
- Over time allowances registers.
- Pension cases (Final bill payment)
- Dead stock registers.
- Register of advances i.e. HBA/MCA etc.

- C&P Registers.
- GP Fund deductions etc.
- Disposition list.
- House requisition registers.
- Index register of cases.
- Tender Register.
- Any other records as are prescribed under the law/rules/procedures.

SCHEDULE OF AUDIT (EXPENDITURE)

The Director of Internal Audit will prepare annual schedule of Internal Audit (Expenditure) by 15th June in respect of the next financial year with the approval of the Director- General and circulate it, well in advance, among all concerned. Any change in the schedule, necessitated by special circumstances will also be notified by the Director. No audit shall however be conducted in the month of June.

ORGANIZATION & CONSTITUTION OF AUDIT (EXPENDITURE) TEAM

An audit team will be constituted by the Director. The team will consist of Deputy Director and as many support staff members as required. Special teams may also be constituted by Director General or the Director for conducting Special Audit (Expenditure).

METHOD OF AUDIT (EXPENDITURE)

The Audit team will intimate to the respective officer in the RTO/LTU, regarding audit schedule and personally visit the said RTO/LTU to discuss the audit work plan. The requisition of relevant data and record will be made by the audit team and having access to all requisite information and relevant record, the audit team will look into the matter and communicate Audit (Expenditure) Report for compliance within the stipulated time.

AUDIT (EXPENDITURE) REPORT

1. On completion of audit work final audit paras will be serialized and incorporated in the Audit (Expenditure) report alongwith the prescribed format (Annex-F) according to the method prescribed above.
2. The Audit (Expenditure) Report shall be delivered to the respective officer with copies to the Director, Chief Commissioner LTU/ RTO, Commissioner and Additional Commissioner.
3. The Director shall forward a copy of Audit Report to the Director General of Internal Audit (IR).
4. Year-wise computerized audit control record shall be maintained in the office of each Directorate.

FOLLOW UP ACTION

- i) The Deputy Director will take up the matter with the respective officer of the field formation after the delivery of Audit (Expenditure) Report and obtain compliance report in annotated form within 30 days.
- ii) The Additional Director shall take up the matter with the respective commissioner to ensure compliance within 10 days. In case the matter is not resolved the Additional Director will report the matter to the Director of Internal Audit highlighting the pending audit observations and unresolved issues of the Audit (Expenditure) Report under intimation to the respective Commissioner.
- iii) The Director shall take up the matter with the Chief Commissioner to settle the pending Audit Reports and unresolved issues within next 10 days. If the matter remains unresolved, the Director shall furnish report to the Director-General, Internal Audit (IR) under intimation to the Chief Commissioner, RTO/LTU highlighting measures adopted for follow up and disposal of the matter.
- iv) The Director General, Internal Audit (Inland Revenue) may allow 15 days for compliance to the Chief Commissioner RTO/LTU.

- v) In case the compliance is not made after the expiry of 15 days, the Director-General of Internal Audit (IR) may take up the matter with Chief Commissioner RTO/LTU, the concerned Member or refer the matter to the Chairman, FBR as would be considered appropriate.
- vi) The Director General of Internal Audit (IR) may issue necessary instructions for follow up the matter to any of subordinate offices as would be considered appropriate.

CONVERSION OF AUDIT (EXPENDITURE) OBSERVATION INTO AUDIT (EXPENDITURE) PARA, ADVANCE AUDIT (EXPENDITURE) PARA, AND PRINTED AUDIT (EXPENDITURE) PARA.

The provisions of this Manual relating to conversion of Audit (Revenue) observations into Audit Para, Audit Para into advance Audit Para and Advance Audit Para into Printed Audit Para will apply mutatis mutandis to conversion of Audit (Expenditure) observation into Audit (Expenditure) Para, Audit (Expenditure) Para into Advance Audit (Expenditure) Para and Advance Audit (Expenditure) Para into Printed Audit (Expenditure) Para.

FINAL COMPLIANCE REPORT

1. The Director shall make final appraisal of the officers (Inland Revenue) and the Audit Authorities on completion of follow up action at any stage in the above stated manner, with a view to:-

- a) highlighting inefficiency and malpractices;
- b) recording problems encountered by Audit Authorities during audit;
- c) taking into account problems being faced by the field formations in compliance of Audit Report;
- d) settlement of an Advance Audit Para or Printed Audit Para ; and
- e) recommending reward for financial loss detected and recovered and other meritorious services.

2. The Director shall furnish final compliance to the Director General in respect of each Audit Report on prescribed format (Annex-G) who may direct to close the file or issue further directions as may be deemed fit.

ANNUAL REPORT

In the light of Board's SRO No. 660(1)/2005 dated 30-06-2005, an important function of the Directorate General is to furnish an Annual Report about the working of the income tax offices (now Inland Revenue Offices) to the Federal Board of Revenue, by the 31st day of December, following the end of the Financial Year to which it relates. This report amongst other things discusses the working of Inspection, Internal Audit (Revenue) and Internal Audit (Expenditure), achievement in terms of Revenue gain, strong and weak areas of tax operations, enforcement, efficiency, conduct of tax and audit functionaries and necessary measures to enforce accountability within the framework of law and policy applicable.

SUMMARY OF TIME LINE / FINAL COMPLIANCE

	Time Line	Final Compliance
Regular Inspection	Annual schedule shall be prepared by the Director by 15 th June on yearly basis	Final compliance report shall be reported to the Director General (IA) by the Director on format (Annex-C) within 60 days of the date of delivery of inspection report.
Internal Audit (Revenue)	-do-	Final compliance report shall be reported to the Director General (IA) by the Director on format (Annex-E) within 60 days of the date of delivery of audit report.
Internal Audit (Expenditure)	-	Final compliance report shall be reported to the Director General (IA) by the Director on format (Annex-G) within 60 days of the date of delivery of audit report.
Regular Inspection	Inspection of each functional Division in RTO/LTU shall be conducted at least once during a Financial Year [*]	-
Internal Audit (Revenue)	-do-	-

[*] No inspection / audit shall however be conducted in the month of June.

INSPECTION REPORT

Name of Office Inspected	
Period of Inspection	
Name, designation and personnel number of the officer posted on the closing date of month of inspection	
Name, designation and personnel number of the officer to whom inspection report is issued	
No. of cases inspected	
No. of cases commented upon (Notes attached)	
No. of cases where record not produced (Attach List)	
Cases Inspected (Attach Details of every case Inspected)	

**PART-I
AUDIT DIVISION**

A. Quantitative Performance**(1) Income Tax**

Description	Opening Balance / Number of case	Addition / Deletion	Total available for disposal	No. of Cases Disposed of	Demand Created (Rs. Million)
Assessments u/s 121					
Amendments u/s 122					
Audit u/s 177					
Rectification u/s 221					
Set-aside assessments					
Appeal effect					
Other assessments					
Penalty Orders					
Complaint cases					
Internal Audit Inspection Notes					
Internal Audit (Revenue) Reports					
DRRA / External Audit Cases					
Desk Audit					
Any other (specify)					

(2) Sales Tax & Federal Excise

Description	Opening Balance / Number of case	Addition / Deletion	Total available for disposal	No. of Cases Disposed of	Demand Created (Rs. Million)
U/s 25 of ST Act, 1990					
U/s 46 of the FE Act, 2005					

U/s 38 of ST Act, 1990					
Pre-Refund Audit					
Post-Refund Audit					
Complaints					
Criminal Procedure Cases					
Desk Audit					
Others					

B. Qualitative Evaluation

(1) Income Tax

Description	Quality
Assessments u/s 121	
Amendments u/s 122	
Audit u/s 177	
Rectification u/s 221	
Set-aside assessments	
Appeal effect	
Other assessments	
Penalty Orders	
Complaint cases	
Internal Audit Inspection Notes	
Internal Audit (Revenue) Reports	
DRRA / External Audit Cases	
Coordination with other Divisions	
Any other (specify)	

(2) Sales Tax & Federal Excise

Description	Quality
U/s 25 of ST Act, 1990	
U/s 46 of the FE Act, 2005	
U/s 38 of ST Act, 1990	
Pre-Refund Audit	
Post-Refund Audit	
Complaints	
Criminal Procedure Cases	
Desk Audit	
Others	

C. Action Recommended by Team

(1) Income Tax

Description	No. of Cases
Amendments u/s 122(5A)	
Set-aside assessments	
Assessments u/s 121	
Other assessments / actions - u/s 122(1)/122(4)	

Audit u/s 177	
Desk Audit	
Rectification u/s 221	
Penalty Orders	
Complaint cases	
Appeal effect	
Others	

(2) Sales Tax & Federal Excise

Description	No. of Cases
U/s 25 of Sales Tax Act, 1990	
U/s 46 of the Federal Excise Act, 2005	
U/s 38 of Sales Tax Act, 1990	
Pre-Refund Audit	
Post-Refund Audit	
Complaints	
Criminal Procedure Cases	
Desk Audit	
Others	

Remarks if any.

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Date:**D. Certificate by Director**

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**Director
(Name)**

PART-II**ENFORCEMENT DIVISION UNITS****1. Income Tax****A. Budget**

Annual Target (Rs. M)	Target Achieved (Rs. M)	%

B. Tax Collection (Rs. Millions)

Description	Opening Balance	Addition	Deletion	Irrecoverable	Recoverable	Collection	%
Current Demand							
Arrear Demand							

C. Withholding Taxes

No. of WH Agents	No. of Defaulters	No. of Orders u/s 161/205	Amount Charged	Collection	%

D. Advance Tax

Quarter	No. of Tax Payers	No. of Defaulters	Amount Due (Rs. M)	No. of Orders u/s 205	Additional Tax (Rs. M)	Total	Collection	%

E. Rectifications

No. of Applications	No. of Cases	Disposal	Balance	%

F. Appeal Effects

Forum	No. of Cases	Disposal	Balance	%
CIR's revisions				
CIR (A)				
Appellate Tribunal				
High Court				
Supreme Court				

G. Refunds

Opening Balance / No. of applications	Addition	Total	Disposal	Balance	%

H**(a) Statements u/s 165 – Filing**

Description	No. of Statements Due	No. of Statements received	No. of Defaulters	No. of notices issued	No. of notices complied with	Penalty Orders issued
Monthly / Quarterly						
Annual						

(b) Statements u/s 165 – Desk Audit

No. of annual statements received	No. of annual statements desk-audited	No. of cases where discrepancies detected	No. of cases where retrieval action taken	No. of cases referred to Audit Division for retrieval action

I. Recovery of tax levied as a result of Audit and Inspection Observations

Revenue Audit (a)		Inspection (b)		Revenue Recovered out of (a) and (b) (Rs. M)
No. of Audit Reports finalized	Demand created (Rs. M)	No. of Inspection Notes finalized	Demand created (Rs. M)	

J. Broadening of Tax Base

Category	No. of cases available for action	Enquiries Finalized	No. of cases where notices issued u/s 114(4)	No. of returns received	No. of cases referred to Audit Division for further action
Motor Vehicles purchased					
Immovable property purchased or any other income earned					
Investment made					
Complaints					
Others					

K. Non-filers

Category of Non-filer	No. of cases available for action	No. of cases where notices issued (u/s 114(4)/120(3)/others	No. of notices complied with	No. of defaulters	Penalties imposed (Rs. M)
Returns					
Statements in lieu of returns					

Wealth statements					
Enclosures of returns					

L. Returns/Statements – Desk Audit

No. of Returns/Statements received	No. of Returns/statements desk-audited	No. of cases where discrepancies detected	No. of cases where action taken	No. of cases referred to Audit Division

M. Action Recommended by Team

Description	Number of cases
U/s 161/205	
Penalty	
Additional Tax	
Rectification	
Recoveries (specify number and amount)	
Prosecution	
Amendment of assessments proposed	
Under section 114	
Orders u/s 121 proposed	
Advance tax	
Others / Miscellaneous (desk audit etc)	

N. Qualitative Evaluation

Description	Quality (Attach Reasons)
a. Enforcing filing of returns, statutory statements, accounts and documents	
b. Action against non-filers	
c. Penalties (Pt-X, Ch-X of the Ordinance)	
d. Internal/External survey conducted [(Yes/No), if yes, comments on quality]	
e. Assessment u/s 121 Revision u/s 122A (other than Audit related cases)	
f. Coordination with other Divisions	
g. Any other (please specify)	

2. Sales Tax & Federal Excise**A. Budget**

Annual Target (Rs. M)	Target Achieved (Rs. M)	%

B. Refunds Claims

Opening Balance / No. of Claims	Addition	Total	Disposal	Balance	%

C. Returns Filing (U/s 26 of the Sales Tax Act, 1990), Statements, Annual Accounts

Description	No. of Returns Due	No. of Returns received	No. of Defaulters	No. of notices issued	No. of notices complied with	Penalty Orders Issued
Monthly Returns						
Quarterly Returns						
Annual Returns						
Reconciliation Statements						
Annual Accounts						

D. Desk Audit of Returns (For Short-filing etc)

No. of Returns received	No. of Returns desk-audited	No. of cases where discrepancies detected	No. of cases where retrieval action taken	No. of cases referred to Audit Division for retrieval action

E. Recovery of tax levied as a result of Audit and Inspection Observations

Revenue Audit (a)		Inspection (b)		Revenue Recovered out of (a) and (b) (Rs. M)
No. of Audit Reports finalized	Demand created (Rs. M)	No. of Inspection Notes finalized	Demand created (Rs. M)	

F. Broadening of Tax Base

Category	No. of cases available for action	Enquiries Finalized	No. of cases where notices issued u/s 21	No. of returns received	No. of cases referred to Audit Division for further action
Complaints					
Others					

G. Desk Audit of Statements

No. of Statements received	No. of statements desk-audited	No. of cases where discrepancies detected	No. of cases where action taken	No. of cases referred to Audit Division

H. Revision of Returns

No. of applications Received (i/c opening balance)	No. of revisions allowed.	No. of applications rejected	Pendency	Percentage disposal

I. Applications for Condonation of Time Limit

No. of applications Received (i/c opening balance)	No. of revisions allowed.	No. of applications rejected	Pendency	Percentage disposal

J. Industrial Survey

No. of applications Received (i/c opening balance)	No. of applications allowed.	No. of applications rejected	Pendency	No. of Cases Referred for Audit

K. Action Recommended by Team

Description	Number of cases
U/s 11, 14, 36	
Penalty u/s 33	
Additional Tax u/s 34	
Recoveries	
Prosecution	
Audit	
Others / Miscellaneous	
A	
B	
C	

Remarks if any.

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PART-III**INFORMATION PROCESSING DIVISION****Income Tax, Sales Tax and Federal Excise Duty****A. Non Filers of returns**

No. of Returns due	No. of Returns Received	Defaulters	Reported for action u/s 114 of the Income Tax Ordinance, 2001/U/s 26 of the Sales Tax Act, 1990/U/s 4 of the Federal Excise Act, 2005.	Reported for action u/s 121 of the Income Tax Ordinance, 2001/U/s 11 of the Sales Tax Act, 1990.

B. Processing of Returns

Incomplete returns		Invalid returns		Valid Returns	
No. of incomplete returns detected	Notices generated / cases reported to Enforcement Division	No. of invalid returns	Notices generated / cases reported to Enforcement Division	No. of returns received	No. of returns whose data entry completed

C. Cross Matching of Information

Returns Received	Returns Examined	Discrepancy Detected	Discrepancy Reported / report generated

D. Revision of returns of Sales Tax and Federal Excise.

Request received	Request finalized	Request pending	Reasons

E. Performance Evaluation

Description	Quality
Data Entry	
Cross-matching of information	
Maintenance of record	
Record Receipt/Dispatch Mechanism	
Dissemination of information	
Use of Information Technology	
Any other (Specify)	

F. Remarks if any.

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PART- IV
LEGAL DIVISION

Income Tax, Sales Tax and Federal Excise Duty

A. Quantitative Performance

Forum	Appeals/ References/ Applications decided	Amount involved	In favour of Department	Against the Department	Revenue Loss	No. of appeals / ref. / review petitions filed against orders of
CIR (A)						
Appellate Tribunal						
High Court						
Supreme Court						
FTO						
President						
ADR						
Others						

B. Approvals

Description	No. of Applications b/f	Addition	Total	Disposal	Closing Balance
Recognition/Appeal of funds & Schemes (2 nd & 6 th Sch. To the Income Tax Ordinance, 2001)					
Approval of NPOs u/s 2(36) of the Income Tax Ordinance, 2001)					

C. Qualitative Evaluation

Description	Quality
Appeals/Reference/Petition	
FTO	
President	
ADRs	
Approval of NPOs and Recognition of Funds	
Any other (Specify)	

D. Remarks if any.

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PART-V

TAXPAYERS FACILITATION DIVISION

Income Tax, Sales Tax and Federal Excise Duty

A. Performance Evaluation

Description	Quality
Receipt of returns/statements/mail/applications challans	
Swift transmission of above documents/information to the concerned Division	
Swift and proper service of assessment/penalty orders and demand notice/Show cause notices	
Guidance to Taxpayers	
STR No./NTN related matters	
Any other (Specify)	

B. Remarks if any.

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Date:

**Name, Personal No. and Signatures
of Additional Director
Internal Audit (Inland Revenue)**

C. Certificate by Director

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**Director
(Name)**

INSPECTION EVALUATION REPORT

Office(s) Inspected			
Period of Inspection			
Period Covered by Inspection			
Name & Personal No. of Inspecting Authority			
No. of cases commented upon			
No. of cases where action has been proposed for	a	Amendment	
	b	Rectification	
	c	u/s 161/205	
	d	Penalty (u/s 182)	
	e	Additional Tax	
	f	Other (u/s 121)	
	g	Under Sales Tax Act, 1990	
	h	Under Federal Excise Act, 2005	
	i	Others	
Recovery Position	Outstanding		Recovered

Remarks

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Region

Date

Signature
Name of Director
Personal Number

FINAL COMPLIANCE – INSPECTION REPORT**1. Preliminary**

Office(s) Inspected	
Month of Inspection	
Date of Delivery of Report	
Due date of Compliance	
Date of Compliance Report	
Period of Delay	

2. Brief of retrieval Action Taken

Description	Action Proposed (No. of Orders)	Contested (No. of Orders)	Not contested (No. of Orders)	Action taken (No. of Orders)	Pending (No. of Orders)	Settled No. of Insp Notes)	Unsettled No. of Insp Notes)	Additional Revenue Charged (Rs.M)	Revenue Collected (Rs.M)
Amendments									
Rectification									
Order u/s 161/205 of the Income Tax Ord. 2001									
Penalty Orders									
Additional Taxes									
Under Sales Tax Act, 1990									
Under Federal Excise Act, 2005									
Others									

Remarks:

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Region**Date**

Signature
Name of Director
Personal Number

INTERNAL AUDIT (REVENUE) REPORT**Income Tax, Sales Tax and Federal Excise Duty**

Name of Office Audited	
Month of Report	
Number of Cases Examined	
Number of Audit paras (details attached)	
Number of cases where records not produced (list attached)	

A. Maintenance of record

S. No.	Description	Whether maintained (Y/N)	Whether maintained properly (Y/N)
1			
2			
3			
4			
5			

B. Loss of Revenue

Description	Amount (million)
Non/ short levy of additional tax u/s 205(3)&(4)/161 of the I.Tax. Ordinance, 2001.	
Non/ short levy of additional tax u/s 205(1)&(2)/147 of the I.Tax. Ordinance, 2001.	
Non/ short levy of additional tax u/s 205(1)&(2)/137(1) of the I.Tax. Ordinance, 2001.	
Non/ short levy of additional tax u/s 205(1)&(2)/137(2) of the I.Tax. Ordinance, 2001.	
Non/ short levy of WWF (I.Tax)	
Incorrect deduction for Zakat, WWF & WPF (I.Tax)	
Incorrect computation of tax (I.Tax, Sales Tax & Federal Excise)	
Excessive grant of depreciation (I.Tax)	
Excessive grant of amortization (I.Tax)	
Incorrect taxation of share from AOP (I.Tax)	
Incorrect rectifications (I.Tax)	
Incorrect credit for tax paid (I.Tax, Sales Tax & Federal Excise)	
Omission of arrear demand (I.Tax, Sales Tax & Federal Excise)	
Arrear demand not brought forward (I.Tax, Sales Tax & Federal Excise)	

Irregular write off of arrear (I.Tax, Sales Tax & Federal Excise)	
Escapement of taxable perquisite, allowances and benefits (I.Tax)	
Excessive relief on investment/donations (I.Tax)	
Incorrect carry forward/adjustment of losses (I.Tax)	
Incorrect apportionment of deductions I.Tax, Sales Tax & Federal Excise)	
Wrong set off of loss (I.Tax)	
Wrong carry forward of loss (I.Tax)	
Non/Short levy of Default Surcharge U/S 34 of Sales Tax Act, 1990/ U/S 8 of Federal Excise Act, 2005.	
Sales Tax & Federal Excise revenue loss detected.	
Others (specify)	

C. Recovery of tax levied as a result of Audit Observations

Opening balance	Addition	Recovery	Balance	%

Region
Date

Signature
Name & Designation of audit authority

FINAL COMPLIANCE REPORT OF INTERNAL AUDIT (REVENUE)**1. Preliminary**

Office(s) Audited
Month of Audit
Date of issuance of audit report
Due date of compliance
Date of compliance
Period of delay

2. Brief on settled paras

Audit paras reported	Audit paras admitted & settled	Difference

3. Loss of Revenue Retrieved

Description	Reported	Charged	Reasons for Difference (attach details)	Revenue collected
Non/short levy of additional tax u/s 205(3)&(4)/161 of the Income Tax Ordinance, 2001.				
Non/short levy of additional tax u/s 205(1)&(2)/147 of the Income Tax Ordinance, 2001.				
Non/short levy of additional tax u/s 205(1)&(2)/137(1) of the Income Tax Ordinance, 2001.				
Non/short levy of additional tax u/s 205(1)&(2)/137(2) of the Income Tax Ordinance, 2001.				
Non/short levy of WWF (I.Tax)				
Incorrect deduction for Zakat, WWF & WPF (I.Tax)				
Incorrect computation of tax (I.Tax, S.Tax & FE)				
Excessive grant of depreciation allowance (I.Tax)				
Excessive grant of amortization (I.Tax)				
Incorrect rectifications (I.Tax)				

Incorrect credit for tax paid (I.Tax, S.Tax & FE)				
Omission of arrear demand (I.Tax, S.Tax & FE)				
Deletion of arrear without incorporation certificate (I.Tax)				
Arrear demand not brought forward (I.Tax, S.Tax & FE)				
Irregular write off of arrear (I.Tax, S.Tax & FE)				
Excessive relief on investment/donations (I.Tax)				
Incorrect carry forward/adjustment of losses (I.Tax)				
Incorrect apportionment of deductions (I.Tax, S.Tax & FE)				
Non/Short levy of Default Surcharge U/S 34 of Sales Tax Act, 1990/ U/S 8 of Federal Excise Act, 2005.				
Sales Tax & Federal Excise revenue loss detected.				
Others (specify)				

Region
Date

Signature
Name of Director

INTERNAL AUDIT (EXPENDITURE) REPORT**Income Tax, Sales Tax and Federal Excise Duty**

Name of Office Audited	
Month of Audit	
Period of Audit	
Date of issuance of Report	
Due date of compliance	

A. Expenditure Budget

i) Sanctioned amount	
ii) Expenditure incurred	
iii) Saving/Excess	
iv) Reason for excess/surrender	

B. Annual Reconciliation with AGPR

Departmental Figures	
AGPR Figures	
Difference	
Date of reconciliation	
Reasons for difference. If any	

C. Audit Observations

No. of Observations	
Whether inefficient & un-economical use of public funds established (Yes/No)	
Whether any embezzlement of public funds detected (Yes/No)	
Whether any major infringement of codal formalities identified (Yes/No)	

D. Maintenance of Registers

S. No.	Description	Where maintained or not	Discrepancies, if any

E. Follow up status of previous Audit Reports

Period	No. of Audit paras/observations	No. of Audit paras/observations settled	No. of Audit paras/observations pending	Remarks

F. Follow up status of External Audit Reports

Period	No. of Audit paras	No. of Audit paras settled	No. of Audit paras pending	Remarks

G. Overall comments

--

Region
Date

Audit Authority
Name
Designation

Annex-G

**FINAL COMPLIANCE –INTERNAL AUDIT
(EXPENDITURE)**

1. Office audited:	
2. Month of Audit	
3. Period of Audit:	
4. Date of issuance of report	
5. Compliance status:	
a) Due date of compliance	
b) No. of days of default (if any):	

Compliance profile of Observations / Paras

S.No.	Description	Status	Financial Loss, if any				Remarks
			Reported	Charged	Balance	Collected	

OVERALL COMMENTS:

Region
Date

Signature
Name of Director

Annex-H

A. Quantitative Performance**(BLACK LISTING CELL)**

Reasons for Blacklisting	Opening Balance as on	Addition During the Period	Total	Amount Recoverable (if any)	Recovered / Settled (if any)	Closing Balance as on	Pending Recovery
Fake/Flying invoices							
Fake Refund							
Untraceability							
Tax Fraud (other than fake refund)							
Arrears							
Others							

B. Qualitative Evaluation

Restoration due to	No. of cases	No. of Cases Scrutinized by Audit tax	Case wise discrepancies	Remarks
Audit				
Litigation				
Adjudication				
Recovery				
Physical Verification				
Provisional Basis				
Other				

MONTHLY PERFORMANCE REPORT

1. The Extra / Assistant / Deputy Director Internal Audit (Inland Revenue), in respect of his / her office / Circle, shall submit monthly performance report (MPR) as per Annex-I, along with necessary details as may be prescribed by the Director General / Director, highlighting performance of the office / Circle for the calendar month, to his / her respective Additional Director by 5th day of the succeeding month.
2. The Additional Director Internal Audit (Inland Revenue), in respect of his / her Range, shall submit monthly performance report (MPR) as per Annex-I, along with necessary details as may be prescribed by the Director General / Director, highlighting performance of the Range for the calendar month, to his / her respective Director by 7th day of the succeeding month.
3. The Director Internal Audit (Inland Revenue), in respect of his / her Directorate, shall submit monthly performance report (MPR) as per Annex-I, along with necessary details as may be prescribed by the Director General, highlighting performance of the Directorate / Region for the calendar month, to the Director General by 10th day of the succeeding month.
4. The Director General Internal Audit (Inland Revenue), in respect of the Directorate General, shall submit monthly performance report (MPR), as per Annex-I, highlighting performance of the organization of Internal Audit (Inland Revenue) for the calendar month, to the Board, latest by 15th day of the succeeding month.

Annex-I

Monthly Performance Report (MPR) for the month of _____
Name of Region / Office _____

(Revenue figures in Rs. million)

Descriptions	Opening Balance as on 1st July of the Financial Year						Additions						Disposal						Remarks if any							
	I&A Reports		Notes / Paras		Revenue Involved / Loss Reported		I&A Reports		Notes / Paras		Revenue Involved / Loss Reported		I&A Reports		Notes / Paras		Revenue Involved / Loss Reported									
	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19		20	21	22	23	24	25	26
1 INSPECTION:																										
(1) Headwise summary of Regular Inspection																										
i) Income Tax																										
ii) Sales Tax																										
iii) Federal Excise Duty																										
Total																										
(2) Headwise summary of Special Inspection																										
i) Income Tax																										
ii) Sales Tax																										
iii) Federal Excise Duty																										
Total																										
2 INTERNAL AUDIT (REVENUE)																										
(1) Headwise summary of Audit observations																										
i) Income Tax																										
ii) Sales Tax																										
iii) Federal Excise Duty																										
Total																										
3 AUDIT REPORTS (EXPENDITURE)																										
4 OTHER ASSIGNMENTS																										
(1) Complaints / Enquiries etc.																										
(2) Investigation Audits																										
(3) Other / Miscellaneous																										

Prepared by _____

Reviewed by _____

Approved by _____

Date Submitted _____

(Revenue figures in Rs. million)

S.No	Area of Performance	Previous Year												Current Year											
		NR			CR			SR			TOTAL			NR			CR			SR			TOTAL		
		I.Tax	S.Tax	FED	I.Tax	S.Tax	FED	I.Tax	S.Tax	FED	I.Tax	S.Tax	FED	I.Tax	S.Tax	FED	I.Tax	S.Tax	FED	I.Tax	S.Tax	FED	I.Tax	S.Tax	FED
1		2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
2	Special Inspection Reports																								
(1)	Opening balance as on 1st July																								
(2)	Required as per schedule during the month																								
(3)	Addition during the month																								
(4)	Received as per schedule upto the month																								
(5)	Addition upto the month																								
(6)	Quantified loss of Revenue Detected (During any year)																								
(7)	Total for deposit																								
(8)	Disposal during the month																								
(9)	Disposal upto the month																								
(10)	Closing balance of the month																								
(11)	Amount received upto the month																								

(Revenue figures in Rs. million)

S.No	Area of Performance	Previous Year						Current Year						TOTAL											
		NR		CR		SR		NR		CR		SR		TOTAL											
		1.Tax	S.Tax	FED	S.Tax	FED	S.Tax	1.Tax	S.Tax	FED	S.Tax	FED	S.Tax	1.Tax	S.Tax	FED	S.Tax	FED							
1	Audit (Revenue) Receipts	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
3	Opening balance as on 1st July																								
(1)	Required as per schedule during the month																								
(2)	Addition during the month																								
(3)	Required as per schedule upto the month																								
(4)	Addition upto the month																								
(5)	Loss of Revenue Decided during the month																								
(6)	Loss of Revenue Detected upto the month																								
(7)	Total for disposal																								
(8)	Disposed during the month																								
(9)	Disposed upto the month																								
(10)	Closing balance of the month																								
(11)	Amount involved in the closing balance																								
(12)	Amount returned upto the month																								
(13)	Audit (Exp.) Reports																								
4	Assignment Given By the Board																								
5	Other Assignment																								

Key:- NR = Directorate of IA (IR), Northern Region, Islamabad.
 CR = Directorate of IA (IR), Central Region, Lahore.
 SR = Directorate of IA (IR), Southern Region, Karachi.

Prepared by

Reviewed by

Approved by