

CHAPTER-10

AUDIT OF RECEIPTS

10.01 Revenue Receipts

10.01.01 Audit should ensure that regulations and procedures framed by competent authorities regarding revenue receipts of Local Bodies such as rates, taxes, tolls, cesses, fees, rent, fines, surcharge on stamp duty, etc., octroi, water rates, auction of ponds/ tanks, interest on bank balances, sale/ auction of property, stores and stock, contributions, etc., are followed by the staff and officers of Local Bodies. It should be verified that the sums due are correctly assessed in accordance with prescribed rules and orders, are regularly recovered and checked against demand and sums received are duly brought to credit in accounts.

10.01.02 The following points are to be covered during audit of receipts:-

- (i) Necessary data and relevant particulars for the computation of demand at the prescribed rates and refund are collected and utilized properly. For example, in respect of houses and water connections in an area, particulars of owners/occupants liable for property tax, water rates etc., are collected and placed on record for assessing demands. Surveys are conducted periodically to update the information.
- (ii) Demands are raised promptly and regularly on taxpayers in the manner prescribed.
- (iii) Demand collection and refunds are regularly accounted for.
- (iv) Accounting and allocation of collections are correctly done and they are credited to proper account as prescribed.
- (v) Proper safeguards exist to ensure that there is no omission or negligence to levy or collect taxes or to issue refunds.
- (vi) Claims of taxpayers are pursued with due diligence and are not abandoned or reduced except with adequate justification and proper authority.
- (vii) Cheques received in payment of dues to Local Bodies are not retained for long periods lest their currency should expire necessitating initiation of fresh steps to effect recovery of dues.
- (viii) There is no scope for double refunds, fraudulent or forged refund orders or other losses of revenue through fraud, default or mistakes, or deliberate omissions to enforce recovery; if there are such cases they are promptly brought to light and investigated. These aspects should be specially looked into while checking cases of revenues realized occasionally e.g. fees for temporary licenses, auction sales of Local Bodies properties etc.
- (ix) Proper registers and records relating to revenue receipts such as Assessment records in each type of cases, Licence Forms, Tender Forms, Demand Notices, Receipt Books, Remittance Challans Demand Collection and Balance Registers, papers relating to auction sales, papers justifying refunds, orders of competent authority regarding remissions and refunds and correct accounting of all transactions are maintained as prescribed.

10.02 Audit of Receipt of Grants

10.02.01 Grants may be received by Local Bodies Institution either for recurring maintenance expenditure or for acquisition of certain capital assets of non recurring nature. In all cases accounts must be so drawn as to facilitate not only identification of source and object of grant, but also to indicate the purpose for which these grants have been utilized.

10.02.02 The following points should be covered during audit:

- (i) The grant payable for each purpose has been correctly assessed in accordance with the guidelines.
- (ii) Maintenance grant is limited to the net deficit of the expenditure in accordance with the scales laid down.
- (iii) Unutilised grants are refunded or duly taken into account before demanding subsequent grants, as prescribed.
- (iv) Conditions attached to the grants are duly fulfilled.
- (v) The assets acquired out of grants are continued to be utilized for the intended purpose/purposes.
- (vi) The income expected to be realized from assets acquired is actually being realized and to that extent the dependence for maintenance has been reduced without increase in liability.

Note:-If it is prescribed by any Government (e.g. Karnataka has so prescribed) that the revenue/returns from assets created out of Government grants or assets transferred to Local Bodies by Government, should be credited to Government account as Revenue, audit has to ensure that the Local Bodies have complied with such rules and have not retained receipts realized from those assets as part of its funds.

10.03 Audit should also review the outstanding dues and suggest to the authorities any feasible means for their recovery. Whenever dues appear to be irrecoverable orders for their waiver and adjustment should be sought. The procedure prescribed in this Manual for raising and pursuance of audit objections relating to expenditure, shall apply **mutatis mutandis** in respect of audit objections relating to receipts also.