

8/07/2017

INTERNAL AUDIT REPORT OF ROURKELA MUNICIPAL CORPORATION

For the period 01.04.2016 to 30.09.2016



AUDITED BY:

Borkar & Muzumdar

CHARTERED ACCOUNTANTS

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INTERNAL AUDIT REPORT

Rourkela Municipal Corporation

For the period 01.04.2016 to 30.09.2016

INTRODUCTION

As per the 2011 census, the population of Rourkela Municipal Corporation is 2.72 lakhs, but the recent inclusion of the outgrowth area with a population of .47 lakhs has increased it to 3.2 Lakh. The city is recently declared as the Smart City of the Country. Being declared as the Smart City the priority will be given for the adequate water supply, sanitation including solid waste management, drainage, sewerage and public transportation. The Smart Cities initiative envisions public-private partnerships (PPPs) and municipal bonds filling large portions of the funding gap. This need to raise funds from open market opportunities to domestic and foreign investors in public-private partnerships in many sectors, including IT infrastructure, energy management, environmental sustainability, GIS mapping, engineering, and sanitation. Municipal bonds can only be invited when the Corporation has good credit worthiness. Rourkela is famous as the Steel city of Odisha. It is a prominent industrial city of the country with presence of the Rourkela Steel Plant. Rourkela also houses a Fertilizer plant, L&T casting etc. It has evolved as one of the major ferrous based industrial hub. The economic activities of the city revolve around industrial activity, mining and support services.

Herewith we are submitting the internal audit report in accordance with the scope and framework provided to us as per the agreement letter no. HUD/25286 Dt. 27.10.2016.



A. Credit Rating of Rourkela Municipal Corporation

The city was declared as the Smart City of the Country. In order to meet the funding gap the RMC will issue the municipal bond in the open market. The municipal bond can only be when there is adequate credit worthiness. The credit worthiness largely depends upon the own revenue generation. Further Credit Rating is one of the mandatory Reform milestones as per the AMRUT guidelines. As per the rating analysis by the ICRA the Municipal Corporation was awarded **BB rating**, which represent the rated entity carries high credit risk.

Unless the RMC get at least rating of AA in Credit Rating municipal bond cannot be invited from the open market. For obtaining the rating of AA the Corporation should have sound own revenue generation. It is noticed that the RMC revenue base is largely dependent on the SFC transfers from the State Government, particularly compensation against Octroi, which accounted for over 50% of the total revenue receipts in the last five years. The rating also takes into account the challenges in identifying new properties and bringing them under the tax ambit due to lack of plan sanction functions with the RMC and low coverage of commercial properties in the city under the tax as well as license network. Thus the RMC should take necessary steps to improve the own source of revenue so that the ratings can be improved.

In addition to that Implementation of key reforms such as introduction of e-governance in key functions would also remain critical for an overall improvement in the corporation's efficiency. Although initiatives such as an online grievance redressal system are already operational, effective implementation of other initiatives in a timely manner would be a key determinant of the RMC's ability to improve its overall performance.

B. Revenue Enhancement

1. Un claimed Tax Deducted at Source (TDS)

In our earlier internal audit report for financial year 2015-16 it was reported that there is an un claimed tax deducted at source (TDS) of Rs 18,54,939 (Rupees eighteen lakh fifty four thousand nine hundred thirty nine) lying with Income Tax Department from financial year 2010-11 to 15-16. These taxes were mainly deducted by the banks on the fixed deposits made by the Corporation. In that report we have prescribed the detailed procedure how to get the refund. However the Municipal Corporation has not yet filed the application for getting the refund. Every application received has to be disposed of by the authorities within six months from the end of the month in which the application was received. Thus, if the claim was made when we have reported it may receive by this time. Further as

the refund can be claimed for last 6 financial years, now the refund for financial year 2010-11 cannot be made.

The detailed procedure for claiming the refund is as follows:

In order to claim the refund the assessee is required to file the income tax return within the prescribed time. If the assessee fails then no claim for refund is entertained by the Income tax department. The RMC has filed the income tax return for the financial year 2012-13 & 2014-15.

However, with effect from 9.6.2015 a new **circular 9/2015 (F. NO.312/22/2015-OT)** was introduced in supersession of all earlier Instructions/Circulars/Guidelines issued by the Central Board of Direct Taxes (the Board) from time to time to deal with the applications for condonation of delay in filing returns claiming refund and returns claiming carry forward of loss and set-off thereof under section 119(2) (b) of the Income-Tax Act.

a) Whom to approach for getting the refund:

The circular provides for different authorities who can condone the delay based on the amount of refund as under:

Refund Claim	Application to
Claim amount is not more than Rs. 10 lakhs for any one assessment year	Principal Commissioner of Income Tax/ Commissioners of Income-tax
Claim amount is more than Rs 10 Lacs	Chief Commissioner of Income Tax
Claim amount is more than Rs 50 Lacs	Central Board of Direct Taxes

It may also be noted the above limits apply to each financial year separately and not for the aggregate of the claim for all the years taken together.

- b) No condonation application for claim of refund/loss shall be entertained beyond six years from the end of the assessment year for which such application/claim is made.
- c) No interest will be admissible on belated claim of refunds.

Procedure for getting the refund:

No specific form or format for making such application is prescribed for the purpose. So, an application can be made on plain paper stating the facts of the case in detail, which will help the authorized commissioner to take the appropriate

decision. Though no specific process has been prescribed under these instructions, it is suggested to file income tax return along with the application for Condonation of delay. So in case application is accepted, income tax return already attached would automatically be taken up for processing immediately. Every application received has to be disposed of by the authorities within six months from the end of the month in which the application was received.

Thus in order to claim the un-claimed TDS of **Rs. 18,54,939** lying with the Income Tax Department, Rourkela Municipal Corporation is required to follow the procedure as per the circular.

Year wise details of the unclaimed tax deducted at source is given at **Annexure-1**

Change to Rourkela Municipal Corporation in the Income tax department

Vide notification No 22749 dated 14.11.2014 the Rourkela Municipality was declared as Municipal Corporation. While examining the income tax details of the Corporation it is noticed that, the name is not yet changed.

It is advised to change the name by obtaining a fresh permanent account number from the income tax department.

2. Opting to Open Flexi Deposits Accounts in Bank

While verifying the bank book of the Corporation it is noted substantial amount is lying in the bank accounts of different schemes current account and savings bank account (SB).

At present banks provide facility of Flexi Deposit Account. In the Flexi Deposit Account the Banker automatically transfers the excess amount above the limit specified by the account holder to number of short-term deposits yielding interest thereon. The said short-term deposits are automatically credited to the Current Account, after expiry of the term stated by the accounts holder or whenever there is requirement of funds for honoring any payment. At the same time the banker credits the current account/SB with the principal and interest showing separately.

As stated above, the Corporation has sufficient balance lying idle in its different Accounts. Attention is drawn to avail the facility so as to attain optimal utilization of the idle fund. The unit is recommended to opt for flexi deposit account for increase of revenue.

Further in many instances it is found that the balance available in the bank is kept as it is in the SB account. Thus it is advised to transfer such unutilized funds to fixed deposit account for earning better revenue.

3. PROPERTY TAX

Sri Maojranjan Dhal Head Asst. is in charge of tax section

Sri Bijaya Ku Behura Sr.Asst. is working in Tax section. There are 16618 nos. of Holdings (Private-15975, Government-643=16618) in 24 tax wards. In the mean time the Corporation has assessed 94 new holdings. At present there are 24 nos. holding tax collectors are in position. Municipal Council has fixed the rate of tax on 31.03.2016. A detail of area wise tax imposed is given in the following table.

Ward No.	Percentage of Tax imposed				Total % of tax
	Holding	Light	Water	Drain	
4, 5, 7, 8, 9, 28, 29, 30, 32, 33, 14, 15, 16, 17, 18, 19, 20, 21 & 22	10%	3%	Nil	2%	15%
1, 2, 3, 6 & 31	10%	3%	Nil	-	13%

For the financial year 2016-17 the RMC has fixed the holding targets as follows:

Type of Holdings	No. of Holding allotted	Target for the year 2016-17		
		Arrear	Current	Total
Private Holding	15975	28553350	33417526	61970876
Govt. Holding	643	5308232	2071782	7380014
Grand Total	16618	33861582	35489308	69350890

In order to achieve the above holding targets the RMC has fixed the monthly holding collection targets among the 26 Nos. of tax collectors.

The Demand Collection Balance (DCB) position of holding taxes in respect of RMC for the six months ending as on 30/Sept/2016 is as follows:

(Considering 50% of the total demand and collection of the arrear and current holding tax)

Demand				Collection			Balance		
Year	Arrear	Current	Total	Arrear	Current (incl. rebate)	Total	Arrear	Current	Total
2016-17	17744651	17744651	34675445	3821485	7341972	11163457	13109306	10402679	23511988

Borkar & Muzumdar, Chartered Accountants

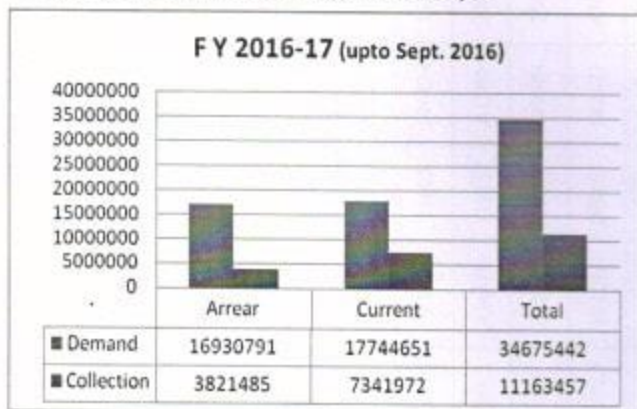
It can be observed from the above table that during the six months ending as on 30/Sept/2016:

Total Demand: 3,46,75,445

Total Collection: 1,11,63,457

Thus the overall collection efficiency of the municipality is 32%.

Putting the demand and collection efficiency of holding tax in graphical presentation for the half yearly ending September 2016 is as follows:



Further analyzing the above table more it can be observed that:

Current Demand: 1,77,44,651

Current Collection: 73,41,972

So current collection efficiency is 41 %

Arrear Demand: 1,69,30,791

Arrear Collection: 38,21,485

So arrear collection efficiency is 23 %

In order to achieve the holding tax demand fixed for financial year 2016-17 the RMC has fixed the tax collector wise collection target. Detailed monthly wise collection of holding tax for each tax collector is given at **Annexure-2**.

Further we have analysed the collection efficiency of each tax collector considering the 50% of the total demand (arrear & current) for financial year 2016-17. The RMC may take necessary steps so that the target fixed for the financial year 2016-17 may be achieved. Tax collector wise collection efficiency is as follows:

TAMIL NADU GOVT. COLLEGE OF ENGINEERING, KARAIKAL
 S.No. 1001
 Date: 10/10/2016

Sl. No.	Name of the T.C.	Target for the year 2016-17			Collection April-16			Collection May-16			Collection June-16			Collection during July-16			Collection during Aug-16			Collection during Sept-16			Collection upto September			Collection Efficiency			
		Arrear	Current	Total	Arrear	Current	Total	Arrear	Current	Total	Arrear	Current	Total	Arrear	Current	Total	Arrear	Current	Total	Arrear	Current	Total	Arrear	Current	Total	Arrear	Current	Total	
647	Nayak	2009965	3486198	5508963	7196	0	7196	5010	74956	80766	8396	20361	28747	39008	46749	87537	34356	106469	140765	136422	66639	203041	220862	318114	548760	11%	98%	10%	
648	McMurry	16693103	2411792	4081155	73232	1647	74729	96666	991513	688484	50109	57331	107446	51589	27133	78722	115491	48014	165105	1339798	63918	297716	537188	792458	1319766	32%	37%	32%	
649	Chakrabarti	3974199	5690923	9714101	13653	0	13653	20969	459524	478432	0	957	957	26408	14482	40980	126094	51897	180796	694319	229119	248538	257483	754376	1011777	6%	13%	11%	
650	Das	415660	369808	784141	6183	0	6183	3364	14657	17921	1139	7000	8139	3717	35401	37118	10742	29608	46550	2660	13668	16538	21829	100634	132639	8%	27%	17%	
651	Das	428112	461323	889435	11655	0	11655	3983	21381	25364	3136	7692	37126	13701	11701	24402	11021	34213	45247	55730	10070	63800	119337	81500	200797	28%	18%	25%	
652	Hazra	565402	699964	1264406	519	0	519	4467	30714	35181	114	6488	6602	6625	31164	37789	37490	49614	84394	8678	31524	40202	53183	149504	200887	10%	21%	16%	
653	Biswas	1096327	666143	1762470	11051	0	11051	25258	91466	116724	7023	24921	80610	22225	103035	78159	21278	70583	53445	39028	99073	208001	183171	450122	790484	101652	9%	25%	13%
654	Pattnayak	4921617	3053985	7975602	13511	0	13511	17013	432771	469784	8167	27124	279410	37098	2230	39258	110538	109132	120835	283243	187226	472863	681770	797278	1485446	19%	19%	19%	
655	Das	3565661	4207519	7773180	0	0	0	370381	489076	659255	0	0	0	122808	101672	224480	110538	109132	120835	283243	187226	472863	681770	797278	1485446	19%	19%	19%	
656	Das	2914638	2479310	5420058	1817	0	1817	34470	297515	642486	6528	40952	56380	11450	36113	47503	61969	178414	240420	79431	86095	160111	596185	643395	1148760	17%	20%	21%	
657	Adhikari	2155687	2825299	4980986	21238	0	21238	12880	83191	96071	20910	26435	37065	13098	321188	334296	67417	41634	109991	26349	18327	49446	171592	403195	664697	8%	17%	13%	
658	Das	485106	624441	1109547	5089	0	5089	6845	171107	178152	0	3963	3963	11287	11666	16951	7168	26119	22487	9146	11637	51751	202869	254660	11%	32%	21%		
659	Das	465899	853596	1324495	377	0	377	12117	186591	198708	1690	13033	14723	12133	17758	28992	25795	30996	53897	13044	24391	36245	61156	271270	332425	13%	32%	25%	
660	Das	349512	731973	1141485	10110	0	10110	18974	259198	278171	4346	22215	26561	7182	25916	31098	1081	36333	37418	23607	23964	46513	66299	263270	431869	17%	48%	38%	
661	Saha	488882	578643	1067525	0	0	0	8183	188745	195128	3420	2364	5794	0	32198	32198	7319	7319	13960	22666	14810	37476	42198	242358	284556	9%	62%	27%	
662	Das	1129200	213482	1343082	0	0	0	0	1347	9480	10816	1578	2469	3180	6157	10442	16599	3238	17226	20464	7533	26173	10853	63775	85586	15%	31%	25%	
663	Das	3298139	352332	682151	139	0	139	2513	21017	23530	7664	11287	18771	6983	18292	24735	1879	5269	7686	34796	16542	51338	52884	72347	125241	16%	21%	18%	
664	Das	105027	256681	361708	52449	0	52449	0	7102	7102	356	9766	13622	528	19334	19862	1626	16719	18145	3492	14655	18147	61261	67066	128327	59%	26%	35%	
665	Das	198923	302665	501588	9484	0	9484	5776	26845	26615	3352	4625	7977	7260	19272	26532	11365	13896	25261	22914	35016	60149	70748	130885	30%	25%	30%		
666	Das	111731	162556	274287	5294	0	5294	3206	5652	8852	891	5197	6288	1020	5712	6732	2727	8781	11508	5825	14916	26441	18657	40438	59113	17%	27%	22%	
667	Das	144880	342043	486923	1356	0	1356	742	22264	23006	6258	29106	35364	2431	26478	28989	8193	37740	45942	11397	20416	31813	30377	136013	166399	21%	46%	34%	
668	Das	130980	344928	475918	0	0	0	1566	30482	31796	1991	18583	20574	2675	18638	21135	2580	37873	45813	5563	36673	36250	14472	136248	150722	11%	40%	32%	
669	Das	6106335	2066416	8172751	3032	0	3032	6463	39248	45711	12741	9775	22516	13040	37715	50755	6851	5668	57499	19746	26503	46249	61873	163889	225762	10%	8%	9%	
670	Das	1231937	7910318	20222975	554	0	554	18541	43756	62297	6974	2611	9587	32599	6281	34876	42720	3383	46113	26532	3612	30144	127026	59645	187571	10%	8%	9%	
671	Das	2845350	3447506	6292856	1047	0	1047	248710	81882	358444	440025	199500	86963	765431	494985	899351	1344336	828695	1710957	1176200	1060915	3108645	3779747	6467605	10247302	3779747	6467605	10247302	
672	Das	5308332	2071782	7380114	0	0	0	41718	216105	257819	0	48888	68600	0	20135	20135	0	62511	62511	0	7690	7690	41718	374437	416155	1%	18%	6%	
673	Das	5308332	2071782	7380114	0	0	0	41718	216105	257819	0	48888	68600	0	20135	20135	0	62511	62511	0	7690	7690	41718	374437	416155	1%	18%	6%	
674	Das	33661582	35495408	69156990	24762	3647	348716	83329	2864543	4608482	199508	65363	85343	494985	929486	1414471	838999	954499	1785588	1197650	1080045	2386255	3821485	7341972	11183447	3821485	7341972	11183447	



Sl. No	Name of the T.C.	No. of Holding allotted	Target for the year 2016-17			Target upto Sept. 2016 (Considering 50% of the total target)			Collection Up to September			Collection Efficiency		
			Arrear	Current	Total	Arrear	Current	Total	Arrear	Current	Total	Arrear	Current	Total
1	Senapati Nayak	647	2009905	3498190	5508095	1004953	1749095	2754048	230862	318114	548976	23%	18%	20%
2	Sushanta Mohanty	807	1669363	2411792	4081155	834682	1205896	2040578	527188	792558	1319746	63%	66%	65%
3	Sohan Naik	324	3974199	5099302	9073501	1987100	2549651	4536751	257403	754374	1011777	13%	30%	22%
4	M.R. Boxi	719	415060	369081	784141	207530	184540.5	392071	31805	100634	132439	15%	55%	34%
5	P.K. Routray	740	428112	441523	869635	214056	220761.5	434818	119237	81560	200797	56%	37%	46%
6	Suresh Bhutia	736	565502	698904	1264406	282751	349452	632203	55183	149504	204687	20%	43%	32%
7	Prabodh Biswal	741	1096327	666141	1762468	548164	333070.5	881234	268001	182171	450172	49%	55%	51%
8	Pranod Pattanayak	726	4921617	3053085	7974702	2460809	1526543	3987351	256678	759484	1016162	10%	50%	25%
9	Sridhar Das	433	3565661	4207519	7773180	1782831	2103760	3886590	688770	797278	1486048	30%	38%	38%
10	Subas Nayak	748	2948638	2479398	5428036	1474319	1239699	2714018	506185	642595	1148780	34%	52%	42%
11	Md. Muslim	754	2155687	2825299	4980986	1077844	1412650	2490493	171592	493105	664697	16%	35%	27%
12	Pandav Behera	653	485106	629441	1114547	242553	314720	557274	51751	202809	254560	21%	64%	46%



13	Sudan Bagh	650	465899	858596	1324495	232950	429298	662248	61156	271279	332435	26%	63%	50%
14	Satish Behera	650	369512	771973	1141485	184756	385986.5	570743	64299	367570	431869	35%	95%	76%
15	Suratha Sikka	533	488882	578643	1067525	244441	289321.5	533763	42198	242358	284556	17%	84%	53%
16	Debadutta Panda	628	132820	213482	346302	66410	106741	173151	19853	65735	85588	30%	62%	49%
17	P.C. Palai	636	329819	352332	682151	164910	176166	341076	52894	72347	125241	32%	41%	37%
18	A.K. Achariya	630	103027	258681	361708	51514	129340	180854	61261	67066	128327	119%	52%	71%
19	A.K. Mohapatra	632	198923	302665	501588	99462	151332	250794	60145	70740	130885	60%	47%	52%
20	Sumanta Burma	626	111731	162556	274287	55866	81278	137144	18657	40458	59115	33%	50%	43%
21	Dayan Khan	636	144000	342643	486643	72000	171321	243322	30377	136013	166390	42%	79%	68%
22	P.K. Nayak	639	130988	344826	475814	65494	172413	237907	14473	136249	150722	22%	79%	63%
23	Kalinga Guru	804	610635	2060416	2671051	305318	1030208	1335526	61873	163889	225762	20%	16%	17%
24	Prasanta Pradhan	883	1231937	791038	2022975	615969	395519	1011488	127926	59645	187571	21%	15%	19%
	Private Total	15975	28553350	33417526	61970876	14276675	16708763	30985438	3779767	6967535	10747302			

HOARDING & ADVERTISEMENT-

During the six months ending as on 30/Sept/2016 the RMC has made a collection of Rs.22,67,091 in Hoarding & Advertisement.

Registers:

The following registers are being maintained in the tax section.

1. D.C.B Register for Holding, Lighting, Water and drainage both Arrear and Current,
2. D.C.B Register for Govt. Holdings
3. Mutation Register

A Register showing DCB position in respect of Holding, Light, Water, and Drainage taxes for both arrear and current have been maintained. Similarly, DCB in respect of Govt. Holdings have been maintained in a separate registers.

Mutation:

During the six months ending as on 30/Sept/2016 the RMC has received Rs. 42,76,179 towards the Mutation fees.

4. SHOP RENT

There are 1328 shop rooms in 23 no. of Shopping Complexes 5 vending zones under Rourkela Municipal Corporation.

1. Shop -1008
2. Uditnagar Vending Zone-86
3. Basanti Colony Vending Zone-150
4. S.T.I.Vending Zone- 16
5. I.T.I.Vending Zone- 14

The DCB position for the half yearly ending September 2016 & 2015 given below:

Month	2016-17	2015-16	Increase/(Decrease)
April	1070051	1057637	12414
May	1222030	1224046	(2016)
June	1038031	829770	208261
July	1077235	804008	273227
August	1317855	842077	475778
September	1102814	875667	227147
TOTAL:	68,28,016	56,33,205	11,94,811

The collection of shop rent is increased during the period.

5. TRADE FEE (U/S-290)

The Trade license fees collected the half yearly ending September 2016 & 2015 given below:

Month	2016-17	2015-16	Increase/(Decrease)
April	9068	24433	(15365)
May	10696	20916	(10220)
June	6820	18156	(11336)
July	5807	7060	(1253)
August	9667	35958	(26291)
September	28839	25286	3553
Total:	70897	131809	

The collection is drastically reduced during the period.

6. Own Revenue in Comparison to the total grants received from Government.

In our earlier audit report we have pointed out that the own revenue of the RMC is quite low in comparison to the grants received from the State government. In that report we have pointed out that the own revenue was just 12%. Thus it is suggested to the Corporation to enhance its own revenue base by improving the revenue enhancement measures:

- Increase the property tax by making reassessment of the old properties
- Bringing the new properties into the tax net
- Increasing the collection efficiency by fixing monthly target
- Revision of the market rent and collection of the old outstanding rent
- Increase the trade license fee collection. Revise types of trade, trade license fees, etc. through council resolution

C. UTILISATION OF GRANTS

We have examined the revenue and capital grants received during the year by the RMC. It is observed that some grants are not completely utilized. In respect to the grant for which the utilization certificate was not provided to government is as follows:

Sl No.	Grant Name	Sanctioned Amount	Utilized and UC sent	Balance Unutilized
1	13 th Finance	236148000	220232224	15915776
2	14 th Finance	144367000	45436794	98930206
3	Devolution	205395087	83164698	122230389
4	Maintenance of roads and bridges	61497000	55565781	5931219

5	Night Shelter	7000000	2085144	4914856
6	Urban Package	100000000	75423025	24576975
7	Public Toilet	6925500		6925500
8	Smart City	20000000	2815428	17184572
9	Construction of Boundary wall	1723000	-	1723000
10	Protection and conservation of water bodies	400000	-	400000
11	M.V.T.	71829000	55282976	16546024
12	Road Development	11777000	1678349	10098651
13	RAY	306821000	289641000	17180000
14	CC Road	67834000	67435205	398795
	Total:			342955963

D. STATUTORY COMPLIANCES

1. Delay in filling of Quarterly TDS Returns

It is found that the RMC is not regularly filling their quarterly TDS returns within the due date. Every person who is deducting and depositing the tax at source is required to file a quarterly statement within a prescribed timeline for filling the quarterly statement is as follows:

Period	Month	Due Date
Q1	Apr-June	31.07.2016
Q2	July-Sept.	31.10.2016
Q3	Oct.-Dec.	31.01.2017
Q4	Jan.-Mar.	31.05.2017

While examining the filling of TDS quarterly statement it is noticed that the RMC not filling the return within the due date. The prescribed time line Quarter wise delay in filling the TDS return is given hereunder:



Filing of 26 Q for Contracts

Period	Return For	Due Date	Date of Filing	Delay in days
Q1	Contracts	31.07.2016	02.01.2017	155
Q2	Contracts	31.10.2016	02.01.2017	63

TDS return of 24 Q for Salary

Period	Return For	Due Date	Date of Filing	Delay in days
Q1	Salary	31.07.2016	Not filed	
Q2	Salary	31.10.2016	Not filed	

Non filing of quarterly TDS return within the prescribed period attracts fine & penalty. Thus, it is advised to take necessary step in order to regularize the said deficiency.

Consequence

With effect from 01.07.2012, vide the amendment made by the Finance bill, 2012 a new section 234E has been inserted to provide for levy of fee of Rs. 200/day for late furnishing of TDS quarterly statement, from the due date of furnishing the statement. Further, a new section 271H has been inserted with effect from 01.07.2012 in addition to said fee, a penalty ranging from Rs.10,000 to Rs. 1,00,000 shall also be levied for not furnishing the TDS statement. It is also provided that no penalty shall be levied for delay in furnishing of TDS statement if it is furnished within one year of the prescribed due date *after payment of tax deducted/collected along with applicable interest and fees.* Thus, it is advised to take necessary steps to regularize the said deficiency

2. Delay in Deposit of Tax Deducted at Source

Any assessee who is deducting any tax at source at the time of making any expenditure is required to deposit it within the prescribed time limit. Followings are the timeline for depositing the TDS:

Tax deducted in Month	Due date Government assessee	Due date for Non Government assessee
For March	April 7 th	April 30 th
For any other months	7 th of next month	7 th of next month

While scrutinizing the TDS payable ledger for the period it is noticed that the RMC has made delay in depositing the TDS. Details of the delay are given here under:

Sl No.	Month	Deduction	Due Date of Deposit	Deposit Date	Delay (No. of Days)
1	Apr-16	176137	7.5.2016	20.08.2016	105
2	May-16	647317	7.6.2016	20.08.2016	74
3	Jun-16	94511	7.7.2016	20.08.2016	44
4	Jul-16	256993	7.8.2016	28.10.2016	82
5	Aug-16	219426	7.9.2016	28.10.2016	51
6	Sep-16	215093	7.10.2016	28.10.2016	21
	Total:	1609477			

Consequence

Section 201 (1A) :

Fees for delay in payment of deducted amount: In the case when the TDS deducted on time but is not paid by the specific due date (payment due date is 7th of next month and in case of March, it is 30th of April), then interest will be applicable at a rate of 1.5% per month or part of month from the date of TDS deduction to the actual date of payment of TDS.

- *Example:* If the TDS amount was to be paid for the month of November (i.e., on or before 7th of December), but it was paid on 10th of December then interest will be 3% (for the month of November and December).
- *Example of calculation of interest for late payment of TDS :*

TDS	TDS deduction date	Due date	TDS payment date	month of delay	interest calculation	interest
10,000	01/01/2016	07/02/2016	04/05/2016	5 months	$10000 \times 1.5\% \times 5$	750
10,000	02/02/2016	07/03/2016	08/03/2016	2 month	$10,000 \times 1.5\% \times 2$	300
10,000	31/03/2016	30/04/2016	24/04/2016	Nil	Nil	-

3. Non filing of Half Yearly Service Tax Return by RMC

The RMC is collecting the Service Tax on the rental income from the Kalyan Mandap and Shop. During the period under audit the Corporation has received Rs 8,40,184 as Service Tax from the customers. While cross examining the Service Tax ledger with the Return it is found that the RMC has not filed the half yearly Service Tax Return in ST-3 for the 1st six month.

Procedure for filling the Service Tax Return

According to the Section 70 of the Finance Act, 1994 every assessee who has registered for Service Tax and has been assigned a Service Tax Registration No. is required to file a Service Tax Return on a half yearly basis. Irrespective of whether the assessee has provided taxable service in that period or not. Every person liable to pay Service Tax shall himself assess the tax due on the services provided by him and shall furnish a return to the Superintendent of Central Excise.

Form ST-3 has been prescribed for furnishing the service tax return.

Due Dates of Filing the Return

The service tax return, in Form ST-3 shall be filed within 25 days of the end of each half-year. The due dates on this basis are as under:

Half-year	Due Date
(1) 1st April - 30th September	25th October
(2) 1st October - 31st March	25th April

Late fees for Delay in filling of Service Tax Return

If the Service Tax return is not filed by the assessee within the due date, then late fees shall be paid as follows:

Delay in filling of Return after Due date	Late fees
First 15 days	Rs. 500
15 - 30 days	Rs. 1000
More than 30 days	Rs. 1000 + Rs. 100 per day beyond 30days
Maximum late fees payable is Rs. 20,000	

Hence, the RMC should take due care in this regard.

4. Delay in Deposit of Service Tax

While examining the Service Tax Payable ledger of RMC it is found that the Corporation is not depositing the Service Tax received from the rental income within the prescribe time line.

Month wise Service Tax collected and the deposit date is given below:

Sl No.	Month	Collected	Due Date of Deposit	Challan No./ Date of Deposit
1	Apr-16	123914	6.5.2016	02280/01.06.16
2	May-16	145095	6.6.2016	02211/26.06.16
3	Jun-16	114105	6.7.2016	02209/26.06.16

Jan-16	132995	6.8.2016	02205/26.08.16
Aug-16	172970	6.9.2016	02788/18.10.16
Sep-16	151105	6.10.2016	00812/11.10.16
	840184		

Due Date of Deposit of Service Tax

The due date for payment of Service Tax is 5th of the following month in which the Service Tax is collected. However, if the payment is made online the due date for payment of Service tax become 6th of the following month.

Exception: Service Tax collected for the month of March shall be payable by 31st March of that calendar year.

Consequence of Delay in Deposit:

Government has reduced the interest rate on late payment of service tax drastically from 18%/24%/30% w.e.f. 14.05.2016 to as follows:

Sl. No.	Situation	Rate of Interest
1	Collection of any amount as service tax but failing to pay the amount so collected to the credit of the Central Government on or before the date on which such payment becomes due	24%
2	Other than in situation covered under serial number 1 above	15%

In case the value of taxable services of assessee is less than Rs. 60 Lacs in previous year/years, then the rate of interest is further reduced by 3% and effective rate of interest will be 21% and 12% respectively.

Hence, the RMC should take care in this regard for avoiding the interest on delay in deposit of Service Tax collected.

5. Non Depositing of VAT of Rs 74,470 collected on sale of Tender Papers

The RMC has collected VAT while selling the tender paper, and by way of deduction from the works bill of the contractors. During the financial year 2015-16 the RMC has collected Rs 15,63,910 towards selling of tender paper with VAT of Rs 74,470. While examining the books of accounts it is found that the **RMC has not deposited the VAT amount of Rs 74,470 collected on the sale of Tender paper.** According to the Odisha VAT Act the delay in deposit of VAT collected will attract interest @1% per

month. Thus, it is advisee that in order to avoid to the interest it should be deposited within the due date.

Sl No.	Month	Amount Collected	Due Date of Deposit	Challan No./ Date of Deposit
1	Apr-16	41390	21.5.2016	-
2	May-16	13880	21.6.2016	-
3	Jun-16	2000	21.7.2016	-
4	Jul-16	-	21.8.2016	-
5	Aug-16	12960	21.9.2016	-
6	Sep-16	4240	21.10.2016	-
	TOTAL:	74,470		

Further, according to Section 33(1) of Orissa VAT Act any entity collecting any some towards VAT is required to file monthly VAT return within the prescribed time. The Corporation has not filed the VAT return.

Consequence

Interest

Under Section 33(1) of Orissa VAT Act every registered dealer shall furnish the return within 21days of the subsequent month .If he fails to file the return as prescribed, then the dealer shall be liable to pay interest@2% per month on the amount of VAT payable from the date the return for the period was due till the date of it's filling.

The Corporation should take due care in this regard.

E. NON MAINTANCE OF FIXED ASSET REGISTER.

The Corporation has not update the fixed asset register. The register updated till financial year 2014-15.

F. INVENTORIES

The RMC is maintaining a inventory register by recording inward and outward materials received and issued. We have examined the inventory register and found it in order

We are extremely thankful to the management and staff members of the organization for their support and cooperation in discharging our professional assignment.

Date :
Place: Nagpur



For Borkar & Muzumdar

Chartered Accountants

FRN: 101369W

(CA VINOD AGRAWAL)

Partner

BANK OF INDIA - Chartered Accountants

Year wise details of the unclaimed Tax Deductible Income

Annexure-2

Financial Year	Name of Deductor	Section	Tax Deductible	Total Income (Rs.)	Total Tax Deductible
2010-11	CORPORATION BANK ROURKELA BRANCH	194A	BBNC00419G	170196	170196
2011-12	ANDHRA BANK	194A	BBNA00828C	604984	604984
	CORPORATION BANK ROURKELA BRANCH	194A	BBNC00419G	1108862	1108862
				2725846	2725846
2012-13	ANDHRA BANK	194A	BBNA00828C	891546	891546
	CORPORATION BANK ROURKELA BRANCH	194A	BBNC00419G	1500856	1500856
				2392402	2392402
2013-14	ALLAHABAD BANK-ROURKELA BRANCH	194A	BBNA00359C	332394	332394
	ANDHRA BANK	194A	BBNA00828C	886008	886008
	CORPORATION BANK ROURKELA BRANCH	194A	BBNC00419G	1808942	1808942
	STATE BANK OF INDIA-UDIT NAGAR	194A	BBNS01172D	457049	457049
				3484393	3484393
2014-15	ANDHRA BANK	194A	BBNA00828C	884609	884609
	CORPORATION BANK ROURKELA BRANCH	194A	BBNC00419G	1479537	1479537
	STATE BANK OF INDIA-UDIT NAGAR	194A	BBNS01172D	1526632	1526632
				3890778	3890778
2015-16	ALLAHABAD BANK-ROURKELA BRANCH	194A	BBNA00359C	852925	852925
	ANDHRA BANK	194A	BBNA00828C	816619	816619
	CORPORATION BANK ROURKELA BRANCH	194A	BBNC00419G	1901570	1901570
	STATE BANK OF INDIA-UDIT NAGAR	194A	BBNS01172D	2979091	2979091
	PUNJAB NATIONAL BANK	194A	BBNP00433G	184575	184575
				6734780	6734780
TOTAL				1,83,97,597	18,54,939