

Government of the People's Republic of Bangladesh



Ministry of Local Government,
Rural Development and Co-operatives
Local Government Division

Handbook
On Paurashava Financial Management
For
Elected Representatives

May2018

Government of the People's Republic of Bangladesh



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For
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Ministry of Local Government,
Rural Development and Co-operatives
Local Government Division
and
Japan International Cooperation Agency (JICA)

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1. Introduction / Targets of the handbook

This handbook has been designed and prepared for developing capacity of the elected representatives, such as mayors and councilors, in the financial management at paurashavas. Although elected representatives are not responsible for daily financial transactions, they play main roles in decision making at paurashavas. In making decision, knowledge and skills in financial management, such as budget formulation, budget execution, tax collection and tax assessment, are essential.

A paurashava, as a local government, operates under its specific acts, rules, instructions and applicable policy provided by the Government of Bangladesh, ministries, department and agencies, to serve the people living in its operating area.

In order to provide public services at paurashavas, paurashavas need a sufficient tax income. However, not many paurashavas have been trying to increase their tax revenue. In many paurashavas, tax collection efficiency is very low. Moreover, tax demand amounts are set very low through tax assessments.

As a result, paurashavas cannot secure sufficient revenue, and thus they cannot provide sufficient public services to citizens. In many cases, such paurashavas cannot even make salary payments to their staff members on time.

For mayors and councilors at paurashava, there are always two options to choose as follows;

Option 1:

- Avoid encouraging citizens to pay taxes because they feel unhappy.
- Avoid increasing tax demands in tax assessment, giving a lot of discounts to most of tax payers, so that they do not feel dissatisfied.
- Provide minimal public services to citizens, and implement development projects only within the budget allocation from the central government.

Option 2:

- Increase the amount of tax collection and achieve high tax collection efficiency.
- Avoid giving discounts on tax demands in tax assessment.
- Utilize the tax revenue to provide more public services and to carry out more

development projects.

- Provide information to citizens on how the tax revenue was spent for public services and development projects.

If you are a mayor or councilor at purashavas, which option do you usually choose? By which option do you think you can make citizens feel happier?

Mayors and councilors tend to choose Option 1. For example, mayors and councilors reduce the tax demand amounts of many tax payers in tax assessment processes, when tax payers come to complain the increases in tax demand amounts. This is because mayors and councilors try to avoid dissatisfying tax payers.

However, in this case, a paurashava cannot secure a sufficient tax income and thus cannot provide sufficient public services. Therefore, Option 1 is not always the best choice. Besides, many studies revealed that citizens are more satisfied when tax revenues are used for public services and also when they are given information on how the tax revenues were spent (e.g. for public services and development projects). Then, Option 2 would be a better option than Option 1.

No matter if a paurashava has a sufficient tax income, it should avoid making unnecessary or ineffective expenditures. Such unnecessary expenditures will reduce the funds to be used for public services.

In short, the viewpoints that a mayor and councilors should have in the financial management at a paurashava are;

- 👉 **Viewpoint 1:** Spend the tax revenue in the most efficient and effective way (avoid unnecessary expenditures).
- 👉 **Viewpoint 2:** Secure sufficient revenue through tax collection and tax assessment.
- 👉 **Viewpoint 3:** Provide information to citizens on how the tax revenue was spent (for public services and development projects).

This handbook will cover several area of financial management, such as budget formulation, budget execution and monitoring, tax collection, tax assessment and budget reporting. In each area, this manual will explain and discuss the viewpoints that mayors and councilors should have and the rules, regulation and administrative processes.

2. Budget formulation, execution, monitoring and revision

This section will explain the budget processes, such as budget formulation, budget execution, budget monitoring and revision.

In this section, the viewpoint that mayors and councilors need to have is:

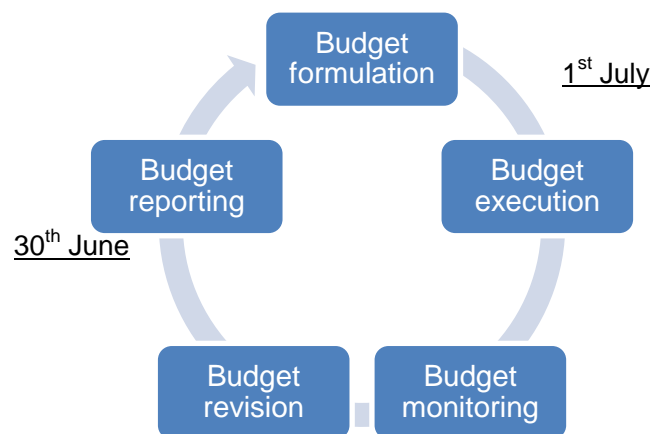
👉 **Viewpoint 1:** Spend the tax revenue in the most efficient and effective way (avoid unnecessary expenditures).

2.1. Overall Budget Process

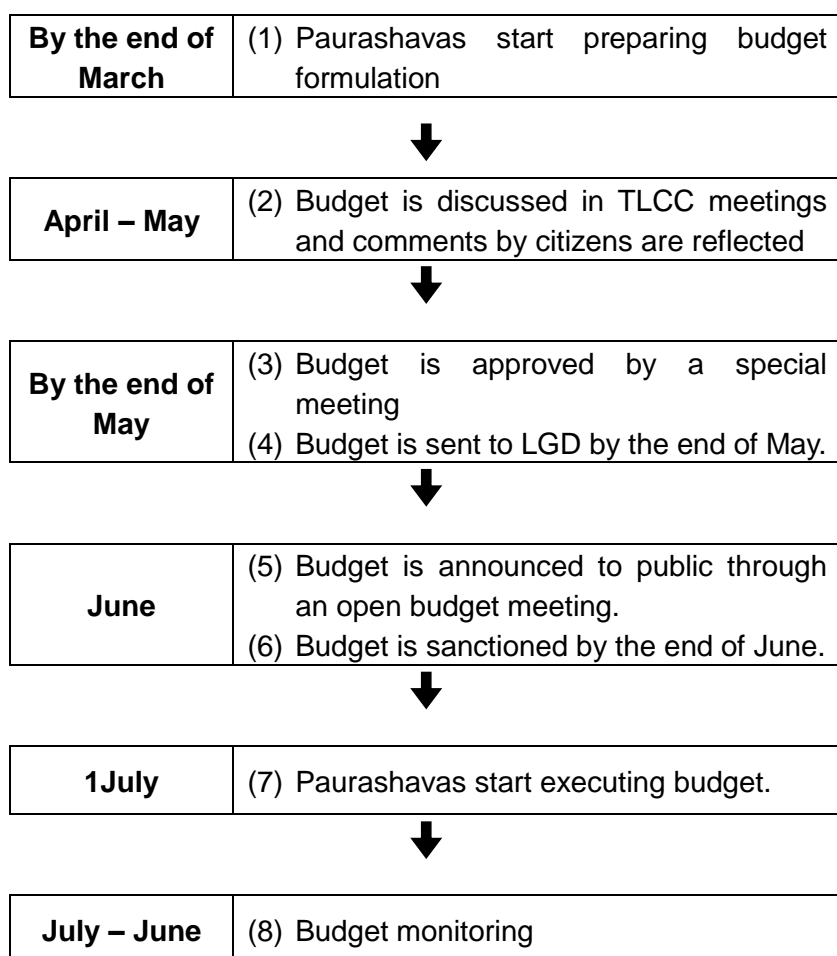
The fiscal year of paurashava budget starts in 1st July and ends in 30th June.

The budget process starts from budget formulation a few months before the beginning of a fiscal year. From the beginning of the fiscal year (on 1st July), paurashavas start executing budget. During the fiscal year, paurashavas monitor the budget execution and revise the budget upon necessity. After the fiscal year is closed on 30th June, paurashavas compile all the transactions and prepare an annual report.

A budget cycle of a fiscal year is depicted as follows;



More detailed steps of budget formulation and execution process are depicted as follows;



(1) Paurashavas start preparing budget formulation: By the end of March

Paurashava Budget (preparation and approval) Rules, 1999 mentions that paurashavas start preparing budget formulation before the end of March (3 months before the end of fiscal year).

Paurashava Budget (preparation and approval) Rules, 1999

6. Budget preparation system – For each Paurashava

a. Paurashava will take initiative to prepare next year's budget before 3 months of any year ending.

b. Paurashava will take step to prepare estimate income from the tax, rate, toll, fees, property etc. and this estimate should be prepared based on the approved rates of the government. Thereafter, Paurashava will prepare the expenditure estimate;



Paurashavas estimate the revenue based on the approved tax and fee rate of the government, and then estimate expenditures. Therefore, paurashavas are not supposed to estimate unrealistic/ excessive revenue income, which is not based on the

approved tax or fee rate. Paurashavas should also review the tax collection amounts in the past, and then estimate the revenue income of the following year based on the collections in the past.

(2) Budget is discussed in TLCC meetings and comments by citizens are reflected: April – May

As in the Article **92 (2) of Local government (Paurashava) Act, 2009**, Paurashavas need to take comments from citizens and reflect them to the proposed budget.

The Local Government (Paurashava) Act, 2009

Article-92(2): The Paurashava will approve the proposed budget before 30 days starting of the concerned financial year considering public comments and advices given to the budget and will submit it to the Divisional Commissioner or to any authority assigned by the government.



Then paurashavas organizes TLCC (Town level coordination committee) meetings in April – May (most preferably in April) to have comments on budget proposals by citizens. The TLCC meeting then makes comments on draft budget especially on tax assessment, tax collection, development projects and other issues.

(3) Budget is approved by a special meeting: April – May, by the end of May

The proposed budget is supposed to be approved within three month before the end of fiscal year (during 1st April and 30th June), according to **Article 7 of Paurashava Budget (preparation and approval) Rules, 1999**.

At the same time, a paurashava needs to submit a draft budget to the prescribed authority (Local Government Division) 30 days before the end of fiscal year (31st May), as stipulated in Article 92 (2) of Local Government (Paurashava) Act, 2009.

Considering these articles, a paurashava is supposed approve draft budget before the end of May before the paurashava send its budget to Local Government Division.

Paurashava Budget (preparation and approval) Rules, 1999

7. Budget Approval: Paurashava in their special meeting will consider and approve the next financial year's proposed budget within 3 months before the ending of current financial year;



Local Government (Paurashava) Act, 2009

Article-92(2): The Paurashava will approve the proposed budget before 30 days starting of the concerned financial year considering public comments and advices given to the budget and will submit it to the Divisional Commissioner or to any authority assigned by the government.



(4) Budget is sent to LGD: by the end of May

After the draft budget is approved by the special meeting of a paurashava, it is sent to a division commissioner or Local Government Division (LGD), by the end of May (30 days before the starting of the concerned fiscal year), as described in **Article 92 (2) of Local Government (Paurashava) Act, 2009**.

(5) Budget is announced to public through an open budget meeting: June

After the budget is approved by a special meeting in paurashava, it is announced to public, in many cases through “open budget meetings”, inviting citizens and explains the major points of the budget.



Open budget meeting

Source: UNCDF Website

(6) Sanction of proposed budget

A division commissioner and LGD is supposed to modify the budget submitted by paurashavas, and the modified budget is deemed sanctioned. If a division commissioner and Local Government Division do not modify proposed budgets in thirty days, then the proposed budget is also deemed sanctioned.

Local Government (Paurashava) Act, 2009

92. Budget:

(4) Within thirty days of the receipt of the copy of a budget under sub-section (1), the Government may modify it by order and this modified budget shall be deemed as the sanctioned budget of the Municipality.



(7) Paurashavas start executing budget: 1st July

After the new fiscal year started in 1st July, a paurashava starts executing the budget of the new fiscal year.

(8) Budget execution and monitoring: During the fiscal year

During the fiscal year, paurashavas need to record the budget executions (income and expenditure) and monitor the progress of budget execution.

A paurashava monitors budget executions every month and every quarter, producing “Quarterly and Annual Account of Receipts and Payments”, and examine if the expenditures of each budget item is within the approved budget amount. It is also important to monitor the progress of tax collection and make sure that the paurashava achieves target revenue amount. The paurashava also produces an annual statement of account at the end of each fiscal year and publish it.

2.2. Budget formulation

The budget formulation process starts before the end of March and it is discussed in TLCC meeting for review. The budget document is then approved at the council meeting and then submitted to Local Government Division (LGD).

This section will explain the structure of the paurashava budget and formats used in a budget document. Then, this section will also explain the checkpoints in a budget document for elected representatives including mayors and councilors.

2.2.1. Structure of paurashava budget

A budget document of a paurashava is composed of three budgets, namely **i) Revenue budget**, **ii) Development budget** and **iii) Capital budget**, as specified in **Article 3(2) of Paurashava Budget (preparation and approval) Rules, 1999**.

The most important among three budgets are **i) Revenue budget** and **ii) Development budget**.

i) Revenue budget

Revenue budget is the budget prepared from their own fund to meet up their regular expenditures. Revenue budget is divided into “Revenue budget Part 1” and “Revenue budget Part 2”. Revenue budget Part 2 is the budget for water section in a paurashava, and Revenue budget Part 1 is the remaining budget.

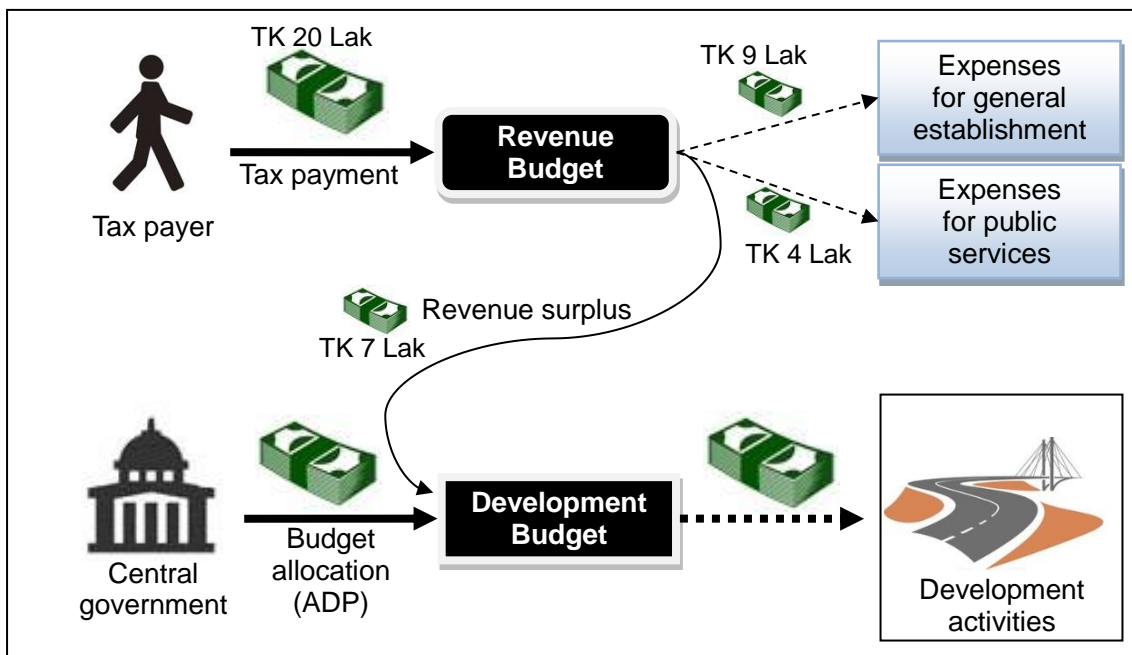
Income of Revenue budget Part 1 is mainly tax revenue (e.g. holding tax), land transfers, fees (e.g. business license and other fees). Revenue from water supply fees is the main income of Revenue budget Part 2.

Expenditures of the revenue budget include general establishment expenses (e.g. salary and honorarium), and public service expenses (e.g. education and health and sanitation expenses) and so on.

Suppose [Total Revenue income] is TK. 20 Lak, and [Total Revenue expenditure] is TK. 13 Lak, TK 7 Lak is regarded as “**Revenue surplus**”. This is going to be transferred to **Development Budget**.

$$[\text{Revenue income}] - [\text{Revenue expenditure}] = [\text{Revenue surplus}]$$

The relationship between Revenue budget and Development Budget is depicted as follows;



ii) Development budget

Development budget is the budget prepared to initiate development activities with the fund provided by the government, development partners and others.

Such development activities will include development of roads, bridges and other infrastructures.

A revenue surplus transferred from revenue budget is also a part of the income of development budget.

iii) Capital budget

Capital budget represents the income and expenditure transactions which are given below:

Income¹:

- Loan received by the paurashava;
- Collection of loan provided by the paurashava;
- Income from the investment and securities;
- Fund transferred to the gratuity fund of the officer and staffs of the paurashava
- Fund transferred by the paurashava in depreciation fund

Expenditures:

- Repayment of loan by the paurashava;
- Loan paid (disburse) by the paurashava;
- Purchase of securities and other investment;
- Any expenditures from depreciation fund;
- Real expenditure for the gratuity of the officer and staffs of the paurashava.

2.2.2. Format of paurashava budget

Form Ka

The summary of the budget of three budgets is indicated in **Form Ka of Paurashava Budget (preparation and approval) Rules, 1999**. This format is most useful when looking at the overview of the budget of a paurashava.

An example of Form Ka is as follows²;

¹ Source: Article 3(2)(c)6 of Paurashava Budget (preparation and approval) Rules, 1999

² Please note that this table is showing the sample of one year (budget for next year). However, Form Ka has to show three year budget (i) Actual of previous year, (ii) Revised budget of current year, (iii) Budget for next year.

Example of Form Ka

Particulars	Budget for next year-TK.
A. Revenue account	
Income from Part-1	1,200,000
Income from Part-2	800,000
Total Income :	2,000,000
Less: Revenue Expenditure	
Part-1	700,000
Part-2	600,000
Total Expenditure :	1,300,000
Total revenue surplus :	700,000
B. Development account	
Government Grant	5,000,000
Revenue surplus	700,000
Others	-
Total :	5,700,000
Less: Development expenditure	5,500,000
Total Budget surplus/shortage	200,000
Add: Opening balance	30,000
Closing balance :	230,000
C. Capital account	
Total income :	50,000
Total expenditure :	40,000
Closing balance of capital account :	10,000

In the example above, the total revenue income is TK 20 Lak. Out of the total revenue income, TK 12 Lak is from Revenue account Part 1 and TK 8 Lak is from Revenue account Part 2. Income of Revenue account Part 1 is mainly from holding tax, while the income of Revenue account Part 2 is from water services, such as connection fee or water charges.

The total revenue expenditure is TK13 Lak, out of which TK 7 Lak is for Revenue account Part 1 and TK 6 Lak is for Revenue account Part 2. Expenditures in Revenue account Part 1 will be for general establishment (e.g. salary and honorarium) and for providing public services. Similarly, expenditures in Revenue account Part 2 is for the water section.

As the total revenue income is TK 20 Lak and total revenue expenditure is TK 13 Lak, the revenue surplus is TK 7 Lak (total revenue income TK 20 Lak - total revenue expenditure TK 13 Lak). This is going to be transferred to Development budget.

The budget allocation from the central government for the development account (ADP grant) is TK 50 Lak in this paurashava. Adding the transfer of the revenue surplus TK 7 Lak, the total development revenue of this paurashava is TK 57 Lak.

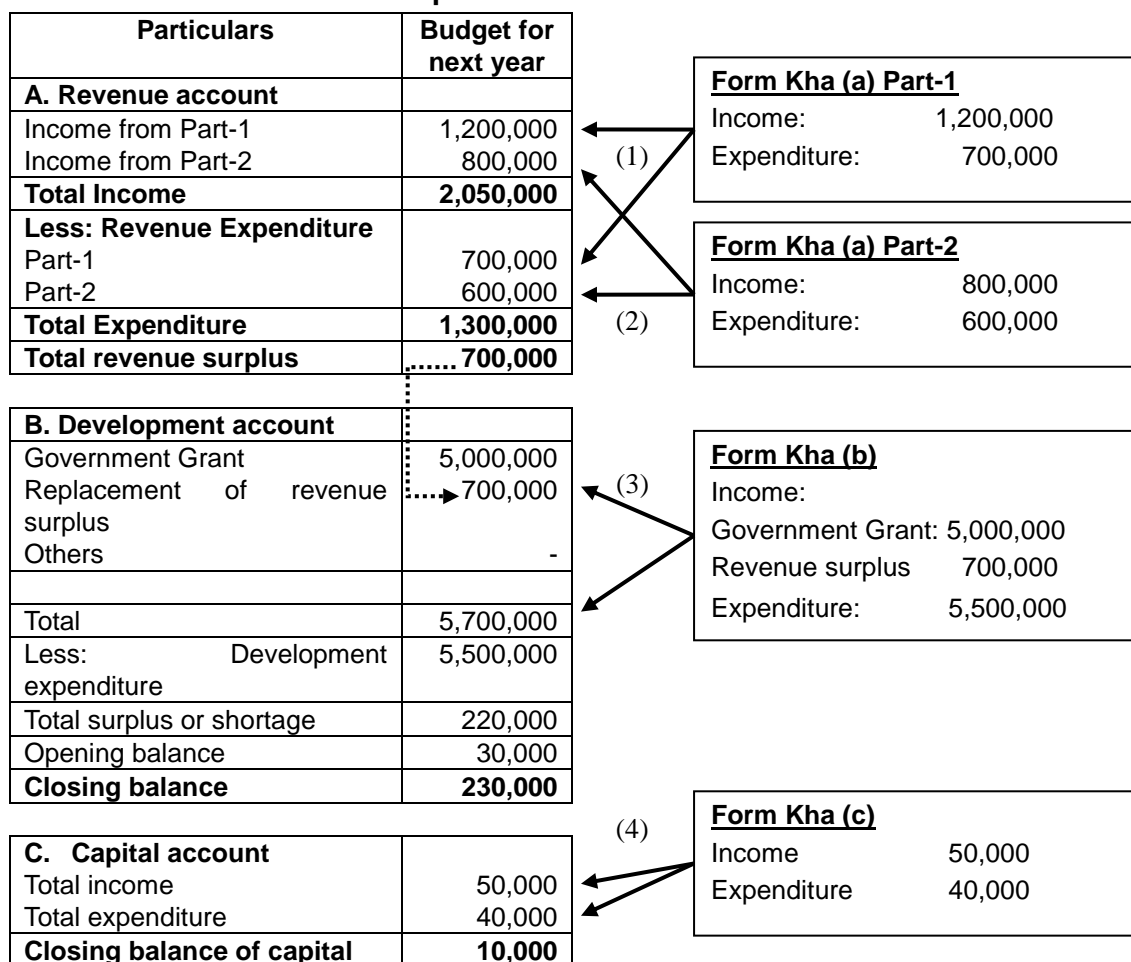
This paurashava will then spend TK 55 Lak for the development activities. The remaining TK 2 Lak will be transferred to the following year budget.

Form Kha

On the other hand, Form Kha shows the details for Form Ka. For example, Form Kha (a) Part 1 shows the detailed income and expenditure of the revenue account Part 1. The income and expenditure of the revenue account Part 1 are TK 12 Lak and TK 7 Lak respectively, and they are also indicated in Form Ka.

The relationship between Form Ka and Form Kha is depicted as in the following chart.

Relationship between Form Ka and Form Kha



2.2.3. Checkpoints in budget documents for elected representatives

Mayors and councilors are actively involved in the discussions on the proposed budget. The viewpoints that mayors and councilors need to have is:

👉 **Viewpoint 1:** Spend the tax revenue in the most efficient and effective way (avoid unnecessary expenditures).

A paurashava starts the preparation of the budget document from the estimation of income. The estimation of the income is made based on the approved rates by the government. After that, the paurashava estimates expenditures.

Paurashava Budget (preparation and approval) Rules, 1999

6. Budget preparation system – For each Paurashava

- a. Paurashava will take initiative to prepare next year's budget before 3 months of any year ending.
- b. Paurashava will take step to prepare estimate income from the tax, rate, toll, fees, property etc. and this estimate should be prepared based on the approved rates of the government. Thereafter, Paurashava will prepare the expenditure estimate;



In this process, **elected representatives need to examine that the income estimate is realistic or not.**

If the income estimate is not realistic, the expenditure estimate is not realistic either. Paurashavas should strictly avoid preparing unrealistic budget estimate. **If a budget document is not realistic, it is impossible to spend the tax income in the most efficient and effective way.**

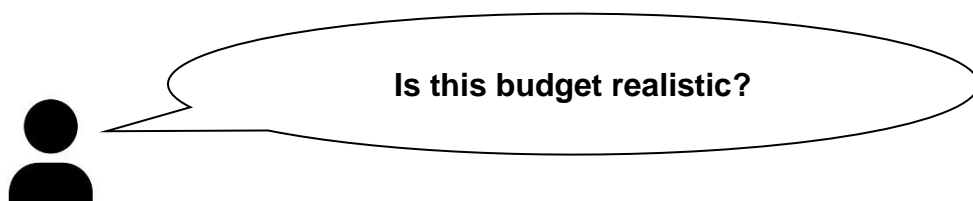
A typical example of a budget document (Form Ka) is as follows;

Particulars	Actual of previous year (TK '000) 20X1-X2	Revised budget of current year (TK '000) 20X2-X3	Budget of upcoming year (TK '000) 20X3-X4
A. Revenue account			
Income from Part-1	1,000	1,050	2,200
Income from Part-2	700	750	900
Total Income :	1,700	1,800	3,100
Less: Revenue Expenditure			
Part-1	950	1,000	2,150
Part-2	650	700	850
Total Expenditure :	1,600	1,700	3,000
Total revenue surplus :	100	100	100

B. Development account			
Government Grant	500	500	3,000
Revenue surplus	100	100	100
Others			
Total :	600	600	3,100
Less: Development expenditure	580	580	3,000
Total Budget surplus/shortage	20	20	100
Add: Opening balance	10	30	50
Closing balance :	30	50	150

C. Capital account			
Total income :	20	25	30
Total expenditure :	10	10	15
Closing balance of capital account :	10	15	15

Then, if you are a mayor or councilor, how do you answer to a question like this.



As depicted in this Form Ka, the estimated revenue income, which mostly comes from tax revenue, is twice as big as the actuals of Year 20X1-20X2 and revised budget for 20X2-20X3.

Then, this budget document, especially the estimated income, does not seem

realistic. Some paurashavas might claim that this is realistic, because this tax revenue can be achieved if 100% of the tax demand (arrear and current demand) is collected. Unfortunately, 100% collection of tax demand is not realistic in many paurashavas.

During the fiscal year, this paurashava will find that they do not have a sufficient income and also that they are not able to make expenditure as planned in the budget document.

Some paurashavas tend to expect too much budget allocation from the central government as “special grant”. The estimate of the development income should be very realistic too. Overestimation should be strictly avoided.

After making sure that income estimates are realistic enough, mayors and councilors can examine the estimated expenditures in the budget document. **It is recommended to examine all the details of the expenditure estimates to eliminate unnecessary expenditures** included in the budget document.

At the same time, **mayors and councilors are recommended to examine the estimated revenue surplus** which is transferred to Development Budget. The bigger the revenue surplus is, the more development projects your paurashasva can implement.

The checkpoints that mayors and councilors need to examine in the budget formulation process are as follows;

Checkpoints in the budget formulation
<input checked="" type="checkbox"/> Is the revenue income realistic compared to the actual revenue income of the previous years?
<input checked="" type="checkbox"/> Is the expenditure within the income estimate?
<input checked="" type="checkbox"/> Are there any unnecessary expenditure in the expenditure estimate, compared to the actual expenditure of the previous years.
<input checked="" type="checkbox"/> How much is the estimated revenue surplus? Is this estimate realistic considering the income estimates?

2.3. Budget monitoring and rules on budget execution

2.3.1. Budget monitoring

(1) Objectives of budget monitoring

As mentioned above, the viewpoints that mayors and councilors need to have in the budget formulation, execution and monitoring process is;

👉 **Viewpoint 1:** Spend the tax revenue in the most efficient and effective way (avoid unnecessary expenditures).

When a budget document prepared is very realistic, it is also important to make sure that the paurashava is utilizing revenue efficiently and effectively, in the budget execution and monitoring.

The aspects that mayors and councilors need to examine in the budget monitoring are as follows;

Checkpoints in the budget monitoring
<input checked="" type="checkbox"/> Tax income is collected as estimated.
<input checked="" type="checkbox"/> Revenue surplus amount is secured as estimated.
<input checked="" type="checkbox"/> Expenditures are made as planned and unnecessary expenditures are not made.

In the budget monitoring, it is also important that the budget execution at paurashava complies rules and regulations. The rules on the budget executions are explained later.

(2) How to monitor budget execution

An accounts officer/accountant prepares “**Quarterly and Annual Account of Receipts and Payments**” every month to monitor the budget executions (both income and expenditures). This is going to be checked by a secretary, and then submitted to the mayor and Paura council (Paura parishad) meeting.

A simplified example of Quarterly and Annual Account of Receipts and Payments using Form 89 and Form 90 is as follows;

FORM 89
(Vide rule 180 and 243)

Quarterly and Annual Account of Receipts

Revenue account Part-1 (Receipts)

Details of Receipts	Budget estimate	Jul	Aug	Sep	Total 1 st Q	Total 2 nd Q	Total half-year	Total 3 rd Q	Total three Qs	Total 4 th Q	Total of year
1	2	3	4	5	6	10	11	15	16	20	21
Tax on building and land	15,000	1,000	1,500	1,300	3,800	12,700	16,500	3,500	20,000	3,800	23,800
Lighting Rate	6,000	300	500	400	1,200	1,800	3,000	1,200	4,200	2,200	6,400
...
...
Total Receipts	21,000	1,300	2,000	1,700	5,000	14,500	19,500	4,700	24,200	6,000	30,200
Opening balance	12,000	1,500	700	600	1,500	200	1,500	8,500	1,500	7,100	1,500
Total	33,000	2,800	2,700	2,300	6,500	14,700	21,000	13,200	25,700	13,100	31,700

Estimated income

Actual income

FORM 90
(Vide rule 247)

Quarterly and Annual Account of Payments

Revenue account Part-1 (payments)

Details of Payments	Budget estimate	Jul	Aug	Sep	Total 1 st Q	Total 2 nd Q	Total half-year	Total 3 rd Q	Total three Quarters	Total 4 th Q	Total of year
1	2	3	4	5	6	10	11	15	16	20	21
Honorarium for Paurashava Mayor and Councillors	12,000	1,000	1,000	1,000	3,000	3,000	6,000	3,000	9,000	3,000	12,000
Salary of staff	13,000	1,000	1,000	1,000	3,000	3,000	6,000	3,000	9,000	3,000	12,000
Education expenses	1.5	...	...	...	...	...	...	...	...	...	...
Health and Sanitation	1,000	...	...	...	...	...	...	...	...	...	...
Donation	2,500	100	100	100	300	200	500	100	600	50	650
Total expenditure	30,000	2,100	2,100	2,100	6,300	6,200	12,500	6,100	18,600	6,050	24,650
Closing balance	3,000	700	600	200	200	8,500	8,500	7,100	7,100	7,050	7,050
Total	33,000	2,800	2,700	2,300	6,500	14,700	21,000	13,200	25,700	13,100	31,700

By comparing “budget estimate” to the actual receipts and payments, it is possible to monitor the budget execution. Recommended checkpoints are as mentioned above.

Such budget monitoring is recommended to be reported at TLCC meetings and Paura parishad meetings. Monthly tax collection amounts should be also reported to these meetings.

2.3.2. Rules on budget executions

In the budget execution and monitoring, it is also important to make sure that a paurashava is complying related rules and regulations.

There are several rules and regulations for budget executions which paurashavas need to pay attentions.

Such rules are;

- | | |
|-----|---|
| (1) | Upper limit of the establishment cost |
| (2) | Restrictions on expenditure more than approved budget and adaptations |
| (3) | Regulations on minimum closing balance |
| (4) | Regulations on increasing salary expenses of contract staffs |

(1) Upper limit of the establishment cost

As specified in **Article 11 (1) of Paurashava Budget (preparation and approval) Rules, 1999**, paurashavas cannot spend more than 50% of revenue income for establishment cost.

Paurashava Budget (preparation and approval) Rules,1999

11.Expenditure restriction:

- (1)The Paurashava will not expend more than 50% of collected revenue income for establishment in the relevant financial year;



Establishment expenses showing as General Establishment expenses in the Budget form 'Kha' under rule 3 of **Paurashava Budget (preparation and approval) Rules, 1999**.

General Establishment expenses include the following items:

a	Paurashava Mayor/Councillors' Honorarium
b	Salary of Officers and Staff other than water section
c	Transfer to Gratuity Fund
d	Transport repairs and fuel
e	Telephone
f	Electricity bill
g	Contingency Expenses

Naturally, most of the revenue income is generated from tax income, such as holding tax. Because paurashavas are regulated not to spend more than 50% of revenue income to establishment expenses, remaining 50% of revenue income has to be spent for public services and development projects.

Citizens will be more satisfied if a paurashava explain that a lot of tax revenue was spent for public services and development projects, not for general establishment, such as salary and honorarium.

(2) Restrictions on expenditure more than approved budget and adaptations

As specified in **Article 11(2) of Paurashava Budget (preparation and approval) Rules, 1999**, paurashava cannot make expenditure which is not included in the approved budget. Paurashava cannot adapt any allocation from one head or sub-head to another head or sub-head either, as in **Article 12**.

Paurashava Budget (preparation and approval) Rules,1999

11.Expenditure restriction:

(2) Paurashava cannot expend in any means excluded the approved budget;



Paurashava Budget (preparation and approval) Rules,1999

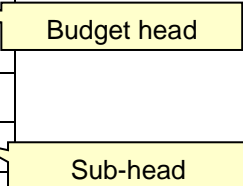
12.Adaptation of expenditure head: Paurashava cannot adaptation any allocation from one head or sub-head to another head or sub-head:

But to tackle any disaster or critical situation, adaptation can be made with the prior approval of the Prescribed Authority;



For example, it is not allowed to adapt the budget for 1) Mayor or Councillor's honorarium into 2) Salary of employees excluding water supply section. It is not allowed to adapt the budget for 1. General establishment to 2. Educational expenses, either.

Examples of budget head / sub-head in Form Kha

Serial no	Expenditure Heads/Sub heads	
1	General establishment	
1)	Mayor and Councilor's honorarium	
2)	Salary of employees excluding water supply section	
	...	
2	Educational expenses	
	...	

Likewise, budget allocation by annual development grants cannot be spend for revenue expenses, as stipulated in **Article 6 of Paurashava Budget (preparation and approval) Rules,1999.**

Paurashava Budget (preparation and approval) Rules,1999

6. Budget preparation system – For each Paurashava

e. Annual Development Grants will not permitted to expenditure in revenue head;



Paurashava should be careful not to violate these rules, as the expenditure made without following these rules would be regarded as the personal liabilities of the Mayor, as per **Article 11 (4) of Paurashava Budget (preparation and approval) Rules,1999.**

Paurashava Budget (preparation and approval) Rules,1999

11.Expenditure restriction:

(4) If any expenditure made violating the rule, it will be considered as personal liabilities of the Mayor.



It is highly recommended that paurashava will monitor the budget executions every month to confirm that expenditures of all budget head are not exceeding the approved

budget amount. Preparing an unrealistic budget documents with excessive income and expenditure estimates should be strictly avoided.

In case expenditure exceeds approved budget, the paurashava may consider revising the approved budget before the end of the financial year, as specified in **Article 92(5) of Local Government (Paurashava) Act, 2009**. Paurashavas should also monitor the budget execution and examine every month if they have not spent more than approved budget in any budget head.

(3) Regulations on minimum closing balance

As specified in **Article 13 of Paurashava Budget (preparation and approval) Rules, 1999**, paurashavas need to make sure that their closing balance of revenue account Part-1 is more than the one month establishment expenses. Similarly, the closing balance of revenue account Part-2 (water section) has to be more than the one month salary expenditure of water section.

Paurashava Budget (preparation and approval) Rules, 1999

13. Minimum closing balance: Minimum one month's general establishment expenditure and salary expenditure of water supply sections need to be kept in the closing balance of revenue budgeted;



(4) Regulations on increasing salary expenses of contract staffs

As per **Article 11 (3) of Paurashava Budget (preparation and approval) Rules, 1999**, increasing the salary of contract staffs cannot be made without the approval by LGD (prescribed authority).

Paurashava Budget (preparation and approval) Rules, 1999

11. Expenditure restriction:

(3) Without prior approval of the Prescribed Authority, Paurashava cannot increase the salary of the contractual employees and prepare the budget;



(5) Other Regulations

A paurashava which provide water supply services is supposed to keep 2.5% of water revenue into a separate account from the Revenue account Part-2. The separate

account is called as a “depreciation fund”. The amount saved in the depreciation fund will be used for the maintenance and replacement of water supply facilities, such as water pipes, and water pump.

Saving 2.5% of water revenue into the depreciation fund is regarded as a payment from Revenue account Part-2 and income of Capital account. In other words, this is a transfer from Revenue account Part-2 to Capital account.

Memo no-Paura-2/Pau:rule-2/99/192(210) dated: 6-3-2000;

**Sub; Paurashava Budget (preparation and approval) Rules,1999
issue.(Paura-2 section of Local Government Division: LGD)**



2 (b) 2.5% from water supply head must be kept separately as depreciation fund.

2.4. Revisions to budget

Paurashavas are authorized to make revision to the approved budget any time before the end of fiscal year, as specified in **Article 92 (5) of Local Government (Paurashava) Act, 2009.**

If paurashavas expect that expenditure of some budget heads / sub-heads would be more than approved amounts through monthly monitoring, paurashavas revise budget, have it discussed in TLCC meeting and Paura-council (parishad) meetings and, and have it approved by the Paura council meeting.

In many cases, paurashavas revise their budget after March (9 months from the beginning of a fiscal year).

Paurashava Budget (preparation and approval) Rules,1999

14. Revised budget: As per rules 6,7 & 8, if needed, Paurashava can prepare and approve revise budget in any time before closing the financial year;

15. Fund for special project: Government can provide fund to the Paurashava for implementation of any special project. If Paurashava obtain these type of fund, they will include it to the relevant financial years' budget or revised budget;



Local Government (Paurashava) Act, 2009.

92. Budget:

(5) At any time before the expiry of the financial year to which a budget relates, a revised budget for the year may, if necessary, be prepared and



sanctioned, and such revised budget shall, so far as may be, subject to provisions of this section.

As per **Article 15 of Paurashava Budget (preparation and approval) Rules, 1999**, if Paurashava receive budget allocation for special project during a fiscal year, they will include it in the budget/revised budget of the relevant fiscal year.

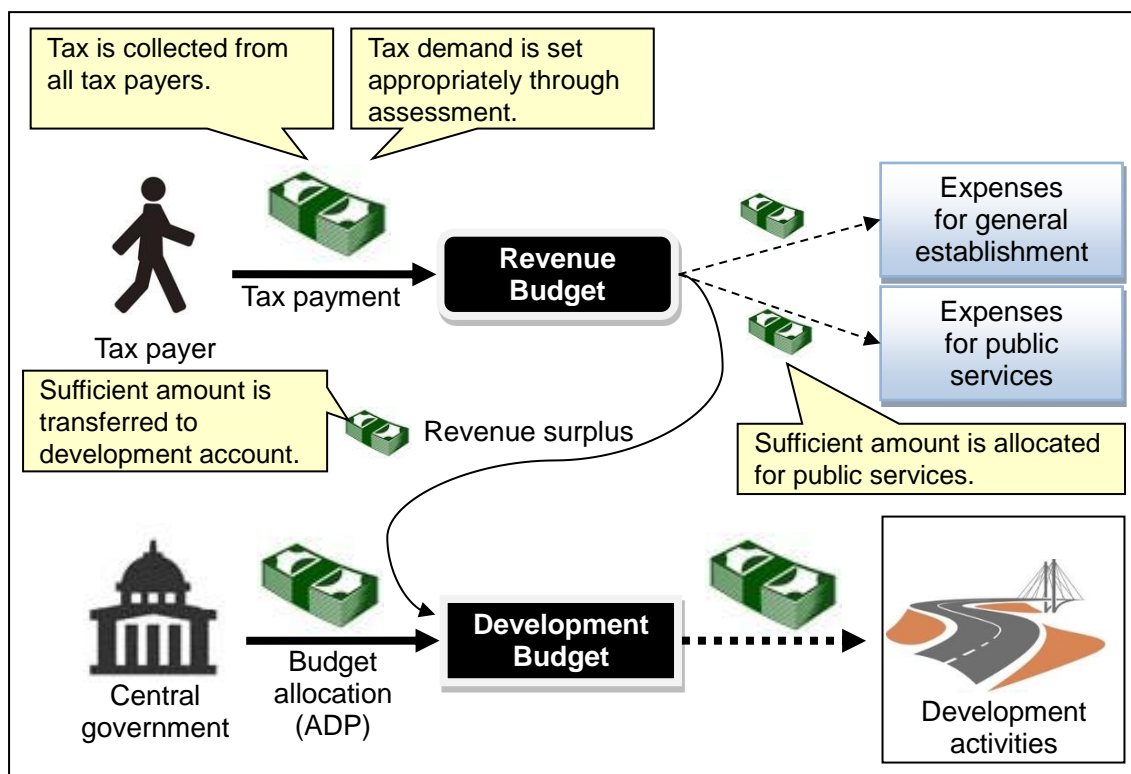
3. Paurashava Tax Collection and Assessment

Paurashavas provides municipal services (e.g. street light and solid waste disposal) to citizens utilizing its revenue. A major part of the income comes from the holding tax collections. Tax collectors collect holding tax from the owner of the buildings every year. Tax demand amounts, or the amounts of tax that tax payers are supposed to pay per year, are determined through “tax assessment”.

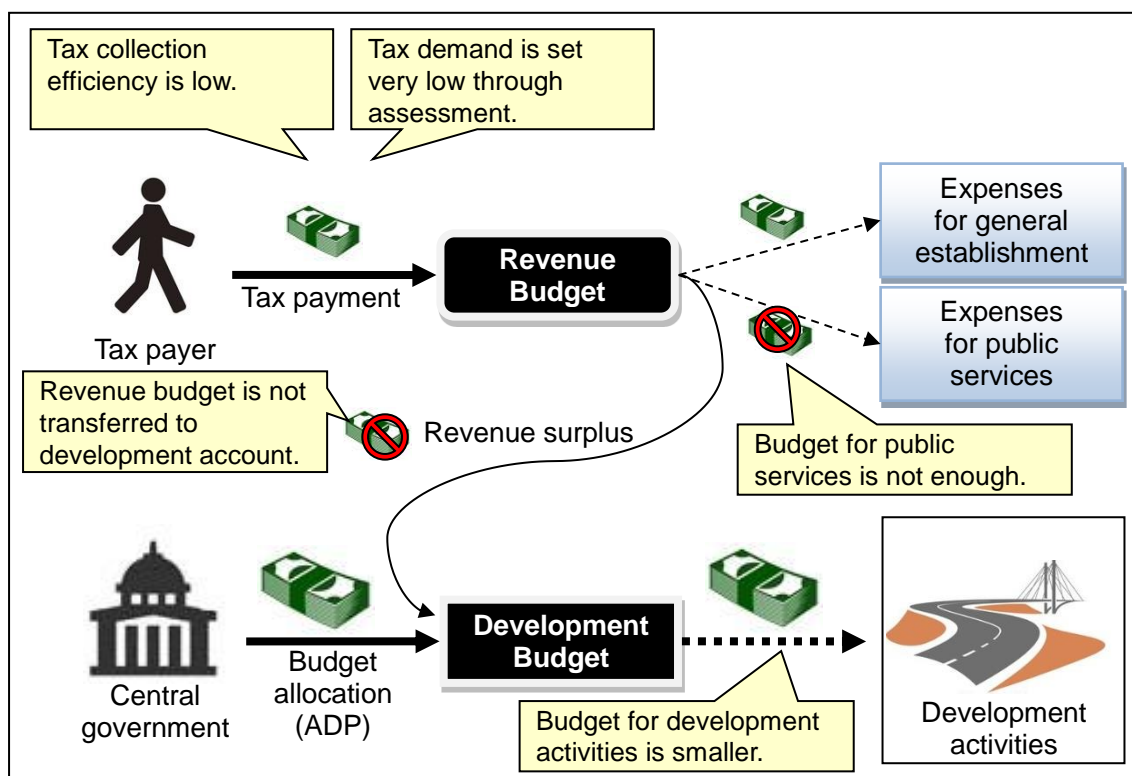
There are mainly two kinds of tax assessment, which is called as (i) re-assessment and (ii) interim assessment. (i) Re-assessment is a periodical assessment on holdings every five years, and (ii) interim assessment is an ad-hoc assessment, which is carried out when a new building is constructed and a building is expanded.

If the tax collection efficiency is very low or tax demand amount is set very low, the tax income of a paurashava will be very small. Naturally, if the tax income is small, a paurashava is not able to provide adequate public services or implement development projects.

<If the tax income is sufficient...>



<If the tax income is NOT sufficient...>



A paurashava needs a sufficient amount of income in order to provide public services and also to implement development projects. Therefore, achieving high tax collection efficiency is essential for a paurashava to secure sufficient income. Similarly, proper tax assessment (without big discounts / reductions) is also essential for a purashava.

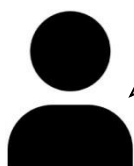
This section is going to explain how paurashavas can secure sufficient tax revenue and how to conduct tax assessment properly.

In this section, the viewpoint that mayors and councilors need to have is:

Viewpoint 2: Secure sufficient revenue through tax collection and tax assessment.

3.1. Securing holding tax revenue

Suppose you are a mayor or councilor at a paurashava, please answer the following questions.



Q1: How much was the total tax collection amount of the last fiscal year?

Q2: What was the tax collection efficiency (total tax collection / total tax demand) in the last fiscal year?

Q3: How many percent of tax collection efficiency do you think your paurashava can achieve at the end of current fiscal year?

If you think... “our paurashava is going to achieve 100% tax collection efficiency this fiscal year” or “our paurashava probably achieved 80% last fiscal year”, please ask this to tax collectors.

Only paurashava which are making a lot of efforts for the tax collection under the initiative by mayors and councilors can achieve 70% or 80% tax collection efficiency. If your paurashava has not made any specific efforts in tax collection, the tax collection efficiency would be around 30%.

The fact that tax collection efficiency is not high means that your paurashava has not secured sufficient budget for public services or development projects. In this case, most of the tax revenues are used only for general establishment expenses, such as salary payments and honorarium.

The roles of mayors and councilors in tax collection are critical. In a paurashavas where mayors and councilors are supportive to tax collection, the tax collection efficiency tends to be higher than other paurashavas. Some supporting mayors make phone calls to say “thank you” to tax payers after payments. Some councilors also encourage tax payers to pay tax on time in WC meetings. If mayors and councilors are supportive to tax collections, tax collectors would be more willing to increase tax incomes too.

In order to do so, monitoring the progress of tax collection during the fiscal year is also very important. By setting targets on tax collection amounts and efficiency of each ward and also by monitoring the progress, it is possible for mayors and councilors to identify

the problems and take appropriate actions.

Expected roles of mayors and councilors in tax collection	
-	Encourage tax collectors to collect more tax and give necessary supports
-	Set target on tax collection amount and tax collection efficiency
-	Monitor the progress of tax collection amount and efficiency every month

3.1.1. Definition of Holding Tax Collection Efficiency

As mentioned above, it is important for a paurashava to set targets on tax collection amount and tax collection efficiency, in order to secure sufficient tax income.

Holding tax collection efficiency is expressed in terms of the collection rate of holding tax in comparison to total demand in percent, as follows;

Tax collection efficiency	=	$\frac{\text{Arrear Collection} + \text{Current Collection}}{\text{Arrear Demand} + \text{Current Demand}} \times 100$
------------------------------	---	--

Arrear demand is the total accumulated arrears of holding tax dues in the preceding years. Arrear collection is the collection of such arrear demand.

Similarly, current demand is the total amount that tax payers in a paurashava are demanded to pay in each year, excluding the amount arrear demand. Current collection is the tax collection of such current demand.

For example, the tax collection efficiency of a paurashava is calculated as in the following table.

Tax collection amount and efficiency monitoring table

Year	Arrear Demand	Current Demand	Total Demand	Arrear Collection	Current Collection	Total Collection	Tax Collection Efficiency
1	2	3	4(2+3)	5	6	7(5+6)	8(7/4)%
20XX-XX	TK 10 Lak	TK 20 Lak	TK 30 Lak	TK 3 Lak	TK 15 Lak	TK 18 Lak	60.0%

3.1.2. Target on Holding Tax Collection Efficiency

Then, **how many percentage of tax collection efficiency should a paurahsava achieve?** The answer is ...



A paurashavas has to achieve more than 75% tax collection.

This is clearly explained by **Article 49 (1) (d) of Local Government (Paurashava) Act 2009**. This article mentions that the government can declare dissolution of any Council, if Paurashava failed to achieve **at least 75%** of the assessed total annual taxes, sub-taxes, rates, tolls, and fees (including holding tax) without acceptable causes.

Paurashava Act 2009

49. Suppression of Municipality and Re-Election

(1) Government can declare suppression on any municipality by gazette notification for following causes, namely

(d) failed to collect 75% of annual defined taxes, rates, tolls or fees levied without acceptable causes.



For many paurashavas, whose tax collection efficiency is usually only 30%, this is not easy target. Therefore, it is important to set target on tax collection efficiency (e.g. 80%) and monitor the progress of tax collection amount and rate in each ward every month.

Mayors and councilors will need to support the tax collection activities, such as by encouraging citizens to pay tax as demanded on time through phone calls or WC meeting.

3.1.3. Monitoring of tax collection

Then, paurashavas are highly recommended to monitor the tax collection progress every month and every year as follows;

Monthly monitoring

The tax collection of each ward should be monitored every month. An example of such monthly monitoring (Quarterly and annual statement of tax collection) is as follows;

	Total Demand of the year	Jul	Aug	Sep	Total 1st Q	...	Total of the year
Ward 1							
Arrear	50,000	2,000	5,000	4,000	11,000		
Current	75,000	5,000	10,000	8,000	23,000		
Total	125,000	7,000	15,000	12,000	34,000		
Tax collection efficiency					(27.2%)		
Ward 2							
Arrear	70,000	5,000	7,000	8,000	20,000		
Current	80,000	9,000	13,000	14,000	36,000		
Total	150,000	14,000	20,000	22,000	56,000		
Tax collection efficiency					(37.3%)		
Ward 3							
...							
Total							
Arrear	600,000	30,000	40,000	40,000	110,000		
Current	800,000	35,000	90,000	80,000	205,000		
Total	1,400,000	65,000	130,000	120,000	315,000		
Tax collection efficiency					(22.5%)		

For example, the tax collection of Ward 1 for the 1st quarter (July to September) is TK 34,000 in total, out of which TK 11,000 is arrear collection and TK 23,000 is current collection. Comparing them to the total tax demand of Ward 1 (TK 125,000), tax collection efficiency for the 1st quarter (July to September) is 27.2%.

By monitoring the tax collection amount and efficiency, it is possible to identify problematic wards. Councilors of such wards can organize WC meeting and encourage tax payers to make pay on time.

Yearly monitoring

It is also possible to monitor the yearly changes in the tax collection amount and

collection efficiency of the whole paurashava, using a table below;

Tax collection amount and efficiency monitoring table

Year	Arrear Demand	Current Demand	Total Demand	Arrear Collection	Current Collection	Total Collection	Tax Collection Efficiency
1	2	3	4(2+3)	5	6	7(5+6)	8(7/4)%
20X1-X2	TK 10 Lak	TK 20 Lak	TK 30 Lak	TK 3 Lak	TK 15 Lak	TK 18 Lak	60.0%
20X2-X3	TK 12 Lak	TK 20 Lak	TK 32 Lak	TK 4 Lak	TK 16 Lak	TK 20 Lak	62.5%
20X3-X4	TK 12 Lak	TK 20 Lak	TK 32 Lak	TK 6 Lak	TK 18 Lak	TK 24 Lak	75.0%
20X4-X5	TK 8 Lak	TK 20 Lak	TK 28 Lak				

In this example, this paurashava increased tax collection from TK 18 Lak in 20X1-X2 to TK 24 Lak in 20X3-X4. During the same period, tax collection efficiency improved from 60% to 75%. Naturally, the available fund for public services and development project has increased.

Setting targets on tax collection amount and efficiency

For 20X4-20X5, the total demand is TK 28 Lak, out of which TK 8 Lak is arrear demand and TK 20 Lak is current demand.

The paurashava can set a target on tax demand collection amount or efficiency for this year. Suppose the **targeted tax collection efficiency** for this year is 75%, the total collection will be TK 21 Lak (TK 28 Lak x 75% = TK 21 Lak).

If the **targeted total collection amount** is TK 24 Lak, the targeted collection efficiency is 85.7% (TK 24 Lak / TK 28 Lak).

Paurashavas can set targets either on the tax collection amount or efficiency. It is very important to set targets and monitor the progress every month.

3.1.4. Enhancing efficiency in tax collection

As mentioned above, increasing the tax collection amount and efficiency is important for a paurashava to provide more public services and to implement more development project. Then, most of the mayors and councilors would start wondering...



How can we increase tax collection amount or efficiency?

The answer to this question is obvious...



The involvement and initiatives of mayors and councilors in tax collection is most important to achieve high tax collection efficiency.

In some paurashavas, mayors give phone calls to the tax payers to appreciate them, or provide tea. In contrast, if mayors are not cooperative to tax collections, the tax collection rate in such paurashavas tend to be very low (e.g. 10%).

After received tax collection report from tax collectors, it is also recommended for mayors and councilors to **announce the tax collection information (e.g. tax collection amount and efficiency of each ward) to citizens**. Mayors and councilors can encourage citizens to pay tax on time in such meetings.

In such meetings, mayors and councilors should also explain how the funds from tax collection were used, such as infrastructure development projects.

There are more actions that paurashavas can take in order to improve the tax collection efficiency as follows. It is highly recommended for mayors and councilors to give supports to such activities too.

(1) Organizing tax collection campaign

Some Paurashavas organize “Tax collection campaign”, especially when festivals are organized in town, as festivals are good opportunity where citizens gather.

If paurashavas organize such campaign at the timing of festivals, having a temporary tax collection office in a festival location, tax payers can save time and expenses to come to paurashava for tax payments.

(2) Announcement / publications

Undertaking rally, announcement, courtyard meeting, leaflet and poster distribution, advertisement in local dailies, presence of the Mayor in local cable TV would encourage tax payers to pay tax.

Most typically, the message delivered in the rally and announcement to tax payer in the first quarter is that they can get rebates if they complete full tax payment in the first quarter. The message delivered in the 4th quarter is that tax payers are going to pay additional as penalty if they do not complete payment by the end of fiscal year.

(3) Rebate and penalty

Financial incentives or rebate on tax payments is one of the most useful tools to encourage tax payers. Similarly financial penalty or surcharge on the arrear payment would also encourage tax payers who wish to avoid paying extras.

Making announcement on rebate in 1st quarter and penalty in 4th quarter would be most effective.

Rebate

As per **Article 7 (3) of the Pourashava Taxation and Tax Collection Rules 2013**, the following rebate will be awarded.

Period of bill payment within the timeframe	Rebate (%)
Payment of current quarter tax bill	5.0%
Payment of all four quarters bills in 1 st Quarter	10.0%
Payment of one or two quarter's installment in advance	7.5%

Penalty

On the other hand, if the tax payments are not made within the relevant fiscal year, the remaining tax demand amount is transferred to the following fiscal year as arrear. The tax payer then has to pay 5% additional as penalty, as per **Rule 7 (4) of Paurashava Taxation and Tax Collection Rules 2013**.

Paurashava Taxation and Tax Collection Rules 2013



7. Tax payment, tax remedy, etc.

(3) For Tax on Building and Land of the fiscal year-

(a) If the tax of each quarter is paid within the time frame of demand notice, remedy will be at the rate of 5% of the current demand.

(b) If the tax demand of next three quarter is paid in advance with the first quarter, 10% remedy will be paid on total demand.

(c) If case of the payment of one or two quarter's installment in advance along with the amount of the quarter mentioned in the demand notice, tax remedy will be provided at the rate of 7.5% on total demand.

(4) Paurashava can add an additional charge at the rate of 5% on the amount of defaulted demand if, tax on building and land is not paid with in the fiscal year or time mentioned in the demand notice.

Condition applies that; Pourashava can provide remedy to any defaulter on total or partial charge.

The percentages of rebate and the amount of surcharge are indicated in tax bills.

(4) Tax collection through compulsory seizure of movable assets

If a tax payer fails to pay the tax demand, the tax payer is regarded as a defaulter. In this case, a paurashava can recover its tax demand through attachment and sales of the movable or immovable property of the defaulter, as per **Article 103 of Paurashava Act 2009**.

Paurashava Act 2009



103. Collection and Recovery of Taxes:

(1) All taxes, rates, tolls and fees levied under this Ordinance shall be collected in the prescribed manner.

(2) All arrears of taxes, rates, tolls and fees and other moneys claimable by a municipality under this Ordinance shall be recoverable as a public demand.

(3) Notwithstanding the provisions of sub-section (2), the Government may empower any municipality to recover arrears of taxes, rates, tolls, fees and other moneys claimable by the municipality under this Ordinance by distress and sale of movable property belonging to the person concerned, or by attachment and sale of the immovable property belonging to him.

The recovery of the tax demand through attachment and sales is most efficient when the paurashava has achieved high tax collection efficiency, and is trying to encourage large defaulters to pay tax who have enough income and assets.

Some paurashavas, which have experienced attachment and sales, achieved high tax collection rate in the following years, not by attachment and sales but by showing their attitude toward tax collections.

In such case, only an announcement of attachment and sales to defaulters would encourage tax payers to pay tax on time.

3.2. Tax Assessment

3.2.1. Why paurashavas need to increase tax demand amount through tax assessment?

Tax demand amounts on holdings are determined through “tax assessment” based on certain rules mentioned in **Puarashava Taxation and Tax Collection System Rules, 2013**.

Once a holding is established or major changes are made, the tax demand amount is determined through tax assessment. This is called as “**Interim assessment**”.

Besides this, assessment of holdings are conducted every five years as depicted in **Rule 18 of Paurashava Taxation and Collection System Rules, 2013**. This is called as “**Re-assessment**”.

Paurashava Taxation and Collection System Rules, 2013

18. List of tax assessment

(1) Paurashava will prepare the evaluation list of building for the assessment of tax and rate under article 17 and except further notice from uthority, the Paurashava will have to renew the list in every 5 years.

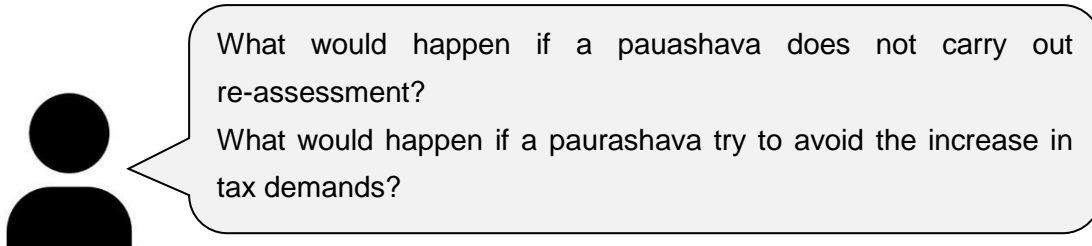
(2) ...



Some paurashava might wish not to carry out re-assessment every five years. This is because such paurashava try to avoid the increase in tax demand amounts of tax payers.

Similarly, some paurashasvas also try to decrease the tax demand amounts of some tax payers during the re-assessment process.

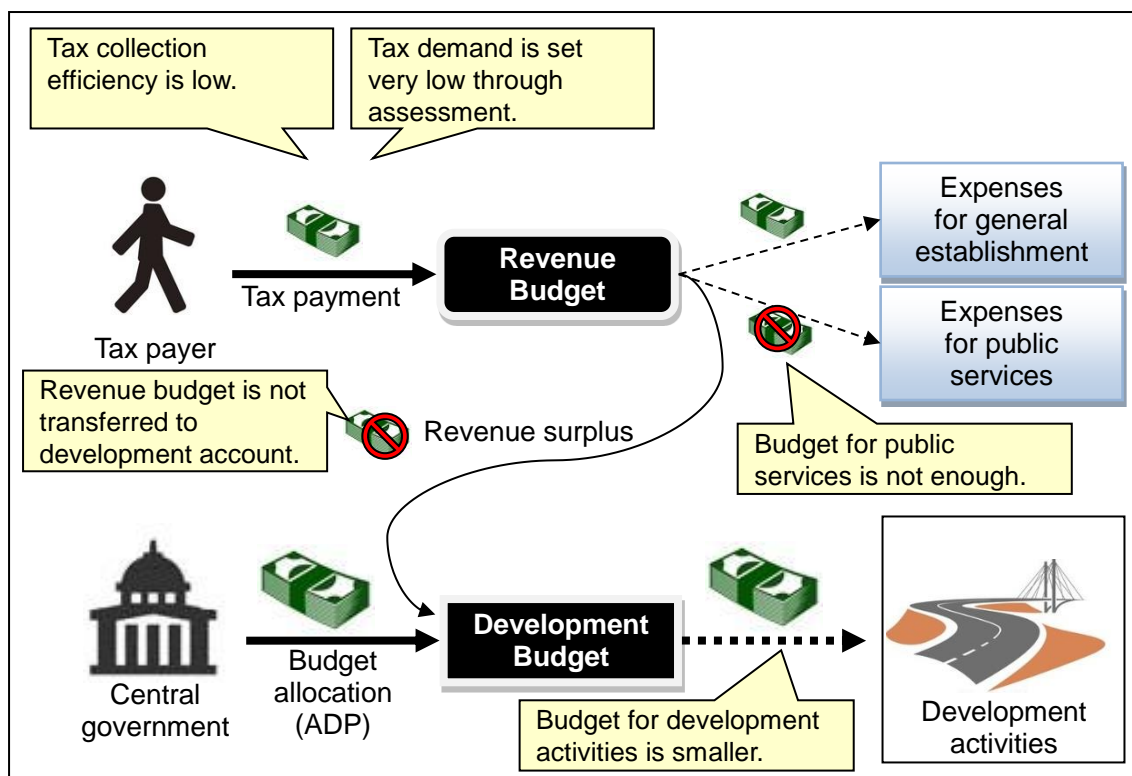
Then...



The answer to these questions is ...

! If a paurashava decrease tax demands, it will face the shortage in funds for public services and development projects

This can be depicted as follows;



If tax revenues decrease, naturally the funds to be allocated for public services and development projects will decrease, as depicted in the figure above.

No matter if your paurashava has sufficient income at the moment, you might encounter a problem in the near future, if the tax demands do not increase. This is partly because

of the inflation or the increase in price level.

Suppose the revenue income of a paurashava is TK 120 Lak and the revenue expenditure is TK 100 Lak, and the price level increase by 7% every year.

In this paurashava, the expenditure will increase by 7% per year because of the increase in price level or inflation rate³. The expenditure is going to increase from TK 100 Lak in Year 0 to TK 107 Lak in Year 1 and reach TK 140.3 Lak in Year 5.

Revenue budget	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Income	120.0	120.0	120.0	120.0	120.0	120.0
Expenditure	100.0	107.0	114.5	122.5	131.1	140.3
(Annual increase)	-	7%	7%	7%	7%	7%
Surplus (+) / Deficit (-)	20.0	13.0	5.5	-2.5	-11.1	-20.3

If a paurashava does not carry out re-assessment or does not increase the tax demand even after the re-assessment, the revenue income of the paurashava is not going to increase.

Because the revenue expenditure increase to TK 140.3 Lak in Year 5 and the revenue income does not increase from TK 120.0 Lak, the paurashava will face a deficit of TK 20.3 Lak in this year.

What will happen in this paurashava? Because the expenditure of a paurashava cannot be more than its revenue, the paurashava will have to decrease expenditures. Typically, such paurashavas decrease the expenditures for public services first and then decrease salary payments. In this case, the paurashava is going to spend all the tax revenue for salary payments and cannot spend any funds for public services.

Therefore, mayors and councilors should not avoid increasing the tax demand amounts through tax assessment. It is more important to explain how the tax income is used for public services and development projects.

³ Salary scales are determined as per the decision of the government, and they are revised only periodically (not every year). Then the salary expenses of a paushava as a whole do not always increase as much as the inflation rate.

Box : Re-assessment process

It takes roughly one year to complete the re-assessment of holding.

The overall process of re-assessment is as follows;

- 1) Submit a proposal on re-assessment and obtain approval by the government
- 2) Make announcement on re-assessment
- 3) Distributes forms to collection information of holdings to the citizens
- 4) Collect information on holding from citizens
- 5) Insert the information of each holding following a ward-wise tax assessment list
- 6) Review the assessment results
- 7) Finalize the re-assessment results
- 8) Insert the final tax assessment results to a ward-wise tax assessment list

When all processes are completed, the tax demand amount of each holding will be determined based of the re-assessment results.

3.2.2. How to react to the complaints by citizens during the tax assessment

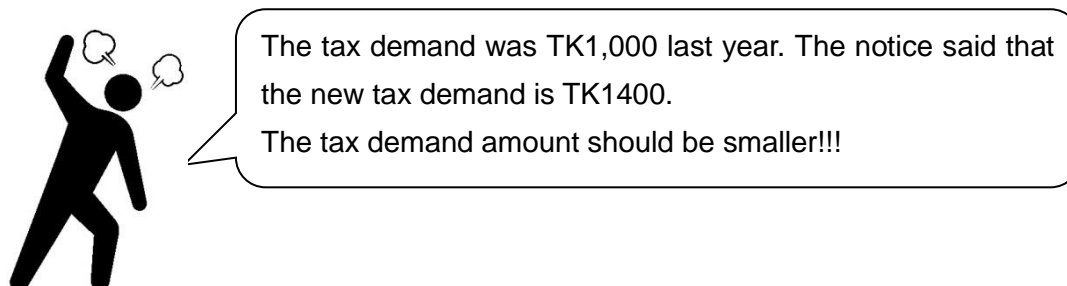
When re-assessment results are prepared by tax assessors, paurashavas will issue notices to owners to inform the assessment result as specified in **Rule 20(3) of Paurashava Taxation and Collection System Rules, 2013**. Notices are sent to those whose holding tax was assessed for the first time or whose holding tax was increased.

After the tax assessment result was sent to owners, if the owners are not satisfied with tax assessment results, they come to paurashava offices to apply for re-assessment or redemption, which is specified in **Rule 21 (1) of Paurashava Taxation and Collection System Rules, 2013**.

After receiving applications, a mayor forwards it to a tax assessment and collection committee for settlement. The tax assessment and collection committee will issue a notice to the applicant showing time and place of hearing.

As **Rule 21 (4) of Paurashava Taxation and Collection System Rules, 2013** specifies, only “after getting proper witness and investigation”, the tax assessment register is revised. Therefore, reductions in tax assessments should not be made without specific evidences.

Typically, citizens would apply for re-assessment or make complaints as follows;



How should mayors and councilors react to such requests or complaints? Is this complaint appropriate? Do you think the tax demand of this person should be smaller?

Normally, mayors and councilors reduce the tax demand amount as per requested without specific reasons.

However, **the negative impact of reducing the tax demand is huge** and **mayors and councilors should avoid reducing the tax demand amounts**. This is because;

- If tax demand amount is reduced, tax income of the paurshava decreases and the paurashava cannot carry out public services and development projects.
- If a paurashava reduces a tax demand of one person, all other people also start asking for reductions.
- Tax payers whose tax demand amounts were not reduced will be unwilling to pay tax, as they feel that tax demand amounts are set unfair.

Therefore, paurashava always should determine the tax demand amount only based on the specific tax assessment rules and strictly avoid reducing tax demand of specific people who come to complain.

Then, how should mayors and councilors react to such complaints? Possible reactions that a paurashava can take are as follows;

Highly recommended reactions by a paurashava to complaints by tax payers

- (1) Explain that tax demand amount is determined based on pre-determined rules and regulations (same rules are applied to everyone).
- (2) Explain that the increase in tax demand is mainly due to the increase in price

level.

- (3) Explain that income from tax revenue is essential for public services and infrastructure development in the paurashava.

(1) Explain that tax demand amount is determined based on pre-determined rules and regulations (same rules are applied to everyone)

This is the primary reaction that mayors and councilors should take. If same rules are applied to everyone, all tax payers would feel that tax assessment results are fair enough.

In this case, mayors and councilors should strictly avoid reducing tax demand amount of some specific tax payers. Such information about reduction would spread among tax payers, and they feel that the paurashava is not fair enough anymore.

(2) Explain that the increase in tax demand is mainly due to the increase in price level

Suppose the price level as of the previous tax assessment (Year 0) is 100, the price level as of Year 5 (next re-assessment) will be 140.3, if the price level increase per 7% annually.

Year	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Price level	100	107.0	114.4	122.5	131.0	140.3
Annual increase		7.0%	7.0%	7.0%	7.0%	7.0%

Then, the tax demand amount of a tax payer would increase about 40% in five years from the previous re-assessment of the next re-assessment. This is mainly because of the increase in the price level. If the price levels increase, rental prices also increase, and thus the tax demand amounts increase as a result.

However, during the period, the income level of tax payers should also increase by 40%. In this case, the financial burden of the tax payer is same as before.

(3) Explain that income from tax revenue is essential for public services and infrastructure development in the paurashava

At the same time, mayors and councilors should explain why tax income is important for paurashavas and how tax income was used for public services and development projects. This is going to be explained in Chapter 4.

3.2.3. Tax assessment methods (how to determine the tax demand)

It is important that tax demand amounts are determined based on specific rules and that same rules are applied to everyone. If tax demand amounts are determined based on same rules, tax payers would feel that tax demand amounts are fair enough.

Then, what are the specific rules to determine tax demand amounts?

Tax demand amounts are always determined as follows;

$$\text{Tax demand amount} = (\text{Annual valuation} - \text{Deduction}) \times \text{tax rate}$$

The annual valuation and deduction amounts are determined following the rules specified in **Puarashava Taxation and Tax Collection System Rules, 2013**.

Annual valuation is basically the 12 month rental revenue of the building. If it is used by the owner (not rented), the annual valuation is determined by the rental revenue of a similar building or the 7.5% of building construction cost and land development tax.

Deduction includes (1) Deduction on maintenance expenses, (2) Decuction on ownership, and (3) Deduction on bank interest. The amounts of deduction vary (i) whether the building is rented or self – use and (ii) commercial or non-commercial (residential use).

(1) Deduction on Maintenance

In case a building is rented, the 2 month rental revenue is regarded as maintenance expenses. Then, this is deducted from the annual valuation (this means that the 1/6 of the annual valuation is supposed to be regarded as maintenance expenses).

In case a building is used by the owner (not rented), 1/6 of the annual valuation (which is calculated by the development cost) is regarded as the maintenance expenses to be deducted from the annual valuation.

(2) Deduction on Ownership

This deduction is applied only when a owner uses a building (not rented) himself / herself. The deduction amount is calculated as $[\text{Annual valuation}] - [\text{Maintenance expense}] / 4$.

This deduction is not applied, when a building is rented,

The tax demand amount of the “own-use” building is smaller than “rental building” because of this deduction.

(3) Deduction on Bank Interest

If an owner of an building took out a loan from bank to obtain the building, the interest expenses are deducted from the annual valuation of the same building.

If an owner uses an building for commercial purposes, only 1/4 of the bank interest will be deducted from the annual valuation. If the building is used for non-commercial purposes (residential purposes), the total amount of bank interest will be deducted from the annual valuation.

Then, if the building is used for commercial purposes, deduction amounts will be smaller, and thus the tax demand amount will be bigger.

The calculation of annual valuation and deductions can be summarized as follows;

			Annual value	Deduction on		
				Maintenance	Ownership	Bank loan interest
A-1	Rental	Non-commercial	Rental revenue (12 months)	2 months of rental revenue	-	Annual interest expenses total
A-2	Rental	Commercial	Rental revenue (12 months)	2 months of rental revenue	-	Annual interest expenses /4
B-1	Own -use	Non-commercial	Smaller of (i) or (ii)	1/6 of annual value	[Annual value] – [Maintenance expenses] /4	Annual interest expenses total
			(i) rental revenue(12 month) of similar building			
			(ii) 7.5% of construction cost and land development tax			
B-2	Own-use	Commercial	Smaller of (i) or (ii)	1/6 of annual value	[Annual value] – [Maintenance expenses] /4	Annual interest expenses /4
			(i) rental revenue(12 month) of similar building			
			(ii) 7.5% of construction cost and land development tax			
C	Mixed		Mixture of A-1, A-2, B-1, and B-2			

Suppose the annual valuation of a building is TK 12,000 (12 month rental revenue), outstanding bank loan amount for this building is TK 50,000, and the bank interest rate is 10% (annual bank interest payment is TK 5,000). Then the annual valuations and deduction amounts are calculated as follows;

			Annual Value	Deduction			Total
				Main-tenance	Owner-ship	Bank interest	
A-1	Rental	Non-commercial	12,000	2,000		5,000	5,000
A-2	Rental	Commercial	12,000	2,000		1,250	8,750
B-1	Own-use	Non-commercial	12,000	2,000	2,500	5,000	2,500
B-2	Own-use	Commercial	12,000	2,000	2,500	1,250	6,250

As can be seen from the table above, the annual valuation (with deduction) amounts of a building are not same, if amounts of deductions are different.

If a building is used by its owner for non-commercial purpose (residential), then the tax demand amount is smallest.

3.2.4. Summarization and confirmation of tax assessment results

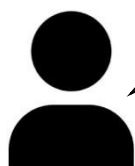
When re-assessment is completed, it is recommended to summarize the assessment result, in order to make sure that the increase in total tax demand is sufficient, and that the paurashava can secure sufficient tax income.

In order to do so, it is recommended to examine the total demand and average demand of each year using the following table.

		Number of Holdings	Total Demand	Average Demand
20X1-X2	Previous re-assessment	300	360,000	1,200
20X2-X3	Interim assessment	310	375,100	1,210
20X3-X4	Interim assessment	315	378,000	1,200
20X4-X5	Interim assessment	320	390,400	1,220
20X5-X6	Interim assessment	330	405,900	1,230
20X6-X7	re-assessment	335	569,500	1,700

Total demand is the summation of the tax demand of each holding in the paurashava. Average demand is calculated as [Total demand]/ [Number of holdings]. This shows the average demand per holding.

If you are a mayor or councilor, please answer the following question.



How many percent the average demand amount should increase from the previous re-assessment (which was conducted in 5 years ago) to the current re-assessment?

As explained already, the answer is ...



The average demand amount should increase more than 40%, if the annual increase in the price level is 7%,

As explained before, suppose the expenditure in Year 0 was TK 100 Lak and the annual price increase is 7%, the expenditure will be TK 140.3 Lak in Year 5 (40% increase).

If the tax income does not increase (because of the reduction in tax assessment results) from TK 120 Lak, the paurashava will face deficits of TK 20 Lak in Year 5.

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Income	120.0	120.0	120.0	120.0	120.0	120.0
Expenditure	100.0	107.0	114.5	122.5	131.1	140.3
(Annual increase)	-	7%	7%	7%	7%	7%
Surplus (+) / Deficit (-)	20.0	13.0	5.5	-2.5	-11.1	-20.3

The monitoring and examination should be the major responsibilities of a taxation and collection standing committee, one of whose function is “find out new tax sources for increasing revenue collection”. The standing committee, including a mayor and councilors, should take strong actions to increase tax revenue through tax assessment.

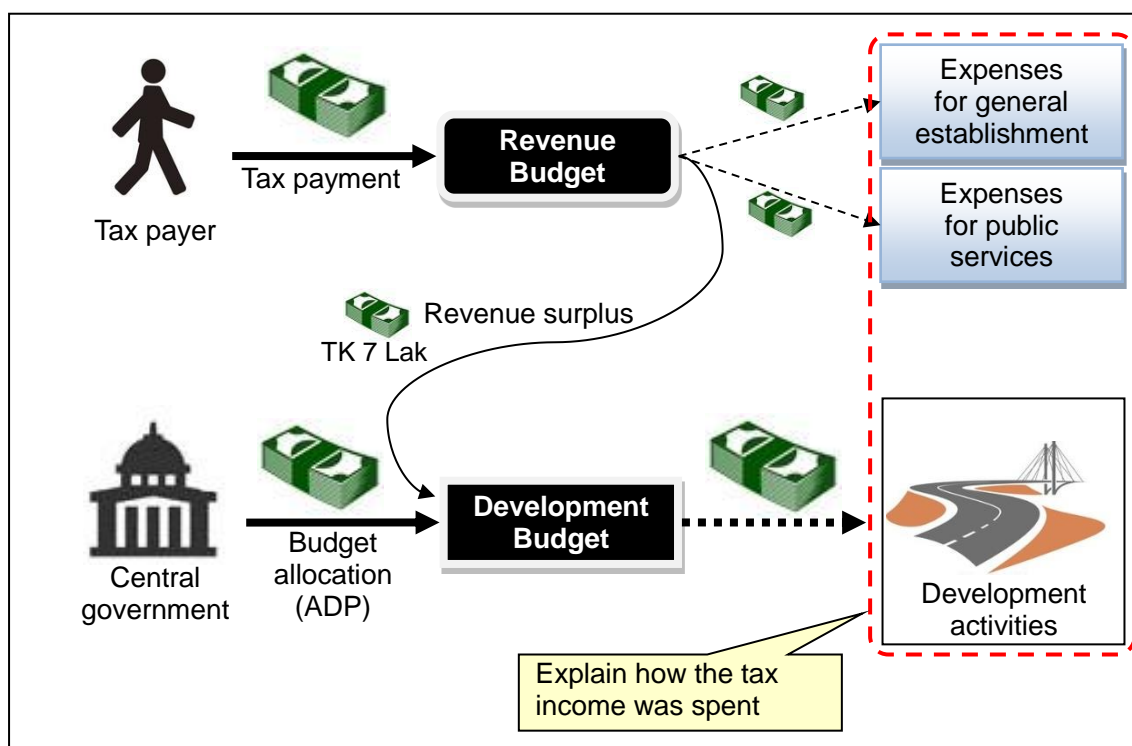
4. Budget reporting

4.1. Why do mayors and councilors have to explain how tax incomes were spent?

In this section, the viewpoint that mayors and councilors need to have is:

👉 **Viewpoint 3:** Provide information to citizens on how the tax revenue was spent (for public services and development projects).

As repeatedly mentioned, the level of citizens' satisfaction increase when tax payers are given more information on how the tax revenues were spent (e.g. for public services and development projects).



Local Government (Paurashava) Act, 2009 also states that a paurashava needs to provide the information on the budget execution, or annual statement, to citizens.

A paurashava is supposed to prepare annual statements after the end of fiscal year (after 30th June), and then post it onto a conspicuous place in the office of the paurashava (such as a notice board at a paurashava office).

The annual statement prepared by a paurashava should be then presented to a TLCC meeting and a Paura Council meeting. In these meetings, it is most recommended to explain how the revenue income, especial tax revenue, was spent (e.g. how many percentage (%) of spent for salary expenses and how many percentage (%) was for education / health services and infrastructure development, etc).

Local Government (Paurashava) Act, 2009

93. Accounts- (1) Accounts of the receipts and expenditure of the municipality shall be kept in the prescribed manner.



(2) An annual statement of the accounts shall be prepared after the close of every financial year.

(3) A copy of the annual statement of accounts shall be placed at a conspicuous place in the office of the municipality for public inspection, and all objections or suggestions concerning such accounts received from the public shall be considered by the municipality.

4.2. How to explain the budget execution to citizens

One of the examples of the annual report is as follows;

Income	Taka	Expenditures	Taka
Revenue account			
Taxes	1,700	General establishment	500
Rates	200	Health and sanitation	200
Fees	10	Education, sports and culture	100
Income from assets	700	Aid and relief distribution	100
Income from lease	250	Operation and maintenance	300
Other income	200		
Water supply	100	Water supply	100
		Revenue surplus	1,860
Development account			
Government and project aids	7,600	Development project	9,460
Revenue surplus	1,860		
Capital account			
Capital income	100	Capital expenditures	90
Opening balance	140	Closing balance	150
Grand total	12,860	Grand total	12,860

In this paurashava, the tax income was TK 1700 Lak in this fiscal year. This paurashava secured revenue surplus of TK 1860 from the tax and other income sources (such as income from assets or lease). This revenue surplus was transferred to the development account and used for development projects.

Then, by showing this table, mayors and councilors can say that that tax paid by citizens are used for development projects, not only for salary payments or honorarium.

Other paurashava might use the following format. This format is most commonly used in the budget document.

Particulars	Estimate (TK Lak)	Actual (TK Lak)	Estimate – Actual (TK Lak)
A. Revenue account			
Income from Part-1	13	12	-1
Income from Part-2	8	8	+0
Total Income :	21	20	-1
Less: Revenue Expenditure			
Part-1	8	7	-1
Part-2	6	6	+0
Total Expenditure:	14	13	-1
Total revenue surplus	7	7	+0
B. Development account			
Government Grant	50	50	+0
Revenue surplus	7	7	+0
Others	0	0	+0
Total :	57	57	+0
Less: Development expenditure	56	55	-1
Overall Surplus/shortage	1	2	+1
Add: Opening balance	2	2	+0
Closing balance:	3	4	+1
C. Capital account			
Total income :	2	1	-1
Total expenditure :	1	1	+0
Closing balance of capital account :	2	1	-1

In this paurashava, the revenue income (Part 1) which is mostly income from holding tax income was TK 12 Lak this year, and the total revenue income was TK 20 Lak.

On the other hand, total revenue expenditure was TK 13 Lak, and the amount of

revenue surplus was TK 7 Lak. This revenue surplus was then transferred to development account. This paurashava received TK 50 Lak from the central government as ADP grant. Adding the revenue surplus (TK 7 Lak), the total development revenue was TK 57 Lak. This paurashava then spend TK 55 Lak for development projects.

Again, it is possible to say that the tax revenue was transferred to development account and then spent for development projects.

Citizens will be more satisfied if they can see the pictures of actual development projects (such as constructed bridges or roads). Posting such pictures on the notice board of paurashava will be also useful.

Recommended information to be shared with citizen
<ul style="list-style-type: none">- Tax income amount spent for public services and development projects- Information on actual public services or development project (with photos)

Such information can be also shared at open budget meetings or TLCC meetings. It is also recommended for councilors to explain this at WC meetings.

As repeatedly mentioned, the level of citizens' satisfaction increase when tax payers are given more information on how the tax revenues were spent. Mayors and councilors are expected to play such roles in paurashavas.

5. Internal Auditing

5.1. Roles and Responsibility of Accounting and Auditing Standing Committee

In order to secure the quality of the budget reporting, paurashavas are supposed to conduct internal auditing. **Article 94 of Paurashava Act 2009** mentions that the Auditing and Accounting committee of a paurashava audits the accounts of annual income and expenditure once a year and submit report on this to a general meeting.

Local Government (Paurashava) Act, 2009

94. Audit

(7) Audit and Account committee of the municipality shall audit the account of annual income and expenditure for once a year and a report on this shall present in the general meeting.



This can be interpreted that the standing committee audits an annual report of the paurashava, which was explained in the previous section.

Each paurashava is supposed to organize “Accounting and Auditing Standing Committee” and internal auditing is one of the major activities of the committee. The activities of the committee depicted in **Circular on Formation of Municipal Standing Committee** are as follows;

Circular on Formation of Municipal Standing Committee & sending a copy of sub rules regarding activities of committee, dated 02.01.2013

2. Activities of Committee:

- 2.1 Assisting all in proper maintenance of all accounts
- 2.2 Regular inspection of collection and reserve
- 2.3 Ensuring that all activities of municipal are run as per government guidelines
- 2.4 Assisting all in publishing all accounts in public to ensure transparency and accountability
- 2.5 Audit the accounts annually and present the report on annual general meeting
- 2.6 Formulating plans for overall computerization of accounts department and assisting in implementation
- 2.7 Internal audit after periodic interval



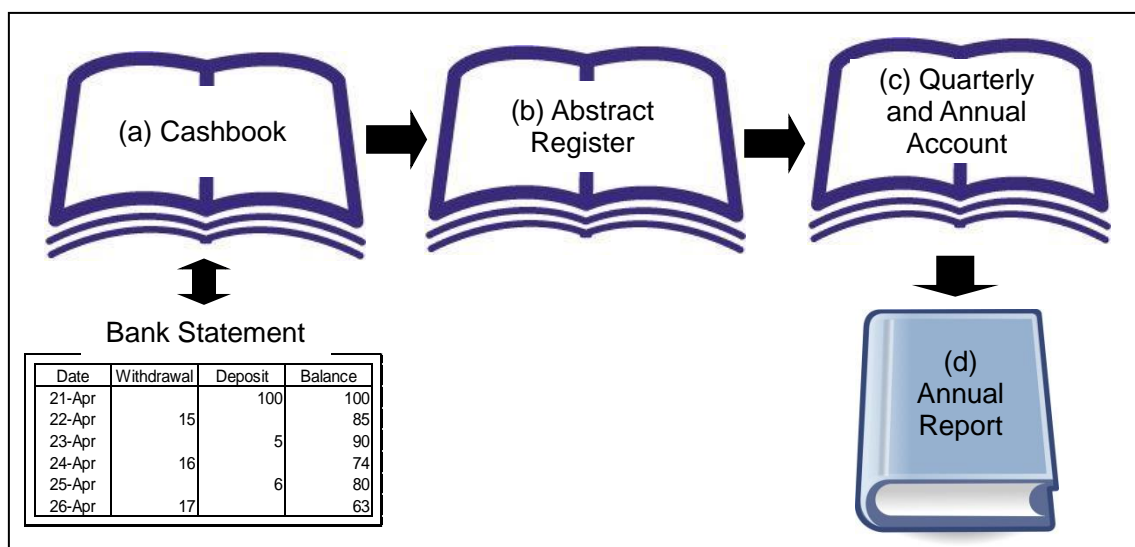
- 2.8 If there is computer software for accounts, then continuing use
- 2.9 Committee can co-opt the District or Sub-district accountant as an expert member
- 2.10 Other activities

5.2. Steps of (simplified) internal auditing

In general the scope of internal auditing is very broad. It involves topics such as risk management, efficiency and effectiveness of the operation or compliance with laws and regulations.

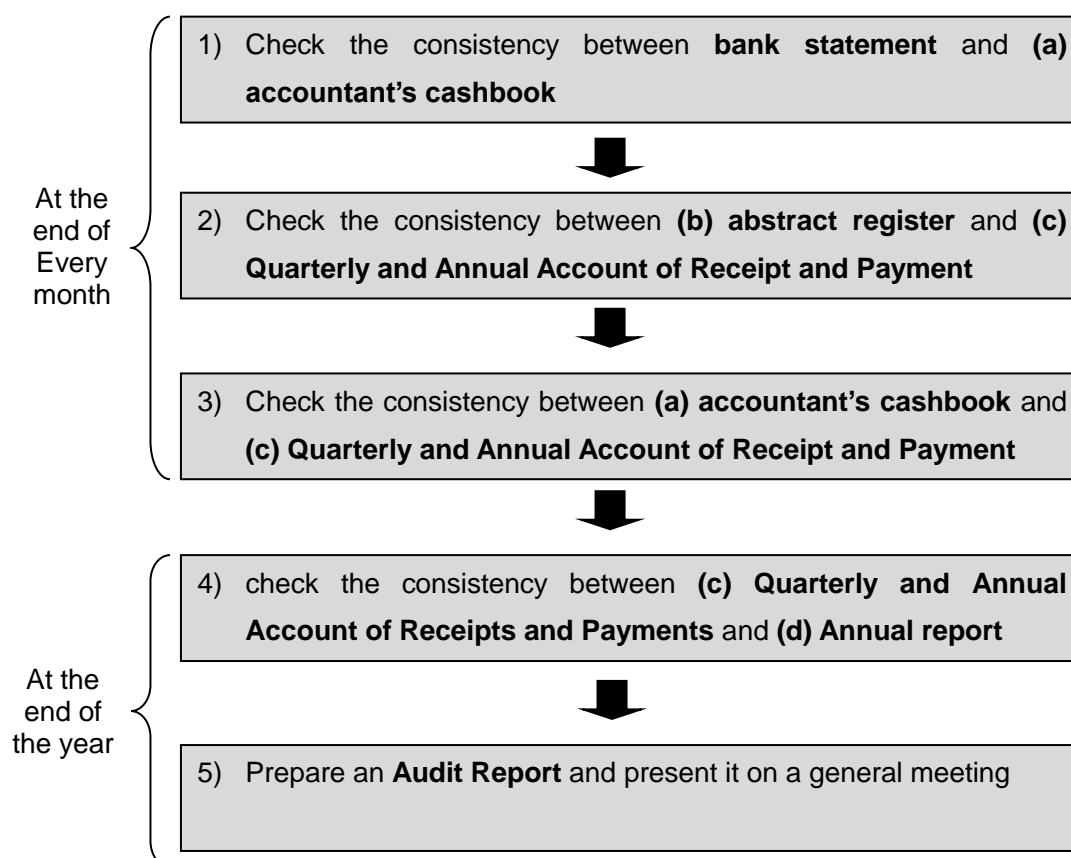
However, the scope of the internal auditing at paurashavas is minimal. Basically, the internal auditing at a paraushava examines an annual report, which shows the annual income and expenditure of a paurashava following **Local Government (Paurashava) Act, 2009**.

Financial transactions (such as tax collection or expenditures) are recorded in **(a) accountant's cashbook**. The accountant's cashbook should be consistent with **bank statements**. The recorded transactions in **(a) accountant's cashbook** are then posted in **(b) abstract registers**. On the **(b) abstract registers**, monthly total of all accounts are compiled and then they are input into **(c) Quarterly and Annual Account of Receipts and Payments**. The yearly totals of all accounts calculated on **(c) Quarterly and Annual Account of Receipts and Payments**, and they are posted input into **(d) Annual report**.



Therefore, in order for the standing committee to audit an annual report, the committee needs to examine whether each step is conducted properly.

The steps of internal auditing conducted by the Accounting and Auditing Standing Committee are depicted as follows;

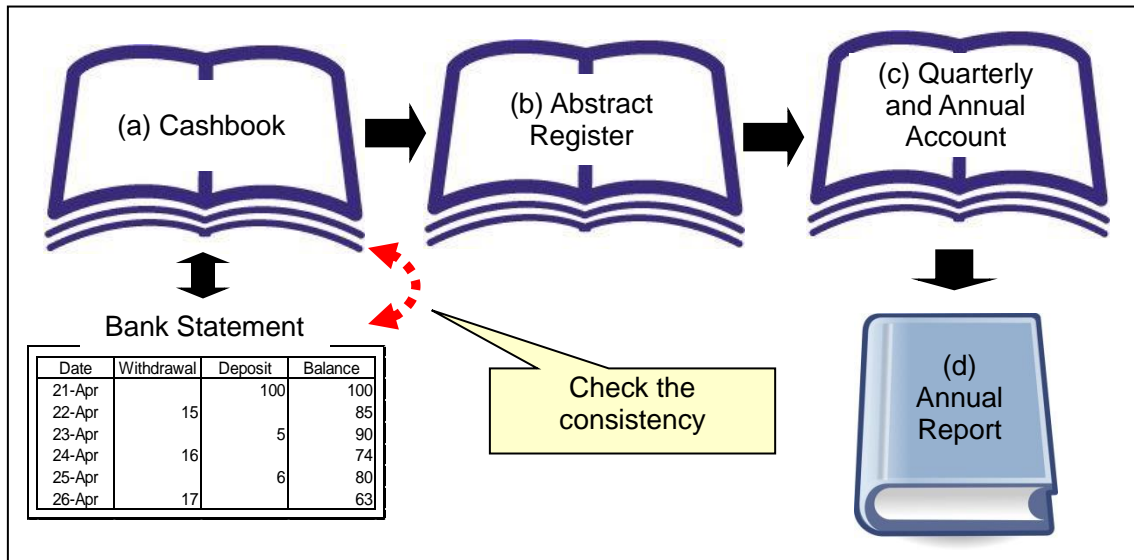


Please note that **(a) Accountant's cashbook**, **(b) abstract registers**, **(c) Quarterly and Annual Account of Receipts and Payments** are prepared for each budget account, such as Revenue account Part 1, Revenue account Part 2, Development account and project accounts.

Details of each step are explained in the following section.

At the end of every month

1) Check the consistency between bank statement and (a) accountant's cashbook



All financial transactions, such as tax collections and payments, are recorded in accountant's cashbooks. At the same time, such financial transactions are made through bank accountants. For example, tax collections are deposited in bank account and all payments are made by cheques.

Then, the monthly closing balance on the accountant's cashbook should be same as the closing balance of the bank statement. If they are not consistent, some transactions might not be properly posted on the accountant's cashbook.

Bank statements are issued by banks at the end of every month. The standing committee is going to receive bank statements from an accountant.

Then the committee is going to examine if the closing balance indicated on the **bank statement** is same as the one on the **accountant's cashbook**.

This can be depicted as in the following tables.

Bank Statement (of the month, July 201X)				
			Statement of Account	
ABCD Bank			Branch: Mothijheel	
Statement date:			1 Aug 201X	
Currency:			Taka	
Account No			1234567	
Date	Description	Withdrawal	Deposit	Balance
01 Jul 201X	Balance brought forward			100,000
01 Jul 201X	Cheque No. 2345678	1,234		
	Cheque No. 2345679	1500		
	Cheque No. 2345680	1,800		
30 Jul 201X	Cheque No. 2345693	1,000		
31 Jul 201X	Cheque No. 2345694	300		
	Deposit 98765432		2,000	
	Cheque No. 2345695	700		2,800

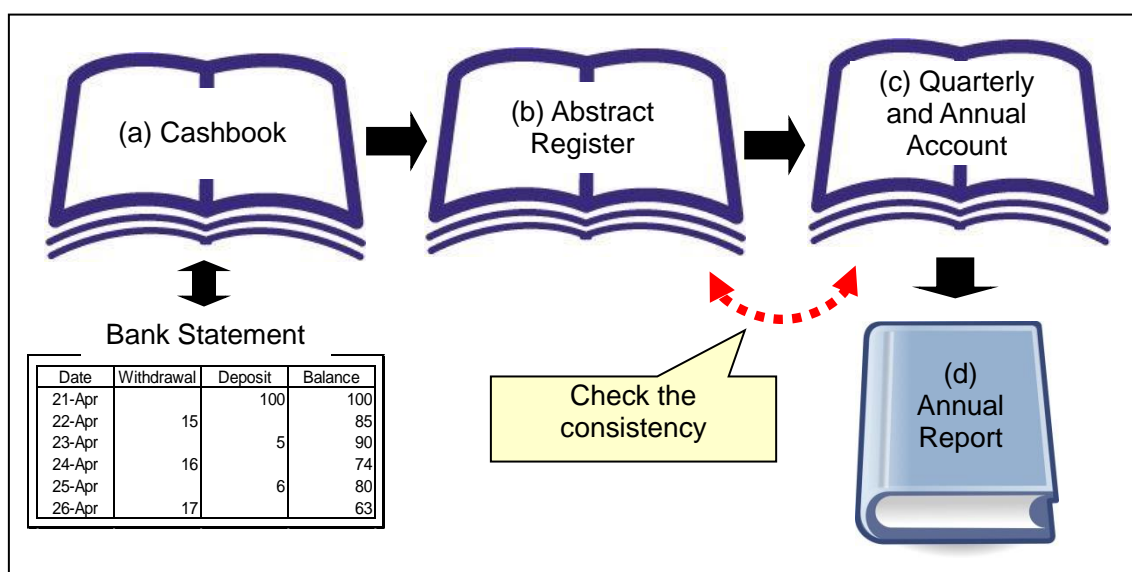
(a) Accountant's Cashbook (at the end of the month)			
Debit		Credit	
Receipt		Payment	
Opening balance	1,800		
Holding tax	2,000	Fuel	300
		Salary	700
Total receipts of the day	2,000	Total payments of the day	1,000
		Closing balance	2,800
Total of the page	3,800	Total of the page	3,800

As in the example above, the closing balance (the balance at the end of the month) of both the bank statement and (a) accountant's cashbook is TK 2,800. Therefore, it is possible for the committee to say that all the transactions of the month are properly recorded in the accountant's cashbook.

In some cases, the bank statement does not show some transaction (deposits or

payments) during the month. This might be because some cheques for payments and deposits are not settled at the end of the month. In this case, the committee needs to ask accountants to show the “adjusted closing balance” which is brought about from bank reconciliation statement.

2) Check the consistency between (b) abstract registers and (c) Quarterly and Annual Account of Receipts and Payments



The transactions recorded in **(a) accountant’s cashbook** are posted in **(b) abstract registers**. On the abstract registers, monthly total of all accounts are calculated. Monthly totals are then posted on **(c) Quarterly and Annual Account of Receipts and Payments**. **(c) Quarterly and Annual Account of Receipts and Payments** is going to show the monthly totals of all accounts and closing balances.

Then the committee examines the consistency between **(b) abstract registers** and **(c) Quarterly and Annual Account of Receipts**. In other words, the committee will check if all of the monthly totals calculated on (b) abstract registers are properly posted on (c) Quarterly and Annual Account of Receipts.

This can be depicted as follows;

(b) Abstract register (receipts, Revenue account Part 1) of July

Date	Cash book Folio No/Page No	Taxes		Rates		Fees		Others		Government Donation (Except Dev't Grant)	Grand total
		Holding Tax	...	Lighting	...	License	...	Hat-Bazar Lease	...		
1	2	5		14		17		22		33	34
1-Jul	1	500		100		1,000					
15-Jul	1	1,500									
31-Jul	2	2,000		400		2,000		1,500			
Total		4,000		500		3,000		1,500			9,000

(c) Quarterly and Annual Account of Receipts (Revenue account Part 1)

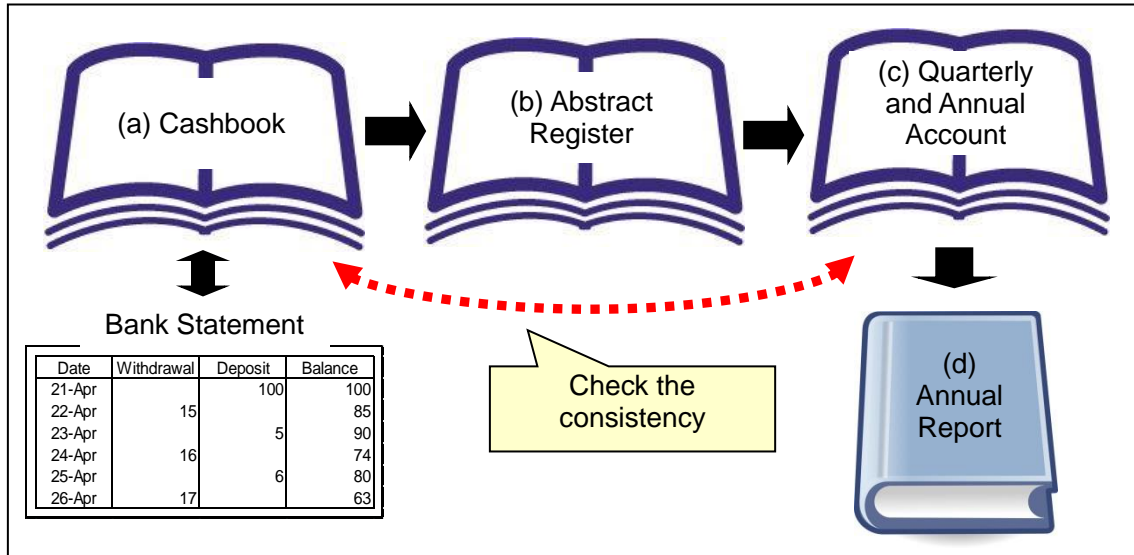
Head of expenditure	Budget estimate as sanctioned	Jul	Aug	Sep	Total 1 st Quarter	....	Total 4 th Quarter	Total of the year
1	2	3	4	5	6		20	21
Holding tax	40,000	4,000						
...								
Lighting	10,000	500						
...								
Licence	50,000	3,000						
...								
Hat lease	10,000	1,500						
...								
Total Income	60,000	9,000						
Opening balance	12,000	12,000						

Examine if they are consistent.

As mentioned above, transactions of all accounts are posted on **(b) abstract registers**, and monthly totals are calculated at the bottom. After the monthly totals are calculated on abstract registers, they are then posted on **(c) Quarterly and Annual Account of Receipts**.

For example, the monthly total of the holding tax income of this paurashava in July is TK 9,000. This is calculated on **(b) abstract register** first and then posted on **(c) Quarterly and Annual Account of Receipts**.

3) Check the consistency between (a) Accountant's cashbook and (c) Quarterly and Annual Account of Receipts and Payments



Then, the standing committee will check the consistency between the closing balance indicated on (a) accountant's cashbook and the one on (c) Quarterly and Annual Account of Receipts and Payments.

As mentioned above, (a) accountant's cashbook shows the closing balance of every month. Similarly, (c) **Quarterly and Annual Account of Receipts and Payments** also shows closing balance which is calculated by the monthly total incomes and expenditures of all accounts.

Therefore, if the balance on (a) **accountant's cashbook** and the one on (c) **Quarterly and Annual Account of Receipts and Payments** are consistent, then the standing committee can say that the monthly totals on (b) **abstract registers** are properly calculated, and the monthly totals on (b) **abstract registers** are properly posted on (c) **Quarterly and Annual Account of Receipts and Payments**.

This can be depicted as follows;

(a) Accountant's Cashbook (on 31 July 201X)			
Debit		Credit	
Receipt		Payment	
Opening balance	1,800		
Holding tax	2,000	Fuel	300
		Salary	700
Total receipts of the day	2,000	Total payments of the day	1,000
		Closing balance	2,800
Total of the page	3,800	Total of the page	3,800

(c) Quarterly and Annual Account of Payment								
Head of expenditure	Budget estimate	Jul	Aug	Sep	Total 1 st Quarter	....	Total 4 th Quarter	Total of the year
1	2	3	4	5	6		20	21
Honorarium	12,000	1,000						
Salary of staffs	13,000	1,000						
Education expenses	...							
Health and Sanitation	1,000							
Donation	2,500	100						
Total Expenditures	30,000	2,100						
Closing Balance	3,000	2,800						
Total	33,000	4,900						

Examine if they are consistent.

As can be seen from the examples above, the closing balance on **(a) accountant's cashbook** (as of the end of July 201X) is TK 2,800, and the closing balance of July calculated on **(c) Quarterly and Annual Account of Receipt and Payment** is also TK 2,800.

If the closing balances are not consistent, the committee points out this to a secretary and account officers / accountants. The reasons for the inconsistency would be because

- (i) Monthly totals were NOT properly calculated on **(b) abstract registers**.

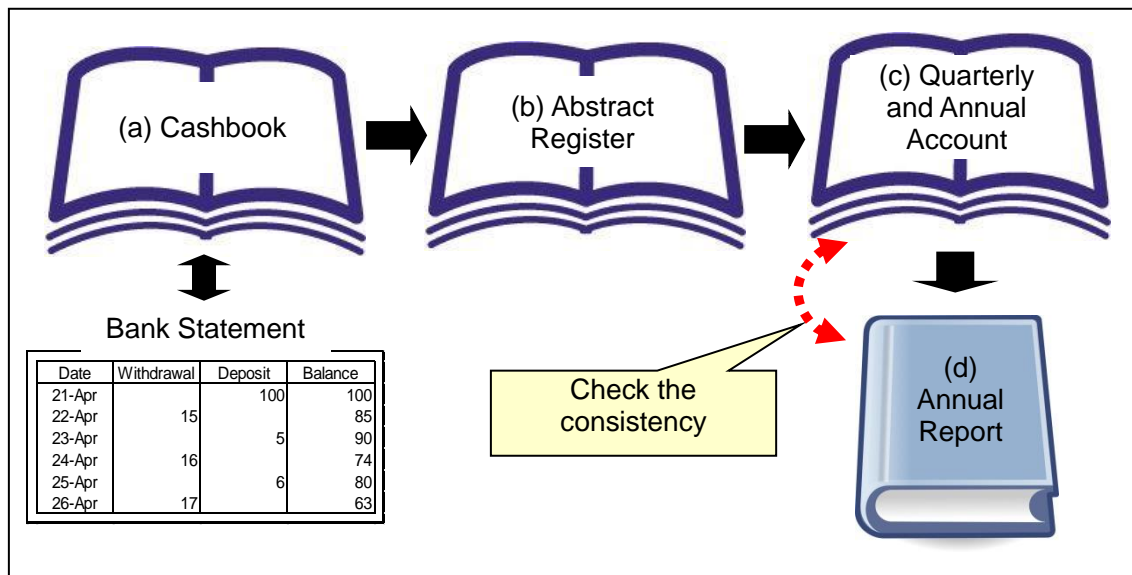
- (ii) Monthly totals calculated on **(b) abstract registers** are NOT properly posted on **(c) Quarterly and Annual Account of Receipts and Payments**, and / or
- (iii) The closing balance was NOT properly calculated on **(c) Quarterly and Annual Account of Receipts and Payments**.

Upon examining the consistency between **(a) accountant's cashbook** and **(c) Quarterly and Annual Account of Receipts and Payments**, it is recommended that the committee examines budget execution amounts are within approved budgets.

The committee should also check the progress of tax collections. If the tax collections are below the expected amount, the committee should recommend the mayor to take initiative to increase tax revenue.

At the end of the fiscal year

4) Check the consistency between (c) Quarterly and Annual Account of Receipts and Payments and (d) Annual report



Accounting and Audit Standing Committee then check the consistency between (c) Quarterly and Annual Statement and (d) Annual Report.

As mentioned above, monthly totals of budget items are posted on **(c) Quarterly and Annual Account of Receipts and Payment**. Summing up the monthly totals on **(c)**

Quarterly and Annual Account of Receipts and Payments, yearly totals are also calculated on this at the end of the fiscal year.

The yearly totals of all budget items are then posted into **(d) Annual Report**.

(c) Quarterly and Annual Account of Receipt and Payments

Details of Payments	Budget estimate	Jul	Aug	Sep	Total 1 st Q	Total 2 nd Q	Total half-year	Yearly totals				Total of year
								15	16	20	21	
1	2	3	4	5	6	10	11	15	16	20	21	
Honorarium for Paurashava Mayor and Councilors	12,000	1,000	1,000	1,000	3,000	3,000	6,000	3,000	9,000	3,000	12,000	
Salary of staff	13,000	1,000	1,000	1,000	3,000	3,000	6,000	3,000	9,000	3,000	12,000	
Education expenses	1.5	...	...	...	...	...	...	...	...	...	...
Health and Sanitation	1,000	...	...	...	...	...	...	...	...	...	...
Donation	2,500	100	100	100	300	200	500	100	600	50	650	
Total expenditure	30,000	2,100	2,100	2,100	6,300	6,200	12,500	6,100	18,600	6,050	24,650	
Closing balance	3,000	700	600	200	200	8,500	8,500	7,100	7,100	7,050	7,050	
Total	33,000	2,800	2,700	2,300	6,500	14,700	21,000	13,200	25,700	13,100	31,700	

(d) Annual Report (Revenue account Part 1)

Income	Taka	Expenditure	Taka
1.Taxes		1.General establishment	
...	...	Mayor and Councilors' honorarium	12,000
2.Rate		Salary of staff	12,000
...	
3.Fees		Total of General Establishment	24,000
...	...		
4.Others		2.Educational expenses	...
...	
5.Government and project aid		3.Health and sanitation	...
...	
		Closing balance	7,050
Sub-Total	31,700	Sub-Total	31,700

The standing committee checks if all the yearly totals are posted in the Annual Report. For example, the yearly total of “Mayor and Councilors’ honorarium” is TK 12,000 on both **(c) Quarterly and Annual Account of Receipt and Payments** and **(d) Annual Report**.

5) Prepare an audit report and present it on a general meeting

Going through these processes, the committee can certify that all the transactions are properly reflected into the annual report. Then, the committee will issue an audit report. If there are any mistakes, the committee will notify them in the auditing report and recommend a secretary, account officer and accountant to revise the mistakes. If not, the audit report prepared by the committee will certify that all the transactions were properly recorded and the annual report.

An example of such report is as shown in Annex 1.

After the internal audit is complete, the standing committee will give report to the general meeting.

Then, the paurashava will publish the Annual report on the notice board of the paurashava. This publication should be made within 3 months after the end of fiscal year (before the end of September).

Local Government (Paurashava) Act, 2009

93. Accounts- (1) Accounts of the receipts and expenditure of the municipality shall be kept in the prescribed manner.

(2) An annual statement of the accounts shall be prepared after the close of every financial year.

(3) A copy of the annual statement of accounts under sub section shall be placed at a conspicuous place in the office of the municipality for public inspection, and all objections or suggestions concerning such accounts received from the public shall be considered by the municipality.



Annex 1: A sample internal audit report

INTERNAL AUDIT REPORT

Date:

To

The Mayor

. Paurashava

. (District).

Sub: Internal Audit Report for the period

We have audited the annexed Accounts Statement for the period (month/s/FY) of Paurashava along with books of accounts such as Accountant Cash book, Abstract Registers and Annual Account of Receipts and Payments accordingly maintained for Paurashava Revenue, Development and Project accounts and we report that:

- a) The Annual Report/Receipts and Payments Statement drawn up according to the information kept in the concerned books of accounts maintained by the Paurashava.
- b) We found consistency among Accountant Cash Book, Abstract Registers and Annual Account of Receipts and Payments registers.
- c) We have also checked consistency between Annual Report and Quarterly and Annual Account of Receipts and Payments and found it correct.
- d) We have obtained all the information required for the purpose of our internal audit in prescribed areas.

The details of Internal Audit work is attached herewith in an annex.

Thank you.

Name:	Name:	Name:	Name:
Designation:	Designation:	Designation:	Designation:
. Paurashava	. . . . . Paurashava	. . . . . Paurashava	. . . . . Paurashava

Annex of Internal Audit Report

Paurashava:

Period of Audit: Date of report submission:

Sl. No.	Tasks	Comments: OK or NOT	
		OK	NOT
A.	Closing balance of Cash book is consisting with Bank Statement		
A-1	Revenue Part-1		
A-2	Revenue Part-2		
A-3	Development Account		
A-4	Project: if any please mention project name		
B.	Closing balance of Cash book is consisting with Quarterly and Annual Account of Receipts and Payments.		
B-1	Revenue Part-1		
B-2	Revenue Part-2		
B-3	Development Account		
B-4	Project: if any please mention project name		
C.	Monthly total of all accounts in Abstract Registers are posted into Quarterly and Annual Account properly.		
C-1	Revenue Part-1		
C-2	Revenue Part-2		
C-3	Development Account		
C-4	Project: if any please mention project name		
D.	The Annual Report (Month/Quarter/Annual Receipts and Payments Statement) prepared according to Quarterly and Annual Account of Receipts and Payments.		
D-1	Revenue Part-1		
D-2	Revenue Part-2		
D-3	Development Account		
D-4	Project: if any please mention project name		

Name:	Name:	Name:	Name:
Designation:	Designation:	Designation:	Designation:
..... Paurashava	..... Paurashava	..... Paurashava	..... Paurashava