

Internal Audit Report

Of

ULB: Sheohar Nagar Panchayat

For the period from 01-04-2018 to 31-03-2019

Internal Audit Conducted by:

GKSureka & Co.
Chartered Accountants
104, Baidyanath Palace, Jagdeo Path,
Bailey Road Pillar No.10, Patna-800014. (Bihar).
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From 07-12-2019 to 24-12-2019

Report Issued on: 06-01-2020

Executive Summary

1. Introduction

Name of the Municipality	Nagar Panchayat Sheohar
Period Covered under Current Audit	01.04.2018 to 31.03.2019
Name of the Chief Municipal Officer for the period under Audit	Executive Officer Mr. Ajay Kumar

2. Results and Findings

<p>Strength observed during the audit engagement</p>	<ul style="list-style-type: none"> ➤ General Cash Book and subsidiary cash book has been written. ➤ All municipal transactions shall be identified with funds in accordance with rule 5, and separate accounting records have been maintained for each fund.
<p>Weakness observed in the functioning of office, maintenance of records etc. observed during the audit engagement.</p> <p>The comments under these two categories should summarize each significant Audit observation in the order of materiality. The summary should be as brief as possible and draw on the observations under the Para on Consequence/Effect/impact of each Audit observation. It should also include a summation of outstanding statutory and internal audit observations.</p>	<ul style="list-style-type: none"> ➤ Municipality has not been maintaining its books of accounts using double accounting system of book keeping following accrual system of accounting principles guided by the Bihar Municipal Accounting Manual. ➤ Statement of outstanding liabilities for expense in BMAR Form-55 is not maintaining by the municipality. ➤ The property tax register has not been provided to us to ascertain the total Demand and Arrear at the end of audit period. ➤ There is lack of internal control on deduction and deposit of various taxes. On deduction of taxes liability is not created hence it is difficult to ascertain tax payable at any point of time. Taxes such as VAT, Income Tax, Royalty etc are collected from time to time but its payments are made on yearly basis, which is not proper. Taxes should be remitted to the Govt. account on timely basis otherwise penal action may be taken by the concerned department for delayed deposit of taxes. ➤ Taxes and non-taxes collections from internal sources are not deposited in bank on same day. ➤ Nagar Panchayat is not maintaining the demand register for various types of taxes and non-tax revenue under own sources i.e. Holding Tax, Tower Tax, and Shop Rent etc. ➤ Assessment of Property Tax, Rent and other resources has not been conducting on regular intervals. ➤ BRS has not been prepared Monthly basis. ➤ Advance register has not been maintained.



3. Opinion

Overall opinion of the Audit team about the functioning of the Municipality	<p>The functioning of the Municipality is very weak due to following reasons:</p> <ul style="list-style-type: none">➤ Most of the prescribed Books of accounts are not maintained.➤ Internal Control w.r.t. collection and deposited of taxes, monitoring of grant, monitoring of advances, monitoring of schemes etc. is very poor.➤ Collection from own sources is very poor.➤ Grant received for various purposes are not utilized on timely basis.➤ There are serious lapses in deduction and deposit of statutory dues such as TDS, VAT, Royalty, Labour cess etc.➤ Manpower of Nagar Panchayat is not adequate.➤ BRS has not been prepared Monthly basis.➤ Receipt and Payment Account not prepared.➤ Nagar Panchayat is not maintaining the demand and collection register for various types of Taxes and non-tax revenue under own sources i.e. Holding Tax, Tower Tax, and Shop Rent etc.
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4. Audit Recommendations

The recommendations of Audit team on the observed weakness	<p>We recommend the followings:</p> <ul style="list-style-type: none">➤ Books of Accounts need to be maintained on double entry accounting system.➤ All the prescribed books of accounts and Registers should be prepared on real time basis.➤ Cash Book should be written on daily basis.➤ Collection by tax collector should be deposited on daily basis.➤ Assessment of property should be conducted on regular intervals.➤ Grant Register should be prepared.➤ All the statutory dues should be deposited on timely basis and returns
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prescribed under the statute should be also filed on timely basis.

- Demand Collection Register of various types of taxes and non- taxes under Own sources should be prepared.
- Property tax register should be prepared as per new assessment.
- Collection from own sources should be improved.
- BRS should be prepared and provided monthly.
- Receipt and Payment Account should be prepared.
- Taxes and non-taxes collections from internal sources should be deposited in bank on same day.
- Advance register should be prepared and provided.
- Security deposit and release register should be prepared.
- Utilization Certificates should be prepared and submitted on timely basis.



5. Comments from Management


Comment from Management	The audit report has been discussed with us; we will try our best to remove the irregularities pointed out in the audit report. For, Nagar Panchayat Sheohar (Executive Officer)
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6. Acknowledgment

We thank Mr. Ajay Kumar (Executive Officer), Mr. Amarnath Chaudhary (Bara Babu) for their support during the period of our audit. We are also thankful to Tax Daroga (Nathuni Chaudhary) and support staffs of the municipality for their cooperation extended to us during the period of our audit.

Place: Patna
Date:

For, G.K. Sureka & Co.
Chartered Accountants
FRN.-513018C


CA. Gokul Kumar Sureka
Partner
M.N.- 091380

UDIN: 20091380AAAA071115

Date: 24-06-2020

Detailed Audit Report

1. Introduction

The Internal audit of Nagar Panchayat Sheohar covering period from 1st April 2018 to 31st March, 2019 was conducted by our audit team under guidance of CA. Gokul Kumar Sureka, Partner, M/s G.K. Sureka & Co., (Chartered Accountants).

- i. CA. Anoop Kumar Singh
- ii. Irshad Siddiqui
- iii. Mr. Lal Kumar

2. Administration

The present body of the ULB has taken charge on 21st Jan 2019. The incumbency in the key administrative and executive position was as under:

- i. Chairman : Mr. Anshuman Nandan Singh, from 09.06.2017 to till date,
- ii. Executive officer : Shri Ajay Kumar, from 21st Jan, 2019 to till date.



3. Review of outstanding audit paras : Status of Audit Observations are as under:

Sl. No.	Particulars of Audit and date of report	Total No. of Audit Paras.	Total No. of audit paras where necessary improvement/ corrective measure is required	Total No. of audit paras where recovery of cash is proposed	Total No. of audit paras where recovery has been made	Total amount of Recovery	Total No. of outstanding paras where no action has been taken	No. & date of Compliance report
1.	Audit Report (Finance Dept.) DLFA-42/2016-17 Dated: 20-09-2017	29	29	18	NIL	NIL	NIL	Not Complied.
2.	Internal Audit Report FY 2016-17	--	--	--	--	--	--	Not Provided.

- We have not been provided with the C&AG Compliance Report to know the status of outstanding audit paras.
- Internal Audit Report (Annually) of Previous Year 2016-17 has not been provided to us.



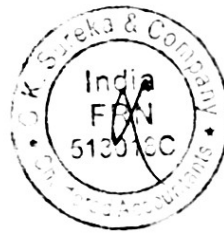
4. -Finance

I. Budgetary provisions and expenditure for the last three years

Year	FY 2016-17 (Budgeted Figure taken from Budget of FY 2016-17)	FY 2017-18 (Budgeted Figure taken from Budget of FY 2017-18)	FY 2018-19 (Budgeted Figure taken from Budget of FY 2018-19)
Final/ Revised Budget	N.A	16,64,86,871	30,70,00,570
Actual Expenditure	N.A	11,30,60,927	29,36,84,202
Savings (+)/ Excess (-)	N.A	5,34,25,944	1,33,16,368

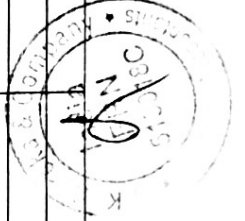
II. Volume of transactions

Period	Budgeted 2018-19	Previous year (For 2017-18)	Corresponding period of 2016-17	Current Period year 2018-19	Cumulative for the current year 2018- 19
Opening Balance	--	12,60,87,317	Not Available	23,51,05,028	23,51,05,028
Receipts	32,61,60,773	22,38,43,768	--do--	23,91,81,419	23,91,81,419
TOTAL	32,61,60,773	34,99,31,085	--do--	47,42,86,447	47,42,86,447
Net Expenditure	30,70,00,570	11,48,26,057	--do--	29,36,84,202	29,36,84,202
Closing Balance	1,91,60,203	23,51,05,028	--do--	18,06,02,245	18,06,02,245



III. Bank Reconciliation:-

S.N	Scheme	A/c No-	31-03-2019	Status of Reconciliation
1	5th Finance Nali Gali	IDBI-24301	113000.00	Not Reconcile
2	5th Finance Payjal Yojna	IDBI-20493	14344943.00	Not Reconcile
3	Shouchalya Nirman	HDFC-22790	6428863.00	Not Reconcile
4	Shulk Ugahi	HDFC-13748	635317.00	Not Reconcile
5	5th Finance 30% Payjal	HDFC-89683	6596543.00	Not Reconcile
6	Sam Vikas Yojna	CBI-17441	38252.00	Not Reconcile
7	Rastriya Gandhi Basti	CBI-71142	218838.00	Not Reconcile
8	HFA	Bank of Baroda-13262	50193616.75	Not Reconcile
9	Bus Stand	BOB-12007	501084.00	Not Reconcile
10	13th & 14th Finance	Canara Bank-01299	508432.00	Not Reconcile
11	Sam Vikas Yojna	Canara Bank-04362	268980.00	Not Reconcile
12	Shauchalya Nirman	Canara Bank-05164	5397.00	Not Reconcile
13	BRGF	Canara Bank-01298	571102.00	Not Reconcile
14	Holding Tax	PNB-34315	223815.91	Not Reconcile
15	NULM	CBI-45524	8595285.18	Not Reconcile
16	NULM Adhar bhoot Sanrach	CBI-29543	383732.75	Not Reconcile
17	Naukayan	Axis Bank-77173	26160.00	Not Reconcile
18	Path Nirman	SBI-58718	967735.00	Not Reconcile
19	Safai And Swachhata	SBI-58707	707109.17	Not Reconcile
20	Payjalpurti	SBI-58694	257.11	Not Reconcile
21	Loan	SBI-58605	9109.02	Not Reconcile
22	Loan	BOI-06540	33976.07	Not Reconcile
23	Loan	CBI-84038	15494.00	Not Reconcile
24	Teachers Salary	UBGB-00018,643 & 636	2756353.00	Not Reconcile
25	General Account	CBI-426440	8339902.55	Not Reconcile
26	CM Vikash Yojna	BOI-00014	1540553.99	Not Reconcile
27	BRGF	BOI-11227	1293779.00	Not Reconcile
28	PM Awas Yojna	ICICI-00283	20823461.00	Not Reconcile
29	SBM	ICICI-00261	2664325.00	Not Reconcile
30	Treasury P/L	PL-152	76339481.50	Not Reconcile
31	Cash		230.50	Not Reconcile



**IV. Revenue & Capital Receipts
Income Details (Amounts to be provided in Rupees)**

S. No.	Details	2017-18		2018-19		2019-20	2018-19
		2017-18	2016-17	2018-19	2017-18		
A	Total Receipts (A+B)	22,38,43,768	Not Available	23,91,81,419	22,38,43,768	Not Applicable	23,91,81,419
1	Own Revenue Receipts (1+2+3)	16,80,48,002	--do--	19,65,20,534	16,80,48,002	--do--	19,65,20,534
a)	Tax Revenue (levied and collected by municipal body)	42,96,644	--do--	19,74,447	42,96,644	--do--	19,74,447
i)	Property Tax		--do--			--do--	
ii)	Other Tax (levied and collected by municipal body)	15,28,336	--do--	8,30,314	15,28,336	--do--	8,30,314
iii)	Market Complex		--do--			--do--	
b)	Non-Tax Revenue (levied and collected by municipal body)						
i)	Fees & Fines		--do--			--do--	11,44,133
ii)	User Charges	27,68,308	--do--	11,44,133	27,68,308	--do--	
iii)	Other non-tax revenue (levied and collected by municipal body)		--do--			--do--	
2	Other Revenue Receipts	56,87,633	--do--	83,63,910	56,87,633	--do--	83,63,910
a)	Income from interest/investments	40,38,716	--do--	67,40,622	40,38,716	--do--	67,40,622
b)	Other Revenue Income	16,48,917	--do--	16,23,288	16,48,917	--do--	16,23,288
3	Transfers/ Grants/ Assigned Revenues	15,80,63,726	--do--	18,61,82,177	15,80,63,726	--do--	18,61,82,177
a)	State Assigned Revenue	42,98,364	--do--	92,12,282	42,98,364	--do--	92,12,282
b)	State Finance Commission (SFC) Grants/Devolution	--	--do--	--	--	--do--	--
c)	Octroi Compensation	--	--do--	--	--	--do--	--
d)	Other State Government Transfers	1,27,67,908	--do--	2,55,72,194	1,27,67,908	--do--	2,55,72,194
e)	Central Finance Commission (CFC) Grant	13,18,47,000	--do--	15,02,05,881	13,18,47,000	--do--	15,02,05,881
f)	Other Central Government Transfers	91,50,454	--do--	3,66,370	91,50,454	--do--	3,66,370
g)	Others	35,02,800	--do--	8,25,450	35,02,800	--do--	8,25,450
B	Capital Receipts (1+2+3+4+5)	5,57,95,765	--do--	4,26,60,885	5,57,95,765	--do--	4,26,60,885
1	Sale of Municipal Land	--	--do--	--	--	--do--	--
2	Loans (from State Govt. or Banks etc.)	--	--do--	--	--	--do--	--
3	State Capital Account Grant (under Central Schemes etc.)	4,41,11,380	--do--	2,97,69,631	4,41,11,380	--do--	2,97,69,631
4	Central Capital Account Grant (under Central Schemes etc.)	1,16,84,385	--do--	1,28,91,254	1,16,84,385	--do--	1,28,91,254



5	Other Capital Receipts		--	--do--	--	--do--	--	--do--	--
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**V. Revenue and Capital Expenditure
Expenditure Details (Amounts to Be provided in Rupees)**

S. No.	Details	2017-18		2018-19			2019-20	
		2017-18	2016-17	2018-19	2017-18	2019-20	2018-19	2019-20
	Total Expenditure (A+B)	11,48,26,057	Not Available	29,36,84,202	11,30,60,927	Not Applicable	29,36,84,202	
A	Revenue Expenditure	8,08,25,943	--do--	23,18,30,371	7,90,60,813	--do--	23,18,30,371	
1.1	Administrative Expenses, Establishment and Salaries (All Departments- Regular and Contractual Staff)	1,97,80,557	--do--	67,71,646	1,97,80,557	--do--	67,71,646	
1.2	Operation and Maintenance (O&M)	22,08,392	--do--	21,03,601	22,08,392	--do--	21,03,601	
1.3	Loan Repayment (Interest payments)		--do--			--do--		
1.4	Others (any other revenue expenditure which is not salaries O&M or Interest Payment)	5,88,36,994	--do--	22,29,55,124	5,70,71,864	--do--	22,29,55,124	
B	Capital Expenditure	3,40,00,114	--do--	6,18,53,831	3,40,00,114	--do--	6,18,53,831	
2.1	All developmental works under Central/ State specific schemes	3,25,09,553	--do--	6,02,05,243	3,25,09,553	--do--	6,02,05,243	
2.2	Loan Repayment (Principal Amount)		--do--			--do--		
2.3	Other Capital Expenditure	14,90,561	--do--	16,48,588	14,90,561	--do--	16,48,588	



VI. Status of Implementation of Double Entry Accounting System

As suggested by the C&AG, the Ministry of Finance, Government of India has introduced a "National Municipal Accounts Manual" for adoption of accrual system of accounting system of accounting of ULBs. Based on NMAM, Bihar Municipal Accounts Manual (BMAM) has been got prepared by the Government of Bihar and has been enforced from April 1, 2007. Generally, ULB following cash-based accounting system which is only detail of total collection and expenses as per provision of BMR 2007, the double entry system should be employed to all ULB.

- Appointment of KRA & CO. for DEAS for the year 2016-17 to 2019-20 done but no contract has been signed with Nagar Panchayat.
- For the Year 2018-19 Double Entry Accounting System is not operational in the Nagar Panchayat.
- Status of Double Entry Accounting System:
 - 1) Name of Agency Implementing DEAS: KRA & Co.
 - 2) Period: 2016-17 to 2019-2020
 - 3) Status of Report: Not Initiated.
 - 4) Preparation of Fixed Asset Register : Not Initiated.
 - 5) Preparation of Opening Balance Sheet: Not Initiated.
 - 6) Preparation of Financial Statement: Not Initiated.
 - 7) Preparation of Property Tax Register: Not Initiated.
 - 8) Details of Tally Installation: Tally Installed
 - 9) Details of Tally Serial ID. : 765641574
 - 10) Email Id.: fcadhrubnarayan@gmail.com

VII. Status of Municipal Accounts Committee; if meeting held

As per section 98 of Bihar Municipal Act, 2007, it is necessary for the Municipality to constitute a Municipal Accounts Committee at its first meeting in each year or as soon as may be at any meeting subsequent thereto, but **no Municipal Accounts Committee has been constituted** by the N.P. till the date of our audit.



5. Audit Observations

I. PART- A

All audit objections/ irregularities which has monetary implication, particularly in following areas:

- a. **Leakage of own source revenue either due to wrong assessment or non- levy of property tax, mobile tower tax, rent on municipal properties, advertisement tax fees etc.**

Audit Objective:

Report and quantify all major own revenue losses and opportunities lost or missed including in the area of Property Tax, Mobile Transmission Towers Tax, Rental of Municipal properties, Advertisement Taxes/Fees, sairat etc;

1. **Property Tax and other revenue receipts are not deposited by tax collectors to the cashier by 4:30 PM on the same Day.**

Criteria:

Collections should be deposited in to bank on the same day. (Rule-27)

All moneys to be brought to account. (Rule 22)

Condition:

Revenue collection process is not satisfactory; in case of property tax internal control is not adequate. We have observed that Property Taxes collected by tax collector were not deposited on the same day or the day after tomorrow but it is being deposited after a week/month.

1. Reconciliation of property tax collection by tax collector and amount deposited into bank is also not available.
2. Tax demand register has not been provided for verification; in such a situation we cannot ascertain the actual tax demanded/dues which can be recovered from a single tax payer. This could be a huge loss to Nagar Panchayat.

No discrepancy noticed in collection and deposit of holding tax in FY 2018-19. Details are as under: -

SUMMARY OF HOLDING TAX COLLECTION AND DEPOSIT FY 2018-19

Ward No.	Name of Collector	Collection in FY 2018-19(Amt. in ₹)	Deposit in FY 2018-19(Amt. in ₹)	Short/ Excess
1 to 15	By All Collector	9,06,000	9,06,000	NIL

Consequence/Effect/Impact:

As per Rule 27 of BMAR it should be deposited on daily basis otherwise a penalty up to ₹ 5000/- may be imposed for delayed deposit.



Cause:

Non-compliance of BMAR by tax collectors and failure to remit collections to cashier by 4:30 PM on same day.

Corrective Action/ Recommendation:

Tax collectors are needs to follows the BMAR and remit the collections to cashier by 4:30 PM on same day.

2. Irregularities in Mobile Tower Collection**Criteria:**

Registration Fees per tower @ ₹ 30,000/- and annual renewal fees @ ₹8,000/- per annum to be collected. If more than 1 antenna is placed on the tower then an extra registration and renewal fees @ 60% per annum will be collected. Moreover, a late fine at 1.5% would be imposed in case of delay in collection after first month of the financial year. Further after every 5 years renewal fees has to be increased by 25%. Further as per Rule 6(9) of Bihar Communication Towers and Related Structures Rules 2012, in case arrears of registration fees and/or renewal fees for any tower, the municipality reserve the right to seal the tower until the payment is received in full along with accrued interest.

Condition

Tower tax (Registration and Renewal Fees) is not being collected on timely basis. An Amount of ₹ 12,24,000/- is due for collection under tower tax head as on 31.03.2019. Details are as under-

SUMMARY OF TOWER TAX DUES FOR THE YEAR 2018-19

S.N	Name of Tower Co	Date of Establishment	Completion year till 2018-19	Registration Fees	Renewal Fees	Total Renewal fees Due	Total Due amount	No of Tower	Amount Reciept	Total Due amount 2018-19
1	BSNL	1998-99	21	30000.00	8000.00	168000.00	198000.00	2		396000.00
2	Relience	2007-08	12	30000.00	8000.00	96000.00	126000.00	1		126000.00
3	Airtel	2007-08	12	30000.00	8000.00	96000.00	126000.00	1		126000.00
4	Aircel	2008-09	11	30000.00	8000.00	88000.00	118000.00	2	100000.00	136000.00
5	Tata Indicom	2009-10	10	30000.00	8000.00	80000.00	110000.00	1		110000.00
6	Vodafone	2009-10	10	30000.00	8000.00	80000.00	110000.00	2		220000.00
7	Uninor	2010-11	9	30000.00	8000.00	72000.00	102000.00	1		102000.00
8	Viom	2017-18	2	30000.00	8000.00	16000.00	46000.00	1	38000.00	8000.00
9	Relience JIO	2017-18	2	30000.00	8000.00	16000.00	46000.00	1	46000.00	0.00
10	Relience JIO	2018-19	1	30000.00	8000.00	8000.00	38000.00	1	38000.00	0.00
11	Relience JIO	2018-19	1	30000.00	8000.00	8000.00	38000.00	1	38000.00	0.00
Total Amount Due during the Period of 2018-19										1224000.00



Consequence/Effect/Impact:

Due to no collection of TOWER TAX there is a huge revenue loss to the Nagar Panchayat.

Cause:

This happens due to non-monitoring the working activities of concerned authorised personal on regular basis.

Corrective Action/ Recommendation:

There should be proper records of mobile tower rent demand/ collection/ arrear and proper mechanism for supervision and monitoring for collection.

3. Non collection of Advertisement Tax:

Criteria:

Advertisement Taxes, in case auctioned to external agencies, shall be recognized as per the terms of agreement. In all other cases, when permission for advertisement is granted for the first time, the Advertisement Tax shall be accrued at the point when tax is paid and permission is granted. After the first year, Advertisement Tax shall be accrued when renewal is due.

Condition

Nagar Panchayat is not collecting any advertisement tax.

Consequence/Effect/Impact:

Not Applicable

Cause:

This is happening due to failure of designated staff and non-monitoring of authorized officials on timely basis.

Corrective Action/ Recommendation:

There should be proper collection and monitoring mechanism for advertisement tax.

4. Irregularities in Shop Rent Collection:

Criteria:

Revenues in respect of rents from properties shall be accrued based on terms of agreement. All rent should be collected on due date otherwise it should be collected with penalty and interest.

Conditions:

As per shop rent demand Register/Assessment register, during the year 2018-19 shop rent has been collected of ₹113150.00 against total demand of ₹2,92,276.00, balance of ₹1,65,976.00 has been not collected. Further all the revenue collections



are timely not deposited in bank account during the year 2018-19 as per details given below-

S No.	Shop Renter Name	Shop No.	Total Demand upto 31.03.2019	Total Collection upto 31.03.2019 Demand	50% adjusted with Advance	Security Deposit (Advance)	Outstanding Shop Rent as on 31.03.2019
1	Raj Kishor Kumar	1	86,661	38,700	38,700	75,000	9,261
2	Mukesh Kumar	2	64,750	18,000	18,000	40,000	28,750
3	Rekha Devi	3	57,850	19,000	19,000	40,000	19,850
4	Smt Kuniya Devi	4	23,800	8400	8400	40000	7,000
5	Chandan Kumar	5	42,105	14,700	14,700	40,000	12,705
6	Kundan Kumar	6	26,005	-	-	40000	26,005
7	Ripu Sudan Mishra	8	23,800	8,400	8400	40000	7,000
8	Dharmendra Chaudhary	9	42,105	-	-	40,000	42,105
9	Ajay Kumar	15,10 & 11	25,200	5950	5950	120000	13,300
	TOTAL		392276	113150	113150		1,65,976

Consequence/Effect/Impact:

Due to no collection of rent there is a huge revenue loss to the Nagar Panchayat.

Cause:

This is happening due to failure of designated staff and non-monitoring of authorized officials on timely basis.

Corrective Action/ Recommendation:

There should be proper collection and monitoring mechanism for shop rent.

b. Excess payment against bill, lack of prudence in payment against voucher, inefficiency in controls resulting loss to ULBs

During our test check we don't found any excess payment against bill.





c. Report on findings of field survey of Property Tax of minimum 20 high value properties per year

20 High Value Property of Sheohar Nagar Panchayat for the Financial Year 2018-19

S.N	Name Of Holder	Father/Husband Name	Ward No	Holding No	Type of Road	Type of Building	Type of Uses	Carpet Area	Annual Value	Holding Tax	Remarks
1	Electric power Station		3	1	Others	PCC	Com	579.7	10434.6	939.114	No variance found
2	Electric office Buliding		3	2	Others	PCC	Com	2802.45	45656.8	4109.11	No variance found
3	Home Gard Office		3	3	Others	PCC	Com	1682.15	16821.5	1513.94	No variance found
4	Bihar StateFood Corp.		3	6	Others	PCC	Com	1642.2	13530.3	1217.73	No variance found
5	BlockOffice StaffRoom		3	8	Others	PCC	Com	1074.4	10744	966.96	No variance found
6	Block Office Committee Hal		3	10	Others	PCC	Com	1256.7	12567	1131.03	No variance found
7	Block Devloping Officer Resi		3	13	Others	PCC	Com	986.75	17643.4	1587.91	No variance found
8	Block Devloment Office		3	15	Others	PCC	Com	2196.4	21964	1976.76	No variance found
9	GoriSankar Chodhary	Mithu Chodhary	3	21	Main Road	PCC	Com	1048.05	13262.5	1193.63	No variance found
10	SithRay Choudhary	Mithu Chodhary	3	28	Main Road	PCC	Com	1612.5	12040.5	1083.65	No variance found
11	Ramnarayan Choudhary	Late. Bangali Choudhary	10	5	Main Road	PCC	Com	2322.8	14234.2	1281.08	No variance found
12	Munna Chodhary	Bola Prashad Chodhary	10	21	Main Road	PCC	Com	1190.95	32237.1	2901.34	No variance found
13	Avdhesk Kumar Upadhyae	Late Umashankar	4	1	Principle Road	PCC	Com	735.4	5666	509.94	No variance found
14	Lakshmi Narayan Sah	Basudev Sah	4	2	Principle Road	PCC	Com	862.2	6697.8	602.802	No variance found
15	Madan Upadhyae		4	3	Principle Road	PCC	Com	513.8	3806	342.54	No variance found
16	Brij Bihari Sah	Shankar Sah	4	4	Principle Road	PCC	Com	561	4352	391.68	No variance found
17	Rajendra Prasad Gupta	Sukan Sah	4	5	Principle Road	PCC	Com	1273.5	17903.7	1611.33	No variance found
18	Ram Narayan Sah	Late.Mahadev Sah	4	6	Principle Road	PCC	Com	881.45	15866.1	1427.95	No variance found
19	Khursid Anvar	Late Ibrahim	4	7	Principle Road	PCC	Com	654.5	11781	1060.29	No variance found
20	Mahendra Pd. Gupta	Ram Prasad Sah	4	8	Principle Road	PCC	Com	374	6732	605.88	No variance found



II. PART-B

All audit objections/ irregularities which have no monetary implication, but significant violation of Act, Rules & directives of UD & HD. Mention the reference Act & Rules wherein remedial measures is required. In this part auditor should report in respect of -

a. Non- maintenance of books of accounts, subsidiary registers

S.No.	Particulars	Status
1.	Ledger Book	Not Maintained
2.	Grant Register	Not Maintained
3.	Payroll Register	Not properly maintained
4.	Demand and Collection Register	Not Provided
5.	Assessment Register	Not Provided
6.	Log Book	Not Provided
7.	Earnest Money and Security Deposit Register	Not Maintained
8.	Procurement Register	Not Maintained
9.	Statutory dues deduction and deposit register should be maintained	Not Maintained
10.	Contractors Payment Register	Not Maintained
11.	Advance Register	Not Maintained

Corrective Action/ Recommendation:

Nagar Panchayat should maintain above mentioned register in accordance with provisions of Bihar Municipal Act, 2007 and rules made thereunder.

b. Irregularity in procurement process

- No major irregularity observed.

c. Non-compliance of directives by UD & HD, GOB

We observed several non-compliances of directives of UD & HD, GOB such as:

- Non collection of various taxes required to be collected.
- Non maintenance of prescribed books of accounts
- Non submission of UC and other reports on timely basis etc.

Recommendation:

Nagar Panchayat should comply with above mentioned directives by UD&HD and GOB

d. Non-Compliance of Act & Rules

As per Section 127 of the Bihar Municipal Act, the Municipality can levy the following taxes: -

- Property tax on lands and buildings.
- Surcharge on transfer of lands and buildings,
- Tax on deficit in parking spaces in any non-residential building,



- iv. Water tax,
- v. Fire tax,
- vi. Tax on advertisements, other than advertisements published in newspapers,
- vii. Surcharge on entertainment tax
- viii. Surcharge on electricity consumption within the municipal area,
- ix. Tax on congregations,
- x. Tax on pilgrims and tourists, and
- xi. Toll -
 - a) on roads, bridges, ferries and navigable channel and
 - b) on heavy trucks which shall be heavy goods vehicles, and buses, which shall be heavy passenger motor vehicles, within the meaning of the Motor Vehicles Act, 1988, plying on a public street.
- xii. Tax on profession

We observed that only property tax has been collected during the year other taxes have not been collected.

New Assessment has not been done since long and holding tax is being collected at old rates.

Suggestions/ Recommendation:

Nagar Panchayat should comply with above mentioned provisions as specified in relevant act/rules

e. Lack of internal Control measures

- 1) There are lack of internal control w,r,t collection of taxes.
- 2) Demand collection Register has not been prepared hence it is not possible to ascertain total arrear of taxes
- 3) Taxes collected by tax collector are not deposited on daily basis we observed that it is being deposited after significant interval which is not proper. As per Rule 27 of BMAR it should be deposited on daily basis otherwise a penalty up to ₹ 5000/- per day may be imposed for delayed deposit.
- 4) Reassessment of holding tax has not been done since long and holding tax is being collected at old rates. Due to collection of revenue on old rates there is significant loss the N.P. Quantification of loss is not possible at this point of time.
- 5) Advertisement Tax is not being levied by the N.P as a result there is a loss to the N.P of advertisement tax amount.
- 6) Tower tax dues are not collected on time basis.
- 7) Tender of Ghat, Crematorium, Gate, trees and lands are not done on yearly



basis.

- 8) Advance Register is not prepared hence it is difficult to monitor for advances given and adjustment thereof.
- 9) There is lack of internal control on deduction and deposit of various taxes. On deduction of taxes liability is not created hence it is difficult to ascertain tax payable at any point of time. Taxes such as VAT, Income Tax, and Royalty etc. are collected from time to time but its payments are made on yearly basis generally, which is not proper. Taxes should be remitted to the Govt. account on timely basis otherwise penal action may be taken by the concerned department for delayed deposit of taxes.

Detail of Taxes collected but not deposited on the due dates during the FY 2018-19 is as follows:

Particulars	Gross Payment	Income Tax Ded.	CGST & SGST	Royalty Deducted	Labour cess Deducted
TAXES DUE FOR DEPOSIT ON 31.03.2019		55359	55304	164757	79271

Recommendation:

We recommend to the Nagar Panchayat to comply with the above mentioned Internal Control weakness for fair presentation of Financial Statement.

f. Non-compliance of TDS, VAT and other relevant Statute

The municipality is not regular in depositing statutory dues including tax deducted at source, service tax, VAT/GST, works contract tax, cess payable to the government etc. We observed that all such taxes deducted during the financial year 2018-19 partly has been deposited and partly has not been deposited.

1. Income tax deducted of ₹ 55359.00/- has been deposited during the year 2019-20.
2. GST collection of ₹ 55304.00/- has been deposited during the year 2019-20.
3. Royalty has been deducted of ₹ 164757.00/- during the year 2018-19 deposited next financial year.
4. Labour cess deducted during the year 2018-19 ₹ 79271/- has been not deposited till the audit date.

Action/Recommendation

Nagar Panchayat Should comply with provisions of TDS, GST and other statute in accordance with provisions of said statute.

g. Deficiency in Pay-roll System

The pay-roll system does not contain leave details of employee. PF contribution



and pension fund contribution of employees are deducted but municipal contribution is not being paid. PF account has not been opened with PF department all the deductions of PF contribution and pension fund contribution are being deposited in a separate account opened by the municipality.

Action/Recommendation

Nagar Panchayat Should maintain attendance register as per required norms and should comply with the provision of Provident Fund Act, 1952.

h. Utilization of Grant and report on missing Utilization Certificates

Grant Register has not been prepared hence it is difficult to ascertain unutilized grant at any particular time. Details of UC are as under-

S.N	Scheme	Sanction/Letter No & Date	Allotment Amount	Utilized Amount	Submission No & date
1	Day NULM		3,51,000.00	UC Not Available	Not Submitted to UD & HD
2	5th Finance	02/18-19	54,35,439.00	UC Not Available	--do--
3	5th Finance	03/18-19	54,35,439.00	UC Not Available	--do--
4	5th Finance	4/18-19	55,58,800.00	UC Not Available	--do--
5	5th Finance	5/18-19	55,58,799.00	UC Not Available	--do--
6	Kabir Antiyosti Yojna	353/17-05-2018	1,31,400.00	UC Not Available	--do--
7	E.O Salary	6/18-19	7,00,000.00	UC Not Available	--do--
8	Professional Tax	7/2018-19	12,18,656.00	UC Not Available	--do--
8	Ward Allowence	01/2016-17	4,38,068.00	UC Not Available	--do--
10	Additional Stamp Duty	11/2018-19	40,86,160.00	UC Not Available	--do--
11	City Manager Salary	12/2018-19	1,97,220.00	UC Not Available	--do--
12	Ward Allowence	18/2018-19	2,88,000.00	UC Not Available	--do--
13	HFA	RTGS	2,14,40,000.00	UC Not Available	--do--
14	HFA	RTGS	6,84,00,000.00	UC Not Available	--do--
15	HFA	RTGS	2,28,00,000.00	UC Not Available	--do--
16	HFA	RTGS	1,88,00,000.00	UC Not Available	--do--
17	HFA	RTGS	1,69,80,000.00	UC Not Available	--do--
18	SBM	RTGS	16,80,154.00	UC Not Available	--do--
19	SBM	RTGS	1,05,727.00	UC Not Available	--do--
20	14th Finance	32/31/10/2018	32,34,122.00	UC Not Available	--do--
21	14th Finance	9/2018-19	32,34,122.00	UC Not Available	--do--
22	Swachhta & Safai	10/2018-19	38,06,400.00	UC Not Available	--do--
23	Additional Stamp Duty	01/2018-19	39,07,466.00	UC Not Available	--do--
24	14th Finance	13/2018-19	32,11,505.00	UC Not Available	--do--
25	14th Finance	14/2018-19	32,11,505.00	UC Not Available	--do--
26	CM Nali Gali Pakkikaran	15/2018-19	31,12,461.00	UC Not Available	--do--
27	CM Nali Gali Pakkikaran	16/2018-19	44,74,164.00	UC Not Available	--do--
28	CM Nali Gali Pakkikaran	17/2018-19	1,94,529.00	UC Not Available	--do--

Total UCs Unavailable for the period of Financial Year 2018-19:- 20,79,91,136/-



Action/Recommendation

➤ Nagar Panchayat should prepare Grant Register We are following up with the concerned staff to assist in preparation of Utilization Certificate

i. Physical verification of inventory/Stores

Store Register has not been prepared and physical verification of inventory/stores has also not been done.

Recommendation

We recommended to the Nagar Panchayat to prepare store/inventor register.

j. Advances, their adjustment & recovery

Advance Payment

Criteria:

The employees of the Municipality to whom official advances are provided for incurring expenditure on behalf of the Municipality shall prepare a Payment Order for the expenditure incurred as soon as the purpose for which the advance was provided is accomplished.

Condition:

Advance Register is not prepared hence it is difficult to monitor for advances given and adjustment thereof.

Action/Suggestions

Nagar Panchayat Should maintain Advance register on regular basis alongwith voucher of Payment

k. Any other matters as may be prescribed in due course.

Staff strength of accounts department needs to be increased.



III. PART- C

a. Auditor should report in a separate section for non-compliance of rules/directives of UD&HD, GOB; Auditor should see the compliance of Bihar Municipal Act and specifically Chapter IX to XV and related rules and regulations as well as related directives by UD&HD.

➤ We observed several compliances and non-compliances of directives of UD & HD, GOB such as:

Chapter-IX: Financial Management of Municipalities

Keeping in view the classification of municipal areas under section 7, the receipts and expenditures of the Municipality has not been kept under the heads of accounts, including those for water-supply, drainage and sewerage, solid waste management, road development and maintenance, slum services, commercial projects and other account heads as specified and the general account head, in such manner, and in such Form, as prescribed, so as to facilitate the imposition of user charges and preparation of any subsidy report under this Act.

Chapter-X: Application of Municipal Fund

Records for Power to incur expenditure within specified limits of the Municipality has not been provided to us.

The state fund grants received during the year were not specifically mentioned the purpose of their utilisation, the funds received as grant during the year were utilised for various purposes.

Chapter-XI: Budget Estimates

Budget for the financial year 2015-16, 2016-17, 2017-18 and 2018-19 has been provided.

Chapter XII: Accounts and Audit

Books and Accounts of the Nagar Panchayat has not been maintained as per Municipal Accounting Manual and not placed to auditor appointed by UDHD. However, the Nagar Panchayat is maintaining only cash book and their subsidiary books.



Chapter-XIII: Municipal Property

We were not provided with the Fixed Assets Register for the FY 2018-19 for verification.

Chapter-XIV: Borrowings

No borrowings availed by Nagar Panchayat.

Chapter-XV: Municipal Revenue

Revenue collection process is not satisfactory; in case of property tax internal control is not adequate. We have observed that Property Taxes collected by tax collector were not deposited on the same day or the day after tomorrow but it is being deposited after a week/month.

1. Reconciliation of property tax collection by tax collector and amount deposited into bank is also not available.
2. Tax demand register has not been provided for verification; in such a situation we cannot ascertain the actual tax demanded/dues which can be recovered from a single tax payer. This could be a huge loss to Nagar Panchayat.
3. Tower tax (Registration and Renewal Fees) amounting to ₹ 12,24,000/- is due for collection as on 31.03.2019.
4. Nagar Panchayat is not collecting any advertisement tax.

Shop rent amounting to ₹ 1,65,976/- is due for collection as on 31.03.2019.

Field survey of 80 high value properties has been conducted by us and our report as annexed in Part-A Point-3 of this report.

b. Auditor should Report in a separate chapter on implementation of SAS of Property Tax in the ULB; internal auditor should witness some assessment procedures to check any in-consistencies in assessment. At least 80 high value properties in the city /town (irrespective of the fact that SAS is received or not) must be surveyed and checked in each quarter and reported variations, if any, in PTRs and Actuals as per internal audits;

c. Auditor should Report on compliance of Bihar Municipal Accounting Manual, Bihar Municipal Accounts Rules, 2014 and Bihar Municipal Budget Manual with special attention

➤ As suggested by the C&AG, the Ministry of Finance, Government of India has introduced a "National Municipal



<p>to following Rules of BMAR</p> <p>a) Rule 22: All moneys to be brought to account</p> <p>b) Rule: 27: Collections to be deposited into Bank on the same day</p> <p>c) Rule 69: Grant Related Compliance</p> <p>d) Rule 120-121: Monthly Receipt & Payment Account and Trial Balance</p> <p>Rule 130: Audit to be completed & reported within 6 months</p>	<p>Accounts Manual" for adoption of accrual system of accounting system of accounting of ULBs. Based on NMAM, Bihar Municipal Accounts Manual (BMAM) has been got prepared by the Government of Bihar and has been enforced from April 1, 2007. Generally, ULB following cash-based accounting system which is only detail of total collection and expenses as per provision of BMR 2007, the double entry system should be employed to all ULB.</p> <ul style="list-style-type: none"> • Till date Double Entry Accounting System is not operational in the Nagar Panchayat for FY 2018-19. • Internal control for collections of revenue from internal sources is not adequate such as: <ul style="list-style-type: none"> i. Demand register is not maintained. ii. All the collections are not deposited in bank account on same day. ii. Receipt & Payment Account and Trial Balance has not been prepared. <p>Audit of accounts is not completed and report has not been submitted within 6 months.</p>
<p>d. Report on compliance of financial guidelines of schemes of MOHUA and UD & HD, GoB.</p>	<p>Separate details of schemes of MOHUA (Ministry of Housing and Urban Affair) and UD&HD (Urban Development and Housing Department) not provided to us for Report on compliance of financial guidelines.</p>
<p>e. Auditor should Report and quantify all major own revenue losses and opportunities lost or missed including in the area of Property Tax, Mobile Transmission Towers Tax, Rental of Municipal properties, Advertisement Taxes/Fees, Sairat etc;</p>	<ul style="list-style-type: none"> ➤ Revenue collection process is not satisfactory; in case of property tax internal control is not adequate. We have observed that Property Taxes collected by tax collector were not deposited on the same day or the day after tomorrow but it is being deposited after a week/month. 5. Reconciliation of property tax collection by tax collector and amount deposited into bank is also not available. 6. Tax demand register has not been provided for verification; in such a situation we cannot ascertain the actual tax demanded/dues which can be



	<p>recovered from a single tax payer. This could be a huge loss to Nagar Panchayat.</p> <ul style="list-style-type: none"> ➤ Tower tax (Registration and Renewal Fees) amounting to ₹ 12,24,000/- is due for collection as on 31.03.2019. ➤ Nagar Panchayat is not collecting any advertisement tax. <p>Shop rent amounting to ₹ 165976/- is due for collection as on 31.03.2019.</p>
f. Auditor should Report on adequacy and appropriateness of the documentation, approvals, compliance of procedures etc. of all payments above ₹10,000 and above.	No irregularities observed on test check basis.
g. Auditor should Report on Procurement made including through E- Tendering and E-Auction indicating exceptions, if any and whether a register is kept for all Procurements with value above ₹ 15,000/-	No irregularities observed on test check basis.
h. Auditor should Report on presence or absence of a system of issuance of utilisation certificate for the different schemes for any utilisation made during the reporting period; Where there is no system for issuance of U/Cs, the Internal Audit report shall prepare Utilisation Certificate for various schemes/grants as per the guidelines of such scheme available on the UD&HD website.	Detail as per PART-B point no. (h) of the report.
i. Auditor should report instances of losses, failures or inefficiencies and recommendations and/or measures which can be taken to avoid their recurrence in future.	<p><u>Instances of losses, failures or inefficiencies</u></p> <ul style="list-style-type: none"> ➤ In case of property tax internal control is not adequate. We have observed that Property Taxes collected by tax collector were not deposited on the same day or the day after tomorrow but it is being deposited after a week/month. ➤ Reconciliation of property tax collection by tax collector and amount deposited into bank is also not available. ➤ Tax demand register has not been provided for verification; in such a situation we cannot ascertain the actual tax demanded/dues which can be recovered from a single tax payer. This could be a huge loss to Nagar Panchayat. ➤ Tower tax (Registration and Renewal



	<p>Fees) amounting to ₹ 12,24,000/- is due for collection as on 31.03.2019.</p> <ul style="list-style-type: none"> ➤ Nagar Panchayat is not collecting any advertisement tax. ➤ Shop rent amounting to ₹ 1,65,976/- is due for collection as on 31.03.2019. <p>Recommendations and/or measures which can be taken to avoid their recurrence in future.</p> <p>Proper monitoring of all transactions and implementation of Bihar Municipal Accounting Manual by authorised personals are recommended.</p>																
<p>j. Internal Auditor will report on each payment, that the payment terms & conditions of tenders and rate offers are according to procurement law and policies.</p> <p>k. Internal Auditor will report on each payment, that the payment terms & conditions of tenders and rate offers are according to procurement law and policies.</p>	<p>No such irregularities observed on test check basis. If found otherwise, reported in this report elsewhere.</p>																
<p>l. Auditor will report on that the fixed deposit and other funds should be in nationalized banks/Approved financial institutions and should earn maximum interest at their gestation period.</p>	<p>No such FD. s held by Nagar Panchayat.</p>																
<p>m. Internal Auditor will identify major areas of ULBs own revenue loss and auditor will access the loss and Prepare a statement of loss.</p>	<p>Identified losses are as under for the year 2018-19</p> <table border="1" data-bbox="699 1344 1321 1697"> <thead> <tr> <th>S. No.</th> <th>Particulars</th> <th>Amount</th> <th>Reason</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Tower Tax</td> <td>12,24,000.00</td> <td>Non-Recovery</td> </tr> <tr> <td>2</td> <td>Shop Rent</td> <td>1,65,976.00</td> <td>Non collection</td> </tr> <tr> <td>3</td> <td>Advertisement Tax</td> <td>NA</td> <td>Nagar Panchayat is not collecting any advertisement tax.</td> </tr> </tbody> </table>	S. No.	Particulars	Amount	Reason	1	Tower Tax	12,24,000.00	Non-Recovery	2	Shop Rent	1,65,976.00	Non collection	3	Advertisement Tax	NA	Nagar Panchayat is not collecting any advertisement tax.
S. No.	Particulars	Amount	Reason														
1	Tower Tax	12,24,000.00	Non-Recovery														
2	Shop Rent	1,65,976.00	Non collection														
3	Advertisement Tax	NA	Nagar Panchayat is not collecting any advertisement tax.														
<p>n. Auditor will report on that all kind of tax deductions i.e. Commercial tax, Income tax, provident fund etc. Should be deducted from the payments as applicable, deposited properly and also should be properly recorded in appropriate ledgers.</p>	<p>➤ There is lack of internal control on deduction and deposit of various taxes. On deduction of taxes liability is not created hence it is difficult to ascertain tax payable at any point of time. Taxes such as VAT, I.T. Royalty etc. are collected from time to time but its payments are made on yearly basis which is not proper. Taxes should be remitted to the</p>																



	<p>Govt. account on timely basis otherwise penal action may be taken by the concerned department for delayed deposit of taxes.</p> <p>Details are pointed out in point no PART B (e)(9) of this report.</p>
<p>o. Internal Auditor will ensure that all the C&AG audit & Internal audit Paras has been complied by the ULBs, if not complied the Internal Auditor shall help the ULBs staffs to prepare the compliance report.</p>	<p>We have not provided with the C&AG audit compliance report and Annual Internal Audit Report, so we are unable to check for compliance.</p>

General Observations: Auditor should report the deficiencies noticed during their audit and recommend ULB Management to improve internal systems.

- Manpower of Nagar Panchayat is not adequate and equipped with required knowledge.

Place: Patna
Date:

For G.K.Sureka & Co.
Chartered Accountants
FRN. -513018C

CA. Gokul Kumar Sureka
Partner
M.N. 091380

UDIN: 20091380AAAA DT1115
Date: 24-06-2020


**Urban Development & Housing Department
Government of Bihar
Sheohar Nagar Panchayat**

Discussion Note for Internal Audit observation of FY 2018-19

Discussion has been made with the audit manager of the internal audit Firm M/s G.K. Sureka & Co. on the Internal Audit observations of the financial year 2018-19 and we kept in mind and follow their recommendations and suggestions on the areas of process and control weakness in best manner. Some of the serious issues have been given below

<u>S. No</u>	<u>Audit Observations</u>	<u>Reply of Management</u>
1.	Implementation of DEAS at ULB for the FY 2018-19	DEAS team has been appointed by the concerned department. Implementation of DEAS is in progress, and pending for approval. We are working on the constitution of Municipal Accounts Committee.
2.	Constitution of "Municipal Accounts Committee" is pending yet	
3.	Tower tax (Registration and Renewal Fees) is not being collected on timely basis as more than Rs. 12,24,000/- is receivable from tower tax.	Notice will be issue to the concerned person, as and when stay order of High Court will be laps/remove
4.	ULB is not collecting any advertisement tax	We are working on it
5.	ULB is not preparing its books of accounts using the accrual system of accounting	DEAS team has been appointed by the concerned department for this and they are working on this
6.	Staff strength of accounts department needs to be increased.	Yes, I will place this matter in meeting board/committee




 G.K. SUREKA
 Chartered Accountant

	<p>separate details of schemes of MOHUA (Ministry of Housing and Urban Affair) and UD&HD (Urban Development and Housing Department) not provided to us for Report on compliance of financial guidelines</p>	<p>It will be provided from next time</p>
8.	<p>Internal control measure has not been consider by concerned ULB for its operation and transaction</p>	<p>We are working on the recommendations made by the Internal Auditor</p>
9.	<p>List of directive issued by UD&HD, GOB has not been provided to us for verification of same regarding compliances.</p>	<p>It will be provided from next time</p>

Date:
Place:



Ajay Kumar
03/12/2020
For Sheohar Nagar Panchayat
(Executive Officer) or authorized officer
Sheohar, Bihar