

INTERNAL AUDIT REPORT

OF ULB

(BAGAHA)

FOR THE PERIOD

01/04/2017 TO 31/03/2018

CONDUCTED BY

**M/s R. N. Singh & Co.
208, Hem Plaza, Fraser Road
Near Dak Bunglaw Chauraha,
Patna – 8000010**

**From 24.04.2019 TO 03.05.2019
Report Issued on 04.06.2019**

Executive Summary

1. INTRODUCTION

Name of the Municipality	NAGAR PARISHAD BAGHA
Period covered under current audit	ANNUAL REPORT F/Y 2017-18
Name of Chief Municipal Officer for the period under Audit	Shri Santosh Kumar Rajak

2. Results and Findings

Particulars	Comments
Strengths observed during the audit engagement.	(a). All vouchers have supporting documents (b) Response from officer & Clerk are satisfactory. (c) Subsidiary cash books has been maintained. (d) General Cash book has been maintained.
Weaknesses observed in the functioning of office, maintenance of records etc. Observed during the audit engagement.	(a) Bank Reconciliation Statement has not been prepared by the ULB. (b) Double Accounting System has not been followed whereas accounting has been made on single entry system. (d). Fixed Assets Register has not been maintained. (e). Advance Register has not been maintained. (f). Stock Register has not been maintained. (g). Daily collection register (Revenue receipt wise) has not been maintained. (h). TDS, VAT, Royalty and Labour Cess have been deducted but it has not been deposited till date. Therefore, TDS Return has not filled till date. As per Income Tax Act 1961, penalty may be levied on ULB. It is a statutory irregularity. (i). Property / Holding tax has not been assessed on property by the ULB from long time. (j). Tower tax has not been collected, since the establishment of the ULB even though number of tower is 22 as on 31-03-2018. Thus total outstanding



tax amount is Rs.22,30,000/- For registration fee, renewal fee.

(k). Budget has not been sanctioned by the state government.

(l). Section 84 of the Bihar Municipal Act, 2007. Provides that Municipality shall submit its budget intimates for the ensuring year to the State Govt. by 15th of the March. But information furnished by the Nagar Parishad revealed that budget estimates were not passed on time by the board, which resulted into delay transmission of the same to the State Government.

(m) No Separate Grant register is being maintained; hence, it is difficult to find out the amount of unutilized grant at any point of time.

(n) Attendance register has not been maintained on daily basis and same is not approved by competent authority on daily basis.

(o) File Movement register has not been maintained.

(p) Outward/ Inward register has not been maintained.

3. Opinion

As per Our Opinion the following areas need much more improvement:

- ULB is not working properly, even internal control is poor.
- Revenue collection of the ULB is very poor it may be increased to much higher level.
- All cash collection from source of revenue is not deposited in the bank on same day. It is deposited in the bank after making daily expenditure.
- Due to lack of manpower, there is delay in performing day-to-day work.
- There should be proper segregation of duties to perform day-to-day work in efficient manner.
- Bank reconciliation should be done on monthly basis.
- We find that rules and regulation are there but ULB is not following them properly.
- Most of the Books of Accounts as prescribed by BMAR are not maintained by the ULB.
- There are serious lapses in deduction and deposit of statutory dues, such as VAT, Royalty, TDS, Labour - Cess Etc.
- Separate Bank Account should be maintained for each Scheme.



4. Audit Recommendations

Sl. No.	Observations	Recommendations
1.	Cash Book has not been regularly authorized by the executive Officer.	ULB should maintain all the book of accounts, register, records etc. as prescribed in Bihar Municipal Accounts Act, Manual and Rules and same should be regularly verified by the executive Officer.
2.	Computerized accounting system has not been implemented by the ULB in F/Y2017-18.	ULB should adopt Computerized accounting system it provides automatic ledger entries accuracy and speed of automatic calculation automatic production of trial balance from ledger entries and provide additional analysis.
3.	ULB has not been in practice to prepare monthly receipt and payment account.	ULB should prepare receipt and payments accounts on monthly basis. due to which it become very easy to find out how much fund has been received by the ULB.
4.	We observed that fund has not been utilized till the last year.	ULB must have to refund the unutilized amount to the Urban Development & Housing Department.
5.	We observed that Statutory Compliance has not been accomplished by ULB. These statutory irregularities are following: TDS return has not been filled. Labor-cess & Royalty & VAT has not been deposited to concern department which is deducted from payment.	ULB have to file all the statutory returns within prescribed time line and deposit the deducted amount as specified in statutory law.
6.	Amount Collected from own sources revenue has not been deposited into bank by the ULB on the same date/next to the same date as required.	As per Rules 22(1) of Bihar Municipal Accounting Rules, 2014 Tax Collected has to be deposited on same day or latest before noon on the following working day.
7.	Various register books of records etc. are not being prepared by the ULB such as fixed asset register, Stock register, Advance recovery register, Demand register, Collection register, Statutory register, with regard TDS, VAT, Royalty and Labour Cess etc.	ULB should maintain all the books of account, register, records etc. as prescribe in Bihar municipal accounts Act, Manual and Rules.



8.	Log book of vehicle & generator is not properly maintained and consequently its analysis is not possible.	ULB should maintain log book of vehicles & generator so that consequently its analysis is possible.
9.	Loss of Rs 22,30,000/- has been made to the ULB for non-collection registration and renewal fee from installed transmission tower in the jurisdiction of ULB.	ULB should collect mobile tower tax advertisement tax shop rent etc. as quick as possible.
10	UC of Rs. 6877.30 of various scheme are pending for submission to the Urban Development & housing Department.	ULB should have to be prepare UC in prescribe format of various scheme as soon as possible and submit the same UD & HD Dept. also on regular interval as per prescribe guideline.
11	Municipal accounts committee has not been constituted till the audit date.	Meeting of Municipal Account Committee are required to be held regularly to analyze the progress of various activities and accounting procedure.
12.	ULB is not in practice to prepare summary of daily collection receipt in form GEN-13	ULB should be prepare summary of daily collection in form GEN-13.
13.	Demand and arrear registers of holding tax are not prepared by the ULB.	ULB should prepare demand and arrear register of holding tax as soon as possible..
15	Daily Collection Register has not been maintained.	ULB should maintain DCR register separately for each head of its own revenue sources for appropriate internal control and also for appropriate disclosures of books of accounts.

5. Comments from Management

SL No	Particulars	Management Remarks
1	Opening short balance in Treasury of Rs 1594371/- as Compared to cash book.	It will be communicated from the Treasury.
2	Cash Book has not been regularly authorized by the executive Officer.	Now it is being done properly.
3.	Double accounting system has not been implemented by the ULB in F/Y2017-18	Recently this work is being done
4.	ULB has not been in practice to prepare monthly receipt and payment account.	Recently this work is being done
5.	Grant register is not being maintained hence it is difficult to find out unutilized grant of any point of time	Henceforth it is being maintained.



6.	We observed that Statutory Compliance has not been accomplished by ULB. These statutory irregularities are following: TDS return has not been filled. TDS Labour Cess & Royalty & VAT etc. are deposited on timely basis to concern department which is not proper taxes should be deposited to the Govt. account in prescribe time limit otherwise penal action may be taken by thee concerned department for delayed deposit of taxes.	Process of payment is being made.
7.	Amount Collected from own sources revenue has not been deposited into bank by the ULB on the same date/next to the same date as required.	Noted for future guidance.
8.	Various register books of records etc. are not being prepared by the ULB such as fixed asset register, Stock register, Advance recovery register, Demand register, Collection register, Statutory register, with regard TDS, VAT, Royalty and Labour Cess etc.	Required register are being opened.
9.	Log book of vehicle & generator is not properly maintained and consequently its analysis is not possible.	Henceforth it is being maintained.
10.	Loss of Rs 22,30,000 /- has been made to the ULB for non-collection registration and renewal fee from installed transmission tower in the jurisdiction of ULB.	Necessary action for realization of due is being taken.
11.	Municipal accounts committee has not been constituted till the audit date.	It will done shortly.
12.	ULB is not in practice to prepare summary of daily collection receipt in form GEN-13	It is being followed.
13.	Demand and arrear registers of holding tax are not prepared by the ULB.	Henceforth it is being prepare.
14.	Bagaha Nagar Parishad have 23 shop and Outstanding of 23 shop rent of Rs 10,18,610/- as on 31.03.2018	It is being realized.
15.	Pay-roll system at the ULB is not maintain. The register, records relating to statutory deduction like PF, ESIC, Income tax are not maintained. the PF, ESIC with respect to contractual employee are neither deducted nor paid to the statutory authority.	Presently it is being followed.
16.	Daily Collection Register has not be	It will be maintained



	maintained.	
17	Property and Holding tax assessment has not been done since long time.	Decision of the board is pending.
18	Arrear of holding tax of Rs 967318/- as on 31.03.2018 for the financial year 2017-18	Arrear is being realized.
19	BRS has not been prepared by ULB hence it is difficult to monitor possible fraud if any	Presently this work is being done.
20	Advanced register is not prepared by ULB Hence advanced given to various staff for distribution of Samajik surakccha pension Yojna of Rs17.32 lacs. these amounts not adjusted till the date of audit.	No Practice is running under municipal council Bagaha.
21	During the course of audit are observed that in the case of electricity bill. electricity duty is exempted in the case of street lighting by local authority in term of sec 2(d) of Bihar electricity duty act 1948 but ULB payment has been made of Rs 15487/-for the month of Nov 2017.	It will be Checked.
22	Excess payment of Rs 16317/- in the case of Safai work payment made to NGO due to non-deduction 1% TDS OF Rs 1631776/-	It will be received from the concerned agency.

6. Acknowledgement: -

We thank Mr. Santosh Kumar Rajak (Executive Officer), for his support during the period of our audit. We are also thankful to accountant and other staff of the Nagar Parishad for their co-operation during the period of audit.

For R. N. SINGH & CO.
Chartered Accountant
ICAI Reg. No: 322066E

CA Chanakya Shree
Partner
M.No: -079322



Detailed Audit Report

1. Introduction

The Internal audit of (Bagaha Nagar Parishad) covering the period from 1st April 2017 to 31st March 2018 was conducted by following persons under guidance of TL CA Chanakya Shree and MAE CA Ashok Kumar Pandey.

- i. Mr. Arun Kumar
2. Mr. Adesh Pratihast

2. Administration

The present body of the ULB has taken charge on 9th June 2017 the incumbency in the key administrative and executive positions was as under

Shri Vijay Kumar Ram Chairman from 9th June 2012 to 8th June 2017

Shrimati Jarina Khatoon Chairman from 9th June 2017 to till date.

Shri Kapildev Singh Commissioner/Executive Officer from 25th August 2015 to 28th June 2018

Shri Santosh Kumar Rajak Commissioner/Executive Officer from 3rd July 2018 to till date.

3. Review of outstanding audit paras:

Status of Audit Observations is 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 para where no action has been taken	No. and Date of Compliance Report
1	AG Audit for the period 2014-15 to 2016-17	11	11	11	0	0	Letter has been issued to concern person but No any amt has been recovered except para no-6	1338/29.12.18
2	AG Audit for the period	11	11	10	10	Rs 152000/-	9	No Compliance



	2017-18							
3	Internal Audit for the period 2016-17	11	11	11	11	11	11	No Compliance

Detailed Report on Compliance of Previous Internal Audit Report: -

SL No.	Audit Observation	Nature of Irregularities	Complied/Non-Complied
1	There are lack of internal control with respect to collection of taxes.	Persisting since last two year	Not Complied
2	Demand collection register has not been prepared hence it is not possible to ascertain total arrear of taxes	Persisting since last three year	Not Complied
3	Taxes collected by tax collector are on 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 500/- per day may be imposed for delayed deposit.	Persisting since last three year	Not Complied
4	Tower tax due are not collected on timely basis.	Persisting since long time	Not Complied
5	Tower tax is not being collected on timely basis as Rs 20.20lacs is receivable as tower tax as on31.03.2017.	Persisting since long time	Not Complied
6	Shop Rent is not being collected on timely basis as Rs 7.99 lacs is receivable as tower tax as on 31.03.2017	Persisting since long time	Not Complied
7	Tender of Ghat, crematorium, Gate ,palm tree and land are not done on yearly basis.	Persisting since last year	Not Complied
8	Grant register is not being maintained hence it is difficult to find out unutilized grant at any point of time.	Persisting since long time	Not Complied



9	Bank reconciliation statement is not prepared hence it is difficult to monitor possible fraud .if any	Persisting since long time	Not Complied
10	Advance register is not prepared hence it is difficult to monitor for advanced given and adjustment thereof.	Persisting since long time	Not Complied
11	There is lack of internal control on deduction and deposited 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 payment 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.	Persisting since long time	Not Complied

4. Finance

I. Budgetary provisions and expenditure for the last three years

Year	2015-16	2016-17	2017-18
Final/Revised Budget	358403000.00	280901561.00	333600000.00
Actual Expenditure	74377536.10	196173650.00	103281558.59
Savings(+)/ Excess(-)	284025463.90	84727911.00	230318441.41

II. Volume of transactions

Period	Budgeted 2017-18	Previous Year (For one Year)2016-17	Current Year(for one year)2017-18
Opening balance	108832702.00	203618619.00	287649964.00
Receipts	309080100.00	280204995.00	198627946.62
Total	417912802.00	483823614.20	486277910.62
Net expenditure	333600000.00	196173650.00	103281558.59
Closing balance	84312802.00	287649964.00	382996352.03

III. Bank Reconciliation: -

Since different scheme has been maintained in single cashbook therefore segregation of balances of different Scheme as on 31st March 2018 cannot be determined. Similarly, since through one bank account different schemes are being operated the bank balance of a particular scheme on a particular date cannot be determined. Bank Reconciliation Statement has not been prepared in the prescribed format by the ULB.



Details of closing balance and position of reconciliation:

Sr no.	Name of scheme / item	Bank name / account no.	Balance as per pass book	Balance as per cash book	Differences	Remarks BRS Prepared/ Not Prepared
1.	Various Scheme	Treasury A/C No PLA190	361266765.00	362861136.00	1594371.00	Reconciled
2.	BRGF	CBI -5388	1401958.00	1232522.00	169436.00	Not Prepared
3.	NULM	PNB – 6014	6385707.81	7012138.00	626430.19	Not prepared
4.	KABIR ANTESHTI	PNB- 3836 PNB-3845	276478.90 338628.90	501143.20	113964.80	Not prepared
5.	Samajik suraksha pension yojna	CBI -6515	0.00	0.00	0.00	Not prepared
6.	Amrut yojna	PNB- 3509	52054233.60	52054233.60	0.00	Not prepared
7.	Internal Sources	SBI – 77024	4352252.00	39,10,669.00	441583.00	Not prepared
8.	State Yojana	CBI – 4500	13179813.00	13179813.00	0.00	Not prepared

Note: -Some of the schemes such as Prasaranik Bhawan ,5th finance 4th finance, 13th finance, Peshakar, Stamp Duty, Rajya Path/ PuliyaNirman Yojana, Led Light, Excutive Officer, Maching Grant, Nagrik Subidha (Rajya Yojna) CM SwakshtaAbhiyan, NagrikSubidha (State Plan), Path Nirman (CM SahriNaliGali) Pakkikaran Yojana. Parshad. Upmukhya Parshad and Parshad Niyat Bhatta, NaliNirman, Peyajalpurti, Peyajalpurti (Mukhyamantri Sat Nischay) & City Manager schemes have been maintained through PLA

IV. Revenue Receipts: -

Income Details (Amounts to be provided in Rupees)							
Sl. No.	Details	2017-18		2018-19		2019-20	
		2017-18	2016-17	2018-19	2017-18	2019-20	2018-19
	Total Receipts (A+B)	198627946.62	280204995.00				
A.	Revenue Receipts (1+2+3)	198627946.62	238330442.50				
1.	Own Revenue Receipts (a+b)	2779495.00	1092009.50				
a)	Tax Revenue (levied and collected by municipal body)	1232718.00	115309.00				
i)	Property tax	1249483.00	115309.00				
ii)	Other tax (levied and collected by municipal body)	432059.00	0.00				
b)	Non-tax revenue (levied and collected by municipal body)	465971.00	976700.50				
i)	Fees & fines	0.00	72770.00				

Not Applicable for this quarter.



ii)	User Charges	898003.00	903930.50
iii)	Other non-tax revenue (levied and collected by municipal body)	199950.00	0.00
2	Other Revenue Receipts	1568640.62	0.00
a)	Income from interest/investments	1539130.62	0.00
b)	Other Revenue income	29510.00	0.00
3.	Transfers/ Grants/ Assigned Revenues	194279811.00	237238433.00
a)	State Assigned Revenue	42342296.00	0.00
b)	State Finance Commission (SFC) Grants/ Devolution	0.00	108158942.00
c)	Octroi compensation	0.00	0.00
d)	Other State Govt. Transfer	89748651.00	34026895.00
e)	Central Finance Commission (CFC) Grant	46330393.00	40695617.00
f)	Other Central Govt. Transfer	15490000.00	54356979.00
g)	Others	368471.00	0.00
B.	Capital Receipts	0.00	41874552.50
1	Sale of Municipal Land	0.00	0.00
2	Loans (from State Govt. or Banks etc.)	0.00	0.00
3	State Capital Account Grant (under State Schemes etc.)	0.00	9043365.50
4	Central Capital Account Grant (under Central Schemes etc.)	0.00	32610000.00
5	Other Capital Receipts	0.00	221187.00

v. Revenue and Capital Expenditure Information: -

Expenditure Details (Amounts to be provided in Rupees)							
Sl. No.	Details	2017-18		2018-19		2019-20	
		2017-18	2016-17	2018-19	2017-18	2019-20	2018-19
	Total Expenditure (1+2)	103281558.60	196173650.00				
I	Revenue Expenditure	4772348.49					
I.1	Administrative Expenses, Establishment and Salaries (All departments- Regular and Contractual Staff)	2429814.00					
I.2	Operation and Maintenance (O&M)	1464554.49					

Not Applicable for this quarter



1.3	Loan repayment (Interest payments)	0.00	
1.4	Others (any other revenue expenditure which is not salaries, O&M or Interest Payment)	877980.00	
2.	Capital Expenditure	98509210.10	
2.1	All developmental works under Central/State specific schemes	98509210.10	
2.2	Loan Repayments (Principal Amount)	0.00	
2.3	Other Capital expenditure	0.00	

Note: - As per above reporting format, details of expenditure have not been accounted in concerned ULB premises and same has not been reported in previous financial year internal audit report 2016-17, so we are unable to enclose the same in our report.

VI. Status of implementation of Double Entry Accounting System

Accounting of Nagar Parishad Bagaha has not been maintained on Double Entry Accounting System. The Consultant for DEAS has been appointed but financial accounts for 2017-18 is still to be prepared. The DEAS team Vinod Singhal & Co. has started from 25th February 2019.

VII. Status of Municipal Accounts Committee; if meeting is 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 Nagar Parishad till the date of our audit.



5. Audit Observations

Part – A

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

- 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, fee etc.

a Mobile Tower Collection: -

Audit Objective – As per Point No. – 5 of TOR

Criteria – Tower Tax is taxes on Communication Tower & related structure as defined in BIHAR COMMUNICATION TOWERS AND RELATED STRUCTURES RULES, 2012. As per the rule, all operators are required to register with their concerned ULBs and pay registration fee & renewal charges on annual basis for communication tower erected within municipal area. Currently the registration fee for Nagar Parishad Rs. 40,000/- per tower and annual renewal fee is Rs. 10000/- per annum per tower

Condition –As per details provided to us there are total 22 (twenty-two) Mobile Towers registered with this ULB up to 31.03.2018 and Rs.22,30,000/- has not been collected till the date of audit from these tower operators as Tower Tax.

Consequence Effect/ Impact - Due to non-collection of Tower Rent with in prescribe time line, ULB incurred interest loss and also the due to non-collection of taxes, public interest has also been suffered.

Cause – We observed that due to lack of proper follow up and monitoring of activities of concerned person of the ULB on regular interval. The ULB has not proper mechanisms for supervision and monitoring of the Tower Rent due to which result in Revenue leakage.

Corrective Action / Recommendation – As per our opinion, management should review the collections on monthly and take appropriate actions against irregularity.

Details of Long Pending Tower Tax:

S.N	Company Name	Date of establishment	Registration Fee	Renewal Fee	Total	Collection	Dues Balance
1	BSNL	2007-08	40000	100000	140000	-	140000
2	AIRCEL	2006-07	40000	110000	150000	80000	70000
3	RELIANCE	2007-08	40000	100000	140000	-	140000
4	AIRTEL	2002-03	40000	150000	190000	-	190000
5	TATA DOCOM	2008-09	40000	90000	130000	-	130000



	O							
6	AIRCEL	2006-07	40000	110000	150000	-	150000	
7	AIRTEL	2009-10	40000	80000	90000	-	90000	
8	RELIANC E	2006-07	40000	110000	150000	80000	70000	
9	AIRTEL	2007-08	40000	100000	140000	-	140000	
10	AIRTEL	2009-10	40000	80000	120000	-	120000	
11	BSNL	2009-10	40000	80000	120000	80000	40000	
12	RELIANC E	2012-13	40000	50000	90000	-	90000	
13	BSNL	2009-10	40000	80000	90000	-	90000	
14	AIRCEL	2008-09	40000	90000	130000	-	130000	
15	IDEA	2008-09	40000	90000	130000	80000	50000	
16	IDEA	2007-08	40000	100000	140000	100000	40000	
17	AIRTEL	2012-13	40000	50000	90000	-	90000	
18	TATA- DOCOM O	2005-06	40000	120000	160000	100000	60000	
19	BSNL	2008-09	40000	90000	130000	-	130000	
20	AIRTEL	2006-07	40000	110000	150000	80000	70000	
21	UNINOR	2007-08	40000	100000	140000	-	140000	
22	RELIANC E	2017-18	40000	10000	50000	50000	0.00	
TOTAL								2230000/-

(b) Advertisement Tax

Audit Objective – As per Point No. – 5 of TOR

Criteria– Non – levied of advertisement tax by the ULB.

Consequence / Effect / Impact - Due to non - levied of collection of advertisement tax, there is a revenue loss to ULB.

Cause– This happens due to lack of awareness of imposition of advertisement tax of concerned person of the ULB.

Corrective Action / Recommendation – There should be proper monitoring and further steps are required to be taken for collection of advertisement tax by concerned ULB.

(c) Holding & Property Tax Deposit – Irregularity: -

Audit Objective – As per Point No. – 5 of TOR

Criteria – As per Rules 22(1) of Bihar Municipal Accounting Rules, 2014 Tax Collected has to be deposited on same day or latest before noon on the following working day.



Condition - Tax Amount is not deposited timely into Bank. In some cases, collected amount has been retained by the Tax Collectors for a period of 1-2 months from the date of collection of taxes.

Consequence / Effect / Impact - Due to non-deposit of Tax on due time, ULBs is suffering from Revenue Loss in the form of Bank Interest which could have been earned on these Receipts. Further this is a lapse on Internal Control due to non-submission of Counterfoil and record updation of assesses due.

Cause - This happens due to non-follow up and monitoring of activities of Tax Collector by the concerned officer on regular interval.

Corrective Action / Recommendation - There should be day to day monitoring on Collection of Taxes by Tax Inspector/Collectors and deposit of collection into Bank either on same day or latest before noon on the following working day.

(d) Holding & Property Tax Collection: -

Audit Objective - As per Point No. - 5 of TOR

Criteria - Non-Collection of Property Tax/Holding Tax by the concerned ULB.

Condition - Total Property Tax/Holding Tax outstanding as on 31st March 2018 is Rs.967318/-

Consequence / Effect / Impact - Holding / Property Tax is collected by the tax collector from all wards but in some cases, property tax is not being collected from long period by the tax collector. Due to non-collection of Property/Holding Tax, there is a major operational revenue loss to ULB and there is no record / register to know total current & arrear demand of holding tax. Demand / Arrear Register have also not been provided to us for verification.

Cause - This happens due to lack of proper follow up and monitoring of activities of Tax Inspector / Collector by the concerned officers on regular interval.

Corrective Action / Recommendation - There should be day to day monitoring on Collection of Taxes and also maintenance and updating of Demand & Collection Register on regular interval.

Details of Demand Raised & Arrears

Year	Total Demand			Total Recovery			Total Arrear		
	Arrear	Current	Total	Arrear	Current	Total	Arrear	Current	Total
2017-18	1373208	642982	2016188	718014	330856	1048870	655192	312126	967318



Detail of Demand /Arrear Holding tax up to Financial Year 2017-18

Year	Total Demand			Total Recovery			Total Dues			Total No of House Holding
	Arrears	Current	Total	Arrears	Current	Total	Arrears	Total	Current	
2016	893002.00	294643.00	1437642.00	444098.00	196427.00	660525.00	597320.00	179797.00	777117.00	4070.00
-17	168416.00	81581.00								
2017	777117.00	266758.00	2016188.00	718014.00	330856.00	108870.00	655192.00	312126.00	967318.00	4486.00
-18	596089.00	376224.00								

(e) Market/Shop Rent Collection: –

Audit Objective– As per Point No. – 5 of TOR

Criteria– Non-Collection of Market/Shop Rent and imposition of late fine by the concerned ULB.

Condition– As per details provided to us there are total 23 (twenty-three) Shop of this ULB up to 31.03.2018 Total outstanding of Market/ Shop Rent is Rs. 10,18,610/- as on 31st March 2018.

Consequence / Effect / Impact- Due to non-collection of Shop Rent there is a revenue loss to ULB.

Cause– This happens due to lack of proper follow up and monitoring of activities of concerned person of the ULB on regular interval. The ULB does not have proper mechanisms for supervision and monitoring of the Rent which results in Revenue leakage.

Corrective Action / Recommendation– There should be proper monitoring and further steps are required to be taken for collection of Shop Rent by concerned ULB.

Detail of some Shopkeepers, which have to pay arrear amount of shop rent, is as under: -

Sl No	Name of Shopkeeper	Monthly Rent	Dues as on 2016-17	Total Outstanding Dues up to 31 st March 2018
1	Sri Nandkishore Prasad	500	40000	44500
2	Binod Kumar	500	40000	44500
3	Samiulah Khan	500	40000	44500
4	Lalbabu Prasad	500	40000	44500
5	Ajay Kumar Pandey	500	40000	44500
6	Narsingh Prasad	500	40000	44500
7	Motiur Rahman	500	45610	50110
8	Jayshanker Prasad	500	40000	44500
9	Shambhu Prasad	500	40000	44500



10	Shak Mohamad Nasim	500	40000	44500
11	Surender Kumar Verma	500	40000	44500
12	Kamlesh Kumar Thakur	500	40000	44500
13	Jitan Sah	500	40000	44500
14	Girish Sahay	500	40000	44500
15	Tripurari Prasad	500	40000	44500
16	Thakur Prasad	500	40000	44500
17	Mohamad Sahid	500	40000	44500
18	Ramesh Prasad	500	40000	44500
19	Anil Kumar Gupta	500	40000	44500
20	Sanu michel	500	40000	44500
21	Abhay Kanodiya	500	29500	34000
22	Ranjit Kumar Sinha	500	40000	44500
23	Ashok kumar Gupta	500	40000	44500
Total				10,18,610

b. Excess payments against bill, lack of prudence in payment against vouchers inefficiency in control resulting loss to ULB'S;

- Excess payment of Rs. 16317 in case of Safai work payment has been made to NGO, due to non-deduction of TDS @ 1% on Rs. 1631776.
- We observed that in the case of electricity bill, electricity duty is exempted in the case of Street lighting by local authority in terms of Sec 2(d) of Bihar Electricity Duty Act,1948. But ULB has made a payment of Rs. 15487 for the month of November 2017.

c. Report on finding of field survey of property tax of minimum 20 high value properties;

Property / Holding tax are assessed by the ULB. Therefore, property tax on Minimum 20 high value could be determined.

Sl. No	Owner Property Name	Add Of Owner	W ar d No	Type of constr uction	Taxabl e area	Annual rent	Annua l Prope rty Tax@ 9%	Housing/ Commerci al	Remarks
1	Pashupati nath gupta	Naraynapur	05	R.C.C	3000	2400	2592	Commercial	No Variation Observed
2	Mirna kant Chaudhary	Naraynapur	05	R.C.C	22680	15876	2858	Residential	No Variation Observed
3	Narayan prasad	Naraynapur	05	R.C.C	4000	3200	2304	Commercial	No Variation Observed



4	Arun singh	Srinagar Bagha-2	08	R.C.C	3353	2682	1932	Commercial	No Variation Observed
5	Sushma singh	Dumbaliya	09	R.C.C	9150	7320	5929	Commercial	No Variation Observed
6	Vishwanath Kodiya	Dumbaliya	09	R.C.C	5541	4432	3192	Commercial	No Variation Observed
7	Premchand Prasad	Dumbaliya	09	R.C.C	17009	13607	14696	Commercial	No Variation Observed
8	Renu devi	Dumbaliya	10	R.C.C	17665	14132	7631	Residential	No Variation Observed
9	Satya Prakash Srivastav	Cinema Road	26	R.C.C	3222	25776	2784	Commercial	No Variation Observed
10	Anita Devi	Naraepur	11	R.C.C	5320	4256	3447	Commercial	No Variation Observed
11	Chandravan baitha	Naraepur	13	ESBES TER	10218	8174	4414	Commercial	No Variation Observed
12	Sangita Tulsthan	Shastri Nagar	15	R.C.C	4366	3492	2515	Commercial	No Variation Observed
13	Rajkishori Devi	Gandhi Nagar	17	R.C.C	4547	3637	26119	Commercial	No Variation Observed
14	Brajesh Kumar	Gandhi Nagar	17	esbeste r	4368	3494	2830	Commercial	No Variation Observed
15	Mant kort School	Bankata	22	R.C.C	28445	22756	12288	Commercial	No Variation Observed
16	Brothers of Kort mant kort School	Bankata	22	R.C.C	16838	13470	7274	Commercial	No Variation Observed
17	Saubhagaya Laxmi	Cinema Road	26	R.C.C	3985	3188	3443	Commercial	No Variation Observed
18	Radha Devi	Cinema Road	26	R.C.C	12438	9950	10746	Commercial	No Variation Observed
19	Abhishek Kumar	Bagha Bazar	26	R.C.C	11225	8980	7274	Commercial	No Variation Observed
20	Shobha Devi	Bagha Bazar	26	R.C.C	2966	2372	2563	Commercial	No Variation Observed



Part-B

All Audit objections/regularities which has no monetary implication, but significant violation of act, Rules directives of UD&HD. Mention the reference to Act & Rules wherein remedial measure is required.

a. **Non –maintenance of books of accounts, subsidiary registers: -**

It has been noticed during the audit that the following Books of Accounts & Registers has not been maintained or not properly maintained (*Status as mentioned*).

Sl. No.	Particulars	Status
1	General Cash Book	Not Maintained
2	File Movement Register	Not Maintained
3	Ledger Book	Not Maintained
4	Grant Register	Not Maintained
5	Advance Register	Not Maintained
6	Pay-Roll Register	Not Maintained
7	Vehicle LOG Book	Not Maintained
8	Store Register	Not Maintained
9	Fixed Assets Register	Not Maintained
10	Demand & Collection Register of Property Tax, Mobile Tower Tax, Shop Rent etc.	Not Maintained

b. **Irregularity in procurement process: -**

No Observation found in this regard.

c. **Non-compliance of directives by UD & HD, Government of Bihar: -**

No observation is found on this regard.

d. **Non- compliance of Act & Rules: -**

Income tax Act 1962 and Vat Act 2005 are not properly followed by ULB.

- Proper Sec of TDS Deduction is not mentioned.
- According to Vat Act 2005, Vat is required to be deducted from the payment. But ULB is not in practice to deduct vat from payment at the time of procurement of machine or goods.
- Vat is required to be deducted from departmental work on whole of the work but it is only levied on material purchased.



e. Lack of internal control measures: -

1. During the course of our Audit, we have observed various discrepancies in the Cash Book, which are enumerated below: -
 - Head wise expenditure were not clearly entered and recorded.
 - The cash book balances are not reconciled with the Balances in Bank Pass Book.
 - Cash book has not been regularly authorized by the executive officer.
2. Cash book has not been properly prepared by Nagar Parishad Bagaha
 - Cash book is maintained from pass book; it means at the time of payment cash book is not maintained that shows a departmental failure.
3. After analyzing operating control, it was observed that there is shortage of Man Power in ULB. Consequently, it is not functioning smoothly with respect to completion of works on time, provide and review the service efficiently which is the main function of ULB, preparation of books and records on time etc.

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

We observed that TDS, VAT, Royalty and Labour-Cess for the financial year 2017-18 has been deducted but not deposited to appropriate authority by ULB till the date of audit. Also return filing of TDS&VAT has not been made by the ULB.

g. Deficiency in pay-roll system: -

Pay-Roll Register has not been shown to us during the period of internal audit, records relating to statutory deduction like PF, ESIC, Income tax are not maintained. The PF, ESIC with respect to contractual employee are neither deducted nor paid to statutory authority. Thus we are unable to comment on deficiency in pay-roll system.

h. Utilizations of grant and report on missing Utilization certificates has not been submitted to the Urban Development & Housing Department till the date of audit.

We have attached the Status of UC as **Annexure 1**.

The detail of Pending /Missing UC: -

क्रं सं.	आवंटन का मद	वित्तीय वर्ष	स्वीकृत्यादेश संख्या एवं तिथि	आवंटित राशि	लंबित राशि (राशि लाख में)
1	Executive Officer Salary	2019-20	83/20.09.19	6.58	6.58
2	City Manager Salary	2019-20	26/26.06.19	1.20	1.20
3	City Manager Salary	2019-20	117/13.11.19	3.60	3.60
4	Parshad Bhatta	2018-19	148/09.03.19	8.10	0.70



5	Parshad Bhatta	2019-20	81/20.09.19	8.10	8.10
6	Amrut Yojna	2015-16	114/01.03.16	195.66	3.00
7	Amrut Yojna	2016-17	RTGS	326.10	5.00
8	Amrut Yojna	2016-17	RTGS	10.00	10.00
9	5th finance	2017-18	15/03.07.18	561.66	280.83
10	5th finance	2018-19	21/10.07.18	574.41	574.41
11	5th finance	2019-20	54/13.08.2019	300.29	300.29
12	5th finance	2019-20	54/13.08.2019	300.29	300.29
13	5th finance	2019-20	56/13.08.19	580.27	580.27
14	5th finance	2020-21	37/13.05.20	300.55	300.55
15	5th finance	2020-21	24/15.09.20	500.55	500.55
16	14th finance	2017-18	97/24.01.18	231.33	231.33
17	14th finance	2019-20	38/11.07/19	346.78	346.78
18	14th finance	2019-20	127/27/11/19	346.78	346.78
19	Laptop/Tablet	2015-16	RTGS	4.80	3.83
20	Peshakar	2019-20	241/12.03.19	5.19	5.19
21	civic amenities	2019-20	157/17/12/19	131.58	131.58
22	Ashok Samrat Bhawan	2018-19	24/17.07.18	69.66	69.66
23	MMSNGPNY	2017-18	38/11.08.17	156.18	156.18
24	MMSNGPNY	2017-18	68/30.10.17	133.84	133.84
25	MMSNGPNY	2018-19	52/04.09.18	311.71	311.71
26	MMSNGPNY	2018-19	141/06.03.19	138.36	56.37
27	MMSNGPNY	2019-20	236/03.03.20	542.35	542.35
28	Housing For All	2019-20	RTGS	19.00	19.00
29	Housing For All	2019-20	RTGS	0.60	0.60
30	Housing For All	2020-21	RTGS	0.60	0.60
31	Housing For All	2020-21	RTGS	75.60	75.60
32	Housing For All	2020-21	RTGS	217.80	217.80
33	Housing For All	2020-21	RTGS	15.00	15.00
34	Housing For All	2020-21	RTGS	43.80	43.80
35	Housing For All	2020-21	RTGS	0.20	0.20
36	Housing For All	2020-21	RTGS	21.60	21.60
37	Day NULM	2015-16	RTGS	45.88	11.78
38	Day NULM	2016-17	RTGS	10.50	1.30
39	Day NULM	2017-18	RTGS	0.95	0.01
40	Day NULM	2019-20	RTGS	2.92	2.92
41	Day NULM	2019-20	RTGS	0.35	0.35
42	Day NULM	2019-20	RTGS	1.65	1.65
43	Day NULM	2019-20	RTGS	2.50	2.50
44	Day NULM	2019-20	RTGS	0.21	0.21
45	Day NULM	2020-21	RTGS	5.85	5.85
46	Day NULM.	2020-21	RTGS	15.70	15.70
47	Day NULM	2020-21	RTGS	0.75	0.75
48	15th Finance	2020-21	49/26.05.20	603.78	603.78
49	15th Finance	2020-21	148&149/11.11.20	600.34	600.34
50	Jal-Jivan Hariyali	2019-20	174/10.01.20	24.99	24.99
TOTAL					6877.30

I. Physical verification of inventory/stores: -



Inventory/ Stores Register and Fixed Assets Register have not been maintained in concerned ULB and in the absence of above register; it is difficult to verify the same.

J. Advances, their adjustment & recovery: -

Advance Register has not been maintained by the concerned ULB and in the absence of above register it is difficult to check or comments on adjustment and recovery of Advance has been given to staff for office expenses without any advance requisition and without the approval of executive officer.

K. Any other matter as may be prescribed in due course: -

No observation found in this regard.

**PART – “C
Scope of Audit**

Sl. No	Particular	Remarks/ Observation
1	Whether all these 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.	Such observations have been mentioned in sub point c of Part B of the Report.
2	What is the status of implementation of SAS of Property Tax in the ULB: If SAS has been implemented then witness some assessment procedures to check any in-consistencies in assessment. at least 20 high value properties in the city /town (irrespective of the fact that SAS is received or not).	We have witnessed the 20 high value of property same has been reported in point c of Part A of the report.
3	Whether all compliance have been complied regarding Bihar Municipal Accounting Manual, Bihar Municipal Accounts Rules, 2014 and Bihar Municipal Budget Manual with special attention to following Rules of BMAR Rule 22: All moneys to be brought to account Rule: 27: Collections to be deposited into Bank on the same day Rule 69: Grant Related Compliance Rule 120-121: Monthly Receipt & Payment Account and Trial Balance Rule 130: Audit to be completed & reported within 6 month	All the compliance has been made at ULB except Rule :27 & Rule 120-121.



4	Whether all such compliance of financial guidelines of schemes of MOHUA and UD & HD, Gob have been complied.	Yes, Compliance of financial guidelines of schemes of MOHUA and UD & HD, Gob have been complied.
5	If any 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, Sai rat etc. have incurred then quantify the same.	Loss of Rs 22,30,000/- has been made to the ULB for non-collection registration and renewal fee from installed transmission tower in the jurisdiction of ULB.
6	Status of adequacy and appropriateness of the documentation, approvals, compliance of procedures etc. of all payments on or above Rs. 10,000.	No Observation Found in this regard.
7	Whether all 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 Rs. 15,000/-	No Such type of Issue found in this regard.
8	An assessment of presence or absence of a system of issuance of utilization certificate for the different schemes for any utilization made during the reporting period: Where there is no system for issuance of U/Cs, prepare Utilization Certificate for various schemes/grants as per the guidelines of such scheme available on the UD&HD website.	UC of, Rs, 6877.30 (Rs. In Lakh) of various scheme are pending for submission to the Urban Development & housing Department.
9	Verify instances of losses, failures or inefficiencies and recommendations and/or measures which can be taken to avoid their recurrence in future.	We have verified such instances and found some irregularities. Details of irregularity have been annexed in Executive Summary in Observation Para, and recommendations have also been annexed in Recommendation in Executive Summary.
10	Whether all such payments have been made according to payment terms & conditions of tenders and rate offers are according to procurement law and policies.	Yes, all payment has been made according to payment terms & conditions of tenders.
11	Whether the fixed deposit and other funds should be kept in nationalized banks/Approved financial institutions and should earn maximum interest at their gestation period.	No Such type of issue found in this regard.
12	Verify all major areas of ULBs and assessed revenue loss and if any losses have been identified then prepare a statement of loss for revenue losses.	We have verified all major areas of ULB and assessed some revenue losses, same have been reported in "Part A".
13	Whether 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.	We observed that statutory compliance has not been accomplished by ULB regarding deduction, deposit and return also. Details of major statutory irregularities are:



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- TDS return has not been filed.
- TDS have not been deposited appropriately.
- Labor Cess has not been deducted appropriately.
- VAT liability has not been settled till the date of audit.

Penalty and Interest may be levied on ULB as per Statutory Laws.

General Observations: -

There is lot of scope for improvement with respect to maintenance of Records and Registers. The important and basic records like Advance register, annual accounts, assets register were not maintained. Effective steps may be taken to improve the maintenance of accounts and increasing of its own sources of revenues.

For R.N. Singh & Co.
Chartered Accountants
FRN: 322066E

CA Chanakya Shree
Partner
Mem No: 079322



क्र. सं.	वित्तीय वर्ष	आवंट का माद	स्वीकृतपादेस संख्या एवं तिथि	आवंटित राशि	निकासी की गई राशि	निकासी नहीं की गई राशि	निकास्य द्वारा उपलब्ध नहीं कराई गई राशि	व्यय की गई राशि	निकासी के विरुद्ध व्यय के उपरांत अवशेष	कोषगार में जमा की गई राशि	संगठित उपरोधिता पर की राशि	अधिकारी पर की जमा की राशि	अधिकार की पर उपरोधिता पर की राशि	विशाल द्वारा संगठित/अवशेष करु के मा उपरोधिता पर का	प्रति राशि	शेष जमा अवशेष राशि	शेष जमा अवशेष राशि	अभिलेखित
2	3	4	5	6	7	8	9	10	11	12	13	14	15					
28	2017-18	5th finance	46/14.09.17	577.07	577.07	0		577.07	0.00	0.00	0.00	0.00	0	0.00	0.00	0.00	0.00	
29	2017-18	5th finance	15/03.07.18	561.66	561.66	0		280.83	280.83	280.83	280.83	0.00	0	0.00	280.83	0.00	280.83	



15/07/20
 15/07/20

Discussion Note

Bagaha Nagar Parishad

Annual Report (2017-18)

SL No	Observation	Management Remarks
1.	Cash Book has not been regularly authorized by the executive Officer.	It is being done shortly.
2.	Opening short balance in treasury of Rs 1594371/- as comparison to cash balance.	It will be communicated through the treasury.
3.	Double accounting system has not been implemented by the ULB in F/Y2017-18.	Recently this work is being done.
4.	ULB has not been in practice to prepare monthly receipt and payment account.	Henceforth it is being maintained.
5.	Grant register is not being maintained hence it is difficult to find out unutilized grant of any point of time.	Process of Payment is being made.
6.	We observed that Statutory Compliance has not been accomplished by ULB. These statutory irregularities are following: TDS Labour cess & Royalty & VAT etc are deposited on yearly basis to concern department which is not proper Taxes should be deposited to the Govt account on prescribe time limit otherwise penal action may be taken by the concerned department for delayed deposits of taxes.	Process of Payment is being made.
7.	Amount Collected from own sources revenue has not been deposited into bank by the ULB on the same date/next to the same date as required.	Noted for future strictly. guidance
8.	Various register books of records etc. are not being prepared by the ULB such as fixed asset register, Stock register, Advance recovery register, Demand register, Collection register, Statutory register, with regard TDS, VAT, Royalty and Labourcess etc.	Required registers are being opened.



9.	Log book of vehicle & generator has not been maintained and consequently its analysis is not possible.	Hence forth it is being maintained.
10.	Loss of Rs61,16,200/- has been made to the ULB for non-collection registration and renewal fee from installed transmission tower in the jurisdiction of ULB.	Necessary action for realisation of due is being taken
11	UC of Rs 23, 89, 84,477/- of various scheme are pending for submission to the Urban Development & housing Department till the financial year 2017-18.	-
12	Municipal accounts committee has not been constituted in bagaha ULB and no meeting has been held till the audit date.	It will be done (in future) shortly.
13.	ULB is not in practice to prepare summary of daily collection receipt in form GEN-13 of miscellaneous receipt.	It is being followed.
14	Demand and arrear registers of holding tax are not prepared by the ULB.	It is being realised. Henceforth it is being prepared.
15.	Bagaha nagar panchayat have 23 shop and Outstanding of 23 shop rent Of Rs 10,58,000/- as on 31.03.2018	Presently it is being followed. It is being realised.
16	Pay-roll system at the ULB is not maintained. The register, records relating to statutory deduction like PF, ESIC, Income tax are not maintained. the PF, ESIC with respect to contractual employee are neither deducted nor paid to the statutory authority.	It will be maintained. Presently it is being followed.
17	Daily Collection Register has not been maintained of miscellaneous receipt.	It will be maintained.
18	Property and Holding tax assessment has not been done since long time.	Decision of the Board is remaining pending.
19	Arrear of holding tax of RS 9,67,318/-as on 31.03.2018 for the financial year 2017-18.	Arrear is being realised.
20	BRS has not been prepared by ULB. hence it is difficult to monitor possible fraud if any	Presently this work is being done.



21	Advance register is not prepared by ULB Hence Advance given to various staff for distribution of samajik suraccha pension yojna of Rs 17.32 lakh These amounts not adjusted till the date of audit.	No Practice is humming under municipal Council Bagaha.
22	During the course of audit we observed that in the case electricity bill electricity duty is exempted in the case of street lighting by local authority in term of sec2(d) of Bihar electricity duty act1948.but ULB Payment has been made of Rs 15487/- for the month of nov 2017	It will be checked.
23.	Excess payment of Rs 16317/- in the case of safai work payment made to NGO due to non deduction 1% TDS of Rs 1631776/-	It will be received from the concerned Agency.



Executive Officer
Bagaha Nagar Parishad

03.05.19
कार्यपालक पदाधिकारी
नगर परिषद् बगहा
पं० चम्पारण