

INTERNAL AUDIT REPORT

OF ULB

(Hilsa)

FOR THE PERIOD

01/04/2018 TO 31/03/2019

CONDUCTED BY

**M/s R. N. Singh & Co.
208, Hem Plaza, Fraser Road
Near Dak Bunglaw Chauraha,
Patna – 800001**

**From 10-04-2019 to 07-05-2019
Report Issued on 20th August 2019**

Executive Summary

1. INTRODUCTION

Name of the Municipality	Nagar Parishad Hilsa
Period covered undercurrent audit	Annual Report 2018-19
Name of Executive Officer for the period under Audit.	Mrs. Priyanka Gupta

2. Results and Findings

Strengths observed during the audit engagement.

- Office of Hilsa Nagar Parishad very clean, proper care of cleaning and maintenance has been done.
- Board meetings of Hilsa Nagar Parishad held regularly and problems faced in the smooth operation are resolved by passing resolutions.
- Separate files of the parties to whom payments are made are properly maintained. Proper documentation process is followed.
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- Main cash book has been maintained.
- Subsidiary cash books have been maintained.

Weaknesses observed in the functioning of office, maintenance of records etc. during the audit engagement.

- Holding tax is not deposited on same day according to the time stipulated in Municipal Act 2007.
- Bank Reconciliation Statement is not prepared month wise for F.Y 2018-19.
- No action is taken by Nagar Parishad Hilsa for collection of Tower Tax.
- Nagar Parishad Hilsa is not in practices to follow Double Entry Accounting System. It is due to lack of adequate acknowledged.
- Quarterly Return for GST has not been filed of F.Y -2018-19.
- Quarterly Return for TDS has not been filed of F.Y -2018-19.
- Nagar Parishad Hilsa is not Maintain fixed asset register.
- Various registers, books of records etc. are not being prepared by the ULB. Such as, Statutory Register with regards TDS, VAT, Royalty etc.
- Some amount of grant allotted to Nagar Parishad but against these allotments, no UCs submitted.
- All observation found during the audit for f. y. 2015-16 and 1st, 2nd, 3rd and 4th Quarter 2016-17 are not complied except holding tax.
- Advance Register is not maintained.



3. Opinion

As per Our Opinion the following improvement are required:

- It requires improving its Internal Control Procedures with regards to Demand, Collection of Revenue, and Deposit of Collected revenue in the Banks on scheduled time.
- Due to non-implementation of Double Entry Accounting System and following of Cash basis of Accounting, proper recognition of Income and expenses are not possible in accounts.
- Monthly receipt & Payment account should be prepared by ULB.
- ULB is not working properly, even internal control is poor.
- Revenue collection of the ULB is very poor it has scope to increase to much higher level.
- All cash collection from source of revenue are 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 prepared 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 GST, Royalty, TDS, Labour Cess etc.
- Separate bank account should be maintained for each scheme.

4. Audit Recommendations:

The Recommendation of Audit Team on the Observed weakness.

SL No	We Recommend the followings:-
1.	<i>ULB must collect property tax. On timely manner which are under its Jurisdiction and deposited on same day according to the time stipulated in Municipal Act 2007.</i>
2.	<i>ULB must prepare Bank Reconciliation Statement on timely basis.</i>
3.	<i>ULB must collect mobile tower tax on timely manner which are under its Jurisdiction.</i>
4.	<i>ULB should adopt double entry accounting system; Double-entry accounting allows accounting departments to prepare financial statements easily. Double entry accounting system present accurate report of accounts on the income statement, balance sheet, cash flow statement and other financial statements and reports. It provides checks and balances, which prevent fraudulent activity and reduces errors. Double-entry accounting system prevents fraud in a greater way than single-entry accounting because it makes it difficult to manipulate accounts. You can easily detect account manipulation by examining the journal entries and comparing them to previous journal entries for the</i>



	<i>same or similar transactions.</i>
5.	<i>ULB must file returned deposit GST and other statutory on timely basis.</i>
6.	<i>ULB must file returned deposit TDS and other statutory on timely basis.</i>
7.	<i>ULB must maintain all the Fixed Assets Register, Records etc. as prescribed in Bihar Municipal Accounts Act, Manual and Rules.</i>
8.	<i>ULB must maintain all the Books of Statutory Register, Records etc. as prescribed in Bihar Municipal Accounts Act, Manual and Rules.</i>
9.	<i>ULB must compiled all the previous Audit Report Observation for f. y. 2015-16 and 1st, 2nd, 3rd and 4th Quarter 2016-17</i>

5. Comments from Management: -

As per discussion with Management, they have ensured that they are looking into the matter and proper action will be taken for all the irregularities coming out from audit.

Detail discussions on this are given in *Discussion Note* as attached below.

6. Acknowledgement: -

We thank Mrs. Priyanka Gupta (Executive Officer), for her support during the period of our audit. We are also thankful to Accountant and other staffs of the Nagar Parishad for their co-operation during the period of audit.

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

CA Chanakya Shree
Partner
M.No: -079322



VDIN - 20079322 AAAA IN 7403

Date - 04/06/2020

Detailed Audit Report

1. Introduction

The Internal Audit of (Nagar Parishad Hilsa) covering the Period from 1st April 2018 to 31st March 2019 was conducted by following person under the guidance of TLCA Chanakya Shree and MAE CA Ashok Kumar Pandey:

(1) Sumit kumar

2. Administration

The Present body of the ULB has taken charge on 17th Jan, 2019. The incumbency in the key Administrative and Executive Positions was as under:

Smt. Jayanti Devi Chairman from 15 September 2016 to till date.

Mrs. Priyanka Gupta Executive Officer from 17th Jan 2019 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 Report, dated 24.04.2016	14	0	0	0	0	0	17/11/2018
2.	AG Audit Report, dated 12.06.2018	15	0	0	0	0	15	Not Compiled
3	Internal Audit for	10	0	0	0	0	10	Not Compiled



	the 1 st Qtr (2016- 2017)							
4	Internal Audit for the 2 nd Qtr (2016- 2017)	34	0	0	0	0	34	Not Compiled
5	Internal Audit for the 3 rd Qtr (2016- 2017)	17	0	0	0	0	17	Not Compiled
6	Internal Audit for the 4 th Qtr (2016- 2017)	18	0	0	0	0	18	Not compiled

Detailed Report on Compliance of Previous Internal Audit Report: -

SL No.	Audit Observation	Nature of Irregularities	Compiled/Non-Compiled
1.	Holding tax is not deposited on same day according to the time stipulated in Municipal Act 2007.	Persisting the year 1 st ,2 nd ,3 rd And 4 th Quarter 2016-17	No Action taken by Hilsa Nagar Parishad
2.	Bank Reconciliation Statement is not prepared month wise for 2016-17.	Persisting the year 1 st ,2 nd ,3 rd And 4 th Quarter 2016-17	No Action taken by Hilsa Nagar Parishad
3.	Nagar Parishad Hilsa is not in practices to follow Double Entry Accounting System. It is due to lack of adequate acknowledged.	Persisting the year 1 st ,2 nd ,3 rd And 4 th Quarter 2016-17	No Action taken by Hilsa Nagar Parishad
4.	Quarterly Return for VAT has not been filed for Second quarter of F.Y -2016-17.	Persisting the year 1 st ,2 nd ,3 rd And 4 th Quarter 2016-17	No Action taken by Hilsa Nagar Parishad
5.	Quarterly Return for TDS has not been filed for Second quarter of F.Y -2016-17.	Persisting the year 1 st ,2 nd ,3 rd And 4 th Quarter 2016-17	No Action taken by Hilsa Nagar Parishad



6.	Nagar Parisad hilsa is not Maintaining fixed asset register.	Persisting the year 1 st ,2 nd ,3 rd And 4 th Quarter 2016-17	No Action taken by Hilsha nagar parisad
7.	Various registers, books of records etc. are not being prepared by the ULB. Such as Stock Register, Advance & Recovery Register, Demand Register, Collection Register.	Persisting the year 1 st ,2 nd ,3 rd And 4 th Quarter 2016-17	No Action taken by Hilsha nagar parisad
8.	Various registers, books of records etc. are not being prepared by the ULB. Such as, Statutory Register with regards TDS, VAT, Royalty etc.	Persisting the year 1 st ,2 nd ,3 rd And 4 th Quarter 2016-17	No Action taken by Hilsha nagar parisad
9.	Some amount of grant allotted to Nagar parisad but against these allotments, no UCs submitted.	Persisting the year 1 st ,2 nd ,3 rd And 4 th Quarter 2016-17	No Action taken by Hilsha nagar parisad

4. Finance

I. Budgetary provisions and expenditure for the last three years

Year	2016-17	2017-18	2018-19
Final/Revised Budget	46751750.00	335924000.00	286078000.00
Actual Expenditure	58336561.00	77753197.09	64738354.80
Savings(+)/ Excess(-)	(11584811.00)	258170802.90	221339645.20

II. Volume of transactions

Period	Budgeted 2018-19	Previous Year (For one Year) (2017-18)	current period (For the One year) (18-19)
Opening balance	186602064.00	157264100.00	172548188.00
Receipts	286092724.00	93037285.00	75777871.00
Total	472694788.00	250301385.00	248326059.00
Net expenditure	286078000.00	77753197.09	64738354.80
Closing balance	186616788.00	172548187.90	183587704.00

III. Bank Reconciliation: -

Details of Closing Balance:

Sr no.	Name of scheme / item	Account no.	Balance as per pass book	Balance as per cash book	Differences	Remarks BRS Prepared/ Not Prepared
1.	Mukhya mantari Shahari Nal jal Yojna	71630100198422	14741446.00	14741446.00	0.00	Not Prepared
2.	Mukhya mantari		470802.50	470802.50	0.00	Not Prepared



	shari nail gali	716301001984 13				
3.	HFA	606900010003 4529	24638245.00	24638245.00	0.00	Not Prepared
4.	14 th /SBM	606900010004 058	719294.00	719294.00	0.00	Not Prepared
5.	Day-NULM	606900010010 1255	157319.00	157319.00	0.00	Not Prepared
6.	E-Governance	50204729825	222537.00	222537.00	0.00	Not Prepared
7.	BRGF,PNB	606900010002 3971	24135.84	24135.84	0.00	Not Prepared
8.	Municipal Fund,MBGB	716301001984 31	383752.00	383752.00	0.00	Not Prepared
9.	Municipal Fund,PNB	606900010004 0376	27100.60	27100.60	0.00	Not Prepared
10.	Municipal Fund,AB	20960149347	27100.60	27100.60	0.00	Not Prepared
11.	P/L A/c	A/c-20002	105854651.00	105854651.00	0.00	Not Prepared

IV. Revenue Receipts: -

Income Details (Amounts to be provided in Rupees)							
Sl. No.	Details	2017-18		2018-19		2018-19	2019-20
		2017-18	2016-17	2018-19	2017-18	2019-20	2018-19
Total Receipts (A+B)		93037285.00	106563727.00	75777871.00	93037285.00	Not Applicable for this quarter.	
A.	Revenue Receipts (1+2+3)	45425018.00	38690132.00	22243764	45425018.00		
1.	Own Revenue Receipts (a+b)	3087009.00	6837797.00	4088859	3087009.00		
a)	Tax Revenue(levied and collected by municipal body)	2948370.00	5617366.00	4056163	2948370.00		
i)	Property tax	2798370.00	5617366.00	3975873	2798370.00		
ii)	Other tax (levied and collected by municipal body)	150000.00	0.00	80290	150000.00		
b)	Non-tax revenue (levied and collected by municipal body)	138639.00	1220431.00	32696	138639.00		
i)	Fees & fines	0.00	1220431.00	9255	0.00		
ii)	User Charges	0.00	0.00	0.00	0.00		
iii)	Other non-tax revenue (levied and collected by municipal body)	138639.00	0.00	23441.00	138639.00		
2	Other Revenue Receipts	4236967.00	2502529	2925277	4236967.00		
a)	Income from interest/investments	2272559.00	0.00	1563105	2272559.00		



b)	Other Revenue income	1964408.00	2502529.00	1362172	1964408.00
3.	Transfers/ Grants/ Assigned Revenues	38101042	29349806.00	15229628.00	38101042
a)	State Assigned Revenue	0.00	5293846.00	0.00	0.00
b)	State Finance Commission (SFC) Grants/ Devolution	29126473.0 0	23058074.00	6103200	29126473
c)	Octroi compensation	0.00	0.00		0.00
d)	Other State Govt. Transfer	1345220.00	0.00	0.00	1345220.00
e)	Central Finance Commission (CFC) Grant	0.00	0.00	0.00	0.00
f)	Other Central Govt. Transfer	0.00	0.00	0.00	0.00
g)	Others	7629349.00	997886.00	9126428.00	7629349.00
B.	Capital Receipts	47612267.00	67873595.00	53534107	47612267.00
1	Sale of Municipal Land	0.00	0.00	0.00	0.00
2	Loans (from State Govt. or Banks etc.)	0.00	0.00	0.00	0.00
3	State Capital Account Grant (under State Schemes etc.)	13145963	49266699.00	23444267	13145963
4	Central Capital Account Grant (under Central Schemes etc.)	34466304	17104198.00	0.00	34466304
5	Other Capital Receipts	0.00	1502698.00	30089840	0.00

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)		77753197.09	58336561.00	64738354.80	77753197.09		
1	Revenue Expenditure	28978184.00	Details have not been provided to us to annexed.	31531468	28978184.00	Not Applicable for this quarter	
1.1	Administrative Expenses, Establishment and Salaries (All Departments-Regular and Contractual Staff)	10182405.00		11225678	10182405.00		
1.2	Operation and Maintenance (O&M)	186911.00		0.00	186911.00		
1.3	Loan repayment (Interest payments)	0.00		0.00	0.00		
1.4	Others (any other revenue expenditure which is not salaries,	18608868.00		20305790	18608868.00		



	O&M or Interest Payment)				
2.	Capital Expenditure	48775013.00		33206887	48775013.00
2.1	All developmental works under Central/State specific schemes	46288148.00		32191814	46288148.00
2.2	Loan Repayments (Principal Amount)	0.00			0.00
2.3	Other Capital expenditure	2486865.00		1015073	2486865.00

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

VI. Status of implementation of Double Entry Accounting System 1

Accounting of Nagar Parishad Hilsa has not been maintained as Double Entry Accounting System. The consultant for DEAS has been appointed but financial accounts for 2018-19 are still to be prepared. The DEAS team has started work since 01/02/2019.

VII. Status of Municipal Accounts Committee; if meeting is held

Minutes of such Municipal Accounts Committee has not been provided to us to report.

5. Audit Observations

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, fee etc.**

(i) 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 is Rs. 40,000/- per tower and annual renewal fee is Rs. 10,000/- per annum per tower.

Condition –As per details provided to us there are total 12 Mobile Towers registered with this ULB up to 31.03.2019 and Rs.1086200.00has 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.

Si. No.	Mobile Name	Registration Fee	Renewal fee	Total	Int(1.5 % per month)	Total due F.Y. (18-19)
1	Tata	09.07.10	60000	100000	18000	118000
2	Airtel	09.07.10	60000	100000	18000	118000
3	Reliance	09.07.10	60000	100000	18000	118000
4	B.S.N.L	09.07.10	60000	100000	18000	118000
5	B.S.N.L	09.07.10	60000	100000	18000	118000
6	Tata	09.07.10	60000	100000	18000	118000
7	Airtel	09.07.10	60000	100000	18000	118000
8	Airtel	09.07.10	60000	100000	18000	118000
9	Vodafone	09.07.10	60000	100000	18000	118000
10	Vodafone	09.07.10	60000	100000	18000	118000
11	Reliance Jio	2017-18	10000	50000	9000	59000
12	Reliance Jio	2018-19	0	40000	7200	47200
Total						1286200.00
Add. Renewal: Renewal Fee(18-19)						120000.00
Less; Received(18-19)						320000.00
Amount Due						1086200.00

(ii) 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.



(iii) 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 month 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.

(iv) 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 2019 is Rs. 961599/-

Consequence / Effect / Impact- Holding / Property Taxis 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.

Year	Total Demand			Total Recovery			Total Arrear		
	Arrear	Current	Total	Arrear	Current	Total	Arrear	Current	Total
2018-19	2693472	2244000	4937472	0	760444+ 1340360 +1054783 +820286	3975873	961599	0	961599



(v) **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– ULB has no any own shop in their Nagar Parishad.

Consequence / Effect / Impact- ULB has no any own shop in their Nagar Parishad.

Cause– ULB has no any own shop in their Nagar Parishad.

Corrective Action / Recommendation– ULB has no any own shop in their Nagar Parishad.

b. **Excess payment against bill, lack of prudence in payment against voucher, inefficiency in controls resulting loss to ULB's:**

➤ No observation found during the course of audit.

c. **Report on findings of field survey of Property Tax of minimum 20 high value properties:**

Report on field survey of 20 high value properties

“Sheet A”

Sl. No.	Owner Property Name	Add Of Owner	Ward No		Taxable area	Rate/sq ft (Rate *.70/.80)	Annual rent	Annual Property Tax@9 %	Residential/ Commercial/other	Remarks
1	Badru Jamal	Late MD. Jalil	12	Pcc	1263	9*.70	7957	716	Residential	No variance found
2	Kushmi Devi	Ramiswar Gop	13	Pcc	1470	9*.70	9261	833.49	Residential	No variance found
3	Mahesh Prasad	Jeevan Mehto	14	Pcc	1972	6*.70	8282	745	Residential	No variance found
4	Mahtab Alam	Islam Ulhaq	15	Pcc	420	18*.70	5292	476	Other	No variance found
5	Jeera Kunwar	Shiv Nath	16	Pcc	762	9*.70	4800	432	Residential	No variance found
6	Mamta Sinha	Satish Kumar	17	Pcc	6000	18*.70	75600	6804	Other	No variance found
7	Raghunath Singh	Golahi Singh	18	Pcc	3600	9*.70	22620	20412	Residential	No variance found



8	Suresha Khatun	Habiullah	19	Pcc	418	12*.7 0	3511	316	Residential	No variance found
9	Binda Devi	Kapildev Tiwari	20	Pcc	1695	36*.8 0	48816	4393	Commercial	No variance found
10	Raju Singh	Shivjari Singh	21	Pcc	4798	36*.8 0	138182	12436.0 0	commercial	No variance found
11	Nand Ji Upadhyay	Ram Ajor Upadhyay	22	Pcc	3528	6*.70	14817	1333	Residential	No variance found
12	Saroja Devi	Ram Bhajan Ram	23	Pcc	2800	36*.8 0	80640	7257	commercial	No variance found
13	Sarfraz Hussain	Izhar Khan	24	Pcc	858	9*.70	5405	486	Residential	No variance found
14	Mahadev Prasad	Sitaram Sah	25	Pcc	1764	9*.70	11113.2	1000.00	Residential	No variance found
15	Lalan Prasad	Sitaram Lal	26	Pcc	960	12*.7 0	8064	725.00	Residential	No variance found
16	Rama Prasad	Tegri Ram	27	Pcc	544	18*.8 0	7833	705	Commercial	No variance found
17	Aasha Kunwar	Gyanchandra Keshri	28	Pcc	1125	18*.8 0	16200	1458.00	Commercial	No variance found
18	Vijay Singh	Julmdhari Singh	29	Pcc	989	9*.70	6230	560.00	Residential	No variance found
19	Chandradev Prasad	Late Kameshwar Prasad	30	Pcc	3380	9*.70	21294	1916.00	Residential	No variance found
20	Arla Khatun	Balir Alam	31	Pcc	2112	6*.70	8870.	800.00	Residential	No variance found

Note: Property / Holding tax are assessed by the ULB. On test check basis, we have calculated the area and no variance found. However, it is very difficult to do the Field Survey due to resentment of property holders and sometimes it gets very ugly.

ii. 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	Fixed Assets Register	Not Maintained
2	Royalty Register	Not Maintained
3	TDS Register	Not Maintained
4	Statutory deduction Register	Not Maintained



b. Irregularity in procurement process: -

As per TOR we have checked and verified all procurements above Rs. 15000 and no irregularity found in this regard.

Details of some of the procurements above Rs. 15000 are mentioned below:

Sr. No.	Contractor Name	Agreement No.	Ward No.	Amount
1.	Sobha Kumari	15/17-18 (14 th Fin)	20	601300.00
2.	Shudhanshu shekhar	16/16-17 (14 th Fin)	15	201100.00
3.	Arun kr chaudhari	26/17-18 (14 th Fin)	15	250400.00
4.	Manoj ku	09/17-18 (MMNG)	08	740600.00
5.	Ajya ku	27/17-18	23	833100.00

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

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

- (1) Non collection of various taxes required to be collected.
- (2) Non maintenance of prescribe books of accounts.
- (3) Non submission of UC and other reports on timely basis.

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 land and building
- Surcharge on transfer of land and building.
- Tax on deficit in parking space in any non-residential building.
- Water tax,
- Fire tax,
- Tax on advertisement
- Surcharges on entertainment tax,

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

And Income Tax Act 1962 and Vat Act 2005 are not properly followed by Ulb.

- Proper Sec of TDS Deduction is not conduct.



- According to VAT Act 2005 VAT is deducting from the payment but ULB is not in practice to deduct VAT from the payment at the time of procurement of machine or goods.
- VAT is deducting from the departmental work on whole of the work but it is levy only 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.
2. 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, GST and other relevant statute: -

- Quarterly Return for TDS has not been filed for the FY_2018-19.
- Quarterly Return for GST has not been filed for the FY_2018-19.

g. Deficiency in pay-roll system: -

There is no system of Payroll implemented at the ULB. So, we are unable to comment on the same. Moreover, there is no Register has been shown to us during the period of internal audit, records relating to statutory deduction like PF, ESIC, and Income tax etc. Thus we are unable to comment in the deficiency in pay-roll system.

h. Utilizations of grant and report on Pending/missing Utilization certificates for the FY_2018-19.

During the course of audit we observed that some of the UCs are pending for submission to the UD & HD and the details of pending UCs are as follows:-

S. No.	Name of Scheme	Letter No.	Amt. Allotted	UC Pending Amt.
1.	5 th Finance	47/14.09.2017	119.58	56.68
2.	14 th Finance	98/24.01.2018	47.99	47.99
3.	City Manager Salary	08/24.05.2018	1.97	1.97
4.	Pesakar	77/24.10.2018	18.74	3.54
5.	City Manager Salary	42/29.11.2019	1.97	0.40



6.	EO Salary	87/20.11.2018	5.15	2.03
7.	Nali Gali Yojna	48/17.12.2018	65.75	30.00
8.	Chairman & Ward Parsad Bhatta	106/09.03.2019	6.48	5.94
9.	Electricity Bill	135/30.03.2019	63.62	11.87

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: - Nil

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.	No observation found in this regard.
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 above in Point 5, Part A(c).



3	<p>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</p> <p>Rule 22: All moneys to be brought to account</p> <p>Rule: 27: Collections to be deposited into Bank on the same day.</p> <p>Rule 69: Grant Related Compliance</p> <p>Rule 120-121: Monthly Receipt & Payment Account and Trial Balance</p> <p>Rule 130: Audit to be completed & reported within 6 month</p>	<p>Rule 22: We have found that all money has been brought to account but delayed.</p> <p>Rule 27: We have observed that the collected money has not to be deposited into Bank Account on time.</p> <table border="1" data-bbox="790 548 1428 772"> <thead> <tr> <th>Receipt No.</th> <th>Amt</th> <th>Period</th> <th>Deposit date</th> </tr> </thead> <tbody> <tr> <td>5643 to 5652</td> <td>Rs. 27676</td> <td>02/03/2019</td> <td>26/03/2019</td> </tr> <tr> <td>5657 to 5665</td> <td>Rs.57113</td> <td>14/03/2019</td> <td>31/03/2019</td> </tr> </tbody> </table> <p>Rule 69: Grant related compliance has been done properly.</p> <p>Rule 120-121: Monthly Receipt & Payment Account and Trial Balance are not being prepared.</p> <p>Rule 130 is not being followed.</p>	Receipt No.	Amt	Period	Deposit date	5643 to 5652	Rs. 27676	02/03/2019	26/03/2019	5657 to 5665	Rs.57113	14/03/2019	31/03/2019
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4	<p>Whether all such compliance of financial guidelines of schemes of MOHUA and UD & HD, Gob have been complied.</p>	<p>Yes, Compliance of financial guidelines of schemes of MOHUA and UD & HD, Gob have been complied.</p>												
5	<p>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, Sairat etc. have incurred then quantify the same.</p>	<p>Loss of Rs 1086200.00/- has been made to the ULB for non-collection registration and renewal fee from installed transmission tower in the jurisdiction of ULB.</p> <p>There are no cases regarding collection of Advertisement Tax, Notice Fee and Trade License has been observed during the course of our audit.</p>												
6	<p>Status of adequacy and appropriateness of the</p>	<p>No Observation Found in this regard.</p>												



	documentation, approvals, compliance of procedures etc. of all payments on or above Rs. 10,000.																															
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/-	<p>No, up to Rs. 50,000.00 no any Procurement made and Procurement Register is kept.</p> <p>Details of some of the cases are:-</p> <table border="1"> <thead> <tr> <th>Sr. No.</th> <th>Contractor Name</th> <th>Agreement No.</th> <th>Ward No.</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Sobha Kumari</td> <td>15/17-18 (14th Fin)</td> <td>20</td> <td>601300.00</td> </tr> <tr> <td>2.</td> <td>Shudhanshu Shekhar</td> <td>16/16-17 (14th Fin)</td> <td>15</td> <td>201100.00</td> </tr> <tr> <td>3.</td> <td>Arun kr chaudhari</td> <td>26/17-18 (14th Fin)</td> <td>15</td> <td>250400.00</td> </tr> <tr> <td>4.</td> <td>Manoj ku</td> <td>09/17-18 (MMNG)</td> <td>08</td> <td>740600.00</td> </tr> <tr> <td>5.</td> <td>Ajya ku</td> <td>27/17-18</td> <td>23</td> <td>833100.00</td> </tr> </tbody> </table>	Sr. No.	Contractor Name	Agreement No.	Ward No.	Amount	1.	Sobha Kumari	15/17-18 (14 th Fin)	20	601300.00	2.	Shudhanshu Shekhar	16/16-17 (14 th Fin)	15	201100.00	3.	Arun kr chaudhari	26/17-18 (14 th Fin)	15	250400.00	4.	Manoj ku	09/17-18 (MMNG)	08	740600.00	5.	Ajya ku	27/17-18	23	833100.00
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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.	<p>UC of Rs. 21301000.00 various scheme are pending for submission to the Urban Development & housing Department till the financial year 2018-19.</p> <p>However, we are trying our best to help the ULB to get all the UCs prepared and submitted in due course and it will be done in due course.</p> <p>Details of these are given above in point no. h of Part-B</p>																														
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 been verified such instances and found some irregularities. Details of irregularity have 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 issued found in this regards.
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.	<p>We observed that statutory compliance has not been accomplished by ULB regarding deduction, deposit and return also.</p> <p>Details of major statutory irregularities are:</p> <ul style="list-style-type: none"> • TDS return has not been filled. • TDS have not been deposited appropriately. • GST return has not been filled. <p>Penalty and Interest may be levied on ULB as per Statutory Laws.</p>

General Observations: -

There is lots 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



UDIN - 20079322 AAAADN7403

Date - 04/06/2020

R.N.Singh & co.

Chartered Accountants

NAGAR PARISAD HILSA

Discussion Notes for Fourth Quarter of 2018-19

Sl. No.	Observation	Management Remarks
	Holding tax is not deposited on same day according to the time stipulated in Municipal Act 2007. The Detail has been given-	नगरपालिकाको एमटीए अन्तर्गत
	Date of Collection Receipt No. Amount Deposit Date	31/03/19
1	02/03/2019 5643 to 5652 Rs. 27676 26/03/2019	
1	14/03/2019 5657 to 5665 Rs. 57113 31/03/2019	
2	Bank Reconciliation Statement is not prepared month wise for 4th Quartet of F.Y 2018-19.	double entry team को साथ थपत किताब मा अरु छैन
3	No action is taken by Nagar Parisad Hilsa for collection of Tower Tax.	आयुक्तिको साथ नोटेस अन्तर्गत किताब अन्तर्गत छैन
4	Nagar Parisad Hilsa is not in practices to follow Double entry Accounting System. It is due to lack of adequate acknowledge.	double entry को साथ नोटेस अन्तर्गत नोटेस अरु छैन
5	Quarterly Return for TDS has not been filed for 4th quarter of F.Y -2018-19.	नगरपालिकाको एमटीए अन्तर्गत 31/03/19
6	Nagar Panchyat ^{राजि} rajgir is not Maintain fixed asset register .	double entry team को साथ नोटेस अन्तर्गत नोटेस अरु छैन
7	Various registers, books of records etc. are not being prepared by the ULB. Such as, Statutory Register with regards TDS, VAT, Royalty etc.	व्यक्तिगत किताब अन्तर्गत किताब अरु छैन
8	Some amount of grant allotted to Nagar parisad but against these allotments, no UCs submitted.	अन्तर्गत अन्तर्गत अन्तर्गत UC अन्तर्गत अन्तर्गत



8 03/08/2019
R.N. Singh

दिनांक 03/08/19
नगर कार्यपालिका महासचिवको
अधीन नगर परिषद हिल्सा
(हिल्सा)

9	All observation found during the audit for f. y. 2015-16 and 1st, 2nd, 3rd and 4th Quartar 2016-17 are not complied except holding tax.	सबुपादान हरिवेदन लेखा (जिना) मा राहा छै
10	Advance Register is not mentained by ULB	अधिसार रितीम वरुन लेखा (जिना) मा राहा छै

2016/17
 G. H. Singh



पिछोटा 28/03/17
 नगर कायपालिक वडाधिकार
 (महानगर) नगर परिषद हिलसा
 3/8/16 (महानगर)

