

ANNEXURE-1

Internal Audit Report

of

ULB: Lalganj Nagar Panchayat

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

Internal Audit Conducted by:

GKSureka & Co.
Chartered Accountants
Flat No:104, Baidyanath Palace, Jagdev Path More
Bailey Road Pillar No - 10, Patna-800014 (Bihar).
Patna-800014 (Bihar).
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From 20-11-2019 to 05-12-2019

Report Issued on: 31-12-2019

Executive Summary

1. Introduction

Name of the Municipality	Lalganj Nagar Panchayat
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. Vijayshil Gautam

2. Results and Findings

Strength observed during the audit engagement	<ul style="list-style-type: none">➤ General Cash Book has been written.➤ Staff Co-operation during the Audit period was very good.➤ All municipal transactions shall be identified with funds in accordance with rule 5, and separate accounting records have been maintained for each fund.➤ Office infrastructure is sufficient for operation.
Weakness observed in the functioning of office, maintenance of records etc. observed during the audit engagement. <i>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.</i>	<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, while UDHD has appointed KRA & Co Chartered accountant vide letter no 07/16/2018,849 but contract is not signed till the date of audit.➤ Statement of outstanding liabilities for expense in BMAR Form-55 is not maintaining by the municipality.➤ Taxes and other revenue collections from internal sources are not deposited in bank on same day.➤ The property tax register and demand collection register is not maintained by ULB so they have not been provided to us to ascertain the Total Demand and Arrear at the end of audit period.➤ Nagar Panchayat is not maintaining the demand register for various types of Taxes and Rent to be collected from the revenue resources 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.



3. Opinion

Overall opinion of the Audit team about the functioning of the Municipality

The functioning of the Municipality is very weak due to following reasons:

- Most of the prescribed Books of accounts are not maintained
- Internal Control w.r.t. collection 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.

4. Audit Recommendations

The recommendations of Audit team on the observed weakness

We recommend the followings:

- 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.
 - Cashier 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.
 - Demand Collection Register of all the wards should be prepared.
 - Property tax register should be prepared as per
- Collection from own sources should be improved.



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 Lalganj Nagar Panchayat (Executive Officer)
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6. Acknowledgment

We thank Mr. Vijayshil Gautam (Executive Officer), Mr. Geeta Prakash (Head Clerk Cum Accountant) and Mr. Ravi Prakash Tripathi (Cashier) for their support during the period of our audit. We are also thankful to Shambhu Nath Pandit (Tax Daroga) 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. - 5130180


CA. G.K. Sureka
Partner
M.N. - 091380



UDIN: 20091380AAAA DR 6986

Date: 24-06-2020

Detailed Audit Report

1. Introduction

The Internal audit of Lalganj Nagar Panchayat covering period from 1st April 2018 to 31th 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 Anup Kumar Singh
- ii. Mr. Piyush Singh
- iii. Mr. Irshad Siddiqui

2. Administration

The present body of the ULB has taken charge on 25-07-2019. The incumbency in the key administrative and executive position was as under:

- i. Chairman Mrs. Moni Kumari, from 25.07.2019 to till date,
- ii. Vice-Chairman : Mr. Dilip Thakur, from 25-07-2019 to till date.
- iii. Executive officer : Mr. Vijayshil Gautam , from 18.01.2019 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 cash proposed	Total No. of paras of 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.	868/13-14/22-12-2014	27	Nil	Nil	-	-	Nil	1311/29-11-2018

The Major observations of AG audit report are as under:

1. Nagar Panchayat Lalgani has purchased the solar light of R.s 17,82,000.00 from Messer Energy point New Zero Mile Muzaffarpur, But the Nagar Panchayat has not published advertisement and not invite tender which is against the Rule of Purchase.
2. Laboure Cess has not deducted in 2011-12 & 2012-13 which is total 20966/-
3. Non-Collection of Stamp Duty: - According to Chief Secretary Bihar Letter no 1920 dated 14-08-2002 that at the time of Endowment of Sairat the Nagar Panchayat has to Collect the Stamp Duty 3% of Endowment amount which is Rs. 2,24,769/- is collectable from responsible person.
4. Nagar Panchayat has not maintained the Grant Register therefore this is not possible to ascertain the un-spent amount of grant for the year end 31-03-2013.



4. Finance

I. Budgetary provisions and expenditure for the last three years

Year	2016-17	2017-18	2018-19
Final/ Revised Budget	35,23,29,958	51,95,65,970	57,47,87,410
Actual Expenditure	6,93,53,551	8,75,30,256	5,63,82,862
Savings (+)/ Excess (-)	28,29,76,407	43,20,35,714	51,84,04,548

II. Volume of transactions

Period	Budgeted 2018-19	Previous Year (For One year) FY 2017-18	Corresponding period of 2016-17 (Budgeted Figure)	Current Period FY 2018-19	Cumulative for the current Period
Opening Balance	82,41,521	10,89,57,304	6,78,74,511	8,36,23,517*	8,36,23,517*
Receipts	57,28,48,500	6,52,35,834	11,04,36,344	15,81,46,634	15,81,46,634
TOTAL	58,10,90,021	17,41,93,138	17,83,10,855	24,17,70,151	24,17,70,151
Net Expenditure	57,47,87,410	8,75,30,256	6,93,53,551	5,63,82,862	5,63,82,862
Closing Balance	63,02,611	8,66,62,882*	10,89,57,304	18,53,87,289	18,53,87,289

*Details of Difference in opening Balance of Rs. 30,39,364 (8,66,62,882-8,36,23,517) are as follows :

Rs. 28,81,380 – Refund to Govt. Head.
Rs. 1,57,985 – Advance to Staffs.



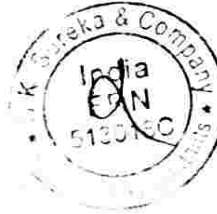
III. Bank Reconciliation

Closing Bank Balance & Cash Book year end with details

S.N	Bank Name	Account No	Name of Scheme	Bank Balance as on 31-03-2019	Cash Balance as on 31-03-2019	Difference
1	PLA	PLA-161	14 th ,5 th ,Nali gali, Nagrik Swidha etc	100074957.00	100074957.20	00.20
2	SBI	612167	BRGF, Own Source	3622736.00	3602736.00	20000.00
3	SBI	251085	House For All	69730108.00	69730108.00	0.00
4	SBI	425701	C.M Urban Nali Gali Scheme	9292738.00	9292738.10	-0.10
5	SBI	493946	C.M Urban Drinking Water	208206.00	208205.50	0.50
6	SBI	381761	DNULM	50400.00	50400.00	0.00
7	CBI	599132	Own Source	844513.00	844513.00	0.00
8	CBI	285775	Swachh Bharat Mission	251740.00	259243.20	-7503.20
9	BOI	10013223	SSPY & Kabir Antiyosti Yojna	585833.00	585833.00	0.00
10	UBGB	10000215	Own Source	738555.00	738555.00	0.00
Total Bank Balance as on Year end 2018-19				185399786.00	185387289.00	12,497.00

Details of Bank Accounts and their reconciliation position are as under:

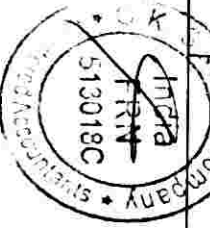
➤ Reconciled.



IV. Revenue & Capital Receipts

Income Details (Amounts to be provided in Rupees)

S. No.	Details	2017-18		2018-19		2019-20		2019-20	
		2017-18	2016-17	2018-19	2017-18	2019-20	2018-19	2019-20	
	Total Receipts (A+B)	6,52,35,834	15,81,46,634	6,52,35,834		15,81,46,634			
A	Revenue Receipts (1+2+3)	94,79,835	1,76,90,206	94,79,835		1,76,90,206			
1	Own Revenue Receipts (a+b)	69,10,847	35,74,336	69,10,847		35,74,336			
a)	Tax Revenue (levied and collected by municipal body)	69,10,847	35,74,336	69,10,847		35,74,336			
j)	Property Tax		35,74,336			35,74,336			
ii)	Other Tax (levied and collected by municipal body)								
b)	Non-Tax Revenue (levied and collected by municipal body)								
i)	Fees & Fines								
ii)	User Charges								
iii)	Other non-tax revenue (levied and collected by municipal body)								
2	Other Revenue Receipts	4,95,432	13,91,231	4,95,432		13,91,231			
a)	Income from interest/investments	4,95,432	13,91,231	4,95,432		13,91,231			
b)	Other Revenue Income								
3	Transfers/ Grants/ Assigned Revenues	20,73,556	1,27,24,639	20,73,556		1,27,24,639			
a)	State Assigned Revenue	12,37,556	1,16,07,904	12,37,556		1,16,07,904			
b)	Grant for the salary of Executive Officer, Chairman, Vice Chairman & Counciller		7,00,000			7,00,000			
c)	Octroi Compensation								
d)	Other State Government Transfers								
e)	Central Finance Commission (CFC) Grant								
f)	Other Central Government Transfers								
g)	Others	8,36,000	4,16,735	8,36,000		4,16,735			
B	Capital Receipts	5,57,55,999	14,04,56,428	5,57,55,999		14,04,56,428			
1	Sale of Municipal Land								
2	Loans (from State Govt. or Banks etc.)								
3	State Capital Account Grant (under Central Schemes etc.)	2,77,25,133	6,32,51,094	2,77,25,133		6,32,51,094			
4	Central Capital Account Grant (under Central Schemes etc.)	2,80,30,866	7,72,05,334	2,80,30,866		7,72,05,334			
5	Other Capital Receipts								



V. Revenue and Capital Expenditure Information
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
	Total Expenditure	8,75,30,256	Not Available	5,63,82,862	8,75,30,256	Not Applicable	5,63,82,862
1	Revenue Expenditure	4,96,20,715	--do--	3,75,98,158	4,96,20,715	--do--	3,75,98,158
1.1	Administrative Expenses, Establishment and Salaries (All Departments- Regular and Contractual Staff)	1,43,34,468	--do--	1,85,23,070	1,43,34,468	--do--	1,85,23,070
1.2	Operation and Maintenance (O&M)	16,90,704	--do--	21,74,750	16,90,704	--do--	21,74,750
1.3	Loan Repayment (Interest payments)		--do--	-	-	--do--	-
1.4	Others (any other revenue expenditure which is not salaries O&M or Interest Payment)	3,35,95,543	--do--	1,69,00,338	3,35,95,543	--do--	1,69,00,338
2	Capital Expenditure	3,79,09,541	--do--	1,87,84,704	3,79,09,541	--do--	1,87,84,704
2.1	All developmental works under Central/ State specific schemes	2,79,05,807	--do--	1,74,82,494	2,79,05,807	--do--	1,74,82,494
2.2	Loan Repayment (Principal Amount)		--do--	-	-	--do--	-
2.3	Other Capital Expenditure	1,00,03,734	--do--	13,02,210	1,00,03,734	--do--	13,02,210



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.
- 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. : 755641575
- 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.

Holding tax collected during the of financial year 2018-19 had not been deposited in full, we found short deposit of Rs. 1,17,068.80/- against total collection of Rs. 15,70,313.14/- and deposit of Rs. 14,53,244.34/-

NAME OF WARD	NAME OF COLLECTOR	COLLECTION	DEPOSIT	CASH HOLD WITH COLLECTOR
6,7,8,9 & 10	Mr Jai Kumar Sharma	5,34,795.70	5,12,050.90	22,744.80
11 To 19	Mr Devendra Thakur	4,87,856.26	4,19,232.80	68,623.46
	Shambhu Nath Pandit	35,343.20	35,343.20	0.00
	Sonu Kumar	46,092.05	28,704.03	17,388.02
1 To 5	Mr Ajay Kumar Sharma	4,66,225.93	4,57,913.41	8,312.52
GRAND TOTAL HOLDING TAX		15,70,313.14	14,53,244.34	1,17,068.80

Note: - Total amount of Tax collection held with tax collectors has been deposited in April 2019 except Mr. Devendra Nath Thakur Who has short deposited amount ₹7487/-.

Consequence/Effect/Impact:

As per Rule 27 of BMAR it should be deposited on daily basis otherwise a penalty up to Rs. 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 @ Rs. 30,000/- and annual renewal fees @ Rs.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-2

Tower tax (Registration and Renewal Fees) is not being collected on timely basis as more than Rs. 90,24,320/- is receivable from tower tax.

Mobile Tower Dues on 31-03-2019

S.N	Owner of Tower	No Of Tower	Year Of Installation	Total Dues as on 31-03-2019
1	M.T.S	1	2008-09	1,93,160
2	VIOM NETWORK	2	2008-09	17,06,400
3	AIRCEL	3	2008-09	24,51,120
4	IDEA	2	2008-09	8,81,880
5	B.S.N.L	1	2008-09	10,23,680
6	RELIANCE	1	2008-09	9,85,680
7	AIRTEL	2	2008-09	17,82,400
TOTAL				90,24,320

Consequence/Effect/Impact:

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

Cause:

This happens sue 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:

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

Cause:

This happens due to failure of designated staff and non-monitoring of authorised 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.

Condition:

Records of shop rent not maintained as per required norms, shop rent is not being collected on timely basis as more than Rs.2,81,031.00/- is receivable as shop rent.

Shop Rent Due till 31st March 2019

S.N	Name of Shop Holder	Fathers Name	Amt Due till March 2019
1	Jag Narayan Sah	Kanti Sah	313
2	Balram Sharma	Late Raja Ram Prasad	726
3	Kamleshwar Pd Sah	Late Raja Ram Prasad	30121
3	Md Mushtaque	Abdul Rahim Faridi	413
4	Abhay Kumar	Vishwanath Rai	54102
5	Shambhu Pd Sah	Rambriksh Sah	5625
6	Himanshu Kumar	Kanhaiya Ji	9338
7	Pradeep Kumar	Bhagwan Lal	19250
8	Gopal Pd Sah	Late Raja Ram Prasad	13056
9	Mithilesh Kumar Sharma	Baldev Sharma	3750
10	Ramnaresh Bhagat	Bindeshwar Bhagat	17215
11	Parshuram Sharma	Mahaveer Sharma	12192
12	Pradhumn Sharma	Dashrath Sharma	23622
13	Akhileshwar Ps Sah	Late Raja Ram Prasad	34408
14	Akhileshwar Ps Sinha	Late Kailash Prasad	10500



15	Shadab Alam		39000
16	Jagarnath Singh	Md Samiuddin	3384
17	Suresh Singh	Mahaveer Singh	376
		Nirapdev Singh	
18	Mrs. Kala Devi	Late Jagnarayan Chaudhary	3640
Total Due for the period of 2018-19			281031

Consequence/Effect/Impact:

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

Cause:

This happens due to failure of designated staff and non-monitoring of authorised 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 no irregularities observed.



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

Field survey of 20 high value properties has been conducted by us and our report thereon is:

S.N	Name of Holder	Father/Husband Name	Ward No	Holding No	Type of House	Type Of Road	Holding Tax	Annual Value	Remarks
1	Deenbandhu Chaudhary	Jageshwar Chaudhary	1	121	Commercial	Main	633.00	7033.33	No variance observed
2	Gorakh Sah	Late Raghunath Sah	1	126	Commercial	Main	848.00	9422.22	--do--
3	Kapil Dev Bhagat	Late Faudar Bhagat	1	145	Comm/Resi	Main	880.00	9777.78	--do--
4	Urnula Devi	Umashankar Chaudhary	1	187	Commercial	Main	704.00	7822.22	--do--
5	Krishkant Rai	Moti Rai	3	432	Commercial	Main	1126.00	12511.11	--do--
6	Umacharan Gai	Late Adhya Ram Gai	3	10	Residential	Other	899.00	9988.89	--do--
7	Chandrawati Devi	Late Ramhari Prasad	3	15	Commercial	Main	2458.00	27311.11	--do--
8	Ajay Kumar	Late Saryug Kumar Suman	3	48	Commercial	Principle	1491.00	16566.67	--do--
9	Kiran Shahi	Sharad Shahi	3	141	Commercial	Main	2249.00	24988.89	--do--
10	Mathura Prasad	Late Vishwanath Prasad	4	476	Comm/Resi	Main	1905.00	21166.67	--do--
11	Nand Kishore Singh	Late Ramakant Singh	4	513	Commercial	Principle	2252.00	25022.22	--do--
12	Jai Mangal Singh	Late Ramchandra Singh	4	514	Commercial	Principle	1692.00	18800.00	--do--
13	Sitaran Singh	Late Ramchandra Singh	4	515	Commercial	Principle	1692.00	18800.00	--do--
14	Baidhnath Pd Panjiyar	Late Basudev Panjiyar	4	516	Commercial	Principle	1805.00	20055.56	--do--
15	Surajdev Prasad	Late Mahadev Prasad	5	27	Residential	Main	694.00	7711.11	--do--
16	Kamleshwar Prasad	Late Parikshan Chaudhary	5	104	Residential	Main	457.00	5077.78	--do--
17	Gita Devi	Late Lalbabu Prasad	5	158	Residential	Main	714.00	7933.33	--do--
18	Shyambabu Prasad	Late Mathura Prasad	5	175	Residential	Main	802.00	8911.11	--do--
19	Nirmala Devi	Dr Manoj Kumar Singh	6	34	Residential	Other	671.20	7457.78	--do--
20	Premshila Devi	Jaisankar Chaudhary	6	54	Residential	Other	629.80	6997.78	--do--



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 Maintained
5.	Assessment Register	Not Provided

Recommendation:

We recommend to the Nagar Panchayat to Prepare and update the required books and registers.

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:

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

Recommendation:

We recommend to the Nagar Panchayat to comply with directives issued UD&HD, GOB.

d. Non Compliance of Act & Rules

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

- i. Property tax on lands and buildings.
- ii. Surcharge on transfer of lands and buildings,
- iii. 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.

Recommendation:

We recommend to the Nagar Panchayat to levy the above taxes and user charges.

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 Rs. 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.
- 5) Due collection of revenue on old rates there is significant loss the N.P. Quantification of loss is not possible at this point of time.
- 6) 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.
- 7) Tower tax dues are not collected on time basis.
- 8) Tender of Ghat, Crematorium, Gate, Palm trees and lands are not done on yearly basis.
- 9) Advance Register is not prepared hence it is difficult to monitor for advances given and adjustment thereof.
- 10) 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 Govt. account on timely basis otherwise penal action may be taken by the concerned department for delayed deposit of taxes.

Recommendation:



We recommend to the Nagar Panchayat to comply with the above mentioned internal controls weakness for fair presentation of financial position.

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

- The municipality is 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 has been deposited in full to the concerned departments.

Recommendation:

We recommend to the Nagar Panchayat to comply with the above mentioned statutory duty levied regarding collection and deposit.

g. Deficiency in Pay-roll System

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

Recommendation:

We recommend to the Nagar Parishad to maintain all record related to payroll and comply statutory compliance of Provident fund and Employees State Insurance.

h. Utilization of Grant and report on missing Utilization Certificates

Grant Register has not been prepared and no utilization certificates has submitted to UDHD during the period of 2018-19.

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 recommend to the Nagar Panchayat to maintain all record related to Inventories.

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.

Recommendation:

We recommend to the Nagar Panchayat to make proper adjustment of advances given



to different person.

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

Variance in Major Heads: Amount Financial Year 2017-18: Refer Above in Finance section.

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.

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.

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.

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 20 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;

Field survey of 20 high value properties has been conducted by us and our report as annexed in Part-A Point-3 of this report.

Auditor should Report on compliance of Bihar Municipal Accounting Manual, Bihar Municipal Accounts Rules, 2014 and Bihar Municipal Budget Manual with special attention to following Rules of BMAR

- a) Rule 22: All moneys to be brought to account
- b) Rule: 27: Collections to be deposited into Bank on the same day
- c) Rule 69: Grant Related Compliance
- d) Rule 120-121: Monthly Receipt & Payment Account and Trial Balance
- e. Rule 130: Audit to be completed & reported within 6 month

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.

Till date Double Entry Accounting System is not operational in the Nagar Panchayat.

Internal control for collections of revenue from internal sources is not adequate such as :

Demand register is not maintained.



	<p>All the collections are not deposited in bank account on same day.</p> <p>Monthly Receipt & Payment Account and Trial Balance has not been prepared.</p> <p>Audit of accounts is not completed and report has not been submitted within 6 month.</p>																																								
d. Report on compliance of financial guidelines of schemes of MOHUA and UD & HD, GoB.	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.																																								
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>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.</p> <p>Reconciliation of property tax collection by tax collector and amount deposited into bank is also not available.</p> <p>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.</p>																																								
f. Auditor should Report on adequacy and appropriateness of the documentation, approvals, compliance of procedures etc. of all payments above Rs.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 Rs. 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.	<p>Detail of Grant received for the period of 01-04-2018- to 31-03-2019</p> <table border="1"> <thead> <tr> <th>S.N</th> <th>Letter No & Date</th> <th>Scheme</th> <th>Amount Of Allotment</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>1160/03-04-2018</td> <td>Additional Stamp Duty</td> <td>99,99,934.00</td> </tr> <tr> <td>2</td> <td>07/22-05-2018</td> <td>Salary of Excutive Officer</td> <td>7,00,000.00</td> </tr> <tr> <td>3</td> <td>3441/03-07-2018</td> <td>5th Finance</td> <td>1,32,12,291.00</td> </tr> <tr> <td>3</td> <td>21/10-07-2018</td> <td>5th Finance</td> <td>1,35,12,153.00</td> </tr> <tr> <td>4</td> <td>77/11-1-18</td> <td>DNULM</td> <td>1,85,019.00</td> </tr> <tr> <td>5</td> <td>39/18-09-2018</td> <td>Safai Bewastha Me Sudhar</td> <td>35,81,400.00</td> </tr> <tr> <td>6</td> <td>27/24-10-18</td> <td>Professional Tax</td> <td>16,07,970.00</td> </tr> <tr> <td>7</td> <td>32/31-10-2018</td> <td>14th Finance</td> <td>79,96,028.00</td> </tr> <tr> <td>8</td> <td>813/8-12-2018</td> <td>SSPY</td> <td>30,000.00</td> </tr> </tbody> </table>	S.N	Letter No & Date	Scheme	Amount Of Allotment	1	1160/03-04-2018	Additional Stamp Duty	99,99,934.00	2	07/22-05-2018	Salary of Excutive Officer	7,00,000.00	3	3441/03-07-2018	5th Finance	1,32,12,291.00	3	21/10-07-2018	5th Finance	1,35,12,153.00	4	77/11-1-18	DNULM	1,85,019.00	5	39/18-09-2018	Safai Bewastha Me Sudhar	35,81,400.00	6	27/24-10-18	Professional Tax	16,07,970.00	7	32/31-10-2018	14th Finance	79,96,028.00	8	813/8-12-2018	SSPY	30,000.00
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9	633/11-12-2018	HFA	6,52,20,000.00
10	97/06-03-2019	Path Aur Puliya Nirman	3,29,15,250.00
11	67/1-02-2019	HFA For GEO Tagging	1,57,200.00
12	19-03-2019 NEFT	HFA	36,20,000.00
Total Grant Receipt during the period			15,27,37,245.00

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.

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.

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.

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.

m. Internal Auditor will identify major areas of ULBs own revenue loss and auditor will access the loss and Prepare a statement of loss.

Instances of losses, failures or inefficiencies
 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.

Recommendations and/or measures which can be taken to avoid their recurrence in future.

Proper monitoring of all transactions and implementation of Bihar Municipal Accounting Manual by authorised personals are recommended.

No such irregularities observed on test check basis.

No such FD.s held by Nagar Panchayat.

S. No.	Particulars	Amount	Reason
1	Property Tax	1,17,068.80	Hold with the tax collectors.
2	Tower Tax	90,24,320.00	Non-Recovery/Delay in collection.
3	Shop Rent	2,81,031.00	Non-Recovery/Delay in collection.
4	Advertisement Tax	--	Nagar Panchayat is



<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>not collecting any advertisement tax. No irregularities observed in deduction and depositing the various taxes.</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 provided with the AG Audit Report and Internal Audit Report, we found that the observation raised by AG auditor was complied.</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. Gopal Kumar Sureka
Partner
M.N. 091380



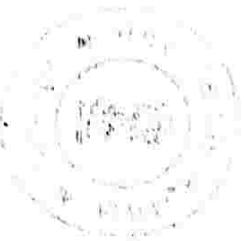
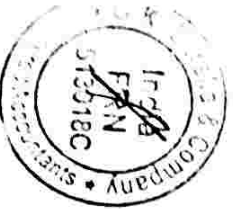
UDIN: 20091380AAAA DR6986
Date: 24-06-2020

Government of Bihar
Lalganj Nagar Panchayat

Discussion Note for Internal Audit observation of FY 2018-19

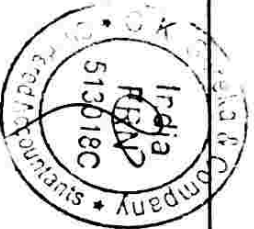
Discussion has been made with the audit manager of the internal audit Firm M/s G.K. Sureka & Co on the Internal Audit observations of the financial year 2018-19 and we kept in mind and follow their recommendations and suggestions on the areas of process and control weakness in best manner. Some of the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

<u>S. No</u>	<u>Audit Observations</u>	<u>Reply of Management</u>
1.	Copy of Internal audit report of FY 2016-17 has not been available to us for verification and to know status of compliance of outstanding audit paras.	Will be provided soon.
2.	Bank Reconciliation statement has not been prepared on regular intervals. i.e. Monthly/Quarterly, Account and Scheme wise Bank reconciliation not prepared and corresponding Book Balance and Pass balance not provided of respective accounts.	Preparation of Bank Reconciliation Statement is in progress. It will be provided as soon as possible.
3.	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.



[Handwritten signature]
10/10/20

4.	Constitution of "Municipal Accounts Committee" is pending yet.	We are working on the constitution of Municipal Accounts Committee												
5.	<p>a. Holding Tax collected during the FY 2018-19 had not been deposited in full, we found short deposit of Rs.1,17,068/-</p> <p>b. Property Tax should be deposited on daily basis otherwise a penalty up to Rs. 5000/- may be imposed for delayed deposit.</p>	<p>a) Short deposit of Rs. 1,17,068/- has been deposited in bank.</p> <p>b) Noted for further compliance</p>												
6.	Tower tax (Registration and Renewal Fees) is not being collected on timely basis as more than Rs.90,24,320.00/- 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.												
7.	ULB is not collecting any advertisement tax.	We are working on it.												
8.	Uncollected shop rent for the year 2018-19 was Rs2,81,031.00/-	Notice to be issued to the concerned shop tenant.												
9.	Non-maintenance of books of accounts ,	We are working on the preparation of books and Register, few of them is prepared.												
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11. We observed that only above mentioned tax/Fee has been collected during the year other taxes have not been collected.

We are working on it. Taxes and fines will be charged/ collected as soon as possible.

i.e.

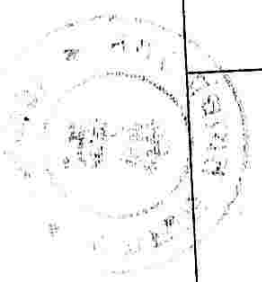
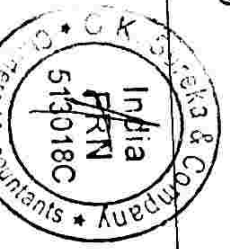
- a. Surcharge on transfer of lands and buildings,
- b. Tax on deficit in parking spaces in any non-residential building,
- c. Water tax,
- d. Fire tax,
- e. Tax on advertisements, other than advertisements published in newspapers,
- f. Surcharge on entertainment tax
- g. Surcharge on electricity consumption within the municipal area,
- h. Tax on congregations,
- i. Tax on pilgrims and tourists, and
- j. Toll –on roads, bridges, ferries and navigable channel and 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.

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

12.

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

It will be followed from next time.
Short Deposit of taxes will be deposited soon.



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<p>13. Grant Register has not been prepared hence it is difficult to ascertain unutilized grant at any particular time. We recommend to the ULB to provide the grant register for assist in preparation of utilization certificate.</p>	<p>Preparation of Grant Register is in progress. Utilization Certificate of respective grant will be prepared and submitted to the concerned department as soon as such grant utilized Help of Internal Auditor will be taken, if required.</p>
<p>14. Advance Register is not being prepared hence it is difficult to monitor for advances given and adjustment thereof. However, the list of employees who taken advances for expenditure and their outstanding balance on March 2018 has been provided.</p>	<p>It will be followed from next time</p>
<p>15. Staff strength of accounts department needs to be increased.</p>	<p>Yes, I will place this matter in meeting board/committee.</p>
<p>16. 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>
<p>17. 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>
<p>18. 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:

10/12/18
Delganj



For Nagar Panchayat Lalganj
(Executive Officer)

[Signature]