

Internal Audit Report

of

ULB: Mahnar Nagar Parishad

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

Internal Audit Conducted by:

GKSureka & Co.
Chartered Accountants
104, Baidyanath Palace, Jagdeo Path,
Bailey Road Pillar No.10, Patna-800014. (Bihar).
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From 20-09-2019 to 13-10-2019

Report Issued on: 12-11-2019

Executive Summary

1. Introduction

Name of the Municipality	Mahnar Nagar Parishad
Period Covered under Current Audit	01.04.2018 to 31.03.2019
Name of the Chief Executive Officer for the period under Audit	Executive Officer Mr Jagnath Yadav

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.➤ 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.➤ Nagar Parishad 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 new assessment.
- Collection from own sources should be improved.



5. Comments from Management

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

We thank Mr. Jaganath Yadav (Executive Officer), Mr. Kamta Prasad Rai (Head Clerk) and Mr. Baidhnath Jha (Accountant Cum Cashier) for their support during the period of our audit. We are also thankful to Jailal Rai (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. -513018C


CA. Gokul Kumar Sureka
Partner
M.N. 091380

UDIN: 20091380AAAA065197

Date: 24-06-2020

Detailed Audit Report

1. Introduction

The Internal audit of Mahnar Nagar Parishad 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 Anoop Kumar Singh
- ii. Md. Irshad Siddiqui
- iii. Mr. Kundan Kumar Raja

2. Administration

The present body of the ULB has taken charge on 09-06-2018. The incumbency in the key administrative and executive position was as under:

- i.** Chairman : Shrimati Shushila Devi, from 09.06.2018 to till date,
- ii.** Vice-Chairman : Shirimati Laila Devi, from 09-06-2017 to till date.
- iii.** Executive officer : Mr. Jagnath Yadav , 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 of cash is proposed	Total No. of audit paras where recovery has been made	Total amount of Recovery	Total No. of outstanding paras where no action has been taken	No. & date of Compliance report
1.	879/17-18 Dated: 04-04-2018	12	12	6	1	8,24,737	5	Letter No.1281 Dated:19-11-18
2.	Internal Audit Report	Not provided to us. So, we are not able to comment.						

The Major observations of AG audit report are as under:

Para No.	Audit Observation	Amount Recovered	Compliance Status
1	Irregularities in purchase of LED light amounted 67.55 lacs.	-	Noted for compliance in future.
2	Irregular endowment of Sairats.	-	--do--
3	Non Deposit/Short Deposit by Tax Collectors	8,24,737	Complied
4	Interest Amount not claimed by Nagar Parishad Rs.1.62 Lakh	-	Compliance in process
5	Non Collection of Service Tax on making of Mahnar NP Website.	-	Not Complied
6	Non Collection of development permits fees on MAP approval.	-	Not Complied
7	Outstanding balance of mobile tower tax Rs.8.20 Lakh	-	Not Complied
8	Execution of schemes on private land	-	Noted for compliance in future.
9	Irregular Payments	-	Noted for compliance in future.
10	Excess payment in cleaning work Rs.2.49 Lakh	-	Noted for compliance in future.
11	Irregular payment for advertisement to M/s Maa Vaishno/Advertiser	-	Noted for compliance in future.





4. Finance

I. Budgetary provisions and expenditure for the last three years

Year	2016-17	2017-18	2018-19
Final/ Revised Budget 2018-19	N.A	82,75,77,347	1,30,50,37,100
Actual Expenditure	N.A	6,70,94,981	9,46,89,482
Savings (+)/ Excess (-)	N.A	76,04,82,366	1,21,03,47,618

II. Volume of transactions

Period	Budgeted 2018-19	Previous year (For One year) FY 2017-18	Corresponding period of previous year 2016-17	Current Period 2018-19	Cumulative for the current period 2018-19
Opening Balance	16,63,75,140	9,29,49,480	N.A	12,12,15,317	12,12,15,317
Receipts	1,63,58,80,282	9,04,39,988	N.A	15,74,06,891	15,74,06,891
Refunded by Bank		70,05,917			
TOTAL	1,80,22,55,422	19,03,95,385	N.A	27,86,22,208	27,86,22,208
Net Expenditure	1,30,50,37,100	6,70,94,981	N.A	9,46,89,482	9,46,89,482
Transfer to Gov		20,85,087			
Closing Balance	49,72,18,322	12,12,15,317	N.A	18,39,32,726	18,39,32,726

III. Bank Reconciliation

Closing Bank Balance as on 31-03-2019 with details

S.N	Bank Name	Account No	Name of Scheme	Balance as on 31-3-2019 (Bank)	Balance as on 31-3-2019 (Cash Bank)	Difference
1	CBI	4277	E-Governance	409757.00	Account/ Scheme wise not balanced	Not Reconciled
2	CBI	6061	SJSRY 13 Finance & Internal Sorce	2430505.75		
3	CBI	6501	NULM	571486.00		
4	CBI	70253	Own Source	34367.18		
5	CBI	6668	13th Finacne	233235.00		
6	CBI	9306	4th Finance	41243.00		
7	CBI	3372	SBM	323887.00		
8	SBI	6554	BRGF	7433827.00		
9	SBI	2022	Establishment (KAY & SSPY)	2862556.80		
10	IDBI	29157	Internal Source	961689.49		



11	IDBI	39695	CM Urban Nali Gali	36781.00		
12	IDBI	39701	Nal Jal Yojna	512883.00		
13	BOB	2584	House For All	65182392.50		
14	SBI	72978	Staff Pension Fund	1690765.50		
15	P/L		14th,Own Sourcce,5th etc	99177098.05		
16	UBGB	8182	Census	28147.10		
17	Canara Bank	9232	Nal Jal Yojna	1573587.00		
18	Allahabad	609	Teachers Salary			
Total Bank Balance as on 31-03-2019				18,35,04,208.37	18,39,32,726.00	4,28,517.63

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

➤ Not Reconciled.



Income 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 Receipts (A+B)	9,04,39,988.44	Not Available	15,74,06,891.21	9,04,39,988.44	Applicable	15,74,06,891.21
A	Revenue Receipts (1+2+3)	1,19,41,026.44	--do--	1,84,26,207.21	1,19,41,026.44	--do--	1,84,26,207.21
1	Own Revenue Receipts (a+b)	30,50,981.44	--do--	32,68,085.21	30,50,981.44	--do--	32,68,085.21
a)	Tax Revenue (levied and collected by municipal body)	30,50,981.44	--do--	32,68,085.21	30,50,981.44	--do--	32,68,085.21
i)	Property Tax	3050981.44	--do--	3268085.21	3050981.44	--do--	3268085.21
ii)	Other Tax (levied and collected by municipal body)	3050981.44	--do--	3268085.21	3050981.44	--do--	3268085.21
b)	Non-Tax Revenue (levied and collected by municipal body)	--	--do--	-	--	--do--	-
i)	Fees & Fines	--	--do--	-	--	--do--	-
ii)	User Charges	--	--do--	-	--	--do--	-
iii)	Other non-tax revenue (levied and collected by municipal body)	--	--do--	-	--	--do--	-
2	Other Revenue Receipts	10,19,899.00	--do--	15,19,556.00	10,19,899.00	--do--	15,19,556.00
a)	Income from interest/investments	10,19,899.00	--do--	9,18,160.00	10,19,899.00	--do--	9,18,160.00
b)	Other Revenue Income	--	--do--	6,01,396.00	--	--do--	6,01,396.00
3	Transfers/ Grants/ Assigned Revenues	78,70,146.00	--do--	1,36,38,566.00	78,70,146.00	--do--	1,36,38,566.00
a)	State Assigned Revenue	61,67,730.00	--do--	83,61,616.00	61,67,730.00	--do--	83,61,616.00
b)	Grant for the salary of Executive Officer, Chairman, Vice Chairman & Counciller	17,02,416.00	--do--	13,66,000.00	17,02,416.00	--do--	13,66,000.00
c)	Octroi Compensation	--	--do--	-	--	--do--	-
d)	Other State Gov Transfers (State Finance Comm)	--	--do--	39,10,950.00	--	--do--	39,10,950.00
e)	Central Finance Commission (CFC) Grant	--	--do--	-	--	--do--	-
f)	Other Central Government Transfers	--	--do--	-	--	--do--	-
g)	Others	--	--do--	-	--	--do--	-
B	Capital Receipts	7,84,98,962.00	--do--	13,89,80,684.00	7,84,98,962.00	--do--	13,89,80,684.00
1	Sale of Municipal Land	--	--do--	-	--	--do--	-
2	Loans (from State Govt. or Banks etc.)	--	--do--	-	--	--do--	-
3	State Capital Account Grant (under Central Schemes etc.)	3,55,24,908.00	--do--	5,26,20,846.00	3,55,24,908.00	--do--	5,26,20,846.00
4	Central Capital Account Grant (under Central Schemes etc.)	4,29,74,054.00	--do--	8,63,59,838.00	4,29,74,054.00	--do--	8,63,59,838.00
5	Other Capital Receipts	--	--do--	-	--	--do--	-



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 (1+2)	6,70,94,981.40	Not Available	9,46,89,482.53	6,70,94,981.40	Not Applicable	9,46,89,482.53
1	Revenue Expenditure	5,16,99,061.80	--do--	5,52,47,704.08	5,16,99,061.80	--do--	5,52,47,704.08
1.1	Administrative Expenses, Establishment and Salaries (All Departments- Regular and Contractual Staff)	1,77,13,127.00	--do--	2,18,68,472.50	1,77,13,127.00	--do--	2,18,68,472.50
1.2	Operation and Maintenance (O&M)	10,80,500.00	--do--	14,45,299.28	10,80,500.00	--do--	14,45,299.28
1.3	Loan Repayment (Interest payments)	-	--do--	-	-	--do--	-
1.4	Others (any other revenue expenditure which is not salaries O&M or Interest Payment)	3,29,05,434.80	--do--	3,19,33,932.30	3,29,05,434.80	--do--	3,19,33,932.30
2	Capital Expenditure	1,53,95,919.60	--do--	3,94,41,778.45	1,53,95,919.60	--do--	3,94,41,778.45
2.1	All developmental works under Central/ State specific schemes	1,14,63,223.00	--do--	3,72,98,016.70	1,14,63,223.00	--do--	3,72,98,016.70
2.2	Loan Repayment (Principal Amount)	-	--do--	-	-	--do--	-
2.3	Other Capital Expenditure	39,32,696.60	--do--	21,43,761.75	39,32,696.60	--do--	21,43,761.75



VI. Status of Implementation of Double Entry Accounting System

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

- Appointment of KRA & CO. for DEAS for the year 2016-17 to 2019-20 done but no contract has been signed with Nagar Parishad.
- For the Year 2018-19 Double Entry Accounting System is not operational in the Nagar Parishad.
- Status of Double Entry Accounting System:
 - 1) Name of Agency Implementing DEAS: KRA & Co.
 - 2) Period: 2016-17 to 2019-20
 - 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. : 735641577
 - 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 Parishad.

Holding tax collected during the of financial year 2018-19 had not been deposited in full, we found short deposit of Rs. 4,41,250.88/- against total collection of Rs. 11,03,273.16/- and deposit of Rs. 6,62,022.28/-

NAME OF WARD	NAME OF COLLECTOR	COLLECTION	DEPOSIT	CASH HOLD WITH COLLECTOR
2,3,4,5,8,9,10 & 20	Mr Ranjeet Kumar	4,02,150.26	66,236.00	3,35,914.26
7,11,12,12,22 & 23	Mr Jailal Rai	1,00,669.79	48072.59	52,597.20
15,16,17 & 18	Mr Sitaram Singh	3,39,128.18	3,24,233.69	14,894.42
1,6,14 & 19	Mr Ashutosh Kumar	2,61,325.00	2,23,480.00	37845.00
GRAND TOTAL HOLDING TAX		11,03,273.16	6,62,022.28	4,41,250.88



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. 40,000/- and annual renewal fees @ Rs.10,000/- 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 have 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. 20,75,720/- 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 with Interest
1	TATA INDICOME	1	2007-08	4,07,520.00
2	ESSEND TELECOM	1	2017-18	21,800.00
3	AIRTEL	1	2005-06	1,36,800.00
4	IDEA CELLULAR	1	2007-08	4,07,520.00
5	B.S.N.L	1	2007-08	4,07,520.00
6	RELIANCE NETWORK	1	2005-06	5,49,160.00
7	AIRTEL	1	2007-08	1,11,800.00
8	RELIANCE JIO	1	2017-18	21,800.00
	VIOM NETWORK	1	2018-19	11,800.00
TOTAL				20,75,720.00



Consequence/Effect/Impact:

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

Cause:

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

Corrective Action/ Recommendation:

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

3. Non Collection of Advertisement Tax:

Criteria:

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

Condition

Nagar Parishad 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 Parishad.

Cause:

This is 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.

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.



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

20 High Value Property of Nagar Parishad Mahnar (Vaishali)									
S.N	Name of Holder	Father/Husband Name	Ward No	Holding No	Type of House	Type of Road	Holding Tax	Annual Value	
1	Sanjay Kumar	Prasanno Kumar	11	13	PCC	Branch Road	424.64	4718.22	
2	Bishambar Prasad Jaiswal	Gopal Pd Jaiswal	11	17	PCC	Branch Road	567.02	6300.22	
3	Sanjay Kumar	Prasanno Kumar	11	18	PCC	Branch Road	567.02	6300.22	
4	Ram Lakhon Ray	Chetna Ray	23	34	PCC	Branch Road	282.48	3138.67	
5	Rajkumar	Binda Ray	23	55	PCC	Branch Road	288	3200.00	
6	Rajgir Ray	Mathura Ray	23	56	PCC	Branch Road	297	3300.00	
7	Premalata Sinha	Anil Kumar Sinha	13	16	PCC	Branch Road	253.84	2820.44	
8	Ashok Kumar	Genalal Sah	13	31	PCC	Branch Road	532.56	5917.33	
9	Urmila Devi	Avdresh Pd Singh	13	57	PCC	Branch Road	319.76	3552.89	
10	Raghuvash Kumar Jaiswal	Motial Chaudhary	7	13	PCC	Branch Road	1019.42	11326.89	
11	Prabhawati Devi	Jagdish Pd Jaiswal	7	21	PCC	Branch Road	884.54	9828.22	
12	Omprakash Baranwal	Ramujil Lal	7	15	PCC	Branch Road	934.22	10380.22	
13	Inda Devi	Sohan Prasad	7	27	PCC	Branch Road	1093.52	12150.22	
14	Suraj Ray	Siya Ray	22	74	PCC	Branch Road	397.82	4420.22	
15	Shivchandra Ray	Siya Ray	22	75	PCC	Branch Road	246.64	2740.44	
16	Rampukar Singh	Ramreka Singh	22	82	PCC	Branch Road	356.64	3962.67	
17	Aadha Singh	Ramlaulin Singh	22	98	PCC	Branch Road	540	6000.00	
18	Parmanand Singh	Sitaran Singh	22	125	PCC	Branch Road	404.96	4499.56	
19	Arun Kumar Mahto	Nathuni Lal Mahto	12	30	PCC	Branch Road	403.32	4481.33	
20	Rampriti Sharma	Kishunilal Sharma	12	31	PCC	Branch Road	294.48	3272.00	



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 Properly Maintained
3.	Payroll Register	Not properly maintained
4.	Demand and Collection Register	Not Maintained
5.	Assessment Register	Not Maintained

Corrective Action/ Recommendation:

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

b. Irregularity in procurement process

- No major irregularity observed.

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

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

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

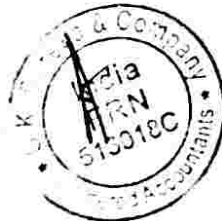
Recommendation:

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

d. Non Compliance of Act & Rules

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

- Property tax on lands and buildings.
- Surcharge on transfer of lands and buildings,
- Tax on deficit in parking spaces in any non-residential building,
- Water tax,
- Fire tax,
- Tax on advertisements, other than advertisements published in newspapers,



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

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

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

Suggestions/ Recommendation:

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

e. Lack of internal Control measures

- 1) There are lack of internal control w,r,t collection of taxes.
- 2) Demand collection Register has not been prepared hence it is not possible to ascertain total arrear of taxes
- 3) Taxes collected by tax collector are not deposited on daily basis we observed that it is being deposited after significant interval which is not proper. As per Rule 27 of BMAR it should be deposited on daily basis otherwise a penalty up to 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 Parishad to comply with the above mentioned Internal Control weakness for fair presentation of Financial Statement

f. Non-compliance of Statutory Dues 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 deposited in full to the concerned departments except Labour Cess amounted Rs. 342762/- and Royalty amounted Rs. 663316/-.

Action/Recommendation

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

g. Deficiency in Pay-roll System

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

Action/Recommendation

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

h. Utilization of Grant and report on missing Utilisation certificates

Nagar Parishad has not been maintaining grant register for the said period.

i. Physical verification of inventory/Stores

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

Recommendation

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



j. Advances, their adjustment & recovery

Advance Payment

Criteria:

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

Condition:

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

Action/Suggestions

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

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

Staff strength of accounts department needs to be increased.

III. PART- C

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

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

Chapter-IX: Financial Management of Municipalities

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

Chapter-X: Application of Municipal Fund

Records for Power to incur expenditure within



specified limits of the Municipality has not been provided to us.

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

Chapter-XI: Budget Estimates

No irregularities observed in preparation and presentation of budget estimate for the FY 2018-19.

Chapter XII: Accounts and Audit

Books and Accounts of the Nagar Parishad has not been maintained as per Municipal Accounting Manual and not placed to auditor appointed by UDHD. However the Nagar Parishad 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

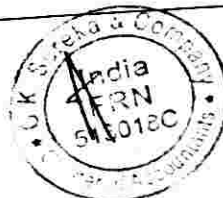
No borrowings availed by Nagar Parishad.

Chapter-XV: Municipal Revenue

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

1. Reconciliation of property tax collection by tax collector and amount deposited into bank is also not available.

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 Parishad.



<p>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 inconsistencies 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;</p>	<p>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 inconsistencies 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;</p> <p><i>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.</i></p>
<p>c. 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</p> <p>a) Rule 22: All moneys to be brought to account</p> <p>b) Rule: 27: Collections to be deposited into Bank on the same day</p> <p>c) Rule 69: Grant Related Compliance</p> <p>d) Rule 120-121: Monthly Receipt & Payment Account and Trial Balance</p> <p>Rule 130: Audit to be completed & reported within 6 month</p>	<p>➤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.</p> <ul style="list-style-type: none"> • Till date Double Entry Accounting System is not operational in the Nagar Parishad. • Internal control for collections of revenue from internal sources is not adequate such as : <ul style="list-style-type: none"> i. Demand register is not maintained. ii. All the collections are not deposited in bank account on same day. iii. Monthly Receipt & Payment Account and Trial Balance has not been prepared. <p>Audit of accounts is not completed and report has not been submitted within 6 month.</p>
<p>d. Report on compliance of financial guidelines of schemes of MOHUA and UD & HD, GoB.</p>	<p>Separate details of schemes of MOHUA (Ministry of Housing and Urban Affair) and UD&HD (Urban Development and Housing Department) not provided to us for Report on compliance of financial guidelines.</p>
<p>e. Auditor should Report and quantify all major own revenue losses and</p>	<p>➤ Revenue collection process is not satisfactory; in case of property tax internal control is not</p>



<p>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>	<p>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>1. 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 Parishad.</p>
<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.</p>	<p>➤ No irregularities observed on test check basis.</p>
<p>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/-</p>	<p>No irregularities observed on test check basis.</p>
<p>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>	<p>➤ UC is not submitted to UD & HD for the financial year 2018-2019.</p>
<p>i. Auditor should report instances of losses, failures or inefficiencies and recommendations and/or measures which can be taken to</p>	<p><u>Instances of losses, failures or inefficiencies</u></p> <p>➤ In case of property tax internal control is not adequate. We have observed that Property Taxes collected by tax collector were not</p>



avoid their recurrence in future.

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 Parishad.

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.

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.

- No such irregularities observed on test check basis.

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.

- No such FD.s held by Nagar Parishad.

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

S. No.	Particulars	Amount	Reason
1	Property Tax against collections.	4,41,250.88	Short Deposit
2	Tower Tax	20,75,720.00	Non-



<p>Prepare a statement of loss.</p>	<p>Recovery/Delay in collection. 3 Advertisement Tax -- Nagar Parishad is not collecting any advertisement tax.</p>
<p>2. 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>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 deposited in full to the concerned departments except Labour Cess amounted Rs. 3,42,762/- and Royalty amounted Rs. 6,63,316/-</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 partially complied. Details of compliance given on page No.6 The Major observations of AG audit report.</p>

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

- Manpower of Nagar Parishad 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: 20091380AAAADG5197
Date: 24-06-2020