

Financial
Year
2017-18



Internal Audit Report for F.Y 2017-2018 of Thakurganj Nagar Panchayat

INTERNAL AUDIT CONDUCTED BY

M/s Tibrewal Chand & Co., Chartered Accountants

From 01-04-2017 to 31-03-2018

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INTERNAL AUDIT REPORT
Submitted On: 27th September, 2019



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Internal Audit Report- Nagar Panchayat – Thakurganj

Urban Development and Housing Department in order to implement the best practices of internal audit of 140 ULBs through NIT No. IA 140ULBs/2017-18. This internal audit report has been issued as a part of our appointment for internal audit.

The Salient Points of the scope covered by our internal audit are as follows:

1. Evaluation of internal controls.
2. Compliance of Bihar Municipal Act related Rules and Regulations.
3. Compliance of Bihar Municipal Accounting Manual, BMAR- 2014 and Bihar Municipal Budget Manual.
4. Reporting on all Major own Revenue Losses.
5. Survey Report on Act at least 20 high Value Property in the Town.
6. Report on Procurement made through Tender for value Above Rs. 15,000/-.
7. Report on statutory compliances
8. Report on procurements
9. Report on maintenance of books of accounts and other records and registers.
10. Appraisal of the effectiveness of overall accounting system.

We have conducted the Internal Audit with the objective:-

- ❖ That The Assets of the ULB are properly protected and accounted for.
- ❖ That the current transactions are promptly and completely recorded.
- ❖ That Inefficient or fraudulent operations are revealed.

We started with an overview of activities through a study on various documents generated by the ULB. Then we identified, evaluated and tested adequacy, effectiveness and efficiency of internal controls including standard policies and procedure laid down by the management for each of the areas included in the scope of work.

Testing of internal control was carried out by the checking a sample of transactions for the period covered under the audit.

Our observations resulting from the audit test performed on a sample of transactions along with recommendation for addressing these observations are set out under Part (A), Part (B) and Part (C) of the audit report.

During the audit, we reviewed the following Registers and Documents.

- ❖ Accountant cash Book
- ❖ Subsidiary Cash Book
- ❖ Bank Book
- ❖ Records related to revenue
- ❖ Vouchers along with supporting documents.



❖ Others related records and registers.

For Tibrewal Chand & Company
Chartered Accountants



CA ROSHAN JAIN | PARTNER
Membership No 518422
FRN No. 311047E

UDIN: 20518422AAAA CW8846

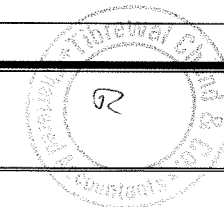
Dated :- 24-08-2020



Executive Summary

- 1. Introduction:** Thakurganj Nagar Panchayat, with population of about 18.5approxthousand is located in district of Kisanganj sub district of Thakurganj district in the state Bihar. There are approximate 3,767approx households. Smt. Debki Prasad Aggarwal is Chairman holding post from 2017 to till the date of Audit. Md. AtiurRehmanis the Executive officer holding post from 09.01.2019 to till the date of Audit.
- 2. Results and Findings:** During our audit we observed below mentioned strengths and weakness in the functioning of ULB:

<p>Strengths observed during the audit engagement</p>	<ol style="list-style-type: none"> 1. General Cash book has been prepared for the audited period 2. Cashier cash book has been prepared for the audited period 3. Only few revenue related records were prepared by the Panchayat. 4. Telephone bills paid regularly.
<p>Weaknesses observed in the functioning of office, maintenance of records etc. during the audit engagement</p>	<ol style="list-style-type: none"> 1. Huge rent outstanding (Given in details audit report). 2. Non preparation of subsidy cash book. 3. Non Collection of Sairat within given time period. 4. Non Compliance of internal audit report 2017-18. 5. Some shop owner not signed agreement.

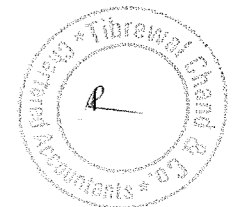


	<p>6. Non preparation of bank reconciliation statements.</p> <p>7. Lack in follow-up procedure in collection of huge arrear dues in relating to property and other taxes.</p> <p>8. Non deposition of statutory dues such as labor cess, TDS, VAT, ESI/PF to the authorities after deduction from bills, resulting in huge penalties and interest.</p> <p>9. Non maintenance of Sairat details properly.</p> <p>10. Non-Performing the variance analysis between budget and actual expenditure for a particular period resulting in short comings in budgetary control.</p> <p>11. Non-Maintenance of assets registers in a proper manner resulting in chances of mis-utilization of assets.</p> <p>12. No proper survey of properties has been conducted by the ULB to ascertain the property tax receivables from holdings.</p> <p>13. Proper log book & fuel distribution register was not prepared resulting in weakness in control over books of account.</p> <p>14. Daily wages register was not prepared resulting in weakness in control over books of account.</p>
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	<p>15. Huge outstanding of revenue including holding tax, tower tax, rent but no sincere efforts has been made by ULBs to recover the same.</p>
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3. **Opinion:** The management has to take stringent effort in forming accountability at various levels of the ULB, introducing reforms in financial management and accounting systems, development of strong internal control and organizational design of Municipalities, ensuring capacity building of the municipal personnel and other matter incidental thereto for overall improvement of the ULB.



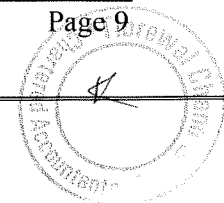
4. Audit Recommendations: The recommendation of audit team on the observed weakness is as below:

1. Books of accounts should be prepared on real time basis under double entry system and accrual basis should be followed.
2. Employees of all departments are required to be trained and monitored for updating of day to day transactions on regular basis in respective records and registers.
3. Stringent follow up and actions are necessary for recovering arrear relating to property tax, tower tax, rental income and other sources of income.
4. Bank statements or treasury statement shall be collected on regular intervals and bank reconciliation statement should be prepared on monthly basis. Balance confirmation certificate to be obtained from the respective bank treasury periodically.
5. Stock/store register should be updated as per the formats provided in BMAR.
6. Statutory compliances such as deduction and deposition with authorities should be complied strictly to avoid penalty and interests.
7. Log book and fuel issue register should be maintained properly indicating km runs, places covered, purpose of visit, signature of driver, city manager, sanitary inspector etc.
8. Revenue records should be maintained properly including demand and collection details.
9. Advance should be adjusted within reasonable time.
10. PF/ ESI should be timely deposited.



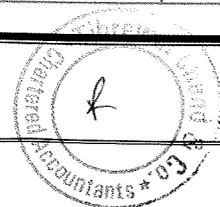
5. Comments from Management:-

S. No.	Observation	Management Comment	Recommendation
1	As per notification of Bihar Government, The Governor of Bihar made the rules for the mobile tower under the Act. Operator of the mobile has to apply to the ULB for operation of the mobile tower in the concerned area with the Requisite fees of Rs. 30,000/- per Tower and the Renewal fee is Rs. 8,000/- per year. During the course of audit it was observed that Rs2,12,000 is due towards Tower Company for financial year 2017-18.(Details given in report)	This will be strictly taken care by next financial year and nagar panchayat will take necessary steps to recover or boost revenue from towers.	There is a huge loss of revenue & interest income. So, necessary steps should be taken for timely collection of taxes.
2	During audit observed that property tax is not being deposited by tax collector on same day.	Tax collectors are directed to deposit the tax.	It should be recovered from concerned person and same should be deposited into bank.
3	Report on Findings of the field survey of property tax of minimum 20 high value properties.(Refer details audit report)	ULB staff is directed to cooperate with auditors and to provide all the necessary documents for audit.	Physical survey can't be conducted due to Non availability of ULB staff for conducting physical verification. Further SAF forms were also not provided for 20 high value properties as per list provided by us.
4	During the audit we demand for electricity bills for the period, but some bills were not provided by ULB. We also observed that there has been avoidable payment of Rs. 4, 79,835.35 (quantify on the basis of bills provided) made by ULB, due to late payment.	Necessary action will be taken.	Management should take appropriate action in this regard.
5	PF deducted from all permanent staff salary but not deposited in his PF account.	Will consider it in next financial year.	PF should be deposited immediately.
6	During the audit various cases were	Will consider it in next	All statutory compliances related to



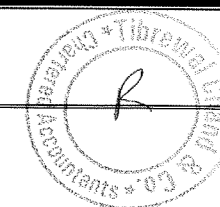
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	observed regarding non deduction and non-deposition of statutory dues like TDS, VAT, and Royalty in stipulated time by the Nagar Panchayat. Further it was also observed that return was also not filled for TDS & VAT and also details of statutory deduction were not provided to us. (Refer details audit report)	financial year.	deduction, deposition and return filling should be complied.
7	The municipality is not in a practice to prepare BRS on regular or periodical basis. (Refer details audit report)	Will consider it in next financial year.	BRS should be maintained month wise.
8	(i) Improper maintenance of records related to revenue collection. (ii) During the audit it was observed that mobile tower tax is not getting collected on a timely basis and even if it is getting collected, the same is not deposited timely.	Nagar Panchayat ensure that this will be taken care from now onwards.	(i) Daily collection register for property tax should be maintained and appropriate action should be taken. (ii) Collection should be made on a regular basis and deposited on the same day to avoid any irregularity.
9	Non preparation of stores register	Will consider it in next financial year.	Due to non - maintenance of stock register, it will become difficult to identify quantity of each class of stock. So, the ULB should maintain a store ledger including price of inward goods.
10	Insurance deduction from all permanent staff salary but not deposited.	Will consider it in next financial year.	Insurance should be deposited.
11	Thakurganj Nagar Panchayat is not in practice to prepare monthly receipt and payment account and the trial balance.	Will consider it in next financial year.	ULB should prepare receipts and payment account on monthly basis. It helps to find out that how much fund received by the ULB and whether its utilization was made properly or not.
12	Daily wages register were not produced to us for audit.	ULB staff is directed to provide all the necessary	Daily wages register should be made available to auditors.



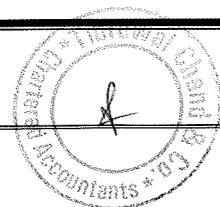
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		documents to auditors.	
13	Log books not maintained or maintained with incomplete information in ULB.	Necessary action will be taken.	Log book should be maintained by ULB.
14	Scheme register not prepared for the financial year 2017-18	Necessary action will be taken.	Separate register should be maintained for each scheme.
15	During the verification of sairat register, we observed that during the financial year 2017-18, a lot of sairat detail was not held at municipal council. Due to this reason Revenue loss of Rs 19, 32,400.00 to concerned ULB.	Nagar Panchayat ensure that this will be taken care from now onwards.	Supporting must be available in the file.
16	No-collection of notice fees	ULB staff is directed to comply with Bihar Municipal Act 2007	As per the regulation 158(a) of chapter XIX of Bihar Municipal Act 2007, Municipality can issue of notice of demand, charging of notice fee, levy of interest for delay payment at a rate as may be specified, and the amount of penalty therefore, but in case of Thakurganj Nagar Panchayat, corporation has not provided any information regarding charging and collection of notice fees. ULB should collect notice fees from applicable assesses in compliance of act and to boost ULB revenue.
17	Rent w.r.t. shops, amount to Rs. 4,26,662.00, was due as on 31.03.2018.	Necessary action will be taken.	There is a huge loss of revenue & interest income. So, necessary steps should be taken for timely collection of taxes.
18	Collection of internal resources is very poor. (Refer details audit report)	Nagar Panchayat will take steps to improve the collection from internal resources.	It should be timely collected.
19	Details regarding number of trader doing business in its area are not maintained in regard of any traders.	Necessary action will be taken.	Field survey for no. of trader doing business in its area should be done at appropriate interval.
20	During the course of Audit, we	Necessary action will be	It should be prepared as soon as



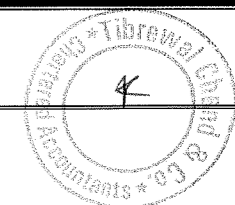
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	observed that Nagar Panchayat has conducted Internal audit & CAG audit for the year 2016-17 but As per information given by Asst. Accountant till the time of our audit the auditor has not submitted their audit report. (Details given in report)	taken.	possible.
21	Lack of internal control measures: We observed that there is no any internal control mechanism available over collection, recovery, deposit of taxes, assets handling, cheque handling and statutory compliances. (i)Voucher file was not maintained (ii)No internal mechanism for statutory compliance (iii)No MIS was prepared for tracking of payments (iv)Required books of Accounts as per BMAM was not maintained (v)Statutory compliance reconciliation was not maintained (vi)Bank reconciliation of any bank account was not prepared.	Nagar Panchayat ensure that this will be taken care from now onwards.	We suggest that (i)MIS system should be implemented over daily collection and deposit. (ii)Reason for non-deposit/Late deposit should be strongly need to ask for minimize delay. (iii)Need to identify a person to comply with the statutory compliance. In case failure to comply with statutory compliances he should also be penalized. Therefore, the management has to take serious effort in implementation of internal control mechanism for getting a better result from ULB working.
22	Non-Compliance of Act & Rules	ULB staff is directed to ensure compliance of all applicable Act & Rules.	Refer point of Part-B (d) of audit report for status of non-compliance of Act & Rules. ULB should ensure compliance of all applicable Act & Rules.
23	No details were made available regarding meeting of municipal accounts committee held during the financial year 2017-18.	ULB staff is directed to comply with BMA-2007	As per requirement of BMA-2007, Chapter-XII, ULB should held meeting of municipal accounts committee each year. During our audit no any evidence has been produced to us w.r.t. meeting of municipal accounts committee. ULB should ensure timely meeting of accounts committee in compliance of BMA-2007.
24	Non-Implementation of double entry	Implementation of DEAS	As per requirement of BMAR-



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	accounting system (DEAS)	is ongoing and ULB staff is directed to cooperate with auditors and to provide all necessary documents for audit.	2014, Part-A, Chapter-2 Rule -4, "All ULB refereed in schedule-1 shall maintain its books of account using the double entry system". Since Thakurganj Nagar Panchayat is covered under schedule -1, therefore they should have to maintain their accounts on double entry accounting system in compliance of such rule. We found the detail that double accounting system is implemented at Thakurganj Nagar Panchayat, however we not got any data for verification the same.
25	Non-maintenance of required registers as per Rule No.-3 of BMAR-2014	ULB staff is directed to follow and comply the guidelines of BMAR	Details of registers not maintained by ULB is mentioned under Part-A (a). ULB should ensure proper maintenance of required books of account and register as per the list given in rule-3 of BMAR-2014.
26	Non adjustment of advances	ULB staff is directed to cooperate with auditors and to provide all the necessary documents for audit.	Advance register should be produced to auditors for verification.
27	Copy of Returns of GST has not been shown to us. TDS return for 4th quarter has not been filed.	Will be considered in next financial year	Timely filled
28	Monthly and quarterly budget was not maintained. Therefore, comparison of budgeted and actual figure of income and expenditure was not performed.	Will be considered in next financial year	Budget should be maintained quarterly.
29	Non-providing of Utilization certificate for the reporting audit period	UC details given to auditors. Staff will initiate working on this matter in next financial year.	Grant is blood of ULB. Therefore, for getting grant and running the ULB working smoothly it is requirement of grant. Further timely submission of utilization certificate helps the grant realizing



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			authority to send the money for fulfill the requirement of future. Therefore, management should ensure that UC has been summited with concerned department on time.
30	Vouchers are not filed serially and kept in loose form. Those need to be filed properly and date wise sequentially.	Will be considered in next financial year	Voucher should be maintained in index file in serially.
31	Procurement Register has not maintained by ULB so it is difficult to trace all Procurement above Rs. 15000 from various cash book.	Will be considered in next financial year	Procurement register should be maintained properly.

Signed discussion note is enclosed with the report.

6. Acknowledgement:-

We convey our heartfelt thanks to the entire team of "Thakurganj Nagar Panchayat" for rendering their help in successfully completing the assignment.



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Detailed Audit Report

1. Introduction: Thakurganj is a Nagar Panchayat city in district of Kishanganj, Bihar. The Thakurganj city is divided into 12 wards for which elections are held every 5 years. The Thakurganj Nagar Panchayat has population of 18.5 thousand approx. Thakurganj Nagar Panchayat has total administration over 3,767 households.

2.

Name of ULB	Period Covered	Audit Team
Thankurganj Nagar Panchayat	1 st April 2017- 31 st March 2018	(1) TL: CA NeeravBhanushali (2) MAE:CA AmitRanjan (3) Auditor: Sawan Kumar

3. Administration: -

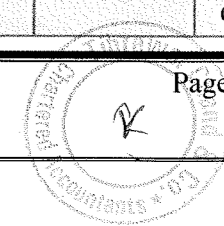
The Present governing body of the ULB has taken charge on 2017. The incumbencies in the key administrative and executive positions are as under:

- Smt. Debki Prasad Aggarwal, Chairman from 2017 to till the date of Audit.
- Md. AtiurRehman, Executive officer from 09.01.2019 to till the date of Audit.

4. 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 improvment/corrective measure is require	Total No. of Audit paras where recovery of cash is proposed	Total No. of Audit paras where recover has been made	Total amount of recovery	Total No. of outstanding paras where no action has been taken	No. & date of compliance report
1	AG Audit (2016 to 2017)							Report not provided to us and also compliance report



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i)	Fess & Fines	2,87,291	4,09,041
ii)	User Charges	-	-
iii)	Other Non-Tax Revenue (Levied & Collected By municipal Body)	-	-
2	Other Revenue Receipts	42,65,512	89,46,221
a)	Income from interest/Investments	37,69,702	75,49,102
b)	Other Revenue Income	4,95,810	13,97,119
3	Transfers/grants/Assigned Revenues	2,22,83,655	21,70,47,994
a)	State Assigned Revenues	-	-
b)	State Finance Commission (SFC) Grants/Devolution	2,22,83,655	21,70,47,994
c)	Octroi Compensation	-	-
d)	Other State Government transfers	-	-
e)	Central Finance Commission (CFC) Grants	-	-
f)	Other Central Government transfers	-	-
g)	Others	-	-
B	Capital Receipts (1+2+3+4+5)	3,51,83,793	71,23,736
1	Sale of Municipal Land	-	-
2	Loan (From state Govt. or Banks etc.)	-	-
3	State Capital Account Grant (Under state Scheme etc.)	-	-
4	Central Capital Account Grant (Under central Scheme etc.)	-	-
5	Other Capital Receipts	3,51,83,793	71,23,736

v. Revenue & Capital Expenditure Information :-

Expenditure Details			
Sl. No.	Details	2017-18	
		2017-18	2016-17
	Total Expenditure (1+2)	11,37,64,947	20,49,65,343

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1	Revenue Expenditure	1,96,32,867	83,33,958
1.1	Administrative Expenses, Establishment & Salaries (All Departments regular & contractual staff)	31,19,708	10,84,878
1.2	Operation & Maintenance (O & M)	83,21,903	33,02,585
1.3	Loan Repayment (Interest Payments)	4,411	2,642
1.4	Others (any other revenue Expenditure which is not salaries, O&M & or interest payment)	81,86,844	39,43,853
2	Capital Expenditure	9,41,32,079	19,66,31,385
2.1	All developmental works under central/state specific schemes	7,32,49,774	18,33,99,198
2.2	Loan Repayments	53,66,666	-
2.3	Other capital expenditure	1,55,15,639	1,32,32,187

i. Status of implementation of double entry accounting system: The ULB has not yet implemented properly the double entry accounting system

Company Name: M/s Borkar & Mazumdar Co.

PTR: PTR for the year 2017- 18 is completed.

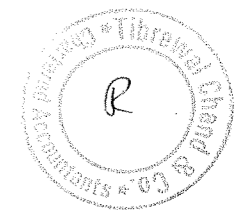
FAR: FAR for the year 2017- 18 is completed.

AFS: AFS for the year 2017- 18 is completed.

(Note: Refer point no. 24 of discussion note)

Status of Municipal Accounts Committee: if meeting is held: Meeting of Municipal Accounts Committee has not been held during the year 2017-18.

(Note: Refer point no. 23 of discussion note)



5. Audit Observations: -

I. Part-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. (Audit objective/ Criteria/ Condition /Consequences/ Effect/ Impact/ Corrective Action/Recommendation has been narrated below.

Holding and property tax not deposit on timely basis.

Audit Objective: Assessment of property tax as per Bihar Municipal Act and all collection deposited with treasury.

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: Daily collection register has not been provided for verification, in such a situation, we cannot ascertain the actual delay of deposits this could be a huge loss to Nagar Panchayat. (Note: Refer point no. 2 & 8 of discussion note)

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 updating of assesses due.

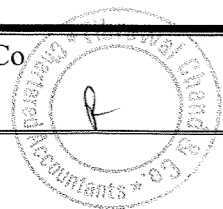
Cause: This happens due to non-follow up and monitoring of activities of Tax Collector by the concerned officer on regular interval.

Corrective Action/Recommendations: 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.

Tower tax

Audit Objective: Assessment of Tower tax as per Bihar Communication Tower and related structure rules, 2012 and all collection deposited with treasury.

Criteria – Tower Tax is taxes on Communication Tower & related structure as defined in Bihar Communication Tower and related structure rules, 2012 as per the rule Tax



Collected has to be deposited on same day or latest before noon on the following working day.

Condition:As per verification of recordsand document during the course of audit and according to the cash book produced by the ULB, it was found that Rs 2,12,000.00 due in regard of Tower Company for financial year 2017-18, resulting in loss of revenue. Details of such are given in here:

(Note: Refer point no. 1 of discussion note)

Sr. No	Name of Company	Amount Receivable
1	Vodafone	8,000
2	Bharti Airtel	32,000
3	Reliance Comm.	32,000
4	Tata Teli Services	70,000
5	B S N L	70,000
6	Reliance Jio	-
	TOTAL	2,12,000

Consequence/Effect/ Impact - Due to non-deposition 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 no 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.

Non Collection of Advertisement Tax:

Criteria:

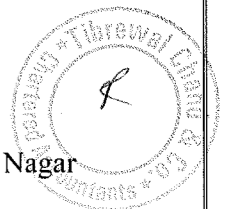
Advertisement Taxes, in case auctioned to external agencies, shall be recognized as per the terms of agreement. In all other cases, when permission for advertisement is granted for the first time, the Advertisement Tax shall be accrued at the point when Tax is paid and permission is granted. After the 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 is happens due to failure of designated staff and non-monitoring of authorized officials on timely basis.

Corrective Action/ Recommendation:

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

Sairat

Audit Objective: As per Point no-5 of TOR.

Criteria: As per Bihar Municipal Act.

Condition: During the verification of Sairat register, we observed that during the financial year 2017-18,

During the verification of sairat register, weobserved that during the financial year 2017-18, a lot of sairat detail was not held at municipal council. Due to this reason Revenue loss of Rs 19, 32,400 to concerned ULB. Details of such are given here:-

Sl.N o.	NameofSairat	O/S Collection Amount
1	Gudri hart bazaar	3,80,000
2	Thakurganjrajashw hart	2,40,800
3	Vivekanad bus stand	10,51,000
4	Bhatdalaphokar	2,11,000
6	Sauchalayabandobasti	49,600
TotalTOTAL		19,32,400

Whereas payment had to receive before agreement date.

(Note: Refer point no. 15of discussion note)

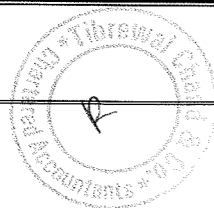
Consequence / Effect / Impact: Due to non-collection of Sairat there is a revenue loss to ULB.

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

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

Shop Rent

Audit Objective: As per Point no-5 of TOR.



Criteria: As per Bihar Municipal Act.

Condition: Rent w.r.t. shops, amount to Rs. 4,26,662.00, was due as on 31.03.2018

(Note: Refer point no. 17 of discussion note)

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

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

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

Stamp Duty

Audit Objective: As per Point no-5 of TOR.

Criteria: As per Bihar Municipal Act.

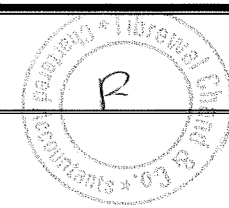
Condition: Stamp duty is not being collected by Nagar Panchayat.

Consequence / Effect / Impact: Due to non-collection of stamp duty there is a revenue loss to ULB.

During the financialyear2017-18,alotofsairatdetailwasnot heldatmunicipalcouncil. Due to thisreasonstampduty loss of Rs 57,942 to the ULB. Details ofsuch are:-

Sl.No.	Name of Sairat	Stamp Duty@3%
1	Gudri hart bazaar	11,400
2	Thakurganjrajashw hart	7,224
3	Vivekanad bus stand	31,500
4	Bhatdalaphokar	6,330
6	Sauchalayabandobasti	1,488
Total		57,942

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



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

a. Excess payment made against the bill, lack of prudence in payment against vouchers, inefficiency in control resulting loss to ULB:

During the audit we demand for electricity bills for the period, but some bills were not provided by ULB. We also observed that there has been avoidable payment of Rs. 4, 79,835.35 (quantify on the basis of bills provided) made by ULB, due to late payment.

b. Report on Findings of the field survey of property tax of minimum 20 high value properties is given here: -Our team on the basis of information available asked the SAF, demand collection detail of below mentioned properties:

SAF forms of below properties were not provided neither no arrangements were made for physical verification.

Apart from above details of 20 high value properties provided by the ULB is as below:
(Note: Refer point no.3 of discussion note)

Sr. No.	Holding No.	Ward No.	Types of property	Amount Receivable
1	317	02	Residential	5,645
2	227	02	Residential	6,000
3	270	02	Residential	1,560
4	214	01	Commercial	2,072
5	269	02	Residential	1,408
6	94	01	Commercial	1,800
7	231	02	Commercial	17,056
8	54	01	Residential	6,000
9	95	01	Commercial	4,000
10	03	01	Residential	2,000
11	01	08	Residential	4,500
12	230	08	Residential	2,648
13	14	05	Commercial	2,970
14	42	06	Commercial	3,276
15	161	06	Commercial	2,952
16	187	11	Residential	4,500
17	128	12	Residential	15,000
18	85	09	Residential	2,800
19	39	10	Residential	5,000
20	88	10	Commercial	3,000

Part B

a. Non-maintenance of books of accounts, subsidiary registers: During the audit we observed that following registers which are given below has not been maintained by the ULBs.

- Subsidiary register
- Stock register
- Cheque issue registers.
- Assets register.
- Contra, journal, Receipt Voucher.
- Records and revision of taxes and rent.

In addition to the above following records were also not maintained by the ULB:

- Memorandum of collection (GEN 21)
- Summary of daily collection register
- Register for bills payment
- Cheque issue register
- Register for Advances
- Deposits register
- Summary statement of deposit adjustment
- Summary statement of bills raised
- Register of refunds, remissions and write offs
- Statement of outstanding expenses liability
- Document control register
- Register of immovable property
- Register of movable property
- Register of land
- Register of assets replacement
- Register of public lighting system.

(Note: Refer Discussion Note point no.25)

b. Irregularity in procurement process:

Procurement Register has not maintained by ULB so it is difficult to trace all Procurement above Rs. 15000 from various cash book.

(Note: Refer Discussion Note point no.31)

c. Non Compliance of directives of UD&HD: We observed several non-compliance of the directions of the UDHD which includes-

- Non Implementation of GeM procurement mechanism
- Non collection of various taxes required to be collected.

- Non maintenance of prescribed books of accounts.
- Non maintenance of prescribed DEAS.
- None maintenance of DCR.
- Non preparation of budget as per budget manual.
- Closing of daily cash book and bank book.
- Physical verification of cash balance with daily collection register and bank balances.

d. Non Compliances of the Acts and Rules: During the audit we observed below mentioned non compliances:

- Non formation of Municipal Accounts Committee
- Non maintenance of books of accounts as per BMAR
- Non preparation of budget as per Bihar Municipal Budget Manual
- Property tax rate should be increased in every 5 years but not increased since a long period

(Note: Refer Discussion Note Point No. 22)

e. Lack of Internal Control Measures:

- (1) During the audit it was observed that there is serious lack of internal control over revenue collection. Revenue records are not maintained properly. Further, collection books after finishing should be kept in safe custody in ULB only.
- (2) There is no cash vault in the cash department for safety measure.
- (3) No MIS was prepared for tracking of payments.
- (4) Voucher file was not maintained.

(Note: Refer Discussion Note Point No. 21)

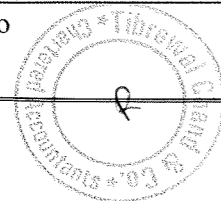
f. Non- Compliance of TDS, VAT, and other relevant statute:

(i) We observed that ULB is not in practice to deduct TDS on Advertisement Bill Payment and salary payment to employee.

(ii) Copy of Returns of GST has not been shown to us. TDS return for 4th quarter has Not been file.

(iii) The Thakurganj NagarPanchayat is not complying with the provisions of EPF with regards to Contractual and permanent Employee. It may lead to imposition of Penalty by the Authority in this Regards.

(Note: Refer point no. 6 & 27 of discussion note)



g. Deficiency in pay roll system: During the audit it was observed that no bio metric attendance was used for making attendance. Further there was very poor internal control on leave tracking of the employees.

PF and ESI: During the audit it was observed that PF and ESI deducted from employees salary not deposited with authorities causing loss to the savings of the employees.

(Note: Refer point no. 5 of discussion note)

h. Utilization certificate report on grants allotted during the year:

Details of UCs related to FY: 2017 – 2018 are given as *Annexure - 1*.

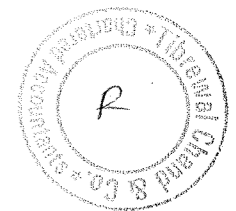
(Note: Refer point no. 29 of discussion note)

i. Physical Verification of the inventories and stores: Stores registers has not been prepared by the ULB. During the year 2017-18 no physical verification was carries out of the stores.

(Note: Refer Discussion Note point no. 9)

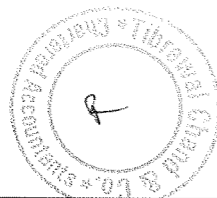
j. Advances: Advance register was not provided to us.

(Note: Refer point no.26 of discussion note)

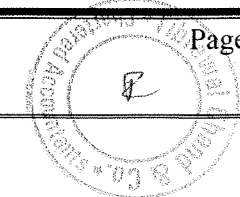


II. Part C

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.	Chapter xi, rule 84 (Budget has not been sanction by Empowered standing committee) & Chapter xii, rule 86 (Prepare and maintain accounts of receipts and expenditure), 87 (Preparation of Municipal Accounting Manual), 88 (Financial Statement.) 89 (Balance sheet.), 90 (Submission of financial statement and balance sheet to auditor.) and 98 (Municipal accounts committee.) are not follow by the ULB.
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 inconsistencies in assessment. at least 20 high value properties in the city /town (irrespective of the fact that SAS is received or not).	Refer audit report.
3	Whether all compliance have been complied regarding Bihar Municipal Accounting Manual, Bihar Municipal Accounts Rules, 2014 and Bihar Municipal Budget Manual with special attention to following Rules of BMAR Rule 22: All moneys to be brought to account Rule: 27: Collections to be deposited into Bank on the same day Rule 69: Grant Related Compliance Rule 120-121: Monthly Receipt & Payment Account and Trial Balance Rule 130: Audit to be completed & reported within 6 month	Rule 22: we have found that all money has been brought to account but delayed. Rule 27: we have observed that the collected money has not to be deposited into Bank Account on same day. Rule 69: Grant related compliance has been done properly. Rule 120-121: Monthly Receipt & Payment Account and Trial Balance are not being prepared. Rule 130 is not being followed.
4	Whether all such compliance of financial guidelines of schemes of MOHUA and UD & HD, GoB have been complied.	Yes, Compliance of financial guidelines of schemes of MOHUA and UD & HD, Gob have been complied.

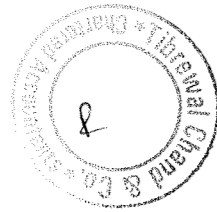


5	If any revenue losses and opportunities lost or missed including in the area of Property Tax, Mobile Transmission Towers Tax, Rental of Municipal properties, Advertisement Taxes/Fees, Sai rat etc. have incurred then quantify the same.	It has been discussed in discussion notes and audit report under part A.
6	Status of adequacy and appropriateness of the documentation, approvals, compliance of procedures etc. of all payments on or above Rs. 10,000.	Discussed in audit report Part A.
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/-	Refer detailed audit report.
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.	Refer audit report.
9	Verify instances of losses, failures or inefficiencies and recommendations and/or measures which can be taken to avoid their recurrence in future.	It has been provided in discussion notes as well as in audit report under part A.
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.	It has been provided in discussion notes as well as in audit report under part A.
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 fixed deposit made during the F.Y. 2017-18. All funds held by ULB are maintained at Nationalized Banks and rate of interest is per banking norms.
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.	It has been provided in discussion notes as well as in audit report under 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	It has been provided in discussion notes as well as in audit report under part A.

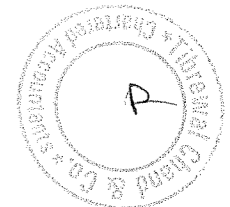


Internal Audit Report for the year ended 31st March of F.Y. 2017-18

	properly recorded in appropriate ledgers.	
14	Whether C&AG and Internal audit paras has been complied, if not assistance has been provided in this regard.	Discussed in details audit report and also annexure attached.



SN	Year of allotment	Name of Scheme	Date of Allotment	Amount In Lakh	Expenditure	Un-utilized Amount	Remarks
1	2017-18	पेशाकर	30/06/2017	6.12	NIL	6.12	Un-utilised Amount Rs. 6.12 Transferred to PL A/C
2	2017-18	14वें वित्त	03/08/2017	40.73	NIL	40.73	Rs. 40.73 Transferred to treasury
3	2017-18	नागरिक सुविधा	24/08/2017	22.66	22.66	NIL	
4	2017-18	पंचम राज्य वित्त	14/09/2017	84.32	NIL	84.32	Rs. 42.16 Transferred to treasury and Rs. 42.16 transferred to PL A/C
5	2017-18	मुख्यमंत्री पक्कीकरण	30/10/2017	21.80	NIL	21.80	Un-utilised Amount Rs. 21.80 Transferred to PL A/C
6	2017-18	14वें वित्त आयोग	24/01/2018	40.61	NIL	40.61	Rs. 40.61 Transferred to treasury
7	2017-18	मुख्यमंत्री पक्कीकरण	11/08/2017	25.44	NIL	25.44	Rs. 25.44 Transferred to treasury
8	2017-18	कार्यपालक पदाधिकारी का वेतन	23/05/2017	8.00	8.00	NIL	
9	2017-18	पार्षद भत्ता	15/06/2017	2.52	2.52	NIL	
10	2017-18	कार्यपालक पदाधिकारी का वेतन	19/03/2018	1.23	1.23	NIL	
Grand Total				253.43	34.41	219.02	



S. No.	Observation	Management Comment	Recommendation
1	As per notification of Bihar Government, The Governor of Bihar made the rules for the mobile tower under the Act. Operator of the mobile has to apply to the ULB for operation of the mobile tower in the concerned area with the Requisite fees of Rs. 30,000/- per Tower and the Renewal fee is Rs. 8,000/- per year. During the course of audit it was observed that Rs2,12,000 is due towards Tower Company for financial year 2017-18.(Details given in report)	This will be strictly taken care by next financial year and nagar panchayat will take necessary steps to recover or boost revenue from towers.	There is a huge loss of revenue & interest income. So, necessary steps should be taken for timely collection of taxes.
2	During audit observed that property tax is not being deposited by tax collector on same day.	Tax collectors are directed to deposit the tax.	It should be recovered from concerned person and same should be deposited into bank.
3	Report on Findings of the field survey of property tax of minimum 20 high value properties.(Refer details audit report)	ULB staff is directed to cooperate with auditors and to provide all the necessary documents for audit.	Physical survey can't be conducted due to Non availability of ULB staff for conducting physical verification. Further SAF forms were also not provided for 20 high value properties as per list provided by us.
4	During the audit we demand for electricity bills for the period, but some bills were not provided by ULB. We also observed that there has been avoidable payment of Rs. 4, 79,835.35 (quantify on the basis of bills provided) made by ULB, due to late payment.	Necessary action will be taken.	Management should take appropriate action in this regard.
5	PF deducted from all permanent staff salary but not deposited in his PF account.	Will consider it in next financial year.	PF should be deposited immediately.
6	During the audit various cases were observed regarding non deduction and non-deposition of statutory dues	Will consider it in next financial year.	All statutory compliances related to deduction, deposition and return filling should be complied.



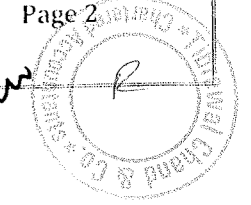
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 कार्यपालक पदाधिकारी
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like TDS, VAT, and Royalty in stipulated time by the Nagar Panchayat. Further it was also observed that return was also not filled for TDS & VAT and also details of statutory deduction were not provided to us. (Refer details audit report)		
7 The municipality is not in a practice to prepare BRS on regular or periodical basis.(Refer details audit report)	Will consider it in next financial year.	BRS should be maintained month wise.
8 (i) Improper maintenance of records related to revenue collection. (ii) During the audit it was observed that mobile tower tax is not getting collected on a timely basis and even if it is getting collected, the same is not deposited timely.	Nagar Panchayat ensure that this will be taken care from now onwards.	(i) Daily collection register for property tax should be maintained and appropriate action should be taken. (ii) Collection should be made on a regular basis and deposited on the same day to avoid any irregularity.
9 Non preparation of stores register	Will consider it in next financial year.	Due to non – maintenance of stock register, it will become difficult to identify quantity of each class of stock. So, the ULB should maintain a store ledger including price of inward goods.
10 Insurance deduction from all permanent staff salary but not deposited.	Will consider it in next financial year.	Insurance should be deposited.
11 Thakurganj Nagar Panchayat is not in practice to prepare monthly receipt and payment account and the trial balance.	Will consider it in next financial year.	ULB should prepare receipts and payment account on monthly basis. It helps to find out that how much fund received by the ULB and whether its utilization was made properly or not.
12 Daily wages register were not produced to us for audit.	ULB staff is directed to provide all the necessary documents to auditors.	Daily wages register should be made available to auditors.
13 Log books not maintained or	Necessary action will be	Log book should be maintained by

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Internal Audit Report for the year ended 31st March of F.Y. 2017-18

- 14 properly recorded in appropriate ledgers. Whether C&AG and Internal audit paras has been complied, if not assistance has been provided in this regard. Discussed in details audit report and also annexure attached.



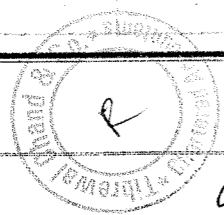
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10	2017-18	कार्यपालक पदाधिकारी का वेतन	19/03/2018	1.23	1.23	NIL	U C Submitted
Grand Total				253.43	34.41	219.02	



Discussion Note

Thakurganj Nagar Panchayat

		with auditors and to provide all necessary documents for audit.	shall maintain its books of account using the double entry system". Since Thakurganj Nagar Panchayat is covered under schedule -1, therefore they should have to maintain their accounts on double entry accounting system in compliance of such rule. We found the detail that double accounting system is implemented at Thakurganj Nagar Panchayat, however we not got any data for verification the same.
25	Non-maintenance of required registers as per Rule No.-3 of BMAR-2014	ULB staff is directed to follow and comply the guidelines of BMAR	Details of registers not maintained by ULB is mentioned under Part-A (a). ULB should ensure proper maintenance of required books of account and register as per the list given in rule-3 of BMAR-2014.
26	Non adjustment of advances	ULB staff is directed to cooperate with auditors and to provide all the necessary documents for audit.	Advance register should be produced to auditors for verification.
27	Copy of Returns of GST has not been shown to us. TDS return for 4th quarter has not been filed.	Will be considered in next financial year	Timely filled
28	Monthly and quarterly budget was not maintained. Therefore, comparison of budgeted and actual figure of income and expenditure was not performed.	Will be considered in next financial year	Budget should be maintained quarterly.
29	Non-providing of Utilization certificate for the reporting audit period	UC details given to auditors. Staff will initiate working on this matter in next financial year.	Grant is blood of ULB. Therefore, for getting grant and running the ULB working smoothly it is requirement of grant. Further timely submission of utilization certificate helps the grant realizing authority to send the money for fulfill the requirement of future.



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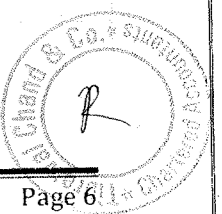
Discussion Note

Thakurganj Nagar Panchayat

			Therefore, management should ensure that UC has been submitted with concerned department on time. Voucher should be maintained in index file in serially.
30	Vouchers are not filed serially and kept in loose form. Those need to be filed properly and date wise sequentially.	Will be considered in next financial year	
31	Procurement Register has not maintained by ULB so it is difficult to trace all Procurement above Rs. 15000 from various cash book.	Will be considered in next financial year	Procurement register should be maintained properly.

Details of 20 high value properties:-

S/N	Holding No.	Ward No.	Types of property	Amount Receivable
1	317	02	Residential	5,645
2	227	02	Residential	6,000
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Discussion Note

Thakurganj Nagar Panchayat

Bank Reconciliation Statement

Name of Bank	Name of Scheme	Account No.	Passbook Balance	Cash Book Balance	Difference	Status
SBI	Various	99580	9901140.39	9901150.39	-	Reconciled
SBI	Various	38749	1677267.10	1677267.10	-	Reconciled
SBI	Various	63121	4768034.40	4768034.00	-	Reconciled
SBI	Various	39594	35209051.05	35209051.05	-	Reconciled
SBI	Various	94915	12527462.25	12527462.25	-	Reconciled
SBI	Various	54343	16729.00	16317.00	-	Reconciled
BOB	Various	10228	7485908.00	20517069.00	-	Reconciled
BOB	Various	10227	2379967.00	8917572.00	-	Reconciled
BOB	Various	04704	2509650.00	2323000.00	-	Reconciled



37.20

31/7/20
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