



नगर विकास एवं आवास विभाग  
URBAN DEVELOPMENT & HOUSING DEPARTMENT  
Government of Bihar

# INTERNAL AUDIT REPORT

FOR  
FY 2017-18

**NOKHA NAGAR PANCHAYAT**

**GROUP-06**  
**ULBs-18**

**Vinod & Co. LLP**  
CHARTERED ACCOUNTANTS  
We Plant Quality





To

The Secretary,  
Urban Development & Housing Department,  
Patna-Bihar

**Sub:** Submission of Nokha Nagar Panchayat Annual Internal audit report with management comments for the financial year 2017 -18.

**Ref No.:** Project No. 07/I.A.-115/17-83 (NTP) dated; 16.01.2019

Dear Sir,

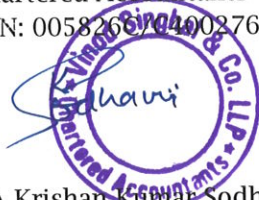
With Reference to the above, we Vinod Singhal & Co.,LLP Chartered Accountants appointed as internal auditor of 18 ULBs of Bihar under Group-06 for the project namely "**Appointment of internal auditor of 140 ULBs of Bihar.**"

As we have conducted Annual internal audit of Nokha Nagar Panchayat for the financial year 2017 -18. Through This letter we are submitting Annual internal audit report of Nokha Nagar Panchayat for the F.Y.2017-18 with management comments.

We confirm that the internal audit report has been prepared as per terms of reference of RFP.

Thanking You

For Vinod Singhal & Co, LLP  
Chartered Accountants  
FRN: 00582667400276



CA Krishan Kumar Sodhani  
M.No:- 404603

UDIN No.:- 20404603AAAAEY5115

**Date:** 25<sup>th</sup> -Jul-2020  
**Place:** Patna

CC: State Level Project Monitoring Unit  
PSP Financials Consultants Pvt. Ltd.

## CONTENTS

<b>Project Title</b>	<b>Internal audit of 18 ULBs of Group-06 of Bihar</b>
<b>Report Title</b>	Annual internal audit report of Nokha Nagar Panchayat
<b>Period</b>	1 <sup>st</sup> Apr -2017 to 31-Mar-2018
<b>Reporting Entity</b>	Vinod Singhal & Co., LLP, Chartered Accountants
<b>Reporting for</b>	Nokha Nagar Panchayat
<b>Report Prepared by</b>	Team, Vinod Singhal & Co. LLP
<b>Date of submission</b>	30 <sup>th</sup> -Aug-2019



## EXECUTIVE SUMMARY

### 1. INTRODUCTION

Name of the Municipality	Nokha Nagar Panchayat
Period covered under current audit	01.04.2017 to 31.03.2018
Name of Municipal Executive Officer for the period under Audit	Mr. Sushil Kumar

### 2. RESULTS AND FINDINGS

➤ **Strengths observed during audit engagement**

In the existing system as prevailing in the Nagar Parishad day to day work is in progressive manner in respect of execution of the projects.

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

SINo	Audit Observations
1	Partial comply AG report for the F.Y. 2013-14 to 2015-16
2	Budget not prepared/ given by <u>UlB</u> .
3	Non-updating of bank reconciliation on monthly basis as per Rule No. 118 of BMAR - 2014.
4	Non-Implementation of Double Entry Accounting System
5	No details were made available regarding meeting of municipal accounts committee held during the financial year 2017-18.
6	<p><b>Non-levy of following taxes</b></p> <p>Surcharge on transfer of lands and buildings</p> <p>Fire tax.</p> <p>Surcharge on electricity consumption within the municipal area</p> <p>Tax on congregations.</p> <p>Tax on pilgrims and tourists .</p> <p>Tax on profession.</p> <p>User Charges for provision of water-supply, drainage and sewerage</p> <p>User Charges for Solid Waste Management</p> <p>User Charges for Parking Facility</p> <p>User Charges for Garbage Clearance</p> <p>Collection of fees for Issue of municipal licenses for various non-residential uses of lands and buildings,</p> <p>Collection of Development Charges</p>



7	Late-Deposit of tax collection of taxes with cashier and with bank as per provision of BMA rule-22
8	Non-collection of notice fees for defaulter
9	Non-recovery of outstanding taxes
10	Non-providing details regarding arrear of advertisement tax, and rental income
11	Non-preparation of payment vouchers
12	Non-conducting physical survey of 20 high value properties
13	Non-maintenance of required registers as per Rule No. -3 of BMAR-2014
14	Non-preparation of Annual Financial Statement as per the provision of Rule 122 of BAMR - 2014
15	<p><b>Irregularities in vendor payment process:</b></p> <ul style="list-style-type: none"> <li>▪ In case of payment to contractor-MB book was not signed by the contractor.</li> <li>▪ PAN number of contractor was not mentioned in payment files.</li> <li>▪ TDS was deducted by normal rate of 01% &amp; 02%, Even PAN number of party was not attached in files.</li> <li>▪ Budget Control Register was not made for payment made.</li> <li>▪ Statutory Compliance register was not maintained for related payments.</li> <li>▪ Final Work Completion certificate was not attached in case of final bill payments.</li> </ul>
16	Non-maintenance of register for all procurements with value above Rs. 15,000
17	Missing signature of wages worker and stamp of ULB on muster roll register
18	No maintenance of separate earnest & security deposit register
19	Non-compliance of Act & Rules
20	<p>Lack of internal control measures</p> <ol style="list-style-type: none"> <li>1. Voucher file was not maintained</li> <li>2. No internal mechanism for statutory compliance</li> <li>3. No MIS was prepared for tracking of payments</li> <li>4. Required books of accounts as per BMAM was not maintained</li> <li>5. Statutory compliance reconciliation was not maintained</li> <li>6. Year-end reconciliation was not available</li> <li>7. Bank reconciliation of any bank account was not prepared.</li> <li>8. Bank balance as per cash book was not maintained.</li> </ol>
21	<p><b>Non-compliance of statutory compliances:</b></p> <ul style="list-style-type: none"> <li>▪ Non preparation of statutory compliance register</li> <li>▪ Non deposit of TDS on timely basis.</li> <li>▪ Non filling of TDS return for due period</li> <li>▪ Non providing details regarding VAT/PF/Labour Cess</li> </ul>
22	<p><b>Deficiency in payroll system</b></p> <ul style="list-style-type: none"> <li>▪ Non-preparation of salary payment voucher</li> <li>▪ Non-maintaining salary payment reference number in cash book</li> <li>▪ Non-implementation of Bio-metric device and payroll software</li> </ul>
23	Non-providing approved UCs for the reporting period for audit
24	Non-maintaining of inventory/store register and non-conducting of physical verification of inventory and stores available with ULB as per requirement of BMAR-rule 130.
25	Non providing details of Advances, their adjustment & Recovery



### 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 matters incidental thereto for overall improvement of the ULB.

### 4. AUDIT RECOMMENDATIONS

SIN o	Audit Observations	Audit Observations
1	Partial comply AG report for the F.Y. 2013-14 to 2015-16	During audit we observed that the compliance of C & AG report for the F.Y.2013-14 to 2015-2016 has not be fully done by ULB. Further due to lack of co-operation we were also unable to help them in comply with C & AG audit report. We requested to management to nominate someone to comply with C & AG audit queries. <i>We suggest that ULB officials should take appropriate action to prepare compliance of C &amp; AG &amp; internal audit compliance.</i>
2	Budget not prepared/ given by <u>ULB</u> .	ULB should implement real time budget preparation in prescribed format of BMAM. Further, Budget variance report should be prepared for actual budget report.
3	Non-updating of bank reconciliation on monthly basis as per Rule No. 118 of BMAR - 2014.	<b>Bank Reconciliation help us to monitor over:</b> 1. Difference between Bank Passbook and Cash Book 2. Unauthorised withdrawal from Bank. 3. Excessive debited by Bank 4. Helps to know any other reasons of differences. <i>Therefore, ULB should prepare bank reconciliation of all bank accounts including doormat accounts on monthly basis. Bank statements of all bank accounts should be kept in separate file for proper records.</i>
4	Non-Implementation of Double Entry Accounting System	As per requirement of BMAR-2014, Part -A, Chapter -2 Rule -4, "All ULB refereed in Schedule -I shall maintain its Books of Account using the double entry system".
5	No details were made available regarding meeting of municipal accounts committee held during the financial year 2017-18.	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. <i>ULB should ensure timely meeting of accounts committee in compliance of BMA-2007.</i>
6	<b>Non-levy of following taxes</b> Surcharge on transfer of lands and buildings Fire tax. Surcharge on electricity consumption within the municipal area Tax on congregations. Tax on pilgrims and tourists . Tax on profession.	As per section 127, 128, 129 & 131 of chapter XV Bihar Municipal Act, 2007, various taxes are applicable on ULBs to increase their own source revenue. <i>ULB should take steps to implement required taxes to boost their revenue</i>



	<p>User Charges for provision of water-supply, drainage and sewerage</p> <p>User Charges for Solid Waste Management</p> <p>User Charges for Parking Facility</p> <p>User Charges for Garbage Clearance</p> <p>Collection of fees for Issue of municipal licenses</p> <p>Collection of Development Charges</p>	for various non-residential uses of lands and buildings,
7	Late-Deposit of tax collection of taxes with cashier and with bank as per provision of BMA rule-22	As per Bihar Municipal Act, 2007 & Rules 22 of BMAR-2014 The amount of tax collected by the Tax collector is required to be handed over to the cashier and deposited into bank on the same day or latest before noon of next day on which collection is made. However, during our audit, we observed that there is a huge delay in depositing the tax at bank. <i>Therefore, management should implement a MIS Mechanism towards getting control over collection and deposit of Taxes. Further we wish to inform that failure to comply with Rule 22 may cause for fine of Rs. 5,000</i>
8	Non-collection of notice fees for defaulter	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 delayed payment at a rate as may be specified, and the amount of penalty therefore, but In case of Babhua Nagar Parishad, ULB has not provided any information regarding charging and collection of notice fees. <i>ULB should collect notice fees from applicable assesses in compliance of act and to boost ULB revenue.</i>
9	Non-recovery of outstanding taxes	ULB has provided during audit the detail of outstanding tax and other income, we observed on the basis of the data that there is huge arrear of taxes at ULB. <i>Therefore, the management should take proper step to boost collection of arrears. Further a weekly or fortnightly meeting with all tax collectors to be held for getting the reason of non-collection and resolving the same.</i>
10	Non-providing details regarding arrear of advertisement tax, and rental income	ULB should prepare proper records for arrear amount and should take proper steps to collect arrears.
11	Non-preparation of payment vouchers	ULB should prepare voucher based on running voucher as per the provision of Rule No. 16, 17 and 18 of BMAR -2014.
12	Non-conducting physical survey of 20 high value properties	Being ULB was not maintaining any details of high value properties, The details given in report has been prepared based on receipts book. Filed Survey of the same could not be conducted due to non-support of tax Daroga & tax collectors in filed survey. <i>ULB should identify and prepare separate list of high value properties by conducting re-assessment of prospective properties on timely basis to boost their revenue.</i>
13	Non-maintenance of required registers as per Rule No. -3 of BMAR-2014	Detail of registers not maintained by ULB is mentioned under PART-A (a). <i>ULB should ensure</i>



		on time.
22	<p><b>Deficiency in payroll system</b></p> <ul style="list-style-type: none"> <li>▪ Non-preparation of salary payment voucher</li> <li>▪ Non-maintaining salary payment reference number in cash book</li> <li>▪ Non-implementation of Bio-metric device and payroll software</li> </ul>	<p>Every payment should be accompanied with payment voucher. Further as per Section 2(23) of the Indian Stamp Act 1899 makes it mandatory for affixing of stamp on any receipt as defined therein above Rs 5000. Therefore, management should ensure that the payment is accompanied with payment voucher.</p> <p><b>Meaning of Receipt :</b> "Receipt" includes any note, memorandum or writing-</p> <p>(a) whereby any money, or any bill of exchange, cheque or promissory note is acknowledged to have been received, or (b) whereby any other movable property is acknowledged to have been received in satisfaction of a debt, or</p> <p>(c) whereby any debt or demand, or any part of a debt or demand, is acknowledged to have been satisfied or discharged, or</p> <p>(d) which signifies or imports any such acknowledgment; and whether the same is or is not signed with the name of any person "</p>
23	Non-providing approved UCs for the reporting period for audit	Grant is blood of ULB. Therefore, for getting grant and running the ulb working smoothly it is very important to comply with all necessary requirement of grant. Further timely submission of utilisation certificate helps the grant realising authority to send the money for fulfil the requirement of future. <i>Therefore, management should ensure that UC has been submitted with concerned department on time.</i>
24	Non-maintaining of inventory/store register and non-conducting of physical verification of inventory and stores available with ULB as per requirement of BMAR-rule 130.	<i>Management should implement the control system over inventory and store. Stock register should be in place and get it verified by a responsible person as authorised by management time to time. Further any discrepancies arises/ found during such verification should be reported immediately.</i>
25	Non providing details of Advances, their adjustment & Recovery	To ensure timely recovery of advance with interest proper calculation should be there with proper recovery plan.

### 5. COMMENTS FROM MANAGEMENT

Audit observations with audit recommendation has been submitted with management for providing management Comments.

### 6. ACKNOWLEDGEMENT

Considering the Physical Environment, accessibility, literacy of the Human Resources, communication facilities and so many other hindrances, we are in opinion that, the working of the ULB has a deep impact on the economic & social aspects and values of the inhabitants of the demarcated area. And the unit specifically dedicated for the development of Nagar Parishad in the state of Bihar according to plan & for matters ancillary thereto.



		proper maintenance of required Books of Account and register as per the list given in Rule -3 of BMAR - 2014.
14	Non-preparation of Annual Financial Statement as per the provision of Rule 122 of BAMR - 2014	ULB should ensure preparation of Annual Financial Statement as per the provision of Rule 122 of BAMR - 2014
15	<p><b>Irregularities in vendor payment process:</b></p> <ul style="list-style-type: none"> <li>▪ In case of payment to contractor-MB book was not signed by the contractor.</li> <li>▪ PAN number of contractor was not mentioned in payment files.</li> <li>▪ TDS was deducted by normal rate of 01% &amp; 02%, Even PAN number of party was not attached in files.</li> <li>▪ Budget Control Register was not made for payment made.</li> <li>▪ Statutory Compliance register was not maintained for related payments.</li> <li>▪ Final Work Completion certificate was not attached in case of final bill payments.</li> </ul>	Proper tender documents regarding tender approval and allotment was not properly maintained or made available for audit. In provided cases, we are unable to comment on channel of procurement of tender and their required compliances. Further, no statutory compliance register was maintained in regards with statutory dues deducted from party bills. So, ULB should maintained proper tender register and file that include all related documents of tender. Statutory compliance register should be maintained for all statutory deductions made form parties invoices.
16	Non-maintenance of register for all procurements with value above Rs. 15,000	ULB should ensure maintenance of register for all Procurements with value above Rs. 15,000
17	Missing signature of wages worker and stamp of ULB on muster roll register	ULB should ensure proper maintenance of wages register by complying signature and stamping.
18	No maintenance of separate earnest & security deposit register	EMD and security deposit register help in tracking of balance payable to parties.
19	Non-compliance of 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.
20	<p>Lack of internal control measures</p> <p>9. Voucher file was not maintained</p> <p>10. No internal mechanism for statutory compliance</p> <p>11. No MIS was prepared for tracking of payments</p> <p>12. Required books of accounts as per BMAM was not maintained</p> <p>13. Statutory compliance reconciliation was not maintained</p> <p>14. Year-end reconciliation was not available</p> <p>15. Bank reconciliation of any bank account was not prepared.</p> <p>16. Bank balance as per cash book was not maintained.</p>	<p>We observed that there is no any internal control mechanism available over collection, recovery, deposit of taxes, assets handling, Cheque handling and Statuary compliances:</p> <p><b>We suggest that:</b></p> <ol style="list-style-type: none"> <li>1. MIS System should be implemented over daily collection and deposit.</li> <li>2. Reason for non-deposit/ late deposit should be strongly need to ask for minimise delay.</li> <li>3. Need to identify a person to comply with the statuary compliances. In case failure to comply with statuary compliances he should also be penalised. Therefore, the management has to take serious effort in implementation of Internal control Mechanism for getting a better result from ULB working.</li> </ol>
21	<p><b>Non-compliance of statutory compliances:</b></p> <ul style="list-style-type: none"> <li>▪ Non preparation of statutory compliance register</li> <li>▪ Non deposit of TDS on timely basis.</li> <li>▪ Non filling of TDS return for due period</li> <li>▪ Non providing details regarding VAT/PF/Labour Cess</li> </ul>	<p>Statutory compliance register was maintained in regards with statutory dues deducted from party bills. So, ULB should maintained proper statuary compliance register. Statutory compliance register should be maintained for all statutory deductions made form parties invoices.</p> <p>Non-compliance with statuary dues will cause of penalty, interest and prosecution. Management should insure that all statuary dues are paid on time and returns related thereof filed</p>



**DETAILED AUDIT REPORT**

**1. INTRODUCTION:**

S.NO.	Name Of ULB	Period-covered		Audit Team
		From	To	
1	Nokha Nagar Panchayat	01-04-2017	31-03-2018	<b>1. Name of Team Leader:</b> Shri Krishan Kumar Sodhani <b>2. Name of Municipal Audit Expert :</b> CA Rahul Kumar Srivastava <b>3. Name of Municipal Audit Assistant:-</b> Nitesh Kumar

**2. ADMINISTRATION:**

SINo	Particulars	Details
1	The present body of the ULB has taken charge on	06-09-2017
2	<b>The incumbency in the key administrative and executive positions was as under:</b>	
2.1	<b>Name of Mayor:</b>	Mr. Tara Chand Singh
2.1.1	<b>Period of Service:</b>	<b>From:</b> 06-09-2017 <b>To:</b> Till date
2.2	<b>Name of Commissioner/Executive Officer:</b>	Mr. Sushil Kumar
2.2.1	<b>Period of Service:</b>	<b>From:</b> 30-04-2019 <b>To:</b> Till date

**3. REVIEW OF OUTSTANDING AUDIT PARAS:**

**3.1. Status of Audit Observations is as under:**

S.N.	Particulars of audit and date of report	Total no. of audit paras	Total no. of audit paras where necessary improvement /corrective measures 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 O/s para where no action has been taken	No. & date of compliance report
1	AG Audit Report for the F.Y. 2013-14 to 2015-16	24	21	10	0	0	21	29/14.01.2019

**Note:**

Above details has been taken from the AG Report the F.Y. 2013-14 and 2015-16 and compliance report thereof. **For AG Compliance Report, Refer the attached Annexure-01.** Further we are submitting herewith copy of Compliance report submitted by the ULB for the FY 2005-13 (Annexure -2 and Annexure -4)

Further we wish to say that as we have submitted letter to ULB for asking support and to appoint support staff for working on audit compliance, please refer "Annexure-5".



#### 4. FINANCE

##### I. Budgetary provisions and expenditure for the last three years

Year	Year- 2015-16	Year- 2016-17	Year- 2017-18
Final/Revised Budget Data	36,90,000	3,26,77,010	10,05,29,224
Actual Expenditure Data	1,55,09,918	2,85,03,413	6,08,89,671
Savings(+)/Excess(-)	(1,18,19,918)	41,74,379	3,96,39,553

##### Comment:

Budget for the F.Y. 2016-17, 2017-18 & 2019-20 was not made available by ULB. Further financial Statement i.e. Audited Balance Sheet, Income & Expenditure Account and receipts & Payments Account for the 2016-17 & 2017-18 have not been produced before us for verification. Hence, we could not write any figure.

##### II. Volume of transactions

Period	Budgeted for F.Y. 2017-18	Actual for the F.Y. 2015-16	Actual for the F.Y. 2016-17	Actual for the F.Y. 2017-18	Cumulative the current period
Opening balance	Not Available	Not Available	3,95,52,298	9,23,77,453	9,23,77,453
Receipts	Not Available	Not Available	8,13,28,568	7,36,23,675	7,36,23,675
Total	Not Available	Not Available	12,08,80,866	16,60,01,128	16,60,01,128
Net expenditure	10,05,29,224	1,55,09,918	2,85,03,413	6,08,89,671	6,08,89,671
Closing balance	Not Available	Not Available	9,23,77,453	10,51,11,457	10,51,11,457

##### Comment:

Budget for the F.Y. 2016-17, 2017-18 & 2019-20 was not made available by ULB. Further financial Statement i.e. Audited Balance Sheet, Income & Expenditure Account and receipts & Payments Account for the 2016-17 & 2017-18 have not been produced before us for verification. Hence, we could not write any figure.

##### III. Bank Reconciliation position as on reporting date

##### Bank Reconciliation position as on 31-03-2018

S. N	Name of Bank	Bank A/C No.	Purpose	Balance as per Cash Book	Balance as per Bank Statement	Differences	Rec (Ye
1	State Bank of India	31597179010	14 <sup>th</sup> Finance Commission	2,08,90,894	23,32,272	1,85,58,622	
2	State Bank of India	3269901601	State Finance	12,44,327	10,32,832	2,11,495	
3	State Bank of India	11735874202	Administrative Expense	17,96,098	22,668	17,73,430	
4	Punjab National Bank	6484000100008770	BRGF Grant	6,65,265	6,65,265	0	
5	Punjab National Bank	846000105041698	BRGF Grant	42,761	43,213	-452	
6	Punjab National Bank	6484000100015430	MNVY	46,131	47,605	-1,474	



		6484000100072990	Teacher Salary	86,526	58,842	27,684	No
	Bank	1863104000017810	General Ghatak	3,34,172	2,04,750	1,29,422	No
8	IDBI Bank	11735874213	Subsidy	23,33,129	2,33,312	20,99,817	No
9	State Bank of India	6484000100024440	SJSRY	15,44,590	15,99,287	-54,697	No
10	Punjab National Bank	73800100063286	NSDP	3,557	2,074	1,483	No
11	Madhya Bihar Gramin Bank	73801700090166	12 <sup>th</sup> Finance Commission	15,429	1,62,182	-1,46,753	No
12	Madhya Bihar Gramin Bank	100003909	11 <sup>th</sup> Finance Commission	24,420	1,015	23,405	No
13	Bank of Baroda	39282333646	Nala Nirman	807	807	0	No
14	State Bank of India	11735874199	SJSRY	23,13,166	26,288	22,86,878	No
15	State Bank of India	30615243273	Parshad Allowance	1,71,641	14,541	1,57,100	No
16	State Bank of India	80100011083	Ghat Nirman	2,811	2,887	-76	No
17	Bank of Baroda	32699595947	4 <sup>th</sup> Finance Commission	7,177	7,177	0	No
18	State Bank of India	6484000100059210	Administrative Expense	29,62,162	14,60,237	15,01,925	No
19	Punjab National Bank	1863104000009070	Sulabh Sauchalya	71,74,794	1,191	71,73,603	No
20	IDBI Bank	1863104000009070	SBM	5,35,684	28,56,273	-23,20,589	No
21	IDBI Bank						

Comment:

**Bank Reconciliation helps us to monitor over:**

1. Difference between Bank Passbook and Cash Book
2. Unauthorised withdrawal from Bank.
3. Excessive debited by Bank
4. Helps to know any other reasons of differences.

Therefore, ULB should prepare bank reconciliation of all bank accounts including doormat accounts on monthly basis. Bank statements of all bank accounts should be kept in separate file for proper records.





IV. Revenue & Capital Receipts Information:

Sl No	Details	Income Details (Amount in Rs.)		2018-19	2017-18	2018-19	2017-18	2019-20	2018-19
		2017-18	2016-17						
	Total Receipts (A+B)	73,623,675	81,328,568	Not Applicable	73,623,675	Not Applicable	73,623,675	Not Applicable	Not Applicable
A	Revenue Receipts (1+2+3)	25,515,562	3,946,052	Not Applicable	25,515,562	Not Applicable	25,515,562	Not Applicable	Not Applicable
1	Own Revenue Receipts (a+b)	3,969,703	849,902	Not Applicable	3,969,703	Not Applicable	3,969,703	Not Applicable	Not Applicable
a)	Tax Revenue (levied and collected by municipal body)	2,607,843	746,937	Not Applicable	2,607,843	Not Applicable	2,607,843	Not Applicable	Not Applicable
i)	Property tax	2,607,843	746,937	Not Applicable	2,607,843	Not Applicable	2,607,843	Not Applicable	Not Applicable
ii)	Other tax (levied and collected by municipal body)	-	-	Not Applicable	-	Not Applicable	-	Not Applicable	Not Applicable
b)	Non-tax revenue (levied and collected by municipal body)	1,361,860	102,965	Not Applicable	1,361,860	Not Applicable	1,361,860	Not Applicable	Not Applicable
i)	Fees & fines	1,361,860	102,965	Not Applicable	1,361,860	Not Applicable	1,361,860	Not Applicable	Not Applicable
ii)	User Charges	-	-	Not Applicable	-	Not Applicable	-	Not Applicable	Not Applicable
iii)	Other non-tax revenue (levied and collected by municipal body)	-	-	Not Applicable	-	Not Applicable	-	Not Applicable	Not Applicable
2	Other Revenue Receipts	1,236,913	89,730	Not Applicable	1,236,913	Not Applicable	1,236,913	Not Applicable	Not Applicable
a)	Income from interest/investments	928,204	75,730	Not Applicable	928,204	Not Applicable	928,204	Not Applicable	Not Applicable
b)	Other Revenue income	308,709	14,000	Not Applicable	308,709	Not Applicable	308,709	Not Applicable	Not Applicable
3	Transfers/Grants/Assigned Revenues	20,308,946	3,006,420	Not Applicable	20,308,946	Not Applicable	20,308,946	Not Applicable	Not Applicable
a)	State Assigned Revenue	910,770	775,660	Not Applicable	910,770	Not Applicable	910,770	Not Applicable	Not Applicable
b)	State Finance Commission (SFC) Grants/Devolution	18,986,926	2,102,550	Not Applicable	18,986,926	Not Applicable	18,986,926	Not Applicable	Not Applicable
c)	Octroi compensation			Not Applicable	-	Not Applicable	-	Not Applicable	Not Applicable

	Other State Government Transfers			Not Applicable	-	Not Applicable	Not Applicable
e)	Central Finance Commission (CFC) Grant			Not Applicable	-	Not Applicable	Not Applicable
f)	Other Central Government Transfers			Not Applicable	-	Not Applicable	Not Applicable
g)	Others (Sales & Hire Charges )	411,250	128,210	Not Applicable	411,250	Not Applicable	Not Applicable
<b>B</b>	<b>Capital Receipts (1+2+3+4+5+6)</b>	<b>48,108,113</b>	<b>77,382,516</b>	<b>Not Applicable</b>	<b>48,108,113</b>	<b>Not Applicable</b>	<b>Not Applicable</b>
1	Sale of Municipal Land			Not Applicable	-	Not Applicable	Not Applicable
2	Loans (from State Govt. or Bank etc.)			Not Applicable	-	Not Applicable	Not Applicable
3	State Capital Account Grant (under State Schemes etc.)	47,664,932	77,382,516	Not Applicable	47,664,932	Not Applicable	Not Applicable
4	Central Capital Account Grant (under Central Schemes etc.)			Not Applicable	-	Not Applicable	Not Applicable
5	Other Capital Receipts	443,181		Not Applicable	443,181	Not Applicable	Not Applicable

**Comment:**

The above figures have been taken from the Budget Statement of the ULB for the year 2016-17, 2017-18, 2018-19, 2019-20. & 2020-21 Financial Statement i.e. Audited Balance Sheet, Income & Expenditure Account and receipts & Payments Account for The year 2016-17, 2017-18, 2018-19 & 2019-20 have not been produced before us for verification. Hence, we could not validate the Above-mentioned figures. Refer "Annexure-2" for Budget.

**V. Revenue and Capital Expenditure Information.**

Expenditure Details (Amount in Rs.)							
SI No	Details	2017-18		2018-19		2019-20	
		2017-18	2016-17	2018-19	2017-18	2019-20	2018-19
	Total Expenditure (1+2)	60,889,671	28,503,413	Not Applicable	60,889,671	Not Applicable	Not Applicable
1	Revenue Expenditure	23,676,021	3,835,145	Not Applicable	23,676,021	Not Applicable	Not Applicable



1.1	Adminstrative Expenses,Establishment and Salaries (All Departments-Regular and Contractual Staff)	2,567,959	3,686,528	Not Applicable	2,567,959	Not Applicable	Not Applicabl e
1.2	Operation and Maintenance (O&M)	1,596,776	125,300	Not Applicable	1,596,776	Not Applicable	Not Applicabl e
1.3	Loan repayment (Interest payments)	4,029	391	Not Applicable	4,029	Not Applicable	Not Applicabl e
1.4	Others(any other revenue expenditure which is not salaries,O&M or Interest Payment)	19,507,257	22,926	Not Applicable	19,507,257	Not Applicable	Not Applicabl e
2	Capital Expenditure	37,213,649	24,668,268	Not Applicable	37,213,649	Not Applicable	Not Applicabl e
2.1	All developmental works under Central/State specific schemes	15,412,937	24,668,268	Not Applicable	15,412,937	Not Applicable	Not Applicabl e
2.2	Loan Repayments(Principial Amount)	-	-	Not Applicable	-	Not Applicable	Not Applicabl e
2.3	Other Capital expenditure	21,800,712	-	Not Applicable	21,800,712	Not Applicable	Not Applicabl e

**Comment:**

The above figures have been taken from the Budget Statement of the ULB for the year 2016-17, 2017-18, 2018-19 & 2019-20. Financial Statement i.e. Audited Balance Sheet, Income & Expenditure Account and receipts & Payments Account for The year 2016-17, 2017-18, 2018-19 & 2019-20 have not been produced before us for verification. Hence, we could not validate the Above-mentioned figures.

**VI. Status of Implementation of Double Entry Accounting System**

No information regarding implementation of double entry accounting system was made available, further there was no information available on e-Municipality regarding financial statements.

**VII. Status of Meeting of Municipal Accounts Committee**

No details regarding meeting of municipal accounts committee held during the reporting period was made available.



## 5. AUDIT OBSERVATION

### 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, fee etc.

1. **Non-levy of taxes** as per section 127, 128, 129 & 131 of chapter XV Bihar Municipal Act, 2007, various taxes are applicable on ULBs to increase their own source revenue. *In case of Nokha Nagar Panchayat*, The following mentioned tax/charges are not implemented that leads to loss of revenue to ULB.

SINo	Particulars	Implemented by ULB or Not
1	Surcharge on transfer of lands and buildings	No
2	Fire tax.	No
3	Surcharge on electricity consumption within the municipal area	No
4	Tax on congregations.	No
5	Tax on pilgrims and tourists .	No
6	Tax on profession.	No
7	User Charges for provision of water-supply, drainage and sewerage	No
8	User Charges for Solid Waste Management	No
9	User Charges for Parking Facility	No
10	User Charges for Garbage Clearance	No
11	Collection of fees for Issue of municipal licenses for various non-residential uses of lands and buildings,	No
12	Collection of Development Charges	No

**Audit Objective** - As per Point No. - 5.00 of TOR

**Criteria** - Non levied the taxes reported above by ULB.

**Condition** -As per details provided to us the ULB is not charging the above mention taxes.

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

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

**Corrective Action / Recommendation** - As per our opinion, management should review the working on timely basis

2. **Late deposit of receipts:** As per Bihar Municipal Act, 2007 & Rules 22 of BMAR-2014 The amount of tax collected by the Tax collector is required to be handed over to the cashier and deposited into bank on the same day on which collection is made. *In case of Nokha Nagar Panchayat*, during verification of receipts book and deposit slips, we have noticed that there were delay of amount deposited into bank from 01 to 104 days.



Receipts Book Serial Number	Date of Collection		Collection Amount	Date of Deposit	Delay in Deposit	
	From	To			Min.	Max.
4401-4430	31-03-2017	24-04-2017	71,896	05-05-2017	11	35
4431-4500	21-04-2017	05-07-2017	29,250	03-08-2017	29	104
4501-4900	11-04-2017	24-04-2017	75,450	05-05-2017	11	24
4901-4942	11-07-2017	31-08-2017	20,622	06-09-2017	6	57
4943-5000	05-09-2017	14-11-2017	43,938	15-12-2017	31	101
5001-5032	20-11-2017	13-12-2017	6,188	15-12-2017	2	25
5033-5120	15-12-2017	24-02-2018	31,392	07-03-2018	11	82
5121-5200	05-02-2018	29-03-2018	67,895	09-04-2018	11	63
5391-5400	31-03-2018	31-03-2018	2,110	30-06-2018	91	91

**Audit Objective** - As per Point No. - 5.00 of TOR

**Criteria** - As per Bihar Municipal Act, 2007 & Rules 22 of BMAR-2014 The amount of tax collected by the Tax collector is required to be handed over to the cashier and deposited into bank on the same day or latest before noon of next day on which collection is made. Further we wish to inform that failure to comply with Rule 22 may cause for fine of Rs. 5,000.00

**Condition** -As per details provided to us the ULB is not depositing the amount collected from public on time.

**Consequence Effect /Impact** - Due to non-deposit of cash on timely basis there is loss of interest to ULB. It seems that huge fund easily available with cashier on the cost of Bihiya ULB.

**Cause**- We observed that due to lack of proper follow up and monitoring of activities of concerned person of the ULB on regular interval, the ULB has not proper control, supervision, and monitoring over collection and deposit of taxes.

**Corrective Action / Recommendation** - Management should reconcile time to time the physical Cash with cash book for stopping the misuse of cash

**3. Non collection of Notice fees:** 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 delayed payment at a rate as may be specified, and the amount of penalty therefore, but **In case of Nokha Nagar Panchayat**, ULB was not provided any information regarding charging and collection of notice fees.

**Audit Objective** - As per Point No. - 5.00 of TOR

**Criteria** - As per sec 158 of Bihar Municipal Act, 2007 The amount of notice fee should be collected by the municipality.

**Condition** -As per details provided to us the ULB is not collecting notice fee.



**Consequence Effect /Impact** - Due to non-collection of notice fee there is loss of interest to ULB

**Cause-** We observed that due to lack of proper follow up and monitoring of activities of concerned person of the ULB on regular interval, the ULB has not proper control, supervision, and monitoring over issue of notices and collection of notice fee.

**Corrective Action / Recommendation** - Management should monitor the notices issued on periodic basis towards charging and collection of notice fee.

**4. Recovery of outstanding taxes/rental income:** As per record provided by ULB, following income was in arrear as on 31-03-2018.

Details of outstanding arrear of income as on 31-03-2018					
SINo	Type of Income	Arrear as on 01-04-2017	Demand for Current Year	Collection for Current Year	Arrear Amount
1	Property Tax	-	7,75,368	5,34,294	2,41,074
2	Mobile Tower Tax	4,18,000	72,000	-	4,90,000
3	Licence	72,000	26,250	15,000	83,250
<b>Total</b>					<b>8,14,324</b>

**Comment:** Details of arrear of property tax as on 01-04-2017 was not made available. ULB should implement/take action to boost collection of arrear revenue to increase their own source revenue. **Please refer the Annexure- 6 for details of arrear.**

**Audit Objective** - As per Point No. - 5.00 of TOR

**Criteria** - As per sec 158 of Bihar Municipal Act, 2007 the amount of notice fee should be collected by the municipality.

**Condition** -As per details provided to us the ULB is not collecting notice fee.

**Consequence Effect /Impact** - Due to non-collection of notice fee there is loss of interest to ULB

**Cause-** We observed that due to lack of proper follow up and monitoring of activities of concerned person of the ULB on regular interval, the ULB has not proper control, supervision, and monitoring over issue of notices and collection of notice fee.

**Corrective Action / Recommendation** - Management should implement/take action to boost collection of arrear revenue to increase their own source revenue.

**b. Excess payment against bill, lack of prudence in payment against voucher, inefficiency in controls resulting loss to ULBs.**

**1. Payment of bills after due date:** During audit we observed that ULB were doing payments of electricity bills after their dues dates that were effecting extra liability on ULBs in the way of penalties. **Please refer Annexure-7 for electricity bill dues.**

**2. Pass payment without preparation of payment vouchers:** The ULB does not prepare Payment Vouchers for making payment to the parties/vendors. Payment was made on the basis of bills only raised in the name of ULB which is passed by the competent authority.

**3. Irregularities in payments:** Following common observations were noticed during verification of payment files:

- In case of payment to contractor-MB book was not signed by the contractor.



- PAN number of contractor was not mentioned in payment files.
- TDS was deducted by normal rate of 01% & 02%, Even PAN number of party was not attached in files.
- Budget Control Register was not made for payment made.
- Statutory Compliance register was not maintained for related payments.
- Final Work Completion certificate was not attached in case of final bill payments.

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

During audit we observed that ULB was not maintaining any data for 20 high value properties. Further during audit we requested to ULB to appoint nodal officer for re-assessment of 20 high value property but no such required assistance from ULB was provided. **Refer annexure: -5**

**II. PART-B**

**a. Non-Maintenance of books of accounts, subsidiary registers**

The municipality has not maintained/provide for verification the following prescribed registers.

SINo	Name of register	Maintained/Updated or Not
1	Collection Register	No
2	Register of Advance	No
3	Register of Permanent Advance	No
4	Deposit received register	No
5	Summary statement of deposit adjusted	No
6	Demand Register	No
7	Summary Statement of Bills Raised	No
8	Register of Notice Fees, Warrant Fees, Other Fees	No
9	Summary Statement of Notice Fees, Warrant Fees, Other Fees	No
10	Register of Refunds, Remissions and Write off	No
11	Summary statement of Refunds and Remissions	No
12	Summary Statement of Write-offs	No
13	Statement of outstanding Liability for Expenses	No
14	Fixed Assests Register	No
15	Summary Statement of Demand Raised on assessment	No
16	Summary Statement of Head wise Collection of Other Income	No
17	Summary Statement of Refunds	No
18	Summary Statement of Write off	No
19	Work Sheet	No
20	Deposit Works Register	No
21	Material Receipt Note	No
22	Store Ledger	No
23	Statement of Closing Stock	No
24	Statement of Material Issued	No

Refer Annexure -2

**b. Irregularity in procurement process:**

- 1. Whether a register is kept for all Procurements with value above Rs. 15,000/-:** No procurement register was maintained at ULB level for procurement with value above Rs. 15,000/-
- 2. Details of Vehicle Log Book Maintained:** Log Book was not made available for audit
- 3. As per rule no 75, disbursement to the daily wage workers is to be witnessed by the chief municipal officer / engineer and he has to sign the disbursement certificate after ensuring that the acknowledgement has been obtained from the workers on the master payroll (BMAR Form - 33):** Wages register was not made available for audit.



4. **No separate earnest & security deposit register:** Earnest money deposit & security deposit register help in tracking refund of EMD/SD on time to concerned parties, but in ULB, no such register was provided for verification.

4. **Irregularities in procurement process:** The Following common observations were noticed during verification of payment files:

- In case of payment to contractor-MB book was not signed by the contractor.
- PAN number of contractor was not mentioned in payment files.
- TDS was deducted by normal rate of 01% & 02%, Even PAN number of party was not attached in files.
- Budget Control Register was not made for payment made.
- Statutory Compliance register was not maintained for related payments.
- Final Work Completion certificate was not attached in case of final bill payments.

c. **Non-Compliance of directives by UD&HD, GoB:**

SINo.	Direction issued by UDHD	Complied or Not
1	Circular No. 1188 dated 18-05-2017	Complied
2	Circular No. 261 dated 06-02-2018	Complied

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

SINO	Requirement	Criteria	Auditors Comment
1	The amount of tax collected by the Tax collector is required to be handed over to the cashier and deposited into bank on the same day on which collection is made.	BMAR Rule No.-22	<b>Refer point: Part-A (a) (2)</b> No, during the audit we observed that the tax collectors not handed over there collections to cashier. However, They have directly deposited the amount into bank which takes maximum delay of 01-104 days into bank.
2	Whether every bill collector or municipal employee entrusted with the collection of municipal revenue was supplied with a Collection Register in BMAR Form 17 and receipt books.	BMAR Rule No.- 27	Yes, Every bill collector or municipal employee entrusted with the collection of municipal revenue was supplied with a Collection Register in BMAR Form 17 and receipt books.
3	Whether the collection register was in the personal custody of the bill collector and the particulars in It shall be written up from the original receipts issued at the time of collection.	BMAR Rule No.- 27	Yes, Collection register was in the personal custody of the bill collector and the particulars in It shall be written up from the original receipts issued at the time of collection.
4	Whether bill collector get its verified collection register as well as the receipt books in his charge to the Revenue inspector/Revenue Officer or the designated stall of the Municipality	BMAR Rule No.- 27	Yes, bill collector get its verified collection register as well as the receipt books in his charge to the Revenue inspector/Revenue Officer or the designated stall of the Municipality
5	Whether every bill collector invariably remit his collections (in cash and/or cheques) to Cashier dally before 4.30 PM and take the cashier's acknowledgment in the collection register.	BMAR Rule No.- 27	<b>Refer point: Part-A (a)</b> No, Every bill collector or municipal employee pay their collection directly into bank account with average 0-104 days delay after collection of tax.
6	Whether Grant Register as prescribed in BMAR Form 28 was	BMAR Rule No.- 69	Yes, Scheme wise grant register was maintained by the ULB.



	maintained by the Municipality to record receipts and utilization of grants sanctioned by the Government.		
7	Whether specific grants, which have certain conditions attached for utilizing such grants including the requirement to use it for capital purposes or use it in a particular proportion or manner. Usually such grants have requirements for submitting utilization certificates e.g. Finance Commission grant, SFC grant for specific purpose, namely, road repairs. It is the responsibility of the Chief Municipal Officer that the conditions attached to the grant are complied with without exception.	BMAR Rule No.- 69	Grant allotment letter & Utilization certificate submitted by the ULB was not made available to audit. Even Excel working has been provided by the ULB that is annexed in point Part-(B)(h).
8	Whether The grant received for a specific purpose was diverted for any other purpose.	BMAR Rule No.- 69	No such details/information provided.
9	Whether the Utilization Certificate was signed by Chief Municipal Officer for verification of the financial outlays and physical progress reported on BMAR Form No 29.	BMAR Rule No.- 69	<b>Refer PART-B (h)</b> No, Signed Utilization certificate details produced for verification, Even Excel working has been provided by the ULB that is annexed in point Part-(B)(h).
10	Whether Municipality has returned unutilized grant for more than three years from date of receipt to the source from where such grant was received	BMAR Rule No.- 69	No related information was provided by ULB.
11	Whether The Chief Municipal Officer prepare a fund wise statement of receipts and payments in BMAR Form No. 71 not later than 20th of the subsequent month.	BMAR Rule No.- 120	No, ULB was not prepared a fund wise statement of receipts and payments in BMAR Form No. 71 not later than 20th of the subsequent month.
12	Whether ULB prepare monthly Trial balance in BMAR Form No. 72 by extracting all ledger balances under various Account Codes as certified by the Chief Municipal Officer.	BMAR Rule No.- 121	No, ULB was not prepared monthly Trial balance in BMAR Form No. 72 by extracting all ledger balances under various Account Codes as certified by the Chief Municipal Officer.
13	Whether ULB sent the Demand Statement in BMAR Form No. 23 and Trial Balance to the Director of Local Bodies in soft copy as well as hard copy for each quarter at the end of month following each quarter	BMAR Rule No.- 121	No, Nokha Nagar Panchayat was not send the Demand Statement in BMAR Form No. 23 and Trial Balance to the Director of Local Bodies in soft copy as well as hard copy for each quarter at the end of month following each quarter
14	The Chief Municipal Officer shall, Within three months after the end of each financial year be prepared financial statements for the	BMAR Rule No.- 122	BMAR Rule No. - 122 was not followed by ULB during the F.Y. 2017-18.



	<p>preceding year in respect of the accounts of the Municipality. <b>The Financial Statements shall comprise of</b></p> <p>a. Receipts and Payments Account for the year (BMAR Form No.71)</p> <p>b. Income &amp; Expenditure Statement for the year (BMAR Form No.73)</p> <p>c. Balance Sheet as on 31st March of the year (BMAR Form No.74)</p> <p>d. Significant accounting policies adopted by the Municipality in presentation of the financial statements.</p> <p>e. Notes to Accounts, which shall disclose Contingent liabilities, and such other information as, may be useful in understanding the financial statements clearly.</p> <p>f. Comparative amounts shall be entered on the financial statements for the preceding financial year except. In the case of the first year to which those rules apply</p>		
15	<p>Whether the municipality is regular in depositing statutory dues including tax deducted at source, GST, TDS on GST, works contract tax, cess payable to the government etc. and If not, the nature and cause of such delay and the amount not deposited: (BMAR Rule No.-130)</p>	BMAR Rule No.-130	Refer PART-B (f)
16	<p>Whether the municipality is regular in remittance of pension and leave encashment contributions or any other amounts which the municipality is liable to remit towards the retirement dues of its employees, including employees on deputation; (BMAR Rule No.-130)</p>	BMAR Rule No.-130	Refer PART-B (g)
17	<p>Whether all transactions (incomes, expenditures, assets and liabilities) are correctly classified and stated in sufficient detail;</p>	BMAR Rule No.-130	No, BMAR Rule No. 130 was not followed by ULB. As Single entry accounting system was followed by ULB. ULB was booking only income & expenditure only according to cash method.
18	<p>Whether all grants sanctioned or received by the municipality during the year, have been accounted properly, and where any deduction is made out of such grants towards any dues of the ULB? Whether such deductions have been properly accounted;</p>	BMAR Rule No.-130	Details of sanctioned of grant and deductions from grant was made available for audit.
19	<p>Whether any Special Funds have been created as per the provision of any statute and whether the</p>	BMAR Rule No.-130	No related information was provided by ULB



	Special Funds have been utilized for the purposes for which they have been created;		
20	Whether the ULB is maintaining proper records showing full particulars, including quantitate details and situation of fixed assets; whether these fixed assets have been physically verified at reasonable intervals; whether any material discrepancies were noticed on such verification and if so, whether the same has been properly dealt with in the books of account;	BMAR Rule No.-130	ULB was not maintaining fixed assets register for reporting period. Further no, fixed assets physically verified report was made available to comment upon.
21	Whether in case of leasehold property given by the ULB, lease rentals are collected regularly by the ULB and that the lease agreements are renewed after their expiry;	BMAR Rule No.-130	No details regarding lease hold property was made available to comment upon.
22	Whether there exists an adequate internal control procedure for the purchase of stores, including components, plant and machinery, equipment and other assets?	BMAR Rule No.-130	Yes, ULB followed adequate internal control procedure for the purchase of stores, including components, plant and machinery, equipment and other assets. But there were no assets register was maintained by ULB.
23	Whether any expenses of personal nature of the Officers or employees has been charged to the municipality' s accounts; If so, the details thereof;	BMAR Rule No.-130	We have not observed such type of transaction during audit.
24	Whether the Bank Reconciliation statements have been property prepared for all the bank accounts of the ULB and the remedial actions including all correcting entries have been taken on timely basis;	BMAR Rule No.-130	<b>Refer Point-04 (III)</b> No, ULB has not prepared bank reconciliation for any bank accounts maintained.
25	Whether the year-end and reconciliation procedures prescribed have been carried out as per the rules;	BMAR Rule No.-130	As ULB has single entry accounting system, in that case year end provisions and reconciliation was not made during the reporting period.
26	Whether all the expenditure incurred by the Municipality are authorized by appropriate provision in the sanctioned budget. whether made originally or subsequently and are in all cases such as are authorized by Act;	BMAR Rule No.-130	Payments files was not made available.
27	Whether all revenue has been properly assessed, accounted for, collected and recovery action taken on timely basis;	BMAR Rule No.-130	<b>Refer-PART-A (a) (2) &amp; (4)</b> No, As per referred point, this is clear that ULB was not recognising collection of taxes as and when collected, further there was arrears of revenue with ULB.
28	Whether all sums due to and received by the Municipality have been brought to account within the prescribed time limits and are in	BMAR Rule No.-130	<b>Refer-PART-A (a)(3)</b> No, As per referred point this is clear that In case of deposit of daily tax collection, that is deposited on average 0-104 days delay of collection.



	all cases such as are authorized by Act;		
29	Whether the amounts received as specific grants have been utilized for the purposes as stated in the grant sanction order;	BMAR Rule No.-130	Grant sanction order was not produced
30	Whether, proper books of account as required by the Act and Rules have been kept by the Municipality so far as it appears from examination of those books. (Rule-130 of BMAR-2014)	BMAR Rule No.-130	<b>Refer-PART-B (a)</b> No, Some required books of accounts as per BMAM/BMAR has not been maintained.
31	Whether physical verification has been conducted by the ULB at reasonable intervals In respect of stores;	BMAR Rule No.-130	No store verification report was made available during the reporting period to comment upon.
32	Whether the procedures of physical verification of stores followed by the ULB are reasonable and adequate?	BMAR Rule No.-130	No, procedures of physical verification of stores followed by the ULB has been provided to comment upon.
33	Whether any material discrepancies have been noticed on physical verification of stores as compared to book records, and if so, whether the same has been properly dealt with in the books of account; Whether proper procedures are in place to identify any unserviceable or damaged stores and whether provision for the loss in this respect, if any, has been made in the accounts;	BMAR Rule No.-130	No such details provided
34	Whether the valuation of stores is in accordance with the accounting principles laid down in the rules? Whether the basis of valuation of stores is same as in the preceding year? If there is any deviation in the basis of valuation, the effect of such deviation, if material, should be reported;	BMAR Rule No.-130	No such details provided
35	Whether the parties to whom loans or advances have been given by the ULB are repaying the principal amounts as stipulated and are also regular in payment of the interest and if not, whether reasonable steps have been taken by the municipality for recovery of the principal and interest?	BMAR Rule No.-130	No such details provided
36	Whether advances given to municipal employees and interest thereon are being regularly recovered;	BMAR Rule No.-130	No such details provided
37	Bihar Municipal Accounting Manual, 2014, every year budget should be prepared for receipts	BMAR Rule No.-132	No such details provided



	and expenditure in Performa 75,77 and 80 Preparing Budgets as per the Rules framed under Bihar Municipal Accounts Rule 2014. Rule 132 regarding Public Participation in Preparation Of Budget. Moreover, as required under provisions of Rule 139, mid-year review of Budget.		
38	<b>Municipal Fund:</b> Whether ULB has created required fund as mentioned in chapter IX of BMA-2007	BMA,2007: Chapter IX	No, ULB is using single entry accounting system, so there was no fund was accounting followed.
39	<b>Investment of surplus money.</b> Whether municipality has invested surplus fund as per the requirement of the chapter-X of BMA-2007. Auditor will report on the fixed deposit and other funds should be in nationalized banks/Approved financial institutions and should earn maximum interest at their gestation period. Check whether comparative interest rate is invited from parties before investing surplus funds:	BMA,2007: Chapter X	No details provided by ULB regarding investment done.
40	<b>Maintenance of accounts.</b> Whether the Chief Municipal Officer prepared and maintained accounts of receipts and expenditure of the Municipality in such form, and in such manner, as may be prescribed,	BMA,2007: Chapter XII	As ULB was following single entry accounting system. So receipts and payments details were being maintained in form of cash book. Audited receipts & payments account as per BMAM was not prepared by ULB.
41	<b>Financial Statement.</b> Whether The Chief Municipal Officer shall, within four months of the close of a year, cause to prepare a financial statement containing an income and expenditure account and a receipts and payments account for the preceding year in respect of the accounts of the Municipality,	BMA,2007: Chapter XII	Not maintaining
42	<b>Submission of financial statement and balance sheet to auditor.</b> The financial statement prepared under section 88 and the balance sheet of the assets and the liabilities prepared under section 89 shall be placed by the Chief Municipal Officer before the Empowered Standing Committee which, after examination of the same, shall adopt and remit them to the Auditor as may be	BMA,2007: Chapter XII	Not followed



	appointed in this behalf by the State Government.		
43	As per section 127, 128, 129 & 131 of chapter XV Bihar Municipal Act,2007 various tax are applicable on ULBs.	BMA,2007: Chapter XV	Refer-PART-A(a)(1) for details
44	As per the Regulation 158(a) of chapter XIX of Bihar Municipal Act 2007,) Municipality shall, by regulations, provide for issue of notice of demand, charging of notice fee, levy of interest for delayed payment at a rate as may be specified, and the amount of penalty therefore,	BMA,2007: Chapter XIX	Refer-PART-A(a)(3)

**e. Lack of internal control measures:** We have observed the following areas where internal control measures are required by ULBs-

1. Voucher file was not maintained
2. No internal mechanism for statutory compliance
3. No MIS was prepared for tracking of payments
4. Required books of accounts as per BMAM was not maintained
5. Statutory compliance reconciliation was not maintained
6. Year-end reconciliation was not available
7. Bank reconciliation of any bank account were prepared.
8. Bank balance as per cash book was not maintained.

**f. Non-compliance of TDS, GST and other relevant Statute:**

1. **Deposit of TDS:** As per data provided in below mention data, this is clear that ULB was not complying with TDS related compliance. During F.Y. 2017-18, ULB had paid TDS only in the month of April-2017 & Mar-2018.

SINO	Challan Tender Date	Challan Serial Number	Received Date	Nature of Payment
1	06-04-2017	3	11-04-2017	Pay. of Contractors and sub-contractors.
2	06-04-2017	4	11-04-2017	Pay. of Contractors and sub-contractors.
3	06-04-2017	2	11-04-2017	Pay. of Contractors and sub-contractors.
4	31-03-2018	41	02-04-2018	Pay. of Contractors and sub-contractors.

**Refer Annexure -8**

**Note:**

1. Neither copy of challan nor the copy of return has been presented to us, therefore we are unable to comment that payment made on time or not. However, we wish to say that non-payment of tax on due or before date will attract interest @ 1.5% p.m. or part of month
  2. As per provision of sec. 276B, If a person fails to pay to the credit of the Central Government to the amount of tax deducted at source by him as required by or under the provisions of Chapter XVII-B; or the tax payable by him, as required by or under sub-section (2) of section 115-O; or the second proviso to section 194B, he shall be punishable with rigorous imprisonment for a term which shall not be less than **three months** but which may extend to **seven years** and with fine.
2. **Details of TDS returns filled are mentioned below:**



During the audit, we observed that ULB was not regular in filling of TDS return, as per below mentioned details this is clear that either ULB had not filled TDS return or if filled then not followed due date of return filling. This practice of delay in filling of TDS return would cause ULB in form of penalty.

SINo	Quarter	Due date of Return	Actual date of Return filled	Remark
1	Quarter-1 of F.Y. 2017-18	31 <sup>st</sup> -Jul-2017	Not Provided	In absence of data can't comment.
2	Quarter-2 of F.Y. 2017-18	31 <sup>st</sup> -Oct-2017	Not Provided	
3	Quarter-3 of F.Y. 2017-18	31 <sup>st</sup> -Jan-2018	Not Provided	
4	Quarter-4 of F.Y. 2017-18	31 <sup>st</sup> -May-2018	17 <sup>th</sup> April 2018	Refer Annexure -9

**Note:**

- As per provision of Sec. 234E where a person fails to file the TDS/TCS return on or before the due date prescribed in this regard, then he shall be liable to pay, by way of fee, a sum of Rs. 200 for every day during which the failure continues. The amount of late fees shall not exceed the amount of TDS. Further as per provision of Sec 271H diductor or collector of tax at source fail to file the return within the stipulated date, he/she can also be penalized with a fee which is not less than Rs 10,000. The amount of penalty could go up to Rs. 1 lakh.
  - Downloading of TDS Certificates from TRACES made mandatory:** In this regard, your attention is invited to the **CBDT circulars 04/2013 dated 17.04.2013, CBDT Circular No. 03/2011 dated 13-5-2011 and CBDT Circular No. 01/2012 dated 9-4-2012** on the **Issuance of certificate for Tax Deducted at Source** in Form 16/16A as per IT Rules 1962. It is now **mandatory for all diductor's to issue TDS certificates after generating and downloading the same from "TDS Reconciliation Analysis and Correction Enabling System"** or TRACES Portal. In view of above circulars, it may kindly be noted that the TDS Certificates **downloaded only from TRACES Portal** will be valid. Certificates issued in any other form or manner will not comply to the requirements referred in the Income-tax Act 1961 read with relevant Rules and Circulars issued in this behalf from time to time. Further as per the provisions of section 203 of the Income Tax Act, 1961 read with rule 31A, Certificate of tax deducted at source is to be **furnished within fifteen (15) days from the due date for furnishing the statement** of tax deducted at source. Failure to comply with the provisions of the Act will attract **penalty under the provisions of section 272A of the Act, a sum of one hundred rupees for every day** during which the failure continues.
  - In case of ULB the commissioner/executive officer in charge will be person who is liable to deduct and pay the TDS and issue of TDS certificate on time. Therefore, management is suggested to take a serious note on the status of Tax collected or deposited, timely submission of return thereof and issuance of TDS Certificate.
- Deposit of Royalty:** No details of deposit of royalty provided.
  - Deposit of Labour cess:** No details of deposit of Labour cess provided.

**g. Deficiency in payroll system:**

SINo	Particulars	Comments
1	Status of maintenance of salary register for all employees (Permanent/Daily wages/ Contract worker)	Yes, Salary register was maintained for all employees
2	Non availability of Salary payment voucher	ULB was not in practice to issue salary payment voucher, Payment of salary was passed based on approval by competent authority on salary register.
3	Matching of voucher number with cash book	No salary payment voucher number was mentioned in cash book



4	Salary register contains all elements of salary	Yes, all elements of salary was mentioned in salary register.
5	Maintenance of Salary Deduction register	Deductions from salary was mentioned in salary register, no separate deduction register was maintained.
6	Whether deduction of PF/ESI made from contract employee	No, deduction of PF/ESI made from contract employee
7	Whether biometric devices and payroll software is implemented in ULB. If Yes, then is it integrated with accounting software	No, Biometric device was not maintained.

Quarter-1 of F.Y. 2017-18	31-Jul-2017	31-Jul-2017
Quarter-2 of F.Y. 2017-18	31-Oct-2017	31-Oct-2017
Quarter-3 of F.Y. 2017-18	31-Jan-2018	31-Jan-2018
Quarter-4 of F.Y. 2017-18	31-May-2018	31-May-2018

Note:

a. As per provision of sec. 234E where a person fails to file the TDS/TCS return on or before the due date prescribed in this regard, then he shall be liable to pay, by way of fee, a sum of Rs. 300 for every day during which the failure continues. The amount of late fees shall not exceed the amount of TDS further as per provision of sec. 231H. In case of failure to file the return within the stipulated date, he/she can also be penalized with a fee which is not less than Rs. 10,000. The amount of penalty could go up to Rs. 1 lakh.

b. Downloading of TDS Certificates from TRACES made mandatory. In this regard, your attention is invited to the CBDT circulars 04/2013 dated 13.04.2013, CBDT Circular No. 03/2011 dated 13-2-2011 and CBDT Circular No. 01/2012 dated 9-4-2012 on the issuance of certificate for Tax Deducted at Source in Form 16/16A as per IT Rules 1962. It is now mandatory for all deductors to issue TDS certificates after generating and downloading the same from "TDS Reconciliation Analysis and Correction Enabling System" or TRACES Portal. In view of above circulars, it may kindly be noted that the TDS Certificates downloaded only from TRACES Portal will be valid. Certificates issued in any other form or manner will not comply to the requirements referred in the Income-tax Act 1961 read with relevant Rules and Circulars issued in this behalf from time to time. Further as per the provisions of section 203 of the Income Tax Act, 1961 read with rule 31A, Certificate of tax deducted at source is to be furnished within fifteen (15) days from the due date for furnishing the statement of tax deducted at source. Failure to comply with the provisions of the Act will attract penalty under the provisions of section 233A of the Act, a sum of one hundred rupees for every day during which the failure continues.

c. In case of ULB the commissioner/ executive officer in charge will be person who is liable to deduct and pay the TDS and issue of TDS certificate on time. Therefore, management is suggested to take a serious note on the status of Tax collected or deposited, timely submission of return thereof and issuance of TDS Certificates.

3. Deposit of Royalty: No details of deposit of royalty provided.

4. Deposit of Labour cess: No details of deposit of Labour cess provided.

g. Deficiency in payroll system:

S/No	Particulars	Comments
1	Status of maintenance of salary register for all employees (Permanent/Daily wages/Contract worker)	Yes, salary register was maintained for all employees
2	Non availability of salary payment voucher	ULB was not in practice to issue salary payment voucher. Payment of salary was passed based on approval by competent authority on salary register.
3	Matching of voucher number with cash book	No salary payment voucher number was mentioned in cash book



h. Utilisation of Grant and report on missing Utilisation Certificates:

SI No	Name of Schemes	Financial Year	Total Allotted Amount	Total Utilisation Amount	Balance	UC Submitted to Department	Reference of UC Submitted (Letter no/Date)
1	2	3	4	5	6	7	8
1	11th Finance Commission	2003-04	6	6	-	Yes	25-09-14
2	12th Finance	2005-06	7	7	-	Yes	11-11-14
3	Administrative Building	2006-07	29	29	-	YES	15-11-2016
4	12th Finance	2006-07	5	5	-	Yes	30-04-14
5	Road Construction	2006-07	17	17	-	Yes	30-04-14
6	Machinery & Equipments	2006-07	4	4	-	Yes	30-04-14
7	12th Finance	2007-08	9	9	-	Yes	25-09-14
8	12th Finance	2007-08	5	5	-	Yes	25-09-14
9	Water Supply and sanitation	2008-09	18	18	-	Yes	30-04-14
10	Civic Amenities under water Supply	2008-09	21	21	-	Yes	25-09-14
11	Salary	2008-09	1	1	-	Yes	30-04-14
12	12th Finance	2009-10	4	4	-	Yes	30-04-14
13	Salary Allotment	2009-10	1	1	-	Yes	30-04-14
14	3rd State Finance	2009-10	4	4	-	Yes	30-04-14
15	Electricity Bill	2010-11	8	8	-	Yes	30-04-14
16	13th Finance	2010-11	0	0	-	Yes	15-10-14
17	13th Finance	2010-11	9	9	-	Yes	15-10-14
18	13th Finance	2010-11	9	9	-	Yes	30-04-14
19	Allowance of Mayor/Dy. Mayor/Ward	2010-11	1	1	-	Yes	10-04-14
20	13th Finance	2011-12	10	10	-	Yes	30-04-14
21	13th Finance	2011-12	11	11	-	Yes	30-04-14
22	4th State Finance	2011-12	42	42	-	Yes	07-01-15
23	4th State Finance	2011-12	20	20	-	Yes	30-04-14
24	E-Governance	2011-12	1	1	-	Yes	11-05-15
25	Salary of Chairman	2011-12	1	1	-	Yes	30-04-14
26	Allowance of Mayor/ Dy. Mayor/Ward	2012-13	1	1	-	Yes	30-04-14
27	13th Finance	2012-13	11	11	-	Yes	30-04-14

28	13th Finance	2012-13	4	4	-	Yes	30-04-14
29	13th Finance	2012-13	7	7	-	Yes	30-04-14
30	Civic Amenities under water Supply	2012-13	25	25	-	Yes	09-12-15
31	4th State Finance	2012-13	71	71	-	Yes	&24-11-14 54-96 04-02-2015 16-3A
32	13th Finance	2012-13	12	12	-	Yes	24-11-14
33	Administrative Building	2013-2014	75	38	38		15-11-16
34	Bus Stand under Civic Amenities	2013-2014	160	2	158		19-01-17
35	13th Finance (General Performance Grant)	2013-2014	2	2	-	Yes	11-05-15
36	Professional Fees	2013-2014	4	4	-	Yes	11-05-15
37	Salary of Chairman	2013-2014	1	1	-	Yes	08-09-15
38	4th Finance	2013-2014	65	65	-	Yes	09-12-15
39	13TH FINANCE	2013-2014	14	14	-	Yes	11-05-15
40	13TH FINANCE	2013-2014	13	13	-	Yes	11-05-15
41	Administrative Building	2013-2014	47	24	24	Yes	16-01-18
42	Administrative Building	2014-2015	2	-	2		32-08-14
43	13th Finance	2014-2015	13	13	-	Yes	09-12-15
44	Allowance	2014-2015	1	1	-	Yes	09-12-15
45	Professional Fees	2014-2015	5	5	-	Yes	24-11-15
46	Parishad Honorarium	2014-2015	1	1	-	Yes	24-11-15
47	Bus Stand under Civic Amenities	2014-2015	40	-	40		
48	Lap top	2014-2015	2	2	-	Yes	24-11-15
49	Tablet	2014-2015	2	2	-	Yes	24-11-15
50	4th Finance	2014-2015	27	27	-	Yes	22-02-16
51	4th Finance	2014-2015	12	12	-	Yes	24-11-15
52	4th Finance	2014-2015	5	5	-	Yes	25-07-16
53	4th Finance	2014-2015	10	10	-	Yes	24-11-15
54	4th Finance	2014-2015	27	27	-	Yes	25-07-16
55	4th Finance	2014-2015	11	11	-	Yes	25-07-16
56	4th Finance	2014-2015	5	5	-	Yes	25-07-16



57	4th Finance	2014-2015	10	10	-	Yes	22-02-16
58	Allowance	2015-2016	1	1	-	Yes	10-08-16
59	Civic Aminites under SHAPHAI	2015-2016	26	26	-	Yes	15-12-16
60	peshakar	2015-2016	7	7	-	Yes	08-09-16
61	14th Finance	2015-2016	32	32	-	Yes	19-01-17
62	5th Finance	2015-2016	60	60	-	YES	15-06-2017 14-53 04-01-2018 45-05
63	5th Finance	2015-2016	9	9	-	Yes	1-06-17
64	5th Finance	2015-2016	44	-	44		
65	water Supply	2015-2016	8	-	8		
66	water Supply	2015-2016	24	-	24		
67	14th Finance	2015-2016	32	32	-	Yes	1-06-17
68	13th Finance	2015-2016	4	4	-	Yes	1-06-17
69	13th Finance	2015-2016	16	6	10	Yes	1-06-17
70	13th Finance	2015-2016	0	0	-	Yes	1-06-17
71	City Manager salary	2016-2017	2	2	-	Yes	1-06-17
72	Allowance of Mayor/ Dy. Mayer/Ward	2016-2017	4	-	4		
73	E.O Salary	2016-2017	5	5	-	Yes	1-06-17
74	14th Finance	2016-2017	25	-	25		
75	14th Finance	2016-2017	25	-	25		
76	CM 7 NISHCHAY NALI GALI	2016-2017	9	9	-	Yes	1-06-17
77	CM 7 NISHCHAY NALI GALI	2016-2017	7	7	-	Yes	1-06-17
78	peshakar	2016-2017	8	8	-	Yes	01-06-2017
79	water supply	2016-2017	72	-	72		
80	5th Finance	2016-2017	10	-	10		
81	5th Finance	2016-2017	65	-	65		
82	5th Finance	2016-2017	46	-	46		
83	CM 7 NISHCHAY NALI GALI	2016-2017	11	-	11		
84	CITY MANEGAR Salary	2016-2017	2	2	-	Yes	01-06-2017
85	E.O Salary	2016-2017	5	-	5		
86	14th Finance	2016-2017	25	-	25		
87	14th Finance	2016-2017	25	-	25		

88	Civic Aminities under SHAPHAI	2016-2017	5	-	5
89	water supply	2016-2017	82	-	82
90	5th Finance	2016-2017	66	-	66
91	5th Finance	2016-2017	9	-	9
92	5th Finance	2016-2017	46	-	46
	<b>Total</b>		<b>1,741</b>	<b>872</b>	<b>869</b>

**Comment:** Approved UCs for the reporting period submitted to department was not made available for audit.

- i. **Physical verification of inventory/Stores:** We have verified the physical store as per detail provided to us. Out of these stores some are outdated and not in condition to use.
- j. **Advances, their adjustment & Recovery:** Since the ULB has not provided any detail of the amount of advance given during the year, therefore we are unable to comment on it.
- k. **Any other matters as may be prescribed in due course:** As all relevant matters has been covered in above mention point



**III. PART-C**

SINo	Particulars	Complied or Not
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 have reported on this point under PART-B(d) of the report. Please refer the same for detail.
b	Auditor should Report in a separate chapter on implementation of SAS of Property Tax in the ULB; internal auditor should witness some assessment procedures to check any in-consistencies in assessment. At least 20 high value properties in the city /town (irrespective of the fact that SAS is received or not) must be surveyed and checked in each quarter and reported variations, if any, in PTRs and Actuals as per internal audits;	We have reported on this point under PART-A(c). Please refer the same for detail. Further ULB is Assessing the property as per valuation of the FY 2009-10. We have discussed on this point with executive officer and Tax Daroga.
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 : <b>Rule 22:</b> All moneys to be brought to account <b>Rule 27:</b> Collections to be deposited into Bank on the same day <b>Rule 69:</b> Grant Related Compliance <b>Rule 120-121:</b> Monthly Receipt & Payment Account and Trial Balance <b>Rule 130:</b> Audit to be completed & reported within 6 month	We have reported on this point under PART-B(d) of the report. Please refer the same for detail.
d	Report on Compliance of financial guidelines of schemes of MOHUA & UD&HD, GoB.	We have reported on this point under PART-B(c) of the report. Please refer the same for detail.
e	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 etc.;	We have reported on this point under PART-A of the report. Please refer the same for detail.
f	Auditor should Report on adequacy and appropriateness of the documentation, approvals, compliance of procedures etc. of all payments above Rs. 15,000 and above.	We have reported on this point under PART-B(b) of the report. Please refer the same for detail.
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/-	We have reported on this point under PART-B(b) of the report. Please refer the same for detail.
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	We have reported on this point under PART-B(h) of the report. Please



	schemes/grants as per the guidelines of such scheme available on the UD&HD website.	refer the same for detail.
i	Auditor should report instances of losses, failures or inefficiencies and recommendations and/or measures which can be taken to avoid their recurrence in future.	Complied Refer-Audit recommendation
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.	We have reported on this point under PART-B(b) of the report. Please refer the same for detail
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	We have reported on this point under PART-B(b) of the report. Please refer the same for detail
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.	We have reported on this point under PART-B(d) of the report. Please refer the same for detail
m	Internal Auditor will identify major areas of ULBs own revenue loss and auditor will access the loss and Prepare a statement of loss.	We have reported on this point under PART-A(a) of the report. Please refer the same for detail)
n	Auditor will report on that all kind of tax deductions i.e. Commercial tax, Income tax, provident fund etc. Should be deducted from the payments as applicable, deposited properly and also should be properly recorded in appropriate ledgers.	We have reported on this point under PART-B(f) and (g) of the report. Please refer the same for detail
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.	Complied Point-03 of Detailed Audit Report and Note thereof.

Thanking You,

For Vinod Singhal & Co. LLP

(Chartered Accountants)

FRN: 005826C/0400276



CA Krishan Kumar Sodhani

Partner

M. No. : 404603

UDIN No :> 20404603.AAAAAY5115

DATE :> 25th July-2020



**Management Comments**

**1. INTRODUCTION**

<b>Name of the Municipality</b>	NokhaNagar Panchayat
<b>Period covered under current audit</b>	01.04.2017 to 31.03.2018
<b>Name of Executive Officer for the period under Audit</b>	Mr. Sushil Kumar

Sl. No	Audit Observations	Auditor Recommendations	Management Comment
1	Budget not prepared in proper manner and guidance given by <u>UD&amp;HD GoB</u> :	ULB should implement real time budget preparation in prescribed format of BMAM. Further, Budget variance report should be prepared for actual budget report.	Due to lack of skilled man power and professional at the NOKHA Nagar panchayat we were unable to prepare the Budget as per required format. However we are improving the same day to day and now (from Budget of the FY 2019-20) we are preparing the budget as per required format. Further all your guidelines will be followed by from next budget.
2	Non-updating of bank reconciliation on monthly basis as per Rule No. 118 of BMAR - 2014.	<b>Bank Reconciliation help us to monitor over:</b> 1. Difference between Bank Passbook and Cash Book 2. Unauthorised withdrawal from Bank. 3. Excessive debited by Bank 4. Helps to know reasons of differences. <i>Therefore, ULB should prepare bank reconciliation of all bank accounts including doormat accounts on monthly basis. Bank statements of all bank accounts should be kept in separate file for proper records.</i>	We are preparing Reconciliation for the operating accounts. We will submit the same for your verification at next Audit.



3	<p>Non-Implementation of Double Entry Accounting System</p>	<p>As per requirement of BMAR-2014, Part -A, Chapter -2 Rule -4, "All ULB referred in Schedule -I shall maintain its Books of Account using the double entry system". Since Nokha Nagar Panchayat is Covered under Schedule -I, 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 Nokha ULB, however we not got any data for verification the same.</p>	<p>Double entry system was implemented at ULB till FY 2015-16, M/s Manas Das &amp; Co. was working here as DEAS consultant. The appointment of the firm were done by UD &amp; HD head office. We are waiting for new appointment. However, if the new firm not appointed by UD &amp; HD till 31<sup>st</sup> Dec. we will appoint our own accounting team for Double entry accounting system</p>
4	<p>No details were made available regarding meeting of municipal accounts committee held during the financial year 2017-18.</p>	<p>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.</p>	<p>There is no any accounting committee has been formed at ULB. We have submitted a request letter in board for formation of Municipal accounting Committee.</p>

<p>प्रमाण पत्र</p>	<p>आचार्य</p>	<p>01/04/2018</p>	<p>2018</p>
--------------------	---------------	-------------------	-------------

1. INTRODUCTION



<p><b>Non-levy of following taxes</b></p> <ul style="list-style-type: none"> <li>* Surcharge on transfer of lands and buildings</li> <li>* Fire tax.</li> <li>* Surcharge on electricity consumption within the municipal area</li> <li>* Tax on congregations.</li> <li>* Tax on pilgrims and tourists.</li> <li>* Tax on profession.</li> <li>* Toll-tax on roads, bridges, ferries and navigable channel and on heavy trucks which shall be heavy</li> <li>* goods vehicles, and buses, which shall be heavy passenger motor vehicles.</li> <li>* User Charges for provision of water-supply, drainage and sewerage</li> <li>* User Charges for Solid Waste Management</li> <li>* User Charges for Parking Facility</li> <li>* User Charges for Garbage Clearance</li> <li>* Collection of fees for sanction of building plans and issue of completion certificates.</li> <li>* Collection of fees for issue of municipal licenses for various non-residential uses of lands and buildings,</li> <li>* Collection of Development Charges</li> </ul>	<p>As per section 127, 128, 129 &amp; 131 of chapter XV Bihar Municipal Act, 2007, various taxes are applicable on ULBs to increase their own source revenue. <i>ULB should take steps to implement required taxes to boost their revenue</i></p>	<p>Nokha is Nagar Panchayat and many of taxes as reported here are not applicable on it. Further we insure you that we will collect all applicable taxes as soon as possible.</p>
<p>5</p>	<p>Late-Deposit of tax collection of taxes with cashier and with bank as per provision of BMA rule-22</p>	<p>Due to work load and filed survey the collector not submitted their collection for deposit into bank. However irrespective of fact we have directed the collector to submit their collection amount as per Rule. Now there is maximum delay in deposit is 2-3 days.</p>



7	<p>Non-Collection of notice fees</p>	<p>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 delayed payment at a rate as may be specified, and the amount of penalty therefore, but In case of Nokha Nagar Panchayat, Corporation has not provided any information regarding charging and collection of notice fees. <b>ULB should collect notice fees from applicable assesses in compliance of act and to boost ULB revenue.</b></p>	<p>From now onwards we will implement the same.</p>
8	<p>Non-recovery of outstanding taxes</p>	<p>Nokha ULB has provided during audit the detail of outstanding tax and other income, we observed on the basis of the such data that there is huge arrear of taxes at Nokha ULB. <b>Therefore, the management should take proper step to boost collection of arrears. Further a weekly or fortnightly meeting with all tax collectors to be held for getting the reason of non-collection and resolving the same.</b></p>	<p>The major tax defaulter at our ULB is Government department and electricity department. However, we have served several notices for payment of the arrear taxes on all assessee including and we are continuously try to collect the same at earliest.</p>
9	<p>Non-providing details regarding arrear of advertisement tax, mobile tower tax, rental income</p>	<p>ULB should prepare proper records for arrear amount and should take proper steps to collect arrears.</p>	<p>Detail will provided at next Audit</p>
10	<p>Non deposit of outstanding amount of electricity bill</p>	<p>ULB should negotiate with electricity board to settle down the dues without late fees.</p>	<p>There are arrear of property tax on electricity department from very long time, We have served various notices on them towards settlement of account, However we have not received any affirmative answer from there side. Now we have submitted a letter towards waive-off of charges. Once we will get the revised bill after waiving off the charges from the electricity department, we will pay the same immediately.</p>



11	Non preparation of payment voucher	ULB should prepare voucher based on running voucher as per the provision of Rule No. 16, 17 and 18 of BMAR -2014.	With the help of available man power we are trying to serve in best possible manner. However, due to lack of manpower and excess work load some of rules are not followed by or missed by us. We will try to cover the same at earliest.
12	Non-conducting physical survey of 20 high value properties and non-collection of outstanding property tax	Being ULB was not maintaining any details of high value properties, The details given in report has been prepared based on receipts book. Filed Survey of the same could not be conducted due to non-support of tax Daroga & tax collectors in filed survey. ULB should identify and prepare separate list of high value properties by conducting re-assessment of prospective properties on timely basis to boost their revenue.	Due to election duty many of our regular work got pending, therefore we have not visited in filed with your team. However, we ensure that we will visit the filed on your next audit schedule.
13	Non-maintenance of required registers as per Rule No. -3 of BMAR-2014	Detail 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.	We will maintain the same at earliest.
14	Non-preparation of Annual Financial Statement as per the provision of Rule 122 of BMAR - 2014	ULB should ensure preparation of Annual Financial Statement as per the provision of Rule 122 of BMAR - 2014	Annual Financial statement are prepared till FY 2015-16 by M/s Manas Das & Co.. The appointment of the firm were done by UD & HD head office. We are waiting for new appointment. However, if the new firm not appointed by UD & HD till 31 <sup>st</sup> Dec. we will appoint our own accounting team for Double entry accounting system and preparation of Annual Financial Statement.



<p>15</p> <p><b>Irregularities in vendor payment process:</b></p> <ul style="list-style-type: none"> <li>▪ Budget Control register was not updated</li> <li>▪ Quality control test report was not available</li> <li>▪ Completion certificate was not available in payment file in case of completed contract.</li> </ul>	<p>Proper tender documents regarding tender approval and allotment was not properly maintained or made available for audit. In provided cases, we are unable to comment on channel of procurement of tender and their required compliances. Further, no statutory compliance register was maintained in regards with statutory dues deducted from party bills. So, ULB should maintained proper tender register and file that include all related documents of tender. Statutory compliance register should be maintained for all statutory deductions made form parties invoices.</p>	<p>We are maintaining the file, However due to lack of manpower we were unable to arranged the same on day to day. Now we have arranged the tender file in proper manner. We will show the same on next Audit.</p> <p>Further, statutory compliance are handle by file. We are maintaining the file w.r.t. deduction and deposit of all statutory dues. We will prepare statutory deduction register and will be presented to your team on next visit.</p>
<p>16</p> <p>Non-maintenance of register for all procurements with value above Rs. 15,000</p>	<p>ULB should ensure maintenance of register for all Procurements with value above Rs. 15,000</p>	<p>We are maintaining voucher file w.r.t. all expenses irrespective of amount. However, due to lack of manpower and excess work load some of rules are not followed by or missed by us.. Further we wish to say that with the help of available man power we are trying to serve in best possible manner at earliest.</p>
<p>17</p> <p>Missing signature of wages worker and stamp of ULB on muster roll register</p>	<p>ULB should ensure proper maintenance of wages register by complying signature and stamping.</p>	<p>All concerned person are directed to resolve this issue within 30 days. We will inform you after rectification.</p>
<p>18</p> <p>Missing signature of wages worker and stamp of ULB on muster roll register</p> <p>No maintenance of separate earnest &amp; security deposit register</p>	<p>EMD and security deposit register help in tracking of balance payable to parties.</p>	<p>We are maintain the same with contractor register. However, due to lack of manpower and excess work load some of rules are not followed by or missed by us. We will try to cover the same at earliest.</p>



19	Non-Compliance of 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.	With the help of available man power we are trying to serve in best possible manner. However, due to lack of manpower and excess work load some of rules are not followed by or missed by us. We will try to cover the same at earliest.
20	<b>Lack of internal control measures</b> 1. Voucher file was not maintained 2. No internal mechanism for statutory compliance 3. No MIS was prepared for tracking of payments 4. Required books of accounts as per BMAM was not maintained 5. Statutory compliance reconciliation was not maintained 6. Year-end reconciliation was not available 7. Bank reconciliation of any bank account was not prepared.	We observed that there is no any internal control mechanism available over collection, recovery, deposit of taxes, assets handling, Cheque handling and Statuary compliances: We suggest that: 1. MIS System should be implemented over daily collection and deposit. 2. Reason for non-deposit/late deposit should be strongly need to ask for minimise delay. 3. Need to identify a person to comply with the statutory compliances. In case failure to comply with statutory compliances he should also be penalised. Therefore, the management has to take serious effort in implementation of Internal control Mechanism for getting a better result from ULB working.	With the help of available man power we are trying to serve in best possible manner. However, due to lack of manpower and excess work load some of rules are not followed by or missed by us. We will try to cover the same at earliest.
21	<b>Non-compliance of statutory compliances:</b> ▪ Non preparation of statutory compliance register ▪ Non deposit of TDS on timely basis. ▪ Non filling of TDS return for due period Non providing details regarding VAT/PF/Royalty/Labour Cess	As ULB is not proper in statutory compliance, that cause monetary/non-monetary implication on ULB in mode of interest, penalty and Late Fee & imprisonment. So, management should ensure statutory compliance on time.	Due to lack of trained staff statutory compliances are handled by professional hired by us. We will present all file with you after getting data from them.



22	<p><b>Deficiency in payroll system</b></p> <ul style="list-style-type: none"> <li>• Non-preparation of salary payment voucher</li> <li>• Non-maintaining salary payment reference number in cash book</li> <li>• Non-implementation of Bio-metric device and payroll software</li> </ul>	<p>Every payment should be accompanied with payment voucher. Further as per Section 2(23) of the Indian Stamp Act 1899 makes it mandatory for affixing of stamp on any receipt as defined therein above Rs 5000. Therefore, management should ensure that the payment is accompanied with payment voucher.</p> <p><b>Meaning of Receipt:</b></p> <p>"Receipt" includes any note, memorandum or writing-</p> <p>(a) whereby any money, or any bill of exchange, cheque or promissory note is acknowledged to have been received, or (b) whereby any other movable property is acknowledged to have been received in satisfaction of a debt, or</p> <p>(c) whereby any debt or demand, or any part of a debt or demand, is acknowledged to have been satisfied or discharged, or</p> <p>(d) which signifies or imports any such acknowledgment, and whether the same is or is not signed with the name of any person.</p> <p>Grant is blood of ULB. Therefore, for getting grant and running the ulb working smoothly it is very important to comply with all necessary requirement of grant. Further timely submission of utilisation certificate helps the grant realising authority to send the money for fulfil the requirement of future. Therefore, management should ensure that UC has been submitted with concerned department on time.</p>	<p>All concerned person are directed to resolve this issue within 30 days. We will inform you after rectification.</p>
23	<p>Non-providing of Utilization certificate for the reporting audit period</p>	<p>Management should implement the control system over inventory and store. Stock register should be in place and get it verified by a responsible person as authorised by management time to time. Further any discrepancies arises/ found during such verification should be reported immediately.</p>	<p>We have submitted various UC at the department. We will submit the same at your next visit. However, Balance UC will be prepared and submitted in January 2020 with the help of your team.</p>
24	<p>Non-maintaining of inventory/store register and non-conducting of physical verification of inventory and stores available with ULB as per requirement of BMAR-rule 130.</p>	<p>Management should implement the control system over inventory and store. Stock register should be in place and get it verified by a responsible person as authorised by management time to time. Further any discrepancies arises/ found during such verification should be reported immediately.</p>	<p>We are maintaining the Store register. The same will be show you at your next visit.</p>



# कार्यालय नगर पंचायत, नोखा(रोहतास)

प्रेषक,

पत्रांक.....दिनांक.....

नगर कार्यपालक पदाधिकारी,  
नगर पंचायत, नोखा

50-7  
2 सप्ताह में

श्री. संजय  
23/11/19

महालेखाकार (ले0प0)  
बिहार, पटना

विषय :-

अंकेक्षण प्रतिवेदन का लंबित अनुपालन प्रतिवेदन भेजने के संबंध में।

प्रसंग :-

सहायक निदेशक-सह-संयुक्त सचिव, नगर विकास एवं आवास विभाग, बिहार पटना  
के पत्रांक-3288 दिनांक-07.12.2018।

महाशय,

उपर्युक्त विषयक के संबंध में कहना है कि नगर पंचायत नोखा के अंकेक्षण प्रतिवेदन सं0- 298/2016-17 की कंडिकाओं का अनुपालन प्रतिवेदन साक्ष्य सहित इस पत्र के साथ संलग्न कर समर्पित किया जा रहा है।

कृपया प्राप्ति स्वीकार करने की कृपा की जाय।

विश्वासभाजन

14.1.19

नगर कार्यपालक पदाधिकारी,  
नगर पंचायत, नोखा

ज्ञापांक 29.....

दिनांक 14.1.19.....

प्रतिलिपि:-

सहायक निदेशक-सह-संयुक्त सचिव, नगर विकास एवं आवास विभाग, बिहार पटना  
के पत्रांक-3288 दिनांक-07.12.2018 के क्रम में सादर सूचनार्थ समर्पित।

14.1.19

नगर कार्यपालक पदाधिकारी,  
नगर पंचायत, नोखा





Utilisation of Grant and report on missing Utilization Certificates (N.P-Nokho 2019-20)								
7. Status of Utilization Certificate								
S.No	Name of Allotment	Amount	EXP.	Balance	UC Submitted	Balance UC against EXP.	% UC Submitted against Grant	% UC not submitted against grant
1.	WATER SUPPLY	2418665	918372	1500293	918372	1500293	37.99%	62.03%
2.	Civic Amnute under Bus stand	16000000	1080000	14920000				
3.	Civic Amnutes under Bus stand	4000000		4000000				
4.	Safai Vayavastha	2628600	2628600	<del>2628600</del> NIL	2628600	2628600	100	
5.	Mukhaymantra 7 Nis-chay	1892969	1892969	<del>1892969</del> NIL	1892969	1892969	100	
6.	14th Finance Commission	2504538	1753806	750732	1753806	750732	70%	30%
7.	5th Finance Comm.	5958782	462269	5496513	462269	5496513	7.75	92.25
8.	Water supply	813667	813667	NIL	813667	813667	100	
9.	Mukhaya mantra 7 - Sishachay	1124488	1124488	NIL	1124488	1124488	100	



1. STATE OF UTTARANCHAL

Sl. No.	Name of the Account	Amount	Exp	Balance	US	US	US	US
1.	WATER SUPPLY	124488	124488					
2.	Electricity	124488	124488					
3.	Electricity	124488	124488					
4.	Electricity	124488	124488					
5.	Electricity	124488	124488					
6.	Electricity	124488	124488					
7.	Electricity	124488	124488					
8.	Electricity	124488	124488					
9.	Electricity	124488	124488					
10.	Electricity	124488	124488					



MP