

**INTERNAL AUDIT REPORT**

**OF ULB**

**(ARERAJ)  
FOR THE PERIOD**

**01/04/2018 TO 31/03/2019**

**CONDUCTED BY**

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

**From 25-06-2019 to 05-07-2019  
Report Issued on 20<sup>th</sup> August 2019**

## Executive Summary

### 1. INTRODUCTION

Name of the Municipality	Nagar Panchayat Areraj
Period covered under current audit	ANNUAL 2018-19
Name of Executive Officer for the period under Audit.	Mr Sandeep kumar

### 2. Results and Findings

#### a. Strengths observed during the audit engagement:

- a) All vouchers have supporting documents.
- b) Office infrastructure was sufficient for operation.
- c) Response from officer & Staff were satisfactory.
- d) Main cash book has been maintained.
- e) Subsidiary cash books has been maintained.

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

- a) Bank Reconciliation Statement has not been prepared by the ULB.
- b) Double Accounting System has not been followed whereas accounting has been made on single entry system.
- c) Fixed Assets Register has not been maintained.
- d) Advance Register has not been maintained.
- e) Stock Register has not been maintained.
- f) Daily collection register (Revenue receipt wise) has not been maintained.
- g) TDS, VAT, Royalty and Labour Cess have been deducted but it has not been deposited till date. Therefore, TDS Return has not been filled till date. As per Income Tax Act 1961, penalty may be levied on ULB, as it is a statutory irregularity.
- h) Property / Holding tax has not been assessed on property by the ULB since Financial Year 2008-09.
- i) No action has been taken by Nagar Panchayat for collection of Tower Tax.
- j) File Movement register has not been maintained.
- k) Some amount of grant allotted to Nagar panchayat but against these allotments, no UCs has been submitted.
- l) Various registers, books of records etc. are not being prepared by the ULB, such as, Statutory Register with TDS, VAT, Royalty etc.

### 3. Opinion



**As per Our Opinion the following improvements are required.**

- ULB is not working properly, even internal control is poor.
- Revenue collection of the ULB is very poor it has scope to increase to much higher level.
- All cash collection from source of revenue are not deposited in the bank on same day. It is deposited in the bank after making daily expenditure.
- Due to lack of manpower, there is delay in performing day-to-day work.
- There should be proper segregation of duties to perform day-to-day work in efficient manner.
- Bank reconciliation should be prepared on monthly basis.
- We find that rules and regulation are there but ULB is not following them properly.
- Most of the Books of Accounts as prescribed by BMAR are not maintained by the ULB.
- There are serious lapses in deduction and deposit of statutory dues, such as VAT, Royalty, TDS, Labour Cess etc.
- Separate bank account should be maintained for each scheme.

**4. Audit Recommendations:**

**The Recommendation of Audit Team on the Observed weakness.**

SL No	We Recommend the followings:-
1.	ULB should adopt Computerized accounting system. It provides automatic ledger entries accuracy and speed of automatic calculation, automatic production of trial balance from ledger entries and it also provides additional analysis.
2.	ULB should prepare receipt and payments accounts on monthly basis due to which it becomes very easy to find out how much fund has been received by the ULB.
3.	ULB must have to refund the unutilized amount to the Urban Development & Housing Department.
4.	ULB have to file statutory returns within prescribed time line and deposit the deducted amount as specified in statutory law.
5.	As per Rules 22(1) of Bihar Municipal Accounting Rules, 2014 Tax Collected has to be deposited on same day or latest before noon on the following working day.
6.	ULB should maintain all the books of account, register, records etc. as prescribed in Bihar municipal accounts Act, Manual and Rules.
7.	ULB should collect mobile tower tax, advertisement tax shop rent etc. as quick as possible and on regular basis.
8.	ULB should prepare UC in prescribed format of various schemes as soon as possible and submit the same to UD & HD Dept. on regular interval as per prescribed guidelines.
9.	ULB should prepare demand and arrear register of holding tax as soon as possible and on regular basis.



10.	ULB should maintain Daily Collection Register separately for each head of its own revenue sources for appropriate internal control and also for appropriate disclosures of books of accounts.
11.	ULB should develop and prepare Pay-roll system of Permanent & Contractual employees.
12.	ULB should assess the Holding & Property tax every year.

**5. Comments from Management:**

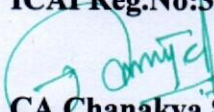
As per discussion with Management, they have ensured that they are looking into the matter and proper action will be taken for all the irregularities coming out from audit.

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

**6. Acknowledgement: -**

We Thank Mr. Sandeep Kumar (Executive Officer), for his support during the period of our audit. We are also thankful to the Accountant and other staffs of the Nagar Panchayat for their co-operation during the period of audit.

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

  
**CA Chanakya Shree**  
**Partner**  
**M. No: -079322**



UDIN-20079322AAAKF3167

Date - 06/06/2020

# Detailed Audit Report

## 1. Introduction

The Internal Audit of (Areraj Nagar Panchayat) covering the Period from 1<sup>st</sup> April 2018 to 31<sup>th</sup> March 2019 was conducted by following person under the guidance of TL CA Chanakya Shree and MAE CA Ashok Kumar Pandey:

(1) Sujit Kumar

## 2. Administration

The present body of the ULB has taken charge on 9<sup>th</sup> September 2014 the Incumbency in the key administrative and executive positions was as under  
Smt. Purnima Devi, chairman from 9<sup>th</sup> June 2012 to 21<sup>st</sup> July 2017  
Sri Dharmendra Kumar chairman from 22<sup>nd</sup> July 2017 till date.  
Sri Shiv Nath Thakur Commissioner/Executive Officer from 08.09.2015 to 22<sup>th</sup> Jan 2019  
Shri Sandeep Kumar Commissioner/Executive Officer from 23<sup>rd</sup> Jan 2019 till date.

## 3. Review of outstanding audit paras:

Status of Audit Observations is as under:

Sl. No.	Particulars of Audit and date of report	Total no. of audit Paras	Total no. of audit Paras where necessary improvement/ corrective measure is required	Total no. of audit Paras where recovery of cash is proposed	Total no. of audit Paras where recovery has been made	Total amount of Recovery	Total no. of outstanding para where no action has been taken	No. and Date of Compliance Report
1	AG Audit for the period 2014-15 to 2016-17	9	7	2	0	0	9	No compliance
3	Internal Audit for the period 2016-17 & 2017-18	15	10	5	0	0	15	No Compliance



**Detailed Report on Compliance of Previous Internal Audit Report: -**

SL No.	Audit Observation	Nature of Irregularities	Complied/Non-Complied
1	There are lack of internal control with respect to collection of taxes.	Persisting since last two year	Not Complied
2	Demand collection register has not been prepared hence it is not possible to ascertain total arrear of taxes	Persisting since last three year	Not Complied
3	Taxes collected by tax collector are on deposited on daily basis we observed that it is being deposited after significant interval which is not proper .As per rule 27 of BMAR it should be deposited on daily basis otherwise a penalty up to 500/- per day may be imposed for delayed deposit.	Persisting since last three year	Not Complied
4	Tower tax due are not collected on timely basis.	Persisting since long time	Not Complied
5	Tower tax is not being collected on timely basis as Rs 914323lacs is receivable as tower tax as on31.03.2019.	Persisting since long time	Not Complied
6	Rent is not being collected on timely basis.	Persisting since long time	Not Complied
7	Tender of Ghat, crematorium, Gate ,palm tree and land are not done on yearly basis.	Persisting since last year	Not Complied
8	Grant register is not being maintained hence it is difficult to find out unutilized grant at any point of time.	Persisting since long time	Not Complied
9	Bank reconciliation statement is not prepared hence it is difficult to monitor possible fraud .if any	Persisting since long time	Not Complied
10	Advance register is not prepared hence it is difficult to monitor for advance given and adjustment thereof.	Persisting since long time	Not Complied



11	There is lack of internal control on deduction and deposited of various taxes. On deduction of taxes liability is not created hence it is difficult to ascertain tax payable at any point of time taxes such as VAT ,I.T, Royalty etc. are collected from time to time but its payment are made on yearly basis which is not proper. Taxes should be remitted to the Govt account on timely basis otherwise penal action may be taken by the concerned department for delayed deposit of taxes.	Persisting since long time	Not Complied
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#### 4. Finance

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

Year	2016-17	2017-18	2018-19
Final/Revised Budget	23941637.34	Budget not provided	585069983.00
Actual Expenditure	76724314.79	80261191.80	63797067.80
Savings(+)/ Excess(-)	(52782977.45)	NA	521272915.20

##### II. Volume of transactions

Period	Budgeted 18-19	Previous Year (For one Year)2017-18	Current Year(for one year)2018-19
Opening balance	65268764.47	83740288.77	98158549.57
Receipts	519801218.50	94679452.60	118325459.00
Total	585069982.97	178419741.37	216484008.57
Net expenditure	585069983.00	80261191.80	63797067.80
Closing balance	0.00	98158549.57	152686940.77

##### III. Bank Reconciliation: -

Since different scheme has been maintained in single cashbook therefore segregation of balances of different Scheme as on 31<sup>st</sup> March 2019 cannot be determined. Similarly, since through one bank account different schemes are being operated the bank balance of a particular scheme on a particular date cannot be determined. Bank Reconciliation Statement has not been prepared in the prescribed format by the ULB.



**Details of Closing Balance:**

Sr no.	Name of scheme / item	Bank name / account no.	Balance as per pass book	Balance as per cash book	Differences	Remarks BRS Prepared/ Not Prepared
1.	Treasury account	PI099	70811993.00	70811993.00	Nil	Reconciled
2.	Internal source	Bandhan bank 2080	2454658.00	1784437.00	670221.00	Not Prepared
3.	Day nulumn	Bankof baroda 1361	156949.00	157524.00	575.00	Not prepared
4.	Internal source	PNB 2541	42718.12	42747.62	29.50	Not prepared
5.	13 <sup>th</sup> Finance	PNB 2523	136445.12	124220.12	12225	Not prepared
6.	Swachh Bharat Mission	CBI 6517	683324.00	594502.25	88821.75	Not prepared
7.	Kanya bibaha	UBI 7975	25373.0	25156.00	217.00	Not prepared
8.	Internal source	CBI 3632				Not prepared
9.	Kabir Antosti	Gramin Bank 7512	1224176.50	42422.00	1181754.50	Not prepared
10.	4 <sup>th</sup> State Finance	PNB 2532	26180.12	26180.12	Nil	Not prepared

**IV. Revenue Receipts: -**

Income Details (Amounts to be provided in Rupees)							
Sl. No.	Details	2017-18		2018-19		2019-20	
		2017-18	2016-17	2018-19	2017-18	2019-20	2018-19
	<b>Total Receipts (A+B)</b>	<b>94679452.60</b>	<b>107374257.75</b>	<b>118325459.00.</b>	<b>94679452.60</b>		
A.	<b>Revenue Receipts (1+2+3)</b>	<b>10802009.60</b>	<b>31073769.00</b>	2490405.00	<b>31073769.00</b>		
1.	<b>Own Revenue Receipts (a+b)</b>	<b>5375674.00</b>	<b>19437511.00</b>	<b>565096.00</b>	<b>5375674.00</b>		
a)	<b>Tax Revenue</b> (levied and collected by municipal body)			542196.00			
i)	Property tax	<b>2438278.00</b>	<b>24223.00</b>	<b>542196.00</b>	<b>2438278.00</b>		



ii)	Other tax (levied and collected by municipal body)		11029833.00		
b)	Non-tax revenue (levied and collected by municipal body)	2937396.00		22900.00	2937396.00
i)	Fees & fines		166382.00	16400.00	
ii)	User Charges			6500.00	
iii)	Other non-tax revenue (levied and collected by municipal body)		8227073.00		
2	<b>Other Revenue Receipts</b>			1925309.00	
a)	Income from interest/investments	603940.60		159124.00	603940.60
b)	Other Revenue income	4822395.00		1766185.00	4822395.00
3.	<b>Transfers/ Grants/ Assigned Revenues</b>			0.00	
a)	State Assigned Revenue		5393228.00		
b)	State Finance Commission (SFC) Grants/ Devolution		1505524.00		
c)	Octroi compensation				
d)	Other State Govt. Transfer				
e)	Central Finance Commission (CFC) Grant				
f)	Other Central Govt. Transfer				
g)	Others		2000.00		
B.	<b>Capital Receipts</b>			115835054.00	
1	Sale of Municipal Land				
2	Loans (from State Govt. or Banks etc.)				
3	State Capital Account Grant (under State Schemes etc.)	37803923.00	51575284.25	43350464.00	37803923.00
4	Central Capital Account Grant (under Central Schemes etc.)	46073520.00	15031213.00	72484590.00	46073520.00
5	Other Capital Receipts				



v. Revenue and Capital Expenditure Information: -

Expenditure Details (Amounts to be provided in Rupees)							
Sl. No.	Details	2017-18		2018-19		2019-20	
		2017-18	2016-17	2018-19	2017-18	2019-20	2018-19
<b>Total Expenditure (1+2)</b>		<b>80261191.80</b>	<b>83740288.77</b>	<b>63797067.08</b>	<b>80261191.80</b>		
1	<b>Revenue Expenditure</b>	<b>13992142.80</b>	<b>Details not available</b>	<b>35950391.1</b>	<b>13992142.80</b>		
1.1	<b>Administrative Expenses, Establishment and Salaries (All Departments- Regular and Contractual Staff)</b>	<b>12158072.00</b>		<b>3724666.00</b>	<b>12158072.00</b>		
1.2	<b>Operation and Maintenance (O&amp;M)</b>	<b>355257.00</b>		<b>1056438.50</b>	<b>355257.00</b>		
1.3	<b>Loan repayment (Interest payments)</b>						
1.4	<b>Others (any other revenue expenditure which is not salaries, O&amp;M or Interest Payment)</b>	<b>1478813.80</b>		<b>31169286.60</b>	<b>1478813.80</b>		
2.	<b>Capital Expenditure</b>			<b>27846676.70</b>			
2.1	<b>All developmental works under Central/State specific schemes</b>	<b>51558254.00</b>		<b>27400375.00</b>	<b>51558254.00</b>		
2.2	<b>Loan Repayments (Principal Amount)</b>						
2.3	<b>Other Capital expenditure</b>	<b>16919040.00</b>		<b>446301.70</b>	<b>16919040.00</b>		

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



## VI. Status of implementation of Double Entry Accounting System

Accounting of Nagar Panchayat ARERAJ has not been maintained as Double Entry Accounting system. The consultant for DEAS has been appointed but financial accounts for 2018-19 is still to be prepared. The DEAS team Vinod Singhal & co, has started work from 21<sup>st</sup> Jan 2019.

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

As per section 98 of Bihar municipal act 2007 it is necessary for the Municipality to constitute a Municipal accounts committee at its first meeting in each year or as soon as may be at any meeting subsequent thereto, but No Municipal accounts committee has been constituted by the nagar Panchayat till the date of our audit.

### 5. Audit Observations:

#### Part – A

**All Audit objections/irregularities which has monetary implication, particularly in following areas**

(a) **Leakage of own source revenue either due to wrong assessment or non-levy of property tax, mobile tower tax, rent on municipal properties, advertisement tax, fee etc.**

a) **Mobile Tower Collection: -**

**Audit Objective** – As per Point No. – 5 of TOR

**Criteria** – Tower Tax is taxes on Communication Tower & related structure as defined in BIHAR COMMUNICATION TOWERS AND RELATED STRUCTURES RULES, 2012. As per the rule, all operators are required to register with their concerned ULBs and pay registration fee & renewal charges on annual basis for communication tower erected within municipal area. Currently the registration fee for Nagar Panchayat Rs. 30000/- per tower and annual renewal fee is Rs. 8000/- per annum per tower

**Condition** –As per details provided to us there are total 08 (eight) Mobile Towers registered with this ULB up to 31.03.2019 and Rs.914323/- has not been collected till the date of audit from these tower operators as Tower Tax.

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

**Cause** – We observed that due to lack of proper follow up and monitoring of activities of concerned person of the ULB on regular interval. The ULB has no proper mechanisms for supervision and monitoring of the Tower Rent due to which result in Revenue leakage.



**Corrective Action / Recommendation** – As per our opinion, management should review the collections on monthly and take appropriate actions against irregularity.

Sl. No.	Company Name	Date of establishment	Registration Fee	Annual fees up to 31.03.2019	Receipt	TOTAL Dues
1.	BSNL	1997-98	30000	153883	0.00	183883
2.	AIRCEL	2008-09	30000	56800	0.00	86800
3.	RELIANCE	2003-04	30000	99640	0.00	129640
4.	AIRTEL	1997-98	30000	144000	0.00	174000
5.	AIRTEL	2008-09	30000	56800	0.00	86800
6.	IDEA	2006-07	30000	73600	0.00	103600
7.	TATA INDICOM	2006-07	30000	73600	0.00	103600
8.	VODA FONE	2013-14	30000	16000	0.00	46000
	<b>TOTAL</b>					<b>914323.00</b>

**(b) Advertisement Tax**

**Audit Objective** – As per Point No. – 5 of TOR

**Criteria**– Non – levied of advertisement tax by the ULB.

**Consequence / Effect / Impact** - Due to non - levied of collection of advertisement tax, there is a revenue loss to ULB.

**Cause**– This happens due to lack of awareness of imposition of advertisement tax of concerned person of the ULB.

**Corrective Action / Recommendation** – There should be proper monitoring and further steps are required to be taken for collection of advertisement tax by concerned ULB.

**(c) Holding & Property Tax Deposit – Irregularity: -**

**Audit Objective** – As per Point No. – 5 of TOR

**Criteria** – As per Rules 22(1) of Bihar Municipal Accounting Rules, 2014 Tax Collected has to be deposited on same day or latest before noon on the following working day.

**Condition** - Tax Amount is not deposited timely into Bank. In some cases, collected amount has been retained by the Tax Collectors for a period of 1-2 months from the date of collection of taxes.

**Consequence / Effect / Impact** - Due to non-deposit of Tax on due time, ULBs is suffering from Revenue Loss in the form of Bank Interest which could have been earned on these



Receipts. Further this is a lapse on Internal Control due to non-submission of Counterfoil and record updation of assesses due.

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

**Corrective Action / Recommendation** – There should be day to day monitoring on Collection of Taxes by Tax Inspector/Collectors and deposit of collection into Bank either on same day or latest before noon on the following working day.

**(d) Holding & Property Tax Collection: -**

**Audit Objective** – As per Point No. – 5 of TOR

**Criteria** – Non-Collection of Property Tax/Holding Tax by the concerned ULB.

**Consequence / Effect / Impact** - Holding / Property Tax is collected by the tax collector from all wards but in some cases, property tax is not being collected from long period by the tax collector. Due to non-collection of Property/Holding Tax, there is a major operational revenue loss to ULB and there is no record / register to know total current & arrear demand of holding tax. Demand / Arrear Register have also not been provided to us for verification.

**Cause** – This happens due to lack of proper follow up and monitoring of activities of Tax Inspector / Collector by the concerned officers on regular interval.

**Corrective Action / Recommendation** – There should be day to day monitoring on Collection of Taxes and also maintenance and updating of Demand & Collection Register on regular interval.

**(e) Rent Collection: –**

**Audit Objective**– As per Point No. – 5 of TOR

**Criteria**– Non-Collection of Rent and imposition of late fine by the concerned ULB.

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

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

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

**b. Excess payments against bill, lack of prudence in payment against vouchers inefficiency in control resulting loss to ULB'S;**



- A payment of Rs. 497500 was made to Pandey Electronics by the Nagar Panchayat, initially the amount was 487500 but after overwriting it was made 497500

**C Report on finding of field survey of property tax of minimum 20 high value properties;**

**Report on field survey of 20 high value properties:**

Sl. No.	Owner Property Name	Ward No	Type of construction	Annual Tax	Housing/ Commercial
1	Guna Raut	12	RCC	113	Residential
2	Vijay Kumar Patel	12	RCC	113	Residential
3	Tuntun Prasad	12	Asbestos	202	Residential
4	Kameshwar Prasad	12	RCC	227	Residential
5	Motilal Prasad	12	RCC	113	Residential
6	Avdhesh Prasad	12	RCC	113	Residential
7	Vinay Kishore Prasad	12	Asbestos	202	Residential
8	Mukesh Kumar Patel	12	Asbestos	202	Residential
9	Madan Prasad	12	RCC	265	Residential
10	Akhilesh Pandit	12	RCC	227	Residential
11	Virendra Prasad	12	RCC	189	Residential
12	Shrikant Tiwari	07	RCC	226	Residential
13	Prabhu Ram	01	RCC	504	Residential
14	Md Abu Yaseer	01	RCC	630	Residential
15	Rameshwar Ram	01	RCC	850	Com/Resi
16	Laldev Ram	01	RCC	302	Residential
17	Ramdhani Sharma	06	RCC	567	Residential
18	Ramekbal Sah	06	RCC	252	Residential
19	Satish Kumar Sharma	06	RCC	378	Commercial
20	Sivakant Prasad	11	RCC	378	Residential

**Note:**

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



## Part-B

All Audit objections/regularities which has no monetary implication, but significant violation of act, Rules directives of UD&HD. Mention the reference to Act & Rules wherein remedial measure is required.

**a. Non –maintenance of books of accounts, subsidiary registers: -**

It has been noticed during the audit that the following Books of Accounts & Registers has not been maintained or not properly maintained (Status as mentioned).

Sl. No.	Particulars	Status
1	Fixed Assets Register	Not Maintained
2	Royalty Register	Not Maintained
3	TDS Register	Not Maintained
4	Statutory deduction Register	Not Maintained
5	File Movement Register	Not Maintained
6	Visitors Register	Not Maintained
7	Grievance Register	Not Maintained
8	Advance Register	Not Maintained
9	Daily Collection Register	Not Maintained
10	Demand and Arrear Registers	Not Maintained
11	Stock Register	Not Maintained

**b. Irregularity in procurement process: -**

Purchases amounting to Rs. 441682 has been made from Suraksha Enterprise, Kumar Shopping Complex, without any Quotation.

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

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

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

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

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

- Property tax on land and building
- Surcharge on transfer of land and building.



- Tax on deficit in parking space in any non-residential building.
- Water tax,
- Fire tax,
- Tax on advertisement
- Surcharges on entertainment tax,

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

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

- Proper Sec of TDS Deduction is not conduct.
- According to Vat Act 2005, Vat should be deducted from the payment, but Ulb is not in practice to deduct vat from payment at the time of procurement of machine or goods.
- Vat is being deducted from departmental work on whole of the work but it is levy only on material purchased.

**e. Lack of internal control measures: -**

1. During the course of our Audit, we have observed various discrepancies in the Cash Book, which are enumerated below: -
  - Head wise expenditure were not clearly entered and recorded.
  - The cash book balances were not reconciled with the Balances in Bank Pass Book.
2. After analyzing operating control, it was observed that there is shortage of Man Power in ULB. Consequently, it is not functioning smoothly with respect to completion of works on time, provide and review the service efficiently which is the main function of ULB, preparation of books and records on time etc.

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

- Quarterly Return for TDS has not been filed for F.Y -2018-19.
- Quarterly Return for GST has not been filed for F.Y -2018-19.

**g. Deficiency in pay-roll system: -**

There is no system of Pay-Roll implemented at the ULB. So, we are unable to comment on the same. Moreover, no Register has been shown to us regarding records relating to



Statutory deduction like PF, ESIC, Income tax etc. during the period of internal audit. Thus we are unable to comment on deficiency in pay-roll system.

**h. Utilizations of grant and report on missing Utilization certificates of financial year 2018-19.**

During the course of audit and as per the details provided by the concerned ULB some of the UCs has been pending for submission to the UD & HD and the details of the pending UCs are as follows:-

S. No.	Name of Scheme	Letter No/Date	Amount (in lakh)	UC submitted/Not
1.	Nali - gali	127/07.03.2018	60.09	Not submitted
2.	Nagrik Suvidha	81/31.10.2018	30.3	Not submitted
3.	14th Finance	38/11.07.2019	88.53	Not submitted
4.	E.O. Salary	42/12.07.2019	2.19	Not submitted
5.	Nagrik Suvidha	47/06.08.2019	30.3	Not submitted
6.	5th State finance	53/13.08.2019	127.17	Not submitted
7.	5th State finance	57/13.08.2019	122.83	Not submitted
8.	14th Finance	128/27.11.2019	88.53	Not submitted
9.	Jal Jeevan- Hariyali Abhiyaan	173/10.01.2020	5.77	Not submitted
	<b>TOTAL</b>		<b>555.71</b>	

**i. Physical verification of inventory/stores: -**

Inventory/Stores Register and fixed Assets Register have not been maintained in concerned ULB and in absence of the above register; it is very difficult to verify the same.

**j. Advances, their adjustment & recovery: -**

Advance Register has not been maintained by the concerned ULB and in the absence of above register it is difficult to check or comments on adjustment and recovery of advances. Advance has been given to staff for office expenses without any advance requisition and without the approval of executive officer.

**k. Any other matter as may be prescribed in due course: -Nil**

**PART – “C”  
Scope of Audit**

S. NO.	Particular	Remarks/Observation
1.	Wheter all these the compliace of Bihar Municipal Act and specifically Chapter IX to XV	No Observation found in this regard.



	and related rules and regulations as well as related directives by UD&HD.	
2	What is the status of implementation of SAS of Property Tax in the ULB; If SAS has been implemented then witness some assessment procedures to check any in-consistencies in assessment. at least 20 high value properties in the city /town (irrespective of the fact that SAS is received or not).	We have witnessed the 20 high value of property same has been reported in point (c), Part A.
3	Whether all compliance have been complied regarding Bihar Municipal Accounting Manual, Bihar Municipal Accounts Rules, 2014 and Bihar Municipal Budget Manual with special attention to following Rules of BMAR  Rule 22: All moneys to be brought to account  Rule: 27: Collections to be deposited into Bank on the same day  Rule 69: Grant Related Compliance  Rule 120-121: Monthly Receipt & Payment Account and Trial Balance  Rule 130: Audit to be completed & reported within 6 month	All the compliance has been made at ULB except Rule :27 & Rule 120-121.  Rule 22: All moneys to be brought to account but delayed. Rule 27: we have observed that collection money has not been deposited on bank account on time Rule 69: Grant related compliance has been done properly. Rule120-121 Monthly Receipt & payments accounts and Trial Balance are not prepared  Rule 130 is not followed
4	Whether all such compliance of financial guidelines of schemes of MOHUA and UD & HD, Gob have been complied.	Yes, Compliance of financial guidelines of schemes of MOHUA and UD & HD, Gob have been complied.
5	If any revenue losses and opportunities lost or missed including in the area of Property Tax, Mobile Transmission Towers Tax, Rental of Municipal properties, Advertisement Taxes/Fees, Sai rat etc. have incurred then quantify the same.	Loss of Rs 914323/- has been made to the ULB for non-collection registration and renewal fee from installed transmission tower in the jurisdiction of ULB.
6	Status of adequacy and appropriateness of the documentation, approvals, compliance of procedures etc. of all payments on or above Rs. 10,000.	A payment of Rs. 497500 was made to Pandey Electronics by the Nagar Panchayat, initially the amount was 487500 but after overwriting it was made 497500.
7	Whether all Procurement made including through E-Tendering and E-Auction indicating exceptions, if any and whether a	Purchases amounting to Rs. 441682 has been made from Suraksha Enterprise,



	register is kept for all Procurements with value above Rs. 15,000/-	Kumar Shopping Complex, without any Quotation.
8	An assessment of presence or absence of a system of issuance of utilization certificate for the different schemes for any utilization made during the reporting period; Where there is no system for issuance of U/Cs, prepare Utilization Certificate for various schemes/grants as per the guidelines of such scheme available on the UD&HD website.	UC of various scheme are pending for submission to the Urban Development & housing Department .
9	Verify instances of losses, failures or inefficiencies and recommendations and/or measures which can be taken to avoid their recurrence in future.	We have verified such instances and found some irregularities. Details of irregularity have been annexed in Executive Summary in Observation Para, and recommendations have also been annexed in Recommendation in Executive Summary.
10	Whether all such payments have been made according to payment terms & conditions of tenders and rate offers are according to procurement law and policies.	Yes, all payment has been made according to payment terms & conditions of tenders.
11	Whether the fixed deposit and other funds should be kept in nationalized banks/Approved financial institutions and should earn maximum interest at their gestation period.	No Such type of issues found in this regards.
12	Verify all major areas of ULBs and assessed revenue loss and if any losses have been identified then prepare a statement of loss for revenue losses.	We have verified all major areas of ULB and assessed some revenue losses, same have been reported in "Part A".
13	Whether tax deductions i.e. Commercial tax, Income tax, provident fund etc. should be deducted from the payments as applicable, deposited properly and also should be properly recorded in appropriate ledgers.	<p>We observed that statutory compliance has not been accomplished by ULB regarding deduction, deposit and return also.</p> <p>Details of major statutory irregularities are:</p> <ul style="list-style-type: none"> <li>• TDS return has not been filled.</li> <li>• TDS have not been deposited appropriately.</li> <li>• Labor cess has not been deducted appropriately.</li> <li>• VAT liability has not been settled till the date of audit.</li> </ul>



	Penalty and Interest may be levied on ULB as per Statutory Laws.
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**"Sheet B".**

**Amount Collected from own sources revenue has not been deposited into bank by the ULB on the same date /next to the same date as required. The details are given below.**

Receipt no.	Amounts	Periods	Deposit date
454-466	2344	17.04.2019 to 8.05.2019	24.05.2019
416-426	19204	6.01.2019to 15.03.2019	25.03.2019
406-408	7938	20.9.2018to 29.9.2018	3.10.2018
380-382	5686	9.8.2018to 29.08.2018	11.09.2018
357-365	3911	26.07.2018to 28.08.2018	9.08.2018

**General Observations: -**

There is lots of scope for improvement with respect to maintenance of Records and Registers. The important and basic records like Advance register, annual accounts, assets register were not maintained. Effective steps may be taken to improve the maintenance of accounts and increasing of its own sources of revenues.

For R.N. Singh &Co.  
Chartered Accountants  
FRN: 322066E



CA Chanakya Shree  
Partner  
Mem No: 079322

UDIN-20079322AAAACF3167

Date - 06/06/2020.

Nagar Panchayat Areraj, East Champaran

Discussion Notes :-

F.Y. 2018-19

Sl. No.	Particulars	Management Comments
1	Suraksha Enterprise, Kumar Shopping Complex, Total Purchase Rs. 441682 without any quotation.	भविष्य में ध्यान रखा जाएगा।
2	Most of the vouchers are not proper taxable vouchers but which payments are made by ULB.	॥
3	Cashbook has not been regularly written it has been written from passbook from long period of time.	लिख लिया गया है।
4	Cashbooks are not regularly authorize by Executive Officer.	हो जाएगा।
5	Fixed assets register and stock register are not maintain.	बन जाएगा।
6	Holding Tax arrear and demand register are not maintain, hence not possible ascertain total arrear of tax.	बन जाएगा।
7	Daily Collection register are not properly maintain.	ध्यान दिया जाएगा।
8	Holding tax are not properly ascertain by ulb.	॥
9	Internal control regarding collection of holding tax are very weak.	रहस्य के कमी के कारण जोड़ा-बिलब-ए-के-ए-ए
10	Interest has not been charge holding tax outstanding from long period of time. Which has been revenue loss to ulb.	अब ले-चार-दिया जाएगा।
11	Daily collection from holding tax are not deposited to bank daily.	अब ले-जमा-दिया जाएगा।
12	Previous internal audit report fy 2016-17 has not been provided by the ulb.	मिळ गया है।
13	Trade License registration, renewal and monthly charges are not properly collected.	अब ले-मेंटेन-रहेगा।
14	Trade License arrear and demand register are not maintain hence not possible to ascertain total arrears of taxes.	रहा-की-कमी-की-वजह-से-मेंटेन-नहीं-हो-पा-रहे-हैं-अब-ले-मेंटेन-हो-जाएगा।
15	Mobile Towers details are not properly maintained by ulb so, we are unable to comment	॥
16	Mobile tower tax demand and arrear register are not maintain hence not possible to ascertain total arrear of taxes	अब ले-बनाया जाएगा।
17	Mobiles towers registration, renewal and interest have not been charged by ulb ,hence revenue loss to ulb.	॥
18	Team work or responsibility among employers are very weak.	ध्यान रखा जाएगा।
19	Advance register are not maintained by ULB,hence it is	ध्यान रखा जाएगा।



	difficult to monitor for advances given and adjustment thereof.	
20.	Grivance register are not maintain by ULB.	लिखा जा रहा है
21.	Double accounting system are not maintain by ulb.fy2017-18&2018-19.	process में है
22.	Visiters register are not maintain by ULB.	जगल के साथ
23.	File movement register are not maintain.	।।
24.	Vouchers are not serially arranged.	।।
25.	Survey report & holding collection list are not matched like owners name,types of building,purpose for use and size.	द्वान रखा जा रहा है
26.	Advertisement tax is not being levied by N.P. as a result there is a loss to the N.P of advertisement tax amount.	नहीं हो रहा है
27.	Rs 4375 collection from holding tax not deposited into bank till audit date.	जमा हो जा रहा है
28.	Bank reconcilation statement has not been prepared by N.P	प्रोसेस में है
29.	Yojna no. 07F2/2017-18 (ward no.4) contractor -Lucky Srivastav Date of starting -18/04/2017 period of completion- 3 months complete date -20/04/2018 so delayed charged has not beeb collected by N.P	द्वान रखा जा रहा है
30.	Yojna no. 12F2/2017-18 (wardno.3) contractor-Lucky srivastav Date of starting-18/04/2017 Period of complete - 3month date of complete 25/06/2018 so delayed charged has not been collected by N.P	।।
31.	Yojna no. 04F2/2017-18 (ward no.03) contractor - Lucky srivastav Date of starting 18/04/2017 period of complete 3month date of complete 20/04/2018 so delayed charged has not been collected by N.P	।।
32.	Yojna no. 01F2/2017-18 (ward no.8) contractor Lucky srivastav Date of start 18/04/2017 Period of complete 3 months complete date 25/06/2018 so delayed charged has not been collected by N. P	।।
33.	Yojna no. 3F2/2017-18 (ward no.08) contractor name Islam miya date of start 18/4/2017 period of complete 3 month date of complete 12/10/2017 so delayed charge has not been collected by N.P	।।
34.	Attendance pay roll system or punching system are not working.	है
35.	Pandey Electronic voucher was over written & payment made by N.P initially it was Rs 487500 but after over written it was made Rs 497500.	नहीं हो गया है



Mr. R.N. Singh  
 11/02/19  
 कार्यपालक पदाधिकारी  
 नगर पंचायत अरंगन (ग्रो चो)  
 11/02/19

UC submission status F.Y. - 2018-19  
Areraj Nagar Panchayat

Sl no	Name of Scheme	Issue Letter No/Date	Allotment of Fund	Allotment of u.c.submitted	U.C.pending	Letter No & Date of submission
1.	Nali - gali	127/07.03.2018	60.09	-	60.09	-
2.	Nagrik Suvidha	81/31.10.2018	30.3	-	30.3	-
3.	14 <sup>th</sup> Finance	38/11.07.2019	88.53	-	88.53	-
4.	E.O.Salary	42/12.07.2019	2.19	-	2.19	-
5.	Nagrik Suvidha	47/06.08.2019	30.3	-	30.3	-
6.	5 <sup>th</sup> Finance	53/13.08.2019	127.17	-	127.17	-
7.	5 <sup>th</sup> Finance	57/13.08.2019	122.83	-	122.83	-
8.	14 <sup>th</sup> Finance	128/27.11.2019	88.53	-	88.53	-
9.	Jal Jeevan. Hariyali Abhiyaan	173/10.01.2020	5.77	-	5.77	-
		Total	555.71		555.71	

Date:-13/07/2020

Place:-Areraj nagar panchayat

*Sunday*  
13/07/20  
Executive officer  
**Executive Officer**  
Nagar Panchayat Areraj  
Areraj  
*S*  
13/07/2020

