



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

# INTERNAL AUDIT REPORT

FY 2018-19

**Bihar Sharif Municipal Corporation**

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

**Vinod & Co. LLP**  
CHARTERED ACCOUNTANTS

We Plant Quality





To

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

Sub: Submission of Bihar-Sharif Municipal Corporation annual internal audit report with management comments for the financial year 2018-19.

Ref No.: Project No. 07/LA.-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."

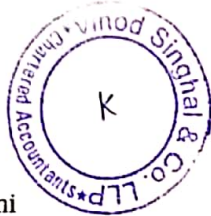
As we have conducted Annual internal audit of Bihar-Sharif Municipal Corporation for the financial year 2018-19. Through This letter we are submitting Annual internal audit report of Bihar-Sharif Municipal Corporation for the F.Y.2018-19 with management comments.

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: 005826C/C400276

  
Sodhani



CA Krishan Kumar Sodhani  
M.No:- 404603

UDIN No:- 20909603 AAAA HJ2912

Date: 22-12-2020  
Place: Patna

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

## CONTENTS

Project Title	Internal audit of 18 ULBs of Group-06 of Bihar
Report Title	Annual internal audit report of Bihar Shariff Municipal Council
Period	1 <sup>st</sup> Apr -2018 to 31 <sup>th</sup> -March-2019
Reporting Entity	Vinod Singhal & Co., LLP, Chartered Accountants
Reporting for	Bihar Shariff Municipal Council
Report Prepared by	Team, Vinod Singhal & Co. LLP
Date of submission	4 <sup>th</sup> Nov 2019 19 <sup>th</sup> NOV -2019



## EXECUTIVE SUMMARY

### 1. INTRODUCTION

Name of the Municipality	Bihar Sharif Nagar Nigam
Period covered under current audit	01.04.2018 to 31.03.2019
Name of Municipal Commissioner for the period under Audit	Mr. Saurabh Jorval

### 2. RESULTS AND FINDINGS

➤ **Strengths observed during audit engagement**

In the existing system as prevailing in the Nagar Nigam 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	Non Compliance of AG Report for the F.Y. 2014-2016
2	Non-updating of bank reconciliation on monthly basis.
3	Non-Implementation of Double Entry Accounting System
4	No details were made available regarding meeting of municipal accounts committee held during the financial year 2018-19.
5	<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. * Toll-tax on roads, bridges, ferries and navigable channel and on heavy trucks which shall be heavy goods vehicles, and buses, which shall be heavy passenger motor vehicles. * User Charges for provision of water-supply, drainage and sewerage * User Charges for Solid Waste Management * User Charges for Parking Facility * User Charges for Garbage Clearance * Collection of fees for sanction of building plans and issue of completion certificates, * Collection of fees for Issue of municipal licenses for various non-residential uses of lands and buildings, * Collection of Development Charges
6	Late-Deposit of tax collection of taxes with cashier and with bank as per provision of BMA rule-22
7	Non-Collection of notice fees
8	Non providing of details of arrears of taxes and rental income
9	Non preparation of payment voucher
10	Non conducting field survey of 20 high value properties
11	Non-maintenance of required registers as per Rule No. -3 of BMAR-2014
12	Irregularities in tender issue process
13	Common practice for selection of tender parties:



14	Non-maintenance of register for all Procurements with value above Rs. 15,000
15	Deficiency in payroll system and of muster roll register
16	Non-Compliance of Act & Rules
17	Lack of internal control over collection, recovery & deposit of taxes, assets handling, cheque handling and statutory compliances.
18	Non-compliance of Statutory Dues: 1. Delay in deposit of TDS 2. Non filling of TDS returns
19	Utilisation of Grant and report on missing utilisation certificates
20	Non maintenance of inventory & store register and non-conducting of physical verification of inventory/Stores
21	Non recovery/adjustment of advances & interest Theron.
22	No mechanism for grievance resolution:
23	Non providing of records

### 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

SINo	Audit Observations	Auditor Recommendations
1	Non Compliance of AG Report for the F.Y. 2014-2016	During audit we observed that the compliance of C & AG report for the F.Y. 2014-2016 has not be 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 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	Non-updating of bank reconciliation on monthly basis.	<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>
3	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". <i>Since Chhapra Nagar Nigam is Covered under Schedule -I, therefore they should have to maintain their accounts on double entry accounting system in compliance of such rule</i>
4	No details were made available regarding meeting of municipal accounts committee held during the financial year 2018-19.	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>



5	<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 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>
6	<p>Late-Deposit of tax collection of taxes with cashier and with bank as per provision of BMA rule-22</p>	<p>As per Bihar Municipal Act, 2007 &amp; 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></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 Chhapra Nagar Nigam, Corporation 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></p>
8	<p>Non providing of details of arrears of taxes and rental income</p>	<p>Since proper documents were not provided during audit, therefore we can't state the exact outstanding amount, However, we observed on the basis of last reports and partial data available with us that there is huge arrear of taxes at Bihar Sharif 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></p>



9	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.
10	Non conducting field survey of 20 high value properties	Being ULB was not maintaining any details of high value properties, above details 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.
11	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.
12	Irregularities in tender issue process	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.
13	Common practice for selection of tender parties:	We noticed that common process was being adopted in selection of contractor. This can lead to doubt on selection process. So, ULB should ensure proper transparent policy to avoid such practice.
14	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
15	Deficiency in payroll system and of muster roll register	As ULB is not maintaining salary deduction register, Payment vouchers, Bio-metric and any payroll software. ULB should ensure that all requirements should be in place and complied for effective salary management.
16	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.
17	Lack of internal control over collection, recovery & deposit of taxes, assets handling, cheque handling and statutory compliances.	We observed that there is no any internal control mechanism available over collection, recovery, deposit of taxes, assets handling, Cheque handling and Statuary compliances: <b>We suggest that:</b> 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.
18	Non-compliance of Statutory Dues: 1. Delay in deposit of TDS 2. Non filling of TDS returns	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.
19	Utilisation of Grant and report on missing utilisation certificates	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 help 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.



20	Non maintenance of inventory & store register and non-conducting of physical verification of Inventory/Stores	<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>
21	Non recovery/adjustment of advances & interest thereon.	Since proper documents not provided during audit, therefore we can't state the exact outstanding advance amount, However, we observed on the basis of last reports and partial data available with us that there is huge advances given to staff at Chhapra ULB. <i>Therefore, the management should take proper step to boost collection or settlement of advances given to staff. Further a monthly meeting with all staff who has taken advance to be held for getting back the advances.</i>
22	No mechanism for grievance resolution:	Grievance reporting is very good for a healthy working environment. <i>Management should implement a mechanism for resolution of grievance on time.</i>
23	Non providing of records	We observed from the previous C & AG report, Internal Audit report and from our own experience that the ULB has adopted a general practice to not presenting the proper documents for audit. However, many very serious instances have reported by C & AG vide its report dated 20 <sup>th</sup> March 2017 the reason of these instances is only that books are not monitored by respective responsible person on timely basis. <i>Management should take a serious action against this malafide practice.</i>

#### 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.



## DETAILED AUDIT REPORT

### 1. INTRODUCTION:

SL No	Name Of ULB	Period-Covered		Audit Team
		From	TO	
1	Bihar Sharif Nagar Nigam	01-04-2018	31-03-2019	1. Name of TL: CA Krishan Kumar Sodhani 2. Name of MAE: CA Rahul Kumar Shrivastwa 3. Name of MAA: Abul Quasls

### 2. ADMINISTRATION:

SL No	Particulars	Details
1	The present body of the ULB has taken charge on	09.06.2017
2	The incumbency in the key administrative and executive positions was as under:	
2.1	Name of Mayor:	Vina Kumari
2.1.1	Period of Service:	From: 09.06.2017
2.2	Name of Commissioner/Executive Officer:	Saurabh Jorval
2.2.1	Period of Service:	From: 06.11.2017 To: 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	Audit report submitted by AG for the F.Y. 2016-17	54	54	11	-	-	-	Compliance report not provided

#### 3.2. Details of total no of audit paras:

Period of AG audit report : Financial year 2016-17

Compliance report date & Number : Not Provided

S.No	Audit Para Number	Heading of the audit para	Amount involved (Lakh)	Recovery Proposed	Recovery Completed	Action Taken or Not
Part-II of AG audit report						
1	1	Excess payment to Contractor because Bihar Financial Rule is not properly followed	133.96	133.96		No
2	2	Wrongly Distribution of Awash Scheme Grant	19.5	0	0	No
3	3	Loss of revenue due to departmental non-recovery of Consumer Tax/Penalty as per Bihar Municipal Act,2007	583.84	583.84	0	No
4	4	Interest and Penalty Paid to South Bihar Power Distribution Company Limited	59.3	0	0	No
5	5	Excess Payment made in purchase of 5 Fogging Machine because such	5.61	0	0	No



		machine is purchase from other than BUDKO				
6	6	Property Tax Due on property till Financial Year 2013 -14	149	149	0	No
7	7	Loss of Revenue due to Non deposition of Revenue Tax in Saving Bank Account	23.53	0	0	No
8	8	Differences in Deposit of Amount between Cashier Cash book and Auditor book	0.22	0.22	0	No
9	9	Short/ Non - Deposit of amount by Cashier	0.06134	0.06134	0	No
10	10	Short/ Non - Deposit of amount by Tax Collector	0.06140	0.06140	-	No
11	11	Not Collecting of Service tax on shop rent	0.32	0.32	-	No
12	12	Loss of Interest amount due to late deposit of Revenue in Nagar Nigam Account	0	0	-	No
13	13	Loss of revenue due to non-recovery from sairatbandobasti	8.5	-	-	No
14	14	Loss of revenue due to Non Renewal of Trade Licenses	15.75	15.75	-	No
15	15	Shop Rent dues till March 2017	12.79	12.79	-	No
16	16	Tower tax dues	45.22	45.22	-	No
17	17	Irregularities of compliance in the Beautification of Hiranya Mountain	0	0	-	No
18	18	Irregularities of compliance in purchase of Super Sakkar Machine	0	-	-	No
19	19	Irregularities of compliance in purchase of LED Light	-	-	-	No
20	20	Non refund of excess amount under Swatch Bharat Mission	1047.6	-	-	No
21	21	Irregularities in use of Grant under Swatch Bharat Mission	529.17	-	-	No
22	22	Irregularities in use of Grant under Shahri Awas Scheme	297.86			No
23	23	Two to three beneficiaries on a single holding of Shahri Awas Scheme				No
24	24	Non Availability of fund by State Government for Salary of Nagar Nigam Officer	19.51	19.51		No
25	25	Non Receipt of Grant by Nagar Nigam	521			No
26	26	Irregularities in the work of Scheme No. 08/2015-16				No
27	27	Irregularities in the work of Scheme No.20/2015-16				No
28	28	Irregularities in the work of Scheme No.37/2015-16				No
29	29	Irregularities in the work of Scheme No.3/2016-17				No
30	30	Fuel Expenses	96.27			No
31	31	Excess load on solid waste land				No
32	32	Non utilization of Grant amount	191			No
33	33	Non utilization of Grant amount under Shahri Awas Scheme	2			No



34	34	Excess Investment in Term Deposit	1.27			No
<b>Part-III of AG audit report</b>						
35	1	Rules not followed while preparing of Budget				
36	2	Annual Income and Expenses not prepared.				
37	3	Use of vehicle without agreement				
38	4	Domestic storage bin not available at every house as per scheme				
39	5	Double entry accounting system is not implemented				
40	6	Cleaning Staff's roster are not prepared for Road cleaning				
41	7	Advertisement tax register is not maintained				
42	8	Various committee are not				
43	9	Various register are not maintained				
44	10	Land is not recognised for Solid waste management.				
45	11	Processing technology is not implemented in solid waste management.				
46	12	Grant register is not available				
47	13	Assets are not revalued.				
48	14	Mutation Register is not properly maintained.				
49	15	Demand Register is not maintained				
50	16	Daily Collection register is not properly maintained.				
51	17	Issue of Receipt is not proper				
52	18	Excess Labour in Nagar Nigam				
53	19	Property tax receipts are not presented to Auditor				
54	20	Various register are not provided to Auditor.				
<b>Total</b>			<b>3763.3</b>	<b>960.73</b>		

Refer "Annexure-1"



#### 4. FINANCE

I. Budgetary provisions and expenditure for the last three years				
Year	Year- 2016-17	Year- 2017-18	Year- 2018-19	Year- 2018-19
Final/Revised Budget Data	1,399,753,706	1,702,957,000		1,935,564,000
Actual Expenditure Data	1,033,945,891	476,277,973		927,374,501
Savings(+)/Excess(-)	365,807,815	1,226,679,027		1,008,189,499

#### Comment:

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

#### II. Volume of transactions

Period	Budgeted for F.Y. 2018-19	Actual for the F.Y. 2018-19	Actual for the F.Y. 2017-18	Actual for the F.Y. 2016-17	Cumulative for the current period
Opening balance	974,733,356	974,733,356	760,185,830	438,397,188	974,733,356
Receipts	1,264,956,000	862,844,986	690,825,499	858,267,062	862,844,986
<b>Total</b>	<b>2,239,689,356</b>	<b>1,837,578,342</b>	<b>1,451,011,329</b>	<b>1,296,664,250</b>	<b>1,837,578,342</b>
Net expenditure	1,935,564,000	927,374,501	476,277,973	1,033,945,891	927,374,501
<b>Closing balance</b>	<b>304,125,356</b>	<b>910,203,841</b>	<b>974,733,356</b>	<b>262,718,359</b>	<b>910,203,841</b>

#### Comment:

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





Bank Reconciliation position as on reporting date

Bank Reconciliation position as on 31-03-2019

S.N	Name of the Scheme	Name of Bank	Bank A/C No.	Balance as per Cash Book	Balance as per Bank Statement 31.3.2019	Differences	Reconciled (Yes/No)
1	Swatch Bharat Mission	HDFC	50100182010662	87,915,758	87,915,758	-	-
2	All other Fund	Treasury A/c	8448001020001	NA-	NA	-	-
3	Amrut Yojna Nagar Aayukta	Madhya Bihar Gramin Bank	71920100125781	NA-	NA	-	-
4	Mukhyamantri Shahri Peyjal Nishchay Yojna	Madhya Bihar Gramin Bank	71920100125790	15,798,384	15,798,384	-	-
5	Macchli Mandi Market Fund	Punjab National Bank	489502010024908	NA-	NA	-	-
6		Madhya Bihar Gramin Bank	714701000123835	-NA	NA	-	-
7	Municipal Commissioner Slum	Punjab National Bank	1255000105183515	-NA	NA	-	-
8	NULM	Punjab National Bank	1255000105179600	1,068,653	1,068,653	-	-
9		Kabir Antyesthi	1255000100068415	-NA	NA	-	-
10	PF	CBI	3355260747	154,164	-NA	-	-
11		HDFC Bank	50100047533584	-	-	-	-
12	HFA	CANNARA BANK	0140132000032	190,741,159	193,891,159	-3,150,000	-
13	SALARY	CBI	1884213153	6,913,532	- NA	6,913,532	-

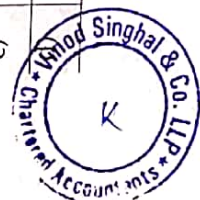
Comment:

1. Bank Reconciliation statement has not been prepared by the Bihar Sharif Nagar Nigam.
2. Bank balance as per cash book & Pass Book was not made available for verification.

**IV. Revenue & Capital Receipts information:**

**Income Details (Amount in Rs.)**

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>	690,825,499	858,267,062	862,844,986	690,825,499	Not Applicable	862,844,986
A	<b>Revenue Receipts (1+2+3)</b>	384,185,033	278,708,393	370,377,178	384,185,033	Not Applicable	370,377,178
1	<b>Own Revenue Receipts (a+b)</b>	51,880,239	67,326,183	68,733,947	51,880,239	Not Applicable	68,733,947
a)	<b>Tax Revenue (levied and collected by municipal body)</b>	35,014,597	51,869,430	63,133,651	35,014,597	Not Applicable	63,133,651
i)	Property tax	34,443,715	51,130,372	46,721,431	34,443,715	Not Applicable	46,721,431
ii)	Other tax (levied and collected by municipal body)	570,882	739,058	16,412,220	570,882	Not Applicable	16,412,220
b)	<b>Non-tax revenue (levied and collected by municipal body)</b>	16,865,642	15,456,753	5,600,296	16,865,642	Not Applicable	5,600,296
i)	Fees & fines	7,147,597	8,443,741	5,600,296	7,147,597	Not Applicable	5,600,296
ii)	User Charges	2,949,047	65,787	-	2,949,047	Not Applicable	-
iii)	Other non-tax revenue (levied and collected by municipal body)	6,768,998	6,947,225	-	6,768,998	Not Applicable	-
2	<b>Other Revenue Receipts</b>	308,101,450	154,576,987	26,234,328	308,101,450	Not Applicable	26,234,328
a)	Income from interest/investments	307,236,124	154,560,637	26,161,597	307,236,124	Not Applicable	26,161,597
b)	Other Revenue income	865,326	16,350	72,731	865,326	Not Applicable	72,731
3	<b>Transfers/Grants/Assigned Revenues</b>	24,203,344	56,805,223	275,408,903	24,203,344	Not Applicable	275,408,903
a)	State Assigned Revenue	-	-	52,251,561	-	Not Applicable	52,251,561
b)	State Finance Commission (SFC) Grants/Devolution	-	-	-	-	Not Applicable	-
c)	Octroi compensation	-	-	-	-	Not Applicable	-
	<b>Other State Government Transfers</b>	22,448,648	53,770,223	220,013,110	22,448,648	Not Applicable	220,013,110





Central Finance Commission (CFC) Grant

	Other Central Government Transfers								Not Applicable
g)	Others (Sales & Hire Charges)	1,754,696	3,035,000	3,144,232	1,754,696				Not Applicable
B	Capital Receipts (1+2+3+4+5+6)	306,640,466	579,558,669	492,467,808	306,640,466				Not Applicable
1	Sale of Municipal Land								Not Applicable
2	Loans (from State Govt. or Bank etc.)								Not Applicable
3	State Capital Account Grant (under State Schemes etc.)	306,590,636	579,558,669	429,320,606	306,590,636				Not Applicable
4	Central Capital Account Grant (under Central Schemes etc.)								Not Applicable
5	Other Capital Receipts	49,830		63,147,202	49,830				Not Applicable

**Comment:**

The above figures have been taken from the Budget Statement of the ULB for the year 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 have not been produced before us for verification. Hence, we could not validate the Above-mentioned figures.

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

Sl No	Details	Expenditure Details (Amount in Rs.)					
		2017-18		2018-19		2019-20	
		2017-18	2016-17	2018-19	2017-18	2019-20	2018-19
1	Total Expenditure (1+2)	476,277,973	1,033,945,891	927,374,501	476,277,973	Not Applicable	927,374,501
	Revenue Expenditure	246,987,189	734,129,909	336,074,985	246,987,189	Not Applicable	336,074,985
1.1	Administrative Expenses, Establishment and Salaries (All Departments- Regular and Contractual Staff)	146,613,319	153,143,417	170,954,575	146,613,319	Not Applicable	170,954,575
1.2	Operation and Maintenance (O&M)	69,553,777	49,506,077	105,554,201	69,553,777	Not Applicable	105,554,201
1.3	Loan repayment (Interest)	32,911	-	6,525	32,911	Not Applicable	6,525

V. Revenue and Capital Expenditure Information.

SI No		Expenditure Details (Amount in Rs.)									
		2017-18		2018-19		2019-20		2019-20		2019-20	
		2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
Total Expenditure (1+2)		476,277,973	1,033,945,891	476,277,973	927,374,501	476,277,973	927,374,501	Not Applicable	927,374,501	Not Applicable	927,374,501
1	Revenue Expenditure	246,987,189	734,129,909	246,987,189	336,074,985	246,987,189	336,074,985	Not Applicable	336,074,985	Not Applicable	336,074,985
1.1	Administrative Expenses, Establishment and Salaries (All Departments- Regular and Contractual Staff)	146,613,319	153,143,417	146,613,319	170,954,575	146,613,319	170,954,575	Not Applicable	170,954,575	Not Applicable	170,954,575
1.2	Operation and Maintenance (O&M)	69,553,777	49,506,077	69,553,777	105,554,201	69,553,777	105,554,201	Not Applicable	105,554,201	Not Applicable	105,554,201
1.3	Loan repayment (Interest payments)	32,911	-	32,911	6,525	32,911	6,525	Not Applicable	6,525	Not Applicable	6,525
1.4	Others (any other revenue expenditure which is not salaries, O&M or Interest Payment)	30,787,182	531,480,415	30,787,182	59,559,684	30,787,182	59,559,684	Not Applicable	59,559,684	Not Applicable	59,559,684
2	Capital Expenditure	229,290,784	299,815,982	229,290,784	591,299,516	229,290,784	591,299,516	Not Applicable	591,299,516	Not Applicable	591,299,516
2.1	All developmental works under Central/State specific schemes	123,037,736	241,397,289	123,037,736	574,257,078	123,037,736	574,257,078	Not Applicable	574,257,078	Not Applicable	574,257,078
2.2	Loan Repayments (Principal Amount)	-	-	-	-	-	-	Not Applicable	-	Not Applicable	-
2.3	Other Capital expenditure	106,253,048	58,418,693	106,253,048	17,042,438	106,253,048	17,042,438	Not Applicable	17,042,438	Not Applicable	17,042,438



Comment: The above figures have been taken from the Budget Statement of the ULB for the year 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 have not been produced before us for verification. Hence, we could not validate the Above-mentioned figures. Refer "Annexure-2" for Budget.



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

The ULB has not yet implemented Double Entry Accounting System.

**VII. Status of Municipal Accounting Committee, if meeting is held**

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

## 5. Audit Observations

### I. Part - A

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

- a. Leakage of own source revenue either due to wrong assessment or non-levy of property tax, mobile tower tax, rent on municipal properties, advertisement tax, 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 Bihar Sharif Nagar Nigam*, The following mentioned tax/charges are not implemented that leads to loss of revenue to ULB.

SL	Particulars	Implemented by ULB or Not
1	Fire tax	No
2	Tax on congregations	No
3	Tax on pilgrims and tourists	No
4	Toll-tax on roads, bridges, ferries and navigable channel and on heavy trucks which shall be heavy goods vehicles, and buses, which shall be heavy passenger motor vehicles.	No
5	User Charges for provision of water-supply, drainage and sewerage	No
6	User Charges for Solid Waste Management	No
7	User Charges for Garbage Clearance	No
8	Mobile Tower Tax	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 mentioned taxes. .

**Consequence Effect /Impact** - Due to non-collection of taxes within the prescribed 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 property tax:** 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 Bihar Sharif Nagar Nigam*, during verification of receipts book and deposit slips, we have noticed that there is gap in collection of tax and deposit of tax around 15 to 30 days.

**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 Bihar Sharif 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 Bihar Sharif Nagar Nigam*, has 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 corporation, following income was in arrear as on 31-03-2019.

Details of outstanding arrear of income as on 31-03-2019		
SL	Type of Income	Arrear Amount
1	Property Tax	Details not provided
2	Advertisement Tax	
3	Rent Income	

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

**Comment:** ULB should implement/take action to boost collection of arrear revenue to increase their own source revenue.

**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:** We have not received any single bill during audit. Therefore we are unable to comment upon it.



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:** No such irregularities were observed in provided sample data. As complete vouchers files was not made available for audit.

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

**Comment:**

Physical survey of mentioned properties could not be done due to non-availability of ULB staff for survey. Therefore we can't comment on it.

**II. PART-B**

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

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

SL	Name of register	Maintained/Updated or Not
<b>Voucher not maintained</b>		
1	Journal Book	No
2	Ledger	No
3	Contra Voucher	No
4	Journal Voucher	No
5	Receipt Voucher	No
6	Payment Voucher	No
<b>Register not maintained</b>		
7	Register of Cheque received	No
8	Statement on status of cheque received	No
9	Register of Advance	No
10	Register of Permanent Advance	No
11	Summary statement of deposit adjusted	No
12	Summary Statement of Bills Raised	No
13	Register of Notice Fees, Warrant Fees, Other Fees	No
14	Summary Statement of Notice Fees, Warrant Fees, Other Fees	No
15	Register of Refunds, Remissions and Write off	No
16	Summary statement of Refunds and Remissions	No
17	Summary Statement of Write-offs	No
18	Statement of outstanding Liability for Expenses	No
19	Fixed Assets Register	No
20	Function wise Income Subsidiary Ledger	No
21	Asset Replacement register	No
22	Register of public lighting system	No
23	Grant Register	No
24	Software Register	No
25	Computer and Peripheral Register	No
26	Demand Register	No
27	Vehicle Register	No
<b>Property Tax &amp; Other taxes</b>		
28	Summary Statement of Demand Raised on assessment	No
29	Summary Statement of Head wise Collection of Other Income	No
30	Summary Statement of Refunds	No
31	Summary Statement of Write off	No
<b>Rentals, Fees &amp; Other Income</b>		
32	Summary Statement of Demand Raised on assessment	No
33	Summary Statement of Head wise Collection of Other Income	No
34	Summary Statement of Refunds	No
35	Summary Statement of Write off	No
<b>Public Works</b>		
36	Work Sheet	No

No



37	Deposit Works Register	No
<b>Stores</b>		
38	Material Receipt Note	No
39	Store Ledger	No
40	Statement of Closing Stock	No
41	Statement of Material Issued	No
<b>Other</b>		
42	BRS of all bank accounts (Including doormat accounts)	No
<b>Final Accounts for the F.Y. 2012-13 to 2018-19</b>		
43	Audited Balance Sheet	No
44	Audited Income & Expenditure Account	No
45	Audited Receipts & Payment Account	No

**b. Irregularity in procurement process:**

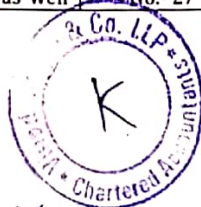
1. Irregularities in vendor payment process: We have not received any data for comment
2. Whether a register is kept for all Procurements with value above Rs. 15,000/-: No procurement register was maintained at ULB level for procurement with value above Rs. 15,000.
3. As per rule no 75, disbursement 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):
  - a. As per provided master payroll of daily wages worker, we observed that signature of wages worker against their attendance was not available.
  - b. This is noted that stamp of ULB was not affixed on signature done in master payroll.
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 maintained/provided for verification.

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

SL	Direction issued by UDHD	Complied or Not
1	No such non-compliance of directives by UD&HD, GoB was observed during the audit	

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

SL	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	Refer point: Part-A (a) (2) 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 15 to 30 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	BMAR Rule No.- 27	Yes, bill collector get its verified collection register as well as the receipt books in his charge



	as the receipt books in his charge to the Revenue Inspector/Revenue Officer or the designated stall of the Municipality		to the Revenue Inspector/Revenue Officer or the designated stall of the Municipality
5	Whether every bill collector invariably remits his collections (in cash and/or cheques) to Cashier dallies before 4.30 PM and takes 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 pays their collection directly into bank account with average 75-90 days delay after collection of tax.
6	Whether Grant Register as prescribed in BMAR Form 28 was maintained by the Municipality to record receipts and utilization of grants sanctioned by the Government.	BMAR Rule No.- 69	Yes, Scheme wise grant register was maintained by the ULB.
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	Utilization certificate submitted by the ULB was not made available to audit.
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, Utilization certificate details produced for verification
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	BMAR Rule No.- 121	No, Bihar Sharif Nagar Nigam 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

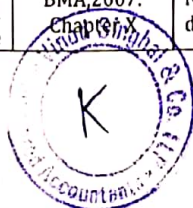




	for the purposes for which they have been created;		
20	Whether the ULB is maintaining proper records showing full particulars, including quantitate details and situation of fixed assets; whether these fixed assets have been physically verified at reasonable intervals; whether any material discrepancies 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 properly 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	Refer Point-04 (III) 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 is 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 were 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	Refer-PART-A (a) (2) & (4) 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 all cases such as are authorized by Act;	BMAR Rule No.-130	Refer-PART-A (a)(3) No, As per referred point this is clear that In case of deposit of daily tax collection, that is deposited on average 70-90 days delay of collection.
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	BMAR Rule No.-130	Refer-PART-B (a) No Some required books of accounts as per BMAM/BMAR has not been



	have been kept by the Municipality so far as it appears from examination of those books. (Rule-130 of BMAR-2014)		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 have 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 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.	BMAR Rule No.-132	No such details provided
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	BMA,2007: Chapter IX	No details provided by ULB regarding investment done.



	<p>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.</p> <p>Check whether comparative interest rate is invited from parties before investing surplus funds:</p>		
40	<p><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,</p>	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	<p><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,</p>	BMA,2007: Chapter XII	Not maintaining
42	<p><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 appointed in <b>this behalf by the State Government.</b></p>	BMA,2007: Chapter XII	Not followed
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 was not prepared.
8. Bank balance as per cash book was not maintained.

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

1. **Deposit of TDS:** No details regarding TDS Deposited Provided by ULB during Audit for our Verification.
2. **Filing of TDS Return:** No details regarding TDS return filled by ULB during reporting period was provided during audit.
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:**

SL	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 were 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 biometric devices and payroll software is implemented in ULB. If Yes, then is it integrated with accounting software	Biometric device was and payroll software was not implemented in ULB.



- f. Utilisation of Grant and report on missing Utilisation Certificates: ULB has not provided any hard and soft copy of Approved utilization certificate/ letter send to the department. However, we have taken some extract from the Books of the ULB as reported below :

क्रं. सं.	वित्तीय वर्ष	आवंटन का मद	स्वीकृत्यादेश संख्या एवं तिथि	आवंटित राशि	निकासी की गई राशि	निकासी के विरुद्ध व्यय के उपरांत अवशेष राशि	बैंक खाता में जमा अवशेष राशि	पी. एल. खाता में जमा अवशेष राशि	अभियुक्ति
1	2	3	4	5	6	7	8	9	10
									राशि लाख में
1	2018-19	14th Finance	82/31.10.2018	592.95	592.95	592.95	.	592.95	Deposited in LPA
2	2018-19	5th Finance	15/03.07.2018	1,407.63	1,407.63	1,407.63	.	1,407.63	Deposited in LPA
3	2018-19	14th Finance	82/31.10.2018	592.95	592.95	592.95	.	592.95	Deposited in LPA
4	2018-19	5th Finance	21/10-07-2018	1,439.58	1,439.58	1,439.58	.	1,439.58	Deposited in LPA

- g. Physical verification of inventory/Stores: Refer point 31-34 PART-B (d)

- h. Advances, their adjustment & Recovery: Refer point 35-36 PART-B (d)

- i. Any other matters as may be prescribed in due course: As all relevant matters has been covered in above mention point

### III. PART-C

SL	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.	Complied Refer-PART-B(d)
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;	Complied Refer-PART-A(c)
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	Complied Refer-PART-B(d)



	Rule 120-121: Monthly Receipt & Payment Account and Trial Balance Rule 130: Audit to be completed & reported within 6 month	
d	Report on Compliance of financial guidelines of schemes of MOHUA & UD&HD, GoB.	Complied Refer-PART-B(c)
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.;	Complied Refer-PART-A(a)
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.	Complied Refer-PART-B(b)
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/-	Complied Refer-PART-B(b)
h	Auditor should Report on presence or absence of a system of issuance of utilisation certificate for the different schemes for any utilisation made during the reporting period; Where there is no system for issuance of U/Cs, the Internal Audit report shall prepare Utilisation Certificate for various schemes/grants as per the guidelines of such scheme available on the UD&HD website.	Complied Refer-PART-B(h)
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.	Complied Refer-PART-B(b)
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	Complied Refer-PART-B(b)
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.	Complied Refer-PART-B(d)
m	Internal Auditor will identify major areas of ULBs own revenue loss and auditor will access the loss and Prepare a statement of loss.	Complied Refer-PART-A(a)
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.	Complied Refer-PART-B(f) & (g)
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

Thanking You,

For Vinod Singhal & Co. LLP

(Chartered Accountants)

FRN: 005826C/C400276



CA Krishan Kumar Sodhani

Partner

M. No : 404603

VIN :- 20904603 AAAAHJ2912

DATE : 22-12-2020

**Management Comments**

**1. INTRODUCTION**

<b>Name of the Municipality</b>	Bihar Sharif Nagar Nigam
<b>Period covered under current audit</b>	01.04.2018 to 31.03.2019
<b>Name of Commissioner for the period under Audit</b>	Mr. Saurabh Jorval

Sl. No	Audit Observations	Auditor Recommendations	Management Comment
	Non Compliance of AG Report for the F.Y. 2014-2016	During audit we observed that the compliance of C & AG report for the F.Y. 2014-2016 has not been done by ulb. Further due to lack of co-operation we were also unable to help them in complying with C & AG audit report. We requested to management to nominate someone to comply 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>	All concern person are directed to comply the same. We will submit the same till Next Audit.
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 -1 shall maintain its Books of Account using the double entry system". Since Bihar Sharif nagar nigam is Covered under Schedule -1, therefore they should have to maintain their accounts on double entry accounting system in compliance of such rule. We found the detail that double accounting system is implemented at Bihar Sharif 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, Then 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 2018-19.</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>



5	<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>Many of taxes as reported here are not applicable on us. Further we insure you that we will collect all applicable taxes as soon as possible.</p>
6	<p>Late-Deposit of tax collection of taxes with cashier and with bank as per provision of BMA rule-22</p>	<p>As per Bihar Municipal Act, 2007 &amp; 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. 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</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	Non-Collection of notice fees	<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 therefor, but in case of Bihar Sharif nagar nigam, 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></p>	<p>From now onwards we will implement the same.</p>
8	Non-recovery of outstanding taxes	<p>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 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></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	Non-providing details regarding arrear of advertisement tax, mobile tower tax, rental income	<p>ULB should prepare proper records for arrear amount and should take proper steps to collect arrears.</p>	<p><i>Detail will provided on next Audit</i></p>
10	Non deposit of outstanding amount of electricity bill	<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 BAMR - 2014	ULB should ensure preparation of Annual Financial Statement as per the provision of Rule 122 of BAMR - 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.



15	<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. 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>
16	<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>
17	<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>
18	<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	<p>Non-Compliance of Act &amp; Rules</p>	<p>Refer point of Part-B (d) of audit report for status of non-compliance of Act &amp; Rules. <i>ULB should ensure compliance of all applicable Act &amp; Rules.</i></p>	<p>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.</p>
20	<p><b>Lack of internal control measures</b></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> </ol>	<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: <i>We suggest that:</i></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 statutory compliances. In case failure to comply with statutory compliances he should also be penalised.</li> </ol> <p><i>Therefore, the management has to take serious effort in implementation of Internal control Mechanism for getting a better result from ULB working.</i></p>	<p>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.</p>
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> </ul> <p>Non providing details regarding VAT/PF/Royalty/Labour Cess</p>	<p>As ULB is not proper in statutory compliance, that cause monetary/non-monetary implication on ULB in mode of interest, penalty and Late Fee &amp; imprisonment. So, management should ensure statutory compliance on time.</p>	<p>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.</p>



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>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>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>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>

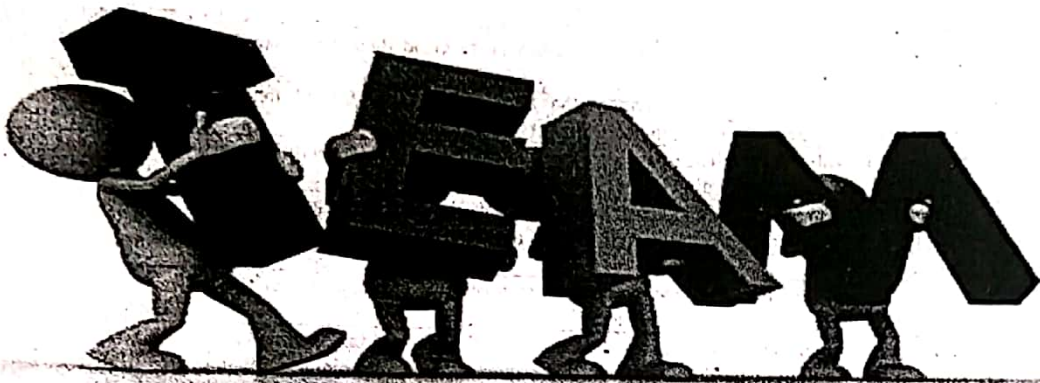


25	Non providing details of Advances, their adjustment & Recovery	To ensure timely recovery of advance with interest proper calculation should be there with proper recovery plan.	
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*[Signature]*  
2-8-2020



thank you



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

510, SUMATI PALANCE, OPPOSITE ALANKAR  
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