

Internal Audit Report

of

ULB: Nagar Panchayat Bairgania

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

Internal Audit Conducted by:

GKSureka & Co.
Chartered Accountants
Flat No:104, Baidyanath Palace, Jagdeo Path More,
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From 15-09-2019 to 05-10-2019

Report Issued on: 13-10-2019

Executive Summary

1. Introduction

Name of the Municipality	Nagar Panchayat Bairgania.
Period Covered under Current Audit	01.04.2018 to 31.03.2019
Name of the Chief Municipal Officer for the period under Audit	Executive Officer Mr. Shashi Bhushan Mishra

2. Results and Findings

<p>Strength observed during the audit engagement</p>	<ul style="list-style-type: none"> ➤ General Cash Book & Subsidiary Cash Book has been written. ➤ All municipal transactions shall be identified with funds in accordance with rule 5, and separate accounting records have been maintained for each fund. ➤ Office infrastructure is sufficient for operation. ➤ Files are maintained. ➤ Expense records are maintained by Nagar Panchayat. ➤ Quarterly TDS Return has been filed on timely basis. ➤ TDS on Permanent staffs' salary has been deducted.
<p>Weakness observed in the functioning of office, maintenance of records etc. observed during the audit engagement. <i>The comments under these two categories should summarize each significant Audit observation in the order of materiality. The summary should be as brief as possible and draw on the observations under the Para on Consequence/ Effect/ impact of each Audit observation. It should also include a summation of outstanding statutory and internal audit observations.</i></p>	<ul style="list-style-type: none"> ➤ Municipality has not been maintaining its books of accounts using double accounting system of book keeping following accrual system of accounting principles guided by the Bihar Municipal Accounting Manual. ➤ The property tax register has not been provided to us to ascertain the Total Demand and Arrear at the end of audit period. ➤ Taxes and other revenue collections from internal sources are not deposited in bank on same day. ➤ Nagar Panchayat is not maintaining the demand register for various types of Taxes to be collected from the revenue resources i.e. Holding Tax, Tower Tax, Advertisement Tax, etc. ➤ Assessment of Property Tax, tower tax and other revenue resources has not been conducting on regular intervals. ➤ Advertisement tax has not been collected by Nagar Panchayat. ➤ In 2 instances, we observed that accountant has made clerical mistakes that resulted into mismatch of balances of books of A/c (i.e, in Kabir antyeshti and old age pension fund). ➤ TDS has not been deducted on payment of 4% commission to tax collector.



- Bank Reconciliation Statement has not been prepared.
- Receipt and payment & Trial Balance has not been prepared.
- We observed several Non compliance of Acts & rules by the Nagar Panchayat (for example, Departmental construction work has been done by J.E who is **not a regular employee**).
- Fixed Asset Register and other various register has not been prepared by Nagar Panchayat.
- Utilisation certificate has not been submitted to department on timely basis and Utilisation Details has not been updated on regular basis.
- Inventory/Store Register is not updated.
- Nagar Panchayat has not collected licensing fees for Hotel, Factory, Clinic, Professional such as Surveyors, Restaurant, Cinema, etc.
- Nagar Panchayat is not in practice to collect **M & N** Form from contractor for construction work.
- Cash of Rs. 47376.98 is shown in general ledger as on 31.03.2019.
- Nagar Panchayat has refunded security deposit money under scheme no- 06/16-17 of nali gali yojna only after six months instead of after three years.
- **Nagar panchayat is not in practice to maintain voucher number on cash book.**
- **Nagar panchayat is not in practice to deduct TCS from collection of settlement.**
- **Nagar panchayat is not in practice to collect Labour cess (1%) against constructed buildings in the area of Nagar panchayat, Bairgania.**



3. Opinion

Overall opinion of the Audit team about the functioning of the Municipality

The functioning of the Municipality is very weak due to following reasons:

- Internal Control w.r.t. collection of taxes, monitoring of grant, monitoring of schemes etc. is very poor.
- Collection from own sources is very poor.
- Grant received for various purposes are not utilized on timely basis.
- Manpower of Nagar Panchayat is not adequate and staffs of accounts section is not eligible .
- Overall monitoring of collection from own sources is very poor.
- ULB should have to collect and deposit Labour cess amount in related Govt. Head.

4. Audit Recommendations

The recommendations of Audit team on the observed weakness

We recommend the followings:

- Books of Accounts need to be maintained on double entry accounting system.
- All the prescribed books of accounts and Registers should be prepared on real time basis.
- Bank Reconciliation Statement should be prepared by the cashier on monthly basis.
- Collection of taxes by tax collector should be deposited on daily basis.
- Assessment of property should be conducted on regular intervals.
- Daily Collection Register of all the wards should be prepared on daily basis.
- Property tax register should be prepared as per new assessment.
- Collection from own sources should be improved.
- Collection of Tower Tax should be initiated.
- Receipt and payment should be prepared on monthly basis.




5. Comments from Management


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

We thank Mr. Shashi Bhushan Mishra (Executive Officer) and Mr. Sonu kumar sah (Accountant) for their support during the period of our audit. We are also thankful to Tax Daroga Mr. Janak Giri and support staffs of the municipality for their cooperation extended to us during the period of our audit.

For G. K. Sureka & Co.
Chartered Accountants
FRN.-513018C

(CA  Kumar Sureka)
Partner
M.N.-091380



Place:
Date:

UDIN: 20091380AAAA DM5142
Date: 24-06-2020

Detailed Audit Report

1. Introduction

The Internal audit of Nagar Panchayat Bairgania covering period from 1st April 2018 to 31st March, 2019 was conducted by our audit team under guidance of CA. Gokul Kumar Sureka, Partner, M/s G.K. Sureka & Co., (Chartered Accountants).

- i. CA Anoop Kumar Singh
- ii. Mr. Lalan kumar
- iii. Mr. Avinash kumar

2. Administration

The present body of the ULB has taken charge on 01-08-2019. The incumbency in the key administrative and executive position was as under:

- i. Chairman : Veena Devi, from 01.08.2019 to till date,
- ii. Vice-Chairman : Ganesh choudhary, from 01-08-2019 to till date.
- iii. Executive officer : Mr. Shashi Bhushan Mishra, from 01-07-2018 to till date.



3. Review of outstanding audit paras : Status of Audit Observations are as under:

Sl. No.	Particulars of Audit and date of report	Total No. of Audit Paras.	Total No. of audit paras where necessary improvement/ corrective measure is required	Total No. of audit paras where recovery cash proposed	Total No. of paras of where recovery has been made	Total amount of Recovery	Total No. of outstanding paras where no action has been taken	No. & date of Compliance report
1.	AG Report: 287/16-17 Dated- 11.11.2016	13	7	5	-	-	13	Not Complied
2.	Compliance of Internal Audit report FY 2017-18 not provided to us for verification.							

The Major observations of AG audit report are as under:

1. Short deposit of Holding tax by Rs. 4.64 lakhs.
2. Short Deduction of VAT amounted Rs. 9.63 lakhs.
3. Non collection of settlement amount Rs. 7.51 lakhs from parties.
4. Revenue loss from settlement by Rs. 2.37 lakhs due to negligence.
5. Non collection of Health cess amounted Rs. 1.11 lakhs.
6. Not deposit of education cess in govt. a/c of Rs. 59783.00.
7. Non collection of Mobile tower tax of Rs. 5.464 lakhs.
8. Non deduction of TDS of Income tax (2%) of Rs. 53283.00 from payment to NGO.
9. Non collection of Labour cess Rs. 259498.00 and income tax Rs. 62279.00.
10. Unadjusted advance of Rs. 50.38 lakhs.



I. Finance

I. Budgetary provisions and expenditure for the last three years

Year	2016-17	2017-18	2018-19
Final/ Revised Budget	N.A	381936384.10	489499942.20
Actual Expenditure	N.A	87706583.97	129671807.50
Savings (+)/ Excess (-)	N.A	294229800.13	359828134.70

II. Volume of transactions

Period	Budgeted 2018-19	Previous year (For One year) 2017-18	Corresponding period of 2016-17	Current Period 2018-19	Cumulative for the current period
Opening Balance	109418760.59	128872650.28	N.A	109197554.31	109197554.31
Receipts	474557612.00	68031488.00	N.A	170369421.28*	170369421.28*
TOTAL	583976372.59	196904138.28	N.A	279566975.59	279566975.59
Net Expenditure	489499942.20	87706583.97	N.A	129671807.50	129671807.50
Closing Balance	94476430.39	109197554.31	N.A	149895168.09	149895168.09

***Following added in the receipts:**

- a) Rs. 27934.00 of CM VC Salary was not taken in cash book during 2017-18. So, now it has taken in receipt of 2018-19.
- b) Rs. 0.28 diff. due to round off in 2017-18 and now it has corrected as on 01.04.2018.

Note : The figure of Receipts & Payments for the f/y 2016-17 not provided to us.

II. Bank Reconciliation

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

- Bank Reconciliation statement has not been prepared on monthly basis by Nagar Panchayat. Details of Cash book and Bank book given below as on 31st March 2019:

S.No.	Particulars	Balance as per Cash Book	Balance as per Passbook	Remarks
1.	STATE BANK OF INDIA-3079	--	80824.27	
2.	STATE BANK OF INDIA-5912	--	918317.20	
3.	STATE BANK OF INDIA-5652	--	39631.56	
4.	STATE BANK OF INDIA-4996	--	337713.50	

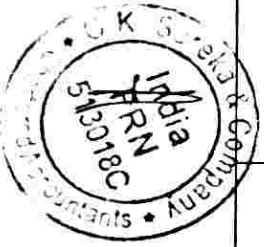


5.	STATE BANK OF INDIA-5526	--	190997.00	
6.	BANK OF BARODA-2113	--	60607.30	
7.	BANK OF BARODA-4178	--	1294712.00	
8.	BANK OF BARODA-0175	--	1063793.00	
9.	BANK OF BARODA-3885	--	9813274.00	
10.	ALLAHABAD BANK-4986	--	6151044.00	
11.	ALLAHABAD BANK-2134	--	273321.00	
12.	GRAMIN BANK-2270	--	12133.00	
13.	TREASURY PLA-0019	--	122053439.28	
14.	Unidentified (Balance as per Accountant cash book)	149895168.09		
	Total Balance	149895168.09	142289807.11	
	Difference		7605360.98	

➤ Difference of Rs. 7605360.98/- is still unidentified, Since BRS is not being prepared by the concerned staff.



S. No.	Details (as per books of A/c)	2017-18		2018-19		2019-20		2019-20	
		2017-18	2016-17	2018-19	2017-18	2019-20	2018-19		
	Total Receipts (A+B)	68031488.00	Not Available	170369421.28	68031488.00	Not Applicable	170369421.28		
A	Revenue Receipts (1+2+3)	12377215.00	--do--	96372429.28	12377215.00	--do--	96372429.28		
1	Own Revenue Receipts (a+b)	5759373.00	--do--	2228183.00	5759373.00	--do--	2228183.00		
a)	Tax Revenue (levied and collected by municipal body)	2445201.00	--do--	1358094.00	2445201.00	--do--	1358094.00		
i)	Property Tax	2445201.00	--do--	1350094.00	2445201.00	--do--	1350094.00		
ii)	Other Tax (levied and collected by municipal body)	--	--do--	8000.00	--	--do--	8000.00		
b)	Non-Tax Revenue (levied and collected by municipal body)	3314172.00	--do--	870089.00	3314172.00	--do--	870089.00		
i)	Fees & Fines	--	--do--	870089.00	--	--do--	870089.00		
ii)	User Charges	--	--do--	--	--	--do--	--		
iii)	Other non-tax revenue (levied and collected by municipal body)	3314172.00	--do--	--	3314172.00	--do--	--		
2	Other Revenue Receipts	964914.00	--do--	10517601.00	964914.00	--do--	10517601.00		
a)	Income from interest/investments	184602.00	--do--	1840963.00	184602.00	--do--	1840963.00		
b)	Other Revenue Income	780312.00	--do--	8676638.00	780312.00	--do--	8676638.00		
3	Transfers/ Grants/ Assigned Revenues	5652928.00	--do--	83626645.28	5652928.00	--do--	83626645.28		
a)	State Assigned Revenue	0	--do--	1859234.00	0	--do--	1859234.00		
	Professional Tax	--	--do--	5894458.00	--	--do--	5894458.00		
b)	State Finance Commission (SFC) Grants/Devolutions	--	--do--	700000.00	--	--do--	700000.00		
c)	Octroi Compensation	--	--do--	--	--	--do--	--		
d)	Other State Govt transfer (Building grant)	5652928.00	--do--	--	5652928.00	--do--	--		
e)	Central finance commission grant (HFA)	--	--do--	74960000.00	--	--do--	74960000.00		
f)	Other Central Govt transfer (NULM)	--	--do--	185019.00	--	--do--	185019.00		
g)	Others	0	--do--	27934.28	0	--do--	27934.28		
B	Capital Receipts	55654273.00	--do--	73996992.00	55654273.00	--do--	73996992.00		
1	Sale of Municipal Land	--	--do--	--	--	--do--	--		
2	Loans (from State Govt. or Banks etc.)	--	--do--	--	--	--do--	--		
3	State Capital Account Grant (under Central Schemes etc.)	37643947.00	--do--	54310850.00	37643947.00	--do--	54310850.00		
4	Central Capital Account Grant (under Central Schemes etc.)	18010326.00	--do--	19686142.00	18010326.00	--do--	19686142.00		
5	Other Capital Receipts	--	--do--	--	--	--do--	--		



Expenditure Details (Amounts to Be provided in Rupees)

S. No.	Details (as per books of A/c)	2017-18		2018-19		2019-20	
		2017-18	2016-17	2018-19	2017-18	2019-20	2018-19
	Total Expenditure (A+B)	87706583.97	Not Available	129671807.50	87706583.97	Not Applicable	129671807.50
1	Revenue Expenditure	32497732.97	--do--	97622774.50	32497732.97	--do--	97622774.50
1.1	Administrative Expenses, Establishment and Salaries (All Departments- Regular and Contractual Staff)	9262753.00	--do--	4083596.00	9262753.00	--do--	4083596.00
1.2	Operation and Maintenance (O&M)	11708686.00	--do--	15330085.00	11708686.00	--do--	15330085.00
1.3	Loan Repayment (Interest payments)		--do--			--do--	
1.4	Others (any other revenue expenditure which is not salaries O&M or Interest Payment)	11526293.97	--do--	78209093.50	11526293.97	--do--	78209093.50
2	Capital Expenditure	55208851.00	--do--	32049033.00	55208851.00	--do--	32049033.00
2.1	All developmental works under Central/ State specific schemes	38873073.00	--do--	31131899.00	38873073.00	--do--	31131899.00
2.2	Loan Repayment (Principal payment)		--do--			--do--	
2.2	Other Capital Expenditure	16335778.00	--do--	917134.00	16335778.00	--do--	917134.00



VI. Status of Implementation of Double Entry Accounting System

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

- Nagar Panchayat has not maintained its books of account on accrual basis.
- Status of Double Entry Accounting System: Nagar Panchayat has maintained its double entry accounting system upto 2015-16 but after that period, it has stopped till date.

VII. Status of Municipal Accounts Committee; if meeting held

As per Section 98 of Bihar Municipal Act, 2007, it is necessary for the Municipality to constitute a Municipal Accounts Committee at its first meeting in each year or as soon as may be at any meeting subsequent thereto.

- Municipal Accounts Committee has not been constituted by the N.P Bairganiya in 2018-19.

Recommendation:

We recommend to the Nagar Panchayat to Constitute "Municipal Accounts Committee" and to conduct the meetings on regular intervals for fairly implementation of applicable regulations.



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 fees etc.**

Audit Objective:

Report and quantify all major own revenue losses and opportunities lost or missed including in the area of Property Tax, Mobile Transmission Towers Tax, Rental of Municipal properties, Advertisement Taxes/Fees, Sairat etc;

- i. **Property Tax and other revenue receipts are not deposited by tax collectors to the cashier by 4:30 PM on the same Day.**

Criteria:

Collections should be deposited in to bank on the same day. (Rule-27)
All moneys to be brought to account. (Rule 22)

As per Chapter XV of Bihar Municipal Act, 2007 Municipality shall have power to collect licensing fees for Hotel, Factory, Clinic, Professional such as Surveyors, Restaurant, Cinema, etc.

Condition:

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

1. Reconciliation of property tax collection by tax collector and amount deposited into bank is not available.
2. Following are the details where there is a gap in collection of tax and Deposit of Tax by Cashier :

Total collection	Total Deposit	O/s Balance as on 31.03.2019
1407381	1350094	57287

Consequence/Effect/Impact:

As per Rule 27 of BMAR it should be deposited on daily basis otherwise a penalty up to Rs. 5000/- may be imposed for delayed deposit.

Cause:

Non-compliance of BMAR by tax collectors and failure to remit collections to cashier by 4:30 PM on same day.



Corrective Action/ Recommendation:

Tax collectors are needs to follows the BMAR and remit the collections to cashier by 4:30 PM on same day.

ii. Irregularities in Mobile Tower Collection

Criteria:

Registration Fees per tower @ Rs. 30,000/- and annual renewal fees @ Rs.8,000/- per annum to be collected. If more than 1 antenna is placed on the tower then an extra registration and renewal fees @ 60% per annum will be collected. Moreover a late fine at 1.5% would be imposed in case of delay in collection after first month of the financial year. Further after every 5 years renewal fees has to be increased by 25%.

Further as per Rule 6(9) of Bihar Communication Towers and Related Structures Rules 2012, in case arrears of registration fees and/or renewal fees for any tower, the municipality reserve the right to seal the tower until the payment is received in full along with accrued interest.

Condition

Tower tax (Registration and Renewal Fees) is not being collected by Nagar Panchayat. Further it has been observed that no efforts is being made for collection of tower tax.

Consequence/Effect/Impact:

Due to non collection and monitoring of Tower tax there is a huge revenue loss to the Nagar Panchayat. Total outstanding balance of Tower tax is Rs.9,12,844/- as on 31st March, 2019. Details are-

S. No.	Name	No. of Tower	Total Due Amount as on 31/3/2019	Total Amount Received	Balance Amount Due
1	Airtel	1	220310	56,000	164310
2	Essar co. ltd.	1	322754	0	322754
3	TATA Docomo	1	190630	0	190630
4	Airtel	1	235150	0	235150
	Total:-		968844	56000	912844

Cause:

This happens due to non-monitoring of the working activities of concerned authorised personnel on regular basis and non-collection of tax by such personnel.

Corrective Action/ Recommendation:

There should be proper records of mobile tower rent demand/ collection/ arrear and proper mechanism for supervision and monitoring of collection. Further as per Rule 6(9) of Bihar Communication Towers and Related Structures Rules 2012, Nagar Panchayat should seal the tower until the payment is received in full along with accrued interest.



Non Collection of Advertisement Tax:

Criteria:

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

Condition

Nagar Panchayat has not collected any advertisement tax in 2018-19.

Consequence/Effect/Impact:

Due to no collection of advertisement tax there is a huge revenue loss to the Nagar Panchayat.

Cause:

This happens due to failure of designated staff and non-monitoring of authorised officials on timely basis.

Corrective Action/ Recommendation:

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

iii. Irregularities in Shop Rent Collection:

Criteria:

Revenues in respect of rents from properties shall be accrued based on terms of agreement. All rent should be collected on due date otherwise it should be collected with penalty and interest.

Condition:

Records of shop rent maintained as per required norms, shop rent is being collected on timely basis.

Consequence/Effect/Impact:

There was no Shop/Stall in Nagar Panchayat Bairgania.

Cause:

N.A

Corrective Action/ Recommendation:

N.A



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

> Following are the cases which have been checked by us for excess payment against bill, lack of prudence in payment against voucher, inefficiency in controls resulting loss to ULBs:

Sl. No.	Scheme No./NIT NO.	Contractor	Royalty deducted	Royalty to be deducted (actual +penalty) due to Non submission of M & N Form	Non Deduction of penalty
1	N.A	ABHISHEK KUMAR	20	40	20
2	03/17-18	ALOK KUMAR	14114	28228	14114
3	13/17-18	ALOK KUMAR	14788	29576	14788
4	11/16-17	AMIT KUMAR	2858	5716	2858
5	06/16-17	VISHAL CHANDRA	1566	3132	1566
6	37/16-17	ALOK KUMAR	5973	11946	5973
7	08/17-18	HABIBULLAH ANSARI	9027	18054	9027
8	01/17-18	AMIT KUMAR PATEL	14316	28632	14316
9	15/16-17	ABHISHEK KUMAR	3255	6510	3255
10	11/16-17	NAND KISHORE MAHTO	11360	22720	11360
11	02/18-19	ALOK KUMAR	8156	16312	8156
12	14/17-18	ANJUBALA	3287	6574	3287
13	12/17-18	ANIL MISHRA	2558	5116	2558
14	15/17-18	MANOJ RAM	2662	5324	2662
15	07/16-17	VISHAL CHANDRA	12046	24092	12046
16	02/17-18	AMIT KUMAR PATEL	7664	15328	7664
17	05/17-18	ALOK KUMAR	7270	14540	7270
18	09/17-18	ALOK KUMAR	8723	17446	8723
19	04/17-18	ALOK KUMAR	9338	18676	9338
20	11/17-18	ALOK KUMAR	11446	22892	11446
21	11/17-18	MATAUDDIN HAIDER	5518	11036	5518
22	01/16-17	SHYAMANAND SINGH	7102	14204	7102
23	06/17-18	ALOK KUMAR	10223	20446	10223
24	01/17-18	AMIT KUMAR PATEL	3180	6360	3180
25	01/17-18	MITHLESH YADAV	4528	9056	4528
26	01/17-18	SUDHIR KUMAR	5091	10182	5091
27	01/17-18	MANOJ KUMAR	7461	14922	7461
28	01/17-18	RAJESH KUMAR	12958	25916	12958
29	04/17-18	ALOK KUMAR	10239	20478	10239
30	12/18-19	ALOK KUMAR	12472	24944	12472
31	05/18-19	ALOK KUMAR	8744	17488	8744
32	08/17-18	ALOK KUMAR	14964	29928	14964



33	01/17-18	MANSOOR AKHTAR	10777	21554	10777
34	01/17-18	RAJEEV KUMAR	8564	17128	8564
35	11/18-19	ALOK KUMAR	7913	15826	7913
36	09/18-19	ALOK KUMAR	13058	26116	13058
37	03/18-19	ALOK KUMAR	8625	17250	8625
38	04/18-19	ALOK KUMAR	8246	16492	8246
39	14/18-19	ALOK KUMAR	10216	20432	10216
40	16/18-19	ALOK KUMAR	14926	29852	14926
41	10/17-18	ALOK KUMAR	10064	20128	10064
42	01/17-18	BAIJU RAM	5558	11116	5558
43	11/16-17	AMIT KUMAR PATEL	1069	2138	1069
44	11/16-17	VISHAL CHANDRA	10231	20462	10231
45	12/17-18	ALOK KUMAR	14738	29476	14738
46	08/18-19	ALOK KUMAR	10182	20364	10182
47	10/18-19	ALOK KUMAR	9950	19900	9950
48	15/18-19	ALOK KUMAR	11145	22290	11145
			11360	22720	11360
		Total	419529	839058	419529

So, there is a total loss of Rs.419529.00 to Nagar panchayat, Bairgania.

- In the audit period, a sum of Rs. 565996.00 paid to Shiv Shankar Rai for Sanitation work under 5th finance through cheque no.- A244583 dated 30.05.2018. Bill/Vouchers have not been provided to us for verification.



REPORT ON FIELD SURVEY OF 20 HIGH VALUE PROPERTIES OF N.P. Bairganja

SL.NO	NAME	FATHER'S NAMES	WARD NO.	TYPE OF CONSTR UCTION	TYPE OF USES	TYPE OF ROAD	CARPE T AREA	ANNUAL VALUE	ANNUAL TAX	REMARKS OF AUDITOR
1.	DHIRAJ KUMAR	--	12	R.C.C	MARRIAGE HALL	MAIN ROAD	2002	64064	6410	No Variance
2.	SURVESH KUMAR	CHANDRASHEKHAR GUPTA	12	R.C.C	RECIDENTIAL	MAIN ROAD	910	29120	2920	--Do--
3.	UDAYCHANDRA BHANU	JAGANNATH SAH	12	R.C.C	RECIDENTIAL	MAIN ROAD	1365	43680	4370	--Do--
4.	VAIDNATH SAH	--	12	R.C.C	RECIDENTIAL	MAIN ROAD	960	19968	2000	--Do--
5.	RAMCHHABILA PRASAD	--	12	R.C.C	RECIDENTIAL	MAIN ROAD	1492	47744	4750	--Do--
6.	AASHA GUPTA	VISHAWPRASAD GUPTA	12	R.C.C	RECIDENTIAL	MAIN ROAD	1378	44096	4410	--Do--
7.	BHADAI CHAUDHARI		12	R.C.C	RECIDENTIAL	MAIN ROAD	1300	41600	4160	--Do--
8.	KRISHNA PRASAD	ACHITRAM CHAUDHARI	12	R.C.C	RECIDENTIAL	MAIN ROAD	702	22464	2250	--Do--
9.	RAMBABU CHAUDHARI		12	R.C.C	RECIDENTIAL	MAIN ROAD	702	22464	2250	--Do--
10.	RAM JI RAJGARJYA	BHAGWAN DAS RAJGARJYA	12	R.C.C	RECIDENTIAL	MAIN ROAD	1690	52224	5230	--Do--
11.	MOHAN PRASAD	PANNALAL SAH	12	R.C.C	RECIDENTIAL	MAIN ROAD	2210	70720	7080	--Do--
12.	RAMESH PRASAD	NARAYAN PRASAD	12	R.C.C	RECIDENTIAL	MAIN ROAD	650	20800	2080	--Do--
13.	MAHESH KUMAR	MADHUSUDAN PRASAD	12	A.S.B.	RECIDENTIAL	MAIN ROAD	364			--Do--
14.	PAWAN TIBDEWAL	OMPRAKASH TIBDEWAL	12	R.C.C	RECIDENTIAL	MAIN ROAD	634	20288	2030	--Do--
15.	JAGANNATH PRASAD	SITARAM PRASAD	12	R.C.C	RECIDENTIAL	MAIN ROAD	1056	33792	3380	--Do--
16.	RAJESH KUMAR SONI	VAIDHNATH PRASAD	12	R.C.C	RECIDENTIAL	MAIN ROAD	1300	41600	4160	--Do--
17.	GOPAL PRASAD		12	R.C.C	RECIDENTIAL	MAIN ROAD	1820	58240	5830	--Do--
18.	GOPAL TIDEWAL	RAMKISHUN PRASAD	12	R.C.C	RECIDENTIAL	MAIN ROAD	1560	49920	5000	--Do--
19.	SHYAM SUNDAR PRASAD	LT. JESUK RAM	12	R.C.C	RECIDENTIAL	MAIN ROAD	1430	45760	4580	--Do--
20.	RAJESH KUMAR SONI	VAIDHNATH PRASAD	12	R.C.C	RECIDENTIAL	MAIN ROAD	1144	36608	3660	--Do--

Note: We have not observed any variances in data of above properties provided by the ULB



II. PART-B

All audit objections/ irregularities which have no monetary implication, but significant violation of Act, Rules & directives of UD & HD. Mention the reference Act & Rules wherein remedial measures is required. In this part auditor should report in respect of –

a. Non- maintenance of books of accounts , subsidiary registers

S.No.	Particulars	Status
1.	Security Money register	
2.	Payroll Register	Not Maintained
3.	Demand and Collection Register	Not properly maintained
4.	Assessment Register	Not Provided
5.	Fixed Asset and Inventory Register	Not Provided
6.	Advertisement tax register	Not maintained
7.	Procurement Register	Not maintained
8.	Holding Tax Register	Not Maintained
9.	Holding Demand Register	Not Maintained

Corrective Action/ Recommendation:

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

b. Irregularity in procurement process

- During our test check, we have not found any irregularity in procurement process.
- Nagar Panchayat is not in Practice to mention voucher number on each and every voucher which has been passed by authorized signatory.

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

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

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

Recommendation:

We recommend to the Nagar Panchayat to Prepare and update the required books and registers

d. Non Compliance of Act & Rules

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



- i. Property tax on lands and buildings.
- ii. Surcharge on transfer of lands and buildings,
- iii. Tax on deficit in parking spaces in any non-residential building,
- iv. Water tax,
- v. Fire tax,
- vi. Tax on advertisements, other than advertisements published in newspapers,
- vii. Surcharge on entertainment tax
- viii. Surcharge on electricity consumption within the municipal area,
- ix. Tax on congregations,
- x. Tax on pilgrims and tourists, and
- xi. Toll -
 - a) on roads, bridges, ferries and navigable channel and
 - b) on heavy trucks which shall be heavy goods vehicles, and buses, which shall be heavy passenger motor vehicles, within the meaning of the Motor Vehicles Act, 1988, plying on a public street.
- xii. Tax on profession

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

➤ Following rules of BMAR are also not complied by the Nagar Panchayat:

- a) Rule 22: All moneys to be brought to account
- b) Rule: 27: Collections to be deposited into Bank on the same day
- c) Rule 69: Grant Related Compliance
- d) Rule 120-121: Monthly Receipt & Payment Account and Trial Balance

➤ As per section 129 of Bihar Municipal Act, 2007; The Municipality shall have the power to levy fees and fines in exercise of the regulatory powers vested in it by or under this Act or the rules or the regulations made hereunder for-

- (a) Sanction of building plans and issue of completion certificates,
- (b) Issue of municipal licenses for various non-residential uses of lands and buildings,
- (c) Licensing of-
 - (i) Various categories of professionals such as plumbers and surveyors,
 - (ii) Various activities such as sinking of tube-wells, sale of meat, fish or poultry, or hawking of articles,



- (iii) Sites used for advertisements or premises used for private markets, slaughter houses, hospitals, nursing homes, clinics, factories, warehouses, godowns, goods transport depots, eating-houses, lodging- houses, hotels, theatres, cinema- houses and places of public amusement and for other non residential uses,
 - (iv) Animals,
 - (v) Carts or carriages, and
 - (vi) Such other activities as require a license or permission under the provisions of this Act
- (d) Issue of birth and death certificates.

We observed that only fees for death and birth certificates have been collected during the year fees and fines have not been collected.

Suggestions/ Recommendation:

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

e. Lack of internal Control measures

- 1) There is lack of internal control w.r.t collection of taxes.
- 2) Tax demand register includes demand of each property has not been provided for verification, in such a situation we cannot ascertain the actual tax demanded/dues which can be recovered from a single tax payer.
- 3) Taxes collected by tax collector are not deposited on daily basis we observed that it is being deposited after significant interval which is not proper. As per Rule 27 of BMAR it should be deposited on daily basis otherwise a penalty up to Rs. 5000/- per day may be imposed for delayed deposit.
- 4) Online collection of Holding tax has not been done by ULB.
- 5) Due to collection of revenue on old rates there is significant loss the N.P. Quantification of loss is not possible at this point of time.
- 6) Advertisement Tax is not being collected by the N.P as a result there is a loss to the N.P of advertisement tax amount.
- 7) Tower tax dues are not collected on time basis.

Recommendation:

We recommend to the Nagar Panchayat to comply with the above mentioned internal controls weakness for fair presentation of financial position.



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

- The municipality is not regular in deduction of Income Tax.

Nagar panchayat has not been deducted TDS on making payment of commission to Tax Collector. As per section 194H of Income Tax Act 1961, TDS on Commission/Brokerage is required to be deducted by the person making payment by way of commission or brokerage @ 5%.

In the audit period, we observed that some statutory deductions made by ULB in the F.Y 2018-19 were not deposited in the respected Govt. head. Details are as follows:

Sl. No.	Fund	Deduction	Deposit	O/s Balance
1	Income tax			
2	VAT	427307	401153	26154
3	GST	3057	0	3057
4	Royalty	643524	431030	212494
5	Labour cess	419529	420053	-524
	Total	303630	0	303630
		1797047	1252236	544811

Action/Suggestion

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

g. Deficiency in Pay-roll System

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

Action/Suggestion

Nagar Panchayat should maintain attendance register as per required norms and should contain leave details of each employee on record.

h. Utilization of Grant and report on missing Utilization Certificates

- Grant Register is being properly prepared and all the grants were utilized for the purposes they are allotted.
- Utilisation certificate relating to following grants, which have been received in FY 2018-19, has not been submitted till date. Details are as under

Sl. No.	DATE	SANCTION LETTER / DATED	BILL NO.	AMOUNTS	FUND	Remarks (UC Status)
1	29.05.2018	07/22.05.2018	01/18-19	7,00,000.00	E.O SALARY	Not Submitted
2	25.07.2018	141/09.05.2018	02/18-19	58,94,458.00	STAMP DUTY	--do--
3	14.08.2018	15/03.07.2018	03/18-19	83,03,442.00	5TH FINANCE	--do--
4	14.08.2018	15/03.07.2018	04/18-19	83,03,442.00	5TH FINANCE	--do--
5	14.08.2018	22/10.07.2018	05/18-19	3,50,345.00	NALI GALI YOJNA	--do--



			Manager	Team Leader		
6	14.08.2018	22/10.07.2018				
7	14.08.2018	22/10.07.2018	06/18-19			
8	23.03.2019	21/10.07.2018	07/18-19	55,24,660.00	NALI GALI YOJNA	--do--
9	23.03.2019	21/10.07.2018	08/18-19	59,96,261.00	NALI GALI YOJNA	--do--
10	23.03.2019	77/24.10.2018	09/18-19	84,91,894.00	NALI GALI YOJNA	--do--
11	23.03.2019	31/31.10.2018	10/18-19	84,91,894.00	NALI GALI YOJNA	--do--
12	23.03.2019	32/31.10.2018	11/18-19	18,59,234.00	PROFESSIONAL TAX	--do--
13	23.03.2019	32/31.10.2018	12/18-19	51,03,000.00	CIVIC AMENITIES	--do--
14	23.03.2019	75/20.01.2019	13/18-19	49,39,306.00	14TH FINANCE	--do--
15	23.03.2019	75/20.01.2019	14/18-19	49,39,307.00	14TH FINANCE	--do--
16	23.03.2019	99/20.01.2019	15/18-19	49,03,764.00	14TH FINANCE	--do--
			16/18-19	49,03,765.00	14TH FINANCE	--do--
		Total		37,45,912.00	NALI GALI YOJNA	--do--
				8,24,50,684.00		

Action/Suggestion

Nagar Panchayat should prepare utilization certificate on time.

i. Physical verification of inventory/Stores

Store Register is not updated and physical verification of inventory/stores has also not been done during the period of audit.

Recommendation:

We recommend to the Nagar Panchayat to prepare the store/inventory register.

j. Advances, their adjustment & recovery

Advance Payment

Criteria:

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

Condition:

- **Nagar Panchayat has given advance under old age pension security fund to staffs for distribution among beneficiaries amounted Rs. 7450000.00 but the same advance is not adjusted in Advance Register and in books of account.**

Action/Suggestions

Nagar Panchayat Should maintain Advance register on regular basis along with voucher of Payment.

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

Eligible Staff strength of accounts department needs to be increased.



III. PART- C

Statement given above is true and fair as to the best of my knowledge.

Receiver's Signature

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

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

Chapter-IX:

Financial Management of Municipalities

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

Chapter-X: Application of Municipal Fund

Records for Power to incur expenditure within specified limits of the Municipality has not been provided to us.
The state fund grants received during the year were specifically mentioned the purpose of their utilisation, the funds received as grant during the year were utilised for various purposes.

Chapter-XI: Budget Estimates

In the Audit period, we observed some irregularities in Budget Estimate 2018-19 :

- a) Budget Estimates has been prepared without Service Level Benchmarking.
- b) Outcome Details not attached in Budget 2018-19.
- c) Establishment Details not prepared.
- d) Ward wise meeting's proceeding not attached in Budget.

Chapter XII: Accounts and Audit

➤ Guidelines to prepare the monthly Receipt & Payment and Trial Balance Account is not being complied by Nagar Panchayat.

Chapter-XIII: Municipal Property

We were not provided with the Fixed Assets Register for the FY 2018-19 for verification.

Chapter-XIV: Borrowings

No borrowings availed by Nagar Panchayat.



Chapter-XV: Municipal Revenue

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

1. Reconciliation of property tax collection by tax collector and amount deposited into bank is also not available.
2. Tax demand register has not been provided for verification, in such situation we cannot ascertain the actual tax demanded/dues which can be recovered from a single tax payer. This could be a huge loss to Nagar Panchayat.
3. Receipt of Birth/Death certificate fees is not deposited on regular basis and also not reconciled.
4. Daily collection register is not maintained on regular basis, hence it is difficult to assess total amount of tax collected during the year.
5. Tower tax (Registration and Renewal Fees) is not being collected on timely basis.
6. Nagar Panchayat is not collecting any advertisement tax.

Auditor should Report in a separate chapter on implementation of SAS of Property Tax in the ULB; internal auditor should witness some assessment procedures to check any inconsistencies in assessment. At least 20 high value properties in the city /town (irrespective of

- Field survey of 20 high value properties has been conducted by us and our report as annexed in Part-A Point-3 of this report.



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;

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

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

- Till date Double Entry Accounting System is not operational in the Naga Panchayat.
- Internal control for collections of revenue from internal sources is not adequate such as :
 - Demand register is not maintained.
 - All the collections are not deposited in bank account on same day.
 - Monthly Receipt & Payment Account and Trial Balance has not been prepared.
 - Utilization Certificate of Grant received during the FY 2018-19 has not been prepared by the ULB. Details of Grant have been given in Para H c Part B.
 - Audit of accounts is not completed and report has not been submitted within 6 month.

- e) Rule 22: All moneys to be brought to account
- f) Rule: 27: Collections to be deposited into Bank on the same day
- g) Rule 69: Grant Related Compliance
- h) Rule 120-121:



<p>Monthly Receipt & Payment Account and Trial Balance</p> <p>i) Rule 130: Audit to be completed & reported within 6 month</p>	
<p>Report on compliance of financial guidelines of schemes of MOHUA and UD & HD, GoB.</p>	<p>Separate details of schemes of MOHUA (Ministry of Housing and Urban Affairs) and UD&HD (Urban Development and Housing Department) not provided to us for Report on compliance of financial guidelines.</p>
<p>Auditor should Report and quantify all major own revenue losses and opportunities lost or missed including in the area of Property Tax, Mobile Towers Tax, Rental of Municipal properties, Advertisement Taxes/Fees, Sairatetc;</p>	<ul style="list-style-type: none"> ➤ Revenue collection process is not satisfactory; in case of property tax internal control is not adequate. We have observed that Property Tax collected by tax collector were not deposited on the same day or the day after tomorrow but it is being deposited after a week/month. ➤ Tax demand register includes demand of each property has not been provided for verification, in such a situation we cannot ascertain the actual tax demanded/dues which can be recovered from a single tax payer. ➤ Daily Collection register is not maintained on regular basis, hence it is difficult to assess total amount of tax collected during the year. ➤ Due to delay in deposit of property tax amount Nagar Panchayat has suffered the opportunity loss of interest. ➤ Due to non collection and monitoring of Tower tax there is a huge revenue loss to the Nagar Panchayat. Total outstanding balance of Tower tax Rs 9,12,844/- as on 31st March, 2019. ➤ Nagar Panchayat is not collecting any advertisement tax. ➤ Nagar Panchayat is not collecting various Licensing fees specified in Chapter XV such as restaurant, Cinema Hall, Surveyors etc. <p><u>Action/Recommendation</u></p> <ul style="list-style-type: none"> ➤ Nagar Panchayat Should adhere the Chapter XV of Bihar Municipal Act 2007 and levy/collect various taxes, fees & charges.
<p>Auditor should Report on adequacy and appropriateness of the documentation</p>	<p>i) Irregularities in payment of construction of P.C.C Road and Drain :</p> <p>Scheme No. : 12/2018-19</p> <p>Scheme name : Construction of P.C.C Road and Drain in ward no. 09 in the campus of n.p Bairgania.</p> <p>Junior engineer : Alok kumar</p> <p>Fund : Stamp duty</p> <p>Estimated Value : 625200.00</p>



, approvals, compliance of procedures etc. of all payments above Rs.10,000 and above.

Work order no./date : 989/22.10.2018
Duration : 2 months
Date of Payment : 27.12.2018
Total Payment : Rs. 592434.00/-
Cheque No. : A560869

- Quality control Report of the work not attached in file.
- M & N Form for the used materials not submitted.
- Most of the expense vouchers (Board, photography and carriage charges have been passed on hand made bills **instead of invoices.**

ii) Non Deduction of TDS on GST of Rs. 24238.00 :

Supplier: M/s Sana Sara Enterprises
Work : Dustbin supply
NIT No. : 09/16-17
Bill No. : 02/29.07.17
Bill Amount: 1211860.00

In the audit period, it has observed that the ULB has not deducted TDS on GST (2%) i.e Rs. 24238.00 (1211860*2%).

iii) Further it has observed that a sum of Rs. 1132680.00 has been deducted from SBI A/c no.-15912 as on 31.03.2019. But voucher or other supporting for this payment not make available to us.

- **Reply: It is a penalty of income tax which has attached directly through Bank account.**
- **In audit opinion, Income Tax assessment order received from the Income tax Department should be made available for verification otherwise nature of payment should be properly investigated**

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/-

- No irregularities observed on test check basis.
- Register for procurement made by Nagar Panchayat is not maintained however separate file for each procurement maintained.



1. 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.

- Grant Register is being properly prepared and all the grants were utilized for the purposes they are allotted.
- Utilisation certificate relating to following grants, which have been received in FY 2018-19, has not been submitted till date. Details are as under :

Sl. No.	DATE	SANCTION LETTER / DATED	BILL NO.	AMOUNTS	FUND	Remarks (UC Status)
1	29.05.2018	07/22.05.2018	01/18-19	7,00,000.00	E.O SALARY	Not Submitted
2	25.07.2018	141/09.05.2018	02/18-19	58,94,458.00	STAMP DUTY	--do--
3	14.08.2018	15/03.07.2018	03/18-19	83,03,442.00	5TH FINANCE	--do--
4	14.08.2018	15/03.07.2018	04/18-19	83,03,442.00	5TH FINANCE	--do--
5	14.08.2018	22/10.07.2018	05/18-19	3,50,345.00	NALI GALI YOJNA	--do--
6	14.08.2018	22/10.07.2018	06/18-19	55,24,660.00	NALI GALI YOJNA	--do--
7	14.08.2018	22/10.07.2018	07/18-19	59,96,261.00	NALI GALI YOJNA	--do--
8	23.03.2019	21/10.07.2018	08/18-19	84,91,894.00	NALI GALI YOJNA	--do--
9	23.03.2019	21/10.07.2018	09/18-19	84,91,894.00	NALI GALI YOJNA	--do--
10	23.03.2019	77/24.10.2018	10/18-19	18,59,234.00	PROFESSIONAL TAX	--do--
11	23.03.2019	31/31.10.2018	11/18-19	51,03,000.00	CIVIC AMENITIES	--do--
12	23.03.2019	32/31.10.2018	12/18-19	49,39,306.00	14TH FINANCE	--do--
13	23.03.2019	32/31.10.2018	13/18-19	49,39,307.00	14TH FINANCE	--do--
14	23.03.2019	75/20.01.2019	14/18-19	49,03,764.00	14TH FINANCE	--do--
15	23.03.2019	75/20.01.2019	15/18-19	49,03,765.00	14TH FINANCE	--do--
16	23.03.2019	99/20.01.2019	16/18-19	37,45,912.00	NALI GALI YOJNA	--do--
Total				8,24,50,684.00		

1. Auditor should report instances of losses, failures or inefficiencies and recommendati

Instances of losses, failures or inefficiencies

- In case of property tax internal control is not adequate. We have observed that Property Taxes collected by tax collector were not deposited on same day or the day after tomorrow but it is being deposited after a week/month.
- Reconciliation of property tax collection by tax collector and amount deposited into bank is also not available.



ons and/or measures which can be taken to avoid their recurrence in future.

- Holding Tax demand register has not been provided for verification, in such a situation we cannot ascertain the actual tax demanded/dues which can be recovered from a single tax payer. This could be a huge loss to Naga Panchayat.
- Tower tax (Registration and Renewal Fees) is not being collected on time basis as more than Rs. 912844/- is receivable from tower tax. Details are given in Point 1 of Part A.
- Nagar Panchayat is not collecting any advertisement tax.

Recommendations and/or measures which can be taken to avoid their recurrence in future.

Proper monitoring of all transactions and implementation of Bihar Municipal Accounting Manual by authorised persons are recommended. Further Nagar Panchayat requires more efficient and effective man power for implementation of all recommendation.

Internal Auditor will report on each payment, that the payment terms & conditions of tenders and rate offers are according to procurement law and policies.

No irregularities observed on test check basis.

k. Internal Auditor will report on each payment, that the payment terms & conditions of tenders and rate offers are according to procurement law and policies.



l. Auditor will report on that the fixed deposit and other funds should be in nationalized banks/Approved financial institutions and should earn maximum interest at their gestation period.

No such FD.s held by Nagar Panchayat.

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

Sl. No	Area of losses	Amount	Reasons	Suggestions
1	Income tax	1132680	Penalty due to not deposit and not filling return on timely basis	ULB should take initiative to refund penalty
2	Tower tax	912844	Non collection	ULB should take initiatives to collect
3	Holding tax	57287	Short deposit	ULB should deposited in full
	Total	2102811		

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

- > There is lack of internal control on deduction and deposit of various taxes. On deduction of taxes liability is not created hence it is difficult to ascertain tax payable at any point of time. Taxes such as VAT, I.T. Royalty etc are collected from time to time but its payments are made on yearly basis which is not proper. Taxes should be remitted to the Govt. account on timely basis otherwise penal action may be taken by the concerned department for delayed deposit of taxes.
- > As per the EPF Act, 1952, PF money should be deposited within 15 days next month. Nagar panchayat is not in practice to deposit PF on due date as specified in all above cases.



appropriate ledgers.


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.

➤ Details of C & AG Audit report and Internal audit paras has been reported above in para no. 03 in this report.

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

- Manpower of Nagar Panchayat is not adequate and equipped with required knowledge.
- Accounting process of Nagar Panchayat is not adequate.
- Nagar Panchayat has not been maintained a unique number for each voucher whether it is Receipt voucher or Payment voucher.

For G. K. Sureka & Co.
Chartered Accountants
FRN.-513018C


(CA. G. K. Sureka)
Partner



M.N.-091380
UDIN:-20091380AAAADM5142
Date: 24-06-2020

Place:
Date:

Government of Bihar
Nagar Panchayat Bairgania

Discussion Note for Internal Audit observation of FY 2018-19

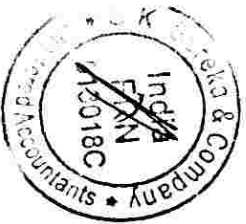
Discussion has been made with the audit manager of the internal audit Firm M/s G.K. Sureka & Co. on the Internal Audit observations of the financial year 2018-19 and we kept in mind and follow their recommendations and suggestions on the areas of process and control weakness in best manner. Some of the serious issues have been given below:

<u>S. No</u>	<u>Audit Observations</u>	<u>Reply of Management</u>
1.	Compliance of AG audit report is still pending, please provide status of complience of AG audit report.	Will be provided soon.
2.	Copy of Internal audit report of FY 2016-17 has not been available to us for verification and to know status of compliance of outstanding audit paras.	Will be provided soon.
3.	Bank Reconciliation statement has not been prepared on regular intervals. i.e. Monthly/Quarterly, Account and Scheme wise Bank reconciliation not prepared and corresponding Book Balance and Pass balance not provided of respective accounts.	Preparation of Bank Reconciliation Statement is in progress. It will be provided as soon as possible.
4.	Implementation of DEAS at ULB for the FY 2018-19.	DEAS team has been appointed by the concerned department. Implementation of DEAS is in progress, and pending for approval.



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5.	Constitution of "Municipal Accounts Committee" is pending yet.	We are working on the constitution of Municipal Accounts Committee.
6.	<p>a. Reconciliation of property tax collection by tax collector and amount deposited into bank is also not available.</p> <p>b. Tax demand register has not been provided for verification, in such a situation we cannot ascertain the actual tax demanded/dues which can be recovered from a single tax payer. This could be a huge loss to ULB.</p> <p>c. Holding Tax collected during the FY 2018-19 had not been deposited in full, we found short deposit of Rs. 57,287/-</p> <p>d. Property Tax should be deposited on daily basis otherwise a penalty up to Rs. 5000/- may be imposed for delayed deposit.</p>	<p>a) Noted for further compliance.</p> <p>b) Noted for further compliance.</p> <p>c) Short deposit of Rs. 57,287/- has been deposited in bank.</p> <p>d) Noted for further compliance.</p>
7.	Tower tax (Registration and Renewal Fees) is not being collected on timely basis as more than Rs. 9,12,844/- is receivable from tower tax.	Notice will be issue to the concerned person, as and when stay order of High Court will be laps/remove.
8.	ULB is not collecting any advertisement tax.	We are working on it.



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cash book.

Noted for further compliance.

10. Non-maintenance of books of accounts , subsidiary registers

S.No.	Particulars	Status
1.	Ledger Book	Not Maintained
2.	Grant Register	Not Maintained
3.	Payroll Register	Not properly maintained
4.	Log Book	Not Provided
5.	Demand and Collection Register	Not Provided
6.	Assessment Register	Not Provided

We are working on the preparation of Subsidiary books and Register, few of them is prepared.

Details as below.

11. ULB is not preparing its books of accounts using the accrual system of accounting.

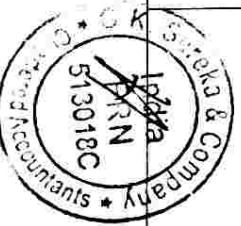
DEAS team has been appointed by the concerned department for this and they are working on this.

12. We observed that only above mentioned tax/Fee has been collected during the year other taxes have not been collected.

We are working on it. Taxes and fines will be charged/ collected as soon as possible.

i.e.

- Surcharge on transfer of lands and buildings,
- Tax on deficit in parking spaces in any non-residential building,
- Water tax,



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- d. Fire tax,
 - e. Tax on advertisements, other than advertisements published in newspapers,
 - f. Surcharge on entertainment tax
 - g. Surcharge on electricity consumption within the municipal area,
 - h. Tax on congregations,
 - i. Tax on pilgrims and tourists, and
 - j. Toll –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, within the meaning of the Motor Vehicles Act, 1988, plying on a public street.
- New Assessment of property tax has not been done since long and holding tax is being collected at old rates.

13. The municipality is not regular in depositing statutory dues including tax deducted at source, service tax, VAT/GST, works contract tax, cess payable to the government etc. We observed that all such taxes deducted during the financial year 2018-19 partly has been deposited and partly has not been deposited.

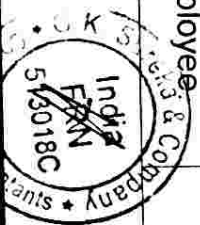
Detail as follows.

Tax Head	Deducted	Deposited	Short Deposit
TDS(Income Tax)	427307	401153	26154
VAT	3057	0	3057
Royalty	419529	420053	(524)
Labour Cess	303630	0	303630
GST	643524	431030	212494
Total			544811

It will be followed from next time. Short Deposit of taxes will be deposited soon.

14. Deficiency in Pay-roll System
1) The pay-roll system does not contain leave details of employee.

We are implementing recommendation which has given by Internal Auditor.



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<p>2) Contribution of permanent employees and employer towards ESI has not being made.</p> <p>3) PF account has not been opened with PF department of all the permanent employees.</p>	
<p>15. Grant Register has not been prepared hence it is difficult to ascertain unutilized grant at any particular time.</p> <p>Total amount of grant whose UC not submitted of Rs. 82450684.00</p> <p>We recommend to the ULB to provide the grant register for assist in preparation of utilization certificate.</p>	<p>Preparation of Grant Register is in progress.</p> <p>Utilization Certificate of respective grant will be prepared and submitted to the concerned department as soon as such grant utilized. Help of Internal Auditor will be taken, if required.</p>
<p>16. Store Register has not been prepared and physical verification of inventory/stores has also not been done.</p>	<p>Store register is prepared but not maintained, we are working on it.</p>
<p>17. Staff strength of accounts department needs to be increased.</p>	<p>Yes, I will place this matter in meeting board/committee.</p>
<p>18. Separate details of schemes of MOHUA (Ministry of Housing and Urban Affairs) and UDD&HD (Urban Development and Housing Department) not provided to us for Report on compliance of financial guidelines.</p>	<p>It will be provided from next time.</p>



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19. Internal control measure has not been consider by concerned ULB for its operation and transaction.	We are working on the recommendations made by the Internal Auditor.
20. List of directive issued by UD&HD, GOB has not been provided to us for verification of same regarding compliances.	It will be provided from next time.
21. Nagar Panchayat is not in practice to collect M & N Form from contractor for construction work.	Noted for further compliance.
22. Nagar Panchayat has refunded security deposit money under scheme no- 06/16-17 of Nali Gali Yojna only after six months instead of after three years.	Noted for further compliance.
23. We observed that Nagar panchayat has not been collecting Labour cess money (1%) against Building construction work in the area of Nagar panchayat.	Noted for further compliance.

Date:
Place:



11/12/20
For Nagar Panchayat Bairgania
(Executive Officer) पदाधिकारी
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