

# Internal Audit Report

of

**ULB: Nagar Parishad Phulwari Sharif**

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

**Internal Audit Conducted by:**

**GKSureka & Co.**  
**Chartered Accountants**

104, Baidyanath Palace, Jagdeo Path,  
Bailey Road Pillar No.10, Patna-800014 (Bihar).

Phone No: 0612-2590048

M: 9811077186, 9999232791

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**From 18-07-2019 to 20-08-2019**

**Report Issued on: 18-09-2019**

## Executive Summary

### 1. Introduction

<b>Name of the Municipality</b>	Nagar Parishad Phulwari Sharif.
<b>Period Covered under Current Audit</b>	01.04.2018 to 31.03.2019
<b>Name of the Chief Municipal Officer for the period under Audit</b>	<b>Executive Officer</b> Mr. Manoj Kumar

### 2. Results and Findings

<p><b>Strength observed during the audit engagement</b></p>	<ul style="list-style-type: none"> <li>➤ General Cash Book &amp; Subsidiary Cash Book has been written.</li> <li>➤ All municipal transactions shall be identified with funds in accordance with rule 5, and separate accounting records have been maintained for each fund.</li> <li>➤ Office infrastructure is sufficient for operation.</li> <li>➤ Files are maintained.</li> <li>➤ Expense records are maintained by Nagar Parishad.</li> </ul>
<p><b>Weakness observed in the functioning of office, maintenance of records etc. observed during the audit engagement.</b> <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"> <li>➤ 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.</li> <li>➤ The property tax register has not been provided to us to ascertain the Total Demand and Arrear at the end of audit period.</li> <li>➤ Daily Collection register has not been provided to us to ascertain the total collection of Holding Tax during the period of Audit.</li> <li>➤ Taxes and other revenue collections from internal sources are not deposited in bank on same day.</li> <li>➤ Nagar Parishad 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.</li> <li>➤ Assessment of Property Tax, tower tax and other revenue resources has not been conducting on regular intervals.</li> </ul>



- Advertisement tax has not been collected by Nagar Parishad.
- In 2 instances, we observed that accountant has made clerical mistakes that resulted into mismatch of balances of books of A/c. Books of accounts are not maintained on daily basis.
- TDS has not been deducted on payment of commission to tax collector.
- Quarterly TDS return has not been filed by the Nagar Parishad.
- TDS has not been deducted on payment of salary to EO and City Manager
- Bank Reconciliation Statement has not been maintained on monthly basis.
- Monthly receipt and payment & Trial Balance has not been prepared.
- We observed several Non compliance of Acts & rules by the Nagar Parishad.
- Fixed Asset Register and other various register has not been prepared by Nagar Parishad.
- Utilisation certificate has not been submitted to department on timely basis.
- Inventory/Store Register is not updated.
- Advance Register is not updated
- Nagar Parishad has not collected licensing fees for Hotel, Factory, Clinic, Professional such as Surveyors, Restaurant, Cinema, etc.
- Nagar Parishad has not requested quotation for mobile purchases on 06/09/2018
- Nagar Parishad has made payment of Electricity bill after due date.
- Nagar Parishad is not in practice to claim input tax credit of GST on purchases
- Advance Register is not updated.
- Cash of Rs. 710 is shown in general ledger as on 31.03.2019.



	<ul style="list-style-type: none"> <li>➤ In 3 instances, we have observed that Nagar Parishad has made payment of Kabir Antyeshthi to recipient without obtaining Death Certificate of deceased.</li> <li>➤ Nagar Parishad has made payment from funds of Kabir Antyeshthi amounting Rs. 1,89,000/- on 16.04.2018 in cash without obtaining appropriate Receiving/Advice of payment.</li> <li>➤ Nagar Parishad has incurred Expense towards refreshment in Year 2018-19 for an amount Rs. 1,21,465 which seems very high for refreshments.</li> <li>➤ In 4 instances, we observed that invoices/Payment advices for payment made by Nagar Parishad are not held on record.</li> <li>➤ In 9 instances, we observed various irregularities in tender processing by Nagar Parishad.</li> <li>➤ Nagar parishad is not in practice to deposit PF on due dates.</li> </ul>
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### 3. Opinion

<p><b>Overall opinion of the Audit team about the functioning of the Municipality</b></p>	<p>The functioning of the Municipality is very weak due to following reasons:</p> <ul style="list-style-type: none"> <li>➤ Internal Control w.r.t. collection of taxes, monitoring of grant, monitoring of schemes etc. is very poor.</li> <li>➤ Collection from own sources is very poor.</li> <li>➤ Grant received for various purposes are not utilized on timely basis.</li> <li>➤ Manpower of Nagar Parishad is not adequate.</li> <li>➤ Overall monitoring of collection from owns source is very poor.</li> </ul>
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## 5. Comments from Management

<b>Comment from Management</b>	The audit report has been discussed with us; we will try our best to remove the irregularities pointed out in the audit report.  <b>For Nagar Parishad Phulwari Sharif</b>  (Executive Officer)
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## 6. Acknowledgment

We thank Mr. Manoj Kumar (Executive Officer) and Mr. Deepak Kumar Shrivastva (Accountant) for their support during the period of our audit. We are also thankful to Tax Daroga Mr. Anil Kumar and support staffs of the municipality for their cooperation extended to us during the period of our audit.

Place : Patna  
Date :

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

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

UDIN:- 20091380 AAAADZ9593

## Detailed Audit Report

### **1. Introduction**

The Internal audit of Nagar Parishad Phulwari Sharif 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. Mr. Piyush Singh
- ii. Mr. Deepak Rai
- iii. Mr. Rajnish Kumar

### **2. Administration**

The present body of the ULB has taken charge on 21-06-2017. The incumbency in the key administrative and executive position was as under:

- i. Chairman : Md. Aftab Alam, from 21.06.2017 to till date,
- ii. Vice-Chairman : Smt. Asha Kumari, from 21-06-2017 to till date.
- iii. Executive officer : Mr. Manoj Kumar, from 22-06-2018 to till date.

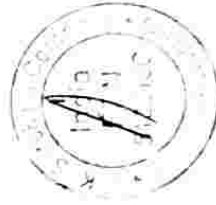


**3. Review of outstanding audit paras : Status of Audit Observations are as under:**

Sl. No.	Particulars of Audit and date of report	Total No. of Audit Paras.	Total No. of audit paras necessary improvement/ corrective measure is required	Total No. of audit paras where recovery of cash proposed	Total No. of paras 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 Audit has not been conducted till date for the FY 2018-19.				-	-	-	-
2.	Internal Audit Report for FY 2016-2017 not available for verification							

**The Major observations of AG audit report are as under:**

- AG Audit not conducted till date for the FY 2018-19.



#### 4. Finance

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

Year	2016-17	2017-18	2018-19
Final/ Revised Budget	N.A	97,37,65,000	95,07,29,224
Actual Expenditure	N.A	19,05,12,349	24,55,70,611
Savings (+)/ Excess (-)	N.A	78,32,52,651	76,83,41,071

##### II. Volume of transactions

Period	Budgeted 2018-19	Previous year (2017-18)	Corresponding period of 2016-17	Current Period 2018-19	Cumulative for the current period
Opening Balance	1,45,82,358	15,30,05,888	N.A	30,92,68,785	30,92,68,785
Receipts	94,42,16,762	34,67,75,246	N.A	22,72,12,867	22,72,12,867
<b>TOTAL</b>	95,87,99,120	49,97,81,134	N.A	53,64,81,652	53,64,81,652
Net Expenditure	95,07,29,224	19,05,12,349	N.A	24,55,70,611	24,55,70,611
Closing Balance	80,69,896	30,92,68,785	N.A	29,09,11,041	29,09,11,041

##### III. 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 Parishad. Details of Cash book and Bank book given below as on 31<sup>st</sup> March 2019:

S.No.	Particulars	Balance as per Cash Book	Balance as per Passbook	Difference	Remarks
1.	SBI (4186)	16,92,781.00	16,92,781.00	-	BRS Prepared
2.	Kotak Mahindra Bank(136084)	1,59,336.81	4,12,103.00		BRS Prepared
3.	SPUR - Slum Department (2688) Andhra Bank	7,52,904.00	9,62,758.00		BRS Prepared
4.	E governance (12502) OBC Bank	1,87,511.00	5,17,511.00		BRS Prepared
5.	SBM Mother Child ICICI (950)	27,49,962.00	27,58,962.00		BRS Prepared
6.	Treasury P/L A/c	27,46,16,952.80	26,58,68,454.00		BRS Prepared
7.	OBC (21917)	1,83,787.00	2,08,634.00		BRS Prepared
8.	Canara Bank (2885)	11,747.00	11,747.00		BRS Prepared



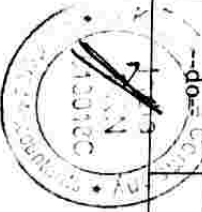
9.	PNB (90016)	21,619.84	46,619.84	BRS Prepared
10.	HFA (OBC)	61,37,803.00	61,37,803.00	BRS Prepared
11.	SBM (Andhra Bank - 88865)	19,81,237.00	19,81,237.00	BRS Prepared
12.	Kabir antyeshthi (Central Bank-11333)	10,94,568.00	10,94,568.50	BRS Prepared
13.	4th Finance (PNB-90007)	611.84	611.84	BRS Prepared
14.	Pension Scheme (OBC-12892)	2,57,782.00	2,33,820.00	BRS Prepared
15.	Pension Scheme (ICICI-789)	0.00	23,962.00	BRS Prepared
16.	Census (OBC-258)	79,249.00	79,249.00	BRS Prepared
17.	Cash	0.00	710.00	BRS Prepared
18.	Day NULM Andhra Bank(20976)	2,62,634.00	2,97,482.00	BRS Prepared
19.	13TH finance(PNB-90025)	3,39,317.84	37,832.84	BRS Prepared
20.	13TH finance(MBGB-13059)	0.00	3,01,485.00	BRS Prepared
21.	14th Finance (PNB 90025)	3,81,236.54	3,81,236.54	BRS Prepared
	<b>Total Balance</b>	29,09,11,040.70	28,30,49,567.60	
	<b>Difference</b>		79,61,473.08	

➤ Difference of Rs. 79,61,473.08/- is still unidentified, Since BRS is not being prepared by the concerned staff.



**Income Details ( Amounts to be provided in Rupees)**

S. No.	Details (as per books of A/c)	2017-18		2016-17	2018-19		2019-20	
		2017-18	2017-18	Not Available	2018-19	2017-18	2019-20	2018-19
<b>A</b>	<b>Total Receipts (A+B)</b>	<b>34,67,75,246.00</b>			<b>22,72,12,867.00</b>	<b>34,67,75,246.00</b>	<b>22,72,12,867.00</b>	<b>22,72,12,867.00</b>
	<b>Revenue Receipts (1+2+3)</b>	<b>22,93,67,908.92</b>			<b>2,61,76,534.00</b>	<b>22,93,67,908.92</b>	<b>2,61,76,534.00</b>	<b>2,61,76,534.00</b>
<b>1</b>	<b>Own Revenue Receipts (a+b)</b>	<b>69,31,580.00</b>			<b>60,28,338.00</b>	<b>69,31,580.00</b>	<b>60,28,338.00</b>	<b>60,28,338.00</b>
<b>a)</b>	<b>Tax Revenue ( levied and collected by municipal body)</b>	<b>53,21,290.00</b>			<b>50,29,035.00</b>	<b>53,21,290.00</b>	<b>50,29,035.00</b>	<b>50,29,035.00</b>
<b>i)</b>	Property Tax (as per bank statement)	53,21,290.00			50,29,035.00	53,21,290.00		50,29,035.00
<b>ii)</b>	Other Tax (levied and collected by municipal body)	--			--	--		--
<b>b)</b>	<b>Non-Tax Revenue ( levied and collected by municipal body)</b>	<b>16,10,290.00</b>			<b>9,99,299.00</b>	<b>16,10,290.00</b>	<b>9,99,299.00</b>	<b>9,99,299.00</b>
<b>i)</b>	Fees & Fines	9,55,900.00			3,08,250.00	9,55,900.00		3,08,250.00
<b>ii)</b>	User Charges	2,500.00			--	2,500.00		--
<b>iii)</b>	Other non-tax revenue (levied and collected by municipal body)	6,51,890.00			6,91,049.00	6,51,890.00		6,91,049.00
<b>2</b>	<b>Other Revenue Receipts</b>	<b>8,10,420.00</b>			<b>58,94,611.00</b>	<b>8,10,420.00</b>	<b>58,94,611.00</b>	<b>58,94,611.00</b>
<b>a)</b>	Income from interest/ investments	4,83,385.00			5,50,774.00	4,83,385.00		5,50,774.00
<b>b)</b>	Other Revenue Income	3,27,035.00			53,43,837.00	3,27,035.00		53,43,837.00
<b>3</b>	<b>Transfers/ Grants/ Assigned Revenues</b>	<b>22,16,25,908.92</b>			<b>1,42,53,585.00</b>	<b>22,16,25,908.92</b>	<b>1,42,53,585.00</b>	<b>1,42,53,585.00</b>
<b>a)</b>	State Assigned Revenue	15,12,10,660.92			30,01,369.00	15,12,10,660.92		30,01,369.00
<b>b)</b>	state finance commission Grant/Devolution	--			--	--		--
<b>c)</b>	Octroi Compensation	--			--	--		--
<b>d)</b>	Other State Govt transfer	--			--	--		--
<b>e)</b>	Central finance commission grant	--			--	--		--
<b>f)</b>	Other Central Govt transfer	--			--	--		--
<b>g)</b>	Others	7,04,15,247.00			1,12,52,216.00	7,04,15,247.00		1,12,52,216.00
<b>B</b>	<b>Capital Receipts</b>	<b>11,74,07,338.00</b>			<b>20,10,36,337.00</b>	<b>11,74,07,338.00</b>	<b>20,10,36,337.00</b>	<b>20,10,36,337.00</b>
<b>1</b>	Sale of Municipal Land	--			--	--		--
<b>2</b>	Loans (from State Govt. or Banks etc.)	--			--	--		--

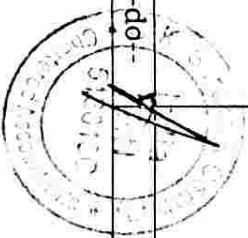


4	(under Central Schemes etc.) Central Capital Account Grant (under Central Schemes etc.)	2,79,14,246.00	--do--	4,40,74,489.00	2,79,14,246.00	--do--	4,40,74,489.00
5	Other Capital Receipts	1,28,81,750.00	--do--	--	1,28,81,750.00	--do--	--

### V. Revenue and Capital Expenditure Information

#### 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
	<b>Total Expenditure (A+B)</b>	<b>19,05,12,349.00</b>	Not Available	<b>24,55,70,611.00</b>	<b>19,05,12,349.00</b>	Not Applicable	<b>24,55,70,611.00</b>
<b>1</b>	<b>Revenue Expenditure</b>	<b>8,20,16,716.81</b>	--do--	<b>5,02,92,581.00</b>	<b>8,20,16,716.81</b>	--do--	<b>5,02,92,581.00</b>
1.1	Administrative Expenses, Establishment and Salaries (All Departments- Regular and Contractual Staff)	5,55,14,116.00	--do--	2,47,92,488.00	5,55,14,116.00	--do--	2,47,92,488.00
1.2	Operation and Maintenance (O&M)	1,20,31,595.70	--do--	68,26,568.00	1,20,31,595.70	--do--	68,26,568.00
1.3	Loan Repayment (Interest payments)	--	--do--	--	--	--do--	--
1.4	Others ( any other revenue expenditure which is not salaries O&M or Interest Payment)	1,44,71,005.11	--do--	1,86,73,525.00	1,44,71,005.11	--do--	1,86,73,525.00
<b>2</b>	<b>Capital Expenditure</b>	<b>10,84,95,714.00</b>	--do--	<b>19,52,78,030.00</b>	<b>10,84,95,714.00</b>	--do--	<b>19,52,78,030.00</b>
2.1	All developmental works under Central/ State specific schemes	7,67,70,375.00	--do--	18,44,40,865.00	7,67,70,375.00	--do--	18,44,40,865.00
2.2	Loan Repayment (Principal)	--	--do--	--	--	--do--	--



2.2	Other Capital Expenditure	3,17,25,339.00	--do--	1,08,37,165.00	3,17,25,339.00	--do--	1,08,37,165.00
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## **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 Parishad has not maintained its books of account on accrual basis.
- Status of Double Entry Accounting System:
  - 1) Name of Agency Implementing DEAS: Vinod Singhal & Co.
  - 2) Period: 2012-13 to 2019 - 2020.
  - 3) Status of Report : No report has been submitted
  - 4) Preparation of Fixed Asset Register : In Process
  - 5) Preparation of Opening Balance Sheet: Not yet prepared
  - 6) Preparation of Financial Statement : Not yet prepared
  - 7) Preparation of Property Tax Register : In Process
  - 8) Details of Tally Installation: Tally not yet Installed
  - 9) Details of Tally Serial Id. And Email Id. : gulambari.ica@gmail.com

## **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 been constituted by the N.P Phulwari Sharif in 2018-19 (Copy of office order enclosed).
- Meeting of Municipal account committee has not been held during the FY 2018-19.



## 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 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, Sautat etc;

1. 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 some cases where there is a gap in collection of tax and Deposit of Tax by Tax collector Mr. Anil Kumar (Copy of Some Receipt book enclosed) :

Sl. No.	Date	Receipt No.	Name	Ward No.	Amount
1.	24/09/2018	101	Md. Jafirudin	24	378
2.	24/09/2018	102	Md. Kamal Ashraf	25	180
3.	24/09/2018	103	Vikky Kumar Shah	--	242
4.	25/09/2018	104	Md. Shail	25	193
5.	25/09/2018	105	Mulaani Khatun	25	240
6.	29/09/2018	106	Md. Javed	9	2,203
7.	29/09/2018	107	Md. Javed Jang	25	473
8.	03/09/2018	108	Md. Shabuddin	25	72
9.	05/10/2018	109	Salma Khatun	25	52



10.	09/10/2018	110	Ale Naib	24	601
	<b>Total</b>				<b>4,634</b>

Above mentioned collections have been deposited in bank by tax collector on 09/10/2018.

3. Daily Collection Register (DCR) is not maintained properly by the respective tax collectors on daily basis.

NAME OF WARD	NAME OF COLLECTOR	COLLECTION	DEPOSIT	CASH HOLD WITH COLLECTOR as on 31.03.19
3,4,6,7,8,9,10,11,12,18,19,21,22,24,25,27,28	Anil Kumar	29,40,145	29,37,488	2,657
2,5	Brajesh Kumar	2,99,632	3,99,000*	-99,368
13,14,15,16,17,26,1,20	Jamil Alam	DCR not provided by the tax collector		

**Note:** Total amount deposited by Mr. Brajesh Kumar was not bifurcated and it includes amount of miscellaneous receipt also. Hence, we are unable to calculate total amount of holding tax deposited by Brajesh Kumar.

**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. 40,000/- and annual renewal fees @ Rs.10,000/- 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 Parishad. 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 Parishad. Further the updating of tower tax demand register is not in process since 31<sup>st</sup> May 2016. Total outstanding balance of Tower tax Rs.15,84,810/- as on **31<sup>st</sup> May, 2016** is as under (Copy enclosed):

S. No.	Name	No. of Tower	Total Due Amount as on 31/5/2016	Total Amount Received	Balance Amount Due
1	M/s Bharti Televenchars	1	1,62,688	40,000	1,22,688
2	M/s Bharti Televenchars	1	1,62,688	40,000	1,22,688
3	TTS	1	1,62,688	40,000	1,22,688
4	Aircel	1	1,50,188	40,000	1,10,188
5	Aircel	1	1,50,188	40,000	1,10,188
6	Aditya Birla Telecom	1	1,39,500	42,000	97,500
7	Tata Indicom	1	1,24,588	1,00,000	24,588
8	Tata Indicom	1	1,24,588	64,000	60,588
9	Tata Indicom	1	1,24,588	80,000	44,588
10	Tata Indicom	1	1,24,588	0	1,24,588
11	GTL Infra	1	1,11,638	0	1,11,638
12	Reliance Jio	1	73,600	0	73,600
13	Reliance Jio	1	73,600	0	73,600
14	Reliance Jio	1	73,600	0	73,600
15	Reliance Jio	1	61,800	0	61,800
16	Vodafone	1	2,50,280	0	2,50,280
	<b>Total:-</b>		<b>20,70,810</b>	<b>4,86,000</b>	<b>15,84,810</b>

### 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 Parishad should seal the tower until the payment is received in full along with accrued interest.

### III. 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 Parishad 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 Parishad.

**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.

**IV. 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:**

No Irregularities observed

**Cause:**

No Irregularities observed

**Corrective Action/ Recommendation:**

No Irregularities observed

**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:

S.No.	Bill Date	Bill No.	Particular	Amount	Irregularities
1.	08/01/2019	5648	300 (Blanket)	1,36,500	No Irregularities
2.	28/09/2018	03	Steel Almira	36,000	No Irregularities
3.	31/08/2018		Led TV	25,500	No Irregularities



		--			
4.	19/12/2018	839	Kent Water Purifer	32,999	No Irregularities
5.	06/09/2018	575	Mobile Phone	12,990	Quotation is not available

- In 7 instances, we have found that Nagar Parishad has made payment of electricity bill after due date. Details are as under :

Sl. No	Date of Payment	CA No.	Amount Due	Amount Paid after due date	Diff.	Irregularities
1.	28/03/19	101167362	3,36,844	3,37,212	368	Bill Paid after due date
2.	28/03/19	101201181	1,33,870	1,33,943	73	Bill Paid after due date
3.	28/03/19	101889036	9,04,706	--		Bill not yet paid
4.	28/03/19	101168298	20,08,978	20,10,728	1,750	Bill Paid after due date
5.	28/03/19	101551687	23,27,685	23,28,841	1,156	Bill Paid after due date
6.	28/03/19	101167363	72,607	72,903	296	Bill Paid after due date
7.	28/03/19	101889036	9,04,706	9,05,016	310	Bill Paid after due date
		<b>Total</b>	<b>66,89,396</b>	<b>57,88,643</b>	<b>3,953</b>	

- In Addition to this, Nagar Parishad may also avail rebate while making payment of electricity bill online as specified in bill. (A copy of bill enclosed)

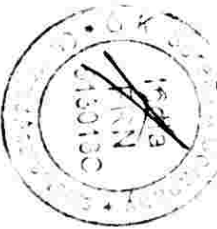


Field survey of 20 high value properties has been conducted by us and our report thereon is:

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

SL.NO	NAME	FATHER'S NAMES	WARD NO.	TYPE OF CONSTRUCTION	TYPE OF USES	TYPE OF ROAD	CARPET AREA	ANNUAL VALUE	ANNUAL TAX	REMARKS OF AUDITOR
1.	REHANA KHATOON	NASIM AHMED	8	RCC	COMMERCIAL	A	2000	96,000	9,029	No Variance
2.	SHYAM KUMAR	RAMCHANDRA SWARANKAR	6	RCC	RESID./COMM	A	3000	29,250	2,501	--Do--
3.	SAVITA DEVI	ARUN KUMAR	6	RCC	COMMERCIAL	A	1600	51,200	4,608	--Do--
4.	SATYENDRA SAH	RAJENDRA SAH	6	RCC	COMMERCIAL	A	1700	85,000	7,267	--Do--
5.	SAJID ANSARI	RAHIMULLAH ANSARI	21	RCC	RESID./COMM	A	1700	87,550	8,353	--Do--
6.	KRISHANU ROY	SIDHESWAR PRASAD ROY	19	RCC	COMMERCIAL	A	871	41,808	1,214	--Do--
7.	MAHAVIR CANCER NYAS SAMITI	--	12	RCC	COMMERCIAL	A	3678	4,41,360	40,316	--Do--
8.	NIDESHAK MAHAVIR CANCER HOSPITAL	--	12	RCC	COMMERCIAL	A	21912	22,32,152	2,41,792	--Do--
9.	VAISHAL PATLIPUTRA	--	8	RCC	COMMERCIAL	A	82000	9,84,000	88,560	--Do--
10.	VIJAY KUMAR	MUKHA RAY	19	RCC	COMMERCIAL	A	840	40,320	3,955	--Do--
11.	NARGIS IQBAL	IQBAL AHMED	2	RCC	RESIDENTIAL	A	2720	0	686	--Do--
12.	NARENDER PRASAD	DIPNARAYAN SINGH	3	RCC	COMM./REC.	B	680	43,520	3721	--Do--
13.	MD. RAFAT ALI	SHOUKAT ALI	3	RCC	COMM./REC.	A	1361	46,954	4016	--Do--
14.	SYED IFTEKHAR ALI	LATE. AHMED ALI	3	RCC	COMM./REC.	A	1361	46,954	4016	--Do--
15.	MUKESH SINGH	HARBANSH SINHA	11	RCC	COMM./REC.	A	1800	49500	4455	--Do--
16.	VISHAL PATLIPUTRA	--	8	RCC	COMMERCIAL	A	82000	984000	88560	--Do--
17.	RANJAN KUMAR	ISHWAR CHANDRA	12	RCC	COMMERCIAL	A	1800	196800	17712	--Do--
18.	KAMESHWAR SANGH	ISHWARI SINGH	7	RCC	RESIDENTIAL	A	2720	19,040	1628	--Do--
19.	MD. FARID	HAJI S.M	21	RCC	COMM./REC.	A	1700	87,550	8353	--Do--
20.	VIJAY KUMAR	MUKHA RAY	19	RCC	COMMERCIAL	A	840	40,320	3,955	--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	Not Maintained
2.	Payroll Register	Not properly maintained
3.	Log Book	Not properly maintained
4.	Demand and Collection Register	Not Provided
5.	Assessment Register	Not Provided
6.	Tower Tax Demand Register	Not maintained
7.	Fixed Asset and Inventory Register	Not maintained
8.	Advertisement tax register	Not maintained
9.	Procurement Register	Not Maintained
10.	Holding Tax Register	Not Maintained
11.	Holding Demand Register	Not Maintained

#### ➤ **Corrective Action/ Recommendation:**

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

### b. Irregularity in procurement process

➤ Following are procurement made by Nagar Parishad Above Rs. 15,000 during 2018-19 :

S.No.	Bill Date	Bill No.	Particular	Amount	Irregularities
1.	08/01/2019	5648	300 (Blanket)	1,36,500	No Irregularities
2.	28/09/2018	03	Steel Almira	36,000	No Irregularities
3.	31/08/2018	--	LG Led TV	25,500	No Irregularities
4.	19/12/2018	839	Kent Water Purifer	32,999	No Irregularities
5.	06/09/2018	575	Mobile Phone	12,990	Quotation is not availabe

➤ Nagar Parishad not in Practice to Claim Input Tax Credit of GST on the procurements.

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

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



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

**Recommendation:**

*We recommend to the Nagar Parishad 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, advertisement tax, water tax and shop rent has been collected during the year other taxes have not been collected.**

- Following rules of BMAR are also not complied by the Nagar Parishad:
- 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.

- New Assessment has not been done since 2006 and holding tax is being collected at old rates. However, Nagar Parishad has sent proposal to department for new assessment rate but it is still pending.

**Suggestions/ Recommendation:**

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

**e. Lack of internal Control measures**

- 1) There are 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) Reassessment of holding tax has not been done since 2006 and holding tax is being collected at old rates.
- 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 Parishad 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.
- In 1 instance, we observed that while making payment of commission to Tax Collector, Mr. Anil Kumar of Rs. 97,336/- from Kotak Bank via cheque no. 000681 on 29-05-2018, TDS has not been deducted on such payment. 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%.
- Counterfoil of Quarterly TDS Return not held on record for FY 2018-19.
- TDS has not been deducted on payment of salary to EO and City Manager. As per section 192 of Income Tax Act, 1961, at the time of payment of salary by the employer to employee, employer is mandatorily required to deduct TDS on salary.
- Nagar Parishad is not in practice to claim input tax credit of GST on purchases. Details of some purchases are as under:

Sl. No	Date of Invoice	Bill No.	Name of Vendor	Taxable Value	ITC
1.	15-01-19	32	Kajal Printing Press	58,500	7,020
2.	19-12-18	8039	Maheshwari Enterprises	27,965	5,034
3.	06-09-18	575	Digital Wings	11,598	1,392
4.	27-12-18	455	Anshila Service Pvt. Ltd.	21,36,780	3,84,620
5.	28-09-18	03	Savera Steel	28,125	7,875
6.	31-08-18	Not Mentioned	Simran Vision	19,922	5,578
<b>Total</b>					<b>4,11,519</b>

**Action/Suggestion**

Nagar Parishad 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. (Copy of acquaintance roll for FY 2018-19 enclosed).

**Action/Suggestion**

Nagar Parishad 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. Status of Utilization Certificate of each Grant received during the Audit period are as under (Copy of Grant received during the year enclosed):

Sl. No.	Bill No.	Transferred to A/c	Sanction Letter No.	Amount	Remarks (Status of U/C)
1.	11/2017-18	1 <sup>st</sup> Installment of 5 <sup>th</sup> Finance	46/14-09-17	1,73,41,650	Not Submitted
2.	12/2017-18	1 <sup>st</sup> Installment of 5 <sup>th</sup> Finance	46/14-09-17	1,73,41,649	Not Submitted
3.	23/2017-18	Samrath Ashok Bhawan Nirman	126/28-02-18	33,81,500	Not Submitted
4.	01/2018-19	EO Salary	07/22-05-18	7,00,000	Submitted
5.	02/2018-19	City Manager Salary	08/24-05-18	1,97,220	Not Submitted
6.	03/2018-19	MM Nali Gali Yojna	09/30-05-18	1,14,26,376	Not Submitted
7.	04/2018-19	MM Nali Gali Yojna	09/30-05-18	10,52,770	Submitted
8.	05/2018-19	MM Nali Gali Yojna	09/30-05-18	6,67,611	Submitted
9.	06/2018-19	Door to Door	10/01-06-18	62,98,800	Submitted
10.	07/2018-19	2 <sup>nd</sup> Installment of 5 <sup>th</sup> Finance	15/03-07-18	1,68,84,320	Not Submitted
11.	08/2018-19	2 <sup>nd</sup> Installment of 5 <sup>th</sup> Finance	15/03-07-18	1,68,84,321	Not Submitted
12.	09/2018-19	1 <sup>st</sup> Installment of 5 <sup>th</sup> Finance	21/10-07-18	1,72,67,521	Not Submitted
13.	10/2018-19	1 <sup>st</sup> Installment of 5 <sup>th</sup> Finance	21/10-07-18	1,72,67,521	Not Submitted
14.	12/2018-19	1 <sup>st</sup> Installment of 14 <sup>th</sup> Finance	32/31-10-18	81,53,248	Not Submitted
15.	13/2018-19	1 <sup>st</sup> Installment of 14 <sup>th</sup> Finance	32/31-10-18	81,53,247	Not Submitted
16.	14/2018-19	Path Puliya Nirman	66/09-01-19	7,34,000	Not Submitted
17.	15/2018-19	EO Salary	67/14-01-19	5,75,250	Not Submitted
18.	16/2018-19	City Manager Salary	42/29-11-18	1,97,,220	Not Submitted
19.	17/2018-19	2 <sup>nd</sup> Installment of 14 <sup>th</sup> Finance	75/25-01-19	80,96,229	Not Submitted
20.	18/2018-19	2 <sup>nd</sup> Installment of 14 <sup>th</sup> Finance	75/25-01-19	80,96,230	Not Submitted
21.	19/2018-19	Chairman & Vice Chairman Salary	76/31-01-19	6,84,000	Not Submitted
22.	20/2018-19	Sudha Dairy	130/25-02-19	47,64,950	Not Submitted
23.	21/2018-19	Electricity	135/30-03-19	5,13,77,037	Not Submitted

**Action/Suggestion**

Nagar Parishad should prepare utilisation 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 Parishad 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 Parishad has given advance to Mr. Brajesh Kumar of Rs. 20,000/- from Kotak Bank via cheque No.000804 on 23-06-2019 but the same advance is not updated in Advance Register by the concerned officer.
- Closing Balance of Advance A/c as on 31.03.2019 (as per books of A/c) is 35,000/- held with Koleshwar Thakur

**Note:** Advance Register is not updated since 27.07.2017

**Action/Suggestions**

Nagar Parishad Should maintain Advance register on regular basis alongwith voucher of Payment

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

Staff strength of accounts department needs to be increased.



### III. PART- C

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

➤ We observed several compliances and non-compliances of directives of UD & 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 not specifically mentioned the purpose of their utilisation, the funds received as grant during the year were utilised for various purposes.

#### Chapter-XI: Budget Estimates

#### Chapter XII: Accounts and Audit

➤ Accountant has made many clerical mistakes in books of account and consequently results into differences in Pass Book and Cash Book. Details of such few errors given below:

##### • Subsidiary book : OBC Bank (21917)

Closing Balance as per Subsidiary Book as on 30-09-2018 is Rs. 22,94,91.00/-

Closing Balance as per General Ledger Cash Book as on 30-09-2018 is Rs. 25,63,51.00/-

Closing Balance as per General Ledger Cash Book is overcasted by Rs.26,860.00/-

##### • Subsidiary Cash Book : Canara Bank (2885)



Closing Balance as per Subsidiary Book as on 30-09-2018 is Rs. 11,542.00/-

Closing Balance as per General Ledger Cash Book as on 30-09-2018 is Rs. 11,441.00/-

Closing Balance as per General Ledger Cash Book is undercast by Rs. 101.00/-

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

#### **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 Parishad.

#### **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 it is being deposited after a week/month.

1. Reconciliation of property tax collection by tax collector and amount deposited into bank is not available.
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. Receipt of Birth/Death certificate fees is not deposited on regular basis and also not reconciled.
4. Holding 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.
5. Daily collection register is not maintained on regular basis, hence it is difficult to assess total amount of tax collected



	<p>during the year.</p> <p>6. Tower tax (Registration and Renewal Fees) is not being collected on timely basis.</p> <p>7. Nagar Parishad is not collecting any advertisement tax.</p>
<p><b>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;</b></p>	<p>➤ 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.</p>



**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**

- 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: Monthly Receipt & Payment Account and Trial Balance
- i) Rule 130: Audit to be completed & reported within 6 month

➤ 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.

- d) Rule 22: All moneys to be brought to account
- As per General Ledger dated 31-03-19, a balance of Rs. 710/- shown as cash in hand which is a violation of Rule 22.
- e) Rule: 27: Collections to be deposited into Bank on the same day.

Following are the some cases where there is a gap in collection of tax and Deposit of Tax by Tax collector Mr. Anil Kumar (Copy of Some Receipt book enclosed):

Sl. No.	Date	Recei pt No.	Name	Ward No.	Amount
1	24/09/2018	101	Md. Jafirudin	24	378
2	24/09/2018	102	Md. Kamal Ashraf	25	180
3	24/09/2018	103	Vikky Kumar Shah	--	242
4	25/09/2018	104	Md. Shail	25	193
5	25/09/2018	105	Mulaani Khatun	25	240
6	29/09/2018	106	Md. Javed	9	2,203
7	29/09/2018	107	Md. Javed Jang	25	473
8	03/09/2018	108	Md. Shabuddin	25	72
9	05/10/2018	109	Salma Khatun	25	52
10	09/10/2018	110	Ale Naib	24	601

Above mentioned collections has been deposited in bank on 09/10/2018.

- f) Rule 69: Grant Related Compliance
- Utilisation of some grant, which has been received in FY 2017-18, has not been submitted till date. Details are as under:

Sl.	Bill No.	Transferred	Sanction	Amount	Status of
-----	----------	-------------	----------	--------	-----------



No.		to A/c	Letter No.		U/C
1	11/2017 -18	1 <sup>st</sup> Installment of 5 <sup>th</sup> Finance	46/14-09-17	1,73,41,650	Not Submitted
2	12/2017 -18	1 <sup>st</sup> Installment of 5 <sup>th</sup> Finance	46/14-09-17	1,73,41,649	Not Submitted
3	23/2017 -18	Samrath Ashok Bhawan Nirman	126/28-02- 18	33,81,500	Not Submitted

g) Rule 120-121: Monthly Receipt & Payment Account and Trial Balance

➤ Monthly receipt and payment & Trial Balance has not been prepared by the Nagar Parishad.

h) Rule 130: Audit to be completed & reported within 6 month

• 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.

➤ Audit of accounts is not completed and report has not been submitted within 6 month.

**d. Report on compliance of financial guidelines of schemes of MOHUA and UD & HD, GoB.**

Separate details of schemes of MOHUA (Ministry of Housing and Urban Affair) and UD&HD (Urban Development and Housing Department) not provided to us for Report on compliance of financial guidelines.

**e. Auditor should 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**

➤ 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/month.

1. Reconciliation of property tax collection by tax collector and amount deposited into bank is also not available.



**Municipal properties, Advertisement Taxes/Fees, Sairatetc;**

2. 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 Nagar Parishad.

- 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 Parishad has suffer the opportunity loss of interest.
- Due to non collection and monitoring of Tower tax there is a huge revenue loss to the Nagar Parishad. Further the updating of tower tax demand register is not in process since 31st May 2016. Total outstanding balance of Tower tax Rs.15,84,810/- as on 31st May, 2016.
- Nagar Parishad is not collecting any advertisement tax.
- Nagar Parishad is not collecting various Licensing fees specified in Chapter XV such as restaurant, Cinema Hall, Surveyors etc.

**Action/Recommendation**

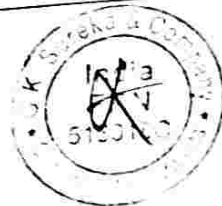
Nagar Parishad Should adhere the Chapter XV of Bihar Municipal Act, 2007 and levy/collect various taxes, fees & charges

**f. Auditor should Report on adequacy and appropriateness of the documentation, approvals, compliance of procedures etc. of all payments above Rs.10,000 and above.**

➤ In 3 instances, we have observed that Nagar Parishad has made payment of Kabir Antyeshthi to recipient without obtaining Death Certificate of deceased. Death Certificate is required to be obtained before payment of grant to recipient. Details are as under :

Sl. No.	Ward No.	Name of Deceased	BPL No.	Date of Death	Date of Payment
1.	18	Dara Pandit	21419	25-08-18	12-09-18
2.	18	Md. Khalid	9739	03-03-18	03-03-18
3.	20	Md.Shafiq	8774	07-10-18	10-01-19

➤ Nagar Parishad has made payment from funds of Kabir Antyeshthi amounting Rs. 1,89,000/- on 16.04.2018 in cash without obtaining appropriate Receiving/Advice of payment and also the payment has been made in cash even after



availability of A/c Number of such recipient , accordingly Rs. 1,89,000/- is an unidentified expense.

Nagar Parishad has incurred Expense towards refreshment in Year 2018-19 for an amount Rs. 1,21,465 which seems very high for refreshments. Details of some payments are as follows:

S.No.	Date of Payment	A/c	Amount
1.	28/03/2019	Kotak Nikay Mad	9,100
2.	08/03/2019	Kotak Nikay Mad	9,800

- In 1 Instance, Nagar Parishad has made payment of Rs. 61,256/- from Kotak Mahindra Bank via cheque No. 000549 to Ghanshyam Das but we have not found any invoice or payment advice against such payment. Accordingly, we are unable to trace the purpose of such payment.
- In 1 Instance, Nagar Parishad has made payment of Rs. 35,000/- from Kotak Bank via cheque No. 0008000 on 18-01-2019 for the occasion of 26th January 2019 to Mr. Jalim Alam. On verification we have found invoices of Rs. 11,900/- only and for remaining payment invoices or payment advices against such expenses is not held on record.
- In 1 instance, Nagar Parishad has made payment of Rs. 1,09,781/- from SBI Bank via cheque No.764132 on 13-04-2018 to M/S Times Response. On verification we have found invoices of Rs. 10,574/- only and for remaining payment of Rs. 99,207/- invoices are not held in record.
- In 1 instances, Nagar Parishad has made payment of Rs. 1,34,865/- from Municipal fund (Treasury) via cheque No.134865 on 30-05-2018 to Kammna Enterprises. On verification, we have not been provided any invoice or payment advice against such payment and also concerned officer has not given any supporting document for related such payment.
- Irregularities in payment of Drain Cleaning expenses :

Plan No. : Not Mentioned  
Work name : Forest Cutting near Kabristan  
Concerned officer : Jalim Alam  
Date of Payment : 31-12-2108  
Date of work order : 04-10-2018  
Total Payment : Rs. 87,000/-



Cheque No. : Kotak Bank 000796

Nagar Parishad has made payment for above contract but we have found that the signature of 3 workers on payment book is not held on record. Details are as under:

Sl. No.	Name of Workers	Amount
1.	Rashid Miya	2,400
2.	Kamal Miya	2,400
3.	Kashim Anshari	2,400

The above mentioned payment is recoverable

**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/-**

➤ Register for procurement made by Nagar Parishad is not maintained, however separate file for each procurement maintained. Following are the two procurements made by Nagar Parishad during the period of audit:

S. No	Date of procurement	Bill No.	Particular	Amount
1.	20-03-19	GEMC-511687775793798	Exide Battery	8,950
2.	19-12-18	GEMC-511687765161049	Kent RO	32,999

**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.**

➤ Status of U/Cs of Grant received during the period of audit specify in point no. H of Part B.



**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.**

- 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 the same day or the day after tomorrow but it is being deposited after a week/month. Details of such cases given above in Point 1 of Part A.
  - Reconciliation of property tax collection by tax collector and amount deposited into bank is also not available.
  - 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 Nagar Parishad.
  - Tower tax (Registration and Renewal Fees) is not being collected on timely basis as more than Rs. 15,84,810/- is receivable from tower tax. Details are given in Point 1 of Part A.
  - Nagar Parishad 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 personals are recommended. Further, Nagar Parishad requires more efficient and effective man power for implementation of all 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.**

In 9 instances, we observed irregularities in tender processing by Nagar Parishad. Details are as under:

Sl. No	Scheme No.	Name of Contractor	Contract Amount	Work Order Date	Query
1.	25/2018-19	Naresh Kumar	83,23,747	Not Mentioned	1. Original Pass Book of Post Office for Security money Deposit and Earnest Money deposit is not held on record.

**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.

2.	53/2018-19	Aruna Rani	7,53,055	26-07-18	<p>1. Amount of security money deposit is deposited less than the required amount :</p> <p>a) Amount Deposited : 22,400/-</p> <p>b) Amount required to be deposited : 22,637/-</p>
3.	18/2018-19	Md. Kalim Ansari	7,70,086	Not Mentioned	<p>1. Measurement Book is not held on record.</p> <p>2. Work order is not held on record</p> <p>3. Original Pass Book of Post office for Earnest Money deposit is not held on record.</p>
4.	59/2018-19	Smt. Mantu Sinha	7,50,790	01-12-18	<p>1. Amount of security money deposit is deposited less than the required amount :</p> <p>a) Amount deposited : 16,800/-</p> <p>b) Amount required to be deposited : 22,637/-</p>
5.	19/2018-19	Rajesh Kumar	2,74,353	Not Mentioned	<p>1. Original Pass Book of Post Office for Security money Deposit and Earnest Money Deposit is not held on record.</p> <p>2. On the Work order Signature of the concerned officer is not held on record.</p> <p>3. Measurement Book is not held on record.</p>
6.	134/2018-19	Md. Naushad	14,16,283	03-12-18	<p>1. Original Pass Book of Post Office for Security money Deposit and Earnest Money deposit is not held on record.</p>
7.	140/2018-19	Sarda Singh	6,45,298	01-12-18	<p>1. In BOQ, Material Quantity of S.O.R No. 5.9.1 was 47.86 m<sup>2</sup> @ 168.70 m<sup>2</sup>. However, as per measurement book it was 41.82 m<sup>2</sup> @ 168.70 m<sup>2</sup>. Because of this, Amount of BOQ is increased by Rs.1,019/-</p>
8.	105/2018-19	Surender Kumar	14,30,478	01-12-18	<p>1. In BOQ, Material Quantity of S.O.R</p>



		Singh			No. 5.9.1 was 801.58 m2 @ 169 m2. However, as per measurement book it was 766.73 m2 @ 169 m2. Because of this, Amount of BOQ is increased by Rs.5890/-
9.	93/2018-19	Kiran Devi	5,31,243	28-09-18	1. Original Pass Book of Post Office deposit for Security money Deposit and Earnest Money deposit is not held on record.

**1. 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 Parishad.

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

S. No.	Particulars	Amount	Reason
1.	Property Tax	2,657	Short Deposit against collections.
2.	Tower Tax	15,84,810	Non-Recovery in collection.
3.	Advertisement Tax	-	Nagar Parishad is not collecting any advertisement tax.
4.	Various Licensing Fee	--	Nagar Parishad is not collecting various licensing fee as specified in chapter XV of Bihar Municipal Act, 2017
5.	Input Tax Credit of GST	4,11,519	Non availment of Input Tax Credit of GST
6.	Electricity Bill	3,953	Late payment of Electricity Bill
7.	Cash	710	Non Deposit of Cash in Bank.
8.	Commission to Tax Collector Anil Kumar	5,382	Excess commission has been by the Nagar Parishad due to wrong calculation on 29.05.2018 from Kotak Bank



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.

➤ Following are the details of Provident Fund which we have checked during Audit period are as under :

Sl. No.	TRN No.	Wages Month	Date of Payment	Amount	Irregularities
1.	14019050 00268	Mar, 2019	02-05-2019	47,692	Late deposit of PF by Nagar Parishad
2.	14019050 00266	Jan, 2019	02-05-2019	47,692	--Do--
3.	14019050 00267	Feb, 2019	02-05-2019	47,692	--Do--
4.	14019030 00530	Jun, 2018	03-03-2019	47,618	--Do--
5.	14019030 00535	Jul, 2018	03-03-2019	47,692	--Do--
6.	14019030 00535	Aug, 2018	03-03-2019	47,692	--Do--
7.	14019030 00539	Sep, 2018	03-03-2019	47,542	--Do--
8.	14019030 00542	Oct, 2018	03-03-2019	47,542	--Do--
9.	14019030 00546	Nov, 2018	03-03-2019	47,548	--Do--
10.	14019030 00548	Dec, 2018	03-03-2019	47,468	--Do--
11.	14019030 00527	Apr, 2018	03-03-2019	81,350	--Do--
12.	14019030 00528	May, 2018	03-03-2019	86,804	--Do--

As per the EPF Act, 1952, PF money should be deposited within 15 days of next month. Nagar parishad is not in practice to deposit PF on due dates as specified in all above cases.

Following are the details of Tax Deduction at Source which we have checked by us during Audit period :

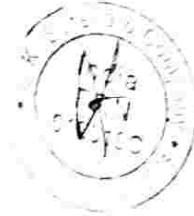
Sl. No	TAN No.	Challan No.	Date of Payment	Amount
1.	PTNN00817F	281	27-03-2019	3,01,821
2.	PTNN00817F	281	14-03-2019	3,42,230
3.	PTNN00817F	281	06-02-2019	4,46,215
4.	PTNN00817F	281	03-01-2019	4,78,755
5.	PTNN00817F	281	05-11-2018	1,11,706
6.	PTNN00817F	281	13-09-2018	2,71,789
7.	PTNN00817F	281	29-08-2018	2,41,343
8.	PTNN00817F	281	25-07-2018	2,49,291
9.	PTNN00817F	281	25-06-2018	4,14,752
10.	PTNN00817F	281	02-04-2018	3,28,881

**Note :** Counterfoils of quarterly TDS returns are not held on record for FY 2018-19



**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.**

➤ We have not been provided Internal Audit Report for FY 2016-17 and so we are unable to check for compliance. Further, AG Audit for FY 2018-19 not yet conducted.



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

- Manpower of Nagar Parishad is not adequate and equipped with required knowledge.
- Accounting process of Nagar Parishad is not adequate.
- Nagar Parishad has maintained file for each work of Drain Cleaning but Plan/Scheme No. not mentioned on that particular file and also on the Measurement Book neither Name of concerned officer nor date of first entry and last entry is mentioned.

**For G.K.Sureka & Co.**

Chartered Accountants

FRN.-513018C

(CA. Gagan Kumar Sureka)  
Partner

M.N:- 091380

UDIN:- 20091380 AAAA DZ9593

Place : Patna

Date :