

Internal Audit Report

of

ULB: Nagar Panchayat Belsand

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,
Bailey Road Pillar No.10, Patna-800014 (Bihar).

M: 9811077186, 9999232791

E: mfp@gksureka.com W: gksureka.com

From 03-10-2019 to 06-11-2019

Report Issued on: 17-11-2019

Executive Summary

1. Introduction

Name of the Municipality	Nagar Panchayat Belsand
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. Rajeev Singh

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.
<p>Weakness observed in the functioning of office, maintenance of records etc. observed during the audit engagement.</p> <p><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. ➤ Books of accounts are not maintained on daily basis. ➤ TDS has not been deducted on payment of salary to employees. ➤ Quarterly TDS return has not been filed by the Nagar Panchayat. ➤ TDS has not been deducted on payment of salary to EO



	<p>and City Manager.</p> <ul style="list-style-type: none"> ➤ Professional tax on salary paid to permanent staffs has not been deducted in the month of September of every year. ➤ Bank Reconciliation Statement has not been prepared. ➤ Monthly 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 works has been done by Tax Daroga) ➤ Fixed Asset Register and other various register has not been prepared by Nagar Panchayat. ➤ Inventory/Store Register is not updated. ➤ Advance Register is not updated ➤ Nagar Panchayat has not collected licensing fees for Hotel, Factory, Clinic, Professional such as Surveyors, Restaurant, Cinema, etc. ➤ Nagar Panchayat has not maintained voucher number on cash book. ➤ Nagar Panchayat has made payment of Electricity bill after due date. ➤ Nagar panchayat is not in practice to deposit PF on due dates.
--	---

3. Opinion

<p>Overall opinion of the Audit team about the functioning of the Municipality</p>	<p>The functioning of the Municipality is very weak due to following reasons:</p> <ul style="list-style-type: none"> ➤ 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. ➤ Overall monitoring of collection from own source is very poor.
---	--



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 .
- 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.
- M & N Form should be collected from contractor.
- Voucher number should be maintained on cash book as well as on passed voucher.



4. 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 Belsand (Executive Officer)
--------------------------------	--

5. Acknowledgment

We thank Mr. Rajeev singh (Executive Officer) for their support during the period of our audit. We are also thankful to Tax Daroga Mr. Ram Shreshtha 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.-5130180

CA. Gauri Kumar Sureka
Partner
M.N:- 091380



UDIN:- 20091380AAAA03617

Date: 24-06-2020

Detailed Audit Report

1. Introduction

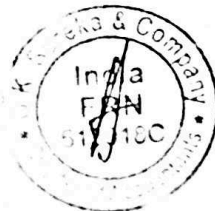
The Internal audit of Nagar Panchayat covering period from 1st April 2018 to 31st March, 2019 was conducted by our audit team under guidance of CA. Gokul Kumar Sureka, Partner, M/s G.K. Sureka & Co., (Chartered Accountants).

- i. CA Anoop Kumar Singh
- ii. Mr. Lalan Kumar
- iii. Mr. Gautam Kumar

2. Administration

The present body of the ULB has taken charge on 09-06-2017. The incumbency in the key administrative and executive position was as under:

- i. Chairman : Md. Randhir Kumar, from 09.06.2017 to till date,
- ii. Vice-Chairman : Smt. Bindu Devi, from 09-06-2017 to till date.
- iii. Executive officer : Mr. Rajeev Singh, from 20-02-2018 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 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.	Audit Report No. 722/17-18 dated- 11.06.2018	16	16	16	0	24818000	16	Not Complied
2.	Internal Audit Report of FY 2016-17 was not available for verification.							



The Major observations of AG audit report are as under:

- Short Deposit of Holding tax in the f/y 2016-17 by Rs. 1132262.25
- Losses incurred by ULB during 2015-16 & 2016-17 of Rs. 388224.00 due to Non Assessment of Holding / Property tax rates.
- Irregular Payment to staffs amounted to Rs. 204673.00.
- Payment of Rs. 3137572.00 under 5th Finance and 14th Finance was not according to Rules & Orders of State Govt.
- Non Deduction of VAT amounted Rs. 38081.00.
- Non Deduction of VAT amounted Rs. 11246.00.
- Un adjusted advances of Rs. 7600000.00.
- Excess Payment of Rs. 67800.00 under the head of Ward councilor T.A.
- Irregularities in the purchase of Sauction machine and Vapour light.
- Short Deduction of VAT for Rs. 22019.00.
- Non Deduction of Income tax by Rs. 3000.00.
- Excess payment of Electricity charges by Rs. 9181.95.
- Non collection of Arrear Holding tax of Rs. 3852802.00.
- Non Collection Mobile tower tax of Rs. 740000.00.
- Un-utilised Grant of Rs. 5985258.00.
- Short deduction of Labour cess by Rs. 8766.00.



4. Finance

I. Budgetary provisions and expenditure for the last three years

Year	2016-17	2017-18	2018-19
Final/ Revised Budget	N.A	38,98,20,951.00	23,39,78,000.00
Actual Expenditure	N.A	7,70,10,983.00	8,62,74,783.00
Savings (+)/ Excess (-)	N.A	31,28,09,968.00	14,77,03,217.00

II. Volume of transactions

Period	Budgeted 2018-19	Previous year (For One year) 2017-18	Corresponding period of previous year 2016-17	Current Period 2018-19	Cumulative for the current period 2018-19
Opening Balance	9,21,37,998	23,12,69,239	N.A	21,39,89,746	21,39,89,746
Receipts	36,87,62,485	5,97,31,490	N.A	6,56,25,788	6,56,25,788
TOTAL	46,09,00,483	29,10,00,729	N.A	27,96,15,534	27,96,15,534
Net Expenditure	23,39,78,000	7,70,10,983	N.A	8,62,74,783	8,62,74,783
Closing Balance	22,69,22,483	21,39,89,746	N.A	19,33,40,751	19,33,40,751

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



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 Panchayat. Details of Cash book and Bank book given below as on 31st March 2019:

S.No.	Particulars	Balance as per Cash Book as on 31.03.2019	Balance as per Passbook as on 31.03.2019	Difference	Remarks
1.	CO-OPERATIVE BANK-1846	0.00	6,49,331.83	(649,331.83)	BRS not prepared.
2.	IDBI-69988	0.00	4,738.00	(4,738.00)	BRS not prepared.
3.	IDBI-69997	16,42,828.00	16,57,163.00	(14,335.00)	BRS not prepared.
4.	BOB-001	0.00	1,89,581.00	(189,581.00)	BRS not prepared.
5.	SBI-7847	11,47,658.00	7,33,938.00	413,720.00	BRS not prepared.
6.	BOB-3616	26,92,255.00	28,54,761.50	(162,506.50)	BRS not prepared.
7.	IDBI-36815	0.00	2,543.00	(2,543.00)	BRS not prepared.
8.	BOB-2087	3,35,54,653.00	3,38,59,965.00	(305,312.00)	BRS not prepared.
9.	IDBI-57804	0.00	34,424.37	(34,424.37)	BRS not prepared.
10.	CO-OPERATIVE BANK-3637	5,25,400.00	0.00	525,400.00	BRS not prepared.
11.	SBI-95789	3,632.00	4,974.00	(1,342.00)	BRS not prepared.
12.	SBI-4706	26,255.00	0.00	26,255.00	BRS not prepared.



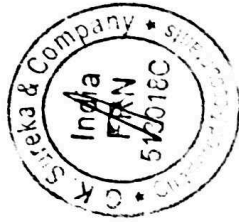
13.	SBI-943				BRS not prepared.
		11,12,983.00	11,12,983.00	-	
14.	SBI-96421			248.00	BRS not prepared.
		2,099.00	1,851.00		
15.	IDBI-56267			(1,238.00)	BRS not prepared.
		0.00	1,238.00		
16.	IDBI-81935			15,683,897.50	BRS not prepared.
		2,25,07,037.00	68,23,139.50		
17.	IDBI-1944			(16,983,002.00)	BRS not prepared.
		1,60,35,975.00	3,30,18,977.00		
18.	TREASURY PLA			(1.88)	BRS not prepared.
		10,41,36,429.00	10,41,36,430.88		
19.	ICICI-578			2,325,216.00	BRS not prepared.
		23,25,216.00	0.00		
20.	IDBI-56285			(33,025.00)	BRS not prepared.
		0.00	33,025.00		
21.	IDBI-6294			(455.00)	BRS not prepared.
		0.00	455.00		
22.	IDBI-6276			(146.00)	BRS not prepared.
		0.00	146.00		
	Difference	0.00	5,92,754.92	(592,754.92)	
	Total Balance	18,57,12,420.00	18,51,19,665.10		
	Balance as per General Cash Book	19,33,40,751.00			
	Difference	7628331.00		7628331.00	

❖ *There is a difference of Rs.76,28,331/- in General Cash Book and Subsidiary Cash Books as on 31.03.2019 i.e. (Rs.19,33,40,751 - Rs.18,57,12,420). We suggest to the concerned staffs to reconcile the balances for fair presentation of financial position.*



Income Details (Amounts to be provided in Rupees)

S. No.	Details (as per books of A/c)	2017-18		2017-18		2018-19		2018-19		2019-20	
		2017-18	2016-17	2017-18	2016-17	2018-19	2017-18	2018-19	2019-20	2018-19	2019-20
	Total Receipts (A+B)	5,97,31,490	Not Available	6,56,25,788	5,97,31,490	6,56,25,788	5,97,31,490	6,56,25,788	Not Applicable	6,56,25,788	
A	Revenue Receipts (1+2+3)	25,35,922	--do--	36,44,539	25,35,922	36,44,539	25,35,922	36,44,539	--do--	36,44,539	
1	Own Revenue Receipts (a+b)	13,92,526	--do--	2,51,416	13,92,526	2,51,416	13,92,526	2,51,416	--do--	2,51,416	
a)	Tax Revenue (levied and collected by municipal body)	-	--do--	30,000	-	30,000	-	30,000	--do--	30,000	
i)	Property Tax (as per bank statement)	13,92,526	--do--	30,000	13,92,526	30,000	13,92,526	30,000	--do--	30,000	
ii)	Other Tax (levied and collected by municipal body)	-	--do--	-	-	-	-	-	--do--	-	
b)	Non-Tax Revenue (levied and collected by municipal body)	-	--do--	2,21,416	-	2,21,416	-	2,21,416	--do--	2,21,416	
i)	Fees & Fines	-	--do--	-	-	-	-	-	--do--	-	
ii)	User Charges	-	--do--	-	-	-	-	-	--do--	-	
iii)	Other non-tax revenue (levied and collected by municipal body)	-	--do--	-	-	-	-	-	--do--	-	
2	Other Revenue Receipts	4,57,333	--do--	25,01,713	4,57,333	25,01,713	4,57,333	25,01,713	--do--	25,01,713	
a)	Income from interest/investments	57,333	--do--	24,07,980	57,333	24,07,980	57,333	24,07,980	--do--	24,07,980	
b)	Other Revenue Income	4,00,000	--do--	93,733	4,00,000	93,733	4,00,000	93,733	--do--	93,733	
3	Transfers/ Grants/ Assigned Revenues	6,86,063	--do--	8,91,410	6,86,063	8,91,410	6,86,063	8,91,410	--do--	8,91,410	
a)	State Assigned Revenue Professional Tax	6,86,063	--do--	8,91,410	6,86,063	8,91,410	6,86,063	8,91,410	--do--	8,91,410	
b)	state finance commission grant/Devolution	-	--do--	-	-	-	-	-	--do--	-	
c)	Octroi Compensation	-	--do--	-	-	-	-	-	--do--	-	
d)	Other State Govt transfer	-	--do--	-	-	-	-	-	--do--	-	
e)	Central finance commission grant	-	--do--	-	-	-	-	-	--do--	-	
f)	Other Central Govt transfer	-	--do--	-	-	-	-	-	--do--	-	
g)	Others	-	--do--	-	-	-	-	-	--do--	-	
B	Capital Receipts	5,71,95,568	--do--	6,19,81,249	5,71,95,568	6,19,81,249	5,71,95,568	6,19,81,249	--do--	6,19,81,249	
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.)	43,273,742.00	--do--	1,62,05,877	43,273,742.00	1,62,05,877	43,273,742.00	1,62,05,877	--do--	1,62,05,877	
4	Central Capital Account Grant (under Central Schemes etc.)	9,247,833.00	--do--	4,57,75,372	9,247,833.00	4,57,75,372	9,247,833.00	4,57,75,372	--do--	4,57,75,372	
5	Other Capital Receipts	46,73,993	--do--	-	46,73,993	-	46,73,993	-	--do--	-	



Expenditure Details (Amounts to Be provided in Rupees)

S. No.	Details (as per books of A/c)	2017-18		2017-18		2018-19		2018-19		2019-20	
		7,70,10,983	5,02,11,241	7,70,10,983	5,02,11,241	8,62,74,783	1,96,00,713	7,70,10,983	5,02,11,241	2019-20 Applicable	2018-19
1	Revenue Expenditure										
1.1	Administrative Expenses, Establishment and Salaries (All Departments- Regular and Contractual Staff)	48,78,197				23,79,269		48,78,197		--do--	23,79,269
1.2	Operation and Maintenance (O&M)	4,38,868				2,26,642		4,38,868		--do--	2,26,642
1.3	Loan Repayment (Interest payments)	-				-		-		--do--	-
1.4	Others (any other revenue expenditure which is not salaries O&M or Interest Payment)	4,48,94,176				1,69,94,802		4,48,94,176		--do--	1,69,94,802
2	Capital Expenditure	2,67,99,742				6,66,74,070		2,67,99,742		--do--	6,66,74,070
2.1	All developmental works under Central/ State specific schemes	75,36,944				96,81,197		75,36,944		--do--	96,81,197
2.2	Loan Repayment (Principal payment)	-				-		-		--do--	-
2.2	Other Capital Expenditure	1,92,62,798				5,69,92,873		1,92,62,798		--do--	5,69,92,873



I. 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 maintained its books of account on accrual basis upto 31.03.2016. And after that period it has stopped Double entry accounting till date.

➤ Status of Double Entry Accounting System:

- 1) Name of Agency Implementing DEAS: N.A
- 2) Period: N.A
- 3) Status of Report : N.A
- 4) Preparation of Fixed Asset Register : N.A
- 5) Preparation of Opening Balance Sheet: N.A
- 6) Preparation of Financial Statement : N.A
- 7) Preparation of Property Tax Register : N.A
- 8) Details of Tally Installation:

Details of Tally Serial Id. 775641573 And
Email Id. : fcadhrubnarayan@gmail.com

II. 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 Municipal accounts committee since its first meeting.



Audit Observations

I. PART- A

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

1. **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;

- a. **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. 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
All ward	All	114573.20	0.00	114573.20

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.

b. 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 Rs.9,66,000/- as on **31st Mrch, 2019** is as under (Copy enclosed):

Outstanding Balance of Tower Tax of Nagar Panchayat Belsand (Sitamarhi)

Name of Company	Year Of Installation	No of Tower	Registration Fees	Registration Fees Received	Renewal Fees	Renewal Fees Received	Outstanding On 31-03-2019
Vodafone	2007	1	30,000	Nil	1,08,000	Nil	1,38,000
Reliance	2007	1	30,000	Nil	1,08,000	Nil	1,38,000
Uninor	2007	1	30,000	Nil	1,08,000	Nil	1,38,000
B.S.N.L	2007	1	30,000	Nil	1,08,000	Nil	1,38,000
Airtel	2007	1	30,000	Nil	1,08,000	Nil	1,38,000
Idea	2007	1	30,000	Nil	1,08,000	Nil	1,38,000
Tata Telecome	2007	1	30,000	Nil	1,08,000	Nil	1,38,000
Total:-							9,66,000



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.

c. 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

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

No Irregularities observed



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

b. Irregularity in procurement process

➤ No irregularity has found in procurement process.

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.

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 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) 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.
- 5) Tower tax dues are not collected on time basis.

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

- The municipality is not regular in deduction of Income Tax on salary to employees / officer.
- 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 Panchayat is not in practice to deduct professional tax on payment of salary to employee / officer.

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.



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 follows:

Details of Grants received and their utilisation:

Sl. No.	Fund	Date	Bill No.	Sanction letter no./ Dated	Amount	U.C Amount	U.c date
1	E.O Salary	28.05.2018	01/18-19	07/22.05.2018	7,00,000	0	Not Submitted
2	City Manager Salary	05.06.2018	02/18-19	08/24.05.2018	1,97,220	0	Not Submitted
3	Professional tax	18.03.2019	08/18-19	27/24.10.2018	8,91,410	0	Not Submitted
4	Nali gali yojna	18.03.2019	15/18-19	89/22.02.2019	32,72,715	0	Not Submitted
5	Nali gali yojna	18.03.2019	16/18-19	89/22.02.2019	1,42,292	0	Not Submitted
6	Drain constt.	18.03.2019	17/18-19	93/28.02.2019	1,18,93,650	0	Not Submitted
7	Total				1,70,97,287		

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.

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.

Action/Suggestions

Nagar Panchayat 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 under:

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 Proper heads of accounts, Including holding tax, tower tax and miscellaneous receipt.

Chapter-X: Application of Municipal Fund

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

No irregularities observed in preparation and presentation of budget estimate for the FY 2018-19.

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 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 during the year.
6. Tower tax (Registration and Renewal Fees) is not being collected on timely basis.

Nagar Panchayat is not collecting any advertisement tax.

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 inconsistencies 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;

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.

c. Auditor should Report on compliance of Bihar Municipal Accounting Manual, Bihar Municipal

➤ 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.



<p>Accounts Rules, 2014 and Bihar Municipal Budget Manual with special attention to following Rules of BMAR</p> <p>(1) Rule 22: All moneys to be brought to account</p> <p>(2) Rule: 27: Collections to be deposited into Bank on the same day</p> <p>(3) Rule 69: Grant Related Compliance</p> <p>(4) Rule 120-121: Monthly Receipt & Payment Account and Trial Balance</p> <p>➤ Monthly receipt and payment & Trial Balance has not been prepared by the Nagar Panchayat.</p> <p>(5) Rule 130: Audit to be completed & reported within 6 month</p>	<p>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.</p> <ul style="list-style-type: none"> • Till date Double Entry Accounting System is operational in the Nagar Panchayat. • Internal control for collections of revenue from internal sources is not adequate such as : <ul style="list-style-type: none"> ➤ Demand registers for various tax is not maintained. <p>All the tax collections are not deposited in bank account on same day.</p>
<p>d. 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 Affair) and UD&HD (Urban Development and Housing Department) not provided to us for Report on compliance of financial guidelines.</p>
<p>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 Municipal properties, Advertisement Taxes/Fees, Sairat etc;</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 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/more than a week. ➤ 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 suffer the opportunity loss of interest.



- Due to non collection and monitoring of Tower tax there is a huge revenue loss to the Nagar Panchayt.
- 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.

Action/Recommendation

Nagar Panchayat 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.

No Irregularities observed.

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.

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.

Details of Grants received and their utilisation:

Sl. No.	Fund	Date	Bill No.	Sancti on letter no./ Dated	Amount	U.C Amo unt	U.c date
1	E.O Salary	28.05. 2018	01/18- 19	07/22. 05.20 18	7,00,000	0	N.A
2	City Manag er Salary	05.06. 2018	02/18- 19	08/24. 05.20 18	1,97,220	0	N.A
3	Profess ional tax	18.03. 2019	08/18- 19	27/24. 10.20 18	8,91,410	0	N.A
4	Nali	18.03.	15/18-	89/22.	32,72,715	0	N.A



	gali yojna	2019	19	02.20 19			
	Nali gali yojna	18.03. 2019	16/18- 19	89/22. 02.20 19	1,42,292	0	N.A
6	Drain constt.	18.03. 2019	17/18- 19	93/28. 02.20 19	1,18,93,6 50	0	N.A
7	Total				1,70,97,2 87		

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 Panchayat.

➤ Tower tax (Registration and Renewal Fees) is not being collected on timely basis as more than Rs. 966000/- 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 personals are recommended. Further, Nagar Panchayat 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. Internal Auditor will report on each payment, that the payment terms & conditions of tenders and rate offers are according to procurement law and policies.

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.

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

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.

➤ No such FD's held by Nagar Panchayat.

➤ **Statement of Loss:**

S. No.	Particulars	Net Loss	Reason
1	Property Tax	114573.20	Short Deposit against collections.
2	Birth Death certificate fees	650.00	Short Deposit against collections.
3	Advertisement Tax	-	Nagar Panchayat is not collecting any advertisement tax.
4	Various Licensing Fee	--	Nagar Panchayat is not collecting various licensing fee as specified in chapter XV of Bihar Municipal Act, 2017

➤ Following are the details of Tax Deduction which we have checked by us during Audit period (2018-19) :

Sl.N o.	Particulars	Deduction s	Deposited	Short/excess
1.	Income tax	280084.00	280084.00 0	0
2.	Labour Cess	203647.00	208337.00 0	0
3.	ROYALTY	208337.00	0	208337.00



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.

The Major observations of AG audit report are as under:

- Short Deposit of Holding tax in the f/y 2016-17 by Rs. 1132262.25
- Losses incurred by ULB during 2015-16 & 2016-17 of Rs. 388224.00 due to Non Assessment of Holding / Property tax rates.
- Irregular Payment to staffs amounted to Rs. 204673.00.
- Payment of Rs. 3137572.00 under 5th Finance and 14th Finance was not according to Rules & Orders of State Govt.
- Non Deduction of VAT amounted Rs. 38081.00.
- Non Deduction of VAT amounted Rs. 11246.00.
- Un adjusted advances of Rs. 7600000.00.
- Excess Payment of Rs. 67800.00 under the head of Ward councilor T.A.
- Irregularities in the purchase of Sauction machine and Vapour light.
- Short Deduction of VAT for Rs. 22019.00.
- Non Deduction of Income tax by Rs. 3000.00.
- Excess payment of Electricity charges by Rs. 9181.95.
- Non collection of Arrear Holding tax of Rs. 3852802.00.
- Non Collection Mobile tower tax of Rs. 740000.00.
- Un-utilised Grant of Rs. 5985258.00.
- Short deduction of Labour cess by Rs. 8766.00.

During the Audit period, we observed that all the above audit objections are serious impact on the functioning of ULB but there is not any initiatives has taken to solve audit issues by ULB.



- 2. 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 should mention voucher number on each and every entry on of cash book.

For G.K.Sureka & Co.

Chartered Accountants & Company
FRN.-518018C

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



UDIN: 20091380AAAA003617

Date: 24-06-2020

Place:

Date:

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:

S. NO	<u>Audit Observations</u>	<u>Reply of Management</u>
1.	<p>Compliance of C&AG audit report for the FY 2017-18 is still pending, please provide exact status of Compliance Report.</p> <p>Copy of Internal audit report of FY 2016-17 has not been made available to us for verification and to know status of compliance of outstanding audit paras.</p>	<p>Will be provided soon.</p>
2.	<p>Bank Reconciliation statement has not been prepared on regular intervals. i.e. Monthly/Quarterly,</p> <p>Account and Scheme wise Bank reconciliation not prepared and corresponding Book Balance and Pass balance not provided of respective accounts.</p>	<p>Preparation of Bank Reconciliation Statement is in progress. It will be provided as soon as possible.</p>



... team has been appointed by the concerned department. Implementation of DEAS is in progress, and pending for approval.

<p>4. Constitution of "Municipal Accounts Committee" is pending yet.</p>	<p>We are working on the constitution of Municipal Accounts Committee.</p>
<p>5. a. Reconciliation of property tax collection by tax collector and amount deposited into bank is also not available. 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. c. Holding Tax collected during the FY 2018-19 had not been deposited in full, we found short deposit of Rs.1,14,573/-. 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. b) Noted for further compliance. c) Short deposit of Rs. 1,14,573/- has been deposited in bank. d) Noted for further compliance.</p>
<p>6. Tower tax (Registration and Renewal Fees) is not being collected on timely basis as more than Rs.8 26 000/- is receivable from tower tax.</p>	<p>Notice will be issue to the concerned person, as and when stay order of High Court will be laps/remove.</p>



8. 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
7.	Security Money register	Not Maintained
8.	Tower Tax Demand Register	Not maintained
9.	Holding Tax Register	Not Maintained

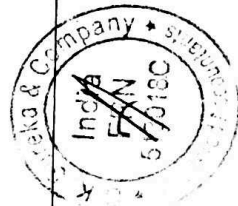
9. U/LB is not preparing its books of accounts using the accrual system of accounting.

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

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

a. Surcharge on transfer of lands and buildings,

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



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

Details as below.

- b. Tax on deficit in parking spaces in any non-residential building,
 - c. Water tax,
 - 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.

11.

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)	280084	280084	0
LabourCess	203647	203647	0
Royalty	208337	0	208337

12. **Deficiency in Pay-roll System**

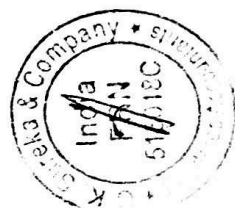
- 1) The pay-roll system does not contain leave details of employee

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

We are implementing recommendation which has given by Internal Auditor.



	<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>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>
13.	<p>Grant Register has not been prepared hence it is difficult to ascertain unutilized grant at any particular time.</p> <p>Utilization Certificate has not been prepared on regular basis for the Grant received during the FY 2016-19.</p> <p>We recommend to the ULB to provide the grant register for assist in preparation of utilization certificate.</p>	<p>Store register is prepared but not maintained, we are working on it.</p>
14.	<p>Store Register has not been prepared and physical verification of inventory/stores has also not been done.</p>	<p>it will be followed from next time.</p>
15.	<p>Advance Register is not being prepared hence it is difficult to monitor for advances given and adjustment thereof.</p>	
16.	<p>Staff strength of accounts department needs to be increased.</p>	<p>Yes, I will place this matter in meeting board/committee.</p>



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

We are working on the recommendations made by the Internal Auditor.

18. Internal control measure has not been consider by concerned ULB for its operation and transaction.

19. 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.

20. Nagar Panchayat has not been maintained voucher number on cash book as well as passed voucher.

Noted for further compliance.



Date:
Place:

For Nagar Panchayat Belsand
(Executive Officer)

Handwritten signature
11/02/14