

ANNEXURE-1

Internal Audit Report

of

ULB: Motihari Nagar Parishad

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).
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From 24-09-2019 to 09-11-2019

Report Issued on: 27-11-2019

Executive Summary

1. Introduction

Name of the Municipality	Nagar Parishad Motihari (East Champaran).
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. Vimal Kumar

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. ➤ Staff Co-operation during the Audit period was very good. ➤ 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.
<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</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. ➤ Statement of outstanding liabilities for expense in BMAR Form-55 is not maintaining by the municipality. ➤ There is lack of internal control on deduction and deposit of various taxes. On deduction of taxes liability is not created hence it is difficult to ascertain tax payable at any point of time. Taxes such as VAT, I.T. Royalty etc are collected from time to time but its payments are made on yearly basis which is not proper. Taxes should be remitted to the Govt. account on timely basis otherwise penal action may be taken by the concerned department for delayed deposit of taxes. ➤ Taxes and other revenue collections from internal sources are not deposited in bank on same day. ➤ Assessment of Property Tax, Rent and other resources has not been conducting on regular intervals. ➤ Labour cess (1%) on the Estimated value of constructed building in the area of Nagar Parishad has not been collected. ➤ In 1 instance, we observed that security money under nali



outstanding statutory and internal audit observations.	gali yojna has refunded to contractor only after 10 months.
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3. Opinion

Overall opinion of the Audit team about the functioning of the Municipality	<p>The functioning of the Municipality is very weak due to following reasons:</p> <ul style="list-style-type: none"> ➤ Most of the prescribed Books of accounts are not maintained ➤ Internal Control w.r.t. collection of taxes, monitoring of grant, monitoring of advances, 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. ➤ There are serious lapses in deduction and deposit of statutory dues such as TDS, VAT, Royalty, Labour cess etc.
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4. Audit Recommendations

The recommendations of Audit team on the observed weakness	<p>We recommend the followings:</p> <ul style="list-style-type: none"> ➤ 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. ➤ Cashier Cash Book should be written on daily basis. ➤ Collection by tax collector should be deposited on daily basis. ➤ Assessment of property should be conducted on regular intervals. ➤ Grant Register should be prepared. ➤ All the statutory dues should be deposited on timely basis and returns prescribed under the statute should also be deposited on timely basis. ➤ Demand Collection Register of all the wards should be prepared. ➤ Property tax register should be prepared as per new assessment. ➤ Collection from own sources should be improved.
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5. Comments from Management

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

We thank Mr. Bimal Kumar (Executive Officer), Mr. Madan Ram (Head Clerk) and Mr. Ajeet Kumar (Cashier) for their support during the period of our audit. We are also thankful to Tax Daroga (Arun Kumar Mishra) 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 AAAAC 1285

Detailed Audit Report

1. Introduction

The Internal audit of Nagar Parishad, Motihari (East Champaran) 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. Avinash Kumar
- iii. Mr. Kundan Kumar Raja

2. Administration

The present body of the ULB has taken charge on 2nd July 2018. The incumbency in the key administrative and executive position was as under:

- i. Chairman : Smt. Anju Devi, from 09.06.2017 to till date,
- ii. Executive officer : Shri Bimal Kumar, from 02.07.2018 to till date.



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

Sl. No.	Particulars of Audit and date of report	Total No. of Audit Paras.	Total No. of audit paras where necessary improvement/ corrective measure is required	Total No. of audit paras where recovery of cash is 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. 448/2009-10	33	15	0	0	0	18	942/28.05.2012, 251/11.02.2015, 1607/12.06.2017
2.	661/2011-12	32	08	0	0	0	24	783/21.06.2013, 3158/24.11.2018
3.	686/2013-14	39	0	0	0	0	39	204/30.01.2019
4.	1170/2015-16	9	0	0	0	0	9	99/16.01.2019
5.	DLFA/12/2015-16	0	0	0	0	0	0	NOT COMPLIANCE
6.	271/2016-17	15	0	0	0	0	15	139/21.01.2019



The Major observations of AG audit report are as under :

Para No.	AG Audit Observation for FY 2016-17	Status of Compliance
1.	Loss of revenue Rs.261200 in collection and endowment of sairats.	Following up for recovery.
2.	Estimated loss of revenue of Rs.10.36 Lakh on non completion of endowment of sairats.	Compliance report submitted, pending for closure.
3.	Non collection of late fees Rs.1.73 Lakh on delayed completion of scheme works.	Noted for compliance.
4.	Non registration of mobile towers and outstanding balance of tower tax Rs.8262500/-	Following up for recovery and registration.
5.	Non collection of service tax Rs.140000/-	Pending for compliance.
6.	Non Collection of town hall rent.	Compliance submitted, pending for closure.
7.	Outstanding balance of property tax Rs.449.30 Lakh	Compliance submitted, pending for closure.
8.	Outstanding holding tax of Rs.200.11 Lakh on government buildings.	Following up for recovery.
9.	Outstanding Shop Rent Rs.12.27 Lakh	Following up for recovery.
10.	Excess employment allowed from accepted limit.	Compliance submitted, pending for closure.
11.	Non preparation of advance register	Complied.
12.	Grant Register	Pending for compliance.
13.	Irregularities in preparation of log book for vehicles	Pending for compliance.
14.	Not maintenance of books on double entry system of accounting.	Pending for compliance.
15.	General observations	Pending for compliance.



4. Finance

I. Budgetary provisions and expenditure for the last three years

Year	2016-17	2017-18	2018-19
Final/ Revised Budget	N.A	91,40,88,204	95,88,39,300
Actual Expenditure	N.A	37,73,07,036	40,38,09,424
Savings (+)/ Excess (-)	N.A	53,67,81,168	55,50,29,876

II. Volume of transactions

Period	Budgeted 2018-19	Previous year (2017-18)	Corresponding period of 2016-17	Current Period 2018-19	Cumulative for the 2018-19
Opening Balance	35,78,73,390	41,92,39,256	N.A	29,71,97,659	29,71,97,659
Receipts	60,35,80,000	26,81,42,552	N.A	46,59,72,290	46,59,72,290
TOTAL	96,14,53,390	68,73,81,808	N.A	76,31,76,949	76,31,76,949
Net Expenditure	95,88,39,300	37,73,07,036	N.A	40,38,09,424	40,38,09,424
Closing Balance	26,14,090	31,00,74,772	N.A	35,93,60,525	35,93,60,525

The figure of Receipt & Payment of the f/y 2016-17 has not provided to us.



III. Bank Reconciliation

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

S. No.	Bank Name	Account Number	Balance 31.03.2019	Name of scheme	Reconciliation position
1.	ICICI BANK	133401000867	26,65,965.00	SBM	Quarterly not reconciled.
2.	IDBI BANK	1075104000172141	6,41,67,331.00	MUKHYA MANTRI NALI GALI YOJNA	Quarterly not reconciled.
3.	BANK OF INDIA	444110110016786	1,69,85,201.00	SAB KE LIYE AWAS	Quarterly not reconciled.
4.	BANK OF INDIA	444110110016785	5,07,599.26		Quarterly not reconciled.
5.	TREASURY	PLA	26,28,06,283.75	INFRA STRUCTURERE DEVELOPMENT	Quarterly not reconciled.
6.	PNB	2513000101295139	3,60,58,290.75	13 TH , SBM AND ANRUT	Quarterly not reconciled.
7.	BANK OF INDIA	444110100017756	2,45,96,262.32	OFFICE EXPENSES	Quarterly not reconciled.
8.	BANK OF INDIA	444112110000042	8,66,642.55	MUNICIPAL EMPLOYEE PENSION FUND	Quarterly not reconciled.
9.	BANK OF INDIA	444110110012036	2,23,96,643.36	NULM	Quarterly not reconciled.
10.	SBI	10953160524	4,74,051.27	NAGAR BHAWAN	Quarterly not reconciled.
Total Balance as per bank book			43,15,24,270.26		
Total balance as per subsidiary cash book provided			35,93,60,525.00		
Difference (refer to note below)			7,21,63,745.26		

Note: Bank accounts are not being reconciled, there is a difference of Rs.72163745.26 as per cash book and bank book. We recommend to reconcile the bank to present the true and fair view of cash book balances.



IV. Revenue & Capital Receipts

Income Details (Amounts to be provided in Rupees)

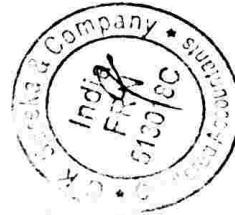
S No.	Details	2017-18		2018-19	
		2017-18	2016-17	2018-19	2017-18
	Total Receipts (A+B)	26,81,42,552	Not Available	46,59,72,290	26,81,42,552
A	Revenue Receipts (1+2+3)	10,24,38,793	--do--	12,99,75,466	10,24,38,793
1	Own Revenue Receipts (a+b)	9,83,61,423	--do--	2,80,22,424	9,83,61,423
a)	Tax Revenue (levied and collected by municipal body)	9,83,61,423	--do--	2,08,28,183	9,83,61,423
i)	Property Tax	5,18,89,140	--do--	2,05,55,181	5,18,89,140
ii)	Other Tax (levied and collected by municipal body)	4,64,72,283	--do--	2,80,000	4,64,72,283
b)	Non-Tax Revenue (levied and collected by municipal body)	-	--do--	71,87,243	-
i)	Fees & Fines	-	--do--	-	-
ii)	User Charges	-	--do--	-	-
iii)	Other non-tax revenue (levied and collected by municipal body)	-	--do--	71,87,243	-
2	Other Revenue Receipts	40,77,370	--do--	1,58,63,224	40,77,370
a)	Income from interest/investments	40,77,370	--do--	28,65,545	40,77,370
b)	Other Revenue Income	-	--do--	1,29,97,679	-
3	Transfers/ Grants/ Assigned Revenues	-	--do--	8,60,89,819	-
a)	State Assigned Revenue	-	--do--	3,98,43,335	-
b)	State Finance Commission (SFC) Grants/Devolution	-	--do--	-	-
c)	Octroi Compensation	-	--do--	-	-
d)	Other State Government Transfers	-	--do--	-	-
e)	Central Finance Commission (CFC) Grant	-	--do--	-	-
f)	Other Central Government Transfers	-	--do--	-	-
g)	Others	-	--do--	4,62,46,484	-
B	Capital Receipts	16,57,03,759	--do--	33,59,96,824	16,57,03,759
1	Sale of Municipal Land	-	--do--	-	-
2	Loans (from State Govt. or Banks etc.)	-	--do--	-	-
3	State Capital Account Grant (under Central Schemes etc.)	11,24,48,596	--do--	16,98,19,441	11,24,48,596
4	Central Capital Account Grant (under Central Schemes etc.)	5,30,89,379	--do--	16,54,97,766	5,30,89,379
5	Other Capital Receipts	1,65,784	--do--	6,79,617	1,65,784



v. revenue and Capital Expenditure Information

Expenditure Details (Amounts to Be provided in Rupees)

S. No.	Details	2017-18		2018-19		2019-20	
		2017-18	2016-17	2018-19	2017-18	2019-20	2018-19
	Total Expenditure (A+B)	37,73,07,036	Not Available	40,38,09,424	37,73,07,036	Not Applicable	40,38,09,424
1	Revenue Expenditure	18,06,95,290	--do--	17,23,90,418	18,06,95,290	--do--	17,23,90,418
1.1	Administrative Expenses, Establishment and Salaries (All Departments- Regular and Contractual Staff)	7,18,01,538	--do--	10,45,95,265	7,18,01,538	--do--	10,45,95,265
1.2	Operation and Maintenance (O&M)	2,03,93,250	--do--	1,86,57,090	2,03,93,250	--do--	1,86,57,090
1.3	Loan Repayment (Interest payments)	-	--do--	-	-	--do--	-
1.4	Others (any other revenue expenditure which is not salaries O&M or Interest Payment)	5,37,44,822	--do--	4,91,38,063	5,37,44,822	--do--	4,91,38,063
1.5	Advances to other agency	3,47,55,680	--do--	-	3,47,55,680	--do--	-
2	Capital Expenditure	19,66,11,746	--do--	23,14,19,006	19,66,11,746	--do--	23,14,19,006
2.1	All developmental works under Central/ State specific schemes	13,75,61,809	--do--	12,81,41,503	13,75,61,809	--do--	12,81,41,503
2.2	Loan Repayment (Principal Amount)	-	--do--	-	-	--do--	-
2.3	Other Capital Expenditure	5,90,49,937	--do--	10,32,77,503	5,90,49,937	--do--	10,32,77,503



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 accounting of ULBs. Based on NMAM, Bihar Municipal Accounts Manual (BMAM) has been got prepared by the Government of Bihar and has been enforced from April 1, 2007. Generally ULB following cash based accounting system which is only detail of total collection and expenses as per provision of BMR 2007, the double entry system should be employed to all ULB.

- Till date Double Entry Accounting System is not operational in the Nagar Parishad.
- Till date no Chartered Accountant firm has been appointed by the UD & HD for implementation of Double Entry Accounting System in the Nagar Parishad. The process of appointment of C.A firm is in progress.

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, but no Municipal Accounts Committee has been constituted by the N.P. till the date of our audit.



5. Audit Observations

I. PART- A

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

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

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)

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/month.

- 1. Reconciliation of property tax collection by tax collector and amount deposited into bank is also not available.
- 2. Tax demand register has not been provided for verification, in such 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.

Holding Tax collected during the FY 2018-19 had not been deposited in full, we found short deposit of Rs.11407.00/- against total collection of Rs. 3,63,98,267.00/-

Details of collection and Deposit of Holding tax are as follows:-

S. N.	NAME OF COLLECTOR	GRAND TOTAL		DIFFERENCES	REMARKS
		COLLECTION	DEPOSIT	(SHORT)/EXCESS	
1.	SANDEEP KUMAR	646728	646458	-270	-
		646728	646458	-270	-



2.	RAJ KUMAR SINHA	395067	1975950	-3139	-
		469563	-	-	-
		385960	-	-	-
		728499	-	-	-
		1979089	1975950	-3139	-
3.	PARMESHWAR PRASAD	1672283	1672283	-	-
		870129	870129	-	-
		1987025	1987022	-3	-
		4529437	4529434	-3	-
4.	RASHEK KUMAR SINHA	706126	3167431	-	-
		490905	-	-	-
		700217	-	-	-
		1270183	-	-	-
		3167431	3167431	-	-
5.	ANUP KUMAR	1206911	4082211	-	-
		1209157		-	-
		1666143		-	-
		4082211	4082211	-	-
6.	RAVI RANJAN KUMAR	913885	3248080	-	-
		537056		-	-
		636901		-	-
		1160238		-	-
		3248080	3248080	-	-
7.	SANTOSH KUMAR YADAV	767665	767665	-	-
		1293829	1293829	-	-
		262155	262155	-	-
		2323649	2323649	-	-
8.	DHRUV NARAYAN MISHRA	877715	877715	-	-
		877715	877715	-	-
9.	NAWAL KISHORE PRASAD	961700	961700	-	-
		733733	733733	-	-
		776662	776662	-	-
		172909	172909	-	-
		2645004	2645004	-	-
10.	DEELIP KUMAR	818016	818016	-	-
		335659	335659	-	-
		1206697	1206697	-	-
		914183	911764	-2419	-
		3274555	3272136	-2419	-
11.	UMA SHANKAR PRASAD	160195	153866	-6329	-
		1316689	1323018	6329	-
		1476884	1476884	-	-
12.	ARUN KUMAR MISHRA	906545	905564	-981	-
		1337862	1337862	-	-



13.	NAUSAD ALAM	2244407	2243426	-981	-
		2558182	2558182	-	-
		1120059	1115464	-4595	-
		187816	187816	-	-
		292269	292269	-	-
		4158326	4153731	-4595	-
14.	ROHAN KUMAR	462128	687771	-225643	-
		1059671	834028	225643	-
		1521799	1521799	-	-
15.	OFFICE	222952	222952	-	-
		222952	222952	-	-
TOTAL		36398267	36386860	-11407	-

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.

2. 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-2



Tower tax (Registration and Renewal Fees) is not being collected on timely basis as more than Rs.1,42,35,700.00/- is receivable from tower tax.

SUMMARY OF TOWER TAX DUES AS ON 31-03-2019

Sl No.	Name of Tower Companies	Year of Tower Establishment	Total Arrear	Renewal Fees	Collection	Outstanding Balance
			UPTO 2017-18	2018-19	2018-19	
1	WTTILPATNA	2009-2010	1,80,000	12,500	-	1,92,500
2	AIRTEL	2008-2009	1,62,400	12,500	-	1,74,900
3	IDEA	2009-2010	1,40,000	12,500	-	1,52,500
4	RELIANCE ZIO	2013-2014	92,500	12,500	-	1,05,000
5	TATA TELES SERVICES LTD.	2007-2008	2,05,000	12,500	-	2,17,500
6	ATC	2014-2015	82,500	12,500	-	95,000
7	BSNL	2005-2006	2,30,000	12,500	-	2,42,500
8	IDEA	2008-2009	1,52,500	12,500	-	1,65,000
9	DISNET WIRLES LTD.	2006-2007	2,17,500	12,500	-	2,30,000
10	TATA TELES SERVICES LTD.	2009-2010	1,80,000	12,500	-	1,92,500
11	AIRTEL	2004-2005	2,02,500	12,500	-	2,15,000
12	RELIANCE	2006-2007	1,77,500	12,500	-	1,90,000
13	AIRCEL DISNET WIRLES LTD.	2006-2007	2,17,500	12,500	-	2,30,000
14	TATA TELECOM	2009-2010	1,80,000	12,500	-	1,92,500
15	IDEA	2009-2010	1,40,000	12,500	-	1,52,500
16	RELIANCE	2006-2007	1,77,500	12,500	-	1,90,000
17	VODA PHONE	2013-2014	62,500	12,500	-	75,000
18	RELIANCE ZIO	2013-2014	92,500	12,500	-	1,05,000
19	TATA TELES SERVICES LTD.	2006-2007	2,18,300	12,500	-	2,30,800
20	WTTIL	2009-2010	1,80,000	12,500	-	1,92,500
21	BSNL	2006-2007	2,17,500	12,500	-	2,30,000
22	DISNET WIRLES LTD.	2006-2007	2,17,500	12,500	-	2,30,000
23	DISNET WIRLES LTD.	2006-2007	2,17,500	12,500	-	2,30,000
24	IDEA	2009-2010	1,40,000	12,500	-	1,52,500
25	TATA TELE SERVICES LTD.	2009-2010	1,40,000	12,500	-	1,52,500
26	AIRTEL	2006-2007	1,77,500	12,500	-	1,90,000
27	IDEA	2008-2009	1,52,500	12,500	-	1,65,000
28	TATA TELES SERVICES LTD.	2009-2010	1,80,000	12,500	-	1,92,500
29	AIRTEL	2008-2009	1,52,500	12,500	-	1,65,000
30	BSNL	2005-2006	2,30,000	12,500	-	2,42,500
31	RELIANCE ZIO	2013-2014	92,500	12,500	-	1,05,000
32	Ascend Telecom Infra.	2012-13	1,02,500	12,500	-	1,15,000
33	RELIANCE	2006-07	1,77,500	12,500	-	1,90,000
34	AIRTEL	2006-07	1,77,500	12,500	-	1,90,000
35	BSNL	2006-07	2,17,500	12,500	-	2,30,000
36	AIRTEL	2006-07	1,77,500	12,500	-	1,90,000
37	AIRTEL	2007-2008	1,65,000	12,500	-	1,77,500
38	IDEA	2008-2009	1,52,500	12,500	-	1,65,000
39	BSNL	2006-07	2,17,500	12,500	-	2,30,000
40	Tata Indicom	2008-2009	1,52,500	12,500	-	1,65,000
41	AIRTEL	2005-2006	1,90,000	12,500	-	2,02,500



42	RELIANCE	2008-2009	1,52,500	12,500	-	1,65,000
43	Tata Telicom	2005-2006	2,30,000	12,500	-	2,42,500
44	RELIANCE	2006-07	1,77,500	12,500	-	1,90,000
45	AIRTEL	2006-2007	1,77,500	12,500	-	1,90,000
46	Tata Telicom	2009-2010	1,80,000	12,500	-	1,92,500
47	Tata Telicom	2009-2010	1,80,000	12,500	-	1,92,500
48	RELIANCE ZIO	2013-2014	92,500	12,500	-	1,05,000
49	BSNL	2006-07	2,17,500	12,500	-	2,30,000
50	IDEA	2007-2008	1,65,000	12,500	-	1,77,500
51	AIRCEL DISNET WIRLES LTD.	2006-07	2,17,500	12,500	-	2,30,000
52	AIRTEL	2006-07	1,77,500	12,500	-	1,90,000
53	Reliance	2005-2006	1,90,000	12,500	-	2,02,500
54	Airtel (Bharti Airtel)	2004-05	1,90,000	12,500	-	2,02,500
55	BSNL	2006-07	2,17,500	12,500	-	2,30,000
56	Tata Indicom	2008-2009	1,52,500	12,500	-	1,65,000
57	Airtel	2014-2015	1,22,500	12,500	-	1,35,000
58	Wireless TT Info Servic Ltd	2009-2010	1,80,000	12,500	-	1,92,500
59	Tata Telicom	2009-2010	1,80,000	12,500	-	1,92,500
60	IDEA	2008-2009	1,52,500	12,500	-	1,65,000
61	Reliance	2009-2010	1,40,000	12,500	-	1,52,500
62	Aircel	2006-07	2,17,500	12,500	-	2,30,000
63	IDEA	2008-2009	1,52,500	12,500	-	1,65,000
64	Aircel	2006-07	2,17,500	12,500	-	2,30,000
65	Airtel	2006-07	1,77,500	12,500	-	1,90,000
66	BSNL	2005-2006	2,30,000	12,500	-	2,42,500
67	Airtel	2008-2009	1,52,500	12,500	-	1,65,000
68	Tata Indicom	2009-2010	1,80,000	12,500	-	1,92,500
69	Reliance ZIO	2009-2010	1,40,000	12,500	-	1,52,500
70	W.I.I.L.	2008-2009	1,52,500	12,500	-	1,65,000
71	Aircel	2007-2008	1,65,000	12,500	-	1,77,500
72	IDEA	2009-2010	1,40,000	12,500	-	1,52,500
73	Tata Telicom	2009-2010	1,80,000	12,500	-	1,92,500
74	IDEA	2008-2009	1,52,500	12,500	-	1,65,000
75	Airtel	2004-2005	1,77,500	12,500	-	1,90,000
76	Reliance ZIO	2013-14	92,500	12,500	-	1,05,000
77	Reliance ZIO	2013-14	92,500	12,500	-	1,05,000
78	IDEA	2008-09	1,80,000	12,500	-	1,92,500
79	Airtel	2008-09	1,92,500	12,500	-	2,05,000
80	Reliance ZIO	2013-14	1,32,500	12,500	-	1,45,000
	TOTAL		1,35,55,700	10,00,000	3,20,000	1,42,35,700

Consequence/Effect/Impact:

Due to no collection of TOWER Rent there is a huge revenue loss to the Nagar Parishad.



Cause:

This happens due to non-monitoring the working activities of concerned authorised personnel on regular basis.

Corrective Action/ Recommendation:

There should be proper records of mobile tower rent demand/ collection/ arrear and proper mechanism for supervision and monitoring for collection.

3. 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 is not collecting any advertisement tax.

Consequence/Effect/Impact:

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

Cause:

This is 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.

4. 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:

Demand Register for shop rent has not being maintained by Nagar Parishad. Further all the revenue collections are being deposited in bank account at the quarter ended 31-03-2019.

Details of Demand and collection of Shop Rent during FY 2018-19 are as follows:-

SL. NO.	NAME OF MARKET	NO.OF SHOP	DEMAND	COLLECTION	OUTSTANDING BALANCES
			TOTAL DEMAND AS ON 31.03.2019	TOTAL COLLECTION	TOTAL O/S DUES
1	APNA MARKET	22	3,04,225.00	1,85,446.00	1,18,779.00
2	RAJENDRA MARKET	42	3,62,670.00	1,37,589.00	2,25,081.00
3	PALIKA MARKET	28	1,03,896.00	88,454.00	15,442.00
4	SUBHASH MARKET	28	1,70,496.00	1,54,176.00	16,320.00
5	MADHUBAN CHAWANI CHOWK	4	8,100.00	8,100.00	-
6	BHAGAT SINGH MARKET	10	84,637.00	72,156.00	12,481.00
7	TOWN HALL	24	1,95,372.00	1,20,240.00	75,132.00
8	APNA MARKET(1ST FLOOR)	22	2,56,243.00	1,96,208.00	60,035.00
9	HOSPITAL CHOWK TO JILA SCHOOL GATE	130	10,61,874.00	6,34,880.00	4,26,994.00
10	IN FORNT OF SUBHASH PARK	21	1,70,427.00	1,18,575.00	51,852.00
11	DHARAM SAMAJ ROAD,DR.LAMBODAR MUKHARGI,URDU LIBRARY,AMBEDKAR MARKET,B.P MANDAL MARKET,JUBA SHANI MARKET,GANDHI MARKET,SARDAR PATEL MARKET	147	14,89,177.00	14,35,749.00	53,428.00
TOTAL		478	42,07,117.00	31,51,573.00	10,55,544.00

Consequence / Effect / Impact:

Due to no collection of rent there is a huge revenue loss to the Nagar Parishad.



Cause:

This is 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 shop rent.

Consequence/Effect/Impact:

Due to no collection of rent there is a huge revenue loss to the Nagar Parishad.

Cause:

This is 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 shop rent.

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

During our test check we observed following irregularities in voucher verification:

- a) Vouchers have not been made available for verification .



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

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. MOTIHARI

SL.NO	NAME	FATHERS NAMES	WARD NO.	TYPE OF CONSTRUCTION	TYPE OF USES	TYPE OF ROAD	CARPET AREA	ANNUAL VALUE	ANNUAL TAX	REM OF AI No Va
1	SATRUDDHAN PRASHAD SINGH	SHRINATH SINGH	25	RCC	COM/RESI	C	1,720	35,808.00	3,222.72	No Va
2	CHEDI PRASHAD	SURYADEV LAL	25	ASB	COMMERCIAL	C	1,120	20,160.00	1,814.40	No Va
3	SOBHA DEVI	RAVI SHANKAR TIWARI	30	RCC	COM/RESI	C	1,481	59,220.00	5,329.80	No Va
4	AMLA PRASHAD SINHA	SIYA DEV NARAYAN	30	RCC	COM/RESI	C	2,240	28,000.00	2,520.00	No Va
5	INDU SHARMA	SURESH SHARMA	30	RCC	RESIDENTIAL	C	2,368	23,680.00	2,131.20	No Vari
6	VED PRAKASH	RAMAWDHESH KUMAR SINGH	30	RCC	RESIDENTIAL	C	2,240	22,400.00	2,016.00	No Vari
7	SUNDER BALA DEVI	ARUN KUMAR PANDEY	32	RCC	RESIDENTIAL	C	2,128	21,280.00	1,915.20	No Variance
8	SUNITA DEVI	BHOLA THAKUR	32	RCC	RESIDENTIAL	C	1,771	17,710.00	1,593.90	No Variance
9	SUGANDHI DEVI	GOLPUJAL THAKUR	32	RCC	RESIDENTIAL	C	2,657	26,565.00	2,390.85	No Variance
10	MALTI DEVI	MAHESH PRASHAD	32	RCC	RESIDENTIAL	B	1,210	14,515.20	1,306.37	No Variance
11	SUSMA DEVI	BRAJ KISHOR PRASHAD VERMA	23	RCC	RESIDENTIAL	C	1,151	17,268.00	1,554.12	No Variance
12	MADHUWANTI DEVI	ARBIND KUMAR	23	RCC	COM/RESI	B	3,227	81,769.50	7,359.26	No Variance
13	ANUKAPA KUMARI	BIRENDRA PRASHAD SINGH	23	RCC	RESIDENTIAL	C	2,052	20,520.00	1,846.80	No Variance
14	PRADIP KUMAR SHIRIVASTAVA	MURARI SHARAN SHIVASTAVA	23	RCC	COMMERCIAL	C	851	12,758.00	1,148.22	No Variance
15	ANITA DEVI	PRABHU SHARAN THAKUR	1	RCC	RESIDENTIAL	C	1,063	10,630.00	956.70	No Variance
16	SHARDA DEVI	MAHABIR PASWAN	1	RCC	RESIDENTIAL	C	686	6,860.00	617.40	No Variance
17	SUDAMA DEVI GUPTA	LATE RAMASHISH GUPTA	1	RCC	RESIDENTIAL	B	2,169	26,028.00	2,342.52	No Variance
18	RITA GUPTA	LATE PURUSHOTTAM PRASHAD GUPTA	5	RCC	COM/RESI	B	1,430	34,320.00	3,088.80	No Variance
19	BAIDHNATH PRASHAD	LATE YAMUNA PRASHAD	5	RCC	COMMERCIAL	B	640	28,800.00	2,592.00	No Variance
20	SARASWATI DEVI	LATE BRAJMOHAN PRASHAD	5	RCC	COM/RESI	B	1,728	28,164.00	2,534.76	No Variance



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.	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

Recommendation:

We recommend to the Nagar Parishad to Prepare and update the required books and registers.

b. Irregularity in procurement process

➤ No major irregularity observed.

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 to comply with all directives issued by concerned authorizes of UD & HD, GOB.

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.

New Assessment has not been done since long and holding tax is being collected at old rates.

Recommendation:

We recommend to the Nagar Parishad to levy the above taxes and user charges.

e. Lack of internal Control measures

- 1) There are lack of internal control w.r.t collection of taxes.
- 2) Demand collection Register has not been prepared hence it is not possible to ascertain total arrear of taxes
- 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 long and holding tax is being collected at old rates.
- 5) Due 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 levied 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.
- 8) Tender of Ghat, Crematorium, Gate, Palm trees and lands are not done on yearly basis.
- 9) Advance Register is not prepared hence it is difficult to monitor for advances given and adjustment thereof.
- 10) There is lack of internal control on deduction and deposit of various taxes. On deduction of taxes liability is not created hence it is difficult to ascertain tax payable at any point of time. Taxes such as VAT, I.T. Royalty etc are collected from time to time but its payments are made on yearly basis which is not proper. Taxes should be remitted to the Govt. account on timely basis otherwise penal action may be taken by the concerned department for delayed deposit of taxes.

List of Taxes collected but not deposited on the due dates:

Income Tax

SUMMARY OF STATUTORY DEDUCTION FOR THE YEAR 2018-19

Summary of Statutory Deductions and deposit amount are as follows				
Sl. No.	Taxes	Deductions	Deposit	Balance
1	SALES TAX	432918	432918	0
2	GST	1509362	1509362	0
3	INCOME TAX	2513313	2513313	0
4	ROYALTY	1387971	1387971	0
5	L. CESS	1106030	1106030	0
	TOTAL	6949594	6949594	0

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 (on time) in depositing statutory dues including tax deducted at source, service tax, VAT/GST, works contract tax, cess payable to the government etc.

Recommendation:

We recommend to the Nagar Parishad to comply with all statutory deduction collection and deposit to concerned government department.

g. Deficiency in Pay-roll System

The pay-roll system does not contain leave details of employee. PF contribution and pension fund contribution of employees are deducted but municipal contribution is not being paid. PF account has not been opened with PF department all the deductions of PF contribution and pension fund contribution are being deposited in a separate account opened by the municipality.

Recommendation:

We recommend to the Nagar Parishad to comply with all provision of payroll system.

h. Utilization of Grant and report on missing Utilization Certificates

Grant Register has not been prepared hence it is difficult to ascertain unutilized grant at any particular time.

Recommendation:

We recommend to the Nagar Parishad to provide the grant register for assist in preparation of utilization certificate.

i. Physical verification of inventory/Stores

Store Register has not been prepared and physical verification of inventory/stores has also not been done.

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:

Advance Register is not prepared hence it is difficult to monitor for advances given and adjustment thereof. However, the list of employees who has taken advances for expenditure and their outstanding balance on March 2018 is provided to us as under:

Advances Details for the Financial Year 2018-19

S. No.	Name of Employee	Balance Amount
		Mar-19
1	Madan Ram	36,000
2	Bhavewsh Kumar Verma	6,000
3	Praful Chandra	41,000
4	Md. Nejam Hussain	38,000
5	Dulari Devi	2,000
6	Krishna Aniket	26,000
7	Ashutosh Kumar Sinha	47,500
8	Ajay Kumar Verma	2,000
9	Vasi Ahmad Ansari	17,000
10	Kunal Raj	27,000
11	Suresh Sah	56,000
12	Veer Bhadur Singh	12,000
13	BrijKishore Singh	34,000
	Total:-	3,44,500

Recommendation:

We recommend to the Nagar Parishad to adjust all the advances within scheduled time.

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

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

Chapter XII: Accounts and Audit

Books and Accounts of the Nagar Parishad has not been maintained as per Municipal Accounting Manual and not placed to auditor appointed by UDHD. However the Nagar Parishad is maintaining only cash book and their subsidiary books.



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 also not available.
 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.
- Holding Tax collected during the FY 2018-19 had not been deposited in full, we found short deposit of Rs.11,407.00/- against total collection of Rs. 3,63,98,267.00/-
 - In case of Tower tax (Registration and Renewal Fees) is not being collected on timely basis as more than Rs.1,42,35,700.00/- is receivable from tower tax as on 31.03.2019.
 - Nagar Parishad is not collecting any advertisement tax.

Demand Register for shop rent has not being maintained by Nagar Parishad. Further all the revenue collections are being deposited in bank account at the quarter ended 31-03-2019.

b. Auditor should Report in a

Field survey of 20 high value properties has been conducted by us and our report as annexed in



<p>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;</p>	<p>Part-A Point-3 of this report.</p>
<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</p> <p>a) Rule 22: All moneys to be brought to account</p> <p>b) Rule: 27: Collections to be deposited into Bank on the same day</p> <p>c) Rule 69: Grant Related Compliance</p> <p>d) Rule 120-121: Monthly Receipt & Payment Account and Trial Balance</p> <p>Rule 130: Audit to be completed & reported within 6 month</p>	<p>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.</p> <ul style="list-style-type: none"> • Till date Double Entry Accounting System is not operational in the Nagar Parishad. • Internal control for collections of revenue from internal sources is not adequate such as : <ul style="list-style-type: none"> i. Demand register is not maintained. ii. All the collections are not deposited in bank account on same day. iii. Monthly Receipt & Payment Account and Trial Balance has not been prepared. iv. Audit of accounts is not completed and report has not been submitted within 6 month.
<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 Housing and Urban Affair) and UD&HD (Urban Development and Housing Department) not provide</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, Sairatetc;</p>	<p>us for Report on compliance of financial guidelines.</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/month. 1. Reconciliation of property tax collection by tax collector and amount deposited into bank is also not available. <p>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.</p>
<p>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.</p>	<ul style="list-style-type: none"> ➤ No irregularities observed on test check basis.
<p>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/-</p>	<ul style="list-style-type: none"> ➤ No irregularities observed on test check basis.
<p>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</p>	<ul style="list-style-type: none"> ➤ Details of UC not provided yet.



<p>Guidelines of such scheme available on the UD&HD website.</p>	
<p>4. Auditor should report instances of losses, failures or inefficiencies and recommendations and/or measures which can be taken to avoid their recurrence in future.</p>	<p>Instances of losses, failures or inefficiencies</p> <ul style="list-style-type: none"> ➤ 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. ➤ Reconciliation of property tax collection by tax collector and amount deposited into bank is also not available. ➤ 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. <p>Recommendations and/or measures which can be taken to avoid their recurrence in future.</p> <p>Proper monitoring of all transactions and implementation of Bihar Municipal Accounting Manual by authorised personals are recommended.</p>
<p>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.</p>	<p>No such irregularities observed on test check basis.</p>
<p>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.</p>	
<p>l. Auditor will report on that the fixed deposit and other funds should be in nationalized banks/Approved financial</p>	<p>No such FD.s held by Nagar Parishad.</p>



institutions and should earn maximum interest at their gestation period.

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	11407.00	Short Deposit against collections.
2	Tower Tax	14235700.00	Non-Recovery/Delay in collection.
3	Shop Rent	1055544.00	Non-Recovery/Delay in collection.
4	Advertisement Tax	--	Nagar Parishad is not collecting any advertisement tax.

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.

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

o. Internal Auditor will ensure that all the C&AG audit & Internal audit Paras has been complied by the ULBs, if not complied the Internal Auditor shall help the ULBs staffs to prepare the compliance report.

➤ Details has been explained in the above para no.-03



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.

Place : Patna
Date :

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

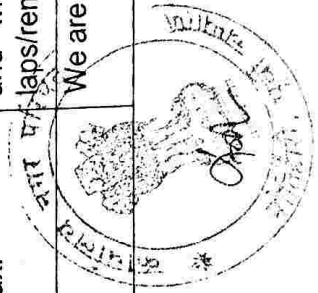

CA. Gokul Kumar Sureka
Partner
M.N.-091380

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Discussion Note for Internal Audit observation of FY 2018-19

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

<u>S. No</u>	<u>Audit Observations</u>	<u>Reply of Management</u>
1.	Copy of Internal audit report of FY 2016-17 has not been available to us for verification and to know status of compliance of outstanding audit paras.	Will be provided soon.
2.	Implementation of DEAS at ULB for the FY 2018-19.	DEAS team has been appointed by the concerned department. Implementation of DEAS is in progress, and pending for approval.
3.	Constitution of "Municipal Accounts Committee" is pending yet.	We are working on the constitution of Municipal Accounts Committee.
4.	<p>a. Tax demand register has not been provided for verification, in such a situation we cannot ascertain the actual tax demanded/dues which can be recovered from a single tax payer. This could be a huge loss to ULB.</p> <p>b. Holding Tax collected during the FY 2018-19 had not been deposited in full, we found short deposit of Rs.11,407/- against total collection of Rs. 3,63,98,267/-</p> <p>c. Property Tax should be deposited on daily basis otherwise a penalty up to Rs. 5000/- may be imposed for delayed deposit.</p>	<p>a) Noted for further compliance.</p> <p>b) Short deposit of Rs. 11,407/- has been deposited in bank.</p> <p>c) Noted for further compliance.</p>
5.	Tower tax (Registration and Renewal Fees) is not being collected on timely basis as more than Rs. 1,42,35,700/- is receivable from tower tax.	Notice will be issue to the concerned person, as and when stay order of High Court will be laps/remove.
6.	ULB is not collecting any advertisement tax.	We are working on it.



7. Demand Register for shop rent has not being maintained by ULB.

Further amount deposited in excess of their collections by Rs. 10,55,544/- which shows lack of internal control in collection and monitoring

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

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

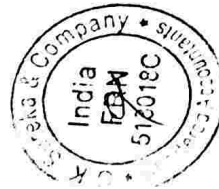
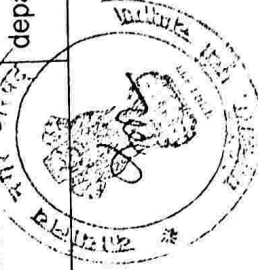
Maintenance of Debit Register is in progress and it will be provided from next time.

Noted for our verification with concern official.

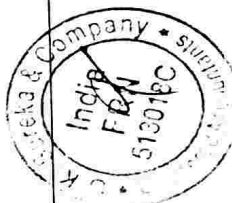
We are working on the preparation of Subsidiary books and Register, few of them is prepared.

Details as bellow.

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

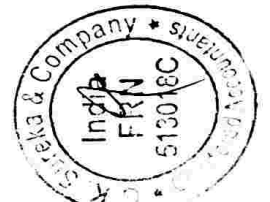
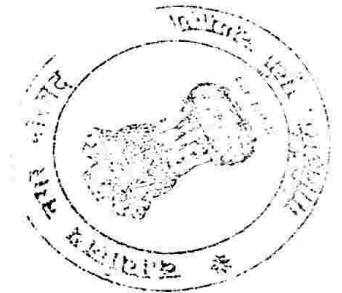


<p>10. We observed that only above mentioned tax/Fee has been collected during the year other taxes have not been collected.</p> <p>i.e.</p> <ol style="list-style-type: none"> Surcharge on transfer of lands and buildings, Tax on deficit in parking spaces in any non-residential building, Water tax, Fire tax, Tax on advertisements, other than advertisements published in newspapers, Surcharge on entertainment tax Surcharge on electricity consumption within the municipal area, Tax on congregations, Tax on pilgrims and tourists, and 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. <p>New Assessment of property tax has not been done since long and holding tax is being collected at old rates.</p>	<p>We are working on it. Taxes and fines will be charged/ collected as soon as possible.</p>
<p>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.</p>	<p>It will be followed from next time. Short Deposit of taxes will be deposited soon.</p>
<p>12. Deficiency in Pay-roll System</p> <ol style="list-style-type: none"> The pay-roll system does not contain leave details of employee. Contribution of permanent employees and employer towards ESI has not being made. 	<p>We are implementing recommendation which has given by Internal Auditor.</p>



13.	Grant Register has not been prepared hence it is difficult to ascertain unutilized grant at any particular time. We recommend to the ULB to provide the grant register for assist in preparation of utilization certificate.	Preparation of Grant Register is in progress. 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.
14.	Store Register has not been prepared and physical verification of inventory/stores has also not been done.	Store register is prepared but not maintained, we are working on it.
15.	Advance Register is not being prepared hence it is difficult to monitor for advances given and adjustment thereof. However, the list of employees who taken advances for expenditure and their outstanding balance on March 2019 has been provided.	It will be followed from next time.
16.	Staff strength of accounts department needs to be increased.	Yes, I will place this matter in meeting board/committee.
17.	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.	It will be provided from next time.
18.	Internal control measure has not been consider by concerned ULB for its operation and transaction.	We are working on the recommendations made by the Internal Auditor.
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.

Date:
Place:



(Signature)
Executive Officer
Nagar Parishad, Motihari